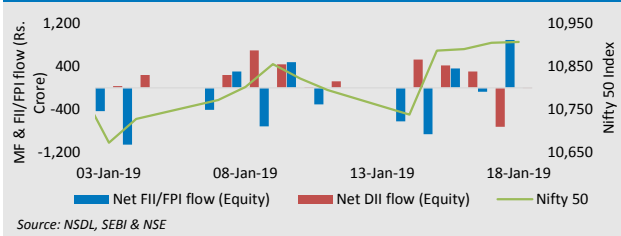


Macro Economic Release

Indicators	Actual	Consensus	Previous
WPI inflation (Dec 2018)	3.80%	4.42%	4.64%
CPI inflation (Dec 2018)	2.19%	2.20%	2.33%
Trade Deficit (Dec 2018) (\$bn)	\$13.08 bn	\$14.98 bn	\$16.67 bn
IIP growth (Nov 2018) (%)	0.50%	4.10%	8.10%

Source: Thomson Reuters Eikon

FII and DII Investment vs Nifty 50



Source: NSDL, SEBI & NSE

Indian Equity Market Performance

Broad Indices	18-Jan-19	% Change (WoW)	% Change (YoY)	% Change (YTD)
S&P BSE Sensex	36,387	1.05	3.19	0.88
Nifty 50	10,907	1.04	0.83	0.41
S&P BSE 100	11,166	0.77	-0.95	0.04
Nifty 500	9,140	0.46	-5.25	-0.33
Nifty Mid cap 50	4,853	-0.46	-10.58	-1.57
Nifty Small cap 100	6,371	-0.39	-30.75	-1.21

Sector Indices	18-Jan-19	% Change (WoW)	% Change (YoY)	% Change (YTD)
S&P BSE AUTO	19,917	-0.31	-23.32	-4.40
S&P BSE Bankex	30,740	-0.20	2.41	1.20
S&P BSE CD	20,950	0.13	-10.93	1.23
S&P BSE CG	17,703	-2.91	-11.54	-5.94
S&P BSE FMCG	11,873	-0.72	9.75	0.37
S&P BSE HC	13,802	-1.55	-6.77	-0.87
S&P BSE IT	14,671	4.43	20.26	4.13
S&P BSE METAL	11,080	-0.48	-26.75	-6.41
S&P BSE Oil & Gas	13,579	2.97	-13.77	-1.24
S&P BSE Power	1,955	-1.11	-16.90	-2.23
S&P BSE PSU	7,061	-0.75	-21.54	-2.43
S&P BSE Realty	1,847	0.75	-28.68	2.75
S&P BSE Teck	7,304	3.09	7.99	3.36

Source: BSE & NSE

Macro economic Update

- Government data showed that India's retail inflation plunged to an 18-month low of 2.19% in Dec 2018 from 2.33% in the previous month and 5.21% in the same month of the previous year. The plunge came as food prices continued to decline with the consumer food price index contracting 2.51% in Dec 2018 compared with a contraction of 2.61% in the previous month but an expansion of 4.96% in the same month of the previous year.
- India's Wholesale Price Index-based inflation (WPI) came in at 3.80% in Dec 2018 as against 4.64% in Nov 2018 as prices of onions and fruits came down. Wholesale price inflation was at 3.58% in Dec 2017. Onion inflation fell 63.83% in Dec 2018 compared with a fall of 47.60% in Nov 2018. Fruit inflation fell 3.69% in Dec 2018 compared with 2.49% in Nov 2018. Crude petroleum increased at a slower pace of 17.49% as against a rise of 40.06% in the prior month. Inflation in food articles fell 0.07% as against a fall of 3.31% in the previous month. Inflation in vegetables decreased 17.55% as against a fall of 26.98% in Nov 2018.
- Government data showed that India's trade deficit narrowed to a 10-month low of \$13.08 billion in Dec 2018 from \$16.67 billion in the previous month and \$14.20 billion in the same month of the previous year. Trade deficit narrowed as imports under merchandise trade contracted 2.44% to \$41.01 billion on a yearly basis in Dec 2018 while merchandise exports inched up marginally 0.34% to \$27.93 billion on a yearly basis in Dec 2018. Imports came down as gold imports plunged 24.33% on a yearly basis in Dec 2018 while imports of pearls, precious & semi-precious stones also plummeted 28.08% during the same time period.

Domestic Equity Market Update

- Indian equity markets gained after inflation data eased to multi-month lows, making market participants hopeful of a rate-cut by Monetary Policy Committee at its meeting in Feb 2019. Further, India's trade deficit narrowed to a 10-month low in Dec that added to the gains.
- Sentiment got support as China indicated that it will support its economy in the wake of weak trade data and fears of slowing growth. China's trade figures declined unexpectedly to their two-year lows in Dec 2018. Also, the U.S. started its earnings season on a good note with a major bank beating estimates which added to the gains.
- However, the upside was limited after the finance minister hinted at the necessity of fuelling economic growth, especially a package for farmers. This is being seen as a deterrent to fiscal discipline as it would increase the government's spending. Market participants also preferred to remain on the sidelines ahead of the upcoming budget and elections. Meanwhile, the index of industrial production data plunged to a seventeen month low in Nov 2018 which weighed on the market sentiment.
- Uncertainties also grew around Brexit after the U.K. Prime Minister lost support for the proposal by a wide margin in the parliament and now faces a no-confidence vote.
- On the BSE sectoral front, most of the indices closed in the red barring S&P BSE IT (4.43%), S&P BSE Teck (3.09%), S&P BSE Oil & Gas (2.97%) S&P BSE Realty (0.75%) and S&P BSE CD (0.13%). S&P BSE CG (-2.91%) was the major loser followed by S&P BSE HC (-1.55%) and S&P BSE Power (-1.11%). A major IT company gave an upbeat revenue growth guidance which provided support to the sector. Auto sector witnessed subdued growth as the data from Society of Indian Automobile Manufacturers (SIAM) indicated that the passenger vehicle sales dropped by 0.43% to 238692 units in Dec 2018. Sales of commercial vehicles in the month declined 7.80% to 75984 units. Two-wheeler sales also decreased 2.23% to 1259026 units. Vehicle sales across categories decreased 2.97% to 1617356 units.

Indian Debt Market Indicators

Broad Indices	18-Jan-19	Week Ago	Month Ago	Year Ago
Call Rate	6.45%	6.35%	6.48%	5.90%
CBLO	6.49%	6.38%	6.40%	5.86%
Repo	6.50%	6.50%	6.50%	6.00%
Reverse Repo	6.25%	6.25%	6.25%	5.75%
3 Month CP	7.65%	7.70%	7.10%	7.58%
1 Year CP	8.50%	8.50%	8.70%	7.82%
3 Month CD	7.14%	7.48%	6.92%	6.98%
1 Year CD	7.87%	7.90%	8.27%	7.31%

Broad Indices	18-Jan-19	Week Ago	Month Ago	Year Ago
1 Year AAA Corporate Bond	8.37%	8.43%	8.47%	7.70%
3 Year AAA Corporate Bond	8.44%	8.44%	8.43%	7.84%
5 Year AAA Corporate Bond	8.45%	8.38%	8.30%	8.03%
1 Year G-Sec	6.84%	6.84%	6.92%	6.59%
3 Year G-Sec	7.00%	7.07%	7.10%	7.08%
5 Year G-Sec	7.37%	7.29%	7.34%	7.26%
10 Year G-Sec	7.60%	7.50%	7.35%	7.47%
Forex Reserve (\$ in billion)	397.35 ⁺	396.08 ^{**}	393.12 [@]	413.83 ^{@@}

Source: CCL, Thomson Reuters Eikon * as on Jan 11, 2019; ** as on Jan 04, 2019; @ as on Dec 14, 2018; @@ as on Jan 12, 2018

10 - Year benchmark G-Sec Movement



Source: Thomson Reuters Eikon

Domestic Debt Market Update

- Bond yields fell on market expectations that consumer inflation will fall in Dec 2018, which actually dropped to its lowest level since Jun 2017. This also raised expectations of monetary easing in the near future.
- However, yields surged continuously till the end of the week as market participants grew cautious over the pre-election spending. If the pre-election spending rises, it could lead to a fiscal slippage. It also increased doubts whether the federal government will be able to move ahead with its plan of fiscal consolidation.
- Yield on the 10-year benchmark paper (7.17% GS 2028) rose 10 bps to close at 7.60% from the last week's close at 7.50%, after trading in a range of 7.42% to 7.61%.
- The Reserve Bank of India (RBI) on Jan 17 conducted auction of 6.90% GS 2019, 8.35% GS 2022, 7.59% GS 2026, 8.60% GS 2028 and 8.97% GS 2030 to purchase under open market operation for aggregate amount of Rs. 10,000 crore of which the entire amount was accepted. The cut-off yields were 6.72%, 7.24%, 7.49%, 7.58% and 7.73% while the cut-off prices were Rs. 100.08, Rs. 103.21, Rs. 100.53, Rs. 106.75 and Rs. 109.50, respectively.
- RBI on Jan 15 conducted auction of state development loans of 10 state governments for notified amount of Rs. 15,539.80 crore, for which the entire amount was accepted. The cut-off yield was in the range of 7.94% to 8.25%.

Global Commodity Update

Commodities	18-Jan-19	% Change (WoW)	% Change (YoY)	% Change (YTD)
NYMEX Crude Oil (\$/barrel)	53.50	3.72	-16.01	17.12
Brent Crude Oil (\$/barrel)	62.58	3.28	-9.44	15.59
Gold (\$/ounce)	1281.11	-0.50	-3.47	-0.13
Silver (\$/ounce)	15.32	-1.78	-9.51	-1.03

Source: Thomson Reuters Eikon

Currencies Update

Currency	18-Jan-19	Week Ago	Year Ago
U.S. Dollar	71.20	70.38	63.86
GBP	91.66	90.43	88.71
Euro	80.89	80.71	78.15
100 Yen	64.85	64.83	57.46

Source: Thomson Reuters Eikon

Global Equity Market Performance

Country/Region	Indices	18-Jan-19	% Change (WoW)	% Change (YoY)	% Change (YTD)
U.S.	Dow Jones	24,706	2.96	-5.04	5.91
	S&P 500	2,671	2.87	-4.55	6.54
U.K.	FTSE	6,968	0.72	-9.51	3.57
France	CAC 40	4,876	1.98	-11.26	3.07
Germany	DAX	11,206	2.92	-15.63	6.12
Japan	Nikkei 225	20,666	1.50	-13.03	3.25
China	Shanghai Composite	2,596	1.65	-25.29	4.09
Hong Kong	Hang Seng	27,091	1.59	-15.66	4.82
Singapore	Straits Times	3,224	0.80	-8.43	5.07
Russia	RTS Index	1,176	2.41	-8.04	10.34
Brazil	Sao Paulo Se Bovespa	96,097	2.60	18.69	9.34

Source: Thomson Reuters Eikon

Global Bond Yield Update

Indicators	18-Jan-19	Week ago	Month ago	Year ago
U.S. 10 Year Bond yield (%)	2.78	2.70	2.82	2.61
U.K. 10 Year Bond yield (%)	1.35	1.29	1.28	1.33
German 10 Year Bond yield (%)	0.26	0.18	0.24	0.57
Japan 10 Year Bond yield (%)	0.01	0.01	0.04	0.08

Source: Thomson Reuters Eikon

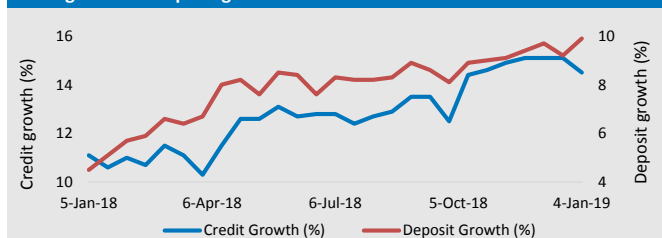
Global Economic Calendar

Economic Events	Release date	Actual	Consensus	Previous
China Trade Balance (Dec)	14-Jan	394.99b	345.00b	306.04b
Japan Machine Orders (YoY) (Nov)	15-Jan	0.80%	0.20%	4.50%
U.K. Consumer Price Index (YoY) (Dec)	16-Jan	2.10%	2.10%	2.30%
U.S. Initial Jobless Claims (Jan 12)	17-Jan	213k	220k	216k

Source: FX Street; Thomson Reuters Eikon

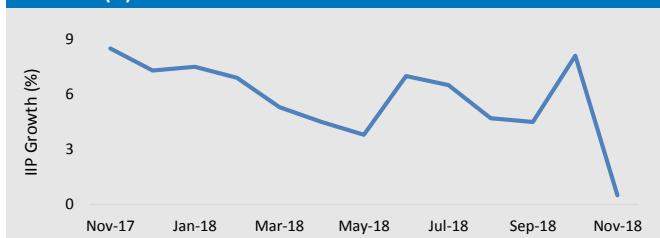
Macro Economic Performance of India

Credit growth vs Deposit growth



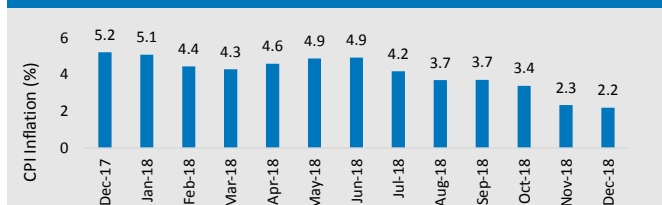
Source: Thomson Reuters Eikon

IIP Growth (%)



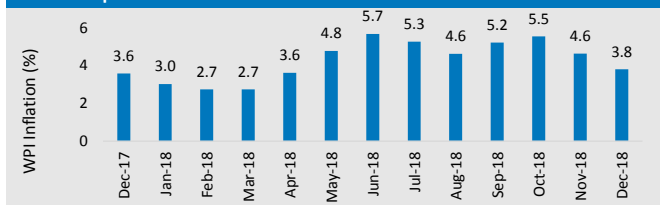
Source: Thomson Reuters Eikon

Retail inflation movement



Source: Thomson Reuters Eikon

Wholesale price inflation movement



Source: Thomson Reuters Eikon

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