

Weekly Capsule (Jan 08 – Jan 12) and Impact Analysis

Major News Item	Impact Analysis
<ul style="list-style-type: none"> ➤ FPI flows into debt in 2017 was to the tune of Rs.150,000 crore 	<ul style="list-style-type: none"> ➤ The inflows into debt more than compensated for the tepid flows into equities on the back of valuation concerns ➤ Debt flows continued to be elevated on the back of positive rate differential in India with strong rupee
<ul style="list-style-type: none"> ➤ TCS announced good growth in digital but tepid growth in BFSI 	<ul style="list-style-type: none"> ➤ The net profits actually saw a 3% fall during the quarter as revenues for the quarter were up by 3.9% ➤ Despite operating margins at 25.2%, cost pressures and tepid growth in BFSI took its toll on quarterly numbers
<ul style="list-style-type: none"> ➤ IndusInd Bank continued its healthy 25% profit growth in the quarter 	<ul style="list-style-type: none"> ➤ The company grew profits on the back of healthy growth in loan book, especially auto loans, and the NII ➤ Gross NPAs were marginally up by 8 basis points at 1.16% but that is the spillage expected across most private banks
<ul style="list-style-type: none"> ➤ Government to ease MAT requirements for companies under insolvency 	<ul style="list-style-type: none"> ➤ The IT department will allow brought forward losses and accumulated depreciation to be set off ➤ This will be a boost for buyers of assets as earlier the depreciation benefits were excluded
<ul style="list-style-type: none"> ➤ Patanjali to make a massive online foray to push its FMCG products 	<ul style="list-style-type: none"> ➤ The company has already touched Rs.10,500 crore annual sales and likely to again double sales from here ➤ Patanjali has already tied up with marquee online names like Flipkart, Paytm, Big Basket, Grofers and Amazon India
<ul style="list-style-type: none"> ➤ FPIs infused nearly \$217 billion into emerging markets in 2017 	<ul style="list-style-type: none"> ➤ This EM trade was largely a return to growth in most emerging markets supported by higher commodity prices ➤ Nearly 75% of these flows came into debt which was supported by higher net interest rates and a weak dollar
<ul style="list-style-type: none"> ➤ PIMCO warns about the end of the 30-year bull market in bonds 	<ul style="list-style-type: none"> ➤ Bonds could be negatively impacted by rising yields as central banks adopt a more hawkish approach to rates ➤ The return to higher growth across the developed markets is likely to create a fresh appetite for equities over bonds
<ul style="list-style-type: none"> ➤ GVK has signed a definitive agreement to develop the Navi Mumbai airport 	<ul style="list-style-type: none"> ➤ The news came as a big sentimental boost for GVK which is already mired under a huge mountain of debt ➤ The stake will be managed by MIAL; the GVK subsidiary that currently manages the Mumbai airport.
<ul style="list-style-type: none"> ➤ The government took some huge steps on the FDI relaxation front 	<ul style="list-style-type: none"> ➤ The government officially permitted 100% FDI through the automatic route in case of single-brand retail ➤ Airlines and construction will also be allowed 49% FDI under automatic route, in a big boost to Air India divestment

<ul style="list-style-type: none"> ➤ The government bettered last year's direct tax collections by 18.2% 	<ul style="list-style-type: none"> ➤ This could be largely attributed to the low base effect as 2016 3rd quarter was a demonetization quarter ➤ However, the government appears to have made progress in broadening the tax base and using digital to plug loopholes
<ul style="list-style-type: none"> ➤ Gold gains over \$100/oz in the aftermath of the Fed rate hike 	<ul style="list-style-type: none"> ➤ There appears to be a lot of safe haven money that is flowing into gold as market uncertainty looks imminent ➤ Gold has also benefited from the sharp volatility in Bitcoins, which was seen as a non-fiat alternative to gold
<ul style="list-style-type: none"> ➤ Prime Minister meets up with over 40 leading Indian economists 	<ul style="list-style-type: none"> ➤ The focus was more on reviving growth and addressing the problem of weak agricultural growth in GDP ➤ It also indicates that the budget 2018 may focus largely on enhancing rural purchasing power
<ul style="list-style-type: none"> ➤ Brent Crude finally crossed a 3-year high of \$70/bbl this week 	<ul style="list-style-type: none"> ➤ The rise in Brent crude has been supported by OPEC supply cuts and rising oil demand across the world ➤ US shale oil inventories, which had put a cap on oil prices, have also been consistently dwindling in the last few weeks
<ul style="list-style-type: none"> ➤ Knight Frank has reported a 5-10% fall in Mumbai residential prices 	<ul style="list-style-type: none"> ➤ This sharp fall has been led by builders dropping prices to clear their inventories post RERA implementation ➤ This has forced most of the existing developers to focus on completing ongoing projects rather than focus on new ones
<ul style="list-style-type: none"> ➤ Potential bidders emerge for Bhushan Steel and Electrosteel 	<ul style="list-style-type: none"> ➤ Both these companies, currently referred to NCLT, have seen interest from other steel producers ➤ Steel demand is likely to expand 3-fold in India by 2030 and this offers a good inorganic way to expand capacity
<ul style="list-style-type: none"> ➤ SBI plans to raise Rs.20,000 crore by way of bonds for low cost housing 	<ul style="list-style-type: none"> ➤ SBI has identified low cost housing as a big opportunity after the government accorded it infrastructure status ➤ This fund raising also helps SBI to meet its capital needs ahead of the Basel requirements by March 2019
<ul style="list-style-type: none"> ➤ Reliance Jio could turn into profits in the December quarter 	<ul style="list-style-type: none"> ➤ If it happens then it could be a big boost for the RIL group within just 18 months of the launch ➤ Jio had reported operating profits last quarter and has already triggered a major consolidation in the industry
<ul style="list-style-type: none"> ➤ SEBI has imposed a ban on Price Waterhouse from audit for 2 years 	<ul style="list-style-type: none"> ➤ This is the first time that SEBI has come down heavily on an auditor for obvious lapses in the Satyam case ➤ SEBI has also passed a disgorgement order of Rs.13 crore against PW for losses caused by its actions
<ul style="list-style-type: none"> ➤ Aadhar likely to offer 16-digit virtual id to overcome privacy concerns 	<ul style="list-style-type: none"> ➤ This 16 digit virtual id will be issued effective from March 2018 and will be one more layer of security in Aadhar ➤ The 16-digit Aadhar id will be mapped to the Aadhar number and it can be changed by the holder of the Aadhar card



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Weekly Capsule - Impact Analysis

(For the week ending: Jan 12th 2018)

Editor – T S Harihar

<ul style="list-style-type: none">➤ SAT strikes down IRDAI order to force Sahara Life merger with ICICI Pru	<ul style="list-style-type: none">➤ SAT has observed that this decision issued ex-parte violated the principle of natural justice➤ Now IRDA has been asked to give Sahara an opportunity to be heard and also respond to the order
<ul style="list-style-type: none">➤ Fed's Dudley fears that US tax cuts could heat the US economy	<ul style="list-style-type: none">➤ This appears to be a clear indication that the Fed could be aggressive in favour of 4 rate hikes instead of 3 this year➤ Tax cuts by the Trump government are expected to spur a spending boom across the US and push growth