

RELIANCE

MUTUAL  
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# News U Can Use

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September 29, 2017

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The Week that was...

**25<sup>th</sup> September to 29<sup>th</sup> September**

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## Indian Economy

- Government data showed India's fiscal deficit touched 96.1% (Rs. 5.25 lakh crore) of the budget estimate (Rs. 5.47 lakh crore) for the period from Apr to Aug of 2017. The fiscal deficit in the corresponding period of the previous year stood at 76.4%. Net tax receipts were at Rs. 3.4 lakh crore during first five months of FY18. Government total spending stood at Rs. 9.5 lakh crore while capital spending rose to Rs. 1.1 lakh crore from Rs. 91,300 crore in the corresponding period of FY17. Revenue deficit stood at Rs. 4.31 lakh crore compared with Rs. 3.25 crore a year ago.
- Data from the Society of Indian Automobile Manufacturers showed that growth in export of passenger vehicles (cars, utility vehicles and vans) from India slowed to 2.62% during the period from Apr to Aug of the current financial year to 303,801 units. Exports of passenger vehicles in the corresponding period of the previous fiscal grew 13.47% to 296,148 vehicles. According to media reports, this is the lowest rate of growth in the last six years and the slowdown can be partly attributed to the new tax regime that came into effect from Jul 2017 as companies had to block funds for payment of cess while undertaking exports.
- According to media reports, government has asked central public sector enterprise to increase the capital expenditure during the current financial year in a bid to spend more to boost investment. For this, the government has told them to explore debt and other funds to meet their capital expenditure targets instead of relying on internal funds. Also government has asked them to consider higher dividend.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	29-Sep-17	1 Week Return	YTD Return
S&P BSE Sensex	31283.72	-2.00%	17.63%
Nifty 50	9788.6	-1.76%	19.67%
S&P BSE Mid-Cap	15436.01	-1.11%	27.24%
S&P BSE Small-Cap	16113.68	-1.10%	32.19%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.41	25.43	39.20	76.35
P/B	2.98	3.35	2.73	2.40
Dividend Yield	1.23	1.17	0.89	0.69

*Source: BSE, NSE* *Value as on Sep 29, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
25-Sep-17	314	1423	0.22
26-Sep-17	1077	602	1.79
27-Sep-17	264	1434	0.18
28-Sep-17	1019	648	1.57
29-Sep-17	1088	599	1.82

*Source: NSE*

- Indian equity markets registered strong losses over the week following weak cues from other regional peers, U.S. Federal Reserve's (Fed) indication of probable rate hike by end of this year and lingering geopolitical tensions between the U.S. and North Korea. Indian bourses fell further after reports suggested that the Indian Army carried out a surgical strike along the Myanmar border and targeted Naga insurgent camps.
- Investors also remained concerned over increase in fiscal deficit on expectations of probable fiscal stimulus measures by the government. Losses were capped after a report from a leading global brokerage firm highlighted India's multi-trillion-dollar investment opportunity following the government's digitisation drive.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24180.0	-0.74%	3.09%
S&P BSE Bankex	27025.3	-1.36%	-0.87%
S&P BSE CD	17554.9	0.00%	0.98%
S&P BSE CG	17172.1	-3.24%	0.33%
S&P BSE FMCG	9772.7	-2.52%	-2.67%
S&P BSE HC	13487.8	-2.72%	2.67%
S&P BSE IT	9946.6	-1.17%	-1.07%
S&P BSE Metal	13563.9	1.69%	4.74%
S&P BSE Oil & Gas	14842.5	-0.66%	0.61%

Source: Thomson Reuters Eikon Value as on Sep 29, 2017

- On the BSE sectoral front, all indices except S&P BSE Metal (1.69%) closed in the negative. S&P BSE Capital Goods (-3.24%) was the highest loser, followed by S&P BSE Healthcare (-2.72%), S&P BSE FMCG (-2.52%), S&P BSE Power (-1.48%) and S&P BSE Bankex (-1.36%).
- The banking sector fell after the Reserve Bank of India barred banks from investing in category III alternative investment funds.

## Indian Derivatives Market Review

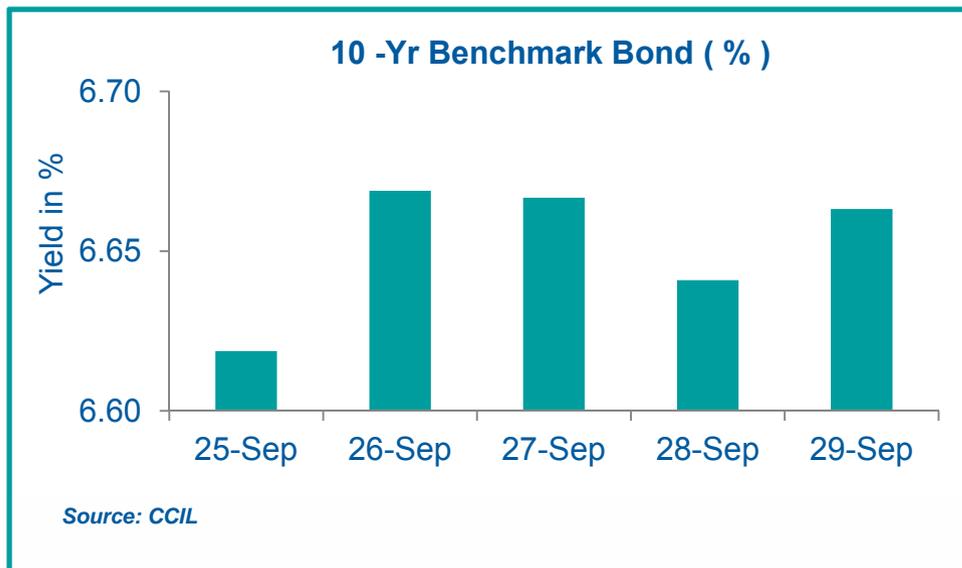
- Nifty Sep 2017 Futures settled at 9,768.95 on Sep 28. Nifty Oct 2017 Futures were at 9,800.55, a premium of 11.95 points over the spot closing of 9,788.60. The turnover on NSE's Futures and Options segment stood at Rs. 45.31 lakh crore as against Rs. 30.76 lakh crore in the week to Sep 22.
- The Put-Call ratio stood at 0.82 compared with the previous week's close of 0.94.
- The Nifty Put-Call ratio stood at 1.20 compared with the previous week's close of 1.27.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.98	5.89	5.85	5.94
91 Day T-Bill	6.08	6.10	6.12	5.77
07.80% 2021, (5 Yr GOI)	6.56	6.55	6.46	6.72
06.79% 2027, (10 Yr GOI)	6.66	6.66	6.53	-

Source: Thomson Reuters Eikon

Value as on Sep 29, 2017



Source: CCIL

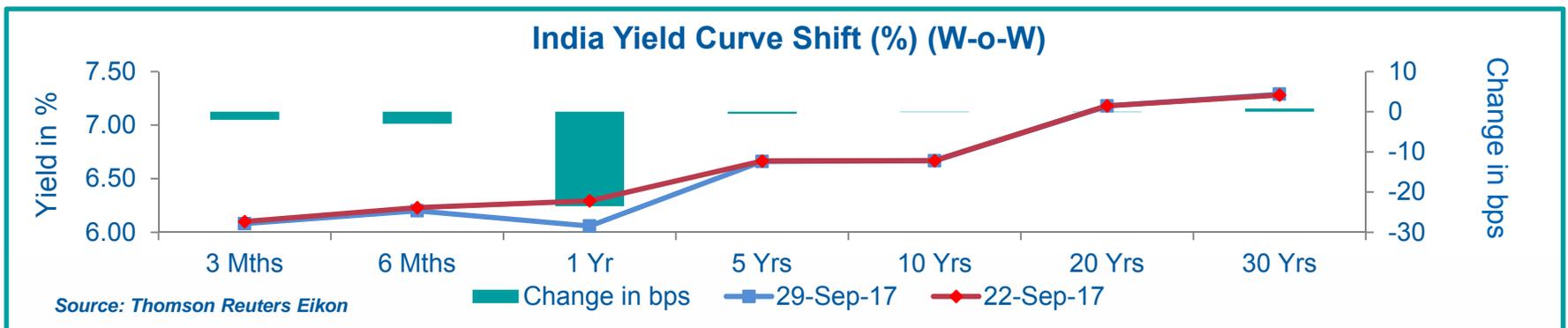
- Bond yields remained almost steady after moving in a range during the week. Initially, yields fell as investors resorted to value buying after a sharp fall in prices over the past few weeks.
- Soon, gains reversed after the auction of state government securities boosted liquidity in the secondary market. Yields fell again on buying ahead of the end of the current fiscal's first half for balance sheet valuation purposes. Aggressive short covering by traders also pushed up bond prices.
- At the end, gains were neutralised, amid rumours of an increased government borrowing even after government announced that it will borrow a gross Rs. 2.08 lakh crore from the domestic debt market during Oct 2017 to Mar 2018 in line with the government's budget estimates.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.02	6.79	77
3 Year	6.60	7.06	46
5 Year	6.76	7.22	46
10 Year	6.98	7.47	49

Source: Thomson Reuters Eikon Value as on Sep 29, 2017

- Yields on gilt securities remained flat on 4-, 5-, 7-, 10-, 13- and 19-year papers, while fell by up to 24 bps on 1 to 3 years', 9-, 12- and 15-year papers. Yields on remaining papers increased by up to 6 bps.
- Corporate bond yields fell across the maturities by up to 4 bps, leaving 10- and 15-year papers that were flat.
- Spread between AAA corporate bond and gilt contracted across segments by up to 5 bps, barring 1-, 2-, 9- and 15-year papers that expanded in the range of 3 bps to 28 bps.



## Regulatory Updates in India

- The Reserve Bank of India (RBI) barred banks from making any investment in category III alternative investment funds (AIFs). In addition, the central bank also specified norms for participation in commodity derivatives clearing and modified rules for investing in financial services firms. According to the new norms, RBI capped investment by banks at 10% in the paid-up capital/unit capital in category I and II funds while they cannot invest in category III funds. On a separate note, RBI mandated that banks which seek to undertake commodities derivatives clearing need to set up a separate subsidiary for the same. They also need to adopt internal risk control measures and take necessary approvals from the board as necessary. Regarding investing in financial services firms, RBI announced that banks investing in such firms must have a minimum regulatory capital and in this case the capital computation must take into consideration the capital conservation buffer (CCB). Similarly, banks who are considering undertaking insurance and pension fund management business must also have minimum prescribed capital. Banks must have minimum total capital including CCB, of 10.88% by Mar 2018.
- Capital market regulator Securities and Exchange Board of India (SEBI) is considering permitting mutual fund and portfolio management service providers to participate in the commodity derivatives market. The move is expected to deepen participation in the commodity derivatives market in the near term. Presently, the primary participants in the commodity derivatives market are retail and wholesale traders, speculators and a few corporate hedgers which include jewellers, bullion dealers, grain dealers, etc.

## Regulatory Updates in India (contd..)

- SEBI has asked brokers to carry out trades of clients in commodity derivatives only after it has kept evidence of the client placing such order. The evidence may be in the form of physical record written and signed by client, recording of telephone conversations, email from authorised email id, log for internet transactions, record of short message service and any other legally verifiable record. The new rule would come into effect from Jan 1, 2018. The move comes after SEBI found that there were several investor complaints regarding unauthorised trades by brokers.
- The Federation of Indian Export Organisations (FIEO) has approached the finance minister on their concerns relating to the Goods and Services Tax (GST). FIEO requested exemption from GST for merchant exporters, immediate start of the refund process with exporters facing liquidity issues and allowing export benefit scrips for payment of Integrated GST (IGST) and Central GST (CGST). The exporters also requested to introduce e-wallet for exporters.

## Global News/Economy

- The U.S. Federal Reserve (Fed) chief hinted at an imminent interest rate hike. The chief expressed concerns of increasing interest rates gradually and opined that it would be imprudent to keep monetary policy on hold until inflation is back to 2% as it will affect economic activity and inflation with a substantial lag.
- A report from the U.S. Commerce Department showed that durable goods orders in U.S. surged 1.7% in Aug 2017 after plunging 6.8% in Jul 2017. This can be attributed to a significant rebound in orders for transportation equipment, which grew 4.9% in Aug after plummeting 19.6% in Jul.
- The U.S. Gross Domestic Product (GDP) grew 3.1% in the second quarter surpassing the previous expectation of 3.0%. The stronger than previously estimated GDP growth primarily reflected an upward revision to private inventory investment.
- According to a flash estimate report from Eurostat, euro zone's inflation grew to 1.5% in Sep 2017, same as the previous month. It continues to stay below the European Central Bank's target of 'below, but close to 2%'. Excluding energy, food, alcohol and tobacco, core inflation eased marginally to 1.1% from 1.2% in the previous month.
- A report from the Office for National Statistics showed that U.K.'s GDP came in line with preliminary expectations and grew 0.3% sequentially in the second quarter as against a growth of 0.2% in the first quarter.

## Global Equity Markets

Global Indices			
Indices	29-Sep-17	1-Week Return	YTD Return
Dow Jones	22405.09	0.25%	12.69%
Nasdaq 100	5979.298	0.79%	21.74%
FTSE 100	7372.76	0.85%	3.22%
DAX Index	12828.86	1.88%	10.61%
Nikkei Average	20356.28	0.29%	6.50%
Straits Times	3219.91	-0.01%	11.07%

*Source: Thomson Reuters Eikon* *Value as on Sep 29, 2017*

## U.S.

- U.S. markets rose following a series of upbeat economic data including higher than expected growth in U.S. economic activity in the second quarter of 2017.
- The Republican tax reform plan provided additional support to buying interest. Nonetheless, growing speculation of imminent rate hike by the Federal Reserve in 2017 capped the gains.

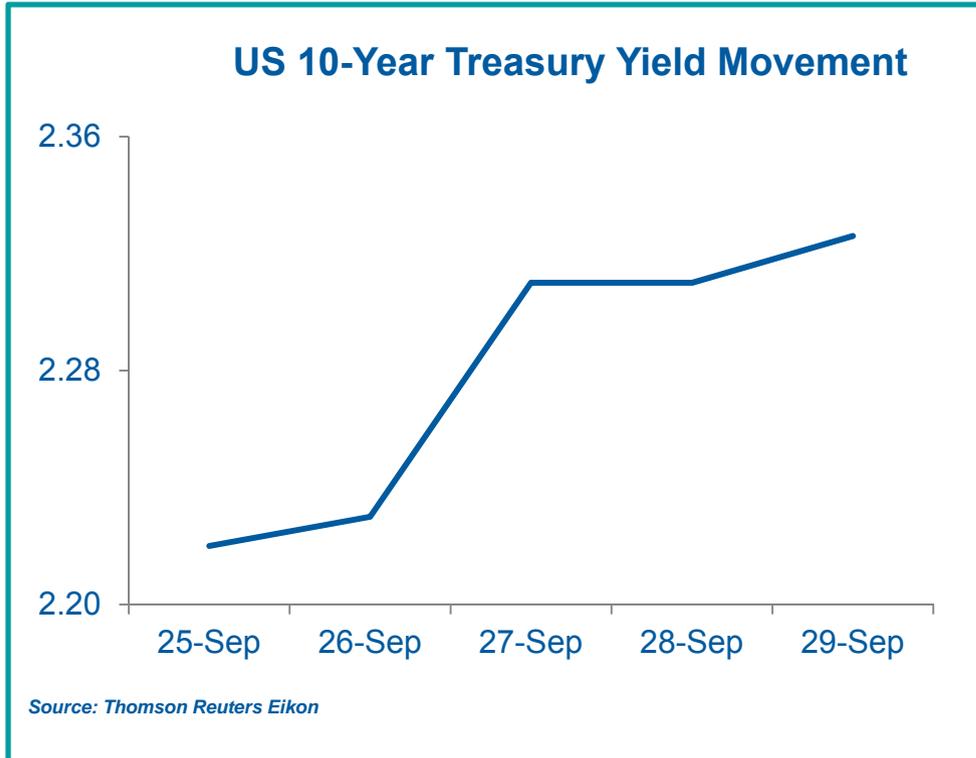
## Europe

- European markets rose as investors encouraged by some activity on the merger and acquisition front and after survey data from the European Commission showed that eurozone economic confidence strengthened in Sep. Meanwhile, the European Central Bank chief expressed optimism over economic recovery and said that policymakers are more confident that inflation will converge at the target eventually.

## Asia

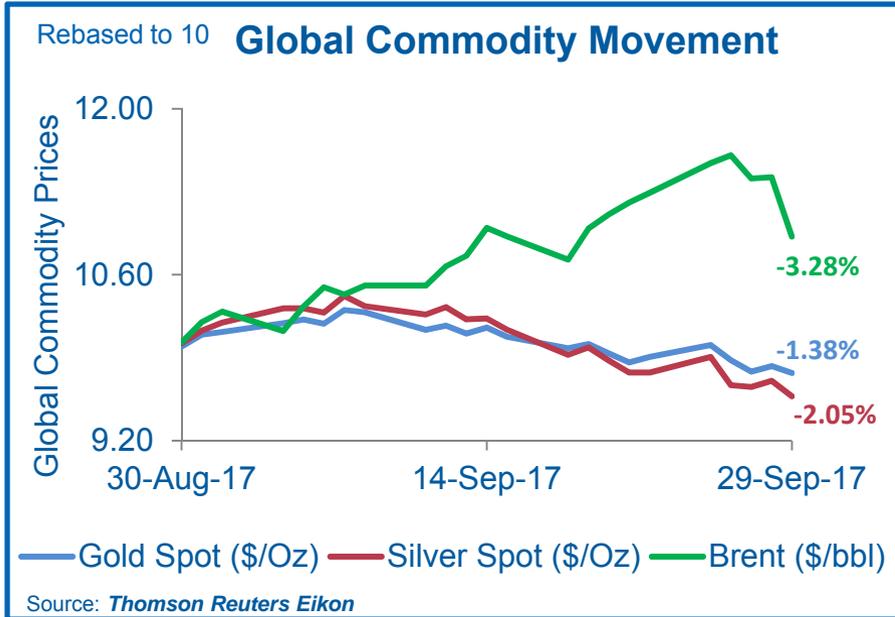
- Asian markets witnessed a mixed trend over the week. Persistent geopolitical tension coupled with hawkish comments by the Fed chief weighed on market sentiment. Japanese markets went up as investors speculated that the country's Prime Minister could design a new economic stimulus package worth around two trillion yen.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 7 bps to close at 2.33% from the previous week's close of 2.26%.
- U.S. Treasury prices rose initially as its safe haven appeal improved amid escalating geopolitical tensions between U.S. and North Korea and political developments following the outcome of German election results.
- However, the trend reversed after the U.S. Federal Chief indicated that the U.S. Central Bank remains on track for further rate hikes even as inflation remains below its 2% target.
- Losses were extended as yields rose to its highest level since late Jul 2017 after U.S. durable goods orders for Aug came better than market expectations.

## Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	57.26	59.20
Gold (\$/Oz)	1279.10	1296.98
Gold (Rs/10 gm)	29620	29551
Silver (\$/Oz)	16.61	16.95
Silver (Rs/Kg)	39357	39210

Source: Thomson Reuters Eikon Value as on Sep 29, 2017

## Gold

- Gold prices came under pressure after the U.S. Federal Reserve chief said that the central bank needs to continue with the gradual interest rate hike despite uncertainty about the path of inflation.

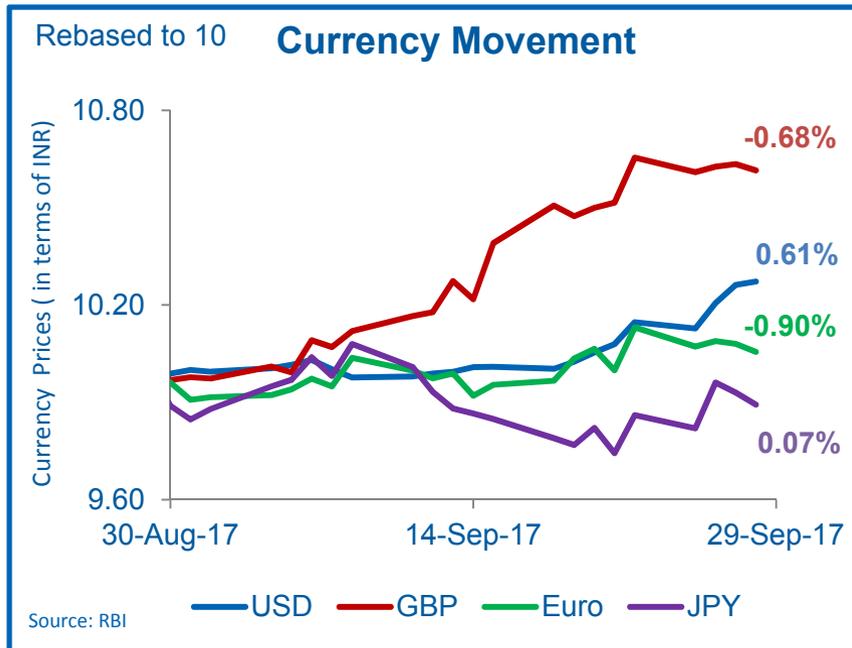
## Crude

- Brent crude prices rose initially following the outcome of the Organization of the Petroleum Exporting Countries (OPEC)-led committee meeting, which showed strong compliance of OPEC and non-OPEC members to curb oil production. However, at the end, gains reversed and crude prices fell sharply after data showed oil rigs in the U.S. rose by six to 750 in the week ended 29 Sep.

## Baltic Dry Index

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

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	65.36	64.96
Pound Sterling	87.71	88.31
EURO	77.06	77.76
JPY(per 100 Yen)	58.03	57.99

Source: RBI Figures in INR , Value as on Sep 29, 2017

### Rupee

- The rupee weakened against the greenback following losses in the domestic equity market. Month-end dollar demand from oil importers further weighed on the domestic currency.

### Euro

- The euro fell against the greenback amid political uncertainty following the outcome of German elections and escalating geopolitical tensions between the U.S. and North Korea.

### Pound

- The pound dropped against the greenback after the Fed chief indicated at a near term rate hike and weak economic data from U.K.

### Yen

- The yen fell amid optimism about U.S. fiscal reforms and indication of a near term rate hike by the Fed chief.

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The Week that was...

**25<sup>th</sup> September to 29<sup>th</sup> September**

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## The Week that was (Sep 25 – Sep 29)

Date	Events	Present Value	Previous Value
<b>Monday, Sep 25, 2017</b>	<ul style="list-style-type: none"> <li>Germany IFO - Business Climate (SEP)</li> </ul>	115.2	115.9
<b>Tuesday, Sep 26, 2017</b>	<ul style="list-style-type: none"> <li>U.S. Consumer Confidence (SEP)</li> <li>U.S. New Home Sales (MoM) (AUG)</li> </ul>	119.8 -3.4%	120.4 -5.5%
<b>Wednesday, Sep 27, 2017</b>	<ul style="list-style-type: none"> <li>U.S. Durable Goods Order (AUG P)</li> <li>Japan Small Business Confidence (SEP)</li> <li>U.S. Pending Home Sales (YoY) (AUG)</li> </ul>	1.7% 49.4 -3.1%	-6.8% 49.0 -0.5%
<b>Thursday, Sep 28, 2017</b>	<ul style="list-style-type: none"> <li>Germany Consumer Price Index (YoY) (SEP P)</li> <li>U.S. Gross Domestic Product (Annualized) (2Q T)</li> <li>U.S. Advance Goods Trade Balance (AUG)</li> <li>Japan National Consumer Price Index (YoY) (AUG)</li> </ul>	1.8% 3.1% (\$62.9B) 0.7%	1.8% 3.0% (\$63.9B) 0.4%
<b>Friday, Sep 29, 2017</b>	<ul style="list-style-type: none"> <li>Germany Unemployment Rate (SEP)</li> <li>U.K. Gross Domestic Product (YoY) (2Q F)</li> <li>Eurozone Consumer Price Index Estimate (YoY) (SEP)</li> <li>Japan Housing Starts (YoY) (AUG)</li> <li>Germany Retail Sales (YoY) (AUG)</li> <li>U.S. Personal Consumption Expenditure Core (YoY) (AUG)</li> </ul>	5.6% 1.5% 1.5% -2.0% 2.8% 1.3%	5.7% 1.7% 1.5% -2.3% 2.8% 1.4%

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The Week Ahead

**02<sup>nd</sup> October to 06<sup>th</sup> October**

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## The Week Ahead

Day	Event
<p><b>Monday,</b> <b>October 02, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. ISM Manufacturing PMI (SEP)</li> <li>• Japan Monetary Base (YoY) (SEP)</li> <li>• Eurozone Unemployment Rate (AUG)</li> </ul>
<p><b>Tuesday,</b> <b>October 03, 2017</b></p>	<ul style="list-style-type: none"> <li>• Japan Consumer Confidence Index (SEP)</li> <li>• U.K. Construction PMI (SEP)</li> </ul>
<p><b>Wednesday,</b> <b>October 04, 2017</b></p>	<ul style="list-style-type: none"> <li>• Japan Nikkei Composite PMI (SEP)</li> <li>• U.K. Markit Composite PMI (SEP)</li> <li>• Eurozone Retail Sales (YoY) (AUG)</li> <li>• U.S. MBA Mortgage Applications (SEP 29)</li> <li>• U.S. ADP Employment Change (SEP)</li> <li>• U.S. ISM Non-Manufacturing Composite PMI (SEP)</li> </ul>
<p><b>Thursday,</b> <b>October 05, 2017</b></p>	<ul style="list-style-type: none"> <li>• Germany Markit Construction PMI (SEP)</li> <li>• Germany Markit Retail PMI (SEP)</li> <li>• Eurozone Markit Retail PMI (SEP)</li> <li>• U.S. Trade Balance (AUG)</li> <li>• U.S. Factory Orders (AUG)</li> </ul>
<p><b>Friday,</b> <b>October 06, 2017</b></p>	<ul style="list-style-type: none"> <li>• Germany Factory Orders (YoY) (AUG)</li> <li>• U.S. Change in Non-farm Payrolls (SEP)</li> <li>• U.S. Unemployment Rate (SEP)</li> </ul>

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RELIANCE

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