

Market Update – November 2018

Economy

- As the government and the RBI continue to debate over credit crunch in the economy, the central bank has come out with the data showing that the credit growth to the real economy has shown a healthy growth. In a release, the central bank said that the loans and advances by NBFCs clocked growth of 17.9 per cent for the quarter ended June 2018 and 20.1 per cent for the quarter ended September 2018 YoY.
- Farm shrimp production in India is set to fall 15% this fiscal year due to the damage caused by the cyclonic storm Gaja which was hit in Tamil Nadu earlier this month. India emerged the world's top supplier of shrimps in 2017-18 with an output of 6 lakh tones. Tamil Nadu is the largest producer of farmed shrimps in the country after Andhra Pradesh.
- The Reserve Bank has "more than adequate" reserves and that it can transfer over Rs 1 trillion to the government after a specially constituted panel. As during RBI board meeting, it was decided that a committee will be formed, and it is expected that the proposed committee on the RBI's economic capital framework (ECF) will identify Rs 1-3 trillion which is 0.5-1.6 per cent of GDP as excess capital. The government for the second year in a row has pegged fiscal deficit at 3.3 per cent of GDP this fiscal year.
- The labour ministry has decided to implement the much-awaited social security code in phases after fears emerged that some of the controversial proposals in the comprehensive draft legislation could delay the entire reform process. The proposal includes vesting all powers of EPFO and ESIC in state social security boards while converting the two central organisations into fund managers, which the ministry feels, could ignite controversy.
- India recorded the highest average real wage growth in South Asia during 2008–17, according to a report by the International Labour Organisation (ILO). In South Asia, India led the average real wage growth in 2008–17 at 5.5 against a regional median of 3.7. Following India was Nepal (4.7), Sri Lanka (4), Bangladesh (3.4), Pakistan (1.8) and Iran (0.4).
- Labour ministry has proposed a comprehensive social security system to provide retirement, health, old-age, disability, unemployment and maternity benefits to 50 crore workers in the country, in yet another populist measure ahead of the general elections next year.
- The government is aiming to mop up Rs 8,000 crore, with a green-shoe option to retain either Rs 4,000 crore or Rs 6,000 crore from the fourth tranche of CPSE ETF. The government has mopped up over Rs 15,000 crore so far this fiscal through PSU disinvestment, which includes about Rs 5,300 crore from Coal India share sale, Rs 1,700 crore from IPOs of four PSUs -- RITES, IRCON, MIDHANI and Garden Reach Shipbuilders.
- The Brent Crude Oil prices declined by almost 17 per cent and declined from 71.25 as on 1 November 2018 to 58.71 on 30 November 2018.
- The government approved a proposal making jute packaging mandatory for all food grains.

- The RBI's board agreed to ease liquidity for the financial sector and increase credit to small businesses. It also agreed to set up a panel for transfer of the RBI's surplus funds to the Centre and review the prompt corrective action framework.
- Sebi allowed promoters to make a counter offer to shareholders of companies that are planning to delist from the stock exchanges. It also came out with new rules for re-classification of a promoter as a public investor.
- The Centre approved projects worth Rs 74,000 crore towards ensuring an improved water supply, sewerage and drainage. PM Modi said close to 70% of the country's population will have piped gas facility in the next 2-3 years and compressed natural gas (CNG) stations will increase to 10,000 by the end of this decade.
- Central government continued its efforts to push capex cycle by raising allocation for Capital expenditure – CAGR 11.1% YoY over FY15 to FY19E.
- The biggest gain was in construction permit where India climbed 129 ranks to 52nd place on the back of targeted government effort to remove hurdles.
- Sebi said that all CRA would be required to furnish data on sharp rating actions in investment grade rating category, to stock exchanges and depositories for disclosure on website on half-yearly basis, within 15 days from the end of the half-year. CRAs will be required to publish their average one-year rating transition rate over a 5-year period, on their respective websites, which will be calculated as the weighted average of transitions for each rating category, across all static pools in the 5-year period
- The new GDP numbers (Q3) show India's economic growth rate averaged 6.7 per cent during the Congress-led UPA regime as compared to 7.3 per cent under the present government. Previous numbers had put the average growth rate during the 10-year UPA rule at 7.75 per cent. India's economy grew a weaker-than-expected 7.1 percent in the July-September quarter, from a more than two-year high of 8.2 percent in the previous quarter as per the Government of India
- RBI and Government are now aligned to lubricate the economy with liquidity. Setting up a committee to reconsider PCA norms is a big positive for the sector as this would now enable a large chunk of the 11 banks to come to the market and lend which will further ease liquidity concerns. This meeting is also historic as it has given a clear direction and intent that no matter what, India's financial system is robust enough to withstand any crises.
- Wholesale prices in India rose by 5.28 percent year-on-year in October of 2018, after a 5.13 percent gain in the prior month and above market estimates of 5 percent. It is the highest wholesale inflation since June, as cost advanced faster for manufactured products and fuel.
- Annual consumer inflation in India fell to 3.31 percent in October 2018 from a downwardly revised 3.7 percent in September and below market expectations of 3.67 percent. It is the lowest inflation rate since September 2017, mainly due to a drop-in cost of food.

India Prices	Last	Previous	Highest	Lowest	Unit	
Inflation Rate	3.31	3.70	12.17	1.54	percent	[+]
Consumer Price Index CPI	140.60	140.20	140.60	86.81	Index Points	[+]
GDP Deflator	128.80	125.10	146.50	100.00	Index Points	[+]
Producer Prices	121.70	120.80	121.70	62.44	Index Points	[+]
Producer Prices Change	5.28	5.13	34.68	-11.31	percent	[+]
Export Prices	376.00	372.00	376.00	100.00	Index Points	[+]
Import Prices	513.00	523.00	523.00	100.00	Index Points	[+]
Food Inflation	-0.86	0.51	14.72	-2.12	percent	[+]
Inflation Rate Mom	0.29	-0.14	2.25	-1.55	percent	[+]
Cpi Housing Utilities	146.30	145.30	146.30	100.30	Index Points	[+]
CPI Transportation	126.90	125.90	126.90	103.20	Index Points	[+]
+						

Global

- Leaders of the G20, the world's biggest economies, will meet between November 30 to December 1 in Argentina, with climate change, and the trade war between Washington and Beijing will be at the top of the agenda
- European markets were lower as on 30 November 2018 while Asian markets ended mixed as both investors remained cautious ahead of a crucial meeting between the Chinese and US presidents at the G20 meet during the weekend
- Britain's FTSE index fell 0.8% as exporters' shares were dented by a firm pound as on 22 November 2018. The benchmark also tracked a slump in US equities. Japan's Nikkei fell slightly as losses on tracking sell-off on the Wall Street and sharp decline in Nissan Motor's shares were trimmed by gains in defensive stocks.
- The current inflation rate for the United States is 2.5% for the 12 months ended October 2018, as published on November 14, 2018 by the U.S. Labor Department.

Global equity benchmark indices' returns

Country / Region	Indices	Nov 23	% change for week	% change for YTD
The US	DJIA*	24,465	-3.73	-1.03
	Nasdaq Composite*	6,972	-3.80	1.00
	Russell 3000 Growth*	1,108	-3.97	0.79
The UK	FTSE 100^	6,960	-0.76	-9.46
France	CAC 40^	4,938	-1.73	-7.05
Germany	XetraDax*	11,138	-1.79	-13.77
Japan	Nikkei 225^	21,647	-0.16	-4.91
Singapore	Straits Times	3,052	-1.01	-10.30
Hong Kong	Hang Seng	25,928	-0.98	-13.34
China	Shanghai Comp	2,579	-3.72	-22.00

Source: Websites of respective stock exchanges *As on Nov 21
^As on Nov 22

- China will inject a net USD 109.2 billion in cash into the banking system, amid a deepening trade war with the US that has increased pressure on growth in the world's second-largest economy. People's Bank of China (PBOC) will cut the RRR for RMB deposits by one percentage which will enable banks in China to release 1.2 trillion-yuan cash for additional lending.
- US President Donald Trump gave temporary exemptions to India and seven other major importers of Iranian oil as they sought US' "help" and he did not want to drive oil prices "up to USD 100 a barrel or USD 150 a barrel. Trump said that in 2019, there will be more oil supply than demand, which will put US in a "much better position to bring all countries importing Iranian crude to zero.

Debt Market

- The interbank call money rate settled at 6.45% on November 22 as against 6.35% on November 16. Systemic liquidity was mostly in deficit during the holiday-shortened week. The yield on G-sec as on 1st October 2018 was 7.98% and as on 31 October was 7.84% and was trading highest on 4th of October 2018 at 8.15%.
- Government bond prices ended slightly down. Yield of the 10-year benchmark 2028 settled at 7.61% on November 30 as against 7.85% on October 31. The Reserve Bank of India will inject Rs 40,000 crore in the banking system next month, a move that will help to ease cash shortage in the system and stabilise debt market rates.

Corporate bond spreads over G-Sec

Spreads		AAA	AA+	AA	AA-	A+
Nov 22 2018	3 Yr	0.92%	1.15%	1.51%	1.79%	2.08%
	5 Yr	0.89%	1.12%	1.48%	1.77%	2.16%
	10 Yr	0.79%	1.15%	1.54%	2.00%	2.34%
Previous Week	3 Yr	1.00%	1.23%	1.59%	1.87%	2.16%
	5 Yr	0.99%	1.22%	1.58%	1.87%	2.26%
	10 Yr	0.79%	1.15%	1.54%	2.00%	2.34%

Source: CRISIL Fixed Income Database

- The RBI's open market bond purchase auction conducted on November 22 also provided positive cues and, in the bond, repurchase auction, the central bank bought back dated securities for a total aggregate amount of Rs 8,000 crore. In the state loan auction, states raised a notified Rs 4,350 crore via sale of dated securities.
- A marathon RBI Board meet with no negative announcement helped Bond yields to show gain (10 yr benchmark ended at 7.71 against 7.81 w-o-w). Taking a cue from 10 yr benchmark, the 10 yr AAA Corporate bonds also gained by 5 bps. PSBs have cut positions in the 10 yr benchmark and hence the shorter tenor papers have performed better than long term papers.
- Net Liquidity position moved from an avg deficit of Rs. 570 bn in Oct'18 to 820 bn in Nov'18.

Equity Market

- During the month NSE NIFTY 50 Index appreciated by 6.5% ending at 10876.75 as on 30 November 2018 and BSE Sensex appreciated by 1.38% and closed at 36,304.43 points. However, gains were capped by losses in Metal and Banking stocks as investors were caution ahead of September quarter growth numbers which were scheduled to be released later in the day. On the monthly basis, Nifty registered gains and snapped two months long losing streak as Rupee appreciation and crude oil prices boosted investors sentiment.



- Falling crude prices has given a fillip to macro fundamentals of the country primarily the current account deficit which is now expected to stabilise. The tightness in credit market is expected to further ease as the government is working on taking measures like relaxing norms for PCA Banks, bring in fresh capital as per the earlier recapitalisation plan.
- Monetary tightening in the developed nations like the US and the Eurozone is likely to lead to tighter monetary conditions globally which may also impact the monetary conditions in India as well. With strong economic growth conditions in the developed nations, global inflation may also start to pick up, which may also lead to inflationary pressures domestically. RBI may maintain a pause in the December 2018 monetary Policy, looking at the recent domestic CPI inflation data. However, RBI's monetary policy actions are likely to be influenced by the evolving inflation trajectory domestically. Thus, any signs to pick in inflation could prompt the RBI to increase the policy interest rates.
- Futures & Options (F&O) total turnover stood at Rs 4,39,239.97 crore on November 30 and the total number of contracts traded on the day were 74,64,339. Of the total turnover, Index Futures contributed Rs 16,883.74 crore, Stock Futures Rs 51,435.5 crore and Index Options Rs 3,40,525.69 crore, while the contribution of the Stock Options was of Rs 30,395.04 crore. The top gainers from the F&O segment were Reliance Communications, Repco Home Finance and Strides Pharma Science. On the other hand, the top losers were Oil India, Vodafone Idea and Power Finance Corporation.

FII's & DII's Activity

Net Flows	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18
FII (in Cr.)	4,934.11	-29,201.20	-9,469.13	2,822.72	-3,340.96
DII (in Cr.)	1,309.47	26,033.90	12,504.73	-2,228.53	4,136.74

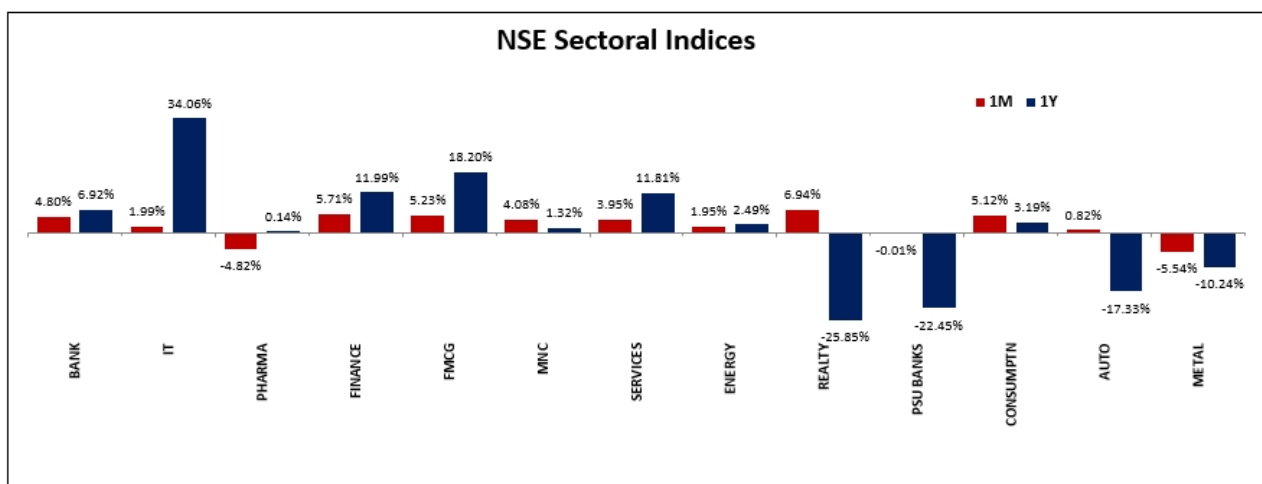
In the month of November, 2018 there was an inflow of FII's and amounted to Rs 4,934.11 crore in equity capital market as compared to outflow of Rs 29,201.20 crore in October, 2018 and DII's were still net buyers in the equity market to the tune of Rs 1,309.47 crore in month of November as compared to October, 18 to the amount of Rs 26,033.90 crore.

Happenings of major conglomerates

1. Online retail major Amazon has overtaken Flipkart with \$7.5 billion in gross merchandise value (GMV) as compared to the latter's \$6.2 billion on a standalone basis in the financial year ending on March 31, 2018. Amazon's US rival Walmart acquired 77% in Flipkart earlier this year paying \$16 billion, valuing it at \$22 billion.
2. Vodafone Idea (VIL) has transferred its fibre network assets to a wholly-owned unit in the run-up to their early sale aimed at bringing in additional cash that it desperately needs to take on competition from Bharti Airtel and Reliance JioInfocomm. Earlier this month, Vodafone Idea—born out of a recent merger of Vodafone India and Idea Cellular—announced plans to monetise its sizeable fibre assets alongside plans to arrange a Rs 25,000-crore equity fund-raise to bolster its balance sheet and meet future capex needs to boost 4G coverage in its efforts to catch up with Jio and Bharti Airtel.
3. Wadhawan Global Capital (WGCL), the holding company of DHFL (Dewan Housing Finance Limited), has also raised Rs2,125 crore through zero-coupon non-convertible debentures (ZCNCD) maturing in 2019, 2020 and 2021.
4. Moody and ICRA both downgraded Yes Bank's long-term rating. The rating downgrade considers the series of resignations from the board of directors, which raises concerns on corporate governance at the bank. The agency, however, acknowledged that there is stability in the deposit base and liquidity profile of the bank with no significant change in the deposit levels between August and November.
5. Yes Bank promoter companies have prepaid Rs 400 crore loans to two mutual fund companies that is Reliance Mutual Fund and Franklin Templeton Mutual Fund and which further reduced the total outstanding loans of Yes Bank promoters to Rs 1,400 crore.
6. Jet Airway's founder Naresh Goyal agreed to sell his controlling stake and give up operational control of the struggling carrier. Goyal has agreed to sell controlling stake in the company to an investor and has communicated the same to three strategic investors. Goyal has, however, laid out certain conditions including retaining a minority stake of below 5% and a board seat on the firm.

7. Unilever Plc is in exclusive talks with GlaxoSmithKline Plc (GSK) to acquire Horlicks if the deal happens, it will be Unilever's most ambitious acquisition in India after its subsidiary Hindustan Unilever Ltd (HUL). Unilever may acquire GSK's stake in locally listed GSK Consumer Healthcare Ltd, which sells Horlicks and other brands in India, and then merge the company with HUL.
8. Fortis Healthcare issued 23.53 crore equity shares through preferential allotment to IHH Healthcare Berhad for around Rs4,000 crore which will help this Malaysian firm to take 31.1 per cent of stake in the Company and the allotment was done at Rs 170per share.
9. Airtel's Africa unit appoints banks for IPO in mid-2019 and the capital raised will be used to repay its \$15 billion debt and will free up some cash to fight against Reliance jio.

Sectoral Performance



Currency Outlook

The Indian rupee gained 27 paise to close at 69.58 against U.S. dollar on 30 November 2018. This month the home currency traded firm against the U.S. dollar and reclaimed 69/\$ level on the back of easing crude oil prices and stable equity markets. The rupee rallied by 50 paise to close at 73.45 against the US dollar as on 1 November 2018.

IPO CORNER

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Shree Krishna Infrastructure Limited	15-Nov-18	22-Nov-18	13	1.71
ICL Multitrading India Limited	19-Nov-18	3-Dec-18	85	17.86
Roni Households Limited	19-Nov-18	22-Nov-18	20	3
Shubhlaxmi Jewel Art Limited	22-Nov-18	27-Nov-18	26	6.51
Diksha Greens Limited	26-Nov-18	28-Nov-18	30	13.32
DRS Dilip Road Lines Limited	27-Nov-18	30-Nov-18	75	31.5

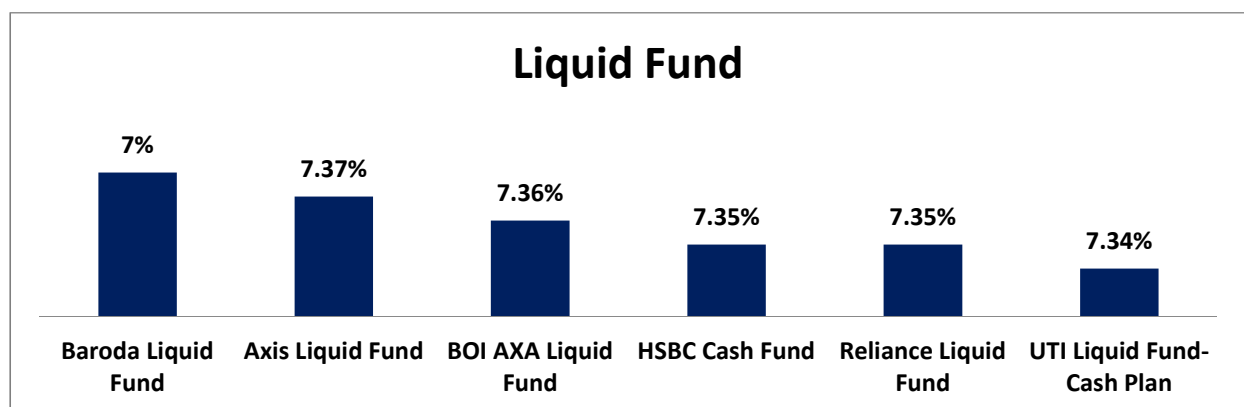
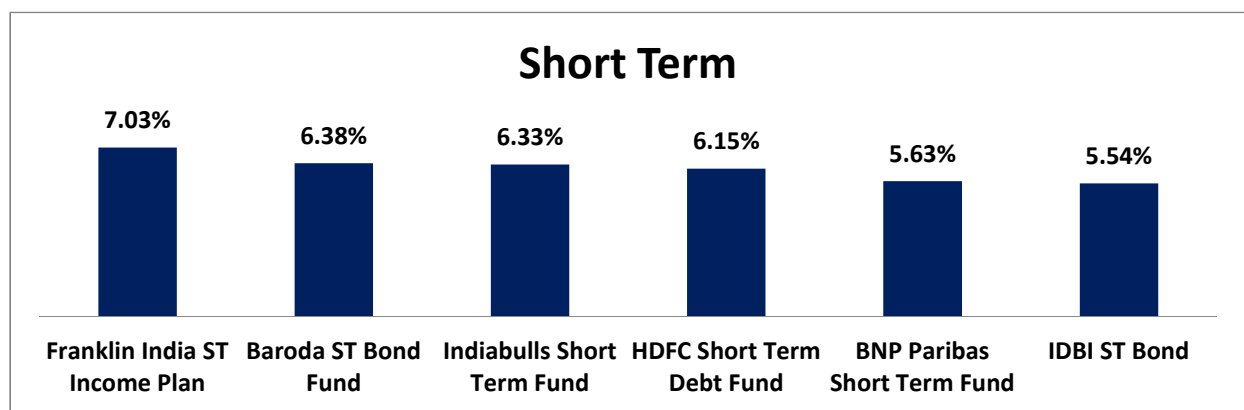
Mutual Funds

MF Activity	November			October		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	42,503.18	40,002.46	2,500.72	73,141.47	51,255.80	21,885.67
Debt (Cr.)	159,654.82	110,971.78	48,683.04	139,497.61	111,165.22	28,332.39

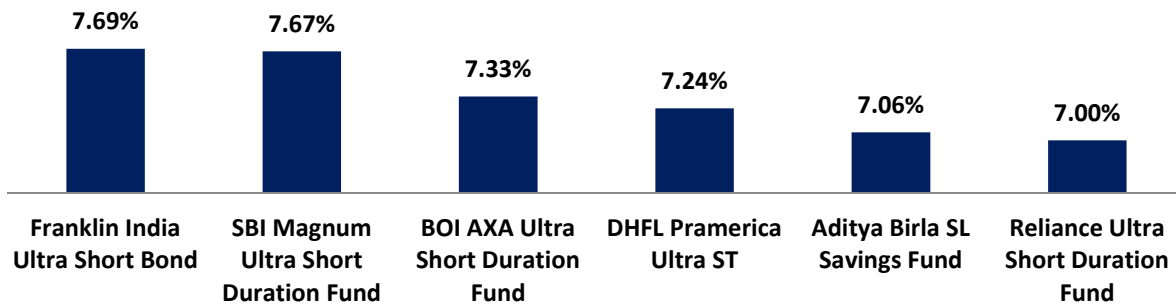
As per the new categorisation norms of SEBI, there are seven types of hybrid schemes: aggressive hybrid, conservative hybrid, balanced hybrid, dynamic asset allocation or balanced advantage, multi asset allocation, arbitrage and equity saving schemes.

- SBI Mutual Fund has announced the launch of SBI - ETF Quality, an open-ended scheme tracking NIFTY200 Quality 30 Index. The NFO (New Fund Offer) opened for subscription on 26 November 2018 and closed on 3 December 2018. The units can be purchased after the subscription period on the stock exchange.

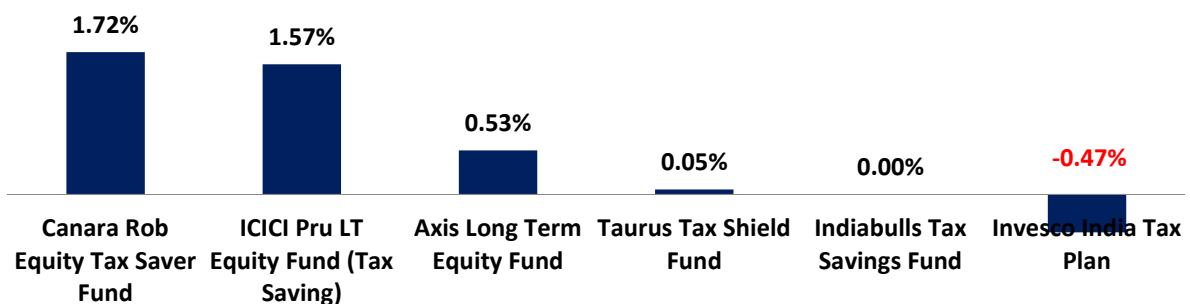
Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return



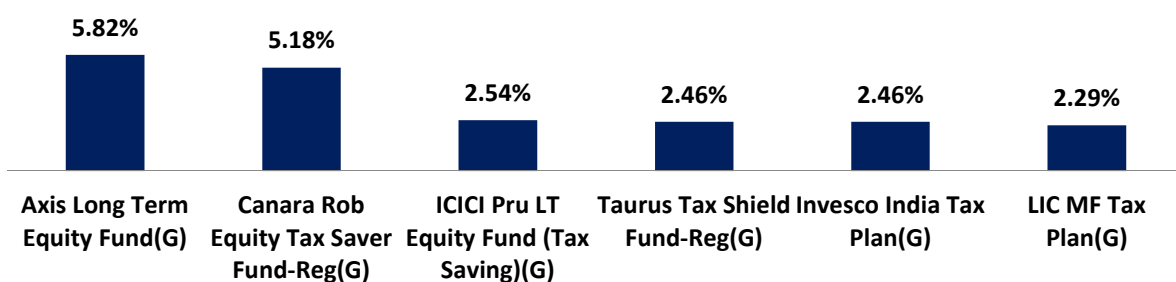
Ultra Short Term Fund



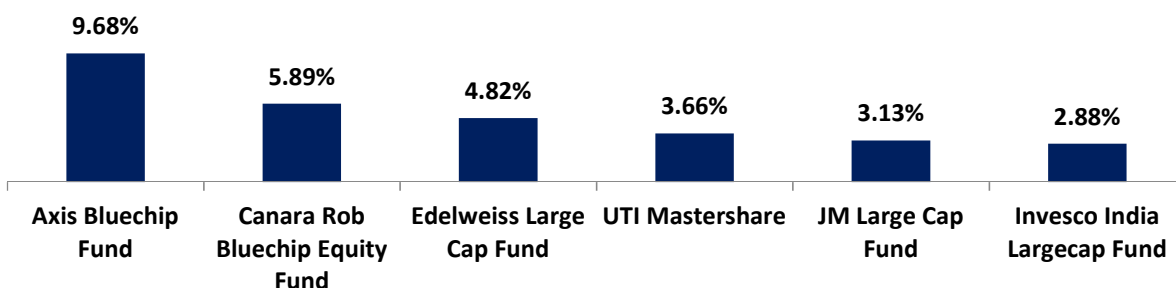
ELSS Fund

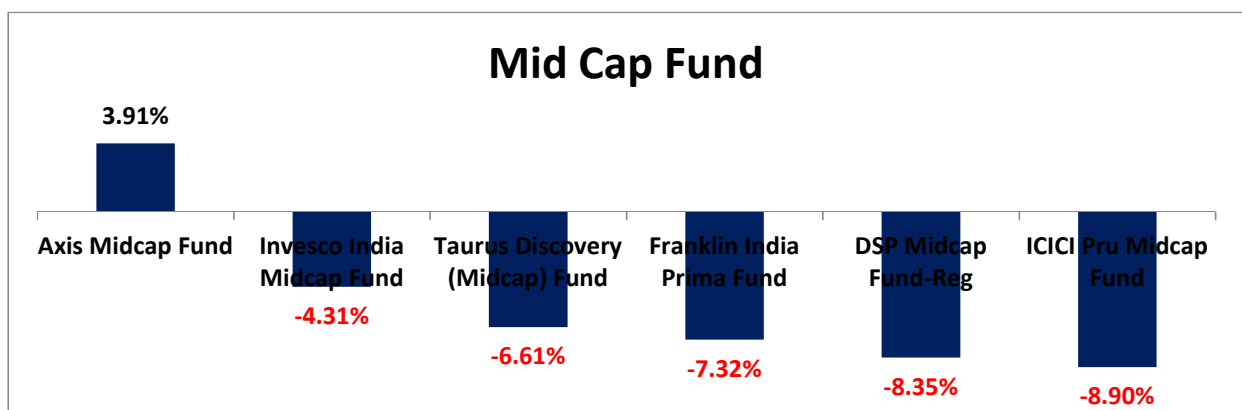
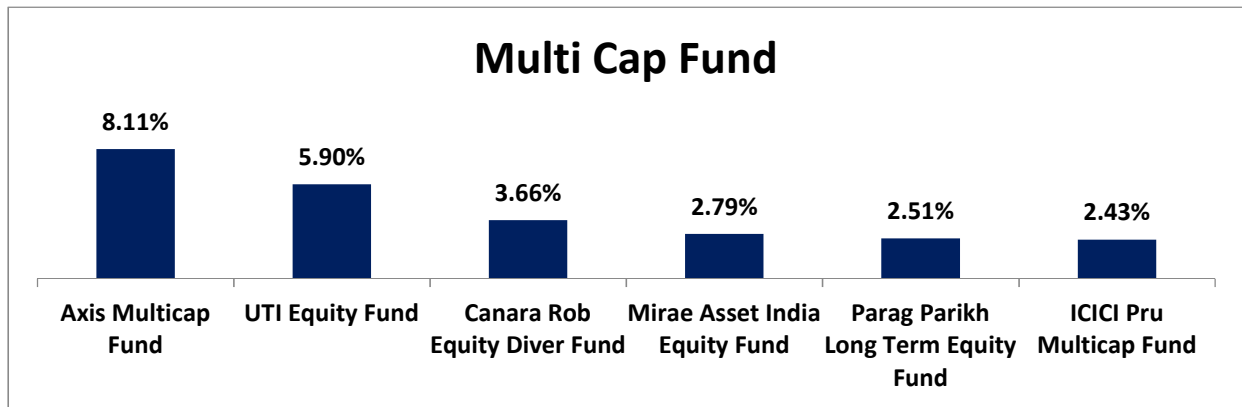


Arbitrage Fund



Large Cap Fund





M&A Deals

- Unilever is poised to walk away with Glaxo SmithKline's nutrition business with a \$3.4-billion all-cash offer for a 72.5% stake, ending nearly a year-long contest for Horlicks.
- Blackstone Group LP is in talks to acquire Adani Realty's commercial office project at Mumbai's Bandra Kurla Complex (BKC) for around ₹1,900 crore.
- NTT DATA, a Tokyo-headquartered, leading IT services provider, announced that it has entered into an agreement to acquire a majority stake in Atom Technologies, India's leading end-to-end payment services owned by 63 moons technologies.
- IIFL Securities to acquire ~15% strategic stake in Trendlyne.
- Cipla arm InvaGen to acquire US-based Avenue Therapeutics at an aggregate amount of \$215mn.

Key Global Economic Events – November 2018

Date	Events	Previous
India		
04-Dec-18	Nikkei Servicess PMI NOV	52.20
05-Dec-18	RBI Interest Rate Decision	6.50%
12-Dec-18	Manufacturing Production YoY OCT	4.60%
12-Dec-18	Industrial Production YoY (OCT)	4.50%
12-Dec-18	Current Account Q3	\$-15.8B
14-Dec-18	Inflation Rate YoY NOV	3.31%
13-Dec-18	WPI Inflation YoY NOV	5.28%
14-Dec-18	Balance of Trade NOV	\$-17.13B
US		
03-Dec-18	ISM Manufacturing PMI (NOV)	57.7
04-Dec-18	IBD/TIPP Economic Optimism DEC	56.4
05-Dec-18	Unit Labour Costs QoQ Final Q3	-1%
05-Dec-18	ISM Non-Manufacturing Employment (NOV)	59.7
06-Dec-18	Balance of Trade OCT	\$-54B
07-Dec-18	Non-Farm Payrolls NOV	250K
14-Dec-18	Retail Sales MoM NOV	0.8%
19-Dec-18	Fed Interest Rate Decision	2.25%
Europe		
03-Dec-18	Market Manufacturing PMI Final NOV	52
05-Dec-18	Retail Sales YoY OCT	0.80%
07-Dec-18	GDP Growth Rate YoY 3rd Est Q3	2.2%
17-Dec-18	Trade Balance (OCT)	€13.1B
China		
02-Dec-18	Caixin Manufacturing PMI (NOV)	50.10
07-Dec-18	Balance of Trade (NOV)	\$34.01B
07-Dec-18	Exports YoY (NOV)	15.6%
07-Dec-18	Imports YoY (NOV)	21.4%
12-Dec-18	FDI (YTD) YoY (NOV)	3.3%
13-Dec-18	Retail Sales YoY (NOV)	8.6%
14-Dec-18	House Price Index YoY (NOV)	8.6%
World		
03-Dec-18	RBA Interest Rate Decision	1.50%

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