

News U Can Use

April 29, 2016

RELIANCE

The Week that was...
25th April to 29th April

Indian Economy

- According to a report by the United Nations, the Indian economy could grow at a rate of 7.6% in FY17, which might expand to 7.8% in FY18. United Nations expects the growth to come from domestic consumption demand, steady employment, and low domestic inflationary pressures. However, the organisation warned that high levels of stressed assets in the banking sector and a fragile business confidence might constrain the growth of investment in the economy.
- A major credit rating agency retained India's outlook at positive. The rating agency also opined that high debt levels of the government, weak infrastructure, and a complex regulatory regime have constrained the credit profile of the country. It said deterioration in asset quality of state-run banks is the prime threat to India's sovereign credit profile.
- The central government, in its budget estimates for FY17, has estimated that more than two lakh posts will be created to the existing workforce of 33.05 lakh (as of 2015) in its various departments.
- According to the secretary of department of industrial policy and promotion (DIPP), foreign direct investment (FDI) in India has touched the highest ever level of \$51 billion during the period from Apr to Feb of the fiscal ended Mar 31, 2016. In 2011-12, India had attracted FDI worth \$46.55 billion, while in 2014-15, FDI in India had stood at \$44.29 billion.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 29-Apr-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 25606.62 | -0.90% | -2.12% |
| Nifty 50 | 7849.8 | -0.63% | -1.42% |
| S&P BSE Mid-Cap | 11042.92 | 0.22% | -1.80% |
| S&P BSE Small-Cap | 11020.59 | -0.53% | -7.71% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | CNX Nifty | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|-----------|-----------------|-------------------|
| P/E | 19.38 | 21.24 | 27.04 | 42.67 |
| P/B | 2.82 | 3.27 | 2.46 | 1.91 |
| Dividend Yield | 1.5 | 1.37 | 1.46 | 1.15 |

Source: BSE, NSE

Value as on Apr 29 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 25-Apr-16 | 1005 | 543 | 1.85 |
| 26-Apr-16 | 564 | 1007 | 0.56 |
| 27-Apr-16 | 748 | 793 | 0.94 |
| 28-Apr-16 | 408 | 1129 | 0.36 |
| 29-Apr-16 | 693 | 837 | 0.83 |

Source: NSE

- Weak global cues kept Indian equity markets down during the week. The Bank of Japan's (BoJ) decision to keep its monetary policy steady came as a big blow since investors were expecting the bank to expand its stimulus programme to support the weakening economy. The U.S. Federal Reserve (Fed) left its interest rate unchanged but expressed confidence in the U.S. economic outlook, which led to concerns of a probable rate hike in Jun 2016.
- In the beginning of the week, investors were buoyed by encouraging corporate earning numbers across different sectors. But this was overshadowed later by disappointing result by one of the banking heavyweights.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|-------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 18469.4 | -1.24% | 4.18% |
| S&P BSE Bankex | 19114.8 | 0.42% | 7.20% |
| S&P BSE CD | 11787.2 | -1.25% | 5.81% |
| S&P BSE CG | 13202.6 | -1.21% | 5.27% |
| S&P BSE FMCG | 7697.38 | -0.90% | 2.32% |
| S&P BSE HC | 15582.3 | -0.04% | 5.60% |
| S&P BSE IT | 11330.2 | -0.14% | 1.19% |
| S&P BSE Metal | 7958.93 | -0.77% | 7.94% |
| S&P BSE Oil & Gas | 9356.16 | -1.08% | 3.48% |

Source: Reuters *Values as on Apr 29, 2016*

- ❑ On the BSE sectoral front, barring S&P BSE Realty, S&P BSE Bankex, and S&P BSE Teck, all the indices closed in the red.
- ❑ S&P BSE Power was the major laggard (2.21%) followed by S&P BSE Consumer Durables (1.25%) and S&P BSE Auto (1.24%). S&P BSE Capital Goods and S&P BSE Oil & Gas slipped 1.21% and 1.08%, respectively.

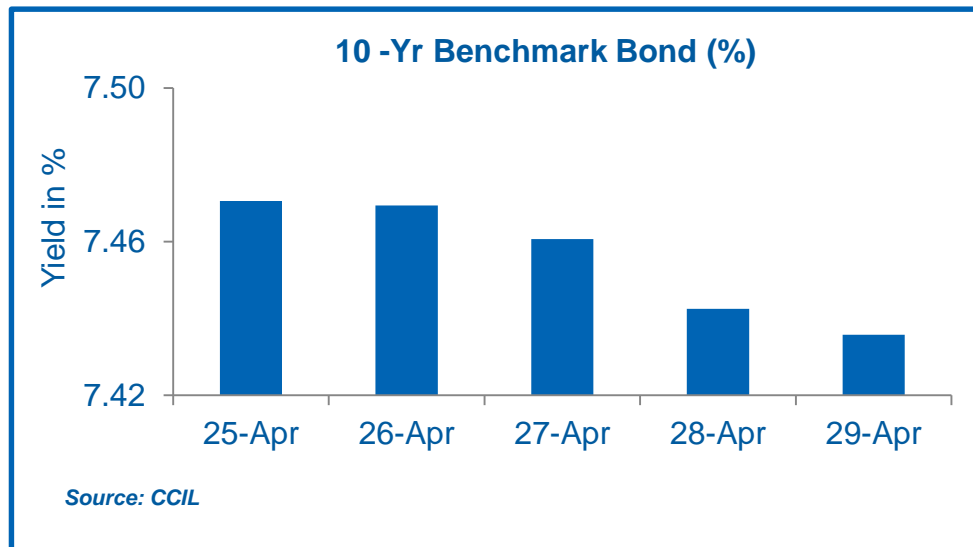
Indian Derivatives Market Review

- ❑ Nifty Apr 2016 settled during the week at 7,847.25. Nifty May 2016 Futures were at 7,894.80 points, a premium of 45.00 points, over the spot closing of 7,849.80. The turnover on NSE's Futures and Options segment stood at Rs. 23.07 lakh crore during the week to Apr 29, compared with Rs. 11.78 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 1.00, compared with the previous week's close of 1.02.
- ❑ The Nifty Put-Call ratio stood at 0.94, compared with the previous week's close of 1.03.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.55 | 6.43 | 6.81 | 6.64 |
| 91 Day T-Bill | 6.83 | 6.79 | 7.25 | 7.12 |
| 08.27% 2020, (5 Yr GOI) | 7.38 | 7.38 | 7.54 | 7.68 |
| 07.59% 2026, (10 Yr GOI) | 7.44 | 7.46 | 7.51 | -- |

Source: Reuters Values as on Apr 29, 2016



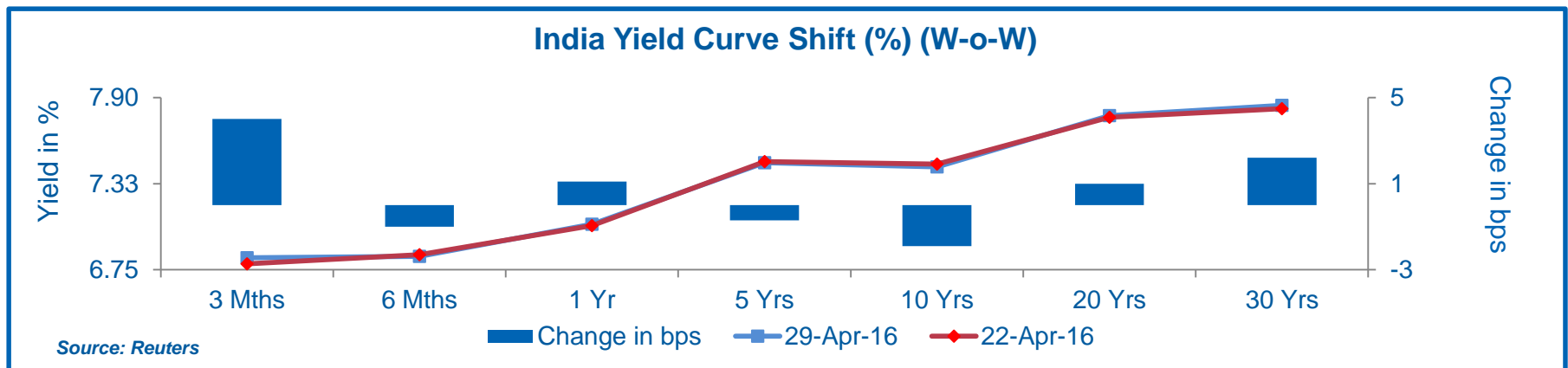
- Initially during the week, bond yields moved up marginally due to lack of fresh economic triggers and weakness in the Indian rupee. However, trend reversed and yields fell after the Reserve Bank of India (RBI) purchased government securities through open market operations (OMO) to improve liquidity in the banking system.
- Market sentiments improved after the U.S. Fed kept interest rates steady in its monetary policy review. Investor sentiments boosted further after the weekly government debt auction saw stronger than expected demand.
- RBI conducted OMO of Rs. 15,000 crore to purchase government securities, which was fully subscribed.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.19 | 7.60 | 42 |
| 3 Year | 7.39 | 7.88 | 49 |
| 5 Year | 7.64 | 8.07 | 43 |
| 10 Year | 7.70 | 8.17 | 47 |

Source: Reuters Values as on Apr 29, 2016

- Yields on gilt securities remained mixed during the week. The yield was unchanged on 4- to 9-, 11-, and 14-year papers. Yield dropped the most on 13- and 15-year papers, while highest rise was seen on 15- and 24-year papers.
- Corporate bond yields increased across the curve in the range of 2 to 7 bps.
- Spread between AAA corporate bond and gilt expanded in the range of 2 to 8 bps, except 15-year paper that contracted 2 bps.



Regulatory Updates in India

- ❑ The finance ministry has finally agreed to increase interest rate on EPF deposits to 8.8% from the 8.7% decided earlier, due to strong oppositions by trade unions.
- ❑ The government is considering bringing down the scrutiny time of an individual's tax returns to one year. The move is expected to bring relief to income tax payers. Presently, assessment of tax returns randomly picked up for scrutiny is completed in two years after the close of the assessment year.
- ❑ The Department of Industrial Policy and Promotion (DIPP) has started to map incubation centres across the country in order to support new business ideas. The government will join hands with the private sector and state governments to help build incubation capacities for young entrepreneurs.
- ❑ The Department of Telecommunications might restrict telecom companies' liberal payment terms for spectrum auctions to safeguard government's revenue collections. Earlier, the Telecom Regulatory Authority of India had proposed that telecom companies be allowed to pay 10% of the winning bid initially for any spectrum in an auction. The remaining amount will be then paid in equal instalments over the next 18 years. The amendment will require an auction winner to pay either the entire money or 25%-33% of the total bid initially, depending on the band. The remaining amount will be paid in 10 equal instalments after a two-year moratorium.

Regulatory Updates in India (contd..)

- ❑ The Ministry of Commerce has proposed to create a database of various non-tariff measures to address trade-related issues related within the BRICS (Brazil, Russia, India, China, and South Africa) community. The objective of the move is to strengthen business relation among the five nation group. The database would comprise information related to standards, packaging and labelling requirements, sanitary and phytosanitary measures, technical barriers to trade, preferential tariffs, rules of origin, government incentives, promotional schemes, and trade policy.
- ❑ According to the Minister of State for Home, banks will have to report to the central government within two days regarding any transaction in respect of receipt and utilisation of any foreign contribution by any person within 48 hours.
- ❑ The Reserve Bank of India proposed rules for peer-to-peer (P2P) lending. According to the central bank, only those entities operating as companies will engage in P2P lending business. P2P lending is witnessing growth across the globe including India where only a limited segment of the population has access to bank finance.
- ❑ The DIPP is considering allowing of 100% foreign direct investment in the food processing sector. The move is expected to benefit farmers, create employment opportunities, and boost the food processing industry as a whole.

Global News/Economy

- ❑ The U.S. Federal Reserve kept its benchmark interest rate unchanged in a range of 0.25% to 0.50%, as it closely watches inflation and global economic developments. The central bank was positive on labour market conditions but raised concerns over slowing of economic activity. Although households' real income has risen at a solid rate and consumer sentiment remains high, growth in household spending has moderated. The bank said further rate hikes will remain to be gradual.
- ❑ Gross domestic product (GDP) of the U.S. grew 0.5% in the quarter ended Mar 2016 compared with an increase of 1.4% in the previous quarter. Positive contributions from consumer spending, residential fixed investment, and state and local government spending contributed to the GDP.
- ❑ Bank of Japan kept its negative 0.1% interest rate unchanged and maintained the monetary base at 80 trillion yen. The central bank decided to introduce a fund supplying operation for areas affected by the Kumamoto earthquake.
- ❑ Eurozone's GDP grew 0.6% in the quarter ended Mar 2016, better than 0.3% rise in previous quarter. Annually, the economic growth was unchanged at 1.6% during the quarter, defying expectations of a decline.
- ❑ U.K.'s GDP increased 0.4% in the Jan-Mar 2016 quarter compared with 0.6% growth in the previous quarter.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 29-Apr-16 | 1-Week Return | YTD Return |
| Dow Jones | 17773.64 | -1.28% | 3.64% |
| Nasdaq 100 | 4341.30 | -2.97% | -3.48% |
| FTSE 100 | 6241.9 | -1.09% | 2.44% |
| DAX Index | 10038.97 | -3.22% | -2.38% |
| Nikkei Average | 16666.05 | -5.16% | -9.67% |
| Straits Times | 2838.52 | -3.47% | 0.09% |

Source: Reuters

Europe

- European markets fell initially on weaker than expected German business confidence data for Apr and renewed concerns regarding the stability of China's economy weighed on the market. Renewed concerns regarding Greece's debt situation and disappointing corporate earnings results at the end of the week further bogged the bourses down. However, increase in global crude oil prices restricted the downside.

Asia

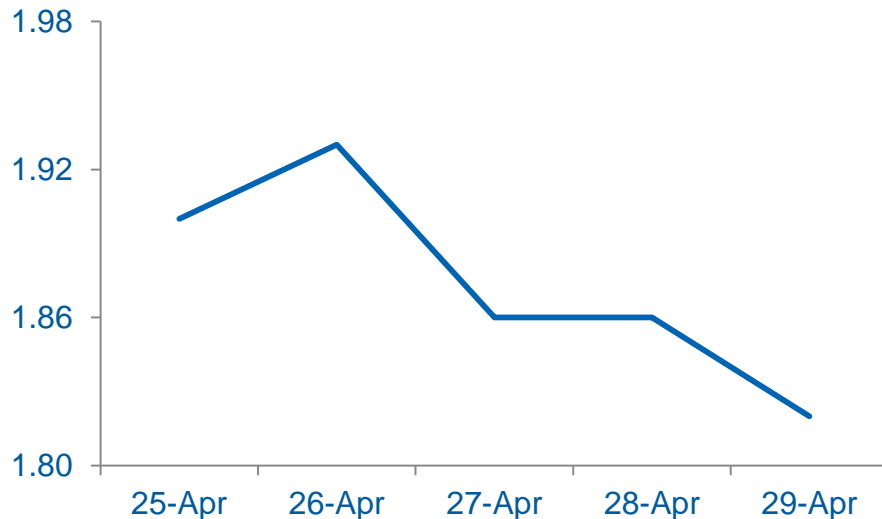
- Asian markets fell over the week, with the Japanese market being the major laggard (-5.16%). Concerns over the Chinese economy and weak earning numbers of some major companies dented sentiments. However, the biggest jerk came after BoJ decided against any change in the stimulus programme in its policy review.

U.S.

- U.S. markets closed in the negative terrain over the week. Lower than expected increase in durable goods orders in Mar 2016 and weak earnings report of a major technology company weighed on the bourses. Meanwhile, the Fed kept interest rates unchanged in its monetary policy review as it acknowledged the improvement in labour market conditions.

Global Debt (U.S.)

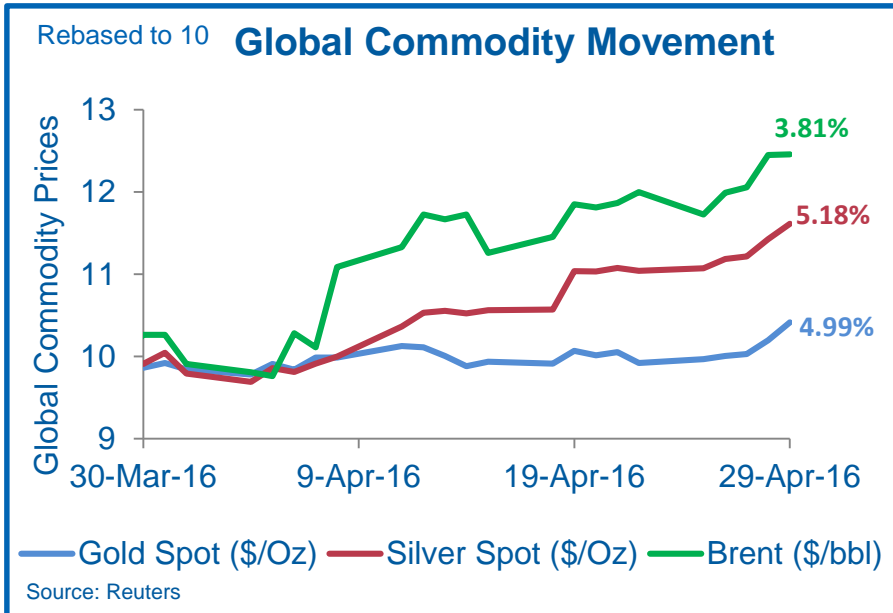
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury bond yield fell 7 bps to close at 1.82%, compared with the previous week's close of 1.89%.
- The U.S. Federal Reserve kept interest rates on hold, but refrained from commenting on the global economic risks (as was mentioned in the previous policy review), which led to a speculation of possible interest rate hike in Jun 2016. The optimism reduced appeal of the short term U.S. Treasuries, but improved the demand for long term papers like 10-year.
- U.S. Treasury prices rose after the U.S. economy reported a slower growth in the first quarter of 2016 and the consumer sentiment fell to a 7-month low in Apr 2016.

Commodities Market



| Performance of various commodities | | |
|------------------------------------|--------------|------------|
| Commodities | Last Closing | 1-Week Ago |
| Brent Crude(\$/Barrel) | 45.28 | 43.62 |
| Gold (\$/Oz) | 1293.36 | 1231.91 |
| Gold (Rs/10 gm) | 29918 | 29320 |
| Silver (\$/Oz) | 17.82 | 16.943 |
| Silver (Rs/Kg) | 41476 | 39963 |

Source: Reuters Values as on Apr 29, 2016

Gold

- Gold prices gained mainly on the U.S. Fed's stance on its key interest rate in its latest policy meeting. Initially, a series of weak economic data renewed optimism that the U.S. central bank may remain cautious about raising interest rate. The same was affirmed after the U.S. Fed decided to maintain status quo in its key policy rate.

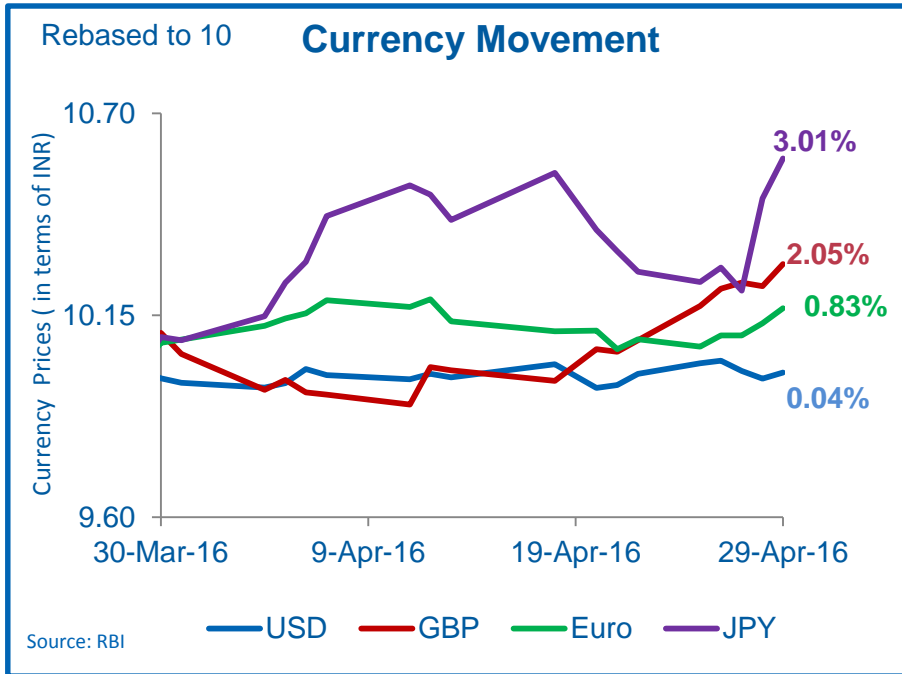
Crude

- Brent crude went up during the week as couple of data showed crude supplies fell in the week to Apr 22. Uncertainty around revival of the Khafji oilfield, jointly operated by Saudi Arabia and Kuwait, provided additional support.

Baltic Dry Index

- The Baltic Dry Index went up during the week due to higher capsizes and panama activities.

Currencies Markets



| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 66.52 | 66.49 |
| Pound Sterling | 97.40 | 95.44 |
| EURO | 75.73 | 75.10 |
| JPY(per 100 Yen) | 61.96 | 60.15 |

Source: RBI Figures in INR , Values as on Apr 29, 2016

Rupee

- The Indian rupee remained almost steady as month-end dollar demand from importers offset the positive impact of selling of the greenback by exporters and a globally weak dollar.

Euro

- Euro surged against the U.S dollar after the U.S. Fed in its policy meeting iterated that it is not in a hurry to increase interest rates. Better than expected economic growth in the euro area increased gains.

Pound

- Sterling gained against the U.S dollar on expectations that the U.K. will vote to remain in the European Union.

Yen

- Yen gained strongly against the U.S. dollar after the Bank of Japan maintained status quo on its stimulus programme, which was not expected by the markets.

The Week that was...
25th April to 29th April

The Week that was (Apr 25 – Apr 29)

| Date | Events | Present Value | Previous Value |
|---------------------------|---|---------------|----------------|
| Monday, April 25, 2016 | German IFO - Business Climate (Apr) | 106.60 | 106.70 |
| | U.S. New Home Sales (MoM) (Mar) | -1.50% | 2.00% |
| Tuesday, April 26, 2016 | U.S. Durable Goods Orders (Mar) (P) | 0.80% | -3.00% |
| | U.S. Markit Services PMI (Apr) (P) | 52.1 | 51.3 |
| | U.S. Consumer Confidence (Apr) | 94.2 | 96.2 |
| | U.S. Markit Composite PMI (Apr) (P) | 51.7 | 51.3 |
| Wednesday, April 27, 2016 | U.K. Gross Domestic Product (YoY) (1Q) (A) | 2.10% | 2.10% |
| | U.S. Pending Home Sales (YoY) (Mar) | 2.90% | 5.00% |
| | U.S. Federal Open Market Committee Rate Decision | 0.50% | 0.50% |
| Thursday, April 28, 2016 | Bank of Japan Policy Rate Decision | -0.10% | -0.10% |
| | Japan National Consumer Price Index (YoY) (Mar) | -0.10% | 0.30% |
| | U.S. Gross Domestic Product (Annualized) (1Q) (A) | 0.50% | 1.40% |
| | U.S. Personal Consumption (1Q) (A) | 1.90% | 2.40% |
| Friday, April 29, 2016 | U.K. Mortgage Approvals (Mar) | 71.4K | 73.2K |
| | Euro Zone Unemployment Rate (Mar) | 10.20% | 10.40% |
| | Euro Zone Consumer Price Index Estimate (YoY) (Apr) | -0.20% | -0.10% |
| | U.S. Personal Spending (Mar) | 0.10% | 0.20% |

The Week Ahead...
May 02 to May 06

The Week Ahead

| Day | Event |
|-------------------|--|
| Monday, May 02 | <ul style="list-style-type: none"> ❑ U.S. ISM Manufacturing (Apr) |
| Tuesday, May 03 | <ul style="list-style-type: none"> ❑ China Caixin PMI Manufacturing (Apr) ❑ U.K. Markit PMI Manufacturing s.a. (Apr) |
| Wednesday, May 04 | <ul style="list-style-type: none"> ❑ Euro Zone Retail Sales (YoY) (Mar) ❑ U.S. ADP Employment Change (Apr) ❑ U.S. Trade Balance (Mar) ❑ U.S. Factory Orders (Mar) ❑ U.S. ISM Services Composite (Apr) |
| Thursday, May 05 | <ul style="list-style-type: none"> ❑ China Caixin PMI Services (Apr) ❑ China Caixin PMI Composite (Apr) ❑ U.K. Markit/CIPS Services PMI (APR) |
| Friday, May 06 | <ul style="list-style-type: none"> ❑ U.S. Change in Non-farm Payrolls (Apr) ❑ U.S. Unemployment Rate (Apr) ❑ Japan Nikkei PMI Composite (Apr) |

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