

# News U Can Use

*September 16, 2016*



The Week that was...  
12<sup>th</sup> September to 16<sup>th</sup> September

# Indian Economy

- ❑ Consumer Price Index (CPI) based inflation stood at 5.05% in Aug 2016 compared with 6.07% in the previous month and 3.74% in the same month of the previous year. The consumer food price index was 5.91% in Aug compared with 8.35% in the previous month and 2.20% in the same period of the previous year. Sugar and confectionery price inflation for Aug stood at 24.75%, while pulses and products price inflation came in at 22.01%.
- ❑ Index of Industrial Production (IIP) fell 2.4% in Jul 2016, worse than 2.1% increase in the previous month and 4.3% rise in the same month of the previous year. Industrial output slowed compared with previous month as expansion in mining (0.8%) and electricity (1.6%) sectors were offset by contraction in the manufacturing sector (3.4%). As per the USE-based classification, basic goods sector increased 2.0%, while capital goods sector plunged 29.6% during the reported period.
- ❑ Wholesale Price Index (WPI) based inflation rose to a 2-year high of 3.74% in Aug from 3.55% in the previous month and a contraction of 5.06% in the same month of the previous year. WPI inflation surged as potatoes, pulses, and sugar turned costlier.
- ❑ India's merchandise exports fell 0.30% YoY to \$21.51 billion in Aug, while imports fell 14.09% YoY during the month to \$29.19 billion. Thus, the trade deficit narrowed to \$7.67 billion from \$12.39 billion in the corresponding period of the previous year. Cumulative exports for the period from Apr to Aug fell 2.98%, while cumulative imports fell 15.89%.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	16-Sep-16	1 Week Return	YTD Return
S&P BSE Sensex	28599.03	-0.69%	9.32%
Nifty 50	8779.85	-0.98%	10.26%
S&P BSE Mid-Cap	13050.51	-2.21%	16.05%
S&P BSE Small-Cap	12764.87	-0.75%	6.90%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.96	24.07	33.44	75.87
P/B	3	3.34	2.72	2.18
Dividend Yield	1.37	1.26	1.3	0.88

Source: BSE, NSE

Value as on September 16, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
12-Sep-16	249	1375	0.18
14-Sep-16	1092	531	2.06
15-Sep-16	854	741	1.15
16-Sep-16	747	875	0.85

Source: NSE

- Uncertainty over the U.S. Federal Reserve's stance on interest rate outlook weighed on the market during the week.
- Initially, comments from a Fed official raised concerns over the imminent rate hike by the U.S. central bank, but chances of a raise somewhat weakened following a series of poor U.S. economic data.
- On the domestic front, increase in wholesale price inflation for Aug and contraction in industrial output for Jul soured investor sentiments. Nonetheless, easing retail inflation data for Aug raised hopes of rate cut by the Reserve Bank of India in its upcoming policy meeting. Sharp decline in India's trade deficit for Aug also restricted losses.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22419.4	-1.86%	5.38%
S&P BSE Bankex	22734.8	-2.22%	4.21%
S&P BSE CD	12569	-1.16%	3.53%
S&P BSE CG	14989.9	-2.68%	-0.87%
S&P BSE FMCG	8874.61	0.03%	1.58%
S&P BSE HC	16474.8	-0.68%	2.93%
S&P BSE IT	10326.4	1.17%	-4.39%
S&P BSE Metal	9508.79	-5.67%	-3.90%
S&P BSE Oil & Gas	11092.3	-0.91%	3.43%

*Source: Reuters* *Value as on September 16, 2016*

- On the BSE sectoral front, barring S&P BSE IT, S&P BSE Teck and S&P BSE FMCG, all the other indices closed in the red. S&P BSE Metal was the major laggard, down 5.67%, followed by S&P BSE Realty and S&P BSE Power, which slipped 4.40% and 3.26%, respectively.
- S&P BSE Capital Goods and S&P BSE Bankex dropped 2.68% and 2.22%, respectively. Meanwhile, S&P BSE FMCG, S&P BSE Teck and S&P BSE IT gained in the range of 0.03% to 1.17%.

## Indian Derivatives Market Review

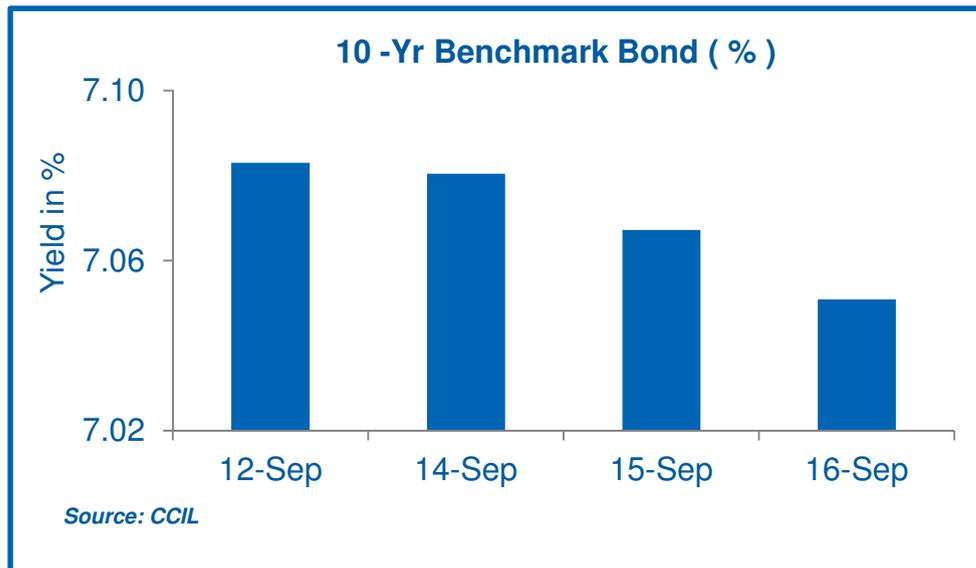
- Nifty Sep 2016 Futures were at 8,808.20 points, a premium of 28.35 points, over the spot closing of 8,779.85 points. The turnover on NSE's Futures and Options segment stood at Rs. 16.80 lakh crore during the week to Sep 16, compared with Rs. 15.58 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.97, compared with the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 1.10, compared with the previous week's close of 1.18.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.46	6.40	6.42	7.02
91 Day T-Bill	6.51	6.54	6.58	7.21
07.80% 2021, (5 Yr GOI)	6.94	6.91	7.03	7.81
07.59% 2026, (10 Yr GOI)	7.05	7.06	7.10	7.57

Source: Reuters

Value as on September 16, 2016



Source: CCIL

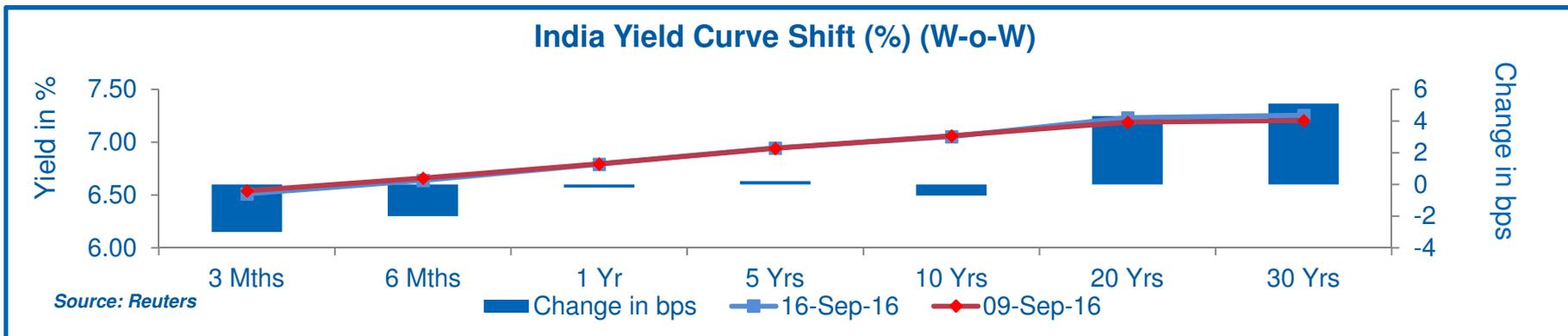
- Initially, bond yields rose as comments from U.S. Federal Reserve officials raised the chances of an interest rate hike in the world's largest economy.
- However, losses retreated as market participants bought debt after the recent sell-offs. Most of the losses were trimmed as disappointing U.S. retail sales and industrial production data for Aug 2016 lowered the prospects of a rate hike by the U.S. Fed in its Sep monetary policy meeting scheduled next week.
- Yield on 10-year benchmark bond (7.59% GS 2026) grew 1 bps to close at 7.05% compared with the previous week's close of 7.06%. Yields moved in the range of 7.05% to 7.10% during the week.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.90	7.33	43
3 Year	6.94	7.40	47
5 Year	7.10	7.51	41
10 Year	7.25	7.59	34

Source: Reuters Value as on September 16, 2016

- Yields on gilt securities increased across most of the maturities up to 5 bps barring 2-, 3-, and 10-year papers that fell by up to 2 bps. Yields on 1-, 5-, and 7 to 9-years' maturities were steady.
- Corporate bond yields increased across the maturities up to 4 bps. The minimum expansion was witnessed across 2- and 3-year papers and the maximum on 5-year maturity.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities up to 4 bps, barring 15-year paper that contracted 2 bps.



# Regulatory Updates in India

- ❑ The Union cabinet approved the formation of Goods and Services Tax (GST) Council and notified that the process should be completed within 60 days from Sep 12. The council will be headed by the Union finance minister and will include representatives from 29 states and two union territories. The council will decide on the tax rate and will recommend the taxes to be included and excluded from GST, the rates of taxation, and the model Central, State, and Integrated GST laws. The council will also frame a dispute resolution mechanism. The government targets to implement GST from Apr 1, 2017.
- ❑ The government of India made the use of unique identity (UID) or Aadhaar cards obligatory for all Central and state government subsidies and benefits that require funding from the central exchequer. Therefore, the responsibility will now be on the agencies like oil companies or banks to ensure that the beneficiaries have Aadhaar numbers. The new law and its regulations will help the Centre increase the scope of UID to almost all government schemes.
- ❑ The Cabinet approved extension of contract between the Ministry of Earth Sciences and International Seabed Authority (ISA) by five years. The extension of contract is done to explore manganese nodules that will also help in extracting minerals like nickel, cobalt, and copper. The contract will also provide strategic importance to India by giving the country enhanced presence in the Indian Ocean where other international players are also active.

## Regulatory Updates in India (contd..)

- ❑ The Cabinet approved the exchange of tariff concessions under the Asia Pacific Trade Agreement (APTA). The move will improve trade among Bangladesh, China, India, Lao PDR, Republic of Korea, and Sri Lanka.
- ❑ The government announced that income details of the ones who will declare their black money by Sep 30 will be kept confidential. The declaration will not be shared even with the jurisdictional Principal Commissioner and payments made under the Income Declaration Scheme will not be visible to the jurisdictional officers.
- ❑ The environment minister strongly urged for a new forest law to safeguard the interests of forest dwellers. According to him, the current forest act, Indian Forest Act, 1927, was enacted by the British government. The law needs to get amended or replaced in order to enforce policies for sustainable developments.
- ❑ The commerce and industry minister formed a task force comprising of eight members, including people from both private and public sectors, to assess the position of India in the field of innovation and suggest measures to develop the innovation ecosystem. This will lead to improve India's ranking in the Global Innovation Index.

# Global News/Economy

- ❑ Consumer prices in the U.S. grew 0.2% MoM in Aug, slightly surpassing expectations, compared with no change in the previous month. Core consumer prices went up 0.3% MoM in the reported month, as against 0.1% in Jul.
- ❑ U.S. retail sales dropped 0.3% in Aug 2016, weaker than forecast and last month's revised increase of 0.1%. Barring auto sales, retail sales eased 0.1% in Aug, slower than 0.4% fall in the prior month.
- ❑ The Bank of England (BoE) kept interest rates unchanged at 0.25% and asset purchases were unchanged at GBP 435 billion. However, the central bank officials hinted at a rate cut in Nov 2016 despite recent data suggested that the economic shock caused by "Brexit" may be less severe than expected earlier.
- ❑ U.K. inflation remained unchanged at 0.6% in Aug 2016 compared with the previous month, despite rise in import prices due to weakness in the pound. Inflation in Aug and Jul 2016 was the highest since Nov 2014. Inflation was impacted by rise in food prices and air fares, while partially offset by slower rise in motor fuels.
- ❑ China's industrial production exceeded market expectations and rose 6.3% YoY in Aug 2016, better than 6% in Jul 2016. Output rose at its fastest pace since Mar 2016. Retail sales surpassed forecast and surged 10.6% YoY in Aug, faster than 10.2% in the previous month. Retail sales rose at its fastest pace in the current year.

# Global Equity Markets

Global Indices			
Indices	16-Sep-16	1-Week Return	YTD Return
Dow Jones	18123.8	0.21%	5.68%
Nasdaq 100	4818.054	2.92%	7.12%
FTSE 100	6710.28	-0.98%	10.12%
DAX Index	10276.17	-2.81%	-0.07%
Nikkei Average	16519.29	-2.63%	-10.47%
Straits Times	2827.45	-1.60%	-0.30%

*Source: Reuters*

## Europe

- European markets fell as sentiment was also hurt by weak economic data from Germany, and the U.S. seeking strong actions against North Korea after its nuclear test. Fall accentuated after a major German Bank was fined over a mortgage securities probe. However, losses were limited as BoE officials indicated of a rate cut in the current year.

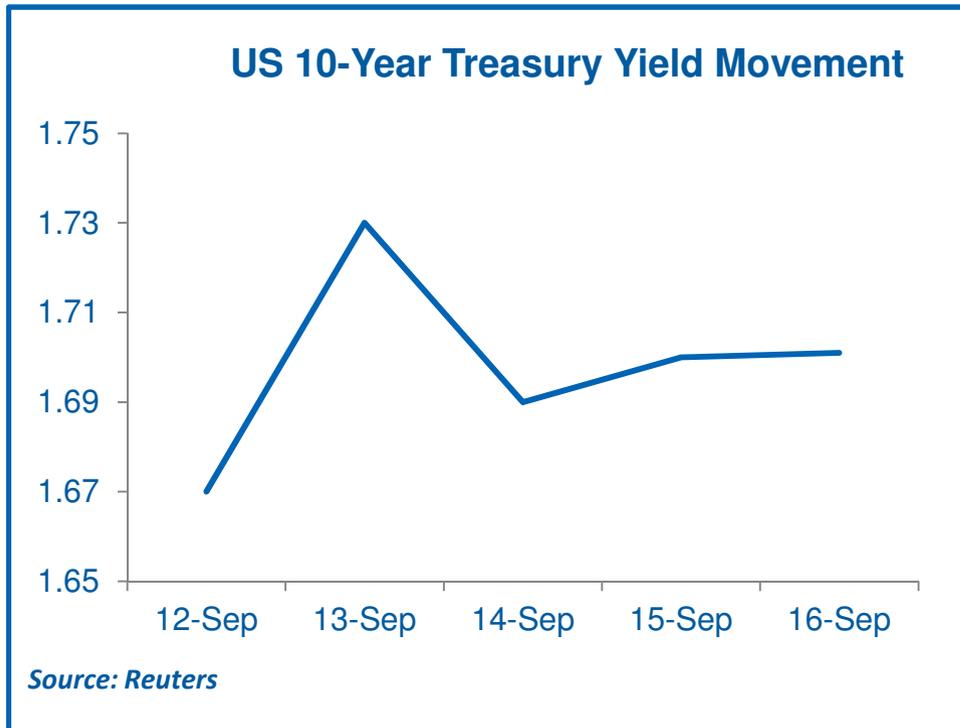
## Asia

- Asian markets saw mixed results, with indices initially going up on upbeat major Japanese manufacturers survey. Bourses were also helped by good performances from technology and banking stocks towards the closure of the week. However, markets remained apprehensive ahead of the Bank of Japan's (BoJ) impending fiscal policy decision.

## U.S.

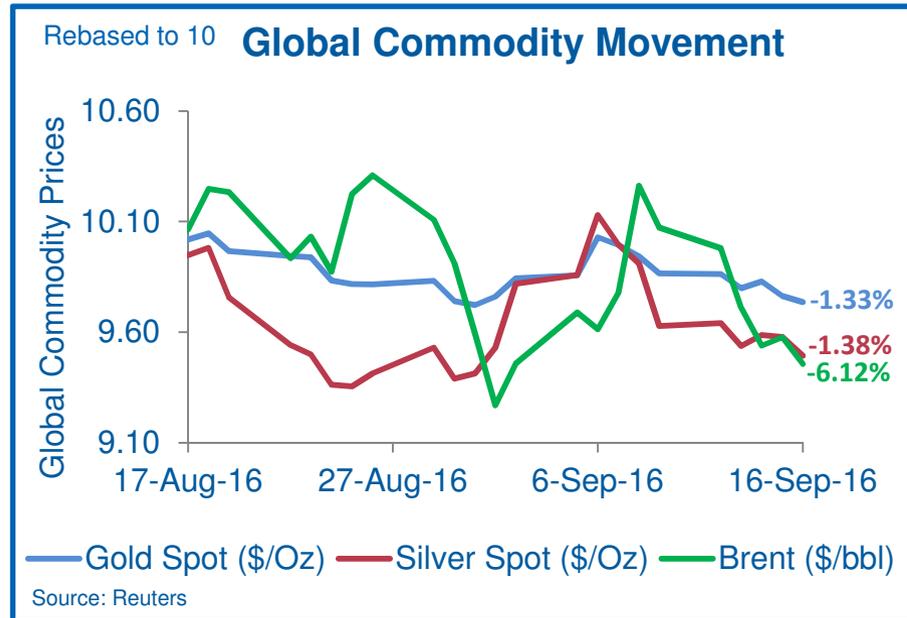
- U.S. markets saw mixed results over the week, with uncertainties surrounding the U.S. central bank's decision on interest rates initially keeping markets under pressure.
- However, as the week progressed, apprehensions that the U.S. Fed could raise rates somewhat eased following dovish comments from a Fed board member. With the release of a slew of weak data by the U.S., chances of the rate hike faded out.

# Global Debt (U.S.)



- The 10-year U.S. Treasury yield rose 3 bps to close at 1.70%, compared with the previous week's close of 1.67%. However, it remained slightly volatile on concerns over U.S. Fed's monetary policy review next week.
- U.S. Treasury prices fell on heavy supply of Treasury and corporate debt. Reports that the BoJ plans to make negative interest rates a major factor of its future easing program weighed on the prices. Upbeat U.S. consumer inflation data for Aug 2016 increased the expectations of rate hike in Dec 2016.
- However, fall in the U.S. Treasury prices got arrested after the U.S. import prices fell for the first time in six months in Aug 2016 due to declining petroleum and food costs.

# Commodities Market



## Gold

- Gold prices fell as investors preferred to be on the sidelines ahead of some major U.S. economic data and U.S. Fed's upcoming policy review scheduled on Sep 20-21. Fall accentuated after U.S consumer inflation increased more than expected in Aug 2016.

## Crude

- Brent crude prices plunged on concerns over a global supply glut after the International Energy Agency has forecasted lower global oil demand for this year and the next year. Rising exports from Iran and Libya further weighed on prices.

## Baltic Dry Index

- The Baltic Dry Index went down during the week due to capesize and panamax activities.

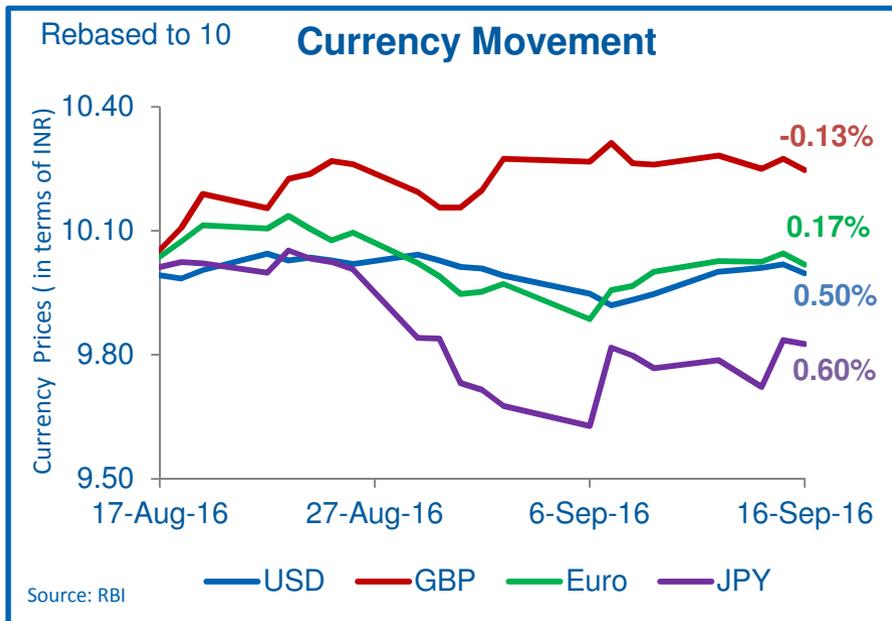
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	45.55	48.52
Gold (\$/Oz)	1310.06	1327.69
Gold (Rs/10 gm)	30920	31191
Silver (\$/Oz)	18.77	19.033
Silver (Rs/Kg)	44923	45937

Source: Reuters

Value as on September 16, 2016

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.88	66.55
Pound Sterling	88.47	88.59
EURO	75.15	75.02
JPY(per 100 Yen)	65.52	65.13

Source: RBI

Figures in INR , Value as on September 16, 2016

## Rupee

- The rupee weakened after an U.S. Fed official's comment increased the possibility of a rate hike in the near term. Reports from media that the government might discuss on devaluation of the currency pulled down the rupee further.

## Euro

- Euro fell against the greenback following better than expected U.S. consumer inflation for Aug 2016.

## Pound

- Sterling weakened against the greenback on downbeat U.K. inflation data and after BoE's officials indicated a rate cut later this year.

## Yen

- Yen strengthened against the greenback following weak U.S. retail sales data in Aug but upbeat consumer inflation numbers restricted the upside.

The Week that was...  
September 12 to September 16

# The Week that was (Sep 12 – Sep 16)

Date	Events	Present Value	Previous Value
<b>Monday, September 12, 2016</b>	Japan Machine Tool Orders (YoY) (Aug) Preliminary	-8.40%	-19.60%
	U.K. CB Leading Economic Index (Aug)	0.00	-0.30
	India Consumer Price Inflation (Aug)	5.05%	6.07%
	India Index of Industrial Production (Jul)	-2.40%	2.10%
<b>Tuesday, September 13, 2016</b>	China Retail Sales (YoY) (Aug)	10.60%	10.20%
	Euro Zone ZEW Survey - Economic Sentiment (Sep)	5.40	4.60
	U.K. Consumer Price Index (MoM) (Aug)	0.30%	-0.10%
	China Industrial Production (YoY) (Aug)	6.30%	6.00%
<b>Wednesday, September 14, 2016</b>	India Wholesale Price Inflation (Aug)	3.74%	3.55%
	Japan Industrial Production (MoM) (Jul)	-0.40%	0.00%
	U.K. ILO Unemployment Rate (3M) (Jul)	4.90%	4.90%
	Euro Zone Industrial Production s.a. (MoM) (Jul)	-1.10%	0.60%
<b>Thursday, September 15, 2016</b>	U.S. Retail Sales (MoM) (Aug)	-0.30%	0.00%
	Bank of England Interest Rate Decision	0.25%	0.25%
<b>Friday, September 16, 2016</b>	U.S. Consumer Price Index (YoY) (Aug)	1.10%	0.80%
	U.S. Michigan Consumer Sentiment Index (Sep) Preliminary	89.80	89.80

The Week Ahead...  
September 19 to September 23

# The Week Ahead

Day	Event
Monday, September 19, 2016	<input type="checkbox"/> U.S. NAHB Housing Market Index (Sep)
Tuesday, September 20, 2016	<input type="checkbox"/> U.S. Housing Starts (MoM) (Aug)
Wednesday, September 21, 2016	<input type="checkbox"/> Bank of Japan Interest Rate Decision <input type="checkbox"/> U.S. Federal Reserve Interest Rate Decision <input type="checkbox"/> U.K. Public Sector Net Borrowing (Aug)
Thursday, September 22, 2016	<input type="checkbox"/> U.S. Existing Home Sales (MoM) (Aug) <input type="checkbox"/> Euro zone Consumer Confidence (Sep) (P)
Friday, September 23, 2016	<input type="checkbox"/> U.S. Markit Manufacturing PMI (Sep) (P) <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Sep) (P) <input type="checkbox"/> Euro zone Markit Manufacturing PMI (Sep) (P) <input type="checkbox"/> Euro zone Markit Services PMI (Sep) (P) <input type="checkbox"/> Germany Markit Services PMI (Sep) (P) <input type="checkbox"/> Germany Markit Manufacturing PMI (Sep) (P) <input type="checkbox"/> China MNI Business Sentiment Indicator (Sep)

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