

News U Can Use

January 20, 2017

The Week that was...
16th January to 20th January

Indian Economy

- ❑ Government data showed that Wholesale Price Inflation (WPI) increased to 3.39% in Dec 2016 from 3.15% recorded in the previous month. Inflation for food articles declined and stood at -0.70% compared with 1.54% in Nov 2016 due to lower prices of fruits and vegetables.
- ❑ India's trade deficit contracted to \$10.37 billion in Dec 2016 from \$13 billion in Nov 2016 and \$11.50 billion during the corresponding period last year. Merchandise exports increased 5.72% YoY to \$23.88 billion in Dec, while imports rose 0.46% YoY to \$34.25 billion. Cumulative value of exports for the period Apr-Dec 2016 inched up 0.75% to \$198.81 billion from \$197.33 billion. During the similar period, cumulative value of imports fell 7.42% to \$275.36 billion from \$297.41 billion.
- ❑ The International Monetary Fund has lowered India's growth forecast for FY17 to 6.6%, down from 7.6% estimated earlier due to the impact of demonetisation. It has also lowered India's GDP forecast for 2017-18 by 0.4% points to 7.2% from its earlier estimate.
- ❑ The railways ministry has sought gross budgetary support (GBS) of Rs. 50,000 crore for 2017-18 compared with Rs. 40,000 crore in the previous budget. However, according to media reports, the Ministry of Finance is likely to agree for only Rs. 40,000 crore to Rs. 45,000 crore.

Indian Equity Market

Domestic Equity Market Indices			
Indices	20-Jan-17	1 Week Return	YTD Return
S&P BSE Sensex	27034.50	-0.75%	1.65%
Nifty 50	8349.35	-0.61%	2.08%
S&P BSE Mid-Cap	12583.89	-0.44%	3.73%
S&P BSE Small-Cap	12761.01	0.56%	4.68%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.07	22.37	27.88	72.73
P/B	2.74	3.17	2.23	1.99
Dividend Yield	1.45	1.32	1.22	0.8

Source: BSE, NSE

Value as on January 20, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
16-Jan-17	943	674	1.40
17-Jan-17	794	836	0.95
18-Jan-17	915	706	1.30
19-Jan-17	840	780	1.08
20-Jan-17	374	1265	0.30

Source: NSE

- ▣ The domestic equity market moved down as investors remained cautious of taking big bets ahead of U.S. President-elect's policy announcements scheduled on Jan 20 when he assumes office.
- ▣ Upcoming corporate earnings reports and Union Budget kept market participants on the sidelines.
- ▣ Sentiment was further dampened after the International Monetary Fund reduced India's Gross Domestic Product estimate, owing to demonetization. However, advancement on the Goods and Services Tax front between the Centre and state governments in a meeting on Jan 16 and government's decision to hold back indirect transfer of shares by foreign investors capped the downside.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21250.41	-0.05%	6.54%
S&P BSE Bankex	21540.08	-0.54%	4.24%
S&P BSE CD	12106.35	0.88%	10.59%
S&P BSE CG	14492.90	-0.63%	6.22%
S&P BSE FMCG	8497.09	1.87%	8.08%
S&P BSE HC	14841.42	-1.30%	-0.52%
S&P BSE IT	9832.31	-1.20%	-2.89%
S&P BSE Metal	11145.52	-0.67%	8.68%
S&P BSE Oil & Gas	12495.96	-1.33%	4.72%

Source: Reuters *Value as on January 20, 2017*

- On the BSE sectoral front, barring, S&P BSE FMCG (1.87%) and S&P BSE Consumer Durables (0.88%) all the sectors closed in the red.
- Meanwhile, S&P BSE Oil & Gas (-1.33%) stood as the major laggard followed by S&P BSE HC (-1.30%) and S&P BSE IT (-1.20%). IT sector fell after a leading software services exporter reduced its revenue outlook. Banking sector was also impacted due to poor earnings report of a major private bank.

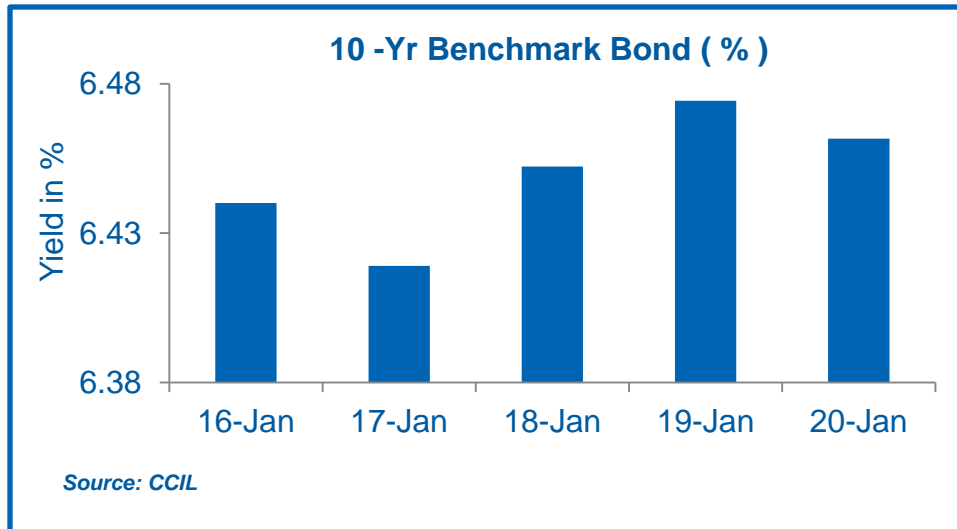
Indian Derivatives Market Review

- Nifty Jan 2017 Futures were at 8,362.65 points, a premium of 13.30 points, over the spot closing of 8,349.35 points. The turnover on NSE's Futures and Options segment stood at Rs. 20.71 lakh crore during the week to Jan 20, compared with Rs. 18.25 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 1.00, compared with the previous week's close of 0.98.
- The Nifty Put-Call ratio stood at 1.19, compared with the previous week's close of 1.23.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.02	6.04	6.12	6.45
91 Day T-Bill	6.23	6.25	6.21	6.56
7.80% 2021, (5 Yr GOI)	6.48	6.44	6.54	7.12
6.97% 2026, (10 Yr GOI)	6.46	6.42	6.48	--

Source: Reuters Value as on January 20, 2017



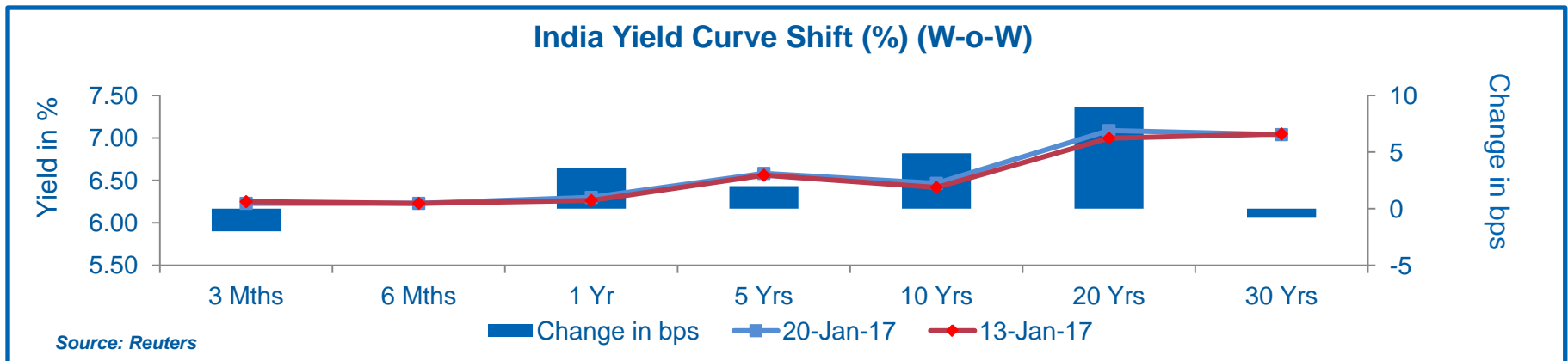
- Bond yields witnessed the biggest weekly rise in four weeks after the U.S. Federal Reserve (Fed) chief indicated a faster pace of interest rate hikes in 2017. Worries as to what policies the new U.S. President-elect will adopt after assuming office on Jan 20 also weighed on the market's sentiment.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) rose 4 bps to close at 6.46% from the previous close of 6.42%. During the session, bond yields moved in the region of 6.41% to 6.49%.
- Data from RBI showed that India's foreign exchange reserves increased to \$359.84 billion as on Jan 13, from \$359.15 billion in the previous week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.39	6.72	33
3 Year	6.48	6.87	39
5 Year	6.67	7.13	46
10 Year	6.70	7.32	62

Source: Reuters Value as on January 20, 2017

- Yields on gilt securities increased across most of the maturities in the range of 2 to 9 bps, barring 30-year maturity that fell 1 bps. Yield on 2-year paper closed flat.
- Corporate bond yields rose across the curve in the range of 2 bps to 6 bps.
- Spread between AAA corporate bond and gilt expanded on 1-, 2-, and 5-year papers by up to 5 bps, while 8-, 10-, and 15-year papers contracted up to 3 bps. Spread on remaining maturities were flat.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has increased the withdrawal limit from ATMs to Rs. 10,000 per day from Rs 4,500 per day, bringing relief to the people. This change would be operative within the existing overall weekly limit. Also, the limit of withdrawal from current accounts increased from Rs. 50,000 per week to Rs. 1 lakh per week.
- ❑ The government imposed anti-dumping duties on import of certain varieties of steel products from China and the European Union. Minimum import price (MIP) on steel products introduced almost a year back has helped the Indian industry to gain some ground against cheaper import mainly from China, South Korea, and Japan. MIP was first enforced for six months on 173 products and then was extended for two months in Aug 2016 but the list of items was trimmed to 66. In Dec 2016, the list was further narrowed to 19 products.
- ❑ The government is likely to allow 100% Foreign Direct Investment (FDI) through automatic route in single brand retail in order to attract a larger number of global players in the sector. As of now, 49% is allowed under the automatic route after which government's approval is required.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has sought views from stakeholders on enhanced disclosure requirements for issuance of municipal bonds and non-convertible redeemable preference shares. With this move, SEBI will help retail investors take informed decisions.

Regulatory Updates in India (contd..)

- Government has cleared that under the Pradhan Mantri Garib Kalyan Yojana (PMGKY), income represented in the form of cash or deposit in an account can only be declared. Declaration of income in the form of assets like jewellery, stock or immovable property will not be considered under the said scheme. Furthermore, as per scheme, undisclosed income deposited in any bank or post office account can be declared by paying 50% of the amount in taxes and surcharges.
- The government has restricted cooperative banks from accepting deposits under the new tax amnesty scheme PMGKY. The move comes after the Income Tax department spotted irregularities in deposits of cooperative banks following demonetisation. Under the scheme, those with unaccounted cash who are willing to avail the offer will have to first pay the tax amount and then fill up a challan form provided by the bank for availing the four-year deposit scheme.
- A notification from the government showed that exporters in the overseas who are chartering foreign vessels to supply goods to India will have to pay a service tax on freight from Jan 22. The service tax will be same as the 4.5% service tax that India currently levies on free-on-board cargoes. The move will provide a level playing field to Indian shipping companies as most of the service tax is refunded as credit under a (government) scheme.

Global News/Economy

- ❑ The Fed chief expects to increase interest rate couple of times per year until 2019, but could not estimate the specific timing of another rate hike. She said the Fed is close to its dual mandate of full employment and price stability.
- ❑ The British Prime Minister in her speech said that Britain will be leaving the single market along with the European Union. However, she expressed interest to gain maximum access to it through a new trade agreement. She added that the final “Brexit” deal will be put to parliament for a vote.
- ❑ The European Central Bank (ECB) kept interest rates on hold for the seventh consecutive policy session. According to ECB chief, inflation in the eurozone rose on the back of an increase in energy costs and that there was no convincing indication of upward trend in underlying inflation. ECB chief added that support from the monetary policy will help inflation rise gradually over the medium term.
- ❑ The People's Bank of China lowered the reserve requirement ratio for banks by one percentage point to 16%.
- ❑ Data from the National Bureau of Statistics showed that China’s economy grew 6.8% in the fourth quarter of 2016. For 2016, China’s economy grew 6.7%, which was within the government's target of 6.5% to 7%. However, this was the weakest growth in 26 years.

Global Equity Markets

Global Indices			
Indices	20-Jan -16	1-Week Return	YTD Return
Dow Jones	19827.25	-0.29%	-0.27%
Nasdaq 100	5063.197	0.07%	3.09%
FTSE 100	7198.44	-1.90%	0.78%
DAX Index	11630.13	0.01%	0.27%
Nikkei Average	19137.91	-0.77%	0.12%
Straits Times	3011.08	-0.46%	3.87%

Source: Reuters

Europe

- European markets dipped during the week mainly after the Britain Prime Minister announced that it would not only opt out of the European Union but also the single market. The upcoming inauguration of the U.S. President-to-be made investors closely track the policies he would adopt.

Asia

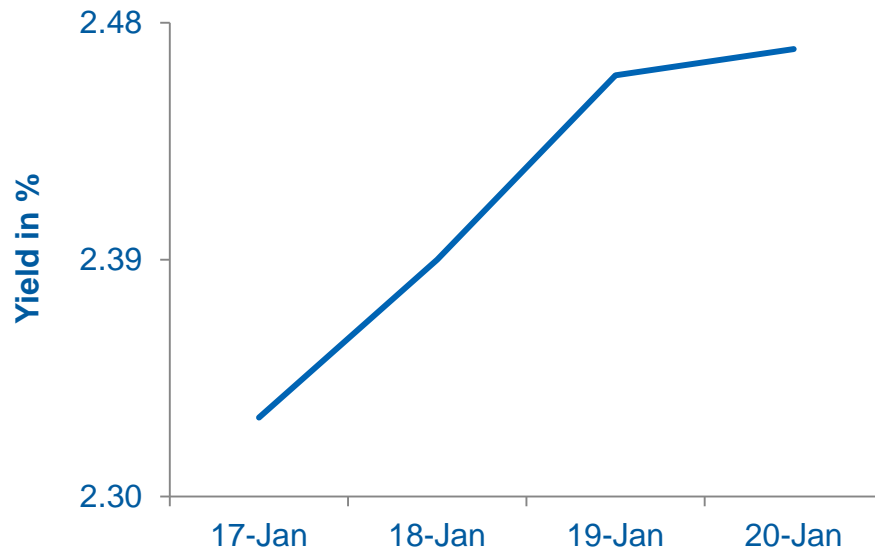
- Most of the major Asian markets dropped during the week as investors turned cautious ahead of the U.S. President-elect's impending inauguration and by his statement that the U.S. dollar was too strong. Markets were also hurt by the Chinese Premier declaring that the economy could be pressured more this year amid greater global complications.

U.S.

- The U.S. markets remained under pressure during the week owing primarily to the uncertainty around the U.S. President-elect's future policies. The Fed Chief's inability to convince investors about the probable time and extent of the next interest rate hike also weighed on the bourses.
- However, further losses were restricted after the new U.S. President indicated to boost infrastructure spending.

Global Debt (U.S.)

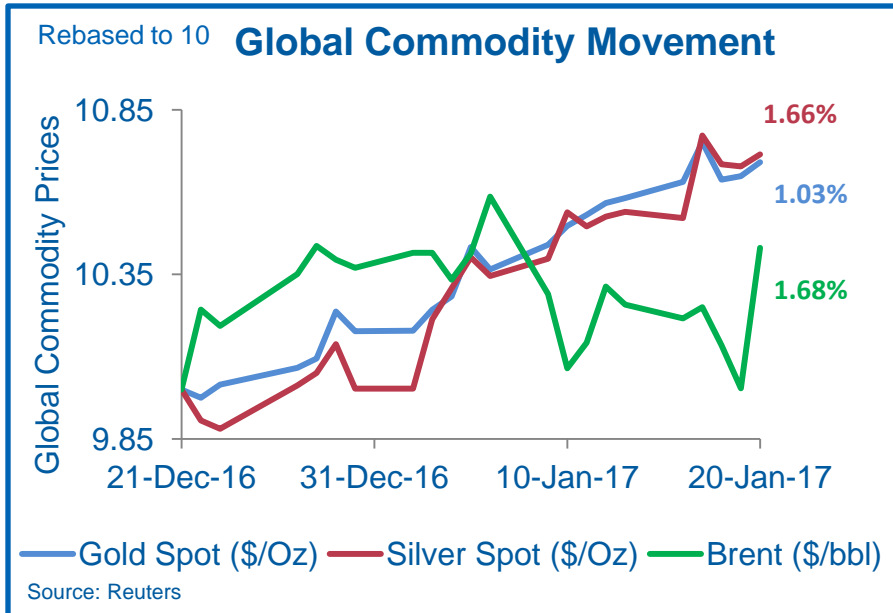
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield rose 9 bps to close at 2.47%, compared with the previous week's close of 2.38%.
- U.S. Treasury prices rose initially as its safe haven appeal improved amid worries over Britain's exit from the European Union. However, the trend reversed after the Fed chief indicated that the interest rates may be increased at a faster pace.
- Losses were extended after U.S. homebuilding rebounded sharply in Dec 2016 and weekly jobless claims in U.S. fell for the week ended Jan 14. However, further losses were restricted after the speech from the new U.S. President raised concerns that fiscal stimulus efforts may be delayed.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	54.98	54.07
Gold (\$/Oz)	1209.56	1197.26
Gold (Rs/10 gm)	29024	28809
Silver (\$/Oz)	17.07	16.79
Silver (Rs/Kg)	40983	40694

Source: Reuters Value as on January 20, 2017

Gold

- Gold prices were supported by the metal's safe haven appeal after the British Prime Minister proposed a clean breakup with the European Union and dismissed any chances of an associate membership. Lack of clarity about the new U.S. President's future policies further strengthened gold.

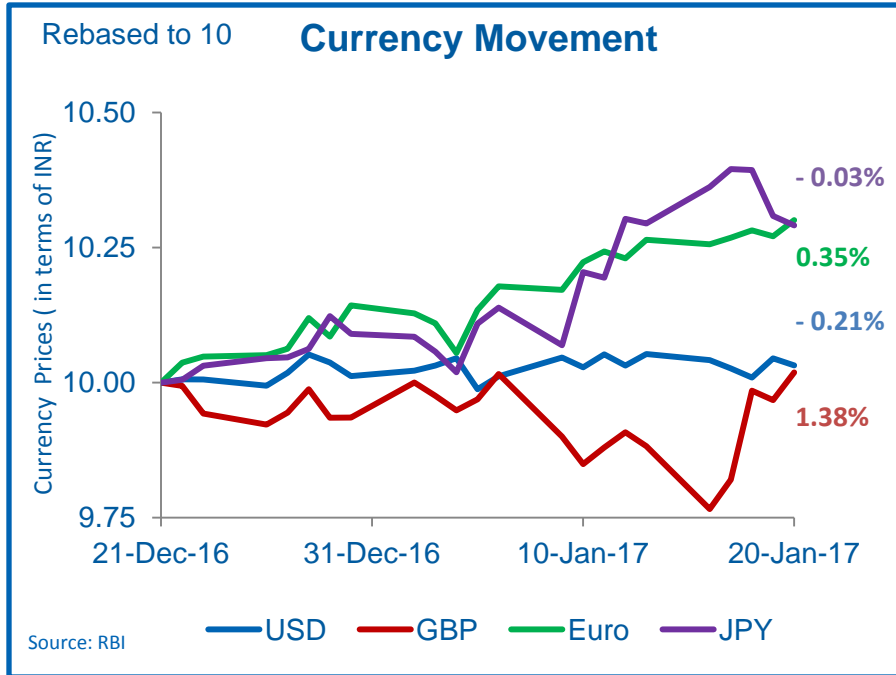
Crude

- Brent crude prices fell initially on speculations that U.S. production may increase again this year. However, the trend reversed on hopes that a weekend meeting of the world's top oil producers would demonstrate compliance to a global output cut deal.

Baltic Dry Index

- The Baltic Dry Index increased 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	68.09	68.23
Pound Sterling	84.12	82.98
EURO	72.73	72.48
JPY(per 100 Yen)	59.38	59.40

Source: RBI Figures in INR , Value as on January 20, 2017

Rupee

- The rupee gained marginally against the U.S. dollar following selling of the greenback demand by exporters.

Euro

- The euro rose against the greenback after the British Prime Minister promised a parliamentary vote on Britain's deal.

Pound

- The sterling strengthened against the greenback after the British Prime Minister promised a parliamentary vote on Britain's deal to leave EU and showed interest to remain a key European partner.

Yen

- ✓ The yen rose against the U.S. dollar amid uncertainty regarding future policies in the U.S. However, concerns over a faster pace of rate hike by the Fed wiped out the gains.

The Week that was...
January 16 to January 20

The Week that was (Jan 16 – Jan 20)

Date	Events	Present Value	Previous Value
Monday, January 16, 2017	Japan Machine Orders (YoY) (Nov)	-5.1%	4.1%
	U.K. Rightmove House Prices (YoY) (Jan)	0.4%	-2.1%
Tuesday, January 17, 2017	U.K. Consumer Price Index (YoY) (Dec)	0.5%	0.2%
	Germany ZEW Survey (Economic Sentiment) (Jan)	16.6	13.8
Wednesday, January 18, 2017	U.S. Consumer Price Index (YoY) (Dec)	2.1%	1.7%
	U.K. Jobless Claims Change (Dec)	-10.1k	2.4k
	Euro zone Consumer Price Index (MoM) (Dec)	0.5%	-0.1%
	U.S. Industrial Production (Dec)	0.8%	-0.7%
Thursday, January 19, 2017	European Central Bank Rate Decision	0.0%	0.0%
	U.S. Housing Starts (MoM) (Dec)	11.3%	-16.5%
	U.K. RICS House Price Balance (Dec)	24%	29%
	U.S. Initial Jobless Claims (Jan 14)	234k	249k
Friday, January 20, 2017	China Gross Domestic Product (YoY) (4Q)	6.8%	6.7%
	China Industrial Production (YoY) (Dec)	6.0%	6.2%
	China Retail Sales (YoY) (Dec)	10.9%	10.8%
	U.K. Retail Sales (YoY) (Dec)	4.9%	6.6%

The Week Ahead...
January 23 to January 27

The Week Ahead

Day	Event
Monday, January 23, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Nov) <input type="checkbox"/> Euro zone Consumer Confidence (Jan) (A)
Tuesday, January 24, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Japan PMI Mfg (Jan) (P) <input type="checkbox"/> Euro zone Markit Manufacturing PMI (Jan) (P) <input type="checkbox"/> U.K. Public Sector Net Borrowing (Pounds) (Dec)
Wednesday, January 25, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Merchandise Trade Balance Total (Yen) (Dec) <input type="checkbox"/> Germany IFO - Current Assessment (Jan)
Thursday, January 26, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Markit US Services PMI (Jan) (P) <input type="checkbox"/> U.S. New Home Sales (MoM) (Dec) <input type="checkbox"/> U.K. Gross Domestic Product (YoY) (4Q) (A)
Friday, January 27, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product (Annualized) (4Q) (A) <input type="checkbox"/> Japan Tokyo Consumer Price Index (YoY) (Jan) <input type="checkbox"/> U.S. Durable Goods Orders (Dec) (P)

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