



Financial Market & Economy Update

- The **Wholesale Inflation** for October has surged to 3.59% to a six-month high, driven by faster rises in prices of food and fuel products, after registering a fall in the previous month, government data showed on Tuesday.
- The **food inflation** for October was recorded 1.9%, higher than September's 1.25% and August's 1.52%.
- The **Consumer Price Index (CPI)** for October has accelerated to a seven-month high of 3.5% from a year ago, mainly driven by higher prices of housing, fuel, pan, tobacco and intoxicants, after going down in the previous month, government data showed on Monday.
- **Services export** of India remained flat at USD 13.73 billion in September year-on-year while import slightly picked up to USD 8.45 billion, showed RBI data. In September 2016, India had exported services worth USD 13.77 billion. The import grew 1.7 % from USD 8.30 billion last year. In August 2017, the services export was USD 13.7 billion while the import came in at USD 8.66 billion.
- GST Council lowered the tax rate for restaurants (barring those located in luxury hotels) to 5%. This new rate will be applicable to all AC and non-AC eating outlets.
- The government on Thursday did away with restrictions on export of all kinds of pulses to help farmers get better prices for their produce. "Opening of exports of all types of pulses will help the farmers dispose of their products at remunerative prices and encourage them to expand the area of sowing," IT and Law Minister Ravi Shankar Prasad said.
- **Cabinet approves setting up a National Anti-profiteering Authority under GST:** The authority will ensure that consumers are protected from arbitrary increases in prices in the name of the Goods and Services Tax.
- **Global rating agency Moody's on Friday upgraded India's sovereign bond rating** for the first time in nearly 14 years, endorsing the structural reforms undertaken by the Narendra Modi government that it said will boost growth and reduce the debt burden. The agency lifted the country's rating to Baa2 from Baa3, changed its rating outlook to stable from positive as "risks to its credit profile were broadly balanced".
- **Nepal has scrapped a \$2.5 billion deal with China** Gezhouba Group Corporation to build the country's biggest hydropower plant, citing lapses in the award process, the energy minister said.
- Germany's economy accelerated to growth of 0.8 % in the third quarter, official data showed Tuesday, exceeding economists' expectations.
- **China's industrial output slowed in October**, official data showed, as authorities fight smog by clamping down on pollution produced by heavy industries.
- Saudi Arabia has introduced trading licenses that will allow foreign entrepreneurs to set up a business in the Kingdom for the first time.
- The US should "make it clear" to Pakistan that the Trump administration will not tolerate Pakistan providing safe havens to terrorists, nominee for Under Secretary of Defence for Policy John C Rood said on Friday.



Equity Market Update

- Riding on a sovereign ratings upgrade of the Indian government's bonds by US credit rating agency Moody's and bargain hunting by investors, the key Indian equity indices closed Friday's trade on a higher note.
- However, on a week-on-week comparison, the overall sentiment in the markets remained flat on the back of weak domestic macro-data, along with geo-political tensions in the Middle East.
- The barometer 30-scrip Sensitive Index (Sensex) of the Bombay Stock Exchange (BSE) closed higher from its previous week's close by 28.24 points, or 0.08 %, at 33,342.80 points.
- On the other hand, the broader Nifty50 of the National Stock Exchange (NSE) fell by 38.15 points, or 0.37 %, to close the week's trade at 10,283.60 points.
- Sectorwise, Realty, Bankex and Auto gained, while selling was witnessed in Capital Goods, Metal, Oil&Gas, IPO, PSUs, Teck, Consumer Durables, FMCG, Healthcare and Power.



Equity Market Outlook

Global:

- Ahead of the release of Fed minutes from the Oct 31 meeting this week, US 2yr yields reached their highest level since 2008 causing the US 2 vs 10 yield curve to reach its lowest level since 2007 at 62bps as the long end refuses to sell off. US 10yr yields are 10bps below their start of year level while US 3m libor continued to rise. Rate markets continue to remain more dovish than the Fed. The market has almost completely factored in the chances of a US rate hike in December but the outlook beyond that is uncertain. Fed Chair Yellen will be giving a speech at New York University this week. The market is factoring in about a 20% probability of a tax cut in 2017. The Fed minutes are expected to be more hawkish.

Domestic Markets



Index	17-Nov-2017	10-Nov-2017	% Change
S&P BSE Sensex	33342.8	33314.56	0.08
Nifty 50	10283.6	10321.75	-0.37
Nifty Midcap 100	19642.6	19575.95	0.34
Nifty 500	9137.1	9154.95	-0.19
S&P BSE Smallcap	17605.13	17643.82	-0.22

Global Markets



Index	17-Nov-2017	10-Nov-2017	% Change
Dow Jones	23358.24	23422.21	-0.27
Nasdaq	6782.79	6750.94	0.47
S&P 500	2578.85	2582.3	-0.13
FTSE 100	7380.68	7432.99	-0.7
Shanghai Composite	3382.91	3432.67	-1.45
Hang Sang	29199.04	29120.92	0.27

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	30683	26046	4637
MF Flows*	12381	7021	5360

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
13-Nov-2017	646	-358.33
14-Nov-2017	-1809.75	-1795.41
15-Nov-2017	-2145.62	-692.07
16-Nov-2017	3188.66	-512.18
17-Nov-2017	1711.07	-707.4

Policy Rates



Key Rates (%)	17-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



There has been an increased impact on equities as a result of movements in credit markets over the past few weeks. US high yield market remain off early November highs but bounced after Russia underwrote Venezuelan debt and the US House of Representatives passed a tax cut bill. Senate Republican leaders hope to bring a vote on the Senate's version of the bill after Thanksgiving but Republican Senator Ron Johnson has already said that he could not vote for the current version of the Senate tax cut bill. If another two Senators join him the bill will not pass and opposition has come from Republican Senators including Corker, McCain, Flake, Collins and Murkowski.

Local:

- In a span of just 20 days, India got two big goodies: (1) it entered Top -100 global ranking in ease of doing business and (2) Moody's upgraded India's credit rating from Baa3 to Baa2 after 14 years. These two in quick succession lifted investor spirits after a dull and weak period of growth effected by demonetization and GST.
- Moody's upgraded India's sovereign rating by one notch to Baa2 (we've never been at this level), reinforcing bond markets faith in sovereign debt. The upgrade comes on the back of higher growth potential relative to the peer group. However, the press release refers to India's high public debt as a point of continued concern, though recent spate of reforms have provided a stable domestic financing base.
- This announcement is positive for the INR since it makes investing in India eligible for many FII long only funds, who were hitherto unable to e.g. certain pension funds. Having said that, there is very little headroom for FII in bonds at this time. The INR/USD closed the day marginally stronger at 65.02 vs. 65.32 on the previous day despite falling well under 65 during opening trade.

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 (%)	17-Nov-2017	10-Nov-2017	% Change
Mibor Overnight	6	6	0
CALL (O/N)	5.88	5.88	0
CBLO	5.91	5.11	15.66
T Bills Index (12M)	6.26	6.26	0
10 Year GSEC	7.05	6.96	1.29

Commodity Market



Commodity (INR)	17-Nov-2017	Gain+/Loss-	% Change
Gold (10 gm)	29426	35	0.12
Silver (1 kg)	39478	-11	-0.03
Crude Oil (\$/barrel)	62.01	-1.51	-2.38

Currency Market



Currency	17-Nov-2017	Gain+/Loss-	% Change
USD/INR	64.85	-0.16	-0.25
EURO/INR	76.56	0.82	1.08
GBP/INR	85.78	0.23	0.27
JPY/INR	57.59	0.25	0.44



Debt Market Update

- Indian government bonds pared early gains, with the benchmark bond yield posting its fifth weekly rise amid inflation concerns, even after Moody's Investors Service raised the country's sovereign credit rating.
- Indian benchmark bond yield has risen by 32 basis points over the last five weeks as crude oil prices have jumped and inflation has soared. India's October retail inflation jumped to a seven-month high of 3.58%, adding to concerns that the rate-cutting cycle may be over. The benchmark Brent crude oil was at \$61.81 per barrel against \$61.36 at the previous close.
- Moody's raised India's credit rating to investment-grade Baa2 from Baa3 and revised the outlook to stable from positive. It expects a higher growth to likely contribute to a gradual decline in the general government debt burden over the medium term, the ratings agency said in a statement.
- At a press conference in New Delhi after the rating upgrade, Finance Minister Arun Jaitley said the government has maintained and will continue to maintain the fiscal glide path. India aims to maintain its budget gap at 3.2% of the GDP this financial year to March.
- India's rate-setting Monetary Policy Committee held the key interest rate at a near-seven-year low of 6% last month as expected, but raised its inflation projection, hurting expectations of a near-term rate cut. The MPC expects inflation to rise from its current level and range between 4.2% and 4.6% in the second half of this year, against the earlier projection of 4%-4.5% released in August. The next policy decision is due on Dec. 6.



Debt Market Outlook

- During last week, India's 10yr gilt was up by 12 bps Week on Week.
- Moody upgraded india rating to investment grade and it was a very positive news as the country risk premium will decrease over a period of time which means the interest rate spread will decrease and currency rate of depreciation will also decrease
- This is a macro change and will show its impact over a the medium term perspective
- This news was unable to hold the cheer in bond market
- The 10 yr bond yield closed at 7.05%
- RBI has been conducting OMO on a regular basis which has distorted the demand supply equation however RBI decided to cancel the OMO and this will be a bigger positive as it will be over and above the Rating upgrade and market positioning also fairly light.
- Global worries have kept the crude oil elevated at 63-64 dollar mark as and when the tension eases market may see some respite however the Crude oil has eased marginally though and the changes of 65 are higher than 55 as of now but it will not sustain
- Another trigger will be the GDP data which will be in the end of Nov. any number below 6.% 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
- Fiscal concerns are keeping the market on the toes and therefore market is likely to remain range bound as of now its appears 6.90/7.05% a break off any side will decide the future course



Commodity Market Update

Oil Update:

- Oil prices rose on Friday but were still on track for a week of losses due to concerns about oversupply, as signs of rising U.S. output were compounded by doubts that Russia would support an OPEC deal to extend curbs on production.
- Benchmark Brent crude oil was up 66 cents at \$62.04 a barrel by 1400 GMT, recovering some ground after five sessions of losses.
- U.S. light crude hit a three-day high, rising more than \$1 before easing back to \$56.08, 94 cents up on the day.
- "An end-of-week rebound is helping the energy complex claw back some of its recent losses though both crude markers are still on track for their first weekly decline in six," oil brokerage PVM said on Friday.
- The International Energy Agency said on Thursday that the United States would account for 80 % of the global increase in oil production over the next 10 years.

Gold Update

- Both the precious metals, gold and silver, showed a divergent trend at the bullion market as gold prices ended slightly lower on muted demand, even as the metal strengthened overseas, while silver maintained its third weekly gain on increased offtake by industrial units.
- Globally, however, the trend was positive.
- In worldwide trade, Gold prices rallied to a more than one-month high, tacking on nearly 1.8 % for the week, as the latest developments in the investigation into Russia's interference in the US presidential election knocked the dollar lower.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 29,485 per 10 grams from last Friday's closing level of Rs 29,520 and hovered in a range of Rs 29,575 and Rs 29,385 before settling at Rs 29,460, revealing a loss of Rs 60, or 0.20 %.
- Pure gold (99.9 purity) also commenced lower at Rs 29,635 per 10 grams compared to preceding weekend's level of Rs 29,670 and moved in a range of Rs 29,725 and Rs 29,535 before ending at 29,610, revealing a fall of Rs 60 per 10 grams, or 0.20 %.
- Silver ready (.999 fineness) opened negative at Rs 39,415 per kilogram from last Friday's closing level of Rs 39,545 and hovered between Rs 39,365 and Rs 39,725 before finish at Rs 39,590, registering a modest gain of Rs 45 per kilo, or 0.11 %.



Currency Market Update

- On the currency front, the rupee strengthened by 15 paise to close at 65.01-02 against the US dollar from its last week's close at 65.16-17.
- The Indian rupee staged an euphoric rally from its multi-month low and ended firmly higher at 65.01 against the US dollar after Moody's upgraded the country sovereign credit rating.
- The home currency had plunged to hit a fresh one-month low of 65.54 at the start of the week stunned by risk of another oil shock.
- 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.
- At the Interbank Foreign Exchange (forex) market, the home currency resumed substantially lower at 65.38 on the back of immense dollar pressure v/s last Friday's close of 65.16.
- It later witnessed wide swings between 65.5400 and 64.6000 in the face of Moody's rating developments before concluding the highly volatile week with a smart gain of 15 paise, or 23 % at 65.01.
- Foreign institutional investors (FIIs) and funds were remained net buyers of Indian equities and bought USD 712.85 mln as per stock exchanges data.
- The dollar edged lower against a basket of other major currencies on Friday, as investors remained skeptical of U.S. Republicans' efforts to pass tax cuts after a barren first year for the Trump administration in Congress.
- The dollar index, which tracks the greenback against six major currencies, was down 0.28 % at 93.67 from 94.38.

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