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July 21, 2017

The Week that was...

17th July to 21st July

Indian Economy

- According to the World Bank, Indian economy is expected to grow 7.2% this fiscal up from 6.8% in 2016 and at a higher rate of 7.5% the year after. The World Bank also projected world GDP at 2.7% in 2017 and 2.9% in 2018-19.
- The Asian Development Bank projected the Indian economy to grow 7.4% in 2017 and 7.6% in the next year, which it attributed to strong consumption demand. On a separate note, ADB has upgraded its growth outlook in the Asian region to 5.9% in 2017 from 5.7% and to 5.8% for 2018 from 5.7%.
- According to media reports, the Ministry of Finance is working on the capital infusion strategy for the state-run banks under the Indradhanus scheme and due announcement will be made soon in this regard. The government under the Indradhanus scheme has assigned Rs. 10,000 crore for the current fiscal.
- According to the minister of state for finance, the currency notes in circulation are above 85% of the pre-demonetisation levels. The minister added that the government is monitoring the availability of currency in different parts of the country and that due steps are being taken to accelerate the pace of remonetisation.
- According to the finance minister, more than 1.62 lakh companies have been deregistered till Jul 12. The minister informed that actions are being initiated against such firms as they are found to be indulging in large scale tax violations and were not carrying out business activities for a significant period of time.

Indian Equity Market

Domestic Equity Market Indices			
Indices	21-Jul-17	1 Week Return	YTD Return
S&P BSE Sensex	32,028.89	0.03%	20.43%
Nifty 50	9,915.25	0.29%	21.22%
S&P BSE Mid-Cap	15,185.53	-0.01%	25.18%
S&P BSE Small-Cap	15,992.63	0.53%	31.19%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.50	25.32	30.27	75.68
P/B	3.08	3.53	2.69	2.48
Dividend Yield	1.22	1.01	1.21	0.73

Source: BSE, NSE *Value as on Jul 21, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
17-Jul-17	829	874	0.95
18-Jul-17	601	1106	0.54
19-Jul-17	1121	544	2.06
20-Jul-17	782	903	0.87
21-Jul-17	750	920	0.82

Source: NSE

- After a volatile week, Indian equity markets managed to remain almost steady after stellar results from index heavyweights. Also, bonus issue announcements from telecom and information technology giants, buying interests in pharma and auto stocks, and progress in monsoon boosted investor sentiment.
- Firm Asian cues also supported buying interest after China reported steady economic growth in the second quarter of 2017, despite concerns over slowdown.
- However, gains were capped owing to steep decline in one of the FMCG major after the Goods and Services Tax (GST) Council raised the tax on cigarettes.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,373.27	0.65%	1.47%
S&P BSE Bankex	27,496.11	1.36%	2.70%
S&P BSE CD	16,082.28	0.70%	0.36%
S&P BSE CG	17,715.56	0.43%	0.70%
S&P BSE FMCG	10,102.50	-6.56%	-1.61%
S&P BSE HC	14,837.61	0.92%	5.49%
S&P BSE IT	10,322.16	2.69%	4.05%
S&P BSE Metal	12,187.53	1.88%	8.75%
S&P BSE Oil & Gas	14,054.11	1.05%	2.56%

Source: Reuters Value as on Jul 21, 2017

- On the BSE sectoral front, most of the indices closed in the green barring S&P BSE FMCG (-6.6%). Meanwhile, S&P BSE Teck (2.8%) stood as the major gainer followed by S&P BSE IT (2.7%), and S&P BSE Metals (1.9%).
- FMCG sector experienced a significant fall after shares of a major company plunged this week following the GST council's decision to raise tax on cigarettes.

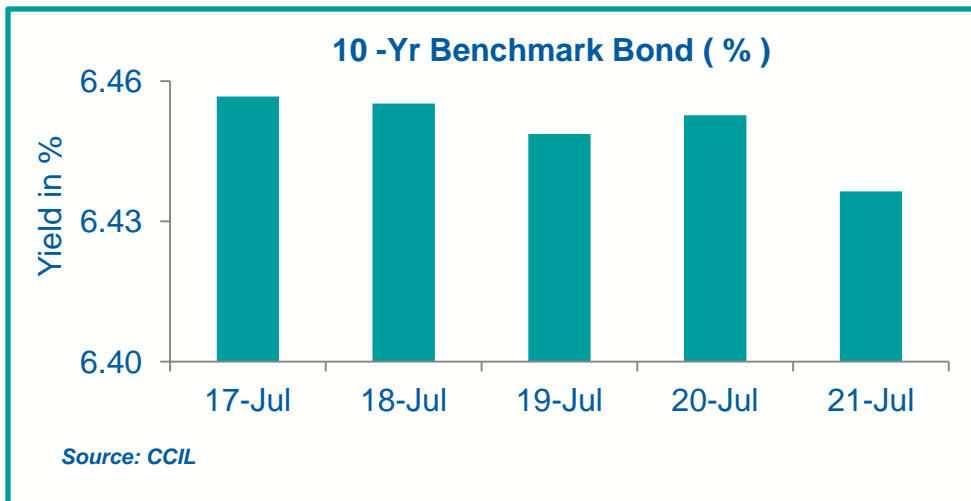
Indian Derivatives Market Review

- Nifty Jul 2017 Futures were at 9,910.55, a discount of 4.70 points below the spot closing of 9,915.25. The turnover on NSE's Futures and Options segment stood at Rs. 30.59 lakh crore compared with Rs. 27.72 lakh crore in the week to Jul 14.
- The Put-Call ratio stood at 1.01 compared with the previous week's close of 1.03.
- The Nifty Put-Call ratio stood at 1.41 compared with the previous week's close of 1.50.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.10	6.09	6.10	6.02
91 Day T-Bill	6.08	6.18	6.25	6.23
07.80% 2021 , (5 Yr GOI)	6.48	6.55	6.51	6.48
06.79% 2027, (10 Yr GOI)	6.44	6.46	6.43	--

Source: Reuters *Value as on Jul 21, 2017*



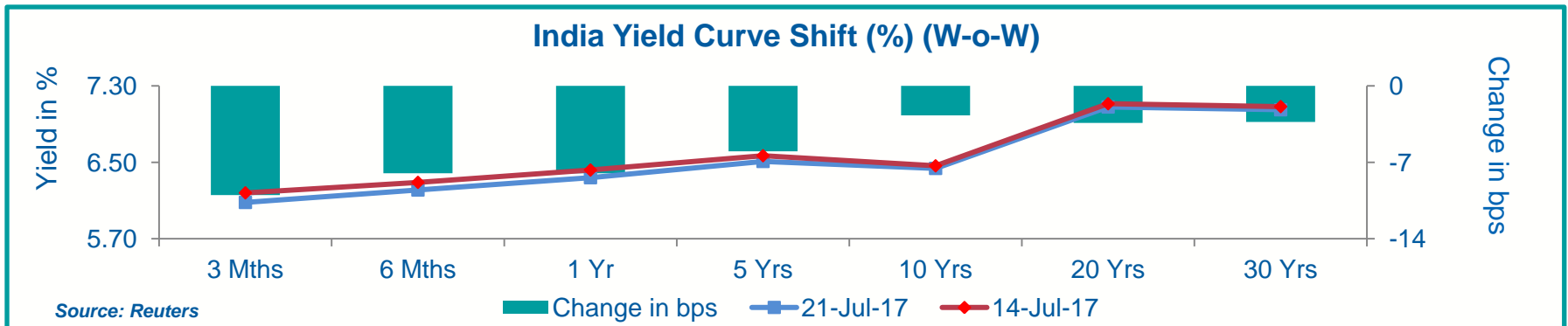
- Bond yields inched down on growing expectations of a rate cut by the Monetary Policy Committee in Aug 2017, which outweighed impact of the upcoming open market sale of bonds on Aug 10, 2017. Upbeat demand at the weekly debt auction also boosted market sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) fell 2 bps to close 6.44% compared with the previous close of 6.46%.
- RBI announced to conduct sale of government securities namely 8.19% GS 2020, 8.08% GS 2022, 7.72% GS 2025, 8.15% GS 2026, and 7.88% GS 2030 under Open Market Operations for an aggregate amount of Rs. 10,000 crore on Aug 10, 2017.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.43	6.86	43
3 Year	6.54	7.04	50
5 Year	6.61	7.19	58
10 Year	6.64	7.33	69

Source: Reuters Value as on Jul 21, 2017

- Yields on gilt securities fell across maturities in the range of 2 bps to 8 bps. The minimum fall was witnessed on 2-year paper, and the maximum on 1- and 7-year papers.
- Corporate bond yields fell across maturities in the range of 2 bps to 10 bps.
- Spread between AAA corporate bond and gilt expanded on 4- to 8-year maturities by up to 5 bps and contracted across the remaining maturities by up to 5 bps as well.



Regulatory Updates in India

- The Goods and Services Tax (GST) Council increased the cess on cigarettes. The exact amount of the cess would depend on the length of the cigarettes. Presently, cigarettes are taxed at the peak rate of 28% along with a cess of 5%. This was lower than what it was before the rollout of GST on Jul 1. The government detected this anomaly and was of the view that it would have cost the government Rs 5,000 crore in tax and resulted in windfall gains for companies in the sector. The tax raise will give Rs 5,000 crore extra revenue to the central government's exchequer, which will be used for compensating states.
- Capital market regulator Securities and Exchange Board of India (SEBI) is considering tightening norms for depository receipts (DRs). The objective of the move is to check the flow of black money into the domestic equity market. SEBI is planning to make it mandatory for foreign depositories to disclose details of end-beneficiaries holding DRs issued by Indian companies. The new framework is expected to align know-your-customer (KYC) requirements for DRs and prevent money laundering. It needs to be noted that for unlisted companies, DRs are permitted only in sectors eligible for investment by registered foreign venture capital firms.
- According to media reports, the government imposed a 10% basic customs duty on imported chargers and adapters. However, the government exempted parts or raw material used for making these products out of the duty ambit. The objective of the move is to provide stimulus to local manufacturing and eliminate gaps that allowed for the import of chargers or adapters without paying any duty.

Regulatory Updates in India (contd..)

- SEBI asked Indian companies to "temporarily" stop issuing rupee-denominated bonds till the total utilisation of corporate debt issuance limit by foreign entities falls below a certain threshold. SEBI added that when overall investment reaches 95%, auction of such debt instruments would be initiated for allocation of the remaining limits. In addition SEBI mandated that investments by foreign portfolio investors in unlisted corporate debt securities should "compulsorily be in dematerialised form and subject to a minimum residual maturity of three years".
- According to media reports, the government will soon announce an incentive package worth Rs. 2,600 crore for the leather and footwear sector. The package includes both tax and non tax benefits. The objective of the move is to boost exports and job creation in the sector. The importance of leather and footwear sector can be attributed to the fact that it is a thrust segment under the government's ambitious 'Make in India' initiative.
- The Union cabinet approved 15% hike in salaries for public sector company employees. Higher wages are effective from Jan 1, 2017. According to media reports, this is the lowest hike so far as recommended by the Pay Commission. The previous commission gave a 37.2% hike in 2007 and the first commission had given hike between 24% and 30%.

Global News/Economy

- The European Central Bank (ECB) kept interest rates and its massive stimulus program unchanged for the eleventh consecutive month in its monetary policy review. The main refinancing rate was held at a record low of 0% and the deposit rate at -0.40%. The marginal lending facility rate was kept at 0.25%. The bank also retained its asset purchases of €60 billion a month till Dec 2017, or beyond, if necessary.
- The Bank of Japan (BoJ) kept its monetary policy unchanged, but upgraded the growth outlook for the fiscal 2017 and 2018 to 1.8% and 1.4% respectively from previously projected 1.6% and 1.3%. However, the central bank lowered its inflation forecast to 1.1% for the current fiscal year, down from its previous forecast of 1.4%. For the next financial year, it expects inflation to hit 1.8% instead of 1.9%. BoJ also pushed back its forecast for reaching 2% inflation as it now expects to achieve its inflation target in the year ending March 2020, a year later than its previous projection.
- According to the Office for National Statistics, consumer price index in the U.K. grew 2.6% YoY in Jun 2017, which was lower than 2.9% rise in May 2017. However, on monthly basis overall consumer prices remained flat in Jun.
- A report from the National Bureau of Statistics showed that China's gross domestic product came in better than market expectations and grew 6.9% on YoY basis in the second quarter. On QoQ basis, GDP was up 1.7% that came in line with market expectations and up from 1.3% in the prior quarter.

Global Equity Markets

Global Indices			
Indices	21-Jul-17	1-Week Return	YTD Return
Dow Jones	21,580.07	-0.27%	8.54%
Nasdaq 100	5,921.53	1.43%	20.57%
FTSE 100	7,452.91	1.01%	3.83%
DAX Index	12,240.06	-3.10%	5.53%
Nikkei Average	20,099.75	-0.09%	2.58%
Straits Times	3,314.12	0.81%	14.32%

Source: Reuters *Value as on Jul 21, 2017*

Europe

- European markets mostly remained subdued following mixed quarterly corporate earnings reports. ECB's decision to keep policy rates unchanged and maintain asset purchases programme could not bring much respite either. Failure to implement U.S. President's healthcare bill also weighed on sentiment. However, market sentiment received some support following some of the better-than-expected key economic data.

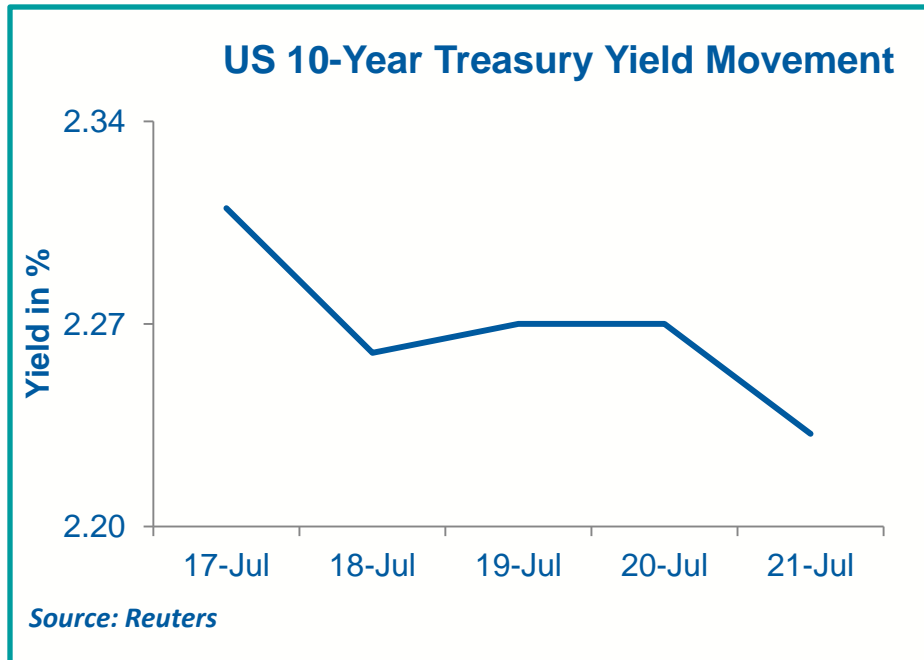
Asia

- Most of the major Asian markets closed in the green after China's gross domestic product for the second quarter of 2017 came in better than market expectations. Japan's positive trade figures for Jun 2017 and BoJ's decision to leave its monetary policy unchanged also provided support to market sentiment.

U.S.

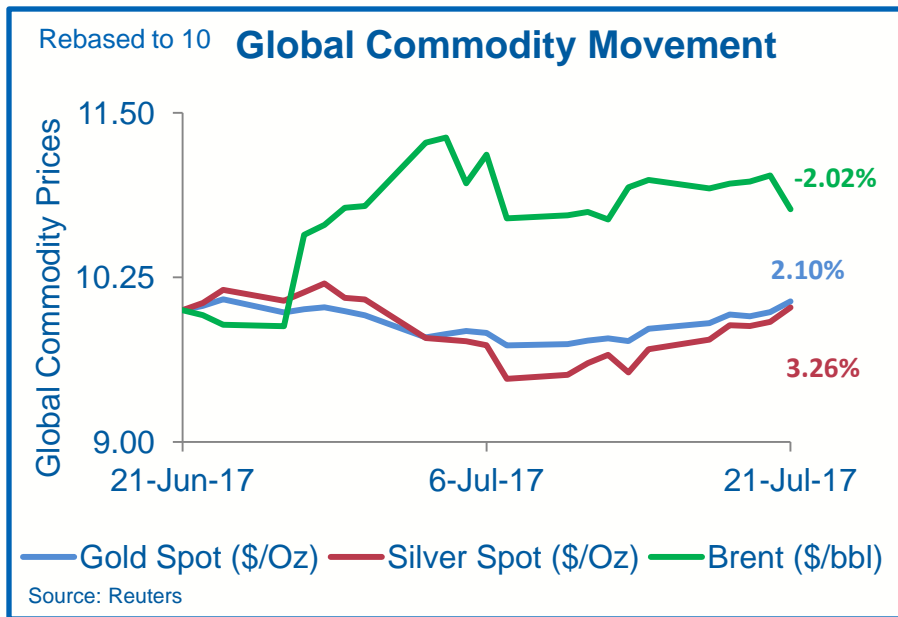
- U.S. markets witnessed a mixed performance over the week following the Jun quarter earnings of major companies and mixed economic report. While homebuilder confidence unexpectedly declined in Jul 2017, housing starts rebounded in Jun.
- Meanwhile, political worries in the U.S. and lingering concerns over U.S. President's reform agenda also dented sentiment.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 9 bps to close at 2.23% from the previous week’s close of 2.32%.
- U.S. Treasury prices rose as market participants remained doubtful over the U.S. President’s reform agenda. Market participants turned sceptical after the U.S. President failed to pass the U.S. healthcare bill.
- U.S. Treasury prices rose further after U.S. import prices fell for a second straight month in Jun 2017 that further reduced chances of another interest rate hike by the U.S. Federal Reserve in the remaining of 2017.
- Gains were extended on doubts whether ECB would scale back its bond purchases later in 2017.

Commodities Market



Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.01	47.98
Gold (\$/Oz)	1254.40	1228.58
Gold (Rs/10 gm)	28320	27850
Silver (\$/Oz)	16.47	15.95
Silver (Rs/Kg)	37573	36460

Source: Reuters

Value as on Jul 21, 2017

Gold

- Gold prices gained as safe-haven appeal of the metal improved on concerns over political turmoil in the U.S. and uncertainty over the U.S. President's reform agenda.

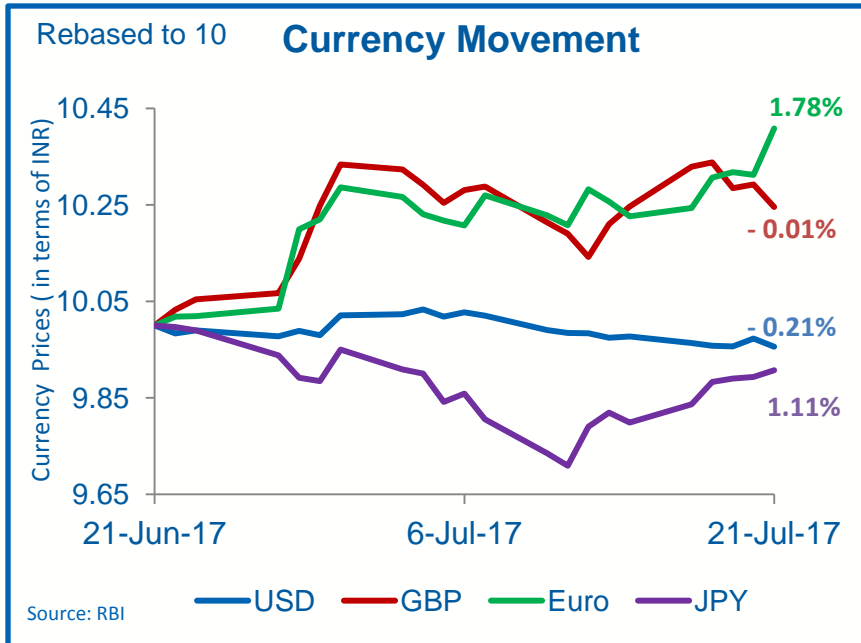
Crude

- Brent crude prices fell during the week amid reports of rising OPEC oil supply output and ahead of the key meeting between OPEC and non-OPEC producers to discuss the market situation. However, further losses were restricted after U.S. crude inventories dropped by 4.7 million barrels in the week to Jul 14 and the U.S. oil rig count fell by 1 rig to 764 during the week under review.

Baltic Dry Index

- The Baltic Dry Index rose owing to stronger capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.32	64.45
Pound Sterling	83.54	83.55
EURO	74.88	73.57
JPY(per 100 Yen)	57.53	56.90

Source: RBI Figures in INR , Value as on Jul 21, 2017

Rupee

- The rupee rose against the greenback following weak U.S. inflation and retail sales data for Jun 2017 and U.S. President's failure to pass healthcare bill.

Euro

- The euro rose against the greenback after the ECB chief indicated plans of discussing possible changes to its quantitative easing program in Sep 2017.

Pound

- The sterling weakened against the greenback after inflation in Britain slowed in Jun 2017. Concerns that U.K. ministers may fail to arrive at an agreement in Brexit talks also weighed on market's sentiment.

Yen

- The yen surged against the greenback as its safe haven appeal improved following U.S. President's failure to pass healthcare bill.

The Week that was...

17th July to 21st July

The Week that was (Jul 17– Jul 21)

Date	Events	Present Value	Previous Value
Monday, Jul 17, 2017	<ul style="list-style-type: none"> • China Gross Domestic Product (YoY) (2Q) • Eurozone Consumer Price Index (YoY) (JUN F) • China Retail Sales (YoY) (JUN) 	6.9% 1.3% 11.0%	6.9% 1.3% 10.7%
Tuesday, Jul 18, 2017	<ul style="list-style-type: none"> • U.K. Consumer Price Index (YoY) (JUN) • U.S. NAHB Housing Market Index (JUL) • U.K. Consumer Price Index (YoY) (Jun) • Eurozone ZEW Survey (Economic Sentiment) (JUL) 	2.6% 64 2.6% 35.6	2.9% 66 2.9% 37.7
Wednesday, Jul 19, 2017	<ul style="list-style-type: none"> • U.S. Housing Starts (JUN) • Japan Merchandise Trade Balance Total (Yen) (JUN) 	8.3% ¥439.9b	-2.8% ¥204.2b
Thursday, Jul 20, 2017	<ul style="list-style-type: none"> • Germany Producer Price Index (YoY) (Jun) • Euro Zone Consumer Confidence (Jul) Preliminary • U.K. Retail Sales (YoY) (JUN) • U.S. Initial Jobless Claims (JUL 15) • European Central Bank Rate Decision • Japan All Industry Activity Index (MoM) (MAY) 	2.4% -1.7 3.0% 233k 0.0% -0.9%	2.8% -1.3 0.6% 248k 0.0% 2.3%
Friday, Jul 21, 2017	<ul style="list-style-type: none"> • U.K. Public Sector Net Borrowing (Pounds) (JUN) • U.S. Baker Hughes US Oil Rig Count 	6.3b 764	6.4b 765

The Week Ahead

24th July to 28th July

The Week Ahead

Day	Event
<p>Monday, Jul 24, 2017</p>	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (Jul P) • Eurozone Markit Composite PMI (Jul P) • U.S. Markit Composite PMI (Jul P)
<p>Tuesday, Jul 25, 2017</p>	<ul style="list-style-type: none"> • U.S Consumer Confidence (Jul) • Germany IFO - Current Assessment (Jul) • U.S. Conference Board Present Situation (Jul)
<p>Wednesday, Jul 26, 2017</p>	<ul style="list-style-type: none"> • U.K. Gross Domestic Product (YoY) (2Q A) • U.S. Federal Open Market Committee Rate Decision (Jul 26) • Japan Small Business Confidence (Jul)
<p>Thursday, Jul 27, 2017</p>	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (Jun P) • Japan National Consumer Price Index (YoY) (Jun) • Germany Retail Sales (YoY) (Jun) • U.S. Advance Goods Trade Balance (Jun)
<p>Friday, Jul 28, 2017</p>	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (Jul P) • U.S. Gross Domestic Product (Annualized) (2Q A) • U.S. Employment Cost Index (2Q) • U.K. Nationwide House Prices (YoY) (Jul)

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