

NEWS U CAN USE

Dec 13, 2019

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The Week that was...
9th Dec to 13th Dec

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Indian Economy

- Consumer price index-based inflation rate increased to 5.54% in Nov 2019 from 4.62% in Oct 2019 and 2.33% in Nov 2018. The increase came on account of rising food prices and the figure is well above the Reserve Bank of India's medium target of 4%. Consumer Food Price Index increased to 10.01% in Nov 2019 from 7.89% in Oct 2019 and a decline of 2.61% in the same period of the previous year.
- Government data released showed Index of Industrial Production (IIP) shrunk 3.8% in Oct 2019 compared to a contraction of 4.3% in Sep 2019. Manufacturing and electricity declined 2.1% and 12.2% in Oct 2019, respectively, while the mining sector contracted 8.0% in the same month. From Apr to Oct 2019, IIP growth eased to 0.5% YoY from 5.7% recorded in the corresponding period last year.
- Government data showed that India's trade deficit narrowed to \$12.12 billion in Nov 2019 from \$17.58 billion in the same period of the previous year. India's trade deficit narrowed as imports fell 12.71% YoY to \$38.11 billion in Nov 2019 while exports came down at a comparatively slower rate of 0.34% YoY to \$25.98 billion in the same month. Oil imports fell 18.17% to \$11.06 billion in Nov 2019 from \$13.52 billion in the year-ago period.
- A major global rating agency has said it will downgrade India's sovereign rating if the country's economic growth does not recover, media reports showed. The agency has maintained its lowest investment grade rating (BBB) for India. Anything below this could impact India's benchmark 10-year bond yields, the reports said.



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Indian Equity Market

Domestic Equity Market Indices			
Indices	13-Dec-19	1 Week Return	YTD Return
S&P BSE Sensex	41,009.71	1.40%	13.70%
Nifty 50	12,086.70	1.39%	11.27%
S&P BSE Mid-Cap	14,830.40	1.11%	-3.94%
S&P BSE Small-Cap	13,332.66	-0.05%	-9.34%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	28.78	28.17	28.64	42.15
P/B	2.97	3.73	2.36	1.88
Dividend Yield	1.13	1.24	1.10	1.13

Source: NSE, BSE

Value as on Dec 13, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
09-Dec-19	735	1,116	0.66
10-Dec-19	500	1,357	0.37
11-Dec-19	696	1,123	0.62
12-Dec-19	1,081	744	1.45
13-Dec-19	1,197	629	1.90

Source: NSE

- Indian equity markets gained in the week ended Dec 13, 2019. Sentiment was boosted on trade optimism as reports showed U.S. and China have signed an in-principle phase one deal. Expectations of a clear victory in U.K. elections also boosted sentiment. The strong global cues overshadowed weak retail inflation data for Nov 2019 and industrial output data for Oct 2019.
- Market sentiments were also boosted after the U.S. Federal Reserve maintained status quo in its monetary policy review as expected and hinted there may not be any rate change throughout 2020.
- However, fall in domestic car sales in Nov 2019 were a dampener which capped the gains.



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Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last	Returns (in %)	
	Closing*	1-Wk	1-Mth
S&P BSE Auto	18,087.7	3.40%	-1.00%
S&P BSE Bankex	36,496.3	2.08%	5.52%
S&P BSE CD	25,070.5	0.38%	0.05%
S&P BSE CG	17,006.4	0.67%	-5.66%
S&P BSE FMCG	11,513.4	-0.45%	-3.73%
S&P BSE HC	13,376.1	0.21%	3.23%
S&P BSE IT	15,005.8	-1.12%	-1.01%
S&P BSE Metal	9,788.8	3.74%	2.87%
S&P BSE Oil & Gas	14,878.7	1.56%	-2.12%

Source: BSE

* Value as on Dec 13, 2019

- S&P BSE Metal was the major gainer, up 3.74% followed by S&P BSE Auto, up 3.40% and S&P BSE Bankex, up 2.08%.
- The metal sector was buoyed by trade optimism as the bickering of the world's two largest economies has been badly impacting global trade for quite some time now and the metals sector suffers under such circumstances. With the U.S. and China almost there with a phase one trade deal, the sector got a much-awaited boost.

Indian Derivatives Market Review

- Nifty Dec 2019 Futures stood at 12,142.35, a premium of 55.65 points above the spot closing of 12,086.70. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 67.88 lakh crore as against Rs. 77.06 lakh crore for the week to Dec 6.
- The Put-Call ratio stood at 0.75 against the previous week's close of 1.00.
- The Nifty Put-Call ratio stood at 1.63 against the previous week's close of 1.25.



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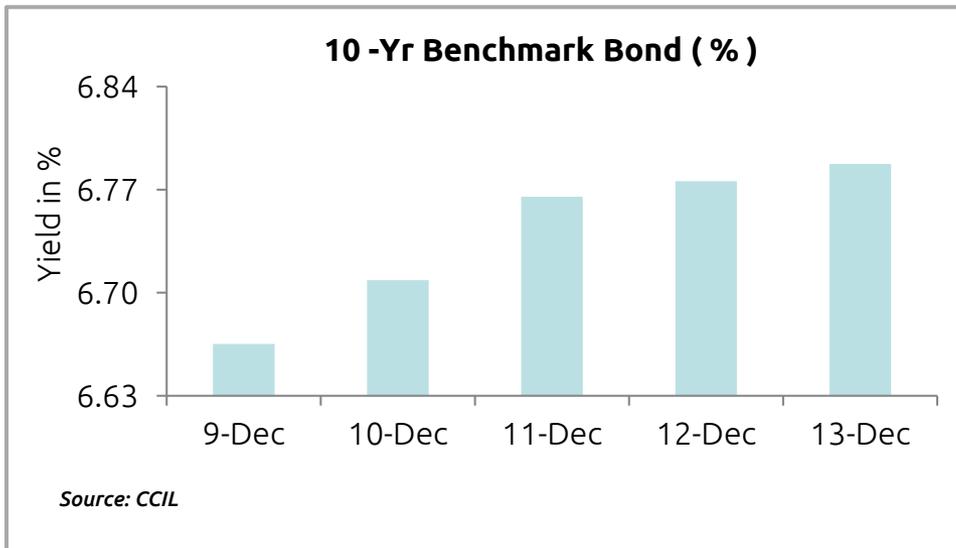
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Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	4.97	5.05	5.09	5.69
91 Day T-Bill	5.04	5.02	5.08	5.95
07.32% 2024, (5 Yr GOI)	6.59	6.45	6.23	6.80
06.45% 2029, (10 Yr GOI)	6.79	6.67	6.53	--

Source: Thomson Reuters Eikon

Value as on Dec 13, 2019



Source: CCIL

- Bond yields surged amid worries over a fiscal slippage and the government's plan for additional borrowing. Market sentiments were further dampened following comments from a major global rating agency that it may lower India's rating if the growth of the Indian economy does not come along expected lines.
- Losses were extended after retail inflation for Nov 2019 rose higher than expected, which lowered the possibility of further easing of monetary policy.
- Yield on the 10-year benchmark paper (6.45% GS 2029) rose 12 bps to close at 6.79% compared with the previous week's close of 6.67% after trading in a range of 6.64% to 6.84%.



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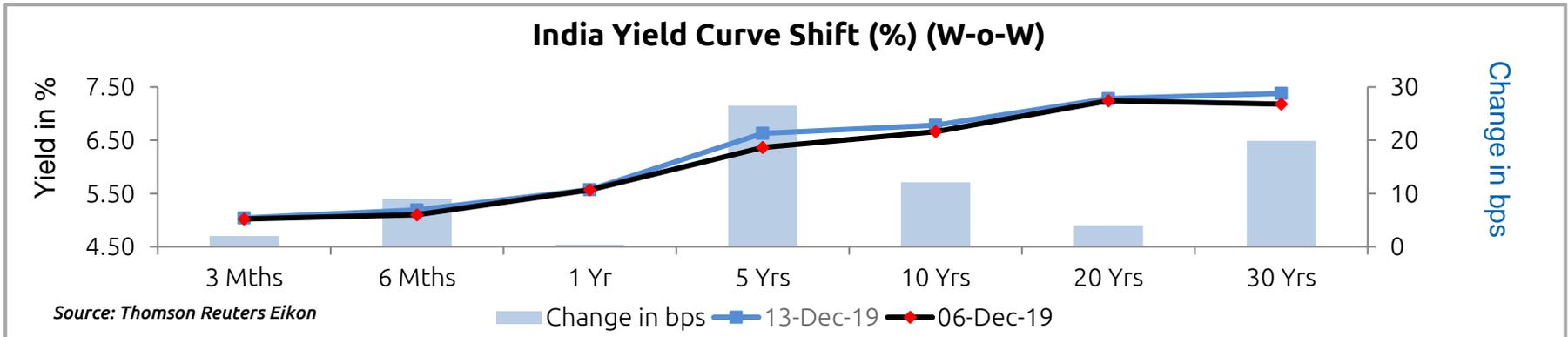
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	5.65	6.86	121
3 Year	6.50	7.51	101
5 Year	6.74	7.92	118
10 Year	6.90	8.17	127

- Yields on gilt securities increased across the maturities in the range of 4 bps to 27 bps barring 1-year paper which closed steady.
- Corporate bond yields increased across the maturities in the range of 2 bps to 29 bps. The maximum increase was witnessed on 5-year paper and the minimum increase was witnessed on 2-year paper.

Source: Thomson Reuters Eikon

Value as on Dec 13, 2019



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Regulatory Updates in India

- The Reserve Bank of India (RBI) has tightened rules for asset reconstruction companies (ARCs). RBI has restricted them from buying financial assets from their sponsor firms and lenders on a bilateral basis. However, the central bank has allowed ARCs to participate in auctions of such assets.
- Media reports showed the government will soon launch a National Policy on Official Statistics. This is being mulled because of various controversies related to the alleged suppression of bad news, undermining the credibility of government data. The Ministry of Statistics and Programme Implementation (MoSPI) has begun work on a cabinet note on the policy that seeks to provide “timely and credible social and economic data.”
- The government has announced that for the fourth tranche to be transferred to beneficiaries under the PM Kisan income support scheme, their bank accounts need to be linked with Aadhaar. The first three tranches went out without this step of authentication, media reports showed.
- Media reports showed the government plans to take steps to boost exports, including to emerging markets through preferential and free trade agreements. Union minister said efforts are being undertaken to increase exports to emerging markets of Africa, Latin America through PTAs/FTAs (preferential/free trade agreements). Based on feedback from Engineering Export Promotion Council India, non-tariff barriers for engineering sector have been identified.



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Regulatory Updates in India (contd..)

- As per media reports, the Insurance Regulatory and Development Authority of India (IRDAI) is working to come out with standardised guidelines for insurance products designed particularly for dwelling houses and small commercial shops. Presently, commercial establishments and houses are not covered under any standardised insurance norms. The need to come in with such standardisation increased following rising losses seen in small houses and small commercial establishments during natural disasters. The insurance regulator is expected to form and introduce standardised norms in the coming months.
- According to a circular issued by IRDAI, instead of solely depending on the insurer, policyholders can now choose third-party administrator at the time of buying a health insurance policy or at the time of renewal. The objective of the move is to give customers flexibility. The insurer explicitly shall provide the list of the TPAs engaged, from amongst whom the policyholder may choose a TPA of their choice, at the time of proposal or the renewal as the case may be.
- As per media reports, IRDAI has permitted insurance companies to invest in debt ETFs of central public sector enterprises (CPSEs). IRDAI has considered this category as an eligible class of investment. The insurance regulator has said that such debt ETFs should be issued by mutual funds that have invested in securities issued by CPSEs and registered and regulated by the Securities and Exchange Board of India (SEBI).



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Global News/Economy

- The U.S. and China announced that they reached a phase-one trade deal. According to media reports, the trade deal includes a rollback of some of the China tariffs and halts additional levies that was scheduled to come into effect from Dec 15. Meanwhile, China has agreed to purchase U.S. agricultural products, but the amount is below what U.S. was reportedly pushing to get.
- The U.S. Federal Reserve left rates unchanged in its monetary policy review after three consecutive interest rate cuts. The decision was widely expected. The U.S. Federal Reserve Chief opined that persistent inflation rise would be required to increase interest rate and indicated that rates would remain on hold through 2020.
- The European Central Bank left its key interest rates, asset purchases and forward guidance unchanged. The Governing Council decided to hold the refinance rate unchanged at a record low 0%, the deposit rate at -0.50% and the marginal lending rate at 0.25%.
- Data from Eurostat showed euro zone industrial production decreased for the second straight month in Oct 2019. Industrial output dropped 0.5% from Sep 2019, when production was down 0.1%.
- A Commerce Department report showed retail sales in the U.S. rose by far less than expected in Nov 2019. Retail sales edged up 0.2% in Nov after climbing 0.4% in Oct 2019.



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Global Equity Markets

Global Indices

Indices	13-Dec-19	1-Week Return	YTD Return
Russell 3000	1,393.60	0.69%	31.14%
Nasdaq 100	8,487.71	1.08%	34.09%
FTSE 100	7,353.44	1.57%	9.29%
DAX Index	13,282.72	0.88%	25.80%
Nikkei Average	24,023.10	2.86%	20.03%
Straits Times	3,214.05	0.61%	4.73%

Source: Thomson Reuters Eikon

Value as on Dec 13, 2019

U.S.

- U.S. markets gained in the week ended Dec 13, 2019. U.S.-China trade optimism helped the stocks move higher as both the sides gave encouraging signs which eventually culminated in the in-principle signing of a phase one trade deal.
- Also, the U.S. Federal Reserve decided to maintain status quo in interest rates which contributed to the upside.

Europe

- European markets gained as media reports showed the U.S. and China have brokered a phase one deal. A decisive general election result in Britain also boosted sentiment.

Asia

- Asian equity markets gained on trade optimism. Media reports showed China saying it is committed to resolving trade issues. Also, British Prime Minister's party came out as clear winners in the elections and claimed a majority in Parliament which added to the gains. The U.S. Federal Reserve leaving interest rates unchanged and hinting there would not be any change in the near future provided additional support.

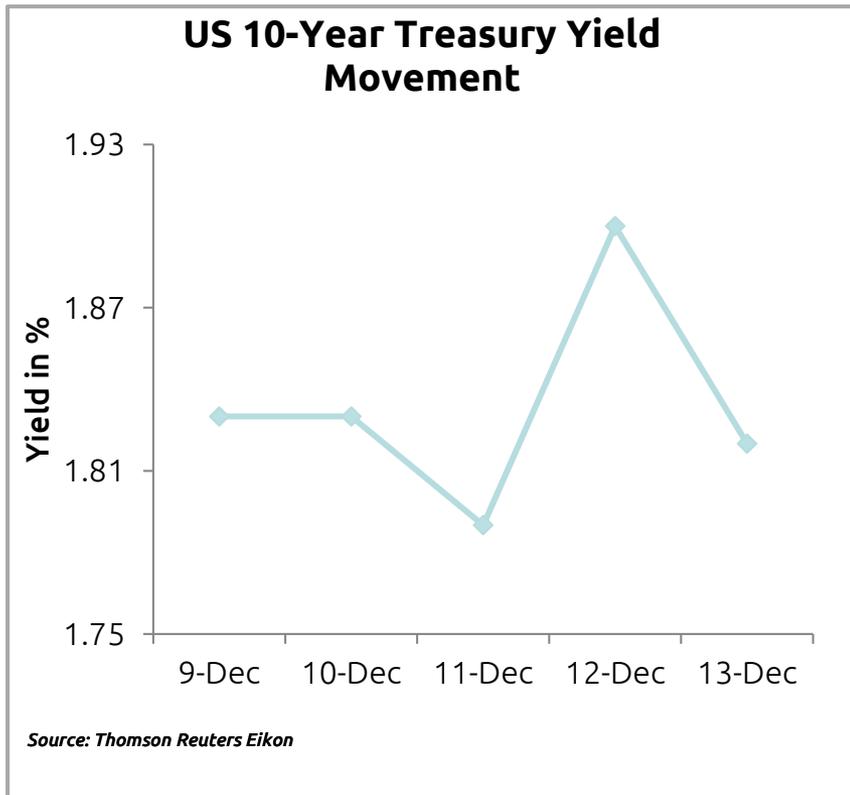


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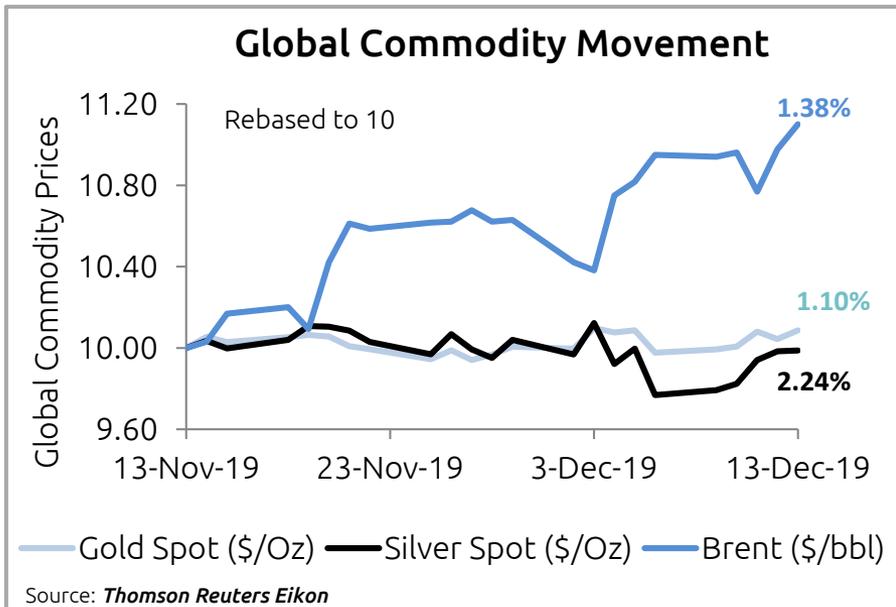
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Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 2 bps to close at 1.82% compared to the previous week's close of 1.84%.
- U.S. Treasury prices grew as investors got concerned following weak Chinese trade data for Nov 2019. China's trade surplus came in at \$38.73 billion in Nov as against \$42.81 billion surplus in Oct 2019.
- Gains were extended due to uncertainty over U.K. election that could clarify the outcome of Britain's exit from the European Union.
- However, gains were restricted towards the end of the week as investors cheered progress in resolving the U.S.-China trade dispute and a decisive general election result in Britain.

Commodities Market



Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	69.28	68.34
Gold (\$/Oz)	1,475.56	1,459.51
Gold (Rs/10 gm)	37,691	38,032
Silver (\$/Oz)	16.93	16.56
Silver (Rs/Kg)	43,884	44,062

Source: Thomson Reuters Eikon

*Value as on Dec 13, 2019

Gold

- Gold prices rose after the U.S. Federal Reserve kept interest rates on hold and indicated that no rate hike is likely next year amid persistently low inflation. Lack of details regarding the trade deal between U.S. and China further improved the safe-haven appeal of the bullion. Renewed concerns over political uncertainty in U.S. also contributed to the upside.

Brent Crude

- Oil prices surged as investors cheered progress in resolving the U.S.-China trade dispute and a decisive general election result in Britain.

Baltic Dry Index

- The Baltic Dry Index fell due to lower capesize and panamax activities.

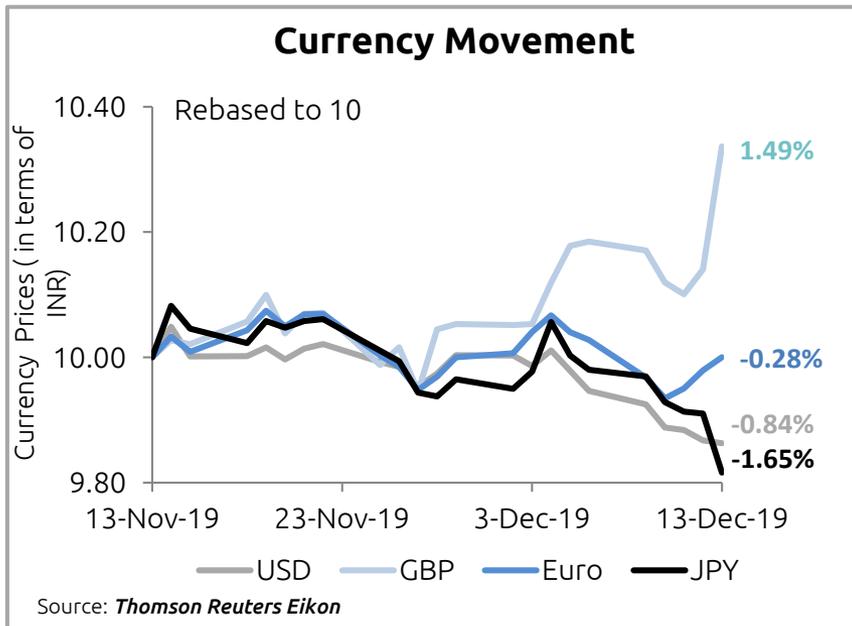


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Currencies Markets



Movement of Rupee vs Other Currencies

Currency	Last Closing*	1-Wk Ago
US Dollar	70.72	71.32
Pound Sterling	95.28	93.88
EURO	78.97	79.19
100 Yen	64.53	65.61

Source: RBI

Figures in INR, *Value as on Dec 13, 2019

Rupee

- The rupee rose against the greenback following gains in the domestic equity market amid growing optimism over a trade deal between the U.S. and China.

Euro

- The euro rose against the greenback as investors cheered progress in resolving the U.S.-China trade dispute and a decisive general election result in Britain.

Pound

- The pound rose against the greenback following a decisive general election result in Britain which eased uncertainty over Brexit to some extent.

Yen

- The yen weakened against the greenback as investors cheered progress in resolving the U.S.-China trade dispute.



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The Week that was...
9th Dec to 13th Dec

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The Week that was (Dec 9 – Dec 13)

Date	Events	Present Value	Previous Value
Monday, December 09, 2019	• Japan Gross Domestic Product Annualized s.a. (QoQ) (3Q F)	1.8%	0.2%
	• Japan Trade Balance - BOP Basis (Yen) (Oct)	¥254.0b	¥1.1b
	• Eurozone German Trade Balance (Oct)	21.5b	21.2b
Tuesday, December 10, 2019	• China Consumer Price Index (YoY) (Nov)	4.5%	3.8%
	• Eurozone German ZEW Survey Expectations (DEC)	10.7	-2.1
	• China New Yuan Loans China (Nov)	1390.0b	661.3b
	• U.K. Industrial Production (YoY) (Oct)	-1.3%	-1.4%
	• Eurozone ZEW Survey - Economic Sentiment (Dec)	11.2	-1.0
Wednesday, December 11, 2019	• U.S. Consumer Price Index (YoY) (Nov)	2.1%	1.8%
	• U.S. Real Avg Hourly Earning (YoY) (Nov)	1.1%	1.2%
Thursday, December 12, 2019	• U.S. Fed Interest Rate Decision	1.75%	1.75%
	• India Index of Industrial Production (Oct)	-3.8%	-4.3%
	• India Consumer Price Index Inflation (Nov)	5.54%	4.62%
	• Germany Consumer Price Index (YoY) (Nov F)	1.1%	1.1%
	• European Central Bank Interest Rate Decision	0.0%	0.0%
	• Eurozone Industrial Production (MoM) (Oct)	-2.2%	-1.8%
Friday, December 13, 2019	• India Trade Deficit (Nov)	\$12.12 B	\$11.01 B
	• China Foreign Direct Investment (YoY) (Nov)	1.5%	7.4%
	• U.S. Retail Sales Advance (MoM) (Nov)	0.2%	0.4%



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The Week Ahead
16th Dec to 20th Dec

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The Week Ahead

Day	Event
Monday, Dec 16, 2019	<ul style="list-style-type: none"> • Japan Nikkei Japan PMI Manufacturing (Dec P) • China Industrial Production (YoY) (Nov) • Eurozone Markit Eurozone Composite PMI (Dec P) • U.K. Markit/CIPS UK Composite PMI (Dec P) • U.S. Markit US Composite PMI (Dec P)
Tuesday, Dec 17, 2019	<ul style="list-style-type: none"> • U.K. ILO Unemployment Rate 3Mths (Oct) • U.S. Housing Starts (MoM) (Nov) • U.S. Industrial Production (MoM) (Nov)
Wednesday, Dec 18, 2019	<ul style="list-style-type: none"> • U.K. Consumer Price Index (YoY) (Nov) • Eurozone Euro-Zone Consumer Price Index (YoY) (Nov F) • Eurozone German IFO Expectations (Dec)
Thursday, Dec 19, 2019	<ul style="list-style-type: none"> • Bank of Japan Monetary Policy Review • Bank of England Monetary Policy Review • U.S. Existing Home Sales (MoM) (Nov)
Friday, Dec 20, 2019	<ul style="list-style-type: none"> • Japan National Consumer Price Index (YoY) (Nov) • Eurozone German GfK Consumer Confidence (Jan) • U.K. Gross Domestic Product (YoY) (3Q F) • U.S. Gross Domestic Product Annualized (QoQ) (3Q T)



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