



Financial Market & Economy Update

Domestic Update:

- The Reserve Bank of India held its repo rate at which it lends to banks at 5.15 % during its February meeting, saying it was maintaining an "accommodative stance" to support growth amid rising inflationary pressure. The reverse repo rate at which RBI borrows from banks too was kept unchanged at 4.90 % and the marginal standing facility (MSF) rate and the bank rate at 5.40 %.
- India Cash Reserve Ratio was quoted at 4 % on Thursday February 6.
- Growth of eight core industries recovered to 1.3% in December 2019 after remaining in the negative zone in the previous four months helped by expansion in the production of coal, fertiliser and refinery products. During the April-December period, core industries recorded growth of 0.2% against 4.8% in the year-ago period.
- The headline seasonally adjusted IHS Markit India Manufacturing PMI rose from 52.7 in December to 55.3 in January, its highest level in just under eight years. The consumer goods sub-sector remained the brightest spot, although growth was sustained in intermediate goods and capital goods moved back into expansion.
- To incentivize investment by Sovereign Wealth Fund of foreign governments, the Finance Minister has proposed to grant 100% tax exemption to their interest, dividend and capital gains income in respect of the investment made in infrastructure and other notified sectors before 31st March, 2024 and with a minimum lock-in period of 3 years.
- Moody's Investors Service on Tuesday said economic growth projections made by Finance Minister Nirmala Sitharaman in her Budget for 2020-21 appear ambitious given the structural and cyclical challenges facing the Indian economy. The Budget expects nominal GDP growth of 10 % in the next fiscal , followed by 12.6 % and 12.8 % in FY22 and FY23, respectively.
- Unemployment rate in the country as per a new survey was 6.1 % in 2017-18, the government informed Rajya Sabha on Wednesday.
- India's services sector activity surged to a seven-year high in January driven by sharp increase in new business orders, leading to job creation and business optimism amid favourable market conditions, a monthly survey said on Wednesday. The IHS Markit India Services Business Activity index rose to 55.5 in January, from 53.3 in December, signalling the strongest upturn in output in seven years. The rebound largely stemmed from favourable market conditions and better underlying demand, said the survey.
- A key scheme to incentivize domestic electronics manufacturing in the country has led to job creation of over 1,20,000 and a capital expenditure of Rs. 17,955 crore till January 2020 since its inception in 2012. Ravi Shankar Prasad, union minister for electronics and IT told the Lok Sabha on Wednesday in response to a question on Modified Special Incentive Package Scheme (M-SIPS) which was notified in July 2012.
- Rice export prices in India edged up to the highest level in more than four months this week, helped by healthy demand from African countries, while markets in Thailand and Vietnam grapple with the new coronavirus outbreak. India's 5 % broken parboiled variety was quoted around \$370-\$375 per tonne this week, the highest since the last week of September. Export prices were up from \$369-\$373 quoted in the previous week, also supported by an appreciation in rupee.

Global Update:

- The United Arab Emirates has grown in renewable energy portfolio by over 400% in the last ten years and well on track to double it again in the next ten years.
- Britain's manufacturing sector emerged from its longest decline since the financial crisis last month, after a boost from December's election result, though weak European demand and Brexit concerns muted the optimism, a survey showed on Monday. The IHS Markit/CIPS purchasing managers' index (PMI) rose to the no-change level of 50.0 from 47.5 in December, slightly stronger than an earlier "flash" reading for January of 49.8 which had shown the index just within contraction territory.
- The world's top palm oil producer Indonesia exported a record 36.18 million tonnes of palm oil and its products, including biodiesel and oleochemical last year, data from the Indonesia Palm Oil Association (GAPKI) showed on Monday. Exports rose by 4.2% from 34.71 million tonnes in 2018, supported by rising demand from China, the Middle East and African markets, which offset declines in demand from other countries notably India, chairman Joko Supriyono said.
- Industrial producer prices in the Euro Area decreased 0.7 % year-on-year in December 2019, after a 1.4 % decline in the previous month and in line with market expectations.
- The Caixin China General Manufacturing PMI fell to 51.1 in January 2020 from 51.5 in the previous month, missing market expectations of 51.3 and signalling only a marginal improvement in the health of the sector that was the weakest since August.
- The IHS Markit/BME Germany Manufacturing PMI was revised slightly higher to 45.3 in January of 2020 from a preliminary of 45.2 and 43.7 in December.
- The IHS Markit Manufacturing PMI for the Euro Area was revised higher to 47.9 in January 2020 from a preliminary of 47.8 and above December's 46.3.
- The IHS Markit/CIPS UK Manufacturing PMI was revised higher to 50.0 in January 2020 from a preliminary estimate of 49.8 and compared to the previous month's figure of 47.5.
- The IHS Markit US Manufacturing PMI was revised higher to 51.9 in January of 2020 from a preliminary of 51.7 but still remained below 52.4 reported in December.
- The British economy's post-election bounce gained strength in January as services companies enjoyed the strongest influx of new orders since mid-2018, a closely watched survey showed on Wednesday. The IHS Markit/CIPS UK Services

Domestic Markets



Index	07-Feb-2020	01-Feb-2020	% Change
BSE Sensex	41141.85	39735.53	3.54
S&P CNX Nifty	12098.35	11661.85	3.74
CNX Midcap	18367.5	17520.55	4.83
CNX 500	10000.75	9606.05	4.11
BSE Smallcap	14840.33	14344.7	3.46

Global Markets



Index	07-Feb-2020	01-Feb-2020	% Change
Dow Jones	29102.51	28256.03	3
Nasdaq	9520.51	9150.94	4.04
S&P 500	3327.71	3225.52	3.17
FTSE 100	7466.7	7286	2.48
Shanghai Composite	2875.96	2976.53	-3.38
Hang Sang	27404.27	26312.63	4.15

Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	39500	40672	-1172
MF Flows*	23024	23872	-848

F&O FII Trends (Rs. Crs)



Date	Index	Stocks
31-Jan-2020	-785.32	-1208.49
01-Feb-2020	-2740.95	-96.95
03-Feb-2020	3313.85	754.48
04-Feb-2020	2333.89	1795.04
05-Feb-2020	535.95	601.88

*FII data from 31st January to 6th February 2020

*MF data from 30th January to 5th February 2020

Policy Rates



Key Rates (%)	07-Feb-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	18.25	18.5	18.5

Key Rates



Key Rates (%)	07-Feb-2020	01-Feb-2020	% Change
Mibor Overnight	5.2	5.05	2.97
CALL (O/N)	5.03	4.97	1.21
CBLO	4.92	4.92	0
T Bills Index (12M)	5.25	5.27	-0.38
10 Year GSEC	6.44	6.6	-2.42

- Purchasing Managers' Index (PMI) rose to 53.9 January, a full point higher than a preliminary reading for the month and up from 50.0 in December.
- Growth in China's services sector slowed for a second straight month in January, a traditionally busy sales season, hitting a three-month low as companies cut prices and new orders dipped, a private sector survey showed on Wednesday. The Caixin/Markit services purchasing managers' index (PMI) slowed to 51.8 last month from 52.5 in December, but was still higher than an 8-month low hit in October.
- Germany's industrial orders dropped by 2.1 % month-over-month in December 2019, missing market expectations of a 0.6 % advance and following a downwardly revised 0.8 fall in the previous month.
- China on Thursday said it would halve additional tariffs levied against 1,717 U.S. goods last year, following the signing of a Phase 1 deal that brought a truce to a bruising trade war between the world's two largest economies.
- German industrial output suffered its biggest fall in December since the recession-hit year of 2009, a shock drop highlighting the weakness in manufacturing that risks dragging Europe's largest economy into contraction again. Industrial production tumbled by 3.5% on the month, undershooting expectations for a 0.2% fall, Statistics Office data showed. That was the biggest drop since January 2009 and came after an upwardly revised 1.2% increase in November.



Equity Market Update

- After losing more than 4 % in the Budget week, the Indian markets registered a V-shape recovery in the post Budget rally amid positive global cues, falling oil prices, earnings from India Inc and inline Reserve Bank of India's Monetary Committee Policy.
- The market ended on a positive note for the first four days of the week, while with profit booking on February 7 dragged the Nifty below 12,100 level.
- The Sensex added 1,406.32 points (3.5 %) to end at 41,141.85 in the past week, the Nifty jumped 436.55 points (3.7 %) to end at 12,098.4.
- Broader Markets:** The BSE large-cap index rose 4 %, BSE small-cap index gained 3.4 % and the BSE mid-cap index added 5 % in the past week.
- Sector Update:** The Nifty Metal index outperformed the sectoral indices with a gain of over 9 % during the week.



Debt Market Update

- Indian government bonds posted their best weekly rise in seven, after the government did not announce any additional borrowing and on plans to issue special securities with no cap on foreign investment.
- The central bank's announcement to infuse liquidity through long-term repos also aided sentiment.
- The benchmark 6.45% bond maturing in 2029 ended at 100.05 rupees, its highest since issuance on Oct. 4, yielding 6.44%, in Mumbai. The yield fell 16 basis points this week, the biggest fall since the week ended Dec. 20. The Indian rupee was at 71.40 to the dollar at 5:00 p.m. today, down 01% for the week.



Commodity Market Update

Oil Update:

- Oil prices continued the downtrend for the week ending Feb. 7 with the price of West Texas Intermediate (WTI) for March delivery down 2.4 % and Brent crude oil for April delivery down 6.34 %.
- After five consecutive weeks of decline in oil prices, the longest streak of weekly drops since 2018, WTI and Brent crude decreased by 17.59 % and 17.47 %, respectively, so far this year.
- WTI closed the week at 50.32 U.S. dollars a barrel on the New York Mercantile Exchange, while Brent crude finished the week at 54.47 dollars a barrel on the London ICE Futures Exchange, hitting the lowest marks since January 2019.
- Oil prices continued the downtrend as the novel coronavirus (2019-nCoV) pneumonia outbreak clouded the demand outlook, and the market awaited the decision whether the Organization of the Petroleum Exporting Countries (OPEC) and its allies would further cut production.

Gold Update:

- Gold prices rose in Indian markets on Friday while silver rates declined marginally, tracking muted global cues. But on a weekly basis gold fell sharply. On MCX, April gold futures ended at ₹40,660 per 10 gram, up 0.77%.
- For the week, gold was down ₹500 from last week's close of ₹41,205 per 10 gram.
- Silver futures on MCX edged lower to ₹46,130 per kg.
- US gold futures settled up 0.2% at \$1,573.40 an ounce on Friday, drawing support from concerns about the coronavirus outbreak and its economic impact on global economy.
- Stocks on Wall Street retreated from record highs and safe-havens gold and the Japanese yen rose as investors weighed how much the virus is likely to disrupt supply chains. China accounts for about one-third of global growth.

Commodity Market



Commodity (INR)	07-Feb-2020	Gain+/Loss-	% Change
Gold (10 gm)	40556	-138	-0.34
Silver (1 kg)	46205	-178	-0.38
Crude Oil (\$/barrel)	54.47	-3.69	-6.34

Currency Market



Currency	07-Feb-2020	Gain+/Loss-	% Change
USD/INR	71.25	-0.26	-0.36
EURO/INR	78.23	-0.59	-0.75
GBP/INR	92.22	-1.44	-1.54
JPY/INR	64.79	-0.79	-1.2

Upcoming Events





Currency Market Update

- For the week, the Rupee was down marginally as it ended at 71.40 on February 7 against its January 31 closing of 71.35.
- U.S. Dollar Index fell just 3.3% from its September high, and it rallied 1.3%, to \$98.69, this past week.
- The country's foreign exchange reserves swelled by \$4.607 billion to \$471.3 billion in the week to January 31, helped by a rise in foreign currency assets.

WPI Fuel YoY JAN (INDIA)
 WPI Food YoY JAN (INDIA)
 WPI Manufacturing YoY JAN (INDIA)
 WPI Inflation YoY JAN (INDIA)
 GDP Growth Rate QoQ Flash Q4 (GERMANY)
 GDP Growth Rate YoY Flash Q4 (GERMANY)
 GDP Growth Rate QoQ 2nd Est Q4 (EA)
 GDP Growth Rate YoY 2nd Est Q4 (EA)
 Deposit Growth YoY JAN/31 (INDIA)
 Foreign Exchange Reserves FEB/07 (INDIA)
 Bank Loan Growth YoY JAN/31 (INDIA)
 Balance of Trade JAN (INDIA)
 Retail Sales MoM JAN (US)

Week Gone By



Events	Actual %	Previous %
Caixin Manufacturing PMI JAN (CHINA)	51.1	51.5
Markit Manufacturing PMI JAN (INDIA)	55.3	52.7
Factory Orders MoM DEC (US)	1.8	-1.2
Markit Services PMI JAN (INDIA)	55.5	53.3
Balance of Trade DEC (US)	\$-48.9B	\$-43.7B
RBI Interest Rate Decision (INDIA)	5.15	5.15
Cash Reserve Ratio (INDIA)	4.0	4.0
Balance of Trade DEC (GERMANY)	€15.2B	€18.6B
Foreign Exchange Reserves JAN/31 (INDIA)	\$471.3B	\$466.69B
Non Farm Payrolls JAN (US)	225K	147K

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