

News U Can Use

April 22, 2016

The Week that was...
April 18 to April 22

Indian Economy

- India's trade deficit narrowed for the third consecutive month in Mar 2016 to \$5.07 billion, as imports fell at a faster pace than exports. Trade deficit in the same month of the previous year stood at \$11.40 billion. Exports contracted for the 16th consecutive month and fell 5.47% YoY to \$22.72 billion in Mar. Imports fell 21.56% YoY to \$27.79 billion. During the FY16, exports fell 15.85% to \$261.14 billion while imports fell 15.28% to \$379.60 billion. As a result, trade deficit in FY16 narrowed to \$118.46 from \$137.70 in FY15. Oil imports during the period fell 35.30% to \$4.8 billion from \$7.42 billion in Mar 2015.
- Wholesale Price inflation (WPI) based index continued to contract for the 17 consecutive months in Mar 2016. WPI fell 0.85% in Mar compared to 0.91% drop in Feb 2016 and 2.33% drop in Mar 2015. For Jan 2016, the WPI figure was revised from -0.90% to -1.07%.
- During the calendar 2015, foreign direct investment (FDI) in India rose 36.62% to \$39.32 billion from \$28.78 billion in the previous year, according to data by the Department of Industrial Policy and Promotion. .
- According to the Reserve Bank of India (RBI), net transfer of resources from the centre to states fell in FY15. The same is projected to come down further in FY16 due to discontinuation of many centrally sponsored schemes. In FY15, the net transfer to states were Rs. 8,30,480 crore compared with a budgeted amount of Rs. 8,64,360 crore.

Indian Equity Market

Domestic Equity Market Indices			
Indices	22-Apr-16	1 Week Return	YTD Return
S&P BSE Sensex	25838.14	0.82%	-1.23%
Nifty 50	7899.3	0.62%	-0.80%
S&P BSE Mid-Cap	11018.64	0.94%	-2.02%
S&P BSE Small-Cap	11078.84	1.24%	-7.22%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.54	21.55	26.96	43.54
P/B	2.84	3.29	2.45	1.92
Dividend Yield	1.28	1.36	1.46	1.12

Source: BSE, NSE

Value as on Apr 22, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
18-Apr-16	886	684	1.30
20-Apr-16	902	674	1.34
21-Apr-16	631	945	0.67
22-Apr-16	754	781	0.97

Source: NSE

- Indian equity markets rallied during the week driven by the banking sector and expectations of improvement in corporate earning numbers across different sectors. Investors took positive cues after an industry heavyweight in the IT sector provided robust revenue guidance for FY17.
- Wholesale prices in the country fell for the 17th straight month in Mar 2016, and last month's positive trade deficit data buoyed the market.
- Banking stocks were in demand after a media report showed that the Reserve Bank of India has shortened the list of debt-laden companies for loan provisioning in the fourth quarter of FY16.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18700.4	-0.26%	5.46%
S&P BSE Bankex	19035.4	2.66%	4.86%
S&P BSE CD	11936.2	2.07%	2.37%
S&P BSE CG	13365	1.01%	3.79%
S&P BSE FMCG	7767.15	-0.68%	1.97%
S&P BSE HC	15588.8	0.61%	0.87%
S&P BSE IT	11345.6	0.55%	1.03%
S&P BSE Metal	8020.47	4.76%	6.73%

Source: Reuters *Values as on Apr 22, 2016*

- On the BSE sectoral front, barring S&P BSE FMCG and S&P BSE Auto, all the sectors closed in the green. S&P BSE Metal was the top gainer, up 4.76%, followed by S&P BSE Bankex and S&P BSE Realty, which went up 2.66% and 2.08%, respectively.
- Metal sector closed higher for the week on expectation of sequential improvement in profit margins of industry majors for the quarter ended Mar 2016.

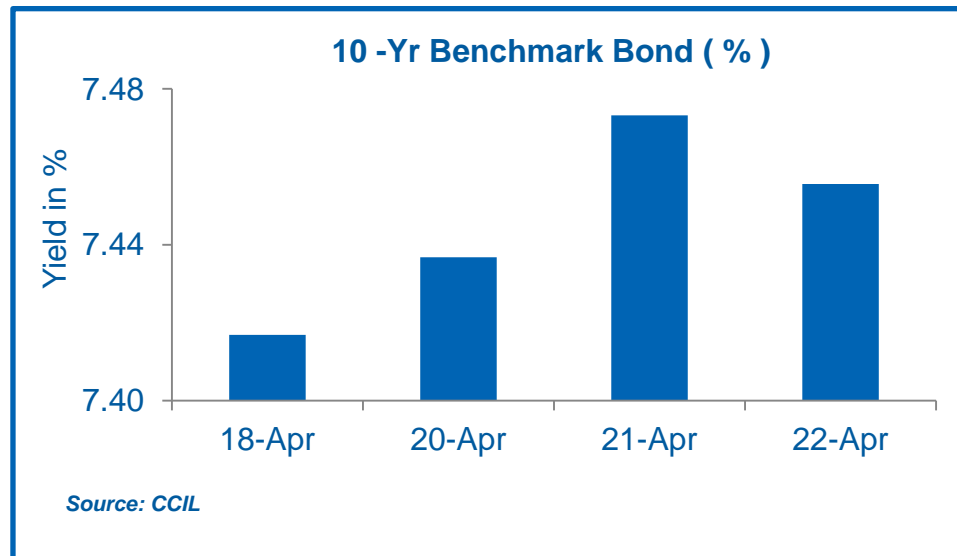
Indian Derivatives Market Review

- Nifty Apr 2016 Futures were at 7,911.15 points, a premium of 11.85 points, over the spot closing of 7,899.30 points. The turnover on NSE's Futures and Options segment stood at Rs. 11.78 lakh crore during the week to Apr 22, compared with Rs. 7.51 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.02, compared with the previous week's close of 0.84.
- The Nifty Put-Call ratio stood at 1.03, compared with the previous week's close of 0.99.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.43	6.38	6.96	6.73
91 Day T-Bill	6.79	6.80	7.20	7.06
08.27% 2020 , (5 Yr GOI)	7.38	7.37	7.59	7.65
07.59% 2026, (10 Yr GOI)	7.46	7.44	7.50	

Source: Reuters Values as on Apr 22, 2016



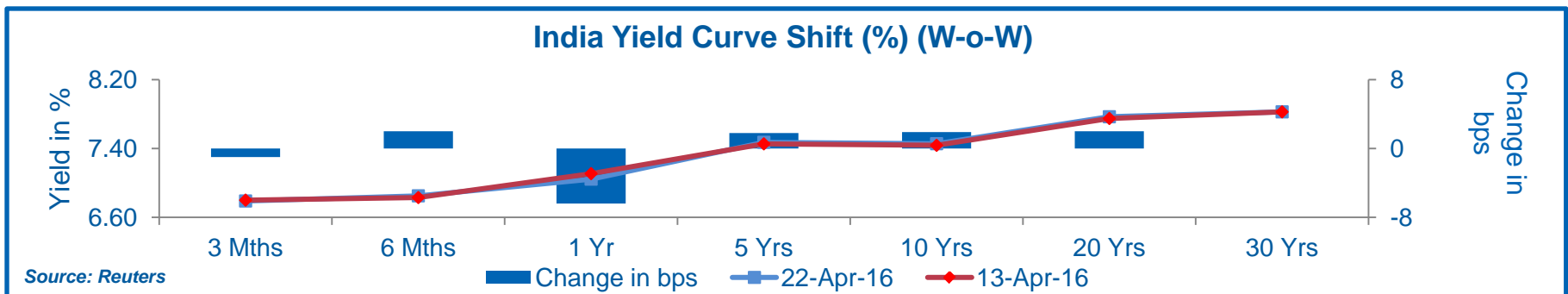
- Initially, bond yields fell on strong demand noticed during the auction of state development loans of nine state governments. However, yields rose as investors preferred to cash in the bond's rally.
- Yields expanded further following an increase in global crude oil prices. However, losses were trimmed at the end on strong demand at the weekly debt auction held on Apr 22.
- Yield on 10-year benchmark bond (7.59% GS 2026) increased 2 bps to close at 7.46%, from the previous week's close of 7.44%. It moved in a range of 7.41% to 7.48% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.17	7.57	40
3 Year	7.41	7.85	44
5 Year	7.64	8.03	39
10 Year	7.70	8.14	44

Source: Reuters Values as on Apr 22, 2016

- Yields on gilt securities increased across most of the securities by up to 2 bps barring 1-, 3-, 9-, and 24-year maturities where it fell in the range of 1 bps to 6 bps.
- Corporate bond yields plunged on 1-year and 2-year papers by 4 and 1 bps, respectively. While, surged on all other maturities in the range of 3 bps to 9 bps.
- Spread between AAA corporate bond and gilt expanded across most of the maturities in the range of 1 bps to 7 bps barring 2-year maturity where it contracted by 2 bps.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) is planning to strengthen its disclosure guidelines for issuance and review of the ratings by credit rating agencies. SEBI, in this regard, has set up a committee comprising members from all Credit Rating Agencies (CRAs). The committee will review the functioning of CRAs so as to enhance the standards and procedures related to assignment of ratings and review of the same. The move comes amid concerns that there may be severe spill-over impact of rating downgrades by CRAs. Some of the proposed measures include strengthening the agreement to bring about client co-operation between issuer and the rating agency and public disclosure of the CRAs' procedures for ongoing monitoring of credit ratings.
- ❑ According to SEBI, promoters of small companies having a written consent of at least 90% of the public shareholders to delist shares will be assumed to have complied with the delisting norms. Regarding voluntary delisting of small companies, SEBI mandated that firms having a paid-up capital of less than Rs. 10 crore and net worth below Rs. 25 crore would not be required to follow the Reverse Book Building process. However, this will be applicable only to those companies whose shares have not been traded on any recognised stock exchange for a period of one year and have not been in any suspension for any non-compliance in the previous year.

Regulatory Updates in India (contd..)

- According to RBI deputy governor, the central bank is taking steps to strengthen consumer grievance mechanism. The deputy governor underlined the importance of consumer protection following growth in the number of account holders through Jan Dhan Yojana.
- SEBI made electronic book compulsory for all private placements of debt securities in primary market with an issue size of more than Rs. 500 crore. The move will streamline procedures for issuance of debt securities on private placement basis, as well as improve transparency of the price discovery mechanism and liquidity in the secondary market. Electronic book will be optional for issuers below Rs. 500 crore and they will have to disclose the coupon, yield, amount raised, number of investors, and category of investors to the Electronic Book Provider.

Global News/Economy

- Report from the U.S. Labour Department showed that initial jobless claims for the week ended Apr 16 dropped to 247,000 from the previous week's unrevised level of 253,000.
- A report released by the U.S. Federal Reserve showed unexpected decrease in U.S. industrial production because of steep drop in mining and utilities output. Production slipped 0.6% in Mar 2016, the same as the downwardly revised drop reported for Feb 2016. Capital utilisation in the manufacturing sector also declined.
- A report from Eurostat showed that the euro area trade surplus decreased more than expected in Feb 2016. The trade surplus declined to EUR 20.2 billion in Feb from EUR 22.8 billion in Jan 2016. Whereas, the non-seasonally adjusted trade surplus declined to EUR 19 billion from EUR 20 billion a year ago.
- The ECB left the main interest rates unchanged in its monetary policy review, which was along market expectations. The benchmark interest rate was kept unchanged at a record low 0%, the deposit rate was retained at -0.4%, and the marginal lending facility rate was maintained at 0.25%.
- Japan's industrial production declined less than estimated in Feb 2016. The figure showed a decline of 5.2% MoM in Feb 2016 against 2.5% increase in Jan 2016.

Global Equity Markets

Global Indices			
Indices	22-Apr-15	1-Week Return	YTD Return
Dow Jones	18003.75	0.59%	4.98%
Nasdaq 100	4474.192	-1.52%	-0.53%
FTSE 100	6310.44	-0.53%	3.56%
DAX Index	10373.49	3.20%	0.88%
Nikkei Average	17572.49	4.30%	-4.76%
Straits Times	2940.43	0.56%	3.68%

Source: Reuters *Values as on Apr 22, 2016*

U.S.

- U.S. markets exhibited a mixed trend over the week on the back of mixed macro-economic data and mixed corporate earnings reports. While the employment scene improved with the initial jobless claims for the week falling to their lowest level in over 40 years; U.S. housing starts data for Mar 2016 came in much lower than expected. Rise in crude oil prices also rendered support.

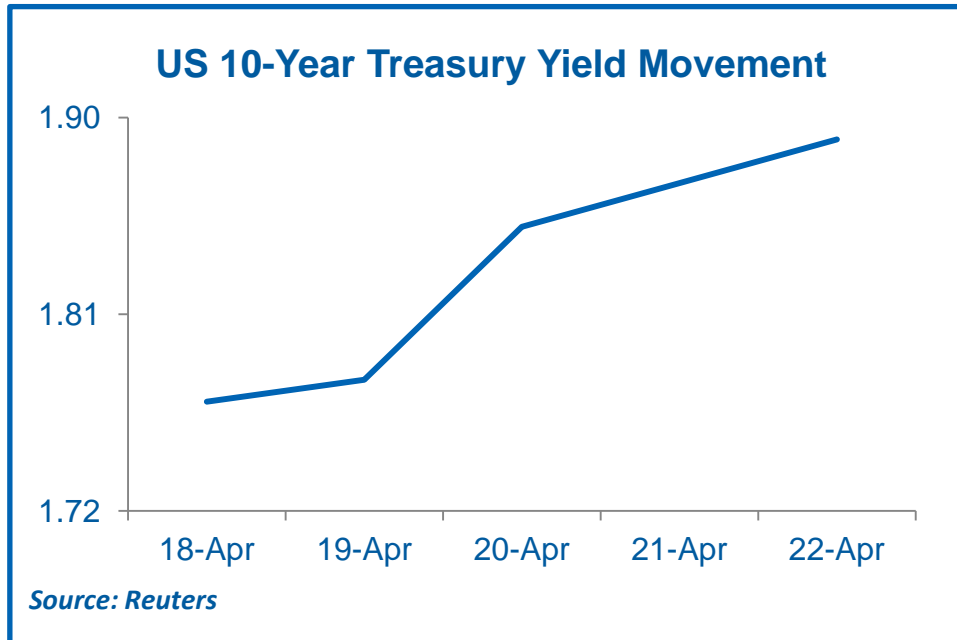
Europe

- European markets gained after crude oil prices inched up. Encouraging quarterly results by some companies further boosted sentiments. Decline in euro zone current account surplus and construction output in Feb, and contraction in euro zone PMI for Apr restricted gains.

Asia

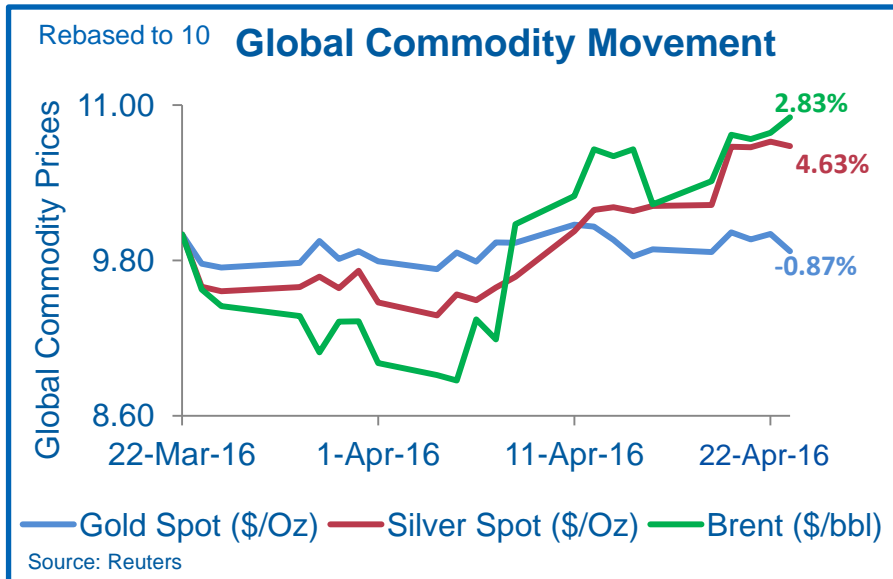
- Most of the Asian markets gained over the week, with the Japanese market topping the chart at 4.30% returns. Japanese market gained on the back of reports that Bank of Japan (BoJ) officials are considering lending to banks at negative rates. Improved crude oil prices also helped sentiments. However, Chinese market bucked the trend and posted negative returns as lack of confidence in the Chinese economy.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield rose 14 bps to close at 1.89%, compared with the previous week's close of 1.75%.
- U.S. Treasury prices fell following increase in global crude oil prices, which boosted investor risk sentiment and lowered its safe haven appeal.
- However, losses were restricted after data showed that U.S. housing starts fell more than expected in Mar.
- Investors also remained on the sidelines ahead of the U.S. Federal Reserve's monetary policy review due next week.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	43.6	42.4
Gold (\$/Oz)	1231.9	1242.8
Gold (Rs/10 gm)	29320	28901
Silver (\$/Oz)	16.9	16.2
Silver (Rs/Kg)	39963.0	37858.0

Source: Reuters Values as on Apr 22, 2016

Gold

- Gold prices remained under pressure during the week. Strength in the U.S. dollar against euro weighed on the bullion's prices. Investors preferred to be on the sidelines ahead of the U.S. Federal Reserve's policy review meeting scheduled on Apr 26-27.

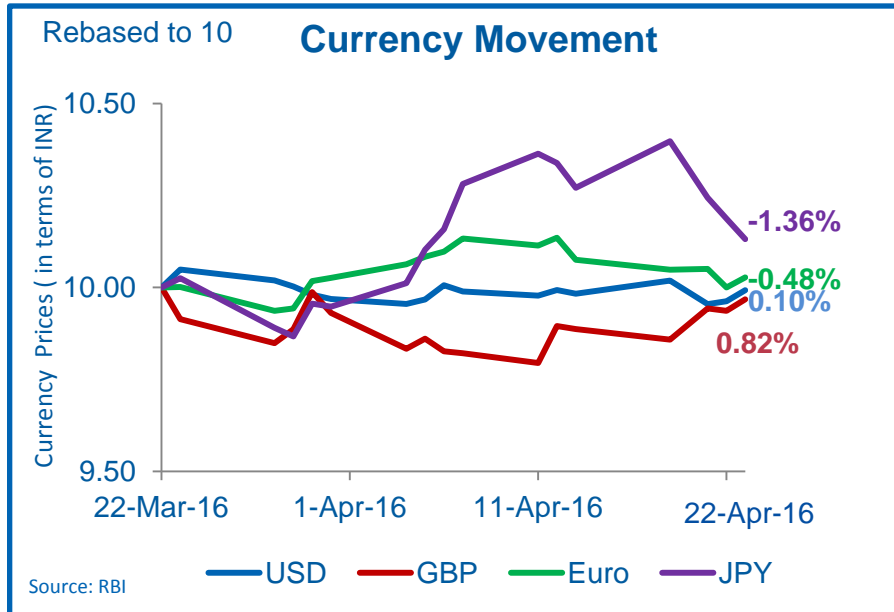
Crude

- Brent crude prices witnessed gains during the week despite failure of the oil producers to reach an agreement to freeze output at a meeting in Doha. The news of a sharp drop in output in Kuwait due to labour strike following the government's move to reduce wages benefited the oil prices.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.49	66.43
Pound Sterling	95.44	94.67
EURO	75.10	75.46
JPY(per 100 Yen)	60.15	60.98

Source: RBI

Figures in INR , Values as on Apr 22, 2016

Rupee

- The Indian rupee weakened following month end dollar demand from oil importers. However, gains in the domestic equity market and greenback sales by banks and exporters restricted further losses.

Euro

- Euro dropped against the U.S. dollar after European Central Bank warned of negative inflation in the coming months.

Pound

- Pound gained notably against the U.S. Dollar as a possibility of Britain's exit eased after two polls results showed higher number of people wants to remain in the European Union.

Yen

- Yen slumped against the U.S. dollar on reports that the Bank of Japan might expand its negative rate policy to bank loans and further cut the interest rates.

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The Week that was (Apr 18 – Apr 22)

Day	Event	Present Value	Previous Value
Monday, April 18, 2016	China House Price Index (Mar)	4.90%	3.60%
	U.S. NAHB Housing Market Index (Apr)	58	58
Tuesday, April 19, 2016	Euro Zone ZEW Survey - Economic Sentiment (Apr)	21.5	10.6
	U.S. Housing Starts (MoM) (Mar)	1.089M	1.194M
	Euro Zone Current Account s.a (Feb)	€19.0B	€27.5B
Wednesday, April 20, 2016	U.S. Existing Home Sales Change (MoM) (Mar)	5.10%	-7.30%
	Germany Producer Price Index (MoM) (Mar)	0.00%	-0.50%
	U.S. MBA Mortgage Applications (Apr 15)	1.30%	10.00%
Thursday, April 21, 2016	European Central Bank Interest Rate Decision	0%	0%
	U.S. Initial Jobless Claims (Apr 15)	247K	253K
Friday, April 22, 2016	Euro Zone Markit Manufacturing PMI (Apr)Preliminary	51.5	51.6
	Germany Markit Manufacturing PMI (Apr)Preliminary	51.9	50.7
	U.S. Markit Manufacturing PMI (Apr)Preliminary	50.8	51.5

The Week Ahead...
April 25 to April 29

The Week Ahead

Day	Event
Monday, Apr 25	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Economic Index (Feb). <input type="checkbox"/> U.S. New Home Sales Change (MoM) (Mar).
Tuesday, Apr 26	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Markit Services PMI (Apr)Preliminary. <input type="checkbox"/> U.S. Durable Goods Orders (Mar). <input type="checkbox"/> U.S. Consumer Confidence (Apr).
Wednesday, Apr 27	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q1)Preliminary. <input type="checkbox"/> Germany Gfk Consumer Confidence Survey (May). <input type="checkbox"/> U.S. Federal Reserve Monetary Policy Review. <input type="checkbox"/> U.S. Pending Home Sales (MoM) (Mar).
Thursday, Apr 28	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Monetary Policy Review. <input type="checkbox"/> Germany Unemployment Rate s.a. (Apr). <input type="checkbox"/> Euro Zone Consumer Confidence (Apr)Preliminary.
Friday, Apr 29	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Unemployment Rate (Mar). <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Apr)Preliminary.

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