

# News U Can Use

*January 01, 2016*

The Week that was...  
28<sup>th</sup> December to 01<sup>st</sup> January'16

# Indian Economy

- ❑ India's fiscal deficit for the period from April to November 2015 stood at Rs. 4.84 lakh crore or 87.0% of the Budget estimate compared to 98.9% in the corresponding period of the previous year. Revenue deficit stood at Rs. 3.45 lakh crore or 87.5% of the Budget estimate compared to 108.6% in the year-ago period. Tax receipts stood at Rs. 4.65 lakh crore or 50.5% (42.3%) of the Budget estimate. Planned expenditure stood at Rs. 2.98 lakh crore or 64.1% (51.1%) of the Budget estimate. Non Plan expenditure stood at Rs. 8.44 lakh crore or 64.3% (64.0%) of the Budget estimate. Total expenditure stood at Rs. 11.42 lakh crore or 64.3% (59.8%) of the Budget estimate.
- ❑ The core sector output in eight core industries fell by 1.3% on a yearly basis in November 2015 compared to a growth 8.5% in the same period of the previous year. However, cumulative growth during the period from April to November for 2015-16 stood at 2.0%. Electricity generation last month didn't grow at all from a year earlier. Cement production, meanwhile, fell 1.8% on a yearly basis compared with a growth of 11.7% in October. Steel output saw the steepest fall of 8.4% in November.
- ❑ India's external debt was at \$483.2 billion at the end of September compared to \$291 million at the end of June. Long-term debt accounted for 82.2% of the total external debt. The ratio of short term external debt to foreign exchange reserves was 24.6% against 25.0% at the end of March.
- ❑ According to the Ministry of Finance, the Foreign Investment Promotion Board (FIPB) has cleared four FDI proposals worth Rs. 1,810 crore.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	01-Jan-16	1 Week Return	YTD Return
S&P BSE Sensex	26160.9	1.25%	0.00%
Nifty 50	7963.2	1.30%	0.00%
S&P BSE Mid-Cap	11245.42	2.06%	0.00%
S&P BSE Small-Cap	11940.75	1.79%	0.00%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.84	21.53	26.79	63.63
P/B	2.9	3.19	2.44	2.05
Dividend Yield	1.37	1.45	1.37	0.97

Source: BSE, NSE

Value as on Jan 01, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
28-Dec-15	875	677	1.29
29-Dec-15	650	916	0.71
30-Dec-15	732	810	0.90
31-Dec-15	880	660	1.33
01-Jan-16	1113	452	2.46

Source: NSE

- ▣ Indian equity markets rose over the week as investors preferred to go for fresh long positions, buoyed by expectations of a prosperous 2016. Markets rose amid renewed buying interest in pharma and rate-sensitive sectors like auto and banks.
  
- ▣ Strong buying interest was also witnessed in realty, industrials and capital goods sectors. Sentiment also got support after Securities and Exchange Board of India proposed fresh norms for the public issue of Real Estate Investment Trusts.
  
- ▣ However, upside was capped after Government data showed that core sector output in eight core industries fell by 1.3% on a yearly basis in November 2015.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18691.2	2.34%	-0.87%
S&P BSE Bankex	19448.4	1.26%	-2.06%
S&P BSE CD	12040.9	0.27%	-3.08%
S&P BSE CG	14271.1	0.20%	-2.12%
S&P BSE FMCG	7875.13	0.83%	-1.52%
S&P BSE HC	16944.6	1.31%	2.86%
S&P BSE IT	11023.3	0.02%	0.73%
S&P BSE Metal	7445.96	0.54%	1.38%
S&P BSE Oil & Gas	9599.28	1.54%	2.05%

*Source: Reuters* *Values as on Jan 01, 2016*

- On the BSE sectoral front, all the indices closed in the green and S&P BSE Realty topped the chart after delivering 2.92% return, followed by S&P BSE Power (2.66%) and S&P BSE Auto (2.34%), respectively.
- The pharma sector also gained over the week following media reports that Indian pharmaceutical firms are gearing up to tap new markets in 2016 as they look to consolidate their positions after a spate of mergers and acquisitions this year.

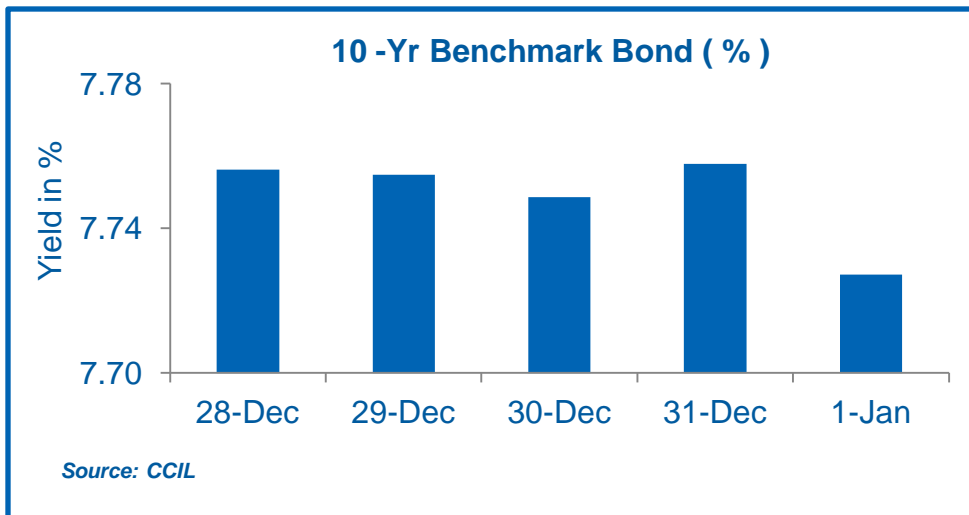
## Indian Derivatives Market Review

- The Nifty Dec. 2015 Futures settled at a spot closing of 7,946.35 points on Dec. 31. Nifty Jan. 2016 Futures were at 7,982.00 points, a premium of 18.80 points over the spot closing of 7,963.20 points on Jan. 1. The turnover on NSE's Futures and Options segment rose to Rs. 14.20 lakh crore during the week ended Jan. 01 from Rs. 8.15 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.63 compared to the previous week's close of 0.89.
- The Nifty Put-Call ratio stood at 0.77 compared to the previous week's close of 0.83.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.73	6.74	6.70	7.07
91 Day T-Bill	7.14	7.21	7.14	7.59
08.27% 2020 , (5 Yr GOI)	7.64	7.67	7.79	8.03
07.72% 2025, (10 Yr GOI)	7.73	7.75	7.72	7.82

Source: Reuters Values as on Jan 01, 2016



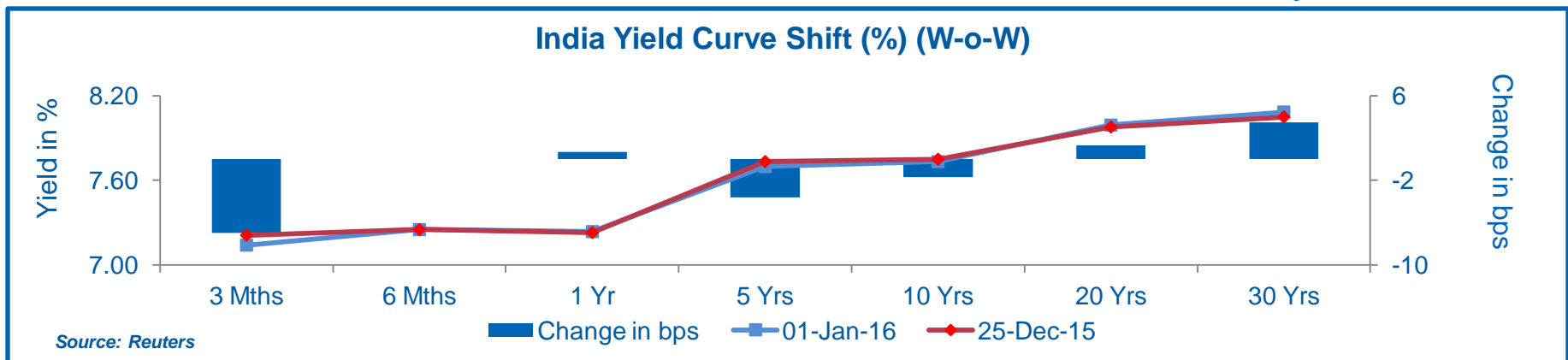
- Bond yields fell but traded in a tight range during the week under review after the results of weekly debt auction conducted on the penultimate day of the week came better than market expectations. However, gains were capped amid concerns that the Government may do away with fiscal consolidation and push the time period to meet the 3% Budget deficit target by another year. Investors also awaited the announcement of a new 10-year paper.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, fell by 2 bps to close at 7.73% compared to the previous week's close of 7.75%. During the week, bond yields traded in the range of 7.72% to 7.78%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.41	8.11	70
3 Year	7.68	8.20	52
5 Year	7.85	8.31	46
10 Year	8.00	8.35	35

Source: Reuters Values as on Jan 01, 2016

- Yield on gilt securities fell across maturities in the range of 1bps to 5 bps barring 1-, 15-, 19- and 30-year maturities that increased in the range of 1 bps to 4 bps. Yield on 13-year paper remained unchanged. (semi)
- Corporate Bond yields fell across the maturities in the range of 1 bps to 5 bps barring 4-year paper that increased by 1 bps.
- Difference in spread between AAA corporate bond and gilt, over the week, contracted across 1 to 3-year maturities.



# Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) proposed fresh norms for the public issue of Real Estate Investment Trusts (REITs). SEBI added that the proposed norms relate to appointment of merchant bankers, disclosures in the offer documents, filing of draft papers and keeping them in the public domain for at least 21 days. According to the norms, an issue made through the book building process or otherwise a maximum 75% allocation in the issue should be allocated to qualified institutional buyers (QIBs) and at least 25% to other investors.
- ❑ The Reserve Bank of India has tightened norms for banks lending to overseas subsidiary of Indian companies. The Central Bank has done so by raising the provisions substantially against these loans. Banks now can extend loans to overseas subsidiaries of Indian corporates but they have to make 2% of the loan amount as provision on such loans. For all other standard loans bank are required to set aside just 0.40% of the loan amount. The higher provision will help mitigate political risk and regulatory risk arising from different locations of intermediary entities and other forms of risks arising from complexity in the structure of the loan.
- ❑ The Government has given its approval to an Amended Technology Upgradation Fund Scheme (A-TUFS) in place of the existing Revised Restructured TUFS for technology upgradation of the textiles industry. The scheme is expected to give a boost to 'Make in India' initiatives in the sector and attract investments to the tune of Rs. 1 lakh crore and create over 30 lakh jobs within the country.



## Regulatory Updates in India (contd..)

- ❑ The Insurance Regulatory and Development Authority of India (IRDA) has extended the withdrawal date of existing micro insurance (MI) products from January 1, 2016 to March 31, 2016. As per IRDA (Micro Insurance) Regulations, 2015, it was mandated that all non-compliant MI products must be withdrawn by January 1, 2016. However, it has been observed by the regulator that since the date of notification, only a few products have been filed by insurance companies. Thus, to ensure adequate availability of the products and to protect the interest of the low income group, IRDA has decided to extend the date.
- ❑ The Cabinet Committee on Economic Affairs has approved an increase in the budget for implementation of grid connected solar rooftop systems across the country under the National Solar Mission. The budget has been increased from Rs. 600 crore to Rs. 5,000 crore by 2019-2020. The move will provide support to installation of 4,200 megawatt peak (MWp) solar rooftop systems in the country in the next five years.
- ❑ The Union Cabinet has approved the formation of joint venture companies between railways and several states that will help the Central Government to mobilize resources for various rail infrastructure projects. The move is expected to result in a faster decision making process and speedy implementation of rail projects in respective states. Many rail projects get delayed due to financial crunch.

# Global News/Economy

- According to the U.S. Labor Department, initial jobless claims for the week ended December 26 rose by 20,000 to 287,000 from the previous week's unrevised level of 267,000.
- According to the U.S. Commerce Department, the goods trade deficit widened to \$60.50 billion in November from \$58.41 billion in October.
- Data from the Conference Board showed that the consumer confidence index in U.S. climbed to 96.5 in December from an upwardly revised 92.6 in November. The report said the present situation index increased to 115.3 in December from 110.9 in the previous month.
- Data from the Nationwide Building Society House prices in U.K. grew 0.8% in December, compared with 0.1% gain in November.
- An official survey showed that China's manufacturing sector in December remained in contraction for the fifth straight month. The official manufacturing Purchasing Managers' Index (PMI) was 49.7 in December compared to 49.6 in November. Any reading below 50 points is typically considered as a contraction in activity.
- Japan's industrial production fell in November. According to Ministry of Economy, Trade, and Industry, the seasonally adjusted decline was 1% in November, compared with 1.4% increase in the previous month. However, industrial output in November rose 1.6% year over year.
- Data from Japan's Ministry of Internal Affairs and Communications showed that consumer price index inched up 0.3% year over year in November.

# Global Equity Markets

Global Indices			
Indices	31-Dec-15	1-Week Return	YTD Return
Dow Jones	17425.03	-0.72%	0.00%
Nasdaq 100	4593.27	-0.64%	0.00%
FTSE 100	6242.32	-0.20%	0.00%
DAX Index	10743.01	0.14%	0.00%
Nikkei Average	19033.71	1.41%	0.00%
Straits Times	2882.73	0.18%	0.00%

*Source: Reuters Values as on Dec 31, 2015*

## U.S.

- U.S. markets remained under pressure in the holiday truncated week. Bourses were hit initially as investors resorted to profit-booking on recent market outperformers. While official data revealed that pending home sales index fell in November, the initial jobless claims rose higher-than-expected in the week ended December 26. Meanwhile, fall was restricted by stronger-than-expected recovery in consumer confidence for the month of December.

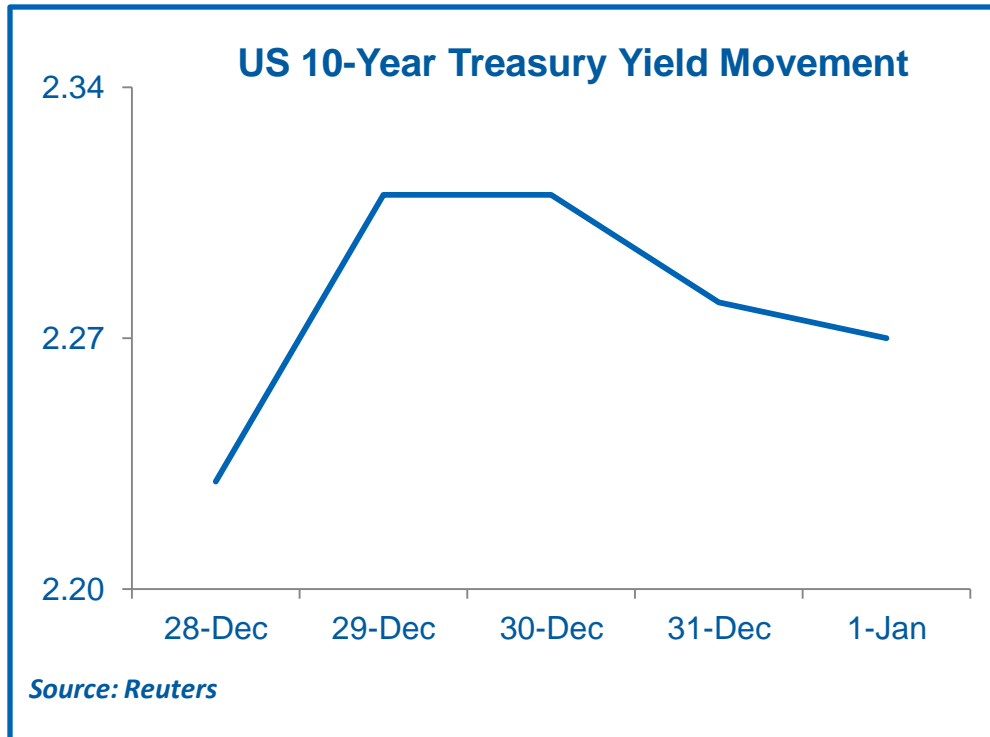
## Europe

- Most of the European markets fell during the week as trading activities remained light in the holiday truncated week. Weakness in global commodity prices affected the buying interest of investors. Energy stocks witnessed selling pressure during the week after Saudi Arabia refused to change its current oil production policy.

## Asia

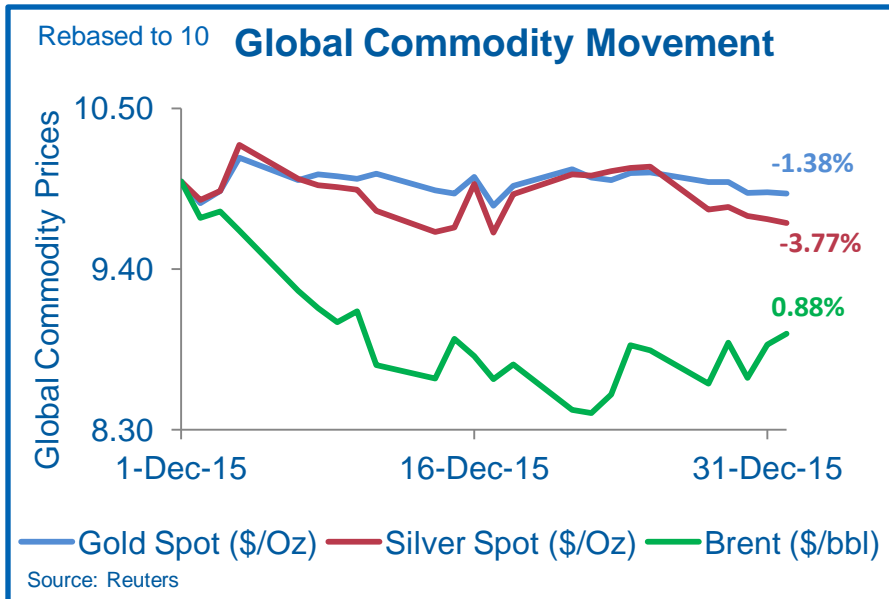
- Asian markets witnessed a mixed trend during the week. While Hong Kong's Hang Seng and China's Shanghai Composite fell, Japan's Nikkei and Singapore's Straits Times Index closed in the green for the week. Japanese markets rose on optimism of additional stimulus measures by Bank of Japan following weaker-than-expected Japanese industrial production and retail sales data.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield increased by 3 bps to close at 2.27%, compared to the previous week's close of 2.24%.
- The U.S. Treasury prices fell as global crude oil prices witnessed some recovery which increased expectations of higher inflation in the U.S. region.
- However, further losses were restricted which can be attributed to uncertainty over the pace of rate hike by the U.S. Federal Reserve in December. Meanwhile, overall trading activity remained subdued ahead of the New Year.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	37.9	37.57
Gold (\$/Oz)	1060.24	1075.13
Gold (Rs/10 gm)	25042	25148
Silver (\$/Oz)	13.79	14.33
Silver (Rs/Kg)	32989	33729

Source: Reuters Values as on Jan 01, 2016

## Gold

- Gold prices fell during the week, posting an annual loss of more than 10% in 2015. Investor sentiments were weighed down by uncertainty about how fast the Federal Reserve will raise interest rates in 2016.

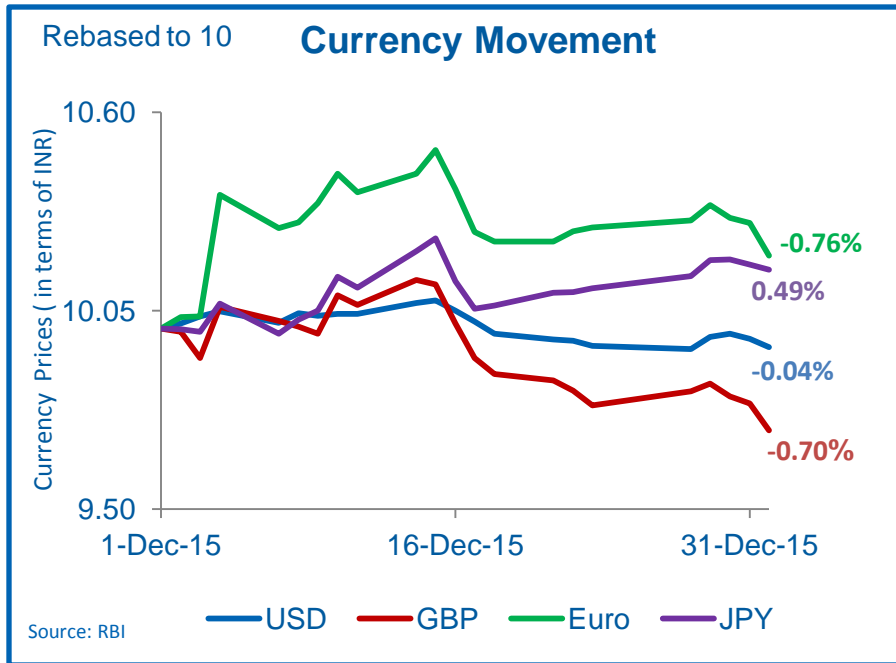
## Crude

- Brent Crude prices remained flat amid growing concerns over slowing global demand. Worries over supply glut also weighed on prices as Saudi Arabia hinted at keeping its oil production policies unchanged and Iran preparing to ramp up exports. However, the impact of such concerns was neutralized after U.S. energy firms removed two oil rigs in the week ended December 31.

## Baltic Dry Index

- The index remained closed during the week on the occasion of Christmas.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.18	66.20
Pound Sterling	97.61	98.30
EURO	71.86	72.41
JPY(per 100 Yen)	55.01	54.74

Source: RBI Figures in INR , Values as on Jan 01, 2016

## Rupee

- The rupee gained against the dollar tracking rise in the domestic equity market and selling of the greenback by banks and exporters. However, month end dollar demand from importers wiped out most of the gains.

## Euro

- The euro weakened against the dollar after U.S. consumer confidence rose greater than expected in December.

## Pound

- The pound weakened against the dollar on possibility that the Bank of England will delay raising interest rates till the second half of 2016.

## Yen

- The yen rose marginally against the dollar as U.S. Chicago Purchasing Managers' Index for December was weaker than expected.

The Week that was...  
28<sup>th</sup> December to 01<sup>st</sup> January'16

# The Week that was (Dec 28 – Jan 04)

Date	Events	Present Value	Previous Value
Monday, Dec 28	❑ Japan Industrial Production (M-o-M) (No)Preliminary	-1.00%	1.40%
	❑ Japan Retail Trade s.a (M-o-M) (No)	-2.50%	1.10%
Tuesday, Dec 29	❑ U.S. Goods Trade Balance (No)	\$-60.50B	\$-58.41B
	❑ U.S. Consumer Confidence (Dec)	96.5	92.6
Wednesday, Dec 30	❑ U.K. Nationwide Housing Prices s.a (M-o-M) (Dec)	0.80%	0.10%
	❑ U.S. Pending Home Sales (M-o-M) (No)	-0.90%	0.20%
Thursday, Dec 31	❑ U.S. Initial Jobless Claims (Dec 25)	287K	267K
	❑ U.S. Chicago Purchasing Managers' Index (Dec)	42.9	48.7
Friday, Jan 04	❑ China NBS Manufacturing PMI (Dec)	49.7	49.6
	❑ China Non-manufacturing PMI (Dec)	54.4	53.6



The Week Ahead...  
January 04 to January 08

# The Week Ahead

Day	Event
Monday, Jan 04	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Nikkei Manufacturing PMI (Dec)</li> <li><input type="checkbox"/> China Caixin Manufacturing PMI (Dec)</li> <li><input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Dec)</li> <li><input type="checkbox"/> U.S. ISM Manufacturing PMI (Dec)</li> <li><input type="checkbox"/> Germany Consumer Price Index (MoM) (Dec) Preliminary</li> </ul>
Tuesday, Jan 05	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Dec) Preliminary</li> <li><input type="checkbox"/> U.K. PMI Construction (Dec)</li> </ul>
Wednesday, Jan 06	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin China Services PMI (Dec)</li> <li><input type="checkbox"/> Euro Zone Markit PMI Composite (Dec)</li> <li><input type="checkbox"/> U.S. Markit PMI Composite (Dec)</li> </ul>
Thursday, Jan 07	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Unemployment Rate (Nov)</li> <li><input type="checkbox"/> Euro Zone Retail Sales (MoM) (Nov)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Jan 1)</li> </ul>
Friday, Jan 08	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Nov)</li> <li><input type="checkbox"/> U.S. Producer Price Index (YoY) (Nov)</li> </ul>

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