

# News U Can Use

*October 2, 2015*

The Week that was...  
28<sup>th</sup> September to 2<sup>nd</sup> October

# Indian Economy

- ❑ The Reserve Bank of India (RBI) has reduced the repo rate under the Liquidity Adjustment Facility by 50 basis points (bps) from 7.25% to 6.75% with immediate effect. However, the Central Bank has decided to keep the Cash Reserve Ratio of scheduled banks unchanged at 4% of Net Demand and Time Liabilities. The RBI's rationale for rate cut is attributed to easing food inflation despite monsoon deficiency, weak economic activity and the U.S. Federal Reserve keeping rates unchanged at its last meeting.
- ❑ The RBI lowered its inflation projection to 5.8% for January 2016. The Central Bank Governor further added that it aims to bring down inflation further to 5% by the end of the next financial year. The Central Bank Governor also opined that inflation is likely to go up from September for a few months as favourable base effects would reverse.
- ❑ The RBI revised downwards its real GDP forecast for 2015-16 to 7.4% from an earlier estimate of 7.6%. The RBI Governor added that growth is expected to pick up in the latter part of the fiscal.
- ❑ Infrastructure output grew 2.6% on a yearly basis in August, much faster than 1.1% seen in the previous month. The growth in the reported month was mainly contributed by generation of cement and electricity. On the contrary, steel production contracted 5.9% compared to 5.6% rise in July. The infrastructure sector accounts for nearly 38% of the industrial output.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	01-Oct-15	1 Week Return	YTD Return
S&P BSE Sensex	26220.95	1.38%	-4.68%
CNX Nifty Index	7950.9	1.05%	-4.02%
S&P BSE Mid-Cap	10818.68	2.08%	3.63%
S&P BSE Small-Cap	11042.6	0.92%	-1.63%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.2	22.21	25.78	58.7
P/B	2.86	3.2	2.42	1.94
Dividend Yield	1.39	1.43	1.35	1.02

Source: BSE, NSE Value as on Oct 01, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
28-Sep-15	574	931	0.62
29-Sep-15	672	807	0.83
30-Sep-15	1019	482	2.11
01-Oct-15	764	742	1.03

Source: NSE

- ▣ Domestic equity markets gained during the holiday-truncated week. Initially, markets remained range bound as investors preferred to remain on sidelines ahead of the RBI's Fourth Bi-monthly Monetary Policy Review.
  
- ▣ Market sentiments improved after the Reserve Bank of India (RBI) reduced its key policy rate by a higher-than-expected 50 basis points.
  
- ▣ Strength in other regional markets provided further support. Growth in infrastructure output in August and narrowing of the country's fiscal deficit for the April-August period also helped improve investor sentiments.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17312.3	-0.02%	0.92%
S&P BSE Bankex	19608.2	-0.45%	5.53%
S&P BSE CD	10905.9	3.87%	2.26%
S&P BSE CG	15222.3	1.09%	-1.43%
S&P BSE FMCG	7769.95	2.60%	1.19%
S&P BSE HC	18039.3	2.40%	2.81%
S&P BSE IT	11550.6	0.68%	3.28%
S&P BSE Metal	6825.4	-0.90%	-3.98%
S&P BSE Oil & Gas	8703.59	0.79%	1.43%

*Source: Reuters* *Values as on Oct 01, 2015*

- On the BSE sectoral front, barring S&P BSE Metal (-0.90%), S&P BSE Bankex (-0.45%) and S&P BSE Auto (-0.02%), all other indices closed in green. Metal sector stocks continued to remain under pressure on concerns over China.
- S&P BSE Consumer Durables was the top gainer, up 3.87%, followed by S&P BSE Realty (3.23%), S&P BSE FMCG (2.60%) and S&P BSE HC (2.40%).

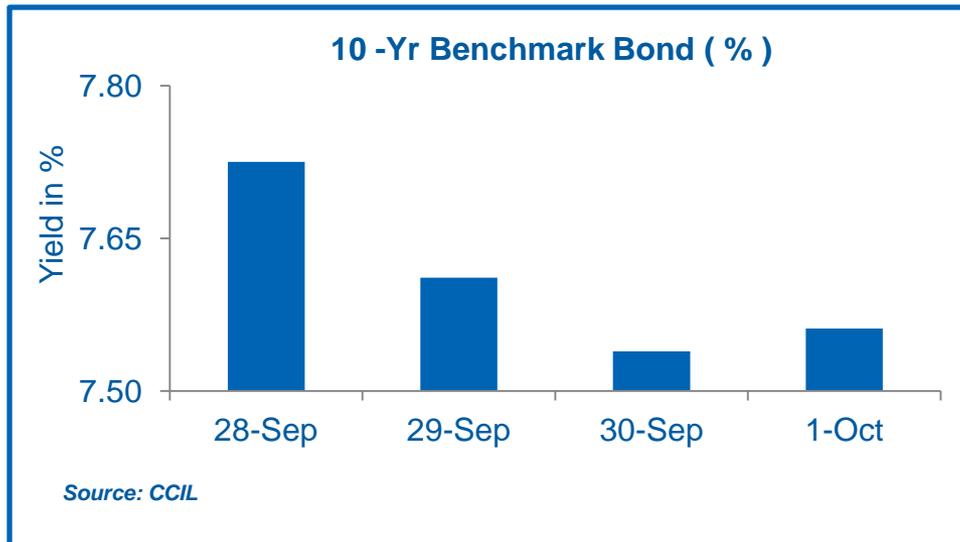
## Indian Derivatives Market Review

- Nifty October 2015 Futures were at 7,976.95 points, a premium of 26.05 points against the spot closing of 7,950.90 points. The turnover on NSE's Futures and Options segment fell to Rs. 7.23 lakh crore during the holiday-truncated week ended October 1 from Rs. 18.04 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.92, compared to the previous week's close of 1.07.
- The Nifty Put-Call ratio stood at 0.91, compared to the previous week's close of 1.00.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.70	6.92	7.11	11.21
91 Day T-Bill	7.02	7.40	7.43	7.88
08.27% 2020, (5 Yr GOI)	7.65	7.86	7.89	--
07.72% 2025, (10 Yr GOI)	7.56	7.71	7.75	--

Source: Reuters Values as on Oct 01, 2015



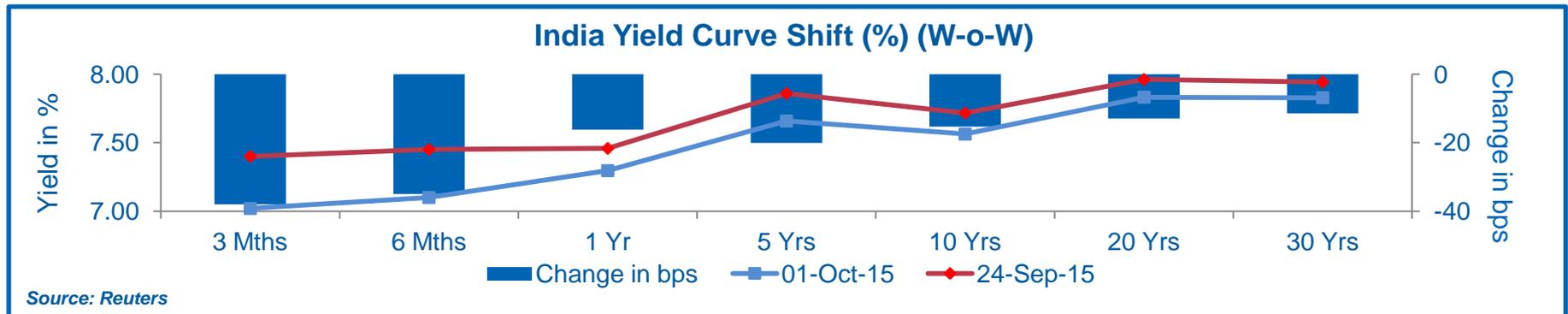
- Bond yields fell sharply during the week after the Reserve Bank of India (RBI) lowered key policy rates by 50 bps, which was larger than market expectations. Relaxation in foreign investment limit in Government debt (in phases) provided further support.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, fell by 15 bps to close at 7.56% compared to the previous week's close of 7.71%.
- Liquidity conditions eased as banks turned net lenders during the week under review. Banks' net average lending under the RBI's LAF stood at Rs. 384.33 crore (for Thursday, only repo session considered) compared to the previous week's borrowing of Rs. 6,731.60 crore.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.46	7.88	-42.3
3 Year	7.68	8.17	-49.0
5 Year	7.84	8.26	-42.3
10 Year	7.77	8.19	-41.7

Source: Reuters Values as on Oct 01, 2015

- Yield on Gilt Securities fell across the maturities in the range of 11 bps to 22 bps. The maximum fall was witnessed on 6-year paper.
- Corporate Bond yields fell across the maturities in the range of 12 to 27 bps.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, expanded across most of the maturities in the range of 5 bps to 8 bps barring 1, 2, 9 and 10-year papers that contracted by up to 11 bps.



# Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) said that exchange traded currency futures and options will be introduced in three cross-currency pairs -- EUR-USD, GBP-USD and USD-JPY. The Central Bank has decided to increase the limit for resident entities for hedging their foreign exchange exposure in the over-the-counter (OTC) market from \$250,000 to \$1 million without production of any underlying documents. The move will provide more flexibility to market participants in managing their currency risk in the OTC market.
- ❑ The Central Bank has permitted banks to hold investments under the Held to Maturity (HTM) category in excess of the limit of 25% of their total investments. However, the excess should consist of only Statutory Liquidity Ratio (SLR) securities. The total SLR securities held under the HTM category should not be more than 22% of Net Demand and Time Liabilities (NDTL). The SLR has been lowered to 21.50% of NDTL with effect from February 7, 2015. To align them, the Central Bank has decided to bring down the ceiling on SLR securities under HTM from 22% to 21.50% with effect from the fortnight beginning January 9, 2016. Thereafter, both the SLR and the HTM ceiling will be brought down by 0.25% every quarter till March 31, 2017.
- ❑ The RBI, in order to improve “affordability of low cost housing” for economically weaker sections, has proposed to reduce the risk weights that are applicable for low value but well collateralised individual housing loans.

## Regulatory Updates in India (contd..)

- ❑ The RBI has allowed Indian corporates to issue rupee denominated bonds/masala bonds with a minimum maturity of five years at overseas. This will be within the ceiling of foreign investment permitted in corporate debt (\$51 billion at present).
- ❑ The RBI has permitted scheduled commercial banks to take short positions in the When Issued (WI) market for both new and reissued securities. The RBI has also allowed regulated entities other than banks and primary dealers to take long positions in the WI market. Detailed guidelines in this regard will be issued by end of November.
- ❑ According to the SEBI Chairman, foreign portfolio investors will be allowed to trade in commodities futures markets. The SEBI Chief further added that the country's capital markets regulator, would also focus on how prices and benchmark rates are fixed in commodity markets, while also looking at the possibility of having products like options and futures.
- ❑ SEBI has asked listed companies to submit quarterly compliance report on corporate governance in a prescribed format within 15 days from the close of every quarter. The report will have disclosure pertaining to composition of board of directors as well as the committees and their respective meetings.

# Global News/Economy

- ❑ The U.S. Gross Domestic Product (GDP) growth rate was upwardly revised to 3.9% on a yearly basis from 3.7% for the June quarter. Growth was attributed to higher consumer spending and increased business investment.
- ❑ Data from payroll processor ADP showed that private sector employment jumped by 200,000 jobs in September following a downwardly revised increase of 186,000 jobs in August.
- ❑ Data from the U.S. Labour Department showed that non-farm payroll employment in U.S. rose by 142,000 jobs in September. Job growth in July and August was also downwardly revised to 223,000 and 136,000, respectively, reflecting a net downward revision of 59,000 jobs. The unemployment rate stood at a seven-year low of 5.1% in September.
- ❑ As per flash data, Euro zone inflation unexpectedly contracted by 0.1% on a yearly basis in September compared to 0.1% rise in August. It was the first fall in six months. Core inflation rose by 0.9%, similar to what was seen in August.
- ❑ China's manufacturing conditions deteriorated the most in six-and-a-half years in September as orders declined sharply on weak foreign demand. Survey data from the Caixin Insight Group and Markit showed that the final manufacturing Purchasing Managers' Index dropped to 47.2 in September from 47.3 in August. Meanwhile the official Manufacturing PMI rose moderately to 49.8 in September from 49.7 in August.

# Global Equity Markets

Global Indices			
Indices	02-Oct-15	1-Week Return	YTD Return
Dow Jones	16472.37	0.97%	-7.63%
Nasdaq 100	4267.45	1.01%	0.88%
FTSE 100	6129.98	0.34%	-6.38%
DAX Index	9553.07	-1.40%	-2.17%
Nikkei Average	17725.13	-0.87%	1.57%
Straits Times	2793.15	-1.39%	-17.13%

*Source: Reuters Values as on Oct 02, 2015*

## Europe

- Majority of the European markets fell after the International Monetary Fund (IMF) said that global growth outlook is likely to be revised due to weak expansion in emerging economies. Bourses witnessed more pressure after official data showed that the Euro zone inflation slipped below zero in September.

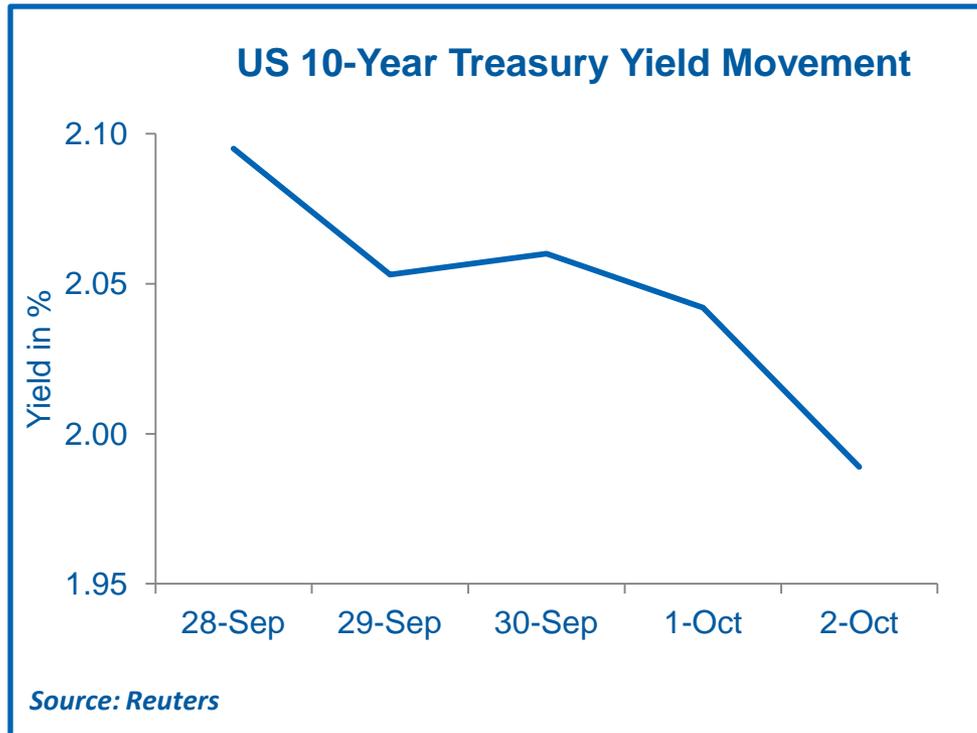
## Asia

- Asian markets witnessed a mixed trend during the week. Weak Chinese industrial profit data and the IMF's estimate of slower economic growth over 2015-17 period weighed on investor sentiments. Meanwhile, buying interest improved after contraction in Chinese manufacturing activity in September and weak Japanese business confidence data for the July-September quarter raised hopes of more fiscal and monetary stimulus measures.

## U.S.

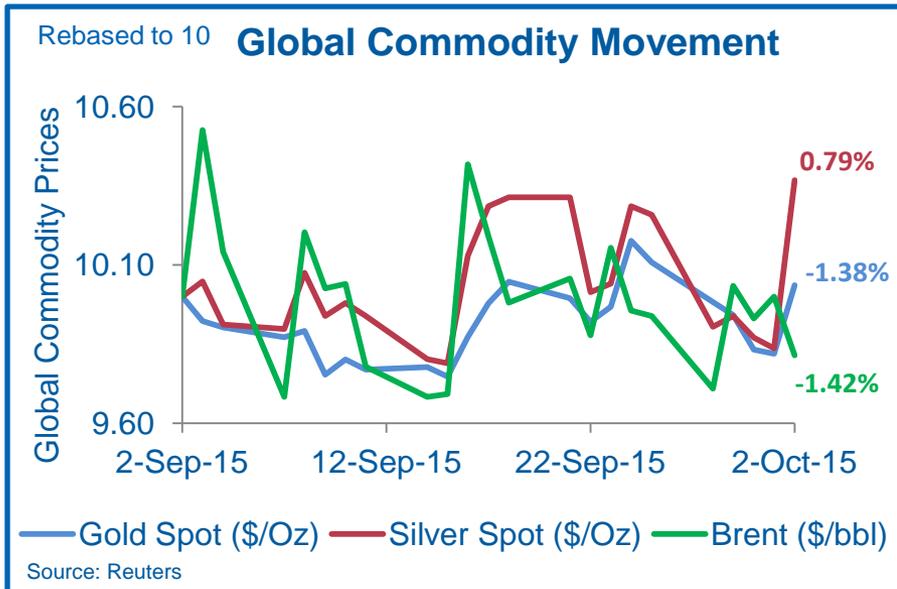
- The U.S. markets remained under pressure initially amid growing uncertainty over the U.S. Fed's stance on interest rate hike. Weak economic data from China triggered selling pressure as the same renewed concerns over the health of the global economy. However, bourses recovered later as weaker-than-expected non-farm payroll data for September eased concerns over an imminent rate hike.

# Global Debt (U.S.)



- The yield on 10-year U.S. Treasury bond came below 2% for the first time since August 24 and fell by 18 bps during the week to close at 1.99% compared to the previous week's close of 2.17%. This was the lowest level in five and a half weeks.
- Initially, the U.S. Treasury prices rose as investors remained concerned over the growth prospects of the global economy and slowdown in the Chinese economy. Treasury prices rose further after U.S. jobs data for September came well below market expectations.
- However, gains were capped after private sector employment in the U.S. for September came above market expectations.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.49	47.16
Gold (\$/Oz)	1137.74	1153.62
Gold (Rs/10 gm)*	25754	26424
Silver (\$/Oz)	15.24	15.12
Silver (Rs/Kg)*	34126	34927

Source: Reuters \* Last close as on Oct 1, 2015 Values as on Oct 2, 2015

## Gold

- Gold prices remained under pressure as concerns over an imminent rate hike by the U.S. Fed continued to weigh on the bullion.

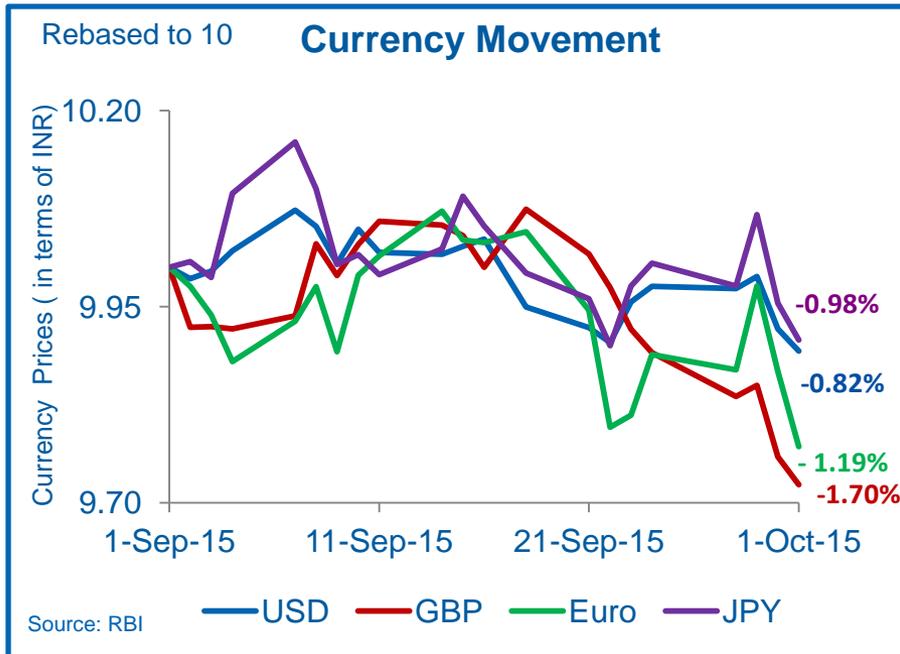
## Crude

- Brent crude prices fell on the back of oversupply and concerns over demand outlook from emerging markets. However, reports of tightening supplies in the U.S. provided some support to oil prices. Crude prices found additional support following worries over increasing tension in Syria.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.55	66.10
Pound Sterling	99.17	100.89
EURO	73.08	73.96
JPY(per 100 Yen)	54.54	55.08

Source: RBI      *Figures in INR , Values as on Oct 01, 2015*

## Rupee

- The rupee rose against the dollar, tracking gains in domestic equity markets, after the RBI lowered its key policy rates by 50 bps.

## Euro

- The euro initially remained under pressure against the dollar after the Euro zone fell into deflation in September. However, the trend reversed after U.S. jobs data for September came well below market expectations.

## Pound

- The pound weakened against the dollar after private sector employment growth in the U.S. came better than expected. However, the pound recovered and closed flat following positive U.K. manufacturing PMI in September.

## Yen

- The yen rose against the dollar amid slowdown in the Chinese economy. Uncertainty over interest rate outlook in the U.S. region also supported the yen.

The Week that was...  
28<sup>th</sup> September to 2<sup>nd</sup> October

# The Week that was (Sep 28 – Oct 2)

Day	Event	Present Value	Previous Value
Monday, September 28, 2015	Japan Leading Economic Index (Jul)	105	106.7
	U.S. Personal Income (M-o-M) (Aug)	0.30%	0.50%
Tuesday, September 29, 2015	India Reserve Bank of India Interest Rate Decision	7.25%	6.75%
	Germany Consumer Price Index (M-o-M) (Sep)Preliminary	-0.20%	0.00%
Wednesday, September 30, 2015	U.S. ADP Employment Change (Sep)	200K	186K Revised from 190K
	Euro Zone Consumer Price Index (Y-o-Y) (Sep)Preliminary	-0.10%	0.10%
	Euro Zone Unemployment Rate (Aug)	11.00%	11.00%
	Germany Unemployment Rate s.a. (Sep)	6.40%	6.40%
Thursday, October 01, 2015	China Caixin Manufacturing PMI (Sep)	47.2	47
	Japan Nomura/ JMMA Manufacturing PMI (Sep)	51	50.9
	Euro Zone Markit Manufacturing PMI (Sep)	52	52
	U.S. ISM Manufacturing PMI (Sep)	50.2	51.1
Friday, October 02, 2015	U.S. Nonfarm Payrolls (Sep)	142K	136K
	U.S. Unemployment Rate (Sep)	5.1%	5.1%
	U.K. PMI Construction (Sep)	59.9	57.3

The Week Ahead...  
October 5 to October 9

# The Week Ahead

Day	Event
<b>Monday, October 5</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Markit PMI Composite (Sep)</li> <li><input type="checkbox"/> Euro Zone Markit PMI Composite (Sep)</li> <li><input type="checkbox"/> Euro Zone Retail Sales (M-o-M) (Aug)</li> </ul>
<b>Tuesday, October 6</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Factory Orders s.a. (M-o-M) (Aug)</li> <li><input type="checkbox"/> U.S. Trade Balance (Aug)</li> </ul>
<b>Wednesday, October 7</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank of Japan Monetary policy review</li> <li><input type="checkbox"/> Germany Industrial Production s.a. (M-o-M) (Aug)</li> <li><input type="checkbox"/> Japan Machinery Orders (M-o-M) (Aug)</li> </ul>
<b>Thursday, October 8</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank of England Interest rate decision</li> <li><input type="checkbox"/> Japan Consumer Confidence Index (Sep)</li> <li><input type="checkbox"/> Japan Machine Tool Orders (Y-o-Y) (Sep)Preliminary</li> <li><input type="checkbox"/> Germany Current Account n.s.a. (Aug)</li> </ul>
<b>Friday, October 9</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Total Trade Balance (Aug)</li> <li><input type="checkbox"/> U.S. Wholesale Inventories (Aug)</li> </ul>

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