

Last Fortnight Snapshots

Trade Highlights November: Exports continued to suffer from slowing global demand and collapsing commodity prices and fell by 24% YoY in Nov (12th month of contraction). Imports fell 30%. Trade deficit was \$9.8bn.

- Gems and Jewellery exports fell 22% to \$2.8 bn, Engg goods exports fell 29% to \$4.7 bn and petroleum product exports fell 54% to \$2.1 bn.
- Petroleum product imports fell 45% to \$6.4bn, precious stone imports fell 53% to \$0.98bn, Iron and steel imports fell 21% to \$1.1 bn.

Nos in \$ bn	Nov-15	Nov-14	YoY	Apr- Nov 2015	Apr-Nov 2014	YoY
Exports	20.01	26.49	-24.46	174.31	213.77	-18.46
Imports	29.8	42.72	-30.24	261.85	316.28	-17.21
Trade balance	-9.79	-16.23		-87.54	-102.51	
Oil Imports	6.44	11.7	-44.96	61.41	106.6	-42.39
Non Oil Imports	23.36	31.02	-24.69	200.44	209.68	-4.41
Gold/Silver import	3.83	6.21	-38.41	26.50	31.41	-15.65
Non oil-Non gold Import	19.54	24.81	-21.26	173.95	178.27	-2.43

Global Developments

Fed Raises rate in historic move:

The Federal Reserve raised short-term interest rates for the first time in nearly a decade, calling an end to the near-zero borrowing costs that have prevailed since the US was struck by the worst financial crash in modern times. In a landmark step, the US central bank announced a quarter-point increase in the target range for the federal funds rate to 0.25-0.5 per cent, lifting it from the historic lows it has occupied since December 2008. Policymakers expect only "gradual" future increases in the federal funds rate after today's move, the Fed said in a statement. It added that given the current shortfall in inflation compared with its 2 per cent target, it would "carefully monitor actual and expected progress" towards its inflation goal. It said it expected to maintain the current large size of its balance sheet until normalisation of interest rates was "well under way". Investors largely shrugged off the widely expected decision to tighten monetary policy, and many welcomed the clarity that it finally brought.

Median interest-rate projections from the central bank's policymakers suggested rates could rise by another 100 basis points in 2016, a faster pace than predicted by financial markets. Their median estimate for the longer-term federal funds rate stayed unchanged at 3.5 per cent.

Interest Rates and Bond Yields

The yield on benchmark 10-year government bond closed a little lower at 7.73% compared with 7.76% in the previous fortnight.

Currency

The INR stayed weak for most of the fortnight and closed at 66.75, unchanged from previous fortnight's closing after hitting a low of 67.11 during the fortnight.

Money Supply

M3 growth fell to 10.7% from 11.2% in the previous fortnight. Deposit growth was weaker at 10.4% from 11.0% in the previous fortnight to keep M3 growth sluggish.

Deposit & Credit

Credit growth for the fortnight ended 27 Nov 2015, rose to 9.8% from 9.7% in the previous fortnight. Overall credit growth continues to remain muted due to poor demand from corporate due to tepid investments as well as their preference for debt markets. Deposit growth fell to 10.4% from 11.0%.

Forex Reserves

India's FX Reserves fell to \$ 352.1 compared with \$ 352.4 in the previous fortnight. Capital market flows were negative in the fortnight. Valuation change of other currencies impacted FX reserves.

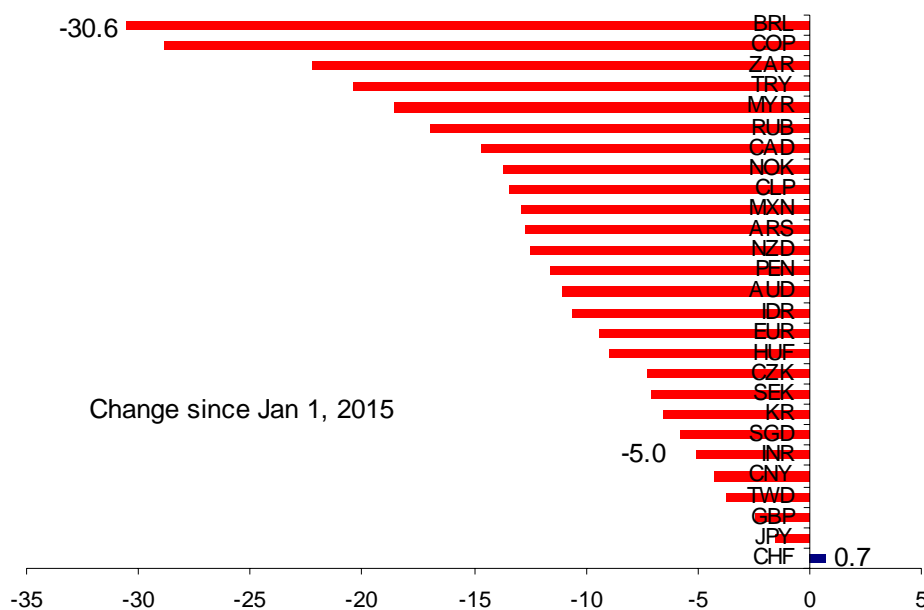
Inflation

November Inflation Rises to 5.41%

November CPI came in at 5.41%, higher than our estimate of 5.20% and consensus of 5.30%. Food inflation rose to 6.08%, mainly due to poor monsoon and reversal of favourable base with pulses shooting up 46.0% YoY (pulses alone contributed 107 basis to overall inflation). Vegetable inflation rose to 4.0% from 2.42% in previous month, Fuel inflation fell to 5.28% compared with 5.32% in October, Misc inflation rose to 3.78% from 3.51% in October while clothing, bedding and footwear rose to 5.76% from 5.62%.

YoY Growth	Oct-15	Nov-15
Food and Beverage	5.34	6.08
<i>Vegetables</i>	2.42	4.00
<i>Milk and Milk Products</i>	4.79	4.03
Pan, Tobacco and intoxicants	9.50	9.50
Fuel and Light	5.32	5.28
Housing	4.88	4.95
Miscellaneous	3.51	3.78
Clothing and Bedding& footwear	5.62	5.76
CPI -General	5.00	5.41
CPI - Core	4.42	4.62

Indian Currency performance: INR since Jan 2015, has depreciated by 5.0% against USD, with only Swiss Franc, JPY, GBP, Taiwanese Dollar and CNY performing better.



In the same period; Brazilian Real has weakened by 31%, Colombian peso by 29%, SA Rand by 22.0% and Turkish Lira by 20%.

<p>Interest rates & Bond Yields</p>	<p>Bonds traded weak and yields rose during the fortnight as traders awaited Fed’s statement. With the Fed hike out of the way and the statement relative dovish, we expect bonds to trade marginally stronger and expect yields to soften slightly. FII’s were sellers in domestic debt segment in the previous fortnight and their participation in the market will be keenly watched.</p>
<p>Currency</p>	<p>INR traded weak last fortnight as globally US Dollar was strong as traders expected the Fed to raise rates in December. After the event where Fed raised target rate by 25 basis, we expect INR to remain largely flat. Yuan depreciation is likely to impact INR more than USD levels globally.</p>
<p>Money Supply</p>	<p>Money Supply should sustain in the 11.0% - 12.00% range next fortnight. Deposit growth fell marginally in the previous fortnight to 10.4%. We expect deposit growth to rise marginally from these levels and this will help keep Money Supply at around 11.50 % levels.</p>

Fortnightly Calendar

India

18-Dec-15	BoP Q2
24-Dec-15	Forex Reserves
24-Dec-15	Money Supply
28-Dec-15	Core Sector Growth
31-Dec-15	Fiscal Deficit

US

17-Dec-15	Initial Jobless Claims
22-Dec-15	Existing Home Sales
23-Dec-15	MBA Mortgage Applications
23-Dec-15	PCE Deflator
30-Dec-15	Pending Home Sales
31-Dec-15	Consumer Comfort

Euro Zone

18-Dec-15	Current Account
21-Dec-15	Consumer Confidence
30-Dec-15	Money Supply

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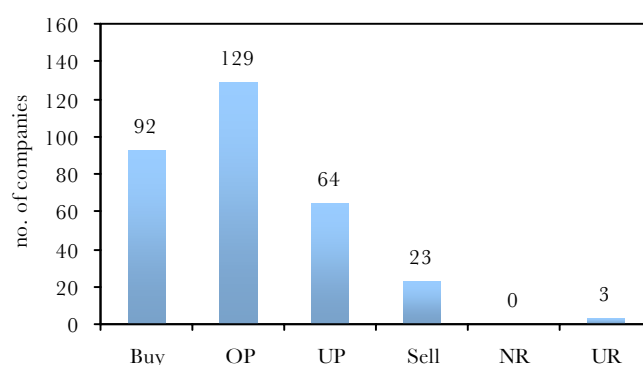
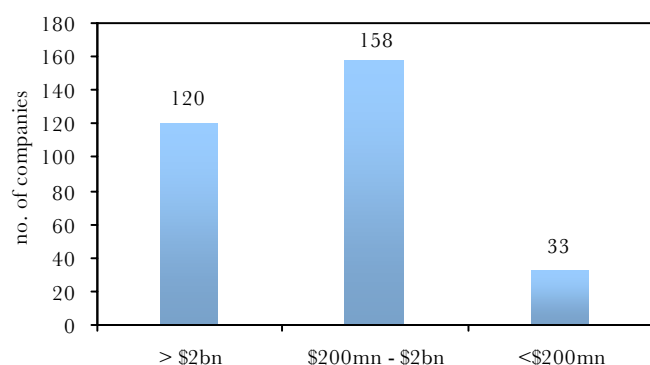
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B&K Economic Research

----- B&K Universe Profile -----

By Market Cap (US\$ mn)

By Recommendation



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