



Financial Market & Economy Update

Budget highlights 2020:

- The government has pegged the agricultural credit target at Rs 15 lakh crore for fiscal 2020-21, Finance Minister Nirmala Sitharaman said on Saturday.
- The government on Saturday raised fiscal deficit target to 3.8 % of the GDP from 3.3 % pegged earlier for 2019-20 due to revenue shortage.
- While delivering the second budget speech of Narendra Modi Government 2.0, Finance Minister Nirmala Sitharaman allocated Rs 1.7 lakh crores for transport, infrastructure including Railways.
- While delivering the second budget speech of Narendra Modi Government 2.0, Finance Minister Nirmala Sitharaman announces Rs 99,300 crore outlay for education sector in 2020-21 and Rs 3,000 crore for skill development.
- Budget 2020 has proposed a new tax regime slashing income tax rates and rejigging income tax slabs to reduce total tax payable by individuals. As per the new regime, 70 tax exemptions will be removed but the income between Rs 5 lakh and Rs 7.5 lakh will be taxed at 10% down from current 20%, income between Rs 7.5 lakh and Rs 10 lakh will be taxed at 15% down from current 20%, and income between Rs 10 lakh and Rs 12.5 lakh will be taxed at 20% down from current 30%. Income between Rs 12.5 lakh and Rs 15 lakh will be taxed at 25% down from current 30%. Incomes above Rs 15 lakh will continue to be taxed at 30%.
- Finance Minister Nirmala Sitharaman on Saturday announced abolition of dividend distribution tax (DDT). The minister said revenue foregone due to DDT removal will be Rs 25,000 crore. The finance minister said dividends will now be taxed in the hands of recipients.
- Steps will be taken to remove criminal liability for offences under the Income Tax Act, which are civil in nature, the minister said in her Budget speech.

Domestic Update:

- Around 14.33 lakh jobs were created in November 2019 as compared with 12.60 lakh in the previous month, according to payroll data of the Employees' State Insurance Corporation (ESIC). Gross enrolments of new subscribers with ESIC were 1.49 crore during the entire financial year 2018-19, the National Statistical Office (NSO) said in a report.
- Gold imports, which have a bearing on the current account deficit (CAD), fell 6.77 % to USD 23 billion during the April-December period of the current financial year, according data from the commerce ministry. Imports of the yellow metal stood at USD 24.73 billion in the corresponding period of 2018-19.
- Indian engineering exports to China increased by a significant 27.60 % to USD 1.77 billion during April-December 2019 -20 from USD 1.33 billion a year ago, according to EEPC India analysis.
- The government has restored 2 % additional duty incentive on mobile phones export with a view to boost shipments of the product, according to a notification of the commerce ministry. The duty benefit under the Merchandise Export from India Scheme (MEIS) is effective from January 1 and will be applicable till March 31, 2020.

Global Update:

- Sales of new single-family homes in the United States fell 0.4 % from the previous month to a seasonally adjusted annual rate of 694 thousand in December 2019, following a revised 1.1 % drop in November and missing market expectations of 1.5 % growth.
- The Consumer Confidence Index in Japan stood at 39.1 in January 2020, unchanged from the previous month's seven-month high, but below market expectations of 40.8. There was a deterioration in overall livelihood (down 0.6 points to 37.8) and income growth assessment (down 0.3 points to 39.9), while an improvement was seen in employment perceptions (up 0.5 points to 41.8) and willingness to buy durable goods (up 0.4 points to 37.0).
- The GfK consumer sentiment indicator for Germany unexpectedly rose to 9.9 heading into February 2020 from an upwardly revised 9.7 in the previous month and beating market expectations of 9.6.
- New orders for US manufactured durable goods increased 2.4 % from a month earlier in December 2019, rebounding from an upwardly revised 3.1 % drop in the previous month and beating forecasts of a 0.4 % rise. It is the biggest increase since August of 2018.
- The Federal Reserve left the target range for its federal funds rate unchanged at 1.5-1.75 % on January 29th 2020 as expected, saying the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation returning to the 2 % objective.
- The Business Climate Indicator for the Euro Area increased slightly by 0.09 points from the previous month to -0.23 in January 2020, still below market expectations of -0.19. Managers' production expectations and assessment of the stocks of finished products rose sharply, while their views on past production, export order books and overall order books improved to a lesser extent.
- The Bank of England's Monetary Policy Committee voted by a majority of 7-2 to hold Bank Rate at 0.75 % during its January meeting, with policymakers taking a wait-and-see approach as Britain prepares to leave the European Union while the latest economic data has been encouraging.
- US personal income advanced by 0.2 % from a month earlier in December 2019, following a downwardly 0.4 % growth in November and missing market expectations of 0.3 %. Increases in compensation of employees (0.3 % vs 0.4 % in November) and personal interest income (1.6 % vs 0.5 %) were partially offset by a decline in farm proprietors' income (-1.5 % vs 1.7 %).

Domestic Markets



Index	01-Feb-2020	24-Jan-2020	% Change
BSE Sensex	39735.53	41613.19	-4.51
S&P CNX Nifty	11661.85	12248.25	-4.79
CNX Midcap	17520.55	18357.2	-4.56
CNX 500	9606.05	10083.7	-4.74
BSE Smallcap	14344.7	14845.96	-3.38

Global Markets



Index	31-Jan-2020	24-Jan-2020	% Change
Dow Jones	28256.03	28989.73	-2.53
Nasdaq	9150.94	9314.91	-1.76
S&P 500	3225.52	3295.47	-2.12
FTSE 100	7286	7586	-3.95
Shanghai Composite	2976.53	2976.53	0
Hang Sang	26312.63	27949.64	-5.86

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	32206	31890	316
MF Flows*	20858	20361	497

*FII data from 23rd Jan to 30th Jan 2020

*MF data from 22nd Jan to 29th Jan 2020

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
24-Jan-2020	-1324.24	-4.77
27-Jan-2020	-1831.34	-691.15
28-Jan-2020	-1089.9	-957.44
29-Jan-2020	14.82	912.71
30-Jan-2020	2340.92	288.94

Policy Rates



Key Rates (%)	31-Jan-2020	1 Week Ago	1 Month Ago
Reverse Repo	4.9	4.9	4.9
Repo	5.15	5.15	5.15
CRR	4	4	4
SLR	18.5	18.5	18.5

Key Rates



Personal consumption in the US rose 0.3 % month-over-month in December of 2019, in line with market expectations, and mainly boosted by spending on health care. It compares with a 0.4 % rise in November. Consumption of nondurables goods jumped 0.9 % and services edged up 0.3 % while spending on durable goods dropped 0.8 %. Within goods spending on prescription drugs was the most significant, while services were driven by health care. In 2019 as a whole, households spending grew by 4 %, the least since 2016. When adjusted for inflation, real personal consumption expenditure edged up 0.1 % or USD 6.8 billion, after a 0.3 % gain in November.

Key Rates (%)	31-Jan-2020	24-Jan-2020	% Change
Mibor Overnight	5.05	5.15	-1.94
CALL (O/N)	4.97	4.96	0.2
CBLO	4.92	5	-1.6
T Bills Index (12M)	5.27	5.26	0.19
10 Year GSEC	6.6	6.58	0.3



Equity Market Update

- The extended last week remained highly volatile amid F&O expiry, coronavirus fears and a big event — Budget 2020, which disappointed the market as Sensex and Nifty posted the biggest single-day fall in nearly five years.
- Nifty Bank posted the second biggest one-day fall ever.
- Benchmark indices lost 2.5 % on Budget day, making it the worst fall in last 10 Budget sessions.
- Finance Minister Nirmala Sitharaman presented Union Budget 2020-21 on February 1. It will not bring major reforms as LTCG and STT were not touched by the finance minister.
- Global markets also remained under pressure during the week on the back of extended fears of the novel coronavirus, which has killed over 300 people in China.
- While the Sensex shed 1,877.66 points (-4.5 %) to end at 39,735.53 in the past week, the Nifty lost 586.4 points (-4.78 %) to end at 11,661.85.
- Sector Update:** The Nifty Metal index underperformed the sectoral indices with a loss of over 11 % during the week.
- Broader Markets:** The BSE large-cap index plunged 5 %, BSE small-cap index shed 3.3 % and the BSE mid-cap index fell 4.4 % in the past week.



Debt Market Update

- Indian government bonds fell in the first month of 2020 to post a second straight month of decline, as fears of fiscal slippage and heavy borrowing plagued the market while traders awaited tomorrow's budget announcement.
- The benchmark 6.45% bond maturing in 2029 ended at 98.92 rupees, yielding 6.60%, in Mumbai. The yield rose four basis points this month, against nine bps rise in December. The Indian rupee ended at 71.34 to the dollar, up 0.1% in January.



Commodity Market Update

Oil Update:

- U.S. West Texas Intermediate and international-benchmark Brent crude oil futures closed sharply lower last week as worries over the coronavirus' impact on global demand continued to weigh on prices. Both futures contracts posted their fourth consecutive weekly loss.
- Major airlines across the globe are suspending direct flights to and from mainland China causing jet fuel demand to plunge. This is also hurting refiners' profit margins.
- Last week, March WTI crude oil futures settled at \$51.56, down \$2.63 or -4.85% and April Brent crude oil closed at \$56.62, down \$3.29 or -5.78%.

Gold Update:

- Gold prices rose by Rs 199 to Rs 41,199 per 10 gram in futures trade on Saturday as the speculators increased their holdings on positive spot demand. The MCX, which usually remains closed on weekend, was open for trading on Saturday on account of the presentation of the Union Budget.
- Gold contracts for February traded higher by Rs 199, or 0.49 %, at Rs 41,199 per 10 gram in a business turnover of 31 lots.
- The metal for April delivery edged up by Rs 97, or 0.24 %, to Rs 41,149 per 10 gram in a business turnover of 1,383 lots.



Currency Market Update

- The Indian rupee ended flat at 71.35 on January 31 against its January 24 closing of 71.33.
- India's foreign exchange reserves reached a lifetime high of \$466.693 billion after a massive \$4.535-billion spike in the week to January 24. In the previous week, reserves had increased by \$943 million to \$462.16 billion.
- For the week, the U.S. dollar index declined 0.5% to 97.39 (up 0.9% y-t-d).

Commodity Market



Commodity (INR)	01-Feb-2020	Gain+/Loss-	% Change
Gold (10 gm)	40694	692	1.73
Silver (1 kg)	46383	267	0.58
Crude Oil (\$/barrel)	58.16	-2.53	-4.17

Currency Market



Currency	01-Feb-2020	Gain+/Loss-	% Change
USD/INR	71.51	0.27	0.38
EURO/INR	78.82	0.13	0.17
GBP/INR	93.66	0.15	0.16
JPY/INR	65.58	0.54	0.83

Upcoming Events



Week Gone By



Events	Actual %	Previous %
Ifo Business Climate JAN (GERMANY)	95.9	96.3
Durable Goods Orders MoM DEC (US)	2.4	-3.1
Consumer Confidence JAN (JAPAN)	39.1	39.1
GfK Consumer Confidence FEB (GERMANY)	9.9	9.7
Fed Interest Rate Decision (US)	1.75	1.75
Business Confidence JAN (EA)	-0.23	-0.32
BoE Interest Rate Decision (GREAT BRITAIN)	0.75	0.75
GDP Growth Rate QoQ Adv Q4 (US)	2.1	2.1
Gfk Consumer Confidence JAN (GREAT BRITAIN)	-9.0	-11.0
NBS Manufacturing PMI JAN (CHINA)	50.0	50.2
GDP Growth Rate QoQ Flash Q4 (EA)	0.1	0.3
GDP Growth Rate YoY Flash Q4 (EA)	1.0	1.2
Infrastructure Output YoY DEC (INDIA)	1.3	-1.5
Deposit Growth YoY JAN/17 (INDIA)	9.5	9.8
Foreign Exchange Reserves JAN/24 (INDIA)	\$466.69B	\$462.16B
Government Budget Value DEC (INDIA)	INR-9317.3B	INR-8078B
Bank Loan Growth YoY JAN/17 (INDIA)	7.2	7.6
Fiscal Year GDP Growth Final 2019-20 (INDIA)	6.1	7.0

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