News U Can Use

February 10, 2017

The Week that was…

06th February to 10th February

Indian Economy

- The Index of Industrial production (IIP) contracted 0.4% YoY in Dec 2016 after rising to a 13-month high at 5.7% in the prior month. Fall in industrial output was led by contraction in consumer and capital goods production. Sector wise, manufacturing declined 2% while electricity generation and mining grew 6.3% and 5.2%, respectively. Capital goods dropped 3% in Dec after rising 15% in Nov 2016. The cumulative industrial growth from Apr-Dec period stood at 0.3%, much lower than 3.2% rise during the corresponding period of the last financial year.

- Government data showed that direct and indirect tax collections increased 10.79% YoY and 23.9% to 5.82 lakh crore and Rs. 7.03 lakh crore, respectively, till Jan 2017 of the current financial year ending on Mar 2017. The rise was contributed by robust collections in personal income tax and excise duty. According to revised estimate for FY16-17, total direct and indirect tax collections stood at 76% of the Rs. 16.99 lakh crore target.

- According to Reserve Bank of India's (RBI) bi-monthly survey on consumer confidence, Current Situation Index (CSI) (that provides a gauge of households' assessment of general economic conditions like employment, their own income and price situation) plunged to 102.0 in Dec 2016 from 108.7 in the prior month. The survey showed percentage of households assessing the economic improvement in the conditions (compared to a year ago) have dropped to 15.4% from 25.6% in Nov 2016. On the positive side, optimism on future economic conditions maintained its improving profile.

Indian Equity Market

Domestic Equity Market Indices			
Indices	**10-Feb-17**	**1 Week Return**	**YTD Return**
S&P BSE Sensex	28334.25	0.33%	6.54%
Nifty 50	8793.55	0.60%	7.51%
S&P BSE Mid-Cap	13468.41	1.38%	11.02%
S&P BSE Small-Cap	13601.31	1.34%	11.58%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.12	23.34	28.98	70.59
P/B	2.88	3.33	2.4	2.15
Dividend Yield	1.43	1.26	1.13	0.75

Source: BSE, NSE *Value as on February 10, 2017*

NSE Advance/Decline Ratio			
Date	**Advances**	**Declines**	**Advance/Decline Ratio**
06-Feb-17	1112	549	2.03
07-Feb-17	705	953	0.74
08-Feb-17	865	779	1.11
09-Feb-17	801	849	0.94
10-Feb-17	754	907	0.83

Source: NSE

- Initially, the domestic equity market gained on optimism over a rate cut by the MPC in its policy review scheduled on Feb 8, to support demand growth in the post-demonetisation period. However, MPC’s decision to maintain status-quo and to change the policy stance from ‘accommodative’ to ‘neutral’ weighed on sentiment. Market also remained muted after MPC lowered FY17 Gross Value Added target for FY17.
- But, better earnings reports from some companies and support from other regional peers on the back of impressive Chinese trade data brought some respite. Increase in sales of passenger vehicles also helped sentiment.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22195	0.22%	4.38%
S&P BSE Bankex	23174.5	0.16%	10.16%
S&P BSE CD	13590.8	5.20%	13.37%
S&P BSE CG	15482.6	2.56%	8.84%
S&P BSE FMCG	8916.14	0.59%	7.36%
S&P BSE HC	15138.2	-0.77%	0.86%
S&P BSE IT	10070.3	3.83%	1.16%
S&P BSE Metal	11694.6	-1.64%	8.76%
S&P BSE Oil & Gas	13095	-0.04%	4.38%

Source: Reuters *Value as on February 10, 2017*

- On the BSE sectoral front, barring S&P BSE Metal (-1.64%), S&P BSE HC (-0.77%) and S&P BSE Oil & Gas (-0.04%), all the other sectors closed in the green. S&P BSE Consumer Durables (5.20%) stood as the major gainer followed by S&P BSE IT (3.83%).
- Realty sector continued with the upward trend after the finance minister proposed affordable housing in the Union Budget 2017-18 to encourage investment in the segment. Auto sector also gained on the back of improved sales data.

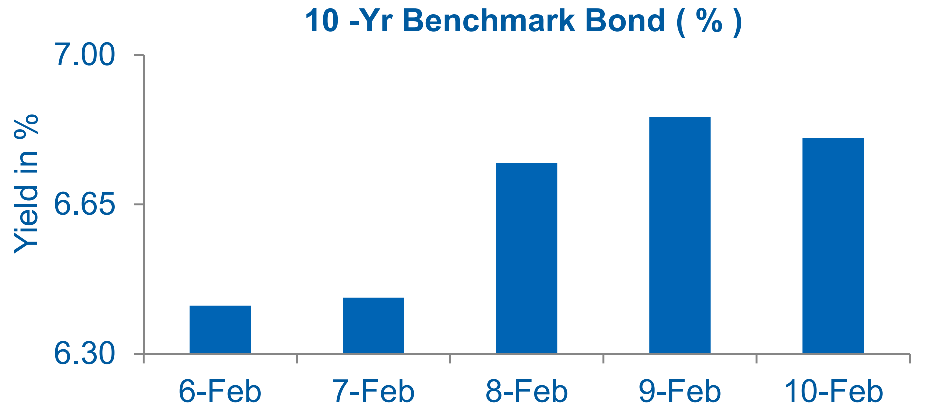
Indian Derivatives Market Review

- Nifty Feb 2017 Futures were at 8,809.35, a premium of 15.80 over the spot closing of 8,793.55. The turnover on NSE's Futures and Options segment stood at Rs. 21.85 lakh crore during the week to Feb 10, compared with Rs. 21.71 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.87, unchanged from the previous week's close.
- The Nifty Put-Call ratio stood at 1.12, compared with the previous week's close of 1.08.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.11	6.00	6.09	6.46
91 Day T-Bill	6.26	6.17	6.21	6.60
7.80% 2021, (5 Yr GOI)	6.71	6.43	6.43	7.03
6.97% 2026, (10 Yr GOI)	6.81	6.41	6.40	--

Source: Reuters *Value as on February 10, 2017*



Source: CCIL

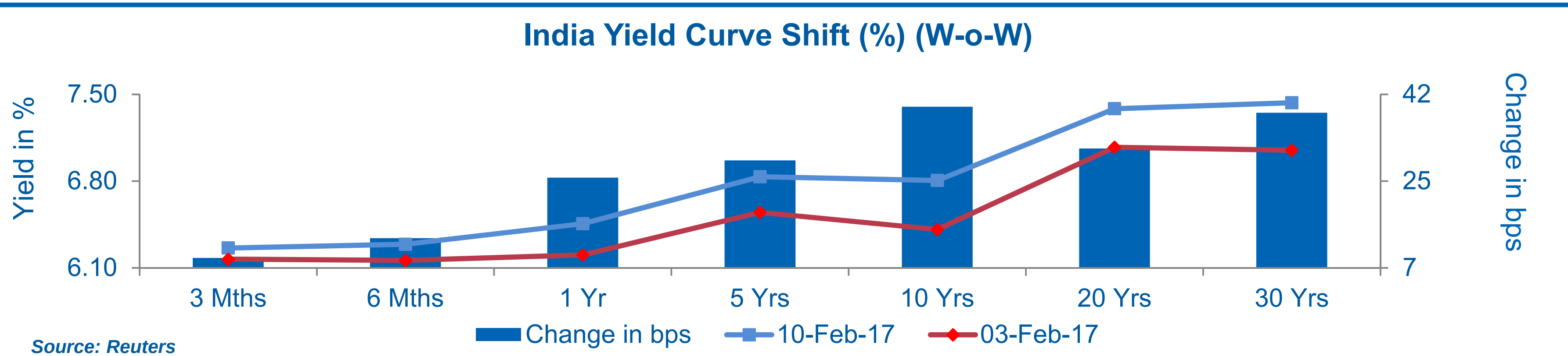
- Bond yields surged after the MPC kept interest rates on hold contrary to market expectations. MPC changed its policy stance from “accommodative” to “neutral” and warned about the risks of high inflation. However, further losses were restricted following strong demand in the weekly debt auction.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) surged 40 bps to close at 6.81% from the previous close of 6.41%.
- RBI conducted the auction of four-dated securities – 6.84% Government Stock (GS) 2022, 6.97% GS 2026, 7.73% GS 2034, and 7.06% GS 2046 for a notified amount of Rs. 11,000 crore. The cut-off rates stood in the range of 6.79% to 7.42%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.55	6.88	33
3 Year	6.70	7.12	43
5 Year	6.94	7.33	39
10 Year	7.08	7.58	50

Source: Reuters *Value as on February 10, 2017*

- Yields on gilt securities increased across maturities in the range of 25 to 52 bps. The maximum increase was witnessed on 13-year paper.
- Corporate bond yields rose across curve in the range of 18 to 37 bps. The maximum increase was witnessed on 7-year paper and the minimum on 1-year paper.
- Spread between AAA corporate bond and gilt contracted across segments up to 12 bps.



Source: Reuters

Regulatory Updates in India

- The Monetary Policy Committee (MPC) kept repo rate unchanged at 6.25% in its sixth bi-monthly monetary policy review, contrary to market expectations. Six members voted in favour of the monetary policy decision. MPC changed its policy stance from “accommodative” to “neutral” and warned about the risks of high inflation. MPC identified these risks as emanating from increase in global crude oil prices, volatility in exchange rates on account of global financial market developments and the impact of the house rent allowances under the 7th Central Pay Commission award.

- MPC lowered the GVA (Gross Value Added) growth forecast for 2016-17 at 6.9% from its earlier estimate of 7.1%. For 2017-18, GVA growth is estimated at 7.4%. MPC expects growth to recover sharply in 2017-18 on the back of revival in consumer, consumption and investment demand, and rapid restoration of economic activity in cash-intensive sectors following demonetisation. Furthermore, MPC is of view that the emphasis in the Union Budget 2017-18 on increasing capital expenditure, and boosting the rural economy and affordable housing would contribute to the growth of the economy.

- MPC projected inflation in the range of 4.0% to 4.5% in the first half of the fiscal and in the range of 4.5% to 5.0% in the second half. It also estimated the current account deficit to remain muted and below % of GDP in 2016-17. MPC expressed its commitment to bring down headline inflation closer to 4.0% on a sustainable and in a calculated manner.

Regulatory Updates in India (contd..)

- The Reserve Bank of India (RBI) raised cash withdrawal limits from the existing Rs. 24,000 to Rs. 50,000 per week from savings accounts, starting Feb 28, 2017. RBI added that all cash limits will be removed from Mar 13, 2017.

- The Parliament has passed the Payment of Wages (Amendment) Bill, 2017. The Bill gives permission to an employer to pay wages of less than Rs. 18,000, other than cash, through cheque or by crediting to his bank account without any written consent from the employee. The Bill would improve the compliance of labour laws, reduce exploitation of workers and strengthen workers' rights.

- The Cabinet has permitted to sign a Memorandum of Understanding between India and Senegal in the sector of health and medicine. The agreement includes cooperation in AIDS control, integrated disease inspection and emergency relief. The Cabinet will set up a working group which will further elaborate the details of cooperation and to manage the implementation of the agreement.

- A panel was constituted by the government to examine the feasibility of changing the starting date of financial year (FY) in India. However, the panel recommended continuing with the current Apr-Mar format as a change could lead to avoidable "uncertainties" without much gain. The panel said that advancement of the Budget date from end-Feb to Feb 1 has solved the issue of expenditure getting delayed.

Global News/Economy

- Data from the U.S. Labor Department showed that initial jobless claims for the week ended Feb 4, 2017, fell 12,000 to 234,000 from the previous week's unrevised level of 246,000. Jobless claims fell to their lowest level since hitting a more than 40-year low of 233,000 in the week ended Nov 12, 2016.

- U.S. trade deficit contracted more than forecast at $44.3 billion in Dec 2016 from a revised $45.7 billion ($45.2 billion originally reported) in Nov due to rise in value of exports. Exports went up 2.7% MoM to $190.7 billion, while imports rose 1.5% to $235.0 billion in Dec.

- Survey results from Sentix showed that eurozone's economic sentiment index is expected to decrease to 17.4 in Feb 2017 compared with 18.2 in the previous month. The current situation index rose to 20.5 from 16.5, marking its highest level since May 2011.

- Data from Destatis showed that Germany's industrial production unexpectedly declined in Dec 2016. Industrial output fell 3% on a monthly basis in Nov 2016, when it grew 0.5%. This was the biggest decline since Jan 2009, when output decreased 6.9%. On a yearly basis, industrial production fell 0.7%, in contrast to 2.3% increase in Nov.

- Results of a private survey showed that China's private sector expanded at the weakest pace in four months in Jan 2017. The Caixin composite output index fell to 52.2 in Jan from Dec 2016's 45-month high of 53.5. The services Purchasing Managers' Index dropped to 53.1 in Jan from 53.4 in Dec.

Global Equity Markets

Global Indices			
Indices	10-Feb-17	1-Week Return	YTD Return
Dow Jones	20269.37	0.99%	1.95%
Nasdaq 100	5226.686	1.26%	6.42%
FTSE 100	7258.75	0.98%	1.62%
DAX Index	11666.97	0.13%	0.59%
Nikkei Average	19378.93	2.44%	1.38%
Straits Times	3100.39	1.92%	6.95%

Source: Reuters

U.S.

- The U.S. markets initially fell, mainly because of uncertainties around the U.S. President's fiscal and trade policies, including measures to roll back financial regulations, and news of ambiguity around travel ban.
- However, the U.S. President's promise of a phenomenal tax plan to reduce pressure on American businesses reversed previous losses and ended the market on a positive note.

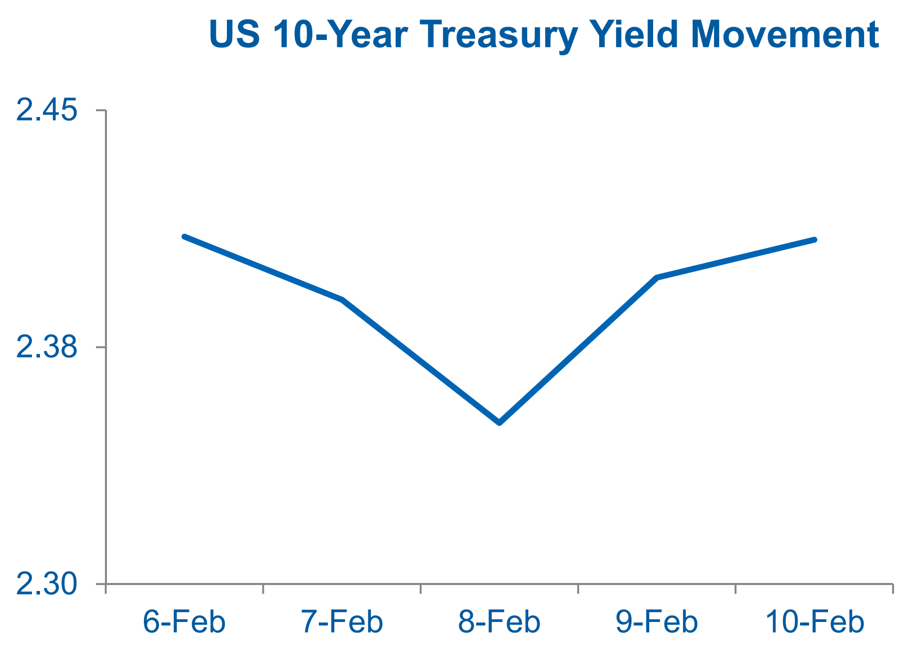
Europe

- European markets initially dropped on worries about the imminent election in Europe and possibility of France pulling out of the Eurozone. However, losses reversed at the end of the week following positive data out of both the U.K. and China. Upbeat Dec quarterly earnings of some big companies, added to the upside.

Asia

- Asian markets fell initially, particularly owing to economic and political ambiguity in global markets. However, losses reversed after the U.S. President signed two directives to remove restrictions from the finance industry. Investors' confidence was boosted by the U.S. President's indication at maintaining positive relations with China.

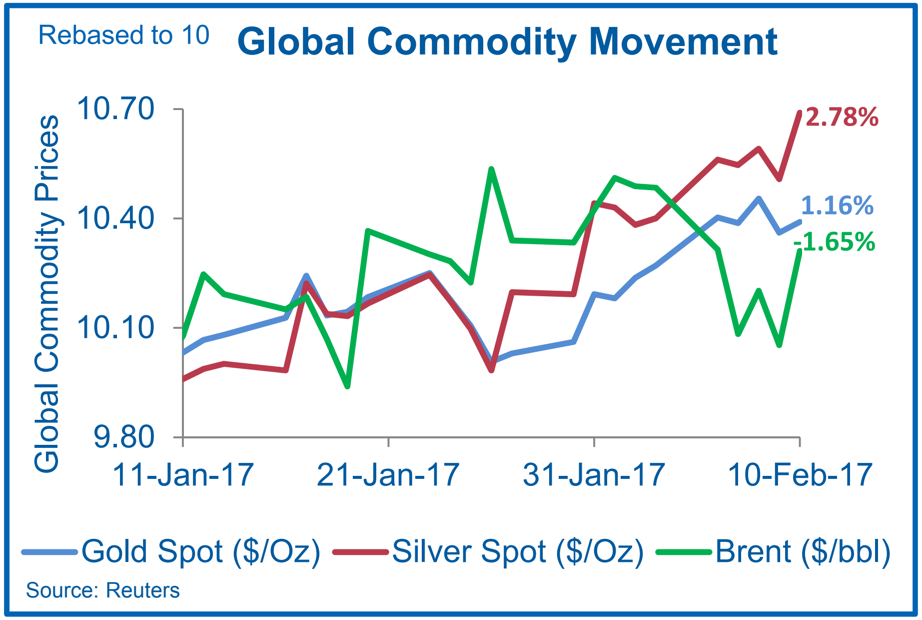
Global Debt (U.S.)



Source: Reuters

- The 10-year U.S. Treasury yield fell 8 bps to close at 2.41%, compared with the previous week's close of 2.49%.
- U.S. Treasury prices rose initially as its safe haven appeal improved on growing uncertainty regarding the outcome of the upcoming elections in France, Germany, Netherlands, and possibly Italy, and worries as to what policies the new U.S. President adopts.
- However, gains were capped after the new U.S. President promised a major tax reform plan and U.S. import prices rose more than expected in Jan 2017.

Commodities Market



Performance of various commodities		
Commodities	**Last Closing**	**1-Week Ago**
Brent Crude($/Barrel)	54.69	55.61
Gold ($/Oz)	1234.01	1219.80
Gold (Rs/10 gm)	29015	28977
Silver ($/Oz)	17.946	17.46
Silver (Rs/Kg)	41837	41550

Source: Reuters *Value as on February 10, 2017*

Gold

- Gold prices gained as the metal's safe haven appeal improved following political and economic uncertainty in the U.S. and Europe. Uncertainty regarding timing of U.S. Federal Reserve's rate-hike decision, and the newly-elected U.S. President's immigration and other trade policies also supported prices.

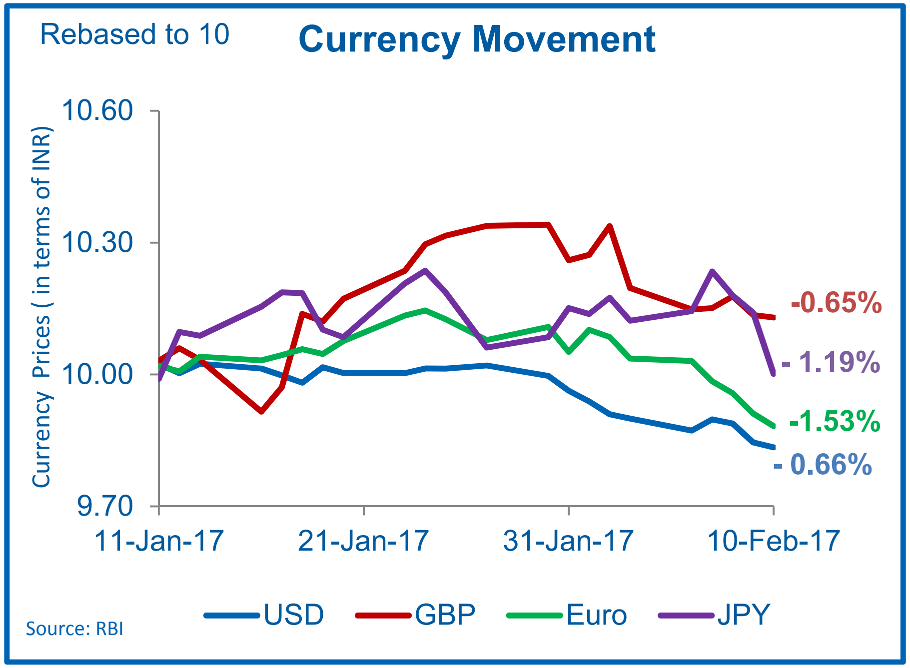
Crude

- Brent crude prices dropped on concerns that efforts of reducing production by the OPEC might be offset by higher U.S. oil production level. The API data also indicated that the U.S. oil inventories surged.

Baltic Dry Index

- The Baltic Dry Index decreased 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	66.94	67.38
Pound Sterling	83.77	84.32
EURO	71.33	72.44
JPY(per 100 Yen)	58.89	59.60
Source: RBI	*Figures in INR , Value as on February 10, 2017*	

Rupee

- The rupee rose against the U.S. dollar following selling of the greenback by exporters.

Euro

- The euro fell against the greenback as investors remained worried regarding the outcome of the upcoming elections in France, Germany and Netherlands.

Pound

- The pound rose against the greenback on hopes that the parliament will have a greater say in the final deal to leave the European Union, and a slew of upbeat U.K. economic data. However, gains reversed after the new U.S. President promised a major tax reform plan.

Yen

- The yen fell after the new U.S. President promised a major tax reform plan that strengthened the greenback.

The Week that was…

February 06 to February 10

The Week that was (Feb 06 – Feb 10)

Date	Events	Present Value	Previous Value
Monday, February 06, 2017	German Factory Orders n.s.a. (YoY) (Dec)	8.10%	2.00%
	Germany Markit Retail PMI (Jan)	50.30	52.00
	Euro-Zone Sentix Investor Confidence (Feb)	17.40	18.20
Tuesday, February 07, 2017	Japan Trade Balance - BOP Basis (Yen) (Dec)	¥806.8b	¥313.4b
	Japan Leading Index (Dec P)	105.20	102.80
	Germany Industrial Production (YoY) (Dec)	-0.70%	2.30%
	U.S. Trade Balance (Dec)	-$44.3b	-$45.7b
Wednesday, February 08, 2017	Japan Housing Loans (YoY) (4Q)	3.10%	2.70%
	Japan Machine Orders (YoY) (Dec)	6.70%	10.40%
Thursday, February 09, 2017	U.S. Wholesale Inventories (Dec) (F)	1.00%	1.00%
	U.S. Initial Jobless Claims (Feb 04)	234k	246K
	U.K. RICS House Price Balance (Jan)	25%	23%
Friday, February 10, 2017	U.S. U. of Michigan Confidence (Feb) (P)	95.7	98.5
	China Trade Balance (Jan)	354.50b	275.40b
	U.K. Total Trade Balance (Pounds) (Dec)	-£3,304	-£3,559
	U.K. Industrial Production (YoY) (Dec)	4.30%	2.20%
	U.K. Manufacturing Production (YoY) (Dec	4.00%	1.70%

The Week Ahead…
February 13 to February 17

The Week Ahead

Day	Event
Monday, February 13, 2017	❑ Japan Gross Domestic Product Annualized (4Q P)
Tuesday, February 14, 2017	❑ China Consumer Price Index (YoY) (Jan) ❑ German Gross Domestic Product w.d.a. (YoY) (4Q) (P) ❑ U.K. Consumer Price Index (YoY) (Jan) ❑ Eurozone Gross Domestic Product s.a. (YoY) (4Q) (P)
Wednesday, February 15, 2017	❑ U.S. Consumer Price Index (YoY) (Jan) ❑ U.S. Advance Retail Sales (Jan) ❑ U.S. Industrial Production (Jan) ❑ U.K. Jobless Claims Change (Jan)
Thursday, February 16, 2017	❑ Japan Machine Tool Orders (YoY) (Jan) (F) ❑ U.S. Housing Starts (MoM) (Jan)
Friday, February 17, 2017	❑ U.K. Retail Sales (YoY) (Jan) ❑ U.S. Leading Indicators (Jan)

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