

News U Can Use

June 24, 2016

The Week that was...
20th June to 24th June

Indian Economy

- ❑ The government has amended income tax guidelines to avoid ambiguity regarding General Anti-Avoidance Rule (GAAR). According to the amendment, GAAR will not apply to income of foreign institutional investors resulting from the transfer of investment made before Apr 1, 2017. GAAR aims to deny tax benefit to any arrangement that has been made for the purpose of avoiding tax. GAAR will be operative from Apr 1, 2017, with a prospective effect.
- ❑ The government has approved 100% Foreign Direct Investment (FDI) norms in trading of food products to boost the food processing sector in the country. This would also be allowed in online food trading business. The food processing sector has attracted \$5,285.66 million FDI during the period from Apr 2012 to Dec 2015.
- ❑ The government has allowed 100% FDI in defence through the approval route. FDI in defence beyond 49% was already allowed through approval route and up to 49% through automatic route. The new norms have also done away with condition of access to 'state-of-art' technology in the country for FDI that exceeds 49%.
- ❑ The government has allowed 100% FDI in airlines. In addition, the government has eased norms for FDI in brownfield airports as well. The objective of the move is to bring in more funds into the aviation sector to boost growth.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Jun-16	1 Week Return	YTD Return
S&P BSE Sensex	26397.71	-0.86%	0.91%
Nifty 50	8088.6	-1.00%	1.57%
S&P BSE Mid-Cap	11313.41	-0.40%	0.60%
S&P BSE Small-Cap	11278.63	-1.37%	-5.55%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.08	22.2	23.83	39.72
P/B	2.77	3.29	2.37	1.87
Dividend Yield	1.5	1.28	1.28	0.98

Source: BSE, NSE

Value as on June 24, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
20-Jun-16	875	677	1.29
21-Jun-16	751	813	0.92
22-Jun-16	513	1057	0.49
23-Jun-16	618	954	0.65
24-Jun-16	337	1241	0.27

Source: NSE

- Indian equity markets commenced the week on a positive note after government cleared 100% Foreign Direct Investment (FDI) for the aviation sector and liberalised the FDI regime in several other sectors. Gains were restricted by ambiguity over the outcome of Britain's referendum on Jun 23.
- Investor sentiment buoyed as the U.S. Federal Reserve chief's acknowledgement of a slowdown in the U.S. labour market and stress on a cautious approach on interest rates eased concerns over imminent rate hike.
- However, bourses gave up all gains towards the end of the week amid sharp global sell off as Britain in a historic referendum voted to exit the European Union.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19176.2	-0.30%	6.46%
S&P BSE Bankex	19910.9	-1.64%	6.46%
S&P BSE CD	11543.8	0.35%	-1.28%
S&P BSE CG	14297	-2.46%	10.82%
S&P BSE FMCG	8143.92	-1.38%	3.08%
S&P BSE HC	14925.7	0.55%	-0.59%
S&P BSE IT	11306	-0.15%	2.08%
S&P BSE Metal	8189.62	-1.95%	9.99%
S&P BSE Oil & Gas	9381.6	-0.42%	5.26%

Source: Reuters *Values as on June 24, 2016*

- On the BSE sectoral front, barring S&P BSE Healthcare and S&P BSE Consumer Durables, all the indices closed in the red. S&P BSE Realty was the major laggard, down 3.59%, followed by S&P BSE Capital Goods and S&P BSE Power, which slipped 2.46% and 2.34%, respectively.
- Realty stocks fell as the positive impact of SEBI's proposal of additional relaxation of regulations governing real estate investment trusts was set off by selling pressure triggered by the geo-political turmoil.

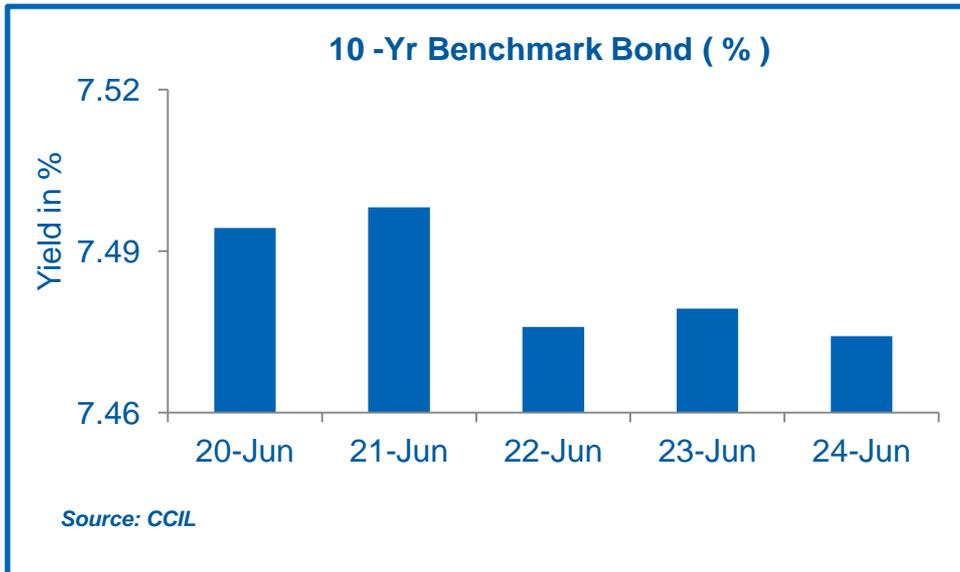
Indian Derivatives Market Review

- Nifty Jun 2016 Futures were at 8,086.90 points, a discount of 1.70 points, over the spot closing of 8,088.60. The turnover on NSE's Futures and Options segment stood at Rs. 17.44 lakh crore during the week to Jun 24, compared with Rs. 10.67 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.91, compared with the previous session's close of 0.89.
- The Nifty Put-Call ratio stood at 1.07, compared with the previous session's close of 1.11.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.38	6.38	6.48	6.74
91 Day T-Bill	6.75	6.75	6.84	7.21
08.27% 2020, (5 Yr GOI)	7.31	7.32	7.35	7.67
07.59% 2026, (10 Yr GOI)	7.47	7.50	7.47	--

Source: Reuters Values as on June 24, 2016



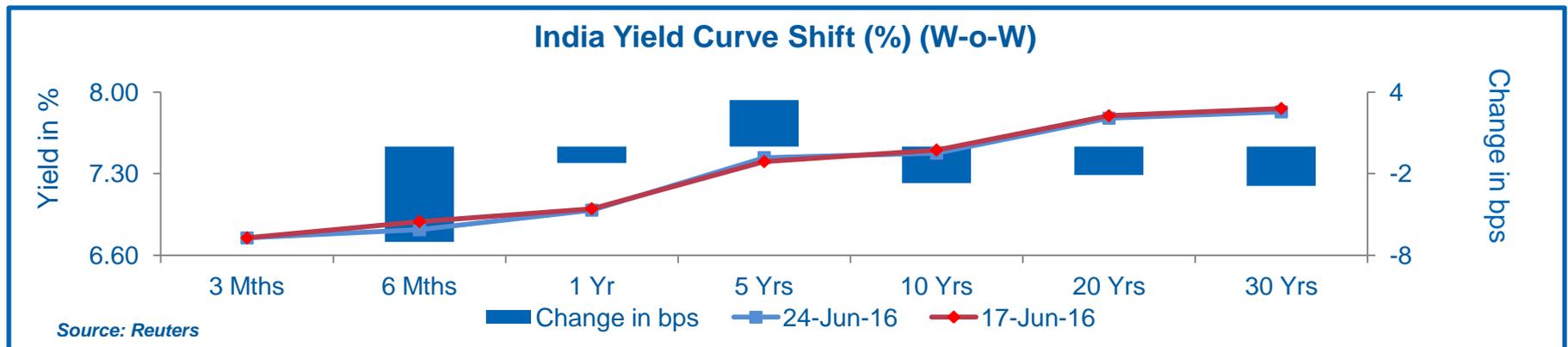
- Bond yields fell due to value buying by the investors. However, the decline was limited after the Reserve Bank of India (RBI) governor decided not to extend his current tenure and Britain voted to exit from the European Union.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 3 bps to close at 7.47% compared with the previous week's close of 7.50%. The yields moved in a wide range of 7.47% to 7.55% during the week.
- Banks' net weekly average lending under RBI's Liquidity Adjustment Facility stood at Rs. 1,345.95 crore (for Friday, only repo session considered), compared with previous week's borrowing of Rs. 2,020.20 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.12	7.73	61
3 Year	7.29	7.98	69
5 Year	7.60	8.12	52
10 Year	7.70	8.28	58

Source: Reuters Values as on June 24, 2016

- Yields on gilt securities fell across most of the maturities in the range of 1 bps to 5 bps, barring 5-year paper where yield increased by 3 bps, and 11-year paper where yield remained flat.
- Corporate bond yields increased in the range of 1 bps to 6 bps on all maturity papers, except for 1-year maturity paper where it remained flat.
- Difference in spread between AAA corporate bond and gilt securities expanded across all maturity papers in the range of 1 bps to 10 bps.



Regulatory Updates in India

- According to Reserve Bank of India (RBI) governor, slow credit growth in the banking sector was primarily on account of stressed balance sheet of public sector banks (PSBs). The central bank governor added that RBI plans to include more asset reconstruction companies (ARCs) to bring efficiency and transparency in valuing stressed assets while taking them over from PSBs.
- According to RBI governor, the central bank would provide enough liquidity to help markets adjust to the shocks resulting from the exit of Britain from the European Union. However, the central bank governor opined that the strong fundamentals of the Indian economy would help it remain immune to the aftershocks.
- Capital market regulator Securities and Exchange Board of India (SEBI) has eased rules for Real Estate Investment Trusts (REITs) by allowing them to invest more in under-construction projects. SEBI also relaxed restrictions on special purpose vehicles (SPVs) for investing in other SPVs holding the assets. SEBI approved changes to portfolio manager regulations as well and has allowed a foreign fund manager to relocate to India as an eligible fund manager. The eased rules are expected to attract real estate developers and funds to launch REITs in India.

Regulatory Updates in India (contd..)

- ❑ RBI has made it compulsory for banks to submit a report with details of the debt raised including terms of the issue with a copy of the offer document, soon after the issue is completed. The objective of the move is to ensure that the capital raised by banks is in compliance with Basel III regulations.
- ❑ According to SEBI, the position limit linked to open interest will be applicable at the time of opening a position. SEBI said that such positions will not be required to be unwound in the event of a drop of total open interest in a currency pair at the stock exchange. However, in such cases, the eligible market participants will not be allowed to increase their existing positions or create new positions in the currency pair till they comply with the applicable position limits. By doing this, SEBI has eased trading requirement in currency derivatives segment.
- ❑ SEBI is considering allowing trade in commodity options soon. Currently, only future trading is allowed in commodities.
- ❑ RBI governor said that the government has taken important steps to set up a Consumer Price Index based inflation objective for the central bank and to set up an independent monetary policy committee.

Global News/Economy

- ❑ The U.S. Federal Reserve chief, in the semi-annual testimony before the Senate Banking Committee, has acknowledged a slowdown in the pace of improvement in the labour market and added that a cautious approach on monetary policy is appropriate given an uncertain economic outlook. The Fed chief added that the central bank will consider raising interest rates if the labour market improves. However, she warned that exit of Britain from the European Union may have adverse impact on the global economy.
- ❑ Britain in a dramatic move decided to leave the European Union (EU) after 43 years of membership. The referendum was a closely contested one in which 51.9% voted to leave the EU and 48.1% chose to remain. The poll had a high turnout of 72.2% and 33,577,342 ballot papers were counted. Britain joined the EU in 1973. The unexpected outcome triggered the resignation of the Britain Prime Minister and led to calls for Scottish Independence from U.K. and similar EU referendums in Italy, France, and the Netherlands.
- ❑ As per Markit Economics survey, Japan manufacturing PMI moved up marginally to 47.8 in Jun 2016 from 47.7 in the May 2016. New orders fell at a slower pace, while employment growth eased to the weakest in nine months.
- ❑ As per data from the Cabinet Office, Japan's leading index rose to 100.0 in Apr 2016 from 99.1 in the previous month. The coincident index, which reflects the current economic activity, increased to 112.0 in Apr from 110.2 in Mar 2016. Lagging index, which indicates the past economic activity, came in at 115.3 in Apr compared with 114.4 a month ago.

Global Equity Markets

Global Indices			
Indices	24-Jun-16	1-Week Return	YTD Return
Dow Jones	17400.75	-1.55%	1.47%
Nasdaq 100	4285.70	-2.03%	-4.72%
FTSE 100	6138.69	1.95%	0.74%
DAX Index	9557.16	-0.77%	-7.06%
Nikkei Average	14952.02	-4.15%	-18.96%
Straits Times	2735.39	-1.01%	-3.55%

Source: Reuters

Europe

- Market witnessed a uptick initially after several opinion poll results increased expectations that Britain may vote to remain within the EU in the Jun 23 referendum. However, Britain's decision to leave the EU sparked concerns across financial markets later during the week.

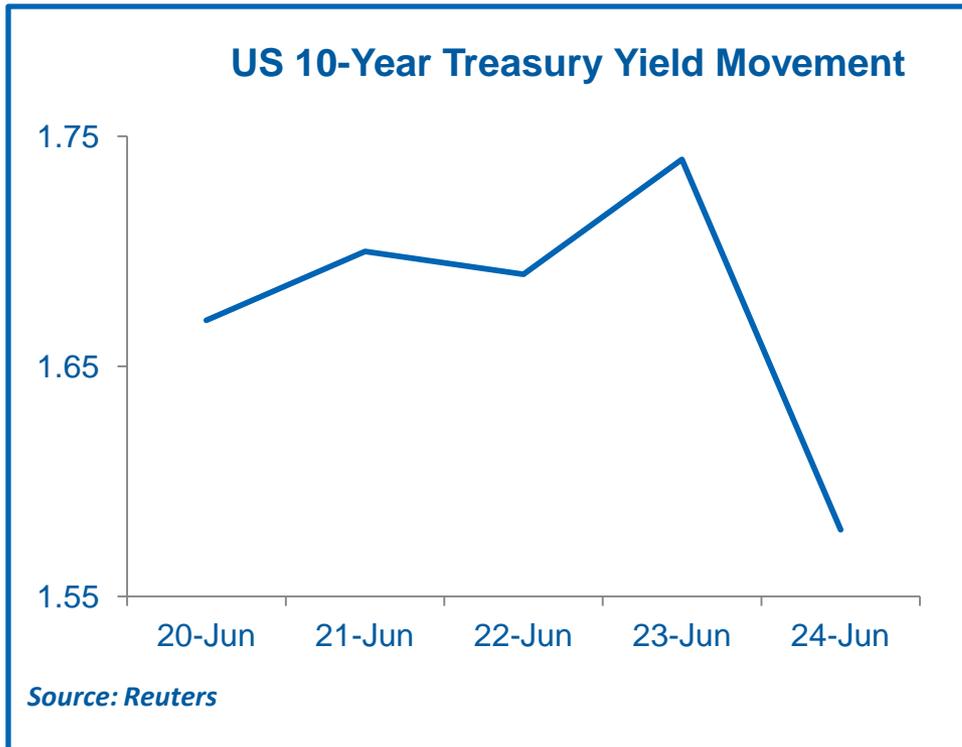
Asia

- Initially, most of the Asian bourses traded on a positive note on expectations that Britain may vote to remain within the EU. U.S. Federal Reserve chief's speech eased concerns over imminent rate hike. Meanwhile, the People's Bank of China said that it would allow qualified foreign companies to issue shares on the mainland Chinese bourses. On the last trading day, markets plunged across the region following Brexit.

U.S.

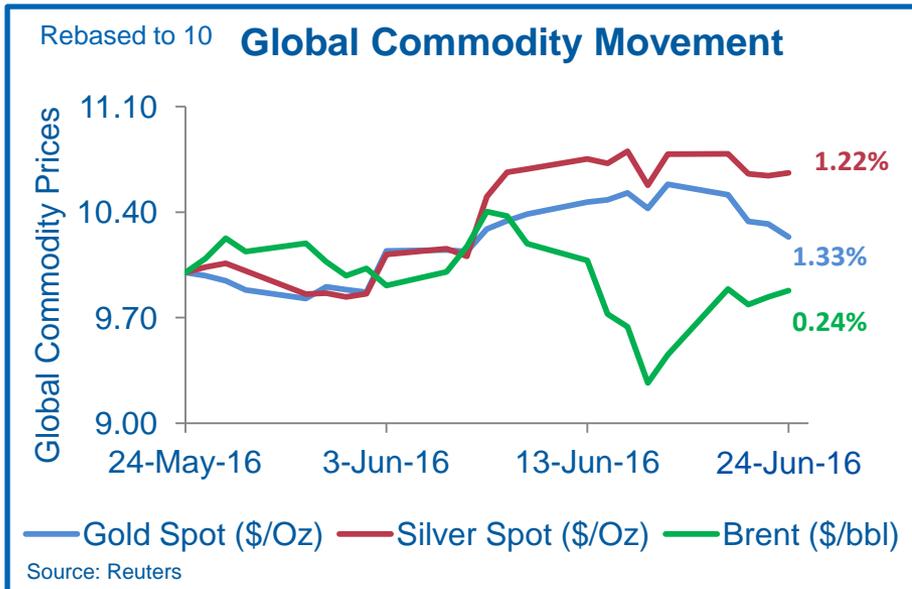
- Initially market remained steady amid hopes that the U.K. may vote to remain within the European Union (EU). The U.S Fed chief also acknowledged that it will raise interest rates depending on improvement in the labour market situation.
- However, financial markets around the world got severely affected later after U.K. decided that it will no longer be a part of EU.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 4 bps to close at 1.58%, compared with the previous week's close of 1.62%.
- The U.S treasury prices fell initially as the risk appetite improved on expectations that Britain might vote to remain in the European Union (EU).
- However, the trend reversed as the safe haven appeal of U.S. Treasuries were boosted and yield fell by as much as 30 bps to near 4-year low after Britain voted to leave EU. This triggered concerns of recession and market turmoil in the global economy.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.08	45.97
Gold (\$/Oz)	1315.48	1298.21
Gold (Rs/10 gm)	30971	29939
Silver (\$/Oz)	17.69	17.48
Silver (Rs/Kg)	42492	41000

Source: Reuters Values as on June 24, 2016

Gold

- The initial weakness in gold prices amid easing concerns over “Brexit” was outweighed later during the week after Britain voted to leave the European Union in the referendum held on Jun 23. The outcome of the referendum boosted the safe haven appeal of the bullion.

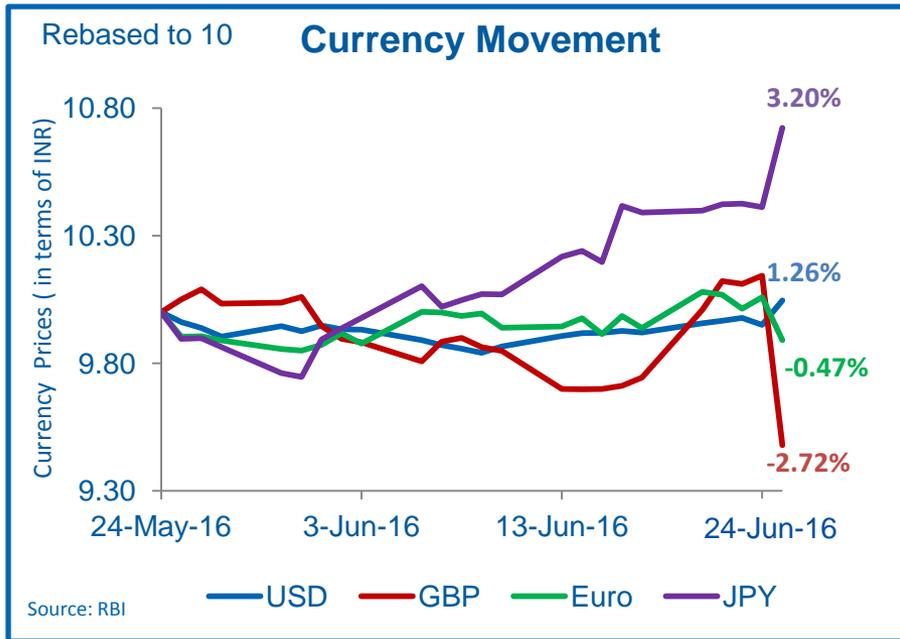
Crude

- Brent crude prices gained for the major part of the week amid growing optimism that Britain may remain in the European Union. The commodity gave up most of its gains later as Britain’s vote to exit EU ignited concerns over oil’s global demand outlook.

Baltic Dry Index

- The Baltic Dry Index went up during the week due to higher capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.01	67.17
Pound Sterling	92.96	95.55
EURO	75.10	75.46
JPY(per 100 Yen)	66.45	64.39

Source: RBI

Figures in INR , Values as on June 24, 2016

Rupee

- The rupee weakened against the U.S. dollar following losses in the domestic equity market after Britain voted to exit the European Union (EU).

Euro

- The euro fell against the greenback after Britain voted to exit EU that triggered concerns of similar movements in other European countries.

Pound

- The pound fell against the greenback after Britain voted to leave EU that led to concerns of recession in the U.K. economy.

Yen

- The yen gained against the greenback as the safe haven appeal of the yen boosted after Britain voted to leave EU.

The Week that was...
June 20 to June 24

The Week that was (Jun 20 – Jun 24)

Date	Events	Present Value	Previous Value
Monday, June 20, 2016	U.K. Rightmove House Prices (YoY) (JUN)	5.50%	7.80%
	Japan Merchandise Trade Balance Total (Yen) (MAY)	-¥40.7b	¥823.5b
Tuesday, June 21, 2016	German ZEW Survey (Economic Sentiment) (JUN)	19.20	6.40
	Japan All Industry Activity Index (MoM) (APR)	1.30%	0.20%
	Euro-Zone ZEW Survey (Economic Sentiment) (JUN)	20.20	16.80
Wednesday, June 22, 2016	U.S. MBA Mortgage Applications (JUN 17)	2.90%	2.40%
	U.S. Existing Home Sales (MoM) (MAY)	1.80%	1.30%
Thursday, June 23, 2016	Nikkei Japan PMI Mfg (JUN P)	47.80	47.70
	Markit Germany Services PMI (JUN P)	53.30	55.20
	Markit Eurozone Manufacturing PMI (JUN P)	52.60	51.50
	U.S. Initial Jobless Claims (JUN 18)	259k	277k
	U.S. Markit US Manufacturing PMI (JUN P)	51.40	50.70
	U.S. New Home Sales (MoM) (MAY)	-6.00%	12.30%
Friday, June 24, 2016	U.S. Durable Goods Orders (MAY P)	-2.20%	3.40%
	German IFO - Business Climate (JUN)	108.70	107.70

The Week Ahead...
June 27 to July 01

The Week Ahead

Day	Event
Monday, June 27	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Advance Goods Trade Balance (MAY) <input type="checkbox"/> U.S. Markit US Composite PMI (JUN P)
Tuesday, June 28	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Confidence (JUN) <input type="checkbox"/> U.S. Gross Domestic Product (Annualized) (1Q T) <input type="checkbox"/> EU Parliament to Vote on Resolution on U.K. Referendum.
Wednesday, June 29	<ul style="list-style-type: none"> <input type="checkbox"/> German Consumer Price Index (YoY) (JUN P) <input type="checkbox"/> Japan Retail Trade (YoY) (MAY) <input type="checkbox"/> U.S. Personal Income (MAY)
Thursday, June 30	<ul style="list-style-type: none"> <input type="checkbox"/> Euro-Zone Consumer Price Index Estimate (YoY) (JUN) <input type="checkbox"/> U.K. Gross Domestic Product (YoY) (1Q F) <input type="checkbox"/> U.S. Initial Jobless Claims (JUN 25)
Friday, July 01	<ul style="list-style-type: none"> <input type="checkbox"/> China Manufacturing PMI (JUN) <input type="checkbox"/> U.S. ISM Manufacturing (JUN) <input type="checkbox"/> Japan Household Spending (YoY) (MAY).

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