

# News U Can Use

*September 23, 2016*

The Week that was...  
19<sup>th</sup> September to 23<sup>rd</sup> September

# Indian Economy

- ❑ Data from the Reserve Bank of India showed that India's Current Account Deficit (CAD) narrowed to \$0.3 billion (0.1% of GDP) in Q1 of FY17, which was significantly lower than \$6.1 billion (1.2% of GDP) in Q1 of FY16. CAD narrowed as trade deficit during the period under review fell to \$23.8 billion in Q1 of FY17 from \$24.8 billion in the previous quarter and \$34.2 billion in same period of the previous year.
- ❑ A report from the Ministry of Finance showed that India's external debt rose 2.2% YoY to \$485.6 billion at the end of Mar from the same period of the previous fiscal. The external debt to GDP ratio stood at 23.7% at the end of Mar 2016 as against 23.8% at the end of Mar 2015. While long term external debt rose 3.3% YoY, short term external debt fell 2.5% YoY during the same period.
- ❑ The Organization of Economic Cooperation and Development (OECD) projected that the Indian economy will grow 7.4% in 2016 and 7.5% in 2017. However, OECD warned that subdued trade, investment, productivity, and wage growth will rationalise the growth prospects of the global economy. OECD opined that countries need to reduce dependency on central banks and need to implement structural policy and fiscal initiatives.
- ❑ A major credit rating agency, in the backdrop of a merger between two major telecom companies, opined that consolidation is needed in the telecom sector as it will help increase healthy competition within the sector.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Sep-16	1 Week Return	YTD Return
S&P BSE Sensex	28668.22	0.24%	9.58%
Nifty 50	8831.55	0.59%	10.90%
S&P BSE Mid-Cap	13331.97	2.16%	18.55%
S&P BSE Small-Cap	12958.9	1.52%	8.53%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.79	24.24	31.54	89.49
P/B	3.03	3.35	2.49	2.05
Dividend Yield	1.35	1.25	1.10	0.79

Source: BSE, NSE

Value as on September 23, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
19-Sep-16	856	755	1.13
20-Sep-16	614	996	0.62
21-Sep-16	832	799	1.04
22-Sep-16	1079	536	2.01
23-Sep-16	619	998	0.62

Source: NSE

- ❑ Indian market took cues from policy measures of two major global central banks and posted gains over the week.
- ❑ Initially, markets remained cautious ahead of U.S. Federal Reserve (Fed) and Bank of Japan (BoJ) policy review meetings, but gained following BoJ's decision to modify its policy framework and consider a target for long-term interest rates.
- ❑ The bourses got further support after Fed, in its latest policy review, decided to keep policy rates unchanged and indicated that U.S. job markets have improved.
- ❑ However, profit booking towards the end limited the upside.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22642.3	0.99%	6.84%
S&P BSE Bankex	22752.7	0.08%	2.49%
S&P BSE CD	12747.3	1.42%	4.34%
S&P BSE CG	15119.2	0.86%	1.20%
S&P BSE FMCG	8745.8	-1.45%	0.74%
S&P BSE IT	10299.2	-0.26%	-2.96%
S&P BSE Metal	9837.7	3.46%	-2.12%
S&P BSE Oil & Gas	11433.9	3.08%	7.42%
S&P BSE Realty	1570.7	1.92%	-0.40%

*Source: Reuters* *Value as on September 23, 2016*

- ❑ On the BSE sectoral front, barring S&P BSE FMCG (-1.45%) and S&P BSE IT (-0.26%), all the other indices closed in the green.
- ❑ S&P BSE Metal was the major gainer, up 3.46%, followed by S&P BSE Oil & Gas (3.08%) and S&P BSE Realty (1.92%).
- ❑ Metal sector gained as copper price edged higher in the global commodities markets.

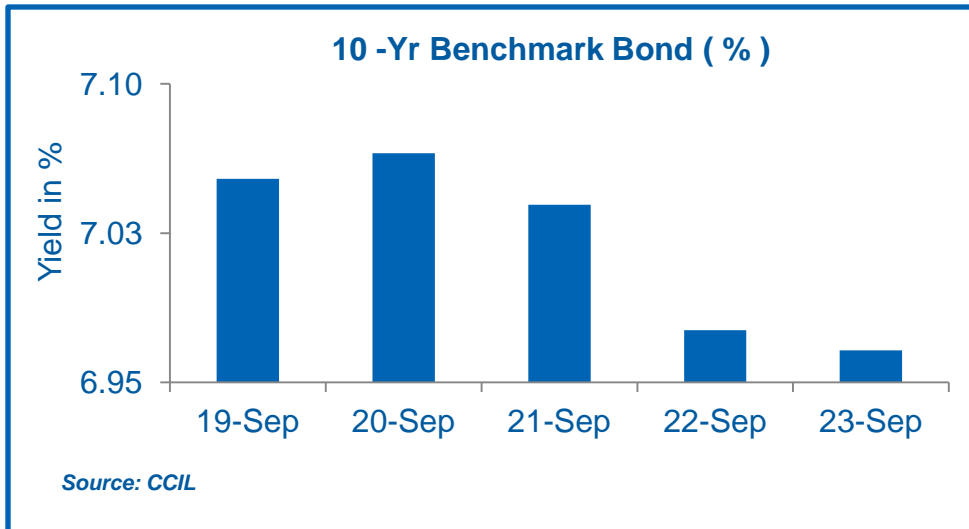
## Indian Derivatives Market Review

- ❑ Nifty Sep 2016 Futures were at 8,843.65 points, a premium of 12.10 points, over the spot closing of 8,831.55 points. The turnover on NSE's Futures and Options segment stood at Rs. 17.49 lakh crore during the week to Sep 23, compared with Rs. 16.80 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 0.98, compared with the previous week's close of 0.97.
- ❑ The Nifty Put-Call ratio stood at 1.15, compared with the previous week's close of 1.10.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.42	6.46	6.41	6.94
91 Day T-Bill	6.52	6.51	6.56	7.21
07.80% 2021, (5 Yr GOI)	6.89	6.94	7.06	7.74
07.59% 2026, (10 Yr GOI)	6.97	7.05	7.16	7.51

Source: Reuters Value as on September 23, 2016



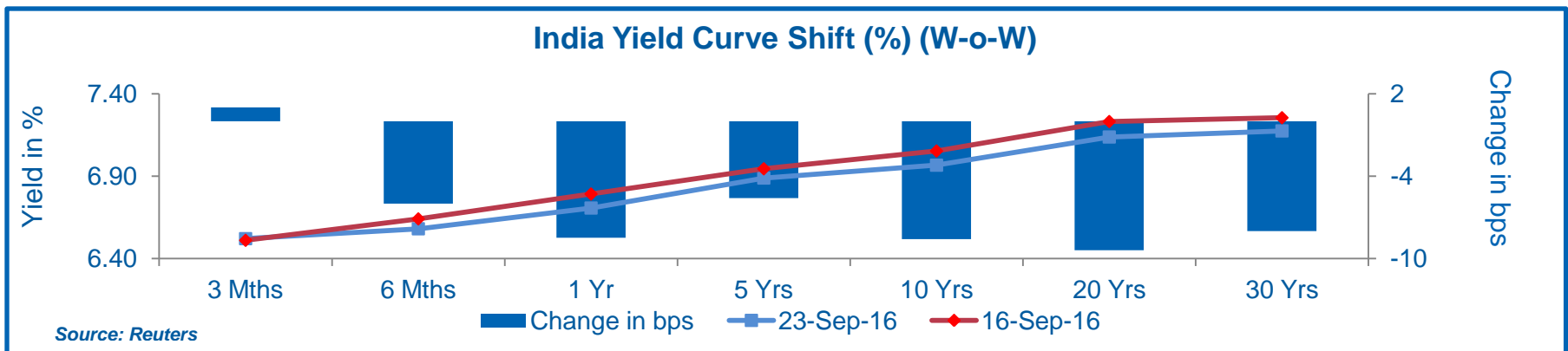
- Bond yields fell on heavy demand for government debt after the U.S. Federal Reserve kept policy rates on hold, triggering chances of an imminent rate cut by the Reserve Bank of India (RBI). Also, increased demand in the weekly auctions supported bond prices.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 9 bps to close at 6.97% compared with the previous week's close of 7.05%. Yields moved in the range of 6.96% to 7.07% during the week.
- Banks' net weekly average borrowing under RBI's Liquidity Adjustment Facility stood at Rs. 2,745.55 crore (for Friday, only repo session considered), compared with previous week's borrowing of Rs. 491.75 crore.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.83	7.32	49
3 Year	6.85	7.38	53
5 Year	7.05	7.47	42
10 Year	7.16	7.55	39

Source: Reuters Value as on September 23, 2016

- Yields on gilt securities fell across the maturities in the range of 3 bps to 10 bps. The minimum contraction was witnessed on the 2- and 24-year papers and the maximum on the 4-year paper.
- Corporate bond yields fell across the maturities in the range of 1 bps to 4 bps, barring 2-year paper that increased 1 bps and 4-year paper that closed steady.
- Spread between AAA corporate bond and gilt expanded across the maturity segment in the range of 2 bps to 9 bps.



# Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has asked banks to report any breach of security on a priority basis so that the overall network is not compromised. The move comes as some banks were hesitant to report such frauds in order to avoid negative publicity. RBI has set Mar 31, 2017, as the deadline for banks to implement a mechanism to report cyber-attacks immediately.
- ❑ The Union cabinet gave its approval for merging the Railway Budget and Union Budget, putting an end to the practice of presenting them separately. However, the distinct identity of the railways will be maintained in the Union Budget. The cabinet also did away with the distinction between Plan and Non-Plan expenditure. The present classification is focused significantly on the former one.
- ❑ Capital market regulator Securities & Exchange Board of India (SEBI) has asked the National Stock Exchange (NSE) to investigate as to whether there is a possible collusion of its officials with brokers. The move comes amid reports of breaches of fair access norms and that NSE had given preferential treatment to some brokers. In addition, SEBI stated that revenue generated from this practice will be deposited into an escrow account.
- ❑ SEBI is considering a proposal to allow foreign portfolio investors to hold multiple demat accounts. The move comes amid recent changes made in the tax treaties associated with capital gains, in addition to granting permanent registration to market intermediaries.



## Regulatory Updates in India (contd..)

- In a recent circular, Securities and Exchange Board of India (SEBI) has reiterated its earlier stand that all mutual fund houses will have to disclose the commissions paid/payable to their distributors on investments in common account statements (CAS), on a half-yearly basis commencing from Oct 1. However, it softened its earlier stand by stating that fund houses will need to disclose the total expense ratio of only those plans that the investor has put money in. Earlier, SEBI said that fund houses will have to disclose the total expense ratios of direct plans also, even if the investor opted for a regular plan.
- In an attempt to restrict unregistered entities from offering investment advisory services, SEBI will amend the SEBI Investment Adviser Regulations, 2013. Post amendment, any entity providing investment advice would be brought under the ambit of investment adviser regulations. In case of violations or complaints, SEBI would start the proceedings straightaway.
- Data from the Securities Exchange Board of India (SEBI) showed that wealthy investors continued to have faith in portfolio managers or advisory services as the Assets Under Management (AUM) of such entities surged to Rs 11.4 lakh crore in the Indian capital market at the end of Aug. AUM of portfolio managers stood at 11.37 lakh crore at the end of Aug as against Rs. 11.19 lakh crore in the previous month.

# Global News/Economy

- ❑ The Organisation for Economic Co-operation and Development (OECD) lowered the global growth forecast for this year to 2.9% from 3% predicted in Jun 2016. The projection for the next year was also brought down to 3.2% from 3.3%.
- ❑ The U.S. Federal Reserve kept its policy balance rate unchanged in the recently concluded monetary policy review. It also lowered its economic annual growth potential from 2.0% to 1.8% despite offering an encouraging assessment of the labour market. However, Fed hinted towards a rate hike in the current year and said that it is waiting for further evidence of continued progress.
- ❑ As per the report from the European Central Bank, euro area current account surplus fell to EUR 21.0 billion in Jul 2016 from EUR 29.5 billion in Jun 2016. Whereas, the cumulative current account surplus for the 12 months to Jul period stood at EUR 343.2 billion, which is equivalent to 3.0% of euro area's GDP.
- ❑ The Bank of Japan, in its monetary policy review meeting, kept its policy balance rate unchanged at -0.10%. However, the central bank added that it would introduce quantitative and qualitative monetary easing with yield curve control in which it aims keep yields on 10-year government bonds at around current levels of 0.0%. In addition, the central bank stated that it will expand the monetary base until inflation exceeds 2% and stays above the target in a stable manner.

# Global Equity Markets

Global Indices			
Indices	23-Sep -16	1-Week Return	YTD Return
Dow Jones	18261.45	0.76%	6.49%
Nasdaq 100	4858.91	0.85%	8.03%
FTSE 100	6909.43	2.97%	13.39%
DAX Index	10626.97	3.41%	3.34%
Nikkei Average	16754.02	1.42%	-9.20%
Straits Times	2856.95	1.04%	0.74%

*Source: Reuters*

## Europe

- European markets saw a positive trend over the week, gaining significantly from the announcements made by Fed and BoJ. While unchanged interest rates by BoJ gave a push to the European economy, banks and financial stocks especially gained from the decision.

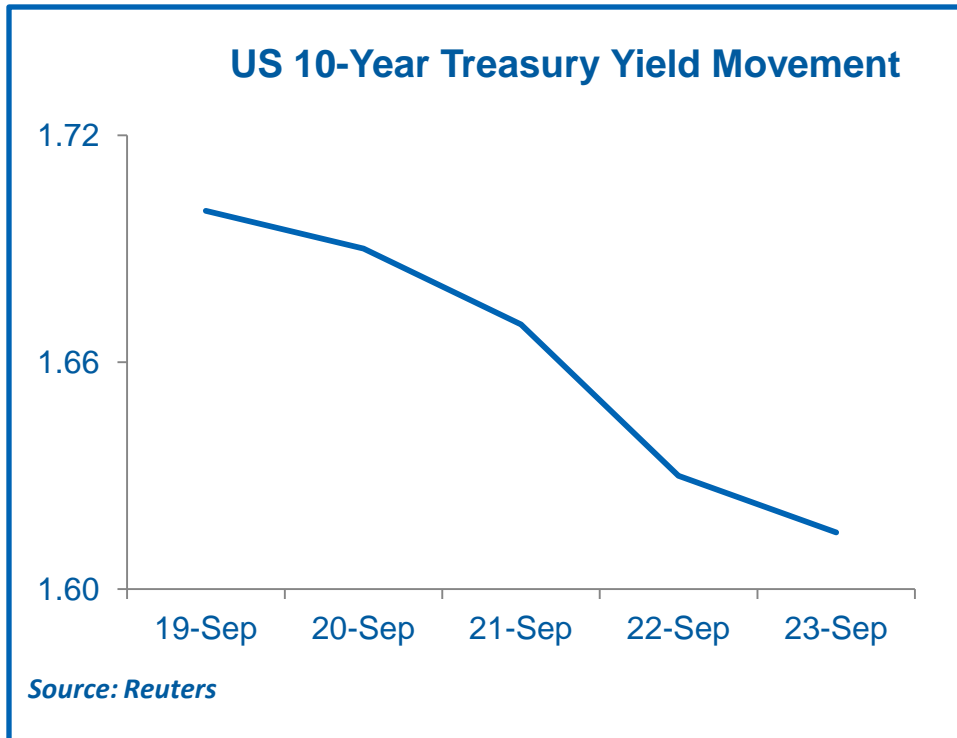
## Asia

- Asian markets observed a mixed trend over the week, with the Fed and BoJ meetings positively impacting the markets. However, sentiment in Japan and Hong Kong turned lukewarm after investors booked profits. Market participants took positive cues after a preliminary survey from Nikkei indicated that Japan's manufacturing sector expanded in Sep.

## U.S.

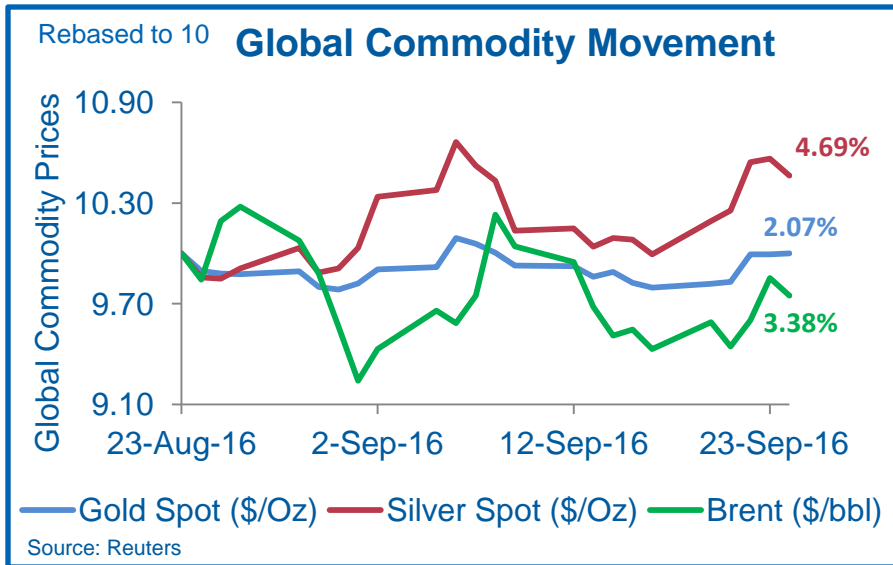
- U.S. markets gained over the week, after remaining subdued initially. Announcements from the U.S. Federal Reserve (Fed) and the Bank of Japan (BoJ) lifted the market.
- However, gains were restricted after preliminary reading of a private survey showed slowdown in the growth of U.S. manufacturing sector in Sep.

# Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 8 bps to close at 1.62%, compared with the previous week's close of 1.70%.
- U.S. Treasury prices rose after the U.S. Federal Reserve (Fed) kept its policy balance rate unchanged in the recently concluded monetary policy review.
- It has also downgraded its economic growth forecast despite offering an encouraging assessment of the labour market.
- Also, expectations of slow rate hikes by Fed due to weak economic growth and inflation rates below its target level and Bank of Japan's decision to focus on targeting bond yields and allowing inflation to rise above 2% supported bond prices.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	47.10	45.56
Gold (\$/Oz)	1337.21	1310.06
Gold (Rs/10 gm)	31316	30920
Silver (\$/Oz)	19.65	18.77
Silver (Rs/Kg)	46541	44923

Source: Reuters Value as on September 23, 2016

## Gold

- The outcome of Bank of Japan's and U.S. Federal Reserve's latest policy meetings had a major impact on the bullion's prices during the week. Gold prices found support following weakness in U.S. dollar against yen as investors lacked confidence in BoJ's ability to achieve its inflation goal.

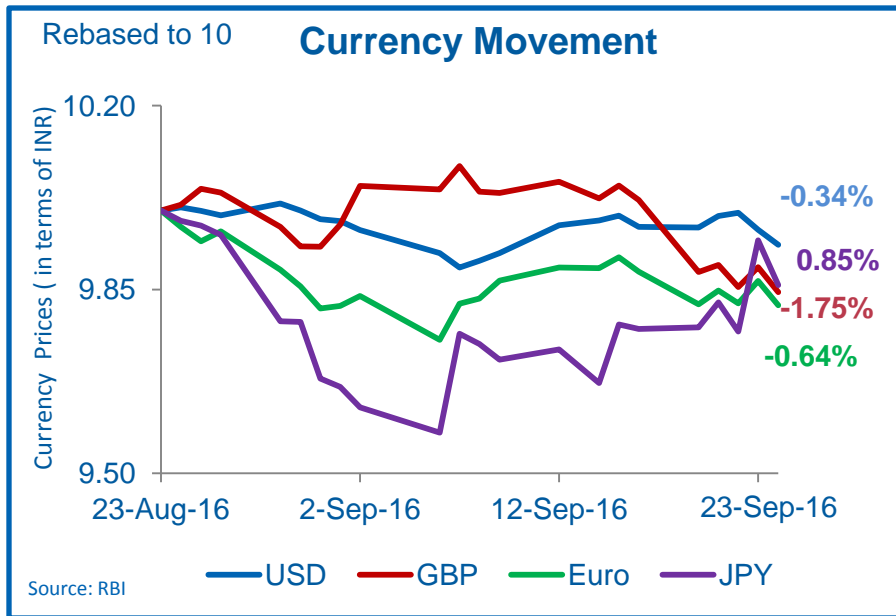
## Crude

- Optimism ahead of the OPEC meeting in Algeria, scheduled later during this month, continued to drive market enthusiasm during the week. Renewed geo-political tensions in Libya oil ports raised supply concerns, thereby supporting oil prices.

## 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	66.65	66.88
Pound Sterling	86.92	88.47
EURO	74.67	75.15
JPY(per 100 Yen)	66.08	65.52

Source: RBI Figures in INR , Value as on September 23, 2016

## Rupee

- The rupee strengthened against the greenback following gains in the domestic equity market after the U.S. Fed kept interest rates unchanged in its monetary policy review.

## Euro

- The euro strengthened against the greenback after Fed kept interest rates on hold in its monetary policy review.

## Pound

- The pound weakened against the greenback amid worries that Britain's economy will be severely affected when it formally leaves the European Union.

## Yen

- The yen surged against the greenback on doubts as to whether the BoJ would be able to attain its inflation target through additional easing as announced in its monetary policy review.

The Week that was...  
September 19 to September 23

# The Week that was (Sep 19 – Sep 23)

Date	Events	Present Value	Previous Value
Monday, September 19, 2016	U.K. Rightmove House Prices (YoY) (SEP)	4.00%	4.01%
	U.S. NAHB Housing Market Index	65.00	59.00
Tuesday, September 20, 2016	U.S. Housing Starts (MoM) (AUG)	-5.80%	1.40%
	U.S. Building Permits (MoM) (AUG)	0.40%	0.80%
Wednesday, September 21, 2016	U.S. Fed Interest Rate Decision	0.50%	0.50%
	Bank of Japan Interest Rate Decision	-0.10%	-0.10%
	Eurozone Targeted LTRO	€45.3B	€399.3B
	DOE U.S. Crude Oil Inventories (SEP 16)	-6200k	-559k
	Japan Machine Tool Orders (YoY) (AUG F)	-8.40%	-8.40%
	U.K. Public Sector Net Borrowing (Pounds) (AUG)	10.1b	-2.4b
Thursday, September 22, 2016	U.S. Initial Jobless Claims (SEP 17)	252k	260k
	U.S. House Price Index (MoM) (JUL)	0.50%	0.30%
	Euro-Zone Consumer Confidence (SEP A)	-8.2	-8.5
	U.S. Existing Home Sales (MoM) (AUG)	-0.90%	-3.40%
Friday, September 23, 2016	Nikkei Japan PMI Mfg (SEP P)	50.3	49.5
	Markit/BME Germany Composite PMI (SEP P)	52.7	53.3
	Markit Eurozone Composite PMI (SEP P)	52.6	52.9
	Markit US Manufacturing PMI (SEP P)	51.4	52



The Week Ahead...  
September 26 to September 30

# The Week Ahead

Day	Event
Monday, September 26, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> German IFO - Business Climate (SEP)</li> <li><input type="checkbox"/> U.S. New Home Sales (MoM) (AUG)</li> </ul>
Tuesday, September 27, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. USD Consumer Confidence (SEP)</li> <li><input type="checkbox"/> Bank of Japan Minutes of July 28-29 Meeting</li> <li><input type="checkbox"/> Markit US Composite PMI (SEP P)</li> </ul>
Wednesday, September 28, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Durable Goods Orders (AUG P)</li> <li><input type="checkbox"/> German GfK Consumer Confidence Survey (OCT)</li> </ul>
Thursday, September 29, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Gross Domestic Product Price Index (2Q T)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (SEP 24)</li> <li><input type="checkbox"/> Japan Retail Trade (YoY) (AUG)</li> </ul>
Friday, September 30, 2016	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Manufacturing PMI (SEP)</li> <li><input type="checkbox"/> U.K. Gross Domestic Product (YoY) (2Q F)</li> <li><input type="checkbox"/> Euro-Zone Consumer Price Index Estimate (YoY) (SEP)</li> </ul>

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