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November 24, 2017

The Week that was...

20th November to 24th November

Indian Economy

- A major global credit rating agency maintained its sovereign rating on India at 'BBB-', while keeping a stable outlook. The rating agency took a favorable view of the reformatory measures that the government has undertaken and added that forex reserves of the country will continue to go up and the Indian economy will witness robust growth in the period from 2018 to 2020. However, the rating agency warned that a sizable fiscal deficit, high net general government debt burden and a low per capita income could weigh on the sovereign credit profile of the country. In addition, the rating agency added that confidence and growth of the economy in 2017 were hit by the government's sudden demonetisation move in late 2016.
- The government has given infrastructure status to the logistics sector that covers cold chain and warehousing facilities. The Department of Economic Affairs has widened the category of infrastructure sub-sectors to "transport and logistics" as against the earlier sub-head of "transport". The move is expected to bring in more funding at competitive rates for these segments.
- One of the global credit rating agency expects improvement in the credit profiles of Indian corporates in 2018 as it expects disruptions related to Goods and Services Tax (GST) to come down. This would boost overall economic activities and help companies register better sales. The rating agency added that large cash balances and improving access to capital markets will help companies manage their refinancing needs better in 2018.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Nov-17	1 Week Return	YTD Return
S&P BSE Sensex	33679.24	1.01%	26.64%
Nifty 50	10389.7	1.03%	27.02%
S&P BSE Mid-Cap	16934.32	1.57%	39.59%
S&P BSE Small-Cap	18024.55	2.38%	47.86%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.85	26.59	44.79	88.02
P/B	3.06	3.50	2.96	2.58
Dividend Yield	1.16	1.07	0.81	0.62

Source: BSE, NSE Value as on Nov 24, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
20-Nov-17	1103	650	1.70
21-Nov-17	970	767	1.26
22-Nov-17	805	947	0.85
23-Nov-17	924	805	1.15
24-Nov-17	1034	731	1.41

Source: NSE

- Indian equity markets ended the week in the green as investors continued to take positive cues from India's sovereign rating upgrade by Moody's Investors Service. Expectation of more positive measures along the Goods and Services Tax rates on consumer durables further supported buying interest. Also, public sector undertaking banks gained following the cabinet's approval to amend the Insolvency and Bankruptcy Code to prevent wilful defaulters from bidding for stressed assets.
- However, gains were capped amid uncertainty over U.S. tax reforms, political impasse in Germany and government's proposal to overhaul the age-old direct tax code, which renewed concerns over probable disruptions.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25,328.36	1.03%	2.21%
S&P BSE Bankex	29,221.44	-0.07%	8.01%
S&P BSE CD	21,404.39	5.25%	17.44%
S&P BSE CG	18,427.47	1.05%	5.44%
S&P BSE FMCG	10,357.87	0.95%	1.41%
S&P BSE HC	14,056.60	2.29%	0.48%
S&P BSE IT	10,936.58	1.90%	5.42%
S&P BSE Metal	14,228.94	-0.14%	-3.14%
S&P BSE Oil & Gas	16,120.24	2.58%	-0.03%

Source: Thomson Reuters Eikon Value as on Nov 24, 2017

- On the BSE sectoral front, most of the indices closed in the green. S&P BSE Consumer Durables (5.3%) stood as the major gainer followed by S&P BSE Oil & Gas (2.6%), S&P BSE Power (2.4%), and S&P BSE Healthcare (2.3%).
- S&P BSE Realty went up 1.0% as the sector continued to attract investors' attention against the backdrop of the Cabinet's decision to relax interest rate subsidy criterion under the credit linked subsidy scheme for the middle-income group under the Pradhan Mantri Awas Yojana (Urban).

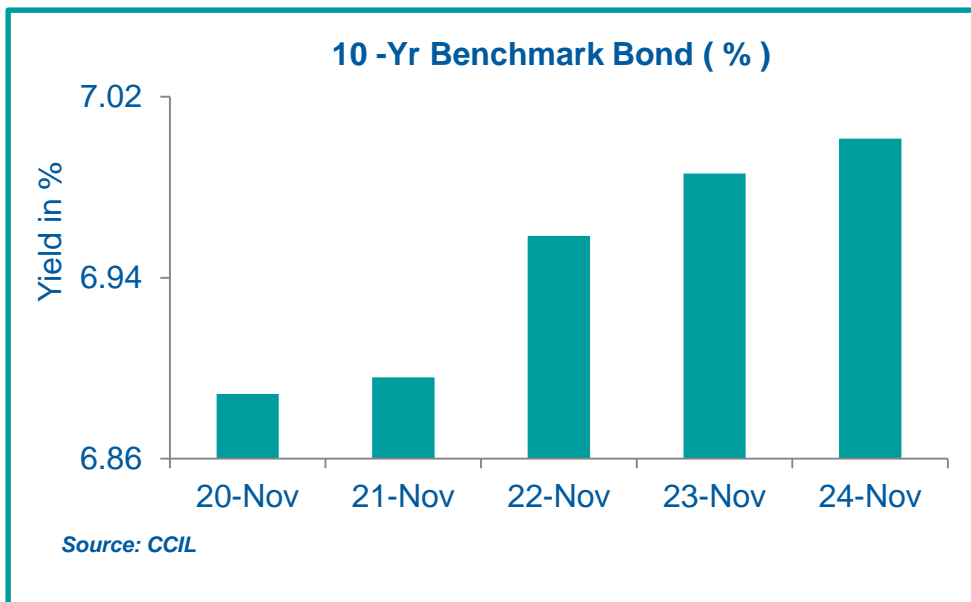
Indian Derivatives Market Review

- Nifty Nov 2017 Futures were at 10,409.35, a premium of 19.65 points above the spot closing of 10,389.70. The turnover on NSE's Futures and Options segment stood at Rs. 30.73 lakh crore as against Rs. 31.56 lakh crore in the week to Nov 17.
- The Put-Call ratio stood at 0.96 compared with the previous week's close of 0.91.
- The Nifty Put-Call ratio stood at 1.46 compared with the previous week's close of 1.23.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.91	5.88	5.86	6.07
91 Day T-Bill	6.12	6.11	6.10	6.31
7.80% 2021, (5 Yr GOI)	6.76	6.79	6.56	6.78
6.79% 2027, (10 Yr GOI)	7.00	7.05	6.78	6.68

Source: Thomson Reuters Eikon *Value as on Nov 24, 2017*



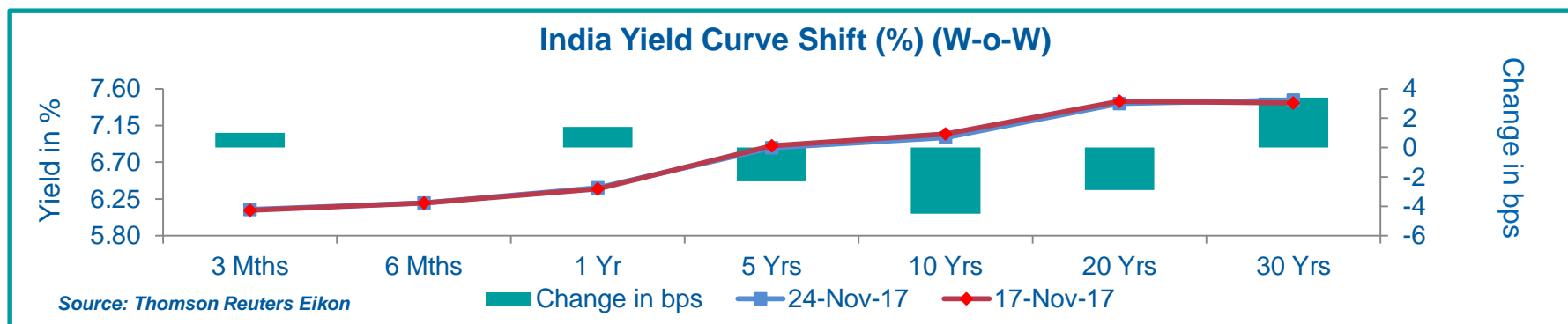
- Bond yields fell after it rose for five consecutive weeks following cancellation of Reserve Bank of India’s (RBI) open market sale of government securities of Rs. 10,000 crore, scheduled on Nov 23, 2017. RBI withdrew the open market sale after considering the recent market developments following a fresh review of the current and evolving liquidity conditions.
- However, the broader market sentiment remained subdued as market participants kept on worrying about fiscal slippage and increase in global crude oil prices during the week. These fuelled concerns of increase in domestic inflationary pressures, lowering prospects of a rate cut by the Monetary Policy Committee in the near term.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.45	6.94	49
3 Year	6.85	7.22	38
5 Year	7.00	7.39	39
10 Year	7.32	7.70	38

Source: Thomson Reuters Eikon Value as on Nov 24, 2017

- Yields on gilt securities fell across the maturities by up to 7 bps, barring 1-, 9- and 30-year maturities that expanded by up to 3 bps.
- Corporate bond yields increased across the maturities by up to 8 bps. The maximum rise was witnessed on 3-year paper and the minimum on 1-year paper.
- Spread between AAA corporate bond and gilt expanded across the maturities by up to 12 bps, barring 1-year paper that contracted 2 bps.



Regulatory Updates in India

- The Reserve Bank of India (RBI) mandated that those asset reconstruction companies (ARCs) maintaining a net owned fund of Rs. 100 crore consistently and following good corporate governance practices will be exempted from the 26% shareholding limit as prescribed in 2014. It needs to be noted that ARCs as a measure of asset reconstruction can convert a portion of debt into shares of the borrower company. RBI added that ARCs need to carry out monthly valuation of the equity shares they acquire from sick units.
- Capital market regulator Securities and Exchange Board of India (SEBI) is considering easing merger rules to speed up the resolution of insolvency proceedings for stressed companies. According to media reports, SEBI may allow demerged units of listed companies that are in insolvency resolution to list on stock exchanges without an initial public offer.
- The consumer affairs minister has directed consumer goods firms and industry stakeholders that new price tags on existing stocks need to clearly indicate the new Goods and Services Tax (GST) rates. The GST Council had cut rates on 178 products recently.
- According to media reports, the government has set up a tax force that will be entrusted with the responsibility of drafting a new direct tax law that will replace the existing Income Tax Act. The objective of the move is to have a simple act in place that will boost ease of doing business within the country.

Regulatory Updates in India (contd..)

- Capital market regulator Securities and Exchange Board of India (SEBI) has launched an investigation into the share trading data of companies whose financial results were shared on social media groups even before they were disclosed to the stock exchanges. SEBI in this regard has sought details from stock exchanges – who traded in the stocks, at what time the leakage of information took place and whether there was a violation of the insider trading rules. According to SEBI, dissemination of all financial details of listed companies should take place through stock exchanges as they have a bearing on the share prices.
- The National Company Law Appellate Tribunal has announced that without the permission of the Interim Resolution Professional (IRP), financial creditors will not be allowed to recover any amount from a defaulter's bank account during the corporate insolvency resolution process. According to the appellate tribunal Section 17 (1)(d) of the Insolvency and Bankruptcy Code, financial institutions that are maintaining the accounts of the corporate debtor have to act based on the IRP's instructions in relation to such accounts and furnish all information relating to it.
- The government has exempted merger and acquisition deals involving public sector oil and gas companies from seeking the approval of Competition Commission of India (CCI). The ministry announced that for five years all cases of combinations that involve central public sector enterprises' operating in oil and gas sectors under the Petroleum Act, 1934, do not require CCI's approval.

Global News/Economy

- The U.S. Federal Reserve (Fed) has hinted that despite mounting concerns about low inflation a rate hike is "likely". According to the minutes of the Fed's latest policy review meeting, low inflation might also be a result of "developments that could prove more persistent".
- According to a report from the Commerce Department, U.S. durable goods orders missed market expectations and fell 1.2% in Oct 2017 as against an upwardly revised gain of 2.2% (2% gain originally reported) in Sep 2017. The decline reflects pullback in orders for transportation equipment. Also, orders for non-defence aircraft and parts witnessed a significant decline of 18.6% in Oct as against a gain of 33.9% in Sep.
- According to a flash report from the IHS Markit, euro zone's composite output index surpassed market expectations and grew to 57.5 in Nov 2017, up from 56.0 in Oct 2017. This marked the highest score since Apr 2011. The factory Purchasing Managers' Index (PMI) grew to 60.0 in Nov as against 58.5 in Oct. Meanwhile, the services PMI came in at 56.2 in Nov, up from 55.0 in Oct.
- According to a report from the IHS Markit, Japan's flash Manufacturing Purchasing Managers' Index, grew to 53.8 in Nov 2017 as against 52.8 in Oct 2017, marking a 44-month high. Output, new orders as well as employment surged at faster rates in Nov.

Global Equity Markets

Global Indices			
Indices	24-Nov-17	1-Week Return	YTD Return
Dow Jones	23,557.99	0.86%	18.49%
Nasdaq 100	6,409.29	1.50%	30.50%
FTSE 100	7,409.64	0.39%	3.23%
DAX Index	13,059.84	0.51%	12.60%
Nikkei Average	22,550.85	0.69%	15.09%
Straits Times	3,442.15	1.77%	18.74%

Source: Thomson Reuters Eikon *Value as on Nov 24, 2017*

Europe

- European markets rose after European Central Bank chief said that the central bank’s decision in Oct to reduce the size of asset purchases and continue them for another nine months will ensure that the economy is supported by the right amount of monetary stimulus. Markets extended rally after preliminary reading of a private survey displayed that eurozone economy is showing signs of picking up momentum in the fourth quarter of 2017.

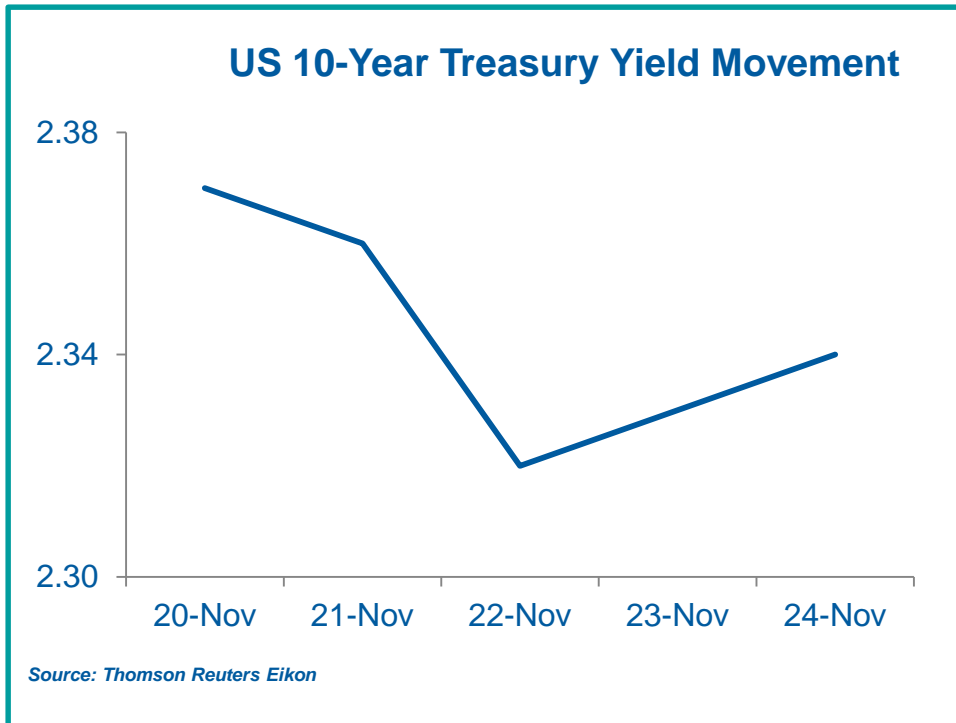
Asia

- Asian markets rose in tune with global peers driven by positive data from Germany and gains in Wall Street. Singapore markets went up after factory production delivered another impressive performance for the month of Oct.

U.S.

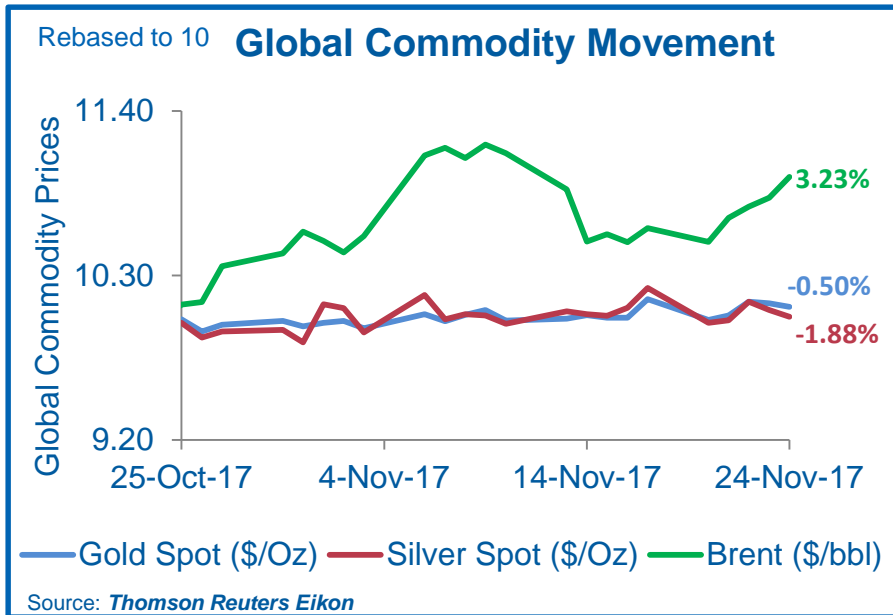
- U.S. markets went up over the week amid corporate merger-and-acquisition news as it generated positive sentiment. Buying interest found additional support from a report from Conference Board showing bigger than expected increase in index of leading U.S. economic indicators in Oct. Upbeat earnings news from major companies also contributed to the strength in Wall Street.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 2 bps to close at 2.34% from the previous week's close of 2.36%.
- U.S. Treasury prices fell ahead of the release of minutes of the latest U.S. Federal Reserve (Fed) policy meeting.
- Although U.S. Fed's latest policy minutes affirmed rate hike in Dec 2017 meeting, trend reversed and treasury prices rose on the central bank's concerns about muted inflation growth. However, expectation that tightness in the labour market would likely drive higher inflation in the medium term, capped the gains.
- Also, gains were boosted as U.S. Treasury witnessed increase in debt issuance in short- and intermediate-dated maturities but delayed long-dated maturities.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	63.92	61.92
Gold (\$/Oz)	1287.83	1294.33
Gold (Rs/10 gm)	29447	29461
Silver (\$/Oz)	16.98	17.31
Silver (Rs/Kg)	39338	39478

Source: Thomson Reuters Eikon Value as on Nov 24, 2017

Gold

- The minutes of U.S. Fed’s latest policy meeting dictated gold prices over the week. The bullion came under pressure as U.S. Fed hinted that despite mounting concerns about low inflation, a rate-hike in near term is likely. The downturn was restricted by U.S. President’s comment on North Korea and political concerns in Germany.

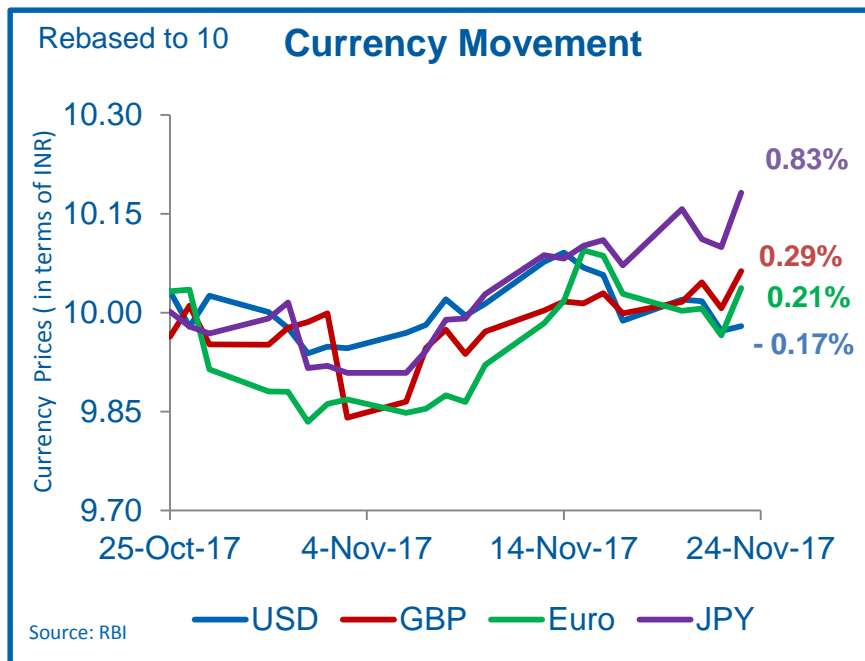
Crude

- Upside in Brent crude prices was supported by optimism over the OPEC meeting, scheduled on Nov 30, 2017. At the meeting, the cartel and other major producers are expected to extend the current deal to cut output beyond the original Mar 30, 2018, deadline.

Baltic Dry Index

- The Baltic Dry Index grew during the week owing to stronger capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.73	64.85
Pound Sterling	86.04	85.79
EURO	76.72	76.56
JPY(per 100 Yen)	58.07	57.59

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

Rupee

- The rupee rose against the greenback following gains in the domestic equity market and after minutes of the U.S. Fed's latest policy meeting in Oct 2017 showed that policymakers were cautious about muted inflation growth in the region.

Euro

- The euro rose against the greenback after minutes of the Fed's latest policy meeting in Oct 2017 indicated policymakers' cautious view on low U.S. inflation level.

Pound

- The pound rose against the greenback as market participants remained optimistic over Brexit negotiations.

Yen

- The yen gained against the greenback after U.S. durable goods orders fell in Oct and minutes of the Fed's latest policy meeting in Oct indicated policymakers' cautious view over low inflation level in the U.S.

The Week that was...

20th November to 24th November

Date	Events	Present Value	Previous Value
Monday, Nov 20, 2017	• U.S. Leading Index (OCT)	1.2%	-0.2%
	• Germany Producer Price Index (MoM) (OCT)	0.3%	0.3%
Tuesday, Nov 21, 2017	• U.K. Public Sector Net Borrowing (OCT)	7.5b	4.4b
	• Japan All Industry Activity Index (MoM) (SEP)	-0.5%	0.2%
	• U.S. Existing Home Sales (MoM) (OCT)	2.0%	0.4%
Wednesday, Nov 22, 2017	• U.S. Durable Goods Orders (OCT P)	-1.2%	2.2%
	• U.S. MBA Mortgage Applications (NOV 17)	0.1%	3.1%
	• U.S. Initial Jobless Claims (NOV 18)	239k	252k
	• U.S. University of Michigan Sentiment (NOV F)	98.5	97.8
	• Eurozone Consumer Confidence (NOV A)	0.1	-1.1
Thursday, Nov 23, 2017	• U.K. Gross Domestic Product (YoY) (3Q P)	1.5%	1.5%
	• Germany Gross Domestic Product (YoY) (3Q F)	2.3%	2.3%
	• Eurozone Markit Composite PMI (NOV P)	57.5	56.0
	• Germany Markit/BME Composite PMI (NOV P)	57.6	56.6
Friday, Nov 24, 2017	• Japan Nikkei Manufacturing PMI (NOV P)	53.8	52.8
	• Germany IFO Business Climate (NOV)	117.5	116.8
	• U.S. Markit Composite PMI (NOV P)	54.6	55.2

The Week Ahead

27th November to 01st December

The Week Ahead

Day	Event
Monday, November 27, 2017	<ul style="list-style-type: none"> • Germany Retail Sales (YoY) (OCT) • U.S. New Home Sales (MoM) (OCT)
Tuesday, November 28, 2017	<ul style="list-style-type: none"> • U.S. Advance Goods Trade Balance (OCT) • U.S. Consumer Confidence Index (NOV) • U.S House Price Index (MoM) (SEP) • Japan Retail Trade (YoY) (OCT)
Wednesday, November 29, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (NOV P) • U.S. Gross Domestic Product Annualized (QoQ) (3Q S) • Japan Industrial Production (YoY) (OCT P) • U.K. Net Consumer Credit (OCT)
Thursday, November 30, 2017	<ul style="list-style-type: none"> • China Manufacturing PMI (NOV) • Germany Unemployment Claims Rate (NOV) • Eurozone Consumer Price Index Estimate (YoY) (NOV) • Japan National Consumer Price Index (YoY) (OCT) • Japan Construction Orders (YoY) (OCT)
Friday, December 01, 2017	<ul style="list-style-type: none"> • U.S. ISM Manufacturing (NOV) • U.S. ISM Employment (NOV) • China Caixin Manufacturing PMI (NOV)

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