

# WEALTHWHISPER



## Weekly Review November 2, 2018

# Key Economic News

## International

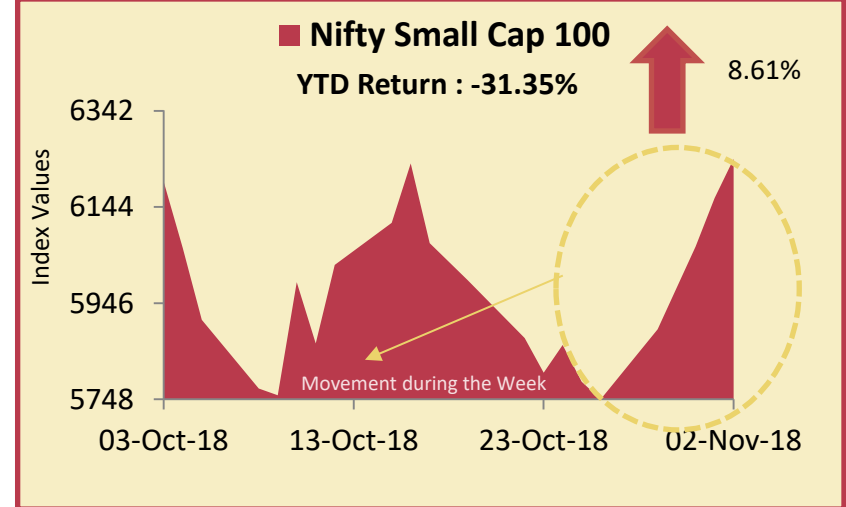
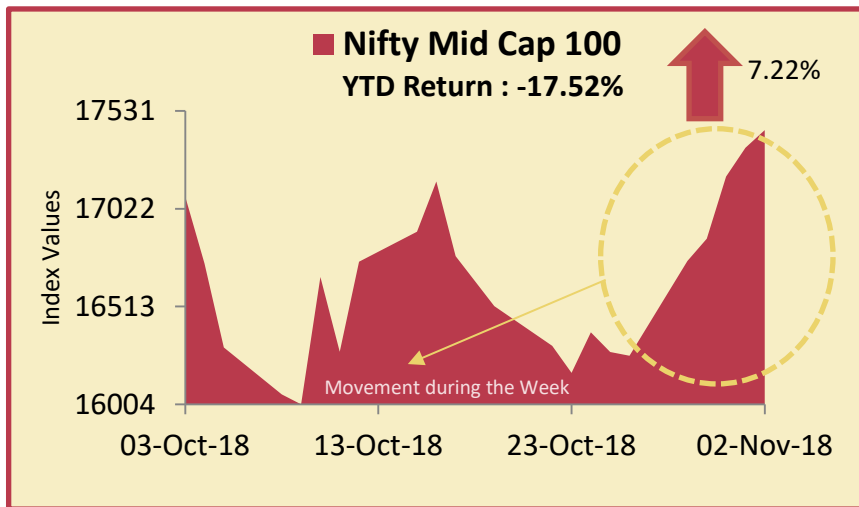
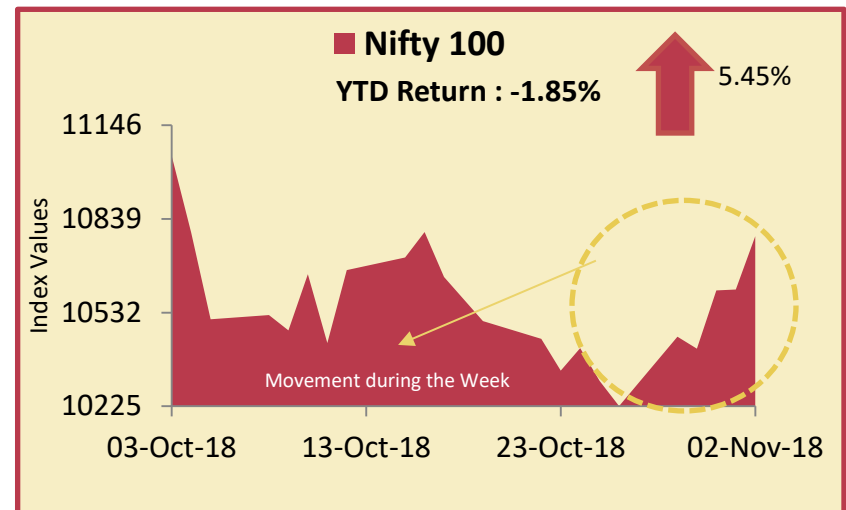
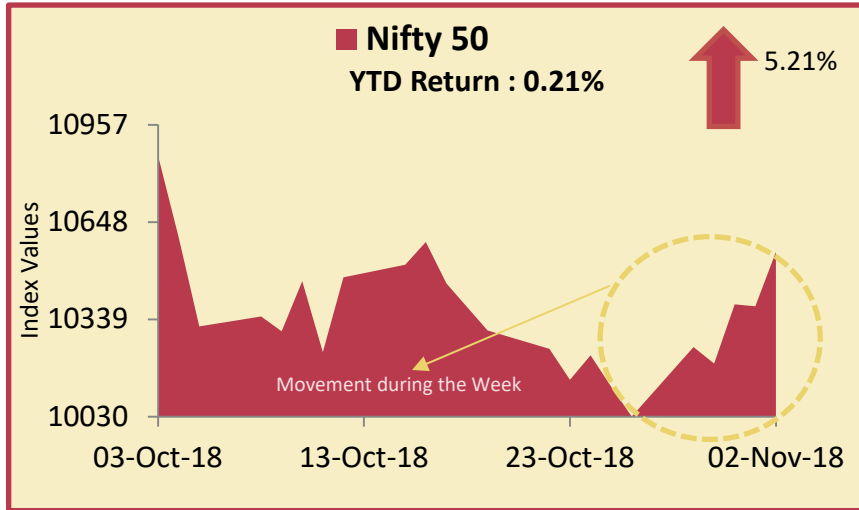
- ✓ A report from the Labor department showed that U.S. non-farm payroll employment added 250,000 jobs in Oct 2018 as against downwardly revised 118,000 jobs (134,000 jobs originally reported) in Sep 2018. Meanwhile, the unemployment rate remained unchanged in Oct 2018 as against the previous month at 3.7%. This marked the lowest level since Dec 1969.
- ✓ The Bank of England policymakers, in the policy review meeting, unanimously decided to maintain the key policy rate at 0.75%. However, it indicated faster rate hikes than the current market expectations amid Brexit uncertainties. The committee also unanimously decided to maintain the quantitative easing through asset purchases at GBP 435 billion.
- ✓ The Bank of Japan maintained status quo in its monetary stimulus, but downgraded the inflation forecast. This indicates price growth will not reach 2% target until Mar 2021. The policy board of the bank voted 7-2 to purchase government bonds so that the yield of 10-year JGBs will remain at around 0%.

## Domestic

- ✓ The Nikkei India Manufacturing Purchasing Managers' Index (PMI) increased to 53.1 in Oct 2018 from 52.2 in Sep 2018. The growth reflects stronger order inflows as companies increased production, input purchasing and employment. This marked the 15 straight months of maintaining above-50 score. A score above 50 means expansion while below 50 denotes contraction.
- ✓ Government data showed that the growth of index of eight core industries slowed to 4.3% in Sep 2018 as against an upwardly revised 4.7% in Aug 2018 (4.2% originally reported). This marked a four-month low. Crude oil witnessed the maximum decline of 4.2%, thereby marking the 10<sup>th</sup> consecutive monthly fall for the sector. Natural gas sector also fell 1.8%.
- ✓ According to World Bank's Doing Business Report, India jumped another 23 points in the World Bank's ease of doing business ranking to 77<sup>th</sup> place. Hence, for the first time, now it has become the top ranked country in South Asia and third among the BRICS. The country has jumped 53 notches in the last two years.

# Domestic Equity Market

Domestic equity market witnessed gains, but the rift between RBI and the government capped the gains



# Domestic Equity Market

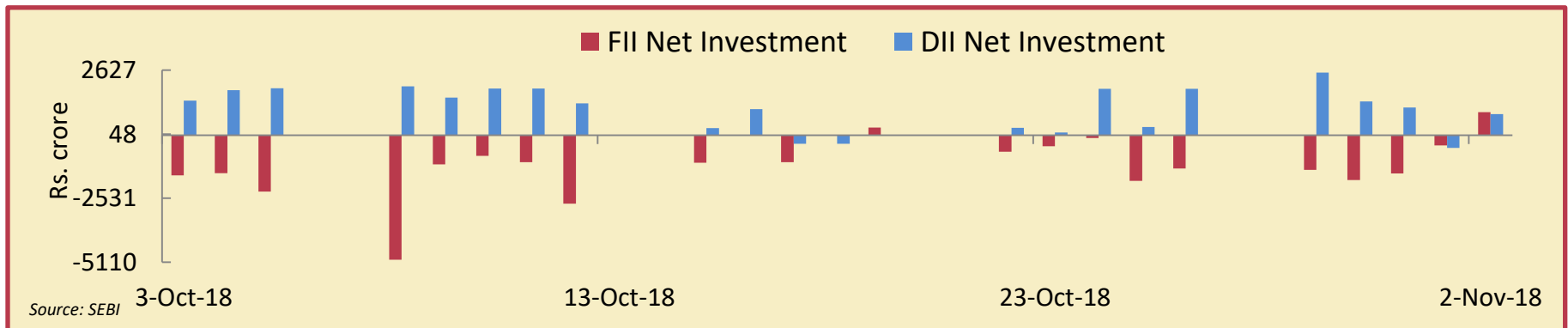
Ratios	S&P BSE Sensex	Nifty 50	Nifty Mid Cap 100	Nifty Small Cap 100
P/E	22.7	25.4	47.1	118.1
P/B	2.9	3.4	2.5	1.7
Dividend Yield	1.3	1.3	1.0	0.9

Source: BSE & NSE Values as on Nov 2, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
29-Oct-18	1399	431	3.25
30-Oct-18	1088	702	1.55
31-Oct-18	1196	607	1.97
01-Nov-18	1182	607	1.95
02-Nov-18	1168	652	1.79

Source: NSE

- ✓ Markets rose after the manufacturing PMI for Oct 2018 grew at the quickest pace in four months on the back of strong orders. Fall in global crude oil prices and strengthening of the rupee against the greenback provided some support.
- ✓ Reserve Bank of India's (RBI) steps to boost liquidity also supported sentiment after it had announced to buy Rs. 400 billion worth of government bonds through open market operations in Nov 2018.
- ✓ However, rift between RBI and the government which deepened on the government intervention over the autonomy of the central bank capped the gains.



# Domestic Equity Market

## Sectoral Indices

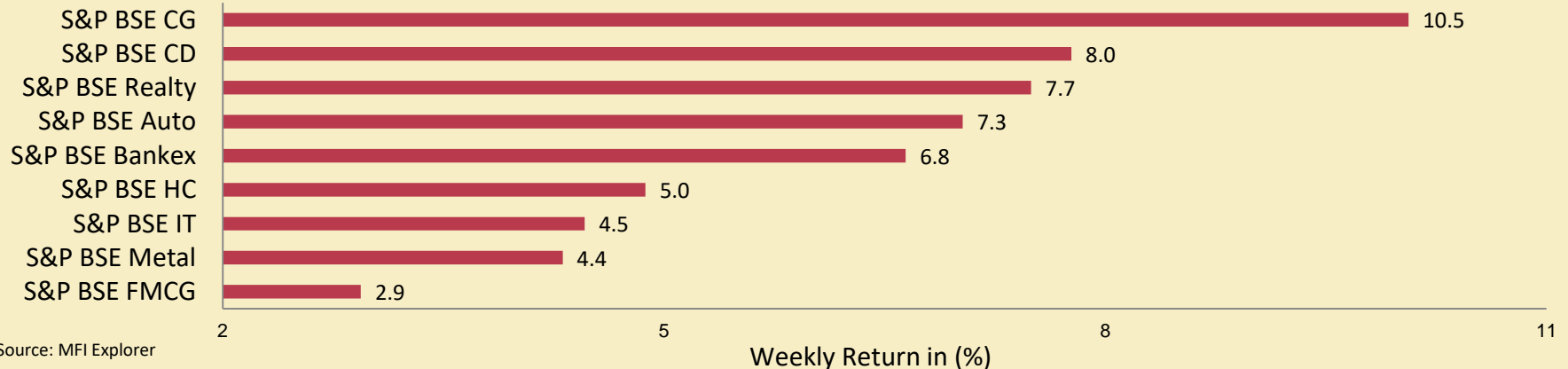
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20,695.4	7.3	-4.4
S&P BSE Bankex	29,016.4	6.8	2.6
S&P BSE CD	19,698.7	8.0	3.7
S&P BSE CG	18,129.4	10.5	6.7
S&P BSE FMCG	11,223.2	2.9	-2.9
S&P BSE HC	14,562.8	5.0	-3.3
S&P BSE IT	14,085.4	4.5	-12.0
S&P BSE Metal	13,071.9	4.4	-2.9
S&P BSE Realty	1,719.9	7.7	2.5

Source: MFI Explorer

\*Values as on Nov 2, 2018

- ✓ On the BSE sectoral front, all the indices closed in the green with S&P BSE Capital Goods (10.48%) being the major gainer followed by S&P BSE Consumer Durables (8.04%) and S&P BSE Realty (7.75%).
- ✓ The auto sector gained as various companies posted steady increase in sales for Oct 2018.

## 1-Week Return as of November 02, 2018



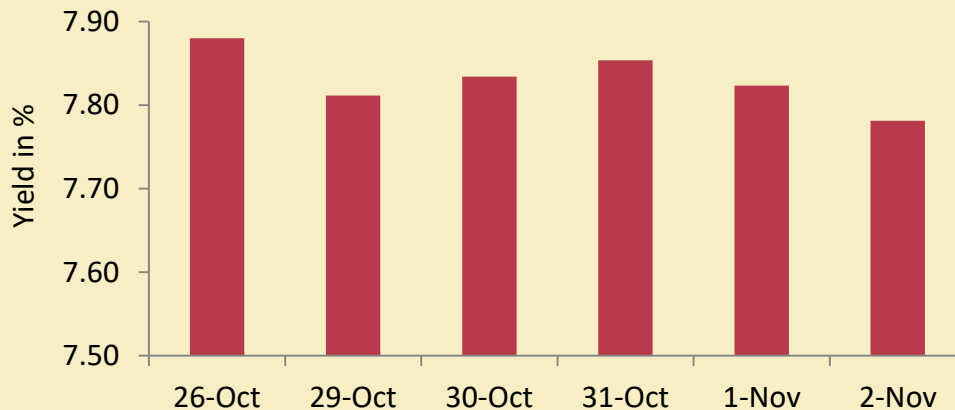
# Domestic Debt Market

## Bond yields fell after RBI announced its plan to purchase bonds during Nov 2018

Debt Indicators (%)	Current Value*	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.41	6.48	6.37	5.89
91 Day T-Bill	6.96	6.95	7.03	6.21
07.80% 2021, (5 Yr GOI)	7.52	7.66	7.91	7.55
07.17% 2028, (10 Yr GOI)	7.78	7.88	7.99	7.73

Source: Thomson Reuters Eikon; CCIL \*Values as on Nov 2, 2018

### 10 -Yr Benchmark Bond ( % )



Source: CCIL

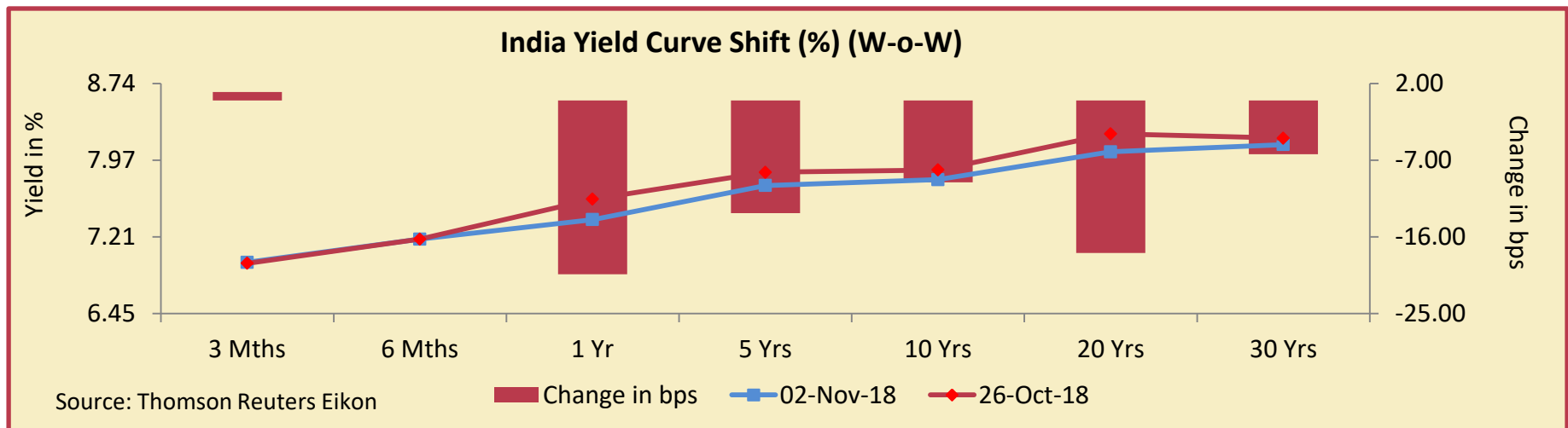
- ✓ Bond yields declined after the central bank revealed its plan of purchasing Rs. 400 billion worth of bonds under open market operation in Nov 2018. which lifted market sentiment.
- ✓ Yields eased further with the strong revival in rupee against the greenback and fall in crude oil prices, which helped alleviate concerns over increase in domestic inflationary pressures and worries over foreign fund outflow to some extent.
- ✓ However, gains were restricted following news that RBI governor is considering various options including stepping down from his position after the government's reported intervention under the RBI Act.
- ✓ Yield on the 10-year benchmark paper (7.17% GS 2028) fell 10 bps to close at 7.78% from the last week's close at 7.88%.

# Domestic Debt Market

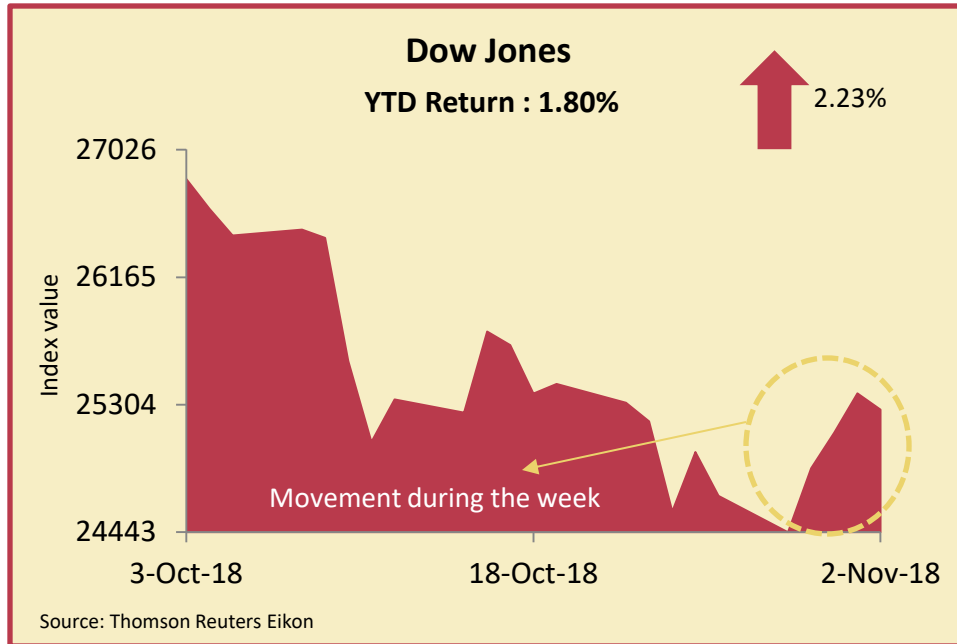
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.52	8.85	133
3 Year	7.62	8.66	104
5 Year	7.87	8.64	77
10 Year	7.93	8.68	75

Source: Thomson Reuters Eikon Values as on Nov 2, 2018

- ✓ Yields on gilt securities fell across the maturities in the range of 5 bps to 25 bps barring 2- and 11-year papers that increased 1 bps and 7 bps, respectively.
- ✓ Corporate bond yields fell across the maturities in the range of 11 bps to 22 bps. The maximum decline was witnessed on 1-year paper and the minimum on 2-year paper.
- ✓ Difference in spread between AAA corporate bond and gilt contracted across the maturities by up to 15 bps barring 1- and 2-year papers that expanded 3 bps and 4 bps, respectively.



# International Markets



- ✓ U.S. markets traded higher backed by positive earnings news for the quarter ended Sep 2018 from major companies. Buying interest found additional support from upbeat private sector jobs growth and surge in U.S. non-farm payroll employment in Oct.
- ✓ Optimism over resolution of U.S.-China trade turf buoyed investor sentiment.
- ✓ However, a section of investors remained concerned over the future pace of interest rate hikes by the U.S. Fed in the light of recent strength in the labour market.

Indices	Last Closing*	Returns (in %)		
		1-Wk	1-Mth	YTD
<b>Europe</b>				
CAC-40 Index	5,102.1	2.7	-6.7	-4.0
DAX Index	11,519.0	2.8	-6.3	-10.8
FTSE 100	7,094.1	2.2	-5.1	-7.7

Source: Thomson Reuters Eikon

\*Values as on Nov 2, 2018

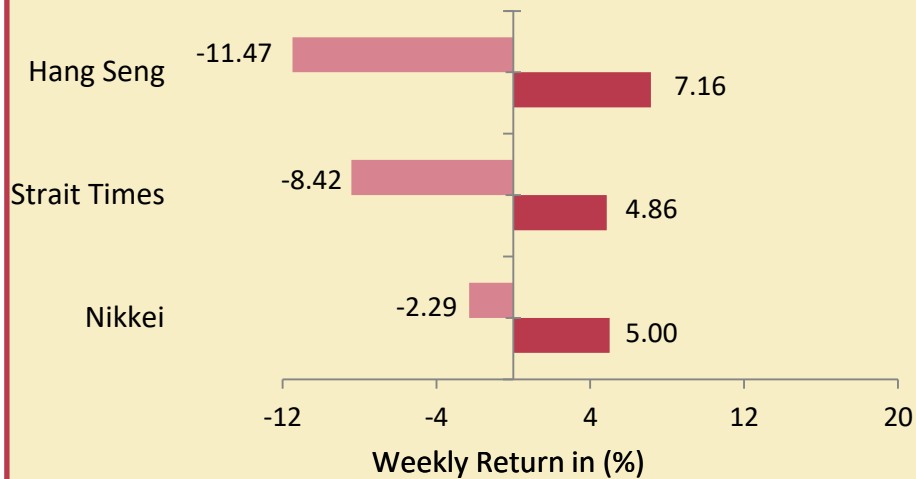
- ✓ European markets joined the global rally after U.S. President expressed optimism about resolving the trade disputes with China ahead of the highly anticipated meeting at the end of Nov, 2018 in Argentina.
- ✓ Investment sentiment boosted further after media reports stated that that U.K. and the European Union have reached a tentative deal that would grant U.K. companies' continued access to European markets after Brexit.



# International Markets

## Return Value as of November 02, 2018

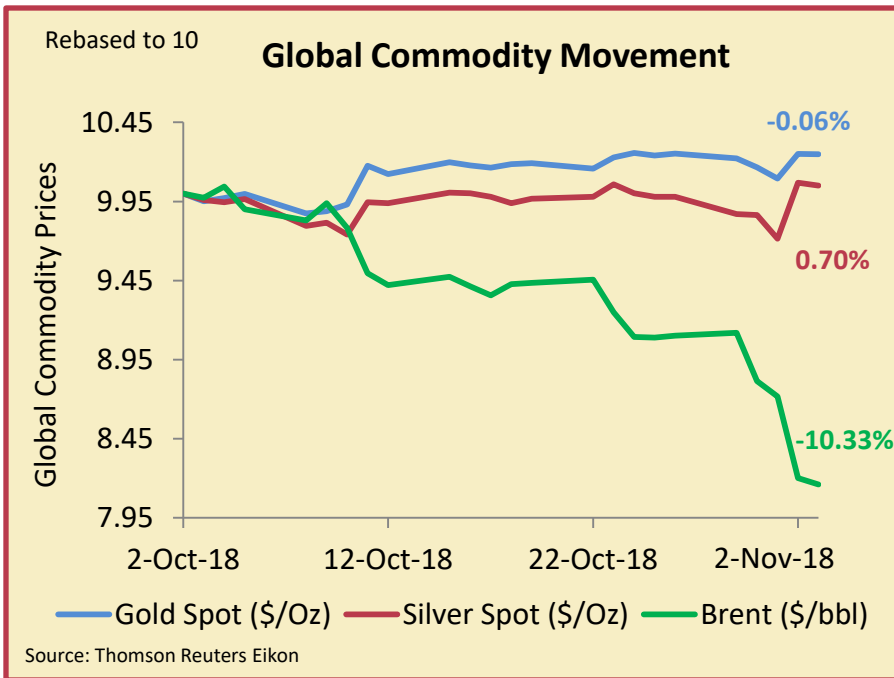
■ % Change YTD ■ % Change week



Source: MFI Explorer

- ✓ Asian markets went up amid optimism that the trade war between the United States and China may soon come to an end.
- ✓ As per the latest development, U.S. President has directed his administration to draft a potential trade deal with Beijing.
- ✓ A batch of upbeat corporate earnings for the quarter ended Sep 2018 too generated positive vibes.

# Commodities



## Gold

- ✓ Gold prices traded marginally lower as the probability of U.S. Fed's interest rate hikes supported the dollar.
- ✓ In addition, strong U.S. consumer confidence data and healthy employment growth for Oct 2018 strengthened dollar, making the currency more attractive than the bullion.
- ✓ However, the bullion's downside was capped by geopolitical uncertainties in the euro zone, slowing global growth and trade tensions between U.S. and China.

## Brent Crude

- ✓ Brent crude traded lower and fell below the \$71 mark amid signs of increasing supplies and strong inventory build. U.S. crude stockpile improved 3.22 million barrels in the week of Oct 26. OPEC bolstered oil production in Oct, which is the highest since 2016.
- ✓ However, impending U.S. sanction on Iran, restricted the losses.

## Baltic Dry Index

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

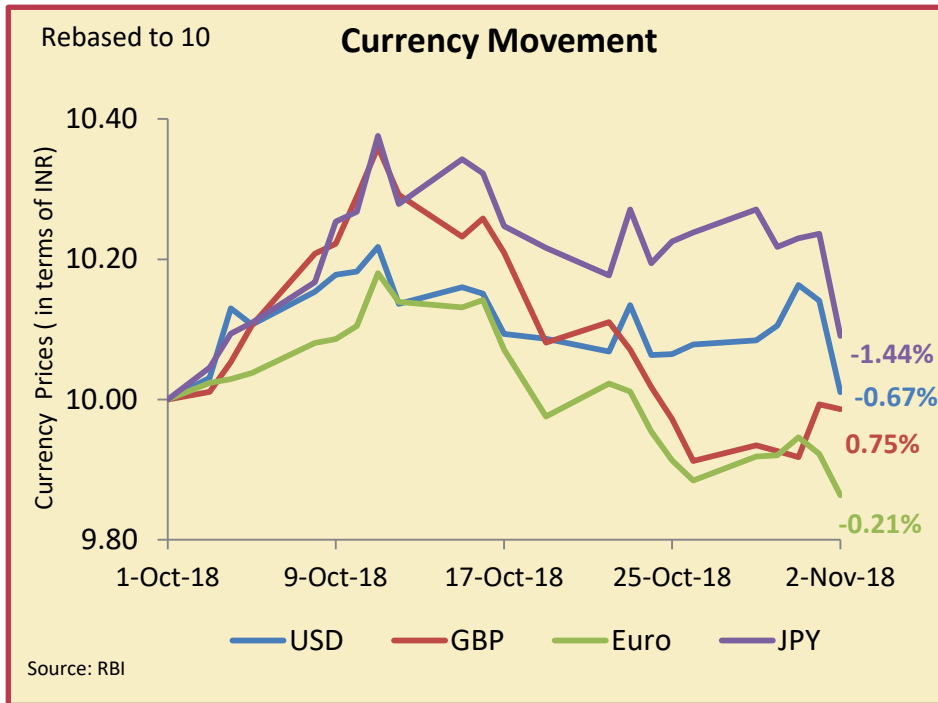
## Performance of various commodities

Commodities	Last Closing*	1-Wk Ago
Brent Crude(\$/Barrel)	70.2	78.29
Gold (\$/Oz)	1,232.5	1233.2
Gold (Rs/10 gm)	31,565	31868
Silver (\$/Oz)	14.7	14.6
Silver (Rs/Kg)	38,299	38358.0

Source: Thomson Reuters Eikon

\*Values as on Nov 2, 2018

# Currency



## Rupee

- ✓ The Indian rupee rose against the U.S. dollar following steep decline in crude oil prices and after the U.S. agreed to let India keep buying Iranian oil. Strength in the domestic equity market added to the gains. Optimism on improving U.S.-China trade relations also supported the domestic currency.

## Euro

- ✓ The euro fell against the greenback following strong economic data from the U.S. Month-end dollar buying from investors, euro zone's poor growth figures and feeble outlook also weighed on the currency.

## Pound

- ✓ The pound rose against the U.S. dollar after Britain's Brexit Secretary hinted that Brexit agreement could be reached by the end of Nov 2018. The currency rose further after the BoE hinted that future interest rate hikes would be slightly faster if Brexit goes smoothly.

## Yen

- ✓ The yen fell against the U.S. dollar after the Bank of Japan signalled its intention to maintain its ultra-loose monetary policy for some time.

## Movement of Rupee vs. Other Currencies

Currency	Last Closing *	1-Wk Ago
U.S. Dollar	72.88	73.37
Pound Sterling	94.75	94.05
EURO	83.23	83.41
100 Yen	64.47	65.41

# Key Mutual Funds News

- ✓ Tata Mutual Fund announced the revision in exit load of in Tata Money Market Fund and Tata Short Term Bond Fund from nil to 2% of applicable NAV if redeemed on or before 6 months from allotment date and 2% of applicable NAV if redeemed on or before 12 months from allotment date, respectively. The revised load stands effective from Nov 1, 2018.
- ✓ Tata Mutual Fund announced the change in exit load of Tata Gilt Securities Fund effective Nov 2, 2018. As per the revision, no exit load will be applicable on redeeming the units.
- ✓ Union Mutual Fund announced the change in name of Union Equity Fund, an open-ended equity multicap scheme, to Union Multicap Fund, effective Oct 29, 2018.
- ✓ Union Mutual Fund announced the introduction of Systematic Investment Plan (SIP) facility under Union Liquid Fund, which is an open-ended liquid scheme. The facility will be effective from Nov 1, 2018.
- ✓ According to media reports, Aditya Birla Sun Life Mutual Fund announced the launch of Aditya Birla Sun Life Overnight Fund, which is an open-ended debt scheme deploying assets in overnight money market and debt instruments.
- ✓ Motilal Oswal Mutual Fund decided to modify the exit load of Motilal Oswal Focused 25 Fund, Motilal Oswal Midcap 30 Fund, Motilal Oswal Multicap 35 Fund, Motilal Oswal Dynamic Fund and Motilal Oswal Equity Hybrid Fund with effect from Nov 1, 2018. As per the revised load 1% will be charged if redeemed on or before 15 days from allotment date. No exit load would be charged otherwise.
- ✓ According to media reports, Union KBC Asset Management Company's chief executive and two other personnel paid more than Rs. 50 lakh as settlement of proceedings with Securities and Exchange Board of India over alleged violation of certain mutual fund norms.

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