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March 22, 2019

The Week that was...

18th March to 22nd March

Indian Economy

- The International Monetary Fund (IMF) said India has been one of the fastest growing large economies in the world. The bank asserted that the country has carried out several key reforms in the last five years. It also added that more needs to be done. Indian economy details will be revealed in the scheduled World Economic Outlook (WEO) survey report, which will be released by IMF before the annual spring meeting with the World Bank in Apr 2019. This report will be the first under IMF's new chief economist, who is an Indian American.
- The government has crossed its disinvestment target for FY19 by Rs. 5,000 crore and the proceeds have touched Rs. 85,000 crore. The government has mopped up Rs. 9,500 crore from the fifth tranche of CPSE ETF and Rs. 14,500 crore from the REC-PFC deal. The disinvestment target has been fixed at Rs. 90,000 crore for the next fiscal.
- Data from the Petroleum Planning & Analysis Cell showed that the total usage of oil products by the country increased 3.8% to 17.4 million tonnes in Feb 2019 compared with the same period of the previous year. The increase in oil consumption can be attributed to increased demand for cooking fuel and transportation fuel.
- The Insolvency and Bankruptcy Board of India and the Securities and Exchange Board of India have entered into an agreement for effective implementation of the new bankruptcy law. The two bodies will hold meetings at regular intervals and take up matters of mutual interest which include regulatory requirements, research, data analysis, information technology and data sharing.

Indian Equity Market

Domestic Equity Market Indices			
Indices	22-Mar-19	1 Week Return	YTD Return
S&P BSE Sensex	38,164.61	0.37%	5.81%
Nifty 50	11,456.90	0.26%	5.47%
S&P BSE Mid-Cap	15,076.89	-0.62%	-2.34%
S&P BSE Small-Cap	14,758.80	-0.53%	0.35%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	27.68	28.08	31.01	-147.3
P/B	3.11	3.62	2.58	2.22
Dividend Yield	1.15	1.18	0.97	0.89

Source: BSE, NSE

Value as on Mar 22, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
18-Mar-19	777	1,073	0.72
19-Mar-19	963	882	1.09
20-Mar-19	691	1,160	0.60
22-Mar-19	644	1,192	0.54

Source: NSE

- Indian equity markets witnessed volatility before ending the week with modest gains. Buying interest found initial support amid strength in rupee and upbeat global cues.
- Global markets got a fillip from reports suggesting U.S. and China have made concrete progress in their trade talks. Additionally, investors remained hopeful of a stable government post election and the Reserve Bank of India (RBI) cutting rates in its next meeting.
- Later, most of the gains were eroded as trade worries re-emerged on media reports that China is not conceding to U.S. demands. Further, investor sentiment got hurt following growth concerns as a major global rating agency cut India's GDP growth forecast for FY20 to 6.8% from its previous estimate of 7%.

Indian Equity Market (contd.)

Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18,798.43	-4.55%	1.02%
S&P BSE Bankex	33,150.80	0.72%	10.17%
S&P BSE CD	23,141.99	0.45%	8.74%
S&P BSE CG	18,340.55	-0.34%	9.07%
S&P BSE FMCG	11,692.75	0.73%	3.07%
S&P BSE HC	14,182.20	-0.39%	4.39%
S&P BSE IT	15,240.23	0.54%	0.86%
S&P BSE Metal	11,151.85	-0.64%	4.52%
S&P BSE Oil & Gas	14,812.87	-0.95%	8.64%
S&P BSE Realty	2,063.70	5.73%	13.53%
S&P BSE Power	2,000.75	0.96%	10.29%

Source: Thomson Reuters Eikon

*Value as on Mar 22, 2019

- On the BSE sectoral front, majority of the sectors closed in the green. S&P BSE Realty was the top gainer, up 5.73%, followed by S&P BSE Power and S&P BSE FMCG, which edged up 0.96% and 0.73%, respectively. During the week, the real estate industry achieved a major milestone after 'Embassy Office Parks', a joint venture between the real estate company Embassy and private equity firm Blackstone launched the country's first Real Estate Investment Trust (REIT).
- Meanwhile, S&P BSE Auto turned out to be a major loser (-4.55%) during the week followed S&P BSE Oil & Gas (-0.95%) and S&P BSE Metal (-0.64%).

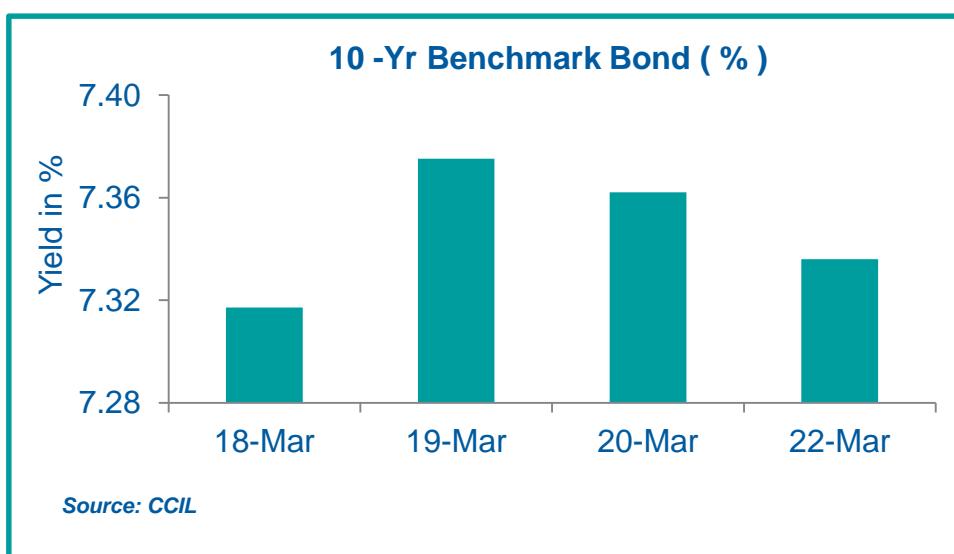
Indian Derivatives Market Review

- Nifty Mar 2019 Futures were at 11,472.4, a premium of 15.50 points, over the spot closing of 11,456.90. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 48.98 lakh crore as against Rs. 58.92 lakh crore for the week to Mar 15.
- The Put-Call ratio stood at 1.04 compared with the previous week's close of 0.79.
- The Nifty Put-Call ratio stood at 1.60 against the previous week's close of 1.68.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.19	6.23	6.34	6.58
91 Day T-Bill	6.28	6.32	6.43	7.10
07.32% 2024, (5 Yr GOI)	6.97	6.95	7.06	--
07.26% 2029, (10 Yr GOI)	7.34	7.34	7.41	--

Source: Thomson Reuters Eikon Value as on Mar 22, 2019



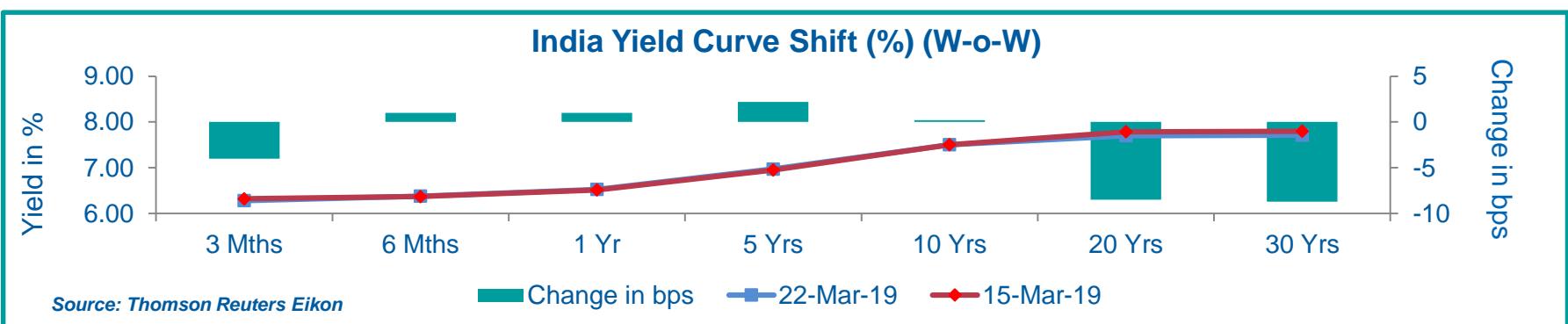
- Bond yields fell after the U.S. Federal Reserve (Fed) in its much-awaited monetary policy review kept interest rates on hold as expected and indicated that interest rates are likely to remain unchanged for the remainder of the year. This boosted market sentiment and allayed concerns over foreign fund outflow from the Indian economy.
- The stance comes as the U.S. Federal Reserve pointed to a slowdown in economic growth due to slower growth of household spending and business fixed investment in the first quarter of 2019. However, profit booking wiped out the gains.
- Yields on the 10-year benchmark paper (7.26% GS 2029) stood unchanged at 7.34% from the last week's close, after trading in the range of 7.29% to 7.39%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.63	8.12	149
3 Year	6.73	8.16	143
5 Year	7.09	8.38	129
10 Year	7.64	8.60	95

Source: Thomson Reuters Eikon Value as on Mar 22, 2019

- Yields on gilt securities fell across maturities by up to 9 bps, barring 10- and 11-year papers that remained flat. Yields on 1-, 2-, 5- and 6-year papers increased by up to 2 bps.
- Corporate bond yields increased on 5 to 7 years' papers in the range of 6 to 10 bps, while it remained unchanged on 4- and 8-year papers. Remaining securities dropped by up to 31 bps.
- Spread between AAA corporate bond and gilt expanded by up to 9 bps on 4 to 7 years' papers while remaining securities contracted in the range of 3 to 23 bps.



Regulatory Updates in India

- The Goods and Services Tax (GST) Council gave its approval for the implementation of new tax structure for housing units. According to the revenue secretary, the GST rates for the new projects will be applicable from Apr 1, 2019. The Council also mandated that 80% of materials need to be procured from registered dealer while 15% of commercial space would be treated as residential property for GST purpose.
- RBI governor called for a permanent status to the Finance Commission and a robust expenditure planning without compromising on fiscal consolidation. Fiscal federalism is gathering momentum in the era of GST. The governor said there is a need to ensure consistencies between finance commissions so that there is some certainty in the flow of funds to states.
- The Union government extended the soft loan window for sugar sector approximately by another one month. The move is likely to ease some pressure on debt laden mills. The banks could consider the soft loan application of sugar mills that would have cleared at least 25% of sugarcane payables as on Feb 28, by Mar 26, 2019, according to a notification by the Department of Food and Public Distribution.
- According to media reports, the Central government permitted a five-fold increase in one-time incentive for its employees who acquire higher degrees while serving in their departments. The amount of incentive will be raised from a minimum of Rs. 10,000 to a maximum of Rs. 30,000 for acquiring higher qualifications like Ph.D.

Regulatory Updates in India (contd..)

- According to media reports, the Reserve Bank of India (RBI) is urging banks to track closely the end usage of funds in order to prevent divergence of the same by corporate borrowers. RBI is of the view that the usage of funds can be tracked with the help of technology, electronic payments and interlinkage between banks. The move comes at a time when the banking sector is plagued with non-performing assets.
- According to media reports, RBI came out with a rule-based approach for modifying new Ways and Means limits for state governments. RBI in this regard will set up a panel which will suggest parameters of the new system. The objective of the move is to put a check on automatic monetisation of deficits of the state governments amid concerns that market borrowing by state governments may go up due to increase in stress on state finances following indiscriminate loan wavers. Ways and Means Advances is a temporary loan facility which is given by the RBI to the state governments to take care of the temporary liquidity mismatches.

Global News/Economy

- The U.S. Federal Reserve left interest rates unchanged following a two-day monetary policy meeting. The Fed decided to maintain the target range for the federal funds rate at 2.25% to 2.50% in support of its mandate of fostering maximum employment and price stability. The central bank's forward projections also indicated interest rates are likely to remain unchanged for the remainder of 2019.
- Bank of England policymakers decided to keep interest rate and monetary stimulus unchanged as U.K. lawmakers hasten to secure an extension of the deadline for leaving the European Union. The bank also released the results of a survey which showed that "a significantly greater number of companies had judged themselves ready for a no-deal, no-transition Brexit scenario."
- Preliminary data from the Office for National Statistics showed U.K. consumer price inflation unexpectedly increased in Feb 2019. This was for the first time in six months. The consumer price index rose 1.9% YoY following a 1.8% increase in Jan 2019. Expectations were for inflation rate to remain unchanged. Core inflation slowed to 1.80% from 1.90%.
- The Ministry of Internal Affairs and Communications said overall nationwide inflation in Japan increased 0.2% YoY in Feb 2019. That was shy of expectations and unchanged from the Jan 2019 reading. Core inflation rose 0.7% in Feb 2019 as against 0.8% in the previous month.

Global Equity Markets

Global Indices			
Indices	22-Mar-19	1-Week Return	YTD Return
Dow Jones	25,502.32	-1.34%	9.32%
Nasdaq 100	7,326.06	0.26%	15.74%
FTSE 100	7,207.59	-0.29%	7.13%
DAX Index	11,364.17	-2.75%	7.63%
Nikkei Average	21,627.34	0.82%	8.06%
Straits Times	3,212.10	0.37%	4.67%

Source: Thomson Reuters Eikon *Value as on Mar 22, 2019*

Europe

- European markets mostly traded down as weak economic data in the euro zone resurfaced growth concerns. Eurozone manufacturing and services PMI fell in Mar 2019 and eurozone construction output fell in Jan 2019. Concerns over U.S.-China trade negotiations further weighed on the sentiment.

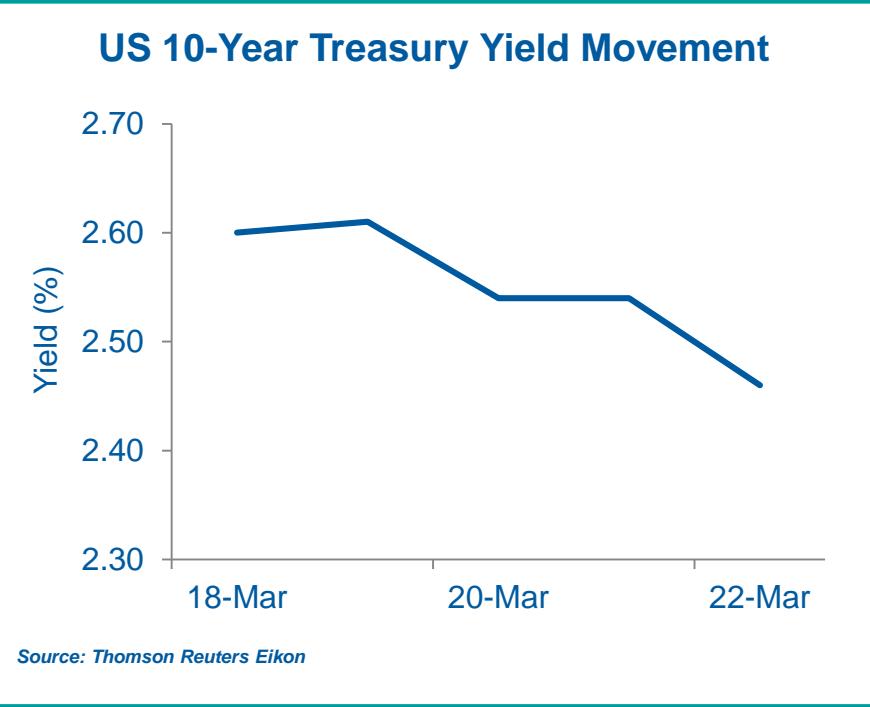
Asia

- Asian markets moved up after the U.S. Fed in its meeting hinted that it could no longer raise rates in 2019. This level of dovishness was more than the markets had expected from the Fed. Expectations of more stimulus measures by China as hinted by the Chinese Premier also acted as catalyst.

U.S.

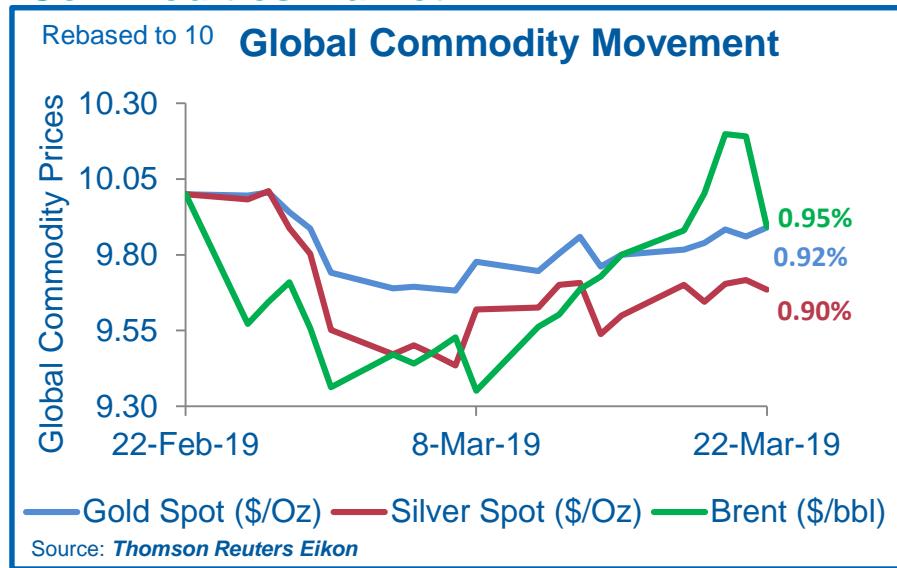
- Most of the U.S. markets remained low amid lingering uncertainty about trade talks between the U.S. and China, ahead of another round of high-level negotiations. Meanwhile, U.S. Fed kept interest rates unchanged and indicated no further rate hike in 2019. Although the same brought some relief to the investors, the central bank's reduced growth outlook for 2019 weighed on market sentiments.

Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond plunged 13 bps to close at 2.46% compared with the previous close of 2.59%.
- U.S. Treasury prices fell initially during the week under review as market participants remained on the sidelines ahead of the U.S. Fed monetary policy review, which was due on Mar 20, 2019
- However, the trend reversed and U.S. Treasury prices surged after the U.S. Fed in its much awaited monetary policy review kept interest rates on hold as expected and indicated that interest rates are likely to remain unchanged for the remainder of the year.
- The stance came as the U.S. Fed pointed to a slowdown in economic growth due to slower growth of household spending and business fixed investment in the first quarter of 2019.

Commodities Market



Performance of various commodities		
Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	66.73	66.10
Gold (\$/Oz)	1,313.13	1,301.13
Gold (Rs/10 gm)	32,007	31,966
Silver (\$/Oz)	15.41	15.28
Silver (Rs/Kg)	38,160	37,993

Source: Thomson Reuters Eikon *Value as on Mar 22, 2019

Gold

- Gold prices grew after the U.S. Fed, in its latest policy meeting, announced its widely expected decision to leave interest rates unchanged. It also indicated that the central bank could no longer raise rates in 2019, such dovishness was more than the markets had expected.

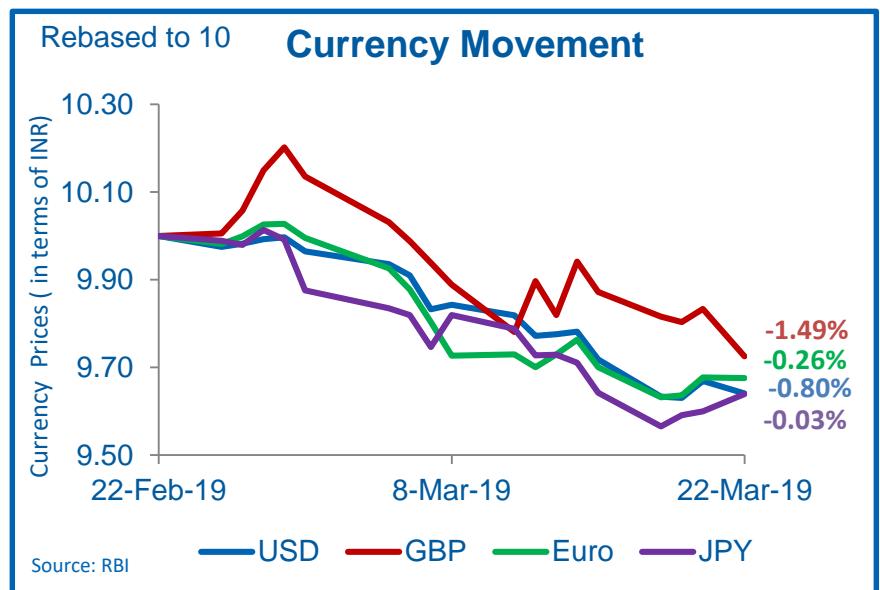
Brent Crude

- Brent crude prices surged as market sentiment was swayed by OPEC-led supply cut to tighten the oil market. In addition, U.S. sanction against oil exports by Iran and Venezuela aided the commodity's price. However, economic growth concerns weighed on sentiment.

Baltic Dry Index

- The Baltic Dry Index fell on the back of lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	68.66	69.21
Pound Sterling	90.28	91.64
EURO	78.14	78.34
100 Yen	61.97	61.99

Source: RBI

Figures in INR , *Value as on Mar 22, 2019

Rupee

- The rupee rose against the greenback as trade deficit declined to \$9.6 billion in Feb 2019, lowest since Sep 2017.

Euro

- The euro fell against the greenback following Germany's weaker than expected flash composite PMI for Mar 2019 and Brexit-related concerns.

Pound

- The pound weakened against the greenback initially on growing worries of a "no-deal" Brexit. However, reports that European Union has stated that Britain can have a short delay to Brexit restricted the losses.

Yen

- The yen gained against the greenback as the latter fell on growing worries about the U.S. economy and as the U.S. Fed held interest rates steady and denied projections for further rate hikes in 2019.

The Week that was...

18th March to 22nd March

The Week that was (Mar 18 – Mar 22)

Date	Events	Present Value	Previous Value
Monday, March 18, 2019	• U.K. Rightmove House Price Index (YoY) (Mar)	-0.80%	0.20%
	• Japan Industrial Production (YoY) (Jan)	0.30%	0.00%
	• Euro Zone Trade Balance (Jan)	€17.0B	€13.2B
Tuesday, March 19, 2019	• Germany ZEW Survey - Economic Sentiment (Mar)	-3.60	-13.40
	• Eurozone Construction Output (YoY) (Jan)	-0.70%	0.70%
	• U.K. Claimant Count Change (Feb)	27.0K	15.7K
	• U.K. ILO Unemployment Rate (3M) (Jan)	3.90%	4.00%
	• U.S. Factory Orders (MoM) (Jan)	0.10%	0.10%
Wednesday, March 20, 2019	• U.S. Federal Reserve Interest Rate Decision	2.50%	2.50%
	• U.K. Consumer Price Index (YoY) (Feb)	1.90%	1.80%
	• U.K. Retail Price Index (YoY) (Feb)	2.50%	2.50%
	• Germany Producer Price Index (YoY) (Feb)	-0.10%	0.40%
Thursday, March 21, 2019	• Bank of England Rate Decision	0.75%	0.75%
	• U.K. Retail Sales (YoY) (Feb)	4.00%	4.10%
	• U.S. Initial Jobless Claims (Mar 15)	221K	230K
Friday, March 22, 2019	• Eurozone Markit PMI Composite (Mar) Preliminary	51.30	51.90
	• Germany Markit PMI Composite (Mar) Preliminary	51.50	52.80

The Week Ahead

25th March to 29th March

The Week Ahead

Day	Event
Monday, March 25, 2019	<ul style="list-style-type: none">• Germany IFO - Business Climate (Mar)• U.S. Chicago Fed National Activity Index (Feb)• Japan All Industry Activity Index (MoM) (Jan)
Tuesday, March 26, 2019	<ul style="list-style-type: none">• Germany Gfk Consumer Confidence Survey (Apr)• U.K. BBA Mortgage Approvals (Feb)• U.S. Housing Starts Change (Feb)
Wednesday, March 27, 2019	<ul style="list-style-type: none">• U.S. MBA Mortgage Applications (Mar 22)• U.S. Trade Balance (Jan)
Thursday, March 28, 2019	<ul style="list-style-type: none">• Euro Zone Economic Sentiment Indicator (Mar)• U.S. Initial Jobless Claims (Mar 22)• U.S. Gross Domestic Product Annualized (Q4)• U.S. Pending Home Sales (YoY) (Feb)• Japan Unemployment Rate (Feb)
Friday, March 29, 2019	<ul style="list-style-type: none">• U.K. Gross Domestic Product (YoY) (Q4)• U.K. GfK Consumer Confidence (Mar)• U.S. Personal Income (MoM) (Feb)• U.S. Michigan Consumer Sentiment Index (Mar)

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