

News U Can Use

March 18, 2016

The Week that was...
March 14 to March 18

Indian Economy

- ❑ After accelerating for the last six consecutive months, the pace of Consumer Price Index (CPI) based inflation slowed in Feb 2016 mainly due to easing of food prices. CPI increased 5.18% in Feb, slower than 5.69% in the previous month and 5.37% a year ago. Consumer food price index based inflation for Feb went up 5.30%, better than 6.85% in the prior month and 6.88% in the year-ago period.
- ❑ Wholesale Price Inflation (WPI) based index continued to contract for the 16 consecutive month in Feb 2016. WPI inched down 0.91% in Feb, almost similar to Jan 2016's decrease of 0.90% but slower than the 2.61% drop in Feb 2015. For Dec 2015, the figure has been revised from -0.73% to -1.06%. Primary articles inflation increased 1.58%, faster than 1.01% a year ago. Price of manufactured products dropped 0.58%, contrary to a gain of 0.26% in the year-ago period. Under primary articles, food sub index rose at a much slower pace but the pace of decline in fuel & power slowed significantly.
- ❑ Government data showed that exports dropped for the 15th consecutive month in Feb 2016. Exports were down 5.66% in Feb to \$20.74 billion, while imports fell 5.03% to \$27.28 billion. As a result, trade deficit narrowed to \$6.54 billion in Feb compared with \$6.74 billion in the same period of the previous year.

Indian Equity Market

Domestic Equity Market Indices			
Indices	11-Mar-16	1 Week Return	YTD Return
S&P BSE Sensex	24952.74	0.95%	-4.62%
Nifty 50	7604.35	1.25%	-4.51%
S&P BSE Mid-Cap	10300.37	0.29%	-8.40%
S&P BSE Small-Cap	10308.76	0.30%	-13.67%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nity 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.85	20.52	25.09	40.51
P/B	2.74	3.05	2.28	1.79
Dividend Yield	1.45	1.52	1.61	1.18

Source: BSE, NSE

Value as on Mar 18, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
14-Mar-16	822	735	1.12
15-Mar-16	506	1037	0.49
16-Mar-16	668	873	0.77
17-Mar-16	823	714	1.15
18-Mar-16	814	753	1.08

Source: NSE

- Indian equity market gained on expectations of more stimulus measures by the Reserve Bank of India (RBI) as both wholesale price inflation (WPI) and retail inflation fell in Feb 2016. Narrowed trade deficit further supported gains. Sentiments improved as major central banks across the globe indicated to continue with supportive measures to boost growth.
- But gains were capped as Index of Industrial Production data contracted for the third straight month in Jan 2016 and the Government banned more than 300 combination drugs of different companies.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17334.5	0.54%	5.07%
S&P BSE Bankex	17851.6	3.50%	10.05%
S&P BSE CD	11273.2	-2.92%	-2.49%
S&P BSE CG	12474.1	1.55%	4.48%
S&P BSE FMCG	7582.21	1.03%	5.35%
S&P BSE HC	15268.9	-4.52%	-1.31%
S&P BSE IT	11177.5	3.22%	4.89%
S&P BSE Metal	7433.25	-0.62%	8.25%
S&P BSE Oil & Gas	9029.32	3.24%	5.94%

Source: Reuters *Values as on Mar 18, 2016*

- On the BSE sectoral front, most of the indices closed in the green. S&P BSE Bankex topped the chart (3.50%), followed by S&P BSE Oil & Gas (3.24%) and S&P BSE IT (3.22%). Banking sector gained on hopes of a rate cut by RBI in the upcoming policy review.
- S&P BSE Healthcare stood as the major laggard (-4.52%), followed by S&P BSE Consumer Durables (-2.92%) and S&P BSE Metal (-0.62%). Healthcare stocks fell after the Government imposed a ban on about 300 fixed dose combination drugs.

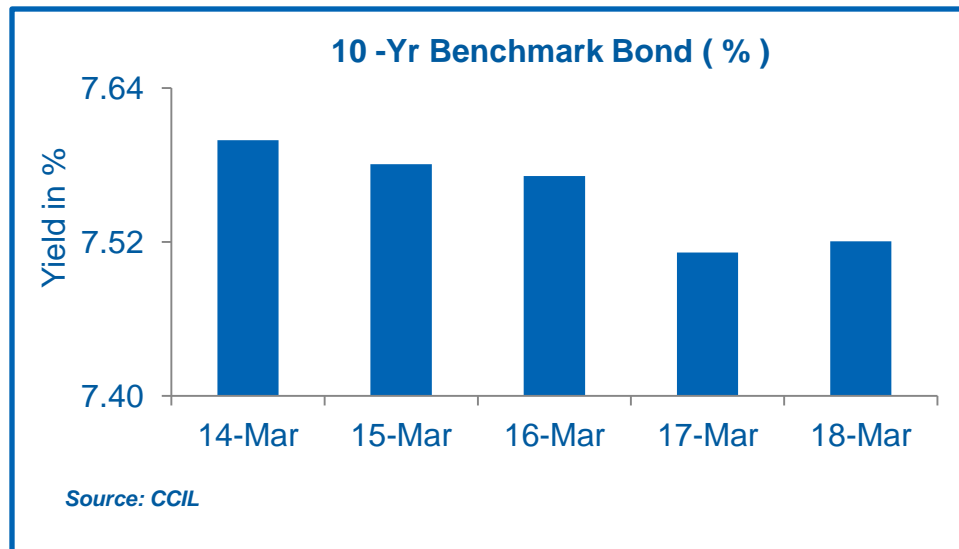
Indian Derivatives Market Review

- Nifty Mar 2016 Futures were at 7,605.30 points, a premium of 0.95 points, over the spot closing of 7,604.35 points. The turnover on NSE's Futures and Options segment stood at Rs. 12.30 lakh crore during the week to Mar 18 compared with Rs. 9.21 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.99, compared with the previous week's close of 0.91.
- The Nifty Put-Call ratio stood at 0.99, compared with the previous week's close of 0.96.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.81	6.53	6.84	7.38
91 Day T-Bill	7.22	7.24	7.32	7.47
08.27% 2020 , (5 Yr GOI)	7.61	7.71	7.73	7.84
07.59% 2026, (10 Yr GOI)	7.52	7.63	7.74	--

Source: Reuters Values as on Mar 18, 2016



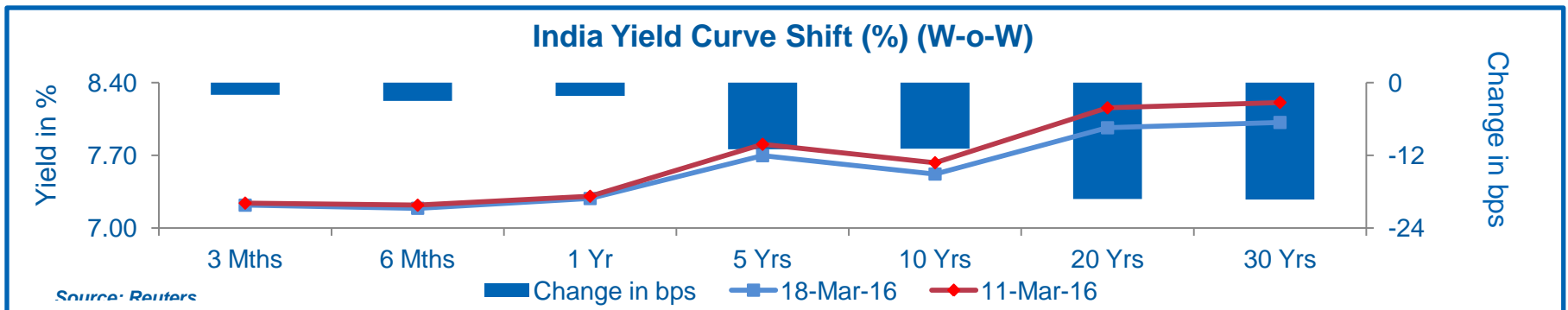
- Bond yields fell continuously on hopes of monetary easing by the Reserve Bank of India (RBI) after retail inflation fell to a four-month low in Feb 2016. Yields continued to drop as sentiments improved after the open market operations (OMO) were conducted successfully.
- Yield on 10-year benchmark bond 7.59% GS 2026 dropped 11 bps to close at 7.52% compared with the previous week's close of 7.63%.
- Banks' net average borrowings under RBI's Liquidity Adjustment Facility plunged to Rs. 535.90 crore (for Friday, only repo session considered), from previous week's borrowing of Rs. 9,552.25 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.41	7.99	58
3 Year	7.64	8.07	43
5 Year	7.88	8.29	41
10 Year	7.76	8.38	62

Source: Reuters Values as on Mar 18, 2016

- Yields on gilt securities declined across maturities in the wide range of 2 bps to 19 bps.
- In line with gilt securities, corporate bond yields also plunged on entire maturities in the range of 13 bps to 21 bps. The highest change was witnessed on 1- and 2-year maturities.
- Difference in spread between AAA corporate bond and gilt contracted on 1 to 10 years' maturities by up to 20 bps, while expanded on 15-year maturity by 1 bps.



Regulatory Updates in India

- ❑ Securities and Exchange Board of India (SEBI) allowed foreign portfolio investors (FPIs) to invest in units of Real Estate Investment Trusts (REITs), InvIts (Infrastructure Investment Trusts), and Category-III Alternative Investment Funds (AIFs). SEBI also allowed them to acquire corporate bonds under default. SEBI mandated that investments by FPIs in such bonds should be within Rs. 244,323 crore.
- ❑ The Finance Minister ruled out the rollback of 1% excise on non-silver jewellery. The objective is to align gold with Goods and Services Tax, which the minister anticipates to soon turn into reality. The minister also clarified that 1% levy on non-silver articles would be applicable only for jewellers with turnover of Rs. 12 crore and will not imply on small traders.
- ❑ The Reserve Bank of India (RBI) has asked banks to pay interest on savings bank accounts on a quarterly basis or shorter duration. The move will benefit the savings account holders. Presently, interest is credited in savings bank accounts on a half-yearly basis.
- ❑ The Government could tighten laws on loan defaulters by recognising wilful default as a criminal offence under the Indian Penal Code. The Government might define timelines to restrict the defaulters from availing any benefit from the debt recovery tribunals. The Government may also bring provisions that will enable banks to acquire more than 30% in companies which have defaulted in payments.

Regulatory Updates in India (contd..)

- ❑ The Central Board of Direct Taxes eased the tax framework in order to attract offshore fund management in the country. The new rule will become effective from Apr 1.
- ❑ The Finance Minister proposed fresh amendments to the Companies Act, 1956. The minister is considering doing away with the restriction of routing funds through only two layers of investment companies and seeking approval for managerial remuneration. The Government is also mulling to ease rules for private placement of shares and bringing more clarity in spending and functioning of CSR panels.
- ❑ RBI governor opined that India's industrial production growth data was disappointing. The central bank chief acknowledged that the country's economy is recovering, but the process is a bit volatile. He also mentioned that the recovery is not strong and sustainable, leaving room for rate cuts in the monetary policy review in the coming month.
- ❑ The Reserve Bank of India (RBI) has discontinued the provision where banks had to submit data pertaining to NEFT transactions by non-account holders. However, RBI added that banks would need to maintain relevant records regarding the same and urged them to educate its staff regarding the process.
- ❑ According to the Finance Ministry, the Government will borrow Rs. 3.55 trillion (\$53.43 billion) through bonds in the period from Apr 2016 to Sep 2016. This will account 59% of the borrowing plan for the next fiscal year.

Global News/Economy

- According to the Organization for Economic Co-operation and Development, the real Gross Domestic Product (GDP) growth in the G20 countries grew at a slower pace in the last quarter of 2015. The growth rate eased to 0.7% (QoQ) from 0.8% recorded in the four prior quarters. Sequentially, Japan witnessed a contraction in GDP, while slowing growth was noticed in China, India, and the U.S. On an annual basis, GDP growth for the G20 group stood at 3.0% in the Dec quarter of 2015, slightly lower than 3.1% in the previous quarter.
- The Federal Reserve (Fed) kept its benchmark interest rate unchanged citing concerns over global economic health. Despite hinting at hiking rates in Dec 2015, the policymakers refrained from taking any bold step owing to low inflation level, slowing Chinese economy, and volatility in stock market. The central bank was positive on a strengthening labour market, but was wary regarding the inflation rate that is still below the targeted level of 2%. The Fed expects the U.S. economy to grow at a moderate pace. Considering the situation, the bank has suggested two rate hikes in 2016 instead of four announced earlier.
- Industrial production in the eurozone grew 2.1% MoM in Jan 2016 compared with 0.5% contraction in Dec 2015. On yearly basis, industrial output grew notably by 2.8%, contrary to a 0.1% fall in the previous month.
- Bank of Japan (BoJ) in its monetary policy review kept negative interest rate unchanged and refrained from raising its monetary stimulus. The central bank added that it will adopt additional easing measures, if needed, for achieving the price stability target.

Global Equity Markets

Global Indices			
Indices	18-Mar-15	1-Week Return	YTD Return
Dow Jones	17602.3	2.26%	2.64%
Nasdaq 100	4410.828	1.12%	-1.93%
FTSE 100	6189.64	0.81%	1.58%
DAX Index	9950.8	1.22%	-3.23%
Nikkei Average	16724.81	-1.26%	-9.36%
Straits Times	2906.8	2.76%	2.50%

Source: Reuters Values as on Mar 18, 2016

Europe

- Most of the European markets went up as the favourable outcome of the Fed's latest monetary policy meeting boosted investor sentiments. Buying interest found additional support as official data showed that the eurozone's construction output increased at the fastest pace in nearly four years in Jan 2016.

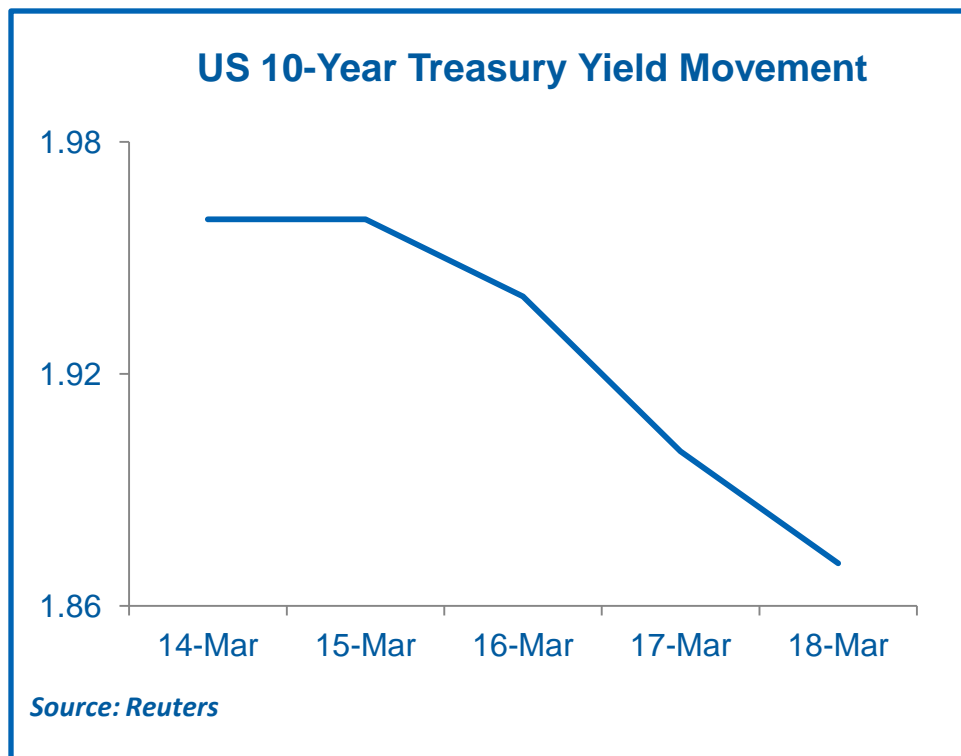
Asia

- Buying interest was seen in Asian markets after data showed that core machinery orders in Japan surged in Jan 2016 from the preceding month. Risk appetite of the investors increased as Chinese Premier defended the nation's economic policies and assured further reforms to boost economy. The upturn was restricted as Bank of Japan downgraded its view on the economy and inflation expectations.

U.S.

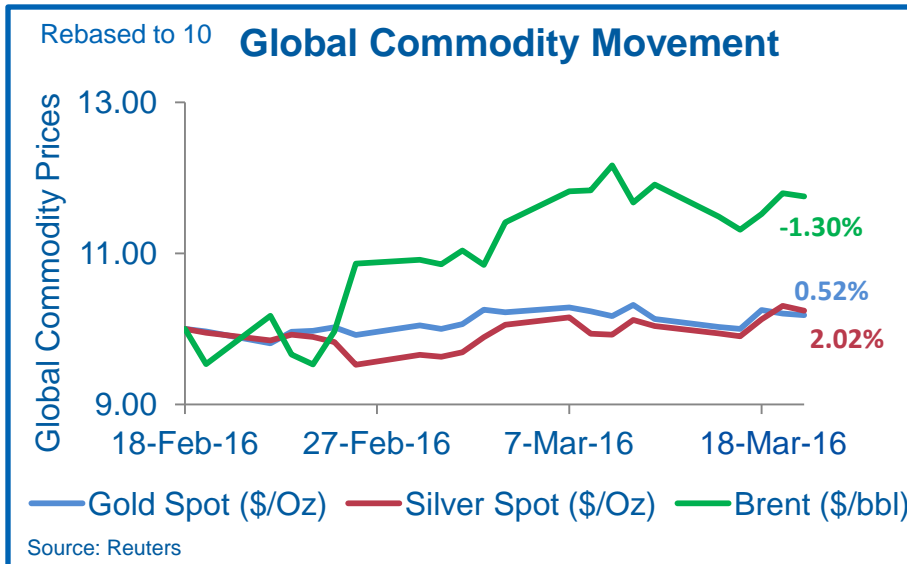
- U.S. markets witnessed gains during the week as investors took positive cues from the U.S. Federal Reserve's decision to maintain status quo in the key interest rates. Buying interest was also impacted by lower than expected recovery in initial jobless claims in the week ended Mar 12. Report from Conference Board showing uptick in index of leading economic indicators in Feb 2016 provided additional support.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 11 bps to close at 1.87%, compared with the previous week's close of 1.98%.
- The U.S. Treasury prices increased initially on sharp downward revision in U.S. retail sales for Jan 2016 despite lower than expected drop in Feb 2016.
- Gains retreated hardly despite surprise rise in core inflation for Feb 2016 in the U.S. region.
- Uptrend continued in the treasury prices after the U.S. Fed kept rates unchanged but revised its outlook to two rate hikes during the year from four projected earlier. Fed also raised concerns about the state of global financial markets.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	38.85	39.36
Gold (\$/Oz)	1254.59	1248.06
Gold (Rs/10 gm)	29080	29080
Silver (\$/Oz)	15.78	15.47
Silver (Rs/Kg)	36651	36651

Source: Reuters Values as on Mar 18, 2016

Gold

- Gold prices witnessed gains as the U.S. Fed decided to keep its key interest rates unchanged in its latest policy meeting. The upside was restricted as gains in the global equity markets dampened the safe haven appeal of the bullion to some extent.

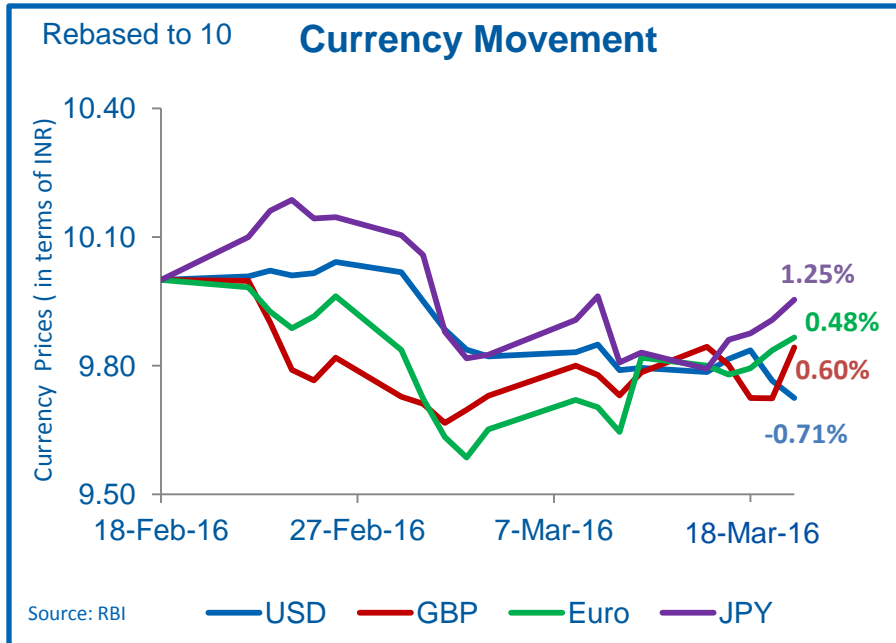
Crude

- Brent crude prices were hit following concerns over supply glut after Iran's oil minister declared to freeze output only after attaining the target of producing 4 million barrels per day. Increase in U.S. oil rig count for the first time since Dec further added to the woes.

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	66.61	67.09
Pound Sterling	96.32	95.75
EURO	75.30	74.94
JPY(per 100 Yen)	59.87	59.13

Source: RBI Figures in INR , Values as on Mar 18, 2016

Rupee

- The Indian rupee climbed up to its highest level since Jan 3 against the U.S. dollar after the Fed projected lower number of rate hikes during 2016.

Euro

- Euro strengthened against the U.S. dollar as the Fed, while keeping interest rates unchanged, projected two times rate hike during 2016.

Pound

- Pound initially weakened against the U.S. dollar but later gained after the Bank of England said interest rates are more likely to rise over the next three years.

Yen

- Yen surged against the U.S. dollar after the Bank of Japan kept interest rates steady.

The Week that was...
March 14 to March 18

The Week that was (Mar 14– Mar 18)

Day	Event	Present Value	Previous Value
Monday, March 14, 2016	India Consumer Price Inflation (Feb).	5.18%	5.69%
	India Wholesale Price Inflation (Feb).	-0.91%	-0.90%
	Euro Zone Industrial Production s.a. (MoM) (Jan).	2.10%	-0.50%
Tuesday, March 15, 2016	Bank of Japan Interest Rate Decision.	-0.10%	-0.10%
	Japan Industrial Production (MoM) (Jan).	3.70%	3.70%
	U.S. Retail Sales (MoM) (Feb).	-0.10%	-0.40%
Wednesday, March 16, 2016	U.S. Federal Reserve Monetary Policy Review.	0.50%	0.50%
	U.K. ILO Unemployment Rate (3M) (Jan).	5.10%	5.10%
	U.S. Industrial Production (MoM) (Feb).	-0.50%	0.80%
	U.S. Housing Starts (MoM) (Feb).	1.178M	1.120M
Thursday, March 17, 2016	Bank of England Interest Rate Decision.	0.50%	0.50%
	Euro Zone Consumer Price Index (YoY) (Feb).	0.20%	-1.40%
	U.S. Initial Jobless Claims (Mar 11).	265K	258K
Friday, March 18, 2016	U.S. Michigan Consumer Sentiment Index (Mar) Preliminary.	90	91.7
	Germany Producer Price Index (MoM) (Feb).	-0.50%	-0.70%

The Week Ahead...
March 21 to March 25

The Week Ahead

Day	Event
Monday, Mar 21	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Existing Home Sales Change (MoM) (Feb). <input type="checkbox"/> Euro Zone Consumer Confidence (Mar)Preliminary. <input type="checkbox"/> U.S. Chicago Fed National Activity Index (Feb).
Tuesday, Mar 22	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Mar)Preliminary. <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Mar)Preliminary. <input type="checkbox"/> U.S. Markit Manufacturing PMI (Mar)Preliminary.
Wednesday, Mar 23	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. MBA Mortgage Applications (Mar 18). <input type="checkbox"/> U.S. New Home Sales Change (MoM) (Feb).
Thursday, Mar 24	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Initial Jobless Claims (Mar 18). <input type="checkbox"/> U.K. Retail Sales (MoM) (Feb). <input type="checkbox"/> Germany Gfk Consumer Confidence Survey (Apr).
Friday, Mar 25	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Economic Index (Jan). <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q4). <input type="checkbox"/> U.S. Personal Consumption Expenditures Prices (QoQ) (Q4).

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