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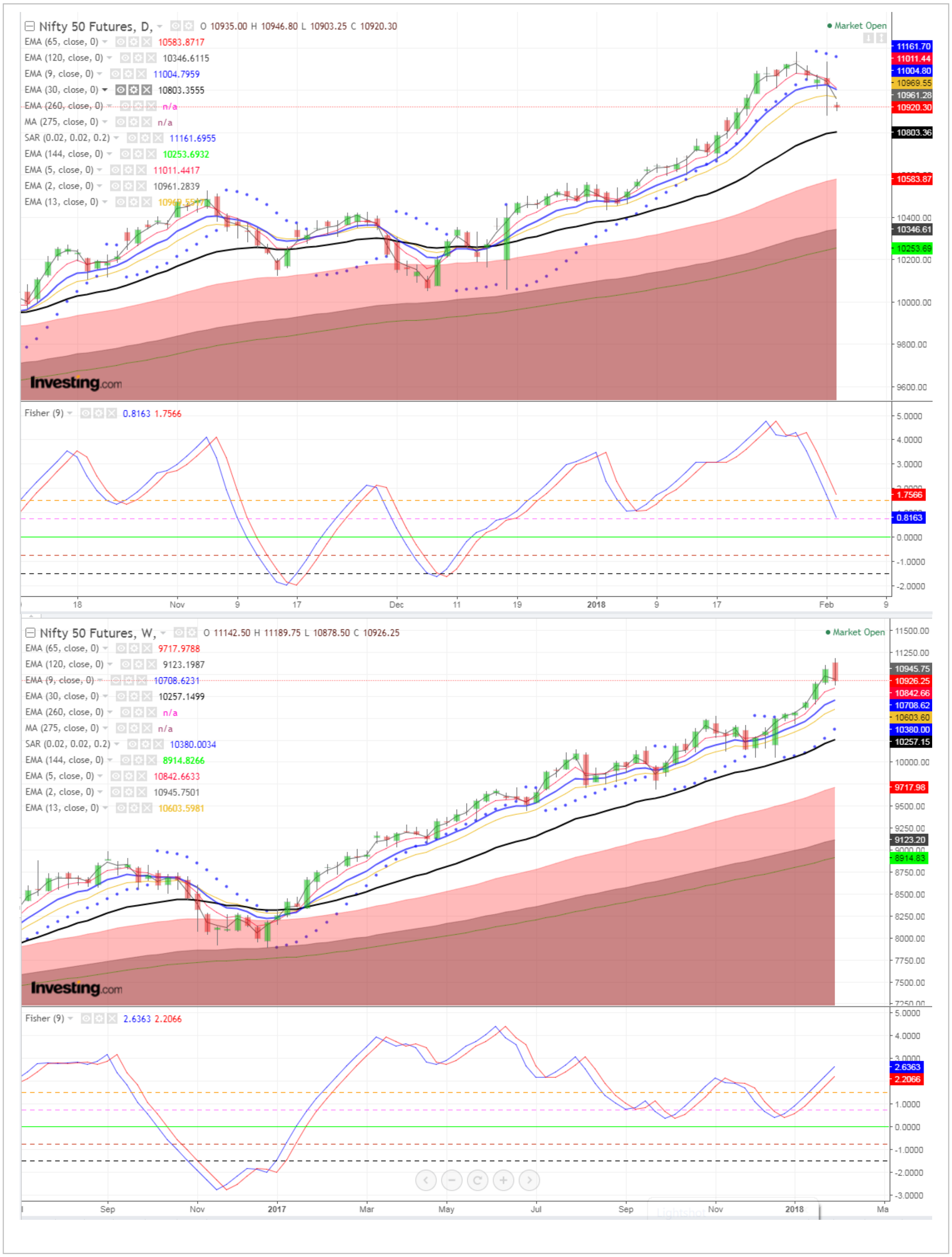
Indian Market

- **SGX NIFTY -ve: -1.02% /112points at 10,921 (at 9:10 IST)**
- **The NIFTY Future has eased near 2.8% from top in recent days, which is attributed among other factors to US stocks meltdown, rise in oil prices, spiking bond yield on higher inflation expectation etc. The levy of 10% tax on LTCG is clearly a sentiment negative, as gap between STCG and LTCG remains only 5%, which is uninspiring. Grandfathering (protecting) the past gains upto 31st Jan 2018 level, thus making this level as cost for incremental LTCG is a prudent step. Some reports say foregone LTCG quantum is near Rs50000 crore/annum, but the quantum could vary each year. So if the LTCG collection at FY19e end was subdued, govt could remove/reduce the rates on LTCG as a deterrent to financial savings.**
- **Govt has revised the fiscal deficit for current year from 3.2% to 3.5% (% of GDP) on rising crude oil prices and lower revenue collection anticipated from indirect tax front. Further, it has projected 3.3% deficit for next year on a higher base with ~1% expansion in GDP.**
- Speculation are rife that, govt is losing popularity fast, if recent poll results were to be considered. In such critical situation, to avoid political climate to deteriorate upto next year general election, govt could prepone elections.
- **Budget, as widely expected was inclusive one but seems progressive. The benefits proposed measures in the budget should be seen fast percolating to rural mass, so as to improve political climate in rural India. This would boost political prospects of current govt for next general poll.**
- **Expect in short term, market to be under pressure upto Nifty 10800 level. Govt, by not giving any benefits to other asset classes, clearly has ring-fenced the equity market to avoid massive outflows.**

Market background

- One of the oldest Wall Street adages dictates: “So goes January, goes the year.” After the S&P 500’s gain of almost 6 percent in the first month of 2018, that should mean the rest of the year will follow suit. Since 1950, there have been only nine major contradictions to the so-called January Barometer. To be sure, investors list several risks in the market. But many still expect the full year 2018 to follow January, with help from earnings-boosting U.S. corporate tax cuts and from economic data showing solid global growth trends.
- Dow ended with 0.14% gain, while S&P 500 closed 0.06% lower, and Nasdaq 0.35% lower. Taking cues to Wall Street, Asian stocks dropped. NIKKEI225 shed 0.95% , KOSPI tumbled 1.6%, China A50 dropped 0.38%,HANG SENG flat at 0.13% gain. ASX200 gained 0.45% and Key US indices futures were trading with losses upto 0.21% but Nasdaq futures was up 0.65%.
- Yields on 10-year U.S. Treasuries jumped to a near four-year peak, markedly steepening the curve and squeezing out investors who had feverishly bet on a tighter spread between longer-dated and short-dated yields. Yet rising U.S. yields have failed to prop up the dollar index, which paused around a three-year trough.
- U.S. oil rose for a third day on Friday after a survey showed strong compliance with output cuts by OPEC and others including Russia, offsetting concerns about surging U.S. production. WTI crude was up 32 cents, or 0.5 percent, at $66.12 a barrel Brent futures were up 19 cents, or 0.3 percent, at $69.84 a barrel.

SGX Nifty: Daily and Weekly Chart



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