

News U Can Use

October 9, 2015

The Week that was...
5th October to 9th October

Indian Economy

- Data from Nikkei survey showed that growth in India's private sector output eased in September as both manufacturing and service sectors witnessed sluggish growth amid softer demand conditions across the country. The seasonally-adjusted Nikkei India Composite PMI Output Index that takes into consideration both the manufacturing and services sectors fell from 52.6 in August to 51.5 in September. Meanwhile, the Nikkei Business Activity Index also fell from 51.8 in August to 51.3 in September.
- Indirect tax collection rose 35.8% to over Rs. 3.24 lakh crore in the first half of the current fiscal. Indirect tax collection in the period from April to September in the last fiscal stood at about Rs. 2.38 lakh crore. Service tax revenue grew 24.3% to Rs. 95,493 crore. Excise collection during April to September for 2015-16 stood at over Rs. 1.25 lakh crore against Rs. 74,019 crore in the same period last fiscal. Collections from customs also grew 17.5% to over Rs. 1.03 lakh crore during the said six months.
- The International Monetary Fund (IMF) in its latest World Economic Outlook has lowered India's growth forecast for FY16 to 7.3% from its July forecast of 7.5%. Growth is expected to bounce back to 7.5% in 2016-17 on the back of reforms, pick-up in investments and lower commodity prices. The IMF expects the Indian economy to be the fastest growing large economy as China's economic expansion is projected to come down to 6.8% in 2015 from 7.3% in the previous year.

Indian Equity Market

Domestic Equity Market Indices			
Indices	09-Oct-15	1 Week Return	YTD Return
S&P BSE Sensex	27079.51	3.27%	-1.56%
CNX Nifty Index	8189.70	3.00%	-1.14%
S&P BSE Mid-Cap	10937.76	1.10%	4.77%
S&P BSE Small-Cap	11348.58	2.77%	1.10%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.97	22.88	26.24	60.39
P/B	2.97	3.3	2.47	2.00
Dividend Yield	1.35	1.39	1.37	1.02

Source: BSE, NSE

Value as on Oct 9, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
05-Oct-15	1207	316	3.82
06-Oct-15	916	596	1.54
07-Oct-15	955	562	1.70
08-Oct-15	656	871	0.75
09-Oct-15	811	692	1.17

Source: NSE

- ▣ Domestic bourses rose sharply over the week. Initially, markets rose tracking firm global cues, after weaker-than-expected U.S. non-farm payroll data for September eased concerns over an imminent rate hike by the U.S. Federal Reserve (Fed).
- ▣ Hopes of rollout of the Goods and Services Tax from the next financial year further boosted investor sentiments.
- ▣ However, gains were capped as the International Monetary Fund lowered India's growth forecast for FY16 to 7.3% from its July forecast of 7.5%.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18009.2	4.03%	2.47%
S&P BSE Bankex	20059.2	2.30%	5.47%
S&P BSE CD	11618.1	6.53%	9.03%
S&P BSE CG	15735.9	3.37%	-0.97%
S&P BSE FMCG	7982.46	2.74%	6.73%
S&P BSE HC	18212.9	0.96%	7.75%
S&P BSE IT	11520.3	-0.26%	4.15%
S&P BSE Metal	7439.05	8.99%	0.99%
S&P BSE Oil & Gas	9062.53	4.12%	4.62%

Source: Reuters *Values as on Oct 9, 2015*

- On the BSE sectoral front, barring S&P BSE IT (-0.26%), all other indices closed in green. S&P BSE Metal was the top gainer, up 8.99%, followed by S&P BSE Consumer Durables (6.53%), S&P BSE Oil & Gas (4.12%) and S&P BSE Auto (4.03%).
- Increase in global commodity prices boosted share prices of metal and mining sector companies. Auto stocks rose after data by the Society of Indian Automobile Manufacturers showed that domestic passenger car sales rose 9.48%.

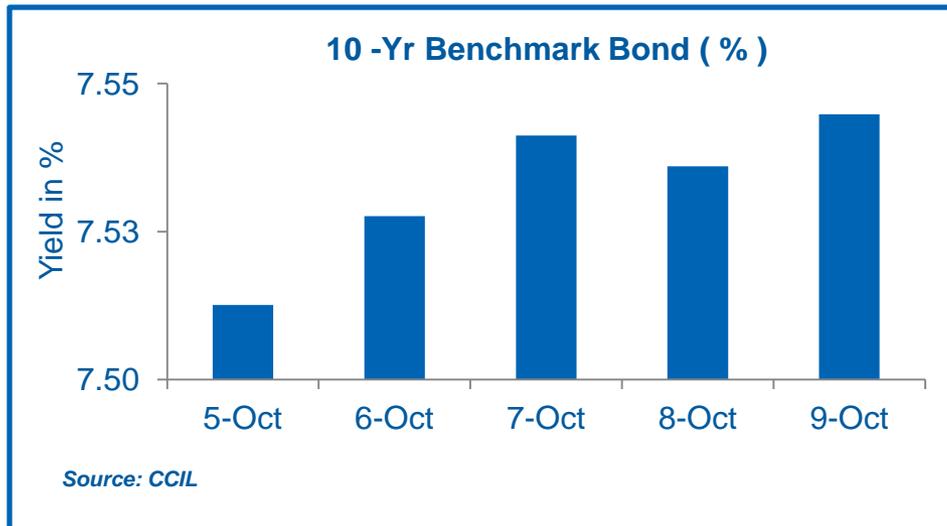
Indian Derivatives Market Review

- Nifty October 2015 Futures were at 8,205.35 points, a premium of 15.65 points against the spot closing of 8,189.70 points. The turnover on NSE's Futures and Options segment rose to Rs. 8.58 lakh crore during the week ended October 9 from Rs. 7.23 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.86, compared to the previous week's close of 0.92.
- The Nifty Put-Call ratio stood at 1.02, compared to the previous week's close of 0.91.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.69	6.70	7.11	7.44
91 Day T-Bill	7.04	7.02	7.44	7.85
08.27% 2020, (5 Yr GOI)	7.64	7.65	7.90	--
07.72% 2025, (10 Yr GOI)	7.54	7.56	7.77	--

Source: Reuters Values as on Oct 9, 2015



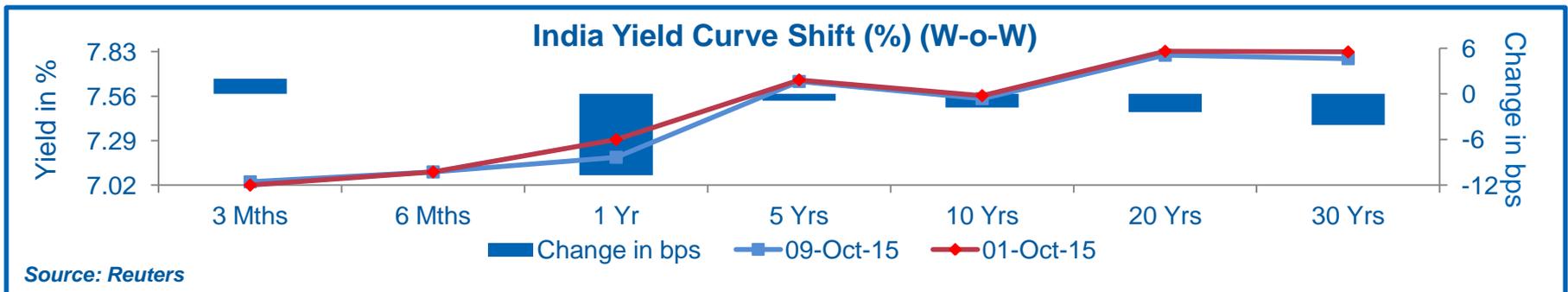
- Bond yields fell after U.S. jobs data for September came well below market expectations. This eased concerns over an imminent interest rate hike by the U.S. Federal Reserve.
- However, profit booking and increase in global crude oil prices, fuelled inflationary concerns and restricted the fall in yields.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, fell by 2 bps to close at 7.54% compared to the previous week's close of 7.56%. During the week, bond yields traded in the range of 7.50% to 7.55%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.37	7.75	-39
3 Year	7.70	8.08	-38
5 Year	7.82	8.20	-38
10 Year	7.75	8.13	-38

Source: Reuters Values as on Oct 9, 2015

- Yield on Gilt Securities fell across the maturities by up to 11 bps barring 3-year paper that increased by 2 bps and 4-year paper that closed flat.
- Corporate Bond yields fell across the maturities in the range of 3 bps to 13 bps.
- Difference in spread between AAA Corporate Bond and Gilt contracted across the maturities by up to 11 bps except 7-year maturity that expanded by 2 bps.



Regulatory Updates in India

- ❑ The RBI has lowered the risk weight for individual housing loans of up to Rs. 75 lakh. The minimum risk weight for individual housing loans has been reduced from 50% to 35%. The risk weight for commercial real estate has been left unchanged at 100%. For loans of up to Rs. 30 lakh, the Central Bank increased the loan-to-value (LTV) ratio to 90. LTV is the highest loan amount a bank can disburse, as a proportion of the property price. It needs to be noted that banks will have to allocate less capital if risk weights are lower. Most banks have a sizeable portfolio of loans of up to Rs. 75 lakh. As capital costs will come down due to lower risk weight, the move is expected to translate into lending rate cuts by banks.
- ❑ According to the RBI, the risk weights applicable to foreign sovereign bonds will also be applicable to the foreign central banks. Those having AA and AAA rating from rating agencies will have zero risk weight. Those with A rating by rating agencies will have risk weight of 20% while those with BBB and Baa will have 50%. Those below investment grade (BB to B, Ba to B) will have 100% risk weight while those below B will have 150% risk weight.
- ❑ The RBI has allowed all resident individuals, firms and companies, who have actual or anticipated foreign exchange exposures, to book foreign exchange forwards and foreign currency and rupee options contracts up to \$1 million. This may be done without any requirement of documentation on the basis of simple declaration.

Regulatory Updates in India (contd..)

- ❑ The Reserve Bank of India (RBI) will be increasing the investment limit for Foreign Portfolio Investors (FPIs) in Government Securities to Rs. 1,79,500 crore by January 1 from the existing Rs. 1,53,500 crore. For State Development Loans (SDLs), the limit will be enhanced to Rs. 7,000 crore by January 1. At present, there is no limit in case of SDLs.
- ❑ The Cabinet gave approval to a national watershed management plan, Neeranchal, to be done under the Pradhan Mantri Krishi Sinchayi Yojana. This plan will have a total outlay of Rs. 2,142.30 crore, which will be implemented at the national level as well as in the nine states of Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan and Telangana.
- ❑ The Government is planning to seek special dividend from leading Central Public Sector Enterprises to shore up its revenue during the current fiscal. The option is being considered to meet the revenue shortfall arising due to deficit in tax collection or disinvestment proceeds.
- ❑ The Empowered Committee of State Finance Ministers has recommended that the RBI's core banking solution e-Kuber be used for consolidating and settlement of accounts under the GST system.

Global News/Economy

- ❑ Minutes of the U.S. Federal Reserve's (Fed) meeting held in September revealed that downside risks to economic growth prevented the Central Bank from raising interest rates in September. Policymakers were also concerned about inflation which remained well below the Fed's 2% annual target rate.
- ❑ The Bank of Japan kept its monetary stimulus unchanged as it decided to maintain its target of raising the monetary base at an annual pace of about ¥80 trillion. The Central Bank observed that slowdown in emerging economies affected exports and production. However, policymakers reiterated its optimism that the economy would continue to recover moderately.
- ❑ The Bank of England in its monetary policy review decided to maintain its key interest rate unchanged at a record low of 0.50%. Policymakers also voted unanimously to maintain quantitative easing at £375 billion.
- ❑ The U.K. industrial output rebounded at a faster-than-expected pace in August, driven by oil extraction and transport equipment. Industrial production grew 1% from July, reversing a 0.3% drop in the previous month. At the same time, manufacturing advanced 0.5% in August, partially offsetting a 0.7% fall in July.

Global Equity Markets

Global Indices			
Indices	09-Oct-15	1-Week Return	YTD Return
Dow Jones	17084.49	3.72%	-4.20%
Nasdaq 100	4370.01	2.40%	3.30%
FTSE 100	6416.16	4.67%	-2.01%
DAX Index	10096.60	5.69%	3.40%
Nikkei Average	18438.67	4.03%	5.66%
Straits Times	2998.50	7.35%	-11.04%

Source: Reuters Values as on Oct 9, 2015

Europe

- European markets rose over the week after the Bank of England decided to keep its key interest rate unchanged at a record low of 0.50%. Sentiments improved further after data showed that the U.K. industrial output rebounded at a faster-than-expected rate in August. Positive cues from the Federal Reserve's policy meeting provided additional support.

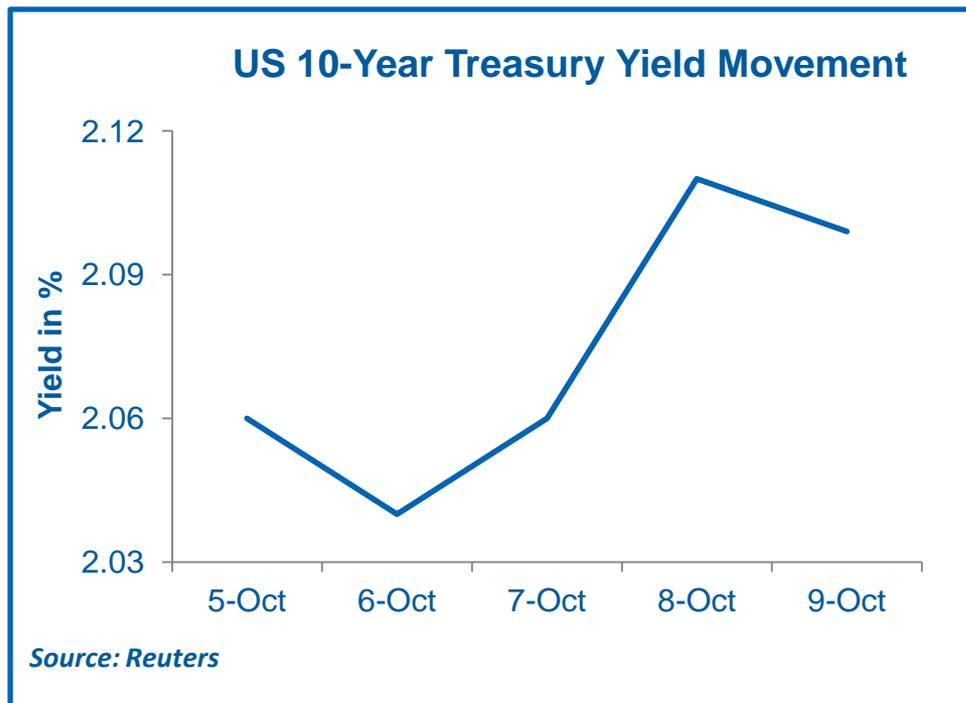
Asia

- Asian markets rose over the week after taking positive cues from global peers. Buying interest also improved after the Bank of Japan maintained its optimistic assessment of the country's economy, saying that the nation continued to recover moderately. Bourses also got support after the U.S., Japan and 10 other Pacific Rim countries reached a trade agreement on Trans-Pacific Partnership.

U.S.

- The U.S. markets closed in green over the week amid renewed hopes that the Federal Reserve (Fed) will delay raising interest rate on the back of recent economic data. Sentiments improved further after minutes of the Federal Reserve's meeting revealed that the members have to wait for additional information before raising rates

Global Debt (U.S.)

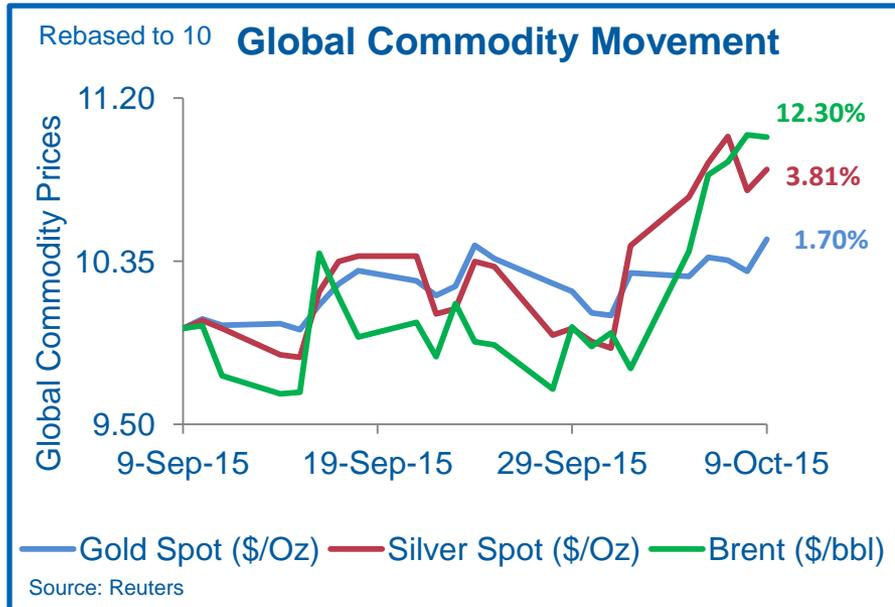


- ▣ The 10-year U.S. Treasury bond rose by 11 bps during the week to close at 2.10% compared to the previous week's close of 1.99%.

- ▣ The U.S. Treasury prices fell after minutes of the U.S. Federal Reserve's (Fed) latest meeting revealed that the U.S. Central Bank may refrain from increasing interest rates in 2015. Hopes of additional stimulus measures from the European Central Bank and the Bank of Japan further weighed on U.S. Treasuries.

- ▣ However, global growth concerns and indication of a rate hike by key Fed officials restricted further losses.

Commodities Market



Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	52.22	46.5
Gold (\$/Oz)	1157.13	1137.74
Gold (Rs/10 gm)	26388	25754
Silver (\$/Oz)	15.82	15.24
Silver (Rs/Kg)	36673	34126

Source: Reuters

Values as on Oct 9, 2015

Gold

- Gold prices rose as concerns eased over an imminent rate hike by the U.S. Fed. Gold prices rose further after minutes of the Federal Reserve's latest meeting revealed that the Central Bank decided to wait for additional information before raising rates.

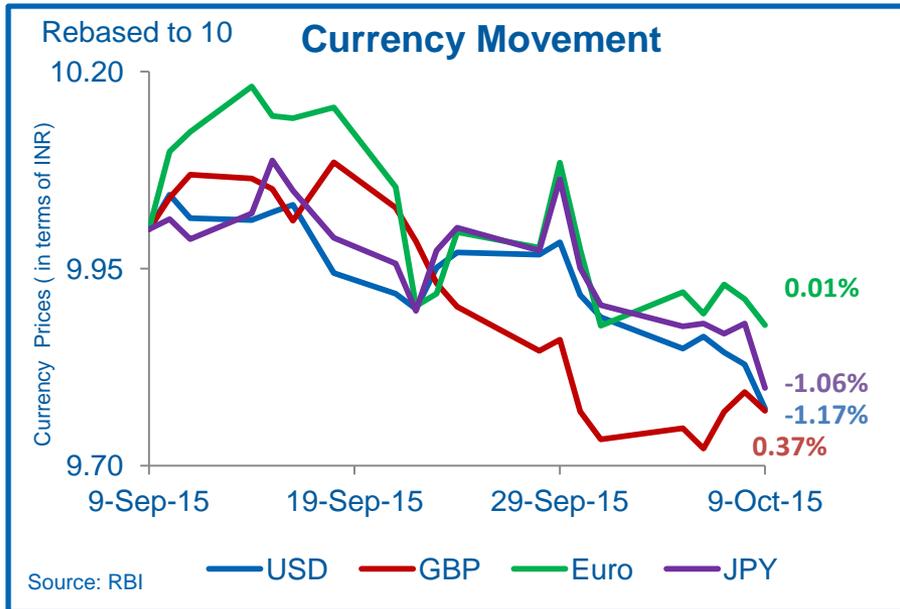
Crude

- Brent crude prices surged and crossed \$50 per barrel after more than two months. Comments from the Russian Energy Minister that the nation will continue to consult with Saudi Arabia on ways to help stabilize the global energy market supported oil prices.

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 rose more than a percentage point against the dollar, tracking gains in domestic equity markets and selling of the greenback by banks and exporters.

Euro

- The euro gained against the dollar on hopes that the Federal Reserve (Fed) is unlikely to raise interest rates at the end of this year.

Pound

- The pound strengthened against the dollar on hopes that the U.S. Fed will not raise interest rates in 2015. Gains increased after industrial output in the U.K. for August came better than market expectations.

Yen

- The yen eased against the dollar on growing expectations that the U.S. Fed will not hike interest rates this year. However, gains were restricted after the Bank of Japan left its monetary policy unchanged.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.78	65.55
Pound Sterling	99.54	99.17
EURO	73.08	73.08
JPY(per 100 Yen)	53.96	54.54

Source: RBI
 Figures in INR , Values as on Oct 9, 2015

The Week that was...
5th October to 9th October

The Week that was (Oct 5 – Oct 9)

Day	Event	Present Value	Previous Value
Monday, October 5, 2015	Germany Markit PMI Composite (Sep)	54.1	54.3
	Euro Zone Markit PMI Composite (Sep)	53.6	53.9
	Euro Zone Retail Sales (M-o-M) (Aug)	0.00%	0.60%
Tuesday, October 6, 2015	Germany Factory Orders s.a. (M-o-M) (Aug)	-1.80%	-2.20%
	U.S. Trade Balance (Aug)	\$-48.33B	\$-41.81B
Wednesday, October 7, 2015	China Foreign Exchange Reserves (QoQ) (Q3)	¥3.154T	¥3.990T
	Germany Industrial Production s.a. (M-o-M) (Aug)	-1.20%	1.20%
	U.K. Industrial Production (M-o-M) (Aug)	1.00%	-0.30%
	Japan Machinery Orders (M-o-M) (Aug)	-5.70%	-3.60%
Thursday, October 8, 2015	Bank of England Interest rate decision	0.50%	0.50%
	Germany Current Account n.s.a. (Aug)	€12.3B	€24.7B
	U.S. Initial Jobless Claims (Oct 2)	263K	276K
Friday, October 9, 2015	U.K. Total Trade Balance (Aug)	£-3.268B	£-4.436B
	U.S. Wholesale Inventories (Aug)	0.10%	-0.30%

The Week Ahead...
October 12 to October 16

The Week Ahead

Day	Event
Monday, October 12	<ul style="list-style-type: none"> <input type="checkbox"/> India Industrial Output (Aug) <input type="checkbox"/> India Consumer Price Inflation (Sep)
Tuesday, October 13	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Consumer Price Index (MoM) (Sep) <input type="checkbox"/> Euro Zone ZEW Survey - Economic Sentiment (Oct)
Wednesday, October 14	<ul style="list-style-type: none"> <input type="checkbox"/> India Wholesale Price Inflation (Sep) <input type="checkbox"/> China Consumer Price Index (YoY) (Sep) <input type="checkbox"/> U.K. ILO Unemployment Rate (3M) (Aug)
Thursday, October 15	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (MoM) (Aug) <input type="checkbox"/> U.S. Consumer Price Index (YoY) (Sep) <input type="checkbox"/> U.S. Initial Jobless Claims (Oct 9)
Friday, October 16	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (MoM) (Sep) <input type="checkbox"/> U.S. Industrial Production (MoM) (Sep) <input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Oct) Preliminary

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