

# News U Can Use

*April 07, 2017*

The Week that was...  
03<sup>rd</sup> April to 07<sup>th</sup> April

# Indian Economy

- ❑ The Monetary Policy Committee (MPC) kept key policy repo rate unchanged at 6.25% in its first bi-monthly policy review of FY18. The Cash Reserve Ratio (CRR) was also kept unchanged at 4%. However, the reverse repo rate was increased 25 bps to 6.00% while the marginal standing facility was lowered 25 bps to 6.50% from 6.75%. All members of MPC agreed to the policy decisions. The objective of the move is to put a check on excess liquidity in the system by narrowing down money market rates while keeping a vigil on domestic inflationary pressures.
- ❑ MPC projected inflation to average at 4.5% in the first half of FY18 and subsequently estimated it to increase to 5.0% in the second half. MPC identified risks that may lead to an increase in domestic inflationary pressures. These are increasing possibility of El Niño during Jul to Aug, which may lead to increase in food inflation, the implementation of the allowances recommended by the 7th Central Pay Commission, and one-off effects of the implementation of Goods and Services Tax (GST) from Jul 1, 2017.
- ❑ Results of a private survey showed that the Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to a five-month high of 52.5 in Mar 2017 from 50.7 in Feb 2017. The increase was attributed to sharp rise in production and new orders.
- ❑ Results of a private survey showed that the Nikkei's PMI for the service sector rose to 51.5 in Mar 2017 from 50.3 in Feb 2017. The seasonally adjusted Nikkei India Composite PMI Output Index increased to 52.3 in Mar from 50.7 in Feb.

# Indian Equity Market

Domestic Equity Market Indices			
Indices	07-Apr-17	1 Week Return	YTD Return
S&P BSE Sensex	29706.61	0.29%	11.70%
Nifty 50	9198.3	0.27%	12.46%
S&P BSE Mid-Cap	14233.16	0.97%	17.33%
S&P BSE Small-Cap	14681.42	1.72%	20.44%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.98	23.32	31.45	68.56
P/B	3.00	3.51	2.59	2.35
Dividend Yield	1.34	1.25	1.27	0.70

Source: BSE, NSE

Value as on April 07, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
03-Apr-17	1273	421	3.02
05-Apr-17	1215	494	2.46
06-Apr-17	791	895	0.88
07-Apr-17	652	1048	0.62

Source: NSE

- ▣ In the first week of the new fiscal year 2017-18, Indian equity markets saw the Sensex surpass the 30,000 mark for a very brief period. Investor sentiment improved after the final reading of a private survey indicated that the manufacturing sector expanded at a fastest pace in five months in Mar 2017.
- ▣ Investor took cues from the latest policy meeting of Reserve Bank of India's Monetary Policy Committee. Repo rate was unchanged at 6.25%, citing upside risk to inflation.
- ▣ However, gains were restricted as hawkish tone from the minutes of U.S. Fed's latest policy meeting dampened investor sentiment. Besides, news of U.S. cruise missile attack on a Syrian airbase renewed geo-political tensions.

# Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22235.3	1.01%	2.40%
S&P BSE Bankex	24422.7	0.01%	3.78%
S&P BSE CD	15522.6	1.74%	12.29%
S&P BSE CG	17256	4.92%	11.75%
S&P BSE FMCG	9184.81	-0.92%	3.93%
S&P BSE HC	15215.6	-0.63%	-0.47%
S&P BSE IT	10147.7	-2.10%	-3.07%
S&P BSE Metal	11852.5	0.41%	-0.69%
S&P BSE Oil & Gas	13960	2.92%	2.57%

*Source: Reuters* *Value as on April 07, 2017*

- ▣ On the BSE sectoral front, majority of the indices closed in the green. S&P BSE Realty was the top gainer, up 5.28%, followed by S&P BSE Capital Goods and S&P BSE Oil & Gas, which went up 4.92% and 2.92%, respectively.
  
- ▣ S&P BSE Consumer Durables and S&P BSE Auto rose 1.74% and 1.01%, respectively. Realty sector rose on hopes of additional institutional investments after the RBI allowed banks to invest in Real Estate Investment Trusts and Infrastructure Investment Trusts (InvITs).

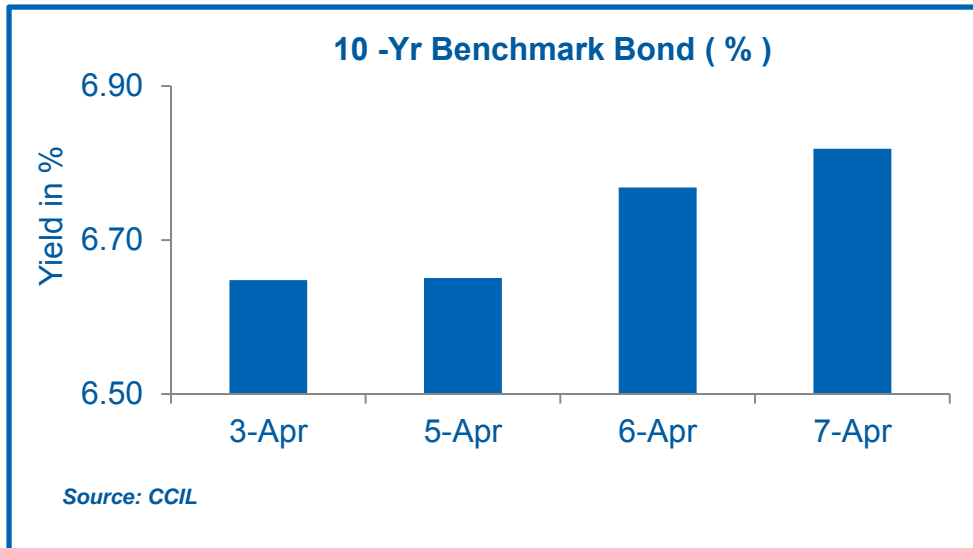
## Indian Derivatives Market Review

- ▣ Nifty Apr 2017 Futures were at 9,211.45, a premium of 13.15 over the spot closing of 9,198.30. The turnover on NSE's Futures and Options segment stood at Rs. 15.56 lakh crore during the week to Apr 7, compared with Rs. 26.69 lakh crore during the week to Mar 31.
  
- ▣ The Put-Call ratio stood at 0.86, compared with the previous week's close of 0.77.
  
- ▣ The Nifty Put-Call ratio stood at 1.04, compared with the previous week's close of 0.97.

# Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.92	6.04	5.98	6.18
91 Day T-Bill	5.95	5.80	5.97	6.36
7.80% 2021, (5 Yr GOI)	6.87	6.71	6.87	6.73
6.97% 2026, (10 Yr GOI)	6.82	6.69	6.83	6.73

Source: Reuters Value as on April 07, 2017



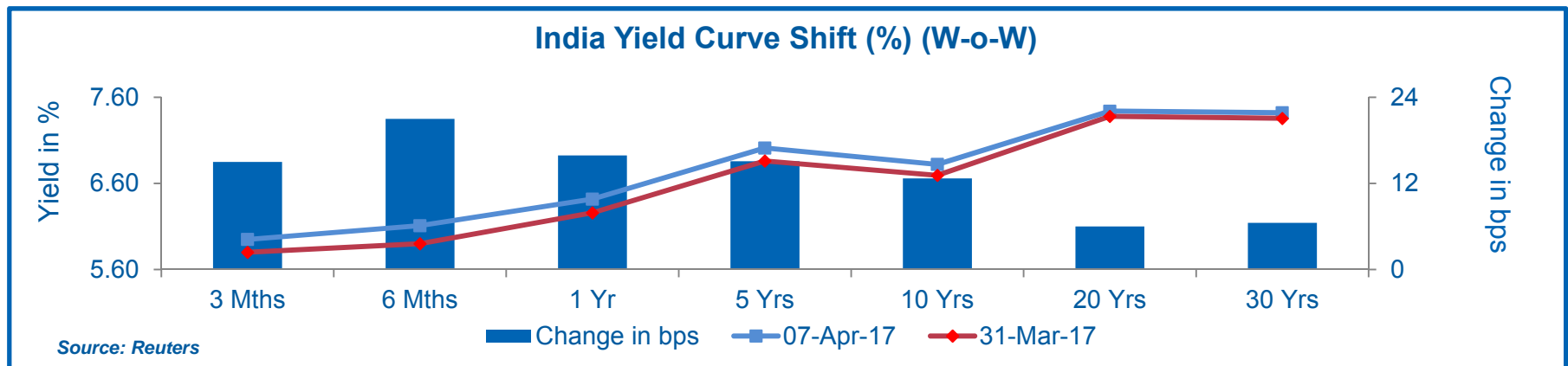
- ❑ Bond yields surged after the Monetary Policy Committee increased reverse repo from 5.75% to 6.0% and announced measures to absorb excess liquidity in the banking system.
- ❑ Investor sentiment dampened further following increase in crude oil prices after the U.S. launched cruise missiles at an airbase in Syria.
- ❑ Yield on the 10-year benchmark bond (6.97% GS 2026) rose 13 bps to close at 6.82% from the previous week's close of 6.69%.
- ❑ Banks' net average lending to Reserve Bank of India (RBI) under the Liquidity Adjustment Facility stood at Rs. 43,439.25 crore (for Friday, only repo session considered), compared with the previous week's lending of Rs. 68,357.00 crore.

# Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.52	6.99	47
3 Year	6.83	7.40	57
5 Year	7.10	7.52	42
10 Year	7.18	7.81	63

Source: Reuters Value as on April 07, 2017

- Yields on gilt securities increased across maturities in the range of 6 bps to 26 bps. The maximum increase was witnessed on 15-year maturity.
- Corporate bond yields increased across maturities in the range of 5 bps to 16 bps. The maximum increase was witnessed on 3-, 6-, 10-, and 15-year maturities.
- Spread between AAA corporate bond and gilt contracted across most of the maturities up to 12 bps, barring 10-year paper that expanded 2 bps.



# Regulatory Updates in India

- ❑ Monetary Policy Committee (MPC) in its first bi-monthly policy review of FY18 allowed banks to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to the extent of 20% of their net owned funds (NOF). Presently, banks are allowed to invest in equity-linked mutual funds, venture capital funds and equities to the extent of 20% of their NOF.
- ❑ MPC has enabled faster settlement of the process of NEFT (National Electronic Fund Transfer) by increasing the settlement cycle to 23 from the present 12. The objective of the move is to facilitate half-hourly settlements instead of the hourly settlement system practiced now.
- ❑ The Reserve Bank of India (RBI) increased the capital requirement for asset reconstruction companies to Rs. 100 crore from the present Rs. 2 crore. According to MPC, the move was necessary as higher amount of cash will be required to buy bad loans from the current fiscal.



## Regulatory Updates in India (contd..)

- ❑ RBI has increased the investment limit to be made by Foreign Portfolio Investors (FPI) in government bonds by an aggregate Rs. 17,000 crore for the period from Apr to Jun of 2017. The limits for investment by FPIs in central government securities and State Development Loans have been increased by Rs. 11,000 crore and Rs. 6,000 crore, respectively. In case of central government securities, the cap on general category has been increased to Rs. 1,56,500 crore from the Rs. 1,52,000 crore, while for long term investors, the limit has been increased to Rs. 74,500 crore from Rs. 68,000 crore earlier.
- ❑ The finance minister introduced a bill in the Lok Sabha which proposed to increase the authorised capital for National Bank for Agriculture and Rural Development (NABARD) to Rs. 30,000 crore from the existing Rs. 5,000 crore. The bill also seeks to transfer RBI's balance equity of Rs. 22 crore in NABARD to the central government. Presently, RBI holds 0.4% of the paid-up capital of NABARD. The remaining 99.6% is held by the central government. This results in conflict in RBI's role as a banking regulator.

# Global News/Economy

- ❑ Data from the U.S. Labour Department showed that non-farm payroll employment grew by 98,000 jobs in Mar 2017, much less than expected, after surging up by a revised 219,000 jobs (originally reported 235,000 jobs) in Feb 2017. The unemployment rate also edged down to 4.5% in Mar from 4.7% in Feb. The annual rate of growth in average hourly employee earnings slowed to 2.7% in Mar from 2.8% in Feb.
- ❑ According to the minutes of Mar 14-15 meeting, the U.S. Federal Reserve (Fed) raised its interest rate by 25 bps and projected two more rate hikes in 2017. The minutes also revealed that the central bank is ready to start reducing its bloated \$4.5 trillion balance sheet this year.
- ❑ According to the president of the European Central Bank (ECB), the policies of the central bank have proved to be positive for the economy due to which the euro economy is expected to improve gradually. However, he said the central bank needs more evidence to confirm that inflation will meet its target of 2%; hence there was no ground for reassessing the current policy stance.
- ❑ Private survey from IHS Markit showed that China's manufacturing activity grew at a slower rate in Mar 2017. The Caixin factory PMI fell to 51.2 in Mar from 51.7 in Feb 2017. Also, data from the National Bureau of Statistics showed that the official manufacturing PMI climbed to 51.8 from 51.6 a month ago.

# Global Equity Markets

Global Indices			
Indices	07-Apr-17	1-Week Return	YTD Return
Dow Jones	20656.1	-0.03%	3.89%
Nasdaq 100	5418.369	-0.33%	10.32%
FTSE 100	7349.37	0.36%	2.89%
DAX Index	12225.06	-0.71%	5.40%
Nikkei Average	18664.63	-1.29%	-2.35%
Straits Times	3177.27	0.07%	9.60%

*Source: Reuters*

## Europe

- ▣ Mixed trend was witnessed in the European markets as geo-political tensions along with mixed U.S. jobs data and minutes of Fed's Mar policy meeting weighed on sentiment. However, some key economic data from the euro zone brought respite, while Germany's industrial production expanded unexpectedly in Feb 2017.

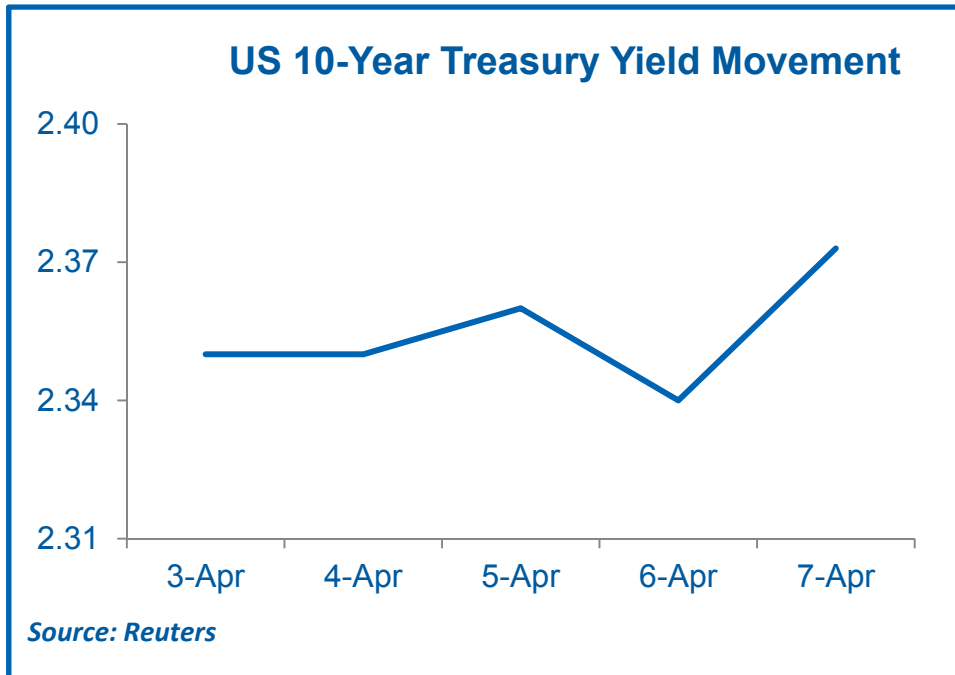
## Asia

- ▣ Asian markets were mixed as hawkish comments from Fed, geo-political tensions, first U.S.-China summit, and mixed monthly U.S. jobs data kept investors wary. However, downside was restricted after upbeat Japan's services sector and on announcement that China would establish a new special economic zone to create more jobs in the country.

## U.S.

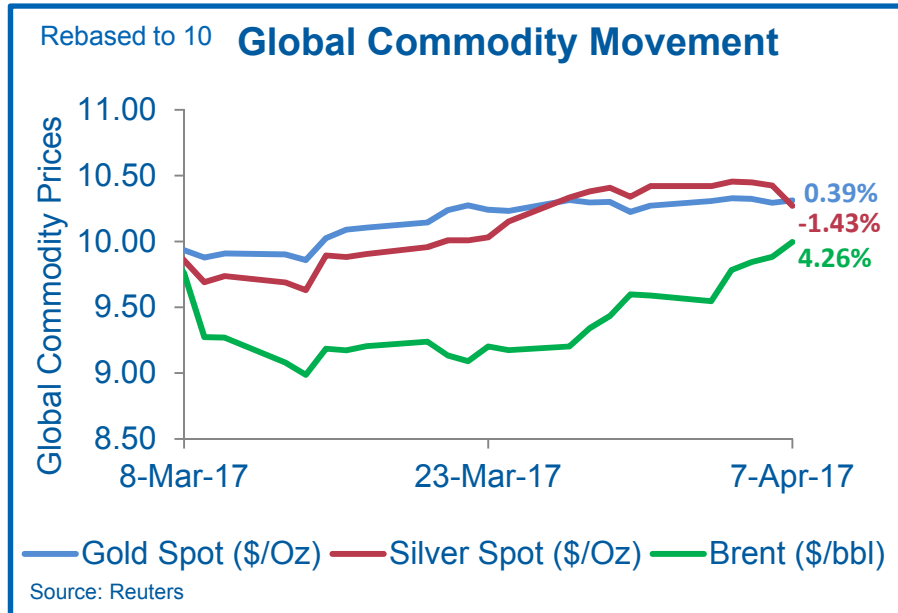
- ▣ During the week, monthly jobs report, minutes of Fed's Mar policy review, and U.S. President and Chinese President's first scheduled meeting kept investors on the sidelines initially.
- ▣ Later, sentiment dampened after the minutes of Fed's policy meeting revealed that the central bank is ready to start reducing its \$4.5 trillion balance sheet in 2017. Geo-political tensions and mixed nonfarm payroll data also weighed on sentiment.

# Global Debt (U.S.)



- After moving in a range, yield on the 10-year U.S. Treasury bond fell 3 bps at 2.37% compared with the previous week's close of 2.40%.
- U.S. Treasury prices rose initially following weaker-than-expected U.S. auto sales for Mar 2017 and uncertainty regarding the outcome of a meeting between the U.S. President and the Chinese counterpart.
- The safe haven appeal of U.S. Treasuries improved further after the U.S. carried out missile strikes on a Syrian airbase. However, gains were limited after a top U.S. Federal Reserve official boosted expectations for interest rate increases despite lower than expected nonfarm payroll data for Mar 2017.

# Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	54.38	52.16
Gold (\$/Oz)	1253.55	1248.63
Gold (Rs/10 gm)	28845	28527
Silver (\$/Oz)	17.96	18.22
Silver (Rs/Kg)	41896	41717

Source: Reuters Value as on April 07, 2017

## Gold

- Gold prices went up on renewed concerns of an escalation in the Syrian civil war. Investors were worried by reports of an U.S. air strike against Syria. However, gains were restricted by the minutes of U.S. Fed's Mar policy meeting, which showed that the bank wants to start unwinding the \$4.5 trillion bonds on its balance sheet this year.

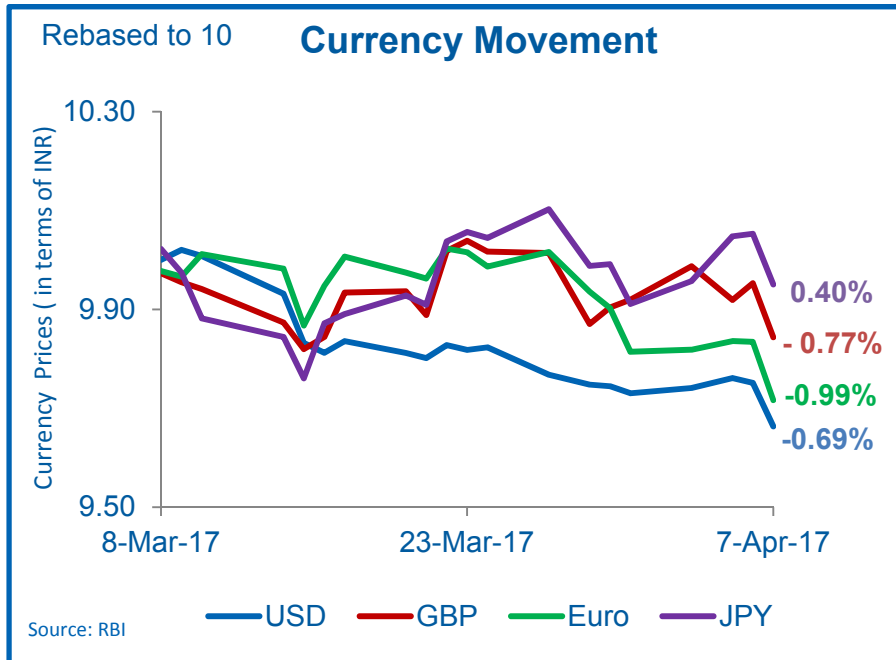
## Crude

- Brent Crude prices traded higher as fall in U.S. crude oil stock affirmed hopes of OPEC-led supply cut. Oil prices found additional support from media reports of U.S. air strike in Syria, which raised oil supply concerns.

## Baltic Dry Index

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

# Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.39	64.84
Pound Sterling	80.26	80.88
EURO	68.56	69.25
JPY(per 100 Yen)	58.19	57.96

Source: RBI Figures in INR, Value as on April 07, 2017

## Rupee

- The rupee rose against the U.S. dollar following greenback selling by private banks and foreign banks. Corporate dollar inflows also aided the rupee.

## Euro

- The euro fell against the greenback amid uncertainty regarding the outcome of a meeting between the U.S. President and his Chinese counterpart. It fell further following the rate hike comments from a U.S. Fed official.

## Pound

- The pound fell against the greenback amid concerns over Brexit, downbeat U.K. manufacturing PMI data for Mar, and weak British industrial output data for Feb 2017.

## Yen

- The yen rose against the greenback as safe haven appeal improved after the U.S. launched missile strikes in Syria and North Korea fired a ballistic missile.

The Week that was...  
03<sup>rd</sup> April to 07<sup>th</sup> April

## The Week that was (Apr 03 – Apr 07)

Date	Events	Present Value	Previous Value
Monday, April 03, 2017	U.S. ISM Manufacturing PMI (MAR)	57.2	57.7
	Eurozone Unemployment Rate (FEB)	9.5%	9.60%
Tuesday, April 04, 2017	U.K. Markit Construction PMI (MAR)	52.2	52.5
	U.S. Trade Balance (FEB) (USD)	(43.6B)	(48.2B)
	U.S. Factory Orders (FEB)	1.0%	1.5%
Wednesday, April 05, 2017	U.S. ISM Non-Manufacturing PMI (MAR)	55.2	57.6
	U.K. Markit Composite PMI (MAR)	54.9	53.8
	Japan Nikkei Composite PMI (MAR)	52.9	52.2
Thursday, April 06, 2017	China Caixin Composite PMI (MAR)	52.1	52.6
	U.S. Initial Jobless Claims (APR 1)	234K	259K
Friday, April 07, 2017	U.S. Change in Non-farm Payrolls (MAR)	98K	219K
	U.S. Unemployment Rate (MAR)	4.5%	4.7%
	Germany Industrial Production (YoY) (FEB)	2.5%	-0.5%
	U.K. Industrial Production (YoY) (FEB)	2.8%	3.3%



The Week Ahead...  
April 10 to April 14

# The Week Ahead

Day	Event
Monday, April 10, 2017	<ul style="list-style-type: none"> <li>❑ Japan Eco Watchers Survey (Mar)</li> </ul>
Tuesday, April 11, 2017	<ul style="list-style-type: none"> <li>❑ U.K. Consumer Price Index (YoY) (MAR)</li> <li>❑ Germany ZEW Survey (Economic Sentiment) (APR)</li> <li>❑ Eurozone Industrial Production (YoY) (FEB)</li> <li>❑ Japan Machine Orders (MoM) (FEB)</li> </ul>
Wednesday, April 12, 2017	<ul style="list-style-type: none"> <li>❑ China Consumer Price Index (YoY) (MAR)</li> <li>❑ China Producer Price Index (YoY) (MAR)</li> <li>❑ U.K. ILO Unemployment Rate (3M) (FEB)</li> </ul>
Thursday, April 13, 2017	<ul style="list-style-type: none"> <li>❑ USD U. of Michigan Confidence (APR) (P)</li> <li>❑ Germany Consumer Price Index (MoM) (MAR) (F)</li> <li>❑ China Trade Balance (MAR)</li> </ul>
Friday, April 14, 2017	<ul style="list-style-type: none"> <li>❑ U.S. Consumer Price Index (YoY) (MAR)</li> <li>❑ U.S. Advance Retail Sales (MAR)</li> <li>❑ Japan Industrial Production (YoY) (FEB) (F)</li> </ul>

# Disclaimer

The information herein is meant only for general reading purposes and contains all factual and statistical information pertaining to Industry and markets which have been obtained from independent third party sources and which are deemed to be reliable. The information provided cannot be considered as guidelines, recommendations or as a professional guide for the readers. It may be noted that since Reliance Nippon Life Asset Management Company Limited (RNLAM) (formerly Reliance Capital Asset Management Limited) has not independently verified the accuracy or authenticity of such information or data, or for that matter the reasonableness of the assumptions upon which such data and information has been processed or arrive data; RNLAM does not in any manner assures the accuracy or authenticity of such data and information. Some of the statements & assertions contained in these materials may reflect RNLAM's views or opinions, which in turn may have been formed on the basis of such data or information. The Sponsor(s), 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 data or 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, to the extent possible. 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. Before making any investments, the readers are advised to seek independent professional advice, verify the contents in order to arrive at an informed investment decision. None of the Sponsor(s), the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material.

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