

News U Can Use

April 15, 2016

The Week that was...
April 11 to April 15

Indian Economy

- ❑ Government data showed that Consumer Price Index based inflation fell to a six month low level of 4.83% in Mar 2016 from 5.26% in Feb 2016 and 5.25% in the same period of the previous year. Food inflation also eased to 5.21% in Mar from 5.30% in the previous month and 6.14% in the same month of the previous year. However, pulses was the only category that witnessed double digit inflation as it registered the sharpest rise of 34.15% in Mar compared with 38.46% in Feb and 11.48% in the same month of the previous year.
- ❑ Government data showed that the index of industrial production (IIP) grew 2% in Feb 2016, as against a contraction of 1.5% in the previous month and a growth of 4.8% in the previous year. The growth can be attributed to the electricity and mining sectors that grew 9.6% and 5.0% in Feb.
- ❑ The International Monetary Fund (IMF) retained India's growth projections for 2016-17 at 7.5%, but it reduced global growth forecast to 3.2% for 2016 and to 3.5% in 2017. Earlier, it had estimated global growth forecast at 3.4% for 2016 and 3.6% in 2017. The IMF added that India's growth will continue to be driven by private consumption, lower energy prices, and higher real incomes.
- ❑ The finance minister stated that the government will amend the SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act and DRT (Debt Recovery Tribunal) Act so that banks have the flexibility to settle bad loans faster. This amendment will likely tighten the bankruptcy law.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 13-Apr-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 25626.75 | 2.92% | -2.04% |
| Nifty 50 | 7850.45 | 3.10% | -1.42% |
| S&P BSE Mid-Cap | 10916.3 | 3.24% | -2.93% |
| S&P BSE Small-Cap | 10943.02 | 2.83% | -8.36% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | Nity 50 | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|---------|-----------------|-------------------|
| P/E | 19.37 | 21.56 | 26.7 | 42.98 |
| P/B | 2.82 | 3.32 | 2.43 | 1.9 |
| Dividend Yield | 1.43 | 1.42 | 1.48 | 1.12 |

Source: BSE, NSE

Value as on Apr 13, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 11-Apr-16 | 930 | 624 | 1.49 |
| 12-Apr-16 | 960 | 604 | 1.59 |
| 13-Apr-16 | 1029 | 524 | 1.96 |

Source: NSE

- Indian equity markets gained during the truncated trading week following favourable domestic macro-economic data and stability in global crude oil prices.
- Strong monsoon forecast and positive cues from other Asian peers supported gains. Government data showed that the index of industrial production grew in Feb, after witnessing contraction for three consecutive months. Consumer Price Index based inflation fell to a six-month-low level in Mar.
- Adding to the upbeat developments, the International Monetary Fund retained Indian economy's growth forecast at 7.5% for FY17.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|--------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 18748.9 | 7.36% | 8.86% |
| S&P BSE Bankex | 18542.1 | 4.79% | 6.26% |
| S&P BSE CG | 13230.8 | 3.41% | 7.85% |
| S&P BSE FMCG | 7820.48 | 2.86% | 5.11% |
| S&P BSE HC | 15494.4 | 1.82% | -0.30% |
| S&P BSE IT | 11283.2 | 1.98% | 5.08% |
| S&P BSE Metal | 7656.12 | 2.53% | 4.29% |
| S&P BSE Oil & Gas | 9396.82 | 3.27% | 6.63% |
| S&P BSE Power | 1872.89 | 4.01% | 9.87% |

Source: Reuters Values as on Apr 13, 2016

- On the BSE sectoral front, all the indices closed in the green. S&P BSE Auto (7.36%) topped the chart followed by S&P BSE Bankex (4.79%) and S&P BSE Power (4.01%).
- The automobile sector gained following above average monsoon forecast by the Indian Metrological Department (IMD). Banking sector also moved up after IIP growth in Feb raised expectations of a pick-up in credit growth going forward.

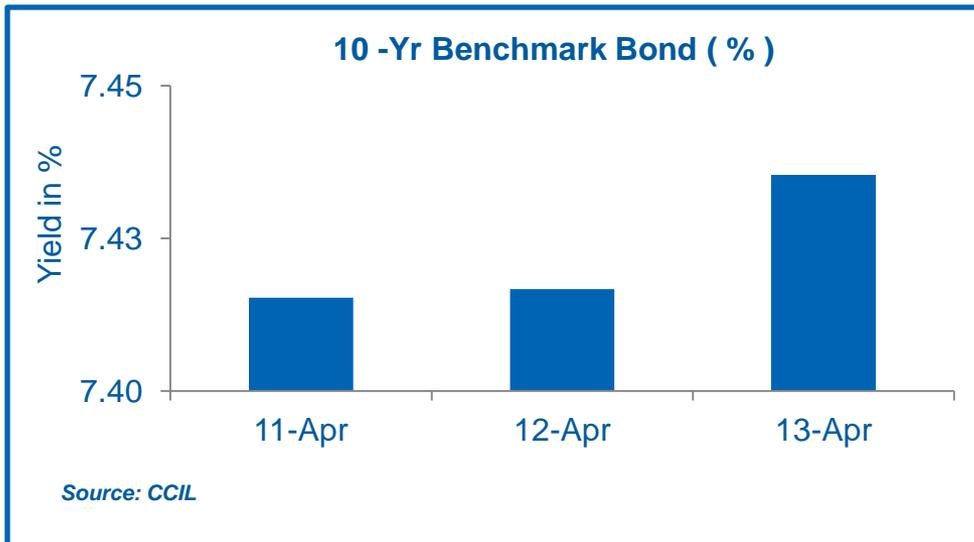
Indian Derivatives Market Review

- Nifty Apr 2016 Futures were at 7,867.85 points, a premium of 17.40 points, over the spot closing of 7,850.45 points. The turnover on NSE's Futures and Options segment stood at Rs. 7.51 lakh crore during the holiday-truncated week to Apr 13, compared with Rs. 9.85 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.84, compared with the previous week's close of 0.79.
- The Nifty Put-Call ratio stood at 0.99, compared with the previous week's close of 0.76.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.38 | 6.36 | 6.75 | 6.65 |
| 91 Day T-Bill | 6.80 | 6.83 | 7.21 | 7.06 |
| 08.27% 2020 , (5 Yr GOI) | 7.37 | 7.34 | 7.66 | 7.63 |
| 07.59% 2026, (10 Yr GOI) | 7.44 | 7.45 | 7.58 | |

Source: Reuters Values as on Apr 13, 2016



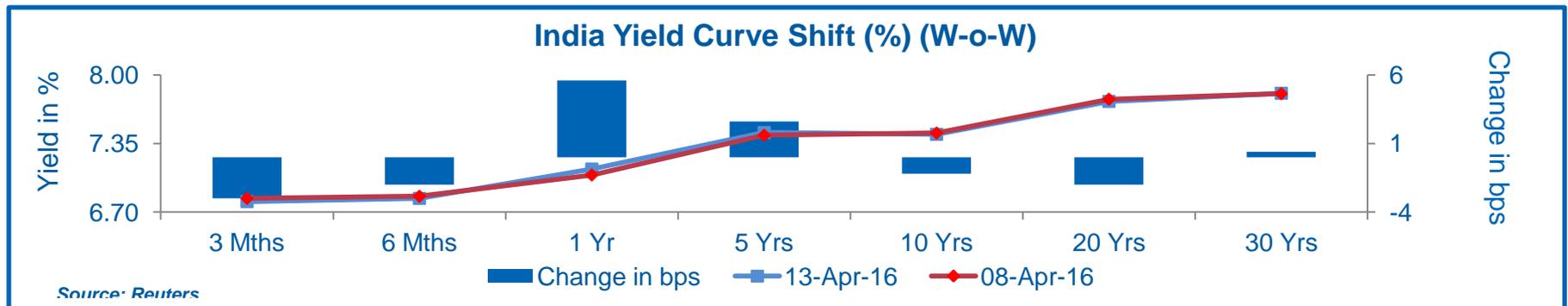
- In a holiday truncated week, bond yields traded in a tight range and inched down after retail inflation fell to a six-month low level in Mar 2016. Increasing hopes that an above-normal monsoon this year could lead to further monetary easing by the Reserve Bank of India (RBI) boosted market sentiments
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 1 bps to close at 7.44%, from the previous close of 7.45%. It moved in a range of 7.40% to 7.46% during the week.
- Banks' net average borrowing under RBI's Liquidity Adjustment Facility stood at Rs. 1,858.67 crore, compared with the previous week's lending of Rs. 9,553.0 crore.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.24 | 7.61 | 38 |
| 3 Year | 7.42 | 7.81 | 40 |
| 5 Year | 7.63 | 7.94 | 31 |
| 10 Year | 7.68 | 8.11 | 43 |

Source: Reuters Values as on Apr 13, 2016

- Yields on gilt securities fell across the maturities in the range of 1 bps to 9 bps, barring 1 to 5-year papers that increased in the range of 2 bps to 5 bps.
- Corporate bond yields fell across the maturities in the range of 5 bps to 11 bps. The highest contraction was witnessed on 5-year paper and the lowest on 1-year paper.
- Difference in spread between AAA corporate bond and gilt contracted across the maturities in the range of 1 bps to 12 bps.



Regulatory Updates in India

- According to media reports, SEBI rejected the Association of Mutual Fund of India's (AMFI) proposal to allow them to isolate risky assets from the rest of their portfolios and resultant capital redemption. It said that such a practise may encourage fund managers to take unnecessary risks.
- The Indian mutual fund industry touched new milestone in FY16 with the number of total folios reaching a five-year high level. According to the data from the Securities and Exchange Board of India (SEBI), total number of folios stood at 4.8 crore in FY16, highest since FY12 when it reached 4.6 crore. For equity schemes, the number of folios stood at 3.6 crore in FY16, while it was around 83 lakhs for debt funds. Market participants attributed the rise in folios to higher retail investments in equity funds.
- In an attempt to tap growing demand from retail investors, mutual fund houses filed draft papers with SEBI to launch as many as 30 New Fund Offers. Retirement, fixed maturity plan (FMP), and equity are some of the themes for which mutual fund houses have filed the applications. Unlike the traditional method of launching funds with English names, the mutual fund houses have approached SEBI for launching plans with Hindi names. Such an endeavour is expected to help rural investors to understand schemes' objectives better.

Regulatory Updates in India (contd..)

- ❑ Reserve Bank of India governor launched Unified Payments Interface (UPI), a new payment system, which will allow sending and receiving money across banks just through a single identification, without sharing financial information.
- ❑ The Supreme Court asked the Reserve Bank of India to publicly disclose the total amount that defaulters owe to the banks. Earlier, RBI, resisted the apex court's proposal by saying that it would violate confidentiality and hurt business sentiments, impacting the economy.
- ❑ The interest rate payable by the Centre and states on the loan provided by National Small Savings Fund (NSSF) will be 8.8% for FY16-17, down from last fiscal's 9.5%, following decline in interest rates on small savings. NSSF gives loans from its net collection to Centre and State and Union territories governments.
- ❑ The government launched a model Agricultural Land Leasing Act, 2016, which will legalise leasing of land in the country. The move is expected to promote agricultural efficiency, equity, and poverty reduction. The new act, once adopted by the respective states, will overrule any other existing act. According to the act, the owner of the land can now legally enter into a lease contract with the tenant for use of his/her agricultural land for agriculture and allied activities for a specified period for a consideration based on an agreement with terms and conditions mutually agreed by the owner and the cultivator.

Global News/Economy

- ❑ The International Monetary Fund (IMF), in its latest World Economic Outlook, reported that global economy will continue to grow, but at a slower pace due to increasing financial and geopolitical risks. Resultantly, the IMF reduced its global economic growth outlook from 3.4% to 3.2% for 2016. Similarly, the growth outlook for 2017 has been lowered from 3.6% to 3.5%.
- ❑ According to the Commerce Department, U.S. retail sales fell 0.3% MoM in Mar 2016, worse than market expectation. The fall was primarily attributed to a steep drop in auto sales. Retail sales in the previous month were revised at 0.1% drop in Feb 2016. Excluding auto sales, retail sales increased 0.2% in Mar.
- ❑ As per the minutes of the Bank of England's latest policy meeting, policymakers did not vote in favour of the U.K.'s exit from the European Union as they thought it would cause prolonged uncertainty and hurt the economic outlook. This pushed policymakers to keep policy rates unchanged.
- ❑ As per the data published by the General Administration of Customs, exports in China increased 11.5% YoY in Mar 2016 compared with the decline of 25.4% in Feb 2016. The report also said that the exports in China increased at fastest pace in a year, and imports declined at a slower pace.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 15-Apr-15 | 1-Week Return | YTD Return |
| Dow Jones | 17897.46 | 1.82% | 4.36% |
| Nasdaq 100 | 4543.161 | 1.52% | 1.01% |
| FTSE 100 | 6343.75 | 2.25% | 4.11% |
| DAX Index | 10051.57 | 4.46% | -2.25% |
| Nikkei Average | 16848.03 | 6.49% | -8.69% |
| Straits Times | 2923.94 | 4.12% | 3.10% |

Source: Reuters *Values as on Apr 15, 2016*

U.S.

- U.S. markets gained as global crude oil prices stabilized, and encouraging trade data from China eased concerns over the health of the global economy. Unexpected decline in U.S. retail sales and producer prices for Mar made investors optimistic that the Federal Reserve may delay raising interest rates. Corporate earning numbers from a couple of industry majors in the finance sector came in line with market estimates.

Europe

- European markets moved up as energy stocks benefited from stability in global crude oil prices. A stronger than expected Chinese exports data drove the markets higher. Even International Monetary Fund's trimming of euro area growth projection for 2016 to 1.5% and for 2017 to 1.6% didn't deter the markets.

Asia

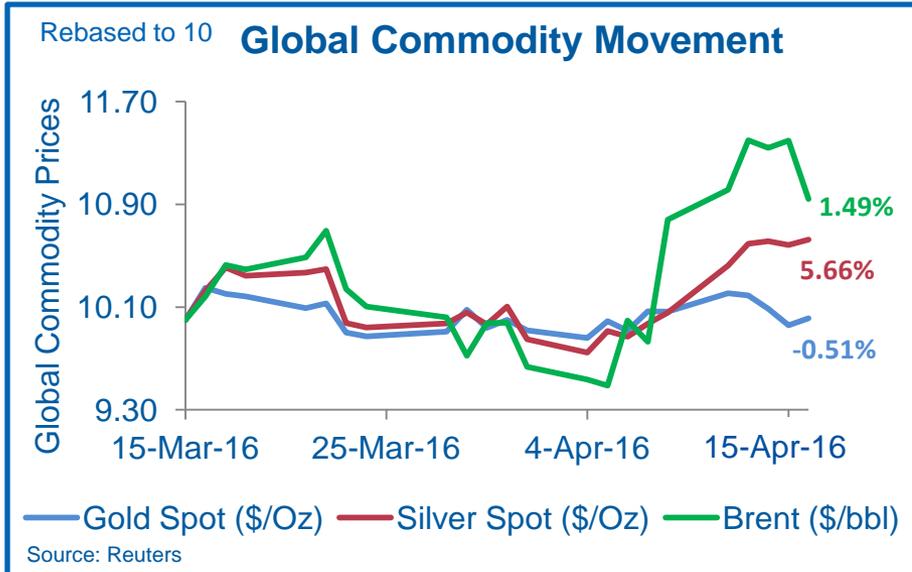
- Asian markets gained during the week after the World Bank commented that China will remain the main driver of growth in Asia this year despite prolonged slowdown, and the nation's exports jumped 11.5% year-over-year in Mar, the first increase since June. Markets got a further boost after Singapore's central bank unexpectedly eased its currency policy. Encouraging corporate earning numbers added to the gains.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield increased 3 bps to close at 1.75%, compared with the previous week's close of 1.72%.
- The U.S. Treasury prices fell initially following increase in global crude oil prices amid reports that Saudi Arabia and Russia had agreed to freeze crude output. Growing hopes of stimulus measures from the Chinese government also weighed on Treasury prices
- However, losses were restricted after U.S. retail sales and producer prices fell unexpectedly in Mar and U.S. consumer prices went up less than expected during the same period, renewing concerns over the health of the U.S. economy.

Commodities Market



| Performance of various commodities | | |
|------------------------------------|--------------|------------|
| Commodities | Last Closing | 1-Week Ago |
| Brent Crude(\$/Barrel) | 40.91 | 40.31 |
| Gold (\$/Oz) | 1233.66 | 1240.01 |
| Gold (Rs/10 gm)** | 28901 | 29080 |
| Silver (\$/Oz) | 16.21 | 15.34 |
| Silver (Rs/Kg)** | 37858 | 36651 |

Source: Reuters ** Last closing as on Apr 13, 2016 Values as on Apr 15, 2016

Gold

- Gold prices inched up initially during the week as a series of weak U.S. economic data lowered chances of the Fed raising interest rates. Bullion prices pared gains later as investors' appetite for riskier assets dampened the safe-haven appeal of the yellow metal.

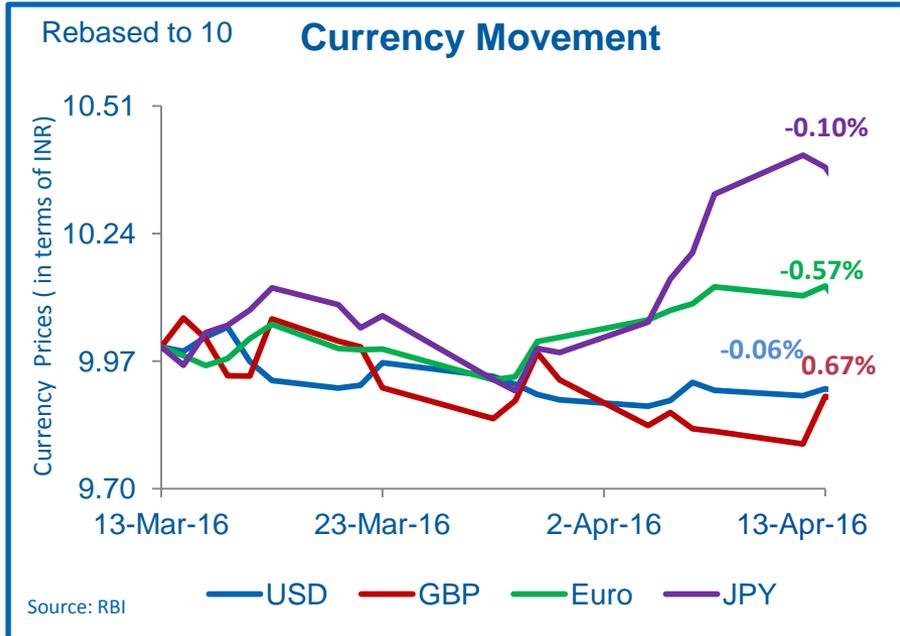
Crude

- Brent crude prices went up initially as a media report stated that Russia and Saudi Arabia have reached a consensus on oil output freeze. Gains were trimmed as investors turned cautious ahead of the meeting between major oil producers to discuss output freeze on Apr 17.

Baltic Dry Index

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

Currencies Markets



Rupee

- The Indian rupee gained against the U.S. dollar amid a holiday-truncated week. Gains in the local equity market and debt-related inflows outweighed demand for greenback from importers.

Euro

- Euro weakened against the U.S. dollar as risk appetite improved after upbeat export data from China.

Pound

- Pound gained against the U.S. dollar on improved risk appetite across markets and better than expected consumer inflation data from the U.K.

Yen

- Yen weakened against the U.S. dollar as safe haven appeal diminished after upbeat export data from China.

| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 66.43 | 66.47 |
| Pound Sterling | 94.67 | 94.04 |
| EURO | 75.46 | 75.90 |
| JPY(per 100 Yen) | 60.98 | 61.04 |

Source: RBI Figures in INR , Values as on Apr 13, 2016

The Week that was...
April 11 to April 15

The Week that was (Apr 11– Apr 15)

| Day | Event | Present Value | Previous Value |
|---------------------------|--|---------------|----------------|
| Monday, April 11, 2016 | China Consumer Price Index (MoM) (Mar) | -0.40% | 1.60% |
| | China Producer Price Index (YoY) (Mar) | -4.30% | -4.90% |
| | U.K. BRC Retail Sales Monitor (YoY) (Mar) | -0.70% | 0.10% |
| Tuesday, April 12, 2016 | India Industrial Output (Feb) | 2.00% | -1.50% |
| | India Consumer Price Index (MoM) (Mar) | 4.83% | 5.26% |
| | U.K. Consumer Price Index (YoY) (Mar) | 1.50% | 1.20% |
| | Germany Consumer Price Index (MoM) (Mar) | 0.80% | 0.80% |
| Wednesday, April 13, 2016 | China Trade Balance USD (Mar) | \$29.86B | \$32.59B |
| | U.S. Retail Sales (MoM) (Mar) | -0.30% | 0.00% |
| | Euro Zone Industrial Production s.a. (MoM) (Feb) | -0.80% | 1.90% |
| Thursday, April 14, 2016 | Euro Zone Consumer Price Index (MoM) (Mar) | 1.20% | 0.20% |
| | Bank of England Interest Rate Decision | 0.50% | 0.50% |
| Friday, April 15, 2016 | China Retail Sales (YoY) (Mar) | 10.50% | 10.12% |
| | China Industrial Production (YoY) (Feb) | 6.80% | 5.40% |
| | China Gross Domestic Product (YoY) (Q1) | 6.70% | 6.80% |

The Week Ahead...
April 18 to April 22

The Week Ahead

| Day | Event |
|-------------------|---|
| Monday, Apr 18 | <ul style="list-style-type: none"> <input type="checkbox"/> China House Price Index (Mar) <input type="checkbox"/> U.S. NAHB Housing Market Index (Apr) |
| Tuesday, Apr 19 | <ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone ZEW Survey - Economic Sentiment (Apr). <input type="checkbox"/> U.S. Housing Starts (MoM) (Mar). <input type="checkbox"/> Euro Zone Current Account s.a (Feb). |
| Wednesday, Apr 20 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Existing Home Sales Change (MoM) (Mar) <input type="checkbox"/> Germany Producer Price Index (MoM) (Mar) <input type="checkbox"/> U.S. MBA Mortgage Applications (Apr 15) |
| Thursday, Apr 21 | <ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Monetary Policy Review <input type="checkbox"/> U.S. Initial Jobless Claims (Apr 15) <input type="checkbox"/> Euro Zone Consumer Confidence (Apr)Preliminary |
| Friday, Apr 22 | <ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Apr)Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Apr)Preliminary <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Apr)Preliminary |

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