

News U Can Use

September 11, 2015

The Week that was...
7th September to 11th September

Indian Economy

- ❑ The Index of Industrial Production stood at 4.2% in July compared to 4.4% in the previous month. However, figures of June were revised from 3.8%. The cumulative growth for the period from April to July over the corresponding period of the previous year stood at 3.5%. Manufacturing grew 4.7% against contraction of 0.3% recorded a year ago. However, the mining output could rise by only 1.3% against 0.1% in the same period of the previous year while electricity grew 3.5% against 11.7% recorded a year ago.
- ❑ Data from the Reserve Bank of India (RBI) showed that India's Current Account Deficit (CAD) narrowed to \$6.2 billion (1.2% of GDP) in Q1 of 2015-16 from \$7.8 billion (1.6% of GDP) a year ago. The improvement can be attributed to merchandise trade deficit (\$34.2 billion during Q1 of 2015-16) which contracted on a yearly basis due to a larger absolute decline in merchandise imports relative to that of merchandise exports. Higher net earnings through services and lower outflow on account of primary income (profit, dividend and interest) also lowered the CAD. The April-June Balance of Payments surplus increased slightly to \$11.4 billion from \$11.2 billion a year ago.
- ❑ The Union Cabinet has approved the gold monetisation scheme and sovereign gold bond scheme which would help reduce the metal's demand in physical form and help maintain India's CAD within sustainable limits. The mobilized gold will also supplement the RBI's gold reserves and will help in reducing the Government's borrowing cost.

Indian Equity Market

Domestic Equity Market Indices			
Indices	11-Sep-15	1 Week Return	YTD Return
S&P BSE Sensex	25610.21	1.62%	-6.90%
CNX Nifty Index	7789.30	1.75%	-5.97%
S&P BSE Mid-Cap	10519.96	1.55%	0.76%
S&P BSE Small-Cap	10698.61	0.88%	-4.69%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.42	21.59	24.28	40.22
P/B	2.76	3.14	2.47	1.92
Dividend Yield	1.43	1.52	1.36	1.08

Source: BSE, NSE

Value as on Sep 11, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
07-Sep-15	295	1234	0.24
08-Sep-15	912	584	1.56
09-Sep-15	1245	284	4.38
10-Sep-15	554	940	0.59
11-Sep-15	898	594	1.51

Source: NSE

- Indian equity markets rose over the week on the back of recovery in Chinese bourses along with other regional peers. Investors were also hopeful that China might announce more stimulus measures to support the economy after trade data for August came weak.
- Domestic bourses found more support following a Cabinet meeting where the Government approved several reforms, including allowing telecom companies to trade spectrum.
- However, the upside was limited as investors remained cautious ahead of factory output data and the U.S. Federal Reserve's next policy meeting, due on September 16 and 17, for clues on the timing of an interest rate hike.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17648.0	3.91%	-9.12%
S&P BSE Bankex	18994.0	3.02%	-11.06%
S&P BSE CD	10500.3	-1.31%	-6.77%
S&P BSE CG	15951.4	3.36%	-11.62%
S&P BSE FMCG	7511.47	-1.30%	-6.58%
S&P BSE HC	16920.5	-1.26%	-3.25%
S&P BSE IT	11027.6	0.52%	-2.20%
S&P BSE Metal	7197.95	1.14%	-13.07%
S&P BSE Oil & Gas	8619.76	0.94%	-11.71%

Source: Reuters *Values as on Sep 11, 2015*

- On the BSE sectoral front, most of the indices closed in green, barring S&P Consumer Durables (-1.31%), S&P BSE FMCG (-1.30%) and S&P BSE Healthcare (-1.26%). S&P Auto topped the performance chart, rising by 3.91% after data from the Society of Indian Automobile Manufacturers showed that car sales in India rose in August.
- S&P BSE Realty and S&P BSE Capital Goods rose by 3.75% and 3.36%, respectively.

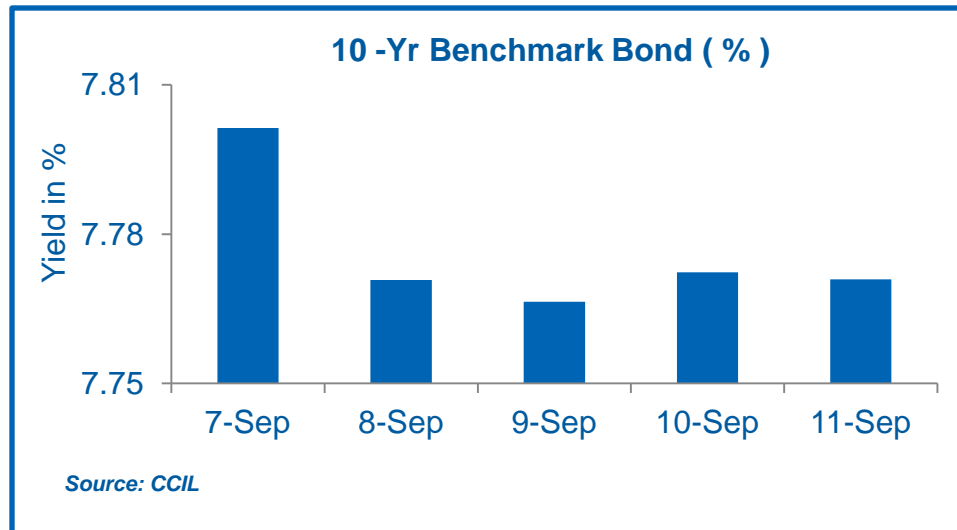
Indian Derivatives Market Review

- Nifty September 2015 Futures were at 7,789.35, a premium of 0.05 points against the spot closing of 7,789.30 points. The turnover on NSE Futures and Options segment rose to Rs. 9.93 lakh crore during the week ended September 11 from Rs. 9.42 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.93, compared to the previous week's close of 0.89.
- The Nifty Put-Call ratio stood at 0.93, compared to the previous week's close of 0.96.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.08	7.08	7.09	7.38
91 Day T-Bill	7.45	7.40	7.39	8.32
08.27% 2020 , (5 Yr GOI)	7.90	7.88	7.94	--
07.72% 2025, (10 Yr GOI)	7.77	7.75	7.80	--

Source: Reuters Values as on Sep 11, 2015



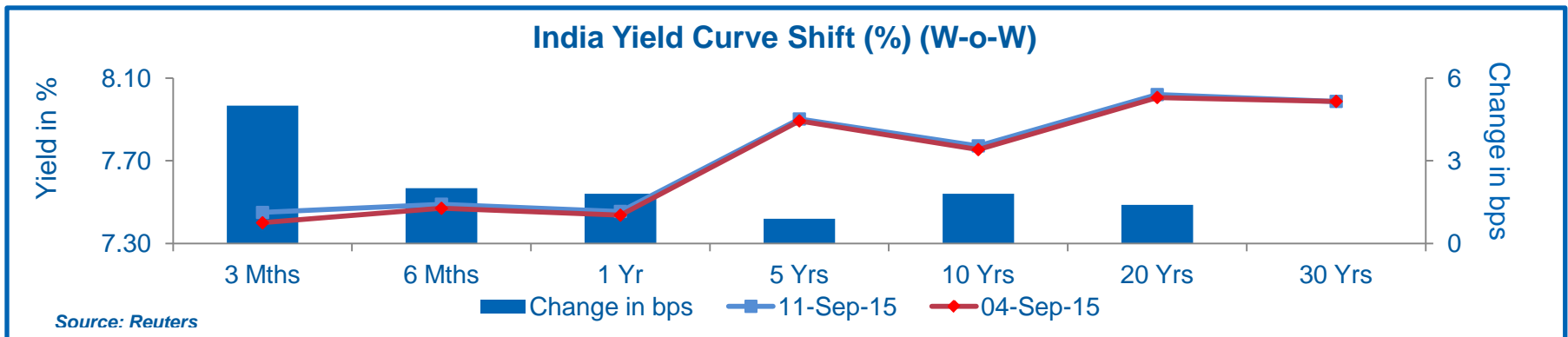
- Initially, bond yields rose as volatility in global financial markets weighed on emerging market assets. Besides, U.S. jobs data for August increased uncertainty over interest rate outlook in the U.S. region.
- Later, bond markets recovered to some extent on the back of stability in the rupee and strength in domestic equity markets.
- Banks' net average borrowings under the RBI's Liquidity Adjustment Facility stood at Rs. 4,431.80 crore (for Friday, only repo session considered).
- The RBI conducted the auction of 91-days and 182-days Treasury Bills for the notified amount of Rs. 9,000 crore and Rs. 5,000 crore, respectively.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.61	8.17	-0.56
3 Year	7.96	8.35	-0.40
5 Year	8.09	8.45	-0.36
10 Year	7.97	8.38	-0.41

Source: Reuters Values as on Sep 11, 2015

- Yield on Gilt Securities increased by up to 2 bps or remained flat across the maturities barring 2 and 11-year papers that eased by 1 bps each.
- Corporate Bond yields increased up to 7 bps across the entire maturity bracket.
- Spread between AAA Corporate Bond and Gilt expanded in the range of 2 bps to 5 bps across the maturities except 10-year paper that contracted by 1 bps. Spread increased the lowest on 9-and 15-year papers.



Regulatory Updates in India

- ❑ The Union Cabinet has cleared spectrum trading guidelines under which telecom operators will be able to sell radio waves to other service providers. The move will help address the problem of spectrum shortage. As of now, only the Government is allowed to allocate spectrum to telecom firms through auction.
- ❑ The Union Cabinet has increased the Dearness Allowance from 113% to 119%. The move is expected to benefit over 1 crore Government employees and pensioners. The hike became effective from July 1.
- ❑ The Union Cabinet has approved the National Offshore Wind Energy Policy. The move will pave the way for development of this renewable source of energy and help in setting up of projects and research in the area.
- ❑ The Union Cabinet has approved Foreign Direct Investment of up to 100% under the automatic route in the activity of White Label ATM Operations. This decision will ease and expedite foreign investment inflows. The move will also boost the Government's effort to promote financial inclusion in the country, including Pradhan Mantri Jan Dhan Yojana.
- ❑ According to Moody's, the RBI is likely to lower interest rate as the wholesale price-based inflation is expected to decline further to 4.3% in August. The credit rating agency added that it expects further rate cuts from the Central Bank on the back of continued decline in domestic inflationary pressures.

Regulatory Updates in India (contd..)

- ❑ The Government has decided not to hold special session of Parliament to pass the constitution amendment bill for rolling out Goods and Services Tax.
- ❑ According to Moody's, the RBI's decision to designate only two lenders, State Bank of India and ICICI Bank, as systemically important is credit negative for the Indian banking industry. Moody's added that the Central Bank's implementation of its domestic systemically important banks (D-SIBs) framework appears less stringent than that of other jurisdictions and opined that the move is related to high capital stress in Indian banks.
- ❑ Data from capital market regulator Securities and Exchange Board of India showed that investments through Participatory Notes into India's capital market dropped to Rs. 2.72 lakh crore (about \$41 billion) at the end of July from Rs. 2.75 lakh crore recorded in the previous month. Prior to that, investments through Participatory Notes had hit a seven-year high of Rs. 2.85 lakh crore in May.

Global News/Economy

- ❑ The U.S. Labour Department in its report showed that producer price index for final demand stood unchanged in August after rising by 0.2% in July. The core producer price index rose by 0.3% in August, excluding food and energy prices, matching the increase seen in the previous month.
- ❑ Data from the U.S. Labour Department showed that import prices tumbled by 1.8% in August following an unrevised 0.9% decrease in July. The report also showed that export prices slumped by 1.4% in August after falling by a revised 0.4% in July.
- ❑ Data from Eurostat showed that GDP of the Euro zone economy advanced 0.4% sequentially after rising 0.5% a quarter ago. The growth rate for the second quarter was revised up from 0.3%.
- ❑ Survey figures from Sentix revealed that Euro zone investor confidence dropped sharply in September to its lowest level since the beginning of the year, driven by weakness in Asia amid economic slowdown in China. The investor confidence index dropped to 13.6 from 18.4 in August.
- ❑ The Monetary Policy Committee of the Bank of England voted 8-1 to maintain interest rate at 0.50% at its monetary policy review, as seen in the previous meeting held in August.
- ❑ According to the National Bureau of Statistics, China has revised its annual economic growth rate in 2014 to 7.3% from the previously released figure of 7.4%. Gross Domestic Product stood at 63.6 trillion yuan (\$10.00 trillion) last year, down 32.4 billion yuan from the initial estimate.

Global Equity Markets

Global Indices			
Indices	11-Sep-15	1-Week Return	YTD Return
Dow Jones	16433.09	2.05%	-7.85%
Nasdaq 100	4323.23	3.31%	2.20%
FTSE 100	6117.76	1.24%	-6.57%
DAX Index	10123.56	0.85%	3.67%
Nikkei Average	18,264.22	2.65%	4.91%
Straits Times	2,888.03	0.85%	-14.32%

Source: Reuters Values as on Sep 11, 2015

U.S.

- ▣ The U.S. markets rose during the holiday-truncated week as positive cues from Chinese bourses boosted investor sentiments. Buying interest improved after a report from the Labour Department stated that initial jobless claims in the week ended Sep 6 fell in line with market estimates. However, gains were restricted amid uncertainty about the outlook for interest rates ahead of the Federal Reserve's meeting, due next week.

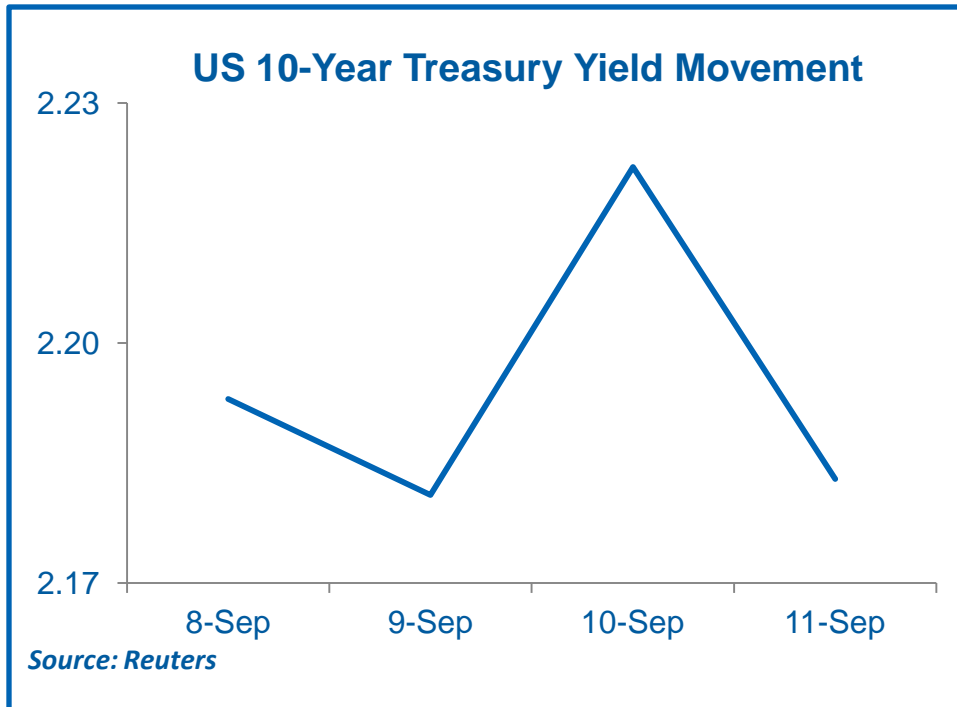
Europe

- ▣ European markets rose during the week after data showed that German exports expanded more than expected in July and the Euro zone economy grew more than initially estimated in the second quarter.

Asia

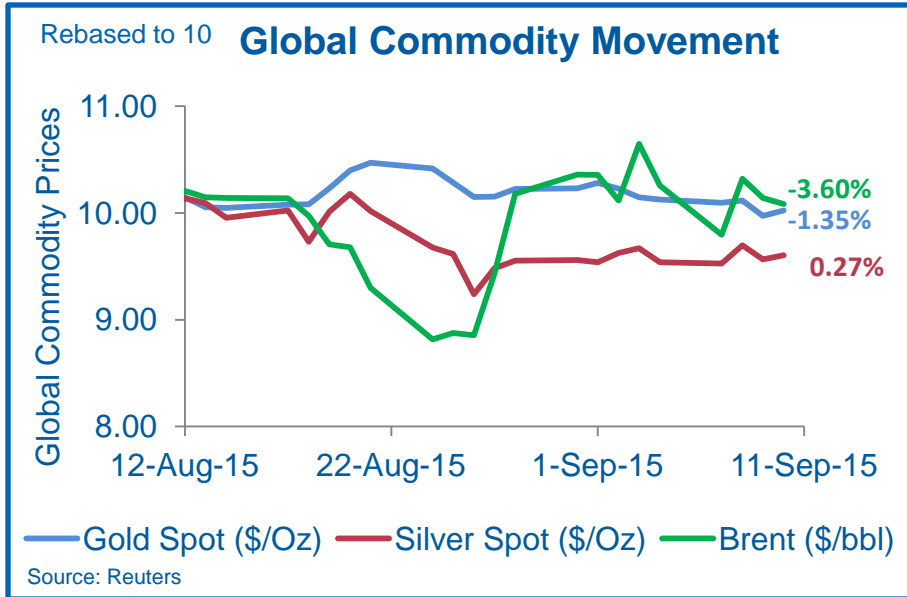
- ▣ Asian markets rose, led by gains in Chinese markets after policymakers of the nation introduced a series of measures, including tax exemption on dividends and a move to introduce a market-wide circuit breaker system to stabilize the market. Japanese markets found support after the Prime Minister of the nation pledged to cut corporate tax rates to support economic growth.

Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond increased by 6 bps during the week to close at 2.19% compared to the previous week's close of 2.13%.
- The U.S. Treasury prices fell on the possibility a rate hike by the Federal Reserve, for the first time in almost a decade, ahead of its policy meeting next week.
- However, losses were capped on the back of weakness in equity markets.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.31	48.04
Gold (\$/Oz)	1107.5	1122.6
Gold (Rs/10 gm)	26001	26325
Silver (\$/Oz)	14.61	14.57
Silver (Rs/Kg)	34723	34934

Source: Reuters Values as on Sep 11, 2015

Gold

- Gold prices fell over the week as investors remained cautious ahead of the U.S. Federal Reserve's upcoming policy meeting, due on September 16 and 17, for indication on the timing of an interest rate hike. Improvement in global equity markets also weighed on the safe-haven appeal of the metal.

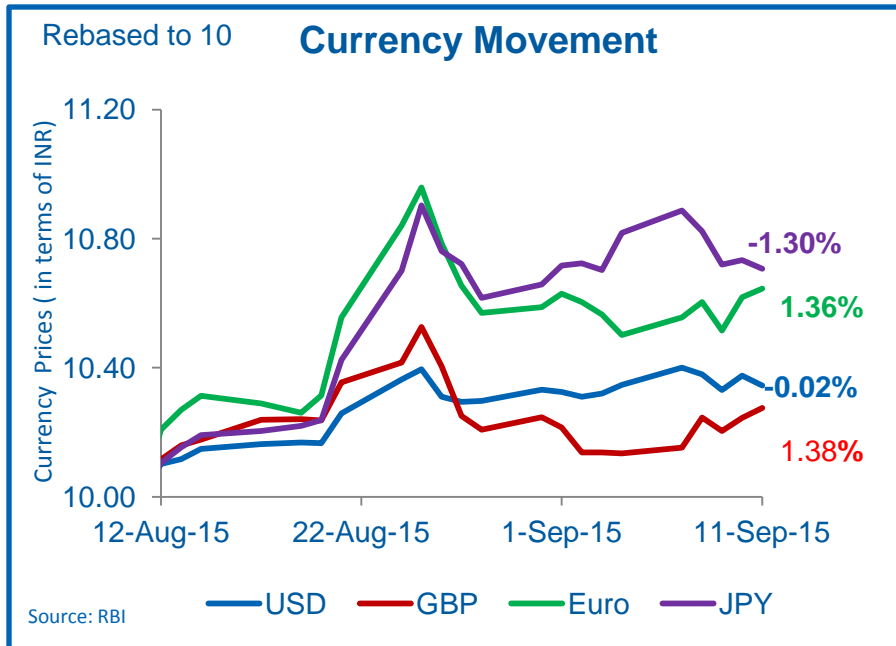
Crude

- Brent crude prices fell on concerns over Chinese economy and uncertainty over the timing of a possible rate hike by the Federal Reserve. Oil prices fell further after Saudi Arabia dismissed the idea of an oil producers' summit.

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	66.39	66.40
Pound Sterling	102.59	101.19
EURO	74.90	73.89
JPY(per 100 Yen)	55.00	55.57

Source: RBI Figures in INR , Values as on Sep 11, 2015

Rupee

- The rupee fell initially following persistent dollar demand from banks and importers. However, the trend reversed and the rupee moved up on selling of the greenback by banks and exporters.

Euro

- The euro surged against the dollar on the back of positive German economic data for September. The dollar weakened further after Chinese car sales declined and capital spending in Japan slowed down.

Pound

- The pound rose against the dollar on the back of improvement in global risk appetite.

Yen

- The yen weakened against the dollar due to strength in European and Japanese equity markets, which hit the safe-haven appeal of the currency.

The Week that was...
7th September to 11th September

The Week that was (Sep 07 – Sep 11)

Day	Event	Present Value	Previous Value
Monday, September 07	Germany Industrial Production n.s.a. w.d.a. (Y-o-Y) (Jul)	0.50%	0.90%
	Japan Gross Domestic Product Annualized (Q2)	-1.20%	-1.60%
Tuesday, September 08	U.S. Consumer Credit Change (Jul)	\$19.10B	\$19.10B
	Euro Zone Gross Domestic Product s.a. (Q-o-Q) (Q2)	0.40%	0.50%
	China Trade Balance (Aug).	\$60.24B	\$43.03B
Wednesday, September 09	U.K. Industrial Production (M-o-M) (Jul)	-0.40%	-0.40%
	U.K. Total Trade Balance (Jun)	£-3.371B	£-0.818B
	Japan Machinery Orders (MoM) (Jul)	-3.60%	-7.90%
Thursday, September 10	U.S. Initial Jobless Claims (Sep 4)	275K	281K
	Bank of England Interest Rate Decision	0.50%	0.50%
	China Producer Price Index (Y-o-Y) (Aug)	-5.90%	-5.40%
	China Consumer Price Index (M-o-M) (Aug)	0.50%	0.30%
Friday, September 11	India Industrial Production (M-o-M) (Jul)	4.22%	4.36%
	U.K. Consumer Inflation Expectations	2.00%	2.20%
	Germany Consumer Price Index (MoM) (Aug)	0%	0%

The Week Ahead...
September 11 to September 18

The Week Ahead

Day	Event
Monday, September 14	<ul style="list-style-type: none"> <input type="checkbox"/> India Consumer Price Inflation (Aug) <input type="checkbox"/> India Wholesale Price Inflation (Aug) <input type="checkbox"/> Euro Zone Industrial Production s.a. (MoM) (Jul) <input type="checkbox"/> Japan Industrial Production (MoM) (Jul)
Tuesday, September 15	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Interest Rate Decision <input type="checkbox"/> U.K. Consumer Price Index (MoM) (Aug) <input type="checkbox"/> U.S. Industrial Production (MoM) (Aug)
Wednesday, September 16	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (MoM) (Aug) <input type="checkbox"/> U.S. Consumer Price Index (YoY) (Aug)
Thursday, September 17	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Federal Reserve Interest Rate Decision <input type="checkbox"/> U.K. Retail Sales (MoM) (Aug) <input type="checkbox"/> U.S. Initial Jobless Claims (Sep 11)
Friday, September 18	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Current Account n.s.a (Jul)

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