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News U Can Use

July 12, 2019

The Week that was...

8th July to 12th July

Indian Economy

- India's Index of Industrial Production (IIP) growth came in at 3.1% YoY in May 2019 compared with upwardly revised growth of 4.3% (rise of 3.4% originally reported) in Apr 2019 and increase of 3.8% in May 2018. The mining, manufacturing and electricity sector rose 3.2%, 2.5% and 7.4% in May 2019 compared with a rise of 5.8%, 3.6% and 4.2% a year ago, respectively.
- India's consumer inflation accelerated to 3.18% YoY in Jun 2019 from 3.05% in May 2019 but slowed compared with 4.92% in May 2018. Food inflation grew 2.17% in Jun 2019 compared with a growth of 1.83% in May 2019 and a growth of 2.91% in the same month of the previous year. Pulses and products inflation rose to 5.68% YoY in Jun against a rise of 2.13% in May. Meat and fish inflation rose to 9.01% YoY in Jun against a rise of 8.12% in May.
- According to government's Meteorological Department, the monsoon has covered almost the entire country, but three-fourths of the department's sub-meteorological divisions still fall under the "deficient" rainfall category. India Meteorological Department's data shows the overall monsoon deficiency, which was 33% at the start of the month, has dipped to 21%. No sub-division in the country recorded "large deficiency".
- Media reports showed the government identified 28 central PSUs for disinvestment this year. It also includes the national air carrier. The government is aiming to garner more than Rs. 1 lakh crore in 2019-22 from the sale of its shares in public sector undertakings.

Indian Equity Market

Domestic Equity Market Indices			
Indices	12-Jul-19	1 Week Return	YTD Return
S&P BSE Sensex	38,736.23	-1.97%	7.40%
Nifty 50	11,552.50	-2.19%	6.35%
S&P BSE Mid-Cap	14,553.88	-1.17%	-5.73%
S&P BSE Small-Cap	13,776.58	-2.58%	-6.32%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	27.85	28.33	30.57	35.55
P/B	2.95	3.61	2.43	1.92
Dividend Yield	1.21	1.29	1.02	1.04

Source: BSE, NSE Value as on July 12, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
08-Jul-19	351	1488	0.24
09-Jul-19	882	919	0.96
10-Jul-19	593	1192	0.50
11-Jul-19	931	841	1.11
12-Jul-19	898	895	1.00

Source: NSE

- Indian equity markets witnessed a downward trend during the week as investors were reeling under the aftereffects of the Union Budget 2019-20. The market was expecting a big stimulus for the economy in the budget, which didn't happen. Instead, the finance minister announced certain measures that didn't go down well with investors, including increasing public holding in listed companies from 25% to 35% and hike in surcharge on the high-income group.
- Further, the U.S. President complained that India's tariffs on U.S. products were unacceptable, raising concerns of trade tiff between the two countries.
- Investors remained cautious ahead of India's industrial production data for May 2019 and retail inflation rate for Jun 2019, scheduled post market hours of the week's last trading day.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	17,271.58	-2.38%	-6.06%
S&P BSE Bankex	34,415.02	-2.62%	-1.05%
S&P BSE CD	23,190.84	-8.55%	-8.54%
S&P BSE CG	18,653.31	-5.20%	-4.15%
S&P BSE FMCG	11,219.95	-2.48%	-3.72%
S&P BSE HC	12,923.39	1.61%	-0.93%
S&P BSE IT	15,102.18	-0.97%	-6.09%
S&P BSE Metal	10,540.26	-0.58%	-4.38%
S&P BSE Oil & Gas	14,088.55	-2.75%	-7.00%

Source: Thomson Reuters Eikon *Value as on July 12, 2019

- On the BSE sectoral front, barring S&P BSE HC (1.61%), all the major indices closed in the red. Sectors have reacted negatively to certain measures announced in the budget. S&P BSE CD (-8.55%) stood as the major loser followed by S&P BSE CG (-5.20%) and S&P BSE Oil & Gas (-2.75%).
- The auto sector lost 2.38% as Jun 2019 vehicle sales declined across categories, once again exposing the weakness in the sector. .

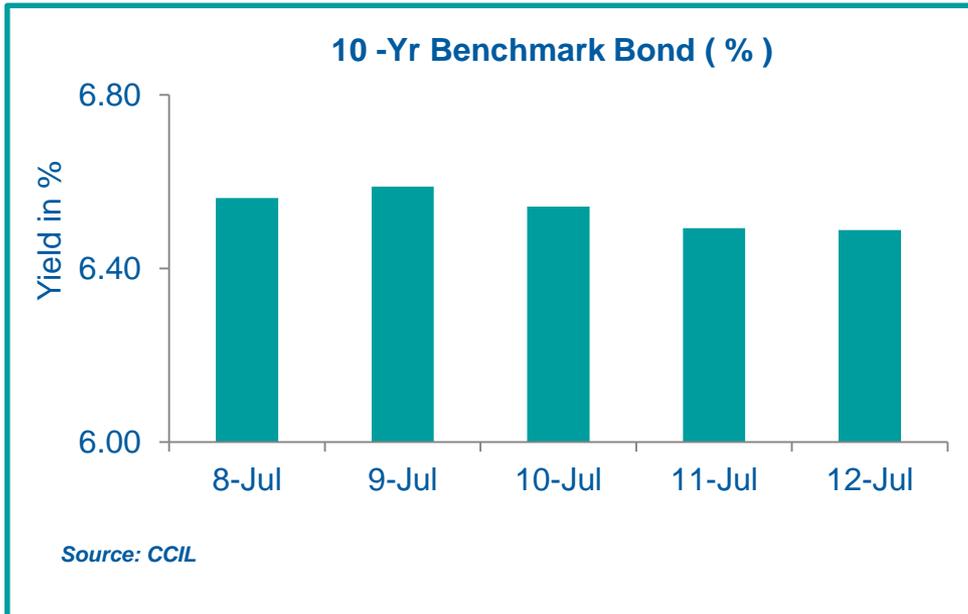
Indian Derivatives Market Review

- Nifty Jul 2019 Futures stood at 11,544.35, a discount of 8.15 points, below the spot closing of 11,552.50. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 62.90 lakh crore as against Rs. 55.55 lakh crore for the week to Jul 5.
- The Put-Call ratio stood at 0.87 compared with the previous week's close of 0.79.
- The Nifty Put-Call ratio stood at 1.15 against the previous week's close of 1.09.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.63	5.56	5.69	6.35
91 Day T-Bill	5.85	5.89	5.97	6.63
07.32% 2024, (5 Yr GOI)	6.45	6.62	6.80	7.01
07.26% 2029, (10 Yr GOI)	6.49	6.70	7.01	7.26

Source: Thomson Reuters Eikon *Value as on July 12, 2019*



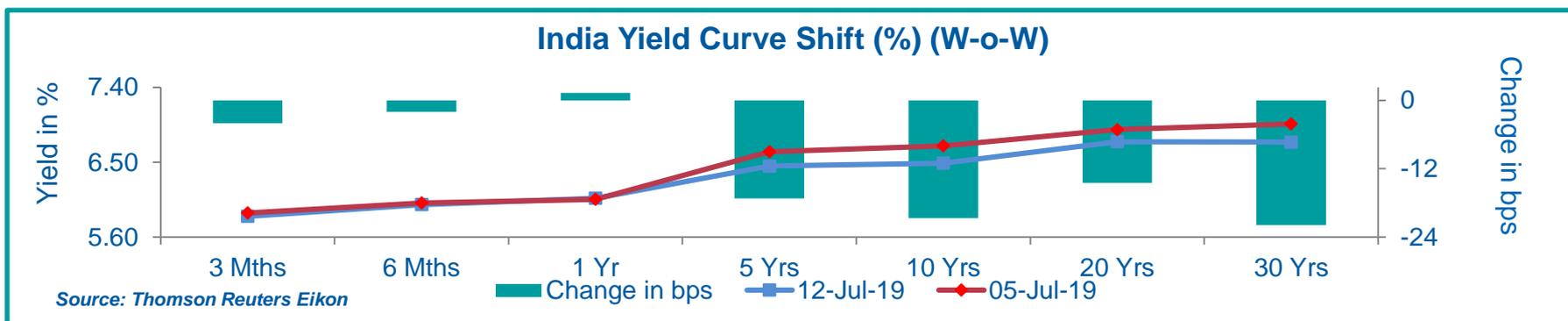
- Bond yield plunged for the second week as the government announced its plan for raising a proportion of its borrowing through bond sales in the overseas market. This somewhat helped in alleviating fears of widening fiscal deficit. After this announcement, the bond market has likely turned attractive for foreign participants, which declined yields further.
- Prices further boosted following strength in the local currency after the U.S. Federal Reserve chairman signalled a policy rate-cut.
- Yields on the 10-year benchmark paper (7.26% GS 2029) plunged 21 bps to close at 6.49% compared with the previous close of 6.70% after trading in the range of 6.46% to 6.71%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.16	7.75	159
3 Year	6.45	7.71	126
5 Year	6.56	7.80	124
10 Year	6.59	8.03	143

Source: Thomson Reuters Eikon Value as on July 12, 2019

- Yields on gilt securities increased on 1 and 2-year paper by 1 bps each and fell across the remaining maturities in the range of 7 bps to 23 bps.
- Corporate bond yields fell across the maturities in the range of 6 bps to 23 bps. The maximum decline was witnessed on 8- and 9-year papers and the minimum decline was witnessed on 4-year paper.
- Difference in spread between AAA corporate bond and gilt expanded across 3 to 6 years' maturities by up to 8 bps, closed steady on 10-year paper and contracted across the remaining maturities by up to 11 bps.



Regulatory Updates in India

- The government booked almost 1,800 cases for issuing fake Goods and Services Tax (GST) invoices since 2017-18, media reports showed. The highest number of cases have been booked in 2018-19 when the authorities booked 1,220 cases involving an amount of nearly Rs. 9,500 crore. The government informed the Rajya Sabha that 1,796 cases for issuing fake GST invoices has been booked in three years to claim the Input Tax Credit (ITC) available under the GST.
- The finance secretary said the government will soon start the process of raising funds from overseas markets by issuing sovereign bonds in the second half of the fiscal. The finance minister in Budget 2019-20 announced that the government would start raising a part of its gross borrowing programme from external markets in foreign currencies. She added that India's sovereign external debt-to-GDP level is among the lowest globally at less than 5%.
- Department of Investment and Public Asset Management secretary said the government will carry out a number of 'big and small' strategic sales of public sector undertakings (PSUs) in the current financial year and bringing down stakes in many PSUs to below 51%.
- The finance ministry has justified raising tax incidence on the super rich, saying the highest tax rate in India was still lower than many countries, including the U.S. and China. The ministry said it is a worldwide phenomenon to ask the super rich to pay extra tax. Revenue secretary said that the highest tax individual tax rate is 45% in China and South Africa, and 50.3% in the U.S.

Regulatory Updates in India (contd..)

- The Reserve Bank of India said in its latest quarterly residential asset price monitoring survey that housing affordability has worsened over the past four years even as banks have become increasingly risk intolerant.
- The Telecom Regulatory Authority of India (TRAI) is stuck to its recommendation on the reserve price of spectrum, including 5G band, said media news. The Digital Communications Commission (DCC) had asked TRAI to reconsider its spectrum recommendations to ensure competition and greater participation of larger set of players in auctions slated for 2019. The 5G band is aimed by the government to be put up for auctions later in 2019.
- Reserve Bank of India governor said the central bank will discuss issuance of overseas sovereign bonds with the government. After the customary post-budget meeting with the finance minister, he said the system has sufficient liquidity and the budget has made provision for the non-banking financial sector.
- India has started a probe into alleged dumping of flat rolled products of stainless steel from 15 countries. These countries include China, the U.S. and Japan. This comes following complaints by domestic players. Commerce ministry's investigation arm Directorate General of Trade Remedies has begun the investigation after finding evidence of dumping of the products from several countries including China, Korea and the European Union.

Global News/Economy

- A Labor Department report showed an unexpected uptick in U.S. consumer prices in Jun 2019, reflecting steep drop in gas prices offset by an increase in the cost of shelter. The Labor Department said its consumer price index inched up 0.1% in Jun, matching the slight increase seen in May 2019.
- A Labor Department report showed first-time claims for U.S. unemployment benefits unexpectedly fell in the week ended Jul 6, 2019. The report said initial jobless claims dropped to 209,000, a decrease of 13,000 from the previous week's revised level of 222,000.
- Figures from the Office for National Statistics showed U.K. gross domestic product grew in May 2019 after a decline in Apr 2019. GDP rose 0.3% MoM in May following a 0.4% decline in Apr. The expansion was in line with expectations. In Mar 2019, GDP edged up 0.1%. However, the rolling three-month growth slowed to 0.3% in the quarter to May from 0.4% in the three months to Apr. In the Jan to Mar 2019 period, the growth was 0.5%.
- The National Bureau of Statistics said consumer prices in China were up 2.7% YoY in Jun 2019, in line with expectations and unchanged from the May 2019 reading. On a monthly basis, consumer prices were down 0.1% following the flat reading a month earlier. The bureau also said that producer prices were flat YoY in Jun.

Global Equity Markets

Global Indices			
Indices	12-Jul-19	1-Week Return	YTD Return
Russell 3000	1,321.16	1.06%	24.32%
Nasdaq 100	7,943.24	1.30%	25.49%
FTSE 100	7,505.97	-0.62%	11.56%
DAX Index	12,345.30	-1.78%	16.92%
Nikkei Average	21,685.90	-0.28%	8.35%
Straits Times	3,357.34	-0.28%	9.40%

Source: Thomson Reuters Eikon *Value as on July 12, 2019*

Europe

- European markets witnessed pressure amid concerns over global economic slowdown as the International Monetary Fund (IMF) and Bank of England spoke about risks from trade tensions, Brexit impact and Italy's big deficit budget. Investor sentiment was dented by tensions between the U.S. and the U.K. after Britain's ambassador to Washington resigned during the week.

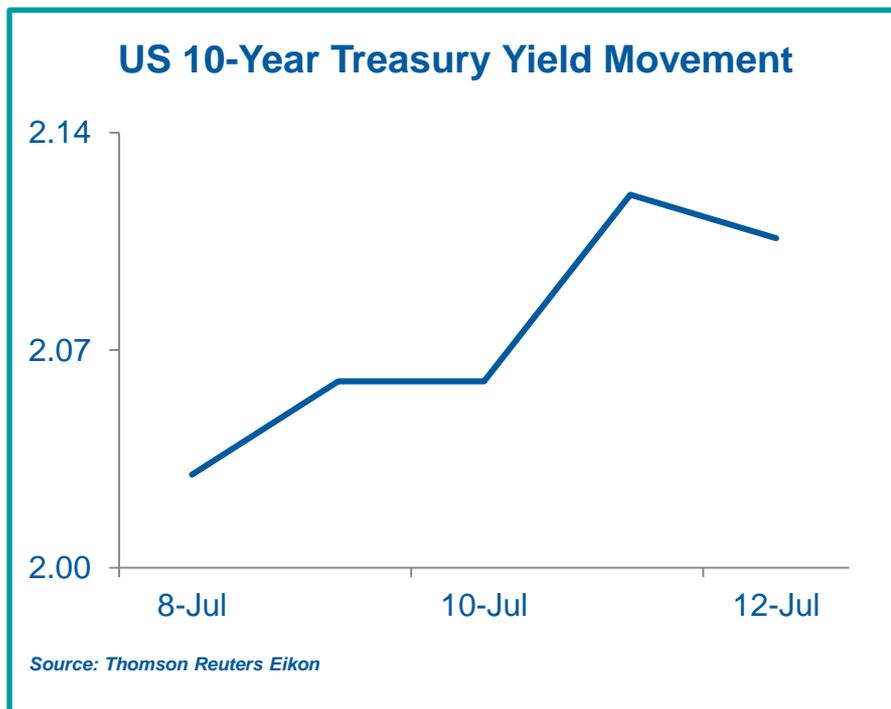
Asia

- Asian markets ended the week in the red with investors remaining cautious ahead of Chinese trade data and amid fresh worries over U.S.-China trade tensions. Nonetheless, the downturn was restricted by dovish remarks from U.S. Fed, which reignited hopes of a U.S. interest rate cut later this month.

U.S.

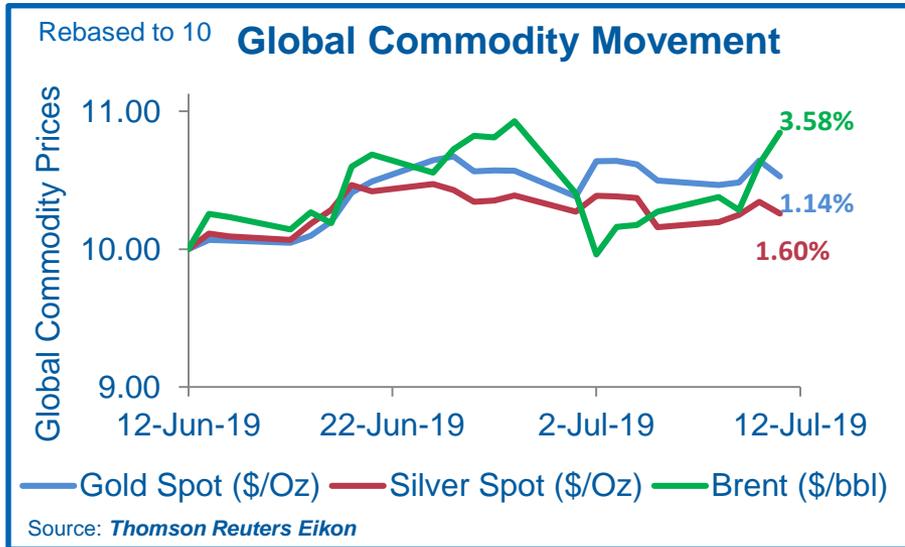
- U.S. markets closed higher with investor sentiment broadly supported by the recent Congressional testimony of the U.S. Federal Reserve chief.
- The Fed chief indicated crosscurrents, such as trade tensions and concerns about global growth, have continued to weigh on the U.S. economic outlook. This, in turn, revived optimism about a rate cut.

Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond rose 7 bps to 2.11% compared with the previous week's close of 2.04%.
- U.S. Treasury prices fell initially as market participants remained on the sidelines ahead of the release of U.S. Federal Reserve meeting minutes for Jun 2019 and U.S. Fed chief's congressional testimony that was due on Jul 10, 2019.
- Losses were extended following weak demand at the auction of \$16 billion 30-year bonds. U.S. Treasury prices fell further after U.S. consumer price index and producer price index rose in Jun 2019.
- However, further losses were restricted after the U.S. Fed chief in his congressional testimony expressed concerns over global growth which increased the possibility of a rate cut by the U.S. central bank in the near term.

Commodities Market



Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	67.14	64.82
Gold (\$/Oz)	1,415.50	1,399.55
Gold (Rs/10 gm)	34,407	34,655
Silver (\$/Oz)	15.21	14.97
Silver (Rs/Kg)	37,733	37,775

Source: Thomson Reuters Eikon

*Value as on July 12, 2019

Gold

- Gold prices grew amid rising U.S.-China trade feud after the U.S. President said that China did not keep its promise of purchasing American farm products. Rising geopolitical tensions between the U.S. and Iran heightened after the latter said that it would bolster its uranium enrichment, leading to a breach of the 2015 nuclear deal.

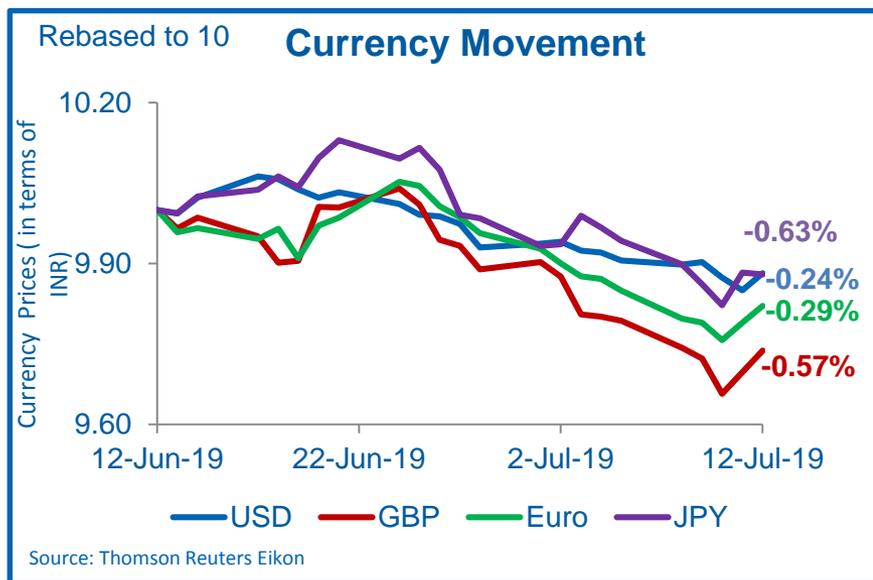
Brent Crude

- Brent crude prices grew and stood above the \$65-a-barrel mark as tropical storm Barry continued to inch towards the Gulf Coast, compelling oil producers around the belt to reduce their output by more than half.

Baltic Dry Index

- The Baltic Dry Index grew on the back of improved capesize and panamax activities.

Currencies Markets



Rupee

- The rupee strengthened against the greenback after U.S. Federal Reserve chairman indicated interest rate cut at its upcoming monetary policy meeting.

Euro

- The euro weakened initially due to uncertainty over U.S. Fed's interest rate decision. However, the trend reversed after U.S. Fed chairman, in its testimony, indicated interest rate cut at the upcoming monetary policy meeting.

Pound

- The pound rose against the greenback as the latter weakened after the U.S. Fed chairman indicated interest rate cut at the upcoming monetary policy meeting.

Yen

- The yen rose against the U.S. dollar after the U.S. Fed chairman reinforced expectations that the central bank will cut interest rates in its next monetary policy meeting.

Movement of Rupee vs Other Currencies

Currency	Last Closing*	1-Wk Ago
US Dollar	68.59	68.75
Pound Sterling	86.01	86.50
EURO	77.29	77.52
100 Yen	63.30	63.70

Source: RBI

Figures in INR , *Value as on July 12, 2019

The Week that was...

8th July to 12th July

The Week that was (July 08 – July 12)

Date	Events	Present Value	Previous Value
Monday, July 08, 2019	• German Industrial Production (YoY) (May)	-3.70%	-2.30%
	• German Trade Balance (May)	18.7b	16.9b
Tuesday, July 09, 2019	• Japan Machine Tool Orders (YoY) (Jun P)	-38.00%	-27.30%
Wednesday, July 10, 2019	• China Consumer Price Index (YoY) (Jun)	2.70%	2.70%
	• U.K. Monthly Gross Domestic Product (MoM) (May)	0.30%	-0.40%
	• U.K. Industrial Production (YoY) (May)	0.90%	-1.10%
	• U.K. Manufacturing Production (YoY) (May)	0.00%	-1.10%
	• U.K. Trade Balance (May)	-£2324m	-£3716m
Thursday, July 11, 2019	• U.S. Consumer Price Index (YoY) (Jun)	1.60%	1.80%
	• Germany Consumer Price Index (YoY) (Jun F)	1.60%	1.60%
	• U.S. Initial Jobless Claims (Jul 6)	209k	222k
	• Japan Tertiary Industry Index (MoM) (May)	-0.20%	0.80%
Friday, July 12, 2019	• India Consumer Price Index (Jun)	3.18%	3.05%
	• India Index of Industrial Production (May)	3.10%	3.40%
	• China New Yuan Loans CNY (Jun)	1660.0b	1180.0b
	• Eurozone Industrial Production (YoY) (May)	-0.50%	-0.40%
	• Japan Industrial Production (YoY) (May F)	-2.10%	-1.80%
	• China Trade Balance (Jun)	\$50.98b	\$41.66b

The Week ahead

15th July to 19th July

The Week Ahead

Day	Event
Monday, Jul 15, 2019	<ul style="list-style-type: none"> • India Wholesale Price Index (Jun) • China Gross Domestic Product YTD (YoY) (2Q) • China Industrial Production (YoY) (Jun)
Tuesday, Jul 16, 2019	<ul style="list-style-type: none"> • Germany ZEW Survey Expectations (Jul) • Eurozone ZEW Survey (Economic Sentiment) (Jul) • U.S. Retail Sales Advance (MoM) (Jul) • U.S. Industrial Production (MoM) (JUN)
Wednesday, Jul 17, 2019	<ul style="list-style-type: none"> • U.K. Consumer Price Index (YoY) (Jun) • Eurozone Consumer Price Index (YoY) (Jun F) • U.S. Housing Starts (MoM) (Jun) • Japan Trade Balance (Jun)
Thursday, Jul 18, 2019	<ul style="list-style-type: none"> • Japan National Consumer Price Index (YoY) (Jun) • U.S Initial Jobless Claims (Jul 13) • U.S. Leading Index (Jun)
Friday, Jul 19, 2019	<ul style="list-style-type: none"> • U.S. University of Michigan Sentiment (Jul P) • Japan All Industry Activity Index (MoM) (May)

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