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September 01, 2017

The Week that was...

28th August to 01st September

Indian Economy

- India's Gross Domestic Product (GDP) grew 5.7% YoY in the Jun quarter of 2017, slower than 7.9% a year ago and 6.1% in the previous quarter. Slower growth in private consumption and contraction in capital investment were the major factors behind easing growth. Gross Value Added (GVA) growth came in at 5.6%, against 7.6% in the same quarter of the previous year because of slow growth of the manufacturing sector. Manufacturing sector grew 1.2% in the Jun quarter compared with 10.7% in the year-ago period.
- India's fiscal deficit stood at Rs. 5.05 lakh crore till Jul of FY18 or 92.4% of the budgeted target for the current fiscal year. During the corresponding period of last year, the deficit was 73.7% of the full-year target. Net tax receipts from Apr to Jul were Rs. 2.58 lakh crore. Government has targeted to lower its fiscal deficit to 3.2% of gross domestic product in FY18 from 3.5% in the previous year.
- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) increased to 51.2 in Aug 2017 from 47.9 in Jul 2017. The upside was driven by new orders and output across the country. The expansion was modest, however, it reflected a substantial turnaround from the contraction in Jul due to the rollout of the Goods and Services Tax.
- Core sector output grew 2.4% YoY in Jul 2017, better than revised 0.8% in the previous month. Growth was driven mainly by higher electricity and steel production. Electricity output increased 5.4% YoY in Jul 2017, better than 2.2% rise in Jun. Steel production growth accelerated to 9.2% in the reported period from 5.8% growth a month ago.

Indian Equity Market

Domestic Equity Market Indices			
Indices	01-Sep-17	1 Week Return	YTD Return
S&P BSE Sensex	31892.23	0.94%	19.92%
Nifty 50	9974.4	1.19%	21.94%
S&P BSE Mid-Cap	15686.66	2.85%	29.31%
S&P BSE Small-Cap	16130.12	3.09%	32.32%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.82	25.99	31.06	82.94
P/B	3.05	3.51	2.78	2.50
Dividend Yield	1.23	0.93	1.18	0.71

Source: BSE, NSE *Value as on Sep 01, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
28-Aug-17	1133	547	2.07
29-Aug-17	479	1215	0.39
30-Aug-17	1261	399	3.16
31-Aug-17	1004	679	1.48
01-Sep-17	1106	566	1.95

Source: NSE

- Indian equity markets ended the week on a positive note. Initially, investors were buoyed by easing tensions between Indian and Chinese military forces over Doklam.
- However, renewed instance of geo political tensions between the U.S. and North Korea triggered global sell off of riskier assets, thereby affecting market sentiment.
- Market participants soon overcame such jitters after the final reading of a private survey showed that the domestic manufacturing sector rebounded in Aug. Weaker than expected economic growth data for the first quarter of the current fiscal raised hopes that the Monetary Policy Committee may cut interest rates at its next policy meet in Oct.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24147.5	2.55%	-2.82%
S&P BSE Bankex	27625.2	0.62%	-2.74%
S&P BSE CD	17653.8	1.35%	8.02%
S&P BSE CG	17413.3	1.47%	-2.75%
S&P BSE FMCG	10201.2	1.82%	0.99%
S&P BSE HC	13390.6	1.24%	-5.84%
S&P BSE IT	10046.4	0.25%	-3.78%
S&P BSE Metal	13531.5	3.65%	7.80%
S&P BSE Oil & Gas	15247.3	2.60%	7.06%

Source: Thomson Reuters Eikon Value as on Sep 01, 2017

- On the BSE sectoral front, all the sectors closed in the green. S&P BSE Realty was the top gainer, up 4.72%, followed by S&P BSE Metal and S&P BSE Oil & Gas, which rose 3.65% and 2.60%, respectively. S&P BSE Auto and S&P BSE FMCG went up 2.55% and 1.82%, respectively.
- Buying interest was seen in the metal stocks after official data showed that index of mineral production of mining and quarrying sector for the month of Jun 2017 was at 98.8, 0.4% higher compared with the level in Jun 2016.

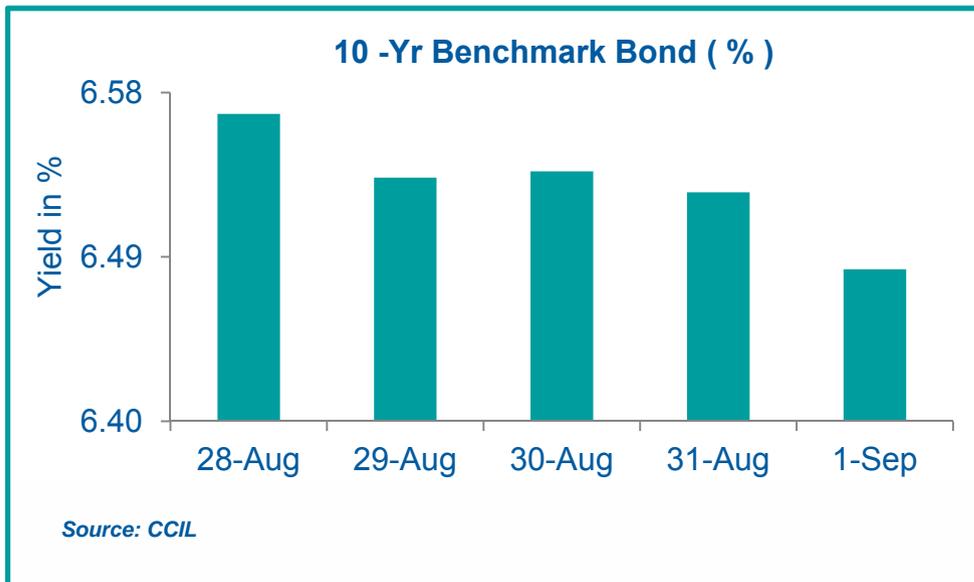
Indian Derivatives Market Review

- Nifty Aug 2017 settled at 9,917.90 on Aug 31. Nifty Sep 2017 Futures were at 10,007.30, a premium of 32.90 points above the spot closing of 9,974.40. The turnover on NSE's Futures and Options segment stood at Rs. 34.39 lakh crore against Rs. 28.62 lakh crore in the week to Aug 25.
- The Put-Call ratio stood at 0.89 compared with the previous week's close of 0.84.
- The Nifty Put-Call ratio stood at 1.38 compared with the previous week's close of 1.22.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.83	5.90	6.11	6.04
91 Day T-Bill	6.11	6.14	6.12	6.05
07.80% 2021 , (5 Yr GOI)	6.43	6.45	6.49	6.77
06.79% 2027, (10 Yr GOI)	6.48	6.54	6.44	--

Source: Thomson Reuters Eikon *Value as on Sep 01, 2017*



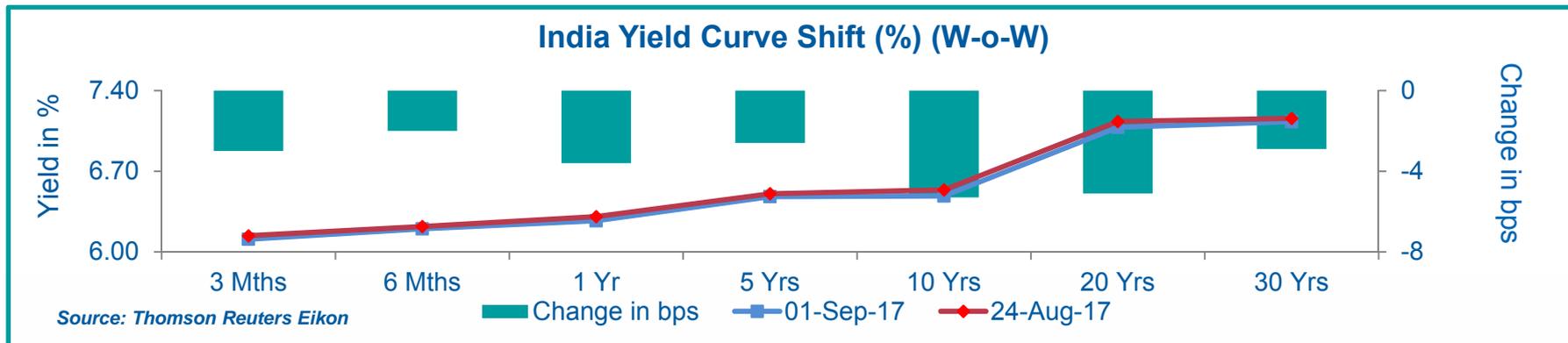
- Initially, bond yields rose as traders deferred purchases amid lack of cues and ahead of a fresh supply of papers this week.
- However, soon losses reversed following rise in U.S. Treasury prices amid geopolitical tensions. Yields fell further as lower than expected domestic economic growth for the Jun quarter of 2017 increased the probability of interest rate cuts in the near future from the Reserve Bank of India (RBI).
- RBI conducted open market operation sale auction of government securities namely 7.28% GS 2019, 8.79% GS 2021, 7.16% GS 2023, 8.33% GS 2026, and 8.60% GS 2028 for a notified amount of Rs. 10,000 crore for which full amount was accepted by RBI.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.34	6.71	37
3 Year	6.51	6.94	43
5 Year	6.58	7.10	52
10 Year	6.75	7.35	60

Source: Thomson Reuters Eikon Value as on Sep 01, 2017

- Yields on gilt securities fell across maturities by up to 5 bps. Highest fall was seen on 8 to 10 years' and 19-year paper, and lowest decline was on 3-year paper.
- Corporate bond dropped in the range of 2 to 9 bps across the curve. Yield fell the most on 1-year paper and the least on 4-year paper.
- Spread between AAA corporate bond and gilt contracted on 1 to 3 years' papers and 5-year paper by up to 5 bps, while expanded 1 bps on 8- and 9-year papers. Remaining securities were flat.



Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) has permitted debt securities to get listed on stock exchanges in the International Financial Services Centre (IFSC) even if these are issued elsewhere. However, it stated that they will have to pursue all the required listing and corporate governance norms. Also, over the counter trading of debt securities in an IFSC have been permitted by the regulator subject to clearing and settlement through clearing corporations within such centres.
- SEBI has permitted three pairs of cross currency for trading. The regulator has asked stock exchanges to set up a dynamic price band for euro-dollar, pound sterling-dollar, and dollar-yen. Also, the stock exchanges have been asked to submit their proposal for launch of the currency option with details of contract specifications, risk management framework, and surveillance systems.
- The cabinet has approved cess hike on mid-size, large cars, and SUVs to 25% from 15% under the new GST regime. Prices of most SUVs were cut between Rs. 1.1 lakh and Rs. 3 lakh after the implementation of GST that included more than a dozen central and state levies like excise duty, service tax, and VAT from Jul 1. The increase in cess would result in reversing of cuts.
- According to the secretary of mines, the government has set a window of two years to start the auction of mining leases which are due to expire in Mar 2020. The move comes amid concerns that the expiry of the existing mining leases in Mar 2020 may affect availability of raw materials for the Indian industry.

Regulatory Updates in India (contd..)

- The government has notified the e-way bill. An e-way bill is required to transport any item worth more than Rs. 50,000 within the country. However, e-way bill will not be needed in case of some items of mass consumption like vegetables, fruits, food grains, meat, bread, curd, books and jewellery. This will provide the framework for the transport of goods under the goods and services tax regime.
- According to a study undertaken by the government, stock exchanges need to harmonise surveillance mechanism and invest in advance technologies so as to keep a check on high frequency trading. High frequency trading or algorithmic trading is the use of programs and computers for executing large orders in the market electronically at lower transaction cost. Advanced technology will help in automatic detection of harmful high frequency trading and market manipulative trends/algorithms. The Ministry of Finance in this regard has asked exchanges and market participants to stick to ethics in algorithm trade.
- Government has approved reforms within the Indian Army aimed at enhancing combat capability in a manner that officers will be used for improving operational preparedness and civilians will be redeployed in different wings of the armed forces for improving efficiency. Reforms will be done in a phased manner by Dec 2019 based on the Lt Gen Shekatkar committee report submitted in Dec 2016. Out of 99 recommendations by the committee, the Ministry of Defence has decided to implement 65 suggestions.
- Niti Ayog has given a suggestion to establish judicial performance index. Such an index will aid high courts and high court chief justices in keeping track of performance and process improvement at the district courts and subordinate levels for reducing delay.

Global News/Economy

- According to data from the Organisation for Economic Co-operation and Development (OECD), G20 countries' international merchandise trade increased for the fifth successive quarter in Jun 2017 but at a slower rate. G20 export growth slowed to 1.4% in the second quarter from 3.4% in the first quarter of 2017. The rate of growth in imports decreased more than half to 1.7% in the second quarter from 4.2% in the first quarter of 2017.
- A report from the Labor Department showed that non-farm payroll employment climbed by 156,000 jobs in Aug 2017 as against downwardly revised jobs growth of 210,000 and 189,000 in Jun and Jul 2017, respectively. The unemployment rate slightly went up to 4.4% in Aug 2017 from 4.3% in Jul 2017.
- According to a report from the Commerce Department, U.S. gross domestic product grew 3.0% in the second quarter, surpassing the previous expectation of 2.6%.
- According to the flash estimate report from Eurostat, euro zone's inflation grew 1.5% in Aug 2017 as against a growth of 1.3% in Jul 2017. This marked the highest rate since Apr 2017. However, it continues to stay below the European Central Bank's target of 'below, but close to 2%'. Excluding energy, food, alcohol and tobacco, core inflation remained steady at 1.2% in Aug.
- According to National Bureau of Statistics, China's Manufacturing Purchasing Managers' Index (PMI) surpassed market expectations and grew to 51.7 in Aug 2017 as against a score of 51.4 in Jul 2017. Non-manufacturing PMI came in at a score of 53.4 in Aug, down from 54.5 in Jul.

Global Equity Markets

Global Indices			
Indices	01-Sep-17	1-Week Return	YTD Return
Dow Jones	21987.56	0.80%	10.59%
Nasdaq 100	5987.90	2.84%	21.92%
FTSE 100	7438.50	0.50%	3.63%
DAX Index	12142.64	-0.21%	4.69%
Nikkei Average	19691.47	1.23%	0.50%
Straits Times	3277.26	0.54%	13.05%

Source: Thomson Reuters Eikon *Value as on Sep 01, 2017*

Europe

- Major European markets in the initial days were mixed largely on a bunch of miscellaneous economic data. Markets lost confidence after North Korea fired a missile over Japan, although geopolitical concerns eased a bit following the U.S. President's careful response to the attack. At the end, most of the major markets gained on upbeat data from China, U.K. and Eurozone.

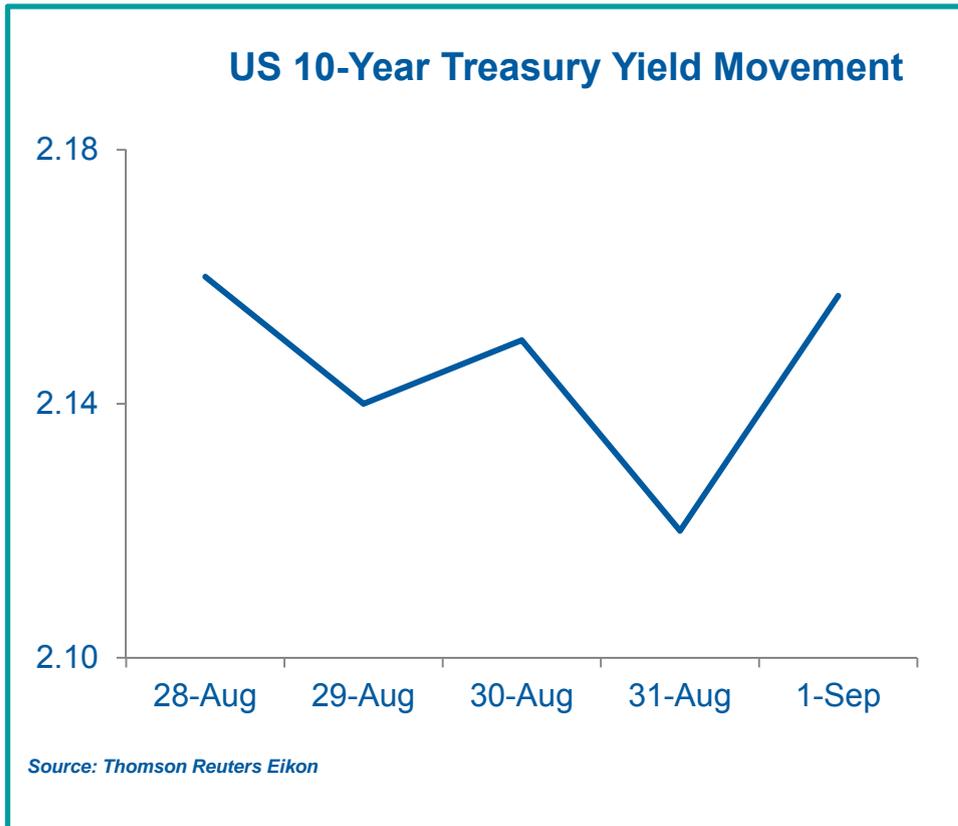
Asia

- Most of the major Asian markets rose mainly on upbeat economic data. Investor sentiment got further support following reports that China's securities regulator will continue to support the mixed ownership reform of state-owned enterprises. The U.S. President's speech on tax reform and modest U.S. inflation data also added to the gains.

U.S.

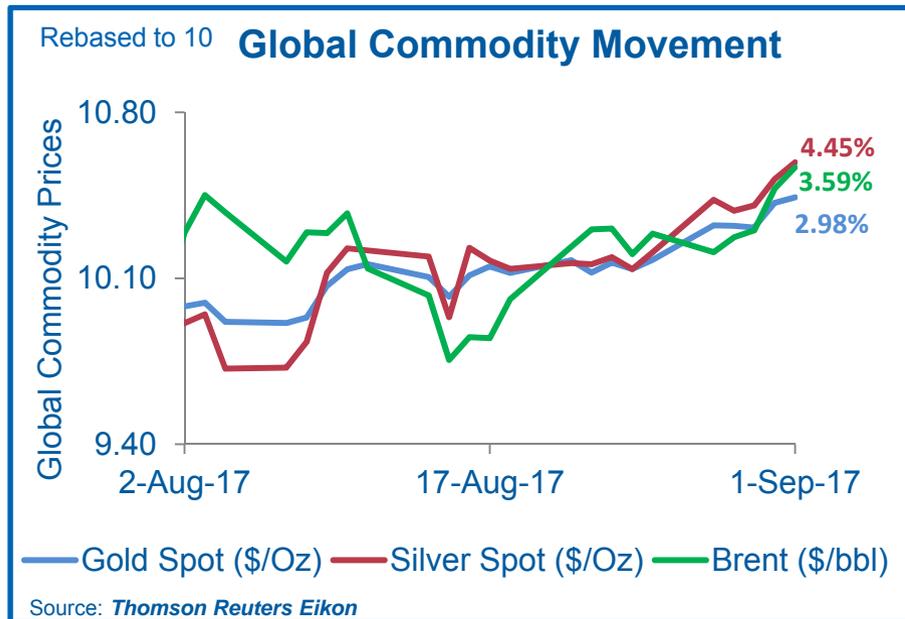
- Major U.S. markets went up primarily over a slew of upbeat U.S. economic data like personal income, private sector employment.
- Another report from the Commerce Department revealed U.S. economic activity increased by more than previously estimated in the second quarter. Further, tensions caused by North Korea's missile launch over Japan settled and added to the gains.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 1 bps to close at 2.16% from the previous week's close of 2.17%.
- U.S. Treasury prices rose earlier during the week following strong demand at a five-year note auction. Concerns about rising tensions with North Korea and downbeat consumer spending data for Jul 2017 also improved the safe haven appeal of U.S. Treasuries.
- However, most of the gains were wiped out after a key indicator for factory activity in U.S. rose to its highest level since Apr 2011. Upbeat U.S. private sector jobs data for Aug 2017 and better than expected growth of the U.S. economy in the second quarter of 2017 also weighed on U.S. Treasury prices.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	53.94	52.07
Gold (\$/Oz)	1324.57	1286.20
Gold (Rs/10 gm)	29742	28879
Silver (\$/Oz)	17.68	16.93
Silver (Rs/Kg)	39784	38714

Source: Thomson Reuters Eikon Value as on Sep 01, 2017

Gold

- Gold prices rose on renewed instance of geopolitical tension between the U.S. and North Korea. Prices rose further after lower than expected U.S. nonfarm payroll data for Aug dampened prospects of a probable rate hike by the U.S. Federal Reserve (Fed).

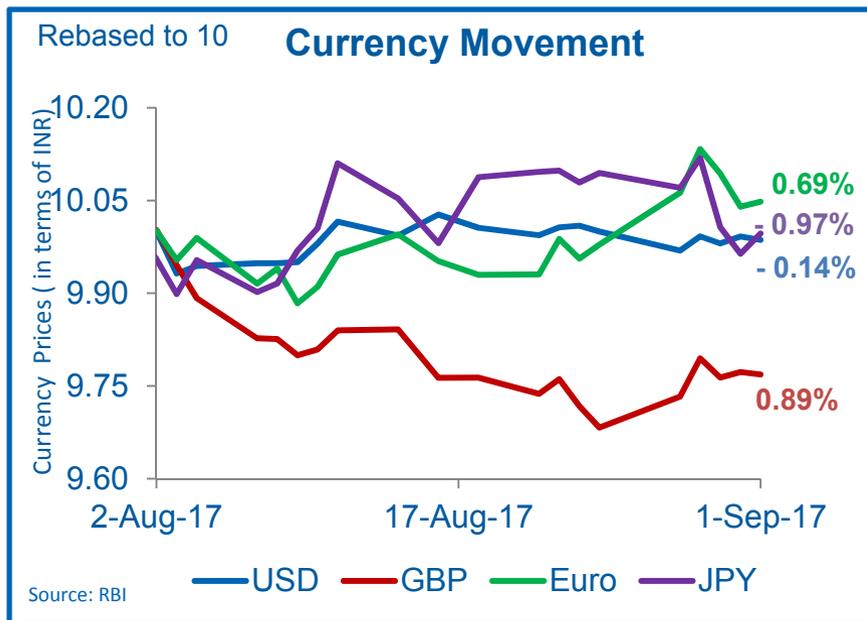
Crude

- Brent crude prices rose after weekly data from EIA showed that U.S. commercial crude oil stocks fell. The data was collected before Hurricane Harvey hit the Gulf Coast. The hurricane has wreaked havoc in Texas oil rigs and the inclement weather has reduced the demand for Brent crude by a big margin.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.98	64.07
Pound Sterling	82.66	81.94
EURO	76.10	75.58
JPY(per 100 Yen)	58.10	58.67

Source: RBI

Figures in INR , Value as on Sep 01, 2017

Rupee

- The Indian rupee rose against the greenback as easing concerns of a rate hike by the U.S. Fed and greenback sales by foreign banks.

Euro

- Euro fell against the U.S. dollar amid reports that policymakers of the European Central Bank were concerned by the strength of the euro and may go slow on tightening monetary policy as a result.

Pound

- Sterling rose against the greenback on concerns over growing geopolitical tensions between the U.S. and North Korea, and after U.S. nonfarm payroll data came below market expectations.

Yen

- Yen fell against the U.S. dollar following upbeat U.S. private sector jobs and U.S. economic growth in the second quarter.

The Week that was...

28th August to 01st September

The Week that was (Aug 28 – Sep 01)

Date	Events	Present Value	Previous Value
Monday, August 28, 2017	<ul style="list-style-type: none"> • Japan Jobless Rate (JUL) 	2.8%	2.8%
Tuesday, August 29, 2017	<ul style="list-style-type: none"> • U.S. Consumer Confidence (AUG) • Germany GfK Consumer Confidence Survey (SEP) • Japan Retail Trade (YoY) (JUL) 	122.9 10.9 1.9%	120 10.8 2.2%
Wednesday, August 30, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (AUG P) • U.S. Gross Domestic Product (Annualized) (2Q S) • U.S. Gross Domestic Product Price Index (2Q S) • Japan Small Business Confidence (AUG) • Japan Industrial Production (YoY) (JUL P) 	1.8% 3.0% 1.0% 49 4.7%	1.7% 2.6% 1.0% 50 5.5%
Thursday, August 31, 2017	<ul style="list-style-type: none"> • China Manufacturing PMI (AUG) • Germany Unemployment Change (AUG) • Eurozone Consumer Price Index Estimate (YoY) (AUG) • U.S. Personal Consumption Expenditure Core (YoY) (JUL) 	51.7 -5k 1.5% 1.4%	51.4 -8k 1.3% 1.5%
Friday, September 01, 2017	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (AUG) • U.S. Unemployment Rate (AUG) • U.S. ISM Manufacturing (AUG) 	156,000 4.4% 58.8	189,000 4.3% 56.3

The Week Ahead

04th September to 08th September

The Week Ahead

Day	Event
Monday, September 04, 2017	<ul style="list-style-type: none"> • U.K. Markit/CIPS Construction PMI (AUG) • Eurozone Producer Price Index (YoY) (JUL)
Tuesday, September 05, 2017	<ul style="list-style-type: none"> • Japan Nikkei Composite PMI (AUG) • China Caixin Composite PMI (AUG) • U.K. Markit/CIPS Composite PMI (AUG) • Eurozone Gross Domestic Product (YoY) (2Q F)
Wednesday, September 06, 2017	<ul style="list-style-type: none"> • U.S. ISM Services/Non-Manufacturing Composite (AUG) • Germany Markit Construction PMI (AUG) • U.S. Trade Balance (JUL)
Thursday, September 07, 2017	<ul style="list-style-type: none"> • European Central Bank Rate Decision (SEP 07) • Japan Leading Index (JUL P) • Germany Industrial Production (YoY) (JUL) • Japan Gross Domestic Product Annualized (2Q F)
Friday, September 08, 2017	<ul style="list-style-type: none"> • China Trade Balance (AUG) • Japan Eco Watchers Survey Outlook (AUG) • U.K. Manufacturing Production (YoY) (JUL)

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