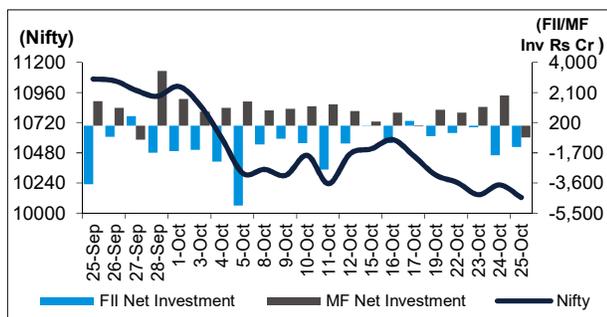


## DOMESTIC EQUITY

- Indian equities declined for the second consecutive week. S&P BSE Sensex and Nifty 50 plunged nearly 3% each.
- Sentiments were mainly dented owing to weakness in overseas equities amid worries about global economic growth.
- A sell-off in information technology (IT), healthcare, banking and fast moving consumer goods (FMCG) counters weighed further on the market. S&P BSE IT (biggest sectoral decliner), S&P BSE Healthcare, S&P BSE Bankex and S&P BSE FMCG lost around 6%, 5%, 3.2% and 2.5%, respectively.
- Further pullback in the benchmarks was prevented following a stronger rupee and a dip in crude oil prices.
- Buying in realty stocks also chipped off some losses. S&P BSE Realty was the only sectoral gainer - up around 1%.

| Broad Indices      | Week change% | 3 month change% | 1 year change% |
|--------------------|--------------|-----------------|----------------|
| S&P BSE Sensex     | -2.82        | -9.83           | 0.61           |
| Nifty 50           | -2.65        | -10.18          | -3.03          |
| S&P BSE Midcap     | -1.34        | -12.01          | -15.09         |
| S&P BSE Smallcap   | -3.45        | -16.61          | -21.20         |
| S&P BSE Bankex     | -3.15        | -10.74          | -4.13          |
| S&P BSE CG         | -1.41        | -9.10           | -10.26         |
| S&P BSE FMCG       | -2.47        | -6.41           | 6.37           |
| S&P BSE IT         | -5.73        | -7.18           | 29.48          |
| S&P BSE Healthcare | -4.63        | -0.64           | -0.30          |

Source: BSE, NSE



Source: SEBI, NSE

## GLOBAL EQUITY

- US stocks ended lower owing to some disappointing corporate results and worries about the global economy.
- Britain's FTSE index fell 0.7% amid Brexit uncertainty and growing concerns about global growth.
- Asian equities posted mixed performance. China's Shanghai Composite jumped nearly 2% buoyed by Beijing's recent market-supporting measures.
- Hong Kong's Hang Seng fell 3.3% on worries about geopolitical tensions and global growth.
- Japan's Nikkei plunged 6% following a stronger yen and a sell-off in US equities.
- Worries about domestic corporate earnings and rising geopolitical tensions also weighed on the benchmark.

## DOMESTIC DEBT

| Indicators  | Oct 26, 2018 | Previous Week | Trend |
|-------------|--------------|---------------|-------|
| Call Rate   | 6.35%        | 6.40%         | ↓     |
| 3 M CP      | 8.44%        | 8.44%         | ↔     |
| 1 Yr CP     | 9.30%        | 9.30%         | ↔     |
| 3 M CD      | 7.40%        | 7.40%         | ↔     |
| 1 Yr CD     | 8.50%        | 8.50%         | ↔     |
| 5 Yr AAA    | 8.81%        | 8.81%         | ↔     |
| 1 Yr G-Sec  | 7.52%        | 7.62%         | ↓     |
| 5 Yr G-Sec  | 7.85%        | 7.91%         | ↓     |
| 10 Yr G-Sec | 7.88%        | 7.92%         | ↓     |
| USD/INR     | 73.46        | 73.32         | ↑     |

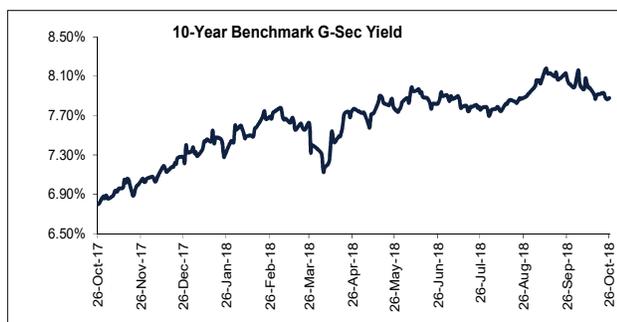
Source: CRISIL Fixed Income Database, RBI

- Government bond prices ended higher. Yield of the 10-year benchmark 7.17% 2028 paper settled at 7.88% on October 26, 2018 as against 7.92% on October 19, 2018.
- Bond prices fluctuated tracking movement in the rupee versus the US dollar - the rupee strengthened over the first half of the week but gave up gains later.

- Gilts also took cues from the movement in crude oil prices – sentiment for bonds strengthened as cooling crude oil prices reduced fears of acceleration in domestic inflation and interest rate hikes in the future by the Reserve Bank of India (RBI).
- The RBI's open market bond purchase auction on October 25, 2018 also supported prices. In the auction, the central bank repurchased gilts for an aggregate notified amount of Rs 12,000 crore.
- The supply of dated securities that hit the market via sale of state development bonds and gilts limited a further rise in bonds.
- In the state development bond auction, eight states raised a notified Rs 9,600 crore via sale of dated securities.
- In the final session of the week, the RBI auctioned the 7.37% 2023 paper, the 7.95% 2032 paper, the 7.40% 2035 paper, and the 8.13% 2045 paper for a total notified Rs 11,000 crore.
- The yield on the 10-year benchmark bond fell to 3.14% on October 25, 2018 from 3.17% on October 18, 2018.
- Bond prices rose owing to volatility in the global equities due to concerns about China's economic growth, Italy's budget impasse and uncertainty about the Brexit talks.
- Disappointing domestic corporate earnings, worries about rising borrowing cost and ongoing political uncertainty ahead of the US congressional elections boosted sentiments.
- Mounting geopolitical tensions and US-China trade tensions also boosted treasury prices.
- Further gains were however capped due to recovery in the equities on bargain buying and gains in IT stocks.

## DOMESTIC NEWS

- India's fiscal deficit widened in the first half of 2018-19 to 95.3% of the Budget Estimate (BE), mainly on account of slow growth in revenue collections; the deficit was at 91.3% of BE at September 2018-end of the last financial year.
- India's net direct tax collection in the country grew by 15.7% on year-on-year basis to reach Rs 4.89 lakh crore in the current fiscal till third week of October 2018.
- Government approved setting up of Appellate Tribunal and Adjudicating Authority for speedy disposal of cases related to benami transactions.
- Government approved Rs 7522 crore fund for creating infrastructure facilities in the fisheries and aquaculture sector to help boost annual fish production to 20 million tonnes by 2022-23.
- Cabinet gave its ex-post facto approval for the memorandum of understanding among Brazil, Russia, India, China and South Africa regarding cooperation in the social and labour sphere.



Source: CRISIL Fixed Income Database

## GLOBAL DEBT

- US treasury prices ended higher in the week ended October 25, 2018 as massive sell-off in the equity markets underpinned safe-haven demand of bonds.

- India and Bangladesh inked several milestone pacts including using two ports of the neighboring countries for movement of goods.
- India signed \$777 million deal for Israeli missile defence systems.
- Government allowed captive coal block owners to sell 25% of their output in open market and allowed flexibility in coal production.
- RBI eased norms to increase liquidity flows to non-banking financial companies (NBFCs).
- RBI rejected a special refinancing window for NBFCs.
- RBI opposed the creation of an independent payments regulator.
- RBI rejected the government's proposal to ease prompt corrective action (PCA) norms for banks.
- RBI issued 'fit and proper' criteria for existing and proposed sponsors of Asset Reconstruction Companies.
- Securities & Exchange Board of India (Sebi) clarified that borrowing or lending of securities by an insider while in possession of price sensitive information about such stocks will attract the provisions of insider trading regulation.
- Sebi issued framework on total expenses, performance disclosure of mutual funds.
- Sebi drew up a framework to levy nominal regulatory fee of Rs 1 lakh per exchange on turnover arising from agricultural commodity derivatives, instead of levying charges based on turnover slab rates.

- Insolvency and Bankruptcy Board of India (IBBI) notified the mechanism to be followed for issuing regulations under the insolvency law.

## GLOBAL NEWS

- The US economy expanded at 3.5% annual pace in Q3 2018 compared to 4.2% in Q2 2018.
- US new home sales dropped to a seasonally adjusted annual rate of 553,000 units in September 2018; August 2018's sales pace was revised down to 585,000 units.
- US durable goods orders edged up a slight 0.8% in September 2018, a sharp slowdown from a 4.6% jump in August 2018.
- European Central Bank (ECB) keeps its policy unchanged, staying on course to end bond purchases by the end of December.
- Eurozone manufacturing purchasing managers' index (PMI) was 52.1 in October 2018 compared to 53.2 in September 2018.
- Japan consumer prices were up 1.2% on year in September 2018 compared to an increase of 1.3% in August 2018.
- Japan manufacturing PMI was 53.1 in October 2018 compared to 52.5 in September 2018.

| DAY                   | ECONOMIC EVENTS IN THE WEEK AHEAD   |
|-----------------------|---|
| Monday, Oct 29, 2018  | <ul style="list-style-type: none"> <li>• US Personal Income, September 2018</li> </ul>  |
| Tuesday, Oct 30, 2018 | <ul style="list-style-type: none"> <li>• US Case Shiller House Price Index, August 2018</li> <li>• Eurozone GDP, Q3 2018</li> </ul> |

|                                |  |
|--------------------------------|--|
| <p>Wednesday, Oct 31, 2018</p> | <ul style="list-style-type: none"> <li>• Eurozone Consumer Prices, October 2018</li> <li>• UK GfK Consumer Confidence, October 2018</li> <li>• China Manufacturing PMI, October 2018</li> <li>• Japan BoJ Interest Rate Decision</li> </ul>  |
| <p>Thursday, Nov 1, 2018</p>   | <ul style="list-style-type: none"> <li>• US Manufacturing PMI, October 2018</li> <li>• US Productivity / Labour Costs, Q3 2018</li> <li>• US ISM Manufacturing PMI, October 2018</li> <li>• BoE Interest Rate Decision</li> <li>• UK Manufacturing PMI, October 2018</li> <li>• China Caixin Manufacturing PMI, October 2018</li> <li>• India Manufacturing PMI, October 2018</li> </ul> |
| <p>Friday, Nov 2, 2018</p>     | <ul style="list-style-type: none"> <li>• US Non-Farm Payrolls, October 2018</li> <li>• Eurozone Manufacturing PMI, October 2018</li> </ul>   |

**Source: CRISIL**

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