

News U Can Use

July 10, 2015

The Week that was...
3rd July to 10th July

Indian Economy

- ❑ The Index of Industrial Production (IIP) for May grew at 2.7% compared to 4.1% in April. The cumulative growth for the period April-May 2015-16 stood at 3.0% over the corresponding period of the previous year. Mining, manufacturing and electricity sectors reported growth of 2.8%, 2.2% and 6.0%, respectively compared to May 2014. However, growth in Consumer Goods, Consumer Durables and Consumer Non-durables contracted 1.6%, 3.9% and 0.1%, respectively.
- ❑ The Government is planning to put a cap on premature withdrawal of Employees' Provident Fund Organization (EPFO) money. The objective of the move is to ensure social security for workers in old age. The EPFO has proposed to allow employees to withdraw only 75% of the overall kitty, instead of 100% as permitted in case of resignation from a job or for any other use before retirement.
- ❑ The Finance Minister assured that tax refund will be made on time to the exporters. The Minister also added that steps will be taken to boost shipments from the country. The President of Federation of Indian Export Organization had expressed concerns about declining exports and its impact on employment to the Finance Minister.
- ❑ According to the Organization for Economic Cooperation and Development (OECD), India is seeing "stable growth momentum" even as economic activities are expected to slow down in China, the U.S. and many other major economies. The observation is based on Composite Leading Indicators (CLIs) which anticipate turning points in economic activity relative to trend. India's CLI stood at 99.5 in May.

Indian Equity Market

Domestic Equity Market Indices			
Indices	10-July-15	1 Week Return	YTD Return
S&P BSE Sensex	27661.4	-1.54%	0.56%
CNX Nifty Index	8360.55	-1.47%	0.92%
S&P BSE Mid-Cap	10870.5	0.00%	4.12%
S&P BSE Small-Cap	11335.9	0.29%	0.99%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.31	23.17	23.01	45.68
P/B	3.05	3.44	2.57	2.07
Dividend Yield	1.32	1.45	1.33	1.07

Source: BSE, NSE

Value as on July 10, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
06-Jul-15	1036	468	2.21
07-Jul-15	926	601	1.54
08-Jul-15	418	1100	0.38
09-Jul-15	827	673	1.23
10-Jul-15	787	693	1.14

Source: NSE

- ❑ Indian bourses remained under pressure during the week due to weakness in Chinese markets. A number of listed firms in China announced trading halt on July 8, which raised concerns over the country's financial and banking system.
- ❑ Markets fell further as quarterly results from an IT major fell short of market estimates.
- ❑ Weak cues from Euro zone also weighed on market sentiments. The Greek voters rejected further austerity in a referendum on July 5. This increased worries about foreign fund outflows and hit Indian markets.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18403.1	-2.99%	1.57%
S&P BSE Bankex	21472.4	-0.15%	5.55%
S&P BSE CD	10721.1	-1.25%	4.63%
S&P BSE CG	18427.9	2.99%	8.66%
S&P BSE FMCG	7701.64	-1.51%	4.06%
S&P BSE HC	17055.4	2.34%	8.95%
S&P BSE IT	10156.4	-4.09%	-6.01%
S&P BSE Metal	8871.54	-3.99%	-5.97%
S&P BSE Oil & Gas	9775.3	-2.31%	2.87%

Source: Reuters *Values as on July 10, 2015*

- ❑ On the BSE sectoral front, all the indices closed in red barring S&P BSE Capital Goods and S&P BSE Healthcare. S&P BSE IT remained the major laggard and fell 4.09%, followed by S&P BSE Metal and S&P BSE TECK, which fell 3.99% and 3.89%, respectively.
- ❑ Metal stocks witnessed selling pressure due to slowdown in the Chinese economy as Beijing's several stimulus measures failed to boost investor confidence.

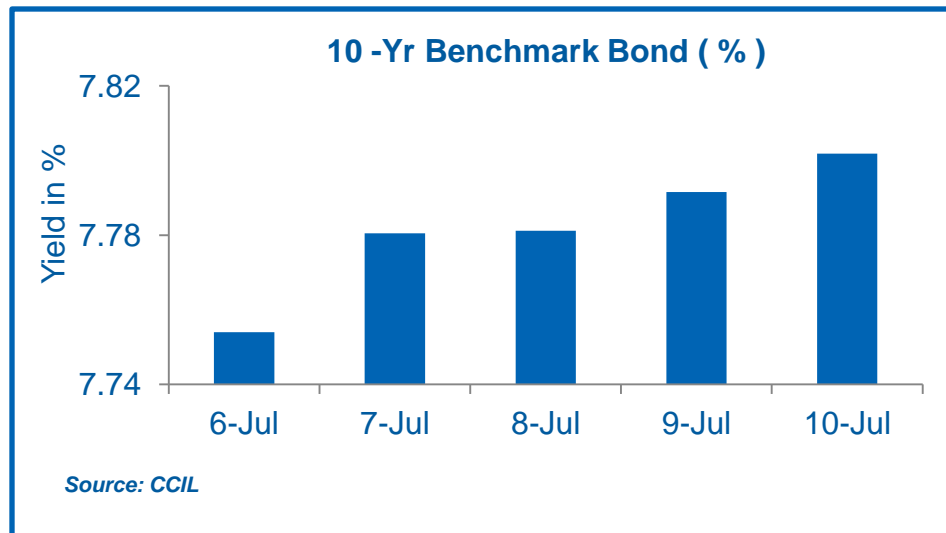
Indian Derivatives Market Review

- ❑ Nifty July 2015 Futures were at 8,385.55 points, a premium of 25.00 points against the spot closing of 8,360.55 points. The turnover on NSE Futures and Options segment rose to Rs. 10.51 lakh crore during the week ended July 10 from Rs. 8.31 lakh crore in the previous week.
- ❑ The Put-Call ratio stood at 0.89 compared to the previous week's close of 0.96.
- ❑ The Nifty Put-Call ratio stood at 1.05 compared to the previous week's close of 1.11.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.09	7.01	7.00	8.01
91 Day T-Bill	7.51	7.63	7.72	8.39
08.27% 2020 , (5 Yr GOI)	7.94	7.98	8.04	--
07.72% 2025, (10 Yr GOI)	7.81	7.80	7.82	--

Source: Reuters Values as on July 10, 2015



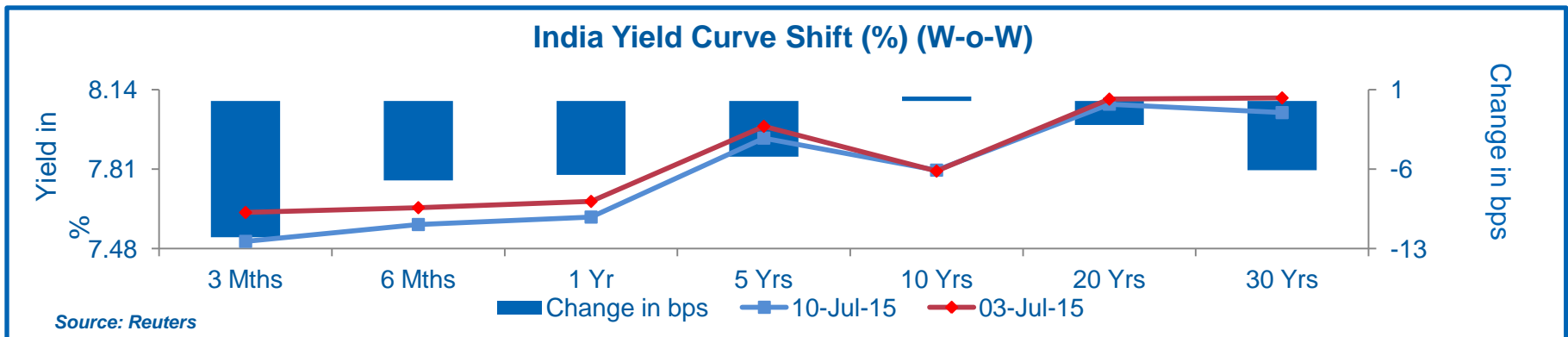
- The yield on the 10-year benchmark bond 7.72% GS 2025 inched up 1 bps over the week to close at 7.81% against the previous week's close of 7.80%. The paper moved in the range of 7.73% to 7.84% during the week.
- After falling initially, bond yields started moving up on the back of profit booking following last week's rally. Yields rose further ahead of the publication of consumer inflation data, due next week and uncertainty over Greece's future in the Euro zone. Besides, investors sold debt to make way for fresh supply from the weekly Government Securities auction.
- However, fall in crude oil prices and comfortable liquidity situation in the banking industry restricted the losses.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.74	8.29	55.20
3 Year	7.97	8.36	39.40
5 Year	8.11	8.54	43.10
10 Year	7.98	8.52	53.80

Source: Reuters Values as on July 10, 2015

- Yield on Gilt Securities fell by up to 7 bps across the maturities barring 2, 10, 12 and 14-year papers that closed flat.
- Corporate Bond yields declined by up to 11 bps across the entire maturity bracket excluding 10-year paper that increased by 1 bps.
- Spread between AAA Corporate Bond and Gilt witnessed a mixed trend. The maximum contraction was seen on 4-year paper and the highest expansion was seen on 1 and 5-year papers.



Regulatory Updates in India

- According to the Reserve Bank of India (RBI) any takeover or acquisition of an NBFC that may or may not result in change of management control will need approval from the Central Bank. Non-banking finance companies, excluding primary dealers, will also have to seek the RBI's approval whenever there is any change in more than 30% of directors, excluding independent directors.
- The RBI is considering stringent norms for loans that are frequently falling in the category 2 of Special Mention Accounts (SMA 2). Loans are classified as SMA 2 when it becomes overdue for more than 60 days. The move comes amid concerns over banks' reluctance to resolve accounts that are showing signs of stress and instead resorts to refinancing for the borrower, which enables it to meet immediate payment obligations and defers the problem of identifying bad loans.
- The Central Bank is expected to take steps to drain money markets of excess liquidity to counter inflationary pressures within the economy that is arising from higher Government spending. In case a longer-lasting approach is needed, the Central Bank may sell bonds through open market operations.
- The Ministry of Corporate Affairs has asked the capital market regulator Securities and Exchange Board of India (SEBI) to align its guidelines for related party transactions with the amended Companies Act. The objective of the move is to ease the very strict rules for listed companies.

Regulatory Updates in India (contd..)

- According to the Reserve Bank of India's Deputy Governor R. Gandhi, public sector banks need higher capitalization to strengthen their balance sheets and stem the rising tide of bad loans. The Deputy Governor opined that banks need capital infusion to meet Basel-III norms, better provisioning and to improve business and added that follow-on public offers and capital infusion by the Government are two ways to raise the capital.
- SEBI has asked stock exchanges, depositories and clearing corporations to put in place a system that would prevent cyber attacks and improve its resilience.
- SEBI is expected to bring a new set of norms to check illicit connection between market intermediaries and promoters of listed firms, where shares are used informally as collateral for trades.
- SEBI is looking into a proposal to work out an incentive structure for brokers and other market entities (depository participants) to encourage opening of demat accounts especially from Tier II and Tier III towns.
- According to the Communications and IT Minister, the Reserve Bank of India is expected to grant payment bank licence to the postal department by September for operating Post Bank. The move will enable a network that comprises 1,54,000 post offices (including 1,25,000 rural post offices) to offer banking services to the masses in the country.

Global News/Economy

- ❑ Minutes of the U.S. Federal Reserve's monetary policy meeting held in June revealed concerns of the policymakers regarding the ongoing situation in Greece and China. Most members were not ready to raise interest rates and were awaiting more data to confirm that economic growth was sufficiently strong and labour market conditions had firmed enough to return inflation to the committee's longer-run objective over the medium term.
- ❑ According to Institute for Supply Management, the U.S. service sector index rose marginally to 56.0 in June from 55.7 in May due to increase by the business activity index. The business activity index rose to 61.5 from 59.5. The new orders index also showed a modest rise to 58.3 from 57.9.
- ❑ The U.S. trade deficit widened to \$41.9 billion in May from a revised \$40.7 billion in April, primarily reflected the fall in the value of exports. Exports declined 0.8% (M-o-M) to \$188.6 billion in May. The value of imports fell 0.1% to \$230.5 billion in the same month.
- ❑ Greece Finance Minister Yanis Varoufakis resigned after the Greek people rejected proposals by the international creditors in the referendum on June 5.
- ❑ The Government of Greece has placed a cash-for-reforms proposal to creditors that comprises spending cuts and tax hikes. The Euro zone Finance Ministers will meet on July 11 to review Greece's request.
- ❑ A spokesman of People's Bank of China said that the Central Bank would support the stable development of the stock market and actively assist China Securities Finance Co. Ltd. to provide liquidity.

Global Equity Markets

Global Indices			
Indices	10-July-15	1-Week Return	YTD Return
Dow Jones	17760.4	0.17%	-0.41%
Nasdaq 100	4420.15	-0.30%	4.49%
FTSE 100	6673.38	1.33%	1.92%
DAX Index	11315.6	2.33%	15.88%
Nikkei Average	19779.8	-3.70%	13.62%
Straits Times	3279.88	-1.88%	-2.69%

Source: Reuters Values as on July 10, 2015

Europe

- European markets fell initially on concerns over persistent debt crisis as Greece voted to reject the austerity measures proposed by international creditors. The nation's future in the Euro zone became uncertain. However, such worries eased after Greece placed a cash-for-reforms proposal to creditors. Bourses found more support as the Bank of England kept its key interest rate and the size of the quantitative easing unchanged.

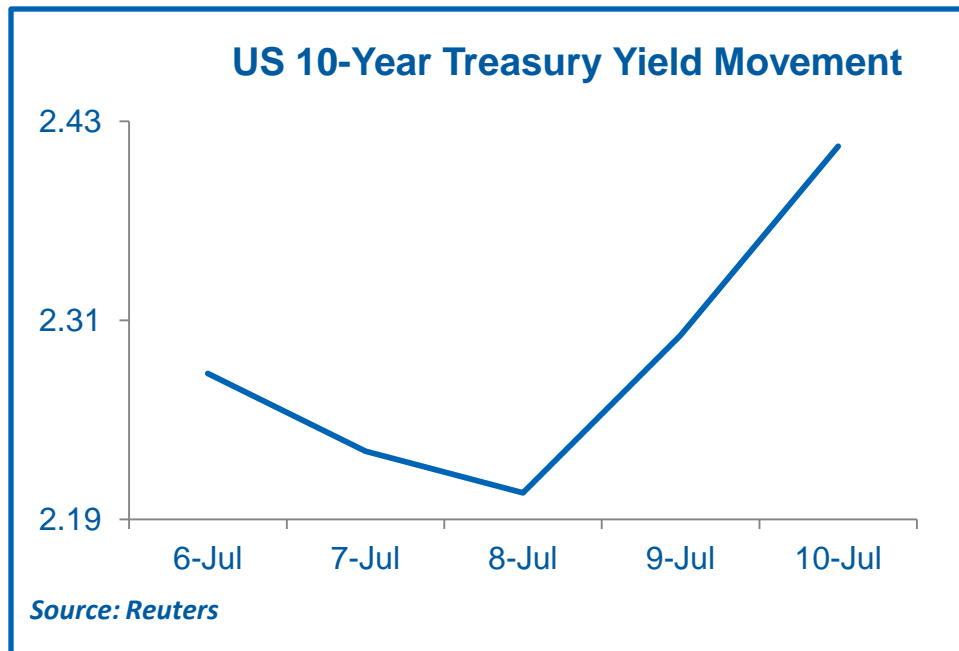
Asia

- Most of the Asian markets fell during the week. Bourses took a hit after a number of listed firms in Chinese equity markets announced trading halts on July 8. This also raised concerns over the country's financial and banking system. However, losses were restricted as China's Central Bank said that it would provide sufficient liquidity.

U.S.

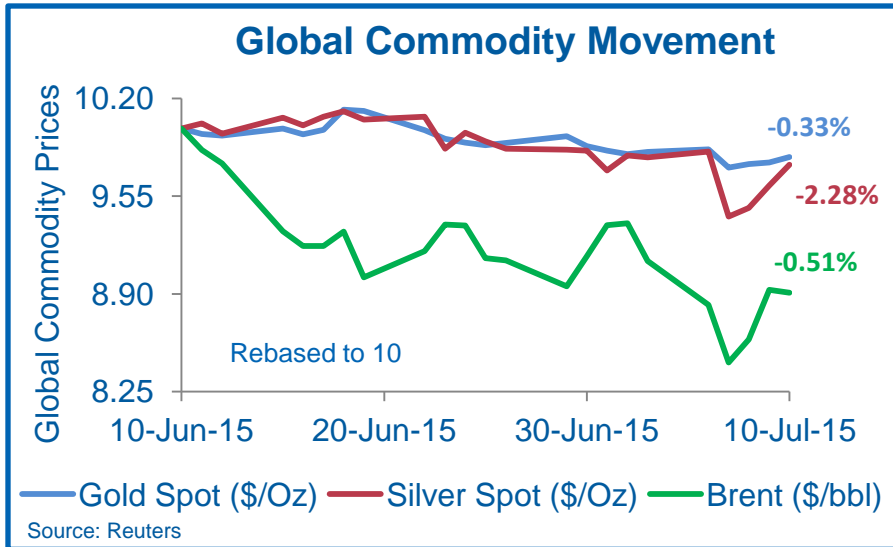
- The U.S. markets fell initially as investor sentiments dampened following the outcome of Greece's referendum on July 5 which raised concerns over the nation's fate in the Euro zone. However, markets recovered later as the activity in the U.S. service sector expanded at a slightly faster rate in June. Moreover, hopes for resolution in Greece and stabilization in China boosted market sentiment.

Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond rose by around 2 bps during the week to close at 2.42% compared to the previous week's close of 2.39%. The paper moved in the range of 2.21% to 2.42% over the week.
- The U.S. Treasury prices rose initially as concerns over Greece's debt situation and a possible exit of the country from the Euro zone increased the safe-haven appeal of the U.S. Government debt. Prices increased further on indications that Fed policymakers may be doubtful to start increasing interest rates. However, bond prices reversed the trend later as investors cut their safe haven holdings of U.S. Government debt on hopes for a Greece debt deal and stabilization in the battered Chinese stock market.

Commodities Market



Gold

- Gold prices fell as trading halt in Chinese equity markets during the week raised concerns over economic growth of the country and hit the demand outlook. Worries over persistent debt crisis in Greece weighed on demand outlook.

Crude

- Brent crude prices fell following weak demand outlook from the Euro zone as the outcome of Greece's referendum raised concerns over the fate of the nation in the Euro zone. Oil prices fell further as the U.S. official data showed that the U.S. crude oil inventories rose in the week ended July 3.

Baltic Dry Index

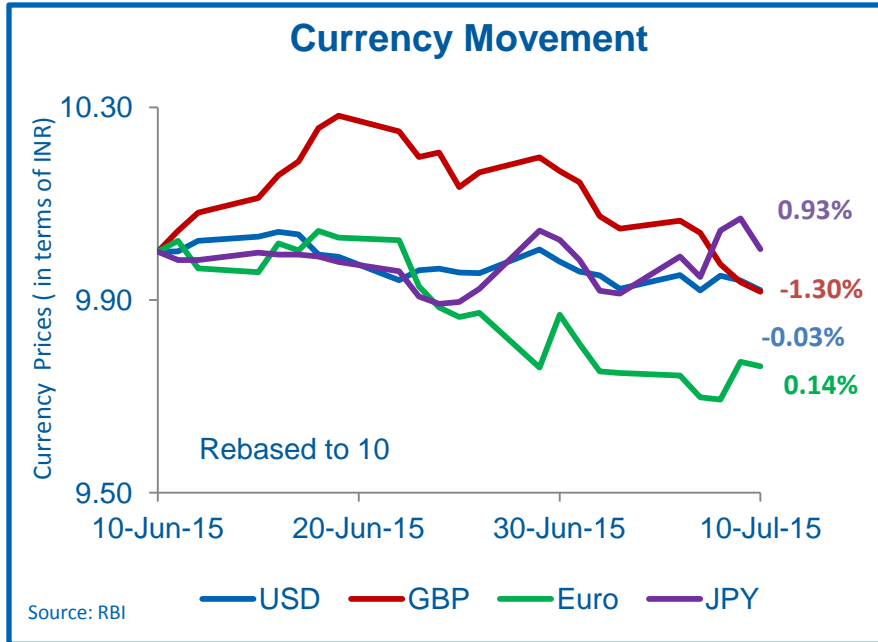
- The Baltic Dry Index rose during the week due to improvement in capesize and panamax activities.

Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	57.31	58.65
Gold (\$/Oz)	1163.56	1167.44
Gold (Rs/10 gm)	26014	26148
Silver (\$/Oz)	15.59	15.67
Silver (Rs/Kg)	35217	35591

Source: Reuters

Values as on July 10, 2015

Currencies Markets



Rupee

- The rupee fell against the greenback initially on the back of weakness in domestic equity markets. The trend reversed later following gains in other Asian currencies.

Euro

- The euro rose against the dollar, after witnessing initial weakness, as Greece sent a proposal for reforms to its lenders.

Pound

- The pound fell against the dollar after the U.K. Finance Minister announced spending cuts and lowered growth forecasts.

Yen

- The yen gained against the dollar as the safe-haven appeal of the currency improved amid concerns over Chinese economic growth following trading halt in Chinese equity market.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.38	63.40
Pound Sterling	97.65	98.94
EURO	70.43	70.33
JPY(per 100 Yen)	51.97	51.49

Source: RBI Figures in INR , Values as on July 10, 2015

The Week that was...
6th July to 10th July

The Week that was (July 6 – July 10)

Date	Events	Present Value	Previous Value
Monday, July 6	❑ Japan Leading Economic Index (May)Preliminary	106.2	106.4
	❑ U.S. Markit PMI Composite (Jun)	54.6	54.6
Tuesday, July 7	❑ Germany Industrial Production s.a. (MoM) (May)	0.00%	0.60%
	❑ U.K. Industrial Production (MoM) (May)	0.40%	0.30%
	❑ U.S. Trade Balance (Jun)	\$-41.87B	\$-40.70B
Wednesday, July 8	❑ U.S. MBA Mortgage Applications (Jul 3)	4.60%	-4.70%
	❑ U.K. RICS Housing Price Balance (Jun)	40%	34%
	❑ U.S. Consumer Credit Change (May)	\$16.09B	\$21.40B
	❑ Japan Machinery Orders (YoY) (May)	0.60%	3.80%
Thursday, July 9	❑ China Consumer Price Index (MoM) (Jun)	0.00%	-0.20%
	❑ China Producer Price Index (YoY) (Jun)	-4.80%	-4.60%
	❑ U.S. Initial Jobless Claims (Jul 3)	297K	282K
Friday, July 10	❑ Japan Consumer Confidence Index (Jun)	41.7	41.4
	❑ U.S. Wholesale Inventories (May)	0.80%	0.40%
	❑ India Industrial Output (May)	2.70%	4.10%

The Week Ahead...
July 13 to July 17

The Week Ahead

Day	Event
Monday, July 13	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (MoM) (May) <input type="checkbox"/> China Trade Balance (Jun) <input type="checkbox"/> India Trade Deficit Government (Jun)
Tuesday, July 14	<ul style="list-style-type: none"> <input type="checkbox"/> India WPI Inflation (Jun) <input type="checkbox"/> U.S. Retail Sales (MoM) (Jun) <input type="checkbox"/> U.K. Retail Price Index (MoM) (Jun)
Wednesday, July 15	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Monetary Policy Statement <input type="checkbox"/> China Gross Domestic Product (QoQ) (Q2) <input type="checkbox"/> U.S. Industrial Production (MoM) (Jun)
Thursday, July 16	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Initial Jobless Claims (Jul 10) <input type="checkbox"/> European Central Bank Interest Rate Decision <input type="checkbox"/> Euro Zone Trade Balance s.a. (May)
Friday, July 17	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (YoY) (Jun) <input type="checkbox"/> U.S. Housing Starts (MoM) (May)

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