

RELIANCE

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July 07, 2017

The Week that was...

03rd July to 07th July

Indian Economy

- The Nikkei India Services Purchasing Managers' Index (PMI) that tracks services output on a monthly basis increased to 53.1 in Jun 2017 from 52.2 in May 2017. This marked an eight-month high score. The upside was driven by solid and accelerated upturn in new work orders that resulted in a faster increase in activity. Additionally, the headline measure averaged 51.8 in the first quarter, thereby marking the highest quarterly figure since Q2 FY16.
- The Nikkei Markit India Manufacturing PMI fell to 50.9 in Jun 2017 from 51.6 in May 2017 owing to soft rise in factory new orders that resulted in weaker growth in production. Despite an increase in orders from abroad, manufacturing activity slowed to a four month low in Jun 2017. Meanwhile, production expanded at weakest pace since Feb 2017. However, a reading above 50 indicates expansion, while a score below this mark signifies contraction.
- During the period Jan 2017 to Jun 2017, 13 companies have totally raised more than Rs. 12,000 crore through their respective initial public offerings. This is up approximately 73% higher on YoY basis from Rs. 6,962 crore raised by 11 issuers in the period Jan 2016 to Jun 2016. Most of the funds raised are expected to be used for business expansion, repayment of loans and to support working capital requirements.
- Collection of net direct tax surged 14.8% to Rs. 1.42 lakh crore at the end of first quarter 2017 driven by increase in advance tax payments. It represents 14.5% of the total budget estimates of direct taxes. During the first quarter, refunds were Rs. 55,520 crore, down 5.2% on YoY basis.

Indian Equity Market

Domestic Equity Market Indices			
Indices	07-Jul-17	1 Week Return	YTD Return
S&P BSE Sensex	31360.63	1.42%	17.92%
Nifty 50	9665.8	1.52%	18.17%
S&P BSE Mid-Cap	14941.77	2.03%	23.17%
S&P BSE Small-Cap	15830.76	2.73%	29.87%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.06	24.60	31.90	74.02
P/B	3.01	3.58	2.65	2.44
Dividend Yield	1.24	1.10	1.22	0.73

Source: BSE, NSE *Value as on Jul 07, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
03-Jul-17	1193	482	2.48
04-Jul-17	800	867	0.92
05-Jul-17	1122	576	1.95
06-Jul-17	976	722	1.35
07-Jul-17	857	827	1.04

Source: NSE

- Indian equity markets closed the week higher mainly after Sensex and Nifty crossed the 31,000 and 9,600 marks, respectively. The indices climbed as investors turned confident following implementation of the Goods and Services Tax (GST) from Jul 1, 2017.
- Markets moved up on expectations that the tax reform could boost Indian economy and attract global investors. According to data from the Nikkei India Services Purchasing Managers' Index, services sector activity grew to an 8-month high of 53.1 in Jun 2017, thereby supporting sentiment.
- However, gains were capped on worries over central banks worldwide inching closer to eliminating the monetary stimulus and geopolitical tensions.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23819.9	1.76%	-1.78%
S&P BSE Bankex	26498.4	0.84%	-0.84%
S&P BSE CD	16030.0	0.11%	-1.47%
S&P BSE CG	17289.4	1.25%	-2.56%
S&P BSE FMCG	10687.2	2.48%	4.38%
S&P BSE HC	14383.9	1.36%	3.10%
S&P BSE IT	9786.07	-0.48%	-5.13%
S&P BSE Metal	11762.0	3.41%	5.86%
S&P BSE Oil & Gas	13497.3	2.23%	-3.71%

Source: Reuters Value as on Jul 07, 2017

- On the BSE sectoral front, indices closed in the green. S&P BSE Realty, up 5.54%, was the top gainer, followed by S&P BSE Metal (3.41%), S&P BSE FMCG (2.48%), S&P BSE Oil & Gas (2.23%), and S&P BSE Auto (1.76%).
- FMCG sector gained as an industry major surged on expectations that GST could lower retail prices and drive sales, while the oil sector grew following rally by a petroleum refinery heavyweight. Rating upgrades by brokerage houses helped PSU banks rebound, thus pushing the banking sector.

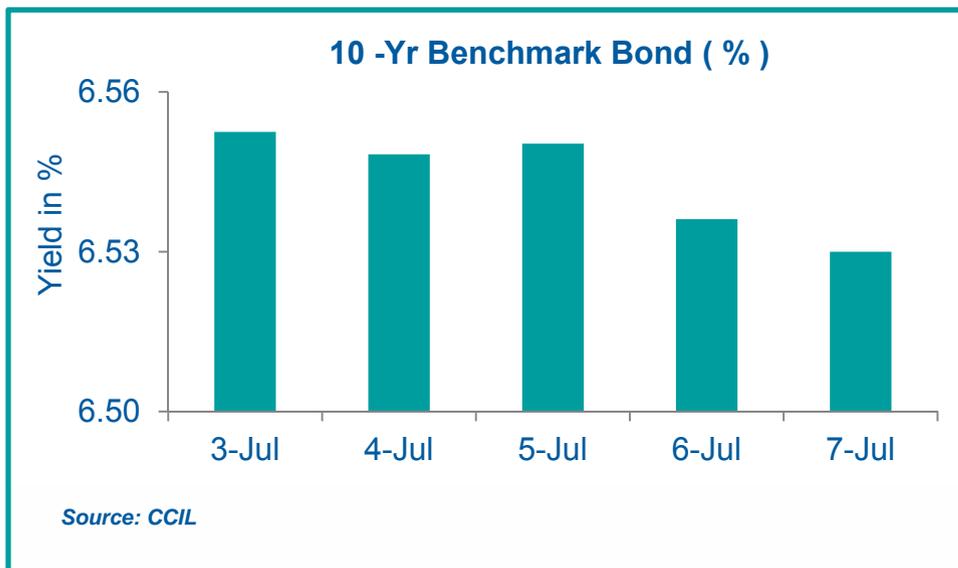
Indian Derivatives Market Review

- Nifty Jul 2017 Futures were at 9,667.50 points, a premium of 1.70 points, over the spot closing 9,665.80. The turnover on NSE's Futures and Options segment stood at Rs. 24.22 lakh crore compared with Rs. 33.02 lakh crore in the week to Jun 30.
- The Put-Call ratio stood at 0.94 compared with the previous week's close of 0.90.
- The Nifty Put-Call ratio stood at 1.31 compared with the previous week's close of 1.13.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.09	6.11	6.19	6.13
91 Day T-Bill	6.28	6.30	6.29	6.19
7.80% 2021, (5 Yr GOI)	6.62	6.59	6.64	6.44
6.79% 2027, (10 Yr GOI)	6.53	6.51	6.56	--

Source: Reuters *Value as on Jul 07, 2017*



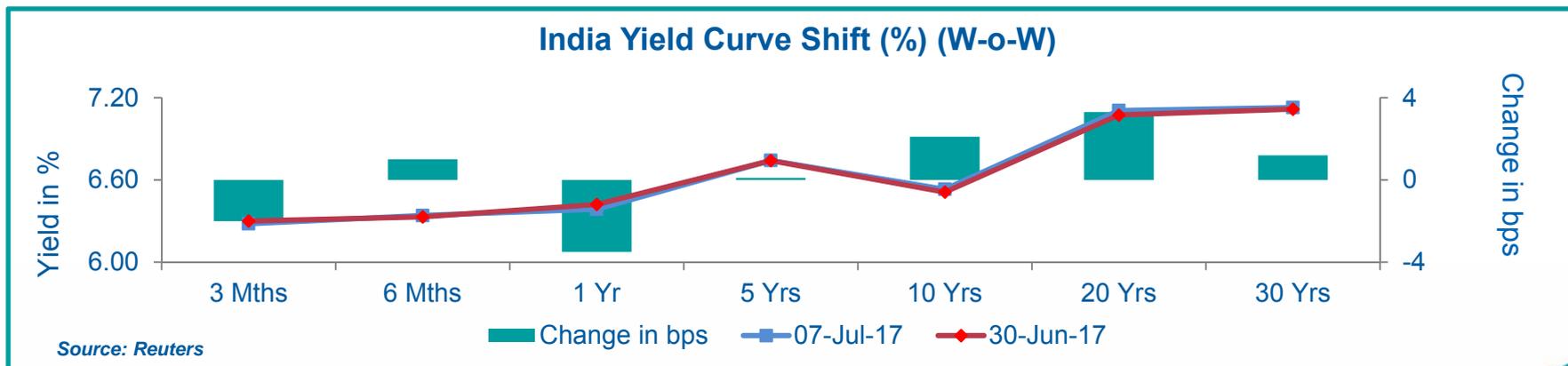
- Bond yields inched up after the Reserve Bank of India (RBI) conducted an open market sale for the first time in two years. Concerns of monetary tightening across the globe also weighed on market sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) grew 2 bps to close 6.53% compared with the previous close of 6.51%.
- RBI has decided to conduct sale of government securities namely 5.64% GS 2019, 8.12% GS 2020, 8.15% GS 2022, 7.35% GS 2024, and 8.33% GS 2026 under open market operations for an aggregate amount of Rs. 10,000 crore on Jul 20, 2017.
- According to the Scheduled Bank's Statement of Position in India as of Jun 23, 2017, banks' deposit and credit growth stood at 11.13% and 6.03% YoY, respectively.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.49	7.01	52
3 Year	6.65	7.17	52
5 Year	6.85	7.30	45
10 Year	6.72	7.45	73

Source: Reuters *Value as on Jul 07, 2017*

- Yields on gilt securities fell on 1- and 2-year maturities by 4 and 3 bps, respectively. Yield on the remaining papers rose by up to 6 bps, barring 5- and 11-year maturities that closed steady.
- Corporate bond yields increased across the maturities by up to 4 bps, barring 1- and 6-year paper that closed steady.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 2 to 4 bps, barring 1- and 2-year papers that expanded 3 and 5 bps, respectively.



Regulatory Updates in India

- In order to increase foreign capital inflows, the Reserve Bank of India (RBI) raised the limit for foreign portfolio investors (FPIs) investment in government securities by 4.7% to Rs. 2.42 lakh crore for the quarter Jul 2017 to Sep 2017 from the existing limit of Rs. 2.31 lakh crore. Meanwhile, RBI increased the FPI investment limit in state development loans by Rs. 6,100 crore to Rs. 33,100 crore for the Sep quarter. With this, overall limit of FPI investment in government securities went up from Rs. 2.58 lakh crore to Rs. 2.75 lakh crore.
- In order to increase liquidity and to ensure that an issuer's ability to raise funds through debt securities is not curtailed, Securities and Exchange Board of India (SEBI) brought in a new framework for consolidation in debt securities. With this new framework, SEBI is focusing on minimising the number of International Securities Identification Numbers (ISINs). Generally, investors trade in corporate bonds that are freshly issued by a particular issuer. As a result, the outstanding securities of the same issuer become mostly illiquid. Under the new framework, an issuer will only be allowed a maximum of 17 ISINs maturing per financial year.
- Large non-banking finance companies (NBFC) have been permitted by RBI to offer the new pension scheme (NPS). Post permission, NBFC's that have an asset size of Rs. 500 crore and above and have earned a net profit in the last financial year can now offer NPS after registration with the pension regulator.

Regulatory Updates in India (contd..)

- Retailers with unsold pre-Goods and Service Tax (GST) stocks received the government's approval to stick new prices on them for sales. Till Sep 30, 2017, the companies can clear the unsold pre-GST goods with a revised Maximum Retail Price (MRP) that will be displayed along with printed sale price to reflect the changes post GST rollout. The old MRP will have to be clearly on display along with the revised MRP sticker. However, beginning Oct 1, 2017, all pre-packed goods will be allowed to have only one MRP including the GST.
- The Central Board of Direct Taxes has relaxed norms that barred cash transactions exceeding Rs. 2 lakh. Now cash of more than Rs. 2 lakh can be used to pay credit card bills. This limit will also not be relevant for business correspondents appointed by banks, issuers of prepaid instruments and some loans. With effect from Apr 1, 2017, cash transactions of Rs. 2 lakh or above were banned in respect of a single transaction or transactions related to one event or occasion by an individual as per the Finance Act of 2017.
- The Bombay Stock Exchange has introduced a new slab-based structure of charging transaction fees for securities traded under group A, B and other non-exclusive scrips. Beginning Aug 1, 2017, transaction charges for trading in equities, with lower volumes attracting higher fees, will be revised by the exchange. The exchange would charge transaction fees of Rs. 1.5 per trade for trade volumes of up to one lakh. Currently, fees of only Re 1 per trade was charged for volumes of up to 5 lakh. However, under the new slab structure, the transaction charges range from Rs. 0.50 to Rs. 1.5 per trade.

Global News/Economy

- According to the Labor Department, non-farm payroll employment came in more than expected and increased by 222,000 jobs in Jun 2017 as against an upwardly revised increase of 152,000 jobs (138,000 jobs originally reported) in May. Meanwhile, the unemployment rate went up to 4.4% in Jun from 4.3% percent in May.
- According to the Federal Open Market Committee's Jun meeting minutes, the U.S. Federal Reserve (Fed) has decided to reduce its \$4.5 trillion balance sheet. However, no specific timeline to begin the process was provided. As per the minutes, labour market conditions continued to strengthen in current months and real GDP was expanding at a faster pace in the second quarter than in the first quarter. The central bank also indicated that the economic conditions of the country will lead to gradual increase in the interest rate.
- According to IHS Markit and Chartered Institute of Procurement & Supply, the U.K. factory Purchasing Managers' Index (PMI) missed market expectations and declined to 54.3 in Jun 2017 from 56.3 in May 2017. This marked expansion at the weakest pace in three months. Production and new order volumes also expanded. However, the rates of increase eased in the reporting month.
- A report from Nikkei showed that Japan services PMI score continued to grow and increased to 53.3 in Jun 2017 from 53.0 in May 2017. The upside was driven by fastest rate of job creation in four years. Meanwhile, composite index fell to 52.9 in Jun from 53.5 in May.

Global Equity Markets

Global Indices			
Indices	07-Jul-17	1-Week Return	YTD Return
Dow Jones	21414.34	0.30%	7.71%
Nasdaq 100	5656.47	0.17%	15.17%
FTSE 100	7350.92	0.52%	2.41%
DAX Index	12388.68	0.52%	6.81%
Nikkei Average	19929.09	-0.52%	1.71%
Straits Times	3229.01	0.08%	11.38%
<i>Source: Reuters</i>		<i>Value as on Jul 07, 2017</i>	

Europe

- European markets gained after European Central Bank’s policy minutes of the latest meeting revealed that policymakers acknowledged the necessity of substantial monetary policy stimulus to support the ongoing euro area recovery. Better than expected some of the key euro zone economic data and China’s manufacturing data, also helped sentiment.

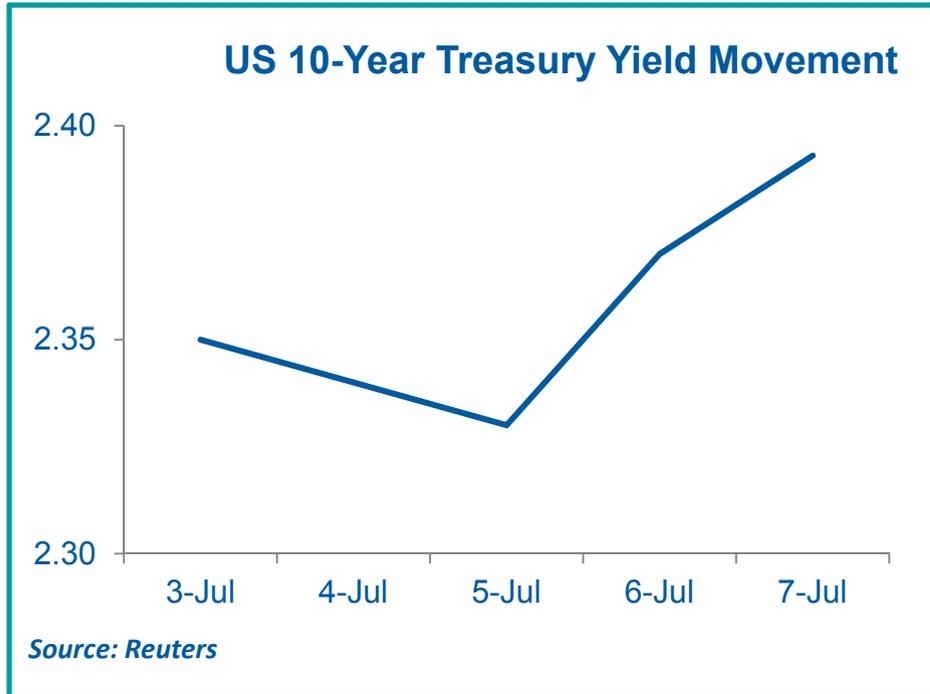
Asia

- Most of the major Asian markets closed in the red following renewed instance of geopolitical tension in the Korean Peninsula. The outcome of G20 summit scheduled later in the week and U.S. Fed's last meeting’s minutes showing a lack of consensus among members over when to start reducing the central bank’s securities portfolio also weighed on the sentiment.

U.S.

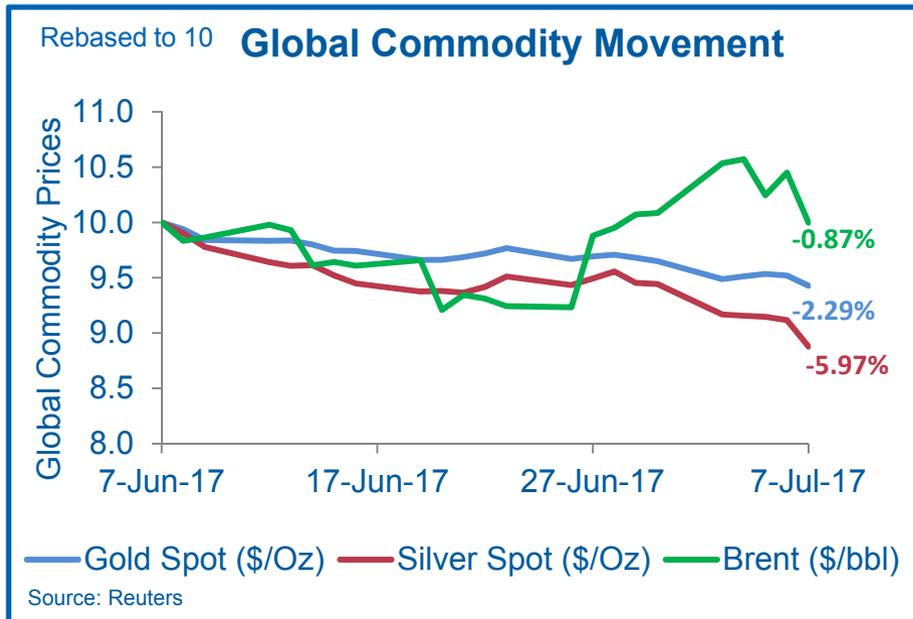
- U.S. markets initially rose after upbeat ISM based U.S. manufacturing and University of Michigan based consumer sentiment index in Jun 2017. However, fall in technology stocks and lower than expected rise in ADP based private sector jobs in the U.S during Jun, reversed gains.
- At the end, market closed slightly positive on better than expected non-farm payrolls data in Jun 2017.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 9 bps to close at 2.39% from the previous week's close of 2.30%.
- U.S. Treasury prices fell following upbeat U.S. manufacturing data in Jun 2017 that boosted expectations that the U.S. Federal Reserve would raise interest rates again in 2017. Also, indications of shifting towards tighter monetary policy by the European Central Bank and the Bank of England further led to fall in U.S. Treasury prices.
- Prices fell further following rise in global crude oil prices and after U.S. non-farm payroll data for Jun 2017 came better than market expectations. However, losses were capped due to fall in U.S. factory orders in May 2017.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	46.71	47.12
Gold (\$/Oz)	1212.80	1241.20
Gold (Rs/10 gm)	28009	28803
Silver (\$/Oz)	15.58	16.57
Silver (Rs/Kg)	36860	38496

Source: Reuters Value as on Jul 07, 2017

Gold

- Gold prices fell as upbeat U.S. nonfarm payroll data for Jun heightened chances of an imminent rate hike by the U.S. Fed. Prices were also affected by the minutes of Fed's latest policy meeting, which indicated determination of Fed officials to raise interest rate even with muted inflation level.

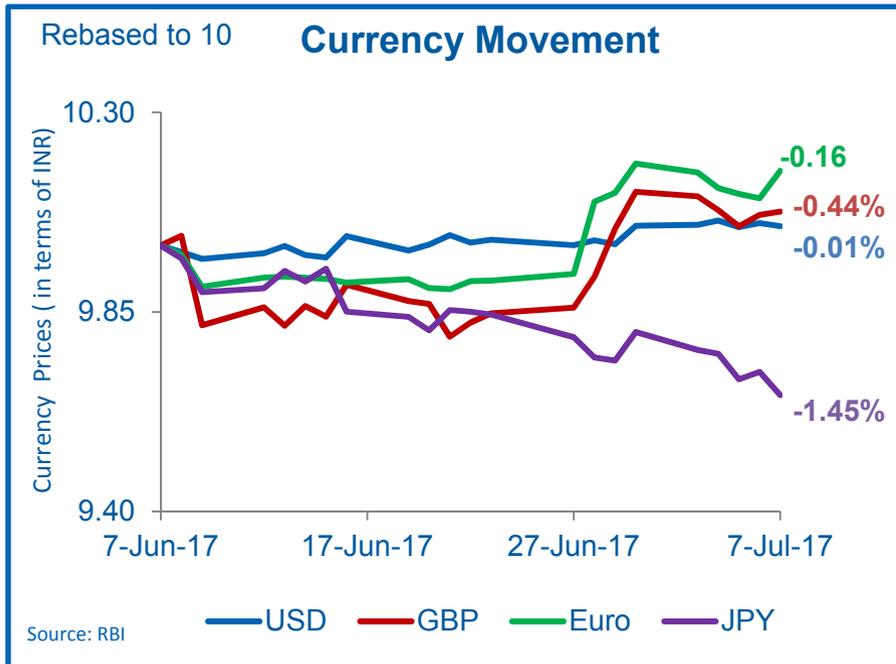
Crude

- Global crude oil prices decline following the meeting between Qatar and Gulf countries to decide on whether to continue sanctions imposed on Qatar. The four states got an overall negative response from Qatar. This, in turn, hindered OPEC's commitment to collective production-cut.

Baltic Dry Index

- The Baltic Dry Index fell during the week owing to weaker capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.73	64.74
Pound Sterling	83.88	84.26
EURO	73.88	74.00
JPY(per 100 Yen)	56.94	57.78

Source: RBI Figures in INR , Value as on Jul 07, 2017

Rupee

- The rupee marginally weakened against the U.S. dollar following greenback demand from banks and importers but was neutralised by selling of greenback by exporters and optimism about foreign inflows into the domestic debt market.

Euro

- Euro weakened against the U.S. dollar following upbeat U.S. manufacturing activity data and non-farm payroll data.

Pound

- Sterling initially weakened against the greenback after disappointing economic data from the U.K. region.

Yen

- Yen fell against the greenback following upbeat U.S. manufacturing activity data and non-farm payroll in Jun 2017 and after the Bank of Japan increased its purchase of Japanese government bonds.

The Week that was...

03rd July to 07th July

The Week that was (July 03 – July 07)

Date	Events	Present Value	Previous Value
Monday, July 03, 2017	<ul style="list-style-type: none"> • U.S. ISM Manufacturing (JUN) • China Caixin Manufacturing PMI (JUN) 	57.8 50.4	54.9 49.6
Tuesday, July 04, 2017	<ul style="list-style-type: none"> • U.K. Markit/CIPS Construction PMI (JUN) • Japan Nikkei Composite PMI (JUN) 	54.8 52.9	56 53.4
Wednesday, July 05, 2017	<ul style="list-style-type: none"> • Eurozone Retail Sales (YoY) (MAY) • China Caixin Composite PMI (JUN) • U.K. Markit/CIPS Composite PMI (JUN) • U.S. Durable Goods Orders (MAY F) 	2.6% 51.1 53.9 -0.8%	2.6% 51.5 54.5 -1.1%
Thursday, July 06, 2017	<ul style="list-style-type: none"> • U.S. ISM Services/Non-Manufacturing Composite (JUN) • Germany Markit Retail PMI (JUN) • Germany Factory Orders (YoY) (MAY) 	57.4 54.5 3.7%	56.9 55 3.3%
Friday, July 07, 2017	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (JUN) • U.S. Unemployment Rate (JUN) • Japan Leading Index (MAY P) • Germany Industrial Production (YoY) (MAY) • U.K. Industrial Production (YoY) (MAY) • U.K. Manufacturing Production (YoY) (MAY) 	222,000 4.4% 104.7 5.0% -0.2% 0.4%	152,000 4.3% 104.2 2.8% -0.8% 0.0%

The Week Ahead

10th July to 14th July

The Week Ahead

Day	Event
Monday, July 10 2017	<ul style="list-style-type: none"> • China Consumer Price Index (YoY) (JUN) • China Producer Price Index (YoY) (JUN) • U.S. Consumer Credit (MAY)
Tuesday, July 11, 2017	<ul style="list-style-type: none"> • Japan Machine Tool Orders (YoY) (JUN P)
Wednesday, July 12, 2017	<ul style="list-style-type: none"> • Japan Tertiary Industry Index (MoM) (MAY) • U.K. Jobless Claims Change (JUN) • Eurozone Industrial Production (YoY) (MAY) • U.S. MBA Mortgage Applications (JUL 07) • U.K. RICS House Price Balance (JUN)
Thursday, July 13, 2017	<ul style="list-style-type: none"> • China Trade Balance (JUN) • Germany Consumer Price Index (YoY) (JUN F) • U.S. Initial Jobless Claims (JUL 08)
Friday, July 14, 2017	<ul style="list-style-type: none"> • U.S. Consumer Price Index (YoY) (JUN) • U.S. Advance Retail Sales (JUN) • U.S. Industrial Production (JUN) • U.S. University of Michigan Confidence (JUL P)

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RELIANCE

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your time.