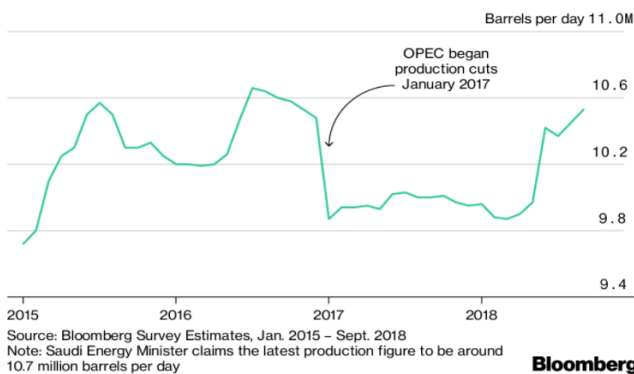


Highlights

India's central bank kept interest rates unchanged during its October meeting, changing its policy stance to "calibrated tightening" from neutral, as it continues to assess the impact of its policy tightening so far and try to contain the fallout of defaults from a systemically important lender. The decision of the MPC is seen to be consistent with its objective of achieving the medium-term inflation target of 4 (+/-2) percent, while supporting growth. Inflation outlook was lowered from 4.8 percent to a range of 3.9 – 4.5 percent for the second half of FY19. While headline inflation has eased in recent months, core inflation remains sticky at around 6 percent. The RBI forecasts consumer-price growth will accelerate to 4.8 percent in the first quarter of the fiscal year 2020. (Source: Bloomberg, RBI)

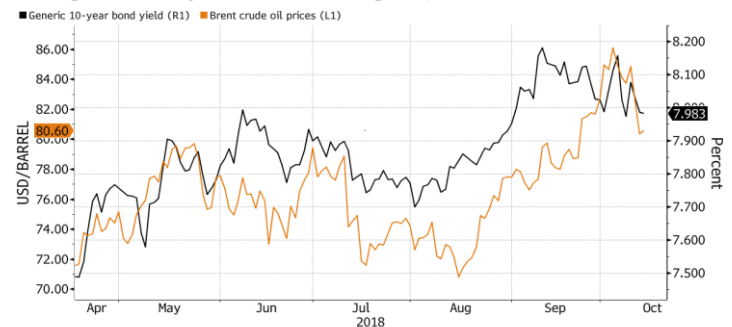
Saudi Arabia's Oil Production



Oil posted the biggest decline in two months after U.S. government data showed expanding domestic crude inventories rose by more than twice the rate forecasts by analysts. Stored supplies have been growing for four weeks, the longest streak of gains since early 2017. At the recent India Energy Nation Forum in Delhi, Saudi Arabia's energy minister also reassured markets that the kingdom which is OPEC's top producer would be responsible and continue to help keep oil markets stable by increasing oil production in the following month. Even as supply fell by 900,000 bpd due to losses from Iran, Venezuela and Nigeria, the rest of OPEC and Russia have lifted output by 1.42 million bpd. Saudi Arabia and Russia together have increased supply by almost 1 million bpd, with Iraq and U.A.E. contributing the bulk of the rest. (Source: Bloomberg)

In Tandem

Bonds gain as Brent prices eased from a high of \$86/barrel



Sovereign bond yields are recovering as the market awaits the RBI's USD 4.9 billion bond purchases this month. A pullback in Brent Oil prices and the Indian Government's measures to support the rupee is offering the Indian bond market some relief, although crude oil prices continue to present a risk. (Source: Bloomberg)

Consumer price inflation increased 3.77 percent year on year in September, below market expectations of 4 percent. This was partly due to benign food inflation which had increased only slightly by 0.2 percent to 1.1 percent in August in line with central bank expectations. Core inflation eased to 5.3 from 5.5 percent in August, due to favourable base effects, such as higher rent allowances for government employees in the year-ago period. The drop in core inflation which started in July was also helped by subdued freight costs from efficiency gains in the trucking sector which countered the effect of rising domestic fuel prices. (Source: BloombergQuint)

India is looking to boost its exports with its new-found cost-competitive edge following the second round of tariff hikes on USD 200 billion of Chinese imports by the US. The commerce ministry is consulting with various export councils to shortlist items, especially in the chemicals, pharmaceuticals and electrical parts, where India could have a comparative advantage. India is looking to boost its exports and cut non-essential imports in the backdrop of its current account deficit (CAD) touching 2.4 percent in the June quarter and depreciation of the rupee. (Source: www.livemint.com)

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