

# News U Can Use

*July 17, 2015*

The Week that was...  
10<sup>th</sup> July to 17<sup>th</sup> July

# Indian Economy

- ❑ Consumer price inflation inched up to 5.40% in June from 5.01% in May and 6.77% in the same period last year. Food inflation in June stood at 5.48% compared to 4.8% in the previous month and 7.21% in June, 2014.
- ❑ Wholesale Price Index (WPI)-based inflation contracted for the eighth consecutive month in June. WPI stood at -2.40% in June compared to -2.36% in May. Wholesale price inflation in food category declined to 2.88% in June compared to 3.80% in May. Inflation in fuel and power category contracted to 10.03% in June compared to 10.51% in May.
- ❑ According to the Finance Minister, the Central Government is planning to spend Rs. 50,000 crore on farming and irrigation sector. The Minister further added that a crop insurance scheme will be rolled out to address the problems of those engaged in the agriculture sector. The present crop insurance schemes cover only the loans which a farmer has taken from banks.
- ❑ According to Moody's, the RBI is likely to lower interest rates at its upcoming monetary policy review due next month. The credit rating agency also opined that the rise in consumer price inflation was largely due to base effects. Moody's expects wholesale prices to fall further.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	17-July-15	1 Week Return	YTD Return
S&P BSE Sensex	28463.3	2.90%	3.47%
CNX Nifty Index	8609.85	2.98%	3.93%
S&P BSE Mid-Cap	11220.2	3.22%	7.47%
S&P BSE Small-Cap	11716.4	3.36%	4.38%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.94	23.87	23.73	47.17
P/B	3.13	3.52	2.66	2.13
Dividend Yield	1.29	1.42	1.29	1.01

Source: BSE, NSE

Value as on July 17, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
13-Jul-15	1020	482	2.12
14-Jul-15	832	655	1.27
15-Jul-15	845	654	1.29
16-Jul-15	851	652	1.31
17-Jul-15	749	764	0.98

Source: NSE

- ❑ Indian equity markets strengthened over the week on hopes that Greece would stay in the Euro zone. Such hopes were vindicated after the Greek Parliament approved austerity reforms
- ❑ Markets got more support due to fall in wholesale price inflation in June. Sentiments improved further after a global rating agency expressed hopes of a stable trend in sovereign credit rating in Asia-Pacific nations, including India, despite growing economic uncertainties.
- ❑ However, higher-than-expected consumer price inflation data for June capped the gains to some extent.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18931.7	2.87%	3.81%
S&P BSE Bankex	21912.2	2.05%	8.79%
S&P BSE CD	11163.1	4.12%	9.61%
S&P BSE CG	18714.2	1.55%	10.90%
S&P BSE FMCG	7967.2	3.45%	6.94%
S&P BSE HC	17860.9	4.72%	12.51%
S&P BSE IT	10678.0	5.14%	1.25%
S&P BSE Metal	8998.8	1.43%	-2.31%
S&P BSE Oil & Gas	10080.0	3.12%	6.06%

*Source: Reuters* *Values as on July 17, 2015*

- On the BSE sectoral front, all the indices closed on a positive note. S&P BSE IT and S&P BSE TECK were the top gainers, rising by 5.14% and 4.81%, respectively. The sectors got support on hopes of order inflows from Europe after Euro zone leaders approved a bailout package for Greece.
- S&P BSE Oil & Gas rose after international oil prices declined on the possibility of a supply glut after Iran reached a nuclear deal. S&P BSE Realty inched up 0.28%.

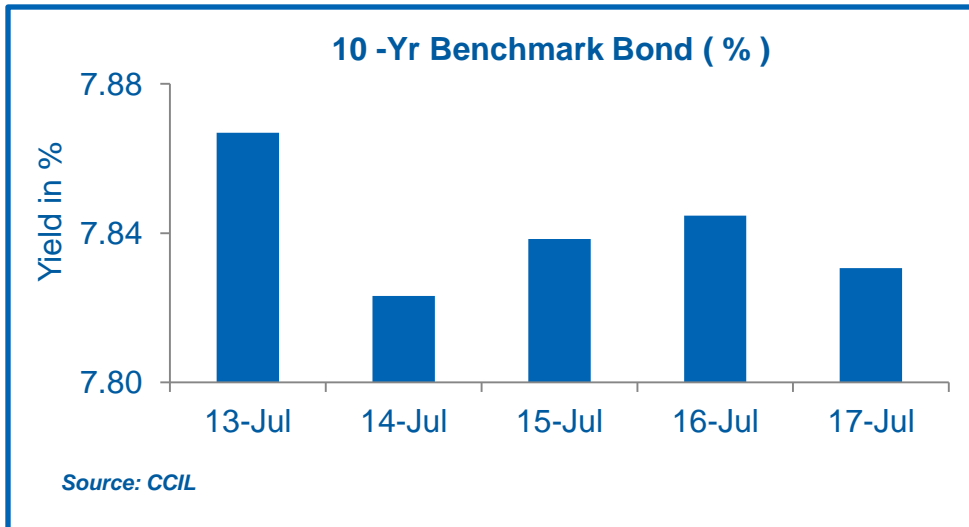
## Indian Derivatives Market Review

- Nifty July 2015 Futures were at 8,625.05 points, a premium of 15.20 points against the spot closing of 8,609.85 points. The turnover on NSE Futures and Options segment rose to Rs. 9.95 lakh crore during the week ended July 17 from Rs. 10.50 lakh crore in the previous week.
- The Put-Call ratio stood at 1.18 compared to the previous week's close of 0.89.
- The Nifty Put-Call ratio stood at 1.22 compared to the previous week's close of 1.05.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	7.06	7.09	6.98	7.86
91 Day T-Bill	7.53	7.51	7.68	8.12
08.27% 2020 , (5 Yr GOI)	7.99	7.94	8.06	7.74
07.72% 2025, (10 Yr GOI)	7.83	7.80	7.85	7.71

Source: Reuters Values as on July 17, 2015



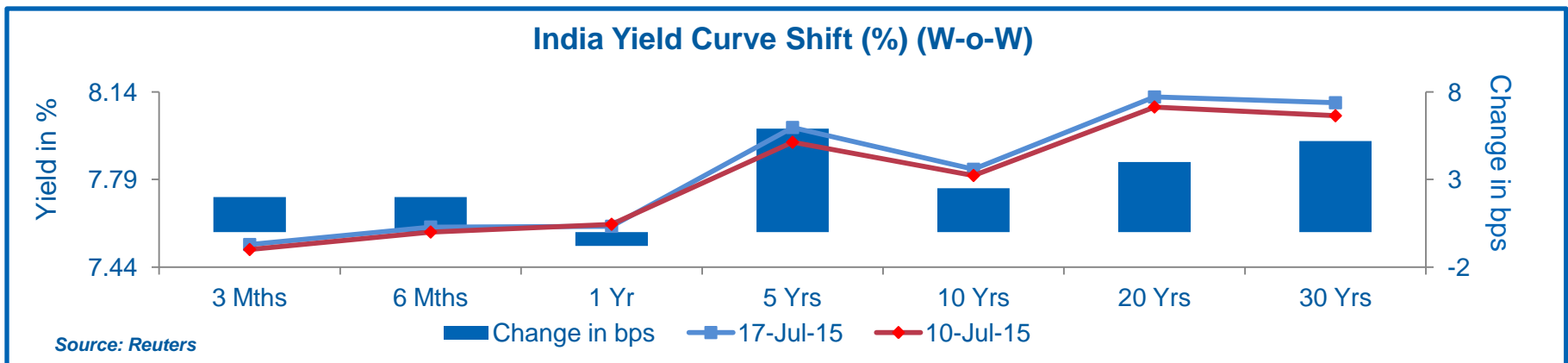
- ▣ Bond yields surged after the Reserve Bank of India (RBI) announced that it would sell bonds worth Rs. 10,000 crore in open market operations to check liquidity in the market. However, yields retreated as drop in global crude oil prices eased concerns over rise in domestic inflationary pressure. The Greek Parliament's vote to accept reforms provided further support.
- ▣ The yield on the 10-year benchmark bond 7.72% GS 2025 rose 3 bps to close at 7.83% against the previous week's close of 7.80%. The paper moved in the range of 7.81% to 7.91% during the week.
- ▣ Banks' net average lending under the RBI's Liquidity Adjustment Facility stood at Rs. 1,051.75 crore

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.73	8.26	52.90
3 Year	8.05	8.33	27.70
5 Year	8.17	8.53	35.70
10 Year	8.02	8.53	51.50

Source: Reuters Values as on July 17, 2015

- Yield on Gilt Securities increased in the range of 2 bps to 9 bps across the maturities barring 1-year paper that eased by 1 bps.
- Corporate Bond yields declined by 3 bps each on 1 to 3-year papers. The yield on the remaining papers either remained flat or inched up by 1 bps.
- Spread between AAA Corporate Bond and Gilt contracted in the range of 2 bps to 12 bps across the maturities.



# Regulatory Updates in India

- ❑ The Union Cabinet has cleared the policy for composite foreign investment limits by including Foreign Direct Investment (FDI), Foreign Institutional Investors (FII) and other routes like Non-Resident Indian (NRI) investments. Under the new policy, FDI, Foreign Portfolio Investment (FPI) and investments by NRIs would be clubbed together under a composite cap. Composite caps have been suggested for agriculture, manufacturing, airports, real estate, telecom and other sectors. The objective of the move is to attract foreign investment by clearing ambiguity in the existing FDI policy related to sectoral caps and conditionality.
- ❑ According to the Reserve Bank of India's (RBI) Deputy Governor HR Khan, the Central Bank is working with the Finance Ministry on a new platform for settlement of Government bonds. This is on the lines of the world's largest securities settlement system called 'Euroclear'. The RBI Deputy Governor added that the new Euroclear model will ensure that liquidity is not affected. Euroclear is the world's largest securities settlement system.
- ❑ The Government has sanctioned an additional Rs. 700 crore for the recapitalisation of weak regional rural banks (RRBs). The validity period for the fund infusion has also been extended to the next fiscal. At present, there is a Budget provision of Rs. 15 crore for recapitalisation of RRBs.



## Regulatory Updates in India (contd..)

- ❑ The Union Cabinet has cleared the redevelopment of the railway stations on 'as is where is' basis through open invitation from interested parties with their designs and business ideas, including permitting commercial development of real estate by the zonal railways. The Minister is expecting an investment of \$120 billion in the next five years, which will boost the railways.
- ❑ According to the Labour Minister, retirement fund body Employees' Provident Fund Organisation (EPFO) is considering a scheme for its subscribers so that they are able to own a house by retirement. The EPFO Commissioner has also proposed to increase the maximum sum assured under the Employees' Deposit Linked Insurance Scheme 1976 to Rs. 4.5 lakh, from Rs. 3.6 lakh.
- ❑ The Insurance Regulatory and Development and Authority of India (IRDA) is planning to reveal new ways to make insurance popular online via e-commerce. It has formed two groups comprising life insurers and general insurers, respectively, to look into the opportunities in insurance e-commerce.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has prescribed annulment of trades undertaken on stock exchanges. SEBI added that stock exchanges can, either on their own or on request from stock brokers, consider annulment of a trade. However, SEBI needs to define suitable criteria to discourage frivolous trade annulment requests from brokers.

# Global News/Economy

- According to a report by the U.S. Commerce Department, retail sales in the U.S. region fell by 0.3% in June after surging by a downwardly revised 1.0% in May.
- The U.S. Labour Department in its report showed that Consumer Price Index climbed by 0.3% in June following a 0.4% increase in May.
- According to the European Council President, Euro zone leaders have unanimously reached an agreement on a European Stability Mechanism programme for Greece. The European Council Chief added that the new programme needs to be approved by several national Parliaments, including the Greek Parliament after which negotiations can formally begin.
- The European Central Bank has kept its interest rates unchanged for the eighth consecutive time in a row. The refinancing rate stood at a record low of 0.05%. The Central Bank also held the deposit rate unchanged at -0.20% and the marginal lending rate at 0.30%. The three main interest rates were lowered by 10 basis points in September last year.
- Iran and six major powers have reached an agreement regarding the nuclear deal. The deal will grant Tehran sanctions relief in exchange for curbs on its nuclear programme. The agreement aims to limit Iran's nuclear work for more than a decade. In exchange there will be a gradual suspension of sanctions imposed upon Iran's oil exports. Global sanctions have brought down Iran's oil exports that have created pressure on Iran's economy.

# Global Equity Markets

Global Indices			
Indices	17-July-15	1-Week Return	YTD Return
Dow Jones	18086.5	1.84%	1.42%
Nasdaq 100	4661.6	5.46%	10.20%
FTSE 100	6775.1	1.52%	3.47%
DAX Index	11673.4	3.16%	19.55%
Nikkei Average	20650.9	4.40%	18.62%
Straits Times	3353.5	2.24%	-0.51%

*Source: Reuters Values as on July 17, 2015*

## U.S.

- ▣ The U.S. markets remained firm over the week after Greece and its global creditors reached a conditional agreement that consists of several austerity measures. Fall in retail sales in June renewed optimism that the U.S. Fed is unlikely to hike interest rates soon. Bourses rose further on the back of upbeat earning numbers from a number of blue chip companies .

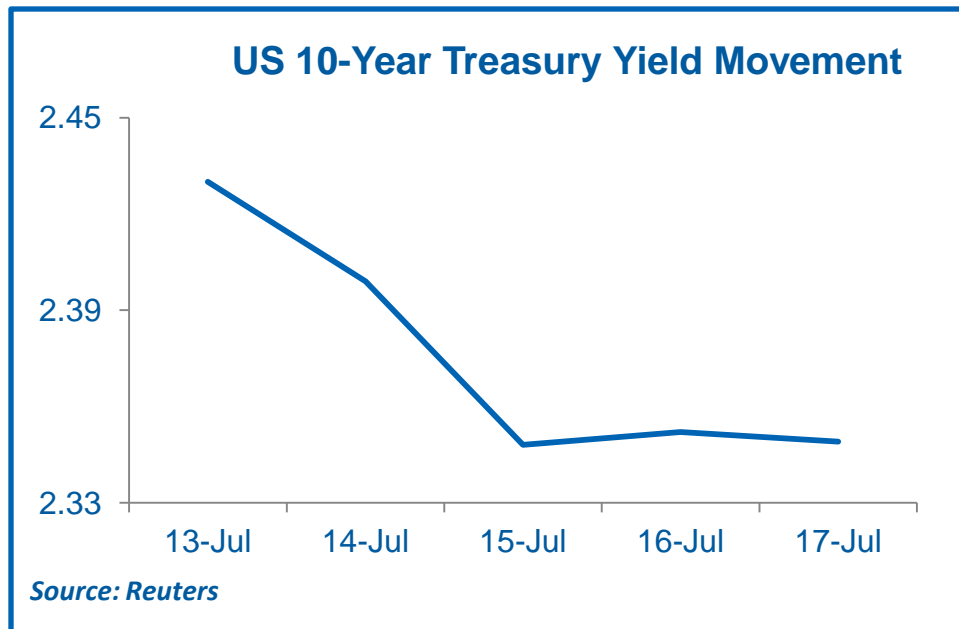
## Europe

- ▣ European markets strengthened after Euro zone leaders reached an agreement to start talks for a third bailout program for Greece. The nuclear deal with Iran also impacted energy stocks. Market sentiments improved further after the Greek Parliament approved stringent austerity measures proposed by creditors to secure a bailout for the country.

## Asia

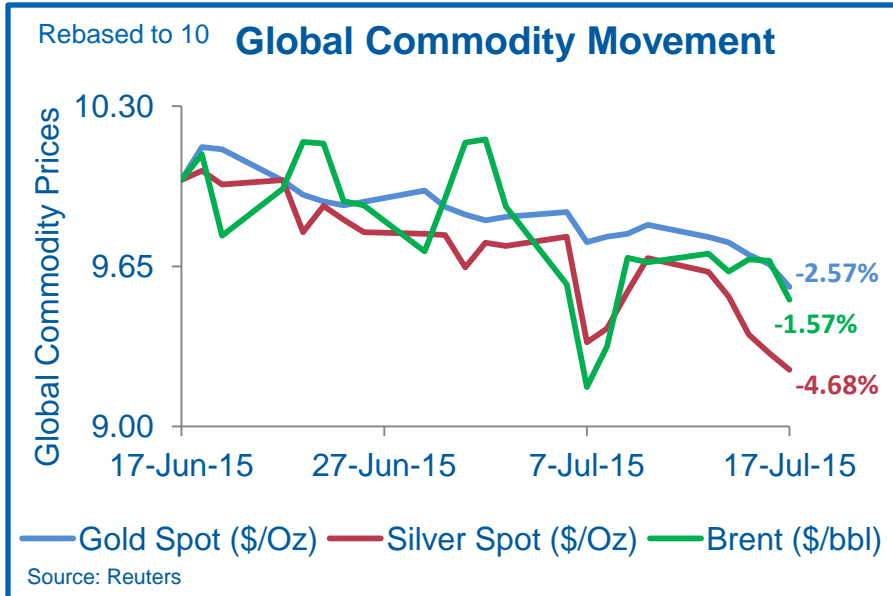
- ▣ Asian markets rose in tune with other global peers. Investor sentiments improved following recovery in the Chinese bourses. Companies listed in Chinese stock exchange resumed trading and the Government decided to maintain its measures to boost the stock market. Better-than-expected Chinese Gross Domestic Product data for the second quarter also improved buying interest.

# Global Debt (U.S.)



- The yield on the 10-year U.S. Treasury bond fell by 8 bps during the week to close at 2.34% compared to the previous week's close of 2.42%. The paper moved in the range of 2.34% to 2.43%.
- Initially, the U.S. Treasury prices fell after leaders of Greece and Euro zone reached a deal. However, the trend reversed after the U.S. retail sales fell unexpectedly in June. Concerns over global growth also improved the safe-haven appeal of the U.S treasuries. Prices rose further even after the Fed Chief gave indications of a rate hike in 2015 at the semi-annual testimony speech.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	56.42	57.32
Gold (\$/Oz)	1133.6	1163.56
Gold (Rs/10 gm)	25693	26014
Silver (\$/Oz)	14.86	15.59
Silver (Rs/Kg)	34207	35217

Source: Reuters Values as on July 17, 2015

## Gold

- Gold prices remained subdued over the week as the safe-haven appeal of the metal reduced after Greece and its international creditors reached a deal. The bullion fell further after the U.S. Federal Reserve reiterated that interest rates are likely to go up this year.

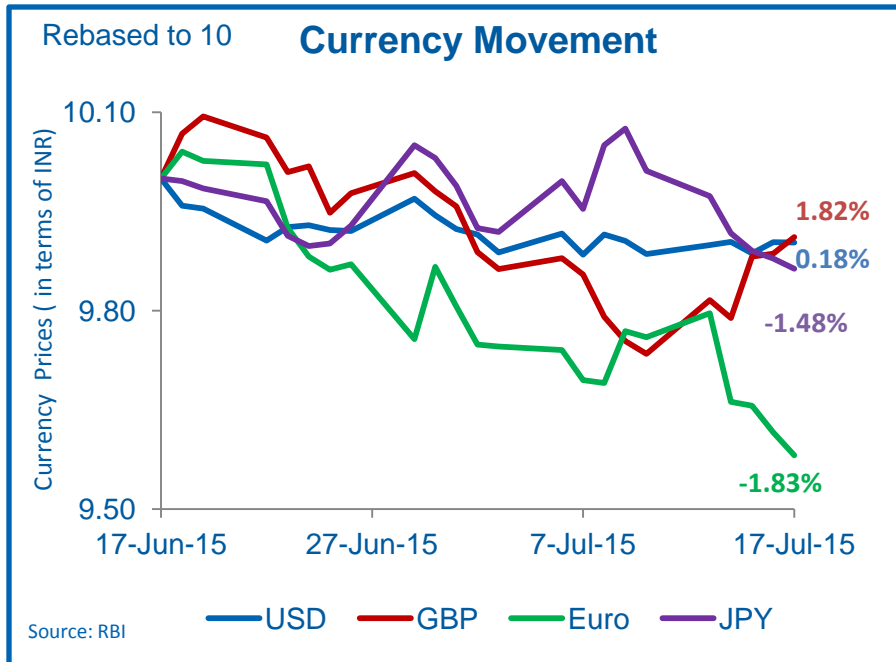
## Crude

- Brent crude prices slipped after Iran and six global powers reached a nuclear deal that may lead to easing of sanctions against Tehran. The deal is likely to result in supply of millions of barrels of crude into the oversupplied global oil market.

## Baltic Dry Index

- The Baltic Dry Index rose during the week due to improvement in capesize and panamax activities.

# Currencies Markets



## Rupee

- The rupee initially fell against the dollar ahead of the speech of the Federal Reserve (Fed) Chief. However, fall in global crude oil prices supported the domestic currency. The rupee again lost ground, tracking other Asian currencies.

## Euro

- The euro plunged against the dollar after the Fed Chief gave indications about an interest rate hike in 2015.

## Pound

- The pound gained after the Bank of England's Governor hinted about a first rise in interest rates since the 2008 financial crisis.

## Yen

- The yen weakened against the dollar on the possibility of a rate hike in the U.S. region later during the year.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.49	63.38
Pound Sterling	99.43	97.65
EURO	69.14	70.43
JPY(per 100 Yen)	51.20	51.97

Source: RBI Figures in INR , Values as on July 17, 2015

The Week that was...  
13<sup>th</sup> July to 17<sup>th</sup> July

# The Week that was (July 13 – July 17)

Date	Events	Present Value	Previous Value
Monday, July 13	❑ Japan Industrial Production (M-o-M) (May)	-2.10%	-2.20%
	❑ India Consumer Price Inflation (Jun)	5.40%	5.01%
Tuesday, July 14	❑ U.S. Retail Sales (M-o-M) (Jun)	-0.30%	1.00%
	❑ India WPI Inflation (Jun)	-2.40%	-2.36%
	❑ U.K. Retail Price Index (M-o-M) (Jun)	0.20%	0.20%
Wednesday, July 15	❑ China Industrial Production (YoY) (Jun)	6.80%	6.10%
	❑ China Retail Sales (Y-o-Y) (Jun)	10.60%	10.10%
	❑ China Gross Domestic Product (Y-o-Y) (Q2)	7.00%	7.00%
Thursday, July 16	❑ U.S. Initial Jobless Claims (Jul 10)	281K	296K
	❑ Euro Zone Consumer Price Index (Y-o-Y) (Jun)	0.20%	0.20%
	❑ European Central Bank Interest Rate Decision	0.05%	0.05%
	❑ Euro Zone Trade Balance s.a. (May)	€21.2B	€24.3B
Friday, July 17	❑ U.S. Consumer Price Index (Y-o-Y) (Jun)	0.10%	0.10%
	❑ U.S. Housing Starts (M-o-M) (May)	1.174M	1.069M



The Week Ahead...  
July 20 to July 24

# The Week Ahead

Day	Event
Monday, July 20	<ul style="list-style-type: none"> <li><input type="checkbox"/> China House Price Index (Jun)</li> <li><input type="checkbox"/> Germany Producer Price Index (MoM) (Jun)</li> <li><input type="checkbox"/> U.K. Public Sector Net Borrowing (Jun)</li> </ul>
Tuesday, July 21	<ul style="list-style-type: none"> <li><input type="checkbox"/> China CB Leading Economic Index (Jun)</li> </ul>
Wednesday, July 22	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan All Industry Activity Index (MoM) (May)</li> <li><input type="checkbox"/> U.S. Markit PMI Composite (Jul)</li> <li><input type="checkbox"/> Euro Zone Consumer Confidence (Jul)Preliminary</li> </ul>
Thursday, July 23	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Retail Sales (MoM) (Jun)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Jul 17)</li> <li><input type="checkbox"/> U.S. CB Leading Indicator (MoM) (Jun)</li> </ul>
Friday, July 24	<ul style="list-style-type: none"> <li><input type="checkbox"/> China HSBC Manufacturing PMI (Jul)Preliminary</li> <li><input type="checkbox"/> U.S. Markit Manufacturing PMI (Jul)Preliminary</li> </ul>

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