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July 26, 2019

The Week that was...

22nd July to 26th July

Indian Economy

- The International Monetary Fund (IMF) is further reducing India's annual growth prediction as it expects lower domestic demand to restrict economic recovery. In the year ending Mar 31, 2020, the economy is now anticipated to grow 7 percent, 0.3 percentage point slower than the April projection of the IMF. IMF cut the growth perspective for India by 0.2 percentage point to 7.3 percent in Apr 2019. In the year ending Mar 2021, economic development is anticipated to accelerate to 7.2%.
- The government has made a target of adding 1.3 crore income tax filers in FY20 compared with 1.1 crore fresh filers last fiscal year. In Assessment Year 2018-19, there were 8.44 crore taxpayers. This included individuals who submitted an income return for the 2018-19 Assessment Year as well as individuals who did not file an income return but in whose case tax was deducted at source during the FY18.
- According to the Economic Advisory Council to the Prime Minister (EAC-PM), growth in R&D spending should be proportional with the growth of the economy and should be aimed to reach at least 2% of GDP by 2022. In a study entitled ' R&D Expenditure Ecosystem, ' the EAC-PM stated that the Centre's line ministries could be required to allocate a certain proportion of their research and innovation budget to the development and deployment of technologies according to their respective ministries ' priorities.

Indian Equity Market

Domestic Equity Market Indices			
Indices	26-Jul-19	1 Week Return	YTD Return
S&P BSE Sensex	37882.79	-1.18%	5.03%
Nifty 50	11284.3	-1.18%	3.88%
S&P BSE Mid-Cap	13856.19	-1.58%	-10.25%
S&P BSE Small-Cap	13060.34	-1.88%	-11.19%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	27.10	27.73	31.12	33.51
P/B	2.89	3.53	2.33	1.83
Dividend Yield	1.22	1.32	1.07	1.10

Source: BSE, NSE Value as on Jul 26, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
22-Jul-19	541	1283	0.42
23-Jul-19	925	913	1.01
24-Jul-19	566	1260	0.45
25-Jul-19	809	1021	0.79
26-Jul-19	994	816	1.22

Source: NSE

- Indian equity markets closed on weak note in the week ended Jul 26, 2019. International Monetary Fund (IMF) reduced its growth estimate for the Indian economy, thereby weighing on the indices. IMF cut 30 basis points from its earlier growth estimates for FY20 and FY21. Losses were extended following foreign fund outflows and a weak set of corporate earnings seen in the past couple of days.
- Further, the non-performing asset (NPA) problem of banks continues to mar the sector as the leading private sector bank of the country reported a high double digit increase in its NPAs, drumming the sector down. Also, derivative agreements expiry in Jul 2019 came in the way of market gains. Weakness in rupee added to the woes.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	16185.2	-0.47%	-9.10%
S&P BSE Bankex	33118.7	-1.03%	-5.40%
S&P BSE CD	22942.9	0.07%	-11.27%
S&P BSE CG	17778.6	-1.38%	-10.28%
S&P BSE FMCG	11115.9	0.26%	-2.17%
S&P BSE HC	12959.2	1.46%	0.70%
S&P BSE IT	15442.4	-0.08%	-2.40%
S&P BSE Metal	10077.5	-1.58%	-10.54%
S&P BSE Oil & Gas	13526.9	-2.73%	-8.96%

Source: Thomson Reuters Eikon *Value as on Jul 26, 2019

- S&P BSE Oil & Gas was the major loser that fell 2.73% followed by S&P BSE Metal that fell 1.58%. S&P BSE Capital Goods and S&P BSE Realty that fell 1.38% and 1.21%, respectively.
- S&P BSE Bankex and S&P BSE Power fell 1.03% and 0.50%, respectively. Non-performing asset (NPA) problem of banks weighed on the banking sector. However, S&P BSE Healthcare was the major gainer and grew 1.46% followed by S&P BSE Teck that grew 0.33%.

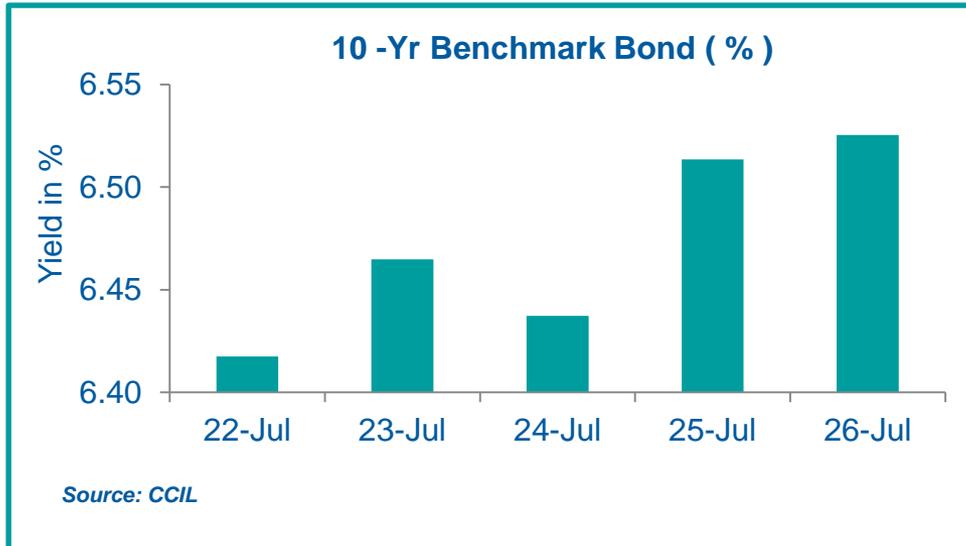
Indian Derivatives Market Review

- Nifty Aug 2019 Futures were at 11,327.00, a premium of 42.70 points, above the spot closing of 11,284.30. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 71.70 lakh crore as against Rs. 57.40 lakh crore for the week to Jul 19.
- The Put-Call ratio stood at 0.87 compared with the previous week's close of 0.94.
- The Nifty Put-Call ratio stood at 1.37 against the previous week's close of 1.05.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.56	5.70	5.75	6.41
91 Day T-Bill	5.74	5.73	5.98	6.58
07.32% 2024, (5 Yr GOI)	6.46	6.33	6.82	7.29
07.26% 2029, (10 Yr GOI)	6.53	6.36	6.93	7.33

Source: Thomson Reuters Eikon *Value as on Jul 26, 2019*



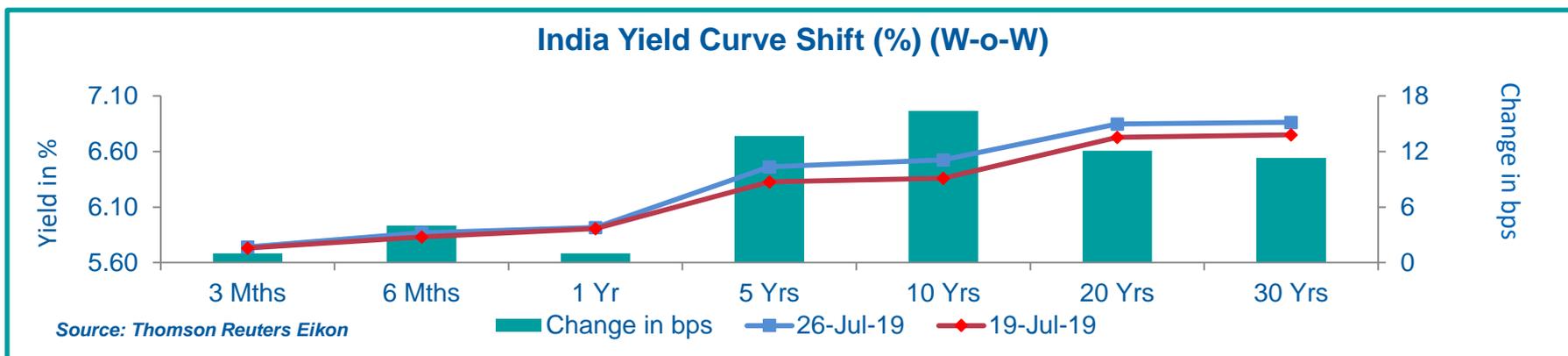
- Bond yield rose following the central bank governor's comment, which lowered expectations of deep policy rate cuts. He said that future interest rate movement would be driven by data, which dampened investor sentiments. In addition, rise in crude oil prices amid escalating geopolitical tension in the Middle East following the detention of British tankers by Iranian military also pushed the yield higher.
- Yield rose further as investor anxiety rose after a local media agency reported that the Prime Minister's Office is inclined to issue rupee-denominated bonds in the foreign market, instead of issuing foreign currency notes.
- Yields on the 10-year benchmark paper (7.26% GS 2029) surged 17 bps to close at 6.53% compared with the previous close of 6.36%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.00	7.78	177
3 Year	6.41	7.71	130
5 Year	6.57	7.81	125
10 Year	6.63	8.18	155

Source: Thomson Reuters Eikon Value as on Jul 26, 2019

- Yields on gilt securities surged across the maturities by up to 23 bps. Yield rose the most on 13-year paper.
- Corporate bond yields increased sharply across the curve in the range of 10 to 28 bps, barring 15-year that plunged 34 bps. Yield increased the most on 8-year paper.
- Difference between the spread of AAA corporate bond and gilt expanded across the segments by up to 22 bps, leaving 10- & 15-year papers that contracted 2 and 49 bps, respectively.



Regulatory Updates in India

- The RBI governor has introduced Utkarsh 2022, its medium- term strategy framework, in line with the changing macro-economic setting. The framework was introduced to attain excellence in the fulfilment of RBI's mandates and to strengthen citizens ' and other institutions ' confidence, the bank said.
- The government has increased the period of doubling money for investments in Kisan Vikas Patra (KVP) by 1 month to nine years and five months given the falling interest rates. The funds parked in KVP with effect from Jul 1, 2019, will double in "9 years and 5 months" or 113 months as opposed to "9 years and 4 months" or 112 months previously, said the finance ministry, amending the Kisan Vikas Patra Rules, 2014.
- The Cabinet endorsed formal amendments to the Aadhaar and Other Laws (Amendment) Bill 2019, enhancing Aadhar in India. It offered a fillip to India's sugarcane farming industry. The Act offers, subject to authentication, for the use of Aadhaar number as evidence of a person's identity. The Bill replaces the provision that, by authentication or offline verification, a person may willingly use his Aadhaar number to create his identity. The Bill also says that authentication of an individual's identity through Aadhaar may be made compulsory only by Parliament's law for the provision of any service.

Regulatory Updates in India (contd..)

- The submission of a panel report on the transfer of Reserve Bank of India's surplus reserves to the Centre and the government's plan to tap the overseas markets with its maiden offshore sovereign bond/s worth \$10 billion could get delayed with the transfer of former finance secretary to the power ministry. The bureaucracy was reshuffled on Jul 24, 2019, media reports showed.
- The government has de-registered 4 lakh shell companies as the Parliament approved the Companies Amendment Bill 2019. The bill aims to stiffen corporate social responsibility (CSR) norms and ensure stricter action for non-compliance of the company law regulations. The finance minister said companies not spending the mandatory 2% profit on CSR activities for a total period of four years will be required to deposit the amount in a special account.

Global News/Economy

- As the U.S.-China trade conflict continues, the International Monetary Fund (IMF) has again cut its prediction for worldwide financial development, with Brexit continuing to worry and inflation muted. In 2019, the global economy is expected to grow by 3.2%. The revised figure for economic growth is 0.1 percentage points smaller than the IMF's Apr 2019 prediction and 0.3 percentage points lower than the estimate at the beginning of the year.
- A report by the Commerce Department showed U.S. economic growth slowed in the second quarter but still exceeded estimates. Real gross domestic product climbed 2.1% in the second quarter following 3.1% jump in the first quarter.
- A Commerce Department report showed a much stronger than expected rebound in new orders for U.S. manufactured durable goods in Jun 2019. Durable goods orders spiked 2.0% in Jun after plunging 2.3% in May 2019.
- The European Central Bank (ECB) has left its interest rates unchanged and altered its forward guidance, signalling they will be reduced in future, and that policymakers are planning a comprehensive stimulus package. ECB president stressed on the need for significant stimulus for the euro area economy as policymakers assessed that the outlook was getting worse.
- Cabinet Office data showed Japan's leading index eased more than estimated to the lowest level in six-and-a-half years in May 2019. The leading index, which measures the future economic activity, fell to 94.9 in May from 95.9 in Apr 2019.

Global Equity Markets

Global Indices			
Indices	26-Jul-19	1-Week Return	YTD Return
Russell 3000	1330.87	1.97%	25.24%
Nasdaq 100	8016.95	2.32%	26.65%
FTSE 100	7549.06	0.54%	12.20%
DAX Index	12419.90	1.30%	17.62%
Nikkei Average	21658.15	0.89%	8.21%
Straits Times	3363.76	-0.42%	9.61%

Source: Thomson Reuters Eikon *Value as on Jul 26, 2019*

Europe

- The initial optimism about monetary easing by the ECB, which contributed to gains in the European markets, faded soon after the central bank policy meeting. The ECB unexpectedly left its interest rates unchanged and cited that the risk of recession is relatively low. Buying interest was seen following some upbeat earnings reports from U.S. and Europe.

Asia

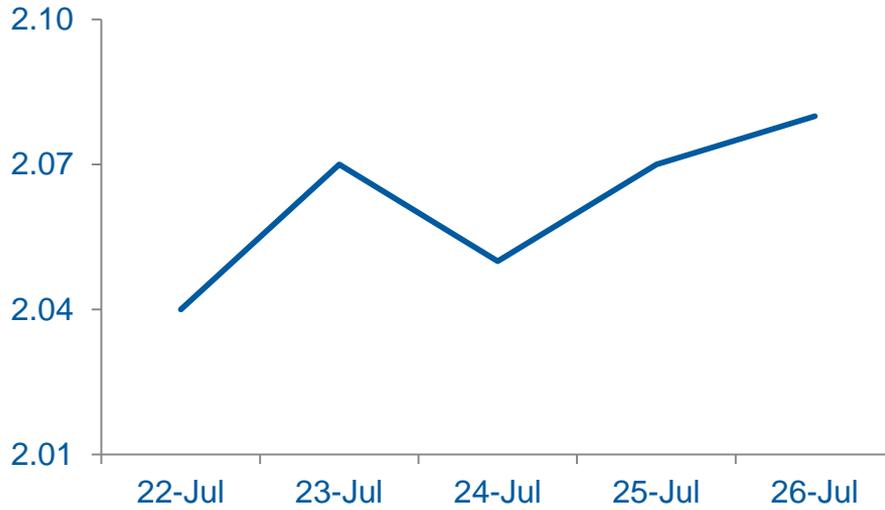
- Asian markets witnessed a mixed trend over the week. Positive vibes generated from expectations over aggressive rate cuts by U.S. Federal Reserve was neutralised by ECB's decision to keep interest rates unchanged, defying market expectations of rate cut.

U.S.

- U.S. markets witnessed initial buying spree, led by positive cues from media reports stating that the U.S. officials shall travel to China soon for face-to-face trade talks. A series of upbeat corporate earning numbers also buoyed market sentiments. On the U.S. economic front, a report showing a stronger than expected rebound in U.S. new home sales in Jun.

Global Debt (U.S.)

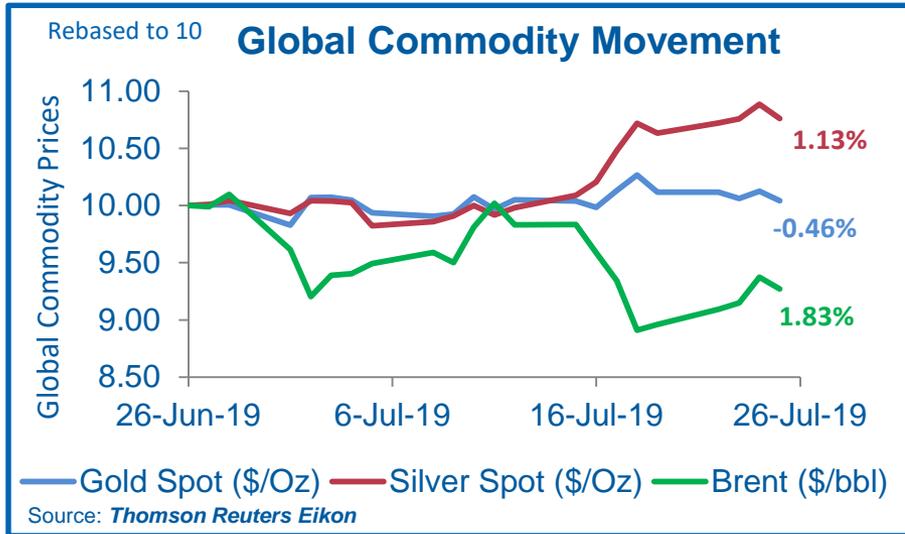
US 10-Year Treasury Yield Movement



Source: Thomson Reuters Eikon

- Yields on the 10-year U.S. Treasury bond rose 3 bps to 2.08% compared with the previous week's close of 2.05%.
- U.S. treasury prices initially grew as dovish policy view of ECB and the U.S. Federal Reserve, supported demand for government debt. Soon, prices fell on a report that U.S. negotiators are heading to China to discuss trade terms, which increased hopes that the two countries may curb the trade war that has weighed on economic growth.
- Losses trimmed following European government bonds, after downbeat economic data in the region added to hopes that the ECB will indicate easier monetary policy. Prices fell further after ECB President said that the bank sees a low risk of a recession in the euro zone, even as he acknowledged a worsening outlook.

Commodities Market



Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	62.30	61.18
Gold (\$/Oz)	1418.31	1424.91
Gold (Rs/10 gm)	34781	35091
Silver (\$/Oz)	16.39	16.21
Silver (Rs/Kg)	40811	40624

Source: Thomson Reuters Eikon

*Value as on Jul 26, 2019

Gold

- Gold price edged lower during the week on dollar strength after the International Monetary Fund raised its growth forecasts for U.S. in 2019. Robust Jun data for new orders of durable goods in the U.S. also dented the yellow metal's appeal.

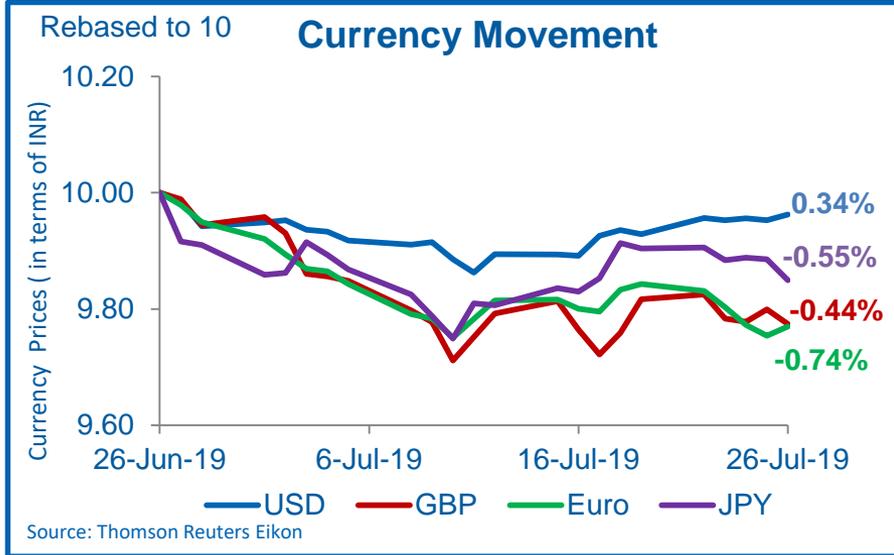
Brent Crude

- Brent crude prices rose amid geopolitical disturbance in the Middle East following the recent seizure of British tankers by the Islamic Revolutionary Guard Corps. This tensed relations between the U.S., the U.K. and Iran. Fall in U.S. crude stockpiles by 10.84 million barrels in the week ended Jul 19, 2019 also lifted the commodity.

Baltic Dry Index

- The Baltic Dry Index fell on the back of declining capesize and panamax activities.

Currencies Markets



Rupee

- The Indian rupee weakened against the greenback likely on concerns over foreign fund outflows and weakness in domestic equity markets.

Euro

- The euro fell against the dollar after U.S. President and U.S. lawmakers entered a two-year deal that raises limits on government borrowing, thereby averting another partial government shutdown.

Pound

- The pound declined against the greenback, weighed down by European Commission President's telling Britain's new prime minister, that a deal agreed by his predecessor was the best and the only Brexit agreement.

Yen

- The yen dropped against the dollar after U.S. President and U.S. lawmakers entered a two-year deal that raises limits on government borrowing.

Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	69.06	68.82
Pound Sterling	85.85	86.22
EURO	76.94	77.52
100 Yen	63.58	63.93

Source: RBI Figures in INR, *Value as on Jul 26, 2019

The Week that was...

22nd July to 26th July

The Week that was (July 22 – July 26)

Date	Events	Present Value	Previous Value
Monday, July 22, 2019	• Japan Convenience Store Sales (YoY) (Jun)	0.00%	1.70%
	• U.S. Chicago Fed Nat Activity Index (Jun)	-0.02	-0.03
Tuesday, July 23, 2019	• U.S. House Price Index (MoM) (May)	0.10%	0.40%
	• U.S. Existing Home Sales (MoM) (Jun)	-1.70%	2.90%
Wednesday, July 24, 2019	• U.S. New Home Sales (MoM) (Jun)	7.00%	-8.20%
	• Germany Markit Composite PMI (Jul P)	51.4	52.6
	• Eurozone Markit Composite PMI (Jul P)	51.5	52.2
	• U.S. MBA Mortgage Applications (Jul 19)	-1.90%	-1.10%
Thursday, July 25, 2019	• European Central Bank Rate Decision	0.00%	0.00%
	• U.S. Advance Goods Trade Balance (Jun)	-\$74.2B	-\$75.0B
	• U.S. Durable Goods Orders (Jun P)	2.00%	-2.30%
Friday, July 26, 2019	• U.S. Gross Domestic Product Annualized (QoQ) (2Q A)	2.10%	3.10%
	• U.S. Personal Consumption (2Q A)	4.30%	1.10%

The Week Ahead

29th July to 02nd August

The Week Ahead

Day	Event
Monday, July 29, 2019	<ul style="list-style-type: none"> • U.K. Mortgage Approvals (Jun) • Japan Jobless Rate (Jun)
Tuesday, July 30, 2019	<ul style="list-style-type: none"> • Bank of Japan Rate Decision • Germany Consumer Price Index (YoY) (Jul P) • U.S. Personal Consumption Expenditure Core (YoY) (Jun) • U.S. Consumer Confidence Index (Jul) • U.K. GfK Consumer Confidence (Jul)
Wednesday, July 31, 2019	<ul style="list-style-type: none"> • U.S. Federal Reserve Rate Decision • U.S. ADP Employment Change (Jul) • China Manufacturing PMI (Jul) • Germany Unemployment Change (000's) (Jul) • Eurozone Gross Domestic Product (YoY) (2Q A)
Thursday, Aug 01, 2019	<ul style="list-style-type: none"> • Bank of England Rate Decision • U.S. ISM Manufacturing PMI (Jul)
Friday, Aug 01, 2019	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (Jul) • U.S. Unemployment Rate (Jul) • U.S. Factory Orders (Jun)

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