

WEALTHWHISPER



Weekly Review
January 5, 2018

Key Economic News

International

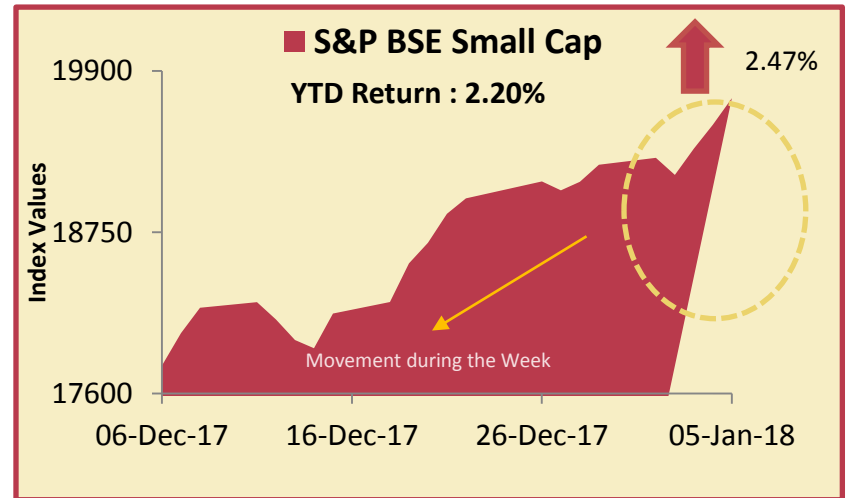
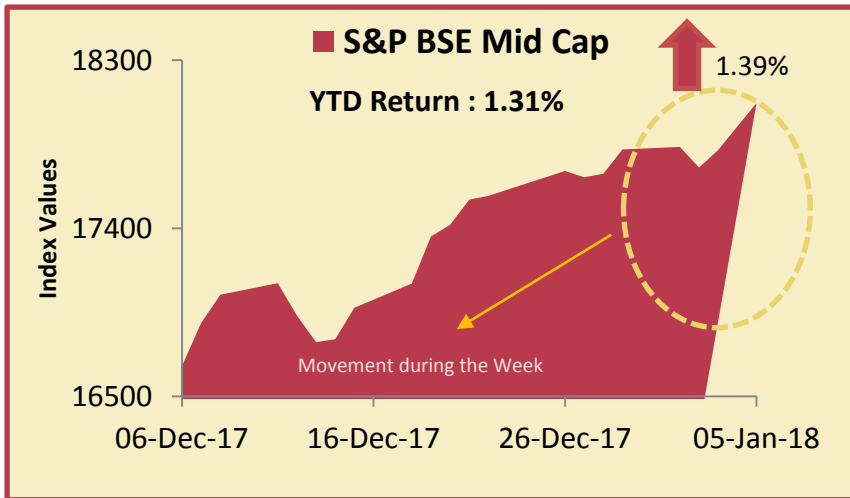
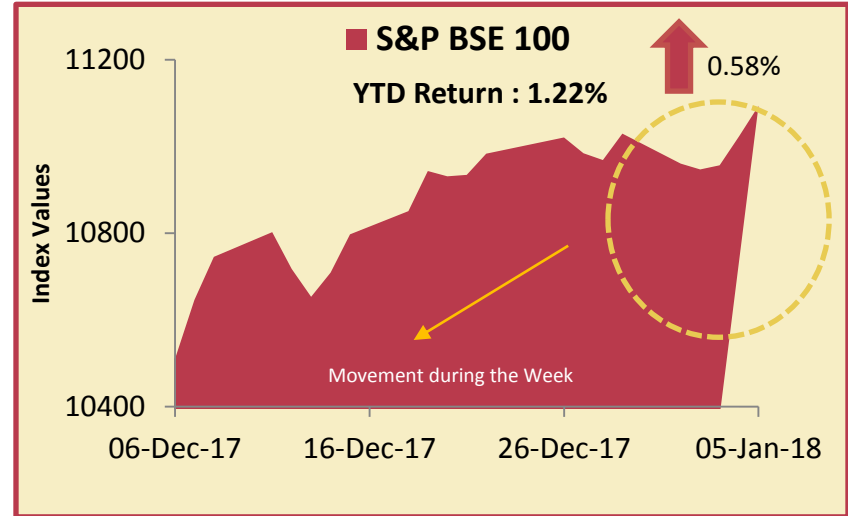
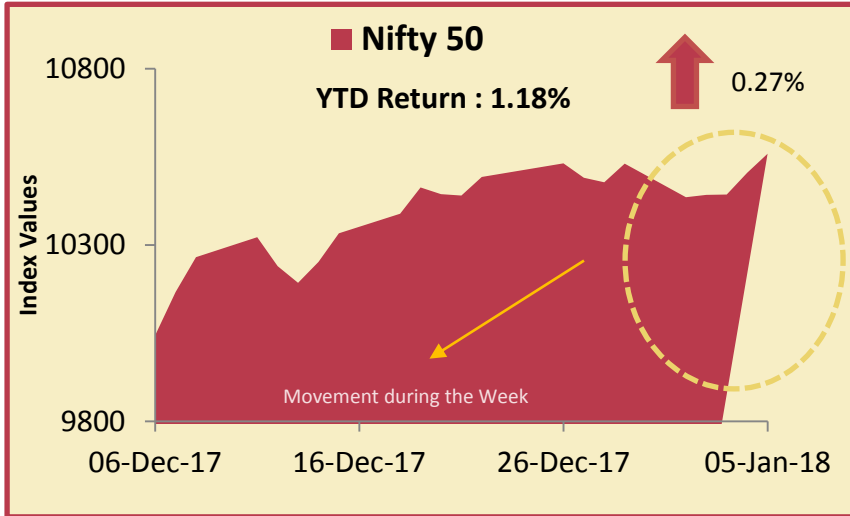
- ✓ A report from the U.S. Labour Department showed that U.S. non-farm payroll employment grew by 148,000 jobs in Dec 2017 as against an upwardly revised 252,000 jobs (228,000 jobs originally reported) in Nov 2017. The unemployment rate came in at 4.1% in Dec 2017 which was same as that of the two previous months.
- ✓ According to minutes of the U.S. Federal Reserve's Dec 2017 meeting, the pace of interest rate hikes in 2018 can slowdown due to weak U.S. inflation. The minutes also stated that labour market conditions continued to strengthen through Nov 2017 and suggested that real Gross Domestic Product (GDP) was rising at a solid pace in the second half of 2017.
- ✓ According to a survey from Caixin, China's service Purchasing Managers' Index (PMI) continued to increase at an accelerated pace to 53.9 in Dec 2017 up from 51.9 in Nov 2017 driven by new orders. Meanwhile, the composite index came in at 53.0 in Dec 2017, up from 51.6 in the previous month.

Domestic

- ✓ Government data showed that the index of eight core industries grew 6.8% in Nov 2017 from 5.0% in the previous month and 3.2% in the same period of the previous year. The increase in growth pace can be attributed to growth in cement, steel and refinery products sector that grew 17.3%, 16.6% and 8.2%, respectively. All the eight sectors witnessed growth during the month under review barring coal sector that contracted 0.2% in Nov 2017. However, the growth of the index of eight core industries from Apr to Nov of 2017 slowed to 3.9% from 5.3% in the same period of the previous year.
- ✓ The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 54.7 in Dec 2017 from 52.6 in Nov 2017, marking a three-year high. The Nikkei India Services PMI Business Activity Index rose to 50.9 in Dec 2017 from 48.5 in Nov 2017 on the back of stable new orders and improved output requirements. Meanwhile, the Nikkei India Composite PMI Output Index rose to 53.0 in Dec 2017 from 50.3 in the previous month.

Domestic Equity Market

Indian equity markets rose following upbeat manufacturing and service sector PMI data for Dec 2017



Domestic Equity Market

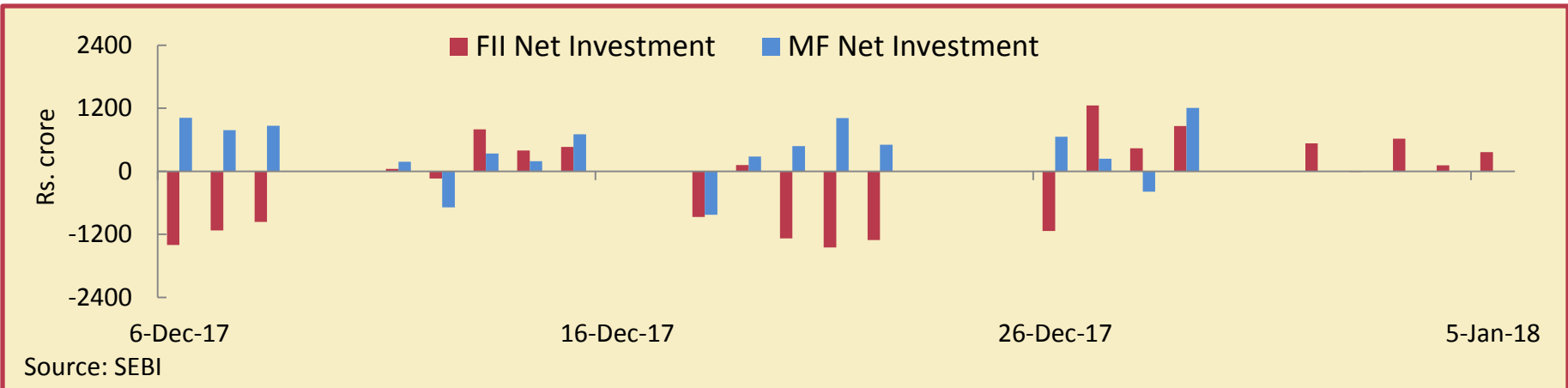
Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Midcap	S&P BSE Smallcap
P/E	24.9	23.6	NA	NA
P/B	3.4	3.4	NA	NA
Dividend Yield	1.2	1.3	NA	NA

Source: Thomson Reuters Eikon Values as on Jan 5, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Jan-18	988	835	1.18
02-Jan-18	647	1164	0.56
03-Jan-18	1182	605	1.95
04-Jan-18	1158	641	1.81
05-Jan-18	1053	757	1.39

Source: NSE

- ✓ Indian equity markets initially remained muted due to lack of cues from global markets that remained closed on account of New Year's Day. Upcoming corporate earnings season, key economic data releases and rising crude oil prices further kept investors wary. Also, auto stocks witnessed decline amid announcement of December sales numbers.
- ✓ However, the trend reversed following upbeat manufacturing and service sector PMI data for Dec 2017. Additionally, Parliament has approved Rs. 80,000 crore of recapitalisation bonds for strengthening public sector banks, as part of a move to help lenders deal with non-performing asset and revive credit growth.

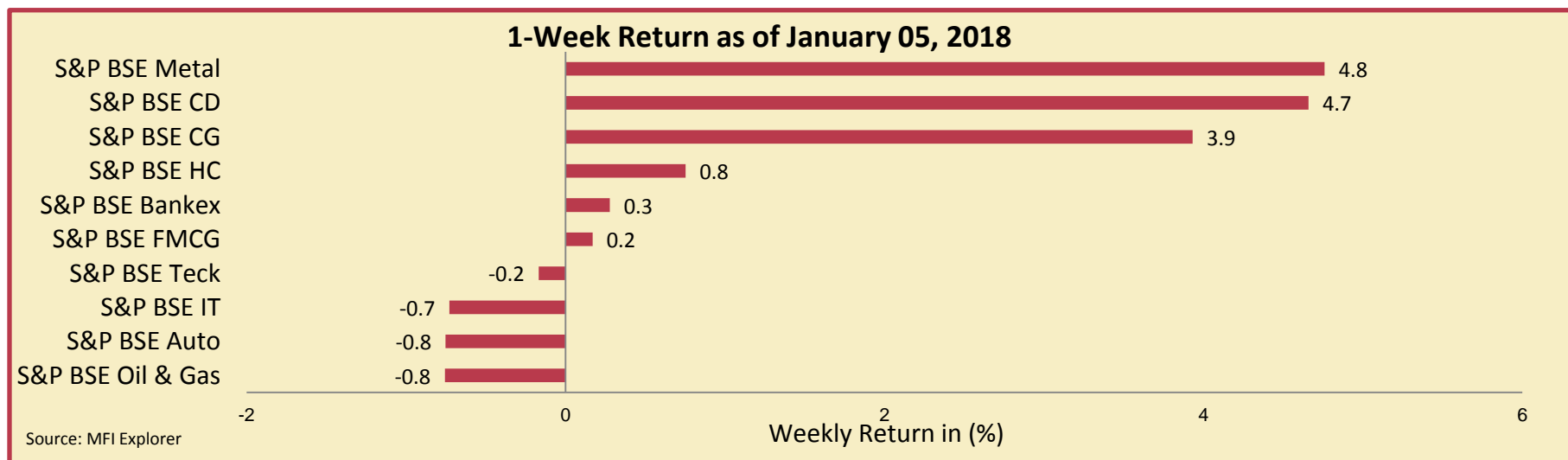


Domestic Equity Market

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	26,550.0	-0.8	7.2
S&P BSE Bankex	28,936.9	0.3	1.7
S&P BSE CD	23,746.6	4.7	12.1
S&P BSE CG	19,886.2	3.9	9.1
S&P BSE FMCG	10,713.3	0.2	4.4
S&P BSE HC	14,910.9	0.8	7.2
S&P BSE IT	11,195.7	-0.7	4.7
S&P BSE Metal	15,650.3	4.8	15.0
S&P BSE Oil & Gas	16,160.0	-0.8	2.5
S&P BSE Teck	6397.4	-0.2	5.7

Source: MFI Explorer Values as on Jan 5, 2018

- ✓ On the BSE sectoral front, most of the indices closed in the green barring S&P BSE Oil & Gas (-0.76%), S&P BSE Auto (-0.75%), S&P BSE IT (-0.73%) and S&P BSE Teck (-0.17%). Meanwhile, S&P BSE Metal (4.76%) stood as the major gainer followed by S&P BSE Consumer Durables (4.66%).
- ✓ Banking sector witnessed major reform measures as the Insolvency and Bankruptcy Code (Amendment) Bill, 2017, was passed as per which wilful defaulters and existing promoters will be debarred from bidding for stressed assets of companies.

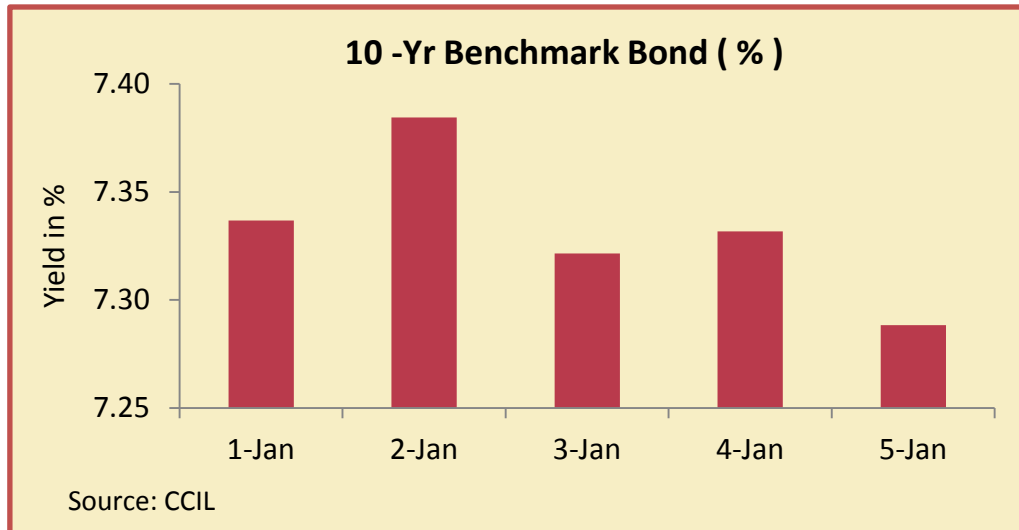


Domestic Debt Market

Bond yields fell after the auction of the new 10-year benchmark paper came in line with market expectations

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.88	6.10	5.82	6.03
91 Day T-Bill	6.30	6.22	6.12	6.28
07.80% 2021, (5 Yr GOI)	6.98	6.96	6.77	6.63
06.79% 2027, (10 Yr GOI)	7.29	7.33	7.06	6.55

Source: Thomson Reuters Eikon Values as on Jan 5, 2018



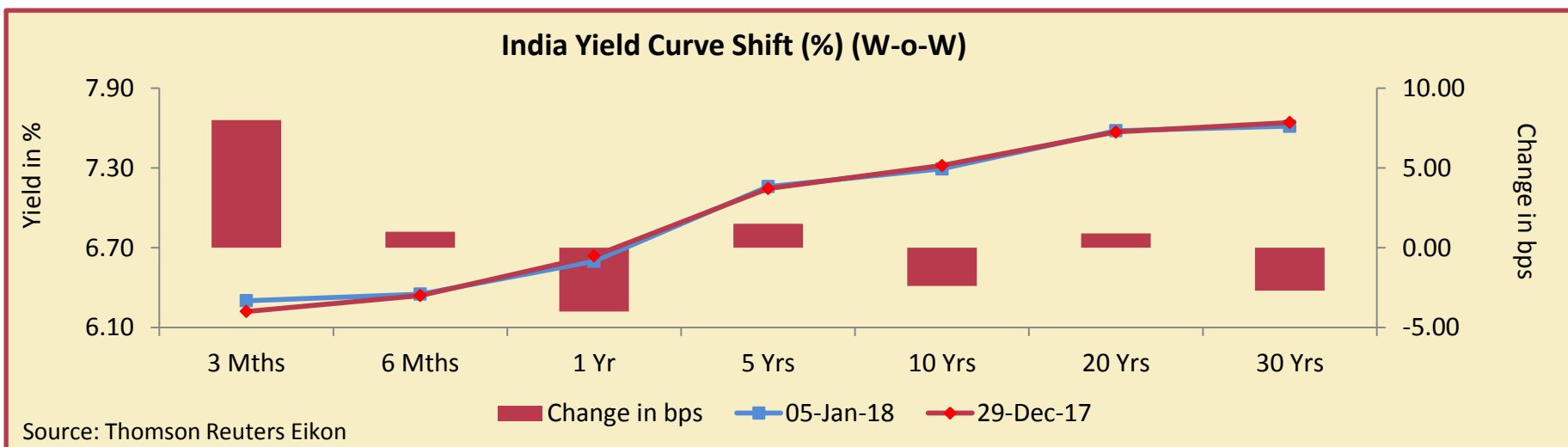
- ✓ Bond yields fell in the first week of 2018 marking the first weekly fall in the past six weeks, after the auction of the new 10-year benchmark paper matched market expectations and boosted market sentiment. Also, the Reserve Bank of India (RBI) in the weekly debt auction on Jan 5, 2018, sold bonds worth Rs. 15,000 crore instead of Rs. 18,000 crore scheduled earlier. Bargain hunting to some extent also added to the gains.
- ✓ However, gains were capped as increase in global crude oil prices and worries that domestic inflationary pressures may stay above RBI's target weighed on market sentiment.
- ✓ Yield on the 10-year benchmark bond (6.79% GS 2027) fell 4 bps to close at 7.29% from the previous week's close of 7.33%.

Domestic Debt Market

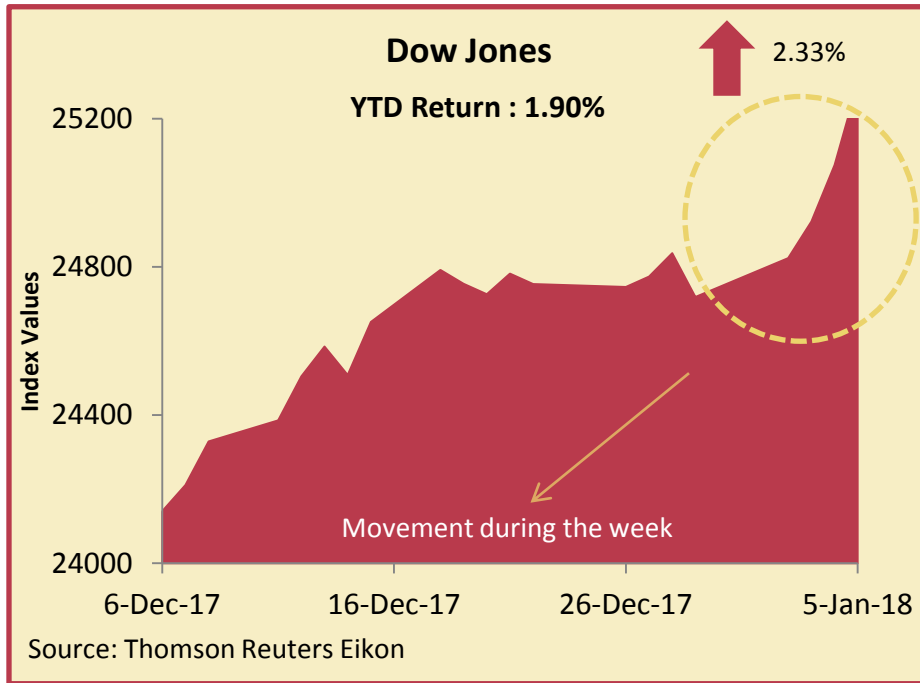
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.60	7.28	68
3 Year	7.07	7.55	48
5 Year	7.29	7.67	38
10 Year	7.60	7.85	25

Source: Thomson Reuters Eikon Values as on Jan 5, 2018

- ✓ Yields on gilt securities increased on 3-, 5-, 11- and 19-year maturities by up to 2 bps. Yield on the remaining maturities fell by up to 9 bps, barring 6- and 24-year paper that closed steady.
- ✓ Corporate bond yields fell on 3-, 5-, 10- and 15-year maturities by up to 3 bps. Yield on the remaining maturities increased by up to 2 bps, barring 1- and 9-year papers that closed steady.
- ✓ Spread between AAA corporate bond and gilt expanded across the maturities in the range of 3 bps to 7 bps, barring 3-, 5-, 10- and 15-year maturities that contracted by up to 3 bps.



International Markets



- ✓ U.S. markets traded higher in the first week of 2018 amid optimism about the outlook for the markets and the economy going into the new year.
- ✓ Investor sentiment improved after the report from payroll processor ADP showed that private sector employment in U.S. rose more than expected in Dec 2017. Buying interest was hardly impacted by a report from the U.S. Labour Department showing weaker than expected job growth in U.S. in Dec 2017 as U.S. monthly wages rose in the same month.

Indices	Last Closing	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	5,470.8	3.0	1.8	3.4
DAX Index	13,319.6	3.1	2.1	3.5
FTSE 100	7,724.2	0.5	5.4	1.0

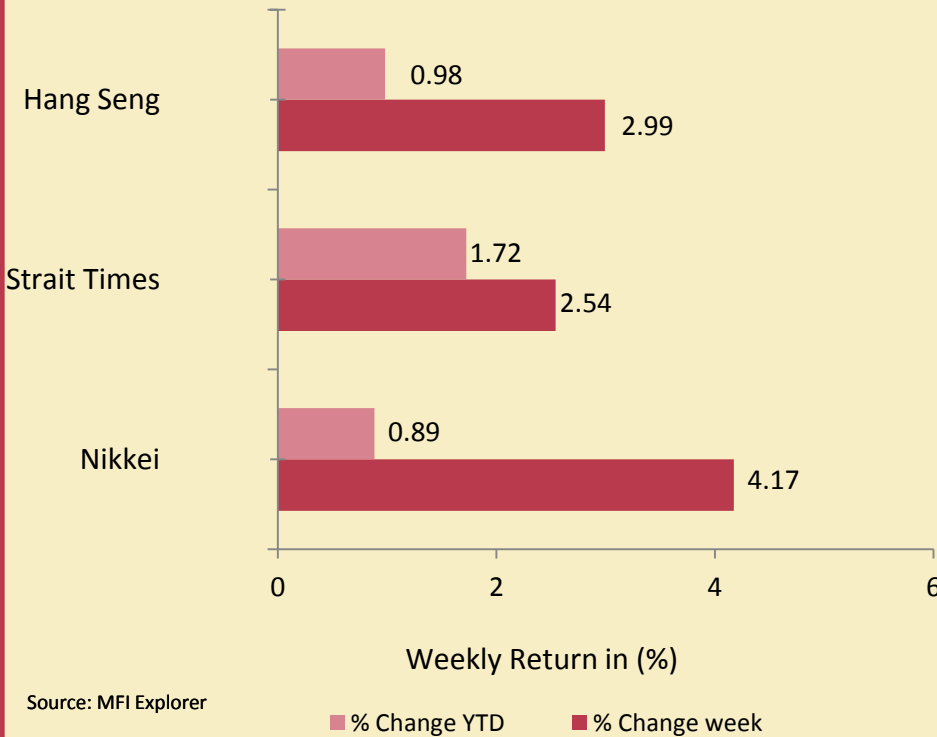
Source: Thomson Reuters Eikon

Values as on Jan 5, 2018

- ✓ European markets rose with investors welcoming the new rules for the region's financial markets, known as Mifid II.
- ✓ The new set of rules is aimed at bringing in transparency and improving investor confidence in the financial industry. Investor sentiments were also buoyed by data showing expansion in euro zone private sector to the highest level since early 2011 in Dec 2017. In addition, Germany's jobless rate held steady at a record low in Dec 2017 which also added to the gains.

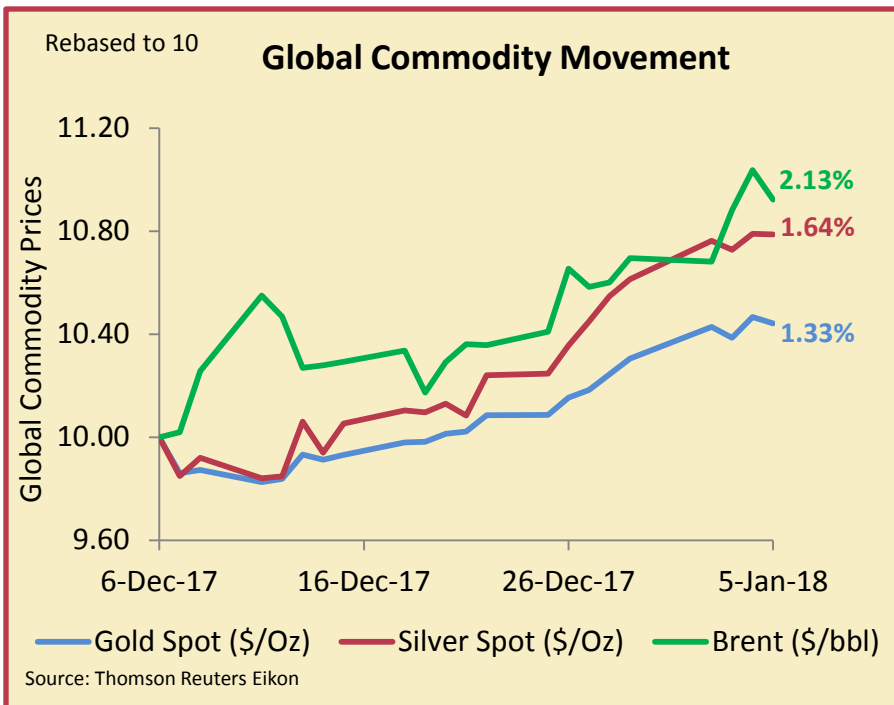
International Markets

Return Value as of January 05, 2018



- ✓ Asian markets rose in tune with its global peers driven by positive data from the region. Chinese manufacturing activity data surpassed market expectations in Dec 2017.
- ✓ Additionally, the manufacturing sector in Japan expanded in Dec 2017 which also added to the gains.
- ✓ Expectations of improvement in geopolitical tensions after North Korea's leader said he is open to talk to South Korea, as reported by media, helped sentiment.
- ✓ Moreover, positive cues from Wall Street supported buying interest.

Commodities



Gold

- ✓ Gold prices rose after minutes of the U.S. Federal Reserve's monetary policy meeting in Dec 2017 indicated that the U.S. central bank may hike interest rates gradually.
- ✓ However, gains were capped following a pick up in U.S. monthly wages in Dec 2017 even though U.S. job growth slowed more than expected in the same period.

Crude

- ✓ Brent crude prices touched a multi-year high above \$69 per barrel during the week amid unrest in Iran that raised concerns over potential supply disruptions in the region.
- ✓ Additionally, data from the American Petroleum Institute and the Energy Information Administration indicated that crude oil stockpiles and crude inventories fell in the week ending Dec 29 which also added to the gains.

Baltic Dry Index

- ✓ The Baltic Dry Index resumed trading after a long holiday session and gained 0.37% on the back of improved capesize and panamax activities. (The return is calculated as point to point returns from Dec 22, 2017 to Jan 5, 2018).

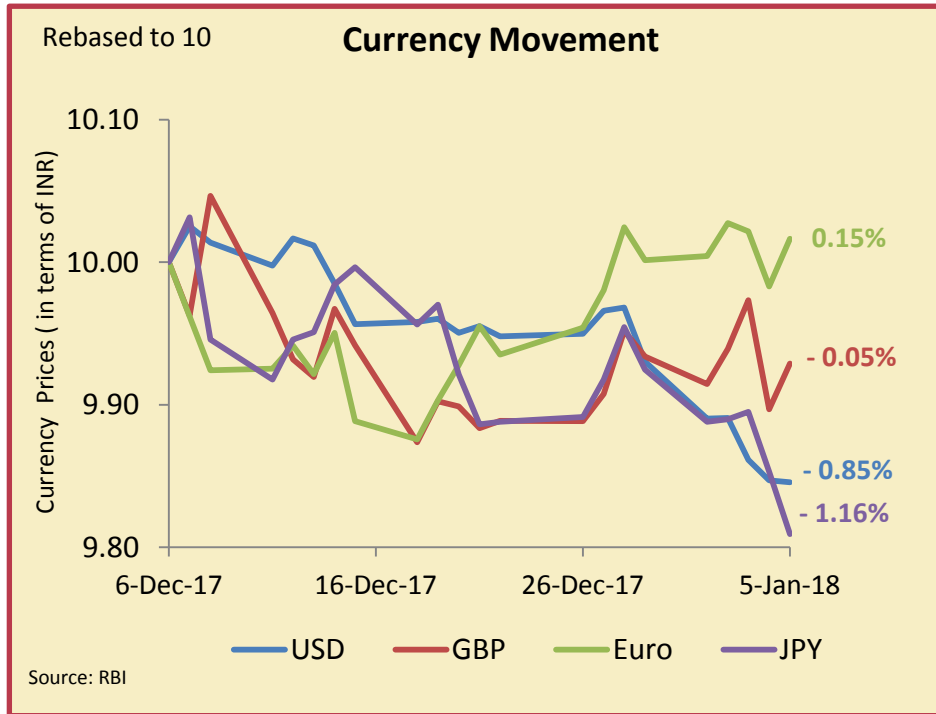
Performance of various commodities

Commodities	Last Closing	1-Wk Ago
Brent Crude(\$/Barrel)	68.50	67.07
Gold (\$/Oz)	1319.81	1302.45
Gold (Rs/10 gm)	29,443	29,252
Silver (\$/Oz)	17.22	16.95
Silver (Rs/Kg)	38,643	38,350

Source: Thomson Reuters Eikon

Values as on Jan 5, 2018

Currency



Rupee

- ✓ The Indian rupee rose against the U.S. dollar following selling of the greenback by banks likely on behalf of custodian and corporate clients. However, dollar demand from oil importers and state-run banks capped the gains.

Euro

- ✓ Euro rose against the greenback following optimism over global growth and expectations of a slower rate of interest rate increases by the U.S. Federal Reserve amid tepid inflation outlook.

Pound

- ✓ Sterling strengthened against the U.S. dollar amid high volatility as market participants remained optimistic on upcoming Brexit talks. Gains were extended following improvement in risk appetite of investors and after surveys showed Britain's dominant services sector rebounded strongly in Dec 2017.

Yen

- ✓ Yen weakened against the U.S. dollar as the risk appetite of market participants improved following upbeat U.S. economic data.

Movement of Rupee vs. Other Currencies

Currency	Last Closing	1-Wk Ago
U.S. Dollar	63.38	63.93
Pound Sterling	86.02	86.07
EURO	76.50	76.39
JPY (per 100 Yen)	56.06	56.72

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 fell to Rs. 21.38 lakh crore in Dec 2017 from Rs. 22.79 lakh crore in Nov 2017. Overall, net outflow in mutual fund schemes stood at Rs. 1,64,095 crore in Dec compared with an net inflow of Rs. 1,26,172 crore in the preceding month. Liquid funds saw maximum net outflow of Rs. 1,27,597 crore whereas equity and Equity-Linked Saving Scheme (ELSS) saw a net inflow of Rs. 16,087 crore. Meanwhile, income funds saw net outflow of Rs. 60,151 crore during the period.
- ✓ The Securities and Exchange Board of India issued a circular on benchmarking mutual fund schemes' performance against Total Return Index. With an objective to enable investors to compare the performance of a scheme vis-à-vis an appropriate benchmark, it has been decided that selection of a benchmark for the scheme of a mutual fund shall be in alignment with the investment objective, asset allocation pattern and investment strategy of the scheme.
- ✓ Indiabulls Mutual Fund revised the exit load of Indiabulls Income Fund with effect from Jan 4, 2018. Accordingly, the revised exit load is 3% if units redeemed /switched out within 3 years from the date of allotment. If units are redeemed/ switched out after 3 years from the date of allotment, the exit load will be nil.
- ✓ Reliance Mutual Fund announced Jan 4 as the record date for declaration of dividend under the dividend option of Reliance Dual Advantage Fixed Tenure Fund VII - Plan A - Dividend Option and Reliance Dual Advantage Fixed Tenure Fund VII - Plan A – Direct Plan - Dividend Option. The rate of dividend is entire distributable surplus as on the maturity date.

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