

# News U Can Use

*October 28, 2016*



The Week that was...  
24<sup>th</sup> October to 28<sup>th</sup> October

# Indian Economy

- ❑ The NITI Aayog vice-chairman has advocated for a four-slab rate structure for Goods and Services Tax (GST) rather than a single rate. The vice-chairman is of the view that revenue loss under a four-slab rate structure will be low compared with a single rate where the price effect on specific products could be substantial. The central government has proposed a four-slab rate structure for the Goods & Services Tax, ranging from 0 to 26% where 0% GST is proposed on a host of goods and services, including food, health, and education services and 26% GST is proposed on luxury items, such as fast-moving consumer goods and consumer durables. For consumption of ultra-luxury items and demerit goods, such as big cars and tobacco products, the government proposed to impose cess over and above a 26% GST rate. GST will be levied at 6%, 12% or 18% for the remaining goods and services.
- ❑ The finance ministry is considering proposing to the cabinet at least five different methods for computing valuation of more than a dozen PSUs across sectors, which have been identified for strategic stake sale. The five methods are namely relative peer review method, discounted cash flow method, balance sheet method, transaction multiple method, and asset valuation procedure. However, the use of a particular method will depend on health of the company, the sector in which it operates and the company's intrinsic strength.
- ❑ The finance minister is in favour of levying cess on tobacco and luxury products rather than additional tax to compensate states for loss of revenue because of GST. He opined the cost of funding through an additional tax would be very high and almost unbearable.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	28-Oct-16	1 Week Return	YTD Return
S&P BSE Sensex	27941.51	-0.48%	6.81%
Nifty 50	8638	-0.63%	8.47%
S&P BSE Mid-Cap	13408.27	-1.43%	19.23%
S&P BSE Small-Cap	13454.03	0.16%	12.67%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.19	23.34	30.97	92.02
P/B	2.86	3.27	2.49	2.12
Dividend Yield	1.40	1.28	1.10	0.75

*Source: BSE, NSE* *Value as on October 28, 2016*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
24-Oct-16	936	701	1.34
25-Oct-16	679	952	0.71
26-Oct-16	542	1099	0.49
27-Oct-16	545	1086	0.50
28-Oct-16	969	651	1.49

*Source: NSE*

- ▣ The Indian equity market recorded mixed results during the week. While drop in an industry bellwether's stocks following its chairperson's exit lowered market sentiment, investor confidence remained weak ahead of the expiry of Oct's derivatives, and amid sluggish global cues.
- ▣ Unsatisfactory second quarter earnings further dampened investor sentiment. However, increase in stock prices of certain heavyweights in the banking and oil and gas sectors lifted the market.
- ▣ Market also benefitted as the industry bellwether's shares bounced back.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22168.5	-0.34%	-1.13%
S&P BSE Bankex	22384.1	-0.89%	-0.32%
S&P BSE CD	12756.1	-0.08%	-0.52%
S&P BSE CG	14874.2	-1.50%	-0.16%
S&P BSE FMCG	8514.96	0.08%	-1.05%
S&P BSE HC	16374.1	0.20%	-1.65%
S&P BSE IT	9994.78	-3.45%	-2.81%
S&P BSE Metal	10285.6	-0.28%	3.21%
S&P BSE Oil & Gas	12296.4	0.49%	7.83%

*Source: Reuters* *Value as on October 28, 2016*

- On the BSE sectoral front, most of the sectors barring S&P BSE Healthcare (0.20%), S&P BSE FMCG (0.08%), and S&P BSE Realty (0.06%), slipped.
- S&P BSE IT, down 3.45%, was the biggest loser, trailed by S&P BSE Teck (-2.89%), S&P BSE Capital Goods (-1.50%), S&P BSE Power (-0.93%), and S&P BSE Bankex (-0.89%).

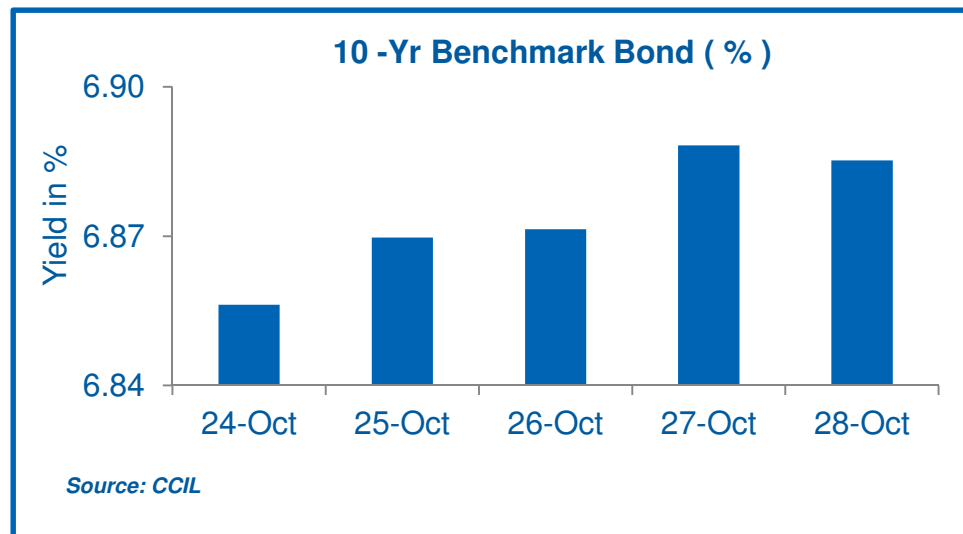
## Indian Derivatives Market Review

- Nifty Oct 2016 Futures settled during the week at 8,615.25. Nifty Nov 2016 Futures were at 8,667.40 points, a premium of 29.40 points, over the spot closing of 8,638.00 points. The turnover on NSE's Futures and Options segment stood at Rs. 26.65 lakh crore during the week to Oct 28, compared with Rs. 21.73 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.89 from the previous week's close of 0.93.
- The Nifty Put-Call ratio stood at 0.99 compared with the previous week's close of 1.00.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.22	6.22	6.42	6.48
91 Day T-Bill	6.35	6.39	6.52	6.80
07.80% 2021, (5 Yr GOI)	6.70	6.72	6.82	7.47
07.59% 2026, (10 Yr GOI)	6.89	6.85	6.92	7.44

*Source: Reuters* *Value as on October 28, 2016*



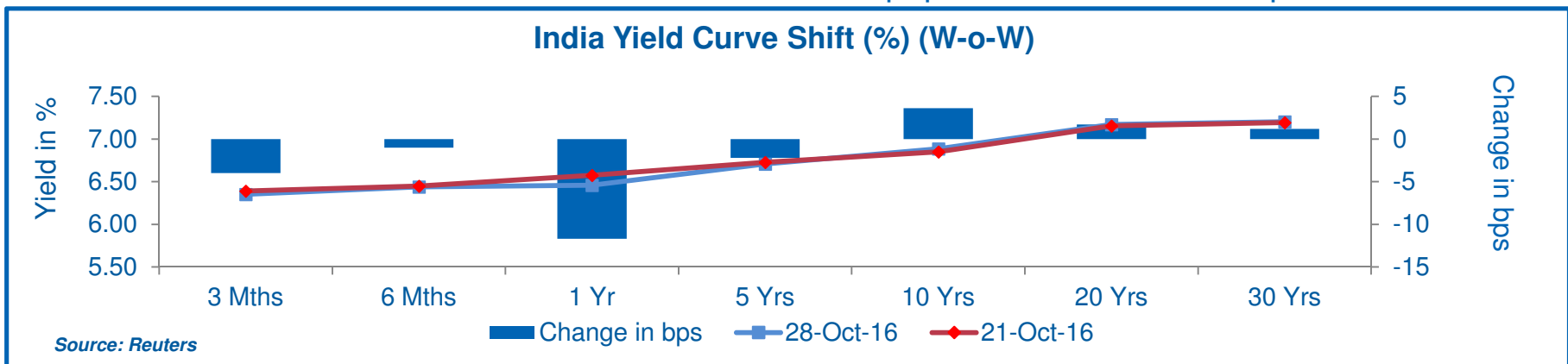
- ❑ Bond yields started on a steady note amid lack of fresh domestic cues but later on it increased as investors sold debt securities ahead of the weekly government securities auction on Friday. Foreign investors' interest for riskier assets diminished ahead of the U.S. Presidential election, due on Nov. 8.
- ❑ At the end, yields went up further following upbeat economic data from the U.S. region, which increased U.S Treasury yields. This increased expectations of a rate hike by the U.S. Federal Reserve (Fed) in Dec 2016.
- ❑ Yield on 10-year benchmark bond (7.59% GS 2026) increased 4 bps to close at 6.89% compared with the previous week's close of 6.85%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.61	7.13	52
3 Year	6.71	7.31	60
5 Year	6.89	7.36	47
10 Year	7.13	7.51	38

Source: Reuters Value as on October 28, 2016

- Yields on gilt securities increased across maturities by up to 5 bps, barring 1-, 2- and 5-year papers that fell 12, 1 and 2 bps, respectively. Yield on 3-, 6- and 8-year papers remained flat.
- Corporate bond yields increased across segments in the range of 4 bps to 9 bps. Highest and the lowest rise was seen on 3-year and 10-year paper, respectively.
- Spread between AAA corporate bond and gilt expanded across maturities in the range of 2 bps to 14 bps barring 10-year paper that contracted 1 bps.



# Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) came out with norms for listed insurance companies in disclosing their quarterly results. According to the norms, insurance companies (life and non-life) will have to submit disclosures relating to financial results, segment-wise revenue and capital employed for quarters ending Sep 30, 2016 and Dec 31, 2016 in the format as specified by IRDA.
- ❑ The Reserve Bank of India (RBI) is worried over the circulation of fake currency in the economy. Therefore, it has advised the public to carefully examine the notes of Rs. 500 and Rs. 1000 before accepting them in the usual course of transactions.
- ❑ According to RBI, aggregate sales growth of listed private companies slowed down to 0.1% YoY in the first quarter of FY17. Aggregate expenditure also continued to contract, but at a lower rate compared with the previous quarter. Therefore, aggregate net profit declined to 11.2% during the quarter under review from 16.4% in the previous quarter. Among the sectors, net profit substantially decreased for the IT sector and improved for the manufacturing sector.
- ❑ The Foreign Investment Promotion Board (FIPB) gave approval to four foreign direct investment proposals entailing investment of Rs. 2,060 crore. However, it rejected similar number of proposals and deferred three proposals as well.



## Regulatory Updates in India (contd..)

- ❑ The cabinet gave in-principle approval to clear the sale process in about 20 PSUs/units, including profitable ones. This move will help to raise funds for sustaining the momentum of its spending in the current and next year.
- ❑ The Central Board of Direct Taxes (CBDT) has entered into five Unilateral Advance Pricing Agreements (APAs) with Indian taxpayers. The agreements cover a range of international transactions pertaining to different industrial sectors. The agreement provides surety to the taxpayers for a period of five years with regard to the covered international transactions.
- ❑ The Employees' Provident Fund Organisation (EPFO) has signed a memorandum of understanding with CSC e-Governance Services India (CSC SPV). The pensioners of Employees Pension Scheme of EPFO can submit their digital life certificates by Jeevan Pramaan Patra programme through a large number of points of presence of CSC network in addition to those available at EPFO offices. This will help pensioners living in rural areas to avoid cost and inconvenience of going to the EPF offices or their banks for filing paper based life certificate.

## Global News/Economy

- According to the U.S. Commerce Department, durable goods orders unexpectedly fell 0.1% in Sep 2016 after climbing by a revised 0.3% in Aug 2016. Excluding orders for transportation, durable goods orders rose 0.2% in Sep after rising 0.1% in Aug.
- Data showed that U.S. trade deficit in goods narrowed to \$56.1 billion in Sep 2016 from \$59.1 billion in Aug 2016. This can be attributed to advance wholesale inventories that increased 0.2% to \$590.7 billion in Sep from revised \$589.5 billion in Aug. Advance retail inventories rose 0.3% to \$607.6 billion in Sep from revised \$605.8 billion in Aug.
- The U.K. economy grew more than expected by 0.5% sequentially after rising 0.7% in the first quarter. On a yearly basis, GDP rose 2.3% in the third quarter. Growth continues to be broadly unaffected following the EU referendum with a strong performance in services industries offsetting fall in other industrial groups.
- According to the Ministry of Internal Affairs and Communications, Japan's consumer price inflation (CPI) and core CPI fell 0.5% YoY in Sep 2016. On a monthly basis, overall CPI was up 0.2% and core inflation was flat.
- Data from the National Bureau of Statistics showed that China's industrial profits grew in Sep 2016 but at a slower rate. Industrial profits surged 7.7% on a yearly basis in Sep which was less than the 19.5% climb in Aug 2016. During Jan to Sep of this year, industrial profits increased 8.4%, similar to the growth seen in the Jan to Aug period.

# Global Equity Markets

Global Indices			
Indices	28-Oct -16	1-Week Return	YTD Return
Dow Jones	18161.19	0.09%	5.90%
Nasdaq 100	4805.593	-0.95%	6.84%
FTSE 100	6996.26	-0.34%	14.82%
DAX Index	10696.19	-0.14%	4.01%
Nikkei Average	17446.41	1.52%	-5.44%
Straits Times	2816.26	-0.52%	-0.70%

*Source: Reuters*

## Europe

- European markets commenced on a positive note after upbeat flash euro zone private sector data in Oct. Later, bourses ended on a mixed note. Weak U.S. consumer confidence data overshadowed stronger than expected German confidence data. Also the positive impact of U.K. GDP data for third quarter of 2016 was neutralized disappointing China's industrial profit growth data for Sep.

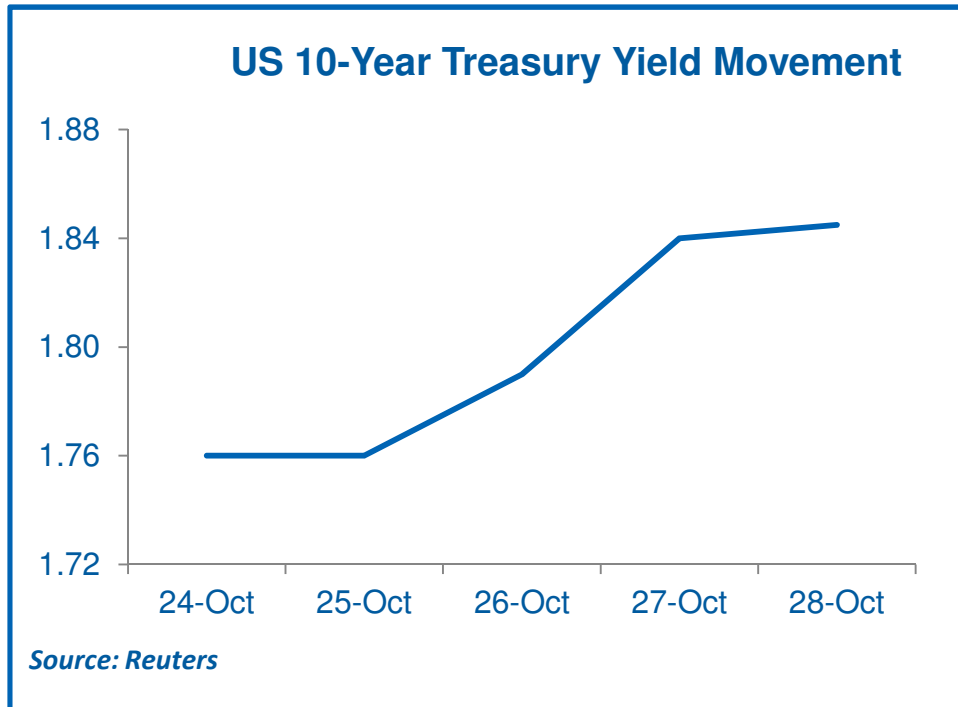
## Asia

- Asian markets witnessed a mixed trend during the week. Manufacturing data from Japan and hopes that that China will speed up structural reforms at state-owned enterprises boosted investor sentiment. However, gains were restricted by comments from two Fed officials, which increased concerns over a near-term rate hike by the U.S. Fed.

## U.S.

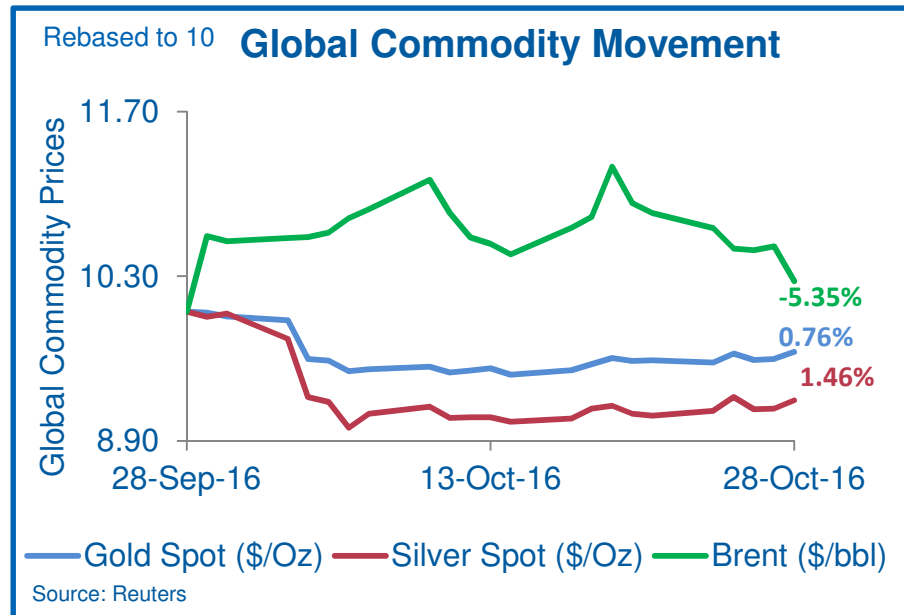
- A series of disappointing corporate earnings turned out to be spoilsport for the U.S. markets during the week. While a consumer confidence in Oct showed bigger than expected drop, a separate report revealed unexpected drop in durable goods orders in Sep.
- Meanwhile, the downturn was restricted by a series of merger announcements.

## Global Debt (U.S.)



- The 10-year U.S. Treasury yield increased 11 bps to close at 1.85%, compared with the previous week's close of 1.74%.
- U.S Treasury prices fell following gains in U.S. equities. Prices fell further after seeing gains in German and British bonds as investors speculated that the Bank of England and the European Central Bank would both hold off further easing measures.
- Furthermore, stronger than expected U.S. gross domestic product (GDP) data for the third quarter led to rise in expectation that Fed will increase interest rates in the coming policy meet.

# Commodities Market



## Gold

- Gold prices rose as persistent uncertainty over U.S. Fed's monetary policy stance and upcoming elections in the U.S. supported the safe haven appeal of the metal. Rise in demand of physical gold during the festive season in India also helped prices.

## Crude

- Brent crude prices plunged after Iraq stated that it would not like to be a part of any production freeze deal of the OPEC. Rise in U.S. crude inventories for the week to Oct 21 and uncertainty about OPEC's planned output cut, further added to the woes.

## Baltic Dry Index

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

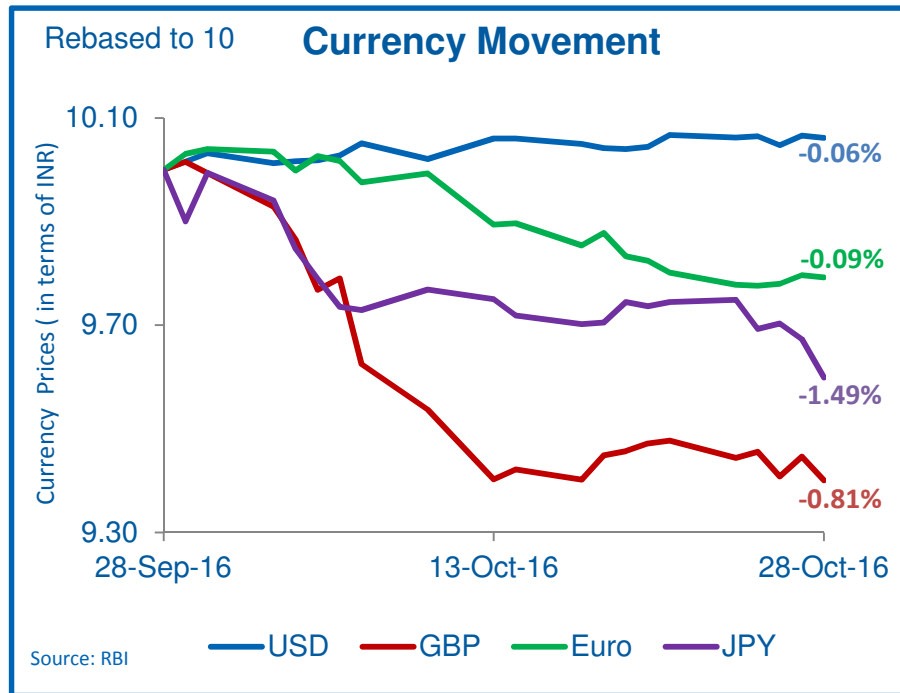
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.07	49.73
Gold (\$/Oz)	1275.91	1266.25
Gold (Rs/10 gm)	30049	29950
Silver (\$/Oz)	17.73	17.475
Silver (Rs/Kg)	42003	41794

Source: Reuters

Value as on October 28, 2016

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.86	66.89
Pound Sterling	81.30	81.96
EURO	72.91	72.98
JPY(per 100 Yen)	63.44	64.40

Source: RBI      Figures in INR , Value as on October 28, 2016

## Rupee

- The Indian rupee increased against the U.S dollar following gains in the equity market and sale of the greenback by exporters.

## Euro

- Euro initially moved in a range against the U.S. dollar on expectations of a rate hike by Fed but later strengthened after deceleration in U.S. consumer spending in the third quarter.

## Pound

- Sterling fell against the dollar on worries over the U.K. economy and despite better than expected U.K GDP data for the third quarter of 2016.

## Yen

- ✓ Yen weakened against the U.S. dollar on growing expectations that the Federal Reserve would raise interest rates in Dec.

The Week that was...  
October 24 to October 28

# The Week that was (Oct 24 – Oct 28)

Date	Events	Present Value	Previous Value
Monday, October 24, 2016	Nikkei Japan PMI Mfg (Oct) (P)	51.7	50.4
	Markit U.S. Manufacturing PMI (Oct) (P)	53.2	51.5
	Markit Euro zone Composite PMI (Oct) (P)	53.7	52.6
Tuesday, October 25, 2016	U.S. Consumer Confidence (Oct)	98.6	103.5
	German IFO - Business Climate (Oct)	110.5	109.5
Wednesday, October 26, 2016	U.S. New Home Sales (MoM) (Sep)	3.1%	-8.6%
	Markit US Composite PMI (Oct) (P)	54.9	52.3
Thursday, October 27, 2016	U.K Gross Domestic Product (YoY) (3Q) (A)	2.3%	2.1%
	U.S. Pending Home Sales (YoY) (Sep)	2.0%	3.9%
	U.S Durable Goods Orders (Sep) (P)	-0.1%	0.3%
	U.S. Initial Jobless Claims (Oct 22)	258k	261k
Friday, October 28, 2016	Japan National Consumer Price Index (YoY) (Sep)	-0.5%	-0.5%
	U.S. Gross Domestic Product (Annualized) (3Q) (A)	2.9%	1.4%
	U.S. Personal Consumption (3Q) (A)	2.1%	4.3%



The Week Ahead...  
October 31 to November 4

# The Week Ahead

Day	Event
<b>Monday, October 31, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Euro zone Consumer Price Index Estimate (YoY) (Oct)</li> <li><input type="checkbox"/> Euro zone Gross Domestic Product s.a. (YoY) (3Q) (A)</li> </ul>
<b>Tuesday, November 01, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank of Japan Policy Rate</li> <li><input type="checkbox"/> China Manufacturing PMI (Oct)</li> <li><input type="checkbox"/> U.S. ISM Manufacturing (Oct)</li> </ul>
<b>Wednesday, November 02, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> German Unemployment Change (Oct)</li> <li><input type="checkbox"/> U.S. FOMC Rate Decision</li> <li><input type="checkbox"/> U.S. ADP Employment Change (Oct)</li> </ul>
<b>Thursday, November 03, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Bank of England Rate Decision</li> <li><input type="checkbox"/> U.S. ISM Non-Manufacturing Composite (Oct)</li> <li><input type="checkbox"/> Caixin China PMI Composite (Oct)</li> <li><input type="checkbox"/> Euro zone Unemployment Rate (Sep)</li> </ul>
<b>Friday, November 04, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Change in Non-farm Payrolls (Oct)</li> <li><input type="checkbox"/> U.S. Unemployment Rate (Oct)</li> </ul>

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