

News U Can Use

March 5, 2015

The Week that was...
28th February to 5th March

Indian Economy

Key Highlights of the Union Budget

- ❑ Fiscal deficit seen at 3.9% of GDP in FY16
- ❑ Current account deficit (CAD) below 1.3% of GDP
- ❑ GDP growth seen at between 8% and 8.5% year-on-year in FY16
- ❑ Tax slab on personal income unchanged
- ❑ To abolish wealth tax and replace it with additional 2% surcharge on super rich
- ❑ Proposes to cut to 25% corporate tax over the next four years
- ❑ Proposes to increase service tax rate and education cess to 14% from 12.36%
- ❑ Government defers rollout of anti-tax avoidance rules GAAR by two years
- ❑ Plan expenditure estimated at about Rs 4.65 lakh cr
- ❑ Non-plan expenditure estimated at about Rs 13.12 lakh cr
- ❑ Gross market borrowing seen at Rs 6 lakh cr
- ❑ Total stake sale in FY16 seen at Rs 69,500 cr
- ❑ Proposes to merge the commodities regulator with SEBI
- ❑ Investment in infrastructure will go up by Rs 70,000 cr in FY16 over the last year
- ❑ Additional deduction of Rs 50,000 for contribution to the new pension scheme under Section 80C CD

Indian Economy

- ❑ RBI cuts the policy repo rate under the liquidity adjustment facility (LAF) by 25 bps from 7.75% to 7.5% with immediate effect; consequently, the reverse repo rate under the LAF stands adjusted to 6.5%, and the marginal standing facility (MSF) rate and the Bank Rate at 8.5% with immediate effect.
- ❑ RBI keeps the cash reserve ratio (CRR) of scheduled banks unchanged at 4% of net demand and time liabilities (NDTL) and decides to continue to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75% of NDTL of the banking system through auctions; will also continue with daily variable rate repos and reverse repos to smooth liquidity.
- ❑ India's core output growth slowed to 1.8% in January, mainly dragged down by a sharp slowdown in crude oil and natural gas production, and following growth of 2.4% in December.
- ❑ India's fiscal deficit in April-January increased to Rs 5.68 lakh cr (\$91.70 bn), or 107% of the full year target; the deficit was 98.2% during the same period a year ago.
- ❑ India's manufacturing purchasing managers' index (PMI) declined to 51.2 points in February, (the lowest since September last year) from 52.9 points in January.
- ❑ India's HSBC services purchasing managers' index (PMI) rose to an eight-month high of 53.9 in February up from 52.4 in January.

Indian Economy

- ❑ Government and RBI sign pact to introduce inflation targeting; the consumer inflation target is set at 6% for January 2016 and at 4% with a band of plus or minus 2% by March 2017.
- ❑ Finance Minister Arun Jaitley says India's economy needs to reach an annual growth rate of 9% to 10% and then sustain that activity for more than 10 years in order to improve infrastructure and bring down rampant poverty.
- ❑ RBI says the uncertainty surrounding global oil prices can have an adverse bearing on India's inflation outlook though it will endeavour to bring it down to the target of 4% by 2016-17.
- ❑ Government informs Parliament that GDP will remain a comprehensive measure to capture changes in economic activity and that it will not be replaced by Gross Value Addition (GVA).
- ❑ Minister of State for Finance Jayant Sinha says the RBI's decision to cut rates should bring down loan EMIs significantly and that there is room for further easing of rates.
- ❑ Chief Economic Adviser Arvind Subramanian welcomes the interest rate cut by the RBI, describing the Budget as a balanced one that makes institutional changes to spur growth without sacrificing macro-economic discipline.
- ❑ S&P's says India's budget highlights the government's commitment to keeping the fiscal deficit low, but adds that the country's debt burden and subsidy bill could constrain its ratings.

Indian Economy

- Moody's Investors Service says the Union Budget does not change its views on India's credit profile; adds that the Budget is credit neutral for the sovereign and positive for corporates and infrastructure.
- Fitch says the Centre's 'less aspiring' fiscal consolidation strategy is negative for ratings.
- Moody's says the new 'inflation targeting' mechanism is a "credit positive" move and it would make RBI's monetary policy tools much more effective.
- Government's direct tax collections rose to Rs 6.12 lakh cr in the first 11 months of the current financial year compared to Rs 5.53 lakh cr for the same period in the last fiscal.

Indian Commodities Market

- ❑ International crude oil prices advanced in the week due to an improving demand outlook for the commodity; prices ended at \$51.53 a barrel on the NYMEX on March 4, compared with \$48.17 a barrel on February 26.
- ❑ US crude oil inventories rose by 10.3 mn barrels to 444.4 mn barrels for the week ended February 27.
- ❑ Forward Markets Commission modifies Know Your Customer registration process for the commodities market to bring it in line with SEBI's model for the stock markets.
- ❑ NCDEX plans to set up 1000 warehouses dedicated to its forward contracts over a period of two years.

Indian Government

- ❑ Cabinet Committee on Economic Affairs approves six highway projects involving a total investment of Rs 12646 cr.
- ❑ Government plans to raise Rs 5000 cr by selling shares of public sector companies through an ETF in FY'16.
- ❑ Divestment Secretary says the government will consider a stake sale in ONGC only after the subsidy sharing mechanism between upstream companies and the centre is finalized and oil prices bounce back.
- ❑ Government is seeking to suspend trading in shares of companies it plans to sell stakes as part of a plan to raise \$11.2 bn from asset sales next fiscal.
- ❑ Government proposes to bring more sectors such as medium enterprises and renewable energy under priority sector lending by banks.
- ❑ Government wants banks to consider merger; also proposes more transparency in the appointment of independent director on the bank board.
- ❑ Lok Sabha passes the Coal Mines Bill to allow e-auction of coal blocks; also passes a bill to increase foreign investment limit in local insurers to 49% from 26%.
- ❑ Government bans use of private emails for all official use.
- ❑ Government initiates second round of coal mine auctions by putting on offer four blocks from Jharkhand.

Indian Government

- ❑ Government plans to auction minerals such as iron ore, bauxite and manganese in a bid to bring in reforms in the mining sector and enhance transparency.
- ❑ European Union (EU) lifts the ban on import of Indian mangoes that it had imposed in April last year.
- ❑ Centre passes bill seeking to introduce the system of auction of mines to enhance transparency and augment mineral production in the Lok Sabha.
- ❑ Finance Ministry appoints a committee to suggest ways to incentivise use of plastic currency.
- ❑ Government to soon notify the new investment pattern for non-government provident funds, superannuation and gratuity funds, allowing them to invest in infrastructure trusts besides enabling them to park 5-15% of their investible funds in equity and equity-related instruments.
- ❑ Coal ministry examines winning bids for three of the 18 mines put up for auction last month amid reports of discrepancies in the bidding process.
- ❑ Department of Industrial Policy and Promotion (DIPP) seeks imposition of import duty on cement to provide a level-playing field for domestic producers and boost exports.
- ❑ The Income Tax department demands that foreign portfolio investors pay minimum alternate tax by March 31.

Indian Government

- ❑ Government says that an average 25% of the total staff presently working in public sector banks will retire over the next five years.
- ❑ Government asks angel investors to come together and form a group in order to avail of tax waivers.
- ❑ Government of Karnataka plans to cut application fee for setting up industries in the state by 50%.

Regulatory updates in India

- ❑ RBI deputy governor R Gandhi asks credit information companies (CICs) and banks to 'counsel' the youth on good credit behaviour.
- ❑ RBI directs banks to provide timely and accurate borrower data to credit information bureaus to improve their efficiency.
- ❑ RBI extends the all-in cost ceiling for external commercial borrowings to March-end, 2015.
- ❑ RBI advises public sector lenders that feel capital constraints to restructure business to have assets which need less capital.
- ❑ RBI refuses to share its banks' inspection reports on alleged money laundering laws and other violations with Central Economic Intelligence Bureau (CEIB), citing legal hurdles.
- ❑ SEBI simplifies stock market trading account opening form; investors can now open a trading and demat account by filling up a simplified account opening form, termed as SARAL form.
- ❑ SEBI re-organises its committee which advises the regulator on issues related to disclosure requirements and accounting practices for various entities in the securities market.
- ❑ Retirement fund body EFPO is working on a housing scheme for its over 5 cr subscribers and its trustees board has set up a panel in this regard.
- ❑ IRDAI in its final guidelines on Insurance Marketing Firms says that they will be able to solicit and procure insurance products of two life, two general, and two health insurance companies at any point of time, under intimation to the Authority.

Regulatory updates in India

- ❑ IRDAI is planning to cut investments in securities 'other than those approved' by 10% for general insurers.
- ❑ TRAI asks Vodafone to stop using 111 for offering customer care services as it violates the national numbering plan.
- ❑ Competition Commission of India rejects charges against Indian Oil Corporation and Mahanagar Gas that they indulged in unfair business practices with respect to distribution of CNG.

International Markets

- ❑ US Federal Reserve's Beige Book shows that six of its 12 regions reported moderate growth with modest gains seen in most other areas.
- ❑ US private employers added 212,000 jobs in February compared to an upwardly revised 250,000 jobs in January according to the ADP.
- ❑ US ISM Services Index rose to 56.9 in February, compared with 56.7 in January.
- ❑ US auto sales slowed to a 16.23 mn seasonally adjusted annual rate in February from 16.66 mn in January.
- ❑ US personal spending fell 0.2% in January after dropping 0.3% in December; personal income rose 0.3% in January after gaining 0.3% in December.
- ❑ US Institute for Supply Management (ISM) said its index of national factory activity fell to 52.9 in February from 53.5 the month before.
- ❑ US Markit manufacturing PMI rose to 55.1 in February from 53.9 in January.
- ❑ US construction spending declined 1.1% in January compared to a rise of 1.8% in the same month last year.
- ❑ US pending home sales index rose 1.7% to a seasonally adjusted level of 104.2 in January from 102.5 in December.
- ❑ University of Michigan's consumer sentiment index fell to 95.4 in February, from 98.1 in January.

International Markets

- ❑ US' Chicago PMI fell to 45.8 in February compared with 59.4 in January.
- ❑ US Markit services PMI rose to 57.1 in February, up from the 54.2 recorded in January.
- ❑ US labor productivity decreased by a seasonally adjusted 2.2% in Q4 2014, compared to a preliminary forecast of a 1.8% decline; labor costs rose by a seasonally adjusted 4.1% in the fourth quarter compared to an initial forecast of a 2.7% gain.
- ❑ US initial claims for state unemployment benefits increased by 7,000 to a seasonally adjusted 320,000 for the week ended February 28.
- ❑ Euro zone's manufacturing PMI for February was 51, unchanged from January's reading.
- ❑ Euro zone composite output index rose to 53.3 in February from 52.6 in January; the services Purchasing Managers' Index rose to a 7-month high of 53.7 in February from 52.7 in January.
- ❑ Euro zone's annual inflation was -0.3% in February, up from -0.6% in January.
- ❑ Euro zone producer prices declined by a seasonally adjusted 0.9% in January compared to a decline of 1% in December.
- ❑ Euro zone retail sales were up 1.1% on a monthly basis in January, faster than a revised 0.4% growth in December.
- ❑ Euro zone's seasonally-adjusted unemployment rate was 11.2% in January, down from 11.3% in December.

International Markets

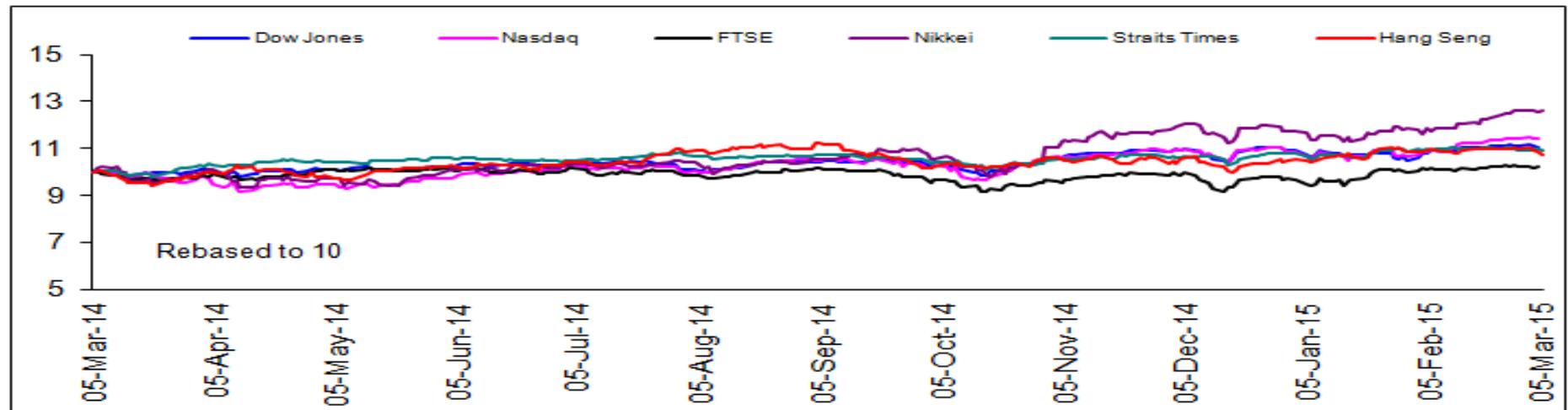
- ❑ European Central Bank keeps benchmark interest rates on hold at 0.05%.
- ❑ UK Markit/CIPS Manufacturing PMI rose to a seven-month high of 54.1 in February from 53.1 in January.
- ❑ UK Markit/CIPS construction purchasing managers' index (PMI) registered 60.1 in February, up from 59.1 in January.
- ❑ UK Markit PMI for the service sector decreased to 56.7 in February from 57.2 in January; the composite PMI inched up to 57.0, a three-month high, from 56.9 in January.
- ❑ UK Nationwide house prices dropped by 0.1% in February, well below the 0.3% rise seen in January.
- ❑ UK net consumer credit increased by 2.4 bn pounds in January, up from 2.1 bn pounds in December.
- ❑ Bank of England decides to retain interest rates at record low of 0.5%.
- ❑ The People's Bank of China lowered the one-year deposit rate by 0.25% to 2.5% and the one-year lending rate by the same amount to 5.35%, effective from March 1.
- ❑ Chinese government lowers the country's 2015 economic growth target to around 7% and also lowers its target for annual inflation to around 3%.

International Markets

- ❑ China's official manufacturing purchasing managers' index (PMI) rose slightly to 49.9 in February from 49.8 in January, while non-manufacturing PMI rose to 53.9 in February from 53.7 in January.
- ❑ China's HSBC manufacturing PMI edged up to a seven month high of 50.7 in February from 49.7 in January.
- ❑ China's HSBC/Markit services PMI picked up to 52.0 in February from 51.8 in January; composite PMI rose to 51.8 in February, up from 51 in January.
- ❑ Japan's final Markit/JMMA manufacturing PMI was 51.6 in February, below 52.2 in January.
- ❑ Japan's services PMI fell to 48.5 in February from 51.3 in January; the composite index dropped to 50 in February from 51.7 in the previous month.
- ❑ AbbVie Inc to buy Pharmacyclics Inc, the maker of cancer drug Imbruvica, for about \$21 bn
- ❑ NXP Semiconductors NV to buy Freescale Semiconductor Ltd for \$12 bn.
- ❑ Hewlett-Packard to buy WiFi network gear maker Aruba Networks for about \$2.7 bn.

Global Equities

Indices	Mar 5	Feb 27	Change	% Change
DJIA	18096.90*	18132.70	-35.80	-0.20
Nasdaq Composite	4967.14*	4963.53	3.61	0.07
Nikkei 225 (Japan)	18751.84	18797.94	-46.10	-0.25
Straits Times (Singapore)	3395.27	3402.86	-7.59	-0.22
Hang Seng (Hong Kong)	24193.04	24823.29	-630.25	-2.54
FTSE 100 (London)	6919.24*	6946.66	-27.42	-0.39



Global Equities

- ❑ **Key global indices declined in the week** ended March 5 (except US' Nasdaq – up 0.1%) with Hong Kong's Hang Seng index falling the most - down 2.5%.
- ❑ Wall Street stocks ended little changed in the week amid volatility.
- ❑ Sentiments were dented earlier by downbeat domestic economic growth, auto sales and private sector jobs data.
- ❑ Losses were however recovered with markets reaching their all-time highs as investors turned optimistic about the future prospects of the US economy.
- ❑ Britain's FTSE index ended 0.4% lower in the week weighed down by a slump in shares of Tullow Oil, Barclays and Glencore PLC.
- ❑ Losses were however reduced due to gains in shares of Standard Chartered Plc.
- ❑ Hong Kong's Hang Seng index lost 2.5% in the week primarily hit by worries over tighter liquidity after Chinese regulators approved a flurry of new IPOs and on concerns over that country's economic slowdown.
- ❑ The benchmark retreated further on tracking weakness in US and European markets and as domestic retail sales plunged 14.6% from a year earlier in January.
- ❑ Further losses were however restrained following the Chinese central bank's decision to cut interest rates to prop up the slowing economy.

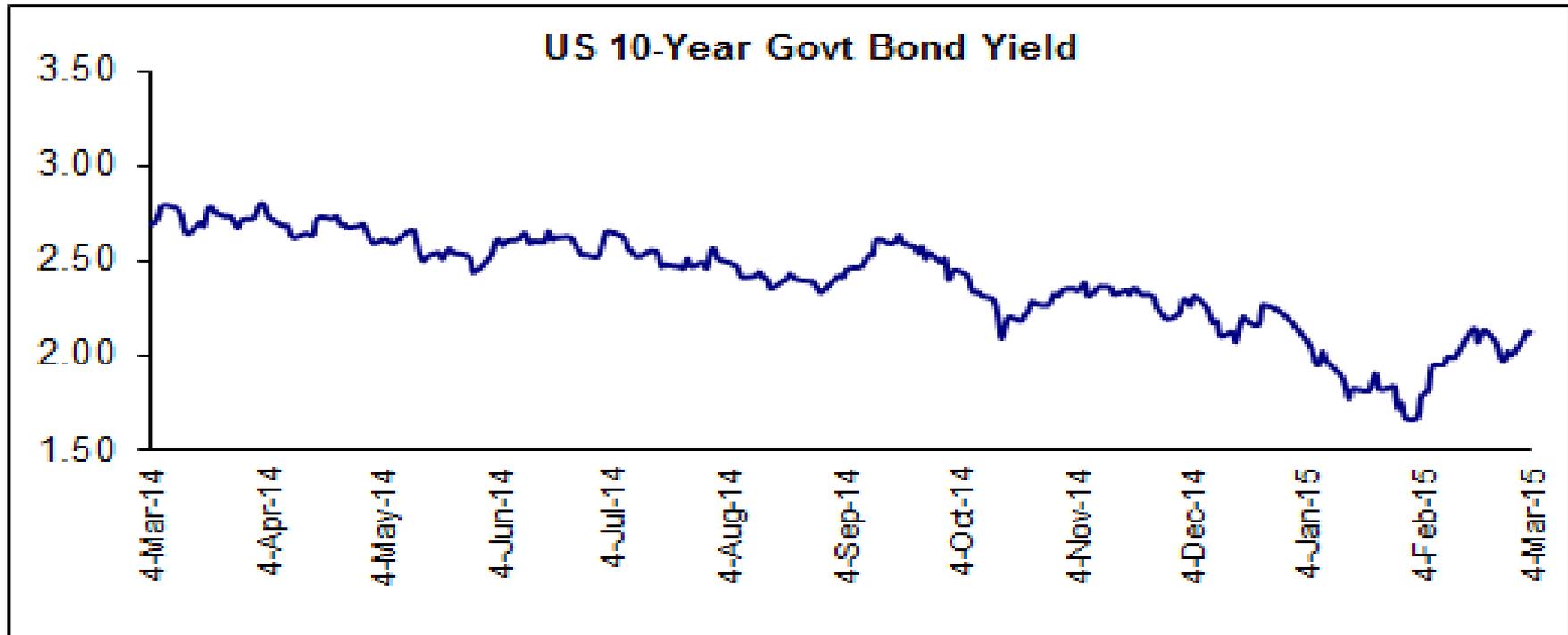
Global Equities

- Japan's Nikkei index fell 0.3% in the week mainly on profit taking following sporadic overnight losses in the US markets and caution ahead of the European Central Bank's policy meeting.
- Singapore's Straits Times index fell 0.2% in the week as investors turned cautious ahead of the European Central Bank meeting and monthly US jobs data.

Global Debt

- ❑ US treasury prices ended lower in the week ended March 4 due to increasing optimism about US economy following the release of few positive economic indicators.
- ❑ Bond prices fell after the Institute for Supply Management Services Index rose to 56.9 in February, compared with 56.7 in January.
- ❑ Bond prices declined due to corporate bond sales including launch of \$21 bn corporate bond deal by Pharmaceutical Company and Actavis Plc and triple-A-rated Exxon Mobil Corp.
- ❑ Demand for the bonds also dented due to caution ahead of the domestic jobs data and European Central Bank meeting.
- ❑ Losses were however capped due to weaker-than-expected reading of US private sector jobs data which bolstered the hopes that US Federal Reserve will remain patient about interest rate hikes.
- ❑ Bond prices rose after the domestic growth rate expanded at an annual rate of 2.2% in the fourth quarter of 2014, revised down from the 2.6% pace estimated last month. The economy grew at a 5% rate in the third quarter.
- ❑ Bond prices also gained after reports showed that US' Chicago PMI fell to 45.8 in February compared with 59.4 in January.
- ❑ Sporadic fall in the equity markets also boosted the safe-have appeal of the US treasuries.
- ❑ The yield on the 10 year benchmark bond rose sharply to 2.12% on March 4 from 2.02% on February 26.

Global Debt



USA

- ❑ Wall Street stocks ended little changed in the week amid volatility.
- ❑ Sentiments were dented earlier by downbeat domestic economic growth, auto sales and private sector jobs data.
 - The US economy expanded at an annual rate of 2.2% in the fourth quarter of 2014, following growth of 5% in the previous quarter.
 - US auto sales slowed to a 16.23 mn seasonally adjusted annual rate in February from 16.66 mn in January.
 - US private employers added 212,000 jobs in February compared to an upwardly revised 250,000 jobs in January according to the ADP.
- ❑ Losses were however recovered with markets reaching their all-time highs as investors turned optimistic about the future prospects of the US economy.

UK

- ❑ **Britain's FTSE index ended 0.4% lower** in the week ended March 4 amid stock specific action.
- ❑ The benchmark fell earlier weighed down by a slump in shares of Tullow Oil Plc on concerns about a delay in a project off the coast of West Africa.
- ❑ A decline in shares of market heavyweights Barclays PLC and Glencore PLC on the back of downbeat results pulled down the market further.
- ❑ Losses were however reduced due to gains in shares of International Consolidated Airlines Group, broadcaster ITV and Standard Chartered.

ASIA

- ❑ **Hong Kong's Hang Seng index lost 2.5%** in the week ended March 5 and emerged as the biggest decliner among key indices analyzed.
- ❑ Market sentiments were primarily hit by worries over tighter liquidity after Chinese regulators approved a flurry of new IPOs and on concerns over that country's economic slowdown.
 - Chinese government lowered the country's 2015 economic growth target to around 7% and also lowered its target for annual inflation to around 3%.
- ❑ The benchmark retreated further on tracking weakness in US and European markets and as domestic retail sales plunged 14.6% from a year earlier in January.
- ❑ Further losses were however restrained following the Chinese central bank's decision to cut interest rates to prop up the slowing economy.
 - The People's Bank of China lowered the one-year deposit rate by 0.25% to 2.5% and the one-year lending rate by the same amount to 5.35%, effective from March 1.
- ❑ **Japan's Nikkei index fell 0.3%** in the week ended March 5 following some downbeat global cues.
- ❑ The exporters' heavy benchmark rose earlier on the back of a weak yen and China's decision to cut interest rates.
- ❑ Optimism about the prospects of the domestic economy also brought in some gains.
- ❑ Market however turned negative on profit taking following sporadic overnight losses in the US markets and caution ahead of the European Central Bank's policy meeting.

ASIA

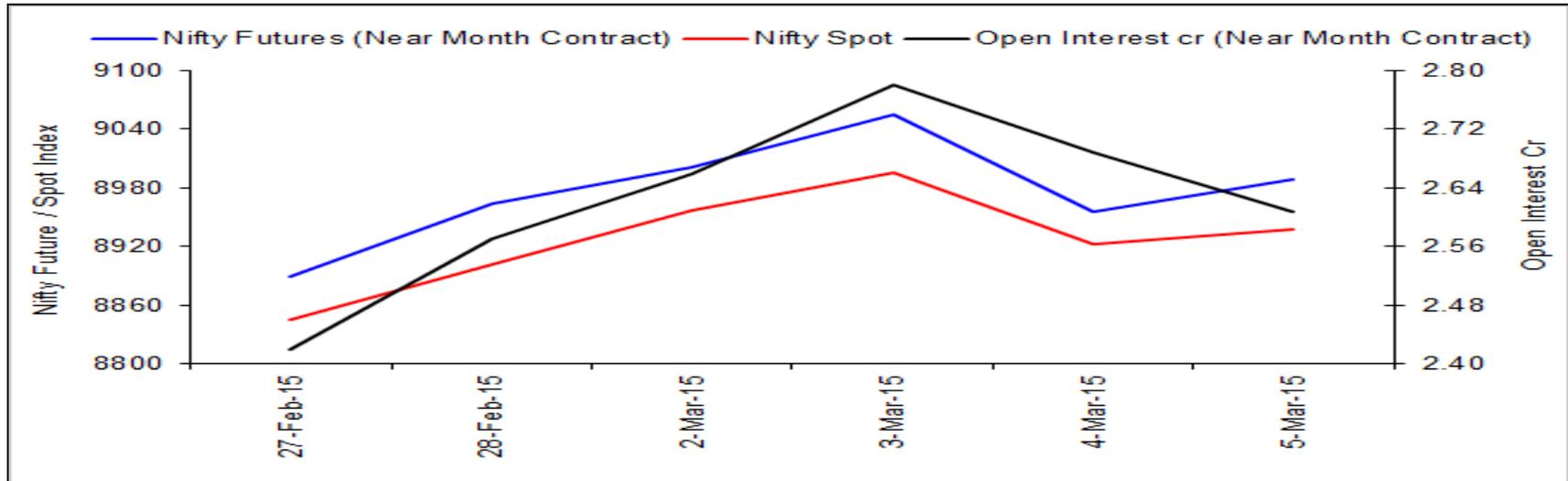
- ❑ **Singapore's Straits Times index fell 0.2%** in the week ended March 5 as investors turned cautious ahead of the European Central Bank meeting and monthly US jobs data.
- ❑ Some losses were however reduced on tracking intermittent gains on the Wall Street and as the Chinese central bank cut interest rates.

Indian Futures and Options Market Review

Nifty Futures

- ❑ The new Nifty near month contract (March 26, 2015) closed up with 51.00 point premium to the spot index on March 5, 2015.
- ❑ Over the week ended March 5, the Nifty spot index rose 1.05% as investors cheered some of the encouraging proposals in the Union Budget and RBI's surprise rate cut decision.
- ❑ The other Nifty future contract, viz., April contract ended at 9057 points (up 109 points over the week) and May contract ended at 9094 points (up 99 points over the week).
- ❑ Overall, Nifty futures saw a weekly trading volume of Rs 98,555 cr arising out of around 45 lakhs contracts with an open interest of nearly 253 lakhs.

Indian Futures and Options Market Review



Nifty Options

- ❑ Nifty 9000 call witnessed the highest open interest of 51 lakh on March 5 and Nifty 9100 call saw the highest increase in open interest of 18 lakhs over the week.
- ❑ Nifty 9200 call garnered the higher number of contracts over the week at 36 lakhs.
- ❑ Nifty 8500 put witnessed the highest open interest of 57 lakh on March 5 and Nifty 8800 put saw the highest increase in open interest of 21 lakhs over the week.
- ❑ Nifty 8800 put also garnered the highest number of contracts over the week at 26 lakhs.
- ❑ Overall, options saw 246 lakh contracts getting traded at a notional value of Rs 5,57,114 cr during the week.

Indian Futures and Options Market Review

Stock Futures and Options –

- NSE witnessed 39 lakh contracts in stock futures valued at Rs 1,30,798 cr while stock options saw volumes of 17 lakh contracts valued at Rs 56,421 cr during the week ended March 5, 2015.

NSE F&O Turnover –

- Overall turnover on NSE's derivatives segment stood at Rs 9.31 lakh cr (351 lakh contracts) during the week ended March 5 vs. Rs 19.01 lakh cr (756 lakh contracts) in the previous week.
- Put Call ratio rose to 0.89 on March 5 from 0.74 on February 27.

Week ended March 5, 2015	Turnover Rs. Cr.	% to Total
Index Futures	86,388	9.28
Index Options	657,043	70.60
Stock Futures	130,798	14.05
Stock Options	56,421	6.06
Total	930,650	100.00
Put Call Ratio	0.89 (5 March)	0.74 (27 February)

Indian Futures and Options Market Review

FII Segment

- On March 4 (last available SEBI data), foreign institutional investors' open interest stood at Rs 1,39,215 cr (49 lakh contracts). The details of FII derivatives trades for the period February 27 – March 4 are as follows: -

Week Ended March 4, 2015	Buy		Sell		Buy %		Sell %	
	No. of contracts	Amt in Rs Cr						
Index Futures	464854	11876	299327	7619	9.82	9.40	6.84	6.48
Index Options	3589403	92355	3353922	86610	75.85	73.10	76.63	73.66
Stock Futures	344525	11398	390662	12641	7.28	9.02	8.93	10.75
Stock Options	333468	10708	332840	10703	7.05	8.48	7.60	9.10
Total	4732250	126337	4376751	117573	100.00	100.00	100.00	100.00

Source - SEBI

The Week Ahead

Day	Event
Monday, March 9	<ul style="list-style-type: none"> □ Eurozone Sentix Investor Confidence, March □ Japan's Eco Watchers Survey: Outlook, February
Tuesday, March 10	<ul style="list-style-type: none"> □ US Wholesale Inventories, January □ China's Consumer Price Index, February □ China's Producer Price Index, February □ Japan's Machine Tool Orders, February
Wednesday, March 11	<ul style="list-style-type: none"> □ US Treasury Budget, February □ US Crude Oil Inventories, March 6 □ UK Industrial Production, January □ UK NIESR Gross Domestic Product Estimate, February □ China's Industrial Production, February □ China's Retail Sales, February □ Japan's BSI Large All Industry / Large Manufacturing, Q1 □ Japan's Tertiary Index, January
Thursday, March 12	<ul style="list-style-type: none"> □ US Retail Sales, February □ US Import and Export Prices, February □ US Business Inventories, January □ US Initial Jobless Claims, March 6 □ Eurozone Industrial Production, January □ UK Visible Trade Balance, January □ UK RICS House Price Balance, February □ Japan's Consumer Confidence Index, February □ India's Index of Industrial Production, January □ India's CPI for Combined, Rural, and Urban, February
Friday, March 13	<ul style="list-style-type: none"> □ US Producer Price Index, February □ US' University of Michigan Consumer Sentiment Index, March □ Japan's Industrial Production, January □ India's Forex Reserves, March 5

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