

News U Can Use

May 06, 2016

The Week that was...
May 02 to May 06

Indian Economy

- ❑ Government data showed that growth in eight core sectors rose to a 16-month high at 6.4% in Mar 2016, better than the 5.7% rise recorded in the previous month and 0.7% fall a year ago. The improvement can be attributed to higher electricity and fertiliser output that surged 11.3% and 22.9%, respectively, in Mar. Production in these two sectors had grown 9.2% and 16.3%, respectively, in the previous month. However, coal output growth slowed to 1.7%, and crude oil and natural gas production contracted by 5.1% and 10.5%, respectively. For the FY16, core sector growth halved to 2.7% from 4.5% in FY15.
- ❑ Results of a private survey showed that India's manufacturing sector slowed in Apr 2016 following subdued demand. The Nikkei Markit Manufacturing Purchasing Managers' Index (PMI) fell to a four-month low of 50.5 in Apr from 52.4 in Mar 2016 as new business inflows were broadly unchanged during the month. However, it represented the fourth consecutive month of output growth on account of improvements in new export business.
- ❑ The Nikkei/Markit Services PMI fell to a four-month low of 53.7 in Apr 2016 from 54.3 in Mar 2016 due to slowdown in new business. The rate of growth in new business at service firms eased compared with Mar data as competitive pressures weighed on companies.
- ❑ The Nikkei India Composite PMI Output Index declined to 52.8 in Apr 2016 from 54.3 in Mar 2016. The drag was mainly due to a slowdown in new business inflows in the service sector.

Indian Equity Market

Domestic Equity Market Indices			
Indices	06-May-16	1 Week Return	YTD Return
S&P BSE Sensex	25228.5	-1.48%	-3.56%
Nifty 50	7733.45	-1.48%	-2.89%
S&P BSE Mid-Cap	10965.28	-0.70%	-2.49%
S&P BSE Small-Cap	10899.31	-1.10%	-8.72%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nity 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.07	20.91	26.83	41.9
P/B	2.78	3.22	2.44	1.89
Dividend Yield	1.51	1.39	1.48	1.16

Source: BSE, NSE

Value as on May 06, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
02-May-16	763	813	0.94
03-May-16	667	892	0.75
04-May-16	367	1193	0.31
05-May-16	737	804	0.92
06-May-16	675	857	0.79

Source: NSE

- Indian equity markets finished the week down as investors remained cautious ahead of the U.S. jobs data for Apr, which may provide further cues on the Fed's stance on interest rate hike. On the domestic front, weak manufacturing and service sectors growth data soured investor sentiments.
- Concerns over global economic health also weighed on the market.
- The downturn was restricted as official data showed that output of eight crucial infrastructure sectors grew to a 16-month high in Mar 2016.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18272.5	-1.07%	3.34%
S&P BSE Bankex	18540.1	-3.01%	4.28%
S&P BSE CD	11714.6	-0.62%	0.53%
S&P BSE CG	13150.7	-0.39%	2.55%
S&P BSE FMCG	7619.98	-1.01%	-0.60%
S&P BSE HC	15363.4	-1.41%	1.77%
S&P BSE IT	11042.5	-2.54%	-2.18%
S&P BSE Metal	7672.21	-3.60%	2.71%
S&P BSE Oil & Gas	9236.69	-1.28%	2.04%

Source: Reuters *Values as on May 06, 2016*

- ❑ On the BSE sectoral front, all the indices closed in the red. S&P BSE Metal was the major laggard, down 3.60%, followed by S&P BSE Bankex and S&P BSE IT, which slipped 3.01% and 2.54%, respectively. S&P BSE Teck dropped 2.49% and S&P BSE Realty, 1.67%.
- ❑ Metal stocks fell following weakness in global commodity prices. Weaker-than-expected manufacturing data from China weighed on the sector.

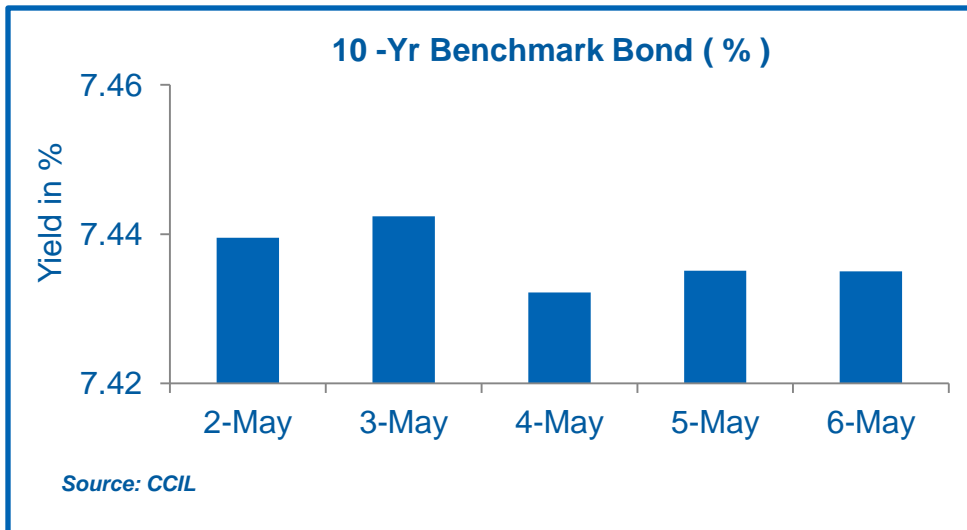
Indian Derivatives Market Review

- ❑ Nifty May 2016 Futures were at 7,760.25 points, a premium of 26.80 points, over the spot closing of 7,733.45. The turnover on NSE's Futures and Options segment stood at Rs. 10.00 lakh crore during the week to May 06, compared with Rs. 23.07 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.77, compared with the previous week's close of 1.00.
- ❑ The Nifty Put-Call ratio stood at 0.80, compared with the previous week's close of 0.94.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.39	6.55	6.39	6.49
91 Day T-Bill	6.82	6.83	6.84	7.09
08.27% 2020 , (5 Yr GOI)	7.36	7.38	7.34	7.70
07.59% 2026, (10 Yr GOI)	7.44	7.44	7.46	--

Source: Reuters Values as on May 06, 2016



- ▣ Bond yields remained steady as investors were cautious amid lack of fresh economic triggers. Yields fell following escalation in U.S treasury prices, but scenario reversed on caution ahead of the weekly auction of the government debt. Market participants awaited the U.S. unemployment and non-farm payroll data for Apr 2016.

- ▣ Yield on 10-year benchmark bond (7.59% GS 2026) remained unchanged at 7.44% as compared to the last week's closing.

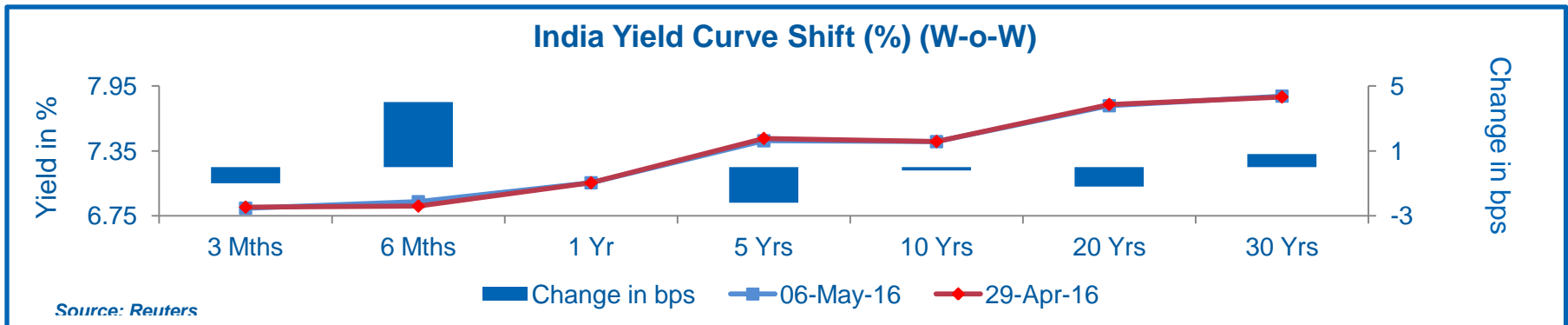
- ▣ RBI announced to conduct open market operations (OMO) to purchase government securities for an aggregate amount of Rs. 10,000 on May 10.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.19	7.62	44
3 Year	7.39	7.91	52
5 Year	7.62	8.08	46
10 Year	7.70	8.17	47

Source: Reuters Values as on May 06, 2016

- Yields on gilt securities fell up to 2 bps or remained steady across the curve, barring 13-, 14-, and 30-year papers that increased up to 2 bps.
- Corporate bond yields increased across the curve up to 4 bps, except 10-year paper that remained flat.
- Difference in spread between AAA corporate bond and gilt expanded up to 6 bps, except 10-year paper that was steady.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has proposed rules for approving on-tap licence to new universal banks in the private sector. License would be issued to experienced professionals or big non-banking finance firms if they have a minimum capital of Rs. 500 crore.
- ❑ According to the rule, industrial houses and conglomerates generating more than 40% of total business from non-financial activities will be barred from promoting banks.
- ❑ But, conglomerates with total assets of Rs. 5,000 crore and having 60% of their business in financial services can apply for a banking licence. The universal banks can function as high-street lenders by offering loans, accepting deposits, and carrying out fee-based services.
- ❑ According to the Minister of State for Finance, RBI is currently examining to put in place regulatory framework for addressing customer grievances and liability issues arising out of frauds in electronic transactions.
- ❑ As per media reports, the Insurance Regulatory Development Authority of India (IRDAI) may allow insurers to invest in additional Tier 1 (AT-1) bonds issued by banks. AT-1 bonds do not have a fixed maturity date. This will have a positive impact on the banks and insurers due to their preferences for long-term investments. Also, this will help banks to raise fund domestically rather than looking for it abroad, avoiding additional costs of borrowing.

Regulatory Updates in India (contd..)

- RBI has revalidated and extended validity of authorisation of Rs. 17,523 crore as cash credit limit for wheat crop in Punjab till May 31.
- RBI report on state finances for FY16 stated that in terms of percentage of gross state domestic product, Chhattisgarh has the lowest debt burden at 15.5% in the non-special category states.

Global News/Economy

- According to a report released by ADP, U.S. private sector added 156,000 jobs in Apr 2016 compared with the addition of 194,000 jobs in Mar 2016. Service providing employment increased by 166,000 jobs, while goods producing employment decreased by 11,000 jobs in Apr.
- Data from the U.S. Department showed that non-farm payroll employment rose by 160,000 in Apr 2016, which was below market expectations. Revised data also showed that employment in Feb 2016 and March 2016 increased by 233,000 and 208,000, respectively. This implied a net downward revision of 19,000 jobs. The unemployment rate remained unchanged at 4.9%.
- According to the Markit data, eurozone's manufacturing growth improved slightly from previous month. The factory Purchasing Managers' Index (PMI) edged up to 51.7 in Apr 2016 from 51.6 in Mar 2016. However, the figure represented the weakest level registered over the past year.
- Results of a survey by the National Bureau of Statistics and the China Federation of Logistics and Purchasing revealed that manufacturing PMI of China decreased to 50.1 in Apr 2016 compared with 50.2 in Mar 2016. Non-manufacturing PMI index dropped to 53.5 in Apr from 53.8 in Mar.

Global Equity Markets

Global Indices			
Indices	06-May-16	1-Week Return	YTD Return
Dow Jones	17740.63	-0.19%	3.45%
Nasdaq 100	4330.17	-0.26%	-3.73%
FTSE 100	6125.70	-1.86%	0.53%
DAX Index	9869.95	-1.68%	-4.02%
Nikkei Average	16106.72	-3.36%	-12.71%
Straits Times	2730.80	-3.79%	-3.71%

Source: Reuters Values as on May 06, 2016

Europe

- European markets fell over the week on concerns over global growth slow-down. Investor sentiment was dented after retail sales in the euro zone dropped for the first time in five months in Mar and euro area private sector expanded at a slower pace in Apr. Worries that Britain may leave the European Union added to investor anxiety.

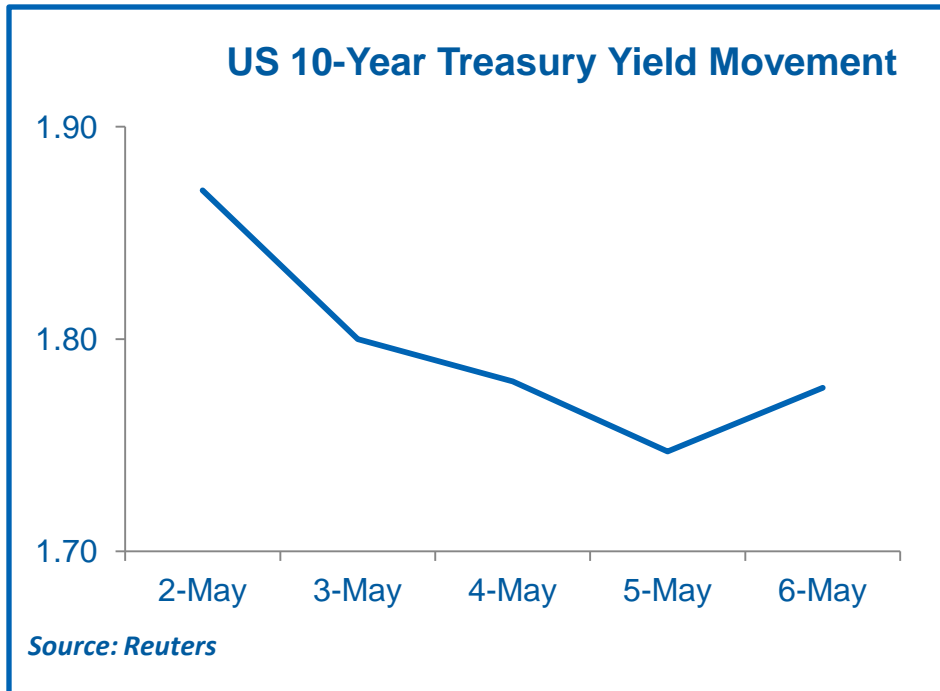
Asia

- Asian markets fell as weak U.S. economic data and slowing growth in China raised concerns of global growth slowdown. China Caixin manufacturing purchasing managers' index for Apr fell to 49.4 from 49.7 in Mar. Chinese market fell further on worries over rising bond defaults and concerns over Chinese commodities market. Japanese services sector deteriorated for the first time in over a year in Apr.

U.S.

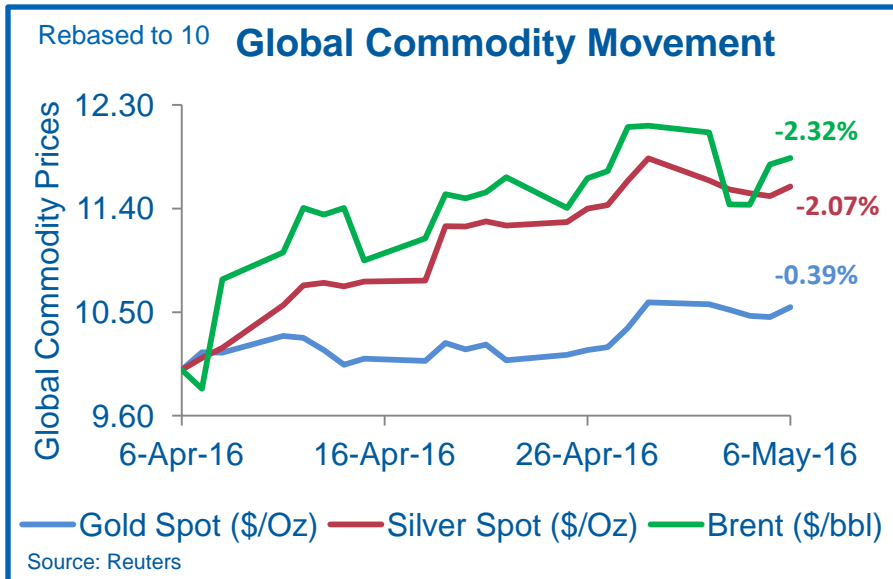
- U.S. markets ended the week in the red. Weak U.S. economic data and China's slowing growth raised concerns over the health of the global economy.
- Weaker than expected U.S. private sector jobs growth data in Apr weighed on sentiments. The nonfarm payrolls for Apr increased at their slowest pace since Sep, adding just 160,000 jobs.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 4 bps to close at 1.78%, compared with the previous week's close of 1.82%.
- The U.S. treasury prices fell initially following rise in domestic equity market, which lowered its safe haven appeal.
- However, losses retreated as weak Chinese data and a surprise interest rate cut by the Reserve Bank of Australia raised concerns about the global growth outlook, which boosted the demand for safe haven assets.
- U.S. treasury prices increased further after U.S. private employment in Apr 2016 grew at its slowest pace in three years. However, gains were capped due to better than expected U.S. average hourly wage data.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	44.24	45.29
Gold (\$/Oz)	1288.30	1293.36
Gold (Rs/10 gm)	30003	29918
Silver (\$/Oz)	17.45	17.82
Silver (Rs/Kg)	40832	41476

Source: Reuters Values as on May 06, 2016

Gold

- Gold prices traded lower during the week. Prices were hit after a couple of Fed officials supported raising interest rates in Jun. Strength in the U.S. dollar against the euro further weighed on the bullion's prices.

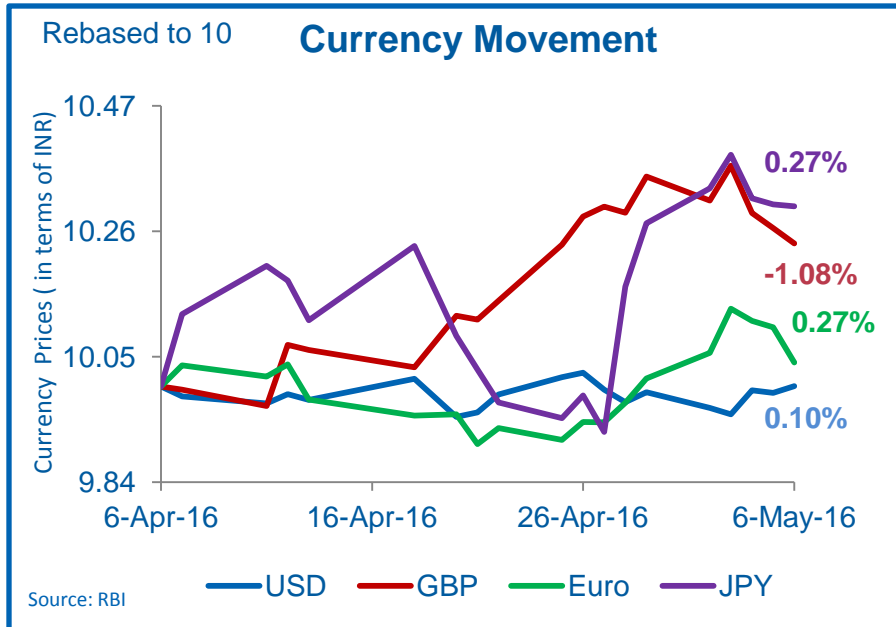
Crude

- Brent crude prices were hit early in the week amid renewed concerns over supply glut as OPEC members raised monthly oil output for Apr. Decline in China's manufacturing sector weighed on the demand outlook for oil. Losses were restricted by escalating tensions in Libya and a massive wildfire in the Canadian oil city of Fort McMurray.

Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.58	66.52
Pound Sterling	96.35	97.40
EURO	75.93	75.73
JPY(per 100 Yen)	62.13	61.96

Source: RBI Figures in INR , Values as on May 06, 2016

Rupee

- The Indian rupee fell against the U.S. dollar following weak domestic equity market amid global slowdown worries.

Euro

- Euro weakened against the U.S. dollar after the European Commission downgraded its annual GDP growth outlook for 2016.

Pound

- Pound fell against the U.S. dollar as lower than expected manufacturing, services, and construction survey data for Apr 2016 dented Britain's economic outlook.

Yen

- Yen weakened against the greenback but remained at 18-month high as investors were unsure about the Japanese Prime Minister's stance to weaken the currency.

The Week that was...
May 02 to May 06

The Week that was (May 02 – May 06)

Day	Event	Present Value	Previous Value
Monday, May 02, 2016	U.S. ISM Manufacturing (Apr)	50.8	51.8
Tuesday, May 03, 2016	China Caixin PMI Manufacturing (Apr)	49.4	49.7
	U.K. Markit PMI Manufacturing s.a. (Apr)	49.2	50.7
Wednesday, May 04, 2016	Euro Zone Retail Sales (YoY) (Mar)	-0.50%	0.30%
	U.S. ADP Employment Change (Apr)	156K	194K
	U.S. Trade Balance (Mar)	-40.44B	-46.96B
	U.S. Factory Orders (Mar)	1.10%	-1.90%
	U.S. ISM Non-Manufacturing PMI (Apr)	55.7	54.5
Thursday, May 05, 2016	China Caixin PMI Services (Apr)	51.8	52.2
	U.K. Markit/CIPS Services PMI (APR)	52.3	53.7
Friday, May 06, 2016	U.S. Change in Non-farm Payrolls (Apr)	160K	208K
	U.S. Unemployment Rate (Apr)	5.00%	5.00%

The Week Ahead...
May 09 to May 13

The Week Ahead

Day	Event
Monday, May 09	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Sentix Investor Confidence (May) <input type="checkbox"/> Germany Factory Orders (MoM) (Mar). <input type="checkbox"/> Japan Household Confidence (Apr).
Tuesday, May 10	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (MoM) (Apr) <input type="checkbox"/> China Producer Price Index (YoY) (Apr) <input type="checkbox"/> Germany Industrial Production (MoM) (Mar).
Wednesday, May 11	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Index (MoM) (Mar). <input type="checkbox"/> U.K. Industrial Production (MoM) (Mar).
Thursday, May 12	<ul style="list-style-type: none"> <input type="checkbox"/> India Consumer Price Index (Apr). <input type="checkbox"/> Bank of England Interest rate Decision. <input type="checkbox"/> India Industrial Output (MoM) (Mar).
Friday, May 13	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Retail Sales (MoM) (Apr). <input type="checkbox"/> U.S. Michigan Consumer Sentiment (May). <input type="checkbox"/> Euro Zone GDP (QoQ) (Q1).

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