

News U Can Use

March 11, 2016

The Week that was...
March 7 to March 11

Indian Economy

- ❑ India's index of industrial production (IIP) contracted for the third consecutive month in Jan 2016 after surging in Oct 2015. IIP fell 1.5% YoY in Jan, deeper than 1.3% contraction in Dec 2015 and 2.8% rise in a year ago. Sector-wise, manufacturing output dropped 2.8% YoY while capital goods output showed a decline of 20.4%. Despite contraction, cumulative growth in industrial output for the period of Apr 2015 to Jan 2016 increased 2.7% YoY.
- ❑ Data from the Society of Indian Automobile Manufacturers showed that sales of passenger cars fell 4.21% in Feb 2016 to 1,64,469 units. Overall vehicle sales (including utility vehicles) inched up 1.68% to 2,34,154 units in the same period. Commercial vehicles and motorcycles sales increased 19.93% (62,359 units) and 11.05% (8,59,624 units), respectively.
- ❑ The Finance Minister has rolled back the budget proposal of levying tax on 60% of withdrawal from the employees' provident fund (EPF) with effect from Apr 1, 2016. According to the latest proposal, there will be no tax on withdrawal from EPFs and other superannuation funds if the amount is invested in any pension scheme.
- ❑ According to the Minister of State for Finance, the Government has approved 285 foreign direct investment proposals worth Rs. 48,902.76 crore till Jan 2016 in FY16.

Indian Equity Market

Domestic Equity Market Indices			
Indices	11-Mar-16	1 Week Return	YTD Return
S&P BSE Sensex	24717.99	0.29%	-5.52%
Nifty 50	7510.20	0.33%	-5.69%
S&P BSE Mid-Cap	10270.70	0.45%	-8.67%
S&P BSE Small-Cap	10277.99	-0.08%	-13.93%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nity 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.5	20.27	24.79	40.03
P/B	2.69	3.01	2.25	1.77
Dividend Yield	1.45	1.54	1.58	1.16

Source: BSE, NSE

Value as on Mar 11, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
08-Mar-16	776	797	0.97
09-Mar-16	853	687	1.24
10-Mar-16	659	881	0.75
11-Mar-16	650	903	0.72

Source: NSE

- Indian equity market witnessed marginal gain over the week. Buying interest was initially seen in the metal and energy stocks following stability in the global commodity prices including crude oil.
- Some sectoral gains were also witnessed after the Government passed some key reformative Bills in the Parliament, including Mines and Minerals (Development and Regulation) Act amendments and Hydrocarbon Exploration & Licensing Policy. However, upside was limited as investors awaited for industrial production data for Jan to take further cues.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17240.5	1.55%	10.56%
S&P BSE Bankex	17247.5	-1.36%	8.54%
S&P BSE CD	11611.9	-0.41%	-1.32%
S&P BSE CG	12283.6	-0.15%	5.85%
S&P BSE FMCG	7504.96	0.77%	6.24%
S&P BSE HC	15992	1.06%	5.02%
S&P BSE IT	10828.9	-1.37%	5.45%
S&P BSE Metal	7479.94	0.56%	16.65%
S&P BSE Oil & Gas	8746.37	0.94%	4.30%

Source: Reuters *Values as on Mar 11, 2016*

- ❑ Mixed trend was witnessed on the BSE sectoral front. S&P BSE IT stood as the major laggard followed by S&P BSE Bankex and S&P BSE Teck. Meanwhile, S&P BSE Auto stood as the major gainer followed by S&P BSE Healthcare and S&P BSE Realty.
- ❑ Banking sector fell after a credit rating agency downgraded its ratings on the debt instruments of eight public sector banks (PSBs) on concerns over asset quality. Realty sector gained after the Government approved Realty Bill in the Parliament.

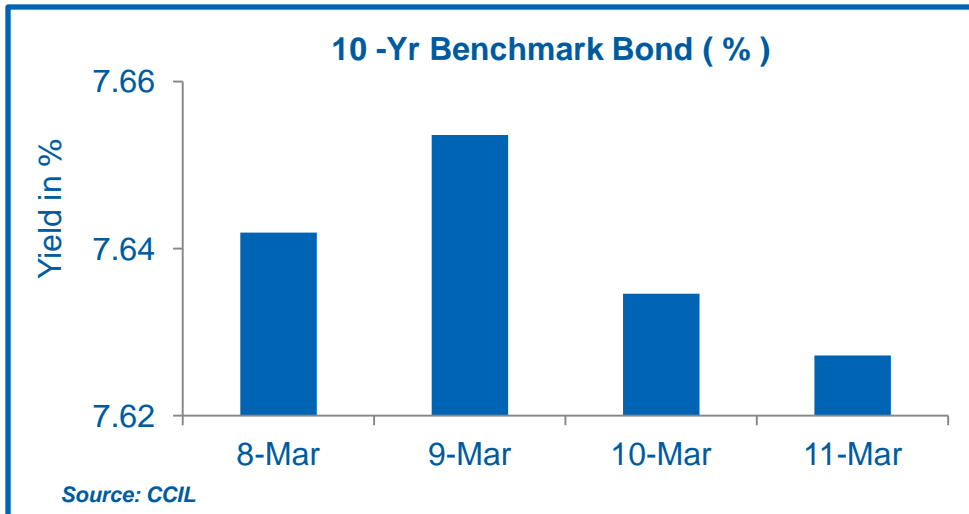
Indian Derivatives Market Review

- ❑ Nifty Mar 2016 Futures were at 7,512.20 points, a premium of 2.00 points, over the spot closing of 7,510.20 points. The turnover on NSE's Futures and Options segment stood at Rs. 9.21 lakh crore during the week to Mar 11 compared with Rs. 13.02 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.91, compared with the previous week's close of 0.87.
- ❑ The Nifty Put-Call ratio stood at 0.96, compared with the previous week's close of 0.98.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.53	6.74	6.97	7.08
91 Day T-Bill	7.24	7.21	7.33	7.45
08.27% 2020 , (5 Yr GOI)	7.71	7.65	7.62	7.90
07.59% 2026, (10 Yr GOI)	7.63	7.63	7.72	-

Source: Reuters Values as on Mar 11, 2016



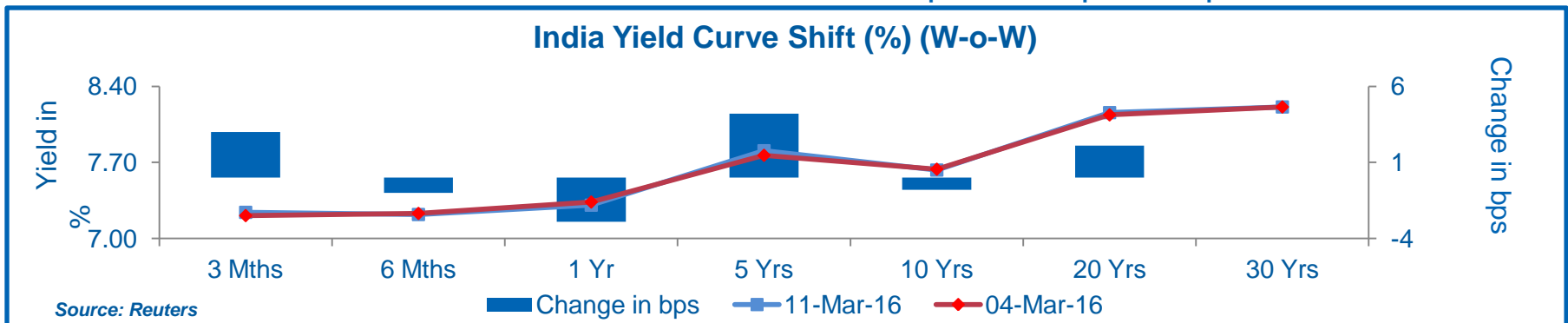
- Bond yields went up initially as investors remained cautious ahead of retail inflation data due on Mar 14. However, losses were made good after open market operations conducted by the Reserve Bank of India were subscribed successfully.
- Yield on the new 10-year benchmark bond 7.59% GS 2026 closed unchanged at 7.63%. It moved in a range of 7.61% to 7.66% during the week.
- Data from the central bank showed that India's foreign exchange reserves for the week to Mar 4 increased \$4.07 billion to \$350.86 billion from \$346.79 billion a week earlier.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.42	8.20	78
3 Year	7.74	8.27	53
5 Year	7.98	8.43	45
10 Year	7.87	8.55	68

Source: Reuters Values as on Mar 11, 2016

- Yield on Gilt Securities fell across most of the maturities up to 4 bps, barring 2- to 5-year maturities, 7-, and 19-year paper that increased in the range of 2 bps to 4 bps.
- Corporate Bond yields fell across the maturities up to 4 bps, barring 6- to 8-year maturities that increased up to 3 bps.
- Difference in Spread between AAA Corporate Bond and Gilt contracted across the maturities up to 8 bps, barring 6- to 9-year maturities that expanded up to 2 bps.



Regulatory Updates in India

- ❑ The Rajya Sabha passed the Real Estate (Regulation and Development) Bill, 2015. The bill seeks to regulate the property sector, bring in transparency, and help protect consumer interests. Builders will have to deposit a minimum of 70% collections from buyers in an escrow account which will cover the cost of land and construction. State-level real estate regulatory authorities will be set up to regulate transactions related to both residential and commercial projects and ensure that the projects are completed on time and proper handover is carried out.
- ❑ The Union cabinet gave its approval for Hydrocarbon Exploration Licensing Policy (HELP), extending terms of 28 production sharing contracts (PSCs). According to the policy, oil companies will need to pay royalty at prevailing rate as against current rate of Rs. 481 per tonne. The cabinet also extended licenses of 28 small- and medium-sized oil and gas fields.
- ❑ The Union cabinet gave its approval for amendments to the Mines and Minerals (Development and Regulation) (MMDR) Act 1957. This will allow transfer of mining lease for captive mines as against the present scenario where transfer of mining lease is restricted to auctioned mines only. The cabinet approval will also boost merger and acquisition activities in the cement sector.

Regulatory Updates in India (contd..)

- According to the Oil Minister, the Union cabinet has given its approval to Pradhan Mantri Ujwala Yojana. The scheme has an outlay of Rs. 8,000 crore for three years with an aim to provide free LPG connections to women members of poor households.
- Securities and Exchange Board of India (SEBI) has given permission to stock exchanges to include six currency pairs in the exchange traded futures and options. The move is expected to increase the depth of the currency segment and enhance Reserve Bank of India's power to control intraday volatility of the rupee against the U.S. dollar.
- The Government will exempt start-ups from compliance of nine labour laws if a self-declaration is submitted for the first year from the date of initiation. Subsequently, no inspection under these labour laws will take place.
- SEBI is considering changing the definition of 'control' under takeover rules. The objective behind the move is to give a boost to strategic and private equity deals in the country. SEBI may also prohibit a wilful defaulter from making public issue of equity, debt or non-convertible redeemable preference shares irrespective of whether it is a promoter, group company or director.

Global News/Economy

- ❑ The European Central Bank (ECB) lowered all three of its interest rates in its monetary policy review. The main refinancing rate was reduced by 5 bps to 0% from 0.05%. The deposit rate which was already in the negative territory was further reduced by 10 bps to -0.4%. The marginal lending rate was lowered by 5 bps to 0.25% from 0.3%. The new rates will come into effect from Mar 16, 2016. In addition, ECB expanded its asset purchase program to €60 billion from €80 billion which would be effective from Apr 2016. The central bank also announced a new series of four targeted longer-term refinancing operations each with a maturity of four years that will commence from Jun 2016.
- ❑ ECB sharply downgraded its inflation forecasts to 0.1% from 1% for 2016. Inflation projection for next year was brought down to 1.3% from 1.6%. For 2018, inflation is estimated to be 1.6%. ECB lowered the growth forecast for 2016 to 1.4% from 1.7%. The outlook for 2017 was lowered to 1.7% from 1.9%. ECB projected growth at 1.8% for 2018 %.
- ❑ China's exports tumbled 25.4% YoY in Feb 2016, as against Jan 2016's drop of 11.2%. It is the biggest drop since May 2009. Imports also fell at the rate of 13.8%, slower than 18.8% in the previous month. Due to a higher decline in exports than imports, trade surplus contracted sharply to \$32.6 billion from \$63.29 billion during the same period.

Global Equity Markets

Global Indices			
Indices	11-Mar-15	1-Week Return	YTD Return
Dow Jones	17213.31	1.21%	0.38%
Nasdaq 100	4361.83	0.76%	-3.02%
FTSE 100	6139.79	-0.96%	0.76%
DAX Index	9831.13	0.07%	-4.40%
Nikkei Average	16938.87	-0.45%	-8.20%
Straits Times	2828.86	-0.29%	-0.25%

Source: Reuters Values as on Mar 11, 2016

Europe

- European markets were initially burdened by disappointing German factory orders data for Feb 2016, lower eurozone investor confidence for Mar 2016, and weak Chinese trade data for Feb. Markets fell further after ECB lowered key interest rates, expanded its asset purchase program, announced a new series of four targeted longer-term refinancing operations in its monetary policy review but ruled out any further rate cuts.

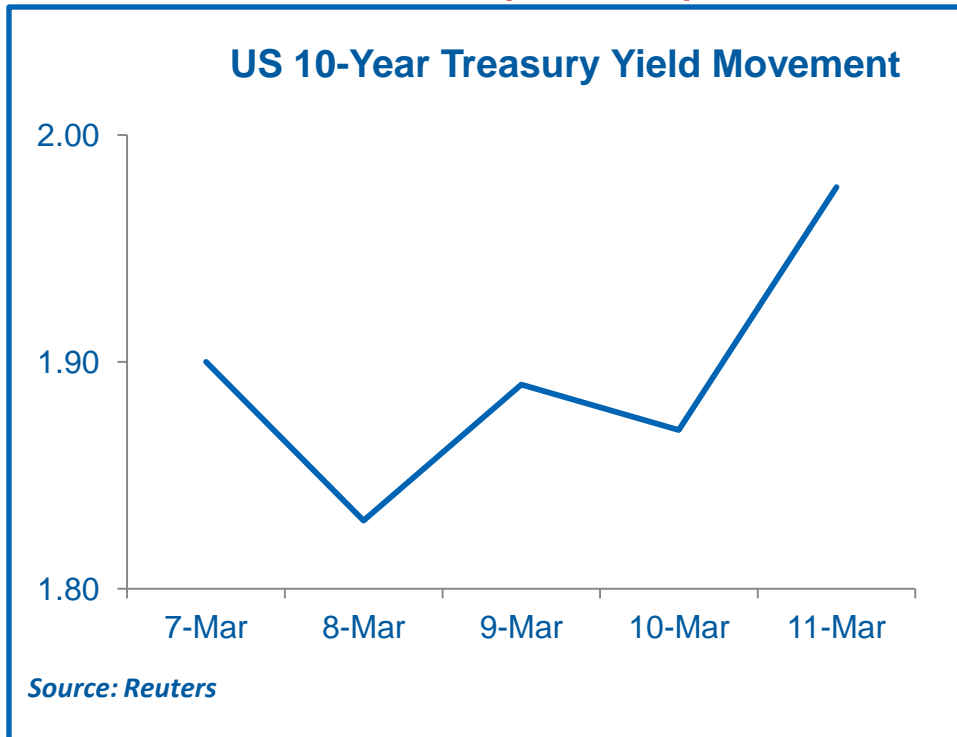
Asia

- Asian markets felt the heat of their global peers with Shanghai Composite recording a decline of 2.68% WoW after China's trade performance deteriorated sharply in Feb 2016, with both exports and imports declining more than expected. The drop in Chinese producer price index in Feb was also a drag for the markets.

U.S.

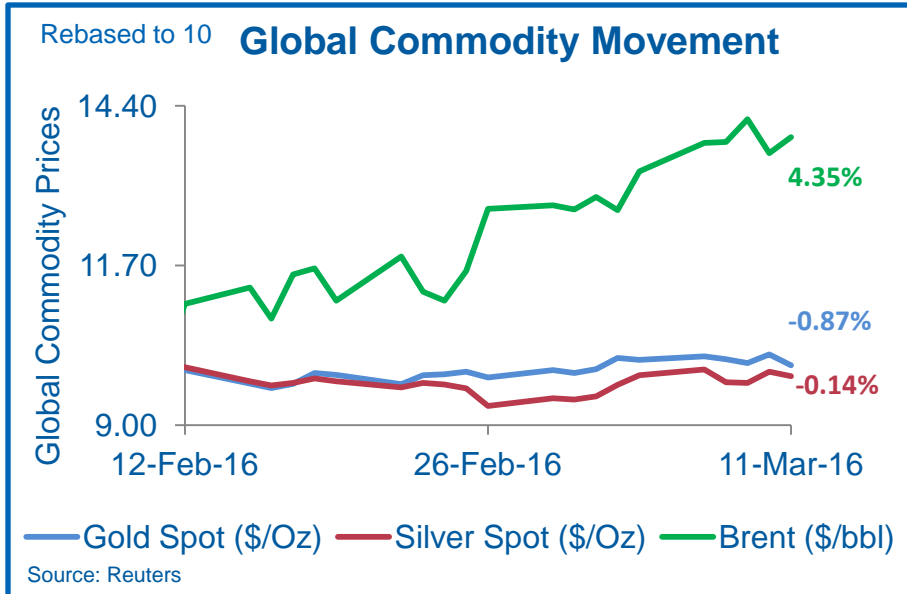
- U.S. markets fell initially following weak Chinese trade data for Feb 2016. Sentiments were further dampened after ECB Chief suggested that it may not cut interest rates any further. However, the trend reversed following some stability in global crude oil prices after IEA reported that the price of oil may have bottomed due to lower output from the U.S. and other non-OPEC producers.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield rose 10 bps to close at 1.98%, compared with the previous week's close of 1.88%.
- The U.S. Treasury prices extended their previous week's fall following upbeat U.S. jobs data for Feb 2016. But soon prices moved up after China reported a weaker than expected trade data in Feb, triggering concerns of global growth.
- However, the trend reversed and prices fell again on expectations that Fed would be able to raise interest rates in 2016 on the back of a strong U.S. economy after ECB Chief suggested that it may not lower interest rates any further.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	39.35	37.71
Gold (\$/Oz)	1248.06	1259.06
Gold (Rs/10 gm)	29080	29450
Silver (\$/Oz)	15.47	15.49
Silver (Rs/Kg)	36651	37000

Source: Reuters Values as on Mar 11, 2016

Gold

- Gold prices fell as the investor risk appetite increased following stability in global crude oil prices and adoption of stimulus measures by ECB.

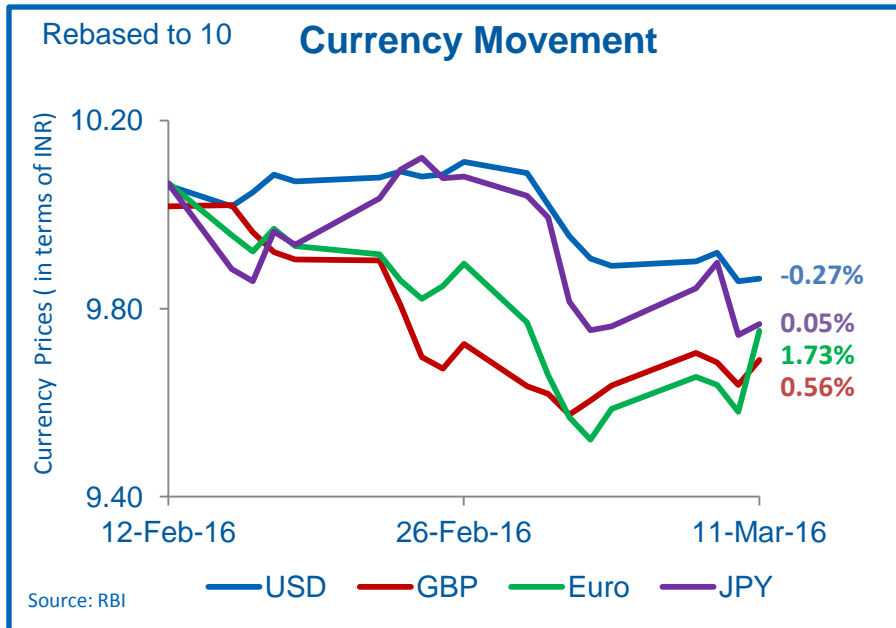
Crude

- Brent crude prices witnessed gains amidst speculations that global surplus of oil could reduce on account of a fall in global oil drilling activity and an output deal among the key oil producers. Prices rose further after International Energy Agency reported that the price of oil may have bottomed due to lower output from the U.S. and other non-OPEC producers.

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	67.09	67.27
Pound Sterling	95.75	95.22
EURO	74.94	73.67
JPY(per 100 Yen)	59.13	59.10

Source: RBI Figures in INR , Values as on Mar 11, 2016

Rupee

- Rupee inched up against the U.S dollar following gains in the domestic equity market and selling of the greenback by banks.

Euro

- Euro gained against the U.S. dollar after ECB lowered all three of its interest rates and expanded its asset purchase program but suggested that it may not lower interest rates any further.

Pound

- The pound strengthened against the U.S. dollar after ECB suggested that it may not cut interest rates any further.

Yen

- Yen was almost steady against the U.S. dollar. Weak trade data from China for Feb 2016 initially boosted yen. However, indication by ECB to act until inflation target is reached wiped out the gains.

The Week that was...
March 7 to March 11

The Week that was (Mar 7– Mar 11)

Day	Event	Present Value	Previous Value
Monday, March 7, 2016	Germany Factory Orders s.a. (MoM) (Jan)	-0.10%	-0.20%
	Japan Gross Domestic Product Annualized (Q4)	-1.10%	-1.40%
	Euro Zone Sentix Investor Confidence (Mar)	5.5	6.0
	Japan Leading Economic Index (Jan) Preliminary	101.4	101.8
Tuesday, March 8, 2016	China Trade Balance USD (Feb)	210.0B	406.2B
	Euro Zone Gross Domestic Product s.a. (QoQ) (Q4)	0.30%	0.30%
	Germany Industrial Production s.a. (MoM) (Jan)	3.30%	-0.30%
Wednesday, March 9, 2016	U.K. NIESR GDP Estimate (3M) (Feb)	0.30%	0.40%
	U.K. Industrial Production (MoM) (Jan)	0.30%	-1.10%
	U.S. Wholesale Inventories (Jan)	0.30%	-0.10%
Thursday, March 10, 2016	European Central Bank Interest Rate Decision	0.00%	0.05%
	China Consumer Price Index (MoM) (Feb)	1.60%	0.50%
	China Producer Price Index (YoY) (Feb)	-4.90%	-5.30%
	U.S. Initial Jobless Claims (Mar 4)	259K	277K
Friday, March 11, 2016	India Industrial Output (Jan)	-1.50%	-1.30%
	Germany Consumer Price Index (MoM) (Feb)	0.40%	0.40%

The Week Ahead...
March 14 to March 18

The Week Ahead

Day	Event
Monday, Mar 14	<ul style="list-style-type: none"> <input type="checkbox"/> India Consumer Price Inflation (Jan) <input type="checkbox"/> India Wholesale Price Inflation (Jan) <input type="checkbox"/> Euro Zone Industrial Production s.a. (MoM) (Jan)
Tuesday, Mar 15	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Interest Rate Decision <input type="checkbox"/> Japan Industrial Production (MoM) (Jan) <input type="checkbox"/> U.S. Retail Sales (MoM) (Feb)
Wednesday, Mar 16	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Federal Reserve Monetary Policy Review <input type="checkbox"/> U.K. ILO Unemployment Rate (3M) (Jan) <input type="checkbox"/> U.S. Industrial Production (MoM) (Feb)
Thursday, Mar 17	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Interest Rate Decision <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Feb) <input type="checkbox"/> U.S. Initial Jobless Claims (Mar 11)
Friday, Mar 18	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Mar)Preliminary <input type="checkbox"/> Germany Producer Price Index (MoM) (Feb)

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