

# WEALTHWHISPER



## Weekly Review July 14, 2017

# Key Economic News

## International

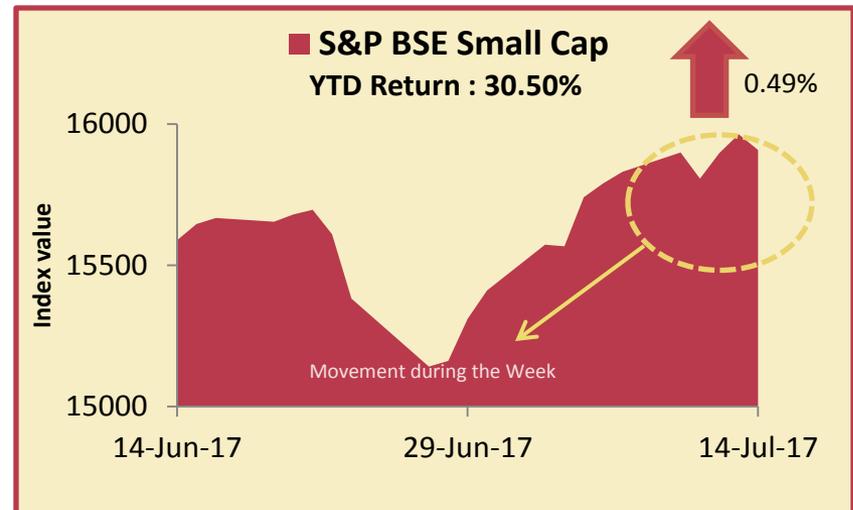
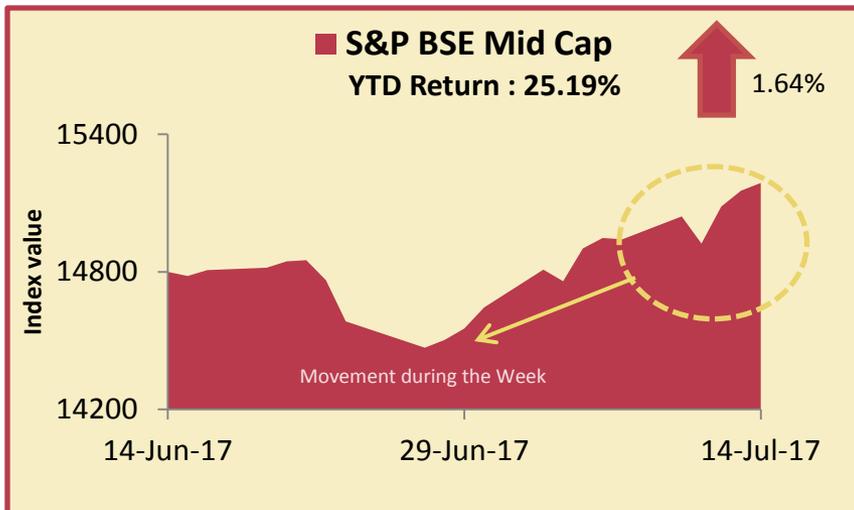
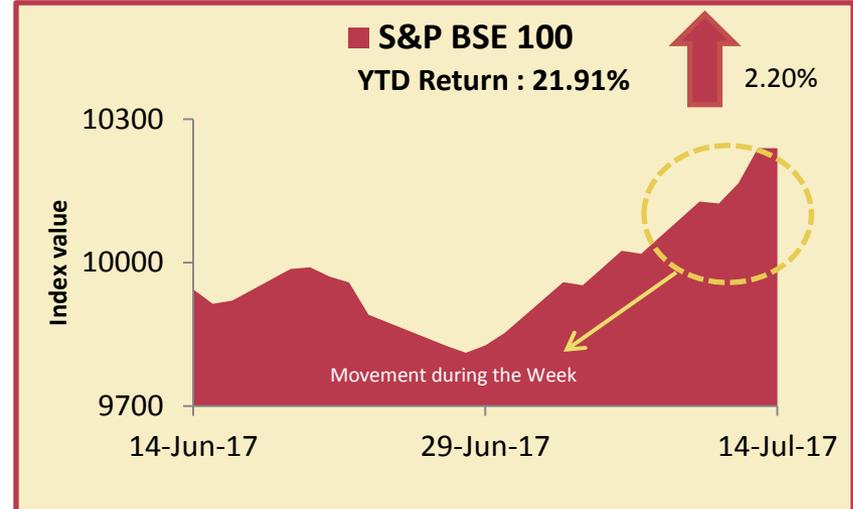
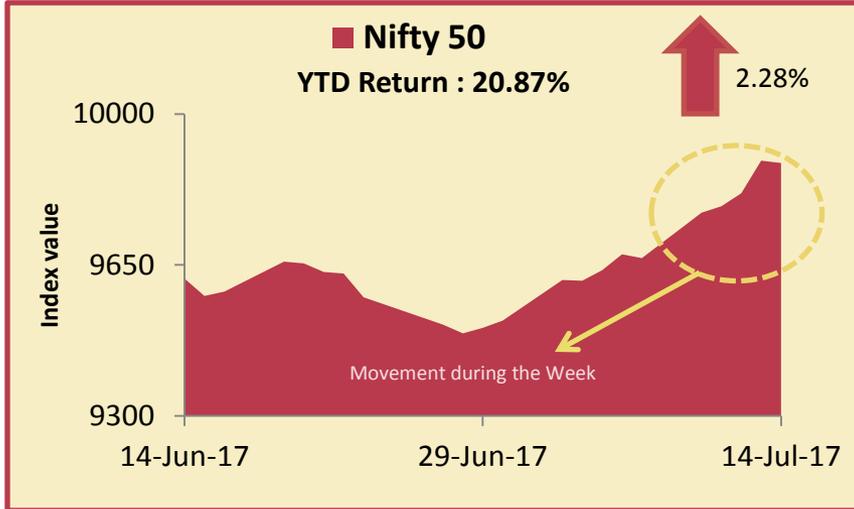
- ✓ According to a report from the Organization for Economic Co-operation and Development (OECD), composite leading index, which is designed to anticipate turning points in economic activity relative to trend six to nine months ahead, held steady at 100.0 in May 2017. The index indicated stable growth momentum for Japan, Canada, and euro zone, while suggested easing of economic activity for the U.S. and the U.K.
- ✓ According to a report released by the Labor Department, U.S. consumer price index was flat in Jun 2017 after experiencing a decline of 0.1% in May 2017. Core consumer prices that excluded food and energy prices inched up 0.1% for third month in a row.
- ✓ According to the National Bureau of Statistics, China's inflation stood steady at 1.5% in Jun 2017. Food prices fell 1.2% while non-food prices grew 2.2% in Jun. Inflation was 1.4% in the first half of the year. The government targets approximately 3% inflation in 2017.

## Domestic

- ✓ Government data showed that India's trade deficit narrowed to \$12.96 billion in Jun 2017 from \$13.84 billion in the previous month. However, it expanded from \$8.12 billion in the same month of the previous year. Exports for Jun came in at \$23.56 billion, up 4.39% YoY. Imports for the month stood at \$36.52 billion, up 19.01% from the year ago period.
- ✓ Government data showed that retail inflation fell to a record low of 1.54% in Jun 2017 from 2.18% in May 2017 and 5.77% in the same period of the previous year. This marks the lowest inflation rate since the series began in 2012. The consumer food price index contracted 2.12% in Jun compared with a contraction of 1.05% in May 2017 and expansion of 7.79% in Jun 2016.
- ✓ Government data showed that the Index of Industrial Production (IIP) went up 1.7% YoY in May 2017, much lower than 8% growth in May 2016. The downside reflects dip in mining (-0.9%) and marginal growth in manufacturing activities (1.2%). According to use-based classification, growth in capital goods and consumer durables in May 2017 contracted from the year-ago period.

# Domestic Equity Market

Market touched record high as lower inflation number raised probability of rate-cut by MPC



# Domestic Equity Market

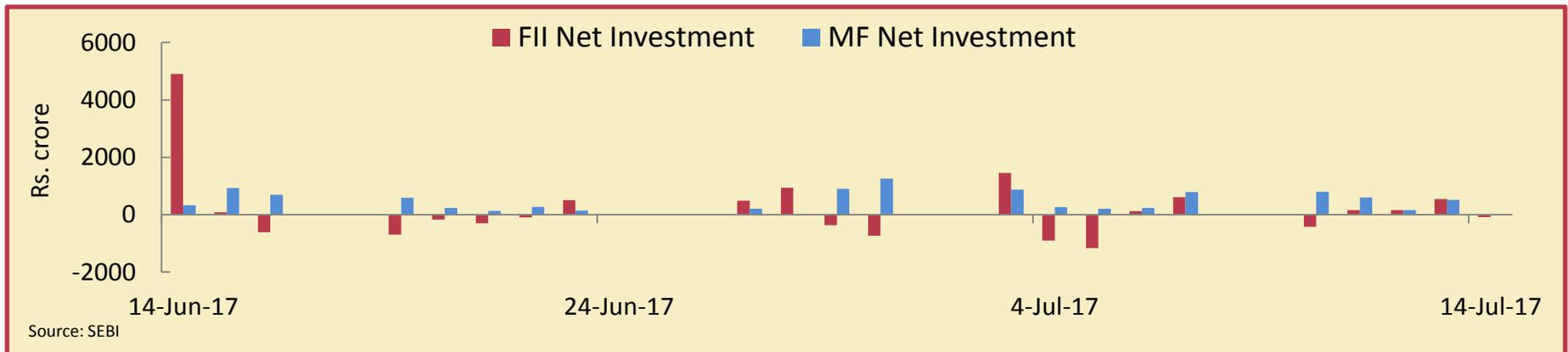
Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Midcap	S&P BSE Smallcap
P/E	23.4	22.6	NA	NA
P/B	3.2	3.2	NA	NA
Dividend Yield	1.2	1.4	NA	NA

Source: Reuters Values as on Jul 14, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
11-Jul-17	650	1041	0.62
12-Jul-17	980	705	1.39
10-Jul-17	949	674	1.41
13-Jul-17	846	846	1.00
14-Jul-17	592	1111	0.53

Source: NSE

- ✓ The domestic market went on a winning streak for four consecutive days during the week. Key benchmark indices touched record highs amid expectations of a rate-cut by the Monetary Policy Committee (MPC) in its upcoming meeting on the back of record low retail inflation numbers.
- ✓ Towards the end, profit booking and tepid earnings numbers from major IT companies limited the upside but Sensex and Nifty closed above 32,000 and 9,800 marks, respectively.
- ✓ India Index Services & Products Ltd (IISL), an NSE group company, has launched four multi-factor equity indices, which will provide diversified exposure.



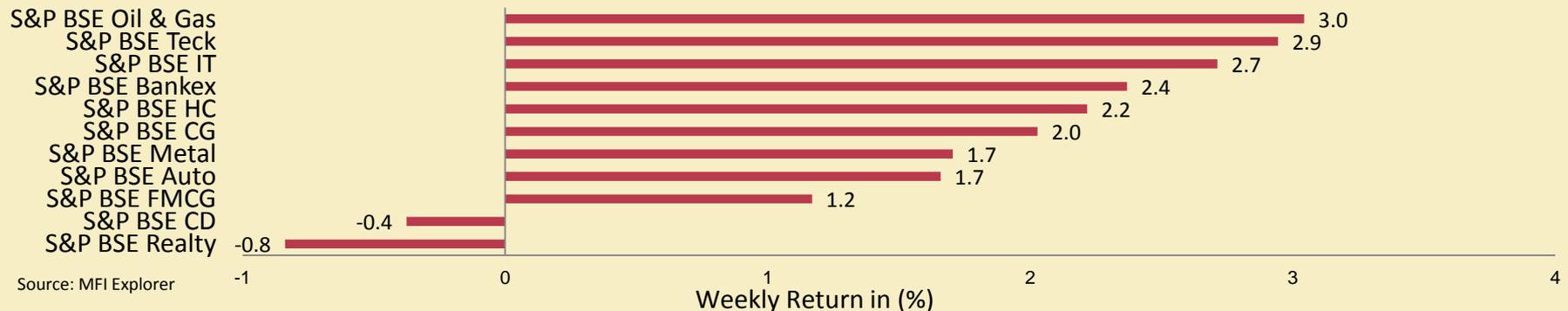
# Domestic Equity Market

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24215.0	1.7	0.0
S&P BSE Bankex	27126.0	2.4	2.1
S&P BSE CD	15969.8	-0.4	0.2
S&P BSE CG	17640.0	2.0	0.2
S&P BSE FMCG	10812.1	1.2	7.4
S&P BSE HC	14702.8	2.2	3.2
S&P BSE IT	10051.6	2.7	-0.1
S&P BSE Metal	11962.6	1.7	7.1
S&P BSE Oil & Gas	13908.1	3.0	0.6
S&P BSE Realty	2138.4	-0.8	4.9
S&P BSE Teck	5691.2	2.9	1.1

Source: MFI Explorer Values as on Jul 14, 2017

- ✓ On the BSE sectoral front, most of the indices closed in the green barring S&P BSE Realty (-0.84%) and S&P BSE Consumer Durables (-0.38%).
- ✓ Meanwhile, S&P BSE Oil & Gas (3.04%) stood as the major gainer followed by S&P BSE Teck (2.94%), S&P BSE IT (2.71%), and S&P BSE Bankex (2.37%). Rate sensitive banking and auto sectors gained on expectations of rate-cut by MPC in near term.
- ✓ Oil and gas sector rose as buying interest was seen in the stocks of a state owned oil and gas exploration and production company following reports that a proposed merger deal involving the company is likely to be completed by the end of 2017-18.

**1-Week Return as of July 14, 2017**

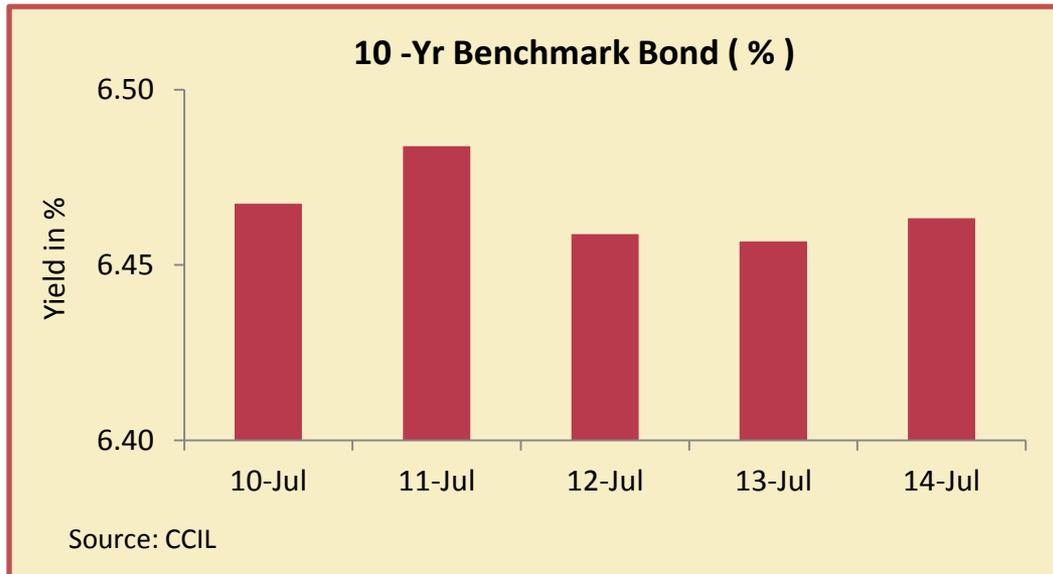


# Domestic Debt Market

## Bond yields fell on expectations of a rate cut amid lower consumer inflation

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.09	6.09	6.12	6.04
91 Day T-Bill	6.18	6.28	6.30	6.25
07.80% 2021, (5 Yr GOI)	6.55	6.62	6.57	6.44
06.79% 2027, (10 Yr GOI)	6.46	6.53	6.47	--

Source: Reuters Values as on Jul 14, 2017



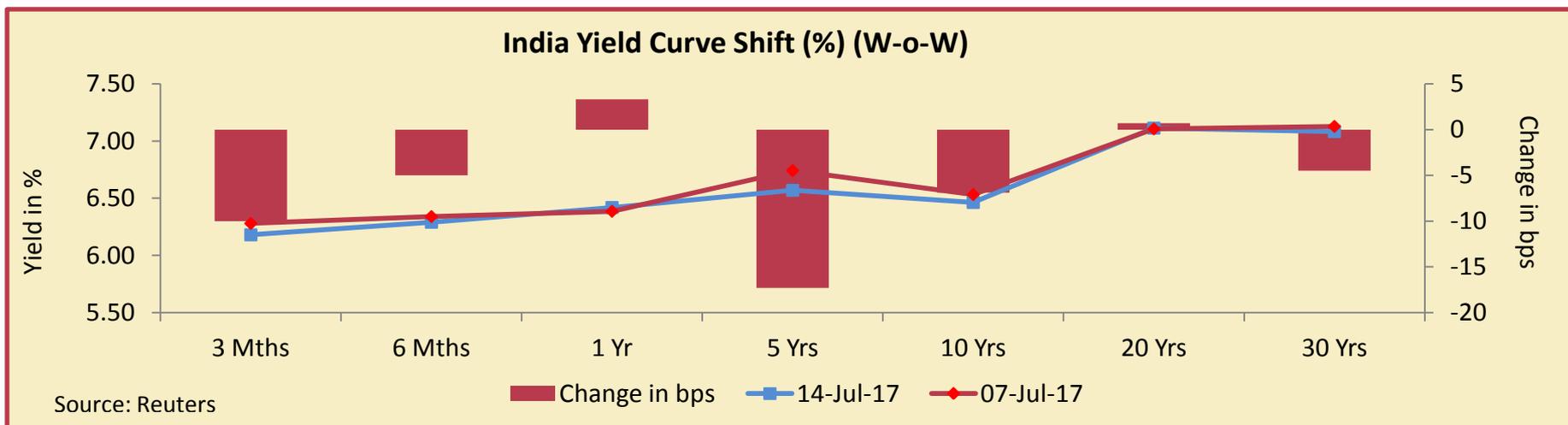
- ✓ Bond yields fell on growing expectations that retail inflation will drop further in Jun 2017, which could make way for further monetary easing by the Monetary Policy Committee. Market participants hoped that prospects of good monsoon will keep food inflation low.
- ✓ Yields fell further after retail inflation in Jun 2017 eased to a record low, although gains were restricted as investors resorted to profit booking.
- ✓ Yield on the 10-year benchmark bond (6.79% GS 2027) fell 7 bps to close 6.46% compared with the previous close of 6.53%.
- ✓ Data from RBI showed that India's foreign exchange reserves fell to \$386.38 billion as of Jul 7 from \$386.54 billion in the previous week.

# Domestic Debt Market

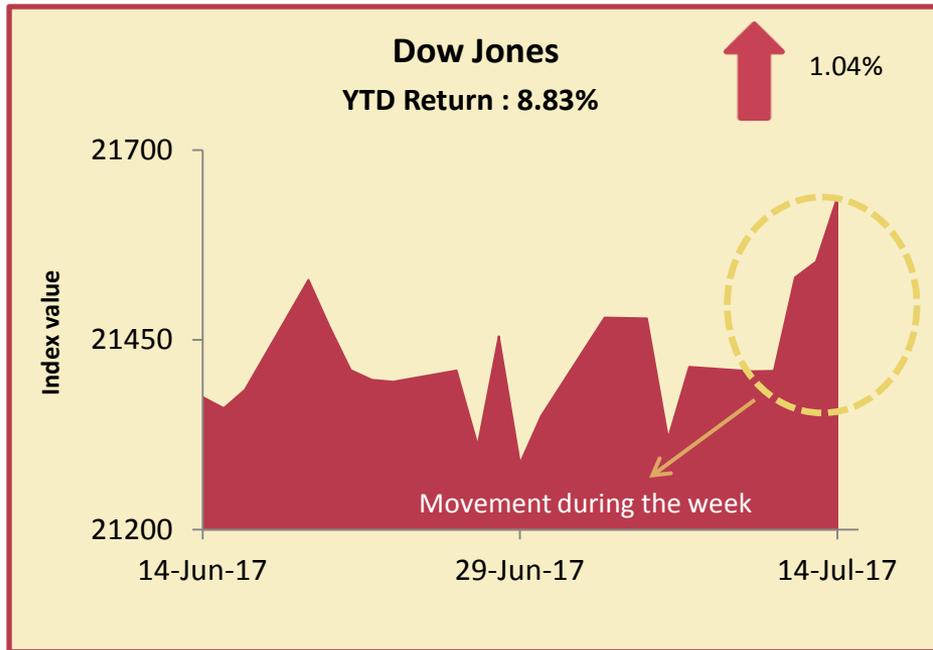
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.50	6.96	46
3 Year	6.59	7.10	51
5 Year	6.67	7.21	54
10 Year	6.67	7.38	71

Source: Reuters Values as on Jul 14, 2017

- ✓ Yields on gilt securities fell across maturities by up to 17 bps, barring 1-, 6-, 7-, and 19-year papers that increased by up to 3 bps. Highest fall was seen on 5-year paper and lowest fall was on 13-year paper.
- ✓ Corporate bond yields plunged across curve in the range of 5 to 10 bps. Highest decline was seen on 6- and 7-year papers and the lowest decline was on 1- and 2-year papers.
- ✓ Spread between AAA corporate bond and gilt contracted across maturities by up to 6 bps, barring 4- and 5-year papers that expanded 2 bps and 9 bps, respectively.



# International Markets



- ✓ Investors eyed the U.S. Federal Reserve's semi-annual monetary policy testimony before the House Financial Services Committee during the week. The Fed chief said that additional gradual rate hikes are likely to be appropriate over the next few years. The comments eased concerns over the rapid pace of future rate hikes, leading to market gains.
- ✓ Investors also took positive cues from the Fed's Beige Book, which stated that economic activity expanded across all 12 Fed districts in Jun.

Indices	Last Closing	Returns (in %)		
		1-Wk	1-Mth	YTD
<b>Europe</b>				
CAC-40 Index	5235.3	1.8	-0.2	7.2
DAX Index	12631.7	2.0	-1.4	8.9
FTSE 100	7378.4	0.4	-1.3	2.8

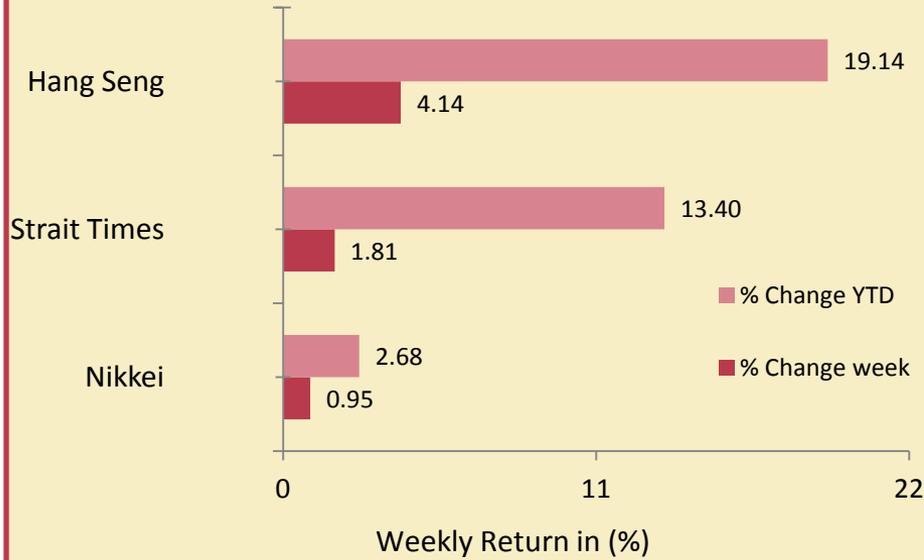
Source: Reuters

Values as on July 14, 2017

- ✓ European markets remained high for the major part of the week, led by positive sentiments generated by the Fed's testimony before the Congress.
- ✓ Additionally, encouraging data from the region supported buying interest. While, industrial output in the euro zone hit its highest level in six months in May, the U.K. jobless rate came in at the lowest since 1975 in three months to May.

# International Markets

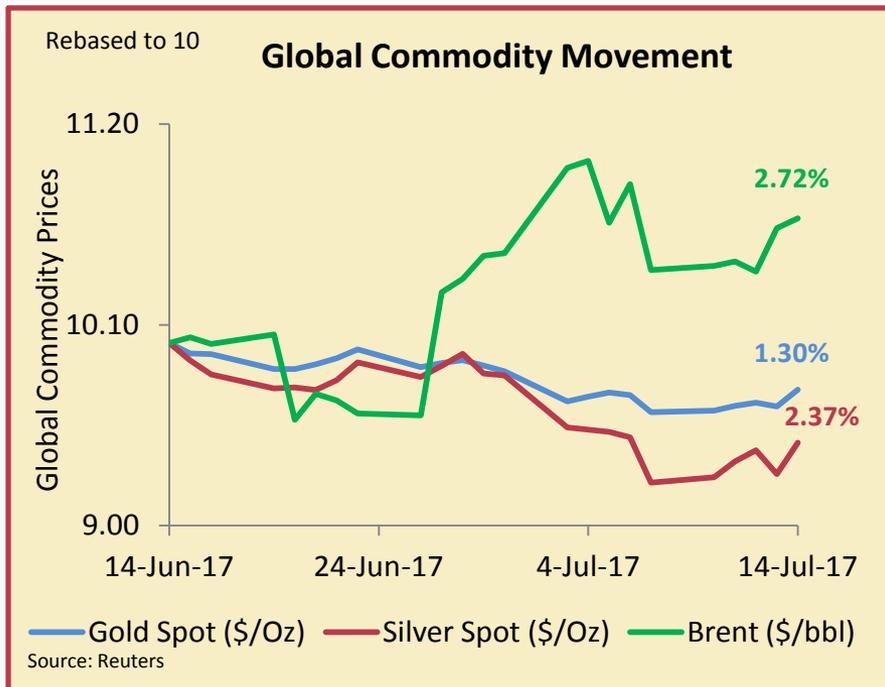
Return Value as of July 14, 2017



Source: MFI Explorer

- ✓ Asian markets rose during the week, in tune with global peers, with investors taking positive cues from the U.S. Federal Reserve chief's testimony before the Congress. The U.S. Fed chief's comments about gradual policy tightening soothed concerns over the pace of future rate hikes. Additionally, encouraging Chinese export data for Jun 2017 supported buying interest.
- ✓ Nonetheless, gains were restricted after a global rating agency warned that a further increase in Chinese economy's overall leverage and tighter monetary conditions may constrain growth prospects over the medium term.

# Commodities



## Gold

- ✓ Gold prices gained as weaker than expected U.S. consumer prices data weakened the chances of an interest rate hike by the U.S. Federal Reserve in the approaching months.
- ✓ Controversy around Russian involvement in the U.S. Presidential campaign in 2016, and the Fed chair's statement that the U.S. central bank would gradually raise interest rates, while being cautious of inflation, also supported sentiment.

## Crude

- ✓ Brent crude prices climbed strongly during the week after U.S. Energy Information Administration reported that U.S. crude stockpiles snapped 7.60 million barrels last week, while the American Petroleum Institute showed oil inventories declined 8.10 million barrels.
- ✓ Signs of strengthening demand, according to a report from the International Energy Agency, also helped prices, offsetting worries of supply glut.

## Baltic Dry Index

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

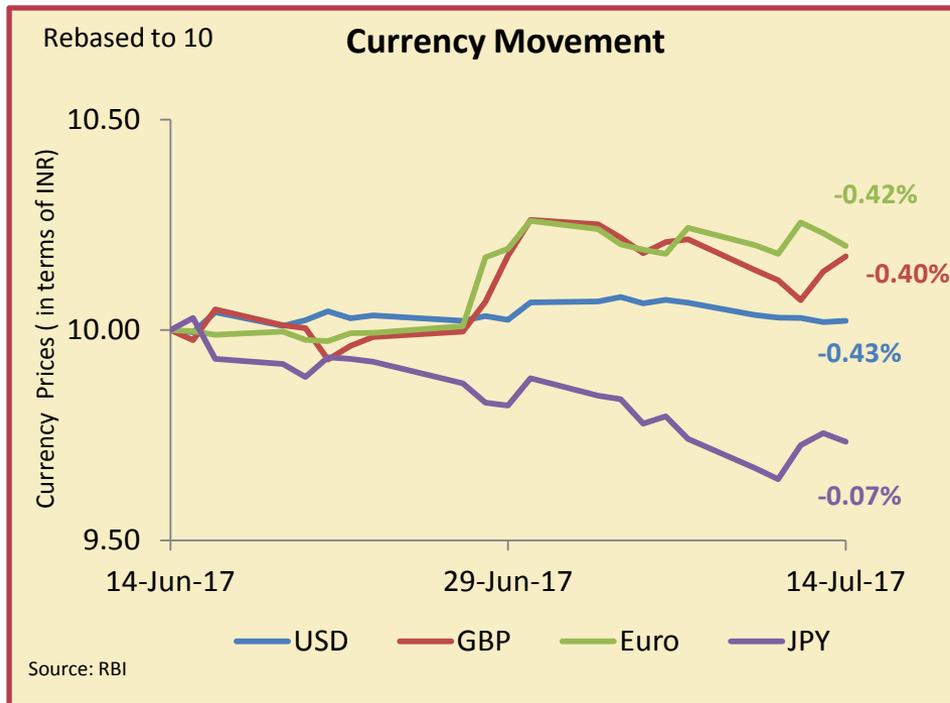
## Performance of various commodities

Commodities	Last Closing	1-Wk Ago
Brent Crude(\$/Barrel)	47.98	46.71
Gold (\$/Oz)	1228.58	1212.80
Gold (Rs/10 gm)	27850	28009
Silver (\$/Oz)	15.95	15.58
Silver (Rs/Kg)	36460	36860

Source: Reuters

Values as on Jul 14, 2017

# Currency



## Rupee

- ✓ The rupee rose against the greenback following gains in the domestic equity market. Indication of a gradual pace of rate increases by the U.S. Federal Reserve chief further weighed on the greenback. However, intervention by the central bank capped the gains.

## Euro

- ✓ The euro rose against the greenback amid uncertainty over the U.S. administration's ability to pass reformatory measures. Weaker than expected data on consumer prices and retail sales in the U.S. for Jun 2017 further weakened the greenback.

## Pound

- ✓ The sterling surged against the greenback amid uncertainty over the U.S. administration's ability to pass reformatory measures. Indication of a gradual pace of rate increases by Fed chief further boosted the pound.

## Yen

- ✓ The yen surged against the greenback as its safe haven appeal improved amid uncertainty over the U.S. administration's ability to pass reformatory measures and indication of gradual pace of rate increases by the U.S. Fed.

## Movement of Rupee vs. Other Currencies

Currency	Last Closing	1-Wk Ago
U.S. Dollar	64.45	64.73
Pound Sterling	83.55	83.88
EURO	73.57	73.88
JPY (per 100 Yen)	56.90	56.94

# Key Mutual Funds News

- ✓ According to data from the Association of Mutual Funds in India (AMFI), the mutual fund industry saw a fund outflow of Rs. 16,592 crore in Jun 2017, compared with an outflow of Rs. 40,711 crore in May 2017. The second consecutive monthly outflow was on account of huge redemption from income and liquid segments.
- ✓ Foreign Portfolio Investors invested Rs. 53,353 crore in the equity market during the first half of the calendar year 2017, as against Rs. 30,210 crore in the corresponding period last year.
- ✓ According to data from AMFI, Gold Exchange Traded Funds (ETF) witnessed outflow of Rs. 218 crore during the first quarter of 2017-18. Gold ETF had seen outflow of Rs. 228 crore for the same period last year, and an outflow of Rs. 81 crore in Jun 2017. Gold ETF, an instrument based on price movements, saw the outflow as investors preferred equities over it.
- ✓ According to data from the Securities and Exchange Board of India, total folio count of the mutual fund industry stood at 5.82 crore in Jun 2017, owing mainly to a bullish trend in the equity market and initiatives by individual mutual funds to involve investors in balanced funds. Folio count of the industry was 5.72 crore in May 2017.
- ✓ Axis Mutual Fund announced the launch of Axis Dynamic Equity Fund. The New Fund Offer opened on Jul 11, 2017, and will close on Jul 25, 2017. The key feature of the fund is that it does not maintain a fixed allocation to equity but instead uses a systematic rules based model to dynamically adjust its equity allocation over time.
- ✓ Edelweiss Mutual Fund changed the fund management structure of some of its schemes, which became effective from Jul 7, 2017. According to the revision, Mr. Bharat Lahoti became the fund manager of Edelweiss Large Cap Advantage Fund and Edelweiss Prudent Advantage Fund, Mr. Hiten Shah is managing Edelweiss ELSS Fund, Mr. Bhavesh Jain is managing Edelweiss Dynamic Equity Advantage Fund, and Mr. Bhavesh Jain is managing the equity portion, while Mr. Dhawal Dalal is managing the debt portion of Edelweiss Arbitrage Fund.

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