



Financial Market & Economy Update

- **India is projected to grow at 7.4 %** in 2018 as against China's 6.8 %, the IMF said, making it the fastest growing country among emerging economies.
- India has emerged as the **5th most attractive market for investments** and the optimism over global economic growth is at a record level, a survey of CEOs by global consultancy PwC said
- Sharing details on **bank recapitalisation package**, Jaitley said the finance ministry is working on two aspects.
 - First, the basis on which the banks are being chosen for recapitalisation and how much money is to be inducted into which bank.
 - Second, the various steps to be taken to ensure that the governance of the banks follows highest standards
- Secretary Department of Financial Services (DFS) Rajevee Kumar said bank recapitalisation is dependent on performance and reforms and that loans above Rs 2.5 billion will undergo special monitoring
- The Department of Industrial Policy and Promotion (DIPP) notified **easing of FDI rules** for several sectors, including single brand retail, non-banking financial companies and construction.
- The government **collects Rs 86,703 crore as GST** for December as against Rs 80,808 crore in November, data from the Finance Ministry shows.
- The Ministry of Finance on Thursday said that one crore taxpayers have been registered under total revenue collections under GST so far till 24th January, 2018.
- The finance ministry said today that Rs 80,000 crore recapitalisation bonds, to be issued to public sector banks (PSBs) as part of Rs 2.11 lakh crore capital support over 2 years, will not have impact on fiscal deficit as they will be cash neutral.
- Prime Minister Narendra Modi on Tuesday took leadership in highlighting the problem of climate change and global warming at his maiden plenary address at the **World Economic Forum in Davos**.
- **Japanese investments into India have risen manifold** in the last ten years to reach \$4,709 million in FY2017, says a Ficci report.
- Sales of previously-owned U.S. homes fell in December for the first time in four months, as the market struggles with record-low supply and rising prices
- The **Bank of Japan kept monetary settings unchanged** as expected on Tuesday and its chief hosed down market speculation of a shift away from ultra-easy policy later this year
- The IMF revised upward its forecast for **world economic growth to 3.9 %** for both 2018 and 2019, a 0.2 %age point increase from its last update in October.
- The U.S. expanded at a 2.6% annual pace in 4thquarter



Equity Market Update

- Indian market rose to fresh record highs ahead of the big event, 'Budget 2018'. The S&P BSE Sensex rose above 36,000 for the first time while Nifty50 also rose above Mount 11K.
- The BSE Mid-Cap index rose 0.43 %. The BSE Small-Cap index fell 0.59 %. Both these indices underperformed the Sensex.
- Among sectoral and industry indices, IT climbed by 3.63 % followed by metal 2.74 %, oil & gas 2.25 %, capital goods 2.16 %, bankex 2.00 %, teck 1.65 %, PSU 1.23 %, healthcare 1.08 %, realty 1.03 % and FMCG 0.68 %.
- However, consumer durables fell by 2.60 %, IPO 1.51 %, auto 1.32 % and power 0.65 %
- Foreign portfolio investors (FPIs) and foreign institutional investors (FIIs) bought shares worth Rs 5,840.21 crore during the week.
- The total turnover during the week on BSE fell to Rs 22,625.37 crs as against last weekend's level of Rs 30,737.02crores, While NSE dipped to 1,66,288.96 compared to Rs1,87,256.67 crs previously.



Equity Market Outlook

Global:

- Investors will watch the direction of the USD in the Asian Week Ahead as equity markets enjoy their best gains in many years as funds flood into equities. With inflows at multi-year highs, global equity markets are having their best monthly gains in many years. The MSCI Emerging Markets is up 9.9% so far this year, its best monthly performance since Jan 2012 while the SPX is up 7.4%, its best performance since Oct 2015.
- Last week's ECB and BoJ meetings saw fairly dovish tones from the Central Bankers as they tried to grapple with the disinflationary impact of a weaker USD (and hence stronger Euro and yen) on their domestic economies. US Treasury Secretary Mnuchin said at the Davos Forum this week that "a weaker dollar is good for us" causing the DXY to sink to its lowest levels since 2014. Later comments from President Trump that "the dollar is going to get stronger and stronger, and ultimately, I want to see a strong dollar" were broadly ignored by markets. Mnuchin's comments also drew ire from ECB member Coeure who described the intervention as "not helpful". ECB President Draghi hinted that the US comments smacked of a targeted exchange rate and referred to an IMF communique that denounced competitive devaluations.
- On Friday, it was announced that US GDP had grown at 2.6% in the fourth quarter below expectations of 3.0% while the US trade in goods widened to its highest since 2008. The coming week will see a meeting of the US Federal Reserve, the last under

Domestic Markets



Index	25-Jan-2018	19-Jan-2018	% Change
BSE Sensex	36050.44	35511.58	1.52
S&P CNX Nifty	11069.65	10894.7	1.61
CNX Midcap	21455.75	21308.8	0.69
CNX 500	9810	9723.1	0.89
BSE Smallcap	19342.18	19456.16	-0.59

Global Markets



Index	26-Jan-2018	19-Jan-2018	% Change
Dow Jones	26616.71	26071.72	2.09
Nasdaq	7505.77	7336.38	2.31
S&P 500	2872.87	2810.3	2.23
FTSE 100	7665.54	7730.8	-0.84
Shanghai Composite	7665.54	3487.86	119.78
Hang Sang	32654.45	32254.89	1.24

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	29538	23548	5990
MF Flows*	10851	10088	763

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
22-Jan-2018	-5315.42	1306.74
23-Jan-2018	-441.78	982.46
24-Jan-2018	144.69	-576.53
25-Jan-2018	5977.79	1482.9
31-Dec-1899	0	0

Policy Rates



Key Rates (%)	25-Jan-2018	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



the Chairmanship of Janet Yellen after which Jerome Powell will take charge. No press conference is scheduled for after the meeting at which rates are likely to be held constant but policymakers may refer to the recent strength in equities and the weakness in the USD. ISM, factory orders and US non-farm payrolls will provide the focus for the US macro calendar in the coming week.

Local:

- The Nifty was up 1.6% during the week, performing in-line with regional markets and reaching 11k for the first time in its history. IT was the best performing sector, up 4% during the week in spite of fairly in-line results. Telecoms declined 6% as Reliance Jio continues to cut tariffs creating further Arpu pressure for incumbents. The Union Budget is to be presented next week with direction on fiscal consolidation and long-term tax gains on equities being the two key things to watch out for. PM Modi has ruled out doling out major sops in run up to the 2019 elections.
- The government announced US\$14bn as recapitalisation for PSU banks largely through recap bonds. This is part of the US\$24bn announced in Oct 2017 & should meet c.40% of banks' capital needs for IndAS transition and growth, and hence, follow-through in FY19 will be key. The government also announced certain reforms (in asset quality, governance & customer service), though many of these are already in place. There is no clarity on bank consolidation as yet. Weaker PSU banks received a larger pool of funds (vis-à-vis size).

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

- On Thursday, Indian government bonds rose, as a fall in crude oil prices eased concerns about inflation ahead of next week's annual budget
- The 7.17% bond maturing in 2028 settled at 99.33 rupees, yielding 7.26% in Mumbai, against 99.13 rupees and a 7.29% yield at the previous close
- The benchmark Brent crude oil contract fell over 1% yesterday and was last trading at \$68.58 per barrel, against a high of \$70.37 it hit last week. India imports about 80% of its crude oil requirements and any spike in prices has a direct impact on domestic inflation
- Bonds had fallen in early trade tracking U.S. Treasuries after the U.S. government's continued shutdown over the weekend. The 10-year Treasury yield rose to 2.67% earlier on Thursday, its highest since July 2014.
- Investors await conclusion to a U.S. Senate vote on a stopgap funding for federal agencies after differences between Democrats and Republicans over immigration and border security forced a government shutdown. A bill for an extension of federal funds through Feb. 16, already approved by the House of Representatives earlier last week, hit a wall in the Senate owing to a disagreement between President Donald Trump and Democrats over issues of immigration
- India's federal budget - due on Feb. 1 - will include the revised estimates for current financial year and budget estimates for the next fiscal year starting Apr. 1.
- The Indian government had aimed for a fiscal deficit of 3.2% of gross domestic product in the current fiscal and had said it will narrow the budget gap to 3% next year. However, an additional market borrowing of 200 billion rupees this fiscal year has led to doubts about the government's fiscal consolidation drive
- Rising Indian government bond yields are credit-negative for the nation's state-run banks, Moody's Investors Services said



Commodity Market Update

Crude:

- Oil headed for a weekly increase as US crude stockpiles dropped further and the nation's currency weakened.
- Crude stockpiles fell for a 10th week to the lowest level since February 2015. The weaker dollar has made oil more attractive to investors
- Oil resumed gains this week after Saudi Arabia and Russia pledged to continue coordinated supply cuts to drain a global glut.
- A challenge for the Organisation of Petroleum Exporting Countries and its allies is expanding US output, which rose last week to the highest level in more than three decades.

Gold:

- Gold prices rose on Friday, after falling from 1-1/2-year highs in the previous session, as the dollar remained weak despite U.S. President Donald Trump backing a stronger currency.
- Spot gold had climbed 0.6 % to \$1,355.16 per ounce by 0726 GMT. It has gained 1.8 % so far last week
- The dollar weakness is continuing to support gold prices, helping to hold them steady despite Trump's comments.
- In India, riding on a firm trend overseas and increased buying by local jewellers, gold maintained its upward march for yet another week and recaptured the Rs 31,000-mark at the bullion market.
- Silver too topped the Rs 40,000-level on increased offtake by industrial units and coin makers.

Key Rates (%)	25-Jan-2018	19-Jan-2018	% Change
Mibor Overnight	6.05	5.96	1.51
CALL (O/N)	5.91	5.93	-0.34
CBLO	5.9	4.34	35.94
T Bills Index (12M)	6.53	6.49	0.62
10 Year GSEC	7.3	7.29	0.14

Commodity Market



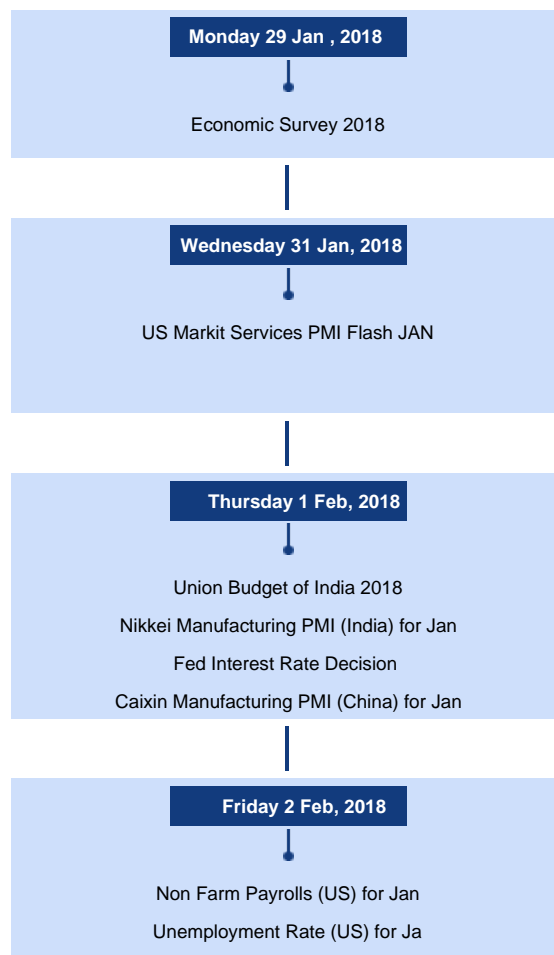
Commodity (INR)	26-Jan-2018	Gain+/Loss-	% Change
Gold (10 gm)	30489	598	2
Silver (1 kg)	39700	986	2.55
Crude Oil (\$/barrel)	70.42	1.81	2.64

Currency Market



Currency	19-Jan-2018	Gain+/Loss-	% Change
USD/INR	63.5	-0.22	-0.35
EURO/INR	79.07	0.93	1.19
GBP/INR	90.92	2.28	2.57
JPY/INR	58.36	0.87	1.51

Upcoming Events





Currency Market Update

- On the currency front, the rupee strengthened by 30 paise to close at 63.55 against the US dollar from its last week's close at 63.85.
- Revaluation impact of US dollar weakness along with inflow of foreign funds lifted India's foreign exchange (Forex) reserves by \$959.1 million as on January 19, 2018.
- According to the Reserve Bank of India's (RBI) weekly statistical supplement released on January 26, 2018, showed that the overall Forex reserves rose to \$414.78 billion from \$413.82 billion reported for the week ended January 12.
- The U.S. dollar was once again under pressure on Friday, as the boost from comments by President Donald Trump on a "stronger and stronger" currency faded.
- The ICE U.S. Dollar Index which measures the greenback against six rival currencies, was last down 0.4% at 89.085 on Friday, setting it on track for a 1.6% weekly slide.

Events	Actual %	Previous %
Japan BoJ Interest Rate Decision	-0.10%	-0.10%
GDP Growth Rate QoQ	2.60%	3.20%

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