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August 25, 2017

The Week that was...

21st August to 25th August

Indian Economy

- The government lowered the rate of Goods and Services Tax (GST) on work contracts for affordable housing to 12% from 18% fixed earlier. However, the move might not have any impact on prices of affordable housing as the GST rate for buyers to purchase a finished house remains at 12%. The cost will only come down if the developer involves a work contractor for his project. But in the affordable housing segment, the costs for developers are expected to remain the same as developers themselves construct projects to bring in cost efficiency.
- Data from the Department of Industrial Policy and Promotion (DIPP) showed that India had received \$10.41 billion as Foreign Direct Investment (FDI) equity inflows during the period from Apr to Jun of FY18, which is 37% higher than \$7.59 billion received during same period last year. The top five sectors that attracted the highest foreign inflows include services, computer hardware and software, construction development, telecommunications, and automobile. The top five investing countries were Mauritius, Singapore, Japan, U.K., and Netherlands.
- Results of a private survey showed that consumer confidence in India declined in the period from Apr to Jun of 2017 to 128 from 136 in the last polled survey in the fourth quarter of 2016. The dip came amid concerns of job security and lower optimism on employment prospects.

Indian Equity Market

Domestic Equity Market Indices			
Indices	24-Aug-17	1 Week Return	YTD Return
S&P BSE Sensex	31596.06	0.23%	18.80%
Nifty 50	9857.05	0.20%	20.51%
S&P BSE Mid-Cap	15252.1	0.29%	25.72%
S&P BSE Small-Cap	15646.6	0.18%	28.35%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.61	25.47	30.18	80.36
P/B	3.02	3.46	2.7	2.42
Dividend Yield	1.24	0.95	1.21	0.73

Source: BSE, NSE Value as on Aug 24, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
21-Aug-17	518	1197	0.43
22-Aug-17	542	1132	0.48
23-Aug-17	1125	556	2.02
24-Aug-17	963	728	1.32

Source: NSE

- The domestic equity market closed in the green amid truncated trading session after the Union cabinet gave in-principle approval to public sector banks to amalgamate through an alternative mechanism.
- Initial jitters due to concerns over resignation of the chief executive officer and managing director of a major IT company, faded over news that the company's reins could be taken over by one of its co-founders. Supreme Court's clarification on liquor ban on highways further helped gains.
- However, upside was limited ahead of the U.S. Federal Reserve's annual symposium in Jackson Hole, which will be attended by central banks of more than 40 countries.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23548.00	-1.00%	-3.23%
S&P BSE Bankex	27454.20	0.99%	-1.09%
S&P BSE CD	17419.01	-1.59%	7.58%
S&P BSE CG	17161.36	-0.34%	-2.77%
S&P BSE FMCG	10018.53	-0.57%	-1.45%
S&P BSE HC	13226.29	2.23%	-10.18%
S&P BSE IT	10021.64	-0.60%	-4.17%
S&P BSE Metal	13054.54	0.87%	6.22%
S&P BSE Oil & Gas	14861.52	0.45%	5.78%

Source: Thomson Reuters Eikon Value as on Aug 24, 2017

- On the BSE sectoral front, indices witnessed a mixed trend as S&P BSE HC (2.23%) stood as the major gainer followed by S&P BSE Bankex (0.99%) and S&P BSE Metal (0.87%). Meanwhile, S&P BSE Power (-1.78%) stood as the major loser followed by S&P BSE CD (-1.59%) and S&P BSE Auto (-1.00%).
- Healthcare sector gained after a major pharma company got final approval from the United States Food and Drug Administration on a product. Bankex also gained on news that the government has given in-principle approval to public sector banks to amalgamate.

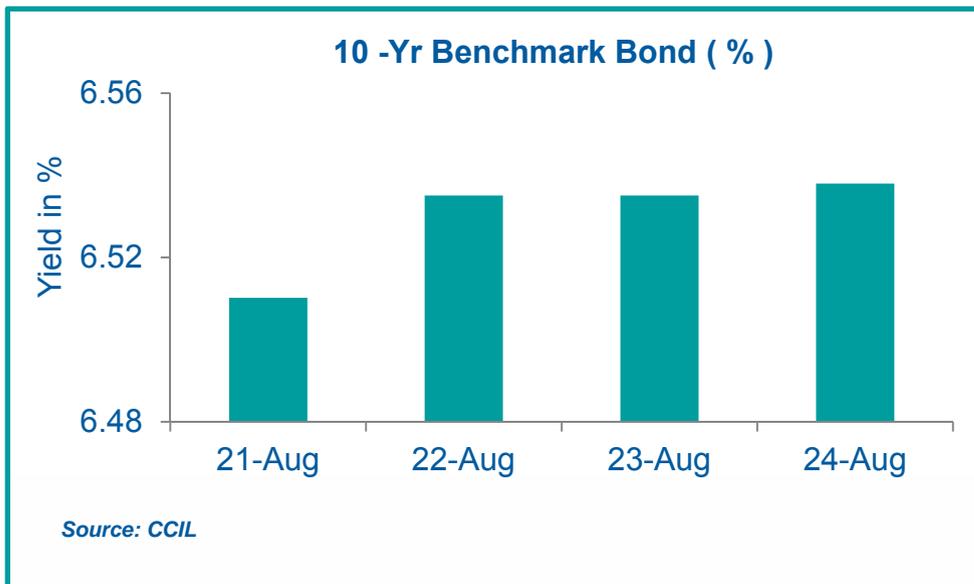
Indian Derivatives Market Review

- Nifty Aug 2017 Futures were at 9,873.25, a premium of 16.20 points above the spot closing of 9,857.05. The turnover on NSE's Futures and Options segment stood at Rs. 28.62 lakh crore against Rs. 18.27 lakh crore in the week to Aug 18.
- The Put-Call ratio stood at 0.84 compared with the previous week's close of 0.88.
- The Nifty Put-Call ratio stood at 1.22 compared with the previous week's close of 1.14.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.90	5.86	6.08	5.92
91 Day T-Bill	6.14	6.12	6.10	6.13
07.80% 2021 , (5 Yr GOI)	6.45	6.43	6.49	6.75
06.79% 2027, (10 Yr GOI)	6.54	6.51	6.43	--

Source: Thomson Reuters Eikon *Value as on Aug 24, 2017*



- Bond yields rose following debt auctions that boosted supply of papers in the market. Market participants also remained on the sidelines ahead of the annual central banking conference at Jackson Hole in Wyoming, U.S., scheduled from Aug 24 to Aug 26.
- Yield on the 10-year benchmark bond (6.79% GS 2027) increased 3 bps to close at 6.54% from the previous week's close of 6.51% after trading in a range of 6.51% to 6.55%.
- RBI conducted the auction of state development loans (5-, 10-, and 20-year maturity) of 19 state governments for a notified amount of Rs. 20,288.42 crore for which the accepted amount stood at Rs. 18,288.42 crore. The cut-off yield stood in the range of 6.94% to 7.48%.

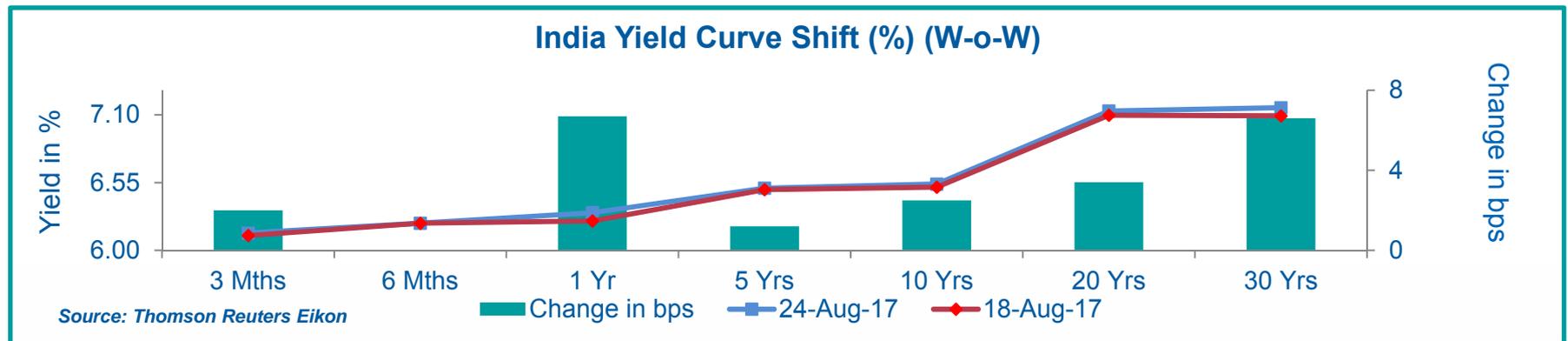
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.38	6.80	42
3 Year	6.52	7.00	48
5 Year	6.60	7.14	54
10 Year	6.79	7.39	60

Source: Thomson Reuters Eikon

Value as on Aug 24, 2017

- Yields on gilt securities increased across the maturities by up to 7 bps, barring 15-year paper that fell 2 bps. Yield on 6- and 7-year papers closed steady.
- Yield on corporate bonds increased across the maturities by up to 7 bps, barring 3- and 5-year maturities that closed steady.
- Spread between AAA corporate bond and gilt contracted on 1 to 5 years' maturities by up to 13 bps, barring 4-year paper that closed steady. Spread on the remaining maturities expanded by up to 7 bps.



Regulatory Updates in India

- Capital markets regulator Securities and Exchange Board of India (SEBI) is considering making Aadhaar compulsory for stock trading. SEBI in this regard has asked stock exchanges for their feedback on preparedness of the brokers to get their clients to submit Aadhaar card details before Dec 31, 2017.
- The government gave approval to the Reserve Bank of India (RBI) to print and issue bank notes of the value of two hundred rupees. The objective of the move is to further improve the currency situation in the country following demonetisation in Nov 2016. The move is also expected to bring relief to those who face problems due to high denomination Rs. 2000 notes.
- According to media reports, SEBI will be looking into complaints of alleged corporate governance-related lapses at a prominent Indian multinational corporation in the information technology sector that currently is going through a high-profile leadership crisis. The move comes amid reports that SEBI had received several representations regarding the ongoing crisis.

Regulatory Updates in India (contd..)

- Data from RBI showed that outward foreign direct investment from India Inc. (formal sector comprising government and corporate companies) plunged 47% to \$1.77 billion in Jul 2017 compared with the same period of the previous year. Indian companies had invested \$3.35 billion in the same month of last year. However, on a monthly basis, outward foreign direct investment grew 58%. In the previous month, it stood at \$1.12 billion.
- The Union cabinet gave approval to set up an alternative mechanism for merger of state-run banks. The objective of the move is to create strong and competitive banks in public sector space that will cater to the credit needs of the growing economy.
- The central government has asked state governments to impose stock limits on traders for onions. In addition, the government directed the state government to take steps to put a check on hoarding. The move comes amid concerns of increase in onion prices. The government is also considering putting a check on exports by imposing minimum export price so as to boost local supply and keep prices under check.

Global News/Economy

- A report from the National Association of Realtors showed that U.S.' existing home sales declined 1.3% YoY to 5.44 million in Jul 2017 after witnessing a fall of 2% to downwardly revised 5.51 million in Jun 2017 (5.52 million originally reported). This marked the lowest annual rate since Aug 2016. The downside reflects large declines in the Northeast and Midwest that was partially offset by gains in South and West.
- A report from the Office for National Statistics showed that U.K.'s gross domestic product came in line with preliminary expectations and grew 0.3% sequentially in the second quarter as against a growth of 0.2% in the first quarter. Total production fell 0.3% as manufacturing contracted 0.6%. While construction declined 1.3%, farm output went up 0.4%. U.K.' GDP growth came in at 1.7% YoY.
- A report from the Centre for European Economic Research/ZEW showed that Germany's economic sentiment fell to 10.0 in Aug 2017 from 17.5 in Jul 2017. This marked the lowest score since Oct 2016. The assessment of the current economic situation improved slightly in Aug and the index grew to 86.7 in Aug from 86.4 in Jul.
- According to the Ministry of Internal Affairs and Communications, Japan's overall consumer prices came in line with market expectations and grew 0.4% YoY in Jul 2017 while remaining unchanged from the reading in Jun 2017. Core inflation (excluding food prices) grew 0.5% YoY, but remained unchanged from the reading in Jun. While prices for fuel grew 4.3% YoY, food prices gained 0.6%.

Global Equity Markets

Global Indices			
Indices	25-Aug-17	1-Week Return	YTD Return
Dow Jones	21813.67	0.64%	9.72%
Nasdaq 100	5822.533	0.55%	18.55%
FTSE 100	7401.46	1.06%	3.62%
DAX Index	12167.94	0.02%	4.91%
Nikkei Average	19452.61	-0.09%	1.77%
Straits Times	3259.57	0.23%	12.44%

Source: Thomson Reuters Eikon *Value as on Aug 25, 2017*

Europe

- European markets remained mixed ahead of the ECB Chief's address in an annual meeting at Jackson Hole, scheduled post market hours on Aug 25. Meanwhile, upbeat euro zone private sector activity in Aug, supported sentiment. Gains were restricted by Germany's weak economic confidence in Aug, revealing weak exports and scandals in the auto sector, and weaker than expected second quarter results from an industry major.

Asia

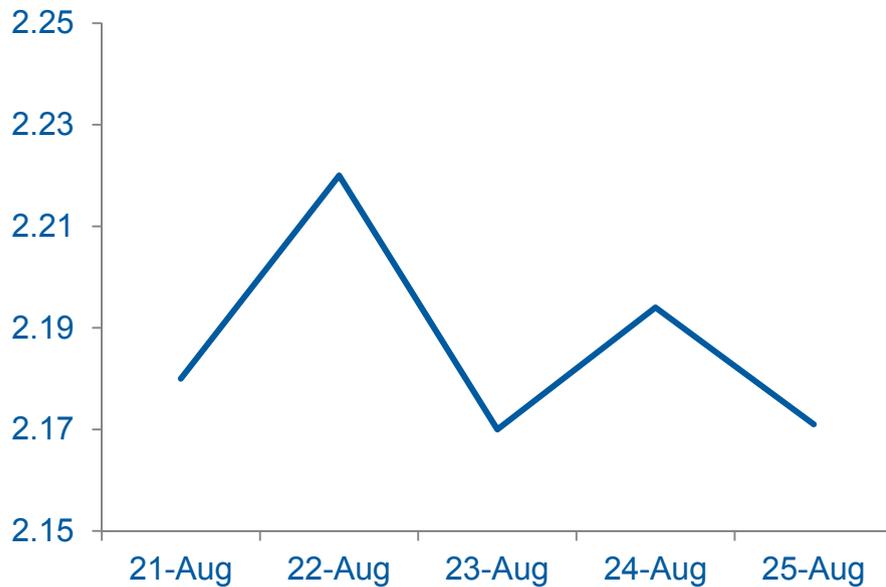
- Most of the major Asian markets went up mainly as investors looked ahead at the speeches from the central bank chiefs at the Fed's economic policy symposium due later in the week. Positive economic data from Asia further fuelled growth.

U.S.

- U.S. markets rose as buying interest was generated following reports that U.S. President's key aides and Congressional leaders have made considerable improvement in forming a tax refurbishment.
- Investor sentiments improved further following U.S. Fed Chief's comment on the stability of the U.S. financial system in recent times, although there was lack of cues on next interest rate hike.

Global Debt (U.S.)

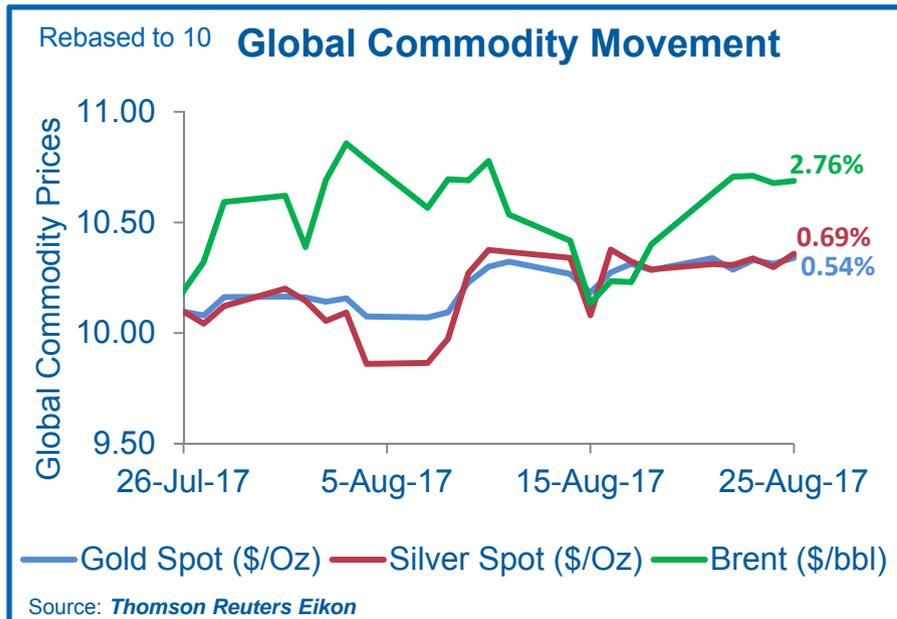
US 10-Year Treasury Yield Movement



Source: Thomson Reuters Eikon

- Yield on the 10-year U.S. Treasury bond fell 2 bps to close at 2.17% from the previous week's close of 2.19%.
- U.S. Treasury prices fell initially as market participants preferred to remain on the sidelines ahead of a conference of global central bankers in Jackson Hole, Wyoming.
- However, the trend reversed as the safe haven of U.S. Treasuries were boosted after remarks from the U.S. President renewed concerns over U.S. administration's ability to implement key economic reforms. U.S. Treasury prices rose further after the U.S. Federal Reserve (Fed) Chief made no reference to U.S. monetary policy at Jackson Hole, Wyoming.

Commodities Market



Gold

- Gold prices rose as concerns over probable U.S. monetary policy tightening, later during the year, eased after U.S. Fed Chief refrained from providing any details on monetary policy outlook or balance sheet normalization in an annual meeting of global central banks held at Jackson Hole.

Crude

- Brent crude prices rose after weekly data showed U.S. energy firms reduced rigs drilling for new oil supply. Oil prices also gained after Hurricane Harvey hit the U.S. mainland, resulting in closure of oil production unit in the affected area as a precautionary measure.

Baltic Dry Index

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

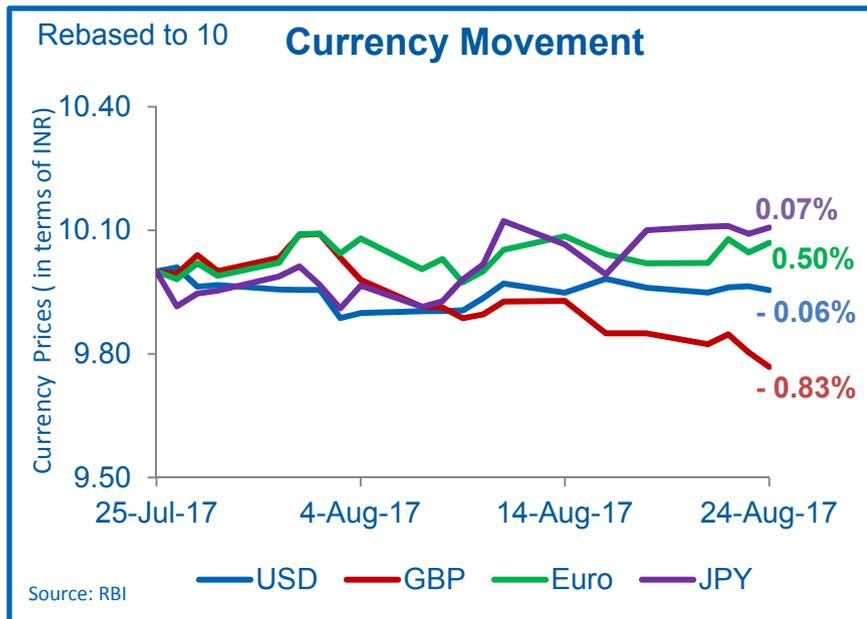
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	52.51	51.10
Gold (\$/Oz)	1291.03	1284.10
Gold (Rs/10 gm)	28879	29134
Silver (\$/Oz)	17.05	16.93
Silver (Rs/Kg)	38714	39108

Source: Thomson Reuters Eikon

Value as on Aug 25, 2017

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.07	64.10
Pound Sterling	81.94	82.62
EURO	75.58	75.21
JPY(per 100 Yen)	58.67	58.63

Source: RBI Figures in INR , Value as on Aug 24, 2017

Rupee

- The Indian rupee rose against the U.S. dollar on renewed concerns over U.S. administration's ability to implement key economic reforms.

Euro

- The euro rose against the greenback on renewed political tensions in U.S. and after flash data showed strong private sector growth in euro zone in Aug 2017.

Pound

- Sterling fell against the greenback amid concerns over the outcome of Brexit negotiations but trend reversed after the Fed Chief made no reference to U.S. monetary policy at Jackson Hole.

Yen

- Yen fell against the greenback ahead of a conference of global central bankers but most of the losses were wiped out after the Fed Chief made no reference to U.S. monetary policy at the same.

The Week that was...

21st August to 25th August

The Week that was (Aug 21 – Aug 25)

Date	Events	Present Value	Previous Value
Monday, August 21, 2017	<ul style="list-style-type: none"> • Japan All Industry Activity Index (MoM) (JUN) • Japan Nationwide Department Store Sales (YoY) (JUL) 	0.4% -1.4%	-0.8% 1.4%
Tuesday, August 22, 2017	<ul style="list-style-type: none"> • Eurozone ZEW Survey (Economic Sentiment) (AUG) • Germany ZEW Survey (Economic Sentiment) (AUG) • U.K. Public Sector Net Borrowing (Pounds) (JUL) • U.S. House Price Index (MoM) (JUN) 	29.3 10.0 -0.8b 0.1%	35.6 17.5 5.7b 0.3%
Wednesday, August 23, 2017	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (AUG P) • Germany Markit/BME Composite PMI (AUG P) • Eurozone Consumer Confidence (AUG A) • U.S. New Home Sales (MoM) (JUL) • Eurozone Markit Composite PMI (AUG P) • U.S. Markit Composite PMI (AUG P) 	52.8 55.7 -1.5 -9.4% 55.8 56	52.1 54.7 -1.7 1.9% 55.7 54.6
Thursday, August 24, 2017	<ul style="list-style-type: none"> • U.K. Gross Domestic Product (YoY) (2Q P) • Japan National Consumer Price Index (YoY) (JUL) • U.S. Existing Home Sales (MoM) (JUL) 	1.7% 0.4% -1.3%	1.7% 0.4% -2.0%
Friday, August 25, 2017	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (JUL P) 	- 6.8%	6.4%

The Week Ahead

28th August to 01st September

The Week Ahead

Day	Event
Monday, August 28, 2017	<ul style="list-style-type: none"> • U.S. Advance Goods Trade Balance (JUL) • U.K. Nationwide House Prices (YoY) (AUG) • Japan Jobless Rate (JUL)
Tuesday, August 29, 2017	<ul style="list-style-type: none"> • U.S. Consumer Confidence (AUG) • Germany GfK Consumer Confidence Survey (SEP) • Japan Retail Trade (YoY) (JUL)
Wednesday, August 30, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (AUG P) • U.S. Gross Domestic Product (Annualized) (2Q S) • Japan Industrial Production (YoY) (JUL P) • U.S. Core Personal Consumption Expenditure (QoQ) (2Q S)
Thursday, August 31, 2017	<ul style="list-style-type: none"> • China Manufacturing PMI (AUG) • Germany Unemployment Change (AUG) • Eurozone Consumer Price Index Estimate (YoY) (AUG) • U.S. Personal Consumption Expenditure Core (YoY) (JUL)
Friday, September 01, 2017	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (AUG) • U.S. Unemployment Rate (AUG) • U.S. ISM Manufacturing (AUG) • U.S. ISM Employment (AUG)

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