

News U Can Use

March 04, 2016

The Week that was...
29th February to 04th March

Indian Economy

- ❑ Government data showed that growth in eight core sectors jumped to a three-month high of 2.9% in Jan 2016, following a growth of 0.9% in Dec 2015. The improvement came from a sharp pick up in coal and cement production, and electricity generation that grew 9.1%, 9%, and 6%, respectively. Production in the three sectors had grown 6.1%, 3.2%, and 2.7%, respectively, in the previous month. Growth in refinery products also improved to 4.8% in Jan from 2.1% in Dec.
- ❑ Data from a private survey showed that the seasonally-adjusted Nikkei India Manufacturing Purchasing Managers' Index (PMI) stood at 51.1 in Feb 2016, which was unchanged from Jan 2016. A value above 50 indicates expansion, while below 50 is a sign of contraction. Manufacturing business conditions in India improved as new orders, exports, output, and purchasing activity increased in Feb.
- ❑ Results of a private survey showed that the Nikkei Services Business Activity index of India fell to a 3-month low of 51.4 in Feb 2016 from 54.3 in Jan 2016. This can be attributed to slow growth in new orders, which was due to muted demand. The seasonally adjusted Nikkei India Composite PMI, which takes into account both manufacturing and services sectors, fell to 51.2 in Feb from an 11-month high of 53.3 in Jan.
- ❑ The Finance Minister, in the Union Budget 2016-17, retained the fiscal deficit target for FY16 at 3.9% of GDP. The minister also maintained the fiscal deficit target for FY17 at 3.5% of GDP.

Indian Equity Market

Domestic Equity Market Indices			
Indices	04-Mar-16	1 Week Return	YTD Return
S&P BSE Sensex	24646.48	6.44%	-5.79%
Nifty 50	7485.35	6.48%	-6.00%
S&P BSE Mid-Cap	10224.84	6.81%	-9.08%
S&P BSE Small-Cap	10285.75	7.65%	-13.86%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.44	20.24	25.22	40.03
P/B	2.68	3.01	2.24	1.77
Dividend Yield	1.44	1.55	1.56	1.13

Source: BSE, NSE

Value as on Mar 04, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
29-Feb-16	640	872	0.73
01-Mar-16	1343	210	6.40
02-Mar-16	1257	323	3.89
03-Mar-16	1089	453	2.40
04-Mar-16	959	597	1.61

Source: NSE

- Indian equity markets gained during the week. After affects of the Union Budget 2016-17 ruled market sentiments for the major part of the week.
- Bourses dropped initially following the Budget announcement but recovered soon as the provisions for growth slowly began to sink in.
- The Government's decision to retain fiscal deficit target at 3.9% of GDP for FY16 and 3.5% for FY17 renewed hopes of further rate cuts by the Reserve Bank of India. Budget initiatives to reduce litigations relating to tax disputes also boosted the market.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16977.4	5.95%	2.51%
S&P BSE Bankex	17485.7	11.75%	3.97%
S&P BSE CD	11659.9	3.63%	-3.68%
S&P BSE CG	12301.6	7.27%	0.32%
S&P BSE FMCG	7447.57	4.79%	-0.34%
S&P BSE HC	15824.1	4.30%	1.97%
S&P BSE IT	10979.2	5.07%	-1.79%
S&P BSE Metal	7438.53	10.22%	11.46%
S&P BSE Oil & Gas	8665.2	3.91%	-2.20%

Source: Reuters *Values as on Mar 04, 2016*

- All the BSE sectoral indices closed on a positive note. S&P BSE Bankex (11.75%) and S&P BSE Realty (11.34%) stood as the major gainers.
- Banking shares, mainly public sector undertakings (PSU), surged after RBI eased capital regulation. S&P BSE Basic Metal and S&P BSE Capital Goods gained 10.22% and 7.27%, respectively. Metal sector gained as the Government proposed to increase customs duty on aluminium, while export duty on low grade iron ore under lump and fines category was scrapped.

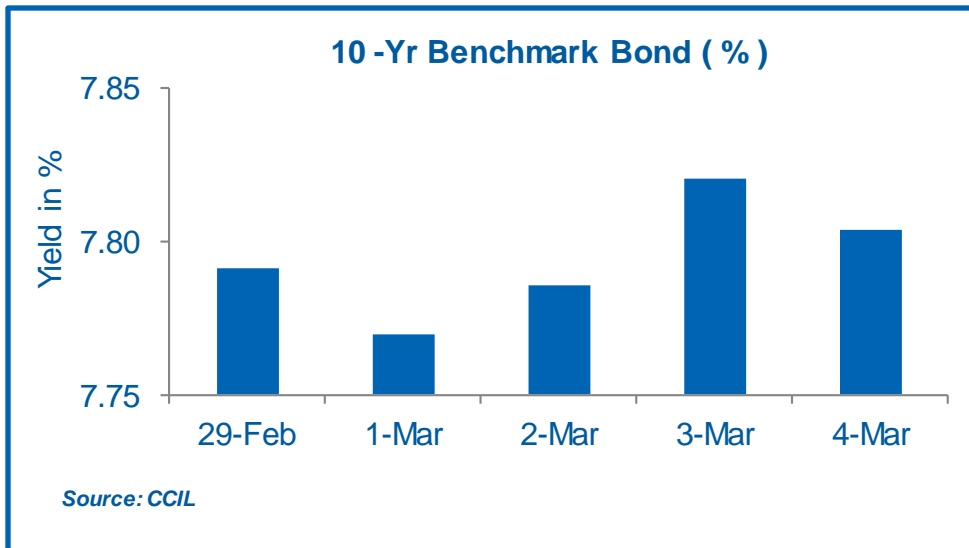
Indian Derivatives Market Review

- Nifty Mar 2016 Futures were at 7,460.35 points, a discount of 25.00 points, over the spot closing of 7,485.35 points. The turnover on NSE's Futures and Options segment stood at Rs. 13.02 lakh crore during the week to Mar 04 compared with Rs. 20.19 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.87, compared with the previous week's close of 0.74.
- The Nifty Put-Call ratio stood at 0.98, compared with the previous week's close of 0.82.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.74	6.58	6.68	7.08
91 Day T-Bill	7.21	7.31	7.34	7.40
08.27% 2020, (5 Yr GOI)	7.65	7.90	7.62	7.88
07.72% 2025, (10 Yr GOI)	7.80	8.00	7.84	7.75

Source: Reuters Values as on Mar 04, 2016



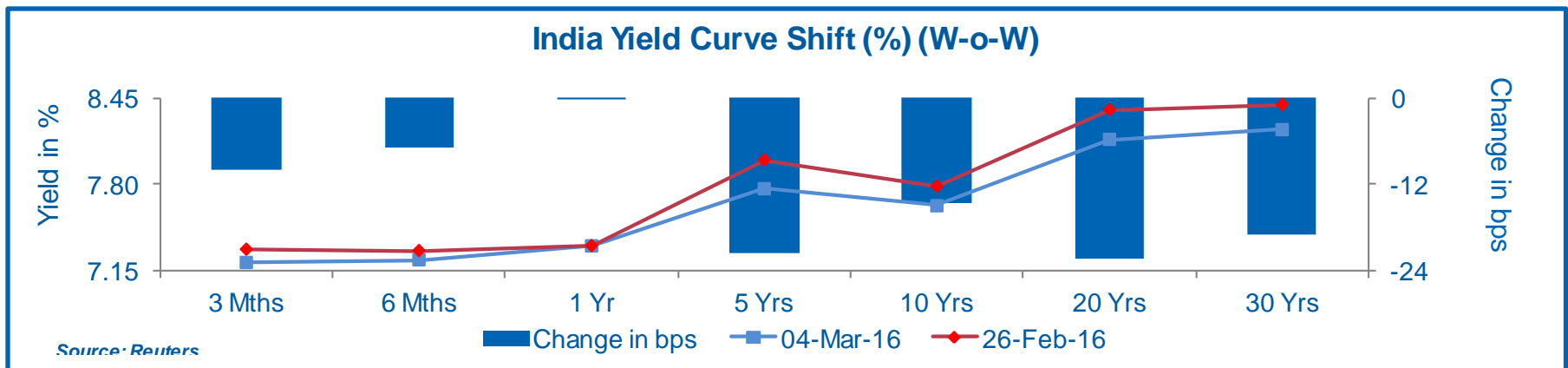
- Bond yields fell significantly as the Government remained committed to fiscal prudence by retaining the fiscal deficit target for FY16 and FY17, which was better than market expectations. The Government also projected its gross market borrowings at Rs. 6 lakh crore that was lower than expected. This move allayed concerns over fiscal slippages and higher Government borrowings, boosting market sentiments. The Reserve Bank of India's (RBI) decision to switch three Government securities worth Rs. 37,300 crore into longer-term tenors, further increased gains.
- However, gains were restricted as investors resorted to profit booking from the recent bond rally in the absence of any fresh triggers.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.46	8.24	79
3 Year	7.71	8.29	58
5 Year	7.95	8.47	52
10 Year	7.87	8.57	70

Source: Reuters Values as on Mar 04, 2016

- Yield on Gilt Securities fell across the curve in the range of 11 bps to 26 bps, barring 1-year paper that was flat.
- Corporate Bond yields fell across the maturities in the range of 14 bps to 19 bps.
- Difference in Spread between AAA Corporate Bond and Gilt expanded across most of the maturities in the range of 2 bps to 7 bps, barring 1-, 2-, and 6-year maturities that contracted in the range of 2 bps to 19 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India came out with a draft regulatory framework for a new kind of Non-Banking Finance Company, which will act as an account aggregator. This will help people view their accounts in a common format across financial institutions.
- ❑ The Finance Minister proposed to levy tax on receipt of dividend more than Rs. 10 lakh per annum. The tax would be 10% of gross amount of dividend in addition to the applicable Dividend Distribution Tax.
- ❑ The Finance Minister announced the implementation of the soil health card scheme under which the Government plans to include 14,000 crore farms by 2017.
- ❑ According to the Minister of State for Chemicals and Fertilisers, the Government has fixed the ceiling price of 530 essential medicines. As a result, price has come down by more than 40% for 126 medicines. Prices of 34 drugs have come down by 35%-40%.
- ❑ The Finance Minister clarified that the 1% levy on non-silver articles would be applicable only for jewellers having a turnover of Rs. 12 crore and not for small traders. The clarification came as jewellery shops across India were closed for the third consecutive day to oppose the imposition of excise duty.

Regulatory Updates in India (contd..)

- According to the Reserve Bank of India's deputy governor, the allocation of Rs. 25,000 crore to the Indian banking sector is enough. The deputy governor said that banks had other sources to raise capital and that the relaxation of Basel 3 norms had given them more space.
- The Ministry of Rural Development has proposed incentives for local banks to enable them to achieve the rural housing target. The incentives are in the form of credit guarantee and exemption from stamp duty. This will help the Government to achieve the goal of providing housing for all. The Government in this regard has asked the National Housing Board to fix a lower interest rate for loans for an amount ranging from Rs. 40,000 to Rs. 75,000.

Global News/Economy

- ❑ Data from the U.S. Labour Department showed that non-farm employment in the U.S. increased by 242,000 jobs in Feb 2016. Job growth in Dec 2015 and Jan 2016 was also upwardly revised to 271,000 and 172,000, respectively. However, unemployment rate remained unchanged at 4.9%.
- ❑ According to flash data from Eurostat, eurozone inflation level dropped unexpectedly in Feb 2016. Consumer prices index slipped 0.2% YoY in Feb, compared with the previous month's 0.3% gain. The disappointing reading has added to the worries of the European Central Bank before it announces its monetary policy next week.
- ❑ Results of a private survey showed that the British service sector expanded at the weakest pace in nearly three years in Feb 2016. The Chartered Institute of Procurement & Supply/Markit services PMI fell to 52.7 in Feb from 55.6 in the previous month.
- ❑ People's Bank of China lowered the reserve requirement ratio for banks to retain a satisfactory liquidity level in the financial system. Accordingly, the renminbi deposit reserve requirement ratio was brought down by 50 basis points.
- ❑ A major credit rating agency lowered the outlook of the Chinese economy to 'negative' from 'stable'. The downgrade came following a fall in reserve buffers and uncertainty about the Government's ability to implement reforms.

Global Equity Markets

Global Indices			
Indices	04-Mar-16	1-Week Return	YTD Return
Dow Jones	17006.77	2.20%	-0.83%
Nasdaq 100	4329	2.20%	-3.75%
FTSE 100	6199.43	1.70%	1.74%
DAX Index	9824.17	3.27%	-4.47%
Nikkei Average	17014.78	5.10%	-7.78%
Straits Times	2837	7.08%	0.04%

Source: Reuters

Europe

- The European market moved up over the week as some downbeat eurozone macro data increased hopes of further stimulus measure from the European Central Bank in its upcoming policy review. Sentiments also got support, after upbeat U.S. jobs data for Feb.

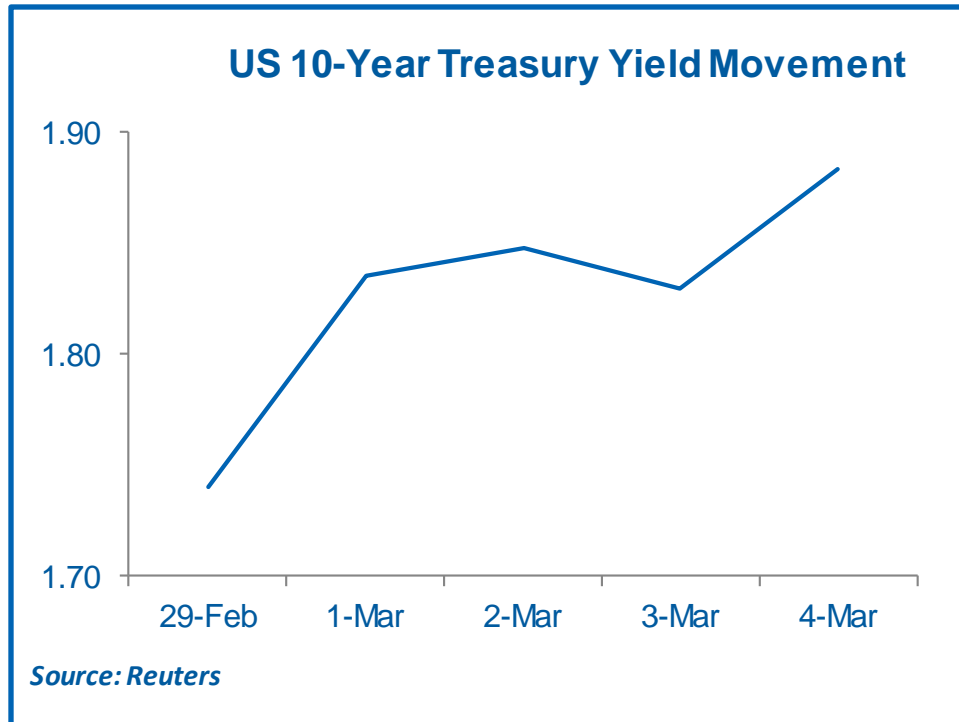
Asia

- Asian markets surged over the week as the positive impact of Chinese policymakers' decision to cut bank's reserve requirements outweighed concerns over weakness in the manufacturing sector of the nation. Recovery in crude oil prices and after the People's Bank of China set a stronger mid-point for the yuan also helped gains. Bourses got additional support as the service sectors in China and Japan expanded in Feb 2016.

U.S.

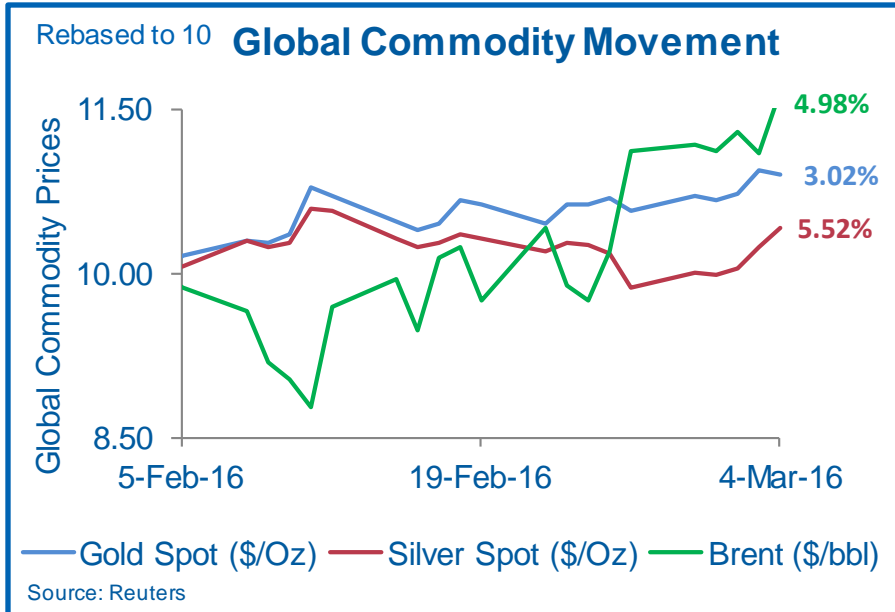
- U.S. markets gained over the week due to upbeat macroeconomic data in the U.S. region. ISM manufacturing data and construction spending for Feb was better than expected. Growth in employment data surpassed expectations in Feb. Rise in crude oil prices further supported the gains. However, upside was limited after unexpected decline in Chicago-area business activity in Feb.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield increased 12 bps to close at 1.88%, compared with the previous week's close of 1.76%.
- The U.S. Treasury prices increased initially after pending home sales in the U.S. fell to their lowest level in a year in Jan 2016 and the Chicago PMI contracted in Feb 2016.
- However, the trend reversed after manufacturing PMI of the U.S. economy increased in Feb and private sector employment in the same month came better than expected. Treasury prices fell further following upbeat non-farm employment report for Feb in which job growth for Dec 2015 and Jan was also upwardly revised.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	37.7	35.91
Gold (\$/Oz)	1259.06	1222.21
Gold (Rs/10 gm)	29450	29187
Silver (\$/Oz)	15.49	14.68
Silver (Rs/Kg)	37000	36924

Source: Reuters Values as on Mar 04, 2016

Gold

- Gold prices rose during the week as initial weakness in the European equity markets supported the safe haven appeal of the bullion. Prices continued to trend upward as weak Chinese manufacturing data for Feb 2016 and unimpressive U.S. pending home sales data for Jan 2016 rekindled concerns over global economy.

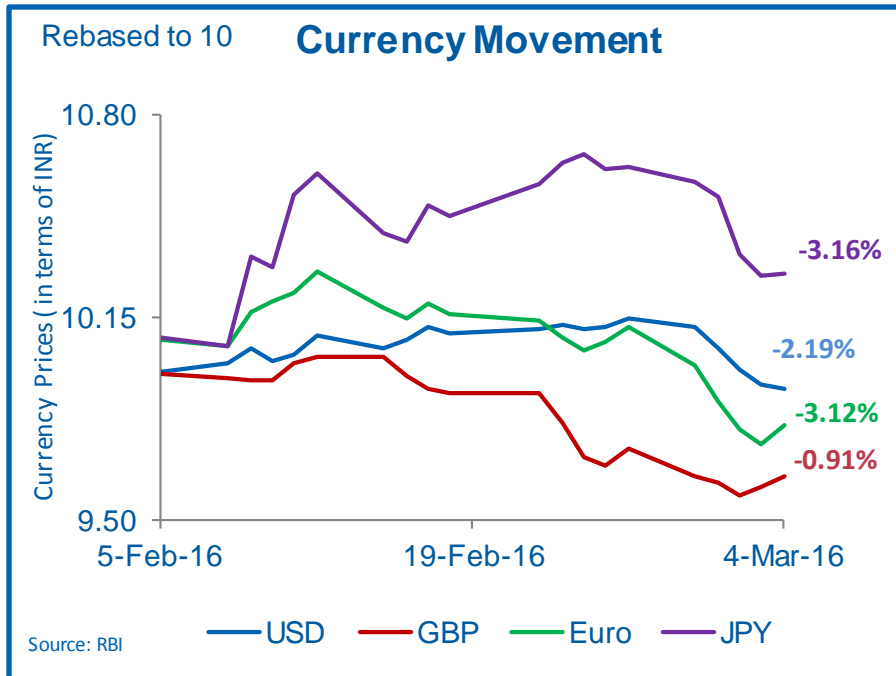
Crude

- Brent crude rose during the week as data showed a decrease in oil production in the U.S. and OPEC member countries. U.S. data showed a decline in crude output for the third straight month in Dec 2015, while supply from OPEC dropped in Feb.

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	67.27	68.78
Pound Sterling	95.22	96.09
EURO	73.67	76.04
JPY(per 100 Yen)	59.10	61.03

Source: RBI Figures in INR , Values as on Mar 04, 2016

Rupee

- The Indian rupee surged against the U.S. dollar due to gains in the domestic equity markets driven by the Government's prudent fiscal stance in the Union Budget.

Euro

- Euro fell initially against the dollar after contraction in eurozone consumer inflation in Feb. However, the trend reversed and euro gained after America's ISM service sector employment declined despite better than expected jobs data for Feb.

Pound

- Sterling unexpectedly strengthened against the greenback amid lack of any fresh cues regarding Britain's future in the European Union.

Yen

- Yen gained against the dollar on uncertainty that central banks' policies in the U.S. and elsewhere will continue to differ.

The Week that was...
29th February to 04th March

The Week that was (Feb 29 – Mar 04)

Date	Events	Present Value	Previous Value
Monday, February 29, 2016	Euro Zone Consumer Price Index (YoY) (Feb) Preliminary	-0.20%	0.30%
	Germany Retail Sales (MoM) (Jan)	0.70%	0.60%
	U.S. Pending Home Sales (MoM) (Jan)	-2.50%	0.90%
	Japan Unemployment Rate (Jan)	3.20%	3.30%
Tuesday, March 01, 2016	China Caixin Manufacturing PMI (Feb)	48	48.4
	Japan Nikkei Manufacturing PMI (Feb)	50.1	50.2
	Germany Markit Manufacturing PMI (Feb)	50.5	50.2
Wednesday, March 02, 2016	U.K. PMI Construction (Feb)	54.2	55.0
	Euro Zone Producer Price Index (MoM) (Jan)	-1.00%	-0.80%
	U.S. ADP Employment Change (Feb)	214K	193K
Thursday, March 03, 2016	China Caixin China Serices PMI (Feb)	51.2	52.4
	U.S. Markit Serices PMI (Feb)	49.7	49.8
	Euro Zone Markit Serices PMI (Feb)	53.3	53
Friday, March 04, 2016	U.S. Nonfarm Payrolls (Feb)	242K	172K
	U.S. Unemployment Rate (Feb)	4.90%	4.90%

The Week Ahead...
March 07 to March 11

The Week Ahead

Day	Event
Monday, Mar 07	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Factory Orders s.a. (MoM) (Jan) <input type="checkbox"/> Japan Gross Domestic Product Annualized (Q4) <input type="checkbox"/> Euro Zone Sentix Investor Confidence (Mar) <input type="checkbox"/> Japan Leading Economic Index (Jan) Preliminary
Tuesday, Mar 08	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance USD (Feb) <input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (QoQ) (Q4) <input type="checkbox"/> Germany Industrial Production s.a. (MoM) (Jan)
Wednesday, Mar 09	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. NIESR GDP Estimate (3M) (Feb) <input type="checkbox"/> U.K. Industrial Production (MoM) (Jan) <input type="checkbox"/> U.S. Wholesale Inventories (Jan)
Thursday, Mar 10	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Interest Rate Decision <input type="checkbox"/> China Consumer Price Index (MoM) (Feb) <input type="checkbox"/> China Producer Price Index (YoY) (Feb)
Friday, Mar 11	<ul style="list-style-type: none"> <input type="checkbox"/> India Industrial Output (Jan) <input type="checkbox"/> India Trade Deficit (Feb)

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