

News U Can Use

March 31, 2017

The Week that was...
27th March to 31st March

Indian Economy

- ❑ Government data showed core sector output grew 1% YoY in Feb 2017, much slower than 3.4% recorded in the previous month. Infrastructure sector grew at its lowest level in at least 13 months. The reason behind the fall was slower growth in electricity and steel output, and contraction in production of crude oil.
- ❑ Government data showed India's fiscal deficit from Apr 2016 to Feb 2017 stood at Rs. 6.06 lakh crore or 113.4% of budget estimates for FY16-17. During the same period a year ago, fiscal deficit was 107.1% of the full year budget target. Total revenue receipts stood at Rs. 11.47 lakh crore, or 77.5% of the budget estimates for the current year, while expenditure was Rs. 17.53 lakh crore, or 87%.
- ❑ The Lok Sabha or the lower house of the Parliament approved four supplementary Bills of Goods and Services Tax (GST) following several hours of debate. This paved the way for the launch of GST from Jul 1, 2017. Implementation of GST is expected to replace multiple central and state taxes and make the country a seamless national market that will boost the growth of the economy in the long run. On Apr 5, GST Bill will be taken up in Rajya Sabha for discussion and passage.
- ❑ A private weather forecaster has predicted that India will likely receive below average rainfall this year, due to an evolving El Nino. It forecasted that monsoon in 2017 is likely to remain below normal at 95% (with an error margin of +/-5%).

Indian Equity Market

Domestic Equity Market Indices			
Indices	31-Mar-17	1 Week Return	YTD Return
S&P BSE Sensex	29620.50	0.68%	11.37%
Nifty 50	9173.75	0.72%	12.16%
S&P BSE Mid-Cap	14096.65	1.79%	16.20%
S&P BSE Small-Cap	14433.86	2.53%	18.41%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.63	23.26	30.74	66.54
P/B	2.95	3.50	2.54	2.28
Dividend Yield	1.36	1.25	1.30	0.72

Source: BSE, NSE

Value as on March 31, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-Mar-17	683	1001	0.68
28-Mar-17	909	737	1.23
29-Mar-17	704	971	0.73
30-Mar-17	1076	556	1.94
31-Mar-17	947	702	1.35

Source: NSE

- ▣ The domestic equity market witnessed gains as passage of four legislations related to Goods and Services Tax (GST) in the lower house raised hopes that the bill would become effective from Jul 1.
- ▣ The finance minister also stated that GST will ensure free movement of goods across the country, and the cess on luxury goods will be used for paying GST compensation.
- ▣ However, the upside was limited following below-normal monsoon forecast and upcoming RBI's policy review.
- ▣ Markets were also impacted by the U.S. President's failure to pass the key health-care bill and as U.K. triggered the formal 'Brexit' process.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22012.66	0.03%	2.45%
S&P BSE Bankex	24420.77	1.50%	4.00%
S&P BSE CD	15257.34	5.48%	10.73%
S&P BSE CG	16446.03	2.26%	7.26%
S&P BSE FMCG	9270.25	0.74%	5.35%
S&P BSE HC	15312.40	-0.29%	-0.47%
S&P BSE IT	10365.51	-0.70%	-0.10%
S&P BSE Metal	11804.46	-0.46%	-0.74%
S&P BSE Oil & Gas	13563.63	0.75%	0.22%

Source: Reuters *Value as on March 31, 2017*

- On the BSE sectoral front, most of the sectors closed in the green barring S&P BSE IT (-0.70%), S&P BSE Metal (-0.46%), S&P BSE HC (-0.29%). Meanwhile, S&P BSE Consumer Durables (5.48%) stood as the top gainer followed by S&P BSE Capital Goods (2.26%).
- Auto sector (0.03%) gained marginally despite the Supreme Court banning the sale of Bharat Stage III vehicles from Apr 1 and rejecting automakers' request for more time to clear the pre-BS IV vehicles in stock.

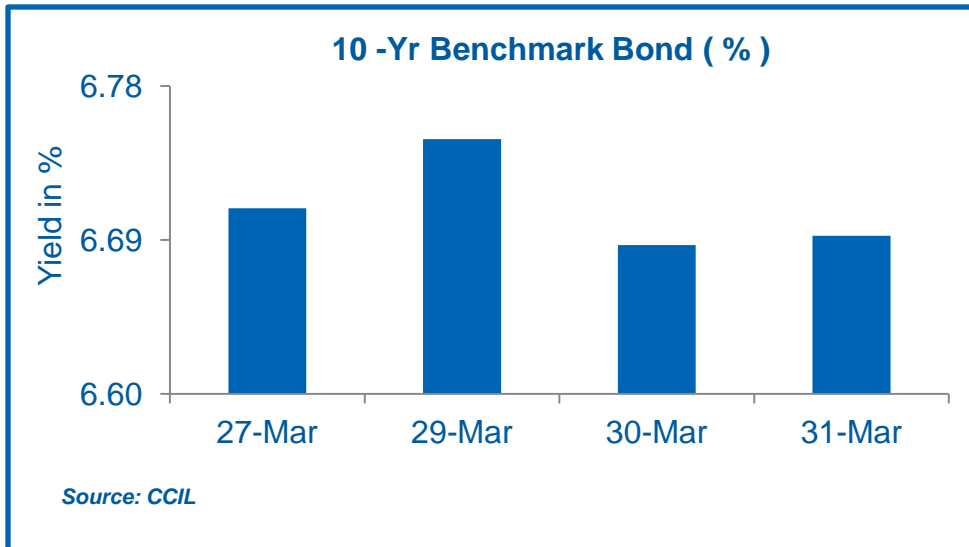
Indian Derivatives Market Review

- Nifty Mar 2017 Futures settled on Mar 30 at 9,173.75. Nifty Apr 2017 Futures were at 9,197.75, a premium of 24.00 over the spot closing of 9,173.75. The turnover on NSE's Futures and Options segment stood at Rs. 26.69 lakh crore during the week to Mar 31, compared with Rs. 22.68 lakh crore during the week to Mar 24.
- The Put-Call ratio stood at 0.77, compared with the previous week's close of 0.98.
- The Nifty Put-Call ratio stood at 0.97, compared with the previous week's close of 1.06.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.04	5.88	5.95	6.45
91 Day T-Bill	5.80	5.86	6.09	6.45
7.80% 2021, (5 Yr GOI)	6.71	6.74	6.72	6.87
6.97% 2026, (10 Yr GOI)	6.69	6.83	6.87	6.81

Source: Reuters *Value as on March 31, 2017*



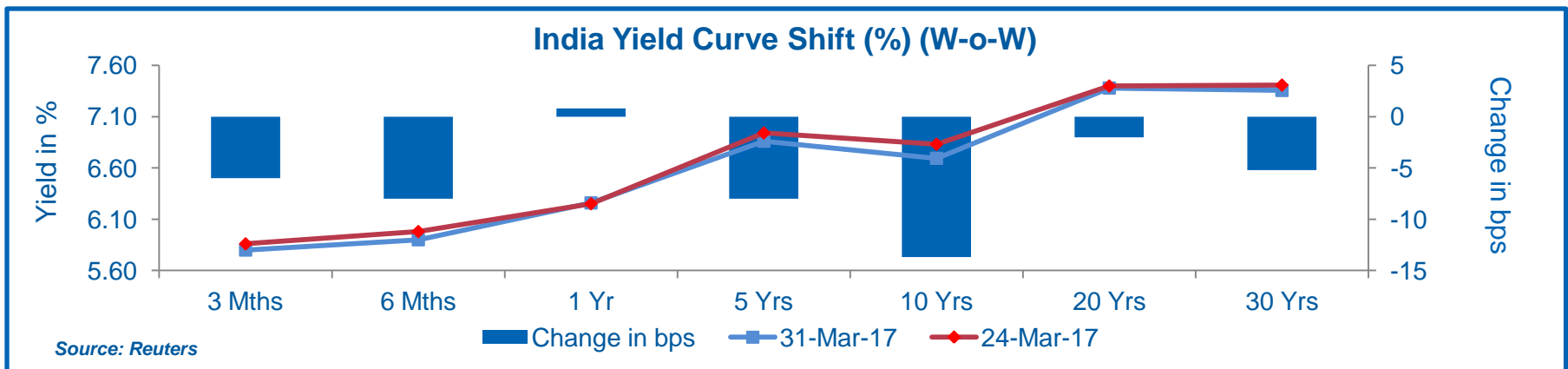
- Bonds yield fell significantly as continuous foreign fund inflows due to uncertainty over the U.S. President's reform agenda improved the demand for debt. Also, bargain hunting by the investors during the fiscal year-end boosted the bond prices.
- However, profit booking by some investors to cash in on the recent rally restricted the gain.
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 14 bps to close at 6.69% from the previous close of 6.83%.
- Banks' net average lending to the Reserve Bank of India (RBI) under the LAF stood at Rs. 52,853.25 crore (for Friday, only repo session considered), compared with the previous week's lending of Rs. 24,500.20 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.35	6.94	59
3 Year	6.66	7.24	58
5 Year	6.95	7.41	46
10 Year	7.04	7.65	61

Source: Reuters Value as on March 31, 2017

- Yields on gilt securities fell across the maturities by up to 23 bps, barring 1- and 4-year papers that rose 1 bps each. Yield on 3-year paper was flat.
- Corporate bond yields also dropped across curve in the range of 3 to 16 bps.
- Spread between AAA corporate bond and gilt contracted across segments by up to 12 bps, except 7-, 9-, and 15-year papers that expanded 3, 4, and 7 bps, respectively.



Regulatory Updates in India

- ❑ The Central Board of Direct Taxes has come out with a circular where it has offered to waive interest liability and settle retrospective tax cases involving prominent corporate companies in different scenarios. The government will waive interest liability provided that the company has paid the principal amount. In those cases, where the tax liability has resulted due to retrospective amendment to the law or a court the interest payable on demand will be waived by the government.
- ❑ The Supreme Court banned sales of BS III vehicles from Apr 1, 2017 citing the importance of focussing on environmental norms given deteriorating pollution conditions. The move is a major setback for automobile manufacturers. According to media reports, vehicle manufacturers have an inventory of around 824,000 units of BS III-compliant two-wheelers, three-wheelers, and commercial vehicles valued at around Rs. 12,000 crore.
- ❑ According to the minister of state for finance, the government imposed 10% import duty on wheat and tur daal with immediate effect. The objective of the move is to protect domestic growers from cheaper imports available in the overseas markets. However, the government lifted ban on bulk exports of certain edible oils, including groundnut, sesame, and soyabean, irrespective of pack size. The government aims to boost shipments and promote the domestic processing industry.

Regulatory Updates in India (contd..)

- ❑ The government has proposed a new plan under Labour Code on Security and Welfare. This plan will provide a robust, well-defined, and comprehensive social security net to workers of all categories. The plan will create a Social Security Funds (SSFs) in each state from contributions of both the workers and employers. However, employer's contribution will be limited to 17.5% of wage. These funds would be used to provide assorted benefits to workers such as pension, provident fund, group insurance, as well as sickness and maternity benefits. State governments will pitch in where the workers themselves are unable to contribute.
- ❑ According to the minister of state for rural development, the government has put in place a comprehensive multi-level and multi-tool to monitor implementation of various rural development schemes in different parts of the country.
- ❑ The Insurance Regulatory and Development Authority of India (IRDA) have raised the third party motor insurance premium rates by up to 40% for 2017-18. Earlier this month, IRDA had come out with an exposure draft proposing a hike of up to 50% across various motor segments. However, after receiving feedbacks from all stakeholders, the insurance regulator has incorporated changes in the premium rates.

Global News/Economy

- ❑ Data from the U.S. Commerce Department showed that the real gross domestic product (GDP) of the U.S. economy grew 2.1% in the fourth quarter of 2016 compared with the previously reported growth of 1.9%. Despite the upward revision, the GDP growth in the fourth quarter is significantly slower from the 3.5% jump seen in the third quarter.
- ❑ Data from the Conference Board showed that consumer confidence in the U.S. improved in Mar 2017. The consumer confidence index jumped to 125.6 in Mar from a revised 116.1 (114.8 originally reported) in Feb 2017.
- ❑ The U.K. Prime Minister signed a letter late night on Mar 28, 2017 in which she notified the European Union (EU) of the government invoking the Article 50 of the Lisbon Treaty. Invoking the Article 50 of the Lisbon Treaty will trigger the formal 'Brexit' process. European Council president acknowledged the receipt of the historic letter from the British Prime Minister.
- ❑ Survey data from the National Bureau of Statistics showed that the China manufacturing PMI increased to 51.8 in Mar 2017 from 51.6 in Feb 2016. While, at the same time, the non-manufacturing PMI increased to 55.1 in Mar from 54.2 a month ago.
- ❑ As per data from the Ministry of Internal Affairs and Communications, Japan's consumer prices increased 0.3% YoY in Feb 2017 compared with 0.4% gain registered in the previous month, while core CPI rose 0.2% YoY as compared with 0.1% increase in Jan 2017.

Global Equity Markets

Global Indices			
Indices	31-Mar-17	1-Week Return	YTD Return
Dow Jones	20663.22	0.32%	3.93%
Nasdaq 100	5436.23	1.35%	10.69%
FTSE 100	7322.92	-0.19%	2.52%
DAX Index	12312.87	2.06%	6.16%
Nikkei Average	18909.26	-1.83%	-1.07%
Straits Times	3175.11	1.02%	9.53%

Source: Reuters

Europe

- Positive cues from the Wall Street helped most of the European markets to overcome concerns over Brexit. During the week, Britain formally notified the European Union of its intention to leave with the U.K. Prime Minister triggering Article 50 of the Lisbon Treaty. Meanwhile, weak euro zone economic confidence report was a drag for the bourses.

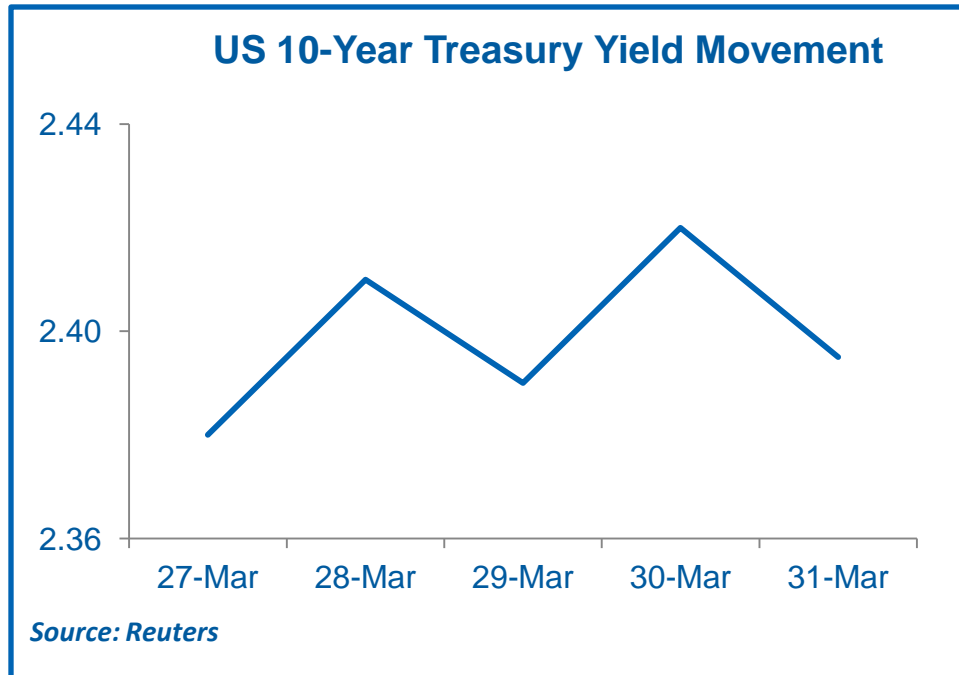
Asia

- Majority of the Asian markets remained under pressure as the failure of the passage of key U.S. healthcare bill casted a shadow of uncertainty over the fate of the U.S. government's economic reforms. Chinese markets remained weak amid concerns over liquidity and tighter regulation to curb speculation in the property market.

U.S.

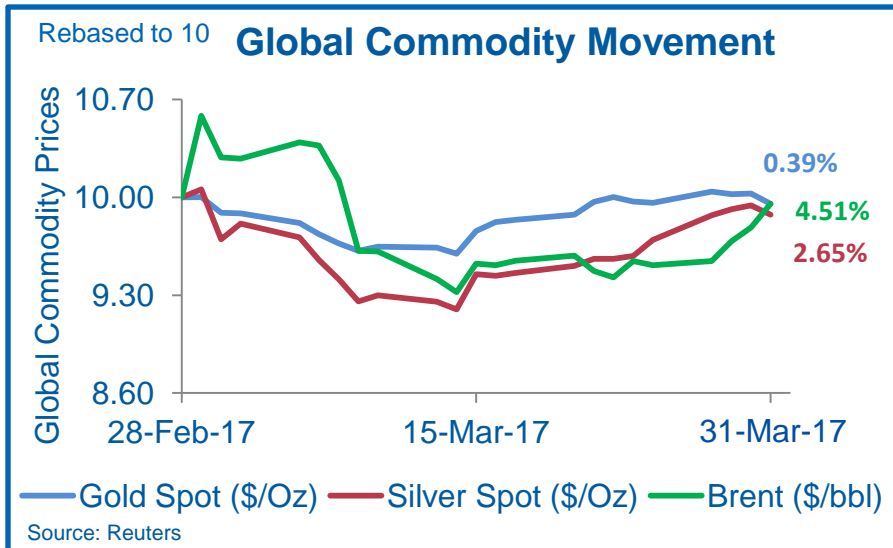
- The initial weakness seen in the context of the failure of a Republican bill to repeal and replace Obamacare, was neutralized by the positive cues from a report from the Conference Board showing an improvement in consumer confidence in Mar 2017.
- Investor sentiment was buoyed by data revealing stronger than previously estimated economic growth in the fourth quarter of 2016.

Global Debt (U.S.)



- After moving in a range, yield on the 10-year U.S. Treasury bond closed unchanged at 2.40% from the previous week's close.
- U.S. Treasury prices rose after the U.S. President failed to secure lawmakers' approval for a key healthcare bill, which raised concerns over the President's reform agenda.
- However, prices retreated after the U.S. consumer confidence index surged to a 16-year high in Mar 2017 and the final fourth-quarter U.S. gross domestic product number was upwardly revised.
- At the end, losses were made good as U.S. Treasury prices rose after key Fed officials questioned the need for a faster pace of interest rate increases.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	52.16	49.91
Gold (\$/Oz)	1248.63	1243.80
Gold (Rs/10 gm)	28527	28787
Silver (\$/Oz)	18.22	17.75
Silver (Rs/Kg)	41717	40990

Source: Reuters Value as on March 31, 2017

Gold

- Gold prices gained as the safe-haven appeal of the metal improved after the U.S. President failed to pass a key health-care bill. Formal Brexit procedures initiated by the U.K. government also supported gains of the precious metal.

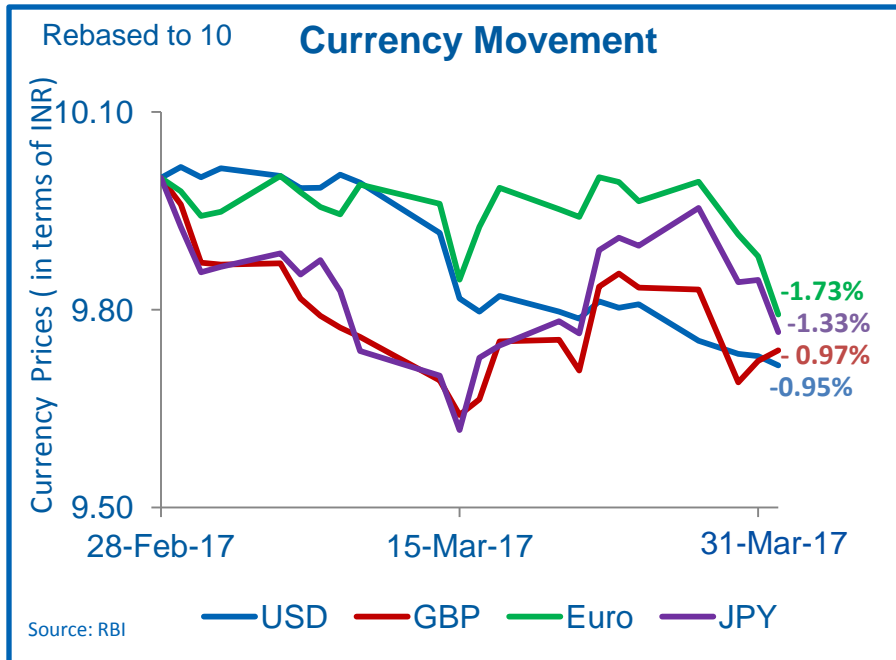
Crude

- Brent crude prices got support following supply disruption in Libya and on expectations that the Organization of the Petroleum Exporting Countries (OPEC) would continue its production-cut programme beyond Jun 2017 to combat the supply glut.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.84	65.46
Pound Sterling	80.88	81.67
EURO	69.25	70.47
JPY(per 100 Yen)	57.96	58.74

Source: RBI

Figures in INR, Value as on March 31, 2017

Rupee

- The Indian rupee reached a 17-month high against the U.S. dollar after the U.S. President failed to secure lawmakers' approval for a key healthcare bill, raising concerns over the President's reform agenda.

Euro

- Euro fell against the U.S. dollar following strong U.S. economic data. Political uncertainties around Britain's exit from the European Union also weighed on the euro.

Pound

- Pound rose against the U.S. dollar on uncertainty over the U.S. President's reform agenda and expectations of a rate hike by the Bank of England.

Yen

- Yen initially rose against the U.S. dollar on lesser prospects for a U.S. fiscal spending boost but weakened soon on strong U.S. economic data.

The Week that was...
27th March to 31st March

The Week that was (Mar 27 – Mar 31)

Date	Events	Present Value	Previous Value
Monday, March 27, 2017	Germany IFO - Business Climate (Mar)	112.3	111.1
	Euro Zone M3 Money Supply (YoY) (Feb)	4.7%	4.8%
Tuesday, March 28, 2017	U.S. Wholesale Inventories (Feb) Preliminary	0.4%	-0.3%
	U.S. S&P/Case-Shiller Home Price Indices (YoY) (Jan)	5.7%	5.5%
	U.S. Richmond Fed Manufacturing Index (Feb)	22.0	17.0
Wednesday, March 29, 2017	U.K. Mortgage Approvals (Feb)	68.315K	69.114K
	U.S. Pending Home Sales (YoY) (Feb)	2.6%	0.4%
Thursday, March 30, 2017	Euro Zone Economic Sentiment Indicator (Mar)	107.9	108.0
	U.S. Initial Jobless Claims (Mar 24)	258K	261K
	U.S. Gross Domestic Product Annualized (Q4)	2.1%	1.9%
Friday, March 31, 2017	India Infrastructure Output (YoY) (Feb)	1.0%	3.4%
	Euro Zone Consumer Price Index (YoY) (Mar) Preliminary	1.5%	2.0%
	U.S. Michigan Consumer Sentiment Index (Mar)	51.8	51.6
	U.K. Gross Domestic Product (YoY) (Q4)	1.9%	2.0%

The Week Ahead...
April 03 to April 07

The Week Ahead

Day	Event
Monday, April 03, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Mar) <input type="checkbox"/> China Caixin Manufacturing PMI (Mar)
Tuesday, April 04, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Retail Sales (YoY) (Feb) <input type="checkbox"/> U.S. Trade Balance (Feb) <input type="checkbox"/> U.S. Factory Orders (MoM) (Feb)
Wednesday, April 05, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Markit Services PMI (Mar) <input type="checkbox"/> U.S. ISM Non-Manufacturing PMI (Mar) <input type="checkbox"/> U.S. ADP Employment Change (Mar)
Thursday, April 06, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Services PMI (Mar) <input type="checkbox"/> Germany Factory Orders n.s.a. (YoY) (Feb) <input type="checkbox"/> U.S. Initial Jobless Claims (Mar 31)
Friday, April 07, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Nonfarm Payrolls (Mar) <input type="checkbox"/> U.S. Unemployment Rate (Mar) <input type="checkbox"/> U.K. Manufacturing Production (MoM) (Feb)

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