

WEALTHWHISPER



Weekly Review
January 4, 2019

Key Economic News

International

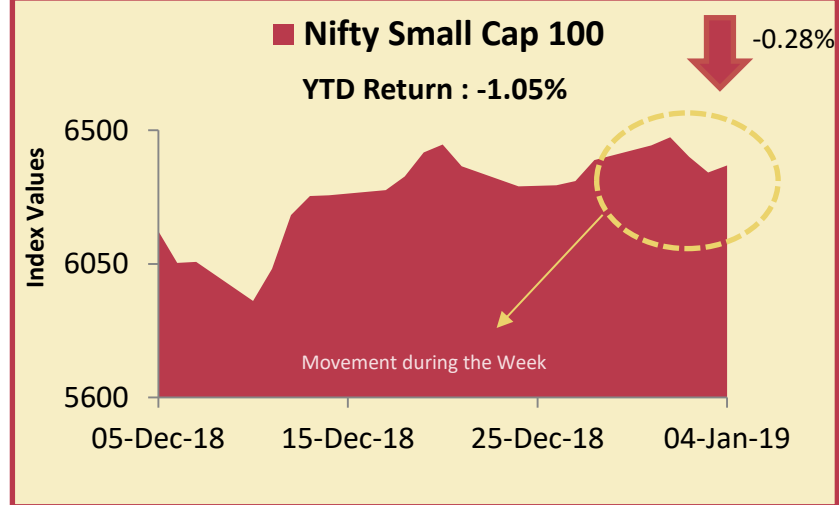
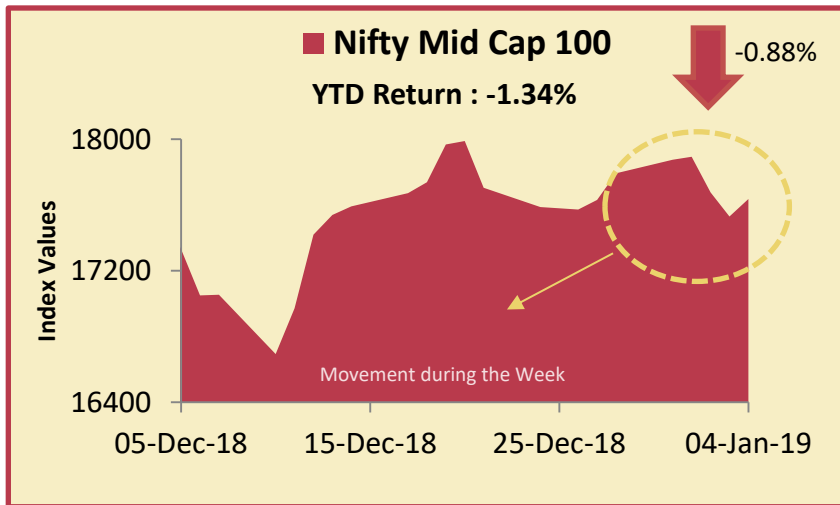
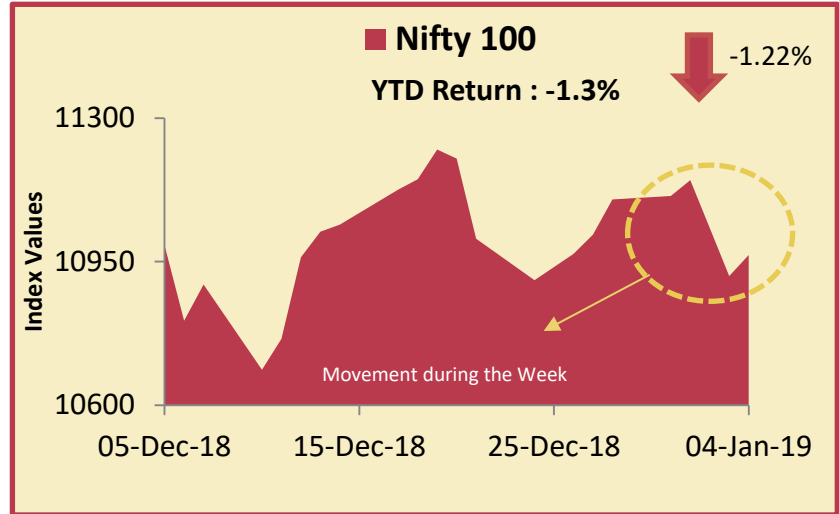
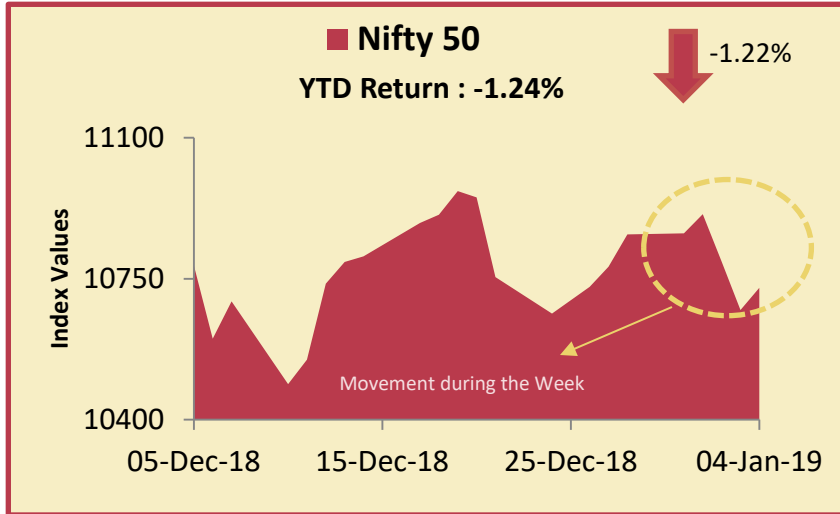
- ✓ According to the Labor Department, employment in the U.S. spiked by much more than estimated in Dec 2018. The Labor Department said non-farm payroll employment soared by 312,000 jobs in Dec 2018 after climbing by 176,000 jobs in Nov 2018.
- ✓ Institute for Supply Management data showed a notable slowdown in the pace of growth in U.S. manufacturing activity in Dec 2018. The ISM Purchasing Managers' Index (PMI) decreased to 54.1 in Dec 2018 after rising to 59.3 in Nov 2018, lowering to its lowest level since touching 53.4 in Nov 2016.
- ✓ Payroll processor ADP report showed much stronger than expected U.S. private sector job growth in Dec 2018 helped by a favourable weather. ADP said private sector employment increased by 271,000 jobs in Dec 2018 after climbing by 157,000 jobs in Nov 2018.
- ✓ According to the National Bureau of Statistics, manufacturing sector in China fell into contraction in Dec 2018 with a PMI score of 49.4. That is less than the no-change mark of 50.0 in Nov 2018.

Domestic

- ✓ The growth of index of eight core industries came in at 3.5% in Nov 2018 as against growth of 4.8% in Oct 2018. Cement industry witnessed the maximum growth of 8.8% (though it declined as against the previous month), followed by steel and electricity that surged 6.0% and 5.4%, respectively.
- ✓ The Nikkei India Manufacturing Purchasing Managers' Index (PMI) came in at 53.2 in Dec 2018 as against 54.0 in Nov 2018. Though the score eased as against Nov 2018, the rise in production was among the quickest witnessed in 2018.
- ✓ The Nikkei India Services PMI fell to 53.2 in Dec 2018 from 53.7 in Nov 2018. The downside reflects moderated pace of new work orders and business activity compared with Nov 2018, though job creation saw a significant uptick. Seasonally adjusted Nikkei India Composite PMI Output Index fell to 53.6 in Dec 2018 as against 54.5 in Nov 2018 because of weaker rise in private sector output. This happened because slowdown in growth of services activity was accompanied by a softer increase in manufacturing production.

Domestic Equity Market

Domestic market ended the first week of 2019 in the negative terrain



Domestic Equity Market

Ratios	S&P BSE Sensex	Nifty 50	Nifty Mid Cap 100	Nifty Small Cap 100
P/E	23.43	25.84	41.72	34.03
P/B	3.01	3.34	2.55	1.64
Dividend Yield	1.17	1.26	1.04	0.91

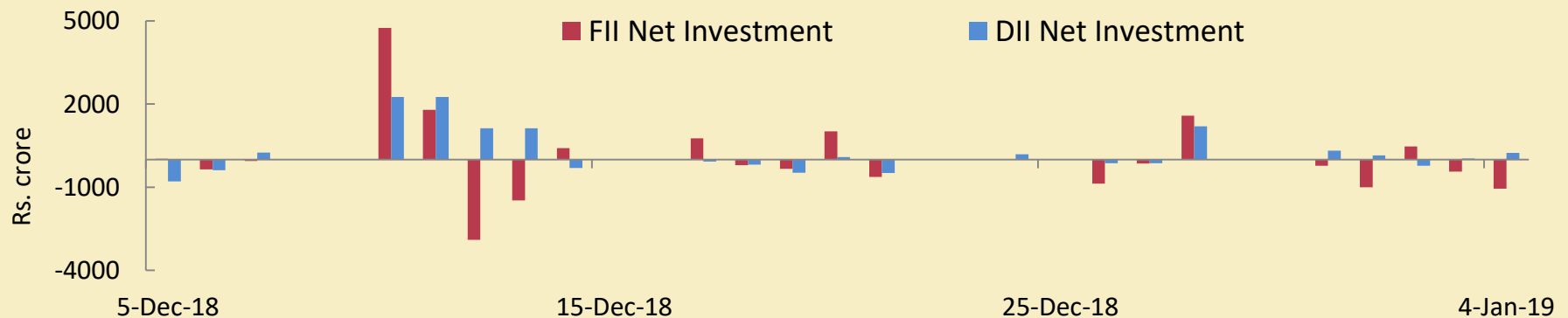
Source: BSE, NSE

Values as on January 4, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
31-Dec-18	1,078	728	1.48
01-Jan-19	997	732	1.36
02-Jan-19	545	1212	0.45
03-Jan-19	569	1199	0.47
04-Jan-19	883	893	0.99

Source: NSE

- ✓ Indian equity markets ended the first week of 2019 in the negative terrain on account of weak global cues including ongoing U.S. government shutdown. Uncertainty ahead of 2019 general elections in India along with corporate earnings, scheduled to be released from the second week of Jan 2019, kept investors on the sidelines.
- ✓ Weak economic data added to the woes as core sector numbers were lower than the previous month. The growth of index of eight core industries was at 3.5% in Nov 2018 as against growth of 4.8% in Oct 2018. Also, the Nikkei India Manufacturing and Service Purchasing Managers' Index (PMI) fell in Dec 2018 as against the previous month.



Source: SEBI

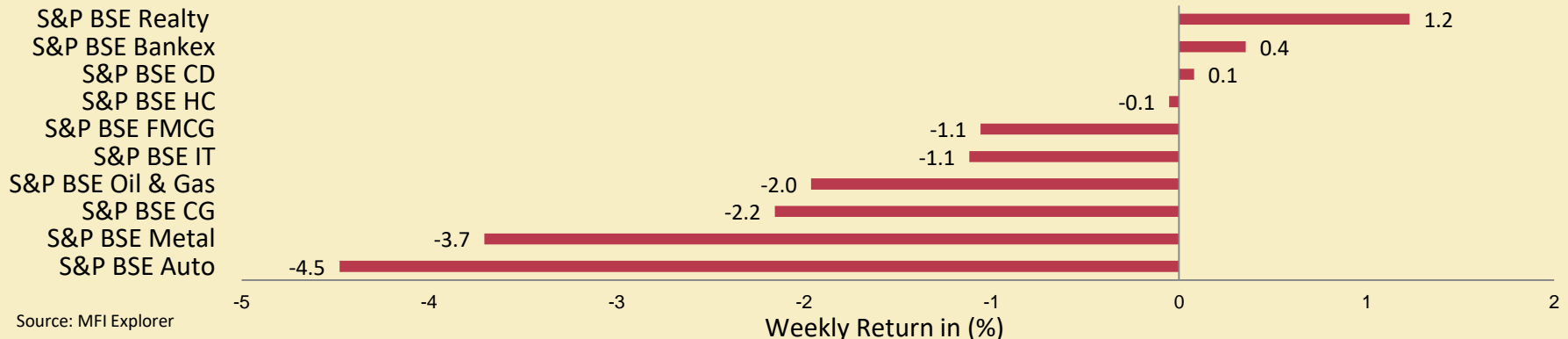
Domestic Equity Market

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19,894.2	-4.5	-4.3
S&P BSE Bankex	30,438.1	0.4	1.8
S&P BSE CD	20,568.9	0.1	0.1
S&P BSE CG	18,383.8	-2.2	-1.3
S&P BSE FMCG	11,710.5	-1.1	0.6
S&P BSE HC	13,822.9	-0.1	-2.4
S&P BSE IT	13,894.8	-1.1	-5.0
S&P BSE Metal	11,240.2	-3.7	-7.3
S&P BSE Oil & Gas	13,510.7	-2.0	0.8
S&P BSE Realty	1,825.20	1.2	-0.1

Source: MFI Explorer *Values as on Jan 4, 2019

- ✓ On the BSE sectoral front, all the indices closed in the red barring S&P BSE Realty (1.23%), S&P BSE Bankex (0.36%) and S&P BSE CD (0.08%). S&P BSE Auto (-4.48%) was the major loser followed by S&P BSE Metal (-3.70%) and S&P BSE CG (-2.16%).
- ✓ Metal stocks were dragged by disappointing Chinese manufacturing data. Also, decline in one of the major metal stocks, following media reports stating that Tamil Nadu government has moved the Supreme Court for closure of the company's copper plant in Thoothukudi weighed on the sector.

1-Week Return as of January 04, 2019

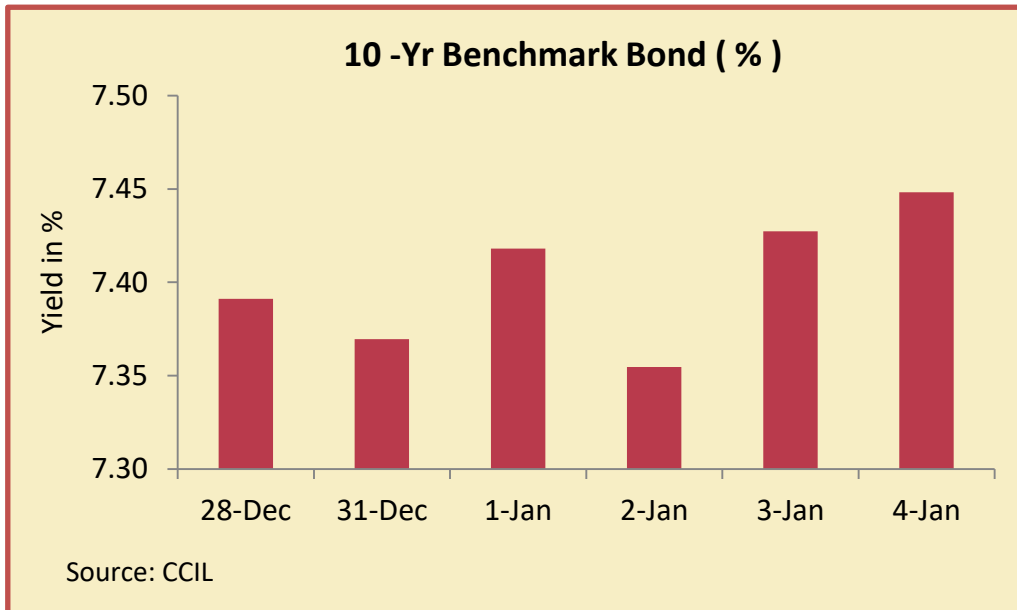


Domestic Debt Market

Bond yields rose on concerns of fiscal slippage in FY19

Debt Indicators (%)	Current Value*	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.31	6.57	6.35	6.09
91 Day T-Bill	6.61	6.67	6.76	6.39
07.80% 2021, (5 Yr GOI)	6.92	6.86	7.46	7.73
07.17% 2028, (10 Yr GOI)	7.45	7.39	7.57	7.85

Source: Thomson Reuters Eikon; CCIL *Values as on Jan 4, 2019



- ✓ Bond yields rose for the second consecutive week as market participants were worried that the government might miss its fiscal deficit target of 3.3% of Gross Domestic Product for this fiscal. Concerns of a possible fiscal slippage have come to the forefront on speculation that the government might announce a relief package to support farm and rural sectors.
- ✓ Surge in global crude oil prices over the week and higher than anticipated borrowing plan by state governments for the period from Jan to Mar of 2019 added to the pain. However, bargain hunting restricted further losses
- ✓ The yield on the 10-year benchmark paper (7.17% GS 2028) rose 6 bps to close at 7.45% from the last week's close at 7.39%, after trading in a range of 7.34% to 7.48%.

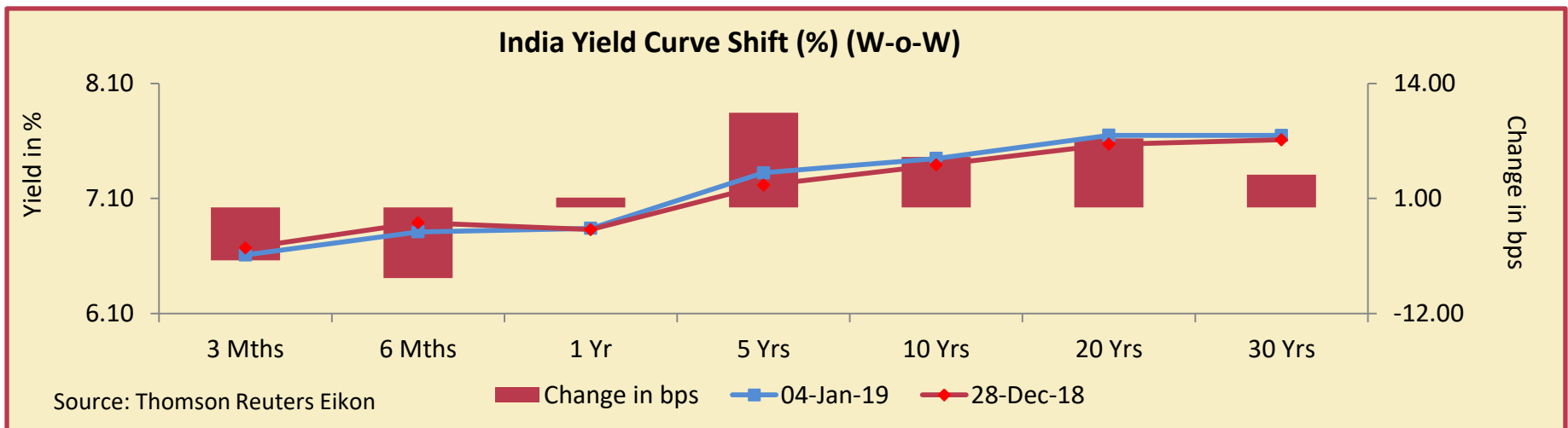
Domestic Debt Market

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.96	8.49	154
3 Year	7.23	8.52	129
5 Year	7.46	8.38	92
10 Year	7.59	8.48	89

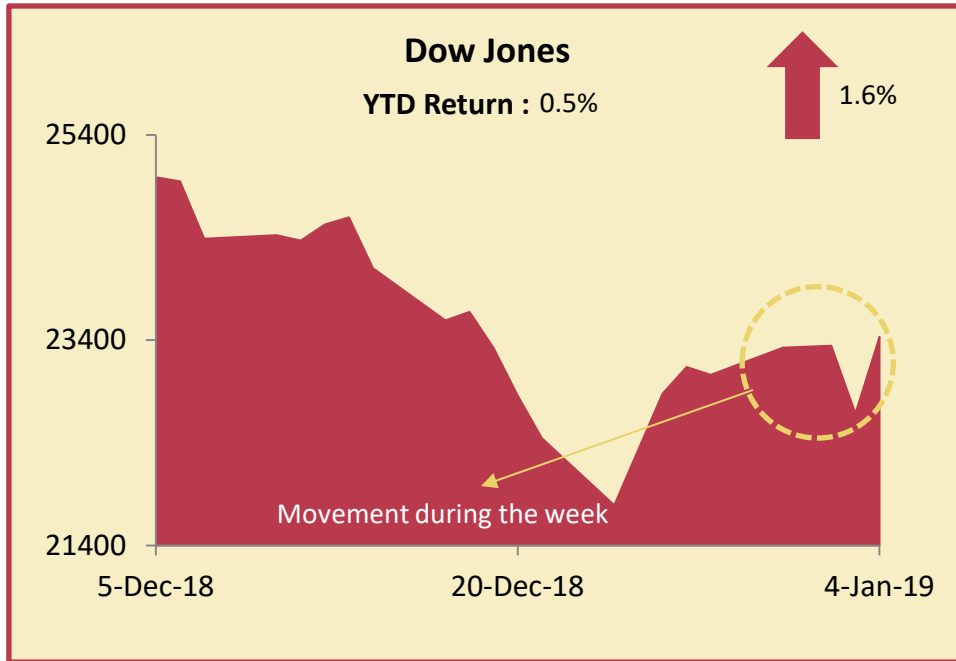
Source: Thomson Reuters Eikon

Values as on Jan 4, 2019

- ✓ Yields on gilt securities increased across the maturities by up to 16 bps barring 12-year paper that fell 1 bps. The maximum increase was witnessed on 14-year paper.
- ✓ Corporate bond increased across the maturities in the range of 3 bps to 13 bps. The maximum increase was witnessed on 5- and 6-year papers and the minimum on 3-year paper.
- ✓ The difference in spread between AAA corporate bond and gilt expanded across the maturities by up to 6 bps barring 10-year paper that closed steady.



International Markets



- ✓ U.S. markets traded in the green during the first week of 2019 driven by optimism about a potential U.S.-China trade deal following comments from the U.S. President. Markets found additional strength from reports of Labor Department and payroll processor ADP showing surge in non-farm payroll employment and U.S. private sector job growth in Dec, respectively.
- ✓ However, downwardly revised earnings guidance from one of the tech giants contributed to the sell-off.

Indices	Last Closing*	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	4,737.1	1.2	-5.5	0.1
DAX Index	10,767.7	2.0	-5.0	2.0
FTSE 100	6,837.4	1.5	-2.6	1.6

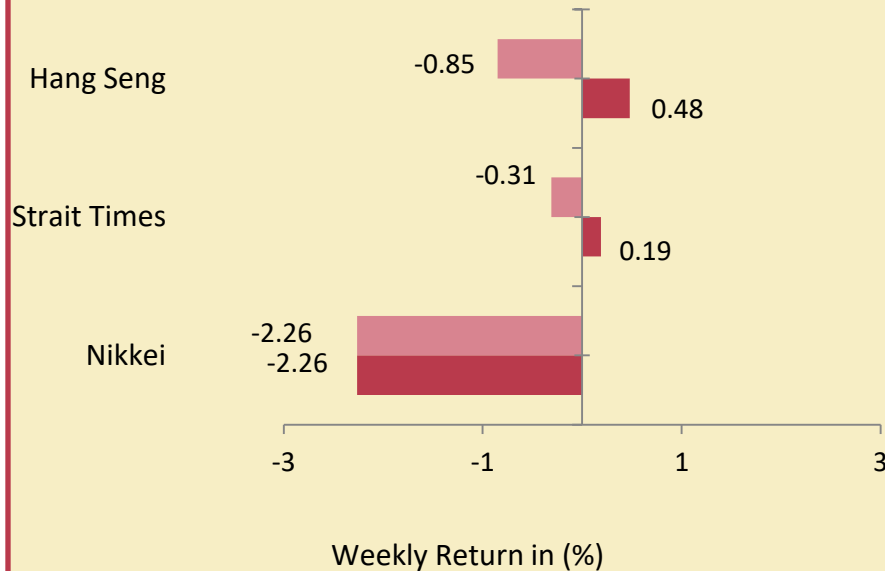
Source: Thomson Reuters Eikon *Values as on Jan 4, 2019

- ✓ European markets went up led by optimism over long-term U.S.-China trade deal after both the nations scheduled fresh trade talks in the upcoming week. Additionally, private survey showing growth in the Chinese services sector to a six-month high in Dec 2018 eased global growth worries.
- ✓ Gains were restricted by uncertainty over Brexit deadline after media reports stated that the deadline may be pushed back if the U.K. Prime Minister's deal fails to get approved by Parliament in Jan 2019.

International Markets

Return Value as of January 04, 2019

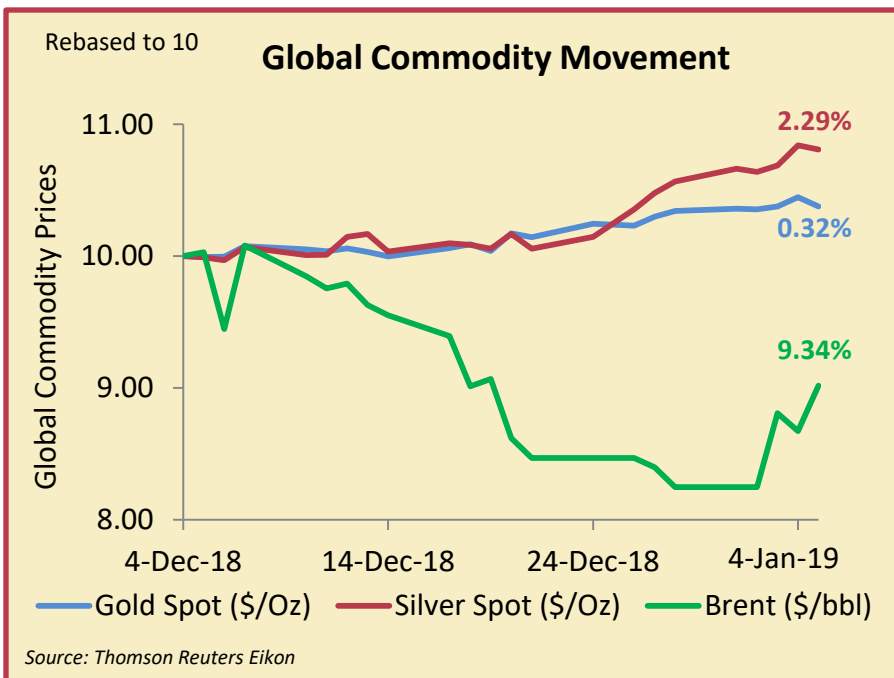
■ % Change YTD ■ % Change week



Source: MFI Explorer

- ✓ Asian equity markets were mostly high except for Japan. Investor sentiment was buoyed by strong Chinese services data and progress on U.S.-China trade front. The two countries have decided to hold vice-ministerial level trade talks in Beijing on Jan 7-8, 2019. Concerns over the slowdown of global economic growth took a backseat after a private survey showed that China's services sector hit a six-month high in Dec 2018.
- ✓ However, Japan fell as the yen strengthened against the U.S. dollar. Trading has resumed in the land of the rising sun after a long holiday and investors became jittery after one of the U.S. tech giants lowered its first-quarter revenue outlook and warned of weaker sales in China.

Commodities



Gold

- ✓ Gold prices traded higher after China's manufacturing activity fell in Dec 2018. The precious metal also gained on concerns over Brexit and political unrest at U.S. However, reports that the U.S. and Chinese Presidents held talks on trade matters restricted the upside. In addition, reports that the Chinese services sector grew to a six-month high further dampened the bullion's safe haven appeal.

Brent Crude

- ✓ Brent crude prices traded higher as market participants awaited the supply-cut to begin soon, as announced by the oil cartel in early Dec 2018. Data showing that OPEC's oil production reduced 530,000 barrels per day to 32.6 million last month as Saudi Arabia curbed output, added to the gains. However, gains were restricted by disappointing China's manufacturing activity data for Dec 2018, raising doubts on the demand outlook for oil.

Baltic Dry Index

- ✓ The Baltic Dry Index witnessed a fall of 0.87% WoW on the back of lower capsize and panamax activities.

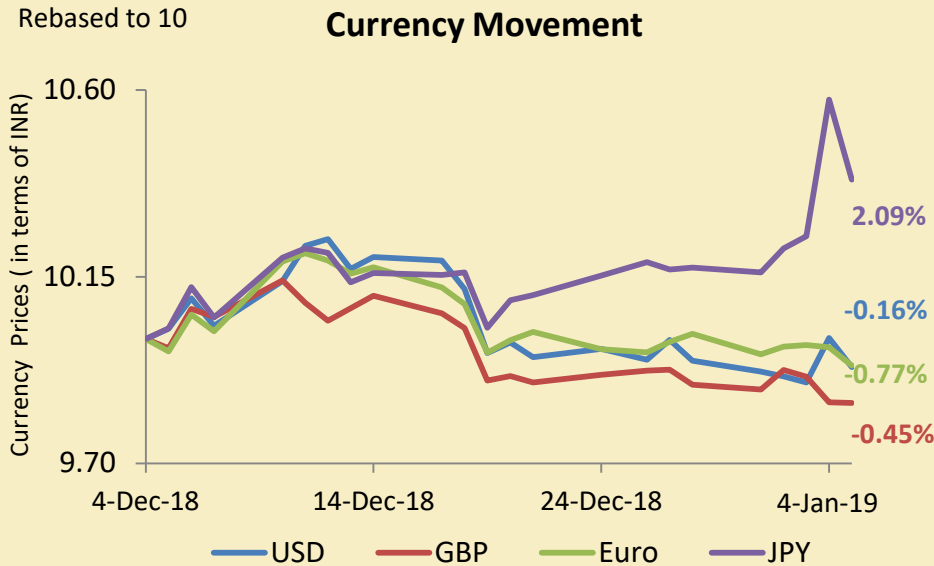
Performance of various commodities

Commodities	Last Closing*	1-Wk Ago
Brent Crude(\$/Barrel)	55.2	50.51
Gold (\$/Oz)	1,284.8	1,280.7
Gold (Rs/10 gm)	3,1769	3,1547
Silver (\$/Oz)	15.7	15.3
Silver (Rs/Kg)	38,775.0	38,133.0

Source: Thomson Reuters Eikon

*Values as on Jan 4, 2019

Currency



Rupee

- ✓ The Indian rupee strengthened against the U.S. dollar amid progress in U.S.-China trade talks. Speculations over a slowdown in pace of interest rate hikes by the U.S. Fed and concerns over U.S. economic growth dampened greenback. However, weak Chinese manufacturing PMI in Dec 2018 capped the gains.

Euro

- ✓ The euro fell against the greenback following weak manufacturing PMI from most of the euro area in Dec 2018. More than expected rise in U.S. non-farm payroll data in Dec 2018 further dampened euro.

Pound

- ✓ The pound fell initially against the greenback amid fears of global economic slowdown and uncertainty about Brexit negotiations. However, U.K.'s more than expected rise in service PMI in Dec 2018 reversed the losses.

Yen

- ✓ The yen surged against the U.S. dollar as investors worried over slowing of global growth and volatile Japanese equity markets that boosted its safe-haven appeal. However, strong U.S. non-farm payroll data in Dec 2018 capped the gains.

Movement of Rupee vs. Other Currencies

Currency	Last Closing *	1-Wk Ago
US Dollar	69.87	69.98
Pound Sterling	88.26	88.66
EURO	79.57	80.18
JPY(per Rs.100)	64.60	63.28

Source: RBI

Figures in INR, *Values as on Jan 4, 2019

Key Mutual Funds News

- ✓ According to media reports, the Securities and Exchange Board of India (SEBI) permitted custodial service in the commodity derivatives market. This will facilitate the participation of institutional investors, including mutual funds, in this space.
- ✓ The SEBI allowed debt mutual funds to segregate their portfolios and carve out bad securities. SEBI said in case where the credit rating of an instrument held by a debt fund gets downgraded to "below investment grade" (below BBB-rating) then fund houses can choose to segregate such bad securities. After this, investors can continue to buy or sell the good portion of the scheme and the segregated portfolio will not allow any fresh investments until the fund recovers the dues from bad assets. The option of segregating is with the fund houses, but they will not be able to do this immediately as they need to first mention it in their scheme information documents.
- ✓ Canara Robeco Mutual Fund announced the change in benchmark of Canara Robeco Emerging Equities from S&P BSE 200 TRI to NIFTY Large Midcap 250 TRI. This came into effect from Jan 1, 2019.
- ✓ LIC Mutual Fund announced the resignation of Vijay Kumar Sharma, Chairman and Nominee Director on the board of LIC Mutual Fund Asset Management Limited with effect from Dec 31, 2018 on reaching the age of superannuation.
- ✓ Franklin Templeton Mutual Fund announced the change in fund manager of Franklin India Debt Hybrid Fund. The fund house appointed Krishna Prasad Natarajan as the co-manager for the equity portion of the scheme, effective Jan 1, 2019.
- ✓ SBI Mutual Fund announced the change in exit load of SBI Equity Savings Fund, which will be effective from Jan 1, 2019. According to the revised structure, 0.10% will be charged on exit on or before 15 days from the allotment date. No exit load is applicable otherwise.

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