

# CONTACT

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## Monthly Market Update by JM Financial Mutual Fund

Details as on December 31, 2017

### Market Update - Equity

#### ECONOMY

October Index of Industrial Production (IIP) slowed to 2.2% v/s. 3.8% in September as manufacturing sector slowed to 2.4% v/s. 3.4% last month. Capital goods output was positive again at 6.4% v/s. 7.8% in September. Electricity production was marginally down at 3.2% v/s. 3.4% and mining was stagnant, recording a modest 0.2% growth.

November Consumer Price Index (CPI) was at 4.9% as core inflation spiked apart from the high food and fuel inflation. Core inflation rose to 4.5% y-o-y led by health and education services. Wholesale Price Index (WPI) rose up to 3.93% on account of food and fuel inflation.

Meanwhile, RBI held status quo on policy rates at 6% and maintained neutral policy stance. The MPC statement was vigilant on inflation and revised its 2HFY18 CPI forecast marginally higher to 4.3-4.7% from 4.2-4.6% earlier.

November trade deficit narrowed to \$13.8bn v/s. \$14bn in the previous month as exports picked up pace. Exports were up 30.6% in November led by gems & jewellery and engineering goods. Imports posted 19.6% growth led by higher crude imports. Gold imports declined to \$3.26bn and non-oil imports also slowed down to \$30.47bn.

#### MARKET

During the month the Sensex & Nifty went up 2.74% & 2.97% respectively as against Hang Seng which went up by 2.54%. Foreign Institutional Investors (FIIs) reversed position to net sellers in December after 2 consecutive months of buying with net outflows \$930mn. The total net inflows from FIIs for the year 2017 stood at \$7.8bn. Coming to Domestic Institutional Investors (DIIs), continued to remain buyers for the 9th straight month with net inflows of \$1.3bn led by Mutual Funds at \$951mn. Insurers also turned buyers in the month with \$317mn of net inflows. Interestingly, DIIs pumped in \$14bn of net inflows into equities in 2017 (~2.5x last year) as Mutual Funds were robust buyers in the year with total net inflows of \$18bn while Insurers were net sellers in 2017 with net outflows of \$3.9bn.

Source: Bloomberg, Broker Reports

### Market Update - Derivatives

The Nifty index had a spectacular gain of 28% for the year 2017 largely led by Metals, Banks, FMCG, Energy, Auto and Realty with underperformance by Pharma and IT. Market-wide rollovers on the last day of the December expiry stood at 82% which was higher compared to the average rollovers of 80% (last three series). The January series started with the highest ever future open interest of INR 1.47tn as against INR 1.36tn seen at the start of the December expiry. Nifty futures rollover stood at 73% which was higher than the average rollovers of 69% (last three series). Factors affecting the markets in the month of January will be start of the Q3FY18 earnings, expectations from union budget and sustenance of recent surge in bond yields. Moreover government's latest decision to increase FY18 borrowings is being perceived as a risk to fiscal discipline. Volatility in the markets is expected to help churn the arbitrage portfolio and generate good returns.

Source: AMC's Research

### From The Debt Desk

#### Key data and events – December 2017

The 10 year benchmark ended at 7.3290%

**CPI:** The Combined Provisional CPI for the month of November, 2017 was 4.88% as against revised CPI of 3.58% for the month of October, 2017.

**IIP:** The provisional Index of Industrial Production for the month of October, 2017 was 2.24% as against 4.15% for the month of September, 2017.

**WPI Inflation:** The provisional inflation for the month of November, 2017 was 3.93% as against 3.59% for the month of October, 2017.

**Forex reserves:** Forex Reserves as on December 29, 2017 stood at USD 409.37 billion as against USD 400.74 billion as on November 24, 2017.

**Domestic Liquidity:** RBI absorbed on average daily bids of around INR 27,000 crores during the month in LAF.

#### Fixed Income and Currency data:

**Indian 5 year Corporate Bond** yield ended higher at 7.68% for the month of December, 2017 as compared to 7.37% for November, 2017.

**3 Month Certificate of Deposit** rates ended almost flat at 6.26% for the month of December, 2017 as compared to 6.25% for the month of November, 2017.

**12 Month Certificate of Deposit** rates ended higher at 7.00% for the month of December, 2017 as compared to 6.63% for November, 2017.

**USD/INR:** The local currency ended at Rs. 63.87.

#### Global data:

**10 year US bond** yield ended higher at 2.41 for the month of December, 2017 as compared to 2.38% for the month of November, 2017.

Source for the above Commentary: RBI WSS, Bloomberg and AMCs Research