

News U Can Use

December 23, 2016



The Week that was...
19th December to 23rd December

Indian Economy

- ❑ The Goods and Services Tax (GST) Council has finalised key draft of Central GST and State GST laws, which are for compensating states. However, the council failed to arrive at consensus related to dual control regarding division of jurisdiction and administrative powers over tax assesses between the Centre and the states, and interstate GST. To resolve this issue, the GST Council plans to meet again on Jan 3-4, 2017. As per the draft rules, compensation to states for loss of revenue due to rollout of GST would be paid every two months.
- ❑ The Ministry of Finance announced to provide tax incentives to small traders on acceptance of payments through digital mode. Thus, the existing deemed profit of 8% will be reduced to 6% on the amount of total turnover or gross receipts cumulatively received through electronic mode in FY16-17. This amendment will be carried out in the Finance Bill 2017, which will be considered at the Union Budget 2017-18.
- ❑ Government issued an ordinance to allow any firm to pay wages of less than Rs. 18,000 per month by cheque or digitally to bank accounts, giving further momentum to digital transactions. Under this arrangement, written consent from employees' would not be required. Ordinance follows the government's failure to pass the Payment of Wages (Amendment) Bill, 2016 in the winter session.

Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Dec-16	1 Week Return	YTD Return
S&P BSE Sensex	26040.7	-1.69%	-0.46%
Nifty 50	7985.75	-1.89%	0.28%
S&P BSE Mid-Cap	11760.78	-3.89%	4.58%
S&P BSE Small-Cap	11796.94	-2.61%	-1.20%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.35	21.39	26.11	67.36
P/B	2.65	3.03	2.09	1.84
Dividend Yield	1.5	1.38	1.3	0.86

Source: BSE, NSE Value as on December 23, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
19-Dec-16	601	1020	0.59
20-Dec-16	432	1186	0.36
21-Dec-16	693	904	0.77
22-Dec-16	291	1329	0.22
23-Dec-16	738	867	0.85

Source: NSE

- ▣ Indian equity market went on a losing spree during the week, owing primarily to the absence of any major triggers, whether domestic or global. The two-day Goods and Services Tax (GST) Council meeting failing to bring about consensus on dual control or cross empowerment issue added to the hurt.
- ▣ Weakness in global markets following the U.S. Federal Reserve chair's optimistic view of the labour market, outcome of Bank of Japan's monetary policy meeting, and geopolitical tensions in Germany and Turkey too hindered the market.
- ▣ However, losses were somewhat restricted by early rollovers to Jan series, and bargain hunting at lower levels.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19885.7	-1.73%	1.20%
S&P BSE Bankex	20427.7	-2.65%	-3.85%
S&P BSE CD	10895.8	-1.40%	-0.43%
S&P BSE CG	13488.9	-2.05%	-1.32%
S&P BSE FMCG	7713.8	-2.11%	-1.80%
S&P BSE HC	14572.2	-4.25%	-5.54%
S&P BSE IT	9901.39	-1.32%	6.25%
S&P BSE Metal	9988.54	-4.22%	-2.49%
S&P BSE Oil & Gas	11866.4	-0.25%	1.12%

Source: Reuters Value as on December 23, 2016

- On the BSE sectoral front, all indices closed on a negative note, with S&P BSE Healthcare, down 4.25%, leading the pack.
- Some of the other chief losers included S&P BSE Metal (-4.22%), S&P BSE Bankex (-2.65%), S&P BSE FMCG (-2.11%), and S&P BSE Capital Goods (-2.05%).

Indian Derivatives Market Review

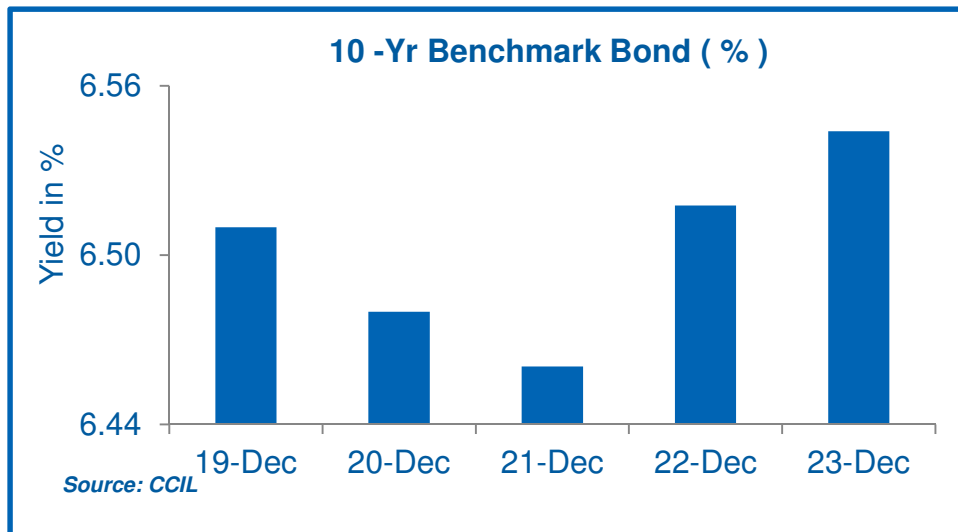
- Nifty Dec 2016 Futures were at 7,995.00 points, a premium of 9.21 points, over the spot closing of 7,985.79 points. The turnover on NSE's Futures and Options segment stood at Rs. 17.76 lakh crore during the week to Dec 23, compared with Rs. 15.67 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.84, compared with the previous week's close of 0.86.
- The Nifty Put-Call ratio stood at 0.92, compared with the previous week's close of 1.04.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.13	6.14	5.98	6.37
91 Day T-Bill	6.21	6.19	5.90	6.75
07.80% 2021, (5 Yr GOI)	6.59	6.55	6.23	7.42
06.97% 2026, (10 Yr GOI)	6.54	6.50	6.28	--

Source: Reuters

Value as on December 23, 2016



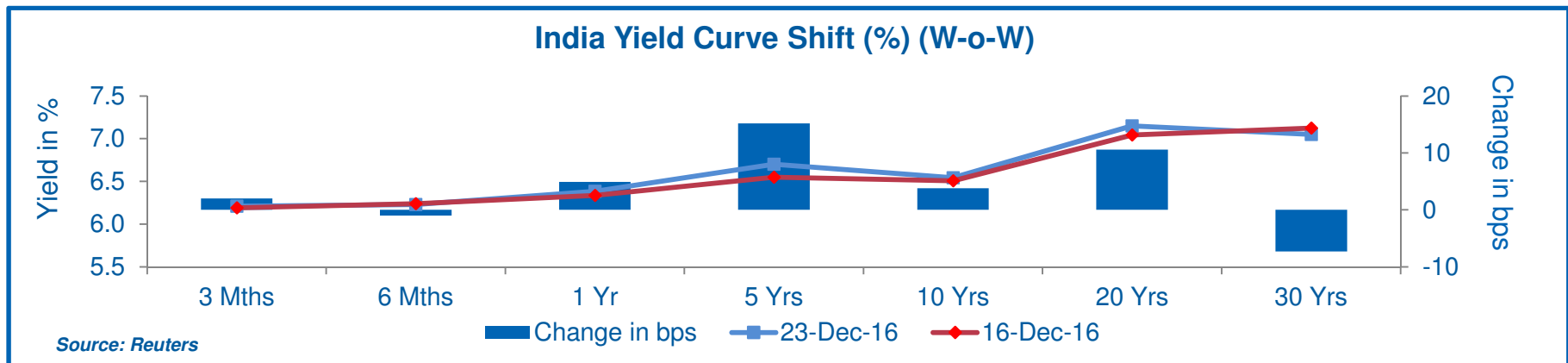
- Bond yields fell initially following the announcement of the auction of a new 13-year paper by the Reserve Bank of India (RBI), although concerns that the U.S. Federal Reserve will increase interest rates at a quicker pace in 2017 capped the gains. Expectations that the new paper will witness good demand at the auction helped sentiment.
- However, the trend reversed after minutes of the Dec monetary policy review showed that the Monetary Policy Committee (MPC) identified some risks in meeting the panel's headline inflation trajectory. This lowered the possibility of further monetary easing by MPC. Lack of fresh domestic cues and supply of debt securities also weighed on market sentiment.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.50	6.76	26
3 Year	6.53	7.05	52
5 Year	6.80	7.32	52
10 Year	6.74	7.43	69

Source: Reuters Value as on December 23, 2016

- Yields on gilt securities increased across the maturities in the range of 1 bps to 34 bps, barring 6-, 12-, and 30-year maturities that fell in the range of 5 bps to 9 bps.
- Corporate bond yields increased across the maturities in the range of 1 bps to 5 bps, barring 9- and 10-year maturities that closed steady.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 3 bps to 8 bps, barring 6-year paper that expanded 8 bps and 10-year paper that closed steady.



Regulatory Updates in India

- ❑ As per Reserve Bank of India's (RBI) notification, accounts that are fully KYC-compliant will be exempted from interrogation on depositing more than Rs. 5000 of old currency notes until Dec 30, 2016. The move that was announced by RBI on Dec 19 led to huge protests against banks, which interrogated people for depositing more than Rs. 5,000. The move was aimed at checking laundering of unaccounted cash. On Dec 19, RBI had said deposits of old notes exceeding Rs. 5,000 can be made only once per account until Dec 30, 2016 and after strict scrutiny.
- ❑ According to data available with Securities and Exchange Board of India (SEBI), investment through participatory notes (P-Notes) in the Indian capital market (equity, debt and derivatives) fell to Rs. 1,79,648 crore by Nov 30, from Rs. 1,99,987 crore at the end of Oct 2016. The investment through P-Notes fell to its lowest level in 33 months when such investments stood at Rs. 1,72,738 crore. P-Notes are typical instruments issued by registered foreign portfolio investors (FPIs) to overseas investors who wish to participate in Indian markets without registering themselves directly in the country to save time. But they still need to go through a proper due diligence process.
- ❑ According to RBI governor, the central bank needs to remain focused on inflation target as the impact of demonetisation on economy is uncertain, though transitory. The governor has further mention that the steady easing of food inflation has brought respite in overall inflation expectations in the latest inflation survey.

Regulatory Updates in India (contd..)

- ❑ RBI said since the demonetisation of old high value notes, banks have issued currency worth over Rs. 5.92 lakh crore to the public, which includes 220 crore pieces of notes of new Rs. 500 and Rs. 2,000 during the period Nov 10 to Dec 19.
- ❑ RBI has signed a Memorandum of Understanding (MoU) with Turkey's banking regulation agency in order to exchange supervisory information and maintain supervisory co-operation. RBI said it has also entered into agreements with a few more countries to promote greater co-operation and share supervisory information.
- ❑ The Reserve Bank of India has announced to launch a new set of Rs. 500 denomination currency notes in Mahatma Gandhi (New) series, with the inset letter 'R' in both the number panels. The central bank will also issue Rs. 50 denomination currency notes in the Mahatma Gandhi Series-2005, with inset letter 'R' and 'L' in both the number panels.

Global News/Economy

- According to the Federal Reserve (Fed) chair, the U.S. jobs market has improved in nearly a decade after experiencing slow economic recovery for years. Job creation is continuing at a steady rate, while lay off rate is low. Also, job opening is improving since a couple of years. The chief also mentioned that the wage growth is improving.
- Data from the Commerce Department showed that the U.S. durable goods order decreased 4.6% in Nov 2016 after increasing 4.8% in Oct 2016. The decrease in durable goods orders was largely due to fall in orders of transportation equipment, which fell 13.2% in Nov after rising 12.3% Oct.
- The Bank of Japan kept the monetary stimulus unchanged, in line with the market expectations. The central bank decided to keep the amount of outstanding Japan government bond holdings unchanged at an annual pace of about JPY 80 trillion. Also, the central bank decided to maintain -0.1% interest rate on current accounts that financial institutions maintain at the bank. The bank said that the economy is growing at the moderate rate. Therefore, it has raised its growth outlook on both exports and industrial production.
- According to data from Eurostat, euro zone's construction output rose 2.2% on YoY basis in Oct 2016 following 1.9% growth in Sep 2016. On a MoM basis, construction output rose 0.8% in Oct compared to 0.8% decrease in the previous month. The improvement was led by 1.3% and 1.2% increases in building construction and civil engineering work, respectively.

Global Equity Markets

Global Indices			
Indices	23-Dec-16	1-Week Return	YTD Return
Dow Jones	19933.81	0.46%	16.24%
Nasdaq 100	4940.023	0.51%	9.83%
FTSE 100	7068.17	0.81%	16.00%
DAX Index	11449.93	0.40%	11.34%
Nikkei Average	19427.67	0.14%	5.29%
Straits Times	2871.05	-2.27%	1.24%

Source: Reuters

Europe

- The terrorist attack in Berlin and assassination of the Russian ambassador to Turkey kept investors in a nervous mood initially. Later, sentiment improved after the Italian government stated that it is seeking parliamentary approval to borrow 20 billion euros to strengthen its banks' positions. Nonetheless, worries over the health of the Italian banking system restricted gains.

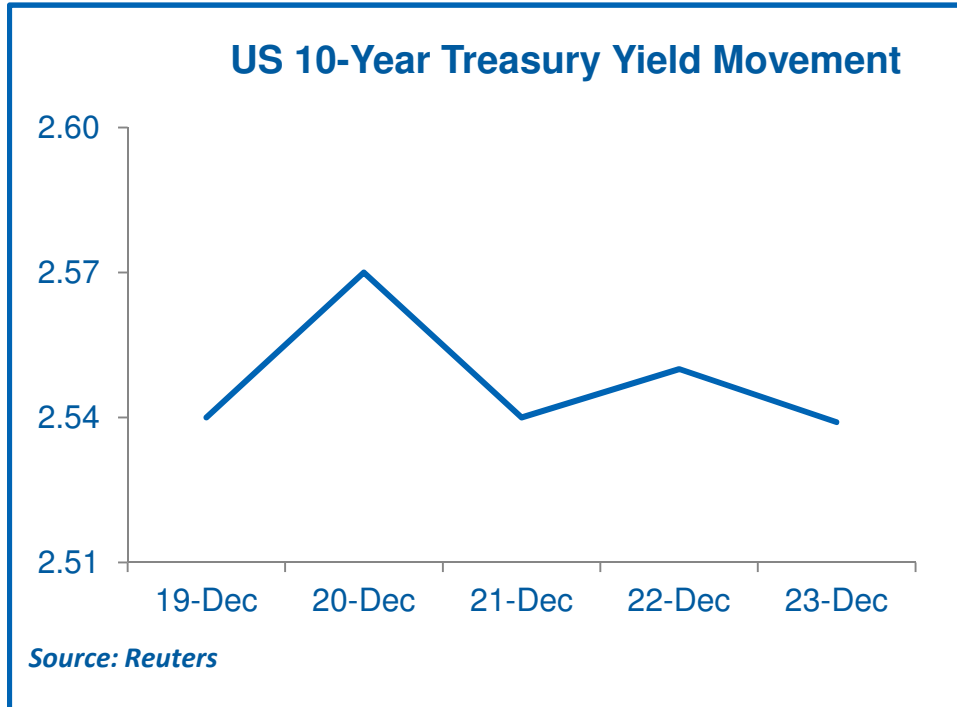
Asia

- Majority of the Asian markets witnessed pressure during the week with the exception of Japanese markets, which posted marginal gains. Bourses witnessed more pressure after two major Chinese cities raised housing purchase restrictions and media reports stated that China's insurance regulator would tighten supervision over online insurance products.

U.S.

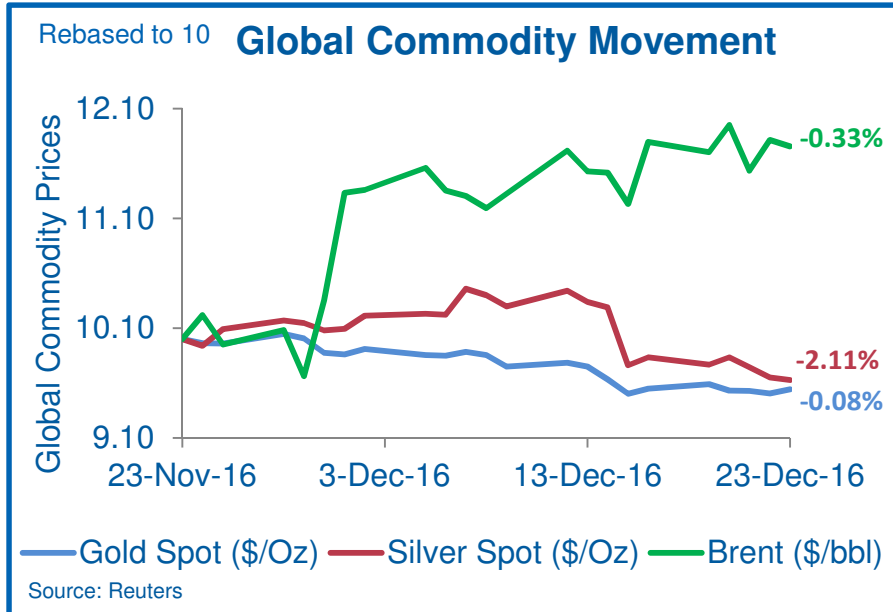
- U.S. markets extended previous week's gains despite the lack of any major triggers. Bourses benefitted from the upward momentum seen post elections.
- Investors also shrugged off the recent instances of geopolitical tensions in Berlin and the assassination of the Russian ambassador to Turkey. Gains were further capped by decline in U.S. durable goods order in Nov.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 6 bps to close at 2.54%, compared with the previous week's close of 2.60%.
- U.S. Treasury prices rose initially as market participants covered their short positions after falling in the last week and ahead the Christmas holiday. Safe haven appeal of U.S. Treasuries improved on concerns over terrorist attacks.
- However, gains slightly retreated as upbeat comments from the U.S. Fed chairperson boosted the chances of rate hikes at a faster pace in 2017.
- Later, prices moved in a range but remained higher amid light trading volume ahead of the long weekend holiday.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	53.72	53.90
Gold (\$/Oz)	1133.11	1133.99
Gold (Rs/10 gm)	27221	27305
Silver (\$/Oz)	15.74	16.08
Silver (Rs/Kg)	38505	39076

Source: Reuters Value as on December 23, 2016

Gold

- Gold prices dropped primarily on expectations of a rise in U.S. interest rates in the coming year. Improved U.S. economic data also weighed on prices. Lower trading volume ahead of the Christmas holiday kept investors on the sidelines. However, geo-political tension restricted the downside.

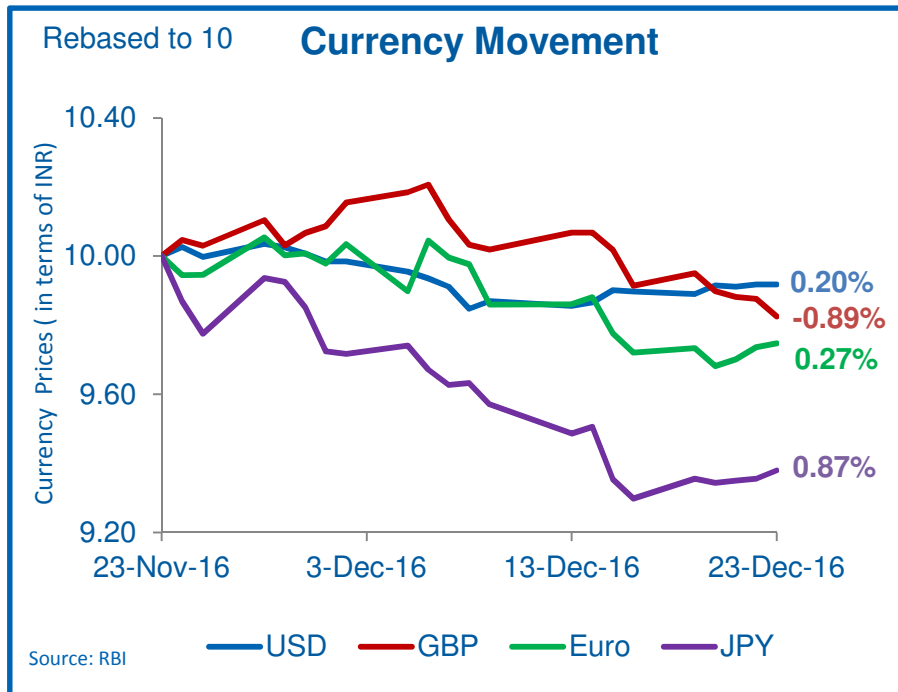
Crude

- Brent crude prices initially gained in anticipation that producers might reduce oil output in 2017 following the decision by the OPEC and other oil producing countries. However, upside could not sustain following unexpected rise in U.S. crude inventories.

Baltic Dry Index

- The Baltic Dry Index slipped during the week owing to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.91	67.78
Pound Sterling	83.48	84.23
EURO	70.95	70.75
JPY(per 100 Yen)	57.88	57.38

Source: RBI Figures in INR , Value as on December 23, 2016

Rupee

- The Indian rupee fell against the U.S. dollar on concerns about foreign fund outflows following decline in domestic equity market.

Euro

- Euro weakened against the greenback on upbeat comments from the U.S. Fed chairperson. However, losses reversed as investors sold U.S. dollar on profit booking.

Pound

- Pound plunged against the U.S. dollar on rising risk of a Scottish independence referendum and uncertainty over how U.K.'s exit from the European Union will pan out.

Yen

- Yen rose against the U.S. dollar as Japan's export performance improved strongly in Nov and profit booking in the U.S. dollar ahead of the Christmas holiday.

The Week that was...
December 19 to December 23

The Week that was (Dec 19 – Dec 23)

Date	Events	Present Value	Previous Value
Monday, December 19, 2016	Eurozone Construction Output (YoY) (Oct)	2.2%	1.8%
	U.S. Markit Composite PMI (Dec) (P)	53.7	54.9
	Japan Merchandise Trade Balance Total (Yen) (Nov)	152.5B	496.2B
Tuesday, December 20, 2016	Germany Producer Prices (YoY) (Nov)	0.1%	-0.4%
	Eurozone Current Account Balance n.s.a. (euros) (Oct)	32.8B	32.2B
Wednesday, December 21, 2016	Japan All Industry Activity Index (MoM) (Oct)	0.8%	0.6%
	U.S. Existing Home Sales (MoM) (Nov)	0.7%	1.5%
	Eurozone Consumer Confidence (Dec) (A)	-5.1	-6.2
Thursday, December 22, 2016	U.S. Durable Goods Orders (Nov) (P)	-4.6%	4.8%
	U.K. GfK Consumer Confidence Survey (Dec)	-7	-8
	U.S. Gross Domestic Product (Annualized) (3Q) (T)	3.5%	3.2%
	U.S. Personal Consumption Expend. Core (YoY) (Nov)	1.6%	1.8%
Friday, December 23, 2016	German GfK Consumer Confidence Survey (Dec)	9.9	9.8
	U.S. University of Michigan Confidence (Dec) (F)	98.2	98

The Week Ahead...
December 26 to December 30

The Week Ahead

Day	Event
Monday, December 26, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Bank of Japan Minutes of Oct 31-Nov 1 Meeting
Tuesday, December 27, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Confidence (Dec) <input type="checkbox"/> Japan National Consumer Price Index (YoY) (Nov) <input type="checkbox"/> Germany Retail Sales (YoY) (Nov) <input type="checkbox"/> Japan Jobless Rate (Nov) <input type="checkbox"/> Japan Household Spending (YoY) (Nov) <input type="checkbox"/> Japan Housing Starts (YoY) (Nov) <input type="checkbox"/> Japan Small Business Confidence (Dec)
Wednesday, December 28, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (YoY) (Nov) (P) <input type="checkbox"/> U.S. Pending Home Sales (YoY) (Nov)
Thursday, December 29, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Wholesale Inventories (Nov) (P)
Friday, December 30, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Balance of Payment Current Account Balance (3Q) (F)

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