

News U Can Use

March 17, 2017

The Week that was...
13th March to 17th March

Indian Economy

- India's Consumer Price Index (CPI)-based inflation accelerated to 3.65% during Feb 2017 from 3.17% in the previous month, majorly contributed by food prices. Consumer Food Price Index rose at a faster pace to 2.01% in Feb from 0.61% in Jan 2017. The headline inflation index touched its highest level since Oct 2016 after touching its lowest level in at least five years in Jan 2017.
- India's Wholesale Price Index (WPI)-based inflation rose at a faster pace to 6.55% in Feb 2017, compared with 5.25% in the previous month and 0.85% contraction witnessed in the year-ago period. Food price inflation rose 2.69% in Feb as against 0.56% contraction in Jan 2017. Meanwhile, fuel price inflation stood at 21.02% in Feb 2017 against 18.14% in Jan 2017.
- India's trade deficit expanded to \$8.90 billion in Feb 2017 from \$6.57 billion in Feb 2016 due to faster rise in merchandise imports compared with exports. While exports grew 17.48% YoY to \$24.5 billion, imports increased 21.76% to \$33.39 billion in Feb 2017. Cumulatively from Apr 2016 to Feb 2017, trade deficit contracted to \$95.29 billion from \$114.32 billion, a year ago. During the similar period, exports rose 2.52% YoY, while imports declined 3.67%.

Indian Equity Market

Domestic Equity Market Indices			
Indices	17-Mar-17	1 Week Return	YTD Return
S&P BSE Sensex	29648.99	2.43%	11.48%
Nifty 50	9160.05	2.52%	11.99%
S&P BSE Mid-Cap	13893.14	3.95%	14.52%
S&P BSE Small-Cap	14012.63	3.00%	14.95%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.90	23.78	30.69	66.41
P/B	2.99	3.47	2.52	2.25
Dividend Yield	1.37	1.21	1.23	0.73

Source: BSE, NSE

Value as on March 17, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
14-Mar-17	1047	616	1.70
15-Mar-17	890	768	1.16
16-Mar-17	1157	501	2.31
17-Mar-17	711	961	0.74

Source: NSE

- The domestic equity market witnessed gains amid a truncated week. Initially, market gained following the outcome of state-level elections, which investors saw as a sign of implementation of proposed reform measures.
- Later, market got support after the U.S. Federal Reserve (Fed) raised interest rates by 25 bps as expected but indicated a gradual rate hike in the future. This also outweighed the impact of higher wholesale price index data in Feb 2017.
- Sentiment was boosted further after the Goods and Services Tax (GST) council finally gave its nod to all the five draft legislations needed for implementation of the unified indirect tax.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22258.02	2.14%	3.13%
S&P BSE Bankex	24151.13	2.22%	3.03%
S&P BSE CD	14506.83	4.44%	7.89%
S&P BSE CG	16088.96	4.28%	5.19%
S&P BSE FMCG	9206.63	4.70%	4.23%
S&P BSE HC	15482.69	2.03%	1.01%
S&P BSE IT	10585.67	1.23%	3.46%
S&P BSE Metal	11875.87	2.78%	2.26%
S&P BSE Oil & Gas	13421.34	1.06%	1.79%

Source: Reuters *Value as on March 17, 2017*

- On the BSE sectoral front, all the sectors closed in the green.
- Pharma sector gained after a major company stated that the U.S. health regulator will lift the import alert and allow the supply of products to the U.S. market. Buying interest was also seen in the auto sector following media reports of a probable sale of stake held by the chairman and founder of a prominent company within the industry.

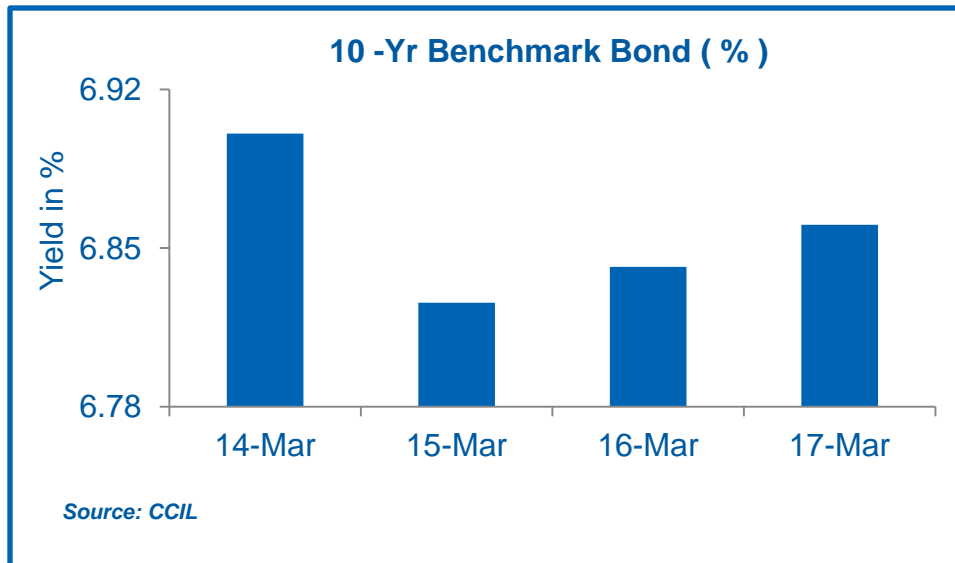
Indian Derivatives Market Review

- Nifty Mar 2017 Futures were at 9,171.75, a premium of 11.70 above the spot closing of 9,160.05. The turnover on NSE's Futures and Options segment stood at Rs. 17.62 lakh crore during the week to Mar 17, compared with Rs. 19.22 lakh crore during the week to Mar 10.
- The Put-Call ratio stood at 0.89, compared with the previous week's close of 0.70.
- The Nifty Put-Call ratio stood at 1.14, compared with the previous week's close of 0.87.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.03	6.01	6.05	6.46
91 Day T-Bill	5.95	5.93	6.19	6.51
7.80% 2021, (5 Yr GOI)	6.83	6.89	6.69	6.94
6.97% 2026, (10 Yr GOI)	6.86	6.90	6.85	6.86

Source: Reuters *Value as on March 17, 2017*



- ▣ Bonds yield fell during the week under review following an unexpected decline in core retail inflation in Feb 2017 even though retail inflation rose to a four-month high during the same month. Market sentiment improved further after the Fed in its monetary policy review raised interest rates as anticipated, but maintained guidance of two more hikes this year thereby easing concerns of more monetary tightening.

- ▣ However, gains were capped as investors resorted to profit booking and awaited developments on U.S. fiscal policies, amid risks of global volatility.

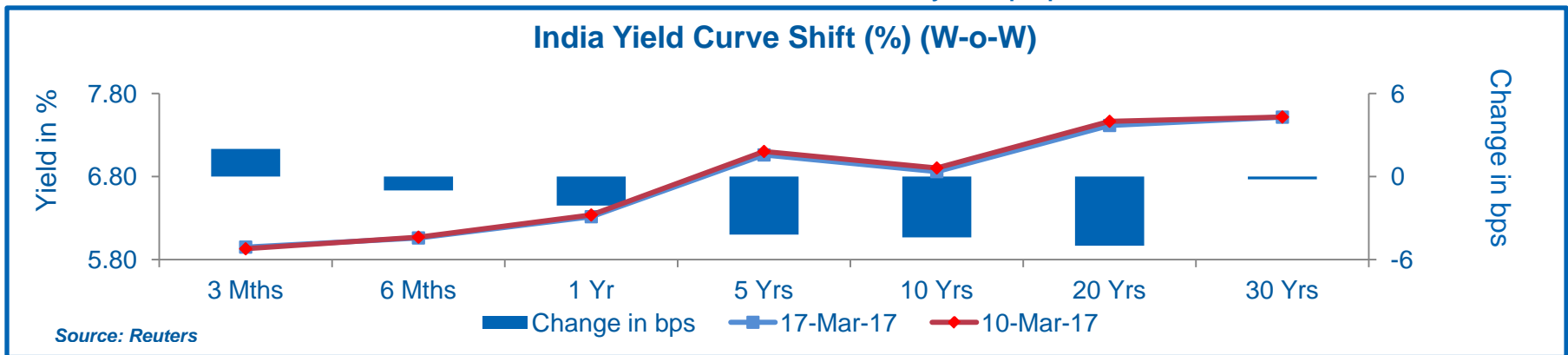
- ▣ Yield on the 10-year benchmark bond (6.97% GS 2026) fell 4 bps to close at 6.86% from the previous close of 6.90%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.41	7.00	59
3 Year	6.74	7.38	64
5 Year	7.12	7.62	50
10 Year	7.18	7.93	75

Source: Reuters Value as on March 17, 2017

- Yields on gilt securities fell across the maturities by up to 14 bps, barring 30-year paper that was flat.
- Corporate bond yields increased in the range of 3 to 11 bps on 1 to 4 years' papers, while yields on 5 to 10 years' and 15-year papers fell by up to 7 bps.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 3 to 15 bps, barring 5-year paper that contracted 1 bps. Spread on 6- and 15-year papers were flat.



Regulatory Updates in India

- ❑ The GST Council, after approving Central GST, Integrated GST and the compensation law previously, has also approved state GST (SGST) and Union Territory GST (UT-GST) in the last meeting. The proposed GST cess would be in addition to the imposition of GST at the highest rate of 28%. The Council has also capped the proposed cess on aerated drinks and luxury automobiles at 15% and 290% on cigarettes. Therefore, clearing all five draft rules has increased the chances of roll-out of the new indirect tax regime from Jul 1.
- ❑ In the context of advertisement of mutual fund scheme performance, the Securities and Exchange Board of India (SEBI), in a circular, has instructed asset management companies in the mutual fund industry to advertise their returns in terms of Compounded Annualized Growth Rate (CAGR) for the past one year, three years, five years, and since inception. However, where the scheme has been in existence for less than one year, past performance shall not be provided. The circular further stated that a point-to-point returns chart on a standard investment of Rs 10,000 must be given to help investors understand the scheme better.
- ❑ Government has announced Trade Infrastructure for Export Scheme (TIES) for developing export linked infrastructure in states in a bid to promote outbound shipments. The scheme seeks to bridge the infrastructure gap and provide forward and backward linkages to units engaged in trade activities.

Regulatory Updates in India (contd..)

- Union cabinet has permitted to provide additional 2% Dearness Allowance (DA) to Central government employees and Dearness Relief (DR) to pensioners. Therefore DA and DR have increased to 4% from the existing 2% from Jan 1, 2017. Dearness allowance and dearness relief are provided to employees and pensioners to neutralise the impact of inflation on their earnings.
- According to media reports, the Insurance Regulatory and Development Authority of India (IRDAI) is likely to make it compulsory to have an insurance account in the electronic form, by 2018. The underlying reason is to provide policyholders the facility to change, modify, and revise the insurance policy speedily. The regulator is planning to make a roadmap to have a smooth transition of policies from physical to digital format.
- Employee Provident Fund (EPF) subscribers will soon be able withdraw up to 90% of their fund for paying equated monthly installments of home loans. This will help around four crore members of retirement fund body EPFO. To avail this withdrawal facility under the new proposed provision in the EPF scheme, EPF subscribers would have to form a cooperative society with at least 10 members. Government has taken a decision for modification in the EPF Scheme, 1952, to add a new paragraph 68 BD.

Global News/Economy

- ❑ The Fed in its monetary policy review increased the benchmark interest rate by 25 bps to a range of 0.75% to 1% as it noted that the labour market has strengthened and economic activity has expanded at a moderate pace. Fed projected two more rate hikes in 2017, three in 2018, and three in 2019, similar to the prior forecast made in Dec 2016. Fed projected economic growth at 2.1% in 2017 and 2018, 1.9% for 2019, and longer-term growth of 1.8%.
- ❑ The Bank of England in its monetary policy review voted 8-1 to keep interest rates at its record low of 0.25%. However, the committee voted unanimously to maintain the stock of U.K. government bond purchases, financed by the issuance of central bank reserves, at £435 billion.
- ❑ The Bank of Japan (BoJ) has kept its monetary policy on hold to retain the -0.1% interest rate on current accounts that financial institutions maintain at the bank. BoJ is of the view that domestic demand will go up and exports would rise moderately on the back of improving overseas economies.
- ❑ The People's Bank of China increased its short-term interest rates, for the second time during the year. The central bank raised the 7-day reverse repo rate by 10 bps to 2.45%. Similarly, 14-day reverse repo rate was increased 10 bps to 2.6%. The 28-day repo rate was also increased by 10 bps.

Global Equity Markets

Global Indices			
Indices	17-Mar-17	1-Week Return	YTD Return
Dow Jones	20914.62	0.06%	5.20%
Nasdaq 100	5408.76	0.42%	10.13%
FTSE 100	7424.96	1.12%	3.44%
DAX Index	12095.24	1.10%	4.28%
Nikkei Average	19521.59	-0.42%	-0.37%
Straits Times	3169.38	1.15%	9.33%

Source: Reuters

Europe

- European markets traded higher as investors were encouraged by the results of Dutch elections. The Fed's projection of two more rate hikes in 2017 was considered as less hawkish, which triggered a weakening of the U.S. dollar against euro, thereby boosting mining and energy stocks.

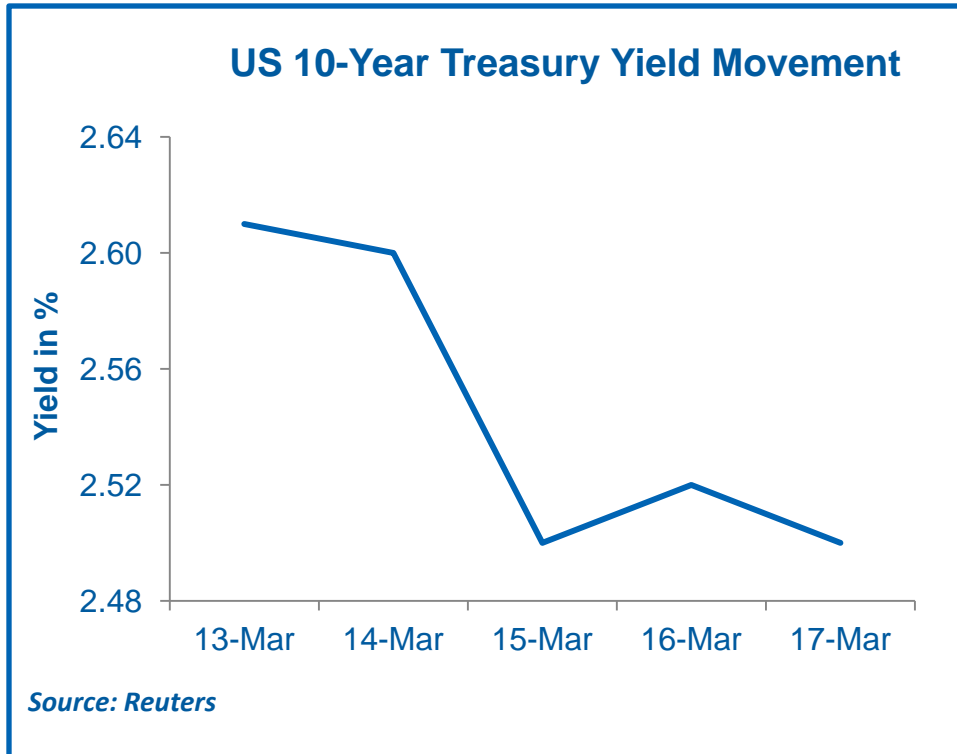
Asia

- Asian markets too rose in tune with other global bourses. Investors continued to factor in the Fed's decision to lift its benchmark short-term rate by 25 basis points. Investors who were concerned over a faster pace of U.S. rate hikes heaved a sigh of relief after the Fed emphasized that further rate increases would only be "gradual".

U.S.

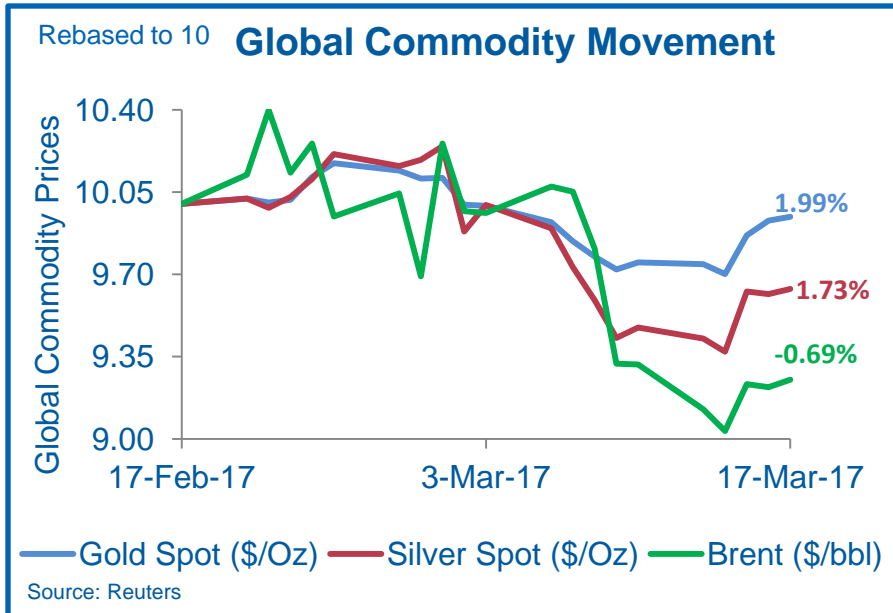
- The cautious stance seen ahead of the Fed's policy meeting was taken care of after the Fed decided to increase interest rates in its meeting held on Mar 14-15.
- The Fed said that the decision to raise rates came in the light of realized and expected labour market conditions and inflation. Additionally, the U.S. central bank projected two more rate hikes this year, which was being considered as less hawkish.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 8 bps during the week to close at 2.50% compared with the previous week's close of 2.58%.
- U.S. Treasury prices fell initially ahead of Fed's policy meeting on expectations of a rise in interest rates. However, decline in crude oil prices restricted some fall.
- Treasury prices surged further after the Fed increased interest rates, but did not indicate a faster pace of monetary tightening in 2017.
- Gains were extended after University of Michigan data showed low inflation in Mar which suggested that the Fed could aim for a slower pace of interest rate hikes this year than it had forecasted.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	50.07	50.42
Gold (\$/Oz)	1228.40	1204.47
Gold (Rs/10 gm)	28487	28430
Silver (\$/Oz)	17.32	17.03
Silver (Rs/Kg)	40737	40183

Source: Reuters Value as on March 17, 2017

Gold

- Gold prices gained despite Fed raising its benchmark interest rate by 25 bps. What boosted the safe haven appeal of the metal was the Fed's hints that going forward rate hikes would be gradual. Political uncertainties in Europe further supported gains.

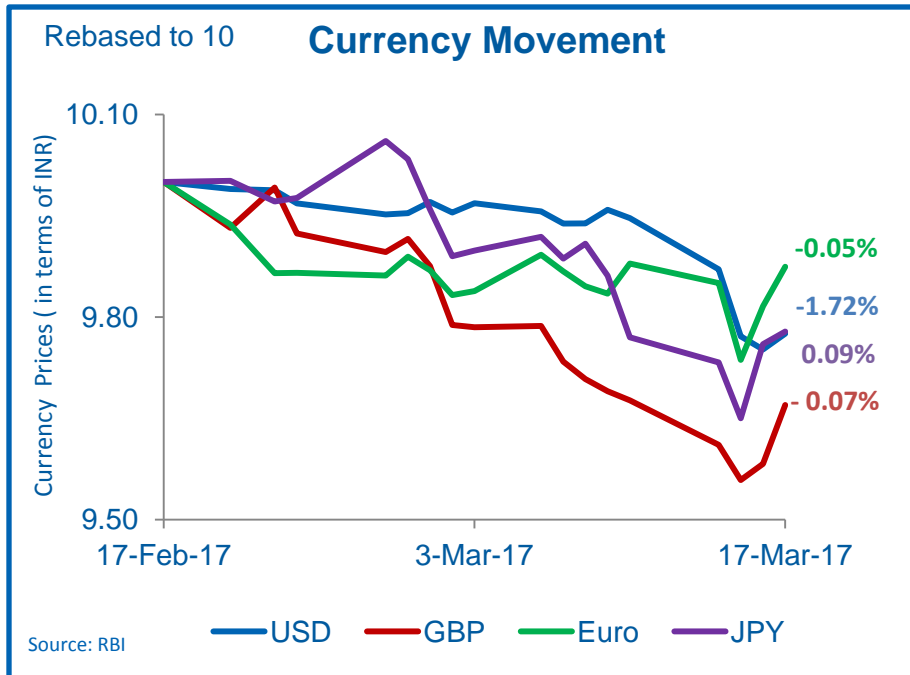
Crude

- Brent crude prices fell over the week as concerns about increased U.S. oil supply prevailed. The Organization of the Petroleum Exporting Countries (OPEC) said that oil inventories continue to rise despite the effort to reduce global output. OPEC has also raised its forecast of production in 2017 from producers outside the group.

Baltic Dry Index

- The Baltic Dry Index fell during the week owing to sluggish capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.54	66.69
Pound Sterling	81.00	81.05
EURO	70.61	70.64
JPY(per 100 Yen)	57.84	57.79

Source: RBI

Figures in INR, Value as on March 17, 2017

Rupee

- The Indian rupee surged against the U.S. dollar on expectations that the government would spur reform agenda following the outcome of state-level elections.

Euro

- Euro rose against the greenback after the Fed increased interest rates, but did not indicate a faster pace of monetary tightening in the current year. However, gains were restricted on concerns over political risks in Europe.

Pound

- Pound gained against the U.S. dollar after the Fed increased interest rates, but did not indicate a faster pace of monetary tightening in 2017.

Yen

- Yen strengthened against the U.S. dollar after the U.S. Fed increased interest rates, but did not signal a plan to accelerate the pace of tightening in 2017.

The Week that was...
13th March to 17th March

The Week that was (Mar 13 – Mar 17)

Date	Events	Present Value	Previous Value
Monday, March 13, 2017	Japan Machine Orders (YoY) (Jan)	-8.20%	6.70%
	Japan Tertiary Industry Index (MoM) (Jan)	0.00%	-0.30%
Tuesday, March 14, 2017	Eurozone Industrial Production (YoY) (Jan)	0.60%	2.50%
	China Retail Sales (YoY) (Jan)	9.50%	10.90%
	China Industrial Production (YoY) (Jan)	6.30%	6.00%
Wednesday, March 15, 2017	U.S. Consumer Price Index (YoY) (Feb)	2.70%	2.50%
	U.K. ILO Unemployment Rate (3M) (Jan)	4.70%	4.80%
Thursday, March 16, 2017	U.S. Initial Jobless Claims (Mar 10)	241K	243K
	U.S. Housing Starts Change (Feb)	3.00%	-2.60%
	Eurozone Consumer Price Index (YoY) (Feb) Final	2.00%	2.00%
Friday, March 17, 2017	U.S. University of Michigan Consumer Sentiment Index (Mar) Preliminary	97.60	96.30
	U.S. Industrial Production (Feb)	0.00%	-0.10%

The Week Ahead...
March 20 to March 24

The Week Ahead

Day	Event
Monday, March 20, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Producer Price Index (MoM) (Feb) <input type="checkbox"/> U.K. Rightmove House Price Index (MoM) (Feb)
Tuesday, March 21 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Retail Price Index (MoM) (Feb) <input type="checkbox"/> U.K. Consumer Price Index (YoY) (Feb) <input type="checkbox"/> U.K. DCLG House Price Index (YoY) (Feb)
Wednesday, March 22, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan All Industry Activity Index (MoM) (Jan) <input type="checkbox"/> U.S. Housing Price Index (MoM) (Jan) <input type="checkbox"/> U.S. Existing Home Sales (MoM) (Feb)
Thursday, March 23, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Gfk Consumer Confidence Survey (Apr) <input type="checkbox"/> U.K. Retail Sales (MoM) (Feb) <input type="checkbox"/> U.S. Initial Jobless Claims (Mar 17)
Friday, March 24, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Markit Manufacturing PMI (Mar) Preliminary <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Mar) Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Mar) Preliminary

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