

# News U Can Use

*June 03, 2016*

The Week that was...  
30<sup>th</sup> May to 03<sup>rd</sup> June

# Indian Economy

- ❑ Indian economy accelerated to 7.9% in the fourth quarter of FY16 from a downwardly revised growth rate of 7.2% in the previous quarter. Growth for FY16 stood at 7.6%. Growth in the first quarter of FY16 was revised down to 7.5% from 7.6%, while that in the second quarter was revised down to 7.6% from 7.7%. Agriculture output grew 2.3% during the quarter as against contraction of 1.7% in same quarter last fiscal. The manufacturing sector grew 9.3% during the quarter compared with 6.6% increase, a year ago.
- ❑ Fiscal deficit in Apr 2016 came in at Rs. 1.37 lakh crore, making up for 25.7% of the budget estimate for FY17. Total expenditure of the government in Apr stood at Rs. 1.62 lakh crore, or 8.2% of the budget estimate, while the total revenue collection was Rs. 22,075 crore, or 1.6% of the estimate.
- ❑ The core sector output rose for the fifth consecutive month in Apr 2016 with a growth of 8.5% during the month under review, compared with a contraction of 0.2% in the same period of the previous year. Core sector output growth was 6.4% in the previous month. The improvement can be attributed to increase of 17.9% and 14.7% in the refinery products sector and the electricity sector, respectively.
- ❑ India's Nikkei/Markit manufacturing Purchasing Managers' Index (PMI) registered its slowest growth in five months to stand at 50.7 in May 2016, compared with 50.5 in April 2016. New orders increased slightly, mostly driven by the domestic market while new business from abroad fell for the first time since Sep 2013.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	03-Jun-16	1 Week Return	YTD Return
S&P BSE Sensex	26843.03	0.71%	2.61%
Nifty 50	8220.8	0.79%	3.23%
S&P BSE Mid-Cap	11394.64	0.42%	1.33%
S&P BSE Small-Cap	11148.71	0.34%	-6.63%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.62	22.77	24.22	39.61
P/B	2.82	3.43	2.39	1.86
Dividend Yield	1.45	1.31	1.22	1.04

Source: BSE, NSE

Value as on Jun 03, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
30-May-16	775	790	0.98
31-May-16	590	970	0.61
01-Jun-16	873	684	1.28
02-Jun-16	767	785	0.98
03-Jun-16	670	891	0.75

Source: NSE

- A series of upbeat economic data helped Indian equity market to close in the green for the week. GDP data for the fourth-quarter and financial year ended Mar 31, 2016 was better than market expectation, while the fiscal deficit of 3.9% (as a % of GDP) for FY16 was as per expectations. Growth in the eight core sectors jumped in Apr 2016, mainly driven by higher output growth in the refinery products and electricity segments. Final reading of a private survey showed steady growth in the Indian manufacturing sector in May 2016.
- However, gains were restricted as market participants maintained a cautious stance ahead of the Reserve Bank of India's upcoming policy review meeting, scheduled on Jun 7.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19418.3	3.76%	5.32%
S&P BSE Bankex	20220.2	1.35%	8.33%
S&P BSE CD	11442.5	-2.68%	-3.40%
S&P BSE CG	14360.4	-1.10%	9.30%
S&P BSE FMCG	8193.23	0.56%	7.53%
S&P BSE HC	15056.9	-2.63%	-2.48%
S&P BSE IT	11689.4	1.05%	5.51%
S&P BSE Metal	8064.49	4.96%	1.67%
S&P BSE Oil & Gas	9399.24	-0.25%	1.26%

*Source: Reuters* *Values as on Jun 03, 2016*

- ▣ On the BSE sectoral front, majority of the indices closed in the green. S&P BSE Metal was the top gainer, up 4.96%, followed by S&P BSE Auto and S&P BSE Bankex, which gained 3.76% and 1.35%, respectively. S&P BSE IT and S&P BSE Teck went up 1.05% and 0.94%, respectively.
- ▣ S&P BSE Consumer Durables was the major laggard, down 2.68%, followed by S&P BSE Healthcare and S&P BSE Capital Goods, which slipped 2.63% and 1.10%, respectively.

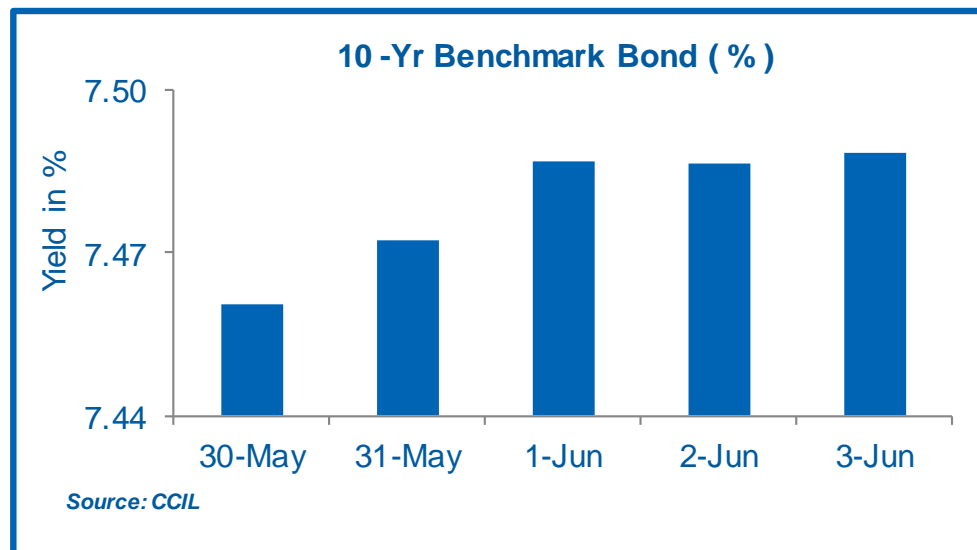
## Indian Derivatives Market Review

- ▣ Nifty Jun 2016 Futures were at 8,238.90 points, a premium of 18.10 points, over the spot closing of 8,220.80. The turnover on NSE's Futures and Options segment stood at Rs. 9.11 lakh crore during the week to Jun 03, compared with Rs. 23.19 lakh crore recorded in the previous week.
- ▣ The Put-Call ratio stood at 0.95, compared with the previous session's close of 0.81.
- ▣ The Nifty Put-Call ratio stood at 1.05, compared with the previous session's close of 0.99.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.28	6.39	6.40	6.62
91 Day T-Bill	6.82	6.84	6.82	7.15
08.27% 2020, (5 Yr GOI)	7.35	7.35	7.38	7.73
07.59% 2026, (10 Yr GOI)	7.49	7.47	7.44	--

Source: Reuters Values as on June 03, 2016



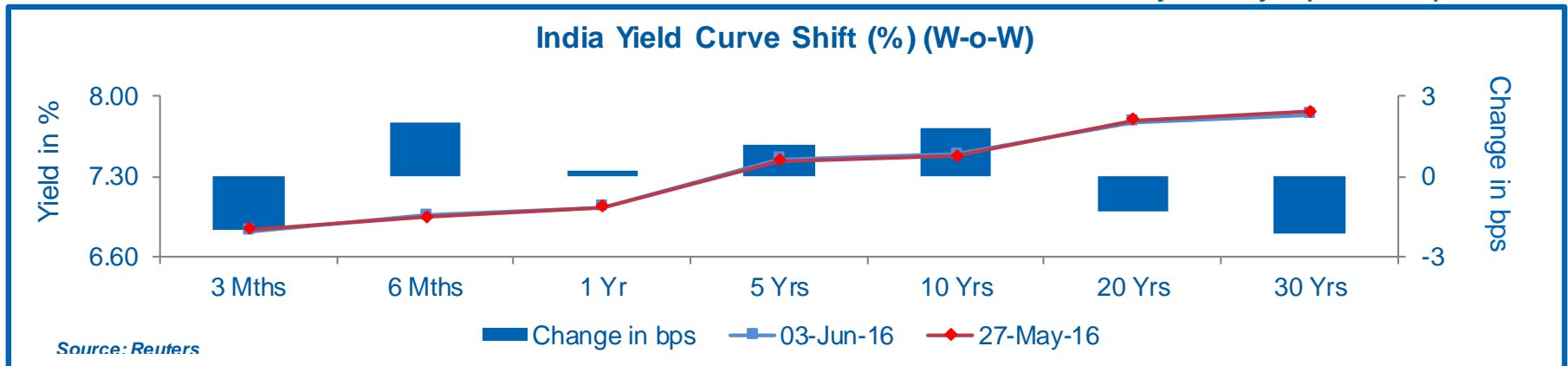
- Bond yields fell initially during the week after the Reserve Bank of India (RBI) announced to purchase government securities through Open Market Operations (OMO), to improve liquidity within the system.
- However, trend reversed as investors remained cautious ahead of RBI policy review and release of the U.S. monthly jobs data. Higher than expected cutoff rate in weekly debt auction restricted gains.
- RBI conducted OMO for six government securities for an aggregate amount of Rs. 15,000 crore, was fully subscribed.
- RBI conducted the auction of four government securities for a notified amount of Rs. 15,000 crore and was fully subscribed.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.17	7.76	59
3 Year	7.36	7.96	60
5 Year	7.64	8.11	47
10 Year	7.76	8.23	47

Source: Reuters Values as on June 03, 2016

- Yields on gilt securities remained mixed. It declined on 2-, 3-, 11-, and 15- to 30-year papers by up to 2 bps, while increased on 5- to 8-, 10-, and 12-year papers by up to 2 bps.
- Corporate bond yields fell on 4- and 6-year papers by 1 bps each, while remained unchanged on 7- and 9-year.
- Spread between AAA corporate bond and gilt expanded on 1- to 3-, 5-, and 15-year papers by up to 5 bps, while fell on 4-, 6-, and 7-year by up to 2 bps.



# Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has launched a framework to help in winding down of a depository, either in case of insolvency or voluntary closure of business. SEBI added that every depository needs to devise and maintain its wind-down plan.
- ❑ According to the chairman of Insurance Regulatory and Development Authority of India, the insurance segment has to make good use of data analytics to reach a larger section of people. The chairman stated that an organised approach for collection and analysis of data would be able to reduce gaps in the automobile and health insurance segments, which can in turn help in efficient disaster management. The right kind of approach can expand insurance coverage to 100% of population, the chairman estimated. Currently, only 20-22% of the population is covered.
- ❑ SEBI has issued a rule wherein no restriction shall be imposed on redemption requests of up to Rs. 2 lakh. For redemption request above Rs. 2 lakh, asset management companies (AMCs) shall redeem the first Rs. 2 lakh without any restriction. However, for the balance amount, AMCs can impose restrictions. Moreover, restrictions on redemptions can be imposed only for a specified period of time, which cannot exceed 10 working days in any given 90-day period.



## Regulatory Updates in India (contd..)

- ❑ Indian Prime Minister said that the country is planning a legislation to close regulatory loophole which has made fraudsters to dupe millions of savers, as he is trying to bring the rural poor into the mainstream banking system.
- ❑ The Direct Tax Dispute Resolution Scheme, which aims to resolve pending cases in various courts, tribunals, arbitrations or are in mediation under the Bilateral Investment Protection Agreement (BIPA), will be effective from Jun 1. The scheme will offer tax payers an opportunity to settle their cases arising from retrospective amendment of tax laws, only after they pay the basic tax demand. Tax payers will also get waiver on interest and penalty.
- ❑ The Union government has included Krishi Kalyan Cess of 0.5% on all taxable services, effective from Jun 1. With this, total service tax will add up to 15%. The proceeds will be exclusively used for financing in the agricultural sector, for the welfare of farmers.
- ❑ Food minister said that the government is framing appropriate rules and guidelines to encourage foreign direct investment in the food processing industry. However, foreign players who intend to invest in the sector will have to invest 15% of funds in building infrastructure for the benefit of the farmers.

## Global News/Economy

- According to Federal Reserve's latest Beige Book, the U.S. economy continued to recover at a modest pace. Energy sector continued to decline despite recovery in oil prices. Manufacturing sector lagged but auto sales improved. Labour market tightened across most of the U.S., which resulted in increase of wages for many workers. The Beige Book also raised doubts whether the Federal Reserve will hike interest rates in Jun 2016.
- As per Labor Department, non-farm payroll employment rose 38,000 jobs in May 2016, compared with downwardly revised increase of 123,000 jobs in Apr 2016. Employment growth, which was much lower than market expectations, was also the smallest rise since Sept 2010. The unemployment rate dropped to 4.7% in May, from 5% in the previous month.
- The European Central Bank (ECB) retained its status quo in the second policy session and left all its major interest rates unchanged. According to ECB, the stimulus measures taken previously will boost growth and inflation of the economy soon. Therefore, refi, deposit rate, and marginal facility lending rate stood unchanged at 0%, -0.40%, and 0.25%, respectively.
- According to a survey from the National Bureau of Statistics, Chinese manufacturing PMI stood unchanged at 50.1 in May 2016. However, the non-manufacturing PMI decreased to 53.1 in May from 53.5 in Apr 2016.
- As per the flash estimate by Eurostat, euro zone consumer prices fell 0.1% YoY in May 2016 compared with 0.2% decline in Apr 2016, registering the second consecutive fall in prices.

# Global Equity Markets

Global Indices			
Indices	03-Jun-16	1-Week Return	YTD Return
Dow Jones	17807.06	-0.37%	3.84%
Nasdaq 100	4509.793	-0.06%	0.27%
FTSE 100	6209.63	-0.98%	1.91%
DAX Index	10103.26	-1.78%	-1.75%
Nikkei Average	16642.23	-1.14%	-9.80%
Straits Times	2809.23	0.24%	-0.94%

*Source: Reuters*

## Europe

- European markets moved down over the week. Market participants remained concerned over Brexit. Weak euro zone economic data like consumer prices and unemployment and lower than expected U.S. nonfarm data added to the decline. German import prices also witnessed their biggest decline since Oct 2009 in Apr. Meanwhile, the ECB kept interest rates unchanged for the second time.

## Asia

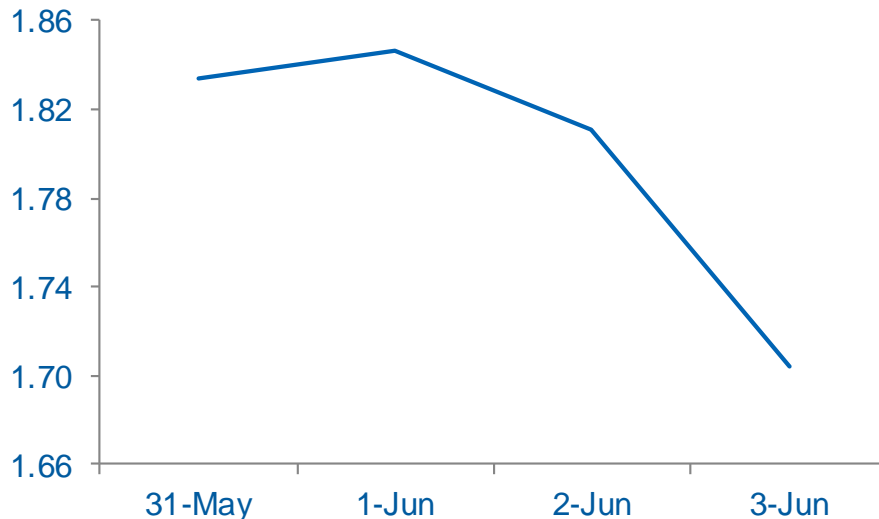
- Major Asian markets traded on a positive note. Chinese market gained on report that mainland A-shares will be traded in a global index starting next month. Meanwhile, Japanese market bucked the trend and fell 1.14%. Japanese bourses were hit as latest survey from Nikkei showed that manufacturing activities in Japan contracted in May.

## U.S.

- U.S. bourses increased after better than expected U.S. economic data. U.S. economic growth was upwardly revised to 0.8% for the first quarter of 2016 while U.S. private sector employment data also came in line with expectations. However, setback was seen when investors shied away from taking any firm positions ahead of the U.S. monthly nonfarm payroll data, which was lower than expected.

# Global Debt (U.S.)

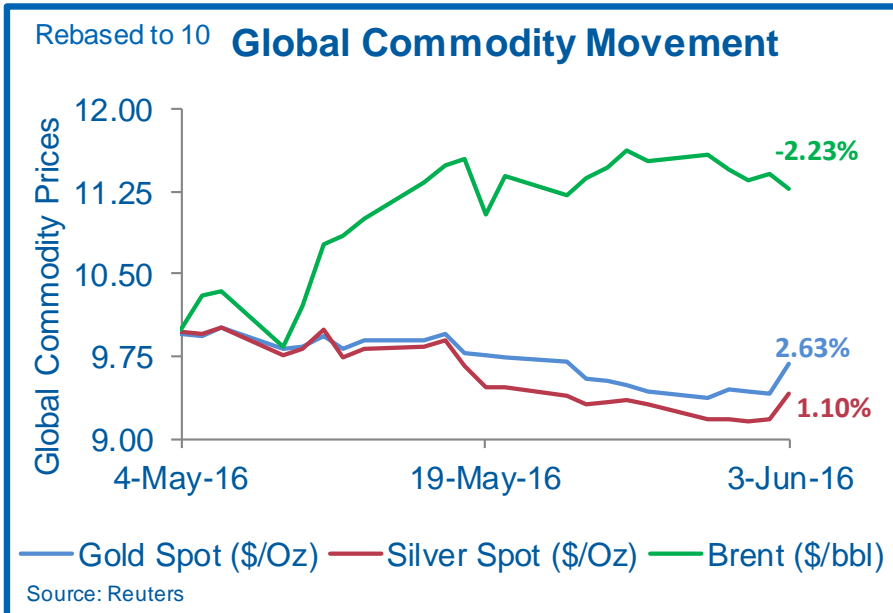
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury bond yield fell 14 bps to close at 1.70%, compared with the previous week's close of 1.84%.
- The U.S. treasury prices fell initially following upbeat U.S. manufacturing Purchasing Managers' Index data for May 2016 and after Federal Reserve's Beige Book economic report indicated a rise in inflation and an improving labour market from the period of Apr to mid of May.
- However, the trend reversed after U.S. jobs data for May came well below market expectations raising doubts as to whether Fed will raise interest rates in Jun 2016. U.S. jobs data showed that non-farm payroll employment rose at the slowest rate in over five years in May.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.19	49.29
Gold (\$/Oz)	1244.09	1212.15
Gold (Rs/10 gm)	28616	28802
Silver (\$/Oz)	16.398	16.22
Silver (Rs/Kg)	38452	38727

Source: Reuters Values as on Jun 03, 2016

## Gold

- Gold prices traded higher following weakness in the greenback against the euro. Bullion prices found additional support as lower than expected U.S. nonfarm payroll data for May increased optimism that the U.S. Federal Reserve (Fed) may delay raising interest rates.

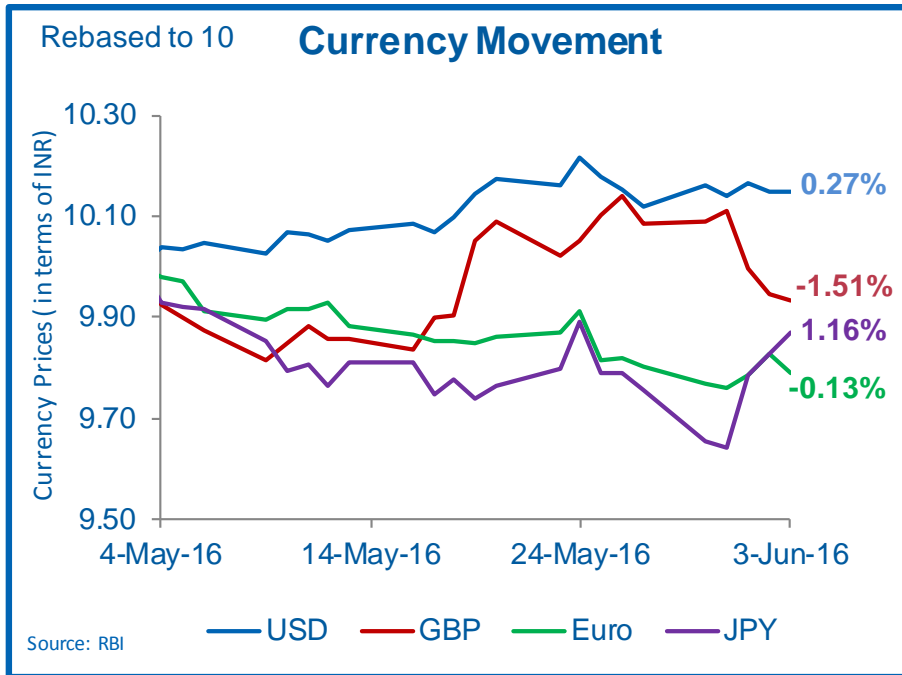
## Crude

- Brent crude prices came under pressure as the much anticipated Organisation of Petroleum Exporting Countries (OPEC) meeting in Vienna ended without any adjustment to its production ceiling. However, investors found some respite as Saudi Arabia pledged to avoid any further supply glut in the coming months.

## Baltic Dry Index

- The Baltic Dry Index fell during the week due to lower capesize and panamax activities.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.24	67.06
Pound Sterling	96.90	98.39
EURO	74.99	75.09
JPY(per 100 Yen)	61.83	61.12

Source: RBI Figures in INR, Values as on Jun 03, 2016

## Rupee

- The rupee weakened initially against the U.S. dollar following greenback demand from importers. However, the fall was restricted following upward revision in India's economic growth rate.

## Euro

- Euro surged against the U.S. dollar following lower than expected U.S. nonfarm payroll data for May and a sharp fall in U.S. construction spending in Apr.

## Pound

- The pound weakened against the greenback after campaigns showed that support for Britain's exit from the European Union was increasing.

## Yen

- Yen rose against the U.S. dollar after Japan postponed a sales tax hike for longer period than expected. Gains extended after weak U.S. nonfarm data and positive economic data from Japan.

The Week that was...  
30<sup>th</sup> May to 03<sup>rd</sup> June

# The Week that was (May 30 – June 03)

Date	Events	Present Value	Previous Value
Monday, May 30, 2016	Eurozone Economic Confidence (May)	104.7	104
Tuesday, May 31, 2016	India Gross Domestic Product (YoY) (4Q)	7.90%	7.20%
	India Core Sector Output (YoY) (APR	8.50%	-0.20%
	U.S. Consumer Confidence (May)	92.6	94.7
	Eurozone Unemployment Rate (Apr)	10.20%	10.20%
	Eurozone Consumer Prices (YoY) (May)	-0.10%	-0.20%
Wednesday, June 01, 2016	India Nikkei Manufacturing PMI (May)	50.7	50.5
	U.S. ISM Manufacturing (May)	51.3	50.8
	China Non-Manufacturing PMI (May)	53.1	53.5
	China Caixin Manufacturing PMI (May)	49.2	49.4
Thursday, June 02, 2016	U.S. ADP Employment Change (May)	173K	156K
Friday, June 03, 2016	U.S. Unemployment Rate (May)	4.70%	5.00%
	U.S. Change in Non-farm Payrolls (May)	38K	123K
	Eurozone Retail Sales (YoY) (Apr)	1.40%	1.80%
	U.K. Markit Service PMI (May)	53.5	52.3
	Japan Nikkei Composite PMI (May)	49.2	48.9



The Week Ahead...  
June 06 to June 10

# The Week Ahead

Day	Event
Monday, June 06	<ul style="list-style-type: none"> <li>❑ German Factory Orders (YoY) (April)</li> </ul>
Tuesday, June 07	<ul style="list-style-type: none"> <li>❑ Reserve Bank of India Monetary Policy Review</li> <li>❑ German Industrial Production (YoY) (April)</li> <li>❑ Euro-Zone Gross Domestic Product (YoY) (1Q) (F)</li> </ul>
Wednesday, June 08	<ul style="list-style-type: none"> <li>❑ China Trade Balance (May)</li> <li>❑ Japan Gross Domestic Product Annualized (1Q) (F)</li> <li>❑ U.K. Industrial Production (YoY) (April)</li> <li>❑ U.K. NIESR Gross Domestic Product Estimate (May)</li> </ul>
Thursday, June 09	<ul style="list-style-type: none"> <li>❑ U.K. Total Trade Balance (Pounds) (April)</li> <li>❑ U.S. Initial Jobless Claims (June 4)</li> </ul>
Friday, June 10	<ul style="list-style-type: none"> <li>❑ India Industrial Production (April)</li> <li>❑ U.S. University of Michigan Confidence (June) (P)</li> <li>❑ Japan Tertiary Industry Index (MoM) (April)</li> <li>❑ U.K. Construction Output (YoY) (April)</li> </ul>

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