

## Market Update – July 2018

### Economy

- GST Council pruned the 28 % slab by cutting tax rates on 191 goods over the last one year, leaving just 35 items, including AC, digital camera, video recorders, dishwashing machine and automobiles, in the highest tax bracket.
- Defense industries have attracted a meager USD 10,000 (about Rs seven lakh) foreign direct investment (FDI) in 2017-18.
- The Nikkei Services PMI in India rose to 52.6 in June of 2018 from 49.6 in the previous month and marking the highest reading since June 2017.
- Iran was the second-biggest oil supplier to Indian state refiners between April and June,
- India's oil minister said on Monday, replacing Saudi Arabia as companies took advantage of steeper discounts offered by Tehran.
- Financial creditors have realised claims worth over Rs 47,000 crore in 26 cases under the Insolvency and Bankruptcy Code.
- After almost two years of a slump, the January-June period saw the launch of 91,739 housing units, an increase of 46% from a year ago
- The foreign direct investment (FDI) in the food processing sector rose 24 % in 2017-18 to USD 904.9 million, according to an official data. FDI inflow into the sector stood at USD 727.22 million during 2016-17 financial year.
- Projects for constructing 6,320 km of road have been awarded under the first phase of the Bharatmala project, with the financial implication estimated to be Rs 1.44 lakh crore.
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- The government has notified a decision to allow sugar mills to manufacture ethanol directly from sugarcane juice or intermediate product called B - molasses.

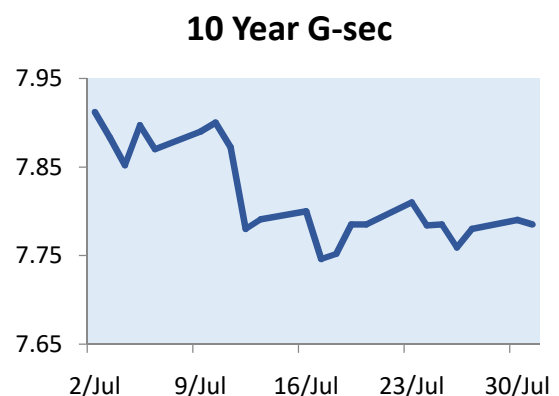
Indicators	Current	Previous
Monthly CPI Inflation	5.0%	5.0%
	( July-18)	( June-18)
Monthly WPI Inflation	5.77%	5.77%
	( July-18)	( June-18)
IIP	4.90%	3.2%
	( July-18)	( June-18)
GDP (YOY)	7.70%	7.70%
	( July-18)	( June -18)

## Global

- The Nikkei Japan Flash Manufacturing PMI came in at 51.6 in July 2018, down from 53 in June.
- The IHS Markit Eurozone Manufacturing PMI rose slightly to 55.1 in July 2018 from June's 19-month low of 54.9.
- President Donald Trump on Wednesday accused China of "vicious" tactics on trade as he prepared for tough negotiations with European leaders in an escalating trade battle among world powers.
- President Donald Trump agreed with the European Commission chief to suspend new tariffs while continuing to negotiate over trade.
- The European Central Bank left interest rates unchanged and affirmed its plan to end its monthly bond-buying program in December, as had been expected. ECB President Mario Draghi said that uncertainty around the inflation outlook was receding.
- The U.S. economy grew at its fastest pace in nearly four years in the second quarter.
- Gross domestic product increased at a 4.1 % annualised rate also as government spending picked up.
- Growth in China's manufacturing sector cooled slightly in June to 51.0 in as firms faced rising input costs and a decline in export orders amid an escalating trade dispute with the United States, a private survey showed.
- Unemployment Rate in the Euro Area decreased to 8.40 % in May from 8.60 % in April of 2018.
- The US unemployment rate rose to 4 % in June 2018 from 3.8 % in the previous month.

## Debt Market

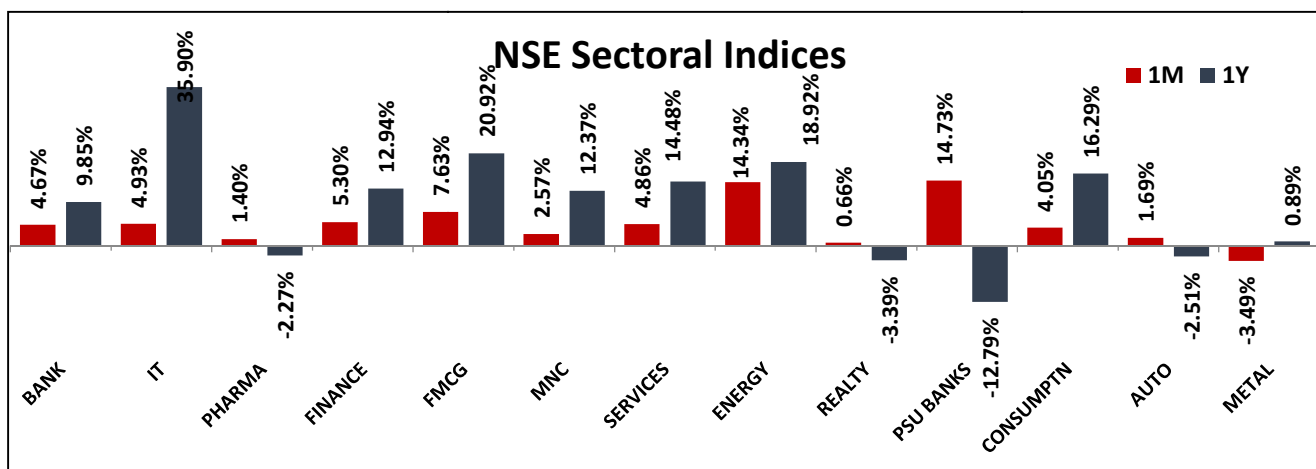
- Karnataka Chief Minister announced a farm loan waiver of Rs 34,000 crore in the maiden budget. The waiver is of Rs 25,000 for those farmers whose borrowings are not beyond Rs 2 lakh. The waiver would apply to those farmers who have defaulted in loan paybacks up until December 31, 2017.
- Finance minister unveiled 'Project Sashakt', a five-prong strategy to deal with non-performing asset. It aims to strengthen the credit capacity, credit culture and credit portfolio of public sector banks.
- India's 10 Year benchmark bond yield surged and hit the high of 8.0 percent in this month. The 7.17 per cent 10-year benchmark bond yield maturing in 2028 rose to 7.90 percent from 7.86 percent in the month of June, 2018 and increased by 0.51%.
- The monthly 7.17 % 10 year benchmark G-sec yield maturing 2028 is shown in the line chart.
- Rating agency ICRA has estimated a subsidy dependence of Rs 85,000 crore amid low tariff hikes allowed for discoms' in 2018-19.



## Equity Market

- For the first time, the benchmark index of the Bombay Stock Exchange (BSE) breached 37K level to 37,336.85, a life-time-high spurting by 840.48 points at the end of the third week on Friday, as Modi government won the no-confidence motion even reduction in goods and services tax (GST) rate on 88 goods and services too boosted the same.
- Stocks got a boost by the government's Better-than-expected June 2018 quarterly results from index pivotal also fortified sentiment on the domestic bourses.
- The BSE Sensex started the week positive at 36,501.05 and traded strong to register historic highs at 37,368.62 and low of 36,252.53 before closing the week with new highs at 37,336.85, showing a gain of 840.48 or 2.30 %.
- Broader Markets: The BSE Mid-Cap index rose 716.16 points or 4.71 pc to settle at 15,912.62. The BSE Small-Cap index rose 728.77 points or 4.64 pc to settle at 16,450.20. Both these indices outperformed the Sensex. FI: Foreign institutional investors (FIIs) bought shares worth Rs 738.05 crore and Domestic institutional investors Rs 406.12 crore in the Indian equity market on Friday.
- Buying in equity market was led by Metal, FMCG, PSUs, Realty, Capital Goods, Banks, Consumer Durables, Power, Oil & Gas, HealthCare, IPO and Auto counters. While IT and Tech sectors saw mild profit-booking.
- The Nifty resumed the week higher at 11,019.85 and traded between all time highs at 11,283.40 and 11,010.95, the index finally closed at 11,278.35, a gain of 268.15 points, or 2.44 %.
- Bulls reigned over the volatile trading momentum as domestic market weathered rupee volatility, country's macro situation, sustained capital out-flows and shrugged off the US-China trade war concerns, all of it insulated by robust set-of corporate earnings seasons which kick-started during the week.

## Sector Performance of NSE as on 31st July, 2018.



## Reasons

- Among sectoral and industry indices, PSU Banks and Energy were the best performing sectors which rose by 14.73%, 14.345 followed by FMCG sector which rose by 7.63% in the month of June.
- Apart from Pharma and IT sectors, Bankex, Infra and FMCG sectors also rose by 0.42%, 4.21% and 0.91% respectively.
- Among broader indices Nifty 50 rose only by 0.76% and settled at 10741 in the end of the month. NSE Midcap 50 surged by 9.77% and Nifty Small 100 fell by 6.57% in the month of June.
- GST revenue mop-up rose to Rs95610 crore for the month of June,2018 as against Rs94016 in the previous month and Rs1.03 lakh crore in April,2018
- Shares of state-owned oil marketing companies fell as global crude oil prices hovered around their over three-year highs on concern that the US may re-impose sanctions on Iran, a major oil producer.

## FII & DII Activity

Net Flows	Jul-18	Jun-18	May-18
FII (in Cr.)	-3,340.96	-7,458.76	-10,060.00
DII (in Cr.)	4,136.74	14,146.15	13,573.97

In the month of July,2018 FII's again became the net sellers and pulled out Rs3340 crore from equity capital market as compared with Rs7458 crore in June and DII's were still net buyers in the equity market to the tune of Rs4,136.74 crore in month of July as compared to June,18 to the amount of Rs 14,146.15 crore.

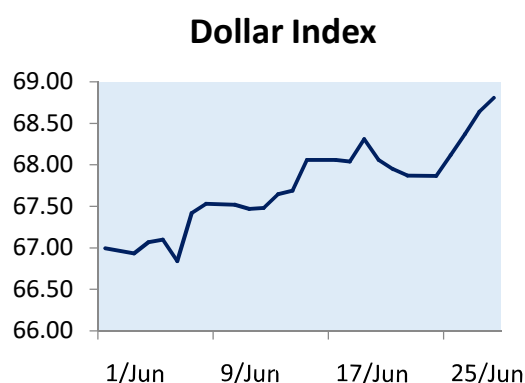
## IPO CORNER

Equity	Issue price	Issue Size (Cr.)	Listed Date	Listed Price
Fine Organics Limited	Rs. 783	Rs. 598.0	02-Jul-18	Rs. 815.00
RITES Limited	Rs. 185	Rs. 453.0	02-Jul-18	Rs. 190.00
Varroc Engineering Limited	Rs. 967	Rs. 1,945.0	06-Jul-18	Rs. 1,015.00
TCNS Clothing Co. Limited IPO	Rs. 716	Rs. 1,125.0	30-Jul-18	Rs. 715.00
HDFC Asset Management Company Ltd.	Rs. 1,100	Rs. 9,674.9	-	-

Debt	Credit Rating	Interest Rate	Issue Size (Cr.)	Issue Opening Date	Issue Closing Date
ECL Finance Limited	CRISIL AA	8.56%	Rs. 500	24-Jul-18	26-Jul-18
Shriram Transport Finance Company Limited - NCD 8	CRISIL AA+	9.40% - 9.50%	Rs. 1,000	27-Jun-18	03-Jul-18

## Currencies

- The rupee staged a smart rebound to end at a fresh one-week high of 68.65 against the US currency on bouts of dollar selling by exporters and corporates even as stocks continued their bullish ascent. Reversing its brief fall, the home currency regained 19 paise during the week. The domestic unit oscillated between a high of 68.53 and a low of 69.08.
- A significant bullish breakout in the domestic stock markets coupled with positive trade-related headlines provided an additional boost and largely weighed on the trading front. Forex sentiment witnessed a revival of enthusiasm as currency traders took comfort in the encouraging meeting outcome after US President Donald Trump obtained concessions from the European Union to avert a transatlantic trade war.
- The rupee gained just one paisa to end at a fresh one-week high of 68.65 at interbank foreign exchange market here as month-end dollar demand from oil importers trimmed its early sharp gains.
- After touching a high of 68.53 towards the tail-end trade, the local unit finally settled at 68.65, revealing a gain of 19 paise, or 0.28 %. The rupee had depreciated 31 paise last week. The RBI, meanwhile, fixed the reference rate for the dollar at 68.7041 and for the euro at 79.9821. India's foreign exchange (Forex) reserves inched-up by \$67.7 million during the week ended July 20, official data showed on Friday.
- The dollar index, which measures the greenback against a basket of six major currencies, was down 0.1 % at 94.683.



## Mutual Funds

Mutual Fund houses were net buyers to the tune of Rs 243718.98 crore in July, 2018 on debt side as well as on equity side compared with the previous month Rs. 37974.28 and 6554.62 respectively.

MF Activity	July			June		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	38,611.03	33,098.99	5512.04	50,113.32	43,558.70	6554.62
Debt (Cr.)	97,591.23	73,212.25	243718.98	1,71,438.55	1,33,464.27	37974.28

- Mutual funds has led to an addition of nearly 33 lakh new folios in the first quarter of current fiscal, taking the total to an all time high of 7.46 Crore at the end of June. This follows an addition of 1.6 Crore investor accounts in the financial year 2017-18, over 67 lakh folios in 2016-17 and 59 lakh in 2015-16.
- India lags behind most major nations of the world in terms of AUM of mutual funds as a percentage of gross domestic product (GDP). In India, asset base of mutual funds as a percentage of GDP is just 11 per cent, while the world average is 62 per cent.

- The chief of the Securities and Exchange Board of India Mr. Ajay Tyagi called on investors to go the MF way as that's "the right way to enter equity markets"

### Mutual Fund Category's 1 month return -

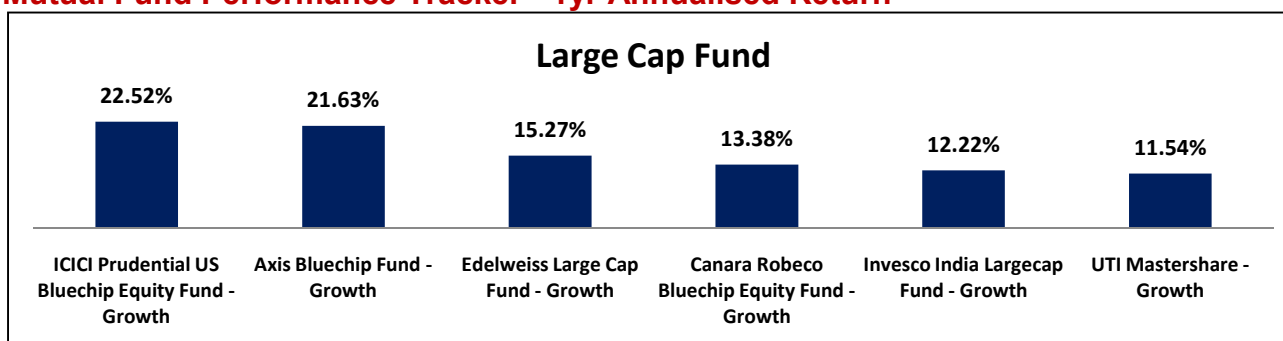
Categories	XIRR 1 Month
Overnight Funds	6.09%
Liquid Funds	7.27%
Money Market	7.66%
Ultra Short Term Fund	8.16%
Low Duration Fund	8.52%
Short Term Fund	8.60%
Medium to Long Duration Fund	11.00%
Long Duration	14.34%
Dynamic Bond Fund	10.00%
Corporate Bond Fund	10.20%
Credit Risk Fund	10.60%
Floater Fund	9.20%
Banking & PSU Fund	10.15%
Gilt Fund	12.44%
Gilt Fund (10 yr constant duration)	16.60%
Arbitrage Funds	6.00%

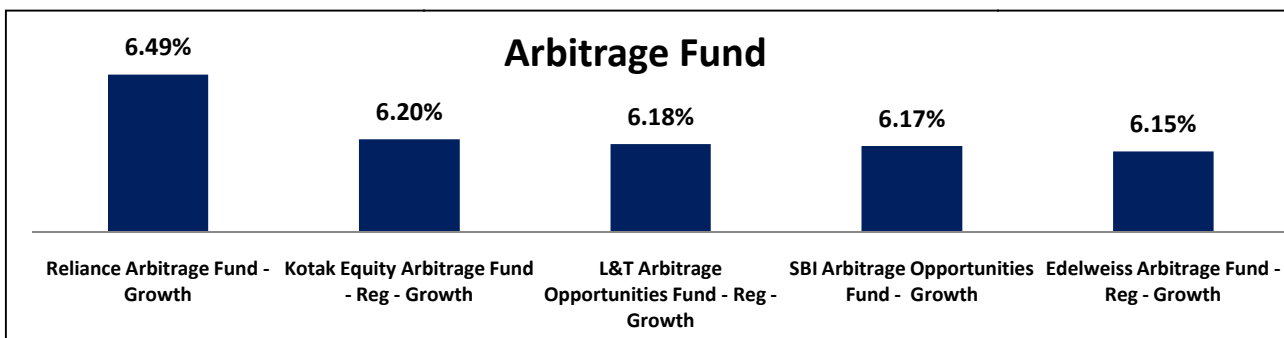
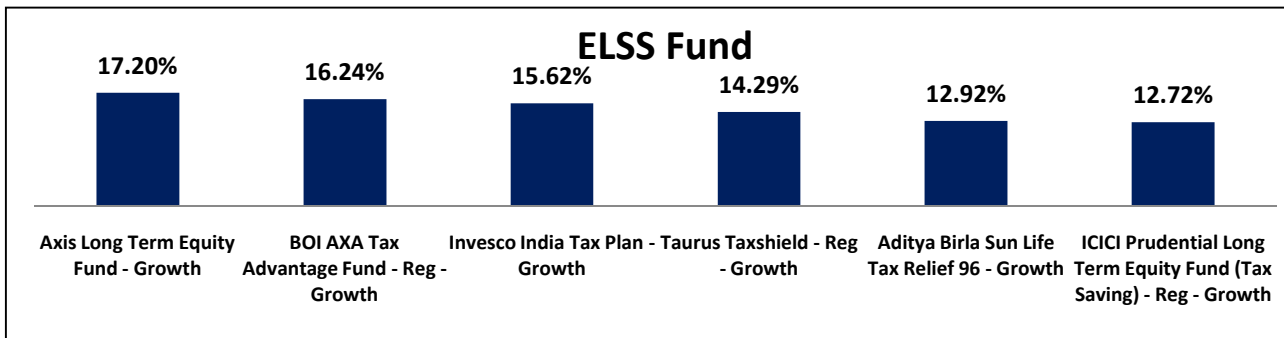
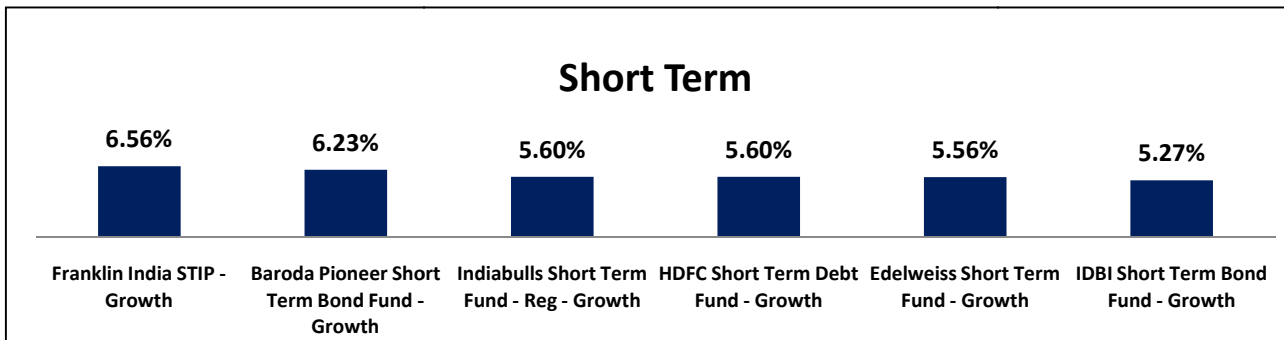
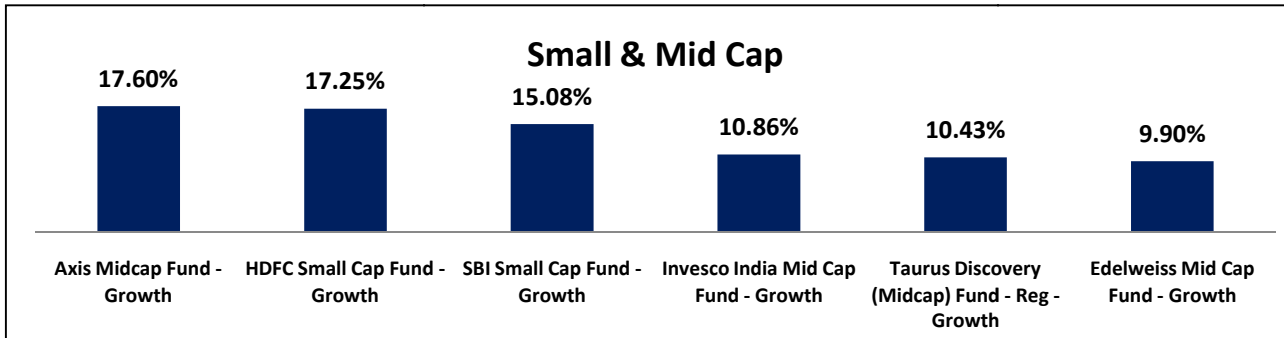
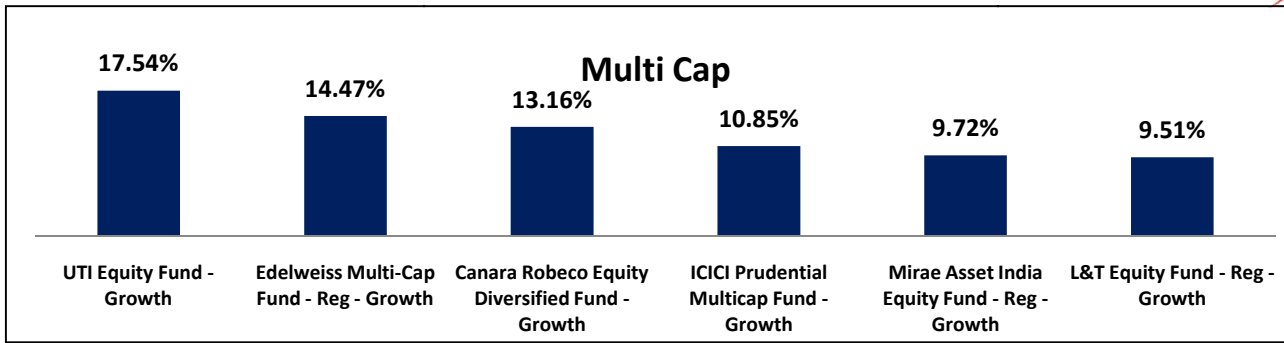
Categories	Absolute Return 1 Month
Large Cap Funds	5.50%
Multi Cap Funds	5.00%
Large & Mid Cap Funds	4.70%
Mid Cap Funds	4.30%
Small Cap Funds	3.50%
ELSS Funds	4.50%

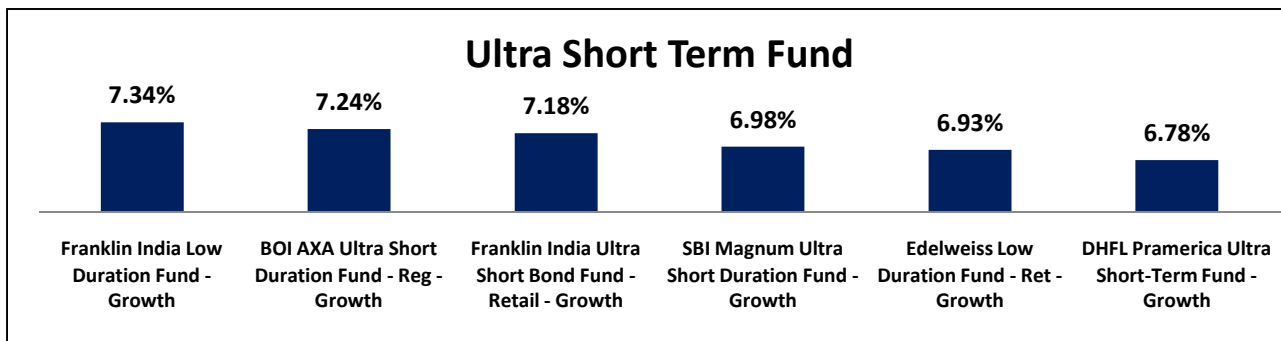
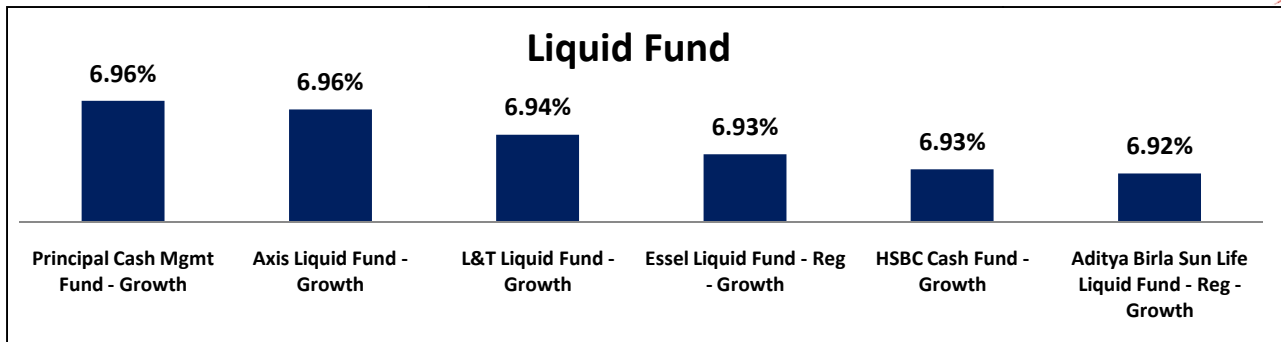
### Schemes:

- In the category of Large Cap funds ICICI Prudential Bluechip Equity Fund, Axis Bluechip Fund and Edelweiss Large Cap Fund were top performing funds. They posted 22.52%, 21.63% and 15.27% of annualized returns respectively.
- In Multi Cap, UTI Equity Fund and Edelweiss Multicap Equity Fund were top performing funds with the annualized returns of 17.54% and 14.47% respectively.
- In Small & Mid Cap category, HDFC Small Cap Fund and Axis Midcap fund were top performing with the annualized returns of 17.60% and 17.65% respectively.

### Mutual Fund Performance Tracker - 1yr Annualised Return







## M&A Deals

- **Vodafone - Idea** merger approved by Telecom Ministry on 10th July.
- HIL, part of the USD 1.8 billion diversified CK Birla Group, announced the acquisition of Parador Holdings GmbH.
- **A consortium of Aion Investments** - JSW Steel will acquire the bankrupt Monnet Ispat & Energy by paying 2892 crore to pick 74.3% stake.

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