



Financial Market & Economy Update

Domestic Update:

- The Narendra Modi government on Monday moved to scrap provisions under Article 370 of the Indian Constitution, which grants a special status to the state of Jammu & Kashmir in the Union of India.
- The Reserve Bank of India lowered its benchmark repo rate by 35 bps to 5.40 % during its August meeting, while markets had forecast a smaller 25bps cut.
- India's services activity bounced back in July and expanded at the fastest pace in a year after contracting the previous month, driven largely by strong growth in international demand, a private survey showed on Monday. The IHS Markit Services Purchasing Managers' Index rose to a one year high of 53.8 in July, up from 49.6 in June and comfortably above the 50-mark that separates growth from contraction.
- India's industrial production growth eased to 2 % year-on-year in June 2019 from an upwardly revised 4.6 % in the previous month, but above market expectations of 1.5 %. Output rose at a slower pace for manufacturing (1.2 % vs 4.5 %) and mining (1.6 % vs 2.4 %). On the other hand, electricity production rose at a faster 8.2 %, compared to 7.4 % in May.
- Manufacturing Production in India increased 1.20 % in June of 2019 over the same month in the previous year.
- Net inflows into the equity-oriented schemes rose for third consecutive month in July to Rs 8,112 crore, according to the Association of Mutual Funds of India (Amfi)
- The Reserve Bank of India's consumer confidence survey released on Wednesday reported a drop in confidence in July as Indian households remained pessimistic about jobs and the general economic situation. The current situation index dropped to 95.7 last month from 97.3 in May and 104.6 in March. The future expectations index (FEI) fell by four points to 124.8 in July.

Global Update:

- Britain's dominant services sector unexpectedly perked up in July, a major survey showed on Monday, but this did little to shift fears that Brexit risks and U.S.-China trade tensions are pushing the economy close to recession. The IHS Markit/CIPS UK Services Purchasing Managers' Index (PMI) rose to a nine-month high of 51.4 from 50.2 in June, above all forecasts in a Reuters poll of economists that had pointed to an unchanged reading.
- Euro zone business growth hit a wall in July as demand crumbled, according to a survey which showed a deepening downturn in manufacturing is increasingly affecting the bloc's dominant services industry. IHS Markit's Euro Zone Composite Final Purchasing Managers' Index (PMI), considered a good measure of overall economic health, dropped to 51.5 in July from June's 52.2, moving closer to the 50 mark separating growth from contraction.
- China's services sector expanded at the slowest pace in five months in July despite a sharp upturn of new export orders, a private survey showed on Monday. The Caixin/Markit services purchasing managers' index (PMI) slipped to 51.6, the lowest reading since February, from June's 52.0. The 50-point mark divides growth from contraction, and the overall service index has shown expansion every month since it was started in 2005.
- Britain bought the fewest new cars since 2012 last month, an auto industry body said, blaming political and economic uncertainty as well as consumers' uncertainty about future environmental regulation. New car registrations in July dropped 4.1% year-on-year to 157,198, the lowest number for the month since 2012, while sales for the year to date were 3.5% lower at just over 1.4 million, the Society of Motor Manufacturers and Traders said.
- U.S. services sector activity slowed in July as new orders dropped to their lowest level in three years, suggesting the economy lost further momentum early in the third quarter. The ISM said its non-manufacturing activity index fell 1.4 % points to a reading of 53.7. It was the second straight monthly decline in the index. A reading above 50 indicates expansion in the sector, which accounts for more than two-thirds of U.S. economic activity.
- German industrial orders rose far more than expected in June, data showed on Tuesday and the Economy Ministry said the downward trend for this sector of Europe's biggest economy had slowed noticeably in the second quarter. Contracts for 'Made in Germany' goods were up 2.5% from the previous month, the biggest jump since August 2017, boosted by a big rise in bookings for big-ticket items from non-euro zone countries, the Ministry said. That exceeded the Reuters consensus forecast for a 0.5% increase. The reading for May was revised up to -2.0 from a previously reported -2.2%
- China's annual inflation rate rose to 2.8 % in July 2019 from 2.7 % in the previous month and above market estimates of 2.7 %. That was the highest rate since February 2018 boosted by the fastest increase in food prices since January 2012, as pork prices were persistently high in the wake of an outbreak of African swine fever.
- The German trade surplus narrowed to EUR 16.8 billion in June 2019 from EUR 22.0 billion in the same month a year earlier.
- The UK posted a trade surplus of GBP 1.79 billion in June 2019 compared to a downwardly revised GBP 2.0 billion deficit in the prior month.
- Britain's gross domestic product expanded 1.2 % year-on-year in the second quarter of 2019, slowing from 1.8 % in the previous period and missing market consensus of 1.4 %.
- China's exports unexpectedly returned to growth in July on improved global demand despite escalating U.S. trade pressure, but the rebound may be short-lived as Washington prepares to slap even more tariffs on Chinese goods. July exports rose 3.3% from a year earlier, the fastest since March and more than the most optimistic estimate in a Reuters poll, customs data showed on Thursday. Analysts

Domestic Markets



Index	09-Aug-2019	02-Aug-2019	% Change
BSE Sensex	37581.91	37118.22	1.25
S&P CNX Nifty	11109.65	10997.35	1.02
CNX Midcap	15947.3	15709.25	1.52
CNX 500	9046.55	8943.95	1.15
BSE Smallcap	12699.5	12496.35	1.63

Global Markets



Index	09-Aug-2019	02-Aug-2019	% Change
Dow Jones	26287.44	26485.01	-0.75
Nasdaq	7959.14	8004.07	-0.56
S&P 500	2918.65	2932.05	-0.46
FTSE 100	7253.9	7407.1	-2.07
Shanghai Composite	2774.75	2867.84	-3.25
Hang Sang	25939.3	26918.58	-3.64

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	25748	34250	-8502
MF Flows*	16297	9172	7125

*FII data from 2nd August to 8th August 2019

*MF data from 26th July to 31st July 2019

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
02-Aug-2019	-1476.46	1311.02
05-Aug-2019	-548.03	1130.14
06-Aug-2019	308.49	747.61
07-Aug-2019	5.55	604.77
08-Aug-2019	3983.88	313.48

Policy Rates



Key Rates (%)	09-Aug-2019	1 Week Ago	1 Month Ago
Reverse Repo	5.15	5.5	5.5
Repo	5.4	5.75	5.75
CRR	4	4	4
SLR	18.75	18.75	18.75

Key Rates



had expected a 2.0% drop after June's 1.3% fall. But imports remained weak, declining 5.6% and highlighting sluggish domestic demand as China's economy struggles to get back on firmer footing. Still, the drop was less than an expected 8.3% and June's 7.3%.

- The number of Americans filing applications for unemployment benefits unexpectedly fell last week, suggesting the labor market remains strong even as the economy is slowing. Initial claims for state unemployment benefits declined 8,000 to a seasonally adjusted 209,000 for the week ended Aug. 3, the Labor Department said on Thursday. Data for the prior week was revised to show 2,000 more applications received than previously reported.
- Foreign Exchange Reserves in China decreased to 3103697 USD Million in July from 3119234 USD Million in June of 2019.
- German industrial orders rose 2.5 % month-over-month in June 2019, reversing a 2 % drop in May and easily beating market expectations of a 0.5 % gain.
- The IHS Markit Germany Construction PMI dropped to 49.5 in July 2019 from 50.0 in the previous month, dipping into contraction territory for the first time since October 2018.



Equity Market Update

- The BSE Sensex surged by 463.69 points or 1.24 % at 37,581.91 at the week ended on Friday, snapping a losing streak of last four week following a reports that the government may soon rollback the tax surcharge on foreign portfolio investors (FPIs).
- Even, the Nifty of National Stock Exchange (NSE) too advanced by 112.30 points or 1.02 % at 11,109.65.
- **Broader Markets:** The BSE Mid-Cap index rose 123.13 pts at 13,670.05. The BSE Small-Cap index gained 203.15 points at 12,699.5.
- **Sector Update:** Eight out of 11 sectoral gauges compiled by National Stock Exchange ended higher, led by the NSE Nifty Auto Index's 2.9 % gain. On the flipside, the NSE Nifty Metal Index was the top sectoral loser, down 2.48 %.



Debt Market Update

- Indian benchmark bond fell for a second day amid uncertainty over future rate cuts and as it had outperformed other papers in the last few weeks. However, most other papers ended higher on surplus liquidity and after yesterday's rate cut.
- The benchmark 7.26% bond maturing in 2029 ended at 106 rupees, yielding 6.40%, in Mumbai.
- Other liquid notes maturing in 2024 and 2028 ended higher by two paise and eight paise, respectively.



Commodity Market Update

Oil Update:

- Oil prices decreased for the week ending Aug. 9 as the market has been overshadowed by rising concerns over trade tensions between the United States and China, with the price of West Texas Intermediate (WTI) for September delivery down 2.08 % and Brent crude oil for October delivery down 5.43 %.
- WTI closed the week at 54.50 U.S. dollars a barrel on the New York Mercantile Exchange, while Brent crude finished the week at 58.53 dollars a barrel on the London ICE Futures Exchange, plunging below the 60-dollar-level. WTI and Brent crude have increased 20.02 % and 8.79 %, respectively, so far this year, falling from their peak levels in April when the growth of WTI hit over 40 %, and Brent crude over 30 %.
- During the week, WTI and Brent crude moved in the same directions: oil prices bounced back after three consecutive days fall.
- Oil prices markedly dropped in the first three days of the week, as the market has been overshadowed by rising concerns over trade tensions between the United States and China. Moreover, the market was rattled on Wednesday by an unexpected surge in U.S. inventories amid ongoing anxiety over ebbing global energy demand.
- U.S. commercial crude oil inventories, excluding those in the Strategic Petroleum Reserve, increased by 2.385 million barrels during the week ending Aug. 2, defying the market forecast drop of 2.845 million barrels, implying weaker demand and bearish crude prices.
- In the first three days of the week, the WTI decreased by 0.97 dollar, 1.16 dollars and 2.54 dollars to settle at 54.69 dollars a barrel, 53.63 dollars a barrel and 51.09 dollars a barrel, respectively, while, Brent crude fell 2.08 dollars, 0.87 dollar and 2.71 dollars to finish at 59.81 dollars a barrel, 58.94 dollars a barrel and 56.23 dollars a barrel, respectively.
- On Thursday and Friday, oil prices bounced back, as investors grew hopeful for potential oil supply cut after Saudi Arabia reportedly planned to slash exports in the near future, as well as the number of U.S. active oil rigs declined sharply in the week ending Aug. 9.

Gold Update:

- Worried investors are rushing to buy gold as fears of a worldwide recession, sparked by trade wars and economic slowdowns in India and China, grow more

Key Rates (%)	09-Aug-2019	02-Aug-2019	% Change
Mibor Overnight	5.4	5.75	-6.09
CALL (O/N)	5.32	5.6	-5
CBLO	5.37	5.58	-3.76
T Bills Index (12M)	5.65	5.85	-3.42
10 Year GSEC	6.5	6.35	2.36

Commodity Market



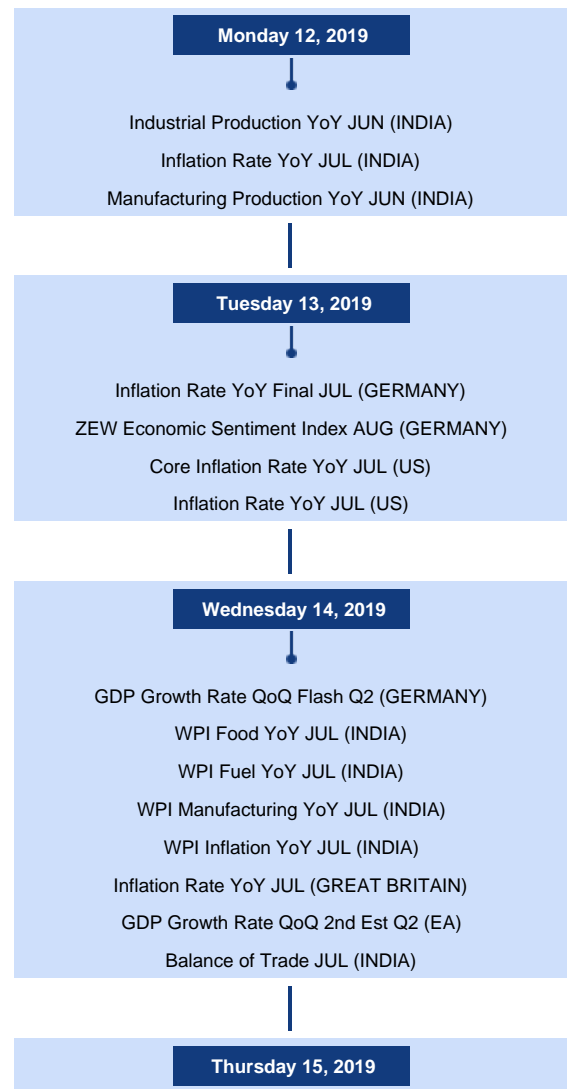
Commodity (INR)	09-Aug-2019	Gain+/Loss-	% Change
Gold (10 gm)	37270	1929	5.46
Silver (1 kg)	43009	2263	5.55
Crude Oil (\$/barrel)	58.53	-3.36	-5.43

Currency Market



Currency	09-Aug-2019	Gain+/Loss-	% Change
USD/INR	70.52	1.12	1.61
EURO/INR	78.91	1.97	2.56
GBP/INR	85.61	1.52	1.81
JPY/INR	66.58	1.76	2.72

Upcoming Events



real. Gold prices have risen by nearly 8 % in rupee terms since August 1, and by 17.86 % since January 1, this year.

- Spot gold crossed the psychological level of \$1,500 an ounce in the international market, its highest level since May 2013.
- Intensifying trade war tensions between the US and China, hopes of policy easing from major central banks and forecast of feeble global economic growth lifted the yellow metal's traditional safe-haven appeal.
- Unlike the international market, Indian futures prices set a new all-time high of Rs 38,000 per ten grams. Surging overseas prices coupled with weak INR pushed prices to record highs.
- US decision to impose 10 % tariffs on another \$300 billion of Chinese goods starting from September 1 worsened the existing trade disputes between the world's top two economies.
- The US administration's decision came just as both countries had resumed negotiations and this has diminished hopes of an immediate trade deal lifting gold's safe-haven appeal.
- However, following the new tariff decision, China allowed its currency to weaken to more than 7 yuan to USD as a retaliatory measure to curb the US imports. China effectively used the exchange rate as a weapon for imposing retaliatory tariffs on the US.
- Demand for gold as an inflation hedge is at its high level. US Fed cut interest rates by 25 basis points amid slowing economic growth.
- A weak domestic currency and cues from the overseas market took domestic gold to record highs. Indian gold gained more than 20 % since June this year.
- MCX futures prices rallied for a fourth consecutive month and hit an all-time high of Rs 38,125 per ten grams this week. Meanwhile, physical demand seems moderated due to weak seasonal demand and high prices.



Currency Market Update

- The Indian rupee was the worst performer among Asian currencies this week. The home currency depreciated 1.7 % to end the week at 70.79 against the greenback.
- India's foreign exchange reserves declined by US\$ 0.70 billion to US\$ 428.95 billion in the week ended 02 August 2019. The foreign exchange reserves had stood at US\$ 429.65 a week ago.
- In the week ending Aug. 9, U.S. Dollar Index managed to stabilize over 97.00 level after the recent drop at the start of August.

Retail Sales MoM JUL (US)
Industrial Production YoY JUL (US)
Manufacturing Production YoY JUL (US)

Friday 16, 2019

Deposit Growth YoY AUG/02 (INDIA)
Foreign Exchange Reserves AUG/09 (INDIA)
Bank Loan Growth YoY AUG/02 (INDIA)
Michigan Consumer Sentiment Prel AUG (US)

Week Gone By



Events	Actual %	Previous %
Caixin Services PMI JUL (CHINA)	51.6	52.0
Caixin Composite PMI JUL (CHINA)	50.9	50.6
Markit Services PMI JUL (INDIA)	53.8	49.6
Markit Services PMI Final JUL (GERMANY)	54.5	55.8
Markit Composite PMI Final JUL (GERMANY)	50.9	52.6
Markit Services PMI Final JUL (EA)	53.2	53.6
Markit Composite PMI Final JUL (EA)	51.5	52.2
ISM Non-Manufacturing PMI JUL (US)	53.7	55.1
Factory Orders MoM JUN (GERMANY)	2.5	-2.0
RBI Interest Rate Decision (INDIA)	5.4	5.75
Cash Reserve Ratio (INDIA)	4.0	4.0
Balance of Trade JUL (CHINA)	\$45.05B	\$50.97B
Inflation Rate YoY JUL (CHINA)	2.8	2.7
Balance of Trade JUN (GERMANY)	€16.8B	€20.6B
GDP Growth Rate YoY Prel Q2 (GREAT BRITAIN)	1.2	1.8
Balance of Trade JUN (GREAT BRITAIN)	£1.779B	£-2.002B
Foreign Exchange Reserves AUG/02 (INDIA)	\$428.95B	\$429.65B

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