

RELIANCE

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# News U Can Use

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April 6, 2018

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The Week that was...

**2<sup>nd</sup> April to 6<sup>th</sup> April**

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## Indian Economy

- The Monetary Policy Committee (MPC) in its first bi-monthly policy review for FY19 kept key policy repo rate unchanged at 6.0% and retained its “neutral” stance. Consequently, the reverse repo rate stood unaltered at 5.75%, and the marginal standing facility (MSF) rate and bank rate remained at 6.25%, each. Out of six members of the MPC, five policymakers were in favour of the monetary policy decision and one advocated for a policy rate increase of 25 bps.
- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to 51.0 in Mar 2018 from 52.1 in Feb 2018. This marked the weakest pace of rise in the last five months. The downside reflected drop in new work and output and a fall in employment for the first time in eight months.
- The seasonally adjusted Nikkei India Services Business Activity Index improved from 47.8 in Feb 2018 to 50.3 in Mar 2018 driven by greater inflows of new work. Meanwhile, the headline seasonally adjusted Nikkei India Composite PMI Output Index, rose from 49.7 in Feb to 50.8 in Mar, driven by growth in both the manufacturing and service sectors.
- Government data showed that the index of eight core industries grew 5.3% in Feb 2018 as against 6.1% in Jan 2018 (6.7% originally reported) and 0.6% in Feb 2017. The month on month slowdown in pace of growth reflects 2.4% and 1.5% decline in crude oil and natural gas products respectively. Meanwhile, cement witnessed maximum growth of 22.9%. Growth for Apr to Feb 2018 slowed to 4.3% from 4.7% in the same period of the previous year.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	06-Apr-18	1 Week Return	YTD Return
S&P BSE Sensex	33,626.97	2.00%	-0.55%
Nifty 50	10,331.60	2.15%	-1.00%
S&P BSE Mid-Cap	16,596.57	3.97%	-6.95%
S&P BSE Small-Cap	17,882.99	5.23%	-7.25%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.24	25.65	38.52	102.61
P/B	3.09	3.55	2.91	2.59
Dividend Yield	1.15	1.24	0.86	0.64

*Source: BSE, NSE* *Value as on Apr 06, 2018*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
02-Apr-18	1,493	312	4.79
03-Apr-18	1,351	446	3.03
04-Apr-18	736	1,064	0.69
05-Apr-18	1,528	290	5.27
06-Apr-18	1,099	699	1.57

*Source: NSE*

- Indian equity markets closed in the green amid positive impact of monetary policy wherein the MPC lowered inflation expectations for the fourth quarter of FY18 and first and second halves of FY19.
- Meanwhile, Reserve Bank of India (RBI) permitting banks to spread their bond trading losses over four quarters and jump in big auto companies' Mar 2018 vehicle sales further supported buying interest. Expansion in the Indian services sector in Mar 2018 added to the gains.
- However, trade war tensions between the U.S. and China and expansion of India's manufacturing sector in Mar 2018 at the weakest pace in 5 months capped the gains. Persisting concerns over the Indian banking sector also weighed on the market sentiment.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25,409.26	5.62%	5.43%
S&P BSE Bankex	27,855.60	2.42%	1.10%
S&P BSE CD	22,192.97	-0.31%	5.11%
S&P BSE CG	18,799.74	1.75%	1.11%
S&P BSE FMCG	10,552.42	2.55%	2.68%
S&P BSE HC	13,685.66	4.01%	-0.76%
S&P BSE IT	12,233.40	1.10%	-0.93%
S&P BSE Metal	13,631.13	2.32%	-6.06%
S&P BSE Oil & Gas	14,823.03	1.43%	-2.70%

Source: Thomson Reuters Eikon \*Value as on Apr 06, 2018

- On the BSE sectoral front, indices closed on a positive note. S&P BSE Auto (5.62%) stood as the major gainer followed by S&P BSE Healthcare (4.01%), S&P BSE Power (3.17%), and S&P BSE Realty (2.90%).
- Gains in auto stocks reflect solid auto sales numbers. S&P BSE FMCG and S&P BSE Bankex gained 2.55% and 2.42%, respectively. S&P BSE Consumer Durables was only loser and fell 0.31%.

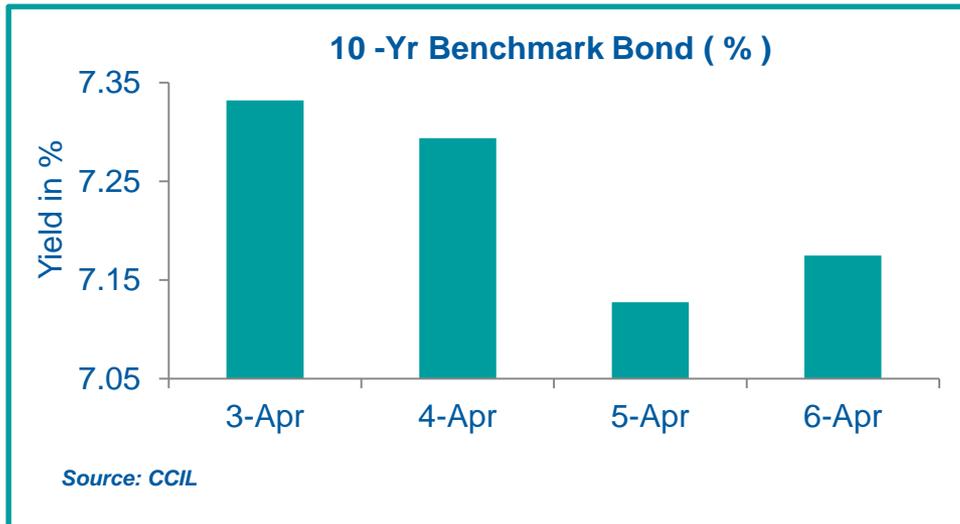
## Indian Derivatives Market Review

- Nifty Apr 2018 Futures were at 10,352.85 points, a premium of 21.25 points, over the spot closing of 10,331.60. The turnover on NSE's Futures and Options segment stood at Rs. 34.44 lakh crore against Rs. 35.09 lakh crore on Mar 28.
- The Put-Call ratio stood unchanged from the previous week's close at 0.91.
- The Nifty Put-Call ratio stood at 1.45 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	5.89	7.57	5.87	5.85
91 Day T-Bill	6.10	6.12	6.30	6.07
7.80% 2021, (5 Yr GOI)	6.94	7.09	7.22	6.56
7.17% 2028, (10 Yr GOI)	7.17	7.40	7.77	--

*Source: Thomson Reuters Eikon* *\* Value as on Apr 06, 2018*



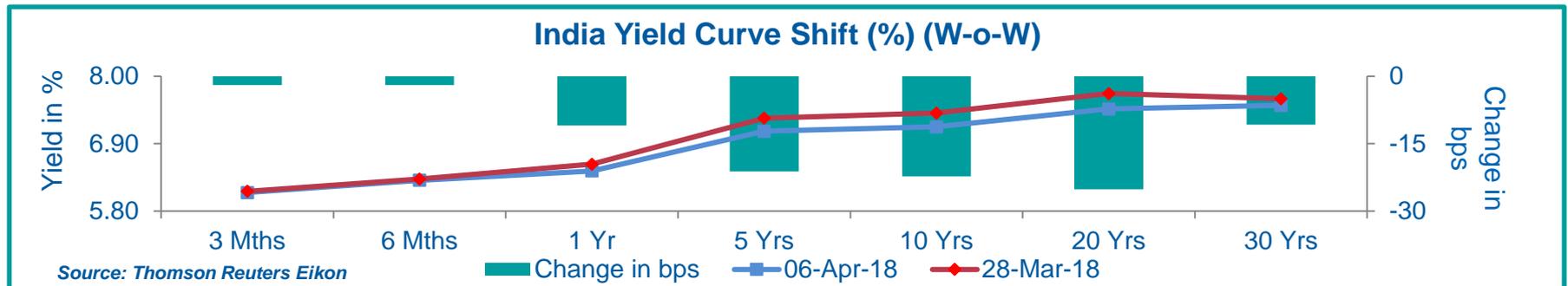
- Bond yields plunged after the MPC in its bi-monthly monetary policy review lowered its inflation rate projections for the first and second half of FY19.
- Forecast by a private weather agency of normal monsoon rainfall this year also eased inflation concern that further boosted bond market.
- News that the RBI permitted banks to spread provisions made for mark-to-market losses on their bond portfolios also supported the domestic bond market.
- Yield on the 10-year benchmark paper (7.17% GS 2028) fell 23 bps to close at 7.17% from the previous week's close of 7.40%, after trading in a range of 7.12% to 7.37%.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.45	7.54	108
3 Year	6.94	7.74	80
5 Year	7.10	7.89	79
10 Year	7.18	8.14	96

Source: Thomson Reuters Eikon Value as on Apr 06, 2018

- Yields on gilt securities fell across all maturities in the range of 11 bps to 45 bps. Maximum decrease was witnessed on 11-year paper while minimum was witnessed on 1- and 2-year papers.
- Corporate bond yields fell across the maturities in the range of 4 bps to 19 bps.
- Spread between AAA corporate bond and gilt expanded across all maturities by up to 39 bps, barring 4- and 6- year maturities that contracted by up to 5 bps and 1-year paper that remained unchanged.



## Regulatory Updates in India

- The RBI has modified its rigid position on provisioning norms for banks suffering losses from bonds trading. RBI has permitted lenders to scatter their trading losses over four quarters so that arranging funds to meet provisioning norms on bankrupt cases is not difficult. Also, the central bank has stated that banks should create an Investment Fluctuation Reserve, which could be used in case it is required to provide for bond losses in the future.
- Securities and Exchange Board of India (SEBI) announced that it has brought in a new system for depositories. The new system that will be effective from May 1, 2018, would be used to monitor the foreign investment limits in listed Indian companies. This new system has been set up in consultation with the RBI, thereby helping the companies to ensure compliance with various foreign investment limits.
- SEBI has raised the limit to process up to 100 orders per second by a user for algorithm trading from the existing limit of 20 orders per second. This comes on the wake of relaxing algorithm trading norms at commodity derivatives exchanges. The decision was taken after receiving representations from exchanges along with views of Commodity Derivatives Advisory Committee.
- RBI has appointed the Financial Benchmark India Pvt Ltd (FBIL) for valuation of portfolios of government securities. This was earlier done by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). According to the directive issued by RBI, FIMMDA has stopped publishing prices/yield of government securities effective Mar 31, 2018.

## Regulatory Updates in India (contd..)

- Insolvency and Bankruptcy panel has recommended changes to the insolvency resolution framework in its report that was released by the ministry of corporate affairs. It has suggested changes to the insolvency resolution framework to make it flexible for resolution professionals to raise interim finance. To facilitate this, it has recommended that interest should be calculated till one year after the liquidation date or repayment whichever is earlier. Currently, the interest is calculated only till the liquidation date.
- RBI has deferred implementation of two key regulatory policies. The regulator deferred the execution of the Indian Accounting Standards (Ind AS) by one year. Also, countercyclical buffer related provisioning requirements have been postponed. Ind AS is a global accounting practice that is compulsory for lenders to adopt that may lead to initial credit losses. RBI stated that Ind AS was to be effectively implemented from 2018. Meanwhile, banks were being asked to submit half yearly balance sheets based on the Ind AS formats as a part of the preparedness.
- The agriculture ministry has allowed states to set up their own insurance companies for implementing the Pradhan Mantri Fasal Bima Yojana (PMFBY). For proper implementation of the old crop insurance schemes which have now been merged with PMFBY, states had placed several requests with the centre. The Comptroller and Auditor General in its 2017 report had made observations that these schemes were poorly implemented during 2011-2016.

## Global News/Economy

- According to the Labor Department, U.S. non-farm payroll employment rose much less than expected by 103,000 jobs in Mar 2018 after jumping by an upwardly revised 326,000 jobs (313,00 jobs originally reported) in Feb 2018. The less than expected job growth came as rise in employment in the manufacturing, healthcare, and mining sectors were partly offset by job losses in the construction and retail sectors. The unemployment rate stood at 4.1% in Mar 2018, unchanged from the five previous months. Meanwhile, annual rate of growth in average hourly employee earnings rose 2.7% in Mar 2018 from 2.6% in Feb 2018.
- According to the Institute for Supply Management, U.S. manufacturing Purchasing Managers Index (PMI) fell to 59.3 in Mar 2018 from 60.8 in Feb 2018. The more than expected fall was due to slowdown in the pace of job growth and new orders in the manufacturing sector.
- According to data from IHS Markit, eurozone's service PMI fell to 54.9 in Mar 2018 from 56.2 in Feb 2018. Similarly, eurozone's composite PMI fell to 55.2 in Mar from 57.1 in Feb as rates of growth slowed in both manufacturing and services sectors.
- According to survey data from IHS Markit, U.K.'s PMI fell more than expected to 51.7 in Mar 2018 from 54.5 in Feb 2018 due to snow disruption and unusually bad weather conditions in Mar 2018.
- As per survey results from IHS Markit, China's manufacturing PMI fell unexpectedly to 51.0 in Mar 2018 from 51.6 in Feb 2018. The unexpected fall was driven by slowdown in production and new orders.

## Global Equity Markets

Global Indices			
Indices	06-Apr-18	1-Week Return	YTD Return
Dow Jones	23,932.76	-0.71%	-3.59%
Nasdaq 100	6,433.21	-2.25%	-1.20%
FTSE 100	7,183.64	1.80%	-6.07%
DAX Index	12,241.27	1.19%	-4.90%
Nikkei Average	21,567.52	0.53%	-8.25%
Straits Times	3,442.50	0.42%	1.16%

*Source: Thomson Reuters Eikon*

## U.S.

- U.S. markets came under pressure as concerns over trade war reignited following China's announcement of tariff hike on certain goods imported from the U.S.
- Losses were extended after U.S. job growth slowed by much more than anticipated in Mar 2018.

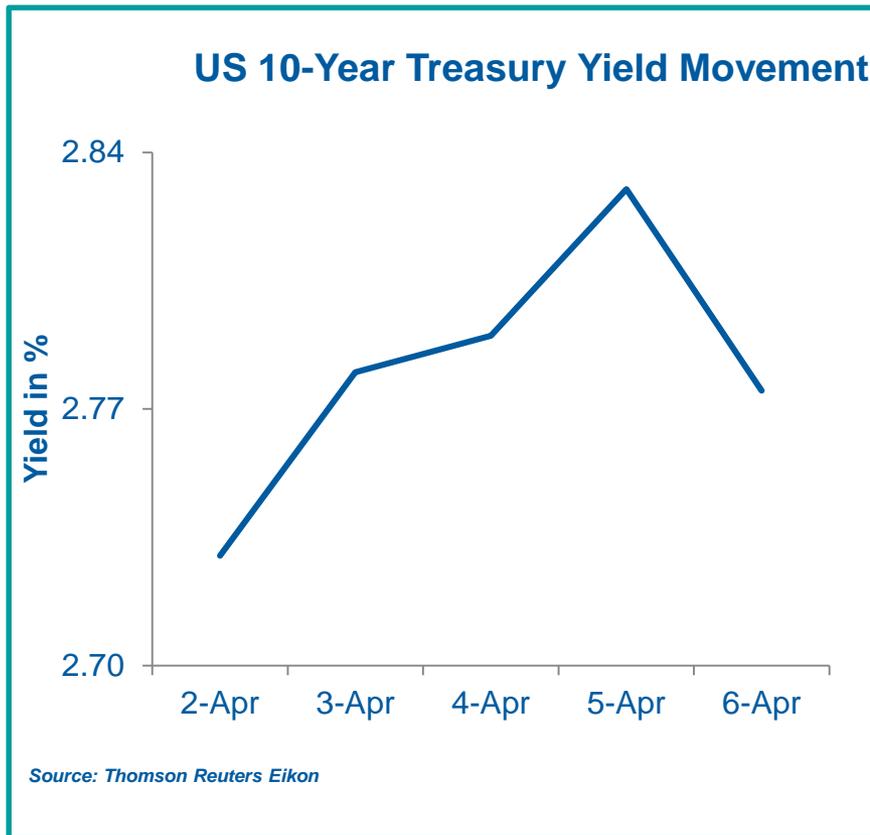
## Europe

- European markets closed on a positive note on optimism over a resolution of trade tensions between the U.S. and China. Gains were capped as final data of a private survey showed that Mar euro zone private sector expanded in Mar 2018 at the weakest pace since the start of 2017. Meanwhile, euro zone retail sales increased at a slower than expected pace in Feb after falling in the previous two months.

## Asia

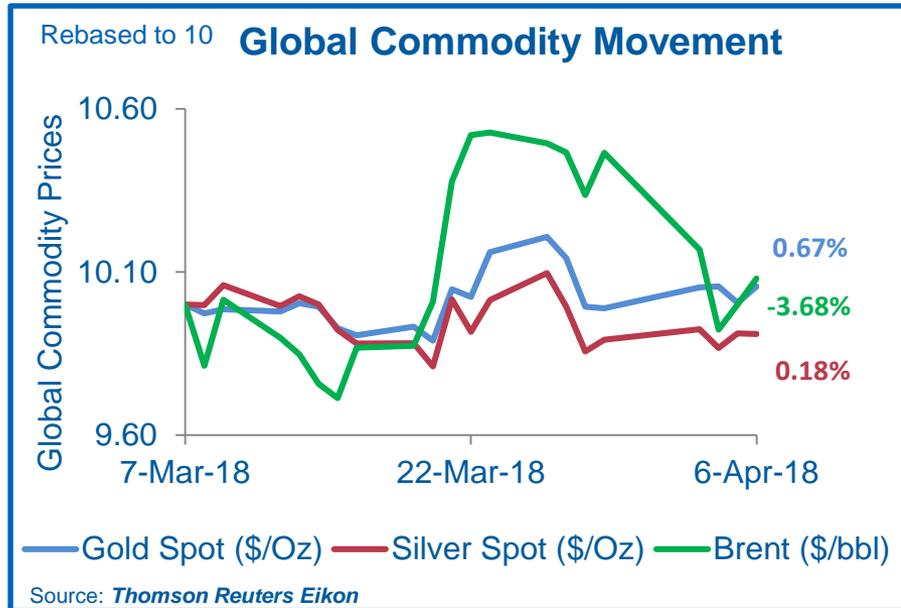
- Asian markets witnessed a mixed trend. Optimism over negotiations between the U.S. and China to resolve the escalating trade tensions provided initial support to the bourses. Gains were capped as worries about a global trade war intensified amid reports of U.S. President's plan to impose additional tariffs on Chinese imports.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 4 bps to close at 2.78% from the previous week's close of 2.74%.
- U.S. Treasury prices rose initially as its safe haven appeal improved after the Institute for Supply Management reported that the index of factory activity for U.S. fell in Mar 2018.
- However, the trend reversed, amid reports that the U.S. is looking to resolve a trade dispute with China.
- Further losses were restricted at the end of the week after the U.S. nonfarm payroll employment for Mar 2018 came below market expectations and grew at the slowest rate in the last six months.

## Commodities Market



### Gold

- Gold prices inched up as investors remained worried of a potential global trade war as China announced tariff hike on certain goods imported from the U.S. in retaliation to U.S.' move of imposing tariff on steel and aluminum.

### Crude

- Brent crude prices moved down as concerns over supply glut weighed on sentiment after Russia reported an increase in production in Mar 2018.
- However, the downside was limited after U.S. crude inventories fell by 4.617 million barrels for the week ended Mar 30.

### Baltic Dry Index

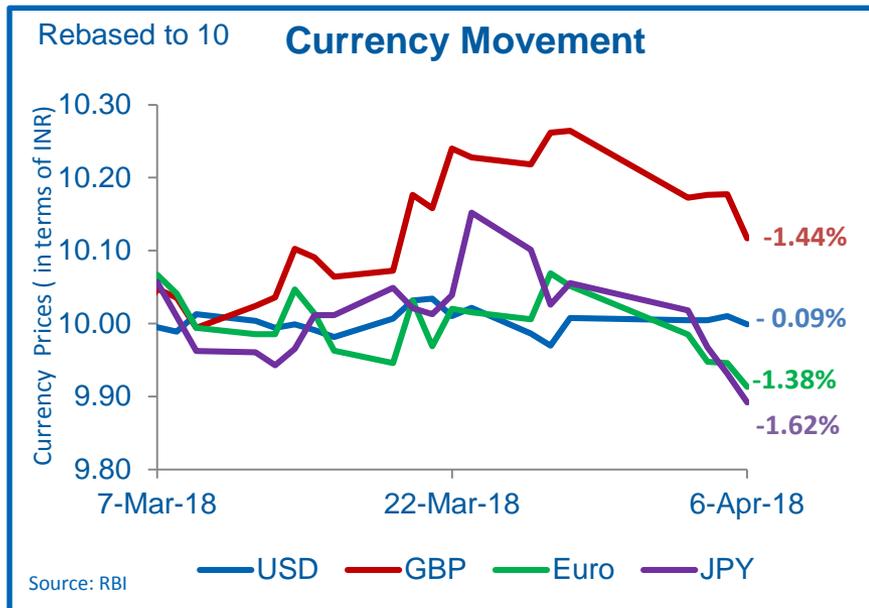
- The Baltic Dry Index fell on the back of lower capesize and panamax activities.

### Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	65.70	68.21
Gold (\$/Oz)	1,332.89	1,324.00
Gold (Rs/10 gm)	30,396	30,630
Silver (\$/Oz)	16.35	16.32
Silver (Rs/Kg)*	37,884	38,325

Source: Thomson Reuters Eikon \*Value as on Apr 06, 2018

## Currencies Markets



### Rupee

- The Indian rupee rose against the greenback after MPC in its bi-monthly monetary policy review cut its inflation projections for FY19.

### Euro

- Euro weakened against the greenback after the euro zone composite output index fell in Mar 2018.

### Pound

- Pound initially weakened against the greenback after the U.K. services PMI for Mar 2018 came below market expectations. However, the trend reversed after the U.S. nonfarm payroll employment for Mar missed market expectations and grew at the slowest pace in the past six months.

### Yen

- Yen weakened against the greenback as its safe haven appeal dampened amid reports that the United States is looking to resolve a trade dispute with China.

Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	64.99	65.04
Pound Sterling	90.96	92.28
EURO	79.51	80.62
100 JPY	60.54	61.54

Source: RBI Figures in INR, \*Value as on Apr 06, 2018

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The Week that was...

**2<sup>nd</sup> April to 6<sup>th</sup> April**

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Date	Events	Present Value	Previous Value
<b>Monday, April 2, 2018</b>	<ul style="list-style-type: none"> <li>• India's eight core industries data (Feb)</li> <li>• U.S. ISM Manufacturing (Mar)</li> <li>• U.S. ISM Employment (Mar)</li> </ul>	5.30% 59.3 57.3	6.10% 60.8 59.7
<b>Tuesday, April 3, 2018</b>	<ul style="list-style-type: none"> <li>• India's Nikkei Manufacturing PMI (Mar)</li> <li>• Germany Retail Sales (YoY) (Feb)</li> <li>• U.K. Markit Manufacturing PMI (Mar)</li> </ul>	51.00 1.30% 55.1	52.1 2.50% 55
<b>Wednesday, April 4, 2018</b>	<ul style="list-style-type: none"> <li>• Eurozone Consumer Price Index Estimate (YoY) (Mar)</li> <li>• U.S. ISM Non-Manufacturing/Services Composite (Mar)</li> <li>• Japan Nikkei Composite PMI (Mar)</li> <li>• China Caixin Composite PMI (Mar)</li> <li>• U.S. Durable Goods Orders (Feb F)</li> </ul>	1.40% 58.8 51.3 51.8 3.00%	1.10% 59.5 52.2 53.3 3.10%
<b>Thursday, April 5, 2018</b>	<ul style="list-style-type: none"> <li>• India's Monetary Policy Committee's Interest Rate Decision</li> <li>• India's Nikkei Services PMI (Mar)</li> <li>• U.S. Initial Jobless Claims (Mar 31)</li> <li>• U.K. Markit/CIPS Composite PMI (Mar)</li> </ul>	6.00% 50.3 242k 55.2	6.00% 47.8 218k 55.3
<b>Friday, April 6, 2018</b>	<ul style="list-style-type: none"> <li>• U.S. Change in Non-farm Payrolls (Mar)</li> <li>• Germany Industrial Production (YoY) (Feb)</li> </ul>	103k 2.60%	326k 6.30%

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The Week Ahead

**9<sup>th</sup> April to 13<sup>th</sup> April**

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## The Week Ahead

Day	Event
<p><b>Monday,</b> <b>April 9, 2018</b></p>	<ul style="list-style-type: none"> <li>• Euro Zone Sentix Investor Confidence (Apr)</li> <li>• U.K. Halifax House Prices (MoM) (Mar)</li> <li>• Japan Consumer Confidence Index (Mar)</li> <li>• Japan Eco Watchers Survey Current (Mar)</li> </ul>
<p><b>Tuesday,</b> <b>April 10, 2018</b></p>	<ul style="list-style-type: none"> <li>• China New Yuan Loans CNY (Mar)</li> <li>• Japan Machine Tool Orders (YoY) (Mar P)</li> <li>• U.K. NIESR GDP Estimate (3M) (Mar)</li> </ul>
<p><b>Wednesday,</b> <b>April 11, 2018</b></p>	<ul style="list-style-type: none"> <li>• China Consumer Price Index (YoY) (Mar)</li> <li>• U.S. Consumer Price Index (YoY) (Mar)</li> <li>• U.K. Trade Balance (Feb)</li> <li>• U.K. Manufacturing Production (YoY) (Feb)</li> </ul>
<p><b>Thursday,</b> <b>April 12, 2018</b></p>	<ul style="list-style-type: none"> <li>• India Consumer Price Index (Mar 18)</li> <li>• India Index of Industrial Production (Feb 18)</li> <li>• Eurozone Industrial Production (YoY) (Feb)</li> <li>• U.S. Initial Jobless Claims (Apr 7)</li> <li>• U.S. Export Price Index (YoY) (Mar)</li> </ul>
<p><b>Friday,</b> <b>April 13, 2018</b></p>	<ul style="list-style-type: none"> <li>• U.S. University of Michigan Sentiment (Apr P)</li> <li>• China Trade Balance CNY (Mar)</li> <li>• Germany Consumer Price Index (YoY) (Mar F)</li> </ul>

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