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December 1, 2017

The Week that was...

27th November to 1st December

Indian Economy

- Government data showed that India's Gross Domestic Product (GDP) grew 6.3% YoY in the second quarter of FY18, better than 5.7% in the previous quarter, led by higher growth in the key manufacturing sector along with power, water and gas. On the other hand, agriculture output increased 1.7%, slower than 2.3% expansion in the previous quarter.
- Government data showed that India's fiscal deficit during Apr to Oct of 2017 stood at 96.1% or Rs. 5.25 lakh crore of the budgeted target for FY18. During the corresponding period last year, fiscal deficit was at 79.3% of the Budget Estimate.
- India's core output grew 4.7% YoY in Oct 2017, similar to the growth of 4.7% in the previous month. Growth was driven by refinery and steel sector which grew 7.5% and 8.4% respectively during the month under review. During Apr to Oct of 2017, the annual output growth came at 3.5%.
- Data from a private survey showed that the Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose from 50.3 in Oct 2017 to 52.6 in Nov 2017. This is the fourth consecutive month during which the manufacturing PMI came in above 50 that separates expansion from contraction.

Indian Equity Market

Domestic Equity Market Indices			
Indices	01-Dec-17	1 Week Return	YTD Return
S&P BSE Sensex	32,832.94	-2.51%	23.45%
Nifty 50	10,121.80	-2.58%	23.75%
S&P BSE Mid-Cap	16,757.27	-1.05%	38.13%
S&P BSE Small-Cap	18,017.48	-0.04%	47.80%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.19	25.90	44.24	87.55
P/B	2.98	3.41	2.92	2.57
Dividend Yield	1.19	1.12	0.82	0.63

Source: BSE, NSE *Value as on Dec 1, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Nov-17	1021	727	1.40
28-Nov-17	857	895	0.96
29-Nov-17	807	939	0.86
30-Nov-17	696	1032	0.67
01-Dec-17	606	1151	0.53

Source: NSE

- Indian equity markets closed in the red after fiscal deficit data for Apr-Oct 2017 came in at Rs. 5.25 lakh crore or 96.1% of FY18 budget target as against 79.3% in the year-ago period. This and global risk factors such as rising crude prices overshadowed the encouraging gross domestic product data for the second quarter and strong manufacturing data for Nov 2017.
- Also, investor sentiment remained subdued after Standard & Poor's retained India's sovereign rating of "BBB-minus" and maintained "stable" outlook, defying market expectation of an upgrade. Weak cues from European and Asian markets and test firing of intercontinental ballistic missile by North Korea further weighed on market sentiment.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,954.73	-1.48%	-1.61%
S&P BSE Bankex	28,436.34	-2.69%	-1.44%
S&P BSE CD	21,254.77	-0.70%	15.81%
S&P BSE CG	18,342.77	-0.46%	-0.54%
S&P BSE FMCG	10,284.44	-0.71%	-1.11%
S&P BSE HC	13,855.99	-1.43%	-2.82%
S&P BSE IT	10,592.78	-3.14%	2.28%
S&P BSE Metal	13,659.44	-4.00%	-8.99%
S&P BSE Oil & Gas	15,693.15	-2.65%	-5.50%

Source: Thomson Reuters Eikon Value as on Dec 1, 2017

- On the BSE sectoral front, most of the indices closed in the red. S&P BSE Metal (-4.0%) stood as the major loser followed by S&P BSE IT (-3.1%), S&P BSE Teck (-2.9%), and S&P BSE Bankex (-2.7%).
- S&P BSE Metal fell amid selling pressure in the sector and soft demand for metals. S&P BSE Realty (0.5%) stood as the only gainer.

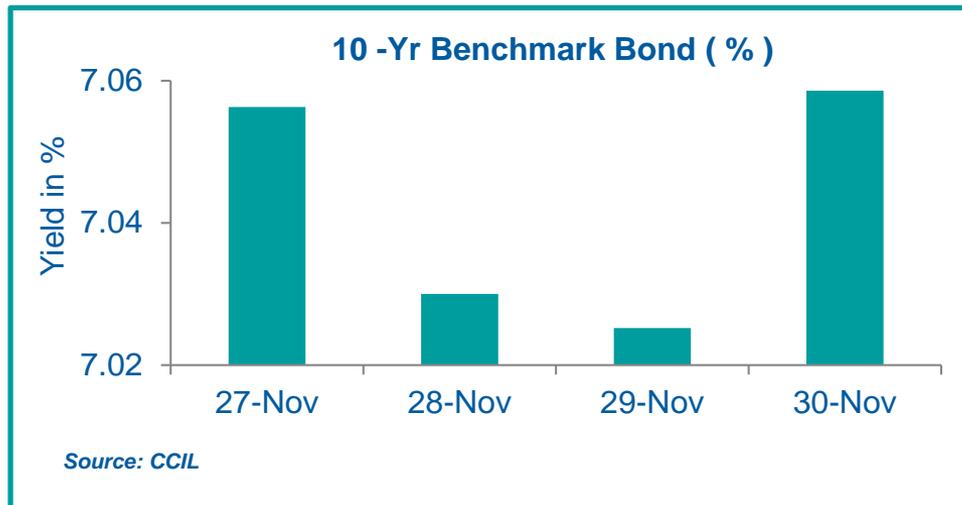
Indian Derivatives Market Review

- Nifty Nov 2017 Futures settled on Nov 30 at 10,226.55. Nifty Dec 2017 Futures were at 10,154.25, a premium of 32.45 points above the spot closing of 10,121.80. The turnover on NSE's Futures and Options segment stood at Rs. 39.02 lakh crore as against Rs. 30.73 lakh crore in the week to Nov 24.
- The Put-Call ratio stood at 0.88 compared with the previous week's close of 0.96.
- The Nifty Put-Call ratio stood at 1.20 compared with the previous week's close of 1.46.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.89	5.91	5.87	6.04
91 Day T-Bill	6.13	6.12	6.11	6.28
7.80% 2021, (5 Yr GOI)	6.76	6.76	6.62	6.72
6.79% 2027, (10 Yr GOI)	7.06	7.00	6.89	6.62

Source: Thomson Reuters Eikon *Value as on Nov 30, 2017*



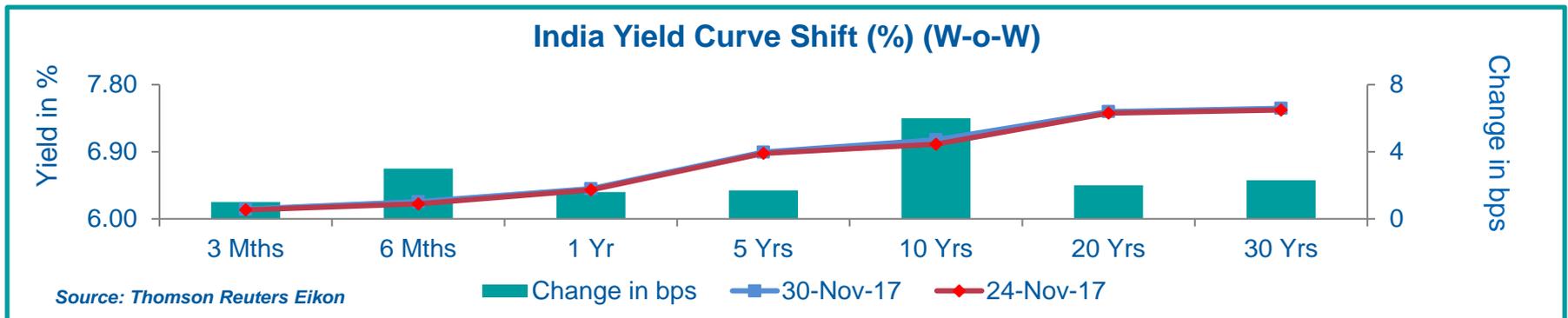
- Bond yields rose as market sentiment dampened after Standard and Poors' decided not to upgrade India's credit rating. Increase in global crude oil prices also added to the losses.
- Bond yields rose further after data showed that India's fiscal deficit for the period from Apr to Oct widened to 96.1% of the budget estimate of FY18 from 79.3% in the same period of the previous fiscal, which increased concerns of a fiscal slippage in this fiscal.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 6 bps to close at 7.06% from the previous week's close of 7.00% after trading in a range of 7.01% to 7.08%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.47	6.97	50
3 Year	6.84	7.25	41
5 Year	7.02	7.44	42
10 Year	7.37	7.72	35

Source: Thomson Reuters Eikon Value as on Nov 30, 2017

- Yields on gilt securities increased across the maturities by up to 6 bps, barring 3-year paper that fell 1 bps and 9-year paper that closed steady.
- Corporate bond yields increased across the maturities in the range of 2 bps to 8 bps.
- Spread between AAA corporate bond and gilt expanded across 1 to 9 years' maturities by up to 7 bps, barring 6-year paper that closed steady. Spread contracted on 10- and 15-year papers by 3 bps and 2 bps, respectively.



Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) is planning to bring in rules on the participation of retail investors in algorithmic trading. SEBI is currently proceeding to determine the extent to which individual investors should be allowed to use this automated trading system.
- Capital market regulator SEBI has ordered stock exchanges to ensure that brokers provide details about securities pledged by a client and funds raised through pledging. This is being done to strengthen supervision framework for stock brokers.
- The government approved the launch of National Nutrition Mission with a budget of Rs. 9,046 crore for a period of three years. The objective of the move is to counter the problem of under nutrition, low birthweight and stunting. The mission commencing from 2017-18 focuses on bringing down under-nutrition and low birthweight by 2% each year. Also, the mission desires to reduce stunting from the current 38.4% as per the National Family Health Survey to 25% by 2022. According to government officials, more than 10 crore people are expected to benefit from the programme. The programme will cover 315 districts in 2017-18, 235 districts in 2018-19 and remaining districts will be covered in 2019-20.
- According to media reports, the draft national energy policy that proposes to link domestic energy prices with international rates will be placed before the Cabinet for its approval. If the policy gets approved, energy prices across sectors would become market-driven and subsidies would be limited to identified beneficiaries through direct benefit transfer.

Regulatory Updates in India (contd..)

- SEBI published a circular on the tenure of independent trustees and independent directors and auditors of mutual funds. Accordingly, an independent trustee and independent director shall hold office for a maximum of two terms with each term not exceeding a period of five consecutive years. No independent trustee or independent director shall hold office for more than two consecutive terms, however such individuals shall be eligible for re-appointment after a cooling-off period of 3 years. During the cooling-off period, such individuals should not be associated with the concerned mutual fund, Asset Management Company (AMC) and its subsidiaries and / or sponsor of AMC in any manner whatsoever. It also states that the existing independent trustees and independent directors shall hold office for a maximum of 10 years including all preceding years. Similarly, in case of the auditors of mutual funds, SEBI says that no mutual fund shall appoint an auditor for more than two terms of maximum five consecutive years. Such auditor may be re-appointed after cooling-off period of five years.
- According to the secretary of mines, the government expects to garner additional revenue of Rs. 75,000 crore through auction of 34 mineral blocks this financial year. The expectation comes as the government has relaxed mineral auction rules significantly. One important amendment is the relaxation of the requirement of three technically qualified bidders to continue with the process of auction. In addition, the government has relaxed the net worth requirement conditions and eased the end use conditions on miners significantly.

Global News/Economy

- According to the Organisation for Economic Co-operation and Development (OECD), global economy is expected to grow 3.6% in 2017 as against its previous expectation of a growth of 3.5% in Sep 2017. Meanwhile, it retained the outlook for 2018 at 3.7%. OECD expects global economy to grow 3.6% in 2019. U.S. economy is expected to grow 2.2%, 2.5% and 2.1% in 2017, 2018 and 2019, respectively. In the eurozone, economy is expected to grow at 2.4%, 2.1% and 1.9% in 2017, 2018 and 2019, respectively.
- A report from the Commerce Department showed that U.S.' real Gross Domestic Product (GDP) grew 3.3% in the third quarter as against originally reported growth of 3.0%. The GDP growth in the second quarter stood at 3.1%.
- According to National Bureau of Statistics, the manufacturing Purchasing Managers' Index (PMI) of China came in at 51.8 in Nov 2017, up from 51.6 in Oct 2017. The non-manufacturing PMI came in at 54.8 in Nov 2017, up from 54.3 in the previous month.
- According to a flash estimate report from Eurostat, eurozone's inflation grew to 1.5% in Nov 2017 from 1.4% increase in the previous month. It continues to stay below the European Central Bank's target of 'below, but close to 2%'. The increase in inflation was mainly due to higher energy prices. Excluding energy, food, alcohol and tobacco, core inflation stood steady at 0.9% in Nov 2017.

Global Equity Markets

Global Indices			
Indices	01-Dec-17	1-Week Return	YTD Return
Dow Jones	24231.59	2.86%	21.88%
Nasdaq 100	6337.87	-1.11%	29.05%
FTSE 100	7300.49	-1.47%	1.71%
DAX Index	12861.49	-1.52%	10.89%
Nikkei Average	22819.03	1.19%	16.46%
Straits Times	3449.54	0.21%	18.99%

Source: Thomson Reuters Eikon *Value as on Dec 1, 2017*

Europe

- European markets traded lower following political uncertainty in Germany. Reports about North Korea's latest missile launch also weighed on the market sentiment. Losses were extended after China's factory activity expanded at the weakest pace in five months in Nov 2017. However, further losses were restricted on reports that Britain and European Union have reached a deal to clear the Brexit bill.

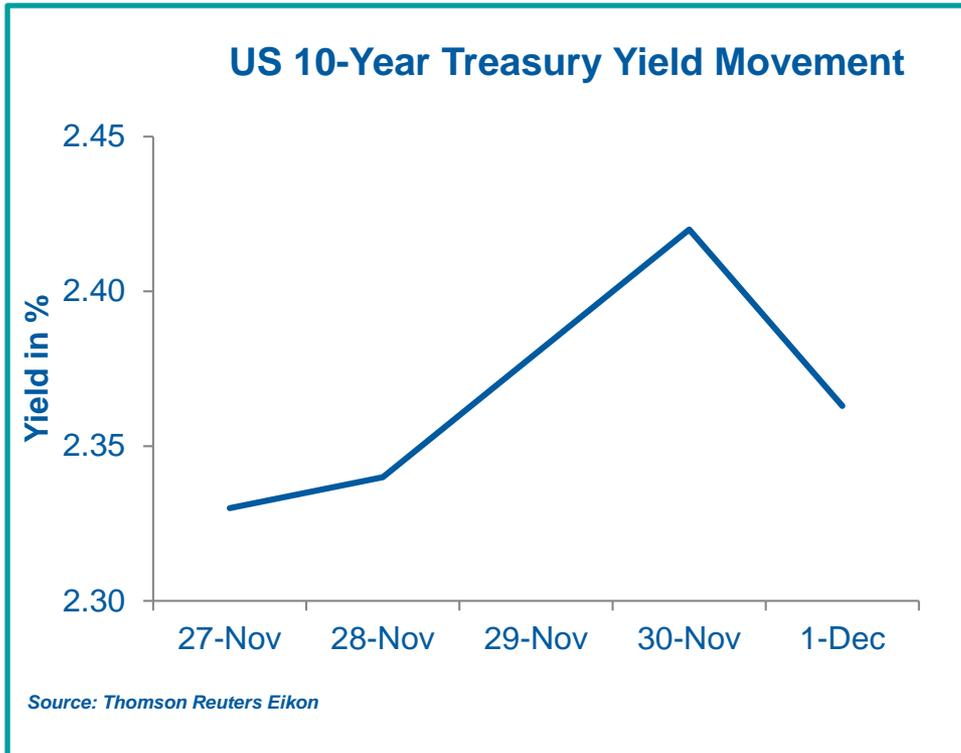
Asia

- Asian markets closed on a mixed note. Improved Japanese manufacturing purchasing managers' index, which touched 44-month high in Nov 2017, and hopes that the Bank of Japan may buy more exchange-traded funds boosted market sentiments. However, disappointing Chinese manufacturing data in Nov 2017 weighed on markets.

U.S.

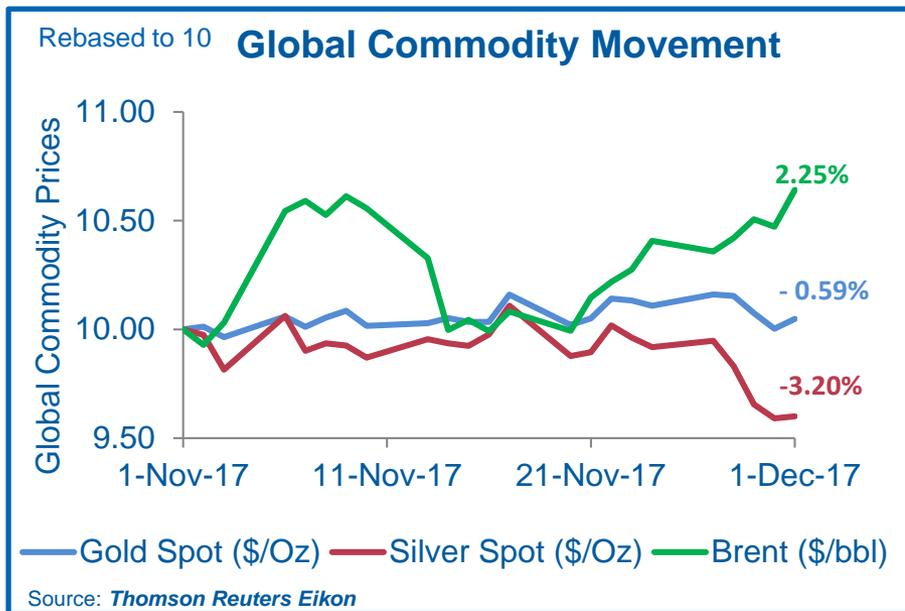
- U.S. markets mostly gained on progress of U.S. tax reform bill after a key procedural hurdle was cleared by Senate Republicans. A slew of key economic data further buoyed sentiment.
- However, renewed concerns of Russia's involvement in last year's U.S. Presidential election weighed on the market sentiment.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 2 bps to close at 2.36% from the previous week's close of 2.34%.
- U.S. Treasury prices fell after a senior Senator endorsed the U.S. Senate tax bill, thereby potentially easing concerns over passing of the bill in the Congress. U.S. Treasury prices fell further following upbeat U.S. consumer confidence data for Nov 2017 and U.S. economic growth for the third quarter of 2017. Optimistic remarks on the economy by the outgoing U.S. Federal Reserve (Fed) chief added to the losses.
- However, renewed concerns of Russia's involvement in last year's U.S. Presidential election restricted further losses at the end of the week.

Commodities Market



Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	65.36	63.92
Gold (\$/Oz)	1,280.19	1,287.83
Gold (Rs/10 gm)	29,176	29,447
Silver (\$/Oz)	16.44	16.98
Silver (Rs/Kg)	37,795	39,338

Source: Thomson Reuters Eikon

Value as on Dec 1, 2017

Gold

- Gold prices came under pressure after the second estimate of the U.S. GDP for the third quarter of 2017 showed faster growth than initially estimated, notching its quickest pace in three years. The Fed chief nominee's strong views of the economy further dampened the safe haven appeal of the bullion.

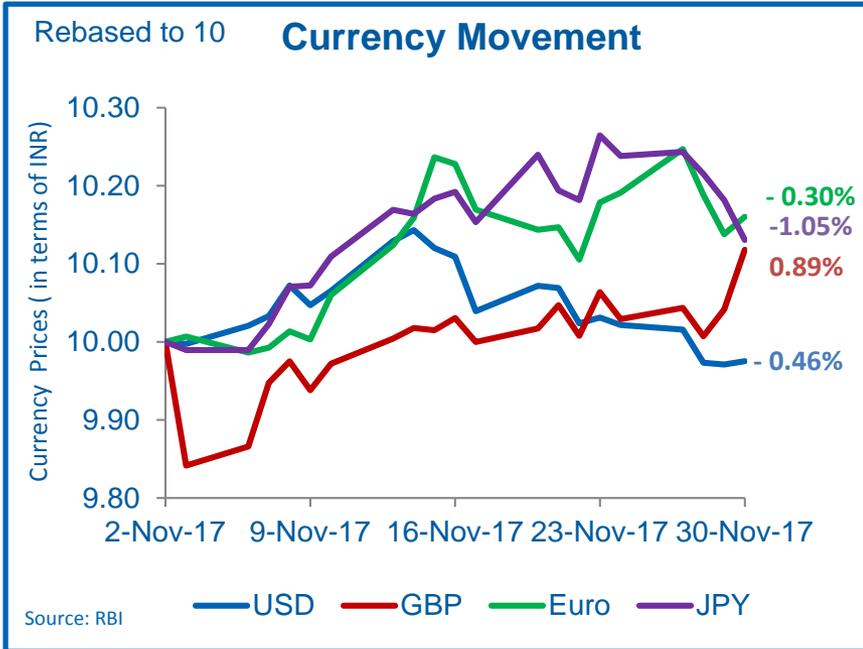
Crude

- Brent crude prices rallied during the week as the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers in their meeting on Nov 30 agreed to extend production cuts until the end of 2018.

Baltic Dry Index

- The Baltic Dry Index grew during the week owing to strong capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.43	64.73
Pound Sterling	86.80	86.04
EURO	76.49	76.72
100 JPY	57.46	58.07

Source: RBI Figures in INR , Value as on Nov 30, 2017

Rupee

- The Indian rupee strengthened against the U.S. dollar due to selling of the greenback by foreign banks, state-run banks, custodians and corporates.

Euro

- Euro fell against the greenback on strong U.S. economic data and as Fed chief nominee signalled that the central bank is likely to raise interest rates again in Dec 2017.

Pound

- Pound rose against the U.S. dollar after European Union (EU) diplomats said that U.K. has moved close to EU demands over Brexit.

Yen

- Yen fell against the U.S. dollar following upbeat growth of the U.S. economy in the quarter ended Sep 2017. Greenback further rose against the yen on optimism about U.S. tax overhaul efforts.

The Week that was...

27th November to 1st December

The Week that was (Nov 27 – Dec 1)

Date	Events	Present Value	Previous Value
Monday, November 27, 2017	<ul style="list-style-type: none"> • U.S. New Home Sales (MoM) (Oct) 	6.2%	14.2%
Tuesday, November 28, 2017	<ul style="list-style-type: none"> • U.S. Consumer Confidence Index (Nov) • Japan Retail Trade (YoY) (Oct) • Germany GfK Consumer Confidence (Dec) 	129.5 -0.2% 10.7	126.2 2.3% 10.7
Wednesday, November 29, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (Nov P) • U.S. Gross Domestic Product Annualized (QoQ) (3Q S) • U.K. Net Consumer Credit (Oct) (in billion) • U.S. Pending Home Sales (YoY) (Oct) • Japan Industrial Production (YoY) (Oct P) 	1.8% 3.3% 1.5b 1.2% 5.9%	1.6% 3.0% 1.5b -5.7% 2.6%
Thursday, November 30, 2017	<ul style="list-style-type: none"> • China Manufacturing PMI (Nov) • Germany Unemployment Claims Rate (Nov) • Japan Housing Starts (YoY) (Oct) • Eurozone Consumer Price Index Estimate (YoY) (Nov) • Japan National Consumer Price Index (YoY) (Oct) 	51.8 5.6% -4.8% 1.5% 0.2%	51.6 5.6% -2.9% 1.4% 0.7%
Friday, December 1, 2017	<ul style="list-style-type: none"> • U.S. ISM Manufacturing (Nov) • China Caixin Manufacturing PMI (Nov) • U.S. Construction Spending (MoM) (Oct) 	58.2 50.8 1.4%	58.7 51 0.3%

The Week Ahead

4th December to 8th December

The Week Ahead

Day	Event
<p>Monday, December 04, 2017</p>	<ul style="list-style-type: none"> • Japan Consumer Confidence Index (Nov) • U.K. Markit/CIPS U.K. Construction PMI (Nov) • U.S Factory Orders (Oct)
<p>Tuesday, December 05, 2017</p>	<ul style="list-style-type: none"> • U.S. ISM Non-Manufacturing/Services Composite (Nov) • Japan Nikkei Composite PMI (Nov) • China Caixin Composite PMI (Nov) • U.K. Markit/CIPS Composite PMI (Nov) • Eurozone Retail Sales (YoY) (Oct)
<p>Wednesday, December 06, 2017</p>	<ul style="list-style-type: none"> • Germany Factory Orders n.s.a. (YoY) (Oct) • Germany Markit Construction PMI (Nov) • Germany Markit Retail PMI (Nov)
<p>Thursday, December 07, 2017</p>	<ul style="list-style-type: none"> • Japan Leading Index CI (Oct P) • Germany Industrial Production (YoY) (Oct) • Japan Gross Domestic Product Annualized (QoQ) (3Q F)
<p>Friday, December 08, 2017</p>	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (Nov) • U.S. Unemployment Rate (Nov) • U.S University of Michigan Sentiment (Dec P) • U.K. Industrial Production (YoY) (Oct)

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