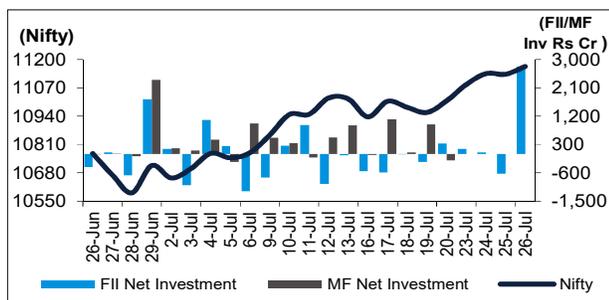


DOMESTIC EQUITY

- Indian equities halted the negative trend seen in the past week. Benchmarks S&P BSE Sensex and Nifty 50 (up 2.3% and 2.4%, respectively) ended at their all-time highs.
- A rally in index heavyweights amid quarterly earnings announcements boosted the market.
- Gains in fast moving consumer goods (FMCG) firms owing to the Goods and Services Tax (GST) Council's decision to slash tax rates on several key items helped the benchmarks further.
- Buying interest in metal and realty firms also contributed to the upside in the market. S&P BSE Metal (topmost sectoral gainer) and S&P BSE Realty were up around 7% and 5%, respectively.
- Some gains were chipped off due to selling pressure in IT stocks. S&P BSE information technology was the only sectoral decliner – down 0.4%.

Broad Indices	Week change%	3 month change%	1 year change%
S&P BSE Sensex	2.30	6.77	15.30
Nifty 50	2.44	5.48	12.55
S&P BSE Midcap	4.71	-5.94	4.31
S&P BSE Smallcap	4.64	-9.81	2.71
S&P BSE Bankex	3.51	7.76	9.08
S&P BSE CG	3.83	-5.68	1.86
S&P BSE FMCG	4.87	6.61	16.92
S&P BSE IT	-0.38	8.54	41.59
S&P BSE Healthcare	2.68	-0.06	-4.37

Source: BSE, NSE



GLOBAL EQUITY

- US benchmarks ended higher, primarily boosted by the announcement of a pact to reduce the trade tensions between the US and the European Union (EU).
- Britain's FTSE index fell 0.2% mainly on persisting worries about US-China trade tensions.
- Asian equities were positive in the week. Hong Kong's Hang Seng index surged 2% owing to gains in shares of energy firms and on signs that China will unveil monetary and fiscal measures to prevent a slowdown in the economy.
- China's Shanghai Composite jumped 1.6% buoyed by gains in financials and industrial stocks and after Beijing vowed to unveil more economy boosting policies.
- Japan's Nikkei ended flat as losses on the back of reports that Bank of Japan might wind back its exchange-traded fund purchases were offset by gains in cyclical shares and easing trade tensions between US and Europe.

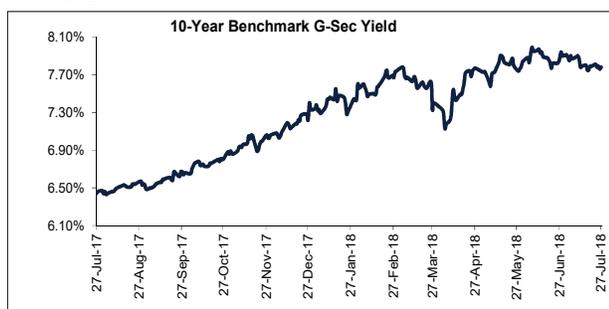
DOMESTIC DEBT

Indicators	July 27, 2018	Previous Week	Trend
Call Rate	6.10%	6.30%	↓
3 M CP	8.10%	7.80%	↑
1 Yr CP	8.50%	8.45%	↑
3 M CD	7.16%	7.03%	↑
1 Yr CD	7.96%	7.96%	↔
5 Yr AAA	8.58%	8.57%	↑
1 Yr G-Sec	7.25%	7.21%	↑
5 Yr G-Sec	7.92%	7.93%	↓
10 Yr G-Sec	7.78%	7.79%	↓
USD/INR	68.66	68.85	↓

Source: CRISIL Fixed Income Database, RBI

- Government bond prices ended higher during the week. The yield of the 10 year benchmark 7.17% 2028 paper settled at 7.78% on July 27, 2018 as against 7.79% on July 20, 2018.

- Prices remained range bound in response to movement in crude oil prices – bonds rose as overnight crude oil prices cooled, and gave up gains as oil prices strengthened.
- Intermittent short-covering and strength in the rupee boded well for bonds.
- Hopes that the central bank would soon announce another open market purchase of gilts given the tightness in systemic liquidity supported prices.
- The government's recent decision to lower goods and services tax on about 50 items fueled fears of a possible strain on the Centre's finances, and weighed on market sentiment early in the week.
- The reduction in GST rates raises questions on the government's ability to maintain its fiscal deficit target of 3.3% of Gross Domestic Product (GDP) in 2018-19.
- Uncertainty over the Reserve Bank of India's (RBI) decision on interest rates ahead of August 2018 policy review next week also erased some gains.
- Prices were put under further pressure as market players trimmed positions ahead of the weekly gilt sale. The RBI sold the 7.37% 2023 paper, the 7.17% 2028 paper, the 7.40% 2035 paper, and the 8.13% 2045 paper for a total notified Rs 12,000 crore.



Source: CRISIL Fixed Income Database

GLOBAL DEBT

- US treasury prices ended lower in the week ended July 26, 2018 amid anticipation of strong domestic

growth data, worries of accommodative policy stance of the global central banks and easing trade tensions. The yield on the 10-year benchmark bond rose sharply to 2.97% on July 26, 2018 compared to 2.85% on July 19, 2018.

- Bond prices fell as investors expected the release of strong US growth data which is likely to result in further interest rate hike by the US Federal Reserve (Fed).
- Demand for the bonds also dented amid reports that Bank of Japan (BoJ) may scale back its monetary stimulus more quickly than expected and US refrained from imposing tariffs on cars from the EU.
- More losses were seen after President Donald Trump restated his criticism of the US Federal Reserve's pace of rate hikes and said it could hurt the US economy.
- Further losses were however capped after dovish stance of European Central Bank and hopes that Bank of Japan will not change its stimulus program in its meeting next week.

DOMESTIC NEWS

- The GST Council approved reduction in the rate of a number of items, decided to allow those businesses with an annual turnover of Rs 5 crore to file quarterly returns, deferred the Reverse Charge Mechanism till September 30, 2018 and introduced a simpler one-return mechanism. It also approved setting up of a GST Appellate Tribunal (GSTAT).
- The Parliament passed the Fugitive Economic Offenders Bill. It also approved amendments to the Prevention of Corruption Act.
- Government extended the last date for filing income tax returns for assessment year 2018-19 by a month to August 31, 2018.
- Government proposed a labour law amendment to give statutory backing to the central trade unions.

- Government redefined 'petroleum' definition, thereby giving operators the option to explore all hydrocarbons -- including traditional oil and gas, shale, coal bed methane and hydrates -- in the same field.
- Government reduced the minimum annual deposit requirement for accounts under the Sukanya Samriddhi Yojana to Rs 250 from Rs 1000 earlier.
- RBI revised norms on short sale in the secondary market for government securities.
- RBI is moving to wind up the corporate debt restructuring (CDR) system.
- Securities Exchange Board of India (Sebi) proposed a framework that will require large corporates to raise 25% borrowings through corporate bonds from next fiscal.
- Sebi proposed a three-phase process for re-classification of promoters as public shareholders.
- Sebi proposed Unified Payments Interface (UPI)-based payments for retail investors investing in initial public offerings (IPO).
- Sebi proposed measures to provide promoters a say in the price offered to shareholders of companies that are planning to delist from stock exchanges.

GLOBAL NEWS

- US GDP grew at 4.1% pace in Q2 2018 following an upwardly revised 2.2% growth in Q1 2018.
- US manufacturing purchasing managers' index (PMI) was 55.5 in July 2018 compared to 55.4 in June 2018.
- US new home sales decreased to a seasonally adjusted annual rate of 631,000 in June 2018 compared to 666,000 in May 2018.
- US durable goods orders jumped by 1% in June 2018 after falling by a revised 0.3% in May 2018.
- European Central Bank (ECB) kept key interest rates unchanged and also reaffirmed that it will end its 2.6 trillion euros stimulus programme this year.
- Eurozone manufacturing PMI was 55.1 in July 2018 compared to 54.9 in June 2018.
- The UK economy expanded 2.7% in Q1 2018 compared to 2.9% in Q4 2017.
- Japan Nikkei manufacturing PMI fell to 51.6 in July 2018 from 53.0 in June 2018.

DAY	ECONOMIC EVENTS IN THE WEEK AHEAD
Monday, July 30, 2018	<ul style="list-style-type: none"> • US Pending Home Sales, June 2018 • China Manufacturing PMI, July 2018 • BoJ Policy Announcement
Tuesday, July 31, 2018	<ul style="list-style-type: none"> • US Personal Income, June 2018 • US Employment Cost Index, Q2 2018 • Eurozone GDP Flash, Q2 2018 • China Caixin Manufacturing PMI, July 2018
Wednesday, Aug 1, 2018	<ul style="list-style-type: none"> • US Manufacturing PMI, July 2018 • US ISM Manufacturing PMI, July 2018

	<ul style="list-style-type: none"> • US Construction Spending, June 2018 • US ADP Employment Report, July 2018 • US FOMC Meeting Announcement • India Manufacturing PMI, July 2018
Thursday, Aug 2, 2018	<ul style="list-style-type: none"> • UK Construction PMI, July 2018 • UK BoE Announcement and Minutes • Japan Composite PMI, July 2018
Friday, Aug 3, 2018	<ul style="list-style-type: none"> • US Non-Farm Payrolls, July 2018 • US Services PMI, July 2018 • US Trade Deficit, June 2018 • Eurozone Retail Sales, June 2018

Source: CRISIL

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