

News U Can Use

August 12, 2016

The Week that was...
8th August to 12th August

Indian Economy

- ❑ RBI maintained its gross value added growth forecast at 7.6% for FY17. The apex bank said that currently the risk is evenly balanced out. Negative impact of slower global growth is expected to get offset by positive impact from agricultural growth and rural demand following normal monsoons as well as consumption growth emanating from the implementation of the 7th Pay Commission's recommendations.
- ❑ Government data showed that India's merchandise exports fell for the first time in 19 months in Jul by 6.84% YoY to \$21.69 billion after rising in Jun. Imports also fell 19.03% on a yearly basis during the period under review to \$29.45 billion. The trade deficit, however, narrowed to \$7.76 billion from \$13.09 billion in the corresponding period of the previous year. Cumulative exports for the period from Apr to Jul fell 3.62%, while cumulative imports fell 16.33%.
- ❑ Consumer Price Index (CPI) based inflation accelerated to a 23-month high of 6.07% in Jul 2016 from 5.77% in the previous month and 3.69% in the same month of the previous year. The consumer food price index also accelerated to 8.35% in Jul from 7.79% in the previous month and 2.15% in the same period of the previous year. Vegetable price inflation for Jul stood at 14.06%, while pulses and products price inflation came in at 27.53%.

Indian Equity Market

Domestic Equity Market Indices			
Indices	12-Aug16	1 Week Return	YTD Return
S&P BSE Sensex	28152.4	0.26%	7.61%
Nifty 50	8672.15	-0.13%	8.90%
S&P BSE Mid-Cap	12753.41	0.43%	13.41%
S&P BSE Small-Cap	12214.23	-0.75%	2.29%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.7	23.71	32.73	70.05
P/B	2.96	3.36	2.66	2.07
Dividend Yield	1.39	1.24	1.09	0.88

Source: BSE, NSE

Value as on August 12, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
08-Aug-16	904	726	1.25
09-Aug-16	611	987	0.62
10-Aug-16	399	1220	0.33
11-Aug-16	624	967	1.65
12-Aug-16	771	816	0.94

Source: NSE

- Indian equity markets witnessed a mixed trend over the week with BSE Sensex settling with modest gains, while the Nifty 50 index closing marginally lower.
- Earlier in the week, markets fell following the outcome of the Reserve Bank of India's latest policy meeting. Although the central bank's decision to maintain status quo on its key interest rates came in line with market expectations, the risk of higher retail inflation, as mentioned in the policy statement, owing to sharper than anticipated increase in food prices weighed on investor sentiment.
- However, firm global cues and rebound in oil prices picked up the market towards the end of the week.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21404.8	-1.21%	5.68%
S&P BSE Bankex	21757.3	0.53%	1.66%
S&P BSE CD	12193	-0.27%	0.46%
S&P BSE CG	14999.4	-1.03%	-2.70%
S&P BSE FMCG	8740.5	0.97%	1.78%
S&P BSE HC	15961.3	-2.12%	-1.36%
S&P BSE IT	10944.3	0.28%	-1.58%
S&P BSE Metal	9753.67	0.01%	6.99%
S&P BSE Oil & Gas	10627.7	-0.92%	4.95%

Source: Reuters *Values as on August 12, 2016*

- On the BSE sectoral front, mixed trend was witnessed over the week. S&P BSE Health Care and S&P BSE Auto were major laggards, down 2.12% and 1,21%, respectively.
- While S&P BSE FMCG (0.97%), S&P BSE Bankex (0.53%) and S&P BSE Power (0.34%) were the gainers for the week. Shares of public sector banks rallied after India's biggest public sector lender reported better than expected Jun quarter earnings.

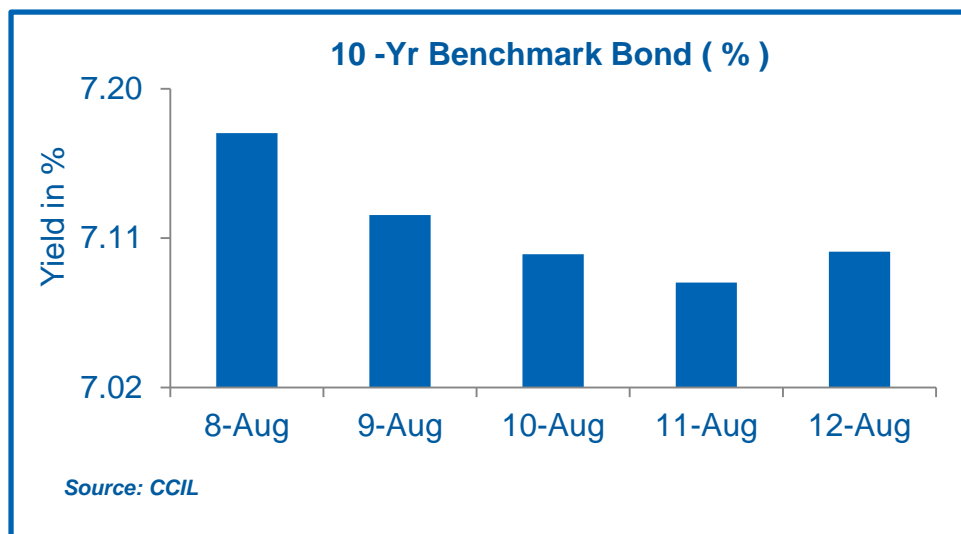
Indian Derivatives Market Review

- Nifty Aug 2016 Futures were at 8,678.40 points, a premium of 6.25 points, over the spot closing of 8,672.15 points. The turnover on NSE's Futures and Options segment stood at Rs. 16.52 lakh crore during the week to Aug 12, compared with Rs. 15.60 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.99, compared with the previous session's close of 0.90.
- The Nifty Put-Call ratio stood at 1.03, compared with the previous session's close of 0.98.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.43	6.39	6.34	6.62
91 Day T-Bill	6.56	6.54	6.57	7.31
07.80% 2021, (5 Yr GOI)	7.04	7.08	7.19	7.74
07.59% 2026, (10 Yr GOI)	7.10	7.17	7.34	7.72

Source: Reuters Values as on August 12, 2016



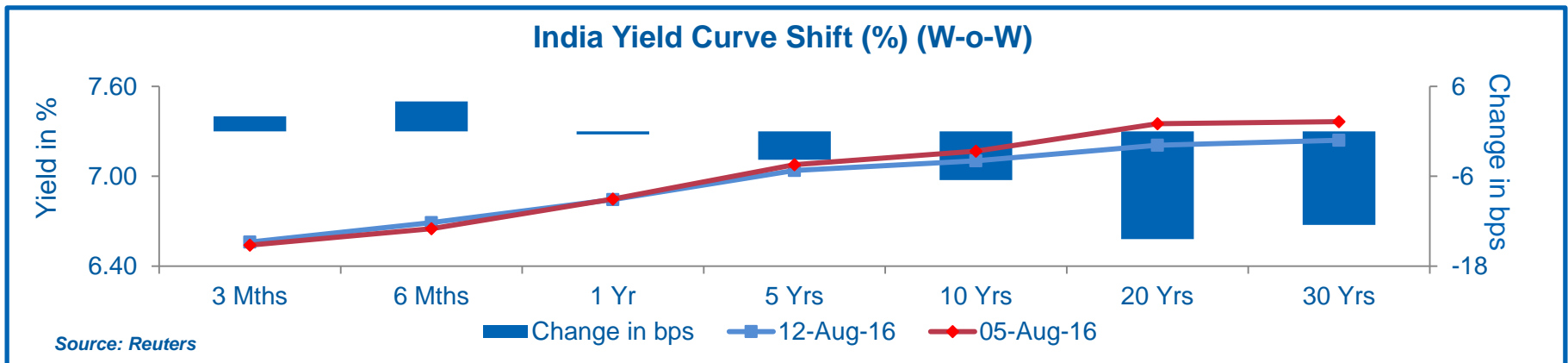
- Bond yields remained flat in the beginning of the week as investors awaited the outcome of Reserve Bank of India (RBI)'s monetary policy meeting.
- However, yields fell later during the week after the central bank announced Open Market Operation (OMO) of notes to infuse liquidity in the system. Meanwhile, RBI kept the key interest rate unchanged at 6.50% in the policy meeting, as per expectations. Gains were restricted at the end of the week on profit booking by investors.
- Yield on 10-year benchmark bond (7.59% GS 2026) declined 7 bps to close at 7.10% compared with the previous week's close of 7.17%. The yields moved in the range of 7.07% to 7.20% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.96	7.34	37.8
3 Year	7.03	7.44	41.1
5 Year	7.18	7.53	34.9
10 Year	7.26	7.63	36.6

Source: Reuters Values as on August 12, 2016

- Yields on gilt securities fell across the maturities in the range of 2 bps to 17 bps, barring 1- and 2-year maturities that remained unchanged.
- Corporate bond yields fell across the maturities in the range of 2 bps to 22 bps. The minimum fall was witnessed on 1-year paper and the maximum on 10-year paper.
- Spread between AAA corporate bond and gilt securities contracted across the maturities in the range of 2 bps to 14 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) maintained status quo on policy rates in its third bi-monthly monetary policy meeting, but maintained its accommodative stance going forward. Repo and reverse repo rate were unchanged at 6.5% and 6%. RBI said the recent rise in consumer inflation, which was higher than expected, has pushed up the estimated growth rate of inflation for the rest of the year. Nonetheless, the governor retained its inflation target of 5% for FY17.
- ❑ In an attempt to help affordable housing projects secure additional funds, Securities and Exchange Board of India (SEBI) has decided to increase additional exposure limits of mutual funds in Housing Financial Companies (HFCs) to 10% from the existing 5%. This would be over and above the current sectoral cap of 25%. SEBI said that mutual funds should ensure that the additional exposure to securities issued by HFCs are rated AA and above, and these HFCs are registered with the National Housing Bank. The change comes into force with immediate effect.
- ❑ The ministry of finance has come out with a new framework for appraisal and approval of schemes. This new framework will form the basis on which the government might consider to do away with the distinction between plan expenditure and non-plan expenditure as announced in the Union budget. The objective of the move is to improve the efficiency with which schemes and projects are appraised and approved subsequently.

Regulatory Updates in India (contd..)

- ❑ The government has notified the inflation target of 4% (+/- 2%) valid until Mar 31, 2021. The government has retained the target that was set earlier in the monetary policy agreement with RBI.
- ❑ The RBI has given its approval for three asset reconstruction companies (ARCs) in order to provide a deeper market for stressed assets. The central bank is working on a framework which will improve efficiency and transparency of price discovery in sale of stressed assets by banks to ARCs.
- ❑ The government has notified new rules for micro, small, and medium enterprises (MSMEs) under which they need to furnish information like Aadhaar number, Udyog aadhaar, PAN, Enterprise Social Category, the authorised person's name, nature of operations, and others in the prescribed format.
- ❑ SEBI has proposed a new framework for algo trading. Some of the measures include minimum resting time for orders, speed bumps to delay order matching randomisation of orders, frequent batch auctions, maximum order to trade ratio requirement, separate queues for co-location, and non-co-location orders, and review of tick-by-tick data. The objective of the move is to ensure that algorithmic trading and collocation don't give market participants an unfair advantage over those who have no access to such technology.

Global News/Economy

- ❑ A Commerce Department report showed that U.S retail sales grew 0.8% in Jul 2016, which, though much lower than forecast, was similar to the upwardly revised growth (0.6% originally reported) in the prior month. Barring auto sales, retail sales contracted 0.3% in the reported month compared with an upwardly revised 0.9% in Jun 2016.
- ❑ According to the Labor Department, U.S. labour productivity plunged 0.5% in the second quarter ended Jun 2016 after falling 0.6% in the first quarter. The unit labour costs moved up 2.0% in the second quarter after edging down by a revised 0.2% in the first quarter.
- ❑ The International Monetary Fund (IMF) urged the European Central Bank to refrain from further lowering its negative interest rates and focus more on asset purchases to boost the euro area economy. IMF opined that additional rate cuts could weaken the effectiveness of the monetary policy.
- ❑ According to the General Administration of Customs, China's exports fell 4.4% YoY in Jul 2016 after declining 4.8% in Jun 2016, indicating weak global demand following Britain's decision to leave the European Union. China's imports declined 12.5% compared with an 8.4% drop in Jun, which led the trade surplus to stand at \$52.3 billion in Jul from \$48.1 billion in Jun.

Global Equity Markets

Global Indices			
Indices	12-Aug-16	1-Week Return	YTD Return
Dow Jones	18576.47	0.18%	8.32%
Nasdaq 100	4807.076	0.33%	6.87%
FTSE 100	6916.02	1.80%	13.50%
DAX Index	10713.43	3.34%	4.18%
Nikkei Average	16919.92	4.09%	-8.30%
Straits Times	2867.4	1.39%	1.11%

Source: Reuters

Europe

- European markets gained following encouraging reports on German industrial production for Jun and improvement in euro zone investor sentiment index for Aug. Better than expected corporate earnings further buoyed market sentiment.

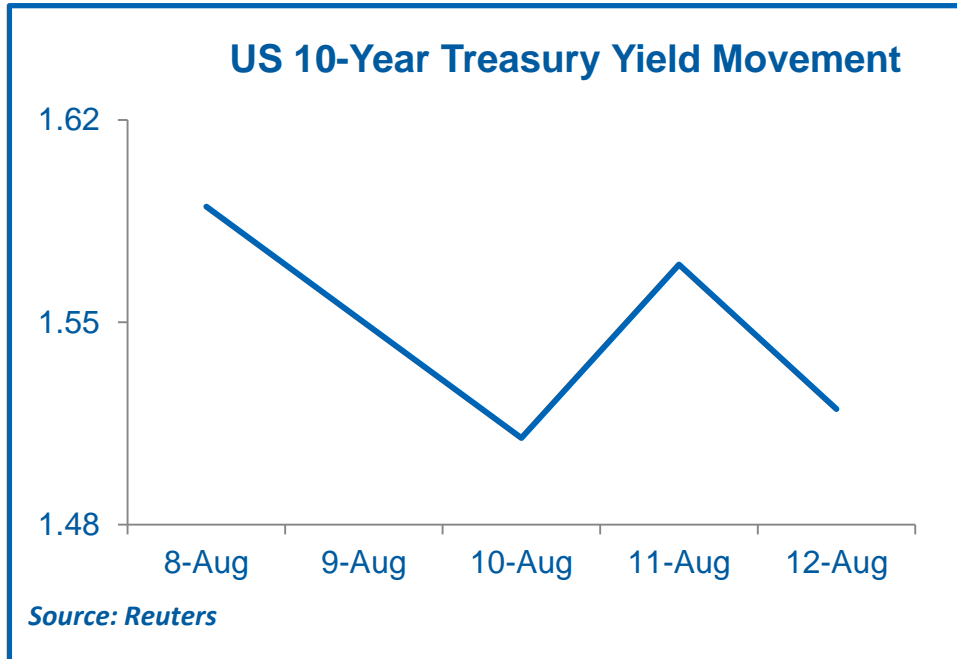
Asia

- Asian markets went up after Japan's current account surplus increased on YoY basis. Meanwhile, weak Chinese retail inflation numbers and trade data for Jul renewed hopes of more monetary policy easing measures by the Chinese policymakers. Recovery in global crude oil prices further supported market gains.

U.S.

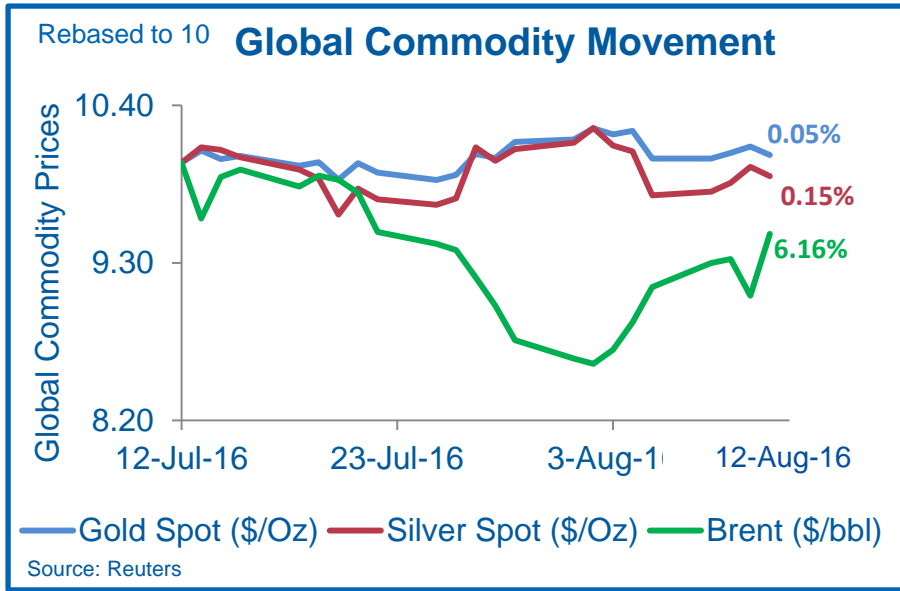
- Signs of recovery in global crude oil prices coupled with upbeat quarterly earnings of a number of big companies supported gains in the U.S. equity markets for a major part of the week.
- Also, a Labour Department report showing marginal fall in initial jobless claims in the week to Aug 6 helped boost sentiment. However, gains were restricted as investors remained cautious ahead of the release of a series of economic data.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 6 bps to close at 1.52%, compared with the previous week's close of 1.58%.
- U.S. treasury prices increased after U.S. productivity report fell for the third straight quarter and strong auction of 10-year paper note improved the risk appetite for the safe haven asset.
- However, gains were restricted after comments from a U.S. Federal Reserve (Fed) official indicated at least one rate hike in 2016.
- At the end, treasury prices accelerated further following weaker than expected growth in U.S. retail sales and producer prices for Jul.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	44.66	42.07
Gold (\$/Oz)	1335.71	1335.09
Gold (Rs/10 gm)	31018	31285
Silver (\$/Oz)	19.69	19.66
Silver (Rs/Kg)	46344	47048

Source: Reuters Values as on August 12, 2016

Gold

- Gold prices moved up initially during the week on lesser possibility of an immediate rate hike in the U.S. Prices of the commodity fell in the latter half of the week as investors preferred to be on the sidelines ahead of the release of U.S. retail sales data and key economic data from China.

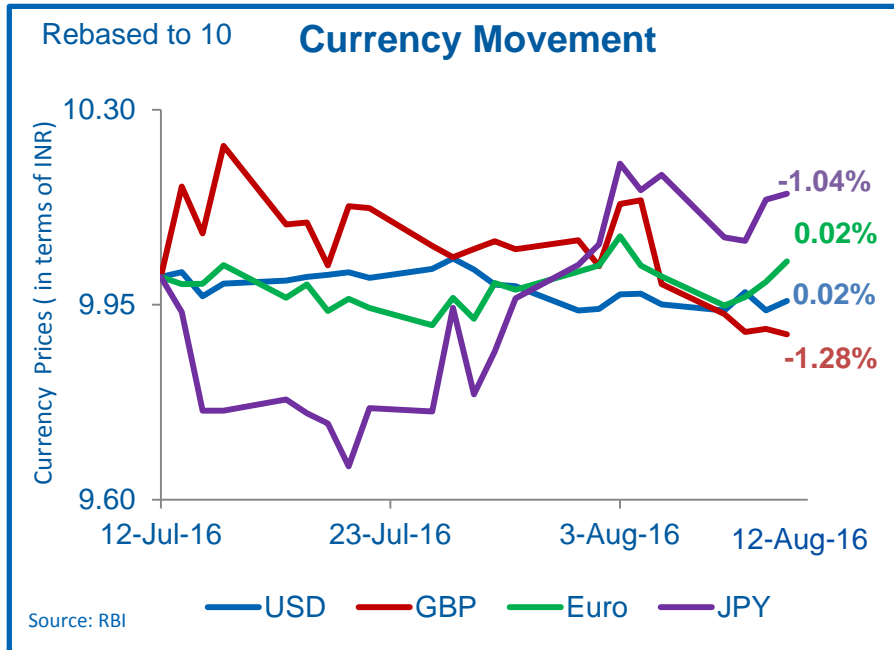
Crude

- Brent crude prices fell initially after data from the U.S. Energy Information Administration showed that crude inventories rose 1.1 million barrels in the week to Aug 5. Prices increased later, after a short covering rally was triggered by comments from Saudi Arabia's oil minister about possible action to help stabilize the market.

Baltic Dry Index

- The Baltic Dry Index went up during the week owing to better capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.83	66.81
Pound Sterling	86.63	87.75
EURO	74.46	74.45
JPY(per 100 Yen)	65.44	66.13

Source: RBI *Figures in INR , Values as on August 12, 2016*

Rupee

- Rupee eased against the greenback because of upbeat U.S. non-farm payroll data in Jul and higher dollar demand from importers. However, losses were limited after U.S. productivity report fell for the third straight quarter.

Euro

- The euro gained against the greenback following lower than expected U.S retail sales growth in Jul.

Pound

- The pound weakened against the dollar as upbeat U.S. jobs data widened the gap between U.S. treasury prices and U.K yields, which increased expectations of a rate hike by the Federal Reserve.

Yen

- The yen strengthened against the greenback following lower than expected U.S retail sales growth in Jul.

The Week that was...
August 8 to August 12

The Week that was (Aug 8 – Aug 12)

Date	Events	Present Value	Previous Value
Monday, August 8, 2016	China Trade Balance (Jul)	\$52.308B	\$48.110B
	German Industrial Production (YoY) (Jun)	0.50%	-0.40%
Tuesday, August 9, 2016	China Consumer Price Index (YoY) (Jul)	1.80%	1.90%
	China Producer Price Index (YoY) (Jul)	-1.70%	-2.60%
	U.K. Industrial Production (YoY) (Jun)	1.60%	1.40%
	U.K. Goods Trade Balance (Pounds) (Jun)	£-12.409B	£-11.526B
Wednesday, August 10, 2016	Japan Machine Orders (YoY) (Jun)	-0.90%	-11.70%
Thursday, August 11, 2016	U.S. Import Prices (MoM) (Jul)	-3.70%	-4.80%
	U.S. Initial Jobless Claims (Aug 6)	266K	267K
Friday, August 12, 2016	China Industrial Production (YoY) (Jul)	6.00%	6.20%
	China Retail Sales (YoY) (Jul)	10.20%	10.60%
	Eurozone GDP (YoY) (Q2 P)	1.60%	1.60%
	Germany GDP (YoY) (Q2 P)	0.40%	0.70%

The Week Ahead...
August 15 to August 19

The Week Ahead

Day	Event
Monday, August 15	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (MoM) (Jun) <input type="checkbox"/> Japan Capacity Utilization (Jun) <input type="checkbox"/> U.S. NAHB Housing Market Index (Aug)
Tuesday, August 16	<ul style="list-style-type: none"> <input type="checkbox"/> India WPI Inflation (Jul) <input type="checkbox"/> U.K. Consumer Price Index (MoM) (Jul) <input type="checkbox"/> Euro ZEW Survey - Economic Sentiment (Aug) <input type="checkbox"/> U.S. Industrial Production (MoM) (Jul)
Wednesday, August 17	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. ILO Unemployment Rate (3M) (Jun) <input type="checkbox"/> U.S. MBA Mortgage Applications (Aug 12)
Thursday, August 18	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Jul) <input type="checkbox"/> U.K. Retail Sales (MoM) (Jul) <input type="checkbox"/> U.S. Initial Jobless Claims (Aug 12)
Friday, August 19	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Jun) <input type="checkbox"/> Germany Producer Price Index (MoM) (Jul)

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