

WEALTHWHISPER



Weekly Review
June 08, 2018

Key Economic News

International

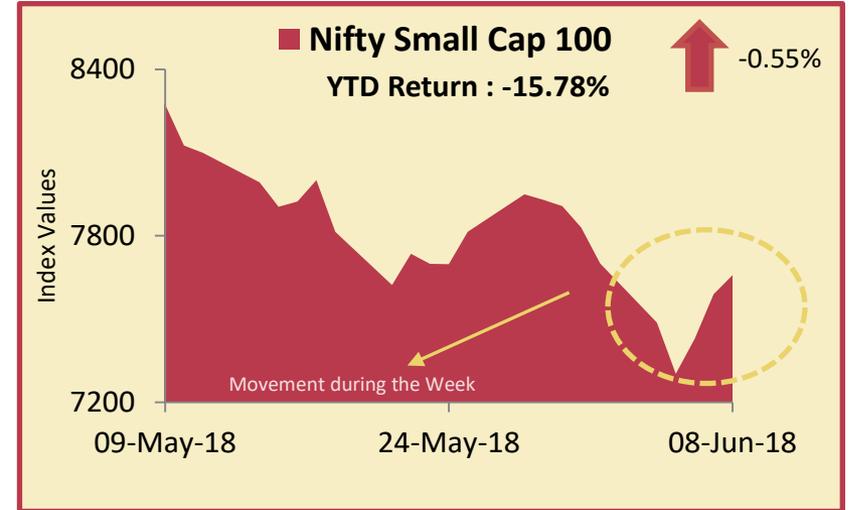
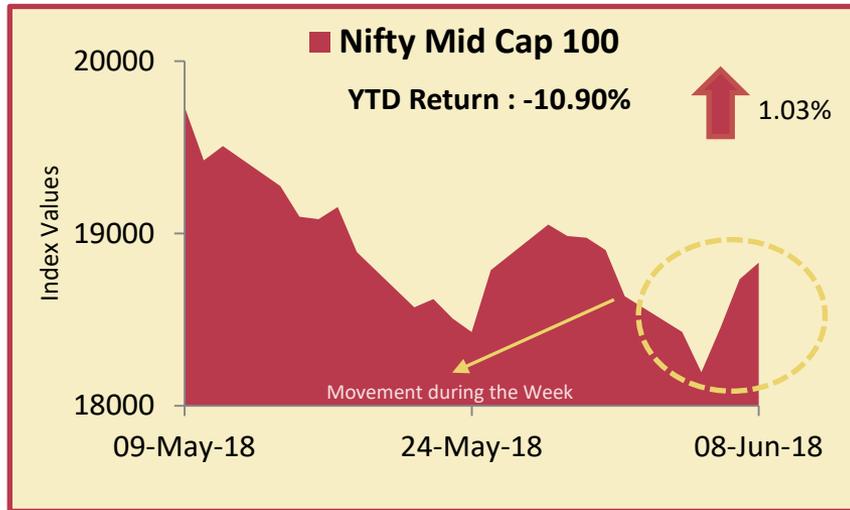
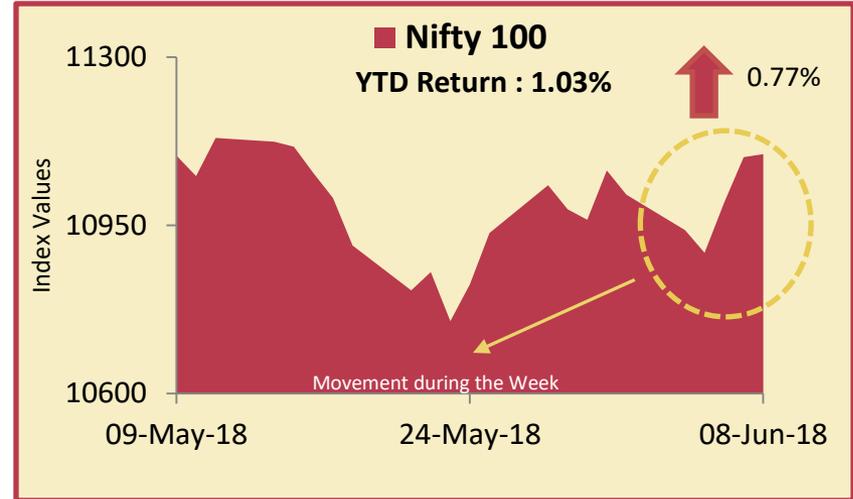
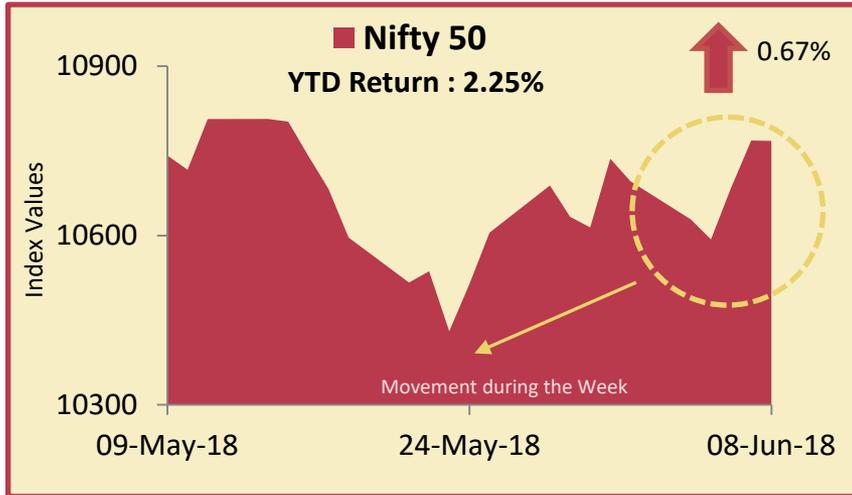
- ✓ According to a report released by the Institute for Supply Management, the U.S. non-manufacturing Purchasing Managers' Index (PMI) rose more than expected to 58.6 in May 2018 from 56.8 in Apr 2018. The more than expected rise was due to significant increase in business activity index during the month.
- ✓ According to a report from the IHS Markit and Chartered Institute of Procurement & Supply, U.K. construction PMI remained unchanged at 52.5 in May 2018. The index was expected to decline to 51.8.
- ✓ Eurozone's Gross Domestic Product (GDP) grew 0.4% sequentially in the first quarter of 2018, down from growth of 0.7% witnessed in fourth quarter of 2017. GDP growth slowed to 2.5% on yearly basis as against 2.8% in the previous quarter.
- ✓ A report from the IHS Markit showed that China's Caixin composite output index remained steady at 52.3 in May 2018. This indicates a steady and moderate pace of expansion. Meanwhile, the services PMI also remained steady at 52.9 in May, 2018.

Domestic

- ✓ The Monetary Policy Committee (MPC), in its second bi-monthly policy review for FY19, has increased the key policy repo rate by 25 basis points to 6.25% and retained its "neutral" stance. All the six policymakers were in favour of the policy rate increase of 25 bps.
- ✓ MPC expects inflation in the range of 4.8%-4.9% after taking into account the house rent allowances (HRAs) in first half of FY19 as against previous expectation of 4.7%-5.1%. Excluding HRA impact, inflation is expected to be 4.6% in the first half of FY19 as against previous expectation of 4.4%-4.7%. In the second half, inflation is expected to be 4.7% as against previous expectation of 4.4%, including as well as excluding HRA impact.
- ✓ MPC retained its expectation for Gross Domestic Product (GDP) growth at 7.4% in FY19. MPC expects GDP in the range of 7.5% to 7.6% for the first half of FY19 as against previous expectation of 7.3% to 7.4% and in the range of 7.3% to 7.4% for second half of the fiscal year as against previous expectation of 7.3% to 7.6%.

Domestic Equity Market

Markets gain on MPC's neutral stance, foreign fund outflow and services sector contraction create pressure



Domestic Equity Market

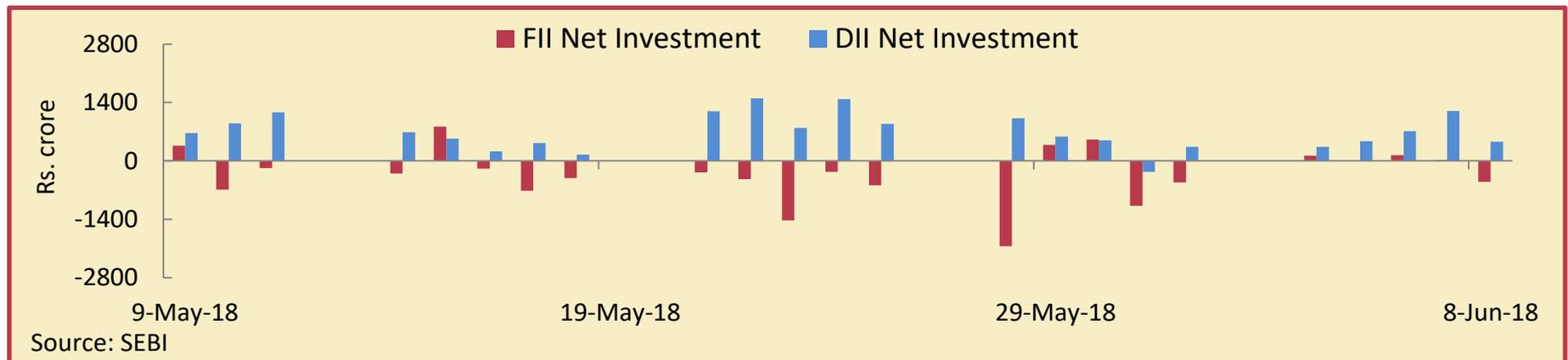
Ratios	S&P BSE Sensex	Nifty 50	Nifty Mid Cap 100	Nifty Small Cap 100
P/E	22.9	27.3	53.6	65.4
P/B	2.9	3.7	3.2	2.0
Dividend Yield	1.2	1.2	0.7	0.6

Source: BSE & NSE Values as on June 08, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
04-Jun-18	292	1,530	0.19
05-Jun-18	308	1,533	0.20
06-Jun-18	1,221	588	2.08
07-Jun-18	1,439	387	3.72
08-Jun-18	1,015	777	1.31

Source: NSE

- ✓ Indian equity markets closed the week on a positive note. Markets rejoiced after the MPC maintained its neutral stance and remained positive towards the economic growth of the country. Expectations of good monsoon rains supported buying interest. However, market sentiment turned sour after final reading of a private survey showed that the domestic services sector contracted in May.
- ✓ On the global front, investors remained cautious due to trade tensions ahead of a key G7 meeting and upcoming monetary policy meetings of major central banks across the globe.

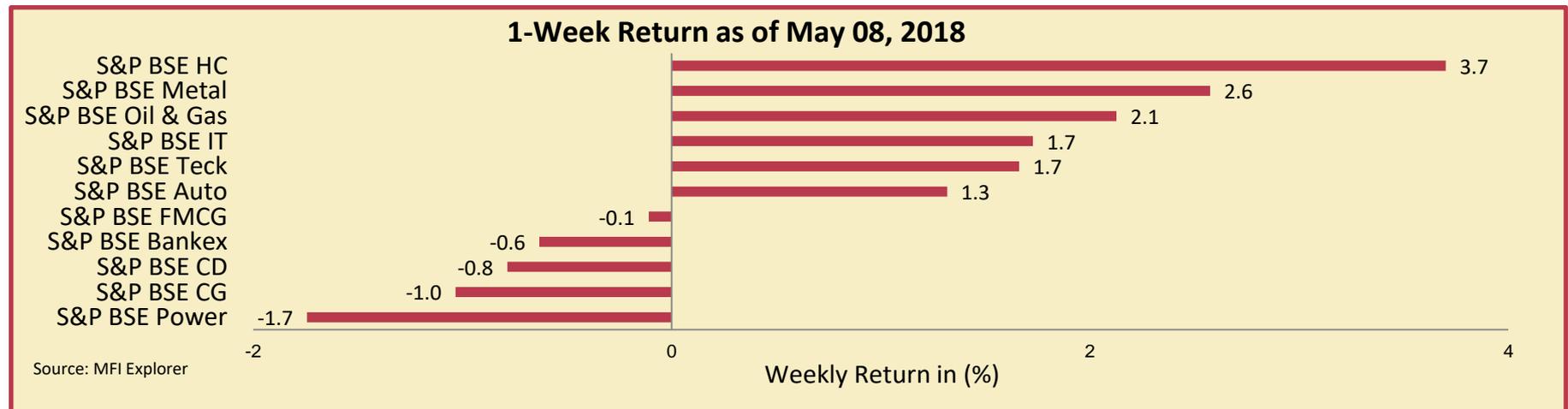


Domestic Equity Market

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,960.1	1.3	-1.8
S&P BSE Bankex	29,592.6	-0.6	0.8
S&P BSE CD	20,413.0	-0.8	-8.9
S&P BSE CG	18,501.9	-1.0	-3.5
S&P BSE FMCG	11,203.8	-0.1	-0.1
S&P BSE HC	13,424.6	3.7	-2.3
S&P BSE IT	13,556.5	1.7	3.7
S&P BSE Metal	13,853.8	2.6	-0.8
S&P BSE Oil & Gas	14,647.4	2.1	0.8
S&P BSE Power	2,052.7	-1.7	-7.0
S&P BSE Teck	7,030.0	1.7	2.3

Source: MFI Explorer *Values as on June 08, 2018

- ✓ On the BSE sectoral front, indices closed on a modestly higher note. S&P BSE Healthcare stood as the major gainer (3.70%), followed by S&P BSE Metal (2.58%) and S&P BSE Oil & Gas that grew 2.13%. S&P BSE IT and S&P BSE Teck witnessed gains of 1.73% and 1.66%, respectively.
- ✓ S&P BSE IT witnessed gains following a weak rupee as the sector derives substantial revenue from exports. S&P BSE Power (-1.74%) stood as the major loser followed by S&P BSE Capital Goods (-1.03%) and S&P BSE Consumer Durables (-0.79%).

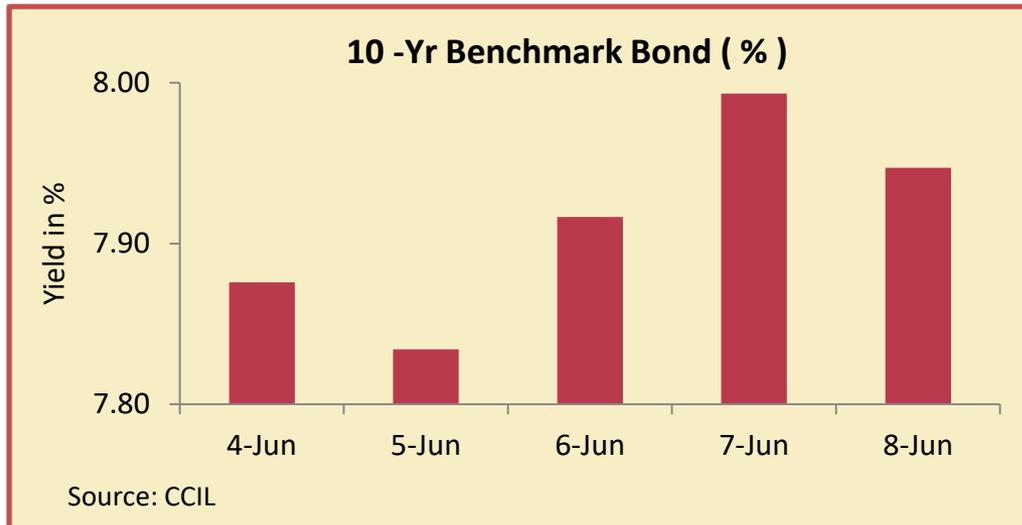


Domestic Debt Market

Bond yields rose after MPC increased key policy repo rate for the first time since Jan 2014

Debt Indicators (%)	Current Value*	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.02	5.98	5.86	5.90
91 Day T-Bill	6.50	6.45	6.25	6.11
07.80% 2021, (5 Yr GOI)	7.83	7.72	7.55	6.77
07.17% 2028, (10 Yr GOI)	7.95	7.85	7.58	7.09

Source: Thomson Reuters Eikon; CCIL *Values as on June 08, 2018



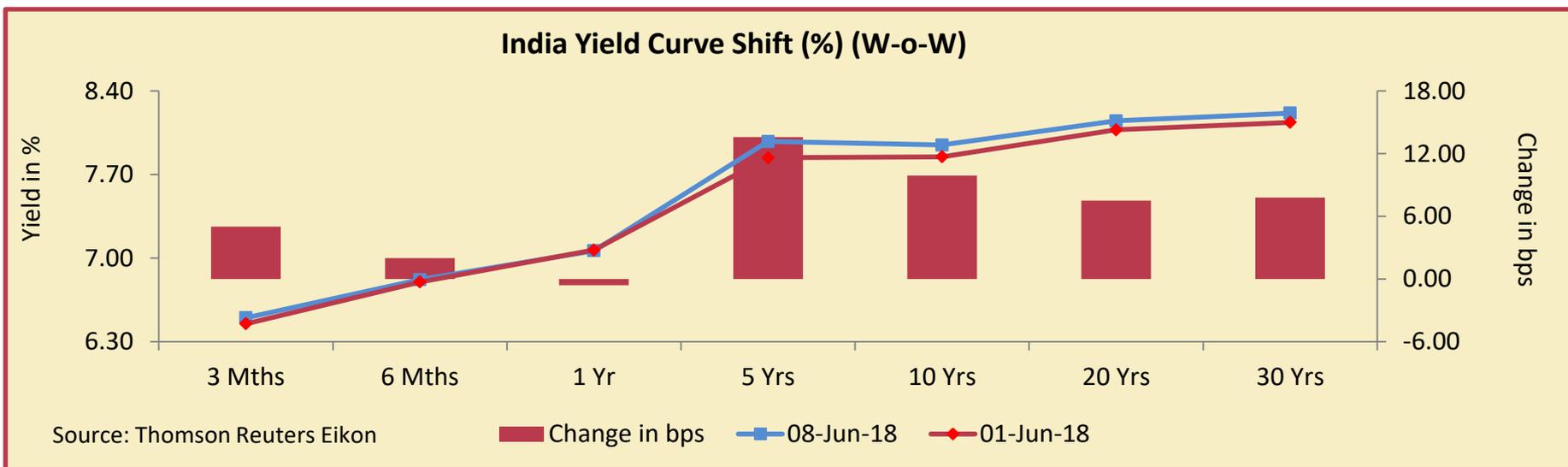
- ✓ Bond yields surged after the MPC hiked key interest rate for the first time since Jan 2014. MPC increased repo rates by 25 basis points to 6.25%.
- ✓ However, short covering by investors and demand for domestic bonds in the weekly debt auction restricted the losses.
- ✓ Yield on the 10-year benchmark paper (7.17% GS 2028) rose 10 bps to close at 7.95% from the previous week's close of 7.85% after trading in a range of 7.82% to 8.00%.
- ✓ Data from Reserve Bank of India (RBI) showed that India's foreign exchange reserves fell for the seventh consecutive week to \$412.23 billion as on Jun 1 from \$412.82 billion in the previous week.

Domestic Debt Market

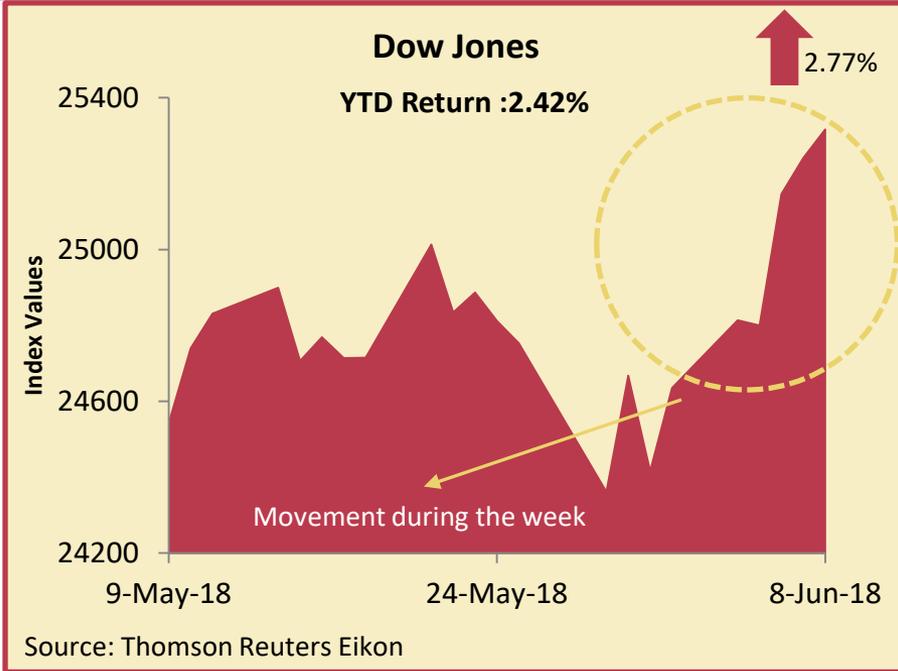
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.19	8.54	135
3 Year	7.92	8.70	78
5 Year	8.14	8.73	60
10 Year	8.10	8.72	61

Source: Thomson Reuters Eikon Values as on June 08, 2018

- ✓ Yields on gilt securities increased across the maturities by up to 14 bps barring 1-year paper that fell 1 bps.
- ✓ Corporate bond yields increased across the maturities in the range of 2 bps to 15 bps. The maximum increase was witnessed on 6 to 8 years' maturities and the minimum increase was witnessed on 1-year paper.
- ✓ Spread between AAA corporate bond and gilt expanded across the maturities by up to 7 bps barring 4- and 5-year maturities that contracted 3 bps and 1 bps, respectively. Spread on 4-year paper closed steady.



International Markets



- ✓ U.S. markets largely traded on a positive note following upbeat economic data, including non-farm payroll data for May, higher than expected U.S. non-manufacturing index for the same month. Initial jobless claims in the week ended Jun 2 witnessed a modest decrease.
- ✓ Market also took positive cues after one of the European Central Bank (ECB) board members indicated that the central bank is likely to discuss withdrawing its bond purchasing program in the coming meeting. Investors turned cautious ahead of the upcoming Fed policy meeting, G-7 summit in Canada as well as the planned meeting between U.S. President and North Korean leader.

Indices	Last Closing*	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	5,450.2	-0.3	-1.3	2.6
DAX Index	12,766.6	0.3	-1.1	-1.2
FTSE 100	7,681.1	-0.3	1.5	-0.1

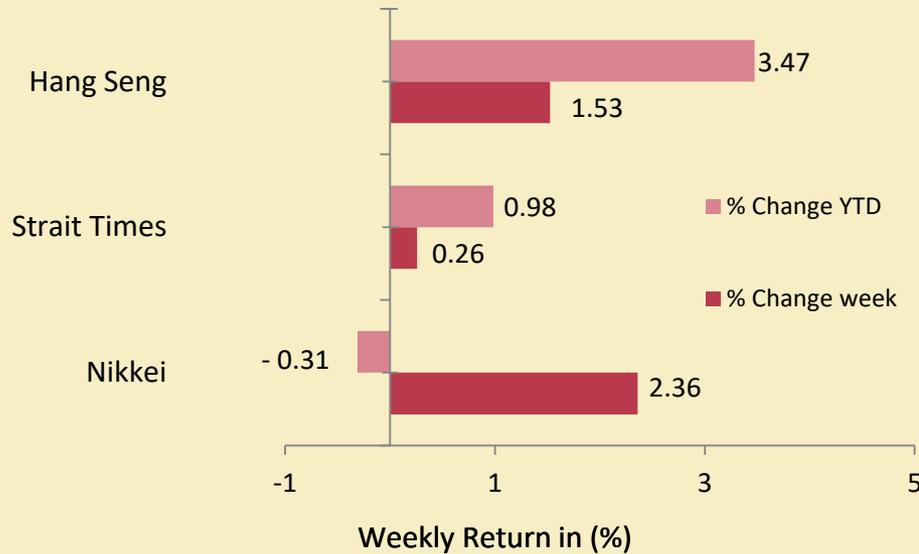
Source: Thomson Reuters Eikon

*Values as on June 08, 2018

- ✓ Market participants in Europe remained nervous ahead of policy meeting of major central banks across the globe along with G7 meeting and U.S.-North Korea summit.
- ✓ Some respite was seen after one of the key board members of ECB hinted the bank would discuss withdrawing its bond-purchasing programme in the upcoming meeting. Improved economic data also helped sentiment – rise in euro zone retail sales in Apr 2018 and improvement in Germany's construction PMI in May 2018.

International Markets

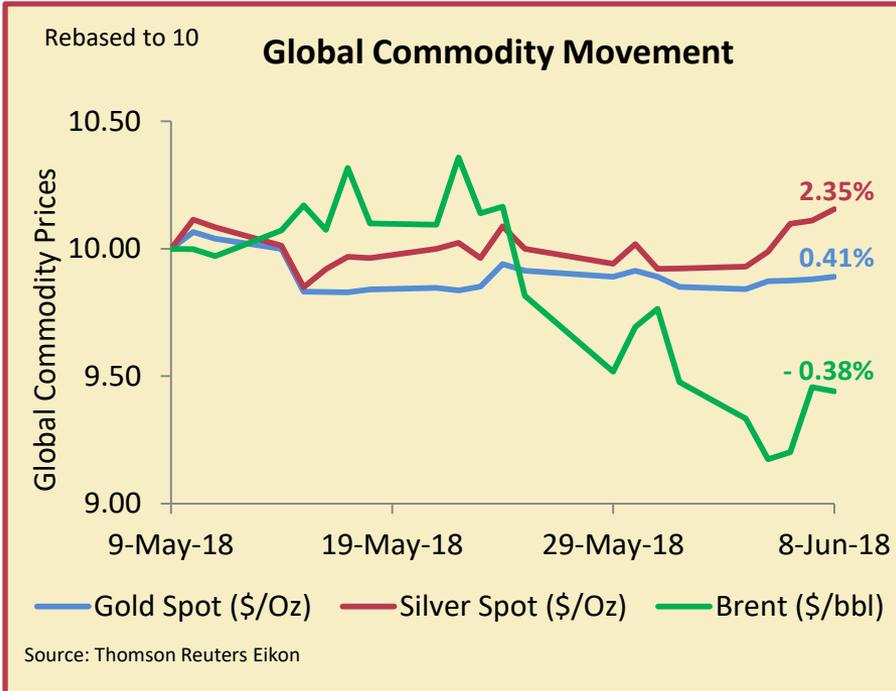
Return Value as of June 08, 2018



Source: MFI Explorer

- ✓ Asian markets traded mixed as investors remained cautious of the upcoming G-7 summit as well as meeting between North Korea and U.S. Trade tensions and concerns over liquidity in the Chinese stock market further dampened sentiment.
- ✓ However, some respite was seen on improved Chinese services sector data for May and as private sector in Singapore continued to expand in May at a faster pace as indicated by the latest survey from Nikkei PMI score.

Commodities



Gold

- ✓ Gold prices inched higher as trade war fears intensified over U.S. President's plans to bail out from the upcoming G-7 summit. In a recent development, war of words broke out between U.S. and other trade allies. The incident boosted the safe haven appeal of the bullion. Meanwhile, gains were largely restricted ahead of the Fed's monetary policy meeting, where the central bank is widely expected to raise interest rates by 25 bps. Investors will keep an eye on whether policymakers project one or two further hikes this year.

Crude

- ✓ Brent crude prices fell on concerns about surging U.S. output weighed and falling demand in China. However, optimism over Organization of the Petroleum Exporting Countries meeting in Vienna on Jun 22, 2018 restricted further losses. Meanwhile, media reports stated that the cartel is likely to downturn the request of Iran to discuss the U.S. sanction against the nation in the upcoming meeting.

Baltic Dry Index

- ✓ The Baltic Dry Index gained 20.33% on the back of improved capesize and panamax activities.

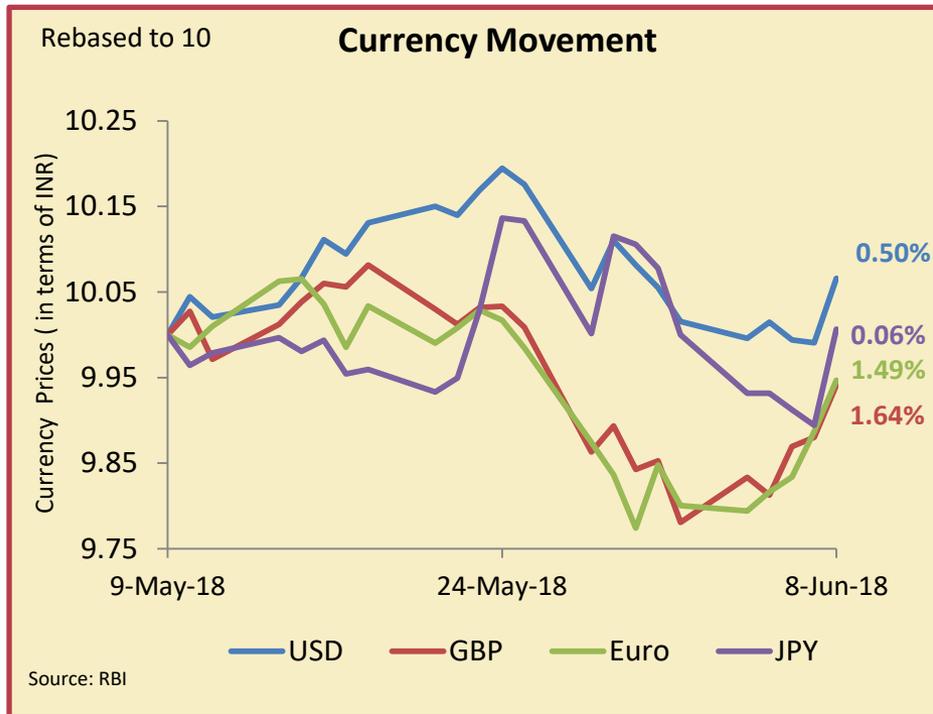
Performance of various commodities

Commodities	Last Closing*	1-Wk Ago
Brent Crude(\$/Barrel)	74.20	74.48
Gold (\$/Oz)	1298.00	1292.74
Gold (Rs/10 gm)	31,027	30,764
Silver (\$/Oz)	16.74	16.35
Silver (Rs/Kg)	40,258	39,246

Source: Thomson Reuters Eikon

*Values as on June 08, 2018

Currency



Rupee

- ✓ The rupee weakened against the greenback on concerns over foreign fund outflow from the Indian economy and worries that global crude oil prices may remain at elevated levels. An unexpected fall in U.S. trade deficit to a seven-month low in Apr 2018 also boosted the greenback.

Euro

- ✓ The euro rose against the greenback on expectations that the European Central Bank will indicate about unwinding its vast bond-buying program by the end of this year in its monetary policy review due next week.

Pound

- ✓ The pound rose against the greenback after the U.K. service sector Purchasing Managers' Index (PMI) rose to a three-month high in May 2018. However, concerns about Brexit negotiations capped the gains.

Yen

- ✓ Yen fell initially against the greenback on concerns of more rate hikes in U.S. following upbeat U.S. jobs data for May 2018. However, losses were neutralised and the yen closed steady against the greenback as market participants remained cautious ahead of a G7 meeting in Canada.

Movement of Rupee vs. Other Currencies

Currency	Last Closing *	1-Wk Ago
U.S. Dollar	67.52	67.18
Pound Sterling	90.60	89.14
EURO	79.58	78.41
100 Yen	61.60	61.56

Source: RBI

Figures in INR , *Values as on June 08, 2018

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 came in at Rs. 22.60 lakh crore in May 2018 from Rs. 23.26 lakh crore in Apr 2018, registering a decline of 2.83%. Overall, outflow in mutual fund schemes stood at Rs. 50,000 crore in May 2018 while there was an overall inflow of Rs. 1,37,428 crore in the preceding month. Liquid funds saw maximum net outflow of Rs. 46,724 crore during the month followed by income category that witnessed net outflow of Rs. 20,407 crore. Meanwhile, equity schemes (excluding arbitrage funds) and Equity Linked Savings Scheme categories saw total net inflow of Rs. 11,350 crore in the month under review.
- ✓ According to data from the Securities and Exchange Board of India (SEBI), total folio count of mutual fund industry stood at 7.35 crore as on May 2018, reflecting a 28.43% YoY growth from 5.72 crore in the same period last year. During the month of May 2018, the industry saw an addition of 12.65 lakh folios. Over the month, equity-oriented scheme category witnessed an increase of 2.03% or 11.03 lakh folios to 5.54 crore folios as on May 2018.
- ✓ According to media reports, SEBI lowered the additional expense charged by mutual fund schemes with effect from May 29, 2018. The announcement was in line with SEBI's board meeting held in Mar 2018. Accordingly, schemes charging an exit load (open ended schemes without lock in) can levy the additional 5 basis points charge. Earlier, the regulator had permitted mutual funds to charge up to 20 basis points of scheme AUM as a compensation for exit load. The move is expected to reduce the cost of investing in mutual funds. However, it may result in lower commission for distributors.
- ✓ HDFC Mutual Fund proposed to change the base Total Expense ratio (i.e. TER excluding additional expenses provided in Regulation 52(6A)(b) and 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996) for HDFC Hybrid Equity Fund and HDFC Balanced Advantage Fund effective from Jun 8, 2018. The proposed TER of HDFC Hybrid Equity Fund and HDFC Balanced Advantage Fund are 0.51% and 0.61%, respectively.

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