

News U Can Use

May 5, 2017

The Week that was...
1st May to 5th May

Indian Economy

- ❑ Results from a private survey showed that the Indian manufacturing sector grew for the fourth consecutive month in Apr 2017. The Nikkei Markit India Manufacturing Purchasing Managers' Index (PMI) stood at 52.5 in Apr 2017, same as that of Mar 2017. A reading above 50 indicates expansion, while a score below this mark signifies contraction.
- ❑ Government data showed that the core sector in the country grew 5% in Mar 2017, much higher than 1% growth witnessed in the preceding month. During the entire fiscal, core sector witnessed a growth of 4.5% compared with a growth of 4.0% in the previous fiscal. Steel sector witnessed a maximum growth of 11% followed by coal sector that grew 10%. However, cement and fertilizer sectors contracted for the fourth consecutive month as its output fell 6.8% and 0.8%, respectively.
- ❑ Results from a private survey showed that the Indian Nikkei/IHS Markit Services PMI slumped to a three-month low of 50.2 in Apr 2017 from 51.5 in Mar 2017. The composite PMI, which takes into account both manufacturing and services sector, fell to 51.3 in Apr 2017 from 52.3 in Mar 2017.
- ❑ United Nations in its annual flagship report projected the Indian economy to grow 7.1% in 2017 and 7.5% in 2018 on the back of higher private and public consumption and increased infrastructure spending.

Indian Equity Market

Domestic Equity Market Indices			
Indices	05-May-17	1 Week Return	YTD Return
S&P BSE Sensex	29858.80	-0.20%	12.27%
Nifty 50	9285.30	-0.20%	13.52%
S&P BSE Mid-Cap	14718.48	-0.54%	21.33%
S&P BSE Small-Cap	15355.84	-0.11%	25.97%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.58	23.59	32.31	67.32
P/B	2.91	3.55	2.63	2.41
Dividend Yield	1.39	1.24	1.26	0.70

Source: BSE, NSE

Value as on May 5, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
02-May-17	769	932	0.83
03-May-17	751	944	0.80
04-May-17	863	825	1.05
05-May-17	412	1277	0.32

Source: NSE

- ▣ Indian equity markets initiated on a positive note after manufacturing activity in the country expanded for the fourth consecutive month in Apr 2017.
- ▣ Most of the Indian auto makers also reported rise in vehicle sales in Apr. However, the trend reversed as investors became cautious ahead of release of key U.S. jobs data for Apr, second round of French elections, and more corporate earnings results.
- ▣ Meanwhile, the U.S. Federal Reserve (Fed) kept interest rates on hold in its monetary policy review, although the central bank indicated two more rate hikes in the year as the fundamentals supporting the continued growth of consumption remained strong.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22510.64	-1.19%	0.76%
S&P BSE Bankex	25679.62	1.40%	3.92%
S&P BSE CD	15802.72	2.12%	0.52%
S&P BSE CG	17686.33	-1.00%	2.38%
S&P BSE FMCG	9371.65	-0.43%	0.68%
S&P BSE HC	14695.96	-2.15%	-5.39%
S&P BSE IT	9749.92	1.36%	-4.36%
S&P BSE Metal	10842.14	-4.08%	-9.30%
S&P BSE Oil & Gas	14199.19	-1.77%	3.15%

Source: Reuters Value as on May 5, 2017

- On the BSE sectoral front, realty sector gained on the implementation of Real Estate (Regulation and Development) Act.
- In the banking sector, the government approved the Banking Regulation (Amendment) Ordinance, 2017, thereby empowering the Reserve Bank of India (RBI) to issue directions to banks to resolve their stressed asset positions.

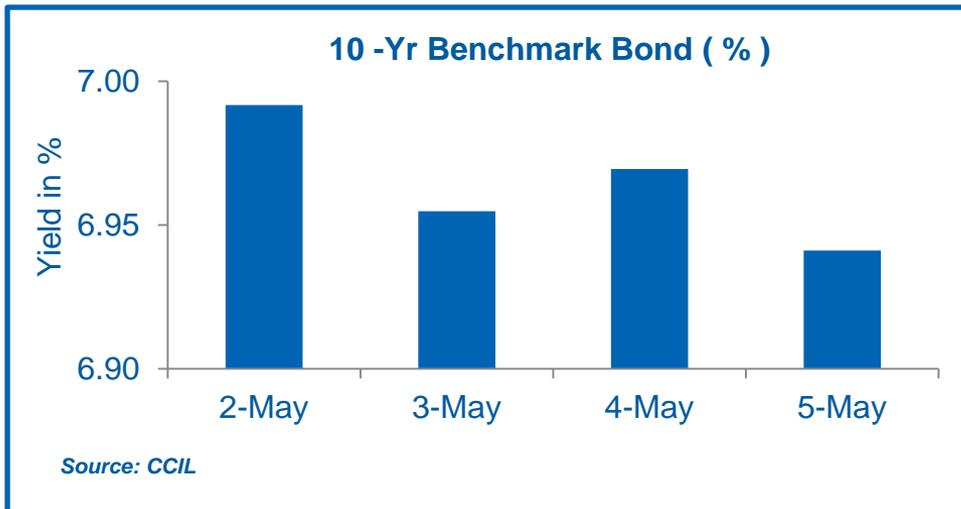
Indian Derivatives Market Review

- Nifty May 2017 Futures were at 9,316.70, a premium of 31.40 over the spot closing of 9,285.30. The turnover on NSE's Futures and Options segment stood at Rs. 18.89 lakh crore in the week to May 5, compared with Rs. 32.49 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.87 compared with the previous week's close of 0.81.
- The Nifty Put-Call ratio stood at 1.11 compared with the previous week's close of 1.10.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.02	6.03	5.81	6.17
91 Day T-Bill	6.28	6.20	5.75	6.43
7.80% 2021, (5 Yr GOI)	6.88	6.92	6.73	6.73
6.97% 2026, (10 Yr GOI)	6.94	6.96	6.65	6.84

Source: Reuters *Value as on May 5, 2017*



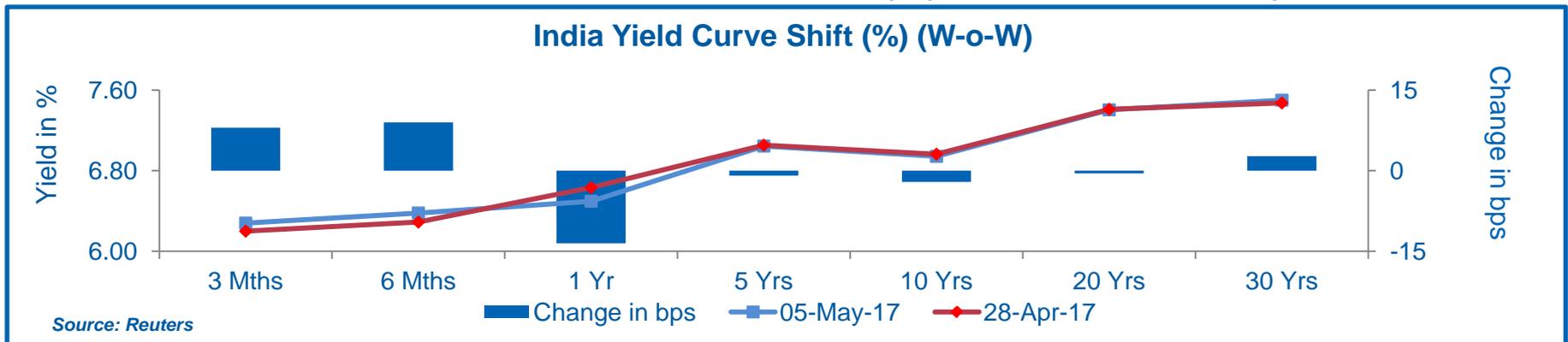
- ❑ Bond yields fell following value buying by investors and sharp fall in crude oil prices that raised expectations of a slower rate of price gains in the domestic country.
- ❑ However, increase in bond supply after the RBI auctioned long-term treasury bills to reduce the surplus liquidity from the banking system and chances of a rate hike by the U.S. Federal Reserve next month dampened investor sentiment.
- ❑ Yield on the 10-year benchmark bond (6.97% GS 2026) fell 2 bps to close 6.94% compared with the previous close of 6.96%.
- ❑ Data from RBI showed that India's foreign exchange reserves rose to \$372.73 billion as on Apr 28, from \$371.14 billion in the previous week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.61	7.10	49
3 Year	6.84	7.40	56
5 Year	7.14	7.51	37
10 Year	7.27	7.78	51

Source: Reuters Value as on May 5, 2017

- Yields on gilt securities fell across most of the maturities in the range of 1 bps to 14 bps, barring 11-, 12-, 14-, and 30-year maturities that increased in the range of 1 bps to 3 bps.
- Corporate bond yields increased across the maturities in the range of 1 bps to 6 bps, barring 7-year paper that fell 1 bps.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 2 bps to 13 bps, barring 7-year paper that contracted 1 bps.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has set up a panel on cyber security. The panel will suggest measures to safeguard the capital markets from such attacks.
- ❑ The Real Estate Regulation Act (RERA), which was passed by the Parliament last year, became effective from May 1. Markets expect housing demand to recover with the implementation of RERA and prices to remain stable due to huge unsold inventory. RERA is expected to bring in paramount change in the functionality of the real estate sector.
- ❑ The Union cabinet has given approval to the Non-performing Asset (NPA) resolution package. The package includes an ordinance that seeks to enable the RBI to more effectively deal with NPAs. Furthermore, the cabinet also approved a new steel policy that envisions an investment of Rs. 10 lakh crore to upgrade its production capacity.
- ❑ The Union cabinet has approved a new central sector Scheme for Agro-Marine Processing and Development of Agro-processing Clusters (SAMPADA). The government has allocated Rs. 6,000 crore to SAMPADA and the scheme is expected to benefit 20 lakh farmers. The objective of the scheme is to modernise agriculture practice and lower agri-waste generation.

Regulatory Updates in India (contd..)

- According to the oil minister, the government is considering investing Rs. 30,000 crore for expansion of LPG production and distribution network in the next three years. The objective of the move is to widen the cooking gas coverage and cut down on the use of polluting firewood and liquid fuel as a medium of cooking. Furthermore, the use of LPG helps the environment by increasing the productivity and preventing health hazards.
- The Ministry of Electronics and IT has notified phased manufacturing programme for mobile phones. The programme seeks to boost indigenous production of mobile phones by providing tax relief and other incentives on components and accessories used for the devices.
- The aviation ministry is considering auctioning airport contracts to private players. The ministry seeks to do so after setting fixed tariffs. The aviation ministry has already initiated the process of amending the AERA (Airports Economic Regulatory Authority of India) Act. AERA is the economic regulator for Indian airports that has the authority to fix tariffs at all major airports.
- According to the Ministry of New and Renewable Energy, the government announced the signing of Memorandum of Agreements for purchase of 1,000 MW wind power under its first wind auction scheme.

Global News/Economy

- ❑ The U.S. Federal Reserve (Fed) kept interest rates on hold in its monetary policy review. However, the central bank indicated two more rate hikes in the year as the fundamentals supporting the continued growth of consumption remained strong. Fed said slowdown in growth during the first quarter is temporary. The bank continues to expect that with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate rate, labour market conditions will strengthen further, and inflation will stabilize around 2% over the medium term.
- ❑ Data from the Institute for Supply Management showed that growth in U.S. manufacturing activity slowed more than expected in Apr 2017. The manufacturing Purchasing Managers' Index (PMI) dropped to 54.8 in Apr 2017 from 57.2 in Mar 2017.
- ❑ Data from the U.S. Labor Department showed that non-farm payroll employment added 211,000 jobs in Apr 2017, after adding a downwardly revised 79,000 jobs in Mar 2017 (98,000 jobs originally reported). However, the unemployment rate inched down to 4.4% in Apr 2017 from 4.5% in Mar 2017. This was the lowest level since May 2007 when the unemployment rate stood at the same level.
- ❑ Survey data from IHS Markit showed that China's manufacturing activity expanded at a slower pace in Apr 2017. The Caixin manufacturing PMI stood at 50.3 in Apr 2017 compared to 51.2 in Mar 2017.

Global Equity Markets

Global Indices			
Indices	05-May-17	1-Week Return	YTD Return
Dow Jones	21006.94	0.32%	5.66%
Nasdaq 100	5646.09	1.12%	14.96%
FTSE 100	7297.43	1.30%	1.67%
DAX Index	12716.89	2.24%	9.64%
Nikkei Average	19445.70	1.30%	-0.76%
Straits Times	3229.73	1.71%	11.41%

Source: Reuters *Value as on May 5, 2017*

Europe

- Major European markets closed the week positively, largely on news of Greece striking a bail-out deal with its global creditors on reforms like further cuts to pensions and less tax breaks. The impending runoff for France's Presidential race due this weekend also made investors confident.

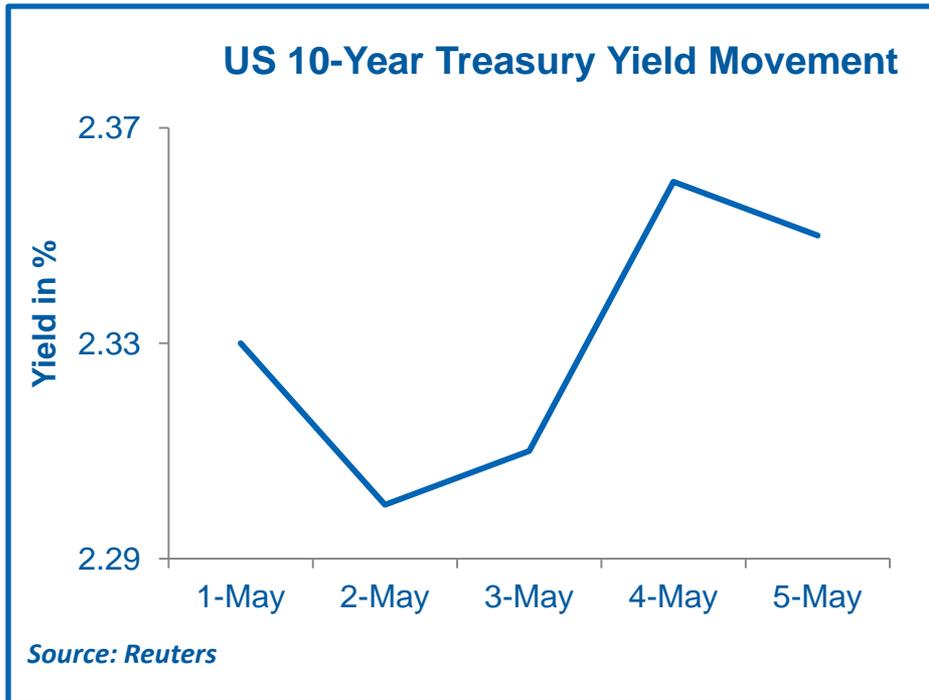
Asia

- Most of the major Asian markets moved up, mainly as the Japanese yen lost strength after Bank of Japan's Mar 2017 monetary policy meeting minutes hinted that the board members expect consumer prices to hit the central bank's 2% inflation target. U.S. President's wish to meet the country's leader for resolving issues also boosted sentiments.

U.S.

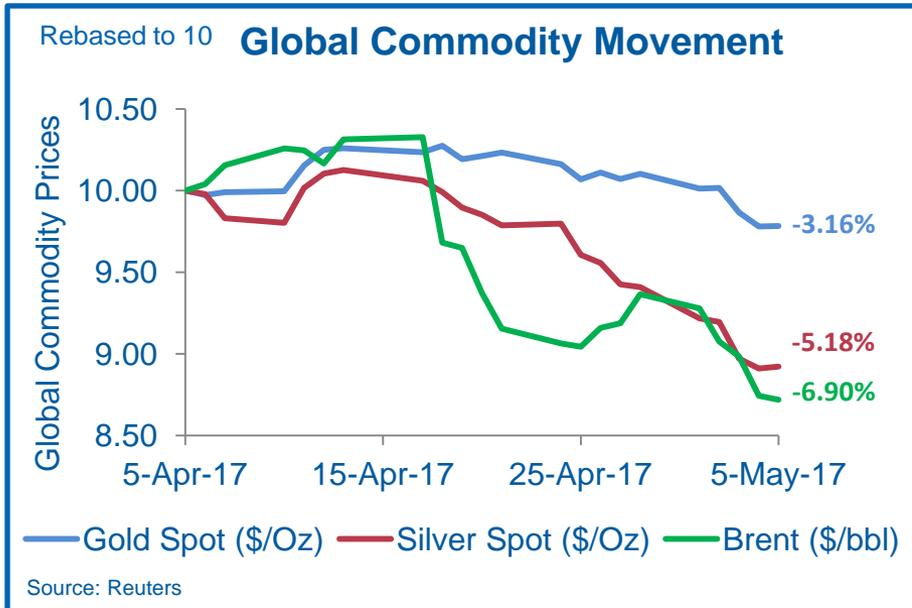
- Major U.S. markets grew and closed at record high levels. Markets turned green after Fed left interest rates unchanged and said the recent data signalled a continuous strengthening of the labour market, although growth in economic activity turned sluggish.
- Optimism regarding the upcoming final round of French presidential elections and upbeat U.S. jobs data for Apr 2017 also boosted market sentiments.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose by 7 bps to close at 2.35% from the previous week's close of 2.28%.
- U.S. Treasury prices fell initially after the U.S. Treasury Secretary indicated that the U.S. government is considering issuing ultra long-term bonds, or those with maturities beyond 30 years.
- U.S. Treasury prices fell further after Fed kept interest rates unchanged in its monetary policy review but maintained an upbeat outlook of the U.S. economy which increased the possibility of a rates hike in Jun 2017. Upbeat U.S. labour market data for Apr 2017 added to the losses. However, further losses were restricted following weak U.S. auto sales data for Apr 2017.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.69	50.15
Gold (\$/Oz)	1,227.59	1,267.65
Gold (Rs/10 gm)	28,227	28,887
Silver (\$/Oz)	16.30	17.19
Silver (Rs/Kg)	38,123	40,042

Source: Reuters Value as on May 5, 2017

Gold

- Prices of gold traded lower after the Fed gave a positive assessment of the U.S. economy, suggesting it was still on track for two more rate hikes in the year. Prices fell further following upbeat U.S. jobs data for Apr 2017.

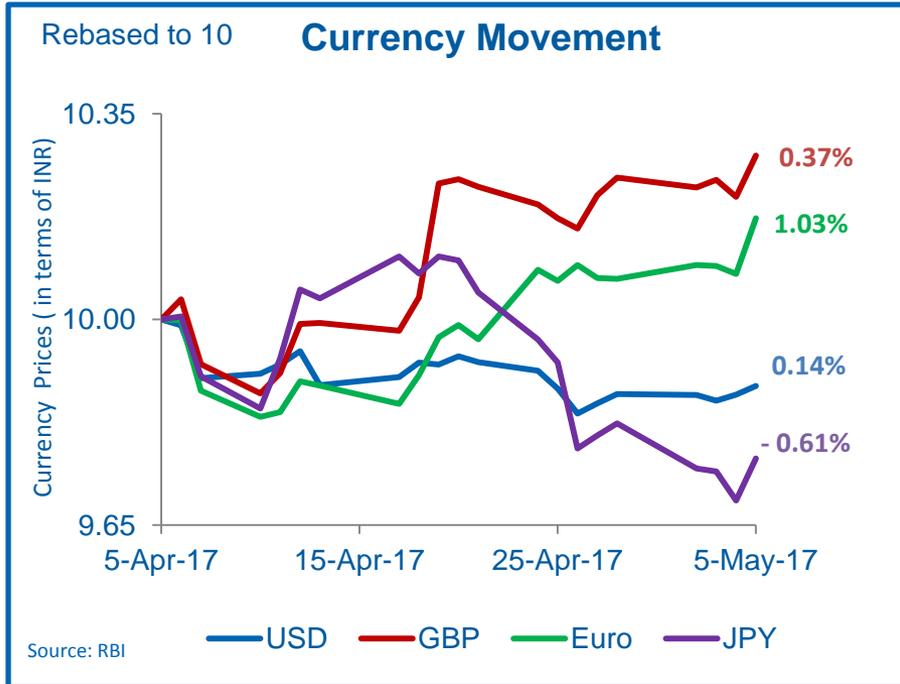
Crude

- Brent crude prices fell during the week because of persisting concerns over supply glut, which dampened investor confidence on Organization of the Petroleum Exporting Countries' initiative to restrict oil production. However, investors found some respite after preliminary data showed larger than expected fall in U.S. crude stocks in the week to Apr 26.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.31	64.22
Pound Sterling	83.13	82.83
EURO	70.60	69.88
JPY(per 100 Yen)	57.37	57.72

Source: RBI Figures in INR, Value as on May 5, 2017

Rupee

- The rupee weakened against the greenback following losses in the domestic equity market and concerns that the Fed might increase interest rates in Jun 2017.

Euro

- The euro rose against the greenback amid optimism regarding the upcoming final round of French Presidential elections. Weak U.S. auto sales data for Apr 2017 also boosted the euro.

Pound

- The pound rose against the greenback following upbeat manufacturing and service sector data for Apr 2017. Optimism regarding upcoming U.K. elections further boosted the pound.

Yen

- The yen weakened against the greenback after Fed kept interest rates unchanged in its monetary policy review but indicated that it was still on track for two more interest rate hikes this year.

The Week that was...
1st May to 5th May

The Week that was (May 1 – May 5)

Date	Events	Present Value	Previous Value
Monday, May 01, 2017	U.S. ISM Manufacturing (APR)	54.8	57.2
	U.S. Personal Consumption Expenditure Core (YoY) (MAR)	1.60%	1.80%
Tuesday, May 02, 2017	Japan Nikkei Composite PMI (APR)	52.6	52.9
	China Caixin PMI Mfg (APR)	50.3	51.2
	Euro zone Unemployment Rate (MAR)	9.50%	9.50%
Wednesday, May 03, 2017	Germany Unemployment Change (APR)	(15K)	(29K)
	U.S. ISM Non-Manufacturing Composite Index	57.5	55.2
	Euro zone Gross Domestic Product (YoY) (1Q A)	1.70%	1.70%
Thursday, May 04, 2017	China Caixin Composite PMI (APR)	51.2	52.1
	U.K. Markit Composite PMI (APR)	56.2	54.8
	U.K. Mortgage Approvals (MAR)	66.8K	67.9K
	Euro zone Retail Sales (YoY) (MAR)	2.30%	1.70%
	U.S. Trade Balance (MAR)	(\$43.7B)	(\$43.8B)
	U.S. Factory Orders (MAR)	0.20%	1.20%
Friday, May 05, 2017	U.S. Non-farm Payrolls (APR)	211K	79K
	U.S. Unemployment Rate (APR)	4.40%	4.50%
	Germany Construction PMI (APR)	54.6	56.4

The Week Ahead...
May 8 to May 12

The Week Ahead

Day	Event
Monday, May 8, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (APR) <input type="checkbox"/> Japan Consumer Confidence Index (APR) <input type="checkbox"/> U.K. BRC Sales Like-For-Like (YoY) (APR)
Tuesday, May 9, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Industrial Production (YoY) (MAR) <input type="checkbox"/> Germany Trade Balance (euros) (MAR) <input type="checkbox"/> U.S. Wholesale Inventories (MAR F)
Wednesday, May 10, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (APR) <input type="checkbox"/> China Producer Price Index (YoY) (APR) <input type="checkbox"/> Japan Trade Balance - BOP Basis (Yen) (MAR)
Thursday, May 11, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Bank of England Rate Decision <input type="checkbox"/> U.K. Industrial Production (YoY) (MAR) <input type="checkbox"/> U.K. Manufacturing Production (YoY) (MAR)
Friday, May 12, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (YoY) (APR) <input type="checkbox"/> U.S. Advance Retail Sales (APR) <input type="checkbox"/> Germany Gross Domestic Product (YoY) (1Q P)

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