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# News U Can Use

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**August 30, 2019**

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The Week that was...

**26<sup>th</sup> August to 30<sup>th</sup> August**

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## Indian Economy

- Government data showed that the growth of the Indian economy slowed for the fifth consecutive quarter to a more than 6-year low of 5.00% on a year basis in the first quarter of FY20 compared to a growth of 5.80% in the previous quarter and 8.00% in the same period of the previous year. This was the weakest rate of growth since the first quarter of 2013 when the domestic economy grew 4.30% on a yearly basis.
- The Reserve Bank of India said after its board meeting that it will transfer Rs. 1.76 lakh crore to the government this fiscal. The transfer includes Rs. 1.23 lakh crore of surplus for 2018-19 and Rs. 52,637 crore of excess provisions identified as per the revised Economic Capital Framework (ECF) adopted at the meeting. The higher surplus is due to the long-term forex swaps and the open market operations (OMO) conducted by the central bank over the last fiscal.
- Government data showed that India's fiscal deficit for the period from Apr to Jul of 2019 stood at Rs. 5.48 lakh crore or 77.8% of the budget estimate compared to 86.5% of the budget estimate in the corresponding period of the previous year. Total expenditure stood at Rs. 9.47 lakh crore or 34.0% of the budget estimate compared to 36.4% of the budget estimate in the corresponding period of the previous year. Total receipts stood at Rs. 3.99 lakh crore or 19.2% of the budget estimate which was unchanged from the corresponding period of the previous year. Tax revenue stood at Rs. 3.39 lakh crore or 20.5% of the budget estimate compared to 19.8% of the budget estimate in the corresponding period of the previous year.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	30-Aug-19	1 Week Return	YTD Return
S&P BSE Sensex	37,332.79	1.72%	3.51%
Nifty 50	11,023.25	1.79%	1.48%
S&P BSE Mid-Cap	13,467.55	2.01%	-12.77%
S&P BSE Small-Cap	12,534.70	2.86%	-14.77%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	26.25	27.27	35.21	33.51
P/B	2.82	3.35	2.30	1.79
Dividend Yield	1.24	1.39	1.11	1.13

Source: BSE, NSE

Value as on Aug 30, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
26-Aug-19	1,344	490	2.74
27-Aug-19	1,297	516	2.51
28-Aug-19	691	1,145	0.60
29-Aug-19	640	1,188	0.54
30-Aug-19	1,038	762	1.36

Source: NSE

- Indian equity markets closed on positive note in the week ended Aug 30, 2019. Initially, indices gained on announcement of slew of measures by the finance minister to boost the economy after the close of markets on Aug 23, 2019. The government had rolled back the increase in surcharge on foreign portfolio investors and announced relief packages for the auto and finance sectors.
- Meanwhile, bourses got a boost after the Reserve Bank of India (RBI) decided to transfer Rs. 1.76 lakh crore to the government. Additionally, expectations that the finance minister could announce steps on recapitalization of state-run banks and their consolidation further boosted market sentiment. Positive global cues towards the end of the week with Italy getting a new government and signs of recommencing of U.S.-China trade talks added to the gains.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	15,768.40	0.26%	3.20%
S&P BSE Bankex	30,949.72	1.66%	-5.01%
S&P BSE CD	23,420.17	2.63%	4.27%
S&P BSE CG	16,941.77	3.01%	-2.79%
S&P BSE FMCG	11,077.23	3.46%	0.64%
S&P BSE HC	12,875.40	3.33%	2.31%
S&P BSE IT	16,149.45	1.13%	3.26%
S&P BSE Metal	8,524.28	0.45%	-9.85%
S&P BSE Oil & Gas	13,163.72	2.70%	0.50%
S&P BSE Realty	2,047.65	8.53%	-1.18%

Source: Thomson Reuters Eikon \*Value as on Aug 30, 2019

- S&P BSE Realty was the major gainer that grew 8.53% followed by S&P BSE FMCG that grew 3.46%. At the end of last week, the government had announced an additional liquidity support to the tune of Rs. 20,000 crore for housing finance companies in order to improve their lending capacity. The move is expected to help the real estate sector which is facing a slowdown in demand and liquidity crunch.
- S&P BSE Healthcare and S&P BSE Capital Goods grew 3.33% and 3.01%, respectively. S&P BSE Oil & Gas and S&P BSE Consumer Durables grew 2.70% and 2.63%, respectively.

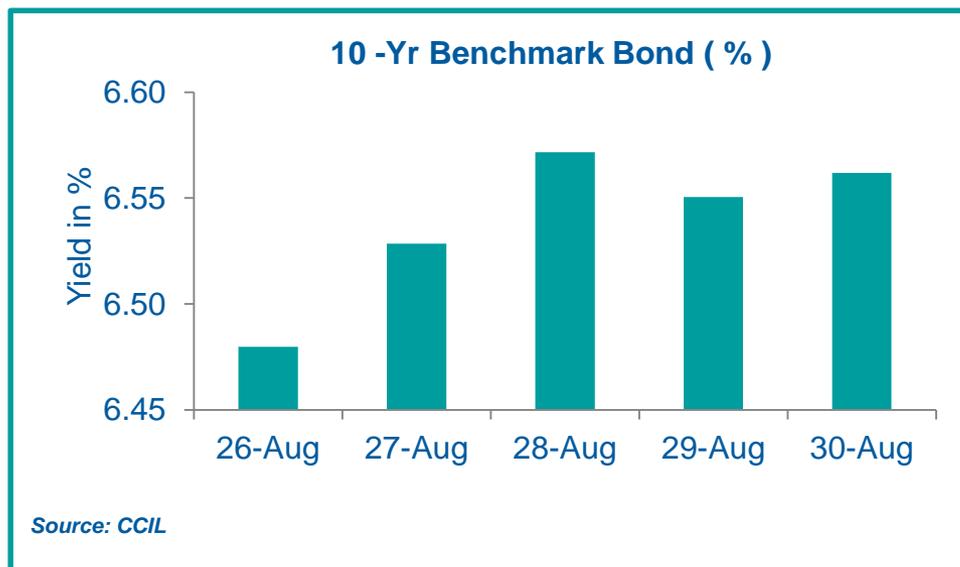
## Indian Derivatives Market Review

- Nifty Sep 2019 Futures stood at 11,058.90, a premium of 35.65 points above the spot closing of 11,023.25. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 79.69 lakh crore as against Rs. 68.20 lakh crore for the week to Aug 23.
- The Put-Call ratio stood at 0.83 compared with the previous week's close of 0.69.
- The Nifty Put-Call ratio stood at 1.38 against the previous week's close of 1.02.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.38	5.34	5.53	6.26
91 Day T-Bill	5.42	5.41	5.74	6.42
07.32% 2024, (5 Yr GOI)	6.25	6.28	6.34	7.09
07.26% 2029, (10 Yr GOI)	6.56	6.57	6.39	7.41

*Source: Thomson Reuters Eikon* *Value as on Aug 30, 2019*



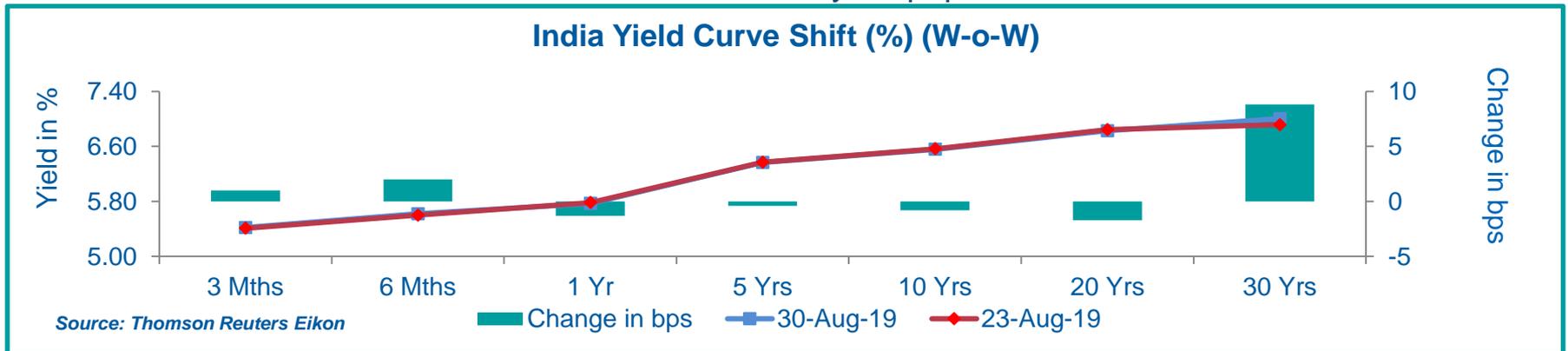
- Bond yields inched down as market participants resorted to short covering ahead of the release of the gross domestic product data of the Indian economy for the first quarter of FY20.
- However, most of the gains were neutralized on concerns that the government may spend more to boost the growth of the Indian economy and ultimately breach its fiscal deficit target. Meanwhile data released post market hours showed that the growth of the Indian economy slowed for the fifth consecutive quarter to a more than 6-year low of 5.00% on a year basis in the first quarter of FY20.
- Yield on the 10-year benchmark paper (7.26% GS 2029) inched down 1 bps to 6.56% compared with the previous close of 6.57% after trading in a range of 6.39% to 6.62%.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	5.85	7.43	158
3 Year	6.15	7.48	133
5 Year	6.47	7.56	109
10 Year	6.66	8.11	145

Source: Thomson Reuters Eikon Value as on Aug 30, 2019

- Yields on gilt securities fell across the maturities by up to 5 bps, barring 2-, 13-, 14- and 30-year papers that increased by up to 9 bps. Yield fell the most on 3-year paper.
- Corporate bond yields plunged on 2- to 8-year papers in the range of 2 to 19 bps while remaining securities increased by up to 9 bps. Yield fell the most on 3-year paper and the least on 8-year paper.
- Difference between the spread of AAA corporate bond and gilt contracted on 2- to 7-year papers in the range of 3 to 15 bps, barring 1-, 10- & 15-year papers that expanded in the range of 4 to 10 bps. Spread fell the most on 4-year paper.



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## Regulatory Updates in India

- The finance minister announced the merger of ten state run banks into four distinct entities. According to the government, Oriental Bank of Commerce and United Bank of India will get merged with Punjab National Bank. Syndicate Bank and Canara Bank will get merged into one entity, while Andhra Bank, Union Bank of India and Corporation Bank will get merged into a single entity. Similarly, merger will also take place between Indian Bank and Allahabad Bank. Thus, after the merger of ten public sector banks, the number of state-run banks in the country will come down to 12 from 27 in 2017.
- The government eased local sourcing norms for single-brand retail companies. Under the present norms, a single-brand retail company which has more than 51% FDI (Foreign Direct Investment) needs to source 30% of its goods from within India. Under the new norm, this 30% can be met as an average over the first five years of operation and thereafter annually towards its Indian operations. In addition, the government also approved that single brand retail companies can start selling online before setting up physical stores, subject to the condition that they set one up within 2 years of starting online sales.
- The government gave approval for 100% FDI in contract manufacturing under automatic route. The objective of the move is to give a boost to domestic manufacturing. Furthermore, the government permitted 100% FDI in coal mining and associated infrastructure under automatic route as well. The government also announced 26% FDI with government approval in digital media. Under the present norms, 26% FDI is allowed through government approval route in the print media sector.

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## Regulatory Updates in India (contd..)

- The government has started the process of disinvesting its stake to below 51% in state-run companies. It has identified nearly 12 firms for implementing the Budget announcement. The department of public investment and asset management is in the process of floating a discussion paper to consider the advantages and disadvantages of the move, media reports showed. This fiscal's target from asset sales is estimated at Rs. 1.05 lakh crore. The companies identified in a preliminary list include the ones in which the government's holding ranges from about 50% to 60%.
- As per media report, the Insurance Regulatory and Development Authority of India (IRDAI) announced that it has set up a single point contact for its the Regulatory Sandbox approach, which will help financial technology firms in seeking permission to experiment with innovative approaches for the growth of the sector. The regulator has stated that the sandbox approach can be used to develop a benign and favourable environment to test innovative methods (including Fin-Tech solutions). According to the regulator, the consequences of failure under the process will be limited.

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## Global News/Economy

- A Commerce Department report showed U.S. gross domestic product increased 2% in the second quarter compared with the previously reported 2.1%. The downward revision came in line with estimates. The downwardly revised GDP growth seen in the second quarter compares with 3.1% jump in GDP in the first quarter.
- Flash estimate from Destatis showed Germany's consumer price inflation eased more than expected in Aug 2019. Consumer prices advanced 1.4% YoY in Aug, slower than the 1.7% increase seen in Jul 2019. On a monthly basis, consumer prices dropped 0.2%.
- Data from the Ministry of Land, Infrastructure, Transport and Tourism showed Japan's housing starts fell in Jul 2019 after rising in the previous month. Housing starts decreased 4.1% YoY in Jul, after a 0.3% rise in Jun 2019. Annualized housing starts fell to 910,000 in Jul from 922,000 in the previous month. In the same period last year, housing starts totaled 950,000.
- A Commerce Department report showed new orders for U.S. durable goods jumped much more than expected in Jul 2019. Durable goods orders surged up 2.1% in Jul following a 1.8% increase in Jun 2019.
- Federal Employment Agency preliminary data showed Germany's number of unemployed grew by a seasonally adjusted 4,000 persons after a 1,000 increase in Jul 2019. The rise was in line with expectations.

## Global Equity Markets

Global Indices			
Indices	30-Aug-19	1-Week Return	YTD Return
Russell 3000	1,294.15	2.67%	21.78%
Nasdaq 100	7,691.00	3.03%	21.50%
FTSE 100	7,207.18	1.58%	7.12%
DAX Index	11,939.28	2.82%	13.07%
Nikkei Average	20,704.37	-0.03%	3.45%
Straits Times	3,106.52	-0.12%	1.23%

*Source: Thomson Reuters Eikon* *Value as on Aug 30, 2019*

### Europe

- European markets too witnessed buying spree as Italy's opposition Democrats and rival populists' party expressed optimism over negotiations to potentially form a government. The news somewhat pacified concerns over probable no-deal Brexit following media reports stating that the British government is looking to suspend parliament from around mid-Sep.

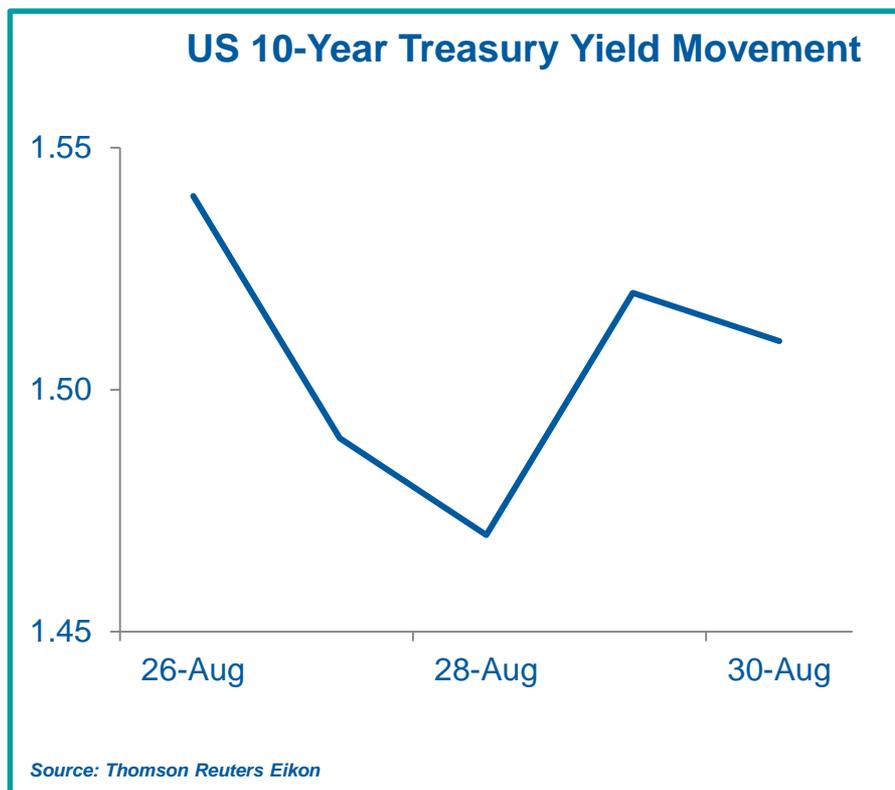
### Asia

- Asian markets ended the week in the red despite underlying sentiment remaining supported by signs that the U.S. and China are set to resume trade talks in Sep. Investors remained concerned over ongoing mass protests in Hong Kong seeking political freedom and self-determination for the semi-autonomous territory.

### U.S.

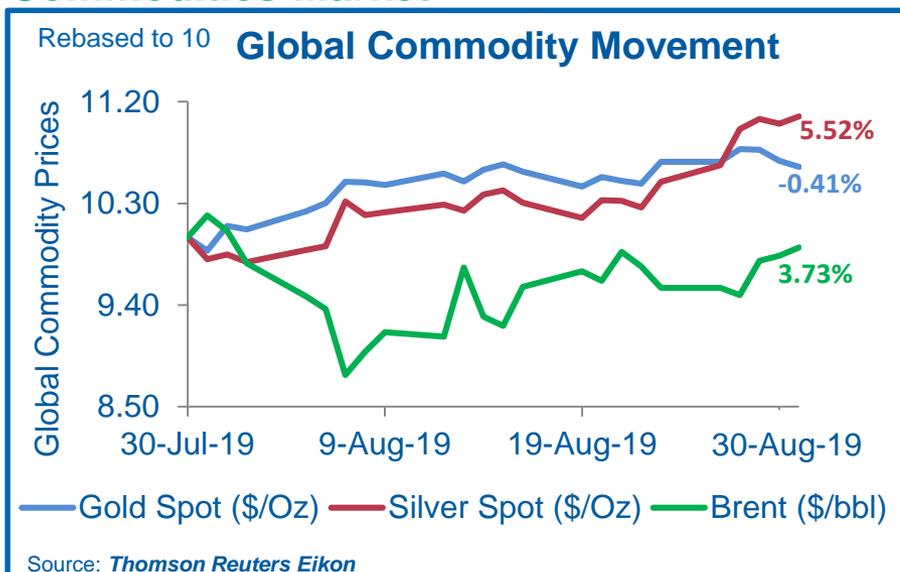
- U.S. markets traded in the green, supported by initial gains in the energy sector. Reports from Energy Information Administration (EIA) showed that U.S. crude oil inventories slumped by 10.0 million barrels in the week to Aug 23 compared to estimates for a decrease of 2.1 million barrels. Investors' sentiment was largely buoyed by optimism over de-escalation of U.S.-China trade war.

## Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 2 bps to 1.51% compared with the previous week's close of 1.53%.
- U.S treasury prices grew initially amid fears about a recession and trade tensions between China and U.S.
- U.S. Treasury prices rose further after the British Prime Minister decided to suspend the British Parliament until October 14. The move increased concerns of a no deal Brexit as it will reduce the parliamentary time before the Brexit deadline which is scheduled on October 31, 2019.
- However, reports at the end of the week that U.S. and China will take steps to de-escalate their trade war that has been worsening business sentiment restricted the gains.

## Commodities Market



### Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	61.13	58.93
Gold (\$/Oz)	1,519.85	1,526.10
Gold (Rs/10 gm)	38,405	37,599
Silver (\$/Oz)	18.35	17.39
Silver (Rs/Kg)	46,688	43,708

Source: Thomson Reuters Eikon

\*Value as on Aug 30, 2019

## Gold

- Gold prices fell as investors resorted to profit booking to capitalize on the recent rally. The bullion's price had initially risen during the week owing to the U.S.-China trade war concerns. However, all gains were erased after China's commerce ministry expressed hopes of a resolution to the ongoing U.S.-China trade dispute.

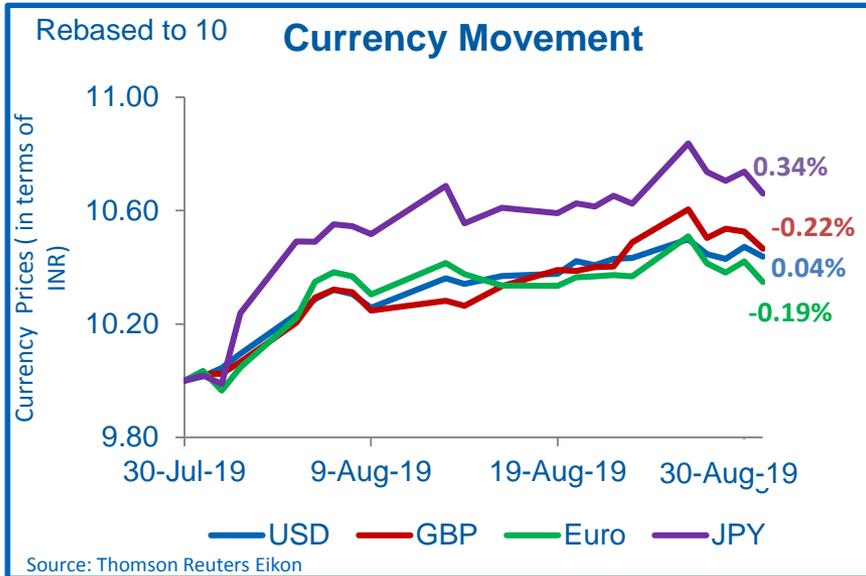
## Brent Crude

- Brent crude prices were up following a sharp fall in U.S. crude oil inventories in the week ended Aug 23, as revealed by the EIA report. However, the upside was limited by profit booking and concerns over a slowdown in global growth.

## Baltic Dry Index

- The Baltic Dry Index grew on the back of improved capesize and panamax activities.

## Currencies Markets



### Movement of Rupee vs Other Currencies

Currency	Last Closing*	1-Wk Ago
US Dollar	71.76	71.73
Pound Sterling	87.43	87.62
EURO	79.24	79.39
100 Yen	67.49	67.26

Source: RBI

Figures in INR , \*Value as on Aug 30, 2019

## Rupee

- The rupee strengthened against the greenback on hopes that ongoing trade tensions between U.S. and China might be resolved. However, month end dollar demand capped the gains.

## Euro

- The euro weakened against the greenback as latter strengthened after U.S. and China sought to ease trade war tensions.

## Pound

- The pound fell against the greenback after Britain's Queen approved Prime Minister's plan to suspend parliament from early Sep 2019.

## Yen

- The yen fell against the U.S. dollar on reports that U.S. and China would talk in Sep 2019 which fueled hopes that ongoing trade tensions might be resolved.

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The Week that was...

**26<sup>th</sup> August to 30<sup>th</sup> August**

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## The Week that was (August 26 – August 30)

Date	Events	Present Value	Previous Value
Monday, August 26, 2019	• U.S. Durable Goods Orders (Jul P)	2.10%	1.80%
	• Germany IFO Expectations (Aug)	91.30	92.10
Tuesday, August 27, 2019	• U.S. Consumer Confidence Index (Aug)	135.10	135.80
	• Germany Gross Domestic Product (YoY) (2Q F)	0.00%	0.00%
	• U.S. House Price Purchase Index (QoQ) (2Q)	1.00%	1.30%
Wednesday, August 28, 2019	• Germany GfK Consumer Confidence (Sep)	9.70	9.70
	• U.S. MBA Mortgage Applications (Aug 23)	-6.20%	-0.90%
Thursday, August 29, 2019	• Germany Unemployment Claims Rate (Aug)	5.00%	5.00%
	• Germany Consumer Price Index (YoY) (Aug P)	1.40%	1.70%
	• U.S. Gross Domestic Product Annualized (QoQ) (2Q S)	2.00%	2.10%
	• U.S. Advance Goods Trade Balance (Jul)	-\$72.3b	-\$74.2b
	• U.S. Initial Jobless Claims (Aug 24)	215k	211k
	• Japan Jobless Rate (Jul)	2.20%	2.30%
Friday, August 30, 2019	• India Gross Domestic Product (1Q)	5.00%	5.80%
	• U.S. PCE Core (YoY) (Jul)	1.60%	1.60%
	• Eurozone Consumer Price Index Estimate (YoY) (Aug)	1.00%	1.10%
	• Japan Housing Starts (YoY) (Jul)	-4.10%	0.30%
	• Germany Retail Sales (YoY) (Jul)	4.40%	-1.40%

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The Week Ahead

**02<sup>nd</sup> September to 6<sup>th</sup> September**

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## The Week Ahead

Day	Event
<b>Monday, September 02, 2019</b>	<ul style="list-style-type: none"> <li>• India Manufacturing PMI (Aug)</li> <li>• China Caixin Manufacturing PMI (Aug)</li> <li>• U.K. Markit Manufacturing PMI (Aug)</li> </ul>
<b>Tuesday, September 03, 2019</b>	<ul style="list-style-type: none"> <li>• U.S. ISM Manufacturing (Aug)</li> <li>• U.S. ISM Employment (Aug)</li> <li>• U.K Markit/CIPS Construction PMI (Aug)</li> </ul>
<b>Wednesday, September 04, 2019</b>	<ul style="list-style-type: none"> <li>• India Service PMI (Aug)</li> <li>• China Caixin Services PMI (Aug)</li> <li>• U.K. Markit/CIPS Services PMI (Aug)</li> <li>• Eurozone Retail Sales (YoY) (Jul)</li> </ul>
<b>Thursday, September 05, 2019</b>	<ul style="list-style-type: none"> <li>• U.S. ISM Non-Manufacturing/Services Composite (Aug)</li> <li>• Germany Factory Orders (YoY) (Jul)</li> <li>• Germany Markit Construction PMI (Aug)</li> <li>• U.S. Initial Jobless Claims (Aug 31)</li> <li>• U.S. Factory Orders (Jul)</li> </ul>
<b>Friday, September 06, 2019</b>	<ul style="list-style-type: none"> <li>• U.S Change in Non-farm Payrolls (Aug)</li> <li>• U.S Unemployment Rate (Aug)</li> <li>• Eurozone Gross Domestic Product (YoY) (2Q F)</li> </ul>

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