



Financial Market & Economy Update

- In economic news, data released by the government after trading hours on 10 March 2017 showed that India's industrial production recovered at a faster than expected pace in January 2017, climbing 2.7% year-on-year, reversing a revised 0.1% fall in December 2016.
- Manufacturing output was up 2.3% in the month, while mining output climbed 5.3%. Electricity output increased 3.9%.
- Data released by the government on Tuesday (March 14) showed India's wholesale price inflation to have accelerated at a faster-than-expected pace in February, climbing 6.55% (y-o-y), following a 5.25% increase in January.
- Another data released on Tuesday showed India's retail price inflation to have accelerated to 3.65% in February 2017, from 3.17% a month earlier.
- The GST Council, headed by Finance Minister Arun Jaitley and comprising representatives of all States, in its 12th meeting on Thursday cleared the SGST and UTGST bills. With this, all five legislations of the GST (CGST, SGST, IGST, UTGST and the compensation bill) now stand formally approved by the Council.
- External Affairs Minister Sushma Swaraj on Friday discussed economic relations with Russian Deputy Prime Minister Yuri Trutnev, who is presently on a four-day visit to India beginning March 15.
- More than 10,000 youths have been offered jobs in multiple Rozgar Melas organised by the Skill Development Ministry, Lok Sabha informed.
- The National Property Index during the fourth quarter has remained stagnant at the same level as that of the third quarter, with Ready to move properties witnessing a price fall of 0.4% and under-construction properties witnessing a price rise by 0.8%.
- The Bank of Japan kept monetary policy steady on Thursday in the wake of the US Federal Reserve's second interest rate hike in three months, underscoring the diverging policy paths of major global central banks.
- On the global economic front, the US Federal Reserve hiked interest rate by 25 basis points last week, in line with expectations. The fed projected two more increases this year and said that it would raise the benchmark federal-funds rate to a range between 0.75% and 1%.
- China and Saudi Arabia have signed a memorandum of understanding on investment cooperation valued at USD 65 billion and involving 35 cooperative projects.
- Britain's Queen Elizabeth II gave her Royal Assent to the Brexit trigger bill, authorising Prime Minister Theresa May to invoke Article 50 to begin the country's exit negotiations from the European Union.



Equity Market Update

- The Indian stock market witnessed some hectic buying during the truncated week ended 17 March 2017, with the landslide victory for the Bharatiya Janata Party in the Uttar Pradesh assembly elections significantly lifting investor sentiment. The BJP won handsomely in Uttarakhand and fared exceptionally well in Goa and Manipur as well.
- The mood was so upbeat that stocks from across various sectors rose sharply, with quite a few of them registering their all-time or 52-week highs.
- The BSE benchmark Sensex registered its best close in over two years and the Nifty50 of the National Stock Exchange recorded its highest ever close on Friday (March 17, 2017). The week had just four sessions as the market was closed on Monday (March 13) for Holi.
- The Sensex ended up 702.76 points or 2.42% at 29,648.99. The Nifty 50 ended at 9160.05, gaining 225.50 points or 2.52%. While the Sensex scaled a high of 29,824.62 on Friday, its best since 29 January 2015, the Nifty hit a new all-time high of 9218.40.
- BSE Realty index surged 5%, followed by the BSE FMCG index (up 4.7%), and the BSE Consumer Durables index (up 4.4%). The BSE Capital Goods index and BSE Power index gained 4.3% and 3.3%, respectively, while, BSE Metal index rallied 3%.
- Foreign institutional investors (FIIs) bought shares worth Rs 8,684.23 crore during the week, as per Sebi's record including the provisional figure of March 17.



Equity Market Outlook

Global:

- Markets start the week ahead with participants watching to see whether bulls can push SPX futures above 2400 where a short gamma squeeze could materialize forcing a significant short cover.
- The liquidity surge helped China 5yr CDS fell below 80 for the first time since 2015 as sovereign CDS globally tightened – correlation between global equities and the China CDS have risen since the US election as liquidity cascades across asset markets. The correlation between China CDS and SPX futures is nearly 90% since the election and the regression is indicating equities are cheap relative to credit.

Domestic Markets



Index	17-Mar-2017	10-Mar-2017	% Change
S&P BSE Sensex	29648.99	28946.23	2.43
Nifty 50	9160.05	8934.55	2.52
Nifty Midcap 100	16901.7	16291.2	3.75
Nifty 500	7933.1	7710.9	2.88
S&P BSE Smallcap	14012.63	13604.96	3

Global Markets



Index	17-Mar-2017	10-Mar-2017	% Change
Dow Jones	20914.62	20902.98	0.06
Nasdaq	5901	5861.73	0.67
S&P 500	2378.25	2372.6	0.24
FTSE 100	7424.96	7350.81	1.01
Shanghai Composite	3237.45	3212.76	0.77
Hang Sang	24309.93	23568.67	3.15

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	26633	19137	7496
MF Flows*	7816	7886	-70

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
14-Mar-2017	5226.11	389.88
15-Mar-2017	788.1	-473.18
16-Mar-2017	2341.73	-344.58
31-Dec-1899	0	0
31-Dec-1899	0	0

Policy Rates



Key Rates (%)	17-Mar-2017	1 Week Ago	1 Month Ago
Reverse Repo	5.75	5.75	5.75
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20.75	20.75	20.75

Key Rates



- Chinese credit markets have been helped by inclusion in regional bond indices.
- USDJPY fell back from 115 after the Fed's dovish comments last week and closed the week at 112.70 after selling late on Friday but this resulted in the Nikkei measured in USD hitting its highest since 2000. In yen terms the market remains rangebound while other Asian markets look poised to push higher as they challenge key technical levels.
- The Bank of Korea will be meeting to discuss financial stability but the Philippines Central Bank is expected to raise rates. The Bank of Japan is expected to release minutes from last week's meeting. The Taiwanese Central Bank will also be meeting and is expected to keep rates on hold. The PBOC raised interest rates last week and reported that Chinese home prices rose last month in more cities despite more restrictions on property transactions. A State Council Researcher said that property tax changes were being seriously considered but will need time. Data on Australian property prices will also be released this week.
- Oil prices could remain under pressure after a report said that non-OPEC producers had delivered only 64% of promised production cuts. Compliance numbers were discussed at an OPEC Plus meeting held in Vienna on Friday. The RIO chairman said that iron ore prices could come under pressure if Chinese ore production increased.
- Following meetings of Central Banks including the Fed, the BoJ and the Bank of England last week, a slightly more hawkish tone has caused US 10yr bond yields to retreat from the key 2.60% level which was the post election high. US bonds continued to rally on Friday as equities slipped. In the US, durable goods orders and housing data will be watched. Fed Chair Yellen will be speaking in Washington while Fed Governors Evans, George and Kashkari will be speaking.
- In France, the five Presidential candidates will be holding their first televised debate. The chances of Emmanuel Macron becoming the next French President rose to a high of 63%.

Key Rates (%)	17-Mar-2017	10-Mar-2017	% Change
Mibor Overnight	6.18	6.24	-0.96
CALL (O/N)	6.03	6.01	0.33
CBLO	5.15	6.01	-14.31
T Bills Index (12M)	6.15	6.18	-0.49
10 Year GSEC	6.86	6.9	-0.58

Commodity Market



Commodity (INR)	17-Mar-2017	Gain+/Loss-	% Change
Gold (10 gm)	28491	-171	-0.6
Silver (1 kg)	40737	554	1.38
Crude Oil (\$/barrel)	51.76	0.39	0.76

Local:

- The Nifty was up 2.5% over the week and closed at its all-time high as the INR also appreciated 1.6% vs the USD due to a favourable political outcome. But this was only a tad better than the region where MSCI AxJ was also up close to 4%. All sectors were in the green with realty and ITC leading gains while export-oriented sectors underperformed. The market is clearly buoyed by the rising probability of PM Modi getting re-elected in 2019 which would lead to continuity in gov't policies.
- The GST Council cleared all the five GST bills of which four will be now be taken up by the Parliament and the state GST bill will be taken up by state assemblies. The gov't is likely to pass them as money bills with the Upper House (where the BJP does not have majority) vote not required. The bills are likely to be passed before 12 April, when the current Parliament session ends. The Council has also set a ceiling on cess for sin goods. It meets again on 31 March to clear certain transition-related rules. In subsequent meetings, the all-important decision on fitment of taxes will take place.
- Consumer inflation for the month of Feb-17 was 3.7% YoY vs 3.2% in Jan. Food inflation moved up MoM to 2% (vs 0.6% in Jan) but core inflation remains sticky, up 4.8% YoY. Inflation remains well below the RBI's forecast of 5% by end-FY17. Wholesale inflation was up 6.6% YoY in Feb, its highest increase in over three years, and the divergence with CPI was largely due to a higher weight of fuel.
- India's trade data for Feb was the strongest in several months with headline exports and imports up 18% and 22% YoY. Import growth was primarily fuel- and gold-led; ex of petroleum and gold, imports were up only 5%. Exports growth ex of petroleum and gems and jewellery was strong at 20% YoY.

Currency Market



Currency	17-Mar-2017	Gain+/Loss-	% Change
USD/INR	65.54	-1.15	-1.72
EURO/INR	70.61	-0.03	-0.04
GBP/INR	81	-0.05	-0.06
JPY/INR	57.84	0.05	0.09

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 government bonds fell, as investors deferred purchases for want of fresh triggers.
- The U.S. Federal Reserve's decision to retain projections of two more rate hikes this year kept the underlying sentiment positive. Some investors had speculated a hawkish view amid upbeat economic data and U.S. President Donald Trump's pledge of fiscal stimulus measures.
- Local retail inflation in February rose to a four-month high of 3.65% from a year earlier. However, analysts pegged the core inflation to have fallen to a marginal 4.80%-4.90% from nearly 5.10% in January.
- Dealers now await developments on U.S. fiscal policies, amid risks of global volatility. The full U.S. budget is likely to be unveiled in May, according to a Reuters report.
- India's Monetary Policy Committee's shift in stance to neutral last month, amid a sticky core inflation, spooked investors, denting hopes of rate easing anytime soon in Asia's third-largest economy.
- Officials from the finance ministry and central bank will meet on Mar. 24 to discuss the borrowing calendar for the first half of the next fiscal year that starts Apr. 1, a finance ministry official said.
- New Delhi proposes to borrow a gross 5.85 trillion rupees in the next fiscal year, to meet a budget deficit target of 3.2% of gross domestic product. The government usually borrows around 60% of the total borrowing of the fiscal year in the first half.
- India repurchased four bonds maturing from April to August worth for 30.61 billion rupees. The government had already bought back notes worth 612.51 billion rupees in this financial year that ends Mar. 31, according to data from Reserve Bank of India.



Debt Market Outlook

- 10yr traded in the 6.92-6.77 band, closed the week @6.86%.
- Crude Oil Prices were 51-53\$ per barrel.
- Rupees appreciated from 66.20 to 65.40 levels.
- US 10yr was down from 2.6% to 2.5% levels.
- Post UP election results, Rupees appreciated.
- On Monday, there was state loan auction. Hence bond prices were lower, despite positive election results.
- Subsequently, given the fact that US rate was discounted & dovish commentary led to buying in G-Sec & 10yr rallied up to 6.78% levels.
- Profit looking led to 10ys closing the week @ 6.85%levels.
- CPI data came at 3.6% in line with expectation core CPI was lower by 10bps.
- We expect 10yr to trade in 6.75-6.90% band during current week.
- Liquidity is easy with CBLO @ 6% LEVELS.
- 2/3 CD- 6.25-6.30
- 2/3 NBFC- 6.75% levels
- 2/3yr PSU pares 7.25/7.30
- 2/3 NBFC - 7.75-8%.
- We have next RBI policy in early April.
- If RBI does not take any measure on liquidity front, we can expect 10-15bps drop in yield across the curve.



Commodity Market Update

Gold Update :

- Buying by jewellers at the domestic market to meet ongoing wedding season demand, gold and silver registered its first weekly rise in their prices at the bullion market during the week.
- Gold gained about 2.4 % for the week, which was the strongest such gain since the week ended Feb 3.
- Gold's sister metal, silver also settle for a weekly gain of 2.9 %—its best since early January.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 28,360 per 10 grams from last Friday's closing level of Rs 28,400, it plunged to a low at Rs 28,060, before recovering to settle at Rs 28,490, revealing a gain of Rs 90, or 0.32 %.
- Silver ready (.999 fineness) opened sharply lower at Rs 40,965 per kilogram from last Friday's closing level of Rs 41,065, it declined to Rs 40,495 before rebounding to close at Rs 41,325, registering a surge of Rs 260 per kilo, or 0.63 pct .
- In worldwide trade, gold futures ended higher, helping the yellow metal record its highest weekly climb since early February, as weakness in the US dollar, following Wednesday's Federal Reserve decision, provided a runway for gains.

Crude Oil Update :

- Crude traded in a narrow \$2.5 range this week but ultimately settled positive for the week on Friday as investors mulled over the release of several mostly upbeat energy reports while the slump in the dollar provided support for oil prices.
- Crude settled higher on Friday, as investors shrugged off concerns about high levels of U.S. crude inventories while the number of active U.S. drilling rigs rose for a ninth straight week.
- Oilfield services firm Baker Hughes reported its weekly U.S. rig count rose by 14 to 631, it was the ninth straight weekly increase.
- Saudi Energy Minister Khalid al-Falih relieved some concerns from investors on Thursday, as he said that oil production cuts by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers could be extended beyond June if oil stocks stayed above a long-term average.
- Elsewhere, an OPEC monthly report earlier this week revealed that total production for OPEC is decreasing, as its members pumped 31.95 million barrels per day in February, compared to 32.097 million barrels a day in January.
- On the New York Mercantile Exchange crude futures for May delivery gained 3 cents to settle at \$48.78 a barrel, while on London's Intercontinental Exchange, Brent added 3 cents to settle at \$51.77 a barrel.
- A plunge in the dollar also supported a recovery in crude prices, after investors lost appetite for the greenback, following the Federal Reserve's dovish statement on Wednesday, as the US central bank stuck with its previous outlook of three rate hikes this year.
- Meanwhile, investors braced for a fresh batch of weekly data from the Energy Information Agency (EIA) due to be released on Wednesday, March 22 at 10:30 EDT.



Currency Market Update

- Indian Rupee ended at a fresh 16-month high of 65.46 on the back of frantic dollar unwinding by banks and exporters amid dovish outlook by Fed on future rate hikes.
- The four-day stratospheric rise strengthened the domestic currency by a whopping 114 paise against the USD. Massive capital inflows on hopes of more reform measures following BJP's strong showing in the recently held state elections spurred the rupee's biggest rally since early 2015.
- The home currency resumed on a strong footing at 66.20 from last Friday's closing value of 66.60 at the Interbank Foreign Exchange (forex) market on heavy dollars selling from speculative traders, tracking weekend developments.

- Maintaining its ascending triangle, the home unit hit a fresh high of 65.21 on Wednesday despite suspected RBI's intervention to curb speculative trades.
- It finally settled the week on a buoyant note at 65.46, revealing a solid gain of 114 paise, or 1.71 % - stretching the gains for the fourth-straight week.
- The RBI fixed the reference rate for the USD at Rs 65.5411 and Euro at Rs 70.6074 against preceding week's level of Rs 66.6880 and Rs 70.6426, respectively.
- The dollar index a measure of the US currency against a basket of peers ended sharply lower at 100.14 from 101.38 - its biggest weekly loss since last November.
- India's foreign exchange reserves rose \$98.6 million to end at \$364.10 billion as of March 10, 2017.

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