

News U Can Use

January 06, 2017

The Week that was...
02nd January to 06th January

Indian Economy

- Data from the government showed that the country's gross domestic product growth could slow down to 7.1% in FY17 from 7.6% in FY16. The anticipated growth of real Gross Value Added (GVA) at basic prices in FY17 was projected at 7.0% against 7.2% recorded in FY16. Growth of agriculture, forestry and fishing is expected to expand to 4.1% in FY17 from 1.2% recorded in FY16, while forestry and fishing is expected to contract to 1.8% from 7.4% registered in the same period last year. Growth of manufacturing sector is expected at 7.4% in FY17, down from 9.3% recorded in FY16.
- According to the Ministry of Finance, the Indian economy grew 7.2% in the first half of the current fiscal. The ministry estimated the growth rates for agriculture and allied sectors, industry, and services sectors during the six-month period at 2.5%, 5.6%, and 9.2%, respectively. The ministry, in its year-end review added that inflation remained at comfortable levels with retail and wholesale inflation averaging 5.2% and 2.7%, respectively, in the period from Apr to Oct 2016.
- Results from a private survey showed that the Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to 49.6 in Dec from 52.3 in Nov. A reading above 50 indicates economic expansion, while a reading below 50 indicates contraction. Thus, the Indian manufacturing sector contracted for the first time in 2016. The report stated that demonetisation led to cash shortages in economy and as a result growth in new orders got hurt.

Indian Equity Market

Domestic Equity Market Indices			
Indices	06-Jan-17	1 Week Return	YTD Return
S&P BSE Sensex	26759.23	0.50%	0.62%
Nifty 50	8243.8	0.71%	0.79%
S&P BSE Mid-Cap	12321.72	2.41%	1.57%
S&P BSE Small-Cap	12440.33	3.27%	2.05%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.88	22.09	27.31	71.07
P/B	2.72	3.13	2.19	1.94
Dividend Yield	1.46	1.34	1.25	0.82

Source: BSE, NSE

Value as on January 06, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
02-Jan-17	1196	434	2.76
03-Jan-17	1167	472	2.47
04-Jan-17	944	659	1.43
05-Jan-17	1190	437	2.72
06-Jan-17	612	1011	0.61

Source: NSE

- The domestic equity market initially traded on a subdued note after Indian manufacturing activity contracted for the first time since Dec 2015 as the government's demonetisation move severely hurt output and demand. Weak services PMI data also weighed on the sentiment.
- Meanwhile, Goods and Services Tax (GST) Council meet failed to reach consensus on the issue of dual control of Central and state governments and worries over H-1B visas weighed on the IT sector heavily. However, investors turned optimistic ahead of corporate earnings results and Union Budget 2017.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21009.7	3.71%	5.33%
S&P BSE Bankex	20900.9	0.73%	-0.82%
S&P BSE CD	11888.5	5.80%	8.01%
S&P BSE CG	14083.9	3.07%	1.63%
S&P BSE FMCG	8193.12	0.77%	2.40%
S&P BSE HC	15070.8	2.33%	-3.85%
S&P BSE IT	9880.61	-2.90%	2.25%
S&P BSE Metal	10639.00	5.24%	0.24%
S&P BSE Oil & Gas	12569.8	3.44%	6.13%

Source: Reuters *Value as on January 06, 2017*

- On the BSE sectoral front, barring S&P BSE IT and S&P BSE Teck, all the indices closed in the green. A bill supporting key changes in the H1-B visa programme in the U.S. weighed on the IT sector.
- Meanwhile, S&P BSE Realty stood as the major gainer followed by S&P BSE CD and S&P BSE Metal. Realty companies gained after the Indian Prime Minister announced new housing schemes.

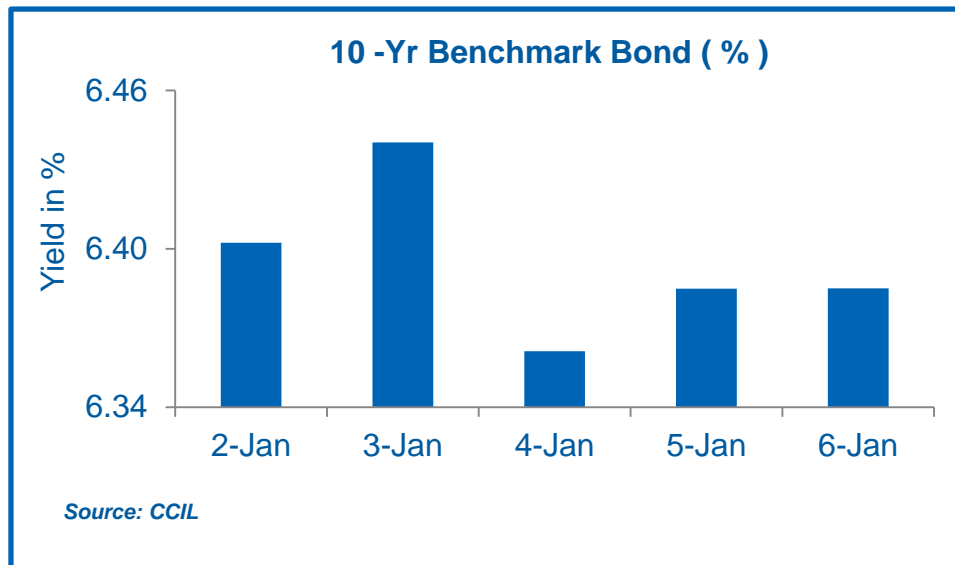
Indian Derivatives Market Review

- Nifty Jan 2017 Futures were at 8,267.65 points, a premium of 23.85 points, over the spot closing of 8,243.80 points. The turnover on NSE's Futures and Options segment stood at Rs. 16.75 lakh crore during the week to Jan 6, compared with Rs. 23.98 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.95, compared with the previous week's close of 0.87.
- The Nifty Put-Call ratio stood at 1.11, compared with the previous week's close of 1.05.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.13	6.10	6.11	6.25
91 Day T-Bill	6.19	6.22	5.97	6.46
07.80% 2021, (5 Yr GOI)	6.44	6.56	6.15	7.26
6.97% 2026, (10 Yr GOI)	6.39	6.51	6.20	--

Source: Reuters Value as on January 06, 2017



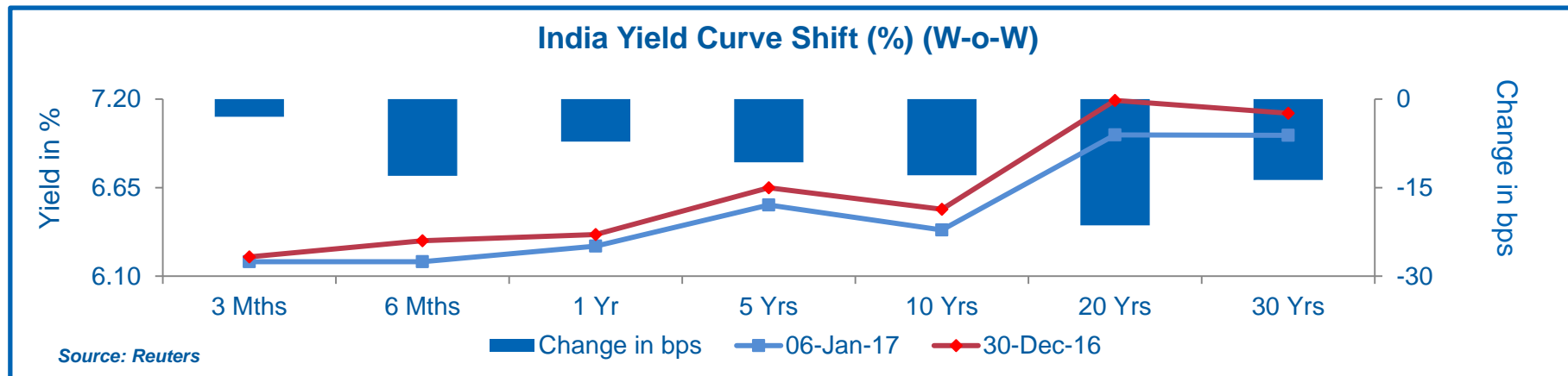
- Bond yields plunged initially on expectation of a rate cut by the Monetary Policy Committee in the near term, after some banks reduced their lending rates. Gains were extended after the government trimmed its market borrowing by Rs. 18,000 crore to Rs. 66,000 crore for rest of the financial year. The move led to increased expectations that the government will adhere its fiscal consolidation roadmap.
- However, the gains retreated as investors booked profits from the recent rally. Investors also waited for key retail inflation data due next week.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) fell 12 bps to close at 6.39% from the previous close of 6.51%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.37	6.72	35
3 Year	6.45	6.93	48
5 Year	6.64	7.09	45
10 Year	6.60	7.25	65

Source: Reuters Value as on January 06, 2017

- Yields on gilt securities fell across the maturities in the range of 3 to 21 bps. Yield on 19-year paper registered maximum decline, while lowest fall was seen on 6-year maturities.
- In line with gilt securities, corporate bond yields plunged across the maturities in the range of 9 to 22 bps.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 1 to 17 bps.



Regulatory Updates in India

- ❑ The Pension Fund Regulatory and Development Authority (PFRDA) has done away with the requirement of submitting a physical application form at the time of opening a National Pension System (NPS) account, if the same is done through Aadhaar verification and e-signature. PFRDA added that Point-of-Presence (PoPs) would be allowed to charge a maximum of Rs. 5 plus service tax and cess per application for the e-signature service being provided to the subscribers. PoPs are NPS authorised entities that help a person in the opening of account including filling out the necessary forms and providing information about the NPS.
- ❑ Reserve Bank of India (RBI) extended time for non-resident Indians (NRIs) those who missed the deadline of Dec 30 to deposit the scrapped currency notes in banks. The central bank stated that resident Indian citizens who were abroad from Nov 9 to Dec 30 can avail this facility till Mar 31, 2017. NRI citizens, who were abroad during this period, can exchange their defunct notes till Jun 30, 2017.
- ❑ According to data released by RBI, government has decided to borrow less than what it planned earlier from the market from sale of sovereign bonds between Jan and Feb 2017. This can be attributed to the fact that the government has garnered higher tax revenues on the back of demonetisation. RBI will sell long-term bonds worth Rs. 66,000 crore between the first week of Jan and second week of Feb. It had earlier planned to issue bonds worth Rs. 84,000 crore during the same period.

Regulatory Updates in India (contd..)

- ❑ Capital markets regulator Securities and Exchange Board of India (SEBI) expressed concerns regarding a step taken by mutual funds till recently in which they allowed investors the option of instant withdrawal from their liquid schemes. SEBI is of the view that instant withdrawal facility may attract international attention and it subsequently underlined the importance of additional prudential and supervisory norms for mutual funds. According to a SEBI official, mutual fund houses can't use their own money to meet redemption requirements. Instead, the money needs to come from investments made.
- ❑ RBI has directed banks to increase supply of fresh currency notes to villages and far flung areas. The move comes after observing that the supply of new currency notes in such areas was not adequate. Furthermore, the central bank has asked banks' currency chests to issue lower denomination notes in villages and rural centers. Currency chests are select branches of scheduled banks that are authorised by RBI to distribute notes and coins to other bank branches in their area of operation.
- ❑ The Union cabinet gave approval to two separate bilateral agreements that India will sign with Portugal and Kenya for co-operation in agriculture and allied sectors. The countries will focus on soil and conservation, water management, irrigation farming system development, integrated watershed development machinery, sanitary, and phytosanitary issues, among others.

Global News/Economy

- According to a report released by the Institute for Supply Management (ISM), U.S. manufacturing Purchasing Managers' Index (PMI) increased better than forecast to 54.7 in Dec 2016 from 53.2 in Nov 2016. Faster rise in manufacturing activity is attributed to the pace of growth in new orders that surged to 60.2 in Dec from 53.0 in Nov. Also, the production index rose to 60.3 from 56.0.
- According to the Bureau of Labor Statistics, U.S. nonfarm payrolls increased by 156,000 jobs in Dec, lower than forecast and upwardly revised 204,000 jobs created in the previous month. Meanwhile, U.S. unemployment rate increased to 4.7% in Dec from 4.6% in Nov.
- According to the Labor Department, initial jobless claims in the U.S. declined more than forecast in the week to Dec 31. Unemployment benefits fell by 28,000 to 235,000 from the previous week's revised level of 263,000. The four-week moving average showed a fall of 5,750 to 256,750 from the previous week's revised average of 262,500.
- According to the Eurostat, eurozone's inflation (preliminary) accelerated higher than expected to 1.1% YoY in Dec 2016 from 0.6% in Nov 2016 due to higher energy and food prices. Consumer prices rose at its fastest pace in more than three years. Core inflation (excluding energy, food, alcohol and tobacco) rose 0.9% YoY, higher than 0.8%. Energy prices surged 2.5% in Dec, reversing from 1.1% fall in Nov and food prices jumped to 1.2% from 0.7%.

Global Equity Markets

Global Indices			
Indices	06-Jan-17	1-Week Return	YTD Return
Dow Jones	19963.8	1.02%	0.41%
Nasdaq 100	5007.077	2.95%	1.95%
FTSE 100	7210.05	0.94%	0.94%
DAX Index	11599.01	1.03%	0.01%
Nikkei Average	19454.33	1.78%	1.78%
Straits Times	2962.63	2.84%	2.20%

Source: Reuters

U.S.

- U.S. equity markets commenced 2017 on a positive note with sentiment driven by expectations over positive economic outlook. Minutes of the Fed's latest meeting too expressed optimism over expansionary fiscal policy under the President-elect. Meanwhile, job data showed that the U.S labor market gained 156000 jobs in December while the unemployment rate rose to 4.7%.

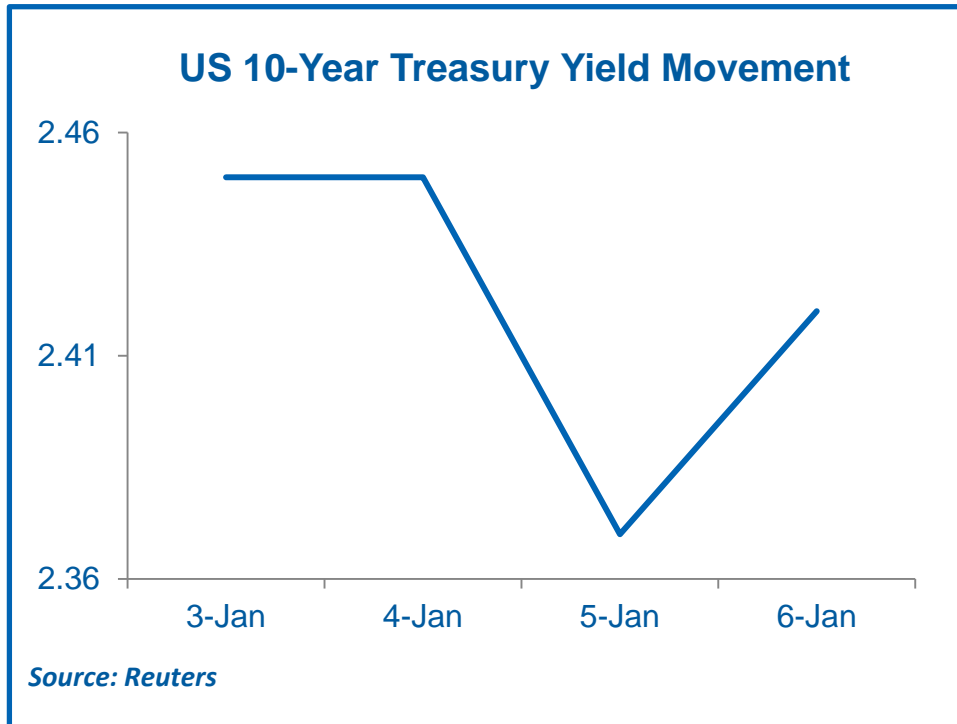
Europe

- European markets witnessed initial buying interest following upbeat manufacturing activity data in the euro zone for Dec, as shown by private survey results. Expansion of U.K. manufacturing sector at the fastest pace in 30 months in Dec also generated positive vibes. However, uncertainty over the timing of the next interest rate hike by U.S. Fed restricted gains.

Asia

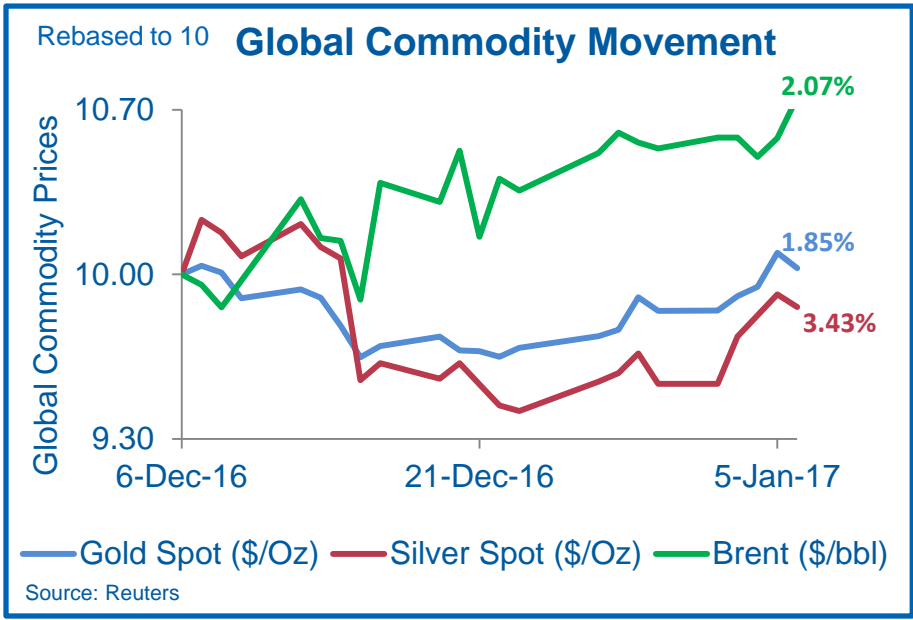
- Asian markets gained led by upbeat China manufacturing activity data for Dec, as revealed by final reading of a private survey. A sharp increase in Japan's manufacturing activity to one-year high in Dec also contributed to the gains.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 1 bps to close at 2.42%, compared with the previous week's close of 2.43%.
- U.S. Treasury prices fell initially following upbeat U.S. manufacturing Purchasing Managers' Index (PMI) data for Dec 2016.
- The trend reversed after minutes of the U.S. Federal Reserve's Dec policy meeting identified risks such as trade barriers and strength in the greenback that may hamper exports and limit the economic growth of the country. Uncertainty regarding the new U.S. administration and downbeat U.S. private sector jobs data for Dec further boosted the safe haven appeal of U.S. Treasuries.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	55.8	54.7
Gold (\$/Oz)	1172.7	1151.5
Gold (Rs/10 gm)	28302.0	27830.0
Silver (\$/Oz)	16.5	15.9
Silver (Rs/Kg)	40032.0	39439.0

Source: Reuters Value as on January 06, 2017

Gold

- Gold prices increased during the week as the U.S. dollar weakened. However, gains were limited as jobs data showed that the United States added 156,000 jobs in Dec, which was less than expected.

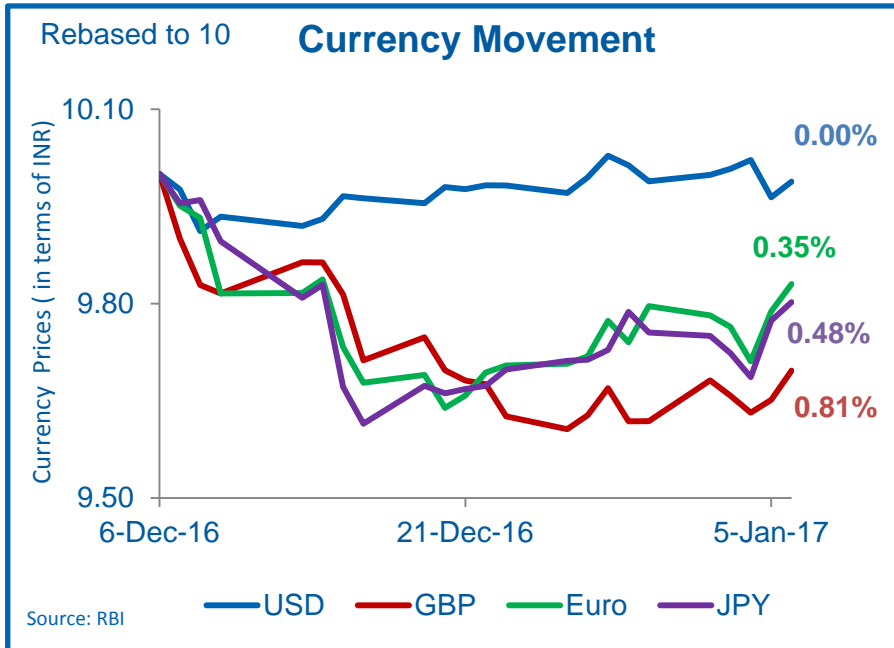
Crude

- Brent crude prices rose during the week as a major Organisation of Petroleum Exporting Countries (OPEC) producer was seen to be in compliance with the production cut agreement. OPEC members led by Saudi Arabia reached an agreement with Russia last year to curb production in an effort to stabilise oil prices.

Baltic Dry Index

- The Baltic Dry Index increased during the week owing to higher capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.95	67.95
Pound Sterling	84.10	83.42
EURO	71.87	71.62
JPY(per 100 Yen)	58.50	58.22

Source: RBI Figures in INR , Value as on January 06, 2017

Rupee

- The rupee weakened against the greenback following demand of the U.S. dollar from oil importers and state-run banks.

Euro

- The euro in a volatile week fell initially against the greenback following upbeat U.S. economic data. However, the trend reversed following positive eurozone economic data for Dec. and as the dollar fell sharply against the yuan.

Pound

- The pound in a volatile week rose initially against the greenback. However, the trend reversed after wages increased in the U.S. in Dec.

Yen

- The yen rose against the greenback as the latter fell sharply against the yuan after Chinese authorities intervened to strengthen its currency.

The Week that was...
January 02 to January 06

The Week that was (Jan 02 – Jan 06)

Date	Events	Present Value	Previous Value
Monday, January 02, 2017	Germany Markit/BME Manufacturing PMI (Dec) (F)	55.6	55.5
	Eurozone Markit/BME Manufacturing PMI (Dec) (F)	54.9	54.9
Tuesday, January 03, 2017	U.S. ISM Manufacturing PMI (Dec)	54.7	53.2
	China Caixin Manufacturing PMI (Dec)	51.9	50.9
	U.K. Markit Manufacturing PMI SA (Dec)	56.1	53.6
Wednesday, January 04, 2017	Japan Nikkei Manufacturing PMI (Dec) (F)	52.4	51.9
	Eurozone Consumer Price Index Estimate (YoY) (Dec)	1.1%	0.6%
Thursday, January 05, 2017	U.S. ISM Non-Manufacturing Composite (Dec)	57.2	57.2
	U.S. ADP Employment Change (Dec)	153K	215K
	China Caixin Composite PMI (Dec)	53.5	52.9
	Japan Nikkei Composite PMI (Dec)	52.8	52
Friday, January 06, 2017	U.S. Change in Non-farm Payrolls (Dec)	156k	204k
	U.S. Unemployment Rate (Dec)	4.7%	4.6%
	U.S. Trade Balance (Nov)	(\$45.2B)	(\$42.6b)
	Eurozone Retail Sales (YoY) (Nov)	2.3%	3.0%

The Week Ahead...
January 09, 2017 to January 13, 2017

The Week Ahead

Day	Event
Monday, January 09, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> German Industrial Production s.a. (MoM) (Nov) <input type="checkbox"/> Euro-Zone Sentix Investor Confidence (Jan) <input type="checkbox"/> Euro-Zone Unemployment Rate (Nov)
Tuesday, January 10, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (Dec) <input type="checkbox"/> China Producer Price Index (YoY) (Dec) <input type="checkbox"/> U.S. Wholesale Inventories (Nov) (F)
Wednesday, January 11, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Index (Nov) (P) <input type="checkbox"/> U.K. Industrial Production (YoY) (Nov) <input type="checkbox"/> U.K. NIESR Gross Domestic Product Estimate (Dec)
Thursday, January 12, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Eco Watchers Survey: Current (Dec) <input type="checkbox"/> Japan Current Account Total (Yen) (Nov) <input type="checkbox"/> Euro zone Industrial Production s.a. (MoM) (Nov)
Friday, January 13, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (Dec) <input type="checkbox"/> U.S. Advance Retail Sales (Dec)

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