

News U Can Use

October 14, 2016

The Week that was...
10th October to 14th October

Indian Economy

- ❑ Government data showed that Wholesale Price Index (WPI)-based inflation fell to a three-month low of 3.57% in Sep from 3.74% in Aug and -4.59% during the corresponding month of the previous year. WPI inflation for food articles also slowed to 5.75% in Sep from 8.23% in the previous month, while WPI for vegetables contracted 10.91% during the period under review compared with a rise of 0.17% in the previous month.
- ❑ Government data showed that Consumer Price Index-based inflation fell to a 13-month low of 4.31% in Sep from 5.05% in the preceding month and 4.41% in the same month of the previous year. Accordingly, the consumer food price index stood at 3.88% in Sep, similar to prior year period but lower than 5.91% in the previous month.
- ❑ Government data showed that India's industrial output fell 0.7% YoY in Aug. Industrial output for Jul and May was revised to -2.4% and 1.3% from -2.5% and 1.2%, respectively. Manufacturing output fell 0.3% in Aug while mining production contracted 5.6%. Electricity output expanded 0.1% during the period under review. Capital goods output contracted 22.2% in Aug, while basic goods production grew 3.2%. Intermediate goods' output rose 3.6% during the same period.
- ❑ A major rating agency opined that the asset quality of retail loans backing Indian asset-backed securities will improve over the next two years. This it attributed to improvement in operating conditions and efforts taken by banks to prevent delinquent loans from turning into Non Performing Loans (NPLs).

Indian Equity Market

Domestic Equity Market Indices			
Indices	14-Oct-16	1 Week Return	YTD Return
S&P BSE Sensex	27673.6	-1.38%	5.78%
Nifty 50	8583.4	-1.31%	7.79%
S&P BSE Mid-Cap	13419.62	-0.91%	19.33%
S&P BSE Small-Cap	13176.76	-0.35%	10.35%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.82	22.98	31.44	91.19
P/B	2.87	3.25	2.51	2.07
Dividend Yield	1.42	1.29	1.1	0.78

Source: BSE, NSE

Value as on October 14, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
10-Oct-16	952	685	1.39
13-Oct-16	352	1293	0.27
14-Oct-16	1037	575	1.80

Source: NSE

- Indian equity market dipped during the week, mainly after minutes of the U.S. Federal Reserve Open Market Committee meeting indicated that chances of a rate hike soon would build up if the country's economy continued to grow stronger.
- Although the Wholesale Price Index (WPI)-based inflation data declined to 3.57% in Sep from 3.74% in Aug because of a fall in food inflation, its positive effect was partially offset after an IT major lowered its revenue guidance for FY17. Slipping steel exports in China, from 9 million tonnes in Aug to 8.80 million tonnes in Sep, also impacted the market.
- The market remained somewhat lukewarm on account of holidays on Oct 11 and Oct 12.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22554.9	-1.29%	0.80%
S&P BSE Bankex	21716.1	-1.97%	-5.04%
S&P BSE CD	12796.2	0.03%	1.14%
S&P BSE CG	14893.2	0.36%	-0.34%
S&P BSE Realty	1532.71	-2.59%	0.18%
S&P BSE Power	1991.31	-1.33%	-3.88%
S&P BSE IT	10155.1	0.72%	-0.70%
S&P BSE Metal	10158.7	-0.97%	5.22%
S&P BSE Oil & Gas	12178.3	0.80%	10.73%

Source: Reuters *Value as on October 14, 2016*

- On the BSE sectoral front, most of the sectors snapped. While S&P BSE Realty, down 2.59%, was the highest loser, S&P BSE Bankex (-1.97%), S&P BSE Power (-1.33%), and S&P BSE Auto (-1.29%) comprised some of the other laggards.
- The top gainer was S&P BSE Oil & Gas, up 0.80%, followed by S&P BSE IT (0.72%), S&P BSE Capital Goods (0.36%), and S&P BSE Consumer Durables (0.03%).

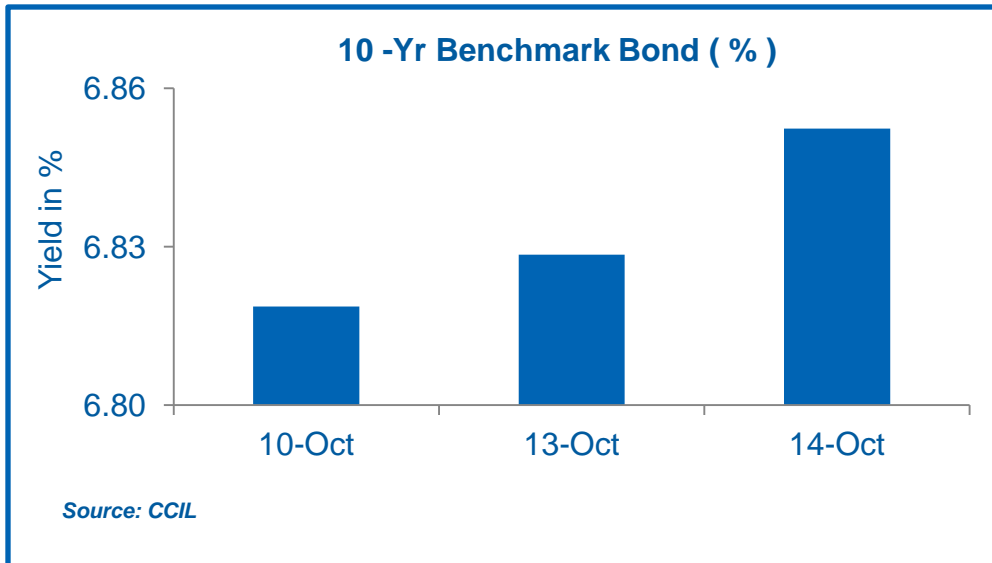
Indian Derivatives Market Review

- Nifty Oct 2016 Futures were at 8,605.10 points, a premium of 21.70 points, over the spot closing of 8,583.40 points. The turnover on NSE's Futures and Options segment stood at Rs. 11.14 lakh crore during the week to Oct 14, compared with Rs. 17.89 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.78 from the previous week's close of 0.91.
- The Nifty Put-Call ratio stood at 0.93, compared with the previous week's close of 0.96.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.24	6.18	6.42	6.38
91 Day T-Bill	6.37	6.36	6.52	6.80
07.80% 2021, (5 Yr GOI)	6.73	6.73	6.94	7.45
07.59% 2026, (10 Yr GOI)	6.85	6.85	7.08	7.44

Source: Reuters *Value as on October 14, 2016*



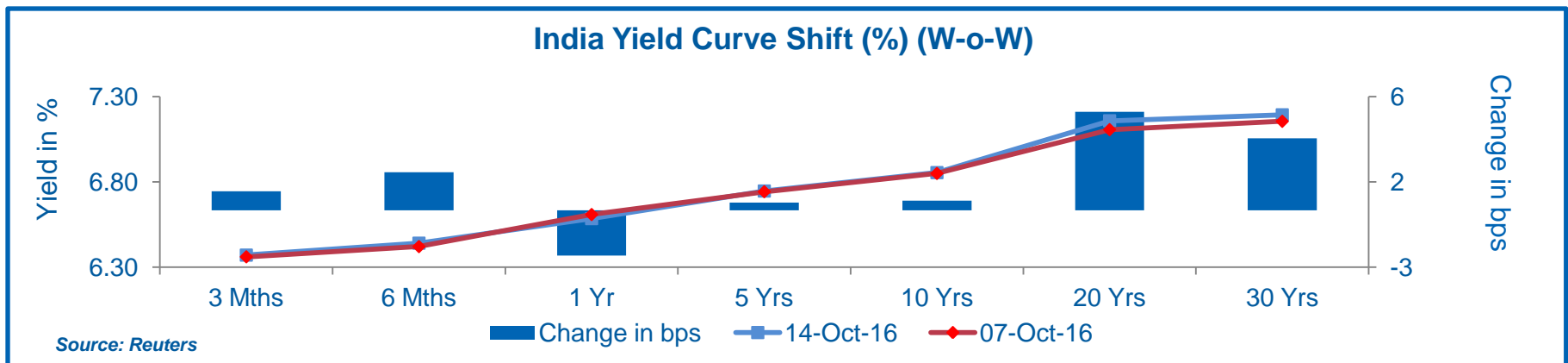
- ▣ In a holiday-truncated week, bond yields fell initially after weaker than expected U.S. non-farm payroll employment data for Sep eased concerns over a near term rate hike by the U.S. Federal Reserve (Fed). Decline in domestic inflationary pressures in Sep also boosted market sentiment.
- ▣ However, gains were neutralised after release of the minutes of Fed's Sep policy meeting increased concerns of an interest rate hike in Dec. Profit booking by investors added to the woes.
- ▣ Yield on 10-year benchmark bond (7.59% GS 2026) closed unchanged from the previous week's 6.85%. Yields moved in a range of 6.80% to 6.87% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.69	7.07	38
3 Year	6.73	7.17	44
5 Year	6.91	7.29	38
10 Year	7.08	7.42	34

Source: Reuters Value as on October 14, 2016

- Yields on gilt securities fell across 1 to 4-year maturities and 11-year paper by up to 2 bps, and closed steady on 5- and 10-year maturities.
- Corporate bond yields increased across the maturities in the range of 3 bps to 6 bps.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities in the range of 2 bps to 8 bps.



Regulatory Updates in India

- ❑ The government gave its approval for a highway project worth Rs. 1,955 crore. The highway project aims to construct a road link between Sahibganj in Jharkhand to Manihari in Bihar. According to the government, the project will improve infrastructure, reduce the time and cost of travel, and uplift socio-economic conditions of people in these two states.
- ❑ Reserve Bank of India governor warned of risks emanating from the exit of Britain from the European Union and the upcoming Presidential elections in the U.S. The central bank governor urged the BRICS (Brazil, Russia, India, China, and South Africa) nations to take necessary steps to shore up their domestic economies and make themselves attractive destinations for investment.
- ❑ The Union cabinet gave its approval for a new mechanism to revise the price of sugarcane-extracted ethanol that is used for blending in petrol. According to the oil minister, the price of ethanol will be determined on the basis of prevalent price of sugar in the open market as also on the basis of demand-supply situation.
- ❑ According to Reserve Bank of India governor, the Indian government has adopted several initiatives to bring about skill building and support self employment like that of initiating the Start-up India, Digital India and Make in India programs. The central bank governor also suggested a common investment platform for the BRICS nation bloc that pools country experiences to bring about improvement in investment environment identifies investment opportunities and channelizes investible resources in a viable manner.

Regulatory Updates in India (contd..)

- The Association of Mutual Funds of India (AMFI) is planning to disclose inflow into arbitrage funds as a separate category. Presently, it is shown as a part of equity schemes. The total monthly inflows for equity schemes are shown under the heads of 'equity' and 'equity-linked saving schemes'. The decision is aimed at improving transparency. The new category is expected to be introduced as a part of the monthly inflow for Oct. Arbitrage funds exploit the price difference of an asset between two or more market segments, such as cash and futures.
- According to media reports, mutual fund distributors have approached the Securities Appellate Tribunal (SAT) against the Securities and Exchange Board of India's (SEBI's) direction to disclose the commission received from every individual investor. The distributors, represented by United Forum of distributors, have challenged SEBI's circular on folio-wise disclosure of commission. The capital market regulator had issued a circular in Mar directing distributors to disclose the commission earned on every individual investment, on a half-yearly basis, in half-yearly common account statement (CAS), in absolute terms.
- SEBI came out with a consultation paper on Oct 7 proposing all mutual fund distributors, who provide advisory services, to register themselves mandatorily with the market regulator as registered investment advisers. The paper aimed to strengthen the SEBI (Investment Adviser) Regulations, 2013. SEBI has invited comments from the general public till Nov 4, after which it is set to become a law.

Global News/Economy

- According to the minutes of the Sep Federal Open Market Committee meeting, doubt has emerged over the timing of the interest rate hike by the U.S. Federal Reserve due to different views of the voting members. However, Fed seems unlikely to raise interest rates until Dec, as the Presidential election in Nov might pose some economic uncertainties.
- Data from the Eurostat showed that euro zone's industrial output expanded 1.6% in Aug 2016 as against contraction of 0.7% in the previous month. Among components, energy and capital goods production grew 3.3% and 3.5%, respectively. On YoY basis, industrial production gained 1.8% in contrast to a 0.5% fall in Jul 2016.
- The National Bureau of Statistics said that China's consumer price index increased 1.9% on YoY basis and 0.7% on monthly basis in Sep. In the previous month, inflation grew 1.3% YoY and 0.1% MoM basis. Producer prices also moved up 0.1% on year as against 0.8% contraction in the previous month.
- According to a Bank of Japan policymaker, the negative interest rate policy will not impact the financial institution's business conditions and will also not deteriorate the economy as a whole in the current situation. He added that the central bank should take additional easing measures when needed without hesitation.

Global Equity Markets

Global Indices			
Indices	14-Oct -16	1-Week Return	YTD Return
Dow Jones	18138.38	-0.56%	5.77%
Nasdaq 100	4808.485	-1.15%	6.91%
FTSE 100	7013.55	-0.44%	15.10%
DAX Index	10580.38	0.85%	2.89%
Nikkei Average	16856.37	-0.02%	-8.64%
Straits Times	2815.24	-2.09%	-0.73%

Source: Reuters

Europe

- ▣ In the European markets, a series of positive economic data buoyed investor sentiment during the week. Concerns over the negative impact of “Brexit” eased after the U.K. Prime Minister allowed the U.K. Parliament to decide on the Brexit strategy. Nonetheless, disappointing Chinese trade data raised concerns over the health of the global economy.

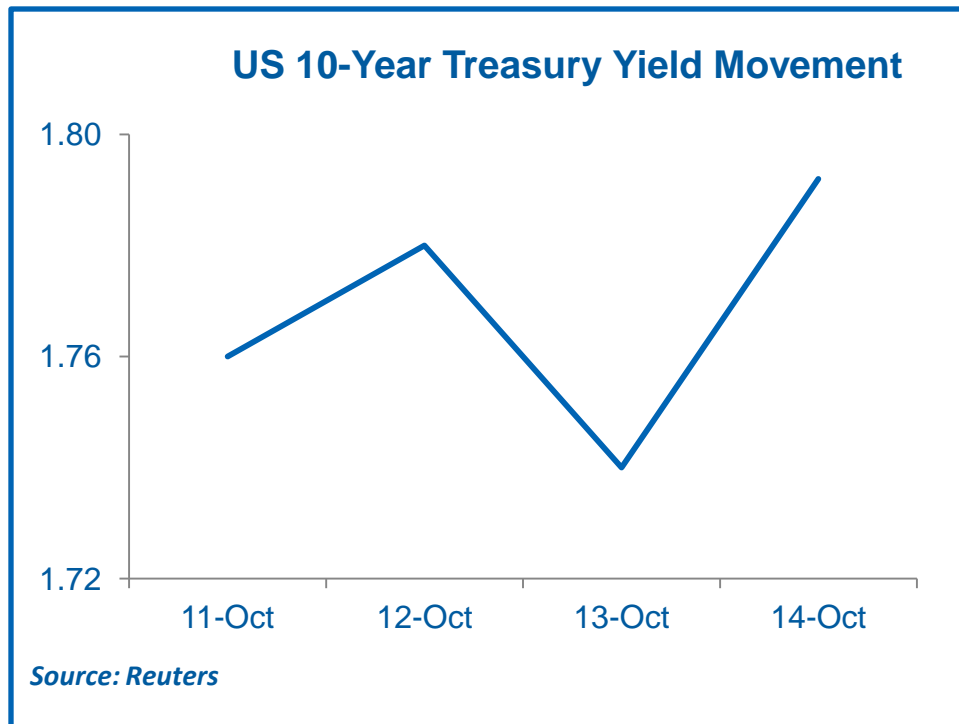
Asia

- ▣ Asian markets ended the week in the red. Uncertainty over the U.S. Fed’s stance on interest rate-hike continued to weigh on investor sentiment. Investor sentiments dampened further after Chinese central bank weakened the reference rate of the yuan.

U.S.

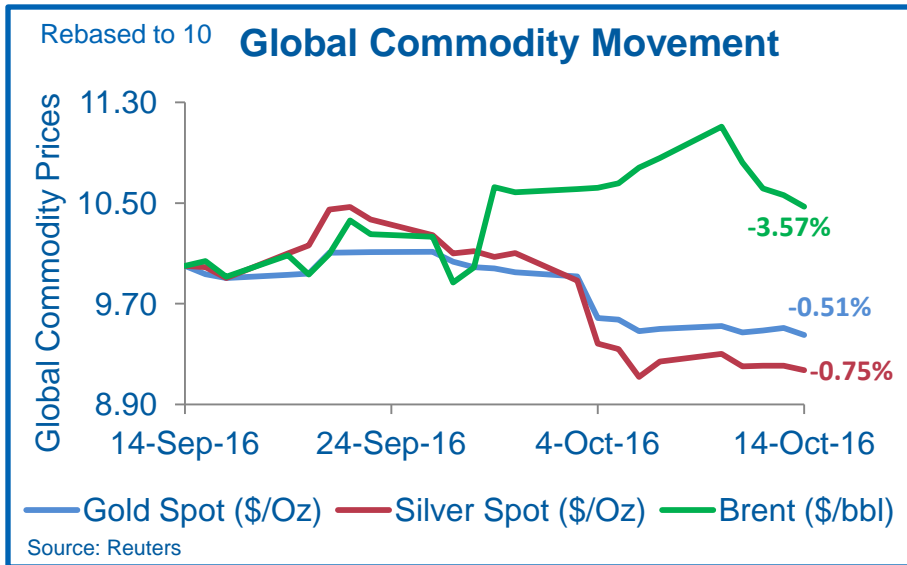
- ▣ Concerns over the global economy kept U.S. markets under pressure following the release of disappointing Chinese trade data for Sep.
- ▣ Uncertainty over U.S. Fed’s stance on interest rate hike too kept investors on the sidelines.
- ▣ Disappointing earnings release for the third quarter of 2016 of one of the industry majors in metal sector added to the woes.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield rose 5 bps to close at 1.79%, compared with the previous week's close of 1.74%.
- U.S. Treasury prices fell initially due to fall in Treasury futures prices and the minutes of the U.S. Federal Reserve's Sep meeting that strengthened expectations of an interest rate hike by the end of this year.
- However, losses were reversed as weak Chinese export data for Sep 2016 pushed investors to buy safe-haven government debt.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.11	49.89
Gold (\$/Oz)	1250.05	1256.48
Gold (Rs/10 gm)	29752	29783
Silver (\$/Oz)	17.38	17.511
Silver (Rs/Kg)	41775	41571

Source: Reuters Value as on October 14, 2016

Gold

- Gold prices fell over the week after minutes of U.S. Federal Reserve's latest meeting showed that several members of the Federal Open Market Committee expect the target range to increase relatively soon if economy continues to strengthen.

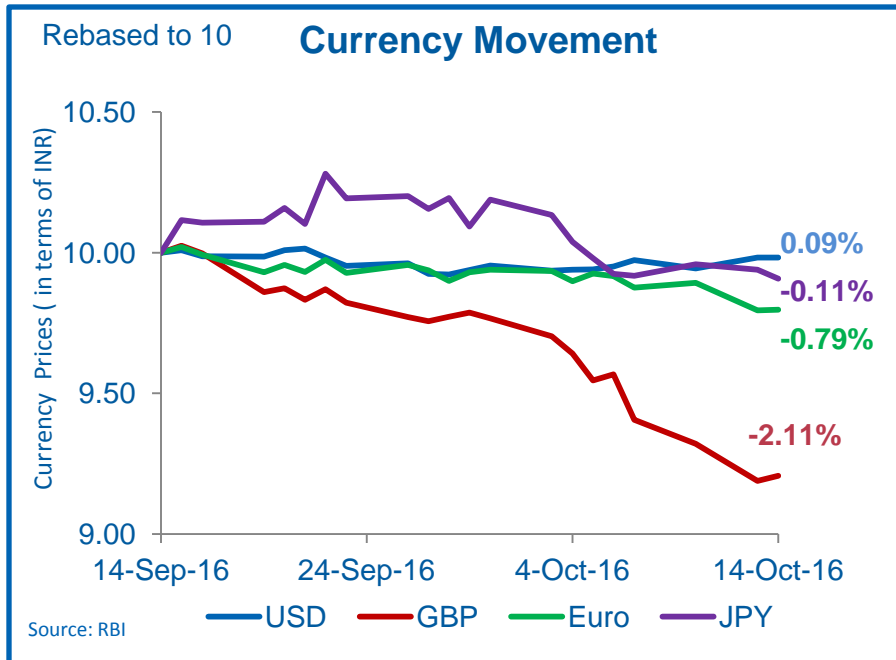
Crude

- Brent crude prices fell after the Organization of the Petroleum Exporting Countries (OPEC) reported that its oil production climbed to an eight-year high in Sep. Investors also became doubtful about the output-cut deal by major global oil producers.

Baltic Dry Index

- The Baltic Dry Index fell during the week owing to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.85	66.79
Pound Sterling	81.48	83.24
EURO	73.69	74.27
JPY(per 100 Yen)	64.23	64.30

Source: RBI Figures in INR , Value as on October 14, 2016

Rupee

- The Indian rupee weakened slightly after the minutes of the U.S. Federal Reserve's Sep policy meeting strengthened expectations of an interest rate hike.

Euro

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

Pound

- Sterling weakened against the U.S. dollar as investors feared Britain to undergo a "hard" exit from the European Union.

Yen

- Yen weakened after the minutes of Fed's Sep meeting strengthened expectations of an interest rate hike. However, losses were restricted as China's weak export data for Sep benefited the safe-haven yen.

The Week that was...
October 10 to October 14

The Week that was (Oct 10 – Oct 14)

Date	Events	Present Value	Previous Value
Monday, October 10, 2016	German Trade Balance (euros) (AUG)	20.0b	19.5b
	Euro-Zone Sentix Investor Confidence (OCT)	8.50	5.60
Tuesday, October 11, 2016	Euro-Zone ZEW Survey (Economic Sentiment) (OCT)	12.30	5.40
	Japan Trade Balance - BOP Basis (Yen) (AUG)	¥243.2b	¥613.9b
	German ZEW Survey (Economic Sentiment) (OCT)	6.20	0.50
Wednesday, October 12, 2016	Japan Machine Orders (YoY) (AUG)	11.60%	5.20%
	Euro-Zone Industrial Production w.d.a. (YoY) (AUG)	1.80%	-0.50%
	U.S. MBA Mortgage Applications (OCT 7)	-6.00%	2.90%
Thursday, October 13, 2016	China Trade Balance (SEP)	278.4b	346.0b
	Japan Tertiary Industry Index (MoM) (AUG)	0.00%	0.30%
	German Consumer Price Index (YoY) (SEP F)	0.70%	0.70%
	U.S. Initial Jobless Claims (OCT 8)	246k	246k
	U.S. DOE U.S. Crude Oil Inventories (OCT 7)	4850k	-2976K
Friday, October 14, 2016	China Consumer Price Index (YoY) (Sep)	1.90%	1.30%
	U.S. Retail Sales (MoM) (Sep)	0.60%	-0.20%
	U.S. Reuters/Michigan Consumer Sentiment Index (Oct)	87.90	91.20

The Week Ahead...
October 17 to October 21

The Week Ahead

Day	Event
Monday, October 17, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Industrial Production (YoY) (AUG F). <input type="checkbox"/> Euro-Zone Consumer Price Index (MoM) (SEP). <input type="checkbox"/> U.S. Industrial Production (SEP).
Tuesday, October 18, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> GBP Consumer Price Index (YoY) (SEP). <input type="checkbox"/> USD Consumer Price Index (YoY) (SEP). <input type="checkbox"/> U.S. NAHB Housing Market Index (OCT).
Wednesday, October 19, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> China GDP YTD (YoY) (3Q). <input type="checkbox"/> CNY Industrial Production (YoY) (SEP).
Thursday, October 20, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> European Central Bank Rate Decision (OCT 20). <input type="checkbox"/> U.S. Existing Home Sales (MoM) (SEP). <input type="checkbox"/> U.S. Initial Jobless Claims (Oct 8).
Friday, October 21, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Public Sector Net Borrowing (Pounds) (SEP). <input type="checkbox"/> Euro-Zone Consumer Confidence (OCT A).

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