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News U Can Use

May 31, 2019

The Week that was...

27th May to 31st May

Indian Economy

- Government data showed that the growth of the gross domestic product (GDP) of India's economy slowed to 5.8% in the quarter ended Mar 2019 from 6.6% in the previous quarter and 8.1% in the same period of the previous year. This was the slowest rate since the quarter ended Mar 2014. The growth of the economy thus slowed from a growth rate of 8.0% in Q1FY19 to 7.0% in Q2FY19 and 6.6% in Q3FY19. For the entire fiscal, India's GDP grew 6.8%, slower than the growth of 7.2% in the previous fiscal, marking the slowest growth rate in the last five years. The gross value added (GVA), which is GDP less taxes, grew 5.7% in Q4FY19 from 6.3% in the previous quarter and 7.9% in the same period of the previous year.
- The growth of the Indian economy slipped primarily due to a slowdown in the country's key sectors like agriculture, industry and manufacturing which can be attributed to declining growth in private consumption, slow increase in fixed investment and subdued exports. The growth of the manufacturing sector slowed to 3.1% in Q3FY19 from from 9.5% in the same quarter of the previous year. The agriculture sector witnessed a contraction of 0.1% compared with a growth of 6.5% in the same quarter of the previous fiscal. However, the construction sector, financial, real estate and professional services sector and public administration, defence and other services' sector grew in excess of 7% during the quarter under review.

Indian Equity Market

Domestic Equity Market Indices			
Indices	31-May-19	1 Week Return	YTD Return
S&P BSE Sensex	39,714.20	0.71%	10.11%
Nifty 50	11,922.80	0.66%	9.76%
S&P BSE Mid-Cap	15,096.18	1.01%	-2.22%
S&P BSE Small-Cap	14,867.04	1.14%	1.09%

Source: MF Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	29.01	29.49	27.62	92.03
P/B	3.04	3.81	2.46	2.06
Dividend Yield	1.19	1.22	0.98	0.94

Source: BSE, NSE

Value as on May 31, 2019

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
27-May-19	1,367	485	2.82
28-May-19	976	827	1.18
29-May-19	680	1,120	0.61
30-May-19	866	932	0.93
31-May-19	641	1,195	0.54

Source: NSE

- Indian equity markets remained at elevated levels throughout the week and closed above 39,000 points for the second consecutive week. Investors were buoyed by hopes that the clear win of the ruling party will enable the continuation of reforms and facilitate more such measures.
- However, the upside was limited on ongoing global trade tensions between the U.S. and China as media reported that China may restrict export of rare earth minerals, which are crucial for U.S. technology industry. Worries over trade war further aggravated after the U.S. President indicated to raise tariffs on Mexican imports to curb illegal immigration from the country. Opening of a new front in the trade war might weigh on global growth and put pressure on central banks to take new stimulus measures.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18,445.99	-3.22%	-2.09%
S&P BSE Bankex	35,264.03	0.18%	5.81%
S&P BSE CD	24,700.46	1.80%	3.46%
S&P BSE CG	19,939.33	1.34%	10.59%
S&P BSE FMCG	11,518.09	-0.36%	-2.09%
S&P BSE HC	13,305.06	-0.68%	-7.39%
S&P BSE IT	15,781.62	4.36%	-2.96%
S&P BSE Metal	10,756.40	-0.31%	-6.57%
S&P BSE Oil & Gas	15,734.43	2.48%	2.45%
S&P BSE Teck	7,767.07	3.58%	-2.66%
S&P BSE Power	2,010.12	2.49%	2.06%
S&P BSE Realty	2,200.74	1.59%	9.56%

Source: Thomson Reuters Eikon *Value as on May 31, 2019

- On the BSE sectoral front, barring S&P BSE Auto (-3.22%), S&P BSE HC (-0.68%), S&P BSE FMCG (-0.36%) and S&P BSE Metal (-0.31%) all the indices closed in the green. S&P BSE IT (4.36%) was the major gainer followed by S&P BSE Teck (3.58%) and S&P BSE Power (2.49%).
- The power sector gained as a leading coal company posted better than expected fourth quarter results. Additionally, loss in rupee against the U.S. dollar helped the IT sector to gain.

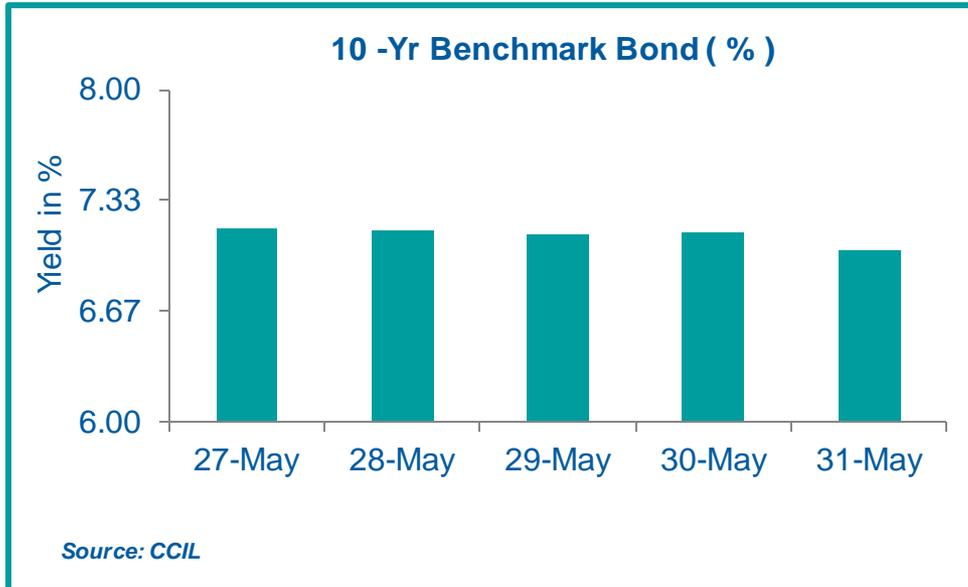
Indian Derivatives Market Review

- Nifty May 2019 Futures settled at spot closing of 11,945.90. Nifty Jun 2019 Futures were at 11,916.50, a discount of 6.30 points, below the spot closing of 11,922.80. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 63.15 lakh crore as against Rs. 52.01 lakh crore for the week to May 24.
- The Put-Call ratio stood at 0.87 compared with the previous week's close of 0.84.
- The Nifty Put-Call ratio stood at 1.43 against the previous week's close of 1.23.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.92	5.88	6.15	6.41
91 Day T-Bill	6.12	6.25	6.40	6.75
07.32% 2024, (5 Yr GOI)	6.85	6.96	7.34	--
07.26% 2029, (10 Yr GOI)	7.03	7.23	7.41	--

Source: Thomson Reuters Eikon *Value as on May 31, 2019*



- Bond yields fell as foreign investors are continuing to purchase notes following the outcome of the general elections, which brought political stability with the second five-year term of the government. In addition, fall in crude oil prices helped improve inflation outlook and hence was positive for the bond market
- Further, hopes that the Monetary Policy Committee would lower interest rates in the bi-monthly monetary policy meeting in Jun 2019 and expectations that the Reserve Bank of India could continue to infuse liquidity into the Indian banking system added to the gains.
- Yields on the 10-year benchmark paper (7.26% GS 2029) fell 20 bps to close at 7.03% compared with the previous close of 7.23% after trading in the range of 7.03% to 7.17%.

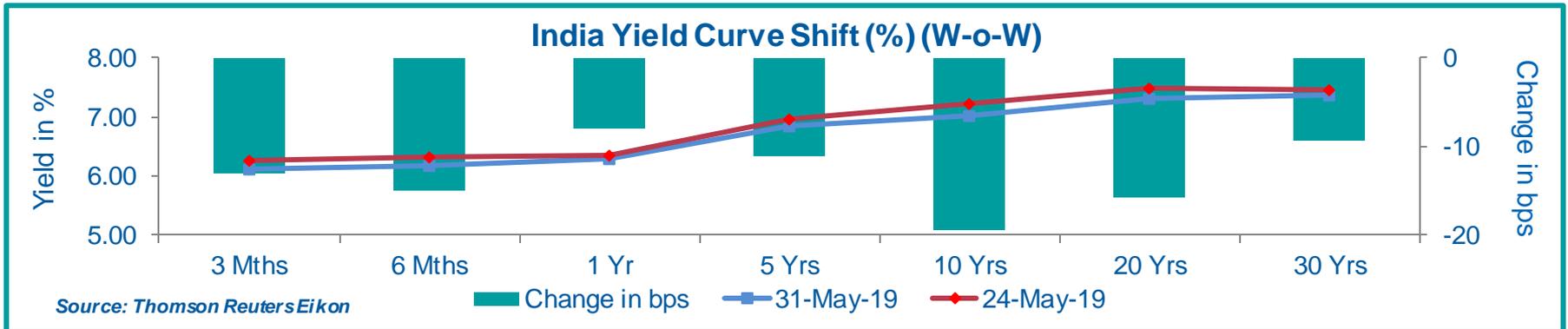
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.38	8.03	165
3 Year	6.80	8.04	124
5 Year	6.96	8.06	110
10 Year	7.16	8.37	122

Source: Thomson Reuters Eikon

Value as on May 31, 2019

- Yields on gilt securities fell across the maturities in the range of 8 bps to 23 bps barring 2-year paper that increased 1 bps.
- Corporate bond yields fell across the maturities in the range of 5 bps to 25 bps. The maximum decline was witnessed on 1-year paper and the minimum decline was witnessed on 3-year paper.
- Difference in spread between AAA corporate bond and gilt contracted across the maturities in the range of 2 bps to 17 bps barring 3-, 10- and 15-year papers that expanded by 3 bps or 4 bps.



Regulatory Updates in India

- Capital market regulator Securities and Exchange Board of India (SEBI) came out with a discussion paper on “Regulatory Sandbox” for companies that use financial technologies. SEBI defined regulatory sandbox as a live, testing environment where companies can test new processes, services, products and business models on a limited set of eligible customers for a certain period of time with some relaxation in their regulations and guidelines. SEBI opined that adoption and usage of financial technologies would help lower the costs of transaction for investors at large, promote financial inclusion and help maintain an efficient, fair and transparent securities market ecosystem.
- Capital market regulator SEBI asked debenture trustees to increase their disclosures for listed debt securities. The objective of the move is to protect the interest of investors. It needs to be noted that debentures are not secured by any collateral or physical assets and hence any fall out may result in a crisis. SEBI mandated that debenture trustees need to disclose the details of the schedule of interest and redemption obligations for the complete financial year within five working days from the start of a financial year.
- Leading stock exchanges Bombay Stock Exchange and National Stock Exchange have extended the interoperability deadline for clearing corporations by a month. The objective of the move is to ensure seamless and non-disruptive transition so that the requisite development of systems and process, and testing thereof, could be completed.

Regulatory Updates in India (contd..)

- Data from SEBI showed that investment in the domestic capital market through participatory notes rose to Rs. 81,220 crore in Apr 2019 from Rs. 78,110 crore in the previous month, but fell from Rs. 100,245 crore in the same period of the previous year. Value of investment in participatory notes thus rose 3.98% on a monthly basis. Out of the total investments made in Apr 2019, Rs. 58,820 crore was invested in the equities segment, Rs. 21,542 crore in debt and Rs. 123 crore in derivatives market.
- Media reports said the finance ministry may look at a 10-year tax holiday for real estate developers on profits earned from rental housing. This is being considered to revive investment and boost a slowing economy. In a recent meeting with senior finance ministry officials, the real estate developers have been asked to suggest steps to address challenges faced by the sector. They have also been asked to submit a note on the rental housing business model, where expenses would be allowed to claim for deduction, but the profit will be exempted from tax for 10 years, reports said.
- As per media reports, the Insurance Regulatory and Development Authority of India (IRDAI) issued a draft regulation on the development of a regulatory sandbox that will help insurance start-ups to carry on experiments on new product launches. Now, the insurance regulator has kept the draft guidelines open (till May 31) for comments/suggestions from public and stakeholders.

Global News/Economy

- Commerce Department data showed U.S. economic growth in the first quarter accelerated by slightly less than initially estimated. The Commerce Department said real gross domestic product grew 3.1% in the first quarter, reflecting a slight downward from revision from the previously reported 3.2% jump.
- The European Central Bank (ECB) said risks to financial stability in the euro area are rising amid a slowing global economy and escalating trade tensions. Uncertainty surrounding the global economic growth outlook have led to "bouts of high volatility in financial markets", the bank said in its latest Financial Stability Review report. Slower than expected growth and a possible worsening of trade tensions could trigger further falls in asset prices, the report warned.
- Bank of Japan Governor said Japan has difficulty in re-anchoring long-term inflation expectations from inflation below the target level and suggested examining how best to manage inflation expectations within the flexible inflation targeting framework. Many advanced economies experience very sluggish price development despite significant improvement in economic activity, he said. This, in turn, raised concerns about the credibility of inflation targets. Kuroda said Japan's experience shows that it is difficult to re-anchor long-term inflation expectations from inflation below the target level. "That suggests the importance of maintaining well-anchored inflation expectations."

Global Equity Markets

Global Indices			
Indices	31-May-19	1-Week Return	YTD Return
Dow Jones	24,815.04	-3.01%	6.38%
Nasdaq 100	7,127.96	-2.37%	12.61%
FTSE 100	7,161.71	-1.59%	6.44%
DAX Index	11,726.84	-2.37%	11.06%
Nikkei Average	20,601.19	-2.44%	2.93%
Straits Times	3,117.76	-1.64%	1.60%

Source: Thomson Reuters Eikon *Value as on May 31, 2019*

Europe

- The initial boost in the European markets, on the back of favourable outcome of the European Union Parliamentary elections, was largely overshadowed by persisting concerns over full-fledged trade war between U.S. and China.

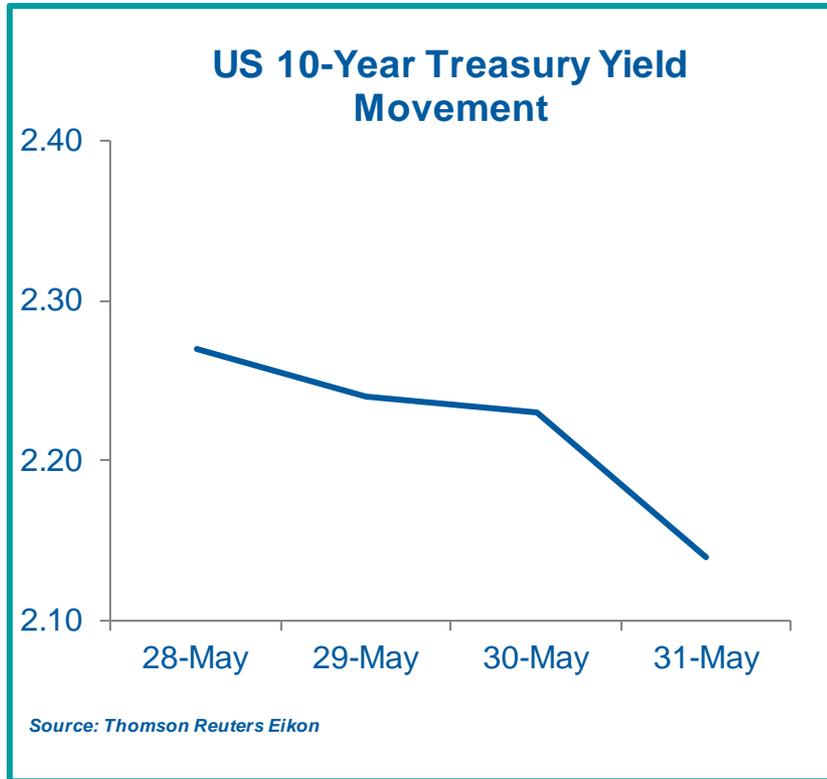
Asia

- Asian markets largely remained low in line with global peers as the rift over U.S.-China trade row deepened. Investors remained concerned after media reports suggested that China could be considering restricting the export of rare earth minerals, which are crucial for the U.S. technology industry.

U.S.

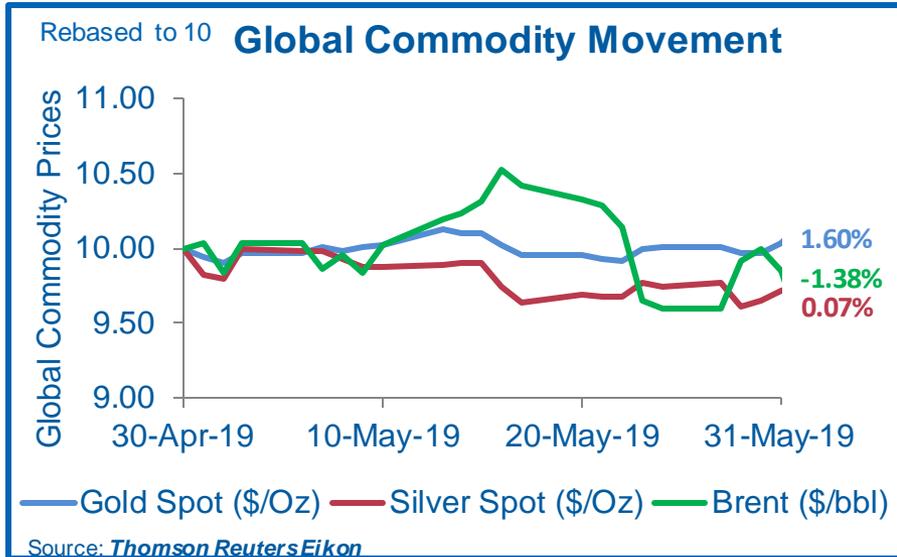
- The negative impact of the ongoing U.S.-China trade war loomed large, forcing U.S. markets to end the week in deep red. Markets were further hit by media reports stating that China may restrict the export of rare earth minerals, which are crucial for the U.S. technology industry.
- U.S. President revealed plans to use tariffs to compel Mexico to make efforts to stop flow of illegal immigrants into the U.S. This also weighed on the market.

Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 19 bps to 2.14% compared with the previous week's close of 2.33%.
- U.S. Treasury prices grew on concerns about the U.S.-China trade war. U.S. President stated that Washington was not ready to make a deal with China, however, he also stated that it expects one in the future.
- Meanwhile, reports that Beijing could cut off its rare-earth-minerals trade with the U.S. and reports that U.S. will impose a tariff on Mexican goods beginning Jun 10, 2019 improved the safe haven appeal of U.S. Treasury prices.
- Gains were extended over tension between Italy and the European Union (EU). The European Commission could reportedly impose a fine of 3 billion euro (\$3.36 billion) on Italy for breaking EU rules due to its rising debt and structural deficit level.

Commodities Market



Performance of various commodities

Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	68.02	68.97
Gold (\$/Oz)	1,305.25	1,284.65
Gold (Rs/10 gm)	32,056.00	31,591.00
Silver (\$/Oz)	14.57	14.56
Silver (Rs/Kg)	36,357.00	36,343.00

Source: Thomson Reuters Eikon

*Value as on May 31, 2019

Gold

- Gold prices surged on rising trade conflict between U.S. and China. Reports that U.S. President is planning to increase tariffs on imports from Mexico added to the gains. Further, worries over escalating budget deficit in Italy and political disorder in Europe were among other factors that aided the bullion's safe-haven demand.

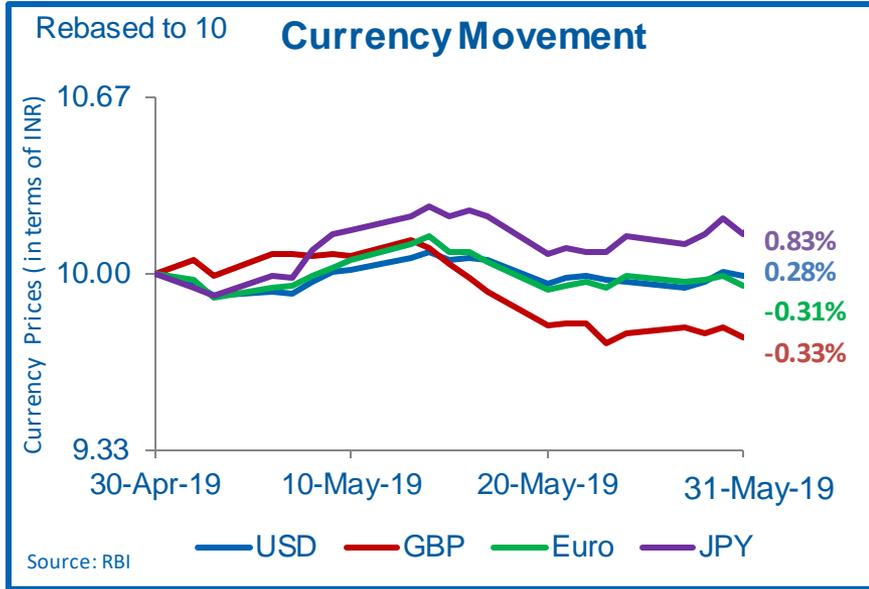
Brent Crude

- Brent crude prices declined following escalation in U.S.-China trade war. Reports that China would restrict the trade of rare earths to the U.S. to counter Washington in the trade battle. The prolonged battle between the two economies has dampened the demand outlook of the commodity.

Baltic Dry Index

- The Baltic Dry Index grew on the back of improved capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	69.81	69.61
Pound Sterling	88.01	88.30
EURO	77.73	77.97
100 Yen	64.08	63.55

Source: RBI Figures in INR, *Value as on May 31, 2019

Rupee

- The Indian rupee weakened against the greenback as investors' appetite for riskier assets dampened amid the escalating trade feud between U.S. and China.

Euro

- The euro weakened against the greenback following political uncertainties in Europe and signs of slowdown in euro zone economy.

Pound

- The pound plunged against the U.S. dollar amid political uncertainty in Britain. Further, concerns that Britain may leave European Union without any agreement also added to the losses.

Yen

- The yen rose against the greenback as its safe-haven appeal enhanced after the U.S. President announced plans to impose 5% tariffs on all Mexican imports from Jun 10, 2019.

The Week that was...

27th May to 31st May

The Week that was (May 27 – May 31)

Date	Events	Present Value	Previous Value
Monday, May 27, 2019	• Japan Leading Index CI (Mar F)	95.9	96.3
	• China Industrial Profits (YoY) (Apr)	-3.7%	13.9%
Tuesday, May 28, 2019	• U.S. Consumer Confidence Index (May)	134.1	129.2
	• Germany GfK Consumer Confidence (Jun)	10.1	10.4
	• U.S. House Price Index (MoM) (Mar)	0.1%	0.3%
Wednesday, May 29, 2019	• Germany Unemployment Change (000's) (May)	60k	-12k
Thursday, May 30, 2019	• U.S. Gross Domestic Product Annualized (QoQ) (1Q S)	3.1%	3.2%
	• U.S. Advance Goods Trade Balance (Apr)	-\$72.12b	-\$71.4b
	• U.K. GfK Consumer Confidence (MAY)	-10	-13
	• U.S. Initial Jobless Claims (May 25)	215k	212k
	• Japan Jobless Rate (Apr)	2.4%	2.5%
	• Japan Industrial Production (YoY) (Apr P)	-1.1%	-4.3%
	• U.S. Wholesale Inventories (MoM) (Apr P)	0.7%	-0.1%
Friday, May 31, 2019	• India GDP Estimate (Q4FY19)	5.8%	6.6%
	• Index of Eight Core Industries (Apr 19)	2.6%	4.9%
	• Germany Retail Sales (YoY) (Apr)	4.0%	-2.1%
	• Germany Consumer Price Index (YoY) (May P)	1.4%	2.0%
	• U.S. Personal Consumption Expenditure Core (YoY) (Apr)	1.6%	1.6%
	• China Manufacturing PMI (May)	49.4	50.1
	• Japan Consumer Confidence Index (May)	39.4	40.4

The Week ahead
3rd June to 7th June

The Week Ahead

Day	Event
Monday, Jun 3, 2019	<ul style="list-style-type: none"> • China Caixin PMI Manufacturing (May) • U.S. ISM Manufacturing (May) • U.S. ISM Employment (May)
Tuesday, Jun 4, 2019	<ul style="list-style-type: none"> • Eurozone Consumer Price Index Estimate (YoY) (May) • U.S. Factory Orders (Apr) • U.S. Durable Goods Orders (Apr F)
Wednesday, Jun 5, 2019	<ul style="list-style-type: none"> • Japan Nikkei Japan PMI Composite (May) • U.K. Markit/CIPS Composite PMI (May) • Eurozone Retail Sales (YoY) (Apr) • U.S. ISM Non-Manufacturing/Services Composite (May) • U.S. ADP Employment Change (May)
Thursday, Jun 6, 2019	<ul style="list-style-type: none"> • German Factory Orders (YoY) (Apr) • European Central Bank Rate Decision • U.S. Trade Balance (Apr)
Friday, Jun 7, 2019	<ul style="list-style-type: none"> • German Industrial Production (YoY) (Apr) • U.S. Change in Non-farm Payrolls (May) • U.S. Unemployment Rate (May) • U.S. Consumer Credit (Apr)

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