

News U Can Use

October 21, 2016

The Week that was...
17th October to 21st October

Indian Economy

- ❑ Government data showed that India's merchandise exports rose 4.62% YoY to \$22.88 billion in Sep. Imports fell 2.54% YoY during the period under review to \$31.22 billion. The trade deficit thus narrowed to \$8.34 billion from \$10.17 billion in the corresponding period of the previous year. Cumulative exports for the period from Apr to Sep fell 1.74%, while cumulative imports fell 13.77%.
- ❑ According to the minutes of Reserve Bank of India's (RBI) latest policy review, all the members supported a cut in repo rate by 25 basis points, and felt inflation would decline in the coming days. Monetary Policy Committee members were of the view that the rate-cut was in line with the target to keep retail inflation within a band of 4%, plus or minus two percentage points, while supporting growth.
- ❑ Data from SEBI showed that Indian companies collected close to Rs. 24,000 crore by issuing non-convertible debentures (NCDs) in the period from Apr to Sep of the current fiscal to meet their business requirements. Indian companies in the same period of the previous fiscal collected around Rs. 1,502 crore through the same. Companies raise funds through NCDs for their working capital requirements, expansion of business, and other corporate purposes. Funds were raised through 10 issuances in the first half of the current fiscal compared with 4 in the same period of the previous year. In 2015-16, companies mobilized Rs. 33,812 crore, while in 2014-15, they had raised Rs. 9,713 crore through this route.

Indian Equity Market

Domestic Equity Market Indices			
Indices	21-Oct-16	1 Week Return	YTD Return
S&P BSE Sensex	28077.18	1.46%	7.33%
Nifty 50	8693.05	1.28%	9.17%
S&P BSE Mid-Cap	13602.38	1.36%	20.96%
S&P BSE Small-Cap	13432.21	1.94%	12.49%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.01	23.23	31.73	92.75
P/B	2.89	3.29	2.53	2.11
Dividend Yield	1.40	1.27	1.09	0.76

Source: BSE, NSE

Value as on October 21, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
17-Oct-16	675	973	0.69
18-Oct-16	1216	432	2.81
19-Oct-16	942	701	1.34
20-Oct-16	961	682	1.41
21-Oct-16	840	804	1.04

Source: NSE

- The Indian equity market gained during the week under review. Investors were initially cautious awaiting the earnings release of IT heavyweights and global cues seemed weak as well.
- Later, market went up as a banking sector major posted gain in two sessions in a row. Gains were extended as investors were optimistic as they looked forward to GST rates being decided in the next GST Council meet.
- However, dip in FMCG shares over concerns that higher Goods and Services Tax (GST) on certain products would shoot up product prices weighed on the market sentiment.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22244.79	-1.37%	-0.57%
S&P BSE Bankex	22585.45	4.00%	-0.49%
S&P BSE CD	12766.95	-0.23%	0.93%
S&P BSE CG	15100.93	1.39%	1.13%
S&P BSE FMCG	8508.37	0.59%	-2.64%
S&P BSE HC	16341.83	1.15%	-0.99%
S&P BSE IT	10352.27	1.94%	-0.18%
S&P BSE Metal	10314.33	1.53%	6.12%
S&P BSE Oil & Gas	12236.12	0.48%	9.43%

Source: Reuters Value as on October 21, 2016

- On the BSE sectoral front, most of the sectors grew. S&P BSE Bankex, up 4.00%, was the top gainer, followed by S&P BSE IT (1.94%), S&P BSE Power (1.80%), S&P BSE Teck (1.64%), and S&P BSE Metal (1.53%).
- The only laggards were S&P BSE Auto (-1.37%), and S&P BSE Consumer Durables (-0.23%).

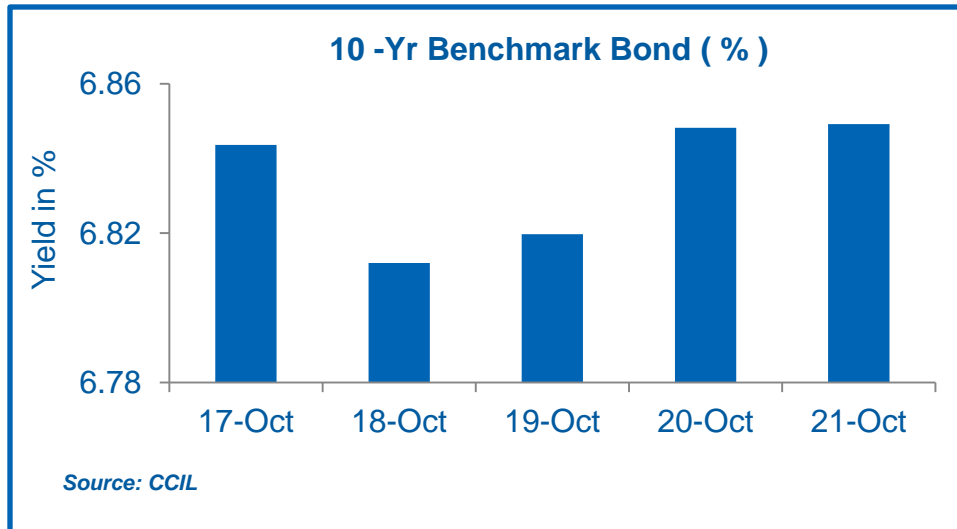
Indian Derivatives Market Review

- Nifty Oct 2016 Futures were at 8,700.35 points, a premium of 7.30 points, over the spot closing of 8,693.05 points. The turnover on NSE's Futures and Options segment stood at Rs. 21.73 lakh crore during the week to Oct 21, compared with Rs. 11.14 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.93 from the previous week's close of 0.78.
- The Nifty Put-Call ratio stood at 1.00, compared with the previous week's close of 0.93.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.22	6.24	6.43	6.50
91 Day T-Bill	6.39	6.37	6.52	6.81
07.80% 2021, (5 Yr GOI)	6.72	6.73	6.95	7.52
07.59% 2026, (10 Yr GOI)	6.85	6.85	7.04	7.47

Source: Reuters *Value as on October 21, 2016*



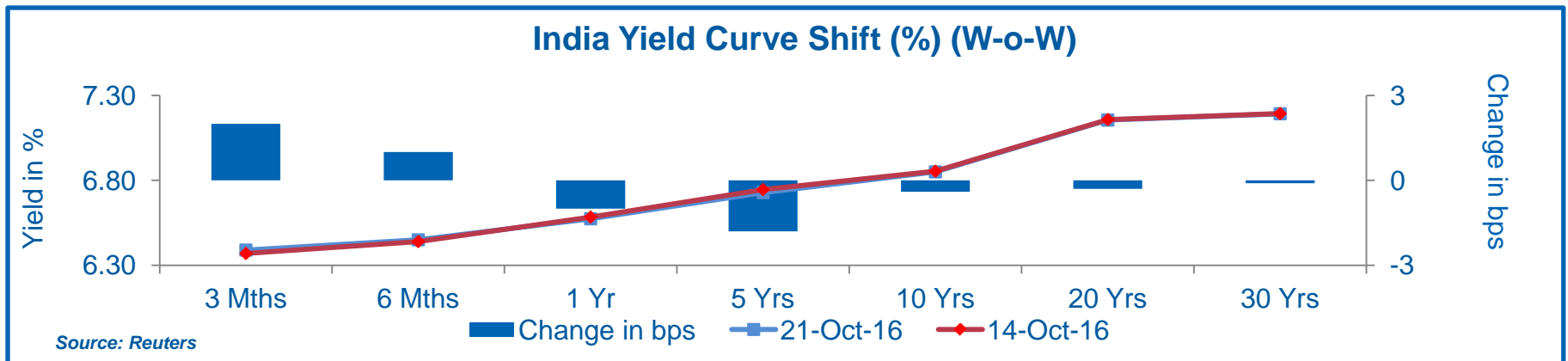
- Bond yields fell initially on expectations that the Reserve Bank of India (RBI) will conduct Open Market Operation (OMO) purchases to further improve the liquidity situation in the banking sector. Expectations came true after RBI announced to conduct OMO for an aggregate amount of Rs. 10,000 crore on Oct 25.
- However, gains were neutralised as investors preferred to remain on the sidelines in absence of any major market triggers.
- Yield on the existing 10-year benchmark bond (7.59% GS 2026) closed unchanged at 6.85%. Yields moved in a range of 6.80% to 6.88% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.68	7.06	38
3 Year	6.71	7.22	51
5 Year	6.90	7.31	41
10 Year	7.08	7.47	39

Source: Reuters Value as on October 21, 2016

- Yields on gilt securities remained steady across the maturities, barring 1-, 3 to 5-year, and 24-year papers that fell up to 3 bps. Yield on 11- and 12-year papers increased 1 bps each.
- Corporate bond yields increased across the segments in the range of 2 bps to 7 bps leaving 1-year paper that fell 1 bps.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 3 bps to 9 bps, barring 1-year paper that closed flat.



Regulatory Updates in India

- ❑ The Securities and Exchange Board of India (SEBI) has allowed Registered Investment Advisors (RIAs) to buy and sell mutual funds on behalf of their clients through the stock exchange platform. Accordingly, RIAs can use the stock exchange's infrastructure to buy and sell mutual fund units with asset management companies. The regulatory announcement is made in the light of proposed changes aimed at facilitating growth of RIAs segment.
- ❑ The Reserve Bank of India (RBI) has given approval for 100% foreign investment through the automatic route to regulated financial services companies other than that of banks or insurance companies. In addition, the central bank simplified rules so as to make entry easy for venture capital funds and eased norms for external commercial borrowings. RBI added that those venture capital investors who are registered with SEBI will not require approval from the central bank for investment in sectors such as biotechnology, IT, seed research and development, dairy and poultry, and production of bio-fuels.
- ❑ RBI has allowed banks to approve extension of external commercial borrowings on their own on the condition that the debt is unpaid and has not defaulted before. Earlier banks had to take approval from the central bank before restructuring any such offshore borrowings.

Regulatory Updates in India (contd..)

- ❑ The Central Board of Direct Taxes (CBDT) has introduced new rule for computing distributed income arising out of issue of shares through regular issue, amalgamation, demerger, bonus issue, conversion of bond or debenture, sweat equity share issue or share-buyback in demat form by companies. This is being done in order to minimise litigations over taxation.
- ❑ According to media reports, the Association of Mutual Funds of India (AMFI) will consider a report submitted by an advisory audit and business consultancy firm on risk management for discussion in its next board meeting to be held on Nov 17. In the report, the firm has given various options suggesting restrictions to be made by the fund houses on their investments. However, AMFI is at the discretion of choosing such options and a call on the subject is yet to be taken. AMFI, in its forthcoming board meeting will also consider the risk management guidelines which have been already set by Reserve Bank of India for banks in the past.
- ❑ The Union cabinet is expected to clear a plan of reducing stake in 20 public sector undertakings (PSUs) on Oct 19. This will ensure that these PSUs are managed professionally and there is more efficiency. The cabinet will also review the plan in detail to reduce 10% stake in public sector general insurance companies, a move aimed at helping insurers raise funds to take on private sector players.

Global News/Economy

- ❑ Data from the National Bureau of Statistics showed that China's economy grew at a steady pace in the third quarter of 2016. Gross domestic product expanded 6.7% on a yearly basis in the three months to Sep, the same pace of growth as was seen in the first and second quarters. On a quarterly basis, the economy expanded 1.8%.
- ❑ Final data from Eurostat showed that euro zone's inflation accelerated as per estimation in Sep 2016. Inflation rose to 0.4% from 0.2% in Aug 2016. A similar high rate was last seen in Oct 2014. On a monthly basis, consumer prices gained 0.4% in Sep.
- ❑ Data from the Office for National Statistics showed that U.K. retail sales remained unchanged for the second month in Sep. On a yearly basis, retail sales increased 4.1%.
- ❑ Data from the U.S. Labour Department showed that U.S. consumer price index climbed 0.3% in Sep after edging up 0.2% in Aug. On a yearly basis, the annual rate of consumer price inflation accelerated to 1.5% in Sep from 1.1% in the previous month.
- ❑ The European Central Bank in its monetary policy review kept interest rates unchanged for the fifth consecutive session. The refinance rate remained unchanged at a record low of 0%. The deposit rate was maintained at -0.40% and the marginal lending facility rate at 0.25%. The central bank added that interest rates will remain at present or lower levels for an extended period of time.

Global Equity Markets

Global Indices			
Indices	21-Oct -16	1-Week Return	YTD Return
Dow Jones	18145.71	0.04%	5.81%
Nasdaq 100	4851.86	0.90%	7.87%
FTSE 100	7020.47	0.10%	15.21%
DAX Index	10710.73	1.23%	4.16%
Nikkei Average	17184.59	1.95%	-6.86%
Straits Times	2831.06	0.56%	-0.17%

Source: Reuters

Europe

- European markets gained over the week after a series of positive economic data buoyed investor sentiment. Euro zone inflation accelerated as estimated in Sep to the highest level since late 2014, and at the same time U.K. inflation data increased more than expected to a near two-year high. Uptick in crude oil prices and improved China GDP also supported gains.

Asia

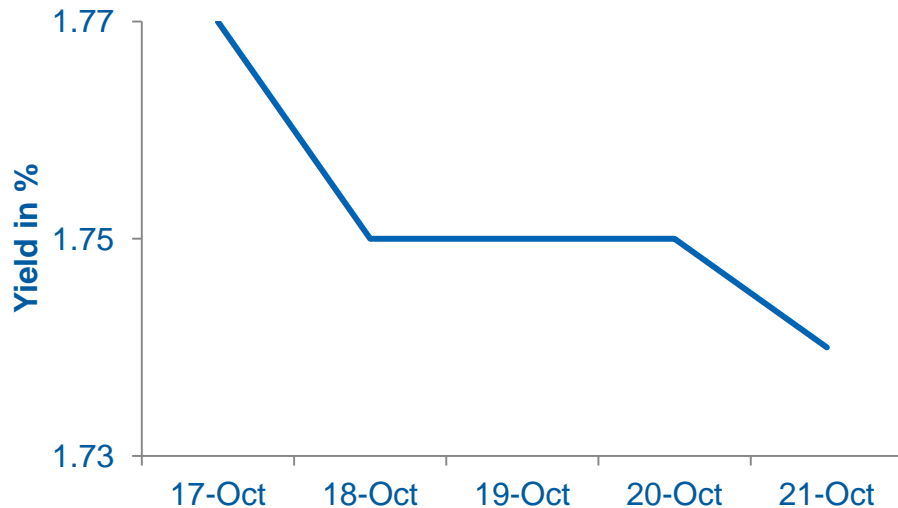
- Asian markets ended the week in the green after China's GDP expanded 6.7% annually in the third quarter of 2016. Gains were extended after China's finance ministry issued rules for managing government funds in private-public partnership projects.

U.S.

- U.S. markets gained over the week following stronger than expected corporate earnings reports and improvement in some of the key economic data, along with rise in crude oil prices.
- However, weaker than expected increase in U.S. industrial production in Sep and more than expected rise in U.S. initial jobless claims in the week to Oct 15 played spoil sports.

Global Debt (U.S.)

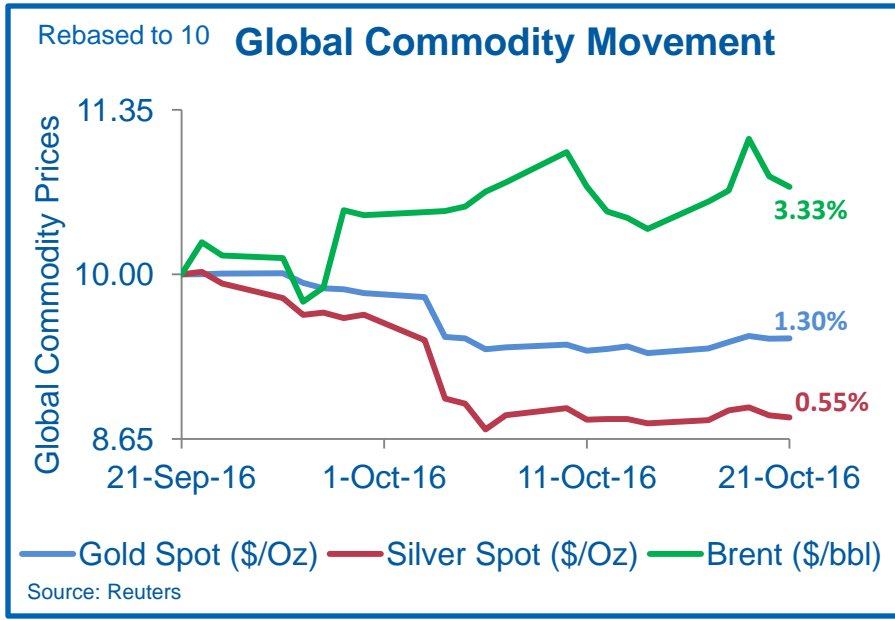
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield dropped 5 bps to close at 1.74%, compared with the previous week's close of 1.79%.
- Initially, U.S Treasury prices rose over last week's comments from the U.S. Federal Reserve chief, which suggested that the central bank would be less aggressive in raising interest rates. Downbeat regional business activity data for Oct gauged by New York Federal Reserve further supported U.S. Treasury prices.
- Gains were extended on expectations that it would take longer than expected for domestic inflation in U.S. to reach the U.S. Federal Reserve's 2% target.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.72	48.12
Gold (\$/Oz)	1266.25	1250.05
Gold (Rs/10 gm)	29950	29752
Silver (\$/Oz)	17.47	17.38
Silver (Rs/Kg)	41794	41775

Source: Reuters Value as on October 21, 2016

Gold

- Gold prices found support during the week as below target U.S. inflation numbers for Sep eased concerns over a probable rate hike by the U.S. Federal Reserve (Fed) in Dec to some extent. Increase in the holdings of the SPDR Gold Trust, the world's largest gold-backed ETF on Oct 20, provided additional support to gold prices.

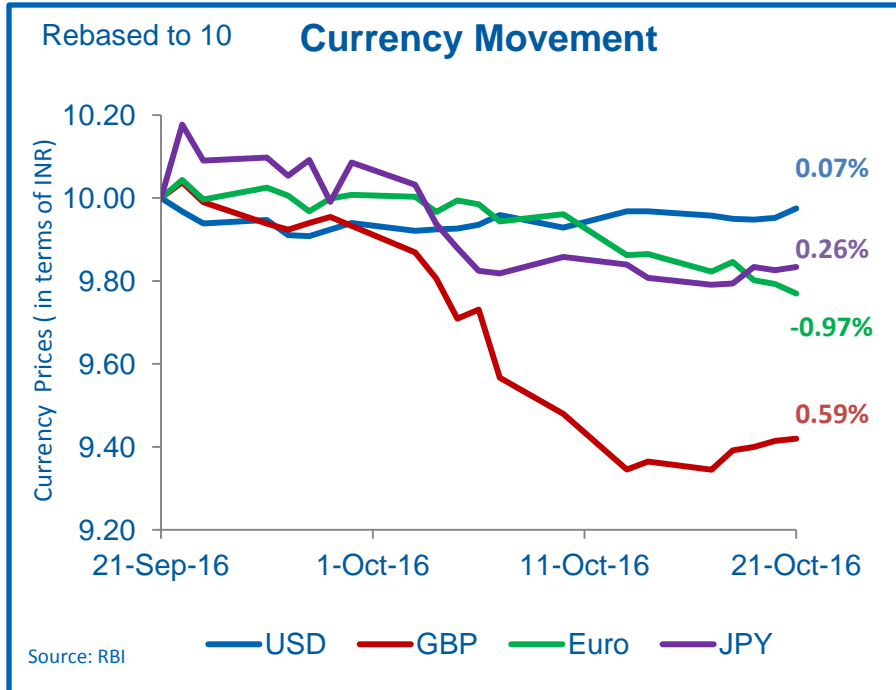
Crude

- Easing concerns over supply glut helped Brent crude prices to rise. Oil prices also benefitted after Russia reiterated its commitment to contribute to the global output freeze.

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	66.89	66.85
Pound Sterling	81.96	81.48
EURO	72.98	73.69
JPY(per 100 Yen)	64.40	64.23

Source: RBI *Figures in INR , Value as on October 21, 2016*

Rupee

- The Indian rupee fell against the U.S dollar following upbeat U.S. retail sales data for Sep. However, selling of the greenback and gains in the domestic equity market restricted further losses.

Euro

- Euro weakened against the greenback after ECB kept interest unchanged and the ECB chief did not provide any guidance to its asset purchase program.

Pound

- Sterling rose against the greenback on suggestions that the U.K. parliament may have to approve the U.K. deal to leave the European Union.

Yen

- ✓ Yen gained against the greenback as investors booked profits on greenback and downbeat regional business activity data for Oct gauged by New York Fed.

The Week that was...
October 17 to October 21

The Week that was (Oct 17 – Oct 21)

Date	Events	Present Value	Previous Value
Monday, October 17, 2016	Japan Industrial Production (YoY) (Aug) (F)	4.50%	4.60%
	Euro zone Consumer Price Index (MoM) (Sep)	0.40%	0.10%
	U.S. Industrial Production (MoM) (Sep)	0.10%	-0.50%
Tuesday, October 18, 2016	U.K. Consumer Price Index (YoY) (Sep)	1.00%	0.60%
	U.S. Consumer Price Index (YoY) (Sep)	1.50%	1.10%
	U.S. NAHB Housing Market Index (Oct)	63	65
Wednesday, October 19, 2016	China GDP (YoY) (Q3)	6.70%	6.70%
	China Industrial Production (YoY) (Sep)	6.10%	6.30%
Thursday, October 20, 2016	European Central Bank Rate Decision	0%	0%
	U.S. Existing Home Sales (MoM) (Sep)	3.20%	-1.50%
	U.S. Initial Jobless Claims (Oct 14)	260K	247K
Friday, October 21, 2016	U.K. Public Sector Net Borrowing (Pounds) (Sep)	£10.118B	£10.327B
	Euro zone Consumer Confidence (Oct)	-8.0	-8.2

The Week Ahead...
October 24 to October 28

The Week Ahead

Day	Event
Monday, October 24, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Oct) Preliminary <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Oct) Preliminary <input type="checkbox"/> U.S. Markit Manufacturing PMI (Oct) Preliminary
Tuesday, October 25, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Germany IFO - Business Climate (Oct) <input type="checkbox"/> U.S. Consumer Confidence (Oct) <input type="checkbox"/> U.S. Housing Price Index (MoM) (Aug)
Wednesday, October 26, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. MBA Mortgage Applications (Oct 28) <input type="checkbox"/> U.S. Markit Services PMI (Oct) Preliminary
Thursday, October 27, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Gross Domestic Product (QoQ) (Q3) Preliminary <input type="checkbox"/> U.S. Durable Goods Orders (Sep) <input type="checkbox"/> U.S. Initial Jobless Claims (OCT 21)
Friday, October 28, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q3) Preliminary <input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Oct) Preliminary <input type="checkbox"/> U.S. Personal Consumption Expenditures Prices (QoQ) (Q3) Preliminary

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