



Financial Market & Economy Update

Domestic Update:

- India recorded a trade deficit of USD 2.720 billion in September of 2020, lower than initial estimates of a USD 2.9 billion gap and well below a USD 11.67 billion shortfall a year earlier.
- Imports to India went down 19.6 percent year-on-year to USD 30.3 billion in September of 2020, in line with the preliminary estimates. Purchases reached the highest value since the coronavirus pandemic started but remain well below USD 37.5 billion in February.
- Exports from India jumped 6 percent from a year earlier to USD 27.58 billion in September of 2020, following six months of declines and reaching the highest reading since February, before the coronavirus pandemic. Figures were also higher than a preliminary estimate of USD 27.4 billion.
- The annual rate of inflation based on Wholesale Price Index (WPI) stood at 1.32% (provisional) for the month of September, 2020 (over September, 2019) as compared to 0.33% during the corresponding month of the previous year. The wholesale price-based inflation stood at 0.16% in August.
- The Primary articles index increased by 2.73% to 150.3 (provisional) in September, 2020 from 146.3 (provisional) for the month of August, 2020. Prices of Food Articles (3.70%), Crude Petroleum & Natural Gas (1.41%) and Minerals (0.12%) increased as compared to August, 2020. Prices of Non-food Articles (-0.94%) declined as compared to August, 2020.
- India's industrial production, as measured by the Index of Industrial Production (IIP), contracted for the sixth month in a row in August on poor performance of manufacturing and mining sectors. The index of industrial production contracted by 8% in August. The manufacturing sector production dropped by 8.6%, while the output of mining and power contracted 9.8% and 1.8%, respectively. The IIP contraction in July has been revised to -10.8% from the -10.4% reported in the provisional data.
- With the commencement of Kharif Marketing Season (KMS) 2020-21, Government continues to procure Kharif 2020-21 crops at its MSP from farmers as per its existing MSP Schemes. Paddy Procurement for Kharif 2020-21 has gained momentum with increase in the quantum of procurement in procuring States and start of purchase in some new States.
- A fresh Capital Expenditure Boost for the Centre is also announced with an additional budget of Rs 25,000 crore (in addition to Rs 4.13 lakh crore given in Budget 2020-21) for capital expenditure on roads, defence, water supply, urban development and domestically produced capital equipment.
- The finance ministry has provided with a Capital Expenditure Boost for States in the form of a special interest-free 50-year loan to states is being issued, for Rs 12,000 crore capital expenditure. Capital expenditure - money spent on infrastructure and asset creation - has a multiplier effect on the economy, it not only improves current GDP but also future GDP, we want to give a new thrust to capital expenditure of both states and Centre
- The Special Festival Advance Scheme which was meant for non-gazetted government employees is being revived as a one-time measure, for gazetted employees too. All central govt. employees can now get interest-free advance of Rs. 10,000, in the form of a prepaid RuPay Card, to be spent by March 31, 2021.
- The trade deficit narrowed to USD 2.72 billion, compared to a shortfall of USD11.67 billion in the year ago-month. Gold imports declined by nearly 53% to USD 601.43 million in September. During the April-September 2020 period, exports declined by 16.66% to USD 221.86 billion, while imports fell 35.43% to USD 204.12 billion over the same period last year. Major export commodities that have recorded positive growth during September include iron ore, readymade garments, rice and drugs and pharmaceuticals.

International Update:

- China's annual inflation rate eased to 1.7 percent in September 2020 from 2.4 percent in the previous month and slightly below market expectations of 1.8 percent.
- Eurozone industrial production rose at a slower pace in August, data published by Eurostat showed Wednesday. The industrial production edged up 0.7% month-on-month, following July-s 5% increase.
- US consumer price index rose by 0.2% in September after climbing by 0.4% in August.
- China's trade surplus narrowed to USD 37.0 billion in September 2020 from USD 39.1 billion in the same month the previous year, the smallest since March and far below market expectations of USD 58 billion.
- Annual inflation rate in the US edged up to 1.4% in September of 2020 from 1.3% in August, in line with expectations and reaching the highest since March.
- Europe-s passenger car sales grew for the first time this year in September showing signs of recovery in the automobile sector, the European Automobile Manufacturers Association, or ACEA, reported Friday. Car registrations across the European Union grew 3.1% on a yearly basis to 933,987 units in September. The four major markets showed mixed results.
- Euroarea exports grew 2% on a monthly basis and imports advanced 0.5%, data from Eurostat revealed Friday.
- First-time claims for US unemployment benefits rose in the week ended October 10th, according to a report released by the Labor Department on Thursday. The report said initial jobless claims climbed to 898,000, an increase of 53,000 from the previous week-s revised level of 845,000.

Domestic Markets



Index	16-Oct-2020	09-Oct-2020	% Change
BSE Sensex	39982.98	40509.49	-1.3
S&P CNX Nifty	11762.45	11914.2	-1.27
CNX Midcap	16787	17093.25	-1.79
CNX 500	9626.25	9750.15	-1.27
BSE Smallcap	14786.56	14966.21	-1.2

Global Markets



Index	16-Oct-2020	09-Oct-2020	% Change
Dow Jones	28606.31	28586.9	0.07
Nasdaq	11671.56	11579.94	0.79
S&P 500	3483.81	3477.13	0.19
FTSE 100	5919.58	6016.65	-1.61
Shanghai Composite	3336.36	3272.08	1.96
Hang Sang	24386.79	24119.13	1.11

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	32304	27542	4762
MF Flows*	7776	8545	-769

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
09-Oct-2020	951.86	-1045.14
12-Oct-2020	-1918.63	-1115.23
13-Oct-2020	-3.97	-1020.3
14-Oct-2020	1755.95	-563.11

Policy Rates



Key Rates (%)	16-Oct-2020	1 Week Ago	1 Month Ago
Reverse Repo	3.35	3.35	3.35
Repo	4	4	4
CRR	3	3	3
SLR	18	18	18

Key Rates





Equity Market Update

- Benchmark indices witnessed rangebound trading in the week ended October 16 amid mixed global as well as domestic data. Major factors that influenced the market include earnings from India Inc, negative inflation data, delay in US fiscal stimulus and fresh lockdowns due to the resurgence in COVID-19 cases, especially in Europe.
- Last week, BSE Sensex fell 526.51 points or 1.3 percent to close at 39,982.98, while the Nifty50 shed 151.7 points or 1.27 percent to end at 11,762.50 levels.
- Broader Market Update:** BSE Midcap Index lost 1 percent and BSE Smallcap index shed 1.2 percent.
- Sector Update:** On the sectoral front, Nifty Media underperformed other indices with a loss of nearly 7 percent followed by Nifty PSU Bank (down 4.7%), Nifty Auto (down 2.5%) and Nifty Pharma Index (down 2%). However, the Nifty Metal Index rose 3 percent.



Debt Market Update

- Government bond prices ended lower today because the Centre increased the market borrowing by 1.1 trn rupees in order to fund the shortfall in Goods and Service Tax compensation for states
- The government announced the extra borrowing to accommodate the borrowing it would conduct under a special window to meet the shortfall in Goods and Services Tax compensation to states.
- The funds raised under the special window, details of which were released late on Thursday, will be passed on to state governments "as a back-to-back loan in lieu of GST compensation cess".
- The 10-year benchmark 5.77%, 2030 bond ended at 98.78 rupees or 5.93% yield.
- The revised borrowing calendar indicates that the Centre would borrow 4.88 trn rupees during Oct 19-Mar 31. This implies that its total borrowing in Oct-Mar would be 5.44 trn rupees against the originally planned 4.34 trn rupees.
- According to the revised calendar, the issuance of short-term bonds, especially of three-year and five-year maturities, is set to increase sharply.



Commodity Market Update

Oil Update:

- Oil prices edged lower on Friday, dragged down by concerns that a spike in Covid-19 cases in the United States and Europe will continue to drag on demand in two of the world's biggest fuel-consuming regions.
- OPEC+, a grouping of the Organization of the Petroleum Exporting Countries and allied producers including Russia, fear a prolonged second wave of the pandemic and a jump in Libyan output could push the oil market into surplus next year
- Brent crude futures LCOc1 fell 23 cents to settle at \$42.93 a barrel, and U.S. West Texas Intermediate (WTI) crude futures dropped 8 cents to settle at \$40.88 a barrel. Brent rose 0.2% for the week, while WTI was on track to gain 0.7%.

Gold Update:

- Physical gold dealers in India charged a premium over official domestic prices for the second week in a row as jewellers stocked up ahead of the festive season. Domestic gold prices in India include 12.5% import duty and 3% GST. Dealers charged an \$1 an ounce premium over official domestic prices, as compared to last week's premium of \$2
- Gold imports declined by nearly 53% to \$601.43 million in September.
- In the futures market, gold prices settled 0.3% lower at 750552 per 10 gram on Friday. For the week, gold settled marginally lower in tandem in with a decline in global rates.
- In global markets, gold prices dipped over 1% this week, weighed down by a firm US dollar which has been supported during the US stimulus talks stalemate. Surging coronavirus cases in Europe have also helped lift the greenback as investors seek safety amid new lockdown measures.
- Gold, which has risen about 25% so far this year, is considered a hedge against inflation and currency debasement amid the unprecedented global levels of stimulus. In India, gold rates had hit a record high of 756,200 on August 7.



Currency Market Update

- This week, the Indian rupee slipped by 18 paise against the US dollar. It closed at 73.34 per dollar on October 16, against its October 9 closing of 73.16 per dollar.
- India's foreign exchange reserves jumped by \$5.86 billion in the week ended October 9 to hit a fresh high of \$551.5 billion.

Key Rates (%)	16-Oct-2020	09-Oct-2020	% Change
Mibor Overnight	3.66	3.73	-1.88
CALL (O/N)	3.36	3.39	-0.88
CBLO	3.05	3.21	-4.98
T Bills Index (12M)	3.49	3.5	-0.29
10 Year GSEC	5.93	5.94	-0.05

Commodity Market



Commodity (INR)	16-Oct-2020	Gain+/Loss-%	% Change
Gold (10 gm)	50547	-270	-0.53
Silver (1 kg)	61676	-1208	-1.92
Crude Oil (\$/barrel)	42.93	0.08	0.19

Currency Market



Currency	16-Oct-2020	Gain+/Loss-%	% Change
USD/INR	73.38	-0.17	-0.24
EURO/INR	85.84	0.37	0.43
GBP/INR	94.56	0.24	0.25
JPY/INR	69.7	-0.59	-0.85

Upcoming Events



Week Gone By



Events	Actual %	Previous %
Industrial Production		

YoY AUG (India) Manufacturing Production YoY AUG (India)	-8.0	-10.8
	-8.6	-11.6
Inflation Rate YoY SEP (India)	7.34	6.69
Claimant Count Change SEP (Great Britain)	28K	39.5K
Core Inflation Rate YoY SEP (US)	1.7	1.7
Inflation Rate YoY SEP (US)	1.4	1.3
WPI Fuel YoY SEP (India)	-9.54	-9.68
WPI Manufacturing YoY SEP (India)	1.61	1.27
WPI Food YoY SEP (India)	8.17	3.84
WPI Inflation YoY SEP (India)	1.32	0.16
Inflation Rate YoY SEP (China)	1.7	2.4
Balance of Trade Final SEP (India)	\$ -2.72B	\$-6.77B
Imports Final SEP (India)	\$30.3B	\$29.47B
Exports Final SEP (India)	\$27.6B	\$22.7B
Foreign Exchange Reserves OCT/09 (India)	\$551.5B	\$545.6B
Retail Sales MoM SEP (US)	1.9	0.6

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