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# News U Can Use

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**March 29, 2019**

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The Week that was...

**25<sup>th</sup> March to 29<sup>th</sup> March**

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## Indian Economy

- Data from Reserve Bank of India showed that India's Current Account Deficit (CAD) narrowed to \$16.9 billion (2.5% of GDP) in Q3FY19 from \$19.1 billion (2.9% of GDP) in the previous quarter. However, CAD widened from \$13.7 billion (2.1% of GDP) in the same period of the previous year. CAD widened on a yearly basis as trade deficit widened to \$49.5 billion in Q3FY19 from \$44.0 billion in the same period of the previous year. For the period from Apr to Dec of 2018, CAD widened to 2.6% of GDP from 1.8% in the corresponding period of the previous year as trade deficit widened to \$145.3 billion in Apr to Dec of 2018 from \$118.4 billion in the same period of the previous year.
- Government data showed that India's fiscal deficit for the period from Apr 2018 to Feb 2019 stood at Rs. 8.51 lakh crore or 134.2% of the budget estimate compared with 120.3% of the budget estimate in the corresponding period of the previous year. The revenue deficit in the same period stood at Rs. 6.50 lakh crore or 157.8% of the budget estimate compared with 119.3% of the budget estimate in the corresponding period of the previous year.
- According to the Economic Affairs Secretary, the government will raise Rs. 4.42 lakh crore through government securities in the first half for FY20. Borrowing by the government in the second half of FY20 will be at Rs. 2.68 lakh crore. The Finance Minister in the Union Budget had pegged gross borrowing at Rs. 7.1 lakh crore for FY20.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	29-Mar-19	1 Week Return	YTD Return
S&P BSE Sensex	38,672.91	1.33%	7.22%
Nifty 50	11,623.90	1.46%	7.01%
S&P BSE Mid-Cap	15,479.62	2.67%	0.27%
S&P BSE Small-Cap	15,027.36	1.82%	2.18%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	28.04	29.01	31.83	-149.94
P/B	3.15	3.71	2.65	2.26
Dividend Yield	1.13	1.13	0.94	0.87

Source: BSE, NSE

Value as on Mar 29, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
25-Mar-19	468	1,403	0.33
26-Mar-19	1,039	809	1.28
27-Mar-19	857	988	0.87
28-Mar-19	1,174	642	1.83
29-Mar-19	1,042	792	1.32

Source: NSE

- Indian equity markets closed on a positive note in the week ended Mar 29, 2019. Reports that the Monetary Policy Committee (MPC) is expected to cut rates in the first bi-monthly monetary policy meeting of FY20 improved market sentiment. Gains were extended on reports of Reserve Bank of India injecting liquidity into the system through a forex swap auction of \$5 billion for which RBI received bids for \$16.3 billion.
- Further, media reports stating successful launch of the country's anti-satellite missile system demonstrated the nation's capability to defend its assets in outer space. This added to the gains. The high probability of the ruling party coming back to power and strong foreign fund inflows also contributed to the upside.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18,824.89	0.14%	0.10%
S&P BSE Bankex	34,141.94	2.99%	13.70%
S&P BSE CD	23,856.65	3.09%	11.43%
S&P BSE CG	18,471.99	0.72%	8.10%
S&P BSE FMCG	11,741.51	0.42%	3.42%
S&P BSE HC	14,407.89	1.59%	4.70%
S&P BSE IT	15,280.30	0.26%	0.17%
S&P BSE Metal	11,355.12	1.82%	5.47%
S&P BSE Oil & Gas	15,269.70	3.08%	10.63%

Source: Thomson Reuters Eikon \*Value as on Mar 29, 2019

- On the BSE sectoral front, indices closed on a positive note. S&P BSE Consumer Durables was the major gainer, up 3.09%, followed by S&P BSE Oil & Gas that grew 3.08%. S&P BSE Bankex and S&P BSE Metal grew 2.99% and 1.82%, respectively.
- Surge in one of the major PSU banks following reports that the government has decided to infuse funds worth Rs. 5,042 crore as capital ahead of its merger with two other public sector lenders led to gains in the financial sector. Gains in metal stocks reflected progress in U.S. and China trade discussions.

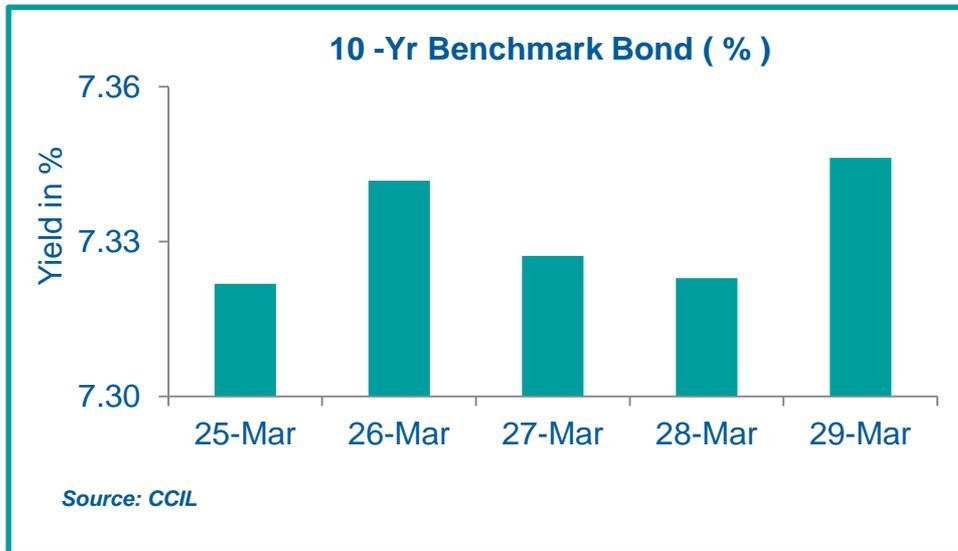
## Indian Derivatives Market Review

- Nifty Apr 2019 Futures were at 11,679.90, a premium of 56.00 points, above the spot closing of 11,623.90. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 64.92 lakh crore as against Rs. 48.98 lakh crore for the week to Mar 22.
- The Put-Call ratio stood at 0.96 compared with the previous week's close of 1.04.
- The Nifty Put-Call ratio stood at 1.49 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	8.49	6.19	6.26	6.51
91 Day T-Bill	6.12	6.28	6.42	6.97
07.32% 2024, (5 Yr GOI)	6.93	6.97	7.09	--
07.26% 2029, (10 Yr GOI)	7.35	7.34	7.41	--

*Source: Thomson Reuters Eikon* *Value as on Mar 29, 2019*



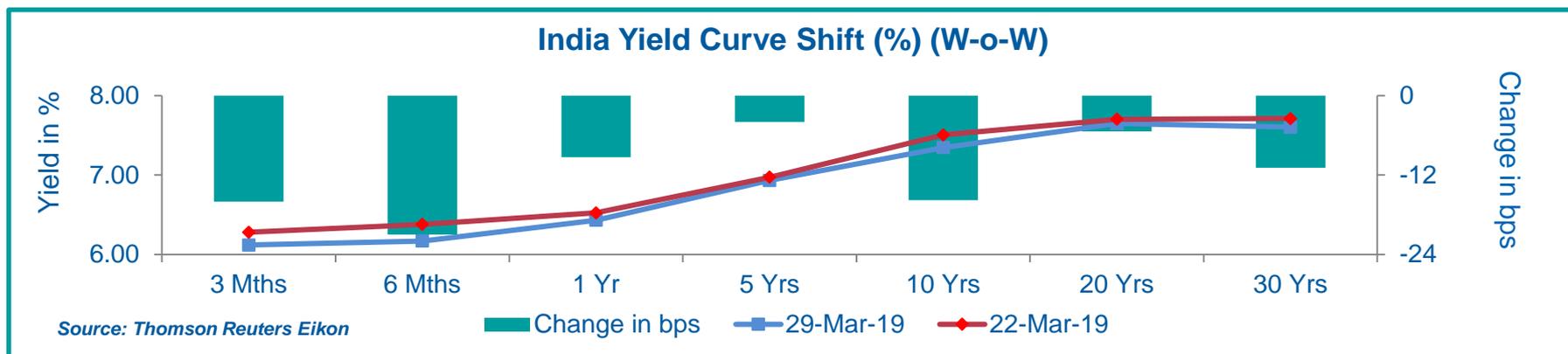
- Bond yields inched up during the week under review as market participants remained on the sidelines and awaited the borrowing schedule of the government for the period Apr-Sep of 2019.
- However, further losses were restricted on hopes that the MPC might lower key policy repo rate in the upcoming policy review meeting on Apr 4, 2019.
- Yields on the 10-year benchmark paper (7.26% GS 2029) rose 1 bps to close at 7.35% from the last week's close of 7.34%, after trading in the range of 7.30% to 7.36%.
- Data from RBI showed that India's foreign exchange reserves for the week ended Mar 22 grew \$1.03 billion to \$406.67 billion from \$405.64 billion in the previous week.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.54	8.03	149
3 Year	6.77	8.11	134
5 Year	7.05	8.36	131
10 Year	7.48	8.54	106

Source: Thomson Reuters Eikon Value as on Mar 29, 2019

- Yields on gilt securities increased on 2- and 3-year maturities by 1 bps and 4 bps, respectively. Yield fell across the remaining maturities by up to 16 bps barring 12-year paper that closed steady.
- Corporate bond yields fell across the maturities in the range of 2 bps to 11 bps.
- Difference in spread between AAA corporate bond and gilt expanded on 1-, 10- and 15-year papers in the range of 2 bps to 14 bps. Difference in spread between AAA corporate bond and gilt contracted across the remaining maturities by up to 7 bps barring 5-year paper that closed steady.



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## Regulatory Updates in India

- Capital markets regulator Securities and Exchange Board of India (SEBI) barred foreign portfolio investors (FPIs) from making any fresh investments in the domestic capital markets who have not submitted the names of beneficial owners to custodians. However, those FPIs will be available to sell their holdings. SEBI in this regard had directed custodians to share the list of non-compliant FPIs with stock exchanges and has asked brokers not to execute trades on their behalf. It needs to be noted that SEBI in Sep 2018 had asked FPIs to submit Know Your Customer (KYC) details of beneficial owners by Mar 20. However, several top investors based in U.S. and Europe haven't provided the KYC details by the deadline.
- SEBI have barred several websites that were engaged in the business of fraudulent investment advisory activity. The move comes after SEBI received complaints from investors.
- SEBI came out with guidelines for business continuity plan (BCP) and disaster recovery site (DRS) for stock exchanges and depositories. The objective of the move is to maintain data and transaction integrity and ensure that there is no loss in data.
- According to media reports, the Ministry of Finance has given its approval for setting up a precious metals' board. The board will take decisions on regulatory and developmental aspects and bring in clarity as to how the new comprehensive gold policy will be implemented.

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## Regulatory Updates in India (contd..)

- According to media reports, RBI is working on regulatory norms for financial technology companies. The central bank governor will hold discussion with the chiefs of payment banks in order to understand their issues, concerns and worries. A regulatory sandbox is expected to be issued in the next two months so as to promote financial technology in the country. A sandbox approach is experimenting and learning before finally adopting a system or technology. Such an approach helps to put a check on failures.
- According to media reports, the Ministry of Commerce came out with an online system to help exporters to obtain export license for restricted category goods. The objective of the move is to promote paperless work and boost ease of doing business within the country. The move is expected to simplify the application process, expedite the process and issue of export authorisation. Presently application for export of such goods need to be done in hard copy and discussion with concerned agencies is done manually.
- According to media reports, from Apr 1, 2019 electric 3- and 4-wheelers will require a valid permit from a government agency in order to avail incentives under the Rs. 10,000 crore Faster Adoption and Manufacturing of and Electric Vehicles (FAME) scheme. The permit will state that the vehicle will be used only for public transportation purposes.

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## Global News/Economy

- Data from the U.S. Commerce Department showed that the economic growth of the U.S. economy witnessed a growth of 2.2% in the fourth quarter of 2018, down from the previous estimate of 2.6% and slower than the growth of 3.4% in the third quarter of 2018. The growth of the U.S. economy in 2018 stood at 2.9% compared to a growth of 2.2% in 2017.
- A report from the Commerce Department showed that personal income in the U.S. rose 0.2% in Feb 2019 as against a fall of 0.1% in Jan 2019. Disposable personal income also rose 0.2% in Feb 2019 as against a fall of 0.2% in Jan 2019.
- The President of European Central Bank (ECB) stated at the ECB Watchers conference in Frankfurt that the bank's monetary policy stance remained accommodative due to weaker growth outlook for the eurozone. Also, the President stated that weakness in external demand is unlikely to be severe. The ECB chief also indicated that external demand may be affecting investment via manufacturing value chains within the eurozone. However, currently the expectations for investment are relatively robust as the fundamentals are in position for investment to rebound, if global growth stabilizes.
- According to a report from the Ministry of Economy, Trade and Industry, Japan's industrial production came in line with market expectations and grew 1.4% MoM in Feb 2019 as against a decline of 3.4% in Jan 2019. Industrial production fell 1% YoY as against a gain of 0.3% in Jan 2019.

## Global Equity Markets

Global Indices			
Indices	29-Mar-19	1-Week Return	YTD Return
Dow Jones	25,928.68	1.67%	11.15%
Nasdaq 100	7,378.77	0.72%	16.57%
FTSE 100	7,279.19	0.99%	8.19%
DAX Index	11,526.04	1.42%	9.16%
Nikkei Average	21,205.81	-1.95%	5.95%
Straits Times	3,212.88	0.02%	4.70%

*Source: Thomson Reuters Eikon* *Value as on Mar 29, 2019*

## Europe

- European markets moved higher as latest round of meeting between the U.S. and China raised hope for an eventual trade deal between the two nations. On the data front, U.K. GDP grew by annual 1.4% in the final quarter of 2018, an upward revision from the preliminary estimate of 1.3% which contributed to the upside. However, reports that lawmakers rejected U.K. Prime Minister's Brexit deal for the third time capped the gains.

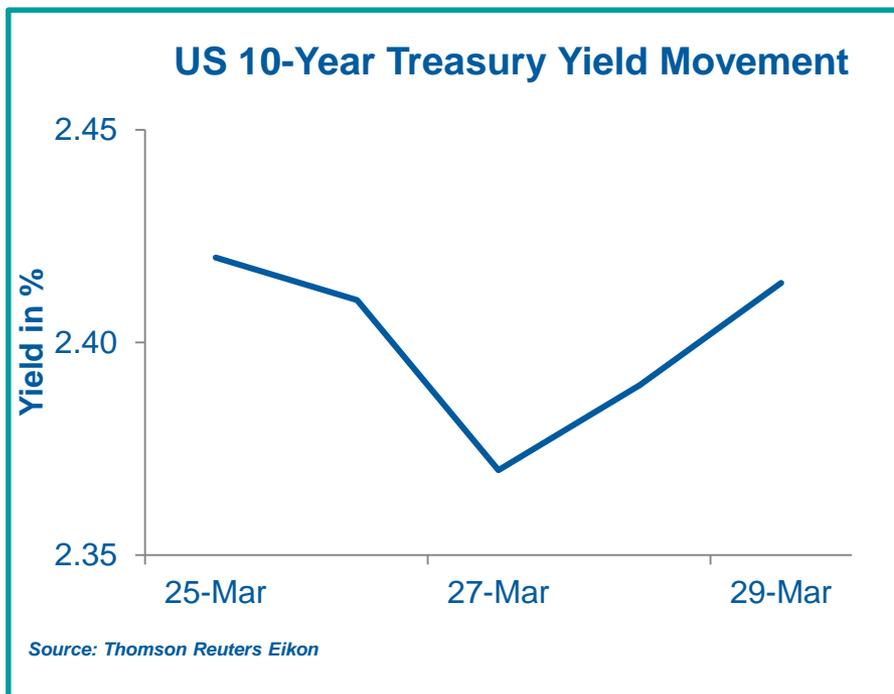
## Asia

- Asian markets reflected broader weakness during the week. Positive impact of a report showing both U.S. and China have made headway in their trade talks was overshadowed by Brexit uncertainty. Concerns over potential U.S. recession also weighed on market sentiment.

## U.S.

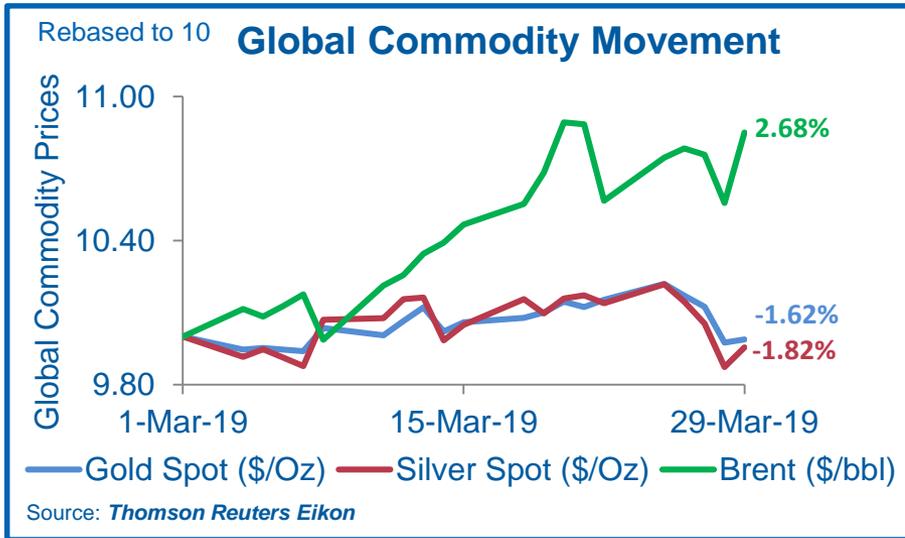
- U.S. markets rose on optimism regarding the development of the next round of U.S. – China trade talks, which commenced this week. As per media reports, the U.S. Treasury Secretary described the latest round of high-level U.S. trade talks as "constructive."
- However, concerns about an impending U.S. recession capped the gains.

## Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 5 bps to close at 2.41% compared with the previous close of 2.46%. Also, yields fell to its lowest since Dec 18, 2017 in one of the sessions during the week.
- U.S. Treasury prices rose during the week under review as the yield curve inverted on Mar 22 which fuelled concerns over potential U.S. recession and boosted the safe haven appeal of the U.S. Treasuries.
- Reports that U.S.' GDP for fourth quarter 2018 was downwardly revised to more than market expectations and U.S. consumer spending rebounded less than market expectations in Jan 2019, added to the gains. However, reports that the latest round of discussions between U.S. and China ended on a positive note capped the gains.

## Commodities Market



Performance of various commodities		
Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	68.52	66.73
Gold (\$/Oz)	1291.90	1313.13
Gold (Rs/10 gm)	31,601	32,007
Silver (\$/Oz)	15.14	15.41
Silver (Rs/Kg)	37,270	38,160

Source: Thomson Reuters Eikon

\*Value as on Mar 29, 2019

## Gold

- Gold prices initially went up on rising concerns over global economic growth and Brexit uncertainties. However, later, the trend reversed on reports suggesting U.S and China's likely conclusion of trade negotiation in Apr 2019 which dented the safe appeal of the bullion.

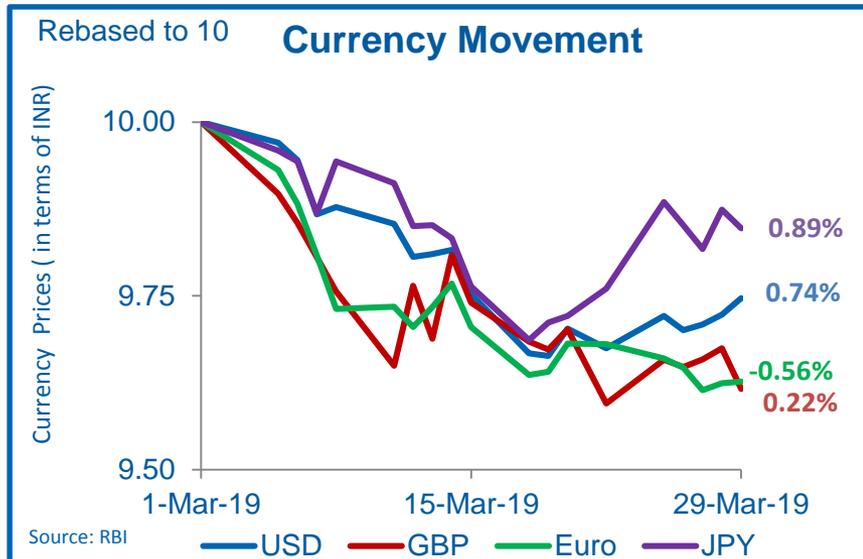
## Brent Crude

- Brent crude prices grew amid supply cuts by OPEC and its allies along with U.S. sanctions against Iran and Venezuela. However, concerns over the adverse impact of global economic slowdown on demand capped the gains.

## 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	69.17	68.66
Pound Sterling	90.48	90.28
EURO	77.70	78.14
100 Yen	62.52	61.97

Source: RBI

Figures in INR, \*Value as on Mar 29, 2019

## Rupee

- The Indian rupee depreciated against the greenback as concerns of slowing global economy weighed on the market sentiment.

## Euro

- The euro fell against the greenback as better than expected U.S. trade deficit data for Jan 2019 strengthened the latter. However, further losses were restricted after U.S GDP slowed in the fourth quarter of 2018.

## Pound

- Sterling fell against the U.S. dollar due to persisting worries over Brexit after lawmakers rejected U.K. Prime Minister's Brexit deal for the third time.

## Yen

- Yen weakened against the greenback on better than expected U.S. trade deficit data for Jan 2019 and decline in initial weekly U.S. jobless claims for the week ended Mar 23.

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The Week that was...

**25<sup>th</sup> March to 29<sup>th</sup> March**

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## The Week that was (Mar 25 – Mar 29)

Date	Events	Present Value	Previous Value
<b>Monday, March 25, 2019</b>	• Japan All Industry Activity Index (MoM) (Jan)	-0.20%	-0.60%
	• Germany IFO Business Climate (Mar)	99.6	98.5
<b>Tuesday, March 26, 2019</b>	• U.S. Consumer Confidence Index (Mar)	124.1	131.4
	• U.S. House Price Index (MoM) (Jan)	0.60%	0.30%
	• Germany GfK Consumer Confidence (Apr)	10.4	10.7
	• France Gross Domestic Product (YoY) (4Q F)	1.00%	0.90%
<b>Wednesday, March 27, 2019</b>	• U.S. Trade Balance (Jan)	(\$51.1B)	(\$59.9B)
	• U.S. MBA Mortgage Applications (Mar 22)	8.90%	1.60%
<b>Thursday, March 28, 2019</b>	• U.S. Gross Domestic Product Annualized (QoQ) (4Q T)	2.20%	2.60%
	• Germany Consumer Price Index (YoY) (Mar P)	1.30%	1.50%
	• U.S. Personal Consumption (4Q T)	2.50%	2.80%
	• U.S. Pending Home Sales (YoY) (Feb)	-5.00%	-3.30%
	• Japan Jobless Rate (Feb)	2.30%	2.50%
	• Japan Retail Trade (YoY) (FEB)	0.40%	0.60%
<b>Friday, March 29, 2019</b>	• India Current Account Deficit (YoY) (Q3FY19)	2.50%	2.90%
	• India Fiscal Deficit (YoY) (Apr 19-Feb 19) (% of FY19)	134.20%	120.30%
	• Germany Unemployment Change (000's) (Mar)	(7K)	(20K)
	• U.S. Personal Consumption Expenditure Core (YoY) (Jan)	1.40%	1.90%
	• U.K. GfK Consumer Confidence (Mar)	-13	-13
	• Japan Housing Starts (YoY) (Feb)	4.20%	1.10%
	• U.K. Gross Domestic Product (YoY) (4Q F)	1.40%	1.30%

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The Week Ahead

**1<sup>st</sup> April to 5<sup>th</sup> April**

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## The Week Ahead

Day	Event
<b>Monday, April 1, 2019</b>	<ul style="list-style-type: none"> <li>• India Nikkei Manufacturing PMI (Mar)</li> <li>• India Index of Eight Core Industries (Mar)</li> <li>• U.S. ISM Manufacturing PMI (Mar)</li> <li>• China Caixin Manufacturing PMI (Mar)</li> </ul>
<b>Tuesday, April 2, 2019</b>	<ul style="list-style-type: none"> <li>• U.S. Durable Goods Orders (Feb P)</li> <li>• U.K. Markit/CIPS Construction PMI (Mar)</li> <li>• Eurozone Unemployment Rate (Feb)</li> </ul>
<b>Wednesday, April 3, 2019</b>	<ul style="list-style-type: none"> <li>• India Nikkei Service PMI (Mar)</li> <li>• U.S. ADP Employment Change (Mar)</li> <li>• U.K. Markit/CIPS Composite PMI (Mar)</li> <li>• Japan Nikkei Composite PMI (Mar)</li> </ul>
<b>Thursday, April 4, 2019</b>	<ul style="list-style-type: none"> <li>• India Monetary Policy Committee Rate Decision</li> <li>• Germany Factory Orders (YoY) (Mar)</li> <li>• Germany Markit Construction PMI (Mar)</li> </ul>
<b>Friday, April 5, 2019</b>	<ul style="list-style-type: none"> <li>• U.S. Change in Non-farm Payrolls (Mar)</li> <li>• U.S. Unemployment Rate (Mar)</li> <li>• Germany Industrial Production (YoY) (Feb)</li> </ul>

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