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June 16, 2017

The Week that was...

12th June to 16th June

Indian Economy

- Government data showed that retail inflation stood at 2.18% in May 2017 compared with 2.99% in Apr 2017 and 5.76% in the same period of the previous year. The consumer food price index contracted 1.05% in May compared with an expansion of 0.61% in Apr 2017 and 7.47% in May 2016. Retail inflation fell as prices of kitchen staples like vegetables and pulses declined sharply even though there was a marginal spike in fruit rates.
- Government data showed that the Index of Industrial Production (IIP) grew 3.1% YoY in Apr 2017, lower than 6.5% in Apr 2016 due to slower rise witnessed in manufacturing, mining, and electricity. According to use-based classification, growth in capital goods and consumer durables in Apr 2017 contracted from the year-ago period. IIP for Mar 2017 was upwardly revised to 3.75% from provisional estimate of 2.7%. Manufacturing sector growth slowed to 2.6% in Apr 2017 compared with 5.5% a year ago.
- India's Wholesale Price Inflation (WPI) stood at 2.17% in May 2017 as against 3.85% provisional in Apr 2017 and -0.90% in the previous-year period, thereby marking a five-month low. The fall was because food inflation turned negative and prices of manufactured items grew at their slowest pace in the past five months.
- Data from Reserve Bank of India (RBI) showed that India's Current Account Deficit (CAD) narrowed to \$3.4 billion (0.6% of GDP) in Q4 of FY17 from \$8.0 billion (1.4% of GDP) in the preceding quarter. However, it widened from \$0.3 billion (0.1% of GDP) in the same quarter of the previous fiscal.

Indian Equity Market

Domestic Equity Market Indices			
Indices	16-Jun-17	1 Week Return	YTD Return
S&P BSE Sensex	31056.4	-0.66%	16.77%
Nifty 50	9588.05	-0.83%	17.22%
S&P BSE Mid-Cap	14807.33	-0.46%	22.06%
S&P BSE Small-Cap	15667.24	0.76%	28.52%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.37	24.00	31.24	71.45
P/B	2.90	3.56	2.58	2.41
Dividend Yield	1.32	1.11	1.24	0.75

Source: BSE, NSE Value as on Jun 16, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
12-Jun-17	572	1111	0.51
13-Jun-17	849	834	1.02
14-Jun-17	783	885	0.88
15-Jun-17	835	844	0.99
16-Jun-17	889	805	1.10

Source: NSE

- Indian equity markets dropped after the U.S. Federal Reserve (Fed) raised interest rates by 25 bps and hinted at another rate hike during the year.
- Profit booking by investors in recent outperformers also added to losses.
- However, hopes of a rate cut by the Monetary Policy Committee following weaker than expected CPI-based inflation data and India's wholesale inflation dipping to 2.17% in May 2017 from 3.85% in Apr 2017 helped restrict the downfall.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24111.1	-1.55%	2.10%
S&P BSE Bankex	26589	-0.86%	2.03%
S&P BSE CD	15971.3	-0.71%	-0.75%
S&P BSE CG	17455.3	-1.40%	-3.25%
S&P BSE FMCG	10137.7	-0.08%	5.43%
S&P BSE HC	14147.9	-0.56%	-6.16%
S&P BSE IT	9883.19	-2.15%	-2.03%
S&P BSE Metal	11115.6	-2.42%	-1.30%
S&P BSE Oil & Gas	13686.2	-0.82%	-5.09%

Source: Reuters Value as on Jun 16, 2017

- On the BSE sectoral front, S&P BSE Metal, down 2.42%, was the highest loser, trailed by S&P BSE IT (-2.15%), S&P BSE Teck (-2.03%), S&P BSE Auto (-1.55%) and S&P BSE Capital Goods (-1.40%).
- IT stocks snapped on concerns over outlook as the U.S. President was pondering over the idea of more stringent visa regulations in a market important for software services exporters.
- Healthcare stocks declined on concerns over their earnings outlook on account of pricing issues in the U.S.

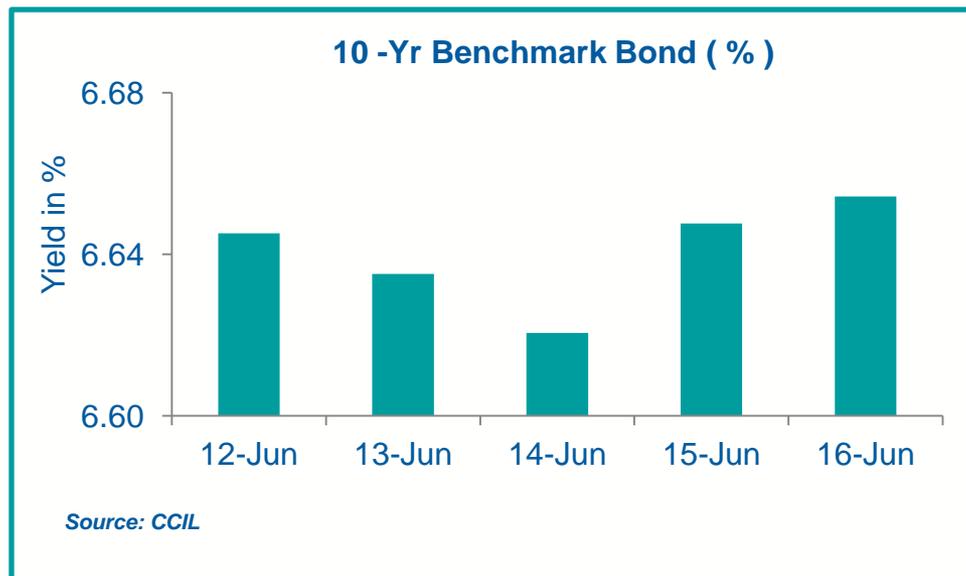
Indian Derivatives Market Review

- Nifty Jun 2017 Futures were at 9,597.25, a premium of 9.20 above the spot closing of 9,588.05. The turnover on NSE's Futures and Options segment stood at Rs. 13.73 lakh crore in the week to Jun 16, compared with Rs. 20.30 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.91 compared with the previous week's close of 1.00.
- The Nifty Put-Call ratio stood at 1.06 compared with the previous week's close of 1.21.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.09	6.13	6.05	6.14
91 Day T-Bill	6.26	6.28	6.29	6.19
07.80% 2021 , (5 Yr GOI)	6.58	6.59	6.82	6.55
06.97% 2026, (10 Yr GOI)	6.65	6.63	6.84	6.50

Source: Reuters *Value as on Jun 16, 2017*



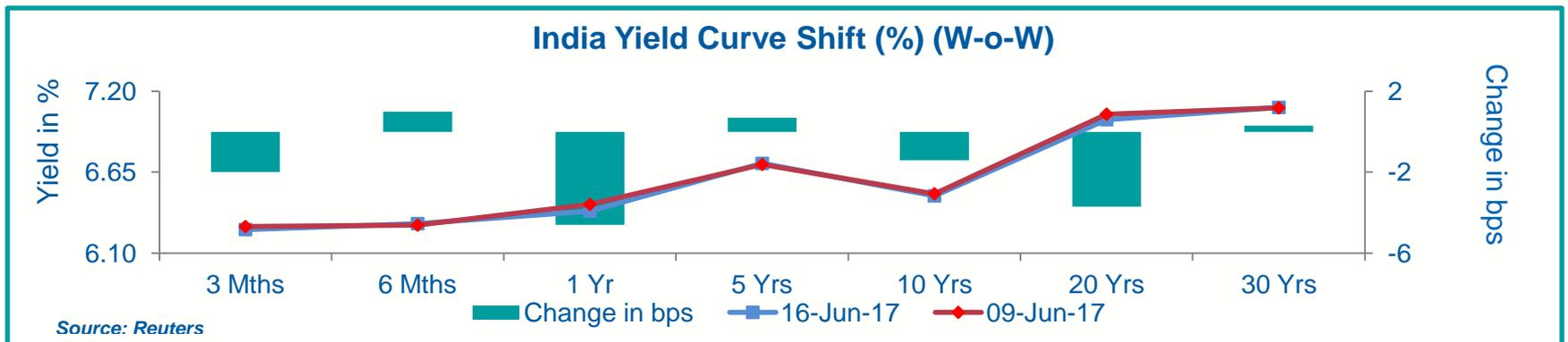
- Bond yields increased after the U.S. Fed increased interest rate by 25 bps and indicated one more rate hike in 2017 in its policy meeting. Also, profit booking by investors added to the losses.
- However, fall in consumer price index-based inflation in May 2017 limited the losses.
- Yield on the 10-year benchmark bond (6.97% GS 2026) went up 2 bps to close 6.65% compared with the previous close of 6.63%.
- RBI said that reserve money fell 7.6% YoY in week to Jun 9 compared with rise of 13.1% a year ago. Currency in circulation declined 13.2% YoY in the same period as against increase of 14.6% in the year ago period.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.49	6.97	48
3 Year	6.58	7.16	58
5 Year	6.81	7.27	46
10 Year	6.65	7.40	75

Source: Reuters Value as on Jun 16, 2017

- Yields on gilt securities witnessed a mixed trend. It increased the most on 8- and 9-year maturities by 3 bps each and fell the most by 20 bps on 12-year paper. Yield closed steady on 24- and 30-year maturities.
- Corporate bond yields fell across the maturities by up to 6 bps and closed steady on 4-year paper.
- Spread between AAA corporate bond and gilt securities contracted across the maturities by up to 6 bps and expanded 2 bps on 1-year paper.



Regulatory Updates in India

- The government announced that biometric identity number Aadhaar issued by the Unique Identification Authority of India (UIDAI) is compulsory for opening bank accounts and also for any financial transaction of Rs. 50,000 and above. Existing bank account holders have been asked to give their Aadhaar numbers by Dec 31, 2017. In case holders fail to provide the same, the account will be ceased and no more be operational.
- The government has made compulsory separate registration for each state in which banks operate in under the Goods and Services Tax (GST), while eliminating centralised registration for them. Currently, banks as well as non-banking finance companies that have presence across the nations can discharge their service tax compliances through a single centralised registration. However, with GST rolling out on Jul 1, 2017, they would need to obtain a separate registration for each state where they operate.
- The Unique Identification Authority of India has asked all its registrars and enrolment agencies to give priority to tax payers who want to update their mobile numbers in the system for the new GST regime. This will require physical presence of the tax payer as such update requires biometric authentication of the Aadhaar holder. The move comes a few weeks before the roll out of GST.

Regulatory Updates in India (contd..)

- The finance ministry has announced that in order to avail government's co-contribution up to Rs. 1,000, subscribers of the Atal Pension Yojna (APY) will have to link their Aadhaar to their accounts. Any person who is entitled to receive benefits under APY will have to go through enrolment under Aadhaar authentication.
- To deal with the growing level of non-performing assets in the banking system, the finance ministry is discussing two suggestions made by the latest Economic Survey — Universal Basic Income (UBI) and creation of bad bank, the finance minister said.
- Union cabinet has approved the Financial Resolution and Deposit Insurance Bill, 2017 that aims to bring in discipline in financial service providers in circumstances of a financial crisis. This approval will limit the use of public money to bail out distressed entities. The proposed bill will help in providing a comprehensive resolution framework to handle any bankruptcy situation in banks, insurers and financial sector entities.
- In order to capture non-disposal agreements between promoters and lenders, the Securities and Exchange Board of India (SEBI) has asked depositories to develop a separate transaction type in their system. Currently, SEBI rules require promoters of a company to disclose details of their encumbered shares including non-disposal agreements by promoters.

Global News/Economy

- The Federal Open Market Committee (FOMC) raised the benchmark interest rate by 25 basis points to 1.25% from 1%. FOMC announced to gradually shrink its \$4.5 trillion balance sheet in 2017, which is loaded with government bonds, mortgage-backed securities, and other assets. The committee also indicated one more rate hike in 2017 and three in 2018.
- According to a report from the Labour Department, U.S. consumer price index missed expectations and fell 0.1% in May 2017 after a gain of 0.2% in Apr 2017. The fall reflected a sharp decline in energy prices, which was partially offset by increase in food prices. Core consumer prices excluding food and energy prices also missed market expectations. However, it grew 0.1% in May, in line with Apr's growth.
- The Bank of England decided to retain its interest rate at a record low of 0.25% after a voting of 5-3. However, the number of members who voted for hike have widened from 1 to 3, amid high inflation in May 2017. Nevertheless, all the members voted to keep the quantitative easing at GBP 435 billion.
- The International Monetary Fund (IMF) expects China's economy to expand 6.7% in 2017, up from its previous expectation of 6.6%. The growth is expected to average 6.4% during 2018 to 2020. Also, IMF stated that China should adopt and speed up with reforms that are required to secure medium-term stability.

Global Equity Markets

Global Indices			
Indices	16-Jun-17	1-Week Return	YTD Return
Dow Jones	21384.28	0.53%	7.56%
Nasdaq 100	5681.48	-1.05%	15.68%
FTSE 100	7463.54	-0.85%	3.98%
DAX Index	12752.73	-0.49%	9.95%
Nikkei Average	19943.26	-0.35%	1.78%
Straits Times	3231.44	-0.70%	11.47%

Source: Reuters *Value as on Jun 16, 2017*

Europe

- European markets fell due to continued political uncertainty in the U.K. Sentiment also dampened as U.S. Fed planned to go for one more rate hike in 2017 despite U.S. inflation for May falling short of expectations. However, some respite was seen on news that Greece and European creditors reached a deal on the next stages of bailout plan.

Asia

- Asian markets treaded low initially as investors were cautious ahead of the central banks' meetings in the U.S., U.K., and Japan. Later, sentiment remained weak after the Fed raised the key rate and indicated one more hike in 2017. Hang Seng fell after the Hong Kong Monetary Authority raised interest rates, which weighed on property stocks.

U.S.

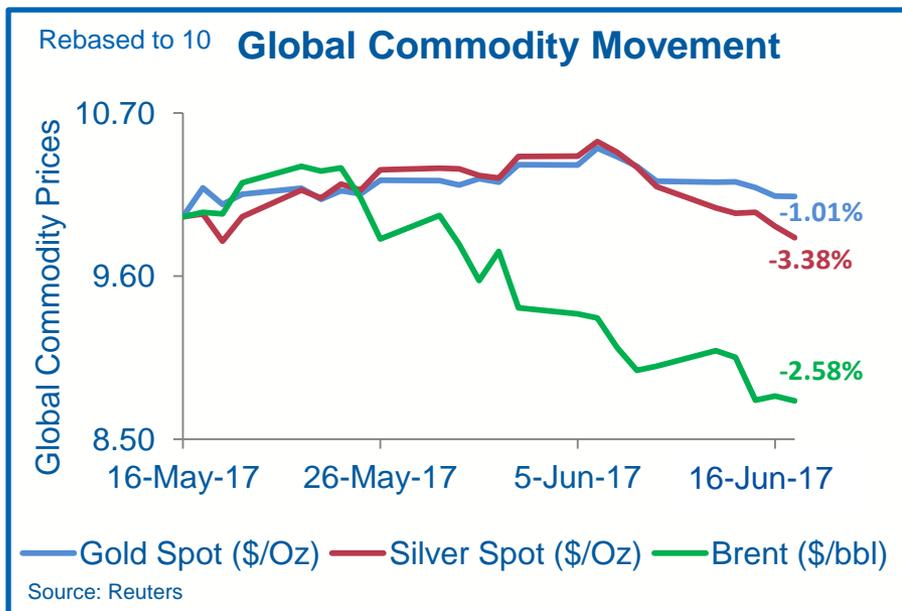
- U.S. markets witnessed initial gains due to bargain hunting. Gains were restricted after the U.S. Fed increased interest rates and hinted that it will start gradually shrinking its \$4.5 trillion balance sheet in the current year.
- However, a section of investors remained skeptical on the Fed's future rate hike stance owing to disappointing U.S. inflation data for May.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 4 bps to close at 2.16% from the previous week's close of 2.20%.
- U.S. Treasury prices rose following disappointing U.S. inflation and retail sales data in May 2017. U.S. retail sales in May recorded their biggest drop in 16 months and the Consumer Price Index unexpectedly fell month over month, indicating that the inflation pressures could be moderating.
- However, most of the gains were wiped off after the U.S. Fed raised interest rates and after the release of stronger than expected U.S. jobless claims data for week ended Jun 10.

Commodities Market



Gold

- The U.S. FOMC meeting was the key event for the bullion market during the week. The initial weakness in gold prices, prior to the meeting, remained affirmed after the U.S. Federal Reserve raised interest rates for the second time this year.

Crude

- Concerns over global supply glut kept Brent crude prices under pressure. The Organization of the Petroleum Exporting Countries reported an increase in its production for May despite a supply-cut agreement and said the oil market was rebalancing more slowly than expected.

Baltic Dry Index

- The Baltic Dry Index increased during the week owing to improved capesize and panamax activities.

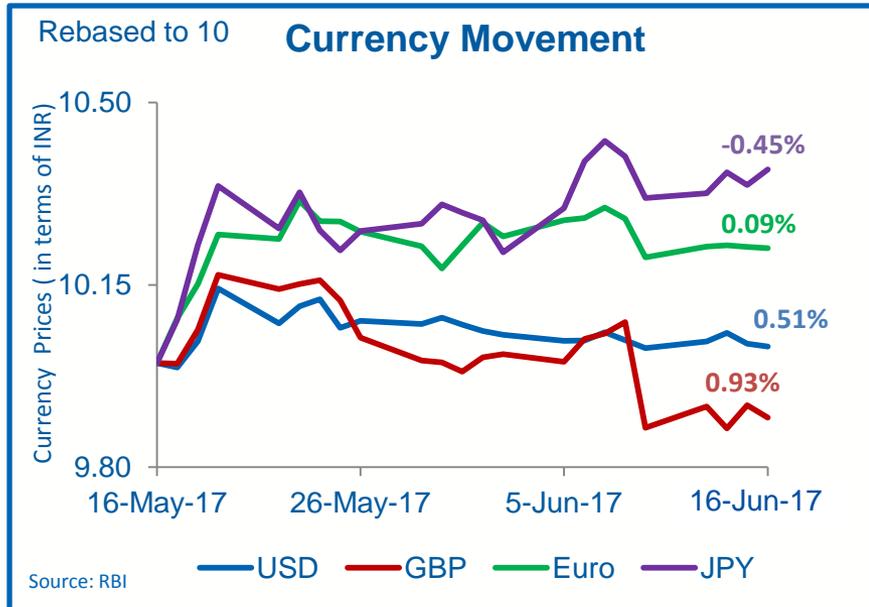
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	44.89	46.08
Gold (\$/Oz)	1253.13	1265.90
Gold (Rs/10 gm)	28657	28916
Silver (\$/Oz)	16.58	17.16
Silver (Rs/Kg)	38565	39549

Source: Reuters

Value as on Jun 16, 2017

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.59	64.26
Pound Sterling	82.51	81.75
EURO	72.05	71.98
JPY(per 100 Yen)	58.05	58.31

Source: RBI Figures in INR , Value as on Jun 16, 2017

Rupee

- The Indian rupee weakened against the greenback after the U.S. Fed increased interest rate and indicated another rate hike in 2017.

Euro

- Euro fell against the U.S. dollar after the U.S. Fed raised interest rates by 25 bps and announced to gradually shrink its \$4.5 trillion balance sheet in 2017.

Pound

- Sterling strengthened against the greenback following encouraging U.K. inflation data and weaker than expected U.S. inflation for May.

Yen

- Yen weakened against the greenback after the U.S. Fed raised interest rate and the Bank of Japan kept interest rates steady, stating that it was in no hurry to tighten its ultra-loose monetary policy.

The Week that was...

12th June to 16th June

The Week that was (May 29 – June 2)

Date	Events	Present Value	Previous Value
Monday, June 12, 2017	<ul style="list-style-type: none"> Japan Machine Tool Orders (YoY) (MAY P) U.S. Monthly Budget Statement (MAY) 	24.40% -\$88.4b	34.70% -\$52.5b
Tuesday, June 13, 2017	<ul style="list-style-type: none"> U.K. Consumer Price Index (YoY) (MAY) U.K. Core Consumer Price Index (YoY) (MAY) Germany ZEW Survey (Economic Sentiment) (JUN) Eurozone ZEW Survey (Economic Sentiment) (JUN) 	2.90% 2.60% 18.6 37.7	2.70% 2.40% 20.6 35.1
Wednesday, June 14, 2017	<ul style="list-style-type: none"> U.S. Consumer Price Index (YoY) (MAY) U.S. Consumer Price Index Ex Food & Energy (YoY) (MAY) U.S. Advance Retail Sales (MAY) U.S. FOMC Rate Decision - Upper Bound (JUN 14) U.S. FOMC Rate Decision - Lower Bound (JUN 14) China Retail Sales (YoY) (MAY) 	1.90% 1.70% -0.30% 1.25% 1.00% 10.70%	2.20% 1.90% 0.40% 1.00% 0.75% 10.70%
Thursday, June 15, 2017	<ul style="list-style-type: none"> U.K. Retail Sales (YoY) (MAY) GBP Bank of England Rate Decision (JUN 15) 	0.60% 0.25%	4.60% 0.25%
Friday, June 16, 2017	<ul style="list-style-type: none"> Bank of Japan Policy Balance Rate (JUN 16) U.S. Housing Starts (MoM) (MAY) Eurozone Consumer Price Index (YoY) (MAY F) Bank of Japan 10-Yr Yield Target (JUN 16) 	-0.10% -5.50% 1.40% 0.00%	-0.10% -2.80% 1.90% 0.00%

The Week Ahead

19th June to 26th June

The Week Ahead

Day	Event
Monday, June 19, 2017	<ul style="list-style-type: none"> • Eurozone Construction Output (YoY) (APR) • China May Property Prices
Tuesday, June 20, 2017	<ul style="list-style-type: none"> • Bank of Japan Minutes of Apr 26-27 Meeting • Japan Nationwide Department Store Sales (YoY) (MAY)
Wednesday, June 21, 2017	<ul style="list-style-type: none"> • JPY All Industry Activity Index (MoM) (APR) • U.K. Public Sector Net Borrowing (Pounds) (MAY) • U.S. Existing Home Sales (MoM) (MAY)
Thursday, June 22, 2017	<ul style="list-style-type: none"> • Eurozone Consumer Confidence (JUN A) • U.S. House Price Index (MoM) (APR) • U.S. Leading Indicators (MAY) • U.S. Initial Jobless Claims (JUN 17)
Friday, June 23, 2017	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (JUN P) • U.S. Markit Services PMI (JUN P) • U.S. Markit Manufacturing PMI (JUN P) • Eurozone Markit Manufacturing PMI (JUN P) • Eurozone Markit Services PMI (JUN P)

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