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October 6, 2017

The Week that was...

2nd October to 6th October

Indian Economy

- The Monetary Policy Committee (MPC) in its fourth bi-monthly policy review kept key policy repo rate unchanged at 6.0% while retaining its neutral stance. Consequently, the reverse repo rate stood unaltered at 5.75%, and the marginal standing facility (MSF) rate and bank rate each remained at 6.25%. The Reserve Bank of India (RBI) also proposed to lower the statutory liquidity ratio by 50 bps from 20.0% to 19.50% of banks' net demand and time liabilities from the fortnight commencing Oct 14, 2017.
- The GST council eased rules for small and medium enterprises (SMEs) and exporters. According to the finance minister, small businesses with turnover of up to Rs. 1.5 crore would be allowed to file GST returns once a quarter instead of monthly returns. The finance minister added that tax refunds of Jul and Aug for exporters will be processed from Oct 10 and that e-wallet for exporters would come into effect from Apr 1, 2018. Till then exporters can file GST on the rate of nominal 0.1%. On a separate note the minister stated that the government will study taxation regime for restaurants, especially on the categorization of AC & non-AC restaurants. To reduce compliance burden on medium and small taxpayers the threshold for composition scheme in GST has been increased from Rs. 75 lakh to Rs. 1 crore.
- MPC projected domestic inflationary pressures to rise from its current level and range between 4.2% to 4.6% in the second half of this year, which it attributed to increase in core retail inflation (retail inflation excluding food and fuel) and rise in global crude oil prices.

Indian Equity Market

Domestic Equity Market Indices			
Indices	06-Oct-17	1 Week Return	YTD Return
S&P BSE Sensex	31814.22	1.70%	19.62%
Nifty 50	9979.7	1.95%	22.01%
S&P BSE Mid-Cap	15840.15	2.62%	30.57%
S&P BSE Small-Cap	16629.23	3.20%	36.42%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.73	25.92	40.12	78.45
P/B	3.02	3.41	2.79	2.47
Dividend Yield	1.22	1.14	0.87	0.67

Source: BSE, NSE Value as on Oct 6, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
03-Oct-17	896	801	1.12
04-Oct-17	965	731	1.32
05-Oct-17	935	736	1.27
06-Oct-17	1175	528	2.23

Source: NSE

- Initially, markets remained cautious ahead of the Monetary Policy Committee's (MPC) policy review and release of some key economic data. Later, market got support as MPC kept the repo rate unaltered at 6%. The decision was said to be largely in line with expectations. However, the central bank lowered the Gross Value Added growth target for the current financial year to 6.70% from 7.30% earlier.
- Meanwhile, the eight core sectors grew at the highest level since Mar 2017 and stood at 4.9% in Aug 2017 from 2.6% in the previous month.
- Investors also remained optimistic on Goods and Services Tax (GST) Council meeting, which was expected to announce some stimulus plans for exporters as well as small and medium enterprises.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24585	1.67%	2.43%
S&P BSE Bankex	27210.3	0.68%	-0.81%
S&P BSE CD	18063.3	2.90%	0.29%
S&P BSE CG	17312.5	0.82%	0.48%
S&P BSE FMCG	10056.5	2.90%	0.04%
S&P BSE HC	13978.5	3.64%	6.00%
S&P BSE IT	10109.2	1.63%	1.92%
S&P BSE Metal	14161.7	4.41%	2.91%
S&P BSE Oil & Gas	15466.6	4.20%	1.47%

Source: Thomson Reuters Eikon Value as on Oct 6, 2017

- On the BSE sectoral front, all the indices closed in the green and S&P BSE Metal (4.41%) stood as the major gainer followed by S&P BSE Oil & Gas (4.20%) and S&P BSE HC (3.64%).
- Auto (1.67%) sector gained on strong monthly sales number.
- Health care sector also posted gains after a pharma major climbed owing to the launch of a drug in the U.S. market.

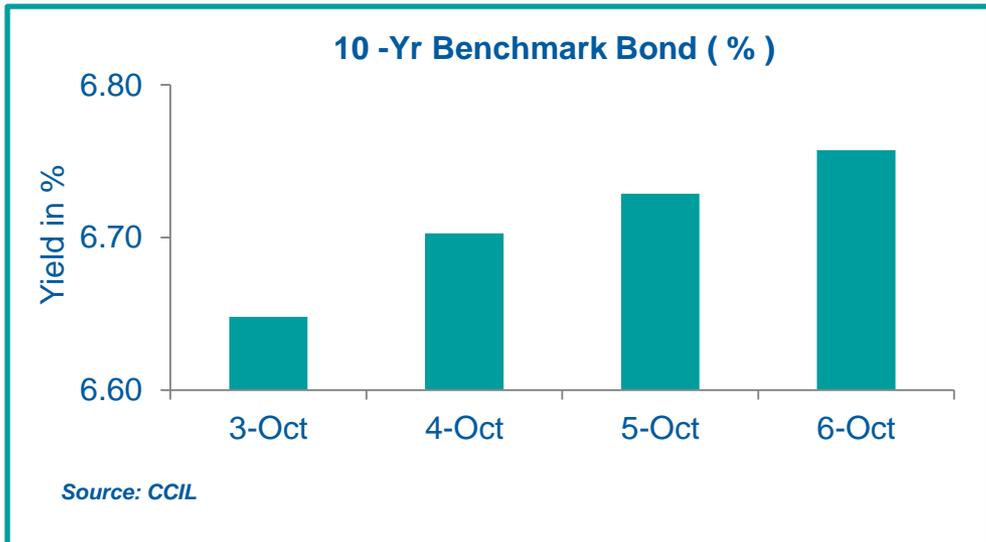
Indian Derivatives Market Review

- Nifty Oct 2017 Futures were at 10,003.40, a premium of 23.70 points over the spot closing of 9,979.70. The turnover on NSE's Futures and Options segment stood at Rs. 21.24 lakh crore as against Rs. 45.31 lakh crore in the week to Sep 29.
- The Put-Call ratio stood at 0.95 compared with the previous week's close of 0.82.
- The Nifty Put-Call ratio stood at 1.37 compared with the previous week's close of 1.20.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.85	5.98	5.83	5.86
91 Day T-Bill	6.07	6.08	6.09	5.93
7.80% 2021, (5 Yr GOI)	6.56	6.56	6.44	6.84
6.79% 2027, (10 Yr GOI)	6.76	6.66	6.51	--

Source: Thomson Reuters Eikon *Value as on Oct 6, 2017*



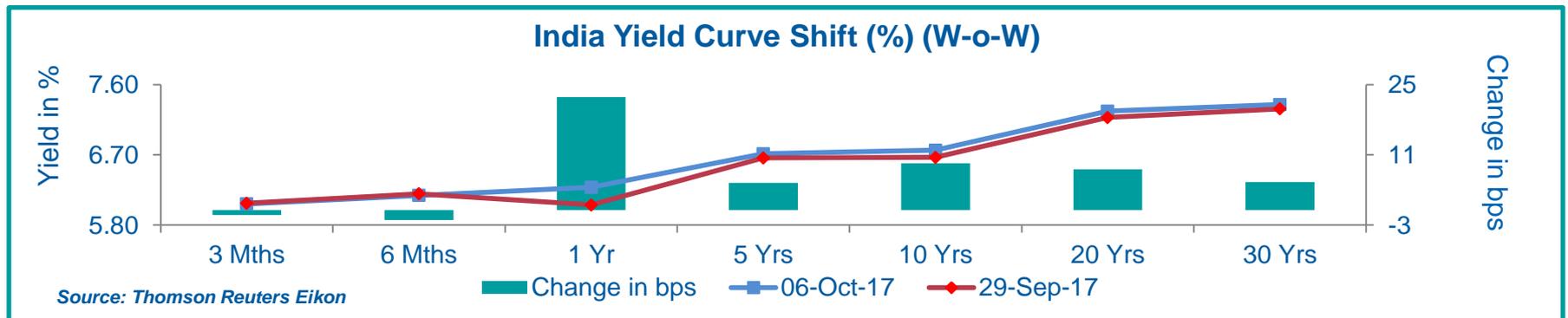
- Bond yields fell initially on expectations that the Monetary Policy Committee (MPC) may soften stance at its fourth bi-monthly monetary policy review on Oct 4. However, the trend reversed after MPC kept key interest rates unchanged and raised its inflation projection for the second half of 2017-18.
- Worries of fresh supply after the Reserve Bank of India (RBI) mandated that state governments may auction bonds on a weekly basis going ahead, against the fortnightly auctions as of now. Concerns that India's federal government may borrow more lately in the year to support growth also weighed on the market sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 10 bps to close at 6.76% from the previous week's close of 6.66%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.33	6.83	51
3 Year	6.63	7.05	42
5 Year	6.81	7.19	38
10 Year	7.07	7.52	45

Source: Thomson Reuters Eikon Value as on Oct 6, 2017

- Yields on gilt securities increased across the maturities in the range of 3 bps to 23 bps, barring 4-year paper that closed steady.
- Corporate bond yields increased across the maturities in the range of 2 bps to 11 bps, barring 3- and 5-year paper that fell 1 bps and 3 bps, respectively.
- Spread between AAA corporate bond and gilt expanded across 4-year paper and 6 to 8 years' maturities in the range of 2 bps to 7 bps, and contracted across the remaining maturities in the range of 2 bps to 27 bps.



Regulatory Updates in India

- The Monetary Policy Committee (MPC) in its fourth bi-monthly policy listed a few measures to revive growth of the Indian economy. Some of the measures that MPC proposed include recapitalization of state-run banks, restarting stalled investment projects in the public sector, improving the ease of doing business by simplification of GST, faster roll-out of the affordable housing program with time-bound single-window clearances and rationalization of excessively high stamp duties by states.
- The Reserve Bank of India (RBI) noted that internal benchmarks such as the base rate/marginal cost of funds based lending rate (MCLR) have not resulted in effective transmission of monetary policy. Also, RBI is of the view that the base rate/MCLR regime is also not in sync with global practices on pricing of bank loans. Hence, RBI has recommended a switchover to an external benchmark in a time-bound manner to improve transmission of policy rates.
- The Reserve Bank of India has stated in its bi-monthly policy that retail investors will be allowed to buy government bonds in the primary market where RBI sells new sovereign debt securities. In addition to scheduled banks and primary dealers, specified stock exchanges will be permitted to act as aggregators/facilitators for retail investor bids in the non-competitive segment for the auction of dated securities and treasury bills. The decision is expected to widen the investor base, thereby easing buy-sale transactions.

Regulatory Updates in India (contd..)

- The Department of Industrial Policy and Promotion (DIPP) has given approval for five more foreign direct investment proposals for single-brand retail. This includes luxury brands like Louis Vuitton, Oppo Mobiles, Chumbak Design, Daniel Wellington and Actoserba Active Wholesale. With this approval, the department has approved 17 single-brand retail proposals as of now which is worth nearly Rs. 4,900 crore for food product and single-brand retail trading. The single-brand trading applications approved so far also include Amazon, Grofers and Urban Ladder, Acer, Fossil India and Bally International.
- RBI has made it compulsory a minimum Rs. 2 crore capital for those operating the peer-to-peer lending platforms. Also, they have been barred by RBI from taking any loan exposure themselves. RBI stated that these firms that provide facilities for anonymous borrowers and lenders to come together would be considered as nonbanking finance companies.
- RBI has stated in its bi-monthly policy that it will soon issue essential instructions to banks to offer facilities for senior citizens and differently abled persons. RBI stated that it would instruct banks to put in place clear mechanisms for meeting the needs of such customers.
- Employees' Provident Fund Organisation (EPFO) is planning to provide an option to its subscribers to set aside a higher proportion of their provident fund money for this asset class. If the proposal gets executed, it is expected to generate higher returns for 4.5 crore EPFO subscribers in the current declining interest rate regime where returns on provident fund accumulations are bound to see a downward trend.

Global News/Economy

- Real gross domestic product (GDP) in the Organization for Economic Co-operation and Development (OECD) area increased 0.7% in the second quarter, faster than the 0.5% growth seen in the previous quarter. The growth in GDP was due to increase in private consumption and investment.
- A report from the Labor Department showed that non-farm payroll employment fell by 33,000 jobs in Sep 2017 as against upwardly revised jobs growth of 169,000 in Aug 2017. However, the unemployment rate fell 4.2% in Sep 2017 from 4.4% in Aug 2017. The unexpected decrease in the non-farm payroll employment was due to the impact of recent hurricanes in the U.S.
- A report from payroll processor ADP showed that U.S. private sector employment came in better than market expectations and grew by 135,000 jobs in Sep 2017 from upwardly revised increase of 228,000 jobs (237,000 jobs originally reported) in Aug 2017. However, the employment rose more than anticipated but the increase reflected the slowest rate of job growth since Oct 2016 due recent hurricanes in the U.S.
- According to the European Central Bank minutes of Sep 6-7 policy session, the policymakers had preliminary discussions regarding the future policy stance and a gradual withdrawal of the massive stimulus. The members agreed for substantial monetary policy support to return inflation to 'below, but close to 2%.

Global Equity Markets

Global Indices			
Indices	06-Oct-17	1-Week Return	YTD Return
Dow Jones	22773.67	1.65%	14.55%
Nasdaq 100	6064.572	1.43%	23.48%
FTSE 100	7522.87	2.04%	4.81%
DAX Index	12955.94	0.99%	11.71%
Nikkei Average	20690.71	1.64%	5.60%
Straits Times	3291.29	2.22%	13.53%

Source: Thomson Reuters Eikon *Value as on Oct 6, 2017*

Europe

- European market gained after China’s manufacturing sector in Sep 2017 grew at its fastest pace since 2012. Some positive economic data also helped sentiment as the euro area private sector ended the third quarter strongly in Sep and U.K. services sector growth improved unexpectedly at the end of the third quarter.

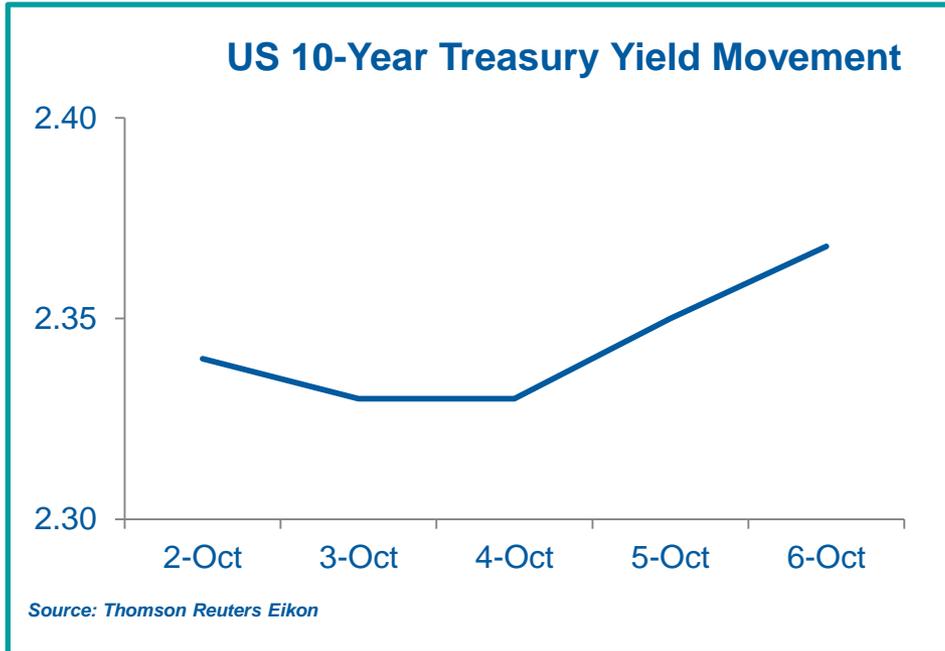
Asia

- Asian markets traded thin amid a truncated trading week as some major markets observed public holiday. Investors also remained cautious ahead of U.S. non-farm payroll data for further cues on U.S. Federal Reserve’s next rate-hike decision. However, a series of encouraging data across different Asian countries increased gains.

U.S.

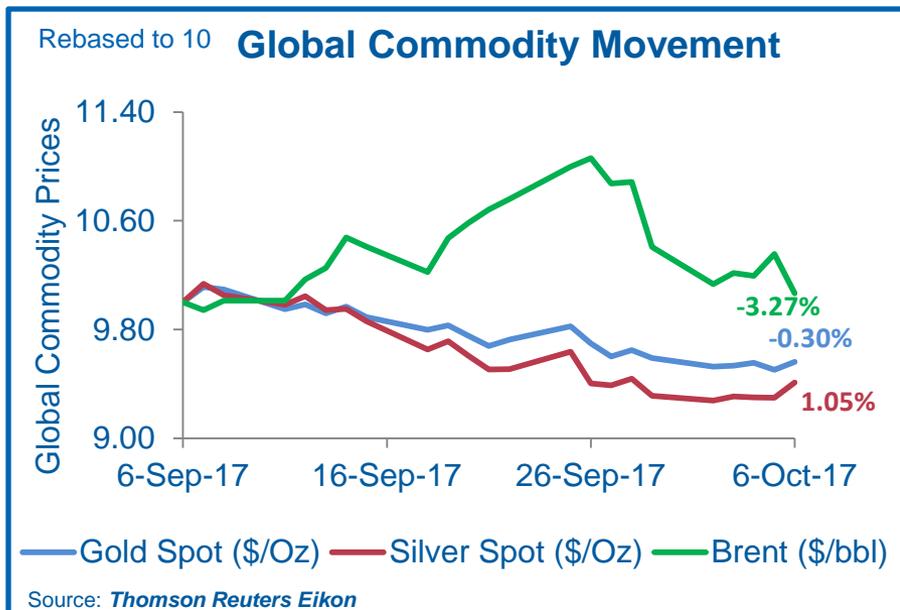
- U.S. market gained over the week as market participants became optimistic about the economic outlook. Markets improved after the U.S. government approved a \$4.1 trillion budget resolution, taking a key step in efforts to pass their tax reform plan.
- Investors also took positive cues following the release of ISM-based U.S. manufacturing data for Sep 2017 that accelerated unexpectedly.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 4 bps to close at 2.37% from the previous week's close of 2.33%.
- U.S. Treasury prices fell following upbeat U.S. manufacturing, non-manufacturing and construction spending in Sep 2017 that raised the expectation of one more rate hike by the end of 2017. Prices fell further after a U.S. Federal Reserve official advocated for a rate hike in Dec 2017.
- Losses were extended after U.S. jobs data for Sep showed an increase in wages even though non-farm employment fell in the same period. However, further losses were restricted due to terrorist attack in Las Vegas.

Commodities Market



Gold

- Gold prices remained largely weak as the safe haven appeal of the metal dampened on the back of growing optimism over the health of the U.S. economy. Additionally, growing expectations of a rate-hike by the U.S. Federal Reserve in Dec 2017 weighed on the precious metal.

Crude

- Brent crude prices witnessed pressure following increase in oil drilling activities by U.S. energy companies. Growing demand for offshore rig rental globally triggered multi-billion dollar tie-ups among drillers.

Baltic Dry Index

- The Baltic Dry Index grew during the week owing to stronger capesize and panama activities.

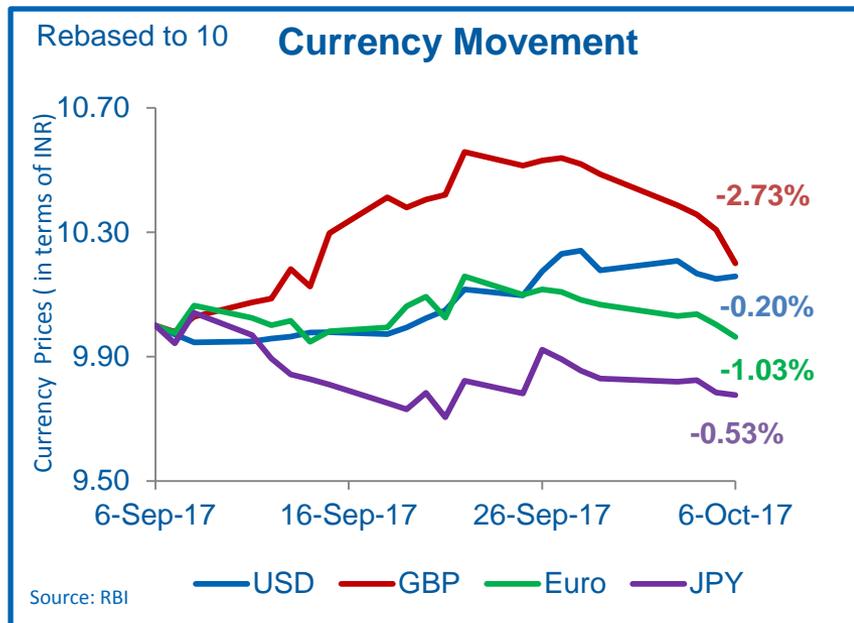
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	55.39	57.26
Gold (\$/Oz)	1275.30	1279.10
Gold (Rs/10 gm)	29337	29692
Silver (\$/Oz)	16.78	16.61
Silver (Rs/Kg)	38721	39357

Source: Thomson Reuters Eikon

Value as on Oct 6, 2017

Currencies Markets



Rupee

- The Indian rupee rose against the greenback amid following gains in the domestic equity market. However, concerns that the U.S. Fed might increase interest rates in the near term capped the gains.

Euro

- Euro weakened against the greenback on concerns over political risk in the euro zone and minutes from the ECB's policy meeting in Sep 2017 showing euro zone need more stimuli.

Pound

- The pound weakened against the greenback after U.K. construction sector activity fell in Sep 2017.

Yen

- The yen weakened against the greenback on growing possibility of a rate hike by the U.S. Fed in the near term.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.23	65.36
Pound Sterling	85.31	87.71
EURO	76.26	77.06
JPY(per 100 Yen)	57.72	58.03

Source: RBI Figures in INR , Value as on Oct 6, 2017

The Week that was...

2nd October to 6th October

Date	Events	Present Value	Previous Value
Monday, Oct 2, 2017	<ul style="list-style-type: none"> • U.S. ISM Manufacturing (SEP) • U.S. Construction Spending (MoM) (AUG) • Eurozone Unemployment Rate (AUG) • U.S. ISM Employment (SEP) 	60.8 0.50% 9.10% 60.3	58.8 -1.20% 9.10% 59.9
Tuesday, Oct 3, 2017	<ul style="list-style-type: none"> • Japan Consumer Confidence Index (SEP) • U.K. Markit/CIPS Construction PMI (SEP) 	43.9 48.1	43.3 51.1
Wednesday, Oct 4, 2017	<ul style="list-style-type: none"> • U.S. ISM Services/Non-Manufacturing Composite (SEP) • Eurozone Retail Sales (YoY) (AUG) • U.S. ADP Employment Change (SEP) • Japan Nikkei Japan PMI Composite (SEP) • U.K. Markit/CIPS Composite PMI (SEP) 	59.8 1.20% 135,000 51.7 54.1	55.3 2.30% 228,000 51.9 54
Thursday, Oct 5, 2017	<ul style="list-style-type: none"> • Germany Markit Construction PMI (SEP) • Germany Markit Retail PMI (SEP) • U.S. Continuing Claims (SEP 23) • U.S. Trade Balance (AUG) • U.S. Factory Orders (AUG) 	53.4 52.8 1,938,000 \$-42.4b 1.20%	54.9 53 1,936,000 \$-43.6b -3.30%
Friday, Oct 6, 2017	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (SEP) • U.S. Unemployment Rate (SEP) 	-33,000 4.20%	169,000 4.40%

The Week Ahead

9th October to 13th October

The Week Ahead

Day	Event
Monday, October 9, 2017	<ul style="list-style-type: none"> • China Caixin Composite PMI (SEP) • Germany Industrial Production (YoY) (AUG) • Japan Trade Balance - BOP Basis (Yen) (AUG)
Tuesday, October 10, 2017	<ul style="list-style-type: none"> • Germany Trade Balance (euros) (AUG) • U.K. Industrial Production (YoY) (AUG) • U.K. Manufacturing Production (YoY) (AUG) • China New Yuan Loans CNY (SEP) • U.K. Total Trade Balance (Pounds) (AUG) • Japan Eco Watchers Survey Outlook SA (SEP)
Wednesday, October 11, 2017	<ul style="list-style-type: none"> • U.S. FOMC Meeting Minutes (SEP 20) • Japan Machine Tool Orders (YoY) (SEP P)
Thursday, October 12, 2017	<ul style="list-style-type: none"> • Japan Tertiary Industry Index (MoM) (AUG) • Eurozone Industrial Production w.d.a. (YoY) (AUG) • U.S. Initial Jobless Claims (OCT 07)
Friday, October 13, 2017	<ul style="list-style-type: none"> • U.S. Consumer Price Index (YoY) (SEP) • U.S. Advance Retail Sales (SEP) • U.S. of Michigan Confidence (OCT P) • China Trade Balance (SEP)

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