

RELIANCE

MUTUAL
FUND

News U Can Use

October 20, 2017

The Week that was...

16th October to 20th October

Indian Economy

- Government data showed that Wholesale Price Index (WPI)-based inflation slowed to 2.60% in Sep 2017 from 3.24% (provisional) the previous month. However, it was up from 1.36% in Sep 2016. The fall was because prices of food articles, led by vegetables, softened to 2.04% in Sep from 5.75% in Aug 2017. The build-up inflation rate in this fiscal so far came in at 0.97% compared with a build-up rate of 3.44% in the previous-year period. Subsequently, prices of important primary articles like potato, pulses, oil seeds and wheat fell. Prices of potato, pulses and oil seeds declined 46.52%, 24.26% and 8.38%, respectively.
- According to the chief of International Monetary Fund (IMF), due to the structural reforms undertaken by the government, Indian economy is on a solid growth track in the medium to long term. Also, the IMF chief stated that the recent slowdown, which is due to the implementation of the Goods and Services Tax (GST) and demonetisation, is short term.
- India's sovereign fund, the National Investment and Infrastructure Fund (NIIF) signed an investment agreement worth \$1 billion with Abu Dhabi Investment Authority. Abu Dhabi Investment Authority will not only become the first institutional investor but also a shareholder in NIIF. The aim of the fund is to attract investments from both domestic and international sources for infrastructure development in commercially viable projects.
- According to the vice chairman of Niti Aayog, the economic slowdown that began in FY14 has bottomed out and the gross domestic product is expected to grow 6.9%–7% in the current financial year and 7.5% in FY19.

Indian Equity Market

Domestic Equity Market Indices			
Indices	18-Oct-17	1 Week Return	YTD Return
S&P BSE Sensex	32584.35	0.47%	22.52%
Nifty 50	10210.85	0.43%	24.83%
S&P BSE Mid-Cap	16115.98	0.94%	32.85%
S&P BSE Small-Cap	17063.39	0.81%	39.98%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.12	26.44	40.58	82.74
P/B	3.06	3.45	2.83	2.51
Dividend Yield	1.2	1.12	0.86	0.66

Source: BSE, NSE Value as on Oct 18, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
16-Oct-17	814	920	0.88
17-Oct-17	844	840	1.00
18-Oct-17	762	952	0.80

Source: NSE

- Indian equity markets witnessed muted growth for the holiday truncated week. Bourses gained when International Monetary Fund's chief stated that the Indian economy is on a very solid track in the midterm. Decline in wholesale price inflation further buoyed investor sentiment.
- Later, market participants refrained from taking major bets and cashed in on recent gains ahead of the long Diwali weekend, thereby weighing on bourses.
- Mixed series of corporate earnings numbers across different industries for the second quarter of the current fiscal year had a bearing on markets during the week.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24949.6	0.81%	0.73%
S&P BSE Bankex	27186.8	-2.02%	-3.37%
S&P BSE CD	18310.4	-0.01%	0.81%
S&P BSE CG	17462.1	0.36%	-5.37%
S&P BSE FMCG	10268.1	0.85%	0.61%
S&P BSE HC	14170.6	0.81%	2.86%
S&P BSE IT	10369.1	-0.02%	2.49%
S&P BSE Metal	14674.0	1.75%	4.95%
S&P BSE Oil & Gas	16002.8	2.42%	4.38%

Source: Thomson Reuters Eikon Value as on Oct 18, 2017

- On the BSE sectoral front, barring S&P BSE Bankex, S&P BSE IT and S&P BSE Consumer Durables, all the indices closed in the green.
- S&P BSE Oil & Gas was the major gainer followed by S&P BSE Realty and S&P BSE Metal. Buying interest was seen in the oil and gas sector after Union minister of Petroleum and Natural Gas said that India and Japan have taken up discussions on Liquefied Natural Gas technologies in inland water and coastal shipping forward.

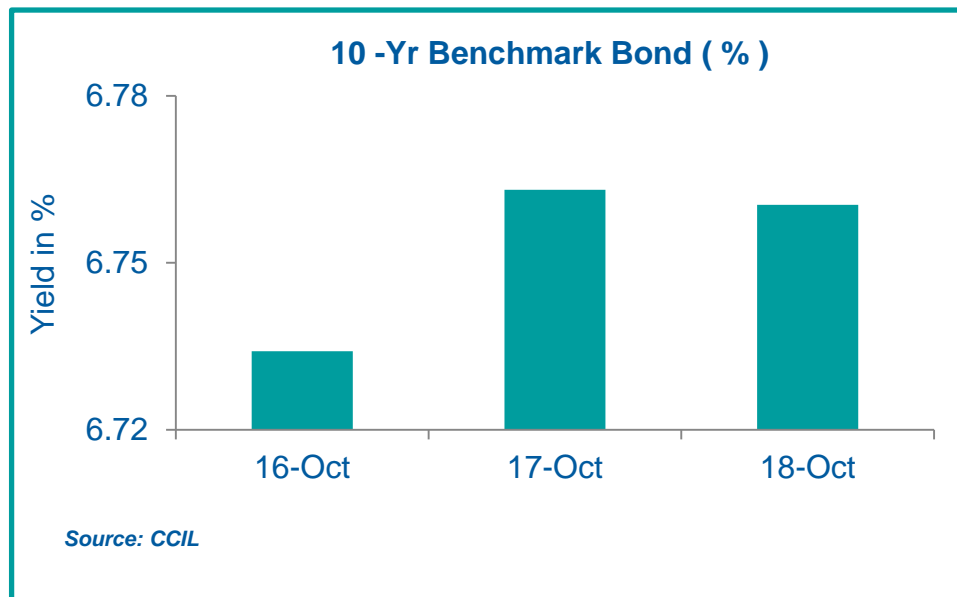
Indian Derivatives Market Review

- Nifty Oct 2017 Futures were at 10,237.50, a premium of 26.65 points over the spot closing of 10,210.85. The turnover on NSE's Futures and Options segment stood at Rs. 24.29 lakh crore as against Rs. 32.88 lakh crore in the week to Oct 13.
- The Put-Call ratio stood at 0.73 compared with the previous week's close of 0.89.
- The Nifty Put-Call ratio stood at 1.62 compared with the previous week's close of 1.63.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.97	5.83	5.89	5.91
91 Day T-Bill	6.10	6.08	6.11	6.08
7.80% 2021, (5 Yr GOI)	6.65	6.55	6.47	6.81
6.79% 2027, (10 Yr GOI)	6.76	6.73	6.58	--

Source: Thomson Reuters Eikon *Value as on Oct 18, 2017*



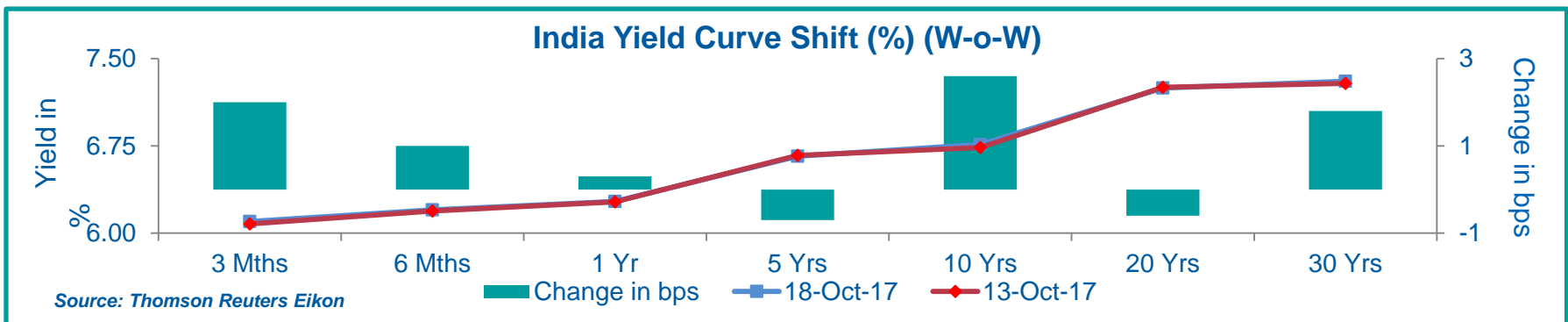
- Bond yields rose in a holiday-truncated week as market participants remained worried on media reports that the government might face a potential shortfall in indirect tax collections in this fiscal. Worries that the next U.S. Federal Reserve chief might be more hawkish on the monetary policy also weighed on market's sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 3 bps to close at 6.76% from the previous week's close of 6.73% after trading in a range of 6.73% to 6.77%.
- Data from RBI showed that the outward foreign direct investment in Sep 2017 stood at \$2,654.45 million compared with \$1,339.26 million in the previous month and \$4,372.47 million in the same period of the previous year..

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.32	6.82	50
3 Year	6.61	7.02	41
5 Year	6.76	7.17	41
10 Year	7.07	7.50	43

Source: Thomson Reuters Eikon Value as on Oct 18, 2017

- Yields on gilt securities either closed steady or increased by up to 3 bps across the maturities, barring 5 to 8 years' maturities and 19-year paper that fell by up to 2 bps.
- Corporate bond yields either closed steady or fell across the maturities by up to 6 bps, barring 15-year paper that increased 1 bps.
- Spread between AAA corporate bond and gilt contracted across the maturities by up to 5 bps, barring 1-, 7- and 8-year maturities that closed steady.



Regulatory Updates in India

- Market regulator the Securities and Exchange Board of India (SEBI) has stated in a circular that exchanges should prefer physical settlement system for commodity derivatives contracts. This move is expected to help hedgers manage risk better and curb excessive manipulation. However, cash settlement route would be considered in certain scenarios such as physical delivery is difficult to implement due to intangibility of commodity, inadequate logistics or transport infrastructure and difficult to store due to low shelf life or inadequate storage infrastructure.
- The Reserve Bank of India (RBI) has been requested by Peer-to-Peer lending (P2P) platforms in India to allow non-bank trust companies to act as trustees for fund transfers between investors and borrowers on their platforms. P2P lending involves lending money to individuals or businesses through online services that match lenders with borrowers. According to the guidelines released by RBI earlier in Oct 2017, P2P platform requires at least two escrow accounts for fund transfer, to be operated by a trustee promoted by the bank that maintains these accounts. However, as per the P2P lenders, most banks are not keen on offering escrow services to P2P platforms as volumes are low and ticket sizes small.

Regulatory Updates in India (contd..)

- The Department of Industrial Policy and Promotion (DIPP) has eased the mechanism for processing foreign direct investment proposals. With immediate effect, it has discontinued the requirement of sending the applications to the department of revenue. The move aims at further promoting ease of doing business in the country to attract overseas inflows.
- Banks have been asked by the Reserve Bank of India to instantly pay the interest due on the gold deposited by individuals and institution under the Gold Monetisation Scheme (GMS). GMS was launched in 2015 in order to curb imports of gold that has a bearing on current account deficit.

Global News/Economy

- According to a report from the Commerce Department, U.S. housing starts missed market expectations and fell 4.7% YoY to 1.127 million in Sep 2017 from the revised estimate of 1.183 million in Aug 2017. This marked the lowest level since Sep 2016. The decrease reflects sharp decline in both single-family and multi-family starts that fell 4.6% and 5.1%, respectively.
- A report from the Labor Department showed that U.S. initial jobless claims fell to 222,000 for the week ended Oct 14, down 22,000 from the previous week's revised level of 244,000 (243,000 originally reported). This marked the lowest level since it hit the same level in Mar 1973.
- Final data from Eurostat showed that euro zone inflation held steady in Sep 2017. Inflation came in at 1.5% on a yearly basis in Sep, the same rate as was seen in Aug 2017. On a monthly basis, consumer prices climbed 0.4% in Sep. However, inflation continues to stay well below the European Central Bank's target of 'below, but close to 2%'.
- According to the National Bureau of Statistics, China's consumer price inflation rose 1.6% YoY in Sep 2017, in line with market forecast but slower than 1.8% in Aug 2017. Slower growth in inflation was due to faster fall in food prices during the reported period. Separately, producer prices in China rose at the fastest pace in six months in Sep. Producer prices surged 6.9% YoY beating market forecast and 6.3% rise in the prior month.

Global Equity Markets

Global Indices			
Indices	20-Oct-17	1-Week Return	YTD Return
Dow Jones	23328.63	2.00%	17.34%
Nasdaq 100	6108.82	0.27%	24.38%
FTSE 100	7523.23	-0.16%	4.81%
DAX Index	12991.28	0.00%	12.01%
Nikkei Average	21457.64	1.43%	12.26%
Straits Times	3340.73	0.65%	15.24%

Source: Thomson Reuters Eikon *Value as on Oct 20, 2017*

Europe

- European markets remained subdued as investors became cautious over the political situation in Spain. Weak Chinese economic data also weighed on the sentiment.

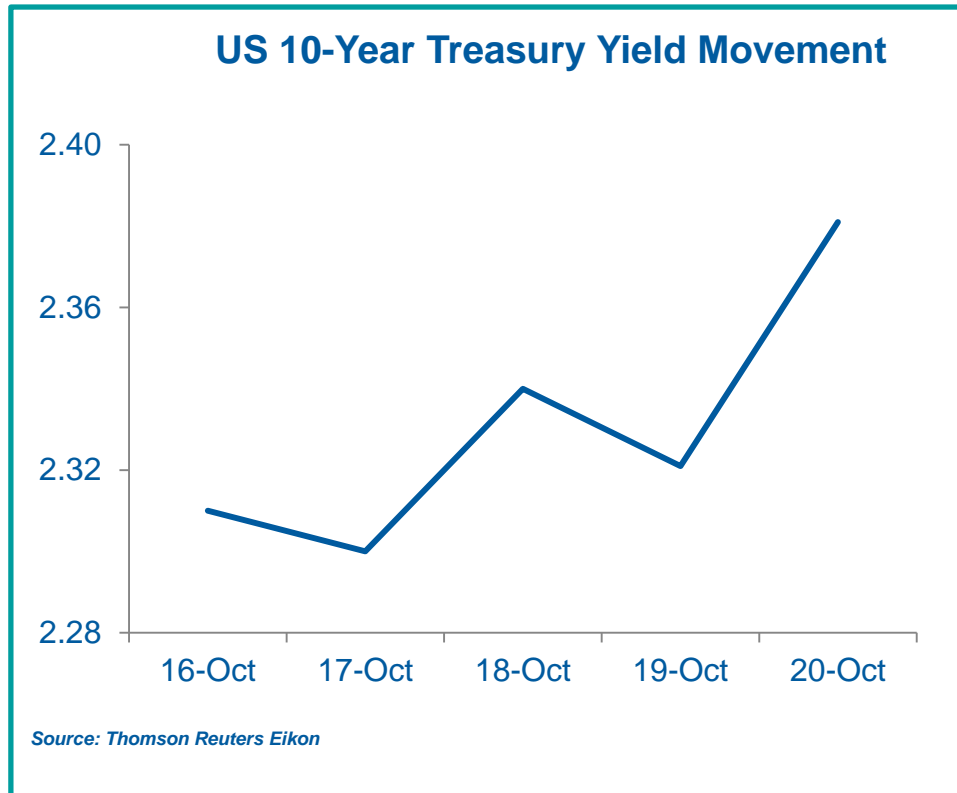
Asia

- Asian markets traded higher after China's consumer price inflation rose 1.6% YoY in Sep 2017 while producer prices rose at the fastest pace in six months in Sep to 6.9%. Investors also took positive cues after the governor of the People's Bank of China said that the Chinese economy is set to achieve 7% growth in the second half of the year on rapid growth in household consumption.

U.S.

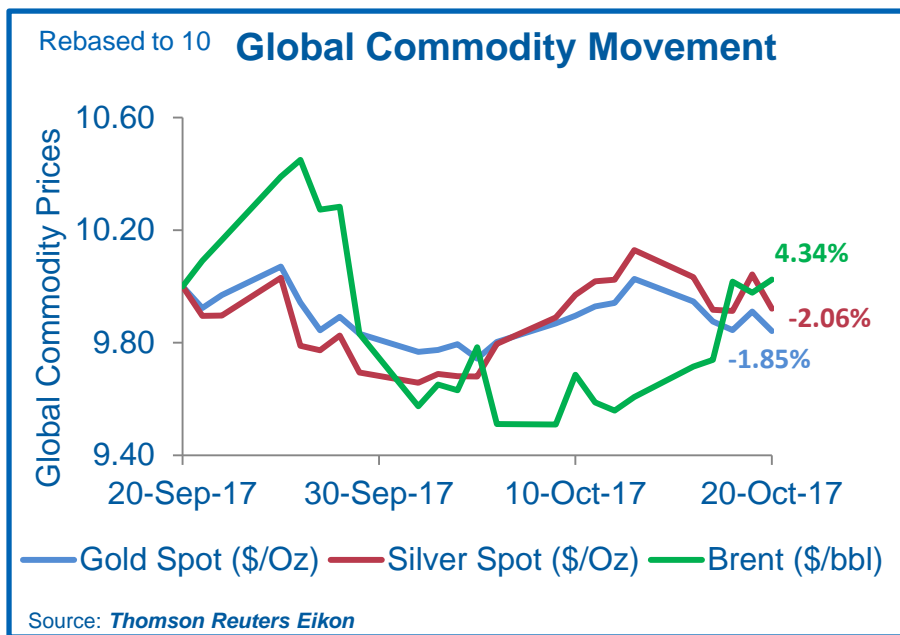
- U.S. market gained in the week on continued optimism over the economic outlook and the possibility of a major tax reform. The U.S. Senate gave approval for a budget resolution for the 2018 fiscal year that will help to pursue tax-cut plans.
- Also, a report from the Federal Reserve showed that industrial production rebounded slightly more than expected in Sep 2017 and homebuilder confidence showed an unexpected rise in Oct 2017.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 10 bps to close at 2.38% from the previous week's close of 2.28%.
- U.S. Treasury prices fell on expectations of tighter monetary policies from central banks across the globe. Growing perception that the U.S. Federal Reserve might continue its path of interest rate hikes added to the losses.
- Losses were extended as market participants grew optimistic on the progress of U.S. tax reforms initiatives after the Senate gave its approval for a budget blueprint for the 2018 fiscal year.
- However, further losses were restricted following reports that the new Fed chief might be less hawkish than perceived earlier.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	58.38	55.95
Gold (\$/Oz)	1280.33	1304.47
Gold (Rs/10 gm)*	29611	29675
Silver (\$/Oz)	16.99	17.35
Silver (Rs/Kg)*	39267	39783

Source: Thomson Reuters Eikon, Value as on Oct 20, 2017, * Value as on Oct 18, 2017

Gold

- Gold prices initially traded high amid uncertainty about the pace of U.S. interest rate hike by the U.S. Federal Reserve (Fed) after U.S.' inflation for Sep 2017 came in lower than expected. However, the trend reversed later after the U.S. Senate approved a budget resolution for the 2018 fiscal year which will help to pursue tax-cut plans.

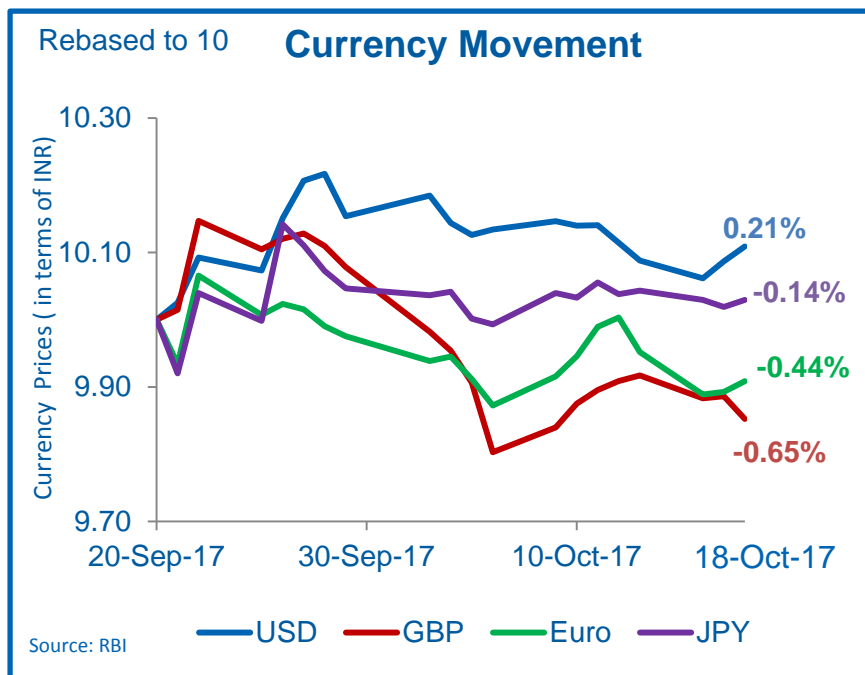
Crude

- Brent crude prices traded high initially as fighting between Iraqi and Kurdish forces threatened supply disruption from northern Iraq and tensions arose between the U.S. and Iran. Expectations that deal between OPEC and non-OPEC members to curb production might continue beyond its scheduled expiry date of Mar 2018 also supported prices.

Baltic Dry Index

- The Baltic Dry Index grew during the week owing to stronger capesize and panama activities.

Currencies Markets



Rupee

- The rupee weakened against the greenback on growing possibility that the U.S. Federal Reserve (Fed) might increase interest rates in Dec 2017.

Euro

- The euro weakened against the greenback as market participants grew optimistic on the progress of U.S. tax reform initiatives.

Pound

- The pound weakened against the greenback after U.K. retail sales fell unexpectedly in Sep 2017 and after Bank of England's policymakers opined that inflation from sterling weakness will start to wane in the coming months.

Yen

- The yen weakened against the greenback as market participants were optimistic on progress of U.S. tax reform initiatives.

Movement of Rupee vs Other Currencies

Currency	Last Closing	1-Wk Ago
US Dollar	65.06	64.93
Pound Sterling	85.74	86.31
EURO	76.54	76.88
JPY(per 100 Yen)	57.93	58.01

Source: RBI

Figures in INR , Value as on Oct 18, 2017

The Week that was...

16th October to 20th October

The Week that was (Oct 16 – Oct 20)

Date	Events	Present Value	Previous Value
Monday, October 16, 2017	<ul style="list-style-type: none"> • China Consumer Price Index (YoY) (SEP) • China Producer Price Index (YoY) (SEP) 	1.60%	1.80%
Tuesday, October 17, 2017	<ul style="list-style-type: none"> • U.K. Consumer Price Index (YoY) (SEP) • Eurozone ZEW Survey (Economic Sentiment) (OCT) • Germany ZEW Survey (Economic Sentiment) (OCT) • Eurozone Consumer Price Index (YoY) (SEP F) • U.K. House Price Index (YoY) (AUG) • U.S. Industrial Production (SEP) 	3.00%	2.90%
Wednesday, October 18, 2017	<ul style="list-style-type: none"> • U.K. ILO Unemployment Rate (3M) (AUG) • Japan Merchandise Trade Balance Total (Yen) (SEP) • U.S. Housing Starts (MoM) (SEP) 	26.7	31.7
Thursday, October 19, 2017	<ul style="list-style-type: none"> • China Gross Domestic Product (YoY) (3Q) • China Industrial Production (YoY) (SEP) • Japan All Industry Activity Index (MoM) (AUG) • China Retail Sales (YoY) (SEP) • U.K. Retail Sales (YoY) (SEP) 	17.6	17
Friday, October 20, 2017	<ul style="list-style-type: none"> • U.K. Public Sector Net Borrowing (Pounds) (SEP) • U.S Existing Home Sales (MoM) (SEP) 	1.50%	1.50%
		5.00%	4.50%
		0.30%	-0.70%
		4.30%	4.30%
		¥670.2b	¥112.6b
		-4.70%	-0.20%
		6.80%	6.90%
		6.60%	6.00%
		0.10%	-0.10%
		10.30%	10.10%
		1.60%	2.60%
		5.3b	4.1b
		0.7%	-1.70%

The Week Ahead

23rd October to 27th October

The Week Ahead

Day	Event
Monday, October 23, 2017	<ul style="list-style-type: none"> • Eurozone Consumer Confidence (OCT A)
Tuesday, October 24, 2017	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (OCT P) • Germany Markit/BME Composite PMI (OCT P) • Eurozone Markit Composite PMI (OCT P) • U.S. Markit Composite PMI (OCT P)
Wednesday, October 25, 2017	<ul style="list-style-type: none"> • U.K. Gross Domestic Product (YoY) (3Q A) • U.S. Durable Goods Orders (SEP P) • Germany IFO - Current Assessment (OCT) • U.S. House Price Index (MoM) (AUG) • U.S. New Home Sales (MoM) (SEP)
Thursday, October 26, 2017	<ul style="list-style-type: none"> • European Central Bank Rate Decision (OCT 26) • U.S. Advance Goods Trade Balance (SEP) • Japan National Consumer Price Index (YoY) (SEP) • Germany GfK Consumer Confidence Survey (NOV) • U.S. Initial Jobless Claims (OCT 21) • U.S. Pending Home Sales (YoY) (SEP)
Friday, October 27, 2017	<ul style="list-style-type: none"> • U.S. Gross Domestic Product (Annualized) (3Q A) • Germany Retail Sales (YoY) (SEP)

Disclaimer

The information herein is meant only for general reading purposes and contains all factual and statistical information pertaining to Industry and markets which have been obtained from independent third party sources and which are deemed to be reliable. The information provided cannot be considered as guidelines, recommendations or as a professional guide for the readers. It may be noted that since Reliance Nippon Life Asset Management Company Limited (RNLAM) (formerly Reliance Capital Asset Management Limited) has not independently verified the accuracy or authenticity of such information or data, or for that matter the reasonableness of the assumptions upon which such data and information has been processed or arrive data; RNLAM does not in any manner assures the accuracy or authenticity of such data and information. Some of the statements & assertions contained in these materials may reflect RNLAM's views or opinions, which in turn may have been formed on the basis of such data or information. The Sponsor(s), the Investment Manager, the Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such data or information. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given are fair and reasonable, to the extent possible. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. None of the Sponsor(s), the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material.

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited or its affiliates or group companies and its respective directors, officers, or employees in particular, makes no representation or warranty, express or implied, as to the accuracy, suitability, reliability, timelines or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited, or its affiliates or group companies and its respective directors, officers, or employees shall not be liable for any losses or injury, liability or damage of any kind incurred from and arising out of any use of this document or its contents in any manner, whatsoever. Opinions expressed in this document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

RELIANCE

MUTUAL
FUND

Thank you for
your time.