



Financial Market & Economy Update

Domestic Update:

- India's real GDP growth slumped further in Q1 of FY2019/20 (April-March) to 5 % year-on-year, from 5.8 % in Q4 (January-March) FY2018/19 due mainly to a sharp slowdown in private consumption growth.
- India's fiscal deficit widened to INR 5.48 trillion in April-July 2019-20 from INR 5.40 trillion in the same period of the previous fiscal year.
- The value of loans in India increased 11.6 % year-on-year in the fortnight ended August 16th 2019.
- The government announced a Rs 6,268-crore subsidy for export of 6 million tonnes (mt) of sugar for 2019-20 marketing year, starting in October, to help cash-strapped mills liquidate surplus and clear sugarcane arrears to farmers.
- The government relaxed FDI rule for foreign single brand retailers and also permitted foreign investment in contract manufacturing and coal mining. Commerce and Industry Minister Piyush Goyal said 100 % foreign direct investment (FDI) under automatic route in coal mining and associated infrastructure has been approved. To boost domestic manufacturing, 100 % FDI in contract manufacturing under automatic route has been allowed, he said, adding that 26 % FDI has been allowed in digital media.
- The government launched a three-year project in partnership with industry body CII to enable technology adoption among MSMEs in India, as it looks to create 5 crore jobs in five years in the sector, increase its share to 50 % of the GDP in five years etc.
- India's crude steel output increased by 1.7 % to 9.215 million tonne in July 2019, according to World Steel Association's report. The country had produced 9.059 MT of crude steel during the same month a year ago, the global steel industry body said in its latest report.
- Government to merge ten public sector banks into four.
- RBI to transfer a record surplus of Rs 1.76 lakh crore to the government.

Global Update:

- The GfK consumer confidence in the United Kingdom fell 3 points from a month earlier to -14 in August 2019, decreasing more than market consensus expecting -12.
- The annual inflation rate in the Euro Area came in at 1 % in August 2019, unchanged from the previous month and in line with market consensus.
- The Consumer Confidence Index in Japan fell 0.7 points from the previous month to 37.1 in August 2019, the lowest since April 2014, as three of four of sub-indices deteriorated: willingness to buy durable goods (down 1.7 points to 31.7); overall livelihood (down 1.0 point to 34.8); and employment (down 0.4 points to 42.2).
- The Business Climate Indicator (BCI) for the Euro Area increased by 0.22 points to +0.11 in August 2019, beating market expectations of +0.08.
- The GfK consumer sentiment indicator for Germany stood at 9.7 heading into September 2019, unchanged from the previous month's 28-month low and compared to market expectations of 9.6.
- The index of import prices in Germany declined by 2.1 % year-on-year in July 2019, compared with market estimates of a 1.7 % drop and after a 2 % fall in the previous month.
- Loans to households in the Euro Area rose 3.4 % from a year earlier to EUR 6.13 trillion in July 2019, compared to 3.3 % in June. Also, credit to non-financial corporations went up 3.9 % to EUR 4.58 trillion, the same pace as in the previous month. Private sector credit growth including households and non-financial corporations picked up to 3.6 % in July from 3.5 % in June.
- The German economy contracted a seasonally-adjusted 0.1 % on quarter in the three months to June 2019, unrevised from the preliminary estimate and following a 0.4 % growth in the previous period.
- Profits earned by China's largest industrial firms dropped by 1.7% year-on-year to CNY 3.50 trillion in the first seven months of 2019, after a 2.4% fall in January-June.
- China indicates it won't retaliate now on new U.S. tariffs.



Equity Market Update

- The government walked the talk in August. But, weak global cues, muted earnings from India Inc., corporate governance issues and currency volatility weighed on the sentiment.
- The Indian market recorded its third consecutive monthly fall, but on a weekly basis. The S&P BSE Sensex rose 1.72 % this week to 37,332.79 and the NSE Nifty 50 gained 1.79 % to close at 11,023.25. This was the best week for the benchmarks since the 2019 general election results were announced in May.
- On a monthly basis, the S&P BSE Sensex fell 0.4 % while the Nifty50 was down by 0.85 %. However, on a weekly basis, Nifty50 gained 1.79 %, and the S&P BSE Sensex rose 1.72 % in August.
- Sector Update:** All 11 sectoral gauges compiled by the National Stock Exchange ended higher this week, led by Nifty Realty Index's 9.26 gain.
- Broader Markets:** The BSE Mid-Cap index rose 265.47 points or 2.01 % at 13,467.55. The BSE Small-Cap index rose 348.59 points or 2.86 % at 12,534.7.

Domestic Markets



Index	30-Aug-2019	23-Aug-2019	% Change
BSE Sensex	37332.79	36701.16	1.72
S&P CNX Nifty	11023.25	10829.4	1.79
CNX Midcap	15652.2	15354.3	1.94
CNX 500	8977.55	8790.55	2.13
BSE Smallcap	12534.7	12186.11	2.86

Global Markets



Index	30-Aug-2019	23-Aug-2019	% Change
Dow Jones	26403.28	25628.9	3.02
Nasdaq	7962.88	7751.77	2.72
S&P 500	2926.46	2847.11	2.79
FTSE 100	7207.2	7095	1.58
Shanghai Composite	2886.24	2897.43	-0.39
Hang Sang	25724.73	26179.33	-1.74

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	29672	35159	-5487
MF Flows*	15162	10507	4655

*FII data from 23rd to 29th August 2019

*MF data from 22nd to 28th August 2019

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
23-Aug-2019	-1577.98	326.49
26-Aug-2019	2683.47	823.39
27-Aug-2019	-34.14	1850.66
28-Aug-2019	-381.5	-292.83
29-Aug-2019	-2094.38	542.11

Policy Rates



Key Rates (%)	30-Aug-2019	1 Week Ago	1 Month Ago
Reverse Repo	5.15	5.15	5.5
Repo	5.4	5.4	5.75
CRR	4	4	4
SLR	18.75	18.75	18.75

Key Rates





Debt Market Update

- Indian government bonds fell for the first time in four months, despite monetary policy easing, as worries over the government missing its fiscal deficit target took centerstage and a depreciating rupee dampened investor appetite.
- The benchmark 7.26% bond maturing in 2029 ended at 104.82 rupees, yielding 6.56%, in Mumbai, against 104.90 rupees and 6.55% yield yesterday. The yield rose 19 basis points this month, its biggest monthly rise since April 2018, after falling over 100 basis points in the last three months.



Commodity Market Update

Oil Update:

- Oil prices increased for the week ending Aug. 30 amid growing concerns about U.S.-China trade tensions and a string of bullish news, with the price of West Texas Intermediate (WTI) for October delivery up 1.72 % and Brent crude oil for October delivery up 1.84 %.
- WTI closed the week at 55.1 U.S. dollars a barrel on the New York Mercantile Exchange, while Brent crude finished the week at 60.43 dollars a barrel on the London ICE Futures Exchange, swinging around the 60-dollar-level during the week.
- WTI and Brent crude prices have increased 21.34 % and 12.32 %, 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 continued to be capped by concerns over the slowdown of global economic growth, but a huge draw in U.S. oil inventories, along with some bullish news such as a hurricane approaching Florida, a plunge of U.S. active drilling rigs, as well as somewhat softened U.S. vs China trade issue rhetoric and Russia's oil output cuts in August, provided floor for the prices.

Gold Update:

- It was a monumental month for the two precious metals. The trading days for gold and silver in the commodity markets ended for the month of August on Friday. Despite slight losses on the last day, gold stayed on track for its fourth straight monthly gains, as fears of recession and uncertainty of US-China trade war loomed.
- On MCX, gold futures (October 2019) ended August with 0.38 % decline at Rs 38,656 per 10 grams and silver futures ended 0.93 % higher at Rs 46,742 per kg, from their previous day's prices. Earlier this week, futures of gold and silver had seen new highs of Rs 39,425 (per 10 grams) and Rs 47,440 (per kg), respectively.
- In the international market, depressing bond yields have many investors taking off risk from bonds and equities and heading into alternatives, like commodities. With US-China trade war weighing down global economic growth, gold prices rose to a six-year high and silver touched its strongest in two years this week.
- Spot gold closed at \$1,520.40 an ounce and US gold futures at \$2,529.40 per ounce. The metal rallied nearly 7 % in August, and silver climbed 13 %.



Currency Market Update

- The Indian rupee appreciated this week—snapping a seven-week falling streak. The home currency strengthened 0.36 % against the U.S. dollar to close at 71.41. It ended as the third best-performing major Asian currency this week.
- After scaling new highs for weeks, the foreign exchange reserves fell by a steep \$ 1.45 billion to \$ 429.050 billion in the week to August 23 due to a fall in foreign currency assets
- The U.S. dollar index, which tracks the greenback against a basket of its peers, was last at 98.854 after rising from levels below 97.8 last week.

Key Rates (%)	30-Aug-2019	23-Aug-2019	% Change
Mibor Overnight	5.45	5.4	0.93
CALL (O/N)	5.38	5.34	0.75
CBLO	5.3	5.19	2.12
T Bills Index (12M)	5.7	5.68	0.35
10 Year GSEC	6.56	6.57	-0.15

Commodity Market



Commodity (INR)	30-Aug-2019	Gain+/Loss-	% Change
Gold (10 gm)	38405	806	2.14
Silver (1 kg)	46688	2980	6.82
Crude Oil (\$/barrel)	60.43	1.09	1.84

Currency Market



Currency	30-Aug-2019	Gain+/Loss-	% Change
USD/INR	71.76	0.03	0.05
EURO/INR	79.24	-0.15	-0.19
GBP/INR	87.43	-0.19	-0.22
JPY/INR	67.49	0.23	0.34

Upcoming Events



Week Gone By



Events	Actual %	Previous %
Ifo Business Climate AUG (GERMANY)	94.3	95.8
Durable Goods Orders MoM JUL (US)	2.1	1.8
GDP Growth Rate QoQ Final Q2 (GERMANY)	-0.1	0.4
GfK Consumer Confidence SEP (GERMANY)	9.7	9.7
Consumer Confidence AUG (JAPAN)	37.1	37.8
Business Confidence AUG (EA)	0.11	-0.11
Inflation Rate YoY Prel AUG (GERMANY)	1.4	1.7
GDP Growth Rate QoQ 2nd Est Q2 (US)	2.0	3.1
GfK Consumer Confidence AUG (GREAT BRITAIN)	-14.0	-11.0
Deposit Growth YoY AUG/16 (INDIA)	10.2	10.1
Foreign Exchange Reserves AUG/23 (INDIA)	\$429.05B	\$430.5B
Government Budget Value JUL (INDIA)	INR-5476B	INR-4320B
Bank Loan Growth YoY AUG/16 (INDIA)	11.6	12.2
GDP Growth Rate YoY Q2 (INDIA)	5.0	5.8
Personal Income MoM JUL (US)	0.1	0.5
Personal Spending MoM JUL (US)	0.6	0.3

Disclaimer

The information contained in this material are extracted from different public sources and does not represent views/opinions of Kotak Mahindra Asset Management Company Limited or its associated companies. Kotak Mahindra Asset Management Co Ltd does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication. This is not a sales literature and all the information is for the information of the person to whom it is provided without any liability whatsoever on the part of Kotak Mahindra Asset Management Co Ltd or any associated companies or any employee thereof.

Risk Factors

Mutual fund investments are subject to market risks, read all scheme related documents carefully.