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September 27, 2019

The Week that was...

23rd September to 27th September

Indian Economy

- The Asian Development Bank (ADB) has sharply lowered India's growth forecast from 7.2% to 6.5% for 2019-20, according to media news. ADB indicated that the country will grow faster than China. In its Asian Development Outlook (ADO) Update for 2019, ADB cut the growth projection for India, which recorded an over six-year low growth of 5% in the Apr-Jun quarter 2019.
- Media reports showed the government is expecting a shortfall of almost Rs. 40,000 crore in the goods and services tax collections over the budgeted amount for 2019-20. This could put pressure on the compensation that states are eligible for in case the tax growth falls below 14% during the year. The GST Council met in Goa on Sep 20, 2019. Most states were optimistic that the government will find a way to meet the compensation requirements.
- The government has notified 8.65% interest rate for 2018-19 for Employees' Provident Fund Organization's (EPFO) more than 60 million active subscribers. While the EPFO board had decided to pay 8.65% interest rate to its subscribers for 2018-19 in Feb 2019, it was not yet credited to their account as the finance ministry had not given its go-ahead.
- A major domestic rating agency has said there are various threats to apparel exports that could slow down the pace and make it challenging for exporters. India's apparel exports have revived in 2019-20, growing by about 4% YoY during the first four months, after two consecutive years of de-growth, the agency said.

Indian Equity Market

Domestic Equity Market Indices			
Indices	27-Sep-19	1 Week Return	YTD Return
S&P BSE Sensex	38,822.57	2.13%	7.64%
Nifty 50	11,512.40	2.11%	5.98%
S&P BSE Mid-Cap	14,265.99	1.03%	-7.59%
S&P BSE Small-Cap	13,331.93	0.97%	-9.35%

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	27.25	26.52	26.90	41.71
P/B	2.92	3.55	2.39	1.80
Dividend Yield	1.19	1.30	1.13	1.09

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
23-Sep-19	1,236	630	1.96
24-Sep-19	811	1,026	0.79
25-Sep-19	497	1,343	0.37
26-Sep-19	986	836	1.18
27-Sep-19	651	1,181	0.55

- Indian equity markets gained on the back of the lingering good sentiment generated by the government's stimulus package and hopes of U.S.-China trade deal. The U.S. President said a deal could become reality soon. Also, the Prime Minister assuring of more reforms boosted sentiment.
 - The week opened on a high as government's Rs 1.25 lakh crore stimulus made prominent brokerages raise their earnings estimates for Indian businesses. Hopes of a China-U.S. trade deal added to the gains which arose when the U.S. President said a deal could fructify soon.
 - However, the sentiment was hurt when the U.S. President faced impeachment. Fresh on the heels of an impeachment against the U.S. President, a whistleblower report showed the President tried to hold back evidence.

Indian Equity Market (contd.)

Indices	Last Closing*	Sectoral Indices	
		1-Wk	1-Mth
S&P BSE Auto	16,900.3	-1.06%	5.02%
S&P BSE Bankex	33,781.5	3.54%	6.40%
S&P BSE CD	26,140.4	2.14%	11.58%
S&P BSE CG	18,702.5	3.50%	8.68%
S&P BSE FMCG	11,733.8	3.93%	6.86%
S&P BSE HC	12,692.6	-2.49%	1.05%
S&P BSE IT	15,312.4	-1.71%	-3.15%
S&P BSE Metal	9,133.9	-1.97%	6.67%
S&P BSE Oil & Gas	14,562.2	4.82%	9.95%
S&P BSE Power	16,900.3	-1.06%	5.02%
S&P BSE Realty	33,781.5	3.54%	6.40%

Source: Thomson Reuters Eikon

*Value as on Sep 27, 2019

- S&P BSE Oil & Gas was the major gainer that grew 4.82% followed by S&P BSE FMCG and S&P Bankex, which grew 3.93% and 3.54%, respectively.
- The sectors were buoyed by the government's stimulus package wherein corporate tax rate was cut, which would eventually boost earnings. It helped that prominent brokerages upgraded their major companies' earnings estimates. The metal sector lost as official data showed China's industrial profits declined in Aug 2019 amid the trade dispute with the U.S.

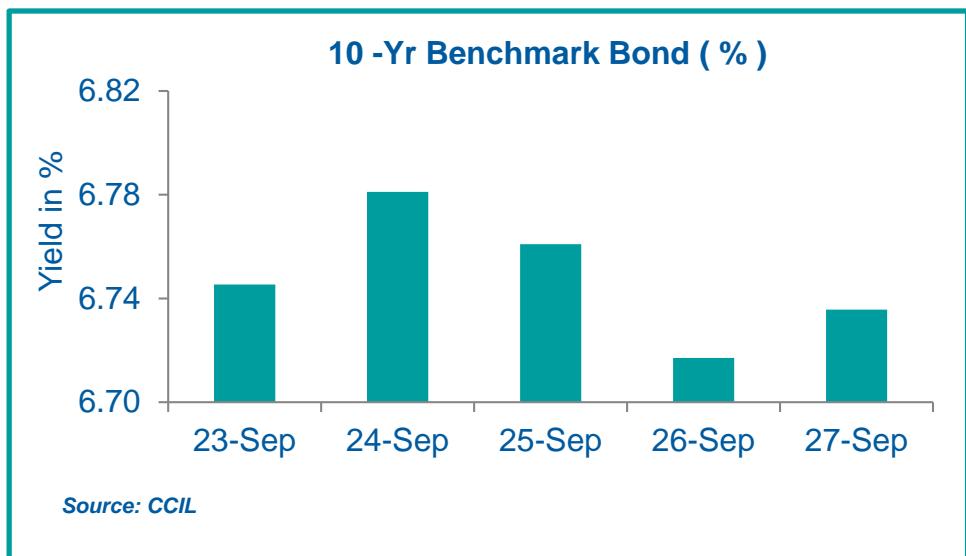
Indian Derivatives Market Review

- Nifty Oct 2019 Futures stood at 11,579.50, a premium of 67.10 points above the spot closing of 11,512.40. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 83.70 lakh crore as against Rs. 83.90 lakh crore for the week to Sep 20.
- The Put-Call ratio stood at 0.91 compared with the previous week's close of 0.81 .
- The Nifty Put-Call ratio stood at 1.19 against the previous week's close of 1.39.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.24	5.37	5.35	6.22
91 Day T-Bill	5.41	5.32	5.43	6.29
07.32% 2024, (5 Yr GOI)	6.42	6.46	6.24	6.95
07.26% 2029, (10 Yr GOI)	6.74	6.79	6.53	7.33

Source: Thomson Reuters Eikon Value as on Sep 27, 2019



- Bond yields fell as market participants resorted to value buying. Decline in crude oil prices following aggravating U.S.-China trade tension also supported domestic bond market. Besides, the finance minister's announcement that the government does not plan to change the fiscal deficit target currently, also helped ease the yield.

- However, the gains were restricted as market participants remain anxious regarding the country's borrowing plan for the Oct-Mar period, which is expected to be detailed on Sep 30.
- Yield on the 10-year benchmark paper (7.26% GS 2029) fell 5 bps to 6.74% compared with the previous close of 6.79% after trading in a range of 6.70% to 6.80%.

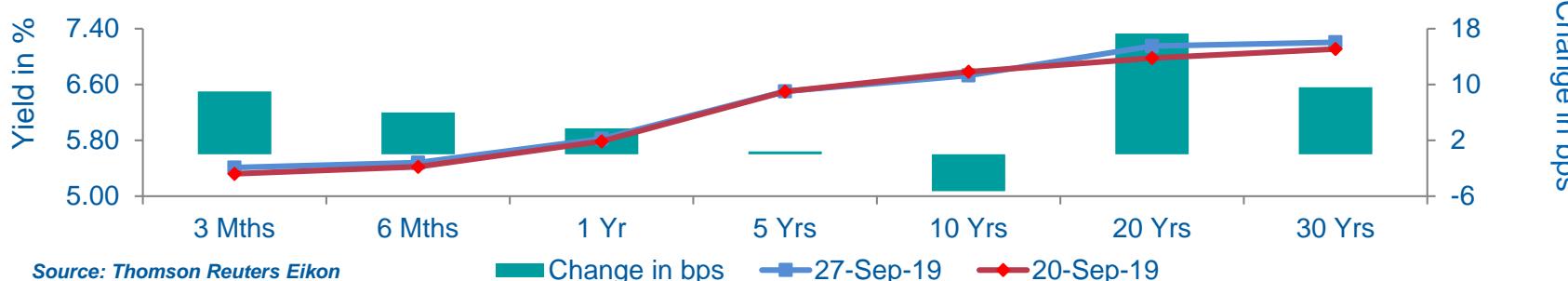
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	5.91	6.97	106
3 Year	6.24	7.40	116
5 Year	6.61	7.52	91
10 Year	6.84	8.08	124

Source: Thomson Reuters Eikon Value as on Sep 27, 2019

- Yields on gilt securities increased across the maturities in the range of 2 bps to 18 bps barring 4-year paper, 7-year paper and 10 to 14-year maturities which fell by up to 8 bps while the yield on 5 and 15-year paper closed steady.
- Corporate bond yields fell across 3 to 10-year paper by up to 30 bps barring 1, 2 and 15-year paper which increased in the range of 3 bps to 31 bps.
- Difference in spread between AAA corporate bond and gilt contracted across the maturities in the range of 3 bps to 37 bps barring 1-year paper and 15-year paper which expanded 3 bps and 31 bps respectively.

India Yield Curve Shift (%) (W-o-W)



Regulatory Updates in India

- In its recent circular, Securities and Exchange Board of India (SEBI) has asked mutual fund houses to adopt waterfall approach for valuation for debt funds. The market regulator wants Association of Mutual Funds in India to confirm that valuation agencies document waterfall approach for valuation of debt and money market securities. SEBI has introduced broad principles to calculate securities prices. Trade securities should be valued basis the trade yield. Government securities, including T-bills, would be valued based on Volume Weighted Average Yield (VWAY) for trades in the final one hour of trading. For other debt securities, valuation would be done based on VWAY for all trades in the day.
- According to media reports, SEBI's chairperson reaffirmed that standstill agreements are not permitted between mutual funds and borrowers. This came in a day after a prominent conglomerate expressed that certain funds have acceded to further push back the deadline for the repayment of its debt obligation. The SEBI chairperson asserted that such fresh extensions does not have regulatory approval.
- According to media reports, SEBI is tightening rules for debt mutual funds by passing a mandate that all liquid schemes are required to hold a minimum of 20% in liquid assets such as cash and government securities. This comes in the wake of the latest credit papers default and downgrades. The mandate will come into force from Apr 1, 2020, with the purpose of confirming adequate liquidity and improving risk management.

Regulatory Updates in India (contd..)

- The Central Board of Direct Taxes (CBDT) will conduct a pan-India review of the e-assessment system for income-tax payers before starting it in Oct 2019. CBDT, which frames policy for the income-tax department, had last week set up the national e-assessment centre in Delhi as part of the Centre's plan to launch faceless and nameless assessment for income-tax payers.
- The Prime Minister has said the government will further simplify India's tax regime, including bringing tax on equity investments in line with global standards, media reports showed. He said this while making a strong pitch to global business leaders to invest in India. He said India will not avoid taking toughest decisions. The Prime Minister was at a media meet in New York which was attended by top executives of some of world's biggest companies.
- According to media report, the Insurance Regulatory and Development Authority of India (IRDAI) has suggested minor alterations in policies filed by general and standalone health insurers. According to the new regulation, health insurers will now be able to revise the base premium rates by 15% (+/-) of the rates initially approved in an individual product. Also health insurers will now be able to add more critical illnesses to the cover and to increase the maximum age limit from 65 years, with consent from the regulator. Even the policy words can also be altered to some extent.

Global News/Economy

- A Commerce Department final report on U.S. gross domestic product in the second quarter showed the pace of GDP growth was unrevised from the previous estimate. The report said real GDP increased at an annual rate of 2.0% in the second quarter of 2019, unchanged from the previous estimate and in line with expectations.
- IHS Markit data showed euro area private sector moved close to stagnation in Sep 2019 as demand for both goods and services declined the most in over six years. The flash composite output index fell unexpectedly to a 75-month low of 50.4 in Sep from 51.9 in Aug 2019.
- A Conference Board report showed U.S. consumer confidence deteriorated by much more than anticipated in Sep 2019. The Conference Board said its consumer confidence index tumbled to 125.1 in Sep from 134.2 in Aug 2019.
- A Commerce Department report showed U.S. new home sales rebounded strongly in Aug 2019 following a sharp pullback in the previous month. New home sales surged up by 7.1% to an annual rate of 713,000 in Aug after plunging 8.6% to a revised rate of 666,000 in Jul 2019.
- An IHS Markit survey showed Japan's private sector expanded at a slightly slower pace in Sep 2019 as manufacturing activity contracted further. The Jibun Bank flash composite output index fell to 51.2 from 51.9 in Aug 2019.

Global Equity Markets

Global Indices			
Indices	27-Sep-19	1-Week Return	YTD Return
Russell 3000	1,282.88	-1.69%	20.72%
Nasdaq 100	7,681.58	-1.81%	21.35%
FTSE 100	7,426.21	1.11%	10.38%
DAX Index	12,380.94	-0.70%	17.26%
Nikkei Average	21,878.90	-0.91%	9.31%
Straits Times	3,125.63	-1.08%	1.85%

Source: Thomson Reuters Eikon *Value as on Sep 27, 2019*

U.S.

- U.S. markets closed a volatile week in the red. Though the markets had made some gains, concerns over a potential escalation in the trade war with China got the better of indices. Media reports showed that the administration is considering ways to limit U.S. investments in China. Also, the week saw the U.S. House Speaker announce a formal impeachment inquiry against the U.S. President.

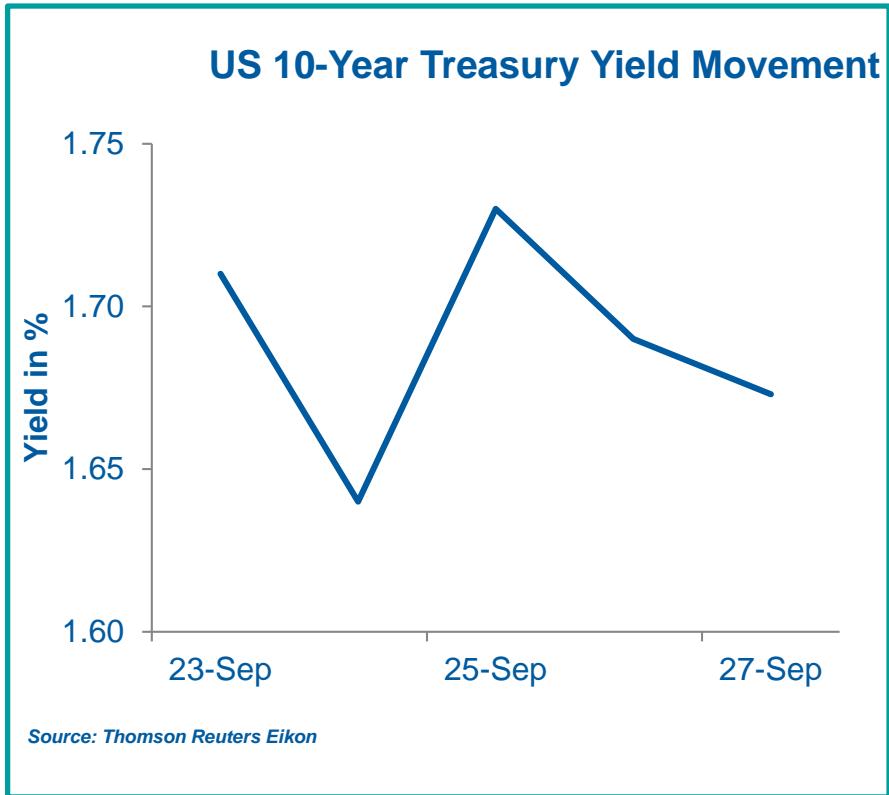
Europe

- European markets were mixed in the period. The start was jittery as weaker than expected economic data from the region raised concerns around global growth. Sentiment was dim as investors kept an eye on the impeachment developments in the U.S. Also, U.K.'s highest court ruled that the Prime Minister's suspension of parliament for five weeks was unlawful which contributed to the downside.

Asia

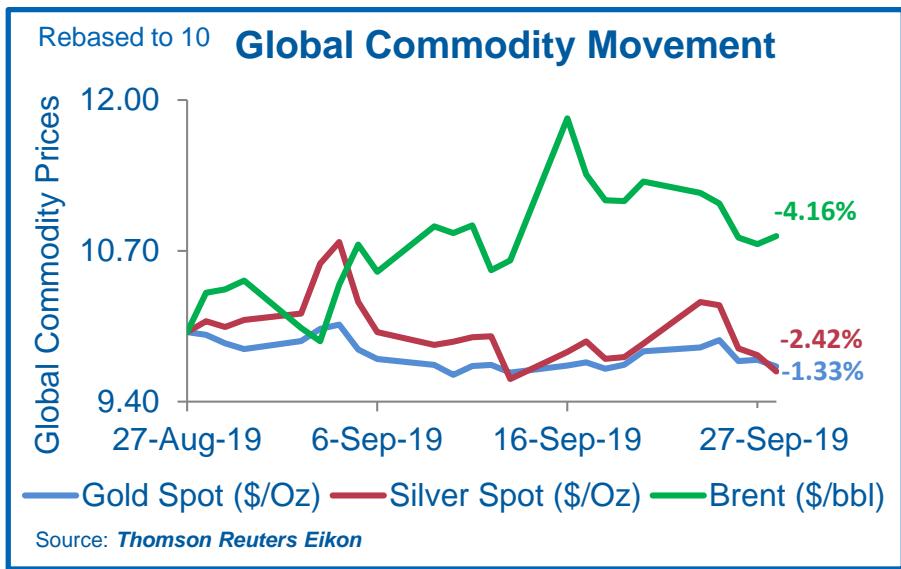
- Asian equity markets fell on political uncertainty in the U.S. as the U.S. President faced an impeachment motion and Chinese economic weakness. China's industrial profits contracted in Aug 2019 after a brief recovery in Jul 2019 which dampened market sentiment.

Global Debt (U.S.)



- Yields on the 10-year U.S. Treasury bond fell 8 bps to 1.67% compared with the previous week's close of 1.75%.
- U.S Treasury prices grew initially after IHS Markit's Euro Zone Composite Flash Purchasing Managers' Index (PMI) fell in Sep 2019 which fueled concerns of a slowdown in global growth.
- The safe haven appeal of U.S. Treasuries rose further amid reports of the launch of a formal impeachment inquiry against U.S. President. U.S. Treasury prices rose further amid reports that the U.S. administration is considering delisting Chinese companies from U.S. stock exchanges.
- However, further gains were capped after pending home sales in U.S. rose more than expected in Aug 19.

Commodities Market



Performance of various commodities		
Commodities	Last Closing*	1-Week Ago
Brent Crude(\$/Barrel)	63.37	66.12
Gold (\$/Oz)	1496.56	1516.75
Gold (Rs/10 gm)	37,481	37,390
Silver (\$/Oz)	17.54	17.98
Silver (Rs/Kg)	44,604	45,686

Source: Thomson Reuters Eikon

*Value as on Sep 27, 2019

Gold

- Gold prices weakened during the week as the greenback firmed on optimism of U.S-China trade resolution. However, the bullion's downside was limited by concerns over global economic slowdown and fall in U.S. consumer confidence for Sep 2019.

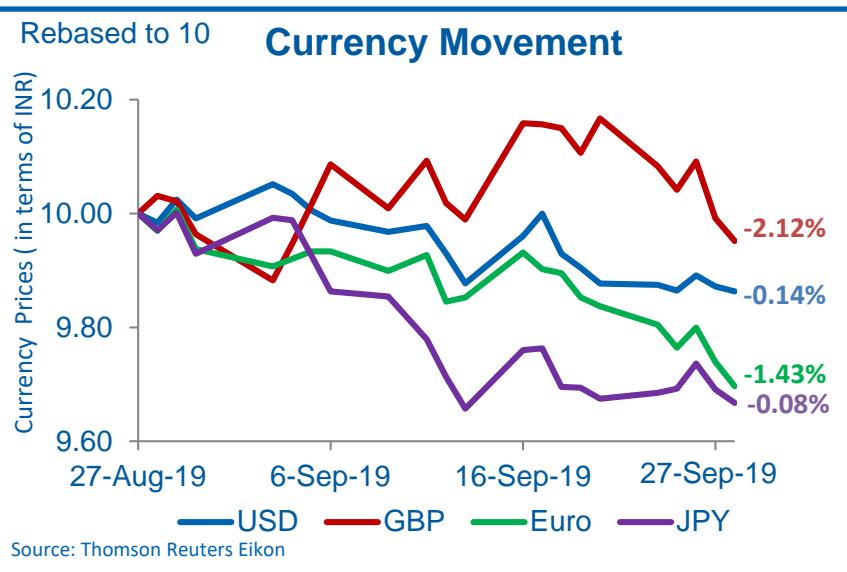
Brent Crude

- Brent crude prices declined more than 4% during the week amid reports that Saudi Arabia is working to restore output quickly after the drone and missile strikes on two of its oil-processing plants. Rise in U.S. crude inventory for the week ended Sep 20, as reported by the Energy Information Administration (EIA) also weighed on crude prices.

Baltic Dry Index

- The Baltic Dry Index fell on the back of lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing*	1-Wk Ago
US Dollar	70.84	70.94
Pound Sterling	87.33	89.21
EURO	77.32	78.44
100 Yen	65.71	65.76

Source: RBI Figures in INR , *Value as on Sep 27, 2019

Rupee

- The rupee rose against the greenback following gains in the domestic equity market. Fall in global crude oil prices over the week further boosted the rupee.

Euro

- The euro fell against the greenback after IHS Markit's Euro Zone Composite Flash Purchasing Managers' Index (PMI) fell in Sep 2019.

Pound

- The pound weakened against the greenback after the British Supreme Court ruled against the Britain Prime Minister and termed his suspension of parliament unlawful. Concerns of a split parliament and an early general election further hurt the pound.

Yen

- The yen weakened against the greenback as the safe-haven appeal of the latter strengthened amid concerns of a gloomy economic outlook.

The Week that was...

23rd September to 27th September

The Week that was (September 23 – September 27)

Date	Events	Present Value	Previous Value
Monday, September 23, 2019	• Germany Markit PMI Composite (Sep) (P)	49.1	51.7
	• Eurozone Markit PMI Composite (Sep) (P)	50.4	51.9
	• U.S. Markit PMI Composite (Sep) (P)	51.0	50.7
Tuesday, September 24, 2019	• Japan Leading Economic Index (Jul)	93.7	93.6
	• Eurozone IFO - Current Assessment (Sep)	98.5	97.3
	• U.K. Public Sector Net Borrowing (Aug)	£5.766B	£-1.472B
	• U.S. S&P/Case-Shiller Home Price Indices (YoY) (Jul)	2.0%	2.2%
Wednesday, September 25, 2019	• U.S. MBA Mortgage Applications (Sep 20)	-10.1%	-0.1%
	• U.S. New Home Sales (MoM) (Aug)	0.713M	0.666M
Thursday, September 26, 2019	• Germany Gfk Consumer Confidence Survey (Oct)	9.9	9.7
	• U.S. Gross Domestic Product Annualized (Q2)	2.0%	2.0%
	• U.S. Pending Home Sales (MoM) (Aug)	1.6%	-2.5%
	• Japan Foreign Bond Investment (Sep 20)	¥-164.0B	¥483.4B
Friday, September 27, 2019	• U.S. Personal Income (MoM) (Aug)	0.4%	0.4%
	• U.S. Personal Spending (Aug)	0.1%	0.5%
	• U.S. Durable Goods Orders (Aug)	0.2%	2.0%

The Week Ahead

30th September to 4th October

The Week Ahead

Day	Event
Monday, September 30, 2019	<ul style="list-style-type: none"> • India Eight Core Industries (Aug) • China Caixin Manufacturing PMI (Sep) • U.K. Gross Domestic Product (QoQ) (Q2) • Japan Unemployment Rate (Aug)
Tuesday, October 1, 2019	<ul style="list-style-type: none"> • U.K. Markit Manufacturing PMI (Sep) • Eurozone Consumer Price Index (YoY) (Sep) P • U.S. ISM Manufacturing PMI (Sep)
Wednesday, October 2, 2019	<ul style="list-style-type: none"> • U.S. ADP Employment Change (Sep) • U.K. Markit Construction PMI (Sep)
Thursday, October 3, 2019	<ul style="list-style-type: none"> • Eurozone Markit PMI Composite (Sep) • U.K. Markit Services PMI (Sep) • Eurozone Retail Sales (YoY) (Aug) • U.S. ISM Non-Manufacturing PMI (Sep) • U.S. Markit Services PMI (Sep)
Friday, October 4, 2019	<ul style="list-style-type: none"> • U.S. Nonfarm Payrolls (Sep) • U.S. Unemployment Rate (Sep) • U.S. Trade Balance (Aug)

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