

News U Can Use

November 11, 2016

The Week that was...
7th November to 11th November

Indian Economy

- Government data showed that India's Index of Industrial Production (IIP) grew 0.7% in Sep compared with that of the previous month when IIP fell 0.7% (-0.68% revised from -0.74%). The cumulative growth for the period from Apr to Sep 2016 compared with the same period of the previous year stood at -0.1%. The manufacturing sector grew 0.9% in Sep while the mining sector slumped 3.1%. Capital goods sector witnessed maximum contraction of 21.6% while consumer goods sector witnessed maximum growth of 14.0%.
- Government data showed that Foreign Direct Investment (FDI) in India grew 77.3% to \$5.15 billion in Sep. FDI during the period from Apr to Sep 2016 grew 30% to \$21.62 billion compared with \$16.63 billion in the same period last year. The sectors which contributed maximum FDI during the first half of the fiscal were services (\$5.29 billion) followed by telecommunications (\$2.78 billion), trading (\$1.48 billion), computer software and hardware (\$1.03 billion) and automobile (\$729 million).
- Data from Society of Indian Automobile Manufacturers showed that sale of passenger vehicles grew 4.48% to 2,80,677 units in Oct. Sales of passenger vehicles stood at 2,68,630 units in the corresponding period of the previous fiscal. Sales of commercial vehicles grew 11.90% to 65,569 units during the period under review. Sale of medium and heavy commercial vehicles grew 16.92% to 25,934 units while that of light commercial vehicles grew 8.84% to 39,635 units.

Indian Equity Market

Domestic Equity Market Indices			
Indices	11-Nov-16	1 Week Return	YTD Return
S&P BSE Sensex	26818.82	-1.67%	2.51%
Nifty 50	8296.3	-1.63%	4.18%
S&P BSE Mid-Cap	12464.02	-2.92%	10.84%
S&P BSE Small-Cap	12485.07	-3.05%	4.56%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.03	22.02	27.89	68.52
P/B	2.69	3.14	2.25	1.94
Dividend Yield	1.48	1.33	1.24	0.83

Source: BSE, NSE

Value as on November 11, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
07-Nov-16	1196	452	2.65
08-Nov-16	690	927	0.74
09-Nov-16	243	1401	0.17
10-Nov-16	1307	343	3.81
11-Nov-16	171	1470	0.12

Source: NSE

- The Indian equity market snapped despite beginning the week in the green. It owed its dip primarily to the Republican candidate's victory in the U.S. Presidential polls. While the market had plunged as the Republican started taking lead in the elections, bourses recovered heavy losses as the Republican candidate's historic win eventually sunk in with the investors.
- Back home, the government's surprise move to demonetise high denomination currency notes caught investors off-guard. The market looked up for a while on hopes that demonetisation could trigger positive effects in the long term, it was soon dampened by worries that fast moving consumer goods and consumer discretionary sectors could be impacted by the move.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20562.7	-5.72%	-9.94%
S&P BSE Bankex	22604.3	3.78%	2.18%
S&P BSE CD	11446.4	-7.92%	-12.01%
S&P BSE CG	14171.8	-1.19%	-4.31%
S&P BSE FMCG	8192.65	-3.70%	-4.07%
S&P BSE HC	15477.1	2.16%	-5.19%
S&P BSE IT	9254.23	-5.47%	-9.17%
S&P BSE Realty	1297.1	-10.94%	-16.6%
S&P BSE Oil & Gas	11824.6	1.15%	-1.54%

Source: Reuters *Value as on November 11, 2016*

- On the BSE sectoral front, most indices closed in the negative, with S&P BSE Realty (-10.94%) as the biggest loser. Some of the other losers included S&P BSE Consumer Durables (-7.92%), S&P BSE Auto (-5.72%), S&P BSE IT (-5.47%), and S&P BSE Teck (-4.85%).
- Realty sector suffered since there were sell-offs as a result of the demonetisation move.

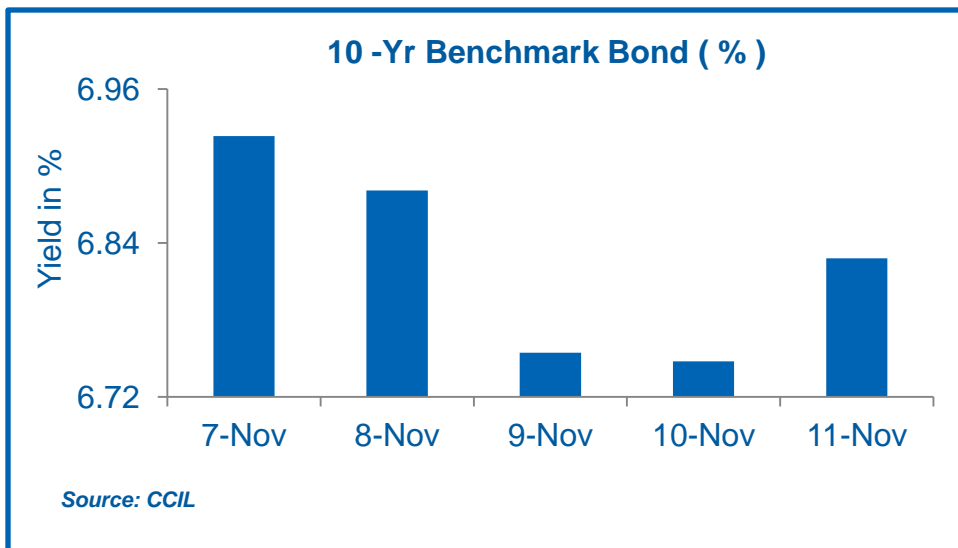
Indian Derivatives Market Review

- Nifty Nov 2016 Futures were at 8,327.95 points, a premium of 31.65 points, over the spot closing of 8,296.30 points. The turnover on NSE's Futures and Options segment stood at Rs. 24.94 lakh crore during the week to Nov 11, compared with Rs. 14.42 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.86, compared with the previous week's close of 0.96.
- The Nifty Put-Call ratio stood at 0.84, compared with the previous week's close of 0.92.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.23	6.17	6.18	6.56
91 Day T-Bill	6.26	6.43	6.37	6.85
07.80% 2021, (5 Yr GOI)	6.57	6.73	6.70	7.45
07.59% 2026, (10 Yr GOI)	6.83	6.94	6.82	7.43

Source: Reuters Value as on November 11, 2016



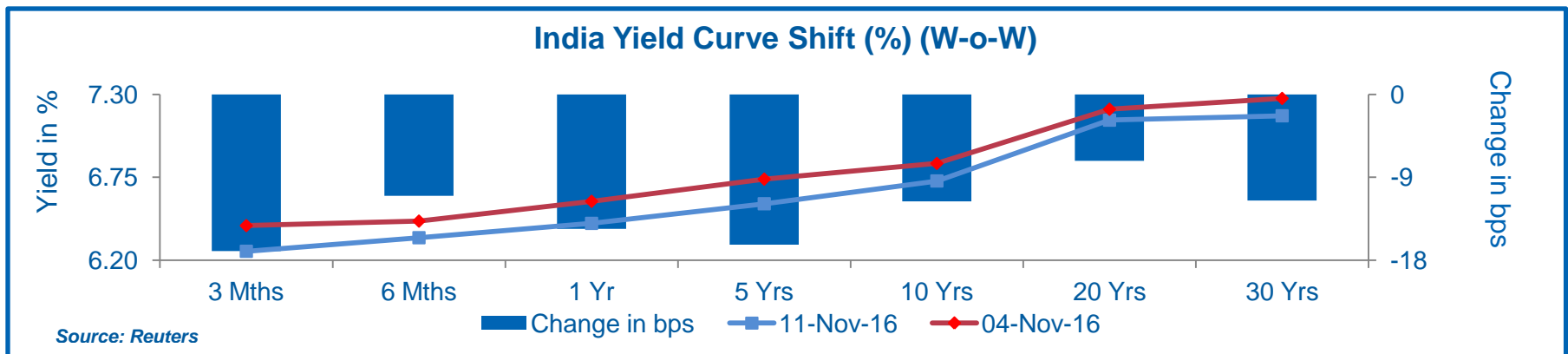
- Bond yields plunged after the Prime Minister announced cancellation of high denomination currency notes which is likely to boost the banking system liquidity, limit inflation, and increase space for further monetary easing.
- Also, the surprise win of the Republican Party's candidate at the U.S. Presidential election reduced fears of a rate hike by the U.S. Federal Reserve in near term, which encouraged the demand for domestic debt.
- Yield on existing 10-year benchmark bond (7.59% GS 2026) decreased 11 bps to close at 6.83% compared with the previous week's close of 6.94%. Yields moved in a broad range of 6.73% to 6.95% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.53	7.06	53
3 Year	6.57	7.18	61
5 Year	6.77	7.25	48
10 Year	6.91	7.44	53

Source: Reuters Value as on November 11, 2016

- Yields on gilt securities fell in the range of 7 to 16 bps across the maturities. Highest fall was seen on 3-, 5-, and 6-year papers, while lowest decline was on 15- and 19-year papers.
- Corporate bond yields dropped across the segments in the range of 10 bps to 14 bps.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 2 bps to 6 bps, barring 15-year paper that contracted 4 bps.



Regulatory Updates in India

- ❑ The Prime Minister announced that currency notes of Rs. 500 and Rs. 1,000 will cease to be legal tender from Nov 8 midnight. The objective of the move is to put a check on the black money menace. The Prime Minister in this aspect also informed that the government in the last two years has recovered one lakh twenty thousand crore rupees of black money. Currency notes of the said denomination can be submitted to the post offices and banks from Nov 10 to Dec 30. Those who will not be able to submit the notes within the deadline can exchange it at Reserve Bank of India (RBI) by providing a declaration. New notes have been designed for Rs. 500 and Rs. 2000 and brought into circulation.
- ❑ Government has stated that cash deposits above Rs. 2.5 lakh during the period of Nov 10 to Dec 30 may attract tax plus a 200% penalty in case of income mismatch. The Revenue Secretary said that the tax department will match deposits with income returns filed by the depositors and suitable action may follow. He added that any mismatch with income declared by the account holder will be treated as a case of tax evasion.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) will soon come out with norms on investment advisers and regulations on co-location and high frequency trading. SEBI proposed to ban unauthorized trading tips offered through social media platforms unless such advisors are registered with the SEBI.

Regulatory Updates in India (contd..)

- The government will soon come out with a new ratings methodology for operational infrastructure projects. The new ratings methodology will take into account expected loss and the ratings of such infrastructure projects. As a result, infrastructure projects which have already commenced commercial operations will not be downgraded to junk ratings even if the promoters temporarily default on payment of loans. This will ensure adequate funds for developers who are facing such constraints and as a result such infrastructure projects will suffer to a limited extent.
- The Indian government is considering allowing 100% Foreign Direct Investment (FDI) in e-commerce with 'Make in India' rider. According to the rider, products sold through e-commerce must be manufactured in India to gain from the liberalised regime. The objective of the move is to promote the Make in India campaign. Presently FDI is not allowed in e-commerce. However, there is no restriction on foreign investment in the online marketplace format.
- The Department of Telecom (DoT) has decided to make it compulsory to use over 20% indigenous components in mobile devices and 40% in telecom equipment produced in the domestic market for those companies who are trying to avail 3% interest subsidy benefit on exports. Also, only those companies will be eligible for the interest subsidy who is involved in complete manufacturing of products in the country over those who is involved in the assembling of their products.

Global News/Economy

- ❑ A major global rating agency retained sovereign ratings of the U.S. The rating was affirmed at 'AA+' with stable outlook. The rating agency assumed that any measures taken regarding trade or immigration will lower the growth trend of the U.S. economy.
- ❑ The Bank of England announced new rules in which it mandated banks to build up sufficient reserves to absorb losses so that in the event of failure, banks can bail themselves out without using taxpayers' money and causing financial market disruptions. The interim requirements will be met by 2020 and the end-state requirements by 2022.
- ❑ Minutes of the Bank of Japan's monetary policy meeting held on Sep 20 and Sep 21 showed that a majority of the policymakers were of the view that it would take time for the policies adopted by the central bank to increase inflation expectations. Many policymakers also agreed that the new framework would make its monetary policy more flexible as it would help them to directly target interest rates rather than trying to indirectly influence them through bond purchases.
- ❑ Data from the Cabinet Office of Japan showed that core machine orders in Japan fell 3.3% on a monthly basis in Sep 2016 following a 2.2% decline in Aug 2016. On a yearly basis, machinery orders grew 4.3% following a 11.6% spike in the previous month.

Global Equity Markets

Global Indices			
Indices	11-Nov -16	1-Week Return	YTD Return
Dow Jones	18847.66	5.36%	9.91%
Nasdaq 100	4751.951	1.96%	5.65%
FTSE 100	6730.43	0.56%	10.45%
DAX Index	10667.95	3.98%	3.74%
Nikkei Average	17374.79	2.78%	-5.83%
Straits Times	2814.6	0.93%	-0.75%

Source: Reuters

Europe

- Optimism over favourable outcome of the U.S. Presidential election buoyed investor sentiment initially during the week. Buying interest was seen in the banking sector following solid earnings reports from an industry major. Later, bourses trimmed gains as the Presidential election results generated uncertainty over U.S. economic policies.

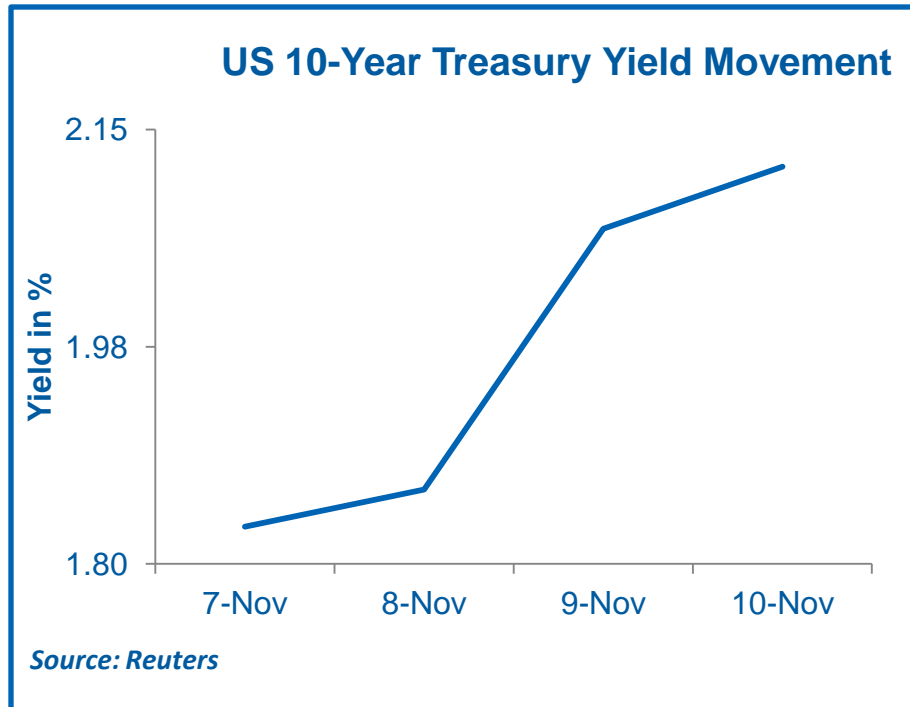
Asia

- Majority of the Asian markets witnessed gains during the month. Investor sentiment got a boost after the Chinese Premier stated that the government would maintain steady growth and speed up economic transformation of the country. Although the outcome of the U.S. Presidential elections led to initial uncertainty on the overall U.S. economic policy, bourses later recovered as investors reassessed the economic impact of the event.

U.S.

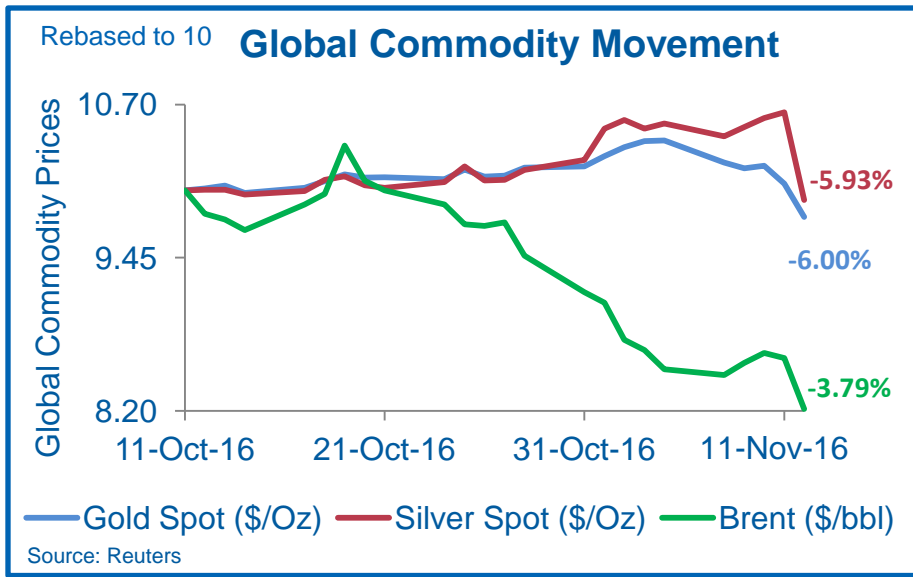
- The U.S. Presidential election was the talk of the town at Wall Street during the week. Initially, uncertainty regarding election results eased after FBI cleared the Democratic Presidential nominee of certain charges.
- Later, investors reacted positively to Republican nominee's surprise victory in the race for the White House.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield surged 34 bps to close at 2.12%, compared with the previous week's close of 1.78%.
- U.S Treasury prices fell initially after the Democratic candidate got cleared from any misconduct in the use of a private email server.
- Losses were extended as prices fell the most in five years after the surprise victory of the Republican candidate. This led to expectations that the President-elect will implement protectionist trade policies, and will increase fiscal spending and boost inflation. U.S. debt markets were closed on Nov 11 for the U.S. Veterans Day holiday.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	40.85	42.46
Gold (\$/Oz)	1225.58	1303.75
Gold (Rs/10 gm)	30389	30598
Silver (\$/Oz)	17.30	18.39
Silver (Rs/Kg)	44461	43206

Source: Reuters Value as on November 11, 2016

Gold

- Safe haven appeal of the precious metal gained ground initially after the Republican candidate winning the U.S. Presidential elections made investors cautious of global political consequences. Gains could not sustain as investors preferred to wait for further details on U.S. spending priorities to be set by the President-elect.

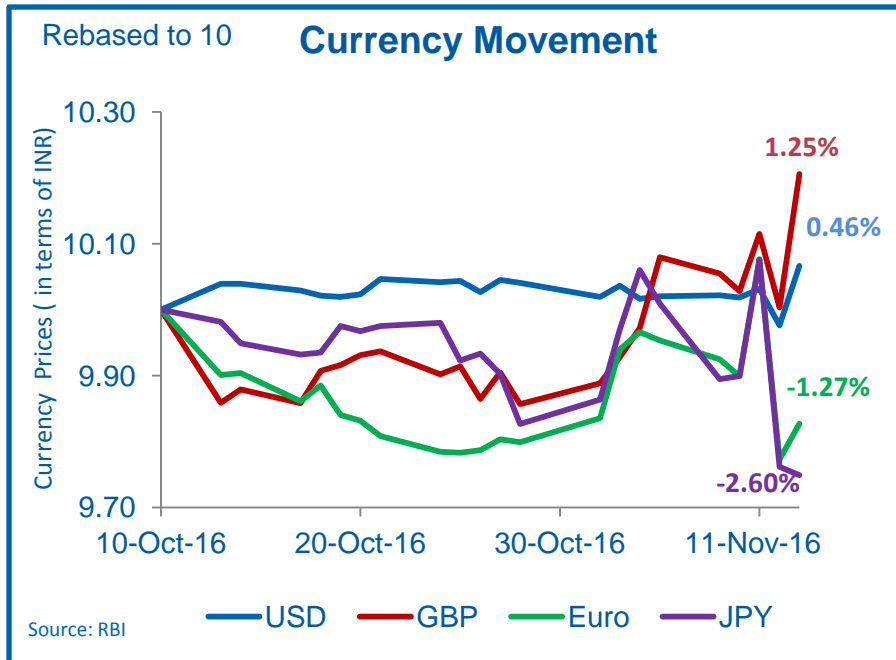
Crude

- Brent crude prices moved down during the week as data from American Petroleum Institute showed that crude inventory figures rose by 4.4 million barrels in the week to Nov 4, higher than market expectations.

Baltic Dry Index

- The Baltic Dry Index gained during the week due to improved capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.03	66.72
Pound Sterling	84.18	83.14
EURO	73.12	74.05
JPY(per 100 Yen)	62.94	64.62

Source: RBI Figures in INR , Value as on November 11, 2016

Rupee

- The Indian rupee weakened against the U.S. dollar following rise in U.S. treasury yields which increased foreign fund outflow concerns.

Euro

- The euro weakened against the greenback due to increased possibility of rate hike in the U.S. by Dec after the release of the minutes of Fed's Sep policy meeting.

Pound

- Pound gained against the U.S. dollar as investors retreated their short position after surprising victory of the Republican candidate.

Yen

- Yen fell sharply against the greenback on rising inflationary expectations in the U.S. after surprising victory of the Republican candidate in the U.S. Presidential election.

The Week that was...
November 07 to November 11

The Week that was (Nov 07 – Nov 11)

Date	Events	Present Value	Previous Value
Monday, November 07, 2016	Germany Factory Orders (MoM) (SEP)	-0.60%	0.90%
	Eurozone Sentix Inestor Confidence (NOV)	13.1	8.5
	Eurozone Retail Sales (YoY) (SEP)	1.10%	1.20%
Tuesday, November 08, 2016	China Exports (YoY) (OCT)	-7.30%	-10.00%
	Germany Industrial Production (YoY) (SEP)	1.20%	2.40%
	U.K. Industrial Production (YoY) (SEP)	0.30%	0.70%
	U.K. Manufacturing Production (YoY) (SEP)	0.20%	0.50%
Wednesday, November 09, 2016	Japan Trade Balance - BOP Basis (Yen) (SEP)	¥642.4B	¥243.2B
	China Consumer Price Index (YoY) (OCT)	2.10%	1.90%
	U.K. Total Trade Balance (Pounds) (SEP)	£-5.221B	£-3.768B
Thursday, November 10, 2016	Japan Machine Orders (YoY) (SEP)	4.30%	11.60%
	U.S. Initial Jobless Claims (NOV 4)	254K	265K
Friday, November 11, 2016	U.S. University of Michigan Confidence (NOV P)	91.6	87.2
	German Consumer Price Index (YoY) (OCT F)	0.70%	0.70%
	India Index of Industrial Production (YoY) (OCT)	0.70%	-0.70%

The Week Ahead...
November 14 to November 18

The Week Ahead

Day	Event
Monday, November 14, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China Retail Sales (YoY) (Oct). <input type="checkbox"/> China Industrial Production (YoY) (Oct) <input type="checkbox"/> Euro Zone Industrial Production w.d.a. (YoY) (Sep).
Tuesday, November 15, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> India Consumer Price Index (YoY) (Oct). <input type="checkbox"/> India Wholesale Price Index (YoY) (Oct). <input type="checkbox"/> Euro Zone ZEW Survey - Economic Sentiment (Nov).
Wednesday, November 16, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. MBA Mortgage Applications (Nov 11). <input type="checkbox"/> U.S. Industrial Production (MoM) (Oct).
Thursday, November 17, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Oct). <input type="checkbox"/> U.S. Initial Jobless Claims (Nov 11). <input type="checkbox"/> Euro Zone Construction Output w.d.a (YoY) (Sep)
Friday, November 18, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Current Account n.s.a (Sep). <input type="checkbox"/> Germany Producer Price Index (YoY) (Oct).

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