



## Financial Market & Economy Update

### Domestic Update:

- The government Friday proposed to increase import duty on gold and precious metal to 12.5 %, a move which would make the yellow metal and jewellery expensive in the domestic market.
- India will get additional \$217 million of revenue from the retaliatory tariffs it imposed on 28 American products, commerce & industry minister Piyush Goyal said on Wednesday.
- The US Thursday dragged India to the WTO by filing a complaint against New Delhi's move to increase customs duties on 28 American goods, alleging the decision is inconsistent with the global trade norms. According to a communication of the Geneva-based World Trade Organisation (WTO), the US said that the additional duties imposed by India "appears to nullify or impair the benefits accruing to the US directly or indirectly" under the GATT 1994.
- Finance Minister Nirmala Sitharaman Friday announced a slew of steps to scale up India's infrastructure including augmenting 1,25,000 km of rural roads under the Pradhan Mantri Gram Sadak Yojana at a cost of Rs 80,250 crore and creating a national highways grid.
- The value of loans in India increased 12 % in June of 2019 over the same month in the previous year.
- The gross tax to GDP ratio declined to 10.9 % in 2018-19 as indirect tax revenues fell short of budget estimates by about 16 %, due to shortfall in Goods and Services Tax (GST) mop up, the Economic Survey said.
- The Indian economy grew by 6.8% in 2018-19, slightly lower than 7.2% in the previous Financial Year (FY), said the Economic Survey, which was tabled in Parliament on July 4, 2019. However, India continued to be the fastest growing major economy in the world and ranks third in terms of size after the U.S. and China.
- The Government has projected India's real GDP growth for the year 2019-20 at 7 % on the back of anticipated pickup in the growth of investment and consumption.
- Retiring at 70 may be a reality. The possibility seems inevitable due to increase in life expectancy, says the Economic Survey.
- The Foreign Direct Investment (FDI) has been more than doubled in last five years in hybrid seeds and tree plantation sector. Agriculture minister Narendra Singh Tomar, in a written reply in Lok Sabha, stated that the FDI inflows have gone up from \$17.46 million in 2014-15 to \$40.55 million in 2018-19 with a cumulative investment of \$191.64 million in hybrid seeds and plantation sector.
- Business activity growth in India's service sector gathered contracted in June as broadly stagnant sales caused the first drop in business activity in over a year and led to job creation at a 22-month low, a private survey showed on Wednesday. The Nikkei/IHS Markit Services Purchasing Managers' Index fell to 49.6 last month from 50.2 in May, going below the 50-mark reading that separates contraction from growth.
- Commerce Minister Piyush Goyal Tuesday announced formation of a Cooperative Sector Exports Promotion Forum (CSEPF) to achieve the target of doubling farm exports to USD 60 billion by 2022.
- The growth of eight core sectors in India improved to 5.1 % in May, helped by rise in output in steel and electricity. During April-May, the cumulative growth of these industries, which accounts for almost 41 % of the weight of items included in the Index of Industrial Production (IIP), was 5.7 % compared to 4.4 % during the same period last year.
- India and Indonesia set an ambitious USD 50 billion target for bilateral trade over the next six years as Prime Minister Narendra Modi and President Joko Widodo discussed ways to deepen cooperation in a number of key areas including economy, defence and maritime security.
- The Nikkei India Manufacturing PMI fell to 52.1 in June 2019 from a three month-high of 52.7 in the previous month but above market estimates of 51.7.
- GST Collection dipped below the Rs one lakh crore mark in June for the first time this fiscal. The total GST mop up stood at Rs 99, 939 crore in June.

### Global Update:

- Just days after reaching a truce in the U.S.-China trade war, the U.S. government on Monday ratcheted up pressure on Europe in a long-running dispute over aircraft subsidies, threatening tariffs on \$4 billion of additional EU goods.
- German industrial orders declined by 2.2 % month-over-month in May 2019, worse than market expectations of a 0.1 % drop and reversing from an upwardly revised 0.4 % growth in the previous month.
- Foreign Exchange Reserves in Japan increased to 1322279 USD Million in June from 1307975 USD Million in May of 2019.
- New orders for U.S.-made goods fell for a second straight month May while shipments barely rose, pointing to continued weakness in manufacturing. Factory goods orders decreased 0.7 %, weighed down by weak demand for transportation equipment, the Commerce Department said on Wednesday. Data for April was revised sharply down to show factory orders falling 1.2 % instead of slipping 0.8 % as previously reported.
- The Caixin China General Services PMI dropped to a four-month low of 52.0 in June 2019 from 52.7 in the previous month and missing market expectations of 52.6.
- The Caixin China General Composite PMI declined to 50.6 in June 2019, the lowest reading since October 2018, from 51.5 in the previous month.
- The IHS Markit Germany Services PMI was revised higher to 55.8 in June 2019 from a preliminary and market expectations of 55.6 and above May's reading of 55.4, final figures showed.
- The IHS Markit Eurozone Services PMI advanced to 53.6 in June of 2019 from 52.9

## Domestic Markets



Index	05-Jul-2019	28-Jun-2019	% Change
BSE Sensex	39513.39	39394.64	0.3
S&P CNX Nifty	11811.15	11788.85	0.19
CNX Midcap	17529.7	17654.1	-0.7
CNX 500	9657.65	9657.95	-0
BSE Smallcap	14141.83	14239.33	-0.68

## Global Markets



Index	05-Jul-2019	28-Jun-2019	% Change
Dow Jones	26922.12	26599.96	1.21
Nasdaq	8161.79	8006.24	1.94
S&P 500	2990.41	2941.76	1.65
FTSE 100	7553.14	7425.6	1.72
Shanghai Composite	3011.06	2978.88	1.08
Hang Sang	28774.83	28542.62	0.81

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	20668	24378	-3710
MF Flows*	8037	7852	185

\*FII and MF data from 28th June to 4th July 2019

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



Date	Index	Stocks
01-Jul-2019	1264.62	-322.15
02-Jul-2019	425.46	400.36
03-Jul-2019	-235.97	474.51
04-Jul-2019	760.28	297.58
05-Jul-2019	-741.13	-198.76

## Policy Rates



Key Rates (%)	05-Jul-2019	1 Week Ago	1 Month Ago
Reverse Repo	5.5	5.5	5.5
Repo	5.75	5.75	5.75
CRR	4	4	4
SLR	19	19	19

## Key Rates



- in the previous month and above flash estimates of 53.4.
- The United Arab Emirates will allow up to 100% foreign ownership of some companies operating in 13 sectors, including manufacturing, agriculture, and renewable energy, state news agency WAM reported on Tuesday.
- Australia's central bank on Tuesday cut interest rates for the second time in as many months as it strives to revive a sluggish economy and reduce unemployment, a tough task that may yet require even more stimulus. The Reserve Bank of Australia's (RBA) quarter-point cut took cash rates to an all-time low of just 1% and left limited room for more reductions, raising the possibility of unconventional policy easing.
- U.S. manufacturing activity slowed to near a three-year low in June, with a measure of new orders received by factories tumbling, amid growing anxiety over an escalation in trade tensions between the United States and China. The Institute for Supply Management (ISM) said its index of national factory activity dropped to 51.7 last month, the lowest reading since October 2016, from 52.1 in May. It was the third straight monthly decline in the index.
- The Caixin China General Manufacturing PMI fell to 49.4 in June 2019 from 50.2 in the previous month, missing market expectations of 50.0.
- The Consumer Confidence Index in Japan fell to 38.7 in June 2019 from 39.4 in the previous month and below market expectations of 39.2.
- The IHS Markit/BME Germany Manufacturing PMI was revised lower to 45.0 in June 2019 from a preliminary estimate of 45.4 and compared to the previous month's final 44.3.

Key Rates (%)	05-Jul-2019	28-Jun-2019	% Change
Mibor Overnight	5.69	5.97	-4.69
CALL (O/N)	5.56	5.94	-6.4
CBLO	5.58	5.85	-4.62
T Bills Index (12M)	6.04	6.13	-1.47
10 Year GSEC	6.69	6.88	-2.76

## Commodity Market



Commodity (INR)	05-Jul-2019	Gain+/Loss-	% Change
Gold (10 gm)	34655	649	1.91
Silver (1 kg)	37775	350	0.94
Crude Oil (\$/barrel)	64.23	-2.32	-3.49



## Equity Market Update

- Domestic equity markets ended first week of July in the green after the Economic Survey projected India's economic growth rebounding from a five-year low to 7 % this fiscal. Softening crude oil prices and the US-China trade war truce also calmed investor nerves globally.
- As a result, the benchmark BSE Sensex added 118.75 points, or 0.30 %, to 39,513 for the week ended July 5. Likewise, the NSE Nifty index inched higher by 22.30 points, or 0.19 % to 11,811 during the same period.
- Overall, the market kicked off the week on a positive note after RBI relaxed the leverage ratio for banks to help them boost their lending activities. Market participants remained optimistic despite domestic manufacturing sector losing growth momentum in the month of June. The Economic Survey painted a rosy picture for D-Street which further fuelled the sentiments till Thursday.
- Sector Update:** Sector-wise, the BSE Telecom, FMCG as well as Bankex indices rallied more than 1 % during the week. However, the BSE Metal, IT, Oil & Gas, Teck and Healthcare indices slipped up to 4.55 %.
- Broader Markets:** The S&P BSE Midcap index fell 0.56 % while the S&P BSE Smallcap index was down 0.69 % for the week ended July 5.

## Currency Market



Currency	05-Jul-2019	Gain+/Loss-	% Change
USD/INR	68.75	-0.17	-0.25
EURO/INR	77.52	-0.84	-1.07
GBP/INR	86.5	-0.85	-0.97
JPY/INR	63.7	-0.27	-0.42

## Upcoming Events



Monday 08, 2019

Balance of Trade MAY (GERMANY)

Wednesday 10, 2019

Inflation Rate YoY JUN (CHINA)  
Balance of Trade MAY (GREAT BRITAIN)

Thursday 11, 2019

Inflation Rate YoY Final JUN (GERMANY)  
Inflation Rate YoY JUN (US)  
Core Inflation Rate YoY JUN (US)

Friday 12, 2019

Balance of Trade JUN (CHINA)  
Foreign Exchange Reserves JUL/05 (INDIA)  
Industrial Production YoY MAY (INDIA)  
Inflation Rate YoY JUN (INDIA)  
Manufacturing Production YoY MAY (INDIA)



## Debt Market Update

- Indian government bonds jumped this week, with the benchmark yield falling to its lowest in 21 months on the government's plans to raise part of its borrowing by selling bonds overseas and as it eased its fiscal deficit target for this financial year.
- The benchmark 7.26% bond maturing in 2029 ended at 103.93 rupees, the highest since its issuance on Jan. 11, yielding 6.69%, the lowest since Oct. 3, 2017 in Mumbai. The yield fell 18 basis points this week, biggest fall since May 31.
- India's federal government plans to raise part of its gross borrowing requirements via foreign currency borrowings, Finance Minister Nirmala Sitharaman said, while presenting her maiden budget.
- The government kept its annual market borrowing target for this fiscal year that started Apr. 1 unchanged at 7.10 trillion rupees on a gross basis, according to budget documents, while reducing the fiscal deficit target to 3.3% of the gross domestic product, which was revised downwards from the interim target of 3.4% of GDP. The net borrowing for this financial year will be 4.73 trillion rupees, in line with the interim budget estimate.



## Commodity Market Update

### Oil Update:

- Oil prices lost ground for the week ending July 5, with the price of West Texas Intermediate (WTI) for August delivery decreased 1.64 % and Brent crude oil for September delivery went down 0.79 % for the week.
- WTI closed the week at 57.51 U.S. dollars a barrel on the New York Mercantile Exchange, while Brent crude finished the week at 64.23 dollars a barrel on the London ICE Futures Exchange. WTI and Brent have increased 26.65 % and 19.39 %, respectively, so far this year.
- During the week, WTI and Brent moved in the same direction. The decrease of oil prices showed that the market was concerned about a slowing U.S. economic growth despite the agreement of OPEC and other major oil producers earlier this week to extend the ongoing deal to curb oil production for another nine months.
- Oil prices climbed on Friday as tensions over Iran came under the spotlight.
- Oil prices have kept gaining momentum since the start of the year due to some geopolitical concerns and OPEC's decision of production cut. The momentum has slowed down recently, mainly because of the concerns over downturn in demand for crude oil.

## Week Gone By



- The slowing global economy continues to be a major headwind for crude oil. The slower economic growth of the world, mainly due to the ongoing trade tensions between the United States and China, will lead to less demand for oil, which in turn would put downward pressure on oil prices.

#### Gold Update:

- Domestic gold prices in India jumped to a record on Friday following an unexpected increase in import duty in the country's budget, hitting demand and forcing dealers to offer the highest discount in nearly three years.
- Dealers in India, the world's second biggest gold consumer after China, were offering discounts of up to \$30 an ounce - the highest since August 2016 - over official domestic prices, versus the \$25 discounts seen last week.
- India's finance minister Nirmala Sitharaman raised the import duties on gold and other precious metals to 12.5% from 10% in her first federal budget on Friday, a move industry officials said could dampen retail demand and boost smuggling.
- Gold futures jumped more than 2 % following the budget announcement to hit a record high of 35,100 rupees per 10 grams. Local prices have risen more than 11 % in six weeks.
- In China, premiums dipped to an \$11 to \$12 an ounce range over the benchmark compared with \$12-\$14 last week, as demand remained quiet.
- In Singapore and Hong Kong, premiums remained unchanged from last week at 40-60 cents per ounce and 50 cents-\$1.20 respectively.



## Currency Market Update

- The Indian rupee strengthened further last week by 60 paise to end at 68.42 against US dollar on optimism amid Union Budget and correction in crude oil prices.
- As expected, in the previous week, US Dollar went through rough phase against Indian Rupee.
- Strong technical structure and fundamental triggers worked in favour of rupee.
- India's foreign exchange (forex) reserves swelled by \$1.262 billion to scale a fresh high of \$427.678 billion in the week to June 28.
- The dollar index, which measures the greenback against a basket of major currencies, eased from a 2-1/2 week top of 97.443 to last quote at 97.251.

Events	Actual %	Previous %
Caixin Manufacturing PMI JUN (CHINA)	49.4	50.2
Consumer Confidence JUN (JAPAN)	38.7	39.4
Markit Manufacturing PMI Final JUN (GERMANY)	45.0	44.3
ISM Manufacturing PMI JUN (US)	51.7	52.1
Nikkei Manufacturing PMI JUN (INDIA)	52.1	52.7
Infrastructure Output YoY MAY (INDIA)	5.1	6.3
Caixin Services PMI JUN (CHINA)	52.0	52.7
Caixin Composite PMI JUN (CHINA)	50.6	51.5
Balance of Trade MAY (US)	\$-55.5B	\$-51.2B
ISM Non-Manufacturing PMI JUN (US)	55.1	56.9
Nikkei Services PMI JUN (INDIA)	49.6	50.2
Factory Orders MoM MAY (GERMANY)	-2.2	0.4
Foreign Exchange Reserves JUN/28 (INDIA)	\$427.68B	\$426.42B

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