

News U Can Use

October 23, 2015

The Week that was...
19th October to 23rd October

Indian Economy

- A major credit rating agency has affirmed its 'BBB-' long-term and 'A-3' short-term sovereign credit ratings for India. The outlook for the country remains stable. The credit rating agency further added that the ratings reflect the country's sound external profile and improved monetary credibility. According to the rating agency, the Indian Government has made progress in building consensus on passage of laws to address long-standing impediments to India's growth which includes strengthening the business climate, improving labour market flexibility, and reforming the energy sector. The credit rating agency also noted progress in comprehensive tax reforms through the likely introduction of a Goods and Services Tax to replace complex indirect taxes.
- According to Moody's, India's relatively resilient growth and policy reform momentum will gradually stabilize inflation, improve regulatory environment within the country, increase infrastructure investment and lower Government debt ratios. The rating agency projected strong growth in the Indian economy of around 7-7.5% per year in 2015-16. India being a major importer of energy will benefit from lower oil prices, which in turn will improve their current account balances and disposable incomes and support domestic demand, the rating agency added.
- According to the RBI Governor, the growth rate of the Indian economy cannot accelerate until steps are taken to improve the supply chain to boost demand. The Central Bank Governor further added that besides supply of goods and services, India must also improve the quality of its human capital.

Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Oct-15	1 Week Return	YTD Return
S&P BSE Sensex	27470.81	0.94%	-0.13%
CNX Nifty Index	8295.45	0.70%	0.14%
S&P BSE Mid-Cap	11138.23	0.82%	6.69%
S&P BSE Small-Cap	11519.28	0.21%	2.62%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.14	22.55	26.59	60.91
P/B	2.99	3.32	2.5	2.02
Dividend Yield	1.34	1.38	1.36	1

Source: BSE, NSE

Value as on Oct 23, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
19-Oct-15	858	658	1.30
20-Oct-15	827	708	1.17
21-Oct-15	674	843	0.80
23-Oct-15	659	856	0.77

Source: NSE

- Indian equity markets rose marginally during the week under review.
- Initially, investor sentiments remained positive on reports that the Government is likely to go for a fresh round of consultations on Goods and Service Tax with the Opposition parties. Bourses soon gave up gains after a global rating agency ruled out any rating upgrade for India.
- However, the trend reversed after the European Central Bank gave indication of announcing more stimulus measures to revive Europe's ailing economy.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18406.1	-0.52%	6.40%
S&P BSE Bankex	20478	0.09%	3.50%
S&P BSE CD	11858.4	0.20%	15.18%
S&P BSE CG	15633.7	-3.51%	2.65%
S&P BSE FMCG	8115.32	1.71%	8.21%
S&P BSE HC	18255.7	0.51%	4.40%
S&P BSE IT	11324.9	2.92%	0.70%
S&P BSE Metal	7531.82	-0.88%	7.85%
S&P BSE Oil & Gas	9337.48	0.62%	7.31%

Source: Reuters *Values as on Oct 23, 2015*

- On the BSE sectoral front, majority of indices closed in green. S&P BSE IT was the top gainer, up 2.92%, followed by S&P BSE TECK (2.28%) and S&P BSE FMCG (1.71%).
- On the other hand, S&P BSE Capital Goods was the major laggard, down 3.51%, followed by S&P BSE Metal and S&P BSE Auto. Stocks from the metal sector continued to remain under pressure following weak Chinese economic data.

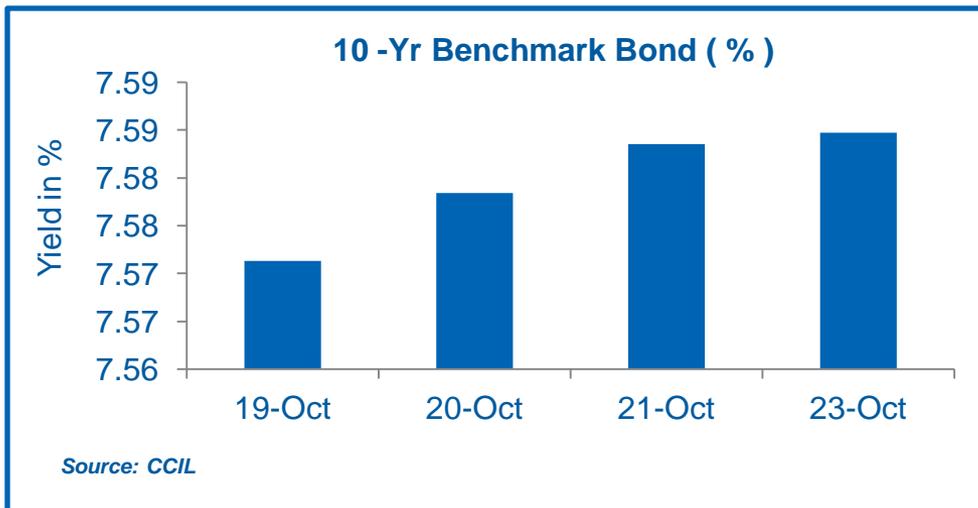
Indian Derivatives Market Review

- Nifty October 2015 Futures were at 8,304.15 points, a premium of 8.70 points against the spot closing of 8,295.45 points. The turnover on NSE's Futures and Options segment rose to Rs. 8.37 lakh crore during the week ended October 23 from Rs. 9.00 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.03 compared to the previous week's close of 0.97.
- The Nifty Put-Call ratio stood at 1.06 compared to the previous week's close of 1.02.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.98	6.73	7.21	7.72
91 Day T-Bill	7.10	7.06	7.45	7.88
08.27% 2020 , (5 Yr GOI)	7.65	7.64	7.87	-
07.72% 2025, (10 Yr GOI)	7.58	7.56	7.72	-

Source: Reuters Values as on Oct 23, 2015



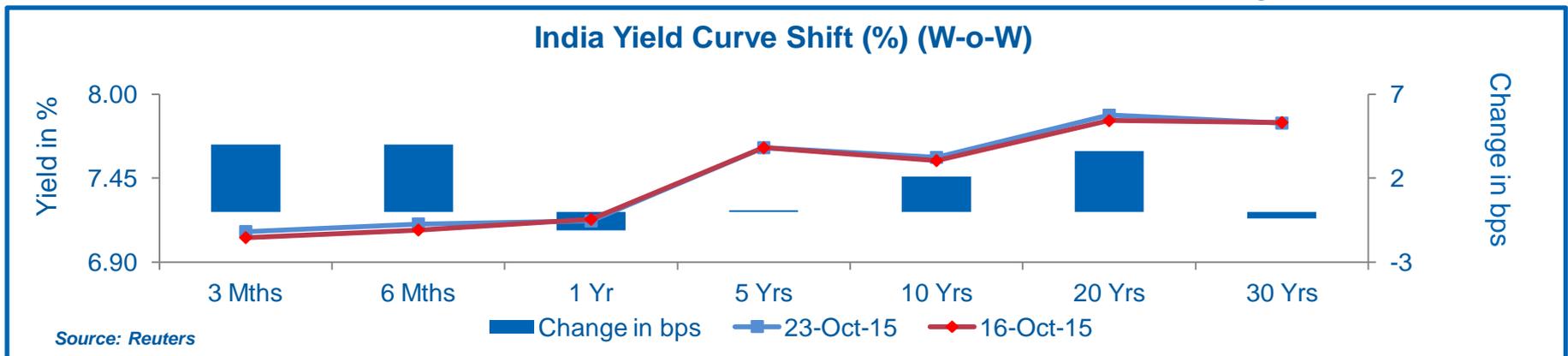
- Bond yields rose marginally during the week under review as investors deferred purchases amid lack of fresh triggers. Market participants also remained cautious ahead of the U.S. Federal Reserve’s meeting, scheduled next week.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, rose by 2 bps to close at 7.58% compared to the previous week’s close of 7.56%. During the week, bond yields traded in the range of 7.56% to 7.59%.
- Banks’ net average borrowings under the RBI’s Liquidity Adjustment Facility stood at Rs. 11,481.42 crore (for Friday, only repo session considered) compared to the previous week’s lending of Rs. 5,953.43 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.36	7.75	39
3 Year	7.68	8.01	33
5 Year	7.83	8.14	31
10 Year	7.80	8.11	31

Source: Reuters Values as on Oct 23, 2015

- Yield on Gilt Securities increased by up to 4 bps across the maturities barring 1 and 2-year papers that eased by 1 bps each. The yield on 3, 5, 6 and 30-year papers remained unchanged.
- Corporate Bond yields fell across the maturities by up to 9 bps except 1-year paper that increased by 5 bps
- Spread between AAA Corporate Bond and Gilt contracted across the maturities by up to 11 bps except 1-year paper that expanded by 5 bps and 2-year paper that remained unchanged.



Regulatory Updates in India

- ❑ The Labour Bureau in its 25th Quarterly Report on Changes in Employment showed that employment in eight sectors including IT/BPO, automobiles, gems & jewellery and textile rose by 5.21 lakh last fiscal. During the first three quarters of 2014-15, these sectors witnessed an overall increase in employment by 1.82 lakh, 1.58 lakh and 1.17 lakh over the previous quarters. The highest increase in employment was noted in IT/BPOs sector where jobs increased by 37,000 during January-March over November-December 2014, followed by textiles including apparel sector (24,000), automobiles sector (20,000) and metals sector (1,000).
- ❑ The Reserve Bank of India (RBI) issued guidelines for the Gold Monetisation Scheme. The objective of the Gold Deposit Scheme is to mobilize a part of an estimated 20,000 tonnes of gold with households and institutions. According to the guidelines, banks will be free to set interest rate on such deposit, and principal and interest of the deposit will be denominated in gold. The Central Bank further added that the interest will be credited in the deposit accounts on the respective due dates and can be withdrawn periodically or at maturity as per the terms of the deposit.
- ❑ The Government has made it compulsory for any budding entrepreneur to submit his/her Aadhaar number to register a new business. The Prime Minister earlier has underlined the need of simplifying procedures to start a business with a single-page registration form.

Regulatory Updates in India (contd..)

- ❑ The Union Cabinet has given its approval to raise the limit of wage ceiling, which is used to calculate bonus for factory workers and establishments with 20 or more workers. The monthly bonus calculation ceiling has been doubled to Rs. 7,000 per month. The bill will be tabled in Parliament and after the approval it will be effective from April 1, 2015. The bill also seeks to raise the eligibility limit for payment of bonus from the salary or wage of an employee from Rs. 10,000 per month to Rs. 21,000 per month.
- ❑ According to the Environment Ministry, the Government has extended the validity of environment clearance (EC) from five years to seven years. EC is granted after assessing the environmental impact of a project and taking into account the environment management plan.
- ❑ The Government has notified amendments for transfer pricing calculations to incorporate range concept and use of multi-year data to reduce litigation and bring Indian laws in line with international practices. The new rules are applicable for calculating the arm's length pricing of international transactions and specified domestic transactions from April 1, 2014. Transfer pricing is one of the main reasons for tax disputes in India. The tax department has made these changes to provide more clarity.

Global News/Economy

- ❑ The U.S. housing starts rose 6.5% to an annual rate of 1.206 million in September from the revised August estimate of 1.132 million. The increase was attributed to a surge in multi-family starts that jumped 18.3% to a rate of 466,000 in September from 394,000 in August. During the similar period, single-family starts showed a modest increase of 0.3% to a rate of 740,000 from 738,000.
- ❑ The European Central Bank (ECB) kept its interest rates on hold for the tenth policy session in a row. The ECB kept the deposit rate unchanged at -0.20% and the marginal lending rate at 0.30%. Previously, the three main interest rates were lowered by 10 basis points in September 2014.
- ❑ Preliminary data from Markit Economics showed that Euro zone's private sector grew at the fastest pace in two months during October.
- ❑ The People's Bank of China lowered interest rates for the sixth time since November. The People's Bank of China has lowered the one-year benchmark bank lending rate by 25 basis points to 4.35% with effect from October 24. The one-year benchmark deposit rate was also lowered by 25 bps to 1.50%.
- ❑ The merchandise trade deficit in Japan fell sharply to 114.5 billion yen in September from 569.4 billion yen shortfall in the previous month due to slump in imports while exports edged up. Exports rose at a slower pace of 0.6% while imports dropped by 11.1% in September.

Global Equity Markets

Global Indices			
Indices	23-Oct-15	1-Week Return	YTD Return
Dow Jones	17646.7	2.50%	-1.04%
Nasdaq 100	4624.09	4.18%	9.31%
FTSE 100	6444.08	1.04%	-1.58%
DAX Index	10794.54	6.83%	10.55%
Nikkei Average	18825.3	2.92%	7.88%
Straits Times	3068.46	1.25%	-8.96%

Source: Reuters Values as on Oct 23, 2015

Europe

- European markets closed higher over the week after the European Central Bank indicated that it may expand its stimulus measures to counter deflationary pressures and boost growth in the Euro zone. Markets also got support after the flash Composite Purchasing Managers' Index across the Euro zone rose to a two-month high of 54 from 53.6 in September.

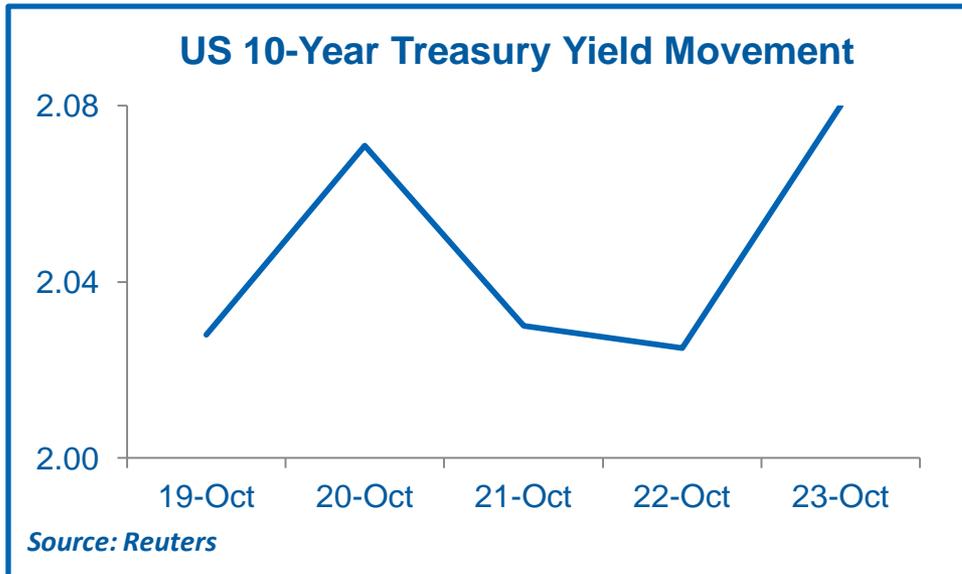
Asia

- Asian markets closed on a positive note after the Chinese Central Bank reduced its policy rates to boost the economy. Investor sentiments improved further after the European Central Bank gave indication of announcing more stimulus measures to support economic growth of the Euro region.

U.S.

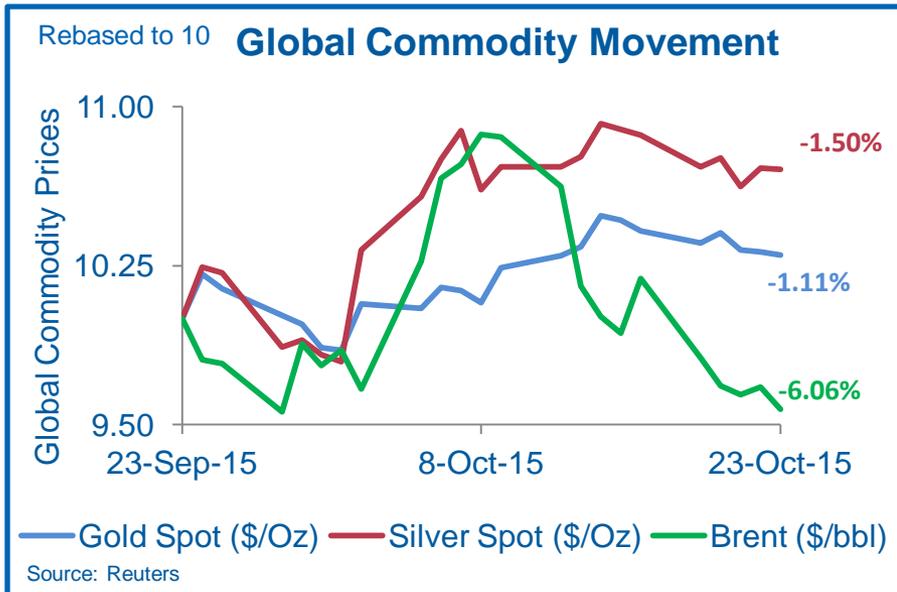
- The U.S. markets closed in green after the European Central Bank (ECB) kept interest rates unchanged at its monetary policy review but indicated that it may adopt additional stimulus measures to boost growth. Bourses also got support following some upbeat U.S. economic data which includes a report from the National Association of Realtors showing a much better-than-expected recovery in existing home sales in September.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yields rose by 6 bps during the week to close at 2.08% compared to the previous week's close of 2.02%.
- The U.S. Treasury prices fell following better-than-expected housing data from the world's largest economy. However, the trend reversed as weak export data from Japan renewed concerns over weak economic growth. It also reduced the possibility of a near-term rate hike by the Fed.
- Treasury prices fell once again as a surprise rate cut by China's Central Bank improved risk appetite of investors.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.04	49.01
Gold (\$/Oz)	1163.86	1176.9
Gold (Rs/10 gm)	26764	26876
Silver (\$/Oz)	15.8	16.04
Silver (Rs/Kg)	36787	36897

Source: Reuters Values as on Oct 23 2015

Gold

- Gold prices fell over the week as the dollar strengthened against the euro after the European Central Bank gave indication of announcing more stimulus measures. Investors were also waiting for the outcome of the Federal Reserve's meeting that may give clues on the timing of a possible interest rate hike.

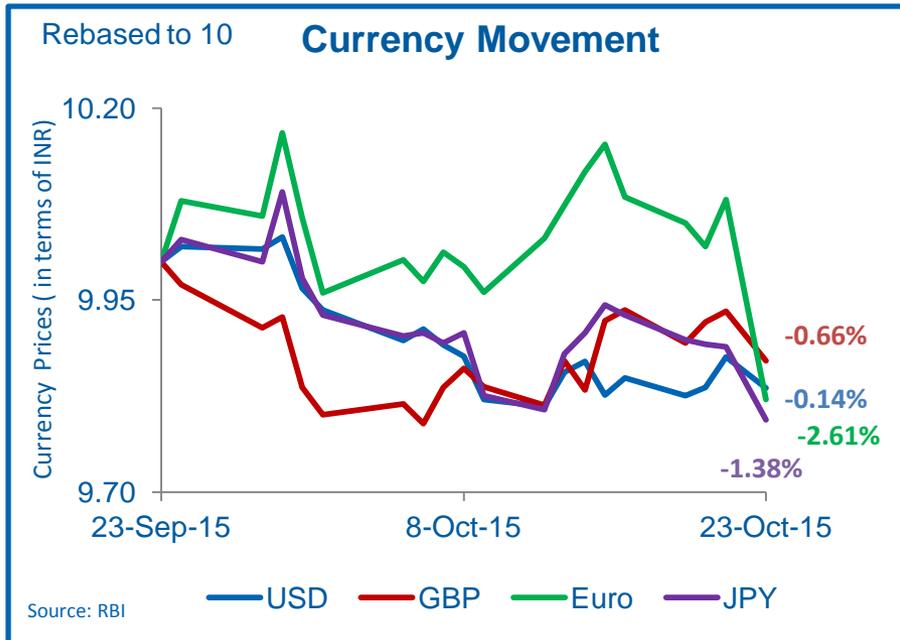
Crude

- Brent crude prices fell over the week on concerns over demand outlook from China as the country's GDP growth slowed to 6.9% in the third quarter. Besides, meeting of OPEC and non-member countries could not provide any concrete steps on supporting the oil market.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.88	64.97
Pound Sterling	99.89	100.55
EURO	72.06	73.99
JPY(per 100 Yen)	53.79	54.54

Source: RBI

Figures in INR , Values as on Oct 23, 2015

Rupee

- The rupee fell against the dollar initially on the back of month-end dollar demand from banks and importers. However, the trend reversed on hopes of foreign fund inflows after the ECB President gave indication of expanding monetary stimulus.

Euro

- The euro fell against the greenback after the ECB President gave hints of further rate cuts and the possibility of using monetary policy tools in December to counter weak inflation in the Euro zone.

Pound

- The pound weakened against the dollar during the week under review.

Yen

- The yen plunged against the dollar during the week as the safe-haven appeal of the currency reduced following upbeat housing data from the U.S. region.

The Week that was...
19th October to 23rd October

The Week that was (Oct 19 – Oct 23)

Date	Events	Present Value	Previous Value
Monday, Oct 19	❑ China Gross Domestic Product (YoY) (Q3)	6.90%	7.00%
	❑ China Retail Sales (YoY) (Sep)	10.90%	10.80%
	❑ China Industrial Production (YoY) (Sep)	5.70%	6.10%
Tuesday, Oct 20	❑ Germany Producer Price Index (YoY) (Sep)	-2.10%	-1.70%
	❑ U.S. Housing Starts (MoM) (Sep)	1.206M	1.132M
Wednesday, Oct 21	❑ Japan All Industry Activity Index (MoM) (Aug)	-0.20%	0.20%
Thursday, Oct 22	❑ European Central Bank Interest Rate Decision	0.05%	0.05%
	❑ U.K. Retail Sales (YoY) (Sep)	6.50%	3.50%
	❑ U.S. Initial Jobless Claims (Oct 16)	259K	256K
	❑ U.S. Existing Home Sales Change (MoM) (Sep)	4.70%	-5.00%
Friday, Oct 23	❑ Japan Nomura Manufacturing PMI Index (Oct) Preliminary	52.5	51.0
	❑ U.S. Markit Manufacturing PMI (Oct) Preliminary	54.0	53.1
	❑ Euro Zone Markit PMI Composite (Oct) Preliminary	54.0	53.6
	❑ Germany Markit PMI Composite (Oct) Preliminary	54.5	54.1

The Week Ahead...
Oct 26 to Oct 30

The Week Ahead

Day	Event
Monday, Oct 26	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. New Home Sales Change (MoM) (Sep) <input type="checkbox"/> U.S. Dallas Fed Manufacturing Business Index (Oct) <input type="checkbox"/> U.K. BBA Mortgage Approvals (Sep)
Tuesday, Oct 27	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (YoY) (Q3)Preliminary <input type="checkbox"/> U.S. Durable Goods Orders (Sep) <input type="checkbox"/> U.S. Markit PMI Composite (Oct)Preliminary <input type="checkbox"/> U.S. Consumer Confidence (Oct)
Wednesday, Oct 28	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Gfk Consumer Confidence Survey (Nov) <input type="checkbox"/> U.S. Federal Reserve Interest Rate decision
Thursday, Oct 29	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Unemployment Rate s.a. (Oct) <input type="checkbox"/> U.S. Initial Jobless Claims (Oct 23) <input type="checkbox"/> India Core Sector Output (YoY) (Sep)
Friday, Oct 30	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Interest Rate Decision <input type="checkbox"/> Euro Zone Unemployment Rate (Sep)

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