



Financial Market & Economy Update

- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to a four-month low of 50.9 in June, from 51.6 in May, signalling a subdued improvement in the manufacturing sector.
- Now, foreign tourists can book train tickets 360 days in advance from abroad instead of the present 120 days.
- GST impact: Over 200 senior Central government officers have been tasked with monitoring district-level implementation of Goods and Service Tax with a focus on resolving difficulties faced by consumers.
- Among the positives from domestic turf, the services sector activity rose to an 8-month high of 53.1 in June, the Nikkei India PMI survey said on Wednesday.
- The Department of Industrial Policy and Promotion (DIPP) has convened a meeting of 11 ministries including finance on July 13 to discuss the new system of approval of FDI proposals.
- Consumer Affairs Minister Ram Vilas Paswan today warned of a fine of up to Rs 1 lakh, including a jail term, if new post GST rates are not printed on the inventory in the interest of consumers.
- The prices of energy efficient appliances — LED bulb, tubelight and fan — being distributed under the UJALA scheme are now available at uniform rates after the implementation of the Goods and Service Tax.
- Japan is keen to get involved in more initiatives, including 'viable connectivity projects' in the North-East in states such as Assam, Meghalaya and Manipur, to boost trade between the two sides.
- Australia's central bank held interest rates at a record low today as the economy endures a soft patch while wage growth stutters, shunning indications of a move to tighter monetary policy elsewhere.
- Energy-rich Qatar said Tuesday it plans to increase natural gas production by 30 % over the next several years, as it faces pressure from its neighbours in a diplomatic crisis.
- Japan and the European Union have formally agreed an outline free trade deal which will ease the movement of goods between two of the world's largest economies.



Equity Market Update

- The benchmark indices saw biggest weekly gain since late May, soaring 439.02 points to finish at 31,360.63, while broader Nifty snapped its three-week losing streak, garnering 144.90 points to close 9,665.80.
- The week saw investors giving green signal to the Nation's new apparatus of tax regime the historic goods and Service tax, a sweeping tax reform that would give substantial edge over economy, while drawing big investment into the country, the GST push saw a sharp rally in key FMCG stocks.
- After opening the week at 31,156.04, it marked a peak of 31,460.70 and a low of 31,017.11 before closing the week at 31,360.63, showing a gain 439.02 points and 1.42 %.
- The Nifty started the week at 9,587.95 and traded in the range of 9,700.70 and 9,543.55. The Nifty index finally closed at 9,665.80, up 144.90 points or 1.52%.
- Foreign Institutional Investors (FIIs) sold shares worth Rs 1,845.62 crore during the week, as per Sebi's record including the provisional figure of Jul 07.
- The broader market also depicted strength. The S&P BSE Mid-Cap index jumped by 297.29 points or 2.03% to settle at 14,941.77 and the S&P BSE Small-Cap index surged by 420.24 points or 2.73% to settle at 15,830.76. Both these indices outperformed the Sensex.
- Among sectoral and industry indices, realty rose by 5.54 % followed by Metal 3.41 %, FMCG 2.48 %, oil&gas 2.23%, auto 1.76%, healthcare 1.36 %, capital goods 1.25 %, bankex 0.84 %, power 0.27%, consumer durables 0.11 % and teck 0.08%. While, IT was the sole loser, losing 0.48%.
- Global markets turned negative following spurt in tensions on the Korean peninsula after North Korea launched long-range ballistic missile, also nervous of monetary-tightening remarks from key central banks.
- However, the week's US Federal Reserve June meeting minutes which fuelled uncertainty on the rate hike, as the minutes witnessed lack of consensus to deal with the balance sheet and inflation, it underscored the FII capital outflows from emerging markets, bolstering domestic investors sentiment.



Equity Market Outlook

Global:

- The week ahead will continue to be dominated by the outlook for Global Central Bank balance sheets and the implications for global risk assets. Liquidity driven names and tech shares have recently been weaker over concern that policy may be getting tighter. The shakeout in bond markets was seen as mainly a function of overpositioning in bonds and seemingly hawkish commentary from the Fed.

Domestic Markets



Index	07-Jul-2017	30-Jun-2017	% Change
S&P BSE Sensex	31360.63	30921.61	1.42
Nifty 50	9665.8	9520.9	1.52
Nifty Midcap 100	18258.45	17729.75	2.98
Nifty 500	8479.45	8331.6	1.77
S&P BSE Smallcap	15830.76	15410.52	2.73

Global Markets



Index	07-Jul-2017	30-Jun-2017	% Change
Dow Jones	21414.34	21349.63	0.3
Nasdaq	6153.08	6140.42	0.21
S&P 500	2425.18	2423.41	0.07
FTSE 100	7350.92	7312.72	0.52
Shanghai Composite	3217.96	3192.43	0.8
Hang Sang	25340.85	25764.58	-1.64

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	21478	21347	131
MF Flows*	12453	8954	3499

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
03-Jul-2017	225.2	1115.79
04-Jul-2017	456.02	252.99
05-Jul-2017	621.03	801.14
06-Jul-2017	972.52	992.49
07-Jul-2017	-326.77	315.91

Policy Rates



Key Rates (%)	07-Jul-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	6	6
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20	20	20.5

Key Rates



- With the EURUSD approaching 1.15, the expected limit of the EUR under the 2016 Shanghai accord, markets will be watching to see if the ECB and others continue with their rhetoric. Fed Chair Yellen will be appearing before the Senate finance and banking committees and may give indications as to when the Fed will start reducing its balance sheet. The formal announcement may come as early as the Fed meeting on July 27. Fed Governors continue to insist on another rise in rates and a reduction in the balance sheet later this year but the recent Fed minutes indicated some concern over inflation.
- Markets will initially react to the outcome of this week's G20 summit in Hamburg where there are likely to be frictions over trade policy and military hotspots including North Korea and Syria. Following border tensions, the leaders of China and India declined a bilateral meeting at the G20 meeting saying it was "inappropriate". Relations between the US and Germany may be a focus. The meeting also saw Presidents Trump and Putin to take the opportunity to meet with each other.
- The financial focus of markets in the coming week ahead is likely to remain on the bond markets. 10yr bond yields globally are near their highest in nearly three months after policymakers in Europe, the US, the UK and others indicated that they wanted higher rates. US 10yr bond yields climbed close to 2.40% while German 10yr bonds climbed to 57bps, their highest level for eighteen months.
- On Friday, the US reported that non-farm payrolls rose by 222k, beating expectations of 178k, although the unemployment rate rose to 4.4%.

Local:

- After underperforming regional markets for three consecutive weeks, the Nifty was the best-performing market this week, up 1.5%, as the GST rollout turned out to be smooth. Most sectors were in the black, with real estate and metals up 6% and 3%, respectively. Flows into the equity market remained strong, with net domestic mutual funds inflows at US\$1.8bn in Jun-17, which should continue to support premium valuations. We expect an adverse impact on domestic companies' 1Q results due to GST but this is likely to be short-lived.
- The central govt has budgeted for 6% expenditure growth in FY18 but lack of gains from demonetisation/Income Disclosure Scheme and a possible shortfall in telecom revenue could create pressure on revenue collection. Other than a possible uptick due to GST, the govt would look to achieve its disinvestment target. The budgeted amount of Rs725bn, +59% YoY (Rs75bn done YTD) is ambitious but an increased focus on it is visible. After announcing plans to divest Air India, media reports say the govt is likely to consider a 51% stake sale in HPCL to ONGC for over Rs260bn.
- One important announcement on Friday was the release of circular by SEBI mandating that ODIs against derivatives can be issued only if it is one on one hedge. The remaining derivatives exposure against ODIs need to be wound down by the maturity date of the ODI or Dec, 2020, whichever is earlier. This is bound to cause movement in a lot of stocks as the FPIs rush to cover their derivatives positions.

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.

Key Rates (%)	07-Jul-2017	30-Jun-2017	% Change
Mibor Overnight	6.17	6.25	-1.28
CALL (O/N)	6.09	6.11	-0.33
CBLO	4.95	6.05	-18.18
T Bills Index (12M)	6.33	6.35	-0.31
10 Year GSEC	6.53	6.51	0.31

Commodity Market



Commodity (INR)	07-Jul-2017	Gain+/Loss-	% Change
Gold (10 gm)	28135	-647	-2.25
Silver (1 kg)	36860	-1636	-4.25
Crude Oil (\$/barrel)	46.71	-1.21	-2.53

Currency Market



Currency	07-Jul-2017	Gain+/Loss-	% Change
USD/INR	64.73	-0.01	-0.02
EURO/INR	73.88	-0.12	-0.16
GBP/INR	83.88	-0.38	-0.45
JPY/INR	56.94	-0.84	-1.45



Debt Market Update

- The prices of energy efficient appliances — LED bulb, tubelight and fan — being distributed under the UJALA scheme are now available at uniform rates after the implementation of the Goods and Service Tax.
- The Reserve Bank of India sold bonds worth 100 billion rupees this week through an OMO, in a bid to absorb some of the excess liquidity in the banking system. The timing of the auction surprised traders, which led to a selloff in bonds.
- The benchmark yield stabilized around 6.55% levels, as private and state-run banks bought notes intermittently, even as foreign investors sold bonds amid a rise in yields in the U.S. and other developed markets.
- There are still chances of another U.S. Federal Reserve rate hike. The yield on the 10-year U.S. Treasury note touched a two-month high of 2.39% yesterday, up from the low of 2.16% seen on Jun. 26.
- Meanwhile, India's Monetary Policy Committee is widely expected to cut its benchmark policy rate by 25 basis points at its August meeting, as inflation is expected to extend its fall to a record low in June from 2.18% on year in May. Inflation data is expected on Jul. 12.



Debt Market Outlook

- Week on week basis the 10 yr paper was down by 20 Paise and the 12 year paper was down by 35 Paise
- Market opened the week, with 10 yr touching 6.6% post announcement of OMO.
- However market interpreted that OMO was to suck out liquidity and would be conducted in a non disruptive manner with only short bonds being issued led to buying in bonds and 10 yr bond closed at 6.55% on the same day
- Post that the entire week the 10 yr was trading in the 6.51-6.55%
- Global Bond yields spiked during last week. Us yields moved up by 5 bps and German bond yields moved up by 10 bps
- Crude oil prices traded in the band of 46-48\$ per barrel
- On Friday evening, RBI announced OMO of 10 k for 20th July value date. We believe RBI will conduct OMO to the tune of 50k and frequency could be 2 times a month

- Next week CPI number for the month of June 17 will be released. Number is expected to be sub 2%.
- As of now market is pricing in a 25 bps rate cut in Aug 17 and we think 10 yr at 6.40-6.45 band price in 25 bps rate cut
- From here till policy we expect 10 yr to trade in the 6.40-6.55% band
- Short term rates up to 2 yr would trend lower by 10-15 bps from here till August policy



Commodity Market Update

Crude Oil Update:

- U.S. West Texas Intermediate and internationally-favored Brent crude oil futures finished lower last week, driven down by a change in the same factors that drove them up the previous week – U.S. production and the U.S. rig count.
- Oil prices fell sharply on Friday to log their sixth weekly loss in the past seven weeks, as concerns over a glut in the market continued to weigh on sentiment.
- The U.S. West Texas Intermediate crude August contract tumbled \$1.29, or around 2.9%, to end at \$44.23 a barrel by close of trade Friday. It touched its lowest since June 28 at \$43.78 earlier.
- Elsewhere, on the ICE Futures Exchange in London, Brent oil for September delivery sank \$1.40, or 2.9%, to settle at \$46.71 a barrel by close of trade, after touching a two-week low of \$46.28 earlier in the session.
- For the week, WTI lost \$1.81, or about 3.9%, while Brent fell \$2.06, or roughly 4.2%, their sixth such loss in seven weeks.

Gold Update:

- Traders said apart from a weak trend overseas, drop in demand from local jewellers and retailers at domestic market mainly pulled down gold and silver prices.
- The yellow-metal shed a whopping 2.46 % in its second week downside, or Rs 705 per 10 grams.
- Elsewhere, silver slumped below the significant Rs 37K mark due to heavy speculative selling coupled lack of demand from industrial users.
- The white-metal plunged 5.55 % in its first weekly fall, or Rs 2,170 per kg.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 28,340 per 10 grams from last Friday's closing level of Rs 28,620, it plunged to a low at Rs 28,035, before recovering to settle at Rs 28,085, revealing a loss of Rs 535, or 1.87 %.
- Pure gold (99.9 purity) also commenced lower at Rs 28,490 per 10 grams compared to preceding weekend level of Rs 28,770 and later fell to Rs 28,185 before finishing at Rs 28,235, revealing a fall of Rs 535 per 10 grams, or 1.86 %.
- In worldwide trade, Gold prices dropped to their lowest finish in about four months, adding to a weekly loss, as a relatively solid job-market snapshot for June backed expectations for higher US interest rates this year.



Currency Market Update

- Staging a spectacular recovery from initial steep volatility, the home currency settled at 64.60 per dollar, showing a mere loss of two paise.
- The rupee, bruised by the Fed-inspired sell-off, plunged sharply to hit an over one-month low of 64.90 on Monday amid impending Fed rate hike worries.
- The local unit resumed substantially lower at 64.65 from last Friday's closing value of 64.58 at the Interbank Foreign Exchange (Forex) market.
- It kept descending, weighed down by geopolitical uneasiness and touched a fresh low of 64.90 on frantic dollar pressure.
- However, the local unit took a sudden U-turn and staged a stunning rebound towards the fag-end trade to touch a high of 64.57 before settling at 64.60, revealing a nominal loss of 2 paise, or 0.03 %.
- The rupee has depreciated by a whopping 36 paise against the dollar for the fourth-straight week.
- Foreign funds remained net sellers in cash market with net cash outflow of USD 204.25 mln as per provisional data from stock exchanges.
- The country's forex reserves touched a new record-high of USD 386.539 billion after it rose by USD 4.007 billion in the week to June 30, due to an increase in foreign currency assets (FCAs), the RBI said.
- The RBI, meanwhile fixed the reference rate for the USD at Rs 64.7342 and Euro at Rs 73.8811, respectively.
- The dollar index — a measure of the US currency against a basket of six trade-weighted peers ended modestly higher at 95.78 as against 95.39 previously.

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