

RELIANCE

MUTUAL  
FUND

---

# News U Can Use

---

December 28, 2018

---

The Week that was...

**24<sup>th</sup> December to 28<sup>th</sup> December**

---

## Indian Economy

- Government data showed that India's fiscal deficit for Apr-Nov 2018 came in at Rs. 7.16 lakh crore, or 114.8% of the budgeted target for FY19 as against 112.0% in the year-ago period. Net tax receipts were Rs. 7.31 lakh crore or 49.4% of the budget estimate for FY19 compared with 57.0% in the corresponding period of the previous year. The government's total expenditure for the period from Apr to Nov of 2018 stood at Rs. 16.13 lakh crore or 66.1% of the budget estimate for FY19 compared with 68.9% in the corresponding period of the previous year.
- The finance minister announced that the 28% Goods and Services Tax (GST) slab could be phased out. This came at the backdrop of the GST Council taking out 23 items from the highest category of 28%, leaving only 28 items in it. Rates of the 23 items were revised downwards to 18% and 12% slabs. Tobacco products, luxury vehicles, molasses, air-conditioners, aerated water, large TVs, and dish washers are a part of the 28% slab. Cement and auto parts are the only items of common use included in 28% slab. The minister said the government's next priority is to transfer cement into a lower slab as all other building materials have been transferred from 28% to 18% and 12%.
- The finance minister indicated that India could adopt a single standard GST rate going in the future instead of two standard rates of 12% and 18%. He said the single rate could be a mid-point between the two. The minister added that for this to happen revenue from GST collection should rise significantly.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	28-Dec-18	1 Week Return	YTD Return
S&P BSE Sensex	36,076.72	0.94%	5.93%
Nifty 50	10,859.90	0.98%	3.13%
S&P BSE Mid-Cap	15,360.21	0.70%	-13.82%
S&P BSE Small-Cap	14,605.69	-0.19%	-24.05%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.69	26.16	32.94	-95.85
P/B	3.04	3.43	2.65	2.17
Dividend Yield	1.16	1.24	0.95	0.87

Source: BSE, NSE

Value as on Dec 28, 2018

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
24-Dec-18	543	1242	0.44
26-Dec-18	749	1012	0.74
27-Dec-18	961	804	1.20
28-Dec-18	1133	646	1.75

Source: NSE

- Indian equity markets witnessed gains in the week ended Dec 28, 2018, after losing in the previous week. Optimism over central government's bank recapitalization announcement helped boost the market sentiment. The government is expected to release Rs. 286.15 billion before the end of Dec 2018 towards a fresh tranche of funds to recapitalise state-run banks.
- Strong rupee against the greenback and decline in crude oil prices added to the gains. The combination of a stronger rupee and weaker oil prices augur well for the economy as it keeps inflation in check.
- However, worries over slowing global economic growth and anxiety over a partial U.S. government shutdown has kept markets around the world under pressure, thereby restricting the gains.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20,826.80	-0.85%	1.64%
S&P BSE Bankex	30,330.38	1.02%	2.55%
S&P BSE CD	20,552.37	0.68%	1.58%
S&P BSE CG	18,788.82	1.01%	2.38%
S&P BSE FMCG	11,835.84	1.05%	2.87%
S&P BSE HC	13,830.29	0.48%	-1.09%
S&P BSE IT	14,052.06	1.14%	-1.70%
S&P BSE Metal	11,672.63	-1.35%	0.13%
S&P BSE Oil & Gas	13,781.13	0.93%	3.65%
S&P BSE Teck	7,054.93	1.42%	-1.60%
S&P BSE Realty	1,803.00	-2.64%	4.04%

Source: BSE Value as on December 28, 2018

- On the BSE sectoral front, indices closed on a positive note. S&P BSE Teck was the major gainer that grew 1.42% followed by S&P BSE IT that grew 1.14%. S&P BSE FMCG and S&P BSE Bankex gained 1.05% and 1.02%, respectively.
- However, S&P BSE Realty was the major loser, down 2.64% followed by S&P BSE Metal that fell 1.35%. S&P BSE Auto fell 0.85%. Stock of an auto major fell after a major global brokerage house downgraded the company's stock to "sell" as it feels future volumes and results could be muted.

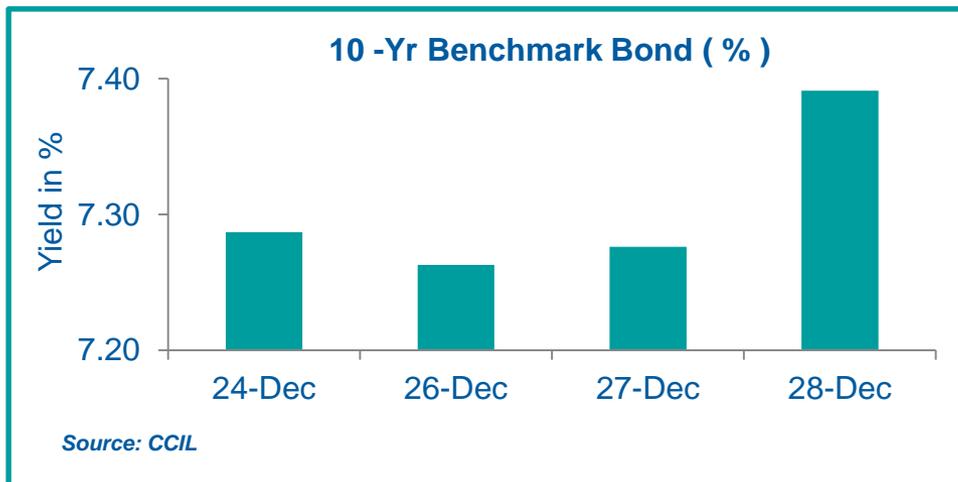
## Indian Derivatives Market Review

- Nifty Dec 2018 Futures settled at the spot closing of 10,779.80. Nifty Jan 2019 were at 10,907.75, a premium of 47.85 points, over the spot closing 10,859.90. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 46.24 lakh crore as against Rs. 38.78 lakh crore for the week to Dec 21.
- The Put-Call ratio stood at 0.90 compared with the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 1.54 against the previous week's close of 1.28.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.57	6.45	6.36	6.13
91 Day T-Bill	6.67	6.63	6.75	6.47
7.80% 2021, (5 Yr GOI)	6.86	7.01	7.34	7.77
7.17% 2028, (10 Yr GOI)	7.39	7.28	7.64	7.94

Source: Thomson Reuters Eikon Value as on Dec 28, 2018



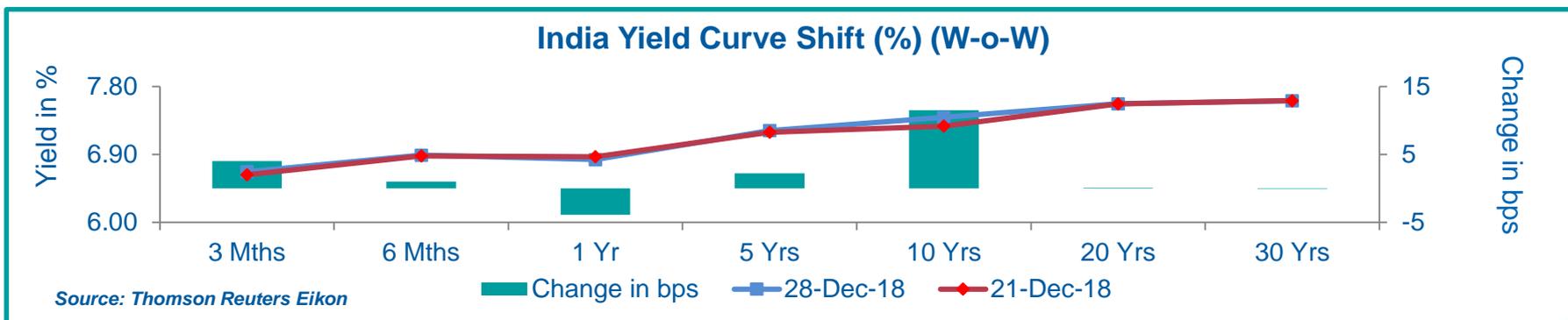
- Bond yields rose as investor's resorted to profit booking ahead of the quarter-end. Market sentiment were also dampened amid concerns over fiscal deficit and higher state borrowing expectations. However, decline in crude oil prices and gains in rupee against the greenback restricted the losses.
- Yields on the 10-year benchmark paper (7.17% GS 2028) rose 11 bps to close at 7.39% from the last week's close at 7.28%, after trading in a range of 7.23% to 7.39%.
- Data from RBI showed that India's foreign exchange reserves rose to \$393.29 billion as on Dec 21 from \$393.12 billion in the previous week.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.95	8.56	161
3 Year	7.22	8.54	132
5 Year	7.35	8.27	92
10 Year	7.53	8.42	89

Source: Thomson Reuters Eikon Value as on Dec 28, 2018

- Yields on gilt securities increased across the maturities by up to 13 bps, barring 1-year paper that fell 4 bps. Yields on 19- and 30-year papers closed steady.
- Corporate bond yields increased across the maturities in the range of 6 bps to 23 bps, barring 1-year paper that fell 3 bps. The maximum increase was witnessed on 10-year paper.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities by up to 11 bps barring 6- and 7-year papers that contracted 1 bps and 2 bps respectively.



## Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) asked the finance ministry to appoint at least two independent members on its board, according to media reports. This is being done to resolve the problem of “lack of independent voices on its board”. Half of SEBI’s directors should be independent, but its board has eight members, including the chairman and four wholetime directors. So, the count of independent directors has gone down from the prescribed limit.
- The Insolvency and Bankruptcy Board of India and the government could use provisions of the Insolvency and Bankruptcy Code (IBC) against companies that have gone back on their plans to take over companies via the resolution process and have derailed the entire process. This could also include a possible jail term.
- RBI set up an expert committee headed by its former governor to suggest how the central bank should handle its reserves. The panel will also suggest whether RBI can transfer its surplus to the government. The committee will review the existing economic capital framework (ECF) and submit its report within 90 days of its first meeting.

## Regulatory Updates in India (contd..)

- Compliance of foreign direct investment (FDI) rules will continue to be monitored by RBI and the Enforcement Directorate (ED) though the government has tightened FDI rules for e-commerce companies. The agencies were seen to be lax in enforcing the earlier rules to discipline errant e-retailers. News reports said revised FDI rules will further squeeze scope for e-retailers to violate the extant policy by influencing prices of products sold on their platforms via predatory discounts. The government will finalise the draft e-commerce policy in a few weeks. The policy will make proposals to further develop the e-commerce sector and include ways to boost exports via e-commerce.
- The GST Council will extend the unbundling of bills beyond healthcare for all categories of services exempt from the tax, such as education. This could mean separate bills for taxable and non-taxable components in bills that include services exempt under the GST regime. The move is aimed at bringing more transparency in billing for consumers and protecting the government's revenues.

## Global News/Economy

- According to the Commerce Department, personal income in the U.S. increased by a little less than expected in Nov 2018. The report at the same time showed a tad stronger than expected personal spending growth. Personal spending increased 0.2% in Nov 2018 after inching up 0.5% in Oct 2018. Disposable personal income, which is or personal income less personal current taxes, also increased 0.2% in Nov 2018 after a 0.5% rise in Oct 2018. The report also showed personal spending increased 0.4% in Nov 2018 after moving up 0.8% in Oct 2018.
- According to a report from the Federal Statistical Office, Germany's consumer price index grew 1.7% YoY in Dec 2018 as against an increase of 2.3% in Nov 2018. This marked the lowest level since Apr 2018. Consumer price index inched up 0.1% MoM in Dec 2018.
- According to Ministry of Internal Affairs and Communications data, Japan's jobless rate came in at a seasonally adjusted 2.5% in Nov 2018, exceeding expectations, which would have been the same as Oct 2018 reading. The job-to-applicant ratio was 1.63, the same as forecasts and more than 1.62 in the previous month. The number of employed in Nov was 67.09 million, a rise of 1.57 million or 2.4% YoY.
- University of Michigan data showed an improvement in U.S. consumer sentiment for Dec 2018. Consumer sentiment index for Dec 2018 came in at 98.3 compared to a preliminary reading of 97.5. Expectations were for the index to stay unrevised.

## Global Equity Markets

Global Indices			
Indices	28-Dec-18	1-Week Return	YTD Return
Dow Jones	23,062.40	2.75%	-6.70%
Nasdaq 100	6,285.27	3.95%	-1.74%
FTSE 100	6,733.97	0.19%	-12.41%
DAX Index	10,558.96	-0.70%	-18.26%
Nikkei Average	20,014.77	-0.75%	-12.08%
Straits Times	3,053.43	0.24%	-10.27%

*Source: Thomson Reuters Eikon* *Value as on Dec 28, 2018*

## Europe

- European markets closed on a mixed note. Investors remained jittery as the partial U.S. government shutdown is expected to continue into Jan. Worries that the U.S. and China may not agree on a long-term trade deal anytime in the foreseeable future made investors offload riskier assets. However, further losses were restricted due to bargain hunting.

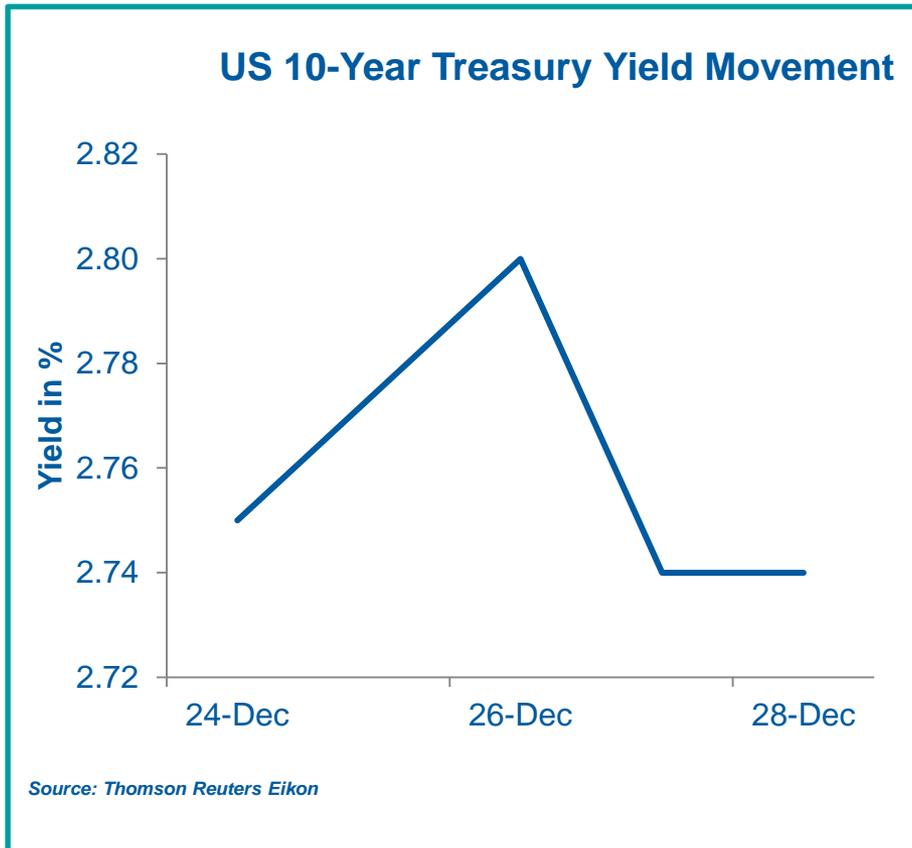
## Asia

- Asian markets largely remained under pressure as political uncertainty in the U.S. amid partial government shutdown and persisting concerns about global economic growth refrained investors from taking riskier bets. However, tension eased to some extent after members of U.S. administration downplayed reports that the U.S. President has privately discussed firing U.S. Fed chairman.

## U.S.

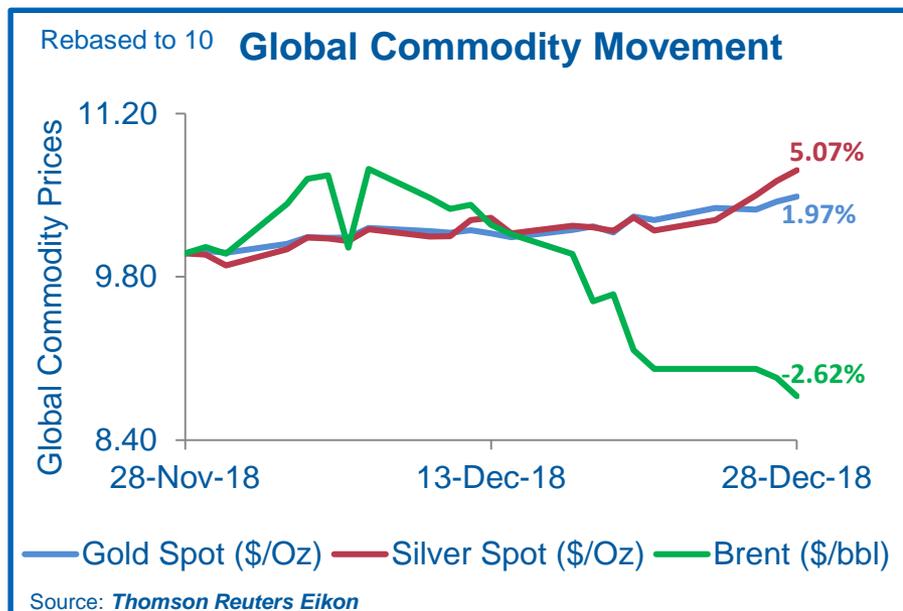
- U.S. markets managed to end the last trading week of 2018 in green despite worries over partial government shutdown.
- Investor sentiment soothed after members of U.S. administration downplayed reports that the President has privately discussed firing U.S. Fed chairman.

## Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bonds fell 5 bps to close at 2.74% from the previous close of 2.79%.
- U.S. Treasury prices rose likely as investors lowered expectations that the U.S. Federal Reserve will raise interest rates further in 2019. A partial U.S. government shutdown also raised concerns among the investors, thereby improving the safe haven appeal of the U.S. Treasuries.
- Prices rose further as renewed trade tensions between China and the U.S. have resulted in concerns over corporate profits and the economy. Weak U.S. consumer confidence data for Dec 2018 and domestic pending home sales for Nov 18 added to the gains.

## Commodities Market



Performance of various commodities		
Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	50.51	51.87
Gold (\$/Oz)	1,281	1,256
Gold (Rs/10 gm)	31,547	31,114
Silver (\$/Oz)	15.34	14.60
Silver (Rs/Kg)	38,133	36,635

Source: Thomson Reuters Eikon \*Value as on Dec 28, 2018

## Gold

- Gold prices gained over the week on worries over global economic growth and renewed China-U.S. tensions. U.S. President is reportedly considering to ban U.S. companies from using equipment made by China's two major telecommunication companies.

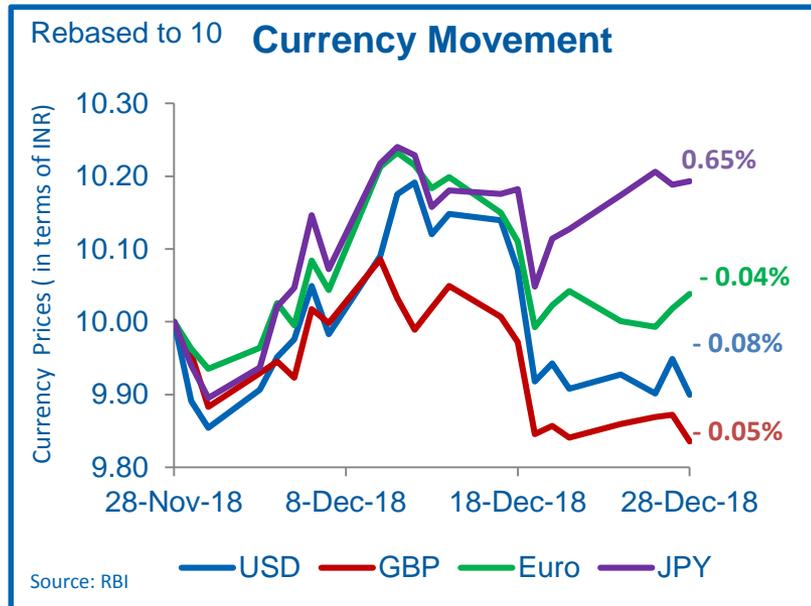
## Brent Crude

- Brent crude prices witnessed a truncated trading week and declined during the period. Probable fall in energy demand owing to global economic slowdown, consistent rise in U.S. crude stockpiles and an increase in output from Saudi Arabia weighed on the prices.

## Baltic Dry Index

- The Baltic Dry Index witnessed trading holiday barring on Dec 24 and registered decline on the back of lower capesize and panamax activities.

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	69.98	70.04
Pound Sterling	88.66	88.70
EURO	80.18	80.21
100 JPY	63.28	62.87

Source: RBI Figures in INR, \*Value as on Dec 28, 2018

### Rupee

- The Indian rupee strengthened against the greenback following gains in the domestic equity market and selling of the greenback by exporters.

### Euro

- The euro rose against the greenback as persisting concerns regarding the partial U.S. government shutdown and renewed worries about U.S.-China trade tensions kept the latter under pressure.

### Pound

- The pound strengthened against the greenback as concerns of a prolonged U.S. government shutdown kept the latter under pressure.

### Yen

- The yen strengthened against the greenback as its safe haven appeal improved on persisting concerns regarding partial U.S. government shutdown and signs of confrontation between U.S. President and the Fed.

---

The Week that was...

**24<sup>th</sup> December to 28<sup>th</sup> December**

---

## The Week that was (Dec 24 – Dec 28)

Date	Events	Present Value	Previous Value
<b>Monday, December 24, 2018</b>	<ul style="list-style-type: none"> <li>Japan Corporate Service Price (YoY) (Nov)</li> </ul>	1.20%	1.30%
<b>Tuesday, December 25, 2018</b>	<ul style="list-style-type: none"> <li>Japan Leading Index CI (Oct F)</li> </ul>	99.60	100.50
<b>Wednesday, December 26, 2018</b>	<ul style="list-style-type: none"> <li>U.S. S&amp;P/Case-Shiller US Home Price Index (YoY) (Oct)</li> </ul>	5.48%	5.52%
<b>Thursday, December 27, 2018</b>	<ul style="list-style-type: none"> <li>U.S. Consumer Confidence Index (Dec)</li> </ul>	128.1	136.4
	<ul style="list-style-type: none"> <li>Japan Housing Starts (YoY) (Nov)</li> </ul>	-0.60%	0.30%
	<ul style="list-style-type: none"> <li>Japan Construction Orders (YoY) (Nov)</li> </ul>	-10.70%	-16.50%
	<ul style="list-style-type: none"> <li>U.S. Initial Jobless Claims (Dec 22)</li> </ul>	216k	217k
	<ul style="list-style-type: none"> <li>U.S. House Price Index (MoM) (Oct)</li> </ul>	0.30%	0.20%
	<ul style="list-style-type: none"> <li>U.S. Conference Board Present Situation (Dec)</li> </ul>	171.6	172.7
	<ul style="list-style-type: none"> <li>Japan Jobless Rate (Nov)</li> </ul>	2.50%	2.40%
	<ul style="list-style-type: none"> <li>Japan Industrial Production (YoY) (Nov P)</li> </ul>	1.40%	4.20%
<b>Friday, December 28, 2018</b>	<ul style="list-style-type: none"> <li>Japan Retail Trade (YoY) (Nov)</li> </ul>	1.40%	3.60%
	<ul style="list-style-type: none"> <li>Germany Consumer Price Index (YoY) (Dec P)</li> </ul>	1.70%	2.30%
	<ul style="list-style-type: none"> <li>U.K. BBA Loans for House Purchase (Nov)</li> </ul>	39,400	39,697
	<ul style="list-style-type: none"> <li>U.S. Pending Home Sales (YoY) (Nov)</li> </ul>	-7.70%	-4.70%

---

The Week Ahead

**31<sup>st</sup> December to 04<sup>th</sup> January**

---

## The Week Ahead

Day	Event
<b>Monday, December 31, 2018</b>	<ul style="list-style-type: none"> <li>• China Manufacturing PMI (Dec)</li> <li>• India Eight Core Industries (Nov)</li> </ul>
<b>Tuesday, January 1, 2019</b>	<ul style="list-style-type: none"> <li>• India Nikkei Manufacturing PMI (Dec)</li> </ul>
<b>Wednesday, January 2, 2019</b>	<ul style="list-style-type: none"> <li>• U.K. Markit Manufacturing PMI (Dec)</li> <li>• Germany Retail Sales (YoY) (Nov)</li> </ul>
<b>Thursday, January 3, 2019</b>	<ul style="list-style-type: none"> <li>• U.S. ISM Manufacturing PMI (Dec)</li> <li>• U.S. ADP Employment Change Dec)</li> <li>• India Nikkei Services PMI (Dec)</li> <li>• U.K. Markit Construction PMI (Dec)</li> </ul>
<b>Friday, January 4, 2019</b>	<ul style="list-style-type: none"> <li>• Germany Unemployment Change (Dec)</li> <li>• Eurozone Consumer Price Index Estimate (YoY) (Dec)</li> <li>• U.S. Change in Non-farm Payrolls (Dec)</li> <li>• U.S. Unemployment Rate (Dec)</li> </ul>

## 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 (RNAM) 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; RNAM 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 RNAM'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.

**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**

RELIANCE

MUTUAL  
FUND

Thank you for  
your time.