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News U Can Use

March 15, 2019

The Week that was...

11th March to 15th March

Indian Economy

- India's retail inflation increased to 2.57% in Feb 2019 as against downwardly revised 1.97% (2.05% originally reported) in Jan 2019 and 4.44% in the same month of the previous year. The drop came as food prices continued to decline with the consumer food price index contracting 0.66% in Feb 2019 compared with a revised contraction of 2.24% (2.17% contraction originally reported) in Jan 2019 but an expansion of 3.26% in the same month of the previous year.
- The Index of Industrial Production (IIP) declined to 1.7% in Jan 2019 against 2.6% in Dec 2018. For the period from Apr 2018 to Jan 2019, IIP grew 4.4% as against an increase of 4.1% in the same period of the previous year.
- Wholesale Price Index (WPI) based inflation rose to 2.93% in Feb 2019 from 2.76% in the previous month and 2.74% during the same period of the previous year. The WPI Food Index also increased from 1.84% in Jan 2019 to 3.29% in Feb 2019.
- India's trade deficit narrowed to a 17 month low of \$9.60 billion in Feb 2019 from \$14.73 billion in the previous month and \$12.30 billion in the same month of the previous year. Trade deficit narrowed sharply as imports came down 5.41% over the year to \$36.26 billion in Feb 19 from \$38.34 billion in the same month of the previous year. Exports meanwhile increased 2.44% over the year to \$26.67 billion in Feb 19 from \$26.03 billion in the same month of the previous year.

Indian Equity Market

Domestic Equity Market Indices			
Indices	15-Mar-19	1 Week Return	YTD Return
S&P BSE Sensex	38,024.32	3.69%	5.42%
Nifty 50	11,426.85	3.55%	5.19%
S&P BSE Mid-Cap	15,171.52	2.48%	-1.73%
S&P BSE Small-Cap	14,837.18	2.12%	0.89%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	28.15	28.01	32.83	-125.6
P/B	3.2	3.61	2.63	2.28
Dividend Yield	1.13	1.18	0.96	0.87

Source: BSE, NSE

Value as on Mar 15, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
11-Mar-19	1312	524	2.50
12-Mar-19	1193	645	1.85
13-Mar-19	657	1184	0.55
14-Mar-19	775	1056	0.73
15-Mar-19	770	1069	0.72

Source: NSE

- Indian equity markets closed on a positive note in the week ended Mar 15, 2019. Gains reflected a part of what experts see an election rally. The Election Commission declared Apr 11, 2019, as the start of the elections and results will be declared on May 23, 2019. Investors stayed optimistic as polls suggested the ruling party has high chances of coming back to power.
- Positive global cues boosted market sentiment. U.S. retail sales data came stronger than expected in Jan 2019 and the U.K. Prime Minister got "legally binding" guarantees from the European Union for the modified Brexit deal. China's Premier pledging support for the slowing Chinese economy also supported sentiment.
- Markets are hoping for another rate-cut by the Reserve Bank of India (RBI) considering inflation looks in control.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19,695.38	1.88%	7.84%
S&P BSE Bankex	32,915.02	5.88%	9.82%
S&P BSE CD	23,037.67	3.23%	9.22%
S&P BSE CG	18,402.40	3.60%	12.13%
S&P BSE FMCG	11,607.90	0.09%	2.19%
S&P BSE HC	14,237.72	1.90%	5.99%
S&P BSE IT	15,158.73	0.84%	-1.43%
S&P BSE Metal	11,224.21	1.80%	12.08%
S&P BSE Oil & Gas	14,954.97	4.51%	14.39%
S&P BSE Auto	19,695.38	1.88%	7.84%
S&P BSE Bankex	32,915.02	5.88%	9.82%
S&P BSE Realty	1,951.79	6.54%	12.16%

Source: Thomson Reuters Eikon *Value as on Mar 15, 2019

- On the BSE sectoral front, indices closed on a positive note. S&P BSE Realty was the major gainer, up 6.54% followed by S&P BSE Bankex that grew 5.88%.
- Gains in realty stocks likely came following reports that a global investment firm expects housing revival is likely towards the end of 2019. Banking stocks likely gained on hopes of ruling party at the Centre post the upcoming elections. S&P BSE Oil & Gas and S&P BSE Capital Goods grew 4.51% and 3.60%, respectively. While, S&P BSE Consumer Durables grew 3.23%.

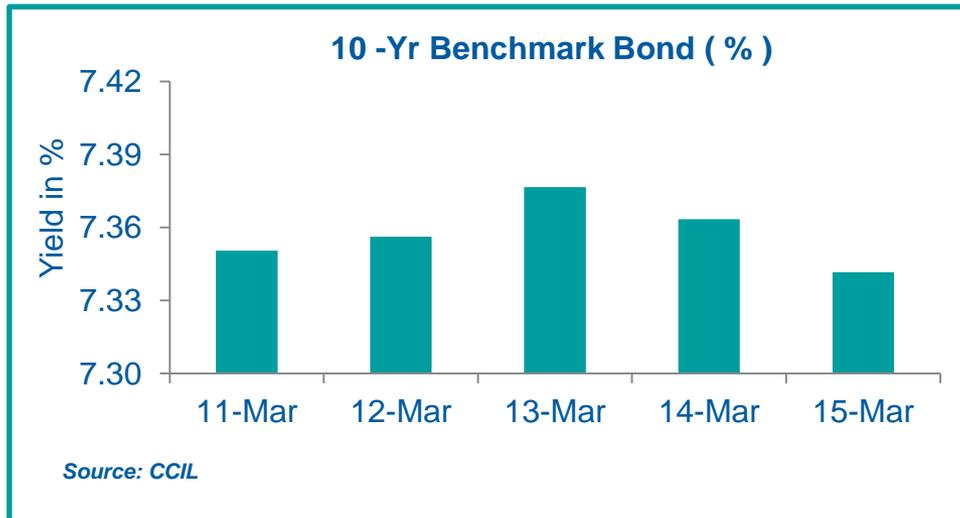
Indian Derivatives Market Review

- Nifty Mar 2019 Futures were at 11,470.45, a premium of 43.60 points, over the spot closing of 11,426.85. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 58.92 lakh crore as against Rs. 41.06 lakh crore for the week to Mar 8.
- The Put-Call ratio stood at 0.79 compared with the previous week's close of 0.87.
- The Nifty Put-Call ratio stood at 1.68 against the previous week's close of 1.60.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.23	6.15	6.24	6.43
91 Day T-Bill	6.32	6.41	6.37	7.07
07.32% 2024, (5 Yr GOI)	6.95	7.03	7.05	--
07.26% 2029, (10 Yr GOI)	7.34	7.37	7.36	--

Source: Thomson Reuters Eikon *Value as on Mar 15, 2019*



- Initially, bond yields eased on optimism that inflation will stay low but yields soon rose as retail inflation rate for Feb 2019 came in higher than expectation.
- Bond yields fell again after the RBI said that it would inject liquidity for higher duration using foreign exchange swaps in the current month. This would reduce the requirement of bond purchases under open market operation. Yields fell further as stronger than expected demand at the weekly debt auction eased fears of oversupply of government securities in the market.
- Yield on the new 10-year benchmark paper (7.26% GS 2029) fell 3 bps to close at 7.34% as compared with the previous session's close of 7.37% after trading in the range of 7.33% to 7.43%.

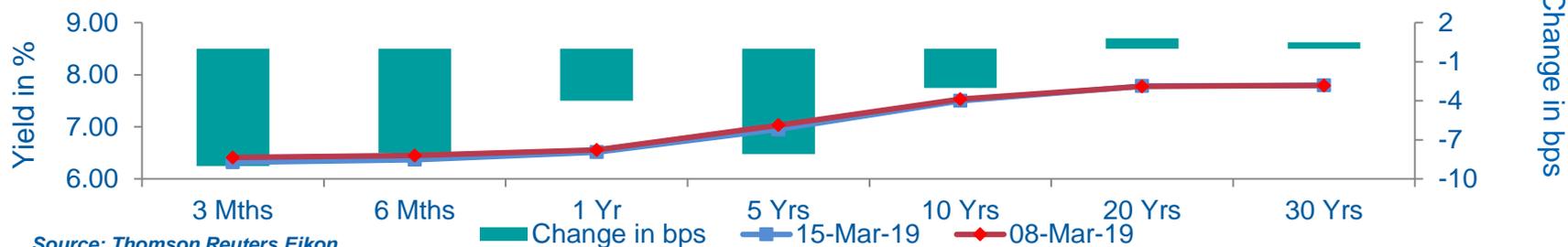
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.62	8.14	151
3 Year	6.73	8.25	152
5 Year	7.07	8.34	127
10 Year	7.64	8.69	105

Source: Thomson Reuters Eikon Value as on Mar 15, 2019

- Yields on gilt securities fell on 1-year paper, 3 to 7 years' maturities, and 10-, 12- and 13-year papers by up to 12 bps. Yields increased across the remaining maturities by up to 2 bps.
- Corporate bond yields fell across the maturities in the range of 2 bps to 9 bps. The maximum contraction was witnessed on 3-year paper and the minimum on 15-year paper.
- Difference in spread between AAA corporate bond and gilt expanded across 1 to 6 years' maturities by up to 6 bps, closed steady on 7- and 10-year papers and contracted by 4 bps on 15-year paper.

India Yield Curve Shift (%) (W-o-W)



Regulatory Updates in India

- The government modified rules governing Special Economic Zones (SEZ) to include value addition earning regulations along with the existing positive net foreign exchange earning requirement to setup a unit. It has prescribed criteria while renewing its validity. As per the updated rules, the “prescribed value addition earning requirement” will apply in the proposal to setup a unit in an SEZ, besides the positive net foreign exchange earning requirement.
- According to media reports, the finance ministry may borrow around 60% of the Rs. 7.1 lakh crore budgeted gross borrowings for fiscal 2019-20 in its first half (H1) from the market. This will be done to meet part-redemption, expenditures for welfare schemes and keep the fiscal deficit in check. The government had borrowed 47.5% of its budgeted full-year target (gross) through bonds in the first half of 2018-19 -- much lower than the 60-65% in the corresponding period over the previous five years -- and had dipped more into the National Small Savings Fund (NSSF) to finance the fiscal deficit as it sought to ease pressure on the bond market that has witnessed a spurt in yield that time.
- Media reports said, Niti Aayog and the commerce ministry are working on an index to rank states on their readiness for exports and promote a healthy competition among them. The export index will rank states on half-a-dozen key parameters, including their policies, ease of doing business, infrastructure access to finance, and output, which will assess the overall export market and exports from each state.

Regulatory Updates in India (contd..)

- The Election Commission has given the nod for holding the GST Council meeting on Mar 19. The meeting will consider various issues including the implementation of lower GST rates for the real estate sector. Following the approval from the Election Commission, notices have been sent from the GST Council Secretariat to states for the 34th meeting of the Council on Mar 19, media reports said. The nod from the Election Commission was required as the Model Code of Conduct has been in force since Mar 10, 2019.
- Tax authorities are questioning Indian businesses that paid most of their Goods and Services Tax (GST) liability using input tax credit or reported significant variation in turnover. This has upset the industry and prompted it to petition the authorities against such moves. Tax officials have sent emails seeking information from businesses that paid over 95% of their dues using input tax credit to ascertain the key factors responsible for subdued GST collections.
- According to media news, the RBI doesn't have data on banned Rs. 500 and Rs. 1,000 notes used to pay at petrol pumps, government hospitals, public transport, among others. The media reports said this citing a reply to Right to Information (RTI) query. RBI said, referring to a part of the RTI to IRDAI, there is no information on banned notes used to pay for insurance policies as "it is not maintained by the Authority".

Global News/Economy

- According to the Commerce Department, U.S. retail sales rose 0.2% in Jan 2019 after tumbling by a revised 1.6% in Dec 2018. The rebound in retail sales came despite a substantial decrease in sales by motor vehicle and parts dealers, which nosedived by 2.4% in Jan 2019 after rising 0.3% in Dec 2018.
- According to a report from the Labor Department, U.S.' consumer price index (CPI) rose 0.2% in Feb 2019 after remaining unchanged for three consecutive months. The increase in consumer prices matched economist estimates..
- The Euro zone's industrial production grew in Jan 2019 after declining in the previous two months. The pace of expansion exceeded expectations, figures from the statistical office showed. Industrial production increased 1.4% from Dec 2018, when it fell 0.9%.
- The Bank of Japan (BoJ) held its monetary policy steady and maintained interest rate at -0.1% on current accounts that financial institutions maintain at the bank. The bank decided to purchase government bonds so that the yield of 10-year JGBs will remain at around 0%. It stated that it will conduct purchases of Japanese government bonds in a flexible manner so that the outstanding amount will increase at an annual pace of about JPY 80 trillion.

Global Equity Markets

Global Indices			
Indices	15-Mar-19	1-Week Return	YTD Return
Dow Jones	25,848.87	1.57%	10.81%
Nasdaq 100	7,306.99	4.15%	15.43%
FTSE 100	7,228.28	1.74%	7.43%
DAX Index	11,685.69	1.99%	10.67%
Nikkei Average	21,450.85	2.02%	7.18%
Straits Times	3,200.18	0.13%	4.28%

Source: Thomson Reuters Eikon *Value as on Mar 15, 2019*

U.S.

- U.S. markets traded higher backed by a series of encouraging economic data. A report showed unexpected increase in durable goods orders and rise in U.S. retail sales in Jan 2019. Buying interest found additional support from modest inflation data in Feb 2019, which raised hopes that the U.S. Federal Reserve (Fed) may continue to refrain from raising interest rates anytime soon.

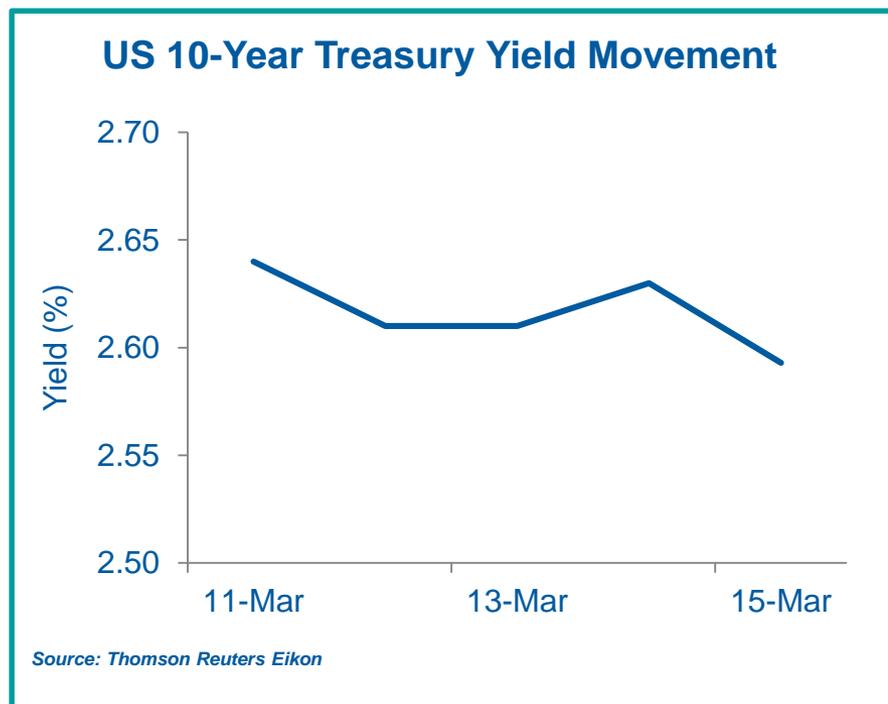
Europe

- European markets witnessed gains, with investors taking positive cues from merger-acquisition news in the banking sector. A series of upbeat earnings, coupled with the recent developments on Brexit buoyed market sentiment. U.K. lawmakers voted in favour of delaying the process of exiting from European Union by at least three months, but decisively rejected a call for a second referendum. Investors also remained hopeful for a U.S.-China trade deal.

Asia

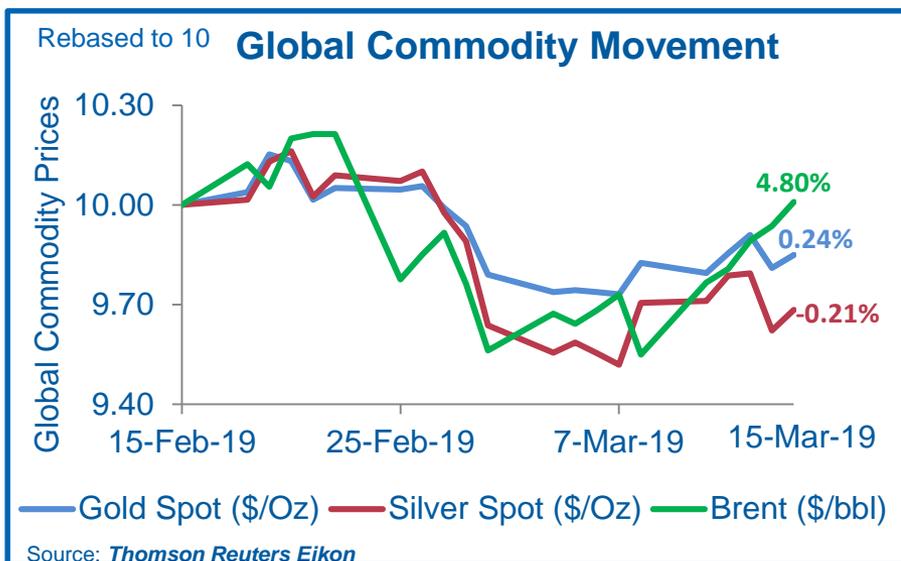
- Asian markets reflected gains in global peers with U.K. lawmakers backing delay in the Brexit process and Chinese Premier pledging support for the slowing economy during his annual news conference at the end of the National People's Congress.

Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 4 bps to close at 2.59% compared with the previous close of 2.63%.
- U.S. Treasury prices surged earlier during the week as its safe haven appeal improved on worries about Britain's exit from the European Union after the British Parliament rejected U.K.'s Prime Minister's revised Brexit deal.
- U.S. Treasury prices rose further after U.S. core inflation witnessed the smallest increase since Aug 2018 in Feb 2019. This increased the possibility that the U.S. Federal Reserve will keep interest rates on hold this year.
- However, heavy corporate bond issuance and some selling of U.S. Treasuries from Japanese investors ahead of Japan's fiscal year end in Mar 2019 restricted the gains.

Commodities Market



Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	66.10	63.07
Gold (\$/Oz)	1,301.13	1,298.01
Gold (Rs/10 gm)	31,966	32,123
Silver (\$/Oz)	15.28	15.31
Silver (Rs/Kg)	37,993	37,826

Source: Thomson Reuters Eikon

*Value as on Mar 15, 2019

Gold

- Gold prices inched up as global growth concerns resurfaced after the Chinese Premier commented that the Chinese economy is facing downward pressure. Also, the BoJ lowered the assessment of the overseas economies.

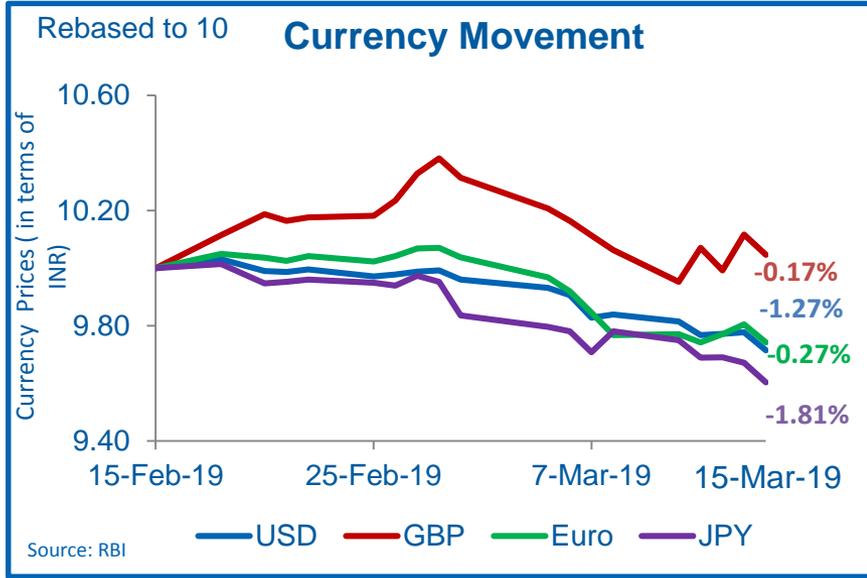
Brent Crude

- Brent crude prices jumped after the Energy Information Administration (EIA) data revealed a fall in U.S. crude stockpiles in the last week. Besides, OPEC-led supply cut for Apr 2019 and U.S. sanction on Iran and Venezuela against oil exports supported the commodity's prices.

Baltic Dry Index

- The Baltic Dry Index registered a rise on the back of improved capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	69.21	70.10
Pound Sterling	91.64	91.80
EURO	78.34	78.55
100 Yen	61.99	63.13

Source: RBI Figures in INR, *Value as on Mar 15, 2019

Rupee

- The rupee rose against the U.S. dollar initially following downbeat U.S. jobs data for Feb 2019, gains in the domestic equity market and greenback selling by exporters. However, intermittent dollar purchases by the RBI capped the gains.

Euro

- The euro rose against the greenback on growing possibility that the U.S. Fed will keep interest rates on hold for the time being after U.S. CPI grew for the first time in four months in Feb 2019 but at a slow pace.

Pound

- The pound rose against the greenback initially after the British Parliament rejected leaving the EU without a deal.

Yen

- The yen weakened against the greenback after the Bank of BoJ kept its monetary policy unchanged.

The Week that was...

11th March to 15th March

The Week that was (Mar 11 – Mar 15)

Date	Events	Present Value	Previous Value
Monday, March 11, 2019	• U.S. Retail Sales Advance (MoM) (Jan)	0.20%	-1.60%
	• Germany Industrial Production (YoY) (Jan)	-3.30%	-3.90%
Monday, March 12, 2019	• India Consumer Prices Index (YoY) (Feb)	2.57%	1.97%
	• India Index of Industrial Production (YoY) (Jan)	1.70%	2.60%
	• U.S. Consumer Prices Index (YoY) (Feb)	1.50%	1.60%
	• U.K. Gross Domestic Product (MoM) (Jan)	0.50%	-0.40%
	• U.K. Industrial Production (YoY) (Jan)	-0.90%	-0.90%
	• U.K. Manufacturing Production (YoY) (Jan)	-1.10%	-2.10%
Monday, March 13, 2019	• U.S. Durable Goods Orders (Jan P)	0.40%	1.30%
	• Eurozone Industrial Production (YoY) (Jan)	-1.10%	-4.20%
	• U.S. Construction Spending (MoM) (JAN)	1.30%	-0.80%
Monday, March 14, 2019	• India Wholesale Prices Index (YoY) (Feb)	2.93%	2.76%
	• China Industrial Production YTD (YoY) (Feb)	5.30%	6.20%
	• China Retail Sales YTD (YoY) (Feb)	8.20%	9.00%
	• U.S. Export Price Index (YoY) (Feb)	0.30%	-0.20%
Monday, March 15, 2019	• Eurozone Consumer Prices Index (YoY) (Feb F)	1.50%	1.40%
	• U.S. Industrial Production (MoM) (Feb)	0.10%	-0.60%

The Week Ahead

18th March to 22nd March

The Week Ahead

Day	Event
Monday, March 18, 2019	<ul style="list-style-type: none"> • U.K. House Prices (YoY) (Mar) • Japan Industrial Production (YoY) (Jan F) • U.S. Housing Market Index (Mar)
Tuesday, March 19, 2019	<ul style="list-style-type: none"> • Eurozone Economic Sentiment (Mar) • Eurozone Current Situation (Mar) • U.K. Unemployment Rate 3Mths (Jan) • U.S. Factory Orders (Jan)
Wednesday, March 20, 2019	<ul style="list-style-type: none"> • U.S. Federal Reserve Rate Decision • U.K. Consumer Price Index (YoY) (Feb)
Thursday, March 21, 2019	<ul style="list-style-type: none"> • Bank of England Rate Decision • Japan Consumer Price Index (YoY) (Feb) • U.S. Leading Index (Feb)
Friday, March 22, 2019	<ul style="list-style-type: none"> • U.S. Wholesale Inventories (MoM) (Jan) • U.S. Existing Home Sales (MoM) (FEB)

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