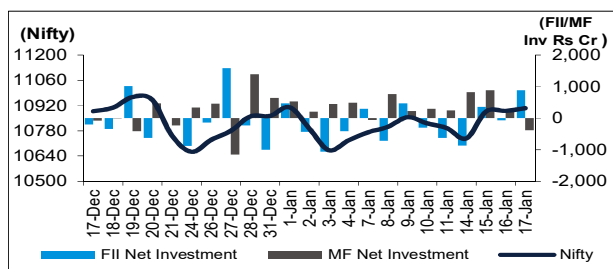


DOMESTIC EQUITY

- Indian equity indices ended the week on the positive note. Benchmarks S&P BSE Sensex and Nifty 50 rose 1% each.
- The indices rose as domestic inflation eased, raising hopes for an interest-rate cut by the Reserve Bank of India (RBI).
- The sentiment was bolstered by a narrower Indian trade deficit in December 2018, a positive trend in the global markets amid hopes of a resolution in the US-China trade conflict, and encouraging US economic data.
- Buying in the information technology and oil-and-gas stocks also supported the benchmarks.
- Some gains were, however, pared due to weak Chinese trade data and political uncertainty in the UK.
- Capital goods and healthcare counters were the major laggards; investors also remained wary amid the ongoing domestic corporate earnings season.

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	1.05	4.62	3.19
Nifty 50	1.04	4.34	0.83
S&P BSE Midcap	-1.01	5.69	-14.78
S&P BSE Smallcap	-0.66	1.64	-24.79
S&P BSE Bankex	-0.20	9.15	2.41
S&P BSE CG	-2.91	5.68	-11.54
S&P BSE FMCG	-0.72	6.59	9.75
S&P BSE IT	4.43	-0.05	20.26
S&P BSE Healthcare	-1.55	-5.73	-6.77

Source: BSE, NSE



Source: SEBI, NSE

GLOBAL EQUITY

- US equity benchmarks gained over 1.5% in the week, as the sentiment was boosted by optimism in US-China trade talks and on reports of fresh stimulus measures by China to boost its slowing economy.
- The UK's FTSE index was the only loser, down 1.2%, in the week, as political uncertainty in the country weighed on market sentiment.
- Asian stocks gained on hopes of resolution of US-China trade conflict and stimulus measures from China. Japan's Nikkei 225 index gained 1.5% in the holiday-shortened week, mainly on a weaker yen (which aided exporters firms) and hopes of a resolution in the US-China trade conflict.
- Hong Kong's Hang Seng index rose 1.6% in the week, after China pledged to unveil a slew of measures to prop up economic growth.
- China's Shanghai Composite gained 1.70%, after Beijing vowed tax cuts to boost manufacturers and small businesses and also on positive developments in the US-China trade talks.

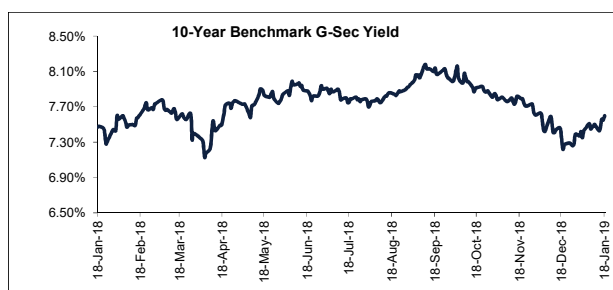
DOMESTIC DEBT

Indicators	Jan 18, 2019	Previous Week	Trend
Call Rate	6.45%	6.30%	↑
3 M CP	7.65%	7.85%	↓
1 Yr CP	8.70%	8.75%	↓
3 M CD	7.23%	7.30%	↓
1 Yr CD	7.75%	7.88%	↓
5 Yr AAA	8.24%	8.23%	↑
1 Yr G-Sec	6.84%	6.84%	↔
5 Yr G-Sec	7.37%	7.28%	↑
10 Yr G-Sec	7.60%	7.50%	↑
USD/INR	71.17	70.50	↑

Source: CRISIL Fixed Income Database, RBI

- Government bond prices weakened. The yield on the 10-year benchmark 7.17% 2028 paper settled at 7.60% on January 18, 2019 compared with 7.50% on January 11, 2019.

- The yield on the new 10-year 7.26% 2029 paper settled at 7.31% on January 18, 2019 compared with 7.26% on January 11, 2019.
- Bonds began the week on a bright note on expectation of favourable consumer-inflation data for December 2018. In line with expectations, data showed that inflation cooled in December 2018, thereby increasing investor expectations for policy easing by the central bank in the February 2019 meeting.
- Sporadic value buying by some investors provided support to prices.
- Bonds also took cues from the central bank's open-market bond purchase auction mid-week. In the auction, the apex bank bought back five dated securities for a total notified amount of Rs 10,000 crore.
- Concerns about the Centre's finances pulled bond prices down mid-week - investors turned cautious amid fears that a pre-election spending boost could increase the risk of fiscal slippage.
- A rebound in global crude oil prices, an intermittent rise in the US benchmark treasury yields, and the rupee's depreciation against the dollar dented the sentiment further.
- Supply of dated securities that hit the market via the state-development loans (SDL) auction and weekly gilt sale also put prices under pressure.
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Source: CRISIL Fixed Income Database

GLOBAL DEBT

- US treasury prices ended lower in the week ended January 17, 2019 due to release of positive domestic economic data and strong earnings from two major US banks.
- The yield of the 10-year benchmark bond rose to 2.75% on January 17, 2019 from 2.73% on January 10, 2019.
- Bond prices fell after decline in the weekly US jobless claims and jump in the US Philly Fed index in January 2019.
- Optimism about US-China trade talks also diminished the safe-haven appeal of the US debt.
- Sentiments for the bonds dented further after the US President Donald Trump said he was not looking to declare a national emergency amid a partial government shutdown.
- Further losses were however capped after the release of the weak Chinese trade data, fall in the Euro zone industrial production and lack of political consensus over Brexit.
- Other factors such as cues from the Fed official including Chairman Jerome Powell that the US central bank will be more patient before raising interest rates and US lawmakers introducing bill that would ban the sale of US computer chips or other components to Chinese firms that violate US sanctions or export control laws also supported the treasury prices.

DOMESTIC NEWS

- Asian Development Bank (ADB) projected Indian economy to grow at 7.3% in the current fiscal and 7.6% in the next fiscal.
- India's industrial output growth dropped to a 17-month low of 0.5% in November 2018; industrial production had grown by 8.4% in October 2018.
- India's retail inflation declined to an 18-month low of 2.19% in December 2018; the inflation based on

the Consumer Price Index (CPI) was 2.33% in November 2018; wholesale inflation fell to an 8-month low of 3.80% in December 2018; the wholesale inflation stood at 4.64% in November 2018.

- India's trade deficit was \$13 billion in December 2018 compared to \$14.2 billion in the same month last year.
- Government eased the procedure for start-ups to seek income tax exemption on investments from angel funds as part of efforts to address concerns of budding entrepreneurs.
- Cabinet approved an integrated income-tax e-filing and centralised processing centre (CPC) portal, which will reduce the return processing time from 63 days to just one day.
- Finance Ministry asked the public sector banks to gradually bring down the government's equity to 52% in a bid to align with the best corporate practices.
- Government re-promulgated an ordinance to amend the Companies law to further improve the ease of doing business and also ensure better compliance levels.
- Reserve Bank of India (RBI) rationalised India's overseas borrowing norms, allowing a uniform annual limit of \$750 million under the automatic route, replacing the existing sector-wise limits.
- Securities and Exchange Board of India (Sebi) amended guidelines for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to ease the process of public issue of their units.

GLOBAL NEWS

- US consumer prices dipped 0.1% in December 2018; the price index was unchanged in November 2018.
- US import prices tumbled by 1% in December 2018 after plunging by a revised 1.9% in November 2018; export prices fell by 0.6% in December 2018 after sliding by a revised 0.8% in November 2018.
- US industrial production rose by 0.3% in December 2018 after climbing by a downwardly revised 0.4% in November 2018; capacity utilization for the industrial sector ticked up to 78.7% in December 2018 from an upwardly revised 78.6% in November 2018.
- Eurozone consumer price index rose 1.6% in December 2018 year-on-year following a 1.9% increase in November 2018.
- Eurozone industrial production decreased a seasonally adjusted 1.7% in November 2018 compared to 0.1% growth in October 2018.
- China's trade surplus was \$57.1 billion in December 2018, up from \$44.71 billion in November 2018.
- Japan's overall consumer price index rose 0.3% on year in December 2018 following 0.8% rise in November 2018.

DAY	ECONOMIC EVENTS IN THE WEEK AHEAD
Monday, Jan 21, 2019	<ul style="list-style-type: none"> • China's GDP, Q4 2018 • China's Retail Sales, December 2018 • China's Industrial Production, December 2018

Tuesday, Jan 22, 2019	<ul style="list-style-type: none"> • US Existing Homes Sales, December 2018 • UK ILO Unemployment Rate, November 2018
Wednesday, Jan 23, 2019	<ul style="list-style-type: none"> • US House Price Index, November 2018 • Japan's Trade Balance, December 2018 • Japan's All Industry Activity Index, November 2018
Thursday, Jan 24, 2019	<ul style="list-style-type: none"> • US Markit Manufacturing PMI, January 2018 • European Central Bank Interest Rate Decision • Japan's Leading & Coincident Index, November 2018
Friday, Jan 25, 2019	<ul style="list-style-type: none"> • US University of Michigan Consumer Sentiment, January 2019 • US Durable Goods Orders, December 2018 • US New Home Sales, December 2018

Source: CRISIL

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