

News U Can Use

December 25, 2015

The Week that was...
21st December to 25th December

Indian Economy

- ❑ The Government has introduced the Insolvency and Bankruptcy Code, 2015 in the Lok Sabha. The amended Bill will provide a framework for timely resolution of corporate bankruptcy. It will ensure that stakeholders' interest is protected and the assets are put to use speedily. The bill seeks to consolidate and amend the laws relating to reorganization and insolvency resolution and will also apply to partnership firms and individuals.
- ❑ Data from the Reserve Bank of India (RBI) showed Current Account Deficit (CAD) of India in the September quarter widened from the preceding quarter but contracted compared to the corresponding quarter last year. CAD stood at \$8.2 billion (1.6% of Gross Domestic Product) in the second quarter of FY15-16, higher than a deficit of \$6.1 billion (1.2% of GDP) in the June quarter. However, CAD was lower than 2014 September quarter's figure of \$10.9 billion (2.2% of GDP), supported by a lower trade deficit. Balance of payments surplus reduced to \$0.9 billion from \$11.4 billion in the preceding quarter.
- ❑ According to the Conference Board, the leading economic index for India fell 0.5% in November compared to a rise of 1% in October. The coincident economic index that measures current economic activity improved 0.3%, but slower than the 1.4% increase in the previous month.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Dec-15	1 Week Return	YTD Return
S&P BSE Sensex	25838.71	1.25%	-6.07%
Nifty 50	7861.05	1.28%	-5.11%
S&P BSE Mid-Cap	11018.17	0.91%	5.54%
S&P BSE Small-Cap	11730.59	1.72%	4.50%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.65	21.26	26.32	62.68
P/B	2.88	3.15	2.4	2.02
Dividend Yield	1.38	1.47	1.41	0.99

Source: BSE, NSE

Value as on Dec 24, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
21-Dec-15	1113	454	2.45
22-Dec-15	737	821	0.90
23-Dec-15	931	614	1.52
24-Dec-15	875	655	1.34

Source: NSE

- The Indian equity markets closed the holiday truncated week on a positive note. Investor sentiments boosted after the Government introduced the 'Insolvency and Bankruptcy Code 2015' or the bankruptcy Bill in the Lok Sabha that is expected to improve the ease of doing business in the country. Market rose further following renewed interest by overseas investors.
- However, gains were restricted as a sharp increase in U.S. visa fees triggered selling pressure in IT majors. Besides, traders remained cautious ahead of the expiry of November derivative contracts on December 31.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18263.2	0.62%	-2.15%
S&P BSE Bankex	19206.7	1.44%	-1.14%
S&P BSE CD	12008.5	-1.01%	-3.03%
S&P BSE CG	14242.9	1.52%	-0.75%
S&P BSE FMCG	7810.39	1.02%	-1.03%
S&P BSE HC	16725.7	1.23%	1.65%
S&P BSE IT	11020.8	0.66%	2.61%
S&P BSE Metal	7406.16	3.10%	5.56%
S&P BSE Oil & Gas	9453.77	2.57%	2.09%

Source: Reuters *Values as on Dec 24, 2015*

- On the BSE sectoral front, barring S&P BSE Consumer Durables, all the indices closed in green. S&P BSE Metal was the top gainer rising by 3.10% followed by S&P BSE Power and S&P BSE Oil & Gas, which rose 2.73% and 2.57% respectively.
- Metal sector witnessed heavy buying during the week after the Government decided to announce a minimum import price for steel in order to stop cheap imported steel from flooding the domestic industry. Oil & Gas sector rose on the back of stability in global crude oil prices.

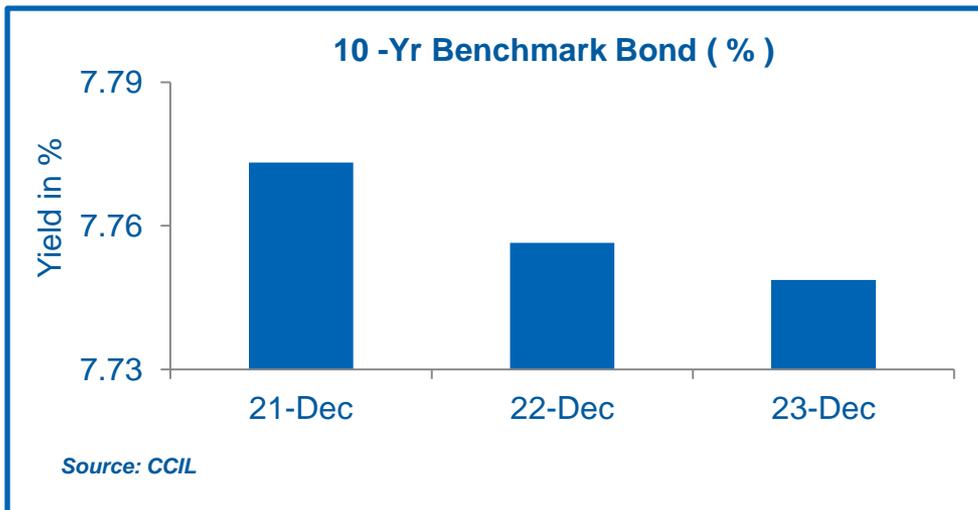
Indian Derivatives Market Review

- Nifty December 2015 Futures were at 7,871.75 points, a premium of 10.70 points against the spot closing of 7861.05 points. The turnover on NSE's Futures and Options segment fell to Rs. 8.15 lakh crore during the week ended December 24 from Rs. 10.68 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.89, compared to the previous week's close of 0.85.
- The Nifty Put-Call ratio stood at 0.83, compared to the previous week's close of 0.78.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.74	6.80	6.98	7.08
91 Day T-Bill	7.21	7.20	7.14	7.70
08.27% 2020, (5 Yr GOI)	7.67	7.70	7.77	8.05
07.72% 2025, (10 Yr GOI)	7.75	7.72	7.70	7.82

Source: Reuters Values as on Dec 23, 2015



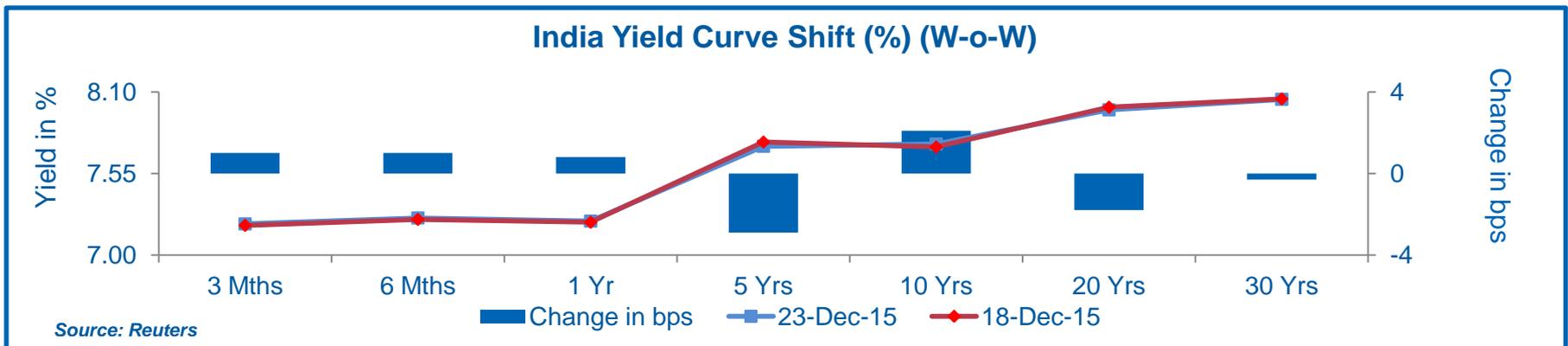
- Bond yields rose amid concerns that the Government may not be able to meet its medium-term fiscal consolidation plan amid higher expenditure and revenue shortfall.
- However, losses narrowed soon in a holiday-truncated week as market participants bought bonds as their prices have fallen at a faster pace with expectation of a rally in the coming days.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, increased by 3 bps to close at 7.75% compared to the previous week's close of 7.72%. During the week, bond yields traded in the range of 7.72% to 7.80%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.42	8.13	72
3 Year	7.69	8.23	54
5 Year	7.89	8.35	46
10 Year	8.01	8.36	35

Source: Reuters Values as on Dec 23, 2015

- Yield on Gilt Securities remained mixed, falling up to 4 bps and increasing up to 5 bps across the yield curve. The yield on 8-, 9- and 30-year were steady.
- Corporate Bond yields rose up to 3 bps across maturities barring 2 to 4 years papers that fell 2 or 4 bps.
- Difference in spread between AAA Corporate Bond and Gilt, over the week, expanded across the segments up to 4 bps except 3-year that contracted 2 bps.



Regulatory Updates in India

- ❑ To lower the number of categories in non-banking financial companies (NBFC), the Reserve Bank of India (RBI) will work towards greater harmonisation of regulations, RBI's Deputy Governor said. He, however, added that the RBI is aligned to the developmental needs of the economy and will continue to approve of new kinds of NBFCs if the economy requires them.
- ❑ RBI's Deputy Governor S.S. Mundra said the bank will modify the strategic debt restructuring (SDR) rules on the basis of feedback from banks considering their experience in dealing with errant borrowers in the last six months. SDR allows banks to convert loans into equity by fastening the sale of assets, giving them more control in recovering bad loans.
- ❑ The Income Tax department will implement Project Insight from 2016, which will monitor high value transactions, the Finance Minister said. The project will improve the ability of the I-T department to monitor flow of funds and will provide an audit trail of high value transactions and curb circulation of black money. It will be implemented in a phased manner during 2016-2018. The minister said Permanent Account Number (PAN) will be the unique identifier to link and analyse various transactions relating to tax payers.
- ❑ The Agriculture Minister said the Government will launch a new crop insurance scheme in January. The aim of the scheme is to keep the premium burden on farmers below 3% as against premium rates as high as 40% in some states.

Regulatory Updates in India (contd..)

- ❑ The Corporate Affairs Ministry has decided that the auditors should report of any suspected corporate fraud of Rs. 1 crore or more to the Central Government. Under the Companies (Audit and Auditors) Amendment Rules, 2015, this new threshold will be implemented. Earlier under the Companies Act, 2013, auditors were required to report to the Government of any instances of fraud at a firm, but the threshold was not specified.
- ❑ RBI has decided to create a dedicated email helpline that will provide guidance regarding Foreign Exchange Management regulations to start-up enterprises. This will help the startups to raise funds from various offshore sources, like private equity players, crowd sourcing as well as individuals.
- ❑ The Insurance Regulatory and Development Authority of India have decided to take action against non-compliance of management expense by insurance companies. In addition, the regulator mentioned that it would impose restrictions on opening new places of business. It can also levy graded penal action and remove key management personnel if companies fail to comply with the rules.
- ❑ According to the Finance Minister, more emphasize should be given to bring a larger section of the population under insurance cover. He stressed upon the importance of making India a fully insured country in the long term.

Global News/Economy

- ❑ U.S Gross Domestic Product (GDP) grew by 2% in the September quarter, slower than previously estimated 2.1% growth, reflecting a downward revision in private inventory investment. The GDP growth in the June quarter was at 3.9%. The economic growth primarily reflected positive contributions from consumer spending, non-residential fixed investment, state and local Government spending, residential fixed investment, and exports.
- ❑ Durable goods orders in the U.S. remained steady in November compared to a 2.9% surge (3% rise originally reported) in the previous month. Excluding orders for transportation equipment, durable goods orders eased by 0.1% in November against a rise of 0.5% in October.
- ❑ As per the survey data from the GfK, forward-looking consumer confidence index of Germany rose to 9.4 points in January from 9.3 in December, boosted by stronger economic and income expectations as well as an extremely high propensity to buy. The improvement came after four straight declines.
- ❑ The Bank of Japan (BoJ) said in its monthly report that Japan's exports are expected to increase moderately as emerging economies move out of their slowdown period. Last month, Boj had said exports are expected to remain more or less flat. The bank iterated the economy has continued to recover moderately.

Global Equity Markets

Global Indices			
Indices	24-Dec-15	1-Week Return	YTD Return
Dow Jones	17,552.17	2.47%	-1.57%
Nasdaq 100	4622.772	2.39%	9.28%
FTSE 100	6,254.64	3.34%	-4.48%
DAX Index**	10,727.64	1.13%	9.86%
Nikkei Average\$	18,769.06	-1.15%	7.55%
Straits Times	2,877.62	0.87%	-14.63%

Source: Reuters Values as on Dec 24, 2015 *Last closing as on 23-Dec-15 ; \$ Last closing as on Dec 25, 2015

Europe

- European markets gained over the week following rebound in global crude oil prices and on optimism that the Government of China will adopt additional stimulus measures to support the growth trajectory. Sentiment improved further after German consumer confidence in January rose unexpectedly.

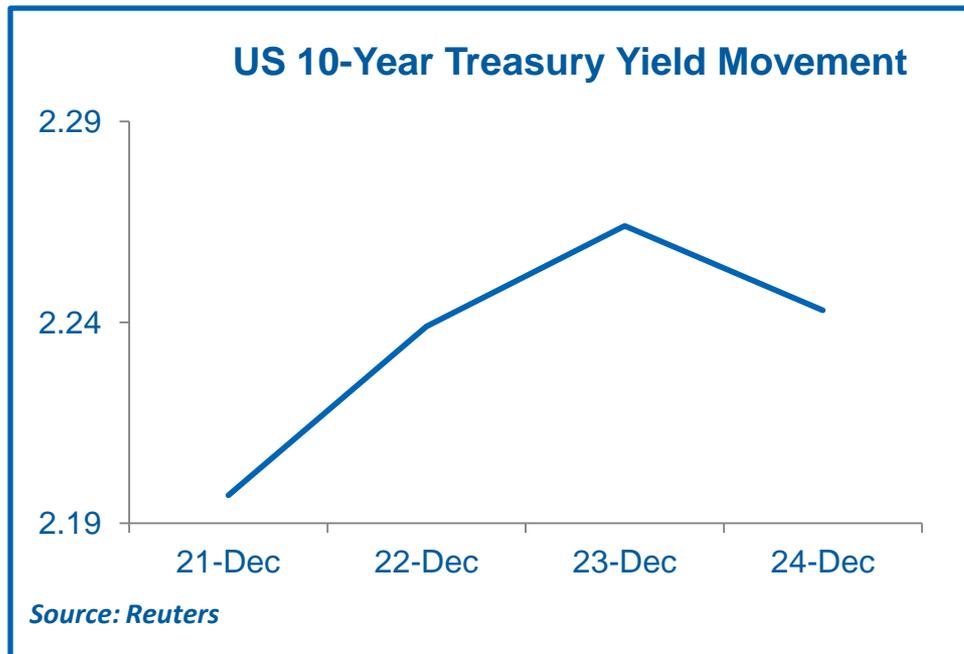
Asia

- Asian markets witnessed a mixed trend over the week. Expectations of more stimulus measures by the Chinese Government and better-than-expected third-quarter U.S. GDP data supported buying interest. However, Japanese market moved to negative terrain after minutes of Bank of Japan's monetary policy meeting, held in November, showed that policymakers were concerned of slow wage and capital expenditure growth.

U.S.

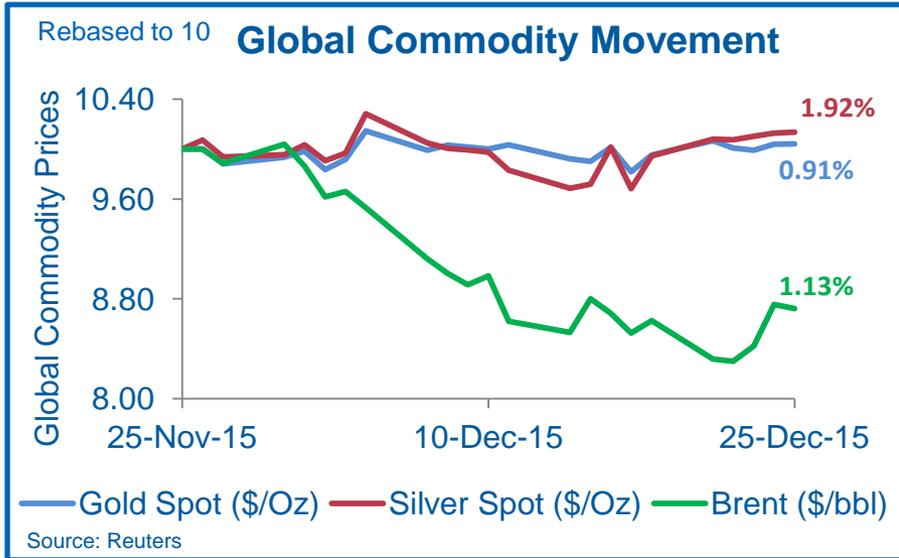
- U.S. market rose following upbeat U.S. GDP data for the third quarter of 2015. U.S. GDP for the third quarter stood at 2.0%, higher than market expectations. Sentiment improved further following other upbeat U.S. economic data, which includes new homes data for November, personal income and spending data for November and consumer sentiment data for December.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield increased by 4 bps to close at 2.24%, compared to the previous week's close of 2.20%.
- The U.S. Treasury prices fell on the back of a recovery in global crude oil prices. U.S. Treasury prices fell further after U.S. GDP growth data for the third quarter of 2015 came better than expected.
- Losses were extended following upbeat U.S. economic data, which increased expectations that the U.S. Federal Reserve may raise interest rates at a swift pace in the next year that also weighed on Treasury prices.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	37.43	37.01
Gold (\$/Oz)	1075.5	1065.81
Gold (Rs/10 gm) *	25148	24954
Silver (\$/Oz)	14.34	14.07
Silver (Rs/Kg) *	33729	32872

Source: Reuters * Last closing as on Dec. 24, 2015 Values as on Dec. 25, 2015

Gold

- Gold prices rose on the back of short covering, after touching multi-year lows in the preceding week following Fed's announcement of interest rate hike.

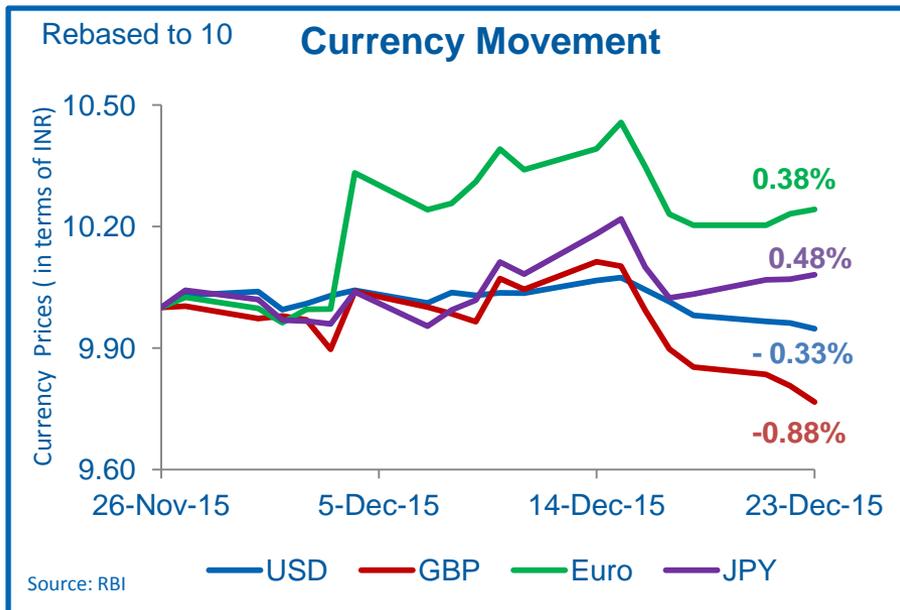
Crude

- Brent Crude prices were hit initially as OPEC said that it will stick with its year-old policy of compensating for lower prices with higher production. However, oil prices soon recovered following renewed supply concerns from the Middle East. Oil prices found additional support as a couple of official data revealed a slump in the U.S. oil inventories for the week ended December 18.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.20	66.42
Pound Sterling	98.30	99.17
EURO	72.41	72.14
JPY(per 100 Yen)	54.74	54.48

Source: RBI Figures in INR, Values as on Dec 23, 2015

Rupee

- The Indian rupee rose against the dollar, tracking Asian counterparts and rise in domestic equity markets. However, dollar demand from oil importers restricted rupee appreciation.

Euro

- Ahead of the Christmas holiday weekend, euro gained against the dollar amid low volumes after data from the Chicago Fed's National Activity Index fell to its weakest in six months in November.

Pound

- Pound fell against the dollar after U.K.'s net borrowing excluding public sector banks rose in November, making it difficult for the Chancellor to meet fiscal target of the current year.

Yen

- Yen gained against the dollar amid low volumes after data from the Chicago Fed suggested the U.S. economy grew at a below average pace in November.

The Week that was...
21st December to 25th December

The Week that was (Dec 21 – Dec 24)

Day	Event	Present Value	Previous Value
Monday, December 21, 2015	Japan All Industry Activity Index (M-o-M) (Oct.)	1.00%	-0.20%
	Germany Producer Price Index (M-o-M) (Nov.)	-0.20%	-0.40%
Tuesday, December 22, 2015	U.S. Gross Domestic Product Annualized (Q3)	2.00%	2.10%
	U.S. Existing Home Sales (M-o-M) (Nov.)	-10.50%	-4.10%
	U.K. Gfk Consumer Confidence (Dec.)	2	1
Wednesday, December 23, 2015	U.K. Gross Domestic Product (Q-o-Q) (Q3)	0.40%	0.50%
	U.S. Durable Goods Orders (Nov.)	0.00%	3.00%
	U.S. Personal Spending (Nov.)	0.30%	0.00%
Thursday, December 24, 2015	U.S. Initial Jobless Claims (Dec. 18).	267K	272K
	U.K. BBA Mortgage Approvals (Nov.)	44.960K	45.463K

The Week Ahead...
December 28 to January 01

The Week Ahead

Day	Event
Monday, December 28	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (M-o-M) (Nov)Preliminary. <input type="checkbox"/> Japan Retail Trade s.a (M-o-M) (Nov).
Tuesday, December 29	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Goods Trade Balance (Nov). <input type="checkbox"/> U.S. Consumer Confidence (Dec).
Wednesday, December 30	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Nationwide Housing Prices s.a (M-o-M) (Dec). <input type="checkbox"/> U.S. Pending Home Sales (M-o-M) (Nov). <input type="checkbox"/> U.S. MBA Mortgage Applications (Dec 25).
Thursday, December 31	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Initial Jobless Claims (Dec 25). <input type="checkbox"/> U.S. Chicago Purchasing Managers' Index (Dec).
Friday, January 01	<ul style="list-style-type: none"> <input type="checkbox"/> China NBS Manufacturing PMI (Dec). <input type="checkbox"/> China Non-manufacturing PMI (Dec). <input type="checkbox"/> U.S. Personal Income (M-o-M) (Dec). <input type="checkbox"/> U.S. Personal Spending (Dec).

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