

News U Can Use

February 12, 2016

The Week that was...
8th February to 12th February

Indian Economy

- ❑ Consumer Price Index (CPI) based inflation increased for the fifth consecutive month to a seven-month high of 5.69% in Jan 2016 from 5.61% in Dec 2015. CPI in the same month of the previous year was at 5.19%. Consequently, Consumer Food Price Index rose to 6.85% in Jan 2016 from 6.40% in Dec 2015 and 6.14% in Jan 2015. Under the food category, prices of pulses and spices increased 43.32% and 10.56%. Fuel inflation stood at 5.32%.
- ❑ Index of Industrial Production (IIP) contracted 1.3% for the second consecutive month in Dec compared with a contraction of 3.4% (revised downwards from -3.2%) in Nov. The cumulative industrial output for Apr to Dec 2015 stood at 3.1%. Manufacturing output contracted 2.4% in Dec while mining and electricity output went up 2.9% and 3.2%, respectively.
- ❑ India's Gross Domestic Product (GDP) grew 7.3% in the Dec quarter of 2015, slower than upwardly revised 7.7% rise (7.4% earlier reported) in the previous quarter. However, the reading was better than 6.6% in the corresponding quarter last year. GDP growth for the June quarter was revised from 7.0% to 7.7%. Government's projected growth for the current financial year was revised upwards to 7.6% from a growth rate of 7.2% in FY14-15. The gross value added (GVA) growth stood at 7.3% in the third quarter of FY16, faster than 7.1% a year ago due to acceleration in manufacturing sector. Manufacturing sector surged 12.6% compared with 1.7% during the similar period.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 12-Feb-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 22986.12 | -6.62% | -12.14% |
| Nifty 50 | 6980.95 | -6.79% | -12.33% |
| S&P BSE Mid-Cap | 9615.24 | -6.96% | -14.50% |
| S&P BSE Small-Cap | 9682.55 | -8.39% | -18.91% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | Nifty 50 | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|----------|-----------------|-------------------|
| P/E | 16.95 | 18.67 | 23.34 | 37.24 |
| P/B | 2.47 | 2.80 | 2.07 | 1.64 |
| Dividend Yield | 1.58 | 1.66 | 1.67 | 1.22 |

Source: BSE, NSE

Value as on Feb.12, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 08-Feb-16 | 727 | 824 | 0.88 |
| 09-Feb-16 | 365 | 1189 | 0.31 |
| 10-Feb-16 | 297 | 1277 | 0.23 |
| 11-Feb-16 | 121 | 1478 | 0.08 |
| 12-Feb-16 | 493 | 1076 | 0.46 |

Source: NSE

- Domestic equity markets plunged during the week with Sensex and Nifty 50 closing below the 23,000- and 7,000-marks, respectively. Weak global cues amid uncertainty over the U.S. Federal Reserve's stance on interest rate hike triggered selling pressure.
- Disappointing quarterly results from industry heavyweights across different sectors also weighed on investor sentiments.
- Market participants remained cautious on the last trading session of the week ahead of the retail inflation data for Jan and Index of Industrial Production data for the month of Dec, scheduled post market hours.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|---------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 15861.7 | -5.74% | -8.44% |
| S&P BSE Bankex | 15854.5 | -7.68% | -11.45% |
| S&P BSE CD | 11753.7 | -4.00% | -1.89% |
| S&P BSE CG | 11251.2 | -8.80% | -14.56% |
| S&P BSE FMCG | 7091.55 | -6.00% | -6.16% |
| S&P BSE HC | 15110.7 | -5.79% | -5.95% |
| S&P BSE IT | 10295.1 | -8.05% | -2.82% |
| S&P BSE Metal | 6332.43 | -8.21% | -9.92% |
| S&P BSE Oil & Gas | 8178.68 | -8.09% | -13.44% |

Source: Reuters *Values as on Feb. 12, 2016*

- ❑ On the BSE sectoral front, all the indices closed in the red. S&P BSE Realty was the major laggard, down 11.35%, followed by S&P BSE Capital Goods and S&P BSE Metal that slipped 8.80% and 8.21%, respectively.
- ❑ Software sector came under pressure initially following sharp decline in technology shares on the NASDAQ. In addition, an IT giant provided weak revenue guidance for its full fiscal year of 2016.

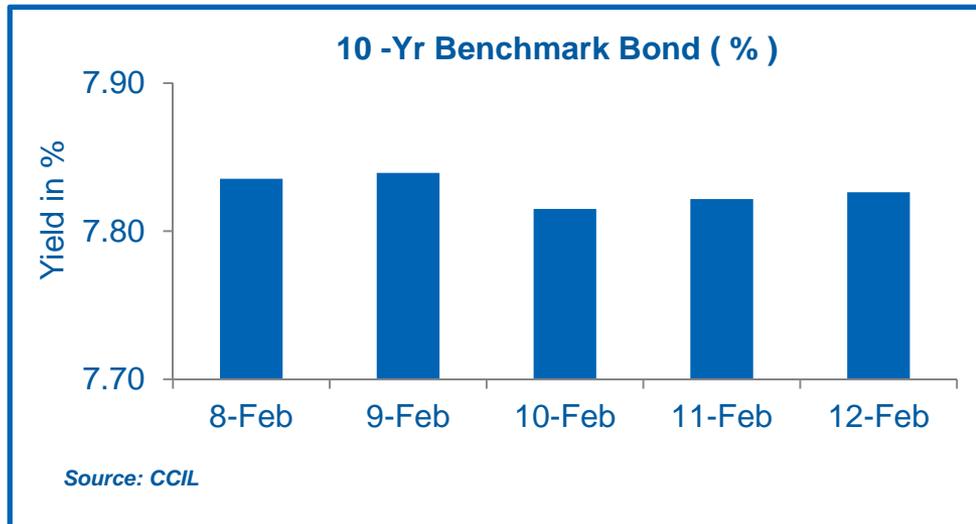
Indian Derivatives Market Review

- ❑ Nifty Feb 2016 Futures were at 6,990 points, a premium of 9.05 points, over the spot closing of 6,980.95 points. The turnover on NSE's Futures and Options segment rose to Rs. 14.86 lakh crore during the week to Feb 12, from Rs. 10.69 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.71, compared with the previous week's close of 0.82.
- ❑ The Nifty Put-Call ratio stood at 0.78, compared with the previous week's close of 0.83.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.62 | 6.74 | 6.79 | 7.11 |
| 91 Day T-Bill | 7.31 | 7.32 | 7.22 | 7.39 |
| 08.27% 2020, (5 Yr GOI) | 7.64 | 7.61 | 7.62 | 7.93 |
| 07.72% 2025, (10 Yr GOI) | 7.83 | 7.82 | 7.76 | 7.80 |

Source: Reuters Values as on Feb.12, 2016



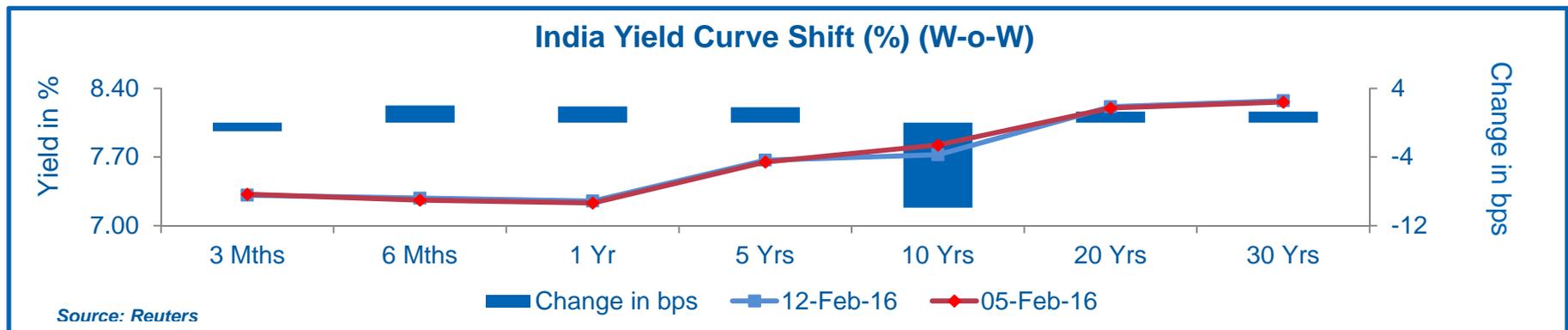
- Bond yields were almost steady after moving in a thin band during the week, ahead of the consumer inflation data for Jan 2016. Initially, weak Indian rupee increased yields. Despite purchase of securities by the RBI through open market operations (OMO), liquidity situation remained tight during the week as fresh supply of state development loans dented investors' appetite.
- On the other hand, yields fell on hopes that the RBI will conduct more open market operations to improve liquidity within the system.
- Yield on the current 10-year benchmark bond 7.72% GS 2025 also inched up 1 bps to close at 7.83%, from the previous close of 7.82%.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.36 | 8.24 | -88 |
| 3 Year | 7.61 | 8.25 | -64 |
| 5 Year | 7.84 | 8.35 | -51 |
| 10 Year | 7.91 | 8.54 | -63 |

Source: Reuters Values as on Feb.12, 2016

- Yield on Gilt Securities increased across maturities by up to 10 bps, barring 9- and 10-year papers that fell 11 and 10 bps, respectively.
- Corporate Bond yields increased across maturities in the range of 2 bps to 6 bps except 1-year that fell 8 bps.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, expanded across maturities in the range of 2 bps to 17 bps leaving 1-, 6- and 7-year papers.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has increased surveillance to check tax evasion attempts through 'arbitrage' and fake losses using stocks and mutual fund investments. The regulator has already taken up some fraud cases for investigation.
- ❑ SEBI has revised upwards its total revenue forecast for the current fiscal by around 9% to Rs. 536.75 crore. The revision comes as SEBI anticipates higher than expected income from fees and investments. The income from fees will get a boost from the application and other fees from commodity brokers and commodity exchanges due to the merger of Forward Market Commission with SEBI.
- ❑ The Ministry of Agriculture has proposed to increase the minimum support price (MSP) of raw jute by 18.5% to Rs. 3,200 per quintal for 2016-17. The jute support price for 2015-16 has been fixed at Rs. 2,700 per quintal. The increase in price is expected to boost jute production that has been declining for years.
- ❑ According to the Road Transport, Highways and Shipping Minister, the Government is considering withdrawing import duty on used cooking oil for conversion into bio-diesel. This will encourage use of alternative fuel and help check pollution.

Regulatory Updates in India (contd..)

- ❑ The working group of Reserve Bank of India (RBI) has recommended the introduction of interest rate options (IROs) in India. Initially, simple call and put Options, caps, floors, collars and swaptions will be permitted. Also, both OTC as well as exchange traded options may be introduced. No documentation will be required up to an exposure of Rs. 5 crore. Large corporates may also be allowed to take hedging positions for their anticipated interest rate exposures.
- ❑ Insurance Regulatory and Development Authority (IRDAI), in an attempt to eradicate unfair practices, has announced that there should not be any check on sourcing or servicing of motor insurance business by any intermediary, agent, insurance office or insurer based on their associations with another motor dealer or manufacturer.
- ❑ The Association of Mutual Funds of India may look into the proposal to disclose the breakup of the entire fund expenses in the account statement of the asset management companies. The expenses could include investment management fee, R&T charges, and custodian fee.
- ❑ The Government has raised the import tariff value on gold to \$388 per 10 grams and on silver to \$487 per kg. Earlier the import tariff value on gold was fixed at \$363 per 10 gram and on silver \$443 per kg. The move has been taken after the Government took into account the price trend in the global market and the rupee situation.

Global News/Economy

- ❑ The Federal Reserve (Fed) chief in the central banks' testimony on Feb 11 said the current global financial health might not support economic growth fully. She added that the ailing Chinese economy could hurt U.S. exports severely, which in turn could cap the overall growth prospects. This coupled with weakness in the U.S. stock market and global economic turmoil might push back possibilities for interest rate hikes. She indicated that any increase in interest rates will depend on signs of improving inflation levels. However, she was positive about growing employment level and growth in wage levels that will support consumer spending as a whole.
- ❑ Fed chief in the bank's testimony on Feb 12 negated speculations of any potential interest rate cuts, after increasing it by 0.25% in Dec for the first time since Jun 2006. She also mentioned that the Fed would not adhere to negative interest rate regime like Japan and Europe, unless situation demands. She assured that the central bank would closely review impact of the ongoing global turmoil on the U.S. economy, before the Mar meeting.
- ❑ Japan's current account surplus surged 325.2% YoY to 960.7 billion yen in Dec, but was down from 1,143.5 billion yen in Nov. On monthly basis, the surplus trade balance stood at 188.7 billion yen better than deficit of 271.5 billion yen in the prior month. On a sequential basis, the yearly pace of fall in exports and imports accelerated during the reported month.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 12-Feb-15 | 1-Week Return | YTD Return |
| Dow Jones | 15973.84 | -1.43% | -6.85% |
| Nasdaq 100 | 4019.19 | -0.13% | -10.64% |
| FTSE 100 | 5707.60 | -2.40% | -6.33% |
| DAX Index | 8967.51 | -3.43% | -12.80% |
| Nikkei Average | 14952.61 | -11.10% | -18.96% |
| Straits Times | 2539.95 | -3.17% | -10.44% |

Source: Reuters Values as on Feb 12, 2016

U.S.

- U.S. markets witnessed lackluster performance with bourses remaining in the negative terrain over the week. The U.S. Federal Reserve chief's testimony was the main trigger during the week. The Fed chief acknowledged recent signs of weakness in the global economy, but was hopeful that highly accommodative monetary policies abroad might help growth.

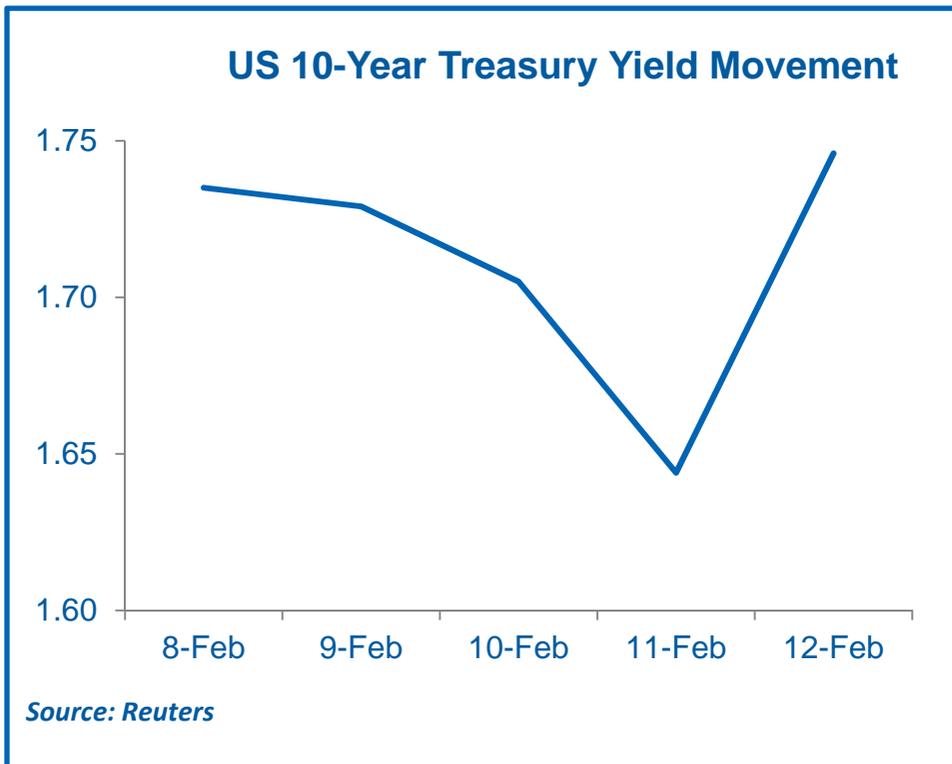
Europe

- European markets moved down on weekly basis as continued weakness in global crude oil prices led to concerns over slowing global growth. Market weakened further as investor sentiment in eurozone fell for the second consecutive month in Feb to its lowest level since Apr 2015.

Asia

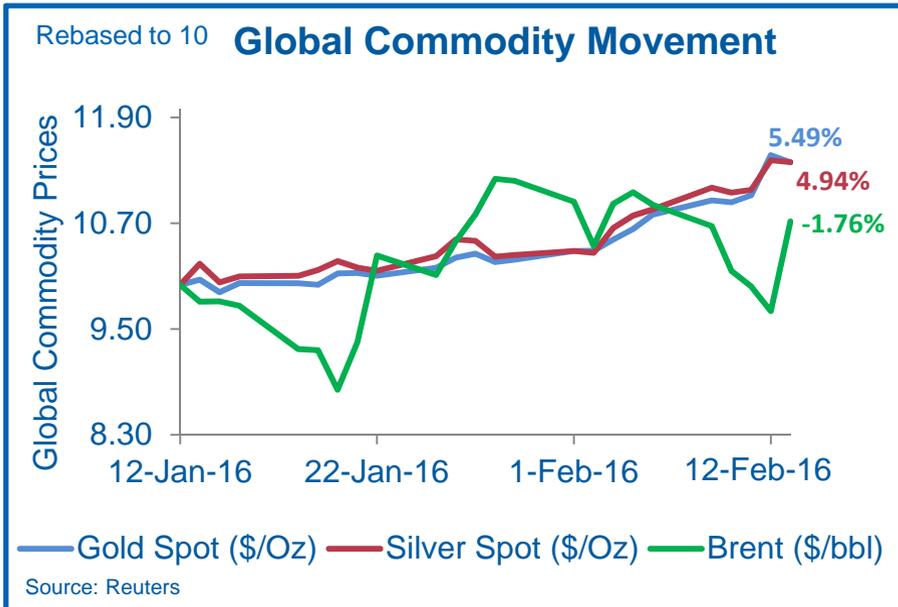
- Asian markets witnessed truncated trading activity during the week as most of the markets remained closed initially due to Lunar holiday. After resuming, markets plummeted on worries about global economic growth. Concerns about the health of European banks and the volatility in crude oil prices have increased risk aversion.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield plunged 10 bps to close at 1.75%, compared with the previous week's close of 1.85%.
- The U.S. Treasury prices surged as investors resorted to risk aversion amid concerns over global growth.
- Prices moved up further after the U.S. Federal Reserve chief in her testimony acknowledged the recent market turmoil.
- The Fed chief also did not rule out the possibility of adopting a negative interest rate regime for commercial banks. However, better than expected U.S. retail sales data in January and a sharp spike in global crude oil prices capped the gains.

Commodities Market



Gold

- Gold prices touched 1-year high level during the week. Persisting concerns over global economic condition and weakness in the eurozone financial sector boosted the safe haven appeal of the bullion.

Crude

- Brent crude prices were hit initially as a meeting between OPEC producers of Saudi Arabia and Venezuela indicated lesser possibility of price boost in the near-term. However, the downside was restricted after the Energy Minister of United Arab Emirates hinted that the OPEC, along with other exporters, could curb production.

Baltic Dry Index

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

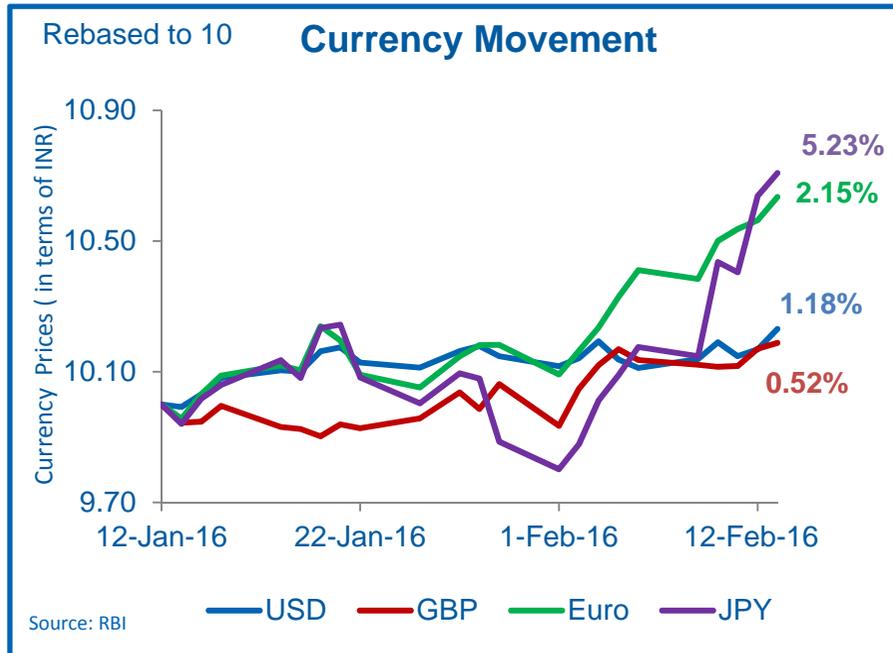
Performance of various commodities

| Commodities | Last Closing | 1-Week Ago |
|------------------------|--------------|------------|
| Brent Crude(\$/Barrel) | 31.34 | 31.90 |
| Gold (\$/Oz) | 1237.66 | 1173.29 |
| Gold (Rs/10 gm) | 29305 | 27486 |
| Silver (\$/Oz) | 15.71 | 14.97 |
| Silver (Rs/Kg) | 37573 | 35569 |

Source: Reuters

Values as on Feb.12, 2016

Currencies Markets



| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 68.44 | 67.64 |
| Pound Sterling | 98.98 | 98.47 |
| EURO | 77.36 | 75.73 |
| JPY(per 100 Yen) | 60.94 | 57.91 |

Source: RBI Figures in INR , Values as on Feb.12, 2016

Rupee

- The Indian rupee weakened against the U.S. dollar following sharp decline in domestic equity market and on lower supply of greenback.

Euro

- Euro gained against the U.S. dollar following drop in crude oil prices, on concerns over global economic slowdown.

Pound

- Pound fell against the U.S. dollar on concerns over global economic slowdown. However, lower than expected U.K. trade deficit in Dec reversed losses.

Yen

- Yen surged against the dollar as its safe haven appeal improved on fall in crude oil prices, concerns over global economic slowdown and fall in major equity markets.

The Week that was...
8th February to 12th February

The Week that was (Feb 8 – Feb 12)

| Date | Events | Present Value | Previous Value |
|------------------------------|---|---------------|----------------|
| Monday, February 08, 2016 | Euro Zone Sentix Inestor Confidence (Feb) | 6.0 | 9.6 |
| | India Gross Domestic Product (GDP) Quarterly (YoY) (Q4) | 7.30% | 7.40% |
| Tuesday, February 09, 2016 | U.S. Wholesale Inventories (Dec) | -0.10% | -0.40% |
| | Germany Industrial Production s.a. (MoM) (Dec) | -1.20% | -0.10% |
| Wednesday, February 10, 2016 | U.K. Industrial Production (MoM) (Dec) | -1.10% | -0.80% |
| | U.S. MBA Mortgage Applications (Feb 5) | 9.30% | -2.60% |
| | U.K. NIESR GDP Estimate (3M) (Jan) | 0.40% | 0.60% |
| Thursday, February 11, 2016 | U.K. RICS Housing Price Balance (Jan) | 49.00% | 50.00% |
| | U.S. Initial Jobless Claims (Feb 5) | 269K | 285K |
| Friday, February 12, 2016 | U.S. Retail Sales (MoM) (Jan) | 0.20% | 0.20% |
| | Germany Consumer Price Index (MoM) (Jan) | -0.80% | -0.80% |
| | Euro Zone GDP s.a. (QoQ) (Q4) Preliminary | 0.30% | 0.30% |
| | India Industrial Output (Dec) | -1.30% | -3.40% |
| | India Consumer Price Index (Jan) | 5.69% | 5.61% |

The Week Ahead...
February 15 to February 19

The Week Ahead

| Day | Event |
|--------------------------|---|
| Monday, Feb 15 | <ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance CNY (Jan) <input type="checkbox"/> Japan Industrial Production (MoM) (Dec) <input type="checkbox"/> Euro Zone Trade Balance s.a. (Dec) |
| Tuesday, Feb 16 | <ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone ZEW Survey - Economic Sentiment (Feb) <input type="checkbox"/> U.S. NAHB Housing Market Index (Feb) <input type="checkbox"/> Germany ZEW Survey - Economic Sentiment (Feb) |
| Wednesday, Feb 17 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Industrial Production (MoM) (Jan) <input type="checkbox"/> Japan Merchandise Trade Balance Total (Jan) <input type="checkbox"/> Euro Zone Construction Output s.a (MoM) (Dec) |
| Thursday, Feb 18 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Initial Jobless Claims (Feb 12) <input type="checkbox"/> China Consumer Price Index (MoM) (Jan) <input type="checkbox"/> China Producer Price Index (YoY) (Jan) |
| Friday, Feb 19 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (MoM) (Jan) <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Dec) |

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