

News U Can Use

September 2, 2016

The Week that was...
29th August to 2nd September

Indian Economy

- Government data showed that the growth of the Indian economy slowed to 7.1% in the first quarter of FY17 from 7.9% in the previous quarter and 7.5% in the same period of the previous year. The growth of the manufacturing sector accelerated to 9.1% from 7.3% in the corresponding period of the previous year, while the financial sector and the public administration sector grew 9.4% and 12.3%, respectively, during the said period. The slowdown came as the mining sector witnessed a contraction of 0.4% from a growth of 8.5% in the same period of the previous year. The growth in agriculture sector and the construction sector also slowed to 1.8% and 1.5% from the corresponding growths of 2.6% and 5.6% in the same period of the previous year respectively.
- Government data showed that India's fiscal deficit for the period from Apr to Jul of 2016 stood at Rs. 3.93 lakh crore, or 73.7% of the Budget estimates (BE) for FY17. Fiscal deficit in the corresponding period of the previous year stood at 69.3% of BE for FY16.
- Government data showed that growth of India's core sector slowed to 3.2% in Jul compared with a 5.2% growth in Jun and a growth of 1.3% in the corresponding period of the previous year.
- Survey results from a private survey showed that the manufacturing output grew at the fastest pace in 13 months in Aug. The seasonally adjusted Nikkei India Manufacturing Purchasing Managers Index rose to 52.6 in Aug from 51.8 in Jul.

Indian Equity Market

Domestic Equity Market Indices			
Indices	02-Sep-16	1 Week Return	YTD Return
S&P BSE Sensex	28532.11	2.70%	9.06%
Nifty 50	8809.65	2.77%	10.63%
S&P BSE Mid-Cap	13230.94	1.78%	17.66%
S&P BSE Small-Cap	12644.06	1.26%	5.89%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.94	24.15	33.95	75.25
P/B	3.00	3.36	2.76	2.16
Dividend Yield	1.37	1.22	1.05	0.86

Source: BSE, NSE

Value as on September 2, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
29-Aug-16	711	889	0.80
30-Aug-16	1009	578	1.75
31-Aug-16	757	855	0.89
01-Sep-16	555	1071	0.52
02-Sep-16	892	688	1.30

Source: NSE

- The Indian equity market gained over the week after getting support from the automobile sector. The prominent companies in the sector registered strong sales growth in Aug and there are expectations of continued robust volume growth going forward.
- Infrastructure stocks also went up following the announcement of new rules for the construction sector, which are expected to lead to faster resolution to stalled projects' problems.
- However, some setback was witnessed on the back of lower than expected gross domestic product number for the first quarter of the new fiscal and sluggish infrastructure output data for Jul.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22309.6	5.06%	5.80%
S&P BSE Bankex	22803.6	3.63%	6.68%
S&P BSE CD	12475.5	1.44%	0.72%
S&P BSE CG	15100.3	2.91%	0.26%
S&P BSE FMCG	8858.4	1.75%	0.37%
S&P BSE HC	16232.6	1.10%	0.52%
S&P BSE IT	10402.3	0.11%	-5.52%
S&P BSE Metal	9942.4	0.73%	6.23%
S&P BSE Oil & Gas	10997.4	0.80%	4.08%

Source: Reuters *Value as on September 2, 2016*

- On the BSE sectoral front, majority of the indices closed in the green. S&P BSE Auto (5.06%) was the major gainer followed by S&P BSE Bankex (3.63%) and S&P BSE CG (2.91%).
- S&P BSE Realty (-1.73%) and S&P BSE Teck (-0.42%) were the losers of the week. Telecom sector witnessed selling pressure following announcement of attractive pricing strategy by an upcoming mobile service provider triggering chances of stiff competition going forward.

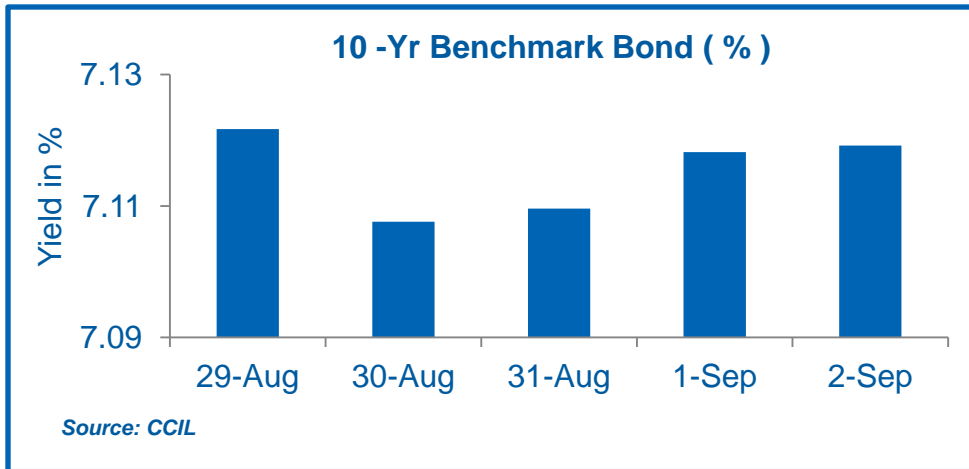
Indian Derivatives Market Review

- Nifty Sep 2016 Futures were at 8,840.15 points, a premium of 30.50 points, over the spot closing of 8,809.65 points. The turnover on NSE's Futures and Options segment stood at Rs. 16.31 lakh crore during the week to Sep 2, compared with Rs. 23.08 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.02, compared with the previous week's close of 1.08.
- The Nifty Put-Call ratio stood at 1.13, compared with the previous session's close of 1.04.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.37	6.38	6.38	6.72
91 Day T-Bill	6.56	6.55	6.55	7.19
07.80% 2021, (5 Yr GOI)	7.00	7.04	7.06	7.79
07.59% 2026, (10 Yr GOI)	7.12	7.13	7.17	7.62

Source: Reuters Value as on September 2, 2016



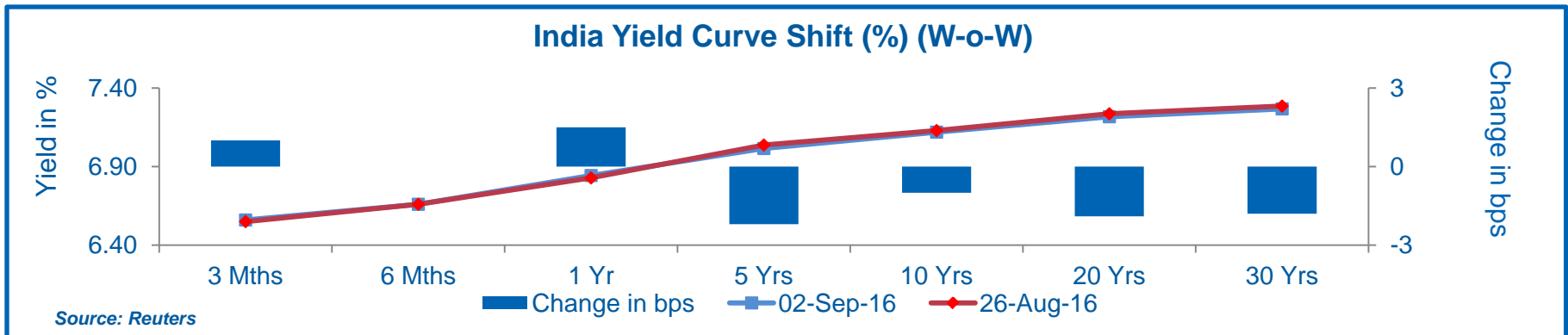
- Bond yields inched down after the RBI announced auction of a new 10-year paper.
- Strong demand at the weekly government auction provided further support to market sentiment.
- The new 10-year paper's cut-off rate came at 6.97%, much lower than the existing benchmark paper cut-off of 7.59% (first auction).
- Yield on 10-year benchmark bond (7.59% GS 2026) eased 1 bps to close at 7.12% compared with the previous week's close of 7.13%. Yields moved in the range of 7.09% to 7.15% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.96	7.36	40
3 Year	7.01	7.47	46
5 Year	7.17	7.52	35
10 Year	7.29	7.64	35

Source: Reuters Value as on September 2, 2016

- Yields on gilt securities fell across the maturities by up to 2 bps, barring 1-year paper that increased 1 bps. Yield across 7- to 9-, 11-, and 14-year maturities remained unchanged.
- Corporate bond yields fell across the curve in the range of 2 bps to 5 bps, barring 2- and 3-year papers that increased 2 bps each. Yield on 1-year paper closed steady.
- Difference in spread between AAA corporate bond and gilt contracted across the segments up to 4 bps, barring 2- and 3-year papers, which expanded 3 bps each.



Regulatory Updates in India

- The Cabinet Committee gave its approval to a proposal by NITI Aayog on the construction sector. The proposal will require government and public sector bodies to release 75% of the arbitral award amount to a construction contractor against a margin free bank guarantee in those cases where it is challenging the award in court. The move will help construction companies push the stalled infrastructure projects forward and also to service their debt.
- According to the Reserve Bank of India's (RBI) annual report for FY16, the central bank is considering reviewing guidelines for certificate of deposit and commercial paper to boost trading activity in the segment. The central bank will also assess efficacy of marginal cost lending rate (MCLR) in comparison to the base rate system. On a separate note, RBI informed that it is working on a "differential premium system based on the risk profile of the banks." Under the system, banks that are better rated will have to pay lower premium for deposit insurance cover. According to the current practice, all banks are paying uniform premium irrespective of their risk profile.
- RBI eased norms for stressed assets by allowing banks to sell these assets to other banks, non-banking financial companies (NBFCs) or financial institutions. The objective of the move is to ensure effective and better realisation of stressed assets by widening the scope of those who can participate in the process. However, banks will have to make provisions even when they sell stressed assets to asset reconstruction companies.

Regulatory Updates in India (contd..)

- ❑ The Ministry of Labour and Employment is considering proposal of a voluntary pension scheme devised by the Employees' Provident Fund Organisation (EPFO). In this scheme, workers can put in money voluntarily that would be managed by EPFO. Employers can also make voluntary contribution for the welfare of employees.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) warned investors against participating in unauthorized prize money leagues and competitions related to securities market. SEBI explained that investors will not be able to take recourse under its jurisdiction in case any dispute arises out of such schemes.
- ❑ RBI has cautioned the state-run banks regarding over-exposure to the retail sector. One of the deputy governors of the central bank underlined that there is a need for a proper understanding of risk before approving loans, and chalking ways to mitigate the risk.
- ❑ Data from the capital market regulator Securities and Exchange Board of India (SEBI) showed that corporate organisations in India raised Rs. 71,165 crore through private placement of corporate debt securities or bonds in Aug, which was the highest in 16 months. Corporate organisations in the same period of the previous year raised Rs. 46, 564 crore in the same period of the previous year. This was the highest amount of money raised by Indian companies in a single month since Apr 2015 when firms raised Rs. 84,807 crore.

Global News/Economy

- ❑ Data from the Labour Department showed that U.S. non-farm payroll employment grew 151,000 jobs in Aug 2016 after surging by an upwardly revised 275,000 jobs (previously 255,000 jobs) in Jul 2016. However, the unemployment rate stood unchanged at 4.9% in Aug.
- ❑ A report from payroll processor ADP showed that private sector employment in the U.S. added 177,000 jobs in Aug 2016 following an upwardly revised increase of 194,000 jobs (previously 179,000 jobs) in Jul 2016.
- ❑ Latest survey from GfK revealed that consumer confidence in the United Kingdom stood at -7 in Aug 2016, up from -12 in Jul 2016. The recent rate-cut by the Bank of England was one of the main reasons for the improvement.
- ❑ According to Markit's survey, the factory Purchasing Managers' Index (PMI) of U.K. rose to 53.3 in Aug 2016 from Jul 2016's 41-month low of 48.3. The unexpected increase was because of the activities that were postponed in Jul was restarted in Aug.
- ❑ According to the National Bureau of Statistics, China's manufacturing sector PMI expanded to 50.4 in Aug 2016 from 49.9 in the previous month. Also, the non-manufacturing PMI stood at 53.5, down from 53.9 in the previous month. The Caixin manufacturing PMI fell to 50 in Aug from 50.6 in Jul 2016.

Global Equity Markets

Global Indices			
Indices	02-Sep -16	1-Week Return	YTD Return
Dow Jones	18491.96	0.52%	7.83%
Nasdaq 100	4798.74	0.31%	6.69%
FTSE 100	6894.60	0.83%	13.15%
DAX Index	10683.82	0.91%	3.89%
Nikkei Average	16925.68	3.45%	-8.27%
Straits Times	2803.92	-1.88%	-1.13%

Source: Reuters

Europe

- Majority of the European markets rose after U.K. manufacturing activity soaring to a 10-month high in Aug. Meanwhile, lower than expected euro zone inflation data for Aug increased hopes that the European Central Bank may introduce additional stimulus measures in its upcoming monetary policy review.

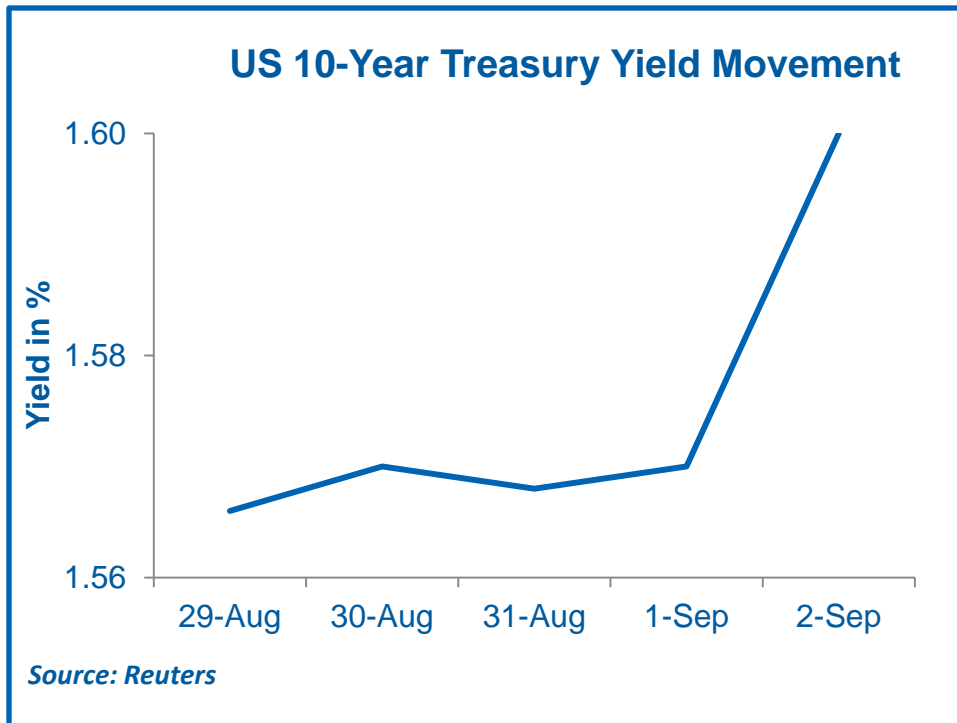
Asia

- Asian markets witnessed a mixed trend over the week. Bourses were under pressure after the Federal Reserve chief hinted at further rate hike in the wake of an improving U.S. economy. Japanese bourses bucked the trend after the Bank of Japan chief said that the central bank is willing to expand stimulus measures, if required.

U.S.

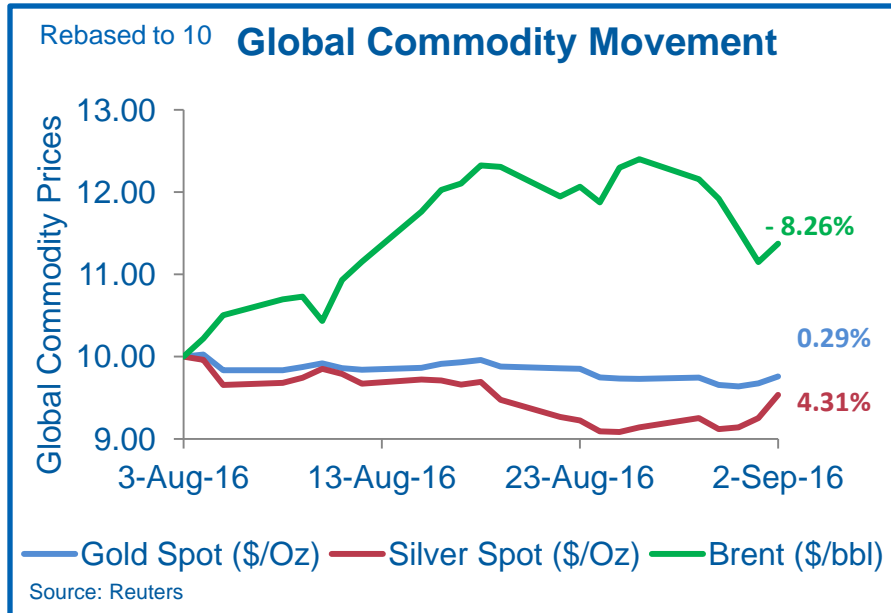
- U.S. markets rose during the week under review after official data revealed that U.S. personal income and spending in Jul increased in line with market expectations.
- The core inflation data for Jul came in below the 2% target and weaker than expected U.S. jobs data for Aug affirmed the belief that the Fed may not raise interest rate any time soon that added to the gains.

Global Debt (U.S.)



- ❑ The 10-year U.S. Treasury yield fell 3 bps to close at 1.60%, compared with the previous week's close of 1.63%.
- ❑ After a sell-off on Aug 26, U.S. treasury prices surged initially due to strong demand from foreign investors who preferred to buy U.S. debt at lower price levels.
- ❑ Meanwhile, market participants remained cautious ahead of the U.S. jobs data for Aug month.
- ❑ However, gains were capped even after U.S. jobs data for Aug came weaker than expected because investors remained concerned over a prospective interest rate hike by the U.S. Fed in Nov or Dec.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	45.55	49.65
Gold (\$/Oz)	1324.65	1320.85
Gold (Rs/10 gm)	30761.00	31066.00
Silver (\$/Oz)	19.41	18.61
Silver (Rs/Kg)	44411.00	43990.00

Source: Reuters Value as on September 2, 2016

Gold

- Gold prices fell initially as upbeat private sector U.S. employment data for Aug raised the possibility of interest rate hike by Fed in Sep. However, the trend reversed after weak U.S. jobs growth for Aug dampened the likelihood of an interest rate hike from the U.S. Fed this month.

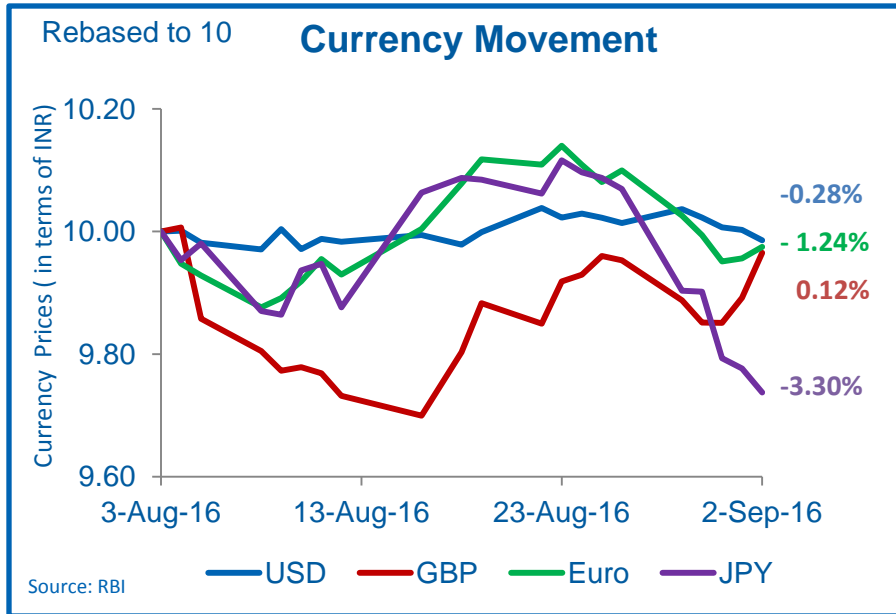
Crude

- Brent crude prices moved down over the week as U.S. crude stocks rose 2.3 million barrels to 525.9 million barrels in the week to Aug 26. Sentiment was also hit after Iraq oil minister hinted that the country will continue to raise its output.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.84	67.03
Pound Sterling	88.70	88.59
EURO	74.80	75.74
JPY(per 100 Yen)	64.52	66.72

Source: RBI

Figures in INR , Value as on September 2, 2016

Rupee

- The rupee strengthened against the greenback following gains in the domestic equity market and weak U.S. manufacturing Purchasing Managers' Index (PMI) data for Aug.

Euro

- The euro weakened against the greenback even after weak U.S. jobs data for Aug on concerns that the U.S. Federal Reserve may hike interest rates in Nov or Dec.

Pound

- The pound rose following weaker than expected U.S. jobs data for Aug and a slew of upbeat U.K. economic data for the same time period.

Yen

- The yen fell against the greenback on possibility that the Japanese government may intervene to weaken the Japanese currency.

The Week that was...
August 29 to September 2

The Week that was (Aug 29 – Sep 2)

Date	Events	Present Value	Previous Value
Monday, August 29, 2016	U.S. Personal Income (JUL)	0.40%	0.30%
Tuesday, August 30, 2016	German Consumer Price Index (YoY) (AUG) (P)	0.40%	0.40%
	U.S. Consumer Confidence (AUG)	101.1	96.7
	Japan Jobless Rate (JUL)	3.00%	3.10%
	Japan Household Spending (YoY) (JUL)	-0.50%	-2.30%
Wednesday, August 31, 2016	German Unemployment Change (AUG)	-7K	-8k
	Euro-Zone Consumer Price Index Estimate (YoY) (AUG)	0.20%	0.20%
	Japan Industrial Production (YoY) (JUL) (P)	-3.80%	-1.50%
	Euro-Zone Unemployment Rate (JUL)	10.10%	10.10%
	U.S. Pending Home Sales (YoY) (JUL)	-2.20%	-0.70%
Thursday, September 01, 2016	China Manufacturing PMI (AUG)	50.40	49.90
	China Non-manufacturing PMI (AUG)	53.50	53.90
	U.S. ISM Manufacturing (AUG)	49.4	52.6
	U.S. Initial Jobless Claims (AUG 27)	263k	261k
	U.S. Construction Spending (MoM) (JUL)	0.00%	0.90%
Friday, September 02, 2016	U.S. Change in Non-farm Payrolls (AUG)	151K	275K
	U.S. Unemployment Rate (AUG)	4.90%	4.90%
	Japan Consumer Confidence Index (AUG)	42.00	41.30

The Week Ahead...
September 5 to September 9

The Week Ahead

Day	Event
Monday, September 5, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Nikkei Japan PMI Composite (AUG) <input type="checkbox"/> China Caixin PMI Composite (AUG) <input type="checkbox"/> U.K. Markit/CIPS Composite PMI (AUG)
Tuesday, September 6, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ISM Non-Manufacturing Composite (AUG) <input type="checkbox"/> Germany Markit Construction PMI (AUG) <input type="checkbox"/> Euro-Zone Gross Domestic Product s.a. (YoY) (2Q) (Final)
Wednesday, September 7, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Index (JUL) (Preliminary) <input type="checkbox"/> U.K. Industrial Production (YoY) (JUL)
Thursday, September 8, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Rate Decision <input type="checkbox"/> China Trade Balance (AUG) <input type="checkbox"/> Japan Gross Domestic Product (QoQ) (2Q) (F)
Friday, September 9, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (AUG) <input type="checkbox"/> German Trade Balance (euros) (JUL)

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