



## Financial Market & Economy Update

- Finance Minister Arun Jaitley said on Monday that dealing in cash has a cost and a clear trend is emerging in the country which shows a shift towards digital transactions. "Excessive dependence on cash has its cost. It is not just cost but it is a curse on both society and economy," he said at an event.
- Digital transactions through Unified Payments Interface (UPI) have shot up by 77 times within a year of demonetisation, according to National Payments Corporation of India (NPCI) data. The number of transactions UPI recorded in October 2017 was 7.69 crore as compared to 1 lakh during the same period last year. The transactions amounted to ₹7,057 crore in October 2017.
- Chief Minister Arvind Kejriwal announced setting up of 70 world-class skill centres in Delhi, saying his government will take every step for employment generation amid a "wavering economy" hit by demonetisation and GST. The new skill centres will be completed in the next two years and will have the capacity to train 70,000 students, Kejriwal said at a job fair organised at Thyagraj Stadium here.
- The Central Board of Direct Taxes on Tuesday said that the provisional figures of Direct Tax collections up to October, 2017 stood at Rs. 4.39 lakh crore which is 15.2% higher than the tax collections for the corresponding period of last year.
- The GST Council on Friday slashed tax rates on 177 items in the top 28% bracket, which include chocolates, chewing gum, shaving cream, aftershave kits, beauty products, granite and marble.
- The country's Index of Industrial Production rose 3.8 % in September, compared with the revised 4.5 % in August (a nine-month high) and 5.7 % in September last year.
- Finland will not support the European Commission's plans for a common deposit insurance scheme until European banking risks are significantly reduced, the government said on Friday.
- Iranian Supreme Leader Ayatollah Khamenei has told Russian President Vladimir Putin that the two countries can nullify US sanctions by replacing the use of US dollar with national currencies in trade transactions and isolate the US. This comes amid ongoing tensions between the US and Iran over the latter's missile programme and allegations that Russia rigged the 2016 US election.
- China and Australia's regulators have agreed to partner up on financial technology (fintech), a move that will give them oversight on new trends in each other's markets.
- Japan's services sector grew at the fastest pace in more than two years in October as new orders accelerated sharply, suggesting the economy is picking up momentum in the fourth quarter. The Markit/Nikkei survey released showed its Japan Services Purchasing Managers Index (PMI) rose to a seasonally adjusted 53.4 from 51.0 in September.
- United States (US) President Donald Trump has offered to mediate in South China Sea (West Philippine Sea) disputes and his Chinese counterpart played down concerns over Beijing's military buildup and the prospects of war in the contested waters.
- Trump and Chinese leader Xi Jinping spoke separately about the territorial rifts ahead of an annual summit of Southeast Asian nations and the U.S., China and other global players in Manila, where the disputes are high on the agenda.



## Equity Market Update

- The benchmark Sensex slipped from its five week winning streak, dropping 371.00 points to close at 33,314.56, while the broader fell well-below the psychological 10,400 to finish at 10,321.75.
- The volatile trading week saw sustained selling couple of trading sessions, while buying in fundamentally strong stocks somewhat helped to cap larger losses.
- Opening the week on a higher at 33,710.15 points, the index marked all time high of 33,865.95 and low of 33,108.09, before closing the week at 33,33,314.56, showing a loss of 371.00 points or 1.10 %.
- The Nifty started the week at 10,431.75 and touched new peak at 10,490.45 and low of 10,254.10. It ended at 10,321.75, down 130.75 points, or by 1.25 %.
- The S&P BSE Mid-Cap index declined 150.42 points or 0.9 % to settle at 16,562.69. The S&P BSE Small-Cap index declined 212.21 points or 1.19 % to settle at 17,643.82.
- Among sectoral and industry indices, Healthcare declined by 4.62 % followed by oil&gas 3.30 %, realty 2.86 %, power 2.39 %, metal 2.08 %, auto 1.33 % and bankex 0.59 %, while consumer durables rose to 10.33 %, IT 3.37 %, teck 1.73 %, capital goods 0.72 %, FMCG 0.46 % and IPO 0.09 %.
- Foreign institutional investors (FIIs) and funds were remained buyers of Indian equities and bought USD 1,036.26 mln as per stock exchanges data.



## Equity Market Outlook

Global:

## Domestic Markets



Index	10-Nov-2017	03-Nov-2017	% Change
S&P BSE Sensex	33314.56	33685.56	-1.1
Nifty 50	10321.75	10452.5	-1.25
Nifty Midcap 100	19575.95	19778.75	-1.03
Nifty 500	9154.95	9260.65	-1.14
S&P BSE Smallcap	17643.82	17856.03	-1.19

## Global Markets



Index	10-Nov-2017	03-Nov-2017	% Change
Dow Jones	23422.21	23539.19	-0.5
Nasdaq	6750.94	6764.44	-0.2
S&P 500	2582.3	2587.84	-0.21
FTSE 100	7432.99	7560.35	-1.68
Shanghai Composite	3432.67	3371.74	1.81
Hang Sang	29120.92	28603.61	1.81

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	33729	26544	7185
MF Flows*	10933	12329	-1396

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



Date	Index	Stocks
06-Nov-2017	-494.51	-672.31
07-Nov-2017	951.16	-777.89
08-Nov-2017	-1119.63	-2314.27
09-Nov-2017	669.23	-1059.94
10-Nov-2017	-1755.01	-668.64

## Policy Rates



Key Rates (%)	10-Nov-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



- Despite the bounce in US high yield credit on Friday, credit markets have given back the gains made over the past three months. US small cap stocks also continue their underperformance as the probability of a corporate tax cut rate this year appears to recede with the likelihood down to 17% from as high as 42% at the beginning of September. The US Senate's tax cut plan keeps seven rates of tax and postpones corporate tax cuts. According to Thomson, the S&P500 was at 18.1x expected earnings, the highest since 2004. The reversal in credit fed through to China 5yr CDS which closed above 61bps, giving back its gains since the start of October. Bitcoin fell 8% on Friday bringing the weekly loss to 9% after an upgrade was called off.
- US President Trump will be returning to the USA from a trip to Asia where on Friday he laid out more details of his "America First" policy, arguing for a robust US attitude towards its trade partners as it continues to combat its large trade deficit. APEC leaders meeting in Danang vowed to combat protectionism after President Trump attacked the impact of the WTO on the US economy. The US view contrasted sharply with that expressed by Chinese President Xi who offered support for the Globalization from which China has disproportionately benefited.
- Markets will also be watching Chinese demand over Singles Day with Alibaba seeing \$8.6bn of sales within the first hour. A 31% rise in demand is expected to \$23.8bn, dwarfing similar US events like Black Friday and Cyber Monday. Within 12 hours orders hit nearly \$18bn, breaking the previous record. China will announce retail sales figures in the coming week along with money supply, new loans, FDI and property price data.
- In the US the focus will be on inflation data due this week as well as retail sales and industrial production. Inflation numbers will also be out in the Eurozone along with GDP, industrial production and the ZEW survey.
- Geopolitical events will also be watched in the coming week. The US and South Korea will begin another set of joint military exercises with the three US aircraft carriers parked in the waters off the peninsula in a clear message to North Korea. Saudi Arabia advised its citizens to leave Lebanon on Friday after it said that the involvement of Iranian backed Hizbollah in the Government and the resignation of Prime Minister Hariri was tantamount to a "declaration of war". The Lebanese President demanded the return of Hariri amidst reports of the PM's forcible detention by Saudi Arabia. The rally in oil prices has led to a rise in bond yields in importing countries. Markets will be watching the impact of these developments on the Nov 30 OPEC meeting in Vienna, where producers including Saudi Arabia and Iran, will be discussing maintaining production cuts.

Key Rates (%)	10-Nov-2017	03-Nov-2017	% Change
Mibor Overnight	6	5.99	0.17
CALL (O/N)	5.88	5.85	0.51
CBLO	5.11	5.81	-12.05
T Bills Index (12M)	6.26	6.22	0.64
10 Year GSEC	6.96	6.86	1.46

## Commodity Market



Commodity (INR)	10-Nov-2017	Gain+/Loss-	% Change
Gold (10 gm)	29391	244	0.84
Silver (1 kg)	39489	135	0.34
Crude Oil (\$/barrel)	63.52	1.45	2.34

## Currency Market



Currency	10-Nov-2017	Gain+/Loss-	% Change
USD/INR	65.01	0.43	0.67
EURO/INR	75.74	0.41	0.54
GBP/INR	85.55	1.12	1.33
JPY/INR	57.34	0.68	1.2

### Local:

- Nifty was the worst performer in the region, down 1.3% over the week after two weeks of outperformance. Healthcare was the worst-performing sector, down 5% as the US FDA issued a warning letter to Lupin that impacted sentiment for the entire sector. IT was the best-performing sector as the INR depreciated 1% vs the USD. Bond yields rose 10bp during the week to close at the highest level in the past six months as fears of a fiscal slippage remain high.
- Credit growth is showing signs of a pickup and tracking more than 7% YoY growth over the past one month, one year post-demonetisation, when credit growth had shrunk to 4-5% YoY. Deposit growth continues to decelerate from the peak of 16% seen during demonetisation to the 9% level, similar to that seen prior to demonetisation. Over the next two three months, the high base of demonetisation will weigh further on deposit growth while credit growth is likely to become stronger.

### 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 tumbled, with the benchmark yield posting its biggest weekly gain in nearly seven months, as rising crude oil prices stoked inflation concerns.
- India's rate-setting Monetary Policy Committee held the key interest rate at 6% at its October meeting, warning of inflation risks going ahead. India should be ready to raise policy rates if the underlying drivers of inflation strengthen further, the Reserve Bank of India's Executive Director and MPC member Michael Patra had said, according to the minutes of the meeting.
- Market sentiment was also bearish amid a steady supply of bonds this week. The Reserve Bank of India on Friday sold four bonds worth 150 billion rupees, which included 6.68% 2031 bond, which was the most traded security on Friday.
- India will repurchase up to 100 billion rupees of the 6.25% 2018 bond maturing on Jan. 2, the RBI said in a statement on Thursday. The repurchase auction would be conducted on Nov. 13, while the settlement of the trade will take place on Nov. 14, the RBI said. This would be the first buyback by the government in this financial year ending Mar. 31. The government had planned 750 billion of buybacks this fiscal year.



## Debt Market Outlook

- During last week, India's 10yr gilt was up by 10 bps Week on Week.
- RBI has been conducting OMO on a regular basis which has distorted the demand supply equation
- There is no way one can gauge that when will OMO halt however there is some hope at 1tn which will be thru by 23<sup>rd</sup> November till then market will be under

pressure

- Global worries have kept the crude oil elevated at 63-64 dollar mark as and when the tension eases market may see some respite
- We have CPI data on Monday which can be a potential trigger if the headline comes at 3.30% and core is below 4.40
- Another trigger will be the GDP data which will be in the end of Nov. any number below 6.0% will be positive rates to come down
- GOI decided to cut GST rates which is positive for inflation however it will also mean a loss to the exchequer which will put pressure on the fiscal which is already under pressure therefore market is ignoring the positive side
- Near term headwinds are strong and therefore market is likely to remain 6.85/95 till any clarity emerges either side
- Any break out either side will mean a bigger move
- Dec rate hike in US seems certain. Recent spike in asset prices is also one of the reasons attributed to rate hike, in spite of low inflation.



## Commodity Market Update

### Brent Crude Update:

- In global commodity trade, crude prices surged nearly 3% for the fifth week in a row following a sharp spike in demand in the midst of the political situation in Saudi Arabia, which triggered a rally for the benchmark to trade above the USD 64-a-barrel mark - a two-year high.
- Despite aggressive production out of the US, the price of oil has risen nearly 35% from the low seen in late June.
- The latest developments sparked a rally for the international oil benchmark to trade above the USD 64 a-barrel mark -- a two-year high level.
- Surging crude prices could hurt fiscal deficit target of the government for current year and spur market concerns over the nation's inflation outlook.
- India is the second-largest crude oil consumer in Asia after China.

### Gold Update:

- Overseas, for the week, however, gold futures rose 0.4% as the US dollar declined late in the week after the Senate's tax-cut proposal underwhelmed., providing a lift to commodities priced in the currency.
- December gold slipped USD 13.30, or 1%, to finish at USD 1,274.20 an ounce, a day after posting its highest finish since Oct 16. The metal booked its first weekly gain of the past four weeks.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 29,085 per 10 grams from last Friday's closing level of Rs 29,140, it declined to Rs 29,115 before recouping to settle at Rs 29,520, revealing a rise of Rs 380, or 1.30%.
- Pure gold (99.9 purity) also commenced lower at Rs 29,235 per 10 grams compared to preceding weekend level of Rs 29,290, it soon drifted to Rs 29,265 before recovering to close at Rs 29,670, showing a gain of Rs 380, or 1.29%.
- Silver ready (.999 fineness) opened negative at Rs 38,965 per kilogram from last Friday's closing level of Rs 39,385, later it fell to Rs 38,995 before bouncing back to finish at Rs 39,545, registering a gain of Rs 160 per kilo, or 0.40%.



## Currency Market Update

- At the Interbank Foreign Exchange (forex) market, the home currency resumed lower at 64.66 against the weekend close of 64.55 on fresh bouts of dollar demand from importers and corporates.
- It remained under immense pressure and drifted sharply to breach the 65-mark to hit a low of 65.19 on Friday due to sudden spike in volatility amid sell-off in local equities.
- The local unit finally settled with a steep loss of 61 paise, or 0.95% at 65.16.
- On the global front, the greenback edged lower against a basket of currencies, scripting its biggest weekly drop in a month as investor disappointment that implementation of part of a planned big U.S. Tax overhaul may be delayed until 2019.
- In the meantime, country's foreign exchange reserves declined by USD 22.2 million to USD 398.739 billion in the week to November 3, the RBI data showed.
- The dollar index, which tracks the greenback against six major currencies, was down 0.06% to hit a two-week low of 94.38.

### **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.