

# News U Can Use

*October 07, 2016*

The Week that was...  
03<sup>rd</sup> October to 07<sup>th</sup> October

# Indian Economy

- Results of a private survey showed that India's manufacturing output grew at a slower pace in Aug after growing at the fastest pace in 13 months in the previous month. The seasonally adjusted Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to 52.1 in Sep from 52.6 in Aug due to slower growth in new orders and production. Nonetheless, the index expanded for the ninth consecutive month.
- Results from a private survey showed that India's service sector grew at a slower pace in Sep after touching a 43-month high in Aug. The seasonally adjusted Nikkei India PMI fell to 52.0 in Sep from 54.7 in Aug due to a softer increase in output as well as new business. Competitive pressures and unfavourable weather conditions weighed on new orders. The seasonally adjusted Nikkei India Composite PMI Output Index fell to 52.4 in Sep from 54.6 in Aug. Nonetheless, the composite index expanded for the 15<sup>th</sup> consecutive month, highlighting ongoing growth in the country.
- The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) lowered repo rate by 25 bps to 6.25% in its first monetary policy meeting. Consequently, the reverse repo rate was adjusted to 5.75%, and the marginal standing facility rate and the bank rate to 6.75%. All the six members of the monetary policy committee voted in favour of the decision. The decision of the committee is in line with the objective of achieving consumer price index (CPI) inflation at 5% by the Mar quarter of 2016-17 and the medium-term target of 4% within a band of +/- 2%, while supporting growth.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	07-Oct-16	1 Week Return	YTD Return
S&P BSE Sensex	28061.1	0.70%	7.26%
Nifty 50	8697.6	1.00%	9.22%
S&P BSE Mid-Cap	13542.6	2.86%	20.43%
S&P BSE Small-Cap	13222.4	3.46%	10.73%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.05	23.49	31.61	91.25
P/B	2.9	3.29	2.52	2.08
Dividend Yield	1.4	1.27	1.09	0.78

Source: BSE, NSE

Value as on October 07, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
03-Oct-16	1447	203	7.13
04-Oct-16	941	675	1.39
05-Oct-16	963	668	1.44
06-Oct-16	625	1013	0.62
07-Oct-16	781	841	0.93

Source: NSE

- Indian equity rose during the week after the Monetary Policy Committee (MPC) decided to cut the repo rate by 25 bps in its first policy review. The committee has indicated that the momentum of growth is expected to rise with a normal monsoon as it will boost agricultural growth and rural demand.
- Strong improvement in sowing could lower the food inflation outlook. Strong cues from Asian peers added to the market's gain. Towards the end of the week, market cooled down as Nikkei India Services Business Activity Index eased to 52.0 in Sep from 54.7 in Aug. Investors awaited the U.S. non-farm payroll data for Sep, which is expected to give additional cues on U.S. Federal Reserve's stance on interest rate outlook.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22849.1	2.78%	-0.56%
S&P BSE Bankex	22152.5	0.48%	-5.72%
S&P BSE CD	12792.3	1.94%	0.57%
S&P BSE CG	14839.8	1.77%	-3.83%
S&P BSE FMCG	8537.01	0.90%	-4.52%
S&P BSE HC	16240.3	0.37%	-0.73%
S&P BSE IT	10082.4	-1.43%	-3.28%
S&P BSE Metal	10258.4	5.07%	0.88%
S&P BSE Oil & Gas	12081.2	6.18%	9.12%

*Source: Reuters* *Value as on October 07, 2016*

- On the BSE sectoral front, all the major sectoral indices rose, barring S&P BSE IT (-1.43%) and S&P BSE Teck (-0.58%).
- The biggest gainer was S&P BSE Oil & Gas (6.18%) followed by S&P BSE Metal (5.07%) and S&P BSE Realty (4.05%). S&P BSE Oil & Gas has been rallying recently as firm crude oil prices are driving the market.

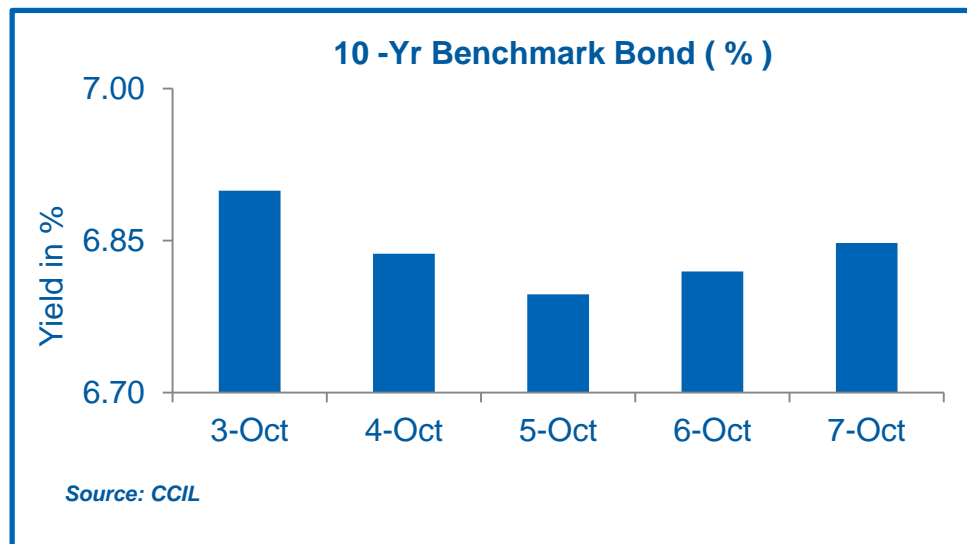
## Indian Derivatives Market Review

- Nifty Oct 2016 Futures were at 8,722.75 points, a premium of 25.15 points, over the spot closing of 8,697.60 points. The turnover on NSE's Futures and Options segment stood at Rs. 17.89 lakh crore during the week to Oct 7, compared with Rs. 29.91 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.91 from the previous week's close of 0.98.
- The Nifty Put-Call ratio stood at 0.96, compared with the previous week's close of 0.94.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.18	6.45	6.40	6.36
91 Day T-Bill	6.36	6.45	6.55	6.83
07.80% 2021, (5 Yr GOI)	6.73	6.87	6.94	7.47
07.59% 2026, (10 Yr GOI)	6.85	6.96	7.06	7.45

*Source: Reuters* *Value as on October 07, 2016*



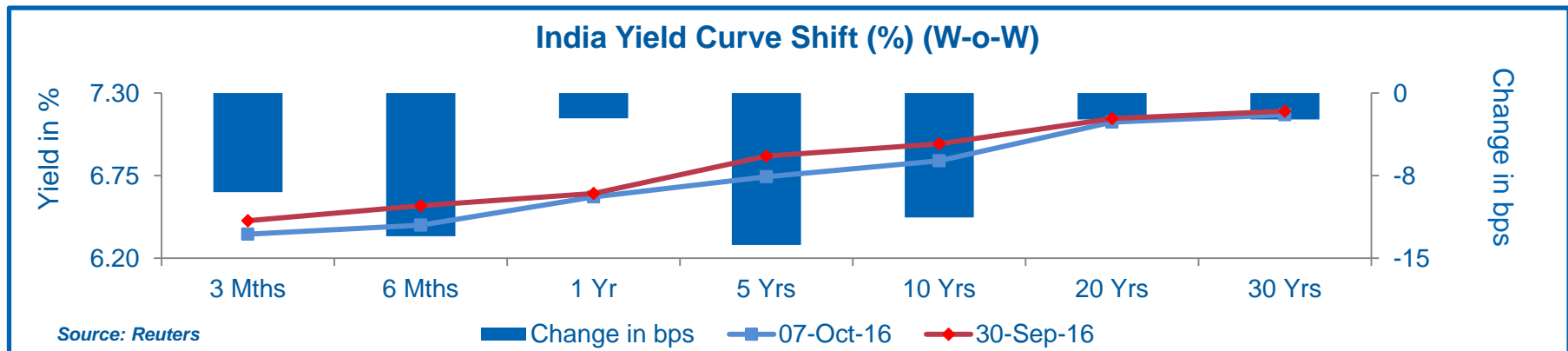
- Bond yields plunged on increasing expectations of a rate cut at the conclusion of the nation’s first Monetary Policy Committee’s (MPC) two-day meet on Oct 4, which came in line with market expectations. India’s newly-formed MPC retained its accommodative stance and lowered key policy repo rate by 25 bps.
- Yields fell to a 7-year low on hopes that this year’s adequate monsoon rainfall will keep food inflation under control and enable the MPC to further reduce the interest rates.
- However, gains retreated as investors preferred to book profits from the recent rally in the domestic debt market.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.71	7.01	30
3 Year	6.75	7.14	39
5 Year	6.90	7.26	36
10 Year	7.08	7.36	28

Source: Reuters Value as on October 07, 2016

- Yields on gilt securities fell across the maturities up to 16 bps. Maximum fall was seen on the 6-year paper, while the minimum was on the 11-year maturity.
- Corporate bond yields plunged across the segments in the range of 17 bps to 29 bps. Highest decline was seen on the 1-year paper, while the lowest was on the 10- and 15-year maturities.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 3 bps to 23 bps.



# Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) is working on measures to ensure that a higher share of business is not concentrated in a single commodity exchange. However, SEBI added that this would not mean curbing the growth of any particular exchange or interfering with market forces.
- According to the Reserve Bank of India, start-ups can raise external commercial borrowings of up to \$30 million or equivalent per financial year with a view to spur innovation and promote job creation. The fund can be raised in rupees as well as in foreign currency.
- SEBI chairman said it is possible to reduce the listing timeline after an initial public offer further to four days from six days with the co-operation of market, government, Reserve Bank of India, and the bankers. He added that the work has already been initiated in this direction. Last year, SEBI reduced the listing timeline from 12 days to six days.



## Global News/Economy

- ❑ The International Monetary Fund (IMF) has lowered its global growth forecasts for advanced economies to 1.6% from 1.8% and retained the outlook for next year at 1.8%. Also, IMF recommended advanced economies to intensify monetary, fiscal, and structural efforts to boost growth. However, emerging market and developing economies are set to grow 4.2% in 2016, slightly faster than 4.1% predicted in Jul 2016. The outlook for next year stood unchanged at 4.6%. It also expects global growth to pick up slightly next year due to strength from emerging markets.
- ❑ A Data from the U.S. Labor Department showed that non-farm payroll employment grew 156,000 in Sep 2016, which was lower than market expectations. Jobs gains in Aug 2016 were upwardly revised to 167,000 from 151,000 while the same in Jul 2016 was downwardly revised to 252,000 from 275,000. The unemployment rate edged up to 5.0% in Sep from 4.9% in Aug. The average hourly employee on a yearly basis grew 2.6% during the week under review.
- ❑ According to the minutes of the European Central Bank's policy meeting, the policymakers have agreed to continue with the accommodative stance in order to recover the eurozone from global and political uncertainty amid downside risks and a weak external environment.

# Global Equity Markets

Global Indices			
Indices	07-Oct -16	1-Week Return	YTD Return
Dow Jones	18240.49	-0.37%	6.37%
Nasdaq 100	4864.523	-0.23%	8.15%
FTSE 100	7044.39	2.10%	15.61%
DAX Index	10490.86	-0.19%	2.02%
Nikkei Average	16860.09	2.49%	-8.62%
Straits Times	2875.24	0.20%	1.38%

*Source: Reuters*

## Europe

- European markets rose during the week as concerns over a major European bank's financial woes receded. Initially during the week, markets gained as strong U.S. manufacturing data reassured investors worried about the strength of the world's largest economy. However, towards the end, market participants remained cautious ahead of the U.S. jobs report for Sep..

## Asia

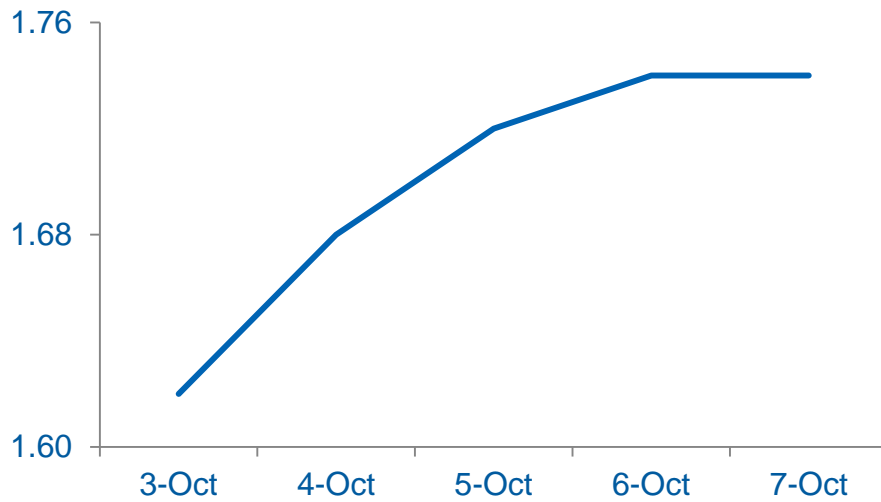
- Asian markets rose during the week after the yen weakened against the U.S. dollar. Investors found confidence as a weaker yen pushed exports in Japan. The Chinese market remained closed during the week for the Golden Week holidays.

## U.S.

- U.S. markets fell during the week as investors remained cautious regarding oil prices and monthly jobs report.
- On the economic front, U.S. ISM manufacturing index for Sep came in at 51.5, up from 49.4 in the previous month. The market fell further towards the end of the week following the release of a report from the Labor Department showing that U.S. employment increased by less than expected in Sep.

## Global Debt (U.S.)

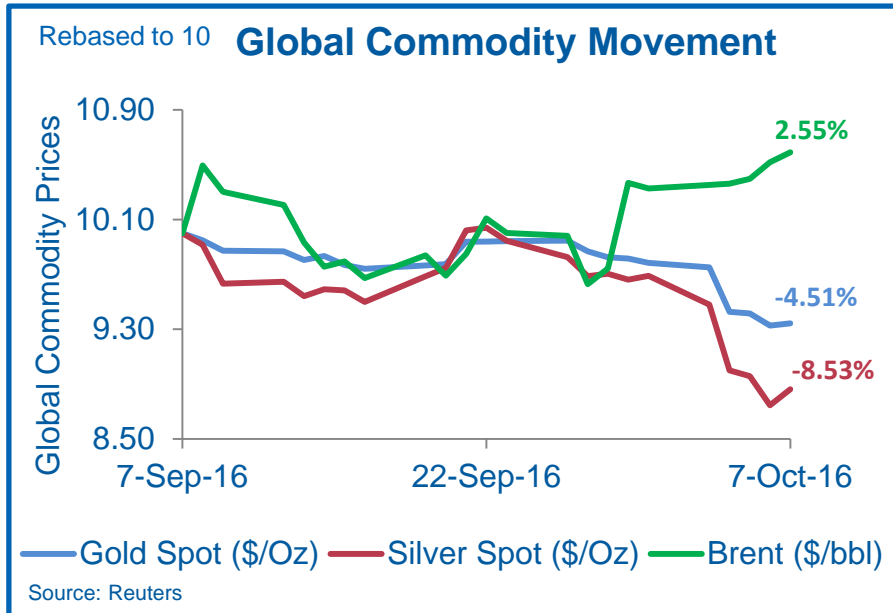
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield rose 13 bps to close at 1.74%, compared with the previous week's close of 1.61%.
- U.S. Treasury prices fell initially during the week under review following upbeat U.S. manufacturing and service sector Purchasing Managers' Index data for Sep.
- Treasury prices fell further amid concerns that the European Central Bank may tighten its asset purchase program, and after U.S. weekly jobless claims fell to a near 43-year low in the week ended Oct 1. However, losses were restricted after the U.S. non-farm payroll employment data for Sep came below market expectations and the unemployment rate inched up during the same period.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.9	48.6
Gold (\$/Oz)	1256.5	1315.8
Gold (Rs/10 gm)	29783.0	31175.0
Silver (\$/Oz)	17.5	19.1
Silver (Rs/Kg)	41571.0	45487.0

Source: Reuters Value as on October 07, 2016

## Gold

- Growing uncertainty over Fed's stance on interest rate hike by the end of this calendar year took a toll on gold prices during the week. Bullion took an initial hit as expansion in U.S. manufacturing activity in Sep triggered optimism over the strength of the nation's economy, thereby strengthening ground of a probable rate hike in 2016.

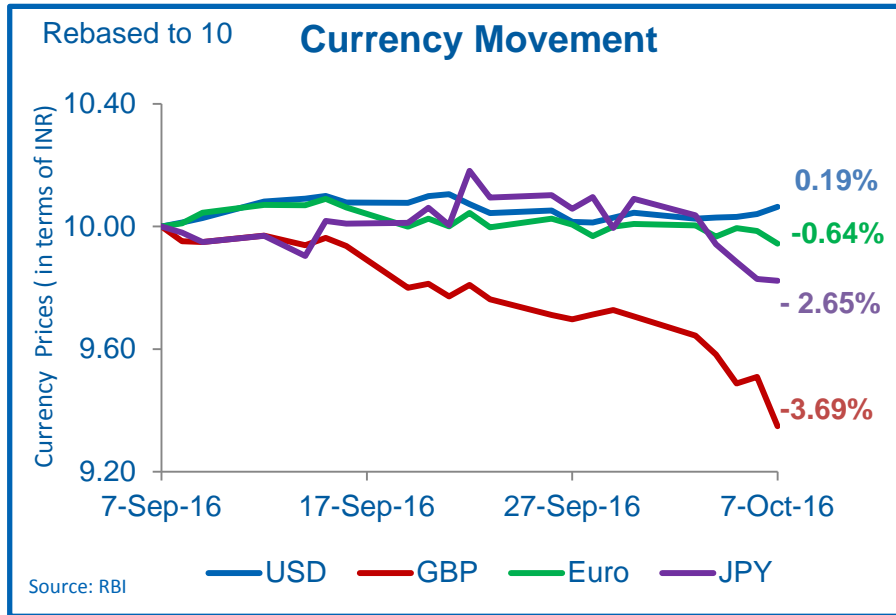
## Crude

- Brent crude prices strengthened amid easing concerns over supply glut after data from the American Petroleum Institute showed that U.S. crude inventories dropped 7.6 million barrels in the week to Sep 30.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.79	66.66
Pound Sterling	83.24	86.42
EURO	74.27	74.75
JPY(per 100 Yen)	64.30	66.05

Source: RBI

Figures in INR , Value as on October 07, 2016

## Rupee

- The rupee rose against the greenback following gains in the domestic equity market, but gains were reversed as investors remained on the sidelines ahead of the release of key U.S. nonfarm payroll data for Sep.

## Euro

- The euro weakened against the greenback following a steep drop in the U.S. weekly jobless claims, marking a 43-year low in the week ended Oct 1, and U.S weak economic data.

## Pound

- The pound plunged against the greenback on concerns over Britain's economy when it will formally leave the European Union.

## Yen

- ✓ The yen weakened against the greenback after a Bank of Japan survey showed that companies trimmed their inflation forecast, and the U.S. reported a slew of upbeat economic data.

The Week that was...  
October 03 to October 07

# The Week that was (October 03 – Oct 07)

Date	Events	Present Value	Previous Value
Monday, October 03, 2016	U.S. ISM Manufacturing (Sep)	51.50	49.40
	U.S. Construction Spending (MoM) (Aug)	-0.70%	-0.30%
Tuesday, October 04, 2016	Japan Monetary Base (YoY) (Sep)	22.70%	24.20%
	Japan Consumer Confidence Index (Sep)	43.00	42.00
	Eurozone Producer Price Index (YoY) (Aug)	-2.10%	-2.80%
	U.K. Markit Construction PMI (Sep)	52.30	49.20
Wednesday, October 05, 2016	U.S. ISM Non-Manufacturing Composite(Sep)	57.10	51.40
	Japan Nikkei Composite PMI (Sep)	48.90	49.80
	U.S. Factory Orders (Aug)	0.20%	1.40%
	U.S. ADP Employment Change (Sep)	154K	177K
	U.S. Trade Balance (Aug)	\$40.7b	\$39.5b
	U.K. Markit Composite PMI (Sep)	53.90	53.60
Thursday, October 06, 2016	Germany Factory Orders (YoY) (Aug)	2.10%	-0.60%
	Germany Markit Construction PMI (Sep)	52.40	51.60
	Germany Markit Retail PMI (Sep)	53.00	54.10
	Eurozone Markit Retail PMI (Sep)	49.60	51.00
	U.S. Initial Jobless Claims (Oct 01)	249K	254K
	Germany Factory Orders (YoY) (Aug)	2.10%	-0.60%
Friday, October 07, 2016	Germany Industrial Production (YoY) (Aug)	1.90%	-1.30%
	U.K. Manufacturing Production (YoY) (Aug)	0.50%	0.70%
	U.K. Trade Balance (Pounds) (Aug)	-4733.00	-2203.00
	U.K. Industrial Production (YoY) (Aug)	0.70%	2.10%

The Week Ahead...  
October 10 to October 14



# The Week Ahead

Day	Event
Monday, October 10, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Aggregate Financing (Sep)</li> <li><input type="checkbox"/> Germany Trade Balance (Aug)</li> <li><input type="checkbox"/> Eurozone Sentix Investor Confidence (Oct)</li> </ul>
Tuesday, October 11, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> Eurozone Economic Confidence (Oct)</li> <li><input type="checkbox"/> Japan Eco Watchers Survey (Sep)</li> <li><input type="checkbox"/> Japan Trade Balance (Aug)</li> </ul>
Wednesday, October 12, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Machine Orders (Aug)</li> <li><input type="checkbox"/> Eurozone Industrial Production (Aug)</li> <li><input type="checkbox"/> U.S. MBA Mortgage Applications (Oct 7)</li> </ul>
Thursday, October 13, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Trade Balance (Sep)</li> <li><input type="checkbox"/> Germany Wholesale Price Index (Sep)</li> <li><input type="checkbox"/> U.K. House Price Balance (Sep)</li> </ul>
Friday, October 14, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Consumer Price Index (Sep)</li> <li><input type="checkbox"/> U.K. Construction Output (Aug)</li> </ul>

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