

# News U Can Use

*May 27, 2016*

The Week that was...  
23<sup>rd</sup> May to 27<sup>th</sup> May

# Indian Economy

- Government data showed that public debt in India declined marginally by 0.04% QoQ to Rs. 55.73 lakh crore for the quarter ended Mar 2016 (Q4) as compared with Rs. 55.75 lakh crore in the previous quarter. Internal debt was 92% of public debt in Q4, and gross and net market borrowing requirements for FY16 were Rs. 5.85 lakh crore and Rs. 4.40 lakh crore, respectively. Marketable securities accounted for 84.8% of total public debt, while outstanding internal debt was 37.8% of GDP during the quarter. The report added that the cash position of the government was adequate and net inflows in the form of foreign direct investment during the quarter were strong enough to fund the external financing requirements.
- Data from a private survey showed that the MNI India Business Sentiment Indicator fell from 62.4 in Apr 2016 to 61.8 in May 2016. This was the lowest level since Dec 2015 and the third consecutive month of decline, led by the manufacturing sector. However, positive sentiments were witnessed in the service and construction sectors. The survey opined that rise in domestic inflationary pressures have limited the scope of Reserve Bank of India (RBI) to lower key interest rates further.
- The Cabinet Committee on Economic Affairs has approved railway projects worth Rs. 10,736 crore. The objective of the move is to improve infrastructure in various states including Gujarat and Uttar Pradesh.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	27-May-16	1 Week Return	YTD Return
S&P BSE Sensex	26653.6	5.34%	1.88%
Nifty 50	8156.65	5.25%	2.43%
S&P BSE Mid-Cap	11347.03	2.94%	0.90%
S&P BSE Small-Cap	11110.96	1.34%	-6.95%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.61	22.66	24.28	39.58
P/B	2.82	3.4	2.39	1.87
Dividend Yield	1.44	1.32	1.26	1.05

Source: BSE, NSE

Value as on May 27, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
23-May-16	587	982	0.60
24-May-16	492	1075	0.46
25-May-16	1073	471	2.28
26-May-16	916	627	1.46
27-May-16	919	630	1.46

Source: NSE

- Indian equity market commenced the week on a sluggish note, but soon witnessed stellar gains in the latter part of the week. Above-normal monsoon prediction by a private weather forecaster and robust earnings reported by one of the industry heavyweights in the capital goods sector supported the market.
- Rise in global crude oil prices and positive cues from overseas markets outweighed concerns about a slowdown in Chinese growth and prospects of higher interest rates in the U.S. Gains in the European equity market after the eurozone's finance ministers and the International Monetary Fund reached a deal to bail-out funds for debt-burdened Greece acted as an additional support.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18713.9	3.56%	-0.90%
S&P BSE Bankex	19951.1	6.46%	3.79%
S&P BSE CD	11757.6	0.72%	-1.77%
S&P BSE CG	14519.9	11.19%	8.08%
S&P BSE FMCG	8147.25	5.50%	3.89%
S&P BSE HC	15464	1.24%	-0.76%
S&P BSE IT	11568.4	3.26%	0.20%
S&P BSE Metal	7683.6	2.98%	-5.06%
S&P BSE Oil & Gas	9423.17	3.94%	-1.09%
S&P BSE Realty	1423.3	4.11%	7.93%

*Source: Reuters* *Values as on May 27, 2016*

- All the indices on the BSE sectoral front closed in the green. S&P BSE Capital Goods was the major gainer followed by S&P BSE Bankex and S&P BSE FMCG.
- Capital goods stocks surged after the government approved the first-ever policy for the capital goods sector that aims to triple the value of production of these goods to Rs.7.5 lakh crore by 2025 and create more than 21 million jobs. The policy also envisages increasing exports to 40 per cent of production from the present 27 per cent.

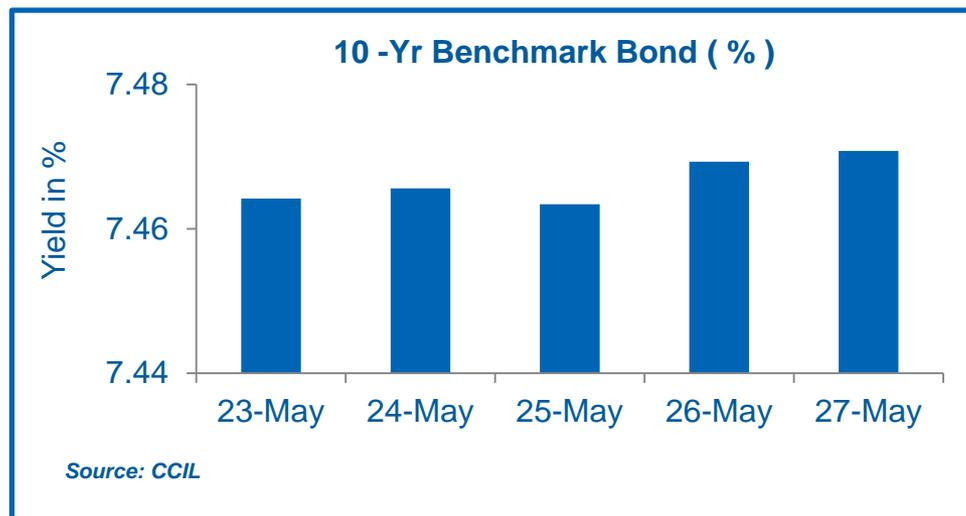
## Indian Derivatives Market Review

- Nifty May 2016 Futures settled at spot price of 8069.65. Nifty Jun 2016 Futures were at 8,172.45 points, a premium of 15.80 points, over the spot closing of 8,156.65. The turnover on NSE's Futures and Options segment stood at Rs. 23.19 lakh crore during the week to May 27, compared with Rs. 14.79 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.81, compared with the previous session's close of 0.77.
- The Nifty Put-Call ratio stood at 0.99, compared with the previous session's close of 0.84.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.39	6.38	6.40	6.75
91 Day T-Bill	6.84	6.84	6.82	7.15
08.27% 2020, (5 Yr GOI)	7.35	7.37	7.40	7.82
07.59% 2026, (10 Yr GOI)	7.47	7.48	7.46	--

Source: Reuters Values as on May 27, 2016



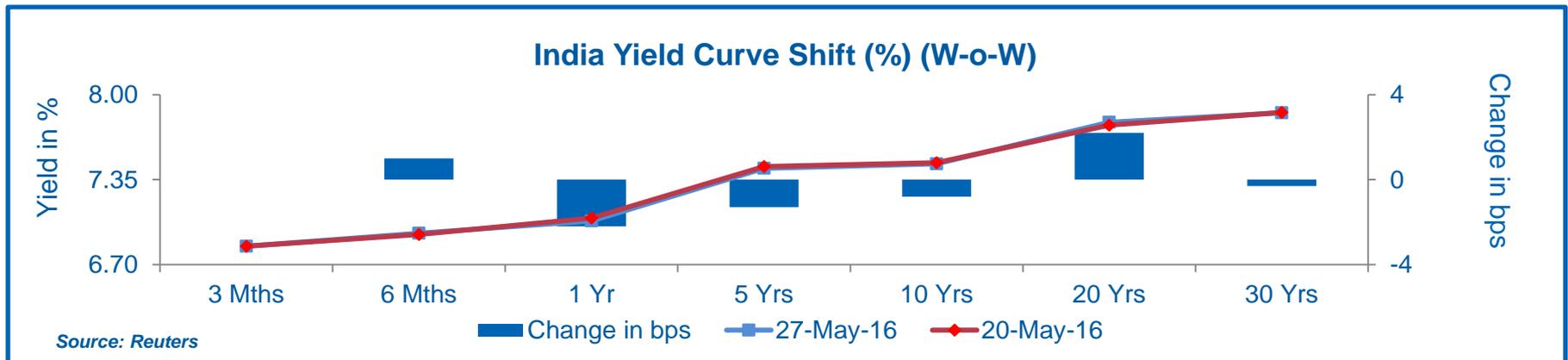
- ▣ Bond yields moved in a tight range during the week under review. Yields fell initially after Reserve Bank of India (RBI) announced lower than expected auction amount of state debt and on announcement of open market purchase (OMO) of government securities.
  
- ▣ However, gains were restricted on concerns over faster increase in inflation due to higher food prices in India and an imminent U.S. interest rate hike.
  
- ▣ Yield on 10-year benchmark bond (7.59% GS 2026) decline 1 bps to close at 7.47% compared with the previous week's close of 7.48%. The yields moved in a narrow range of 7.46% to 7.49% during the week.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.17	7.72	55
3 Year	7.36	7.94	58
5 Year	7.62	8.09	47
10 Year	7.75	8.22	47

Source: Reuters Values as on May 27, 2016

- Yields on gilt securities decline on 1-, 3- to 7-, 10- and 15-year maturities by up to 2 bps, while increased on 11-, 13-, 19- and 24-year papers by up to 2 bps. Yields on all other papers remained constant.
- Corporate bond yields fell on 1-, 2-, 4-, and 5-year maturities by up to 4 bps while increased on 6-, 9-, and 10-year papers in the range of 2 to 3 bps each. Yields remained unchanged on all other papers.



# Regulatory Updates in India

- According to the Securities and Exchange Board of India (SEBI) chief, the capital market regulator is set to restructure regulations that govern credit rating agencies. The move comes amid concerns over limited disclosure of information by the rating agencies while suspending ratings.
- SEBI plans to reduce the number listed companies from the Indian stock exchanges, the stocks of which have not been traded in almost seven years, in 2016. The authority will also offer an exit option to the investors for such stocks, before delisting. The move will improve the quality of governance and boost investor confidence. SEBI chief added that the capital market regulator is focussing on around 3,000 listed companies on the regional stock exchanges and about 1,200 on national stock exchanges..
- Reserve Bank of India (RBI) conducted a survey of 4,000 ATMs and the results showed that around one-third of the ATMs were inoperative, while some them violated the regulatory instructions. Therefore, RBI warned the banks about penal actions in case of non-compliance of norms. However, the banks complained that without adequate user charges, ATMs are a loss-making business for them.
- According to RBI's deputy governor, the central bank is considering to roll out a framework limiting a customer's liability in banking frauds. The deputy governor noted that there has been an increase in online transactions and underlined the importance of having a robust mechanism that will impede incidents of fraud in mobile net banking and the electronic fund transfer.

## Regulatory Updates in India (contd..)

- According to corporate affairs ministry, government has designated eight special high courts across India to ensure speedy trial of offences resulting from violation of company law provisions. The objective of the move is to improve the ease of doing business within the country and bring down the number of litigations pending at various courts.
- According to the Ministry of Micro, Small and Medium Enterprise (MSME), the government has approved the revision of the guidelines of the Performance in Credit Rating Scheme. As per the revised guidelines, the fees paid to the rating agencies shall be on the basis of the turnover of the micro and small enterprises which has been categorised into three slabs. Also, rating agencies registered by Security Exchange Board of India and listed as External Credit Assessment Institution by RBI would be eligible to perform rating of micro, small, and medium enterprises.
- The government has released a concept paper for its proposed voluntary vehicle fleet modernization policy. The policy aims to take-off all polluting vehicles that are older than 11 years (before Mar 2005) or are below BS IV standards, from roads. Government also plans to offer the owners, who will have to scrap their old vehicles, a reduction in excise duty while purchasing a new car. If this policy is approved, roughly 28 million vehicles will be off the road and will help in reducing emission.

# Global News/Economy

- According to the Commerce Department, U.S. new home sales grew unexpectedly in Apr 2016 after falling in the previous month. New home sales surged 16.6% to an annual rate of 619,000 in Apr from a revised 531,000 (511,000 originally reported) in Mar 2016. New homes sales touched the highest level since Jan 2008. The improvement came from the Northeast region, where sales jumped 52.8% to an annual rate of 55,000.
- The National Association of Realtors in its report showed that existing home sales in the U.S. rose 1.7% to an annual rate of 5.45 million in Apr 2016 after jumping 5.7% to an upwardly revised 5.36 million in Mar 2016.
- Lenders approved the third tranche of bailout funds of EUR 10.3 billion to Greece and allowed debt relief to the region, after the International Monetary Fund relaxed its tough stance. The approval came after the Parliament of Greece approved austerity measures on last Sunday.
- Data from the Office for National Statistics showed that Gross Domestic Product (GDP) of the U.K. economy grew 0.4% in the first quarter of 2016. This was slower than the 0.6% expansion posted in the fourth quarter of 2015.
- The latest flash survey from Markit showed that Japan's manufacturing activity fell to its lowest level since Dec 2012. The Markit / Nikkei Manufacturing PMI fell to 47.6 in May 2016 from 48.2 in Apr 2016.

# Global Equity Markets

Global Indices			
Indices	27-May-16	1-Week Return	YTD Return
Dow Jones	17873.22	2.13%	4.22%
Nasdaq 100	4512.541	3.43%	0.33%
FTSE 100	6270.79	1.86%	2.91%
DAX Index	10286.31	3.73%	0.03%
Nikkei Average	16834.84	0.59%	-8.76%
Straits Times	2802.51	1.40%	-1.18%

*Source: Reuters*

## Europe

- European markets went up as latest polls showed a surge in support for the U.K. to remain a member of the European Union. The positive impact of the poll outweighed weakness in German economic sentiment for May 2016. Easing concerns over the debt situation in Greece also supported gains in the European markets. .

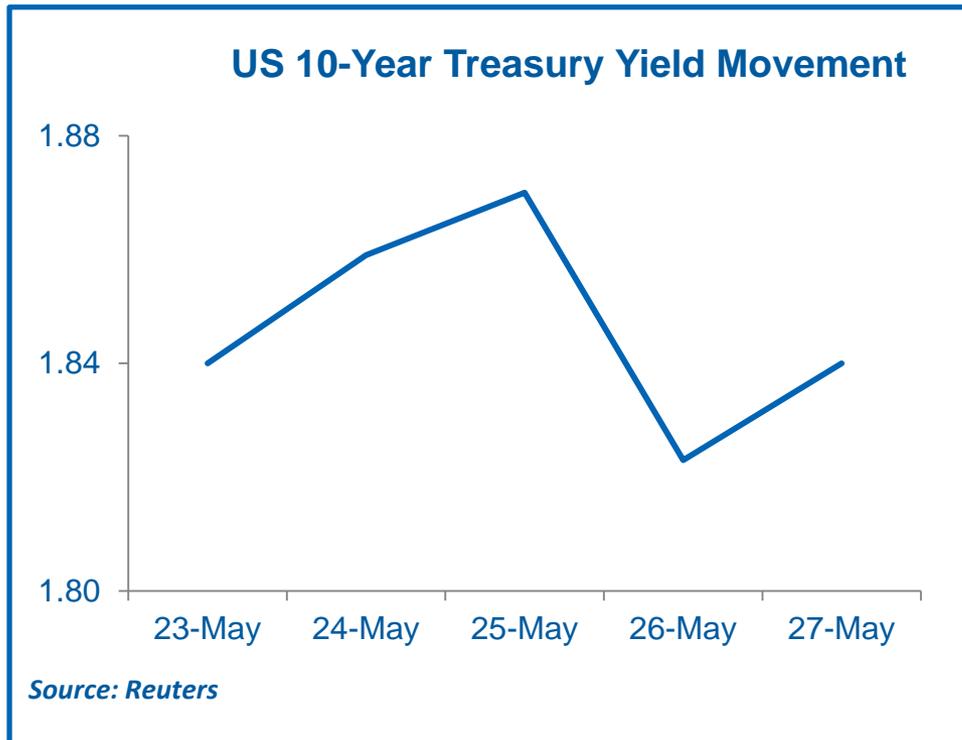
## Asia

- Majority of the Asian markets ended the week in positive territory amid stability in the global crude oil prices. Decision of the eurozone's finance ministers to allow new bailout loans for debt-burdened Greece and Singapore's first quarter GDP growth as per expectations were major catalysts.

## U.S.

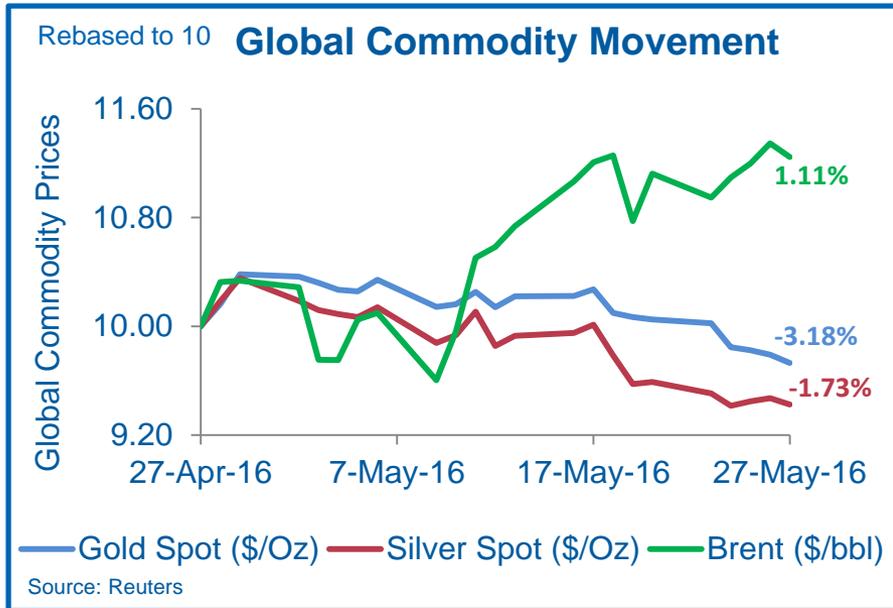
- U.S. markets went up as investors took positive cues from the major breakthrough in talks between eurozone finance ministers and Greece to unlock 10.3 billion euros in new bailout loans. A series of economic data, released during the week, prompted buying interest.
- A report by the Commerce Department showed a sharp increase in new home sales in Apr 2016.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 1 bps to close at 1.84%, compared with the previous week's close of 1.85%.
- The U.S treasury prices rose after the second estimate of U.S. economic growth for the first quarter of 2016 came below market expectations. Strong demand at the debt auctions also boosted treasury prices.
- However, gains were capped on increasing possibility that the U.S. Federal Reserve will increase interest rates in Jun 2016 if incoming economic data comes along market expectations.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.28	48.74
Gold (\$/Oz)	1212.15	1251.91
Gold (Rs/10 gm)	28802	29729
Silver (\$/Oz)	16.22	16.505
Silver (Rs/Kg)	28802	29729

Source: Reuters Values as on May 27, 2016

## Gold

- Gold prices fell during the week on growing concerns over a potential interest rate hike by the U.S. Federal Reserve in Jun 2016. Later, investors chose to remain on sidelines, ahead of Fed chief's speech, for further cues on the central bank's stance on interest rate hike.

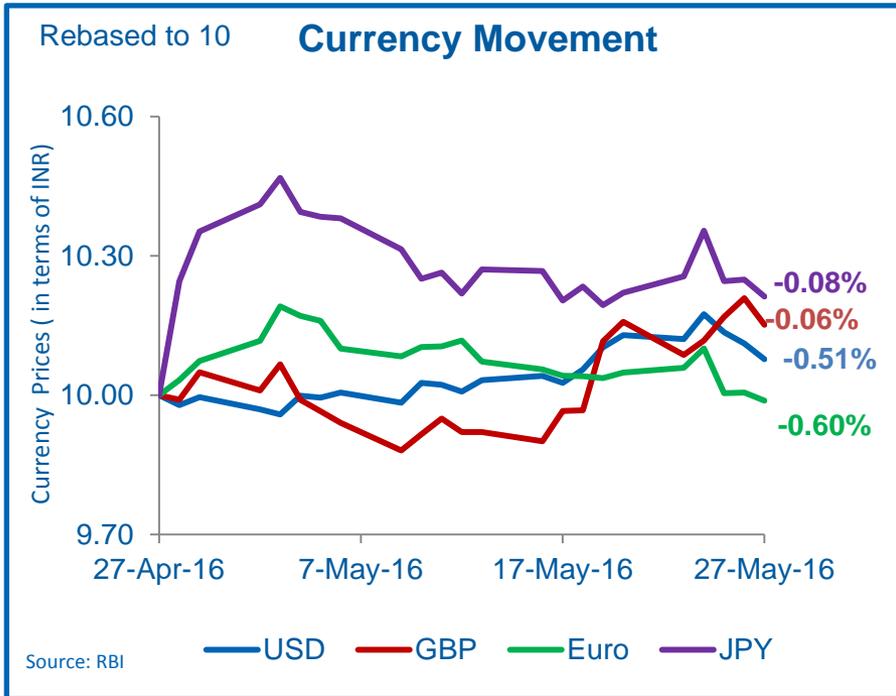
## Crude

- Initially, price fell after Iran refused to freeze oil output, adding to supply gut worries. The trend continued as Libya started exporting a 660,000 barrel cargo from its port that was closed for over two weeks. However, prices started rising after data showed a sharp fall in U.S. oil inventories.

## Baltic Dry Index

- The Baltic Dry Index went up during the week due to higher capesize and panamax activities.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.06	67.41
Pound Sterling	98.39	98.46
EURO	75.09	75.54
JPY(per 100 Yen)	61.12	61.17

Source: RBI      *Figures in INR , Values as on May 27, 2016*

## Rupee

- The Indian rupee gained against the U.S. dollar following rise in domestic equity market and selling of greenback by foreign banks and corporate.

## Euro

- The euro weakened against the greenback after new home sales data for Apr 2016 in the U.S. rose unexpectedly.

## Pound

- The pound strengthened against the greenback after a latest poll showed that there were more supporters for Britain to continue as a member ahead of the Jun 23 referendum on Britain's European Union membership.

## Yen

- The yen strengthened against the U.S. dollar after an unexpected increase in the Japan's trade surplus for Apr 2016. However, gains reversed on expectations of a rate hike by the U.S. Fed.

The Week that was...  
23<sup>rd</sup> May to 27<sup>th</sup> May

# The Week that was (May 23 – May 27)

Day	Event	Present Value	Previous Value
Monday, May 23, 2016	U.S. Markit US Manufacturing PMI (May P)	50.5	50.8
	Euro-Zone Markit Eurozone Composite PMI (May P)	51.5	51.7
	Japan All Industry Actiity Index (MoM) (Mar)	0.10%	-1.20%
Tuesday, May 24, 2016	German Gross Domestic Product w.d.a. (YoY) (1Q F)	1.60%	1.60%
	Euro-Zone ZEW Surey (Economic Sentiment) (May)	6.4	11.2
	Japan Nikkei Japan PMI Mfg (May P)	47.6	48.2
Wednesday, May 25, 2016	U.S. Markit US Composite PMI (May P)	50.8	52.4
	U.S. House Price Purchase Index (MoM) (Mar)	0.70%	0.50%
Thursday, May 26, 2016	U.S. Durable Goods Orders (Apr P)	3.40%	1.90%
	U.K. Gross Domestic Product (YoY) (1Q P)	2.00%	2.10%
	U.S. Initial Jobless Claims (May 21)	268K	278K
Friday, May 27, 2016	U.S. Reuters/Michigan Consumer Sentiment Index (May)	94.7	95.8
	U.S. Gross Domestic Product (Annualized) (1Q S)	0.80%	0.50%

The Week Ahead...  
May 30 to June 03

# The Week Ahead

Day	Event
Monday, May 30	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Import Price Index (YoY) (Apr).</li> <li><input type="checkbox"/> Euro Zone Industrial Confidence (May).</li> <li><input type="checkbox"/> Germany Consumer Price Index (MoM) (May)Preliminary.</li> </ul>
Tuesday, May 31	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Construction Orders (YoY) (Apr).</li> <li><input type="checkbox"/> Germany Retail Sales (MoM) (Apr).</li> <li><input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (May).</li> </ul>
Wednesday, Jun 01	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Manufacturing PMI (May)</li> <li><input type="checkbox"/> Japan Nikkei Manufacturing PMI (May)</li> <li><input type="checkbox"/> India Nikkei Manufacturing PMI (May)</li> <li><input type="checkbox"/> Euro Zone Markit Manufacturing PMI (May)</li> </ul>
Thursday, Jun 02	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro Zone Interest Rate Decision</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (May 27)</li> </ul>
Friday, Jun 03	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Services PMI (May)</li> <li><input type="checkbox"/> Germany Markit Services PMI (May).</li> <li><input type="checkbox"/> U.S. Nonfarm Payrolls (May)</li> </ul>

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