

# News U Can Use

*October 16, 2015*

The Week that was...  
12<sup>th</sup> October to 16<sup>th</sup> October

# Indian Economy

- ❑ The Index of Industrial Production surged by 6.4% on a yearly basis compared to a 4.1% rise seen in the previous month, reflecting a major sign of pick-up in industrial activity. Mining, Manufacturing and Electricity sectors grew 3.8%, 6.9% and 5.6%, respectively. As per use-based classification, Capital Goods rose 21.8% while growth rates for Basic Goods and Intermediate Goods stood at 3.4% and 2.6%, respectively.
- ❑ The Consumer Price Index-based inflation rose 4.41% on a yearly basis in September against 3.74% in the previous month but lower than 5.63% recorded a year ago. Consumer food price index rose by 3.88% in the reported month, higher than 2.20% seen in August, but lower than 6.22% recorded in the previous year.
- ❑ Wholesale prices contracted 4.54% on a yearly basis in September against contraction of 4.95% seen in August. It was the eleventh consecutive month of fall. Food articles inflation rose to 0.69% in September against fall of 1.13% seen in August. Prices of fuel and power and manufactured products continued to fall and stood at -17.71% and -1.73% in September, respectively.
- ❑ Merchandise trade deficit in September narrowed to \$10.47 billion from \$14.47 billion recorded in the same month of 2014. Exports fell 24.33% in September to \$21.84 billion while imports also fell 25.42% to \$32.32 billion in the same period.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	16-Oct-15	1 Week Return	YTD Return
S&P BSE Sensex	27214.6	0.50%	-1.06%
CNX Nifty Index	8238.15	0.59%	-0.55%
S&P BSE Mid-Cap	11047.92	1.01%	5.82%
S&P BSE Small-Cap	11495.7	1.30%	2.41%

Source: MFI Explorer

Ratios	S&P BSE Sensex	CNX Nifty	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.95	22.51	26.34	60.83
P/B	2.96	3.3	2.48	2.02
Dividend Yield	1.35	1.38	1.36	0.99

Source: BSE, NSE

Value as on Oct 16, 2015

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
12-Oct-15	697	819	0.85
13-Oct-15	843	674	1.25
14-Oct-15	792	691	1.15
15-Oct-15	866	655	1.32
16-Oct-15	768	744	1.03

Source: NSE

- Indian equity markets inched up marginally during the week under review. Investor sentiments dampened initially after an IT major lowered its dollar-revenue guidance for the current fiscal.
- Renewed concerns over economic slowdown in China also weighed on investor sentiments. The trend reversed as the wholesale price inflation continued to remain in the negative territory for the eleventh straight month.
- Investor sentiments also improved as couple of weak U.S. economic data increased the possibility that the Fed might further delay the decision of raising interest rates. Markets got more support following reports that industrial production grew by 6.4% in August.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18501.8	2.74%	5.75%
S&P BSE Bankex	20460	2.00%	5.27%
S&P BSE CG	16202.5	2.96%	3.88%
S&P BSE HC	18163	-0.27%	5.39%
S&P BSE IT	11003.9	-4.48%	-1.32%
S&P BSE Metal	7598.49	2.14%	4.89%
S&P BSE Oil & Gas	9280.06	2.40%	7.04%
S&P BSE Power	1931.8	2.37%	5.23%
S&P BSE TECK	6049.8	-3.57%	-0.76%

*Source: Reuters* *Values as on Oct 16, 2015*

- On the BSE sectoral front, majority of indices closed in green. S&P BSE Capital Goods was the top gainer, up 2.96%, followed by S&P BSE Auto (2.74%), S&P BSE Oil & Gas (2.40%) and S&P BSE Power (2.37%).
- On the other hand, S&P BSE IT was the major laggard, down 4.48%, followed by S&P BSE TECK and S&P BSE Healthcare. Significant selling was seen in IT stocks after a major company from the sector lowered its dollar-revenue guidance for the current fiscal.

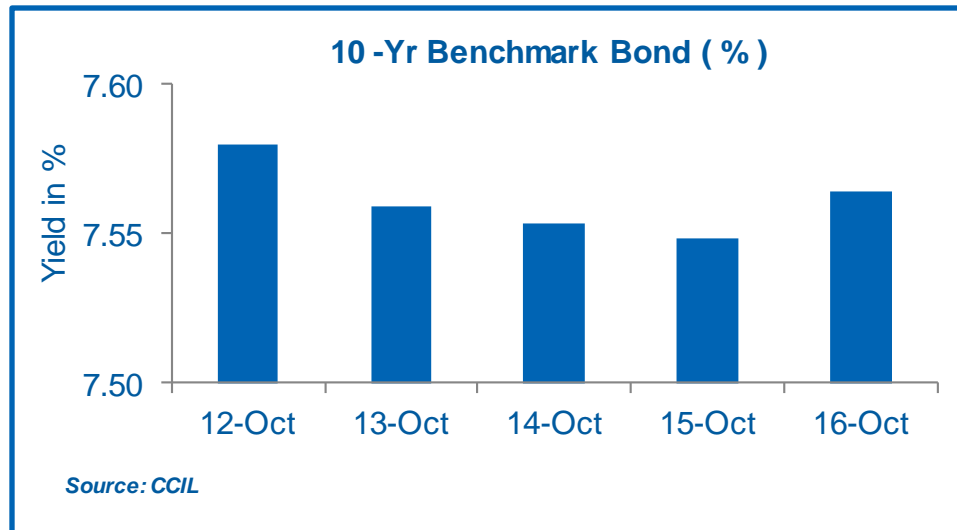
## Indian Derivatives Market Review

- Nifty October 2015 Futures were at 8,259.45 points, a premium of 21.30 points against the spot closing of 8,238.15 points. The turnover on NSE's Futures and Options segment rose to Rs. 9.00 lakh crore during the week ended October 16 from Rs. 8.58 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.97, compared to the previous week's close of 0.86.
- The Nifty Put-Call ratio remained unchanged at 1.02, same as the previous week's close.

# Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.73	6.69	7.27	7.37
91 Day T-Bill	7.06	7.04	7.48	7.85
08.27% 2020, (5 Yr GOI)	7.64	7.64	7.90	--
07.72% 2025, (10 Yr GOI)	7.56	7.54	7.75	--

Source: Reuters Values as on Oct 16 2015



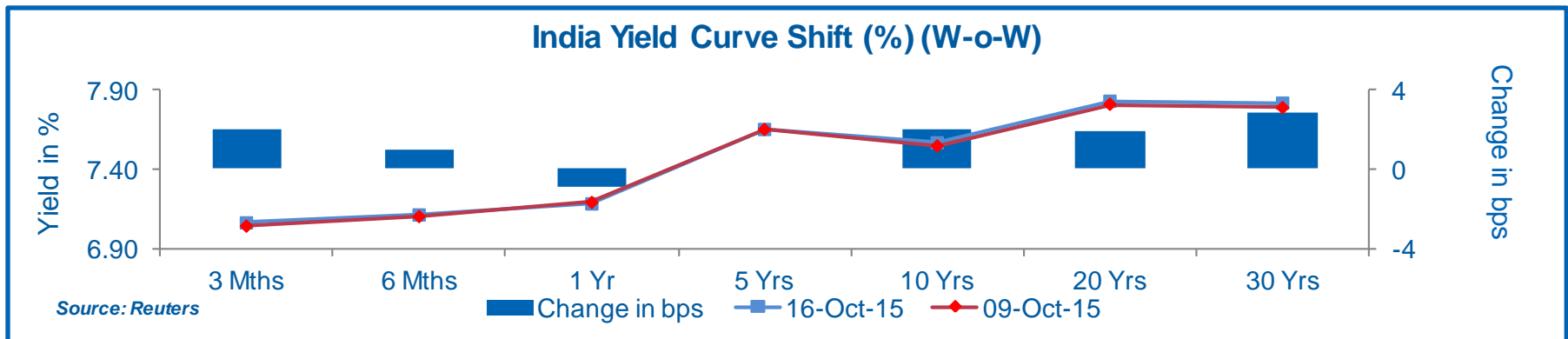
- Initially, bond yields rose on concerns that consumer inflation for September may accelerate. However, most of the losses were recovered as consumer inflation remained at comfortable levels despite slight increase. Foreign fund inflows, after the auction of unutilized limits in Government debt saw strong demand, provided more support.
- Bond yields rose again as investors' preference for high-yielding fresh Government papers at the weekly auction increased the supply in secondary markets.
- The yield on the 10-year benchmark bond, 7.72% GS 2025, rose by 2 bps to close at 7.56% compared to the previous week's close of 7.54%.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.36	7.70	-34
3 Year	7.67	8.06	-39
5 Year	7.83	8.20	-37
10 Year	7.78	8.12	-34

Source: Reuters Values as on Oct 16, 2015

- Yield on Gilt Securities increased up to 4 bps across the maturities barring 1, 3 and 4-year that fell up to 4 bps.
- On the contrary, Corporate Bond yields fell up to 5 bps across the maturities except 2, 5 and 15-year that closed steady.
- Difference in Spread between AAA Corporate Bond and Gilt, over the week, contracted up to 5 bps across the maturities except 2-year maturity that expanded 1 bps. Spread on 3-year paper remained unchanged.



# Regulatory Updates in India

- ❑ The Reserve Bank of India has signed an agreement on information sharing with Bank of Botswana under the Supervisory Cooperation and Exchange of Supervisory Information. It needs to be noted that the Central Bank has entered into similar agreements with a few countries to promote greater co-operation and share supervisory information.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) Chief assured that the regulator is willing to consider suggestions that could make fund-raising easier for start-up companies. The SEBI Chief also added that the regulator is taking steps to create a conducive climate for start-ups and ensure that they raise money domestically through markets rather than from overseas markets such as Singapore and the U.S.
- ❑ Capital market regulator Securities and Exchange Board of India is working on a robust mechanism that will ensure fair price discovery of agricultural products and curb excessive speculative activities. The regulator is of the view that robustness and sanctity of final settlement price is crucial for the success of derivative markets.



## Regulatory Updates in India (contd..)

- According to the Reserve Bank of India (RBI) Governor, the Central Bank would take a close look at the asset quality of banks and urged them to recognize all bad loans and put assets back to work after talking with company promoters. The RBI Governor also added that the Central Bank was working with the Government to find ways to ensure a fuller transmission of interest rates.
- The RBI announced its decision to merge Financial Inclusion Fund and Financial Inclusion Technology Fund into a single fund which will be known as Financial Inclusion Fund. The corpus of the fund will be Rs. 2,000 crore and its objective is to support 'developmental and promotional activities' for expanding the reach of banking services.

## Global News/Economy

- According to the U.S. Labor Department, the Consumer Price Index slipped by 0.2% in September after edging down by 0.1% in August. The Producer Price Index for final demand fell by 0.5% in September after remaining unchanged in August.
- The U.S. producer prices dropped by 0.5% in September compared to no change in August, mainly due to a steep fall in energy prices. Excluding food and energy prices, producer prices fell by 0.3% compared to a rise of 0.3% seen in August.
- The U.S retail sales inched up 0.1% in September compared to a downwardly revised to unchanged data (previously reported 0.2% increase) in August. Excluding surge in auto sales, retail sales fell by 0.3% in September compared to a 0.1% drop in the previous month.
- The ILO jobless rate in the U.K. dropped to 5.4% in the three months to August from 5.6% in March to May period. The unemployment rate fell to its lowest level since mid-2008.
- China's trade surplus remained almost steady at \$60.34 billion in September compared to \$60.24 billion in August as imports dropped at a much faster pace than exports. Imports plunged 20.4% on a yearly basis, much steeper than a 13.8% decline a month ago. Exports dropped 3.7%, slower than 5.5% decrease seen during the similar period.

# Global Equity Markets

Global Indices			
Indices	16-Oct-15	1-Week Return	YTD Return
Dow Jones	17215.97	0.77%	-3.46%
Nasdaq 100	4438.622	1.57%	4.93%
FTSE 100	6378.04	-0.59%	-2.59%
DAX Index	10104.43	0.08%	3.48%
Nikkei Average	18291.8	-0.80%	4.82%
Straits Times	3030.61	1.07%	-10.09%

*Source: Reuters Values as on Oct 16, 2015*

## Europe

- European markets remained almost flat during the week. Persisting concerns over the stability of China's economy weighed on investor sentiments. Weak economic data from the Euro zone triggered further selling pressure. Buying interest improved later amid expectations that the U.S. Fed may keep its interest rates on hold in the near term.

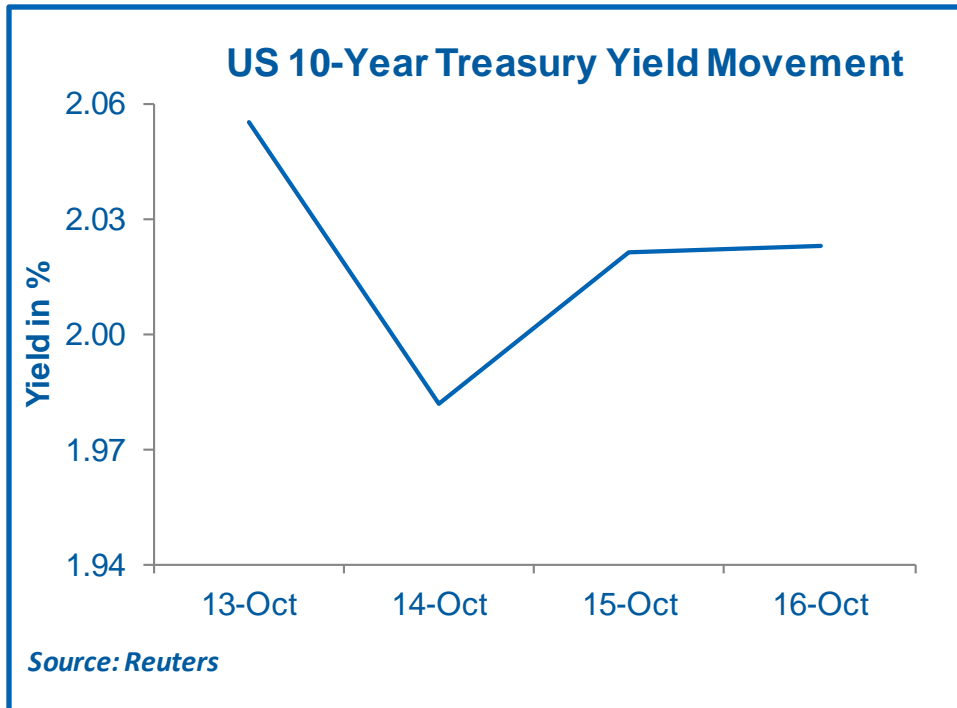
## Asia

- Asian markets rose, led by Shanghai Composite, which rose by 6.54% on a weekly basis. Bourses rose initially after the People's Bank of China said that it would expand a pilot program to cut loan costs for localities. However, gains were restricted as mixed Chinese trade data for September indicated weak global and domestic demand. Markets regained the momentum as encouraging bank lending data from China helped ease concerns over the economy.

## U.S.

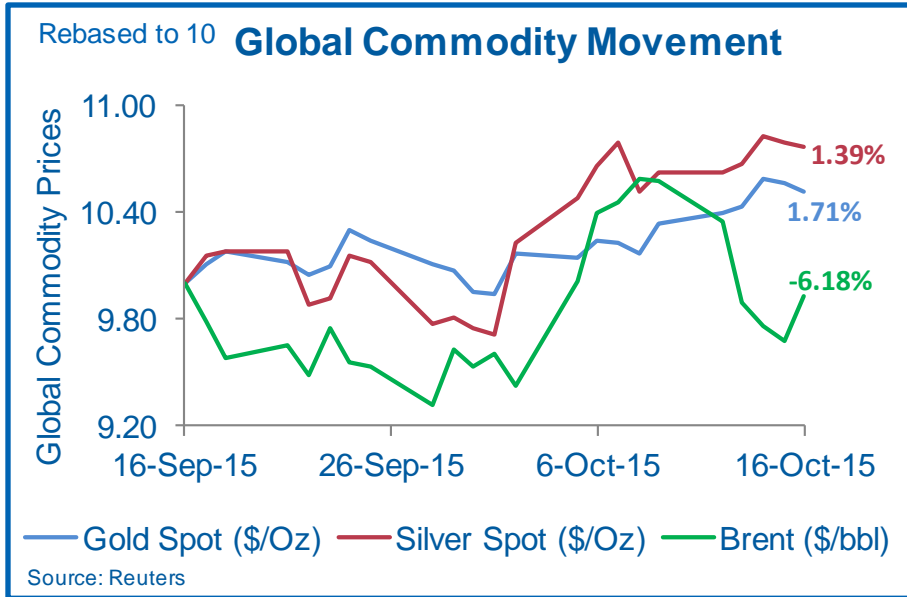
- The U.S. markets rose during the week on growing optimism that the U.S. Fed may not announce an imminent rate hike. Encouraging economic data provided support to the bourses. Encouraging economic data provided support to the bourses. Gains were capped on concerns over a possible slowdown in the Chinese economy.

# Global Debt (U.S.)



- The 10-year U.S. Treasury bond yields fell by 8 bps during the week to close at 2.02% compared to the previous week's close of 2.10%.
- The U.S. Treasury prices increased on concerns over global growth after data showed China's imports plunged in September. Bond markets got more support after weaker-than-expected U.S. retail sales and producer prices increased expectations that the U.S. Federal Reserve might delay its rate-hike decision.
- However, gains were capped after consumer prices in September rose more than expected.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.0	52.23
Gold (\$/Oz)	1176.9	1157.13
Gold (Rs/10 gm)	26876	26388
Silver (\$/Oz)	16.04	15.82
Silver (Rs/Kg)	36897	36673

Source: Reuters Values as on Oct 16, 2015

## Gold

- Gold prices touched a three-and-a-half month high during the week as fresh concerns over the health of the global economy, especially in China, renewed optimism that the U.S. Fed may further delay the rate-hike decision.

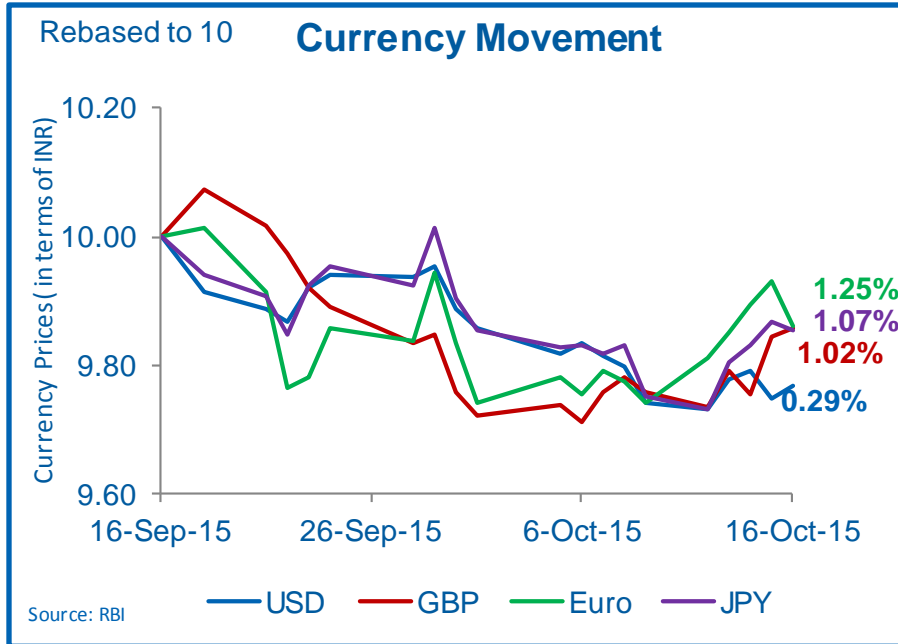
## Crude

- Brent crude prices fell as the International Energy Agency said that the world oil market would remain oversupplied for at least another year. Oil prices found some support later on the back of strong Chinese crude oil imports data.

## Baltic Dry Index

- The Baltic Dry Index fell during the week due to sluggish capesize and panamax activities.

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.97	64.78
Pound Sterling	100.55	99.54
EURO	73.99	73.08
JPY(per 100 Yen)	54.54	53.96

Source: RBI Figures in INR , Values as on Oct 16, 2015

## Rupee

- The rupee fell against the dollar due to buying of the greenback by banks. However, losses were marginal after weak retail sales data from the U.S. region.

## Euro

- The euro gained against the dollar on uncertainty over the timing of a rate hike by the Fed. However, gains reversed after better than expected U.S. consumer inflation in September.

## Pound

- The pound gained against the dollar after the U.K.'s unemployment rate hit its lowest level since mid-2008.

## Yen

- The yen strengthened against the dollar after weak Chinese import data and U.S. retail sales along with producer prices inflation came lower than market expectations.

The Week that was...  
12<sup>th</sup> October to 16<sup>th</sup> October

# The Week that was (Oct 12 – Oct 16)

Day	Event	Present Value	Previous Value
Monday, October 12	India Industrial Output (Aug)	6.40%	4.10%
	India Consumer Price Inflation (Sep)	4.41%	3.74%
	U.K. CB Leading Economic Index (Sep)	0.20%	-0.30%
Tuesday, October 13	China Trade Balance (Sep)	\$60.34B	\$60.24B
	Germany Consumer Price Index (MoM) (Sep)	-0.20%	-0.20%
	Euro Zone ZEW Surey - Economic Sentiment (Oct)	30.1	33.3
Wednesday, October 14	India Wholesale Price Inflation (Sep)	-4.54%	-4.95%
	U.S. Retail Sales (MoM) (Sep)	0.10%	0.00%
	China Consumer Price Index (YoY) (Sep)	1.60%	2.00%
	U.K. ILO Unemployment Rate (3M) (Aug)	5.40%	5.50%
Thursday, October 15	Japan Industrial Production (MoM) (Aug)	-1.20%	0.50%
	U.S. Consumer Price Index (YoY) (Sep)	0.00%	0.20%
	U.S. Initial Jobless Claims (Oct 9)	255K	262K
Friday, October 16	Euro Zone Consumer Price Index (MoM) (Sep)	0.20%	0.00%
	U.S. Industrial Production (MoM) (Sep)	-0.20%	-0.10%
	U.S. Michigan Consumer Sentiment Index (Oct) Preliminary	92.1	87.2



The Week Ahead...  
October 19 to October 23

# The Week Ahead

Day	Event
<b>Monday, October 19</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Gross Domestic Product (QoQ) (Q3)</li> <li><input type="checkbox"/> China Retail Sales (YoY) (Sep)</li> <li><input type="checkbox"/> China Industrial Production (YoY) (Sep)</li> </ul>
<b>Tuesday, October 20</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Germany Producer Price Index (YoY) (Sep)</li> <li><input type="checkbox"/> U.S. Housing Starts (MoM) (Sep)</li> </ul>
<b>Wednesday, October 21</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Japan All Industry Activity Index (MoM) (Aug)</li> </ul>
<b>Thursday, October 22</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> European Central Bank Interest Rate Decision</li> <li><input type="checkbox"/> U.K. Retail Sales (YoY) (Sep)</li> <li><input type="checkbox"/> U.S. Initial Jobless Claims (Oct 16)</li> <li><input type="checkbox"/> U.S. Existing Home Sales Change (MoM) (Sep)</li> </ul>
<b>Friday, October 23</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> China Caixin Manufacturing PMI (Oct) Preliminary</li> <li><input type="checkbox"/> Japan Nomura/ JMMA Manufacturing Purchasing Manager Index (Oct) Preliminary</li> <li><input type="checkbox"/> U.S. Markit Manufacturing PMI (Oct) Preliminary</li> <li><input type="checkbox"/> Euro Zone Markit PMI Composite (Oct) Preliminary</li> <li><input type="checkbox"/> Germany Markit PMI Composite (Oct) Preliminary</li> </ul>

## Disclaimer

The views expressed herein constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the reader. This information is meant for general reading purposes only and is not meant to serve as a professional guide for the readers. Certain factual and statistical (both historical and projected) industry and market data and other information was obtained by RCAM from independent, third-party sources that it deems to be reliable, some of which have been cited above. However, RCAM has not independently verified any of such data or other information, or the reasonableness of the assumptions upon which such data and other information was based, and there can be no assurance as to the accuracy of such data and other information. Further, many of the statements and assertions contained in these materials reflect the belief of RCAM, which belief may be based in whole or in part on such data and other information. The Sponsor, the Investment Manager, the Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given are fair and reasonable. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice, verify the contents and arrive at an informed investment decision before making any investments. None of the Sponsor, the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. The Sponsor, the Investment Manager, the Trustee, any of their respective directors, employees including the fund managers, affiliates, representatives including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) / specific economic sectors mentioned herein.

**Statutory Details:** Reliance Mutual Fund has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882. Sponsor: Reliance Capital Limited. **Trustee:** Reliance Capital Trustee Company Limited. **Investment Manager:** Reliance Capital Asset Management Limited (Registered Office of Trustee & Investment Manager: 'H' Block, 1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai - 400 710, Maharashtra). The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956. The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond their initial contribution of Rs.1 lakh towards the setting up of the Mutual Fund and such other accretions and additions to the corpus. **Mutual fund investments are subject to market risks. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**

All information contained in this document has been obtained by ICRA Online Limited from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Online Limited or its affiliates or group companies and its respective directors, officers, or employees in particular, makes no representation or warranty, express or implied, as to the accuracy, suitability, reliability, timelines or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA Online Limited, or its affiliates or group companies and its respective directors, officers, or employees shall not be liable for any losses or injury, liability or damage of any kind incurred from and arising out of any use of this document or its contents in any manner, whatsoever. Opinions expressed in this document are not the opinions of our holding company, ICRA Limited (ICRA), and should not be construed as any indication of credit rating or grading of ICRA for any instruments that have been issued or are to be issued by any entity.

RELIANCE

Thank you

RELIANCE