

News U Can Use

26th June, 2015

The Week that was...
20th June to 26th June

Indian Economy

- ❑ FDI inflows into India jumped 112% in April to \$3.6 bn from \$1.7 bn in the year-ago period.
- ❑ Foreign investment outflows from India plunged 81.38% to \$1.75 bn during 2014-15, compared with \$9.4 bn in 2013-14.
- ❑ India's foreign exchange reserves rose by \$ 1.17 bn to a new high of \$ 355.459 bn in the week ended June 19.

Indian Commodities Market

- ❑ International crude oil prices declined in the week following an unexpected rise in US gasoline supplies and oil production; prices ended at \$59.70 a barrel on the NYMEX on June 25, compared with \$60.45 a barrel on June 18.
- ❑ US crude oil inventories fell 4.9 mn barrels to 463 mn barrels for the week ended June 19.
- ❑ NCDEX announces the opening of Ahmedabad delivery centre for its Gold Now platform, which offers bullion forward contracts with daily delivery facility.

Indian Government

- ❑ Prime Minister Narendra Modi unveils three mega flagship schemes – the Smart Cities Mission, Housing for All by 2022 and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT), aimed at developing cities and towns as "new engines for growth"; the Centre commits itself to spending Rs 4 lakh cr on these missions over the next 5-6 years.
- ❑ India and the US sign a series of agreements on health, seeking to enhance cooperation in areas such as cancer research, infrastructure development, training, capacity building and better assessment and application of new diagnostic technologies.
- ❑ India announces a \$1 bn in aid to rebuild Nepal.
- ❑ Government proposes income tax benefits for people making payments through credit or debit cards and doing away with transaction charges on purchase of petrol, gas and rail tickets with plastic money.
- ❑ Government asks public sector banks to draw up a five-year recapitalisation schedule to prepare them to lend support to its long-term growth plans.
- ❑ Finance Minister Arun Jaitley says the government is targeting to weed out the root causes of the black money menace and a one-time compliance window will be announced in the next few days for those with undeclared assets abroad to come clean.
- ❑ Union Labour Ministry notifies the investment pattern for private provident fund trusts, allowing them to invest 5-15% of the incremental corpus in equities.

Indian Government

- ❑ Finance Ministry asks public sector banks to submit their immediate and mid-term capital requirement from the government to comply with global capital adequacy norms.
- ❑ Centre is planning to give up to Rs 30000 cr bonanza for road infrastructure to West Bengal.
- ❑ Cabinet Committee on Economic Affairs approves the revised cost estimate of Rs 81459 cr for the dedicated freight corridor project.
- ❑ Union Cabinet approves a pact between India and Japan for cooperation in the field of intellectual property.
- ❑ Government exempts builders from obtaining prior green nod for construction of universities, school, college and hostel facilities provided they follow sustainable environment practises.
- ❑ Government aims to facilitate credit up to Rs 1 lakh cr under the MUDRA scheme in the current fiscal.
- ❑ Government seeks information to check the authenticity of telecom operators' claim that the scarcity of mobile towers has led to frequent call drops.
- ❑ Government exempts public sector defence firms from segment account reporting so that they don't have to reveal sensitive information in their books.
- ❑ Finance Ministry reduces penalty for customs duty fraud by 10%.
- ❑ Union Ministry of coal moves a Cabinet note on a proposed mechanism, which paves way for extraction of coal and coal bed methane from the same block.

Indian Government

- ❑ A high-level government appointed committee is set to look at more changes in the Companies Act.
- ❑ Government to put on the block eight more mines after 10 mines are auctioned in the third phase, for which the process has already begun.
- ❑ Centre transfers the environment clearance of 19 coal blocks out of approved 29 mines from the earlier allottees to the new successful bidders.
- ❑ Union Cabinet decides to renew long-term agreements for supply of high-grade iron ore to Japanese and South Korean steel mills.
- ❑ Government is preparing a blueprint for attacking the root causes of poverty in over 1 lakh villages instead of running piecemeal schemes that do not address the specific challenge of poverty-ridden households.
- ❑ Union Shipping Ministry to utilise 20% of its diesel requirement through bio-diesel at 12 major ports.
- ❑ Government approves a proposal to allow Solar Energy Corporation of India (SECI) to register itself as a Section-3 company to do commercial activities and rename it as Renewable Energy Corporation of India (RECI).
- ❑ Central Board of Customs and Excise (CBEC) proposes to widen the ambit of goods eligible for duty drawback scheme in an attempt to incorporate the “Make in India” policy of the government.

Indian Government

- Income Tax department puts in motion a new plan which will ensure that any refund on tax paid is safely deposited in the personal bank account of the taxpayer as soon as it is processed and released; also notifies the new set of return forms for taxpayers to file their returns for assessment year 2015-16.

Regulatory updates in India

- According to the RBI's financial stability report -
 - Rs 53000 cr exposure of Indian banks to the seven state electricity boards could turn into non-performing assets in the July-September quarter.
 - high leverage by corporates may hinder the transmission of monetary policy impulses, as they may not be in a position to benefit from falling interest rates due to high debt levels.
 - points to the need for a single regulator for all pension products, adding that the pension landscape in India is currently characterised by unregulated pension segments on the one hand and overlapping of the regulatory jurisdiction on the other.
 - the insurance sector needs to expand the coverage of agricultural insurance.
- RBI allows banks to borrow from global multilateral financial institutions for general banking business without seeking the central bank's approval in a bid to make the funding process easier.
- RBI plans to allow exporters and importers to write call and put options.
- RBI extends the date for the public to exchange their pre-2005 banknotes till December 31, 2015.
- RBI fixes the interest rate at 7.8% p.a. for the floating rate bonds, 2020 for the half year June 21 to December 20.

Regulatory updates in India

- ❑ RBI opposes Finance Ministry's plan to use gold deposits as bank cash reserve ratio (CRR).
- ❑ SEBI approves norms for companies to launch their IPOs in electronic form; under the norms, Applications Supported by Blocked Amount (ASBA) will be made mandatory for all categories of investors while applying for an IPO.
- ❑ SEBI halves the listing time to six days from the date of the public offer and also allows a larger number of firms to tap the "fast-track" route for raising funds to help investors and companies in IPOs.
- ❑ SEBI says companies in which public shareholders own stocks worth Rs 1000 cr will be able to raise capital through follow-on public issues.
- ❑ SEBI relaxes its regulations for startups to list and raise funds; proposes a dedicated platform on domestic stock exchanges rather than going overseas.
- ❑ SEBI approves easier norms on a newly created Institutional Trading Platform (ITP).
- ❑ SEBI accepts the recommendation of the depository systems review committee that depositories should put in place systems to send a consolidated accounts statement to investors.
- ❑ SEBI expects the proposed merger of commodities regulator Forward Markets Commission with it to be completed by September-end.
- ❑ SEBI is expected to come out soon with crowd-funding norms to help young entrepreneurs and small groups of people raise funds.

Regulatory updates in India

- ❑ SEBI restrains Omisha Agri Industries and its directors from raising money from investors through the issuance of securities for violating public issue norms.
- ❑ According to the data released by AMFI, fund managers have withdrawn a net amount of Rs 487 cr from gold ETFs during the first two months (April-May) of the current year.
- ❑ Retirement fund body EPFO notifies an order to make Universal Account Number (UAN) mandatory for all employers covered under the Employees Provident Funds and Miscellaneous Provisions Act 1952.
- ❑ Employees' Provident Fund Organisation (EPFO) to start equity investments in July with 1% equity exposure via ETFs; exposure will be raised to 5% by end of the fiscal.
- ❑ Insurance Regulatory and Development Authority of India (IRDAI) asks insurers to get the best and cost-effective services for health insurance claimants and directs them to pass on discounts, if any given by hospitals, to policyholders.
- ❑ IRDAI stipulates that all insurance companies seeking higher foreign ownership should comply with norms that restrict such increase to only companies owned and controlled by Indians at the parent level.
- ❑ IRDAI says third party administrators (TPAs) in health insurance will have to keep out of deciding on claims or soliciting business.

International Markets

- ❑ World Trade Organisation says the world trade grew by a modest 0.7% during January-March quarter of this year.
- ❑ US gross domestic product fell at a 0.2% annualized rate in the March quarter, revised from a previously reported 0.7% drop, and compared with 2.2% growth in the December quarter.
- ❑ US new home sales rose to a seasonally adjusted annual rate of 546,000 units (the highest level since February 2008) compared to April's revised sales pace of 534,000 units.
- ❑ US existing home sales surged up by 5.1% to an annual rate of 5.35 mn in May from an upwardly revised 5.09 mn in April.
- ❑ US personal income climbed by 0.5% in May, matching the upwardly revised increase seen in April; personal spending jumped by 0.9% in May after a revised 0.1% uptick in April.
- ❑ US durable goods decreased a seasonally adjusted 1.8% in May compared to April's fall of 1.5%.
- ❑ US manufacturing purchasing managers' index (PMI) registered 53.4 in June, down from 54 in May.
- ❑ US Services PMI was 54.8 in June compared to 56.2 in May; the composite PMI was 54.6 in June, down from 56.0 in May.
- ❑ US initial jobless benefits in the week ending June 20 increased by 3,000 to a seasonally adjusted 271,000 from the previous week's total of 268,000.
- ❑ US Chicago Fed National Activity Index moved up to -0.17 in May from -0.19 in April.

International Markets

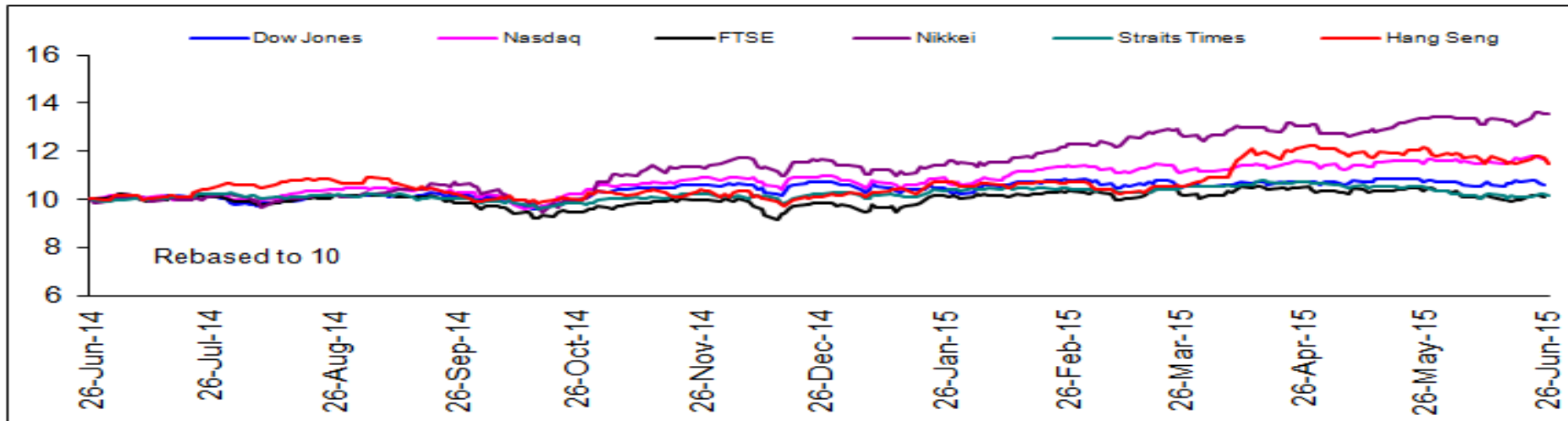
- ❑ European Central Bank increases its funding lifeline to Greece's banks to around 89 bn euros, allowing the country's banks to stay open as Athens inches towards a deal with creditors.
- ❑ Euro zone manufacturing PMI came in at 52.5 in June compared with 52.2 in May, while services PMI rose to 54.4 in June compared with 53.8 in May; composite PMI was 54.1 in June compared with 53.6 in May.
- ❑ Euro zone consumer confidence was -5.6 points in June, stable compared to the May reading.
- ❑ UK public sector borrowing fell to 10.13bn pounds in May, down from 12.35bn pounds a year earlier.
- ❑ China to invest \$80 bn in 193 major domestic aviation projects this year.
- ❑ People's Bank of China to moderately increase short-term liquidity in the banking system through issuing reverse repos to stabilise market expectations.
- ❑ China's flash manufacturing purchasing managers' index (PMI) edged up to 49.6 in June, from 49.2 in May.
- ❑ Bank of Japan May 21-22 meeting minutes shows that some board members expressed concern about weak gains in Tokyo consumer prices and said the situation should be monitored to see what implications the weakness might have for consumer prices nationwide.

International Markets

- ❑ Bank of Japan says it has ample means to achieve its goal of pulling up inflation to 2% and keeping it there in a stable manner.
- ❑ Japan's consumer price index rose 0.1% from a year earlier in May, after staying flat in April.
- ❑ Japan's Markit/JMMA flash manufacturing PMI fell to a seasonally adjusted 49.9 in June from a final 50.9 in May.
- ❑ Japan's jobless rate stayed unchanged from the previous month at 3.3% in May.
- ❑ Japan's small business confidence index fell by 1.2 points to 46.9 in June from 48.1 in the previous month.
- ❑ Australia decides to join the Asian Infrastructure Investment Bank as a founding member.

Global Equities

| Indices | June 26 | June 19 | Change | % Change |
|---------------------------|-----------|----------|---------|----------|
| DJIA | 17890.36* | 18015.95 | -125.59 | -0.70 |
| Nasdaq Composite | 5112.19* | 5117.00 | -4.81 | -0.09 |
| Nikkei 225 (Japan) | 20706.15 | 20174.24 | 531.91 | 2.64 |
| Straits Times (Singapore) | 3320.90 | 3300.96 | 19.94 | 0.60 |
| Hang Seng (Hong Kong) | 26663.87 | 26760.53 | -96.66 | -0.36 |
| FTSE 100 (London) | 6807.82* | 6710.45 | 97.37 | 1.45 |



Global Equities

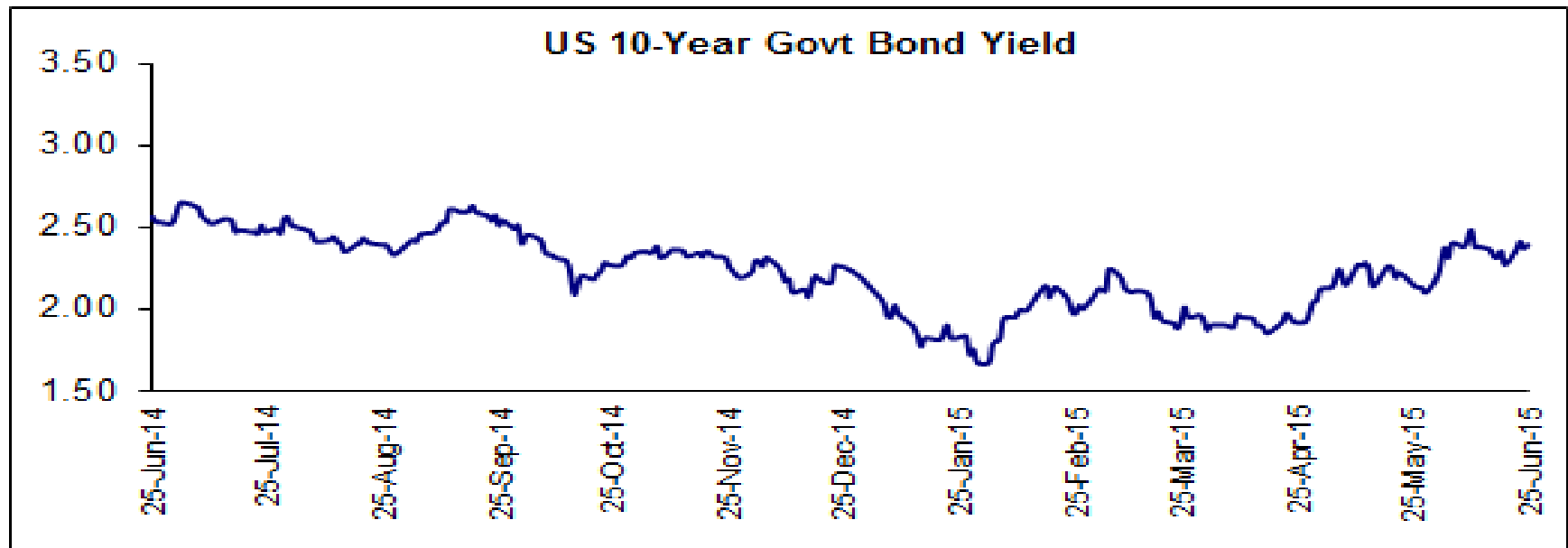
- ❑ Key global indices posted mixed performance in the week ended June 25/26 with Japan's Nikkei index gaining the most – up 2.6%, while Dow Jones was the biggest decliner – down 0.7%.
- ❑ Wall Street stocks edged lower in the week on concerns about Greece due to lack of agreement between the country and its creditors over a debt deal.
- ❑ Markets fell further due to a decline in shares of energy and industrials firms.
- ❑ Britain's FTSE index gained 1.5% in the week mainly on stock specific buying.
- ❑ Further rally was however halted following the stalemate in the talks between Greece and its creditors.
- ❑ Hong Kong's Hang Seng index posted moderate losses in the week as earlier gains on the back of encouraging Chinese manufacturing activity data and hopes that Greece would be able to avoid a default on its debt were set off as the latter failed to reach an agreement with its creditors and as Chinese markets plummeted on concerns that the recent rally has run out of steam.
- ❑ Japan's Nikkei index surged 2.6% in the week on expectations that Greece will avoid a default, a weak yen and after domestic government outlined a strategy to boost the country's growth potential.
- ❑ Singapore's Straits Times index rose 0.6% in the week on hopes that Greece could avert a default and possible exit from the Eurozone and on mirroring sporadic overnight gains on the Wall Street.

Global Debt

- ❑ US treasury prices ended lower in the week ended June 25 on persistent optimism that Greece would avert a debt default, even as the country failed again to reach a deal with its international creditors and also following release of few encouraging domestic indicators.
- ❑ The yield of the 10 year benchmark bond rose to 2.39% on June 25 from 2.35% on June 18.
- ❑ Bond prices fell on mounting hopes that Greece might be able to avoid a default and deal will be reached on June 27 even though the country's meeting with the Euro zone finance ministers ended without agreement.
- ❑ Greece debt talks also overshadowed the release of discouraging domestic growth data.
 - US gross domestic product fell at a 0.2% annualized rate in the March quarter, revised from a previously reported 0.7% drop, and compared with 2.2% growth in the December quarter.
- ❑ Demands for the bonds were also dented after Federal Reserve official Jerome Powell's comments supported the view that the central bank could raise interest rates in September.
 - The Fed official said the US economy could be ready for a first interest rate hike in September followed by a second increase in December and that the economy is likely to strengthen in the second half of the year.
- ❑ Selling of the US treasuries accelerated after US existing home sales surged up by 5.1% to an annual rate of 5.35 mn in May from an upwardly revised 5.09 mn in April and US consumer spending rose 0.9% in May - the biggest jump since August 2009 after a revised 0.1% uptick in April.

Global Debt

- However, losses in the treasury prices were marginally offset by gains made earlier after Greece debt worries resurfaced as the late-stage debt negotiations between Greece and its international creditors hit a stalemate.
- On weekly debt holding front, foreign central banks' investment in US Treasuries and agency debt at the Federal Reserve rose by \$3 bn to \$3.36 trillion in the week ended June 24.



USA

- ❑ **Wall Street stocks** edged lower in the week ended June 25 with Dow Jones and Nasdaq giving up 0.7% and 0.1%, respectively.
- ❑ Mounting concerns about Greece due to lack of agreement between the country and its creditors over a debt deal, kept the markets on the lower side for most parts of the week.
- ❑ Markets fell further due to a decline in shares of energy and industrials firms.
- ❑ Some losses were however reduced on intermittent signs of progress in the Greece debt negotiations.

UK

- ❑ **Britain's FTSE** gained 1.5% in the week ended June 25 mainly on stock specific buying.
- ❑ Sentiments strengthened earlier on hopes of a deal between Greece and its creditors, and on buying in resources and retailers shares.
- ❑ Further rally was however halted in the later part of the week following the stalemate in the talks between Greece and its creditors and due to a pullback in shares of Admiral Group Plc.

ASIA

- ❑ **Hong Kong's Hang Seng** index posted moderate losses in the week ended June 26 amid high volatility.
- ❑ The benchmark surged earlier on hopes that Greece would be able to avoid a default on its debt and as Chinese manufacturing activity data showed signs of improvement.
- ❑ China's flash manufacturing purchasing managers' index (PMI) edged up to 49.6 in June, from 49.2 in May.
- ❑ Gains were however wiped off as fears about Greece resurfaced after it failed to reach an agreement with its creditors.
- ❑ Market was also dented as Chinese markets plummeted on the last trading day of the week on concerns that the recent rally has run out of steam.
- ❑ **Japan's Nikkei** index surged 2.6% in the week ended June 26 and emerged as the topmost gainer among key indices analyzed.
- ❑ Market mood was upbeat earlier on expectations that Greece will appease its creditors and avoid a default.
- ❑ The exporters' heavy benchmark advanced to its highest level in more than 18 years as the yen weakened, and after domestic government outlined a strategy to boost the country's growth potential.
- ❑ Further gains were however restrained on profit booking and as the Greece debt woes resurfaced after its negotiations for a debt deal with its creditors hit a stalemate.

ASIA

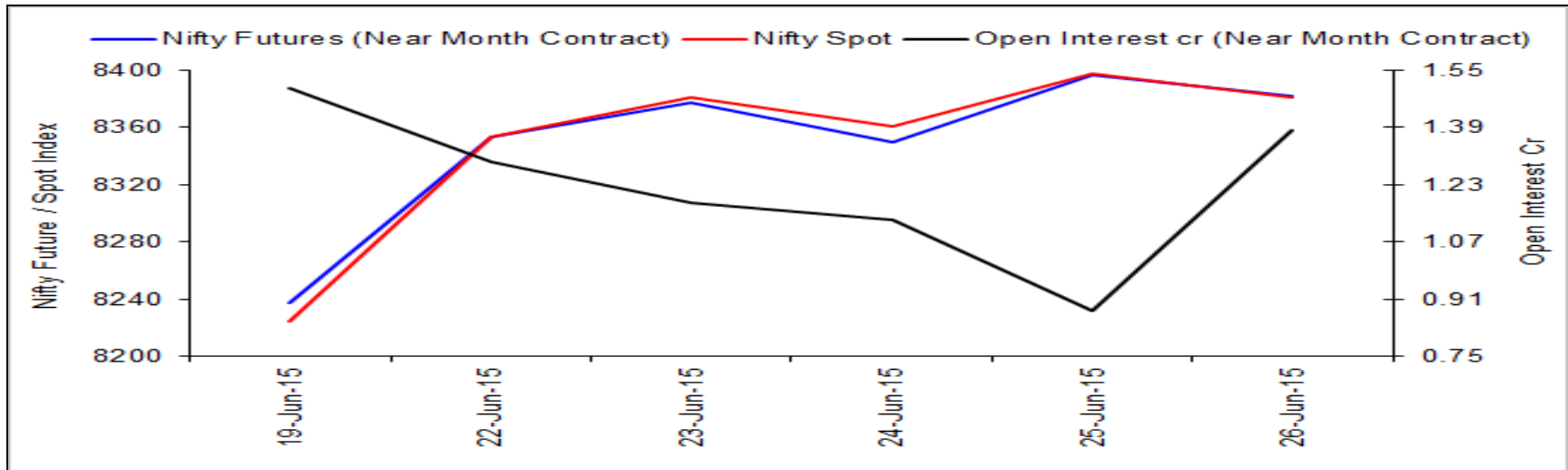
- ❑ **Singapore's Straits Times** index rose 0.6% in the week ended June 26 on tracking some positive global cues.
- ❑ Investors' sentiments were strong earlier on hopes that Greece could avert a default and possible exit from the Eurozone.
- ❑ The benchmark also mirrored sporadic overnight gains on the Wall Street.
- ❑ Some gains were however trimmed on caution ahead of Greece's last-ditch talks on June 27 to try and avert a default next week.

Indian Futures and Options Market Review

Nifty Futures

- ❑ The week saw the near month contract changing from June 25, 2015 to July 30, 2015.
- ❑ The new Nifty near month contract (July 30, 2015) closed up with 0.55 point premium to the spot index on June 26.
- ❑ In the week ended June 26, the Nifty spot index rose nearly 2% as concerns over inflation reduced on better-than-expected monsoon and on hopes that Greece will reach a debt deal agreement with its creditors.
- ❑ The other Nifty future contract, viz., August contract ended at 8416 points (up 119 points over the week) and September contract ended at 8455 points.
- ❑ Overall, Nifty futures saw a weekly trading volume of Rs 72,404 cr arising out of around 34 lakhs contracts with an open interest of nearly 146 lakhs.

Indian Futures and Options Market Review



Nifty Options

- ❑ Nifty 8500 call witnessed the highest open interest of 53 lakh on June 26 and Nifty 8900 call saw the highest increase in open interest of 8 lakhs over the week.
- ❑ Nifty 8400 call garnered the higher number of contracts over the week at 97 lakhs.
- ❑ Nifty 8000 put witnessed the highest open interest of 71 lakh on June 26 and Nifty 8300 put also garnered the highest number of contracts over the week at 80 lakhs.
- ❑ Overall, options saw 593 lakh contracts getting traded at a notional value of Rs 12,43,680 cr during the week.

Indian Futures and Options Market Review

Stock Futures and Options –

- NSE witnessed 91 lakh contracts in stock futures valued at Rs 2,38,415 cr while stock options saw volumes of 23 lakh contracts valued at Rs 62,320 cr during the week ended June 26, 2015.

NSE F&O Turnover –

- Overall turnover on NSE's derivatives segment stood at Rs 18.87 lakh cr (801 lakh contracts) during the week ended June 26 vs. Rs 12.23 lakh cr (548 lakh contracts) in the previous week.
- Put Call ratio fell to 0.93 on June 26 from 1.21 on June 19.

| Week ended June 26, 2015 | Turnover Rs. Cr. | % to Total |
|-----------------------------|-----------------------|-----------------------|
| Index Futures | 1,12,861 | 5.98 |
| Index Options | 14,73,379 | 78.08 |
| Stock Futures | 2,38,415 | 12.63 |
| Stock Options | 62,320 | 3.30 |
| Total | 18,86,976 | 100.00 |
| Put Call Ratio | 0.93 (June 26) | 1.21 (June 19) |

Indian Futures and Options Market Review

FII Segment

- On June 25 (last available SEBI data), foreign institutional investors' open interest stood at Rs 1,06,730 cr (40 lakh contracts). The details of FII derivatives trades for the period June 19-25 are as follows: -

| Week Ended June 25, 2015 | Buy | | Sell | | Buy % | | Sell % | |
|--------------------------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | No. of contracts | Amt in Rs Cr | No. of contracts | Amt in Rs Cr | No. of contracts | Amt in Rs Cr | No. of contracts | Amt in Rs Cr |
| Index Futures | 1091672 | 25292 | 811227 | 18918 | 14.54 | 13.37 | 11.89 | 10.91 |
| Index Options | 3857936 | 96992 | 3569532 | 89599 | 51.39 | 51.29 | 52.32 | 51.65 |
| Stock Futures | 2309411 | 60500 | 2183293 | 58334 | 30.76 | 31.99 | 32.00 | 33.63 |
| Stock Options | 248278 | 6337 | 258986 | 6616 | 3.31 | 3.35 | 3.80 | 3.81 |
| Total | 7507297 | 189121 | 6823038 | 173467 | 100.00 | 100.00 | 100.00 | 100.00 |

Source - SEBI

The Week Ahead

| Day | Event |
|--------------------------|--|
| Monday, June 29 | <ul style="list-style-type: none"> ▣ US Pending Home Sales Index, May ▣ US Dallas Fed Manufacturing Activity, June ▣ Eurozone Economic and Consumer Confidence, June ▣ UK Net Consumer Credit, May |
| Tuesday, June 30 | <ul style="list-style-type: none"> ▣ US Consumer Confidence Index, June ▣ US Chicago Purchasing Managers' Index (PMI), June ▣ US S&P/Case-Shiller Home Price Index, April ▣ Eurozone Consumer Price Index, June ▣ Eurozone Unemployment Rate, May ▣ UK GDP, Q1 2015 (Final) ▣ UK GfK Consumer Confidence Survey, June ▣ Bank of Japan Tankan Report, Q2 ▣ India's Core Sector Growth, May ▣ India's Government Finances, April-May ▣ India's CPI for Industrial Workers, May |
| Wednesday, July 1 | <ul style="list-style-type: none"> ▣ US ADP Employment Report, June ▣ US Institute of Supply Mgt (ISM) Manufacturing Index, June ▣ US Markit Manufacturing PMI, June ▣ US Construction Spending, May ▣ US Crude Oil Inventories, June 26 ▣ Eurozone Markit Manufacturing PMI, June ▣ UK Markit Manufacturing PMI, June ▣ China's Official Manufacturing PMI, June ▣ China's Official Non-manufacturing PMI, June ▣ China's HSBC Manufacturing PMI, June ▣ Japan's Markit/JMMA Manufacturing PMI, June ▣ India's HSBC Manufacturing PMI, June |
| Thursday, July 2 | <ul style="list-style-type: none"> ▣ US Employment Situation, June ▣ US Factory Orders, May ▣ US Auto Sales, June ▣ US Initial Jobless Claims, June 27 ▣ Eurozone Producer Price Index, May ▣ UK Markit/CIPS Construction PMI, June ▣ UK Nationwide House Prices, June |
| Friday, July 3 | <ul style="list-style-type: none"> ▣ Eurozone Markit Services & Composite PMI, June ▣ Eurozone Retail Sales, May ▣ UK Markit/CIPS Services & Composite PMI, June ▣ China's HSBC Composite & Services PMI, June ▣ Japan's Markit Services & Composite PMI, June ▣ India's HSBC Services & Composite PMI, June ▣ India's Forex Reserves, June 26 |

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