



Financial Market & Economy Update

- India's GDP growth slumped to a three-year low of 5.7% during April-June—lagging China for the second straight quarter—as manufacturing slowed ahead of the GST launch amid demonetisation effect, according to official data released after trading hours on Thursday.
- Factory output grew unexpectedly in August to bring the country's manufacturing sector back into growth zone on surge in new business orders after the GST-related contraction in July, a monthly survey showed. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rebounded to 51.2 in August from a low of 47.9 in the previous month, indicating a substantial turnaround from July's contraction amid confusion over the new GST (Goods and Services Tax) regime.
- Prime Minister Narendra Modi on Friday exhorted tax officials to improve their work-culture, and incorporate both a 'sense of urgency', and 'measurability', in their performance, said a statement issued by the government.
- The central government on Thursday extended the deadline for linking Aadhaar with PAN by four months to December 31 this year. The Income Tax Department had earlier said that the tax returns filed by taxpayers would not be taken up for processing unless Aadhaar was linked with PAN by August 31, the previous deadline.
- India's fiscal deficit at July-end touched 92.4% of the budget mainly because of front loading of expenditure by various government departments.
- The New Development Bank (NDB), set up by the "BRICS" group of emerging economies, aims to make about \$4 billion in loans next year and plans to soon start lending to private sector projects, its president said on Friday.
- Britain's factories grew a lot more strongly than expected in August as work flowed in from home and abroad, a survey showed on Friday, suggesting the economy might be picking up speed after a slow first half of 2017.
- China's trade deficit in services fell to \$21.0 billion in July from \$29.5 billion in June, the foreign exchange regulator said on Thursday.



Equity Market Update

- Market posted third straight weekly rise, registering impressive gains in the week despite heated geopolitical tension. Both the Sensex and the Nifty built on last week's surge to inch closer towards their all-time highs.
- Market sentiment was also boosted after the government said India and China agreed to disengagement at Doklam area.
- The Benchmark Sensex closed by rising 296.17 points to close at 31,892.23, while the broader Nifty settle above the key 9,900-level.
- The Sensex opened higher at 31,756.87, and zoomed to 31,944.10 and a low of 31,360.81 before finishing at 31,892.23, showing a gain of 296.17 points or 0.94%.
- The NSE 50-share Nifty started the week at above the 9,900 mark and traded in the range of 9,783.75 and 9,983.45. The index closed for the week at 9,974.40, up by 117.35 points or 1.19%.
- Foreign institutional investors (FIIs) bought shares worth Rs 24.29 crores during the week, as per Sebi's record including the provisional figure of September 01.
- Broad market depicted strength. The S&P BSE Mid-Cap index rose 2.84%. The S&P BSE Small-Cap index advanced 3.09%. Both these indices outperformed the Sensex.
- Among the S&P, BSE sector and industry indices, realty rose by 4.72%, followed by IPO 3.92%, metal 3.65%, oil&gas 2.60%, auto 2.55%, FMCG 1.82%, capital goods 1.47%, consumer durables 1.35%, healthcare 1.24%, power 0.91%, bankex 0.62%, IT 0.25% and teck 0.18%.
- After an extended holiday weekend, the market started on a positive note with significant gains in Monday's session. However, news of North Korea firing a missile over Japan, shook global markets sending jitters down the investor's minds.



Equity Market Outlook

Global:

- Asian markets will react to Friday's weaker than expected US non-farm payroll data which showed a slight rise in the unemployment rate. ISM Manufacturing climbed to its highest level since 2011. The USD gained and bonds fell after the numbers but USD gains were limited after US Treasury Secretary Mnuchin said that the weaker USD was better for trade.
- The focus of the coming week will be the meeting of the European Central Bank with the Governing Council considering whether to delay its announcement on the tapering of QE to December when the current program is due to expire. That could prove problematic as investors may only have ten days between when the decision is announced and when tapering will start. The recent strength of the Euro may also concern policymakers.
- The ECB will be meeting against a backdrop of continuing low inflation. US Core PCE fell to 1.4% last week, the lowest since Jan 2016, dragging US 10yr yields to

Domestic Markets



Index	01-Sep-2017	25-Aug-2017	% Change
S&P BSE Sensex	31892.23	31596.06	0.94
Nifty 50	9974.4	9857.05	1.19
Nifty Midcap 100	18505.25	17963.95	3.01
Nifty 500	8755.25	8605.75	1.74
S&P BSE Smallcap	16130.12	15646.6	3.09

Global Markets



Index	01-Sep-2017	25-Aug-2017	% Change
Dow Jones	21987.56	21813.67	0.8
Nasdaq	6435.33	6265.64	2.71
S&P 500	2476.55	2443.05	1.37
FTSE 100	7438.5	7401.46	0.5
Shanghai Composite	3367.12	3331.52	1.07
Hang Sang	27953.16	27848.16	0.38

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	27848	27548	300
MF Flows*	11088	6218	4870

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
28-Aug-2017	1909.61	970.01
29-Aug-2017	-716.41	-202.31
30-Aug-2017	1172.52	-52.69
31-Aug-2017	2296.7	89.58
01-Sep-2017	2215.75	103.71

Policy Rates



Key Rates (%)	01-Sep-2017	1 Week Ago	1 Month Ago
Reverse Repo	5.75	5.75	6
Repo	6	6	6.25
CRR	4	4	4
SLR	20	20	20

Key Rates



their lowest levels since the US election. The RBA will also be meeting in the coming week and is likely to keep rates on hold and is also expected to report GDP figures.

- Tensions on the North Korean peninsula will also be grabbing the headlines as the hydrogen bomb testing during the weekend will keep the markets on tender hooks.

Local:

- The Nifty was up 1.2% over the week, performing marginally better than regional markets. Realty and metals were the best performing sectors while banks and IT underperformed. The auto index was up 3% as several auto companies reported strong volume growth. Maruti led the growth with a strong 24% YoY rise in sales volume in August. A strong festive season pick-up would augur well for earnings recovery in 2HFY18.
- The Finance Minister has highlighted that GST collections for July - the first month - were Rs923bn. This number seems robust as it is only 6.5% lower than the budgeted run rate for FY18 for both state governments and the central government put together. Cess collection (to be used for compensation to states with shortfalls in revenues) of Rs72bn appears to be strong too as it would annualise to Rs864bn, much higher than the anticipated shortfall of Rs650bn. Also, the above collections are based on the returns filed by only 64% of all GST assesses so far. The final July tax collections might be materially higher. These are early days and one month of data cannot offer a definite conclusion but directionally the tax collection data is encouraging.
- India's GDP growth in 1QFY18 slowed to 5.7% YoY vs 6.1% in 4QFY17 while GVA was up 5.6% YoY. Both the numbers were lower than consensus expectations. Agri GDP growth normalised to 2.3% vs a spike in 4QFY17. Construction GVA growth of 2.0% YoY (1Q: -3.7% YoY) was better than the exceptionally weak 4Q but the QoQ rebound in growth does not reverse the trend, which is for slower construction growth (since early 2016). Services GVA, up 8.7% YoY (4Q 7.2%), continued to show good growth.

View:

- India remains one of the very few economies which have a good corporate governance structure, strong regulations, stable currency and good economic growth. Now the domestic inflows have brought in an added dimension of strong support to the equity markets. Invest systematically and use corrections to increase the exposure to equities.



Debt Market Update

- Indian government bonds rose for the first time in four weeks, with the benchmark yield posting its biggest decline in seven weeks, as weaker-than-expected domestic growth sparked hopes of future rate cuts.
- The benchmark 6.79% bond maturing in 2027 ended at 102.17 rupees, the highest level since Aug. 9, yielding 6.48%. The note had closed at 101.87 rupees and a 6.53% yield yesterday. On a weekly basis, the benchmark yield fell five basis points, its biggest weekly fall since week ended Jul. 14.
- India's gross domestic product grew 5.7% in April-June, the slowest pace in 13 quarters, as weak manufacturing output and stock clearances ahead of the introduction of goods and services tax crimped overall activities.
- India's Monetary Policy Committee had cut the repo rate by 25 basis points in August, but had warned of risks to its medium-term inflation target of 4%. The central bank's next meeting is on Oct. 4.



Debt Market Outlook

- US 10yr traded in 2.08-2.15% band.
- Indian 10yr moved down by 8bps from 6.57 to 5.49% levels.
- The Q1 FY 17/18 GDP data came at 5.70% much weaker than expected consensus was at 6.50%
- The GDP data lead to short squeeze in the market and lead the 10 yr at 6.49%
- We had a new loan auction and the cut off came bit aggressive for the 14 yr paper at 6.68% at about 18 bip over the 10 yr benchmark
- NFP data was much weaker than expected which lead to the UST 2.10% however it closed at around 2.15%
- RBI announce OMO worth 10k for next week which will keep the yields on hold however despite the 40k additional supply so far yields have been drifting down
- War tension escalate as North korea moves ahead with a test of a hydrogen bomb
- However no asset class in panic as of now however gold showing some initial signs of war premium being discounted in px
- Near term we expect 10yr to trade in 6.45-6.55% band
- Liquidity is easy- CBLO at 6%.

TB	CD	Mfg CP	NBFC CP	PSU NCD	NBFC NCD	
91 Days	6.1%	6.2%	6.2%	6.5%	-	-
1 year	6.25%	6.5%	6.6%	7.1%	-	-
2/3 yrs	-	-	-	-	6.80%	7.30%
5 yrs	-	-	-	-	6.95-7.05%	7.5-60%

Key Rates (%)	01-Sep-2017	25-Aug-2017	% Change
Mibor Overnight	5.9	6.05	-2.48
CALL (O/N)	5.99	5.92	1.18
CBLO	4.7	5.96	-21.14
T Bills Index (12M)	6.23	6.25	-0.32
10 Year GSEC	6.48	6.54	-0.92

Commodity Market



Commodity (INR)	01-Sep-2017	Gain+/-Loss-	% Change
Gold (10 gm)	29456	536	1.85
Silver (1 kg)	39784	1070	2.76
Crude Oil (\$/barrel)	52.75	0.57	1.09

Currency Market



Currency	01-Sep-2017	Gain+/-Loss-	% Change
USD/INR	63.98	-0.09	-0.14
EURO/INR	76.1	0.52	0.69
GBP/INR	82.66	0.72	0.88
JPY/INR	58.1	-0.57	-0.97

10 yrs	-	-	-	-	7.25-7.35	8-8.25%
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Commodity Market Update

Oil Update:

- In global commodity trade, energy markets were roiled on potential output disruptions concerns after Tropical Storm Harvey wreaked havoc along the U.S. Gulf Coast over the weekend.
- The new Brent contract for November delivery was down 26 cents at USD 52.60 barrel. The contract for October, which expired on Thursday, closed up USD 1.52 at \$52.38.
- U.S. West Texas Intermediate (WTI) was down 8 cents at USD 47.15 barrel. The contract rebounded 2.8 % on Thursday but is still heading for a weekly decline of 1.9 %.
- U.S. Gasoline prices hit a two-year high above \$2 a gallon on Thursday.

Gold Update:

- In worldwide trade, Gold climbed tallying a weekly gain of more than 2 %, after a closely watched snapshot of the US job market revealed tepid late-summer hiring and almost no paycheck growth.
- December gold added USD 8.20, or 0.6 %, to settle at USD 1,330.40 an ounce. It marked its highest finish since late September of last year. It climbed 2.5 % for the week.
- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 29,185 per 10 grams from last Friday's closing level of Rs 28,910, it moved in a range of Rs 29,805 and Rs 29,245 before settling at Rs 29,755, revealing a rise of Rs 845, or 2.92 %.
- Pure gold (99.9 purity) also commenced higher at Rs 29,335 per 10 grams compared to preceding weekend level of Rs 29,060, it hovered in range of Rs 29,955 and Rs 29,395 before closing at Rs 29,905, showing a gain of Rs 845 or 2.91 %.



Currency Market Update

- The home currency climbed to hit a fresh three-week high of 63.85 briefly before succumbing to heavy fag-end selloff.
- The dollar index — a measure of the US currency against a basket of six trade-weighted major rivals regained some lost ground to end at 92.82 against 92.47 last week.
- In worldwide trade, the greenback edged higher against a basket of major rivals on Friday after U.S. Jobs data was seen as sufficiently strong to support the possibility of another interest rate increase from the Federal Reserve this year.
- The local currency, however remained firm against the Japanese Yen to conclude at 58.12 per 100 yens from 58.53.
- In the meantime, country's foreign exchange reserves swelled by USD 1.148 billion to a new lifetime high of USD 394.55 billion for the week ended August 25 on the back of a healthy rise in core currency assets.

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