

News U Can Use

December 18, 2015

The Week that was...
14th December to 18th December

Indian Economy

- ❑ Government data showed that consumer inflation rose to a 14-month high of 5.41% in November compared to 5.00% in the previous month and 3.27% in the same month of the previous year. The Consumer Food Price Index also rose 6.07% in November compared to 5.25% in the previous month and 1.13% in the year-ago period. Among the sub-groups, the price of pulses rose 46.08%, vegetables rose 4%, while cereals and products rose 1.70% during the month under review.
- ❑ Government data showed that Wholesale Price Inflation (WPI) contracted for the 13th consecutive month in November. WPI stood at -1.99% in November compared to -3.81% in October. WPI in the same month of the previous year stood at -0.17%. However, decline in WPI slowed as food inflation rose to 5.20% in November from 2.44% in October. WPI for vegetables rose 14.08% and pulses increased 58.17% in November compared with 2.56% and 52.98% rise in October, respectively. However, WPI under onions came down to 52.69% in November from 85.66% in the previous month.
- ❑ Government data showed that India's exports declined for the 12th straight month in November. Exports contracted by 24.43%, to \$20.01 billion in November, against \$26.49 billion in November 2014. Imports too declined by 30.26% to \$29.80 billion in November as compared to the year-ago period, when it was \$42.72 billion. As a result, trade deficit narrowed to \$9.78 billion in November from \$16.24 billion a year ago.

Indian Equity Market

Domestic Equity Market Indices			
Indices	18-Dec-15	1 Week Return	YTD Return
S&P BSE Sensex	25519.22	1.90%	-7.23%
Nifty 50	7761.95	1.99%	-6.30%
S&P BSE Mid-Cap	10919.25	3.25%	4.59%
S&P BSE Small-Cap	11531.86	2.84%	2.73%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.11	20.99	25.95	61.16
P/B	2.65	3.11	2.36	1.97
Dividend Yield	1.44	1.49	1.40	1.00

Source: BSE, NSE

Value as on Dec 18, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
14-Dec-15	871	663	1.31
15-Dec-15	968	545	1.78
16-Dec-15	832	702	1.19
17-Dec-15	1239	322	3.85
18-Dec-15	685	847	0.81

Source: NSE

- Indian equity markets rose over the week as investors took positive cues after Government data showed that wholesale prices remained in contraction for the 13th straight month in November, declining an annual 1.99%, mainly on account of weak oil prices.
- Sentiments were also uplifted tracking gains in the global markets after the U.S. Federal Reserve raised interest rates for the first time in nearly a decade. Moreover, the U.S. Central Bank said economic conditions are expected to evolve in a manner that will warrant only gradual increases in rates.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18149.9	1.84%	-0.81%
S&P BSE Bankex	18933.5	1.51%	-1.49%
S&P BSE CD	12130.5	2.31%	0.97%
S&P BSE CG	14029.7	1.33%	-1.47%
S&P BSE FMCG	7731.22	0.94%	-2.89%
S&P BSE HC	16523.2	2.36%	0.42%
S&P BSE IT	10948.5	1.83%	3.93%
S&P BSE Metal	7183.67	4.07%	1.99%
S&P BSE Oil & Gas	9216.97	2.32%	4.49%

Source: Reuters *Values as on Dec 18, 2015*

- On the BSE sectoral front, all indices closed in the green and S&P BSE Metal topped the chart after delivering 4.07% return, followed by S&P BSE Power (3.39%) and S&P BSE Realty (3.06%).
- S&P BSE Oil & Gas also moved up by 2.32% as stocks of gas manufacturing and distribution companies firmed up after the Supreme Court ruled that all Delhi taxis be converted to CNG by March 31.

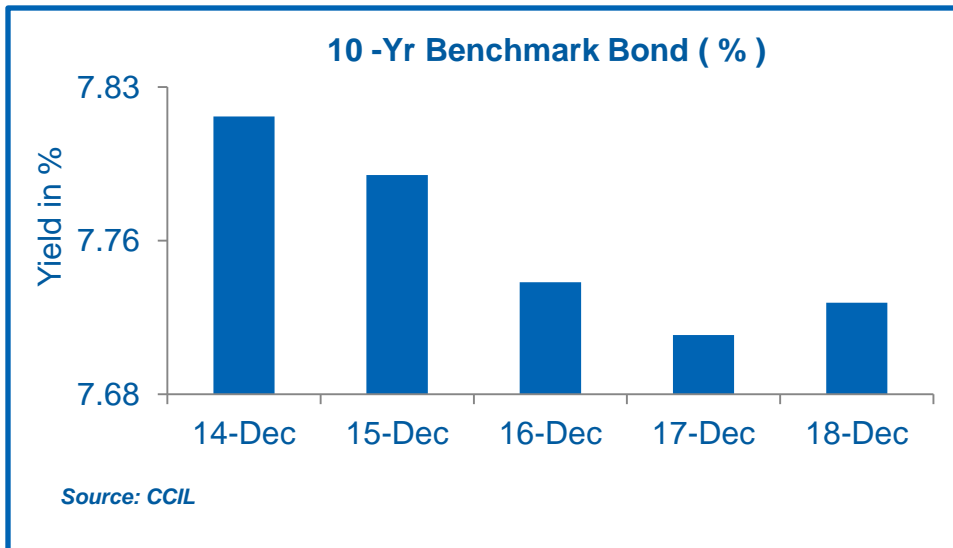
Indian Derivatives Market Review

- Nifty December 2015 Futures were at 7,790.10 points, a premium of 28.15 points against the spot closing of 7,761.95 points. The turnover on NSE's Futures and Options segment rose to Rs. 10.68 lakh crore during the week ended December 18 from Rs. 8.66 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.85, compared to the previous week's close of 0.77.
- The Nifty Put-Call ratio stood at 0.78, compared to 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	6.80	6.72	6.70	7.03
91 Day T-Bill	7.20	7.17	7.14	7.64
08.27% 2020, (5 Yr GOI)	7.70	7.71	7.74	7.98
07.72% 2025, (10 Yr GOI)	7.72	7.77	7.68	7.76

Source: Reuters Values as on Dec 18, 2015



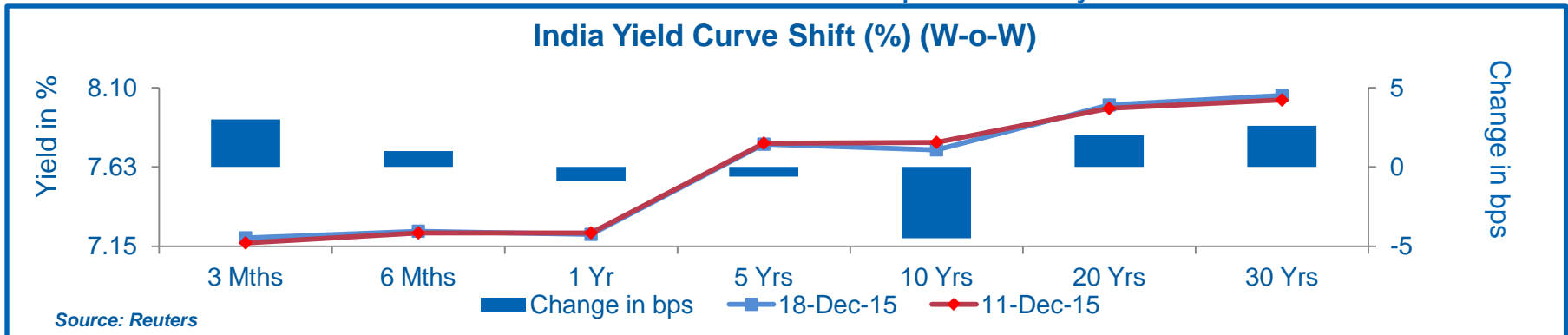
- Bond yields fell after the U.S. Fed increased interest rates but stressed upon the fact that rate hikes in the future will be done in a gradual manner. Retail inflation data for November, which came along market expectations, also supported investor sentiments.
- At the end, however, some gains retreated as the Government raised concerns in meeting next year’s fiscal deficit and also lowered country’s economic growth forecast for the current year to 7%-7.5% from 8% earlier estimated.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, fell by 5 bps to close at 7.72% compared to the previous week’s close of 7.77%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.42	8.12	70
3 Year	7.71	8.27	56
5 Year	7.92	8.34	42
10 Year	7.99	8.34	36

Source: Reuters Values as on Dec 18, 2015

- Yield on Gilt Securities mainly fell from 1- to 11-year maturities by up to 4 bps, while 12- to 30-year papers increased up to 3 bps.
- Corporate Bond yields rose from 1- to 4-year papers in the range of 6 to 18 bps, while remaining maturities moved 1 bps each.
- Difference in Spread between AAA Corporate Bond and Gilt expanded across the segments in the range of 3 to 17 bps except 5-year that contracted 1 bps and 15-year was flat.



Regulatory Updates in India

- ❑ RBI has directed banks to set five benchmark rates for different tenures ranging from overnight rates to one year. The norms will come into effect from April 1, 2016. The new set of guidelines will improve the transmission of policy rates to end customers. The Central Bank has issued a new formula to price lending rates known as 'marginal cost of funds based lending rates' or MCLR that will replace the base rate.
- ❑ SEBI has made it compulsory for commodity brokers and traders to get their trading systems as well as software tools tested in consultation with the exchanges. The move is expected to help prevent possible manipulations of software being used in the commodity market.
- ❑ SEBI has integrated trading data flow from various commodity exchanges to its own integrated surveillance and intelligence systems. The move will help in better surveillance of commodities and derivatives market. The step has been taken amid concerns of relatively larger-scale manipulations in commodity markets.
- ❑ The Government has raised excise duty on petrol and diesel because of fall in global crude prices. The increase in excise duty could add Rs. 2,500 crore to the Government exchequer. Excise duty on petrol has been raised by 30 paise a litre, while excise duty on diesel was raised by Rs. 1.17/litre.

Regulatory Updates in India (contd..)

- According to the Ministry of Finance, the Government will soon notify norms in which one will be required to quote their Permanent Account Number for any cash transaction of over Rs. 2 lakh. The objective of the move is to curb domestic black money.
- SEBI has proposed fresh norms for retail issuance of 'core capital' instruments by banks and for the public issue of Infrastructure Investment Trusts (InvITs). SEBI proposed the minimum amount of investment of Rs. 2 lakh to these instruments in order to ensure that only well informed retail investors with adequate risk tolerance level subscribe to such instruments.
- SEBI will soon come out with norms that will provide exit route for commodity exchanges. This will pave the way for closure of defunct commodity exchanges who can apply for voluntary exits.
- According to the Central Board of Excise and Customs, the Government has raised import tariff value on gold marginally to \$347 per 10 grams but reduced it on silver to \$448 per kg. The tariff value on imported gold earlier was fixed at \$344 per 10 grams and on silver it was \$461 per kg.
- Capital market regulator Securities and Exchange Board of India (SEBI) has developed an online mechanism which will help in the registration of commodity derivatives brokers as members of commodity derivatives exchanges.

Global News/Economy

- ❑ The U.S. Federal Reserve (Fed) announced the first interest rate hike since 2006. The Federal Open Market Committee decided to raise the target range for federal funds rate by 25 bps from 0% - 0.25% to 0.25% - 0.5%. According to the Central Bank's "dot plot", rate hikes will be gradual in 2016 and even slower in 2017-2018 with rates hitting 3.3% by 2019. Fed further added that inflation is expected to rise to 2% over the medium term.
- ❑ The Bank of Japan kept monetary base target unchanged in its monetary policy review. However, the Central Bank unveiled a new program to buy exchange-traded funds to encourage capital investment. The Central Bank will establish a new program for purchases of exchange-traded funds at an annual pace of about ¥300 billion in addition to the current program of ETF purchases.
- ❑ Consumer Price Inflation in Euro Zone rose 0.2% in November from 0.1% in October. The annual rate for November was revised up from 0.1%.
- ❑ Industrial production growth in China rose to 6.2% in November from 5.6% in October. Retail sales rose 11.2% annually after rising 11% in the prior month.
- ❑ U.K. inflation turned positive for the first time in four months in November. Consumer prices edged up 0.1% on a yearly basis in November following a 0.1% fall in October. On a monthly basis, consumer prices remained flat after rising 0.1% in October.

Global Equity Markets

Global Indices			
Indices	18-Dec-15	1-Week Return	YTD Return
Dow Jones	17128.55	-0.79%	-3.95%
Nasdaq 100	4514.825	-0.50%	6.73%
FTSE 100	6052.42	1.67%	-7.57%
DAX Index	10608.19	2.59%	8.64%
Nikkei Average	18986.8	-1.27%	8.80%
Straits Times	2852.84	0.64%	-15.36%

Source: Reuters Values as on Dec 18, 2015

Europe

- European markets rose during the week, tracking positive cues from Wall Street. Buying interest found additional support after Euro zone consumer prices for November increased more than initial estimates. Investor sentiments were further boosted after U.K. retail sales recovered at a faster-than-expected pace in November.

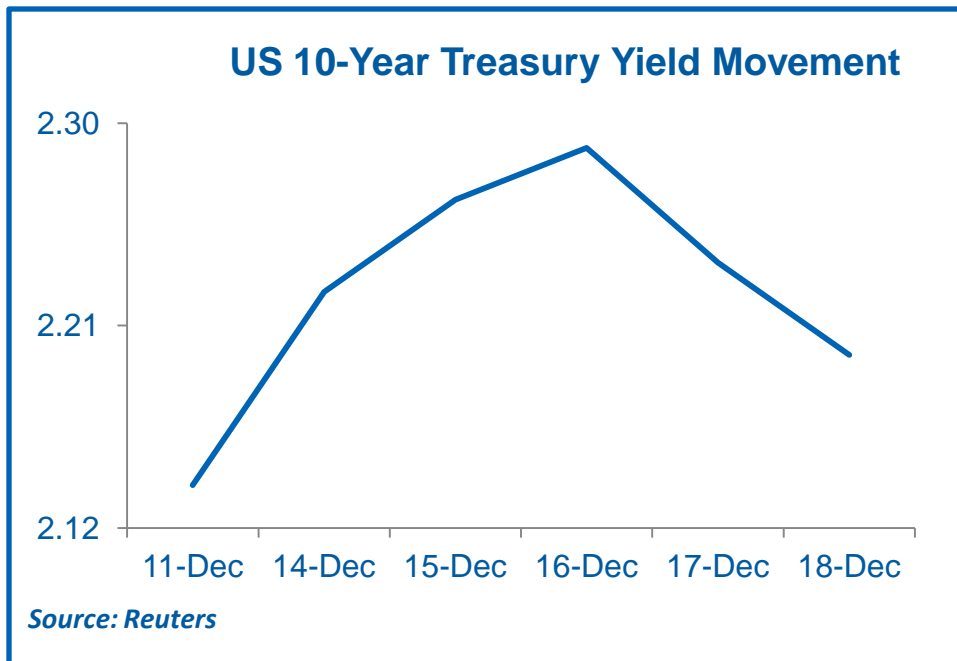
Asia

- Majority of the Asian markets rose during the week in tune with other global peers. Investor sentiments were boosted as China's industrial output in November grew to the highest level since June, and retail sales also moved up higher than market expectations during the same period. Moreover, Fed's decision on interest rate hike also contributed to the gains.

U.S.

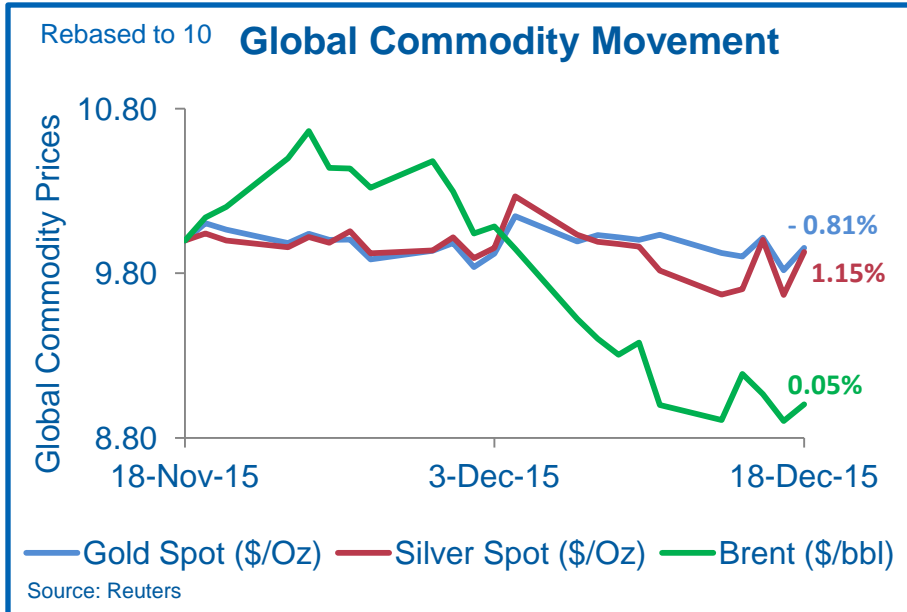
- U.S. Markets rose initially after Fed raised interest rates in nearly a decade, as widely expected. However, the trend reversed on the last day of the week as investors resorted to profit booking. Weakness in global crude oil prices and options expiration also weighed on the market sentiment. Decline in the flash Markit U.S. Services PMI for December further weighed on the bourses.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield increased by 6 bps to close at 2.20%, compared to the previous week's close of 2.14%.
- Initially, the U.S. Treasury prices slumped ahead of the two-day U.S. Federal Reserve policy meeting, tracking rise in domestic equity markets and after U.S. inflation rose in November.
- Prices declined further after the U.S. Federal Reserve increased interest rates for the first time in almost a decade.
- However, losses retreated as market participants became more doubtful of Fed's ability to increase rates as much as it would like in 2016.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	37.00	36.98
Gold (\$/Oz)	1065.81	1074.51
Gold (Rs/10 gm)	24954	25231
Silver (\$/Oz)	14.07	13.91
Silver (Rs/Kg)	32872	33625

Source: Reuters Values as on Dec. 18, 2015

Gold

- Gold prices fell earlier during the week as investors preferred to be on the sidelines ahead of the FOMC meeting. As the week progressed, sentiments dampened further as the U.S. Fed increased interest rates for the first time in nearly a decade.

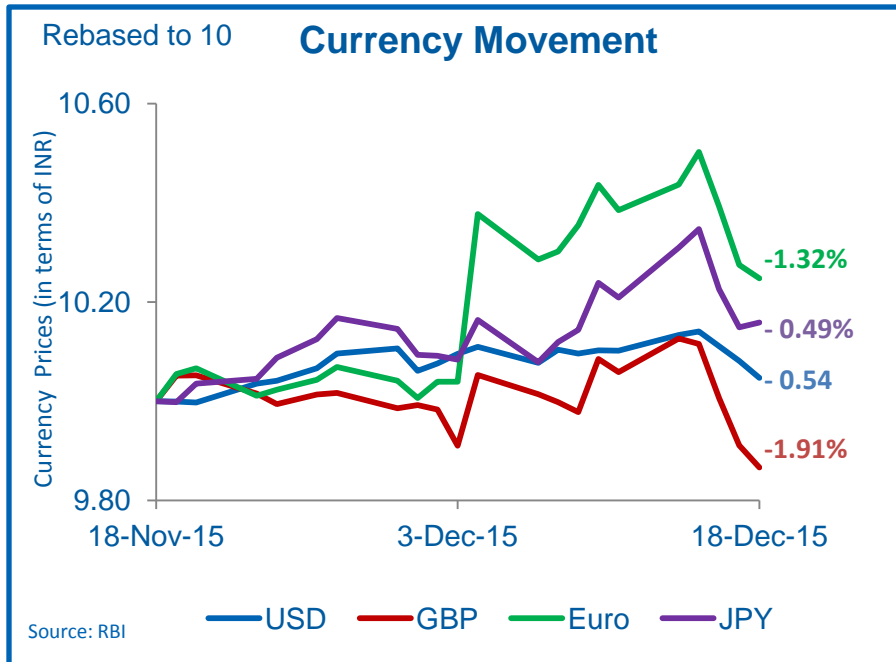
Crude

- Brent crude prices continued to remain at its lowest level in almost seven years after a report from the Energy Information Administration showed that crude oil inventories rose 4.8 million barrels in the week ended December 10 which led to concerns of a global supply glut.

Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.42	66.79
Pound Sterling	99.17	101.10
EURO	72.14	73.10
JPY(per 100 Yen)	54.48	54.75

Source: RBI *Figures in INR, Values as on Dec 18, 2015*

Rupee

- The rupee gained against the dollar tracking gains in the domestic equity markets. Selling of the greenback by banks and exporters also boosted the domestic currency.

Euro

- Euro fell against the dollar after U.S. consumer inflation rose in November and the U.S. Federal Reserve (Fed) hiked benchmark rates for the first time in nearly a decade.

Pound

- Sterling fell against the dollar on concerns over exit of U.K. from euro zone and after Britain earnings grew at their slowest pace since early 2015 in the three months to October. Dollar gained further after the Fed increased interest rates.

Yen

- Yen weakened against the dollar after U.S. consumer inflation rose in November and the U.S. Fed increased interest rates.

The Week that was...
14th December to 18th December

The Week that was (Dec 14 – Dec 18)

Day	Event	Present Value	Previous Value
Monday, December 14, 2015	Japan Industrial Production (M-o-M) (Oct)	1.40%	1.40%
	Euro Zone Industrial Production s.a. (M-o-M) (Oct)	0.60%	-0.30%
Tuesday, December 15, 2015	U.S. Consumer Price Index n.s.a (M-o-M) (Nov)	0.00%	0.20%
	U.K. Consumer Price Index (M-o-M) (Nov)	0.00%	0.10%
	U.S. NAHB Housing Market Index (Dec)	61	62
Wednesday, December 16, 2015	U.S. Federal Reserve Interest Rate Decision	0.50%	0.25%
	U.S. Industrial Production (M-o-M) (Nov)	-0.60%	-0.40%
	Euro Zone Markit PMI Composite (Dec) Preliminary	54	54.2
Thursday, December 17, 2015	U.K. Retail Sales (M-o-M) (Nov)	1.70%	-0.50%
	U.S. Initial Jobless Claims (Dec 11)	271K	282K
	Euro Zone Construction Output s.a (M-o-M) (Oct)	0.50%	-0.40%
Friday, December 18, 2015	Bank of Japan Monetary Policy Review	0.10%	0.10%
	China MNI Business Sentiment Indicator	52.7	49.9
	Euro Zone Current Account n.s.a (Oct)	€25.9B	€33.8B

The Week Ahead...
December 21 to December 25

The Week Ahead

Day	Event
Monday, December 21	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Oct) <input type="checkbox"/> Germany Producer Price Index (MoM) (Nov) <input type="checkbox"/> Euro Zone Consumer Confidence (Dec) Preliminary
Tuesday, December 22	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q3) <input type="checkbox"/> U.S. Existing Home Sales (MoM) (Nov) <input type="checkbox"/> China CB Leading Economic Index (Nov) <input type="checkbox"/> U.K. Gfk Consumer Confidence (Dec)
Wednesday, December 23	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q3) <input type="checkbox"/> U.S. Durable Goods Orders (Nov) <input type="checkbox"/> U.S. Personal Spending (Nov)
Thursday, December 24	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Initial Jobless Claims (Dec 18) <input type="checkbox"/> Japan Unemployment Rate (Nov)
Friday, December 25	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Construction Orders (YoY) (Nov) <input type="checkbox"/> Japan Housing Starts (YoY) (Nov) <input type="checkbox"/> Japan Construction Orders (YoY) (Nov)

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