

News U Can Use

November 18, 2016

The Week that was...
14th November to 18th November

Indian Economy

- ❑ Consumer Price Index-based (CPI) inflation eased for the third consecutive month in Oct. Consumer inflation stood at 4.20%, slightly slower than 4.39% in Sep due to moderation in food inflation. Consumer food price index-based inflation fell to 3.32% in Oct from 3.96% in the previous month. During the current financial year, it is the second consecutive month when retail inflation remained below the 5% target set by the Reserve Bank of India for FY16-17.
- ❑ Wholesale Price Index (WPI)-based inflation grew at a slower pace for the third straight month. Wholesale inflation in Oct stood at 3.39%, slower than 3.57% in Sep. Food articles inflation also slowed down to 4.34% in Oct against 5.75% in Sep due to fall in vegetable prices. However, inflation for manufacturing products accelerated to 2.67% from 2.48% in the previous month. Inflation in fuel was increased to 6.18% in Oct from 5.58% in the previous month due to price rise in both petrol and diesel.
- ❑ India's exports increased 9.59% YoY to \$23.5 billion in Oct 2016 from \$21.4 billion in the year-ago period. Imports also went up 8.11% YoY to \$33.67 billion from \$31.15 billion in the same period last year. As a result, trade deficit grew to \$10.16 billion from \$9.69 billion in the year-ago period.
- ❑ Government has approved 12 national highway projects worth Rs. 6,067.9 crore to construct 476.386 km in eight states.

Indian Equity Market

Domestic Equity Market Indices			
Indices	18-Nov-16	1 Week Return	YTD Return
S&P BSE Sensex	26150.24	-2.49%	-0.04%
Nifty 50	8074.10	-2.68%	1.39%
S&P BSE Mid-Cap	12072.43	-3.14%	7.35%
S&P BSE Small-Cap	11868.94	-4.93%	-0.60%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.4	21.41	27.3	64.77
P/B	2.67	3.06	2.19	1.85
Dividend Yield	1.51	1.37	1.27	0.87

Source: BSE, NSE

Value as on November 18, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
15-Nov-16	169	1518	0.11
16-Nov-16	682	942	0.72
17-Nov-16	538	1089	0.49
18-Nov-16	840	759	1.11

Source: NSE

- ▣ The government's recent demonetization scheme, coupled with the outcome of the U.S. Presidential elections continued to keep domestic bourses under pressure during the week. Investors remained concerned over the near-term impact of the government's demonetization move on the consumption sector.
- ▣ Lack of clarity on the U.S. President-elect's policy stances also kept investors cautious.
- ▣ Market sentiments were further dampened as Fed chief's recent comments renewed concerns over imminent rate hike by the U.S. Federal Reserve.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19859.37	-3.42%	-11.19%
S&P BSE Bankex	21727.47	-3.88%	-2.76%
S&P BSE CD	10727.25	-6.28%	-16.80%
S&P BSE CG	13863.64	-2.17%	-7.44%
S&P BSE FMCG	7848.74	-4.20%	-8.47%
S&P BSE HC	15207.00	-1.75%	-6.66%
S&P BSE IT	9263.93	0.10%	-9.91%
S&P BSE Metal	10081.11	-6.42%	-1.37%
S&P BSE Oil & Gas	11754.73	-0.59%	-3.10%

Source: Reuters *Value as on November 18, 2016*

- ❑ On the BSE sectoral front, barring S&P BSE Power and S&P BSE IT, all the indices closed in the red.
- ❑ Consumption-driven sectors were hit because cash comprises a significant percentage of their transacted value. Meanwhile, the IT sector, which makes most of its revenue from exports to the U.S., moved up since investors hoped the weaker rupee would push revenues.

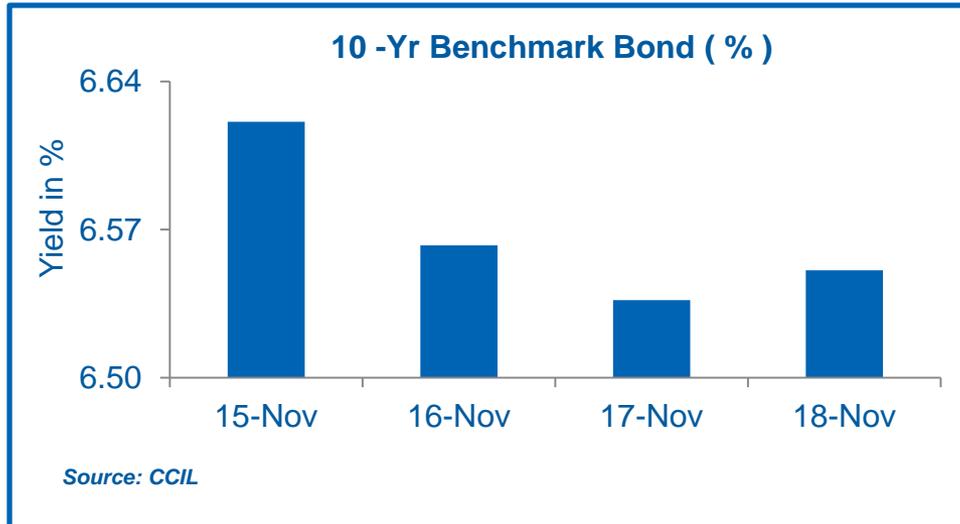
Indian Derivatives Market Review

- ❑ Nifty Nov 2016 Futures were at 8,074.70 points, a premium of 0.60 points, over the spot closing of 8,074.10 points. The turnover on NSE's Futures and Options segment stood at Rs. 19.23 lakh crore during the week to Nov 18, compared with Rs. 24.94 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.78, compared with the previous week's close of 0.86.
- ❑ The Nifty Put-Call ratio stood at 0.74, compared with the previous week's close of 0.84.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.95	6.23	6.23	6.41
91 Day T-Bill	5.98	6.26	6.37	6.84
07.80% 2021, (5 Yr GOI)	6.35	6.57	6.72	7.45
07.59% 2026, (10 Yr GOI)	6.55	6.83	6.81	7.48

Source: Reuters Value as on November 18, 2016



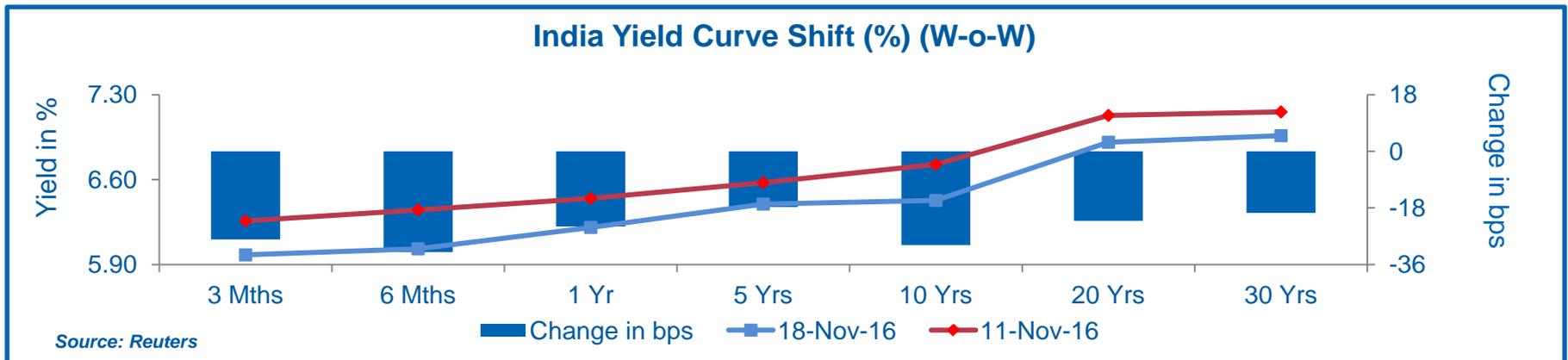
- Bond yields registered the biggest weekly fall in over three years after the government demonetised high denomination currency notes in circulation, in order to put a check on black money in the economy. This boosted cash in the country’s banking system and raised hopes of further monetary easing. Gains were extended following decline in domestic inflationary pressures in Oct, which further boosted market sentiment.
- Yield on the existing 10-year benchmark bond (7.59% GS 2026) sunk 28 bps to close at 6.55% from the previous close of 6.83%. During the session, bond yields moved in the region of 6.50% to 6.84%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.33	6.76	44
3 Year	6.38	6.85	47
5 Year	6.58	6.91	33
10 Year	6.63	7.14	51

Source: Reuters Value as on November 18, 2016

- Yields on gilt securities fell across the maturities in the range of 15 bps to 30 bps.
- Corporate bond yields fell across the maturities in the range of 29 bps to 37 bps.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 2 bps to 16 bps. The minimum contraction was witnessed on 10-year paper and the maximum on 2 and 4-year paper.



Regulatory Updates in India

- ❑ The capital market regulator Securities and Exchange Board of India (SEBI) streamlined guidelines for investments by employees and trustees of mutual funds. SEBI in its guidelines mandated that no employees and trustees of mutual funds shall pass any information to anybody thereby inducing him to buy/sell securities which are being bought and/or sold by the concerned mutual fund house. However, SEBI mandated that investments by them in fixed deposits, life insurance and products like Kisan Vikas Patra will not come under the purview of rules which have been framed to check insider trading.
- ❑ SEBI eased the PAN verification process at the time of opening account of foreign portfolio investors (FPI). According to the new norms, intermediaries can verify the PAN of FPIs online through a website authorised by the Income Tax department. However, FPI will need to provide the copy of the PAN card to their intermediaries within 60 days of opening the account or before remitting funds out of India, whichever is earlier.
- ❑ AMFI sought safeguard measures from the government under the new Goods and Services Tax (GST) regime. The move comes as AMFI is of the view that investing in mutual funds could become more expensive due to increase in cost of compliances. Presently, under VAT and service tax laws, transactions in securities are not taxed. AMFI has requested that GST Model law should make provision for centralised registration and reflecting details of all the places of business. The mutual fund industry body is worried that the current provisions of the law would impose an enormous burden of compliance on an assessee.

Regulatory Updates in India (contd..)

- To ease the existing cash crunch situation in the country, Reserve Bank of India (RBI) allowed traders registered with agriculture produce market committees to withdraw Rs. 50,000 per week from their bank accounts. Along with this, the central bank has also allowed farmers to withdraw up to Rs. 25,000 per week against the crop loans sanctioned in their names. The move allowed farmers to draw money from banks against loans sanctioned to them to buy seeds and fertilizers in the ongoing sowing season. On the other hand, the government has restricted the exchange of old currency notes of Rs. 500 and Rs. 1,000 as well as withdrawal from Rs. 4,500 to Rs. 2,000.
- SEBI requested mutual fund houses to complete the process of uploading of Know Your Customer (KYC) details of all their existing clients to the central server by Mar 31, 2017. SEBI in a circular mandated that mutual fund houses need to ensure 30% completion of uploading of existing KYC data by Nov 30, 2016, another 30% of KYC data by Jan 31, 2017 and the rest 40% data by Mar 31, 2017. Intermediaries other than that of mutual funds have to ensure 50% completion of uploading of existing KYC data by Nov 30, 2016 and the remaining 50% by Dec 31, 2016. Central Registry of Securitisation and Asset Reconstruction and Security Interest of India (CERSAI) in this regard has set up a help desk for addressing any difficulty in uploading KYC records to Central KYC Record Registry (CKYCR).

Global News/Economy

- ❑ As per release by the U.S. Labour Department, consumer prices in the U.S increased 0.4% MoM in Oct, in line with forecast but faster than 0.3% rise in the previous month. Most of the rise was attributed to surge in gasoline prices that were up 7.0% in the reported period, faster than 5.8% increase in the prior month. However, food prices continue to remain unchanged for the fourth straight month. Core inflation was at 0.1% for the second month in a row.
- ❑ As per release by the U.S. Commerce Department, U.S. housing starts jumped 25.5% to an annual rate of 1.323 million in Oct, higher than forecast and 9.5% fall to 1.054 million in Sep. The new residential construction reached to its highest level since Aug of 2007, which was partially due to substantial increase in multi-family starts that soared 68.8% to a rate of 454,000.
- ❑ According to a report by the U.S. Labour Department, initial jobless claim benefits in the U.S. unexpectedly fell by 19,000 to 235,000 in the week to Nov 12 from the previous week's unrevised level of 254,000. As a result, unemployment benefits fell to their lowest level in over 40 years.
- ❑ Data from the Office for National Statistics showed that U.K. unemployment rate in the third quarter dropped to the lowest in 11 years. The unemployment rate fell to 4.8% in the third quarter, the lowest since Jul to Sep of 2005.

Global Equity Markets

Global Indices			
Indices	18-Nov -16	1-Week Return	YTD Return
Dow Jones	18867.93	0.11%	10.02%
Nasdaq 100	4808.04	1.18%	6.90%
FTSE 100	6775.77	0.67%	11.20%
DAX Index	10664.56	-0.03%	3.71%
Nikkei Average	17967.41	3.41%	-2.62%
Straits Times	2838.65	0.85%	0.09%

Source: Reuters

Europe

- Most of the European markets gained after minutes of the European Central Bank (ECB) policy meeting held in Oct showed that policymakers will wait until Dec 2016 for a clearer picture of the inflation outlook to form a policy view. Meanwhile, the European Commission recommended a fiscal expansion of up to 0.5% of GDP next year for the euro area, which is expected to contribute to reforms and recovery of the economy.

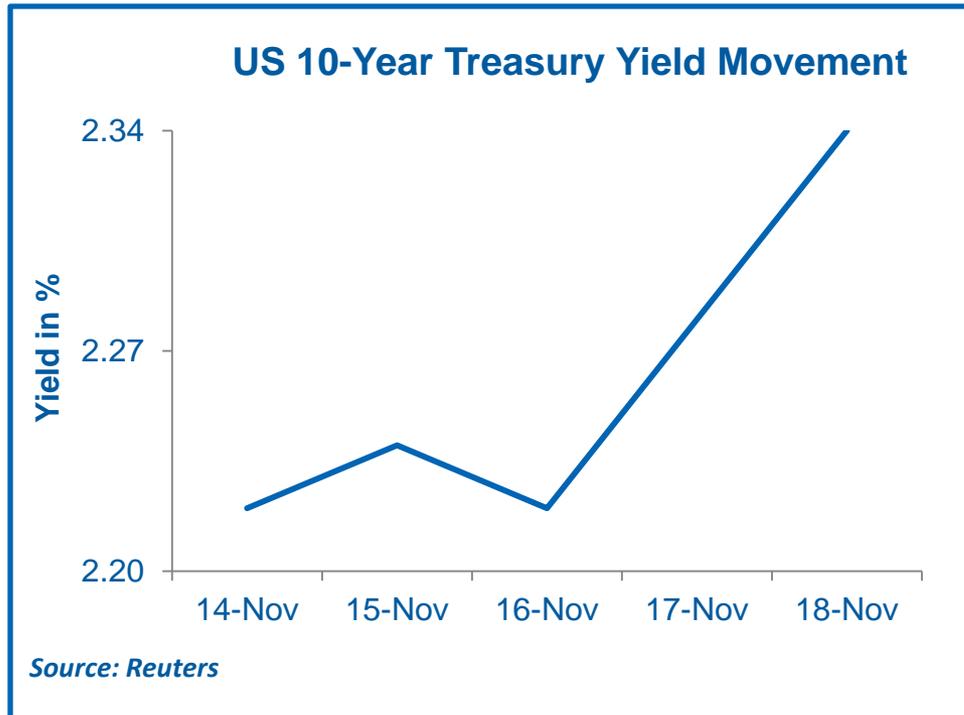
Asia

- Major Asian markets gained Bank of Japan decided to purchase an unlimited amount of Japanese government bonds using "fixed-rate method". Rise in Singapore's retail sales at a faster than expected pace in Sep also added to the gains.

U.S.

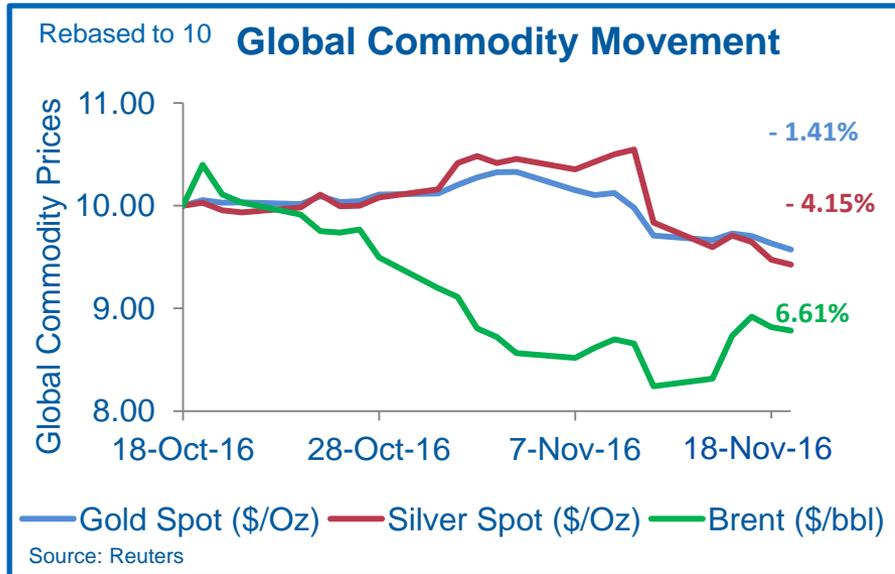
- U.S. market gained over the week following a slew of better than expected U.S. economic data for Oct. Meanwhile, improved crude oil prices and Federal Reserve Chief's indication that a rise in interest rate is warranted provided incoming data is in line with central bank's objectives further helped gains.
- However, lingering uncertainty over the President-elect's policy measures capped the gains.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield surged 22 bps to close at 2.34%, compared with the previous week's close of 2.12%.
- U.S Treasury prices fell following sell-off mainly due to growing possibility that inflation will grow triggered by the policies adhered to by U.S.' President-elect.
- Prices declined further following better than expected U.S. retail sales, consumer prices, and housing starts data for the month of Oct, which increased chances of interest rate hike by the Federal Reserve in Dec policy review. Furthermore, U.S. jobless claims fell to the lowest level since Nov 1973 for the week ended Nov 12 which added to the losses.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	43.55	40.85
Gold (\$/Oz)	1208.31	1225.58
Gold (Rs/10 gm)	29354.00	30389.00
Silver (\$/Oz)	16.58	17.30
Silver (Rs/Kg)	40430.00	44461.00

Source: Reuters Value as on November 18, 2016

Gold

- Prices of the yellow metal fell because of a surge in the U.S. dollar, triggered by investors expecting an interest rate-hike in Dec. Notion that the President-elect's arriving administration could engage in higher financial spending also boosted the dollar.

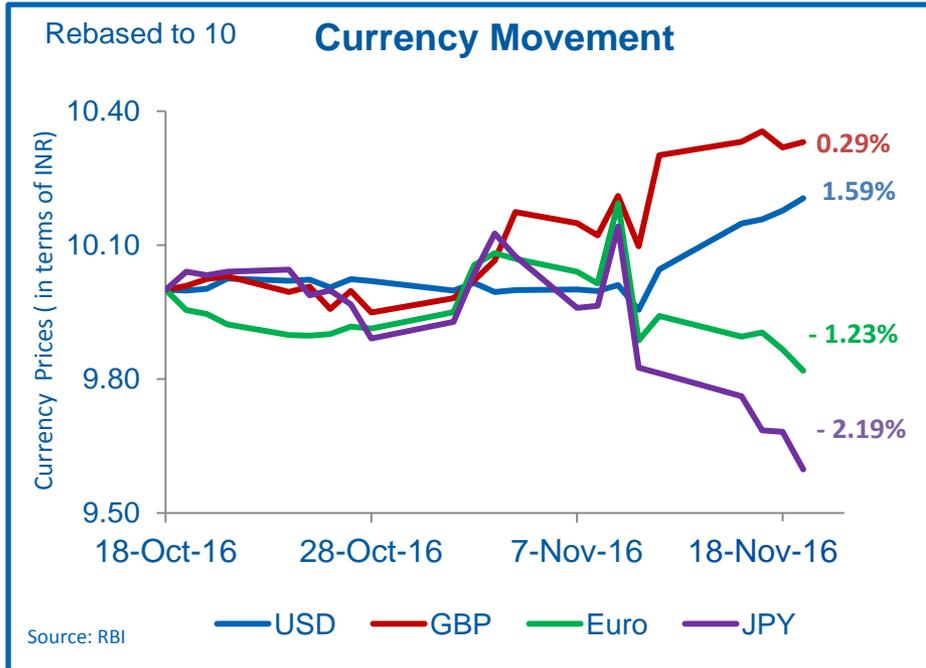
Crude

- Brent crude prices climbed through the week, on hopes that the Organization of the Petroleum Exporting Countries may reach an agreement to cut production in its impending meeting. However, gains were offset following the U.S. crude inventories reporting a 5.3 million barrel growth in the past week.

Baltic Dry Index

- The Baltic Dry Index gained during the week owing to improved capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.09	67.03
Pound Sterling	84.42	84.18
EURO	72.21	73.12
JPY(per 100 Yen)	61.56	62.94

Source: RBI

Figures in INR , Value as on November 18, 2016

Rupee

- The Indian rupee weakened against the U.S. dollar after better than expected U.S. economic data increased concerns for a rate hike by the U.S. Fed in Dec.

Euro

- Euro plunged against the greenback after better than expected U.S. retail sales and housing starts data for Oct increased chances of a rate hike by the U.S. Fed in Dec.

Pound

- Pound fell against the greenback on possibility that a higher fiscal spending and tax cuts under U.S.' President-elect will spur growth and inflation in U.S.

Yen

- Yen fell sharply against the greenback after Bank of Japan offered markets to buy unlimited bonds to keep borrowing costs low.

The Week that was...
November 14 to November 18

The Week that was (Nov 14 – Nov 18)

Date	Events	Present Value	Previous Value
Monday, November 14, 2016	China Retail Sales (YoY) (Oct)	10.00%	10.70%
	China Industrial Production (YoY) (Oct)	6.10%	6.10%
	Japan Industrial Production (YoY) (Sep)	1.50%	0.90%
Tuesday, November 15, 2016	India Consumer Price Index (YoY) (Oct)	4.20%	4.39%
	India Wholesale Price Index (YoY) (Oct)	3.39%	3.57%
	Euro zone ZEW Survey - Economic Sentiment (Nov)	13.80	6.20
Wednesday, November 16, 2016	U.S. MBA Mortgage Applications (Nov 11)	-9.20%	-1.20%
	U.S. Industrial Production (MoM) (Oct)	0.00%	-0.20%
	U.S. NAHB Housing Market Index (Nov)	63.00	63.00
Thursday, November 17, 2016	U.K. Retail Sales (YoY) (Oct)	7.40%	4.20%
	U.S. Initial Jobless Claims (Nov 11)	235K	254K
	Euro zone Construction Output w.d.a (YoY) (Sep)	1.80%	0.90%
Friday, November 18, 2016	China House Price Index (Oct)	12.30%	4.30%
	Euro zone Producer Price Index (YoY) (Oct)	-0.40%	-1.40%

The Week Ahead...
November 21 to November 25

The Week Ahead

Day	Event
Monday, November 21, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Sep)
Tuesday, November 22, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Public Sector Net Borrowing (Oct) <input type="checkbox"/> U.S. Existing Home Sales (MoM) (Oct) <input type="checkbox"/> Euro zone Consumer Confidence (Nov) Preliminary
Wednesday, November 23, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Euro zone Markit Manufacturing PMI (Nov) Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Nov) Preliminary <input type="checkbox"/> U.S. New Home Sales (MoM) (Oct) <input type="checkbox"/> U.S. Durable Goods Orders (Oct)
Thursday, November 24, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> German Gross Domestic Product w.d.a (YoY) 3Q <input type="checkbox"/> Euro zone Gross Domestic Product w.d.a (YoY) 3Q <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Nov)
Friday, November 25, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (YoY) 3Q <input type="checkbox"/> U.S. Markit Services PMI (Nov) <input type="checkbox"/> U.S. Wholesale Inventories (Oct) Preliminary

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