



Financial Market & Economy Update

- The government on Monday sought Parliament approval for additional expenditure of Rs 66,113 crore, which includes 76 Grants and 3 Appropriations.
- The Income-Tax Department has unearthed undisclosed income of Rs 7,961 crore post demonetisation, from November last year to March, Parliament was informed on Monday.
- The Yogi Adityanath government in Uttar Pradesh presented its first supplementary budget of Rs 11,388 crore in the state legislature here, in which it sought additional funds for various infrastructure and other related development projects.
- According to the Centre for Monitoring Indian Economy (CMIE), home loan growth in April-October fell down by 32.7 % from a year ago, one of the biggest declines in the last five years.
- To facilitate trade with bordering countries like Nepal and Bangladesh, India will link its major highway corridors to international trade points at a cost of Rs 25,000 crore, Union Minister Nitin Gadkari said.
- Gems and jewellery exports saw a 4.8 % dip at \$22.43 billion during April-November this year owing to demand slowdown in major markets, including the US.
- Japanese exports accelerated sharply in November, yet again pointing to growing momentum in the world's third-biggest economy. There was just one catch: inflation remained stubbornly low and well off the central bank's 2 % target.
- China's central bank raised interest rates on reverse repurchase agreements, or reverse repos, used for open market operations by 5 basis points for the 14-day tenor on Monday, following upward adjustments on other tenors last week.
- The U.S. economy grew at its fastest pace in more than two years in the third quarter, powered by robust business spending, Gross domestic product expanded at a 3.2 % annualized rate last quarter, the Commerce Department said in its third GDP estimate for the period.
- The Bank of Japan kept monetary policy steady on Thursday, as widely expected, the BOJ kept its short-term interest rate target at minus 0.1 % and the 10-year bond yield target around zero % - wrapping up a year in which the central bank made no change to policy.
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Equity Market Update

- The benchmark Sensex triumphed for third week in a row, registering fresh record closing highs by gaining 477.33 points to finish at 33,940.30, while the broader Nifty ended the new peak at 10,493.00.
- The week saw stock market celebrating 'Christmas' early as BJP won the Gujarat and Himachal Pradesh elections. The subsequent reverberation led the key indices to mark all time new highs.
- The Sensex started the week gap-down at 33,364.52 and hovered between all-time highs at 33,964.28 and low of 32,595.63 before settling the week fresh record highs of 33,940.30, showing a gain of 477.33, or 1.43 %.
- The Nifty also resumed the week gap-down at 10,263.10 and registered new-milestone 10,501.10 and low of 10,493.00 to close the week with fresh record peak at 10,493.00, showing a gain of 159.75 points, or 1.55 %.
- Broader market rallied. The S&P BSE Mid-Cap index jumped 3.53 % at Rs 599.06 and the S&P BSE Small-Cap index spurted 4.52 % at Rs 820.55. Both these indices outperformed the Sensex.
- Among sectoral and industry indices, Consumer Durables climbed followed by metal, realty, consumer goods, power, auto, healthcare, IT, Tech, Oil&Gas and FMCG.
- Foreign institutional investors (FIIs) sold whopping shares worth Rs 3,805.31 crore during the week.



Equity Market Outlook

Global:

- The US Congress passed a sweeping overhaul of the US tax code in more than 30 years, giving President Donald Trump his first major legislative victory amid criticism that the package disproportionately benefit the wealthy and corporations.
- Saudi Arabia announced that it will spend 978 bn riyals (\$261 bn) in 2018, its largest-ever budget — as it looks to diversify its economy away from energy as part of Crown Prince Mohammed Bin Salman's bold reform agenda. This expansionary budget comes at a time of economic struggle — the country entered into recession this year, contracting 0.5% — but the government is optimistic, estimating growth to

Domestic Markets



Index	22-Dec-2017	15-Dec-2017	% Change
S&P BSE Sensex	33940.3	33462.97	1.43
Nifty 50	10493	10333.25	1.55
Nifty Midcap 100	20834	19962.3	4.37
Nifty 500	9431.5	9216.75	2.33
S&P BSE Smallcap	18991.2	18170.65	4.52

Global Markets



Index	22-Dec-2017	15-Dec-2017	% Change
Dow Jones	24754.06	24651.74	0.42
Nasdaq	6959.96	6936.58	0.34
S&P 500	2683.34	2675.81	0.28
FTSE 100	7592.7	7490.57	1.36
Shanghai Composite	3297.06	3266.14	0.95
Hang Sang	29578.01	28848.11	2.53

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	31073	35856	-4783
MF Flows*	28299	26622	1677

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
18-Dec-2017	2369.53	269.61
19-Dec-2017	802.5	534.83
20-Dec-2017	1281.04	1035.41
21-Dec-2017	1054.3	103.95
22-Dec-2017	282.98	151.35

Policy Rates



Key Rates (%)	22-Dec-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



rebound to 2.7% in 2018.

- America's shale drillers are poised to ring in the new year with strong growth in the U.S. oil patch, according to the latest forecast from the Department of Energy. Crude oil production from seven major shale regions is set to grow by 94,000 barrels a day in January, the department's U.S. Energy Information Administration projected on Monday. Total output from those regions is seen topping 6.4 million barrels a day next month. That would mark growth of more than 1 million barrels a day from this past January, when frackers produced 5.2 million barrels a day

Local:

- Amidst the heat of the Gujarat and Himachal Pradesh election results, the current week disclosed minutes of the monetary policy committee meeting held on 5/6Dec'17, where Dr. Dholakia was the sole member in favour of a rate cut against a backdrop of rising inflation, due to growth concerns. While the Economic Advisory Council held its third meeting to discuss growth and employment, a new skill development scheme was approved by the Cabinet for the textile sector. Data releases during the week reported a) higher CPI inflation for rural and agricultural labourers in Nov'17, b) robust 22%YoY growth in foreign exchange earnings from tourism in Nov'17 and c) 19.5%YoY growth in FYTD18 number of tax-payers owing to demonetization.

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 (%)	22-Dec-2017	15-Dec-2017	% Change
Mibor Overnight	6.03	6.02	0.17
CALL (O/N)	5.97	5.99	-0.33
CBLO	5.71	6.17	-7.46
T Bills Index (12M)	6.37	6.34	0.47
10 Year GSEC	7.27	7.13	1.96

Commodity Market



Commodity (INR)	22-Dec-2017	Gain+/Loss-	% Change
Gold (10 gm)	28676	265	0.93
Silver (1 kg)	37097	453	1.24
Crude Oil (\$/barrel)	65.25	2.02	3.19

Currency Market



Currency	22-Dec-2017	Gain+/Loss-	% Change
USD/INR	64.04	-0.06	-0.09
EURO/INR	75.88	0.36	0.48
GBP/INR	85.67	-0.46	-0.53
JPY/INR	56.51	-0.62	-1.09



Debt Market Update

- Indian government bonds slumped, with the benchmark yield posting its largest weekly rise in over eight months, after hawkish commentary from the Monetary Policy Committee members and amid concerns about a wider fiscal deficit.
- India should signal an end to accommodation in its monetary policy stance and begin its withdrawal, Michael Patra, the Reserve Bank of India's executive director and a member of the panel, said, according to the minutes of the December policy meeting released earlier this week.
- The MPC kept its interest rates steady at 6% earlier this month, while maintaining its neutral stance as expected. The six-member panel also increased its inflation projection to 4.3%-4.7% in the second half of this fiscal year, from a 4.2%-4.6% band for the same period projected in its October meeting.
- New Delhi aims to narrow the budget deficit to 3.2% of gross domestic product this fiscal year from 3.5% in the previous year. India was earlier mandated to meet the 3% aim under Fiscal Responsibility and Budget Management Act. However, bonds have fallen in recent sessions amid fears that the government may breach the target, which may lead to additional borrowing.
- India is committed to maintaining the previously announced glide path to bring down the fiscal deficit, Finance Minister Arun Jaitley said yesterday. So far, the government has maintained the fiscal deficit glide path, Jaitley said while replying to lawmakers in the parliament's lower house. Both the fiscal gap and current account deficit are under control, he added.



Debt Market Outlook

- During last week 10 moved up from 7.12% to 7.27% levels
- Week started the week with yields touching low of 7.23 and bouncing back to 7.17% levels on Gujrat election results
- Crude spiked to 64.75 levels, us 10yr yield spiked to 2.48% on passage of tax bill, minutes of RBI was read as hawkish by market led to spike in yield. News from government sources mentioning higher collection from disinvestment and cut in spending would help in achieving 3.2% fiscal deficit were positive for the market
- Mutual funds faced redemptions in their short duration funds, which added to g sec selling pressure. Plus there was lack of buying interest from PSU banks as well.
- We believe 10yr would continue to trade in the 7.10-7.30 band for next week
- We believe most of the negative have been priced in the market at the current juncture
- We advise STP in duration funds from here till march 18
- Liquidity was tight on account of advance tax outflow it's expected to normalise as the spending happens in the end of month.
- Short term issuance by few corporates led to 20 bps spike in very short span of time
- Redemption from short duration funds in a tight liquidity scenario led to spike in short term curve up to 3 years
- We believe yield curve up to 3yr has become very steep and very attractive for investors.
- 3 months HDFC is at 6.6%, 6 month 7.4% which indicates that market is pricing in at least 50bp rate hike or spike in overnight rates in the month of march. Given liquidity outlook its unlikely to sustain even if there is temp spike in overnight rates and therefore making ultra-short category more attractive for investment horizon beyond march. Similarly short term investors also likely to benefit from the steepness of the curve should they hold the investment for 9-12m.



Commodity Market Update

Crude Oil Update:

- In global commodity trade, crude prices ended at their highest levels since 2015 on pledges from OPEC leader Saudi Arabia and non-OPEC Russia that any exit from crude output cuts would be gradual.
- Brent crude futures, the international benchmark for oil prices, ended the session up 35 cents at USD 65.25 a barrel, its highest close since June 2015.
- Volatility was relatively low last week, but that didn't stop the futures contracts from grinding higher. The strong price action put both futures contract in positions to challenge their highest levels since 2015.
- Brent crude oil led the way higher last week, driven higher by the continued shutdown of the North Sea Forties pipeline system. Both Brent and WTI were underpinned by another bullish weekly government inventories report.

Gold Update:

- Gold prices advanced by Rs 145 to close the week at Rs 28,695 per 10 grams on persistent demand from stockist and retailer amidst bullish trend overseas.
- Mild local buying interest due to marriage season also supported the gold sentiments.
- Elsewhere, silver too maintained its second weekly surge to regain its 37K level up by another Rs 385 per kg to end the week at Rs 37,180 due to sustained speculative buying coupled with higher industrial offtake.
- Globally, Gold futures ended higher yesterday, closing the books on back-to-back positive trading weeks and padding a year-to-date gain that's near 10 %.
- February gold the most-active contract on Comex, rose USD 8.20, or 0.6 %, to end at USD 1,278.80 an ounce.
- On the domestic front, standard gold (99.5 purity) resumed slightly lower at Rs 28,500 per 10 grams from last Friday's closing level of Rs 28,550, it rose to Rs 28,670 before settling at Rs 28,695, revealing a gain of Rs 145, or 0.51 %.
- Pure gold (99.9 purity) also commenced lower at Rs 28,650 per 10 grams compared to preceding weekend level of Rs 28,700, it regained to climbed at Rs 28,820 before closing at Rs 28,845, showing a rise of Rs 145, or 0.51 %.
- Silver ready (.999 fineness) opened positive at Rs 36,915 per kilogram from last Friday's closing level of Rs 36,795, and rose further to Rs 37,200 before finishing at Rs 37,180, registering a rise of Rs 385 per kilo, or 1.05 %



Currency Market Update

- Overall forex market sentiment witnessed a near-term turmoil after a sense of panic and disbelief rippled through currency trading after initial trends suggested that the ruling BJP was lagging behind in Gujarat election results.
- The home currency suffered a day of wild swings on Monday, tumbling over 70 paise for its biggest intra-day fall of the year before a similarly steep rebound.
- The Indian currency largely withstood initial wobble and staged a spectacular rebound after poll results showed that the BJP is set to keep power in Gujarat and topple the Congress in Himachal Pradesh, proving a big relief.
- At the Interbank Foreign Exchange (forex) market, the rupee resumed lower at 64.15 from last Friday's close of 64.04 on fresh bouts of dollar demand.
- Globally, the U.S. Dollar ended lower against most of the major currencies on the back of an unexpected downward revision in Q3 GDP, but still the fastest pace of growth since the first quarter 2015 amid fading tax cut excitement.
- The dollar index, which tracks the greenback against six major currencies ended lower at 92.88 as compared to 93.96 last week.
- Country's foreign exchange reserves rose by USD 488.2 million to USD 401.385 billion in the week to December 15, due to rise in foreign currency assets.

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