

# News U Can Use

*January 08, 2016*

The Week that was...  
04<sup>th</sup> January to 08<sup>th</sup> January

# Indian Economy

- According to Nikkei, India's Services Purchasing Managers' Index surged to 10-month high and stood at 53.6 in December compared to 50.1 in November due to rise in new business sub-index. The sub-index that measures demand rose to 53.8 from 51.0.
- India's Nikkei Manufacturing Purchasers' Managers Index (PMI) in December contracted for the first time in more than two years. The manufacturing index fell to 49.1 in December from 50.3 in November. New orders index fell at the sharpest pace since 2009, heavily impacted by the incessant rainfalls in Chennai. On a positive side, prices of both input and output costs increased while consumer goods was the only sub-sector to see improvement in production and new orders.
- Government's tax revenue for the current financial year till December stood at Rs. 9.5 lakh crore, Revenue Secretary said. The first nine months' tax revenue was 66% of the budget estimate for FY15-16. In the last Union Budget, the Government had set a target to collect Rs. 6.46 lakh crore through indirect taxes and Rs. 7.97 lakh crore through direct taxes in the current financial year.
- World Bank expects India to be the fastest growing economy in the coming three years aided by the country's reforms relating to increased foreign direct investments in several sectors. For 2016, India is projected to grow 7.3%, same as the previous year, mainly due to concerns over legislative reforms. But the growth is expected to accelerate to 7.8% in 2017 buoyed by stronger domestic policy reforms.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	08-Jan-16	1 Week Return	YTD Return
S&P BSE Sensex	24934.33	-4.69%	-4.69%
Nifty 50	7601.35	-4.54%	-4.54%
S&P BSE Mid-Cap	10992.26	-2.25%	-2.25%
S&P BSE Small-Cap	11651.97	-2.42%	-2.42%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.53	20.56	25.39	60.27
P/B	2.71	3.05	2.31	1.94
Dividend Yield	1.45	1.52	1.43	1.01

Source: BSE, NSE

Value as on Jan 08, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
04-Jan-16	533	1063	0.50
05-Jan-16	1099	478	2.30
06-Jan-16	622	957	0.65
07-Jan-16	194	1409	0.14
08-Jan-16	1231	343	3.59

Source: NSE

- Indian equity markets plunged significantly over the week. Weakness in crude oil prices and poor services PMI from China raised investor concerns over the health of the global economy. In addition, developments in North Korea also dampened sentiment. The biggest plunge of the week was witnessed on January 7 when Sensex shed more than 500 points after the People's Bank of China devalued the nation's currency.
- However, some respite was seen on the last trading day on the back of firm Asian cues. Asian markets moved higher after China suspended its market circuit breaker system and set a firmer midpoint rate for the yuan.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17383.9	-6.99%	-5.66%
S&P BSE Bankex	18368.5	-5.55%	-4.42%
S&P BSE CD	12030.4	-0.09%	0.06%
S&P BSE CG	13287.1	-6.89%	-5.83%
S&P BSE FMCG	7580.98	-3.74%	-0.69%
S&P BSE HC	16277.8	-3.94%	-0.93%
S&P BSE IT	10777	-2.23%	0.86%
S&P BSE Metal	7123.44	-4.33%	1.92%
S&P BSE Oil & Gas	9571.69	-0.29%	5.62%

*Source: Reuters* *Values as on Jan 08, 2016*

- On the BSE sectoral front, all the indices closed in the red and S&P BSE Auto was the biggest laggard after delivering return of -6.99%, followed by S&P BSE Capital Goods (-6.89%) and S&P Bankex (-5.55%).
- Metal sector also witnessed selling pressure amid concerns over weak PMI data in China. Telecom stocks were also hit following Telecom Regulatory Authority of India wrote to operators to ensure compliance with call drop regulations, which became effective from January 1.

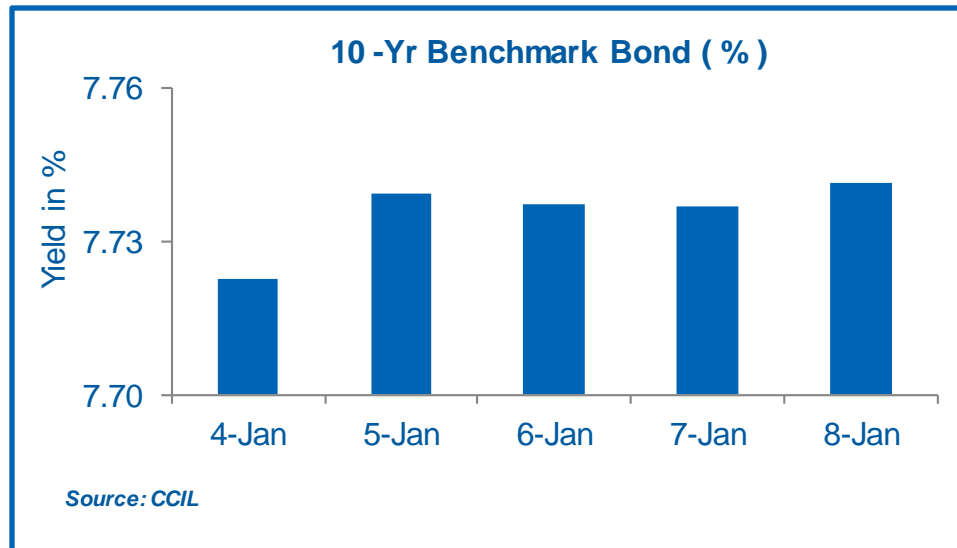
## Indian Derivatives Market Review

- Nifty January 2016 Futures were at 7,605.20 points, a premium of 3.85 points against the spot closing of 7,601.35 points. The turnover on NSE's Futures and Options segment fell to Rs. 10.91 lakh crore during the week ended January 08 from Rs. 14.20 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.77, compared to the previous week's close of 0.63.
- The Nifty Put-Call ratio stood at 0.82, compared to the previous week's close of 0.77.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.95	6.73	6.65	7.07
91 Day T-Bill	7.20	7.14	7.18	7.54
08.27% 2020, (5 Yr GOI)	7.62	7.64	7.77	7.95
07.72% 2025, (10 Yr GOI)	7.74	7.73	7.79	7.78

Source: Reuters Values as on Jan 08, 2016



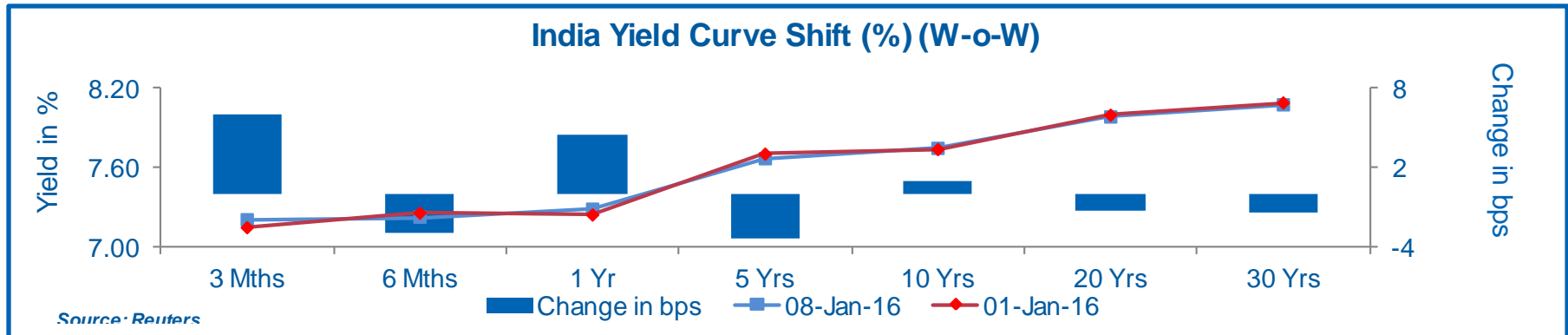
- Bond yields hardly moved during the week. Initially, yields eased on short covering as investors were clueless about the demand for Government debt at an auction of unutilised foreign investment limit amid sharp fall in Chinese equity markets.
- Bond yields fell later after the new 10-year paper was announced, but weakness in Indian rupee and profit booking reversed gains. Lack of any domestic triggers also kept investors away from taking any firm positions.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, inched up by 1 bps to close at 7.74% compared to the previous week's close of 7.73%. During the week, bond yields traded in the range of 7.71% to 7.76%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.42	8.00	58
3 Year	7.65	8.13	48
5 Year	7.82	8.25	43
10 Year	7.96	8.33	37

Source: Reuters Values as on Jan 08, 2016

- Yield on gilt securities fell across maturities up to 11 bps barring 1-, 8- and 10-year that increased by 4 or 1 bps. The yield on 24-year paper remained flat.
- Corporate bond yields fell across maturities in the range of 2 to 11 bps.
- Difference in spread between AAA corporate bond and gilt, over the week, contracted up to 12 bps across all maturities except 10-year that expanded by 2 bps.



# Regulatory Updates in India

- ❑ Central Board of Direct Taxation (CBDT) notified norms under which cash receipts, purchase of shares, mutual funds, immovable property, term deposits and sale of foreign currency will have to be reported to income tax authorities in a prescribed format (Form 61A). The change will become effective from April 1. The move is expected to check black-money flow in the economy.
- ❑ The Government eradicated export duty of 5% on iron ore pellets to boost overseas shipments. The strategy will help the iron pellet manufacturing companies to expand capacities amid concerns regarding global price decline for the steel-making raw material.
- ❑ The Central Government revised the dividend policy for central public sector enterprises (CPSE). According to the new policy, a CPSE will distribute 30% of its profit after tax (PAT) or central Government's equity as annual dividend, whichever is higher. A CPSE will have to declare a special dividend as a return for its equity investments, and one with large cash reserves will also have to issue bonus shares. The change in policy will increase the central Government's dividend income.



## Regulatory Updates in India (contd..)

- ❑ The Indian Government decided to stop sampling of consignments of general food items before they enter India. The move will ease port clearance of imported food items, although risk-based sampling would remain to ascertain conformity. It will bring India at par with international standards that aims at making cross country trade simpler for food products that don't involve serious health issues.
- ❑ The Central Government will come up with two portals namely 'Infracon' and 'ePace' that will provide all necessary details regarding highway projects. This will ensure more transparency and efficiency in infra development programs. Infracon will have all the information about individual consultants and consultation firms, while ePace will help people know about highway projects status, funding, and other details.
- ❑ The National Highways Authority of India (NHAI) will disallow private players who are termed as non-performers or non-serious players from bidding fresh projects to accelerate road construction. The new norms have come into effect from January 1, 2016. If any concessionaire delays construction beyond the extended deadline and drags it more than the stipulated six months or fails to infuse its share of equity in ongoing works will be barred from fresh bidding.

## Global News/Economy

- The World Bank has lowered the global growth projection for 2016 and 2017. According to the authority, improvements by the advanced economies will get jeopardized by anemic recovery in certain major emerging regions. Current growth outlook for 2016 is 2.9%, down from the earlier estimate of 3.3%, whereas global growth outlook for 2017 has been inched down to 3.1% from the previously expected 3.2%.
- Data from Markit showed that China's manufacturing sector weakened in December, driven by feeble orders and drop in output. The Caixin Purchasing Managers' Index (PMI) decreased from 48.6 in November to 48.2 in December. The official PMI also stood 49.7 in December from 49.6 in November.
- According to Markit's survey result, Eurozone's manufacturing activity grew at an accelerated pace in December 2015, reaching highest level since April 2014. The final manufacturing Purchasing Managers' Index was 53.2 in December compared with 52.8 in November. Lower input costs, order growth, and improving export business led to the growth.
- The U.S. non-farm payroll employment jumped by 292,000 jobs in December, which was much higher than market expectation. Employment in October and November was upwardly revised to 307,000 jobs and 252,000 jobs, respectively. Meanwhile, the unemployment rate held steady at 5.0% in December compared to the previous month.

# Global Equity Markets

Global Indices			
Indices	08-Jan-16	1-Week Return	YTD Return
Dow Jones	16346.45	-6.19%	-4.68%
Nasdaq 100	4270.782	-7.02%	-5.05%
FTSE 100	5912.44	-5.28%	-2.97%
DAX Index	9849.34	-8.32%	-4.22%
Nikkei Average	17697.96	-7.02%	-4.08%
Straits Times	2751.23	-4.56%	-2.99%

*Source: Reuters Values as on Jan 08, 2016*

## Europe

- European markets fell, tracking weak cues from Chinese markets. Disappointing manufacturing data from China in December renewed concerns over the health of the nation. Meanwhile, buying interest was impacted by euro zone inflation number, which remained stable in December.

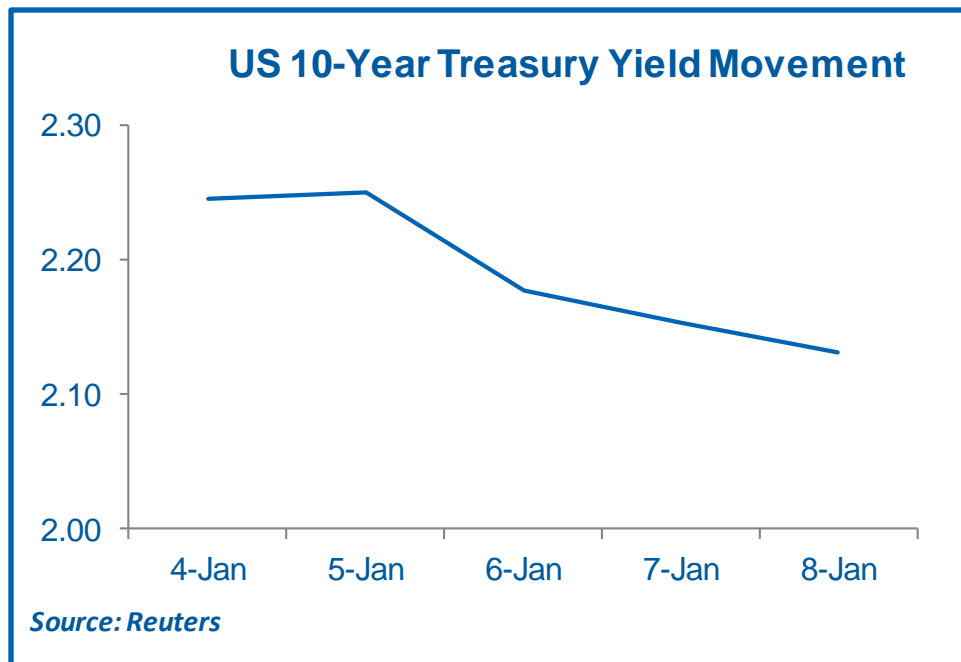
## Asia

- Asian markets fell with Chinese markets witnessing sharp sell-off. The Shanghai Composite Index registered a 9.97% fall on weekly basis and triggered market's circuit breaker. Bourses took a hit following concerns over economic slowdown in China. Besides, a substantially lower fixing of the Chinese currency by the nation's central bank prompted investors to sell off riskier assets.

## U.S.

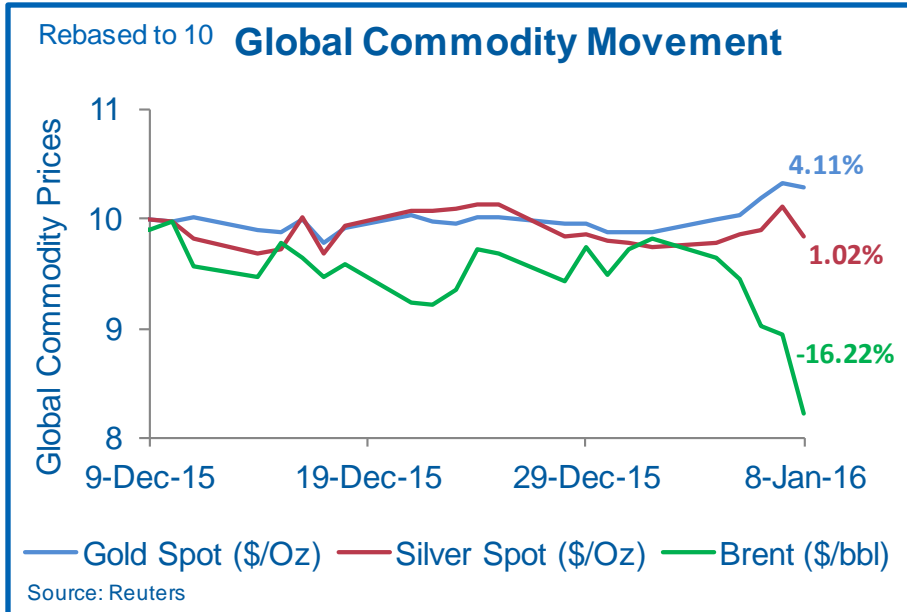
- U.S. equity markets remained under pressure as concerns over global economic slowdown weighed on investor sentiments. Bourses took a hit after U.S. ISM manufacturing PMI showed a continued contraction in December, falling to its lowest level since June 2009. Weakness in global crude oil prices, coupled with economic slowdown in China further triggered selling pressure.

## Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell by 15 bps to close at 2.13%, compared to the previous week's close of 2.28%.
- U.S. Treasury prices fell after slump in Chinese equity markets raised concerns over global growth and improved the safe haven appeal of the U.S. Government debt.
- Prices gained further as fall in international crude oil prices indicated lack of inflationary pressures, which could slowdown the pace of the U.S. Federal Reserve interest rate hikes in 2016.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	31.76	37.91
Gold (\$/Oz)	1103.84	1060.24
Gold (Rs/10 gm)	25858	25042
Silver (\$/Oz)	13.93	13.79
Silver (Rs/Kg)	33469	32989

Source: Reuters Values as on Jan. 08, 2016

## Gold

- Gold prices started on a strong note as global risk aversion, following economic growth concerns in China, boosted the safe haven appeal of the metal. Tensions in the Middle East and Korea also contributed to the rise.

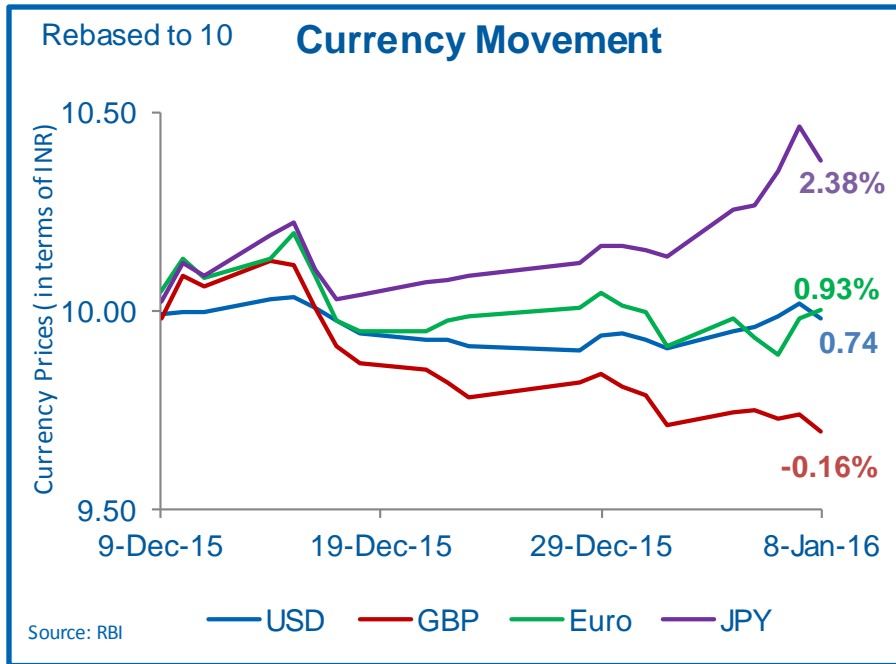
## Crude

- Brent crude prices continued with the downward trend and posted negative return over the week as persistent concern of supply glut and a weak demand outlook weighed on sentiments. Prices touched a new multi-year low level after yuan devaluation by the People's Bank of China renewed concern of China's growth slowdown.

## 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	66.67	66.18
Pound Sterling	97.45	97.61
EURO	72.53	71.86
JPY(per 100 Yen)	56.32	55.01

Source: RBI Figures in INR, Values as on Jan 08, 2016

## Rupee

- The Indian rupee weakened following sell-off in Chinese shares, depreciation of yuan and on concerns over North Korea's nuclear test.

## Euro

- Euro fell initially against the dollar after downbeat German and euro zone inflation along with better U.S. jobs data in December. However, losses reversed due to the positive impact of Chinese yuan stabilization on the dollar.

## Pound

- Sterling fell notably against the dollar on fear of U.K.'s exit from the euro zone and fall in service PMI. The PMI fall increased expectations that a rate hike by the Bank of England will not happen until 2017.

## Yen

- Yen surged against the dollar on safe haven appeal as disappointing Chinese manufacturing data, fall in yuan and sell-off in Chinese equity markets.

The Week that was...  
04<sup>th</sup> January to 08<sup>th</sup> January

# The Week that was (Jan 04 – Jan 08)

Day	Event	Present Value	Previous Value
Monday, January 04, 2016	Japan Nikkei Manufacturing PMI (Dec)	52.6	52.5
	China Caixin Manufacturing PMI (Dec)	48.2	48.6
	Euro Zone Markit Manufacturing PMI (Dec)	53.2	53.1
	U.S. ISM Manufacturing PMI (Dec)	48.2	48.6
	Germany Consumer Price Index (MoM) (Dec) Preliminary	-0.10%	0.10%
Tuesday, January 05, 2016	Euro Zone Consumer Price Index (YoY) (Dec) Preliminary	0.20%	0.20%
	U.K. PMI Construction (Dec)	57.8	55.3
Wednesday, January 06, 2016	China Caixin China Services PMI (Dec)	50.2	51.2
	Euro Zone Markit PMI Composite (Dec)	54.3	54.0
	U.S. ADP Employment Change (Dec)	257K	211K
Thursday, January 07, 2016	Euro Zone Unemployment Rate (Nov)	10.50%	10.60%
	Euro Zone Retail Sales (MoM) (Nov)	-0.30%	-0.20%
	U.S. Initial Jobless Claims (Jan 1)	277K	287K
Friday, January 08, 2016	U.S. Unemployment Rate (Dec)	5%	5%
	U.S. Nonfarm Payrolls (Dec)	292K	252K



The Week Ahead...  
January 11 to January 15

# The Week Ahead

Day	Event
Monday, January 11	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Sentix Investor Confidence (Jan)</li> </ul>
Tuesday, January 12	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Industrial Production (MoM) (Nov)</li> <li><input type="checkbox"/> U.K. NIESR GDP Estimate (3M) (Dec)</li> <li><input type="checkbox"/> India Index of Industrial Production (Nov)</li> <li><input type="checkbox"/> India Consumer Price Index (Dec)</li> </ul>
Wednesday, January 13	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Trade Balance (Dec)</li> <li><input type="checkbox"/> Euro Zone Industrial Production s.a. (MoM) (Nov)</li> </ul>
Thursday, January 14	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank of England Interest Rate Decision</li> <li><input type="checkbox"/> India Wholesale Price Index (Dec)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Jan 8)</li> </ul>
Friday, January 15	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Dec)</li> <li><input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Jan) Preliminary</li> <li><input type="checkbox"/> Germany Wholesale Price Index (MoM) (Dec)</li> <li><input type="checkbox"/> U.S. Producer Price Index (MoM) (Dec)</li> </ul>

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