

# Weekly Market Update



## Financial Market & Economy Update

- Oil Minister Dharmendra Pradhan has once again reiterated that states should reduce retail VAT on petrol and diesel by 5%, however, adding that the central government can only "request" the states as in the federal structure, it is states' prerogative to tax their citizens.
- The proposed Rs 1 lakh crore rail safety fund — Rashtriya Rail Sanraksha Kosh — will be mobilised and utilised over the next two years instead of five years as envisaged earlier, railway minister Piyush Goyal said on Wednesday.
- Minister for road transport and highways Nitin Gadkari on Wednesday said highway projects worth Rs 8 lakh crore under the Bharatmala Pariyojana (BMP) would be rolled out before the end of 2018.
- The Centre on Wednesday informed the Supreme Court that it is planning to extend the deadline for mandatory linking of Aadhaar to avail benefits of various government schemes till March 31 next year, but this is to be done for citizens who are "willing to enroll for Aadhaar".
- The hike in minimum support prices of rabi crops is a prudent policy response and should keep food price inflation contained in the near term, says a Nomura report. The government hiked the minimum support price (MSP) of wheat by Rs 110 to Rs 1,735 a quintal and of pulses by up to Rs 400 per quintal to encourage farmers to boost area and production of these crops.
- The government collected Rs 92,150 crore as goods and services tax (GST) for September from nearly 43 lakh taxpayers as of Monday, reports the Bureau in New Delhi.
- In a major announcement, Finance Minister Arun Jaitley on Tuesday said that the cabinet has approved Rs 1.35 lakh crore for India's ailing public banking system from recapitalisation bonds, of the total approved 2.11 lakh crore. Recap Bonds are used as payment for the shares bought by the government to ailing banks in a bid to raise their capitals.
- Bharatmala highway road project launched: Finance Minister Arun Jaitley on Tuesday announced a number of highway/road projects at an estimated cost of Rs 7 lakh crore.
- Official figures show that the British economy grew by slightly more than expected in the three months through September, making it more likely that the Bank of England might raise interest rates next month. The Office for National Statistics said Wednesday that the British economy grew by a quarterly 0.4 % in the third quarter. Analysts had predicted a growth rate of 0.3 %.
- New Zealand will ban foreign buyers from purchasing existing homes in the country in an effort to cool soaring property prices. Prime minister-elect Jacinda Ardern said the ban only applied to non-residents.



## Equity Market Update

- Equities marked a chain of record smashing sessions during the week trade, with benchmark Sensex crossing the 33-k mark on a closing basis, while the broader Nifty breaching above the psychological 10,300-level.
- Key Indices started the week on a strong note and remained bullish to touched fresh highs for most of the days during the week.
- Opening the week on a high note at 32,411.86 points, the index marked all time historic record high of 33,286.51, before closing the week at 33,157.22, showing a smart rise of 767.26 points or 2.37 %.
- The second-line shares of S&P BSE Midcap and S&P BSE Smallcap spurted by 1.88 pct and 1.30 pct, respectively. Both the indices underperformed the Sensex.
- The S&P BSE Mid-Cap index advanced 149.29 points or 0.94 % to settle at 16,115.98. The S&P BSE Small-Cap index gained 137.73 pts or 0.81 % to close at 17,063.39.
- The Nifty started the week at 10,176.65 and touched new historic milestone at 10,366.15. It finally ended at 10,323.05, up 176.50 points, or by 1.74 %.
- Meanwhile, foreign portfolio investors (FPIs) and foreign institutional investors (FIIs) bought shares worth Rs 6,693.91 crore during the week, as per Sebi's record including the provisional figure of October 27.
- Among sectoral and industry indices, PSU bank jumped by 10.33 %, bankex 4.67 %, Capital goods 4.62 pct, power 3.85 %, Metal 3.29 %, oil&gas 2.96 %, Auto 1.96 %, Realty 1.05 % and Teck 0.74 %, While IPO and consumer durables fell by 1.88 % and 1.95 %.



## Equity Market Outlook

### Global:

- Equity markets are likely to continue their melt-up in the week ahead as they continue to price in all the liquidity being provided by Global Central Banks. With the ECB now committed to purchasing assets until the end of the year at €60bn per month and then continuing to buy them at the pace of €30bn until Sep 2018, equities continue to remain underpinned despite the Fed starting to taper its

## Domestic Markets



Index	27-Oct-2017	19-Oct-2017	% Change
S&P BSE Sensex	33157.22	32389.96	2.37
Nifty 50	10323.05	10146.55	1.74
Nifty Midcap 100	19341.2	18789.9	2.93
Nifty 500	9104.45	8937.65	1.87
S&P BSE Smallcap	17303.66	17081.44	1.3

## Global Markets



Index	27-Oct-2017	20-Oct-2017	% Change
Dow Jones	23434.19	23328.63	0.45
Nasdaq	6701.26	6629.05	1.09
S&P 500	2581.07	2575.21	0.23
FTSE 100	7505.03	7523.23	-0.24
Shanghai Composite	3416.81	3378.65	1.13
Hang Sang	28438.85	28487.24	-0.17

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	44353	38139	6214
MF Flows*	10128	6721	3407

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



Date	Index	Stocks
19-Oct-2017	24.5	-81.37
23-Oct-2017	-635.65	86.28
24-Oct-2017	-586.66	-65.04
25-Oct-2017	-1014.26	2065.53
26-Oct-2017	1549.21	797.82

## Policy Rates



Key Rates (%)	27-Oct-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



balance sheet. Asset purchases are expected to continue at the pace of approximately \$110bn per month until the end of the year. US equity markets hit record highs on Friday while Nikkei futures climbed above 22000 for the first time in two decades. The inflow of liquidity helped China 5yr CDS to fall below 50 for the first time since 2008.

- After over half of companies reporting, US earnings have grown by about 8.5% while earnings at Japanese companies, boosted by tech and cyclical materials, have grown by nearly 25%. 164 Japanese companies, or more than 10%, have so far beaten expectations with earnings growth of 8.2% for the first half.
- PMI surveys will be released across the region in the coming week showing the continued pace of economic growth. Official and Caixin PMI surveys for China are expected to show continued growth.
- The choice of the next Fed Chairman and Vice Chairman could be announced in the coming week by President Trump. Fed Governor Powell remains favourite to be appointed as Chairman with Stanford economist potentially appointed as Vice Chairman. The announcement could come after the Fed meeting which is expected to keep policy on hold at this meeting while noting the recent strong growth readings which will warrant a rate hike at the December meeting. The US announced that GDP had grown by 3.0% in the third quarter, faster than market expectations of 2.6%. A Powell appointment is expected to be positive for bonds and equities. Expectations from the new Fed board in 2018 continued to drive the USD higher with the DXY breaking above its 100-day average for the first time since March.

#### Local:

- Nifty was the best performing market in the region up 1.9% during the week and reaching a new all-time high after the government announced plans for PSU bank recapitalisation. Banks were the big gainers as the bank index gained 6% followed by capital goods up 5% as expectations of a capex revival also gathered pace. Notably, FIIs turned positive on the development with net inflows of US\$1bn post announcement, after seeing outflows for over two months. Bond yields however have been flat so far in spite of some concerns on fiscal deficit.
- The government's renewed focus on economic growth revival was accentuated by the US\$33bn package for the recapitalisation of PSU banks. This should help accelerate the NPL resolution process, and in turn improve visibility for the expected capex cycle recovery. The downside is that this will increase the central government's debt-to-GDP ratio by 1ppt to 48% and will lower the chances of a sovereign credit rating upgrade.
- The Sep-17 preliminary data release on GST collections shows a 2% improvement MoM. This is slightly below seasonality and about 5-7% lower than our estimated breakeven GST tax collections. Though it is still early days to establish firm trends, we believe that the bulk of the shortfall is being borne by centre.
- Economic indicators have seen a good recovery in September helped by an early festive season and GST restocking. Several indicators recorded double-digit/near year-high growth rates viz credit, exports, fuel consumption, CV & tractor sales, coal production, tourist arrivals etc. Among data coming this week, domestic airline passenger growth remains robust up 16.4% YoY, 37th consecutive month of double-digit growth.
- Opinion polls suggest that BJP is likely to win the upcoming state elections comfortably despite the recent media articles indicating BJP's popularity has been reduced. But the change in stance in government policies is clearly visible with more focus on near-term growth enhancement/populism instead of the earlier stance of long-term structural benefits sacrificing near-term growth. Key examples of these would be farm loan waiver, fuel tax cuts, bank bailout, higher MSP increases possibly at the cost of raising fiscal concerns and the government's recent defensive comment on GST.

#### 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 (%)	27-Oct-2017	19-Oct-2017	% Change
Mibor Overnight	5.95	6.05	-1.65
CALL (O/N)	5.86	5.51	6.35
CBLO	4.9	6.02	-18.6
T Bills Index (12M)	6.21	6.22	-0.16
10 Year GSEC	6.8	6.76	0.59

## Commodity Market



Commodity (INR)	27-Oct-2017	Gain+/Loss-	% Change
Gold (10 gm)	29393	-102	-0.35
Silver (1 kg)	38705	-725	-1.84
Crude Oil (\$/barrel)	60.44	2.29	3.94

## Currency Market



Currency	27-Oct-2017	Gain+/Loss-	% Change
USD/INR	65.09	0.03	0.04
EURO/INR	75.68	-0.86	-1.13
GBP/INR	85.38	-0.36	-0.42
JPY/INR	57	-0.93	-1.61



## Debt Market Update

- Indian government bonds fell this week, with the benchmark yield posting its biggest rise in three weeks, on heavy debt supply and government's plan to inject fresh capital in state-run lenders that includes bank recapitalisation bonds.
- Gains in U.S. Treasury yields also impacted sentiment.
- Bonds also fell this week after India's federal government announced a bank recapitalisation plan that might increase supply of debt in the market.
- India will inject 2.11 trillion rupees (\$32.4 billion) in the next two years to recapitalise state-run banks, including 1.35 trillion rupees through so-called recapitalisation bonds.
- Yields also rose in recent sessions on worries that the government may miss its fiscal deficit target of 3.2% for this year, amid speculation of increased borrowing.
- U.S. Treasury yields have risen this week amid speculations that Stanford University economist John Taylor will become the next Federal Reserve head. Taylor is considered to be more hawkish, which may result in aggressive rate hike by the Fed next year. The 10-year yield was last trading at 2.46%, up from a 2.36% low hit last week.



## Debt Market Outlook

- RBI continuous on the OMO sprint and continuous on the Apex operations as well and outstanding Apex forwards position is huge at least in the near future the OMO

operations doesn't appear to wait but due to the liquidity into the market which is nearing to the neutral zone, RBI may stop the OMO prices as well.

- Expecting CPI inflation data to come around 3% if it comes close to 3% than it is neutral and if its below 3% than we have to see the core data as well, core data should be stable, if the core is below than the previous figures than it will be positive for the market.

There are other development which are happening in the market and they are as follows:

1. 2. 3. 4. 5. Domestic Market is pricing at significant amount of negatives into the current yields because yield have risen sharply.



## Commodity Market Update

### Brent Crude Oil Update :

- In global commodity trade, global energy market regained their buoyancy with brent crude prices breaking through the psychological 60-mark a barrel to trade at its highest levels since mid-2015 driven by bullish comments from key oil producing countries.
- Oil prices have been hovering near their highest levels for this year amid recent signs of a tightening market, talk of an extension of production cuts and tensions in Iraq.
- Brent crude rose as high as USD 60.53, its highest level since July 3, 2015.
- U.S. Light crude oil ended Friday's session up 1.26, or 2.4 %, at USD 53.90, closing at an 8-month high.

### Gold Update:

- Marketmen said fall in demand from local jewellers and retailers at domestic market amid weak global cues after the euro slipped against the dollar following the European Central Bank's extension of its bond-buying programme, mainly kept pressure on gold prices.
- Last week, Indians celebrated the Diwali and Dhanteras festivals, when buying gold is considered auspicious.
- Standard gold shed a whopping 1.78 % in its second week downslide, or Rs 526.00 per 10 grams.
- Silver also slumped below the Rs 39,000-mark on reduced offtake by industrial units and coin makers. The white-metal lost 3.46 % or Rs 1,376, in two-weeks.
- In overseas trade, gold suffers a second weekly loss but finished higher yesterday, finding some support from uncertainty surrounding the next US Federal Reserve chief, but prices held on to a loss for the week as upbeat economic data buoyed the dollar.
- December gold tacked on USD 2.20, to settle at USD 1,271.80 an ounce, Gold's finish at USD 1,269.60 on Thursday, was the lowest since Aug. 8, It lost around 0.6 % for the week, which marked its sixth decline in seven weeks.
- In overseas trade, gold suffers a second weekly loss but finished higher yesterday, finding some support from uncertainty surrounding the next US Federal Reserve chief, but prices held on to a loss for the week as upbeat economic data buoyed the dollar.
- Pure gold (99.9 purity) also commenced lower at Rs 29,585 per 10 grams compared to preceding weekend level of Rs 29,721 and fell further and closed at 29,375, revealing a fall of Rs 346 per 10 grams, or 1.16 %.
- Silver ready (.999 fineness) opened lower at Rs 39,395 per kilo gram from last Friday's closing level of Rs 39,811 and dropped further to finish at Rs 38,860 showing a loss of Rs 951 per kilo, or 2.39 %.



## Currency Market Update

- Despite a strong start, the home currency failed to make much ground in the face of steady dollar demand from corporates and banks along with consistent capital outflows.
- At the Interbank Foreign Exchange (forex) market, the home currency resumed marginally lower at 65.08 as compared to 65.04 last Friday and tumbled to touch a low of 65.20 due to immense dollar pressure.
- But, later it bounced back with solid strength to hit a high of 64.72 before retreating sharply to settle at 65.05, showing a mere gain of one paisa.
- The Dollar Index's 1.25 % gain this week is the largest of the year.
- The dollar index — a measure of the US currency against a basket of six trade-weighted major rivals surged ahead to end at 94.72 from preceding weekend level of 93.57.

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