



## Financial Market & Economy Update

- Heads of revenue of BRICS nations have signed a pact to identify areas of cooperation in tax matters among members of the group, and hailed India's indirect tax reform GST, finance ministry said Friday.
- The Centre has raised the national floor-level minimum wage (NFLMW) by 10% to Rs 176 per day from Rs 160 a day earlier with effect from July 1 and sent advisories to the states to comply with the new threshold.
- The government Wednesday sought Parliament's approval for supplementary grants worth Rs 11,166.18 crore for the current financial year. Finance Minister Arun Jaitley presented the supplementary demands for grants for 2017-18 as well as the demands for excess grants in the Lok Sabha for 2014-15.
- Foreign direct investment (FDI) grew by 23 % to USD 10.02 billion during April-May this fiscal, Parliament was informed Monday.
- India's trade deficit with China has marginally dipped to USD 51 billion in 2016-17 from USD 52.69 billion in the previous fiscal.
- Indian investors have taken to SIPs in a big way. The retail monthly inflows into mutual funds has more than doubled in the last three years, with inflows in June 2017 amounting to Rs 4,744 crores.
- Overseas investors just can't get enough of Indian bonds. Attracted by one of the highest yields in Asia, foreigners bid for 104.42 billion rupees (\$1.6 billion) of corporate debt quotas, exceeding the 74.18-billion rupee target and taking inflows to near the overall cap of \$51 billion.
- India-Africa trade is expected to touch \$117 billion mark by 2020-21 as New Delhi increases its engagement with the continent in different ways.
- US Fed keeps rates unchanged, ready to shrink bond holdings.
- China will take measures to introduce more foreign investment, including relax restrictions to allow more access to its services and manufacturing sectors, state radio reported on Friday, citing the government's cabinet.
- Britain's GDP grew 0.3 % in the second quarter, a weaker increase from that of the previous quarter and below the central bank's projection, amid continued economic sluggishness.



## Equity Market Update

- Equities marked a chain of record smashing sessions during the week trade, with benchmark Sensex gaining 280.99 points to close at 32,309.88, while the broader Nifty breaching the psychological 10,000-level.
- Last week, the Sensex climbed 280.99 points, or 0.87 %, while the Nifty gained 99.25 points, or 1 %.
- The S&P BSE Mid-Cap index jumped 0.95 %. The S&P BSE Small-Cap index rose 0.49 %. Both these indices underperformed the Sensex. Among the S&P BSE sectoral indices bankex rose by 1.91 %, FMCG 0.92 %, consumer durables 0.52 %, realty 0.40 %, IT 0.38 %, power 0.27 %, teck 0.24 %, oil&gas 0.10 % and capital goods 0.05 %, while healthcare fell by 2.85 % followed by auto 0.13 %.
- Foreign institutional investors (FIIs) bought shares worth Rs 2,074.28 crore during the week, as per Sebi's record including the provisional figure of July 28. Broader market trailed large caps.



## Equity Market Outlook

- The Nifty was up 1% this week, marginally outperforming the regional markets. In the process, it breached the 10,000 mark for the first time in its history. The markets gained after the BJP came back to power in the key state of Bihar providing further visibility on PM Modi's re-election in 2019. The Healthcare index lost 3ppt as Dr Reddy's results highlighted continuing challenges in the sector. The RBI's policy meet will be the key event to watch next week where expectations of a 25bp rate cut exist.
- The results season picked-up pace this week with several large caps reporting. Several companies across the auto, consumer durables and staples space reported that the GST impact drove a weak quarter with additional margin pressure, driving earnings cuts. Pharma major Dr Reddy's reported a weak quarter, sparking a pharma sell-off. Several large banks, including HDFC Bank, ICICI and Axis, too reported this week. Asset quality trends are yet to stabilise fully, with Axis and HDFC Bank surprising negatively on the NPL front.
- Several media articles are reporting that the Indian government will unveil 'Project Insight' next month that will use analytics and big data to filter data from various sources, including social media, to match spending patterns and income declarations of individuals. This measure comes in conjunction with a slew of measures that the gov't has taken to check the black economy and tax evasion. Notably, the CBDT has said that the income tax filer base has widened to 63m as of FY17 vs 40m a year earlier.
- As of 21 July, 7.95m applicants have sought GST registration ie more than 99% of the 8m under the earlier system. This raises the possibility this number will exceed the earlier base, as registration is on until 22-Sep, thus broadening the tax base. Many auto and pharma companies have reported a smooth transition to GST.

## Domestic Markets



Index	28-Jul-2017	21-Jul-2017	% Change
S&P BSE Sensex	32309.88	32028.89	0.88
Nifty 50	10014.5	9915.25	1
Nifty Midcap 100	18262.2	18262.2	0
Nifty 500	8747.45	8669.75	0.9
S&P BSE Smallcap	16071.22	15992.63	0.49

## Global Markets



Index	28-Jul-2017	21-Jul-2017	% Change
Dow Jones	21830.31	21580.07	1.16
Nasdaq	6374.68	6387.75	-0.2
S&P 500	2472.1	2472.54	-0.02
FTSE 100	7368.37	7452.91	-1.13
Shanghai Composite	3253.24	3237.98	0.47
Hang Sang	26979.39	26706.09	1.02

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	31124	28929	2195
MF Flows*	11938	8532	3406

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



Date	Index	Stocks
24-Jul-2017	201.72	1620.1
25-Jul-2017	-478.21	195.79
26-Jul-2017	961.74	689.23
27-Jul-2017	34.98	-443.76
28-Jul-2017	-1205.36	347.53

## Policy Rates



Key Rates (%)	28-Jul-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	20

## Key Rates



Meanwhile, media reports suggest that road transport for goods has smoothened between states, and trucks are saving up to eight hours in travel time from Chennai to Delhi.

#### 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

- Indian sovereign bond yields were little changed this week, as traders awaited the country's rate-setting Monetary Policy Committee review next week.
- The local papers fell Friday as investor booked profits ahead of the Aug 1. To Aug. 2 policy meet.
- The benchmark 6.79% bond maturing in 2027 settled at 102.34 rupees, yielding 6.46%, against 102.50 rupees and a 6.44% yield at the previous close. On a weekly basis, the benchmark yield rose two basis points.
- Bonds jumped to record highs earlier this week, on rate cut bets after retail inflation eased to a record low last month. The MPC's key gauge of consumer price index-based inflation rate eased to 1.54% in June.
- India's food inflation is set to reverse course, Capital Economics said in a note to investors. The house expects policy rates to remain unchanged till the middle of 2018.
- On the global front, the Fed this week refrained from providing a timeline on unwinding its balance sheet while standing pat on rates.



## Debt Market Outlook

- Week on week 10 yr was down by 20 paise..10 year closed at 6.46..it had touched a low of 6.40 during the week
- Us yields spiked during the week yields were up by 6 bps during the week at 2.30 levels
- \$/re appreciated during the week due to dollar weakness and positive political development during the week
- Next week on 2nd aug we have the RBI policy
- hawkish cut - 10 yr can spike to 6.55% levels
- dovish cut - 10 yr can move down to 6.35% levels
- 50 bps rate cut - low probability event-
- 10 yr will go down to 6.15% levels
- Short term rates are discounting 25 bps rate cut
- Short term rates greater than 3 months spiked by 5 bps during the week.
- Corporate bond rates also spiked by 5 bps during last week



## Commodity Market Update

#### Gold Update:

- In worldwide trade, Gold prices built on a weekly gain as reports of another missile test by North Korea and continued weakness in the US dollar boosted demand for the precious metal.
- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 28,495 per 10 grams from last Friday's closing level of Rs 28,345, it moved in a range of Rs 28,555 and Rs 28,315 before settling at Rs 28,440, revealing a rise of Rs 95, or 0.33 %.
- Pure gold (99.9 purity) also commenced higher at Rs 28,645 per 10 grams compared to preceding weekend level of Rs 28,495, it hovered in range of Rs 28,705 and Rs 28,465 before closing at Rs 28,590, showing a gain of Rs 95, or 0.33 %.
- August gold rose USD 8.40, or 0.7 %, to settle at USD 1,268.40 an ounce. The settlement was the highest since June 14. Gold logged a gain of 1.1 % for the week, its third such rise in a row.

#### Crude Oil Update:

- In global commodity trade, crude prices staged a smart rebound - reaching new two-month highs to post its strongest weekly %age gains this year ahead of U.S. Weekly rig count data as investors digested signs of an easing oversupply.
- Oil was buoyed this week by a big draw in official U.S. Crude inventories in the latest week. U.S. West Texas Intermediate (WTI) crude futures ended Friday's session up 67 cents, or 1.4 %, to USD 49.71. It surged 8.6 % on the week.
- Brent crude futures were up USD 1.01, or 2 %, at USD 52.50 a barrel a barrel, rising more than 9 % this week.

Key Rates (%)	28-Jul-2017	21-Jul-2017	% Change
Mibor Overnight	6.25	6.21	0.64
CALL (O/N)	6.08	6.1	-0.33
CBLO	6.06	5.62	7.83
T Bills Index (12M)	6.22	6.22	0
10 Year GSEC	6.46	6.44	0.31

## Commodity Market



Commodity (INR)	28-Jul-2017	Gain+/Loss-	% Change
Gold (10 gm)	28327	162	0.58
Silver (1 kg)	37901	328	0.87
Crude Oil (\$/barrel)	51.68	3.62	7.53

## Currency Market



Currency	21-Jul-2017	Gain+/Loss-	% Change
USD/INR	64.15	-0.17	-0.26
EURO/INR	74.98	0.1	0.13
GBP/INR	83.89	0.35	0.42
JPY/INR	57.78	0.25	0.43



## Currency Market Update

- However, overcoming initial sluggishness, rupee made an incredible comeback during the mid-week trade after the US currency took a big knock amid the Fed indicating it will maintain a slow pace of monetary tightening.
- Heavy dollar unwinding by speculative traders in the face of abundant capital inflows supplemented further strength to the local currency.
- The home currency resumed substantially lower at 64.41 as against last weekend level of 64.32 at the Interbank Foreign Exchange (forex) market due to month-end dollar demand from importers and drifted further to touch a low of 64.46.
- But, taking a smart U-turn towards the fag-end trade, the local unit bounced back to hit a high of 64.06 - the level not seen since May this year. It finally settled down at 64.15 after giving back some gains, still showing a handsome gain of 17 paise, or 0.26 %.
- Rupee has appreciated by a solid 45 paise in the last three weeks.
- Meanwhile, India's foreign exchange reserves touched a new record high of USD 391.33 billion after it rose by USD 2.27 billion in the week to July 21, aided by increase in foreign currency assets (FCAs), RBI data showed. The dollar index — a measure of the US currency against a basket of six trade-weighted peers drifted further to 93.20 as against 93.780

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