

News U Can Use

September 30, 2016

The Week that was...
26th September to 30th September

Indian Economy

- ❑ Government data showed that India's fiscal deficit for the period from Apr to Aug stood at Rs. 4.08 lakh crore or 76.4% of the budgeted target for this fiscal compared with 66.5% in the corresponding period of the previous year. Revenue deficit stood at Rs 3.25 lakh crore, or 91.8% of the budgeted estimate. Total expenditure by the government during the period under review stood at Rs. 8.02 lakh crore which accounted 40.5% of the budgeted target compared with 41.2% in the corresponding period of the previous year. Of this, non-planned expenditure constituted Rs 5.65 lakh crore or 39.6% of the budgeted target while plan expenditure constituted Rs. 2.37 lakh crore or 43.0% of the budgeted estimate.
- ❑ Government data showed that growth of India's core sector stood at 3.2% in Aug. Coal sector output contracted 9.2%, while crude oil sector declined 3.9% during the month. Steel sector grew 17% in Aug compared with 0.5% decline in Jul.
- ❑ The Ministry of Labour and Employment increased the limit of investments to be made by the Employees' Provident Fund Organisation (EPFO) in the Exchange Traded Funds (ETFs) in 2016-17 to 10% of investible income from 5% in 2015-16. This will result in an inflow of Rs. 13,000 crore into the domestic equity market in the current fiscal. EPFO has already made an investment of Rs. 1,500 crore in ETFs in the first half of the current fiscal. The new limit will attract an investment of about Rs. 11,500 crore in the remaining six months.

Indian Equity Market

Domestic Equity Market Indices			
Indices	30-Sep-16	1 Week Return	YTD Return
S&P BSE Sensex	27865.96	-2.80%	6.52%
Nifty 50	8611.15	-2.50%	8.14%
S&P BSE Mid-Cap	13166.68	-1.24%	17.08%
S&P BSE Small-Cap	12780.80	-1.37%	7.04%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.92	23.4	30.82	87.09
P/B	2.89	3.27	2.44	2.01
Dividend Yield	1.41	1.29	1.12	0.81

Source: BSE, NSE

Value as on September 30, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
26-Sep-16	524	1100	0.48
27-Sep-16	687	928	0.74
28-Sep-16	1037	583	1.78
29-Sep-16	126	1532	0.08
30-Sep-16	1341	292	4.59

Source: NSE

- Indian equity markets ended the week on a weak note as investors felt the heat of the surgical strikes conducted by the Indian Army across the Line of Control in Pakistan. The military attack left investors pondering over its impact on foreign fund inflows.
- The expiry of the Sep series of futures and options on Sep 29 also impacted markets. Nonetheless, the upcoming bi-monthly policy review by the Reserve Bank of India, scheduled on Oct 4, managed to generate some optimism among market participants.
- Also, expectations after the U.S. Presidential debate that the Democrat candidate would win added to positivity.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22231.7	-1.81%	1.37%
S&P BSE Bankex	22045.6	-3.11%	-1.53%
S&P BSE CD	12548.6	-1.56%	1.23%
S&P BSE CG	14581.8	-3.55%	-2.80%
S&P BSE FMCG	8461.02	-3.26%	-3.96%
S&P BSE HC	16181.1	-2.60%	-0.31%
S&P BSE IT	10229.1	-0.68%	-2.40%
S&P BSE Metal	9763.66	-0.75%	-3.15%
S&P BSE Oil & Gas	11377.6	-0.49%	2.72%

Source: Reuters *Value as on September 30, 2016*

- On the BSE sectoral front, S&P BSE Power was the major laggard, down 3.83%, followed by S&P BSE Realty and S&P BSE Capital Goods, which fell 3.73% and 3.55%, respectively.
- S&P BSE FMCG and S&P BSE Bankex slipped 3.26% and 3.11%, respectively. Buying interest was initially seen in oil and gas stocks after the cabinet approved the consortium of three major industry heavyweights buying stakes in two Russian oilfields. However, the sectors soon gave up gains amid profit booking.

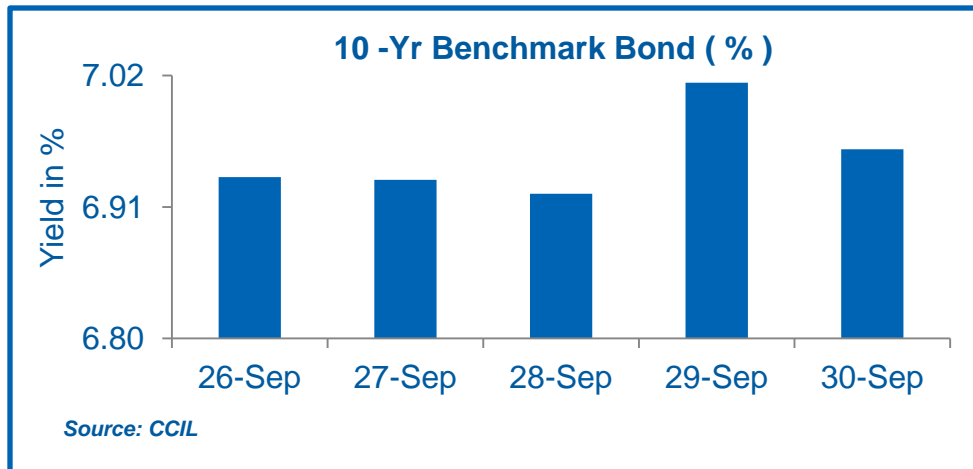
Indian Derivatives Market Review

- Nifty Sep 2016 Futures settled at 8,591.25 points on Sep 29. Nifty Oct 2016 Futures were at 8,640.65 points, a premium of 29.50 points, over the spot closing of 8,611.15 points. The turnover on NSE's Futures and Options segment stood at Rs. 29.91 lakh crore during the week to Sep 30, compared with Rs. 17.49 lakh crore recorded in the previous week.
- The Put-Call ratio remained unchanged from the previous week's close of 0.98.
- The Nifty Put-Call ratio stood at 0.94, compared with the previous week's close of 1.15.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.45	6.42	6.39	9.36
91 Day T-Bill	6.45	6.52	6.54	7.22
07.80% 2021, (5 Yr GOI)	6.87	6.89	7.02	7.66
07.59% 2026, (10 Yr GOI)	6.96	6.97	7.11	7.50

Source: Reuters Value as on September 30, 2016



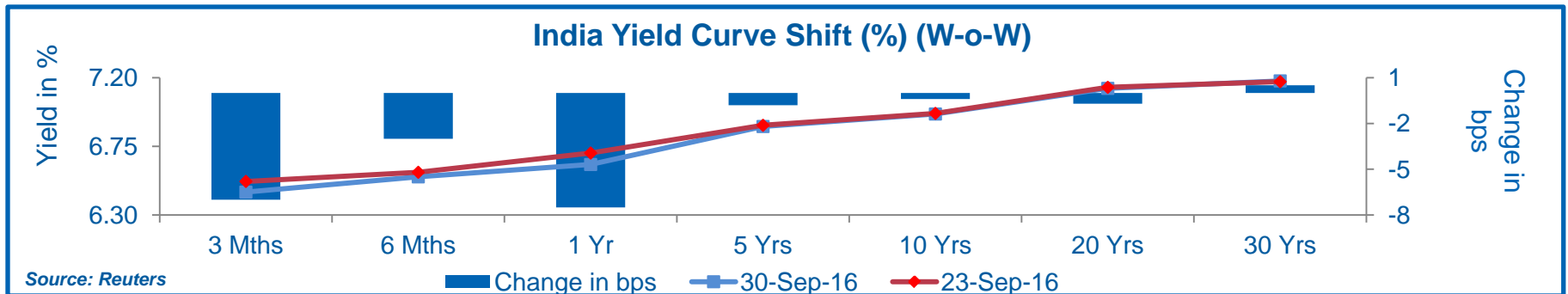
- Domestic debt market witnessed some volatility during the week under review. Bond yields fell initially on growing expectations that the Reserve Bank of India (RBI) may lower key policy rates in its upcoming monetary policy review on Oct 4 due to a slowdown in domestic inflation.
- However, most of the gains were wiped out as escalating tensions between India and Pakistan spooked investors, which weighed on market sentiment.
- Yield on 10-year benchmark bond (7.59% GS 2026) inched down 1 bps to close at 6.96% compared with the previous week's close of 6.97%. Yields moved a broad range of 6.91% to 7.04% during the week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.77	7.30	53
3 Year	6.87	7.38	51
5 Year	7.05	7.45	40
10 Year	7.15	7.53	38

Source: Reuters Value as on September 30, 2016

- Yields on gilt securities fell across most of the maturities in the range of 1 bps to 8 bps, barring 4-year paper and 6 to 8-year maturities that increased by up to 2 bps. Yields on 3-, 10-, and 30-year maturities remained unchanged.
- Corporate bond yields fell across the maturities in the range of 2 bps to 6 bps, barring 3-year paper that closed steady.
- Spread between AAA corporate bond and gilt contracted across the maturities in the range of 1 bps to 8 bps, barring 1-year paper that expanded 4 bps and 15-year paper that closed steady.



Regulatory Updates in India

- ❑ SEBI issued norms for regulation of algorithmic trading in the commodity market. In algorithmic trading, orders are generated at a super-fast speed by use of advanced mathematical models and they are mostly used by large institutional investors. SEBI further mandated that stocks exchanges will have to ensure that no immediate or cancel orders are placed through the algo trade route. To ensure a level playing field on the trading platform, SEBI stated that there will be some economic disincentives for algo trades based on the order-to-trade ratio.
- ❑ SEBI changed warehousing norms for the commodity futures market. According to SEBI, portfolio management services will not be allowed in the commodity derivative market. SEBI further mandated that warehouse service providers (WSPs) having deposit of single commodity must have net worth of Rs. 10 crore while those having deposit of more than one commodity should be Rs. 25 crore. The capital market regulator also stipulated that exchanges have to ensure that at no time the total value of goods stored in the stipulated warehouses of the WSP should exceed 33 times its net worth.
- ❑ SEBI gave its approval for options trading on commodity bourses. The objective of the move is to deepen the corporate derivatives market and boost liquidity in the markets. Up till now, only future trading was permitted on commodity bourses. The new norms would be effective from Sep 28.

Regulatory Updates in India (contd..)

- In order to improve risk management and transparency in the system, SEBI has decided to introduce measures on stockbrokers. It has asked stock exchanges to conduct stress tests for stockbrokers and closely monitor investors' money lying with them. The regulator has also asked for enhancement in reporting, appointment of internal auditors, and to obtain PAN details of directors and other key personnel at stockbrokers' establishments. It has further suggested that the exchanges should change their existing internal audit system so that the new system would be able to monitor appointment and rotation of internal auditors and timeline for submissions of internal audit reports by brokers.
- Cabinet Committee on Economic Affairs (CCEA) has approved the IT project Saksham, a new indirect tax network of the Central Board of Excise and Customs (CBEC). The project will attract a total cost of Rs. 2,256 crore. It will help in implementation of Goods and Services Tax (GST), extension of the Indian Customs Single Window Interface for Facilitating Trade (SWIFT) and other taxpayer-friendly initiatives under Digital India, and Ease of Doing Business of CBEC.

Global News/Economy

- ❑ Minutes from the Bank of Japan's policy meeting showed that the policymakers were concerned over weak inflation expectations and uncertain prospects for achieving its inflation objective. Many board members warned that inflation expectations would not improve any time soon and favoured modifying the central bank's policy framework.
- ❑ Data from the U.S. Commerce Department showed that the GDP growth of the U.S. economy in the second quarter of 2016 climbed 1.4% compared with the previously reported 1.1% increase, and was better than market expectations. This is also better than the growth of 0.8% witnessed in the first quarter.
- ❑ The World Trade Organization (WTO) downgraded its outlook for global trade. WTO forecasted world trade to expand 1.7% this year instead of 2.8% projected in Apr 2016. For 2017, growth is expected to range between 1.8% and 3.1%, down from 3.6% projected earlier.
- ❑ Data from the U.S. Labour Department showed that initial jobless claims in U.S. for the week to Sep 24 rose 3,000 to 254,000 from the previous week's revised level of 251,000, but was less than market expectations.
- ❑ Data from National Bureau of Statistics showed that China's industrial profits grew in Aug 2016 from a year ago. Profits earned by large firms in China surged 19.5% on a yearly basis to CNY 534.8 billion in Aug which was faster than the 11.0% climb in Jul 2016.

Global Equity Markets

Global Indices			
Indices	30-Sep -16	1-Week Return	YTD Return
Dow Jones	18308.15	0.26%	6.76%
Nasdaq 100	4875.70	0.35%	8.40%
FTSE 100	6899.33	-0.15%	13.23%
DAX Index	10511.02	-1.09%	2.21%
Nikkei Average	16449.84	-1.82%	-10.85%
Straits Times	2869.47	0.44%	1.18%

Source: Reuters

Europe

- European markets fell during the week due to continued weakness of European banks after a prominent bank in Germany faced huge fine from the U.S. Concerns eased to some extent on reports that the bank has reached a settlement with the U.S. Department of Justice. However, losses were restricted after OPEC struck a preliminary deal to check oil output which boosted energy stocks.

Asia

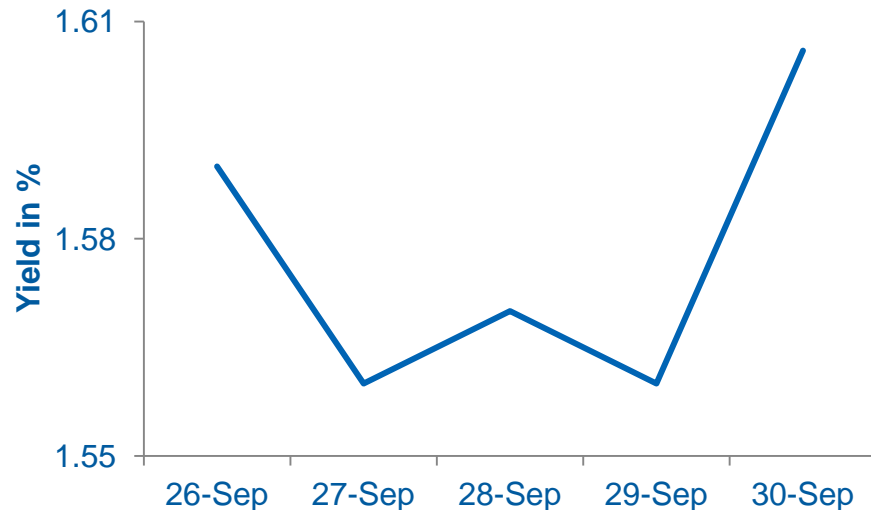
- Asian markets saw a mixed trend during the week. OPEC's output-check deal along with expectations that the Democrat candidate had won the first debate in the U.S., lifted the market. However, concerns of European banks weighed on the market sentiment.

U.S.

- U.S. markets went up during the week following views that the Democrat candidate had won the first of the three presidential debates against their Republican rival.
- Sentiment was also boosted after members of the Organization of the Petroleum Exporting Countries (OPEC) surprised the market with a primary deal to control output.

Global Debt (U.S.)

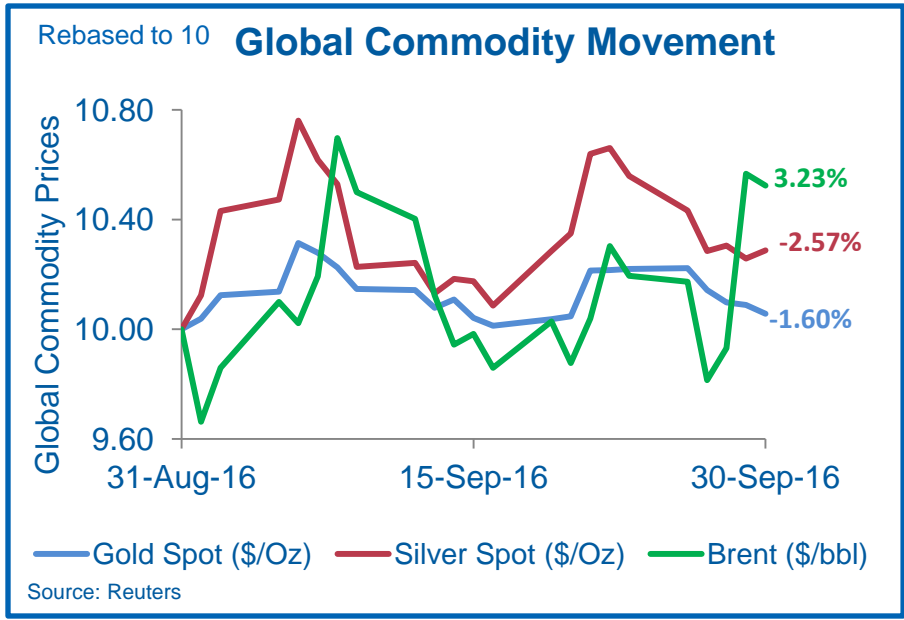
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield fell 1 bps to close at 1.61%, compared with the previous week's close of 1.62%.
- U.S. Treasury prices rose initially following decline in global equities. Prices got further boost as ongoing concerns over a major German bank on mis-selling of mortgage-backed securities fuelled worries regarding the European banking sector.
- However, most of the gains were wiped out after oil prices rose on news that the OPEC will limit oil output to 32.5 million barrels per day. Treasury prices fell further after core inflation in U.S. rose in Aug and investor worries eased on reports that the concerned German bank has reached a settlement with the U.S. Department of Justice.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.63	47.11
Gold (\$/Oz)	1315.80	1337.21
Gold (Rs/10 gm)	31175	31316
Silver (\$/Oz)	19.15	19.65
Silver (Rs/Kg)	45487	46541

Source: Reuters Value as on September 30, 2016

Gold

- Gold prices fell as sentiment for riskier assets improved following debate between U.S. Presidential candidates. Prices fell further after minutes of Bank of Japan's policy review indicated that efforts needed to be intensified in order to meet a target of 2% sustained inflation.

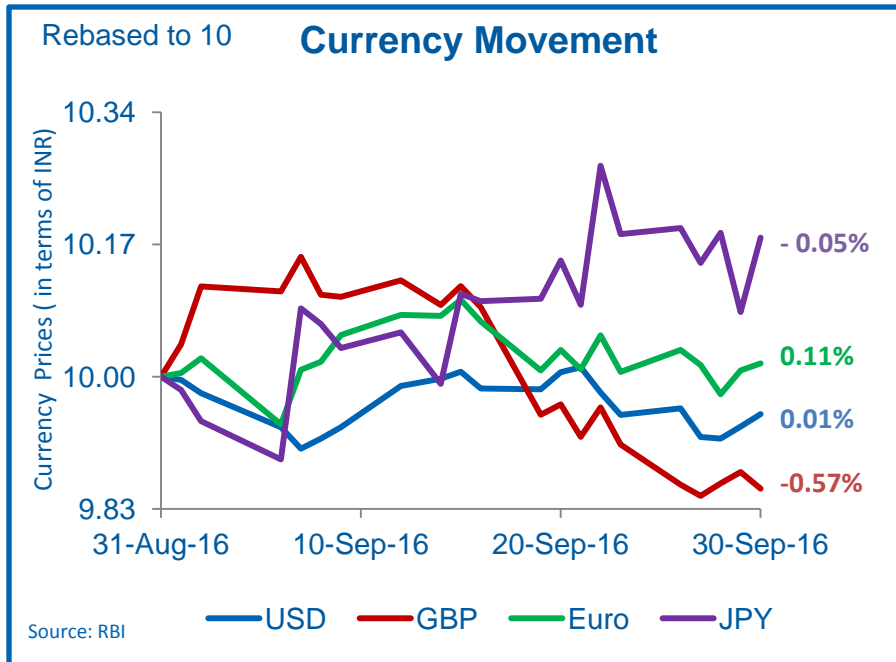
Crude

- Brent crude prices rose after OPEC agreed to cut production to a range of 32.5-33.0 million barrels per day. This is the first time since 2008 that the oil-producers' cartel has agreed to reduce output.

Baltic Dry Index

- The Baltic Dry Index moved down during the week due to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.66	66.65
Pound Sterling	86.42	86.92
EURO	74.75	74.67
JPY(per 100 Yen)	66.05	66.08

Source: RBI Figures in INR , Value as on September 30, 2016

Rupee

- The rupee inched down against the greenback as escalating tensions between India and Pakistan weighed on the market sentiment.

Euro

- The euro rose against the greenback as concerns over the financial health of a prominent German bank eased on reports that the concerned bank has reached a settlement with the U.S. Department of Justice.

Pound

- The pound marginally rose against the greenback as concerns over the European banking sector eased to some extent.

Yen

- ✓ The yen weakened on possibility that the U.S. Federal Reserve may hike interest rates in Dec and easing concerns over the European banking sector.

The Week that was...
September 26 to September 30

The Week that was (Sep 26 – Sep 30)

Date	Events	Present Value	Previous Value
Monday, September 26, 2016	Germany IFO - Business Climate (Sep)	109.50	106.20
	U.S. New Home Sales (MoM) (AUG)	-7.60%	12.40%
	U.K BBA Loans for House Purchase (AUG)	36997	37672
Tuesday, September 27, 2016	U.S. Consumer Confidence (SEP)	104.10	101.80
	U.S. Markit US Composite PMI (SEP P)	52.00	51.50
	China Industrial Profits (YoY) (AUG)	19.50%	11.00%
Wednesday, September 28, 2016	U.S. Durable Goods Orders (Aug)	0.00%	3.60%
	U.S. EIA Crude Oil Stocks change (Sep 23)	-1.882K	-6.200K
	Japan Small Business Confidence (SEP)	47.70	46.30
	German GfK Consumer Confidence Survey (OCT)	10.00	10.20
Thursday, September 29, 2016	U.S. Gross Domestic Product Annualized (Q2)	1.40%	1.10%
	German Unemployment Change (SEP)	1k	06k
	German Consumer Price Index (YoY) (SEP P)	0.70%	0.40%
	Japan Retail Trade (YoY) (AUG)	-2.10%	-0.20%
	German Consumer Price Index (MoM) (SEP P)	0.10%	0.00%
	U.S. Initial Jobless Claims (SEP 24)	254k	251K
Friday, September 30, 2016	Eurozone Consumer Price Index (YoY) (Sep)PRELIMINAR	0.40%	0.20%
	Japan National Consumer Price Index (YoY) (AUG)	-0.50%	-0.40%
	U.K. GfK Consumer Confidence Survey (SEP)	-1	-7
	China Caixin China PMI Mfg (SEP)	50.1	50

The Week Ahead...
October 3 to October 7

The Week Ahead

Day	Event
Monday, October 3, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ISM Manufacturing (SEP) <input type="checkbox"/> U.S. ISM New Orders (SEP) <input type="checkbox"/> U.K. Markit PMI Manufacturing s.a. (SEP)
Tuesday, October 4, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Monetary Base (YoY) (SEP) <input type="checkbox"/> Japan Consumer Confidence Index (SEP) <input type="checkbox"/> U.K. Markit/CIPS Construction PMI (SEP)
Wednesday, October 5, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ADP Employment Change (SEP) <input type="checkbox"/> Japan Nikkei PMI Composite (SEP)
Thursday, October 6, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Markit Construction PMI (SEP) <input type="checkbox"/> Eurozone Markit Retail PMI (SEP) <input type="checkbox"/> U.S. Initial Jobless Claims (OCT 1)
Friday, October 7, 2016	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Unemployment Rate (SEP) <input type="checkbox"/> U.S. Non-farm Payrolls (SEP) <input type="checkbox"/> U.K. Industrial Production (YoY) (AUG)

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