

News U Can Use

July 15, 2016



The Week that was...
11th July to 15th July

Indian Economy

- ❑ Government data showed that Consumer Price Index (CPI) based inflation rose to a 22-month high of 5.77% in Jun 2016 from 5.76% in the previous month and 5.40% in the same month of the previous year. The consumer food price index also rose to 7.79% in Jun from downwardly revised 7.47% in the previous month and 5.48% in the same period of the previous year. Vegetable price inflation for Jun stood at 14.74%, while those of pulses and products, stood at 26.86%.
- ❑ Government data showed that the Index of Industrial Production (IIP) rose 1.2% in May 2016 compared with a fall of 0.8% in Apr 2016 and increase of 2.5% in the same month of the previous year. Rise in industrial output was due to expansion in the mining, manufacturing, and electricity sectors by 1.3%, 0.7%, and 4.7%, respectively. As per use-based classification, basic goods sector increased by 3.9%, while capital goods sector plunged by 12.4% during the reported period.
- ❑ Government data showed that Wholesale Price Index (WPI) based inflation accelerated to 1.62% in Jun 2016 from 0.79% in May 2016 and (-) 2.13% in Jun 2015 due to faster rise in food articles. Buildup from the previous month in food articles was 2.91% due to higher price of fruits and vegetables and pulses. Buildup from the previous month in manufactured products was 0.19%, while fuel & power was 3.44%.

Indian Equity Market

Domestic Equity Market Indices			
Indices	15-Jul-16	1 Week Return	YTD Return
S&P BSE Sensex	27836.5	2.62%	6.41%
Nifty 50	8541.4	2.62%	7.26%
S&P BSE Mid-Cap	12125.21	2.06%	7.82%
S&P BSE Small-Cap	11979.69	0.02%	0.33%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.37	23.43	25.89	42.77
P/B	2.96	3.47	2.58	2.03
Dividend Yield	1.4	1.21	1.17	0.9

Source: BSE, NSE

Value as on Jul 15, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
11-Jul-16	1094	540	2.03
12-Jul-16	735	882	0.83
13-Jul-16	507	1110	0.46
14-Jul-16	1000	617	1.62
15-Jul-16	532	1072	0.50

Source: NSE

- Indian equity markets ended the week on a positive note amid hopes of approval of the Goods and Services Tax (GST) Bill in the monsoon session of the Parliament, scheduled to commence from Jul 18. Easing concerns over global economic health following stronger than expected U.S. jobs report for Jun contributed to the gains.
- Bourses further pared some gains as the corporate earnings season kick-started on a weak note after two major industry heavyweights in the information technology sector reported lower than expected quarterly numbers and revenue outlook for the current fiscal.
- Weak European cues in the wake of terrorist attack in France dented investor sentiment even more.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20423.8	3.63%	5.80%
S&P BSE Bankex	21720.9	5.27%	5.83%
S&P BSE CD	12249.1	2.30%	7.07%
S&P BSE CG	15546.2	2.56%	4.52%
S&P BSE FMCG	8618.99	0.88%	4.62%
S&P BSE HC	16060.5	0.13%	6.89%
S&P BSE IT	10608.4	-3.56%	-6.33%
S&P BSE Metal	9368.2	8.31%	12.89%
S&P BSE Realty	10191.1	2.35%	7.73%

Source: Reuters *Values as on July 15, 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 Metal was the top gainer, up 8.31%, followed by S&P BSE Bankex and S&P BSE Auto, which gained 5.27% and 3.63%, respectively.
- S&P BSE Capital Goods and S&P BSE Oil & Gas went up 2.56% and 2.35%, respectively. Metal stocks gained following strong earnings report from world's third largest producer of aluminum.

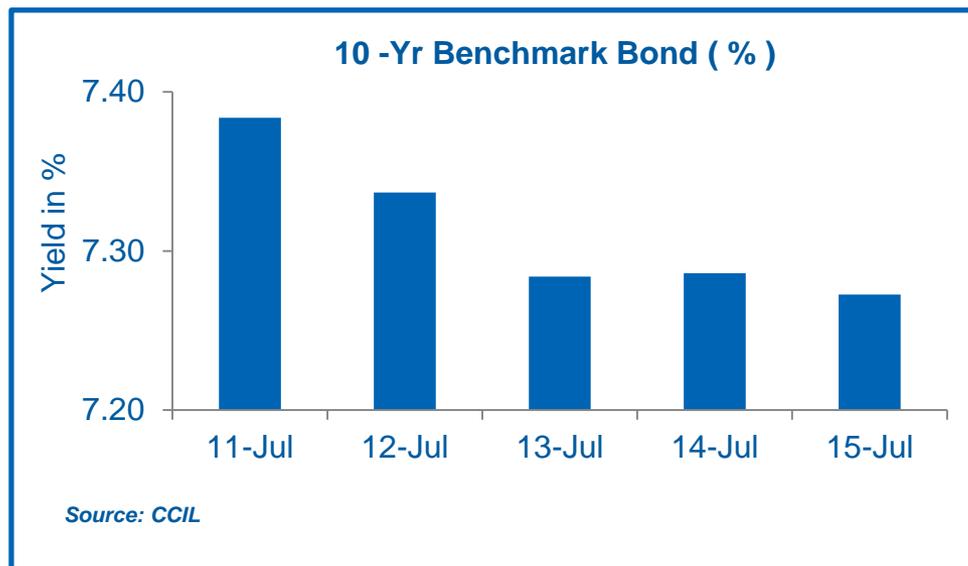
Indian Derivatives Market Review

- Nifty Jul 2016 Futures were at 8,554.85 points, a premium of 13.45 points, over the spot closing of 8,541.40. The turnover on NSE's Futures and Options segment stood at Rs. 14.68 lakh crore during the week to Jul 15, compared with Rs. 8.29 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.91, compared with the previous session's close of 0.92.
- The Nifty Put-Call ratio stood at 1.06, compared with the previous session's close of 1.04.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.33	6.44	6.38	6.92
91 Day T-Bill	6.56	6.54	6.78	7.25
07.80% 2021, (5 Yr GOI)	7.11	7.22	7.45	7.78
07.59% 2026, (10 Yr GOI)	7.27	7.38	7.52	7.66

Source: Reuters Values as on Jul 15, 2016



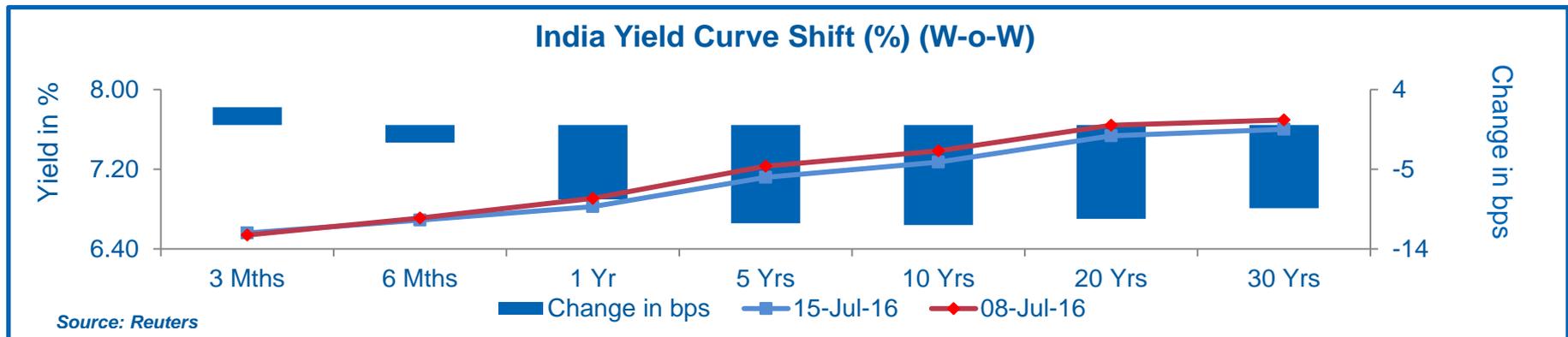
- Bond yields fell amid comfortable liquidity conditions in the market. Hopes that adequate monsoons would help retail inflation to meet the central bank’s target of 5% by the end of Jan 2017 and enable Reserve Bank of India (RBI) to further ease its monetary policy boosted market sentiment.
- Gains were extended after cut-off price in the weekly debt auction held on Jul 15 topped market expectations due to strong demand.
- However, gains were capped after the Bank of England (BoE) kept interest rates unchanged in its monetary policy review defying market expectations. There were hopes that the BoE might ease its monetary policy following the exit of Britain from the European Union.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.96	7.42	46
3 Year	7.09	7.68	60
5 Year	7.28	7.88	60
10 Year	7.50	8.01	51

Source: Reuters Values as on Jul 15, 2016

- Yields on gilt securities contracted across the maturities in the range of 7 bps to 13 bps. It fell the least on 11-year maturity and the most on 7- and 8-year papers. (semi)
- Corporate bond yields fell across the maturities in the range of 9 bps to 15 bps. Yields fell the least across 7- and 8-year maturities and the most on 3-year paper.
- Spread between AAA corporate bond and gilt securities contracted across the maturities in the range of 1 bps to 6 bps, barring 6 to 9-year papers that expanded in the range of 1 bps to 4 bps.



Regulatory Updates in India

- ❑ The government has relaxed the time limit for paying tax for those declaring unaccounted assets under the black money scheme. The declarants have to pay only half of the tax, surcharge, and penalty amounts in the current financial year and the remaining by Sep 30, 2017. Initially, under the scheme, entire tax had to be paid by Nov 30, 2016, and the declarations could be made by Sep 30, 2016.
- ❑ Under the new Income Disclosure Scheme, the Central Board of Direct Taxes (CBDT) has notified that black money declarants can't pay tax from their undisclosed income to bring down their liability. CBDT said the effective rate of tax is 45% and there is no modification in the rate.
- ❑ The environment ministry has amended the Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, by permitting companies located in special economic zones (SEZs) to import solid plastic waste.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) proposed an elaborate framework for financial disclosures in the offer document as well as for valuation of the units held by Infrastructure Investment Trusts (InvITs). The objective of the move is to attract more entities to set up InvITs.

Regulatory Updates in India (contd..)

- The Reserve Bank of India has formed an inter-regulatory working group to study entire regulatory issues relating to financial technology and digital banking in India. The working group is formed in view of the growing significance of Fin Tech innovations and their interactions with the financial sector as well as the financial sector entities.
- According to the commerce department, some exporters will be allowed to certify goods exported to Europe from 2017. Indian exporters exporting goods under the European Union's special scheme called the Generalised System of Preferences are only eligible for this facility. This measure will bring down processing time and transaction cost.
- According to the Telecom Regulatory Authority of India (TRAI), a flat spectrum usage charge (SUC) is the best option but has also proposed an alternative weighted average formula to better calculate the annual charge than what was proposed by the telecom department (DoT) initially. However, the telecom regulator considers the new weighted average formula as a temporary solution in calculating SUC.
- The road transport and highways ministry is considering putting in place an online system to ease cargo movement across states. The online system will help logistics operators to submit all applications using a single window and get the necessary clearances. The system will also help logistic operators to get real time details of traffic conditions.

Global News/Economy

- According to the Labor Department, U.S. consumer prices increased 0.2% in Jun, similar to the previous month's rise but were slightly below market forecast. Rise in consumer prices was partially attributed to increase in energy prices. Core consumer price index went up 0.2%, matching the previous month's rise.
- Data from the Commerce Department showed that U.S. retail sales rose 0.6% in Jun, much better than forecast and the downwardly revised 0.2% rise (0.5% originally reported) in May. The sales growth in May was revised downward mainly due to a revision to auto sales. Leaving auto sales, retail sales surged 0.7% in Jun, better than 0.4% growth in the prior month.
- As per the Federal Reserve report, U.S. industrial production went up 0.6% in Jun compared with a revised 0.3% decline (0.4% drop originally reported) in May. The industrial output in Jun was better than expected. The rebound in output was partially contributed by manufacturing output emanating from increase in motor vehicle assemblies.
- Data from Eurostat showed that euro zone industrial production decreased at a faster than expected pace in May 2016. Industrial production fell 1.2% on a monthly basis in May compared with that of Apr 2016 when production rose 1.4%.
- Data from the National Bureau of Statistics showed that consumer price inflation in China eased to 1.9% on a monthly basis in Jun 2016 from 2% in May 2016. On a monthly basis, consumer price inflation fell 0.1% in Jun following a 0.5% decrease in May. Producer prices fell 2.6% on a yearly basis in Jun following a 2.8% drop in the previous month.

Global Equity Markets

Global Indices			
Indices	15-Jul-16	1-Week Return	YTD Return
Dow Jones	18516.55	2.04%	7.97%
Nasdaq 100	4589.828	1.36%	2.04%
FTSE 100	6669.24	1.19%	9.45%
DAX Index	10066.9	4.54%	-2.11%
Nikkei Average	16497.85	9.21%	-10.59%
Straits Times	2925.35	2.75%	3.15%

Source: Reuters

Europe

- Initially, positive cues from Asian markets regarding re-election of Japanese Prime Minister and optimism over rate cut by the Bank of England (BoE) to boost U.K. economy buoyed investor sentiment. However, bourses gave up some of gains after the euro zone industrial output declined at a faster than expected pace in May.

Asia

- Asian markets ended the week on a positive note as the victory of the ruling coalition of the Japanese Prime Minister in an election for Parliament's Upper House led to optimism over more fiscal stimulus. A series of encouraging Chinese economic data also boosted investor sentiment. However, Bank of England's decision to maintain status quo in its key interest rates dampened market sentiment to some extent.

U.S.

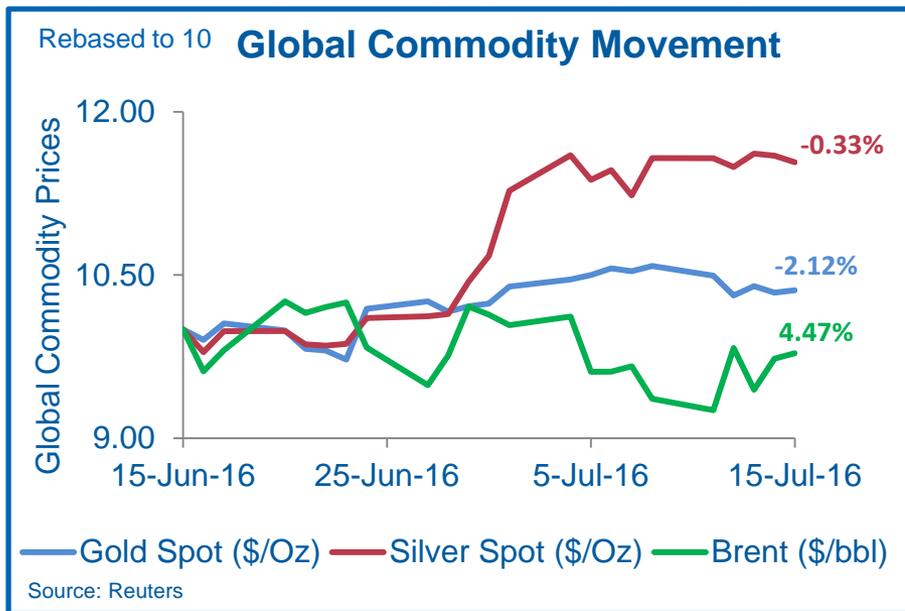
- The ongoing optimism over monetary stimulus measures by central banks across the globe helped U.S. markets to trade in the positive terrain for majority of the week.
- Federal Reserve's Beige Book generated positive vibes as the report revealed that economic activity continued to expand at a modest pace across most regions from mid-May through the end of Jun.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 22 bps to close at 1.59%, compared with the previous week's close of 1.37%.
- The U.S. treasury prices fell earlier during the week as risk sentiment improved on hopes of additional stimulus measures from the Bank of Japan. It fell further after the Bank of England kept interest rates unchanged but indicated it may soon adopt stimulus measures to help the Britain economy following its decision to leave European Union
- However, further losses were restricted as investors resorted to bargain hunting to buy U.S. Treasuries at lower price levels.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	45.84	43.88
Gold (\$/Oz)	1337.45	1366.4
Gold (Rs/10 gm)	30889	31204
Silver (\$/Oz)	20.196	20.262
Silver (Rs/Kg)	46540	45922

Source: Reuters Values as on Jul 15, 2016

Gold

- Gold prices dropped over the week as optimistic employment data from the U.S. hurt the safe haven appeal of the metal. The fact that the global equity market remained in the positive territory after the Bank of England surprised investors by leaving interest rates unchanged also pulled down the gold prices.

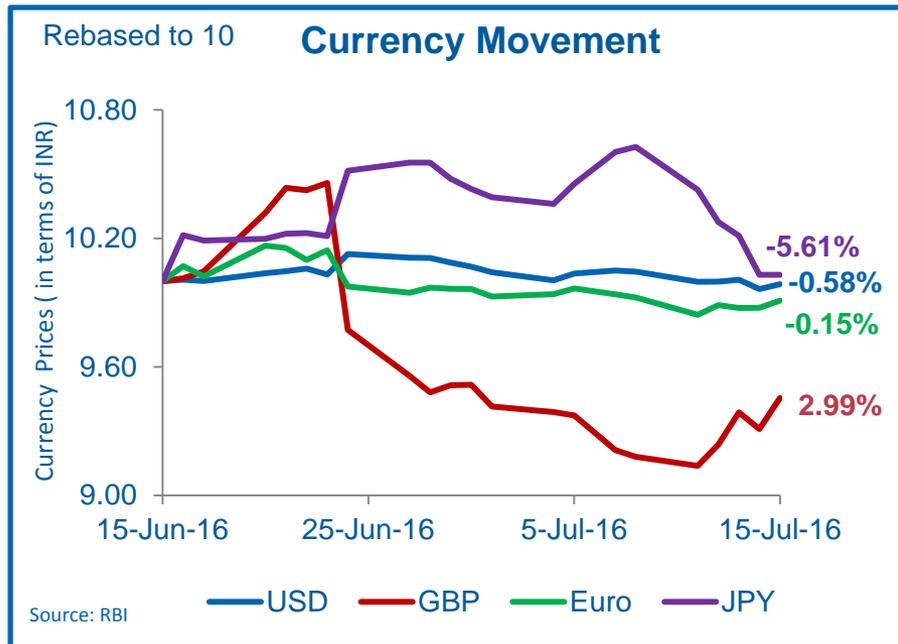
Crude

- Brent crude prices went up over the week amid volatility. A positive oil outlook by the Organization of the Petroleum Exporting Countries (OPEC) for 2017 in its monthly report, and suspension of tanker loading in Iraq 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



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.07	67.46
Pound Sterling	89.93	87.32
EURO	74.60	74.72
JPY(per 100 Yen)	63.38	67.15

Source: RBI

Figures in INR , Values as on Jul 15, 2016

Rupee

- The rupee rose against the greenback due to increased foreign investor participation in the domestic equity and debt markets and better-than-expected Indian macroeconomic data.

Euro

- Euro eased against the U.S. dollar following better than expected U.S. macroeconomic data.

Pound

- Pound strengthened against the U.S. dollar amid volatility following election of a new Prime Minister in the wake of improvement in economy and the Bank of England's decision to keep interest rates unchanged.

Yen

- Yen plunged against the greenback following an election victory by Japan's ruling coalition increased expectations for more fiscal stimulus.

The Week that was...
Jul 11 to Jul 15

The Week that was (Jul 11 – Jul 15)

Date	Events	Present Value	Previous Value
Monday, July 11, 2016	Japan Machine Orders (YoY) (MAY)	-11.70%	-8.20%
Tuesday, July 12, 2016	Japan Tertiary Industry Index (MoM) (MAY)	-0.70%	0.70%
	German Consumer Price Index (YoY) (JUN) (F)	0.30%	0.30%
	U.S. Wholesale Inventories (MAY)	0.10%	0.70%
	Japan Producer Price Index (YoY)	-4.20%	-4.30%
Wednesday, July 13, 2016	Japan Industrial Production (YoY) (MAY) (F)	-0.40%	-0.10%
	China Trade Balance (JUN)	\$48.11b	\$49.98b
Thursday, July 14, 2016	Bank of England Rate Decision	0.50%	0.50%
	U.S. Initial Jobless Claims (JUL 9)	254k	254k
Friday, July 15, 2016	China Industrial Production (YoY) (JUN)	6.20%	6.00%
	China Retail Sales (YoY) (JUN)	10.60%	10.00%
	China GDP YTD (YoY) (2Q)	6.70%	6.70%
	U.S. Advance Retail Sales (JUN)	0.60%	0.20%
	Euro-Zone Consumer Price Index (YoY) (JUN) (F)	0.10%	0.10%
	U.S. Consumer Price Index (YoY) (JUN)	1.00%	1.00%
	U.S. Industrial Production (JUN)	0.60%	-0.30%
	U.K. GBP Construction Output s.a (YoY) (MAY)	-1.90%	-0.60%

The Week Ahead...
Jul 18 to Jul 22

The Week Ahead

Day	Event
Monday, Jul 18	<ul style="list-style-type: none"> <input type="checkbox"/> China Property Prices (JUN) <input type="checkbox"/> U.S. NAHB Housing Market Index (JUL)
Tuesday, Jul 19	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Consumer Price Index (YoY) (JUN) <input type="checkbox"/> Euro zone Construction Output w.d.a. (YoY) (MAY) <input type="checkbox"/> German ZEW Survey (Economic Sentiment) (JUL)
Wednesday, Jul 20	<ul style="list-style-type: none"> <input type="checkbox"/> Euro-Zone Current Account s.a. (euros) (MAY) <input type="checkbox"/> U.K. ILO Unemployment Rate (3M) (MAY)
Thursday, Jul 21	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Retail Sales (YoY) (JUN) <input type="checkbox"/> Japan All Industry Activity Index (MoM) (MAY) <input type="checkbox"/> European Central Bank Rate Decision <input type="checkbox"/> U.S. Existing Home Sales (MoM) (JUN)
Friday, Jul 22	<ul style="list-style-type: none"> <input type="checkbox"/> Nikkei Japan PMI Manufacturing (JUL) (P) <input type="checkbox"/> Markit/BME Germany Manufacturing PMI (JUL) (P) <input type="checkbox"/> Markit US Manufacturing PMI (JUL) (P)

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