

# WEALTHWHISPER



## Weekly Review February 08, 2019

# Key Economic News

## International

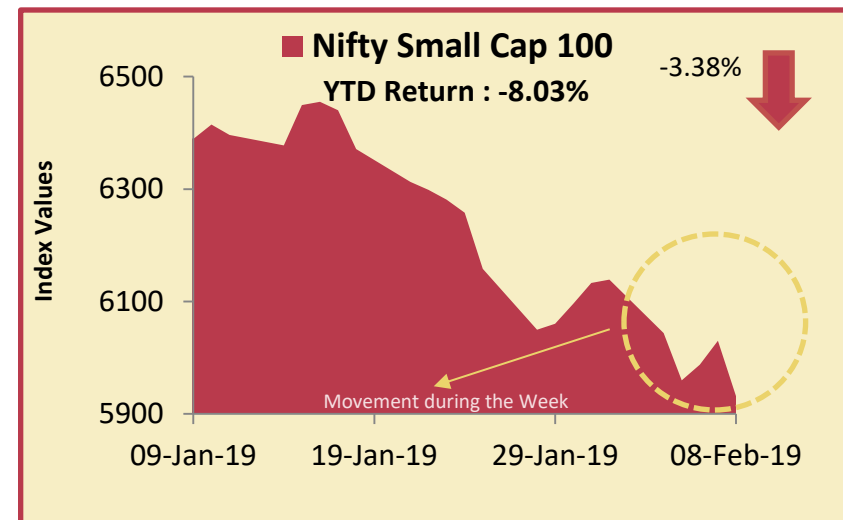
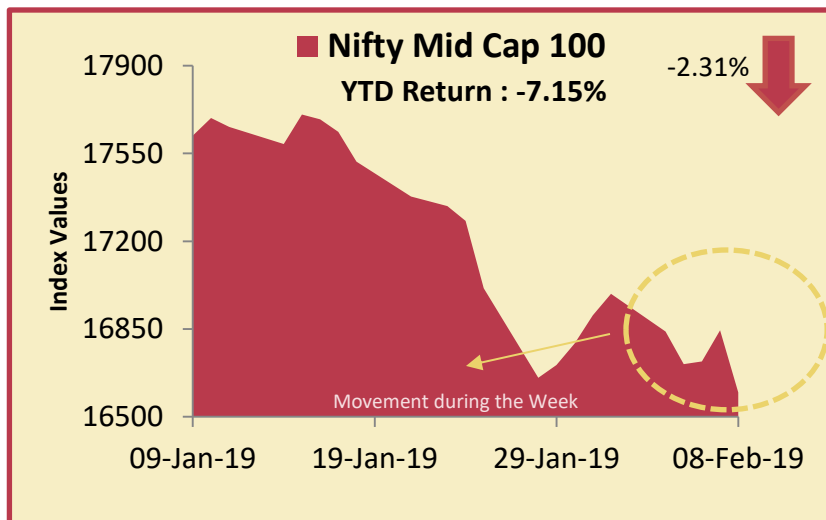
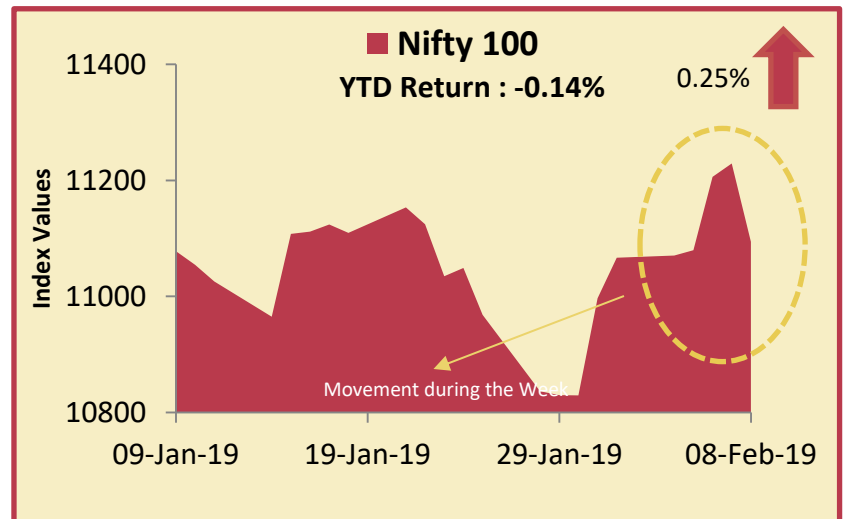
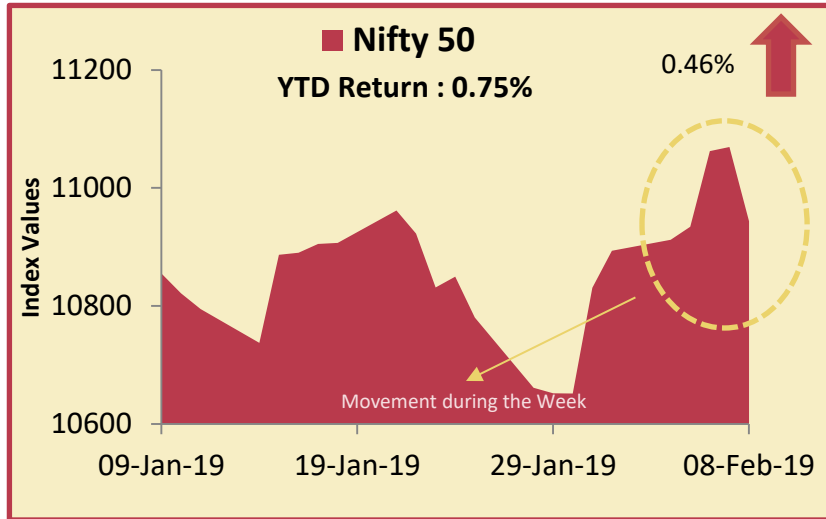
- ✓ According to a report released by the Institute for Supply Management, U.S. non-manufacturing index fell more than expected to 56.7 in Jan 2019 from 58.0 in Dec 2018.
- ✓ Bank of England has kept the bank rate unchanged at 0.75% in the monetary policy meeting. The stock of corporate and government bond purchases was kept at GBP 10 billion and GBP 435 billion, respectively. The bank has lowered U.K.'s growth forecast for 2019 and 2020 to 1.2% and 1.5%, respectively as against previous expectation of 1.7% for both the years. The revision reflects Brexit uncertainties.
- ✓ A report from Nikkei showed that Japan's services PMI came in at 51.6 in Jan 2019 as against 51.0 in Dec 2018. On an individual basis, export sales declined. However, the 12-month outlook remained positive as the firms anticipate activity levels to rise. The Composite index fell to a score of 50.9 in Jan 2019 from 52.0 in Dec 2018.

## Domestic

- ✓ The Monetary Policy Committee (MPC) in its sixth bi-monthly monetary policy review for FY19 lowered the key policy repo rate by 25 basis points. This was the first rate cut since Aug 2017. Now, the key policy repo rate is 6.25% as against the previous rate of 6.50%. Consequently, the reverse repo rate is now at 6.00% and the marginal standing facility rate and the Bank Rate is now 6.50%.
- ✓ After the actual inflation outcome of 2.6% in the third quarter of FY19, the Monetary Policy Committee (MPC) expects Consumer Price Index - based inflation (CPI) of 2.8% in fourth quarter as against previous expectation of inflation in the range of 2.7%-3.2% in second half of FY19. Inflation for the first half of FY20 has been lowered to a range of 3.2%-3.4% as against previous expectation of 3.8%-4.2%. Inflation is expected to be 3.9% in the third quarter of FY20.
- ✓ MPC projected gross domestic product (GDP) growth at 7.4% for FY20. For the first half of FY20, MPC expects GDP to be in the range of 7.2% to 7.4% in the first half of FY20 and 7.5% in the third quarter of FY20.

# Domestic Equity Market

Domestic equity markets rose after MPC lowered key policy repo rate by 25 bps



# Domestic Equity Market

| Ratios         | S&P BSE Sensex | Nifty 50 | Nifty Mid Cap 100 | Nifty Small Cap 100 |
|----------------|----------------|----------|-------------------|---------------------|
| P/E            | 23.53          | 27.10    | 36.73             | 33.64               |
| P/B            | 3.08           | 3.41     | 2.41              | 1.57                |
| Dividend Yield | 1.15           | 1.23     | 1.11              | 0.94                |

Source: BSE, NSE

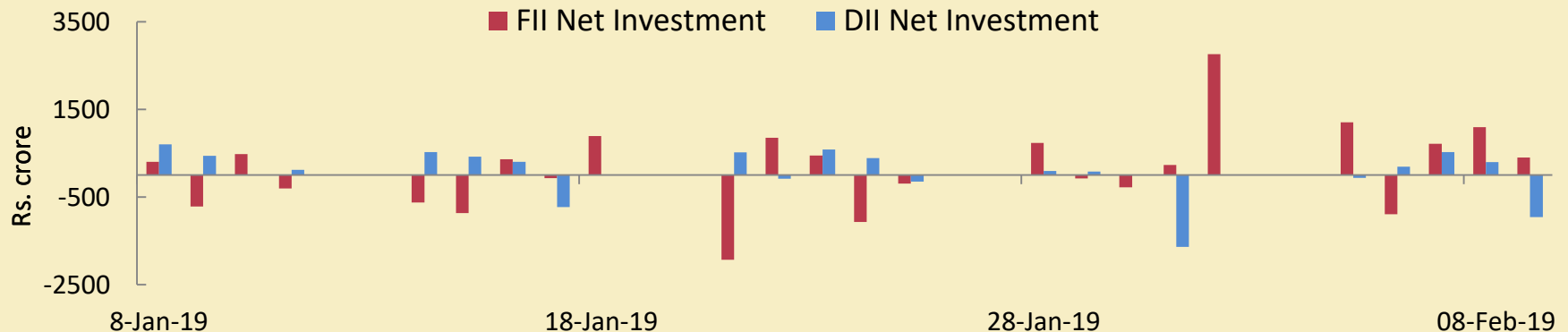
Values as on Feb 08, 2019

## NSE Advance/Decline Ratio

| Date      | Advances | Declines | Advance/Decline Ratio |
|-----------|----------|----------|-----------------------|
| 04-Feb-19 | 460      | 1,387    | 0.33                  |
| 05-Feb-19 | 555      | 1,274    | 0.44                  |
| 06-Feb-19 | 743      | 1,047    | 0.71                  |
| 07-Feb-19 | 1,037    | 760      | 1.36                  |
| 08-Feb-19 | 600      | 1,211    | 0.50                  |

Source: NSE

- ✓ Indian equity markets managed to close positively amid a volatile week. The week was stock-driven with investors focusing mainly on mixed bag of corporate earnings results. Optimism was observed ahead of the MPC decision on key rates in the sixth bi-monthly monetary policy meeting that was scheduled on Feb 7, 2019. MPC lowered the key policy repo rate by 25 basis points as expected.
- ✓ However, profit booking post announcement of the policy rate decision restricted the gains. Meanwhile, weak global cues about a broadening global economic slowdown and renewed concerns over the trade fight between the U.S. and China muted buying interest.



Source: SEBI

# Domestic Equity Market

## Sectoral Indices

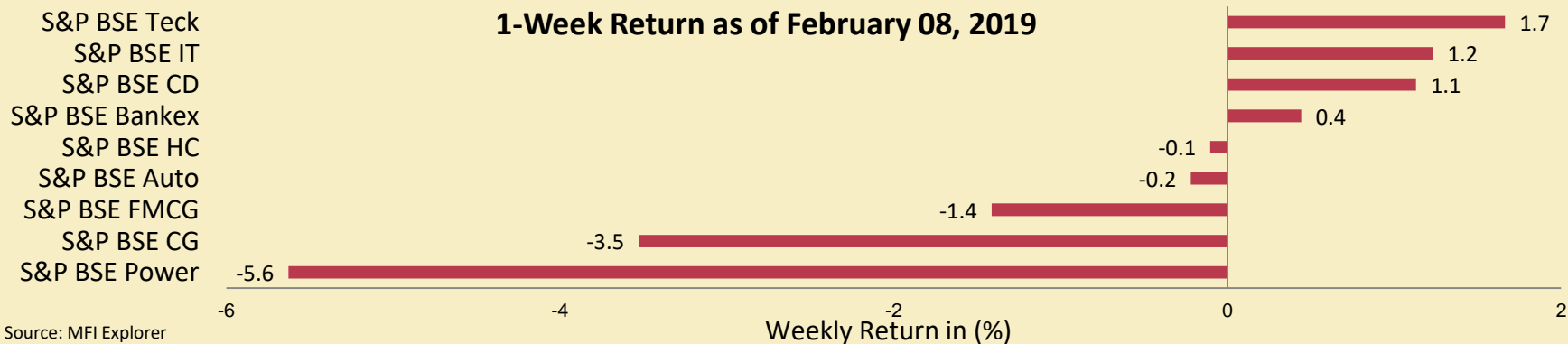
| Indices        | Last Closing* | Returns (in %) |       |
|----------------|---------------|----------------|-------|
|                |               | 1-Wk           | 1-Mth |
| S&P BSE Auto   | 18,943.57     | -0.2           | -5.1  |
| S&P BSE Bankex | 30,546.58     | 0.4            | -1.3  |
| S&P BSE CD     | 21,654.96     | 1.1            | 4.3   |
| S&P BSE CG     | 16,846.83     | -3.5           | -7.9  |
| S&P BSE FMCG   | 11,582.21     | -1.4           | -1.5  |
| S&P BSE HC     | 13,982.94     | -0.1           | 0.6   |
| S&P BSE IT     | 15,624.07     | 1.2            | 11.3  |
| S&P BSE Power  | 1,781.58      | -5.6           | -10.0 |
| S&P BSE Teck   | 7,711.53      | 1.7            | 8.8   |

Source: MFI Explorer

\*Values as on Feb 08, 2019

- ✓ On the BSE sectoral front, indices closed on a mixed note. S&P BSE Teck was the major gainer, up 1.66% followed by S&P BSE IT that grew 1.23%. Gains in one of the IT major stocks after it posted strong quarterly results for the quarter ended Dec 2018 boosted the IT sector.
- ✓ S&P BSE Power was the major loser that fell 5.63%. Power sector lost after prices of an industry major plunged following the decline in prices of one of the telecommunications major (former is a promoter of the latter) as it decided to opt for insolvency proceedings.

## 1-Week Return as of February 08, 2019



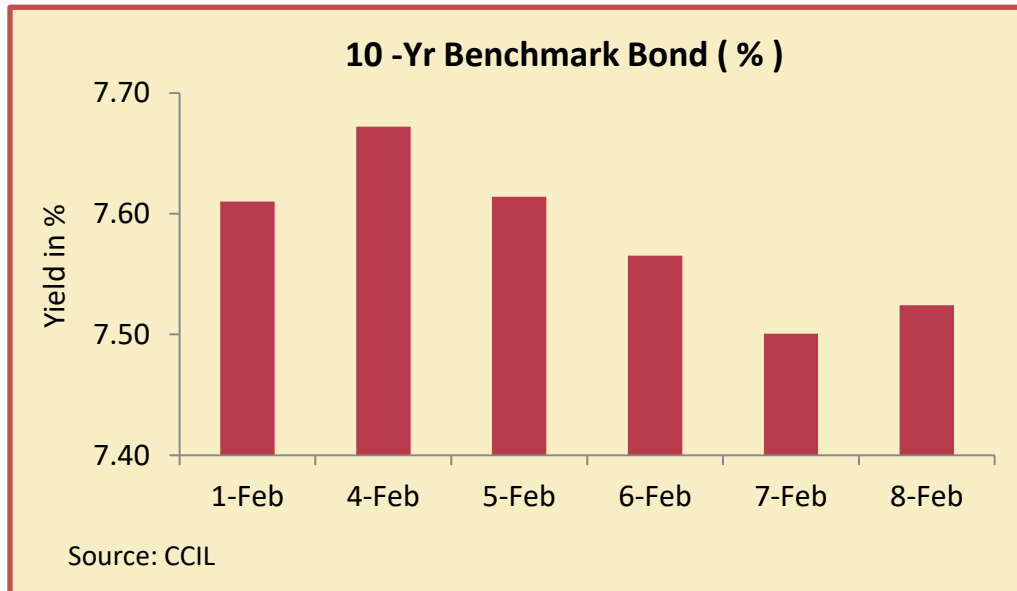
Source: MFI Explorer

# Domestic Debt Market

**Bond yields fell after MPC surprisingly cut key policy repo rate by 25 bps**

| Debt Indicators (%)      | Current Value* | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|--------------------------|----------------|----------|-----------|-----------|
| Call Rate                | 6.35           | 6.43     | 6.36      | 6.43      |
| 91 Day T-Bill            | 6.38           | 6.55     | 6.63      | 6.75      |
| 07.80% 2021, (5 Yr GOI)  | 6.85           | 6.92     | 6.93      | 7.65      |
| 07.17% 2028, (10 Yr GOI) | 7.52           | 7.61     | 7.45      | 7.78      |

Source: Thomson Reuters Eikon; CCIL \*Values as on Feb 08, 2019



- ✓ Bond yields initially rose on worries over the government's higher borrowing target for FY20 and a higher-than-expected fiscal deficit for the current and next financial year.
- ✓ However, trend reversed and yields started to decline on expectation that the MPC in its sixth policy meeting will change its stance from calibrated tightening to neutral on Feb 7, 2019, which came as expected and subsequently boosted market sentiments.
- ✓ Yield on the 10-year benchmark paper (7.17% GS 2028) dropped 9 bps to close at 7.52% from the last week's close at 7.61%, after trading in a range of 7.46% to 7.67%.

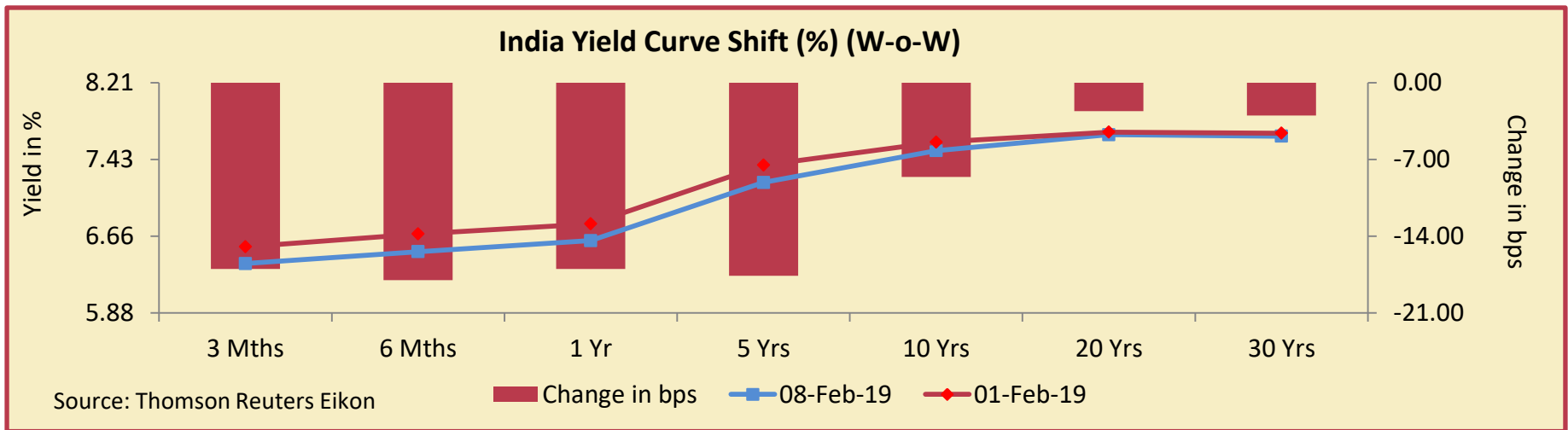
# Domestic Debt Market

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year   | 6.72            | 8.17                | 145        |
| 3 Year   | 6.97            | 8.40                | 143        |
| 5 Year   | 7.33            | 8.42                | 109        |
| 10 Year  | 7.67            | 8.71                | 104        |

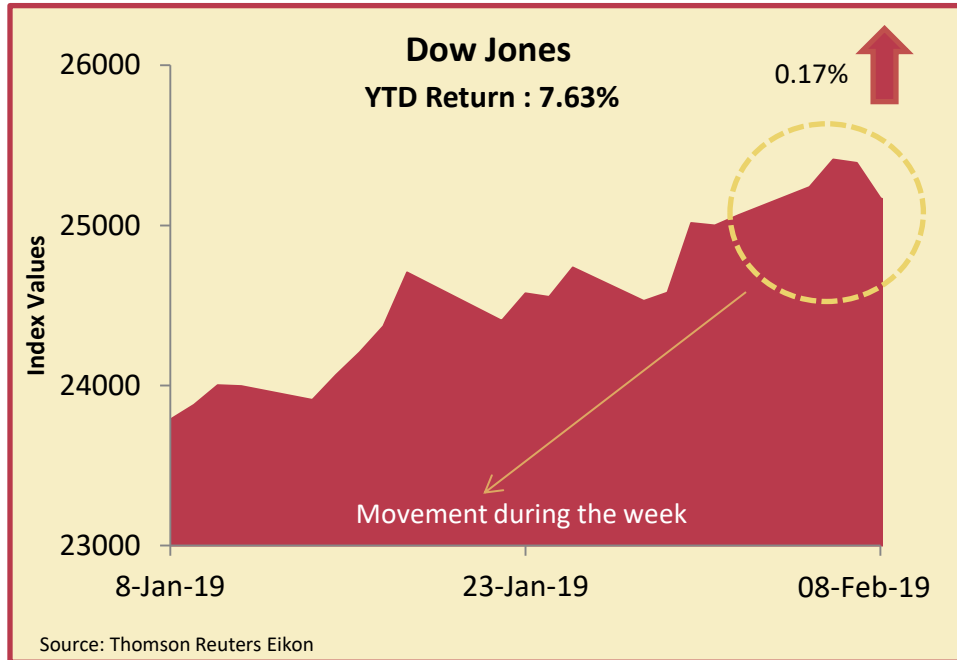
Source: Thomson Reuters Eikon

Values as on Feb 08, 2019

- ✓ Yields on gilt securities fell across the remaining maturities in the range of 3 bps to 22 bps barring 2- and 15-year papers that increased 1 bps and 3 bps, respectively.
- ✓ Corporate bond yields fell across the maturities by up to 19 bps barring 15-year paper that increased 20 bps.
- ✓ The difference in spread between AAA corporate bond and gilt expanded across the maturities in the range of 5 bps to 17 bps barring 3-year paper that contracted 1 bps.



# International Markets



- ✓ U.S. markets gained over the week on strong quarterly earnings from few companies. Latest jobs growth data for Jan 2019 and fall in trade deficit in Nov 2018 also helped sentiment.
- ✓ However, the upside was limited on ambiguity about trade talks between the U.S. and China after a media report said that the U.S. President and Chinese President are "highly unlikely" to meet before the Mar 2019 deadline.

| Indices       | Last Closing* | Returns (in %) |       |      |
|---------------|---------------|----------------|-------|------|
|               |               | 1-Wk           | 1-Mth | YTD  |
| <b>Europe</b> |               |                |       |      |
| CAC-40 Index  | 4,961.64      | -1.15          | 3.95  | 4.88 |
| DAX Index     | 10,906.78     | -2.45          | 0.95  | 3.29 |
| FTSE 100      | 7,071.18      | 0.73           | 3.05  | 5.10 |

Source: Thomson Reuters Eikon

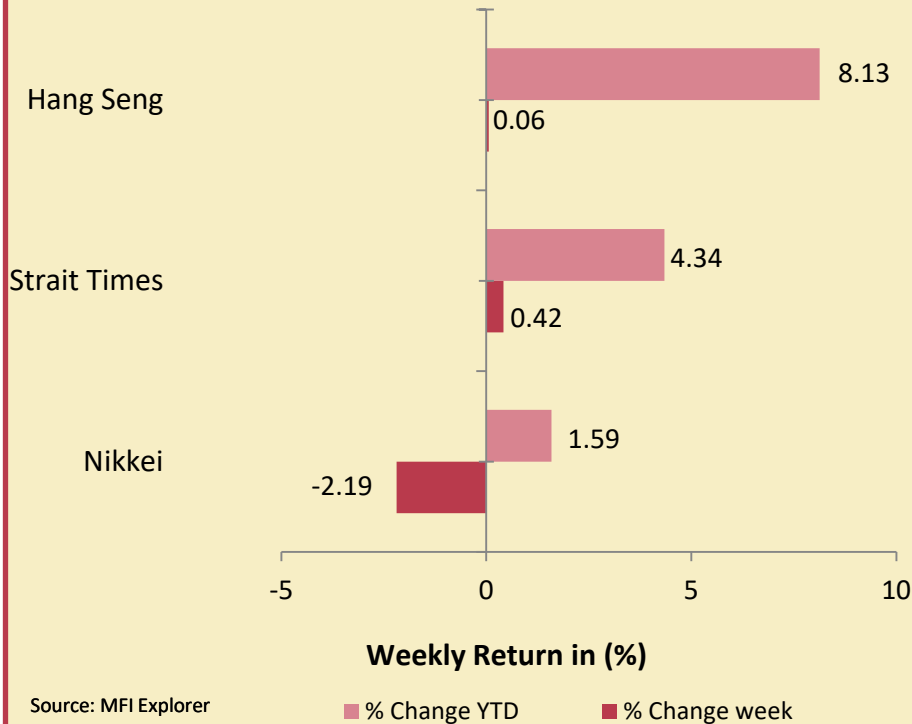
\*Values as on Feb 08, 2019

- ✓ European markets mostly traded down as lower growth forecasts for the euro area and the Britain Economy by the European Commission and the Bank of England for 2019 and 2020 respectively weighed on sentiment.
- ✓ Ambiguity on U.S.-China trade talks, further weighed on markets. However, some respite was seen on some strong corporate earning numbers for the quarter ended Dec 2018.



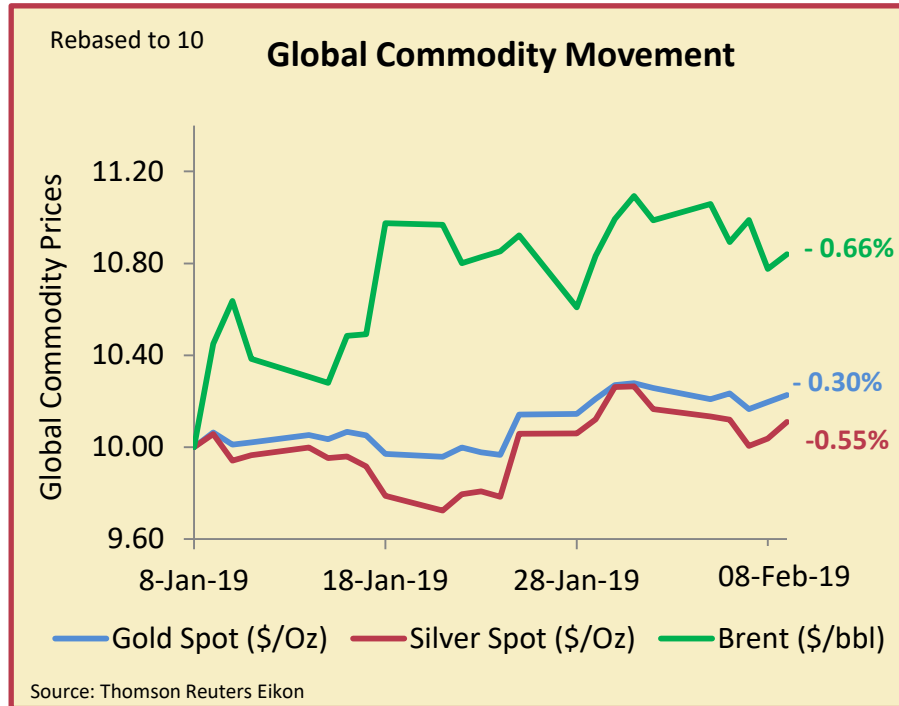
# International Markets

Return Value as of February 08, 2019



- ✓ Asian markets mostly remained closed due to Lunar New Year holidays. Markets received some support on news that the U.S. President would hold a two-day meeting with North Korea leader at the end of Feb 2019.
- ✓ However, the upside was limited on ambiguity about trade talks between the U.S. and China after a media report said that the U.S. President and Chinese President are "highly unlikely" to meet before the Mar 2019 deadline.
- ✓ Worries over the global growth outlook also restricted the upside

# Commodities



## Gold

- ✓ Gold prices fell after U.S. jobs data for Jan 2019 came better than market expectations. However, renewed concerns over trade tensions between the U.S. and China and worries of a slowdown in global growth restricted further downside. Further, the bullion's downside was limited on news that the U.S. might raise tariffs on \$200 billion worth Chinese goods from 10% to 25%, if no trade accommodation is reached by Mar 1, 2019.

## Brent Crude

- ✓ Brent crude prices fell amid rising concerns over eurozone's economic growth. European Commission trimmed its growth forecast for eurozone for the 2019 and 2020. Further, rising worries over the U.S. and China trade feud dampened the demand outlook of the commodity. Concerns over reports of increasing crude inventory and record U.S. output added to the losses.

## Baltic Dry Index

- ✓ The Baltic Dry Index fell on the back of lower capesize and panamax activities.

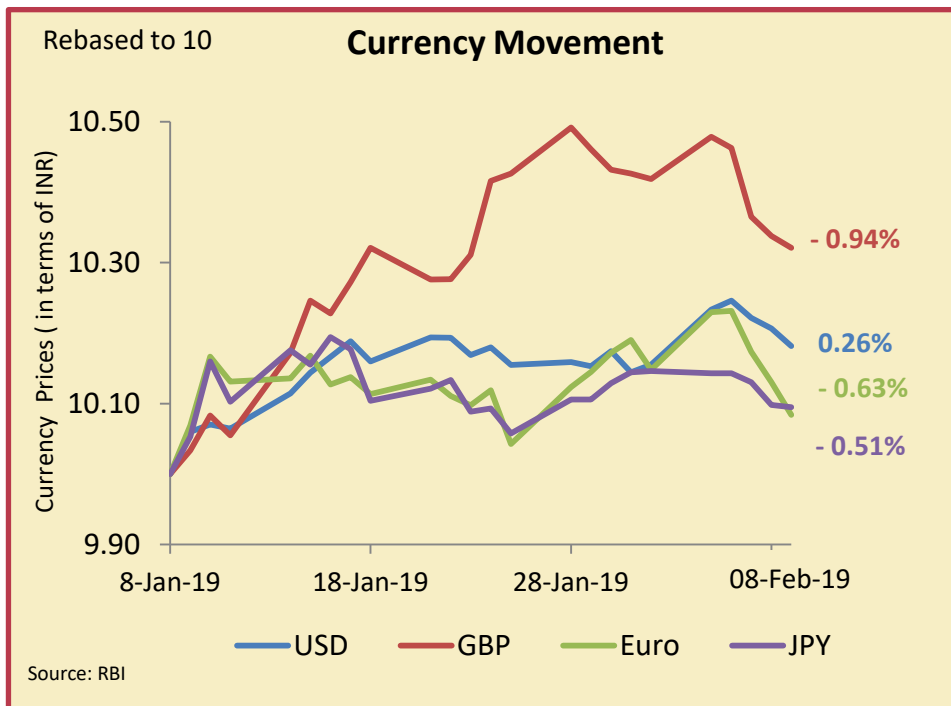
## Performance of various commodities

| Commodities            | Last Closing* | 1-Wk Ago |
|------------------------|---------------|----------|
| Brent Crude(\$/Barrel) | 61.46         | 62.30    |
| Gold (\$/Oz)           | 1,313.99      | 1,317.93 |
| Gold (Rs/10 gm)        | 33,043        | 33,262   |
| Silver (\$/Oz)         | 15.82         | 15.91    |
| Silver (Rs/Kg)         | 39,880        | 40,439   |

Source: Thomson Reuters Eikon

\*Values as on Feb 08, 2019

# Currency



## Movement of Rupee vs. Other Currencies

| Currency       | Last Closing * | 1-Wk Ago |
|----------------|----------------|----------|
| US Dollar      | 71.29          | 71.11    |
| Pound Sterling | 92.29          | 93.17    |
| EURO           | 80.83          | 81.34    |
| 100 Yen        | 64.98          | 65.31    |

Source: RBI

Figures in INR , \*Values as on Feb 08, 2019

## Rupee

- ✓ The rupee weakened against the greenback following upbeat U.S. jobs data for Jan 2019. However, most of the losses were neutralized following gains in the domestic equity market after the MPC lowered key policy rates by 25 bps.

## Euro

- ✓ The euro weakened against the greenback after European Commission sharply cut its forecasts for euro zone economic growth for 2019 and 2020. Renewed concerns over trade tensions between the U.S. and China weakened the common bloc currency.

## Pound

- ✓ The pound weakened against the greenback after U.K. Services Purchasing Managers' Index fell in Jan 2019. Losses were extended after Bank of England sharply lowered its economic growth forecast for 2019 and 2020.

## Yen

- ✓ The yen weakened against the greenback following upbeat U.S. jobs data for Jan 2019. However, further losses were restricted on concerns over trade tensions between the U.S. and China.

# Key Mutual Funds News

- ✓ Association of Mutual Fund in India (AMFI) reported data for Jan 2019 with the asset under management (AUM) of the mutual fund industry increasing 2.2% from Rs. 22.86 lakh crore in Dec 2018 to Rs. 23.37 lakh crore in Jan 2019. This was led by the net inflow of Rs. 0.59 lakh crore from liquid schemes and Rs. 6,158 crore from equity and equity linked savings scheme.
- ✓ Invesco Mutual Fund announced the launch of Invesco India Equity Savings Fund, an open-ended scheme investing in equity, arbitrage and debt. The NFO will open for subscription on Feb 14, 2019 and close on Feb 28, 2019.
- ✓ LIC Mutual Fund announced the change in exit load of LIC MF Arbitrage Fund. As per the proposed load structure, 0.5% of applicable NAV will be charged for redemption within 15 days from allotment date and 0.25% of applicable NAV will be charged for redemption between 15 days to 1 month from allotment date. No exit load is applicable otherwise.
- ✓ HDFC Mutual Fund announced the change in fundamental attributes of HDFC Balanced Advantage Fund, HDFC Multi-Asset Fund and HDFC Retirement Savings Fund - Hybrid Equity Plan with effect from Mar 14, 2019. The asset allocations of the schemes will be changed under the revised provision.
- ✓ Sundaram Mutual Fund announced the change in benchmark of Sundaram Low Duration Fund, Sundaram Medium Term Bond Fund and Sundaram Short Term Credit Risk Fund to CRISIL Low Duration Debt Index, CRISIL Medium Term Debt Index and CRISIL A Short Term Bond Index (15%) + CRISIL Composite AA Short Term Bond Index (35%) and CRISIL Ultra Short Term Debt index (50%), respectively.

# Disclaimer



All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited shall not be liable for any losses incurred by users from any use of this document or its contents in any manner. Opinions expressed in this document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

This newsletter is for 'customer information only' and does not constitute an investment advice or an offer to purchase or sell securities. Persons accessing this document are advised to obtain independent professional advice wherever necessary. All rights of the newsletter are reserved with ICRA Online Ltd, the provider of the newsletter. Trust-Plutus Wealth Managers (India) Private Limited and TrustPlutus Family Office & Investment Advisers (India) Private Limited is not responsible for any error or omission in the data or for any losses suffered on account of information contained in this newsletter. Mutual fund investments are subject to market risk. Please read the offer document before investing into mutual funds. This document may not be reproduced, distributed or published for any purpose.