

News U Can Use

January 15, 2016

The Week that was...
11th January to 15th January

Indian Economy

- ❑ Consumer Price Index (CPI) based inflation for December increased to 5.61% compared with 5.41% in November. In the year-ago period it was 4.28%. This was the highest level of retail inflation since January 2015 when the Government adopted a new base year. The Consumer Food Price inflation consequently went up to 6.40% in December from 6.07% sequentially and 3.96% yearly. The rise in retail inflation came on the back of increasing food prices, especially pulses, which rose 45.92% over the year.
- ❑ Index of Industrial Production (IIP) fell for the first time in 13 months in November 2015 as the annual industrial output decreased 3.2% compared with a nearly 5-year high increase of 9.9% (revised upwards from 9.8%) in Oct. IIP for August 2015 has been revised downwards from 6.4% to 6.3%. The cumulative industrial growth for April-November 2015 over the year-ago period stood at 3.9%. Among the major sectors, manufacturing fell by 4.4% in November after growing 10.6% in Oct. Mining activities went up 2.3%, while electricity generation increased 0.7% during the same period.
- ❑ Wholesale Price Index (WPI) based inflation fell for the 14th consecutive month in December. WPI decreased 0.73% in December compared with the 1.99% fall in November. WPI in the year-ago period had gone down 0.50%. WPI for October was revised to -3.70% from -3.81%. However, the rate of contraction for December slowed as WPI for food articles went up 8.17% compared with 5.20% in November.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 15-Jan-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 24455.04 | -1.92% | -6.52% |
| Nifty 50 | 7437.8 | -2.15% | -6.60% |
| S&P BSE Mid-Cap | 10343.73 | -5.90% | -8.02% |
| S&P BSE Small-Cap | 10782.88 | -7.46% | -9.70% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | CNX Nifty | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|-----------|-----------------|-------------------|
| P/E | 18.38 | 20.12 | 24.75 | 58.07 |
| P/B | 2.69 | 2.98 | 2.25 | 1.87 |
| Dividend Yield | 1.46 | 1.55 | 1.46 | 1.05 |

Source: BSE, NSE

Value as on Jan 15, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 11-Jan-16 | 1231 | 343 | 3.59 |
| 12-Jan-16 | 578 | 994 | 0.58 |
| 13-Jan-16 | 436 | 1135 | 0.38 |
| 14-Jan-16 | 298 | 1293 | 0.23 |
| 15-Jan-16 | 382 | 1190 | 0.32 |

Source: NSE

- ❑ Indian equity market fell over the week as concerns over China's slowing growth weighed on other Asian markets.
- ❑ Sentiments remained subdued after India's consumer inflation edged up for the fifth straight month in December mainly due to high food prices. A fall in factory output in November also played spoil sport.
- ❑ India's Index of Industrial Production (IIP) contracted 3.2% in November, while retail inflation increased to a 15-month high of 5.61% in December.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|---------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 16946.5 | -2.52% | -6.51% |
| S&P BSE Bankex | 17237.7 | -6.16% | -7.77% |
| S&P BSE CD | 11634.1 | -3.29% | -3.55% |
| S&P BSE CG | 12401.6 | -6.66% | -10.73% |
| S&P BSE FMCG | 7448.28 | -1.75% | -4.10% |
| S&P BSE HC | 15651.1 | -3.85% | -4.14% |
| S&P BSE IT | 10880.7 | 0.96% | 0.35% |
| S&P BSE Metal | 6741.65 | -5.36% | -4.41% |
| S&P BSE Oil & Gas | 9396.73 | -1.83% | 3.70% |

Source: Reuters *Values as on Jan 15, 2016*

- On the BSE sectoral front, barring S&P BSE IT, all other indices closed on a negative note. S&P BSE Realty was the top loser, dropping 7.76%. The other big laggards were S&P BSE Capital Goods (-6.66%), S&P BSE Power (-6.45%) and S&P BSE Bankex (-6.16%).
- Banking shares remained under selling pressure on hopes that October-December (Q3FY16) will be toughest quarters, particularly for PSU banks due continue asset quality pressure.

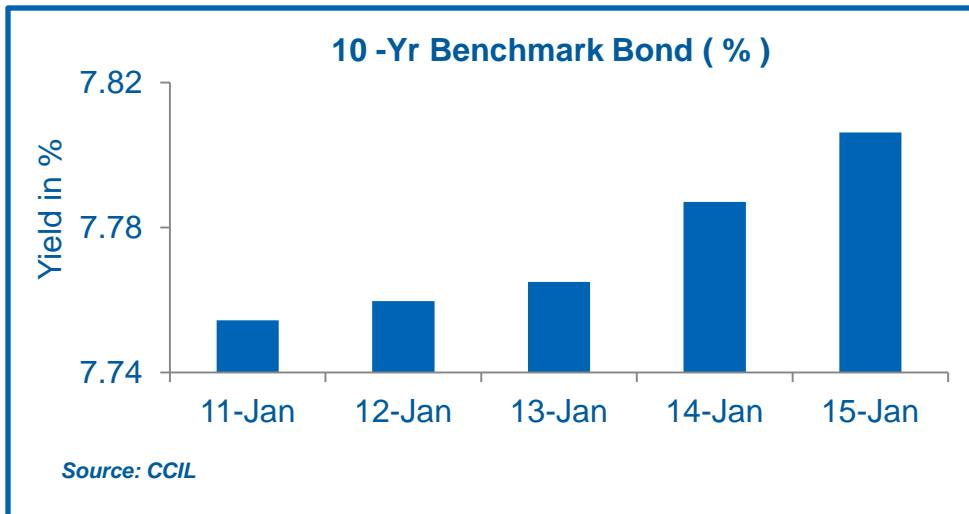
Indian Derivatives Market Review

- Nifty January 2016 Futures were at 7,446.25, a premium of 8.45 points over the spot closing of 7,437.80 points. The turnover on NSE's Futures and Options segment rose to Rs. 14.13 lakh crore during the week ended January 15 from Rs. 10.91 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.79, compared with the previous week's close of 0.77.
- The Nifty Put-Call ratio remained unchanged compared with the previous week's close and stood at 0.82.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.92 | 6.95 | 6.69 | 7.07 |
| 91 Day T-Bill | 7.25 | 7.20 | 7.19 | 7.52 |
| 08.27% 2020 , (5 Yr GOI) | 7.68 | 7.62 | 7.74 | 8.02 |
| 07.72% 2025, (10 Yr GOI) | 7.81 | 7.74 | 7.79 | 7.84 |

Source: Reuters Values as on Jan 15, 2016



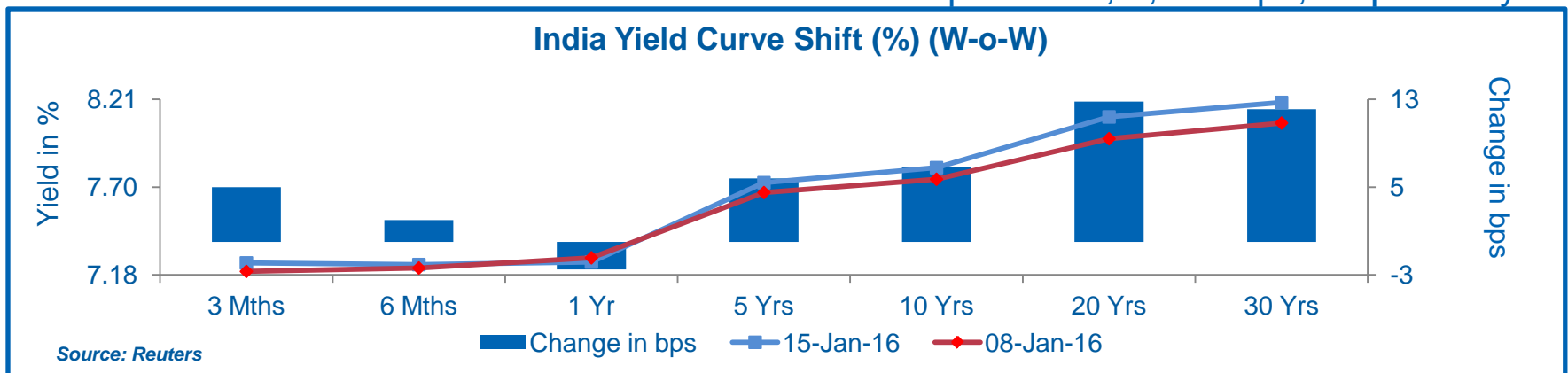
- Bond yields increased initially following weakness in the domestic currency and growth in retail inflation for the fifth consecutive month in December.
- Market sentiments were further dampened after RBI in consultation with the Government declined all offers in the repurchase auction of inflation indexed papers. Moreover, supply of debt securities following the weekly debt auction added to the overall loss.
- Yield on the 10-year benchmark bond, 7.72% GS 2025, increased 7 bps to close at 7.81% compared with the previous week's close of 7.74%. During the week, bond yields traded in the range of 7.74% to 7.83%.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 7.40 | 8.06 | 66 |
| 3 Year | 7.65 | 8.16 | 51 |
| 5 Year | 7.88 | 8.29 | 41 |
| 10 Year | 8.06 | 8.39 | 33 |

Source: Reuters Values as on Jan 15, 2016

- Yield on gilt securities increased across maturities up to 13 bps, barring 1- and 2-year maturities that fell 3 and 2 bps, respectively.
- Corporate bond yields also moved up across maturities in the range of 2 to 6 bps, except 4-year that remained flat.
- Difference in spread between AAA corporate bond and gilt, over the week, contracted up to 6 bps across maturities except 1- to 3-year papers that expanded 8, 4, & 2 bps, respectively.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) modified its regulations for ownership of stock exchanges with a change in the definition of 'associates'. According to the old definition, any entity holding "15%, or more shares" was defined as an associate. However, the new definition defines the associate of an entity as one holding "more than 15% shares only". SEBI also prescribed new listing norms in which listed companies would need to take steps for maintaining public shareholding of 51% at all times and ensure that holding of trading members, associates or agents does not exceed 49%.
- ❑ SEBI approved new norms to make electronic book mandatory for all private placement issues on debt basis with a threshold of more than Rs. 500 crore. The objective of the move is to improve the efficiency, transparency of the price discovery mechanism and bring down the cost and time taken for such issuance. The electronic book mechanism would be mandatory for private placement of bonds which is more Rs. 500 crore. However, the mechanism would be voluntary for private placement issues where there is a single investor.
- ❑ SEBI approved a new set of norms that will provide an exit route to shareholders who are not satisfied with the company's plans. A company may change its business plan after raising funds through IPOs, FPOs or through any other capital-raising exercise involving public investors. If shareholders are not satisfied with such changes, SEBI is providing an exit option.

Regulatory Updates in India (contd..)

- ❑ SEBI gave the go-ahead for new norms for issuance and listing of green bonds. The move will help companies raise funds through green bonds for investment in renewable energy space and meet the huge financing requirements worth \$2.5 trillion for climate change actions in India by 2030.
- ❑ The Securities and Exchange Board of India (SEBI) announced tighter norms, limiting mutual fund's exposure in riskier debt securities. As per the norm, investment cap in bonds of a single issuer will come down to 10% of net asset value (NAV) from the earlier limit of 15%. Single sector exposure for a scheme will reduce from 30% to 25%. Fund houses will be allowed to invest 5% in the housing finance companies, down from the earlier cap of 10%. SEBI has also decided to merge credit exposure limits for single issuers of money market instruments and non-money market instruments, at the scheme level.
- ❑ The Competition Commission of India has notified changes in filing requirements for entities seeking approval for merger and acquisition deals. This will make procedures more user-friendly. The move comes amid concerns over certain aspects of the procedural norms.
- ❑ According to the Finance Ministry, the new Bilateral Investment Treaty (BIT) will not be applicable for Government procurement, subsidies, services supplied in the exercise of governmental authority. The BIT, which replaces the earlier model agreement of 1993, is expected to boost investor confidence by providing an independent forum for dispute settlement by arbitration.

Global News/Economy

- ❑ Data from the General Administration of Customs revealed that export and import activities in China dropped less than expected in December. Exports dropped 1.40% YoY in December, compared with 6.80% decrease in November. Imports slid 7.60% annually. Resultantly, the trade surplus rose to around \$60 billion, surpassing expectations.
- ❑ The Bank of England kept interest rates unchanged in its monetary policy review. However, policymakers opined that global growth concerns and continued decline in crude oil prices may weigh on near-term inflation outlook.
- ❑ The People's Bank of China deployed measures to bring parity between onshore yuan and the Hong Kong-based offshore yuan. China's central bank apparently directed state-owned banks to purchase huge volume of offshore yuan. The measure helped boost investor sentiments.
- ❑ Inflation in China increased marginally in December. Consumer price index increased to 1.60% in Dec from 1.50% in November.
- ❑ Data from Sentix showed that eurozone's investor confidence lost momentum more than what was expected. The investor sentiment index dropped to 9.6 in January from December's 15.7. The fall could be attributed to weak global growth expectations.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 15-Jan-15 | 1-Week Return | YTD Return |
| Dow Jones | 15988.08 | -2.19% | -6.77% |
| Nasdaq 100 | 4141.082 | -3.04% | -7.93% |
| FTSE 100 | 5804.1 | -1.83% | -4.75% |
| DAX Index | 9545.27 | -3.09% | -7.18% |
| Nikkei Average | 17147.11 | -3.11% | -7.07% |
| Straits Times | 2630.76 | -4.38% | -7.24% |

Source: Reuters Values as on Jan 15, 2015

U.S.

- U.S. markets fell during the week amid persisting concerns of global growth and stability of China's economy. Sentiments were further dampened following weak economic data and continued decline in commodity prices. Retail sales, producer prices and industrial production in U.S. fell in December while business inventories edged down in November that led to fresh worries regarding the U.S. economy.

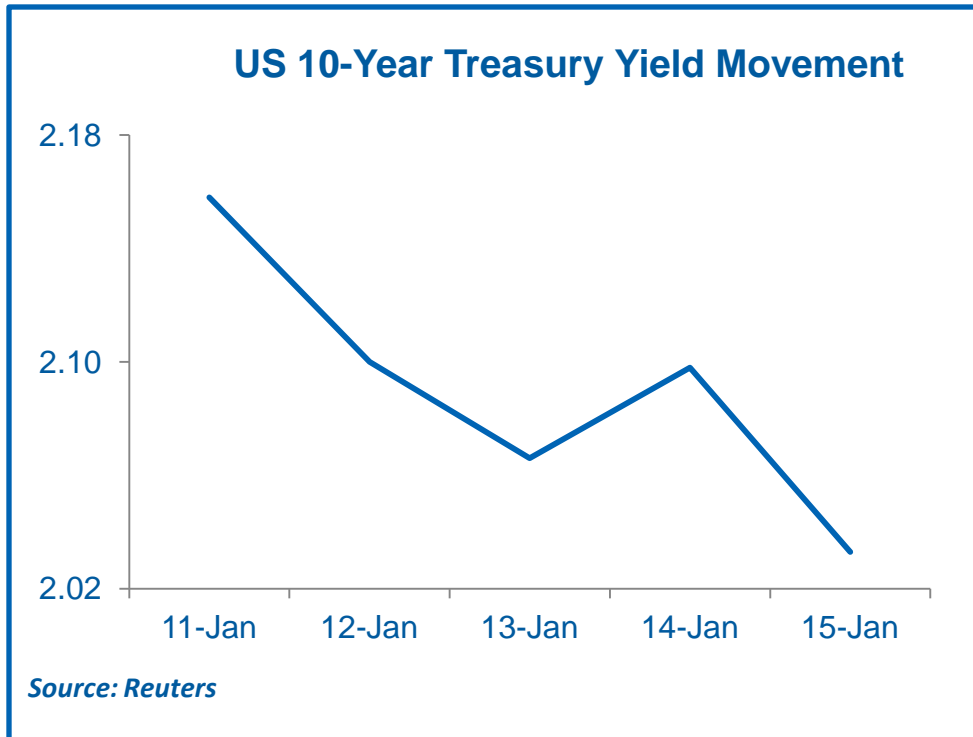
Europe

- Most of the European markets remained under pressure throughout the week. Bourses were hit after data showed that eurozone investor sentiment weakened unexpectedly in January. Decline in eurozone industrial production for November and concerns over slowing Chinese economy added to investor woes.

Asia

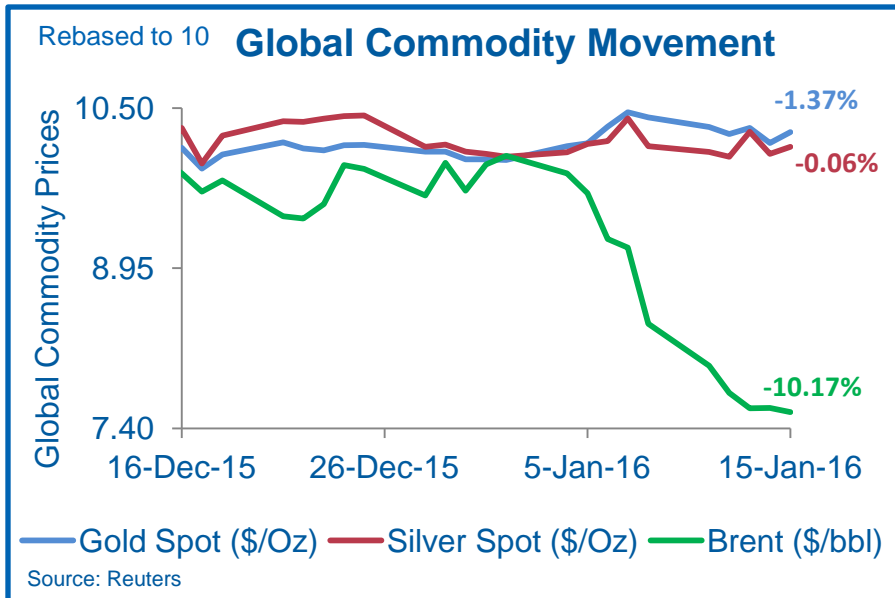
- Asian markets declined in tandem with Chinese bourses to record a fall of 8.96% WoW. Investor sentiments were dampened after Chinese producer prices fell for the 46th consecutive month in December. Growing speculations that the Japanese Government may raise retail sales tax in 2017, unless a serious situation prevails, kept the bourses under pressure. Weakness in global crude oil prices also contributed to losses.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 10 bps to close at 2.03%, compared with the previous week's close of 2.13%.
- The U.S. Treasury prices rallied as global crude oil prices plunged and fell below \$30 a barrel for the first time in twelve years. This raised concerns over global economic growth and drove investors to safe haven assets like U.S. debt.
- U.S. Treasury prices increased further following weak U.S. economic data. Retail sales, producer prices and industrial production in U.S. fell in December while business inventories edged down in November which further improved the safe haven appeal of U.S. Treasuries.

Commodities Market



| Performance of various commodities | | |
|------------------------------------|--------------|------------|
| Commodities | Last Closing | 1-Week Ago |
| Brent Crude(\$/Barrel) | 28.54 | 31.77 |
| Gold (\$/Oz) | 1088.71 | 1103.84 |
| Gold (Rs/10 gm) | 25576 | 25858 |
| Silver (\$/Oz) | 13.92 | 13.93 |
| Silver (Rs/Kg) | 33100 | 33469 |

Source: Reuters Values as on Jan 15, 2016

Gold

- Initially during the week Gold prices fell, as strength in European equity markets dampened the safe haven appeal of the precious metal. The prices continued to fall as rise in U.S. dollar made investment in the metal an expensive proposition. However, fall was restricted due to persisting concerns over global growth and stability of the Chinese economy.

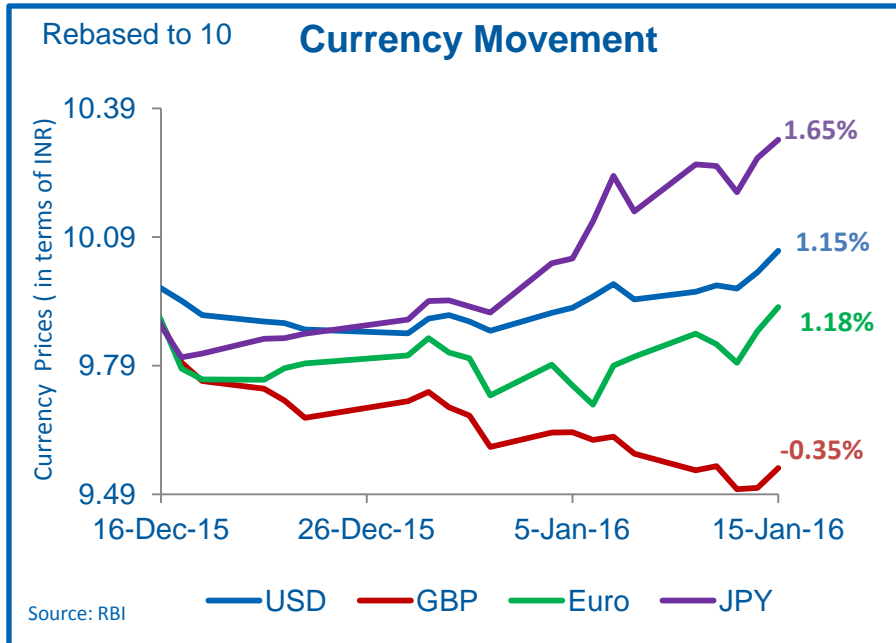
Crude

- Brent crude prices plunged and fell below \$30 a barrel for the first time in twelve years as concerns over supply glut, coupled with weakness in the Chinese economy continued to weigh on investor sentiments.

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 | 67.43 | 66.67 |
| Pound Sterling | 97.11 | 97.45 |
| EURO | 73.39 | 72.53 |
| JPY(per 100 Yen) | 57.25 | 56.32 |

Source: RBI Figures in INR , Values as on Jan 15, 2016

Rupee

- The Indian rupee weakened to its lowest level in more than two years against the U.S. dollar following losses in the domestic equity markets and increasing dollar demand from banks.

Euro

- Euro fell against the U.S. dollar on expectations of further rate cuts from the European Central Bank. However, weak U.S. economic data restricted further losses.

Pound

- Sterling fell to a five-and-half-year low against the U.S. dollar after sharp fall in U.K.'s industrial output in November and plunge in crude oil prices.

Yen

- Yen gained against the U.S. dollar as weak U.S. economic data improved the former's safe haven appeal.

The Week that was...
11th January to 15th January

The Week that was (January 11 – January 15)

| Date | Events | Present Value | Previous Value |
|------------------------------------|--|---------------|----------------|
| Monday, January 11, 2016 | Euro Zone Sentix Investor Confidence (Jan) | 9.60 | 15.70 |
| Tuesday, January 12, 2016 | U.K. Industrial Production (MoM) (Nov) | -0.70% | 0.00% |
| | U.K. NIESR GDP Estimate (3M) (Dec) | 0.60% | 0.60% |
| | India Index of Industrial Production (Nov) | -3.20% | 9.90% |
| | India Consumer Price Index (Dec) | 5.61% | 5.41% |
| Wednesday, January 13, 2016 | China Trade Balance (Dec) | \$60.9B | \$54.1B |
| | Euro Zone Industrial Production s.a. (MoM) (Nov) | -0.70% | 0.80% |
| Thursday, January 14, 2016 | Bank of England Interest Rate Decision | 0.50% | 0.50% |
| | India Wholesale Price Index (Dec) | -0.73% | -1.99% |
| | U.S. Initial Jobless Claims (Jan 8) | 284K | 277K |
| Friday, January 15, 2016 | U.S. Retail Sales (MoM) (Dec) | -0.10% | 0.40% |
| | U.S. Industrial Production (MoM) (Dec) | -0.40% | -0.90% |
| | U.S. Michigan Consumer Sentiment Index (Jan) Preliminary | 93.30 | 92.60 |
| | U.S. Producer Price Index (MoM) (Dec) | -0.20% | 0.30% |

The Week Ahead...
January 18 to January 22

The Week Ahead

| Day | Event |
|------------------------------|---|
| Monday, January 18 | <ul style="list-style-type: none"> <input type="checkbox"/> China House Price Index (Dec) <input type="checkbox"/> U.K. Rightmove House Price Index (MoM) (Jan) <input type="checkbox"/> Japan Industrial Production (MoM) (Nov) |
| Tuesday, January 19 | <ul style="list-style-type: none"> <input type="checkbox"/> China Gross Domestic Product (QoQ) (Q4) <input type="checkbox"/> China Retail Sales (YoY) (Dec) <input type="checkbox"/> China Industrial Production (YoY) (Dec) <input type="checkbox"/> Eurozone Consumer Price Index (MoM) (Dec) |
| Wednesday, January 20 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Housing Starts (MoM) (Dec) <input type="checkbox"/> U.S. Consumer Price Index (MoM) (Dec) |
| Thursday, January 21 | <ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Monetary Policy Review <input type="checkbox"/> U.S. Initial Jobless Claims (Jan 15) <input type="checkbox"/> Eurozone Consumer Confidence (Jan) Preliminary |
| Friday, January 22 | <ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Jan) Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Jan) Preliminary <input type="checkbox"/> Eurozone Markit PMI Composite (Jan) Preliminary |

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