

News U Can Use

August 26, 2016



The Week that was...
22nd August to 26th August

Indian Economy

- ❑ Government has appointed Urjit Patel, presently the deputy governor, as the new governor of Reserve Bank of India (RBI) effective from Sep 4, 2016, replacing the existing governor Raghuram Rajan. Urjit Patel has worked at the International Monetary Fund, as an economist from 1990 to 1995, and for the Boston Consulting Group.
- ❑ According to the annual report of capital market regulator Securities and Exchange Board of India (SEBI) for FY16, 614 proceedings were launched against entities that defaulted on payment of penalties compared with 1,619 in FY15. However, recovery proceedings were completed in 80 cases in FY16 compared with 121 in the previous year. During FY16, SEBI was able to recover Rs. 224.6 crore compared with Rs. 19.2 crore recovered in the previous year.
- ❑ According to data released by the Ministry of Petroleum and Natural Gas, domestic crude oil production contracted 1.81% YoY to 3.077 million tonne (MT) in Jul 2016. However, natural gas output increased 3.27% YoY to 2.704 billion cubic metre in the same period. Refinery output rose 13.67% YoY to 21.220 MT.
- ❑ The Cabinet Committee on Economic Affairs has approved nine projects worth about Rs. 24,000 crore in nine states for expansion of railway network and connectivity across the country. This involves track construction of a total length of 1,937.38 km at an estimated cost of Rs. 24,374.86 crore. The move is expected to boost the country's infrastructure sector.

Indian Equity Market

Domestic Equity Market Indices			
Indices	26-Aug16	1 Week Return	YTD Return
S&P BSE Sensex	27782.25	-1.05%	6.20%
Nifty 50	8572.55	-1.09%	7.65%
S&P BSE Mid-Cap	13000.15	-0.27%	15.60%
S&P BSE Small-Cap	12487.12	0.22%	4.58%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.33	23.5	33.26	74.1
P/B	2.91	3.27	2.7	2.12
Dividend Yield	1.41	1.25	1.07	0.86

Source: BSE, NSE *Value as on August 26, 2016*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
22-Aug-16	699	902	0.77
23-Aug-16	735	866	0.85
24-Aug-16	948	651	1.46
25-Aug-16	640	942	0.68
26-Aug-16	577	1019	0.57

Source: NSE

- ▣ Indian equity market declined during the week, reflecting the cautious mood in global equities, ahead of the eagerly awaited commentary from the U.S. Federal Reserve (Fed). The commentary is expected to provide hints about the timing of the next rate hike by the Fed.
- ▣ Minutes from the Federal Open Market Committee's (FOMC) Jul meeting showed officials were split on whether an increase in interest rate was needed soon.
- ▣ The markets were also hit after the prospects of an interest rate cut lost steam following the appointment of the new Reserve Bank of India governor, who is famous for his hawkish take on inflation and is focused on curbing price rise.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21235.4	-0.85%	3.03%
S&P BSE Bankex	22005.8	-1.30%	2.02%
S&P BSE CD	12298.2	0.82%	0.26%
S&P BSE CG	14673.3	-2.99%	-6.22%
S&P BSE FMCG	8706.38	0.08%	0.58%
S&P BSE HC	16055.7	-0.90%	-1.13%
S&P BSE IT	10390.5	-1.39%	-3.75%
S&P BSE Metal	9870.22	-2.70%	4.13%
S&P BSE Oil & Gas	10910	0.54%	3.55%

Source: Reuters *Values as on August 26, 2016*

- On the BSE sectoral front, majority of the indices closed in the red. S&P BSE Capital Goods was the biggest loser, down 2.99%, followed by S&P BSE Metal and S&P BSE Realty, which fell 2.70% and 1.96%, respectively.
- S&P BSE Power and S&P BSE IT went down 1.88% and 1.39%, respectively. S&P BSE Consumer Durables was the major gainer, up 0.82%, followed by S&P BSE Oil & Gas, which rose 0.54%.

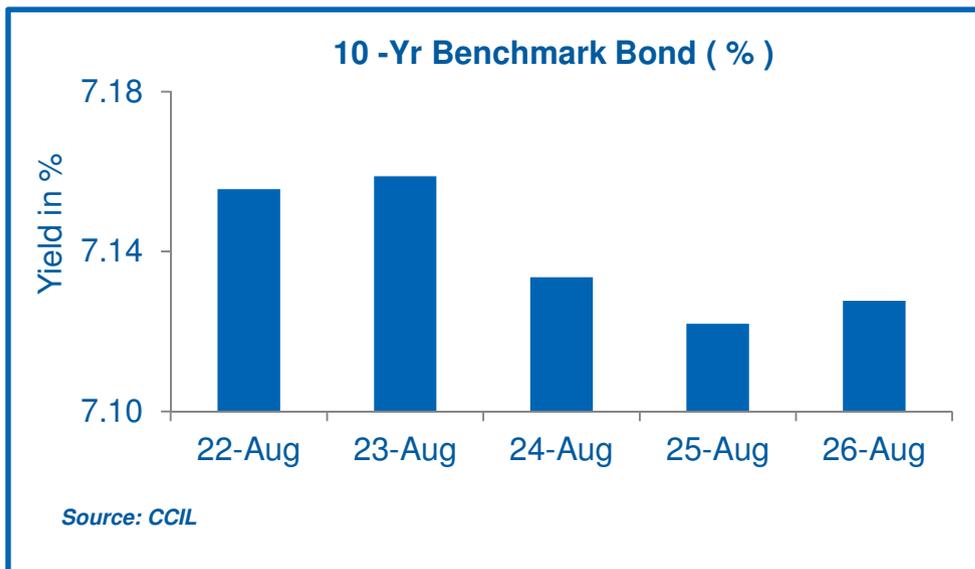
Indian Derivatives Market Review

- Nifty Aug 2016 Futures were at 8,625.00 points, a premium of 52.45 points, over the spot closing of 8,572.55 points. The turnover on NSE's Futures and Options segment stood at Rs. 23.08 lakh crore during the week to Aug 26, compared with Rs. 14.64 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.08, compared with the previous week's close of 0.99.
- The Nifty Put-Call ratio stood at 1.04, compared with the previous session's close of 1.06.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.38	6.40	6.35	6.58
91 Day T-Bill	6.55	6.56	6.59	7.31
07.80% 2021, (5 Yr GOI)	7.04	7.02	7.10	8.03
07.59% 2026, (10 Yr GOI)	7.13	7.10	7.25	7.78

Source: Reuters *Values as on August 26, 2016*



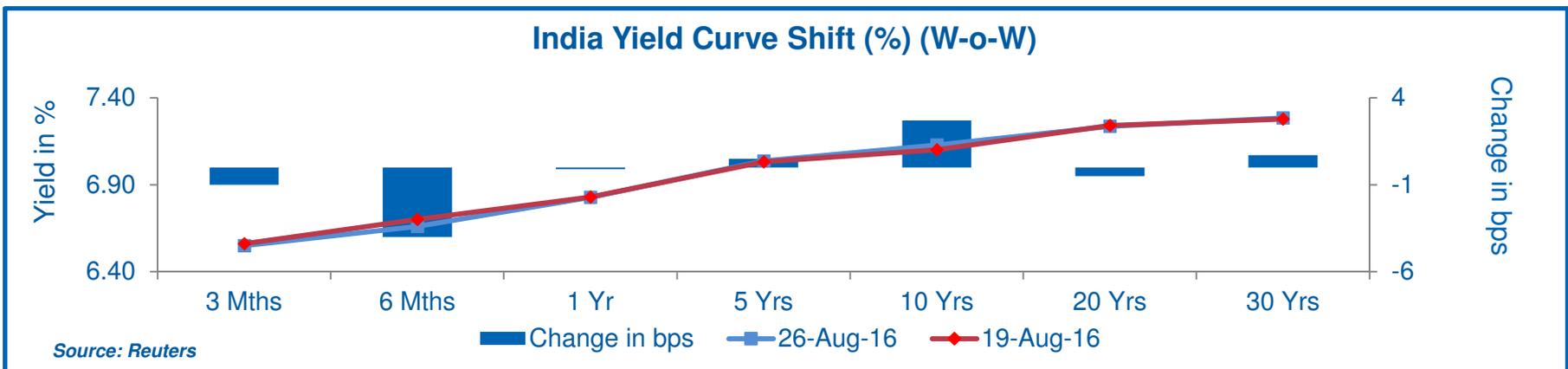
- ❑ Bond yields increased as investors were worried that the RBI might not ease the monetary policy in the near future.
- ❑ However, expectations that the central bank will continue with its measures to boost liquidity in the banking system and value buying supported the debt market.
- ❑ RBI conducted the auction of four-dated securities - 7.68% GS 2023, 7.59% GS 2026, 7.50% GS 2034, and 7.72% GS 2055 for Rs. 14,000 crore. The cut-off rates for the securities stood at 7.10%, 7.13%, 7.24%, and 7.25%, respectively.
- ❑ As per Scheduled Bank's Statement of Position in India for Aug 5, bank deposit and bank credit grew 9.81% and 9.83% YoY, respectively.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.95	7.36	41
3 Year	7.02	7.45	43
5 Year	7.19	7.55	36
10 Year	7.30	7.67	37

Source: Reuters Values as on August 26, 2016

- Yields on gilt securities increased 1 bps or remained flat across the maturities, barring 10- and 15-year papers that increased 3 and 2 bps, respectively. Yield on 11-year paper eased 1 bps.
- Corporate bond yields fell across the curve up to 3 bps, except 1-, 7- and 15-year papers that increased 2 or 3 bps.
- Spread between AAA corporate bond and gilt securities contracted across segments up to 5 bps, barring 1- and 7-year that rose 3 and 2 bps, respectively.



Regulatory Updates in India

- ❑ The Securities and Exchange Board of India (SEBI) has reviewed the warehousing norms in the commodity derivatives market. The aim is to improve the delivery and settlement mechanism in the warehousing facilities for agricultural products traded on commodity derivatives exchanges. Also, transparency in the warehousing field will ensure smooth functioning in the entire process. The proposed rules state that the warehouse service provider will be a corporate body with the share capital of Rs. 10 crore.
- ❑ Reserve Bank of India (RBI) has issued master directions related to Non-Banking Financial Companies (NBFCs) on six subjects. The subjects are exemptions from the provisions of RBI Act, 1934, Non-Banking Financial Companies Acceptance of Public Deposits, Core Investment Companies (Reserve Bank) Directions, Standalone Primary Dealers (Reserve Bank) Directions, Miscellaneous Non-Banking Companies (Reserve Bank) Directions, and Residuary Non-Banking Companies (Reserve Bank) Directions. These will replace original instructions contained in the existing master circulars.
- ❑ The Ministry of Finance is considering imposing a minimum import price on aluminium to put a check on shipments coming from overseas. The arrangement will help protect interests of domestic manufacturers by restricting cheaper imports from China. China is exporting surplus aluminium because of weak domestic demand.

Regulatory Updates in India (contd..)

- ❑ The government is considering allowing bundling of public funded national highway projects for monetisation to ensure a minimum investment size of \$100-\$150 million (Rs. 650 to Rs. 975 crore). The government has lined up around 104 highway projects which will be leased out. The move may help garner about Rs. 1 lakh crore.
- ❑ The government may soon come out with a uniform policy on closing loss-making state-run companies. This will start the process of winding up more than 30 central public sector enterprises across various ministries.
- ❑ According to RBI deputy governor, the central bank would soon set up a framework for accreditation of credit counsellors who will act as facilitators for small businesses. The objective of the move is to ease flow of credit to micro, small and medium enterprises. The deputy governor said that the pace of formation of new non-performing assets or bad loans has slowed and clarified that some banks have posted losses for the first quarter of the current financial year due to higher provisioning.
- ❑ The Reserve Bank of India (RBI) has asked banks to ensure strict compliance to expand the Pradhan Mantri Fasal Bima Yojna (PMFBY) and to also ensure recording of details of farmers in the portal for crop insurance managed by the agriculture ministry. As per the PMFBY guidelines, banks are also expected to capture all relevant data including land and crop details of all loanee farmers and non-loanee farmers availing crop insurance.

Global News/Economy

- ❑ A report released by the U.S. Commerce Department showed that U.S. Gross Domestic Product (GDP) grew 1.1% in the second quarter. This reflects a downward revision compared with the originally reported growth of 1.2%. The U.S. economy grew 0.8% in the first quarter.
- ❑ A report from the U.S. Commerce Department showed that durable goods orders in the U.S. surged 4.4% in Jul 2016 after falling by a revised 4.2% in Jun 2016. The increase was due to a substantial rebound in orders for transportation equipment, which grew 10.5% in Jul after falling 11.4% in Jun.
- ❑ Data from the Office of National Statistics showed that the U.K. economy grew 0.6% sequentially after rising 0.4% in the first quarter. This was the 14th consecutive quarter of positive growth since the first three months of 2013. On a yearly basis, GDP rose 2.2% in the second quarter, unrevised from the previous estimate.
- ❑ Results of a preliminary survey by Markit Economics revealed that euro zone composite Purchasing Managers' Index (PMI) of the euro zone economy increased unexpectedly to 53.3 in Aug 2016 from 53.2 in Jul 2016. The flash manufacturing PMI fell to 51.8 while the flash services PMI climbed to 53.1 from 52.9 a month ago.

Global Equity Markets

Global Indices			
Indices	26-Aug-16	1-Week Return	YTD Return
Dow Jones	18395.4	-0.85%	7.27%
Nasdaq 100	4783.694	-0.47%	6.35%
FTSE 100	6838.05	-0.30%	12.22%
DAX Index	10587.77	0.41%	2.96%
Nikkei Average	16360.71	-1.12%	-11.33%
Straits Times	2857.65	0.48%	0.76%

Source: Reuters

Europe

- Most of the European bourses were weak initially ahead of U.S. Fed chief's speech. An unexpected drop in German business confidence and slower rise in German economy in Jun quarter compared with the preceding period was also a drag for the bourses. However, at the end solid German and French consumer confidence data, reverse losses.

Asia

- Most of the Asian markets fell over the week. Preliminary reading of a private survey showed that the manufacturing sector in Japan continued to contract in Aug. Meanwhile, liquidity infusion by the Chinese central bank, through reverse purchase agreements, dampened hopes for more monetary stimulus measures. Losses were restricted after the Bank of Japan governor hinted at additional monetary policy easing in its Sep meeting.

U.S.

- U.S. markets were weak as investors preferred to remain on the sidelines ahead of the U.S. Fed chief's speech in an annual conference. At the conference, Fed chief advocated for gradual monetary tightening.
- Some bit of optimism was seen after an unexpected jump in new home sales in Jul. But sentiment dampened after a substantial decrease in existing home sales in Jul.

Global Debt (U.S.)

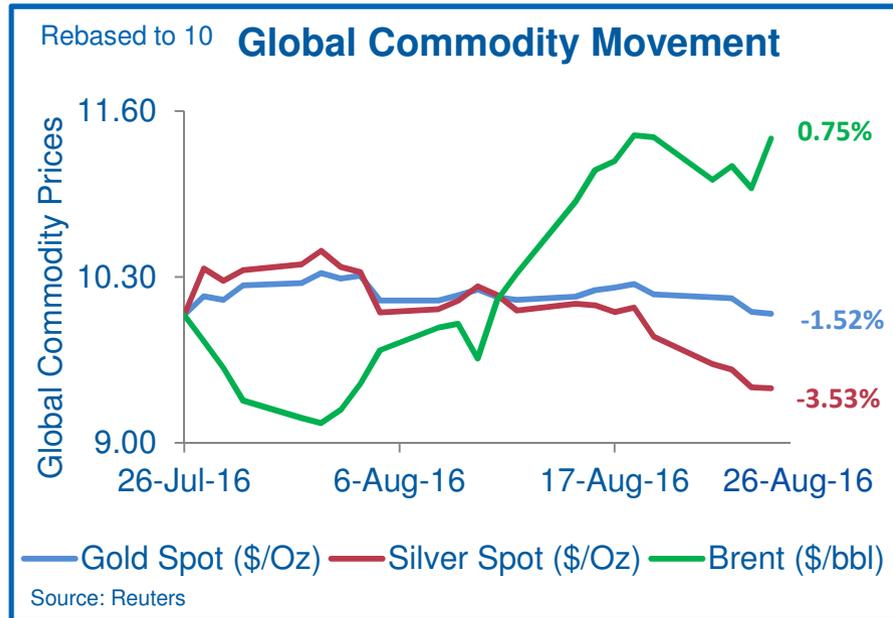
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield expanded 5 bps to close at 1.63%, compared with the previous week's close of 1.58%.
- U.S. treasury prices rose on the first day of the week ahead of the speech by the U.S. Federal Reserve chairperson on Aug 26 for new indications on interest rate hike.
- However, prices fell thereafter as investors remained cautious ahead of central bankers meeting and on reduced demand for sale of new seven-year notes.
- U.S. Fed chief in its speech advocated for gradual monetary tightening, which further affected the prices.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.65	49.28
Gold (\$/Oz)	1320.85	1341.22
Gold (Rs/10 gm)	31066	31252
Silver (\$/Oz)	18.61	19.29
Silver (Rs/Kg)	43990	45577

Source: Reuters Values as on August 26, 2016

Gold

- Gold prices fell following statement of some U.S. Fed officials raised expectations of a rate hike by the central bank. Market sentiments for gold remained low after the U.S. Fed chair's statement indicated gradual tightening.

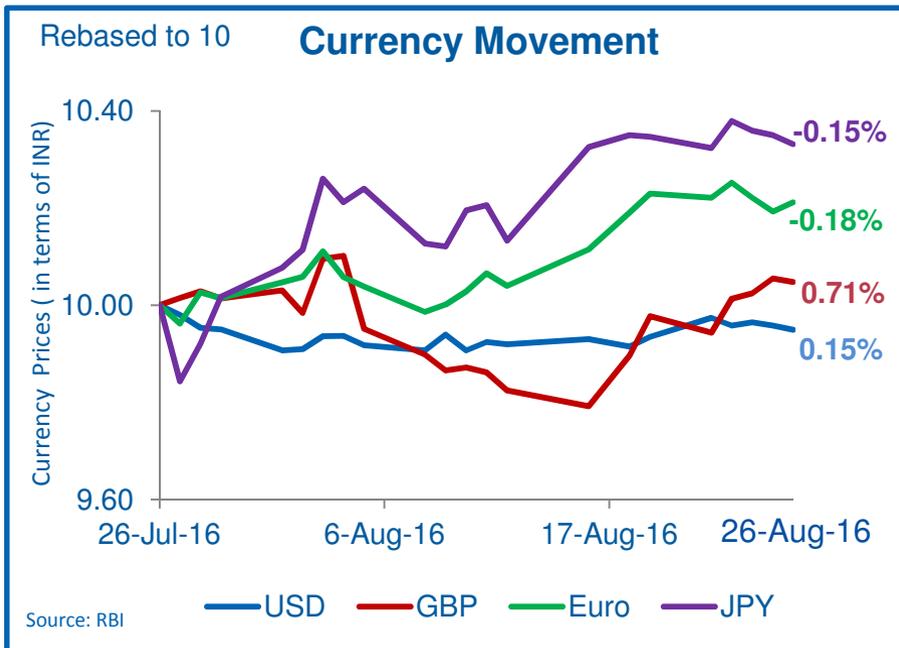
Crude

- Brent crude prices fell as hopes of an output freeze lost steam after reports indicated that Iraq and Nigeria could possibly up exports.
- However, reports of fresh attack in a major oil producing country increased geopolitical tension, which reversed earlier losses.

Baltic Dry Index

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

Currencies Markets



Rupee

- The Indian rupee fell against the U.S. dollar as investors remained cautious ahead of the speech from the U.S. Fed chief, which would provide signals on interest rate outlook.

Euro

- Euro weakened against the U.S. dollar following surge in U.S. home sales data and on expectation that the U.S. Fed will increase interest rate this year.

Pound

- Sterling strengthened against the greenback due to strong economic data. According to the Confederation of British Industry, overall factory orders fell slightly in Aug but was better than expected.

Yen

- Yen weakened against the U.S. dollar after the U.S. Fed chief in its speech advocated for monetary tightening.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.03	66.93
Pound Sterling	88.59	87.97
EURO	75.74	75.87
JPY(per 100 Yen)	66.72	66.82

Source: RBI

Figures in INR , Values as on August 26, 2016

The Week that was...
August 22 to August 26

The Week that was (Aug 22 – Aug 26)

Date	Events	Present Value	Previous Value
Monday, August 22, 2016	U.S. Chicago Fed National Activity Index	0.27	0.05
Tuesday, August 23 2016	Japan Nikkei Japan PMI Mfg (Aug) (P)	49.6	49.3
	Markit Eurozone Manufacturing PMI (Aug) (P)	51.8	52
	Markit Eurozone Services PMI (Aug) (P)	53.3	54.4
	U.S. Markit US Manufacturing PMI (Aug) (P)	52.1	52.9
Wednesday, August 24, 2016	German Gross Domestic Product n.s.a. (YoY) (2Q) (F)	3.10%	3.10%
	U.S. Existing Home Sales Change (MoM) (Jul)	-3.20%	1.10%
Thursday, August 25, 2016	U.S. Durable Goods Orders (Jul (P)	4.40%	-4.20%
	German IFO - Business Climate (Aug)	106.2	108.3
	U.S. Markit US Services PMI (Aug) (P)	50.9	51.4
Friday, August 26, 2016	Japan National Consumer Price Index (YoY) (Jul)	-0.40%	-0.40%
	U.S. Gross Domestic Product (Annualized) (2Q) (S)	1.10%	1.20%
	U.S. Reuters/Michigan Consumer Sentiment Index (Aug)	89.8	90.4

The Week Ahead...
August 29 to September 02

The Week Ahead

Day	Event
Monday, August 29	<input type="checkbox"/> Japan Unemployment Rate (Jul)
Tuesday, August 30	<input type="checkbox"/> Euro zone Consumer Confidence (Aug)
Wednesday, August 31	<input type="checkbox"/> India Infrastructure Output (YoY) (Jul) <input type="checkbox"/> Euro zone Consumer Price Index (YoY) (Aug) Preliminary <input type="checkbox"/> U.S. ADP Employment Change (Aug)
Thursday, September 01	<input type="checkbox"/> China Manufacturing PMI (Aug) <input type="checkbox"/> Euro zone Markit Manufacturing PMI (Aug) <input type="checkbox"/> U.K. Markit Manufacturing PMI (Aug) <input type="checkbox"/> U.S. ISM Manufacturing PMI (Aug)
Friday, September 02	<input type="checkbox"/> U.S. Nonfarm Payrolls (Aug) <input type="checkbox"/> U.S. Unemployment Rate (Aug) <input type="checkbox"/> U.S. Factory Orders (MoM) (Jul) <input type="checkbox"/> U.K. PMI Construction (Aug) <input type="checkbox"/> Japan Consumer Confidence Index (Aug)

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