

WEALTHWHISPER



Weekly Review July 6, 2018

Key Economic News

International

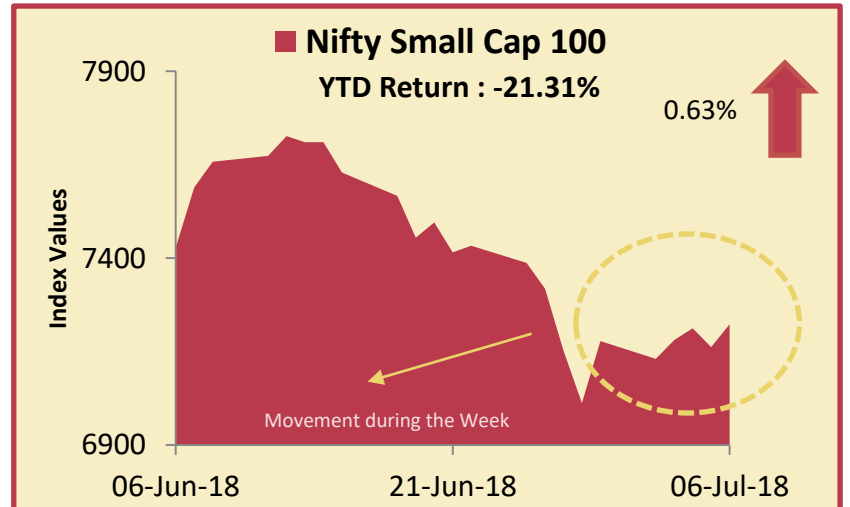
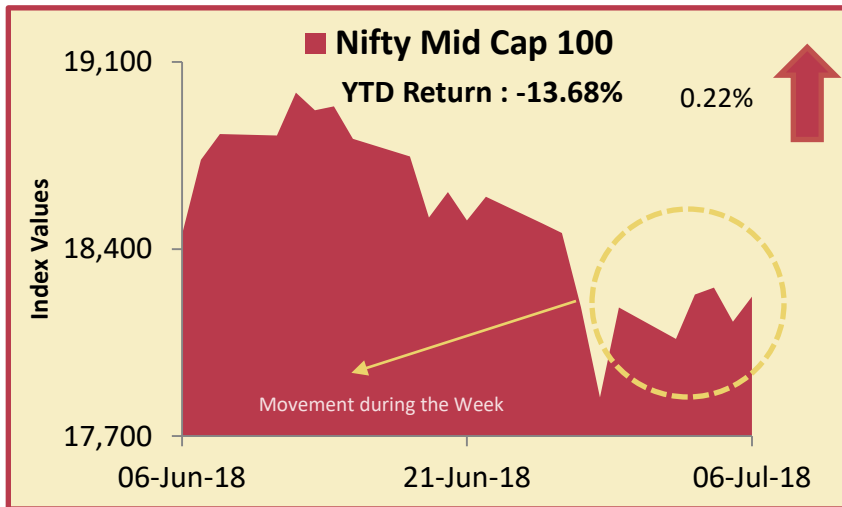
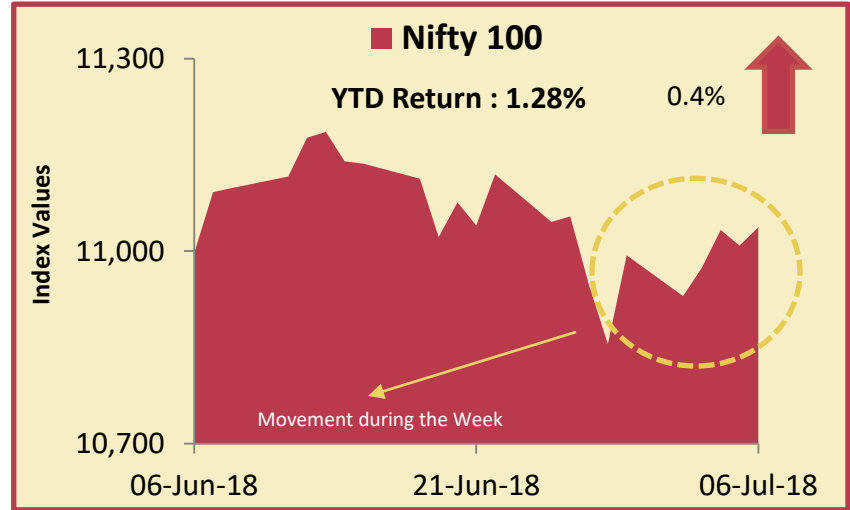
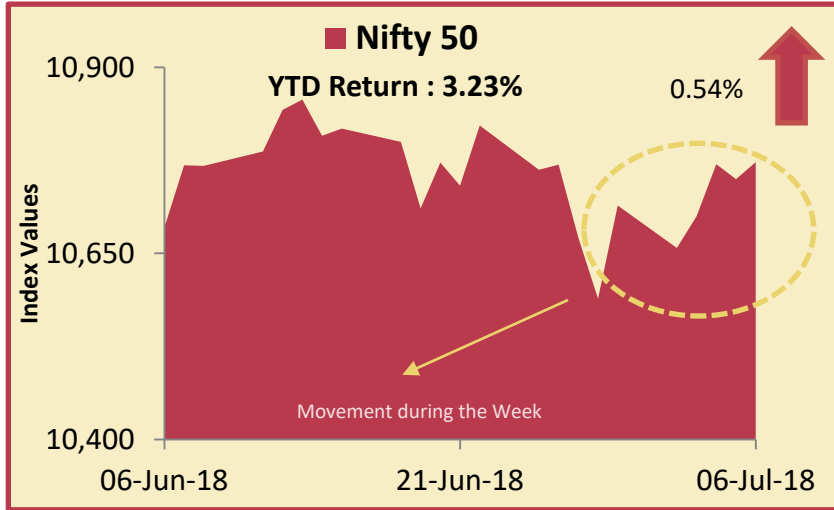
- ✓ A report from the Institute for Supply Management showed that U.S. purchasing managers index surprisingly grew to 60.2 in Jun 2018 as against 58.7 in May 2018. The U.S. non-manufacturing index surged to 59.1 in Jun 2018 as against 58.6 in May 2018.
- ✓ According to a report from the Labour Department, U.S. non-farm payroll employment surged by 213,000 jobs in Jun 2018 as against an upwardly revised increase of 244,000 jobs (223,000 jobs addition originally reported) in May 2018. However, the unemployment rate grew 4% in Jun 2018 as against 3.8% in May 2018.
- ✓ According to a report from IHS Markit, China's factory Purchasing Managers' Index fell to 51.0 in Jun 2018 from 51.1 in May 2018. China's services PMI unexpectedly rose to 53.9 in Jun 2018 from 52.9 in May 2018. Meanwhile, China's Caixin composite output index rose to 53.0 in Jun 2018 from 52.3 in May 2018.

Domestic

- ✓ Government data showed that the index of eight core industries witnessed a growth of 3.6% on a yearly basis in May 2018, down from 4.6% in the previous month and 3.9% in the same month of the previous year. The coal sector witnessed the maximum growth of 12.1% on a yearly basis followed by fertilizer sector and cement sector that witnessed a growth of 8.4% and 5.2%, respectively. The cumulative growth during Apr to May 2018-19 rose to 4.1% from to 3.3% in the same period of the previous year.
- ✓ The Nikkei India Manufacturing Purchasing Managers' Index (PMI), rose to 53.1 in Jun 2018 from 51.2 in May 2018. This is the strongest reading in 2018 so far.
- ✓ The Nikkei India Services Purchasing Managers' Index (PMI) climbed to 52.6 in Jun 2018 from 49.6 in May 2018. This is the highest since Jun 2017. Further, the recovery in services firms' activity, along with an improved manufacturing growth lifted the composite PMI to 53.3, its highest level since Oct 2016.

Domestic Equity Market

Upbeat macroeconomic data boosted the indices. However, weak global cues restricted the upside.



Domestic Equity Market

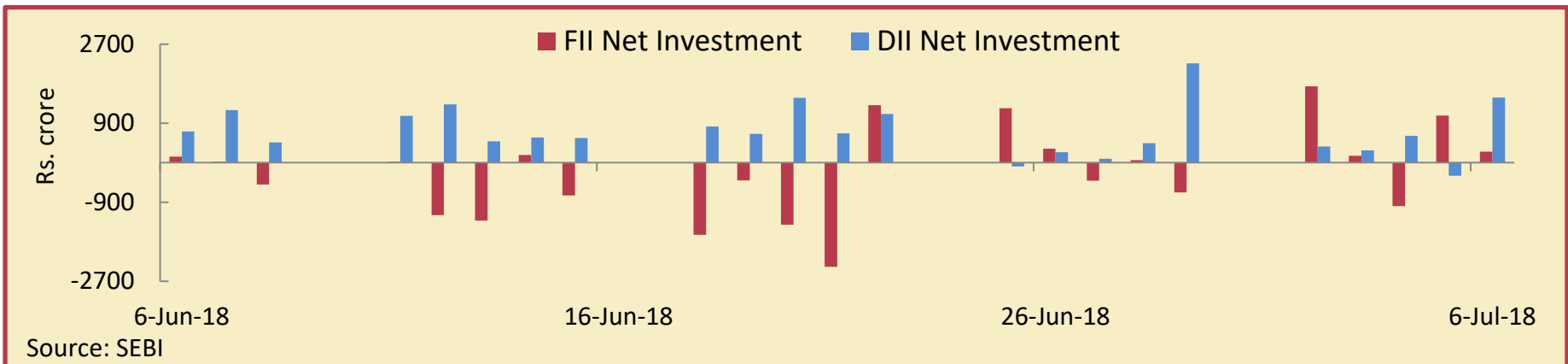
Ratios	S&P BSE Sensex	Nifty 50	Nifty Mid Cap 100	Nifty Small Cap 100
P/E	22.7	26.6	60.9	108.4
P/B	2.9	3.6	3.1	2.3
Dividend Yield	1.2	1.2	0.7	0.8

Source: BSE & NSE Values as on July 6, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
02-Jul-18	609	1196	0.51
03-Jul-18	915	858	1.07
04-Jul-18	835	942	0.89
05-Jul-18	688	1110	0.62
06-Jul-18	1039	749	1.39

Source: NSE

- ✓ Indian equity markets closed on a positive note. Private survey showing improvement in domestic manufacturing conditions along with solid services PMI data for Jun 2018 boosted the market sentiment.
- ✓ Gains were extended amid reports of good progress of monsoon rains and optimism amongst investors ahead of the earnings season. Further, gains in energy stocks due to decline in oil prices boosted the indices.
- ✓ Cabinet's approval to raise minimum support price for kharif crops were welcomed by investors. However, a section of investors remained worried as raise in MSP may create inflationary pressures.



Domestic Equity Market

Sectoral Indices

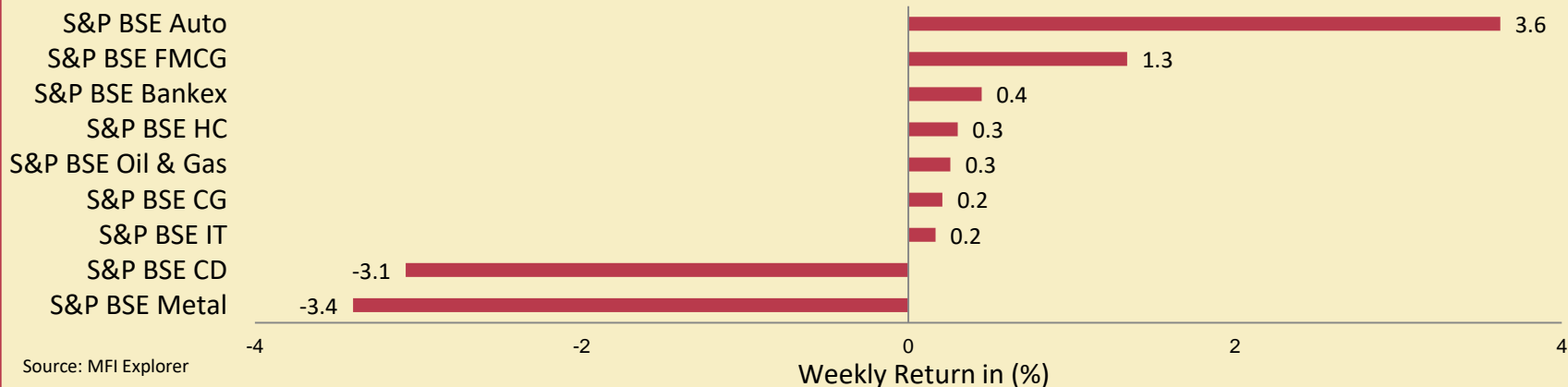
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,702.0	3.6	-0.6
S&P BSE Bankex	29,381.7	0.4	-0.3
S&P BSE CD	19,585.0	-3.1	-3.9
S&P BSE CG	17,524.6	0.2	-4.5
S&P BSE FMCG	11,363.6	1.3	1.9
S&P BSE HC	14,046.0	0.3	9.2
S&P BSE IT	13,943.2	0.2	4.8
S&P BSE Metal	12,620.3	-3.4	-8.0
S&P BSE Oil & Gas	13,694.7	0.3	-4.8

Source: MFI Explorer

*Values as on July 6, 2018

- ✓ On the BSE sectoral front, indices closed on a higher note. S&P BSE Auto (3.62%) stood as the major gainer followed by S&P BSE FMCG (1.34%) and S&P BSE Bankex (0.45%).
- ✓ Expectation of higher sales in the rural market post increase in MSP for kharif crops boosted auto stocks. Further, reports of good progress of monsoon rains boosted the sector. S&P BSE Metal stood as the major loser (-3.40%) followed by S&P BSE Consumer Durables that fell (-3.08%). Metal stocks plunged amid consistent trade war concerns with imposition of tariffs on China by U.S. remaining in focus.

1-Week Return as of July 06, 2018



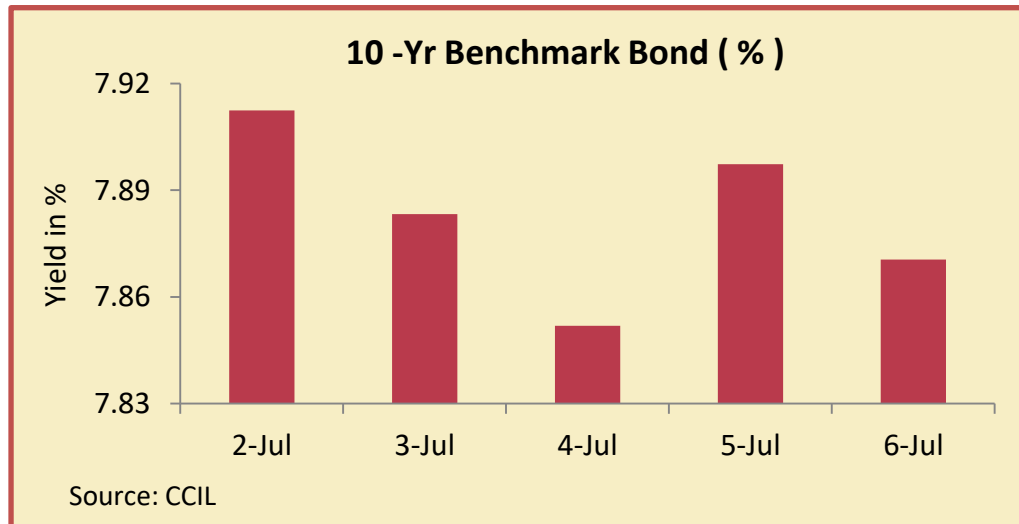
Source: MFI Explorer

Domestic Debt Market

Market participants bought bonds after yields increased in the previous week

Debt Indicators (%)	Current Value*	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.15	6.21	5.88	5.88
91 Day T-Bill	6.45	6.49	6.51	6.30
07.80% 2021, (5 Yr GOI)	7.75	7.75	7.73	6.98
07.17% 2028, (10 Yr GOI)	7.87	7.90	7.92	7.17

Source: Thomson Reuters Eikon; CCIL *Values as on July 6, 2018



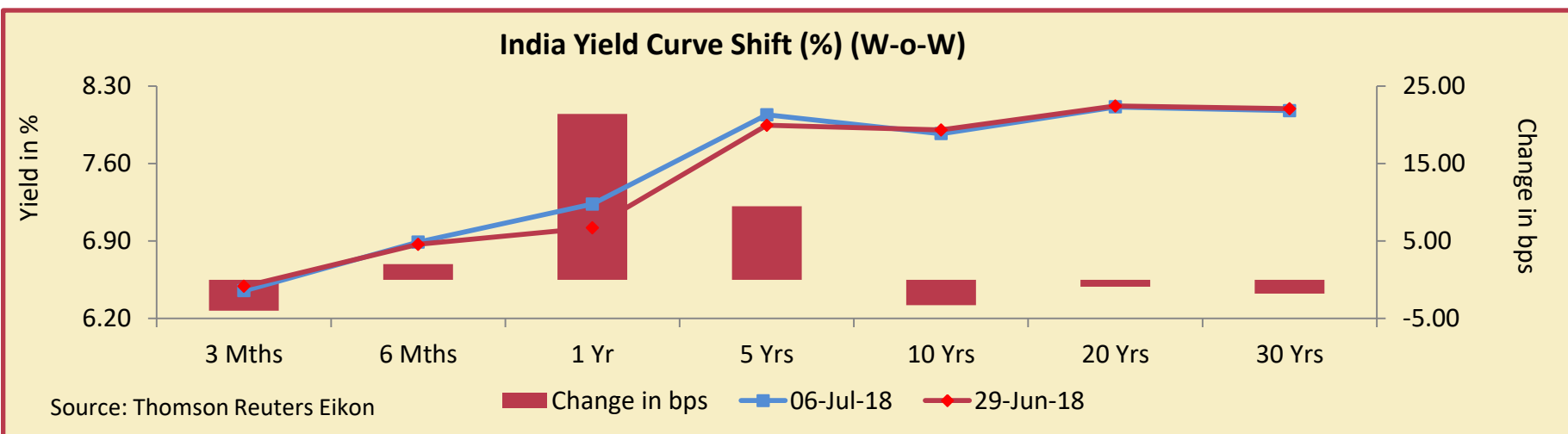
- ✓ Bond yields fell on value buying after it rose in the previous week. Yields dropped further as Central government increased minimum support prices which was largely in line with market expectations.
- ✓ Yields fell further after robust demand at the weekly auction of government securities. However, gains were limited due to plunge in domestic currency.
- ✓ Yield on the 10-year benchmark paper (7.17% GS 2028) fell 3 bps to close at 7.87% from the previous week's close of 7.90% after trading in a range of 7.84% to 7.92%.
- ✓ According to the Scheduled Bank's Statement of Position in India as of Jun 22, 2018, banks' deposit and credit growth stood at 7.6% and 12.8% YoY, respectively.

Domestic Debt Market

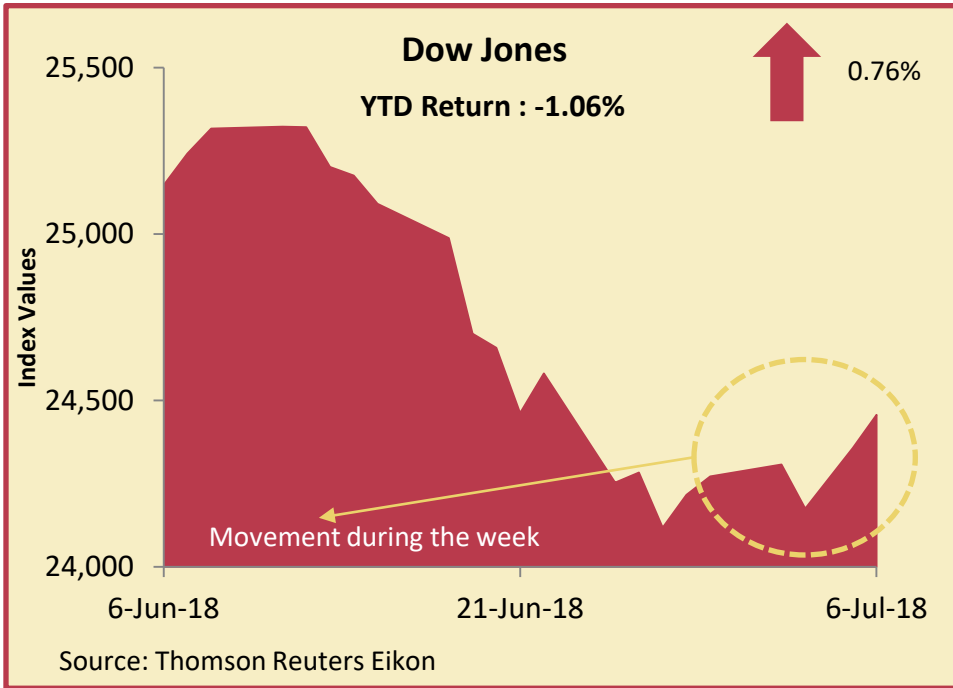
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.36	8.44	108
3 Year	7.90	8.68	78
5 Year	8.20	8.86	66
10 Year	8.02	8.79	77

Source: Thomson Reuters Eikon Values as on July 6, 2018

- ✓ Yields on gilt securities fell on 6-, 10-, 13-, 19- and 30-year maturities by up to 3 bps, barring 3- and 14-year papers that were steady. Yield on remaining securities increased by up to 22 bps.
- ✓ Corporate bond yields increased across the curve in the range of 3 to 9 bps, barring 10- and 15-year papers that fell 1 and 17 bps, respectively.
- ✓ Spread between AAA corporate bond and gilt contracted on 1-, 2-, 5- and 15-year papers in the range of 3 to 18 bps while remaining securities expanded in the range of 3 to 12 bps.



International Markets



- ✓ U.S. markets ended the week on a positive note, backed by some upbeat economic data for Jun 2018 which showed an unexpected growth in U.S. manufacturing and service activities in Jun 2018. A separate report from the U.S. Labour Department showed larger than expected increase in employment in Jun 2018.
- ✓ Investors found slight relief from the worries over global trade war following reports that the U.S. President might suspend threats to impose tariffs on cars imported from European Union (EU) if duties on U.S. cars are lifted by the European bloc.

Indices	Last Closing*	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	5,375.8	1.0	-1.5	1.2
DAX Index	12,496.2	1.5	-2.6	-3.3
FTSE 100	7,617.7	-0.3	-1.2	-0.9

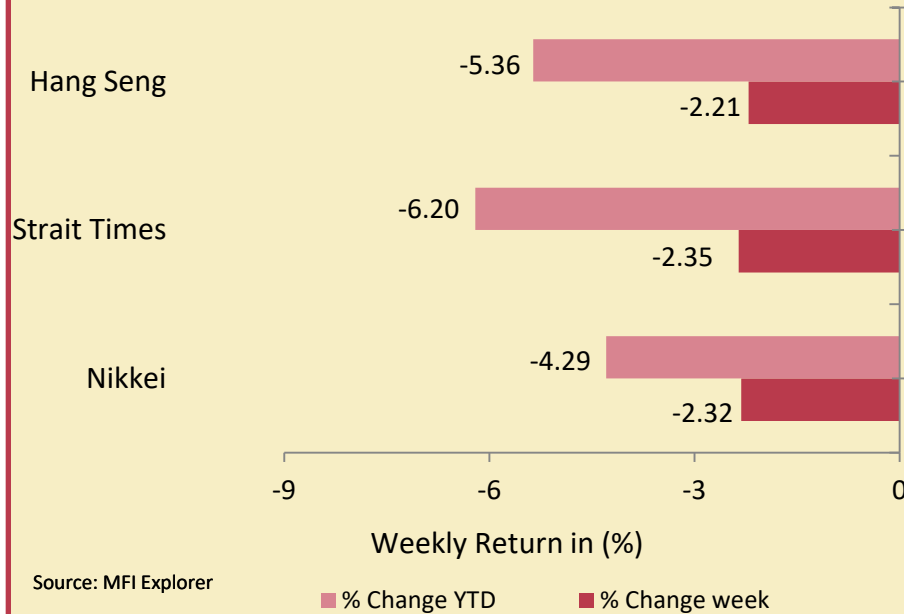
Source: Thomson Reuters Eikon

*Values as on July 6, 2018

- ✓ European markets largely remained positive except U.K. markets. The U.K. market underperformed following weakness in export oriented stocks due to recent strength in pound.
- ✓ Buying interest was largely driven by auto sector, which rose amid reports that the U.S. government might suspend plans to impose tariffs on cars imported from EU if the block lifted duties on U.S. cars. Upbeat German factory order data for May 2018 further generated positive vibes.

International Markets

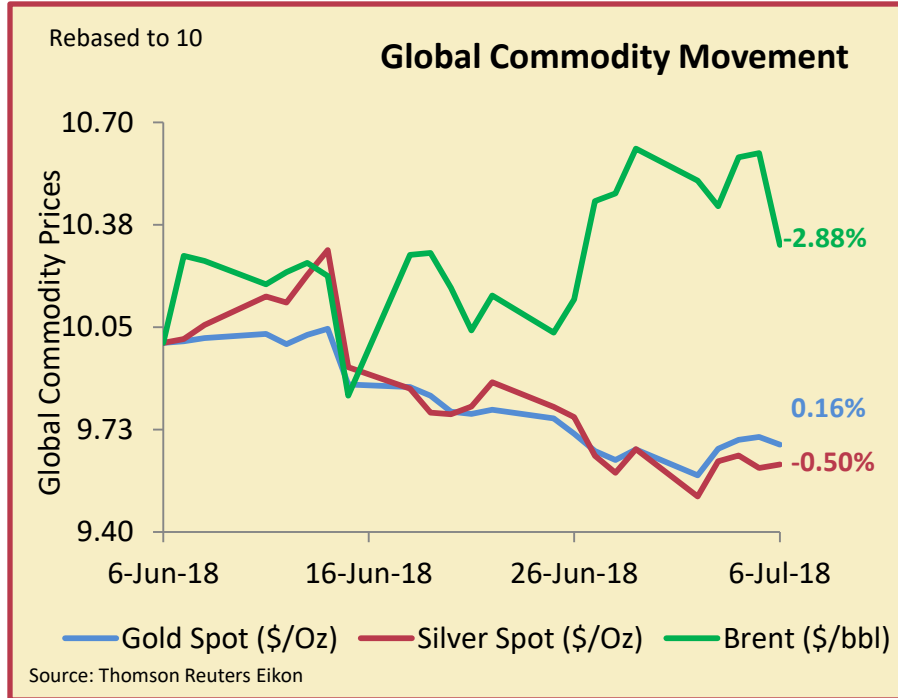
Return Value as of July 06, 2018



✓ Asian markets remained under selling pressure as weak Chinese manufacturing data for Jun 2018 instilled concerns that a slowdown may be looming for the Chinese economy in the second half of the year. Concerns over U.S.- China trade war intensified after the U.S. decided to block one of the Chinese telecommunication majors from entering the U.S. market on national security grounds which also weighed on the market sentiment.

✓ Meanwhile, investors adopted “wait and watch” stance after the U.S. levied tariffs on \$34 billion worth of Chinese goods on Jul 6, 2018.

Commodities



Performance of various commodities		
Commodities	Last Closing*	1-Wk Ago
Brent Crude(\$/Barrel)	74.6	76.8
Gold (\$/Oz)	1,254.2	1,252.3
Gold (Rs/10 gm)	30,540	30,341
Silver (\$/Oz)	16.0	16.1
Silver (Rs/Kg)	39,264	39,221

Source: Thomson Reuters Eikon *Values as on July 6, 2018

Gold

- ✓ Safe haven appeal of the metal improved on concerns that tariffs imposed by the U.S. President and retaliation by its partners would adversely affect the global growth prospects. Trade war concerns intensified further after U.S. imposed tariffs on Chinese goods worth \$34 billion effective from Jul 6, 2018.
- ✓ However, upside was limited after U.S. nonfarm payrolls rose in Jun 2018. Additionally, the U.S. Federal Reserve said that the Gross Domestic Product growth is also expected to be better in the first half of the year.

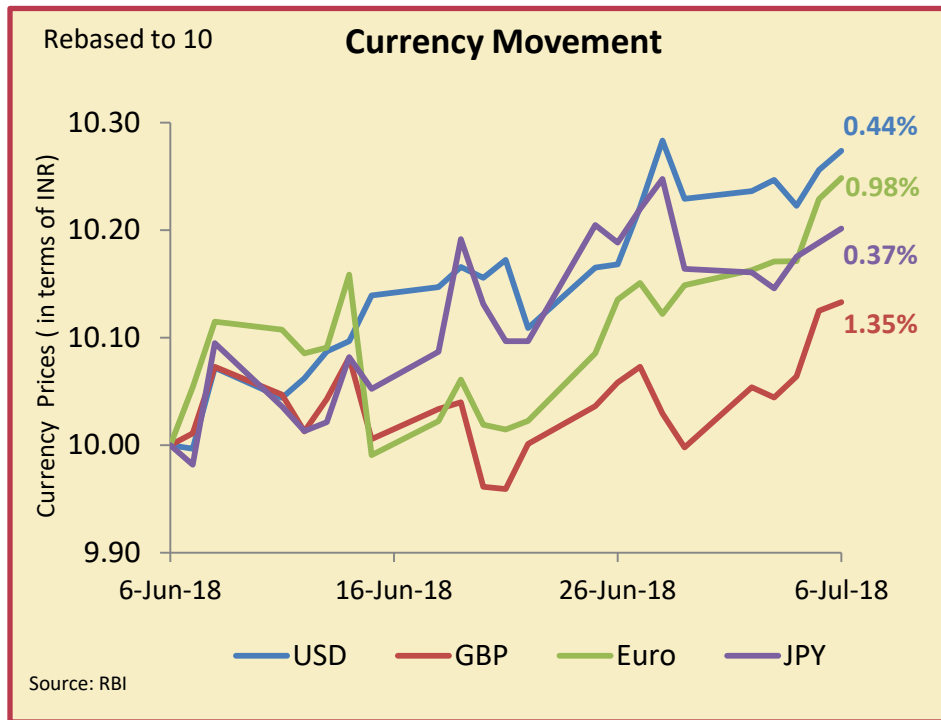
Crude

- ✓ Brent crude prices fell over the week after the Saudi Arabia hinted to raise oil output that is likely to be around 2,000,000 barrels, as urged by the U.S. President. Further, Saudi Arabia lowered its pricing for Aug 2018 sales of its light oil grade.
- ✓ However, supply disruptions in Libya, Angola, Venezuela and Canada limited the downside.

Baltic Dry Index

- ✓ The Baltic Dry Index gained 17.11% on the back of higher capesize and panamax activities.

Currency



Rupee

- ✓ The rupee fell against the U.S. dollar for the second consecutive week following greenback purchases by banks and ongoing trade disputes between the U.S. and China.

Euro

- ✓ Euro rose against the U.S. dollar following higher than expected growth in Germany's industrial orders in May 2018 and lower than expected growth of U.S. private sector jobs in Jun 2018. Also, less than expected U.S. wage growth and increase in U.S. unemployment rate in Jun 2018 further led to rise in euro.

Pound

- ✓ Sterling rose against the U.S. dollar following more than expected rise in U.K.'s services and construction activity in Jun 2018 that fuelled expectations of rate hike by the Bank of England.

Yen

- ✓ Yen rose against the U.S. dollar as ongoing trade concerns between the U.S. and China increased the demand of safe-haven currency. Less than expected U.S. wage growth and increase in U.S. unemployment rate in Jun further helped yen to rise against the greenback.

Movement of Rupee vs. Other Currencies

Currency	Last Closing *	1-Wk Ago
U.S. Dollar	68.88	68.58
Pound Sterling	91.14	89.93
EURO	80.63	79.85
100 Yen	62.25	62.02

Key Mutual Funds News

- ✓ According to data from the Association of Mutual Funds in India (AMFI), the assets under management (AUM) of mutual fund industry came in at Rs. 22.86 lakh crore in Jun 2018 from Rs. 22.60 lakh crore in May 2018, registering a growth of 1.15%. Overall, net inflow in mutual fund schemes stood at Rs. 46,475 crore in Jun 2018 while there was a net outflow of Rs. 50,000 crore in the preceding month. Liquid funds saw maximum net inflow of Rs. 52,104 crore during the month followed by equity schemes (excluding arbitrage funds) that witnessed net inflow of Rs. 8,794 crore. Meanwhile, income schemes saw net outflow of Rs. 23,119 crore in the month under review followed by arbitrage fund, which saw net outflow of Rs. 1.423 crore.
- ✓ According to media reports, Karvy Computershare introduced a new feature, “distributor-initiated transaction”, on their transaction portal KorpConnect aimed towards the mutual fund distributors. KorpConnect is a transaction portal for non-individuals with features such as single sign-in to invest across Karvy serviced fund houses, multi-level access, authorization and approval workflow and portfolio management. By this facility, distributors can initiate transaction on behalf of their non-individual clients such as SMEs and corporates.
- ✓ According to media reports, Yes Bank received final approval from the Securities and Exchange Board of India to commence its mutual fund business. The report added that the company is expected to launch its funds over the next 6-12 months.
- ✓ Tata Mutual Fund appointed Mr. Anand Vardarajan and Mr. Utpal Sarma as the key personnel of Tata Asset Management Ltd. effective from Jun 18, 2018 and Jun 15, 2018 respectively. Mr. Vardarajan and Mr. Sarma have a total experience of 16 years and 20 years, respectively.

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