

News U Can Use

April 21, 2017

The Week that was...
17th April to 21st April

Indian Economy

- ❑ India's Wholesale Price Index (WPI)-based inflation rose lower than expected at 5.70% in Mar 2017, compared with 6.55% in the previous month and 0.45% contraction witnessed in the year-ago period. The decrease came due to fall in fuel price inflation to 18.16% in Mar from 21.02% in the previous month. Meanwhile, food price inflation rose 3.12% in Mar as against 2.69% in Feb 2017 and 4.09% recorded in the year-ago period.
- ❑ According to the World Bank, the Indian economy is expected to grow 7.2% in FY18 and rise further to 7.5% in FY19. However, the bank warned that a rapid increase in oil and other commodity prices could adversely affect the growth prospect of the Indian economy.
- ❑ As per the draft rules released by the Central Board of Excise and Customs, records of goods lost, stolen or destroyed and given as free sample and gifts will have to be maintained under the new goods and services tax (GST) regime which is expected to start from Jul 1. Also, each volume of books of account will have to be maintained with serial numbers and any entry in registers, accounts and documents should not be erased, effaced or overwritten.
- ❑ Data from Reserve Bank of India (RBI) showed that foreign direct investment (FDI) by Indian companies in their overseas ventures jumped over two-fold to \$2.99 billion in Mar 2017 from \$1.42 billion in the same month of the previous year. FDI by Indian companies in their overseas ventures in the preceding month stood at \$0.87 billion.

Indian Equity Market

Domestic Equity Market Indices			
Indices	21-Apr-17	1 Week Return	YTD Return
S&P BSE Sensex	29,365.30	-0.33%	10.41%
Nifty 50	9,119.40	-0.34%	11.49%
S&P BSE Mid-Cap	14,487.92	0.95%	19.43%
S&P BSE Small-Cap	15,166.31	1.92%	24.41%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.43	23.12	32.26	69.87
P/B	2.91	3.48	2.63	2.4
Dividend Yield	1.39	1.26	1.27	0.69

Source: BSE, NSE

Value as on April 21, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
17-Apr-17	842	864	0.97
18-Apr-17	580	1121	0.52
19-Apr-17	944	734	1.29
20-Apr-17	1130	543	2.08
21-Apr-17	832	859	0.97

Source: NSE

- Cautious stance adopted by investors amid ongoing corporate earnings season kept domestic equity markets low for the major part of the week.
- While normal monsoon forecast by India Meteorological Department acted as a positive catalyst, geopolitical tensions between U.S. and North Korea coupled with U.S. President's call for reviewing H1-B visa programme dampened market sentiment.
- Losses were restricted by a report from the World Bank showing India's economic growth is expected to see an uptick at 7.2% this fiscal and further accelerate to 7.5% in FY19.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21,919.72	-0.61%	-1.18%
S&P BSE Bankex	24,437.88	-1.19%	2.22%
S&P BSE CD	15,526.28	0.81%	5.77%
S&P BSE CG	17,437.57	0.71%	8.57%
S&P BSE FMCG	9,222.53	-0.91%	-1.04%
S&P BSE HC	15,161.10	-2.21%	-1.08%
S&P BSE IT	9,680.94	-0.51%	-7.58%
S&P BSE Metal	11,055.11	-2.74%	-6.75%
S&P BSE Oil & Gas	14,286.63	0.48%	7.32%

Source: Reuters *Value as on April 21, 2017*

- On the BSE sectoral front, majority of the indices closed in the red. S&P BSE Metal was the major loser, down 2.74%, followed by S&P BSE Healthcare and S&P BSE Bankex, which fell 2.21% and 1.19%, respectively.
- Meanwhile, S&P BSE Realty was the top gainer, up 11.45%, followed by S&P BSE Power and S&P BSE Consumer Durables, which rose 1.57% and 0.81%, respectively. Buying interest was seen in oil & gas sector after an industry major announced commission of a key hydrocarbon unit.

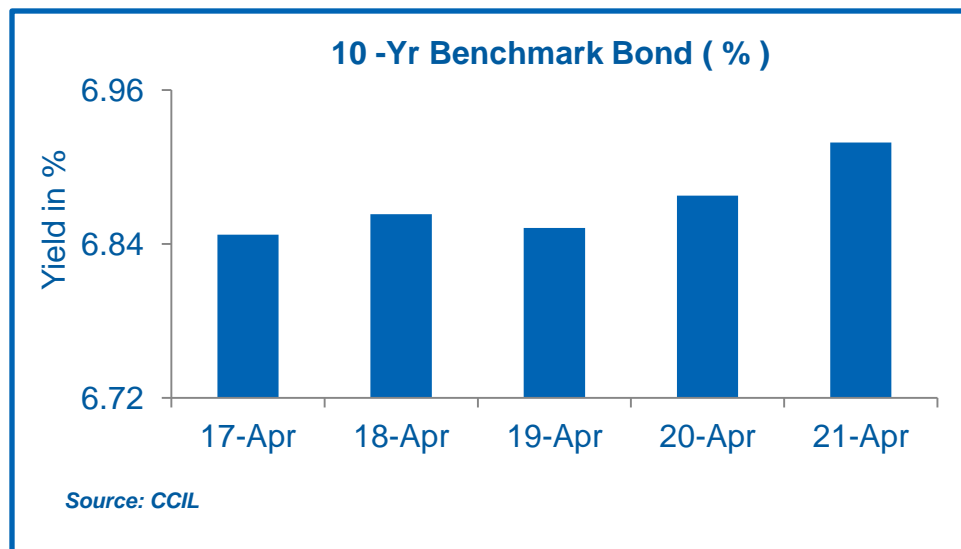
Indian Derivatives Market Review

- Nifty Apr 2017 Futures were at 9,127.00, a premium of 7.60 over the spot closing of 9,119.40. The turnover on NSE's Futures and Options segment stood at Rs. 26.31 lakh crore during the week to Apr 21, compared with Rs. 20.23 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.91, compared with the previous week's close of 0.96.
- The Nifty Put-Call ratio stood at 1.07, compared with the previous week's close of 1.09.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.93	5.96	5.92	6.22
91 Day T-Bill	6.08	5.95	5.86	6.39
7.80% 2021, (5 Yr GOI)	6.85	6.79	6.80	6.72
6.97% 2026, (10 Yr GOI)	6.92	6.82	6.89	6.76

Source: Reuters Value as on April 21, 2017



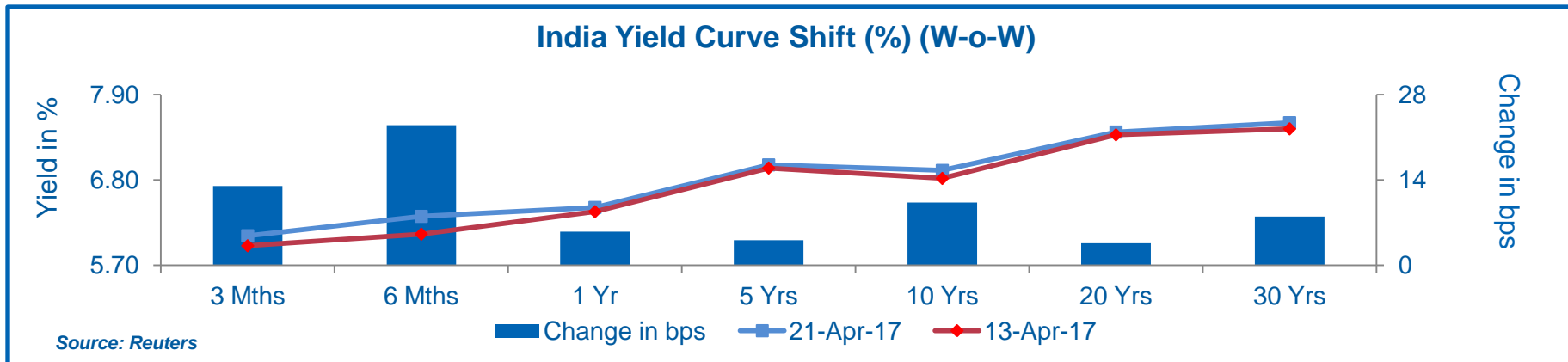
- Bond yields increased during the week after the Reserve Bank of India (RBI) sold 329-day Treasury bills under the Market Stabilisation Scheme and announced three more auctions over the next four weeks to absorb excess cash from banks.
- Losses increased on reports that the Ministry of Finance is in talks with RBI to raise the informal limit for issuance of papers and is also considering issuing a new 10-year benchmark paper. Yields rose further after minutes of Monetary Policy Committee’s (MPC) latest meeting indicated upside risk in inflation, which triggered chances of an interest rate hike.
- However, losses were restricted after India Meteorological Department (IMD) predicted southwest monsoon rainfall to be normal this year.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.55	7.02	47
3 Year	6.82	7.34	52
5 Year	7.09	7.46	37
10 Year	7.23	7.75	52

Source: Reuters Value as on April 21, 2017

- Yields on gilt securities increased across the maturities in the range of 2 to 10 bps.
- Corporate bond yields rose across curve by up 6 bps, barring 7- and 15-year papers that eased 1 bps. Yield on 8-year paper was flat.
- Spread between AAA corporate bond and gilt contracted across segments in the range of 2 to 8 bps, except 1-year paper that was flat. The maximum fall was on 6-, 9-, and 15-year papers.



Regulatory Updates in India

- ❑ The minutes of the April's meeting of the Reserve Bank of India's Monetary Policy Committee (MPC), mentioned upside risks to inflation arising from core inflation (excludes food and fuel) as the main factor for keeping its repo rate steady. The committee aims to bring down inflation to 4% in the medium term. Although repo rate was unanimously kept unchanged at 6.25%, it raised reverse repo rate by 25 bps, which is used to drain excess liquidity from the banking system.
- ❑ Market regulator Securities and Exchange Board of India (SEBI) may take certain actions in order to prevent wide usage of participatory notes (P-notes). P-notes are derivative instruments issued in the foreign country through which a person can invest in the country's stocks and bonds without registering themselves with SEBI. Wide usage of P-notes has brought laundering of black money and lack of clarity in the definition non-resident Indians (NRI) has brought concern to the regulator.
- ❑ SEBI is likely to grant single licence to brokers and clearing members to operate in commodity derivative and equity markets. Granting single licence will not only provide efficiency of capital use to investors but will also enhance the value to the overall financial services ecosystem in the Indian securities market.

Regulatory Updates in India (contd..)

- ❑ The Reserve Bank of India (RBI) has asked banks to make provisions of even standard assets at higher rates in respect to advances given to the stressed sectors of the economy. RBI has also warned banks to draw their attention towards telecom sector and to be considered immediately for provisioning amid intense competition eroding the sector's profitability.
- ❑ Union cabinet has permitted state government entities that are financially sound to borrow directly from the country's bilateral official development assistance partners for executing critical infrastructure projects. The decision came because several infrastructure projects being implemented by state government agencies, despite being viable and sound, have huge funding requirements. Therefore, to fulfil these funding requirements, state governments have to borrow for such projects, which may exhaust their respective borrowing limits. This will help to accelerate the pace of investment in major infrastructure projects.
- ❑ Union cabinet has cleared the proposal of the Election Commission (EC) to use paper trail machines for future elections. The clearance has been given in order to clear doubts about votes cast. The EC has sought Rs. 3,174 crore for procuring over 16 lakh paper trail machines to cover all polling stations in the country.

Global News/Economy

- ❑ A report from the U.S. Federal Reserve showed that industrial production in U.S. grew 0.5% in Mar 2017 after growing 0.1% in Feb 2017. However, manufacturing output fell 0.4% in Mar 2017 after growing 0.3% in the previous month. Capacity utilization for the industrial sector rose to 76.1% in Mar 2017 from a revised 75.7% in Feb 2017.
- ❑ A report from the U.S. Commerce Department showed that housing starts in U.S. plunged 6.8% to an annual rate of 1.215 million in Mar 2017 from an upwardly revised 1.303 million (1.288 million originally reported) in Feb 2017. Meanwhile, building permits grew 3.6% to a rate of 1.260 million in Mar 2017 from a revised 1.216 million in Feb 2017.
- ❑ The U.K. Prime Minister announced snap general elections for Jun 8, 2017. The British Prime Minister opined that election is needed as other parties are opposed to the government's Brexit plans. An election was set to happen only in 2020 in the normal schedule. The House of Commons in Britain approved the British Prime Minister's call for snap elections on Jun 8 as it voted 522-13, which was more than the two-third majority required.
- ❑ Data from the National Bureau of Statistics showed that China's economic growth strengthened unexpectedly in the first quarter. Gross domestic product expanded 6.9% YoY, slightly faster than the 6.8% growth seen in the fourth quarter of 2016. This was the fastest expansion since the third quarter of 2015. On a quarterly basis, China's GDP gained 1.3% in the first three months of 2017.

Global Equity Markets

Global Indices			
Indices	21-Apr-17	1-Week Return	YTD Return
Dow Jones	20,547.76	0.46%	3.35%
Nasdaq 100	5,442.05	1.65%	10.81%
FTSE 100	7,114.55	-2.91%	-0.88%
DAX Index	12,048.57	-0.50%	3.88%
Nikkei Average	18,620.75	1.56%	-4.97%
Straits Times	3,139.83	-0.93%	8.31%

Source: Reuters

Europe

- Market remained cautious due to uncertainty on the upcoming French Presidential election as well as persistent geopolitical concerns. British Prime Minister's surprise call for an early election also added to concerns. However, downside was limited following encouraged corporate earnings reports from some major companies.

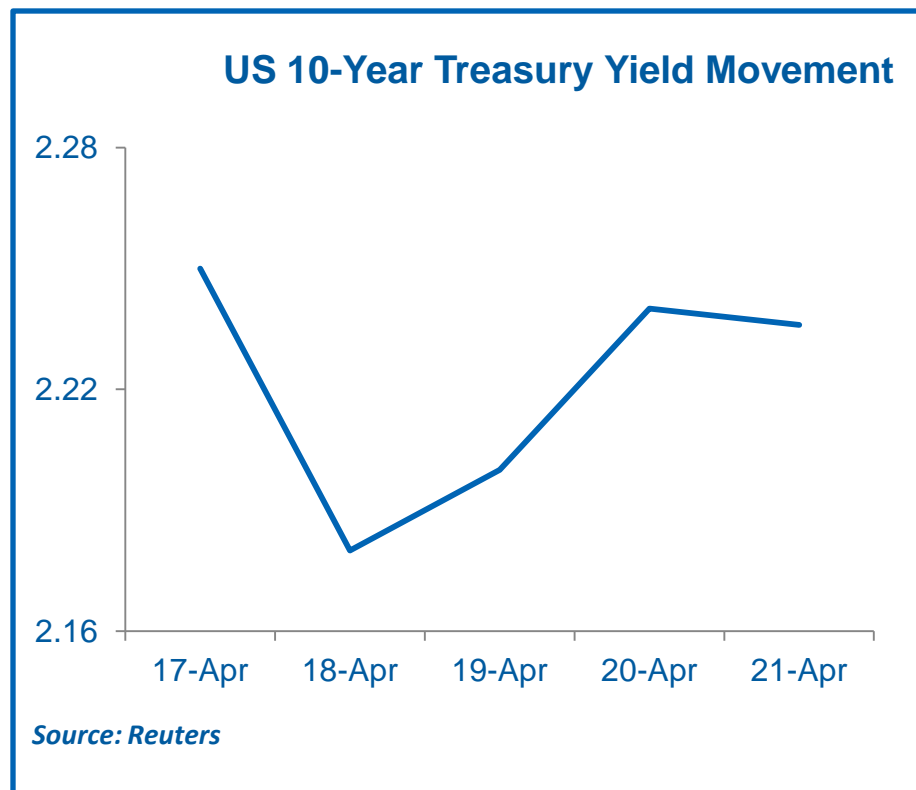
Asia

- Initially, geo-political concerns and upcoming Presidential election in France also kept investors wary. However, higher than expected Chinese GDP data and positive house price data limited the downside. Meanwhile, the International Monetary Fund raised its economic growth forecast for China for this and coming year but at the same time warned of serious longer-term problems unless the country reduces credit dependency.

U.S.

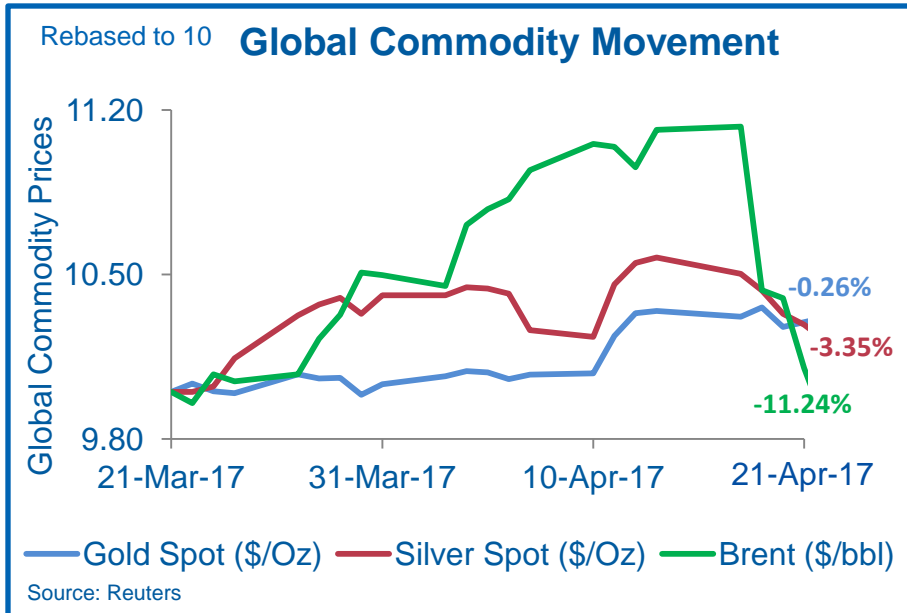
- Initially markets remained lacklustre following ongoing geopolitical concerns along with mixed batch of earnings reports and economic data.
- However, things improved towards the end of the week on expectations of a major tax reform policy as hinted by the U.S. Treasury Secretary.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose marginally by 1 bps at 2.24% from the previous week's close of 2.23%.
- U.S. Treasury prices rose following worries over the first round of French Presidential elections to be held on Apr 23 and ongoing geopolitical tensions that increased demand for safe-haven U.S. debt.
- However, most of the gains were neutralised following decrease in demand for safe haven debt due to gains in the U.S. stock market after upbeat corporate quarterly earnings and on reports that the U.S. government will likely nominate a bank-friendly official as Fed's vice chairman for overall supervision .

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.02	55.23
Gold (\$/Oz)	1284.00	1287.36
Gold (Rs/10 gm)	29320	29313
Silver (\$/Oz)	17.88	18.50
Silver (Rs/Kg)	41406	42389

Source: Reuters Value as on Apr 21, 2017

Gold

- Gold prices snapped during the week amid overall caution ahead of first round in the French presidential election, scheduled on Apr 23.

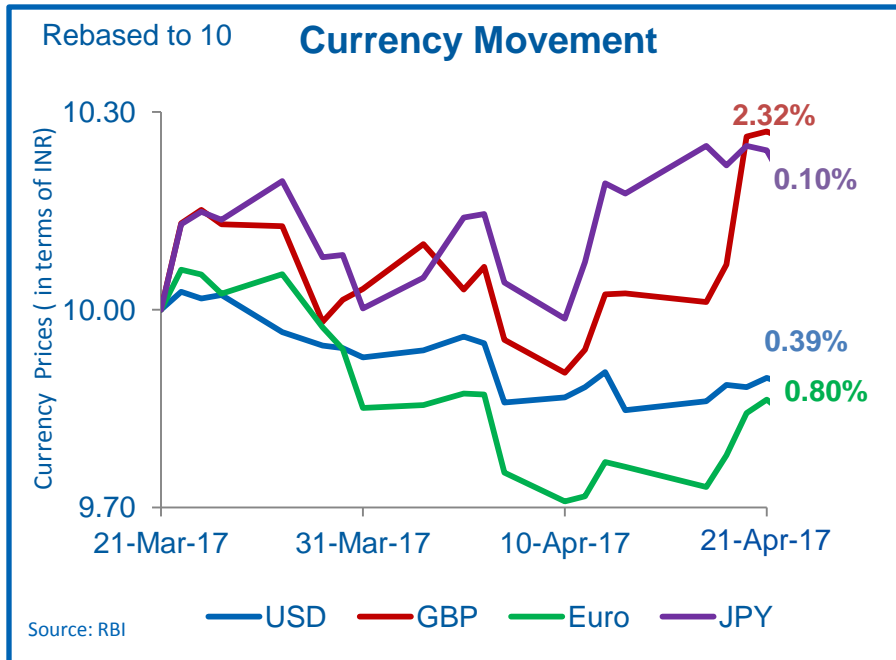
Crude

- Brent crude prices plunged on worries over supply glut in the U.S. which could affect the Organization of the Petroleum Exporting Countries' (OPEC) efforts to curb output.
- Output in the U.S. has been growing faster than was estimated, with an unexpected 1.5-million barrel growth in gasoline inventories adding to the hurt.

Baltic Dry Index

- The Baltic Dry Index dropped 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	64.57	64.32
Pound Sterling	82.70	80.83
EURO	69.17	68.62
JPY(per 100 Yen)	59.03	58.97

Source: RBI Figures in INR, Value as on April 21, 2017

Rupee

- Indian rupee weakened against the U.S. dollar following increased demand for greenback by state-run banks, and losses in the domestic equity market.

Euro

- Euro strengthened against U.S. dollar as investors remained optimistic towards the French Presidential election and weak U.S. retail sales and consumer prices data in Mar 2017.

Pound

- Sterling surged against the U.S. dollar after British Prime Minister surprised markets by calling for an early parliamentary election on Jun 8 to secure country's political unity and stability.

Yen

- Yen weakened against the U.S. dollar after U.S. Treasury Secretary suggested for a stronger dollar.

The Week that was...
17th April to 21st April

The Week that was (Apr 17 – Apr 21)

Date	Events	Present Value	Previous Value
Monday, April 17, 2017	China Retail Sales (YoY) (Feb)	10.0%	10.9%
	China Industrial Production (YoY) (Feb)	7.6%	6.0%
	U.S. NAHB Housing Market Index (Apr)	68.0	71.0
	India WPI Inflation (Mar)	5.7%	6.6%
Tuesday, April 18, 2017	U.S. Industrial Production (MoM) (Mar)	0.5%	0.1%
	U.S. Building Permits (MoM) (Mar)	3.6%	-6.0%
	U.S. Housing Starts (MoM) (Mar)	-6.8%	5.0%
Wednesday, April 19, 2017	Euro Zone Consumer Price Index (MoM) (Mar)	1.5%	1.5%
	U.S. MBA Mortgage Applications (Apr 14)	-1.8%	1.5%
	Euro Zone Trade Balance s.a. (euros) (Feb)	19.2b	15.7b
Thursday, April 20, 2017	Germany Producer Price Index (MoM) (Mar)	0.0%	0.2%
	U.S. Initial Jobless Claims (Apr 14)	244k	234k
	Euro Zone Consumer Confidence (Apr) Preliminary	-3.6	-5
Friday, April 21, 2017	Japan Nikkei Manufacturing PMI (Apr) Preliminary	52.8	52.4
	Euro Zone Markit PMI Composite (Apr) Preliminary	56.7	56.4
	U.S. Markit PMI Composite (Apr) Preliminary	52.7	53.0

The Week Ahead...
April 24 to April 28

The Week Ahead

Day	Event
Monday, April 24, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Leading Index (Feb) (F) <input type="checkbox"/> Euro zone German IFO - Current Assessment (Apr)
Tuesday, April 25, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Public Sector Net Borrowing (Pounds) (Mar) <input type="checkbox"/> U.S. New Home Sales (MoM) (Mar) <input type="checkbox"/> U.S. Consumer Confidence (Apr)
Wednesday, April 26, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Feb) <input type="checkbox"/> Euro zone German Retail Sales (MoM) (Mar)
Thursday, April 27, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Rate Decision <input type="checkbox"/> U.S. Durable Goods Orders (Mar) (P) <input type="checkbox"/> U.S. Pending Home Sales (YoY) (Mar)
Friday, April 28, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (1Q) (A) <input type="checkbox"/> U.S. Gross Domestic Product (Annualized) (1Q) (A)

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