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July 14, 2017

The Week that was...

10th July to 14th July

Indian Economy

- Government data showed that India's trade deficit narrowed to \$12.96 billion in Jun 2017 from \$13.84 billion in the previous month. However, it expanded from \$8.12 billion in the same month of the previous year. Exports for Jun came in at \$23.56 billion, up 4.39% YoY. Imports for the month stood at \$36.52 billion, up 19.01% from the year ago period.
- Government data showed that retail inflation fell to a record low of 1.54% in Jun 2017 from 2.18% in May 2017 and 5.77% in the same period of the previous year. This marks the lowest inflation rate since the series began in 2012. The consumer food price index contracted 2.12% in Jun compared with a contraction of 1.05% in May 2017 and expansion of 7.79% in Jun 2016.
- Government data showed that the Index of Industrial Production (IIP) went up 1.7% YoY in May 2017, much lower than 8% growth in May 2016. The downside reflects dip in mining (-0.9%) and marginal growth in manufacturing activities (1.2%). According to use-based classification, growth in capital goods and consumer durables in May 2017 contracted from the year-ago period.
- Government data showed that Wholesale Price Index (WPI) based inflation slowed to 0.90% in Jun from 2.17% in the previous month. This marked an 11-month low. Meanwhile, WPI had contracted -0.09% in the same month of the previous year. The fall was because food inflation turned negative and prices of manufactured items grew at their slowest pace in the past seven months.

Indian Equity Market

Domestic Equity Market Indices			
Indices	14-Jul-17	1 Week Return	YTD Return
S&P BSE Sensex	32,020.75	2.10%	20.40%
Nifty 50	9,886.35	2.28%	20.87%
S&P BSE Mid-Cap	15,187.41	1.64%	25.19%
S&P BSE Small-Cap	15,908.01	0.49%	30.50%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.47	25.42	30.32	74.91
P/B	3.07	3.66	2.69	2.46
Dividend Yield	1.22	1.08	1.21	0.73

Source: BSE, NSE *Value as on Jul 14, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
10-Jul-17	650	1041	0.62
11-Jul-17	980	705	1.39
12-Jul-17	949	674	1.41
13-Jul-17	846	846	1.00
14-Jul-17	592	1111	0.53

Source: NSE

- The domestic market went on a winning streak for four consecutive days during the week. Key benchmark indices touched record highs amid expectations of a rate-cut by the Monetary Policy Committee (MPC) in its upcoming meeting on the back of record low retail inflation numbers.
- Towards the end, profit booking and tepid earnings numbers from major IT companies limited the upside but Sensex and Nifty closed above 32,000 and 9,800 marks, respectively.
- India Index Services & Products Ltd (IISL), an NSE group company, has launched four multi-factor equity indices, which will provide diversified exposure.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,214.96	1.66%	0.02%
S&P BSE Bankex	27,126.04	2.37%	2.09%
S&P BSE CD	15,969.84	-0.38%	0.20%
S&P BSE CG	17,640.01	2.03%	0.23%
S&P BSE FMCG	10,812.07	1.17%	7.42%
S&P BSE HC	14,702.79	2.22%	3.23%
S&P BSE IT	10,051.60	2.71%	-0.07%
S&P BSE Metal	11,962.59	1.71%	7.09%
S&P BSE Oil & Gas	13,908.12	3.04%	0.64%

Source: Reuters Value as on Jul 14, 2017

- On the BSE sectoral front, most of the indices closed in the green barring S&P BSE Realty (-0.84%) and S&P BSE Consumer Durables (-0.38%).
- Meanwhile, S&P BSE Oil & Gas (3.04%) stood as the major gainer followed by S&P BSE Teck (2.94%), S&P BSE IT (2.71%), and S&P BSE Bankex (2.37%). Rate sensitive banking and auto sectors gained on expectations of rate-cut by MPC in near term.

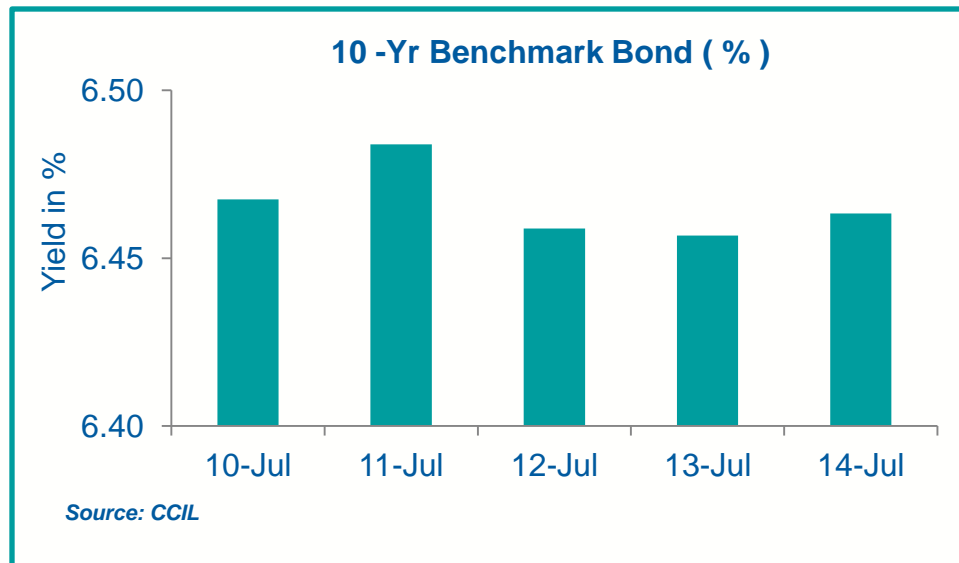
Indian Derivatives Market Review

- Nifty Jul 2017 Futures were at 9,899.55 points, a premium of 13.20 points above the spot closing of 9,886.35. The turnover on NSE's Futures and Options segment stood at Rs. 27.72 lakh crore compared with Rs. 24.22 lakh crore in the week to Jul 7.
- The Put-Call ratio stood at 1.03 compared with the previous week's close of 0.94.
- The Nifty Put-Call ratio stood at 1.50 compared with the previous week's close of 1.31.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.09	6.09	6.12	6.04
91 Day T-Bill	6.18	6.28	6.30	6.25
07.80% 2021, (5 Yr GOI)	6.55	6.62	6.57	6.44
06.79% 2027, (10 Yr GOI)	6.46	6.53	6.47	--

Source: Reuters Value as on Jul 14, 2017



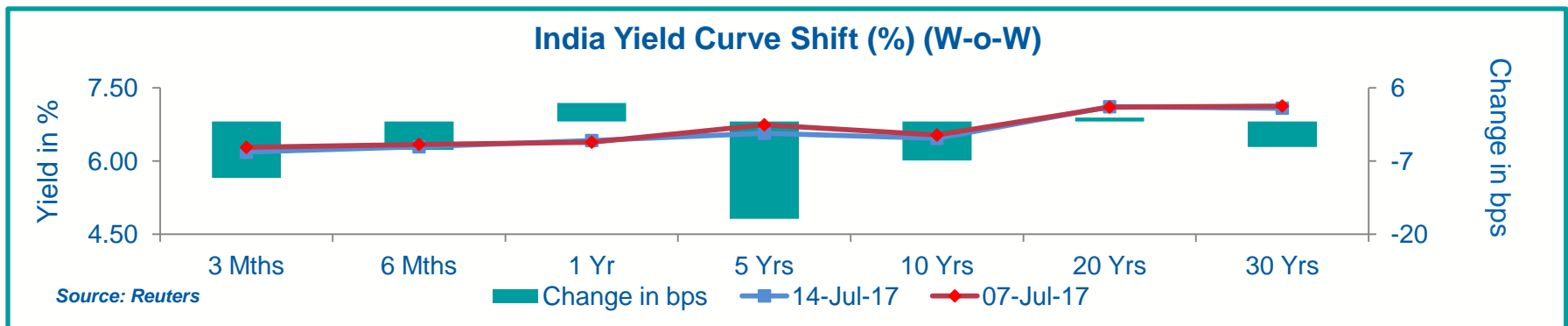
- Bond yields fell on growing expectations that retail inflation will drop further in Jun 2017, which could make way for further monetary easing by the Monetary Policy Committee. Market participants hoped that prospects of good monsoon will keep food inflation low.
- Yields fell further after retail inflation in Jun 2017 eased to a record low, although gains were restricted as investors resorted to profit booking.
- Yield on the 10-year benchmark bond (6.79% GS 2027) fell 7 bps to close 6.46% compared with the previous close of 6.53%.
- Data from RBI showed that India's foreign exchange reserves fell to \$386.38 billion as of Jul 7 from \$386.54 billion in the previous week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.50	6.96	46
3 Year	6.59	7.10	51
5 Year	6.67	7.21	54
10 Year	6.67	7.38	71

Source: Reuters Value as on Jul 14, 2017

- Yields on gilt securities fell across maturities by up to 17 bps, barring 1-, 6-, 7-, and 19-year papers that increased by up to 3 bps.
- Corporate bond yields plunged across curve in the range of 5 to 10 bps. Highest decline was seen on 6- and 7-year papers and the lowest increase was on 1- and 2-year papers.
- Spread between AAA corporate bond and gilt contracted across maturities by up to 6 bps, barring 4- and 5-year papers that expanded 2 bps and 9 bps, respectively.



Regulatory Updates in India

- In order to make norms stricter for participatory notes (P-Notes), the Securities and Exchange Board of India (SEBI) has posed restrictions on foreign portfolio investors from issuing participatory notes where the underlying asset is a derivative. As per the norms, if derivative is an underlying asset, P-Notes or Offshore Derivative Instruments can be issued for the purpose of hedging with respect to the equity shares held. Meanwhile, the existing positions on unhedged P-Note derivatives have to be liquidated by the end of Dec 2020.
- SEBI has amended the guidelines regarding the eligibility of foreign investors that are looking to operate at the International Financial Services Centre (IFSC). As per the amended rules, a trading member of a stock exchange in IFSC can carry out the due diligence for an eligible foreign investor (EFI), who is not registered with the regulator as a Foreign Portfolio Investor (FPI). After discussions with various market participants, SEBI also amended the guidelines for participation and functioning of EFIs and FPIs in IFSC.
- Income-tax authorities have brought in a new provision in the tax return form as per which all non-resident Indians (NRIs) are required to disclose details of their bank accounts that are outside India. In order to cover income from stocks, properties and fixed income instruments, most NRIs file tax return in India. However, from this year, these NRIs will have to share the account numbers of their overseas bank accounts, name of the banks, countries where the bank offices are located as well as the Swift codes and International Bank Account Numbers (IBAN) with the tax office.

Regulatory Updates in India (contd..)

- SEBI has lifted ban on futures trading in chana (gram) and NCDEX (National Commodity and Derivatives Exchange) will relaunch the chana futures contract. This move is expected to ensure better price realisation for farmers as the country has achieved record production in crop year 2016-17. In order to curb speculation and check prices, SEBI had suspended introduction of any new contracts in chana in Jun 2016.
- The government is considering the request of banks and the National Payments Corporation of India to increase the referral bonus of payments app Bharat Interface for Money (BHIM). BHIM has not been able to attract consumers as the incentive on it is too low. NPCI has requested the government to increase the referral bonus to Rs. 25 from Rs. 10, which is being considered by the government.
- Beginning Jan 2018, the government has made it mandatory for e-commerce companies to print not only the maximum retail price (MRP) on goods but also information like manufacturing date, expiry date, net quantity, country of origin, and consumer care details, in order to protect online consumers.
- The Department of Telecom has rejected the plea from handset makers and has made it compulsory that beginning Jan 1, 2018, all mobile phones should have global positioning system (GPS) that helps track a phone. The handset makers pleaded that adding the facility on feature phones would raise the cost by at least 30%.

Global News/Economy

- According to a report from the Organization for Economic Co-operation and Development (OECD), composite leading index, which is designed to anticipate turning points in economic activity relative to trend six to nine months ahead, held steady at 100.0 in May 2017. The index indicated stable growth momentum for Japan, Canada, and euro zone, while suggested easing of economic activity for the U.S. and the U.K.
- According to a report released by the Labor Department, U.S. consumer price index was flat in Jun 2017 after experiencing a decline of 0.1% in May 2017. Core consumer prices that excluded food and energy prices inched up 0.1% for third month in a row.
- U.S. retail sales surprisingly came in lower than expected in Jun 2017. Retail sales fell 0.2% in Jun after experiencing a decline of revised 0.1% (0.3% decrease originally reported) in May 2017. This marked a decline for the second month in a row. Retail sales excluding auto sales dropped 0.2% in Jun as against a decline of 0.3% in May.
- According to a report from the Office for National Statistics, the ILO jobless rate in the U.K. came in at 4.5% in three months to May 2017 as against 4.9% in the previous-year period. This marked the lowest rate since 1975.
- According to the National Bureau of Statistics, China's inflation stood steady at 1.5% in Jun 2017. Food prices fell 1.2% while non-food prices grew 2.2% in Jun. Inflation was 1.4% in the first half of the year. The government targets approximately 3% inflation in 2017.

Global Equity Markets

Global Indices			
Indices	14-Jul-17	1-Week Return	YTD Return
Dow Jones	21,637.74	1.04%	8.83%
Nasdaq 100	5,838.08	3.21%	18.87%
FTSE 100	7,378.39	0.37%	2.79%
DAX Index	12,631.72	1.96%	8.91%
Nikkei Average	20,118.86	0.95%	2.68%
Straits Times	3,287.43	1.81%	13.40%

Source: Reuters *Value as on Jul 14, 2017*

Europe

- European markets remained high for the major part of the week, led by positive sentiments generated by the U.S. Fed's testimony before the Congress. Additionally, encouraging data from the region supported buying interest. While, industrial output in the euro zone hit its highest level in six months in May, the U.K. jobless rate came in at the lowest since 1975 in three months to May.

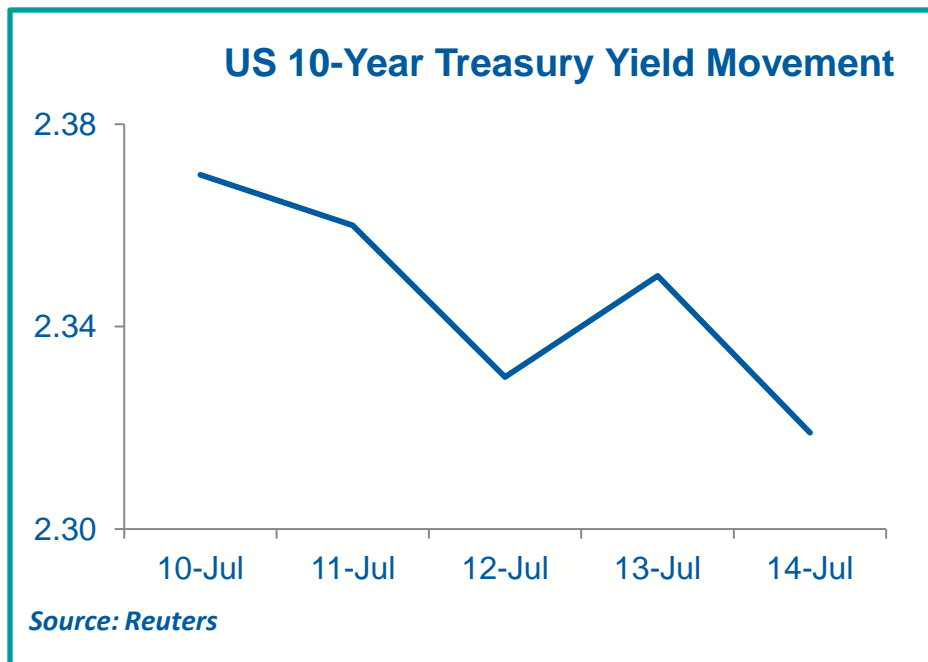
Asia

- Asian markets rose during the week, in tune with global peers, with investors taking positive cues from the U.S. Fed chief's testimony before the Congress. The U.S. Fed chief's comments soothed concerns over the pace of future rate hikes. Additionally, encouraging Chinese export data for Jun 2017, supported buying interest.

U.S.

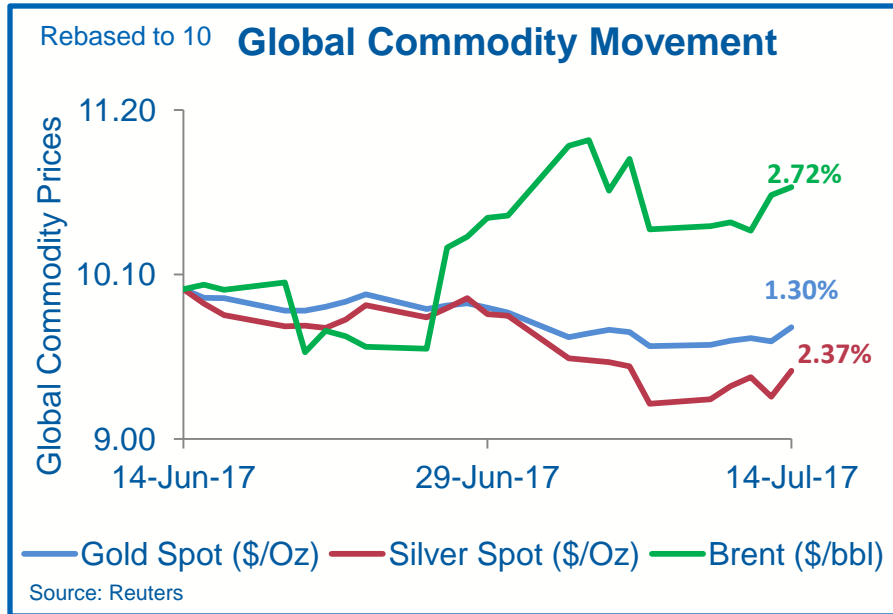
- Investors eyed the U.S. Fed's semi-annual monetary policy testimony before the House Financial Services Committee during the week. The U.S. Fed chief said that additional gradual rate hikes are appropriate over the next few years.
- The comments eased concerns over the pace of future rate hikes, leading to market gains.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 7 bps to close at 2.32% from the previous week's close of 2.39%.
- U.S. Treasury prices rose initially after the U.S. Federal Reserve chief, in her congressional testimony, indicated gradual rate hikes that dampened growing expectations of more than one interest rate hike for the rest of the year.
- Prices rose further after weaker than expected consumer prices and retail sales data in the U.S. for Jun 2017 raised doubts about U.S. economic growth and another rate hike in 2017.
- However, gains were capped after data showed that U.S. producer prices rose in Jun 2017 and weekly jobless claims fell for the week ended Jul 8.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.98	46.71
Gold (\$/Oz)	1,228.58	1,212.80
Gold (Rs/10 gm)	27,850	28,009
Silver (\$/Oz)	15.95	15.58
Silver (Rs/Kg)	36,460	36,860

Source: Reuters Value as on Jul 14, 2017

Gold

- Gold prices gained as downbeat U.S. consumer prices data for Jul weakened the chances of future interest rate hike by the U.S. Fed. Doubts regarding U.S. President's reform agenda, and the Fed Chief's statement on gradual rise in interest rates, supported sentiment.

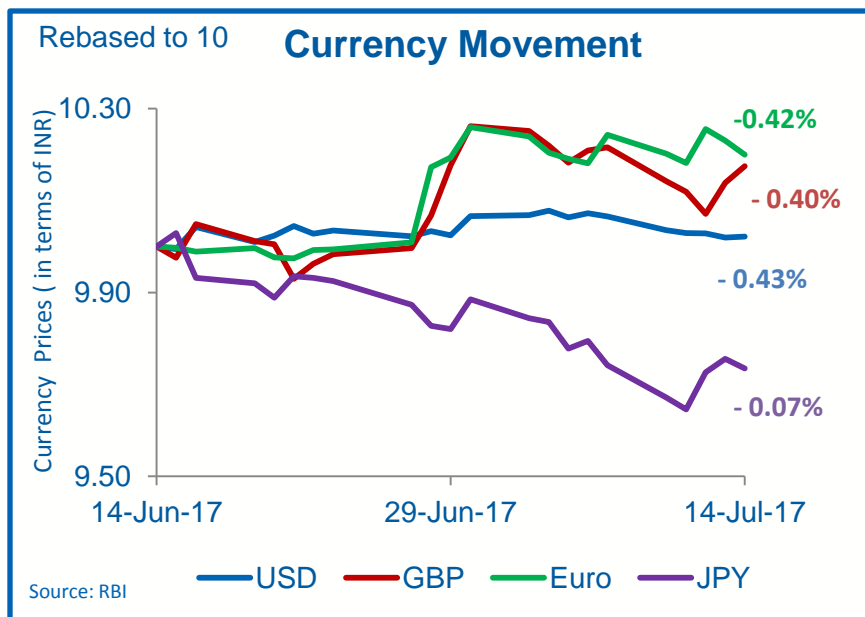
Crude

- Brent crude prices climbed after U.S. Energy Information Administration reported that U.S. crude stockpiles snapped 7.60 million barrels in the week to Jul 7, while the American Petroleum Institute showed oil inventories declined 8.10 million barrels during the period.

Baltic Dry Index

- The Baltic Dry Index rose owing to stronger capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.45	64.73
Pound Sterling	83.55	83.88
EURO	73.57	73.88
JPY(per 100 Yen)	56.90	56.94

Source: RBI Figures in INR , Value as on Jul 14, 2017

Rupee

- The rupee rose against the greenback following gains in the domestic equity market. Indication of a gradual pace of rate increases by the U.S. Fed chief further weighed on the greenback.

Euro

- The euro rose against the greenback amid uncertainty over the U.S. administration's ability to pass reformatory measures.

Pound

- The sterling surged against the greenback amid uncertainty over the U.S. administration's ability to pass reformatory measures.

Yen

- The yen surged against the greenback amid uncertainty over the U.S. administration's ability to pass reformatory measures and indication of gradual pace of rate increases by the U.S. Fed.

The Week that was...

10th July to 14th July

The Week that was (Jul 10– Jul 14)

Date	Events	Present Value	Previous Value
Monday, Jul 10, 2017	<ul style="list-style-type: none"> • China Consumer Price Index (YoY) (Jun) • Germany Trade Balance (euros) (May) • Japan Eco Watchers Survey Current SA (Jun) 	1.5% 22.0b 50	1.5% 18.1b 48.6
Tuesday, Jul 11, 2017	<ul style="list-style-type: none"> • Japan Machine Tool Orders (YoY) (Jun P) • Japan Domestic Corporate Goods Price Index (MoM) (Jun) 	31.1% 0.0%	24.5% 0.0%
Wednesday, Jul 12, 2017	<ul style="list-style-type: none"> • China New Yuan Loans CNY (Jun) • Japan Tertiary Industry Index (MoM) (May) • U.K. ILO Unemployment Rate (3M) (May) • Eurozone Industrial Production (YoY) (May) 	1540b -0.1% 4.5% 4.0%	1110b 1.4% 4.6% 1.2%
Thursday, Jul 13, 2017	<ul style="list-style-type: none"> • China Trade Balance CNY (Jun) • China Foreign Direct Investment (YoY) CNY (Jun) • Germany Consumer Price Index (YoY) (Jun F) • U.S. Initial Jobless Claims (Jul 7) 	294.3b 2.3% 1.6% 247k	281.6b -3.7% 1.6% 250k
Friday, Jul 14, 2017	<ul style="list-style-type: none"> • U.S. Consumer Price Index (YoY) (Jun) • U.S. Consumer Price Index Ex Food & Energy (YoY) (Jun) • U.S. Advance Retail Sales (MoM) (Jun) 	1.6% 1.7% -0.2%	1.9% 1.7% -0.10%

The Week Ahead

17th July to 21st July

The Week Ahead

Day	Event
Monday, Jul 17, 2017	<ul style="list-style-type: none"> • China Gross Domestic Product (QoQ) (2Q) • China Industrial Production (YoY) (Jun) • China Retail Sales (YoY) (Jun)
Tuesday, Jul 18, 2017	<ul style="list-style-type: none"> • Eurozone ZEW Survey (Economic Sentiment) (Jul) • Germany ZEW Survey (Economic Sentiment) (Jul) • U.K. Consumer Price Index (YoY) (Jun) • U.K. House Price Index (YoY) (May)
Wednesday, Jul 19, 2017	<ul style="list-style-type: none"> • Japan Merchandise Trade Balance Total (Yen) (Jun) • U.S. Housing Starts (MoM) (Jun)
Thursday, Jul 20, 2017	<ul style="list-style-type: none"> • European Central Bank Rate Decision (Jul 20) • Japan All Industry Activity Index (MoM) (May) • Eurozone Consumer Confidence (Jul A) • Bank of Japan Policy Balance Rate (Jul 20) • U.K. Retail Sales (YoY) (Jun)
Friday, Jul 21, 2017	<ul style="list-style-type: none"> • U.K. Public Sector Net Borrowing (Pounds) (Jun) • U.K. Public Finances (PSNCR) (Pounds) (Jun)

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