



Financial Market & Economy Update

- The Street Lighting National Programme (SLNP) has led to the illumination of 50,000 km of Indian roads with installation of 30 lakh LED street lights across the country.
- Hong Kong has registered a hefty 40 % increase in trade with India in the first half of 2017 at USD 18.3 billion, the highest growth rate among the gleaming financial hub's top 30 partner countries that include China and the US.
- Claims of over Rs 7700 Cr have been paid to over 90 lakh farmers in the Kharif season of 2016 and Rabi season of 2016-17, the Prime Minister was informed on Monday at a high-level meeting to review the Pradhan Mantri Fasal Bima Yojana.
- The government has collected a gross goods and service tax (GST) amount of Rs 40,000 crore so far with 13 lakh assesses having filed an interim tax return on the GST Network as of Monday evening.
- Niti Aayog's Atal Innovation Mission (AIM), the government's flagship programme to promote innovation and entrepreneurship, is inviting applications for 'Mentor India' initiative.
- The Union Government on Wednesday morning confirmed that it will soon be releasing the new Rs 200 notes. The new currency notes will be issued by the Reserve Bank of India (RBI).
- The business of Indian non-banking finance companies-microfinance institutions (NBFCs-MFIs) has grown 26 % during the first quarter of the current fiscal over the same quarter of last year, according to a latest industry report.
- India and Nepal Friday inked eight pacts, including on cooperation in countering drug trafficking. The pacts were signed after comprehensive talks between Prime Minister Narendra Modi and his Nepalese counterpart Sher Bahadur Deuba on strategic bilateral and regional issues.
- China on Monday expressed "strong dissatisfaction" with the U.S. launch of an investigation into China's alleged theft of U.S. intellectual property.
- South Korea and the US on Tuesday began talks over a possible revision of their free trade agreement (FTA).
- China has urged the U.S. to withdraw sanctions it imposed on Chinese companies that Washington says are supporting North Korea as it carries out increasingly ambitious missile tests.
- Saudi Arabia and China plan to establish and operate jointly a \$20 billion investment fund, sharing costs and profits on a 50:50 basis, Saudi Energy Minister Khalid al-Falih told Reuters on Thursday. He said that in addition to the fund, he expected 11 business agreements worth about \$20 billion to be signed between the two sides on Thursday.



Equity Market Update

- The market registered gains for the week by rising 71.38 points to close at 31,596.06, while the broader Nifty garnered 19.65 points to finish at 9,857.05.
- After opening at 31,609.93 points, the benchmark hovered between 31,678.19 and 31,220.53 before finishing the week at 31,596.06, showing a gain of 71.38 or 0.23 %.
- The Nifty started the week at 9,864.25 and traded between 9,884.35 and 9,740.10. The index finally closed at 9,857.05, up 19.65 points, or 0.20 %. The Nifty gained 126.60 points during previous week.
- In the broader market, the S&P BSE Mid-Cap index advanced 43.64 points or 0.29 % to settle at 15,252.10. The S&P BSE Small-Cap index gained 28.65 points or 0.18 % to settle at 15,646.60.
- Among sectoral and industry indices, healthcare rose by 2.23 %, bankex 0.99 %, metal 0.87 %, oil&gas 0.45 % and realty 0.19 %. However, power fell by 1.78 % followed by consumer durables 1.59 %, auto 1.00 %, IT 0.60 %, FMCG 0.57 %, teck 0.47 % and capital goods 0.34 %.
- Foreign portfolio investors (FPIs) and funds pulled out USD 535.66 million from Indian markets during the week.



Equity Market Outlook

Global:

- Markets are likely to get off to a firm start to the week ahead after comments from Central Bank Governors Yellen, Draghi and Kuroda suggested that the withdrawal of stimulus would be gradual and slow. These will provide the backdrop to a likely quiet month end ahead of the US Labor Day Holiday the following Monday. ECB Governor Draghi's comments suggesting that asset purchases would continue until there is a pickup in underlying inflation helped the EURUSD surge to over 1.19, its strongest level since early 2015. In their speeches, Draghi and Yellen focused on warnings against the dismantling of the financial regulation regime but refrained from hawkish comments as inflationary pressures have remained subdued. The stronger EUR is likely to cap inflationary pressures inside the Eurozone and breakeven inflation rates have fallen in Europe this month.

Domestic Markets



Index	25-Aug-2017	18-Aug-2017	% Change
S&P BSE Sensex	31596.06	31524.68	0.23
Nifty 50	9857.05	9837.4	0.2
Nifty Midcap 100	17963.95	18044.5	-0.45
Nifty 500	8605.75	8594.25	0.13
S&P BSE Smallcap	15646.6	15617.95	0.18

Global Markets



Index	25-Aug-2017	18-Aug-2017	% Change
Dow Jones	21813.67	21674.51	0.64
Nasdaq	6265.64	6216.53	0.79
S&P 500	2443.05	2425.55	0.72
FTSE 100	7401.46	7323.98	1.06
Shanghai Composite	3331.52	3268.72	1.92
Hang Sang	27848.16	27047.57	2.96

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	16922	22203	-5281
MF Flows*	13283	7628	5655

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
21-Aug-2017	679.33	-116.59
22-Aug-2017	-351.17	65.2
23-Aug-2017	30.64	63.51
24-Aug-2017	2312.83	90.95
31-Dec-1899	0	0

Policy Rates



Key Rates (%)	25-Aug-2017	1 Week Ago	1 Month Ago
Reverse Repo	5.75	5.75	6
Repo	6	6	6.25
CRR	4	4	4
SLR	20	20	20

Key Rates



- Friday's gain of 1.25c in the EURUSD happened in two main phases – the first when comments from Janet Yellen were published and secondly when Draghi's speech was released. There has been a recent strong positive correlation between the MSCI Asia Pacific ex-Japan index and the EURUSD but European equities which have had a negative correlation with EURUSD since May could underperform. Attention will now move onto the ECB meeting on September 7 where European policymakers will have to grapple with the impact of a stronger EUR.
- It will be a significant week of US financial data. Not only will the latest non-farm payroll numbers be published but US PCE numbers, the Fed's preferred gauge of inflation, will also be released along with earnings, spending and consumption data. GDP, PMI, ISM and housing figures will also be released in the coming week. Economic data in the US have continued to remain relatively weak relative to expectations and policymakers have remained worried about subdued inflation. US 10yr yields are approaching a post election low.
- Markets may also start getting more nervous about the debt ceiling debate after President Trump suggested that he may shut down the Government if Congress did not approve funding for his wall on the Mexican border. The Treasury curve is currently assigning a probability of about 15% that the US Government will not pay its debt due in October triggering a technical default. Although the cost of US EUR CDS has risen it is below 1yr highs. The debt ceiling must be extended by September 29 and Congress will only re-convene on Sep 5 after the Labor Day holiday.

Local:

- The Nifty was up 0.2% over the week, underperforming the regional markets. Pharma was the best-performing sector, up 2% after continued underperformance for a few months now. Infosys remained in focus after the CEO's resignation last week. Media reports of a possible return of the previous CEO/founder Mr Nandan Nilekani drove the stock up 5% from the bottom. Monsoon rainfall remains weak and is 6% lower than the long-term average, but more than a month of the season is still left.
- After the recent development of the JD(U) party joining the NDA, we estimate that not only will Mr Modi's tally go up by 15-20 in the 2019 Lower House elections but also help him get a majority in the Upper House by 2020. Recent political developments in Tamil Nadu may result in the AIADMK party aligning with Mr Modi and if that happens, he might get close to a majority in the Upper House by mid-2018 itself. This renewed strength may see the govt move faster on reforms such as labour reforms, PSU bank reforms and DBT implementation.
- Post-GST inventory normalisation has partly reversed the deterioration in economic activity seen in June. Auto sales grew at its best level since demonetisation. Diesel and petrol demand growth was also near its best level YTD. Several other indicators were in flattish/weak growth zones, like trade, freight traffic, and power generation, which indicates post GST normalisation, is yet to happen fully. While manufacturing and services PMIs were weak, we believe as inventory restocking gains traction and an early festive season partly up-fronts demand, 2Q should end better than 1QFY18.

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

- India's federal government on Thursday sold 150 billion rupees of bonds, which includes 80 billion rupees of the benchmark note. The cut-off for the benchmark note was in line with estimates, but the cut-off for long-end bonds was sharply lower, indicating weak appetite for long-duration papers. The sale has taken its total outstanding to 650 billion rupees.
- Earlier this week, nineteen states raised 183 billion rupees at cut-off yields that were sharply higher than market estimates, while a couple of states did not accept any bids due to the same reason, dealers said.
- The Reserve Bank of India will sell up to 100 billion rupees of bonds through a so-called open market operation on Aug. 29. This would be the fourth such OMO sale in this fiscal year. The RBI has sold 300 billion rupees of bonds through OMO. It is also scheduled to sell bonds worth 180 billion rupees next week.
- The India Meteorological Department has forecast normal monsoon this year, which will likely be 98% of the long-period average, with a four-%age point swing either way.
- Bonds fell last week after India's retail inflation rose to 2.36% in July from a year earlier, against June's revised print of 1.46%, hurting expectations of near-term monetary easing by the Monetary Policy Committee. The MPC had cut repo rate earlier this month by 25 basis points to 6.00%.



Debt Market Outlook

- US 10yr traded in 2.17-2.20% band.
- Indian 10yr moved up by 3-4bps from 6.5-6.54% levels.
- Short week & supply led to spike in yield.
- We had state loan auction, Cut off was 80bps over G.Sec.
- Next week, we have 1st Qtr. GDP data release. Lower GDP numbers (6-6.25%) would be positive for market.
- Near term we expect 10yr to trade in 6.45-6.55% band.

Key Rates (%)	25-Aug-2017	18-Aug-2017	% Change
Mibor Overnight	6.05	5.99	1
CALL (O/N)	5.92	5.87	0.85
CBLO	5.96	4.61	29.28
T Bills Index (12M)	6.25	6.23	0.32
10 Year GSEC	6.54	6.51	0.46

Commodity Market



Commodity (INR)	25-Aug-2017	Gain+/-Loss-	% Change
Gold (10 gm)	28920	-69	-0.24
Silver (1 kg)	38714	-394	-1.01
Crude Oil (\$/barrel)	52.18	-0.54	-1.02

Currency Market



Currency	25-Aug-2017	Gain+/-Loss-	% Change
USD/INR	64.07	-0.03	-0.05
EURO/INR	75.58	0.37	0.49
GBP/INR	81.94	-0.68	-0.82
JPY/INR	58.67	0.04	0.07

- Liquidity is easy- CBLO at 6%.
- In case MSS limit is increased RBI may resort to short term bills to suck out liquidity & stop doing OMO.

TB	CD	Mfg CP	NBFC CP	PSU NCD	NBFC NCD	
91 Days	6.1%	6.2%	6.2%	6.5%	-	-
1 year	6.25%	6.5%	6.6%	7.1%	-	-
2/3 yrs	-	-	-	-	6.85%	7.30%
5 yrs	-	-	-	-	7.05%	7.6%
10 yrs	-	-	-	-	7.35-7.45	8-8.25%



Commodity Market Update

Brent Crude Oil :

- In global commodity trade, crude prices rallied sharply on Friday U.S. Petroleum industry braced for Hurricane Harvey, which could become the biggest storm to hit the U.S. mainland in more than a decade and also weak dollar trend.
- Oil prices ended higher on Friday, as Hurricane Harvey threatened to disrupt production and refinery activity along the Gulf Coast.
- U.S. West Texas Intermediate (WTI) crude ended Friday's session up 44 cents, or 0.9 %, at USD 47.87. Brent crude was 14 cents higher at USD 52.18 a barrel.
- New York-traded crude ended the week down 64 cents, or nearly 1.3%, while the global Brent benchmark shed 31 cents, or roughly 0.6%.
- Oil prices have been under pressure in recent weeks as concern over rising U.S. shale output canceled out production cuts by OPEC and non-OPEC members.

Gold:

- Overseas, the precious metal advanced as the dollar slipped against a basket of major currencies ahead of an annual meeting of central bankers this week.
- Elsewhere, silver also witnessed a fall, on sustained selling by stockists and investors coupled with lack of demand from industrial users.
- On the domestic front, standard gold (99.5 purity) resumed lower at Rs 28,945 per 10 grams from last Friday's closing level of Rs 29,135, later drifted to close at Rs 28,910, revealing a loss of Rs 225, or 0.77 %.
- Pure gold (99.9 purity) also commenced negative at Rs 29,095 per 10 grams compared to preceding weekend level of Rs 29,285 and fell to finish at Rs 29,060, showing a loss of Rs 225, or 0.77 %.
- Gold for December delivery rose USD 5.90, or 0.5 %, to settle at USD 1,297.90 an ounce after tapping highs above USD 1,300 overnight. The contract finished the week up 0.5 %.
- Silver ready (.999 fineness) opened lower at Rs 38,865 per kilogram from last weekend's level of Rs 39,300 and dropped to close at Rs 38,710, revealing a loss of Rs 590, or 1.50 %.



Currency Market Update

- In the meantime, the foreign exchange reserves declined marginally after touching a record high, by USD 211.1 million, to USD 393.401 billion in the week to August 15 due to fall in foreign currency assets.
- At the Interbank Foreign Exchange market (forex), the local unit resumed on a strong note at 64.07 as compared to 64.15 last weekend.
- It gained further ground to hit a high of 64.01 following heavy dollar selling and also unwinding of short-term forward contracts by exporters before ending at 64.04, showing a gain of 11 paise, or 0.17 %.
- The rupee had depreciated by a whopping 57 paise in two straight weeks.
- The dollar index — a measure of the US currency against a basket of six trade-weighted major rivals retreated sharply below the significant psychological 93-mark to end at 92.47 against 93.42 last week.

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