

RELIANCE

# News U Can Use

*April 8, 2016*

RELIANCE

The Week that was...  
April 4 to April 8

# Indian Economy

- ❑ Reserve Bank of India (RBI) in its first bi-monthly monetary policy review for FY17 retained the growth forecast of the Indian economy for FY17 at 7.6% on hopes of normal monsoons and accommodating monetary policy. The central bank also opined that the implementation of the 7th Pay Commission and One Rank One Pension (OROP) scheme will boost consumption demand. However, the central bank underlined some uncertainties surrounding inflation including uneven distribution of monsoons, low reservoir levels, and the recent increase in commodity prices. RBI expects retail inflation to ease and remain around 5% during FY17.
- ❑ A survey by Nikkei showed that India's manufacturing activities rose to an eight-month high in Mar 2016 following a significant rise in business orders. The seasonally-adjusted Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 52.4 in Mar from 51.1 in Feb 2016. The survey noted improvement in domestic demand new export orders, which was attributed to the depreciation of the rupee.
- ❑ Results of a private survey showed that India's service sector output growth improved in Mar 2016 on the back of a strong demand. The seasonally adjusted Nikkei India Services Business Activity Index rose to 54.3 in Mar from 51.4 in Feb 2016. The Nikkei India Composite PMI Output Index also rose to 54.3 from 51.2 in Feb.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	08-Apr-16	1 Week Return	YTD Return
S&P BSE Sensex	24673.84	-2.36%	-5.68%
Nifty 50	7555.2	-2.05%	-5.12%
S&P BSE Mid-Cap	10594.26	-0.45%	-5.79%
S&P BSE Small-Cap	10664.46	0.23%	-10.69%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nity 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.64	20.75	25.89	41.83
P/B	2.71	3.19	2.35	1.85
Dividend Yield	1.5	1.48	1.53	1.16

Source: BSE, NSE

Value as on Apr 8, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
04-Apr-16	990	572	1.73
05-Apr-16	435	1122	0.39
06-Apr-16	1077	472	2.28
07-Apr-16	617	922	0.67
08-Apr-16	954	590	1.62

Source: NSE

- ❑ Indian equity market fell during the week as the positive impact of upbeat manufacturing data for Mar 2016 was overshadowed by weak global cues. RBI's decision to cut the repo rate by 25 bps did little to cheer market participants.
- ❑ Investors remained cautious ahead of corporate earnings releases for the fourth quarter ended Mar. Investor sentiments were dampened after Germany's factory order hit a six-month low level in Feb 2016.
- ❑ Downside was restricted as minutes of the U.S. Federal Reserve's (Fed) latest policy meeting indicated no interest rate increases on an immediate basis.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17463.1	-2.35%	2.90%
S&P BSE Bankex	17695.2	-4.07%	2.52%
S&P BSE CD	11348.5	-1.83%	-3.24%
S&P BSE CG	12794.6	-1.74%	4.32%
S&P BSE FMCG	7603.15	-2.15%	1.69%
S&P BSE HC	15217.7	0.71%	-4.02%
S&P BSE IT	11064.1	-1.85%	1.27%
S&P BSE Metal	7467.36	-0.29%	-1.29%
S&P BSE Oil & Gas	9099.69	0.57%	3.46%

*Source: Reuters* *Values as on Apr 8, 2016*

- On the BSE sectoral front, barring S&P BSE Healthcare, S&P BSE Oil & Gas and S&P BSE Power, all the indices closed in the red.
- Auto sector witnessed pressure as the domestic passenger car sales declined 0.3% to 1,75,730 units in Mar from 1,76,260 units in the same month last year. Profit booking was witnessed in rate sensitive stocks post RBI's monetary policy review. S&P BSE Oil & Gas, S&P BSE Power, and S&P BSE Healthcare gained in the range of 0.57% to 0.71%.

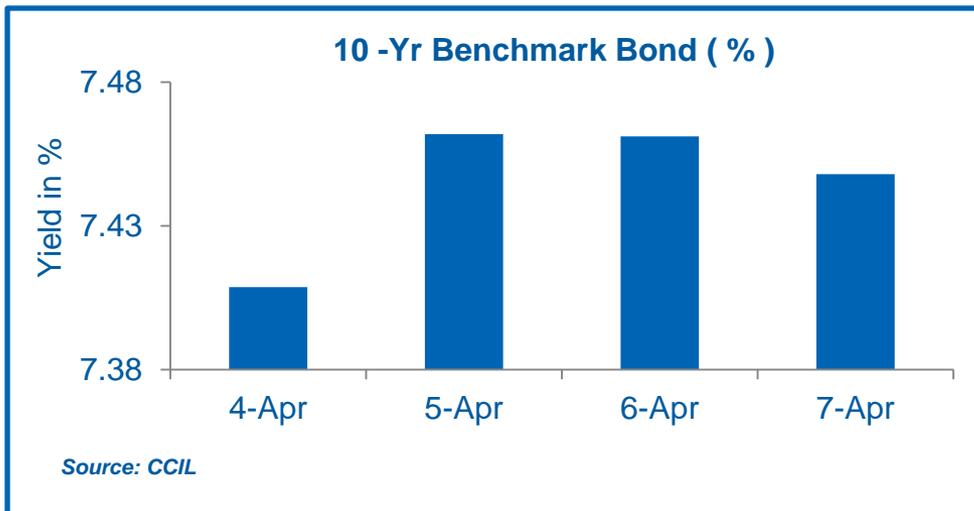
## Indian Derivatives Market Review

- Nifty Apr 2016 Futures were at 7,578.10 points, a premium of 22.90 points, over the spot closing of 7,555.20 points. The turnover on NSE's Futures and Options segment stood at Rs. 9.85 lakh crore during the week to Apr 8, compared with Rs. 21.54 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.79, compared with the previous week's close of 1.03.
- The Nifty Put-Call ratio stood at 0.76, compared with the previous week's close of 0.84.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.36	9.36	6.92	6.66
91 Day T-Bill	6.83	7.08	7.23	7.05
08.27% 2020 , (5 Yr GOI)	7.34	7.44	7.72	7.65
07.59% 2026, (10 Yr GOI)	7.45	7.46	7.64	-

Source: Reuters Values as on April 7, 2016



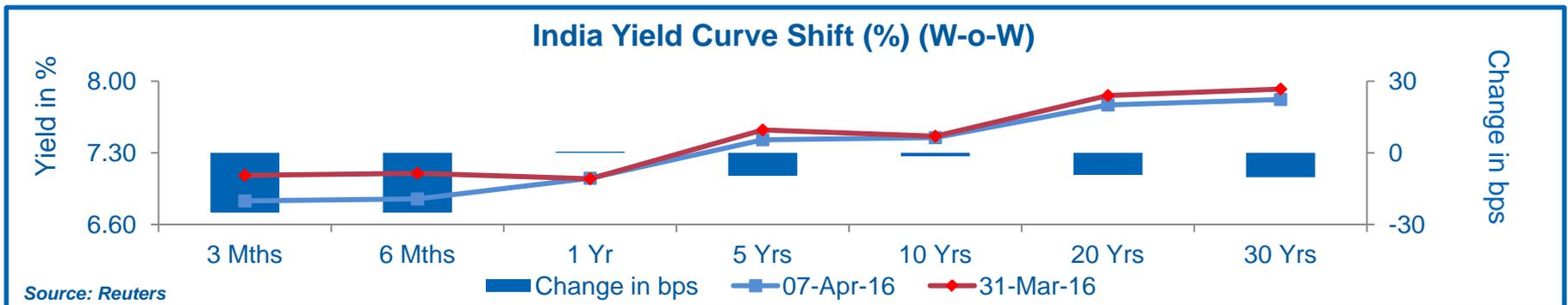
- Bond yields fell after RBI lowered key policy repo rates by 25 bps and came out with a liquidity management framework that will help banks to pass on the benefits of rate-cut to end-consumers.
- Market sentiments received further support after the outcome of the current fiscal's first debt auction was better than expected and full acceptance of RBI's open market purchase auction. However, profit booking wiped out most of the gains.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 1 bps to close at 7.45%, from the previous close of 7.46%. It moved in a range of 7.35% to 7.48% during the week.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.18	7.60	43
3 Year	7.39	7.85	46
5 Year	7.61	7.99	38
10 Year	7.68	8.13	46

Source: Reuters Values as on Apr 7, 2016

- Yields on gilt securities fell across the maturities in the range of 1 bps to 11 bps, barring 1-year paper that remained unchanged.
- Corporate bond yields fell across the maturities in the range of 12 bps to 37 bps.
- Difference in Spread between AAA corporate bond and gilt contracted across the maturities in the range of 2 bps to 38 bps. The highest contraction was witnessed on 1-year paper and the lowest on 4-year paper.



# Regulatory Updates in India

- ❑ RBI in its first bi-monthly monetary policy review for FY17, lowered the key policy repo rate by 25 bps from 6.75% to 6.50%. The central bank also narrowed the policy rate corridor from +/-100 basis points (bps) to +/- 50 bps. This was done by increasing the reverse repo rate by 25 bps from 5.75% to 6.00% and lowering the marginal standing facility rate (MSF) by 75 bps from 7.75% to 7.00%. The bank rate that is aligned to the MSF rate has been adjusted to 7.00%. The policy rate corridor was lowered to ensure that the weighted average call rate gets aligned with the repo rate. RBI added that its policy stance will remain accommodative going forward.
- ❑ RBI lowered the minimum daily cash maintenance limit by banks with the central bank from 95% to 90% with effect from the fortnight beginning Apr 16, 2016. However, the cash reserve ratio remained unchanged at 4% of net demand and time liabilities (NDTL). The move will help banks manage short term volatility in cash flows efficiently and ensure enough liquidity in the banking system.
- ❑ The finance ministry announced a list of 16 public sector units for disinvestment to fetch Rs. 40,000 crore at current stock value during FY17. The government, in the Union Budget, has set a disinvestment target of Rs. 56,500 crore for current fiscal.

## Regulatory Updates in India (contd..)

- ❑ As recommended by the 14<sup>th</sup> Finance Commission, the government approved the fiscal deficit target of 3% of gross state domestic product (GSDP) for states for the period from 2015 to 2020. The recommendation came with two flexible options. Additional headroom of 0.5% over and above the normal limit of 3%, for any given year, would be provided to the states that are successful in maintaining a sound debt-GSDP ratio and interest payments-revenue receipts ratio in the previous two years. States will also have additional space to raise borrowings. In case a state is not able to utilise the sanctioned fiscal deficit of 3% of GSDP in any particular year, it will have the option to avail the un-utilised fiscal deficit amount only in the following year, but within the prescribed period.
- ❑ The Union Cabinet approved the new oil import policy. The new policy takes into account the current market practise for purchasing crude on spot basis that will allow firms to compete effectively in the market.
- ❑ National Stock Exchange sought approval from capital market regulator Securities and Exchange Board of India to launch a commodity futures trading segment. A similar request has been made by the Bombay Stock Exchange earlier.

# Global News/Economy

- ❑ The World Trade Organization (WTO) downgraded its global trade forecast for 2016 by more than one percentage point. WTO, in Sep 2015, estimated that global trade would rise 3.9% in 2016, which was subsequently downgraded to 2.8% citing slowing Chinese economy and market volatility.
- ❑ The Institute for Supply Management reported that U.S. service sector grew more than expected in Mar 2016, as the non-manufacturing index increased to 54.5 in Mar from 53.4 in Feb 2016.
- ❑ As per the Commerce Department, U.S. trade deficit widened more than expected to stand at \$47.1 billion in Feb 2016 from a revised \$45.9 billion in Jan 2016. The deficit worsened as the value of imports climbed 1.3% to \$225.1 billion, while value of exports increased by 1% to \$178.1 billion in Feb.
- ❑ As per Markit, China's private sector activity expanded the most in 11 months in Mar 2016 on stronger services activity and a renewed expansion of manufacturing output. The Caixin composite output index increased to 51.3 in Mar from 49.4 in Feb 2016.
- ❑ The Bank of Japan's quarterly regional economic report stated that the economic view of eight out of nine regions remained unchanged from its prior assessment in Jan 2016. However, it downgraded the Tohoku region as the production continued to be weak.

# Global Equity Markets

Global Indices			
Indices	08-Apr-16	1-Week Return	YTD Return
Dow Jones	17576.96	-1.21%	2.50%
Nasdaq 100	4474.925	-1.26%	-0.51%
FTSE 100	6204.41	0.95%	1.82%
DAX Index	9622.26	-1.76%	-6.43%
Nikkei Average	15821.52	-2.12%	-14.25%
Straits Times	2808.32	-0.36%	-0.97%

*Source: Reuters*

## Europe

- European markets witnessed a mixed trend over the week. Investor sentiments were dented following a decline in Germany's factory orders in Feb 2016. However, market sentiments received some support at the end of the week after German exports grew at the fastest pace in five months during February and reports that the Italy's government is working on plans to provide support to four small banks in the country.

## Asia

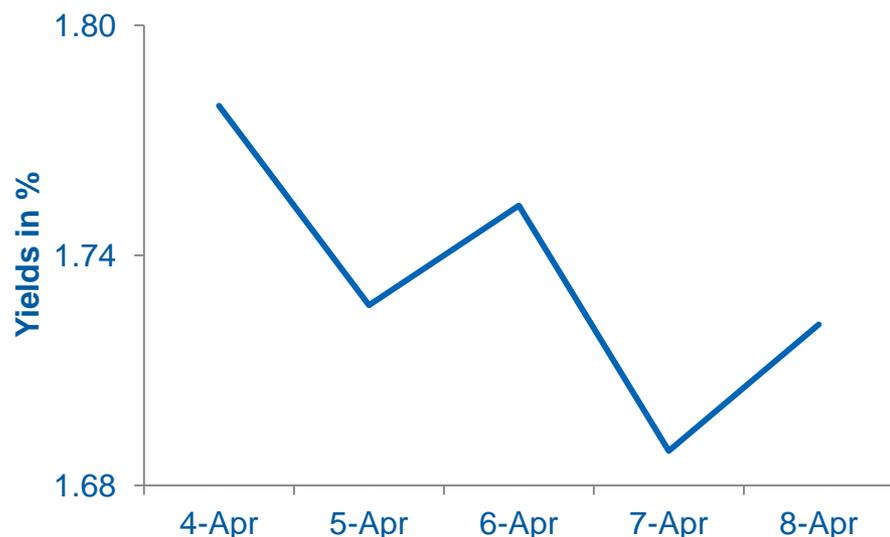
- Asian markets remained low over the week after IMF warned on global growth prospects. Rise in Japanese yen against the U.S. dollar also renewed concerns over global economic growth.

## U.S.

- U.S. markets fell as weak factory output data in Feb 2016 put pressure on bourses. Sentiments weakened further as concerns over the global economic growth resurfaced amid surge in Japanese yen against the U.S. dollar. However, losses were restricted following rise in crude oil prices. The minutes of the Fed's latest policy meeting indicated no interest rate hike on an immediate basis, which supported further gains.

## Global Debt (U.S.)

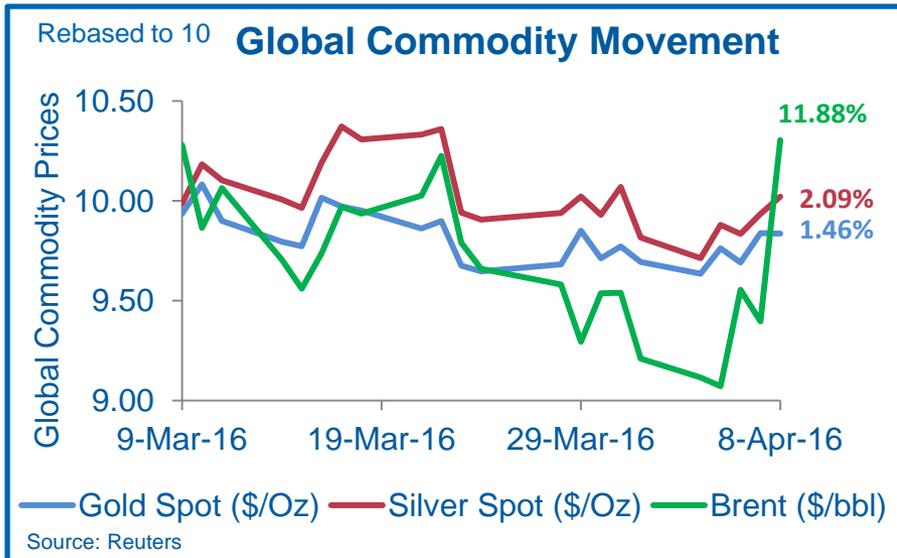
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury bond yield fell 7 bps to close at 1.72%, compared with the previous week's close of 1.79%.
- The U.S. Treasury prices rose on concerns over the growth prospects of the U.S. economy after factory orders fell in Feb 2016 and trade deficit widened more than expected during the same period.
- The U.S. Treasuries maintained its safe haven appeal following minutes of the Mar 2016 policy meeting, which led to worries over the U.S. Federal Reserve's ability to counter global economic slowdown.

# Commodities Market



## Gold

- Gold prices gained over the week as safe haven appeal of the metal increased on concern over global growth prospect. Prices gained after the minutes of the U.S. Federal Reserve's Mar 2016 policy meeting indicated no interest rate hike on an immediate basis.

## Crude

- Brent crude prices gained over the week as investors remained optimistic about the oil exporters' agreement on output freeze to resolve supply glut issue. Fall in U.S. oil inventories aided price gains.

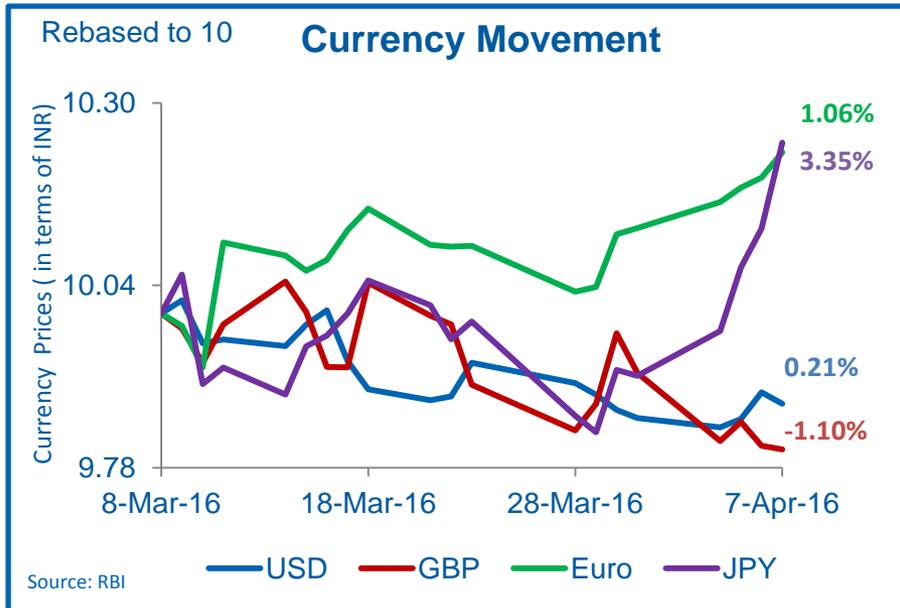
## Baltic Dry Index

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

Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	40.3	36.02
Gold (\$/Oz)	1240.01	1222.11
Gold (Rs/10 gm)	29080	29080
Silver (\$/Oz)	15.34	15.03
Silver (Rs/Kg)	36651	36651

Source: Reuters Values as on April 8, 2016

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.47	66.33
Pound Sterling	94.04	95.09
EURO	75.90	75.10
JPY(per 100 Yen)	61.04	59.06

Source: RBI

Figures in INR , Values as on Apr 7, 2016

## Rupee

- The Indian rupee weakened against the U.S. dollar following losses in the domestic equity market and purchase of the greenback by state-run banks and importers.

## Euro

- The euro rose against the greenback on possibility that the Fed would be cautious while considering raising interest rates in the region.

## Pound

- Pound weakened against the greenback on persisting worries over Britain's exit from the European Union.

## Yen

- Yen rose against the U.S. dollar on global growth concerns and worries that the Bank of Japan will not intervene to check the currency's appreciation against the greenback.

The Week that was...  
April 4 to April 8

# The Week that was (Apr 4 – Apr 8)

Day	Event	Present Value	Previous Value
Monday, April 4, 2016	Euro zone Unemployment Rate (Feb)	10.30%	10.40%
	Euro Zone Producer Price Index (MoM) (Feb)	-0.70%	-1.10%
	U.S. Factory Orders (MoM) (Feb)	-1.70%	1.20%
Tuesday, April 5, 2016	Reserve Bank of India Interest Rate Decision	6.50%	6.75%
	U.S. Markit Services PMI (Mar)	51.3	51
	Euro Zone Markit Services PMI (Mar)	53.1	54.0
	U.S. Trade Balance (Feb)	\$-47.06B	\$-45.68B
Wednesday, April 6, 2016	China Caixin China Services PMI (Mar)	52.2	51.2
	Japan Leading Economic Index (Feb) Preliminary	99.8	101.8
	Germany Industrial Production s.a. (MoM) (Feb)	-0.50%	2.30%
Thursday, April 7, 2016	U.S. Initial Jobless Claims (Apr 1)	267K	276K
	U.S. Consumer Credit Change (Feb)	\$17.22B	\$14.90B
Friday, April 8, 2016	U.K. NIESR GDP Estimate (3M) (Mar)	0.30%	0.30%
	U.K. Industrial Production (MoM) (Feb)	-0.30%	0.20%
	U.S. Wholesale Inventories (Feb)	-0.50%	0.30%
	U.K. Total Trade Balance (Feb)	£-4.840B	£-5.234B

The Week Ahead...  
April 11 to April 15

# The Week Ahead

Day	Event
<b>Monday, April 11</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Consumer Price Index (MoM) (Mar)</li> <li><input type="checkbox"/> China Producer Price Index (YoY) (Mar)</li> <li><input type="checkbox"/> U.K. BRC Retail Sales Monitor (YoY) (Mar)</li> </ul>
<b>Tuesday, April 12</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> India Industrial Output (Feb)</li> <li><input type="checkbox"/> India Consumer Price Index (MoM) (Mar)</li> <li><input type="checkbox"/> Germany Consumer Price Index (MoM) (Mar)</li> </ul>
<b>Wednesday, April 13</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Trade Balance USD (Mar)</li> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Mar)</li> <li><input type="checkbox"/> Euro Zone Industrial Production s.a. (MoM) (Feb)</li> </ul>
<b>Thursday, April 14</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> India Wholesale Price Index (MoM) (Mar)</li> <li><input type="checkbox"/> Bank of England Interest Rate Decision</li> </ul>
<b>Friday, April 15</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Retail Sales (YoY) (Mar)</li> <li><input type="checkbox"/> China Industrial Production (YoY) (Feb)</li> <li><input type="checkbox"/> China Gross Domestic Product (YoY) (Q1)</li> </ul>

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