

News U Can Use

Aug 28, 2015

The Week that was...
24th August to 28th August

Indian Economy

- According to the Reserve Bank of India's (RBI) annual report, the Central Bank remains focused on lowering the consumer inflation in the short term and also achieve its target of containing inflation at 4% by March 2018. It will also focus on supporting an economy that is growing below potential and ensuring banks pass on rate cuts. The RBI is also considering ways to develop financial markets, including introducing an electronic platform for corporate bond repos and unveiling various swaps and cross currency futures and options.
- According to Moody's, effective implementation of reformatory measures, continued improvement in inflation, fiscal and current account ratios and subsequent strengthening of institutions can improve the sovereign credit profile of the country over the medium term. However, the global credit rating agency also added that reversal of the policy reform process, weakening of banking system metrics and decline in foreign exchange reserve coverage of external debt and imports may downgrade the rating outlook from positive to stable.
- The Government has approved 16 proposals of Foreign Direct Investment amounting to Rs. 1,152.53 crore approximately. The approval came following the recommendations of the Foreign Investment Promotion Board.

Indian Equity Market

Domestic Equity Market Indices			
Indices	28-Aug-15	1 Week Return	YTD Return
S&P BSE Sensex	26392.38	-3.56%	-4.05%
CNX Nifty Index	8001.95	-3.59%	-3.40%
S&P BSE Mid-Cap	10759.41	-4.08%	3.06%
S&P BSE Small-Cap	10992.82	-5.32%	-2.07%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.14	22.17	24.94	41.57
P/B	2.85	3.22	2.54	1.99
Dividend Yield	1.39	1.48	1.35	1.04

Source: BSE, NSE

Value as on Aug 28, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
24-Aug-15	65	1508	0.04
25-Aug-15	754	765	0.99
26-Aug-15	751	743	1.01
27-Aug-15	1266	254	4.98
28-Aug-15	768	737	1.04

Source: NSE

- ▣ Indian equity markets fell during the week on the back of weak global cues. Markets witnessed selling pressure initially as overseas investors decided to reduce exposure in developing economies like India.

- ▣ Concerns over Chinese economic growth outlook also weighed on investor sentiments. However, the fall was restricted as the RBI Deputy Governor S.S. Mundra said that India is capable of dealing with any kind of external shocks.

- ▣ Market sentiments improved further following the Government's attempt to convene a special session of Parliament for passage of Goods and Services Tax Bill.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18003.5	-4.21%	-2.48%
S&P BSE Bankex	19703.4	-4.76%	-6.07%
S&P BSE CD	11102.2	-2.79%	-1.09%
S&P BSE CG	16326	-6.09%	-7.86%
S&P BSE FMCG	7819.21	-2.39%	-0.29%
S&P BSE HC	17645.7	-4.31%	6.93%
S&P BSE IT	11188.6	-3.78%	3.11%
S&P BSE Metal	7401.72	0.02%	-13.01%
S&P BSE Oil & Gas	8853.69	-3.23%	-10.72%

Source: Reuters *Values as on Aug 28, 2015*

- On the BSE sectoral front, barring S&P BSE Metal, all the indices closed in red. S&P BSE Capital Goods was the major laggard during the week and fell 6.09%, followed by S&P BSE Bankex and S&P BSE Healthcare, which fell 4.76% and 4.31%, respectively.
- Stocks of Oil Marketing Companies rose on the last trading session of the week, due to recovery in oil prices after Venezuela asked OPEC to hold an emergency meeting with Russia to support oil prices.

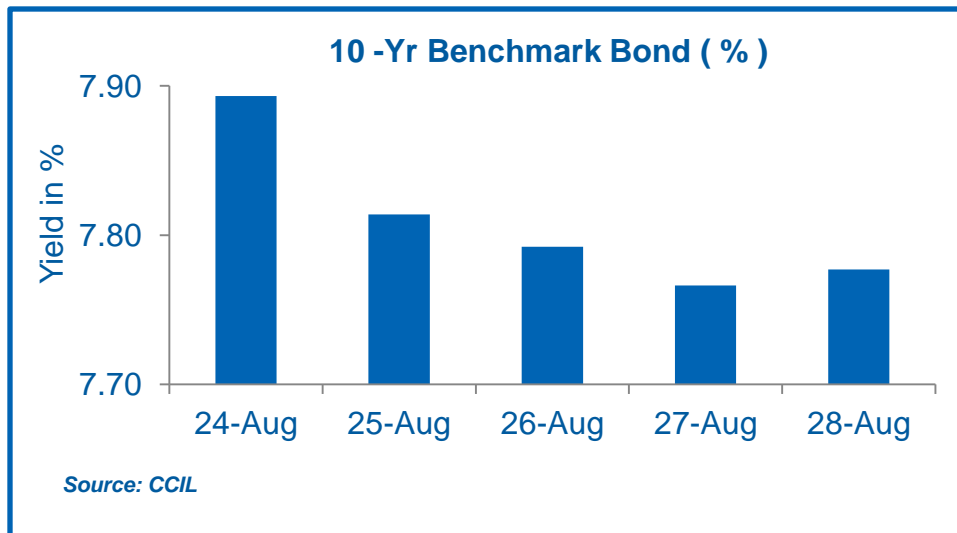
Indian Derivatives Market Review

- Nifty September 2015 Futures were at 8,022.7 points, a premium of 20.75 points against the spot closing 8,001.95 points. The turnover on NSE Futures and Options segment rose to Rs. 22.16 lakh crore during the week ended August 28 from Rs. 15.17 lakh crore in the previous week.
- The Put-Call ratio stood at 0.90, compared to the previous session's close of 0.92.
- The Nifty Put-Call ratio stood at 0.99, compared to the previous session's close of 0.88.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.09	7.14	7.06	7.55
91 Day T-Bill	7.41	7.42	7.43	8.38
08.27% 2020 , (5 Yr GOI)	7.89	7.89	7.94	7.78
07.72% 2025, (10 Yr GOI)	7.78	7.78	7.81	-

Source: Reuters Values as on Aug 28, 2015



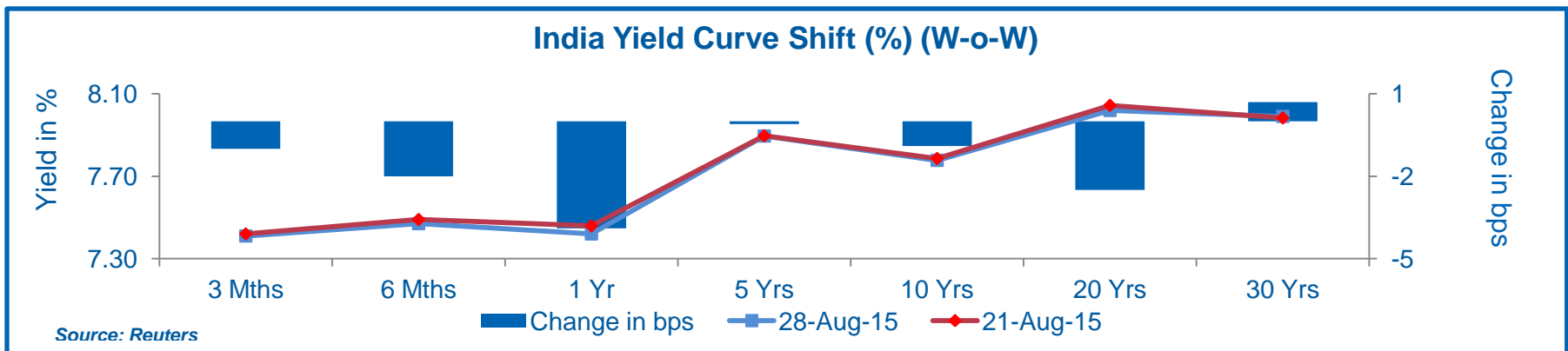
- Bond yields surged initially during the week on the back of fall in the domestic currency. Concerns over a slowdown in the Chinese economy increased worries about a global economic slowdown, which hit emerging market currencies like the rupee.
- However, the trend reversed later on the back of recovery in the rupee as concerns over global economic slowdown eased.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, closed steady at 7.78%, same as the previous week's close after moving in the range of 7.76% to 7.91%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.57	8.12	-54.90
3 Year	7.96	8.25	-28.60
5 Year	8.08	8.36	-28.20
10 Year	7.97	8.35	-37.80

Source: Reuters Values as on Aug 28, 2015

- Yield on Gilt Securities fell by up to 4 bps or remained flat across the maturities barring 2, 4, 24 and 30-year papers that rose by up to 2 bps.
- Corporate Bond yields increased by up to 5 bps across the entire maturity bracket except 6, 8 and 9-year papers that closed flat.
- Spread between AAA Corporate Bond and Gilt expanded by up to 7 bps across the maturities. However, 15-year paper contracted by 2 bps.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has approved the merger of Forward Markets Commission with itself. SEBI also announced new norms for commodities derivatives market under which exchanges and brokers in this segment will need to comply with rules applicable to their stock market peers. The new regulations will also come into effect on September 28.
- ❑ According to SEBI, sale and purchase of shares under Employee Stock Options Programme will not be considered as 'trading'. However, SEBI added that companies need to comply with disclosure norms in this regard.
- ❑ SEBI has approved the removal of restriction on the maximum number of anchor investors which is 25 at present for anchor allocation of public issue worth over Rs. 250 crore. The objective of the move is to boost fund raising through primary markets. According to SEBI, there can be 10 additional investors for every additional allocation of Rs. 250 crore, subject to minimum allotment of Rs. 5 crore per anchor investor. However, the requirement of number of anchor investors for allocation of up to Rs. 250 crore remains the same.
- ❑ The Government has allowed developers to divest 100% equity in projects two years after the completion of such schemes. The objective of the move is to help unlock investments worth about Rs. 4,500 crore in the sector. The decision will also help bring implementation of highway projects in the country by making additional funds available for investment in projects.

Regulatory Updates in India (contd..)

- ❑ SEBI is considering ways to make share trading cheaper and less cumbersome for market participants. The regulator is also considering the feasibility of a single clearing corporation for share trades in India or to allow interoperability between clearing corporations.
- ❑ A Development Monitoring and Evaluation Office will soon be set up under the NITI Aayog to keep a check on the Government's flagship programs. This will perform much the same role as the Independent Evaluation Office set up under the erstwhile Planning Commission.
- ❑ The Ministry of Agriculture has proposed an increase in import duty on crude and refined edible oils. The move will help protect farmers' interests. The measure is also expected to provide a level-playing field to domestic oilseed processors.
- ❑ The Ministry of Petroleum and Natural Gas will soon publish formula for a premium on gas prices. The premium would be given on new discoveries. The Government is also working on a plan to auction discovered marginal fields and bring in new oil and gas field bidding round by the end of this fiscal.
- ❑ The Reserve Bank of India (RBI) has asked all scheduled commercial banks to streamline their lending policies for the Micro and Small Enterprises sector. The Central Bank has also asked banks to sanction a 'standby credit facility' to fund unforeseen project cost overruns. The objective of the move is to extend credit speedily so that there is no delay in creation of capital assets. The RBI has also asked banks to have a Credit Proposal Tracking System which will help closely track the application and ensure speedy disposal.

Global News/Economy

- ❑ The U.S. Commerce Department in its report showed that real Gross Domestic Product (GDP) of its economy increased by 3.7% in the second quarter compared to the previously reported 2.3% growth. The upwardly revised second quarter GDP growth also reflects a significant acceleration compared to 0.6% increase in the first quarter.
- ❑ The People's Bank of China lowered its key interest rates and reserve ratio by 25 bps and 50 bps, respectively. As a result, the Central Bank's benchmark one-year lending rate fell to 4.6% and the deposit rate fell to 1.75%. The new rates and reserve ratio are effective from August 26 and September 6, respectively. The Central Bank also infused 140 billion yuan (\$21.8 billion) into the interbank money market via short-term liquidity operations.
- ❑ Durable goods order in the U.S. surprisingly rose by 2.0% in July compared to an upwardly revised 4.1% increase in June. Transportation equipment orders contributed to the rise, surging by 4.7% but slower than 10.7% rise seen in the previous month. Orders for motor vehicles and parts rose by 4.0%.
- ❑ Germany's GDP rose 0.4% on a quarterly basis, similar to the preliminary estimate but higher than the 0.3% increase seen in the March quarter, final data showed. The GDP growth was driven by strong exports. Annually, the GDP growth accelerated to a price-adjusted 1.6% from 1.2% seen in the first quarter. The calendar adjusted GDP also grew 1.6%, higher than 1.1% rise in the previous quarter.
- ❑ Data from the Ministry of Internal Affairs and Communications of Japan showed that the nationwide consumer prices added 0.2% on a yearly basis in July.

Global Equity Markets

Global Indices			
Indices	28-Aug-15	1-Week Return	YTD Return
Dow Jones	16643.01	1.11%	-6.67%
Nasdaq 100	4329.121	3.14%	2.34%
FTSE 100	6247.94	0.97%	-4.58%
DAX Index	10298.53	1.72%	5.47%
Nikkei Average	19136.32	-1.54%	9.92%
Straits Times	2955.94	-0.51%	-12.30%

Source: Reuters Values as on Aug 28, 2015

U.S.

- ▣ The U.S. markets rose over the week following upbeat U.S. GDP data, which grew by 3.7% in the second quarter compared to the previously reported 2.3% growth. Buying interest improved further after durable goods orders increased unexpectedly in July. Strong recovery in new home sales in July and a substantial improvement in consumer confidence in August further boosted sentiments.

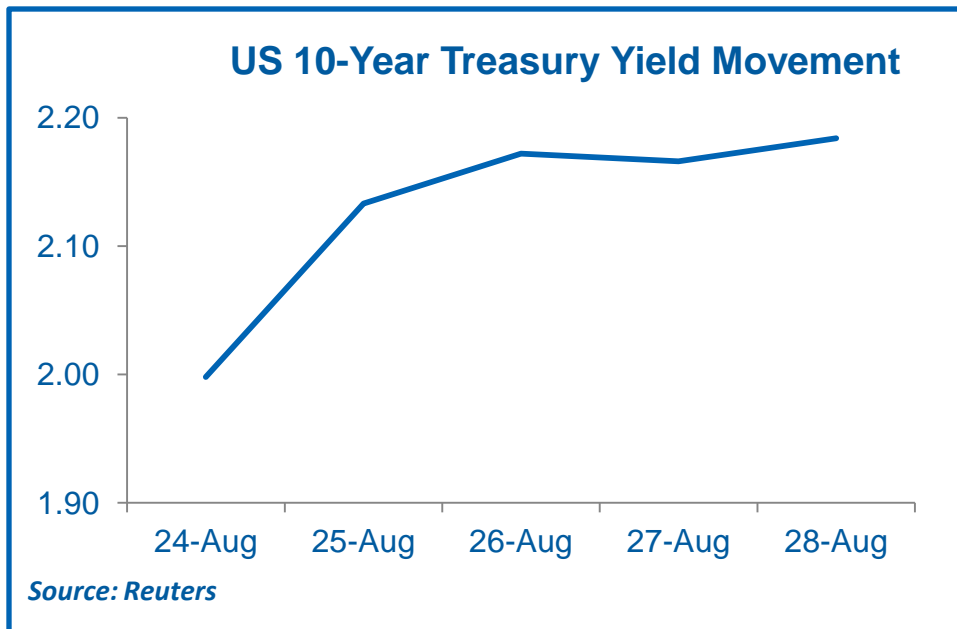
Europe

- ▣ European markets rose during the week after German business confidence improved unexpectedly in August. Meanwhile, Germany's economic growth also improved in the second quarter, driven by strong exports. Sentiments improved further after the People's Bank of China pumped in 140 billion yuan (\$21.8 billion) into the interbank money market via short-term liquidity operations.

Asia

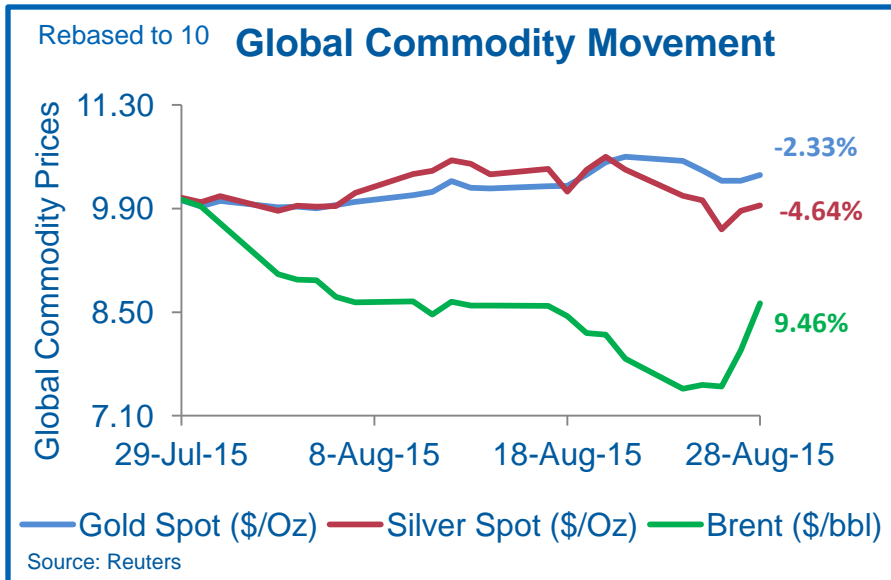
- ▣ Asian markets continued to remain in red over the week amid global growth concerns and fears of a China-led economic slowdown. Meanwhile, consumer price inflation and retail sales data for July in Japan came better than expected and provided some respite to the Japanese bourses.

Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond rose by 13 bps during the week to close at 2.18% compared to the previous week's close of 2.05%.
- Initially, the U.S. Treasury prices rose as concerns over China's economic growth, improved the safe-haven appeal of bonds. However, the trend reversed subsequently after China lowered interest rates, which eased growth concerns. Bond prices fell further following upward revision of the U.S. Gross Domestic Product data for the June quarter which renewed the possibility of a rate hike by the U.S. Federal Reserve in the near term. Rally in domestic equity markets also weighed on treasury prices.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.66	43.54
Gold (\$/Oz)	1133.56	1160.65
Gold (Rs/10 gm)	26371	26802
Silver (\$/Oz)	14.59	15.3
Silver (Rs/Kg)	34181	36229

Source: Reuters Values as on Aug 28, 2015

Gold

- Gold prices fell as concerns over China's economic growth hit the demand outlook of the bullion. Meanwhile, growth of the U.S. economy accelerated in the second quarter which further hit the safe-haven appeal of the bullion.

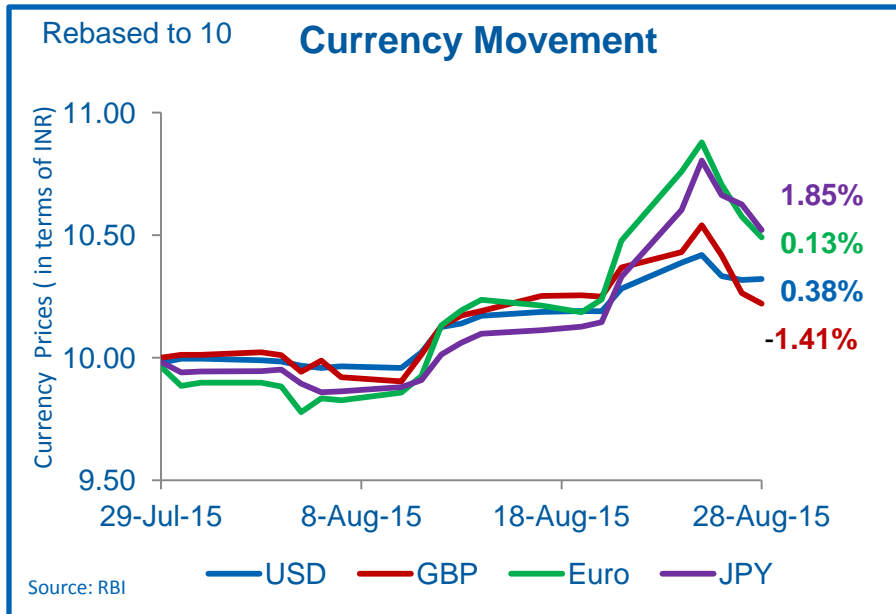
Crude

- Brent crude prices rose as the rebound in European and U.S. equity markets improved the global demand outlook of the commodity. Oil Prices rose further following reports that Venezuela has asked other members of the OPEC for an emergency meeting with Russia to come up with a plan to boost prices.

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	66.08	65.83
Pound Sterling	101.92	103.39
EURO	74.37	74.27
JPY(per 100 Yen)	54.54	53.55

Source: RBI Figures in INR , Values as on Aug 28, 2015

Rupee

- Initially, the rupee plunged against the dollar on concerns over global economic slowdown. However, losses were restricted as lowering of key lending rates by China boosted investor sentiments.

Euro

- The euro fell against the dollar as a policy rate cut by the China's Central Bank eased concerns over China's economy.

Pound

- The pound fell against the dollar following robust U.S. durables goods data for July. Uncertainty about the timing of interest rate hike by the Bank of England widened the losses.

Yen

- Initially, the yen surged against the dollar amid global growth concerns. However, gains were capped after China's Central Bank lowered its key policy rate.

The Week that was...
24th August to 28th August

The Week that was (Aug 24 – Aug 28)

Day	Event	Present Value	Previous Value
Monday, August 24	Japan Leading Economic Index (Jun)	106.5	106.0
	U.S. Chicago Fed National Activity Index (Jul)	0.34	-0.07
Tuesday, August 25	Germany Gross Domestic Product n.s.a (YoY) (Q2)	1.60%	1.60%
	U.S. Markit PMI Composite (Aug)Preliminary	55.0	55.7
	U.S. New Home Sales (MoM) (Jul)	0.507M	0.481M
Wednesday, August 26	U.S. Durable Goods Orders (Jul)	2.00%	4.10%
	U.S. MBA Mortgage Applications (Aug 21)	0.20%	3.60%
Thursday, August 27	U.K. Nationwide Housing Prices n.s.a (YoY) (Aug)	3.20%	3.50%
	U.S. Gross Domestic Product Annualized (Q2)Preliminary	3.70%	2.30%
	U.S. Initial Jobless Claims (Aug 22)	271K	277K
	U.S. Core Personal Consumption Expenditures (QoQ) (Q2)Preliminary	1.80%	1.80%
Friday, August 28	U.K. Gross Domestic Product (YoY) (Q2)Preliminary	2.60%	2.60%
	U.S. Reuters/Michigan Consumer Sentiment Index (Aug)	91.9	92.9
	Germany Consumer Price Index (MoM) (Aug)Preliminary	0.00%	0.20%
	Euro Zone Consumer Confidence (Aug)	-6.9	-7.2

The Week Ahead...
August 31 to May 4

The Week Ahead

Day	Event
Monday, August 31	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Aug)Preliminary <input type="checkbox"/> Germany Retail Sales (MoM) (Jul) <input type="checkbox"/> India Gross Domestic Product (1Q FY16)
Tuesday, May 1	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Manufacturing PMI (Aug) <input type="checkbox"/> U.S. Markit Manufacturing PMI (Aug) <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Aug)
Wednesday, May 2	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. PMI Construction (Aug) <input type="checkbox"/> U.S. ADP Employment Change (Aug) <input type="checkbox"/> U.S. Factory Orders (MoM) (Jul)
Thursday, May 3	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Interest Rate Decision <input type="checkbox"/> U.S. Markit PMI Composite (Aug) <input type="checkbox"/> Euro Zone Markit PMI Composite (Aug)
Friday, May 4	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (YoY) (Q2) <input type="checkbox"/> U.S. Nonfarm Payrolls (Aug) <input type="checkbox"/> U.S. Unemployment Rate (Aug)

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