

News U Can Use

November 20, 2015

The Week that was...
16th November to 20th November

Indian Economy

- ❑ Wholesale prices fell 3.81% in October compared with a 4.54% decrease in September. The decline was slowed as pulses, vegetables and onions turned costlier. Pulses became dearer by 52.98% and onions by 85.66% in October. Wholesale prices declined in the three main categories of the wholesale price index (WPI): primary articles -0.36%; fuel and power -16.37%; and manufactured goods -1.67%. WPI for August has been revised to a 5.06% decrease from the provisional estimate of 4.95% fall.
- ❑ India's trade deficit marginally narrowed to \$9.77 billion in October from \$10.48 billion in September and \$13.58 billion in the same month of the previous year. Merchandise exports shrunk 17.53% to \$21.35 billion in October against the year-ago period, while imports fell 21.15% to \$31.12 billion. The cumulative exports during April-October this fiscal came down by 17.62% to \$154.29 billion as against \$187.29 billion in the same period last year.
- ❑ According to the Ministry of Finance, the Foreign Investment Promotion Board has cleared six FDI proposals envisaging foreign investment worth Rs. 1,810 crore.
- ❑ Gold imports plunged by 59.5% to \$1.7 billion in October, compared with \$4.20 billion in October 2014. India is the largest importer of gold in the world, and the imports mainly cater to the demand of the jewellery industry.

Indian Equity Market

Domestic Equity Market Indices			
Indices	20-Nov-15	1 Week Return	YTD Return
S&P BSE Sensex	25868.49	1.01%	-5.96%
Nifty 50	7856.55	1.21%	-5.16%
S&P BSE Mid-Cap	10858.41	1.92%	4.01%
S&P BSE Small-Cap	11367.71	2.18%	1.27%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.47	21.24	25.76	53.78
P/B	2.73	3.16	2.35	1.95
Dividend Yield	1.43	1.45	1.43	1.02

Source: BSE, NSE

Value as on Nov 20, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
16-Nov-15	828	707	1.17
17-Nov-15	821	702	1.17
18-Nov-15	516	1012	0.51
19-Nov-15	1078	433	2.49
20-Nov-15	893	635	1.41

Source: NSE

- Indian equity markets gained over the week after Wholesale Price Inflation contracted for the 12th consecutive month in October. Buying interest was also witnessed after the Finance Minister said that the Government is ready to discuss all issues with the Opposition to pass the Goods and Services Tax Bill in the Winter session of the Parliament.
- However, in the middle of the week, bourses witnessed pressure because of geo-political tensions. But it recovered soon after minutes of the U.S. Federal Reserve's latest meeting provided clarity on the possibility of an interest rate hike in December.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18675.5	2.02%	1.00%
S&P BSE Bankex	19470.6	0.56%	-4.42%
S&P BSE CD	12297.6	2.15%	3.82%
S&P BSE CG	14512.5	2.35%	-9.56%
S&P BSE FMCG	7988.62	2.81%	-0.49%
S&P BSE HC	16449.7	0.64%	-10.26%
S&P BSE IT	10802	-1.11%	-3.87%
S&P BSE Metal	7112.31	0.68%	-4.15%
S&P BSE Oil & Gas	9158.8	4.28%	-1.65%

Source: Reuters *Values as on Nov 20, 2015*

- On the BSE sectoral front, S&P BSE Oil & Gas topped the chart with return of 4.28%.
- The Oil & Gas sector gained after a leading natural gas distribution company filed draft papers with the Securities & Exchange Board of India to raise funds through a public offer. The sector also got support after the Union Cabinet approved a marketing margin of Rs. 150-200, a standard cubic meter to be charged by natural gas retailers from urea and for Liquefied Petroleum Gas plants.

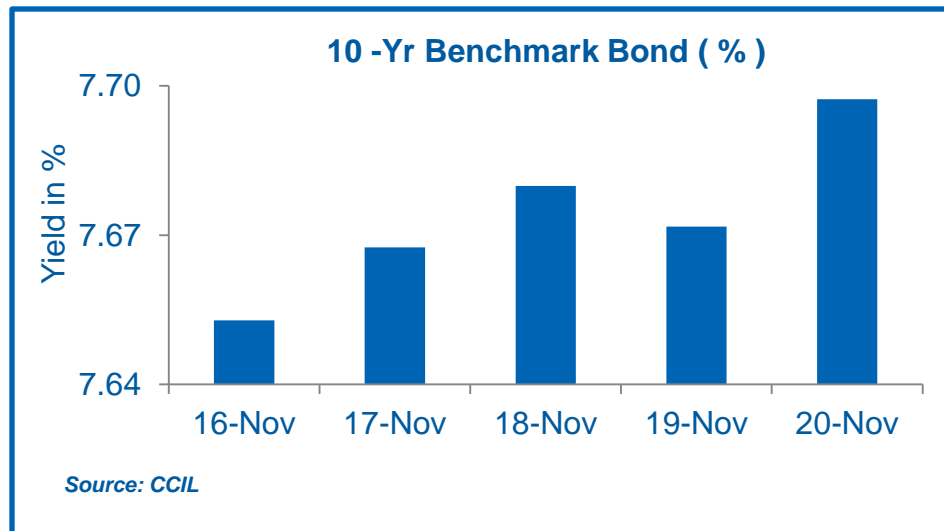
Indian Derivatives Market Review

- Nifty November 2015 Futures were at 7,851.60 points, a discount of 4.95 points against the spot closing of 7,856.55 points. The turnover on NSE's Futures and Options segment rose to Rs. 13.68 lakh crore during the week ended November 20 from Rs. 7.06 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.90, compared to the previous week's close of 0.72.
- The Nifty Put-Call ratio stood at 0.79, compared to the previous week's close of 0.72.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.73	6.75	6.85	7.35
91 Day T-Bill	7.14	7.12	7.06	7.90
08.27% 2020, (5 Yr GOI)	7.76	7.70	7.65	7.85
07.72% 2025, (10 Yr GOI)	7.70	7.65	7.58	7.86

Source: Reuters Values as on Nov 20, 2015



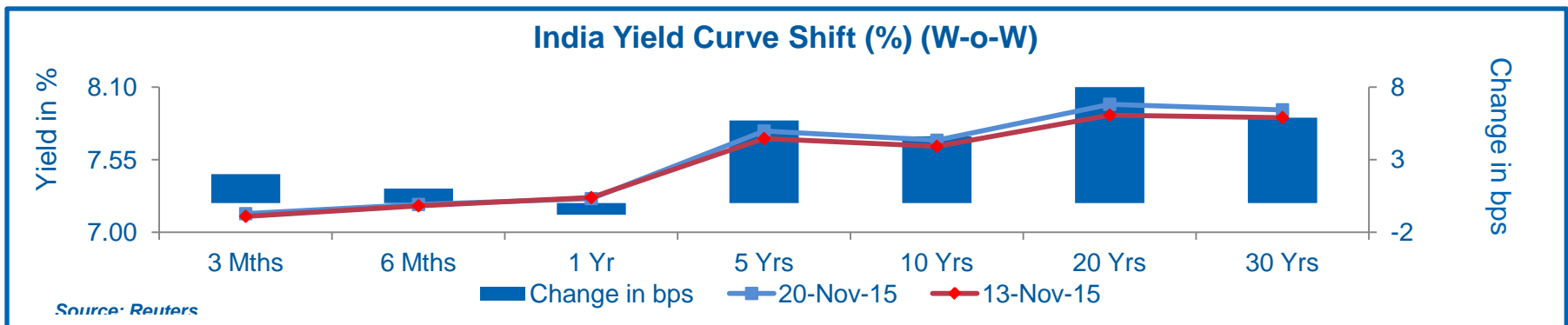
- ❑ Bond yields rose on fresh supply of government debt at the weekly auction. Moreover, proposal to raise salary of government employees led to concerns over spike in fiscal deficit, that also weighed on market sentiment.
- ❑ Losses retreated marginally after the U.S. Federal Reserve’s latest policy meeting minutes revealed that the U.S. Central Bank’s policy tightening process, after an initial interest rate increase in December, would take place in a gradual manner.
- ❑ The yield on the 10-year benchmark bond, 7.72% GS 2025, increased by 5 bps to close at 7.70% compared to the previous week’s close of 7.65%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.45	7.78	-33
3 Year	7.71	8.08	-37
5 Year	7.96	8.21	-25
10 Year	7.92	8.22	-30

Source: Reuters Values as on Nov 20, 2015

- Yield on Gilt Securities increased in the range of 2 to 8 bps across maturities barring 1-year that eased 1 bps.
- Corporate Bond yields movement was mixed as it rose and fell up to 2 bps and 4 bps respectively across the yield curve except 5-year that was flat.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, contracted across the segments in the range of 2 to 10 bps.



Regulatory Updates in India

- ❑ The Government has authorized the National Highways Authority of India to allow extension of concession period for all current projects in BOT (Toll) mode that are languishing during the construction period and pay compensation to road developers, in case of delays not attributable to them. The move is expected to significantly benefit 34 stuck projects worth at least Rs. 35,000 crore and fast-track highway building.
- ❑ The Cabinet Committee of Economic Affairs has given its approval for Interest Equalization Scheme (earlier called Interest Subvention Scheme) on Pre and Post Shipment Rupee Export Credit with effect from April 1, 2015 for five years. The Committee added that the rate of interest equalization would be 3% and it will be evaluated after three years. In addition, the Committee stated that financial implication of the proposed scheme is estimated to be in the range of Rs. 2,500 crore to Rs. 2,700 crore per year. The move comes amid concerns over continuous decline in exports. The decision taken is expected to help boost overseas shipments. Besides, the Committee also cleared big-ticket railway projects adding up to Rs. 8,000 crore-plus.
- ❑ The Reserve Bank of India Governor has opened the doors for mergers and acquisitions in the banking industry by indicating that it could allow persons to own more than 10% stake in a bank. The Central Bank stated that it could permit promoters, or investors to own more than 10% in a bank if the applicant meets certain conditions including if 'it is in public interest' and in the 'desirability of diversified ownership'.

Regulatory Updates in India (contd..)

- ❑ The Government has extended its economic assistance program IDEAS for five years under which line of credit is provided to African as well as other developing nations. The move will have a financial implication of about Rs. 3,771.77 crore.
- ❑ The Government has decided to give direct subsidy to farmers for sugarcane sold to sugar mill. The Government will give production subsidy to farmers at the rate of Rs. 4.5/quintal of sugarcane supplied to the sugar mills. According to the Government, the subsidy was compliant with the World Trade Organization.
- ❑ The Government eased norms for bilateral Official Development Assistance, which will enable the country access assistance from other countries. Under the modified guidelines, India with the approval of the Prime Minister can accept bilateral assistance from countries in addition to existing bilateral partners, including the U.S., the U.K., Japan and Germany. The objective of the move is to promote 'Make in India' campaign by obtaining new technology and boost infrastructure.
- ❑ The Union Cabinet has decided to amend the Atomic Energy Act to enable Nuclear Power Corporation of India Ltd. to enter into joint ventures with other public sector undertakings. The objective of the move is to facilitate the fast expansion of the nuclear power, utility and establishment and fast-track nuclear power projects in the country.
- ❑ The Government has extended the currency swap facility for SAARC members, under which the RBI offers the facility of varying sizes not exceeding \$2 billion in total. The arrangement will help enhance financial stability in the region and improve credibility of India among the SAARC countries.

Global News/Economy

- According to the minutes of the U.S. Federal Reserve's meeting held in October, most of the Central Bank officials noted that the downside risks arising from economic and financial developments have softened. They also noted risks to the outlook for domestic economic activity and the labour market to be nearly balanced. Many of the officials predicted that the conditions for tightening could well be met by next monetary policy meeting to be held on December 15 and 16.
- According to the European Central Bank President, policymakers will review the factors that are acting as a drag on euro area inflation and will use all available tools to raise inflation as quickly as possible. The ECB President added that the bank is willing to take all measures within its mandate to reach its inflation goal as downside risks have increased in recent months.
- The Bank of Japan kept its monetary policy on hold. The Central Bank decided to maintain its target of raising the monetary base at an annual pace of about ¥ 80 trillion.
- Japan's GDP declined 0.8% (annualized) in the third quarter. The economy had contracted 0.7% in the second quarter, which was revised from a previously estimated 1.2% fall.
- The People's Bank of China lowered the overnight rate for loans made under the standard lending facility, or SLF, to banks to 2.75% from 4.50% and the seven-day rate to 3.25% from 5.5%.

Global Equity Markets

Global Indices			
Indices	20-Nov-15	1-Week Return	YTD Return
Dow Jones	17823.81	3.35%	-0.05%
Nasdaq 100	4686.358	4.09%	10.78%
FTSE 100	6334.63	3.54%	-3.26%
DAX Index	11119.83	3.84%	13.88%
Nikkei Average	19879.81	1.44%	13.92%
Straits Times	2917.91	-0.27%	-13.43%

Source: Reuters Values as on Nov 20, 2015

Europe

- European markets rose initially during the week after data showed that Euro zone inflation turned positive in October. Buying interest improved further after the minutes of latest ECB meeting revealed that policymakers are considering boosting the monetary stimulus in December.

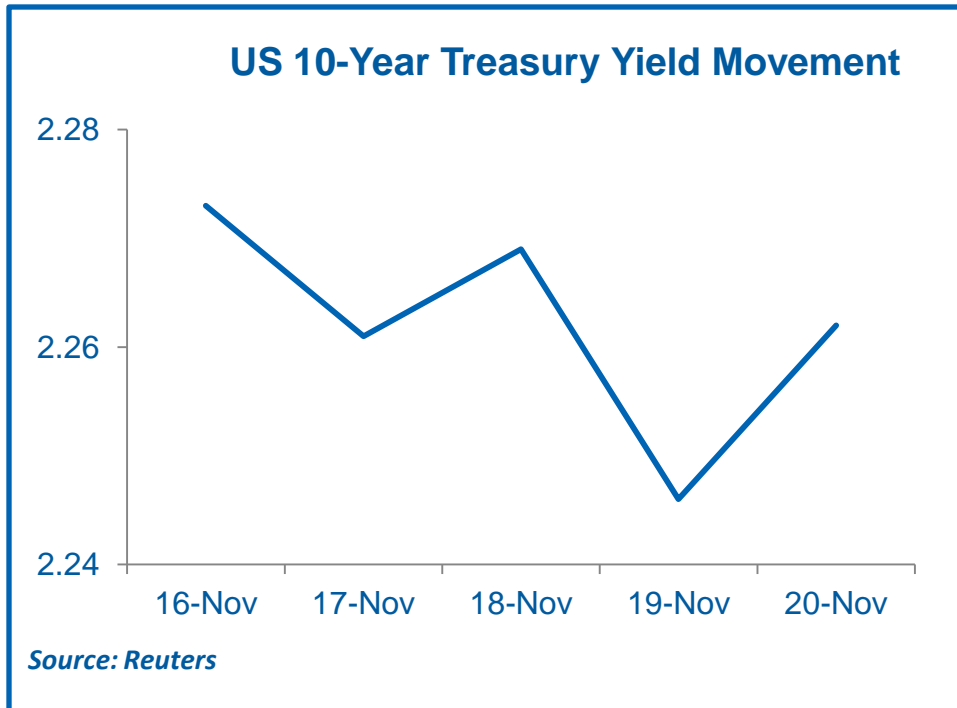
Asia

- Asian markets rose after the minutes of Fed's policy meeting provided clarity on the timing of the interest rate hike. Buying interest improved further following growing expectations that the Chinese Government will take more steps to boost economic growth. However, gains were capped as the preliminary figures for Japan's third-quarter Gross Domestic Product showed that the world's third-largest economy is slipping back into recession.

U.S.

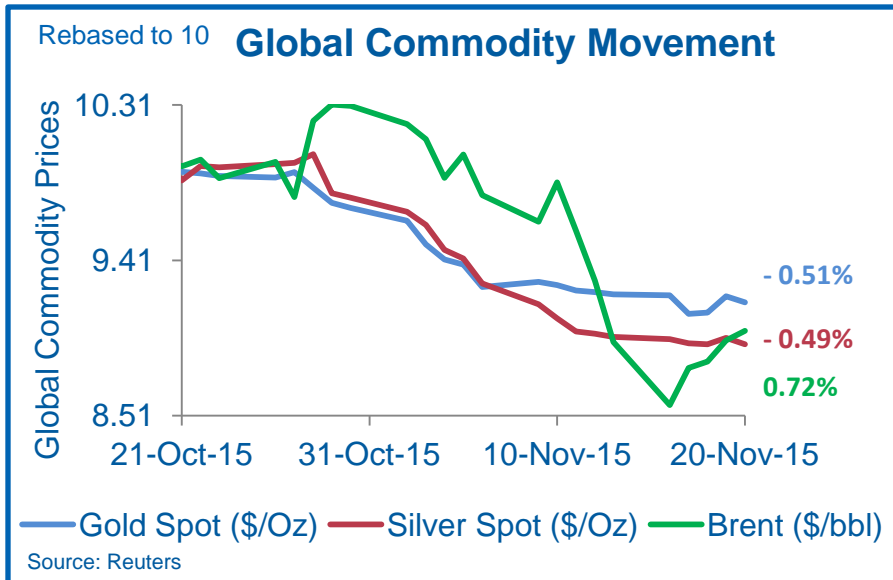
- U.S. markets rose during the week as minutes of the Federal Reserve's (Fed) meeting showed that most members expect to raise interest rates in December. It also highlighted that the Central Bank is likely to proceed slowly and cautiously after the first rate-hike. Buying interest improved further on reports of corporate mergers & acquisitions in the hotel industry.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell by 2 bps to close at 2.26%, compared to the previous week's close of 2.28%.
- The U.S. Treasury prices increased as concerns over terror attacks added to its safe haven appeal.
- Treasury prices rose further as fall in jobless claims for the week ended November 14 and better-than-expected consumer inflation in the U.S. for October fuelled expectations that short-term rates would rise faster than longer-dated maturities after the Fed raises rates in December.
- However, gains retreated at the end, tracking rise in U.S. equity markets.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	41.93	41.63
Gold (\$/Oz)	1077.71	1083.26
Gold (Rs/10 gm)	25488	25743
Silver (\$/Oz)	14.17	14.24
Silver (Rs/Kg)	33995	34533

Source: Reuters Values as on Nov 20, 2015

Gold

- The safe-haven appeal of the yellow metal improved initially following global geo-political tensions. However, the trend reversed as the minutes of Fed's latest policy meeting provided some clarity on the prospects of an interest rate hike in December.

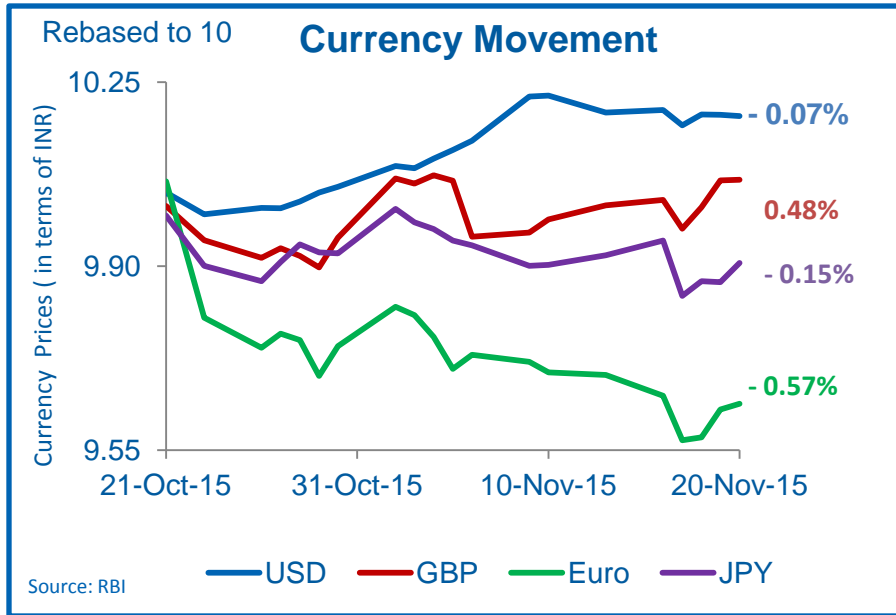
Crude

- Brent Crude prices rose during the week as geo-political tensions raised supply concerns. Oil prices found additional support after a report from the American Petroleum Institute showed that the U.S. crude stockpiles fell by 482,000 barrels in the preceding week.

Baltic Dry Index

- The Baltic Dry Index fell during the week on the back of sluggish capesize and panamax activities.

Currencies Markets



Rupee

- The rupee weakened against the dollar following sustained dollar demand from banks and importers.

Euro

- Euro fell against the dollar on concerns of an interest rate hike from the U.S. Federal Reserve. Moreover, dovish comments from European Central Bank chief increased losses.

Pound

- Sterling fell against the dollar on concerns of an increase in U.S. interest rates in December and weak retail sales data in U.K. for October. However, upbeat core inflation data in the U.K. for October restricted further losses.

Yen

- Yen weakened against the dollar as rise in U.S. inflation in October and minutes of Fed's last meeting raised expectations that Fed will raise interest rates in December.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.09	66.14
Pound Sterling	101.04	100.55
EURO	70.86	71.26
JPY(per 100 Yen)	53.82	53.90

Source: RBI

Figures in INR, Values as on Nov 20, 2015

The Week that was...
16th November to 20th November

The Week that was (Nov 16 – Nov 20)

Day	Event	Present Value	Previous Value
Monday, November 16, 2015	India Wholesale Price Inflation (Oct)	-3.81%	-4.54%
	Euro Zone Consumer Price Index (MoM) (Oct)	0.10%	0.20%
	U.K. Rightmove House Price Index (MoM) (Nov)	6.20%	5.60%
Tuesday, November 17, 2015	U.K. Consumer Price Index (YoY) (Oct)	0.10%	-0.10%
	Euro Zone ZEW Surey - Economic Sentiment (Nov)	28.3	30.1
	U.S. Consumer Price Index (YoY) (Oct)	0.20%	0.00%
	U.S. Industrial Production (MoM) (Oct)	-0.20%	-0.20%
Wednesday, November 18, 2015	Euro Zone Construction Output s.a (MoM) (Sep)	-0.40%	-0.20%
	U.S. Housing Starts (MoM) (Oct)	1.06M	1.19M
Thursday, November 19, 2015	Bank of Japan Interest Rate Decision	0.10%	0.10%
	U.S. Initial Jobless Claims (Nov 13)	271K	276K
	U.K. Retail Sales (MoM) (Oct)	-0.60%	1.70%
Friday, November 20, 2015	China CB Leading Economic Index (Oct)	0.60%	1.60%
	Germany Producer Price Index (MoM) (Oct)	-0.40%	-0.40%
	U.K. Public Sector Net Borrowing (Sep)	£7.47B	£8.33B

The Week Ahead...
November 23 to November 27

The Week Ahead

Day	Event
Monday, November 23	<ul style="list-style-type: none"> <li data-bbox="581 339 1296 372">❑ Euro Zone Markit PMI Composite (Nov) Preliminary <li data-bbox="581 411 1261 444">❑ U.S. Markit Manufacturing PMI (Nov) Preliminary
Tuesday, November 24	<ul style="list-style-type: none"> <li data-bbox="581 475 1387 508">❑ U.S. Gross Domestic Product Annualized (Q3) Preliminary <li data-bbox="581 546 1277 579">❑ Germany Gross Domestic Product s.a (QoQ) (Q3) <li data-bbox="581 618 1286 651">❑ Japan Nikkei Manufacturing PMI (Nov) Preliminary
Wednesday, November 25	<ul style="list-style-type: none"> <li data-bbox="581 668 1060 701">❑ U.S. Durable Goods Orders (Oct) <li data-bbox="581 739 1215 772">❑ U.S. Markit PMI Composite (Nov) Preliminary <li data-bbox="581 811 1083 843">❑ U.S. New Home Sales (MoM) (Oct)
Thursday, November 26	<ul style="list-style-type: none"> <li data-bbox="581 879 1054 912">❑ Japan Unemployment Rate (Oct) <li data-bbox="581 951 1280 983">❑ Germany Gfk Consumer Confidence Survey (Dec) <li data-bbox="581 1022 1277 1055">❑ Japan National Consumer Price Index (YoY) (Oct)
Friday, November 27	<ul style="list-style-type: none"> <li data-bbox="581 1093 1321 1126">❑ U.K. Gross Domestic Product (QoQ) (Q3) Preliminary <li data-bbox="581 1165 1116 1198">❑ U.K. Gfk Consumer Confidence (Nov) <li data-bbox="581 1236 1141 1269">❑ Euro Zone Consumer Confidence (Nov)

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