

News U Can Use

July 31, 2015

The Week that was...
27th July to 31st July

Indian Economy

- ❑ India's core industrial output grew by 3% on a yearly basis in June, slower than 4.4% growth recorded in May due to a sharp slowdown in electricity production. Electricity production rose marginally by 0.2% against 5.5% in May. The infrastructure sector accounts for nearly 38% of India's industrial output.
- ❑ The Department of Industrial Policy and Promotion (DIPP) has notified changes in the Foreign Direct Investment (FDI) policy under which there will be a composite cap on overseas investment in various sectors. It has been decided that all sectors barring Banking and Defence can now get up to 49% Foreign Institutional Investment through the automatic route. For Banking and Defence sectors, there will be a sub-limit of 49% and 24%, respectively on Foreign Portfolio Investment.
- ❑ According to the Finance Minister, the Government is considering the possibility of suitably enhancing the capital allocation for public sector banks. The Finance Minister further added that a budgetary allocation of Rs. 7,940 crore has been made in this regard during the current fiscal.
- ❑ The Cabinet has given its approval to issue sovereign gold bonds worth Rs. 15,000 crore in the second half of the current fiscal. The issuance would be for retail investors and apart from raising funds, it would also help curb physical demand for gold.
- ❑ The Ministry of Finance has cleared seven Foreign Direct Investment (FDI) proposals following recommendations for the same by the Foreign Investment Promotion Board. The seven FDI proposals cleared stood at Rs. 981.15 crore.

Indian Equity Market

Domestic Equity Market Indices			
Indices	31-July-15	1 Week Return	YTD Return
S&P BSE Sensex	28114.6	0.01%	2.21%
CNX Nifty Index	8532.85	0.13%	3.00%
S&P BSE Mid-Cap	11273	1.12%	7.98%
S&P BSE Small-Cap	11830.8	1.39%	5.39%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.38	23.53	23.74	47.11
P/B	3.05	3.5	2.65	2.13
Dividend Yield	1.3	1.41	1.28	0.98

Source: BSE, NSE

Value as on July 31, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Jul-15	441	1085	0.41
28-Jul-15	685	795	0.86
29-Jul-15	910	597	1.52
30-Jul-15	970	533	1.82
31-Jul-15	892	615	1.45

Source: NSE

- ▣ Indian equity markets rose during the week following encouraging quarterly results from major companies and the Cabinet's approval for amendments to the Goods and Services Tax bill.
- ▣ Investor sentiments improved further following the Government's proposal to infuse Rs. 70,000 crore in public sector banks over four years as part of the bank recapitalization plan.
- ▣ The Federal Reserve's decision to keep interest rates unchanged at this latest policy meeting provided additional support.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19107.8	0.81%	2.11%
S&P BSE Bankex	21499.2	0.59%	2.46%
S&P BSE CD	11086.5	-1.98%	3.17%
S&P BSE CG	18081.3	-0.30%	3.22%
S&P BSE FMCG	8133.5	3.11%	4.42%
S&P BSE HC	17047.7	1.25%	2.92%
S&P BSE IT	11072.7	0.62%	5.96%
S&P BSE Metal	8668.37	-1.18%	-7.14%
S&P BSE Oil & Gas	9902.17	-2.49%	0.44%

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

- On the BSE sectoral front, indices witnessed a mixed trend. S&P BSE FMCG and S&P BSE Realty were the top gainers, up 3.11% and 2.60%, respectively.
- S&P BSE Oil & Gas was the major laggard and fell 2.49%, followed by S&P BSE Consumer Durables (-1.98%) and S&P BSE Metal (-1.18%). Metal stocks fell, tracking sharp fall in global commodity prices.

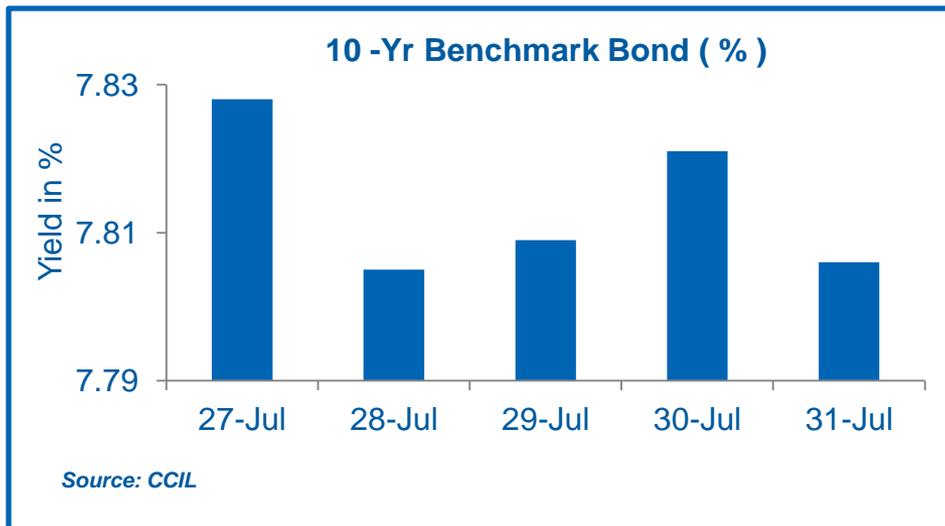
Indian Derivatives Market Review

- During the week, Nifty July 2015 Futures settled at 8,421.80 points on July 30. Nifty August 2015 Futures stood at 8,569.65 points, a premium of 36.80 points against the spot closing of 8,532.85 points. The turnover on NSE Futures and Options segment rose to Rs. 18.77 lakh crore during the week ended July 31 from Rs. 13.13 lakh crore in the previous week.
- The Put-Call ratio stood at 0.77 compared to the previous week's close of 0.96.
- The Nifty Put-Call ratio stood at 0.91 compared to the previous week's close of 1.11.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.09	7.12	7.06	7.72
91 Day T-Bill	7.44	7.47	7.61	8.18
07.28% 2019, (5 Yr GOI)	7.94	8.00	8.06	--
8.40% 2024, (10 Yr GOI)	7.81	7.83	7.86	--

Source: Reuters Values as on July 31, 2015



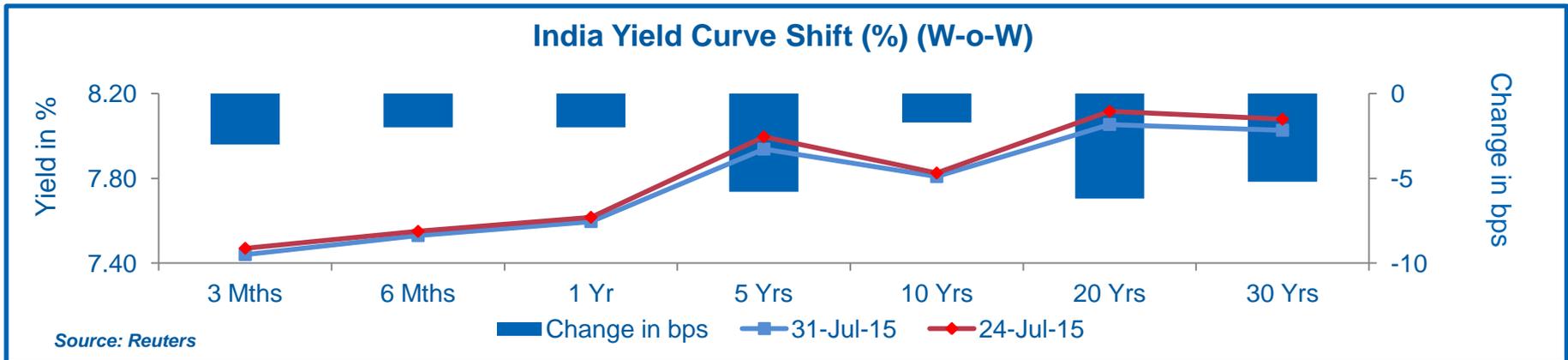
- Bond yields fell during the week, tracking drop in international crude oil prices. However, gains were capped as investors remained on sidelines ahead of the Reserve Bank of India's (RBI) monetary policy review on August 4.
- The yield on the 10-year benchmark bond 7.72% GS 2025 fell by 2 bps to close at 7.81% compared to the previous week's close of 7.83% after moving in the range of 7.79% to 7.84%.
- Banks' net average lending under the Reserve Bank of India's (RBI) Liquidity Adjustment Facility stood at Rs. 823.40 crore (for Friday, only repo session considered) compared to the previous week's borrowing of Rs. 43 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.73	8.20	47.2
3 Year	8.03	8.22	18.9
5 Year	8.11	8.45	33.6
10 Year	8.00	8.44	44.5

Source: Reuters Values as on July 31, 2015

- Yield on Gilt Securities fell across the maturities in the range of 2 bps to 7 bps barring 2-year paper that increased by 5 bps.
- Corporate Bond yields fell across the entire maturity bracket in the range of 2 bps to 10 bps.
- Spread between AAA Corporate Bond and Gilt fell across most of the maturities in the range of 2 bps to 9 bps barring 5 to 7-year maturities that expanded by up to 2 bps.



Regulatory Updates in India

- According to the capital market regulator Securities and Exchange Board of India (SEBI), the notional Stock Appreciation Right unit issued by companies to its promoters or employees does not qualify for share-based employee benefit regulations. Under the norms, the scheme should actually involve "dealing in or subscribing to or purchasing securities of the company directly or indirectly".
- According to SEBI, portfolio managers registered with it will not have to separately register under Research Analysts Regulations. However, portfolio managers would have to comply with disclosure requirements and necessary safeguards to check any conflict of interest in management in case they issue research report or circulate/distribute such reports to public or their employee and director makes public appearance.
- SEBI has proposed a joint task force of financial regulators and intelligence agencies to bring them under the regulatory ambit. The objective of the move is to check the menace of illicit money-pooling activities of small unlisted companies.
- The Cabinet has approved a new Consumer Protection Bill, which seeks to replace the Consumer Protection Act, 1986. The bill has proposed to set up a Central Consumer Protection Authority. The authority can intervene, when necessary, to prevent consumers from unfair trade practices and to initiate actions including enforcing recall, refund and return of products. The bill might be introduced in the ongoing session of Parliament.

Regulatory Updates in India (contd..)

- The Cabinet has approved the proposal of the National Investment and Infrastructure Fund (NIIF). Accordingly, a trust will be formed with a corpus of Rs. 20,000 crore and the Government's contribution would be 49% of the subscribed capital. The balance would be offered to strategic investors like sovereign fund, quasi sovereign funds and multilateral or bilateral investors. The NIIF would provide equity support to NBFCs and financial institutions who are engaged in infrastructure financing across sectors. It would also extend equity and debt support to commercially viable infrastructure and other projects.
- According to the Minister of State for Finance, the Central Government will ensure that the RBI has autonomy in framing monetary policy. The Minister further opined that the economy was poised to take off as macro-stabilization was achieved in just over a year.
- According to the Minister of State for Finance, the Government will set up a Public Debt Management Agency. The Minister further added that the Government will ensure a smooth transition to the new system.
- According to the Secretary of the Department of Industrial Policy and Promotion, the Central Government is likely to finalize the policy on Intellectual Property Rights (IPR) in the coming 3-4 months and will also clarify on FDI in the e-commerce. He has also mentioned that the Government has taken inputs for the policy from all the concerned departments and stakeholders and would soon forward it to the Cabinet for approval.

Global News/Economy

- ❑ The U.S. Federal Reserve (Fed) kept the interest rates unchanged at its two-day policy meeting that concluded on July 29. The Fed modestly upgraded the assessment of the labour market, which indicated about tightening of rates by the end of this year.
- ❑ The Gross Domestic Product (GDP) in the U.S. rose 2.3% annually in the June quarter 2015 compared to an upwardly revised 0.6% rise (0.2% contraction last reported). Consumer spending rose 2.9% while business spending on structures fell 1.6%. The revision in the March quarter growth reflected steps taken by the Government to refine the seasonal adjustment for some components of GDP.
- ❑ The U.S. Labour Department in its report showed that the U.S. employment costs rose 0.2% in three months to June. The U.S. employment costs rose 0.7% in the three months to March, the lowest gain since 1982.
- ❑ As per the preliminary figures, Euro zone inflation remained steady at 0.2% in July compared to June. Inflation remained in the positive territory for the third consecutive month. Core inflation rose to 1% from 0.8%.
- ❑ Preliminary estimate from the Office for National Statistics showed that the U.K. economy expanded at a faster pace in the second quarter, largely driven by an improvement in services output. Gross Domestic Product (GDP) grew 0.7% sequentially following a 0.4% rise in the first quarter. GDP was 2.6% higher in the second quarter compared to the same quarter a year ago.

Global Equity Markets

Global Indices			
Indices	31-July-15	1-Week Return	YTD Return
Dow Jones	17689.9	0.69%	-0.80%
Nasdaq 100	4588.91	0.69%	8.48%
FTSE 100	6696.28	1.77%	2.27%
DAX Index	11309	-0.34%	15.81%
Nikkei Average	20585.2	0.20%	18.25%
Straits Times	3202.5	-4.48%	-4.99%

Source: Reuters Values as on July 31, 2015

U.S.

- The U.S. markets rose over the week after the GDP of the nation increased accelerated in the second quarter. The Federal Reserve's decision to leave interest rates unchanged at its monetary policy also helped improve sentiments. Some upbeat quarterly earnings news also supported investor sentiments.

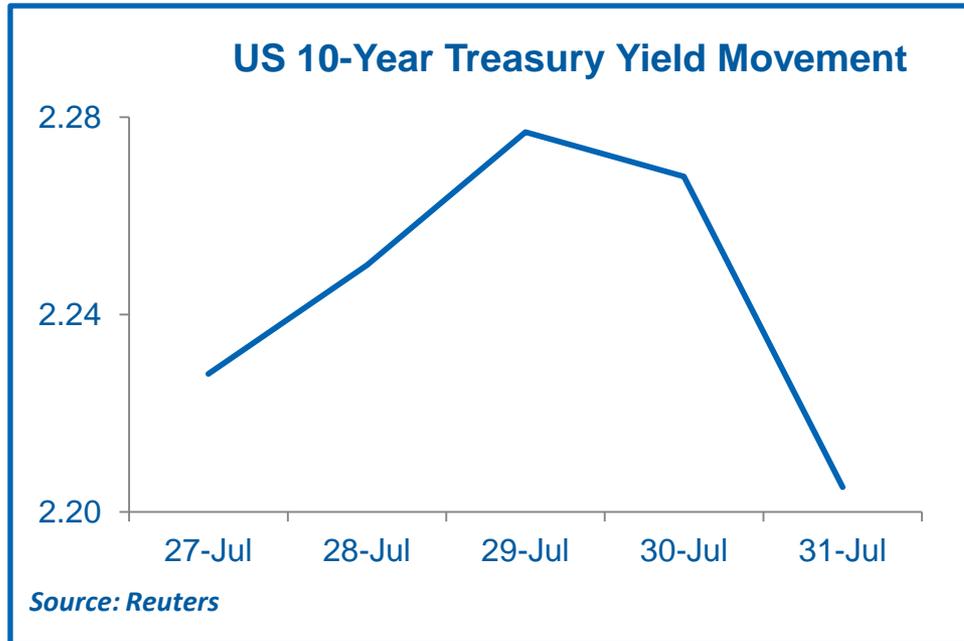
Europe

- European markets witnessed a mixed trend during the week with FTSE 100 gaining the most. Better-than-expected corporate earnings numbers and unexpected surge in Euro zone economic confidence data to a four-year high in July support market sentiments. Meanwhile, increase in German unemployment data in July kept markets under pressure.

Asia

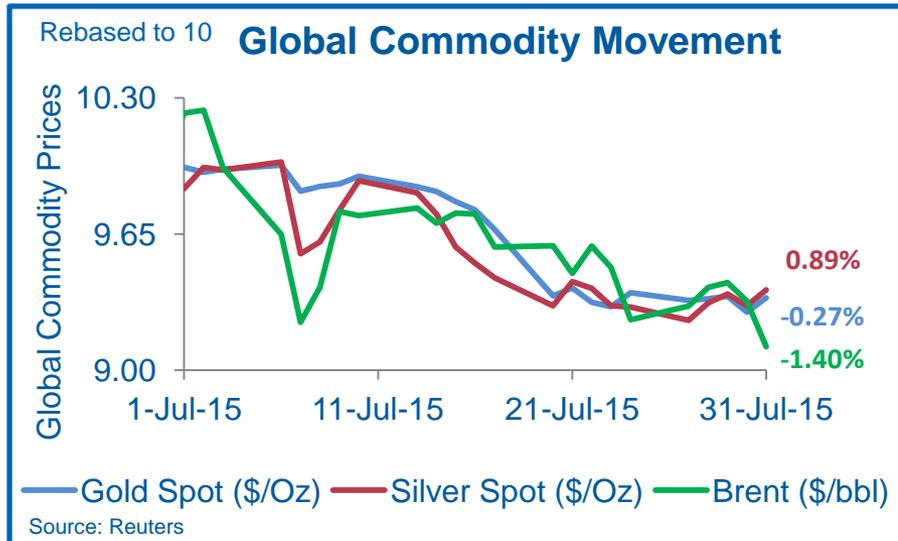
- Asian markets remained subdued on the back of weak economic data. A section of investors also preferred to remain on the sidelines ahead of Chinese manufacturing data. Meanwhile, Japanese bourses gained marginally after the industrial output rose more than expected in June.

Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 6 bps during the week to close at 2.21% compared to the previous week's close of 2.27%. The paper moved in the range of 2.20% to 2.28%.
- The U.S. Treasury prices rose during the week, tracking losses in the Chinese equity markets. Treasury prices rose further after the U.S. employment costs registered the lowest gain since 1982 in the three months to June. However, gains were capped after the U.S. Federal Reserve presented an upbeat assessment of the U.S. economy at its monetary policy review.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	53.63	54.39
Gold (\$/Oz)	1095.4	1098.35
Gold (Rs/10 gm)	24592	24599
Silver (\$/Oz)	14.77	14.64
Silver (Rs/Kg)	33611	33322

Source: Reuters Values as on July 31, 2015

Gold

- Gold prices remained under pressure as concerns over rate hike by the U.S. Federal Reserve weighed on investor sentiments. The bullion fell further following positive second quarter U.S. GDP growth numbers.

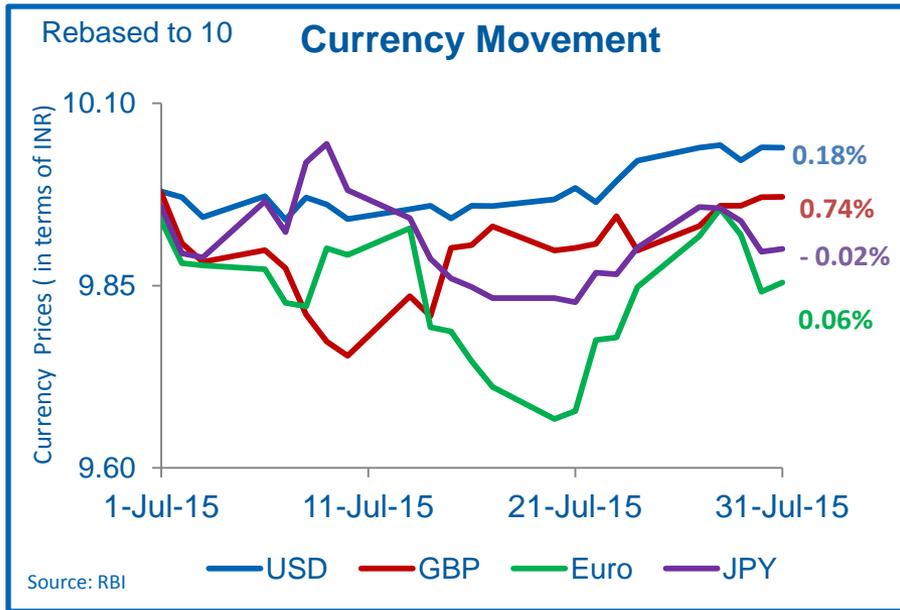
Crude

- Brent crude prices fell amid concerns that the resumption of Iranian oil exports will increase global supply level in the oversupplied oil market. Oil prices fell further after the head of oil producers' cartel OPEC indicated that there would be no cut-back in production.

Baltic Dry Index

- The Baltic Dry Index fell during the week due to sluggish capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.01	63.89
Pound Sterling	99.84	99.10
EURO	70.16	70.12
JPY(per 100 Yen)	51.55	51.56

Source: RBI Figures in INR , Values as on July 31, 2015

Rupee

- The rupee fell against the dollar after the U.S. Federal Reserve presented an upbeat outlook of the U.S. economy at its monetary policy review.

Euro

- The euro moved up against the dollar on upbeat German business climate and positive Euro zone inflation data for July. The euro got more support after the U.S. employment cost index rose at the slowest pace since 1982 in the June quarter.

Pound

- The pound gained against the dollar following upbeat second quarter U.K. GDP growth numbers and weak U.S. data.

Yen

- The yen gained against the dollar after fall in Chinese equity markets. However, gains were restricted after the U.S. Fed gave an upbeat outlook about the U.S. economy.

The Week that was...
27th July to 31st July

The Week that was (June 29 – July 3)

Day	Event	Present Value	Previous Value
Monday, July 27	U.S. Durable Goods Orders (Jun)	3.40%	-2.10%
	Germany Import Price Index (MoM) (Jun)	-0.50%	-0.20%
	Germany IFO - Business Climate (Jul)	108	107.5
Tuesday, July 28	U.S. Markit Services PMI (Jul) Preliminary	55.2	54.8
	U.S. Markit PMI Composite (Jul)	55.2	54.6
	U.S. Consumer Confidence (Jul)	90.9	99.8
Wednesday, July 29	Germany Gfk Consumer Confidence Survey (Aug)	10.1	10.1
	U.S. Pending Home Sales (MoM) (Jun)	-1.80%	0.60%
	U.S. Federal Reserve Interest Rate Decision	0.25%	0.25%
Thursday, July 30	Germany Unemployment Rate s.a. (Jul)	6.40%	6.40%
	Germany Consumer Price Index (YoY) (Jul) Preliminary	0.20%	0.30%
	U.S. Initial Jobless Claims (Jul 24)	267K	255K
	U.S. Gross Domestic Product Annualized (Q2) Preliminary	2.00%	0.10%
Friday, July 31	Euro Zone Consumer Price Index (YoY) (Jul) Preliminary	0.20%	0.20%
	Euro Zone Unemployment Rate (Jun)	11.10%	11.10%
	U.S. Reuters/Michigan Consumer Sentiment Index (Jun)	93.1	93.3

The Week Ahead...
August 3 to August 7

The Week Ahead

Day	Event
Monday, August 3	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Manufacturing PMI (Jul) <input type="checkbox"/> Japan Nomura Manufacturing Purchasing Manager Index (Jul) <input type="checkbox"/> U.S. ISM Manufacturing PMI (Jul)
Tuesday, August 4	<ul style="list-style-type: none"> <input type="checkbox"/> Reserve Bank of India Monetary Policy Review <input type="checkbox"/> Euro Zone Producer Price Index (MoM) (Jun) <input type="checkbox"/> U.S. Factory Orders (MoM) (Jun)
Wednesday, August 5	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ADP Employment Change (Jul) <input type="checkbox"/> China Caixin China Services PMI (Jul) <input type="checkbox"/> U.S. Markit PMI Composite (Jul)
Thursday, August 6	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Interest Rate Decision <input type="checkbox"/> U.K. NIESR GDP Estimate (3M) (Jul) <input type="checkbox"/> U.S. Initial Jobless Claims (Jul 31)
Friday, August 7	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Unemployment Rate (Jul) <input type="checkbox"/> U.S. Nonfarm Payrolls (Jul) <input type="checkbox"/> U.K. PMI Construction (Jun)

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