

News U Can Use

February 19, 2016

The Week that was...
15th February to 19th February

Indian Economy

- ❑ Government data showed that Wholesale Price Index (WPI)-based inflation dropped 0.90% YoY in Jan 2016 compared with 0.73% from Dec 2015. The wholesale price contracted for the 15 consecutive months in Jan. WPI for Nov has been revised down to -2.04% from -1.99%. WPI for food articles was at 6.02% compared with 8.17% in the previous month. WPI for pulses and vegetables stood at 44.91% and 12.52%, respectively.
- ❑ Government data showed that exports contracted 13.60% for the 14 consecutive months to \$21.08 billion in Jan 2016, against \$24.39 billion in Jan 2015. Imports fell 11.01% to \$28.71 billion compared with \$32.27 billion in the same period last year. The trade deficit stood at \$7.64 billion as against \$7.87 billion in the same month last year. For the first 10 months of the current fiscal, cumulative exports fell 17.65% to \$217.68 billion, as against \$264.32 billion, while imports fell 15.46% to \$324.52 billion. The trade deficit during the same period stood at \$106.85 billion compared with \$119.56 billion in Apr-Jan 2014-15.
- ❑ The Organization for Economic Cooperation and Development (OECD) has upgraded its growth forecast for the Indian economy for 2016. According to OECD, the growth rate of Indian economy is projected at 7.4%. This is up from 7.3% that OECD projected in November 2015. For 2017, OECD projected the growth rate of Indian economy at 7.3%.

Indian Equity Market

Domestic Equity Market Indices			
Indices	19-Feb-16	1 Week Return	YTD Return
S&P BSE Sensex	23709.15	3.15%	-9.37%
Nifty 50	7210.75	3.29%	-9.45%
S&P BSE Mid-Cap	9802.77	1.95%	-12.83%
S&P BSE Small-Cap	9876.53	2.00%	-17.29%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	17.36	19.5	23.76	37.76
P/B	2.53	2.89	2.11	1.66
Dividend Yield	1.53	1.60	1.64	1.21

Source: BSE, NSE

Value as on Feb 19, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
15-Feb-16	493	1076	0.46
16-Feb-16	1331	237	5.62
17-Feb-16	273	1290	0.21
18-Feb-16	696	857	0.81
19-Feb-16	929	603	1.54

Source: NSE

- Indian equity market recovered after witnessing losses in the preceding week. Buying interest was seen in public sector banks on hopes of Government reforms to boost the sector. Investors also took positive cues from contraction in wholesale price inflation for 15 consecutive months in Jan 2016.
- Investor sentiments were further boosted after a global rating agency said that Indian economy could grow 7.5% both in 2016 and 2017 due to its resilience towards external headwinds. However, gains were restricted by fall in India's merchandise exports for 14 consecutive months in Jan 2016.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16640.8	4.91%	-1.48%
S&P BSE Bankex	16274.4	2.65%	-6.06%
S&P BSE CD	11566.9	-1.59%	-0.26%
S&P BSE CG	11920.8	5.95%	-4.57%
S&P BSE FMCG	7206.4	1.62%	-2.79%
S&P BSE HC	15469.1	2.37%	-0.67%
S&P BSE IT	10699	3.92%	-1.30%
S&P BSE Metal	6872.1	8.52%	3.00%
S&P BSE Oil & Gas	8437.17	3.16%	-7.92%

Source: Reuters *Values as on Feb 19, 2016*

- On the BSE sectoral front, barring S&P BSE Consumer Durables, all the indices closed in the green. S&P BSE Metal was the top gainer, up 8.52%, followed by S&P BSE Capital Goods and S&P BSE Auto that rose 5.95% and 4.91%, respectively.
- Metal sector rose on the back of value buying. The banking and financial stocks witnessed gains after the Finance Minister said that the Government would reduce its stake in public sector banks (PSBs) to 52%.

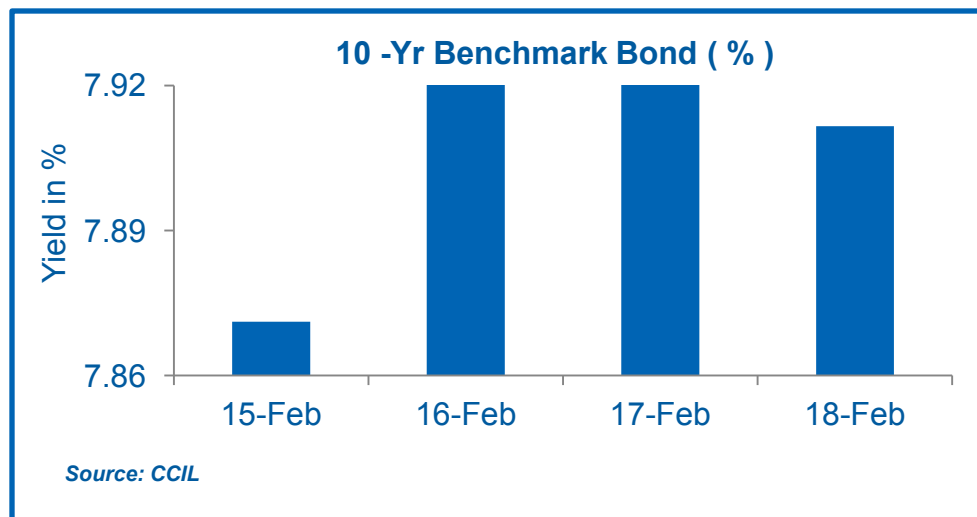
Indian Derivatives Market Review

- Nifty Feb 2016 Futures were at 7,212.45 points, a premium of 1.70 points, over the spot closing of 7,210.75 points. The turnover on NSE's Futures and Options segment stood at Rs. 16.12 lakh crore during the week to Feb 19, compared with Rs. 14.86 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.82, compared with the previous week's close of 0.71.
- The Nifty Put-Call ratio stood at 0.79, compared with 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	6.84	6.62	6.91	7.07
91 Day T-Bill	7.32	7.31	7.22	7.40
08.27% 2020 , (5 Yr GOI)	7.73	7.64	7.63	7.86
07.72% 2025, (10 Yr GOI)	7.91	7.83	7.78	7.74

Source: Reuters Values as on Feb 18, 2016



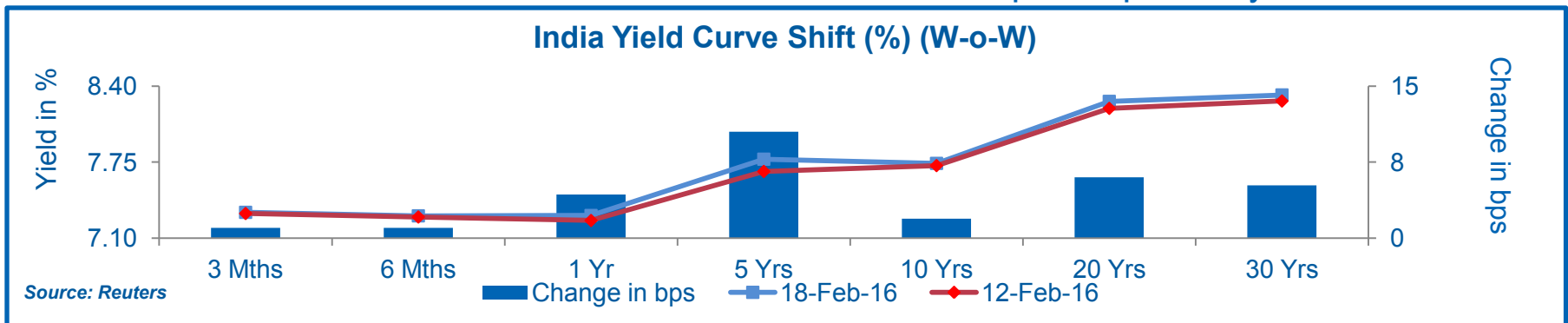
- Bond yields went up following growth in Consumer Price Inflation in Jan 2016, weakness in the domestic currency, and lack of any positive triggers. Absence of any open market operations and tight liquidity conditions also weighed on market sentiments.
- However, losses were restricted as Government announced to repurchase its securities before maturity. This would boost liquidity conditions in the market.
- Yield on the old 10-year benchmark bond 7.72% GS 2025 also increased 8 bps to close at 7.91%, from the previous close of 7.83%. It moved in a range of 7.84% to 7.96% during the session.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.41	8.29	88
3 Year	7.67	8.3	63
5 Year	7.95	8.47	52
10 Year	7.94	8.57	63

Source: Reuters Values as on Feb 18, 2016

- Yield on Gilt Securities increased across the maturities in the range of 2 bps to 11 bps.
- Corporate Bond yields increased across the maturities in the range of 3 bps to 12 bps.
- Difference in Spread between AAA Corporate Bond and Gilt contracted across most of the maturities in the range of 1 bps to 7 bps, barring 2- and 5-year paper that expanded by 5 bps and 1 bps, respectively.



Regulatory Updates in India

- ❑ The Union Cabinet approved construction of six railway lines and a railway bridge to accommodate continuous growth in passenger and freight, in various areas of the country. The proposal will cost over Rs. 10,700 crore, of which the major part will be met through extra budgetary resources.
- ❑ The Government approved a pact between the Ministry of AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) and the World Health Organization (WHO) in the field of traditional medicine. The move was aimed to improve acceptability and create an international brand of AYUSH systems.
- ❑ The Government gave an "in-principle approval" for setting up a state-of-the-art LIGO (Laser Interferometer Gravitational-wave Observatory) project in India. The project is expected to open up opportunities for scientists and engineers.
- ❑ The Union Cabinet approved the proposal for notification of commitments under the Trade Facilitation Agreement of the World Trade Organization. Per the provisions of the agreement, clearance of goods and goods-in-transit will be easier. It will also foster cooperation between customs and other appropriate authorities, to eradicate issues relating to trade facilitation and customs compliance.

Regulatory Updates in India (contd..)

- ❑ The Cabinet approved the memorandum of understanding that was signed between India and 13 other countries, including Israel and Syria. The objective of the move was to bring about cooperation in the field of agriculture and allied sectors.
- ❑ Bombay Stock Exchange prescribed a new set of guidelines for bidding in the Offer for Sale (OFS) segment. According to the new guidelines, the advance notice period has been reduced to one day. This will help retail investors to place their bids a day later. Under the present system, listed companies are required to give the OFS notice two banking days in advance. After that retail investors as well as non-retail investors need to place their bids on a single day during market hours.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has prescribed new guidelines which seek to provide an exit route to the unsatisfied shareholders. Shareholders often become unsatisfied when a listed company digresses from the objective which it has stated while raising funds from the public and in that case may resort to exit option.
- ❑ RBI revised the guidelines for NBFC factor companies. Under the new guidelines, the central bank has stipulated that there should be a limit that needs to be approved by the board of the concerned company for underwriting commitments. The objective of the move is to bring down the level of credit risk.

Global News/Economy

- Minutes of the Federal Reserve's (Fed) Jan policy meeting showed that members opted to maintain the interest rates at the lowest level until there are clear signs of growing inflation levels. According to them, rebound in inflation rate could be difficult mainly due to low oil prices. As per the minutes, members also expect downside risks to the economy from weaknesses in China and Europe.
- The Organization for Economic Co-operation and Development (OECD) lowered global growth outlook for this year and next year. For 2016, OECD projected the economy will grow at a rate of 3.0%, down from 3.3% estimated earlier. Economic growth rate for 2017 has been reduced to 3.3% from 3.6%.
- Preliminary data from the Cabinet Office revealed that Japan's fourth-quarter 2015 gross domestic product dropped at an annualized rate of 1.4%. The reading was worse than the 1.3% decline in the third quarter and much below expectations.
- According to data from the General Administration of Customs, China's exports in Jan dropped more than was expected. Exports tumbled 11.2% in Jan, much faster than the Dec's 1.4% slip. Imports, too, plunged 18.8%, crushing expectations. Resultantly, visible trade surplus stood at \$63.3 billion, compared with Dec's \$60.1 billion surplus and was ahead of expectations.

Global Equity Markets

Global Indices			
Indices	19-Feb-15	1-Week Return	YTD Return
Dow Jones	16391.99	2.62%	-4.41%
Nasdaq 100	4164.088	3.61%	-7.42%
FTSE 100	5950.23	4.25%	-2.35%
DAX Index	9388.05	4.69%	-8.71%
Nikkei Average	15967.17	6.79%	-13.46%
Straits Times	2656.87	4.60%	-6.32%

Source: Reuters Values as on Feb 19, 2016

Europe

- European markets moved up on expectations of more stimulus measures by major central banks of the Asian region. Improvement in crude oil prices also supported gains. However, gains were capped after German investor confidence fell to a 16-month low in Feb. Sentiments also dampened after the minutes of the ECB's Jan meeting raised concern of growth outlook in the euro area.

Asia

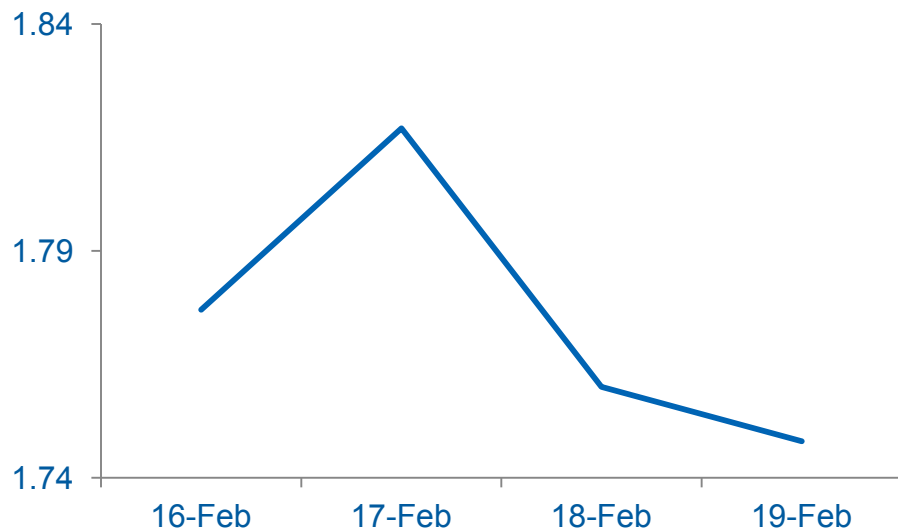
- Asian markets gained over the week as lower trade data in China and contraction in Japan's economic growth in the Dec quarter of 2015 raised expectations of additional stimulus measures from the respective central banks. In addition, minutes of Fed's latest policy review meeting eased concerns over the pace of the interest rate hikes.

U.S.

- U.S. markets rose in a truncated week as buying interest was witnessed after U.S. industrial production increased unexpectedly in Jan. Unexpected rise in U.S. producer prices in the month of Jan also helped the sentiment. Meanwhile, sentiments also got support after minutes of Fed's latest policy review meeting eased concerns over the pace of interest rate hikes.

Global Debt (U.S.)

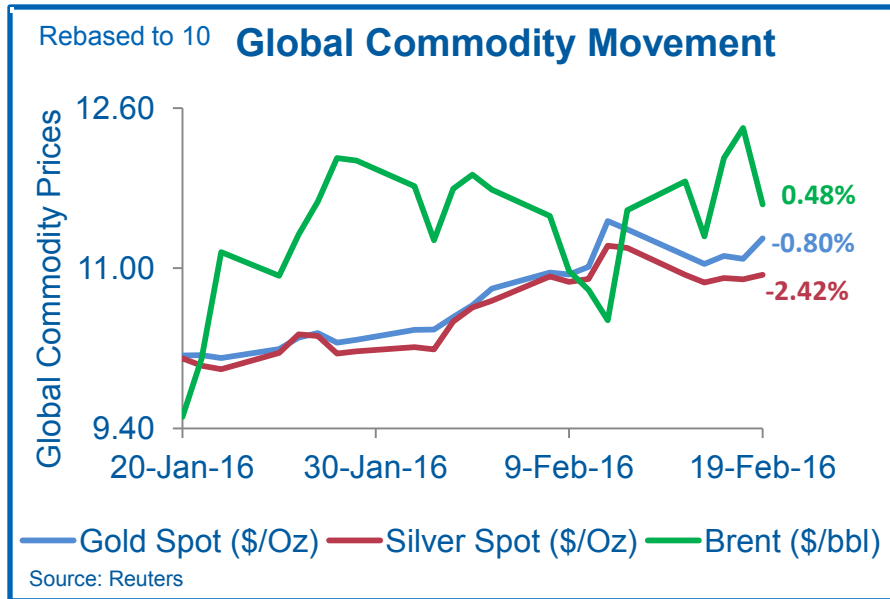
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury bond yield closed unchanged at 1.75%.
- The U.S. Treasury prices fell initially during the week on hopes that major oil producers would agree to freeze oil output in order to boost oil prices. Rebound in U.S. industrial production and producer prices for Jan 2016 further weighed on treasury prices.
- However, losses were made good after minutes of the Fed's Jan policy meeting showed that policymakers could follow an alternative path for interest rate hikes in 2016. The minutes reflected concerns over U.S. economy, resulting from weakness in China and Europe.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	31.50	31.35
Gold (\$/Oz)	1227.81	1237.66
Gold (Rs/10 gm)	28560	29305
Silver (\$/Oz)	15.33	15.71
Silver (Rs/Kg)	36804	37573

Source: Reuters Values as on Feb 19, 2016

Gold

- Gold prices remained under pressure during the week as appetite for riskier assets led to gains in equity markets and dampened the safe haven appeal of the bullion.

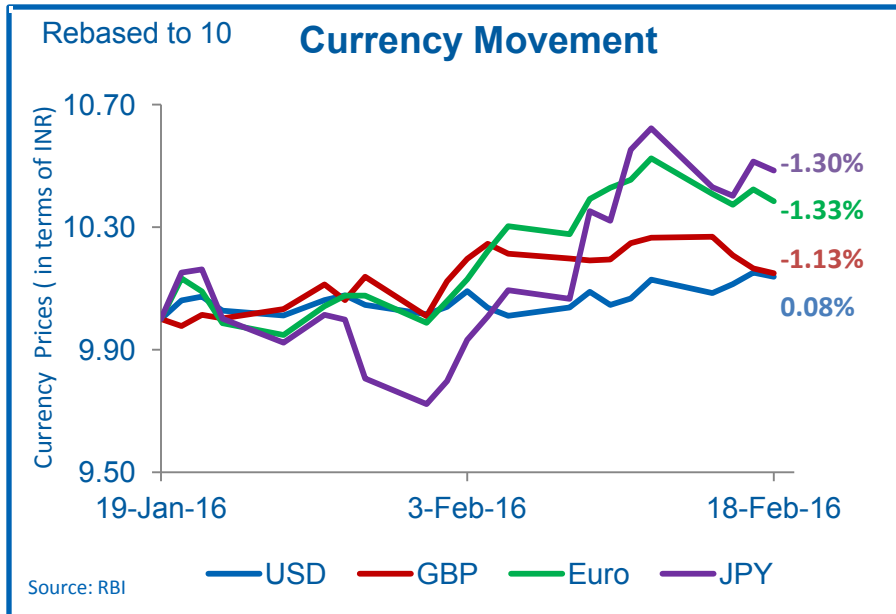
Crude

- Brent Crude prices gained initially as investors took positive cues after Russia and Saudi Arabia agreed to restrict oil output levels which was supported by Iran. However, gains were capped as Iran stressed on regaining its market share lost during the years of sanction.

Baltic Dry Index

- The Baltic Dry Index rose during the week on the back of strong capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.49	68.44
Pound Sterling	97.86	98.98
EURO	76.33	77.36
JPY(per 100 Yen)	60.15	60.94

Source: RBI Figures in INR , Values as on Feb 18, 2016

Rupee

- The rupee weakened against the greenback on concerns over foreign fund outflows and dollar demand from oil importers.

Euro

- Euro fell against the greenback as risk sentiment improved on hopes that major oil producers would agree to freeze oil output. Positive U.S. economic data for Jan further boosted the greenback.

Pound

- The pound weakened against the greenback on persisting concerns of Britain' exit from the European Union.

Yen

- The yen weakened initially against the greenback after Japan's Prime Minister indicated to intervene against the yen. However, the trend reversed on persisting concerns over global growth.

The Week that was...
15th February to 19th February

The Week that was (Feb 15 – Feb 19)

Date	Events	Present Value	Previous Value
Monday, February 15, 2016	China Trade Balance CNY (Jan)	406.2B	382.0B
	Japan Industrial Production (MoM) (Dec)	-1.70%	-1.40%
	Euro Zone Trade Balance s.a. (Dec)	€21.0B	€22.7B
Tuesday, February 16, 2016	Euro Zone ZEW Surey - Economic Sentiment (Feb)	13.6	22.7
	U.S. NAHB Housing Market Index (Feb)	58	61
	Germany ZEW Surey - Economic Sentiment (Feb)	1	10.2
Wednesday, February 17, 2016	U.S. Industrial Production (MoM) (Jan)	0.90%	-0.70%
	Japan Merchandise Trade Balance Total (Jan)	¥-645.9B	¥140.3B
	Euro Zone Construction Output s.a (MoM) (Dec)	-0.60%	0.80%
Thursday, February 18, 2016	U.S. Initial Jobless Claims (Feb 12)	262K	269K
	China Consumer Price Index (MoM) (Jan)	0.50%	0.50%
	China Producer Price Index (YoY) (Jan)	-5.30%	-5.90%
Friday, February 19, 2016	U.S. Consumer Price Index (YoY) (Jan)	1.40%	0.70%
	Japan All Industry Actiity Index (MoM) (Dec)	-0.90%	-1.10%
	Germany Producer Price Index (MoM) (Jan)	-0.70%	-0.50%
	U.K. Retail Sales (MoM) (Jan)	2.30%	-1.40%

The Week Ahead...
22nd February to 26th February

The Week Ahead

Day	Event
Monday, Feb 22	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Feb)Preliminary <input type="checkbox"/> Germany Markit Manufacturing PMI (Feb)Preliminary <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Feb)Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Feb)Preliminary
Tuesday, Feb 23	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Gross Domestic Product s.a (QoQ) (Q4) <input type="checkbox"/> U.S. Existing Home Sales Change (MoM) (Jan) <input type="checkbox"/> U.S. S&P/Case-Shiller Home Price Indices (YoY) (Dec)
Wednesday, Feb 24	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Markit Services PMI (Feb)Preliminary <input type="checkbox"/> U.S. New Home Sales Change (MoM) (Jan) <input type="checkbox"/> U.K. BBA Mortgage Approvals (Jan)
Thursday, Feb 25	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Unemployment Rate s.a. (Feb) <input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q4)Preliminary <input type="checkbox"/> U.S. Durable Goods Orders (Jan)
Friday, Feb 26	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q4)Preliminary <input type="checkbox"/> Germany Consumer Price Index (YoY) (Feb)Preliminary

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