



## Financial Market & Economy Update

- In a major boost for Narendra Modi's Gujarat state election campaign, India's GDP growth sharply rebound to 6.3% in fiscal second quarter July-September from a three-year low in the first quarter.
- The Centre's fiscal deficit during the first seven months (April-October) of the current fiscal was Rs 5.25 lakh crore, or 96.1% of the budgeted target for the current fiscal year that ends in March 2018, higher than Rs 4.99 lakh crore till the previous month.
- India has moved up one place to the 68th spot on the Global Entrepreneurship Index of 2018, which is topped by the US.
- Higher output of steel and fertilisers made India's eight infrastructure sectors grow 4.7% in October same as September last month but lower than the 7.1% growth registered in October last year.
- The government has not waived any loans of big NPA defaulters, Finance Minister Arun Jaitley said on Tuesday dismissing rumour that loans of capitalists are being written off by banks.
- Asian Development Bank (ADB) said it will raise annual funding to India to up to \$4 billion from existing \$2.7 billion, from next year.
- Advisor to the President Ivanka Trump at the Global Entrepreneurship Summit in Hyderabad on November 29, 2017, urged India to close its yawning gender gap in the job market, telling a business summit in her biggest foreign mission yet that this would bring huge economic benefits.
- India's manufacturing activity accelerated in November at the fastest pace in 13 months, which is right before Prime Minister Narendra Modi gave a currency shock to the nation last year. The Nikkei/IHS Markit Manufacturing Purchasing Managers' Index (PMI) in November rose to 52.6 from 50.3 in October. A reading above 50 represents expansion, Reuters reported.
- Retail inflation for industrial workers has risen marginally to 3.24 % in October mainly account of surge in price of food items.
- Global manufacturing expanded at the fastest pace in years last month and the second-best in two decades in the euro zone, driven by robust demand and bolstering the case for central banks to shift to tighter monetary policy.
- Japan's core consumer prices rose in October from a year earlier, marking the 10th straight month of gains, but a narrower measure that excludes energy showed inflation has not accelerated for three consecutive months.
- Growth in China's manufacturing sector unexpectedly picked up in November, despite a crackdown on air pollution and a cooling property market that have been widely expected to weigh on the world's second-largest economy. The official Purchasing Managers' Index (PMI) released on Thursday stood at 51.8 in November, compared with 51.6 in October and comfortably above the 50-point mark that separates growth from contraction on a monthly basis.
- American consumers are feeling confident as the holiday season approaches. The Conference Board says its consumer confidence index hit 129.5 this month, up from 126.2 in October and highest since November 2000.



## Equity Market Update

- The benchmark Sensex tumbled 846.30 points for the week to revisit at 32K-level at 32,832.94, while the broader Nifty ended below the key 10,200- level to close at 10,121.80.
- The market saw largely volatile sessions throughout the week, with first three-days trading range-bound possessed by uncertainty over the September quarter GDP data.
- Finally, the bounce-back in the GDP growth and the brief short-covering gains during start of the week dismantled by caution as bears silently took control, pressured by surge in country's fiscal deficit figure, while renewed tensions in Korean peninsula and F&O expiry added the volatility.
- The Sensex started the week lower at 33,640.51 and hovered between 33,770.15 and 33,797.78 before settling the week at 32,832.94, showing a loss of 846.30, or 2.51 %.
- The Nifty also started the week lower at 10,361.05 and traded in the range of 10,409.55 and 10,108.55 to end at 10,121.80, showing a fall of 267.90 points, or 2.58 %.
- Foreign institutional investors (FIIs) bought shares worth Rs 3,471.90 crore during the week, as per Sebi's record including the provisional figure of December 01.
- The S&P BSE Mid-Cap index fell 177.05 points, or 1.05 %, to settle at 16,757.27. The S&P BSE Small-Cap index fell 7.07 points, or 0.04 %, to settle at 18,017.48.
- Among sectoral and industry indices, Metal declined by 4.00 % followed by IT 3.14 %, teck 2.89 %, bankex 2.69 %, oil&gas 2.65 %, power 1.60 %, auto 1.48 %, healthcare 1.43 %, FMCG 0.71 %, consumer durables 0.70 % and capital goods 0.46 %, while IPO rose by 0.60 % and realty 0.48 %.



## Equity Market Outlook

Global:

## Domestic Markets



Index	01-Dec-2017	24-Nov-2017	% Change
S&P BSE Sensex	32832.94	33679.24	-2.51
Nifty 50	10121.8	10389.7	-2.58
Nifty Midcap 100	19691.7	19984.25	-1.46
Nifty 500	9060.4	9246.05	-2.01
S&P BSE Smallcap	18017.48	18024.55	-0.04

## Global Markets



Index	01-Dec-2017	24-Nov-2017	% Change
Dow Jones	24231.59	23557.99	2.86
Nasdaq	6847.59	6889.16	-0.6
S&P 500	2642.22	2602.42	1.53
FTSE 100	7300.5	7409.64	-1.47
Shanghai Composite	3317.62	3353.82	-1.08
Hang Sang	29074.24	29866.32	-2.65

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	22061	18787	3274
MF Flows*	26067	19224	6843

## F&O FII Trends (Rs. Crs)



Date	Index	Stocks
27-Nov-2017	1251.19	26.62
28-Nov-2017	370.96	-736.29
29-Nov-2017	1242.47	-571.14
30-Nov-2017	1110.86	-2580
01-Dec-2017	879.22	-484.07

## Policy Rates



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

## Key Rates



- The biggest news of the week gone by was the passing of the US tax cut bill. This week will throw more light on the fine print in the bill. Also it needs to be seen how other developed countries react to this as these countries also have been suffering from anaemic growth and can ill afford flight of capital. If this results in a spiral like QE where every country started implementing the same, the benefit of the tax cuts won't be felt as much as is being expected. On the contrary, it can end up impairing the fiscal situation.
- Attention will also move to the US budget as the country faces a potential Government shutdown. Press reports on Friday said that President Trump has indicated that a shutdown "might be good for him". US 3m libor rates reached 1.50% but this was seen as the market pricing in a rate hike probability ahead of the Fed meeting on Dec 14 when a rate hike is expected.
- In China the focus will be on the continuing efforts by the PBOC to deleverage. Inflation figures due next weekend with CPI expected to drop to 1.8%, still well below the 3% target. PPI is expected to drop over 1% from 6.9% to 5.8%. Caixin will release its PMI survey while foreign reserves and trade figures are expected to be reported.

#### Local:

- The Nifty declined 2.6% during the week amidst similar declines in several other regional markets. All sectoral indices were in the red barring realty. Metals and IT were the worst-performing sectors declining 4% and 3%, respectively. Bond yields are trending at the highest level in the past 14 months due to fiscal concerns. The central government's fiscal deficit as of Oct-17 hit 96% of the budgeted number for FY18 and is 13ppt higher vs that in the same period in FY17.
- At Rs833bn, GST collections for October are 9% lower than the earlier trend. The central government has also disclosed for the first time the appropriation of IGST (51% of the monthly GST collections) between the states and the centre. The new disclosure reveals that a large part of IGST was due to inventory build-ups and hence unsustainably high.
- SBI increased rates on bulk deposits (>Rs10m) by 1ppt across different tenures. This was followed by PNB also increasing rates by 50bp. The development comes at a time when bond yields have hardened to the highest in over a year at 7.06% with growing concerns on fiscal slippage. This could imply an end to the current rate easing cycle which will become clearer in the RBI's stance in the policy meet on 6-Dec.

#### 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

- India's fiscal deficit in the first seven months of the current financial year that started on Apr. 1 totalled 5.25 trillion rupees, or 96.1% of the target, widening from 4.24 trillion rupees, or 79.3% of the target, last year.
- The government aims to narrow the budget deficit to 3.2% of the gross domestic product this fiscal year, while the market fears it may miss the target amid revenue shortfall, which may lead to additional borrowing.
- The nation's Monetary Policy Committee will meet on Dec. 5-6 to decide on interest rates amid expectations that it will hold rates at current levels. The rate-setting panel currently has a neutral stance on monetary policy and analysts expect this to remain unchanged.
- The MPC had kept its rates unchanged in October, while citing rising inflation risks. The retail inflation - the MPC's main price gauge - rose 3.58% in October from a year earlier, the fastest pace of price gains since March, hurting expectations of monetary easing in the near term.
- The government is likely to issue a new 10-year bond in this fiscal year ending Mar. 31, but the exact timing will be decided after it auctions the current benchmark note up to three more times, two senior finance ministry officials said.



## Debt Market Outlook

- During last week, India's 10yr gilt was up by flat Week on Week and closed at 7.05%
- Purely from technical a double top is good if the market retraces
- This was one of the most volatile week as the yields rallied twice to 6.90 due to sovereign rating upgrade and OMO cancellation however the rally did not sustain and the yields closed at 7.05%
- The key concern is coming from Fiscal deficit and rising crude oil prices
- The government has maintained that the fiscal will not be breached however as the tax numbers are not adding up therefore concerns remain.
- Week on week the oil Prices are marginally down
- We had GDP data which was marginally softer than the market expectation however this will not impact the market either ways as we have Monetary policy in the coming week.
- We expect the RBI to remain neutral but chances equal to be hawkish or dovish as the deem fit
- Market doesn't have risk appetite to guess the same and therefore will act post policy

Key Rates (%)	01-Dec-2017	24-Nov-2017	% Change
Mibor Overnight	6	5.97	0.5
CALL (O/N)	5.89	5.91	-0.34
CBLO	5.87	5.18	13.32
T Bills Index (12M)	6.27	6.25	0.32
10 Year GSEC	7.06	7	0.86

## Commodity Market



Commodity (INR)	01-Dec-2017	Gain+/Loss-	% Change
Gold (10 gm)	29236	-263	-0.89
Silver (1 kg)	37795	-1543	-3.92
Crude Oil (\$/barrel)	63.18	-0.68	-1.06

## Currency Market



Currency	01-Dec-2017	Gain+/Loss-	% Change
USD/INR	64.43	-0.3	-0.46
EURO/INR	76.49	-0.23	-0.3
GBP/INR	86.8	0.76	0.88
JPY/INR	57.46	-0.61	-1.05



## Commodity Market Update

### **Brent Crude Oil Update:**

- In global commodity trade, crude prices spiked higher, heading toward fresh 2-1/2 year highs after two key crude producing nations agreed to limit their output through the end of 2018.
- International benchmark Brent crude surged USD 1.11, or 1.8 %, to USD 63.74, not far off last month's high of USD 64.65 that marked the best intraday level since June 2015.

### **Gold Update:**

- In worldwide trade, gold finished with losses for the second week in a row.
- February gold climbed USD 5.60, or 0.4 %, to settle at USD 1,282.30 an ounce.
- For the week, the contract was down about 0.7 % but based on the most-active contracts, it was down roughly 0.4 % from the December contract's finish at USD 1,287.30 a week ago.
- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 29,495 per 10 grams from last Friday's closing level of Rs 29,440, later it drifted down to settle at Rs 29,250, revealing a loss of Rs 190, or 0.65 %.
- Pure gold (99.9 purity) also commenced higher at Rs 29,645 per 10 grams compared to preceding weekend level of Rs 29,590, later fell to close at 29,400, revealing a fall of Rs 190 per 10 grams, or 0.64 %.
- Silver ready (.999 fineness) opened lower at Rs 39,325 per kilo gram from last Friday's closing level of Rs 39,335 and dropped further to finish at Rs 38,070 showing a loss of Rs 1,265 per kilo, or 3.22 %.



## Currency Market Update

- Mounting a strong rally, the home currency settled with a smart 24 paise gain the third-straight week and ended at a fresh two-month high of 64.46 against the beleaguered dollar even as S&P kept India's credit rating unchanged.
- Expectations of robust capital inflows against the backdrop of Moody's recent sovereign rating upgrade for India largely kept forex market sentiment buoyant despite impending Fed rate hike concerns and surging crude prices.
- Heavy unwinding of dollars by some foreign banks and corporates also supported the upbeat trend.
- At the Interbank Foreign Exchange (forex) market, the rupee resumed soft at 64.71 from last Friday's close of 64.70 and drifted further to a low of 64.83 due to strong month-end dollar demand.
- However, overcoming the initial wobble, the local currency staged a spirited recovery to hit a high of 64.27 before ending at 64.46, revealing a smart rise of 24 paise, or 0.37 %.
- In the meantime, country's foreign exchange reserves reclaimed the USD 400-billion mark again, rising by USD 1.208 billion to touch USD 400.741 billion in the week to November 24, according to the weekly data from the Reserve Bank.
- The dollar index, which tracks the greenback against six major currencies, was a tad higher at 92.81 against 92.79 previously.

### ***Disclaimer***

The information contained in this material are extracted from different public sources and does not represent views/opinions of Kotak Mahindra Asset Management Company Limited or its associated companies. Kotak Mahindra Asset Management Co Ltd does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication. This is not a sales literature and all the information is for the information of the person to whom it is provided without any liability whatsoever on the part of Kotak Mahindra Asset Management Co Ltd or any associated companies or any employee thereof.

### ***Risk Factors***

Mutual fund investments are subject to market risks, read all scheme related documents carefully.