

# News U Can Use

*May 20, 2016*

The Week that was...  
16<sup>th</sup> May to 20<sup>th</sup> May

# Indian Economy

- ❑ Government data showed that the Wholesale Price Index (WPI) based inflation stood at 0.34% in Apr 2016, rising for the first time in the past 18 months. WPI fell 0.85% in Mar 2016, while fell 2.43% in the Apr 2015. Primary articles index increased 2.34% and manufactured product index grew 0.71%, while fuel inflation declined 4.83%. Food inflation increased 4.23%, with pulses and potatoes rising 36.36% and 35.45%, respectively. Onions, fruits, and minerals declined 18.18%, 2.38%, and 27.24%, respectively.
- ❑ Government data showed that India's trade deficit narrowed to \$4.84 billion in May 2016 from \$5.07 billion in the previous month, marking the lowest level since Mar 2011. The reason behind this sharp decline was fall in crude oil and gold imports. Falling global crude prices led to decline in oil import by 24% and subdued gold demand due to jewellers' strike and increase in prices led to a 60% fall in gold import.
- ❑ According to finance ministry's annual report data, Gross Non-Performing Assets (GNPAs) of banks are likely to increase 6.9% and capital to risk asset ratio to rise 10.4% by Mar 2017, leading to a "severe stress scenario". The GNPA of scheduled banks stood at 5.14% in Sep 2015, which may rise to 5.4% by Sep 2016. Weak domestic growth and uncertainty in global markets are the major reasons for increase in GNPAs. Ban on mining projects, delay in project clearance in power and steel sector, volatility in prices of raw material and shortage of power have negatively affected the infrastructure sectors, which was funded by public sector banks.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	20-May-16	1 Week Return	YTD Return
S&P BSE Sensex	25301.9	-0.74%	-3.28%
Nifty 50	7749.7	-0.83%	-2.68%
S&P BSE Mid-Cap	11023.18	-1.19%	-1.98%
S&P BSE Small-Cap	10964.26	-1.34%	-8.18%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.47	21.19	23.38	38.73
P/B	2.66	3.22	2.3	1.83
Dividend Yield	1.54	1.39	1.32	1.17

Source: BSE, NSE

Value as on May 20, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
16-May-16	761	787	0.97
17-May-16	774	773	1.00
18-May-16	734	779	0.94
19-May-16	436	1105	0.39
20-May-16	455	1107	0.41

Source: NSE

- Concerns of a probable rate hike by the U.S. Fed as early as next month after recent data showed improvement in the U.S. economy kept domestic equity markets low. Situation worsened after minutes of U.S. central bank's latest policy review meeting hinted at an increase in key interest rates in Jun 2016 if the economy continued to strengthen.

- On the domestic front, India Meteorological Department's forecast on delayed monsoon dragged the markets down. Losses were restricted by encouraging earnings report of a major company in the fast moving consumer goods sector.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18070.2	-0.84%	-2.81%
S&P BSE Bankex	18739.8	-1.58%	0.82%
S&P BSE CD	11673.4	-1.28%	-3.61%
S&P BSE CG	13058.9	-2.27%	-3.10%
S&P BSE FMCG	7722.48	-0.10%	-2.17%
S&P BSE HC	15274.9	-1.02%	-1.89%
S&P BSE Metal	7461.02	-0.55%	-6.85%
S&P BSE Oil & Gas	9065.63	-1.14%	-3.16%
S&P BSE Power	1799.40	-1.95%	-5.52%
S&P BSE Realty	1367.1	2.13%	2.66%

*Source: Reuters* *Values as on May 20, 2016*

- Barring S&P BSE Realty, all the BSE sectoral indices closed in the red. S&P BSE Capital Goods was the major laggard, down 2.27%, followed by S&P BSE Power and S&P BSE Bankex, which slipped 1.95% and 1.58%, respectively.
- The auto sector went down following news that several India-made vehicles failed an international safety test. Pharma sector too witnessed pressure amid concerns over the manufacturing facility of one of the industry heavyweights, which is under the scanner of USFDA.

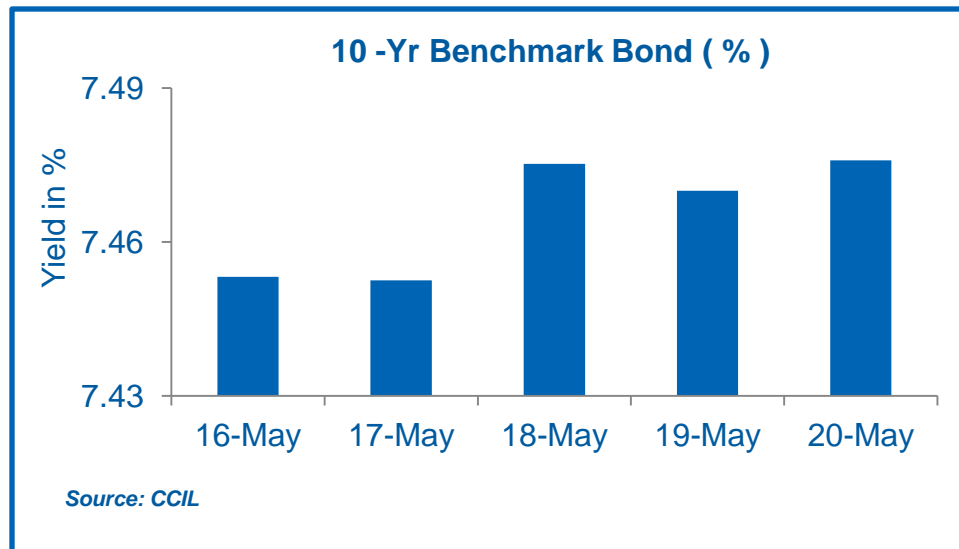
## Indian Derivatives Market Review

- Nifty May 2016 Futures were at 7,763.35 points, a premium of 13.65 points, over the spot closing of 7,749.70. The turnover on NSE's Futures and Options segment stood at Rs. 14.79 lakh crore during the week to May 20, compared with Rs. 12.29 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.77, compared with the previous session's close of 0.90.
- The Nifty Put-Call ratio stood at 0.84, compared with the previous session's close of 0.88.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.38	6.48	6.55	6.73
91 Day T-Bill	6.84	6.83	6.79	7.14
08.27% 2020, (5 Yr GOI)	7.37	7.33	7.37	7.76
07.59% 2026, (10 Yr GOI)	7.48	7.45	7.44	--

Source: Reuters Values as on May 20, 2016



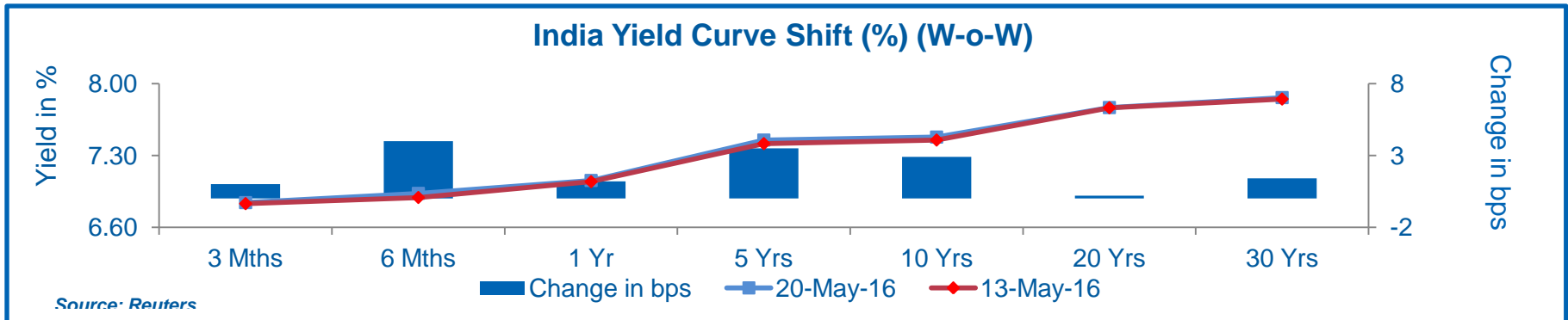
- Bond yields started on a steady note as investors were disappointed by faster rise in wholesale price inflation for Apr 2016. Concerns over declining overseas participation in the Indian debt market weighed on markets.
- Yields increased thereafter because of rise in crude oil prices, weak Indian rupee, and concerns over potential interest rate hike in the U.S. Losses increased after weekly auction of the government securities impacted the demand of the secondary market.
- However, losses were restricted on hopes of Open Market Operation by the Reserve Bank of India (RBI).
- Yield on 10-year benchmark bond (7.59% GS 2026) rose 3 bps to close at 7.48% compared with the previous week's close of 7.45%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.19	7.74	55
3 Year	7.37	7.94	57
5 Year	7.63	8.1	47
10 Year	7.74	8.2	46

Source: Reuters Values as on May 20, 2016

- Yields on gilt securities increased up to 5 bps, barring 2-, 3-, 19-, and 24-year papers that remained flat.
- Corporate bond yields increased up to 6 bps across the curve, except 1-year paper that was flat. Maximum and minimum increase was seen on 4-year and 3-year paper, respectively.
- Difference in Spread between AAA corporate bond and gilt expanded up to 3 bps, except 1-, 9-, 10-, and 15-year papers that contracted up to 2 bps. Spread on 5- and 8-year papers remained unchanged.



# Regulatory Updates in India

- ❑ The Securities and Exchange Board of India (SEBI) has tightened norms for participatory notes (P-notes or PNs) in order to curb money laundering through this route. The regulatory board has approved the proposal to increase disclosure requirements for issuance of P-notes as this would enable the regulator to know the beneficial owners of these instruments at any point of time
- ❑ The Reserve Bank of India (RBI) has given licence to 33 banks and financial institutions to join integrated electronic bill payment system called Bharat Bill Payment System. The banks and the financial institutions have received approval to operate as Bharat Bill Payment Operating Units (BBPOUs). BBPOUs will control single-window facilities for electronic payment of utility bills (electricity, water, gas and telephones). Later, it will also include school and university fees, municipality taxes, mutual funds, insurance premiums, and many more as per clearances from RBI.
- ❑ SEBI is expected to come out with a new regulation on dividend distribution policy. Initially, the universe on which new regulation will be applied is expected to be top 500 listed companies by market capitalization, which will be later expanded. This proposal would be presented in the SEBI's board meeting to be held in Jun. The policy would help investors identify companies that match with their investment objectives.



## Regulatory Updates in India (contd..)

- According to RBI, the country's receipts from invisible services declined 4% to \$57.61 billion in the third quarter of FY16, while payments towards such activities increased 5.8% to \$30.67 billion. The invisibles receipts from services in the third quarter stood at \$37.89 billion, down 4.4% from the year-ago quarter. However, receipts from primary income and secondary income increased 29.4% to \$3.79 billion and declined 8.8% to \$15.93 billion, respectively. In the invisibles payments category, services payments from India increased 2.3% to \$19.8 billion during the same period.
- The Insurance Regulatory and Development Authority of India (IRDAI) has standardised corporate governance rules for insurance companies. The norm aims to strengthen the boards of insurance companies, in order to supervise overall direction of the businesses including the companies' decision-making abilities on various functional areas.
- According to the chairman of IRDAI, the regulator may issue revised IPO guideline for the insurers. The chairman has also mentioned that during the last fiscal, there was 12% growth in life insurance and 14% growth in non-life insurance, while the health insurance sector grew 40%.
- According to the Ministry of Finance's 2015-16 Annual Report, Foreign Investment Promotion Board (FIPB) has approved foreign investment proposals of six insurance companies (as on Feb 29, 2016), for a total amount of Rs. 2566.26 crore.

# Global News/Economy

- According to minutes of the U.S. Federal Reserve's latest policy meeting, policymakers might increase interest rates in Jun 2016. As per the minutes, if the economic growth picks up in the second quarter, labour market conditions continue to strengthen, and inflation rate progresses toward the committee's 2% target, then Fed might expand the range for the federal funds rate in the upcoming month.
- The Labour Department revealed that rise in U.S. consumer prices was higher than expected in Apr 2016, mainly due to sharp jump in energy prices. Consumer price inflation accelerated to 0.4% in Apr from 0.1% in Mar 2016. Energy prices surged 3.4% in Apr, higher than 0.9% increase in the previous month due to 8.1% spike in gasoline.
- The Labour Department showed that U.S. initial jobless claims declined to 278,000 in the week to May 14, as against the previous week's unrevised level of 294,000.
- The European Central Bank said that the eurozone current account surplus increased to EUR 27.3 billion in Mar 2016 from EUR 19.2 billion in Feb 16.
- The Cabinet Office showed that Japan's Gross Domestic Product (GDP) increased 0.4% sequentially in the quarter ended Mar 2016, much better than expectations. In the Dec quarter of 2015, GDP was downwardly revised to 0.4% decline, compared with a 0.3% decline estimated earlier. On a yearly basis, GDP growth of 1.7% in Mar quarter was far ahead of market expectations.

# Global Equity Markets

Global Indices			
Indices	20-May-16	1-Week Return	YTD Return
Dow Jones	17500.94	-0.20%	2.05%
Nasdaq 100	4362.903	0.84%	-3.00%
FTSE 100	6156.32	0.29%	1.03%
DAX Index	9916.02	-0.37%	-3.57%
Nikkei Average	16736.35	1.97%	-9.29%
Straits Times	2763.82	1.06%	-2.54%

*Source: Reuters*

## Europe

- European markets fell initially as unexpected slowdown in U.K. inflation in Apr weighed on the bourses. Losses were restricted on optimism that Greece and its lenders will be able to come to an agreement on the long-desired debt relief by May 24. Later, bourses witnessed recovery on the back of gains in Asian markets and stability in crude oil prices.

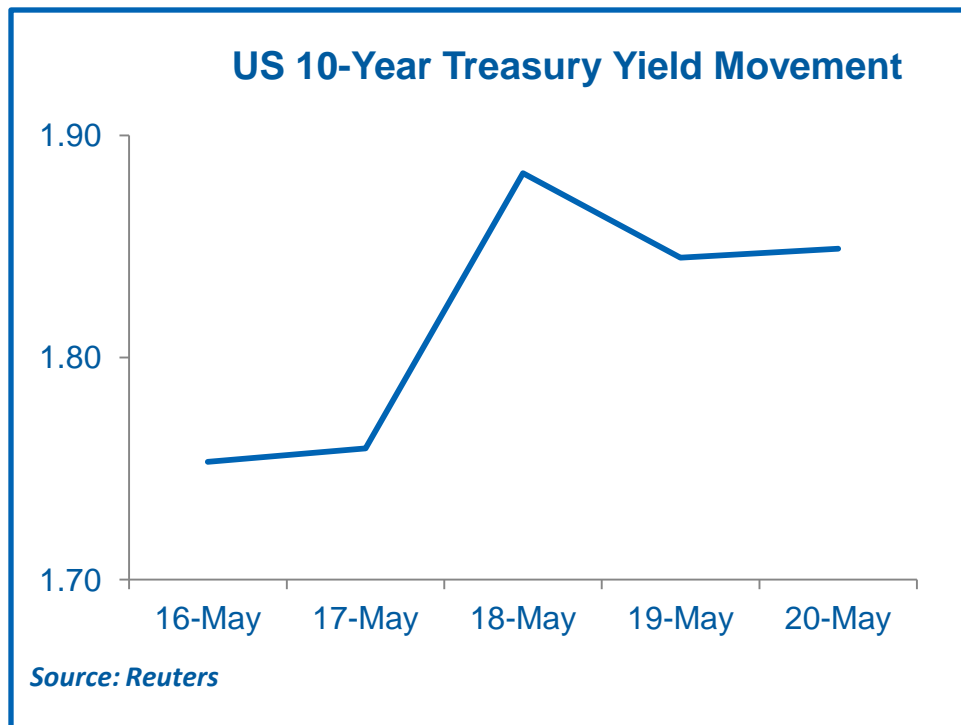
## Asia

- Asian markets gained over the week following improved crude oil prices. Better-than-expected Japanese GDP data and other improved key data in the region helped the sentiment. Chinese market bucked the trend as lower-than-expected economic data raised concerns of global growth slowdown.

## U.S.

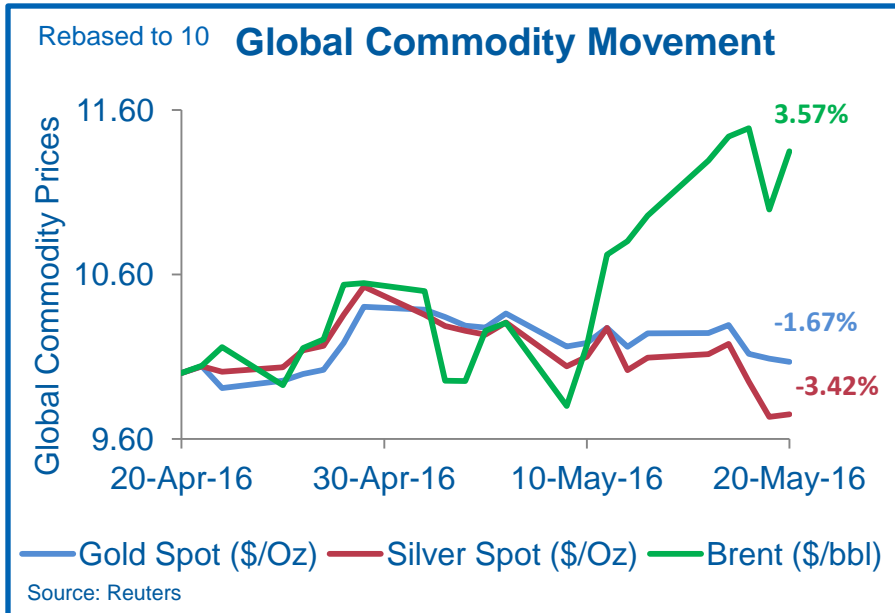
- U.S. markets moved down initially amid uncertainty regarding interest rate outlook. However, the Fed president opined that the possibility of Britain leaving the European Union may complicate the Fed's decision to raise interest rates, which gave investors some respite.
- Later, bourses recovered as traders picked up stocks at reduced levels following the recent weakness.

## Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield surged 14 bps to close at 1.85%, compared with the previous week's close of 1.71%.
- The U.S. treasury prices fell initially following gains in equity market and increase in crude oil prices.
- Losses increased further after U.S. consumer prices for Apr 2016 grew at the fastest pace in more than three years.
- Treasury prices dropped at a faster pace after minutes of the U.S. Federal Reserve's April policy meet increased concerns over a potential interest rate hike in Jun 2016.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.73	47.05
Gold (\$/Oz)	1251.91	1273.2
Gold (Rs/10 gm)	29729	29880
Silver (\$/Oz)	16.51	17.09
Silver (Rs/Kg)	39632	40408

Source: Reuters Values as on May 20, 2016

## Gold

- Gold prices went down as encouraging U.S. consumer price inflation data led to probability of a rate hike by the U.S. Fed as early as Jun 2016. Minutes of the Fed's latest policy meeting hinting at a potential interest rate increase in Jun 2016 weighed on the bullion further.

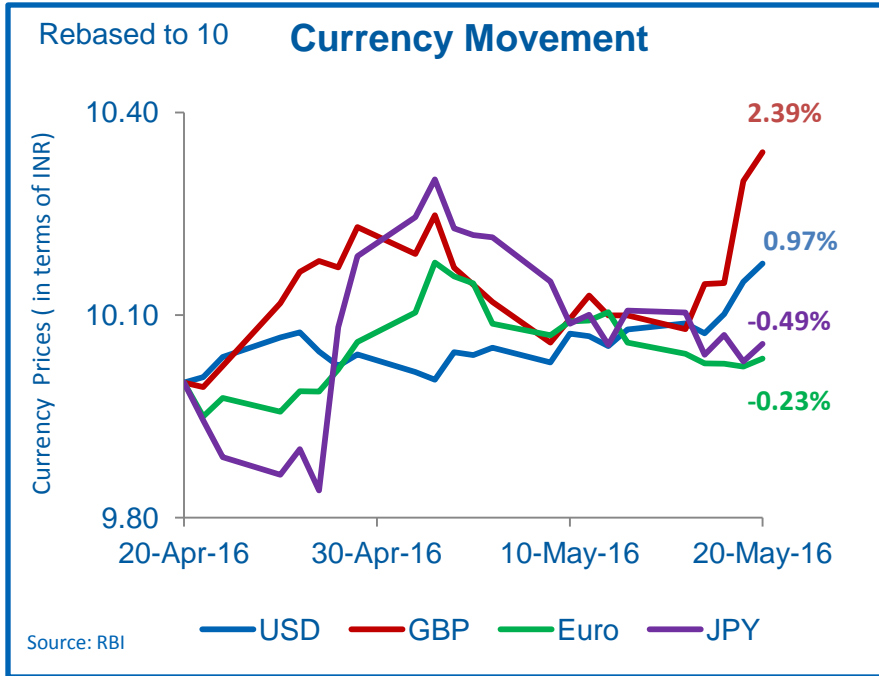
## Crude

- Brent crude prices increased amid easing concerns over supply glut as militant activity in Nigeria has decreased the country's oil output by 800,000 barrels per day to 1.4 million barrels per day. Crude output from Libya too remained under pressure amid internal conflict.

## 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	67.41	66.76
Pound Sterling	98.46	96.16
EURO	75.54	75.72
JPY(per 100 Yen)	61.17	61.47

Source: RBI

Figures in INR , Values as on May 20, 2016

## Rupee

- The rupee weakened against the greenback amid concerns of an interest rate hike by the U.S. Federal Reserve in Jun 2016.

## Euro

- The euro weakened against the greenback after minutes of the U.S. Fed's latest monetary policy meeting and comments from New York Fed president triggered concerns of a possible interest rate hike.

## Pound

- The pound strengthened against the greenback on expectations that Britain will vote to remain within the European Union in its referendum on Jun 23.

## Yen

- The yen weakened against the greenback owing to uncertainty over U.S. Fed's stance on interest rate increase.

The Week that was...  
16<sup>th</sup> May to 20<sup>th</sup> May

# The Week that was (May 16 – May 20)

Day	Event	Present Value	Previous Value
Monday, May 16, 2016	Japan Machine Tool Orders (YoY) (Apr P)	26.4%	21.2%
	U.S. NAHB Housing Market Index (May)	57.3	58
Tuesday, May 17, 2016	U.K. Consumer Price Index (YoY) (Apr)	0.3%	0.5%
	U.S. Consumer Price Index (YoY) (Apr)	1.1%	0.9%
	U.S. Housing Starts (MoM) (Apr)	6.6%	-8.8%
	U.S. Building Permits (MoM) (Apr)	3.6%	-8.6%
	U.S. Industrial Production (Apr)	0.7%	-0.9%
Wednesday, May 18, 2016	Japan Gross Domestic Product Annualized (1Q P)	1.7%	-1.7%
	Euro-Zone Consumer Price Index (YoY) (Apr)	-0.2%	-0.2%
Thursday, May 19, 2016	U.S. Initial Jobless Claims (May 14)	278K	294K
	U.K. Retail Sales (YoY) (Apr)	4.2%	2.6%
Friday, May 20, 2016	U.S. Existing Home Sales (MoM) (Apr)	1.7%	5.7% (Revised)



The Week Ahead...  
May 23 to May 27

# The Week Ahead

Day	Event
<b>Monday, May 23</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Markit US Manufacturing PMI (May P).</li> <li><input type="checkbox"/> Euro-Zone Markit Eurozone Composite PMI (May P).</li> <li><input type="checkbox"/> Japan All Industry Activity Index (MoM) (Mar).</li> </ul>
<b>Tuesday, May 24</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> German Gross Domestic Product w.d.a. (YoY) (1Q F).</li> <li><input type="checkbox"/> Euro-Zone ZEW Survey (Economic Sentiment) (May).</li> <li><input type="checkbox"/> Japan Nikkei Japan PMI Mfg (May P).</li> </ul>
<b>Wednesday, May 25</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Markit US Composite PMI (May P).</li> <li><input type="checkbox"/> U.S. House Price Purchase Index (QoQ) (1Q).</li> </ul>
<b>Thursday, May 26</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Durable Goods Orders (Apr P).</li> <li><input type="checkbox"/> U.K. Gross Domestic Product (YoY) (1Q P).</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (May 21).</li> </ul>
<b>Friday, May 27</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan National Consumer Price Index (YoY) (Apr).</li> <li><input type="checkbox"/> U.S. Gross Domestic Product (Annualized) (1Q S).</li> </ul>

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