



## Financial Market & Economy Update

- In economic news, data from Markit Economics showed Indian services sector activity to have weakened in April 2017. The headline seasonally adjusted Nikkei Services PMI Business Activity Index was down at 50.2 in April, from 51.5 in March.
- Another data from Markit Economics showed manufacturing conditions in India to have improved for a fourth straight month. The headline Nikkei India Manufacturing Purchasing Managers' index remained unchanged at 52.5 in April as in March.
- Data from the government showed the combined index of eight core industries comprising nearly 38% of the weight of items included in the Index of Industrial Production stood at 202.9 in March 2017, up 5% compared to the index of March 2016.
- Meanwhile, the US-based credit rating agency, Fitch has kept India's sovereign rating unchanged at 'BBB-', the lowest investment grade with stable outlook. The leading rating agency, however, expects India's growth rate to accelerate to 7.7% in fiscals 2017 and 2018, from 7.1% in fiscal 2016.
- The government is eyeing close to Rs 30,000-crore investment for expansion of LPG production and distribution network in next three years as it widens cooking gas coverage by giving out a record number of connections. The RBI and the government will continue to work together on quickly resolving stressed assets, says the Finance Minister.
- India on Friday tweaked its laws to help tackle the record \$150 billion in troubled bank debts, giving its central bank greater power to identify and enforce resolution on specific soured loans.
- Indian Railways' capital investments rose 19% to Rs 1.12 lakh crore in 2016-17. Coming as it does on top of a steep and unprecedented 59% surge in capex in the previous year, the transporter has indeed helped the economy's investment rate improve marginally from the third quarter of last fiscal.
- China-sponsored Asian Infrastructure Investment Bank on Tuesday approved USD 160 million loan for a power project in Andhra Pradesh, the first credit from the bank for an Indian project.
- Defending its biometric identification system, the government on Tuesday told the Supreme Court that it can use Aadhaar for 'all and sundry' and its use can't be restricted to what is prescribed under the Aadhaar Act.
- Britain will not be paying 100 billion euros to leave the European Union, Brexit minister David Davis said on Wednesday after the Financial Times reported that the EU was preparing to demand that amount.
- The pro-EU centrist Emmanuel Macron has won the French presidency in a decisive victory over the far-right Front National leader, Marine Le Pen, and vowed to unite a divided and fractured France.



## Equity Market Update

- Despite opening on a buoyant note on positive global cues, the market ended the session on a flat note on Tuesday, after an extremely sluggish mid-session. After taking a breather of sorts on the last two sessions of the previous week, the bulls came back to the ring after an extended weekend, but moved away to the side lines not long thereafter. The Sensex ended up 2.78 points and the Nifty50 ended 9.75 points up.
- After opening on a firm note and rising nearly 100 points in early trades, the Sensex retreated and despite bouncing back around early afternoon, faltered and ended with a loss of 26.38 points. The Nifty50 edged down 1.85 points.
- Hectic buying in the banking space after the Cabinet gave its nod to making amendments to Banking Regulation Act lifted key Indian stock indices Sensex and the Nifty50 to a buoyant close on Thursday.
- A fairly steady trend in major European markets, amid good earnings reports and expectations of a victory for Emmanuel Macro in the French Presidential Election triggered buying interest. The Sensex ended up 231.41 points and the Nifty50 added 47.95 points.
- Save for a few minutes at the start, when the Sensex very nearly hit a new high and the Nifty50 posted a new record, the market was down in the red on Friday. The Sensex ended the day with a loss of 267.41 points, while the Nifty50 ended down 74.60 points after hitting a new high at 9377.10.
- Investors were mostly tracking quarterly earnings reports other corporate news for direction. The Sensex ended the week with a loss of 59.60 points or 0.19% to settle at 29,858.80. The Nifty50 ended down 18.75 points or 0.2% at 9285.30, after posting a new all-time high at 9377.10. The BSE Midcap and Small cap indices edged lower by 0.5% and 0.1%, respectively.
- Among the sectoral indices, Metal dropped by 4.08 % followed by Healthcare 2.15 %, Oil & Gas 1.78 %, Auto 1.19 %, Power 1.17 %, and Capital Goods 1.00 %. However, Consumer Durable rose by 2.12, Realty by 1.67 %, Bankex by 1.40 % and IT 1.36 %.
- Meanwhile, European stock markets moved higher as French presidential front-runner Emmanuel Macron was viewed as the winner of a crunch election debate ahead of Sunday's run-off vote.
- Figures from the National Securities Depository (NSDL) revealed that foreign portfolio investors (FPIs) off-loaded equities worth Rs 1,680.40 crore, or \$261.70 million, during May 2-5.

## Domestic Markets



Index	05-May-2017	28-Apr-2017	% Change
S&P BSE Sensex	29858.8	29918.4	-0.2
Nifty 50	9285.3	9304.05	-0.2
Nifty Midcap 100	18048.6	18086.45	-0.21
Nifty 500	8193.25	8214.3	-0.26
S&P BSE Smallcap	15355.84	15372.51	-0.11

## Global Markets



Index	05-May-2017	28-Apr-2017	% Change
Dow Jones	21006.94	20940.51	0.32
Nasdaq	6100.76	6047.61	0.88
S&P 500	2399.29	2384.2	0.63
FTSE 100	7297.43	7203.94	1.3
Shanghai Composite	3103.04	3154.66	-1.64
Hang Sang	24476.35	24615.13	-0.56

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	20346	22027	-1681
MF Flows*	5442	4441	1001

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



Date	Index	Stocks
02-May-2017	79.15	-31.08
03-May-2017	1180.7	-324.03
04-May-2017	888.87	516.67
05-May-2017	711.79	-575.62
31-Dec-1899	0	0

## Policy Rates



Key Rates (%)	05-May-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	6	5.75
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20.75	20.75	20.75

## Key Rates





## Equity Market Outlook

### Global:

- The US market has now almost completely priced in a rate hike in June. Despite this, the DXY fell to its lowest level since mid-November and Global Central Bank liquidity remains near record highs.
- China reported that FX reserves had risen more than expected to \$3030bn. China will report a raft of macro numbers in the coming week including trade figures, inflation numbers, new loans, money supply and FDI. Chinese PPI figures are expected to turn down lower as base effects wash out and commodity prices fall. The Shanghai Composite index fell to its lowest level since January as the market became more concerned about policy tightening and deleveraging.
- The Bank of England, Bank Philippines and Bank Negara Malaysia will be meeting in the coming week and are expected to keep policy unchanged. In the US, inflation figures will be reported while retail sales are likely to return to growth. Foreign ministers from the US and Russia will meet in Alaska.
- Oil prices bounced on Friday after non-farm payroll data after reaching oversold RSIs. Crude oil futures fell over 5% last week. US 10yr bond yields climbed close to a 1 month high. The fall in oil prices has not so far been followed by credit markets.

### Local:

- The Nifty was down 0.2% during the week, underperforming the regional markets. The Realty Index was up 2% and is up 36% over the last three months, as RERA became effective from 1 May. The Metal Index was down 4% during the week as global commodity prices declined. Although off headlines, GST continues to make progress towards a 1-July rollout with eight state governments passing State GST bills. The next GST Council meeting on 18-19 May could see the important rate fitment exercise being done.
- Madhya Pradesh (MP) has changed its financial year to January-December from Apr-Mar which will be applicable from 2018 onwards. Last week, PM Modi at the Niti Aayog meet had highlighted the need to change India's fiscal year to Jan-Dec, stressing that the budget should be prepared immediately after the receipt of agriculture income for the benefit of farmers.
- The Government has cleared an ordinance that could authorise the RBI to take steps for resolution of stressed loans. Firstly, the RBI now can ask banks to initiate insolvency proceedings in case of defaulting borrowers. Secondly, the RBI can issue directions to banks/ authorise setting-up of oversight committees for resolution of stressed loans (RBI can also appoint members).
- Of the 30 companies that have reported 4Q numbers so far, 50% have been ahead of estimates and 40% below. However, 36% have seen upgrades in FY18 earnings and 37% have seen downgrades.

### View:

- We have been reiterating that correction in Indian equity markets should be used as an opportunity to add to the equity exposure as 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.



## Debt Market Update

- Indian sovereign bonds rose, as a plunge in crude oil prices raised expectations of a slower pace of price gains in Asia's third largest economy.
- Retail inflation, a key gauge for the rate-setting MPC, quickened to a five-month of 3.81% in March on costlier fuel.
- Capital Economics expects inflation to ease to 3.60% in April, due to easing transport inflation. Retail inflation data for April is expected next week.
- The Reserve Bank of India's continued measures to mop up liquidity from the banking system and increased odds of U.S. Federal Reserve rate hike next month had dampened sentiment this week.
- The central bank has withdrawn 950 billion rupees through issuance of notes under market stabilisation scheme and cash management bills since Apr. 17. The RBI will issue MSS notes worth another 250 billion rupees on May 8.
- The U.S. jobs data for April is due later. Economists polled by Reuters expect an addition of 185,000 jobs last month. The data comes after the Fed shrugged off a slowing first quarter growth as "transitory", anticipating labor market conditions will "strengthen somewhat further".



## Debt Market Outlook

- During last week, 10 year government bond were trading at the band of 10-20 paise between 6.83 to 6.68%.
- With outstanding stock of approx 90k cr, there would be no more issuance of current 10 year, Therefore the new 10 year issuance likely to be announced this week.
- Us 10 Year moved up from 2.29% to 2.36%. This was due to,
- FOMC meeting statement acknowledges the slowdown of the US economy in the first quarter but calls it a transitory affect.
- Probability of June rate hike increased from 70% to 90%
- Oil market was volatile last week. Week on week the oil price were down from \$51.5 to \$47 per barrel. Oil closed at \$49 per barrel.

Key Rates (%)	05-May-2017	28-Apr-2017	% Change
Mibor Overnight	6.24	6.18	0.97
CALL (O/N)	6.02	6.03	-0.17
CBLO	5.64	5.73	-1.57
T Bills Index (12M)	6.44	6.41	0.47
10 Year GSEC	6.94	6.96	-0.29

## Commodity Market



Commodity (INR)	05-May-2017	Gain+/Loss-	% Change
Gold (10 gm)	28184	-652	-2.26
Silver (1 kg)	38123	-1919	-4.79
Crude Oil (\$/barrel)	49.1	-2.63	-5.08

## Currency Market



Currency	05-May-2017	Gain+/Loss-	% Change
USD/INR	64.31	0.09	0.14
EURO/INR	70.6	0.72	1.03
GBP/INR	83.13	0.3	0.36
JPY/INR	57.37	-0.35	-0.61

- If crude falls further, it will be positive for the market.
- Liquidity is easy in the system with CBLO trading at 6.25%
- With next week last tranche of 25kcr CMBS, liquidity would settle in 3-3.5lakh crs band.
- Post Policy and Post liquidity sucking out measures : Short Term rates have moved up by 10-20 bps.
- 2/3 MCD is trading at 6.4%, 2/3 NBFC is at 6.75%, 1 year CD is trading at 6.7%, 1 year NBFC is trading at 7.4%, 2/3 PSU is trading at 7.30%-7.40%, 5 year PSU is at 7.40%-7.6% and 2 Year NBFC is at 7.70%-7.90%.



## Commodity Market Update

### Crude Update :

- The plunge in crude oil markets this week to a six-month low was likely driven by worries about Chinese economic growth, persistently high inventories and fund positioning. U.S. crude oil slumped by 5.0 % to a low of \$45.29 a barrel on Thursday, the lowest since November, when the Organization of Petroleum Exporting Countries agreed to curb production by 1.8 million barrels per day for six months from Jan. 1.
- However, Friday saw a 1.5 % bounce helped by assurances by Saudi Arabia that Russia is ready to join OPEC in extending supply cuts to reduce a persistent glut.
- Doubts that the OPEC-led supply cut of the past few months are deep enough to draw down bloated storage levels around the world are also weighing on prices. U.S. crude stockpiles fell less than expected last week as rising U.S. production offset reduced supply from OPEC. As a result, oil traders may have finally given up on an early rebalancing of inventories in the crude market by OPEC.
- Brent's flat price rose by around \$10 per barrel, or more than 20 %, and the market structure swung from contango into backwardation.
- Global crude inventories have not fallen as fast as OPEC or the hedge funds anticipated, putting the understanding under pressure.

### Gold Update :

- Gold demand in Asia rose this week, helped by a correction in prices, but traders said some buyers have held back from purchases while they wait for bullion prices to drop further.
- Gold prices in India have been at a premium over the last couple of weeks due to stronger demand for the annual Hindu and Jain holy festival of Akshaya Tritiya and the recent dip in global rates have further boosted the appetite.
- In the local market, gold futures were trading around 28,238 rupees per 10 grams on Friday, down more than 2 % compared to last week.
- The benchmark spot gold price is poised to end the week down about 3 %, the biggest %age fall since the week ending Nov. 11.
- Dealers in India were charging a premium of up to \$2 an ounce this week over official domestic prices, compared to a premium of \$1.50 last week. The domestic price includes a 10 % import tax.
- In the first quarter of 2017, Indian demand rose 15 % from a year ago, the World Gold Council said in a report earlier this week.
- In top consumer China, premiums rose to \$12 an ounce over the international benchmark, from \$8 to \$10 last week. In Singapore, gold premiums were between a 70 cents to \$1 range, compared with a 50 cents to 80 cents premium last week.
- In Japan, however, demand this week remained limited due to national holidays with gold being sold at a discount of 25 cents.



## Currency Market Update

- The rupee fell back from a near 21-month high against the US currency and ended lower at 64.38 on fresh bouts of dollar demand from importers and corporates amid shadowing global commodity crash.
- Snapping a brief recovery, the home currency ended the week with a loss of 14 paise. This is the lowest closing in two weeks.
- A massive rout in global commodity and oil prices took grip on trading sentiment even as traders preferred to stay on the sidelines and avoided taking and long positions amid fallout from Federal Reserve meet.
- Sluggish local equities along with modest amounts of capital outflows too weighed on currency trade as foreign funds offloaded USD 88.29 million, according to provisional data from exchanges.
- Trading was locked in tight ranges throughout the sessions amid uncertainty over the timing of an interest rate hike from the Federal Reserve. Maintaining its bullish momentum against the dollar, rupee resumed firmly higher at 64.12 against last Friday's closing value of 64.24 at the Interbank Foreign Exchange market (forex) here on the back of adequate dollar supplies.
- It further gained strength to hit a fresh multi-year high of 63.9975 before sliding back under intense global volatility. Later, the home unit touched a low of 64.39 before ending at 64.38, showing a loss of 14 paise, or 0.22 %.
- In worldwide trade, the US dollar ended the week trading at its lowest levels of 2017 despite positive macro outcome even as data showed US jobs growth rebounded sharply.
- The dollar index a measure of the US currency against a basket of six trade-weighted peers ended weak at 98.42 from last weekend level of 98.89.

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### ***Risk Factors***

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