

## Highlights

Moody's Investor Services has upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 changing the outlook on the rating to stable from positive. Moody's expects India's high growth potential coupled with the sweeping reforms made by Narendra Modi's government to stabilize debt growth to moderate to 6.7% in the fiscal year ending in March 2018 (FY2017). The agency further expects real GDP growth to rise to 7.5% in FY2018 as the effects of GST and demonetization disruptions fade. (Source: Moody's Investor Service)

### Banks Surge Moody's Upgrade Lifts Outlook for Banking Stocks

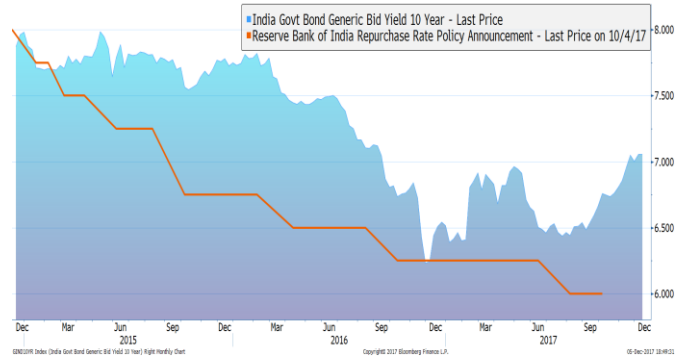


India's equity benchmark rose after Moody's Investors Service raised the nation's sovereign bond rating for the first time since 2004, boosting bank stocks.

The outlook for Indian equities remain bullish amongst investors and strategists as the equity rally is considered to be in its early stage based on bargain stocks still available and as recovery in company earnings attract sustained foreign inflows in a market largely supported by domestic investors. India's USD 2.2 trillion stock market is Asia's second-best performing market, with the Sensex gaining 23.64% year to date. (Source: Bloomberg, OmniScience Capital)

The food sector has become a priority for the Modi-led government as it opens up the sector for 100 percent Foreign Direct Investment with its "Make In India" programme. An estimated USD 10 billion worth of agreement were signed at the 3-day World Food India conference which saw the participation of 2000 delegates from 30 countries as India seeks to create more jobs and meet increasing food demand. (Source: World Food India 2017)

### Becoming Attractive India's 10-year yields has jumped in the past 3 months



Indian government 10-year bond yields has become increasingly attractive to investors as their premium over the central bank's policy rate increased to around 1 percentage point. 10-year yields has risen as rising oil prices add to inflationary pressures. The yield curve is unlikely to steepen further as the Reserve Bank of India is expected to maintain its neutral monetary stance as it waits for further clarity from economic data following the stimulus from Narendra Modi government's fiscal policies. (Source: Bloomberg, JPMorgan Chase & Co.)

India's GDP expands 6.3% year on year in the third quarter as the economy bounces back. The data suggested that the economy is recovering from the impact of demonetization and the new GST regime which had slowed growth in the past five quarters. India's manufacturing sector led the recovery as it rose from 1.2% in Q1 to 7% in Q2. The services sector expanded 7.1% in Q2 with real private consumption growth holding steady at 6.5%. The rising output was also reflected in the Nikkei India manufacturing Purchasing Managers' Index which rose to a 13-month high of 52.6 in November. (Source: Nikkei Asian Review)

Gold imports by India has dropped 31 percent in October from a year earlier. The build-up in inventories following a surge in purchases ahead of the GST implementation, coupled with slow domestic demand has led to a slow-down in gold imports. Domestic demand was affected by the introduction of an anti-money laundering act which has since been reversed. (Source: Bloomberg)

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