

News U Can Use

March 03, 2017

The Week that was...
27th February to 3rd March

Indian Economy

- ❑ Government data showed that India's gross domestic product (GDP) at basis prices grew 7% in the Dec quarter of 2016, slower than revised 7.4% rise in the previous quarter but better than 6.9% in the corresponding period of last year. Despite demonetisation, private final consumption expenditure accelerated to 10.1% YoY in third quarter from 5.1% in the prior quarter.
- ❑ Government data showed that India's core sector output grew 3.4% YoY in Jan 2017, lower than 5.6% rise recorded in Dec 2016 due to fall in refinery and cement production. Refinery production contracted 1.5% YoY during the reported period compared with 6.4% rise in the prior month.
- ❑ Government data showed that India's fiscal deficit from Apr 2016 to Jan 2017 stood at Rs. 5.64 lakh crore or 105.7% of the budgeted target for FY17. During the similar period last year, fiscal deficit was much lower at 95.8% of the full year target of FY16. Revenue deficit was at Rs. 4.05 lakh crore or 114.4% of the full year target during the latest reported period. Net tax receipts were Rs. 8.16 lakh crore.
- ❑ The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 50.7 in Feb 2017 from 50.4 in Jan 2017. This is the second consecutive month of expansion in the post-demonetisation period. The manufacturing sector benefited by higher demand from both domestic and overseas markets.

Indian Equity Market

Domestic Equity Market Indices			
Indices	03-Mar-17	1 Week Return	YTD Return
S&P BSE Sensex	28832.45	-0.21%	8.41%
Nifty 50	8897.55	-0.47%	8.78%
S&P BSE Mid-Cap	13409.04	-0.91%	10.53%
S&P BSE Small-Cap	13620.17	0.24%	11.73%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.92	23.1	29.16	64.41
P/B	2.86	3.37	2.39	2.14
Dividend Yield	1.43	1.25	1.29	0.77

Source: BSE, NSE

Value as on March 03, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Feb-17	707	965	0.73
28-Feb-17	912	732	1.25
01-Mar-17	1001	652	1.54
02-Mar-17	396	1266	0.31
03-Mar-17	739	914	0.81

Source: NSE

- The Indian equity market moved down during the week especially owing to profit booking along with worries over impending interest rate hike by the U.S. Federal Reserve in Mar 2017.
- However, losses were capped by news of the economic affairs secretary declaring that the states have agreed to implement Goods and Services Tax from Jul 1, 2017.
- Higher than expected gross domestic product data of 3QFY17, indicating private final consumption and manufacturing sector expanded in the third quarter despite demonetisation, and improved Nikkei India Manufacturing Purchasing Managers' Index in Feb 2017 further cushioned the market.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21557.8	-0.90%	-2.66%
S&P BSE Bankex	23375.8	-1.89%	1.03%
S&P BSE CD	13776.4	0.32%	6.64%
S&P BSE CG	15307.2	-0.19%	1.40%
S&P BSE FMCG	8783.79	-0.64%	-0.91%
S&P BSE HC	15339	-0.02%	0.55%
S&P BSE IT	10506.2	1.23%	8.33%
S&P BSE Metal	12139.1	2.22%	2.10%
S&P BSE Oil & Gas	13377.5	-1.81%	2.11%
S&P BSE Power	2156.0	-2.21%	-1.16%

Source: Reuters *Value as on March 03, 2017*

- ❑ On the BSE sectoral front, S&P BSE Power, down 2.21%, was the biggest loser, trailed by S&P BSE Bankex (-1.89%), S&P BSE Oil & Gas (-1.81%), and S&P BSE Auto (-0.90%).
- ❑ The auto sector suffered losses although some industry majors posted positive monthly sales figures. S&P BSE Metal (2.22%), and S&P BSE IT (1.23%) were the highest gainers of the week.

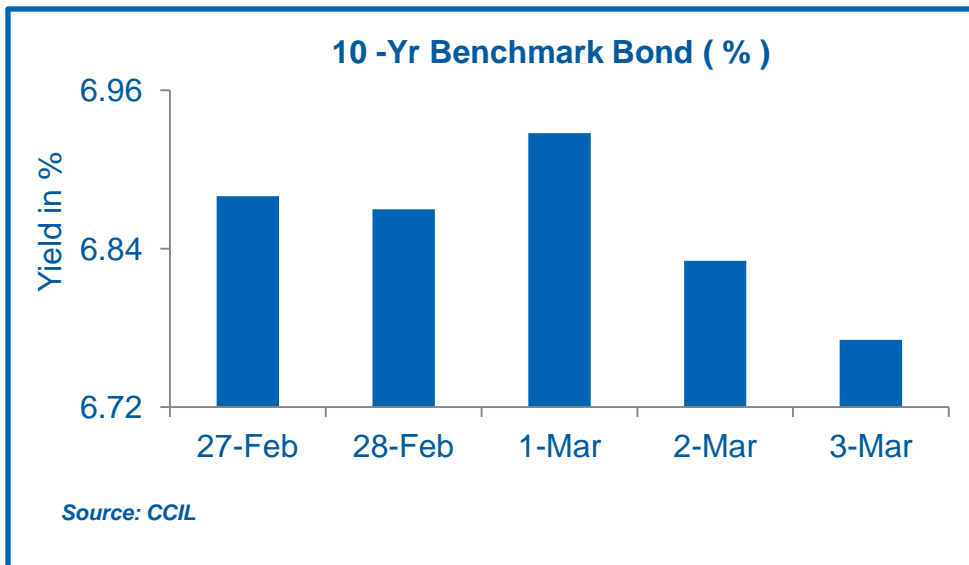
Indian Derivatives Market Review

- ❑ Nifty Mar 2017 Futures were at 8,922.8, a premium of 25.25 above the spot closing of 8,897.55. The turnover on NSE's Futures and Options segment stood at Rs. 18.43 lakh crore during the week to Mar 3, compared with Rs. 25.51 lakh crore during the week ended to Feb 24.
- ❑ The Put-Call ratio stood at 0.77, compared with the previous week's close of 0.90.
- ❑ The Nifty Put-Call ratio stood at 0.97, compared with the previous week's close of 1.26.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.90	5.92	6.00	6.37
91 Day T-Bill	6.00	6.13	6.17	6.56
7.80% 2021, (5 Yr GOI)	6.76	6.75	6.43	7.00
6.97% 2026, (10 Yr GOI)	6.77	6.91	6.41	6.97

Source: Reuters *Value as on March 03, 2017*



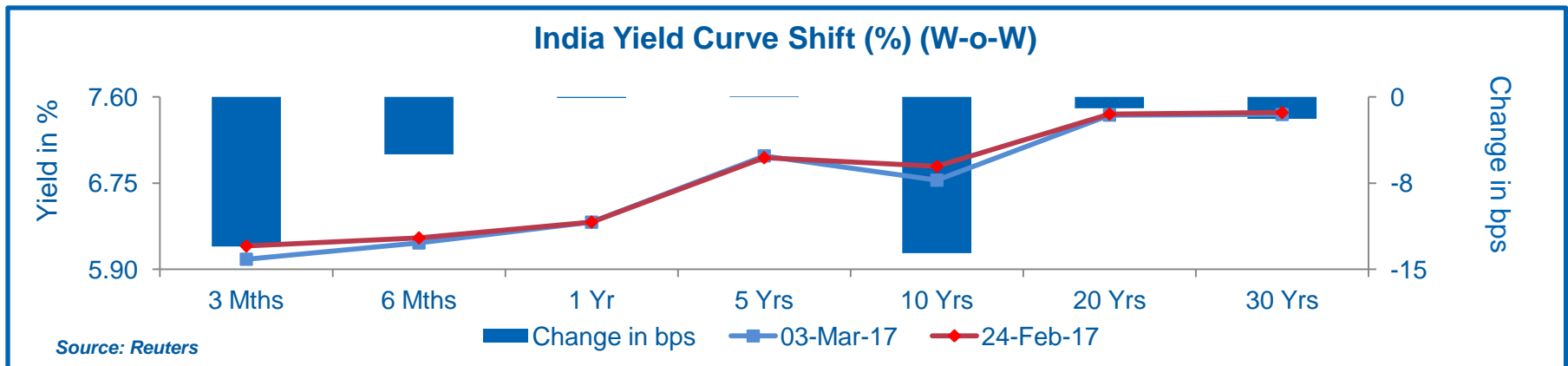
- Bond yields rose initially as comments from a U.S. Federal Reserve official indicated a rate hike in the near term.
- However, the trend reversed as yields fell on 10-year benchmark paper due to short covering. Foreign banks resorted to short covering after state-run banks stopped lending securities in the repo market ahead of the 10-year paper's coupon payment due on Mar 6, 2017.
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 14 bps to close at 6.77% from the previous close of 6.91%.
- RBI conducted the auction of 91- and 364-days Treasury Bills for the notified amount of Rs. 6,000 crore and Rs. 4,000 crore, respectively.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.46	6.89	43
3 Year	6.69	7.19	50
5 Year	7.06	7.52	46
10 Year	7.11	7.88	77

Source: Reuters Value as on March 03, 2017

- Yields on gilt securities fell across the maturities up to 14 bps, barring 4-, 5-, 7-, 12-, 14-, and 24-year papers that increased by up to 7 bps.
- Corporate bond yields increased across the maturities up to 12 bps. The maximum increase was witnessed on 4-, 7-, and 9-year papers and the minimum rise on 1-year paper.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities up to 24 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has decided to form an inter-disciplinary standing committee on cyber security to review the threats inherent in existing and emerging technology. The 11-member committee will also work on various security standards and protocols, interface with stakeholders and suggest appropriate policy interventions to strengthen cyber security.
- ❑ RBI may frame standard operating procedure (SOP) for Foreign Direct Investment (FDI) approvals in sensitive sectors after the government has decided to abolish Foreign Investment Promotion Board and form a new mechanism for expeditious clearance of foreign investment proposals.
- ❑ According to media reports, the government is considering more reforms for FDI within the country. One of the many reforms that the government is considering is to do away with the need for approvals in sectors where licences are also required, such as defence, telecom, and broadcasting. Presently, investors have to apply for licences in many sectors in addition to clearances from multiple ministries. Next they have to apply for approval of foreign investment which again goes through an inter-ministerial clearance process. The government aims to eliminate this one layer completely from the process.

Regulatory Updates in India (contd..)

- According to the Competition Commission of India (CCI) chief, CCI is assessing regulations across the sectors. The aim is to do away with obsolete regulatory restriction and improve the ease of doing business within the country.
- The government is urging importers to use the Direct Port Delivery (DPD) facility. According to the ministry of shipping, DPD is a major initiative undertaken by the central government under programmes like Make in India and Ease of Doing Business. DPD will help in reducing dwell time and transaction costs.
- The Goods and Services Tax (GST) council will discuss central GST, state GST, integrated GST laws and finalise them on Mar 4 and Mar 5. The aim of the government is to roll out the new regime from Jul 1.
- Securities and Exchange Board of India (SEBI) said that mutual fund schemes investing in Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs) will have to give 15-day time to unit-holders to exercise exit option. Earlier, the capital market regulator notified norms allowing mutual funds to invest in REITs and InvITs in order to attract more investors.

Global News/Economy

- ❑ Data from the U.S. Labor Department showed that initial jobless claims for the week ended Feb 25 fell 19,000 to 223,000, from the previous week's revised level of 242,000 (originally reported 244,000). Initial jobless claims thus fell to their lowest level in over forty years.
- ❑ A report from the U.S. Commerce Department showed that the gross domestic product of the U.S. economy increased 1.9% in the fourth quarter of 2016, unrevised from the previous estimate. This is lower than a growth of 3.5% seen in the third quarter.
- ❑ According to the Institute for Supply Management, growth in the U.S. manufacturing activity accelerated more than expected in Feb 2017. The ISM manufacturing Purchasing Managers' Index (PMI) climbed to 57.7 in Feb from 56.0 in Jan 2017.
- ❑ Flash estimate from Eurostat showed that eurozone's inflation increased at the fastest pace in more than four years in Feb 2017. Inflation accelerated to 2% in Feb from 1.8% in the previous month. A similar rate was last seen in Jan 2013 and was the highest since Dec 2012, when inflation was 2.2%. However, core inflation remained steady at 0.9%.
- ❑ Private survey from IHS Markit showed that China's manufacturing activity expanded in Feb 2017. The Caixin factory PMI improved unexpectedly to 51.7 in Feb from 51.0 in Jan 2017. Data from the National Bureau of Statistics showed that the official manufacturing PMI climbed to 51.6 from 51.3 a month ago.

Global Equity Markets

Global Indices			
Indices	03-Mar-17	1-Week Return	YTD Return
Dow Jones	21005.71	0.88%	5.65%
Nasdaq 100	5373.478	0.56%	-1.02%
FTSE 100	7374.26	1.80%	2.74%
DAX Index	12027.36	1.89%	3.70%
Nikkei Average	19469.17	0.96%	-0.64%
Straits Times	3122.34	0.17%	7.71%

Source: Reuters

Europe

- European markets took positive cues after U.S. President laid out the agenda for his Presidency and his vision for the country in a more measured, less combative tone during his first Congressional address. Buying interest improved after final reading of a private survey showed that eurozone manufacturing activity gathered momentum in Feb 2017.

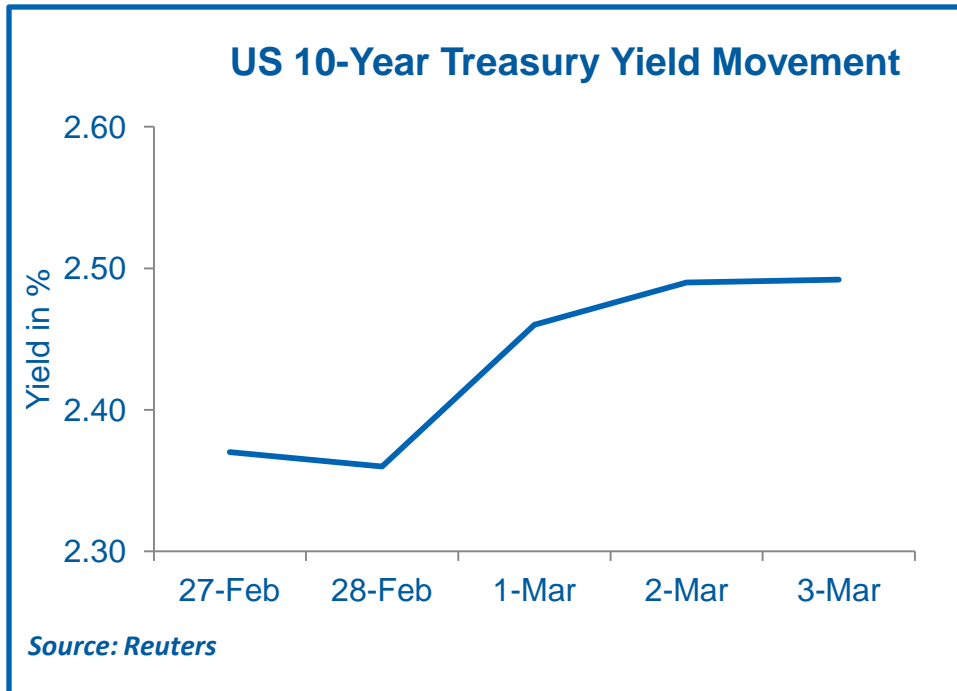
Asia

- Asian markets witnessed a mixed trend over the week. The U.S. President's submissions raised hopes that an immigration reform bill would be passed providing legal status to some illegal immigrants. However, Chinese market fell on concerns that an imminent rate hike by the U.S. Federal Reserve will weigh on foreign fund inflows.

U.S.

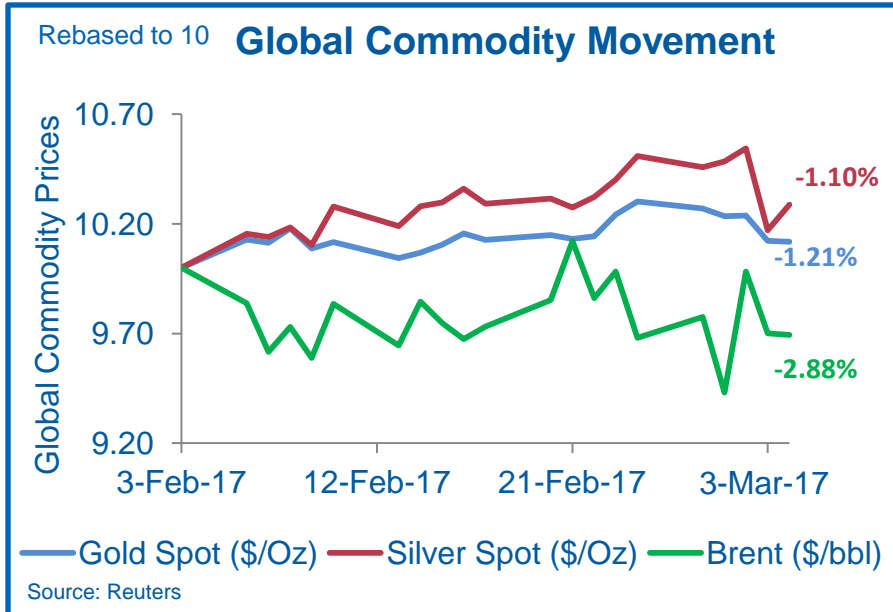
- The U.S. President's address before a joint session of Congress was the talk of the town for Wall Street during the week.
- The initial cautiousness over the outcome of the President's address was taken care of later during the week as the President instilled confidence among investors, sending U.S. equity markets higher.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond surged 12 bps during the week to close at 2.49% compared with the previous week's close of 2.37%.
- U.S. Treasury prices fell during the week under review after hawkish comments from key U.S. Federal Reserve officials increased possibility of an imminent rate hike by the U.S. Federal Reserve in its monetary policy review due later in Mar 2017.
- Meanwhile, the new U.S. President in his maiden speech to the congress was short on specifics about his already proposed \$1 trillion stimulus package, tax cuts, and regulation rollbacks. All of those would likely add to U.S. inflation, which is nearing the Fed's 2% target.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	53.91	55.51
Gold (\$/Oz)	1234.22	1249.34
Gold (Rs/10 gm)	29126.00	29300.00
Silver (\$/Oz)	17.96	18.16
Silver (Rs/Kg)	42169.00	42673.00

Source: Reuters Value as on March 03, 2017

Gold

- Gold prices snapped during the week on hawkish comments from U.S. Federal Reserve officials that hinted at high chances of an interest rate hike in Mar 2017.

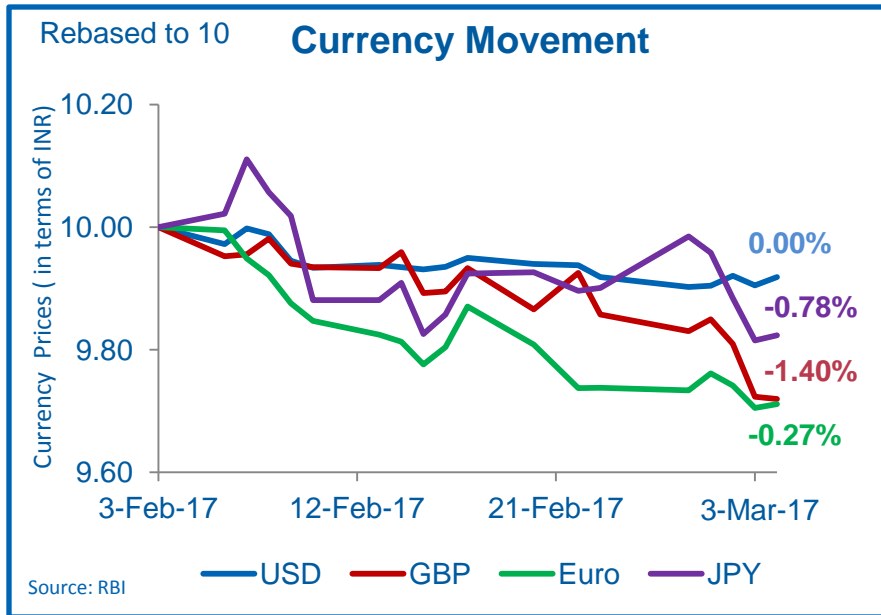
Crude

- Brent crude prices went down during the week as investors were apprehensive that the potential of supply curbs by chief oil-producing countries could be weaker compared with growth in U.S. drilling. They feared the increasing stockpiles could overshadow the Organization of the Petroleum Exporting Countries and its allies' pledge to curb supply.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.84	66.84
Pound Sterling	81.96	83.12
EURO	70.35	70.54
JPY(per 100 Yen)	58.55	59.01

Source: RBI

Figures in INR , Value as on March 03, 2017

Rupee

- The rupee closed flat against the greenback as most of the gains due to selling of the greenback by foreign banks were wiped out on account of dollar demand from importers.

Euro

- The euro rose against the greenback as worries regarding the outcome of French Presidential elections eased to some extent.

Pound

- The pound fell against the greenback on renewed concerns over a possible Scottish independence referendum in Mar 2017.

Yen

- The yen weakened against the greenback as hawkish comments from key U.S. Fed officials increased concerns over an imminent rate hike by Fed in its monetary policy review due later in Mar 2017.

The Week that was...
27th February to 3rd March

The Week that was (Feb 27 – Mar 03)

Date	Events	Present Value	Previous Value
Monday, February 27, 2017	U.S. Durable Goods (JAN P)	1.80%	-0.50%
	Japan Industrial Production (YoY) (JAN P)	3.20%	3.20%
	JPY Retail Trade (YoY) (JAN)	1.00%	0.60%
Tuesday, February 28, 2017	U.S. Gross Domestic Product (Annualized) (4Q S)	1.90%	1.90%
	U.S. Advance Goods Trade Balance (JAN)	(\$69.2B)	(\$64.4B)
	U.S. Consumer Confidence (FEB)	114.8	111.6
	Japan Small Business Confidence (FEB)	47.7	48.3
Wednesday, March 01, 2017	China Manufacturing PMI (FEB)	51.7	51.3
	German Unemployment Change (FEB)	(14K)	(25K)
	Germany Consumer Price Index (YoY) (FEB P)	2.20%	1.90%
	U.S. ISM Manufacturing (FEB)	57.7	56.0
Thursday, March 02, 2017	Eurozone Consumer Price Index Estimate (YoY) (FEB)	2.00%	1.80%
	Japan National Consumer Price Index (YoY) (JAN)	0.40%	0.30%
Friday, March 03, 2017	U.S. ISM Non-Manufacturing Composite (FEB)	57.6	56.5
	Japan Consumer Confidence Index (FEB)	43.1	43.2
	U.K. Markit/CIPS Composite PMI (FEB)	53.8	55.4
	China Caixin Composite PMI (FEB)	52.6	52.2

The Week Ahead...
March 6 to March 10

The Week Ahead

Day	Event
Monday, March 06, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Durable Goods Orders (JAN) Final <input type="checkbox"/> U.S. Factory Orders (JAN) <input type="checkbox"/> Germany Markit Retail PMI (FEB)
Tuesday, March 07, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Gross Domestic Product Annualized (Q4) Final <input type="checkbox"/> Euro-Zone Gross Domestic Product s.a. (YoY) (4Q) Final <input type="checkbox"/> U.S. Trade Balance (JAN)
Wednesday, March 08, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (FEB) <input type="checkbox"/> Germany Industrial Production (YoY) (JAN) <input type="checkbox"/> U.S. ADP Employment Change (FEB)
Thursday, March 09, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Consumer Price Index (YoY) (FEB) <input type="checkbox"/> European Central Bank Rate Decision <input type="checkbox"/> China Producer Price Index (YoY) (FEB)
Friday, March 10, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Change in Non-farm Payrolls (FEB) <input type="checkbox"/> U.S. Unemployment Rate (FEB) <input type="checkbox"/> U.K. Industrial Production (YoY) (JAN)

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