



Financial Market & Economy Update

- The IMD on Tuesday announced the year monsoon could be 'normal' and bring 100 % rainfall instead of 96 % as predicted earlier, raising prospects of higher farm and economic growth.
- Meanwhile, the government imposed anti-dumping duties on 47 steel products. Between April 2016 and January 2017, India's steel imports fell 38 % year-on-year primarily due to the slew of protection measures announced.
- The government has come out with a green car plan that prioritizes electric vehicles and aims to switch to electric passenger vehicles by 2032. It has recommended a number of sops for electric vehicles. This will help India in cutting its oil import bill to half by 2030 and reduce emissions.
- Meanwhile, CPI inflation fell to an all-time low of 2.99 % in April, compared to 3.89 % in March mainly due to a sharp fall in the prices of vegetables and pulses.
- The government released a new base-year series for WPI inflation and IIP. Using the new base, WPI eased sharply to 3.85 % in April compared to 5.29 % in March.
- IIP rose 2.7 % in March compared to 1.9 % in February (lower than the 5.5 % seen in March 2016), according to the revised IIP data with the base year as 2011-12 that adjusts the basket of goods to reflect changes in the economy. For the year 2016-17, IIP rose 5 % under the new series.
- Arunachal Pradesh on Friday became the 12th state in the country and second in North East after Assam, to ratify the Goods and Services Tax (GST) bill. The Goods and Services Tax (GST) will be levied at several rates ranging from 0 to 28 %.
- GST Council has finalised a four-tier GST tax structure of 5 %, 12 %, 18 % and 28 %, with lower rates for essential items and the highest for luxury and 'demerit' goods that would also attract an additional cess.
- India has embarked on an ambitious Rs 10,000-crore Deep Sea Mission, likely to commence by the year end, to explore and mine mineral wealth beneath the ocean floor, a top government official said here today.
- Finance Minister Arun Jaitley has said the government has no plans to tax agricultural income, including that of prosperous farmers, saying a rich farmer is "a very rare institution" and not the norm.
- On Friday, U.S. data revealed that CPI inflation rose 0.2 %. Consequently, the odds of a June rate rise diminished and the dollar weakened across the board.
- Germany's economy gathered momentum in the first quarter of 2017, growing 0.6 %, in line with expectations, with increases in both foreign and domestic demand.
- U.S. import prices increased more than expected in April amid rising costs for petroleum products and a range of other goods, which could help boost domestic inflation. The Labor Department said on Wednesday that import prices jumped 0.5 % last month after an upwardly revised 0.1 % gain in March. Import prices have now increased for five straight months. The gains are slow and small, but mortgage volume is beginning to improve again, as more homebuyers sign on the dotted line.



Equity Market Update

- Riding on an encouraging forecast on northwest monsoon from the India Meteorological Department, the Indian stock market gained in strength during the week ended 12 May 2017.
- Global cues were mostly subdued and quarterly earnings reports from India Inc, a bit disappointing. But optimism about monsoon rains and government's reforms agenda proved strong enough triggers to warrant some buying and this resulted in the benchmark indices Sensex and the Nifty50 scaling new all-time highs last week.
- The victory of centrist Emmanuel Macro in the French Presidential Election and fairly steady buying by foreign portfolio investors played a role as well in driving stock prices up. There were some sluggish spells for the market during the week, but the undertone, despite turning a bit cautious at times, was quite positive for most part of the week.
- The Sensex ended the week with a gain of 329.35 points or 1.1% at 30,188.15, after hitting a new high at. The Nifty50 of the National Stock Exchange ended up 115.60 points or 1.24% at 9400.90. There were impressive gainers in midcap and smallcap segments too. The BSE Midcap index ended 0.92% up and the Smallcap index gained about 1.2%.The Indian stock market ended on a positive note on Monday, after a somewhat lackluster session.
- A fairly steady trend in Asian markets after centrist Emmanuel Macro won the French presidential election aided sentiment. Stronger than expected jobs growth in the U.S. increased speculation about U.S. interest rate hikes and this limited market's upside. The Sensex ended with a gain of 67.35 points and the Nifty50 gained 28.75 points.
- On Friday, the market was up in positive territory for just a few minutes at the start. With investors largely staying away from the sidelines, looking ahead to crucial industrial output data for March and consumer inflation report for April, both due later in the day, stocks found the going quite tough on that session. Mostly disappointing quarterly results and a subdued trend in most of the markets across the Asian region and a sluggish start in Europe weighed as well. The Sensex ended down 62.83 points on Friday, while the Nifty50 declined 21.50 points.
- Among sectoral and industry indices, realty rose by 5.71 % followed by auto 3.26 %, teck 3.26 %, IT 2.80 %, metal 2.03 %, capital goods 1.41 %, healthcare 1.31 %, consumer durables 1.26 %, FMCG 1.10 %, power 0.67 %, oil&gas 0.52 % and bankex 0.15 %.
- Meanwhile, foreign portfolio investors (FPIs) and foreign institutional investors (FIIs) bought shares worth Rs 3,060.25 crore during the week, as per Sebi's record

Domestic Markets



Index	12-May-2017	05-May-2017	% Change
BSE Sensex	30188.15	29858.8	1.1
S&P CNX Nifty	9400.9	9285.3	1.24
CNX Midcap	18240.4	18048.6	1.06
CNX 500	8299.2	8193.25	1.29
BSE Smallcap	15528.83	15355.84	1.13

Global Markets



Index	12-May-2017	05-May-2017	% Change
Dow Jones	20896.61	21006.94	-0.53
Nasdaq	6121.23	6100.76	0.34
S&P 500	2390.9	2399.29	-0.35
FTSE 100	7435.39	7297.43	1.89
Shanghai Composite	3083.51	3103.04	-0.63
Hang Sang	25156.34	24476.35	2.78

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	23131	21161	1970
MF Flows*	13830	9091	4739

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
08-May-2017	256.32	692.72
09-May-2017	-1170.98	-557.29
10-May-2017	462.37	411.94
11-May-2017	768.46	413.79
12-May-2017	-1038.73	-269.6

Policy Rates



Key Rates (%)	12-May-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	6	6
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20.75	20.75	20.75

Key Rates





Equity Market Outlook

Global:

- Markets may start the week cautiously as participants will be watching to see who has been impacted by the global cyber-attack over the weekend. In addition to the significant impact on the UK's NHS, Japanese carmakers have also said that they have been impacted while Renault said that it had to stop production. Spanish telecoms and gas companies as well as FedEx were also hit. Over 100 countries have been impacted by the attack including the US, UK, Russia, China and Japan. The BBC reported that the next cyber-attack could be imminent and may take place as early as Monday. Shares in cyber security companies could rise while Bitcoin, the currency of payment by the extortionists, will be watched while the impact on financial institutions may cause concern.
- North Korea fired a ballistic missile which was seen as a welcoming challenge to the incoming South Korean President. President Moon convened a national security council meeting where he said that any provocation from the North will be dealt with.
- The weekend cyber-attack and missile launch may serve to divert some attention away from Chinese President Xi's One Belt One Road forum which is taking place in Beijing over the weekend. Delegates from over 130 countries will be meeting to discuss trade and infrastructure issues. India will be a notable absentee in not attending the meeting in protest over border disagreements. China pledged a further \$78bn in support for the project.
- President Trump will begin his first overseas trip since taking office with a visit to Saudi Arabia. The US is said to be close to a \$100bn arms deal with the Saudis that may grow to over \$300bn over the next decade. Saudi Arabia has also said that it intends to invest over \$40bn into the US through infrastructure projects. President Trump's trip comes a week before elections in Iran which are expected to see current President Rouhani face either the conservative Raisi or Qalibaf. President Trump's trip will take him to Saudi Arabia, Israel, The Vatican, Italy and Belgium where he will attend a NATO summit.

Local:

- Nifty marked a new high on Thursday and was up 1.2% for the week, outperforming the regional markets. The IT index was up 3% for the week, a surprise gainer, possibly on value buying. The rural-linked stocks, viz consumer and some auto names, got a mid-week boost when the Indian met department said monsoon rains may better its earlier official forecast as El Nino concerns recede. Meanwhile, FII flows turned positive this week after net selling over the previous four weeks.
- The gov't has released a new data series for important indicators, bringing the base year to the same as GDP calculations, ie FY12. The new series shows that IIP growth has been higher than earlier estimated (5.0% vs 0.7% for FY17). For Mar-17, IIP grew 2.7% YoY, same as the 3mma. WPI was lower than estimated with average WPI for FY17 under the new series at 1.7% vs 3.7% under the old series. WPI for April came in at 3.9% vs 5.3% in March, a four-month low. April CPI was at 3.0%, a 5+ year low.

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

- India on Friday fully sold 150 billion rupees of four government notes, including 80 billion rupees of the new 2027 bond.
- Earlier this week, India's official weather forecaster said the nation is likely to receive higher monsoon rains than previously predicted, easing some inflation concerns in the fiscal second half. India Meteorological Department will release its next forecast for monsoon rains in the first week of June.
- Monsoon rain levels in India and their distribution largely determine the crop output and are among the most important factors in guiding retail food inflation.
- Bond trading volumes remained muted this week, with yields not moving decisively amid receding rate cut hopes and RBI's continued liquidity absorption. The central bank withdrew 1.2 trillion rupees by issuing treasury bills under market stabilisation scheme and cash management bills alongside regular reverse repos.



Debt Market Outlook

As expected during last week new 10 yr was announced.

2. 3. 4. 5. 6. 7. 8. 9. 10. 2/3 month CD at 6.4_6.45% and 2/3 month nbfc at 6.75% levels.

Key Rates (%)	12-May-2017	05-May-2017	% Change
Mibor Overnight	6.2	6.24	-0.64
CALL (O/N)	6.11	6.02	1.5
CBLO	5.64	5.64	0
T Bills Index (12M)	6.46	6.44	0.31
10 Year GSEC	6.91	6.94	-0.43

Commodity Market



Commodity (INR)	12-May-2017	Gain+/Loss-	% Change
Gold (10 gm)	27970	-214	-0.76
Silver (1 kg)	38059	-64	-0.17
Crude Oil (\$/barrel)	50.84	1.74	3.54

Currency Market



Currency	12-May-2017	Gain+/Loss-	% Change
USD/INR	64.3	-0.01	-0.02
EURO/INR	69.89	-0.71	-1.01
GBP/INR	82.87	-0.26	-0.31
JPY/INR	56.56	-0.81	-1.41



Commodity Market Update

Gold Update:

- Market men said easing demand from jewellers and retailers at existing levels despite a recovery at the global level.
- Standard gold shed a whopping 4.46 % in its third week downslide, or Rs 1,290.00 per 10 grams.
- Elsewhere, silver remained under selling pressure for the fourth week owing to sustained unwinding of speculative positions as well as poor industrial demand.
- In worldwide trade, the precious metal notched gains as the dollar drifted lower following slightly weaker-than- expected US retail sales and inflation data.
- The sharp rally for the dollar at the start of the week has slowed, helping ease some pressure on gold, while sluggish trading for stocks over the last few sessions has also elevated gold's haven appeal, at least in the short term.
- The yellow-metal finished the week less than 0.10 % higher after posting losses over the previous two weeks.
- In other metals trading, basis, silver saw a third-straight session win, which hasn't happened since mid-April. It wrapped up the week about 0.80 % higher.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 28,100 per 10 grams from last Friday's closing level of Rs 28,235, later it further drifted to a low at Rs 27,980, before recovering to settle at Rs 28,055, still revealing a loss of Rs 180, or 0.64 %.
- Pure gold (99.9 purity) also commenced lower at Rs 28,250 per 10 grams compared to preceding weekend level of Rs 28,385 and later fell to Rs 28,130 before finishing at Rs 28,205, revealing a fall of Rs 180 per 10 grams, or 0.63 %.
- Silver ready (.999 fineness) opened lower at Rs 38,530 per kilo gram from last Friday's closing level of Rs 38,625, later it slumped to Rs 38,255 before settling at Rs 38,485, showing a loss of Rs 140 per kilo, or 0.36 %.

Crude Update:

- In global commodity trade, crude prices posted their biggest weekly gain in six weeks on hopes that the global glut would diminish on expected production cut extensions from OPEC and other producing countries despite growing concerns over rising U.S. Production.
- The U.S. West Texas Intermediate (WTI) crude oil futures ended Friday's session at USD 47.73 per barrel, while Brent crude futures, the international benchmark for oil prices, rose 6 cents to USD 50.83 per barrel.
- For the week, London-traded Brent futures recorded a gain of \$1.74, or nearly 3.5%.
- OPEC and non-member oil producers are considering extending a global supply cut past the end of the year to give the market more time to rebalance, according to OPEC and industry sources.



Currency Market Update

- American currency after a brief setback and ended firmly higher at 64.31 on fresh bouts of dollar selling by exporters and banks. It settled the highly volatile week with a modest 7 paise gain.
- The forex market sentiment also got a boost from the domestic equities' which scaled their life highs and also expectation of good monsoon reviving rural demand, soft interest rates and strong lending growth for the region's third largest economy.
- The rupee resumed higher at 64.27 from last Friday's closing value of 64.38 at the Interbank Foreign Exchange market (forex) on steady supplies of dollars and strengthened further to 64.19.
- It suffered a sharp reversal on Tuesday in active trading to hit a low of 64.7050 following frantic dollar demand from importers and banks.
- However, overcoming the brief volatility, the rupee bounced back sharply towards the fag-end to settle at 64.31, showing a gain of 7 paise, or 0.11 %.
- In worldwide trade, the US dollar ended modestly lower on Friday, retreating from a roughly two-month high an otherwise positive week for the dollar — its strongest in five weeks — in knee jerk reaction to the disappointing US data.
- The dollar index — a measure of the US currency against a basket of six trade-weighted peers ended higher at 99.05 from last weekend level of 98.42.
- Meanwhile, country's forex reserves touched a fresh life-time high of USD 375.71 billion after rising by USD 2.985 billion in the week to May 5, supported by a steep increase in foreign currency assets, the Reserve Bank said.
- The RBI fixed the reference rate for the USD at Rs 64.3043 and Euro at Rs 69.8859 against preceding week's level of Rs 64.3079 and Rs 70.5972 respectively.

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