

News U Can Use

September 25, 2015

The Week that was...
21st September to 25th September

Indian Economy

- According to the Asian Development Bank (ADB), growth in developing Asia is likely to be slower than previously estimated as a slowdown in the Chinese economy may hit global demand. ADB in its 2015 outlook update said that developing Asia is now expected to grow by 5.8% and 6.0% this year and in 2016, down from ADB's July forecast of 6.1% and 6.2%, respectively. ADB has also lowered its growth projections for India for the current fiscal to 7.4% from 7.8% earlier, citing weak monsoon, poor external demand and inability of the Government to push economic reforms.
- According to the India Meteorological Department, widespread rainfall in states like Chhattisgarh, Madhya Pradesh and Maharashtra has reduced the overall monsoon deficiency to 13% in the country. As a result, the overall monsoon deficiency, which was around 16% until last week, has now dropped by 3%.
- According to the Finance Ministry, the Income Tax Act will be amended with retrospective effect to exempt foreign firms from paying Minimum Alternate Tax retrospectively from April 2001, provided they did not have a permanent establishment in India. The move is expected to provide relief to foreign firms.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Sep-15	1 Week Return	YTD Return
S&P BSE Sensex	25863.5	-1.36%	-5.98%
CNX Nifty Index	7868.5	-1.42%	-5.02%
S&P BSE Mid-Cap	10597.87	-0.45%	1.51%
S&P BSE Small-Cap	10942.14	1.28%	-2.52%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.76	21.81	24.56	59.27
P/B	2.81	3.17	2.29	1.92
Dividend Yield	1.42	1.5	1.5	1.06

Source: BSE, NSE

Value as on Sep 24, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
21-Sep-15	961	538	1.79
22-Sep-15	430	1075	0.40
23-Sep-15	848	632	1.34
24-Sep-15	809	690	1.17

Source: NSE

- ❑ Indian equity markets closed lower on the back of weak global cues. Investor sentiments dampened after statement from the U.S. Federal Reserve renewed concerns over global economic growth, especially in China.
- ❑ Besides, the Asian Development Bank has lowered growth projections for India for the current fiscal to 7.4% from 7.8% earlier, citing weak monsoon, poor external demand and inability of the Government to push economic reforms.
- ❑ Bourses got some support later after the India Meteorological Department stated that the overall monsoon deficit has dropped to 13% from the previously-estimated deficit of 16%.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17316.6	-1.45%	-2.73%
S&P BSE Bankex	19696.2	-1.29%	-0.15%
S&P BSE CD	10499.5	3.41%	-1.43%
S&P BSE CG	15058.3	-3.27%	-7.15%
S&P BSE FMCG	7573.16	-0.20%	-1.70%
S&P BSE HC	17616.8	1.02%	1.29%
S&P BSE IT	11473	2.17%	4.33%
S&P BSE Metal	6887.73	-5.53%	-3.61%
S&P BSE Oil & Gas	8635.04	-1.32%	0.21%

Source: Reuters Values as on Sep 24, 2015

- On the BSE sectoral front, majority of the indices closed in red barring S&P BSE Consumer Durables, S&P BSE IT, S&P BSE TECK and S&P BSE HC which rose 3.41%, 2.17%, 1.20%, and 1.02% respectively.
- S&P BSE Metal turned out to be the major laggard which fell by 5.53% followed by S&P BSE CG and S&P BSE Power which fell by 3.27% and 2.34% respectively.

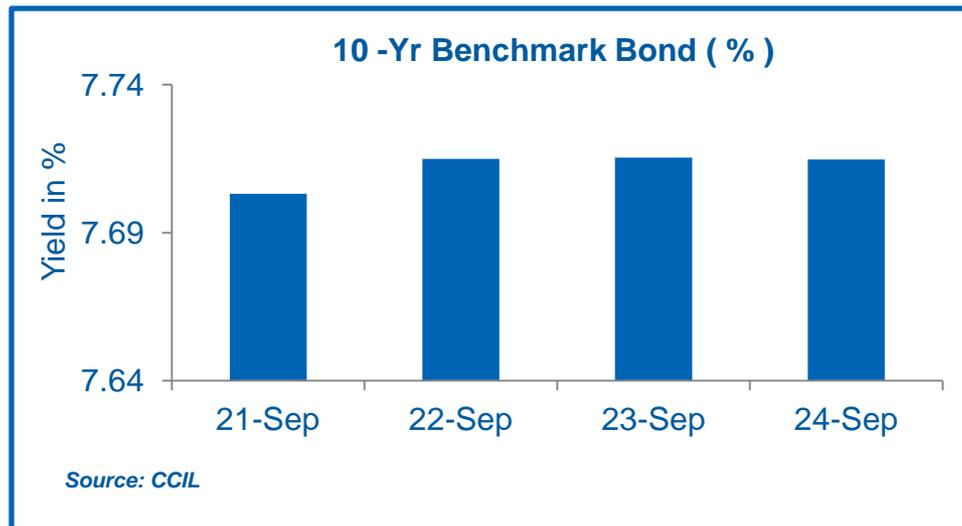
Indian Derivatives Market Review

- Nifty September 2015 Futures settled at a spot closing of 7,868.50 points on September 24. Nifty October 2015 Futures were at 7895.70 points, a premium of 27.20 points against the spot closing. The turnover on NSE Futures and Options segment rose to Rs. 18.04 lakh crore during the holiday-truncated week ended September 24 from Rs. 8.73 lakh crore recorded in the previous week.
- The Put-Call ratio remained unchanged compared to previous week's close and stood at 1.07.
- The Nifty Put-Call ratio also remained unchanged compared to previous week's close and stood at 1.00.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.92	7.38	6.92	7.29
91 Day T-Bill	7.40	7.47	7.42	8.29
08.27% 2020, (5 Yr GOI)	7.86	7.84	7.93	--
07.72% 2025, (10 Yr GOI)	7.71	7.70	7.81	--

Source: Reuters Values as on Sep 24, 2015



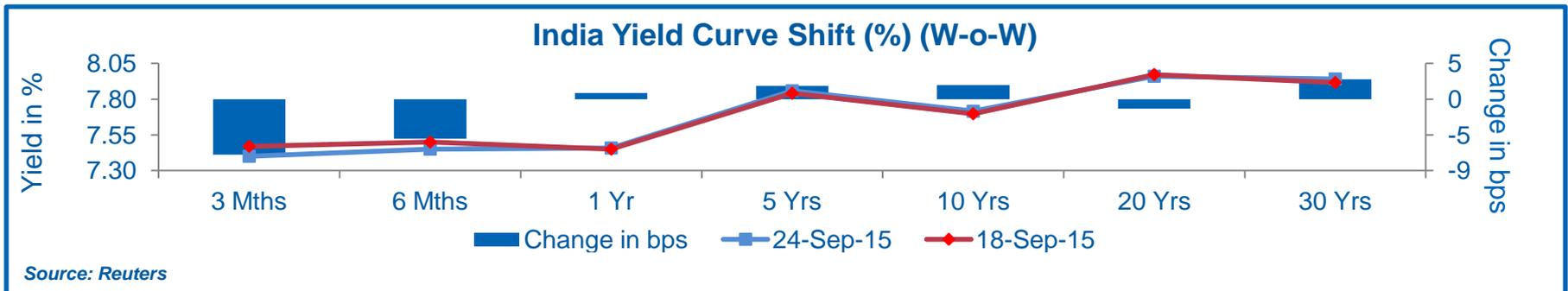
- After a steady start, bond yields rose, tracking weakness in the domestic currency. Yields also rose marginally after preliminary data showed that Chinese manufacturing activity contracted the most in six-and-a-half years in September.
- The movement in bond yields was limited as investors remained on sidelines ahead of the Reserve Bank of India's (RBI) monetary policy review, due next week.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, rose marginally by 1 bps to close at 7.71% compared to the previous week's close of 7.70% after moving in the range of 7.69% to 7.73%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.62	8.15	-53.00
3 Year	7.90	8.33	-43.50
5 Year	8.05	8.41	-35.70
10 Year	7.92	8.36	-43.80

Source: Reuters Values as on Sep 24, 2015

- Yield on Gilt Securities rose by up to 3 bps barring 2 and 19-year papers that fell by 6 bps and 1 bps respectively.
- Corporate Bond yields also increased by up to 2 bps across the entire maturity bracket except 15-year paper that eased by 2 bps.
- Spread between AAA Corporate Bond and Gilt contracted by up to 4 bps across the maturities except 2 and 8-year papers that expanded by 6 bps and 1 bps, respectively.



Regulatory Updates in India

- The Reserve Bank of India (RBI) has proposed substantial changes to External Commercial Borrowings (ECB) norms for companies which include allowing rupee-denominated loans and permission for lenders to hedge in the onshore market. The Central Bank has also widened the list of eligible investors, including pension funds and sovereign wealth funds as well those industries that can raise funds by including real estate investment trusts and infrastructure investment trusts. The Central Bank has proposed raising the all-in costs for borrowings of more than 10 years with some industries such as real estate prohibited from accessing this avenue. According to the RBI, companies will now be able to borrow up to \$50 million in ECBs with 3-year maturities and more than \$50 million for 5-year maturities. The previous limits had been around \$20 million
- According to the RBI, concurrent auditors of commercial banks need to submit their review of non-performing loans directly to the banks and discontinue the practice of submitting it to the statutory auditors who conduct quarterly and half yearly review of bank accounts. Concurrent audit system is regarded as part of a bank's early warning system which helps in timely detection of irregularities and lapses and preventing fraudulent transactions at branches.
- According to the Minister of State for Petroleum and Natural Gas, the Government is considering raising price over minimum support price of ethanol. The objective of the move is to ensure adequate supply for its 10% mandatory blending with petrol.

Regulatory Updates in India (contd..)

- ❑ The Reserve Bank of India allowed banks to process and settle import and export related payments facilitated by online payment gateway service providers. For that the banks need to sign up for exporters and importers with global payment gateway providers. The Central Bank has put a cap of \$2,000 on import and \$10,000 on export of goods and software as allowed under the foreign trade policy.
- ❑ The Securities and Exchange Board of India (SEBI) has asked all listed companies to update their website within two working days for any revision/change in the information provided on this platform. The listed entities also need to take care that the contents of the website are correct.
- ❑ According to the Secretary of Heavy Industries, the Government will take steps to plug regulatory loopholes to prevent manipulation of data on pollution control by automobile manufacturers in the country. The remark comes in the wake of the Volkswagen crisis in the U.S.
- ❑ The Finance Minister said that continuing reforms will push India's economic growth higher than last year's 7.3% despite gloomy world economic scenario. The Minister urged international investors to invest in infrastructure, manufacturing and other sectors that have funding needs.
- ❑ The Finance Minister said that the rate of economic growth this fiscal will outperform that of the last year. He also said that the draft of India's bankruptcy law was almost ready and is expected to be submitted in Parliament in near future.

Global News/Economy

- Survey data from Caixin Insight Group and Markit showed that Chinese manufacturing activity contracted the most in six-and-a-half years in September, as orders and production declined at faster rates. The flash manufacturing Purchasing Managers' Index fell to 47 in September from 47.3 in August. This was the lowest score in 78 months.
- According to the U.S. Federal Reserve Chief, the U.S. Central Bank remains on track to raise interest rates by the end of 2015. The Central Bank Chief further added that it would be prudent to begin tightening in a timely fashion and at a gradual pace. Regarding inflation, the Fed Chief added that inflation will return to 2% annual growth rate "over the next few years."
- A major credit rating agency has cut its price forecasts for Brent and U.S. crude oil. The credit rating agency added that there had not been a significant decline in oil production even though many U.S. exploration and production companies have cut spending and prices are below many companies' production costs. S&P cut its 2015 forecast for Brent to \$50 and for U.S. crude to \$45 a barrel, both down by \$5 from its previous forecast. For 2016, S&P sees Brent at \$55 and WTI prices at \$50 a barrel.
- According to the Bank of England, there are risks in both China and emerging market economies that may affect U.K. financial stability through the direct exposures of British banks. The Central Bank observed that the immediate risks in relation to Greece and the euro area have come down. However other downside risks to financial stability stemming from the global environment have increased. Bank of England in this regard cautioned about future heightened volatility and reductions in market depth.

Global Equity Markets

Global Indices			
Indices	25-Sep-15	1-Week Return	YTD Return
Dow Jones	16,314.67	-0.43%	-8.51%
Nasdaq 100	4,224.74	-2.29%	-0.13%
FTSE 100	6,109.01	0.08%	-6.70%
DAX Index	9,688.53	-2.30%	-0.78%
Nikkei Average	17,880.51	-1.05%	2.46%
Straits Times	2,832.64	-1.63%	-15.96%

Source: Reuters Values as on Sep 25, 2015

Europe

- European markets rose initially as investors took positive cues from the outcome of the Greek election, held on September 20. Bourses pared gains soon as the Auto sectors witnessed huge selling pressure after an industry major admitted that it manipulated emission test norms for diesel cars in the U.S. However, further losses were restricted after the U.S. Federal Chief provided some clarity over the interest rate outlook in the U.S. region.

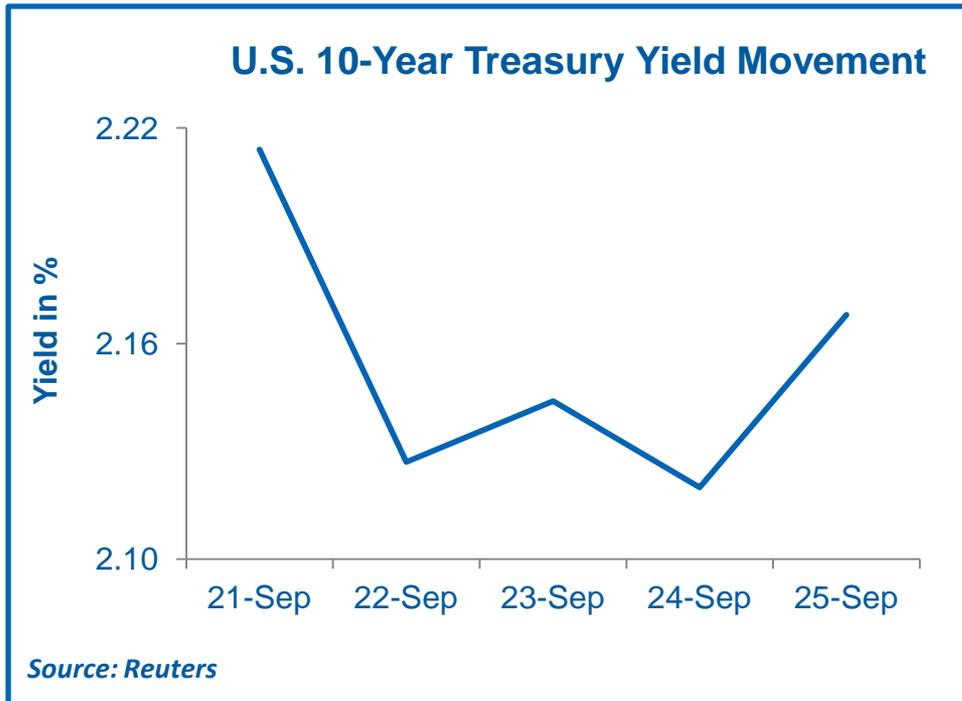
Asia

- Asian markets fell in line with other global peers. Investor sentiments dampened as flash estimates of a private survey showed that activity in China's factory sector fell to a six-and-a-half year low in September which increased worries about a global economic slowdown.

U.S.

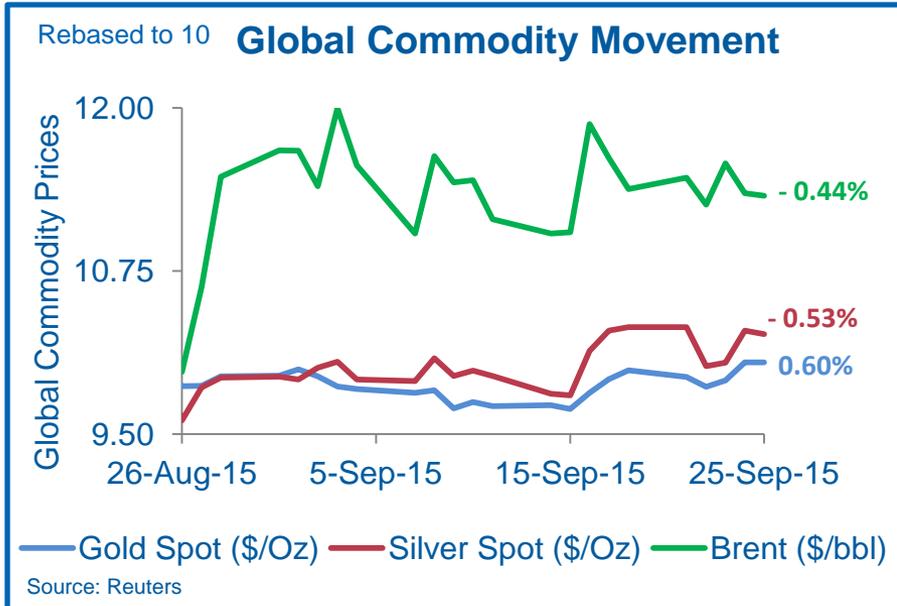
- The U.S. markets remained under pressure amid continued uncertainty about the U.S. monetary policy outlook. Worries about drug prices and concerns of a possible Government shut down also weighed on the bourses. However, further losses were restricted after the U.S. Federal Reserve Chief indicated to raise interest rates by the end of 2015.

Global Debt (U.S.)



- After witnessing volatility, the yield on the 10-year U.S. Treasury bond rose by 4 bps during the week to close at 2.17% compared to the previous week's close of 2.13%.
- U.S. Treasury prices fell earlier after remarks from the Federal Reserve officials gave indication of a possible rate hike by the year end. Treasury prices fell further after the U.S. Federal Reserve Chief indicated to raise interest rates by the end of 2015.
- However, further losses were restricted following sell-off in global equity and commodity markets amid concerns over global growth and worries about slowdown in China's economy.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.07	47.28
Gold (\$/Oz)	1145.86	1139
Gold (Rs/10 gm) *	26424	26377
Silver (\$/Oz)	15.08	15.16
Silver (Rs/Kg) *	34927	35746

Source: Reuters Values as on Sep 25, 2015 * Values as on Sep 24, 2015

Gold

- Gold prices rose as weakness in the European and Chinese equity markets supported the safe-haven appeal of the metal. However, gains were capped after the U.S. Federal Reserve Chief gave hints of an interest rate hike later this year, sparking a rally in the dollar.

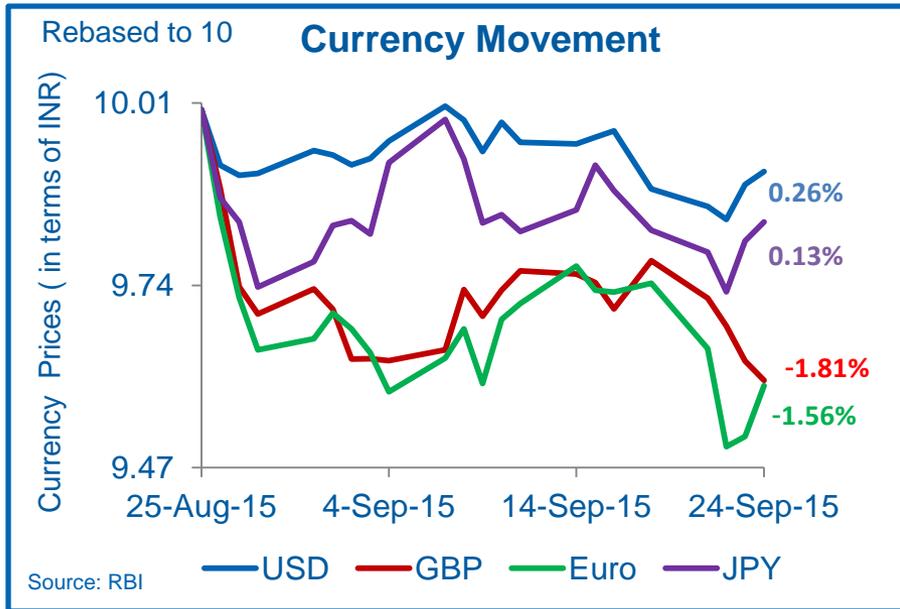
Crude

- Brent crude prices fell amid uncertainty over demand outlook in top consumers like China and the U.S. Prices fell further after a major credit rating agency cut its price forecasts for Brent and U.S. crude oil for 2015.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.10	65.93
Pound Sterling	100.89	102.75
EURO	73.96	75.13
JPY(per 100 Yen)	55.08	55.01

Source: RBI

Figures in INR, Values as on Sep 24, 2015

Rupee

- The rupee weakened against the dollar, tracking losses in domestic equity markets. Month-end dollar demand from banks and importers further weighed on the rupee.

Euro

- The euro fell against the dollar after the U.S. Fed Chief indicated to raise interest rates in 2015. However, losses were restricted after the ECB said that more time was needed to consider additional stimulus measures.

Pound

- The pound fell sharply against the dollar after the Fed Chief indicated to raise rates in 2015. Weak economic data from U.K. further strengthened the greenback.

Yen

- The yen gained initially against the dollar following weak Chinese manufacturing data. However the trend reversed after U.S. Fed Chief gave hints of an interest rate hike later this year.

The Week that was...
21st September to 25th September

The Week that was (Sep 21 – Sep 25)

Day	Event	Present Value	Previous Value
Monday, September 21, 2015	Germany Producer Price Index (MoM) (Aug)	-0.50%	0.00%
	U.S. Existing Home Sales Change (MoM) (Aug)	-4.80%	1.80%
Tuesday, September 22, 2015	U.S. Housing Price Index (MoM) (Jul)	0.60%	0.20%
	Euro Zone Consumer Confidence (Sep) Preliminary	-7.1	-6.9
Wednesday, September 23, 2015	China Caixin Manufacturing PMI (Sep) Preliminary	47.0	47.3
	Germany Markit PMI Composite (Sep) Preliminary	54.3	55.0
	Euro Zone Markit PMI Composite (Sep) Preliminary	53.9	54.3
	U.S. Markit Manufacturing PMI (Sep) Preliminary	53	53
Thursday, September 24, 2015	Japan Nomura Manufacturing PMI (Sep) Preliminary	50.9	51.7
	U.S. Initial Jobless Claims (Sep 18)	267K	264K
	U.S. New Home Sales Change (MoM) (Aug)	5.70%	12.00%
	U.S. Durable Goods Orders (Aug)	-2%	2%
Friday, September 25, 2015	U.S. Gross Domestic Product Annualized (Q2)	3.90%	3.70%
	U.S. Markit PMI Composite (Sep) Preliminary	55.3	55.7
	U.S. Reuters/Michigan Consumer Sentiment Index (Sep)	87.2	85.7

The Week Ahead...
September 28 to October 2

The Week Ahead

Day	Event
Monday, September 28	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Import Price Index (MoM) (Aug) <input type="checkbox"/> U.S. Personal Income (MoM) (Aug)
Tuesday, September 29	<ul style="list-style-type: none"> <input type="checkbox"/> India Reserve Bank of India Interest Rate Decision <input type="checkbox"/> Germany Consumer Price Index (MoM) (Sep) Preliminary
Wednesday, September 30	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ADP Employment Change (Sep) <input type="checkbox"/> Euro Zone Unemployment Rate (Aug) <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Sep) Preliminary
Thursday, October 1	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Manufacturing PMI (Sep) <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Sep) <input type="checkbox"/> Japan Nomura/ JMMA Manufacturing Purchasing Manager Index (Sep) <input type="checkbox"/> U.S. ISM Manufacturing PMI (Sep)
Friday, October 2	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Nonfarm Payrolls (Sep) <input type="checkbox"/> U.S. Unemployment Rate (Sep) <input type="checkbox"/> China Retail Sales (MoM) (Aug)

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