



## Financial Market & Economy Update

- The Reserve Bank has expanded the overseeing committee (OC) by appointing three more members to the high-level panel that will vet the process to resolve mounting bad loans bogging down the banking sector.
- The city of Nagpur would emerge as a platform for strengthening the Indo-French bilateral ties, a senior official from the European country has said.
- The government has decided to retain the generous subsidies being given to two-thirds of the country's population under the National Food Security Act (NFSA) for another year, that is, until June 2018.
- The market share of Chinese smartphones in India increased by 340% in the first quarter of the 2017-18 fiscal, as compared to the same quarter last year.
- The government has permitted banks and post offices to deposit junked Rs 500 and Rs 1,000 notes with the Reserve Bank by July 20.
- Taking another step forward to show its keenness to participate in India's station redevelopment programme, a consortium of Malaysian developers has asked to extend the date to submit bids for seven railway stations.
- The Goods and Services Tax Council has decided to exempt prasadam and human hair at the Tirumala Tirupati Devasthanams (TTD) from tax.
- The Centre will stick to its fiscal deficit target of 3.2% of gross domestic product (GDP) for 2017-18, finance minister Arun Jaitley said, signalling no let-up in fiscal discipline.
- India has witnessed a whopping 30 % rise in the foreign exchange earnings from the tourism sector in the month of May, as compared to the same period in the last two years and a 19 % increase in tourist footfalls.
- Minister of State (Independent Charge) for the Ministry of Commerce & Industry and Minister of State for Finance and Corporate Affairs under the Ministry of Finance, Nirmala Sitharaman launched Startup India Hub on Monday afternoon.
- The construction of over 20 lakh affordable houses for urban poor in 4,720 cities and towns has been approved under the Pradhan Mantri Awas Yojna (Urban) launched two years ago, Union Urban Development Minister M Venkaiah Naidu said on Monday.
- Foreign investors have pumped in a staggering \$3.55 billion in the Indian capital market this month so far due to finalization of GST rates for bulk of the items and forecast of a normal monsoon.
- European Commissioner warns that an exit from the single market would necessitate the withdrawal of financial passporting rights for the U.K.
- UK PM Theresa May has told European Union leaders that any EU citizen living in UK for five years will be given "UK settled status" after Brexit.
- The number of Americans filing for unemployment benefits increased slightly last week, but remains at levels consistent with a tight labor market.
- Qatar will not cut off gas to the United Arab Emirates despite a diplomatic dispute and a "force majeure" clause in its contract, the chief executive of Qatar Petroleum told.
- The World Bank has cleared a USD 250-million loan for making Indian youth more employable through reskilling, in a move that is seen to aid the Skill India mission.

### Prime Minister Narendra Modi US visit highlights:

- Trump urged for more balance in trade relations with India.
- Trump said India has agreed to join the fight against "radical Islamic terrorism."
- Indian Prime Minister Narendra Modi is the first world leader to be hosted for a White House dinner since Trump took office.



## Equity Market Update

- The stock market ended divergent for week with benchmark sensx gaining 81.81 points, to finish at 31,138.21, while Broader Nifty ending with modest loss of 13.10 point to conclude 9,574.95 .
- Despite the key indices marking new closing highs and later surrendering it, the trading activity was largely quiet as the country foray into new single tax regime of GST poised to roll-out from July 1, swayed the investors sentiment.
- The S&P BSE Sensex resumed higher at 31,168.98 and hovered with fresh peak of 31,522.87 and low of 31,110.39 before ending the week at 31,138.21, showing a gain of 81.81 points or 0.26 %.
- However, the 50-share Nifty shed 13.10 points or 0.14 % to close the week at 9,574.95 after moving in a range of 9,698.85 and 9,565.30.
- Foreign institutional investors (FIIs) bought shares worth Rs 223.82 crore during the week, as per Sebi's record including the provisional figure of June 23.
- In the broader market, the S&P BSE Mid-Cap index fell 223.52 points or 1.51 % to settle at 14,583.81. The S&P BSE Small-Cap index fell 285.34 points or 1.82 % to settle at 15,381.90. Both these indices underperformed the Sensex.
- Among sectoral and industry indices, FMCG rose by 0.72 % followed by Bankex 0.11 %. However, Oil&Gas dipped by 2.78 % followed by Auto 2.06 %, realty 1.91 %, metal 1.16 %, capital goods 0.99 %, healthcare 0.90 %, power 0.80 %, IT 0.30 % and teck 0.29 %.

## Domestic Markets



Index	23-Jun-2017	16-Jun-2017	% Change
S&P BSE Sensex	31138.21	31056.4	0.26
Nifty 50	9574.95	9588.05	-0.14
Nifty Midcap 100	17686.3	18002.55	-1.76
Nifty 500	8355.1	8411.45	-0.67
S&P BSE Smallcap	15381.9	15667.24	-1.82

## Global Markets



Index	23-Jun-2017	16-Jun-2017	% Change
Dow Jones	21394.76	21384.28	0.05
Nasdaq	6265.25	6151.76	1.84
S&P 500	2438.3	2433.15	0.21
FTSE 100	7424.13	7463.54	-0.53
Shanghai Composite	3157.87	3123.17	1.11
Hang Sang	25670.05	25626.49	0.17

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	27667	28407	-740
MF Flows*	4105	2960	1145

## F&O FII Trends (Rs. Crs)



Date	Index	Stocks
19-Jun-2017	878.09	-822.87
20-Jun-2017	665.16	-501.78
21-Jun-2017	1053.68	-1142.93
22-Jun-2017	682.31	-55.7
23-Jun-2017	1441.95	-372.46

## Policy Rates



Key Rates (%)	23-Jun-2017	1 Week Ago	1 Month Ago
Reverse Repo	6	6	6
Repo	6.25	6.25	6.25
CRR	4	4	4
SLR	20	20.5	20.5

## Key Rates





## Equity Market Outlook

### Global:

- With US 10yr bond yields now firmly below their 200-day moving average, the debate over disinflation in the global economy as the Fed threatens to continue tightening and reduce the size of its balance sheet is likely to intensify – there are a number of Fed speakers this week including Yellen, Dudley, Williams, Bullard and Harker. The Fed will also be announcing the second part of its annual bank stress test. US durable goods orders are expected to have fallen in May while personal incomes are expected to have risen. US GDP is expected to be confirmed at 1.2% while house price data will also be released.
- The Bank for International Settlements, in its annual report, warned that the rot from the financial crisis in 2008 has yet to be extracted and that the next financial crisis could hit with a vengeance. It cautioned that the financial system is to be tested as Fed prepares to unwind its balance sheet. The report came as Italy approved emergency rules to pump up to \$17bn into two floundering banks in Northern Veneto.
- A year after the UK voted to leave the European Union the UK Parliament will be meeting to approve the Government's legislative program after the election failed to result in a conclusive majority for the ruling Conservatives. With the lack of an absolute majority and a pact with the DUP still elusive, the vote could be close and a defeat for the Government could trigger a crisis for the May Government as it prepares to meet with EU representatives to discuss the status of EU nationals living in the UK.

### Local:

- The Nifty declined 0.1% during the week and was amongst the worst-performing markets in the region; yet it remains close to its all-time-high. Oil & Gas and Autos were the key losers. The Finance Minister officially confirmed the rollout of GST on 30 June at a midnight event expected to have cross-political party participation. GST switchover worries are at the forefront; we anticipate a transitory impact on company revenues as well as margins in the Apr-Jun quarter results.
- Adding to the US\$10bn of farm loan waivers already announced, two other states announced waivers this week. Punjab announced a farm loan waiver of ~US\$3bn; Rs0.2m per farmer, which would aid over 1m farmers. The amount is equivalent to nearly 5% of the state's GDP and 35% of outstanding agri loans. Karnataka announced waiver of state co-operative farm loans worth Rs82bn (US\$1.3bn). More states could follow suit. The central gov't meanwhile resisted populist temptations and announced a moderate 5% MSP hike for rice crop.
- Minutes of the 6-7 June Monetary Policy Committee (MPC) meet released by the RBI show that one member, Mr Ravindra Dholakia, called for a 50bp cut in the repo rates. The other five members voted for status quo. Most members continue to be concerned about non-food inflation, which remains sticky. The RBI governor highlighted upside risk to inflation on Pay Commission hikes and farm loan waivers.

### 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.



## Debt Market Update

- Government bonds rise for an eighth straight week as bets for an August rate cut climbed further after this week's release of the minutes of the RBI's June 7 meeting, and as foreign funds continue to buy rupee debt.
- Yield on benchmark 10-year notes falls 3bps this week, helping them complete the longest run of weekly gains since 2003; yield was steady on Friday
- Foreign buying has also boosted local bonds
- Overseas holdings of Indian govt and corporate debt rose by 2.4b rupees (\$37m) on Thursday, climbing for a 21st day, longest stretch in NSDL-compiled Bloomberg data going back to 2011
- MPC members are clearly in a "wait & watch" mode as they await flow of data over the ensuing months and most of them maintain a flexible-neutral stance
- Against this backdrop, might see a shift in policy stance before a rate-cut materializes in Oct.; nevertheless, the possibility of a rate-cut in Aug. policy cannot be entirely ruled out
- USD/INR falls 0.1% on Friday to 64.5175; rises 0.1% from June 16 to cap second weekly gain
- India sells 150b rupees of bonds as planned: RBI
- FX reserves rise \$799m to \$382b in the week to June 16
- Public banks were biggest buyers of govt bonds on June 22, with net purchases of 35.2b rupees: CCIL; private lenders were biggest sellers at 32.5b rupees.



## Debt Market Outlook

- Last week the 10 year bond was lower by 2 bps from 6.48% levels to 6.46% levels
- RBI minutes were released last week. Apart from Ravindra Dholakia who was for 50 bps rate cut, rest of the members were neutral to hawkish and wanted to wait for more data points before moving on rates

Key Rates (%)	23-Jun-2017	16-Jun-2017	% Change
Mibor Overnight	6.17	6.25	-1.28
CALL (O/N)	6.08	6.09	-0.16
CBLO	5.87	6.2	-5.32
T Bills Index (12M)	6.36	6.38	-0.31
10 Year GSEC	6.46	6.49	-0.46

## Commodity Market



Commodity (INR)	23-Jun-2017	Gain+/Loss-	% Change
Gold (10 gm)	28702	-1	-0
Silver (1 kg)	38601	36	0.09
Crude Oil (\$/barrel)	45.54	-1.83	-3.86

## Currency Market



Currency	23-Jun-2017	Gain+/Loss-	% Change
USD/INR	64.54	-0.05	-0.08
EURO/INR	72.08	0.03	0.04
GBP/INR	81.97	-0.54	-0.65
JPY/INR	58.01	-0.04	-0.07

- Intra week yields had moved lower, however post minutes moved up and finally closed the week at 6.46%
- US 10 yr traded in the band of 2.14-2.19% last week
- Brent crude trended lower last week from 47.50 \$ per barrel to 45.50 \$ per barrel
- During the current week we expect 10 yr to trade in the 6.43-6.48 band
- Liquidity is easy in the system with CBLO rates hovering in the 6.15-6.25% band.
- 2/3 Month CD was trading at 6.35%.
- 1yr CD was trading at 6.65%
- 2/3 Months PSU was trading at 6.35%
- 5yr PSU was trading at 7.15-25%
- 2/3 Months NBFC AAA was trading at 6.7%
- 1yr NBFC AAA was trading at 7.20%
- 2/3 NBFC AAA was trading at 7.60-80%
- 5yr NBFC AAA was trading at 7.80-90%



## Commodity Market Update

### Gold Update:

- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 28,575 per 10 grams from last Friday's closing level of Rs 28,670 and plunged further to a low of Rs 28,515, later recovered and concluded at Rs 28,790, revealing a gain of Rs 120, or 0.42 %.
- Pure gold (99.9 purity) also commenced sluggish at Rs 28,725 per 10 grams compared to preceding weekend level of Rs 28,820 and drifted further to a low of Rs 28,665 later it witnessed rebound to close at Rs 28,940, showing a rise of Rs 120, or 0.42 %.
- In worldwide trade, though Gold regained from initial weakness on the back of declines in the US dollar, it wasn't enough to give prices a boost as the metal extended its third week of losses. Silver also witnessed losses for the week.
- Silver ready (.999 fineness) opened sharply lower at Rs 38,645 per kilogram from last Friday's closing level of Rs 38,960 and drifted further to Rs 38,405, later it recovered to close stable at last weekend's level of Rs 38,960.

### Crude Oil Update:

- In global commodity trade, the sell-off in crude oil continued for the fifth week in a row and closed to a near 10-month low on growing concerns that OPEC-led production cuts failed to substantially reduce a global glut.
- Oil prices have tumbled more than 20 % this year so far. OPEC-led efforts to reduce production and end the oil glut have been frustrated by soaring output from the United States and OPEC members Libya and Nigeria, which are exempt from the cuts.
- U.S. West Texas Intermediate and internationally-favoured Brent crude oil finished sharply lower last week for the fifth consecutive week. August WTI crude oil settled at \$43.01, down \$1.96 or -4.36% and September Brent crude oil closed at \$45.75, down \$1.88 or -3.95%.
- The week started with crude oil under pressure late in the session after posting a fourth straight weekly loss the Friday before. Sellers were influenced by rising production in the United States, Libya and Nigeria which offset an OPEC-led initiative to support the market by cutting production, trimming the global supply glut and stabilizing prices.



## Currency Market Update

- The domestic currency largely managed to sidestep early volatility following the MSCI decision to include China A- Shares in its global emerging market index amid capital outflows worries.
- The rupee briefly plunged to a fresh three-week low of 64.67 on Wednesday before reclaiming lost ground.
- At the Interbank Foreign Exchange (Forex) market, the local unit resumed a tad higher at 64.42 per dollar from last weekend's close of 64.43 and advanced further to 64.31 on bouts of dollar selling. Later, it reversed trend and tumbled to hit a fresh low of 64.67 mainly pressurised by strong dollar demand amid buoyant greenback overseas trends.
- The home unit, however managed to retrace its early steep losses towards the fag-end trade to end at 64.52, showing a nominal fall of 9 paise, 0.14 %.
- Meanwhile, country's forex reserves increased by USD 799 million, mainly on account of rise in foreign currency assets (FCAs), to touch a record high of USD 381.955 billion in the week to June 16, RBI said.
- With the US Federal Reserve's June interest rate decision out of the way, global unwinding of dollar longs also weighed on forex market.
- The dollar index — a measure of the US currency against a basket of six trade-weighted peers ended lower at 96.98 after retreating further from a one-month peak reached on Tuesday.

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