

# Weekly Market Update



## Financial Market & Economy Update

- India's exports to China registered a sharp increase of over 53 % year-on-year to reach USD 1.24 billion in October
- Exports in the month of November rose 30.55% to \$26.19 billion from \$23.10 in October, after a downfall due to the Goods and Services Tax, however, the trade deficit, which also showed a little improvement, stayed as high as \$13.82 billion
- The Retail Inflation for November has surged to 4.88%, breaching the 4% target set by the Reserve Bank of India, from 3.58% in the previous month, government data showed on Tuesday.
- Industrial production growth also slowed to 2.2% in October as compared to 4.2% a year ago.
- At WTO Summit, India asks developed countries to cut farm subsidies.
- India's fuel demand rose 6.2 % in November compared with the same month last year.
- The November wholesale inflation (WPI) surged to 3.93% from 3.59% in October on the back of higher food and vegetable prices.
- The much-delayed Winter Session of the Parliament has begun on December 15, and the controversial Financial Resolution and Deposit Insurance (FRDI) Bill has been officially listed by the government for consideration and passage.
- The government will promote use of steel pipes for irrigation instead of canals, in a move aimed at cutting down land acquisition costs and promoting innovation, Union minister Nitin Gadkari has said.
- In a bid to boost the "Make in India" reform, the finance ministry has hiked the customs duty on mobile phones, and other electronic devices such as televisions, mobile projectors and water heaters.
- China will cut export taxes on some steel products and fertilisers and ditch those for sales abroad of steel wire, rod and bars from Jan. 1, the Ministry of Finance said on Friday, in a series of measures that could boost shipments.
- Bank lending in China hit a fresh record after a much stronger-than-expected surge in credit in November. Chinese banks extended 1.12 trillion yuan (\$169.27 billion) in net new yuan loans in November, data from the People's Bank of China showed on Monday, well above analysts' expectations.
- UK faces Christmas squeeze as inflation hits 3.1%, outpacing wages.
- The US Federal Reserve raised interest rates by a quarter of a percentage point on Wednesday, as anticipated, but left its rate outlook for the coming years unchanged even as policymakers projected a short-term acceleration in U.S. economic growth.
- Japanese machinery orders bounced back in October with a faster increase than expected, climbed 5.0 % in October from the previous month, the Cabinet Office said on Wednesday.
- The United States, European Union and Japan vowed to work together to fight market-distorting trade practices and policies that have fueled excess production capacity, naming several key features of China's economic system.
- The Hong Kong Monetary Authority raised the base rate charged through its overnight discount window by 25 basis points on Thursday to 1.75 %.



## Equity Market Update

- The benchmark Sensex advanced for second straight week in row, gaining 212.67 points to close 33,462.97, while the broader Nifty ended above the key 10,300-level to end at 10,333.25.
- The stock market maintained its volatile scenario for the second consecutive week, though it managed to building-up on last week gains to inch closer towards all-time highs.
- The Sensex started the week higher at 33,317.72 and hovered between 33,621.96 and 32,886.93 before settling the week at 33,462.97, showing a gain of 212.67, or 0.64 %.
- The Nifty also resumed the week higher at 10,310.50 and traded between 10,373.10 and 10,141.55 to close at 10,333.25, showing a rise of 67.60 points, or 0.66 %.
- The broader indices of midcap and smallcap company shares underperformed the frontline indices.
- The S&P BSE Mid-Cap index fell 69.64 points, or 0.41 %, to settle at 16,974.72. The S&P BSE Small-Cap index fell 41.23 points, or 0.23 %, to settle at 18,170.65.
- Foreign institutional investors (FIIs) bought shares worth Rs 606.84 crore during the week.
- Among sectoral and industry indices, consumer durables fell by 36.48 %, realty 1.84 %, power 1.19 %, IPO 1.19 %, capital goods 0.82 %, and FMCG 0.09 %, while oil&gas rose by 1.10 %, auto 0.89 %, IT 0.81 %, metal 0.77 %, teck 0.37 %, bankex 0.32 % and healthcare 0.09 %.



## Equity Market Outlook

- The Nifty was up 0.7% during the week in line with regional markets. Oil & gas and autos were the best-performing sectors. The markets were buoyed by exit polls forecasting a comfortable victory for the ruling BJP in the crucial Gujarat elections.

## Domestic Markets



Index	15-Dec-2017	08-Dec-2017	% Change
S&P BSE Sensex	33462.97	33250.3	0.64
Nifty 50	10333.25	10265.65	0.66
Nifty Midcap 100	19962.3	20014.75	-0.26
Nifty 500	9216.75	9190.55	0.29
S&P BSE Smallcap	18170.65	18211.88	-0.23

## Global Markets



Index	15-Dec-2017	08-Dec-2017	% Change
Dow Jones	24651.74	24329.16	1.33
Nasdaq	6936.58	6840.08	1.41
S&P 500	2675.81	2651.5	0.92
FTSE 100	7490.57	7394	1.31
Shanghai Composite	3266.14	3289.99	-0.72
Hang Sang	28848.11	28639.85	0.73

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	30197	28625	1572
MF Flows*	27743	21895	5848

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



Date	Index	Stocks
11-Dec-2017	847.22	64.94
12-Dec-2017	533.38	421.76
13-Dec-2017	-299.25	90.35
14-Dec-2017	-2399.81	591.47
15-Dec-2017	194.32	535.63

## Policy Rates



Key Rates (%)	15-Dec-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



The rupee has performed well with this week's 0.5% appreciation vs the USD (to a three-month high) making it the best-performing currency among peers in the past three months.

- CPI for November came in at 4.9% YoY, a 15-month high and above the 4.3% consensus forecast. Month on month, CPI increased by 1.3ppt with the bulk of it driven by a rise in Food CPI to 4.4% from 2.3% in October - the key factor was volatile veggie prices (+22.5% YoY/+6.9% MoM). The relatively low-volatility non-food CPI also saw a 0.5ppt MoM increase to a 39-month high of 5.1%. The RBI, at its policy meet earlier last week, had already cited rising inflation expectations and increased its Mar-18 inflation expectation by 10bp.
- India's current account deficit widened to US\$7.2bn, or 1.2% of GDP, in 2QFY18 from US\$3.4bn, or 0.6% of GDP, in 2QFY17. Quarter on quarter, CAD declined from US\$15bn in 1QFY18. The YoY widening can be attributed to an increase in the trade deficit to US\$32.8bn from US\$25.6bn in 2QFY17. Services surplus increased to US\$18.4bn from US\$16.3bn in 2QFY17.
- Media reports indicate that the govt has increased its direct tax (income + corporate) target by Rs200bn, or 2%, to Rs10.0tn in FY18 to make-up for an indirect tax (GST related) shortfall. This implies direct tax revenue growth of 19.8% in FY18. Direct tax collections grew at 13.8% over Apr-Oct 2017 and the new target implies acceleration to 24.8% in the Nov '17 – Mar '18 period.

**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 bonds fell for a third week, as inflation rate accelerated to a 15-month high in November, indicating chances of a prolonged pause on policy rates.
- The benchmark yield rose five basis points this week. It has surged in eight out of the last nine weeks, posting a total increase of 40 bps during this period.



## Debt Market Outlook

- During last week the 10 yr traded in the band of 7.24%-7.13%
- It started the week at 7.13%, post spike in inflation and crude the bond yield spiked to 7.22% however closed the week at 7.13% as all the events were in prices and reasonable demand was seen at high levels
- Exit polls brought cheer to the equity and currency markets and INR appreciated to 64.05 on weekly closing
- The crude oil reversed the rising trend on rising inventory data the spike was due to supply disruptions caused by pipeline burst
- The RBI announced 20k cr G sec buy back which is expected to generate some demand for G sec from investors
- The FOMC was on expected lines and they hiked the Fed rate by 25bp and the UST 10 yr rallied by 5 bip and closed the week at 2.35, the undertone was relatively dovish.
- We believe CD supply may put some pressure on short term rates up to 3 years from here till march.
- Short Term rates up to 3 years may inch up 15-25 bps from here till March-18
- However the curve is very steep and giving decent reward for elongating duration as the fund mandate and investment horizon.
- All events are over only Fiscal Picture is remaining to be more clear in terms of whether the extra borrowing will come or not. The fiscal is under stress but we don't expect any significant extra borrowing or widening of fiscal deficit.



## Commodity Market Update

**Gold Update:**

- Moderate local buying interest due to marriage season somewhat supported the gold.
- Silver also gained owing to good speculative buying as well as industrial offtake.
- On the domestic front, standard gold (99.5 purity) resumed higher at Rs 28,525 per 10 grams from last Friday's closing level of Rs 28,495, it hovered between Rs 28,625 and Rs 28,355 before settling at Rs 28,550, revealing a rise of Rs 55, or 0.19 %.
- Pure gold (99.9 purity) also commenced higher at Rs 28,675 per 10 grams compared to preceding weekend level of Rs 28,645, it traded between Rs 28,775 and Rs 28,505 before closing at Rs 28,700, showing a gain of Rs 55, or 0.19 %.
- Silver ready (.999 fineness) opened positive at Rs 36,720 per kilogram from last Friday's closing level of Rs 36,620, it also moved between Rs 37,120 and Rs 36,450 before finishing at Rs 36,795, registering a gain of Rs 175 per kilo, or 0.48 %
- Globally, Gold futures ended with a modest climb to tally their first weekly gain in a month in the wake of the Federal Reserve's recent decision to raise interest rates.
- February gold tacked on 40 cents to settle at USD 1,257.50 an ounce. For the week, it rose roughly 0.7 %.

Key Rates (%)	15-Dec-2017	08-Dec-2017	% Change
Mibor Overnight	6.02	5.94	1.35
CALL (O/N)	5.99	5.9	1.53
CBLO	6.17	5.13	20.27
T Bills Index (12M)	6.34	6.26	1.28
10 Year GSEC	7.13	7.09	0.56

## Commodity Market



Commodity (INR)	15-Dec-2017	Gain+/Loss-	% Change
Gold (10 gm)	28411	-331	-1.15
Silver (1 kg)	36644	175	0.48
Crude Oil (\$/barrel)	63.23	-0.17	-0.27

## Currency Market



Currency	15-Dec-2017	Gain+/Loss-	% Change
USD/INR	64.1	-0.36	-0.56
EURO/INR	75.52	-0.28	-0.37
GBP/INR	86.13	-0.91	-1.05
JPY/INR	57.13	0.29	0.51

### Crude Oil Update:

- In global commodity trade, crude prices fell back from their fresh 2-year highs earlier this week, though prices were supported by continuing outage of a North Sea pipeline and OPEC-led production cuts amid concerns that the global supply surplus could return in 2018 due to rising U.S. Output.
- The International benchmark Brent crude future settled down slightly with a 0.3 % fall to USD 63.23 a barrel.
- Both WTI and Brent logged a third-straight week of declines amid concerns that rising U.S. output would dampen OPEC's efforts to rid the market of excess supplies.
- U.S. crude oil production rose by 73,000 barrels per day (bpd) last week, according to government data. Domestic U.S. output has rebounded by almost 16% since the most recent low in mid-2016 to a total of 9.78 million bpd, bringing output close to levels of top producers Russia and Saudi Arabia.



## Currency Market Update

- Stretching the stunning rally for the fifth-straight week, the home currency garnered a solid 41 paise.
- It has appreciated by a whopping 112 paise during the multi-week rally.
- The Indian unit largely withstood volatility and impact from the latest US central bank rate hike overnight even as headline inflation accelerated further to 3.93 % in November.
- Overall currency market sentiment turned extremely bullish after the exit poll outcomes predicted BJP's win in Gujarat for the sixth time and a clean sweep in Himachal Pradesh elections.
- It was further supported by unwinding of long-dollar positions by speculators and some foreign banks with the US dollar down on shaky outlook for the tax reform progress.
- At the Interbank Foreign Exchange (forex) market, the rupee resumed higher at 64.35 from last Friday's close of 64.45 on steady dollar selling.
- After briefly hitting a low of 64.56 in a mid-week sell-off, the local currency staged a smart rebound to touch a high of 64.01 towards the fag-end trade.
- It finally settled the week at 64.04, showing a healthy gain of 41 paise, or 0.64 %.
- In the meantime, country's foreign exchange reserves reserves declined by USD 1.044 billion to USD 400.897 billion in the week to December 8 due to a steep fall in foreign currency assets, the Reserve Bank data showed.
- The dollar index, which tracks the greenback against six major currencies, was higher at 93.96.

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