

News U Can Use

December 30, 2016

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

Indian Economy

- ❑ India's fiscal deficit stood at Rs. 4.58 lakh crore for Apr-Nov 2016 period, which is 85.8% of the budget estimate (BE) for current financial year. In the corresponding period of the previous year, the fiscal deficit was at 87% of BE.
- ❑ The Goods and Service Tax (GST) Council is planning to meet on Jan 3-4, 2017 to examine the model GST and the compensation bills for their legal correctness, and resolving the contentious issues of Integrated GST (IGST) administration and division of assessment powers between the Centre and states. The government also said that if GST could not be implemented on the scheduled date of Apr 1, then it can be rolled out on Jul 1.
- ❑ According to the finance minister, direct tax collections till Dec 19 of this fiscal saw a growth of 14.4% YoY while indirect tax surged 26.2% YoY. Central excise collections jumped 43.3%, while collections from customs rose 6%. Citing the tax collection amounts, the minister said that the impact of demonetisation on country's economic growth is not as severe as was forecasted.
- ❑ Government will soon launch the revamped version of United Payment Interface (UPI) and Unstructured Supplementary Service Data (USSD), its two key initiatives aimed to transform India into a digital economy. UPI would come with user friendly application, while USSD will be upgraded with new features, which will allow banking transactions through feature phones.

Indian Equity Market

Domestic Equity Market Indices			
Indices	30-Dec-16	1 Week Return	YTD Return
S&P BSE Sensex	26626.46	2.25%	1.78%
Nifty 50	8185.8	2.51%	2.80%
S&P BSE Mid-Cap	12031.34	2.30%	6.99%
S&P BSE Small-Cap	12046.13	2.11%	0.88%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	20.88	21.93	26.82	69.23
P/B	2.72	3.1	2.15	1.89
Dividend Yield	1.46	1.35	1.27	0.84

Source: BSE, NSE

Value as on December 30, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
26-Dec-16	245	1388	0.18
27-Dec-16	1175	423	2.78
28-Dec-16	1007	577	1.75
29-Dec-16	1080	510	2.12
30-Dec-16	1154	444	2.60

Source: NSE

- Indian bourses commenced the week on a depressing note as the benchmark indices extended previous week's sell-off. However, the second half of the week saw significant buying in blue chip stocks, pushing the equity market up.
- Market got additional support after a Reserve Bank of India (RBI) report stated that grace period for banks, non-banking finance companies, and microfinance companies to classify bad loans will be extended by 30 days. Sentiment remained upbeat towards the end with finance minister's statement that the impact of demonetisation is clearly visible with tax collection figures seeing double-digit growth.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	20257.43	1.87%	0.56%
S&P BSE Bankex	20748.74	1.57%	-2.66%
S&P BSE CD	11237.12	3.13%	-0.37%
S&P BSE CG	13664.50	1.30%	-2.71%
S&P BSE FMCG	8130.87	5.41%	0.74%
S&P BSE HC	14727.59	1.07%	-6.40%
S&P BSE IT	10176.05	2.77%	3.29%
S&P BSE Metal	10109.34	1.21%	-5.22%
S&P BSE Oil & Gas	12151.64	2.40%	1.57%

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

- On the BSE sectoral front, all indices, except one, closed in the green. S&P BSE FMCG was the major gainer, up 5.41%, followed by S&P BSE Consumer Durable which increased 3.13%.
- S&P BSE Oil & Gas gained 2.40%. Buying interest was seen in the oil and gas sector after an industry heavyweight announced the successful commissioning of the first phase of its Para-xylene plant at Jamnagar, Gujarat.

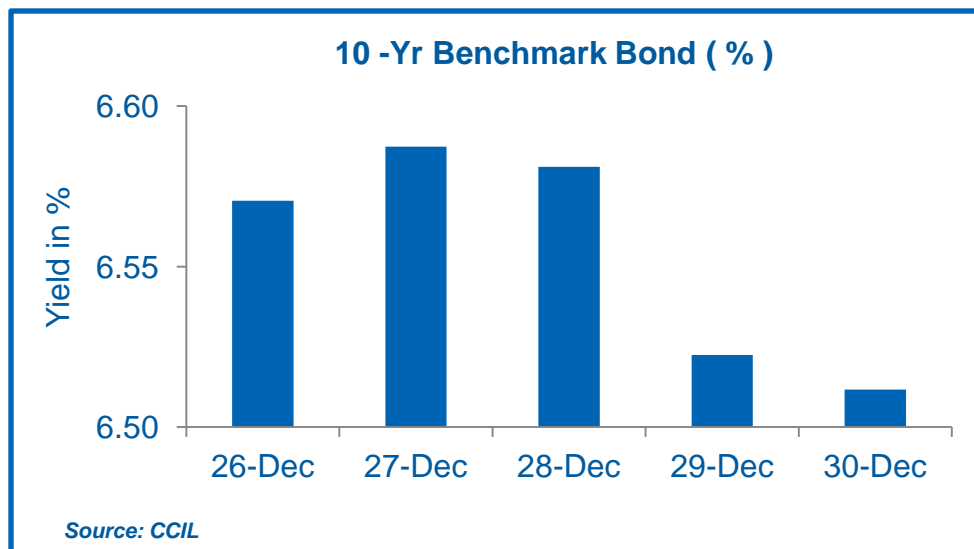
Indian Derivatives Market Review

- Nifty Dec 2016 Futures settled at 8,103.60 points. Nifty Jan 2017 Futures were at 8,187.40 points, a premium of 1.60 points, over the spot closing of 8,185.80 points. The turnover on NSE's Futures and Options segment stood at Rs. 23.98 lakh crore during the week to Dec 30, compared with Rs. 17.76 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.87, compared with the previous week's close of 0.84.
- The Nifty Put-Call ratio stood at 1.05, compared with the previous week's close of 0.92.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.10	6.13	6.38	6.25
91 Day T-Bill	6.22	6.21	5.92	6.59
07.80% 2021, (5 Yr GOI)	6.56	6.59	6.20	7.39
6.97% 2026, (10 Yr GOI)	6.51	6.54	6.24	--

Source: Reuters Value as on December 30, 2016



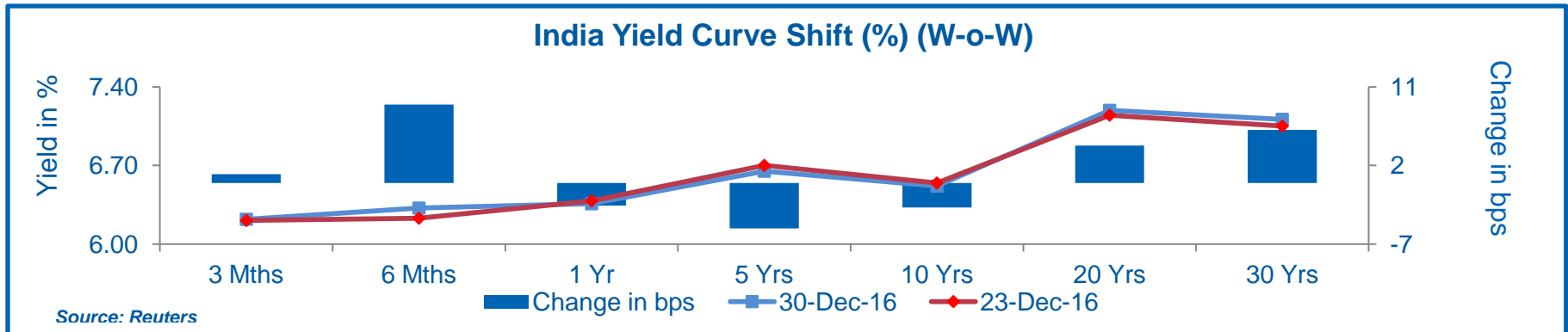
- Bond yields rose initially following concerns that the Monetary Policy Committee would refrain from any monetary easing in the near term and disinterest of foreign investors in the domestic debt market may continue in 2017.
- However, the trend reversed after the Cabinet removed the Reserve Bank of India's (RBI) liability on old Rs. 500 and Rs. 1,000 currency notes, encouraging fiscal gains of the economy. Also, decline in U.S. Treasury yields supported the bond prices.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) fell 3 bps to close at 6.51% from the previous close of 6.54%. During the session, bond yields moved in the region of 6.49% to 6.62%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.46	6.81	36
3 Year	6.53	7.12	59
5 Year	6.74	7.25	51
10 Year	6.72	7.46	74

Source: Reuters Value as on December 30, 2016

- Yields on gilt securities fell across the maturities up to 7 bps, barring 2-, 15-, 19-, and 30-year papers that increased in the range of 3 to 7 bps.
- Corporate bond yields rose across the maturities in the range of 3 to 8 bps, leaving 5-year paper that fell 7 bps.
- Difference in spread between AAA corporate bond and gilt expanded across the maturities in the range of 5 to 13 bps, barring 5- and 15-year papers that contracted by up to 2 bps. Highest rise was seen on 6-year paper.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) has extended the debt repayment deadline for farmers. Accordingly, farmers who are affected by the government's demonetisation move will get additional 60 days for repaying their crop loans due between Nov-Dec 2016. RBI also said that prompt repayment would be eligible for the extra 3% interest subsidy. It is to be noted that the additional subvention of 3% is provided over and above the subsidy of 2% per annum, according to the Interest Subvention Scheme for the year FY16-17. However, this benefit does not accrue to those who repay after one year of availing such loans.
- ❑ Union cabinet has reportedly passed an ordinance that would end the government and Reserve Bank of India's liability on Rs. 500 and Rs. 1,000 demonetised notes after Mar 31, 2017. People will be penalised for holding defunct currencies in excess of 10 notes and may include financial fines and a jail term of up to four years in certain cases. The name of the ordinance is 'The Specified Bank Notes Cessation of Liabilities Ordinance'.
- ❑ Government has appointed Viral V Acharya as the new deputy governor at RBI. Acharya is a professor of economics in the Department of Finance at the New York University and has been appointed for three years by the Appointments Committee of the Cabinet. He is an alumnus of IIT, Mumbai, with a degree of Bachelor of Technology in Computer Science and Engineering in 1995.

Regulatory Updates in India (contd..)

- The Union cabinet has approved a road connectivity project for the left wing extremism (LWE) affected districts. The project, which will be implemented under the Pradhan Mantri Gram Sadak Yojana, will help to develop connectivity between necessary culverts and cross-drainage structures in 44 worst affected LWE districts and adjoining districts. The project will include construction/upgradation of 5,411.81 km road and 126 bridges/cross drainage works at an estimated cost of Rs. 11,724.53 crore and will ensure security and ease of communication in those areas. Notably, LWE outfit has been responsible for majority of incidents of violence and killing of civilians and security forces.
- According to the Reserve Bank of India, the asset quality of banks has deteriorated more due to increase in banks' gross non-performing advances by 9.1% in Sep 2016 from 7.8% in Mar 2016. Therefore, it is expected that due to higher levels of impairment, the banks may remain risk averse in the near future while they clean up their balance sheets. Also, their capital position may remain insufficient to support higher credit growth.

Global News/Economy

- ❑ As per the Conference Board, U.S. consumer confidence index continued to improve in Dec 2016. The consumer confidence index climbed to 113.7 in Dec, up from the previous month's upwardly revised figure of 109.4.
- ❑ Data from the Bureau of Economic Analysis showed that U.S.' trade deficit in goods widened more than expected to \$65.3 billion in Nov 2016 from revised \$61.9 billion in Oct 2016. This is because of increase in imports by 1.2% while exports fell 1.0% in Nov.
- ❑ According to data from Destatis, Germany's public debt increased 0.4% (or EUR 8.9 billion) to EUR 2,031.4 billion at the end of third quarter from Dec 2015. Germany's public debt was 0.3% less compared with the previous quarter.
- ❑ According to the minutes of the Bank of Japan's monetary policy meeting, the country's economy was growing at a moderate pace. However, exports and production experienced a slowdown due to downside risks stemming from the slowdown in emerging economies. The board kept the rates unchanged at -0.1% to the policy rate balances in current accounts held by financial institutions. The Central Bank also said it would purchase Japanese Government Bonds (JGBs) so that 10-year JGB yields would remain at around zero percent. The board further said that exports could increase moderately in due course when the effects of the slowdown in foreign economies and the past appreciation of the yen would gradually lessen.

Global Equity Markets

Global Indices			
Indices	30-Dec -16	1-Week Return	YTD Return
Dow Jones	19762.6	-0.86%	15.24%
Nasdaq 100	4863.62	-1.55%	8.13%
FTSE 100	7142.83	1.06%	17.22%
DAX Index	11481.06	0.27%	11.65%
Nikkei Average	19114.37	-1.61%	3.60%
Straits Times	2880.76	0.34%	1.58%

Source: Reuters

Europe

- European markets managed to end the week on a positive note, amid thin trading volume. Buying interest was seen after European Commission approved a six-month extension to allow the Italian government to revamp its banking system. Improved Chinese industrial profit and U.S. economic data provided additional support.

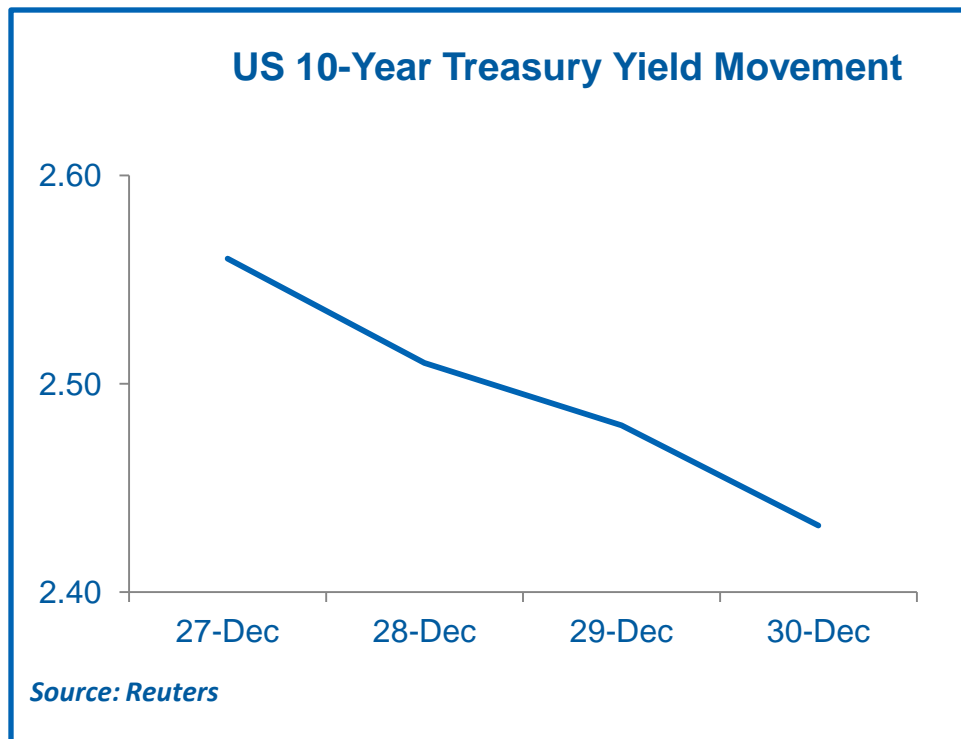
Asia

- Asian bourses witnessed a mixed trend. Japanese market declined after some key economic data came lower than expected. Chinese market also fell after new regulatory measures were introduced to bring insurers under strict supervision. But improved industrial trade data in China and Japan's industrial output figures provided support.

U.S.

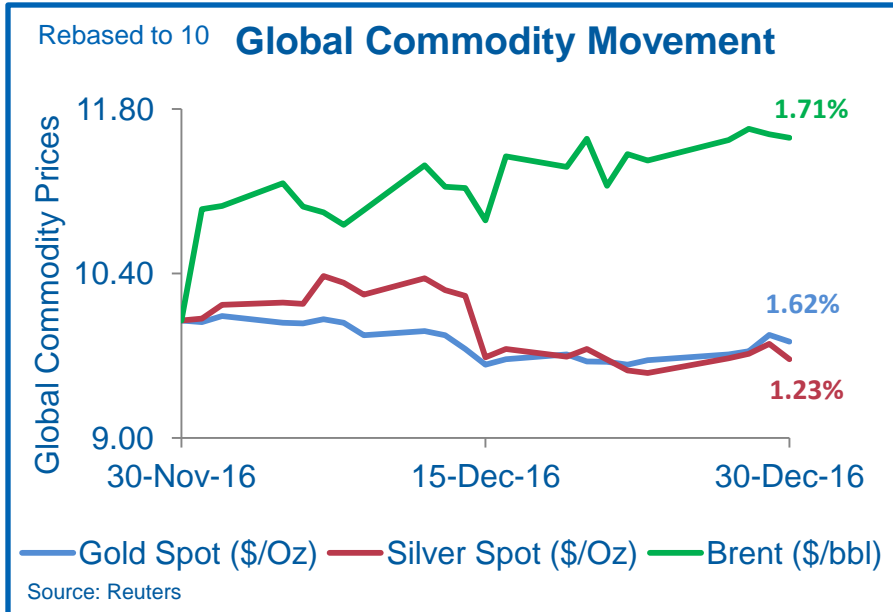
- U.S. markets declined amid thin trading volume because of the Christmas holiday and ahead of the New Year holiday. Sentiment dampened due to an unexpected fall in U.S. pending home sales data in Nov.
- However, the downside was limited following improved consumer confidence data in Dec along with jobless claim data, which came in line with market expectations.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 9 bps to close at 2.43%, compared with the previous week's close of 2.54%.
- U.S. Treasury prices fell initially following upbeat economic data that reinforced expectations of a growing economy and rising inflation.
- However, losses were reversed and treasury prices gained following drop in U.S. pending home sales for Nov 2016.
- Investors' appetite improved following strong auction of 5- and 7- year notes.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	54.65	53.73
Gold (\$/Oz)	1151.46	1133.11
Gold (Rs/10 gm)	27830	27221
Silver (\$/Oz)	15.93	15.74
Silver (Rs/Kg)	39439	38505

Source: Reuters Value as on December 30, 2016

Gold

- Gold prices increased during the week as the U.S. dollar declined against euro, encouraging investors to bring more precious metal home. However, the rise in price was restricted as investors resorted to profit booking.

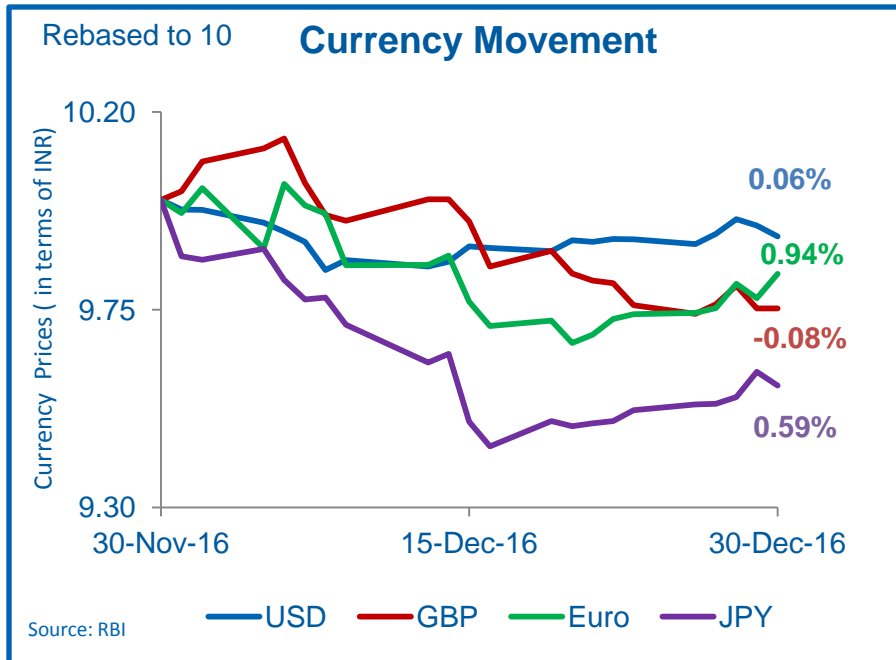
Crude

- Brent crude prices rose initially during the week on expectations of more supply cut by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers in order to counter the rise in Libyan oil production. Later, prices continued to rise as the expectations were met when both parties reached consensus over production-cut.

Baltic Dry Index

- The Baltic Dry Index was closed during the week as these are the primary non-publication days for the year.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.95	67.91
Pound Sterling	83.42	83.48
EURO	71.62	70.95
JPY(per 100 Yen)	58.22	57.88

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

Rupee

- The Indian rupee fell against the U.S dollar due to month-end demand of greenback from oil importers and upbeat U.S. macroeconomic data.

Euro

- Euro strengthened against the U.S dollar following drop in U.S. treasury yields amid falling risk appetite ahead of the calendar year end.

Pound

- Pound fell initially against the U.S. dollar on concerns over next year's "Brexit" negotiations but it gained later as investors bought back the falling currency after continuous selling in the last few weeks.

Yen

- After a range bound movement, yen rose against the greenback due to fall in U.S. treasury yields amid declining risk appetite.

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

The Week that was (Dec 26 – Dec 30)

Date	Events	Present Value	Previous Value
Monday, December 26, 2016	Japan Leading Index (OCT F)	100.8	100
	Japan Service PMI (YoY) (NOV)	0.30%	0.50%
Tuesday, December 27, 2016	Japan National Consumer Price Index (YoY) (NOV)	0.50%	0.10%
	U.S. Consumer Confidence (DEC)	113.7	109.4
	Japan Household Spending (YoY) (NOV)	-1.50%	-0.40%
	China Industrial Profits (YoY) (NOV)	14.50%	9.80%
	Japan Housing Starts (YoY) (NOV)	6.70%	13.70%
	Japan Construction Orders (YoY) (NOV)	-6.00%	15.20%
	U.S. S&P Home Price Index (YoY) (OCT)	5.61%	5.39%
	Japan Jobless Rate (NOV)	3.10%	3.00%
Wednesday, December 28, 2016	Japan Industrial Production (YoY) (NOV P)	4.60%	-1.40%
	Japan Retail Trade (YoY) (NOV)	1.70%	-0.20%
	U.S. Pending Home Sales (YoY) (NOV)	1.40%	0.20%
Thursday, December 29, 2016	U.S. Advance Goods Trade Balance (NOV)	(65.3B)	(61.9B)
	U.S. Wholesale Inventories (NOV P)	0.90%	-0.10%
	U.K. Nationwide House Prices n.s.a. (YoY) (DEC)	4.50%	4.40%
Friday, December 30, 2016	U.K. Housing Equity Injections (Q3) (GBP)	10.92B	13.06B

The Week Ahead...
January 02, 2017 to January 06, 2017

The Week Ahead

Day	Event
Monday, January 02, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Manufacturing PMI (DEC) <input type="checkbox"/> Germany Markit/BME Manufacturing PMI (DEC F) <input type="checkbox"/> Eurozone Markit/BME Manufacturing PMI (DEC F)
Tuesday, January 03, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ISM Manufacturing PMI (DEC) <input type="checkbox"/> U.K. Markit Manufacturing PMI SA (DEC) <input type="checkbox"/> Japan Nikkei Manufacturing PMI (DEC F)
Wednesday, January 04, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin Composite PMI (DEC) <input type="checkbox"/> Eurozone Consumer Price Index Estimate (YoY) (DEC) <input type="checkbox"/> U.S. MBA Mortgage Applications (DEC 30)
Thursday, January 05, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. ISM Non-Manufacturing Composite (DEC) <input type="checkbox"/> U.S. ADP Employment Change (DEC) <input type="checkbox"/> Japan Nikkei Composite PMI (DEC)
Friday, January 06, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Change in Non-farm Payrolls (DEC) <input type="checkbox"/> U.S. Unemployment Rate (DEC) <input type="checkbox"/> Eurozone Retail Sales (YoY) (NOV)

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