Nippon india Mutual Fund

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September 4, 2020

Good gets better

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

The Week that was...

31st Aug to 4th Sep

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Indian Economy

- Government data showed that India's Gross Domestic Product (GDP) for the quarter from Apr to Jun of 2020 contracted by a massive 23.9% as compared to a growth of 3.10% in the previous quarter and a growth of 5.20% in the same period of the previous fiscal. As per media reports, this was the first contraction in more than 40 years. The gross value added (GVA) at basic prices in the first quarter of FY21 contracted 22.8%.
- India's fiscal deficit surpassed its full year budgeted target in just four months. India's fiscal deficit during the period from Apr to Jul of 2020 stood at 103.1% of the budgeted target for the current fiscal. India's fiscal deficit widened due to lower tax collections and front loading expenditure by the government on account of COVID-19 pandemic. Net tax receipts stood at Rs. 2.03 lakh crore while the total expenditure stood at Rs. 10.5 lakh crore indicating that the government has stepped up spending to combat the COVID-19 pandemic.
- India's eight core sectors contracted for the fifth consecutive month in Jul 2020. Growth of India's eight core sectors contracted 9.6% in Jul 2020 compared to a contraction of 12.9% in the previous month and a growth of 2.6% in the same period of the previous year.
- Results of a private survey showed that the headline seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) rose from 46.0 in Jul 2020 to 52.0 in Aug 2020. The expansion comes on account of improvement in operating conditions across the domestic manufacturing sector.

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Indian Equity Market

Domestic Equity Market Indices			
Indices	**04-Sep-20**	**1 Week Return**	**YTD Return**
S&P BSE Sensex	38,357.18	-2.81%	-7.02%
Nifty 50	11,333.85	-2.69%	-6.86%
S&P BSE Mid-Cap	14,817.06	-2.76%	-1.01%
S&P BSE Small-Cap	14,602.97	-2.59%	6.60%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	28.21	32.49	33.46	-151.55
P/B	2.90	3.18	2.36	2.29
Dividend Yield	1.00	1.48	1.07	1.02

Source: BSE, NSE *Value as on Sep 04, 2020*

NSE Advance/Decline Ratio			
Date	**Advances**	**Declines**	**Advance/Decline Ratio**
31-Aug-20	283	1661	0.17
01-Sep-20	780	1081	0.72
02-Sep-20	1232	649	1.90
03-Sep-20	1024	847	1.21
04-Sep-20	553	1342	0.41

Source: NSE

- Indian equity markets settled in the red for the week amid escalation in geo-political tensions between India and China.
- Speculations over first quarter GDP of the current fiscal dominated market sentiments, which was released post market hours on Aug 31. The sharp fall in the first-quarter GDP is higher than expected, given that majority of the economy was on a standstill in the first two months of the first quarter.
- The fall was cushioned by IHS Markit India manufacturing PMI for Aug which signalled growth and rebound in production volumes for the first time in five months.

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Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing*	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	18,050.7	-1.32%	8.41%
S&P BSE Bankex	26,133.5	-6.30%	7.16%
S&P BSE CD	23,360.3	-0.52%	6.63%
S&P BSE CG	13,988.7	-2.01%	8.46%
S&P BSE FMCG	11,383.0	-1.76%	-0.76%
S&P BSE HC	18,734.1	-2.83%	0.56%
S&P BSE IT	18,129.4	-0.28%	0.71%
S&P BSE Metal	8,911.5	-2.61%	11.99%
S&P BSE Oil & Gas	12,935.5	-3.11%	-1.51%

Source: Refinitiv **Value as on Sep 4, 2020*

- On the BSE sectoral front, almost all the sectors closed in the red. S&P BSE Bankex was the major loser, down 6.30%, followed by S&P BSE Realty and S&P BSE Oil & Gas, which slipped 6.14% and 3.11%, respectively.
- Majority of the sectors went down as investors preferred to cash in the recent gains in the markets.

Indian Derivatives Market Review

- Nifty Sep 2020 Futures stood at 11,351.75, a premium of 17.90 points above the spot closing of 11,333.85. The total turnover on NSE's Futures and Options segment for the week stood at Rs. 112.71 lakh crore as against Rs. 98.42 lakh crore for the week to Aug 28.
- The Put-Call ratio stood at 0.88 compared with the previous session's close of 0.75.
- The Nifty Put-Call ratio stood at 1.22 compared with the previous session's close of 1.64.

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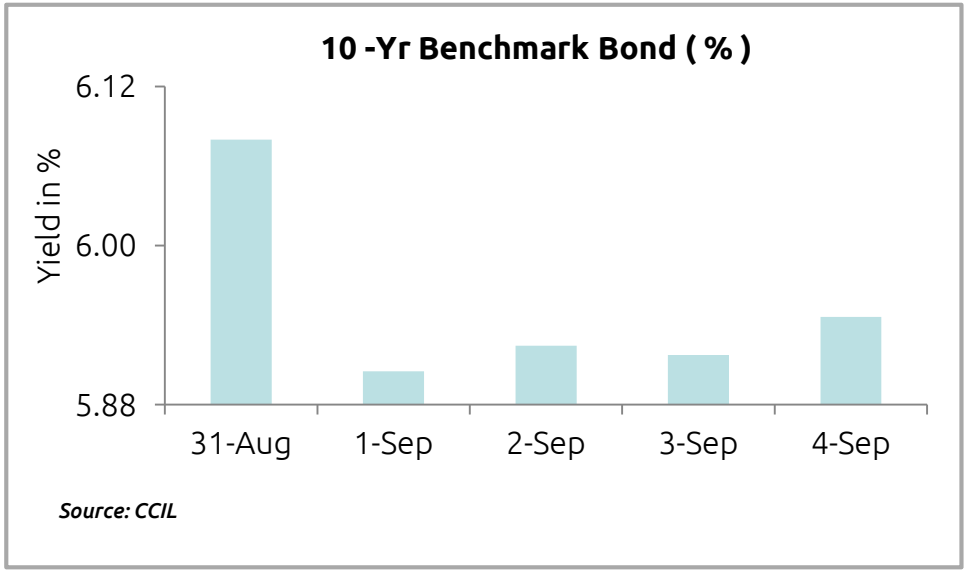
Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	3.43	3.43	3.39	4.96
91 Day T-Bill	3.27	3.31	3.30	5.02
05.22% 2025, (5 Yr GOI)	5.23	5.53	5.00	
05.79% 2030, (10 YrGOI)	5.95	6.10	5.83	

Source: Refinitiv *Value as on Sep 04, 2020*



- Bond yields plunged after the Reserve Bank of India (RBI) announced a slew of measures aimed at reviving investor appetite. RBI announced to conduct more special open market operations for Rs. 20,000 crore in Sep 2020 and raised banks' held-to-maturity limit to 22% of net demand and time liabilities for bond purchases between Sep 1, 2020 and Mar 31, 2021.
- Securities held under held-to-maturity need not be marked to market, protecting banks from adverse yield movements.
- However, gains were restricted during the last day of the week as primary auction cut-offs suggested yields might not fall sharply amid RBI's bond-supporting measures.

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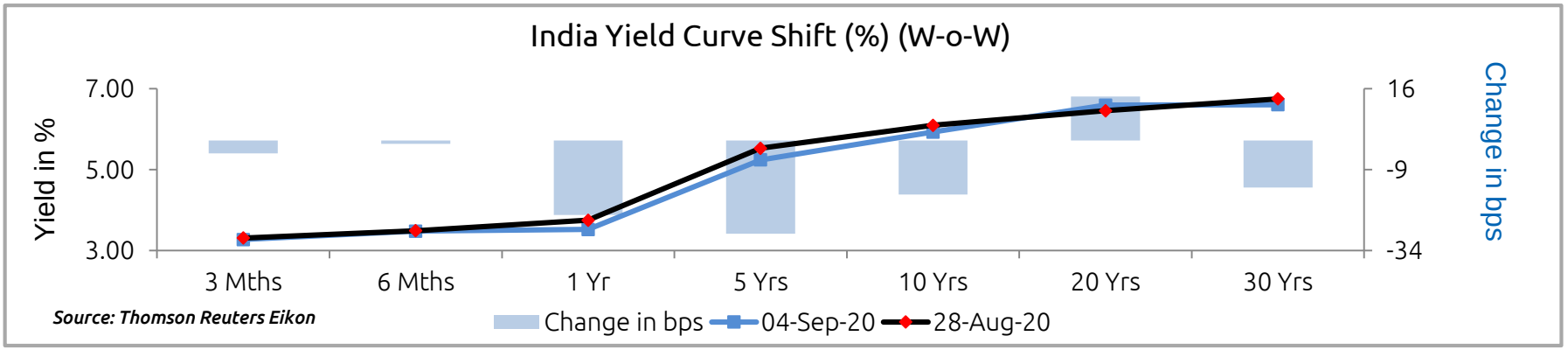
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	3.73	5.05	132
3 Year	4.82	5.80	98
5 Year	5.25	6.67	143
10 Year	5.98	7.01	102

Source: Refinitiv *Value as on Sep 04, 2020*

- Yields on gilt securities fell across the maturities in the range of 15 bps to 30 bps barring 19-year paper which increased 14 bps.
- Corporate bond yields fell across the maturities by up to 46 bps barring 1-year paper which increased 3 bps.
- Difference in spread between AAA corporate bond and gilt expanded across 1 to 3-year maturities and contracted across the remaining maturities.



Source: Thomson Reuters Eikon

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Regulatory Updates in India

- The Reserve Bank of India (RBI) gave approval to banks to consider fresh government securities that it has acquired from Sep 1, 2020 under the held to maturity bracket up to an overall limit of 22% of its net demand and time liabilities till Mar 31, 2021. The objective of the move is to increase the demand of government securities among banks without worrying about mark-to-market losses due to adverse fluctuation in bond yields.
- RBI announced that it will conduct term repo operations for an aggregate amount of Rs. 100,000 crore at floating rates (prevailing repo rate) in the middle of Sep 2020. The objective of the move is to ensure that there is sufficient liquidity in the system amid advance tax outflows. RBI also mandated that banks who had availed funds under the long term repo operations may consider refinancing their borrowings via these term repo auctions at lower costs. The objective of the move is to reduce the cost of funds for banks.
- RBI announced that it will conduct additional special open market operation which will include the simultaneous purchase and sale of Government securities for an aggregate amount of Rs. 20,000 crore in two tranches of Rs. 10,000 crore each. The auction will be conducted on Sep 10, 2020 and Sep 17, 2020.
- Capital market regulator SEBI mandated that entities will not be required to make disclosures about shares encumbered with trading and clearing members by way of pledge or re-pledge in the depository system. The objective of the move is to improve the ease of doing business within the country.

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Regulatory Updates in India (contd..)

- SEBI has extended the relaxations provided to foreign portfolio investors (FPIs) and custodians for processing documents related to new investor registrations till the time the lockdown is lifted. This will be applicable for those entities that belong to jurisdiction that are still under lockdown. On a separate note SEBI asked credit rating agencies not to consider as default the restructuring of debt done on account of stress bought about by the COVID-19 pandemic. SEBI also declined to extend the deadline of implementing the new norms of margin pledge beyond Sep 1, 2020.
- According to the Minister of Heavy Industries and Public Enterprises, the government is examining the suggestion given by the automobile industry for a temporary reduction in Goods and Services Tax across all categories of vehicles and the details of the proposal are being worked out by the finance minister.
- According to the Directorate General of Trade Remedies (DGTR), the Indian government is considering imposing anti-dumping duty on a certain type of fibre imported from European Union, Belarus, Ukraine and Peru.
- According to media reports, IRDAI has set up a six-member working group to look at various aspects of index linked products. The insurance regulator has received requests from life insurers to allow them to offer index linked products along with ULIPs to their customers. IRDAI has asked the working group to submit its report within two months.

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Global News/Economy

- The Institute for Supply Management showed, U.S. Purchasing Managers Index (PMI) rose to 56.0 in Aug 2020 from 54.2 in Jul 2020. Index rose as the new orders index surged to 67.6 in Aug 2020 from 61.5 in Jul 2020. The production index also increased to 63.3 in Aug 2020 from 62.1 in Jul 2020.
- The Labor Department report showed U.S. non-farm payroll employment surged by 1.371 million jobs in Aug 2020, slower than a downwardly revised 1.734 million jobs (1.763 million jobs originally reported) in Jul 2020. Growth was partially due to the hiring of 238,000 temporary 2020 Census workers, which contributed to a significant increase in government employment. Unemployment rate fell to 8.4% in Aug 2020 from 10.2% in Jul 2020.
- Preliminary data from Eurostat showed, Eurozone consumer prices contracted 0.2% YoY in Aug 2020 compared with a 0.4% rise in Jul 2020. Inflation turned negative for the first time in more than four years in Aug 2020. Core inflation barring energy, food, alcohol and tobacco, slows to 0.4% in Aug 2020 from 1.2% in Jul 2020.
- Survey data from IHS Markit showed China's Caixin manufacturing Purchasing Managers' Index (PMI) rose to 53.1 in Aug 2020 from 52.8 in Jul 2020. Index moved the most since Jan 2011. Manufacturing new orders expanded at the sharpest rate since the start of 2011.
- The Ministry of Economy, Trade and Industry said, Japan's industrial output rose 8.0% (seasonally adjusted) MoM in Jul 2020, better than 1.9% rise in Jun 2020. Rise in output was contributed by motor vehicles, other manufacturing and non-ferrous metals.

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Global Equity Markets

Global Indices			
Indices	**04-Sep-20**	**1-Week Return**	**YTD Return**
Russell 3000	1,752.61	-3.45%	22.90%
Nasdaq 100	11,622.13	-3.12%	33.08%
FTSE 100	5,799.08	-2.76%	-23.11%
DAX Index	12,842.66	-1.46%	-3.07%
Nikkei Average	23,205.43	1.41%	-1.91%
Straits Times	2,509.64	-1.18%	-22.13%

Source: Refinitiv *Value as on Sep 04, 2020*

U.S.

- U.S. markets traded lower as investors continued to weigh the likely impact of the coronavirus pandemic on the economy despite recent comments from U.S. Federal Reserve Chairman that said interest rates will likely remain lower for a long time.
- However, downturn was restricted by private survey results showing manufacturing activity in the U.S. expanded at a faster rate in Aug 2020.

Europe

- European markets closed lower amid worries about rising new coronavirus cases and possibility of further quarantine restrictions in the U.K. Absence of any significantly positive news too pushed market participants to book profits.

Asia

- Asian markets largely closed lower with investors closely tracking the developments on the persisting U.S. – China trade tensions. Investor sentiments dented further following comments from U.S. House Speaker suggesting serious differences over a coronavirus aid package.

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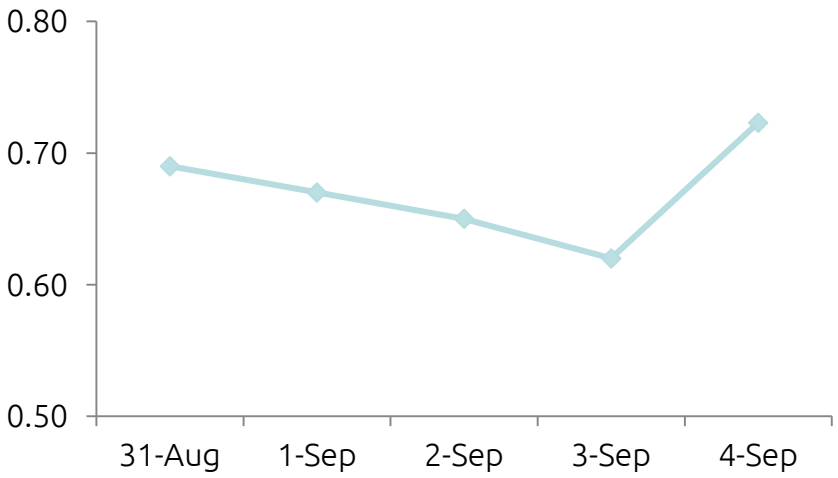
Global Debt (U.S.)



Source: Thomson Reuters Eikon

- Yields on the 10-year U.S. Treasury inched down 1 bps to close at 0.72% compared with the previous week's close of 0.73%.
- U.S. Treasury prices rose initially during the week under review after a Federal Reserve governor called for new accommodative efforts to help the U.S. economy tide over the COVID-19 pandemic.
- U.S. Treasury prices rose further as market participants remained on the sidelines and awaited the U.S. nonfarm payroll employment data for Aug 2020.
- However, most of the gains were wiped out after data showed that U.S. nonfarm payroll employment grew in Aug 2020 and the U.S. unemployment rate fell to 8.4% in Aug 2020 from 10.2% in Jul 2020.

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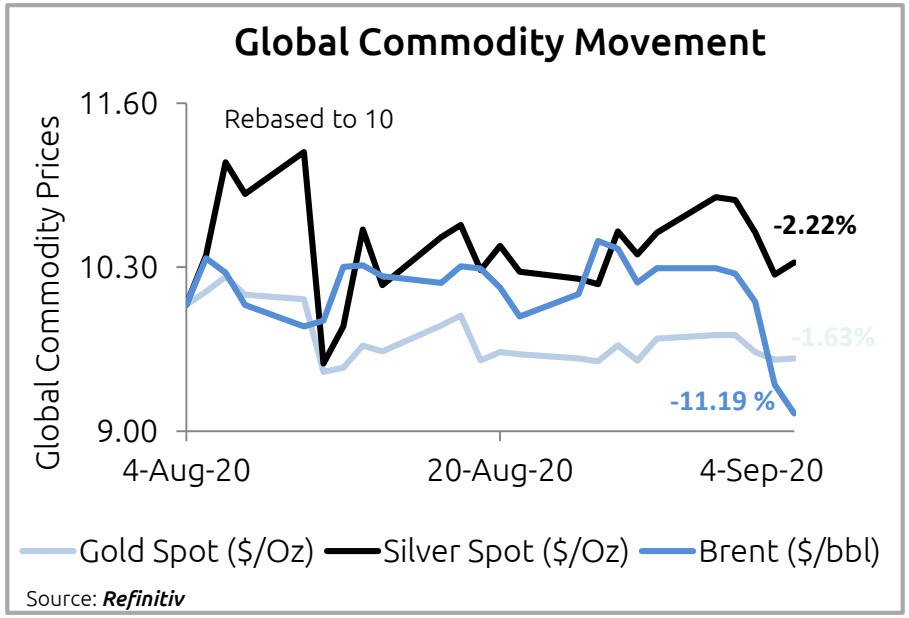
Commodities Market



Performance of various commodities		
Commodities	**Last Closing***	**1-Week Ago**
Brent Crude($/Barrel)	40.71	45.84
Gold ($/Oz)	1932.45	1964.49
Gold (Rs/10 gm)	50,940	50,981
Silver ($/Oz)	26.88	27.49
Silver (Rs/Kg)	64,098	64,613

Source: Refinitiv **Value as on Sep 04, 2020*

Gold

- Gold prices traded lower as better than expected U.S manufacturing data for Aug 2020 lowered the safe haven appeal of the bullion. Nonetheless, ongoing tensions between U.S. and China provided underlying support to the precious metal prices.

Brent Crude

- Brent Crude prices slipped as data from U.S. Energy Information Administration showed domestic gasoline demand fell to 8.78 million barrels per day (bpd) for the week ended Aug 28 from 9.16 million bpd a week earlier.

Baltic Dry Index

- The index fell due to sluggish capesize and panamax activities.

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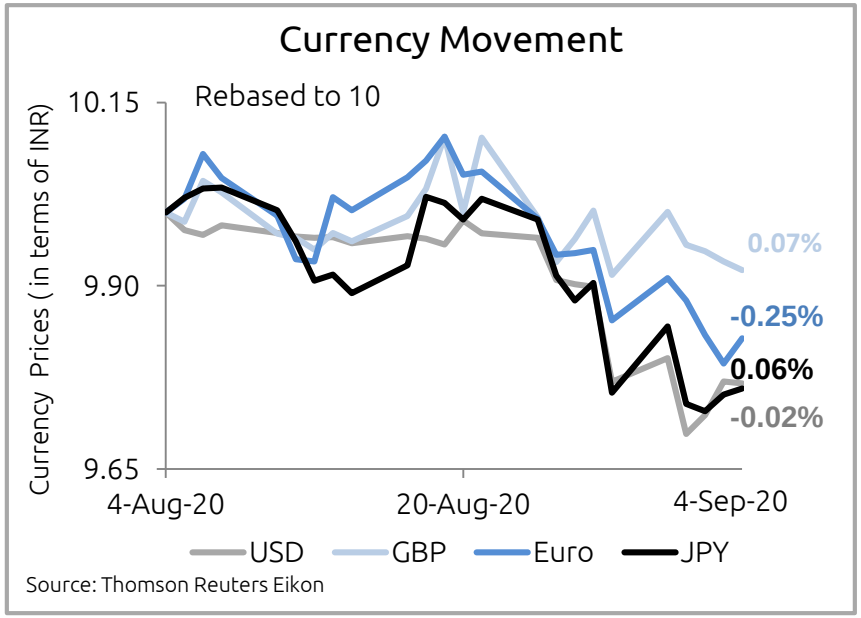
Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	**Last Closing***	**1-Wk Ago**
US Dollar	73.34	73.35
Pound Sterling	97.35	97.28
EURO	86.85	87.07
100 Yen	69.07	69.03

Source: Refinitiv ***Figures in INR , *Value as on Sep 04, 2020***

Rupee

- The India rupee inched up amid high volatility against the U.S. dollar after the RBI said the recent rise in the domestic currency had helped contain inflation.

Euro

- Euro declined against the U.S. dollar on profit booking after rising strongly in the previous week.

Pound

- Pound fell against the greenback as Bank of England policymakers warned that Britain's economy could suffer more damage than anticipated by the central bank.

Yen

- Yen dropped against the strong greenback on the view that Japan's next leader will stay the course on the 'Abenomics' economic revival program.

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The Week that was...

31st Aug to 4th Sep

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The Week that was (Aug 31 – Sep 4)

Date	Events	Present Value	Previous Value
Monday, Aug 31, 2020	• Japan Retail Sales YoY (Jul)	-2.8%	3.9%
	• India Fiscal Deficit (Aug)	8213.49 B	6623.63 B
	• Germany Inflation Rate YoY Prel (Aug)	0.0%	-0.1%
	• India GDP Growth Rate YoY (Q2)	-23.9%	3.1%
Tuesday, Sep 01, 2020	• China Caixin Manufacturing PMI (Aug)	53.1	52.8
	• India Markit Manufacturing PMI (Aug)	52.0	46.0
	• Germany Unemployment Rate (Aug)	6.4%	6.4%
	• Eurozone Inflation Rate YoY Flash (Aug)	-0.2%	0.4%
	• U.S. Markit Manufacturing PMI Final (Aug)	53.1	50.9
	• U.S. ISM Manufacturing PMI (Aug)	56.0	54.2
Wednesday, Sep 02, 2020	• Germany Retail Sales YoY (Jul)	4.2%	
	• U.S. ADP Employment Change (Aug)	428K	212K
Thursday, Sep 03, 2020	• China Caixin Composite PMI (Aug)	55.1	54.5
	• Germany Markit Composite PMI Final (Aug)	54.4	55.3
	• India Markit Services PMI (Aug)	41.8	34.2
	• Eurozone Markit Composite PMI Final (Aug)	51.9	54.9
	• U.K. Markit/CIPS Composite PMI Final (Aug)	59.1	57.0
	• Eurozone Retail Sales YoY (Jul)	0.4%	1.3%
Friday, Sep 04, 2020	• U.S. Non Farm Payrolls (Aug)	1371K	1734K
	• U.S. Unemployment Rate (Aug)	8.4%	10.2%
	• U.K. Construction PMI (Aug)	54.6	58.1

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The Week Ahead

7th Sep to 11th Sep

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The Week Ahead

Day	Event
Monday, Sep 7, 2020	• China Balance of Trade (Aug) • Japan Leading Economic Index Prel (Jul) • Germany Industrial Production n.s.a. w.d.a. (YoY) (Jul)
Tuesday, Sep 8, 2020	• Japan Gross Domestic Product Annualized (Q2) • Japan Eco Watchers Survey Outlook (Aug) • Germany Balance of Trade (Jul) • Eurozone GDP Growth Rate YoY 3rd Est (Q2)
Wednesday, Sep 9, 2020	• China Consumer Price Index (YoY) (Aug) • China Producer Price Index (YoY)(Aug) • U.S. Consumer Credit Change (Jul)
Thursday, Sep 10, 2020	• Eurozone ECB Interest Rate Decision • U.S. Initial Jobless Claims (Sep 4)
Friday, Sep 11, 2020	• U.K. Industrial Production (YoY) (Jul) • U.K. Gross Domestic Product (MoM) (Jul) • Germany Consumer Price Index (YoY) (Aug) • India Industrial Output (Jul)

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