

Weekly Market Update



Financial Market & Economy Update

- Commerce and Industry Minister Suresh Prabhu on Tuesday let out more incentives while unveiling the mid-term review of the Foreign Trade Policy 2015-20 with a view to boosting exports.
- The Nikkei India Services PMI shows that private sector activity in the services sector contracted in November, with the reading falling to 48.5 from 51.7 in October.
- The Reserve Bank of India kept the repo rate unchanged on Wednesday at 6% in its latest credit and monetary policy review, as was widely expected given the concerns on the rising headline inflation and firm global crude oil prices.
- The RBI said on Wednesday that it expects retail inflation to be in the 4.3-4.7 % range during the second half of the current fiscal, marginally higher than projected earlier, on account of global crude oil prices and implementation of the 7th Pay Commission recommendations.
- Aadhaar card linking with PAN card last date: Government extends date to 31st March, 2018.
- The Reserve Bank on Wednesday retained economic growth projection for 2017-18 at 6.7 % saying that the risks are evenly balanced.
- On Wednesday, the Reserve Bank of India (RBI) said it will limit the Merchant Discount Rate (MDR) on debit card transactions to provide a fillip to digital payment. MDR is the rate charged to a merchant by a bank for providing debit and credit card services.
- The United Arab Emirates on Tuesday announced it has formed a new economic and partnership group with Saudi Arabia, separate from the Gulf Cooperation Council, a move that could undermine the council amid a diplomatic crisis with member state Qatar.
- November was best month for euro zone factories in over 17 years: PMI. IHS Markit's final manufacturing Purchasing Managers' Index for the bloc climbed to 60.1 last month from October's 58.5.
- German services sector growth slowed to a three-month low in November, a survey showed on Tuesday. Its final Purchasing Managers' Index (PMI) for services fell to 54.3 from 54.7 in October, remaining well above the 50 mark that separates growth from contraction.
- German industrial production fell unexpectedly in October, data showed on Thursday, but the cause was probably public holidays that let workers take long weekends, the Economy Ministry and analysts said. Industrial output decreased by 1.4 % after falling by a revised 0.9 % in September. The two successive declines came after an increase of 2.6 % in August, the biggest rise in more than six years.
- Chinese exports surged more than twice the expected pace in November, official data showed. Exports jumped 12.3 % year-on-year to \$217.4 billion, blowing past the 5.3 % forecast in a Bloomberg News survey.



Equity Market Update

- The benchmark Sensex rebounded 417.36 points for the week to reclaim 33,000-level to finish at 33,250.30, while the broader Nifty ended above the key 10,250-level to conclude at 10,265.65.
- The largely under selling pressure trading sessions saw the bulls finally winning the battle lifted due to fundamental strength in the Indian market.
- The Sensex started the week higher at 33,968.02 and hovered between 33,285.68 and 32,565.16 before ending the week at 33,250.30, showing a gain of 417.36, or 1.27 %.
- The Nifty also resumed the week higher at 10,175.05 and traded in the range of 10,270.85 and 10,033.35 to finish at 10,265.65, showing a rally of 143.85 points, or 1.42 %.
- The broader market, midcap shares outsmarted the smallcap stocks with substantial gains.
- The S&P BSE Mid-Cap index advanced 287.09 points or 1.71 % to settle at 17,044.36. The S&P BSE Small-Cap index gained 194.40 points or 1.08 % to settle at 18,211.88.
- Among sectoral and industry indices, consumer durables jumped by 2.72 %, FMCG 2.70 %, oil&gas 2.68 %, teck 2.61 %, IT 2.05 %, auto 1.48 %, realty 1.36 %, healthcare 1.21 %, metal 0.76 %, bankex 0.75 %, capital goods 0.74 %, IPO 0.70 % and power 0.26 %.
- Foreign institutional investors (FIIs) sold shares worth Rs 4,161.22 crore during the week, as per Sebi's record including the provisional figure of December 08.



Equity Market Outlook

Global:

- With the Fed expected to raise interest rates by 25bps and the ECB having its last meeting before cutting its QE provisions by half to €30bn from €60bn per month, the global economy and risk markets face their first significant test in the coming months as to their ability to cope without the support of Central Bank liquidity. The

Domestic Markets



Index	08-Dec-2017	01-Dec-2017	% Change
S&P BSE Sensex	33250.3	32832.94	1.27
Nifty 50	10265.65	10121.8	1.42
Nifty Midcap 100	20014.75	19691.7	1.64
Nifty 500	9190.55	9060.4	1.44
S&P BSE Smallcap	18211.88	18017.48	1.08

Global Markets



Index	08-Dec-2017	01-Dec-2017	% Change
Dow Jones	24329.16	24231.59	0.4
Nasdaq	6840.08	6847.59	-0.11
S&P 500	2651.5	2642.22	0.35
FTSE 100	7394	7300.5	1.28
Shanghai Composite	3289.99	3317.62	-0.83
Hang Sang	28639.85	29074.24	-1.49

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	38127	42216	-4089
MF Flows*	0	0	0

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
04-Dec-2017	487.39	125.35
05-Dec-2017	-1524.52	235.26
06-Dec-2017	-387.64	482.29
07-Dec-2017	-1018.82	-283.3
08-Dec-2017	1449.11	186.01

Policy Rates



Key Rates (%)	08-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



bond market reaction will be closely followed to see if the Fed rate hike causes a further flattening of the yield curve. Following the recent 25bps rise in interest rates, the Bank of England is expected to stay on hold at its meeting while rates are expected to be on hold at Central Bank meetings in the Philippines and Indonesia.

- On Friday, US non-farm payrolls increased by a greater than expected 228k as the unemployment rate stayed at 4.1%. Average earnings missed expectations while consumer sentiment fell on the impact of recent changes in tax rates. US legislators will be trying to reconcile the separate tax measures agreed in the House and Senate in the coming week before presenting a final bill to President Trump to sign before Dec 23.
- China CPI has fallen to 1.7%, below expectations, while PPI dropped from 6.9% to 5.8%. As China continues to deleverage, the economy is showing signs of this impacting domestic demand. China is expected to report money supply, new loan, FDI, industrial production and new loan data in the coming week. The PBOC has successfully managed to cap bond yields for maturities between 5 and 10 years at 4% with the 5yr yield dropping 17bps so far this month. A rise in bond yields would lead to potential capital problems at some of the unlisted state banks and smaller banks.

Local:

- The Nifty was the best-performing market in the region during the week, up 1.4%. All sectoral indices were in the black led by telecom and FMCG. The market shrugged off concerns over BJP's performance in opinion polls in the Gujarat elections and the RBI's marginal increase in inflation forecast. This is likely driven by strong domestic inflows, with MFs recording near-record inflows in November.
- India's bank credit growth continues to improve from 5% YoY in Mar-17 to 10% YoY now, reflecting a combination of normalised business level and a low base of demonetisation. On the other hand, deposit growth declined to 3% YoY, due to a high base and some loss of market share to non-lending financials.

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

- The benchmark 6.79% bond maturing in 2027 ended at 97.96 rupees, the lowest since its issuance on May 12, yielding 7.09%. The benchmark yield rose three basis points this week. It has risen in the last seven out of eight weeks, posting a rise of 36 basis points.
- The six-member MPC panel, which left rates unchanged earlier this week, now expects headline retail inflation in 4.3%-4.7% range in October-March, versus 4.2%-4.6% forecasted earlier. The law mandates the central bank to keep inflation at 4% with a band of 2 %age points on either side.
- India's banking system liquidity may reach neutrality in the first half of 2018 as the currency in circulation has expanded, RBI Deputy Governor Viral Acharya had said at the post policy conference.



Debt Market Outlook

- During last week the 10 yr traded in the band of 7.01%-7.09%
- It started the week at 7.09%, post spike in US yield on passage of Tax Bill

RBI policy last week:

- RBI Maintained the neutral stance with 5:1, with Mr Ravindra Dholakia calling for 25 bps cut
- RBI commentary suggested long pause in rates
- Post policy we saw 10 yr dropping to 7.01% levels
- However by the end of the week 10 year was back to 7.08% levels
- We are seeing supply of CD from banks as they are witnessing withdrawal of demonitisation deposit and credit off take
- We believe CD supply may put pressure on short term rates up to 3 years from here till march.
- Short Term rates up to 3 years may inch up 15-25 bps from here till March-18



Commodity Market Update

Gold Update:

- The yellow-metal shed a whopping 3.49 % in its four week downslide, or Rs 1,025 per 10 grams.
- Elsewhere, silver also witnessed a third week fall, and slumped below the significant Rs 37K mark due to heavy speculative selling coupled with lack of demand from industrial users.

Key Rates (%)	08-Dec-2017	01-Dec-2017	% Change
Mibor Overnight	5.94	6	-1
CALL (O/N)	5.9	5.89	0.17
CBLO	5.13	5.87	-12.61
T Bills Index (12M)	6.26	6.27	-0.16
10 Year GSEC	7.09	7.06	0.42

Commodity Market



Commodity (INR)	08-Dec-2017	Gain+/Loss-	% Change
Gold (10 gm)	28742	-494	-1.69
Silver (1 kg)	36469	-1326	-3.51
Crude Oil (\$/barrel)	63.4	0.22	0.35

Currency Market



Currency	08-Dec-2017	Gain+/Loss-	% Change
USD/INR	64.46	0.03	0.05
EURO/INR	75.8	-0.69	-0.9
GBP/INR	87.04	0.24	0.28
JPY/INR	56.84	-0.62	-1.08

- The white-metal plunged 7.67 % in its third weekly fall, or Rs 2,970 per kg.
- In worldwide trade, Gold prices suffered a nearly 3 % drop for the week, settling at their lowest level in nearly five months as the US dollar and stocks firmed in the wake of stronger-than-expected US jobs data for November.
- February gold declined by USD 4.70, or 0.4 %, to settle at USD 1,248.40 an ounce. Gold was down about 2.6 % for the week, for a third straight weekly loss.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 29,090 per 10 grams from last Friday's closing level of Rs 29,250, later it plunged to settle at Rs 28,495, revealing a loss of Rs 755, or 2.58 %.
- Pure gold (99.9 purity) also commenced lower at Rs 29,240 per 10 grams compared to preceding weekend level of Rs 29,400 and later it fell to conclude at Rs 28,645, revealing a fall of Rs 755 per 10 grams, or 2.57 %.
- Silver ready (.999 fineness) opened lower at Rs 37,790 per kilo gram from last Friday's closing level of Rs 38,070, later it drifted lower to Rs 36,590 before finishing at Rs 36,620, showing a sharp loss of Rs 1,450 per kilo, or 3.81 %.

Oil Update:

- Oil finished higher on Friday, boosted by signs of rising crude demand in China, but prices failed to avoid a weekly loss amid concerns over rising production in the U.S.
- But U.S. prices fell 1.7 % on the week and Brent prices fell 0.5 % amid concerns that rising U.S. production could undermine OPEC-led supply cuts.
- Brent crude settled up \$1.20 or 1.9 % at \$63.40 a barrel.
- U.S. West Texas Intermediate (WTI) crude settled up \$57.36 a barrel, up 67 cents or 1.2 %.
- China's crude oil imports rose to 9.01 million barrels per day (bpd), the second highest on record, data from the General Administration of Customs showed.
- Threats of a strike later this month from a union in Nigeria, Africa's largest oil exporter, was also supportive.



Currency Market Update

- The RBI kept rates steady on expected lines, and there is a feeling that the central bank may also hold rates in February because of upside risks to inflation.
- Rupee strengthened by only two paise to close at 64.45 against the US dollar from its last week's close at 64.47.
- The RBI fixed the reference rate at 64.4649 for the dollar and 75.7978 for the euro.
- The US dollar rose against all the major currencies last week.

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