

News U Can Use

March 24, 2017

The Week that was...
20th March to 24th March

Indian Economy

- ❑ Data from RBI showed that India's current account deficit (CAD) widened to \$7.9 billion (1.4% of GDP) in Q3 of FY17 from \$3.4 billion (0.6% of GDP) in the preceding quarter and \$7.1 billion (1.4% of GDP) in the same quarter of the previous fiscal. CAD widened despite a slightly lower trade deficit YoY, primarily due to decline in net invisibles receipts. Net services receipts moderated YoY, which can be attributed to the fall in earnings from software, financial services, and charges for intellectual property rights.
- ❑ Market regulator Securities and Exchange Board of India (SEBI) has published its first annual accounts statement. According to the statement, surplus rose from Rs. 203.50 crore in FY15 to Rs. 356.19 crore in FY16. The total income jumped to Rs. 601.67 crore in FY16 from Rs. 513.17 crore in FY15.
- ❑ Food Safety and Standards Authority of India (FSSAI) has issued a new norm where the imported food items will not be cleared from the customs unless it has a valid shelf life of not less than 60% at the time of import. Shelf life is the period between the manufacturing date and the 'Best Before' or 'Date of expiry', whichever is earlier, as printed on the label. The FSSAI has also notified the Food Safety and Standards (Import) Regulation 2017, making it obligatory for importers to obtain its license.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Mar-17	1 Week Return	YTD Return
S&P BSE Sensex	29421.40	-0.77%	10.63%
Nifty 50	9108.00	-0.57%	11.35%
S&P BSE Mid-Cap	13849.18	-0.32%	14.16%
S&P BSE Small-Cap	14077.61	0.46%	15.48%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.45	23.65	30.21	64.81
P/B	2.93	3.45	2.49	2.23
Dividend Yield	1.40	1.22	1.26	0.75

Source: BSE, NSE

Value as on March 24, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
20-Mar-17	795	863	0.92
21-Mar-17	588	1072	0.55
22-Mar-17	477	1192	0.40
23-Mar-17	1087	567	1.92
24-Mar-17	798	838	0.95

Source: NSE

- Indian equity markets remained under pressure because of weak cues from different sectors. Stocks of software service exporters were hit after a major company in the IT sector reported layoff of at least 10,000 jobs owing to shift in focus from traditional IT services to digital.
- Selling pressure was also witnessed in the stocks of a major telecom company following the news of its amalgamation with one of its industry counterparts.
- Meanwhile, bourses recouped some of its losses on the last trading session of the week after the finance minister assured the banking industry of a solution to tackle the non-performing asset crisis in the next few days.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22005.94	-1.13%	1.16%
S&P BSE Bankex	24061.02	-0.37%	0.99%
S&P BSE CD	14464.49	-0.29%	5.34%
S&P BSE CG	16082.50	-0.04%	4.86%
S&P BSE FMCG	9202.39	-0.05%	4.10%
S&P BSE HC	15357.22	-0.81%	0.10%
S&P BSE IT	10438.11	-1.39%	0.57%
S&P BSE Metal	11859.30	-0.14%	-0.13%
S&P BSE Oil & Gas	13462.19	0.30%	-1.19%
S&P BSE Power	2235.40	0.30%	1.39%
S&P BSE Realty	1589.02	2.31%	7.62%

Source: Reuters *Value as on March 24, 2017*

- ❑ On the BSE sectoral front, barring S&P BSE Realty, S&P BSE Oil & Gas and S&P BSE Power, all the indices closed in the red.
- ❑ S&P BSE Teck was the major laggard, followed by S&P BSE IT and S&P BSE Auto.
- ❑ S&P BSE Healthcare and S&P BSE Bankex dropped 0.81% and 0.37%, respectively. The realty sector rose on hopes of additional capital inflow as India is seen as a preferred investment destination for global investors.

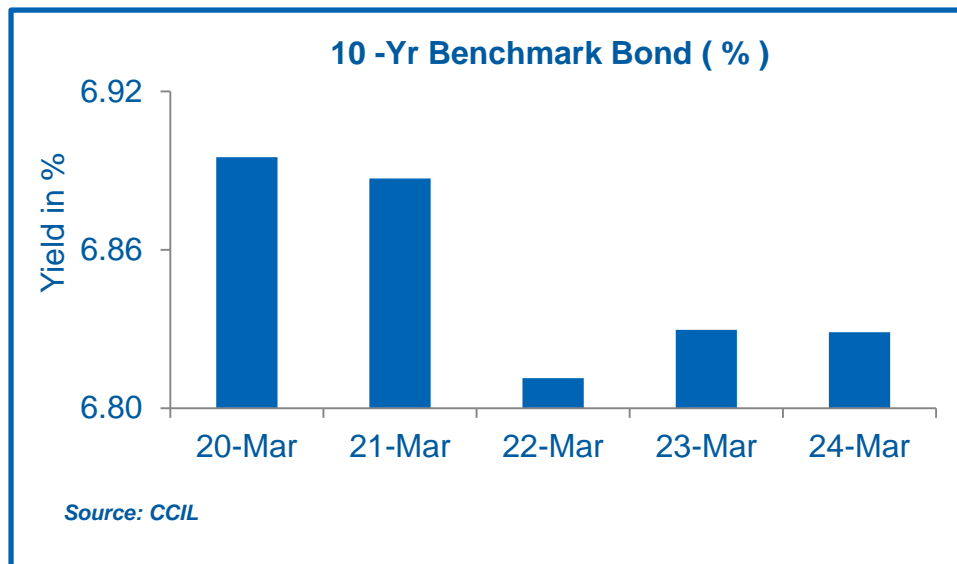
Indian Derivatives Market Review

- ❑ Nifty Mar 2017 Futures were at 9,118.30, a premium of 10.30 above the spot closing of 9,108.00. The turnover on NSE's Futures and Options segment stood at Rs. 22.68 lakh crore during the week to Mar 24, compared with Rs. 17.62 lakh crore during the week to Mar 17.
- ❑ The Put-Call ratio stood at 0.98, compared with the previous week's close of 0.89.
- ❑ The Nifty Put-Call ratio stood at 1.06, compared with the previous week's close of 1.14.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.88	6.03	5.92	6.42
91 Day T-Bill	5.86	5.95	6.13	6.52
7.80% 2021, (5 Yr GOI)	6.74	6.83	6.75	6.89
6.97% 2026, (10 Yr GOI)	6.83	6.86	6.91	6.80

Source: Reuters Value as on March 24, 2017



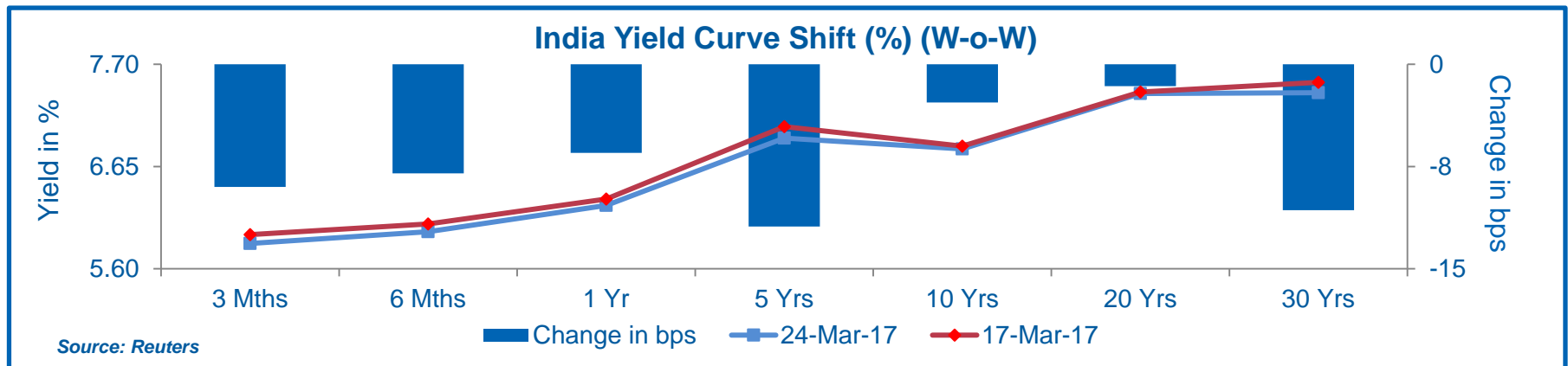
- Bonds yield fell during the week under review following decline in U.S. Treasury yields as market participants became sceptical that the new U.S. President's pro-growth policies, including financial deregulation, would be implemented soon, which boosted the demand for emerging market debt. Expectations that the U.S. Federal Reserve will be less aggressive in increasing interest rates also supported market sentiment.
- However, gains were capped as market participants remained on the sidelines and awaited outcome of the government's meeting with banks. The government is expected to discuss on implementing a new framework called 'standing deposit facility' that would drain surplus cash from banks.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.34	6.97	63
3 Year	6.66	7.36	70
5 Year	7.01	7.53	52
10 Year	7.14	7.78	64

Source: Reuters Value as on March 24, 2017

- Yields on gilt securities fell across the maturities in the range of 2 bps to 13 bps, barring 24-year paper that closed steady.
- Corporate bond yields fell across the maturities in the range of 2 bps to 16 bps.
- Spread between AAA corporate bond and gilt expanded across 1-year paper and 3 to 6 years' maturities in the range of 2 bps to 7 bps. Spread across the remaining maturities contracted in the range of 3 bps to 11 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has issued draft master circular for revised Pre-paid Payment Instruments (PPI) norms. The central bank has ordered all prepaid payment licence holders to convert their minimum Know Your Customer (KYC) wallet accounts into full KYC account by Jun 30. RBI also said that all entities under the Payments and Settlement Systems Act 2007 should have a minimum net worth of Rs. 25 crore as per the last audited balance sheet and should be maintained at all times.
- ❑ RBI has amended the norms on currency hedging to protect multi-national companies and their Indian subsidiaries from currency risks while making current account transactions. As per the new norm, transactions under currency hedging will be covered under a tripartite agreement involving the Indian subsidiary, its non-resident parent / treasury, and the bank. This agreement will include the exact relationship of the Indian subsidiary or entity with its overseas related entity, relative roles and responsibilities of the parties, and the procedure for the transactions, including settlement.
- ❑ The government expects the C-GST, I-GST, UT-GST and the GST Compensation laws to be approved in the current session of the Parliament, and the S-GST by each of the state legislatures soon. The Union cabinet had approved four supporting Goods and Service Tax (GST) bills – Compensation Law, the Central-GST (C-GST), Integrated-GST (I-GST), and Union Territory-GST (UT-GST) as well as the State-GST (S-GST).

Regulatory Updates in India (contd..)

- ❑ The Union cabinet has approved amendments in the Customs and Excise Act. The amendments will allow abolition of 16 cesses (including Krishi Kalyan and Swachh Bharat), surcharges, and service taxes on various goods and services. This will facilitate implementation of Goods and Services Tax (GST) from Jul 2017, but would also lead to a loss of about Rs. 65,000 crore by the exchequer. However, the government is hopeful that some of the losses would be covered from higher GST rates as more entities would enter the tax net.
- ❑ The Union cabinet has approved amendments to the National Bank for Agriculture and Rural Development (NABARD) Act, 1981. This includes increasing the authorized capital from Rs. 5,000 crore to Rs. 30,000 crore and to increase it beyond Rs. 30,000 crore in consultation with the Reserve Bank of India (RBI), if necessary from time to time. The cabinet also approved transfer of 0.4% equity of RBI in NABARD amounting to Rs. 20 crore to the government.
- ❑ Lok Sabha has passed the Finance Bill 2017. There were 40 amendments made to the bill. Some of the important amendments include capping legal cash transactions at Rs. 2 lakh from Apr 1 and making Aadhaar number mandatory for filing of Income Tax returns to curb tax evasion and frauds.

Global News/Economy

- ❑ Data from the U.S. Commerce Department showed that durable goods orders grew 1.7% in Feb 2017 after surging up by a revised 2.3% (originally reported 2.0%) in Jan 2017.
- ❑ Data from the U.S. Commerce Department showed that new home sales in U.S. grew 6.1% to an annual rate of 592,000 in Feb 2017 after increasing 5.3% to a revised 558,000 in Jan 2017. New home sales thus grew to their highest level since reaching an eight-year high of 622,000 in Jul 2017.
- ❑ Preliminary data from the purchasing managers' survey by IHS Markit showed that private sector activity in the euro zone expanded at the fastest pace in almost six years in Mar 2017. The composite output index rose to 56.7 in Mar 2017 from 56.0 in Feb 2017. The euro area services Purchasing Managers' Index (PMI) rose to 56.5 in Jan 2017 from 55.5 in Feb 2017.
- ❑ According to the Organisation for Economic Cooperation and Development (OECD), China's growth will drop to 6.5% this year from 6.7% in 2016 and might drop further to 6.3% next year. OECD warned that high and rising enterprise debt, expanding non-banking activities, and huge over-capacity in some sectors are risks to financial stability, and urged the government to focus more on structural reforms to tackle the same.

Global Equity Markets

Global Indices			
Indices	24-Mar-17	1-Week Return	YTD Return
Dow Jones	20596.72	-1.52%	3.60%
Nasdaq 100	5364.00	-0.83%	9.22%
FTSE 100	7336.82	-1.19%	2.72%
DAX Index	12064.27	-0.26%	4.02%
Nikkei Average	19262.53	-1.33%	-1.69%
Straits Times	3142.90	-0.84%	8.41%

Source: Reuters

U.S.

- U.S. markets traded cautiously as broader sentiment remained subdued ahead of the vote on the healthcare bill in the U.S. However, the bill was withdrawn on Friday amid indications of a lack of support.
- Sentiment dampened further as the finance ministers at the G20 meeting failed to agree on a commitment to keep global trade free and open.

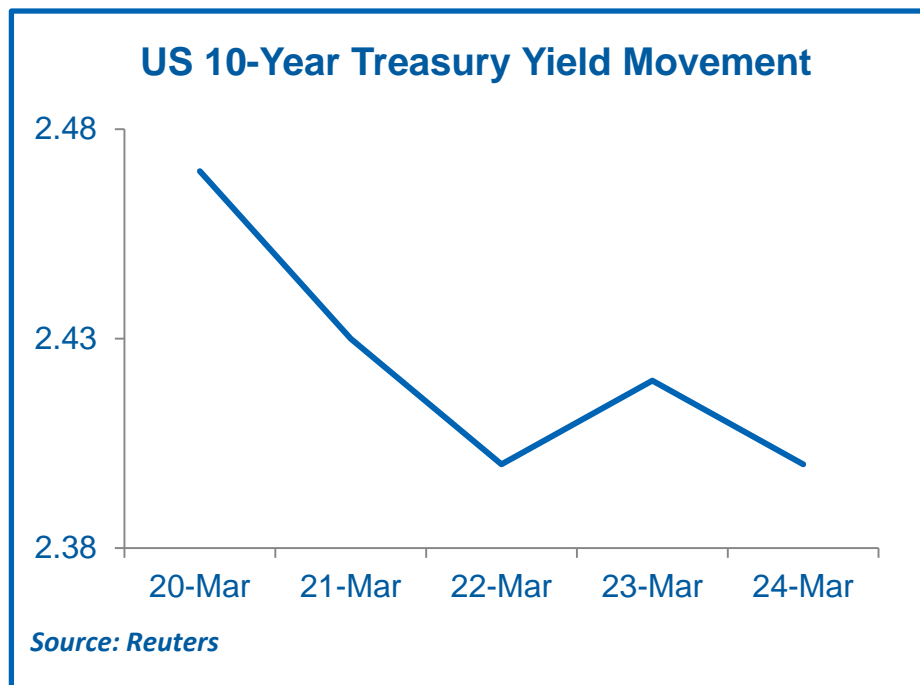
Europe

- European markets traded weak after the G20 finance ministers' meeting in Germany ended on a protectionist tone. Presidential debate in France and uncertainty about the passing of the new health-care bill in the U.S. further kept investors wary.

Asia

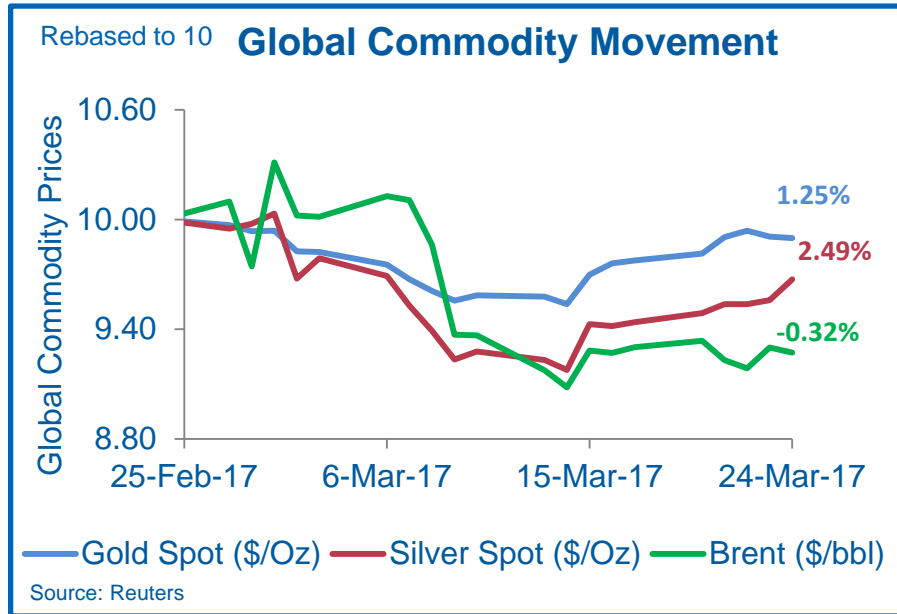
- Asian markets fell over the week on reports of geo-political concern in North Korea and worries over tightening liquidity in the Chinese banking system. Vote on key health-care bill in the U.S. also kept investors wary. Investors largely shrugged off better-than-expected Japanese trade data for February and the Bank of Japan's minutes from the January policy meeting.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 10 bps during the week to close at 2.40% compared with the previous week's close of 2.50%.
- U.S. Treasury prices rose as investors expected that the U.S. Federal Reserve (Fed) will aim for a slower pace of interest rate hikes this year, and lesser chances of any fiscal stimulus measures from the central bank.
- Prices rose further following losses in the U.S. equity market as investors were losing confidence on U.S. President's pro-growth policies, making U.S. government bonds attractive.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.91	50.07
Gold (\$/Oz)	1243.80	1228.40
Gold (Rs/10 gm)	28787	28487
Silver (\$/Oz)	17.75	17.32
Silver (Rs/Kg)	40990	40737

Source: Reuters Value as on March 24, 2017

Gold

- Gold prices traded higher during the week, majorly due to the ongoing concerns over U.S. President's policy reforms, infrastructure spending, and tax-cut measures, which have raised the safe haven appeal of the metal.

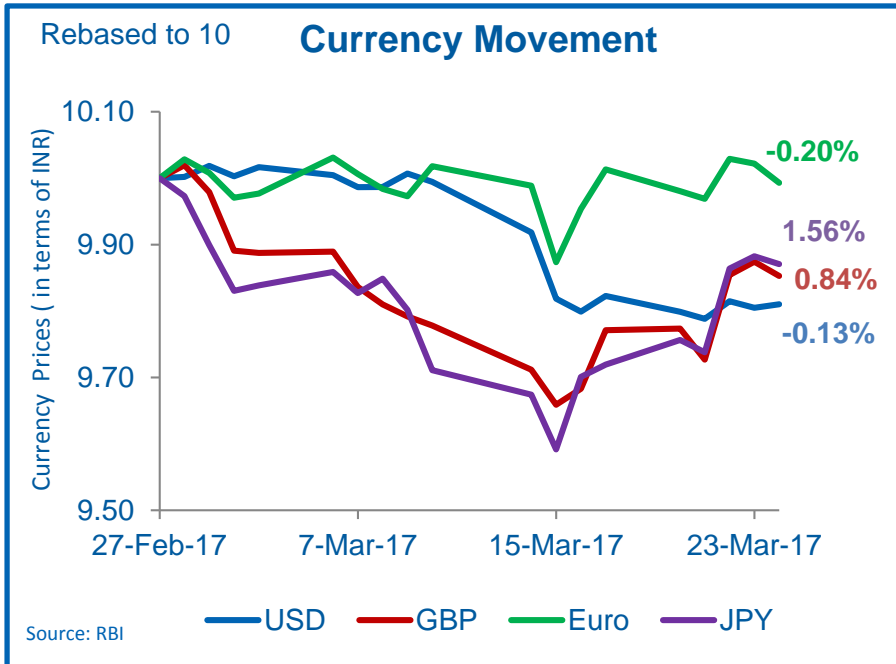
Crude

- Brent crude prices were impacted by major producers sticking to output cuts on the one hand and higher U.S. inventories and supply on the other. Sentiment dampened after data from oilfield services provider Baker Hughes showed that the number of active U.S. rigs increased by 14 in the week to Mar 17.

Baltic Dry Index

- The Baltic Dry Index remained flat during the week amid lack of any major triggers in the capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.46	65.54
Pound Sterling	81.67	81.00
EURO	70.47	70.61
JPY(per 100 Yen)	58.74	57.84

Source: RBI Figures in INR , Value as on March 24, 2017

Rupee

- Indian rupee rose against the U.S. dollar after the U.S. Federal Reserve (Fed) indicated gradual rate hikes this year and selling of greenback by foreign banks and exporters.

Euro

- Euro rose against the greenback following Fed's less hawkish comments on rate hike and expectation of positive outcome of upcoming French Presidential election.

Pound

- Sterling rose against the greenback after British inflation in Feb 2017 came above Bank of England's target of 2%, raising the chances of interest rate hike.

Yen

- Yen surged against the greenback after Fed did not indicate a faster pace of monetary tightening in 2017 and on doubts over U.S. President's ability to push through policy reforms and tax cuts.

The Week that was...
20th March to 24th March

The Week that was (Mar 20 – Mar 24)

Date	Events	Present Value	Previous Value
Monday, March 20, 2017	Germany Producer Price Index (MoM) (Feb)	0.20%	0.70%
	U.K. Rightmove House Price Index (MoM) (Feb)	1.30%	2.00%
Tuesday, March 21, 2017	U.K. Retail Price Index (MoM) (Feb)	1.10%	-0.60%
	U.K. Consumer Price Index (YoY) (Feb)	2.30%	1.80%
	U.K. DCLG House Price Index (YoY) (Feb)	6.20%	7.20%
Wednesday, March 22, 2017	Japan All Industry Activity Index (MoM) (Jan)	0.10%	-0.30%
	U.S. MBA Mortgage Applications (Mar 17)	-2.70%	3.10%
	U.S. Existing Home Sales Change (MoM) (Feb)	-3.70%	3.30%
Thursday, March 23, 2017	Germany Gfk Consumer Confidence Survey (Apr)	9.8	10.0
	U.K. Retail Sales (MoM) (Feb)	1.40%	-0.50%
	U.S. Initial Jobless Claims (Mar 17)	258K	243K
Friday, March 24, 2017	Germany Markit Manufacturing PMI (Mar) Preliminary	58.3	56.8
	Euro Zone Markit Manufacturing PMI (Mar) Preliminary	56.2	55.4
	U.S. Markit Manufacturing PMI (Mar) Preliminary	53.4	54.2
	U.S. Durable Goods Orders (Feb)	1.70%	2.30%

The Week Ahead...
March 27 to March 31

The Week Ahead

Day	Event
Monday, March 27, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany IFO - Business Climate (Mar) <input type="checkbox"/> U.S. Dallas Fed Manufacturing Business Index (Mar) <input type="checkbox"/> Euro Zone M3 Money Supply (YoY) (Feb)
Tuesday, March 28 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Wholesale Inventories (Feb) Preliminary <input type="checkbox"/> U.S. Markit Services PMI (Mar) Preliminary
Wednesday, March 29, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Government triggers Article 50 for Brexit <input type="checkbox"/> U.K. Mortgage Approvals (Feb) <input type="checkbox"/> U.S. Pending Home Sales (YoY) (Feb)
Thursday, March 30, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Economic Sentiment Indicator (Mar) <input type="checkbox"/> U.S. Initial Jobless Claims (Mar 24) <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q4) <input type="checkbox"/> Germany Consumer Price Index (YoY) (Mar) Preliminary
Friday, March 31, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Michigan Consumer Sentiment Index (Mar) <input type="checkbox"/> U.K. Gross Domestic Product (YoY) (Q4) <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Mar) Preliminary

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