

# NEWS U CAN USE

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**Jan 17, 2020**

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**The Week that was...**  
**13<sup>th</sup> Jan to 17<sup>th</sup> Jan**

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# Indian Economy

- Consumer price index-based inflation rate increased to 7.35% in Dec 2019 from 5.54% in Nov 2019 and 2.11% in Dec 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 14.12% in Dec 2019 from 10.01% in Nov 2019 and a decline of 2.65% in the same period of the previous year.
- Government data showed that India's Wholesale Price Index (WPI) based inflation increased to 2.59% in Dec 2019 from 0.58% in Nov 2019 and 3.46% during the same month of the previous year. The WPI Food Index grew from 9.02% in Nov to 11.05% in Dec. Food inflation increased to 13.24% in Dec from 11.08% in Nov.
- Government data showed that India's trade deficit narrowed to \$11.25 billion in Dec 2019 from \$14.49 billion in the same period of the previous year. India's trade deficit narrowed as exports came down for the fifth consecutive month and fell 1.80% to \$27.36 billion in Dec 2019 while imports came down at a comparative higher rate of 8.83% to \$38.61 billion in the same month.
- According to United Nations World Economic Situation and Prospects (WESP) 2020 report, global growth rate of 2.5% is expected in 2020. However, as per the report, trade tensions and geopolitical uncertainty might adversely impact the growth prospects. It expects GDP for India to be 5.7% and 6.6% as against previous expectation of 7.6% and 7.4% for FY20 and FY21, respectively.



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# Indian Equity Market

Domestic Equity Market Indices			
Indices	17-Jan-20	1 Week Return	YTD Return
S&P BSE Sensex	41,945.37	0.83%	1.68%
Nifty 50	12,352.35	0.78%	1.51%
S&P BSE Mid-Cap	15,708.97	3.63%	4.95%
S&P BSE Small-Cap	14,708.70	3.97%	7.37%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	26.13	28.61	29.49	48.15
P/B	3.25	3.67	2.55	2.09
Dividend Yield	1.01	1.24	1.05	1.03

Source: BSE, NSE

Value as on Jan 17, 2020

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
13-Jan-20	1207	665	1.82
14-Jan-20	1072	755	1.42
15-Jan-20	1090	742	1.47
16-Jan-20	1083	750	1.44
17-Jan-20	946	886	1.07

Source: NSE

- Indian equity markets gained in the week ended Jan 17, 2020. Upbeat industrial output data and the U.S. and China signing a phase one trade deal buoyed sentiment.
- Markets started the week with record highs on upbeat economic data and good start to the earnings season. India's industrial output grew after three months of contraction. The country's leading IT company beat expectations in its third quarter numbers.
- Investors looked forward to the Union Budget 2020-21. Some weakness was seen on news that the U.S. will maintain tariffs until the phase two deal is completed. However, the signing of the phase one deal on Jan 15, 2020, lifted sentiment.



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# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last	Returns (in %)	
	Closing*	1-Wk	1-Mth
S&P BSE Auto	18,900.98	2.49%	5.03%
S&P BSE Bankex	36,035.94	-1.54%	-1.72%
S&P BSE CD	25,833.67	3.92%	4.85%
S&P BSE CG	17,343.89	0.52%	1.39%
S&P BSE FMCG	11,921.87	3.55%	4.28%
S&P BSE HC	14,051.24	3.48%	5.22%
S&P BSE IT	16,117.28	2.26%	4.39%
S&P BSE Metal	10,621.74	0.68%	6.85%
S&P BSE Oil & Gas	14,748.75	0.88%	-0.57%

Source: Thomson Reuters Eikon

\*Value as on Jan 17, 2020

- S&P BSE Realty was the major gainer, up 4.42%, followed by S&P BSE Consumer Durables, up 3.92% and S&P BSE FMCG, up 3.55%. S&P BSE Healthcare gained 3.48%. S&P BSE Bankex was the only loser, down 1.54%.
- The realty sector gained on hopes that the stimulus announced by the government in Nov 2019 for the sector will boost growth. The banking sector lost as the third quarter earnings season had a lukewarm start with a leading private sector bank reporting higher provisioning against bad loans.

## Indian Derivatives Market Review

- Nifty Jan 2020 Futures stood at 12,290.00, a premium of 33.20 points above the spot closing of 12,256.80. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 92.44 lakh crore as against Rs. 71.64 lakh crore for the week to Jan 3.
- The Put-Call ratio stood at 0.97 against the previous week's close of 1.10.
- The Nifty Put-Call ratio stood at 1.55 against the previous week's close of 1.37.



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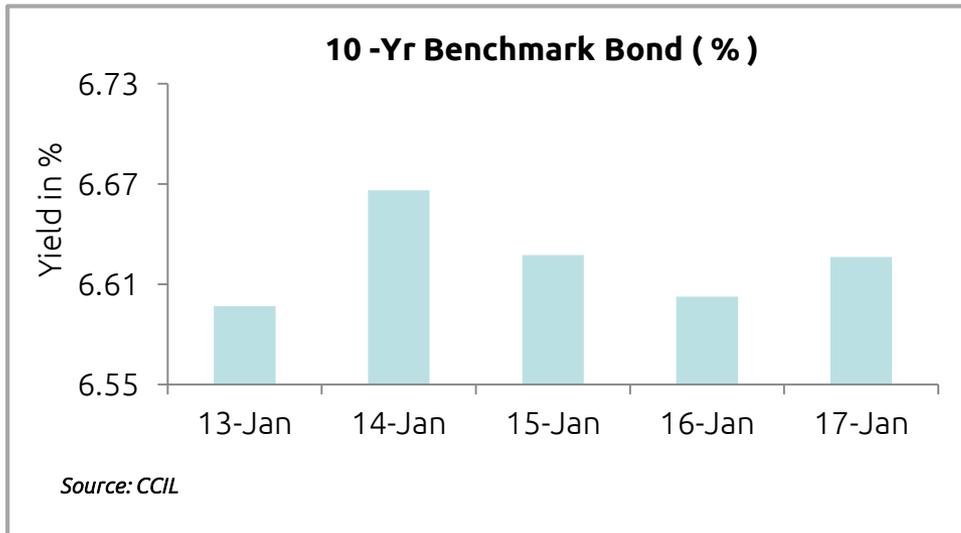
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# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.02	4.99	5.06	5.56
91 Day T-Bill	5.10	5.05	5.03	5.80
07.32% 2024, (5 Yr GOI)	6.41	6.43	6.54	6.38
06.45% 2029, (10 Yr GOI)	6.63	6.59	6.75	6.34

Source: Thomson Reuters Eikon

Value as on Jan 17, 2020



- Bond yields surged following higher-than-expected spike in retail inflation. The country's CPI came in at 7.35%, which is more than 5-year high and way beyond the RBI's tolerance limit of 4%. This further raised concerns over future policy rate cuts. In addition, fiscal worries and the quantum of government borrowings kept the market under pressure.
- However, losses were restricted on speculations of a fourth round of special open market operation by the RBI ahead of the federal budget.
- Yield on the 10-year benchmark paper (6.45% GS 2029) rose 4 bps to close at 6.63% compared with the previous week's close of 6.59% after trading in a range of 6.58% to 6.69%.



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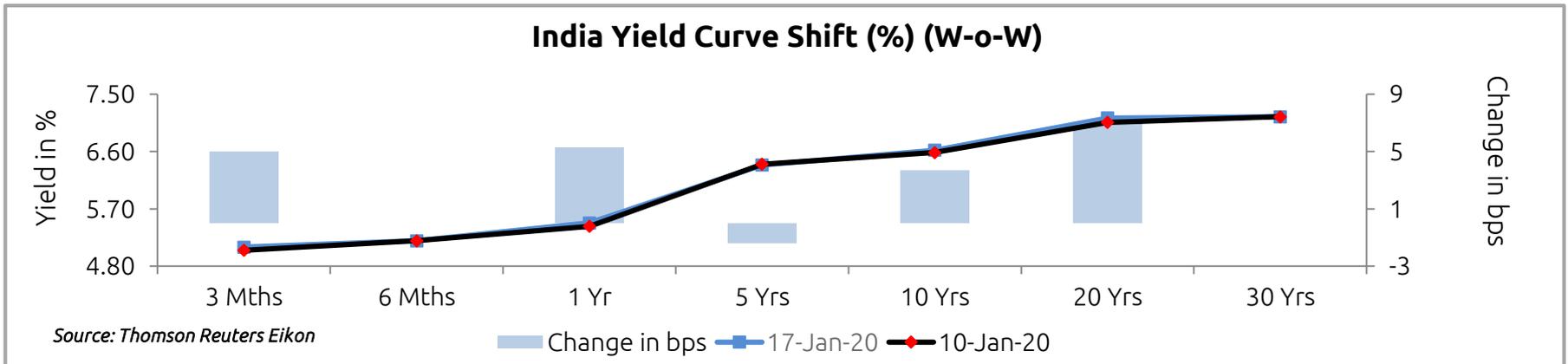
# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	5.55	6.61	105
3 Year	6.37	7.20	84
5 Year	6.49	7.45	96
10 Year	6.73	8.04	131

- Yields on gilt securities fell across 3 to 6-year paper and 11, 14-year maturities by up to 3 bps and increased across the remaining maturities by up to 7 bps barring 30-year paper which closed steady.
- Corporate bond yields fell across 1 to 5-year maturities and 15-year paper in the range of 3 bps to 9 bps and increased across the remaining maturities in the range of 4 bps to 10 bps.

Source: Thomson Reuters Eikon

Value as on Jan 17, 2020



# Regulatory Updates in India

- Securities and Exchange Board of India (SEBI) mandated that specific overseas government agencies and their related entities will be barred from clubbing of investment limit which is applicable for foreign portfolio investors. The exemption would be applicable for those cases where the Indian government has entered into agreements or treaties with overseas governments or there is an order.
- The Securities and Exchange Board of India (SEBI) has permitted stocks exchanges to launch 'option in goods' in their commodity derivatives segment. Also, it has allowed options on commodity futures.
- Reserve Bank of India (RBI) governor has said the country should strive and become a part of the global manufacturing value chain to push growth. He said India had been insulated from the global value chain in the past, which though protected it from global slowdown, cannot be a justification for remaining permanently away from it.
- Niti Aayog chairman has said India needs the active participation of the manufacturing sector to achieve the goal of \$5 trillion economy. Service sector is the largest component of India's GDP but the manufacturing sector offers a huge base for employment generation. He said 115 districts of India are backward and it will be difficult for India to transform without significant improvements in these districts.



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# Regulatory Updates in India (contd..)

- Media reports showed the Parliamentary standing committee on labour has invited suggestions from all stakeholders and the public in general on the Industrial Relations Code, 2019 and the Code on Social Security, 2019. This comes after the two labour codes were referred to the standing committee after introduction in the Lok Sabha in the last Winter session.
- The housing ministry has launched an e-commerce platform to help homebuyers identify genuine properties. This is being done to bring the trust back in the real estate sector. The online platform is for projects that have received occupancy certificates and is expected to create a seamless, safe and transparent home-buying experience for home buyers.
- Media reports showed the National Highways Authority of India (NHAI) plans to settle most of its arbitration cases through conciliation. The move could reduce NHAI's liabilities and save time, its chairman said. NHAI has about 180 cases in arbitration with claims at over Rs. 70,000 crore.
- Media reports showed India has imposed anti-subsidy duty for a period of five years on copper wire rods from Indonesia, Malaysia, Thailand and Vietnam. This comes after a probe concluded that these imports have impacted domestic players.

# Global News/Economy

- A Labor Department report showed consumer prices in the U.S. increased by slightly less than anticipated in Dec 2019. The consumer price index rose 0.2% in Dec after climbing 0.3% in Nov 2019.
- A Labor Department report showed U.S. initial jobless claims fell to 204,000, a decrease of 10,000 from the previous week's 214,000.
- Final data from the Federal Statistical Office showed Germany's consumer price inflation rose in Dec 2019. The consumer price index rose 1.5% YoY, following a 1.1% increase in Nov and Oct 2019.
- Data from the Office for National Statistics showed the U.K. economy contracted in Nov 2019 due to weakness in services and industrial output. Gross domestic product dropped 0.3% MoM after rising 0.1% each in Sep and Oct 2019.
- Office for National Statistics reported U.K. consumer price inflation eased to a three-year low in Dec 2019 to 1.3% from 1.5% in Nov 2019.
- Data from the National Bureau of Statistics showed China's Gross Domestic Product (GDP) grew 6.1% in 2019, which was well within the target of 6-6.5%.
- The Cabinet Office said core machine orders in Japan jumped a seasonally adjusted 18.0% MoM - coming in at 942.7 billion yen. That compares with 6.0% slide in Oct 2019.



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# Global Equity Markets

## Global Indices

Indices	17-Jan-20	1-Week Return	YTD Return
Russell 3000	1,493.78	2.33%	4.75%
Nasdaq 100	9,173.73	2.31%	5.05%
FTSE 100	7,674.56	1.14%	1.75%
DAX Index	13,526.13	0.32%	2.09%
Nikkei Average	24,041.26	0.80%	1.63%
Straits Times	3,281.03	0.77%	1.81%

Source: Thomson Reuters Eikon

Value as on Jan 17, 2020

## U.S.

- U.S. markets closed higher as investors cheered after U.S. President and Chinese Vice Premier officially signed the phase one trade agreement in a ceremony at the White House. A series of upbeat U.S. economic data also contributed to the buying interest, including data showing an unexpected decrease in initial jobless claims in the week to Jan 11.

## Europe

- European markets too witnessed buying interest with easing concerns over imposition of tariff by U.S. on European auto companies, but temporarily. The minutes of the European Central Bank's latest policy meeting that revealed the central bank's policymaker's mild optimism regarding the euro area economic outlook also aided sentiment.

## Asia

- Asian markets too witnessed global rally as upbeat GDP data instilled confidence on the Chinese economy. Buying interest found additional support following the signing of the long-awaited trade deal between the U.S. and China.

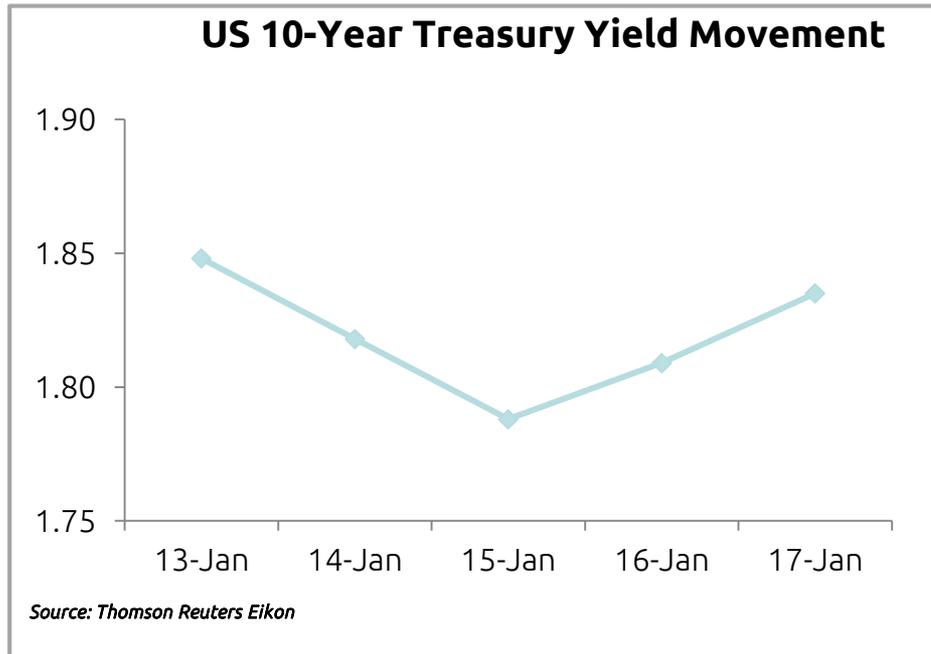


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# Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury Treasuries inched up 1 bps to close at 1.84% compared to the previous week's close of 1.83%.
- U.S. Treasury prices rose initially against the greenback after retail inflation in U.S. slowed in Dec 19 which increased the possibility that the U.S. Federal Reserve might keep interest rates on hold for the time being.
- However the trend reversed and U.S. Treasury prices came down on the back of upbeat U.S. economic data as the U.S. retail sales rose more than expected in Dec 2019, weekly jobless claims in U.S. fell more than expected in the week ended Jan 11, 2019 and U.S. housing starts skyrocketed in Dec 2019.

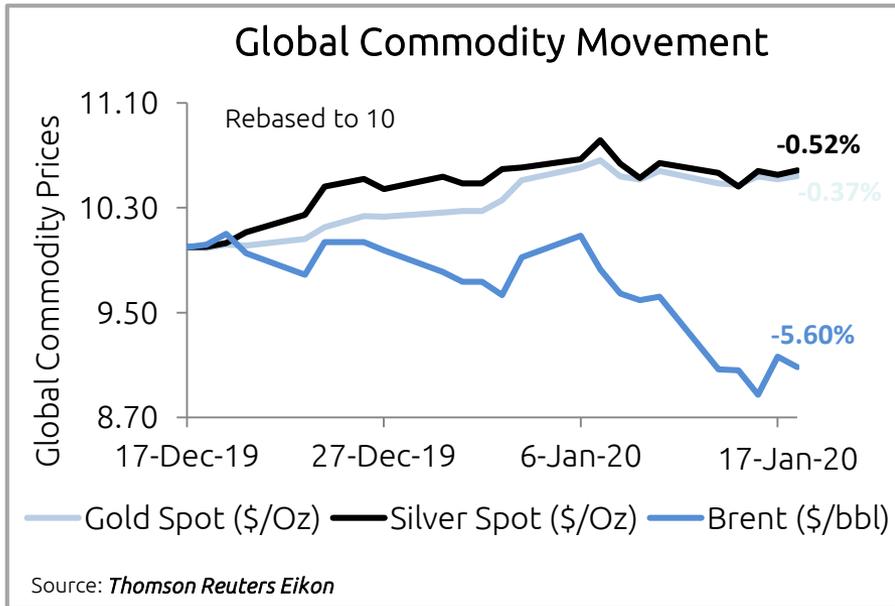


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# Commodities Market



## Gold

- Gold prices fell after U.S. retail sales rose for a third consecutive month in Dec 2019 and U.S. and China moved ahead with the signing of a preliminary trade deal. Easing geopolitical tensions between the U.S. and Iran also dampened the bullion's appeal.

## Brent Crude

- Brent crude prices dipped after the American Petroleum Institute data revealed a 1.1 million barrels rise in U.S. crude stockpiles in the week ended Jan 10. In addition, OPEC's projection of lower oil demand in 2020 also failed to lend support.

## Baltic Dry Index

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

### Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	64.34	68.16
Gold (\$/Oz)	1,556.22	1562.03
Gold (Rs/10 gm)	39,804	39607
Silver (\$/Oz)	18.00	18.09
Silver (Rs/Kg)	46,527	46155

Source: Thomson Reuters Eikon

\*Value as on Jan 17, 2020

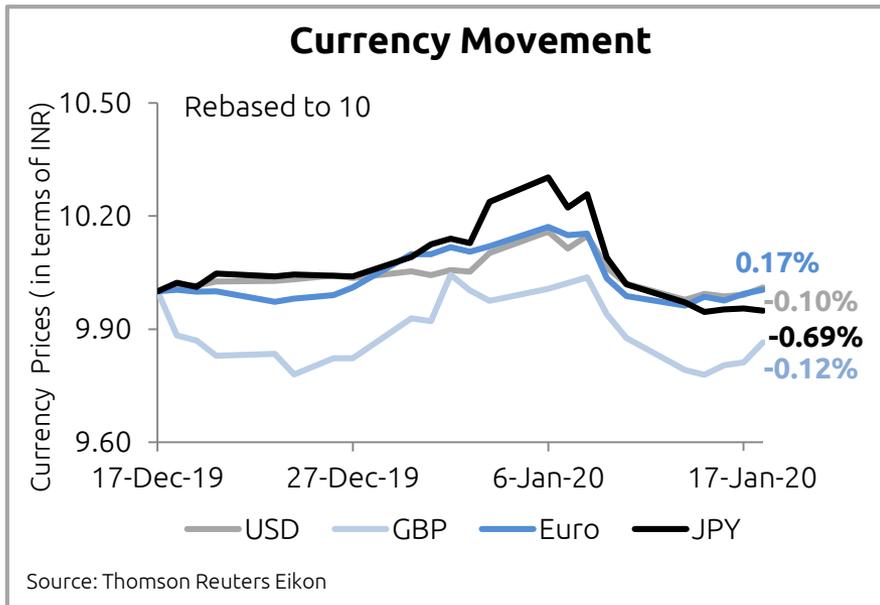


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# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	71.04	71.11
Pound Sterling	92.95	93.06
EURO	79.14	79.00
100 Yen	64.45	64.90

Source: RBI

Figures in INR, \*Value as on Jan 17, 2020

## Rupee

- The rupee strengthened against the greenback following gains in the domestic equity market after U.S and China signed the Phase one trade deal.

## Euro

- The euro weakened against the greenback on the back of upbeat U.S. economic data.

## Pound

- The pound weakened against the greenback after Britain's economy contracted in Nov 2019.

## Yen

- The yen weakened against the greenback as its safe haven appeal fell after U.S and China signed the Phase one trade deal to ease their 18-month long trade dispute.



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**The Week that was...**  
**13<sup>th</sup> Jan to 17<sup>th</sup> Jan**

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# The Week that was (Jan 13– Jan 17)

Date	Events	Present Value	Previous Value
<b>Monday, January 13, 2020</b>	<ul style="list-style-type: none"> <li>• India CPI Inflation (Dec 2019)</li> <li>• U.K. Manufacturing Production (MoM) (Nov)</li> <li>• U.K. Industrial Production (MoM) (Nov)</li> </ul>	7.35% -1.70% -1.20%	5.54% 0.50% 0.40%
<b>Monday, January 14, 2020</b>	<ul style="list-style-type: none"> <li>• India WPI Inflation (Dec 2019)</li> <li>• China Trade Balance USD (Dec)</li> <li>• U.S. Consumer Price Index ex Food &amp; Energy (MoM) (Dec)</li> </ul>	2.59% \$46.79 B 0.10%	0.58% \$37.93 B 0.20%
<b>Monday, January 15, 2020</b>	<ul style="list-style-type: none"> <li>• U.K. Consumer Price Index (YoY) (Dec)</li> <li>• U.K. Retail Price Index (MoM) (Dec)</li> <li>• Eurozone Industrial Production (MoM) (Nov)</li> <li>• Japan Machinery Orders (YoY) (Nov)</li> </ul>	1.30% 0.30% 0.20% 5.30%	1.50% 0.20% -0.90% -6.10%
<b>Monday, January 16, 2020</b>	<ul style="list-style-type: none"> <li>• Germany Harmonized Index of Consumer Prices (YoY) (Dec)</li> <li>• U.S. Initial Jobless Claims (Jan 10)</li> </ul>	1.50% 204k	1.50% 214k
<b>Monday, January 17, 2020</b>	<ul style="list-style-type: none"> <li>• China Gross Domestic Product (YoY) (Q4)</li> <li>• China Retail Sales (YoY) (Dec)</li> <li>• U.K. Retail Sales (YoY) (Dec)</li> <li>• China Industrial Production (YoY) (Dec)</li> <li>• U.S. Michigan Consumer Sentiment Index (Jan) (P)</li> </ul>	6.00% 8.0% 0.9% 6.90% 99.10	6.00% 8.0% 0.8% 6.20% 99.30



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**The Week Ahead**  
**20<sup>th</sup> Jan to 24<sup>th</sup> Jan**

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# The Week Ahead

Day	Event
<b>Monday, Jan 20, 2020</b>	<ul style="list-style-type: none"> <li>• China PBoC Interest Rate Decision</li> <li>• Japan Industrial Production (YoY) (Nov)</li> </ul>
<b>Tuesday, Jan 21, 2020</b>	<ul style="list-style-type: none"> <li>• Bank of Japan Interest Rate Decision</li> <li>• U.K. ILO Unemployment Rate (3M) (Nov)</li> <li>• Germany ZEW Survey - Economic Sentiment (Jan)</li> </ul>
<b>Wednesday, Jan 22, 2020</b>	<ul style="list-style-type: none"> <li>• Japan Merchandise Trade Balance Total (Dec)</li> <li>• U.S. Existing Home Sales (MoM) (Dec)</li> </ul>
<b>Thursday, Jan 23, 2020</b>	<ul style="list-style-type: none"> <li>• European Central Bank Interest Rate Decision</li> <li>• Bank of Japan Monetary Policy Meeting Minutes</li> <li>• Japan All Industry Activity Index (MoM) (Nov)</li> <li>• U.S. Initial Jobless Claims (Jan 17)</li> <li>• Japan Leading Economic Index (Nov)</li> </ul>
<b>Friday, Jan 24, 2020</b>	<ul style="list-style-type: none"> <li>• Germany Markit Manufacturing PMI (Jan) (P)</li> <li>• Germany Markit PMI Composite (Jan) (P)</li> <li>• Eurozone Markit PMI Composite (Jan) (P)</li> <li>• U.K. Markit Services PMI (Jan) (P)</li> </ul>



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