

News U Can Use

February 24, 2017



The Week that was...
20th February to 24th February

Indian Economy

- According to a major rating agency, the growth of the Indian economy based on gross value added (GVA) may slip to 6.2% in the quarter ended Dec 2016 from 6.9% a year ago. GDP growth is also expected to decline to 6.5% from 7.2% for the same period. The rating agency is of the view that there will be slowdown in growth of the industry and services neutralising the healthy agricultural expansion during the same period.
- According to the International Monetary Fund (IMF), the GDP growth of the Indian economy is projected to slow to 6.6% in FY17. IMF attributed the slowdown to a disruption in private consumption arising from demonetisation. However, IMF viewed that demonetisation may have a positive economic impact in the medium term. IMF expects inflation to remain at 4.75% by early 2017 while current account deficit is likely to widen to 2% of the GDP.
- The GST Council approved a law to compensate states for any loss of revenue arising out of the implementation of the new national sales tax. However, it deferred approval for implementing the laws to the next meeting. The council will meet again on Mar 4 and 5 to approve the legally vetted draft of the supporting legislations for Central GST (C-GST) and Integrated GST (I- GST), before the start of the second leg of the Budget Session.
- A major credit rating agency expects corporate bond sales to go up by 20% to 22% in the next financial year with gross issuance rising to Rs. 8.5 lakh crore. However, the rating agency expects gross bond issuance via government of India securities, state development loans, UDAY bonds, and municipal debt to remain stagnant at Rs. 10.7 trillion in FY18.

Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Feb-17	1 Week Return	YTD Return
S&P BSE Sensex	28892.97	1.49%	8.64%
Nifty 50	8939.5	1.34%	9.29%
S&P BSE Mid-Cap	13532.11	0.81%	11.55%
S&P BSE Small-Cap	13587.78	0.89%	11.47%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.02	23.36	29.52	64.38
P/B	2.88	3.39	2.41	2.14
Dividend Yield	1.42	1.24	1.28	0.77

Source: BSE, NSE

Value as on February 23, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
20-Feb-17	1054	589	1.79
21-Feb-17	923	700	1.32
22-Feb-17	546	1107	0.49
23-Feb-17	666	984	0.68

Source: NSE

- A number of stock-specific developments helped the domestic equity markets to end the holiday truncated week on a positive note. Investor sentiment boosted after a major company in the IT sector announced to buy back 2.85% of its equity capital at 14.6% premium to its current market price. Buying interest was seen in the telecom sector following optimism over final talks on merger between two major companies. Investors welcomed the plans by a telecom unit of an index heavyweight to start charging customers for services at discounted rates.
- However, some amount of volatility was seen amid expiry of the Feb derivative contracts. Additionally, the minutes of Fed's latest policy meeting failed to cheer investors.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21753.9	0.80%	-0.01%
S&P BSE Bankex	23825.2	1.63%	9.66%
S&P BSE CD	13731.8	2.12%	11.56%
S&P BSE CG	15336.7	0.27%	5.09%
S&P BSE FMCG	8839.94	0.08%	2.70%
S&P BSE HC	15341.9	0.09%	2.77%
S&P BSE IT	10378.6	1.44%	5.08%
S&P BSE Metal	11875.2	2.25%	2.11%
S&P BSE Oil & Gas	13624.4	3.33%	6.40%

Source: Reuters *Value as on February 23, 2017*

- On the BSE sectoral front, barring S&P BSE Power, all the indices closed in the green. S&P BSE Oil & Gas was the top gainer, up 3.33%, followed by S&P BSE Metal and S&P BSE Consumer Durables, which went up 2.25% and 2.12%, respectively.
- Metal sector rose during the week after the government extended anti-dumping duty on some steel products from China by five years in order to boost domestic production and stem the flow of cheap foreign products into the Indian market.

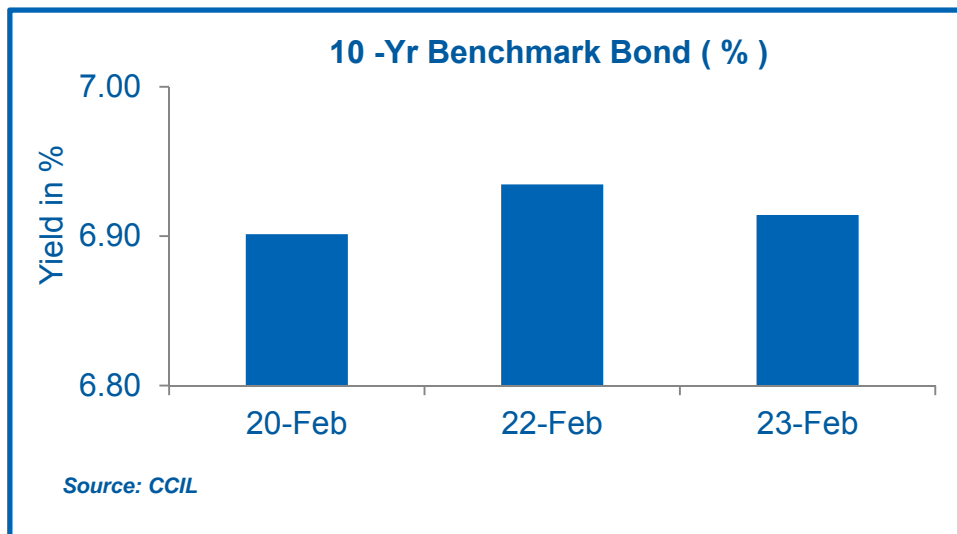
Indian Derivatives Market Review

- Nifty Feb 2017 Futures settled on Feb 23 at 8,939.50. Nifty Mar 2017 Futures were at 8,956.15, a premium of 16.65 above the spot closing of 8,939.50. The turnover on NSE's Futures and Options segment stood at Rs. 25.51 lakh crore during the week to Feb 24, compared with Rs. 24.58 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.90, compared with the previous week's close of 0.92.
- The Nifty Put-Call ratio stood at 1.26, compared with the previous week's close of 1.11.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.92	6.05	5.95	6.45
91 Day T-Bill	6.13	6.19	6.23	6.55
7.80% 2021, (5 Yr GOI)	6.75	6.69	6.47	7.05
6.97% 2026, (10 Yr GOI)	6.91	6.85	6.44	--

Source: Reuters *Value as on February 23, 2017*



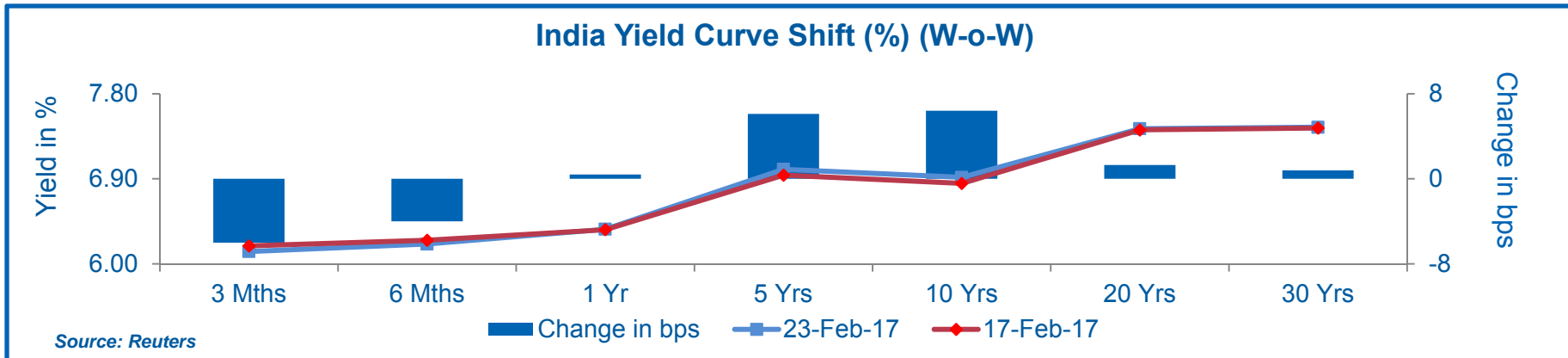
- Bond yields rose as debt selling by a state government increased the supply of bonds in the market. However, losses were restricted after the minutes of the U.S. Federal Reserve’s latest policy meet decreased the possibility of a rate hike in U.S in near term.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) surged 6 bps to close at 6.91% from the previous close of 6.85%.
- RBI has decided to issue Sovereign Gold Bonds 2016-17 - Series IV on Mar 17 at a fixed rate of 2.50% per annum payable semi-annually on the nominal value. Applications for the bond will be accepted from Feb 27 till Mar 3. The tenor of the bond will be eight years and the issue price of the bond is Rs. 2,893 per gram of gold.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.46	6.88	43
3 Year	6.69	7.15	46
5 Year	7.04	7.44	40
10 Year	7.20	7.77	57

Source: Reuters Value as on February 23, 2017

- Yields on gilt securities increased across the maturities up to 9 bps, barring 1 and 2-year papers that closed steady.
- Corporate bond yields increased across the maturities in the range of 2 bps to 9 bps, barring 2-year paper that fell 1 bps.
- Spread between AAA corporate bond and gilt expanded on 1-, 3-, and 6-year maturities in the range of 1 bps to 4 bps, and contracted on 2- and 4- and 7-year maturities by 2 bps each. Spread on the remaining maturities closed steady.



Regulatory Updates in India

- Minutes of the Monetary Policy Committee's (MPC) policy meeting held on Feb 7 and 8 showed that policymakers were concerned that inflation could quickly accelerate and threaten the Reserve Bank of India's (RBI) medium-term target of 4%. Three policymakers suggested the need to shift the policy stance to "neutral" from "accommodative".
- Data from capital market regulator Securities and Exchange Board of India (SEBI) showed that more than 2,500 new foreign portfolio investors got registered with SEBI during the period from Apr to Sep of 2016. About 2,900 FPIs received approval from SEBI during the similar period last fiscal.
- Data from SEBI showed that the assets under management (AUM) of portfolio managers rose to about Rs. 12 lakh crore at the end of Jan 2017. The total AUM of portfolio managers were at Rs. 11,97,455 crore at the end of Jan as against Rs 11,75,467 crore in the preceding month. Portfolio managers handled assets worth Rs. 9,33,346 crore for discretionary services, Rs. 1,92,140 crore for advisory services, and another Rs. 71,968 crore for non-discretionary investments during the period under review.
- SEBI has put in place a new set of norms to enhance the effectiveness of grievance redressal mechanism at stock exchanges and depositories. The new norms include public dissemination of profiles of arbitrators, performance review of such arbitrators, setting up a three-stage fee structure for faster implementation of award and to discourage delayed filling of arbitrations by trading members.

Regulatory Updates in India (contd..)

- SEBI has provided more room for debt mutual fund managers while investing in corporate bonds, sold by housing finance companies (HFCs). SEBI has decided to increase additional exposure limits provided for Housing Finance Companies in financial services sector from 10% to 15%. However, mutual funds will have to ensure that total exposure of a debt scheme of mutual funds in a particular sector shall not exceed 25% of the net assets of the same.
- Data from SEBI showed that Indian companies raised nearly Rs. 38,000 crore through issuance of shares to promoters and shareholders on preferential basis in 2016. This corresponds to a decline of 21% from the previous year. Data showed that funds raised by listed firms through preferential allotment stood at Rs 37,900 crore for the 12 months of 2016 compared with Rs. 47,858 crore in 2015. The number of preferential allotments made was 404 in 2016 compared with 335 in 2015.

Global News/Economy

- According to the minutes of the U.S. Federal Reserve's (Fed) latest policy meeting, many policy makers favoured early interest rate hike if the U.S. economy stays stable or strengthens. However, some policy makers also suggested that the central bank should go slow on raising interest rates because of uncertainties about the fiscal and trade proposals which will be adopted by the new U.S. President.
- According to the Organization for Economic Cooperation and Development (OECD), economic growth in the OECD economies slowed in the fourth quarter of 2016. Real gross domestic product (GDP) growth in the area declined 0.4% from 0.5% in the third quarter. On a yearly basis, growth for the OECD area stood unchanged at 1.7% for fourth straight quarter. For 2016 as a whole, GDP rose 1.7% in the OECD area compared with 2.4% expansion in 2015.
- Final figures from Eurostat showed that eurozone's inflation accelerated as estimated in Jan 2017. Inflation rose to 1.8% YoY from 1.1% in Dec 2016. Core inflation, which excludes energy, food, alcohol, and tobacco prices, was 0.9% in Jan, unchanged from Dec. On a monthly basis, consumer prices fell 0.8% in Jan.
- U.K. GDP rose 0.7% in the fourth quarter, which is more than 0.6% growth seen in the previous two quarters. On a yearly basis, GDP growth stood unchanged at 2% in the fourth quarter compared with 2.2% previously estimated. The growth figure for 2016 was revised down to 1.8% from 2%, slower than the 2.2% expansion seen in 2015.

Global Equity Markets

Global Indices			
Indices	24-Feb-17	1-Week Return	YTD Return
Dow Jones	20821.76	0.96%	4.73%
Nasdaq 100	5343.314	0.35%	8.80%
FTSE 100	7243.71	-0.77%	1.41%
DAX Index	11804.03	0.40%	1.77%
Nikkei Average	19283.54	0.25%	0.89%
Straits Times	3117.03	0.30%	7.52%

Source: Reuters

Europe

- Most of the major European markets dipped during the week, mainly owing to uncertainties over U.S. fiscal policies. Investors lacked confidence following the release of Fed meeting's minutes, which in turn dampened sentiment. Mixed corporate earnings, worries over the forthcoming French Presidential election, drop in bank stocks, and lower iron ore prices hurting the mining sector, all led to the dip.

Asia

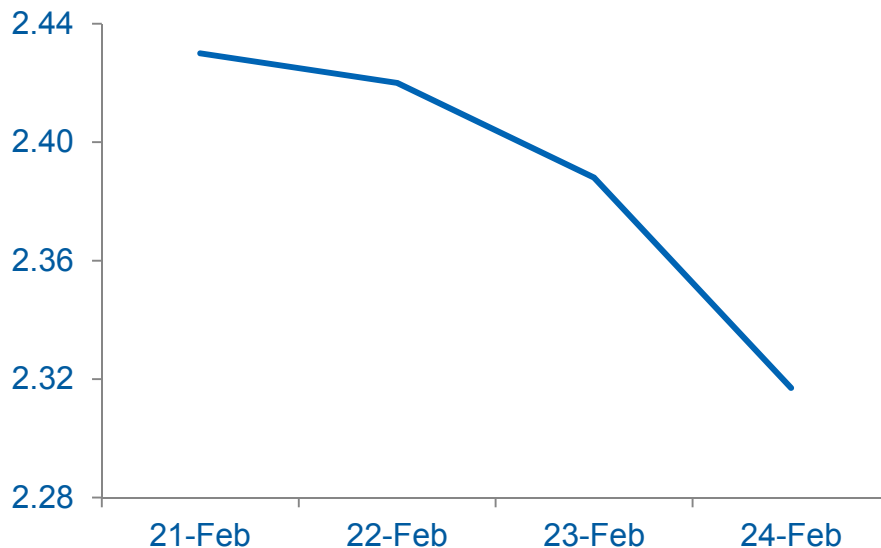
- Most of the major Asian markets went up particularly on the back of a weaker yen. The yen snapped on comments from the U.S. Fed indicating a probable rate hike next month. Japanese stocks also gained as the country's trade balance numbers failed to meet estimates. Japanese manufacturing activity grew in Feb 2017, further added to the gains.

U.S.

- U.S. markets showed lack of direction but closed positive on optimism about more business friendly policies under the U.S. President. Investors reacted positively to the corporate earnings of couple of U.S. retail giants.
- Market remained subdued after minutes of the U.S. Fed's latest policy meeting represented a cautious tone, which reduced the expectations of an interest rate hike next month.

Global Debt (U.S.)

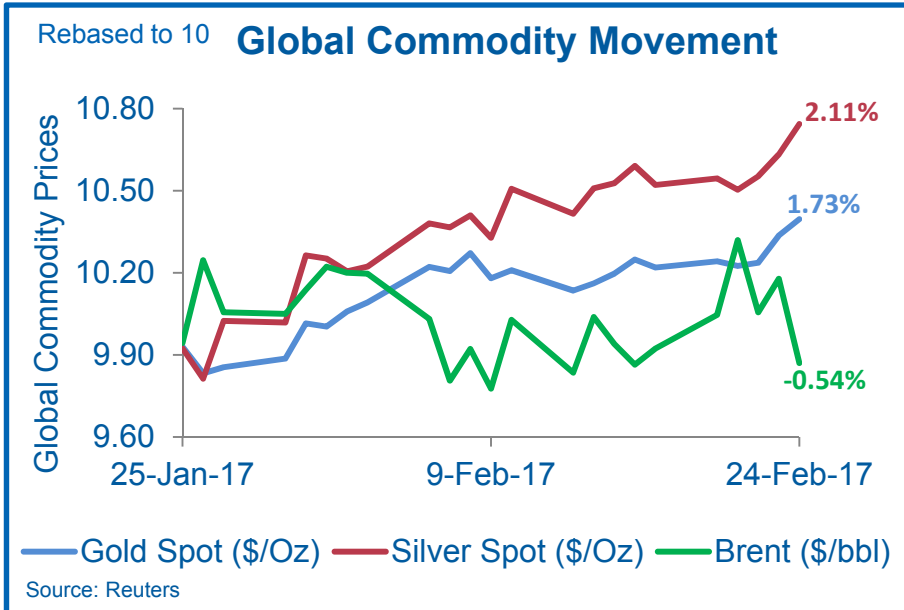
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield declined 11 bps to close at 2.32%, compared with the previous week's close of 2.43%.
- Initially, U.S. Treasury prices fell marginally due to improved risk appetite following gains in U.S. stocks and commodities.
- However, treasury prices increased thereafter after minutes of the U.S. Fed's latest monetary policy meeting represented a cautious tone, which reduced the expectations of an interest rate hike next month. Gains increased following decline in European yields on persistent political uncertainty and a downbeat U.S. data that indicated a more mixed outlook for the world's largest economy.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	53.83	54.12
Gold (\$/Oz)	1256.56	1235.22
Gold (Rs/10 gm)*	29300	29412
Silver (\$/Oz)	18.35	17.97
Silver (Rs/Kg) *	42673	42793

Source: Reuters *Values as on February 23, 2017; Value as on February 24, 2017

Gold

- Gold prices gained as the minutes of the Fed's latest policy meeting raised concerns over the U.S. President's economic programme and indicated this might dampen demand for the greenback. Moreover, political uncertainty around the world boosted demand of the precious metal.

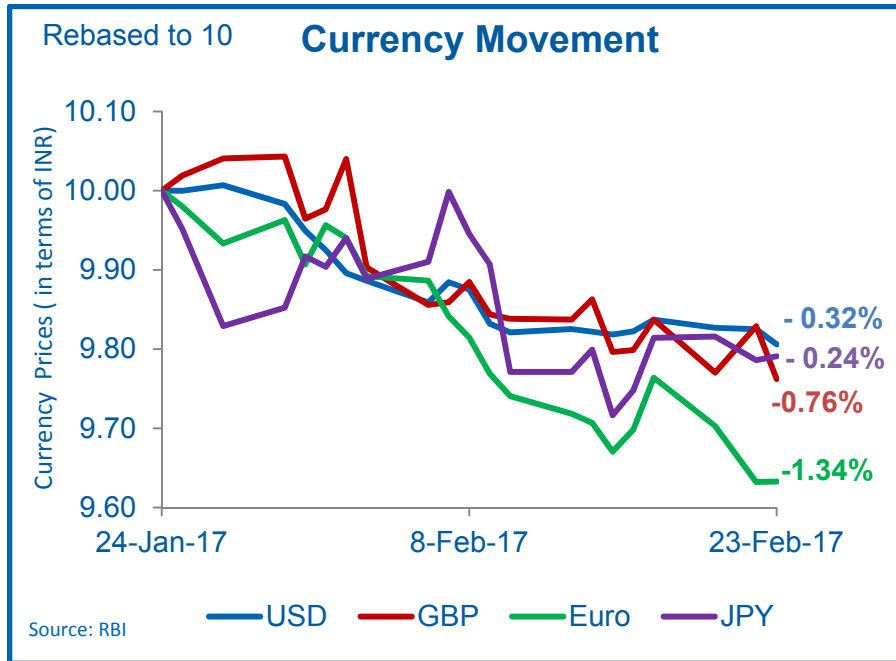
Crude

- Brent crude prices gained initially as the OPEC indicated that it would stand by its agreement to curb output. However, gains reversed at the end on concerns over rise in U.S. oil stockpiles following a rise in U.S. drilling rigs.

Baltic Dry Index

- The Baltic Dry Index increased during the week owing to improved capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.84	67.05
Pound Sterling	83.12	83.76
EURO	70.54	71.51
JPY(per 100 Yen)	59.01	59.15

Source: RBI Figures in INR , Value as on February 23, 2017

Rupee

- The rupee strengthened against the U.S. dollar following gains in the domestic equity market and minutes of the latest U.S. Fed's policy meeting lowered the probability of a rate hike next month.

Euro

- The euro fell against the dollar on concern over France's Presidential election campaign and a growing gap between the U.S. and eurozone's interest rates.

Pound

- Sterling rose against the greenback following modest recovery in U.K.'s retail sales in Feb 2017 and weaker-than-expected U.S. jobless claims data.

Yen

- Yen gained against the greenback as doubt over the progress on U.S. tax reform and lowered chances of interest rate hike by Fed in the near term as indicated by its policy meeting minutes.

The Week that was...
February 20 to February 24

The Week that was (Feb 20 – Feb 24)

Date	Events	Present Value	Previous Value
Monday, February 20, 2017	Germany Producer Price Index (YoY) (Jan)	2.4%	1.0%
	U.K. Rightmove House Prices (YoY) (Feb)	2.3%	3.2%
	Euro-Zone Consumer Confidence (Feb) (A)	-6.2	-4.8
Tuesday, February 21, 2017	Japan Nikkei PMI Mfg (Feb) (P)	53.5	52.7
	Markit Eurozone Composite PMI (Feb) (P)	56.0	54.4
	Markit US Composite PMI (Feb) (P)	54.3	55.8
	Markit Germany Services PMI (Feb) (P)	54.4	53.4
Wednesday, February 22, 2017	U.K. Gross Domestic Product (YoY) (4Q) (P)	2.0%	2.2%
	German IFO - Business Climate (Feb)	111.0	109.8
	U.S. Existing Home Sales Change (MoM) (Jan)	3.3%	-1.6%
	Euro-Zone Consumer Price Index (YoY) (Jan) (F)	1.8%	1.8%
Thursday, February 23, 2017	U.S. Initial Jobless Claims (Feb 18)	244K	238K
	German Gross Domestic Product w.d.a. (YoY) (4Q) (F)	1.7%	1.7%
Friday, February 24, 2017	U.S. New Home Sales Change (MoM) (Jan)	3.7%	-10.4%
	U.S. Michigan Consumer Sentiment Index (Feb)	96.0	95.7

The Week Ahead...
February 27 to March 03

The Week Ahead

Day	Event
Monday, February 27, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Economic Sentiment Indicator (Feb) <input type="checkbox"/> U.S. Durable Goods Orders (Jan) <input type="checkbox"/> U.S. Pending Home Sales (MoM) (Jan)
Tuesday, February 28, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Gross Domestic Product Annualized (Q4) Preliminary <input type="checkbox"/> U.S. Wholesale Inventories (Jan) Preliminary <input type="checkbox"/> U.S. Consumer Confidence (Feb)
Wednesday, March 01, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Nikkei Manufacturing PMI (Feb) <input type="checkbox"/> Euro Zone Markit Manufacturing PMI (Feb) <input type="checkbox"/> U.K. Markit Manufacturing PMI (Feb) <input type="checkbox"/> U.S. Markit Manufacturing PMI (Feb)
Thursday, March 02, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Euro Zone Consumer Price Index (YoY) (Feb) Preliminary <input type="checkbox"/> U.K. PMI Construction (Feb)
Friday, March 03, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Caixin China Services PMI (Feb) <input type="checkbox"/> Euro Zone Markit Services PMI (Feb) <input type="checkbox"/> U.S. ISM Non-Manufacturing PMI (Feb)

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