

# News U Can Use

*September 9, 2016*

The Week that was...  
05<sup>th</sup> September to 09<sup>th</sup> September

# Indian Economy

- ❑ Data from a private survey showed that India's services activity grew in Aug on the back of upbeat domestic and foreign demand. The Nikkei India Services Business Activity Index rose to 54.7 in Aug from 51.9 in Jul. The seasonally adjusted Nikkei India Composite Purchasing Managers' Index climbed to 54.6 in Aug from 52.4 in Jul, implying notable improvement in private sector economic activity.
- ❑ Data from Society of Indian Automobile Manufacturers showed that sales of passenger vehicles grew 16.68% to 258,722 units in Aug mainly due to new launches, favourable monsoons, and implementation of the 7<sup>th</sup> Pay Commission's recommendations. Sale of passenger vehicles in the same period of the previous fiscal stood at 221,743 units. Sales of two-wheelers also increased 26.32% to 16,48,883 units in Aug. However, sales of commercial vehicles moderated and grew 1.53% to 52,996 units in the same period.
- ❑ The President gave its approval to the Constitutional Amendment Bill that would pave the way for the Goods and Services Tax (GST). According to the finance minister, the government expects to implement GST from Apr 1, 2017. GST is touted to be the biggest tax reform since independence, and is expected to create uniform market for seamless movement of goods and services with one uniform tax rate.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	09-Sep-16	1 Week Return	YTD Return
S&P BSE Sensex	28797.25	0.93%	10.08%
Nifty 50	8866.70	0.65%	11.35%
S&P BSE Mid-Cap	13345.32	0.86%	18.67%
S&P BSE Small-Cap	12861.39	1.72%	7.71%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.2	24.31	34.35	76.77
P/B	3.04	3.38	2.79	2.2
Dividend Yield	1.35	1.21	1.11	0.85

Source: BSE, NSE Value as on September 9, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
06-Sep-16	1033	595	1.74
07-Sep-16	806	816	0.99
08-Sep-16	1004	616	1.63
09-Sep-16	560	1056	0.53

Source: NSE

- ▣ During the week, Indian equity market touched a record high by crossing the 29,000 mark for the first time since Apr 13, 2015. Initially, market gained after lower than expected U.S. non-farm payroll data reduced the possibility of a rate hike by the U.S. Federal Reserve.
- ▣ Improved service sector Purchasing Managers' Index (PMI) data and car sales data in Aug further helped gains. Sentiment also got support after Chinese trade data for Aug came in better than expected.
- ▣ Towards the end, gains were pared following profit booking and lower cues from other regional peers. Global sentiment was also impacted on news that North Korea had conducted a nuclear test.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22844.3	2.40%	5.32%
S&P BSE Bankex	23249.8	1.96%	7.37%
S&P BSE CD	12716.4	1.93%	2.78%
S&P BSE CG	15403.0	2.00%	1.94%
S&P BSE FMCG	8871.76	0.15%	2.53%
S&P BSE HC	16587.1	2.18%	2.30%
S&P BSE IT	10207.1	-1.88%	-7.06%
S&P BSE Metal	10080.9	1.39%	3.42%
S&P BSE Oil & Gas	11193.8	1.79%	3.70%

*Source: Reuters* *Value as on September 9, 2016*

- On the BSE sectoral front, barring S&P BSE IT (-1.88%) and S&P BSE Teck (-1.44%), all the indices closed in the green. S&P BSE Realty (5.67%) stood as the top gainer followed by S&P BSE Auto and S&P BSE Healthcare.
  
- Auto sector gained after the Society of Indian Automobile Manufacturers reported strong car sales growth in Aug and revised its FY16 growth estimate upwards. Banking sector gained after MSCI raised its weightage on a couple of banking stocks.

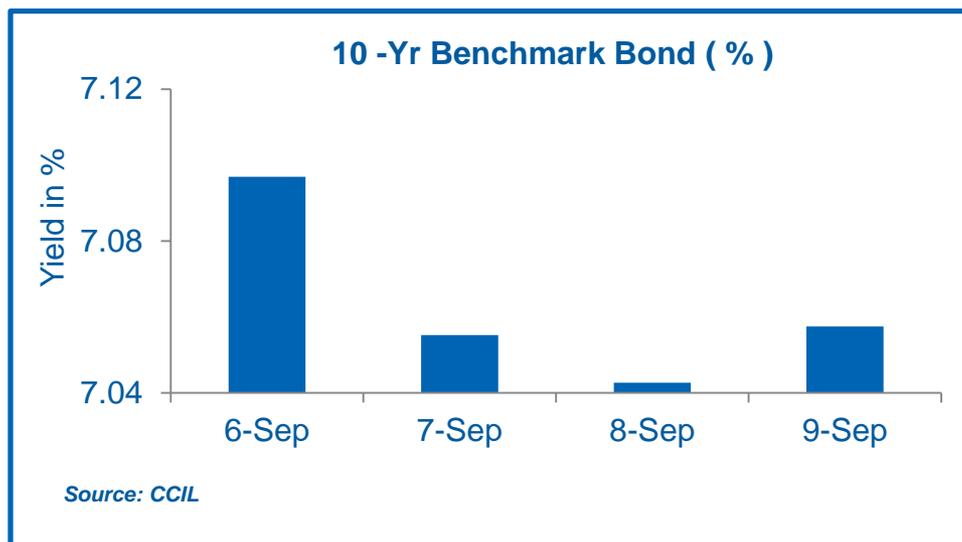
## Indian Derivatives Market Review

- Nifty Sep 2016 Futures were at 8,903.75 points, a premium of 37.05 points, over the spot closing of 8,866.70 points. The turnover on NSE's Futures and Options segment stood at Rs. 15.58 lakh crore during the week to Sep 9, compared with Rs. 16.31 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.93, compared with the previous week's close of 1.02.
- The Nifty Put-Call ratio stood at 1.18, compared with the previous session's close of 1.13.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.40	6.37	6.48	6.88
91 Day T-Bill	6.54	6.56	6.56	7.23
07.80% 2021, (5 Yr GOI)	6.91	7.00	7.05	7.84
07.59% 2026, (10 Yr GOI)	7.06	7.12	7.12	7.65

Source: Reuters Value as on September 9, 2016



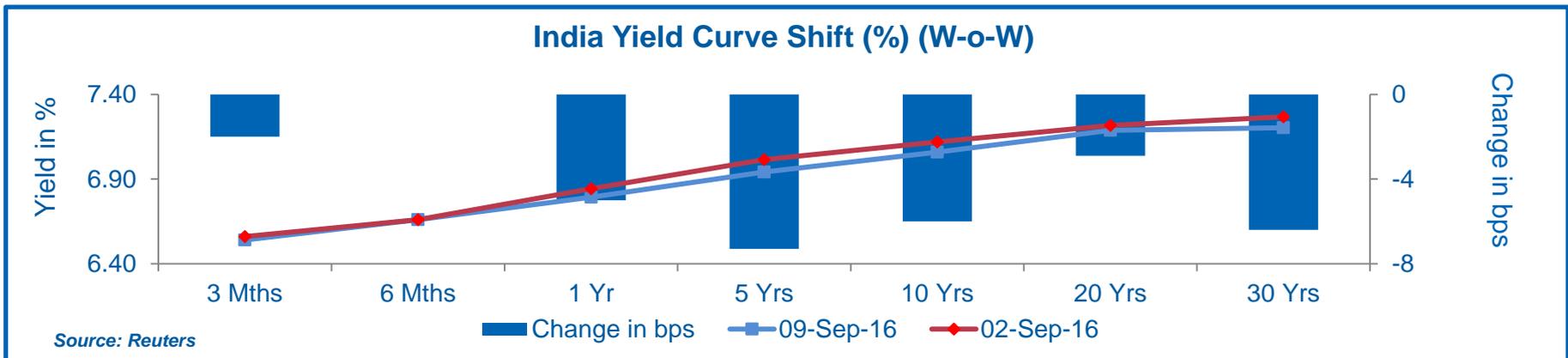
- Bonds yields fell as weaker than expected U.S. jobs data for Aug lowered chances of an immediate interest rate hike by the U.S. Federal Reserve. Buying interests improved further following Reserve Bank of India (RBI)'s announcement of Open Market Purchase (OMO) program to ensure sufficient cash in the banking system.
- However, gains were capped as investors preferred to book profits and remain cautious ahead of the release of key macroeconomic data due next week.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 6 bps to close at 7.06% compared with the previous week's close of 7.12%. Yields moved in the range of 7.03% to 7.11% during the week.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.91	7.30	39
3 Year	6.95	7.39	44
5 Year	7.10	7.47	38
10 Year	7.24	7.57	33

Source: Reuters Value as on September 9, 2016

- Yields on gilt securities fell across the maturities in the range of 2 to 8 bps. Maximum decline was seen on the 4-, 7-, and 8-year papers, while minimum fall was noticed on the 14-year paper.
- Corporate bond yields dropped across the curve in the range of 5 bps to 9 bps.
- Difference in spread between AAA corporate bond and gilt contracted across the segments up to 5 bps, barring 4- and 5-year papers, which expanded up to 2 bps.



# Regulatory Updates in India

- According to the chief economic advisor, Universal Basic Income may feature in the next economic survey. Universal Basic Income is a single unconditional income that lowers government efforts to ensure delivery of individual social security schemes. The official added that Universal Basic Income promises every citizen unconditional cash transfer in place of the many benefits like in case of health and subsidies.
- The Modified Special Incentive Package Scheme or M-SIPS is set for a major overhaul after the Ministry of Finance raised concerns regarding lack of clarity in the quantum of subsidy outgo under the given framework till 2020. The M-SIPS policy aims to give incentives to companies for manufacturing locally by providing them a 20% to 25% subsidy on their capital expenditure.
- The government has tightened rules for appointing merchant bankers and brokers for the sale of its stake in blue chip companies held through the Specified Undertaking of Unit Trust of India (SUUTI). According to the new rules, the selected merchant bankers will have to submit a list of institutional and other major investors at the domestic and international level that they will approach for proposed stake sale in SUUTI. However, merchant bankers can enter into a competing transaction with a private company provided they notify SUUTI as and when they enter into any conflict of interest situation.

## Regulatory Updates in India (contd..)

- The Department of Public Enterprises has come out with timelines for sale of land, disposal of movable assets, and retrenchment of employees who have not opted for voluntary retirement. The move comes amid concerns about excessive delays and additional time taken for closing down sick or loss-making central public sector enterprises (CPSEs) where decisions for closure were taken a long time ago. According to the timelines, the retrenchment of employees of such CPSEs who have not opted for VRS has to be completed within four months from the 'Zero Date'. Wages, salaries, and other statutory dues have to be settled within three months from the 'Zero Date'. Zero Date is the date of issue of minutes of approval for closure of sick or loss-making CPSEs by the Cabinet Committee of Economic Affairs.
- The government is considering easing rules in the goods and services tax (GST) framework for banks, NBFCs, and insurance companies. In the present GST framework, banking and financial companies need to register all their branches in a state separately and treat them as separate entities. There are concerns that under such a framework, calculating GST in each transaction in every branch would be very cumbersome and the compliance cost for banks and other financial companies will increase. The government is planning to ease these concerns by introducing single registration and centralised audit for banks and NBFCs.

# Global News/Economy

- According to the Institute for Supply Management, U.S. services Purchasing Managers Index (PMI) plunged to 51.4 in Aug 2016 from 55.5 in Jul 2016. The index fell to its lowest level since Feb 2010.
- According a report released by the Labor Department, initial jobless claims in the U.S. surprisingly fell by 4,000 to 2,59,000, in the week to Sep 3 from the previous week's unrevised level of 263,000.
- According to survey figures from Markit/Chartered Institute of Procurement & Supply, the U.K. services PMI surged better than forecast at 52.9 in Aug 2016 from 47.4 in Jul 2016.
- The European Central Bank (ECB) kept interest rates unchanged in its policy meeting and retained its asset purchases programme. Thus, the refinance rate, deposit rate, and the marginal lending facility rate stood at 0%, (-) 0.40%, and 0.25%, respectively.
- According to survey figures from Markit Economics, Japan's services PMI dropped to 49.6 in Aug 2016 from 50.4 in Jul 2016. Index below 50 indicates negative growth or contraction. The Nikkei composite output index (manufacturing + services) also fell to 49.8 in Aug.

# Global Equity Markets

Global Indices			
Indices	09-Sep -16	1-Week Return	YTD Return
Dow Jones	18085.45	-2.20%	5.46%
Nasdaq 100	4681.535	-2.44%	4.08%
FTSE 100	6776.95	-1.71%	11.22%
DAX Index	10573.44	-1.03%	2.82%
Nikkei Average	16965.76	0.24%	-8.05%
Straits Times	2873.33	2.48%	1.32%

*Source: Reuters*

## U.S.

- U.S. markets rose initially after weaker than expected U.S. jobs data for Aug and a slowdown in U.S. service sector growth in Aug, raised hopes that the U.S. Federal Reserve could refrain from increasing interest rates in Sep.
- However, the trend reversed after the European Central Bank announced it had decided not to change its key interest rates.

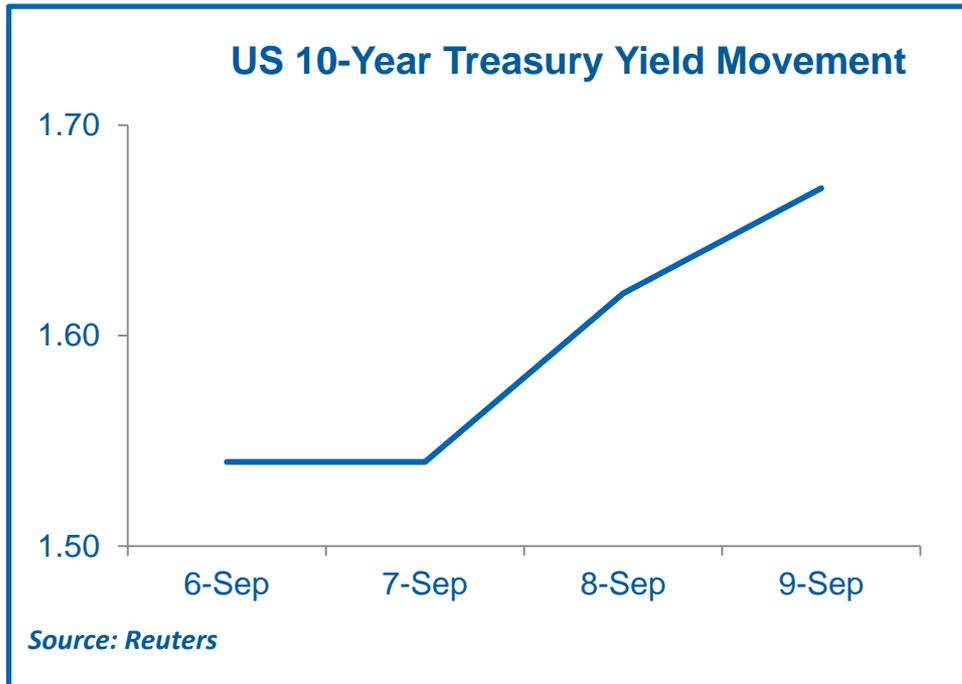
## Europe

- European markets rose initially after weaker than expected U.S. jobs report for Aug led to expectations that the Fed could withhold plans to increase interest rates later during the month. However, the trend reversed when oil prices started to move down. North Korea's nuclear test, weak economic data from France and Germany contributed to an overall pessimism.

## Asia

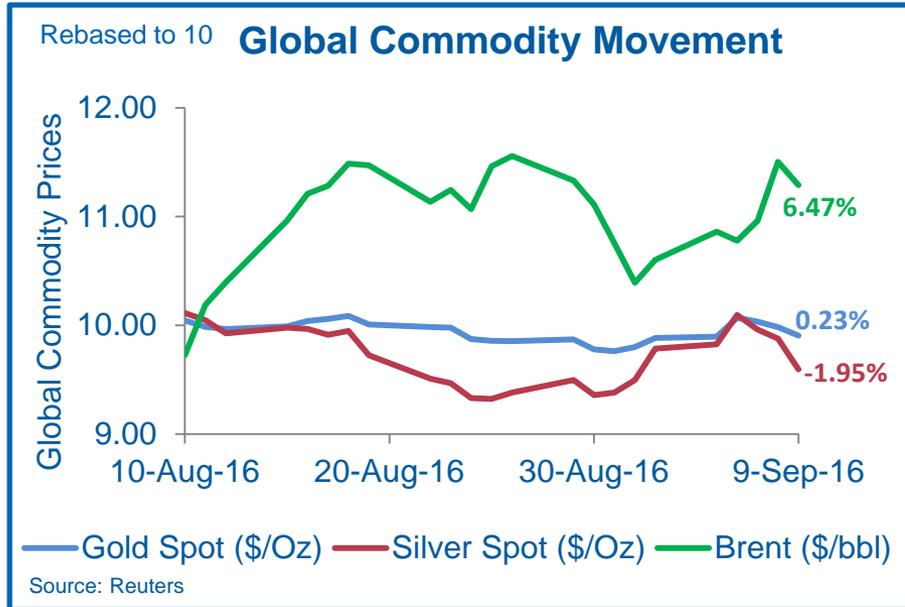
- Asian markets displayed a mixed trend over the week, with bourses initially moving up. Weaker than expected U.S. jobs data for Aug brought relief to investors apprehensive about an interest rate hike by the U.S. Federal Reserve.

# Global Debt (U.S.)



- The 10-year U.S. Treasury yield rose 7 bps to close at 1.67%, compared with the previous week's close of 1.60%.
- U.S. treasury prices surged initially following weaker than expected U.S. services sector data for Aug, which lowered the expectation of an interest rate hike in the U.S.
- However, U.S. Treasury prices fell later after the European Central Bank (ECB) kept interest rate unchanged but left the door open for additional monetary easing. Furthermore, ECB president in his speech gave no indication towards the further expansion of its asset-purchase program.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.5	45.6
Gold (\$/Oz)	1327.7	1324.7
Gold (Rs/10 gm)	31191.0	30761.0
Silver (\$/Oz)	19.0	19.4
Silver (Rs/Kg)	45937.0	44411.0

Source: Reuters Value as on September 9, 2016

## Gold

- Gold prices gained amid easing concerns over an imminent rate hike by the U.S. Federal Reserve after U.S. nonfarm payroll data for Aug came in below market expectations. Furthermore, weak U.S. service PMI data (official survey) for the same period affirmed such belief.

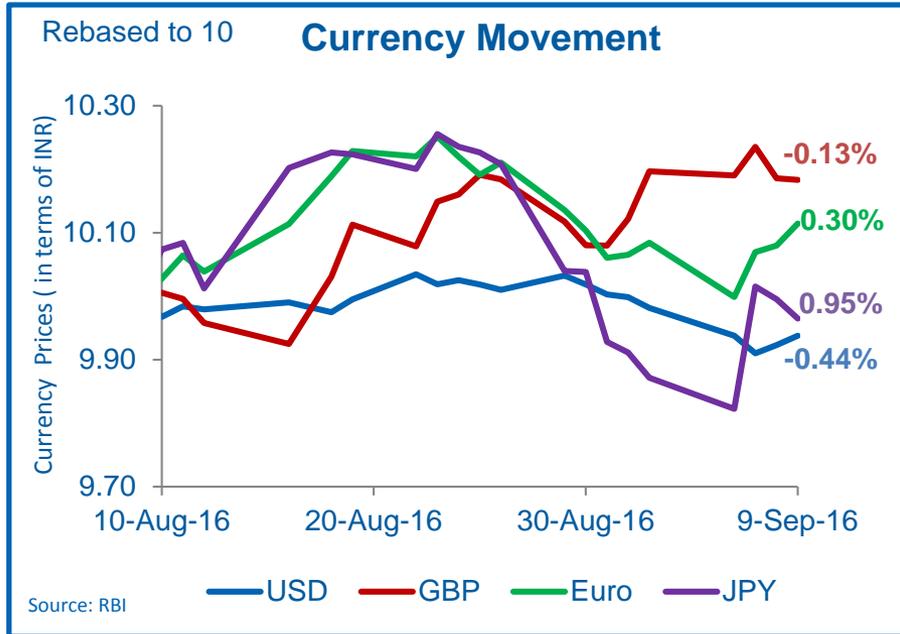
## Crude

- Optimism over significant breakthrough in the upcoming OPEC meeting on stabilization of oil markets, boosted Brent crude prices during the week. Investors cheered when Saudi Arabia and Russia joined hands for the endeavour.

## 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	66.55	66.84
Pound Sterling	88.59	88.70
EURO	75.02	74.80
JPY(per 100 Yen)	65.13	64.52

Source: RBI Figures in INR , Value as on September 9, 2016

## Rupee

- The rupee strengthened against the greenback following gains in the domestic equity market and weak U.S. data for Aug.

## Euro

- The euro strengthened against the greenback following weak U.S. service sector data for Aug, which lowered the expectation for a near-term interest rate increase from the U.S. Federal Reserve (Fed).

## Pound

- The pound initially jumped after U.S. economy's service sector expanded at a slower pace in Aug. However, gains were reversed following ECB's decision to maintain interest rates in its monetary policy review.

## Yen

- The yen rose against the greenback after the Bank of Japan Governor did not give clear signal about further monetary easing.

The Week that was...  
September 5 to September 9

# The Week that was (Sep 5 – Sep 9)

Date	Events	Present Value	Previous Value
<b>Monday, September 05, 2016</b>	Markit Japan Services PMI (AUG)	49.6	50.4
	China Caixin PMI Composite (AUG)	52.1	51.7
	U.K. Markit/CIPS Composite PMI (AUG)	52.9	47.4
	Euro-Zone Sentix Inestor Confidence (SEP)	5.6	4.2
	Euro-Zone Retail Sales (YoY) (JUL)	2.90%	1.70%
<b>Tuesday, September 06, 2016</b>	U.S. ISM Non-Manufacturing Composite (AUG)	51.4	55.5
	Germany Factory Orders s.a. (MoM) (Jul)	0.20%	-0.30%
	Euro-Zone Gross Domestic Product s.a. (YoY) (2Q F)	1.60%	1.60%
<b>Wednesday, September 07, 2016</b>	Japan Leading Index (JUL P)	100	100.7
	U.K. Industrial Production (YoY) (JUL)	2.10%	1.40%
<b>Thursday, September 08, 2016</b>	European Central Bank Rate Decision (SEP 8)	-0.40%	-0.40%
	U.S. Initial Jobless Claims (Sep 2)	259K	263K
<b>Friday, September 09, 2016</b>	China Consumer Price Index (YoY) (AUG)	-0.80%	-1.70%
	U.S. Wholesale Inventories (Jul)	0.00%	0.30%

The Week Ahead...  
September 12 to September 16

# The Week Ahead

Day	Event
<b>Monday, September 12, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan Machine Tool Orders (YoY) (Aug) Preliminary</li> <li><input type="checkbox"/> U.K. CB Leading Economic Index (Aug)</li> <li><input type="checkbox"/> India Index of Industrial Production (Jul)</li> </ul>
<b>Tuesday, September 13, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Retail Sales (YoY) (Aug)</li> <li><input type="checkbox"/> U.K. Consumer Price Index (MoM) (Aug)</li> <li><input type="checkbox"/> China Industrial Production (YoY) (Aug)</li> </ul>
<b>Wednesday, September 14, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> India Consumer Price Inflation (Aug)</li> <li><input type="checkbox"/> India Wholesale Price Inflation (Aug)</li> <li><input type="checkbox"/> Japan Industrial Production (MoM) (Jul)</li> </ul>
<b>Thursday, September 15, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Retail Sales (MoM) (Aug)</li> <li><input type="checkbox"/> Bank of England Interest Rate Decision</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Sep 9)</li> </ul>
<b>Friday, September 16, 2016</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> U.S. Consumer Price Index (MoM) (Aug)</li> <li><input type="checkbox"/> U.S. Reuters/Michigan Consumer Sentiment Index (Sep) PRELIMINAR</li> </ul>

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