

News U Can Use

November 25, 2016



The Week that was...
21st November to 25th November

Indian Economy

- ❑ According to the Union agriculture minister, government is working on a proposal to set up 'production hubs' near metro cities. This is being done to resolve supply issues of daily foods requirements like cow milk, vegetables, and other agri-produce.
- ❑ The finance minister has announced that farmers can buy seeds with old Rs. 500 notes from the state-run outlets so that there is no hindrance in production of commodities.
- ❑ According to the Prime Minister, the government's move of demonetization will bring down lending rates of banks, which will help in the revival of economic activity. He added that inconveniences caused are temporary in nature.
- ❑ A major credit rating company retained its "negative" outlook for India's banking sector. This is because the financial status of the sector remained "fragile" without any capital injections and also the government's current action of demonetisation of Rs. 500 and Rs. 1,000 notes could result in a mixed impact.
- ❑ According to a major global credit rating agency, the government's demonetization move will disrupt the economic activity of the country to a significant extent. Disruption in economic activity will lead to muted consumption and slower growth in the near term. However, the rating agency expressed hopes that demonetization will boost tax revenues in the long run, boosting fiscal consolidation.

Indian Equity Market

Domestic Equity Market Indices			
Indices	25-Nov-16	1 Week Return	YTD Return
S&P BSE Sensex	26316.34	0.64%	0.59%
Nifty 50	8114.3	0.50%	1.90%
S&P BSE Mid-Cap	12183.02	0.92%	8.34%
S&P BSE Small-Cap	12027.7	1.34%	0.73%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.55	21.52	27.54	65.18
P/B	2.68	3.08	2.21	1.88
Dividend Yield	1.5	1.36	1.26	0.85

Source: BSE, NSE *Value as on November 25, 2016*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
21-Nov-16	206	1462	0.14
22-Nov-16	990	629	1.57
23-Nov-16	1259	358	3.52
24-Nov-16	846	745	1.14
25-Nov-16	1382	262	5.27

Source: NSE

- ▣ After remaining low initially, Indian equity market surged on the last trading session of the week. Ongoing concerns over the near-term impact of the demonetisation scheme of the government along with outflow of foreign funds from domestic markets, kept investors on the edge in the beginning. Investors feared that demonetisation may affect the GDP growth in the second half of the current fiscal.

- ▣ The trend reversed on the last trading day after the finance minister stated that the government's demonetisation move would have a positive impact on the economy, including the GDP. Gains were also seen in the export-oriented sectors following recent depreciation of rupee.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19424.9	-2.19%	-13.03%
S&P BSE Bankex	21185.1	-2.50%	-7.00%
S&P BSE CD	11039	2.91%	-13.65%
S&P BSE CG	13789	-0.54%	-7.59%
S&P BSE FMCG	7940.51	1.17%	-6.04%
S&P BSE HC	15626.6	2.76%	-4.83%
S&P BSE IT	9876.62	6.61%	-2.86%
S&P BSE Metal	10521.8	4.37%	2.23%
S&P BSE Oil & Gas	11752.5	-0.02%	-5.08%

Source: Reuters Value as on November 25, 2016

- On the BSE sectoral front, S&P BSE IT (6.61%) topped the chart followed by S&P BSE Teck (5.16%) and S&P BSE Metal (4.37%). IT along with the pharma sector witnessed gains due to recent depreciation of the domestic currency.
- Metal sector also gained following government's decision to impose anti-dumping duties on some metal products. Meanwhile, S&P BSE Bankex (-2.50%) was the major laggard followed by S&P BSE Auto (-2.19%).

Indian Derivatives Market Review

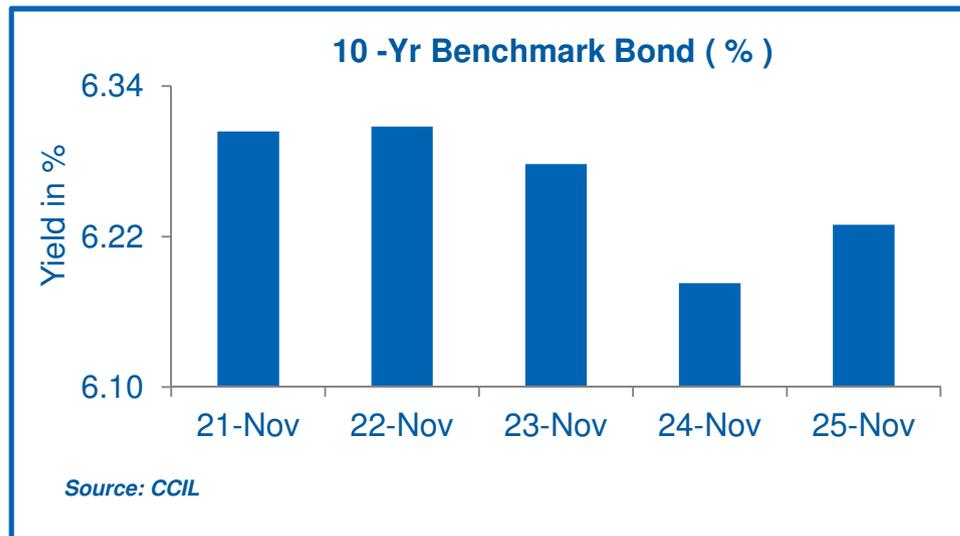
- Nifty Nov 2016 Futures settled at 7,965.50 points. Nifty Dec 2016 Futures were at 8,126.35 points, a premium of 12.05 points, over the spot closing of 8,114.30 points. The turnover on NSE's Futures and Options segment stood at Rs. 26.04 lakh crore during the week to Nov 25, compared with Rs. 19.23 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.77, compared with the previous week's close of 0.78.
- The Nifty Put-Call ratio stood at 1.00, compared with the previous week's close of 0.74.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.98	5.95	6.17	6.49
91 Day T-Bill	5.75	5.98	6.39	6.83
07.80% 2021, (5 Yr GOI)	6.15	6.35	6.68	7.45
06.97% 2026, (10 Yr GOI)	6.23	6.43	6.77	--

Source: Reuters

Value as on November 25, 2016



Source: CCIL

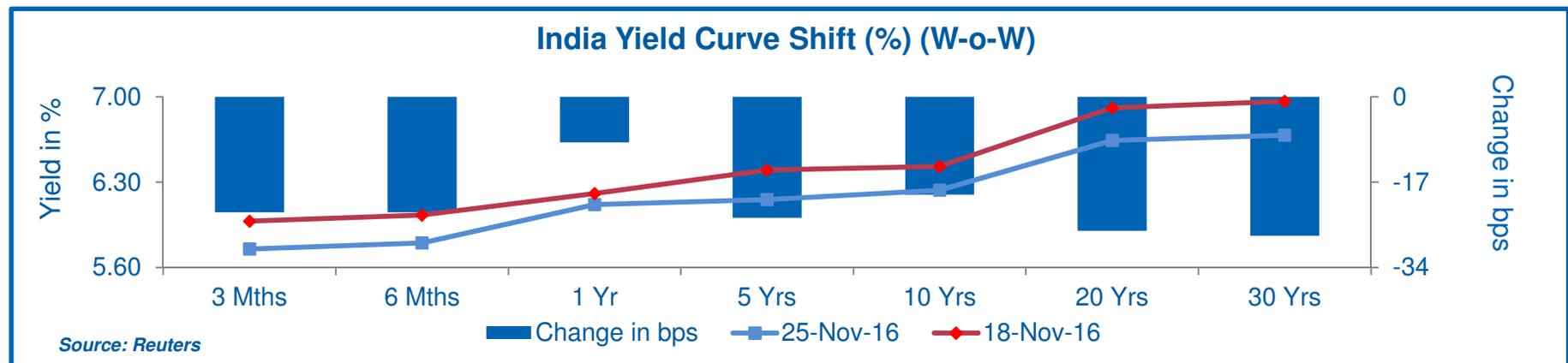
- Bond yields plunged after the government demonetised high denomination currency notes in circulation, in order to put a check on black money in the economy. This boosted liquidity in the Indian banking sector, which raised expectations that interest rates will be lowered in the near term, pushing up demand for debt securities.
- However, gains were capped after investors preferred to book profits from the recent rally, and lower-than-expected cut offs at a weekly debt auction.
- It further got hit on speculation that the Reserve Bank of India (RBI) might take some action to curb excess liquidity in the banking system.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.13	6.53	40
3 Year	6.15	6.67	52
5 Year	6.30	6.74	44
10 Year	6.40	6.96	56

Source: Reuters Value as on November 25, 2016

- Yields on gilt securities fell across the maturities in the range of 9 bps to 35 bps. The minimum fall was witnessed on 1-year paper and the maximum on 11-year paper.
- Corporate bond yields fell across the maturities in the range of 10 bps to 23 bps. The minimum fall was witnessed on 6-year paper and the maximum on 1-year paper.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 5 bps to 20 bps, barring 1-year paper that contracted 3 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has introduced special dispensation for small merchants and doubled the limit of semi-closed Prepaid Payment Instruments (PPIs) to Rs. 20,000 to facilitate digital transactions. Balance in such PPIs cannot exceed Rs. 20,000 at any point of time. However, the merchants will be able to transfer from such PPIs to their linked bank accounts up to Rs. 50,000 per month, without any limit per transaction. Merchants in this case need to provide a self-declaration regarding their status and details of their bank accounts. The measures will be effective from Nov 21 till Dec 30.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) is considering relaxing norms for foreign portfolio investors and allowing them to invest in unlisted non-convertible debentures and securitized debt instruments. SEBI is also considering tightening corporate governance rules on profit sharing agreements between promoters and private equity funds in order to protect the interest of minority shareholders in markets.
- ❑ SEBI announced amendments to SEBI (Alternative Investment Funds) Regulations, 2012 regarding angel investors. SEBI in the new guidelines increased the upper limit for number of angel investors in a scheme from 49 to 200. In addition, angel funds will be permitted to invest in start-ups that were incorporated within five years. Besides, minimum investment amount in any venture capital by an Angel Fund undertaking was lowered to Rs. 25 lakh from Rs. 50 lakh. The lock-in period of the investment made by Angel investors was reduced to one year from 3 years. SEBI also allowed angel funds to invest in overseas venture capital undertakings by up to 25% of their investible corpus in line with other AIFs.

Regulatory Updates in India (contd..)

- ❑ SEBI tightened profit sharing rules for companies. According to SEBI, company promoters or managements who want to enter agreements with investors or a third party can do so only after getting the necessary approval from the board and shareholders.
- ❑ RBI has dismissed rumours of fake Rs. 10 coins and has advised the public to continue accepting them as legal tender in all their transactions without any confusion. According to RBI, coins have been in circulation for quite a long duration and therefore, it is possible that coins of different designs and even shapes are circulating at the same time.
- ❑ RBI has ordered banks with currency chests to provide adequate cash supply to district cooperative central banks, regional rural banks, and rural branches of all commercial banks. This is being done in order to make enough cash availability for farmers ahead of the rabi sowing season.
- ❑ RBI has further relaxed the cash withdrawal norms for public. The central bank has announced that along with current account holders, now overdraft and cash credit account holders can also withdraw up to Rs. 50,000 in a week.
- ❑ The Reserve Bank of India has announced that exchange of old Rs 500 and Rs 1000 denominations banknotes will be allowed at the counters of the Reserve Bank up to the current limits per person as set previously. However, such exchange facility is no longer available at other banks' counters.

Global News/Economy

- According to the minutes of the meeting of the Federal Open Market Committee, chances of a near-term rate hike is contingent on incoming data for further evidences of continued progress toward the U.S. Federal Reserve's objectives.
- The U.S. durable goods order increased 4.8% in Oct 2016 after improving 0.4% in Sep 2016, led by the increase in orders for commercial aircraft and parts, which soared 94.1%.
- Germany's Gross Domestic Product (GDP) expanded 0.2% in the third quarter ended Sep 2016, lower than the 0.4% growth seen in the second quarter. While on YoY basis, GDP growth eased marginally to 1.7% from 1.8% in the corresponding month previous year.
- U.K. Gross domestic product (GDP) grew 0.5% QoQ in third quarter ending Sep 2016, slower than the 0.7% expansion registered in the second quarter. On YoY basis, GDP climbed 2.3% in the third quarter, unrevised from previous estimate. As per report, trade balance deficit decline to GBP 12.4 billion from GBP 15.7 billion in the previous quarter.
- A major credit rating company retained the sovereign ratings of China with a 'stable' outlook because of robust external finances and macroeconomic track record. The rating company retained the country's rating at 'A+'. However, the rating company has also observed that the recent growth of the country has been accompanied by accumulated imbalances and weakness that can be risky to its financial and economic stability.

Global Equity Markets

Global Indices			
Indices	25-Nov-16	1-Week Return	YTD Return
Dow Jones	19152.14	1.51%	11.68%
Nasdaq 100	4870.017	1.29%	8.27%
FTSE 100	6840.75	0.96%	12.26%
DAX Index	10699.27	0.33%	4.04%
Nikkei Average	18381.22	2.30%	-0.38%
Straits Times	2859.33	0.73%	0.82%

Source: Reuters

Europe

- European markets too benefitted from strength in global crude oil prices with buying interest seen in energy stocks. Investors also reacted positively to the European Central Bank chief's commitment to support the region's economy through the bank's stimulus measures.

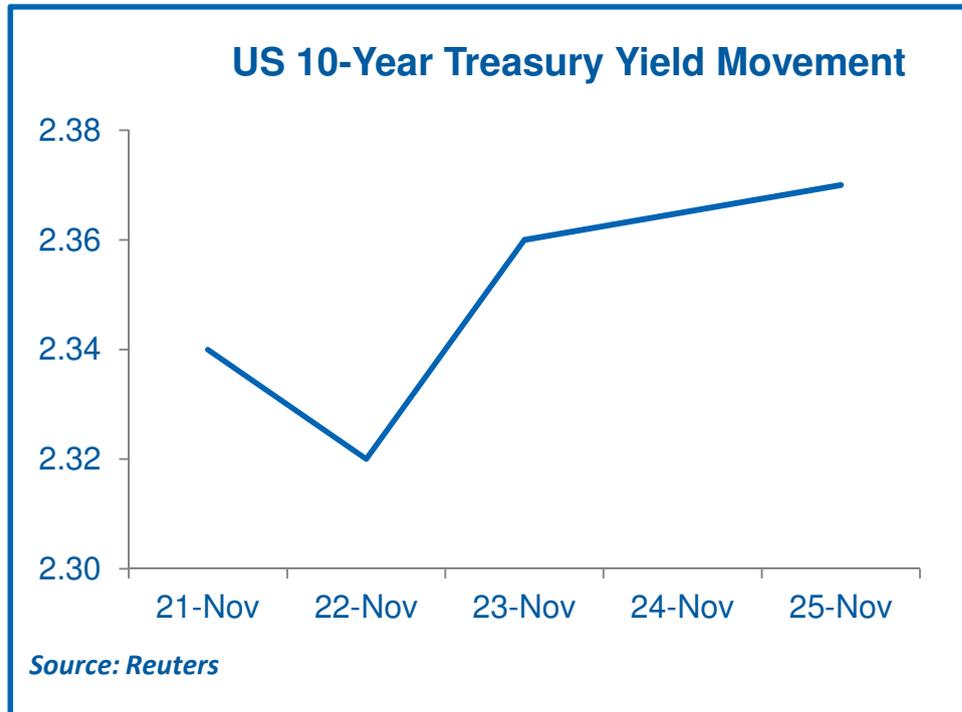
Asia

- Asian markets also witnessed gains with investors taking positive cues from the U.S. and European markets. Weakness in Japanese yen against the U.S. dollar lent support to the equity markets. Growing optimism over OPEC's ability to strike a deal in curbing output at its upcoming meeting added to market gains.

U.S.

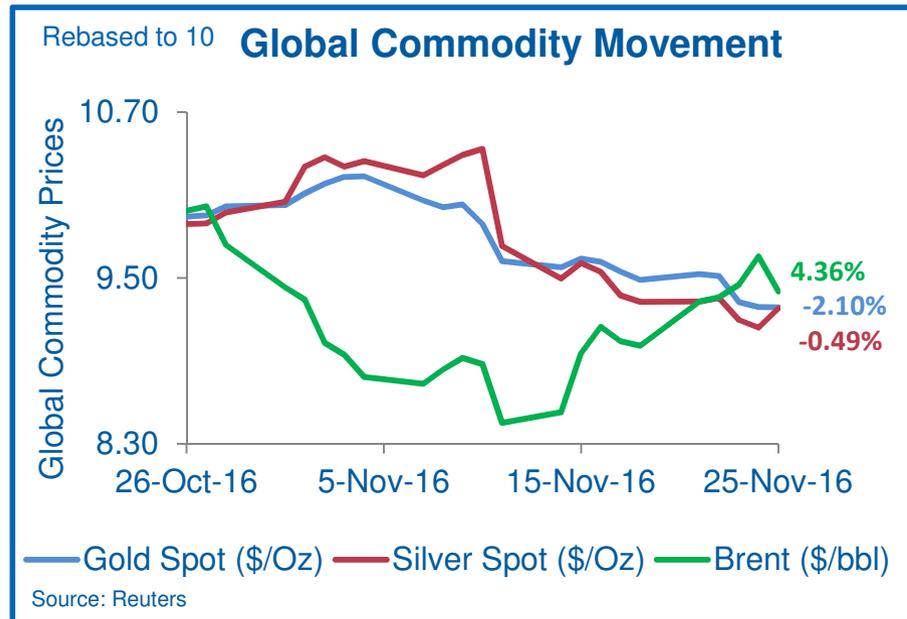
- Strength in global crude oil prices set the stage for U.S. equity markets to trade higher during the week. Crude oil prices rose on hopes that OPEC members may agree to lower production at their upcoming meeting.
- Investor sentiment was buoyed by growing optimism about the outlook of the nation's economy under the President-elect. Better than expected U.S. existing homes sales in Oct further added to the upside.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 3 bps to close at 2.37%, compared with the previous week's close of 2.34%.
- U.S Treasury prices fell following recovery in U.S.' manufactured capital goods in Oct and consumer sentiment data in Nov, which boosted the expectations of faster economic growth and increased the chances of a rate hike in the near term.
- However, better than expected debt auction results of 5-year and 7-year notes restricted the fall of U.S. Treasuries. Also, earthquake in Japan increased the demand for U.S. debt.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	45.46	43.56
Gold (\$/Oz)	1182.88	1208.31
Gold (Rs/10 gm)	28820	29354
Silver (\$/Oz)	16.5	16.582
Silver (Rs/Kg)	40291	40430

Source: Reuters Value as on November 25, 2016

Gold

- Growing speculation over probable rate hike by the U.S. Fed next month kept gold prices under pressure during the week. The minutes of Fed's latest policy meeting revealed that the central bank could raise interest rates relatively soon.

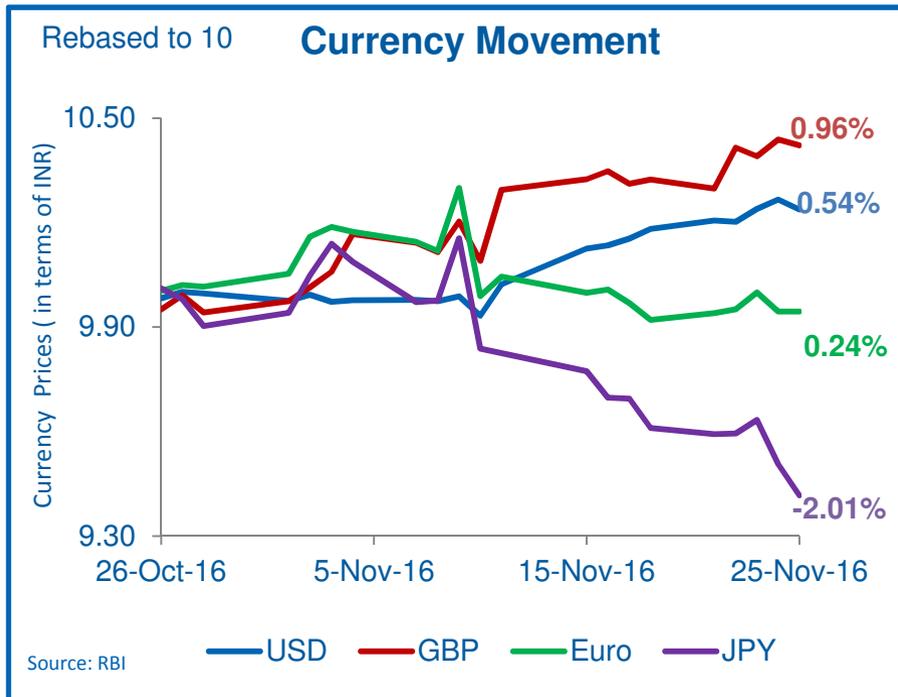
Crude

- Brent crude prices traded higher amid growing optimism that the OPEC might agree to cut output level at its upcoming meeting. Concerns over supply glut eased as the Russian President said that the nation is willing to freeze its crude oil output at current levels.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.46	68.09
Pound Sterling	85.22	84.42
EURO	72.39	72.21
JPY(per 100 Yen)	60.32	61.56

Source: RBI Figures in INR , Value as on November 25, 2016

Rupee

- The rupee weakened against the greenback after a slew of upbeat economic data from the U.S. for Oct increased concerns of a rate hike by the U.S. Federal Reserve in the near term.

Euro

- The euro rose against the U.S. dollar as investors resorted to profit booking from the recent greenback rally.

Pound

- The pound rose against the greenback after the Britain Prime Minister pledged to address concerns regarding Brexit. Gains were extended after the Britain finance minister raised its borrowing forecasts over the next five years.

Yen

- The yen weakened against the greenback after a slew of upbeat economic data from the U.S. for Oct.

The Week that was...
November 21 to November 25

The Week that was (Nov 21 – Nov 25)

Date	Events	Present Value	Previous Value
Monday, November 21, 2016	Japan Merchandise Trade Balance Total (Yen) (Oct)	610.0B	497.6B
Tuesday, November 22, 2016	Eurozone Consumer Confidence (Nov) (A)	-6.1	-8
	U.S. Existing Home Sales (MoM) (Oct)	2.00%	3.60%
Wednesday, November 23, 2016	U.S. Durable Goods Orders (Oct) (P)	4.80%	0.40%
	Germany Markit Composite PMI (Nov) (P)	54.9	55.1
	Eurozone Markit Composite PMI (Nov) (P)	54.1	53.3
	U.S. Initial Jobless Claims (Nov) (19)	251K	235K
	U.S. New Home Sales (Oct)	563K	593K
	U.S. University of Michigan Confidence (Nov) (F)	93.8	91.6
	Thursday, November 24, 2016	Germany Gross Domestic Product s.a. (QoQ) (3Q) (F)	0.20%
	Germany IFO - Business Climate (Nov)	110.4	110.4
	Japan Leading Index (Sep) (F)	100.3	100.5
Friday, November 25, 2016	Japan National Consumer Price Index (YoY) (Oct)	0.10%	-0.50%
	U.K. Gross Domestic Product (YoY) (3Q) (P)	2.30%	2.30%

The Week Ahead...
November 28 to December 02

The Week Ahead

Day	Event
Monday, November 28, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Retail Sales (YoY) (Oct)
Tuesday, November 29, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product (Annualized) (3Q) (S) <input type="checkbox"/> U.S. Consumer Confidence (Nov) <input type="checkbox"/> U.K. Mortgage Approvals (Oct)
Wednesday, November 30, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Eurozone Consumer Price Index Estimate (YoY) (Nov) <input type="checkbox"/> U.S. Personal Consumption Expenditure Core (YoY) (Oct) <input type="checkbox"/> Japan Industrial Production (YoY) (Oct) (P) <input type="checkbox"/> U.K. GfK Consumer Confidence Survey (Nov)
Thursday, December 01, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Manufacturing PMI (Nov) <input type="checkbox"/> U.S. ISM Manufacturing (Nov) <input type="checkbox"/> Eurozone Unemployment Rate (Oct)
Friday, December 02, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Unemployment Rate (Nov) <input type="checkbox"/> U.S. Change in Non-farm Payrolls (Nov) <input type="checkbox"/> U.K. Markit/CIPS Construction PMI (Nov)

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