

News U Can Use

March 25, 2016

The Week that was...
March 21 to March 25

Indian Economy

- According to data from the Reserve Bank of India, India's current account deficit (CAD) contracted to \$7.1 billion or 1.3% of gross domestic product (GDP) in the quarter ended Dec 2015 from \$7.7 billion or 1.5% of GDP during the corresponding period previous year and \$8.7 billion or 1.7% of GDP in the previous quarter. Decline in CAD was mainly due to fall in trade deficit as well as higher foreign exchange reserves and foreign direct investments. This was partially offset by net investment outflow and slowing growth in net services receipts. The trade deficit dropped to \$34 billion from \$38.6 billion and \$37.4 billion during the similar comparable periods. Cumulatively, CAD from Apr to Dec 2015 narrowed to 1.4% of GDP from 1.7% in the corresponding previous year period.
- According to the World Bank, India's per capita income might cross the Rs. 1 lakh-mark (\$1,500) for the first time, in FY17. Per capita income for the current fiscal is expected to be Rs. 93,231, up 7.3% from Rs. 86,879 recorded in the previous one.
- According to the yearly SBI Composite Index, India's manufacturing sector dropped to 49.5 in Mar 2016 from 51.3 recorded in Feb 2016. On the contrary, the monthly Index surged to 54.5 from 49.1 during the similar period. According to SBI Research, bank credit to domestic export sector has suffered due to fall in external demand.

Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Mar-16	1 Week Return	YTD Return
S&P BSE Sensex	25337.56	1.54%	-3.15%
Nifty 50	7716.5	1.47%	-3.10%
S&P BSE Mid-Cap	10524.47	2.18%	-6.41%
S&P BSE Small-Cap	10501.8	1.87%	-12.05%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.08	20.83	25.6	41.25
P/B	2.78	3.09	2.32	1.82
Dividend Yield	1.45	1.5	1.61	1.24

Source: BSE, NSE

Value as on Mar 23, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
21-Mar-16	989	595	1.66
22-Mar-16	843	717	1.18
23-Mar-16	759	783	0.97

Source: NSE

- Indian equity market gained over the week on increasing hopes of a rate cut by the Reserve Bank of India (RBI) in its upcoming policy review after the Government reduced savings rate on small savings schemes.
- Significant buying in realty and capital goods stocks also supported the market.
- However, market participants remained cautious over geopolitical concerns after serial blasts in Brussels airport and a metro station on Mar 22.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17830.1	2.86%	11.17%
S&P BSE Bankex	18110.2	1.45%	17.48%
S&P BSE CD	11542.3	2.39%	2.43%
S&P BSE CG	12936.7	3.71%	14.07%
S&P BSE FMCG	7614.27	0.42%	8.27%
S&P BSE HC	15449.3	1.18%	1.51%
S&P BSE IT	11297.7	1.08%	8.64%
S&P BSE Metal	7643.19	2.82%	15.13%
S&P BSE Oil & Gas	9060.42	0.34%	8.94%

Source: Reuters *Values as on Mar 23, 2016*

- All the indices on the BSE sectoral front closed on a positive note. S&P BSE Capital Goods was the top gainer, followed by S&P BSE Auto and S&P BSE Metal. Metal sector witnessed gains following signs of revival in China's housing market and supply cuts by industry heavyweight in the overseas market which is likely to lift the copper prices.
- S&P BSE Consumer Durable and S&P BSE Bankex gained 2.39% and 1.45%, respectively.

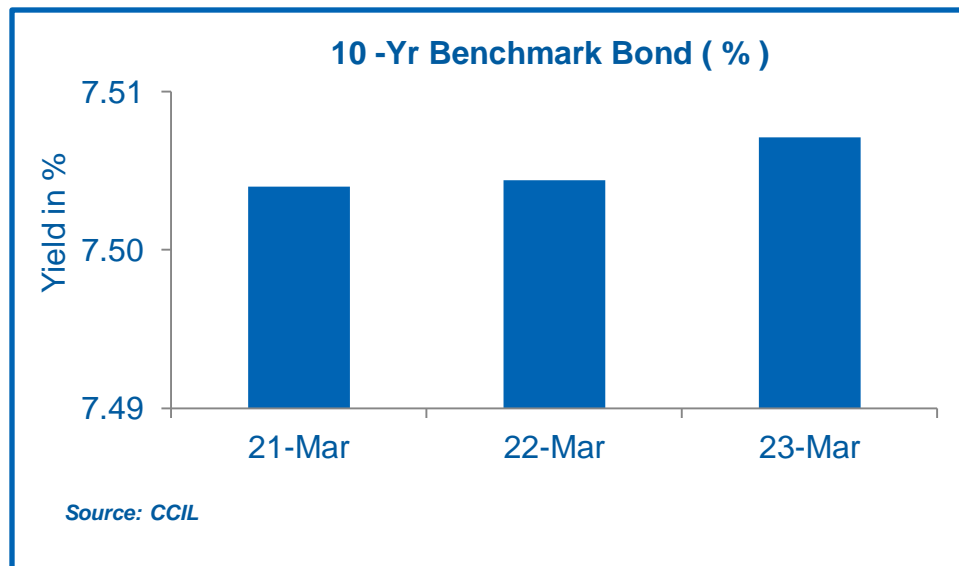
Indian Derivatives Market Review

- Nifty Mar 2016 Futures were at 7,736.30 points, a premium of 19.80 points, over the spot closing of 7,716.50 points. The turnover on NSE's Futures and Options segment stood at Rs. 9.35 lakh crore during the week to Mar 23 compared with Rs. 12.30 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.05, compared with the previous week's close of 0.99.
- The Nifty Put-Call ratio stood at 1.04, compared with the previous week's close of 0.99.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.94	6.81	6.67	6.92
91 Day T-Bill	7.21	7.22	7.31	7.40
08.27% 2020 , (5 Yr GOI)	7.56	7.61	8.00	7.86
07.59% 2026, (10 Yr GOI)	7.51	7.52	7.86	-

Source: Reuters Values as on Mar 23, 2016



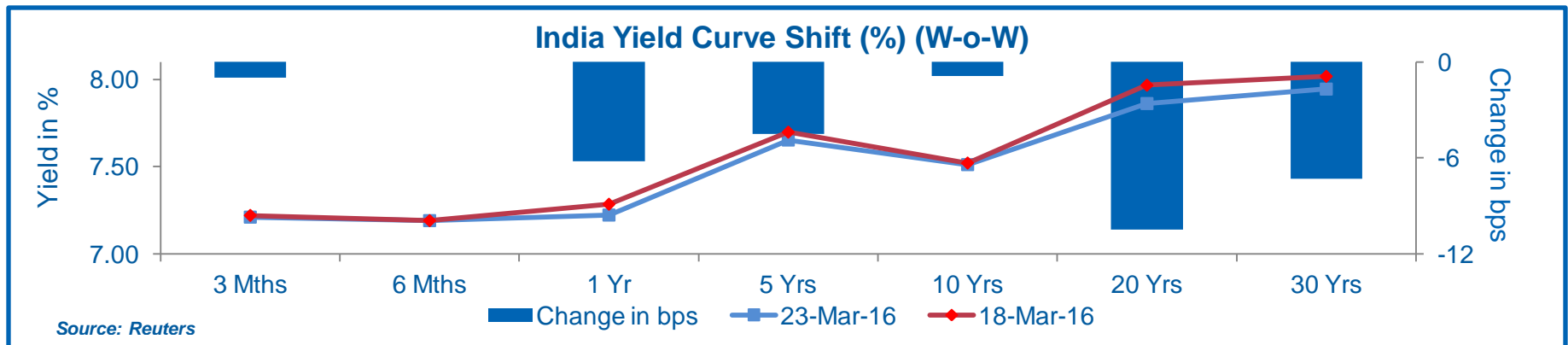
- Initially, bond yields went down on increasing hopes that the Reserve Bank of India (RBI) might ease monetary policy in its upcoming meeting on Apr 5. However, gains were capped on profit booking and weak Indian rupee after multiple attacks in Brussels.
- Yield on 10-year benchmark bond 7.59% GS 2026 eased 1 bps to close at 7.51% compared with the previous week's close of 7.52%. It moved in a range of 7.47% to 7.53% during the week.
- Data from RBI showed that reserve money went up at an annualised rate of 12.5% in the week to Mar 18, compared with 12.6% a year earlier.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.35	7.99	64
3 Year	7.60	8.02	43
5 Year	7.83	8.19	36
10 Year	7.75	8.29	54

Source: Reuters Values as on Mar 23, 2016

- Yields on gilt securities declined across maturities in the range of 1 bps to 11 bps, barring 13- and 14-year maturities where yields increased by 1 bps each.
- In line with gilt securities, corporate bond yields also plunged on entire maturities in the range of 4 bps to 10 bps, except on 1-year paper where yields remained constant.
- Spread between AAA corporate bond and gilt contracted on most of the maturities by up to 11 bps.



Regulatory Updates in India

- ❑ Central Board of Direct Taxes (CBDT) has issued a notification that the capital gains tax will be computed from the date of acquisition of a capital asset such as bonds and debentures and not from the date of their conversion into shares. The move is expected to facilitate mergers and acquisitions and promote investments as there was dispute between revenue authorities and assesses.
- ❑ Union Cabinet approved national capital goods policy in a bid to boost the manufacturing sector and Make in India initiative. Government's aims to increase the domestic production of capital goods from Rs. 2.30 lakh crore in FY14-15 to Rs. 7.5 lakh crore by 2025.
- ❑ Union Cabinet has approved a 6% hike in dearness allowance (DA) for central Government employees and pensioners, with a retrospective effect from Jan 1. The move will benefit 50 lakh employees and 58 lakh pensioners as the DA will go up from the existing 119% to 125%. The rise will cost an additional Rs. 14,724.74 crore annually.
- ❑ Government has approved 15 foreign direct investment (FDI) proposals worth Rs. 7,262 crore, as recommended by the Foreign Investment Promotion Board. On the other hand, Cabinet Committee on Economic Affairs will assess the proposal of Yes Bank to raise its investment limit to 74.0% from the present 41.9% (without any sub-limits).

Regulatory Updates in India (contd..)

- To improve the ease of doing business in India, Corporate Affairs Ministry will soon implement a centralise system for completing process to register a new company within a day. The Ministry has set up the central registration centre (CRC), which will look into the disposal of e-forms and entire registration procedure.

Global News/Economy

- According to the U.S. Commerce Department, durables goods orders dropped 2.8% in Feb 2016 but were better than expected. The reading compares with an upwardly revised 4.2% gain in Jan 2016. The fall was partially due to weakness in the transportation sector that plunged 6.2% after surging 10.7% during the similar period.
- According to the U.S. Labour Department, initial jobless claims for the week ended Mar 19 grew 6,000 to 265,000, from the previous week's downwardly revised level of 259,000.
- According to Markit's flash survey, private sector activity in the eurozone continued to grow in Mar 2016. The composite output index grew to 53.7 in Mar from 53.0 in Feb 2016. The services Purchasing Managers' Index (PMI) and manufacturing PMI climbed to 54 and 51.4 in Mar, from 53.3 and 51.2 in Feb, respectively. All the readings were better than expected.
- The eurozone's current account surplus decline for a second straight month in Jan 2016 to EUR 25.4 billion from EUR 28.6 billion in Dec 2015.
- Markit's flash survey revealed that Japan's manufacturing activity deteriorated unexpectedly in Mar 2016, marking the first drop in the past 11 months. The Markit/ Nikkei Manufacturing PMI dropped to 49.1 in Mar from 50.1 in the previous month.

Global Equity Markets

Global Indices			
Indices	25-Mar-15	1-Week Return	YTD Return
Dow Jones*	17515.73	-0.49%	2.14%
Nasdaq 100*	4405.53	-0.12%	-2.05%
FTSE 100*	6106.48	-1.34%	0.21%
DAX Index*	9851.35	-1.00%	-4.20%
Nikkei Average	17002.75	1.66%	-7.85%
Straits Times	2847.39	-2.04%	0.40%

*Source: Reuters Values as on Mar 25, 2016 * data as on Mar 24, 2016*

Europe

- European markets fell during the week as weakness in the commodity prices, especially oil prices, pressurised the bourses. Investor sentiments dampened further following multiple attacks in Brussels. The downturn was restricted as flash estimates by Markit showed that eurozone private sector activity regained momentum in Mar 2016, driven by a pickup in the pace of service sector activity.

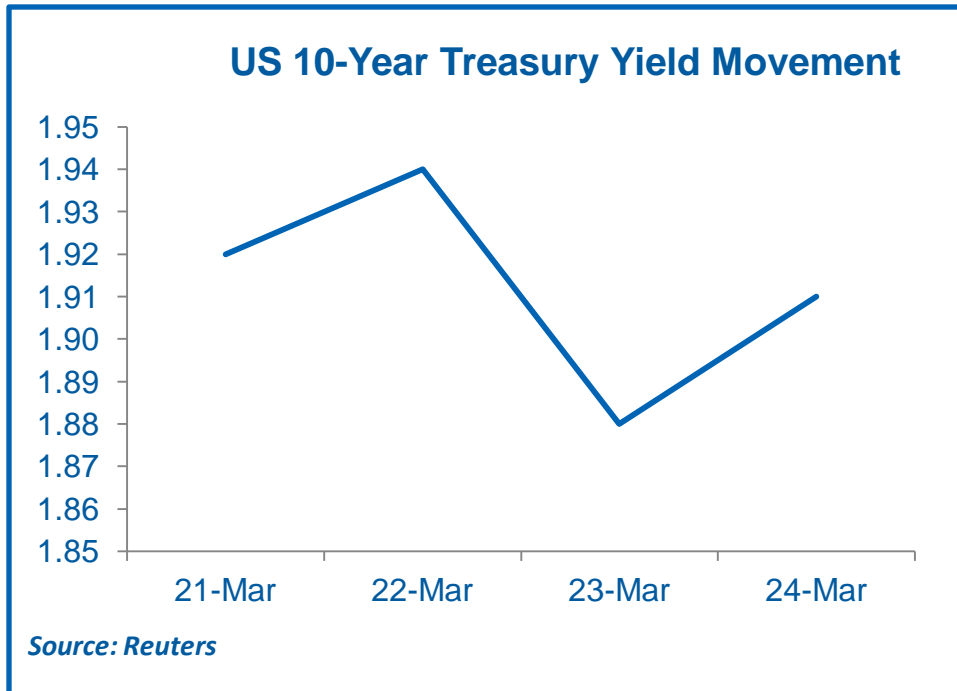
Asia

- Asian markets witnessed a mixed trend during the week. Buying interest was witnessed after Chinese market authorities hinted at relaxation of norms for margin trading and cut borrowing costs for brokerages. Fitch's warning on Chinese banks' profitability in 2016 did little to impact the buying interest. Bourses pared some of its gains following terrorist attack in Brussels.

U.S.

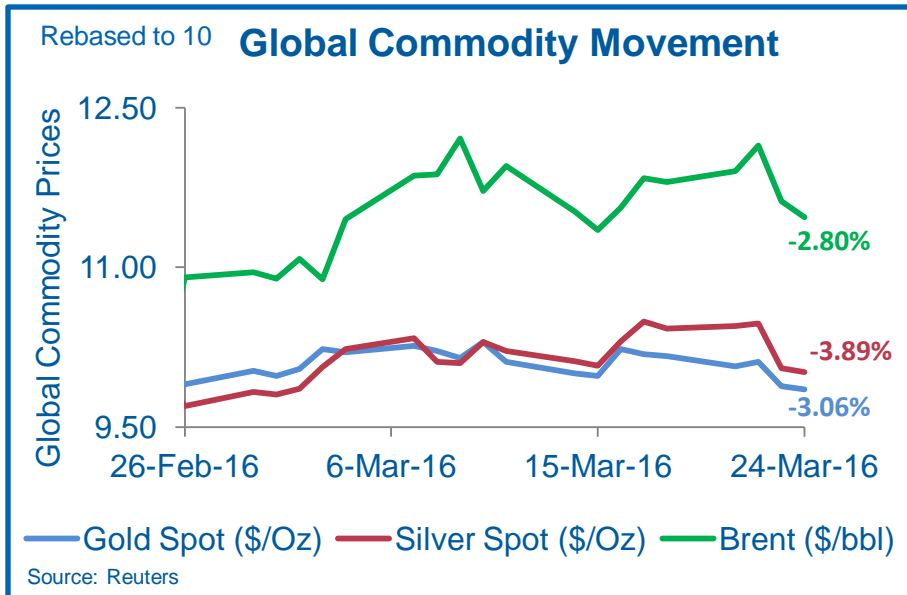
- U.S. markets remained under pressure during the week. Concerns over geo-political tension following terrorist attack in Brussels weighed on investor sentiments. Bourses took a further hit as weakness in crude oil prices triggered selling pressure in energy stocks. Crude oil prices fell after a report from Energy Information Administration showed a sharp jump in the weekly crude oil inventories.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield rose 4 bps to close at 1.91%, compared with the previous week's close of 1.87%.
- The U.S. Treasury prices dropped following the hawkish comments from the U.S. Federal Reserve officials that indicated possibility of interest rate hike in Apr 2016 meeting. One of the Fed officials made bullish comments on inflation and other one supported another rate hike in Apr meeting.
- However, losses almost reversed at the end as decline in oil prices and domestic equity markets improved the safe haven appeal of the U.S. treasuries.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	37.77	38.86
Gold (\$/Oz)	1216.19	1254.59
Gold (Rs/10 gm)*	29080	29080
Silver (\$/Oz)	15.166	15.78
Silver (Rs/Kg)*	36651	36651

Source: Reuters * data as on Mar 23,2016 Values as on Mar 24, 2016

Gold

- Gold prices were hit as comments by the U.S. Federal Reserve officials renewed hopes over probable rate hike in Apr 2016. The downturn was restricted to some extent as geopolitical tension due to attacks in Brussels supported the bullion's safe haven appeal.

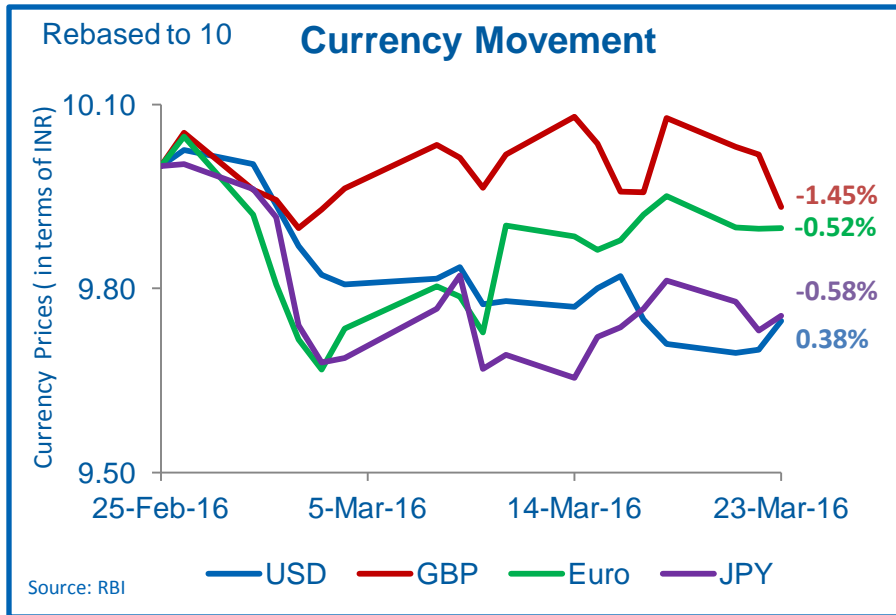
Crude

- Brent crude price gained initially amid optimism over meeting between the OPEC and non-OPEC producers to freeze oil output. However, gains were reversed following news of Libya planning to move out of the discussion to freeze oil output in Apr 2016 meeting.

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	66.86	66.61
Pound Sterling	94.93	96.32
EURO	74.91	75.30
JPY(per 100 Yen)	59.52	59.87

Source: RBI Figures in INR , Values as on Mar 23, 2016

Rupee

- The Indian rupee weakened initially against the U.S. dollar following higher greenback demand from banks and global risk aversion after the attacks in Brussels. However, losses were limited at the end on selling of the greenback ahead of the long weekend.

Euro

- Euro fell against the U.S. dollar after explosions in Brussels increased demand for safe haven currencies and assets.

Pound

- Pound plunged against the U.S. dollar on political uncertainty after last week's U.K. budget proposed cut in planned welfare.

Yen

- Yen weakened against the U.S. dollar following hawkish comments from the Fed officials that indicated possibility of interest rate hike in Apr 2016.

The Week that was...
March 21 to March 25

The Week that was (Mar 21– Mar 25)

Day	Event	Present Value	Previous Value
Monday, March 21, 2016	U.K. Rightmove House Price Index (MoM) (Mar)	1.30%	2.90%
	U.S. Chicago Fed National Activity Index (Feb)	-0.29	0.41
	Euro Zone Consumer Confidence (Mar)Preliminary	-9.70	-8.80
	U.S. Existing Home Sales Change (MoM) (Feb)	-7.10%	0.40%
Tuesday, March 22, 2016	Japan Nikkei Manufacturing PMI (Mar)Preliminary	49.1	50.1
	Euro Zone Markit Manufacturing PMI (Mar)Preliminary	49.6	50.2
	Euro Zone ZEW Survey - Economic Sentiment (Mar)	4.30	1.00
	U.S. Markit Manufacturing PMI (Mar)Preliminary	51.4	51.3
Wednesday, March 23, 2016	U.S. MBA Mortgage Applications (Mar 18)	-3.3%	-3.3%
	U.S. New Home Sales Change (MoM) (Feb)	2.0%	-7.0%
Thursday, March 24, 2016	U.K. Retail Sales (MoM) (Feb)	-0.40%	2.30%
	U.S. Initial Jobless Claims (Mar 18)	265K	259K
	U.K. BBA Mortgage Approvals (Feb)	45.892K	46.916K
	Germany Gfk Consumer Confidence Survey (Apr)	9.4	9.5
Friday, March 25, 2016	Japan Leading Economic Index (Jan)	101.80	101.30

The Week Ahead...
March 28 to April 01

The Week Ahead

Day	Event
Monday, Mar 28	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Personal Spending (Feb). <input type="checkbox"/> U.S. Goods Trade Balance (Feb). <input type="checkbox"/> U.S. Pending Home Sales (MoM) (Feb).
Tuesday, Mar 29	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Unemployment Rate (Feb). <input type="checkbox"/> U.S. Consumer Confidence (Mar). <input type="checkbox"/> Japan Retail Trade s.a (MoM) (Feb).
Wednesday, Mar 30	<ul style="list-style-type: none"> <input type="checkbox"/> Euro zone Consumer Confidence (Mar). <input type="checkbox"/> Euro zone Industrial Confidence (Mar). <input type="checkbox"/> Euro zone Economic Sentiment Indicator (Mar). <input type="checkbox"/> U.S. ADP Employment Change (Mar).
Thursday, Mar 31	<ul style="list-style-type: none"> <input type="checkbox"/> India government Fiscal Deficit, INR (Feb). <input type="checkbox"/> U.K. Gross Domestic Product (YoY) (Q4). <input type="checkbox"/> Euro zone Consumer Price Index (YoY) (Mar) Preliminary.
Friday, Apr 01	<ul style="list-style-type: none"> <input type="checkbox"/> China NBS Manufacturing PMI (Mar). <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Mar).

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