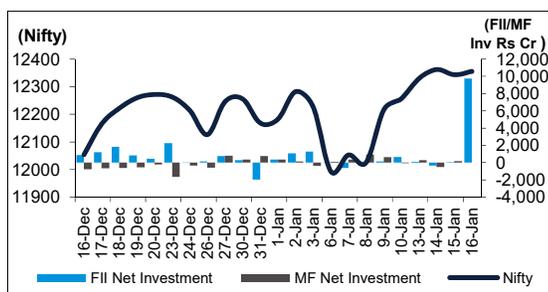


DOMESTIC EQUITY

- Domestic equities advanced for the second consecutive week. S&P BSE Sensex and Nifty 50 rose about 1% each.
- The market was buoyed by positive global cues, especially signing of the first phase of the trade deal between the United States (US) and China, and a pullback in crude oil prices.
- On the domestic front, encouraging industrial production data and strong quarterly earnings from an information technology (IT) major aided market sentiments.
- Buying interest in realty and consumer durables counters brought in more gains into the market.
- Some gains were trimmed amid concerns that India's real fiscal deficit in the current fiscal may be higher at 4.5-5% of gross domestic product (GDP).
- A dip in banking stocks also chipped off some gains. S&P BSE Bankex was the only sectoral decliner, down 1.5%.

| Broad Indices | Week change% | 3 month change% | 1 year change% |
|--------------------|--------------|-----------------|----------------|
| S&P BSE Sensex | 0.83 | 7.41 | 15.32 |
| Nifty 50 | 0.78 | 6.61 | 13.27 |
| S&P BSE Midcap | 3.63 | 10.88 | 3.74 |
| S&P BSE Smallcap | 3.97 | 13.90 | 0.67 |
| S&P BSE Bankex | -1.54 | 9.93 | 16.95 |
| S&P BSE CG | 0.52 | -4.76 | -3.42 |
| S&P BSE FMCG | 3.54 | 0.61 | -0.17 |
| S&P BSE IT | 2.26 | 4.98 | 10.02 |
| S&P BSE Healthcare | 3.48 | 12.38 | -0.23 |

Source: BSE, NSE



Source: SEBI, NSE

GLOBAL EQUITY

- US stocks ended at new record highs, mainly boosted by the initial trade deal signed between US and China.
- Britain's FTSE rose moderately mainly on signing of the phase-I US-China trade deal and hopes that Bank of England (BoE) may cut rates.
- Asian equities closed in the positive zone. Japan's Nikkei index rose nearly 1% on US-China trade deal news and as exporters' shares rallied following a weaker yen.
- Hong Kong's Hang Seng index advanced 1.5% after US-China inked the phase one trade deal.
- China's Shanghai Composite fell 0.5% as investors booked profits after the recent rally underpinned by signing of a preliminary Sino-US trade deal and after data showed signs of stabilisation in the world's second-largest economy.

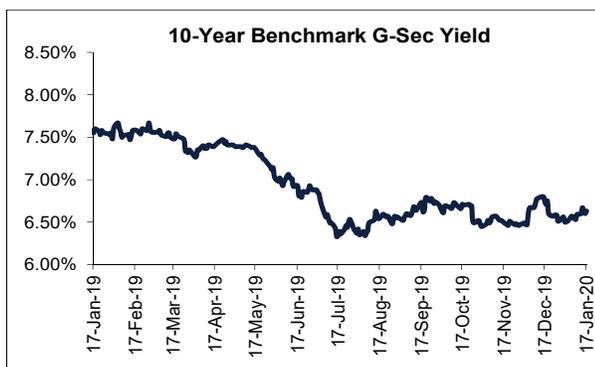
DOMESTIC DEBT

| Indicators | January 17, 2020 | Previous Week | Trend |
|-------------|------------------|---------------|-------|
| Call Rate | 5.00% | 4.95% | ↑ |
| 3 M CP | 5.86% | 5.83% | ↑ |
| 1 Yr CP | 6.75% | 6.75% | ↔ |
| 3 M CD | 5.48% | 5.37% | ↑ |
| 1 Yr CD | 6.05% | 5.95% | ↑ |
| 5 Yr AAA | 7.10% | 7.08% | ↑ |
| 1 Yr G-Sec | 5.49% | 5.44% | ↑ |
| 5 Yr G-Sec | 6.40% | 6.41% | ↓ |
| 10 Yr G-Sec | 6.63% | 6.59% | ↑ |
| USD/INR | 71.08 | 70.94 | ↑ |

Source: CRISIL Fixed Income Database, RBI

- Government bond prices ended off midweek lows. The yield of the 10 year benchmark 6.45% 2029 paper settled at 6.63% on January 17, 2020 as against 6.59% on January 10, 2020.
- Bonds began the week on a dim note as market players expected December 2019 retail inflation figures to show a spike.

- Prices extended their decline midweek as retail inflation data, which is beyond the apex bank's comfort zone, reinforced bets that interest rates would be kept on hold in the coming months.
- Supply pressure from the state development loans auction, and weekly gilt sales, added to the pressure on prices. The announcement of a government bond switch auction next week, which would add to the supply of the benchmark note, also triggered some selling.
- Value buying by market players and hopes that the Centre would initiate more measures to spur economic growth, helped bonds recoup some losses.
- Expectation of announcement of more special open market operations by the Reserve Bank of India (RBI) in the run up to the Union Budget also supported prices.
- The RBI notified that it would conduct a special open market operation on January 23, 2020 through which dated securities for a notified Rs 10,000 crore each would be bought and sold.



Source: CRISIL Fixed Income Database

GLOBAL DEBT

- US treasury prices ended higher in the week ended January 16, 2020 after US job growth slowed more than expected in December 2019 while wages stagnated and lower-than-expected

rise in the consumer and producer prices in December 2019.

- More gains were seen amid concerns about some of the issues between US and China remained unsolved despite the trade deal signed between the two nations.
- The yield of the 10 year benchmark bond fell to 1.81% on January 16, 2020 compared to 1.83% on January 10, 2020.
- Further gains were however capped due to optimism over an initial US-China trade deal, encouraging earnings from the banking stocks and strong US retail sales and manufacturing data from the Mid-Atlantic region.

DOMESTIC NEWS

- India's retail inflation rose to about five-and-half year high of 7.35% in December 2019 from 5.54% in November 2019, surpassing the RBI's comfort level, mainly due to spiraling prices of vegetables; the inflation was 2.11% in December 2018.
- India's Wholesale price-based inflation (WPI) rose to 2.59% in December 2019, as against 0.58% in November 2019 due to an increase in prices of food items like onion and potato.
- India's trade deficit of \$11.25 billion in December 2019, compared with \$12.12 billion in November 2019.
- United Nations lowered its GDP growth forecast for India in the fiscal year 2020 to 5.7% from 7.6% and cut its forecast for the next fiscal to 6.6% from 7.4% earlier.
- Finance Ministry said foreign-owned mutual funds will not be categorized as foreign investors and subjected to sectoral caps under the Foreign Exchange Management Act.
- Government promulgated the ordinance for amendment in the Mines and Minerals (Development and Regulation) (MMDR) Act, 1957 and the Coal Mines (Special Provisions) Act, 2015

to ease auction of coal mines, allow Foreign Direct Investment (FDI) and improve ease of doing business. President Ram Nath Kovind gave his nod for the same.

- Government notified mandatory hallmarking of gold jewellery and artefacts, which will come into effect from January 15, 2021.
- Government imposed anti-subsidy duty for a period of five years on copper wire rods from Indonesia, Malaysia, Thailand and Vietnam.
- RBI came out with new rules for credit and debit cards to improve user convenience and increase the security of card transactions.
- RBI allowed consumers to give an e-mandate for recurring payments made through Unified Payments Interface (UPI).
- RBI modified the norms for imposing penalties on payment system operators for not complying with regulatory requirements.
- The Security Exchange Board of India (SEBI) deferred by two years to April 2022 its deadline for listed firms to split the roles of chairman and managing director.
- SEBI allowed stock exchanges to launch 'option in goods' in their commodity derivatives segment.
- SEBI proposed a new set of norms for investment advisers, under which they will have to segregate their advisory and product distribution activities.

GLOBAL NEWS

- US consumer price index rose by 0.2% in December 2019 after climbing by 0.3% in November 2019.

- US producer price index for final demand inched up by 0.1% in December 2019 after coming in unchanged in November 2019.
- US retail sales climbed by 0.3% in December 2019, matching the upwardly revised increase in November 2019.
- US New York Fed's general business conditions index edged up to 4.8 in January 2019, from 3.3 in December 2019.
- US business inventories dipped by 0.2% in November 2019 after inching up by a revised 0.1% in October 2019.
- US import prices climbed by 0.3% in December 2019 after inching up by a revised 0.1% in November 2019; export prices dipped by 0.2% in December 2019 after rising by 0.2% in November 2019.
- Eurozone industrial production grew 0.2% in November 2019, in contrast to a 0.9% fall in October 2019.
- UK consumer inflation slowed to 1.3% in December 2019 from 1.5% in November 2019.
- China's economy grew 6.1% in 2019, compared with 6.6% in 2018. The economy grew 6.0% year-on-year in the fourth quarter of 2019, same as that in the previous quarter.
- China posted a trade surplus of \$46.79 billion in December 2019, compared with November 2019's surplus of \$37.93 billion.

| DAY | ECONOMIC EVENTS IN THE WEEK AHEAD |
|---------------------------|--|
| Monday, January 20, 2020 | <ul style="list-style-type: none"> • People's Bank of China (PBoC) Interest Rate Decision • Japan's Industrial Production, November 2019 |
| Tuesday, January 21, 2020 | <ul style="list-style-type: none"> • UK ILO Unemployment Rate (3 Months), November 2019 |

| | |
|-----------------------------|---|
| | <ul style="list-style-type: none"> • UK Employment Report, December 2019 • Bank of Japan (BoJ) Monetary Policy Statement & Outlook Report |
| Wednesday, January 22, 2020 | <ul style="list-style-type: none"> • US Existing Home Sales, December 2019 • US Chicago Fed Nat Activity Index, December 2019 • Japan's Imports & Exports, December 2019 |
| Thursday, January 23, 2020 | <ul style="list-style-type: none"> • European Central Bank (ECB) Interest Rate Decision • Eurozone Consumer Confidence, January 2020 • BoJ Monetary Policy Meeting Minutes • Japan's Consumer Price Index, December 2019 • Japan's Jibun Bank Manufacturing PMI, January 2020 • Japan's Leading & Coincident Index, November 2019 |
| Friday, January 24, 2020 | <ul style="list-style-type: none"> • US Markit Manufacturing, Composite & Services PMI, January 2020 • Eurozone Markit Manufacturing, Composite & Services PMI, January 2020 • UK Markit Manufacturing & Services PMI, January 2020 |

Source: CRISIL

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