

RELIANCE

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January 5, 2018

The Week that was...

1st January to 5th January

Indian Economy

- According to the Central Statistics Office (CSO), Gross Domestic Product (GDP) growth is expected to be 6.5% for FY18 as against 7.1% in FY17. As per the CSO, real GDP at constant (2011-12) prices in the year FY18 is likely to attain a level of Rs. 129.85 lakh crore, as against the provisional estimate of GDP for FY17 of Rs. 121.90 lakh crore. The GDP for the first half of FY18 witnessed a growth rate of 6%. Real gross value added (GVA) is expected to increase from Rs. 111.85 lakh crore in FY17 to Rs. 118.71 lakh crore in FY18. GVA growth is expected at 6.1% in FY18 as against 6.6% in 2016-17.
- Government data showed that the index of eight core industries grew 6.8% in Nov 2017 from 5.0% in the previous month and 3.2% in the same period of the previous year. The increase in growth pace can be attributed to growth in cement, steel and refinery products sector that grew 17.3%, 16.6% and 8.2%, respectively. All the eight sectors witnessed growth during the month under review barring coal sector that contracted 0.2% in Nov 2017. However, the growth of the index of eight core industries from Apr to Nov of 2017 slowed to 3.9% from 5.3% in the same period of the previous year.
- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) rose to 54.7 in Dec 2017 from 52.6 in Nov 2017, marking a three-year high. The Nikkei India Services PMI Business Activity Index rose to 50.9 in Dec 2017 from 48.5 in Nov 2017 on the back of stable new orders and improved output requirements. Meanwhile, the Nikkei India Composite PMI Output Index rose to 53.0 from 50.3 in Nov.

Indian Equity Market

Domestic Equity Market Indices			
Indices	05-Jan-18	1 Week Return	YTD Return
S&P BSE Sensex	34,153.85	0.28%	1.01%
Nifty 50	10,558.85	0.27%	1.18%
S&P BSE Mid-Cap	18,070.03	1.39%	1.31%
S&P BSE Small-Cap	19,704.92	2.47%	2.20%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	25.40	26.99	48.12	118.58
P/B	3.15	3.55	3.17	2.85
Dividend Yield	1.12	1.07	0.76	0.57

Source: BSE, NSE *Value as on Jan 5, 2018*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
01-Jan-18	988	835	1.18
02-Jan-18	647	1164	0.56
03-Jan-18	1182	605	1.95
04-Jan-18	1158	641	1.81
05-Jan-18	1053	757	1.39

Source: NSE

- Indian equity markets initially remained muted due to lack of cues from global markets that remained closed on account of New Year's Day. Upcoming corporate earnings season, key economic data releases and rising crude oil prices further kept investors wary. Also, auto stocks witnessed decline amid announcement of December sales numbers.
- However, trend reversed following upbeat manufacturing and service sector data for Dec 2017. Additionally, the Parliament has approved Rs. 80,000 crore recapitalisation bonds for strengthening public sector banks which will be spent for state banks, as part of a move to help lenders deal with non-performing asset and revive credit growth.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	26,550.03	-0.75%	7.18%
S&P BSE Bankex	28,936.87	0.28%	1.68%
S&P BSE CD	23,746.57	4.66%	12.08%
S&P BSE CG	19,886.22	3.93%	9.13%
S&P BSE FMCG	10,713.30	0.17%	4.36%
S&P BSE HC	14,910.88	0.75%	7.17%
S&P BSE IT	11,195.73	-0.73%	4.66%
S&P BSE Metal	15,650.33	4.76%	14.98%
S&P BSE Oil & Gas	16,160.03	-0.76%	2.50%

Source: Thomson Reuters Eikon Value as on Jan 5, 2018

- On the BSE sectoral front, S&P BSE Metal (4.76%) stood as the major gainer followed by S&P BSE Consumer Durables (4.66%).
- Banking sector witnessed major reformative measures as the Insolvency and Bankruptcy Code (Amendment) Bill, 2017, was passed as per which willful defaulters and existing promoters will be debarred from bidding for stressed assets of companies. Also, the Lok Sabha approved recapitalisation funds for public sector banks.

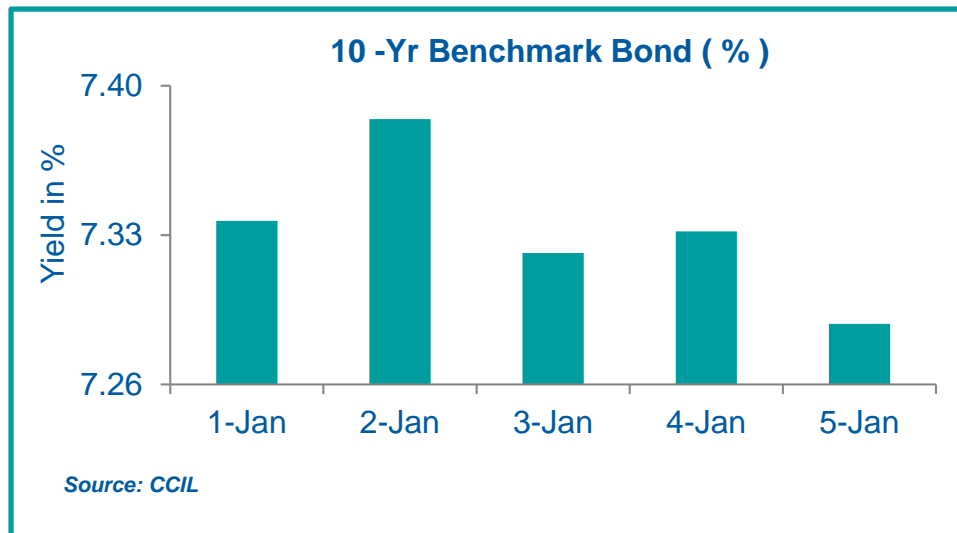
Indian Derivatives Market Review

- Nifty Jan 2018 Futures were at 10,573.20, a premium of 14.35 points above the spot closing of 10,558.85. The turnover on NSE's Futures and Options segment stood at Rs. 27.97 lakh crore as against Rs. 30.58 lakh crore in the week to Dec 29.
- The Put-Call ratio stood at 0.88 compared with the previous week's close of 0.90.
- The Nifty Put-Call ratio stood at 1.58 compared with the previous week's close of 1.62.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.88	6.10	5.82	6.03
91 Day T-Bill	6.30	6.22	6.12	6.28
7.80% 2021, (5 Yr GOI)	6.98	6.96	6.77	6.63
6.79% 2027, (10 Yr GOI)	7.29	7.33	7.06	6.55

Source: Thomson Reuters Eikon *Value as on Jan 5, 2018*



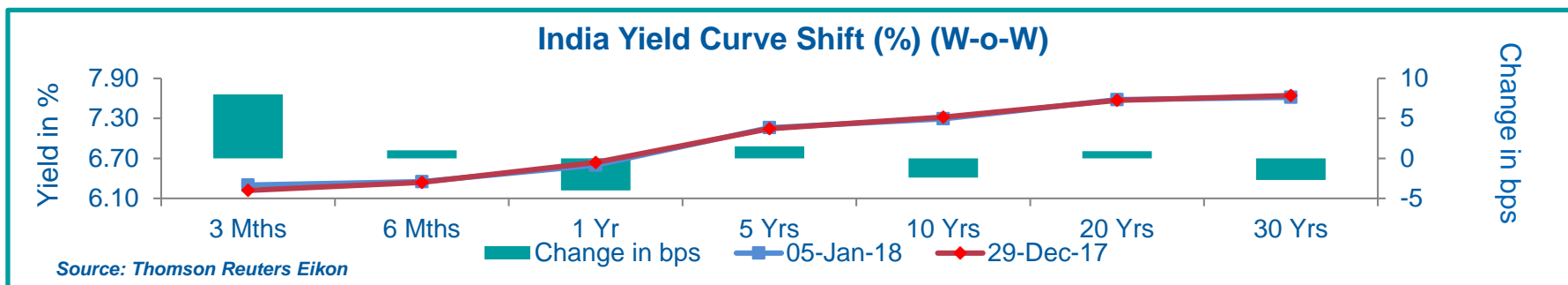
- Bond yields fell in the first week of 2018 marking the first weekly fall in the past six weeks, after the auction of the new 10-year benchmark paper matched market expectations and boosted market sentiment. Also, the Reserve Bank of India (RBI) in the weekly debt auction on Jan 5, 2018, sold bonds worth Rs. 15,000 crore instead of Rs. 18,000 crore scheduled earlier. Bargain hunting to some extent also added to the gains.
- However, gains were capped as increase in global crude oil prices and worries that domestic inflationary pressures may stay above RBI's target weighed on market sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) fell 4 bps to close at 7.29% from the previous week's close of 7.33%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.60	7.28	68
3 Year	7.07	7.55	48
5 Year	7.29	7.67	38
10 Year	7.60	7.85	25

Source: Thomson Reuters Eikon Value as on Jan 5, 2018

- Yields on gilt securities increased on 3-, 5-, 11- and 19-year maturities by up to 2 bps. Yield on the remaining maturities fell by up to 9 bps, barring 6- and 24-year paper that closed steady.
- Corporate bond yields fell on 3-, 5-, 10- and 15-year maturities by up to 3 bps. Yield on the remaining maturities increased by up to 2 bps, barring 1- and 9-year papers that closed steady.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 3 bps to 7 bps, barring 3-, 5-, 10- and 15-year maturities that contracted by up to 3 bps.



Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) permitted commodity derivative exchanges to levy the highest transaction charge in turnover slab of any contract at a maximum of double the lowest charge in the same segment. Currently, 1.5:1 is the maximum permissible ratio for the highest and lowest transaction charge in a slab.
- SEBI relaxed 'schemes of arrangement' norms for the listed firms. The 'schemes of arrangement' applies for mergers and demergers, including those involving subsidiaries and their divisions. The decision was taken after SEBI received representations suggesting improvements to the existing regulatory framework and aims at accelerating the processing of draft schemes.
- SEBI directed credit ratings agencies (CRA) not to withdraw their ratings on instruments abruptly. However, CRAs can suspend ratings if they have rated an instrument for at least five years or 50% of its tenure. SEBI also said that CRAs will have to segregate their non-core activities into a separate legal entity to avoid any conflict of interest and CRAs have also been barred from holding more than 10% stake in a peer rating agency 9-20.
- The Insolvency and Bankruptcy Board of India (IBBI) amended the regulations which now states that the liquidation value of a company undergoing insolvency proceedings will be kept confidential. The move has been taken to maximise the realisation for creditors.

Regulatory Updates in India (contd..)

- SEBI has decided to give a renewed push to its earlier plan to split the role of an investment advisor and distributor. SEBI has proposed that entities and individuals registering as investment advisors will not be able to sell financial products. Also, SEBI stated that the non-banking finance companies and corporates registering as investment advisers will not be able to distribute financial products either directly or through holding or subsidiary company.
- The Securities and Exchange Board of India issued a circular on benchmarking mutual fund schemes' performance against Total Return Index. With an objective to enable investors to compare the performance of a scheme vis-à-vis an appropriate benchmark, it has been decided that selection of a benchmark for the scheme of a mutual fund shall be in alignment with the investment objective, asset allocation pattern and investment strategy of the scheme.

Global News/Economy

- A report from the Labor Department showed that U.S. non-farm payroll employment grew by 148,000 jobs in Dec 2017 as against an upwardly revised 252,000 jobs (228,000 jobs originally reported) in Nov 2017. The unemployment rate came in at 4.1% in Dec that remained similar to the two previous months.
- According to minutes of the U.S. Federal Reserve's Dec meeting, the pace of interest rate hike in 2018 can slowdown due to weak U.S. inflation. The minutes also stated that labour market conditions continued to strengthen through Nov 2017 and suggested that real Gross Domestic Product (GDP) was rising at a solid pace in the second half of 2017. The central bank also raised its economic projections due to passage of tax reforms.
- According to a survey from Caixin, China's service Purchasing Managers' Index (PMI) continued to increase at an accelerated pace to 53.9 in Dec 2017 up from 51.9 in Nov 2017 driven by new orders. Meanwhile, the composite index came in at 53.0 in Dec 2017, up from 51.6 in the previous month.
- A report from Nikkei showed that Japan's manufacturing PMI came in at 54.0 in Dec 2017, up from 53.6 in Nov 2017. Japan's services PMI came in 51.1 in Dec 2017 slightly down from 51.2 in Nov 2017. Meanwhile, the composite PMI remained steady at 52.2.
- A report from the Destatis showed that Germany's retail sales grew 4.4% YoY in Nov 2017 as against a revised 0.9% decline in Oct 2017.

Global Equity Markets

Global Indices			
Indices	05-Jan-18	1-Week Return	YTD Return
Dow Jones	25,295.87	2.33%	1.90%
Nasdaq 100	6,653.29	4.02%	2.18%
FTSE 100	7,724.22	0.47%	1.00%
DAX Index	13,319.64	3.11%	3.48%
Nikkei Average	23,714.53	4.17%	0.89%
Straits Times	3,489.45	2.54%	1.72%

Source: Thomson Reuters Eikon *Value as on Jan 5, 2018*

Europe

- European markets rose with investors welcoming the new rules for the region's financial markets, known as Mifid II. The new set of rules is aimed at bringing in transparency and improve investor confidence in financial industry. Investor sentiments were also buoyed by data showing expansion in euro zone private sector to the highest level since early 2011 in Dec 2017.

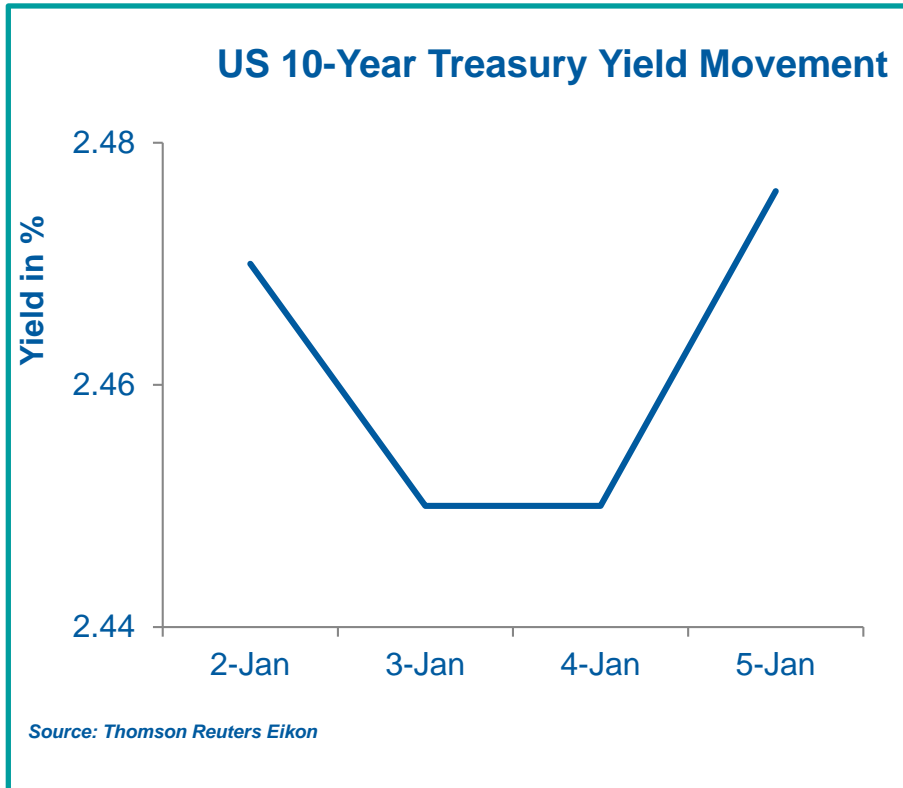
Asia

- Asian markets rose in tune with its global peers driven by positive data from the region. Chinese manufacturing activity data surpassed market expectations in Dec 2017. Additionally, the manufacturing sector in Japan expanded in Dec 2017 which also added to the gains.

U.S.

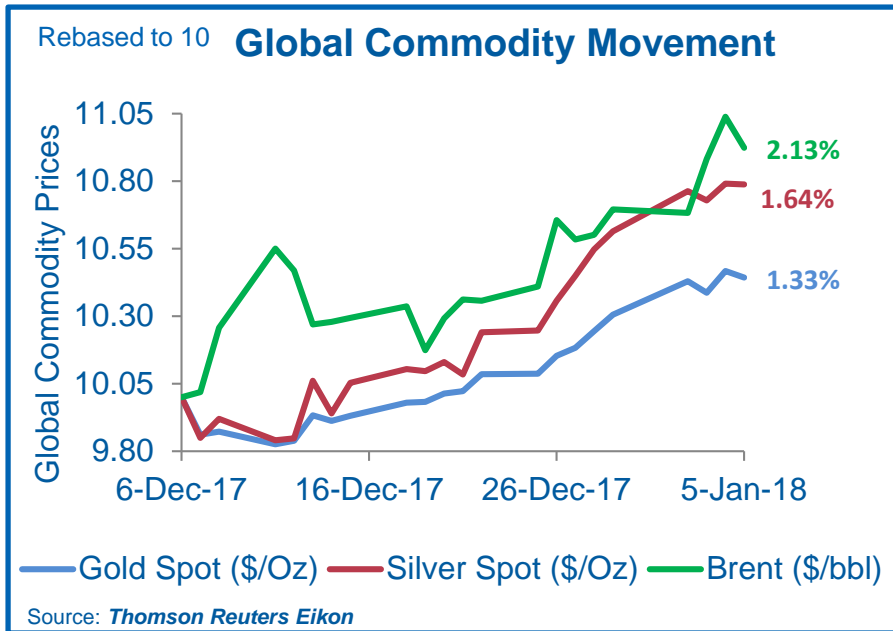
- U.S. markets traded higher in the first week of 2018 amid optimism about the outlook for the markets and the economy going into the new year.
- Investor sentiment improved after the report from payroll processor ADP showed that private sector employment rose more than expected in Dec 2017.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 7 bps to close at 2.48% from the previous week's close of 2.41%.
- U.S. Treasury prices fell initially after a ECB official said the bank's massive bond purchase program may not be continued later this year. However, the trend reversed temporarily after minutes of the U.S. Federal Reserve's monetary policy meeting in Dec 2017 indicated that the U.S. central bank may hike interest rates gradually amid worries of low inflation.
- U.S. Treasury prices fell again at the end of the week after U.S. private sector jobs data for Dec 2017 came better than market expectations. and U.S. monthly wages rose in the same period.

Commodities Market



Gold

- Gold prices rose after minutes of the U.S. Federal Reserve’s monetary policy meeting in Dec 2017 indicated that the U.S. central bank may hike interest rates gradually amid worries of low inflation.

Crude

- Brent crude prices touched a multi-year high above \$69 per barrel during the week amid unrest in Iran that raised concerns over potential supply disruptions in the region.

Baltic Dry Index

- The Baltic Dry Index resumed trading after a long holiday session and gained 0.37% due to improved capesize and panamax activities. (The return is calculated as point to point returns from Dec 22, 2017 to Jan 5, 2018).

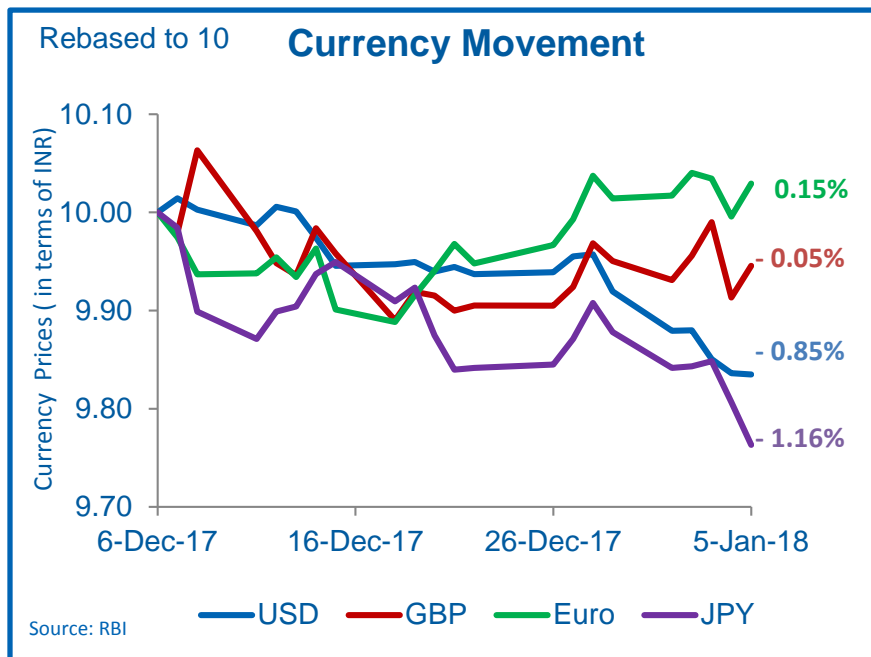
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	68.50	67.07
Gold (\$/Oz)	1319.81	1302.45
Gold (Rs/10 gm)	29443	29252
Silver (\$/Oz)	17.22	16.95
Silver (Rs/Kg)	38643	38350

Source: Thomson Reuters Eikon

Value as on Jan 5, 2018

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.38	63.93
Pound Sterling	86.02	86.07
EURO	76.50	76.39
100 JPY	56.06	56.72

Source: RBI Figures in INR , Value as on Jan 5, 2018

Rupee

- The Indian rupee rose against the U.S. dollar following selling of the greenback by banks likely on behalf of custodian and corporate clients. However, dollar demand from oil importers and state-run banks capped the gains.

Euro

- Euro rose against the greenback following optimism over global growth and expectations of a slower rate of interest rate increases by the U.S. Federal Reserve amid tepid inflation outlook.

Pound

- Pound rose against the greenback after surveys showed Britain's services sector rebounded strongly in Dec 2017.

Yen

- Yen weakened against the U.S. dollar as the risk appetite of market participants improved following upbeat U.S. economic data.

The Week that was...

1st January to 5th January

The Week that was (Jan 1 – Jan 5)

Date	Events	Present Value	Previous Value
Tuesday, January 2, 2018	<ul style="list-style-type: none"> • U.K. Markit Manufacturing PMI (DEC) 	56.3	58.2
Wednesday, January 3, 2018	<ul style="list-style-type: none"> • German Unemployment Change (DEC) • U.K. Markit Construction PMI (DEC) • U.S. ISM Manufacturing PMI (DEC) 	(29K) 52.2 59.7	(20K) 53.1 58.2
Thursday, January 4, 2018	<ul style="list-style-type: none"> • China Caixin Composite PMI (DEC) • U.K. Mortgage Approvals (NOV) • U.K. Markit Composite PMI (DEC) • U.S. ADP Employment Change (DEC) 	53 65.1K 54.7 250K	51.6 64.9K 54.7 185K
Friday, January 5, 2018	<ul style="list-style-type: none"> • Japan Nikkei Composite PMI (DEC) • U.K. Unit Labor Costs (YoY) (3Q) • Eurozone Consumer Price Index Estimate (YoY) (DEC) • U.S. Change in Non-farm Payrolls (DEC) • U.S. Employment Rate (DEC) 	52.2 1.30% 1.40% 148K 4.10%	52.2 1.70% 1.50% 252K 4.10%

The Week Ahead

8th January to 12th January

The Week Ahead

Day	Event
<p>Monday, January 08, 2018</p>	<ul style="list-style-type: none"> • China Foreign Direct Investment (YoY) (DEC) • Germany Factory Orders (YoY) (NOV) • Eurozone Retail Sales (YoY) (NOV)
<p>Tuesday, January 09, 2018</p>	<ul style="list-style-type: none"> • Japan Labor Cash Earnings (YoY) (NOV) • Japan Consumer Confidence Index (DEC) • Germany Industrial Production (YoY) (NOV) • Eurozone Unemployment Rate (NOV)
<p>Wednesday, January 10, 2018</p>	<ul style="list-style-type: none"> • China New Yuan Loans CNY (DEC) • China Consumer Price Index (YoY) (DEC) • U.K. Manufacturing Production (YoY) (NOV) • U.K. Visible Trade Balance (Pounds) (NOV)
<p>Thursday, January 11, 2018</p>	<ul style="list-style-type: none"> • Germany Gross Domestic Product (YoY) (2017) • Japan Leading Index CI (NOV P) • Eurozone Industrial Production (YoY) (NOV) • U.S. Initial Jobless Claims (JAN 06)
<p>Friday, January 12, 2018</p>	<ul style="list-style-type: none"> • U.S. Consumer Price Index (YoY) (DEC) • U.S. Retail Sales Advance (MoM) (DEC) • China Trade Balance (DEC)

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