

# News U Can Use

*July 01, 2016*

The Week that was...  
27<sup>th</sup> June to 01<sup>st</sup> July

# Indian Economy

- ❑ Government data showed that the fiscal deficit in the first two months of FY17 accounted for 42.9% of the Budget Estimates (BE). In the corresponding period of FY16, the fiscal deficit stood at 37.5% of BE. Plan expenditure accounted for 16.5% of the BE for FY17 compared with 13.3% in the corresponding period of the previous year. Non-Plan expenditure accounted was 14.5% of the BE for the current fiscal compared with the 15.3% in the same period of the previous year.
- ❑ Government data showed that growth of combined index of eight core industries of the Indian economy slowed to 2.8% on a yearly basis in May 2016 compared with a growth of 8.5% in the same period of the previous year. The slowdown came as the crude oil and natural gas sectors contracted 3.3% and 6.9%, respectively, during May. These two sectors remained in a contraction mode for the past three months. Growth in the electricity sector also slowed to 4.6% in May from 14.7% in the previous month. However, the coal and fertilizer sectors witnessed growth of 5.5% and 14.8%, respectively.
- ❑ Results of a private survey showed that Indian manufacturing activity improved in Jun 2016 following upbeat domestic demand, favourable operating environment, and signs of improvement in overseas markets. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to a three-month high level of 51.7 in Jun from 50.7 in May 2016. Strong growth in new orders and output also contributed to the improved PMI for the period under review.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	01-Jul-16	1 Week Return	YTD Return
S&P BSE Sensex	27144.91	2.83%	3.76%
Nifty 50	8328.35	2.96%	4.59%
S&P BSE Mid-Cap	11857.56	4.81%	5.44%
S&P BSE Small-Cap	11885.43	5.38%	-0.46%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.78	22.86	25.18	42.36
P/B	2.87	3.38	2.5	2
Dividend Yield	1.44	1.25	1.2	0.91

Source: BSE, NSE

Value as on July 01, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Jun-16	1221	339	3.60
28-Jun-16	1043	530	1.97
29-Jun-16	1177	396	2.97
30-Jun-16	1040	528	1.97
01-Jul-16	890	703	1.27

Source: NSE

- Indian equity market went up during the week as investors digested the “Brexit” concerns after the cabinet approved the recommendation of 7th Pay Commission. The regulatory announcement is expected to boost consumer spending as there will be more disposable income in the hands of central government employees.
- Hopes of more foreign fund inflow buoyed market sentiment after income tax department notified that Foreign Tax Credit rules will be effective from Apr 1, 2017. Favourable monsoon forecast for this year and impressive manufacturing activities in Jun 2016 triggered positivity in the market.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19782.3	3.16%	2.78%
S&P BSE Bankex	20618.6	3.55%	3.76%
S&P BSE CD	12016.6	4.10%	2.50%
S&P BSE CG	15186.5	6.22%	5.63%
S&P BSE FMCG	8608.95	5.71%	5.33%
S&P BSE HC	15653.9	4.88%	2.78%
S&P BSE IT	11158.3	-1.31%	-4.41%
S&P BSE Metal	8571.39	4.66%	8.41%
S&P BSE Oil & Gas	9989.54	6.48%	7.20%

*Source: Reuters* *Values as on July 01, 2016*

- On the BSE sectoral front, barring S&P BSE IT and S&P BSE Teck, all the indices closed in the green. S&P BSE Realty was the top gainer, up 8.36%, followed by S&P BSE Oil & gas and S&P BSE Capital Goods, which went up 6.48% and 6.22%, respectively.
- Buying interest was seen in metal and mining sector following the Union cabinet's approval of the National Mineral Exploration Policy for accelerating the upstream activity in the country through enhanced participation from the private sector.

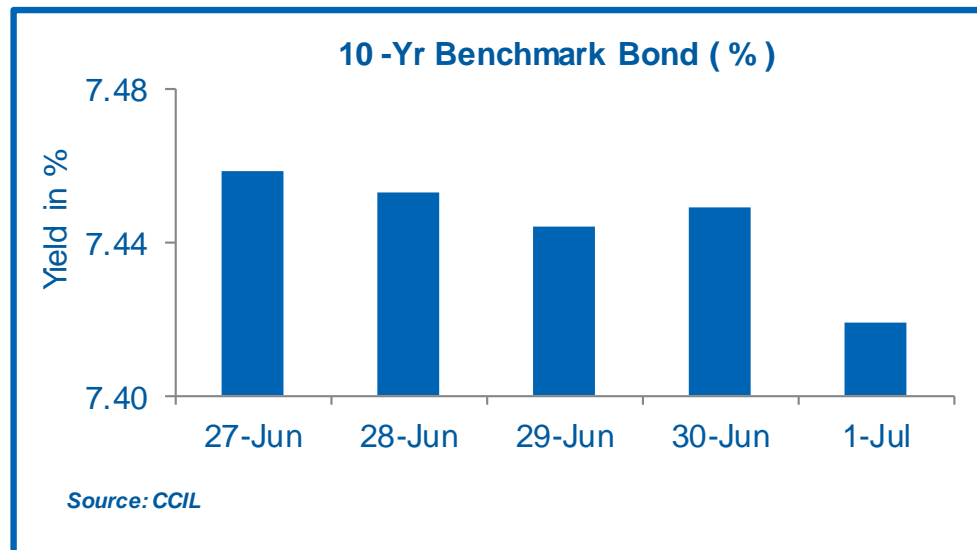
## Indian Derivatives Market Review

- Nifty Jun 2016 settled at spot rate of 8,287.75. Nifty Jul 2016 Futures were at 8,355.15 points, a premium of 26.80 points, over the spot closing of 8,328.35 points. The turnover on NSE's Futures and Options segment stood at Rs. 22.09 lakh crore during the week to Jul 1, compared with Rs. 17.44 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.94, compared with the previous session's close of 0.91.
- The Nifty Put-Call ratio stood at 0.99, compared with the previous session's close of 1.07.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.25	6.38	6.32	6.73
91 Day T-Bill	6.54	6.75	6.82	7.14
08.27% 2020, (5 Yr GOI)	7.24	7.31	7.37	7.64
07.59% 2026, (10 Yr GOI)	7.42	7.47	7.49	7.73

Source: Reuters Values as on July 01, 2016



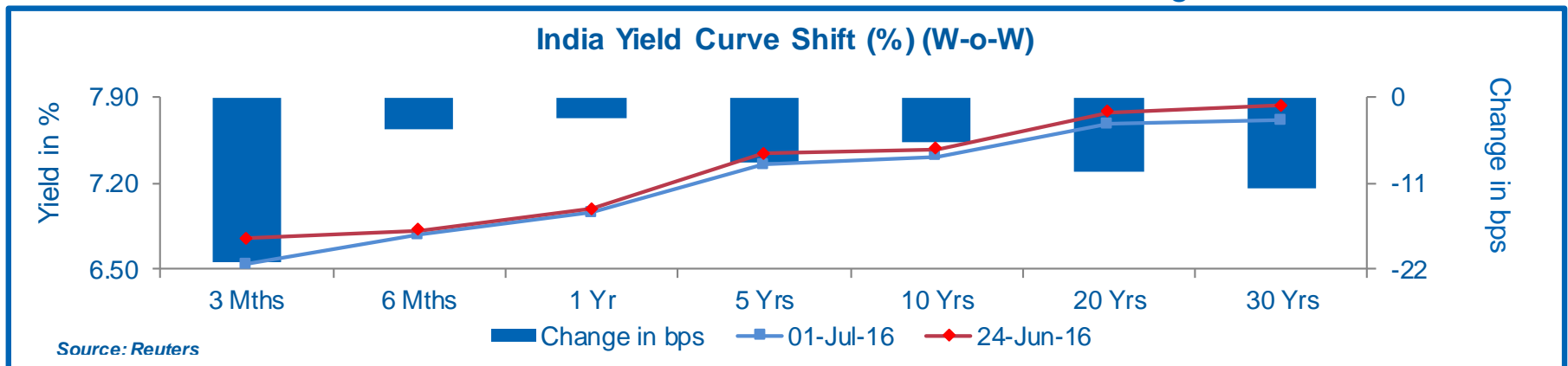
- Bond yields fell compared with previous week on hopes that central banks across the globe will ease their monetary policies following the Britain's exit from the European Union. Expectations of above normal monsoons and lower crude oil prices further boosted market sentiments.
- However, an unexpected announcement by Haryana to issue bonds under the Ujjwal Discom Assurance Yojna (UDAY) scheme and profit bookings from the recent rally in the domestic debt market capped some gains during the week.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 5 bps to close at 7.42% compared with the previous week's close of 7.47%. The yields moved in the range of 7.41% to 7.48% during the week.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.10	7.69	59
3 Year	7.27	7.90	63
5 Year	7.52	8.07	56
10 Year	7.64	8.17	54

Source: Reuters Values as on July 01, 2016

- Yields on gilt securities fell across the maturities in the range of 2 bps to 13 bps.
- Corporate bond yields fell across the maturities in the range of 4 bps to 11 bps.
- Difference in spread between AAA corporate bond and gilt securities contracted across the maturities in the range of 1 bps to 6 bps, barring 5- and 15-year maturities which expanded 4 bps each. Spread on 7-year paper remained unchanged.



# Regulatory Updates in India

- ❑ The cabinet committee approved the recommendations of the 7th Pay Commission. Eventually, the overall hike in salary and allowance of central government employees and pensioners will be 23.5%. This recommendation will have a positive impact on the demand for consumer durables and services with modest risk on inflation.
- ❑ The Reserve Bank of India (RBI), in its Financial Stability Report for Jun 2016, opined that the Indian economy stands apart in comparison to other economies due to a stable financial system. The central bank further underlined the importance of structural reforms and continuation of sound domestic policies.
- ❑ The cabinet approved the National Mineral Exploration Policy (NMEP), which will allow the government to auction 100 prospective mineral blocks that have been identified by the Geological Survey of India for exploration and boosting the country's mining potential. The policy proposed that the private entities involved in carrying regional and detailed exploration, will get a certain share of revenue (by way of royalty or premium accruing to the state government) in mining operation from the successful bidder after the e-auction of the mineral block.



## Regulatory Updates in India (contd..)

- Capital market regulator Securities and Exchange Board of India (SEBI) issued new norms for foreign portfolio investors. Per the new rule, FPIs who had issued participatory notes under the earlier regulations will be allowed to hold the position till the date of expiry of such positions or till end of Dec 2020. However, SEBI added that participatory notes subscribers can't take fresh positions or renew the old positions.
- The cabinet has approved the model Shops and Establishment Act, which will allow cinema halls, restaurants, shops, banks, and other such workplaces to remain open throughout day and night. The act will allow women to work during the night in such places with mandatory cab services and other workplace facilities.

## Global News/Economy

- Data from the U.S. Commerce Department showed that economic activity in the U.S. increased faster than previously estimated in the first quarter of 2016. Growth in Gross Domestic Product (GDP) was upwardly revised to 1.1% for the first quarter of 2016, from the initial estimate of 0.8%. However, the quarter's growth was slower than 1.4% growth witnessed in the fourth quarter of the last fiscal, but was higher than market expectations of 1.0%.
- According to Eurostat, eurozone's consumer prices increased after five months by 0.1% YoY in Jun 2016 after falling 0.1% in May 2016.
- According to Office for National Statistics, U.K. Gross Domestic Product grew 0.4% QoQ in the first quarter of 2016. It was slower than the 0.7% expansion seen in the fourth quarter of 2015. On a yearly basis, GDP climbed 2%.
- According to the Ministry of Internal Affairs and Communications, consumer prices in Japan fell less than expected by 0.4% YoY in May 2016 after 0.3% decline in Apr 2016.
- According to National Bureau of Statistics, China's manufacturing sector remained almost stagnant in Jun 2016. Manufacturing Purchasing Managers' Index stood at 50.0, slightly lower than May 2016's score of 50.1 and was as per expectations. Also, the Caixin manufacturing PMI for China fell to 48.6 in Jun from 49.2 in May.

# Global Equity Markets

Global Indices			
Indices	01-Jul-16	1-Week Return	YTD Return
Dow Jones	17949.37	3.15%	4.67%
Nasdaq 100	4437.445	3.54%	-1.34%
FTSE 100	6577.83	7.15%	7.95%
DAX Index	9776.12	2.29%	-4.93%
Nikkei Average	15682.48	4.89%	-15.00%
Straits Times	2846.37	4.06%	0.37%

*Source: Reuters*

## Europe

- Despite the “Brexit” shock, markets gained during the week after several central banks around the world assured to take prudent measures to maintain stability in the global financial market. Improved crude oil prices and investors’ preference to buy beaten-down stocks at cheaper valuation also helped to mitigate the effect. Brexit concerns eased as Britain has not yet formally initiated the exit procedure.

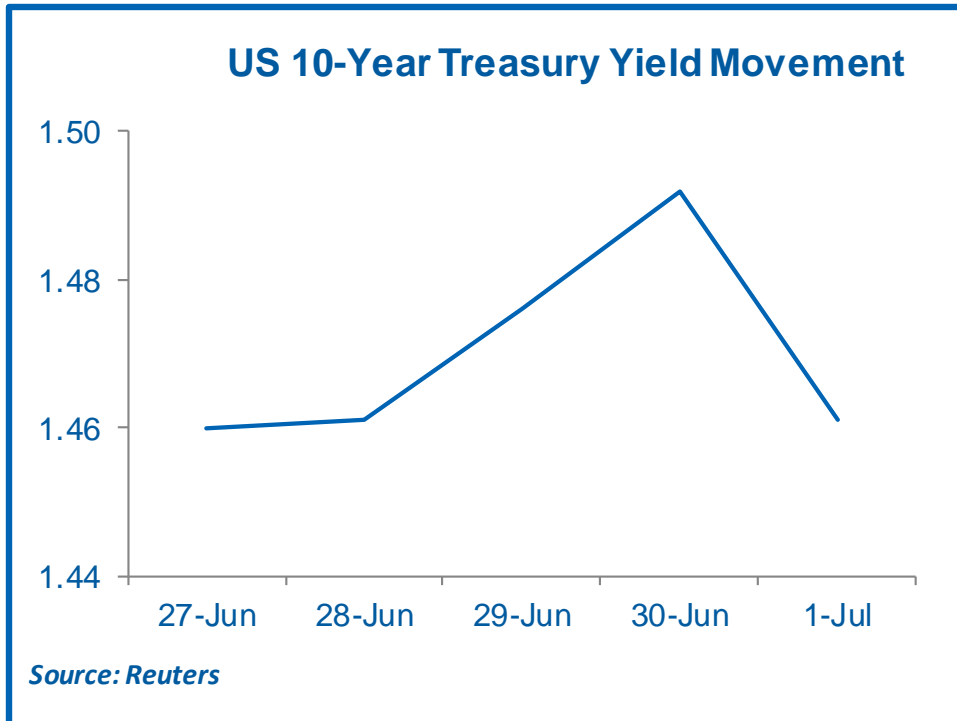
## Asia

- Asian bourses traded on a positive note following the global peers. Rise in crude oil prices and hopes of more stimulus measures to offset the “Brexit” impact helped the bourses. Weak Chinese and Japanese economic data also spurred expectations for further monetary stimulus measures from the respective central banks.

## U.S.

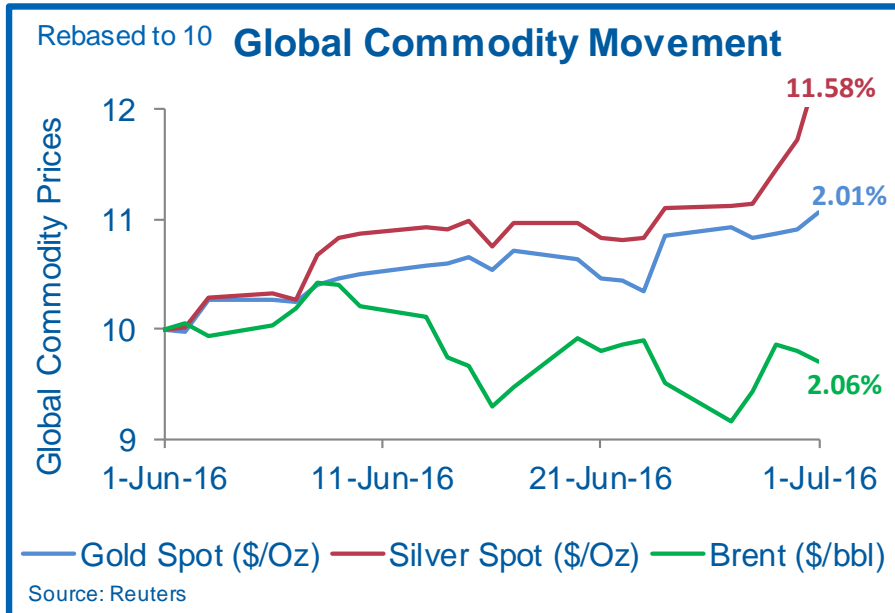
- Market gained as Britain did not invoke Article 50 of the Lisbon Treaty, which would initiate the formal process of quitting the European Union, eased concerns on the U.K.’s exit and the market began to gain momentum. Further support came from rise in crude oil prices and faster than anticipated growth in the U.S. economic activity for the first quarter of 2016.

## Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 12 bps to close at 1.46%, compared with the previous week's close of 1.58%.
- The U.S. treasury prices surged initially as its safe haven appeal boosted on persisting concerns over global economic health following Britain's exit from the European Union (EU).
- However, gains were capped as U.S. Treasury prices fell after a major credit rating agency lowered its long-term credit rating on EU to 'AA' from 'AA+' and the ISM manufacturing Purchasing Managers' Index for Jun 2016 came better than expected in the U.S.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.04	46.09
Gold (\$/Oz)	1341.91	1315.48
Gold (Rs/10 gm)	30980	30971
Silver (\$/Oz)	19.737	17.689
Silver (Rs/Kg)	44293	42492

Source: Reuters Values as on July 01, 2016

## Gold

- Gold prices gained following last week's 'Brexit' referendum and weak U.S. dollar. Prospects for further monetary policy easing in response to the U.K.'s departure from the European Union further boosted the safe haven appeal of bullion.

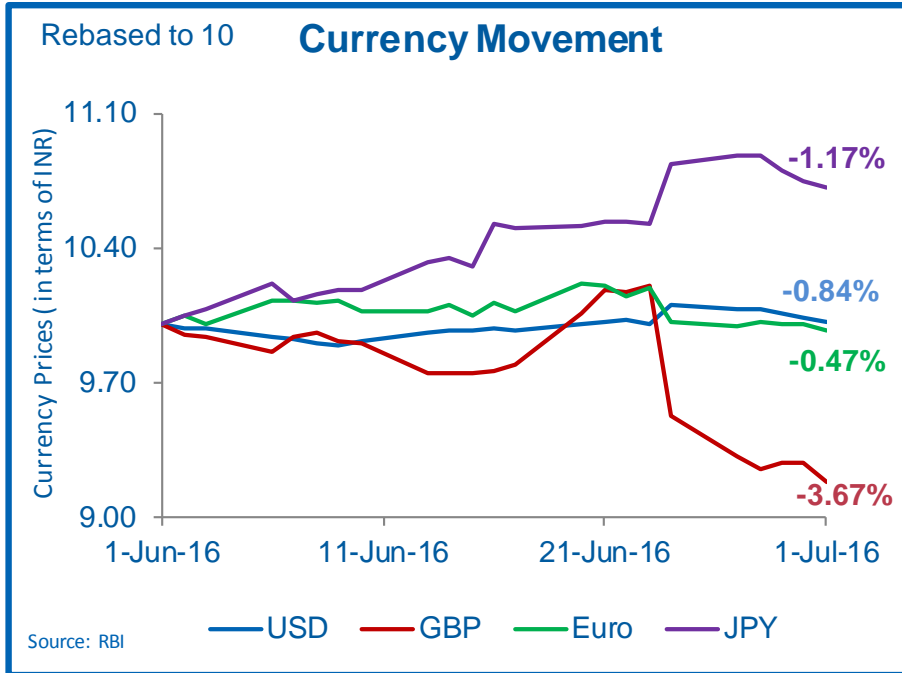
## Crude

- Brent crude prices fell initially due to "Brexit" worries. However, prices went up amid expectations that the U.S. weekly supply data will reveal a faster than anticipated drop in oil inventories. A crisis in Venezuela and a probable strike by Norwegian oil workers also contributed to the price rise.

## Baltic Dry Index

- The Baltic Dry Index went up during the week due to higher capesize and panamax activities.

# Currencies Markets



## Rupee

- The rupee witnessed its biggest weekly gain against the U.S. dollar since Mar 2016 following gains in the domestic equity market.

## Euro

- The euro gained slightly over the weekend against the greenback after dollar fell on profit-taking and rebound in risk appetite stemming from reduced concerns surrounding Britain's exit from the EU.

## Pound

- The pound weakened against the greenback as markets were still recovering from the “Brexit” shock. However, it found support after Bank of England governor hinted at a summer rate-cut to stimulate Britain’s economy.

## Yen

- The yen fell against the greenback on improved risk appetite.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.44	68.01
Pound Sterling	89.55	92.96
EURO	74.74	75.10
JPY(per 100 Yen)	65.67	66.45

Source: RBI

Figures in INR, Values as on July 01, 2016

The Week that was...  
27<sup>th</sup> June to 01<sup>st</sup> July

# The Week that was (June 27 – July 01)

Date	Events	Present Value	Previous Value
Monday, June 27, 2016	China Industrial Profits (YoY) (May)	3.70%	4.20%
Tuesday, June 28, 2016	U.S. Consumer Confidence Index (Jun)	98.0	92.4
	U.S. Gross Domestic Product (Q1)	1.10%	0.80%
Wednesday, June 29, 2016	U.S. Pending Home Sales (YoY) (May)	2.40%	1.80%
	German Consumer Price Index (YoY)	0.30%	0.10%
	U.S. Personal Income (May)	0.20%	0.50%
	Japan Retail Trade (YoY) (May)	-1.90%	-0.90%
	U.K. Mortgage Approval (May)	67.04K	66.21K
Thursday, June 30, 2016	Eurozone Consumer Price Index (Jun)	0.10%	-0.10%
	German Retail Sales (YoY) (May)	2.60%	2.30%
	Japan Industrial Production (YoY) (May)	-0.10%	-3.30%
	U.K. Gross Domestic Product (YoY) (Q1)	2.00%	2.00%
Friday, July 01, 2016	Japan Consumer Price Index (YoY) (May)	-0.40%	-0.30%
	China Manufacturing PMI (Jun)	50.0	50.1
	U.S. ISM Manufacturing (Jun)	53.2	51.3
	Japan Jobless Rate (May)	1.36	1.34



The Week Ahead...  
July 04 to July 08

# The Week Ahead

Day	Event
<b>Monday, July 04</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> UK Construction PMI (June)</li> <li><input type="checkbox"/> Euro-Zone Producer Price Index (YoY) (May)</li> </ul>
<b>Tuesday, July 05</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin PMI Composite (June)</li> <li><input type="checkbox"/> Japan Nikkei PMI Composite (June)</li> <li><input type="checkbox"/> U.S. Markit/CIPS UK Composite PMI (June)</li> <li><input type="checkbox"/> Euro-Zone Retail Sales (YoY) (May)</li> <li><input type="checkbox"/> U.S. Factory Orders (May)</li> <li><input type="checkbox"/> Eurozone Markit PMI Composite (June)</li> </ul>
<b>Wednesday, July 06</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. ISM Non-Manufacturing Composite (June)</li> </ul>
<b>Thursday, July 07</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.K. Industrial Production (YoY) (May)</li> <li><input type="checkbox"/> U.K. NIESR Gross Domestic Product Estimate (June)</li> </ul>
<b>Friday, July 08</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Unemployment Rate (Jun)</li> <li><input type="checkbox"/> U.S. Change in Non-farm Payrolls (Jun)</li> <li><input type="checkbox"/> Japan Trade Balance - BOP Basis (Yen) (May)</li> </ul>

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