UTI International

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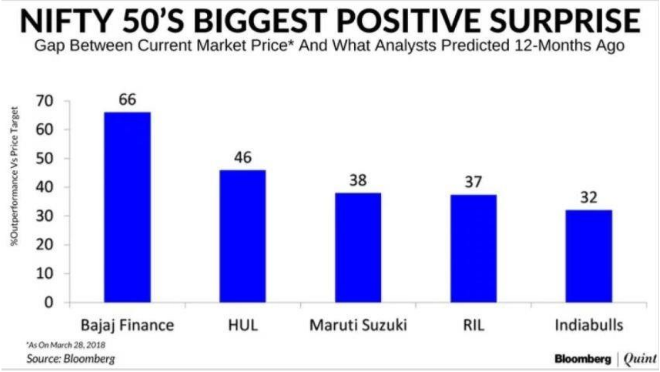
Highlights

India's monetary policy committee maintained its neutral stance on monetary policy, leaving interest rates unchanged at 6% and reiterating its commitment to achieving the medium-target for headline inflation of 4% on a durable basis. The committee reduced its inflation forecast marginally to 4.7% - 5.1% for the first half of FY19 as recent data showed that inflation has moderated following the unseasonal spike of vegetable prices back in December 2017 which has since eased with fresh supplies to the markets. Crude oil, commodity prices, proposed revisions to minimum support prices for kharif crops, and fiscal slippage remain the upside risks for inflation. The reduced inflation projection alongside expectation for a pickup in economic activity and growth suggest that the MPC will continue to hold rates. (Source: BloombergQuint, RBI)

Bond yields fell as markets responded positively to the Indian government's announcement on planned lower borrowings in the first half of the new fiscal year. In a bid to ease the pressure on the local debt markets, the government will reduce issuances by 22.5% for FY19. It also introduced issuances for 1 - 4 year bucket for FY18 -19 to address market demand for shorter duration bond.
(Source: BloombergQuint)

Slowing inflation, accelerating growth and an economy that relies on domestic consumption may help insulate India from the escalating trade war between the U.S. and China. The RBI forecasts that the USD 2.3 trillion economy will expand 7.4% in FY19. That puts it faster than China which has been projected to grown at 6.5% in 2018 in a Bloomberg survey. (Source: Bloomberg, RBI)



Bloomberg consensus by the highest margin within the Nifty 50 benchmark group of companies for the year 2017 – 18, aided by its strong asset under management in focus. The non-bank lender rose more than 60% than the consensus target price. India's largest FMCG company Hindustan Unilever Ltd., Reliance Industries Ltd and India's largest carmaker Maruti Suzuki India Ltd were the other stocks that surprised analysts by outperforming forecasts. Market focus will shift to earnings growth as companies begin reporting March-quarter results in April. The proportion of Nifty firms that reported a profit drop during the last season was the lowest in 4 years.
(Source: Bloomberg, Motilal Oswal)

The RBI's policy decision to allow lenders up to a year to spread out trading losses incurred in the last six months, gave the bond market reason to rally. In order to guard against yield spikes in the future, the RBI also asked lenders to set up an Investment Fluctuation Reserve. An estimated USD 10.6 bn worth of sovereign debt will mature in the month of April. The cash returned will be the most in a single month for FY19. (Source: Bloomberg, RBI)

Industrial production in India rose 7.5% in January over a year ago beating expectations of 6.4% as 16 of the 23 industry groups in the manufacturing sector showed growth. The manufacturing sector's production surged 8.7% in January 2018, supporting overall growth in industrial production. Production of primary goods rose 5.8%, while the output of capital goods surged 14.6%. Transport equipment showed the highest positive growth of 33.1% followed by 27.8% in furniture and 26.6% in motor vehicles, trailers and semi-trailers. (Source: MOSPI, Bloomberg)