

News U Can Use

May 13, 2016

The Week that was...
9th May to 13th May

Indian Economy

- ❑ Government data showed that India's trade deficit narrowed for the fourth consecutive month to \$4.84 billion in Apr 2016 from \$5.07 billion in the previous month. Trade deficit figure thus marked the lowest level since Mar 2011. Exports fell for the 17th consecutive month by 6.74% to \$20.57 billion in Apr, while imports fell 23.10% to \$25.41 billion. Subdued gold demand due to jewellers' strike and a sharp rise in prices led to a 60.47% fall in gold imports to \$1.24 billion. On the other hand, fall in global crude oil prices reduced the oil import bill by 24.01% to \$5.66 billion in Apr.
- ❑ Government data showed that consumer price index (CPI) based inflation rose to 5.39% in Apr 2016 from 4.83% in Mar 2016 and 4.87% in the same month of the previous year. The consumer food price index also grew subsequently to 6.32% in Apr from 5.21% in Mar and 5.11% in the same period of the previous year. CPI under the pulses category stood at 34.13% in Apr, while that under fuel and light stood at 3.03%.
- ❑ Government data showed that the index of industrial production (IIP) rose to 0.1% in Mar 2016 compared with 2.0% in Feb 2016 and 2.5% in the same month of the previous year. The cumulative growth for FY16 stood at 2.4%. The manufacturing and mining sectors contracted 1.2% and 0.1%, respectively, while the electricity sector grew 11.3%. The capital goods sector also contracted 15.4% during the same period.

Indian Equity Market

Domestic Equity Market Indices			
Indices	13-May-16	1 Week Return	YTD Return
S&P BSE Sensex	25489.57	1.03%	-2.57%
Nifty 50	7814.9	1.05%	-1.86%
S&P BSE Mid-Cap	11156.07	1.74%	-0.79%
S&P BSE Small-Cap	11113.3	1.96%	-6.93%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.8	21.1	23.92	39.67
P/B	2.71	3.26	2.35	1.87
Dividend Yield	1.51	1.38	1.5	1.15

Source: BSE, NSE

Value as on May 13, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
09-May-16	757	778	0.97
10-May-16	601	939	0.64
11-May-16	1101	471	2.34
12-May-16	996	543	1.83
13-May-16	564	992	0.57

Source: NSE

- Indian equity markets gained early in the week as lower than expected U.S. non-farm payroll data for Apr led to optimism that the U.S. Federal Reserve might not increase interest rate. Bourses buoyed as the country's first national bankruptcy law was passed in the Rajya Sabha.
- Stability in global crude oil prices also helped sentiment. However, some set back was witnessed as investors' hope of rate cut by the Reserve Bank of India (RBI) dampened following higher than expected retail price inflation for Apr. Slowdown in the growth of industrial production in Mar added to investor woes. The modified Indo-Mauritius treaty also raised concerns over a huge outflow of foreign capital from the domestic economy.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18222.6	-0.27%	-2.81%
S&P BSE Bankex	19039.8	2.70%	2.68%
S&P BSE CD	11824.7	0.94%	1.12%
S&P BSE CG	13362.3	1.61%	0.99%
S&P BSE FMCG	7730.1	1.45%	-1.16%
S&P BSE HC	15432	0.45%	-0.40%
S&P BSE IT	11215.9	1.57%	-0.60%
S&P BSE Metal	7502.6	-2.21%	-2.01%
S&P BSE Oil & Gas	9170.3	-0.72%	-2.41%

Source: Reuters *Values as on May 13, 2016*

- On the BSE sectoral front, most of the indices closed in the green. S&P BSE Bankex (2.70%) topped the chart followed by S&P BSE Teck (1.71%) and S&P BSE Capital Goods (1.61%).
- S&P BSE Metal (-2.21%) was the major laggard followed by S&P BSE Oil & Gas (-0.72%) and S&P BSE Auto (-0.27%). Banking sector gained after the country's first national bankruptcy law was passed in the Rajya Sabha.

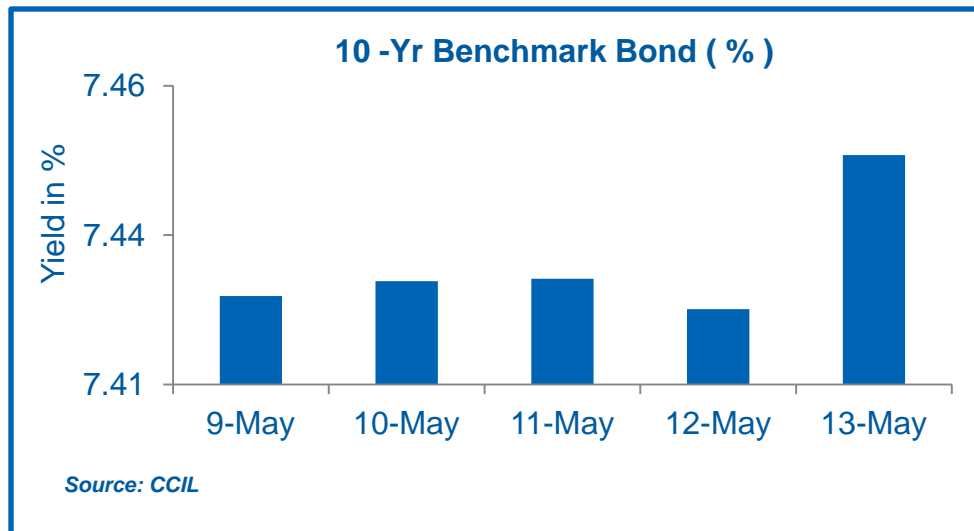
Indian Derivatives Market Review

- Nifty May 2016 Futures were at 7,830.55 points, a premium of 15.65 points, over the spot closing of 7,814.90. The turnover on NSE's Futures and Options segment stood at Rs. 12.29 lakh crore during the week to May 13, compared with Rs. 10.00 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.90, compared with the previous session's close of 0.77.
- The Nifty Put-Call ratio stood at 0.88, compared with the previous session's close of 0.80.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.48	6.39	6.38	6.75
91 Day T-Bill	6.83	6.82	6.80	7.12
08.27% 2020, (5 Yr GOI)	7.33	7.36	7.37	7.70
07.59% 2026, (10 Yr GOI)	7.45	7.44	7.44	--

Source: Reuters Values as on May 13, 2016



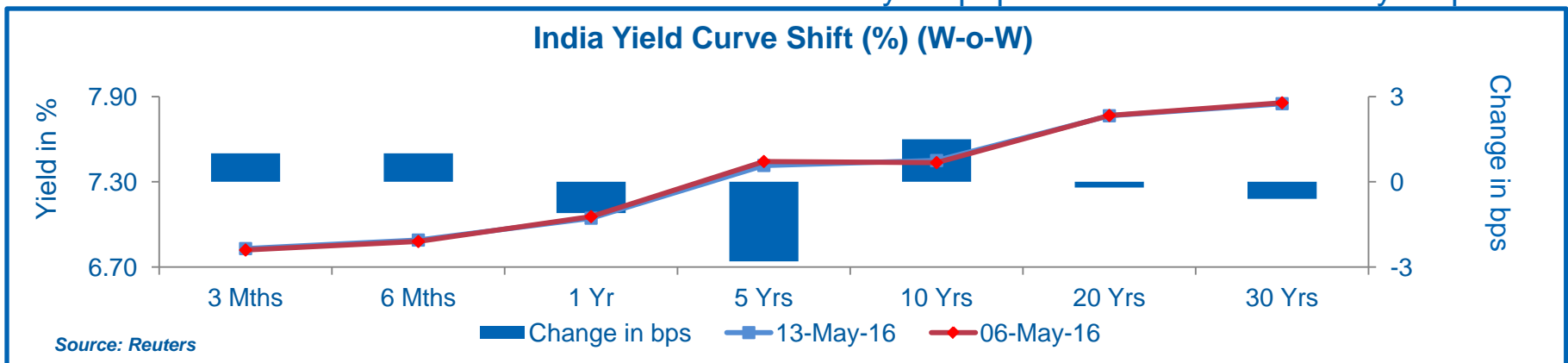
- Bond yields remained in a tight range during the week. Initially, it fell after the RBI injected liquidity into the system through Open Market Operations (OMO). However, the trend reversed after retail inflation grew at a faster-than-expected pace in Apr 2016, which lowered hopes of further monetary easing by RBI in its upcoming policy review in Jun 2016.
- Yield on 10-year benchmark bond (7.59% GS 2026) inched up 1 bps to close at 7.45% compared with the previous week's close of 7.44%.
- As per Scheduled Bank's Statement of Position in India for Apr 29, 2016, bank deposits grew 9.3% YoY, while bank credit witnessed a growth of 9.2%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.17	7.74	57
3 Year	7.37	7.93	56
5 Year	7.60	8.07	47
10 Year	7.71	8.18	47

Source: Reuters Values as on May 13, 2016

- Yields on gilt securities fell across maturities in the range of 1 bps to 3 bps, barring 10- and 24-year papers where yields increased by 2 bps and 1 bps respectively.
- Corporate bond yields increased across 1 to 3-year and 10-year maturities in the range of 1 bps to 12 bps, and fell across 5 to 7-year maturities in the range of 1 bps to 3 bps.
- Spread between AAA corporate bond and gilt expanded across most of the maturities in the range of 1 bps to 13 bps barring 6-year paper where it contracted by 1 bps.



Regulatory Updates in India

- ❑ Securities Exchange Board of India (SEBI) is likely to tighten the norms for participatory notes (P-notes) as part of efforts to check the flow of black money into stock markets. SEBI has also proposed that issuers should identify and verify those who hold P-Notes in excess of a predefined threshold - 25% in the case of companies and 15% for partnership firms or trusts. The regulator has further decided to propose that offshore derivative instruments be transferred only to subscriber entities eligible to invest in them as per Indian regulations.
- ❑ The Rajya Sabha has passed the Insolvency and Bankruptcy Code, 2016. The new law will replace all other law including the Companies Act that deals with distressed companies, their promoters, creditors, employees, and other stakeholders. The bankruptcy law will provide insolvency resolution in a timely manner, a 'Fresh Start' for debt-laden individuals under a certain threshold and temporary transfer of management of the troubled entity into the hands of resolution professionals, therefore promoting entrepreneurship and availability of credit.
- ❑ According to the Reserve Bank of India (RBI), banks have been restricted from imposing charges for non-maintenance of minimum balance. Customers can approach the banking ombudsman if banks continue to debit charges on zero balance.

Regulatory Updates in India (contd..)

- ❑ RBI proposed to tighten up lending to debt-laden companies. Banks will have to set aside more money if they provide extra loans to these companies with effect from FY18. The total exposure per borrower is capped at Rs. 25,000 crore, Rs. 15,000 crore, and Rs. 10,000 crore in FY18, FY19, and FY20, respectively. Any additional exposure to a single borrower above this limit during the given time frame will attract higher provisions and require additional capital.
- ❑ According to the finance minister, the Cabinet has approved India's first policy on intellectual property rights (IPR). All new inventions including music and industrial drawing that promotes growth in trade, commerce, and industry will be protected through IPR. The policy states the mechanism of trademark registration, which will be done in a month through an online platform.
- ❑ According to the Union Mines Secretary, the government has introduced a new National Mineral Exploration Policy that will allow private companies (including foreign companies) to take part in exploration work. The government looks to auction more blocks to expand mineral production in a new mining regime.
- ❑ According to the environment ministry, government has drafted a policy requiring small housing projects of area about 5,000 to 20,000 square metres to comply with environmental conditions like installation of natural drainage, water conservation, rainwater harvesting, and solid waste management.

Global News/Economy

- ❑ Preliminary data from Eurostat showed that Gross Domestic Product (GDP) of the eurozone economy rose 0.5% in the first quarter of 2016 compared with the previous quarter when the economy grew 0.3%. The growth rate was below market expectations. On a yearly basis, GDP of the eurozone economy eased marginally to 1.5% from 1.6% in the previous quarter.
- ❑ The Bank of England, in its unanimous vote, has retained its interest rate at record low of 0.50% and kept the size of its asset purchase unchanged at GBP 375 billion. Moreover, in its inflation report, the bank has downgraded growth outlook for 2016 to 2% from 2.2% estimated in Feb 2016. The projection for 2017 was also cut down to 2.3% from 2.4%.
- ❑ The survey of Sentix showed that eurozone investor sentiment index rose to 4-month high level at 6.2 in May 2016. Moreover, the current situation index came in at 7, up from 6 in Apr 2016 and investor confidence strengthened for the third consecutive month in May.
- ❑ The report from National Bureau of Statistics showed that the consumer price inflation in China increased 2.3% YoY in Apr 2016, while, producer prices dropped 3.4% YoY. On a monthly basis, consumer prices decline 0.2%, whereas producer prices went up 0.7%.
- ❑ A report from the U.S. Labor Department showed that initial jobless claims for the week ended May 7 grew 20,000 to 294,000 from the previous week's unrevised level of 274,000.

Global Equity Markets

Global Indices			
Indices	13-May-16	1-Week Return	YTD Return
Dow Jones	17535.32	-1.16%	2.25%
Nasdaq 100	4326.531	-0.08%	-3.81%
FTSE 100	6138.5	0.21%	0.74%
DAX Index	9952.9	0.84%	-3.21%
Nikkei Average	16412.21	1.90%	-11.05%
Straits Times	2734.91	0.15%	-3.56%

Source: Reuters

Europe

- European markets fell initially following mixed set of corporate quarterly earnings. Markets fell further after the Bank of England unanimously kept interest rates steady and cautioned that the decision to exit the European Union would lead to lowered economic growth and higher path of inflation. However, the trend reversed after the German economy registered its fastest growth in two years in the first quarter of 2016 on the back of domestic demand and investment.

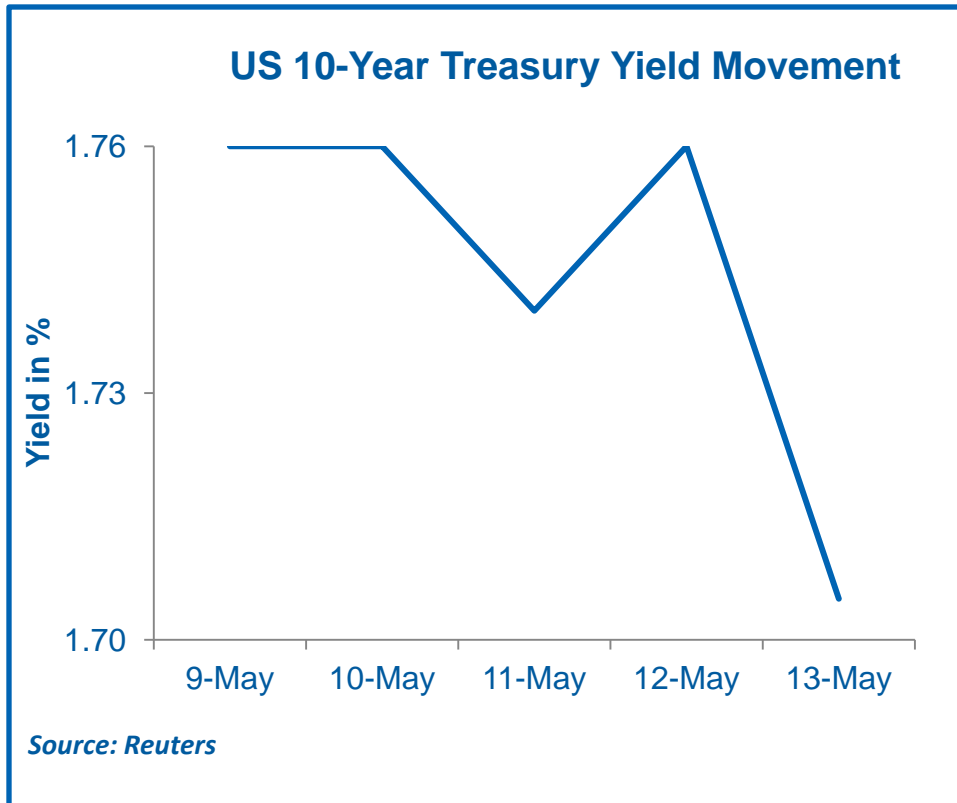
Asia

- Asian markets witnessed a mixed trend. Weak Chinese trade data and fall in Japan's consumer confidence in Apr weighed on sentiment. However, markets received some support after Chinese consumer price inflation remained steady for Apr 2016.

U.S.

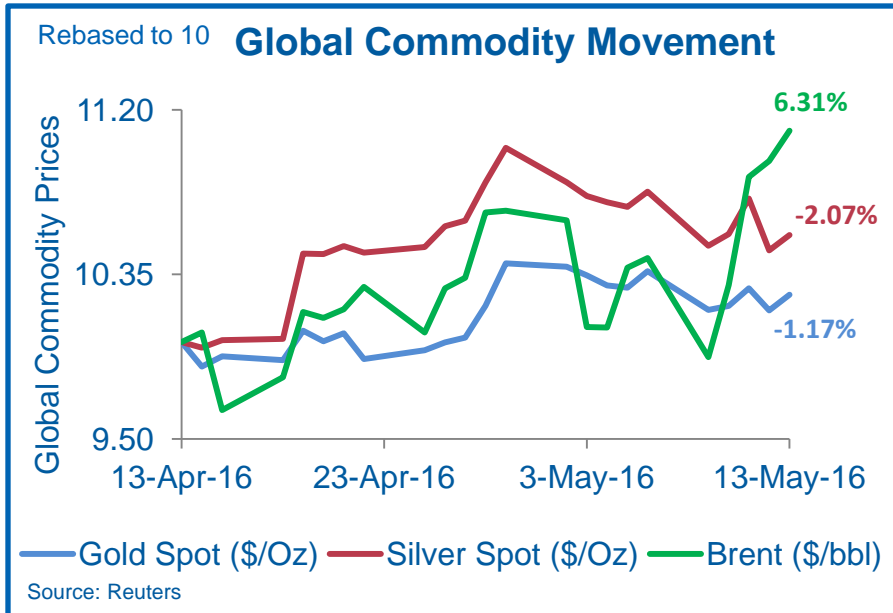
- U.S. markets fell over the week. Initially, investors remained cautious following weak Chinese trade data for Apr. Disappointing quarterly result from an entertainment giant further weighed on market sentiment. Losses were extended amid uncertainty over the interest rate outlook in the U.S. region which rose following upbeat U.S. retail sales data for Apr.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 7 bps to close at 1.71%, compared with the previous week's close of 1.78%.
- The U.S treasury prices rose initially on expectations that the Fed will not increase rates in Jun 2016 after jobs data for Apr 2016 came lower than expected.
- U.S. Treasury prices rose further after the U.S. economy reported a slower growth in the first quarter of 2016 and the consumer sentiment fell to a 7-month low in Apr 2016.
- The uptrend continued despite stronger than expected U.S. retail sales growth for Apr 2016 as investors hoped that the U.S. Fed will remain unperturbed by this upbeat data.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.04	44.25
Gold (\$/Oz)	1273.2	1288.3
Gold (Rs/10 gm)	29880	30003
Silver (\$/Oz)	17.09	17.452
Silver (Rs/Kg)	40408	40832

Source: Reuters Values as on May 13, 2016

Gold

- Gold prices witnessed initial pressure as investors believed that the U.S. employment data was not as disappointing as they had anticipated at first. Strength in the U.S. dollar against the euro further weighed on the bullion.

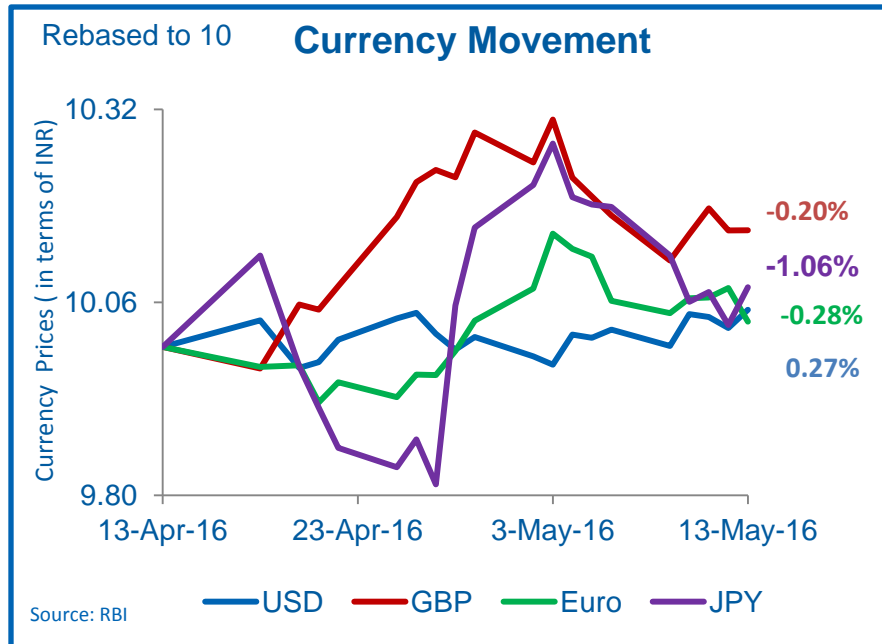
Crude

- Brent crude prices traded higher early in the week as Canadian wildfires and supply outages in Nigeria reduced daily oil production by 2.5 million barrels. A report from the U.S. Energy Information Administration indicating a rise in fuel consumption primarily in Asia, Middle East, and Africa nudged prices higher.

Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.76	66.58
Pound Sterling	96.16	96.35
EURO	75.72	75.93
JPY(per 100 Yen)	61.47	62.13

Source: RBI Figures in INR , Values as on May 13, 2016

Rupee

- Indian rupee ended lower against the U.S. dollar as comments from a Fed official renewed concern over a rise in interest rates in U.S. during the year.

Euro

- Euro fell against the U.S. dollar following weak economic data from euro zone for Mar. Upbeat U.S. retail sales for Apr 2016 and consumer sentiment for May 2016 accentuated losses in euro.

Pound

- Pound weakened against the U.S. Dollar on expectation that the U.S. Fed will increase interest rates ahead of other major central banks.

Yen

- Yen fell against the U.S. dollar on possibility that the Bank of Japan could expand its monetary stimulus as soon as next month.

The Week that was...
9th May to 13th May

The Week that was (May 9– May 13)

Day	Event	Present Value	Previous Value
Monday, May 9, 2016	Japan Consumer Confidence Index (APR)	40.8	41.7
Tuesday, May 10, 2016	U.S. Labor Market Conditions Index Change (APR)	-0.9	-2.1
	China Consumer Price Index (YoY) (APR)	2.3%	2.3%
Wednesday, May 11, 2016	China Producer Price Index (YoY) (APR)	-3.4	-4.3
	U.K Total Trade Balance (Pounds) (MAR)	-£3830	-£4301
	Bank of England Rate Decision (MAY 12)	0.50%	0.50%
	Bank of England Asset Purchase Target (MAY)	375B	375B
	German Gross Domestic Product w.d.a. (YoY) (1Q P)	1.6%	1.3%
Thursday, May 12, 2016	China New Yuan Loans CNY (APR)	555.6b	1370.0b
	Euro-Zone Gross Domestic Product s.a. (YoY) (1Q P)	1.5%	1.6%
Friday, May 13, 2016	U.S. Advance Retail Sales (APR)	1.3%	-0.4%
	U.S. U. of Michigan Confidence (MAY P)	95.8	89.0

The Week Ahead...
May 16 to May 20

The Week Ahead

Day	Event
Monday, May 16	<ul style="list-style-type: none"> <input type="checkbox"/> India WPI Inflation (APR) <input type="checkbox"/> Japan Machine Tool Orders (YoY) (APR P)
Tuesday, May 17	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (YoY) (APR) <input type="checkbox"/> U.S. Industrial Production (APR) <input type="checkbox"/> U.S. Consumer Price Index (YoY) (APR)
Wednesday, May 18	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Gross Domestic Product Annualized (1Q P) <input type="checkbox"/> Euro-Zone Consumer Price Index (YoY) (APR F)
Thursday, May 19	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Retail Sales (YoY) (APR) <input type="checkbox"/> U.S. Initial Jobless Claims (MAY 14) <input type="checkbox"/> Japan Machine Orders (YoY) (MAR)
Friday, May 20	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Existing Home Sales (MoM) (APR) <input type="checkbox"/> U.S. Baker Hughes U.S. Rig Count (MAY 20)

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