

News U Can Use

July 29, 2016



The Week that was...
25th July to 29th July

Indian Economy

- ❑ India's fiscal deficit in the Jun quarter was 61.1% of the Budget Estimates (BE) or Rs. 3.26 lakh crore for FY17. It is higher than 51.6% of BE of the previous financial year. While the total expenditure stood at Rs. 5.12 lakh crore or 25.9% of BE, net tax receipts came at Rs. 1.57 lakh crore. The planned and non-planned spending were at Rs. 1.47 lakh crore or 26.8% and Rs. 3.64 lakh crore or 25.5% of BE, respectively.
- ❑ According to the data of the Department of Industrial Policy and Promotion, Foreign Direct Investment (FDI) in India increased 6.81% YoY to \$10.56 billion in the Mar quarter of 2016 from \$9.89 billion in the corresponding quarter of previous year. Sector wise, maximum FDI was witnessed in computer hardware and software, services, telecommunications, power, pharmaceuticals, and trading business. Country wise, maximum overseas inflows were received from the U.S., Singapore, Mauritius, Japan, and the Netherlands.
- ❑ Government plans to implement the 7th Pay commission's recommendations from Aug 2016. As a result, central government employees will receive the revised pay from next month. Also, arrears from Jan 2016 will be paid during the FY17. One of the recommendations was to increase the minimum pay from Rs. 7,000 to Rs. 18,000 per month.
- ❑ According to the government, public sector banks have written off loans worth Rs. 59,547 crore in FY16. Out of these, 20 nationalised banks cumulatively wrote off bad debt worth Rs. 38,674 crore and the SBI Group wrote off Rs. 20,873 crore. Bank-wise, State Bank of India alone wrote off Rs. 15,763 crore worth of loans.

Indian Equity Market

| Domestic Equity Market Indices | | | |
|--------------------------------|-----------|---------------|------------|
| Indices | 29-Jul-16 | 1 Week Return | YTD Return |
| S&P BSE Sensex | 28051.86 | 0.89% | 7.23% |
| Nifty 50 | 8638.5 | 1.14% | 8.48% |
| S&P BSE Mid-Cap | 12661.06 | 3.13% | 12.59% |
| S&P BSE Small-Cap | 12309.95 | 1.67% | 3.09% |

Source: MFI Explorer

| Ratios | S&P BSE Sensex | CNX Nifty | S&P BSE Mid Cap | S&P BSE Small Cap |
|----------------|----------------|-----------|-----------------|-------------------|
| P/E | 20.54 | 23.62 | 27.05 | 43.97 |
| P/B | 2.98 | 3.38 | 2.7 | 2.08 |
| Dividend Yield | 1.39 | 1.27 | 1.1 | 0.87 |

Source: BSE, NSE

Value as on July 29, 2016

| NSE Advance/Decline Ratio | | | |
|---------------------------|----------|----------|-----------------------|
| Date | Advances | Declines | Advance/Decline Ratio |
| 25-Jul-16 | 1078 | 528 | 2.04 |
| 26-Jul-16 | 538 | 1075 | 0.50 |
| 27-Jul-16 | 796 | 807 | 0.99 |
| 28-Jul-16 | 893 | 704 | 1.27 |
| 29-Jul-16 | 716 | 911 | 0.79 |

Source: NSE

- Indian equity market rose during the week on hopes that the Goods & Services Tax (GST) bill would be a reality after media reports suggested that the Union cabinet approved amendments to the constitutional amendment bill, incorporating suggestions by some of the states and opposition parties.
- Market sentiment was also boosted after the U.S. Federal Reserve maintained interest rates at ultra-low level after the conclusion of a two-day monetary policy meeting. The ultra-loose monetary policy in the U.S. has encouraged heavy investment in higher-yielding emerging markets.

Indian Equity Market (contd.)

| Sectoral Indices | | | |
|-------------------|--------------|----------------|--------|
| Indices | Last Closing | Returns (in %) | |
| | | 1-Wk | 1-Mth |
| S&P BSE Auto | 21091.1 | 2.15% | 8.31% |
| S&P BSE Bankex | 21678.5 | 1.41% | 7.13% |
| S&P BSE CD | 12404.7 | 2.52% | 5.09% |
| S&P BSE CG | 15477.9 | -0.46% | 5.31% |
| S&P BSE FMCG | 8725.38 | 1.14% | 4.15% |
| S&P BSE HC | 16299.2 | -0.42% | 5.80% |
| S&P BSE IT | 10813.2 | 1.51% | -3.02% |
| S&P BSE Metal | 9406.16 | -0.30% | 12.33% |
| S&P BSE Oil & Gas | 10595.2 | 1.42% | 9.75% |

Source: Reuters *Values as on July 29, 2016*

- On the BSE sectoral front, the indices inched up across the board, barring S&P BSE Capital Goods, S&P BSE Metal, and S&P BSE Healthcare, which declined 0.46%, 0.30%, and 0.42%, respectively.
- The biggest gainer for the week was S&P BSE Consumer Durables and S&P BSE Auto, which rose 2.52% and 2.15%, respectively.

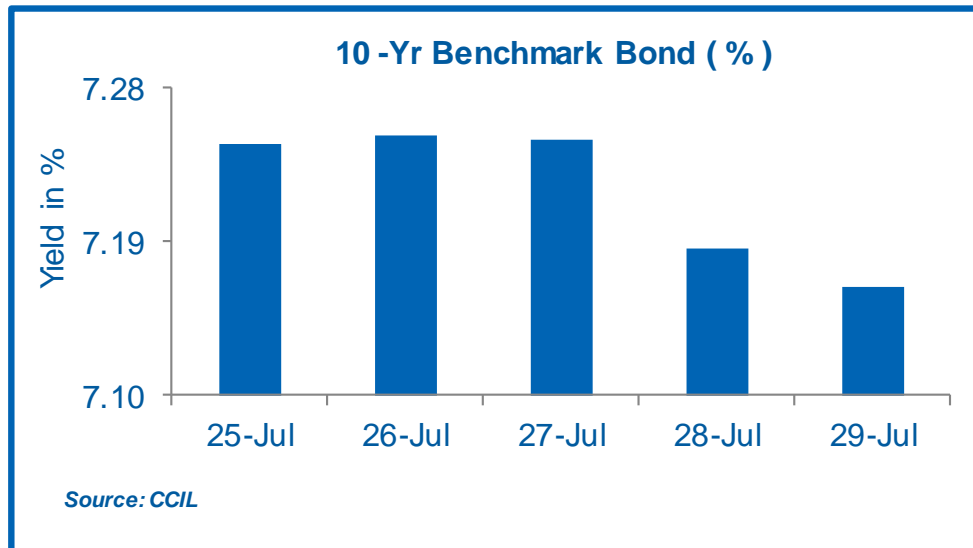
Indian Derivatives Market Review

- Nifty Aug 2016 Futures were at 8,686.60 points, a premium of 48.10 points, over the spot closing of 8,638.50 points. The turnover on NSE's Futures and Options segment stood at Rs. 25.29 lakh crore during the week to Jul 29, compared with Rs. 16.95 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.93, compared with the previous session's close of 0.94.
- The Nifty Put-Call ratio stood at 0.94, compared with the previous session's close of 1.05.

Domestic Debt Market

| Debt Indicators (Yield %) | Current Value | 1-Wk Ago | 1-Mth Ago | 6-Mth Ago |
|---------------------------|---------------|----------|-----------|-----------|
| Call Rate | 6.46 | 6.41 | 6.25 | 7.01 |
| 91 Day T-Bill | 6.53 | 6.55 | 6.71 | 7.25 |
| 08.27% 2020, (5 Yr GOI) | 7.04 | 7.11 | 7.38 | 7.68 |
| 07.59% 2026, (10 Yr GOI) | 7.16 | 7.25 | 7.44 | 7.64 |

Source: Reuters Values as on July 29, 2016



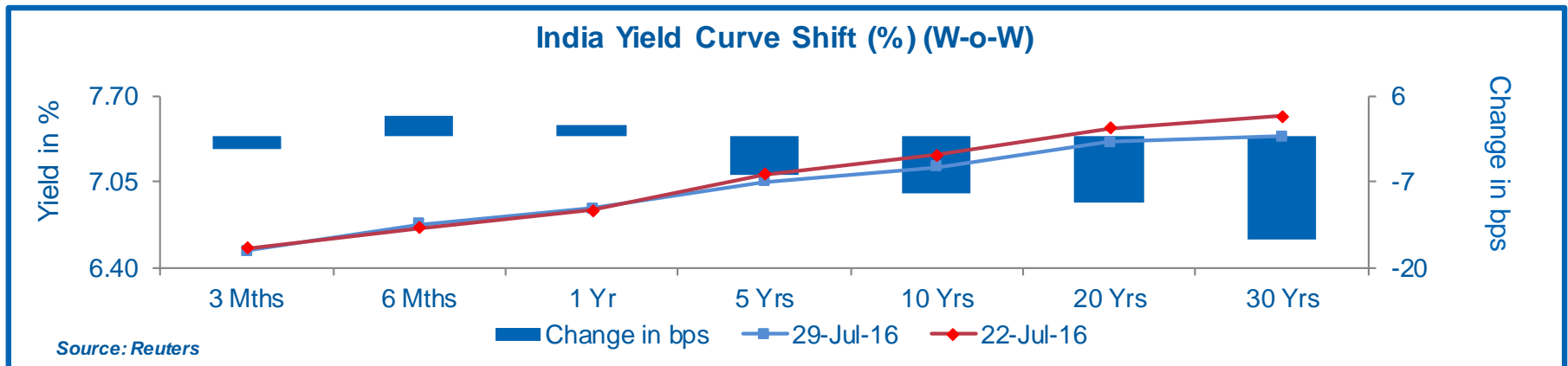
- Bond market started the week on a steady note but yields dropped after the U.S. Federal Reserve kept the interest rate unchanged. Investor sentiments were also boosted due to the comfortable liquidity position in the banking sector and on hopes that the proposed Goods and Services Tax bill will be approved.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 9 bps to close at 7.16% from the previous week's close of 7.25%.
- Banks net weekly average borrowings under Reserve Bank of India (RBI)'s Liquidity Adjustment Facility stood at Rs. 2,773.45 crore (for Friday, only repo session considered), compared with previous week's borrowing of Rs. 1,156.80 crore in the previous week.

Domestic Debt Market (Spread Analysis)

| Maturity | G-Sec Yield (%) | Corporate Yield (%) | Spread bps |
|----------|-----------------|---------------------|------------|
| 1 Year | 6.97 | 7.30 | 33 |
| 3 Year | 7.04 | 7.49 | 45 |
| 5 Year | 7.20 | 7.61 | 41 |
| 10 Year | 7.37 | 7.82 | 45 |

Source: Reuters Values as on July 29, 2016

- Yields on gilt securities plunged across the maturities in the range of 2 to 16 bps, barring 1-year paper that increased 1 bps. Highest drop was seen on 30-year paper.
- Corporate bond yields fell across the curve in the range of 9 to 17 bps. Yields fell the least on 1-year paper and the most on 5-year paper.
- Spread between AAA corporate bond and gilt securities contracted across segments in the range of 3 to 12 bps.



Regulatory Updates in India

- ❑ Government has extended the deadline for Central government employees and non-governmental organisations (those who receive foreign and domestic grant and their executives) to file the details of their assets and liabilities by Dec 31, 2016. The date was extended after the government passed a Bill to amend the Lokpal and Lokayuktas Act, 2013.
- ❑ In the coming week, much awaited Goods and Services Tax (GST) Bill will be tabled in the Rajya Sabha for consideration. This comes after cabinet cleared few amendment in GST bill, which include compensation to states for any revenue loss in the first five years of GSP rollout.
- ❑ Union cabinet approved increase of individual foreign investors' stake in Indian stock exchanges from 5% to 15%. Cabinet also cleared a proposal to allow foreign portfolio investors to acquire shares through initial allotment in stock exchanges. Presently, on an aggregate basis, foreign investors can hold up to 49% stake in any stock or commodity exchange.
- ❑ The amendment in the Lokpal Act was approved by the Lok Sabha. The amendment to Section 44 of the Act allowed extending of the deadline for filing asset declaration beyond Jul 31 for all the central government employees and non-government organisations receiving government funds.

Regulatory Updates in India (contd..)

- According to the Reserve Bank of India, overseas market borrowing (external commercial borrowings and foreign currency convertible bonds) by Indian companies fell by 66% YoY to \$1.07 billion in Jun 2016 from \$3.16 billion in Jun 2015. Compared with the previous month, borrowings by the domestic firms also fell from \$1.32 billion. From the total borrowing in the reported period, \$163.70 million was raised via approval process while \$908.71 million came through the automatic route.
- According to the petroleum minister, the government is finding ways to bring the petroleum products under the ambit of the proposed GST Bill. Minister said that consent from the states has been already been taken. Besides, he also announced plans to implement Direct Benefit Transfer scheme in kerosene.
- The Central government asked all state governments to accelerate the implementation of electronic-national agriculture market (e-NAM) in order to attain the target of integrating 200 mandis by Sep 2016. Currently, only 23 mandis across 8 states have been integrated with the e-NAM. The target is to reach 585 mandis by Mar 2018.
- According to the government, consumers have saved Rs. 4,988 crore by fixing price of medicines under the Drugs Price Control Order 2013. Till Feb 2016, government has fixed ceiling prices of 530 scheduled formulations and later till Jun 2016, prices were fixed for additional 404 formulations. Government has also capped the maximum retail price of 106 non-scheduled formulations.

Global News/Economy

- Data from the Commerce Department showed that Gross Domestic Product (GDP) of the U.S. economy rose 1.2% in the second quarter following a downwardly revised 0.8% increase in the first quarter.
- U.S. Federal Reserve (Fed) has kept its interest rate unchanged in its two-day policy meeting. The U.S. Fed's statement further indicated that the labour market has strengthened and economic activity has been expanding at a moderate rate, suggesting that near-term risks to the economic outlook have diminished.
- According to the Labor Department, U.S. initial jobless claims increased more than expected in the week ended Jul 23. Claims stood at 266,000, up 14,000 from the previous week's downwardly revised level of 252,000.
- Flash estimate from Eurostat showed that eurozone consumer prices increased for the second straight month in Jul 2016. Consumer prices climbed 0.2% on a yearly basis in Jul following a 0.1% rise in Jun 2016.
- The Bank of Japan kept its interest rate and the pace of monetary base expansion unchanged in its monetary policy review. However, the central bank added that it would buy ¥6 trillion (\$57 billion) worth of exchange-traded stock funds annually, up from ¥3.3 trillion previously. The central bank also lowered its fiscal 2016 GDP growth forecast to 1% from 1.2% while it lifted the fiscal 2017 projection to 1.3 % from 0.1%.

Global Equity Markets

| Global Indices | | | |
|----------------|-----------|---------------|------------|
| Indices | 29-Jul-16 | 1-Week Return | YTD Return |
| Dow Jones | 18432.24 | -0.75% | 7.48% |
| Nasdaq 100 | 4730.231 | 1.38% | 5.17% |
| FTSE 100 | 6724.43 | -0.09% | 10.36% |
| DAX Index | 10337.5 | 1.87% | 0.53% |
| Nikkei Average | 16569.27 | -0.35% | -10.20% |
| Straits Times | 2868.69 | -2.60% | 1.15% |

Source: Reuters

Europe

- European markets mostly traded on a positive note following better than expected German business sentiment report, better-than-expected U.K. economic data, and better than anticipated eurozone economic confidence data. A series of upbeat corporate earnings results also helped the bourses.

Asia

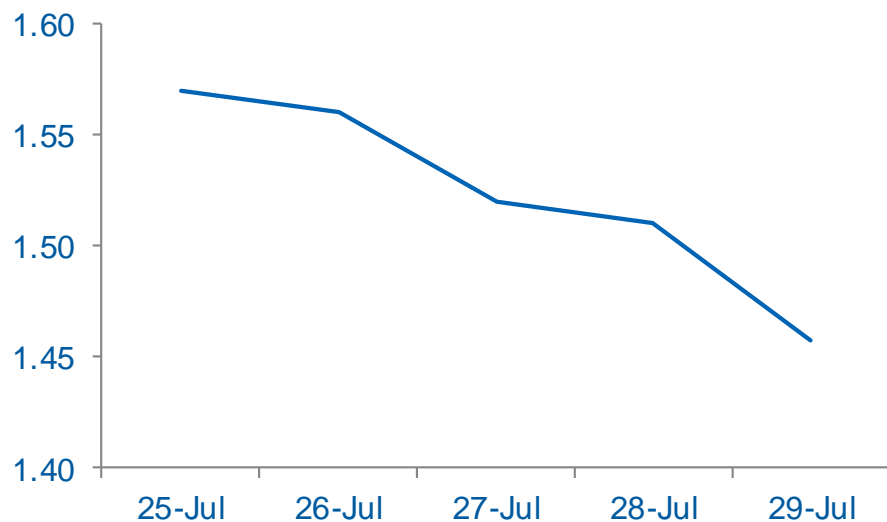
- Initially, Asian bourses fell as investors preferred to be on the sidelines ahead of the policy review outcome of the Bank of Japan (BoJ). Later, bourses witnessed some gains after the Japan government decided to implement a stimulus package to support the economy. However, gains could not sustain after BoJ downgraded its projections for inflation and growth for fiscal 2016 and also kept its interest rate unchanged.

U.S.

- Initially, U.S. markets traded on a cautious note ahead of the U.S. Federal Reserve's policy meeting. Later, mixed corporate earnings and mixed economic data determined the movement of the bourses. Meanwhile, the U.S. Fed has decided to keep interest rate unchanged, which was in-line with market expectations.

Global Debt (U.S.)

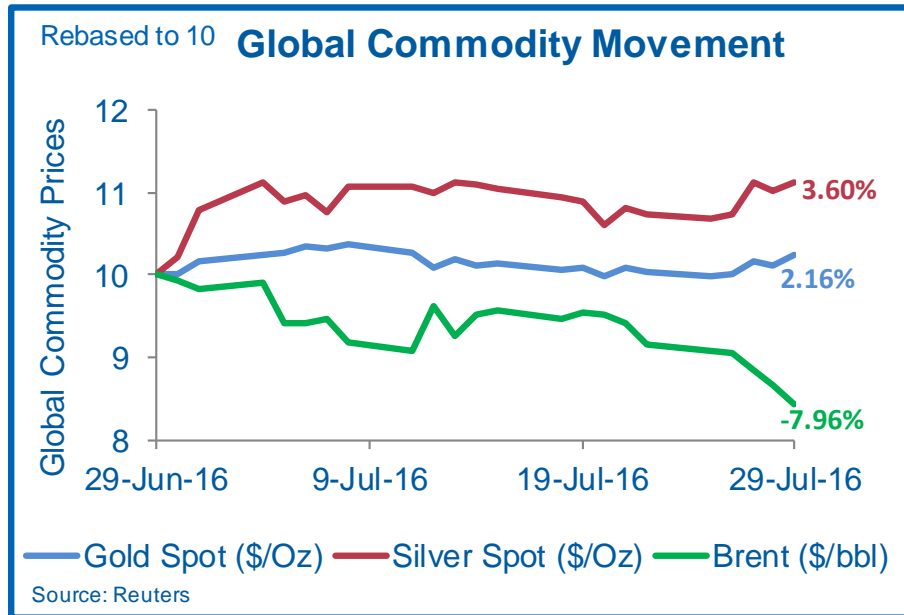
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield fell 11 bps to close at 1.46%, compared with the previous week's close of 1.57%.
- The U.S. treasury yields dropped on safe haven demand and after the U.S. Federal Reserve left interest rate unchanged. The U.S. Fed also hinted towards the improvement in the labour market and consumer spending, which lowered the near-term risks on the U.S. economy.
- Gains expanded further after U.S. gross domestic product in the quarter ended Jun grew at a much slower pace than expected. This increased expectations that the U.S. Fed will delay rate hike in the coming months.

Commodities Market



| Performance of various commodities | | |
|------------------------------------|--------------|------------|
| Commodities | Last Closing | 1-Week Ago |
| Brent Crude(\$/Barrel) | 40.35 | 43.84 |
| Gold (\$/Oz) | 1350.59 | 1322.01 |
| Gold (Rs/10 gm) | 30939 | 30754 |
| Silver (\$/Oz) | 20.31 | 19.605 |
| Silver (Rs/Kg) | 46841 | 46027 |

Source: Reuters Values as on July 29, 2016

Gold

- Despite beginning on a subdued note, gold prices grew over the week as the U.S. Fed refrained from pointing at any more rate hikes later this year at the monetary policy meeting. Prices also went up following the U.S. dollar's dip, impacted by failed market expectations of Bank of Japan's stimulus.

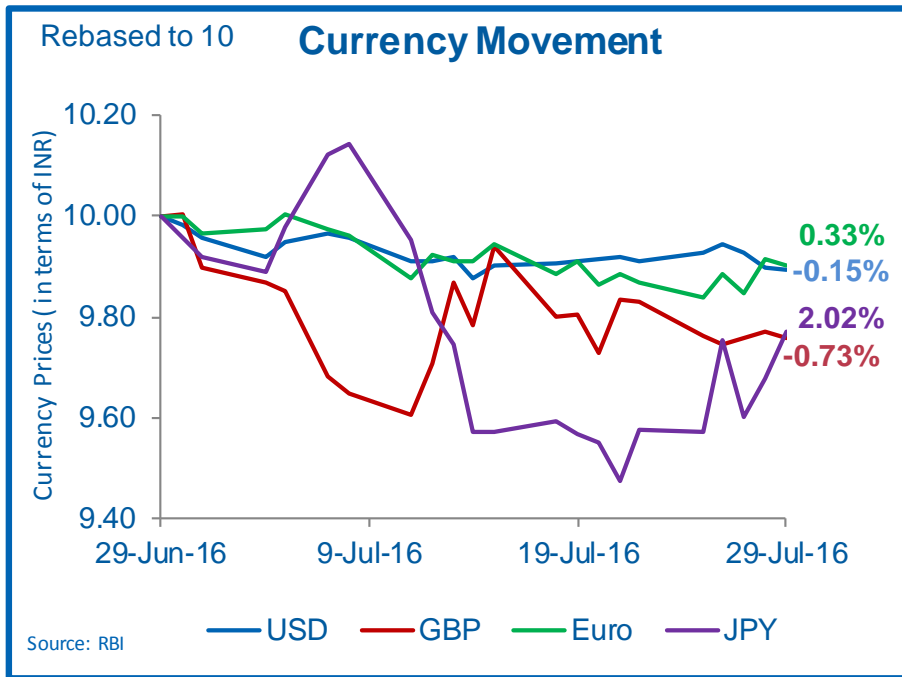
Crude

- Brent crude prices dipped over the week as the global oil supply glut continued to plague the market, while investors feared that market rebalancing would therefore be delayed. An unexpected addition of 1.7 million barrels in the U.S. inventories further aggravated the problem.

Baltic Dry Index

- The Baltic Dry Index went down during the week owing to sluggish capesize and panamax activities.

Currencies Markets



| Movement of Rupee vs Other Currencies | | |
|---------------------------------------|--------------|----------|
| Currency | Last Closing | 1-Wk Ago |
| US Dollar | 67.03 | 67.14 |
| Pound Sterling | 88.30 | 88.95 |
| EURO | 74.27 | 74.03 |
| JPY(per 100 Yen) | 64.69 | 63.41 |

Source: RBI Figures in INR, Values as on July 29, 2016

Rupee

- The rupee rose against the greenback following gains in the domestic equity market and as the U.S. Fed kept interest rates on hold in its monetary policy review.

Euro

- The euro rose against the greenback after the U.S. Fed kept interest rates on hold in its monetary policy review. The euro gained further after upbeat eurozone consumer inflation, and disappointing U.S. macro data.

Pound

- Pound strengthened against the greenback after the U.S. Fed kept interest rates on hold in its monetary policy review.

Yen

- The yen surged against the U.S dollar after the Bank of Japan announced a lower than expected rise in purchases of ETFs in its policy review, and subsequently dampened market sentiment.

The Week that was...
25th July to 29th July

The Week that was (July 25– July 29)

| Date | Events | Present Value | Previous Value |
|--------------------------|--|---------------|----------------|
| Monday, July 25, 2016 | Japan Merchandise Trade Balance Total (Yen) (JUN) | ¥692.8b | ¥40.6b |
| | German IFO - Business Climate (JUL) | 108.30 | 108.70 |
| Tuesday, July 26, 2016 | U.S. Consumer Confidence (JUL) | 97.30 | 97.40 |
| | Markit US Composite PMI (JUL) (P) | 51.50 | 51.20 |
| | U.S. New Home Sales (MoM) (JUN) | 3.50% | -6.00% |
| Wednesday, July 27, 2016 | U.K. Gross Domestic Product (YoY) (2Q) (A) | 2.20% | 2.00% |
| | U.S. FOMC Rate Decision (Upper Bound) | 0.50% | 0.50% |
| | U.S. Durable Goods Orders (JUN) (P) | -4.00% | -2.80% |
| Thursday, July 28 2016 | German Unemployment Rate s.a. (JUL) | 6.10% | 6.10% |
| | German Consumer Price Index (YoY) (JUL) (P) | 0.40% | 0.30% |
| | U.S. Initial Jobless Claims (JUL 23) | 266k | 252k |
| Friday, July 29, 2016 | Bank of Japan Policy Rate | -0.10% | -0.10% |
| | Japan National Consumer Price Index (YoY) (JUN) | -0.40% | -0.40% |
| | Euro-Zone Gross Domestic Product s.a. (YoY) (2Q) (A) | 1.60% | 1.70% |
| | Euro-Zone Unemployment Rate (JUN) | 10.10% | 10.10% |
| | U.S. Gross Domestic Product (Annualized) (2Q) (A) | 1.20% | 1.10% |

The Week Ahead...
August 01 to August 05

The Week Ahead

| Day | Event |
|-----------------------------|---|
| Monday, August 01 | <ul style="list-style-type: none"> <input type="checkbox"/> China Manufacturing PMI (JUL) <input type="checkbox"/> U.S. ISM Manufacturing (JUL) <input type="checkbox"/> Nikkei Japan PMI Manufacturing (JUL) (F) |
| Tuesday, August 02 | <ul style="list-style-type: none"> <input type="checkbox"/> Japan Consumer Confidence Index (JUL) <input type="checkbox"/> Markit/CIPS UK Construction PMI (JUL) |
| Wednesday, August 03 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. ISM Services/Non-Manufacturing Composite (JUL) <input type="checkbox"/> U.S. ADP Employment Change (JUL) <input type="checkbox"/> Caixin China PMI Composite (JUL) <input type="checkbox"/> Nikkei Japan PMI Composite (JUL) <input type="checkbox"/> Markit/CIPS UK Composite PMI (JUL) (F) <input type="checkbox"/> Euro-Zone Retail Sales (YoY) (JUN) |
| Thursday, August 04 | <ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Rate Decision |
| Friday, August 05 | <ul style="list-style-type: none"> <input type="checkbox"/> U.S. Unemployment Rate (JUL) <input type="checkbox"/> U.S. Change in Non-farm Payrolls (JUL) |

Disclaimer

The information herein is meant only for general reading purposes and contains all factual and statistical information pertaining to Industry and markets which have been obtained from independent third party sources and which are deemed to be reliable. The information provided cannot be considered as guidelines, recommendations or as a professional guide for the readers. It may be noted that since Reliance Nippon Life Asset Management Company Limited (RNLAM) (formerly Reliance Capital Asset Management Limited) has not independently verified the accuracy or authenticity of such information or data, or for that matter the reasonableness of the assumptions upon which such data and information has been processed or arrive data; RNLAM does not in any manner assures the accuracy or authenticity of such data and information. Some of the statements & assertions contained in these materials may reflect RNLAM's views or opinions, which in turn may have been formed on the basis of such data or information. The Sponsor(s), the Investment Manager, the Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such data or information. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given are fair and reasonable, to the extent possible. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. None of the Sponsor(s), the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material.

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited or its affiliates or group companies and its respective directors, officers, or employees in particular, makes no representation or warranty, express or implied, as to the accuracy, suitability, reliability, timelines or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited, or its affiliates or group companies and its respective directors, officers, or employees shall not be liable for any losses or injury, liability or damage of any kind incurred from and arising out of any use of this document or its contents in any manner, whatsoever. Opinions expressed in this document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

RELIANCE

Thank you

RELIANCE