

# News U Can Use

*July 3, 2015*



The Week that was...  
26<sup>th</sup> June to 3<sup>rd</sup> July

# Indian Economy

- ❑ Growth in the country's manufacturing activities slowed down in June compared to May on the back of a weaker rise in new business inflows. The Nikkei Manufacturing Purchasing Managers' Index compiled by Markit, fell to 51.3 in June from 52.6 in May. However, the index remained above 50 for the twentieth consecutive month, which separates expansion from contraction.
- ❑ The Services sector in India contracted for the second consecutive month in June as new orders declined for the first time in 14 months. The Nikkei Purchasing Managers' Index (PMI) for the service sector fell to 47.7 in June from 49.6 in May. The index remained below 50 for the second straight month.
- ❑ Infrastructure output expanded for the first time in three months in May, as it posted an annual growth of 4.4%. This was the fastest growth in six months after output fell by an annual 0.4% in April. The expansion was primarily led by a recovery in production of electricity, cement and oil refining sectors which grew by 5.5%, 2.6% and 7.9%, respectively. Output in the coal sector grew by 7.8% in May against 7.9% in April.
- ❑ India's fiscal deficit during April-May touched Rs. 2,086.24 billion or 37.5% of the target for the fiscal 2015-16. The deficit stood at 45.3% during the same period last year.
- ❑ The Finance Minister said that the Government will spend Rs. 50,000 crore on Pradhan Mantri Krishi Sanchai Yojana. The objective of the scheme is to provide irrigation facility to all fields.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	03-July-15	1 Week Return	YTD Return
S&P BSE Sensex	28092.8	1.01%	2.13%
CNX Nifty Index	8484.9	1.24%	2.43%
S&P BSE Mid-Cap	10870	1.72%	4.12%
S&P BSE Small-Cap	11303.6	1.61%	0.70%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.7	23.5	22.8	45.5
P/B	3.1	3.5	2.6	2.1
Dividend Yield	1.3	1.4	1.3	1.0

Source: BSE, NSE

Value as on July 3, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
29-Jun-15	345	1158	0.30
30-Jun-15	1054	440	2.40
01-Jul-15	1136	369	3.08
02-Jul-15	850	661	1.29
03-Jul-15	783	711	1.10

Source: NSE

- ▣ Domestic equity markets remained firm over the week and closed in green. Bourses witnessed pressure during the beginning of the week amid concerns that Greece would fail to reach an agreement with its international creditors over debt repayment.
- ▣ Bourses recovered later after core sector growth rose to a six-month high in May. The RBI Governor's comments that there has been a revival in the economy and pick-up in investment provided more support to the bourses.
- ▣ Markets rose further on hopes that the U.S. Federal Reserve might delay the rate hike as the U.S. non-farm payroll data for June came weaker than expected.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18970.5	0.56%	3.46%
S&P BSE Bankex	21505.2	2.12%	5.61%
S&P BSE CD	10856.4	1.54%	5.39%
S&P BSE CG	17893	1.91%	7.93%
S&P BSE FMCG	7819.36	2.71%	5.11%
S&P BSE HC	16664.7	1.46%	4.63%
S&P BSE IT	10589.7	-1.21%	-1.68%
S&P BSE Metal	9239.77	-0.65%	-1.68%
S&P BSE Oil & Gas	10006.1	1.08%	6.25%

*Source: Reuters* *Values as on July 3, 2015*

- On the BSE sectoral front, most of the indices closed in green. S&P BSE FMCG was the top gainer, up 2.71% followed by S&P BSE Bankex and S&P BSE Capital Goods which rose 2.12% and 1.91%, respectively.
- However, S&P BSE IT turned out to be the major laggard on the back of selling pressure after an index heavyweight warned of weak first quarter earning numbers for FY16.

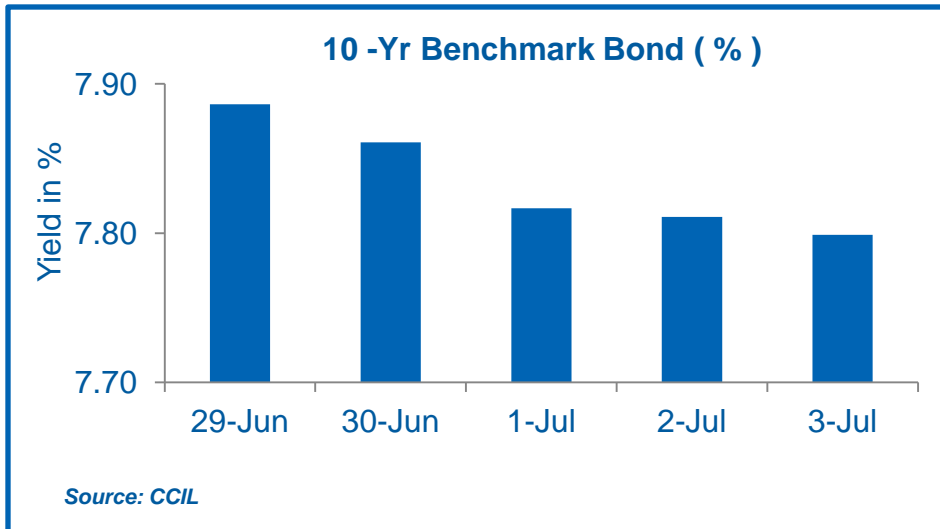
## Indian Derivatives Market Review

- Nifty July 2015 Futures were at 8,488.00 points, a premium of 3.10 points against the spot closing of 8,484.90 points. The turnover on NSE Futures and Options segment fell to Rs. 8.31 lakh crore during the week ended July 3 from Rs. 18.87 lakh crore in the previous week.
- The Put-Call ratio stood at 0.96 compared to the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 1.11 compared to the previous week's close of 1.01.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.01	7.11	7.00	7.87
91 Day T-Bill	7.63	7.68	7.67	8.30
07.28% 2019, (5 Yr GOI)	7.98	8.01	7.98	--
8.40% 2024, (10 Yr GOI)	7.80	7.82	7.74	--

Source: Reuters Values as on July 3, 2015



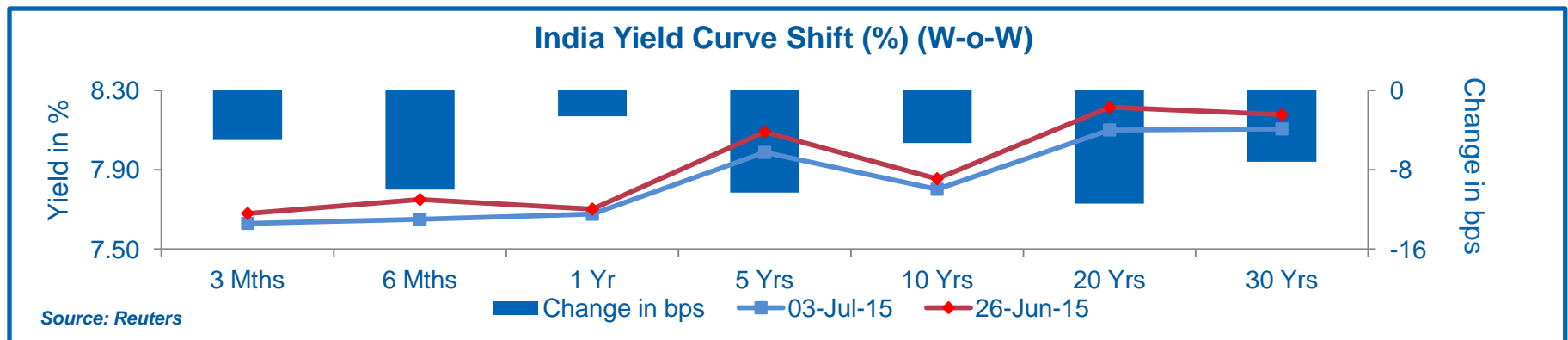
- Bond markets managed to recover from initial weakness as investors preferred risk-averse instruments amid Greece's debt crisis. The Reserve Bank of India (RBI) Governor's comments that the Central Bank was planning to take steps to boost foreign investment in Government debt also supported bond markets.
- The yield on the 10-year benchmark bond 7.72% GS 2025 eased by 2 bps to close the week at 7.80% against the previous week's close of 7.82%.
- Banks' net average lending under the RBI's Liquidity Adjustment Facility stood at Rs. 10,404 crore (for Friday, only repo session considered) compared to the previous week's borrowing of Rs. 864.60 crore

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.81	8.31	49.9
3 Year	8.00	8.4	40.1
5 Year	8.16	8.54	38.5
10 Year	7.98	8.51	53.4

Source: Reuters Values as on July 3, 2015

- Yield on Gilt Securities fell in the range of 3 bps to 12 bps across the maturities.
- Corporate Bond yields declined by up to 6 bps across the entire maturity bracket except the 4-year paper, where yields increased by 3 bps.
- Spread between AAA Corporate Bond and Gilt witnessed a mixed trend. The maximum expansion of 5 bps was seen on 4-year paper while the maximum contraction of 3 bps was seen on 1 and 10-year paper.



# Regulatory Updates in India

- ❑ The Government has notified the rules for calculating overseas income and assets under the black money law. According to the rules notified by the Central Board of Direct Taxes, the value of the overseas assets, which include immovable property, jewellery and precious stones, archaeological collections and paintings, shares and securities and shares in unlisted firms abroad will be calculated at the fair market value. The value of an overseas bank account will be the sum of all deposits made in the account since its opening.
- ❑ The Reserve Bank of India's (RBI) Governor announced that the Central Bank will put in place a regulatory framework to allow a new kind of Non-Banking Finance Company that will act as an account aggregator. This will enable the common man to see all his accounts across financial institutions in a common format. The account may be a pension account, insurance account or current and savings accounts with banks or mutual funds, and fixed deposits.
- ❑ The RBI Governor said that the direct exposure of the country towards Greece is limited. He further added that foreign exchange buffers are fairly reasonable. The RBI Governor also opined that the Government is taking steps to revive stalled projects in the country and there are indications that capital investment is picking up within the country.
- ❑ The Government has allocated Rs. 200 crore for three years to set up an online national agriculture market by integrating 585 wholesale markets across India. The objective behind the move is to help farmers realise better prices.



## Regulatory Updates in India (contd..)

- ❑ The RBI has asked banks to furnish region-wise weekly progress report on Kisan Vikas Patra and Sukanya Samriddhi Account. The objective of the move is to expedite the implementation of the two schemes.
- ❑ The competition commission has eased the filing requirements for entities seeking approval for merger and acquisition (M&A) deals. The commission has made it easier for entities seeking approval for M&A deals, by providing "flexibility to parties regarding signing of the notice". The number of copies of notice that needs to be filed has also been reduced. The move is expected to bring in more transparency and help in the decision-making process.
- ❑ The Government is planning to roll out cash transfer of food subsidies from September. The objective of the move is to ensure that food and fuel subsidies reach the poor, which earlier were often misplaced or wasted. Under the program, each family will get a monthly subsidy of about Rs. 500-700 which would be linked to a state-set procurement price of grains.
- ❑ According to the Minister of State for Finance, the Finance Ministry is working on a comprehensive package to help state-run banks which faces the risk of huge bad loans. Increase in bad loans at banks over the past three years amid an economic slowdown has prevented them from lending more, despite three interest rate cuts by the Reserve Bank of India (RBI) in this year. This has affected the Government's plan to boost credit in key sectors such as infrastructure.

# Global News/Economy

- According to a report by the U.S. Labour Department, non-farm payroll employment rose by 223,000 jobs in June. The job growth for April and May was revised down to 187,000 jobs and 254,000 jobs, respectively. The unemployment rate fell to a seven year low of 5.3% in June from 5.5% in May.
- A report released by payroll processor ADP showed that employment in the U.S. private sector jumped by 237,000 jobs in June following an upwardly revised increase of 203,000 jobs in May.
- The Greek Parliament approved a referendum to be held on July 5 on the bailout terms demanded by a consortium of international creditors, with about 179 members voting in its favour. Meanwhile, Greece closed its banks and imposed capital controls on June 29 in order to avoid a financial collapse as the failure of debt talks with the European Union makes it difficult to honour the payment due on June 30.
- Survey data from Markit Economics showed that British manufacturing sector expanded for the twenty-seventh consecutive month in June. The seasonally-adjusted Markit/CIPS Purchasing Managers' Index stood at 51.4 in June compared to 51.9 in May.
- Final data from Markit showed that the final composite output index in the Euro zone rose to 54.2 in June from 53.6 in May and fractionally above the flash score of 54.1. The final services Purchasing Managers' Index came in at 54.4 in June compared to 53.8 in May.

# Global Equity Markets

Global Indices			
Indices	03-July-15	1-Week Return	YTD Return
Dow Jones*	17730.1	-1.21%	-0.58%
Nasdaq 100*	4433.39	-1.13%	4.80%
FTSE 100	6585.78	-2.49%	0.58%
DAX Index	11058.4	-3.78%	13.25%
Nikkei Average	20539.8	-0.80%	17.99%
Straits Times	3342.73	0.66%	-0.83%

*Source: Reuters Values as on July 3, 2015 \* Values as on July 2, 2015*

## U.S.

- ▣ The U.S. markets witnessed selling pressure initially amid persisting concerns over Greece's debt crisis. Sentiments improved later after private sector employment increased more than expected in June. Markets could not sustain the gains as fall in the U.S. unemployment rate in June was neutralized by weak growth in non-farm payroll employment.

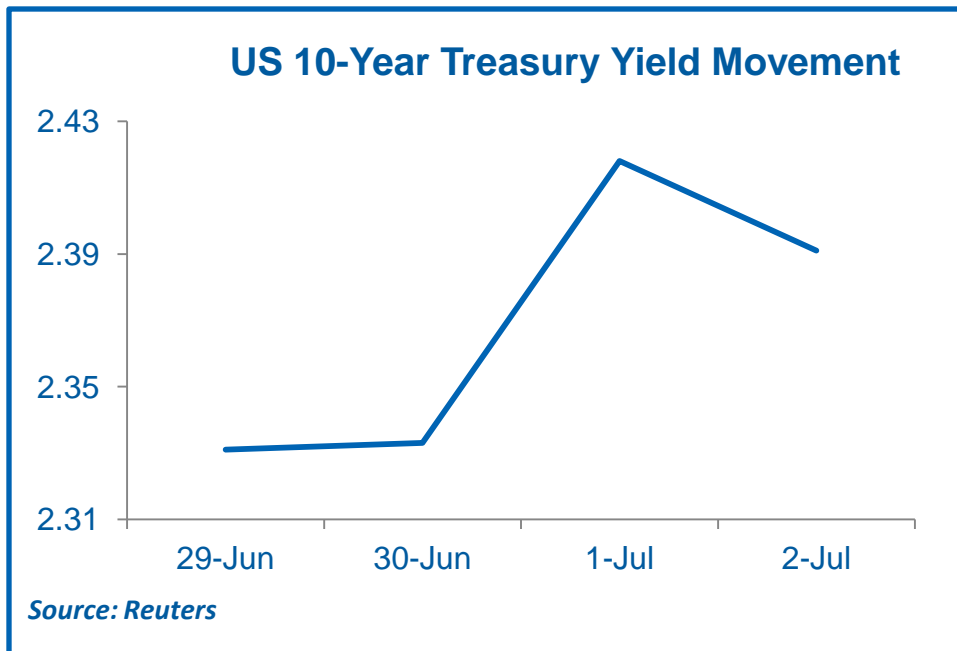
## Europe

- ▣ European markets fell initially after Greece failed to make debt repayment to the IMF. However, losses were restricted after the Greek Prime Minister accepted the creditors' demands with minor changes. Bourses witnessed selling pressure again as Euro zone Finance Ministers and the international creditors stalled discussion on Greece's bail-out program until the outcome of the nation's referendum on July 5.

## Asia

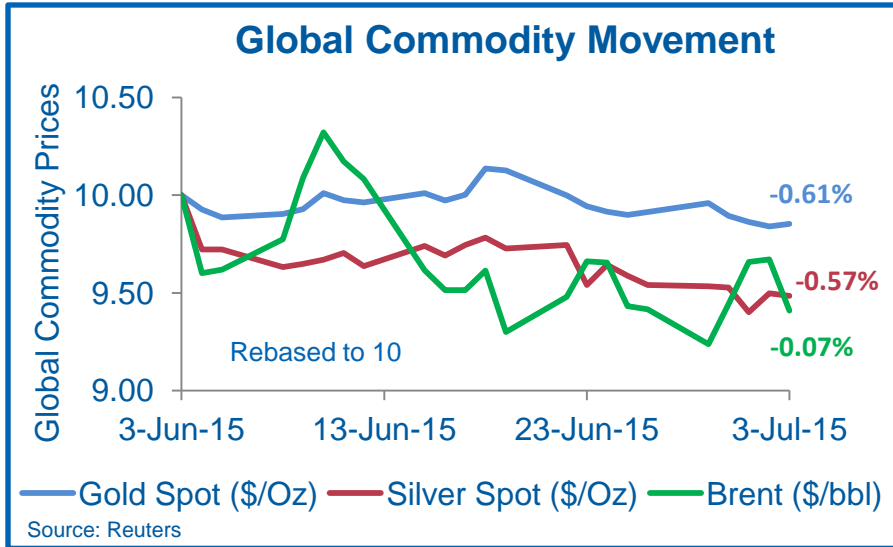
- ▣ Asian markets remained under pressure, especially Chinese bourses, which plunged 9.03% on a weekly basis. Slow pace of expansion in the country's manufacturing sector in June and high valuations of small-cap growth stocks hit investor sentiments.

# Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 9 bps during the week to close at 2.39% compared to the previous week's close of 2.48%. The paper moved in the range of 2.33% to 2.48% over the week.
- The U.S. Treasury prices rose as concerns over Greece's debt crisis increased the safe-haven appeal of the U.S. Government debt. Treasury prices rose further after U.S. non-farm payroll report for June came below market expectations which renewed uncertainty over the interest outlook in the U.S. region. However, upbeat private jobs data for May and hopes of a last minute deal between Greece and international creditors capped the gains.

# Commodities Market



## Gold

- Gold prices fell during the week as strength in the dollar against the euro weighed on the bullion. However, losses were restricted as weak U.S. non-farm payroll data for June eased concerns over an imminent rate hike by the U.S. Fed.

## Crude

- Brent crude prices rose as investors continued to track the developments in Iran's nuclear program. However, gains were wiped out as crude stockpiles rose by 2.4 million barrels in the week ended June 26.

## Baltic Dry Index

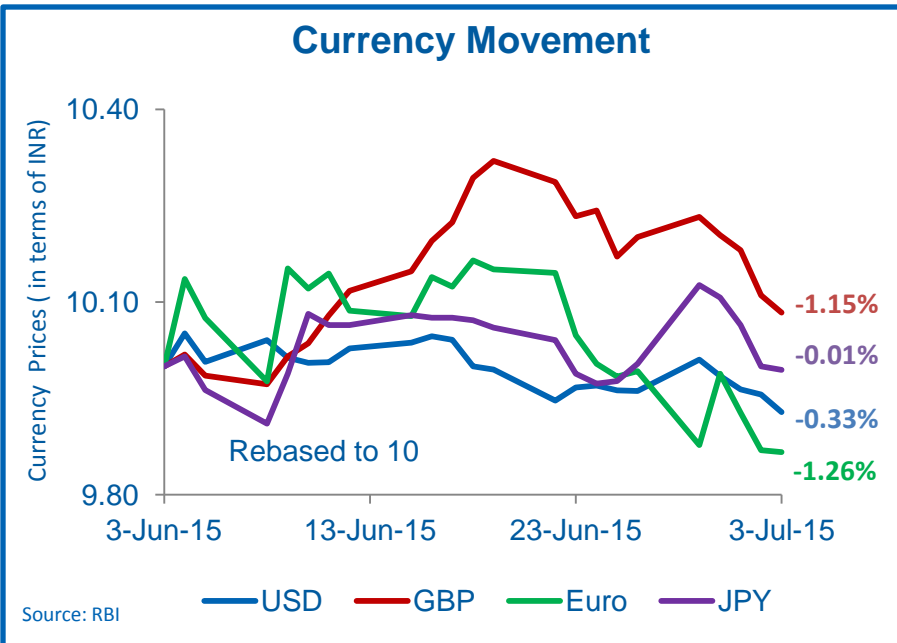
- The Baltic Dry Index fell during the week due to sluggish capesize and panamax activities.

Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	58.65	58.69
Gold (\$/Oz)	1167.44	1174.58
Gold (Rs/10 gm)	26148	26349
Silver (\$/Oz)	15.67	15.76
Silver (Rs/Kg)	35591	36000

Source: Reuters

Values as on July 3, 2015

# Currencies Markets



## Rupee

- The rupee rose tracking recovery in equity markets and after the U.S. jobs data for June missed market expectations.

## Euro

- The euro fell against the dollar on concerns over Greece's debt crisis. However, weak U.S. non-farm payrolls data for June restricted the losses.

## Pound

- The pound fell against the greenback on the back of weak U.K. current account deficit numbers for the March quarter and slower pace of manufacturing growth in June.

## Yen

- The yen got support initially as Greece's debt concerns improved its safe-haven appeal. However, gains were capped following better-than-expected private-sector U.S. jobs data for June

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.57	63.58
Pound Sterling	99.67	100.30
EURO	70.93	72.38
JPY(per 100 Yen)	52.66	53.20

Source: RBI Figures in INR , Values as on July 3, 2015

The Week that was...  
26<sup>th</sup> June to 3<sup>rd</sup> July

# The Week that was (June 29 – July 3)

Date	Events	Present Value	Previous Value
Monday, June 29	<input type="checkbox"/> U.S. Pending Home Sales (MoM) (May)	0.90%	2.70%
	<input type="checkbox"/> U.K. Mortgage Approvals (May)	64.434K	67.580K
Tuesday, June 30	<input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Jun)Preliminary	0.20%	0.00%
	<input type="checkbox"/> Euro Zone Unemployment Rate (Jun)	11.10%	11.10%
	<input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q1)	0.40%	0.30%
	<input type="checkbox"/> U.S. Consumer Confidence (Jun)	101.4	94.6
Wednesday, July 1	<input type="checkbox"/> China HSBC Manufacturing PMI (Jun)	49.4	49.2
	<input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Jun)	52.5	52.2
	<input type="checkbox"/> U.S. ADP Employment Change (Jun)	237K	203K
	<input type="checkbox"/> U.S. ISM Manufacturing PMI (Jun)	53.5	52.8
Thursday, July 2	<input type="checkbox"/> U.S. Nonfarm Payrolls (Jun)	223K	254K
	<input type="checkbox"/> U.S. Unemployment Rate (Jun)	5.30%	5.50%
	<input type="checkbox"/> U.K. PMI Construction (May)	58.1	55.9
	<input type="checkbox"/> China HSBC China Services PMI (Jun)	51.8	53.5
Friday, July 3	<input type="checkbox"/> Euro Zone Retail Sales (MoM) (May)	0.20%	0.70%
	<input type="checkbox"/> Japan Markit Services PMI (Jun)	51.8	51.5



The Week Ahead...  
July 6 to July 10

# The Week Ahead

Day	Event
Monday, July 6	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Leading Economic Index (May) Preliminary</li> <li><input type="checkbox"/> U.S. Markit PMI Composite (Jun)</li> </ul>
Tuesday, July 7	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Industrial Production s.a. (MoM) (May)</li> <li><input type="checkbox"/> U.K. Industrial Production (MoM) (May)</li> <li><input type="checkbox"/> U.S. Consumer Credit Change (May)</li> <li><input type="checkbox"/> U.S. Trade Balance (Jun)</li> </ul>
Wednesday, July 8	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. MBA Mortgage Applications (Jul 3)</li> <li><input type="checkbox"/> U.K. RICS Housing Price Balance (Jun)</li> <li><input type="checkbox"/> Japan Machinery Orders (YoY) (May)</li> </ul>
Thursday, July 9	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Consumer Price Index (MoM) (Jun)</li> <li><input type="checkbox"/> China Producer Price Index (YoY) (Jun)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Jul 3)</li> </ul>
Friday, July 10	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Consumer Confidence Index (Jun)</li> <li><input type="checkbox"/> U.S. Wholesale Inventories (May)</li> <li><input type="checkbox"/> India Industrial Output (May)</li> </ul>

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