



## Financial Market & Economy Update

### Domestic Market Update:

- India's real Gross Domestic Product (GDP) in FY 2020-21 is estimated to contract by 7.7% as compared to the growth rate of 4.2% in 2019-20, as per the first advanced estimates of the national income released by the National Statistical Office (NSO). Real GDP or GDP at Constant Prices (2011-12) in the year 2020-21 is likely to come in at Rs 134.40 lakh crore, as against the Provisional Estimate of GDP for the year 2019-20 of Rs 145.66 lakh crore, released on 31 May, 2020.
- There is an estimated contraction in almost all sectors with the exception of agriculture in the current fiscal. The manufacturing sector is likely to see a contraction 9.4% compared to a reading of 0.03% in the previous fiscal. Agriculture sector is estimated to see a growth of 3.4% in 2020-21. Among services sectors, trade, hotel, transport are projected to contract by a sharp 21.4% compared to growth of 3.6% a year ago period.
- The Reserve Bank Of India (RBI) has reported that currency in circulation contracted by 0.3% on the week to stand at Rs 27.70 lakh crore as on January 1, 2021. The central bank stated further that the overall reserve money rose by 0.2% on the week to Rs 33.22 lakh crore. Currency in circulation rose around 22.1% on a year ago basis compared to 11.8% growth at the same time last year. In the current fiscal, the currency in circulation has expanded by 13.2% so far while the reserve money has increased by 9.7%.
- The Nikkei/IHS Markit Services Purchasing Managers- Index fell to 52.3 in December from November's 53.7 but held above the 50-mark separating growth from contraction for a third straight month. The latest figure pointed to the slowest pace of expansion over the aforementioned sequence. Optimism about the next 12 months faded at the end of the year as firms were concerned about the uncertainty surrounding the pandemic, the rupee's depreciation and rising inflationary pressures, the survey showed. Despite a pick-up in factory activity, sluggish demand for services meant the India composite PMI fell to a three-month low of 54.9.
- Indian Sugar Mills Association (ISMA) said in a statement that mills produced 110.22 lakh tonne of sugar during October-December period of 2020-21 sugar marketing year as against 77.63 lakh tonne in the corresponding period of the previous year, recording a surge of 42%.

### International Market Update:

- US service sector activity grew at a faster pace in the month of December, according to a report released by the Institute for Supply Management on Thursday. The ISM said its services PMI rose to 57.2 in December from 55.9 in November, with a reading above 50 indicating growth in the service sector. The uptick by the headline index came as the business activity index inched up to 59.4 in December from 58.0 in November, while the new orders index crept up to 58.5 from 57.2. Meanwhile, the report said the employment index slid to 48.2 in December from 51.5 in November, indicating a contraction in employment in the service sector after three consecutive months of growth.
- The Labor Department released a report on Thursday showing a modest decrease in first-time claims for U.S. unemployment benefits in the week ended January 2nd. The report said initial jobless claims edged down to 787,000, a decrease of 3,000 from the previous week's upwardly revised level of 790,000.
- The euro area unemployment rate declined slightly in November, data from Eurostat showed on Friday. The jobless rate dropped to 8.3% from 8.4% in October. In the same period last year, the unemployment rate was 7.4%.
- UK house prices recorded slowest growth in the current sequence of increase that started in July, data released by the Lloyds Bank subsidiary Halifax and IHS Markit showed Friday. House prices rose 0.2% from November, when prices gained 0.1%.
- Japan's leading index, which measures the future economic activity, grew to 96.6 in November from 94.3 in October, preliminary data from the Cabinet Office showed on Friday. The latest reading was the highest since December 2018, when it was 96.8. The coincident index decreased to 89.1 in December from 89.4 in the previous month. The lagging index fell to 89.8 in November from 91.2 in the prior month. A similar lower reading was recorded since April 2011.
- US factory orders surged up by 1% in November after jumping by an upwardly revised 1.3% in October, a report released by the Commerce Department on Wednesday showed. The report said durable goods orders advanced by 1% in November following a 1.8% spike in October, with orders for transportation equipment helping to lead the way higher.
- US private sector employment fell by 123,000 jobs in December after jumping by a downwardly revised 304,000 jobs in November, payroll processor ADP reported on Wednesday.
- Eurozone's headline inflation stayed unchanged in December, preliminary data from Eurostat showed on Thursday. The harmonized consumer price index, or HICP, dropped 0.3 percent year-on-year, same as in November. The core CPI, which excludes prices of food, energy and alcohol & tobacco, rose 0.2% year-on-year, same as in November.
- China services sector stayed in expansion in December, with a services PMI score of 56.3, the latest survey from Caixin showed on Wednesday. That's down from 57.8 in November, although it remains well above the boom-or-bust line of 50 that separates expansion from contraction. Individually, the softer rise in overall activity coincided with a slower expansion of total new work at the end of 2020. Although rising solidly overall, the latest increase in new business was the least marked since September. The survey also showed that its composite index fell to 55.8 in December from 57.5 in November.
- The Eurozone private sector contracted for the second straight month in December as services activity continued to weigh on economic output, final data from IHS

## Domestic Markets



Index	08-Jan-2021	01-Jan-2021	% Change
BSE Sensex	48782.51	47868.98	1.91
S&P CNX Nifty	14347.25	14018.5	2.35
CNX Midcap	22194.1	21090.95	5.23
CNX 500	11925.6	11574.85	3.03
BSE Smallcap	18908.59	18261.03	3.55

## Global Markets



Index	08-Jan-2021	01-Jan-2021	% Change
Dow Jones	31097.97	30199.9	2.97
Nasdaq	13201.98	12804.7	3.1
S&P 500	3824.68	3703.06	3.28
FTSE 100	6873.26	6502.11	5.71
Shanghai Composite	3570.11	3396.56	5.11
Hang Sang	27878.22	26386.56	5.65

## Institutional Flows (Equity)



Description (INR Cr)	Purchases	Sales	Net
FII Flows*	23632	20232	3400
MF Flows*	0	0	0

## F&O FII Trends (Rs. Crs)



Date	Index	Stocks
01-Jan-2021	1237.26	217.97
04-Jan-2021	1749.46	698.76
05-Jan-2021	-2107.04	-178.61
06-Jan-2021	7782.55	3.04
07-Jan-2021	2942.48	17.98

## Policy Rates



Key Rates (%)	08-Jan-2021	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



Market showed Wednesday. The composite output index rose to 49.1 in December from 45.3 a month ago. The final result was lower than the earlier flash score of 49.8 and a reading below 50 suggests contraction. The services Purchasing Managers- Index came in at 47.0, up from 46.0 in November though it was lower than the flash score of 47.7.

- Japan services sector continued to contract in December, with a services PMI score of 47.7, the latest survey from Jibun Bank revealed on Wednesday. That's down slightly from 47.8 in November and it moves further beneath the boom-or-bust line of 50 that separates expansion from contraction. Individually, there were sustained reductions in output and new business, although employment levels broadly stabilized and sentiment remained positive. The survey also showed that its composite index improved to 48.5 in December from 48.1 in November.
- The US manufacturing activity picked up at its fastest pace in more than six years in December, extending a recovery in the factory sector. IHS Markit said its manufacturing PMI climbed to 57.1 in December from 56.7 in November. The index also improved from its preliminary reading in mid-December of 56.5, with a reading above 50 signaling expansion in activity. Dollar index failed to break above 90 mark though and currently lingers at 89.72, down 0.13% on the day.



## Equity Market Update

- Market continued the last year's rally in 2021 as well hitting fresh record high in the first week of the new year on coronavirus vaccine optimism, higher probability of better earnings, while the rally was also supported by global cues including clarity on the new administration taking over in the US and expectations of more US stimulus.
- Last week, BSE Sensex added 913.53 points or 1.90 percent to end at 48,782.51 and while the Nifty50 rose 328.75 points or 2.34 percent to finish at 14,347.25 levels.
- Broader Market Update:** BSE Mid-cap Index rose 5.3 percent. BSE Small-cap index rose 3.5 percent.
- Sector Update:** On the sectoral front, Nifty Metal Index outperformed compared to other indices with more than 8 percent gain followed by the Nifty IT (up 7 percent) and Nifty Media (up nearly 6 percent).



## Debt Market Update

- Government bonds ended down on Friday because an overnight rise in crude oil prices and US Treasury yields weakened appetite for dated securities.
- Yield on the 10-year US Treasury note ended 4 basis points higher at 1.08% on Thursday after Democrats were confirmed winners in the Georgia Senate elections implying a majority for Democrats in US Congress, clearing the way for a larger fiscal support by the US government.
- US Congress also confirmed the victory of Joe Biden in the presidential election after a political unrest. US President Donald Trump afterwards said there would be an orderly transfer of power on Jan 20.
- The 5.77%, 2030 bond—the most traded paper—closed flat at 99.10 rupees or 5.89% yield. The 10-year benchmark 5.85%, 2030 paper ended at 99.81 rupees or 5.87% yield.
- Bond prices were supported because of the RBI's announcement that it will conduct a special open market operation next week worth 100 bln rupees. The announcement relieved market participants and ensured that today's auction drew firm demand despite unfavourable global factors.
- The government borrowed 308.63 bln rupees, more than the notified amount of 270 bln rupees, and it was able to do so at cut-off prices which were higher than expectation.



## Commodity Market Update

### Oil Update:

- Crude oil futures edged higher to settle at Rs 3,789 per barrel on January 8 as participants increased their long positions as seen by the open interest. Crude oil price kick-started the year with solid gains after Saudi Arabia unexpectedly pledged to cut additional production, rally in global equity markets, jump in treasury yields, and a sharp decline in US crude stockpiles.
- It ended the week with a gain of Rs 262 or 7.42 percent to surge over a 10-month high. Crude prices rose in four out of the five trading sessions on the MCX.
- The US Energy Information Administration (EIA) reported that US crude inventories fell by 8.01 million barrels for the week ended January 1.
- The number of rigs drilling crude oil in the US increased by 8 to 275 rigs for the week to January 8, said Baker Hughes in a weekly report. The rigs count rose for the seventh straight week.
- MCX iCOMDEX Crude Oil Index inched jumped 72.98 points, or 1.71 percent, to close at 4,335.42.
- In the futures market, crude oil for January delivery touched an intraday high of Rs 3,808 and an intraday low of Rs 3,738 per barrel on MCX. So far in the current series, black gold has touched a low of Rs 3,130 and a high of Rs 3,808.
- West Texas Intermediate crude climbed 3.72 percent to settle at \$52.75 per barrel, while Brent crude, the London-based international benchmark rose 3.44 percent to close at \$56.25 per barrel.

Key Rates (%)	08-Jan-2021	01-Jan-2021	% Change
Mibor Overnight	3.45	3.47	-0.58
CALL (O/N)	3.18	3.2	-0.63
CBLO	3.22	2.66	21.05
T Bills Index (12M)	3.45	3.43	0.58
10 Year GSEC	5.88	5.88	0

## Commodity Market



Commodity (INR)	08-Jan-2021	Gain+/Loss-	% Change
Gold (10 gm)	48967	-1184	-2.36
Silver (1 kg)	64231	-3874	-5.69
Crude Oil (\$/barrel)	55.99	4.19	8.09

## Currency Market



Currency	08-Jan-2021	Gain+/Loss-	% Change
USD/INR	73.52	0.06	0.09
EURO/INR	89.41	0.4	0.45
GBP/INR	98.92	0.83	0.83
JPY/INR	70.98	0.07	0.1

## Upcoming Events



## Gold Update:

- Gold futures (February 2021) on MCX (Multi Commodity Exchange of India) closed 4.10% or Rs 2,086 lower at Rs 48,818 per 10 grams, while silver futures slumped 8.74% or Rs 6,112 to Rs 63,850/kg.
- The decline in gold rates in India on 8 January was largely on cues from the international market where traders increased their short position as seen by the open interest.
- In the global market, spot gold fell as low as \$1,828.36 and was last down 3.6% at \$1,843.06 per ounce, to register its worst week since November 2020, as prospects for a smooth transition of power in Washington and a jump in US Treasury yields hammered the precious complex.
- Silver slid 7.3% at \$25.14 per ounce, after falling as much as 9.8%, while palladium eased 2.6% to \$2,356.23 per ounce. Both metals were also set to face their worst week since November.
- In India, gold ended the week with a loss of Rs 1,417 or 2.82% on MCX.



## Currency Market Update

- In the last week, Indian rupee fell against the US dollar. It closed lower by 12 paise at 73.24 per dollar on January 8, against its January 1 closing of 73.12 per dollar.
- India's foreign exchange reserves rose by \$4.483 billion during the week ended January 1.

Balance of Trade Final DEC (India)

Exports Final DEC (India)

Imports Final DEC (India)

Imports Final DEC (US)

## Week Gone By



Events	Actual %	Previous %
NBS Manufacturing PMI DEC (China)	53.0	54.9
Markit Manufacturing PMI DEC (India)	56.4	56.3
Balance of Trade Prel DEC (India)	\$-15.71B	\$-9.87B
Markit Services PMI DEC (India)	52.3	53.7
Foreign Exchange Reserves 25/DEC (India)	\$585.32B	\$580.84B
-	-	-
-	-	-
-	-	-

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