



Financial Market & Economy Update

- In economic news, the IMF said India will be the fastest growing economy in the world in 2017-18 and will be a key driver for global growth. Retaining its growth forecast of 7.2% for India for the fiscal year 2018, the IMF, in its World Economic Outlook, also estimated that India would grow at 7.7% in 2018-19 and said that 8% growth in the medium-term is within reach. It pegged India's growth rate at 6.8% in FY 2017.
- On the monsoon front, the India Meteorological Department said monsoon seasonal rainfall is likely to be 96% of the long period average with an error of 5%. Forecast assessment suggests 38% of probability for near normal monsoon rainfall, it added.
- India's wholesale prices rose a lower-than-expected 5.70 percent year-on-year in March, compared with a 0.45 fall a year ago, dragged down by easing fuel prices, government data showed on Monday.
- To deal with the increasing problem of water scarcity, Centre has decided to build barrages on all bridges on National Highways that are less than 100 meters in height.
- Over 13 crore account holders, including more than 4 crore active subscribers, of the Employees' Provident Fund Organisation (EPFO) will receive a return of 8.65% for their provident fund (PF) deposits in 2016-17.
- The Nitin Gadkari-led ministry of road transport and highways (MoRTH) will soon seek Cabinet approval for its hugely-ambitious Bharatmala project, under which 24,800 km of highways would be built in the first phase, entailing an investment of Rs 5.5 lakh crore.
- Housing sales fell marginally by 1 per cent in eight major cities to 28,131 units during January-March over the previous quarter, with demand slowly recovering from demonetisation impact, a study says.
- US Vice President Mike Pence announced \$10 billion in deals between American and Indonesian companies during a visit to Jakarta on Friday, as he pushed for greater access to Southeast Asia's top economy.
- Saudi Arabia will prevent foreigners from taking jobs in the country's shopping malls, as it seeks to boost employment opportunities for citizens as part of a long-term economic overhaul.
- US Ambassador Nikki Haley has a message for North Korea: "We're not trying to pick a fight so don't try and give us one."
- Australia will tighten temporary skilled migration visas, scrapping the current 457 program used by almost 100,000 people, as the country's labor market weakens and anti-immigration sentiment spreads among developed nations.



Equity Market Update

- Concerns about geopolitical tensions, weakness in global markets and caution ahead of key results rendered price movements quite sluggish in the Indian stock market during the week ended 21 April 2017.
- Recording losses on three of the five sessions, the key indices Sensex and the Nifty50 ended the week slightly lower. While the BSE benchmark ended down 96.15 points or 0.32% at 29,365.30, the NSE barometer declined 31.40 points or 0.34% to 9119.40.
- Midcap and smallcap stocks saw some strong buying, resulting in the BSE Midcap and Smallcap indices climbing higher by 0.95% and 1.91%, respectively.
- Metal stocks turned in a mixed performance last week. IT stocks were mostly subdued last week with concerns about H1-B visa issues and declining margins of sector heavyweights weighing on sentiment.
- Sugar stocks posted impressive gains on reports that the Uttar Pradesh Chief Minister Yogi Adityanath met a delegation of the sugar mills to hear their grievances and assured them to provide facilities for facilitating fresh investments to expand capacity and build new factories in the state.
- Among sectoral and industry indices, metal fell by 2.74 per cent followed by healthcare 2.21 per cent, bankex 1.19 per cent, FMCG 0.91 per cent, auto 0.61 per cent, IT 0.51 per cent, and teck 0.29 per cent, while realty rose by 11.45 per cent, followed by power 1.57 per cent, consumer durables 0.81 per cent, capital goods 0.71 per cent and oil&gas 0.48 per cent. Among the 30-share Sensex pack, 19 stocks fell and remaining 11 stocks gained during the week.
- In addition, the inbound investments depressed the equity markets. Provisional figures from the stock exchanges showed that foreign institutional investors (FIIs) sold stocks worth Rs 3,001.77 crore during the week, while domestic institutional investors (DIIs) bought scrip worth Rs 2,492.43 crore.



Equity Market Outlook

The Nifty was down 0.3% during the week, underperforming the regional markets. Metals and Healthcare were weak while the Realty index was up 11% during the week and 39% over the last three months. FII inflows in equity have turned negative in April after a very strong Feb-Mar but still remain robust in debt. INR as a result also depreciated 0.3% during the week vs USD. The market is likely to take direction from the results of several large-caps next week.

Normal monsoon forecast by IMD

- The India Meteorological Department (IMD) has forecast a normal monsoon season for 2017, with rainfall expected to be at 96% of the long-term average. After a normal

Domestic Markets



Index	21-Apr-2017	13-Apr-2017	% Change
S&P BSE Sensex	29365.3	29706.61	-1.15
Nifty 50	9119.4	9198.3	-0.86
Nifty Midcap 100	17800.35	17398.15	2.31
Nifty 500	8057.7	8045.35	0.15
S&P BSE Smallcap	15166.31	14681.42	3.3

Global Markets



Index	21-Apr-2017	13-Apr-2017	% Change
Dow Jones	20547.76	20453.25	0.46
Nasdaq	5910.52	5805.15	1.82
S&P 500	2348.69	2328.95	0.85
FTSE 100	7114.55	7327.59	-2.91
Shanghai Composite	3173.15	3275.96	-3.14
Hang Sang	24042.02	24261.66	-0.91

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	16507	18373	-1866
MF Flows*	11640	7495	4145

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
17-Apr-2017	536.68	-94.42
18-Apr-2017	1148.31	273.2
19-Apr-2017	-219.87	204.91
20-Apr-2017	83.39	-471.49
21-Apr-2017	-725.87	-146.65

Policy Rates



Key Rates (%)	21-Apr-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	5.75	5.75
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20.75	20.75	20.75

Key Rates



monsoon in 2016, food-grain production and agri GDP growth have shown good growth. Some signs of rural recovery are also visible, with a marginal pick-up in rural wage growth post the 2016 monsoon. Another normal monsoon along with increased allocation of the government on rural development, farm loan waiver and social housing could further accelerate rural recovery.

RBI makes changes to NPL provisions

- RBI has asked banks to set board-approved policies for making additional provisions on exposure in stressed sectors, even if loans are standard/ performing. It has focused on sectors like telecom where it believes profitability of players has been affected and there may be need for additional provisions. Select players in telecom are stressed and hence banks might need additional provisioning; incremental lending towards spectrum purchases can also be impacted if sentiment towards this sector weakens.

Mixed results season so far

- Early results in the 3Q season have been mixed. Both TCS and Infy reported weaker-than-expected US\$ revenue growth but higher dividends/buyback were a positive. In financials, IndusInd's profits were weaker than expected due to higher provisioning while Yes Bank's profits were ahead of estimates but NPL was higher. Reliance, Axis, ICICI and Maruti report next week.

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 sovereign bond yields rose this week, after the Monetary Policy Committee's April minutes indicated a rate increase may be warranted as inflation gathers pace in Asia's third-largest economy.
- The MPC minutes released after market hours yesterday showed members firming stance on inflation and ruling out adverse growth impact on the cash-fed economy on New Delhi's remonetisation drive.
- MPC's key gauge of retail inflation stood at 3.81% in March, the fastest pace of expansion since October. The central bank had in April policy raised inflation projection for this financial year to 4.5%-5.0% from 4%-5% earlier.
- Earlier this week, the nation's weather office predicted south-west monsoon rainfall during June-September to likely be 96% of the long-term average, with a five-percentage-point swing either ways.
- Lingering geo-political tensions between the U.S. and North Korea also weighed on local notes this week. Sentiment was also subdued ahead of the French presidential elections that are due this weekend. Far-right leader Marine Le Pen has vowed to pull France out of the European Union if voted to power.



Debt Market Outlook

- The RBI released its minutes of the MPR held on 06-7 April, broadly everything was on expected lines comments from Michel Patra disturbed the market sentiment as he said that in order to achieve 4% target of CPI inflation it would be more appropriate to do a Pre-emptive rate hike of 25 bps. Now this statement was very hawkish vs mkt expectations, however he also added that we should may be wait for some more data points.
- Globally almost all the regions have turned a lot softer on rates. There are two important developments which are taking final shape and will have a deeper impact on all the markets in the time to come:

- The trump admin is like to choose the BAT or VAT plus tax reforms
- If Trump admin fails to deliver on the tax reforms then it will be difficult for them to do this in future
- From market perspective VAT plus tax reforms is most desirable options
- Rate hike in the US probably will be delayed as the data will not come as strong
- Italy elections the first round will take place during the weekend and the candidates will go for the second round will probably give more colour to the future.
- Most likely chance of Mr Macron and Marine La Pen the former is better than later but it's a very close call so this will keep markets on tender hooks

- The 10 yr benchmark is likely to change any time soon and therefore it is likely to underperform which was witnessed during the week 10yr traded in the 6.84-94 band, closed the week @6.91%.
- After shooting to the high of 56 the crude oil Prices were ~52\$ per barrel. we expect the crude to be in the range of 45-55\$ mark which is positive for India macro
- India need strong exports and INR was already over valued at 67-68 zone post the policy INR appreciated further to 64.40 and RBI seems ok with strong INR which is even more puzzling as tight rates will help appreciation even more which will hurt exports.
- RBI stance may be justified if global central banks contracting balance sheet impact India adversely in the coming year but again as our macro is good therefore it's not we should excessively worry for but as a central bank RBI will have to prepare much in advance so wait and watch who has the laugh
- We saw good inflows from FII in both debt and equity market. In debt market as of now it's not coming in duration but given the move in INR this can soon happen
- US 10yr was up from 2.20% to 2.25% levels.

Key Rates (%)	21-Apr-2017	13-Apr-2017	% Change
Mibor Overnight	6.2	6.1	1.64
CALL (O/N)	5.93	5.96	-0.5
CBLO	6.07	5.36	13.25
T Bills Index (12M)	6.36	6.17	3.08
10 Year GSEC	6.92	6.82	1.44

Commodity Market



Commodity (INR)	21-Apr-2017	Gain+/Loss-	% Change
Gold (10 gm)	29249	-64	-0.22
Silver (1 kg)	41406	-983	-2.32
Crude Oil (\$/barrel)	51.96	-3.93	-7.03

Currency Market



Currency	21-Apr-2017	Gain+/Loss-	% Change
USD/INR	64.57	0.25	0.39
EURO/INR	69.17	0.55	0.8
GBP/INR	82.7	1.87	2.31
JPY/INR	59.03	0.06	0.1

- As of now SDL supply looks benign but it will shoot up in the second half of the year and the supply is large therefore spreads are unlikely to contract meaningfully however the carry is attractive
- We expect 10yr to trade in 6.80-6.90% band during current week however soon this will be an outgoing security therefore rising yield of this security has no meaning the rest of the curve has already discounted the same and lets wait for the new one
- Liquidity continues to remain in surplus zone and the shorter end is likely to remain anchored.
- Hybrids are likely to much better vs any duration funds in the coming 1 yr to 18m and more horizon
- Duration will remain volatile and accrual will give a steady state return but the overall return generated form both category in the next 3 yr will be similar therefore one should choose wisely for long term bets.



Commodity Market Update

Gold Update:

- Gold held steady this week while base metals showed a mixed trend. In the agri-commodity basket, prices of guar gum and castor seeds inched up while refined soy oil came under pressure due to higher availability in the market.
- The prices of gold in the global markets soared to a five-month high after the US launched a surprise missile strike on a Syrian Airbase and also dropped the largest non nuclear bomb in Afghanistan.
- The gold in the domestic market is now trading around Rs 29,500 per 10 gram. With Akshaya Tritiya around, retail gold jewellers are expecting a strong demand similar to that witnessed during the festive occasion of Gudi Padwa.
- Retail gold jewellers are expecting a 10-15 per cent growth in demand during Akshaya Tritiya.

Crude Oil Update:

- For the week, Brent fell 7 percent, while U.S. crude lost 6.7 percent. It was the largest percentage drop for both benchmarks since the week of March 10, when rising concern about the supply glut undermined big bets on an oil rally.
- Oil prices tumbled more than 2 percent on Friday, notching the biggest weekly decline in more than a month on mounting evidence that U.S. production and inventory growth were offsetting OPEC's attempts to reduce the global crude glut.
- Brent futures LCOc1 settled at \$51.96 a barrel, down \$1.03, or 2 percent at the market's close. U.S. crude futures CLc1 ended at \$49.62 a barrel, down 2.2 percent, or \$1.09.
- Many in the market still expect the Organization of the Petroleum Exporting Countries (OPEC) to renew its production cuts for another six months. On Friday an OPEC and non-OPEC member technical committee recommended extending cuts of almost 1.8 million barrels per day (bpd) at the upcoming May 25 meeting.



Currency Market Update

- The rupee continued its dizzying downward spiral for the second-straight week and depreciated by a whopping 20 paise to end at 64.61 against the US currency on sustained dollar demand from importers and corporates.
- Trading along the line of resistance, the domestic currency largely moved in a narrow range in the midst of increasing impact of geopolitical threats on international currency markets.
- Sluggish domestic equities along with continued selling by foreign investors mainly kept forex market sentiment little nervous.
- A broadly weak greenback overseas on the other hand cushioned the fall.
- Moreover, currency traders refrained from taking large positions ahead of Sunday's first round of a tight French presidential election.
- Foreign funds, meanwhile remained net sellers and pulled out USD 240.64 million from the Indian capital markets in last four days.
- At the Interbank Foreign Exchange market, the local unit resumed a tad weak at 64.42 from last Friday's close of 64.41.
- It kept descending under immense pressure and hit a low of 64.72 before recouping some early sharp losses to end at 64.61, revealing a loss of 20 paise, or 0.31 percent.
- The domestic currency briefly touched a fresh one-month high of 64.29 on Monday.
- The dollar index, a measure of the US currency against a basket of peers tumbled sharply to settle below the significant 100-mark at 99.66 from last weekend level of 100.49.
- India's foreign exchange reserves rose by \$889.4 million to \$369.887 billion during the week ended April 14, helped by increase in foreign currency assets, the Reserve Bank said.

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