



Financial Market & Economy Update

Interim Budget FY 20

Taxation:

1. The interim budget announced a tax rebate for those whose income is up to Rs. 5,00,000. However, there is a catch in the announcement. The key word here is "rebate". So technically, there are no changes in the tax slab or the basic exemption limit.
2. The standard deduction has been raised from Rs. 40,000 to Rs. 50,000. This comes as a small relief for salaried employees.
3. The Tax Deductible at Source (TDS) threshold has been raised on interest income from bank and post office deposits from Rs. 10,000 to Rs. 40,000.
4. The threshold for taxation on rental income has been increased from Rs. 1,80,000 to Rs. 2,40,000.
5. Exemption on notional rent from self-occupied properties has been increased from one self-occupied property to two self-occupied properties.
6. Long-Term Capital Gains (LTCG) from the sale of residential property can now be invested in two residential properties instead of one residential property.
7. A notable change has been announced, in about 2 years a mechanism will be put in place which will allow processing of income tax returns within 24 hours and will issue refunds simultaneously.

Agriculture and Rural Sector:

1. The Indian Government will provide income support to small and marginal farmers to the extent of Rs. 6,000 annually. This will be paid in three installments of Rs. 2,000 each. The Government has allocated Rs. 75,000 crore for this scheme.
2. Farmers affected by natural disasters will be provided a 2% interest subvention and an additional 3% if they repay loans on time.
3. Rs. 19,000 crores have been allocated towards the construction of roads in rural areas under the Gram Sadak Yojana for the Financial Year 2019 - 2020.
4. Rs. 60,000cr has been allocated towards Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.
5. Workers in the Unorganized sector will now receive social security coverage.
6. A pension of Rs. 3,000, with a contribution of Rs. 100 will be provided to workers above the age of 60 years in the unorganized sector.

Railways and Defense:

1. Rs. 1.6 lakh crores have been allocated towards Railways Capital Expenditure.
2. The Defense Budget has been increased to over Rs. 3 lakh crore.

Economic and Political Update

Domestic Update:

- India has replaced Japan as world's second largest steel producing country, while China is the largest producer of crude steel accounting for more than 51 % of production, according to World Steel Association.
- Gujarat has released its land policy for renewable energy projects, which seeks to set up wind parks and wind-solar hybrid parks in the state, similar to solar parks. Such parks will be a first by any Indian state.
- Foreign direct investment (FDI) grew 18% in FY18 to Rs 28.25 lakh crore: data from the Reserve Bank of India (RBI).
- Now, businesses supplying goods worth more than Rs 50,000 will have option to include details of e-way bills generated while filing the final monthly sales return under GSTR-1, a move aimed at curbing tax evasion by reporting different sets of supplies data.
- Hitting the campaign mode, the Prime Minister Narendra Modi on Wednesday inaugurated a slew of projects in Surat. The Prime Minister also distributed keys to some of the beneficiaries of the Pradhan Mantri Awas Yojana.
- The government Thursday revised upwards the economic growth rate upwards to 7.2 % for 2017-18 from the 6.7 % estimated earlier.
- GST collections have jumped to Rs 1 lakh crore in January this year from the Rs 94,726 crore collected in December last year, Finance Ministry said on Thursday. The Nikkei India Manufacturing Purchasing Managers' Index increased from 53.2 in December to 53.9 in January, indicating stronger improvement in the health of the goods producing sector.

Global Update:

- Profits earned by China's industrial firms rose by 10.3 % from a year earlier to CNY 6.64 trillion in 2018.
- Loans to households in the Euro Area increased 3.3 % from a year ago to EUR 6.02 trillion in December 2018.
- The Domestic Supply Price Index in Singapore fell 0.4 % from a year earlier in December 2018.
- China retained a current account surplus in 2018 and it will remain basically balanced in future, the foreign exchange regulator said on Wednesday. China's final current account deficit for the first nine months of 2018 was \$5.5 billion while the final capital and financial account surplus was \$95.4 billion, earlier official data showed.
- The French economy finished 2018 on a firmer footing than expected. Data on Wednesday from the INSEE statistics agency showed the euro zone's second-biggest

Domestic Markets



Index	01-Feb-2019	25-Jan-2019	% Change
BSE Sensex	36469.43	36025.54	1.23
S&P CNX Nifty	10893.65	10780.55	1.05
CNX Midcap	16990.25	17012.5	-0.13
CNX 500	9056.3	8994.35	0.69
BSE Smallcap	13950.45	14000.2	-0.36

Global Markets



Index	01-Feb-2019	25-Jan-2019	% Change
Dow Jones	25063.89	24737.2	1.32
Nasdaq	7263.87	7164.86	1.38
S&P 500	2706.53	2664.76	1.57
FTSE 100	7020.2	6809.2	3.1
Shanghai Composite	2618.23	2601.72	0.63
Hang Sang	27930.74	27569.19	1.31

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	35522	32151	3371
MF Flows*	15691	15365	326

FII & MF data from 25th January 2019 to 31st January 2018

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
25-Jan-2019	1643.06	-619.71
28-Jan-2019	-310.3	-628.15
29-Jan-2019	-255.56	-108.67
30-Jan-2019	-1392.87	936.8
31-Jan-2019	6202.74	1943.6

Policy Rates



Key Rates (%)	01-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	19.5	19.5	19.5

Key Rates



economy grew 0.3 % in the final quarter of 2018, the same rate registered in the previous three months.

- British house prices rose by just 0.1 % in annual terms in January, their weakest increase in nearly six years, adding to signs of a slowdown in the country's housing market ahead of Brexit, data from mortgage lender Nationwide showed.
- The United States and China opened a pivotal round of high-level talks aimed at bridging deep differences over China's intellectual property and technology transfer practices and easing a months-long tariff war.
- The Nikkei Japan Manufacturing PMI declined to 50.3 in January 2019 from 52.6 in the previous month, final data showed.
- The Caixin China General Manufacturing PMI fell to 48.3 in January 2019 from 49.7 in December.
- The IHS Markit Eurozone Manufacturing PMI was confirmed at 50.5 in January 2019, down from 51.4 in December 2018.



Equity Market Update

- A dovish policy stance of the US Federal Reserve and the BJP government's big populist push in its interim Budget supported domestic indices, leading to a rise of over 1 per cent each for BSE Sensex and NSE Nifty for the week ended February 1.
- The 30-share Sensex jumped 444 points to close at 36,469 on February 1, 2019 from 36,025 on January 25. Likewise, the NSE Nifty index gained 113 points to 10,894 during the same period.
- Broader Markets:** During the week Nifty Midcap and Bse small cap fell down by -0.13% & -0.36% respectively.
- Sector Update:** Among the sectoral indices on BSE, the IT index gained the most 4.39 per cent, followed by consumer durables (up 2.20 per cent), auto (up 1.94 per cent), FMCG (up 0.78 per cent) and realty (up 0.41 per cent). However, metal, oil & gas, and PSU index declined 1.80 per cent, 0.95 per cent and 0.15 per cent, respectively.
- Increase in foreign funds flow during the week also aided to the equity market gains.
- FII/DII:** Foreign institutional investors (FIIs) bought stocks worth Rs 4,321.63 crore in the week ended Friday, while domestic institutional investors (DIIs) sold stocks worth Rs 963.54 crore.



Debt Market Update

- Indian government bonds slumped, with the benchmark 2028 bond yield rising most in nearly 10 months, as the government raised its borrowing target for this financial year and pegged wider-than-expected fiscal deficit for the next financial year.
- The benchmark 7.17% bond maturing in 2028 ended at 97.18 rupees, its lowest since Dec. 3, yielding 7.61%.
- Unveiling the interim budget for the next financial year, India said it to gross borrow 7.10 trillion rupees in the next year, while net borrowing is pegged at 4.73 trillion rupees. Most analysts had expected the gross borrowing to be about 6.7 trillion rupees and net borrowing to be 4.30 trillion rupees.
- Budget document showed gross borrowing for this financial year would be 5.71 trillion rupees, up by 360 billion rupees from previously budgeted.
- India will conduct two more weekly bond auctions in the current financial year to meet the borrowing target, Economic Affairs Secretary Subhash Chandra Garg said on Friday.
- There will be more bond auctions and the additional net borrowing would be 320 billion rupees for this financial year. The increase in net borrowing is due to higher fiscal deficit and will help boost cash balance, Garg added.
- As of now, the RBI is scheduled to conduct weekly bond auctions of 120 billion rupees every week, till Mar. 9.



Commodity Market Update

Oil Update:

- Futures rallied around 3% on Friday on signs that U.S. sanctions on Venezuelan exports have helped tighten supply, while upbeat U.S. jobs data strengthened expectations for higher fuel demand.
- Data showing a weekly fall in the U.S. rig count also contributed to gains. Drillers cut 15 oil rigs in the week to Feb. 1, bringing the total count down to 847, the lowest since May 2018, according to energy services firm Baker Hughes.
- It was the fourth time in the past five weeks that U.S. energy firms had reduced the rig count, implying a potential slowdown in domestic production activity.
- U.S. West Texas Intermediate crude ended Friday's session up \$1.47, or 2.7%, at \$55.26 a barrel on the New York Mercantile Exchange. WTI earlier rose to its best level since Nov. 21 at \$55.66. For the week, the U.S. benchmark rose about 2.9%, its fourth weekly gain in the past five weeks.
- Meanwhile, international Brent crude on the ICE (NYSE:ICE) Futures Europe exchange rallied \$1.91, or around 3.2%, to settle at \$62.75 a barrel. It rose 1.8% for the week. After ending 2018 in freefall, oil prices have gained roughly 15% since the start of the year.
- Overall, the recent advance for the energy complex has been powered by evidence of a decline in global output.
- Saudi Arabia-led OPEC and its non-member allies led by Russia agreed to collectively cut production by a total of 1.2 million barrels per day (bpd) during the first six months of 2019 in an effort to stave off a global glut in supplies.

Gold Update:

- Domestic Gold:** Gold prices Friday climbed Rs 250 to Rs 34,250 per 10 gram at the bullion market here tracking positive global cues.
- In the national capital, gold of 99.9 % and 99.5 % purities advanced by Rs 250 each to Rs 34,250 and Rs 34,100 per 10 gram, respectively.

Key Rates (%)	01-Feb-2019	25-Jan-2019	% Change
Mibor Overnight	6.5	6.54	-0.61
CALL (O/N)	6.43	6.41	0.31
CBLO	6.41	6.4	0.16
T Bills Index (12M)	6.8	6.76	0.59
10 Year GSEC	7.38	7.33	0.68

Commodity Market



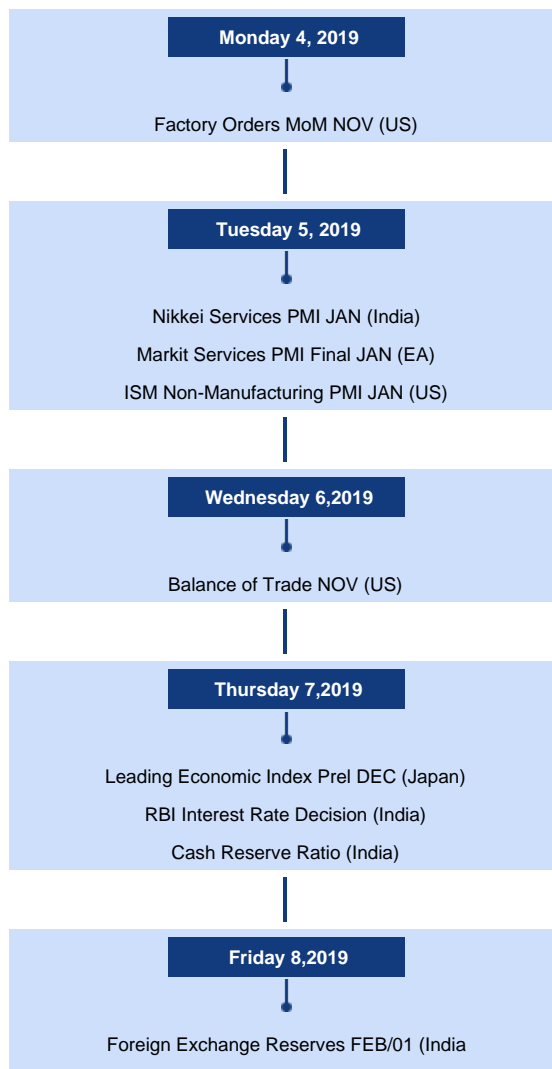
Commodity (INR)	01-Feb-2019	Gain+/Loss-	% Change
Gold (10 gm)	34000	790	2.38
Silver (1 kg)	40439	1613	4.15
Crude Oil (\$/barrel)	62.75	1.11	1.8

Currency Market



Currency	01-Feb-2019	Gain+/Loss-	% Change
USD/INR	71.11	0	0
EURO/INR	81.34	0.84	1.04
GBP/INR	93.17	-0.07	-0.08
JPY/INR	65.31	0.57	0.88

Upcoming Events



- Sovereign gold too witnessed an increase of Rs 100 to touch Rs 26,000 per piece of eight gram.
- Silver, however, declined by Rs 50 to Rs 41,300 per kg on subdued demand from industrial units and coin makers.
- **Domestic Silver:** Silver ready slipped by Rs 50 to Rs 41,300 per kg and weekly-based delivery declined by 165 to Rs 40,225 per kg.
- On the other side, silver coins continued to be traded at previous level of Rs 79,000 for buying and Rs 80,000 for selling of 100 pieces.
- Gold futures rose last week, but actually finished on a weak note. Most of the gains came early in the week in reaction to the dovish tone from the U.S. Federal Reserve, which signaled a potential slowdown in the pace of rate hikes. However, priced eased on Friday as sellers responded to stronger-than-expected U.S. jobs data.
- Gold hit an eight month high last week, supported by a weaker U.S. Dollar after the Federal Reserve said it will be "patient" when making decisions about future monetary policy.
- **Global:** Globally, gold traded at USD 1,317.66 an ounce and silver stood at USD 15.88 an ounce in New York.

Week Gone By



Events	Actual %	Previous %
Industrial Profits (YTD) YoY DEC (China)	10.3	11.8
Consumer Confidence JAN (Japan)	41.9	42.7
Business Confidence JAN (EA)	0.69	0.86 ®
Fed Interest Rate Decision (US)	2.5	2.5
NBS Manufacturing PMI JAN (China)	49.5	49.4
Non Manufacturing PMI JAN (China)	54.7	53.8
Infrastructure Output YoY DEC (India)	2.6	3.4
Caixin Manufacturing PMI JAN (China)	48.3	49.7
Nikkei Manufacturing PMI JAN (India)	53.9	53.2



Currency Market Update

- The rupee was the worst performing Asian currency this week. The local unit depreciated 0.11 percent to end the week at 71.25 against the U.S. dollar.
- The country's foreign exchange reserves climbed by USD 1.497 billion to reach USD 398.178 billion for the week to January 25, mainly due to a jump in core currency assets.
- The dollar index, which measures the greenback against a basket of six major currencies, traded mainly flat at 95.579.

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