

WEALTHWHISPER



Weekly Review
February 09, 2018

Key Economic News

International

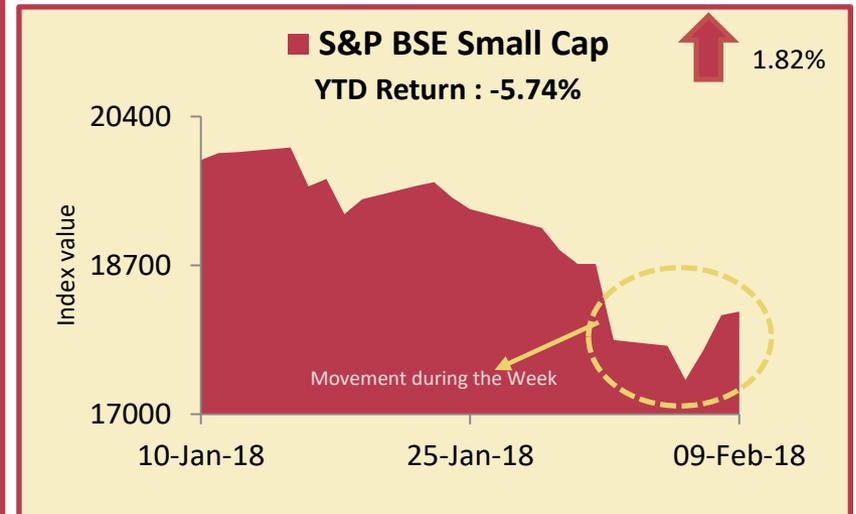
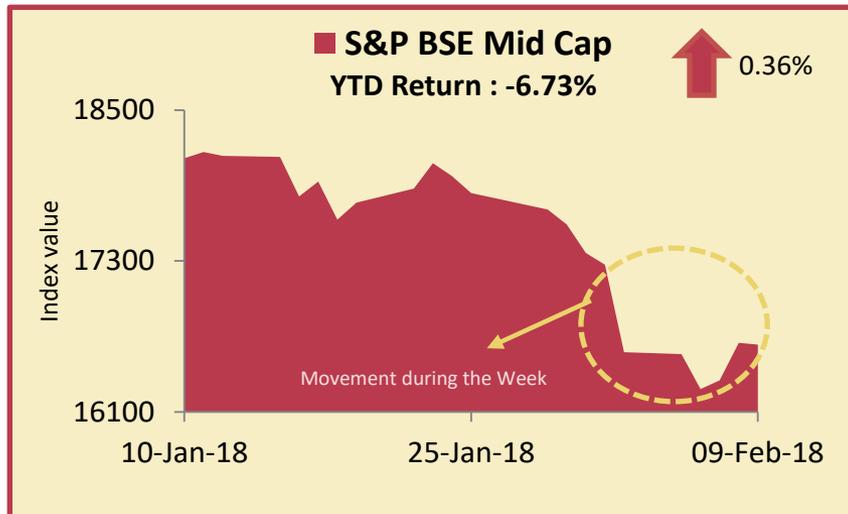
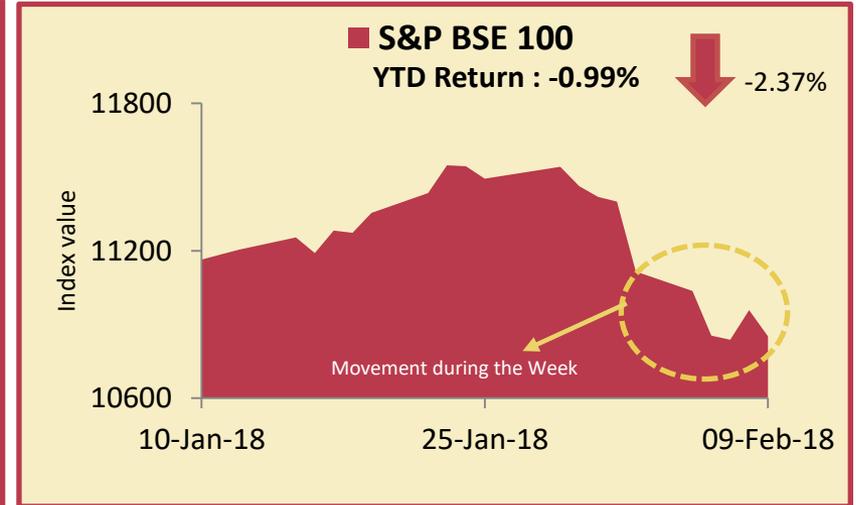
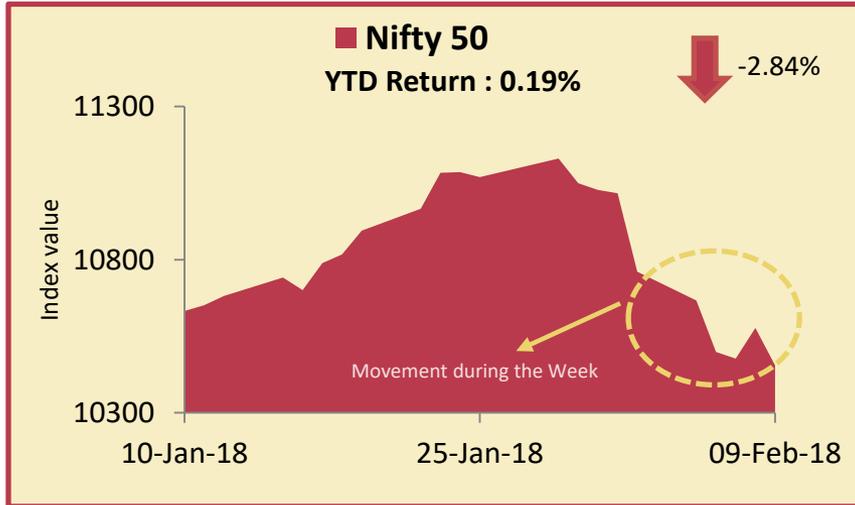
- ✓ The U.S. ISM's non-manufacturing index came in at 59.9 in Jan 2018, up from Dec 2017's reading of 56 (seasonally adjusted). This marked 96 consecutive months of growth in the non-manufacturing sector. New orders index stood at 62.7 in Jan, higher than the reading of 54.5 (seasonally adjusted) in Dec.
- ✓ Jerome Powell has replaced Janet Yellen and has been sworn in as the chief of U.S. Federal Reserve. Jerome Powell will now lead the U.S. central bank and manage raising interest rates.
- ✓ The Bank of England kept key interest rate and asset purchase programme on hold in its latest policy meeting. The Monetary Policy Committee voted unanimously to maintain the benchmark rate at 0.50% at the rate setting meeting. The policymakers also unanimously decided to maintain the quantitative easing at GBP 435 billion.
- ✓ According to the People's Bank of China, China's monetary policy will be stable and neutral in 2018. Also, People's Bank of China stated that comprehensive tools will be applied to maintain liquidity in the banking system and promote reasonable growth in social financing.

Domestic

- ✓ The Monetary Policy Committee (MPC) in its sixth bi-monthly policy review kept key policy repo rate unchanged at 6.0% and also retained its "neutral" stance. Consequently, the reverse repo rate stood unaltered at 5.75%, and the marginal standing facility (MSF) rate and bank rate each remained at 6.25%. Five policymakers were in favour of the monetary policy decision and one advocated for a policy rate increase of 25 bps.
- ✓ MPC noted that the inflation outlook is surrounded by several uncertainties on the upside and stated that there is need for vigilance around the evolving inflation scenario in the coming months. According to the MPC, the staggered impact of HRA increases by various state governments may push up headline inflation further over the baseline in 2018-19.
- ✓ The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 51.7 in Jan 2018 from 50.9 in Dec 2017. The upside was driven by a renewed increase in new business. However, though growth rates for activity and employment accelerated since Dec, it remained weaker than their respective long-run survey averages.

Domestic Equity Market

Lingering concerns over Union Budget announcement and probable rate hike by MPC and Fed weighed on sentiment



Domestic Equity Market

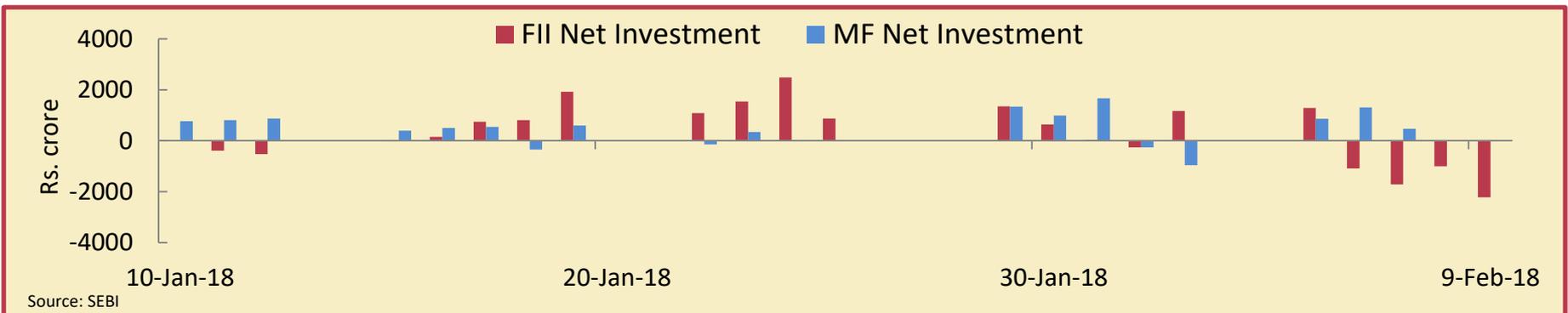
Ratios	S&P BSE Sensex	Nifty 50
P/E	23.1	22.2
P/B	3.3	3.3
Dividend Yield	1.2	1.4

Source: Thomson Reuters Eikon Values as on Feb 09, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
05-Feb-18	684	1160	0.59
06-Feb-18	303	1540	0.20
07-Feb-18	1387	402	3.45
08-Feb-18	1497	301	4.97
09-Feb-18	849	933	0.91

Source: NSE

- ✓ Indian equity markets witnessed heavy fall during the week as finance minister's statement in the Union Budget 2018-19 regarding increase of government spending for rural areas on one hand and slowing of the pace of fiscal consolidation on the other kept investors wary.
- ✓ Additionally, worries over probable rate hike by MPC in its next meeting to combat rising inflationary pressures impacted markets.
- ✓ Rising inflation and speculation over imminent rate-hike by the U.S. Federal Reserve in its Mar 2018 meeting dented sentiment.



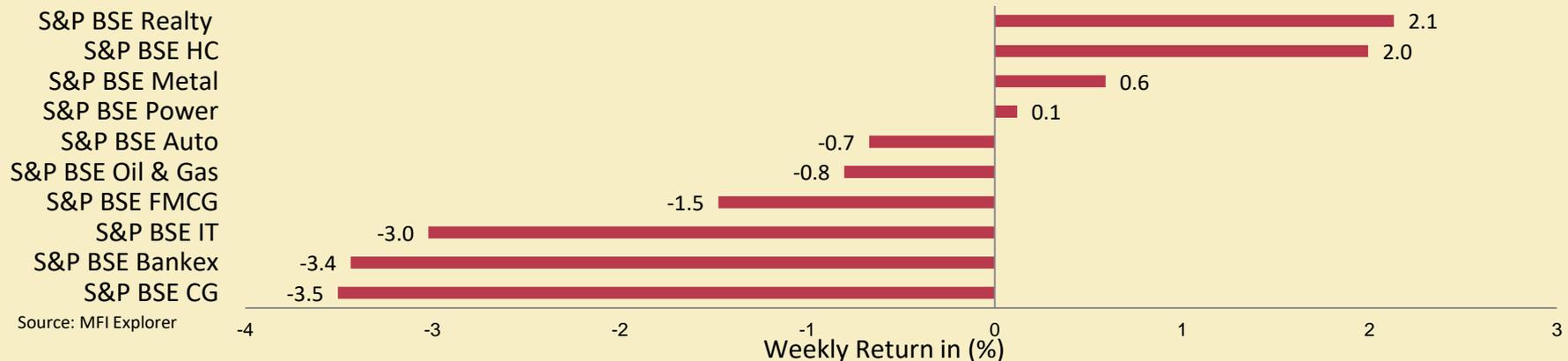
Domestic Equity Market

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25,044.2	-0.7	-5.7
S&P BSE Bankex	28,882.4	-3.4	-0.6
S&P BSE CG	19,240.4	-3.5	-4.1
S&P BSE FMCG	10,527.2	-1.5	-2.9
S&P BSE HC	14,348.0	2.0	-4.3
S&P BSE IT	12,117.0	-3.0	6.4
S&P BSE Metal	15,100.6	0.6	-4.3
S&P BSE Oil & Gas	15,541.9	-0.8	-4.7
S&P BSE Power	2231.9	0.1	-8.0
S&P BSE Realty	2475.1	2.1	-8.9

Source: MFI Explorer Values as on Feb 09, 2018

- ✓ On the BSE sectoral front, barring S&P BSE Realty (2.13%), S&P BSE HC (1.99%), S&P BSE Metal (0.59%) and S&P BSE Power (0.12%), all the major indices closed in the red.
- ✓ S&P BSE Capital Goods (-3.51%) stood as the major loser followed by S&P BSE Bankex (-3.44%) and S&P BSE IT (-3.02%).

1-Week Return as of February 09, 2018



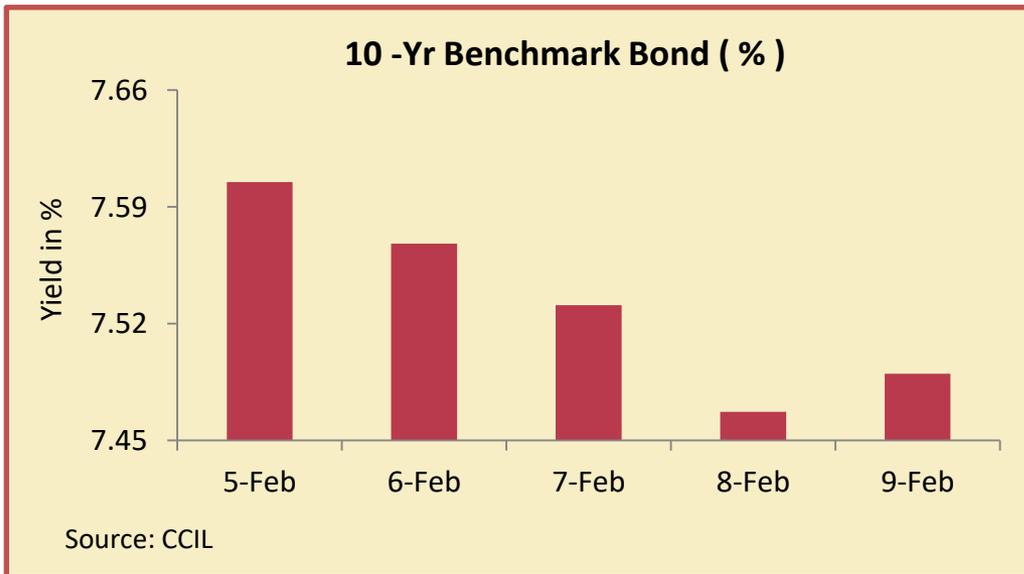
Domestic Debt Market

Yields dropped as MPC was less hawkish than feared by investors

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.89	5.92	5.87	5.91
91 Day T-Bill	6.39	6.42	6.28	6.12
07.80% 2021, (5 Yr GOI)	7.09	7.16	7.04	6.43
07.17% 2028, (10 Yr GOI)	7.49	7.56	7.16	--

Source: Thomson Reuters Eikon; CCIL

Values as on Feb 09, 2018



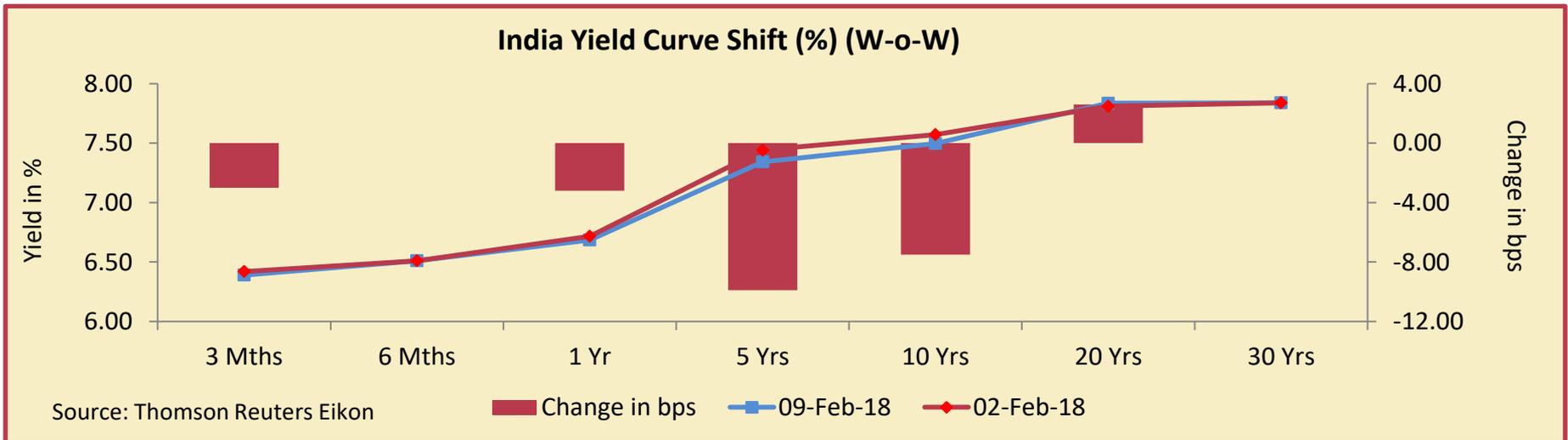
- ✓ Initially, bond yields rose as investors were cautious ahead of the Monetary Policy Committee's (MPC) policy review meeting that was scheduled on Feb 6 and Feb 7.
- ✓ Soon, yields fell following weakness in crude oil prices that eased concerns about inflation gains in India. Lower than scheduled debt sale in FY18 amid high yields also boosted sentiment.
- ✓ Yields dropped further as the policy meeting by MPC was less hawkish than feared by investors. Also, no clarity on future rate hike from MPC soothed investors' nerves.
- ✓ Yield on the 10-year benchmark paper (7.17% GS 2028) fell 7 bps to close at 7.49% from the previous week's close of 7.56% after trading in a range of 7.45% to 7.62%.

Domestic Debt Market

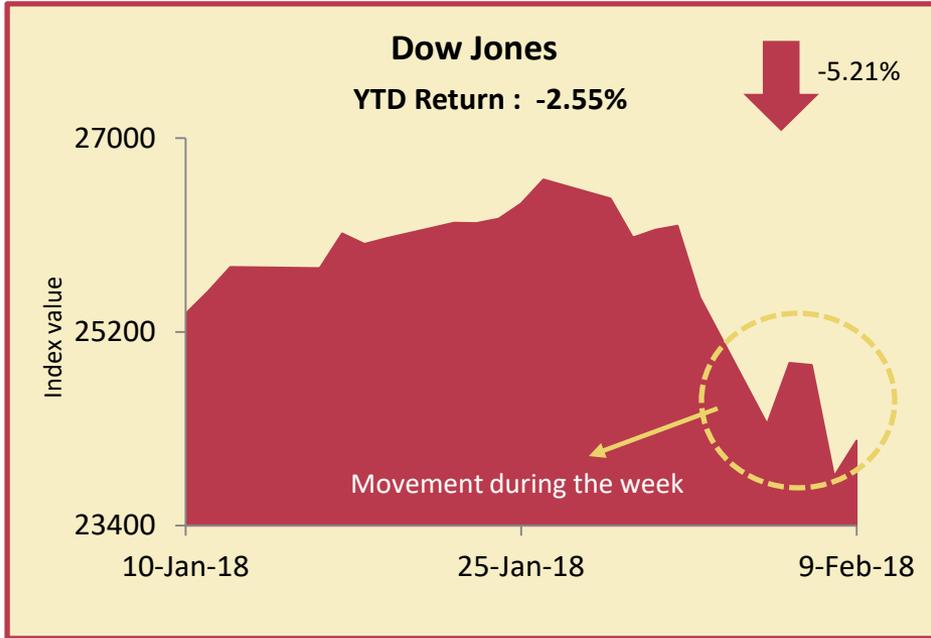
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.71	7.60	89
3 Year	7.19	7.72	54
5 Year	7.51	7.84	33
10 Year	7.72	8.09	37

Source: Thomson Reuters Eikon Values as on Feb 09, 2018

- ✓ Yields on gilt securities fell across maturities by up to 15 bps, barring 19-year paper that increased 3 bps and 30-year paper was steady. Highest fall was seen on 8-year paper.
- ✓ Corporate bond yields dropped across the curve by up to 8 bps. Highest decline was on 5-year paper, while lowest fall was on 6-year paper.
- ✓ Spread between AAA corporate bond and gilt expanded across the segments by up to 11 bps, leaving 1-year paper that contracted 3 bps.



International Markets



- ✓ U.S. markets witnessed selling pressure amid concerns over rising inflation and speculation over imminent rate hike by the U.S. Federal Reserve in its upcoming policy meeting in Mar 2018. Buying interest was hardly impacted by data showing U.S. ISM services index hit its highest level since mid-2005.
- ✓ Worries over political deadlock eased to some extent after the U.S. President signed a stopgap funding measure, although a midnight deadline to pass the U.S. budget deal was missed on Feb 8.

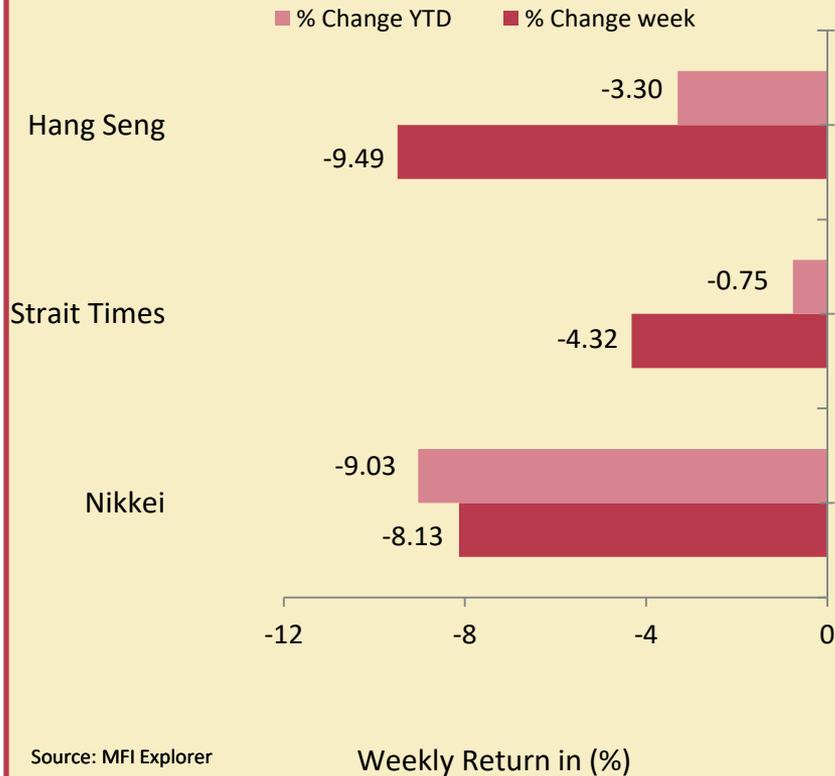
Indices	Last Closing	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	5079.2	-5.3	-8.1	-4.0
DAX Index	12107.5	-5.3	-9.5	-5.9
FTSE 100	7092.4	-4.7	-8.3	-7.3

Source: Thomson Reuters Eikon Values as on Feb 09, 2018

- ✓ Weakness in Wall Street had a major impact on the European markets as well. Worries over imminent rate hike by the U.S. Fed kept investors on the sidelines. Investors are also keeping an eye on political developments in Germany.
- ✓ Also, the second phase of Brexit talks commenced in London during the week, with the European Union chief negotiator repeating his call for more clarity from the U.K. on the country's position.

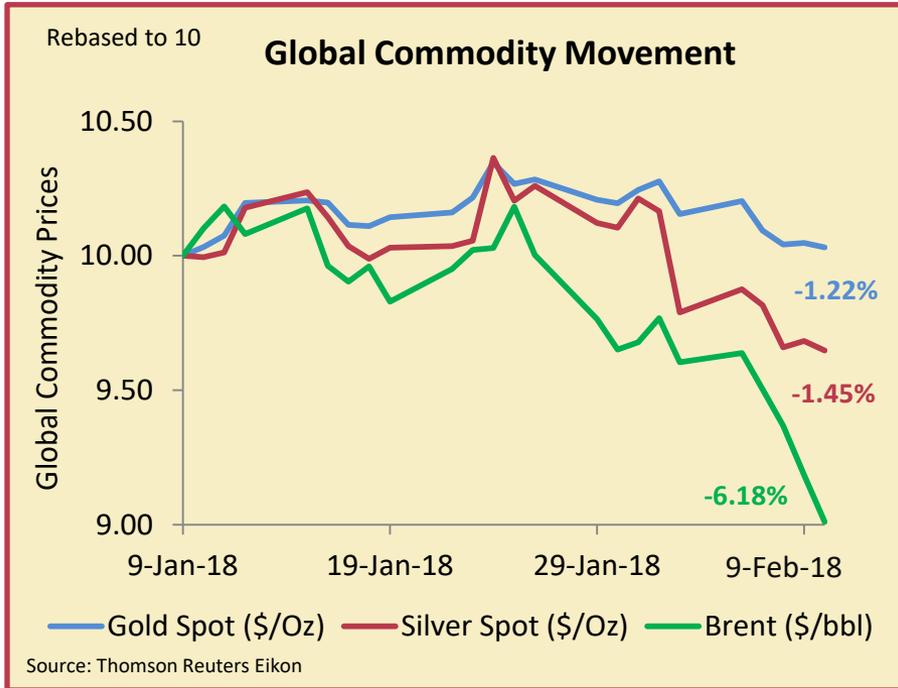
International Markets

Return Value as of February 09, 2018



- ✓ Asian markets too felt the heat of the strong sell off in Wall Street. Speculation over imminent rate hike by the U.S. Fed in Mar 2018 raised concerns over foreign fund flow, particularly from the U.S., in emerging markets.
- ✓ Better than expected growth in China's exports in Jan 2018 hardly improved sentiment. Weakness in global crude oil prices and strength in yen against the U.S. dollar further weighed on investor sentiment.
- ✓ Meanwhile, People's Bank of China said it will strengthen macro-prudential management of shadow banking and real estate financing this year. Also, comprehensive tools will be applied to maintain liquidity in banking.

Commodities



Gold

- ✓ Gold prices moved down as upbeat weekly jobless data reaffirmed optimism over the health of the U.S. labour market. The positive data contributed to the speculation of a rate hike by the U.S. Federal Reserve (Fed) in its upcoming meeting in Mar 2018.

Crude

- ✓ Brent crude prices plunged over the week after data from U.S. Energy Information Administration (EIA) indicated U.S. domestic crude production hit a record of 10.25 million barrels per day (bpd) for the week ending Feb 2. OPEC member Iran also announced plans to raise its production within the next four years by at least 700,000 barrels a day.

- ✓ Additionally, the number of oil drilling rigs climbed for the second week in a row. However, the downside was limited as the American Petroleum Institute reported that U.S. crude supplies fell by 1.1 million barrels for the week ended Feb 2 and gasoline stockpiles declined by 227,000 barrels during the same period.

Baltic Dry Index

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

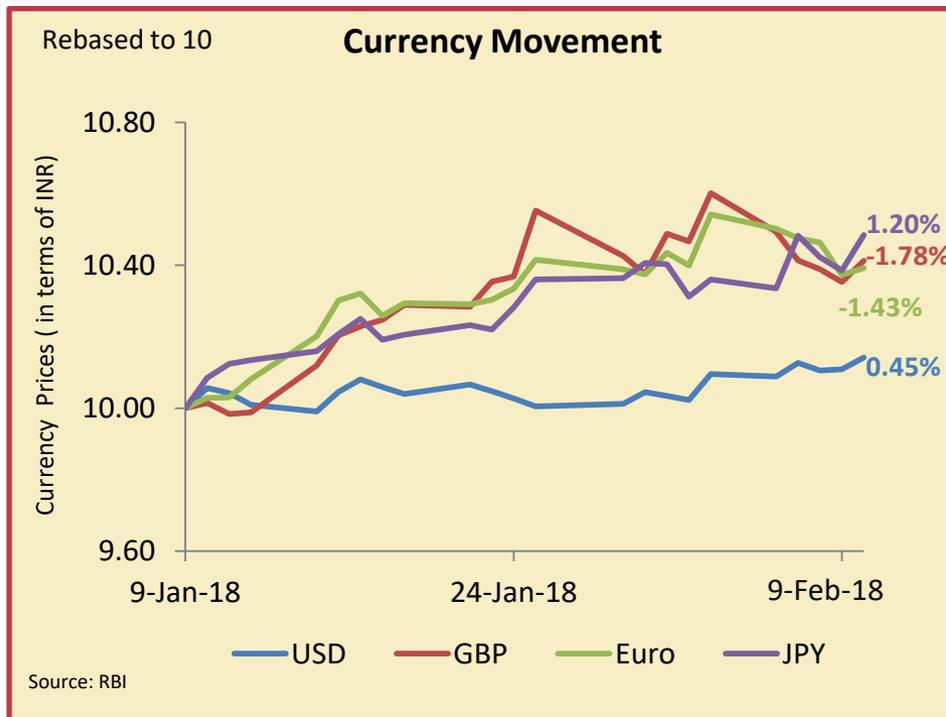
Performance of various commodities

Commodities	Last Closing	1-Wk Ago
Brent Crude(\$/Barrel)	62.98	67.13
Gold (\$/Oz)	1,316.64	1,332.92
Gold (Rs/10 gm)	30,007	30,452
Silver (\$/Oz)	16.35	16.59
Silver (Rs/Kg)	37,792	39,200

Source: Thomson Reuters Eikon

Values as on Feb 09, 2018

Currency



Rupee

- ✓ The Indian rupee weakened against the U.S. dollar following strong U.S. jobs data in Jan 2018 and increase in demand for greenback as risk appetite for equity deteriorated.

Euro

- ✓ Euro weakened against the U.S. dollar as the latter gained on worries that the U.S. Federal Reserve might raise interest rates faster to counter signs of wage pressure. Strong U.S. service industry data added to the losses.

Pound

- ✓ Pound weakened against the greenback on negative news about Brexit negotiations and expectations of slowdown in growth of U.K. economy in the first quarter of 2018. Comments by a European Union's Brexit negotiator indicated that a post Brexit transition deal may not be as easy to achieve as market expected, deepened losses.

Yen

- ✓ Yen strengthened against the U.S. dollar as its safe-haven appeal increased following huge losses in the global equity market.

Movement of Rupee vs. Other Currencies

Currency	Last Closing	1-Wk Ago
U.S. Dollar	64.37	64.08
Pound Sterling	89.71	91.34
EURO	78.89	80.03
JPY (per 100 Yen)	59.06	58.36

Key Mutual Funds News

- ✓ As per data from the Association of Mutual Funds in India (AMFI), the Assets Under Management (AUM) of mutual fund industry rose to Rs. 22.41 lakh crore in Jan 2018 from Rs. 21.38 lakh crore in Dec 2017. Overall, net inflow in mutual fund schemes stood at Rs. 1,06,159 crore in Jan as against a net outflow of Rs. 1,75,023 crore in the preceding month. Liquid funds saw maximum net inflow of Rs. 96,552 crore during the month. Equity and Equity Linked Saving Scheme (ELSS) saw an infusion of Rs. 15,390 crore. Meanwhile, income funds saw net outflow of Rs. 9,871 crore during the period.
- ✓ According to data from the Securities and Exchange Board of India, the total folio count of the mutual fund industry stood at 6.83 crore as on Jan 31, 2018. During the month of Jan, the industry witnessed an overall addition of 18.45 lakh folios. The folio count of equity-oriented schemes (excluding exchange traded fund) increased by 15.96 lakh during the month to 5.09 crore.
- ✓ Union Mutual Fund renamed the fund name of Union Prudence Fund as Union Balanced Advantage Fund. The change became effective from Feb 5, 2018.
- ✓ Mirae Asset Mutual Fund announced a revision in fundamental attributes of Mirae Asset Prudence Fund, effective from Mar 14, 2018. Accordingly, the scheme name is revised from Mirae Asset Prudence Fund to Mirae Asset Hybrid - Equity Fund. The scheme is categorized as an open-ended hybrid scheme investing predominantly in equity and equity related instruments. The revised investment objective of the scheme is to generate capital appreciation along with current income from a combined portfolio of predominantly investing in equity and equity-related instruments and balance in debt and money market instruments. The scheme will be benchmarked against CRISIL Hybrid 35+65 Aggressive Index.

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