

RELIANCE

MUTUAL  
FUND

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# News U Can Use

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June 30, 2017

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The Week that was...

**26<sup>th</sup> June to 30<sup>th</sup> June**

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## Indian Economy

- Government data showed that the core sector in the country grew 3.6% in May 2017, higher than 2.8% growth witnessed in the preceding month but lower than 5.2% growth in May 2016. Electricity sector witnessed a maximum growth of 6.4% followed by refinery products sector that grew 5.4%. Steel sector went up 3.7%, however, the growth was slower than 9.3% in Apr 2017. Fertilizer and coal experienced a decline of 6.5% and 3.3%, respectively.
- According to data from Controller General of Accounts, India's fiscal deficit up to May 2017 during the current fiscal touched Rs. 3.73 lakh crore or 68.3% of the Budget estimates for FY18. The deficit in the period Apr-May was 42.9% of the Budget in FY17. The deficit in FY18 is estimated at Rs. 5.46 lakh crore and was Rs. 5.34 lakh crore in FY17.
- According to data from the Reserve Bank of India (RBI), external commercial borrowings and rupee denominated bonds stood at \$523.95 million and \$525.76 million, respectively, during the month of May.
- The finance ministry has begun notifying various provisions of law under GST. Provisions and rules under Central GST Act (CGST), Integrated GST (IGST) Act, and Union Territory GST Act are being notified. These include rules and provisions relating to tax invoice, credit and debit notes, accounts and records, returns, payment of tax, refund, assessment and audit, advance ruling. Also appeals and revisions, transitional provisions, anti-Profitteering and e-way rules have been notified.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	30-Jun-17	1 Week Return	YTD Return
S&P BSE Sensex	30921.61	-0.70%	16.27%
Nifty 50	9520.90	-0.56%	16.40%
S&P BSE Mid-Cap	14644.48	0.42%	20.72%
S&P BSE Small-Cap	15410.52	0.19%	26.42%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.64	24.23	31.02	71.21
P/B	2.96	3.52	2.56	2.38
Dividend Yield	1.27	1.12	1.28	0.76

Source: BSE, NSE Value as on Jun 30, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Jun-17	386	1309	0.29
28-Jun-17	842	813	1.04
29-Jun-17	1103	555	1.99
30-Jun-17	831	827	1.00

Source: NSE

- Indian equity markets closed in the red amid truncated trading week. Initially, selling pressure was witnessed after the Reserve Bank of India (RBI) demanded higher provisioning for loans submitted under the insolvency process. Investors also remained cautious ahead of the launch of the Goods and Services Tax (GST) because of concern around the transition to GST.
- Meanwhile, the India Meteorological Department (IMD) in its weekly weather report said that during the week from Jun 22 to Jun 28 2017, all India actual rainfall stood at 48.6 mm as against normal rainfall of 51.1 mm, with a departure of minus 5%. Jun's futures & options expiry and scheduled core sector output data and fiscal deficit data also kept investors wary.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23408.17	-0.87%	-2.45%
S&P BSE Bankex	26277.96	-1.28%	-0.47%
S&P BSE CD	16012.71	1.23%	4.79%
S&P BSE CG	17075.94	-1.19%	-2.77%
S&P BSE FMCG	10428.17	2.13%	3.55%
S&P BSE HC	14190.58	1.22%	4.98%
S&P BSE IT	9833.46	-0.21%	-4.61%
S&P BSE Metal	11374.12	3.53%	-0.32%
S&P BSE Oil & Gas	13202.65	-0.77%	-7.08%

Source: Reuters Value as on Jun 30, 2017

- On the BSE sectoral front, mixed trend witnessed as S&P BSE Metal stood as the major gainer followed by S&P BSE FMCG and S&P BSE Consumer Durables. Meanwhile, S&P BSE Bankex stood as the major loser followed by S&P BSE Capital Goods.
- Bankex fell after RBI demanded higher provisioning for loans submitted under the insolvency process. Metal sector gained after the Ministry of Mines said that the central government is working to expand capacity of major aluminum company to make it a major producer of aluminum globally.

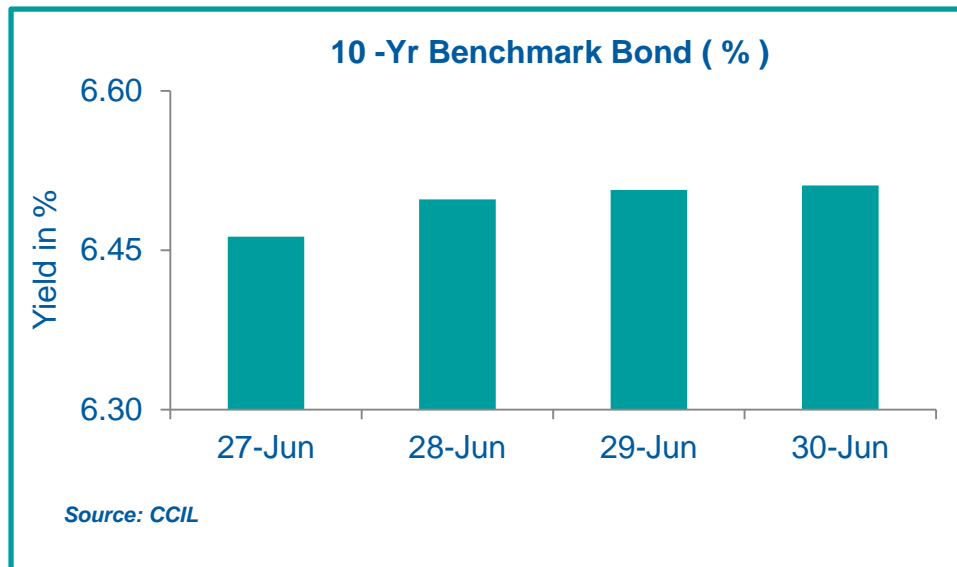
## Indian Derivatives Market Review

- Nifty Jun 2017 Futures settled at spot closing of 9,504.1 points. Nifty Jul 2017 Futures were at 9,517.4 points, a discount of 3.50 points, over the spot closing 9,520.90. The turnover on NSE's Futures and Options segment stood at Rs. 33.02 lakh crore compared with Rs. 28.39 lakh crore in the week to Jun 23.
- The Put-Call ratio stood at 0.90 compared with the previous week's close of 0.95.
- The Nifty Put-Call ratio stood at 1.13 compared with the previous week's close of 1.10.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.11	6.08	6.02	6.10
91 Day T-Bill	6.30	6.26	6.30	6.22
07.80% 2021 , (5 Yr GOI)	6.59	6.54	6.76	6.56
06.97% 2026, (10 Yr GOI)	6.51	6.46	6.66	--

*Source: Reuters* *Value as on Jun 30, 2017*



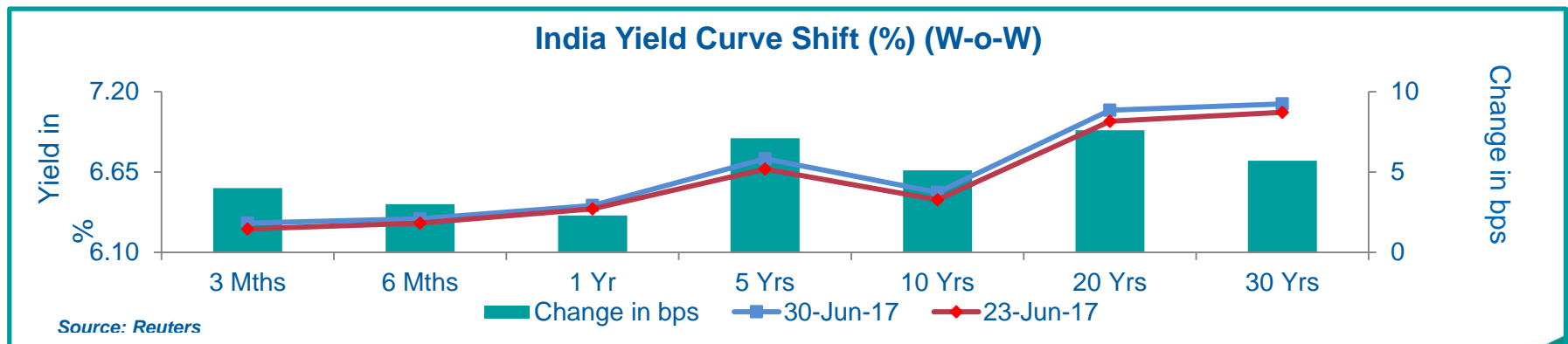
- Bond yields rose due to rise in global bond yields that dampened the demand for emerging market debt. Yields further rose as investors attained caution ahead of the weekly auction of government securities scheduled on Jun 30.
- Yield on the 10-year benchmark bond (6.79% GS 2027) increased 5 bps to close 6.51% compared with the previous close of 6.46%. During the session, bond yields moved in the region of 6.45% to 6.52%.
- RBI conducted an 80-Days cash management bills (CMB) auction for a notified amount of Rs. 30,000 crore, which was fully accepted at a cut-off rate of 6.34%.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.52	7.01	49
3 Year	6.62	7.15	53
5 Year	6.85	7.32	48
10 Year	6.69	7.42	73

Source: Reuters Value as on Jun 30, 2017

- Yields on gilt securities rose across maturities by up to 8 bps. Highest increase was seen on 13- and 19-year papers and lowest rise was on 2-year paper.
- Corporate bond yields increased across curve by up to 5 bps. Highest rise was seen on 5-year paper and the lowest increase was on 2 to 4 years' papers and 15-year paper.
- Spread between AAA corporate bond and gilt contracted across maturities by up to 5 bps barring 1-year paper that expanded 2 bps.



## Regulatory Updates in India

- The government has reduced interest rates on small saving schemes. Interest rate for each, Public Provident Fund, National Saving Certificates has been reduced by 10 basis to 7.8%. Interest rate for Kisan Vikas Patra has also been cut by 10 basis points to 7.5%. Also, interest rate has been cut for The Senior Citizen's Savings Scheme and Sukanya Samriddhi Yojana have been cut by 10 basis points that will now offer 8.3%. Interest rates on small savings are linked to the benchmark 10-year government bond yields and are revised in every three months. The last revision was done in Mar 2017 and rates for all schemes were reduced by 10 basis points.
- Department of Industrial Policy and Promotion has said all the Foreign Direct Investment proposals requiring approval will be cleared by the government within a maximum of 10 weeks after the receipt of an application. While the proposals that do not require security clearance would be cleared over a period of eight weeks, applications that require security clearance would take a cumulative time period of 10 weeks.
- The Securities and Exchange Board of India (SEBI) has proposed relaxation in entry norms for foreign portfolio investors (FPIs) who are willing to invest directly in Indian markets rather than through participatory notes. SEBI also proposed doing away with the requirements of seeking its prior approval in case of change in local custodian or Designated Depository Participants (DDP) and suggested that in the event of a change in the same the DDP should be permitted to rely on the registration granted by previous DDP at the time of transition.



## Regulatory Updates in India (contd..)

- The government approved the recommendations of the 7th Central Pay Commission on allowances with 34 modifications. The move is expected to benefit 48 lakh central government employees. However, according to media reports, the increase in allowance that will come into effect from Jul 1 will impose an additional annual burden of Rs. 30,748 crore on the exchequer.
- The Reserve Bank of India (RBI) has announced that District Central Cooperative Banks (DCCBs) can deposit banned bank-notes of Rs. 500 and Rs. 1,000 that were exchanged or collected only between Nov 10 and Nov 14, 2016 under a special window till July 19. However, the banned notes held as on Nov 8, 2016, at the close of banking hours will not be eligible.
- As the government steps up the fight against illicit fund flows, it will soon set up restrictions on the number of subsidiaries a corporate can have under the Company's Law. The ministry that is implementing the act has floated the draft norms for public consultations. The restriction is aimed at checking misuse of multiple layers of subsidiaries for diversion of funds.
- As a part of the changes in the Legal Metrology Rules, 2011, that will come into effect from Jan 1, 2018, the government has prohibited companies from selling the same product at different 'maximum retail prices' (MRP). Effective from Jan 1, 2018, the directive is expected to bring relief to customers who have complained against a higher MRP being charged at airports, malls, and cinemas.

## Global News/Economy

- According to a report by the Commerce Department, U.S. personal income came in higher than market expectations and grew 0.4% in May 2017, up from downwardly revised 0.3% in Apr 2017. Meanwhile, personal spending came in line with market expectations and grew 0.1% in May as against growth of 0.4% in Apr. Core consumer prices were up 1.4% on YoY basis in May as against 1.5% in Apr.
- According to a report from Destatis, Germany's consumer price inflation surprisingly increased to 1.6% in Jun 2017 as against 1.5% in May 2017. Energy prices remained flat in May after experiencing a gain of 2% in May 2017. Food inflation grew to 2.8% from 2.4% in May. Consumer prices inched up 0.2% on MoM basis.
- According to a flash data from Eurostat, consumer prices in euro zone grew 1.3% on YoY basis in Jun 2017, marginally lower from 1.4% increase in May 2017. The European Central Bank targets inflation 'below, but close to 2%'. Meanwhile, core inflation, excluding energy, food, alcohol & tobacco, grew to 1.1% in Jun from 0.9% in May.
- A report from the Ministry of Internal Affairs and Communications showed that overall consumer prices in Japan missed market expectations in May 2017. However, it grew 0.4% in May and was unchanged from the previous month. Core CPI, excluding fresh food prices, came in line with market expectations and gained 0.4% on YoY basis, up from 0.3% in Apr 2017.

## Global Equity Markets

Global Indices			
Indices	30-Jun-17	1-Week Return	YTD Return
Dow Jones	21349.63	-0.21%	7.38%
Nasdaq 100	5646.918	-2.69%	14.98%
FTSE 100	7312.72	-1.50%	1.88%
DAX Index	12325.12	-3.21%	6.27%
Nikkei Average	20033.43	-0.49%	2.24%
Straits Times	3226.48	0.53%	11.30%

*Source: Reuters* *Value as on Jun 30, 2017*

### Europe

- European markets moved down as technology stocks dipped following a global cyber attack, and the U.S. Senate decided on delaying voting on healthcare bill, with investors worrying about the present administration’s ability to execute its targets.

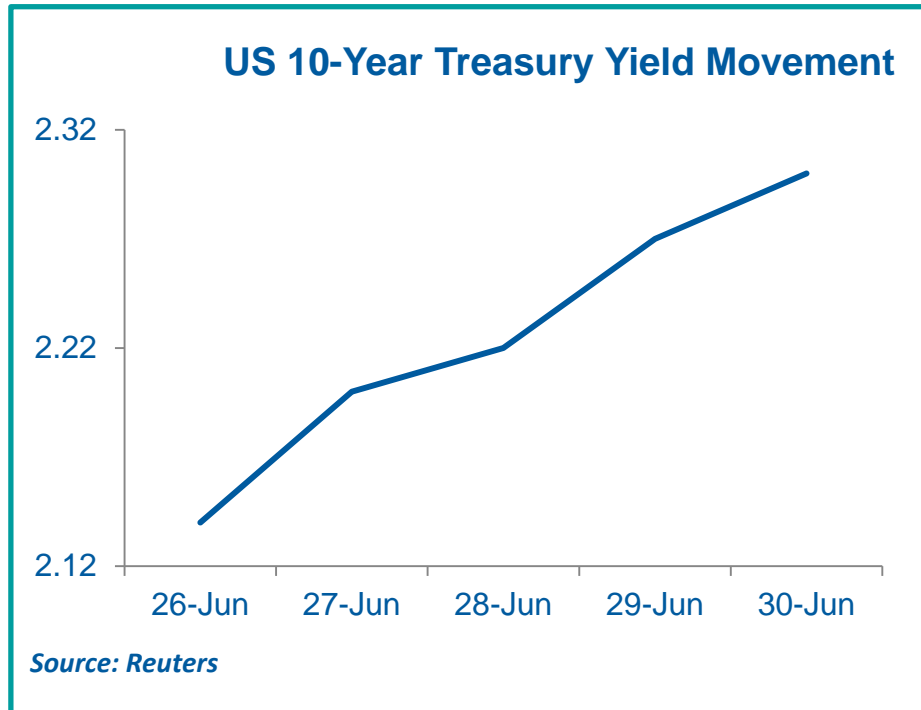
### Asia

- Most of the major Asian markets closed the week higher, mainly as investors turned confident in the global economic outlook. The optimism was due to central banks across the world indicating interest rates could require a hike on reports that U.S. index provider MSCI could probably up the future weighting of Chinese ‘A’ shares in its emerging markets benchmark.

### U.S.

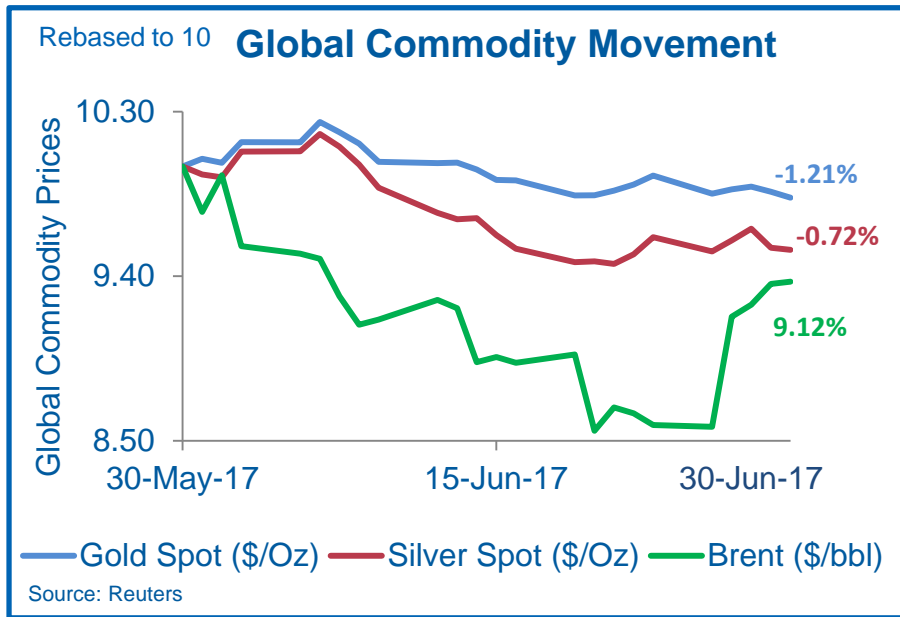
- U.S. markets dropped after European Union regulators fined a technology heavyweight 2.40 billion euros for breaching anti-trust rules, and the International Monetary Fund reduced its U.S. economic growth estimate on uncertainties over whether the U.S. President would be able to achieve the tax reform and spending-oriented goals.
- Senate Republicans postponing a vote on healthcare bill until after the Jul 4 holiday also weighed on sentiment.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond surged 16 bps to close at 2.30% from the previous week's close of 2.14%.
- U.S. Treasury prices increased initially after durable goods orders in the U.S. fell in May June raising concerns over tepid growth and falling inflation.
- However, the trend reversed and prices plunged after the European Central Bank (ECB) president indicated that the monetary stimulus program could be modified with the recovery in the euro zone's economy. This increased possibility that ECB will soon start tightening its monetary stimulus program.

## Commodities Market



## Gold

- Gold prices slipped amid huge selling witnessed initially during the week. The sale of 18,500 lots of gold, aggregating to 1.85 million ounces on Comex within a short time span dragged gold prices down. However, the down turn was restricted as market participants remained apprehensive about the U.S. President's ability to pass economic stimulus measures.

## Crude

- Brent crude prices went up amid easing concerns over the global supply glut. Investors took positive cues after data from Energy Information Administration showed that crude oil production dropped by 100,000 barrels per day (bpd) to 9.3 million bpd in the week to Jun 23.

## Baltic Dry Index

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

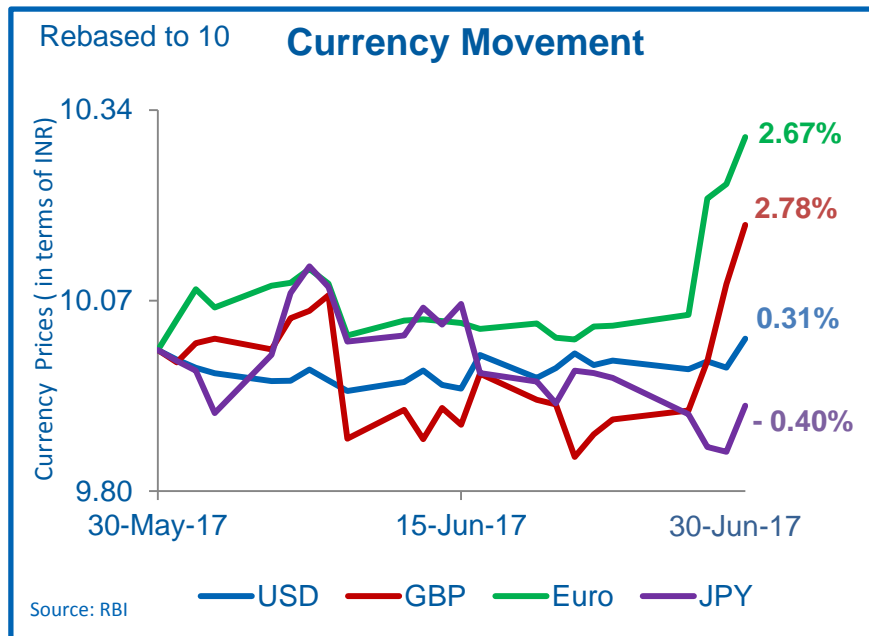
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.12	43.18
Gold (\$/Oz)	1241.20	1256.40
Gold (Rs/10 gm)	28803.00	28753.00
Silver (\$/Oz)	16.57	16.69
Silver (Rs/Kg)	38496.00	38601.00

Source: Reuters

Value as on Jun 30, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.74	64.54
Pound Sterling	84.26	81.97
EURO	74.00	72.08
JPY(per 100 Yen)	57.78	58.01

Source: RBI Figures in INR , Value as on Jun 30, 2017

### Rupee

- The rupee weakened marginally against the greenback after moving in a narrow range during the week following month-end dollar demand from importers and greenback purchases by state-run banks.

### Euro

- The euro rose strongly against the greenback on growing possibility that the European Central Bank may start tightening its monetary stimulus program. .

### Pound

- The sterling surged against the greenback as political uncertainty regarding government formation in Britain eased to some extent.

### Yen

- The yen weakened against the greenback after U.S. consumer confidence data for Jun 2017 came better than market expectations.

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The Week that was...

**26<sup>th</sup> June to 30<sup>th</sup> June**

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## The Week that was (June 26– June 30)

Date	Events	Present Value	Previous Value
<b>Monday, June 26, 2017</b>	• U.S. Durable Goods Orders (MAY P)	-1.1%	-0.9%
	• Germany IFO - Current Assessment (JUN)	124.1	123.3
<b>Tuesday, June 27, 2017</b>	• U.S. Consumer Confidence (JUN)	118.9	117.6
	• U.S. Conference Board Present Situation (JUN)	146.3	140.6
<b>Wednesday, June 28, 2017</b>	• U.S. Advance Goods Trade Balance (MAY)	-\$65.9b	-\$67.1b
	• Japan Small Business Confidence (JUN)	49.2	48.9
	• U.S. Wholesale Inventories (MAY P)	0.3%	-0.4%
	• Japan Retail Trade (YoY) (MAY)	2.0%	3.2%
<b>Thursday, June 29, 2017</b>	• Germany Consumer Price Index (YoY) (JUN P)	1.6%	1.5%
	• U.S. Gross Domestic Product (Annualized) (1Q T)	1.4%	1.2%
	• Japan National Consumer Price Index (YoY) (MAY)	0.4%	0.4%
	• Germany GfK Consumer Confidence Survey (JUL)	10.6	10.4
<b>Friday, June 30, 2017</b>	• China Manufacturing PMI (JUN)	51.7	51.2
	• Germany Unemployment Change (JUN)	7,000	-7,000
	• U.S. Personal Consumption Expenditure Core (YoY) (MAY)	1.40%	1.5%
	• Germany Unemployment Rate (JUN)	5.7%	5.7%
	• Eurozone Consumer Price Index - Core (YoY) (JUN A)	1.2%	1.0%



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The Week Ahead  
**3<sup>rd</sup> July to 7<sup>th</sup> July**

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## The Week Ahead

Day	Event
<p><b>Monday,</b> <b>July 03, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. ISM Manufacturing (JUN)</li> <li>• U.S ISM Employment (JUN)</li> <li>• China Caixin Manufacturing PMI (JUN)</li> <li>• Japan Consumer Confidence Index (JUN)</li> <li>• U.K. Markit Manufacturing PMI (JUN)</li> </ul>
<p><b>Tuesday,</b> <b>July 04, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.K. Markit/CIPS Construction PMI (JUN)</li> <li>• Japan Nikkei Composite PMI (JUN)</li> </ul>
<p><b>Wednesday,</b> <b>July 05, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. FOMC Meeting Minutes (JUN 14)</li> <li>• U.K. Markit/CIPS Composite PMI (JUN)</li> <li>• Eurozone Retail Sales (YoY) (MAY)</li> <li>• U.S. Factory Orders (MAY)</li> </ul>
<p><b>Thursday,</b> <b>July 06, 2017</b></p>	<ul style="list-style-type: none"> <li>• Germany Factory Orders (YoY) (MAY)</li> <li>• Germany Markit Retail PMI (JUN)</li> <li>• U.S. Trade Balance (MAY)</li> </ul>
<p><b>Friday,</b> <b>July 07, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. Change in Non-farm Payrolls (JUN)</li> <li>• U.S. Unemployment Rate (JUN)</li> <li>• Japan Leading Index (MAY P)</li> <li>• Germany Industrial Production (YoY) (MAY)</li> <li>• U.K. Industrial Production (YoY) (MAY)</li> </ul>

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RELIANCE

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