



Financial Market & Economy Update

- In economic news, data released by the government on Thursday showed that India's current account deficit stood at \$7.9 billion (1.4% of GDP) in the third quarter of this financial year. That was higher than \$7.1 billion (1.4% of GDP) in the year-ago quarter and \$3.4 billion (0.6% of GDP) in the preceding quarter.
- The Union Cabinet Monday approved the four Goods and Services Tax (GST) related bills on 20 March 2017, namely, the Central Goods and Services Tax Bill 2017, the Integrated Goods and Services Tax Bill 2017, the Union Territory Goods and Services Tax Bill 2017 and the Goods and Services Tax (Compensation to the States) Bill 2017, moving closer to implementation of the tax from July this year.
- Markets regulator Sebi made public its first annual accounts statement, along with the observations made by Comptroller & Auditor General (CAG), showing 75 % jump in income surplus to Rs 356.19 crore last fiscal.
- India has lifted the import ban on six commodities, including coffee beans, from Vietnam after resolving phytosanitary issues with the latter. Vietnam had removed suspension on imports of five commodities from India after it was satisfied with the corrective action to improve pest management.
- Presenting the Budget for 2017-18, finance minister Arun Jaitley had proposed to insert Section 269ST in the Income Tax Act to state that "no person shall receive an amount of R3 lakh or more by way of cash in aggregate.
- In the dusty scrub of the Thar desert, Pakistan has begun to dig up one of the world's largest deposits of low-grade, brown, dirty coal to fuel new power stations that could revolutionize the country's economy.
- India and the UAE have agreed to strengthen their bilateral trade and investment ties as top industry leaders from both countries met at a conference held here.
- The nine-month Brexit "phoney war" is set to come to an end next week when British Prime Minister Theresa May notifies the European Union of Britain's intention to leave, starting two years of unprecedented negotiations.
- German Chancellor Angela Merkel and Japanese Prime Minister Shinzo Abe called for a concerted effort to defend free trade, expanding the list of economic powers joining together to counter the U.S. shift toward protectionism.
- The U.K. will officially begin divorce proceedings with the European Union on March 29, Prime Minister Theresa May's spokesman said, ending months of media speculation over the precise date.



Equity Market Update

- The Indian stock market saw some profit taking in the week ended 24 March 2016, after having rallied to record highs a week earlier. Largely muted global cues and a lack of positive triggers from the domestic front rendered price movements quite sluggish for most part of the week.
- After recording losses in the first three sessions, the market bounced back a bit in the later part of the week, but still ended the week on the negative side. The BSE benchmark Sensex ended the week with a loss of 227.59 points or 0.76% at 29,421.40. The Nifty50 of the National Stock Exchange declined 52.05 points or 0.56% to 9108.00.
- Midcap and smallcap stocks turned in a mixed performance last week. The BSE Midcap index ended down 0.31%, while the Smallcap index edged up by about 0.5%.
- After losing about 130 points and 33 points respectively, on the first two sessions last week, the Sensex plunged nearly 320 points on Wednesday amid rising concerns about the US government's trade and economic policies.
- In line with the Sensex and the Nifty, most of the sectors declined during the week. The Nifty Auto, IT and Pharma indices gave up over one pct each, to top the list of biggest losers. The Nifty Realty index was the clear winner advancing 2.5 pct in this week.
- In terms of investments, provisional figures from the stock exchanges showed that FIIs purchased stocks worth Rs 3,713.82 crore during the trade week ended March 24, while domestic institutional investors (DIIs) divested scrip worth Rs 2,588.97 crore.
- The US stocks slipped over 1.14-1.83% on Tuesday, following which almost all major Asian indices traded deeply in the red early on Wednesday.



Equity Market Outlook

Global:

- In a light macro calendar last week, global equity and risk markets responded to the continuing efforts by the Trump administration to pass its healthcare reform. The attentions of the Trump administration are likely to move on from healthcare to the more market significant discussion around tax cuts. US equities gave up earlier gains and the USD slid after a vote on repealing Obamacare was shelved. US10yr yields are back to the key 2.40% level, which represents the average entry level since the Trump election.

Domestic Markets



Index	24-Mar-2017	17-Mar-2017	% Change
S&P BSE Sensex	29421.4	29648.99	-0.77
Nifty 50	9108	9160.05	-0.57
Nifty Midcap 100	16936.1	16901.7	0.2
Nifty 500	7905.3	7933.1	-0.35
S&P BSE Smallcap	14077.61	14012.63	0.46

Global Markets



Index	24-Mar-2017	17-Mar-2017	% Change
Dow Jones	20596.72	20914.62	-1.52
Nasdaq	5828.74	5901	-1.22
S&P 500	2343.98	2378.25	-1.44
FTSE 100	7336.82	7424.96	-1.19
Shanghai Composite	3269.45	3237.45	0.99
Hang Sang	24358.27	24309.93	0.2

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	64758	52119	12639
MF Flows*	18753	19097	-344

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
20-Mar-2017	866.13	-1249.07
21-Mar-2017	-602.1	-2364.04
22-Mar-2017	1514.12	-1946.38
23-Mar-2017	808.15	-222.72
24-Mar-2017	397.6	-117.01

Policy Rates



Key Rates (%)	24-Mar-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



- Japan will be reporting industrial production, unemployment, household spending and inflation figures in the coming week with the market looking for a pickup in core inflation. The decline in the jobless rate may signal upward wage inflation pressures. Despite this Japanese household spending is likely to continue to contract. Japanese economic surprises have continued to disappoint. Korea will also report GDP figures.
- OPEC and non-OPEC members will be meeting in Kuwait this weekend to discuss compliance with production cuts that were designed to support oil prices. Crude futures slipped below \$50 again last week as oil inventories remained elevated.
- In the UK, Prime Minister May is expected to trigger Article 50 which will formally start the two year process of negotiation for the UK to leave the European Union. European Union leaders, excluding the UK, will be meeting on the 60th anniversary of the signing of the Treaty of Rome which founded the original European Economic Community.

Local:

- The Nifty was down 0.6% over the week after closing at an all-time high last week. It underperformed regional markets but remains the best-performing market YTD CY17. Most sectors were in the red with IT and Auto being the top losers. Banks were in focus on Friday after the Finance Minister said that a framework is being worked out for faster resolution of NPAs and an announcement may happen in the coming days. The parliament is also likely to see voting on the GST bills next week as these are now approved by the GST council and the cabinet.
- The government has made Aadhaar compulsory for filing of income tax (IT) returns from 1 July 2017. The Finance Minister said that the move was aimed at eliminating cases where a single person had more than one PAN (permanent account number) card. The gov't will declare PAN cards not linked to Aadhaar invalid and this could eliminate instances of tax evasion using multiple PAN cards. The FM has said that eventually the gov't could replace PAN cards and voter cards with the Aadhaar card.
- Economic recovery post-remonetisation remains slower than expected with Feb data showing only a weak improvement in the recovery pace. Nearly 67% of demonetised currency is back in the system as of 17-Mar with currency addition post the end of demonetisation being around Rs0.3trn/week. The restrictions on currency withdrawal were completely lifted on 13 March but some ATMs are still running dry. A faster remonetisation pace will possibly help to drive a faster recovery.

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.

Key Rates (%)	24-Mar-2017	17-Mar-2017	% Change
Mibor Overnight	6.15	6.18	-0.49
CALL (O/N)	5.88	6.03	-2.49
CBLO	5.8	5.15	12.62
T Bills Index (12M)	6.06	6.15	-1.46
10 Year GSEC	6.83	6.86	-0.44

Commodity Market



Commodity (INR)	24-Mar-2017	Gain+/Loss-	% Change
Gold (10 gm)	28870	379	1.33
Silver (1 kg)	40990	253	0.62
Crude Oil (\$/barrel)	50.8	-0.96	-1.85

Currency Market



Currency	24-Mar-2017	Gain+/Loss-	% Change
USD/INR	65.46	-0.08	-0.12
EURO/INR	70.47	-0.14	-0.2
GBP/INR	81.67	0.67	0.83
JPY/INR	58.74	0.9	1.56



Debt Market Update

- Indian sovereign bond yields fell for the second week, as foreign investors increased bets on emerging market debt amid lingering doubts over U.S. President Donald Trump's ability to roll out policy reforms.
- The benchmark yield is likely to trade in a 6.75%-6.85% band in the near term with a positive bias, dealers said.
- Foreign investors net purchased around 103 billion rupees this month, the highest since August 2014, data from National Securities Depository Ltd. showed. Last week, the Fed raised key interest rate by 25 basis points, but stayed on course for gradual pace of future rate hikes.
- Markets await a vote by U.S. lawmakers on a bill to replace former President Barack Obama's healthcare law. The vote has been rescheduled and is being seen as a litmus test for Trump's ability to implement fiscal measures to boost U.S. growth.
- U.S. markets had trended higher since the Republican's victory in the presidential election in November, as investors priced in higher growth and inflation under his administration.
- Meanwhile, the finance ministry is likely to conduct a meeting with bankers to discuss implementing new framework called 'standing deposit facility' that would drain surplus cash at rate lower than the Reserve Bank of India's repo rate without need for any collateral.
- The Monetary Policy Committee's shift in stance from accommodative to neutral last month had spooked investors, erasing rate cut hopes in Asia's third largest economy. The rate-setting panel next meets on Apr. 5 and 6 for review.
- The western state of Maharashtra will repurchase seven state government securities worth up to 112.9 billion rupees via a reverse auction on Mar. 29, the central bank said.



Debt Market Outlook

- Liquidity has remained in excess of 5 lac cr in recent times and the CBLO/3m T bill rates are sub 6% mark reflecting the same. GOI has come up with a new instrument SDF i.e standing deposit facility will be unsecured in nature. We do not have finer details of the same will be implemented but this may flatten the curve as the liquidity is likely to remain and RBI cannot do a CRR and Govt is not using MSS as its proving to be very exp.
- 10yr traded in the 6.84-6.77 band, closed the week @6.84%.
- Crude Oil Prices were 50-52\$ per barrel. with rising inventories and dollar weakening, crude has broken crucial support of 52-53 and appears to be headed towards 45\$ mark. we expect the crude to be in the range of 45-55\$ mark which is

positive for India macro

- INR sustained appreciation and remained rang bound at 65.40 levels.
- We saw good inflows from FII in both debt and equity market. In debt market as of now its not coming in duration but given the move in INR this can soon happen
- US 10yr was down from 2.5% to 2.41% levels.
- All SDL auction were well taken
- CPI data came at 3.6% in line with expectation core CPI was lower by 10bps.
- We expect 10yr to trade in 6.75-6.85% band during current week.
- Liquidity is easy with CBLO @ 6% LEVELS.
- 2/3 CD- 6.25-6.30
- 2/3 NBFC- 6.75% levels
- 2/3yr PSU pares 7.25/7.30
- 2/3 NBFC - 7.75-8%.
- We have next RBI policy in early April.
- If RBI does not take any measure on liquidity front, we can expect 10-15bps drop in yield across the curve.



Commodity Market Update

Gold Update:

- Precious metals registered its second weekly gain at the domestic bullion market due to sustained offtake from jewellery stockist and retailer amid bullish global cues. Consistent buying by jewellers and stockists to meet the ongoing festival and wedding seasonal demand mainly rose the domestic sentiment along with firming global trend. Riding higher on the back of buoyant festive spirit, the yellow metal resumed on a highly bullish note, stretching the rally for the second-straight week.
- Elsewhere, silver too rose further due to increased offtake by industrial units and coin makers. In worldwide trade, Gold prices finished higher Friday to log a second weekly gain in a row as demand for assets perceived as risky waned and the US dollar touched its lowest level in about seven weeks.
- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 28,560 per 10 grams from last Friday's closing level of Rs 28,490, it moved in a range of Rs 28,435 and Rs 28,850 before settling at Rs 28,745, revealing a rise of Rs 255, or 0.90 per cent.
- Pure gold (99.9 purity) also commenced higher at Rs 28,710 per 10 grams compared to preceding weekend level of Rs 28,640, it hovered in range of Rs 28,585 and Rs 29,000 before closing at Rs 28,895, showing a gain of Rs 255, or 0.89 per cent.
- Silver ready (.999 fineness) opened higher at Rs 41,459 per kilogram from last Friday's closing level of Rs 41,325, later moved in a range of Rs 41,195 and Rs 41,830 before finishing at Rs 41,660, registering a rise of Rs 335 per kilo, or 0.81 per cent.
- In New York Comex trade, gold for April delivery rose settle at USD 1,248.50 an ounce as compared to last weekend's level of USD 1,230.20, while May silver contract advanced to settle at USD 17.748 an ounce from USD 17.413.

Crude Oil Update :

- Oil prices continued their slow sell-off this week, ending down another 1.7% and below \$48 per barrel. As in prior weeks, the main weight on crude prices were rising U.S. oil stockpiles, which set another record according to the U.S. Energy Information Administration.
- Those weak crude prices weighed on most oil stocks this week. However, the hardest hit were more vulnerable companies that really need higher oil prices to thrive.
- Crude settled higher on Friday, but ultimately ended the week negative, as record levels of U.S. crude inventories continued to weigh oil prices while the number of active U.S. drilling rigs rose for a tenth straight week.
- Oilfield services firm Baker Hughes reported its weekly U.S. rig count rose by 21 to 652, it was the tenth straight weekly increase.
- Fears of a glut in U.S. crude inventories came against bullish comments from a Saudi energy ministry official on Thursday, who told Reuters that crude exports to the United States in March would fall by around 300,000 barrels per day (bpd) from February and hold at those levels for the next few months.
- On the New York Mercantile Exchange crude futures for May delivery gained 27 cents to settle at \$47.97 a barrel, while on London's Intercontinental Exchange, Brent added 25 cents to \$50.81 a barrel.



Currency Market Update

- Mode during the week after a breath taking rally and ended with small gains at 65.41 against the US currency amid sustained dollar selling by exporters and banks.
- Overall forex market sentiment turned little shaky after fresh bouts of global jitters took the centre-stage in the midst of mounting uncertainty over possible delay of Donald Trump's proposed economic growth agenda.
- The domestic currency briefly endured a mid-week plunge before staging a smart recovery.
- Weak greenback overseas along with abundant capital inflows largely supplemented strength to the local currency.
- In the just four sessions Foreign funds and overseas investors have pumped in USD 542.10 million during the week.
- The local currency resumed higher at 65.40 as compared to weekend close of 65.46 at the Interbank Foreign Exchange (forex) market.
- It gained further ground to hit a high of 65.21 - the highest level in 17-months before reversing its course in the face of high tended global volatility.

- After plummeting to a fresh low of 65.58 on Wednesday, the local unit staged a remarkable rebound toward the fag-end trade to end 65.41, showing a nominal gain of 5 paise, or 0.08 per cent.
- Stretching its gaining streak for the fifth straight week in a row, the rupee has appreciated by 160 paise.
- The dollar index a measure of the US currency against a basket of peers ended below the key psychological 100-mark at 99.59 from 101.14.
- India's foreign exchange reserves surged by whopping \$2.671 billion to \$366.781 billion for the week ended March 2017 on account of increase in foreign currency assets, the Reserve Bank said

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