

RELIANCE

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November 17, 2017

The Week that was...

13th November to 17th November

Indian Economy

- Moody's Investors Service upgraded India's sovereign rating, giving due consideration to the government's ongoing reforms such as the new Goods and Services Tax (GST) regime, the mechanisms for resolving bad loans and re-capitalising public sector banks. The rating agency raised India's local and foreign currency issuer ratings for the first time in 14 years to Baa2 from Baa3 and changed the outlook on the rating to stable from positive.
- Government data showed that Consumer Price Index (CPI)-based inflation increased 3.58% YoY in Oct 2017, up from 3.28% in Sep 2017 but lower than 4.20% rise in Oct 2016. Consumer Food Price Index-based inflation grew to 1.90% YoY in Oct 2017 from 1.25% in Sep 2017. However, it eased from 3.32% a year ago. Housing, fuel and light, clothing and footwear and miscellaneous goods rose 6.68%, 6.36%, 4.76% and 3.48% on a yearly basis, respectively.
- The Wholesale Price Index (WPI) inflation moved to its highest level in six months and stood at 3.59% in Oct 2017 as against 2.60% in the previous month and 1.27% during the same period last year. The primary article index stood at 3.33% against 2.14% in Oct 2016, while fuel & power increased 10.52% against contraction of 1.17% in the same period last year.
- According to a report from the Reserve Bank of India, services export of India remained approximately flat at \$13.73 billion in Sep 2017 on YoY basis as against \$13.77 billion in Sep 2016. Meanwhile, import grew to \$8.45 billion, up 1.7% YoY. Services export in Aug 2017 was \$13.7 billion and imports were \$8.66 billion.

Indian Equity Market

Domestic Equity Market Indices			
Indices	17-Nov-17	1 Week Return	YTD Return
S&P BSE Sensex	33342.80	0.08%	25.37%
Nifty 50	10283.60	-0.37%	25.72%
S&P BSE Mid-Cap	16673.33	0.67%	37.44%
S&P BSE Small-Cap	17605.13	-0.22%	44.42%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.7	26.14	44.58	88.68
P/B	3.04	3.46	2.93	2.54
Dividend Yield	1.16	1.08	0.82	0.64

Source: BSE, NSE Value as on Nov 17, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
13-Nov-17	646	1094	0.59
14-Nov-17	702	1035	0.68
15-Nov-17	375	1394	0.27
16-Nov-17	1147	581	1.97
17-Nov-17	1109	632	1.75

Source: NSE

- Indian equity markets initially traded weak after both the Consumer Price Index (CPI)-based inflation and the Wholesale Price Index (WPI) inflation increased in Oct 2017 and lowered the possibility of a rate-cut by the Reserve Bank of India (RBI). The WPI-based inflation moved to its highest level in six months and stood at 3.59% in Oct as against 2.60% in the previous month.
- Later, the trend reversed after a major global rating agency upgraded India's sovereign rating to Baa2 from Baa3 after 13 years. The rating upgrade is expected to enhance investors' risk appetite and will also support the growth trajectory of the economy. Bourses also took cues from other global peers that moved up after the U.S. House Republicans voted to approve the tax reform bill.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25069.79	0.55%	0.07%
S&P BSE Bankex	29241.86	1.11%	5.64%
S&P BSE CD	20336.24	-0.92%	10.43%
S&P BSE CG	18236.01	-2.67%	4.07%
S&P BSE FMCG	10260.47	-0.90%	0.07%
S&P BSE HC	13742.46	-0.84%	-3.80%
S&P BSE IT	10732.35	0.00%	3.14%
S&P BSE Metal	14248.56	-2.63%	-3.39%
S&P BSE Oil & Gas	15714.85	-1.65%	-0.59%
S&P BSE Realty	2362.03	2.35	8.77

Source: Thomson Reuters Eikon Value as on Nov 17, 2017

- On the BSE sectoral front, most of the indices closed in the red, barring S&P BSE Realty, S&P BSE Bankex and S&P BSE Auto.
- Meanwhile, S&P BSE CG stood as the major loser followed by S&P BSE Metal and S&P BSE Oil & Gas.
- Realty stocks gained after the Union cabinet approved increase in the carpet area of houses eligible for interest subsidy scheme under Pradhan Mantri Awas Yojana (Urban).

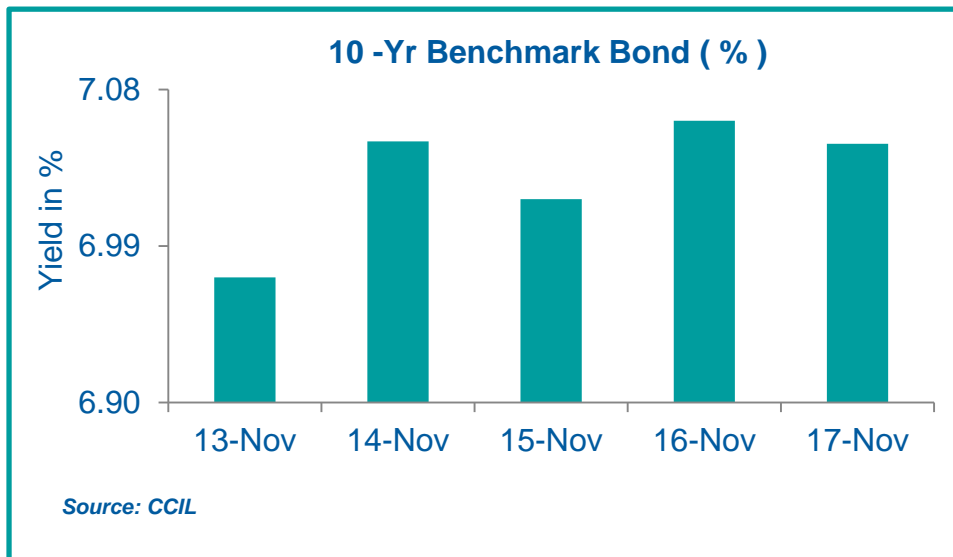
Indian Derivatives Market Review

- Nifty Nov 2017 Futures were at 10,308.85, a premium of 25.25 points above the spot closing of 10,283.60. The turnover on NSE's Futures and Options segment stood at Rs. 31.56 lakh crore as against Rs. 36.20 lakh crore in the week to Nov 10.
- The Put-Call ratio stood at 0.91 compared with the previous week's close of 0.84.
- The Nifty Put-Call ratio stood at 1.23 compared with the previous week's close of 1.33.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.88	5.88	5.99	6.04
91 Day T-Bill	6.11	6.10	6.10	6.30
07.80% 2021 , (5 Yr GOI)	6.79	6.68	6.47	6.82
06.79% 2027, (10 Yr GOI)	7.05	6.96	6.76	6.68

Source: Thomson Reuters Eikon *Value as on Nov 17, 2017*



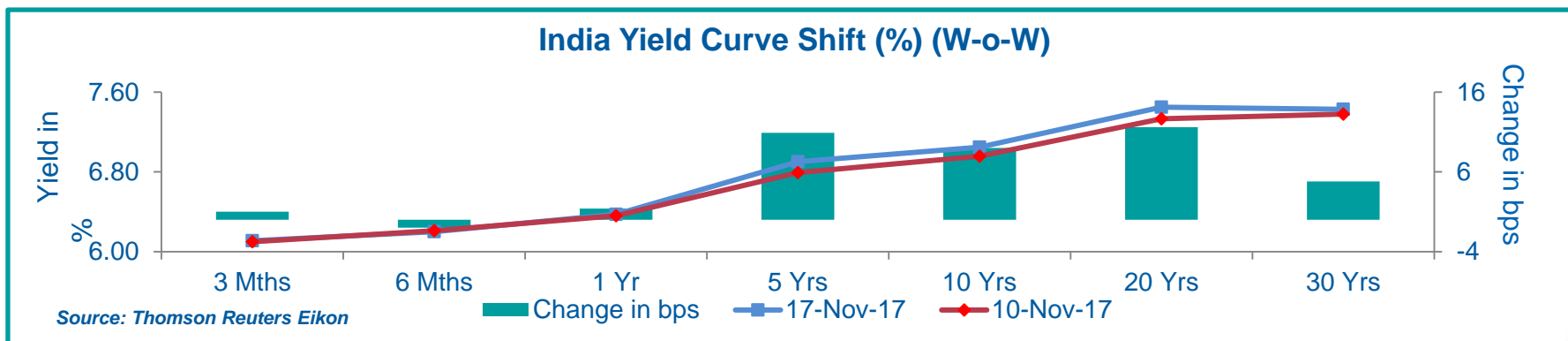
- Bond yields rose for the fifth consecutive week after both retail inflation and wholesale inflation increased in Oct 2017 dampening hopes of a rate-cut by the Monetary Policy Committee in the near term. Concerns over fiscal slippage also weighed on the market sentiment.
- However, further losses were restricted on bargain hunting and after a major global credit rating agency upgraded India's sovereign credit rating.
- Yield on the 10-year benchmark bond (6.79% GS 2027) surged 9 bps to close at 7.05% from the previous week's close of 6.96% after trading in a range of 6.95% to 7.08%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.42	6.93	51
3 Year	6.89	7.14	25
5 Year	7.02	7.34	32
10 Year	7.36	7.67	31

Source: Thomson Reuters Eikon Value as on Nov 17, 2017

- Yields on gilt securities increased across the maturities by up to 24 bps. The maximum rise was witnessed on the 4-year paper.
- Corporate bond yields went up across the maturities in the range of 2 bps to 9 bps. The maximum increase was witnessed on 2- and 5-year maturities and the minimum on the 4-year paper..
- Spread between AAA corporate bond and gilt contracted across the maturities by up to 20 bps barring 1- and 15-year maturities that expanded 8 bps and 1 bps, respectively.



Regulatory Updates in India

- The Union cabinet approved the continuation of a government-sponsored scheme worth Rs. 3,320 crore that involves development of infrastructural facilities for the judiciary beyond the 12th Five-Year Plan till Mar 31, 2020. Per the scheme, the number of courtrooms and residential accommodation will be increased for judges and also judicial officers of the district and subordinate courts across India.
- The Securities and Exchange Board of India (SEBI) announced that a third category termed as 'Hybrid Security' shall be created in order to capture and disseminate foreign portfolio investment data in Hybrid securities. SEBI stated that foreign portfolio investors should separately report their investment in hybrid securities. Also, it asked the depositories to make necessary arrangements for this and put in place necessary systems for the daily reporting by the custodians of FPIs and disseminate on their websites, the Assets Under Custody of the FPIs in debt, equity and hybrid securities.
- The Union cabinet approved setting up of a National Anti-profiteering Authority under the Goods and Services Tax regime. The authority will look into safeguarding consumers' interests by conveying the benefit of reduced prices under GST.
- The government allowed increasing carpet area of houses for the middle-income group (MIG) category under the Pradhan Mantri Awas Yojana- Urban (PMAY-U). Under the MIG-I category, the carpet area of the houses was increased from 90 sq.mtr to 120 sq.mtr, while under the MIG-II segment, it has been increased to 150 sq.mtr from the current 110 sq.mtr.

Regulatory Updates in India (contd..)

- The Centre approved continuation of four programmes under Integrated Child Development Scheme (ICDS) until Nov 2018. The four schemes include anganwadi services, programme for adolescent girls called Sabla, Child Protection Services and the National Creche Scheme. A separate approval for the National Nutrition Mission will also be obtained. The National Nutrition Mission and the four schemes under the ICDS are expected to cost Rs. 41,000 crores until Nov 2018.
- SEBI allowed overseas multilateral and statutory organisations to issue securities in the International Financial Services Centre (IFSC) in India. IFSC aims at providing facilities and regulations comparable to other international financial centres of the world and enables Indian entities to compete with offshore financial centres on an equal footing.
- The Central Board of Excise and Custom (CBEC) allowed exporters to manually file before tax officers claims for GST refunds. This comes on the wake of faster clearance of dues to ease liquidity stress faced by the exporters. With this, exporters of services who paid Integrated GST and those making zero rated supplies to special economic zone units and also those merchant exporters who want to claim refunds for input credit are allowed to approach their jurisdictional commissioner with their refund form.

Global News/Economy

- A report from the Labor Department showed that U.S. consumer price index edged up 0.1% in Oct 2017 as against a gain of 0.5% in Sep 2017. Annual headline inflation was 2% in Oct, down from 2.2% in Sep. Core consumer prices (excluding food and energy prices) grew 0.2% in Oct as against a gain of 0.1% in Sep.
- According to a report from the Commerce Department, U.S. retail sales came in better than market expectations and grew 0.2% in Oct 2017 as against upwardly revised gain of 1.9% (1.6% originally reported) in Sep 2017. The unexpected increase in retail sales reflects continued growth in auto sales. Excluding the increase in auto sales, retail sales edged up by 0.1% in Oct as against a gain of 1.2% in Sep.
- According to a report from the Federal Statistical Office, Germany's GDP grew 0.8% on a sequential basis in the third quarter as against growth of 0.6% in the second quarter. On an annual basis, GDP grew 2.8% (calendar adjusted) as against 2.3% gain in the quarter ago period.
- A report from the Cabinet's Office showed that Japan's GDP grew 0.3% (seasonally adjusted) QoQ in the third quarter of 2017 down from 0.6% in the second quarter of 2017. On a yearly basis, GDP increased 1.4%, down from upwardly revised gain of 2.6% (2.5% originally reported) in the second quarter.

Global Equity Markets

Global Indices			
Indices	17-Nov-17	1-Week Return	YTD Return
Dow Jones	23358.24	-0.27%	17.49%
Nasdaq 100	6314.51	0.09%	28.57%
FTSE 100	7380.68	-0.70%	2.83%
DAX Index	12993.73	-1.02%	12.03%
Nikkei Average	22396.8	-1.25%	14.30%
Straits Times	3382.38	-1.10%	16.68%

Source: Thomson Reuters Eikon *Value as on Nov 17, 2017*

Europe

- European markets remained cautious over political woes in the U.K. Concerns over U.K. Prime Minister's leadership emerged on news that Conservative party lawmakers have agreed to sign a letter of no confidence. Concerns over slowing Chinese growth also weighed on sentiment.

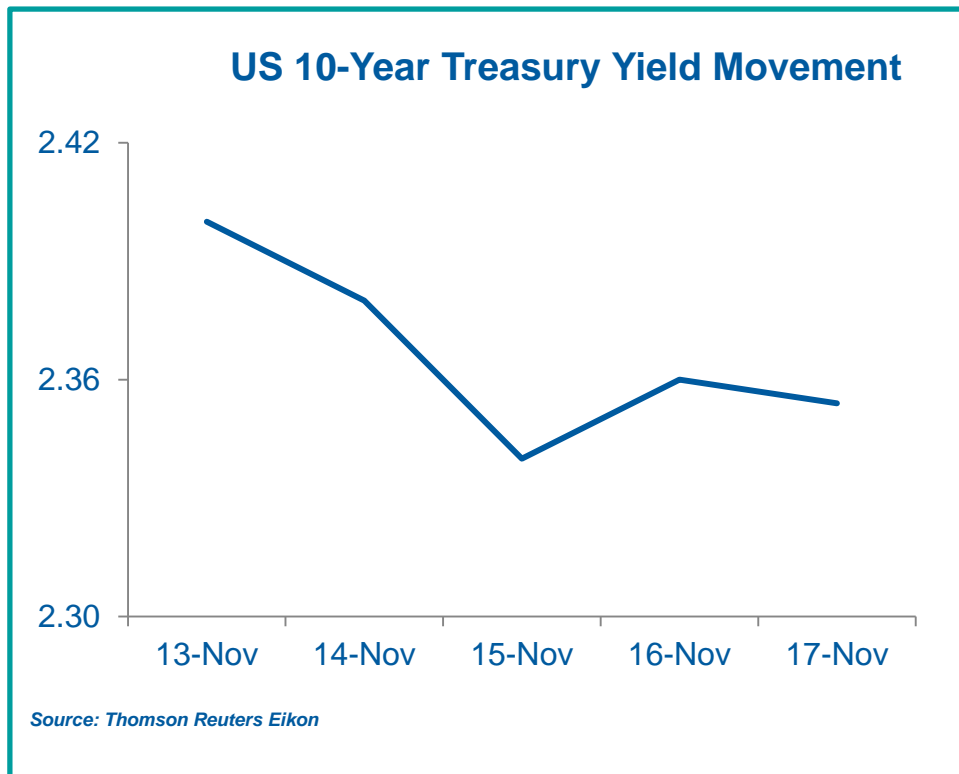
Asia

- Asian markets traded mixed as political concerns in the U.K. and Saudi Arabia and U.S. President's visit in the Asian region kept investors on the sidelines initially. Sentiment was further impacted as China's key economic data eased during Oct 2017. However, some respite was seen on news of deregulation in the financial sector in China and after the U.S. House Republicans voted to approve the tax reform bill.

U.S.

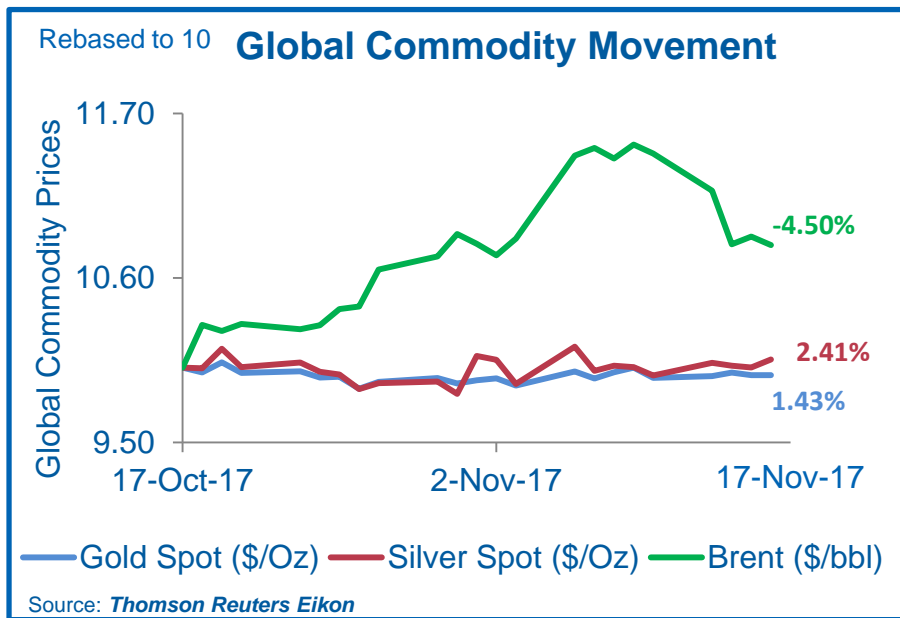
- U.S. markets initially remained lower on lingering uncertainty over the U.S. tax reform proposal and concerns over potential global economic slowdown. Later markets got some support amid upbeat earnings from a couple of U.S. majors and some key positive economic data. U.S. consumer price index inched up in Oct 2017 while U.S. retail sales came in better than market expectations during the same period.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 5 bps to close at 2.35% from the previous week's close of 2.40%.
- Short term U.S. Treasury prices plunged after increase in U.S. inflation along with unexpected pick-up in retail sales, which increased expectation that the U.S. Federal Reserve will continue to raise rates next year also. Fall in prices of short term papers likely to have increased buying in long term papers. This also narrowed the gap between short and long term maturities to its tightest level in a decade.
- However, gains were capped due to recovery in risk appetite to some extent as U.S. industrial production increased in Oct 2017.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	61.92	64.84
Gold (\$/Oz)	1294.33	1276.06
Gold (Rs/10 gm)	29461	29501
Silver (\$/Oz)	17.31	16.90
Silver (Rs/Kg)	39478	39489

Source: Thomson Reuters Eikon Value as on Nov 17, 2017

Gold

- Gold prices inched up over the week on new developments in a special investigation into U.S. Presidential campaign. The bullion's safe haven appeal further improved as investors turned cautious over Federal Reserve's monetary policy stance after the initial jobless claims increased for the week ended Nov 11 and were far behind market expectations.

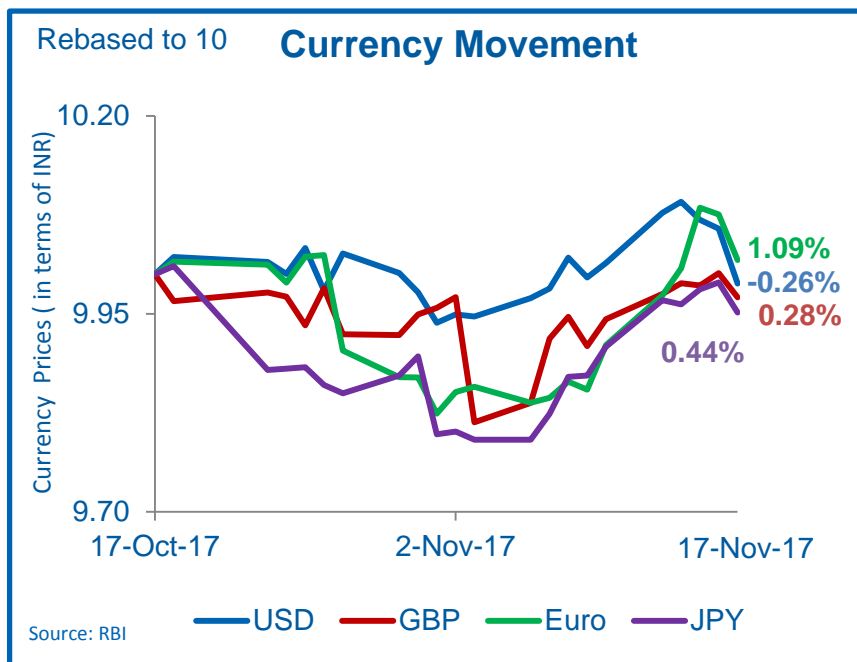
Crude

- Brent crude prices moved down as increase in U.S. oil rig count in the week to Nov 10 led to speculations that U.S. oil producers are preparing to increase output levels further at current prices.

Baltic Dry Index

- The Baltic Dry Index fell during the week owing to weak capsize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.85	65.01
Pound Sterling	85.79	85.55
EURO	76.56	75.74
JPY(per 100 Yen)	57.59	57.34

Source: RBI Figures in INR , Value as on Nov 17, 2017

Rupee

- The rupee rose against the U.S. dollar following selling of the greenback by foreign banks and after a major global credit rating agency upgraded India's sovereign credit rating.

Euro

- The euro rose against the greenback after data showed that the economic growth of Germany in the third quarter of 2017 came better than market expectations.

Pound

- The pound rose against the green back after U.K wages data came better than expected in three months to Sep 2017 and fresh worries over U.S. administration's ability to enact key reformatory measures.

Yen

- The yen strengthened against the greenback after the latter weakened on expectation of a delay in passing of U.S. tax reform bill.

The Week that was...

13th November to 17th November

The Week that was (Nov 13 – Nov 17)

Date	Events	Present Value	Previous Value
Monday, November 13, 2017	China New Yuan Loans CNY (OCT)	663.2b	1270.0b
	Japan Machine Tool Orders (YoY) (OCT P)	49.90%	45.00%
Tuesday, November 14, 2017	Germany Gross Domestic Product (YoY) (3Q P)	2.80%	2.30%
	U.K. Consumer Price Index (YoY) (OCT)	3.00%	3.00%
	Eurozone ZEW Survey (Economic Sentiment) (NOV)	30.9	26.7
	Japan Gross Domestic Product Annualized (QoQ) (3Q P)	1.40%	2.60%
	Germany ZEW Survey Expectations (NOV)	18.7	17.6
Wednesday, November 15, 2017	Eurozone Gross Domestic Product (YoY) (3Q P)	2.50%	2.50%
	U.S. Consumer Price Index (YoY) (OCT)	2.00%	2.20%
	U.K. ILO Unemployment Rate 3Mths (SEP)	4.30%	4.30%
	Japan Housing Loans (YoY) (3Q)	2.90%	3.30%
	U.S. Retail Sales Advance (MoM) (OCT)	0.20%	1.90%
Thursday, November 16, 2017	U.K. Retail Sales Ex Auto Fuel (YoY) (OCT)	-0.30%	1.60%
	Eurozone Consumer Price Index (MoM) (OCT)	0.10%	0.40%
	U.S. Initial Jobless Claims (NOV 11)	249,000	239,000
	U.S. Industrial Production (MoM) (OCT)	0.90%	0.40%
Friday, November 17, 2017	U.S. Housing Starts (MoM) (OCT)	13.70%	-3.20%
	U.S. Building Permits (MoM) (OCT)	5.90%	-3.70%

The Week Ahead

20th November to 24th November

The Week Ahead

Day	Event
Monday, November 20, 2017	<ul style="list-style-type: none"> • U.S. Leading Index (OCT)
Tuesday, November 21, 2017	<ul style="list-style-type: none"> • Japan All Industry Activity Index (MoM) (SEP) • U.K. Public Sector Net Borrowing (OCT) • U.S. Existing Home Sales (MoM) (OCT) • Japan Supermarket Sales (YoY) (OCT)
Wednesday, November 22, 2017	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (OCT P) • U.S. Initial Jobless Claims (NOV 18) • Eurozone Consumer Confidence (NOV A) • U.S. University of Michigan Sentiment (NOV F) • U.S. MBA Mortgage Applications (NOV 17)
Thursday, November 23, 2017	<ul style="list-style-type: none"> • Germany Gross Domestic Product (YoY) (3Q F) • Germany Markit/BME Composite PMI (NOV P) • Eurozone Markit Composite PMI (NOV P)
Friday, November 24, 2017	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (NOV P) • Germany IFO Current Assessment (NOV) • U.S. Markit Composite PMI (NOV P) • U.K. BBA Loans for House Purchase (OCT)

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