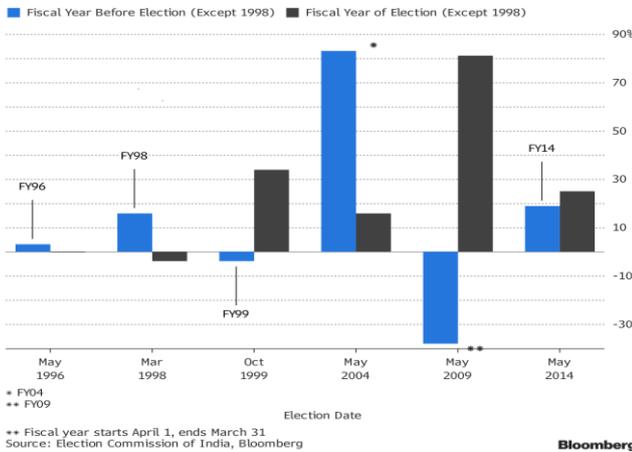


Highlights

Election Rally

India's Sensex climbed in years that straddled past six general elections



India's S&P BSE Sensex continued to extend its rally, climbing 0.8% to 35,451.44 the next day following the RBI's rate hike announcement. The past six elections have showed positive returns for Indian equities over the two years that straddle the vote; regardless of whether power changed hands. (Source: BloombergQuint)

Indian steel consumption is expected to rise by as much as 7.5% in FY2019 as government push for infrastructure projects and strengthening consumer demand raises the medium term demand growth outlook. Following stellar quarterly earnings reports, India's biggest steelmakers are expanding production amid strong steel prices. In a bid to boost steelmaking capacity, both JSW Steel Limited and Tata Steel are aiming to expand their own facilities while seeking to snap up assets for sale over the next five years. (Source: Bloomberg)

India's GDP grew at 7.7% in the fourth quarter of 2017-18 compared with 6.1% year on year, the fastest pace in seven quarters as the effect of demonetization and the rollout of the goods and services tax (GST) continues to fade. A break-up of expenditure showed that consumption has held steady, bolstered by strong performance in construction, manufacturing and public services. Investment continued its sharp recovery, mainly due to higher government spending which rose from 6.8% to 16.8% in the last quarter of 2017. Private consumption in Q4, from January - March of 2018, grew by 6.68% in constant pricing terms compared to the Q3 in 2017.

Important Information

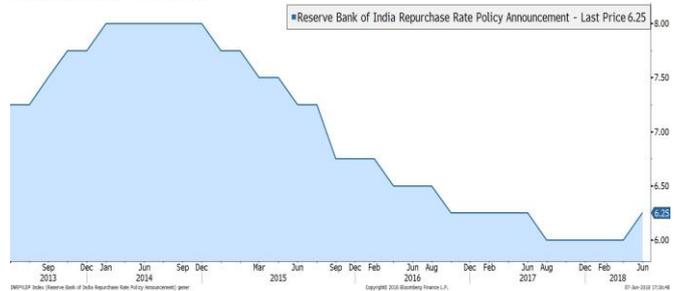
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(Source: Bloomberg, The Economic Times)

Modi is poised to extend a welfare program to most working citizens through 3 initial pilot programs which provides relief through old age pension, life insurance and maternity benefits in a bid for re-election in 2019. The government plans to pilot the project in six districts in the months leading up to the federal elections due in May next year. The plan will be one of the largest mass benefit programs in the country of 1.3 billion people. It will extend benefits to all workers - including those in informal employment. By giving benefits mostly to informal workers who contribute to about half of the country's GDP, it aims to enhance the quality of life and raise productivity. (Source: Bloomberg, Asian Development Bank)

Reserve Bank Of India Repurchase Rate - June 2018



India's central bank raised the repurchase rate for the first time since 2014 from 6% to 6.25% while keeping its policy stance neutral as economic growth rebounds from a four-year low. The RBI is expected to raise rates gradually as inflationary pressures build. Its neutral stance has helped Indian equities to rally as it continued to signal that it won't be embarking on a cycle of rapid rate increases. The rate hike reverses last August's cut and isn't expected to dampen economic activity. India's capacity utilization has been increasing and India's factory activity has been expanding for the past 10 months.

The RBI retained its GDP growth projection of 7.4% for the financial year to March 2019. The inflation forecast was revised higher to a range of 4.8% to 4.9% with an increase in the first half of the year from 4.7% to 5.1%, and the second-half estimate raised to 4.7% from 4.4%. (Source: RBI, Bloomberg)