

Weekly Market Update



Financial Market & Economy Update

- In economic news, India's industrial production declined 0.4% in December 2016, after having registered a 5.7% growth in the preceding month. Output dropped in December due to a 2% decline in manufacturing sector production.
- Data released on Monday showed retail inflation to have moderated to a near 5-year low of 3.17% in January, slowing from 3.41% in December, thanks to a slide in food and vegetable prices.
- Data released by the government on Tuesday showed that the wholesale price index rose 5.25% year-on-year following 3.39% increase in December.
- India's merchandise exports expanded for a fifth straight month in January 2017, rising 4.32% to \$22.1 billion thanks to increase in shipments of engineering and petroleum products, official data showed. Imports also rose by 10.7%, leading to the trade deficit expanding to \$9.84 billion.
- Cash purchases of jewellery will attract 1 per cent TCS (tax collected at source) from April 1 if the amount exceeds Rs 2 lakh, as against the current threshold of Rs 5 lakh. Once the Finance Bill 2017 is passed, jewellery will be treated on par with general goods which attract 1 per cent TCS on cash purchase of above Rs 2 lakh.
- The Union Government is on the verge of clearing the revised allowances for central government staff, precisely after a year of the implementation of the 7th Pay Commission.
- In line with the government's 'Digital India' programme, state-run Bharat Petroleum Corporation plans to roll out a pan-India scheme within a month wherein citizens will be able to get an LPG connection on their doorstep.
- The National Investment and Infrastructure Fund (NIIF) will tap anchor investors such as sovereign wealth funds to raise Rs 8,000 crore to fund infrastructure projects worth Rs 16,000 crore in FY18.
- Malaysia's economy grew at the fastest pace in a year last quarter, as stronger consumer spending and an export recovery helped counter falling government expenditure.
- China's record outbound investment slumped last month as authorities stepped up scrutiny of acquisitions overseas and other deals to keep money from flowing out of the country.
- Federal Reserve Chair Janet Yellen said more interest-rate increases will be appropriate if the U.S. economy meets the central bank's outlook of gradually rising inflation and tightening labor markets.



Equity Market Update

- Amid mostly muted global cues, the Indian stock market stayed quite sluggish during the week ended 17 February 2017. Quarterly results from India Inc were mixed and the data on wholesale price inflation and retail inflation were disappointing. Worries about possible outflow of funds from the market in the event of an interest rate hike in the U.S. weighed as well.
- The BSE benchmark Sensex ended the week with a gain of 134.50 points or 0.47% at 28,468.75 and the Nifty50 of the National Stock Exchange ended at 8821.70, gaining 28.15 points or 0.32%. Midcap and smallcap stocks were mostly subdued. The BSE Midcap index declined by about 0.33%, while the Smallcap index ended down 0.98%. After a volatile session, the Sensex and the Nifty50 ended marginally up on Monday.
- Activity was mostly stock specific with quarterly results setting the trend. Movements were quite sluggish on Tuesday with investors largely staying wary of building up positions, amid a mixed batch of quarterly earnings reports and somewhat weak global cues. The Sensex ended down 12.31 points and the Nifty50 declined 12.75 points.
- Among sectoral and industry indices, realty fell by 3.08 per cent followed by auto 2.76 per cent, capital goods 1.21 per cent, consumer durables 1.06 per cent, FMCG 0.93 per cent, metal 0.69 per cent and power 0.16 per cent.
- However, IT rose by 1.60 per cent followed by tech 1.37 per cent, healthcare 1.25 per cent, bankex 1.15 per cent and oil&gas 0.69 per cent.
- Global cues were weak with markets in Asia and Europe drifting lower.
- In terms of investments, the provisional data with exchanges showed that FIIs purchased stocks worth Rs 8,043.14 crore, whereas the domestic institutional investors (DIIs) divested scrip worth Rs 5,631.99 crore.



Equity Market Outlook

Global:

- US equities have continued to move higher, with dips being bought on Friday, despite short term indicators showing overbought conditions. However confirmation from other markets seems to be faltering with US 10yr bond yields below its recent peak, USDJPY failing to break above 115, US 5y5y forward inflation rates near the bottom end of their post-Nov range and the Nikkei failing to join in the rally. US Bond markets in particular continue to remain at pivotal points but it seems that equities, driven by a combination of reflation expectations, potential tax cuts in the US, derivative positioning and short covering continue to move higher.
- The VIX index moved higher with markets this week and skew and implied vols remain depressed in Asia. Markets continue to await more details on the Trump tax plans. Fed minutes from the Feb 1 meeting will give an insight into the potential direction of US interest rates. The reflation trade remains very much in play in Asia with financials, materials, IT and energy names leading the gains while defensive telcos, utilities and

Domestic Markets



Index	17-Feb-2017	10-Feb-2017	% Change
S&P BSE Sensex	28468.75	28334.25	0.47
Nifty 50	8821.7	8793.55	0.32
Nifty Midcap 100	16169.3	16227.7	-0.36
Nifty 500	7638	7631.25	0.09
S&P BSE Smallcap	13467.64	13601.31	-0.98

Global Markets



Index	17-Feb-2017	10-Feb-2017	% Change
Dow Jones	20624.05	20269.37	1.75
Nasdaq	5838.58	5734.13	1.82
S&P 500	2351.16	2316.1	1.51
FTSE 100	7299.96	7258.75	0.57
Shanghai Composite	3202.07	3196.7	0.17
Hang Sang	24033.74	23574.98	1.95

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	23880	22966	914
MF Flows*	8336	7840	496

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
13-Feb-2017	932.04	-658.15
14-Feb-2017	1458.68	-670.37
15-Feb-2017	1430.28	-1864.72
16-Feb-2017	743.81	157.74
17-Feb-2017	822.8	-5302.61

Policy Rates



Key Rates (%)	17-Feb-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



healthcare stocks were lower. Value has been bid up in Japan over the past week although low risk was stable. Earnings and price momentum declined.

- PMI numbers will be reported in Japan, the US and the Eurozone and will likely indicate the strength of the global economy.

Local:

- India's Nifty was up marginally (0.3%) during the week in line with the region. The under-owned sectors of IT and Pharma were the best performers.
- Consumer inflation for Jan-17 was up 3.2% YoY, the slowest under the new series (which started in Jan-12) but this was largely owing to low food inflation of 1.3% while core inflation remained relatively high at 4.8%. Wholesale inflation for Jan-17 was up 5.2% YoY, the highest in 30 months on account of higher commodity prices. WPI is now ahead of CPI inflation for the first time in several months which implies that margin tailwinds for corporates on lower raw material prices should begin to dissipate.
- Political developments in the states made news this week. Tamil Nadu politics remained stormy after a continuing conflict between two factions of the ruling AIADMK party. Sasikala, who had staked claim to the Chief Minister's post was convicted by the Supreme Court in a disproportionate assets case but a member of her faction has been sworn in as CM. More clarity on the party's future should emerge in coming weeks. The BJP and one of its key allies, Shiv Sena, are fighting Mumbai municipal elections (21 February) separately, with their leaders trading barbs. Meanwhile, two phases of the seven-phase UP elections are over, with results scheduled to come out on 11 March.
- As per the second advanced estimates by Ministry of Agriculture, food grain production in FY17 reached a record high of 272MT, growing 8% YoY and 3% above the previous high. Both rice and wheat production is at a record level as India received normal monsoon after two successive years of drought. The government is aiming to double the incomes of farmers over the next five years.

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 bond yields rose for a second week, after the central bank chief Urjit Patel's renewed emphasis on sticky core inflation, which had prompted a shift in Monetary Policy Committee's stance last week, reinforced concerns about the possibility of an end to the rate easing cycle.
- Retail inflation eased to at least five-year low of 3.17% last month. However, analysts peg core inflation at around 5.1% in January against 4.9% in December.
- The surprise shift in the six-member MPC's stance last week spooked bond dealers, eroding appeal for local notes and leaving them vulnerable to global volatility.
- Global inflation has gained pace on the back of higher commodity prices, leading to higher yields in key foreign markets.
- Federal Reserve Chair Janet Yellen earlier this week struck an optimistic note on the U.S. economy, indicating possibility of a near-term rate hike. The yield on the 10-year U.S. note had hit a high of 2.52% this week.
- Traders also await details of U.S. President Donald Trump's tax plan, which could boost growth and lead to more rate hikes from the Fed.



Debt Market Outlook

- During last week 10yr traded in the band of 6.83-6.87%
- US 10yr traded in the band of 2.40-2.50%
- Janet Yellen mentioned likelihood of rate hike in upcoming meeting.
- Probability of March hike in US is 35-40%.
- WPI inflation came at 5.35%.
- CPI inflation for Jan 2016 @ 3.2%. Core inflation inched up to 5% levels.
- Urjit patel remark :

-Neutral stance – RBI can cut, hold & raise rates.

-RBI targeting 4% inflation.

5%. -As of now second half of 2017-2018 inflation seen in the band of 4.5-

-Expect growth to pick up.

- Liquidity is easy with CBLO around 6%.
- Rate up to 6 months are down to pre policy levels.
- Rates in 1-3year segment are flat week on week & up 10-20bps from policy day.
- We expect 10yr to trade in 6.75-7% band from here till March 2017.



Kotak Mutual Fund Update



Commodity Market Update

Gold:

- Gold and silver maintained an upward-march for the third straight week at the bullion

Key Rates (%)	17-Feb-2017	10-Feb-2017	% Change
Mibor Overnight	6.22	6.24	-0.32
CALL (O/N)	6.05	6.11	-0.98
CBLO	4.27	6.1	-30
T Bills Index (12M)	6.24	6.27	-0.48
10 Year GSEC	6.85	6.8	0.74

Commodity Market



Commodity (INR)	17-Feb-2017	Gain+/Loss-	% Change
Gold (10 gm)	29341	-25	-0.09
Silver (1 kg)	42793	956	2.29
Crude Oil (\$/barrel)	55.31	-1.39	-2.45

Currency Market



Currency	17-Feb-2017	Gain+/Loss-	% Change
USD/INR	67.05	0.11	0.16
EURO/INR	71.51	0.18	0.25
GBP/INR	83.76	-0.01	-0.01
JPY/INR	59.15	0.26	0.44

market on sustained stockist and investors offtake and buying by jewellers to meet wedding seasonal demand well supported by firm global trend.

- Traders said persistent buying by jewellers and retailers to meet ongoing wedding season demand kept gold prices higher.
- Elsewhere, silver too surpassed 43,000-mark per kg level on sustained speculative buying by industrial units. The yellow-metal gained 2.45 per cent or Rs 710, while, white-metal silver too gained 5.67 per cent or Rs 2,365 in three-weeks.
- On the domestic front, standard gold (99.5 purity) commenced higher at Rs 29,185 per 10 grams, from last Friday's close of Rs 29,045, later surged to close at Rs 29,415, showing a rise of Rs 370 per 10 grams, or 1.27 per cent.
- In worldwide trade, gold tallied a third consecutive weekly gain as political uncertainty continued to boost investment demand for the metal. Global equity markets lost momentum after setting record highs in the previous two sessions, partly due to disquiet about the policies of US President Donald Trump.

Crude Oil:

- Crude oil made a move to the downside on Monday of last week, leaving in place yet another failed test of resistance near the \$55/barrel level. The rest of the week was essentially spent in a consolidation mode, with the contract for April settlement on the New York Mercantile Exchange ending the week at \$53.73/barrel, a loss of roughly 1% from the prior Friday's close, and the first weekly decline in five weeks. Crude oil futures have switched their front month to April from March, as indicated by the active amount of volume in the contracts.
- Oil futures barely budged Friday, but fell for the week—caught between larger-than-expected growth in U.S. crude stocks and reports that OPEC members may exercise an option to extend a pact to cut production by six months.
- For the week, WTI futures prices ended about 0.9% lower, which was their first weekly decline in three weeks, according to FactSet data.
- On Thursday, Reuters reported that OPEC sources said the cartel could extend the six-month deal to cut supply, or make more severe cuts, if oil stocks don't drop by around 300 million barrels to the five-year average.
- U.S. crude exports surged to a record high last week on growing shale oil output.



Currency Market Update

- The rupee snapped its last 3-week winning spree against the American currency, slipping by 13 paise to close the week at 67.01 per dollar on fresh dollar demand from bank and importers on the back of rise in crude oil prices.
- However, foreign capital inflows into the equity market restricted the rupee's losses, a forex dealer said. The rupee resumed lower at 66.90 per dollar as against the last weekend's level of 66.88 per dollar at the Interbank Foreign Exchange (Forex) market and dropped further to 67.1525 per dollar on initial dollar before finishing the week at 67.01 per dollar, showing a loss of 13 paise or 0.19 per cent.
- The domestic currency had gained by 130 paise or 1.91 per cent in the last three weeks. The rupee hovered in a range of 66.8850 and 67.1525 per dollar during the week.
- India's foreign exchange reserves went down marginally \$361mn to stand on \$362.7bn as on February 10 said the Reserve Bank of India on Friday.

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