

# News U Can Use

*February 05, 2016*

The Week that was...  
01<sup>st</sup> February to 05<sup>th</sup> February

# Indian Economy

- ❑ The Reserve Bank of India (RBI) kept key policy rates unchanged at 6.75% in its sixth bi-monthly monetary policy review. RBI expects that structural reforms in the forthcoming Union Budget on Feb 29 and controlled spending will allow monetary policy revision that will support economic growth. RBI kept its growth projections for the Indian economy unchanged at 7.4% for the current fiscal. This is higher than the 7.3% forecasted by the World Bank. For 2016-17, RBI projected Indian economy's growth at 7.6%.
- ❑ India's manufacturing activities in Jan grew unexpectedly. Nikkei Manufacturing Purchasers' Managers Index increased to 51.1 in Jan from 49.1 in Dec. The reading was highest in the last four months on the back of strong demand. Consumer goods sector remained the main growth driver with substantial improvements in both output and new orders.
- ❑ Sector output in eight core industries increased 0.9% on a yearly basis in Jan 2016, after witnessing a contraction of 1.3% in Dec 2015. The positive growth was contributed by coal, cement and fertilisers, while crude oil, natural gas and electricity acted as a drag. Coal production and cement accelerated to 6.1% and 3.2%, while fertilisers recorded double-digit growth for the sixth month in a row.
- ❑ Seasonally adjusted Nikkei Services Business Activity Index climbed to a 19-month high of 54.3 in Jan from 53.6 in Dec. This can be attributed to rise in new work, improving underlying demand, and weather conditions. The composite PMI output index jumped to an 11-month high of 53.3 in Jan from 51.6 in Dec.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	05-Feb-16	1 Week Return	YTD Return
S&P BSE Sensex	24616.97	-1.02%	-5.90%
Nifty 50	7489.10	-0.98%	-5.95%
S&P BSE Mid-Cap	10335.07	-0.79%	-8.10%
S&P BSE Small-Cap	10569.53	-2.76%	-11.48%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	18.3	19.99	25.29	41.74
P/B	2.66	3.00	2.24	1.80
Dividend Yield	1.45	1.54	1.52	1.12

Source: BSE, NSE

Value as on Feb 05, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Feb-16	1021	541	1.89
02-Feb-16	853	698	1.22
03-Feb-16	385	1175	0.33
04-Feb-16	211	1359	0.16
05-Feb-16	585	968	0.60

Source: NSE

- Indian equity market remained under pressure during the week. The positive impact of a private survey showing expansion in Indian manufacturing activity was neutralized by concerns over global economic slowdown.
- Investor sentiments dampened further after the Reserve Bank of India (RBI) maintained status quo on interest rates in its latest monetary policy review and stated that further rate cuts will depend on reform measures announced in the Union Budget 2016.
- However, the downturn was restricted by encouraging corporate earning numbers from major companies across different sectors.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16828	-1.28%	-7.73%
S&P BSE Bankex	17173.3	-2.45%	-9.05%
S&P BSE CD	12243	0.49%	1.25%
S&P BSE CG	12337.1	-0.25%	-11.93%
S&P BSE FMCG	7544.21	1.42%	-3.54%
S&P BSE HC	16039.9	-1.63%	-3.72%
S&P BSE IT	11196.3	0.28%	3.42%
S&P BSE Metal	6898.53	0.07%	-8.20%
S&P BSE Oil & Gas	8898.09	-3.89%	-7.72%

*Source: Reuters* *Values as on Feb 05, 2016*

- On the BSE sectoral front, the indices closed on a mixed note. S&P BSE Power was the major laggard, down 5.70%, followed by S&P BSE Oil & Gas and S&P BSE Realty that fell 3.89% and 3.40%, respectively. Rate sensitive stocks witnessed pressure after RBI maintained status quo on the interest rates.
- S&P BSE FMCG was the top gainer, up 1.42%, followed by S&P BSE Consumer Durables and S&P BSE IT that gained 0.49% and 0.28%, respectively.

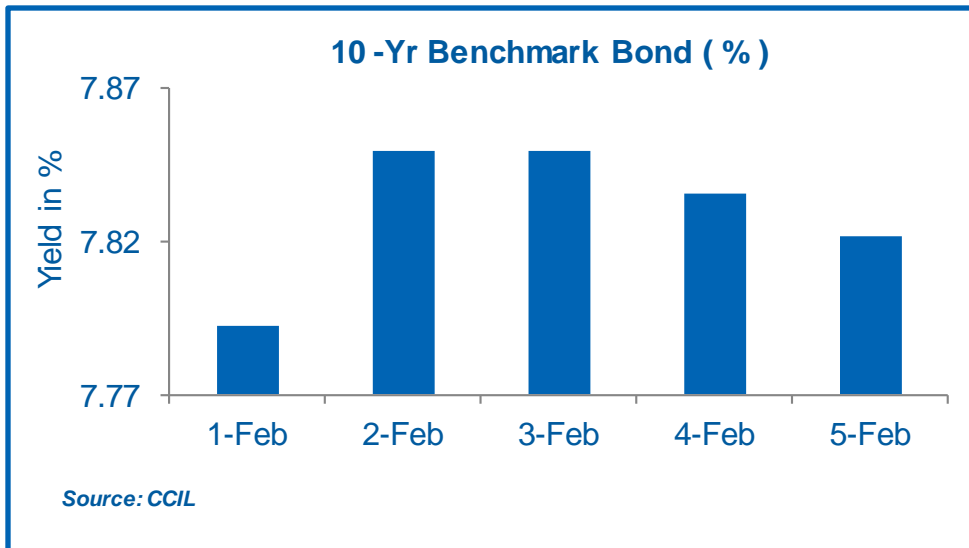
## Indian Derivatives Market Review

- Nifty Feb 2016 Futures were at 7,519.20 points, a premium of 30.10 points, over the spot closing of 7,489.10 points. The turnover on NSE's Futures and Options segment decreased to Rs. 10.69 lakh crore during the week to Feb 05, from Rs. 15.19 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.82, compared with the previous week's close of 0.79.
- The Nifty Put-Call ratio stood at 0.83, compared with the previous week's close of 0.89.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.74	7.01	6.70	7.06
91 Day T-Bill	7.32	7.25	7.08	7.42
08.27% 2020, (5 Yr GOI)	7.61	7.58	7.64	7.98
07.72% 2025, (10 Yr GOI)	7.82	7.78	7.74	7.84

Source: Reuters Values as on Feb 05, 2016



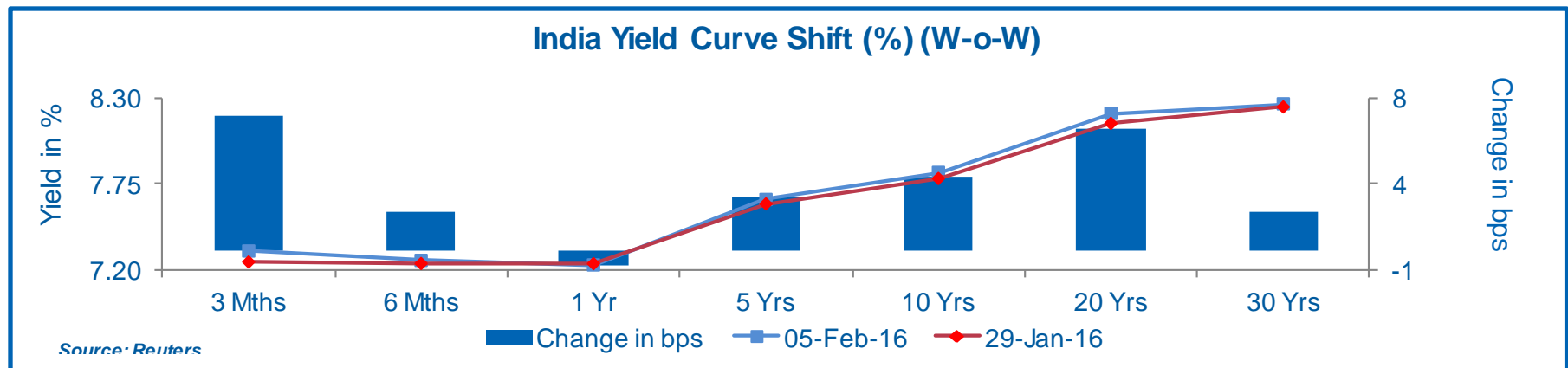
- Bond yields went up during the week after the Reserve Bank of India (RBI) kept interest rates unchanged in its sixth bi-monthly monetary policy review. RBI preferred to wait for the Government's stance on fiscal prudence in Union Budget on Feb 29 and inflation data.
- However, losses were restricted after the central bank purchased Government securities through an open market operation (OMO) and announced to conduct another round of OMO to improve liquidity in the system.
- RBI announced to purchase five Government securities through open market operations (OMO) for an aggregate amount of Rs. 10,000 crore on Feb 8.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.40	8.32	92
3 Year	7.59	8.19	60
5 Year	7.81	8.31	50
10 Year	8.05	8.51	46

Source: Reuters Values as on Feb 05, 2016

- Yield on Gilt Securities increased across the maturities in the range of 2 bps to 7 bps, barring 1-year paper that fell by 1 bps.
- Corporate Bond yields increased across the maturities in the range of 4 bps to 21 bps. The maximum increase was witnessed on 1-year paper.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, expanded across the maturities up to 20 bps.



# Regulatory Updates in India

- Government increased excise duty on petrol and diesel by Re. 1 and Rs. 1.50 per litre, respectively. Thus, basic excise duty on petrol was increased from Rs. 8.48 to Rs. 9.48 per litre, while rise in diesel was from Rs. 9.83 to Rs. 11.33. The increase will be adjusted against the fall in international crude oil prices and will not be passed to consumers. The increase is the third through Feb and fifth in the current financial year.
- Reserve Bank of India (RBI) asked banks to file forms related to foreign direct investment (FDI) only through the e-Biz portal from Feb 8. In order to simplify reporting of such transactions, the central bank under the e-Biz project of the Government has enabled online filing of three returns -- ARF, FCGPR and FC-TRS. Advance Remittance Form (ARF) is used by companies to report FDI inflows to RBI. A company submits Foreign Collaboration General Permission Route (FCGPR) Form for reporting issue of eligible instruments to overseas investor against the FDI inflow. Foreign Collaboration Transfer of Shares (FC-TRS) Form is used to transfer securities between a resident and a person outside India.
- The Swachh Bharat cess paid by special economic zone (SEZ) or the developer will be refunded on specified services, as per a notification by the Central Board of Excise and Customs (CBEC). CBEC has also specified a formula for calculating the refund due to SEZ units and developers. Government had imposed 0.5% Swachh Bharat cess on taxable services from Nov 15, 2015.



## Regulatory Updates in India (contd..)

- ❑ RBI will ease regulations to help start-ups in availing foreign funds. The central bank will also simplify the process for outward remittances and allow innovative instruments like convertible notes.
- ❑ The Finance Ministry decided to set up two committees to bring more consistency in the taxation policy. The Tax Policy Council (TPC), which will be constituted under the Finance Minister, will take important policy decisions. On the other hand, the Tax Policy Research Unit (TPRU), which will be formed under Revenue Secretary, will act as a multi-disciplinary body. TPRU will also carry out studies on various topics of fiscal and tax policies and assist the TPC in taking appropriate policy decisions. Both the committees would start functioning from Apr 1.
- ❑ Government proposed to allow non-regulated sectors like steel, cement and captive power producers to participate in coal auction. The arrangement will make the availability of coal in a fairer manner to end-users irrespective of their size. This, in turn, will lead to price discovery through market mechanism. The offer of coal linkages would be available from Coal India Ltd and Singareni Collieries Company Ltd. So far, such linkages were given out by a committee of officials without any bidding.

# Global News/Economy

- ❑ The U.S. Labor Department reported that the U.S. economy created just 151,000 jobs in Jan compared with the 292,000 jobs reported a month earlier. However, the unemployment rate fell to 4.9% during the same period from 5% in Dec 2015.
- ❑ Institute for Supply Management reported that manufacturing activity in the U.S. contracted for the fourth consecutive month in Jan. Purchasing Managers Index (PMI) in Jan was 48.2, slightly up from previous month's revised 48.0. Any reading below 50.0 indicates a contraction in manufacturing activity.
- ❑ Bank of England kept interest rates on hold in its monetary policy review. The central bank lowered the growth forecast of Britain's economy to 2.2% from 2.5% for 2016, and to 2.4% from 2.7% for 2017. Bank of England also estimated inflation to reach its 2% target only in the first quarter of 2018.
- ❑ According to Markit, Chinese manufacturing sector continued with its slowing trend in Jan. The Caixin PMI was 48.4 in Jan, a tad down from 48.2 in Dec. Any reading below 50.0 indicates a contraction in the economy. The index has been contracting for 11 straight months. Simultaneously, official manufacturing PMI in Jan dropped to 49.4 from 49.7 in Dec.
- ❑ The People's Bank of China infused cash worth 1.53 trillion yuan in January, ahead of the Lunar New Year festivities, to ensure liquidity in the economy.

# Global Equity Markets

Global Indices			
Indices	05-Feb-16	1-Week Return	YTD Return
Dow Jones	16204.97	-1.59%	-5.50%
Nasdaq 100	4024.473	-5.95%	-10.52%
FTSE 100	5848.06	-3.87%	-4.03%
DAX Index	9286.23	-5.22%	-9.70%
Nikkei Average	16819.59	-3.99%	-8.84%
Straits Times	2623.21	-0.22%	-7.50%

*Source: Reuters*

## U.S.

- U.S. markets fell over the week amid ongoing concerns over global crude oil supply glut. Apart from this, investors also remained cautious after a report from the Institute for Supply Management (ISM) indicated that U.S. manufacturing activity continued to contract in Jan. Later, upbeat U.S. private sector jobs data offset lower than expected nonfarm payroll numbers for Jan.

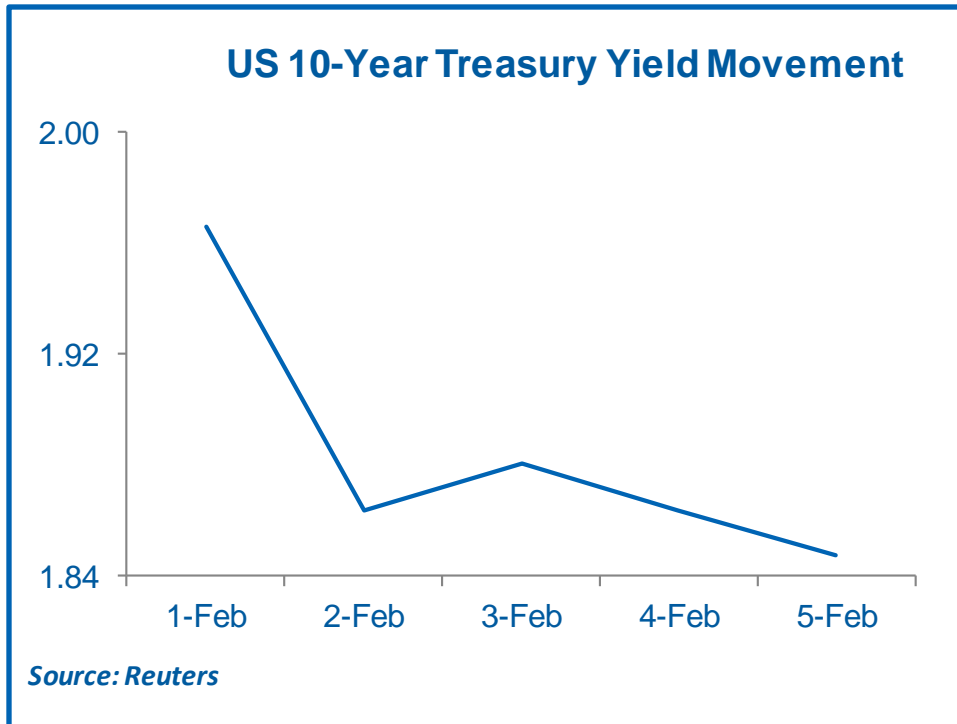
## Europe

- European markets fell following disappointing Chinese manufacturing data and European Commission marginally downgraded its euro area growth outlook. Disappointing corporate quarterly results and downbeat U.S nonfarm payroll data for Jan increased losses.

## Asia

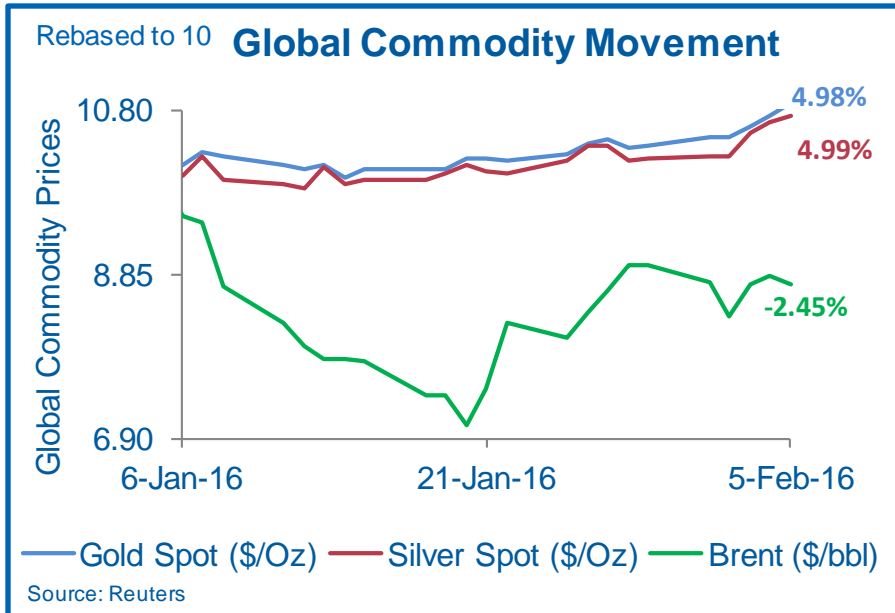
- Asian markets fell over the week after Chinese manufacturing data contracted in Jan. Concerns over global growth slowdown and falling oil prices further weighed on sentiments. Weak Nikkei Hong Kong manufacturing PMI in Jan also weighed on Hang Seng. However, Chinese market managed to gain after the People's Bank of China infused additional cash into the financial system.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 8 bps to close at 1.85%, compared with the previous week's close of 1.93%.
- The U.S. Treasury prices initially fell on profit booking ahead of the key macroeconomic data during the week from the U.S. region.
- However, soon Treasury prices surged as its safe haven appeal improved on concerns about slowing growth within the U.S. economy.
- Prices rose further after weekly jobless claims for the week ended Jan 30 grew more than expected and nonfarm payroll data for Jan came lower than expected in the U.S.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	31.89	32.69
Gold (\$/Oz)	1173.29	1117.64
Gold (Rs/10 gm)	27486	26575
Silver (\$/Oz)	14.97	14.26
Silver (Rs/Kg)	35569	34387

Source: Reuters Values as on Feb 05, 2016

## Gold

- Gold prices trended up on downbeat U.S. GDP data for the fourth quarter and weakness in Chinese manufacturing activity in Jan. Concerns over imminent rate hike eased after a Fed Reserve official stated that tightening financial condition and weak global outlook could affect the U.S. economy significantly.

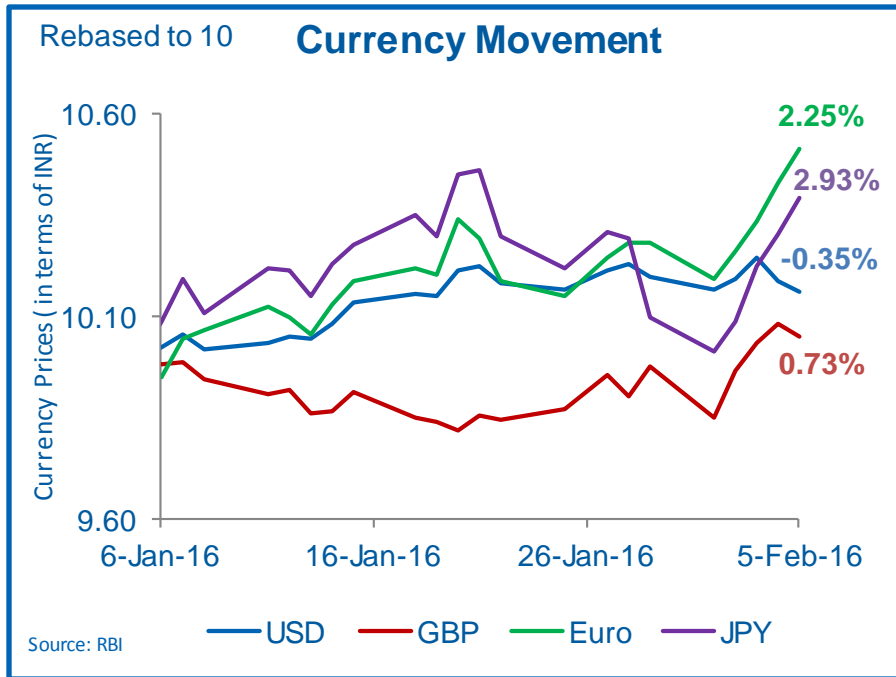
## Crude

- Brent crude prices fell after Iran planned to increase crude exports and on worries over economic slowdown in China. However, losses were restricted after Russia expressed willingness to discuss the oversupply situation with OPEC producers and boost prices.

## Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.64	67.88
Pound Sterling	98.47	97.76
EURO	75.73	74.07
JPY(per 100 Yen)	57.91	56.26

Source: RBI      *Figures in INR , Values as on Feb 05, 2016*

## Rupee

- The rupee gained against the greenback on concerns of further interest hikes during 2016 and selling of the greenback by banks and exporters.

## Euro

- The euro surged against the U.S. dollar following weak U.S. economic data for Jan, which led to the view that the U.S. Federal Reserve may not increase interest rates as quickly as expected in 2016.

## Pound

- The pound surged against the U.S. dollar after Britain's manufacturing and services PMI index grew in Jan.

## Yen

- The yen surged against the U.S. dollar as its safe haven appeal improved on risk aversion along with weak U.S. economic data for Jan.

The Week that was...  
01<sup>st</sup> February to 05<sup>th</sup> February

# The Week that was (Feb 01 – Feb 05)

Date	Events	Present Value	Previous Value
Monday, February 01, 2016	China Caixin Manufacturing PMI (Jan)	48.4	48.2
	China Non-manufacturing PMI (Jan)	53.5	54.4
	Euro Zone Markit Manufacturing PMI (Jan)	52.3	52.3
	U.K. Markit Manufacturing PMI (Jan)	52.9	52.1
Tuesday, February 02, 2016	Euro Zone Unemployment Rate (Dec)	10.40%	10.50%
	Germany Unemployment Rate s.a. (Jan)	6.20%	6.30%
	Euro Zone Producer Price Index (MoM) (Dec)	-0.80%	-0.20%
	Reserve Bank of India Monetary Policy	6.75%	6.75%
Wednesday, February 03, 2016	China Caixin China Services PMI (Jan)	52.4	50.2
	Euro Zone Markit Services PMI (Jan)	53.6	53.6
	U.S. Markit Services PMI (Jan)	53.2	53.7
Thursday, February 04, 2016	Bank of England Monetary Policy	0.50%	0.50%
	U.S. Initial Jobless Claims (Jan 29)	285K	277K
Friday, February 05, 2016	U.S. Nonfarm Payrolls (Jan)	151K	262K
	U.S. Unemployment Rate (Jan)	4.90%	5.00%
	Japan Leading Economic Index (Dec) Preliminary	102	103.2



The Week Ahead...  
February 08 to February 12

# The Week Ahead

Day	Event
Monday, Feb 08	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Sentix Investor Confidence (Feb)</li> <li><input type="checkbox"/> India Gross Domestic Product Quarterly (YoY) (Q4)</li> </ul>
Tuesday, Feb 09	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Wholesale Inventories (Dec)</li> <li><input type="checkbox"/> Germany Industrial Production s.a. (MoM) (Dec)</li> </ul>
Wednesday, Feb 10	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Industrial Production (MoM) (Dec)</li> <li><input type="checkbox"/> U.S. MBA Mortgage Applications (Feb 5)</li> <li><input type="checkbox"/> U.K. NIESR GDP Estimate (3M) (Jan)</li> <li><input type="checkbox"/> China CB Leading Economic Index (Dec)</li> </ul>
Thursday, Feb 11	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Feb 5)</li> </ul>
Friday, Feb 12	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Jan)</li> <li><input type="checkbox"/> Germany Retail Sales (MoM) (Jan)</li> <li><input type="checkbox"/> Euro Zone Gross Domestic Product s.a. (QoQ) (Q4) Preliminary</li> <li><input type="checkbox"/> India Industrial Output (Dec)</li> <li><input type="checkbox"/> Germany Wholesale Price Index (MoM) (Jan)</li> </ul>

## Disclaimer

The views expressed herein constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the reader. This information is meant for general reading purposes only and is not meant to serve as a professional guide for the readers. Certain factual and statistical (both historical and projected) industry and market data and other information was obtained by RCAM from independent, third-party sources that it deems to be reliable, some of which have been cited above. However, RCAM has not independently verified any of such data or other information, or the reasonableness of the assumptions upon which such data and other information was based, and there can be no assurance as to the accuracy of such data and other information. Further, many of the statements and assertions contained in these materials reflect the belief of RCAM, which belief may be based in whole or in part on such data and other information. The Sponsor, 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 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. 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. Readers are advised to seek independent professional advice, verify the contents and arrive at an informed investment decision before making any investments. None of the Sponsor, the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. The Sponsor, the Investment Manager, the Trustee, any of their respective directors, employees including the fund managers, affiliates, representatives including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) / specific economic sectors mentioned herein.

**Statutory Details:** Reliance Mutual Fund has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882. Sponsor: Reliance Capital Limited. **Trustee:** Reliance Capital Trustee Company Limited. **Investment Manager:** Reliance Capital Asset Management Limited (Registered Office of Trustee & Investment Manager: 'H' Block, 1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai - 400 710, Maharashtra). The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956. The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond their initial contribution of Rs.1 lakh towards the setting up of the Mutual Fund and such other accretions and additions to the corpus. **Mutual fund investments are subject to market risks. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**

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