

News U Can Use

January 29, 2016

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

Indian Economy

- ❑ India's fiscal deficit for the nine-month period of April to December 2015 stood at Rs. 4.88 lakh crore or 87.9% of the Budget Estimate (BE), compared with 100.2% in the corresponding period of the previous year. Tax revenue came in at Rs. 6.22 lakh crore, or 67.6% of the full year BE compared with 55.8% in the year-ago period. Total receipts from revenue and non-debt capital of the Government during the first nine months stood at Rs. 8.26 lakh crore.
- ❑ India's gross domestic product (GDP) growth has been revised downward by the Government for the financial year 2015-16 to 7.2%, from 7.3% estimated earlier. GDP growth for the fourth quarter of the current fiscal year was also trimmed to 6.6% from 6.9%.
- ❑ The Government announced the first list of 20 cities, which included five capital cities, to be developed as 'Smart Cities'. A total investment of Rs 50,802 crore has been proposed for these 20 cities and towns over a five-year period. Out of the total investment, Rs. 38,693 crore will be spent on area development, and Rs. 12,109 crore on 56 pan-city solutions. The cities will have basic infrastructure through assured water and power supply, sanitation and solid waste management, efficient urban mobility and public transport, IT connectivity, e-governance, and citizen participation.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 29-Jan-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 24870.69 | 1.78% | -4.93% |
| Nifty 50 | 7563.55 | 1.90% | -5.02% |
| S&P BSE Mid-Cap | 10417.26 | 2.20% | -7.36% |
| S&P BSE Small-Cap | 10869.84 | 2.56% | -8.97% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | CNX Nifty | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|-----------|-----------------|-------------------|
| P/E | 18.41 | 20.22 | 24.1 | 54.98 |
| P/B | 2.72 | 3.03 | 2.19 | 1.81 |
| Dividend Yield | 1.44 | 1.53 | 1.54 | 1.08 |

Source: BSE, NSE

Value as on Jan 29, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 25-Jan-16 | 1059 | 517 | 2.05 |
| 27-Jan-16 | 730 | 805 | 0.91 |
| 28-Jan-16 | 842 | 697 | 1.21 |
| 29-Jan-16 | 1021 | 541 | 1.89 |

Source: NSE

- Indian equity market gained over the week following other regional peers. Investor sentiment improved after the Bank of Japan introduced negative interest rate regime at its latest policy meet in order to boost the economy.
- Sentiments boosted further after China's economy showed positive signs as the Government's expected to keep the yuan stable for some time.
- However, upside was limited to some extent, over concerns that the U.S. may increase interest rates during this year.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|---------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 17046.0 | 0.92% | -8.06% |
| S&P BSE Bankex | 17603.9 | -0.12% | -9.40% |
| S&P BSE CD | 12183.0 | 3.58% | 1.36% |
| S&P BSE CG | 12368.1 | -1.41% | -12.67% |
| S&P BSE FMCG | 7438.5 | 2.66% | -4.83% |
| S&P BSE HC | 16305.0 | 4.89% | -3.86% |
| S&P BSE IT | 11165.1 | 2.74% | 0.81% |
| S&P BSE Metal | 6894.0 | 3.49% | -5.80% |
| S&P BSE Oil & Gas | 9258.1 | 2.04% | -2.96% |

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

- On the BSE sectoral front, all the indices closed in the green, barring S&P BSE Bankex (-0.12%) and S&P BSE Capital Goods (-1.41%).
- S&P BSE Healthcare topped the chart (4.89%), followed by S&P BSE Consumer Durables (3.58%), S&P BSE Metal (3.49%), and S&P BSE Power (3.31%). Buying interest was also seen in the energy sector after media reports stated that the Coal Ministry is devising a plan to clear off stock, which may include reduction of prices as well.

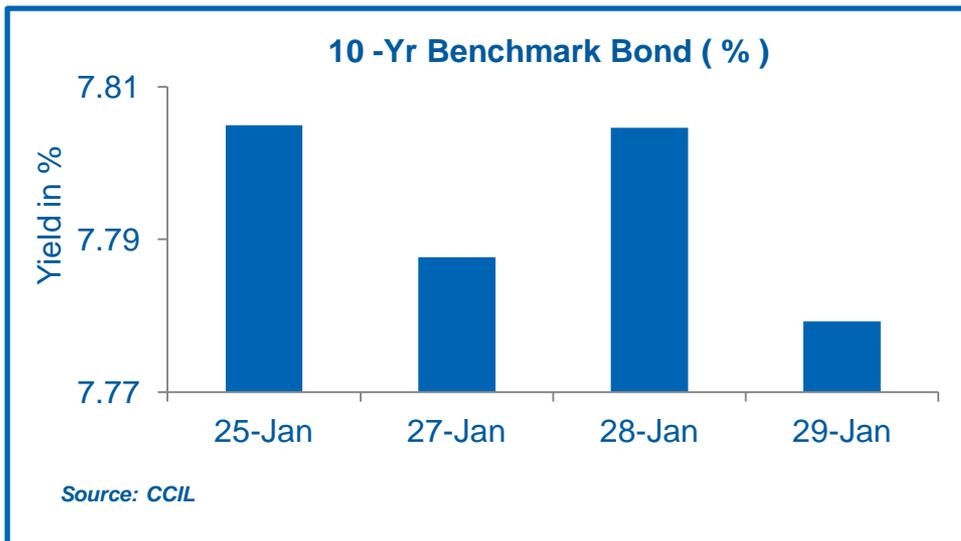
Indian Derivatives Market Review

- Nifty Jan 2016 Futures settled during the week at 7,424.65 points. Nifty Feb 2016 Futures were at 7,568.05 points, a premium of 4.5 points over the spot closing of 7,563.55 points. The turnover on NSE's Futures and Options segment decreased to Rs. 15.19 lakh crore during the week to Jan 29, from Rs. 17.07 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.79, compared with the previous week's close of 0.81.
- The Nifty Put-Call ratio stood at 0.89, compared with the previous week's close of 0.86.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 7.01 | 6.92 | 6.67 | 7.09 |
| 91 Day T-Bill | 7.25 | 7.25 | 7.20 | 7.45 |
| 08.27% 2020, (5 Yr GOI) | 7.58 | 7.62 | 7.67 | 7.94 |
| 07.72% 2025, (10 Yr GOI) | 7.78 | 7.78 | 7.75 | 7.81 |

Source: Reuters Values as on Jan 29, 2016



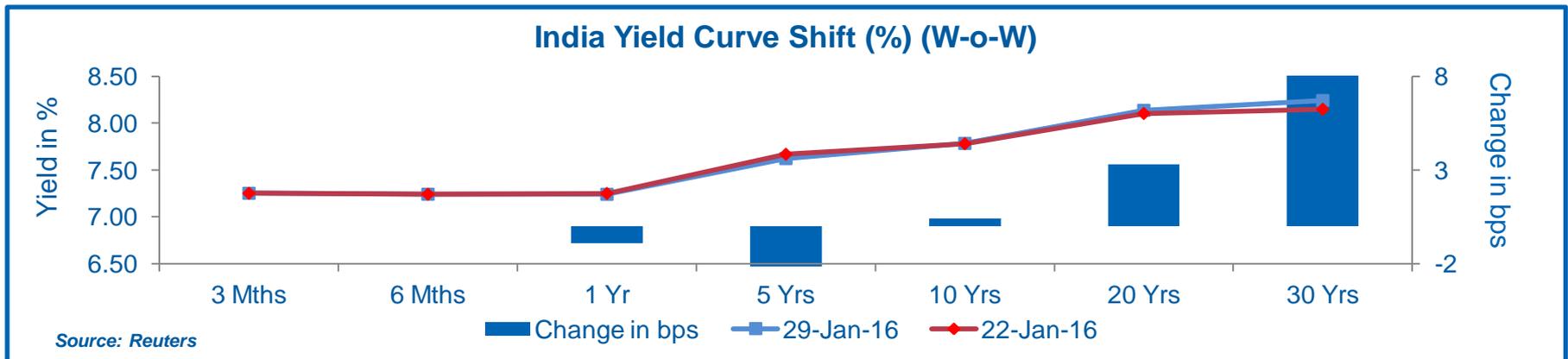
- Bond yields remained steady after moving in a narrow range because of lack of any domestic catalysts and ahead of the Reserve Bank of India's (RBI) monetary policy review due next week.
- Yields increased on tight liquidity conditions and weakness in domestic currency. Supply of fresh debt through state development loans and Government securities weighed on market sentiments. However, intermittent value buying by market participants and recovery in Indian rupee at the end reversed earlier losses.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, were unchanged at 7.78% from the previous week's close.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.39 | 8.11 | 72 |
| 3 Year | 7.56 | 8.15 | 59 |
| 5 Year | 7.78 | 8.23 | 45 |
| 10 Year | 8.01 | 8.41 | 40 |

Source: Reuters Values as on Jan 29, 2016

- Yield on Gilt Securities fell across most of the maturities in the range of 1 bps to 5 bps barring 2, 13, and 19 to 30-year maturities.
- Corporate Bond yields increased across most of the maturities in the range of 1 bps to 3 bps, barring 4 and 5-year maturities that fell up to 2 bps.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, expanded across the maturities in the range of 1 bps to 5 bps..



Regulatory Updates in India

- ❑ The Government ceased the requirement of obtaining a 'No Objection Certificate' from the health ministry for exporting drugs to developed countries. Some of these countries include the U.S., Canada, Japan, Australia, and nations of the European Union. The move is expected to benefit India's drug manufacturers in fast-tracking shipments. Typically, clearance of consignments takes long due to delays by regulatory agencies in granting approvals. But with the new regulation, time gap for receiving approvals will be reduced.
- ❑ According to the Securities and Exchange Board of India (SEBI), no trading or clearing member, or their associates and agents, irrespective of the stock exchange or clearing corporation of which they are members, shall be on the governing board of any recognised stock exchange or recognised clearing corporation. The norms will also be applicable for clearing corporations.
- ❑ The Central Board of Direct Taxes (CBDT) resolved as many as 100 transfer pricing disputes with the U.S. CBDT opined that the resolution of the transfer pricing disputes will create an environment of tax certainty and encourage MNCs to do business in India.

Regulatory Updates in India (contd..)

- The Reserve Bank of India (RBI) sought an additional Rs. 26,000 crore from the Government to be injected into state-run banks by 2018. The central bank pointed out that current capital pledges may be inadequate as there has been an increase in stressed assets in the banking sector. It needs to be noted that the Government so far in this fiscal has spent Rs. 20,000 crore on bank capitalisation and will infuse another Rs. 5,000 crore before March. The Government has pledged Rs. 70,000 crore toward this end until FY19 and Rs. 25,000 crore of this in the next fiscal year.
- The Ministry of Corporate Affairs launched the Central Registration Centre (CRC) to speed up company incorporation related services and ensure uniformity in application of rules. The move will make it easy for the corporates to do business within the country.

Global News/Economy

- ❑ As expected, the Federal Reserve kept the benchmark interest rate unchanged in its recent meeting, citing global slowdown. According to the central bank, falling oil prices and slowing Chinese economy are posing threat to the U.S. economy. The Fed was positive on improving labour market, but remained concerned over the low inflation rate. However, Fed assured to monitor global economic and financial developments closely.
- ❑ According to data from the Conference Board, U.S.' consumer confidence improved unexpectedly in January. The index stood at 98.1, compared with December's revised reading of 96.3.
- ❑ According to a survey of the European Commission, eurozone's economic confidence in January was lowest in the last five months. The economic confidence index slipped to 105 in January from 106.7 in December. The industrial sentiment index worsened to -3.2 from -2.0 in December.
- ❑ Bank of Japan introduced negative interest rate policy for commercial banks. The bank will now apply a -0.1% rate on the amounts deposited in current accounts by the financial institutions with it. The bank believes that the arrangement will encourage the commercial banks to lend more, than keeping it idle. The country's economy is still recovering, and this step can help boost growth by stimulating investments. The bank stated that if the situation demands, the rate can be further revised downward. The aim of the central bank is to achieve inflation target of 2.0% as early as possible.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 29-Jan-16 | 1-Week Return | YTD Return |
| Dow Jones | 16466.3 | 2.32% | -3.98% |
| Nasdaq 100 | 4279.169 | 0.46% | -4.86% |
| FTSE 100 | 6083.79 | 3.11% | -0.16% |
| DAX Index | 9798.11 | 0.34% | -4.72% |
| Nikkei Average | 17518.3 | 3.30% | -5.05% |
| Straits Times | 2629.11 | 2.02% | -7.29% |

Source: Reuters Values as on Jan 29, 2016

Europe

- European market witnessed gain over the week following Asian peers after the Bank of Japan's negative interest rate move. In addition, recovery in global crude oil prices supported the market.

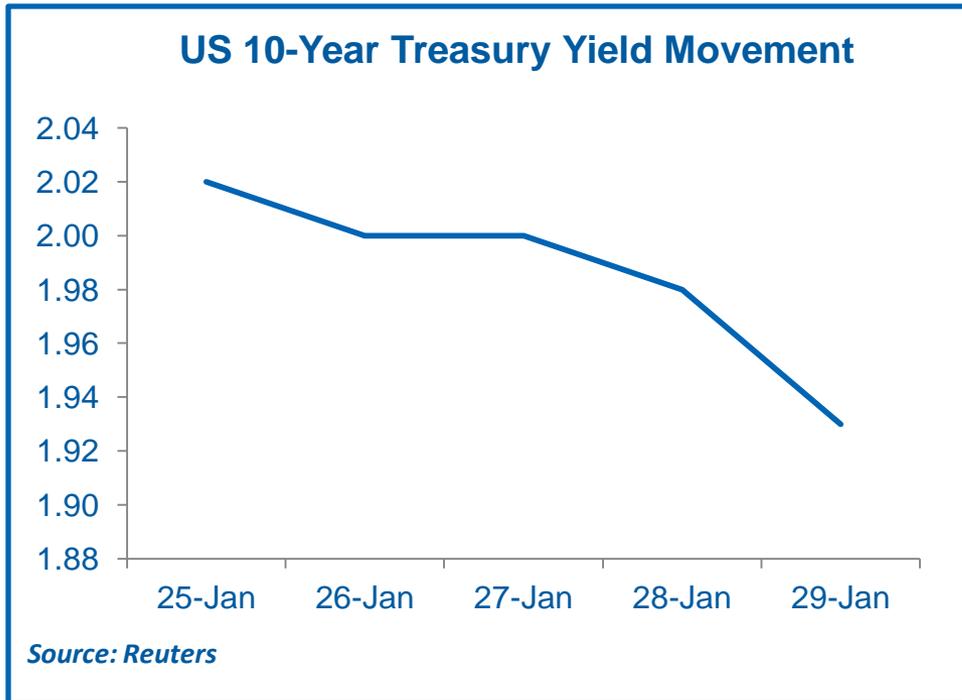
Asia

- Asian markets witnessed a mixed trend during the week. While Nikkei Average and Hang Seng were up 3.30% and 3.16% WoW, respectively, Shanghai Composite witnessed a weekly fall of 6.14%. Apart from Chinese markets, most of other regional bourses moved up after the Bank of Japan introduced a negative interest rate regime at its latest policy review.

U.S.

- U.S. markets witnessed gains over the week following recovery in global crude oil prices. Encouraging economic data further supported buying interest. U.S.' existing home sales went up in December and the consumer confidence data for January was better than expected. The rally on Wall Street was also partly in reaction to the Bank of Japan's surprise decision to introduce negative interest rates.

Global Debt (U.S.)

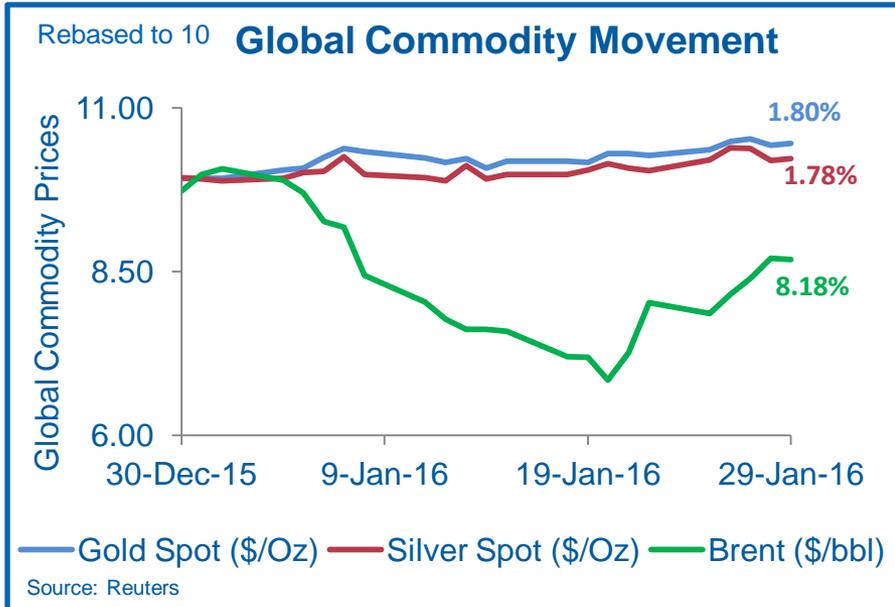


- ❑ The 10-year U.S. Treasury bond fell 12 bps to close at 1.93%, compared with the previous week's close of 2.05%.

- ❑ The U.S. Treasury prices initially increased as oversupply concerns led to a fall in crude oil prices. This raised concern over global economic growth drove investors to safer assets like U.S. debt. Gains came thick and fast following sharp fall in durable goods in December and slower than expected U.S. economic growth for the December quarter.

- ❑ In addition, treasury prices rallied, pushing yields lower, after the Bank of Japan in a surprise move adopted a negative interest-rates policy.

Commodities Market



| Performance of various commodities | | |
|------------------------------------|--------------|------------|
| Commodities | Last Closing | 1-Week Ago |
| Brent Crude(\$/Barrel) | 32.68 | 30.21 |
| Gold (\$/Oz) | 1117.64 | 1097.91 |
| Gold (Rs/10 gm) | 26575 | 26186 |
| Silver (\$/Oz) | 14.259 | 14.01 |
| Silver (Rs/Kg) | 34387 | 34110 |

Source: Reuters Values as on Jan 29, 2016

Gold

- Gold prices increased initially during the week following uncertainty over U.S. Fed's stance on interest rate. Prices came under pressure later during the week as concerns over Chinese economic health hit the demand outlook.

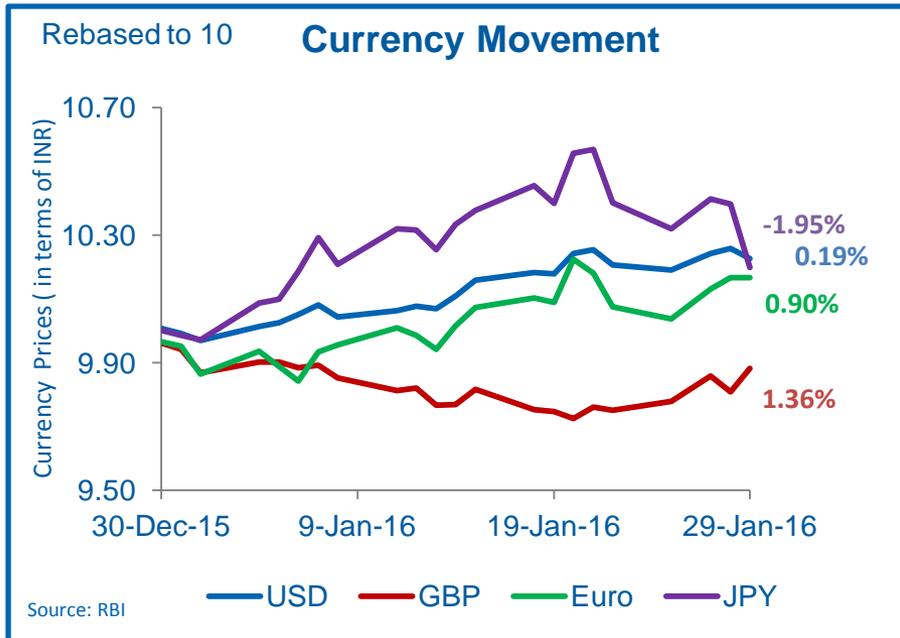
Crude

- Brent Crude prices witnessed initial pressure following Iraq's announcement regarding record oil production during December. Oil prices recovered later amid the possibility that major oil producers, Russia and OPEC countries, could agree to slash oil production.

Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

Currencies Markets



| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 67.88 | 67.75 |
| Pound Sterling | 97.76 | 96.45 |
| EURO | 74.07 | 73.41 |
| JPY(per 100 Yen) | 56.26 | 57.38 |

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

Rupee

- The Indian rupee dropped against the U.S. dollar due to month-end dollar demand from oil importers and concerns of foreign fund outflows. However, most of the losses got erased following surge in domestic equity markets.

Euro

- Euro strengthened against the U.S. dollar following selling in oil markets. Sharp fall in U.S. durables goods in December also led to a fall in the greenback.

Pound

- Sterling moved in a range against the U.S. dollar following volatility in domestic equity markets.

Yen

- Yen plunged against the U.S. dollar at the end as market was surprised after Bank of Japan adopted negative deposit rates at its latest policy meeting.

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

The Week that was (Jan 25 – Jan 29)

| Date | Events | Present Value | Previous Value |
|-----------------------------|--|---------------|------------------------------|
| Monday, January 25, 2016 | U.S. Dallas Fed Manufacturing Business Index (Jan) | -34.6 | -21.6 |
| | Japan Leading Economic Index (Nov) | 103.5 | 104.2 Revised from 103.9 |
| Tuesday, January 26, 2016 | U.S. Markit PMI Composite (Jan)Preliminary | 53.7 | 54 |
| | U.S. Housing Price Index (MoM) (Nov) | 0.50% | 0.50% |
| | U.S. Consumer Confidence (Jan) | 98.1 | 96.3 |
| Wednesday, January 27, 2016 | U.S. New Home Sales Change (MoM) (Dec) | 10.80% | 1.90% |
| | U.S. Federal Reserve Monetary Policy Review | 0.50% | 0.50% |
| | U.K. BBA Mortgage Approvals (Dec) | 43.975K | 44.533K Revised from 44.960K |
| Thursday, January 28, 2016 | U.S. Durable Goods Orders (Dec) | -5.10% | -0.50% |
| | Japan Unemployment Rate (Dec) | 3.30% | 3.30% |
| | Germany Consumer Price Index (MoM) (Jan)Preliminary | -0.80% | -0.10% |
| Friday, January 29, 2016 | Euro Zone Consumer Price Index (YoY) (Jan)Preliminary | 0.40% | 0.20% |
| | U.S. Gross Domestic Product Annualized (Q4)Preliminary | 0.70% | 2.00% |
| | Bank of Japan Interest Rate Decision | -0.10% | 0.10% |
| | U.S. Reuters/Michigan Consumer Sentiment Index (Jan) | 92 | 93.3 |

The Week Ahead...
February 01 to February 05

The Week Ahead

| Day | Event |
|--------------------------|--|
| Monday, Feb 01 | <ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Manufacturing PMI (Jan) <input type="checkbox"/> China Non-manufacturing PMI (Jan) <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Jan) <input type="checkbox"/> U.K. Markit Manufacturing PMI (Jan) <input type="checkbox"/> U.S. Markit Manufacturing PMI (Jan) |
| Tuesday, Feb 02 | <ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Unemployment Rate (Dec) <input type="checkbox"/> Reserve Bank of India Monetary Policy <input type="checkbox"/> Euro Zone Producer Price Index (MoM) (Dec) |
| Wednesday, Feb 03 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Markit Services PMI (Jan) <input type="checkbox"/> China Caixin China Services PMI (Jan) |
| Thursday, Feb 04 | <ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Monetary Policy <input type="checkbox"/> U.S. Initial Jobless Claims (Jan 29) |
| Friday, Feb 05 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Nonfarm Payrolls (Jan) <input type="checkbox"/> Japan Leading Economic Index (Dec)Preliminary |

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