



Financial Market & Economy Update

Domestic Update:

- The consumer price inflation (CPI) for the month of January further declined to 2.05 % on the back of continued deflation in food items and fall in fuel inflation.
- Core inflation also fell to 5.4 % in January from 5.7 % in December alleviating some concerns over stickiness in non-food, non-fuel inflation.
- Industrial production jumped to 2.4 % in December, 2018 from 0.5 % in November, 2018 driven mainly by a sharp spike in manufacturing index which rose to 2.7 % vs -0.4 % month-on-month.
- Inflation based on wholesale prices fell to a 10-month low of 2.76 % in January over the previous month on softening prices of fuel and some food items, according to government data released Thursday. The Wholesale Price Index (WPI)-based inflation stood at 3.8 % in December, 2018, and 3.02 % in January 2018.
- The US has agreed to sell two state-of-the-art missile defence systems to Air India One for an estimated cost of \$190 million, a move that will enhance the security of planes flying the prime minister and the president.
- Defence industries have attracted a meagre \$0.21 million foreign direct investment (FDI) during April-September 2018, Parliament was informed on Monday.
- India's crude steel production fell by 3.84 % to 8.995 million tonnes (MT) in January 2019, according to the Joint Plant Committee (JPC).
- Loans to the tune of Rs 20,900 crore have been sanctioned under the 100-day outreach programme for MSMEs across 104 districts announced in November, a top official said Wednesday.
- Both bank credit as well as deposits growth marginally declined on a fortnightly basis, clipping at 14.5 % at Rs 94.29 lakh crore deposits grew at a tepid 9.63 % to Rs 121.22 lakh crore for the fortnight ending February 1, according to the latest RBI data.
- India's trade deficit widened to \$14.73 billion in January, mainly pushed by rise in gold imports, the trade ministry said in a statement on Friday.
- PM Modi launched India's first semi-high speed train on Friday. The express, initially called Train 18, which was rechristened to Vande Bharat Express will run between Delhi and Varanasi.
- India's oil imports from Iran fell by 45 % in January to 270,500 barrels per day oil (bpd), ship tracking data reviewed by Reuters showed, below the estimated 300,000 bpd for the month as some cargoes were delayed. India is restricted to buying 1.25 million tonnes per month, some 300,000 bpd. January imports from Iran were 10.4 % lower than December, the tanker arrival data showed.
- Finance Minister Arun Jaitley has announced basic customs duty on all goods imported from Pakistan has been raised to 200% with immediate effect.

Global Update:

- Britain's economy slowed sharply in late 2018, pushing full-year growth to its weakest in six years as Brexit worries hammered investment by companies and the global economic slowdown weighed on trade, official data showed on Monday. The pace of economic growth fell to a quarterly rate of 0.2 % between October and December from 0.6 % in the previous quarter, in line with forecasts in a Reuters poll, while output in December alone dropped by the most since 2016.
- British inflation fell to a two-year low in January, dipping below the Bank of England's target and offering some relief to householders who have tightened their belts ahead of Brexit. Consumer prices rose at an annual rate of 1.8 % in January after a 2.1 % increase in December, the Office for National Statistics said on Wednesday.
- Euro zone industrial production fell more than expected in December. The European Union's statistics office Eurostat said industrial output in the 19-country currency union fell 0.9 % month-on-month for a 4.2 % year-on-year decline.
- South Korea's unemployment rate jumped to a nine-year high in January. The unemployment rate rose to 4.4 % in January in seasonally adjusted terms, the highest since the 4.7 % rate seen in January 2010, with most of the job losses seen in manufacturing and construction sectors, data from Statistics Korea showed on Wednesday.
- U.S. job openings surged to a record high in December, led by vacancies in the construction and accommodation and food services sectors, strengthening analysts' views that the economy was running out of workers. Job openings, a measure of labor demand, increased by 169,000 to a seasonally adjusted 7.3 million in December, the highest reading since the series started in 2000. That lifted the job openings rate to 4.7 % from 4.6 % in November.
- The German economy stalled in the final quarter of last year, narrowly escaping recession. Gross domestic product in Europe's biggest economy was unchanged for the quarter, the Federal Statistics Office said on Thursday. A Reuters poll had forecast growth of 0.1 %.
- Japan's economy bounced back in the fourth quarter as business and consumer spending recovered from the impact of natural disasters but trade frictions and a proposed sales tax hike are expected to hinder growth in 2019. The 1.4 % annualised expansion in October-December matched the median estimate in a Reuters poll. It also followed an upwardly revised 2.6 % annualised contraction in July-September as floods and an earthquake temporarily halted production. Real exports rose 0.9 % in October-December from the previous quarter, the data from the Cabinet Office showed, the fastest growth in a year.
- U.S. import prices fell for a third straight month in January, leading to the largest annual drop in nearly 2-1/2 years, the latest indication of tame inflation pressures. The Labor Department said on Friday import prices decreased 0.5 % last month as the cost of petroleum products fell and a strong dollar weighed on prices of motor vehicles and consumer goods. Import prices dropped by an unrevised 1.0 % in December.

Domestic Markets



Index	15-Feb-2019	08-Feb-2019	% Change
BSE Sensex	35808.95	36546.48	-2.02
S&P CNX Nifty	10724.4	10943.6	-2
CNX Midcap	16214.65	16597.2	-2.3
CNX 500	8827.05	9036.9	-2.32
BSE Smallcap	13252.81	13656.75	-2.96

Global Markets



Index	15-Feb-2019	08-Feb-2019	% Change
Dow Jones	25883.25	25106.33	3.09
Nasdaq	7472.41	7298.2	2.39
S&P 500	2775.6	2707.88	2.5
FTSE 100	7236.7	7071.2	2.34
Shanghai Composite	2719.7	2618.23	3.88
Hang Sang	27900.84	27946.32	-0.16

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	24431	24382	49
MF Flows*	12649	9824	2825

FII and MF data from 8th to 14th February, 2019

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
08-Feb-2019	1653.36	-839.51
11-Feb-2019	1618.84	-501
12-Feb-2019	1008.68	-313.36
13-Feb-2019	-17.93	-490.32
14-Feb-2019	-1570.99	-173.56

Policy Rates



Key Rates (%)	15-Feb-2019	1 Week Ago	1 Month Ago
Reverse Repo	6.25	6.25	6.25
Repo	6.5	6.5	6.5
CRR	4	4	4
SLR	19.25	19.5	19.5

Key Rates



- Saudi Crown Prince Mohammed bin Salman has led a delegation to Islamabad that agreed deals worth more than \$20bn, proving much-needed investment for a faltering Pakistani economy struggling with a looming foreign reserve crisis and slowing domestic growth.



Equity Market Update

- Indian equity benchmarks halted their two-week rally and clocked their worst five-day fall in nearly four months as concerns in the domestic markets took over global issues.
- The S&P BSE Sensex fell 2.02 % to 35,808.95 and the NSE Nifty 50 closed at 10,724.40 after falling 2 %. For both the gauges, it was the worst performance since the week ended Oct. 28.
- **Sector Update:** Ten out of 11 sectoral gauges compiled by National Stock Exchange fell, led by the NSE Nifty PSU Bank Index's nearly 7 % decline. The NSE Nifty Media Index was the only sectoral gainer, up 4.3 %.
- **Broader Markets:** The carnage in the broader market continued as both small and midcap indices underperformed benchmark indices for the week that ended on February 15. The S&P BSE Small-cap index and the S&P BSE Mid-cap index dropped 2.96 % and 2.71 % respectively.
- **FII:** Foreign fund outflows during the week also weighed the equity indices. Foreign institutional investors (FIIs) sold stocks worth Rs 2,485.09 crore in the week ended Friday.



Debt Market Update

- Indian government bonds fell this week, as uptrend in crude oil prices and heavy supply through end of next month outweighed gains stemming from a slower inflation rate that boosted rate cut hopes.
- The benchmark 7.17% bond maturing in 2028 ended at 97.39 rupees, its lowest level since Feb. 5, yielding 7.58%. The benchmark yield rose six basis points this week, after falling nine basis points last week.
- The 7.26% 2029 bond ended at 99.30 rupees, yielding 7.36%. The yield on this note rose three bps this week, its fourth weekly rise in five, since its issuance on Jan. 11.
- Bonds had rallied earlier in the week, as hopes of another rate cut in April strengthened after retail inflation rate cooled to 2.05% in January from a year earlier, the slowest pace of expansion since June 2017. The retail inflation - a key price gauge for the Monetary Policy Committee - has stayed below the central bank's medium-term target of 4% for six straight months.



Commodity Market Update

Oil Update:

- International Brent crude oil futures jumped \$1.68, or 2.6%, to settle at \$66.25 a barrel by close of trade. It earlier rose to its strongest level since Nov. 20 at \$66.39.
- For the week, Brent prices saw a gain of about 6.6%, its best weekly performance since 2019 began.
- Meanwhile, U.S. West Texas Intermediate crude ended Friday's session up \$1.18, or 2.1%, at \$55.59 a barrel. WTI earlier rose to a three-month high of \$55.87. The U.S. benchmark rose about 5.4% on the week.
- After ending 2018 in freefall, oil prices have rallied approximately 23% to start the year, boosted by efforts by global producers to cut supply.
- In December, OPEC and a group of 10 producers outside the cartel, led by Russia, agreed to collectively cut production by a total of 1.2 million barrels per day during the first six months of 2019.
- Top exporter and OPEC's de-facto leader Saudi Arabia recently pledged to cut even more production than the deal called for.

Gold Update:

- The country's gold imports dipped about 5 % in value terms to USD 26.93 billion during April-January 2018-19, which is expected to keep a lid on the current account deficit.
- According to commerce ministry data, total imports of the precious metal in the corresponding period of 2017-18 stood at USD 28.23 billion.
- After recording negative growth for three consecutive months -- October, November and December 2018, the imports grew by 38.16 % to USD 2.31 billion in January this year.
- Gold regained its glitter with prices surging by Rs 310 to Rs 34,310 per 10 gram at the bullion market here Friday on increased buying by jewellers coupled with a firming trend overseas.
- Silver also rose Rs 170 to Rs 40,820 per kg, supported by increased offtake by industrial units.
- In the national capital, gold of 99.9 % and 99.5 % purities rebounded by Rs 310 each to Rs 34,310 and Rs 34,160 per 10 gram, respectively. The yellow metal had lost Rs 280 in the previous four days.
- Sovereign gold, on the other hand, continued to rule flat at Rs 26,000 per piece of 8 gram.
- In sync with gold, silver ready recovered by Rs 170 to Rs 40,820 per kg and weekly-

Key Rates (%)	15-Feb-2019	08-Feb-2019	% Change
Mibor Overnight	6.28	6.44	-2.48
CALL (O/N)	6.24	6.35	-1.73
CBLO	6.18	6.34	-2.52
T Bills Index (12M)	6.46	6.55	-1.37
10 Year GSEC	7.36	7.34	0.27

Commodity Market



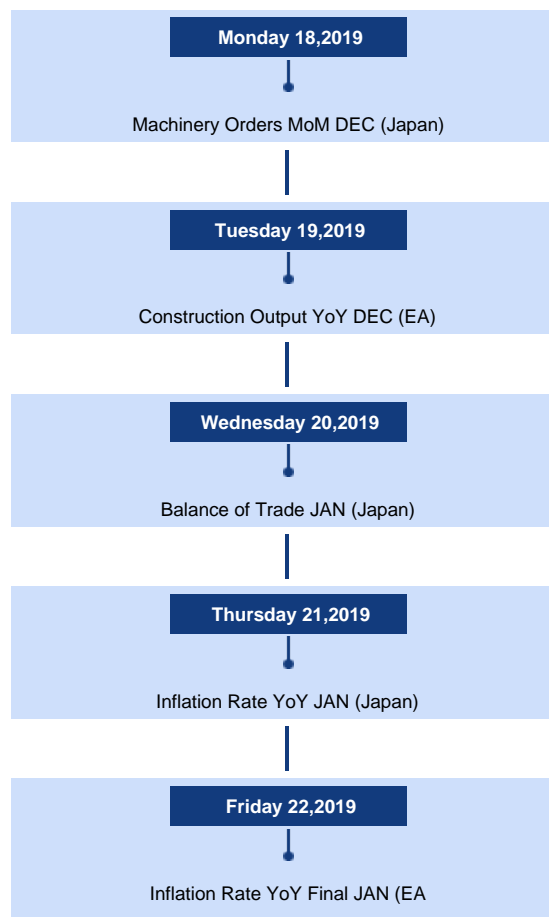
Commodity (INR)	15-Feb-2019	Gain+/Loss-	% Change
Gold (10 gm)	32845	-1335	-3.91
Silver (1 kg)	39767	-113	-0.28
Crude Oil (\$/barrel)	66.25	4.15	6.68

Currency Market



Currency	15-Feb-2019	Gain+/Loss-	% Change
USD/INR	71.25	-0.04	-0.06
EURO/INR	80.42	-0.41	-0.51
GBP/INR	91.23	-1.06	-1.15
JPY/INR	64.55	-0.43	-0.66

Upcoming Events



Week Gone By



Events	Actual %	Previous %
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based delivery by Rs 94 to Rs 39,584 per kg.

- Silver coins, however, continued to be at previous level of Rs 80,000 for buying and Rs 81,000 for selling of 100 pieces.
- Gold prices settled at the highest level in two weeks on Friday as indications of progress U.S.-China trade talks were seen as bullish for the yellow metal.
- Gold futures ended up 0.83% at \$1,324.75 on the Comex division of the New York Mercantile Exchange late Friday, after rising as high as \$1,325.80 earlier.
- While gold posted a small weekly gain, it was rangebound for most of the week, with gains on Friday stemmed by a rebound in stocks.



Currency Market Update

- The Indian rupee strengthened for the first time in three weeks against the U.S. dollar and ended at 71.22. The local legal tender was the second-best performer among Asian peers.
- India's foreign exchange (forex) reserves declined by \$2.12 billion during the week ended February 8, official data showed on Friday. According to the Reserve Bank of India (RBI)'s weekly statistical supplement, the overall forex reserves decreased to \$398.12 billion from \$400.24 billion reported for the week ended February 1.
- The U.S. dollar index, which measures the greenback's strength against a trade-weighted basket of six major currencies, rose 0.03% to 96.83.

FDI (YTD) YoY JAN (China)	4.8	0.9
Industrial Production YoY DEC (India)	-4.2	-3.0
Inflation Rate YoY JAN (India)	2.05	2.11
Manufacturing Production YoY DEC (India)	2.7	-0.6
Inflation Rate YoY JAN (US)	1.6	1.9
Balance of Trade JAN (China)	\$39.16B	\$57.06B
Exports YoY JAN & Imports YoY JAN (China)	9.1 & -1.5	-4.4&-7.6
WPI Inflation YoY JAN (India)	2.76	3.8
Inflation Rate YoY JAN (China)	1.7	1.9

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