

News U Can Use

August 5, 2016

The Week that was...
1st August to 5th August

Indian Economy

- Government data showed that growth of combined index of eight core industries of the Indian economy increased to 5.2% YoY in Jun 2016 compared with a growth of 3.1% in the same period of the previous year. The coal and cement sectors grew 12.0% and 10.3%, respectively. Growth in refinery products and electricity sector was 3.5% and 8.1%, respectively. However, crude oil and natural gas sectors contracted 4.3% and 4.5%, respectively for the fourth consecutive month.
- Results of a private survey showed that Indian manufacturing activity improved marginally in Jul 2016 following increase in both domestic and external market demand and strong growth in new business orders and output. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) inched up to a four-month-high level of 51.8 in Jul 2016 from 51.7 in Jun 2016.
- India's service sector growth increased to a three-month-high level in Jul 2016. The Nikkei/Market Services PMI rose to 51.9 in Jul from 50.3 in Jun 2016. Increase in new business growth at a faster pace and decline in both output and input prices led to the expansion in service activity.
- The Lok Sabha has passed a bill to amend the existing Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act and the Debt Recovery Tribunal Act. The amendment is expected to speed up recovery and resolution of bad debt by banks and financial institutions for easy functioning of Asset Reconstruction Companies.

Indian Equity Market

Domestic Equity Market Indices			
Indices	05-Aug16	1 Week Return	YTD Return
S&P BSE Sensex	28078.35	0.09%	7.33%
Nifty 50	8683.15	0.52%	9.04%
S&P BSE Mid-Cap	12698.44	0.30%	12.92%
S&P BSE Small-Cap	12306.59	-0.03%	3.06%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.78	23.74	33.7	72.8
P/B	2.97	3.4	2.66	2.1
Dividend Yield	1.39	1.26	1.08	0.87

Source: BSE, NSE Value as on August 5, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Aug-16	609	1009	0.60
02-Aug-16	484	1137	0.43
03-Aug-16	407	1213	0.34
04-Aug-16	856	752	1.14
05-Aug-16	1212	397	3.05

Source: NSE

- ▣ Indian equity market grew during the week boosted by factors such as the Bank of England's (BoE) rate-cut and passage of the Goods and Services Tax (GST) Bill in the Rajya Sabha.
- ▣ The week had started on a negative note with investors trading cautiously ahead of the GST Bill and Japan's stimulus measures failing to cheer the market. But both Sensex and Nifty 50 went up by the end of the week, with the Sensex even hitting the 28,000 mark.
- ▣ The market found support after the momentous GST Bill was sanctioned, and the BoE announced a rate-cut for the first time in seven years along with a bunch of stimulus measures to ease the "Brexit" impact.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21667.78	2.73%	10.07%
S&P BSE Bankex	21643.64	-0.16%	4.83%
S&P BSE CD	12225.82	-1.44%	1.62%
S&P BSE CG	15154.70	-2.09%	-1.79%
S&P BSE FMCG	8656.46	-0.79%	2.02%
S&P BSE HC	16307.34	0.05%	3.27%
S&P BSE IT	10914.02	0.93%	-2.34%
S&P BSE Metal	9752.38	3.68%	11.46%
S&P BSE Oil & Gas	10726.10	1.24%	6.25%

Source: Reuters Values as on August 5, 2016

- On the BSE sectoral front, most of the indices registered growth, with S&P BSE Metal, up 3.68%, becoming the top gainer for the week.
- Some of the other highest grossers were S&P BSE Auto and S&P BSE Oil & Gas, growing 2.73% and 1.24%, respectively. The highest loser for the week was S&P BSE Capital Goods, down 2.09%.

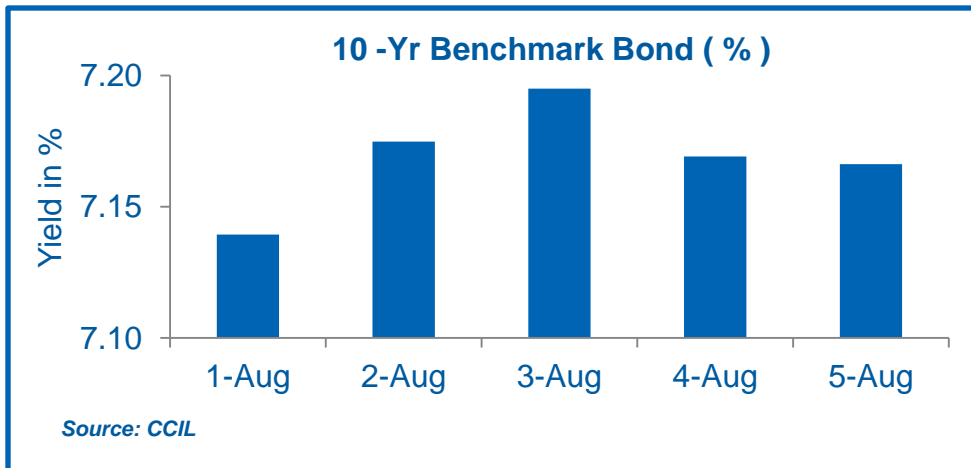
Indian Derivatives Market Review

- Nifty Aug 2016 Futures were at 8,708.20 points, a premium of 25.05 points, over the spot closing of 8,683.15 points. The turnover on NSE's Futures and Options segment stood at Rs. 15.60 lakh crore during the week to Aug 5, compared with Rs. 25.29 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.90, compared with the previous session's close of 0.93.
- The Nifty Put-Call ratio stood at 0.98, compared with the previous session's close of 0.94.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.39	6.46	6.25	6.74
91 Day T-Bill	6.54	6.53	6.46	7.32
07.80% 2021 , (5 Yr GOI)	7.08	7.04	7.26	7.69
07.59% 2026, (10 Yr GOI)	7.17	7.16	7.39	7.71

Source: Reuters Values as on August 5, 2016



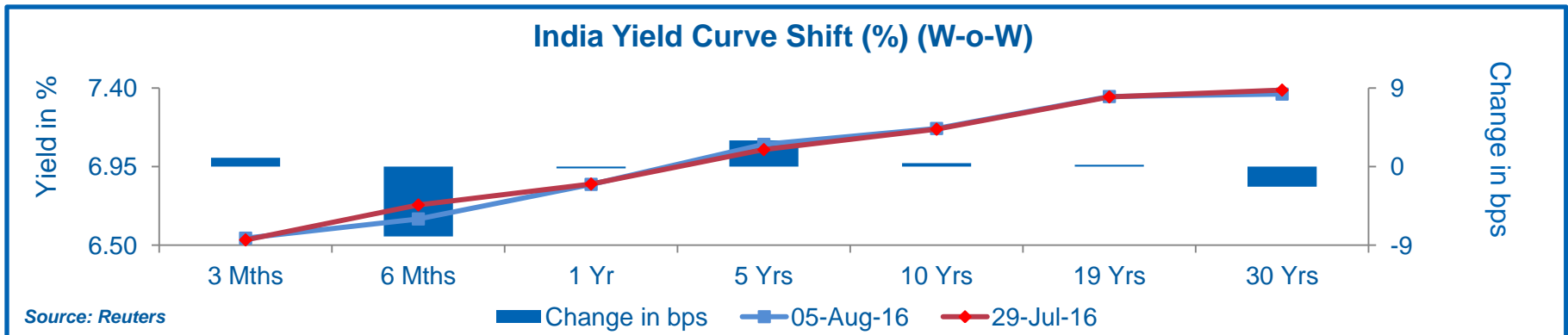
- Bond started the week on a positive note as market participants bought government debt on hopes that the GST Bill will be approved in the ongoing session of the Parliament.
- However, in the midweek, yields increased on profit booking following past few weeks' rally.
- At the end, losses were almost reversed after the Rajya Sabha approved the constitutional amendment bill that proposes to levy GST in the country.
- Yield on 10-year benchmark bond (7.59% GS 2026) inched up 1 bps to close at 7.17% compared with the previous week's close of 7.16%. The yields moved in the range of 7.12% to 7.23% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.96	7.36	40
3 Year	7.05	7.55	50
5 Year	7.23	7.67	44
10 Year	7.36	7.85	49

Source: Reuters Values as on August 5, 2016

- Yields on gilt securities fell across the maturities up to 7 bps, barring 3, 5-, 7- and 9-year papers that increased up to 3 bps. Yields were steady on 1-, 4-, 6-, 8-, 10-, and 19-year papers.
- On the contrary, Corporate bond yields increased across the curve up to 8 bps except 6-year that eased 2 bps.
- Difference in spread between AAA corporate bond and gilt securities expanded across segments up to 8 bps, leaving 6-year that contracted 2 bps.



Regulatory Updates in India

- ❑ The GST Constitution (Amendment) Bill was passed by the Rajya Sabha by two-thirds majority. The motive of the bill is “one nation, one tax” as it will help replace a raft of different state and local taxes with a single unified value added tax system and turn the country into world's biggest single market. Also, the bill will be levied on consumption rather than production. After getting the approval, the government now plans to announce the implementation roadmap for the national sales tax regime.
- ❑ RBI issued guidelines for 'on tap' licensing of universal private sector banks. Under the new norms, applicants can apply for a banking licence anytime as opposed to the previous case when there was a limited-period window for applications. According to the revised guidelines, individuals having 10 years of senior-level experience are eligible to promote a bank. Large industry houses have been excluded from the list, but have been allowed to invest up to 10%.
- ❑ The cabinet has approved spectrum usage charge (SUC) at the rate of 3% of adjusted gross revenue for the upcoming telecom spectrum auction in Sep 2016, clearing path for the Department of Telecommunications to issue the Notice Inviting Applications marking the beginning of the auction process. This move will provide simple, transparent and flat ad-valorem SUC regime in accordance with the law and avoid fake accounting to bypass the revenues.

Regulatory Updates in India (contd..)

- ❑ Security Exchange Board of India (SEBI) has fixed the combined debt limit to Rs. 2.44 lakh crore for all foreign investments in rupee denominated bonds for Foreign Portfolio Investors (FPIs) issued both onshore and overseas by Indian corporates. However, these investments would not be treated as FPI investments and would not come under the purview of SEBI FPI Regulations.
- ❑ The cabinet has approved the Motor Vehicle (Amendment) Bill 2016 that proposes stricter penalties for violation of traffic rules. The bill includes penalty of up to Rs. 10,000 for drunken driving, Rs. 2 lakh compensation for hit-and-run cases and also has provision of up to Rs. 10 lakh compensation in case of road fatality.
- ❑ RBI has launched a website portal – sachet.rbi.org.in. The new portal will curb illegal and unauthorised pooling of funds by unscrupulous firms as the website will give information to the people about entities who are allowed to collect deposits. The portal will also facilitate filing and tracking of complaints.
- ❑ According to the rural development minister, the government is likely to invest Rs. 33,000 crore in Pradhan Mantri Gram Sadak Yojana (PMGSY) to construct 50,000 new roads at a pace of 133 kms per day.

Global News/Economy

- ❑ As per the Labor Department, U.S. non-farm payroll employment added 255,000 jobs in Jul 2016, compared with upwardly revised 287,000 jobs in Jun 2016. Rise in jobs was much higher than market expectation. Meanwhile, the unemployment rate stood at 4.9% in Jul, unchanged from the previous month. Average Average hourly employee earnings climbed \$0.08 or 0.3% to \$25.69 in Jul.
- ❑ The Bank of England lowered the bank rate by 25 basis points to a fresh low of 0.25% for the first time since Mar 2009. In addition, BoE expanded the asset purchase program by £60 billion to £435 billion. The central bank also decided to purchase up to £10 billion of UK corporate bonds and introduced a Term Funding Scheme that will be financed by the issuance of central bank reserves so as help to help in the transmission of the rate cut.
- ❑ The Bank of England, in its inflation report for Aug, forecasted that U.K.'s economic growth would ease to 0.1% in the third quarter of 2016. The central bank also lowered its GDP growth outlook for 2017 to 0.8% from 2.3%. Similarly, the projection for 2018 was trimmed to 1.8% from 2.3%.
- ❑ Results of a survey by Markit Economics showed that the Markit/CIPS U.K. service Purchasing Managers' Index (PMI) shrunk for the first time since 2012 to 47.4 in Jul 2016 from 52.3 in Jun 2016. The contraction was due to uncertainty after Britain's decision to leave EU.

Global Equity Markets

Global Indices			
Indices	05-Aug-16	1-Week Return	YTD Return
Dow Jones	18543.53	0.60%	8.13%
Nasdaq 100	4791.21	1.29%	6.52%
FTSE 100	6793.47	1.03%	11.49%
DAX Index	10367.21	0.29%	0.81%
Nikkei Average	16254.45	-1.90%	-11.90%
Straits Times	2828.17	-1.41%	-0.28%

Source: Reuters

Europe

- European markets mostly traded on a positive note after Bank of England lowered interest rates by 25 basis points and expanded the asset purchase program by £60 billion to £435 billion. Upbeat U.S. jobs data and wages data for Jul also boosted market sentiments.

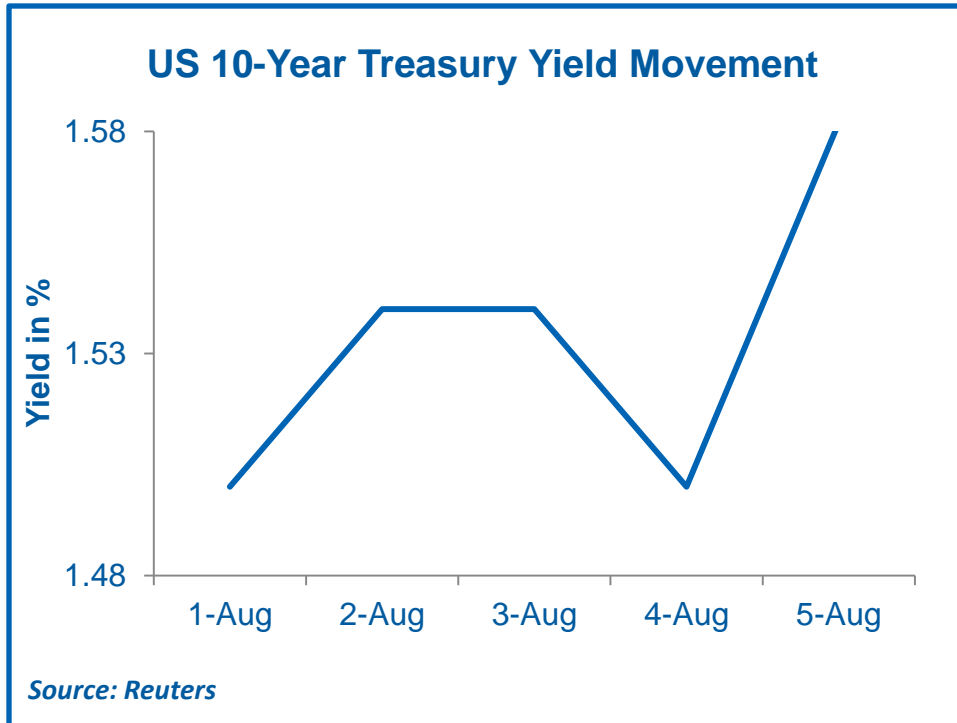
Asia

- Major Asian bourses moved down over the week on speculation that the Bank of Japan could scale back on quantitative easing measures. Mixed batch of Chinese manufacturing data for Jul, contraction of Japan's manufacturing data for the fifth consecutive month in Jul, and unexpected fall in Japan's consumer confidence data during the same period also weighed on the market sentiment.

U.S.

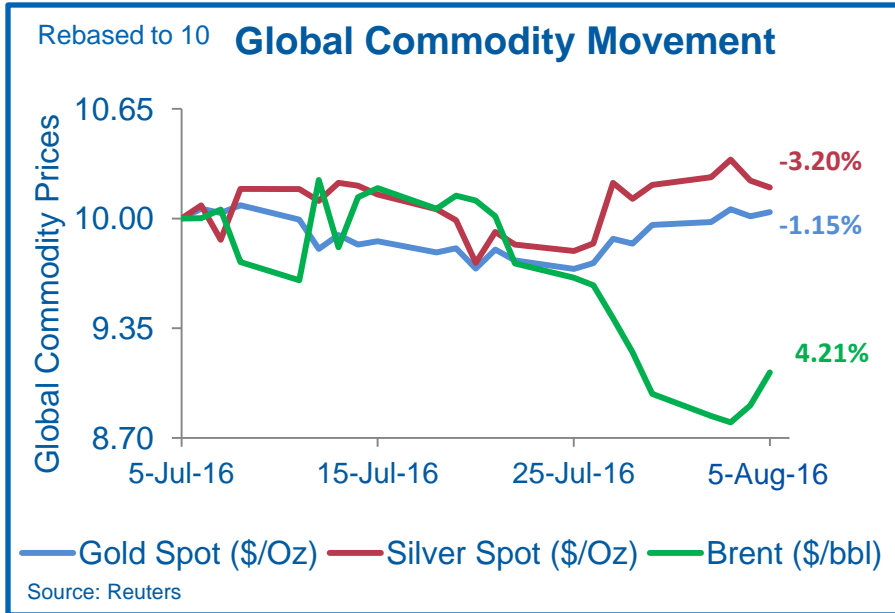
- U.S. markets gained over the week following higher than expected U.S. non-farm payroll jobs data for Jul.
- Rise in payroll processor ADP data during the same period also helped gains. Market sentiment received further support after the Bank of England lowered interest rates for the first time since Mar 2009 to a record low and expanded the asset purchase program.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 12 bps to close at 1.58%, compared with the previous week's close of 1.46%.
- U.S. treasury prices fell initially after investors got attracted towards the fifth largest corporate bond offering of all time by a major software company. U.S. Treasury prices declined further following announcement of new fiscal stimulus measures from the Japanese government.
- Losses were extended following better than expected U.S. non-farm payroll data for Jul which increased the possibility of a rate hike by the U.S. Federal Reserve in the near term.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	42.06	40.36
Gold (\$/Oz)	1335.09	1350.59
Gold (Rs/10 gm)	31285	30939
Silver (\$/Oz)	19.66	20.31
Silver (Rs/Kg)	47048	46841

Source: Reuters Values as on August 5, 2016

Gold

- Gold prices rose initially after both U.S. manufacturing (as per ISM data) and service sector data slowed in Jul. However, the trend reversed following upbeat U.S. jobs and wages data for Jul.

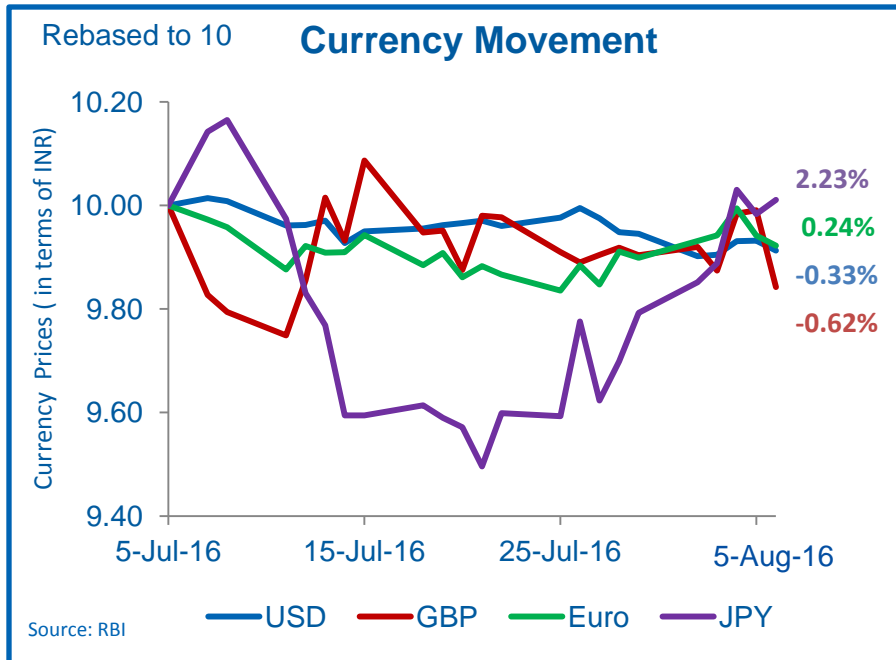
Crude

- Brent crude prices initially fell following production growth among members of the OPEC. Later the trend reversed after data showed a significant reduction in U.S. gasoline stock. Data from the U.S. Energy Information Administration showed that gasoline inventories declined by 3.3 million barrels for the week to Jul 29'.

Baltic Dry Index

- The Baltic Dry Index went down 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	66.81	67.03
Pound Sterling	87.75	88.30
EURO	74.45	74.27
JPY(per 100 Yen)	66.13	64.69

Source: RBI

Figures in INR, Values as on August 5, 2016

Rupee

- Rupee strengthened against the greenback following the approval of the long-pending GST Bill by the upper house of the Parliament. The Bank of England's larger-than-expected monetary stimulus announcement provided further support.

Euro

- The euro weakened against the greenback following upbeat U.S. Jobs data and wages data for Jul.

Pound

- The pound plunged against the greenback after Bank of England lowered interest rates to record lows and expanded its monetary stimulus program.

Yen

- The yen strengthened against the greenback amid uncertainty regarding Bank of Japan's course of action in Sep policy meeting.

The Week that was...
August 1 to August 5

The Week that was (Aug 1 – Aug 5)

Date	Events	Present Value	Previous Value
Monday, August 1, 2016	China Manufacturing PMI (Jul)	49.9	50
	U.S. ISM Manufacturing Index (Jul)	52.6	53.2
	U.S. Construction Spending (MoM) (Jun)	-0.60%	-0.10%
Tuesday, August 2, 2016	Japan Monetary Base (YoY) (Jul)	24.70%	25.40%
	Japan Consumer Confidence Index (Jul)	41.3	41.8
	U.S. Personal Income	0.20%	0.20%
	U.K. Markit/CIPS Construction PMI (Jul)	45.9	46
Wednesday, August 3, 2016	U.S. ISM Composite Index (Jul)	55.5	56.5
	China Caixin Composite PMI (Jul)	51.9	50.3
	Japan Nikkei Composite PMI (Jul)	50.1	49
	Eurozone Retail Sales (YoY) (Jul)	1.60%	1.60%
Thursday, August 4, 2016	Germany Markit Construction PMI (Jul)	51.6	50.4
	U.S. Initial Jobless Claims (Jul 30)	269K	266K
	U.S. Factory Orders (Jun)	-1.50%	-1.20%
Friday, August 5, 2016	U.S. Unemployment Rate (Jul)	4.90%	4.90%
	U.S. Change in Non-farm Payrolls	255K	287K
	Japan Leading Index (Jun P)	98.4	99.7
	Japan Coincident Index (Jun P)	110.5	109.5
	Germany Factory Orders (YoY) (Jun)	-3.10%	-0.20%

The Week Ahead...
August 8 to August 12

The Week Ahead

Day	Event
Monday, August 8	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (Jul) <input type="checkbox"/> German Industrial Production (YoY) (Jun)
Tuesday, August 9	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (Jul) <input type="checkbox"/> U.K. Industrial Production (YoY) (Jun) <input type="checkbox"/> U.K. Visible Trade Balance (Pounds) (Jun)
Wednesday, August 10	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Machine Orders (YoY) (Jun) <input type="checkbox"/> Japan Housing Loans (YoY) (Q2)
Thursday, August 11	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Import Prices (MoM) (Jul) <input type="checkbox"/> U.S. Initial Jobless Claims (Aug 6)
Friday, August 12	<ul style="list-style-type: none"> <input type="checkbox"/> China Industrial Production (YoY) (Jul) <input type="checkbox"/> China Retail Sales (YoY) (Jul) <input type="checkbox"/> Eurozone GDP (YoY) (Q2 P) <input type="checkbox"/> Germany GDP (YoY) (Q2 P)

Disclaimer

The information herein is meant only for general reading purposes and contains all factual and statistical information pertaining to Industry and markets which have been obtained from independent third party sources and which are deemed to be reliable. The information provided cannot be considered as guidelines, recommendations or as a professional guide for the readers. It may be noted that since Reliance Nippon Life Asset Management Company Limited (RNLAM) (formerly Reliance Capital Asset Management Limited) has not independently verified the accuracy or authenticity of such information or data, or for that matter the reasonableness of the assumptions upon which such data and information has been processed or arrive data; RNLAM does not in any manner assures the accuracy or authenticity of such data and information. Some of the statements & assertions contained in these materials may reflect RNLAM's views or opinions, which in turn may have been formed on the basis of such data or information. The Sponsor(s), the Investment Manager, the Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such data or information. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given are fair and reasonable, to the extent possible. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. None of the Sponsor(s), the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material.

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited or its affiliates or group companies and its respective directors, officers, or employees in particular, makes no representation or warranty, express or implied, as to the accuracy, suitability, reliability, timelines or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited, or its affiliates or group companies and its respective directors, officers, or employees shall not be liable for any losses or injury, liability or damage of any kind incurred from and arising out of any use of this document or its contents in any manner, whatsoever. Opinions expressed in this document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

RELIANCE

Thank you

RELIANCE