

WEALTHWHISPER



Weekly Review October 05, 2018

Key Economic News

International

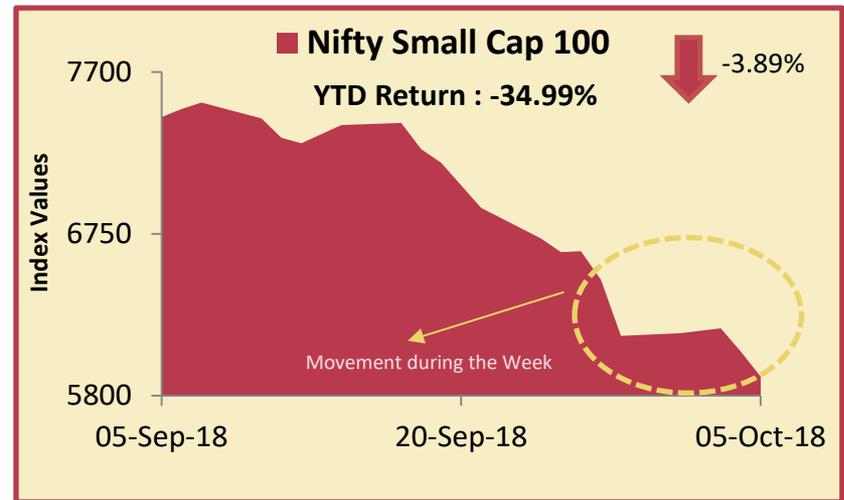
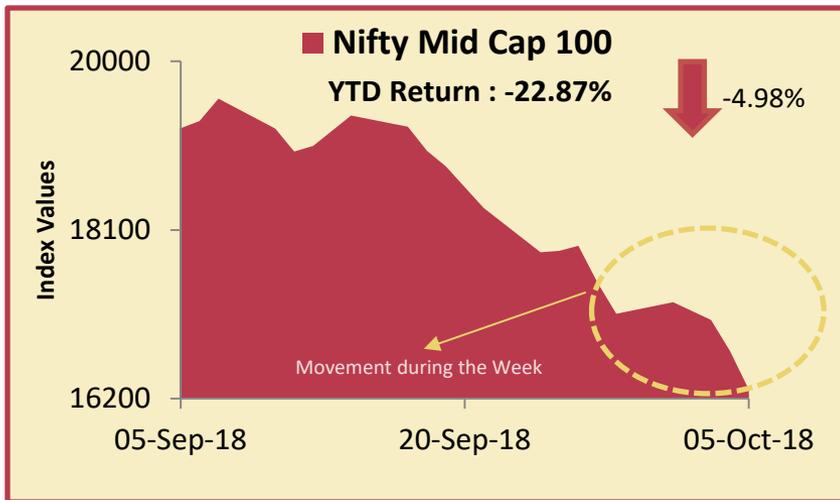
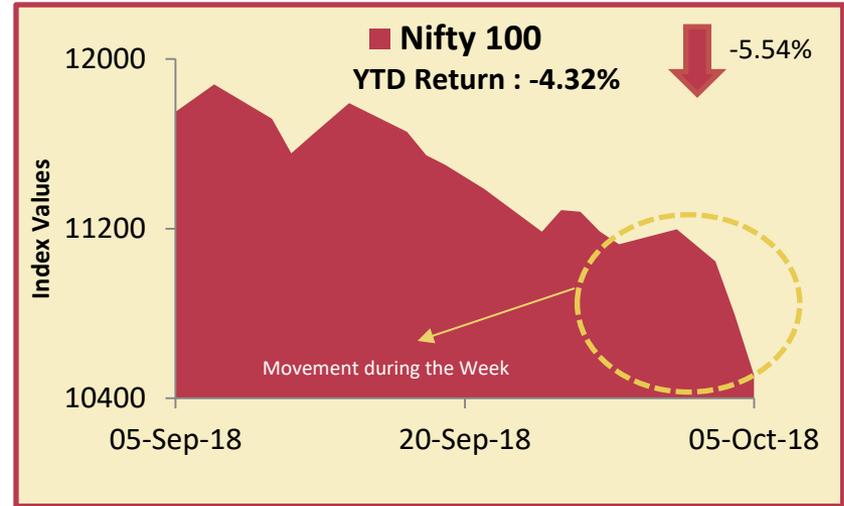
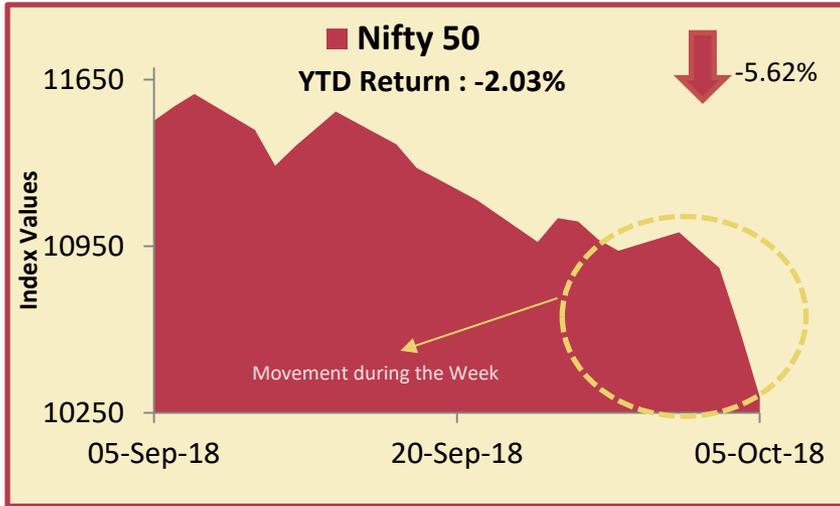
- ✓ According to the Labor Department, U.S. nonfarm payroll employment rose 1,34,000 in Sep 2018, lower than market forecast and upwardly revised growth of 2,70,000 in Aug 2018 (2,01,000 initially reported). The unemployment rate dropped to 3.7% in Sep 2018 much better than market forecast and 3.9% in the previous month. The Unemployment rate fell to its lowest level since Dec 1969.
- ✓ Data from payroll processor ADP showed that private sector employment in the U.S. jumped by 2,30,000 jobs in Sep 2018 after climbing by an upwardly revised 1,68,000 jobs in Aug 2018 (1,63,000 jobs originally reported for the previous month).
- ✓ According to IHS Markit and the Chartered Institute of Procurement & Supply data, U.K. manufacturing sector expanded at a faster pace in Sep 2018 on the back of growth in output and new orders. The manufacturing PMI increased unexpectedly to 53.8 in Sep 2018 from 53.0 in Aug 2018 and defied expectations for a drop.

Domestic

- ✓ The Monetary Policy Committee (MPC) in its fourth bi-monthly monetary policy review for FY19 kept key policy repo rate on hold after it increased the same by 25 bps each in its two previous bimonthly policy reviews. The decision comes as MPC opted to keep inflation on a close vigil for the next few months. MPC voted 5:1 in favour of a status quo. However, it changed its stance to “calibrated tightening” from neutral that was in place since Feb 2017.
- ✓ The Nikkei India Services Purchasing Managers' Index (PMI) fell to 50.9 in Sep 2018 from 51.5 in Aug 2018. This marked the lowest score in the four-month period. The downside reflects weak demand and stagnant new work. Despite the slight improvement in manufacturing PMI, seasonally adjusted Nikkei India Composite PMI Output Index fell to 51.6 in Sep 2018 as against 51.9 in Aug 2018. Rising price pressures weighed on the market activity.
- ✓ The Nikkei India Manufacturing PMI improved to 52.2 in Sep 2018 from 51.7 in Aug 2018. The growth came on the back of gain in new orders, output and employment. A reading of over 50 indicates expansion and otherwise contraction.

Domestic Equity Market

Surge in global oil prices and persisting fall in domestic currency dragged the market down



Domestic Equity Market

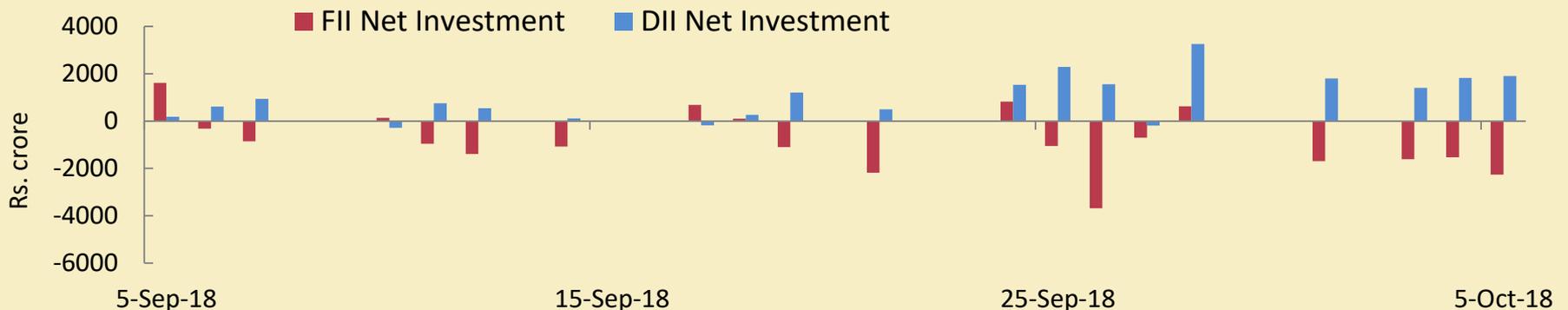
Ratios	S&P BSE Sensex	Nifty 50	Nifty Mid Cap 100	Nifty Small Cap 100
P/E	21.96	24.95	44.84	115.18
P/B	2.84	3.28	2.40	1.60
Dividend Yield	1.31	1.30	1.08	0.92

Source: BSE & NSE Values as on Oct 05, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Oct-18	712	1144	0.62
03-Oct-18	1092	783	1.39
04-Oct-18	467	1388	0.34
05-Oct-18	413	1441	0.29

Source: NSE

- ✓ The domestic equity market witnessed significant fall with Sensex registering major losses in consecutive three trading sessions and closing below 35,000 mark for the first time since May 2018. The surge in global oil prices, which touched a 4-year high of \$86 per barrel during the week, coupled with continuous fall in rupee against the greenback raised concerns over widening fiscal deficit and increase in domestic inflationary pressures.
- ✓ The MPC's status-quo stance could not bring respite to investor sentiment as it contradicted market expectations of a 25 basis points rate hike because of higher crude oil prices and persisting weak rupee.



Source: SEBI

Domestic Equity Market

Sectoral Indices

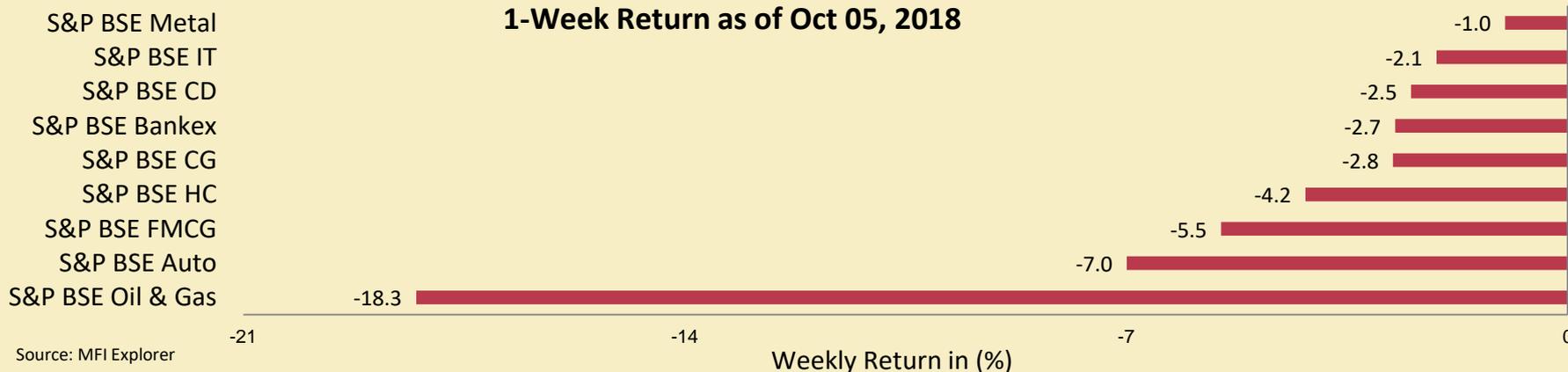
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19975.0	-7.0	-17.2
S&P BSE Bankex	27226.9	-2.7	-11.9
S&P BSE CD	18659.7	-2.5	-10.4
S&P BSE CG	16635.3	-2.8	-10.0
S&P BSE FMCG	10870.7	-5.5	-10.2
S&P BSE HC	14400.5	-4.2	-9.0
S&P BSE IT	15304.4	-2.1	-2.5
S&P BSE Metal	13147.3	-1.0	-4.4
S&P BSE Oil & Gas	12143.6	-18.3	-17.3

Source: MFI Explorer

*Values as on Oct 05, 2018

- ✓ On the BSE sectoral front, all the indices closed in red with S&P BSE Oil & Gas (-18.25%) registering maximum fall followed by S&P BSE Auto (-6.99%). Oil & Gas stocks remained under pressure after the finance minister urged the oil marketing companies to absorb Re. 1 cut on fuel prices.
- ✓ Auto sector moved down as some auto majors reported a decline in passenger car sales for the third consecutive month in a row in Sep 2018. The decline came on account of erratic monsoon rainfall, floods in Kerala and unfavourable macro-economic conditions.

1-Week Return as of Oct 05, 2018

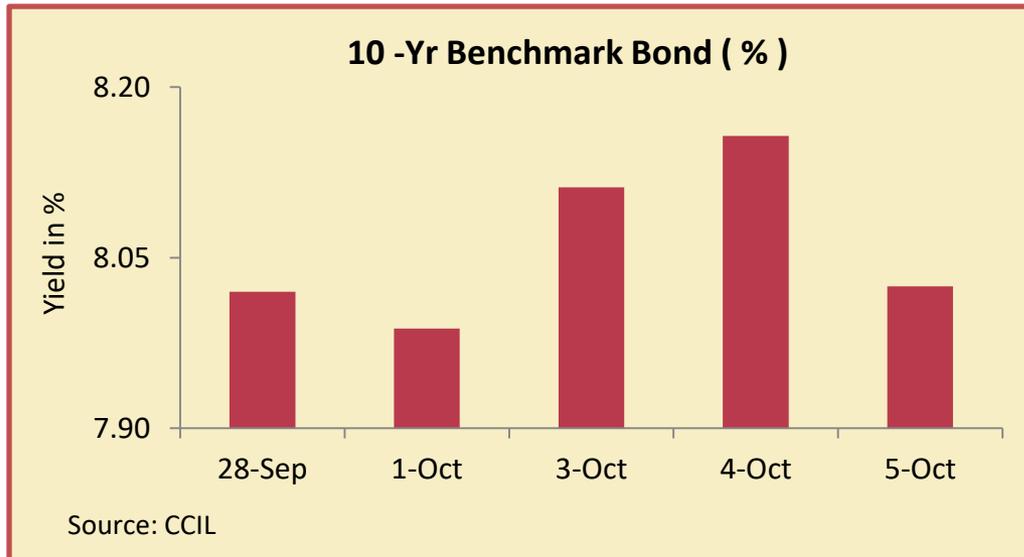


Domestic Debt Market

Bond yields closed steady as losses were neutralised after MPC kept interest rates on hold

Debt Indicators (%)	Current Value*	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.41	6.51	6.31	5.91
91 Day T-Bill	6.93	6.97	6.81	6.10
07.80% 2021, (5 Yr GOI)	7.84	7.96	7.96	6.92
07.17% 2028, (10 Yr GOI)	8.02	8.02	8.05	7.13

Source: Thomson Reuters Eikon; CCIL *Values as on Oct 05, 2018



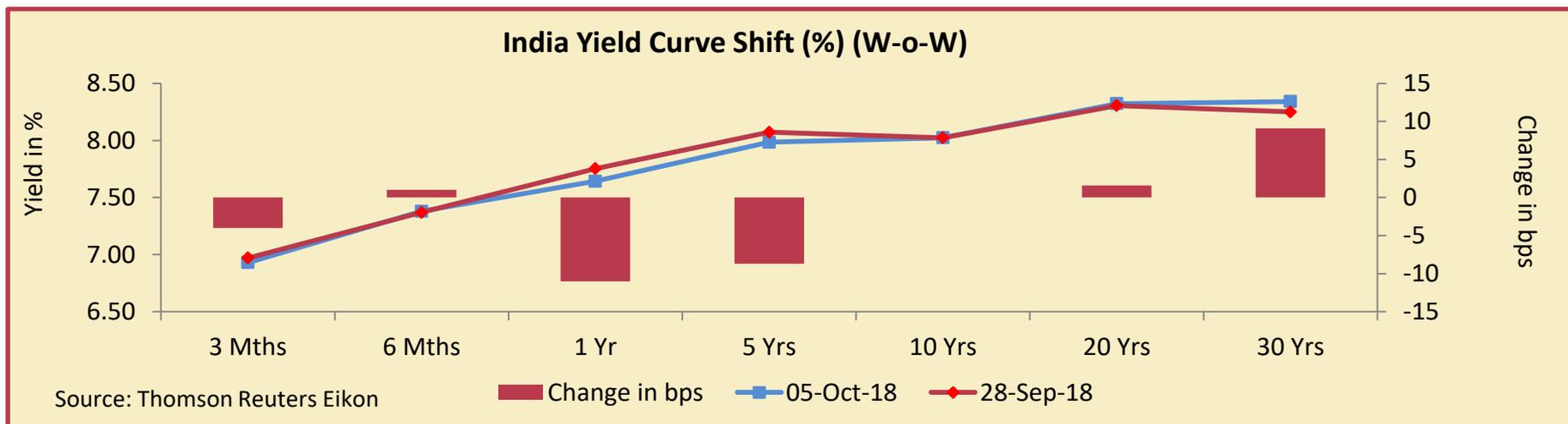
- ✓ Bond yields fell initially after the Reserve Bank of India announced its plans of open market purchases during the month.
- ✓ However, the trend reversed as bond yields spiked following an increase in global crude oil prices and a record plunge of the rupee against the greenback, which disrupted the market's sentiment.
- ✓ Losses were completely neutralized on the penultimate day of the week as bond yields plunged and witnessed the biggest single-day fall in more than six months after the MPC kept key policy repo rate unchanged in its fourth bi-monthly monetary policy review, which surprised market participants. Investors were expecting a rate hike in the backdrop of higher crude oil prices and persisting weakening of the rupee. MPC, however, changed its stance to 'calibrated tightening' from 'neutral'.

Domestic Debt Market

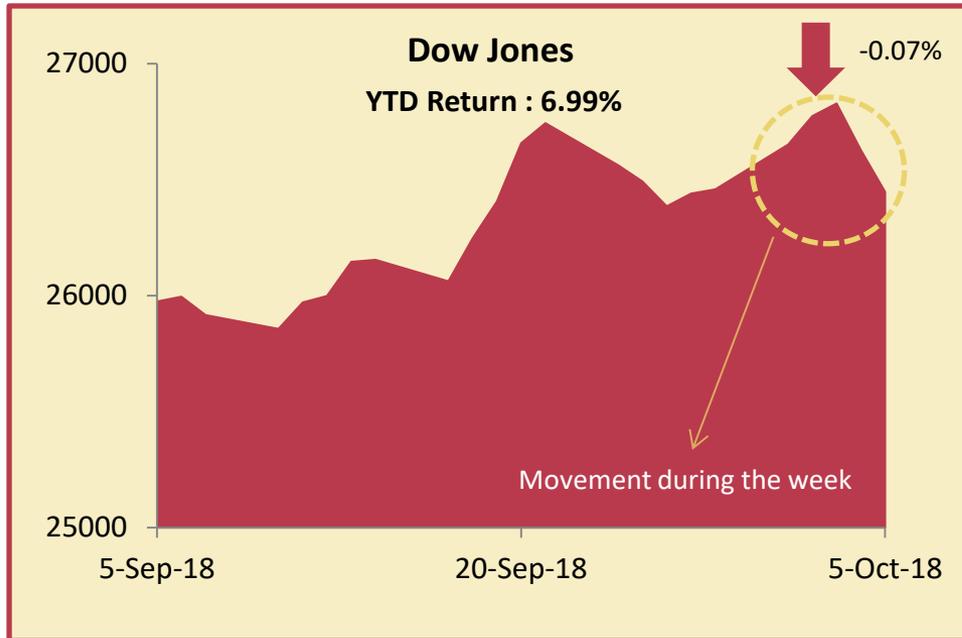
Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.79	9.09	130
3 Year	8.00	8.82	82
5 Year	8.14	8.93	78
10 Year	8.18	9.08	90

Source: Thomson Reuters Eikon Values as on Oct 05, 2018

- ✓ Yields on gilt securities fell across 1-year paper, 3 to 7 years' maturities, 13- and 15-year paper by up to 12 bps. Yields increased across the remaining maturities by up to 9 bps barring 10-year paper that closed steady.
- ✓ Corporate bond yields fell across 1 to 7 years' maturities in the range of 2 bps to 14 bps and increased across the remaining segment by up to 6 bps.
- ✓ Spread between AAA corporate bond and gilt contracted across the maturities by up to 5 bps barring 1-, 5-, 10- and 15-year maturities that expanded by up to 10 bps.



International Markets



- ✓ A series of economic data ruled sentiment on Wall Street during the week. Upbeat monthly U.S. jobs report for Sep 2018 reignited concerns over the outlook for Fed's interest rates.
- ✓ Although the Labour Department report showed weaker than expected job growth in Sep 2018, the increase in employment in Aug 2018 was upwardly revised and the unemployment rate fell to its lowest level since 1969 in Sep 2018. Additionally, report from payroll processor ADP showed stronger than expected private sector job growth in Sep 2018.

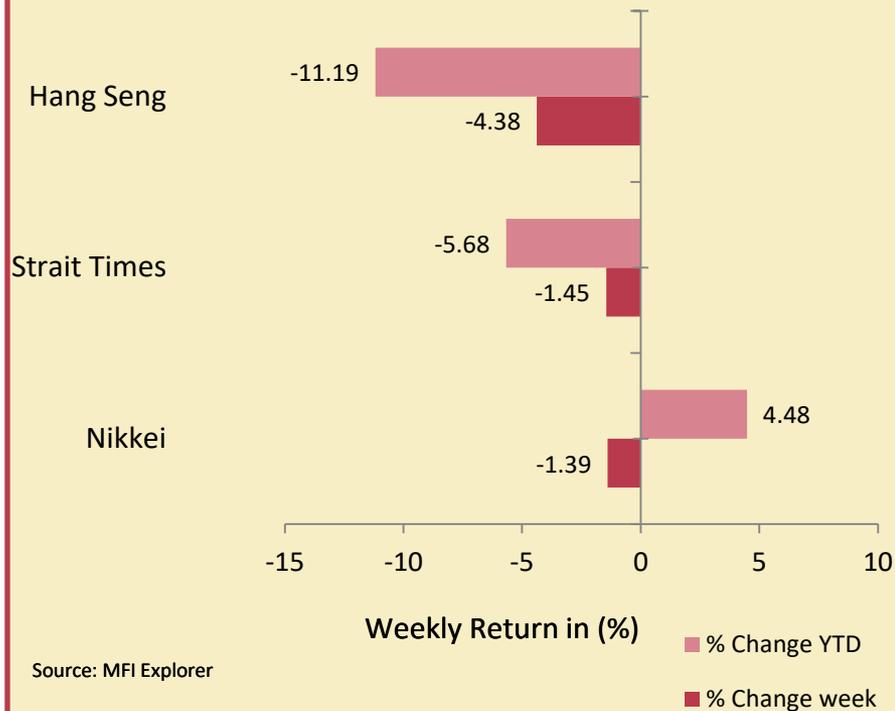
Indices	Last Closing*	Returns (in %)		
		1-Wk	1-Mth	YTD
Europe				
CAC-40 Index	5359.4	-2.44	1.88	0.88
DAX Index	12111.9	-1.10	0.59	-6.24
FTSE 100	7318.5	-2.55	-0.88	-4.80

Source: Thomson Reuters Eikon *Values as on Oct 5, 2018

- ✓ European markets witnessed selling pressure as concerns surrounding Italy and Brexit uncertainty weighed on investor sentiment. Some respite was seen after an Italian newspaper reported that the Italian government estimates a budget deficit of 2.4% of GDP for 2019, and then slashed it to 2.2 % for 2020.
- ✓ The U.S. jobs data and hawkish comments from U.S. Fed chief boosted expectations for inflation and continued rate hikes from the Federal Reserve in the coming months.

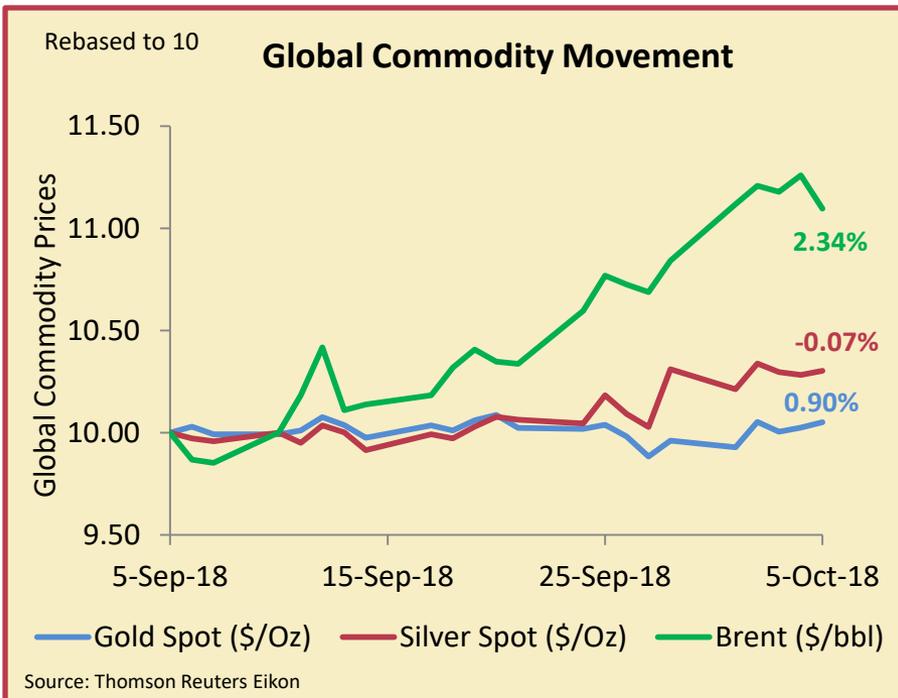
International Markets

Return Value as of October 05, 2018



- ✓ Asian markets were no exception to the weakness in the global peers. Upbeat U.S. economic data drove 10-year U.S. Treasury yields to their highest level since 2011, which led to speculation that the U.S. Fed may raise interest rates aggressively. Report from payroll processor ADP showed stronger than expected private sector job growth in Sep, which raised concerns about the outlook for interest rates.
- ✓ Meanwhile, market participants looked ahead to the U.S. jobs report for Sep 2018 released post Asian market hours on Oct 5, 2018 for clues over the next rate hike by the U.S. Fed.
- ✓ Media reports suggesting that China secretly inserted surveillance microchips into servers used by Apple and Amazon also weighed on the markets.

Commodities



Performance of various commodities

Commodities	Last Closing*	1-Wk Ago
Brent Crude(\$/Barrel)	85.16	83.21
Gold (\$/Oz)	1202.45	1191.69
Gold (Rs/10 gm)	31216	30296
Silver (\$/Oz)	14.59	14.60
Silver (Rs/Kg)	38480	37006

Source: Thomson Reuters Eikon

*Values as on Oct 5, 2018

Gold

- ✓ Gold prices increased as U.S. non-farm payroll employment data for Sep 2018 came in lower than market expectations. Prices got support when the U.S. President said it is too early for any agreement with China on the trade front. Brexit tension and concerns over debt-ridden Italy's budget were among other factors that weighed on investor sentiment and dented their risk appetite.
- ✓ However, gains were restricted amid concerns over more rate hikes by the U.S. Federal Reserve moving forward.

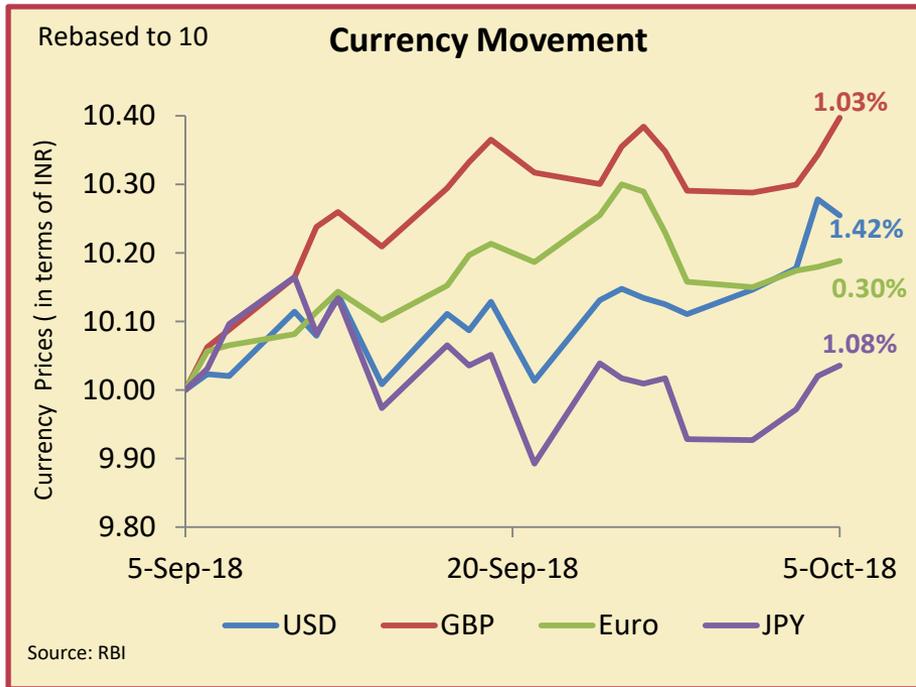
Crude

- ✓ Brent crude prices grew and surpassed the 86-mark in one of the sessions amid looming U.S. sanctions against Iran's oil industry. The markets are likely preparing themselves for tighter supply once U.S. sanctions against Iran start in Nov 2018.
- ✓ However, the upside was limited on account of demand concerns with escalating U.S.-China trade tussle.

Baltic Dry Index

- ✓ The Baltic Dry Index grew 0.91% on the back of improved capesize and panamax activities.

Currency



Rupee

- ✓ The rupee hits another record low against the greenback amid a persistent surge in global crude oil prices and strong U.S. economic data.

Euro

- ✓ Euro fell against the U.S. dollar amid uncertainty surrounding Italy's debt, fiscal plans and future ties with Europe that led to tensions in the market and amongst other eurozone leaders.

Pound

- ✓ Sterling rose against the greenback after European Union's (EU) Brexit negotiator said that they have moved closer to an agreed position on a deal for Brexit and a way to avoid extensive border checks in Ireland.

Yen

- ✓ Yen strengthened against the U.S. dollar on reports that the Bank of Japan will tolerate further increases in super-long yields until the 10-year yield doesn't rise above its zero percent target. However, strong U.S. private sector employment data in Sep 2018 and the possibility of a rate hike in Dec 2018 by the U.S. Federal Reserve, reversed gains.

Movement of Rupee vs. Other Currencies

Currency	Last Closing *	1-Wk Ago
U.S. Dollar	73.58	72.55
Pound Sterling	95.89	94.91
EURO	84.70	84.44
100 Yen	64.59	63.90

Source: RBI

Figures in INR , *Values as on Oct 5, 2018

Key Mutual Funds News

- ✓ Baroda Pioneer Mutual Fund announced that Bank of Baroda acquired the entire shareholdings held by UniCredit S.p.A. (UniCredit) in Baroda Pioneer Asset Management Company Ltd. (BPAMC) and Baroda Pioneer Trustee Company Pvt. Ltd. (BPTC) on Sep 28, 2018. Consequently, BOB now holds 100% shareholding in BPAMC and BPTC.
- ✓ Kotak Mahindra Mutual Fund announced the introduction of “Any Date SIP” facility in all its ETF and open-ended schemes excluding Kotak Mahindra Liquid Scheme. The effective date is Oct 1, 2018. In case a date is not selected, 7th of every month / quarter would be taken as the default SIP date.
- ✓ SBI Mutual Fund announced the revision in exit load of SBI Consumption Opportunities Fund to 1% for exits on or before one year from allotment date. No exit load would be applicable for exits post one year. The effective date is Oct 1, 2018.
- ✓ LIC Mutual Fund announced the revision in exit load of LIC MF Large Cap Fund, LIC MF Multi-Cap Fund, LIC MF Large & Midcap Fund, LIC MF Banking & Financial Services Fund, LIC MF Infrastructure Fund, LIC MF Debt Hybrid Fund and LIC MF Equity Hybrid Fund to 1% on units over and above 12% of allotted units if redeemed on or before completion of 12 months from the allotment date. No exit load is applicable if units are redeemed after completion of 12 months from the allotment date.
- ✓ ICICI Prudential Mutual Fund announced that in addition to the existing dividend frequencies of ICICI Prudential Ultra Short Term Fund, daily, weekly and fortnightly frequencies will be introduced in the plans which will be open for subscription, effective Oct 17, 2018.
- ✓ UTI Mutual Fund announced the completion of M V Suryanarayana’s term as Independent Director on the board of UTI Asset Management Company Limited. The fund house announced the appointment of Deepak Kumar Chatterjee and Arun Kanti Dasgupta as Independent Directors on the Board of UTI Asset Management Company Limited, effective Sep 25, 2018.
- ✓ Invesco Mutual Fund is seeking Securities and Exchange Board of India’s (SEBI) go-ahead to launch Invesco India Equity Savings Fund, an open-ended scheme. The scheme will be allocating 25% to 75% of its asset in derivatives, 15% to 40% in equity and 10% to 35% in debt and money market.

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