

News U Can Use

November 04, 2016

The Week that was...
31st October to 04th November

Indian Economy

- Core sector output jumped 5% YoY in Sep 2016, better than 3.2% rise in the previous month and 3.7% increase a year ago, due to strong growth in the steel and refinery products sectors. Steel and refinery products sectors surged 16.3% and 9.3% YoY, respectively, during the reported period. Electricity sector grew 2.2% YoY, faster than 0.1% in the previous month but much slower than 11.4% growth recorded a year ago. Crude oil sector continued to languish as it contracted (-) 4.1% in Sep, faster than (-) 3.9% fall in Aug, and (-) 0.1% decline a year ago. The cumulative core sector growth during Apr to Sep of FY17 stood at 4.6%, higher than 2.6% rise in the corresponding period of previous fiscal.
- Results of a private survey showed that Indian manufacturing activity surged to a 22-month high in Oct 2016 due to sharp and accelerated increases in new orders, purchasing activity and output. Also, input costs increased at their fastest rate since Aug 2014. Thus, the Nikkei India Manufacturing Purchasing Managers' Index (PMI) (seasonally adjusted) increased to 54.4 in Oct 2016 from 52.1 in Sep 2016.
- The Nikkei India Services PMI stood at 54.5 in Oct as against 52.0 in Sep. Services sector activity improved in Oct primarily on account of rise in new business orders amid strong demand and improved market conditions. The seasonally adjusted Nikkei India Composite PMI Output Index also rose to 55.4 from 52.4 in Sep.

Indian Equity Market

Domestic Equity Market Indices			
Indices	04-Nov-16	1 Week Return	YTD Return
S&P BSE Sensex	27274.15	-2.39%	4.26%
Nifty 50	8433.75	-2.36%	5.91%
S&P BSE Mid-Cap	12839.53	-4.24%	14.18%
S&P BSE Small-Cap	12877.48	-4.29%	7.84%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.75	22.73	29.72	74.88
P/B	2.79	3.19	2.39	2.07
Dividend Yield	1.43	1.31	1.14	0.77

Source: BSE, NSE Value as on Nov 04, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Nov-16	671	973	0.69
02-Nov-16	316	1336	0.24
03-Nov-16	466	1170	0.40
04-Nov-16	223	1436	0.16

Source: NSE

- Indian market moved down over the week as impending U.S. Presidential elections, along with the U.S. Federal Reserve's (Fed) meeting due in Dec impacted investor sentiment.
- Investors also remained cautious of Fed's two-day meet, which concluded on Nov 2. Although it was widely expected that Fed would maintain status quo on interest rates during this policy review, speculations were on whether it would signal a hike in Dec after recent data showed that the economy is picking up pace.
- Meanwhile, the Goods and Services Tax (GST) Council's four-slab tax structure could not cheer the markets as it might put excess burden on some goods.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21810.4	-1.62%	-4.29%
S&P BSE Bankex	21780.7	-2.70%	-3.16%
S&P BSE CD	12430.3	-2.55%	-3.62%
S&P BSE CG	14341.7	-3.58%	-3.55%
S&P BSE FMCG	8507.36	-0.09%	-0.47%
S&P BSE HC	15150.3	-7.47%	-8.20%
S&P BSE IT	9789.66	-2.05%	-5.07%
S&P BSE Metal	10255.8	-0.29%	1.74%
S&P BSE Oil & Gas	11689.9	-4.93%	-1.66%

Source: Reuters *Value as on Nov 04, 2016*

- On the BSE sectoral front, all the indices closed in the red with S&P BSE HC (-7.47%) as the major laggard followed by S&P BSE Realty (-6.16%) and S&P BSE Oil & Gas (-4.93%).
- Health care service plunged on fears that U.S. prosecutors might file charges over suspected price collusion on generic drug makers and this could hurt prominent market players who have exposure to the U.S. market.

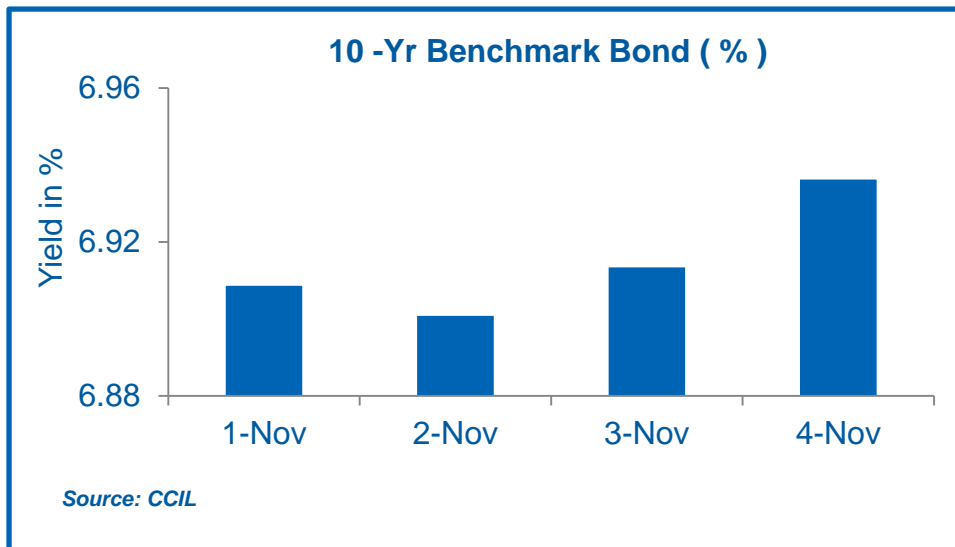
Indian Derivatives Market Review

- Nifty Nov 2016 Futures were at 8,458.2 points, a premium of 24.45 points, over the spot closing of 8,433.75 points. The turnover on NSE's Futures and Options segment stood at Rs. 14.42 lakh crore during the week to Nov 4, compared with Rs. 26.65 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.96 from the previous week's close of 0.89.
- The Nifty Put-Call ratio stood at 0.92, compared with the previous week's close of 0.99.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.17	6.22	6.27	6.40
91 Day T-Bill	6.43	6.35	6.34	6.85
07.80% 2021, (5 Yr GOI)	6.73	6.70	6.66	7.44
07.59% 2026, (10 Yr GOI)	6.94	6.89	6.84	7.43

Source: Reuters *Value as on Nov 04, 2016*



- ▣ Bond yields increased initially during the week as investors awaited the outcome of U.S. Federal Reserve’s two-day policy meeting. It rose further as weekly debt auction conducted on Nov 4 lowered demands for bonds. Investors also remained cautious ahead of the U.S. key Presidential election due on Nov. 8.

- ▣ Yield on 10-year benchmark bond (7.59% GS 2026) rose 5 bps to close at 6.94% compared with the previous week’s close of 6.89%.

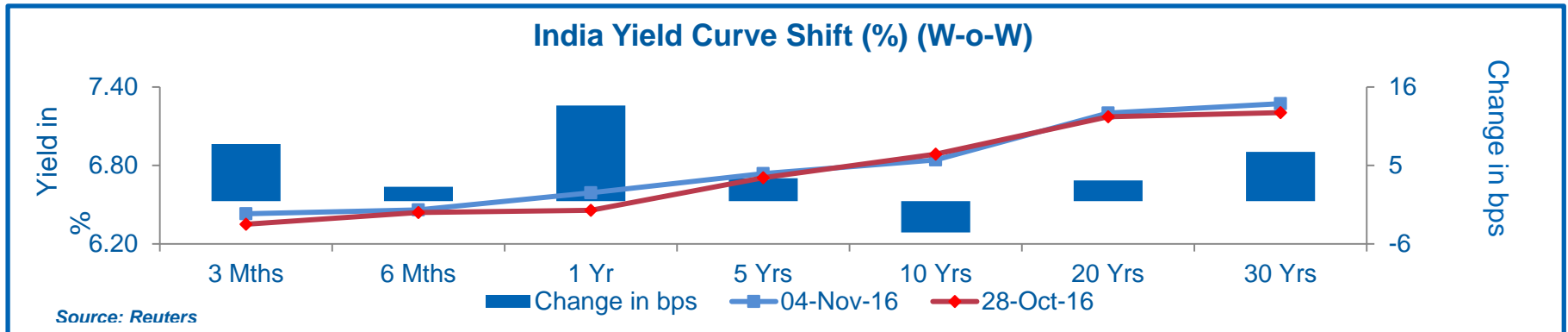
- ▣ Banks turned net lender during the week. Banks’ net weekly average lending under Reserve Bank of India (RBI)’s Liquidity Adjustment Facility stood at Rs. 1,975 crore (for Friday, only repo session considered), compared with the previous week’s borrowing of Rs. 4,612.40 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.68	7.17	49
3 Year	6.72	7.29	57
5 Year	6.93	7.35	42
10 Year	7.02	7.55	53

Source: Reuters Value as on Nov 04, 2016

- Yields on gilt securities increased across most of the maturities in the range of 1 bps to 13 bps, barring 9- and 10-year maturities that fell 3 bps and 4 bps, respectively.
- Corporate bond yields increased across the maturities in the range of 1 bps to 8 bps, barring 3 to 5 years' maturities that fell by up to 2 bps.
- Spread between AAA corporate bond and gilt expanded on 2-, 6-, and 10-year maturities in the range of 1 bps to 15 bps and closed steady on 7- and 9-year maturities.



Regulatory Updates in India

- ❑ Securities and Exchange Board of India (SEBI) has decided to tighten norms for credit rating agencies in order to ensure more transparency in their policies. Accordingly, the agencies will have to disclose more detailed information about the criteria followed in rating instruments, provide information in a user-friendly manner on their websites, and also specifically mention in case a particular issuer did not cooperate at the time of rating. The market regulator has said that the rating agencies have to implement the guidelines in 60 days. It has further mentioned that in case of non-cooperation by the issuer such as not providing details or non-payment of fees for conducting surveillance, the agencies should continue to review the instrument based on best available information.
- ❑ The Reserve Bank of India (RBI) will soon come out with detailed norms for one time settlement of loans in debt-ridden sectors. The norms will provide benefits in terms of relaxation in debt payment timelines or lowering of provisioning requirement. Presently, banks' exposure towards construction sector stands at Rs. 3 lakh crore, which accounted for 45% or Rs 1.35 lakh crore of the loans that are currently under stress.
- ❑ RBI has decided to allow banks to issue rupee denominated bonds, or masala bonds, in the overseas market. These bonds will be issued as per the Basel III norms and will therefore have loss absorption clause. Under this clause, a bank can choose not to honour the coupon payment in case of financial stress.

Global News/Economy

- ❑ The U.S. Federal Reserve kept interest rates unchanged at the end of its two-day policy meet. Although the possibility of an interest rate hike in the next review meeting has strengthened, Fed decided to wait for further evidences of economic progress. According to Fed, continuous growth in the inflation rate will boost the chances of interest rate hike in the Dec meeting.
- ❑ A report from the U.S. Commerce Department showed that economic activity in the U.S. increased more than expected in the third quarter of 2016. Real gross domestic product grew 2.9% in the third quarter after rising 1.4% in the second quarter. This was the biggest increase since the third quarter of 2014 when U.S. economy grew 5.0%.
- ❑ Bank of England (BoE) kept key policy interest rates unchanged at 0.25%, the government bond purchases at GBP 435 billion and corporate bond purchase plan at GBP 10 billion as the economy showed resilience to the 'Brexit' shock. The decision was in line with market expectations. The BoE also improved its near-term growth and inflation forecasts as the depreciation of pound increased import prices, while boosting exports.
- ❑ The Bank of Japan maintained status quo in its monetary policy review. The central bank also decided to conduct purchases of JGBs with an aim to keep the annual pace of increase in outstanding holdings at about ¥80 trillion. Inflation forecast for the fiscal year 2016 was trimmed to -0.1% from +0.1% projected in Jul. Likewise, outlook for fiscal year 2017 was lowered to 1.5% from 1.7% and that for fiscal 2018 to 1.7% from 1.9%.

Global Equity Markets

Global Indices			
Indices	04-Nov -16	1-Week Return	YTD Return
Dow Jones	17888.28	-1.50%	4.31%
Nasdaq 100	4660.46	-3.02%	3.62%
FTSE 100	6693.26	-4.33%	9.84%
DAX Index	10259.13	-4.09%	-0.24%
Nikkei Average	16905.36	-3.10%	-8.38%
Straits Times	2788.80	-0.98%	-1.66%

Source: Reuters

Europe

- European markets ended the week in red. While the energy sector remained under pressure, growing euro zone inflation to 0.5% in Oct from 0.4% in Sep weighed heavy on the markets. Some respite came when data from the National Bureau of Statistics showed the official manufacturing PMI improved to 51.2% in Oct

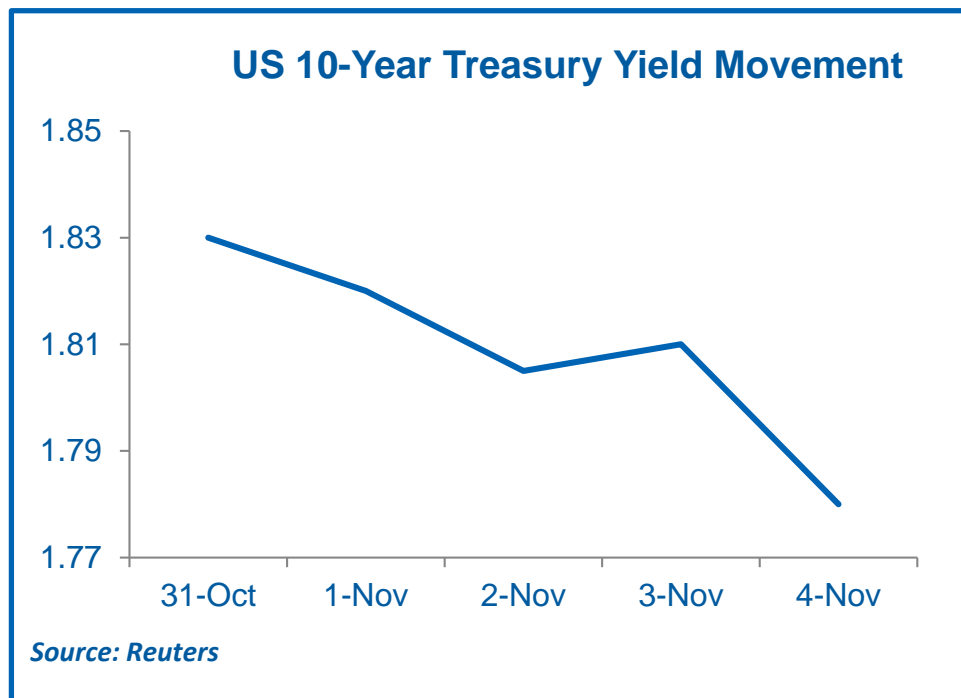
Asia

- Asian markets dipped during the week as investors lost sleep over the upcoming U.S. Presidential elections and possibility of an interest rate hike in the wake of a progressing U.S. economy.

U.S.

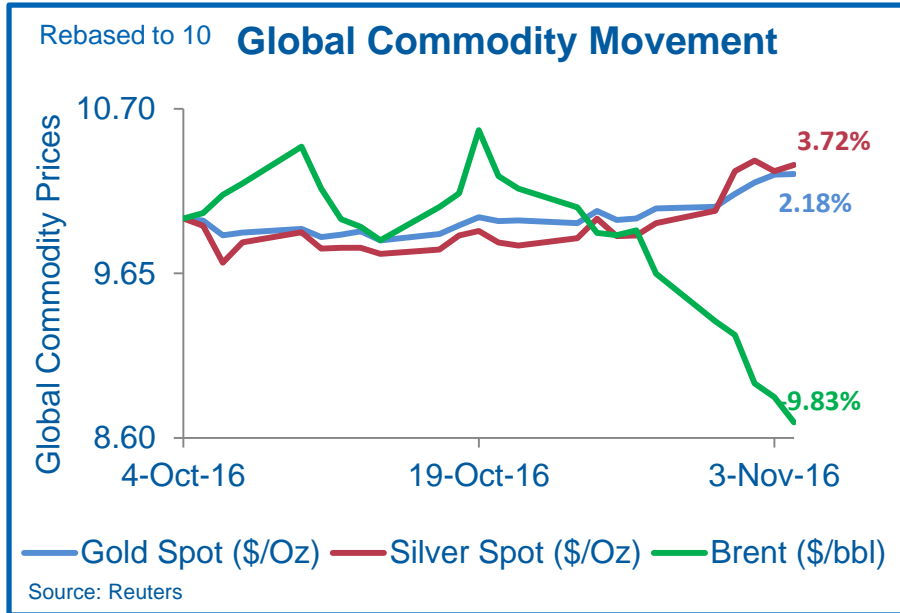
- The U.S. markets fell over the week primarily because of mounting uncertainties around the country's Presidential elections due on Nov 8. As polls confirmed that the race to the White House had become tougher, investors got worried about the Republican candidate's increasing chances of coming to power.
- However, probability of a rate hike got a some boost when the economy showed signs of progress.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 6 bps to close at 1.78%, compared with the previous week's close of 1.85%.
- U.S Treasury prices rose during the week under review as its safe haven appeal improved amid uncertainty surrounding the outcome of the U.S. Presidential elections. Plunge in global crude oil prices also boosted U.S. Treasury prices.
- However, gains were capped after the Bank of England kept interest rates unchanged and improved its growth and inflation forecasts for 2017 and 2018.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	42.45	47.08
Gold (\$/Oz)	1303.75	1275.91
Gold (Rs/10 gm)	30598	30049
Silver (\$/Oz)	18.39	17.73
Silver (Rs/Kg)	43206	42003

Source: Reuters Value as on Nov 04, 2016

Gold

- Gold prices extended the previous week's rally as growing uncertainty regarding the impending U.S. Presidential elections continued to boost the safe haven appeal of the bullion. However, gains were capped as the U.S. Federal Reserve hinted at a rate hike in Dec after keeping interest rate unchanged at the end of its two-day policy meeting.

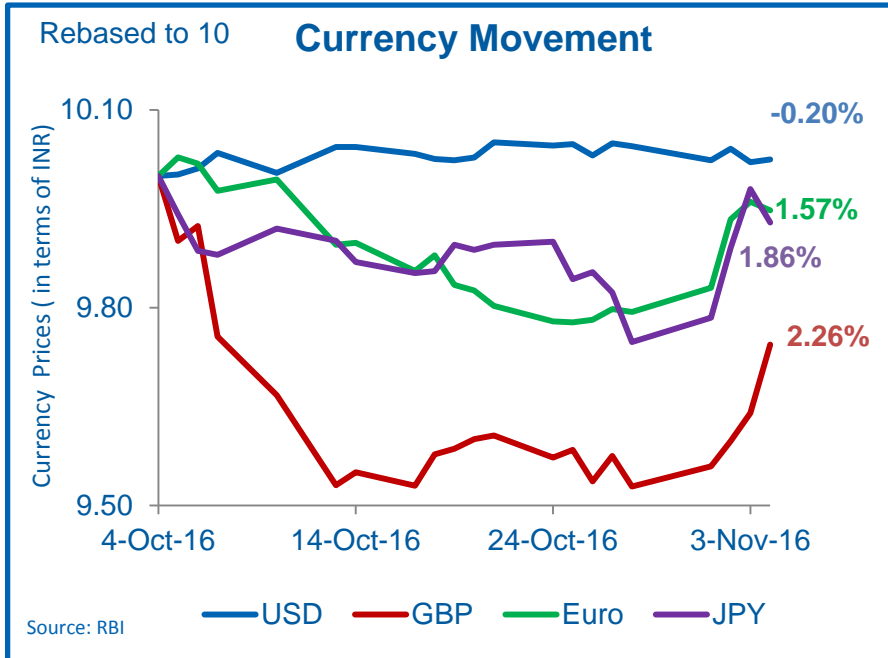
Crude

- Concerns over supply glut kept Brent crude prices under pressure during the week. Markets were also weighed down by traders pulling out money from futures ahead of the U.S. Presidential elections, which are seen as a risk to markets.

Baltic Dry Index

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

Currencies Markets



Rupee

- The rupee inched up against the greenback as the latter remained under pressure amid uncertainty regarding the U.S. Presidential elections, and dollar sales by domestic banks and exporters.

Euro

- The euro gained against the greenback as the latter remained under pressure on uncertainty surrounding the outcome of the U.S. Presidential elections.

Pound

- The pound strengthened against the greenback on clarity over the Bank of England (BoE)'s leadership.

Yen

- The yen strengthened against the greenback as the latter remained under pressure and the safe haven appeal of the yen improved amid uncertainty surrounding the outcome of the U.S. Presidential elections.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.72	66.86
Pound Sterling	83.14	81.30
EURO	74.05	72.91
JPY(per 100 Yen)	64.62	63.44

Source: RBI

Figures in INR , Value as on Nov 04, 2016

The Week that was...
October 31 to November 04

The Week that was (Oct 31 – Nov 04)

Date	Events	Present Value	Previous Value
Monday, October 31, 2016	Eurozone Consumer Price Index Estimate (YoY) (OCT)	0.50%	0.40%
	Eurozone Gross Domestic Product (YoY) (3Q A)	1.60%	1.60%
	Japan Industrial Production (YoY) (SEP P)	0.90%	4.50%
	U.S. Personal Income (SEP)	0.30%	0.20%
Tuesday, November 01, 2016	China Manufacturing PMI (OCT)	51.2	50.4
	China Non-Manufacturing PMI (OCT)	54	53.7
	U.S. ISM Manufacturing (OCT)	51.9	51.5
Wednesday, November 02, 2016	Germany Unemployment Rate (OCT)	6%	6.10%
	Japan Consumer Confidence Index (OCT)	42.3	43
	Japan Monetary Base YoY (OCT)	22.10%	22.70%
Thursday, November 03, 2016	U.S. Factory Orders (SEP)	0.30%	0.40%
	U.S. Initial Jobless Claims (OCT 29)	265K	258K
Friday, November 04, 2016	U.S. Unemployment Rate (OCT)	4.90%	5.00%
	U.S. Change in Nonfarm Payrolls (OCT)	161k	156K

The Week Ahead...
November 07 to November 11

The Week Ahead

Day	Event
Monday, November 07, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Factory Orders (MoM) (SEP) <input type="checkbox"/> Markit Eurozone Retail PMI (OCT) <input type="checkbox"/> Eurozone Retail Sales (YoY) (SEP)
Tuesday, November 08, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Trade Balance (OCT) <input type="checkbox"/> Germany Industrial Production (YoY) (SEP) <input type="checkbox"/> U.K. Industrial Production (YoY) (SEP) <input type="checkbox"/> U.K. Manufacturing Production (YoY) (SEP)
Wednesday, November 09, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Trade Balance - BOP Basis (Yen) (SEP) <input type="checkbox"/> China Consumer and Producer Price Index (YoY) (OCT) <input type="checkbox"/> U.K. Total Trade Balance (Pounds) (SEP)
Thursday, November 10, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Machine Orders (YoY) (SEP) <input type="checkbox"/> U.S. Initial Jobless Claims (NOV 5)
Friday, November 11, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. University of Michigan Confidence (NOV P) <input type="checkbox"/> German Consumer Price Index (YoY) (OCT F)

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