

News U Can Use

December 02, 2016

The Week that was...
28th November to 2nd December

Indian Economy

- ❑ Government data showed that India's economy grew 7.3% in the period from Jul to Sep compared with the growth of 7.1% in the previous quarter. Growth of the manufacturing sector slowed to 7.1% from 9.1% in the previous quarter and 9.2% in the same period of the previous fiscal. However, growth of the agriculture sector improved to 3.3% from 1.8% in the previous quarter and 2.0% in the same period of the previous fiscal on the back of improved monsoon.
- ❑ Government data showed that the infrastructure sector grew the highest in the last six months. Growth of the infrastructure sector accelerated to 6.6% from 5.0% in the previous quarter and 3.8% in the same period of the previous fiscal. This can be attributed to upbeat performance by steel and refinery sectors.
- ❑ Results from a private survey showed that the seasonally adjusted Nikkei India Manufacturing Purchasing Managers Index (PMI) fell to 52.3 in Nov from a 22-month high of 54.4 in Oct. The survey reported that manufacturing growth slowed after the government demonetised high value currency notes. This caused problems for manufacturers, as cash shortages hampered growth of new work, buying activity, and production.
- ❑ Government data showed that fiscal deficit for the period from Apr to Oct of the current fiscal touched 79.3% of the budget estimates for FY17. However, the fiscal situation worsened over the year-ago period as the deficit then stood at 74% of budget estimate (BE).

Indian Equity Market

Domestic Equity Market Indices			
Indices	02-Dec-16	1 Week Return	YTD Return
S&P BSE Sensex	26230.66	-0.33%	0.27%
Nifty 50	8086.8	-0.34%	1.55%
S&P BSE Mid-Cap	12199.18	0.13%	8.48%
S&P BSE Small-Cap	12083.2	0.46%	1.19%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.47	21.25	27.30	66.68
P/B	2.67	3.07	2.21	1.89
Dividend Yield	1.49	1.37	1.25	0.85

Source: BSE, NSE

Value as on December 02, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
28-Nov-16	1053	571	1.84
29-Nov-16	1030	594	1.73
30-Nov-16	1134	446	2.54
01-Dec-16	583	1034	0.56
02-Dec-16	351	1262	0.28

Source: NSE

- Indian equity markets felt the heat of the demonetisation move during the week. Bank stocks took a hit when the Reserve Bank of India directed banks to transfer 100% of their cash under the cash reserve ratio (CRR). However, the measure is temporary and will be reviewed on or before Dec 9. Investor sentiment was further dented by lower than expected domestic gross domestic product growth for the second quarter of the current fiscal.
- Later during the week, traders remained cautious ahead of the U.S. monthly jobs data, which may provide additional cues on the U.S. Federal Reserve's stance on interest rate hike. Reserve Bank of India's upcoming bi-monthly policy review, scheduled on Dec 7, also kept investors on the edge.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19645.4	1.14%	-10.84%
S&P BSE Bankex	20874.3	-1.47%	-5.09%
S&P BSE CD	10965.1	-0.67%	-13.91%
S&P BSE CG	13838.1	0.36%	-5.60%
S&P BSE FMCG	7954.88	0.18%	-5.06%
S&P BSE HC	15624.5	-0.01%	-2.25%
S&P BSE IT	9704.05	-1.75%	-1.01%
S&P BSE Metal	10377	-1.38%	-1.90%
S&P BSE Oil & Gas	11727.1	-0.22%	-2.08%

Source: Reuters *Value as on December 02, 2016*

- On the BSE sectoral front, barring S&P BSE Auto, S&P BSE Power, S&P BSE FMCG and S&P BSE Capital Goods, all the indices closed in the red. S&P BSE IT was the major laggard, down 1.75%, followed by S&P BSE Bankex and S&P BSE Metal, which slipped 1.47% and 1.38%, respectively.
- Banking stocks dipped ahead of the highly anticipated monetary policy review by the Reserve Bank of India.

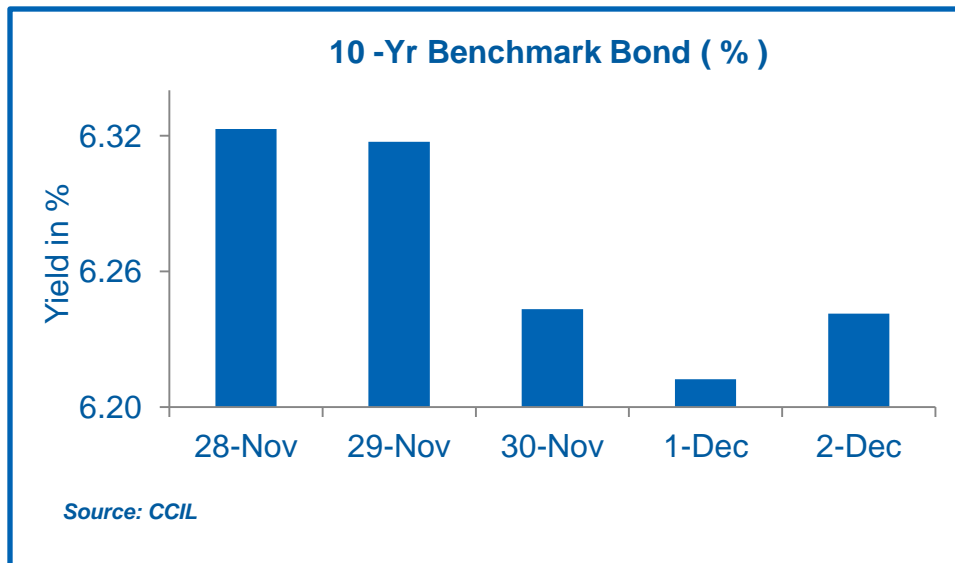
Indian Derivatives Market Review

- Nifty Dec 2016 Futures were at 8,108.90 points, a premium of 22.10 points, over the spot closing of 8,086.80 points. The turnover on NSE's Futures and Options segment stood at Rs. 15.70 lakh crore during the week to Dec 2, compared with Rs. 26.04 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.87, compared with the previous week's close of 0.77.
- The Nifty Put-Call ratio stood at 1.03, compared with the previous week's close of 1.00.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.08	5.98	6.13	6.28
91 Day T-Bill	6.00	5.75	6.38	6.84
07.80% 2021 , (5 Yr GOI)	6.21	6.15	6.71	7.47
06.97% 2026, (10 Yr GOI)	6.24	6.23	6.82	--

Source: Reuters Value as on December 02, 2016



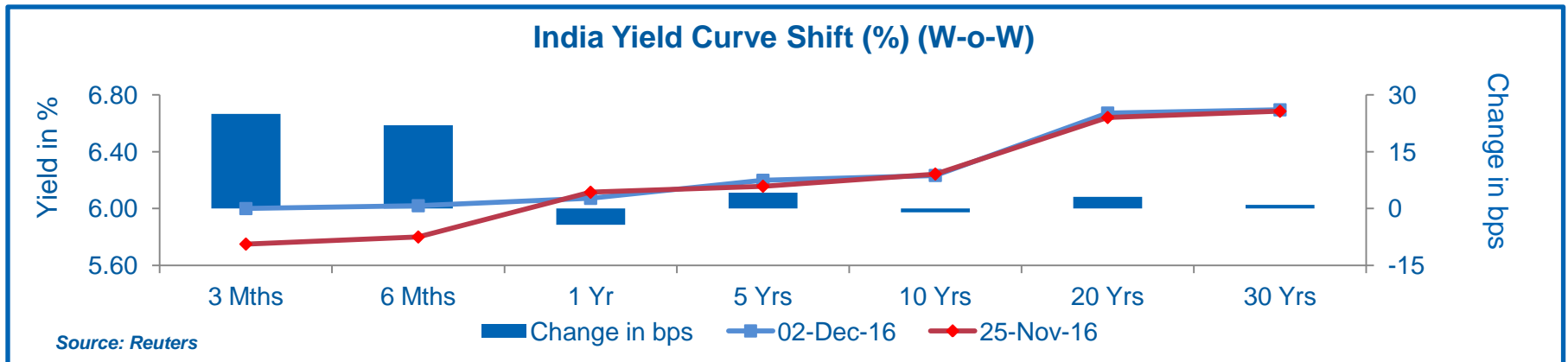
- The Reserve Bank of India’s (RBI) liquidity measures post demonetisation steered bond yields movement during the week. Yields extended last Friday’s rise after RBI temporarily raised banks CRR to drain the excess cash from the banking system.
- Yields fell soon as RBI infused liquidity through repo auctions to neutralise the cash shortage in the banking system.
- At the end, bond yields rose on government’s move to hike the limit of short term debt securities issued under the Market Stabilisation Scheme (MSS), to reduce excess liquidity in the banking sector.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.16	6.58	42
3 Year	6.18	6.71	53
5 Year	6.38	6.81	43
10 Year	6.42	7.05	63

Source: Reuters Value as on December 02, 2016

- Yields on gilt securities increased across the maturities up to 11 bps, barring 1-, 3-, 15-, and 24-year papers that fell up to 4 bps.
- Corporate bond yields rose across the maturities in the range of 4 bps to 10 bps.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities up to 12 bps, barring 5-year paper that contracted 1 bps.



Regulatory Updates in India

- ❑ In order to manage the excess liquidity in the banking system following the government's demonetisation move, the Reserve Bank of India (RBI) has decided to maintain an incremental cash reserve ratio (CRR). As per an RBI note, the increase in Net Demand and Time Liabilities (NDTL) between Sep 16 and Nov 11 would attract an incremental CRR of 100%, effective the fortnight beginning Nov 26. It has also mentioned that as the incremental CRR is intended to be a temporary measure within the RBI's liquidity management framework to manage excess liquidity in the system, it would be reviewed on Dec 9 or even earlier.
- ❑ According to the Central government's Quarterly Report on Debt Management for Jul-Sep period of 2016, public debt (excluding liabilities under the 'Public Account') provisionally increased 3% on a sequential basis. During the quarter, the government issued dated securities worth Rs. 1.76 lakh crore, taking gross borrowings during first half of 2016-17 to Rs. 3.41 lakh crore, or 56.8% of Budget Estimate (BE), vis-a-vis 58.5% of BE in first half of 2015-16.
- ❑ The Reserve Bank of India announced that withdrawals from Jan Dhan accounts would be capped at Rs. 10,000 per month. However, the central bank added that branch managers may allow further withdrawals by ascertaining the genuineness of such withdrawals and after documentation.

Regulatory Updates in India (contd..)

- According to RBI's Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks: Sep 2016 report, aggregate deposits and bank credit rose by 12.9% and 12.1%, respectively, in the quarter ended Sep, which is higher than the same period a year ago. This is primarily due to higher contribution by public sector banks (PSBs) as 70% of total deposits and 67% of bank credit came from them.
- According to the Minister of State for Finance, gross Non-Performing Assets (NPAs) of PSBs as on Sep 30 rose to Rs. 6,30,323 crore, as against Rs. 5,50,346 crore at the end of the Jun 30. This corresponds to an increase of nearly Rs. 80,000 crore in NPAs during the period under review. The minister added that specific measures are being taken to improve the recovery of bank loans.
- Finance minister introduced the Taxation Laws (Second Amendment) Bill, 2016, providing black money holders yet another chance to legalise their undisclosed property. The government has announced that it will levy a tax (including penalty and surcharge) of 50% on the amount deposited till Dec 30, post which taxes can go up to 85%. The minister also declared that the declarants mandatorily have to deposit 25% of the amount disclosed in anti-poverty scheme without interest and a four-year lock-in period.

Global News/Economy

- ❑ The Organisation for Economic Co-operation and Development expects global economy in 2017 to grow more than previously estimated. This is because of increase in public spending initiatives, which is expected to act as a catalyst. The organisation has increased the global growth projection for 2017 to 3.3% from 3.2%.
- ❑ Data from the U.S. Labor Department showed that non-farm payroll employment added 178,000 jobs in Nov 2016 following a downwardly revised increase of 142,000 jobs (originally reported 161,000 jobs) in Oct 2016. The unemployment rate fell to 4.6% in Nov from 4.9% in Oct.
- ❑ Data from the U.S. Commerce Department showed that the Gross Domestic Product (GDP) growth of the U.S. economy in the third quarter of 2016 rose more than expected due to increased consumer spending. The GDP of the country climbed 3.2% compared with the previously reported 2.9% increase, and was better than market expectations. This is also better than the growth of 1.4% witnessed in the second quarter.
- ❑ According to the president of the European Central Bank (ECB), euro zone was resilient to many economic and political environment uncertainties in 2016 because of the stimulus measures adopted by the bank. The president also expects that additional monetary policy measures for the euro area could be more effective.

Global Equity Markets

Global Indices			
Indices	02-Dec -16	1-Week Return	YTD Return
Dow Jones	19170.42	0.10%	11.79%
Nasdaq 100	4739.37	-2.68%	5.37%
FTSE 100	6730.72	-1.61%	10.46%
DAX Index	10513.35	-1.74%	2.24%
Nikkei Average	18426.08	0.24%	-0.13%
Straits Times	2919.37	2.10%	2.94%

Source: Reuters

U.S.

- Majority of the U.S. markets remained under pressure during the week as investors were cautious ahead of the key constitutional referendum in Italy.
- Meanwhile, better than expected U.S. non farm payroll employment data for Nov strengthened the chances of a rate hike this month.

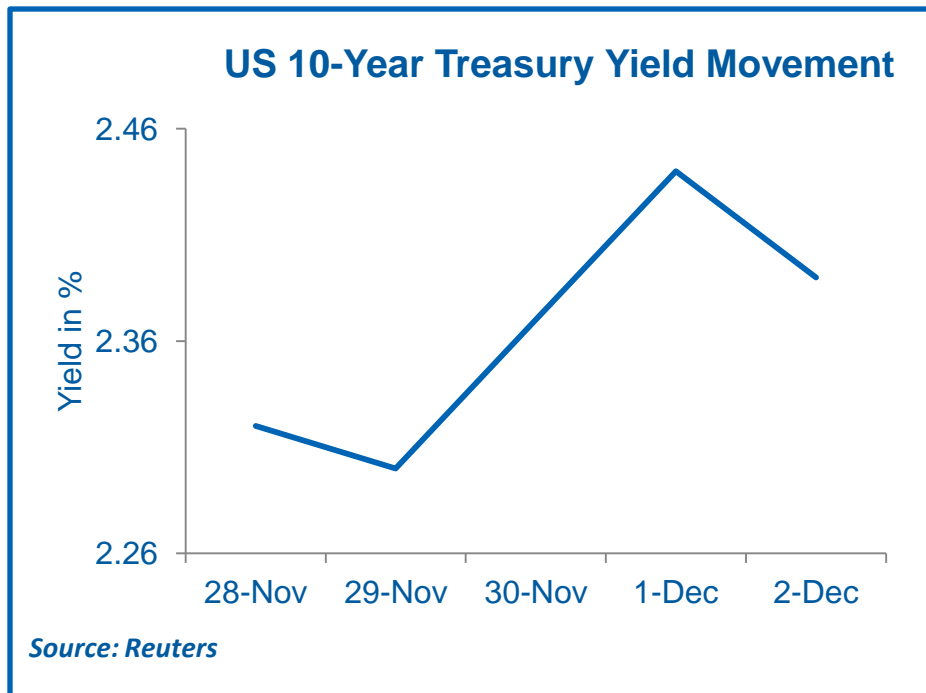
Europe

- Market remained cautious initially ahead of the OPEC meeting and U.S. jobs data. Slower pace of euro zone money supply in Nov also kept bourses under pressure. Later investor sentiments were weighed down by political uncertainty in Italy.

Asia

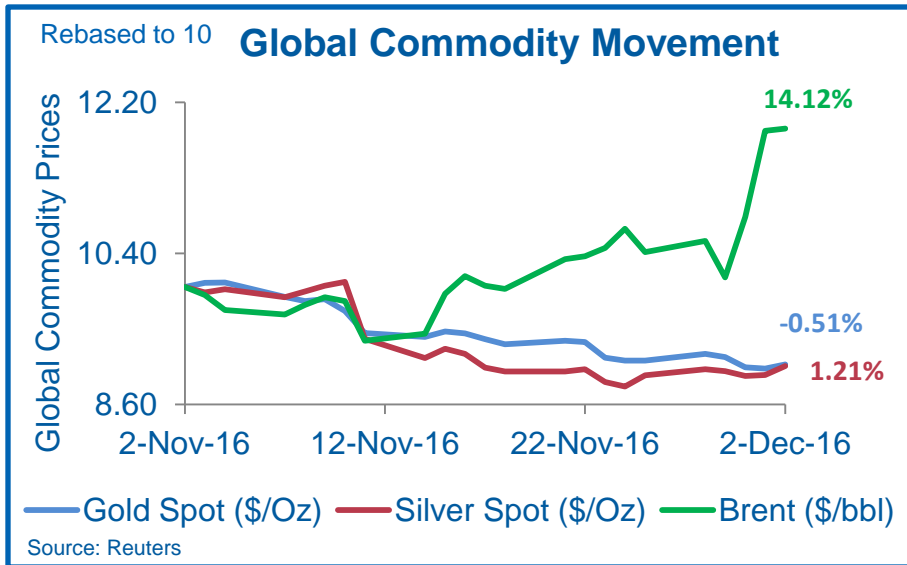
- Asian markets witnessed mixed trend after the Chinese industrial profits data along with manufacturing data raised optimism on China's economic growth. However, upside was capped ahead of the U.S. jobs data report, released post Asian market hours and referendum on constitutional reform in Italy, scheduled on weekend.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 2 bps to close at 2.39%, compared with the previous week's close of 2.37%.
- U.S Treasury prices rose initially following Nov-end buying of U.S. government bonds by the investors to balance their portfolios after previous month's selloff.
- However, the trend reversed later after the OPEC agreed to cut production for the first time since 2008.
- Later, U.S. Treasury yields eased from multi-month and multi-year highs as traders bought U.S. government bonds in anticipation of an Italian referendum. Meanwhile the impact of U.S. jobs data was short-lived.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	51.89	45.47
Gold (\$/Oz)	1176.88	1182.88
Gold (Rs/10 gm)	28401	28820
Silver (\$/Oz)	16.7	16.5
Silver (Rs/Kg)	39925	40291

Source: Reuters Value as on December 02, 2016

Gold

- Gold prices dipped as positive U.S. GDP data for the third quarter triggered the probability of an interest rate hike by Fed. Better than expected U.S. non farm payroll data for Nov added to the market woes.

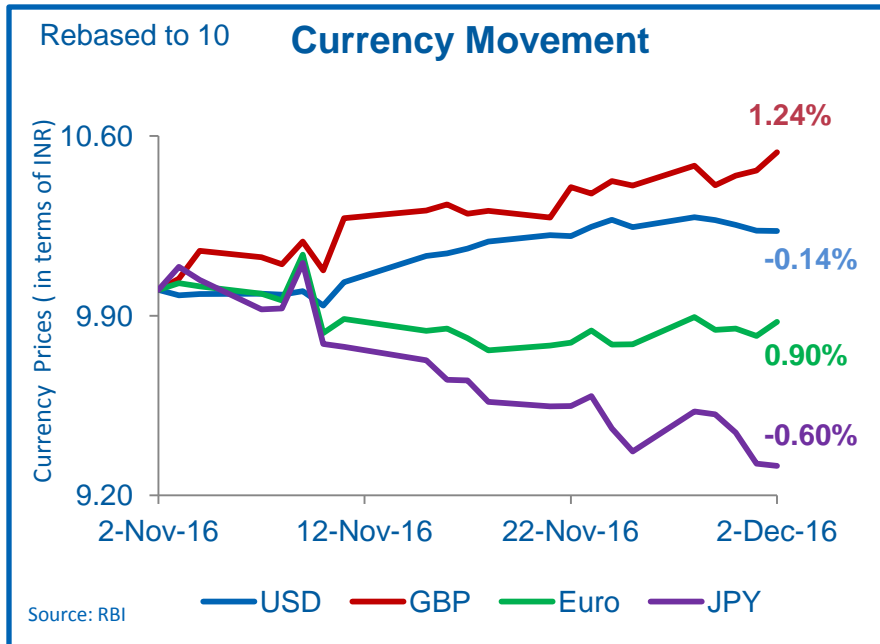
Crude

- Brent crude prices soared during the week, although initially dipping for a brief while. Prices surged because of an agreement between the Organization of the Petroleum Exporting Countries and Russia over production-cut. However, the deal is expected to be provisional.

Baltic Dry Index

- The Baltic Dry Index climbed during the week owing to higher capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.37	68.46
Pound Sterling	86.28	85.22
EURO	73.04	72.39
JPY(per 100 Yen)	59.96	60.32

Source: RBI

Figures in INR , Value as on December 02, 2016

Rupee

- The Indian rupee strengthened against U.S. dollar following central bank's move to curb excess liquidity due to demonetisation.

Euro

- Euro strengthened against U.S. dollar following ECB's announcement to change the size of asset purchase program.

Pound

- Sterling strengthened against the U.S. dollar following upbeat U.K. mortgage approval data in Oct 2016.

Yen

- Yen weakened against the greenback following stronger than expected U.S. gross domestic product growth in the third quarter and OPEC's decision to cut production. However, fall in the U.S. Treasury yields arrested yen's drop.

The Week that was...
November 28 to December 02

The Week that was (Nov 28 – Dec 02)

Date	Events	Present Value	Previous Value
Monday, November 28, 2016	Japan Unemployment Rate (Oct)	3%	3%
Tuesday, November 29, 2016	U.S. Gross Domestic Product (Annualized) (3Q) (S)	3.20%	2.90%
	U.S. Consumer Confidence (Nov)	107.1	100.8
	Germany Consumer Price Index (YoY) (No) (P)	0.80%	0.80%
	U.K. Mortgage Approvals (Oct)	67.518K	63.594K
Wednesday, November 30, 2016	Germany Unemployment Rate (Nov)	6%	6%
	Eurozone Consumer Price Index Estimate (YoY) (Nov)	0.60%	0.50%
	U.S. ADP Employment Change (Nov)	216K	119K
	U.K. GfK Consumer Confidence Surey (Nov)	-8	-3
Thursday, December 01, 2016	China Caixin Manufacturing PMI (Nov)	50.9	51.2
	U.S. ISM Manufacturing (Nov)	53.2	51.9
Friday, December 02, 2016	U.S. Unemployment Rate (Nov)	4.60%	4.90%
	U.S. Non-farm Payrolls (Nov)	178K	142K
	U.K. Markit/CIPS Construction PMI (Nov)	52.8	52.6

The Week Ahead...
December 05 to December 09

The Week Ahead

Day	Event
<p align="center">Monday, December 05, 2016</p>	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin China Services PMI (Nov). <input type="checkbox"/> Euro Zone Markit Services PMI (Nov). <input type="checkbox"/> U.S. ISM Non-Manufacturing PMI (Nov).
<p align="center">Tuesday, December 06, 2016</p>	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Factory Orders (MoM) (Oct). <input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (QoQ) (Q3). <input type="checkbox"/> U.S. Trade Balance (Oct).
<p align="center">Wednesday, December 07, 2016</p>	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. MBA Mortgage Applications (Dec 2). <input type="checkbox"/> Japan Gross Domestic Product (QoQ) (Q3).
<p align="center">Thursday, December 08, 2016</p>	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Interest Rate Decision. <input type="checkbox"/> U.S. Initial Jobless Claims (Dec 2). <input type="checkbox"/> China Trade Balance (Nov).
<p align="center">Friday, December 09, 2016</p>	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (Nov). <input type="checkbox"/> U.S. Michigan Consumer Sentiment Index (Dec)Preliminary.

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