

# News U Can Use

*April 28, 2017*

The Week that was...  
24<sup>th</sup> April to 28<sup>th</sup> April

# Indian Economy

- According to a major credit rating agency, the increased foreign inflows in the debt market may not continue in the remaining period of FY18 due to geopolitical tensions and the sharp rise in rupee. Also, on the basis of expected rate decisions by the U.S. Federal Reserve and Reserve Bank of India, the spread between the U.S. and Indian yields is expected to decline, which will reduce the attractiveness of holding Indian debt for foreign portfolio investors.
- According to the finance minister, countries are now focusing on increasing protectionism rather than previously-followed attempts of opening up and focusing on competitive advantage. According to the minister, the shift in focus will hurt the global economy and welfare of people. He suggested that countries should bond together and renew their compact to protect the world from falling into spiral of slow economic growth, rising inequality, and irreversibly altered climate, conflict and fragility.
- The government has set a target to cover 40% of gross sown area of 194.4 million hectare under crop insurance schemes during FY18 season, which begins in Jul 2017. The target is higher than 26.28% or 51.1 million hectare of gross area under crops, which was insured in the FY17 crop year. Notably, there are two crop insurance schemes provided by the government: Restructured Weather Based Crop Insurance Scheme and Pradhan Manthri Fasal Bima Yojana.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	28-Apr-17	1 Week Return	YTD Return
S&P BSE Sensex	29918.4	1.88%	12.49%
Nifty 50	9304.05	2.02%	13.75%
S&P BSE Mid-Cap	14798.45	2.14%	21.98%
S&P BSE Small-Cap	15372.51	1.36%	26.11%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.49	23.63	32.82	71.24
P/B	2.97	3.55	2.68	2.42
Dividend Yield	1.37	1.23	1.24	0.69

Source: BSE, NSE

Value as on April 28, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
24-Apr-17	988	697	1.42
25-Apr-17	897	787	1.14
26-Apr-17	496	1203	0.41
27-Apr-17	727	937	0.78
28-Apr-17	805	854	0.94

Source: NSE

- Indian equity markets touched new milestones during the week, with Nifty crossing the 9,300-level for the first time, and Sensex breaching the 30,000-mark, the highest ever point hit by the index.
- The surge occurred primarily because of a rally in global markets brought about by the first round of French Presidential elections. Upbeat cues from Asia and the U.S., and a cluster of solid quarterly earnings results from the domestic territory further accentuated the growth.
- However, gains were capped by benchmark indices for Apr 2017 closing lower with investors booking profits in industry majors.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22782.4	3.94%	3.42%
S&P BSE Bankex	25325.3	3.63%	4.59%
S&P BSE CD	15474.7	-0.33%	5.25%
S&P BSE CG	17865.8	2.46%	11.15%
S&P BSE FMCG	9412.29	2.06%	2.11%
S&P BSE HC	15019.4	-0.93%	-2.04%
S&P BSE IT	9618.99	-0.64%	-7.52%
S&P BSE Metal	11303.4	2.25%	-2.74%
S&P BSE Oil & Gas	14455	1.18%	8.75%

*Source: Reuters* *Value as on April 28, 2017*

- ❑ On the BSE sectoral front, most indices closed in the positive. S&P BSE Auto, up 3.94%, was the highest gainer.
- ❑ Next in line was S&P BSE Bankex (3.63%), which went up owing to growth in public sector banks. Some of the other gainers consisted of S&P BSE Capital Goods, S&P BSE Metal and S&P BSE FMCG. S&P BSE Healthcare was the highest loser, followed by S&P BSE IT.

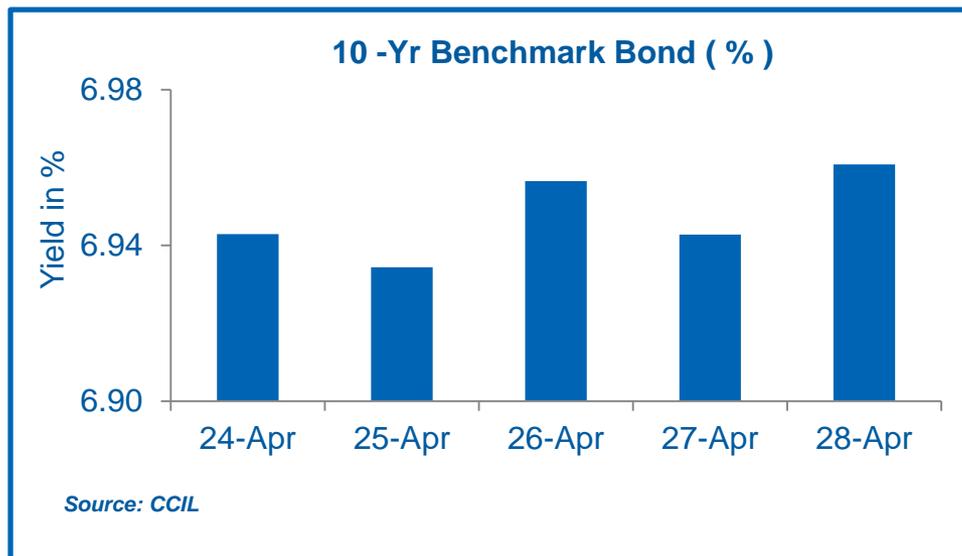
## Indian Derivatives Market Review

- ❑ Nifty May 2017 Futures were at 9,333.70, a premium of 29.65 over the spot closing of 9,304.05. The turnover on NSE's Futures and Options segment stood at Rs. 32.49 lakh crore during the week to Apr 28, compared with Rs. 26.31 lakh crore during the preceding week.
- ❑ The Put-Call ratio stood at 0.81, compared with the previous week's close of 0.91.
- ❑ The Nifty Put-Call ratio stood at 1.10, compared with the previous week's close of 1.07.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.03	5.93	5.96	6.22
91 Day T-Bill	6.20	6.08	5.86	6.35
7.80% 2021, (5 Yr GOI)	6.92	6.85	6.68	6.70
6.97% 2026, (10 Yr GOI)	6.96	6.92	6.71	6.79

Source: Reuters Value as on April 28, 2017



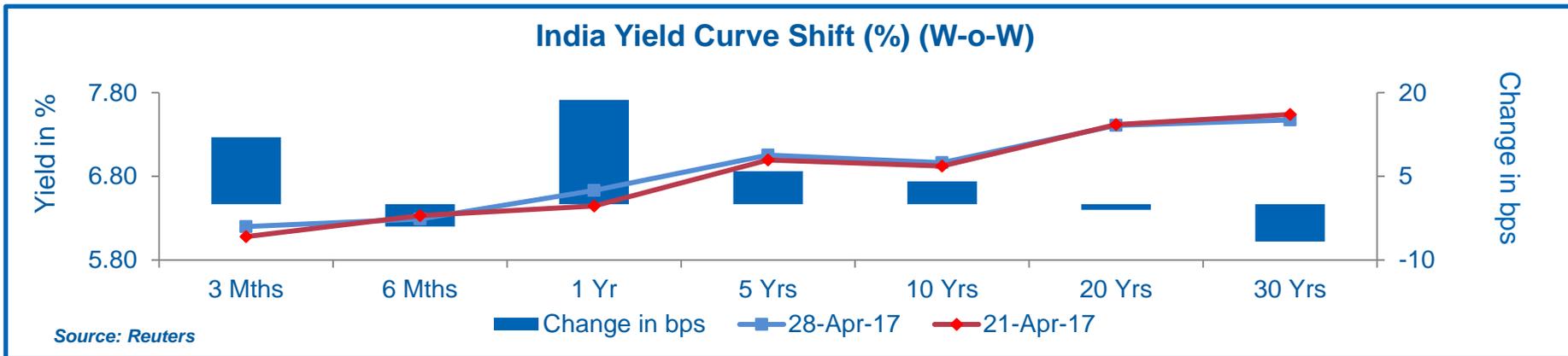
- Bond yields rose after the centrist and investor-friendly candidate won the first round of France Presidential elections.
- However, value buying by investors and decline in the U.S. Treasury yield following disappointment after the announcement of U.S. President’s tax plan restricted losses in the domestic bond market.
- Yield on the 10-year benchmark bond (6.97% GS 2026) rose 4 bps to close 6.96% compared with the previous close of 6.92%.
- Banks’ net average lending to Reserve Bank of India (RBI) under the Liquidity Adjustment Facility stood at Rs. 14,463.75 crore (for Friday, only repo session considered), compared with the previous week’s lending of Rs. 15,447.80 crore.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.74	7.10	36
3 Year	6.89	7.34	45
5 Year	7.15	7.48	33
10 Year	7.28	7.77	49

Source: Reuters Value as on April 28, 2017

- Yields on gilt securities across maturities increased in the range of 2 bps to 19 bps, while 19-, 24-, and 30-year papers eased by up to 7 bps.
- Corporate bond yields rose across curve by up to 8 bps, barring 4-year paper that decreased 1 bps and 3-year paper that stood flat. Spread between AAA corporate bond and gilt contracted across curve by up to 11 bps, while increased 1 bps and 3 bps for 9- and 15-year papers, respectively.



# Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) said in a draft that share pricing in a cross border merger between a domestic and a foreign company must be done at an arm's length basis, an internationally accepted methodology. Also, in case of any acquisition of foreign company by an Indian company, foreign borrowing should comply with external commercial borrowing (ECB) norms. In case of acquisition of Indian company by a foreign company, the overseas company will not be liable to repay outstanding borrowings or impending borrowings as per the National Company Law Tribunal.
- ❑ The market regulator, Securities and Exchange Board of India (SEBI), has taken several important steps. Firstly, SEBI has approved introduction of options contracts in commodity trading. Secondly, the regulator has made mandatory for companies raising more than Rs. 100 crore through initial public offering to appoint a monitoring agency to keep track of the use of funds. Lastly, SEBI has banned both resident and non-resident Indians from making investments through participatory notes in order to curb black money.
- ❑ The Union IT Ministry has warned the states to review the website content of various departments. The states should take "precautions" to ensure that personal data of individuals like Aadhaar card number or bank account details are not disclosed on official website. Not abiding by this can lead to an imprisonment of three year.

## Regulatory Updates in India (contd..)

- Directorate General of Anti-dumping and Allied Duties (DGAD), which is the investigation arm of the commerce ministry, has initiated an enquiry on alleged dumping of a chemical (saturated fatty alcohols) used in pharmaceutical and agriculture sector from Indonesia, Malaysia, Thailand and Saudi Arabia. The DGAD has found "sufficient evidence" of dumping of saturated fatty alcohols from these four countries. If the probe is established, the DGAD would recommend imposition of anti-dumping duty to the finance ministry.
- SEBI has decided to allow mutual fund houses to provide instant redemption of liquid funds. A circular issued by SEBI stated that Asset Management Companies (AMCs) can offer instant access facility (through online mode) of up to Rs. 50,000 or 90% of folio values whichever is lower by applying lower of previous day NAV or prospective NAV. It has also added that the AMCs would not be allowed to borrow to meet the redemption requirement. Liquidity is to be provided out of the available funds from the scheme, and AMCs will have to put in place a mechanism to meet the liquidity demands on their own.

# Global News/Economy

- ❑ Data from the Conference Board showed that consumer confidence in the U.S. fell more than expected in Apr 2017 after showing notable increase in the previous two months. The consumer confidence index fell to 120.3 in Apr from a revised 124.9 (125.6 originally reported) in Mar 2017. Despite decline in consumer confidence data, it still remained at strongest levels.
- ❑ Data from the U.S. Commerce Department showed that durable goods orders grew 0.7% in Mar 2017 after surging by a revised 2.3% (originally reported 1.8%) in Feb 2017.
- ❑ European Central Bank kept interest rate and marginal lending facility rate unchanged at 0% and 0.25%, respectively. The bank has kept interest rates unchanged for the ninth consecutive policy session. Also, the central bank kept the volume of asset purchases unchanged at EUR 60 billion a month till Dec 2017. The bank indicated that it was ready to boost stimulus if the economic outlook turned less favourable.
- ❑ Bank of Japan kept its monetary stimulus unchanged as was widely expected. The central bank decided to maintain -0.1% interest rate on current accounts that financial institutions maintain at the bank. The central bank will also purchase government bonds so that 10-year Japanese Government Bonds (JGB) yield remains at around 0%. The board decided to hold its target of raising the amount of outstanding JGB holdings at an annual rate of about JPY 80 trillion. Japan's economy is expected to continue expanding and maintain growth at a rate above its potential in FY18. Inflation is also expected to increase to 2%.

# Global Equity Markets

Global Indices			
Indices	28-Apr-17	1-Week Return	YTD Return
Dow Jones	20940.51	1.91%	5.33%
Nasdaq 100	5583.53	2.60%	13.69%
FTSE 100	7203.94	1.26%	0.36%
DAX Index	12438.01	3.23%	7.24%
Nikkei Average	19196.74	3.09%	-2.03%
Straits Times	3175.44	1.13%	9.54%

*Source: Reuters*

## Europe

- European markets rose after the centrist candidate won the first round of voting in France. The same eased concerns over political instability in Europe. Also, Germany's business confidence improved to a near six-year high in Apr as companies were more upbeat about their current situation.

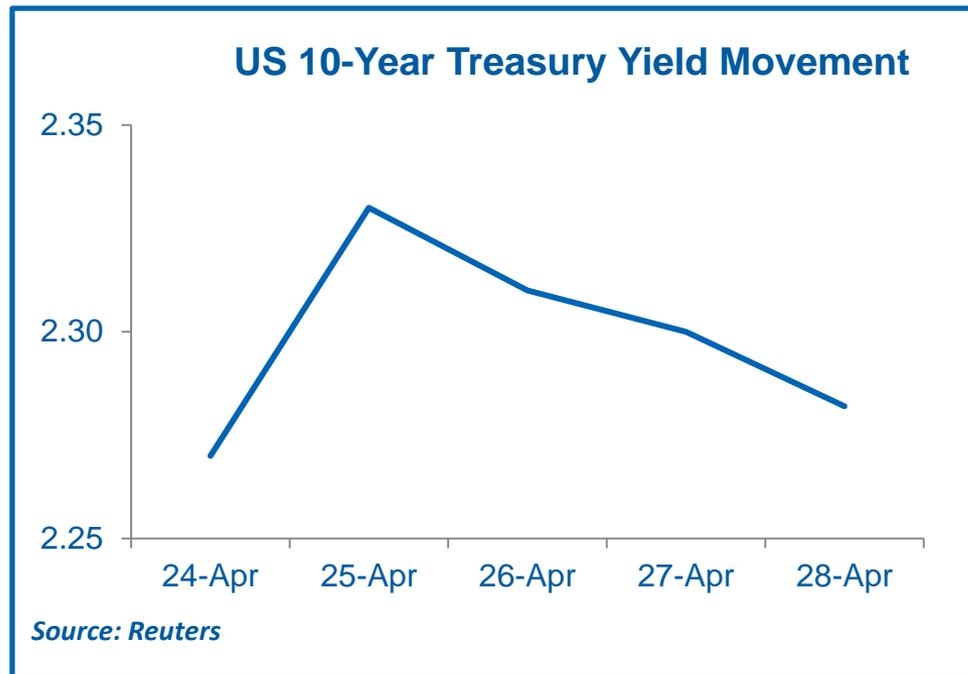
## Asia

- Asian markets too witnessed gains as investors reacted positively to the outcome of the first round of French Presidential elections. Investors took positive cues after China's politburo said that the country will continue to adopt a proactive fiscal policy and prudent monetary policy.

## U.S.

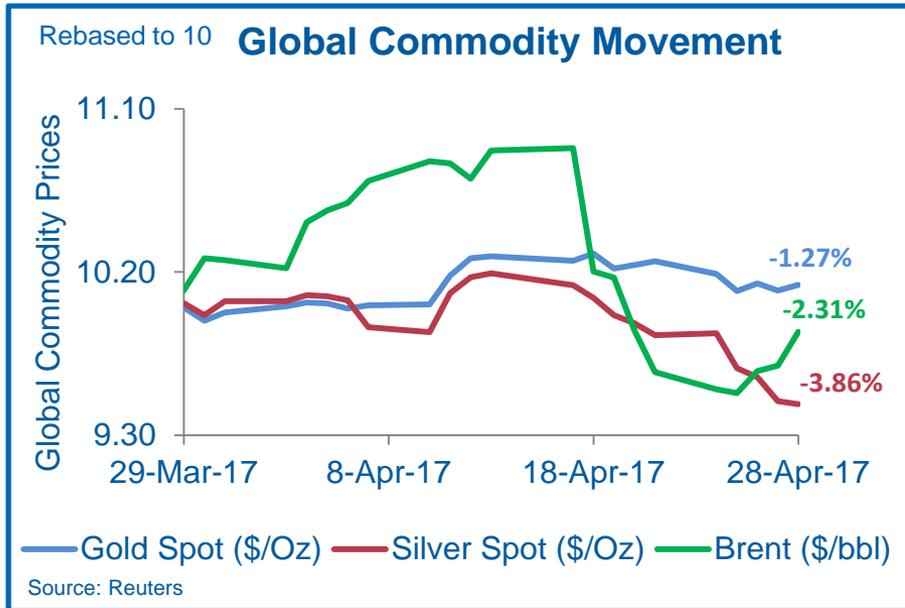
- Upbeat earnings numbers from major U.S. companies coupled with easing concerns over the probable exit of France from the eurozone, helped Wall Street investors to overcome the negative impact of a series of weak economic data.
- While initial jobless claims increased in the week to Apr 22, the new orders for manufactured durable goods rose by less than expected in Mar.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose by 5 bps at 2.28% from the previous week's close of 2.24%.
- U.S. Treasury prices fell after the victory of centrist candidate in the first round of France's Presidential elections, which increased the expectations that the country would stay in the European Union and preserve the euro. Investors were also optimistic towards the tax reform plan.
- However, investors got disappointed after the announcement of tax plan by the U.S. President and persistent geopolitical tensions in North Korea and Syria boosted the demand for safe-haven debt.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	50.15	49.02
Gold (\$/Oz)	1267.65	1284
Gold (Rs/10 gm)	28887	29320
Silver (\$/Oz)	17.19	17.88
Silver (Rs/Kg)	40042	41406

Source: Reuters Value as on Apr 28, 2017

## Gold

- Gold prices moved down as the safe-haven appeal of the metal eased following the first round of the French Presidential election. U.S. President's new tax reform proposal that would reduce the income tax rate to 15% from 35% also helped investors to skew for riskier assets.

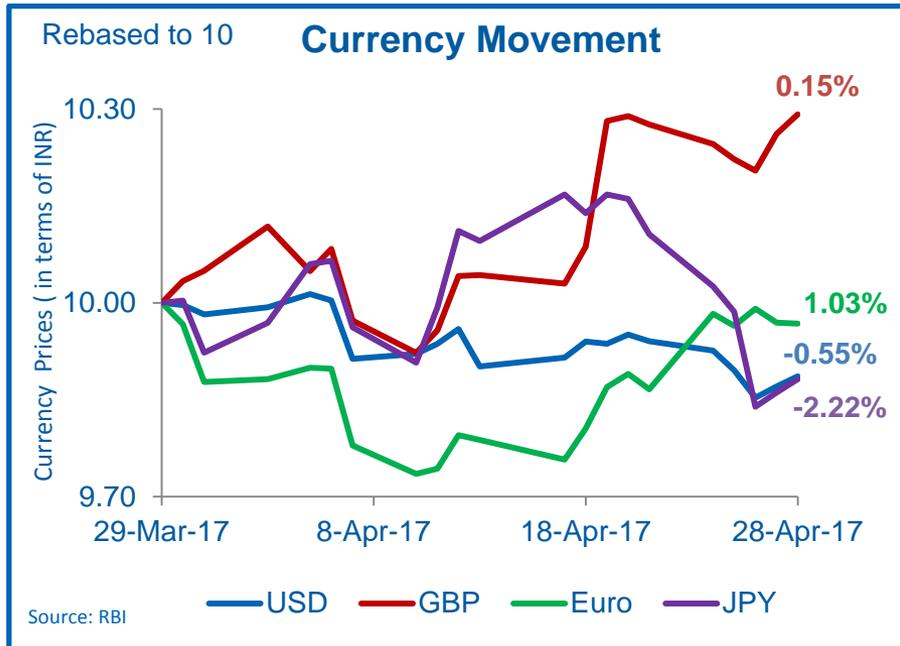
## Crude

- Brent crude prices gained on expectations that the Organization of the Petroleum Exporting Countries (OPEC) would extend its output cuts programme till the end of 2017 after a panel of OPEC and other allied producers recommended an extension of production cuts by another six months from Jun.

## 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	64.22	64.57
Pound Sterling	82.83	82.70
EURO	69.88	69.17
JPY(per 100 Yen)	57.72	59.03

Source: RBI Figures in INR , Value as on April 28, 2017

## Rupee

- Indian rupee strengthened against the greenback as risk appetite improved after the victory of centrist candidate in the first round of French Presidential elections lowered the concerns about “Frexit”.

## Euro

- Euro strengthened against the U.S. dollar as investors were relieved after the victory of centrist candidate in the first round of French Presidential election. Also, higher than expected increase in eurozone inflation rate in Apr 2017 further supported euro.

## Pound

- Pound strengthened against the U.S. dollar after the victory of centrist candidate in the French Presidential election.

## Yen

- Yen weakened against the U.S. dollar as easing concerns over French election, strong new U.S. home sales data in Mar 2017.

The Week that was...  
24<sup>th</sup> April to 28<sup>th</sup> April

# The Week that was (Apr 24 – Apr 28)

Date	Events	Present Value	Previous Value
Monday, April 24, 2017	Germany IFO - Business Climate (APR)	112.9	112.4
Tuesday, April 25, 2017	U.S. Consumer Confidence (APR)	120.3	124.9
	U.S. House Price Index (MoM) (FEB)	0.80%	0.20%
	U.S. New Home Sales (MoM) (MAR)	5.80%	0.30%
Wednesday, April 26, 2017	Japan All Industry Activity Index (MoM) (FEB)	0.70%	-0.40%
	Japan Small Business Confidence (APR)	48.6	50.5
Thursday, April 27, 2017	Germany Consumer Price Index (YoY) (APR P)	2.00%	1.60%
	U.S. Advance Goods Trade Balance (MAR) (USD)	(64.8B)	(63.9B)
	Japan Jobless Rate (MAR)	2.80%	2.80%
	Japan National Consumer Price Index (YoY) (MAR)	0.20%	0.30%
	U.S. Durable Goods Orders (MAR P)	0.70%	2.30%
	U.S. Wholesale Inventories (MAR P)	-0.10%	0.40%
Friday, April 28, 2017	U.S. Gross Domestic Product (Annualized) (1Q A)	0.70%	2.10%
	Eurozone Consumer Price Index Estimate (YoY) (APR)	1.90%	1.50%
	U.K. Gross Domestic Product (YoY) (1Q A)	2.10%	1.90%

The Week Ahead...  
May 01 to May 05

# The Week Ahead

Day	Event
Monday, May 01, 2017	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Personal Consumption Expenditure Core (YoY) (MAR)</li> <li><input type="checkbox"/> U.S. ISM Manufacturing (APR)</li> <li><input type="checkbox"/> U.S. Construction Spending (MoM) (MAR)</li> <li><input type="checkbox"/> Bank of Japan Minutes of March 15-16 Meeting</li> </ul>
Tuesday, May 02, 2017	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Nikkei Composite PMI (APR)</li> <li><input type="checkbox"/> Eurozone Unemployment Rate (MAR)</li> </ul>
Wednesday, May 03, 2017	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. ISM Services/Non-Manufacturing Composite (APR)</li> <li><input type="checkbox"/> U.S. Federal Open Market Committee Rate Decision</li> <li><input type="checkbox"/> German Unemployment Change (APR)</li> </ul>
Thursday, May 04, 2017	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Composite PMI (APR)</li> <li><input type="checkbox"/> U.K. Composite PMI (APR)</li> <li><input type="checkbox"/> U.S. Factory Orders (MAR)</li> </ul>
Friday, May 05, 2017	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Change in Non-farm Payrolls (APR)</li> <li><input type="checkbox"/> U.S. Unemployment Rate (APR)</li> <li><input type="checkbox"/> Germany Construction PMI (APR)</li> </ul>

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