

# News U Can Use

*September 18, 2015*

The Week that was...  
14<sup>th</sup> September to 18<sup>th</sup> September

# Indian Economy

- ❑ Consumer price inflation for August stood at 3.66%. Consumer price inflation in July was revised down from 3.78% to 3.69%. Consumer price inflation during the same month of the previous year stood at 7.03%. Consumer food price inflation, however, rose to 2.20% in August from 2.15% in July and 8.70% in the same month last year.
- ❑ Wholesale price inflation contracted on a yearly basis to (-) 4.95% in August from (-) 4.05% in July. Wholesale price inflation in the same period of the previous year stood at 3.85%. The inflation indicator has been in the negative zone since November 2014. However, onion and pulses turned costlier with inflation at 65.29% and 36.4%, respectively during August. Overall, the food basket inflation stood at -1.13%. For vegetables, it declined to - 21.21%, helped by fall in potato prices. Wholesale price inflation rate in fuel and power segment stood at -16.50% while that in manufactured products at -1.92% in August. Wholesale price inflation for June has been revised to -2.13% compared to provisional estimate of -2.40%.
- ❑ The country's trade deficit contracted marginally to \$12.48 billion in August from \$12.81 billion in July. During the similar period, merchandise exports fell to \$21.27 billion compared to \$23.14 billion, while imports declined to \$33.74 billion compared to \$35.95 billion. Oil imports stood at \$7.36 billion in August, lower than \$9.49 billion recorded in the previous month.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	18-Sep-15	1 Week Return	YTD Return
S&P BSE Sensex	26218.91	2.38%	-4.68%
CNX Nifty Index	7981.9	2.47%	-3.65%
S&P BSE Mid-Cap	10646.06	1.20%	1.97%
S&P BSE Small-Cap	10804.06	0.99%	-3.75%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.12	22.12	24.81	41.02
P/B	2.85	3.21	2.53	1.96
Dividend Yield	1.38	1.48	1.33	1.06

Source: BSE, NSE

Value as on Sep 18, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
14-Sep-15	1076	444	2.42
15-Sep-15	534	969	0.55
16-Sep-15	717	779	0.92
18-Sep-15	1040	454	2.29

Source: NSE

- Domestic equity markets rose on the back of a series of positive macro-economic data. Investor sentiments improved following an unexpected rise in the Index of Industrial Production numbers in July and fall in wholesale and retail inflation in August.
- Market participants were also hopeful that the Reserve Bank of India (RBI) might cut interest rates at its upcoming monetary policy review as inflationary pressures eased.
- Bourses got more support after the U.S. Federal Reserve decided to keep its interest rates unchanged amid concerns over the nation's economy and other emerging markets.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17571.7	-0.43%	-9.68%
S&P BSE Bankex	19952.9	5.05%	-7.43%
S&P BSE CD	10153.6	-3.30%	-11.85%
S&P BSE CG	15567.3	-2.41%	-13.20%
S&P BSE FMCG	7588.65	1.03%	-3.84%
S&P BSE HC	17438.5	3.06%	-2.57%
S&P BSE Power	1852.2	3.72%	-7.33%
S&P BSE Realty	1336.8	3.72%	-4.94%
S&P BSE TECK	6137.3	2.00%	-4.65%

*Source: Reuters* *Values as on Sep 18, 2015*

- On the BSE sectoral front, majority of the indices closed in green. S&P BSE Bankex was the top gainer, up 5.05%, followed by S&P BSE Realty and S&P BSE Power, which rose by 3.72% each.
- S&P BSE Healthcare and S&P BSE TECK gained 3.06% and 2.00%, respectively. S&P BSE Consumer Durables, S&P BSE Capital Goods and S&P BSE Auto were the only laggards and fell by 3.30%, 2.41% and 0.43%, respectively.

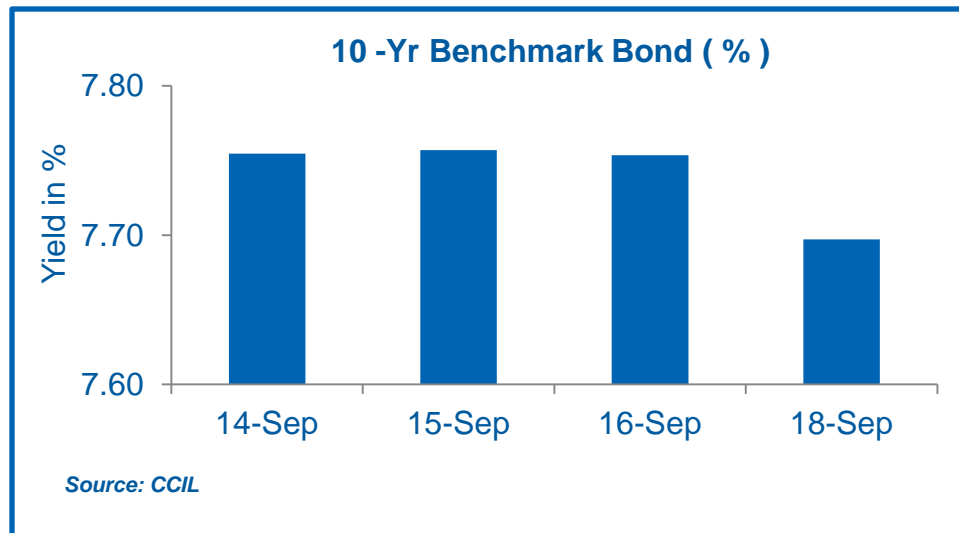
## Indian Derivatives Market Review

- Nifty September 2015 were at 7,982.55 points, a premium of 0.65 points against the spot closing of 7,981.90 points. The turnover on NSE Futures and Options segment fell to Rs. 8.73 lakh crore during the week ended September 18 from Rs. 9.93 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.07, compared to the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 1.00, compared to the previous week's close of 0.93.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.38	7.08	7.24	7.19
91 Day T-Bill	7.47	7.45	7.39	8.31
08.27% 2020, (5 Yr GOI)	7.84	7.90	7.87	--
07.72% 2025, (10 Yr GOI)	7.70	7.77	7.74	--

Source: Reuters Values as on Sep 18, 2015



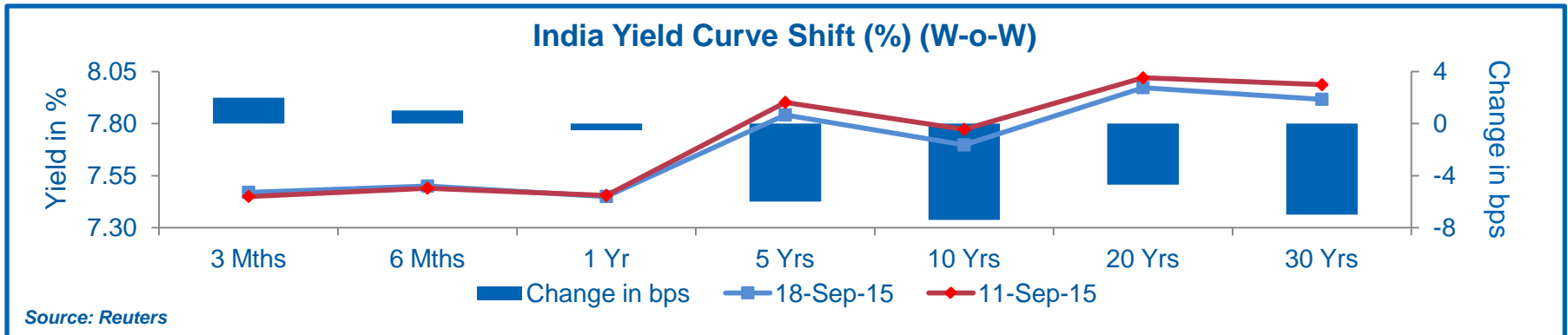
- Bond yields dropped initially after Wholesale Price Index-based inflation fell for the tenth consecutive month to its lowest level in August.
- Bond prices rose further after the U.S. Federal Reserve kept its ultra low interest rates unchanged.
- Both these events increased hopes that the RBI might ease interest rates at its upcoming monetary policy review on September 29.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, declined by 7 bps to close at 7.70% compared to the previous week's close of 7.77% after moving in the range of 7.70% to 7.77%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.62	8.15	-0.54
3 Year	7.88	8.33	-0.45
5 Year	8.04	8.40	-0.37
10 Year	7.90	8.35	-0.45

Source: Reuters Values as on Sep 18, 2015

- Yield on Gilt Securities declined in the range of 5 to 8 bps barring 1 and 2-year papers that remained flat.
- Corporate Bond yields also fell in the range of 2 to 5 bps across the entire maturity bracket.
- Spread between AAA Corporate Bond and Gilt expanded by up to 6 bps across the maturities except 1 and 2-year papers that contracted by 2 bps each.



# Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has asked Non-Banking Financial Companies (NBFCs) to make greater disclosure before launching public offer of debt securities to raise funds. NBFCs would need to disclose aggregated exposure to the top 20 borrowers with respect to the concentration of advances against the current requirement for top-ten borrowers.
- ❑ Capital market regulator SEBI, which regulates currency derivatives jointly with the Reserve Bank of India (RBI), is considering a proposal in which stock exchanges will offer cross-currency futures pairs in addition to dollar and euro rupee futures they currently offer. Once the proposal is approved by the Central Bank, exchanges could launch cross-currency pairs like dollar-euro, dollar-pound and dollar-yen. The move is expected to reduce one leg of a transaction for traders and cut transaction costs.
- ❑ The Central Board of Direct Taxes has formed a six-member committee to look into new industry-based income tax assessment system recommended by the Tax Administration Reform Commission (TARC) compared to prevailing territorial jurisdiction. The TARC submitted its report to the Finance Ministry earlier this year. TARC had recommended the new system as it believed that it will enable the department to efficiently carry out its tasks with service orientation.



## Regulatory Updates in India (contd..)

- According to the Chief of the Pension Fund Regulatory and Development Authority (PFRDA), the Government is considering allowing state retirement funds to invest more in equities and opening them up to private-sector management. The PFRDA Chief added that as and when the Government gives its approval, the limit will be increased from the current 15% to 50%. The objective of the move is to help improve return.
- According to capital market regulator SEBI, listed companies will need to give explanation if there is any delay in filing 'material information' beyond the 24-hour timeframe. The objective of the move is to bring more transparency in the business affairs of the company.
- Capital market regulator SEBI has called for a meeting with all the seven credit rating agencies of India where it will discuss the aspect of market conditions and how the credit profile changes can impact the corporate bond market and the mutual fund industry.
- SEBI has incorporated the provisions of the amended insider trading norms and issued the revised disclosure formats to be followed by market entities in this regard. Under the new insider trading regulations, SEBI has expanded the definition of 'Insider' to include persons connected on the basis of being in any contractual, fiduciary or employment relationship that allows such people access to unpublished price sensitive information.
- A study conducted by SEBI's Development Research Group showed that SEBI's online complaint filing system SCORES has achieved a redressal rate of 96%. This is one of the highest among regulators worldwide. The study also suggested extending mediation and arbitration model beyond brokers to investors at the company level too.

# Global News/Economy

- ❑ The U.S. Federal Reserve has kept interest rates unchanged at its monetary policy review and partly attributed it to concerns over developments in the overseas markets. The U.S. Central Bank noted that net exports have been soft and opined that recent global economic and financial developments may restrain economic activity, which may further put downward pressure on inflation in the near term. Policymakers expect the U.S. economy to grow by 1.8% to 2.2% over the long term, down from 2% to 2.3% in the June forecasts.
- ❑ According to the Organisation for Economic Co-operation and Development, the global growth projection has been downgraded as the outlook worsened further for many emerging market economies. Global growth is projected at 3% for 2015 and 3.6% for 2016. The outlook has been downgraded from 3.1% and 3.8% for 2015 and 2016, respectively estimated previously. For the current and next year, the U.S. is likely to grow by 2.4% and 2.6% while Japan is estimated to grow by 0.6% and 1.2%, respectively. During the similar period, the Euro area is projected to grow by 1.6% and 1.9%.
- ❑ A major credit rating agency has lowered the sovereign ratings of Japan to A+ from AA-. The credit rating agency opined that the Government's strategy to revive economic growth and end deflation appears unlikely to reverse this deterioration in the next two to three years.
- ❑ Consumer inflation in the Euro zone grew by 0.1% (on a yearly basis) in August, slower than initial estimate of 0.2% increase, which matched the pace recorded in July, final data showed. Core inflation grew by 0.9% in August, slightly slower than 1% seen in the previous month. Sequentially, consumer prices remained flat in the reported period.

# Global Equity Markets

Global Indices			
Indices	18-Sep-15	1-Week Return	YTD Return
Dow Jones	16384.58	-0.30%	-8.12%
Nasdaq 100	4323.858	0.01%	2.21%
FTSE 100	6104.11	-0.22%	-6.78%
DAX Index	9916.16	-2.05%	1.55%
Nikkei Average	18070.21	-1.06%	3.55%
Straits Times	2879.59	-0.29%	-14.57%

*Source: Reuters Values as on Sep 18, 2015*

## Europe

- European markets rose on the back of a number of encouraging data. Official data showed that Euro zone industrial production rose for the first time in three months and exceeded market expectations. However, gains reversed after the U.S. Fed decided to keep interest rates unchanged and Eurozone current account surplus declined in July.

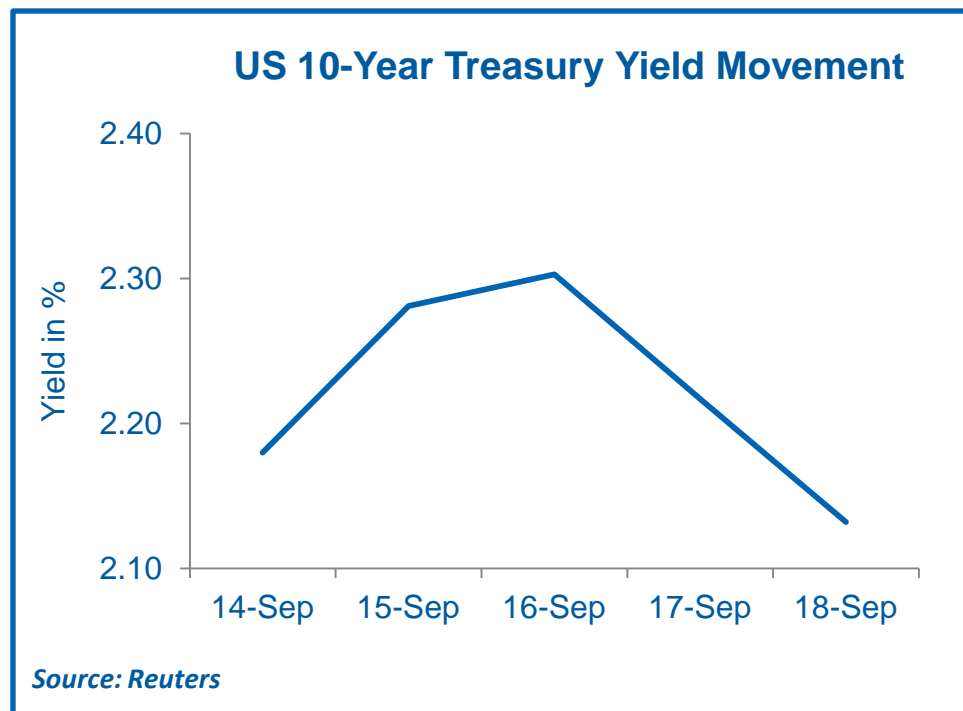
## Asia

- Asian markets witnessed a mixed trend during the week. Chinese bourses remained under pressure as investors were concerned over Beijing's ability to achieve its growth target of about 7% for 2015. Japanese markets fell as the Bank of Japan refrained from announcing stimulus measures, disappointing market participants. Buying interest improved after the Fed's move to keep interest rates on hold eased concerns over fund outflow from emerging markets.

## U.S.

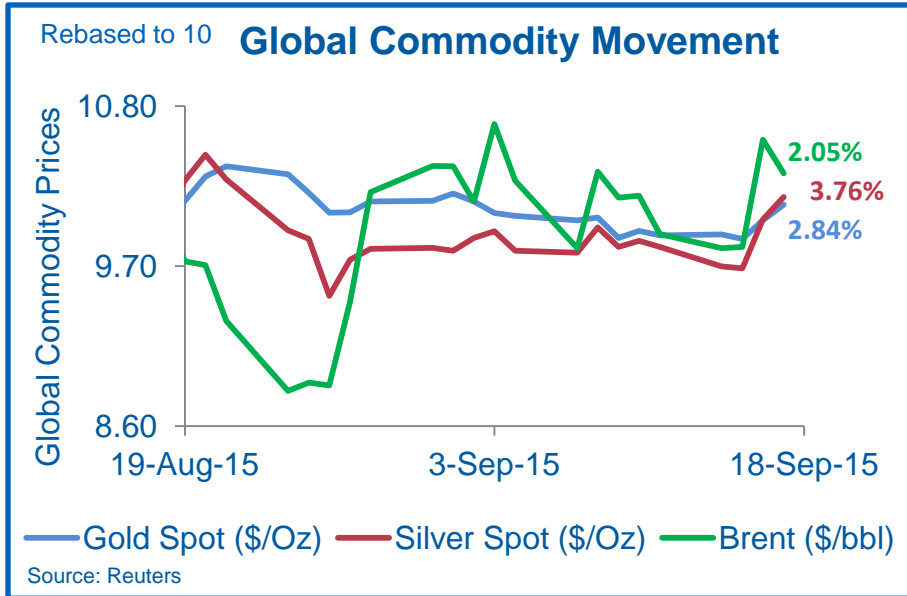
- The U.S. markets gained initially during the week as a series of weaker-than-expected data, including fall in industrial production numbers for August raised optimism that the U.S. Fed may keep interest rate unchanged. However, gains reversed at the end on renewed concerns over the global economic outlook after the Fed announced its decision to keep interest rate unchanged.

# Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 5 bps during the week to close at 2.13% against the previous week's close of 2.18%.
- Initially, the U.S. Treasury prices fell ahead of the Federal Reserve's two-day policy meeting on the possibility of a rate hike.
- However, treasury prices gained after the U.S. Federal Reserve kept its interest rates unchanged. Yield on the two-year treasury paper plunged 11 bps on a single day.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.27	46.32
Gold (\$/Oz)	1139	1107.5
Gold (Rs/10 gm)	26377	26001
Silver (\$/Oz)	15.16	14.61
Silver (Rs/Kg)	35746	34723

Source: Reuters Values as on Sep 18, 2015

## Gold

- Gold prices rose during the week as the Fed's decision to leave interest rates unchanged weighed on the dollar. The bullion rose to a near three-week high on September 18.

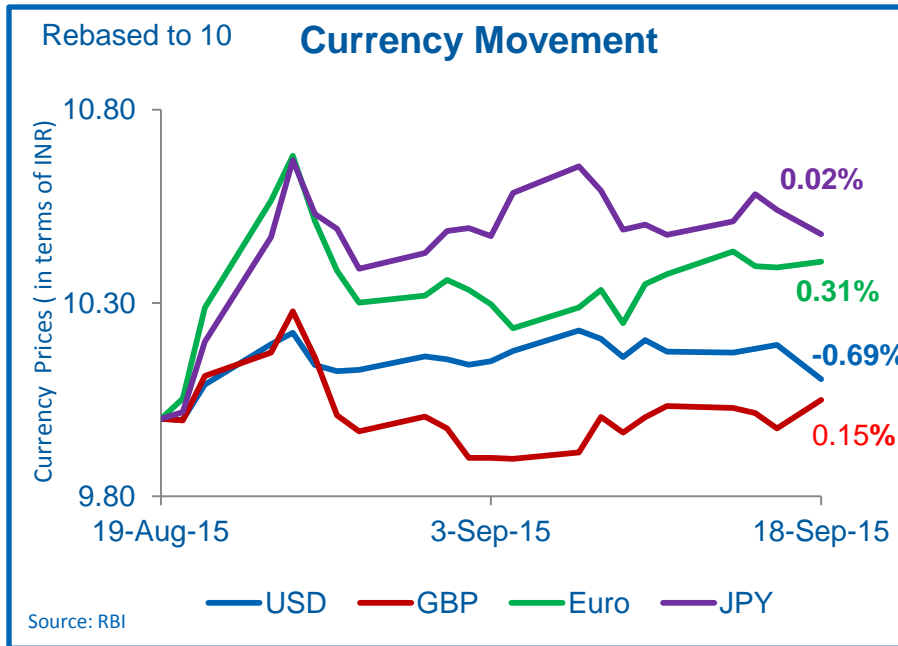
## Crude

- Oil prices witnessed some pressure earlier on concerns that Iran might add more barrels to an already oversupplied market. The trend reversed and Brent crude prices rose after the Fed decided to keep interest rates unchanged.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.93	66.39
Pound Sterling	102.75	102.59
EURO	75.13	74.90
JPY(per 100 Yen)	55.01	55.00

Source: RBI Figures in INR , Values as on Sep 18, 2015

## Rupee

- The rupee gained against the dollar after the U.S. Federal Reserve decided to keep interest rates at ultra low levels, easing concerns over foreign fund outflows.

## Euro

- The euro fell against the dollar after the U.S. inflation numbers declined on a monthly basis and the Fed kept its interest rates unchanged.

## Pound

- The pound rose following upbeat British wages and retail sales data in August. The Fed's decision to keep interest rates unchanged provided further support to the pound.

## Yen

- The yen strengthened against the dollar after the Fed maintained status quo on interest rates and lowered its long-term outlook for the world's largest economy.

The Week that was...  
14<sup>th</sup> September to 18<sup>th</sup> September

# The Week that was (Sep 14 – Sep 18)

Day	Event	Present Value	Previous Value
Monday, September 14	India Consumer Price Inflation (Aug)	3.66%	3.69%
	India Wholesale Price Inflation (Aug)	-4.95%	-4.05%
	Euro Zone Industrial Production s.a. (MoM) (Jul)	0.60%	-0.30%
	Japan Industrial Production (MoM) (Jul)	-0.80%	-0.60%
Tuesday, September 15	Bank of Japan Interest Rate Decision	0.10%	0.10%
	Euro Zone ZEW Surey - Economic Sentiment (Sep)	33.3	47.6
	U.K. Consumer Price Index (MoM) (Aug)	0.20%	-0.20%
	U.S. Industrial Production (MoM) (Aug)	-0.40%	0.90%
Wednesday, September 16	Euro Zone Consumer Price Index (MoM) (Aug)	0.00%	-0.60%
	U.S. Consumer Price Index (YoY) (Aug)	0.20%	0.20%
	U.S. NAHB Housing Market Index (Sep)	62	61
Thursday, September 17	U.S. Federal Reserve Interest Rate Decision	0.25%	0.25%
	U.K. Retail Sales (MoM) (Aug)	0.20%	0.10%
	U.S. Initial Jobless Claims (Sep 11)	264K	275K
Friday, September 18	Euro Zone Current Account s.a (Jul)	€22.6B	€24.9B
	China House Price Index (Aug)	-2.30%	-3.70%



The Week Ahead...  
September 21 to September 25

# The Week Ahead

Day	Event
<b>Monday, September 21</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Producer Price Index (MoM) (Aug)</li> <li><input type="checkbox"/> U.S. Existing Home Sales Change (MoM) (Aug)</li> </ul>
<b>Tuesday, September 22</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Housing Price Index (MoM) (Jul)</li> <li><input type="checkbox"/> Euro Zone Consumer Confidence (Sep) Preliminary</li> </ul>
<b>Wednesday, September 23</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Manufacturing PMI (Sep) Preliminary</li> <li><input type="checkbox"/> Germany Markit PMI Composite (Sep) Preliminary</li> <li><input type="checkbox"/> Euro Zone Markit PMI Composite (Sep) Preliminary</li> <li><input type="checkbox"/> U.S. Markit Manufacturing PMI (Sep) Preliminary</li> </ul>
<b>Thursday, September 24</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Nomura/ JMMA Manufacturing Purchasing Manager Index (Sep) Preliminary</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Sep 18)</li> <li><input type="checkbox"/> U.S. New Home Sales Change (MoM) (Aug)</li> <li><input type="checkbox"/> U.S. Durable Goods Orders (Aug)</li> </ul>
<b>Friday, September 25</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q2)</li> <li><input type="checkbox"/> U.S. Markit PMI Composite (Sep) Preliminary</li> <li><input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Sep)</li> </ul>

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