

# News U Can Use

*February 26, 2016*

The Week that was...  
22<sup>nd</sup> February to 26<sup>th</sup> February

# Indian Economy

- According to the Economic Survey for 2015-16, India's Gross Domestic Product (GDP) could grow in the range of 7%-7.75% in FY16-17. It would be the third consecutive year when the growth rate will cross 7%. The survey said that the country still has the potential to grow around 8% to 10% in the long run. To achieve this strong growth rate, India would need to focus more on agriculture, make bigger investments in the health care and education spaces, and formulate flexible "exit" policies for unprofitable ventures.
- The Economic Survey said that the Government could achieve its fiscal deficit target of 3.9% in the current financial year. However, restricting the fiscal deficit to 3.5% in the next fiscal year could be a challenge given additional expenditure towards the 7th Pay Commission and slowing global economy.
- Railway Minister, while announcing the Railway Budget, said that Indian Railways will borrow Rs. 20,000 crore for capital expenditure during FY16-17. Borrowings will take place through its wholly-owned subsidiaries - Indian Railway Finance Corporation (Rs. 19,760 crore) and Rail Vikas Nigam (Rs. 240 crore).
- According to the MNI monthly survey, India Business Sentiment Indicator improved to 63.5 in Feb 2016 from 61.8 in Jan 2016, mainly due to rise in confidence among manufacturing firms. The index, which indicates current sentiment among BSE-listed companies, has improved for the second consecutive month.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	26-Feb-16	1 Week Return	YTD Return
S&P BSE Sensex	23154.3	-2.34%	-11.49%
Nifty 50	7029.75	-2.51%	-11.72%
S&P BSE Mid-Cap	9572.68	-2.35%	-14.87%
S&P BSE Small-Cap	9555.23	-3.25%	-19.98%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	16.95	19.01	23.1	36.48
P/B	2.47	2.82	2.05	1.61
Dividend Yield	1.56	1.65	1.67	1.23

Source: BSE, NSE

Value as on Feb 26, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
22-Feb-16	877	661	1.33
23-Feb-16	349	1206	0.29
24-Feb-16	415	1124	0.37
25-Feb-16	523	994	0.53
26-Feb-16	586	926	0.63

Source: NSE

- ❑ Indian equity markets were under pressure during the week amid expiry of Feb derivative contracts. A major global rating agency forecasted that India's fiscal environment could remain weak compared with its peers in the near term.
- ❑ Also, investors remained cautious on the passing of important bills, including the Goods & Service Tax Amendment Bill, in the Budget session of the Parliament. The Rail Budget 2016-17 failed to cheer the market.
- ❑ However, the downturn was restricted after the Economic Survey report for 2015-16 indicated a road map towards fiscal consolidation and stability in inflation despite slower economic growth trajectory.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16024.4	-3.70%	-4.48%
S&P BSE Bankex	15647.6	-3.85%	-11.41%
S&P BSE CD	11251.3	-2.73%	-5.60%
S&P BSE CG	11467.9	-3.80%	-7.75%
S&P BSE FMCG	7107.2	-1.38%	-2.02%
S&P BSE HC	15172.2	-1.92%	-3.33%
S&P BSE IT	10449.6	-2.33%	-4.15%
S&P BSE Metal	6749.02	-1.79%	-0.27%
S&P BSE Oil & Gas	8339.38	-1.16%	-7.87%

*Source: Reuters* *Values as on Feb 26, 2016*

- All the BSE sectoral indices closed in the red. S&P BSE Power was the major laggard, down by 4.25% followed by S&P BSE Bankex and S&P BSE Capital Goods.
- Banking sector had to deal with the outcome of Indian rating agency lowering debt rating of certain public sector banks from stable to negative on asset quality concerns. Private banking stocks also felt the heat following losses of their respective American Depository Receipts. Metal sector was hit by weakness in global metal prices and industrial demand.

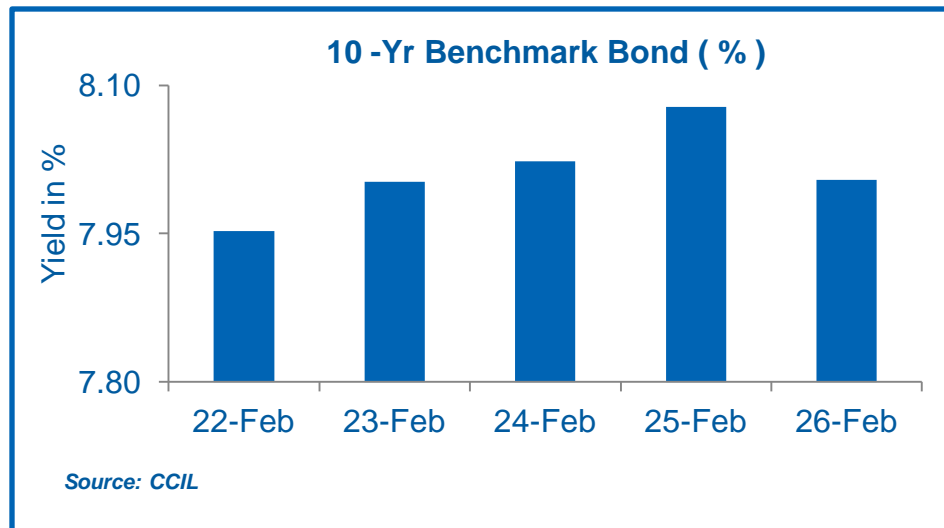
## Indian Derivatives Market Review

- Nifty Feb 2016 Futures settled at 6,970.60 points on Feb 25. Nifty Mar 2016 Futures Nifty were at 7,055.15 points, a premium of 25.40 points, over the spot closing of 7,029.75 points. The turnover on NSE's Futures and Options segment stood at Rs. 20.19 lakh crore in the week to Feb 26, compared with Rs. 16.12 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.74, compared with the previous week's close of 0.82.
- The Nifty Put-Call ratio stood at 0.82, compared with the previous week's close of 0.79.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.58	6.84	7.04	7.11
91 Day T-Bill	7.31	7.32	7.26	7.44
08.27% 2020 , (5 Yr GOI)	7.90	7.73	7.63	7.90
07.72% 2025, (10 Yr GOI)	8.00	7.91	7.81	7.79

Source: Reuters Values as on Feb 26, 2016



- Bond yields went up following weakness in the domestic currency and higher than expected cut-off yields at the auction of state development loans (SDL). Yields increased further on concerns that the Government may widen the fiscal deficit target in the upcoming Union Budget scheduled on Feb 29.

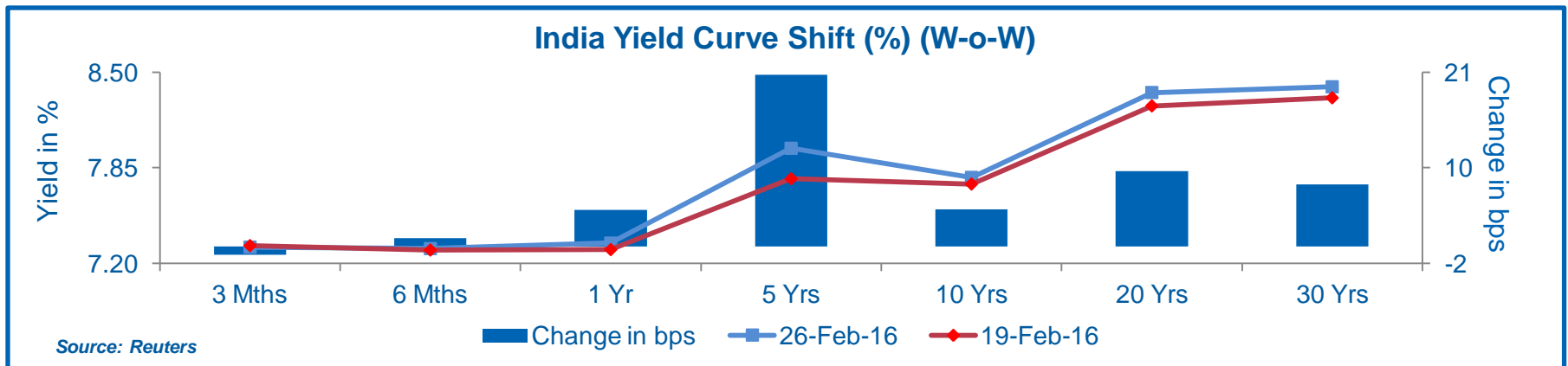
- However, most of the losses reversed at the end after Government's yearly economic survey eased concerns for a sharp rise in the next financial year's deficit target. The announcement of open market operations (OMO) by the Reserve Bank of India (RBI) further boosted investor sentiments.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.43	8.41	98
3 Year	7.89	8.47	58
5 Year	8.16	8.66	50
10 Year	8.01	8.71	70

Source: Reuters Values as on Feb 26, 2016

- Yield on Gilt Securities increased across the maturities in the range of 4 bps to 21 bps. Yield increased the most on 3- and 5-year papers, and the least on 1- and 10-year papers. (semi)
- Corporate Bond yields increased across the maturities in the range of 12 bps to 20 bps. Yield increased the least on 1-year paper and the most on 4-year paper.



# Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has sought the approval of Ministry of Finance to bring down the holding limit of the sponsor in asset reconstruction companies (ARCs). This will expedite the process of cleaning up banks' balance sheets. Also, ARCs will be able to access capital markets for additional sources of funding.
- ❑ According to the Central Board of Direct Taxes, total collection from direct taxes as on Feb 13 stood at Rs. 5.47 lakh crore, which accounts for 68.7% of the budget target of Rs. 7.96 lakh crore for the fiscal ending Mar 2016. The Government anticipates that collection under direct taxes will fall short by Rs. 40,000 crore. However, the shortfall could be offset from higher than expected collections under indirect taxes.
- ❑ According to the Labor Minister, the Employee Provident Fund Organization will not cut the interim interest rate of 8.8% for the current financial year. The minister said that revision, if any, will be done after taking into account the economic trend within the country, interest rates of various schemes, and the 7<sup>th</sup> Pay Commission.
- ❑ According to the Road Transport and Highways Minister, an empowered group of state transport ministers have been formed to provide guidance on policy issues, to make the country's transport system an efficient, transparent, and a modern one. The Minister also added that Rs. 11,000 crore has been allocated to take the necessary corrective measures to check accidents and traffic jams.



## Regulatory Updates in India (contd..)

- According to the Income Tax Department, Permanent Account Numbers (PAN) registered within the country have crossed the 243 million mark. The Government had earlier made quoting of PAN compulsory in order to curb black money and move towards a cashless economy.
- The Employees' Provident Fund Organisation (EPFO) has decided to tighten-up norms for withdrawal of provident fund (PF). Accordingly, subscribers can withdraw their PF after the age of 57. As per the earlier norms, EPFO subscribers were allowed to claim 90% of their accumulations at the age of 54.

# Global News/Economy

- ❑ Preliminary data from the Commerce Department showed that the U.S. Gross Domestic Product (GDP) grew 1.0% in the fourth quarter of 2015, after increasing by 0.7% in the previous quarter.
- ❑ Consumer prices in the U.S. remained unchanged in Jan 2016, defying market's expectation of a fall. Consumer prices had slipped 0.1% in Dec 2015. On the other hand, core prices in Jan grew 0.3%, following Dec's revised 0.2% increase, and were better than expected.
- ❑ According to Markit's flash survey data, private sector activity in the eurozone dropped more than expected in Feb 2016. The flash composite Purchasing Managers' Index (PMI) in Feb was 52.7, below Jan 2016's 53.6, but managed to stay above the neutral reading of 50.0. Any reading above 50 suggests expansion in the sector. The services PMI dropped to 53, a 13-month low level, as against Jan's 53.6. On the other hand, the manufacturing PMI slid to 51 from 52.3 in Jan.
- ❑ Data from the Cabinet Office showed a deterioration in Japan's leading index, but was better than expected. The leading index dropped to 102.1 in Dec 2015 from 103.2 in the previous month.

# Global Equity Markets

Global Indices			
Indices	26-Feb-15	1-Week Return	YTD Return
Dow Jones	16639.97	1.51%	-2.97%
Nasdaq 100	4235.616	1.72%	-5.83%
FTSE 100	6096.01	2.45%	0.04%
DAX Index	9513.3	1.33%	-7.49%
Nikkei Average	16188.41	1.39%	-12.26%
Straits Times	2649.38	-0.28%	-6.58%

*Source: Reuters Values as on Feb 26, 2016*

## Europe

- European markets started on a positive note following increase in oil prices. However, gains were restricted soon after Germany's business sentiment weakened to a 14-month low in Feb. Later in the week, investors took positive cues after a major banking company raised its dividend and announced a special dividend. Improvement in German consumer sentiment and U.K. GDP data added to the gains.

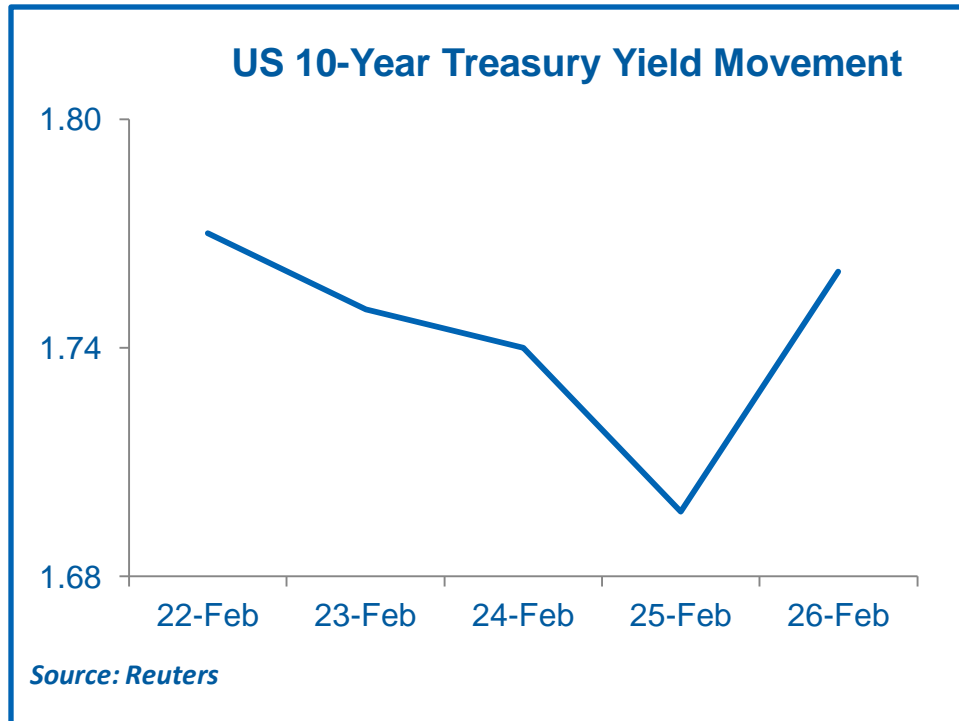
## Asia

- Asian markets witnessed a mixed trend over the week. Bourses got support initially after the Chinese securities regulator was replaced because of allegations of mismanagement and the Chinese central bank governor stated that the country has more room to support the economy and that there is no reason for persistent yuan depreciation. Rise in oil prices also helped the markets gain.

## U.S.

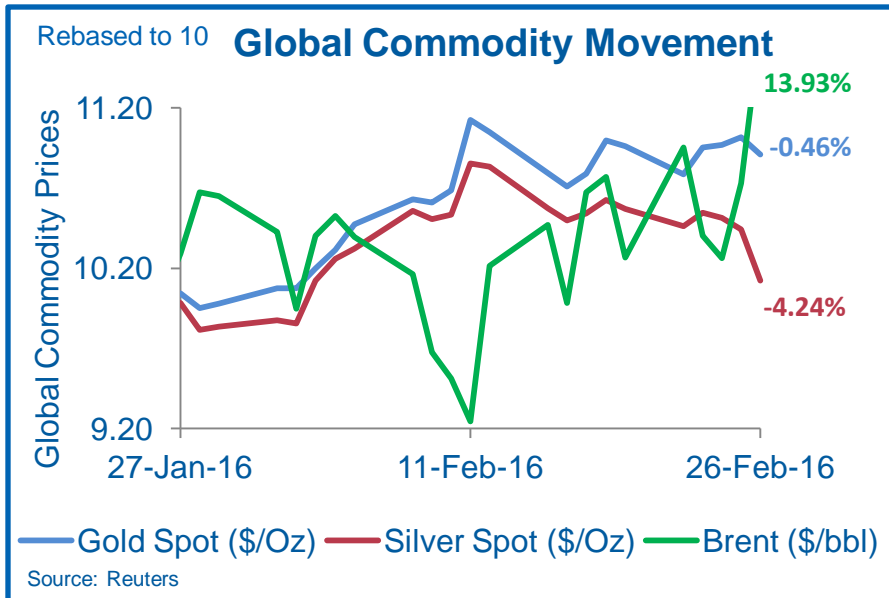
- U.S. markets gained over the week after tracking improvement in crude oil prices. Crude oil prices gained after a report from Energy Information Administration (EIA) showed decrease in gasoline and distillate fuel inventories in the week to Feb 19. Higher than expected durable goods orders and existing home sales data in Jan 2016 also helped the markets gains.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield rose 1 bps to close at 1.76%, compared with the previous week's close of 1.75%.
- The U.S. Treasury prices fell initially following rise in global crude oil prices after International Energy Agency estimated U.S. shale production to fall in 2016 and 2017.
- However, the trend reversed on renewed concerns over global growth and low oil prices after Saudi Arab Oil Minister ruled out possibilities of production cuts.
- U.S. Treasuries bucked the trend again as prices fell after preliminary data showed that the growth of the U.S. economy accelerated in the fourth quarter of 2015 and was better than market expectations.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	35.9	31.51
Gold (\$/Oz)	1222.21	1227.81
Gold (Rs/10 gm)	29187	28918
Silver (\$/Oz)	14.68	15.33
Silver (Rs/Kg)	36924	37193

Source: Reuters Values as on Feb 26, 2016

## Gold

- Gold prices witnessed pressure initially as gains in the global equity markets dampened the safe haven appeal of the bullion. The trend soon reversed as assets in SPDR Gold Trust, the top gold-backed exchange-traded fund, rose 2.64% to 752.29 tonnes, the highest level since Mar 2015.

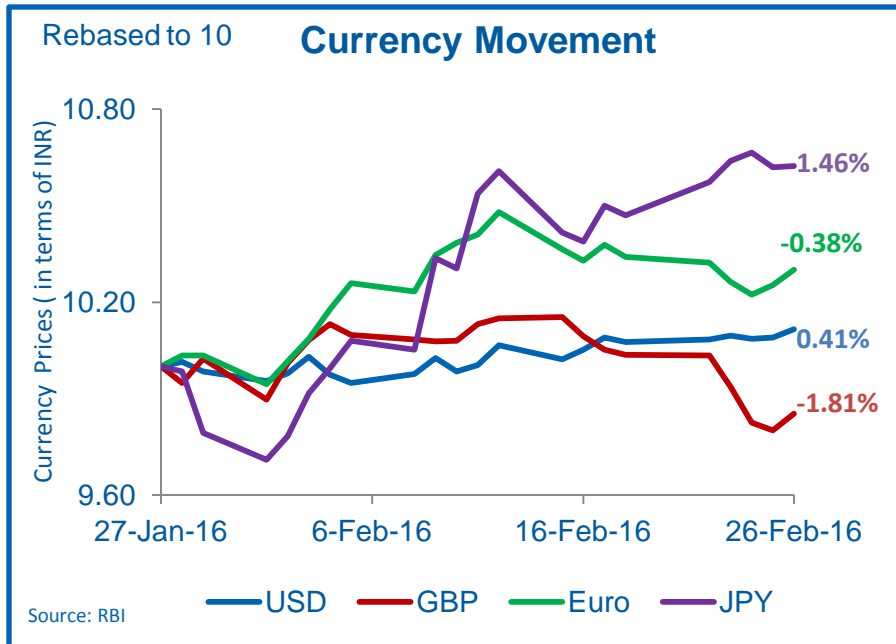
## Crude

- Brent Crude prices traded higher during the week. Oil prices found support initially following reports that U.S. oil drillers have reduced the rig count to the lowest level since Dec 2009, which might reduce oil production during the year.

## Baltic Dry Index

- The Baltic Dry Index rose during the week on the back of strong capesize and panamax activities.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.78	68.49
Pound Sterling	96.09	97.86
EURO	76.04	76.33
JPY(per 100 Yen)	61.03	60.15

Source: RBI Figures in INR , Values as on Feb 26, 2016

## Rupee

- The rupee weakened against the greenback following losses in the domestic equity markets and month-end dollar demand from oil importers.

## Euro

- The euro weakened against the greenback on concerns that Britain's potential exit from the European Union (EU) would weigh on the eurozone economy.

## Pound

- The pound plunged to a seven year low level against the greenback on persisting concerns that Britain may exit from the European Union after London's mayor advocated for it.

## Yen

- The yen weakened against the dollar as the risk sentiment improved following rise in global crude oil prices.

The Week that was...  
22<sup>nd</sup> February to 26<sup>th</sup> February

# The Week that was (Feb 22 – Feb 26)

Date	Events	Present Value	Previous Value
Monday, February 22, 2016	Euro Zone Markit Manufacturing PMI (Feb)Preliminary	51.0	52.3
	U.S. Markit Manufacturing PMI (Feb)Preliminary	51.0	52.4
	Japan Nikkei Manufacturing PMI (Feb)Preliminary	50.2	52.3
	Germany Markit Manufacturing PMI (Feb)Preliminary	50.2	52.3
Tuesday, February 23, 2016	Germany Gross Domestic Product s.a (QoQ) (Q4)	0.30%	0.30%
	U.S. Existing Home Sales Change (MoM) (Jan)	0.40%	12.10%
Wednesday, February 24, 2016	U.S. Markit Serices PMI (Feb)Preliminary	49.8	53.2
	U.S. New Home Sales Change (MoM) (Jan)	-9.20%	8.20%
	U.K. BBA Mortgage Approals (Jan)	47.509K	43.660K
Thursday, February 25, 2016	U.K. Gross Domestic Product (QoQ) (Q4)Preliminary	0.50%	0.50%
	U.S. Durable Goods Orders (Jan)	4.90%	-5.00%
	Euro Zone Consumer Price Index (MoM) (Jan)	-1.40%	0.00%
Friday, February 26, 2016	U.S. Gross Domestic Product Annualized (Q4)Preliminary	1.00%	0.70%
	U.S. Personal Income (MoM) (Jan)	0.50%	0.30%
	U.K. Gfk Consumer Confidence (Feb)	0	4
	U.K. Retail Sales (MoM) (Jan)	2.30%	-1.40%



The Week Ahead...  
29<sup>th</sup> February to 4<sup>th</sup> March

# The Week Ahead

Day	Event
Monday, Feb 29	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Feb) Preliminary</li> <li><input type="checkbox"/> Germany Retail Sales (MoM) (Jan)</li> <li><input type="checkbox"/> U.S. Pending Home Sales (MoM) (Jan)</li> <li><input type="checkbox"/> Japan Unemployment Rate (Jan)</li> </ul>
Tuesday, Mar 01	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Manufacturing PMI (Feb)</li> <li><input type="checkbox"/> Japan Nikkei Manufacturing PMI (Feb)</li> <li><input type="checkbox"/> Euro Zone Unemployment Rate (Jan)</li> </ul>
Wednesday, Mar 02	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. PMI Construction (Feb)</li> <li><input type="checkbox"/> Euro Zone Producer Price Index (MoM) (Jan)</li> </ul>
Thursday, Mar 03	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin China Services PMI (Feb)</li> <li><input type="checkbox"/> U.S. Markit Services PMI (Feb)</li> <li><input type="checkbox"/> Euro Zone Markit Services PMI (Feb)</li> <li><input type="checkbox"/> U.S. Factory Orders (MoM) (Jan)</li> </ul>
Friday, Mar 04	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Nonfarm Payrolls (Feb)</li> <li><input type="checkbox"/> U.S. Unemployment Rate (Feb)</li> </ul>

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