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Weekly Market updates - 10th February 2017

Key market data

Equity benchmark Indices	10-Feb	% change for week	% change for YTD
S&P BSE Sensex	28,334	0.3%	6.4%
Nifty 50	8,794	0.6%	7.4%
S&P BSE Midcap	13,468	1.4%	11.9%
S&P BSE Smallcap	13,601	1.3%	12.9%

Source: NSE & BSE Website

Equity Sectoral Indices	10-Feb	% change for week	% change for YTD
S&P BSE FMCG	8,916	0.6%	9.7%
S&P BSE Metals	11,695	-1.6%	15.7%
S&P BSE Auto	22,195	0.2%	9.6%
S&P BSE IT	10,070	3.8%	-1.0%
S&P BSE Power	2,222	1.9%	11.8%
S&P BSE CD	13,591	5.2%	20.9%
S&P BSE Bankex	23,175	0.2%	11.7%
S&P BSE CG	15,483	2.6%	13.3%
S&P BSE Oil & Gas	13,095	0.0%	7.8%
S&P BSE Reality Index	1,500	3.3%	18.7%
S&P BSE Healthcase	15,138	-0.8%	2.8%
S&P BSE Telecom	1,285	1.3%	14.6%
S&P BSE Energy	3,127	-0.2%	4.2%

Source: BSE Website

Key FX Market rates	10-Feb	% change for week	% change for YTD
USD/INR	66.74	-0.8%	-1.7%
GBP/INR	83.41	-1.0%	-0.4%
EUR/INR	71.15	-1.7%	-0.4%
HKD/INR	8.60	-0.8%	-1.7%
JPY/INR	0.59	-1.3%	1.5%
AUD/INR	50.90	-1.2%	4.1%
SGD/INR	46.94	-1.5%	0.1%

Source: XE

Key Commodity Benchmarks	10-Feb	% change for week	% change for YTD
Gold/10GM	29,015	0.4%	6.0%
Silver/KG	41,837	0.5%	6.1%
Crude Oil/BBL	3,728	-2.3%	1.8%
Natural Gas/MMBTU	211	-2.1%	-18.7%
Aluminium/KG	124	1.6%	6.3%
Copper/KG	392	-1.8%	4.9%

Source: MCX

Global equity benchmark indices	10-Feb	% change for week	% change for YTD
US : DJIA	20,269	1.0%	2.6%
US: NASDAQ	5,734	1.2%	6.5%
UK: FTSE 100	7,259	1.0%	1.6%
France: CAC 40	4,828	0.1%	-0.7%
Germany: XetraDax	11,667	0.1%	1.6%
Japan: Nikkei 225	19,379	2.4%	1.4%
Singapore: Straits Times	3,100	1.9%	7.6%
Hong Kong: Hang Seng	23,575	1.9%	7.2%
China: Shanghai Comp	3,197	1.8%	3.0%

Comments

Indian Market

Markets in India continued to trade near the dotted line ahead of key industrial production (IIP) economic data due late Friday afternoon on Feb 10 2017. The Indian indices closed higher by 0.3% for the week.

On the sectoral indices front, consumer durables and IT stocks led the gainers this week. On the other hand, stocks from metal and pharma witnessed selling pressure.

Despite a strong start, the Indian unit (INR) succumbed to fresh selling triggered by a sharp breakout in the US dollar on Friday.

Reserve Bank of India (RBI) maintained the status quo and kept repo rate steady at 6.25% in its sixth bi-monthly monetary policy review on Wednesday. Consequently, the reverse repo rate under the liquidity adjustment facility (LAF) remains unchanged at 5.75%, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75%.

Growth, the RBI believes, can recover sharply in FY18 which can be triggered by revival in discretionary demand held back by demonetisation; pick-up in economic activity in cash-intensive sectors such as retail trade, hotels and restaurants, and transportation, as well as in the unorganised sector; and pick-up in both consumption and investment demand on back of eased bank funding condition triggered by demonetization . RBI has turned more hawkish to rates. The central bank, which till now, promised to remain 'accommodative' as regards key rates, has shifted its stance to 'neutral'.

FPIs under category 1 and 2 of alternative investment funds are exempted from indirect transfer provisions. This move in Union budget said to spur foreign investments, as it would give clarity to FPIs who had pulled out money from the Indian markets amid uncertainties in the tax laws.

An article on a financial daily reports, overseas investors have turned net buyers in February and pumped in over Rs 23 billion in the capital market over the last three sessions. As per an article in the Economic Times, FPIs have infused a net sum of Rs 12.5 billion in equities during February 1-3. Further, they have infused another Rs 10.9 billion in the debt segment.

Global Market

Most of the global market ended on positive note except European market, which ended on flattish note but have closed at two-week high levels. Bonds fell and the dollar rose against most of its peers as reflation trades came back into focus after a promise by U.S. President Donald Trump to overhaul business taxes.

The US indices have surged, as US president promised not only to lower corporate taxes, but also reduce regulations and increase infrastructure spending. European stocks erased an earlier advance for week.

Treasuries fell, with 10-year yields rising two basis points to 2.42 per cent. The benchmark yield increased six basis points yields increased on Thursday, halting the longest rally in eight months. German 10-year bond yields increased two basis points to 0.33 per cent while French five basis points 1.024 per cent. The yield on Greece's two-year notes retreated 121 basis points to 8.6 per cent.

The Bloomberg Dollar Spot Index added 0.1 percent after Thursday's 0.3 percent advance, and is poised to snap a six-week losing streak. The euro and pound both lost 0.3 percent against the dollar. Asian currencies fell on Friday as the dollar gained a lift after President Donald Trump vowed to announce a "phenomenal" tax plan, renewing hopes for the possibility of pro-growth US fiscal policies.

Crude extended a rally as output cuts from OPEC and other producing nations are seen clearing a global inventory glut. Oil climbed 1.6 percent to $53.81 a barrel Friday, erasing its decline over the week. Gold fell 0.1 percent to $1,226.73 an ounce, after dropping 1.1 percent on Thursday. The metal, which is considered a haven asset, was at a three-month high earlier in the week.

Key market events to watchout during the week

Week Ahead

Markets reacted favorably to the US election outcome. But investors are expecting credible regulatory and tax reform. Thus, any announcements coming from US president Donald Trump will impact the global markets sentiments.

Factory output for the month of December declined by 0.4 Per cent as compared to a rise of 5.7 per cent in November 2016 in India. The output as tracked through the index for industrial production or IIP declined due to contraction in consumer and capital goods production, which may further impact the market sentiments. Investors should utilize the opportunity in cherry-picking fundamentally strong stocks with robust growth potential.

As per article in leading financial daily, since the past two weeks, the market is grappling with divergent signals on the daily as well as weekly charts. This has prevented the market from seeing a runaway rise. The coming week will see the overbought markets struggle with relatively stable and buoyant weekly charts, which are also approaching major pattern resistance levels.

We are likely to see a stable opening on Monday, but the overall structure of the charts is likely to prevent any runaway rise without any consolidation or corrective action.

Overall, despite the buoyant intent, we will need to approach this week with extreme caution. One thing that is most likely to be seen would be profit taking in the sectors that have gained over the past couple of weeks. We are likely to see gains in the Realty and PSU Bank packs as well. Energy is likely to further slow down its pace along with the Metal stocks. We may also see select outperformance from the FMCG pack.

Key events Global

• The International Energy Agency and OPEC monthly reports are due on Friday and Monday, respectively, providing the first full month of production data since the oil cartel's supply deal.

• Trump appears set to go to the Supreme Court over his ban on immigration after a San Francisco-based appeals court upheld a suspension of the order.