

CONTACT

Monthly Market Update by JM Financial Mutual Fund

Details as on November 30, 2017

Market Update - Equity

ECONOMY

The Q2 GDP came at 6.3% reversing the decelerating trend. The recovery was led by manufacturing which saw a smart rebound to 7% from 1.2% in Q1 while the disappointment in the construction sector continued (2.6% growth). Private and government consumption growth remained weak but investments improved to 4.7%. Net exports were marginally up.

October CPI rose to a 7 month high of 3.6% v/s. 3.3% in the month of September led by higher vegetable prices and housing inflation.

October trade deficit widened sharply to \$14bn v/s. \$9bn in the previous month led by weaker exports. Exports declined in the month of October dragged by gems & jewellery, engineering goods and textiles sectors. Imports meanwhile were relatively stable albeit gold demand was expectedly higher due to the festive season and also the rising crude posed a fresh concern for the future.

MARKET

During the month, the Sensex and Nifty went down by 0.2% & 1.05% respectively, as against Hang Seng which went up by 3.3%.

Capital market activity picked up in the month of November with 27 deals totalling \$6.1bn during the month. This was driven by large block trades like those in Bharti Airtel (\$1.5bn) and Bharti Infratel (~\$510mn); IPOs like New India Assurance (\$1.5bn) and HDFC Life (\$1.3bn); QIPs like Edelweiss (~\$240mn) and OFS like PNB Housing Finance (\$200mn).

Foreign Institutional Investors (FIIs) finally turned into large net buyers once again with \$2.8bn of buying in November taking the YTD net buying to \$8.6bn. Domestic Institutional Investors (DIIs) remained buyers to the tune of \$1.4bn in November which took the YTD tally to a staggering ~\$12.8bn. Mutual Funds once again drove the inflows with \$1.6bn being poured in while Insurers were small net sellers of \$220mn.

Source: Bloomberg, Broker Reports

Market Update - Derivatives

The Nifty index ended on the last day of the month of November series on a weak note (down ~1.30%). The November series as well the Nifty Index was lower by 1%. However, rollovers ended on a strong note. Market-wide rollovers on the last day stood at 80% which was higher compared to the average rollovers of 77% (last three series). The December series started with a market-wide future open interest of INR 1.36tn as against INR 1.35tn seen at the start of the November expiry. The Nifty futures rollover stood at 63% which was lower than the average rollovers of 71% (last three series). Lack of positive triggers has restricted Nifty's movement on the upside. However, the month of December may host to an array of events like RBI policy review, FOMC meet and the Gujarat State election results. 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 – November, 2017

The 10 year benchmark ended at 7.0586%.

CPI: The Combined Provisional Index (CPI) for the month of October, 2017 was 3.58% as against revised CPI of 3.28% for the month of September, 2017.

IIP: The provisional Index of Industrial Production for the month of September, 2017 was 3.81% as against 4.46% for the month of August, 2017.

WPI Inflation: The provisional inflation for the month of October, 2017 was 3.59% as against 2.60% for the month of September, 2017.

Forex reserves: Forex Reserves as on November 24, 2017 stood at USD 400.74 billion as against USD 398.76 billion as on October 27, 2017.

Domestic Liquidity: RBI absorbed on average daily bids of around INR 75,000 crores during the month in LAF.

Fixed Income and Currency data:

Indian 5 year Corporate Bond yield ended higher at 7.37% for the month of November, 2017 as compared to 7.28% for October, 2017.

3 Month Certificate of Deposit rates ended higher at 6.25% for the month of November, 2017 as compared to 6.20% for the month of October, 2017.

12 Month Certificate of Deposit rates ended higher at 6.63% for the month of November, 2017 as compared to 6.58% for October, 2017.

USD/INR: The local currency ended at Rs. 64.46.

Global data:

10 year US bond yield ended at the same level of 2.38% for the month of November, 2017.

Source for the above Commentary: RBI WSS, Bloomberg and AMC's Research