

# News U Can Use

*January 22, 2016*

The Week that was...  
18<sup>th</sup> January to 22<sup>nd</sup> January

# Indian Economy

- ❑ Government data showed that India's exports contracted for the 13<sup>th</sup> consecutive month in December. Exports plunged 14.75% to \$33.96 billion, while imports slid 3.88% to \$33.96 billion on a yearly basis. Trade deficit widened to \$11.66 billion in December from \$9.18 billion in November. Gold imports increased 179.05% to \$3.80 billion, whereas oil imports fell 33.19% to \$6.65 billion annually.
- ❑ India's economic growth forecast has been retained at 7.50% for both 2016-17 and 2017-18 by the International Monetary Fund (IMF) in its Jan 2016 update of the World Economic Outlook. For the current financial year, the growth for the domestic economy is estimated at 7.3%. However, the growth expectations for world economy have been lowered for the next two years due to subdued demand and diminished prospects. The forecast stood at 3.40% in 2016 and 3.60% in 2017, down 0.20% each from the previous estimates in Oct 2015.
- ❑ The centralised processing centre of the Income Tax (I-T) Department in Bengaluru has processed 3.27 crore returns during the April-December period of the current financial year, 18% higher than 2.65 crore in the year-ago period. The department also issued refunds in 1.81 crore cases, out of which 73% or 1.32 crore cases were issued within 30 days. Till Oct 31, 2015, the number of individuals paying taxes in the income bracket of up to Rs. 1 crore was 2.39 crore. The count in FY14-15, FY13-14, and FY12-13 was 3.66 crore, 3.73 crore, and 3.26 crore, respectively.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	22-Jan-16	1 Week Return	YTD Return
S&P BSE Sensex	24435.66	-0.08%	-6.59%
Nifty 50	7422.45	-0.21%	-6.79%
S&P BSE Mid-Cap	10193.05	-1.46%	-9.36%
S&P BSE Small-Cap	10598.38	-1.71%	-11.24%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.32	20.01	24.29	56.15
P/B	2.68	2.98	2.2	1.8
Dividend Yield	1.47	1.56	1.54	1.12

Source: BSE, NSE

Value as on Jan 22, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
18-Jan-16	143	1450	0.10
19-Jan-16	158	1451	0.11
20-Jan-16	1149	428	2.68
21-Jan-16	224	1352	0.17
22-Jan-16	839	719	1.17

Source: NSE

- Indian equity market touched multi-year low during the week with Sensex and Nifty slipping below the 24,000 and 7,300 levels, respectively. Investor sentiments were dented initially, after India's merchandise exports dropped for the 13th successive month in December.
- Bourses were hit further as the International Monetary Fund slashed global growth forecasts thrice in less than a year. Weakness in Asian markets triggered additional selling pressure.
- However, markets pared most of its losses on the last trading session of the week after the European Central Bank (ECB) retained the region's interest rates and indicated further monetary easing in the near term.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16891.4	-0.32%	-7.10%
S&P BSE Bankex	17625.1	2.25%	-7.86%
S&P BSE CD	11761.5	1.10%	-3.21%
S&P BSE CG	12544.8	1.15%	-10.43%
S&P BSE FMCG	7245.53	-2.72%	-6.70%
S&P BSE HC	15544.8	-0.68%	-5.72%
S&P BSE IT	10867.8	-0.12%	-0.52%
S&P BSE Metal	6661.68	-1.19%	-7.69%
S&P BSE Oil & Gas	9072.65	-3.45%	-2.40%

*Source: Reuters* *Values as on Jan 22, 2016*

- ❑ On the BSE sectoral front, barring S&P BSE Bankex, S&P BSE Consumer Durables and S&P BSE Capital Goods, all the indices closed in the red. S&P BSE Oil & Gas was the major laggard dipping 3.45%, followed by S&P BSE Realty and S&P BSE FMCG that fell 2.74% and 2.72%, respectively.
- ❑ Energy stocks were hit by weakness in global crude oil prices. Concerns over the health of the Chinese economy weighed on the metal sector.

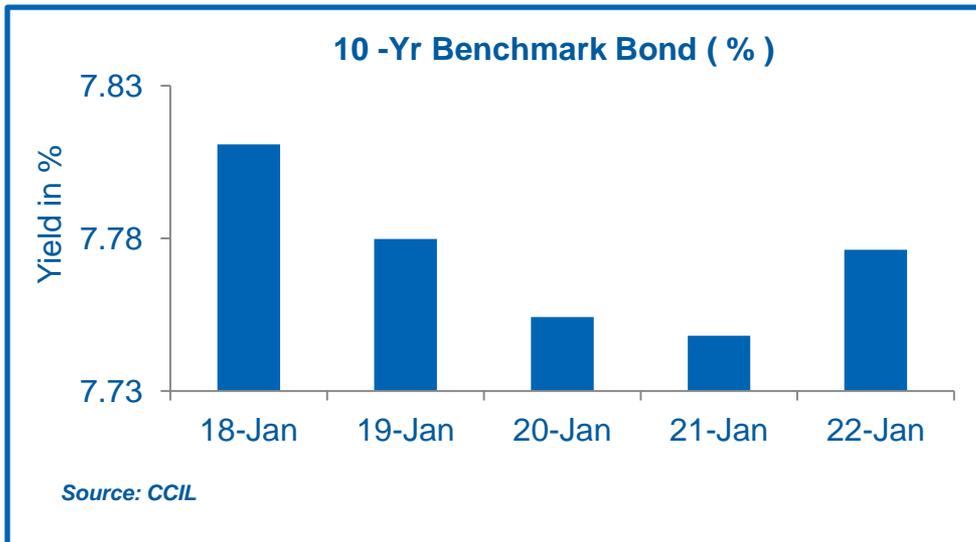
## Indian Derivatives Market Review

- ❑ Nifty Jan 2016 Futures were at 7,430.70, a premium of 8.25 points over the spot closing of 7,422.45 points. The turnover on NSE's Futures and Options segment increased to Rs. 17.07 lakh crore during the week to Jan 22 from Rs. 14.13 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.81, compared with the previous week's close of 0.79.
- ❑ The Nifty Put-Call ratio stood at 0.86, compared with the previous week's close of 0.82.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.92	6.92	6.74	7.07
91 Day T-Bill	7.25	7.25	7.21	7.52
08.27% 2020, (5 Yr GOI)	7.62	7.68	7.71	8.01
07.72% 2025, (10 Yr GOI)	7.78	7.81	7.76	7.83

Source: Reuters Values as on Jan 22, 2016



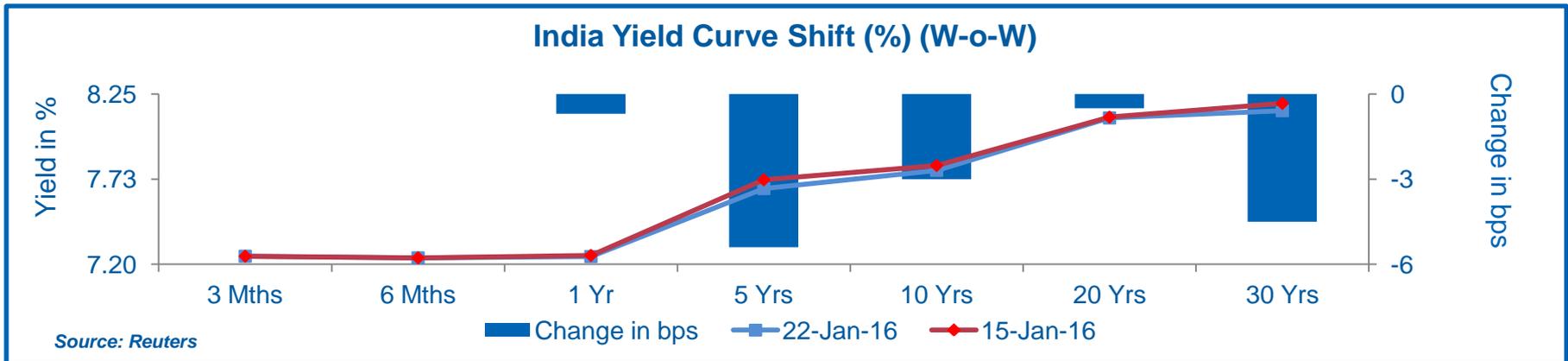
- Bond market started on a steady note, but soon yields dropped on surprise announcement by the Reserve Bank of India (RBI) to purchase up to Rs. 10,000 crore worth of Government securities through open market operations.
- However, gains trimmed later as market participants were disappointed after the RBI witnessed partial devolvement in one Government security at the weekly auction.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, slid 3 bps to close at 7.78% compared with the previous week's close of 7.81%. During the week, bond yields traded in the range of 7.74% to 7.82%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.39	8.08	69
3 Year	7.59	8.15	57
5 Year	7.83	8.24	41
10 Year	8.02	8.38	36

Source: Reuters Values as on Jan 22, 2016

- Yield on Gilt Securities dropped across the maturities up to 8 bps, barring 15- and 19-year papers that were flat.
- Corporate Bond yields also dropped across the maturities up to 6 bps, except 1-year that rose 2 bps.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, expanded up to 6 bps across all maturities except 6- and 15-year papers that contracted up to 2 bps.



# Regulatory Updates in India

- ❑ Consumers might end up paying more toward electricity bill due to an amendment passed by the Union Cabinet in the Power Tariff Policy. As per the new rule, producers can pass on the additional charges relating to domestic duties, levies, cess, and taxes to the consumers. Buyers will also have to bear the additional cost for coal imports, if required. The amended rule allows the producers to add capacities via automatic route.
- ❑ A high-level panel has recommended simplification of income tax laws in a 78-page draft report to enhance and rationalise threshold limits along with lower rates of Tax Deduction at Source (TDS). Provisions in TDS have been tedious and need to be made more tax friendly.
- ❑ With regards to Investor Protection and Education Fund (IPEF), Securities Exchange Board of India (SEBI) has directed all mutual fund houses to deposit 50% of the unutilised amount of 0.02% of net assets as on Mar 2016, with Association of Mutual Funds in India (AMFI). The aim of the capital market regulator is to use the unutilise amount to create more awareness among investors. The issue will be taken up at the board meeting of AMFI.
- ❑ According to the RBI Governor, Government's economic reforms are moving in the right direction, but mentioned that some of the existing regulations are outdated.

## Regulatory Updates in India (contd..)

- ❑ Government will levy 0.50% Swachh Bharat Abhiyan cess on petrol, diesel, and telecom services, similar to what was levied on taxable services since Nov 15. Cess of 1.00% may also be levied on accumulated waste produced by mineral generation plants along with a 0.50% rise in service tax. The Government is also looking to launch long-term tax-free Swachh Bharat bonds to raise funds.
- ❑ According to the Reserve Bank of India (RBI) notification, women Self-Help Group (SHG) in rural areas can avail loans from banks at a subsidised rate during 2015-16. The interest rate applicable for the group will be 7.00% on a maximum loan amount of Rs. 3 lakh, under the National Rural Livelihoods Mission (NRLM)-Aajeevika scheme. The facility will be available in 150 districts across India. An additional 3.00% grant will be rewarded in case of prompt repayments.
- ❑ The RBI directed the banks that the number of transactions under each pension account should not exceed more than 14 (commissionable) in a calendar year for retirement and arrear payments. Agency banks are compensated at Rs. 65 per transaction for handling pension computation, payment, and related services on behalf of central and state Governments. The central bank reiterated the limit to restrict the inflated agency commission claims.

# Global News/Economy

- ❑ The International Monetary Fund lowered current and next years' growth projections of the global economy as gradual expansion in the business activities of the emerging and developing countries are likely. Slowing Chinese economy and lower commodity prices will be the negative catalysts. Currently, the growth rates expected for 2016 and 2017 are 3.40% and 3.60%, down from previously expected growth rates of 3.60% and 3.80%, respectively. The authority expects advanced economies to witness an uneven, but modest recovery.
- ❑ U.S.' core consumer prices dropped slightly in December, which was unexpected. According to the U.S. Labor Department, consumer price index (CPI) slipped 0.10% in December, compared with 0.20% growth noticed in the last three consecutive months.
- ❑ As expected, the European Central Bank (ECB) made no changes to the interest rates. Hence, the main lending rate continues to be at the record low level of 0.05%. The deposit rate and the marginal lending rate would remain at -0.30% and 0.30%, respectively. According to the ECB President, the rates will remain constant for an extended period. But he has hinted for some more stimulus package in March to boost growth in the euro area.
- ❑ National Bureau of Statistics reported that the Chinese economy has witnessed the slowest pace of growth in 25 years. Economic growth in 2015 was 6.90%, lowest since 1990, as against 7.30% in the previous year and the Government's target of 7.00%. Gross domestic product increased 6.80% YoY in the fourth quarter, compared with 6.90% growth in the third quarter.

# Global Equity Markets

Global Indices			
Indices	22-Jan-16	1-Week Return	YTD Return
Dow Jones	16093.51	0.66%	-6.15%
Nasdaq 100	4259.773	2.87%	-5.29%
FTSE 100	5900.01	1.65%	-3.17%
DAX Index	9764.88	2.30%	-5.04%
Nikkei Average	16958.53	-1.10%	-8.09%
Straits Times	2577.09	-2.04%	-9.13%

*Source: Reuters Values as on Jan 22, 2016*

## Europe

- European markets witnessed pressure initially on concerns over slow-down in the Chinese economy and continuous fall in global crude oil prices. However, the trend reversed following expectations of more stimulus measures by the ECB.

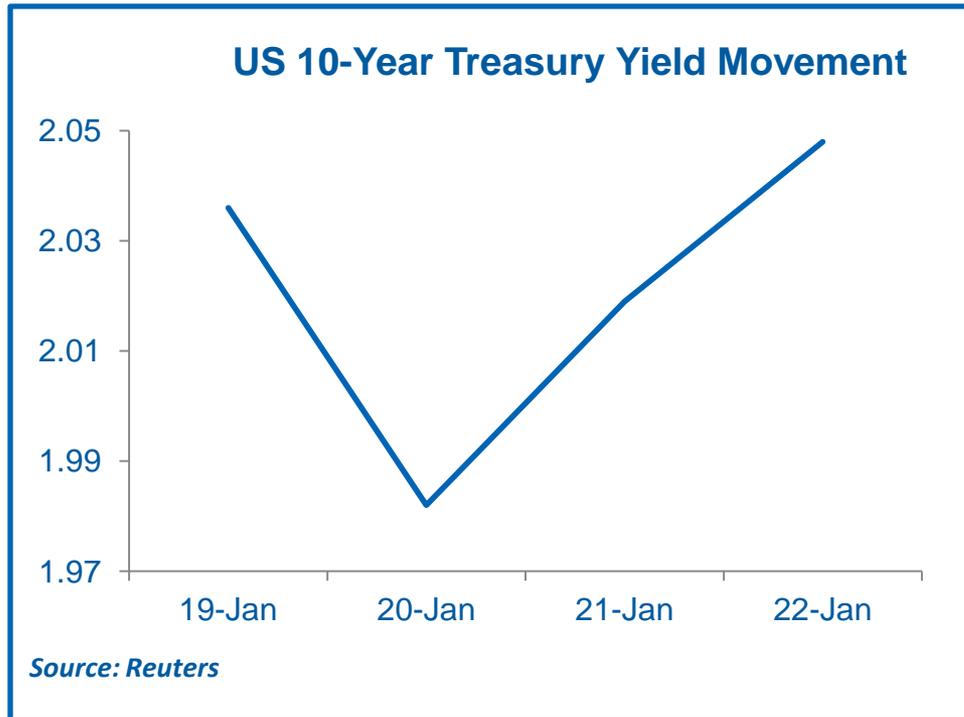
## Asia

- Asian markets fell over the week after Chinese GDP data came to its lowest in 25 years. Sentiments also dampened after China's Securities Regulatory Commission approved a new batch of initial public offerings under a new IPO registration system. However, downside was limited on expectations of stimulus measures by the ECB. Sentiments improved after Chinese Government clarified not to devalue the yuan further.

## U.S.

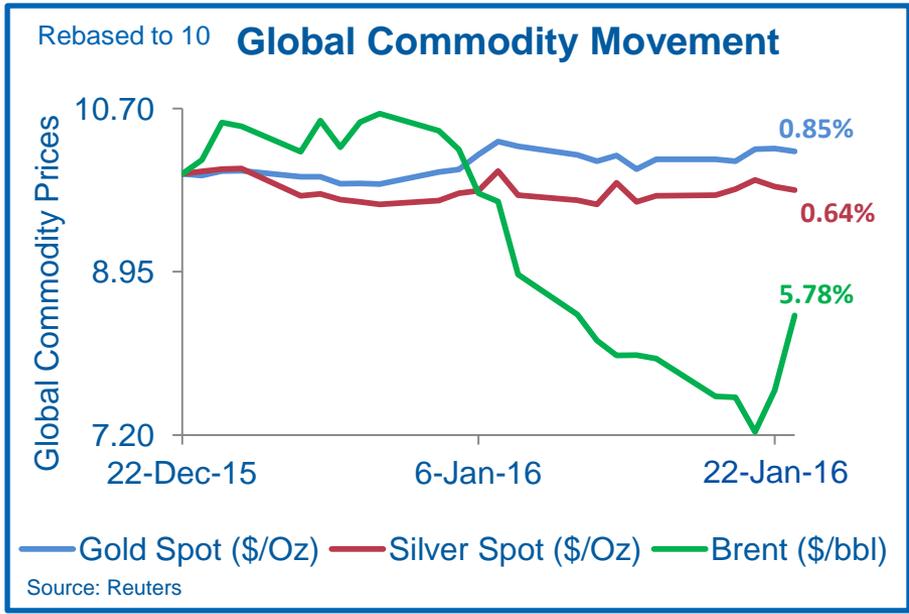
- U.S. markets remained under pressure initially as concerns over global economic growth and slow down in Chinese economy weighed on the market. Sentiments dampened further following weak U.S. consumer price index and new housing starts data. However, bourses recovered later to close in green after the ECB stated that it might consider stimulus monetary measure in its next policy review scheduled in early March.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond increased 2 bps to close at 2.05%, compared with the previous week's close of 2.03%.
- The U.S. Treasury prices initially increased following consistent drop in crude oil prices. This raised concerns over global economic growth and drove investors to safer assets like U.S. debt.
- Soon, Treasuries prices reversed and started falling as rebound in domestic equity and oil markets lowered the demand for low-risk Government debt.
- Moreover, the ECB indicated that it will review its monetary policy stance in March meeting, which increased selling in U.S. treasury prices.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	30.2	28.55
Gold (\$/Oz)	1097.91	1088.71
Gold (Rs/10 gm)	26186	25576
Silver (\$/Oz)	14.01	13.92
Silver (Rs/Kg)	34110	33100

Source: Reuters Values as on Jan 22, 2016

## Gold

- Gold prices rose during the week as concerns over global economic health prompted investors to shun riskier assets like stocks. However, the upturn was restricted as the safe haven appeal of the bullion was hit after the ECB retained the region's interest rates and indicated further monetary easing in the near term.

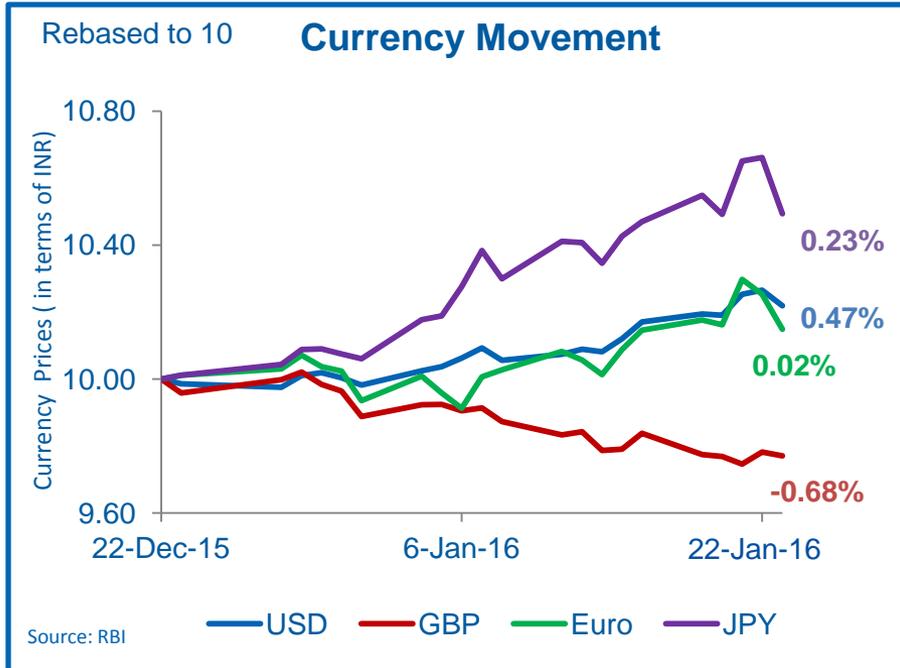
## Crude

- Brent Crude prices were hit initially as lifting of sanctions against Iran's nuclear project led to concerns of a deepening of supply glut. However, oil prices recovered later as dovish comments from the ECB Chief improved the demand outlook.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.75	67.43
Pound Sterling	96.45	97.11
EURO	73.41	73.39
JPY(per 100 Yen)	57.38	57.25

Source: RBI Figures in INR , Values as on Jan 22, 2016

## Rupee

- The rupee fell against the U.S. dollar amid concerns of a China-led global economic slowdown.

## Euro

- The euro weakened against the U.S. dollar after the ECB indicated that it will review its monetary policy stance in March meeting.

## Pound

- Sterling initially weakened against the U.S. dollar on dovish comments by Bank of England Governor. However, the GBP later gained on unexpected fall in U.K. unemployment rate in November.

## Yen

- The yen weakened against the U.S. dollar as risk sentiment improved on hopes of additional stimulus measures from the ECB and Chinese Government.

The Week that was...  
18<sup>th</sup> January to 22<sup>nd</sup> January

# The Week that was (Jan 18 – Jan 22)

Date	Events	Present Value	Previous Value
Monday, January 18, 2016	U.K. Rightmove House Price Index (MoM) (Jan)	0.50%	-1.10%
	Japan Industrial Production (MoM) (Nov)	-0.90%	-1.00%
Tuesday, January 19, 2016	China Gross Domestic Product (QoQ) (Q4)	1.60%	1.80%
	China Retail Sales (YoY) (Dec)	11.10%	11.20%
	China Industrial Production (YoY) (Dec)	5.90%	6.20%
	Eurozone Consumer Price Index (MoM) (Dec)	0.00%	-0.10%
Wednesday, January 20, 2016	U.K. ILO Unemployment Rate (3M) (No)	5.10%	5.20%
	U.S. Housing Starts (MoM) (Dec)	1.149M	1.179M
	U.S. Building Permits (MoM) (Dec)	1.232M	1.289M
Thursday, January 21, 2016	European Central Bank Monetary Policy Review	0.05%	0.05%
	U.S. Initial Jobless Claims (Jan 15)	293K	283K
	Eurozone Consumer Confidence (Jan)Preliminary	-6.30	-5.70
Friday, January 22, 2016	Japan Nikkei Manufacturing PMI (Jan)Preliminary	52.40	52.60
	Eurozone Markit PMI Composite (Jan)Preliminary	53.50	54.30
	U.S. Markit Manufacturing PMI (Jan)Preliminary	52.70	51.20
	Germany Markit PMI Composite (Jan)Preliminary	54.50	55.50
	U.K. Retail Sales (MoM) (Dec)	-1.00%	1.30%

The Week Ahead...  
January 25 to January 29

# The Week Ahead

Day	Event
<b>Monday, Jan 25</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany IFO - Business Climate (Jan)</li> <li><input type="checkbox"/> Japan Leading Economic Index (Nov)</li> <li><input type="checkbox"/> U.S. Dallas Fed Manufacturing Business Index (Jan)</li> </ul>
<b>Tuesday, Jan 26</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Markit PMI Composite (Jan) Preliminary</li> <li><input type="checkbox"/> U.S. Housing Price Index (MoM) (Nov)</li> <li><input type="checkbox"/> U.S. Consumer Confidence (Jan)</li> </ul>
<b>Wednesday, Jan 27</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. New Home Sales Change (MoM) (Dec)</li> <li><input type="checkbox"/> U.S. Federal Reserve Monetary Policy Review</li> </ul>
<b>Thursday, Jan 28</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q4) Preliminary</li> <li><input type="checkbox"/> U.S. Durable Goods Orders (Dec)</li> <li><input type="checkbox"/> Germany Consumer Price Index (MoM) (Jan) Preliminary</li> </ul>
<b>Friday, Jan 29</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Jan) Preliminary</li> <li><input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q4) Preliminary</li> <li><input type="checkbox"/> Bank of Japan Interest Rate Decision</li> </ul>

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