

News U Can Use

December 09, 2016

The Week that was...
05th December to 09th December

Indian Economy

- ❑ In a two-day policy review meeting that ended on Dec 7, the Monetary Policy Committee (MPC) unexpectedly kept the repo rate unchanged at 6.25% under the Liquidity Adjustment Facility. Six members voted in favour of the decision. Concerns over the imminent monetary tightening in the U.S., high core inflation, volatility in crude oil prices, and unclear effects of the withdrawal of old notes were the factors that MPC considered before keeping the rates unchanged for now. MPC preferred to wait and watch as to how these factors play out and influence the growth outlook of the domestic economy.
- ❑ Reserve Bank of India (RBI) has downwardly revised the gross value added (GVA) growth for FY16-17 to 7.1% from 7.6% estimated in Oct due to expected loss of growth momentum in Sep quarter and waning effects in the Mar quarter. The outlook for GVA growth for 2016-17 remains uncertain as the after effects of demonetisation is still into play.
- ❑ RBI withdrew the incremental cash reserve ratio rate as issue to securities under market stabilisation scheme increased to Rs. 6 lakh crore in a bid to absorb excess liquidity due to demonetisation.
- ❑ Data from a private survey showed that the Nikkei India Services Business Activity Index plunged to 46.7 in Nov from 54.5 in Oct. The Nikkei India Composite Purchasing Managers' Index (PMI) Output Index also fell sharply from a 45-month high of 55.4 in Oct to 49.1 in Nov. The service PMI registered a contraction for the first time since Jun 2015 and marked the sharpest reduction in output in almost three years.

Indian Equity Market

Domestic Equity Market Indices			
Indices	09-Dec-16	1 Week Return	YTD Return
S&P BSE Sensex	26747.18	1.97%	2.24%
Nifty 50	8261.75	2.16%	3.75%
S&P BSE Mid-Cap	12535.22	2.75%	11.47%
S&P BSE Small-Cap	12320.08	1.96%	3.18%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.82	21.87	27.91	69.63
P/B	2.72	3.13	2.27	1.92
Dividend Yield	1.46	1.34	1.22	0.83

Source: BSE, NSE

Value as on December 09, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
05-Dec-16	915	696	1.31
06-Dec-16	936	683	1.37
07-Dec-16	567	1041	0.54
08-Dec-16	1265	348	3.64
09-Dec-16	853	766	1.11

Source: NSE

- The Indian equity market started on a subdued note as service Purchasing Managers' Index (PMI) along with Composite PMI index fell in Nov, indicating a contraction in private sector activities. Sentiment dampened further after the Monetary Policy Committee (MPC) decided to keep the policy repo rate unchanged at 6.25%.
- All six members of the MPC voted in favour of status-quo. The central bank has also lowered gross domestic product growth rate to 7.1% against the earlier projection of 7.6%. However, the trend reversed on expectations that European Central Bank (ECB) will announce more stimulus measures to support growth.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20463.7	4.17%	-5.67%
S&P BSE Bankex	21411.2	2.57%	-4.30%
S&P BSE CD	11169.3	1.86%	-6.58%
S&P BSE CG	13932.2	0.68%	-1.69%
S&P BSE FMCG	8113.6	2.00%	-3.51%
S&P BSE HC	15544.4	-0.51%	0.47%
S&P BSE IT	9814.48	1.14%	3.04%
S&P BSE Metal	10912.7	5.16%	5.15%
S&P BSE Oil & Gas	12131.9	3.45%	1.90%

Source: Reuters *Value as on December 09, 2016*

- On the BSE sectoral front, barring, S&P BSE HC (-0.51%) all the indices closed in the green. Healthcare sector was impacted after a major drug-maker confirmed that one of its facilities had undergone an inspection by the U.S. Food and Drug Administration recently.
- S&P BSE Metal topped the chart followed by S&P BSE Auto. Metal sector got support after a major company made a 10-year commitment to invest one-billion-pound to save thousands of jobs in the U.K.

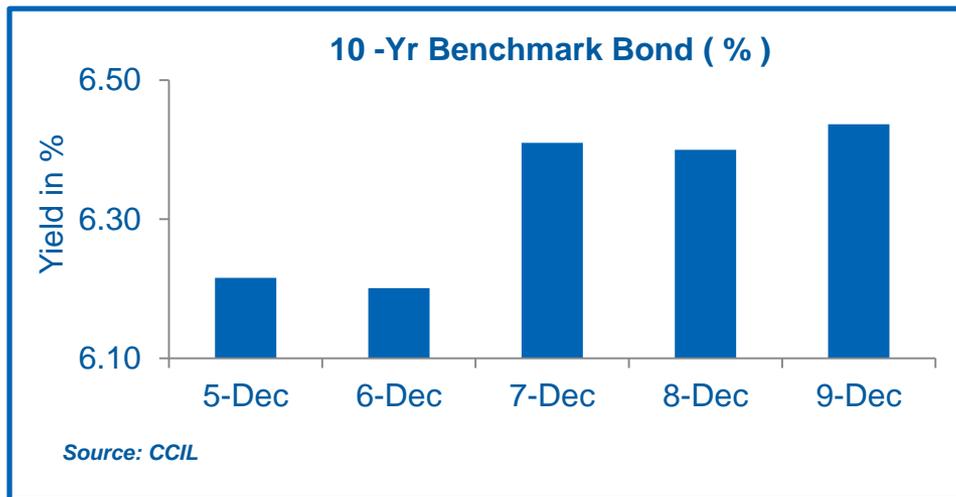
Indian Derivatives Market Review

- Nifty Dec 2016 Futures were at 8,277 points, a premium of 15.25 points, over the spot closing of 8,261.75 points. The turnover on NSE's Futures and Options segment stood at Rs. 14.50 lakh crore during the week to Dec 9, compared with Rs. 15.70 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.97, compared with the previous week's close of 0.87.
- The Nifty Put-Call ratio stood at 1.10, compared with the previous week's close of 1.03.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.19	6.08	6.20	6.42
91 Day T-Bill	6.23	6.00	6.34	6.79
07.80% 2021 , (5 Yr GOI)	6.40	6.21	6.58	7.45
06.97% 2026, (10 Yr GOI)	6.44	6.24	6.67	--

Source: Reuters Value as on December 09, 2016



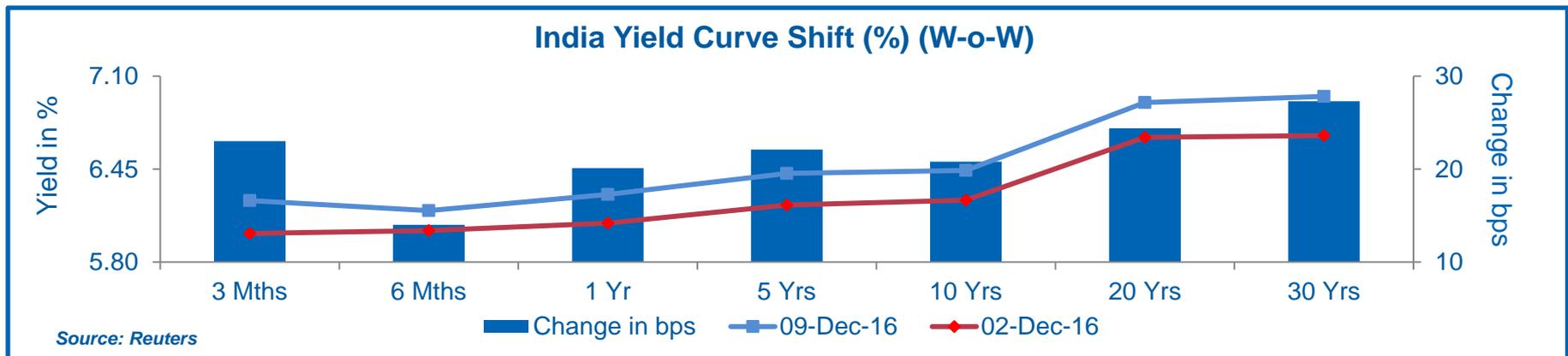
- Bond yields fell initially on expectations that the Monetary Policy Committee (MPC) will lower key policy repo rates in the fifth bi-monthly monetary policy review. However, the trend reversed and bond yields surged after MPC unexpectedly kept interest rates on hold and downgraded the growth forecast for the Indian economy. In addition, the central bank announced to withdraw the incremental cash reserve ratio rate of 100% from Dec 10.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) surged 20 bps to close at 6.44% from the previous close of 6.24%. During the week, bond yields moved in the region of 6.17% to 6.46%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.36	6.81	45
3 Year	6.39	7.02	63
5 Year	6.60	7.20	60
10 Year	6.65	7.29	65

Source: Reuters Value as on December 09, 2016

- Yields on gilt securities increased across the maturities in the range of 19 bps to 28 bps.
- Corporate bond yields increased across the maturities in the range of 22 bps to 39 bps. The highest increase was witnessed on 5-year maturities and the minimum on 15-year paper.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 1 bps to 17 bps, barring 15-year maturity that contracted 6 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) directed all banks to upload the Know Your Customer (KYC) data regarding new individual accounts that were opened after Jan 1 with Central KYC Records Registry. In addition, the central bank gave approval to One Time Pin (OTP) based e-KYC subject to certain restrictions. The restriction is that consent needs to be obtained from the customer for authentication and the aggregate balance of all the deposit accounts of the customer should not exceed Rs. 1 lakh.
- ❑ The government extended the minimum import price (MIP) on selected 19 products for two months, till Feb 4, 2017. These 19 products include semi-finished products of iron or non-alloyed steel, flat-rolled products of different widths, bars, and rods. The objective of the move is to protect domestic steel industry from below-cost imports.
- ❑ The finance ministry made it mandatory for government departments to make electronic payment to suppliers and contractors if the order value exceeds Rs. 5,000. The objective of the move is to enable digitisation of government payments. In addition, the finance ministry has directed all public and private sector banks to do away with the transaction cost for all payments made through debit cards.

Regulatory Updates in India (contd..)

- According to the labour minister, the government is considering a proposal to increase the wage ceiling for coverage under social security schemes run by the retirement fund body Employee Provident Fund Organization (EPFO). The wage ceiling could go up to Rs. 25,000 from the existing Rs. 15,000. The move may add 50 lakh additional formal sector workers to around four crore contributing subscribers.
- Data from capital market regulator Securities and Exchange Board of India (SEBI) showed that corporate firms in India raised a significant Rs. 48,695 crore in Nov through placement of corporate debt bonds. This is almost double compared with the same period of the previous year when corporate raised Rs. 24,618 crore. In terms of numbers of issuances, 229 issues were made in Nov 2016 compared with 133 in the year-ago period. With the latest mobilisation, the total fund raising through private placement of debt securities reached Rs. 4.3 lakh crore in the current financial year. In the previous fiscal, Rs. 4.58 lakh crore were collected through the same route.
- The government has waived service tax on debit and credit card transactions of up to Rs 2,000. The objective of the move is to promote digital transactions amid cash crunch following the government's demonetisation move.

Global News/Economy

- According to the Institute for Supply Management (ISM), U.S. non-manufacturing index or services sector grew better than expected to 57.2 in Nov 2016 from 54.8 in the prior month. The rise is attributed to a substantial growth in the business activity index, which increased to 61.7 during the reported period from 57.7 in Oct 2016. Similarly, job growth also witnessed a significant increase.
- According to the Commerce Department, U.S. trade deficit widened marginally higher than forecast at \$42.6 billion in Oct 2016 compared with \$36.2 billion in the prior month. Expansion in trade deficit was due to fall in value of exports and rise in imports.
- As per the Office for National Statistics, U.K. industrial production unexpectedly contracted 1.3% MoM in Oct 2016, worse than 0.4% fall in the previous month. The reason behind the fall was manufacturing output that surprisingly declined 0.9%, compared with a 0.6% rise in Sep 2016. Annually, industrial production fell 1.1% in Oct, compared with 0.4% rise in the prior month.
- According to survey from IHS Markit, Caixin China Composite Purchasing Managers' Index (PMI) remained unchanged at 43- month high of 52.9 in Nov compared with the previous month's level. Accelerated growth in services sector offset slight slower expansion growth in the manufacturing sector. The services PMI reached 16-month high at 53.1 in Nov from 52.4 in Oct. Notably, new business growth slowed in both services and manufacturing sectors.

Global Equity Markets

Global Indices			
Indices	09-Dec -16	1-Week Return	YTD Return
Dow Jones	19756.85	3.06%	15.21%
Nasdaq 100	4895.904	3.30%	8.85%
FTSE 100	6954.21	3.32%	14.13%
DAX Index	11203.63	6.57%	8.95%
Nikkei Average	18996.37	3.10%	2.96%
Straits Times	2956.13	1.26%	4.24%

Source: Reuters

Europe

- European markets gained during the week although the political turmoil in Italy around the country's Prime Minister being defeated in a referendum and eventually resigning from his post remained in the spotlight

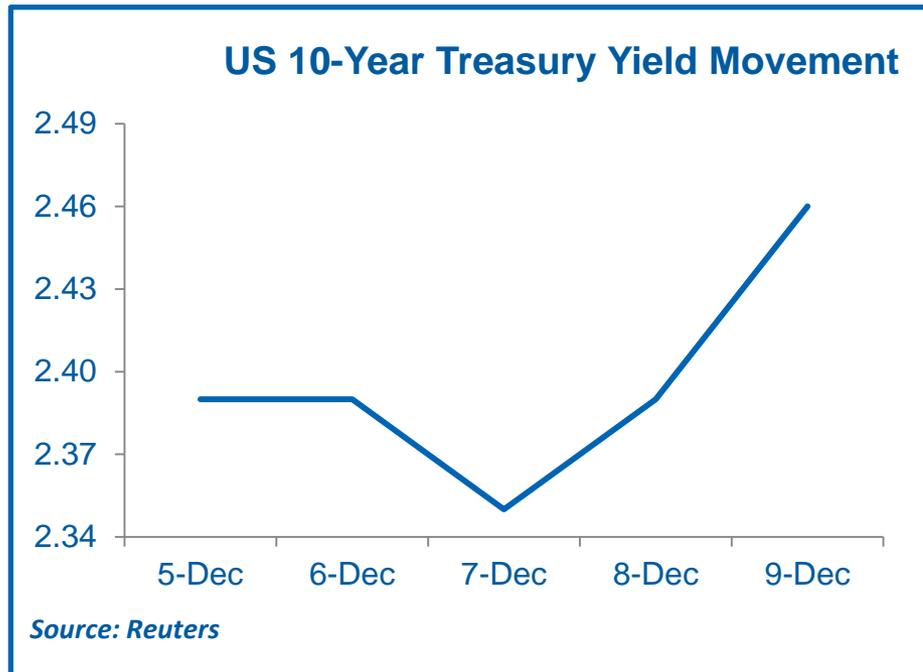
Asia

- Most of the major Asian markets climbed during the week, mainly tracking gains from the overnight U.S. market owing to positive economic data. Hopes that the monetary stimulus measures considered by the U.S. President-elect could boost the country's economy helped the U.S. markets, in turn boosting the Asian markets. While markets awaited the U.S. Federal Reserve's meeting due next week.

U.S.

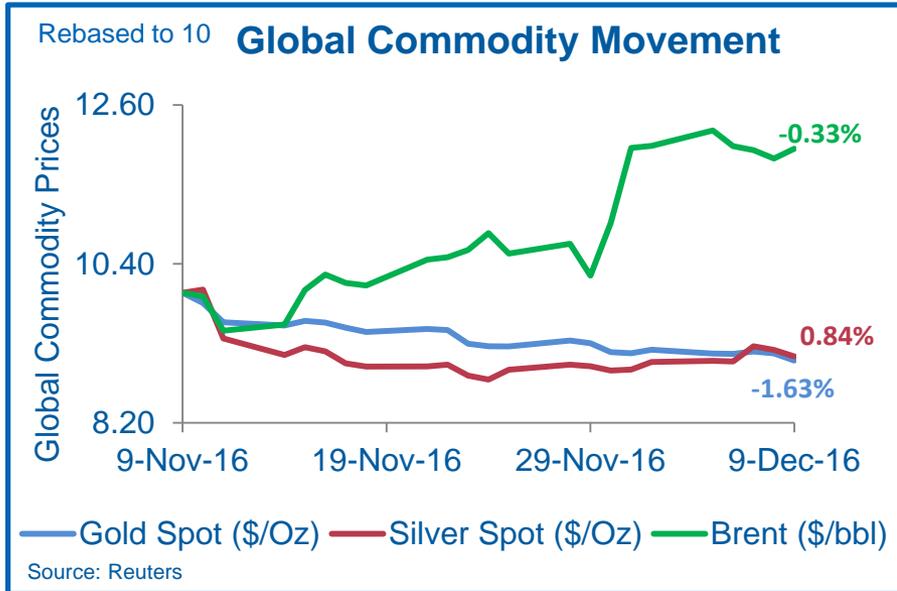
- U.S. markets registered growth during the week despite political upheavals in Europe as the Italian Prime Minister lost the referendum.
- Markets strengthened over the European Central Bank (ECB) declaring in its meeting that the bank would extend its asset purchase programme longer than originally anticipated. Unexpected drop in unemployment rate in Nov also added to the gains.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 7 bps to close at 2.46%, compared with the previous week's close of 2.39%.
- U.S. treasuries started the week on the steady note as investors awaited clues on the European Central Bank (ECB)'s bond purchase program following its policy meeting on Dec 9.
- However, treasury prices increased later following decline in German Bund and British Gilt yields after data for the Oct month showed that the German industrial output rose less than expected and British factory production registered steepest decline in more than four years.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	51.7	51.9
Gold (\$/Oz)	1157.8	1176.9
Gold (Rs/10 gm)	28070.0	28401.0
Silver (\$/Oz)	16.8	16.7
Silver (Rs/Kg)	40926.0	39925.0

Source: Reuters Value as on December 09, 2016

Gold

- The resignation of Italian Prime Minister, following the referendum on constitutional reform, sent political jitters across markets and induced safe haven buying of the bullion. Gains soon faded away amid cautious stance ahead of the U.S. Federal Reserve's monetary policy review meeting, scheduled on Dec 13-14.

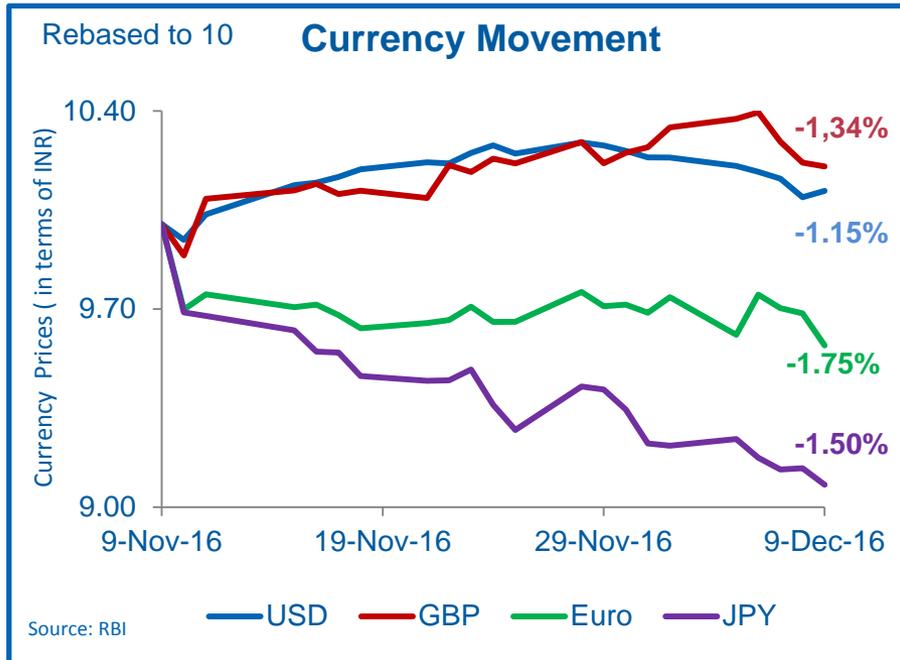
Crude

- Brent crude prices remained steady amid growing optimism that non-OPEC producers might join hands with OPEC in limiting production and boosting oil prices. Meanwhile, the positive impact of the agreement between OPEC and Russia regarding oil production-cut continued to lose steam.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.58	68.37
Pound Sterling	85.13	86.28
EURO	71.76	73.04
JPY(per 100 Yen)	59.06	59.96

Source: RBI Figures in INR , Value as on December 09, 2016

Rupee

- The Indian rupee strengthened against the U.S. dollar following gains in the domestic equity market and higher greenback sales by foreign banks and exporters.

Euro

- Euro strengthened initially ahead of the highly anticipated ECB's policy meeting. However, euro weakened later in the week after ECB said it will reduce its asset buys to 60 billion euros from Apr 2017 from the current 80 billion euros.

Pound

- Sterling weakened after the British government asked parliament to follow its timetable for leaving the European Union.

Yen

- Yen weakened against the U.S. dollar after ECB said it would extend its asset purchase program and U.S. jobless claims data came in line with expectations.

The Week that was...
December 05 to December 09

The Week that was (Dec 05 – Dec 09)

Date	Events	Present Value	Previous Value
Monday, December 05, 2016	Caixin China Services PMI (Nov)	53.1	52.4
	Euro Zone Markit Services PMI (Nov)	53.8	54.1
	U.K. Markit Services PMI (Nov)	55.2	54.5
	U.S. ISM Non-Manufacturing PMI (Nov)	57.2	54.8
Tuesday, December 06, 2016	Germany Factory Orders s.a. (MoM) (Oct)	4.9%	-0.3%
	U.S. Trade Balance (Oct)	(\$42.60B)	(\$36.20B)
	Euro Zone Gross Domestic Product s.a. (QoQ) (Q3)	0.3%	0.3%
Wednesday, December 07, 2016	U.S. MBA Mortgage Applications (Dec 2)	-0.7%	-9.4%
	Japan Leading Economic Index (Oct) Preliminary	101.0	100.0
	Japan Gross Domestic Product (QoQ) (Q3)	0.3%	0.5%
Thursday, December 08, 2016	European Central Bank Interest Rate Decision	0.0%	0.0%
	U.S. Initial Jobless Claims (Dec 2)	258K	268K
	China Trade Balance (Nov)	\$44.61B	\$49.06B
Friday, December 09, 2016	China Consumer Price Index (YoY) (Nov)	2.3%	2.1%
	China Producer Price Index (YoY) (Nov)	3.3%	1.2%

The Week Ahead...
December 12 to December 16

The Week Ahead

Day	Event
Monday, December 12, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Tertiary Industry Index (MoM) (Oct)
Tuesday, December 13, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Retail Sales (YoY) (Nov) <input type="checkbox"/> China Industrial Production (YoY) (Nov) <input type="checkbox"/> U.K. Consumer Price Index (YoY) (Nov)
Wednesday, December 14, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (YoY) (Oct) <input type="checkbox"/> U.S. Producer Price Index (YoY) (Nov) <input type="checkbox"/> U.S. Industrial Production (MoM) (Nov) <input type="checkbox"/> U.S. Fed Interest Rate Decision
Thursday, December 15, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Retail Sales (MoM) (Nov) <input type="checkbox"/> U.S. Consumer Price Index (YoY) (Nov) <input type="checkbox"/> Euro zone Consumer Price Index (YoY) (Nov) <input type="checkbox"/> Euro zone Markit PMI Composite (Dec) Preliminary
Friday, December 16, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Housing Starts (MoM) Nov

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