

# News U Can Use

*September 04, 2015*

The Week that was...  
31<sup>st</sup> August to 4<sup>th</sup> September

# Indian Economy

- ❑ India's Gross Domestic Product grew 7% during the June quarter of FY15-16, slower than 7.5% seen in the previous quarter but slightly faster than 6.7% recorded a year ago. Gross Value Added (GVA) growth stood at 7.1% compared to 7.4% a year ago. Sector wise, manufacturing growth GVA fell to 7.2% in the June quarter compared to 8.4% rise recorded a year ago. Agricultural (including forestry and fishing) growth also slowed down to 1.9% against 2.6% recorded during the similar period.
- ❑ Core sector output grew by 1.1% (on a yearly basis) in July, much lower than 3% growth seen in the previous month mainly due to contraction in steel production and a slowdown in output of coal and refinery products. The growth of the infrastructure output fell to a three-month low. Steel output fell 2.6% (on a yearly basis) against 4.9% rise recorded in June. The infrastructure sector accounts for nearly 38% of the industrial output.
- ❑ According to the Finance Minister, the Government has decided not to levy Minimum Alternate Tax on capital gains made by Foreign Institutional Investors retrospectively. The Finance Minister further informed that the Government has accepted the recommendations of the Justice AP Shah panel that there was no basis for levy of such tax for the prior period as well.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	04-Sep-15	1 Week Return	YTD Return
S&P BSE Sensex	25201.9	-4.51%	-8.38%
CNX Nifty Index	7655.05	-4.34%	-7.59%
S&P BSE Mid-Cap	10359.9	-3.71%	-0.77%
S&P BSE Small-Cap	10605.24	-3.53%	-5.52%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.09	21.21	23.9	39.85
P/B	2.71	3.08	2.43	1.91
Dividend Yield	1.46	1.54	1.4	1.08

Source: BSE, NSE

Value as on Sep 04, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
31-Aug-15	668	837	0.80
01-Sep-15	234	1289	0.18
02-Sep-15	687	821	0.84
03-Sep-15	1099	406	2.71
04-Sep-15	215	1323	0.16

Source: NSE

- ▣ Indian equity markets remained under pressure following weak global cues, particularly from China. Investor sentiments dampened further as Nikkei Purchasing Managers' Index (PMI) data showed that factory production in India expanded at a slower pace in August compared to July.
  
- ▣ Uncertainty over the U.S. Fed's stance on interest rate further weighed on market sentiments.
  
- ▣ Investors found some respite after the Government accepted recommendation of the AP Shah Panel report stating that the Minimum Alternate Tax should not be imposed on overseas portfolio investors, retrospectively.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16983.2	-5.67%	-12.64%
S&P BSE Bankex	18437.5	-6.42%	-15.48%
S&P BSE CD	10639.7	-4.17%	-4.59%
S&P BSE CG	15432.6	-5.47%	-14.63%
S&P BSE FMCG	7610.7	-2.67%	-6.34%
S&P BSE Power	1730.0	-7.15%	-16.85%
S&P BSE IT	10970	-1.95%	0.20%
S&P BSE Metal	7116.66	-3.85%	-19.18%
S&P BSE Oil & Gas	8539.77	-3.55%	-12.71%

*Source: Reuters* *Values as on Sep 04, 2015*

- On the BSE sectoral front, all the indices closed in red. S&P BSE Power was the major laggard, down 7.15%, followed by S&P BSE Bankex and S&P BSE Auto, which fell 6.42% and 5.67%, respectively. Metal stocks witnessed heavy selling following weak Chinese economic data.
- Stocks of oil marketing companies closed lower after fuel retailers cut petrol and diesel prices by Rs. 2 and Rs. 0.50 per litre, respectively.

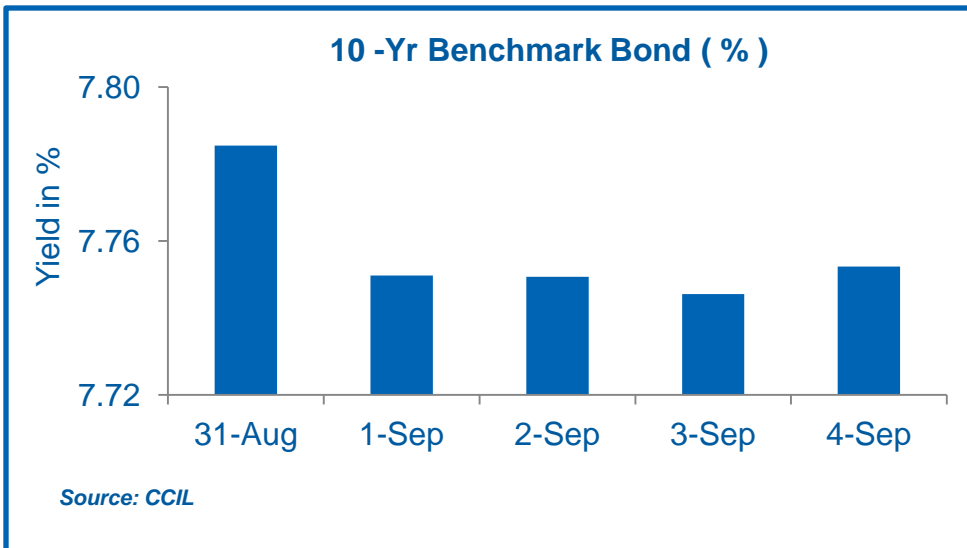
## Indian Derivatives Market Review

- Nifty September 2015 Futures were at 7,664.35 points, a premium of 9.30 points against the spot closing of 7,655.05 points. The turnover on NSE Futures and Options segment fell to Rs. 9.42 lakh crore during the week ended September 4 from Rs. 22.16 lakh crore in the previous week.
- The Put-Call ratio stood at 0.89, compared to the previous week's close of 0.90.
- The Nifty Put-Call ratio stood at 0.96, compared to 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	7.08	7.09	7.06	7.26
91 Day T-Bill	7.40	7.41	7.43	8.26
08.27% 2020 , (5 Yr GOI)	7.88	7.89	7.98	--
07.72% 2025, (10 Yr GOI)	7.75	7.78	7.84	--

Source: Reuters Values as on Sep 04, 2015



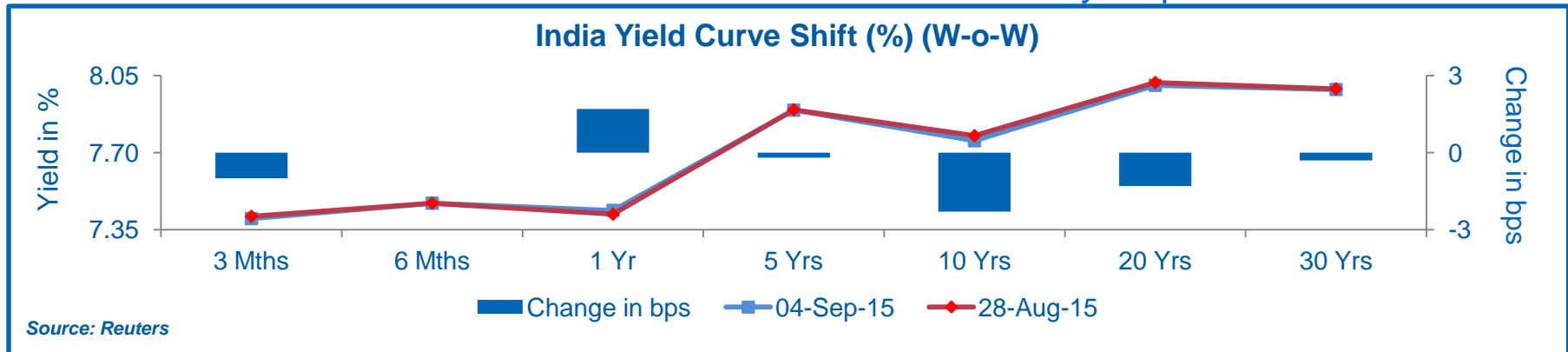
- Bond yields fell initially after India’s GDP growth data for the June quarter came below market expectations which increased hopes that the Reserve Bank of India would soon ease interest rates to boost the economy. However, profit booking capped the gains later.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, fell by 3 bps to close at 7.75% compared to the previous week’s close of 7.78% after moving in the range of 7.74% to 7.79%.
- Banks’ net average lending under the RBI’s Liquidity Adjustment Facility stood at Rs. 3,152.90 crore (for Friday, only repo session considered) compared to the previous week’s borrowings of Rs. 4,642.80 crore.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.592	8.10	-0.51
3 Year	7.946	8.30	-0.35
5 Year	8.08	8.41	-0.33
10 Year	7.956	8.37	-0.41

Source: Reuters Values as on Sep 04, 2015

- Yield on Gilt Securities eased by up to 3 bps or remained flat across the maturities barring 1-year paper that rose by up to 2 bps.
- Corporate Bond yields increased by up to 6 bps across the entire maturity bracket except 1-year paper that fell by 2 bps and 7-year paper that remained flat.
- Spread between AAA Corporate Bond and Gilt expanded by up to 9 bps across the maturities except 1-year paper that contracted by 4 bps.



# Regulatory Updates in India

- ❑ The Securities and Exchange Board of India (SEBI) has decided to undertake a comprehensive review of its surveillance systems including with help from independent experts and also to fast-track its enforcement actions. This will help put a check on manipulators and black money launderers in the stock markets.
- ❑ According to the Minister of State for Labour and Employment, the Central Government has released Rs. 2,000 crore to Employees' Pension Scheme as its contribution for the year 2015-16. The contribution is in addition to Rs. 250 crore contributed by the Government as grant-in-aid in the Employees' Pension Scheme, 1995 for providing minimum pension of Rs. 1,000 to pensioners under the scheme.
- ❑ A panel set up by SEBI has suggested interoperability between existing clearing corporations. This would help traders who are executing trades on more than one stock exchange. The panel has also suggested to do away with the current requirement of transferring 25% of stock exchange profits to the settlement guarantee fund.
- ❑ The Government has extended the deadline for non-loan farmers till September 15 to insure kharif crops under the National Agricultural Insurance Scheme. The move is expected to benefit farmers who delayed sowing due to poor rains. The Agriculture Minister informed that the decision has been taken in the interest of farmers in states where delayed and low rainfall has been reported.



## Regulatory Updates in India (contd..)

- SEBI has notified listing regulations and has given companies 90 days to implement these regulations. However, two provisions of the regulations would be applicable with immediate effect. The capital market regulator has also allowed passing of ordinary resolution instead of special resolution in case of all material-related party transactions subject to conditions that related parties abstain from voting on such resolutions. These changes are in line with the provision of the Companies Act, 2013.
- The Insurance Regulatory and Development Authority of India (IRDA) had published an exposure draft of the IRDA (Other Forms of Capital) Regulations, 2015 on August 28. IRDA has invited comments from stakeholders and the public. The draft regulations provide for two broad types of permissible 'other form of capital/' 'instruments' namely, preference share capital (as understood under Section 43(b) of the Companies Act, 2013) and subordinated debts which includes debentures issued in accordance with the provisions of the Companies Act, 2013 and the criteria prescribed under the Draft Regulations; and any other instruments which may be permitted by IRDA.
- The insurance regulator has decided to digitise its entire product approval process - for both life and general insurance products by the end of year. The regulator has invited feedback from all insurers for the same.

## Global News/Economy

- ❑ The U.S. Labour Department in its report showed that non-farm payroll employment climbed by 173,000 jobs in August. The report also showed upward revisions to the job growth seen in both June and July, with the revised data showing increase of 245,000 jobs in each month. Meanwhile the unemployment rate edged down to 5.1% in August from 5.3% in July, hitting its lowest level since April 2008. The U.S. average hourly earnings rose by 0.3% in August after a 0.2% increase in the previous month.
- ❑ According to payroll processor ADP, private sector employment in the U.S. rose by 190,000 jobs in August, against a downwardly revised increase of 177,000 jobs (rise of 185,000 jobs originally reported) in the previous month.
- ❑ The European Central Bank (ECB) in its monetary policy review left its interest rates unchanged at a record low of 0.05%. The ECB also revised its growth forecast for this year to 1.4% from 1.5% seen in June. The projection for next year was cut to 1.7% from 1.9%. The outlook for 2017 was cut to 1.8% from 2%. Inflation forecast for this year was lowered to 0.1% from 0.3%. The projection for next year was cut to 1.1% from 1.5%. The outlook for 2017 was revised down to 1.7% from 1.8%. The downgrade was attributed mainly to lower oil prices.
- ❑ China's official Manufacturing PMI fell to its weakest level since 2012 as it edged down to 49.7 in August from 50 in July which further raised concerns over China's economy. The Services PMI fell to 53.4 from 53.9. The final Caixin/Markit PMI also fell to 47.3 (flash score of 47.1) in August from 47.8 in July.

# Global Equity Markets

Global Indices			
Indices	04-Sep-15	1-Week Return	YTD Return
Dow Jones	16102.38	-3.25%	-9.70%
Nasdaq 100	4184.721	-3.34%	-1.08%
FTSE 100	6042.92	-3.28%	-7.71%
DAX Index	10038.04	-2.53%	2.80%
Nikkei Average	17792.16	-7.02%	2.20%
Straits Times	2863.81	-3.12%	-15.04%

*Source: Reuters Values as on Sep 04, 2015*

## U.S.

- The U.S. markets fell over the week as concerns over the stability of Chinese economy weighed on investor sentiments. Besides, the pace of growth in the U.S. manufacturing sector slowed in August to its weakest level in over two years. Uncertainty about the timing of a rate hike by U.S. Fed further kept the bourses under pressure.

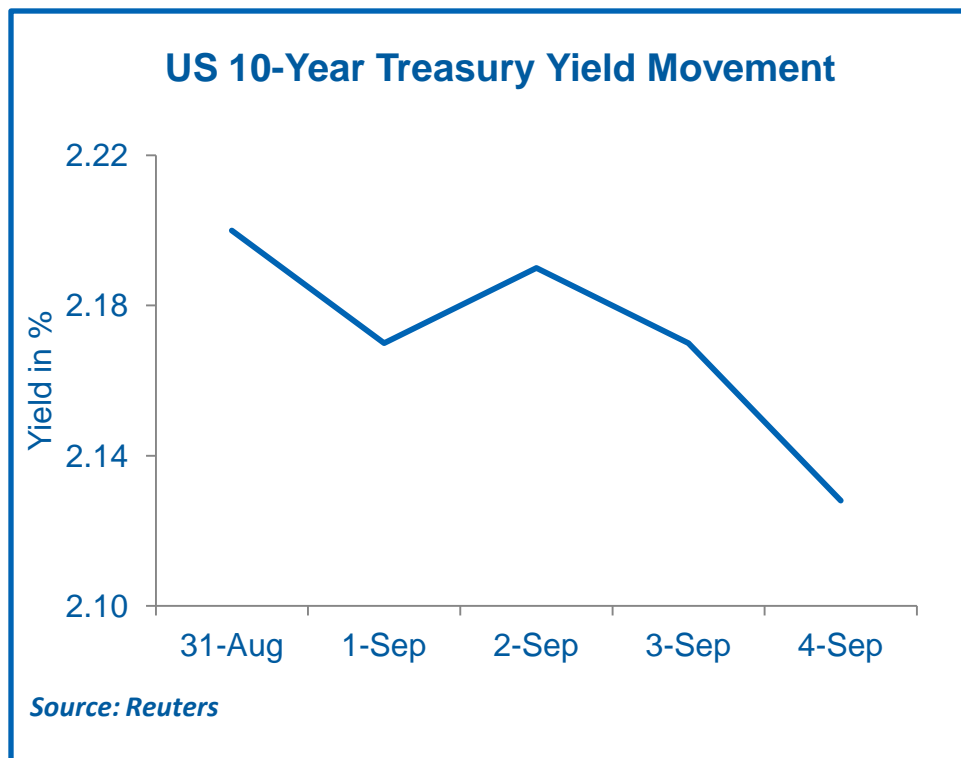
## Europe

- European markets remained under pressure on worries over Chinese economy and uncertainty over the upcoming snap elections in Greece. Possibility of an interest rate hike by the U.S. Fed in the near term also hit the bourses. However, the fall was restricted after the European Central Bank left its interest rates unchanged and gave indications to extend its quantitative easing program beyond September 2016, if needed.

## Asia

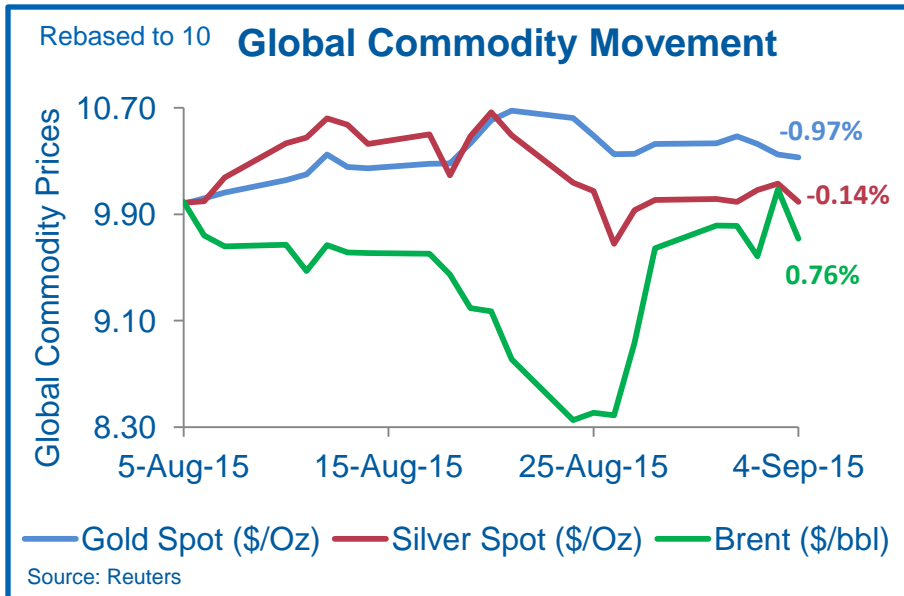
- Asian markets fell during the week as concerns over the Chinese economy renewed after the Government decided to refrain from large-scale buying of equities. Fall in Chinese manufacturing data also weighed on investor sentiments. The Chinese official manufacturing Purchasing Managers' Index fell to its weakest level since 2012 in August.

## Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 2 bps during the week to close at 2.13% compared to the previous week's close of 2.18%.
- The U.S. Treasury prices rose as their safe-haven appeal improved following weak Chinese manufacturing data for August. The European Central Bank's indication to extend its bond-purchase program, if needed, also boosted Treasury prices.
- However, gains were capped due to uncertainty over the interest rate outlook in the U.S. region.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.03	47.67
Gold (\$/Oz)	1122.6	1133.56
Gold (Rs/10 gm)	26325	26371
Silver (\$/Oz)	14.57	14.59
Silver (Rs/Kg)	34934	34181

Source: Reuters Values as on Sep 04, 2015

## Gold

- Gold prices remained under pressure as concerns over Chinese economic slowdown hit the demand outlook of the bullion. Uncertainty over the timing of a rate hike in the U.S. also weighed on investor sentiments.

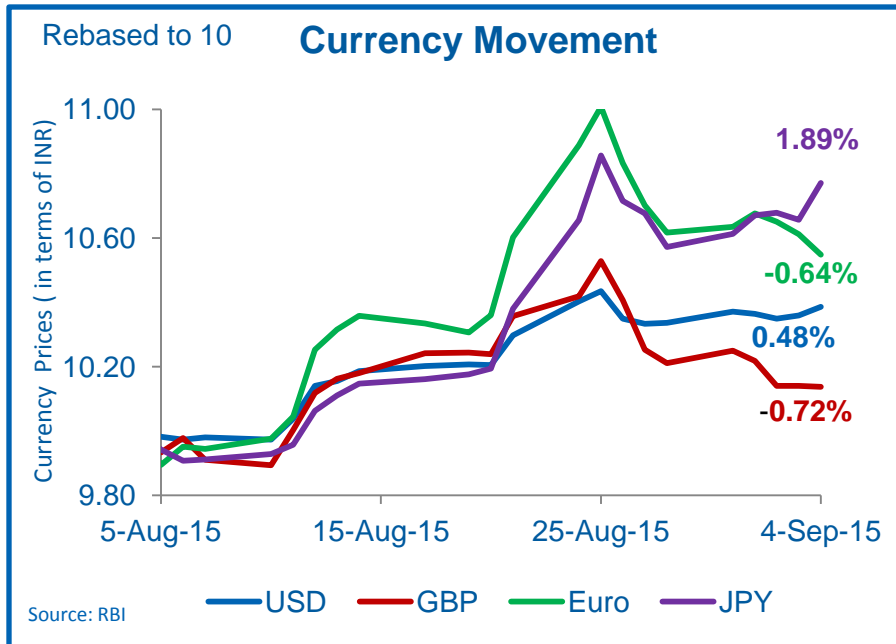
## Crude

- Brent crude prices rose as investors took positive cues from a publication by the OPEC, which reflected concerns about weakness in oil prices. Traders remained optimistic that the organization may signal a policy shift to check the price fall. Moreover, Russian and Venezuelan leaders accomplished headway in developing a strategy to boost oil prices.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.40	66.08
Pound Sterling	101.19	101.92
EURO	73.89	74.37
JPY(per 100 Yen)	55.57	54.54

Source: RBI Figures in INR , Values as on Sep 04, 2015

## Rupee

- The rupee weakened against the dollar amid worries over the stability of China's economy. Losses in the domestic equity markets and dollar demand from importers also weighed on the rupee.

## Euro

- The euro fell against the dollar after the European Central Bank gave indication about its plan to expand its quantitative stimulus program beyond September 2016, if required.

## Pound

- The pound weakened against the dollar on possibility that the Bank of England may keep interest rates on hold.

## Yen

- The yen rose against the dollar as its safe-haven appeal improved amid global growth concerns following weak Chinese manufacturing data for August.

The Week that was...  
31<sup>st</sup> August to 4<sup>th</sup> September

# The Week that was (Aug 31 – Sep 04)

Day	Event	Present Value	Previous Value
Monday, August 31	India Gross Domestic Product (1QFY16)	7.00%	7.50%
	Euro Zone Consumer Price Index (Y-o-Y) (Aug)Preliminary	0.20%	0.20%
Tuesday, September 1	China Caixin Manufacturing PMI (Aug)	47.3	47.3
	U.S. Markit Manufacturing PMI (Aug)	53.0	52.9
	Euro Zone Markit Manufacturing PMI (Aug)	52.3	52.4
Wednesday, September 2	U.S. ADP Employment Change (Aug)	190K	177K
	U.K. PMI Construction (Aug)	57.3	57.1
	U.S. Factory Orders (M-o-M) (Jul)	0.40%	2.20%
Thursday, September 3	European Central Bank Interest Rate Decision	0.05%	0.05%
	Euro Zone Markit PMI Composite (Aug)	54.3	53.9
	U.S. Markit PMI Composite (Aug)	55.7	55
	U.S. Initial Jobless Claims (Aug 28)	282K	270K
Friday, September 4	Germany Factory Orders s.a. (M-o-M) (Jul)	-1.40%	1.80%
	U.S. Nonfarm Payrolls (Aug)	173K	245K
	U.S. Unemployment Rate (Aug)	5.10%	5.30%



The Week Ahead...  
September 7 to September 11

# The Week Ahead

Day	Event
<b>Monday, September 7</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Industrial Production n.s.a. w.d.a. (Y-o-Y) (Jul)</li> <li><input type="checkbox"/> Japan Leading Economic Index (Jul) Preliminary</li> <li><input type="checkbox"/> Japan Gross Domestic Product Deflator (Y-o-Y) (Q2)</li> </ul>
<b>Tuesday, September 8</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (Q-o-Q) (Q2)</li> <li><input type="checkbox"/> U.S. Consumer Credit Change (Jul)</li> <li><input type="checkbox"/> China Trade Balance (Aug)</li> </ul>
<b>Wednesday, September 9</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Industrial Production (M-o-M) (Jul)</li> <li><input type="checkbox"/> U.K. Total Trade Balance (Jun)</li> <li><input type="checkbox"/> Japan Machine Tool Orders (Y-o-Y) (Aug) Preliminary</li> </ul>
<b>Thursday, September 10</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Consumer Price Index (M-o-M) (Aug)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Sep 4)</li> <li><input type="checkbox"/> China Producer Price Index (Y-o-Y) (Aug)</li> </ul>
<b>Friday, September 11</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> India Industrial Production (M-o-M) (Jul)</li> <li><input type="checkbox"/> Japan Industrial Production (M-o-M) (Jul)</li> <li><input type="checkbox"/> Germany Industrial Production (M-o-M) (Jul)</li> </ul>

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