

News U Can Use

June 17, 2016

The Week that was...
13th June to 17th June

Indian Economy

- ❑ Government data showed that Consumer Price Index (CPI) based inflation rose to a 21-month high of 5.76% in May 2016 from 5.47% (revised upwards from 5.39%) in the previous month and 5.01% in the same month of the previous year. The consumer food price index also rose to 7.55% in May from 6.40% in the previous month and 4.80% in the same period of the previous year.
- ❑ Government data showed that Wholesale Price Index (WPI) based inflation was 0.79% in May 2016, up from 0.34% in the previous month and a contraction of 2.20% in the same month of the previous year.
- ❑ Government data showed that India's current account deficit (CAD) narrowed sharply to \$0.3 billion (0.1% of GDP) in Q4 of FY16 from \$7.1 billion (1.3% of GDP) in Q3 of FY16 and marginally lower than \$0.7 billion (0.1% of GDP) in Q4 of FY15. CAD narrowed to 1.1% of GDP in FY16 from 1.3% in FY15 as the trade deficit narrowed to \$130.1 billion in FY16 from \$144.9 billion in FY15.
- ❑ Government data showed that India's trade deficit widened to a three-month high of \$6.27 billion in May from \$4.84 billion in Apr, but narrowed from \$10.41 billion in the same month of the previous year. Exports fell 0.79% on a yearly basis during the month under review to \$22.17 billion which was the smallest decline in 18 months.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 17-Jun-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 26625.91 | -0.04% | 1.78% |
| Nifty 50 | 8170.20 | 0.00% | 2.60% |
| S&P BSE Mid-Cap | 11359.06 | -0.15% | 1.01% |
| S&P BSE Small-Cap | 11435.16 | 0.64% | -4.23% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | Nifty 50 | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|----------|-----------------|-------------------|
| P/E | 19.52 | 22.43 | 24.22 | 40.64 |
| P/B | 2.81 | 3.36 | 2.39 | 1.92 |
| Dividend Yield | 1.47 | 1.28 | 1.26 | 0.99 |

Source: BSE, NSE

Value as on June 17, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 13-Jun-16 | 1056 | 494 | 2.14 |
| 14-Jun-16 | 542 | 1036 | 0.52 |
| 15-Jun-16 | 590 | 984 | 0.60 |
| 16-Jun-16 | 974 | 589 | 1.65 |
| 17-Jun-16 | 749 | 800 | 0.94 |

Source: NSE

- Indian equity markets ended the week with a modest cut as investors turned edgy after Bank of Japan (BoJ) maintained status quo and refrained from adding fresh stimulus. Cautious policy stance by the U.S. Fed on global growth worries and Brexit fears sparked panic selling at the equity markets.
- On the domestic front, sentiments were undermined after CPI for May 2016 increased to 5.76%, second straight month of rise, weakening prospects of a rate hike by the Reserve Bank of India (RBI) in Aug 2016. Moreover, the report that India's monsoon deficit widened to 25% since the beginning of this month as rainfall in the past days was less than half of the normal level, added to the woes.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|--------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 19233.26 | -0.39% | 4.35% |
| S&P BSE Bankex | 20243.72 | -0.90% | 6.11% |
| S&P BSE CD | 11503.17 | 0.44% | -3.07% |
| S&P BSE CG | 14657.09 | -0.33% | 9.45% |
| S&P BSE FMCG | 8258.06 | 1.26% | 5.34% |
| S&P BSE HC | 14844.35 | -0.44% | -4.48% |
| S&P BSE IT | 11323.39 | 0.36% | 0.09% |
| S&P BSE Metal | 8352.30 | 0.82% | 10.48% |
| S&P BSE Oil & Gas | 9421.13 | 0.18% | 1.95% |
| S&P BSE Realty | 1476.39 | 2.65% | 7.8% |

Source: Reuters *Values as on June 17, 2016*

- On the BSE sectoral front, indices witnessed a mixed trend. S&P BSE Bankex was the major laggard, down 0.90%, followed by S&P BSE Healthcare and S&P BSE Auto, which slipped 0.44% and 0.39%, respectively.
- S&P BSE Realty was the top gainer, up 2.65%, followed by S&P BSE FMCG and S&P BSE Metal, which went up 1.26% and 0.82%, respectively. Real estate stocks surged ahead of the SEBI board meeting that could further relax rules governing real estate investment trusts.

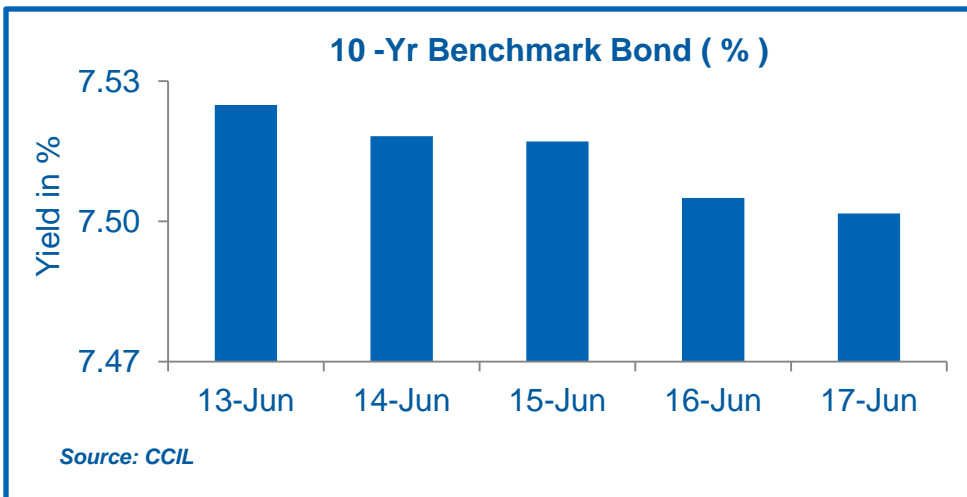
Indian Derivatives Market Review

- Nifty Jun 2016 Futures were at 8,174.40 points, a premium of 4.20 points, over the spot closing of 8,170.20. The turnover on NSE's Futures and Options segment stood at Rs. 13.11 lakh crore during the week to Jun 17, compared with Rs. 10.67 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.89, compared with the previous session's close of 1.11.
- The Nifty Put-Call ratio stood at 1.11, compared with the previous session's close of 1.12.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.38 | 6.16 | 6.44 | 6.75 |
| 91 Day T-Bill | 6.75 | 6.79 | 6.82 | 7.20 |
| 08.27% 2020, (5 Yr GOI) | 7.32 | 7.31 | 7.34 | 7.69 |
| 07.59% 2026, (10 Yr GOI) | 7.50 | 7.49 | 7.45 | 7.71 |

Source: Reuters Values as on June 17, 2016



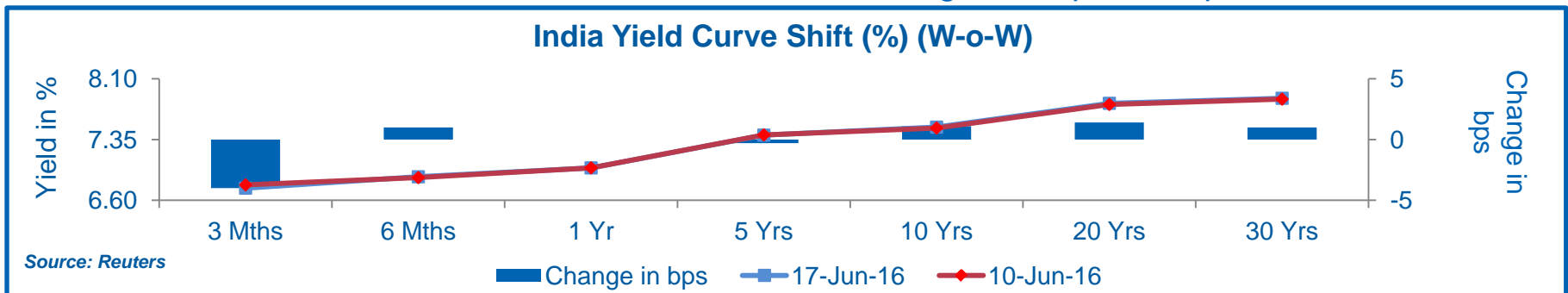
- Bond yields inched up after trading in a narrow range during the week under review. Bond yields moved up initially after domestic inflationary pressures (CPI & WPI) rose in May 2016, which lowered expectations for further monetary policy easing by the RBI.
- However, further losses were restricted after the U.S. Fed kept interest rates unchanged amid concerns that Britain may exit from the European Union. Market sentiment received further support after RBI announced to purchase government securities through open market operations on Jun 20.
- Yield on 10-year benchmark bond (7.59% GS 2026) rose 1 bps to close at 7.50% compared with the previous week's close of 7.49%.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.14 | 7.73 | 59 |
| 3 Year | 7.33 | 7.92 | 59 |
| 5 Year | 7.60 | 8.07 | 47 |
| 10 Year | 7.79 | 8.27 | 48 |

Source: Reuters Values as on June 17, 2016

- Yields on gilt securities increased across most of the maturities by up to 2 bps barring 3-, 6- and 8-year maturities where yields fell by 1 bps each.
- Corporate bond yields increased across 6 to 15 years' maturities in the range of 1 bps to 5 bps and remained unchanged on 4-year paper. Yields across the remaining maturities fell in the range of 1 bps to 4 bps.
- Difference in spread between AAA corporate bond and gilt contracted across 1 to 5 years' maturities and 10-year paper in the range of 1 bps to 3 bps and expanded across the remaining maturities in the range of 1 bps to 5 bps.



Regulatory Updates in India

- ❑ RBI has relaxed norms for restructuring of large stressed assets of banks. This would help banks to manage bad loans on their books of accounts more effectively. RBI suggested that banks should take out the "unsustainable" portion of their loans that cannot be supported by cash flows and convert them into equity. Banks can thus sell this stake to a new owner and upgrade their bad loans through the process. The central bank governor had earlier set a deadline of Mar 2017 for banks to clean up bad loans.
- ❑ RBI eased the process of applying for a non-banking finance company (NBFC) by reducing the number of documents required by four-fifths. RBI has also allowed non-deposit taking NBFCs to apply separately so that their processing can be fast-tracked.
- ❑ The Union cabinet has approved a proposal for the merger of five associate banks and a bank for women set up in 2013 with a major state-run bank. The move comes as the government seeks to consolidate the country's struggling public sector banks.
- ❑ The Union cabinet approved a bill for amending debt recovery laws. The objective of the bill is to improve the ease of doing business within the country and bring in investment that would lead to high growth and development. The bill would also help in faster recovery of bad loans.

Regulatory Updates in India (contd..)

- ❑ The Union cabinet gave its approval to the civil aviation policy that aims to boost air travel through greater regional connectivity. Under the new policy, airlines will get new incentives for flying to smaller towns and they will also be compensated for the loss suffered on flying on regional routes. A 2% cess on domestic and international tickets for the regional connectivity fund will be established and fares would be capped at Rs. 2,500 for flights of one hour duration. The cabinet also eased the 5/20 norm. According to the 5/20 norm, domestic airlines can fly abroad only when they have a fleet of at least 20 aircraft and have flown in India for five years. The cabinet retained the 20 aircraft rule but waived the five-year rule.
- ❑ The Union cabinet approved disinvestment of 10% stake in state-owned Housing and Urban Development Corporation. The government has set a disinvestment target of Rs. 56,500 crore in this fiscal, of which Rs. 36,000 crore will come from minority stake sale in public sector units and Rs. 20,500 crore from strategic sale.
- ❑ The government announced measures in order to provide support to the chemicals and petrochemicals sector. The measures include setting up of chemical hubs across the country, giving early environment clearances for brownfield expansion in existing clusters, providing adequate infrastructure in coordination with states, and establishment of an institute for addressing issues related to human resources.

Global News/Economy

- ❑ The U.S. Fed kept interest rates unchanged in its monetary policy review following weak jobs report for May 2016 and worries over Britain's potential exit from the European Union. U.S. Fed lowered interest rate projections for 2017 and 2018 and reduced the 2016 GDP forecast to 2% from 2.2%. The U.S. Fed chief expressed hopes of a pickup in wage growth and opined that the slowdown in first quarter growth was temporary. The central bank refrained from providing any timeline for raising interest rates.
- ❑ In the monetary policy review, BoJ has kept its monetary stimulus unchanged and decided to maintain the -0.1% interest rate on current accounts. It added that annual inflation might be slightly negative or about 0% for the time being due to decline in energy prices.
- ❑ Bank of England in its monetary policy review kept policy rate and the size of its asset purchase unchanged as it is waiting for the outcome of the referendum on EU membership, which will decide the future course of action.
- ❑ As per a report of the U.S. Fed, U.S. industrial production declined more than expected by 0.4% in May 2016 compared with downwardly revised 0.6% in Apr 2016. The drop in production was led by steep decline in manufacturing output due to fall in the production of motor vehicles and spare parts.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 17-Jun-16 | 1-Week Return | YTD Return |
| Dow Jones | 17675.16 | -1.06% | 3.07% |
| Nasdaq 100 | 4374.381 | -1.94% | -2.75% |
| FTSE 100 | 6021.09 | -1.55% | -1.19% |
| DAX Index | 9631.36 | -2.07% | -6.34% |
| Nikkei Average | 15599.66 | -6.03% | -15.45% |
| Straits Times | 2763.42 | -2.11% | -2.56% |

Source: Reuters

Europe

- European markets went down as the ongoing concerns about the upcoming referendum on whether Britain will remain in the EU weighed on investor sentiment. Buying interest was also impacted after the BoE decided to maintain the monetary policy and also remained cautious on the risks from Brexit. Sentiments dented further after U.S. Fed decided to keep the key policy rates unchanged and BoJ refrained from taking further stimulus measures in its monetary policy review.

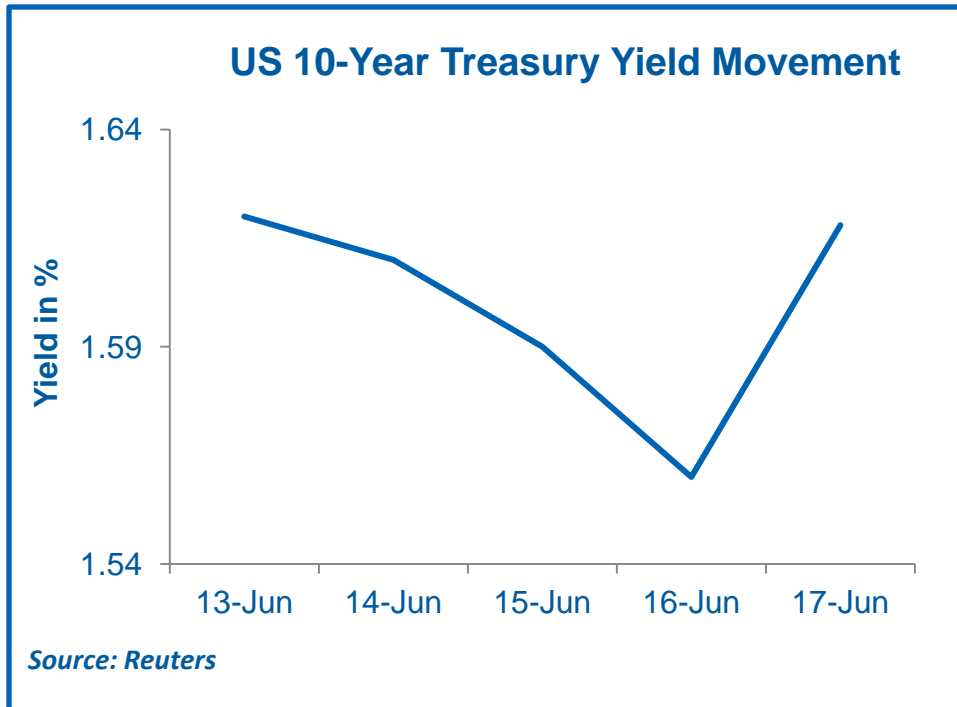
Asia

- Asian markets closed in the negative after both U.S. Fed and BoJ kept their monetary policy unchanged. Concerns over Britain's exit from the EU and fall in crude oil prices further weighed on sentiment.

U.S.

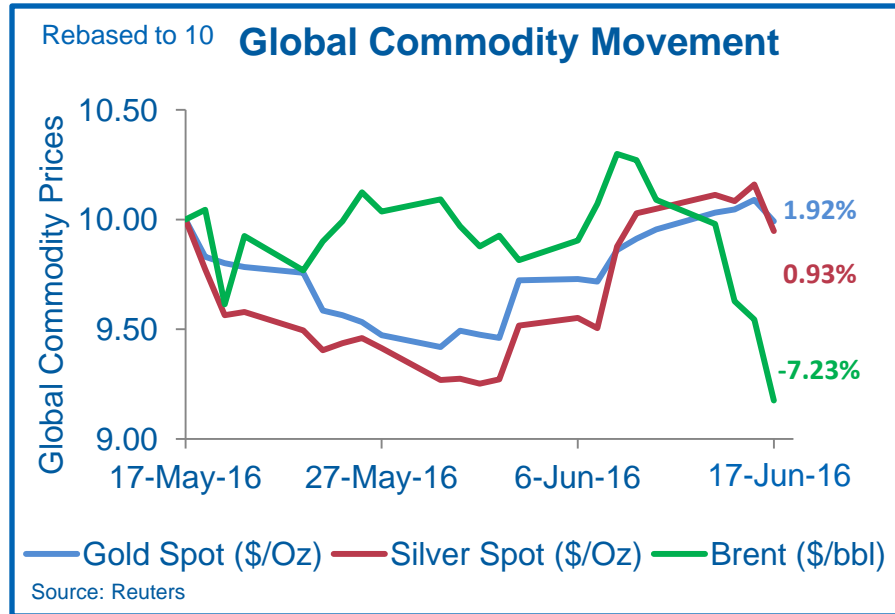
- U.S. bourses fell as concerns over the upcoming referendum on whether the U.K. would remain in the European Union (EU) weighed on the sentiment.
- Bourses fell further after the U.S. Fed and BoJ kept their monetary policy on hold. Fall in crude oil prices also dented investor sentiments.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 2 bps to close at 1.62%, compared with the previous week's close of 1.64%.
- The U.S treasury prices rose as its safe haven appeal improved amid worries that Britain might vote to exit from the European Union in its referendum on Jun 23.
- Treasury prices rose further after the U.S. Fed kept interest rates on hold and lowered the growth projections of the U.S. economy for 2016 while Bank of Japan refrained from further easing its monetary policy.
- However, gains were capped on expectations that Britain might vote to remain within the European Union.

Commodities Market



Gold

- Gold prices went up during the week as uncertainty over the UK-European Union referendum boosted the safe haven appeal of the bullion.

Crude

- Brent crude prices fell during the week following indications of a rise domestic drilling activity in U.S. Expectations that supply from Nigeria and Canada could restore acted as a negative catalyst. Data from the American Petroleum Institute showed a rise in U.S. crude inventories, which pulled down prices further.

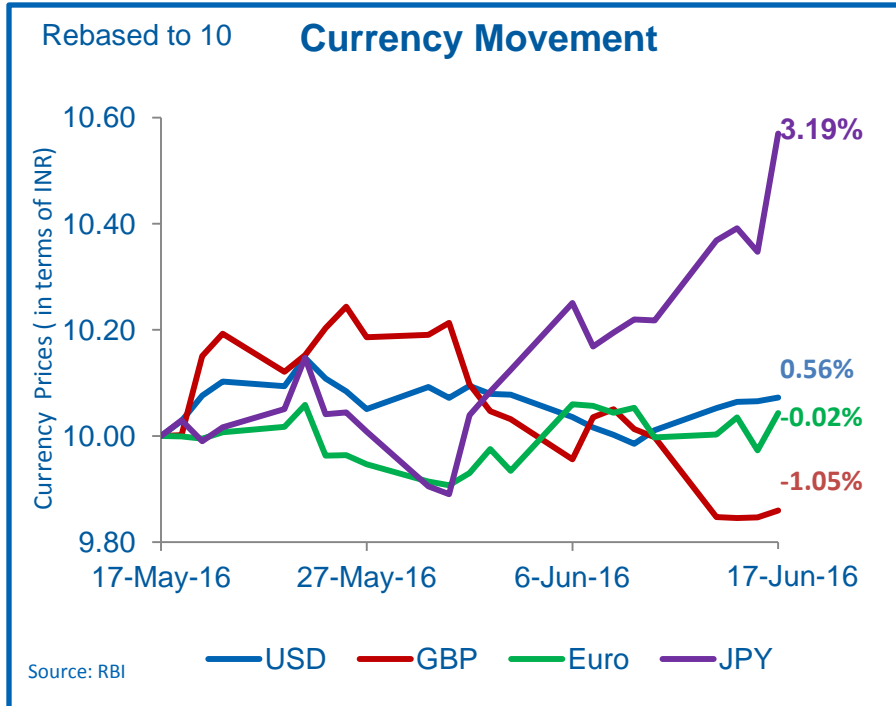
Baltic Dry Index

- 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) | 45.96 | 49.54 |
| Gold (\$/Oz) | 1298.21 | 1273.80 |
| Gold (Rs/10 gm) | 29939.00 | 29167.00 |
| Silver (\$/Oz) | 17.48 | 17.32 |
| Silver (Rs/Kg) | 41000.00 | 40356.00 |

Source: Reuters Values as on June 17, 2016

Currencies Markets



| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 67.17 | 66.79 |
| Pound Sterling | 95.55 | 96.57 |
| EURO | 75.46 | 75.47 |
| JPY(per 100 Yen) | 64.39 | 62.40 |

Source: RBI Figures in INR , Values as on June 17, 2016

Rupee

- The rupee weakened against the U.S. dollar amid uncertainty over Britain's future in the European Union.

Euro

- Euro amid significant volatility rose against the greenback on expectations that Britain might vote to remain within the European Union.

Pound

- The pound witnessed significant volatility against the greenback but gained on hopes that Britain might vote to remain within the European Union in its referendum on Jun 23.

Yen

- Yen surged against the greenback after the BoJ refrained from further easing its monetary policy. Uncertainty over Britain's future in the EU further boosted the safe haven appeal of yen

The Week that was...
June 13 to June 17

The Week that was (Jun 13 – Jun 17)

| Date | Events | Present Value | Previous Value |
|--------------------------|--|---------------|----------------|
| Monday, June 13, 2016 | Japan BSI Large All Industry (QoQ) (2Q) | -7.90 | -3.20 |
| | China Industrial Production (YoY) (MAY) | 6.00% | 6.00% |
| | China Retail Sales (YoY) (MAY) | 10.00% | 10.10% |
| Tuesday, June 14, 2016 | U.K. Consumer Price Index (YoY) (MAY) | 0.30% | 0.30% |
| | U.S. Advance Retail Sales (MAY) | 0.50% | 1.30% |
| | Japan Industrial Production (YoY) (APR F) | -3.30% | -3.50% |
| Wednesday, June 15, 2016 | China New Yuan Loans CNY (MAY) | 985.5b | 555.6b |
| | Federal Open Market Committee Rate Decision (JUN 15) | 0.50% | 0.50% |
| | U.K. Jobless Claims Change (MAY) | -0.4k | 6.4k |
| | U.S. Industrial Production (MAY) | -0.40% | -0.60% |
| Thursday, June 16, 2016 | Bank of Japan Basic Balance Rate (JUN 16) | 0.10% | 0.10% |
| | Bank of Japan Policy Rate (JUN 16) | -0.10% | -0.10% |
| | Bank of England Rate Decision (JUN 16) | 0.50% | 0.50% |
| | Bank of England Asset Purchase Target (JUN) | 375b | 375b |
| | U.S. Initial Jobless Claims (JUN 11) | 277k | 264k |
| | U.S. Consumer Price Index (YoY) (MAY) | 1.00% | 1.10% |
| Friday, June 17, 2016 | U.S. Housing Starts (MoM) (MAY) | -0.30% | 4.90% |
| | U.S. Building Permits (MoM) (MAY) | 0.70% | 4.90% |

The Week Ahead...
June 20 to June 24

The Week Ahead

| Day | Event |
|---------------------------|---|
| Monday, June 20 | <ul style="list-style-type: none"> <input type="checkbox"/> U.K. Rightmove House Prices (YoY) (JUN) <input type="checkbox"/> Japan Merchandise Trade Balance Total (Yen) (MAY) |
| Tuesday, June 21 | <ul style="list-style-type: none"> <input type="checkbox"/> German ZEW Survey (Economic Sentiment) (JUN) <input type="checkbox"/> Japan All Industry Activity Index (MoM) (APR) |
| Wednesday, June 22 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. House Price Index (MoM) (APR) <input type="checkbox"/> U.S. Existing Home Sales (MoM) (MAY) |
| Thursday, June 23 | <ul style="list-style-type: none"> <input type="checkbox"/> Nikkei Japan PMI Mfg (JUN P) <input type="checkbox"/> U.S. Markit US Manufacturing PMI (JUN P) <input type="checkbox"/> U.S. Initial Jobless Claims (JUN 18) |
| Friday, June 24 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Durable Goods Orders (MAY P) <input type="checkbox"/> German IFO - Business Climate (JUN) <input type="checkbox"/> U.K. BBA Loans for House Purchase (MAY) <input type="checkbox"/> U.S. University of Michigan Confidence (JUN F) |

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