

News U Can Use

Aug 21, 2015

The Week that was...
17th August to 21st August

Indian Economy

- India's trade deficit widened to \$12.81 billion in July from \$10.83 billion in June. While imports fell by 10.28% on a yearly basis to \$35.95 billion in July, exports also fell by 10.30% to \$23.14 billion. Imports during the three-month period from April-July 2015 fell by 12.01% while exports during the same period fell by 15.04%. Oil imports were down 34.91% in July over last year, while non-oil imports were up by 3.80%, suggesting improving domestic demand.
- Data from the Department of Industrial Policy and Promotion showed that Foreign Direct Investment (FDI) in the country increased by about 6.59% to \$2,054 million in June this year. FDI in the same period of the previous year stood at \$1,927 million. During April-June period of this fiscal, FDI in the country grew by 31% to \$9.50 billion compared to \$7.23 billion in the same period last year. Among the top ten sectors, Computer Software and Hardware received the maximum FDI of \$2.55 billion during the first quarter of this fiscal, followed by Automobile (\$1.09 billion), Trading (\$897 million), Services (\$636 million) and Power (\$271 million).
- According to the India Meteorological Department (IMD), India's summer rainfall deficit has widened to 10% and is likely to rise to 12% by the end of monsoon season next month. IMD has also projected 16% deficiency in rainfall in August and September.

Indian Equity Market

Domestic Equity Market Indices			
Indices	21-Aug-15	1 Week Return	YTD Return
S&P BSE Sensex	27366.07	-2.50%	-0.51%
CNX Nifty Index	8299.95	-2.57%	0.19%
S&P BSE Mid-Cap	11216.65	-2.07%	7.44%
S&P BSE Small-Cap	11610.44	-1.33%	3.43%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.51	22.99	24.82	43.2
P/B	2.91	3.36	2.59	2.05
Dividend Yield	1.36	1.42	1.31	1.02

Source: BSE, NSE

Value as on Aug 21, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
17-Aug-15	772	750	1.03
18-Aug-15	884	631	1.40
19-Aug-15	743	758	0.98
20-Aug-15	302	1226	0.25
21-Aug-15	472	1046	0.45

Source: NSE

- ▣ Indian equity markets plunged after weak factory growth data from China for August raised concerns over global economy. Weakness in the domestic currency renewed worries over foreign capital outflows.

- ▣ Uncertainty over interest rate outlook in the U.S. also weighed on investor sentiments. Investors were also disappointed as the key Goods and Services Tax bill was not passed in the Monsoon session of Parliament, which ended last week.

- ▣ Sentiments dampened after Moody's Investors Service scaled down its projections for India's economic growth for 2015-16 to 7% from an earlier estimate of 7.5%.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18795.1	-3.42%	-0.39%
S&P BSE Bankex	20687.7	-3.73%	-3.68%
S&P BSE CD	11421.2	1.39%	3.34%
S&P BSE CG	17385	-3.17%	-5.93%
S&P BSE FMCG	8010.75	1.10%	2.41%
S&P BSE HC	18440.5	2.11%	9.47%
S&P BSE IT	11627.8	0.05%	3.94%
S&P BSE Metal	7400.37	-5.20%	-16.36%
S&P BSE Oil & Gas	9149.21	-3.77%	-8.13%
S&P BSE Realty	1300.48	-8.99%	-3.99%

Source: Reuters *Values as on Aug 21, 2015*

- On the BSE sectoral front, most of the indices closed in red, barring S&P BSE Healthcare, S&P Consumer Durables, S&P BSE FMCG and S&P BSE IT which rose by 2.11%, 1.39%, 1.10% and 0.05% respectively.
- S&P BSE Realty turned out to be the major laggard and fell 9%, followed by S&P BSE Metal (-5.20%), S&P BSE Oil & Gas (-3.77%) and S&P BSE Bankex (-3.73%). Metal stocks fell as commodities extended losses amid possibility of lower demand from China.

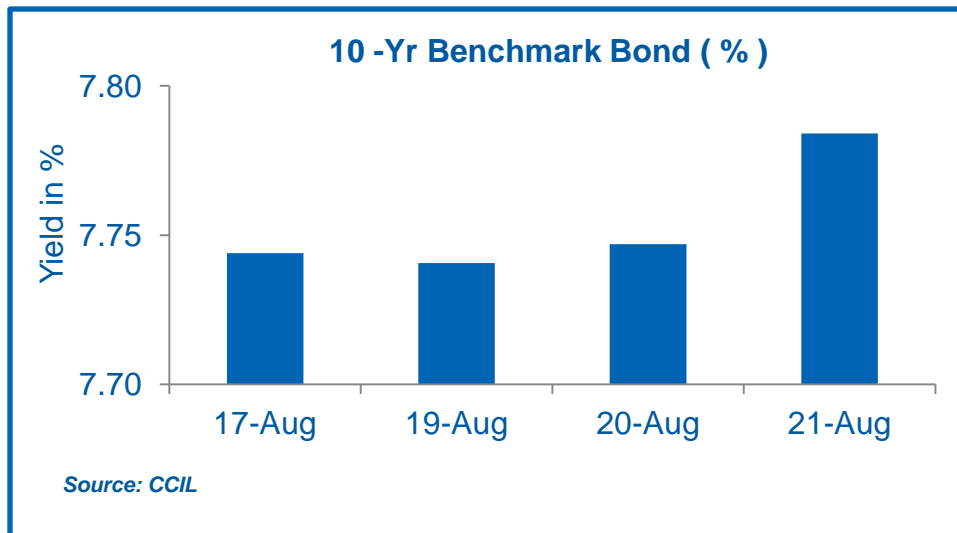
Indian Derivatives Market Review

- Nifty August 2015 Futures were at 8,306.35, a premium of 6.40 points against the spot closing of 8,299.95 points. The turnover on NSE Futures and Options segment rose to Rs. 15.17 lakh crore during the week ended August 21 from Rs. 12.10 lakh crore in the previous week.
- The Put-Call ratio stood at 0.92 compared to the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 0.88 compared to the previous week's close of 1.00.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.14	7.07	6.84	7.64
91 Day T-Bill	7.42	7.38	7.52	8.38
08.27% 2020 , (5 Yr GOI)	7.89	7.87	8.02	-
07.72% 2025, (10 Yr GOI)	7.78	7.75	7.84	-

Source: Reuters Values as on Aug 21, 2015



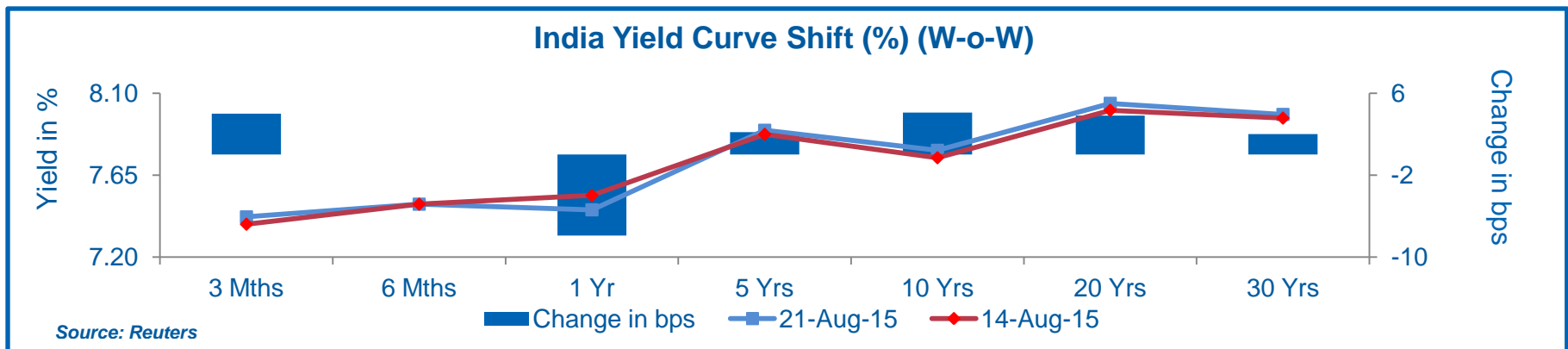
- Bond yields remained steady during most part of the week. Bond markets got some support after the Finance Minister said that the RBI would take note of record-low inflation numbers, which raised hopes that the Central Bank may soon ease policy rates. Fall in international crude oil prices provided additional support.
- However, the trend reversed later after the rupee touched a two-year low against the dollar as weak Chinese manufacturing data raised worries over global economic slowdown.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, increased by 3 bps to close at 7.78% compared to the previous week's close of 7.75%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.60	8.08	47.7
3 Year	7.97	8.20	23.5
5 Year	8.08	8.35	26.9
10 Year	7.98	8.36	38

Source: Reuters Values as on Aug 21, 2015

- Yield on Gilt Securities increased by up to 4 bps across the maturities barring 1 and 2-year papers that fell by 8 bps and 3 bps, respectively.
- Corporate Bond yields fell by up to 5 bps across the papers except 1-year paper that inched up by 1 bps.
- Spread between AAA Corporate Bond and Gilt contracted in the range of 2 bps to 8 bps across the maturities except 1 and 2-year papers that expanded by 9 bps and 1 bps, respectively.



Regulatory Updates in India

- ❑ The RBI has given in-principle approval to 11 applicants to start a payments bank. The 11 applicants include Reliance Industries, Tech Mahindra, Aditya Birla Nuvo, Airtel M Commerce Services, Department of Posts, Fino PayTech, National Securities Depository Ltd. (NSDL), Vodafone m-pesa , Cholamandalam Distribution Services and among individuals are Sun Pharma Chief Dilip Shanghvi and PayTm founder Vijay Shekha Sharma. The RBI had received 41 applications for payments banks in February 2015.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has notified a new set of listing norms for start-up entities, including e-commerce ventures, on a separate platform of domestic stock exchanges. As per the new norms, SEBI has provided significant relaxations in the disclosure requirements. Besides SEBI has also relaxed its delisting, takeover and Alternative Investment Fund regulations for such new entities who are engaged in IT, data analytics, intellectual property, bio-technology or nano-technology like activities. SEBI has kept the minimum trading lot and the minimum application size at Rs. 10 lakh so that only sophisticated and large investors come in.
- ❑ SEBI has made ASBA (Application Supported by Blocked Amount) facility mandatory for all categories of investors applying for a public issue. These norms will be effective from January 1, 2016. ASBA allows the bid amount to remain in the applicants account till the time the shares are finally allotted.

Regulatory Updates in India (contd..)

- ❑ The Ministry of Defence has given approval to 16 broad categories of products that can be exported after clearance. The move is expected to boost military trade and bring about clarity to private companies pursuing export orders. The move also brings India at par with international laws governing arms trade.
- ❑ The Government relaxed rules for its flagship Atal Pension Yojana to attract a larger subscriber base. Under the norms, apart from monthly, subscribers can now contribute on quarterly as well as half yearly basis. Voluntarily exit facility is also available with the condition that subscribers shall only be refunded the contributions made to APY, along with the net actual interest earned on contributions (after deducting the account maintenance charges) and Government co-contribution. Also the penalty on delayed payment has been simplified.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has proposed to relax its norms for Infrastructure Investment Trusts by lowering the sponsors' mandatory holding to 10% and by allowing greater operational flexibilities. The objective of the move is to make it easier to raise funds for infrastructure projects from capital markets. The move is expected to address concerns related to tax inefficiencies, lender considerations, and difficulties in exit for financial investors that may arise if a holding company investment is not allowed.
- ❑ The Government increased the import tariff value on gold to \$363 from \$354 per 10 gram. Tariff value of silver was also raised to \$499 from \$498 per kg.

Global News/Economy

- ❑ Preliminary survey from Caixin showed that the manufacturing sector in China continued to contract as the flash China Caixin PMI fell to a 77-month low of 47.1 in August from 47.8 in July.
- ❑ According to the minutes of the Federal Reserve's July meeting, policymakers said that the conditions for tightening had not yet been achieved, but noted that conditions were "approaching that point." Members expect the economy to grow at a faster pace in the second half of 2015 than in the first half.
- ❑ Housing starts in the U.S. rose by 0.2% to an annual rate of 1.206 million in July from the revised June estimate of 1.204 million (1.174 million originally reported). Although modest, housing starts rose to their highest annual rate since October 2007. The rise was reflected in single-family starts, which surged 12.8% to a rate of 782,000.
- ❑ Survey data from Markit showed that Germany's private sector grew at the fastest pace in four months in August. The flash composite output index rose to 54 in August from 53.7 in July. The services Purchasing Managers' Index fell to 53.6 in August from 53.8 in July. The manufacturing PMI rose to a 16-month high of 53.2 from 51.8 a month ago.
- ❑ A preliminary report from Government of Japan showed that the Gross Domestic Product (GDP) of Japan contracted in the second quarter. GDP declined 0.4% (on a quarterly basis) after an upwardly revised 1.1% increase in the March quarter (originally reported 1.0%). On a yearly basis, GDP fell 1.6% compared to 3.9% gain in the previous three months. Business spending eased 0.1% while private consumption declined 0.8% during the reported quarter.

Global Equity Markets

Global Indices			
Indices	21-Aug-15	1-Week Return	YTD Return
Dow Jones	16459.8	-5.82%	-7.70%
Nasdaq 100	4197.27	-7.36%	-0.78%
FTSE 100	6187.65	-5.54%	-5.50%
DAX Index	10124.5	-7.83%	3.68%
Nikkei Average	19435.8	-5.28%	11.64%
Straits Times	2971.01	-4.60%	-11.85%

Source: Reuters Values as on Aug 21, 2015

Europe

- European markets declined sharply amid uncertainty over the interest outlook in the U.S. Sentiments dampened further on concerns over Greece's debt situation and its future in the Euro zone after the Greek Prime Minister resigned and called for a sudden elections in September. Rising concerns over Chinese economy and fall in global crude prices also weighed on investor sentiments.

Asia

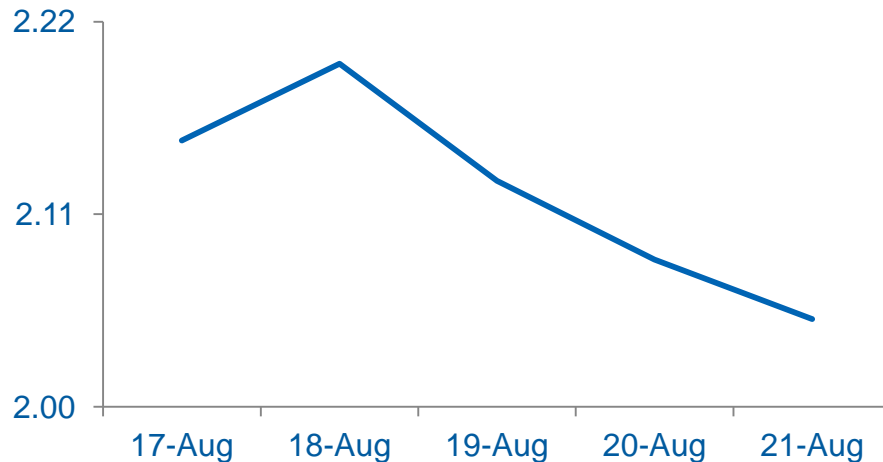
- Asian markets plunged on concerns over the outlook for Chinese economy. The preliminary Caixin China Manufacturing Purchasing Managers' Index dropped to a 77-month low of 47.1 in August. Investor sentiments dampened further after merchandise trade deficit of Japan widened in July.

U.S.

- The U.S. markets fell sharply over the week after minutes of the U.S. Federal Reserve's monetary policy meeting increased uncertainty over the interest rate outlook in the U.S. region. Decline in global crude oil prices and concerns over the stability of the Chinese economy also weighed on the bourses. Lower earnings report from one of the major retail companies dampened sentiments further.

Global Debt (U.S.)

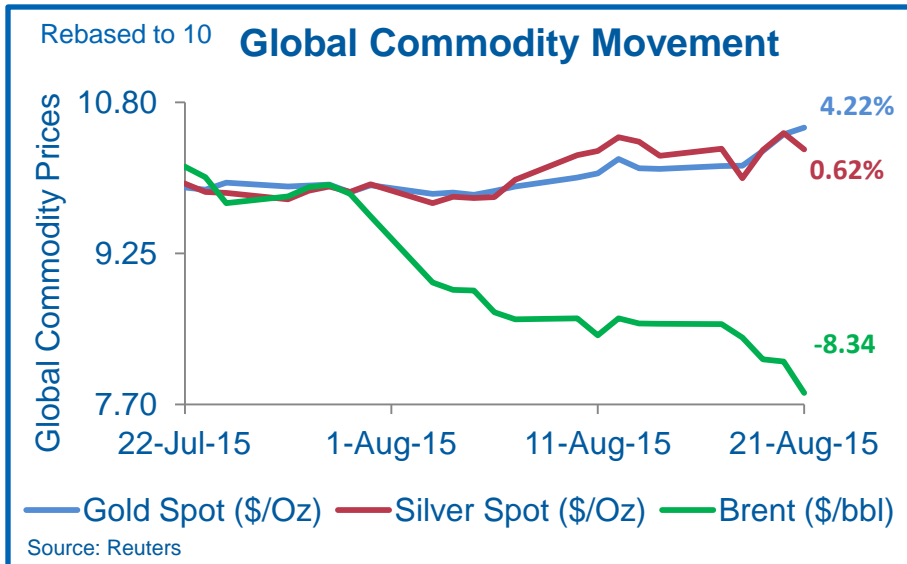
US 10-Year Treasury Yield Movement



Source: Reuters

- The yield on the 10-year U.S. Treasury bond plunged 15 bps during the week to close at 2.05% compared to the previous week's close of 2.20%.
- The U.S. Treasury prices increased earlier in the week after New York manufacturing activity fell to its weakest level since 2009 in August. Prices rose further as fall in international crude oil prices raised concerns over low inflation and minutes of the latest Fed meeting led to uncertainty over the interest outlook in the U.S. region. Worries over global growth after preliminary data showed that China's manufacturing activity contracted at its fastest pace in six and a half years in August further improved the safe-haven appeal of the U.S. bonds.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	43.53	47.49
Gold (\$/Oz)	1160.65	1113.7
Gold (Rs/10 gm)	26802	25690
Silver (\$/Oz)	15.3	15.205
Silver (Rs/Kg)	36229	35833

Source: Reuters Values as on Aug 21, 2015

Gold

- Gold prices rose during the week as the safe-haven appeal of the bullion improved after weak Chinese factory growth data for August increased concerns of a slowdown in China's economy.

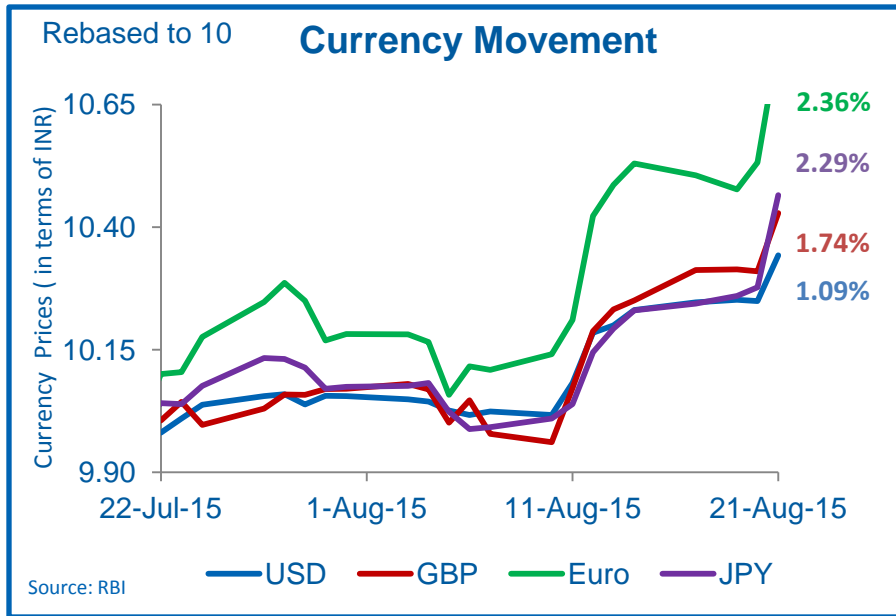
Crude

- Brent crude prices continued with the declining trend after continued contraction in Chinese manufacturing activities in August increased worries about possible lower consumption of oil. Increase in oil supplies in North America and the Middle East also added to the woes.

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	65.83	65.12
Pound Sterling	103.39	101.62
EURO	74.27	72.56
JPY(per 100 Yen)	53.55	52.35

Source: RBI Figures in INR , Values as on Aug 21, 2015

Rupee

- The rupee fell to a near two-year low against the dollar due to importers' demand for the greenback, concerns over foreign fund outflows and worries over the global growth.

Euro

- The euro surged against the dollar amid uncertainty over the interest outlook in the U.S. and concerns over global growth after Chinese manufacturing activity continued to contract in August.

Pound

- The pound rose against the dollar as better-than-expected U.K. inflation numbers for July increased hopes of a rate hike by the Bank of England.

Yen

- The yen rose against the dollar as concerns over global growth improved the safe-haven appeal of the yen.

The Week that was...
17th August to 21st August

The Week that was (Aug 17 – Aug 21)

Day	Event	Present Value	Previous Value
Monday, August 17	Euro Zone Trade Balance s.a. (Jun)	€26.4B	€18.8B
	U.S. NY Empire State Manufacturing Index (Aug)	-14.92	3.86
	U.S. NAHB Housing Market Index (Aug)	61	60
Tuesday, August 18	U.K. Consumer Price Index (MoM) (Jul)	-0.20%	0.00%
	U.S. Building Permits (MoM) (Jul)	1.119M	1.337M
	U.S. Housing Starts (MoM) (Jul)	1.206M	1.204M
	U.K. Retail Price Index (MoM) (Jul)	-0.10%	0.20%
Wednesday, August 19	U.S. Consumer Price Index (YoY) (Jul)	0.10%	0.30%
	Japan All Industry Activity Index (MoM) (Jun)	0.30%	-0.50%
	U.S. MBA Mortgage Applications (Aug 14)	3.60%	0.10%
Thursday, August 20	U.S. Initial Jobless Claims (Aug 14)	277K	273K
	U.S. Existing Home Sales (MoM) (Jul)	5.59M	5.48M
Friday, August 21	China Caixin Manufacturing PMI (Aug)Preliminary	47.1	47.8
	Euro Zone Markit Manufacturing PMI (Aug)Preliminary	52.4	52.4
	U.S. Markit Manufacturing PMI (Aug)Preliminary	52.9	53.8
	Japan Nomura/ JMMA Manufacturing Purchasing Manager Index (Aug)Preliminary	51.9	51.2

The Week Ahead...
August 24 to August 28

The Week Ahead

Day	Event
Monday, Aug 24	<ul style="list-style-type: none"> ❑ Japan Leading Economic Index (Jun) ❑ U.S. Chicago Fed National Activity Index (Jul)
Tuesday, Aug 25	<ul style="list-style-type: none"> ❑ Germany Gross Domestic Product n.s.a (YoY) (Q2) ❑ U.S. Markit PMI Composite (Aug)Preliminary ❑ U.S. New Home Sales (MoM) (Jul)
Wednesday, Aug 26	<ul style="list-style-type: none"> ❑ U.S. Durable Goods Orders (Jul) ❑ U.S. MBA Mortgage Applications (Aug 21)
Thursday, Aug 27	<ul style="list-style-type: none"> ❑ U.S. Initial Jobless Claims (Aug 22) ❑ U.S. Gross Domestic Product Annualized (Q2)Preliminary ❑ U.S. Personal Consumption Expenditures Prices (QoQ) (Q2)Preliminary
Friday, Aug 28	<ul style="list-style-type: none"> ❑ U.K. Gross Domestic Product (YoY) (Q2)Preliminary ❑ U.S. Reuters/Michigan Consumer Sentiment Index (Aug)

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