

News U Can Use

July 08, 2016

The Week that was...
4th July to 8th July

Indian Economy

- ❑ India's service sector growth slowed for the third consecutive month in Jun 2016. The Nikkei/Market Services Purchasing Managers' Index (PMI) fell to 50.3 in Jun from 51.0 in May 2016. Weak new business growth has led to the slower expansion in activity. Also, future expectations dipped to the lowest level since Feb 2016 and services confidence was weakest in the past four months.
- ❑ According to the India Meteorological Department (IMD), the monsoon rainfall received by the entire country so far has increased 1%. IMD informed that the country as a whole received 218.2 mm of rainfall as compared with 215.3 mm during the period from Jun 1 to Jul 6. For the week ended Jul 6, monsoon rains in the country were 35% more than the average.
- ❑ Data from Securities and Exchange Board of India showed that Indian companies collected more than Rs. 1.34 lakh crore in the first quarter of FY17 through private placement of corporate bonds in order to meet their business requirements. Indian companies raised Rs. 1.42 lakh crore in the same period of the previous year. Total issuances were 893 for the period of Apr-Jun of this fiscal, compared with 912 in the same period of FY16.
- ❑ The Employees Provident Fund Organization's (EPFO) is considering raising investment in equities to 7.5%. Currently, EPFO invests 5% into the equity market.

Indian Equity Market

Domestic Equity Market Indices			
Indices	08-Jul-16	1 Week Return	YTD Return
S&P BSE Sensex	27126.9	-0.07%	3.69%
Nifty 50	8323.2	-0.06%	4.52%
S&P BSE Mid-Cap	11880.37	0.19%	5.65%
S&P BSE Small-Cap	11976.74	0.77%	0.30%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.77	22.85	25.23	42.68
P/B	2.87	3.38	2.51	2.01
Dividend Yield	1.44	1.25	1.2	0.91

Source: BSE, NSE

Value as on Jul 08, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
04-Jul-16	1071	521	2.06
05-Jul-16	707	890	0.79
07-Jul-16	871	745	1.17
08-Jul-16	617	988	0.62

Source: NSE

- ❑ Indian equity market ended the week on a flat note. Initially, market gained on optimism that the Goods and Services Tax Bill will get passed in the forthcoming monsoon session of the Parliament.
- ❑ But the clouds of 'Brexit' wiped out the gains soon. Bourses witnessed additional pressure after final reading of a private survey showed that growth rate in the Indian service sector slowed to a seven-month low level in Jun 2016.
- ❑ Nonetheless, investors cheered the arrival of the south-west monsoon, which has covered almost entire India.
- ❑ On the last trading session of the week, market participants chose to wait for the upcoming quarterly corporate earnings season.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19708.8	-0.37%	0.48%
S&P BSE Bankex	20634.5	0.08%	0.36%
S&P BSE CD	11974	-0.35%	4.18%
S&P BSE CG	15157.6	-0.19%	1.98%
S&P BSE FMCG	8543.91	-0.76%	2.75%
S&P BSE HC	16039.8	2.47%	7.00%
S&P BSE IT	11000.5	-1.41%	-4.97%
S&P BSE Metal	8649.31	0.91%	5.79%
S&P BSE Realty	1565.90	1.52%	7.83%

Source: Reuters *Values as on July 08, 2016*

- On the BSE sectoral front, the indices witnessed a mixed trend. S&P BSE Healthcare was the top gainer, up 2.47%, followed by S&P BSE Realty and S&P BSE Metal, which gained 1.52% and 0.91%, respectively.
- Pharma stocks were trading at a high after an industry heavyweight received approval from the U.S. Food and Drug Administration for one of its manufacturing facilities.

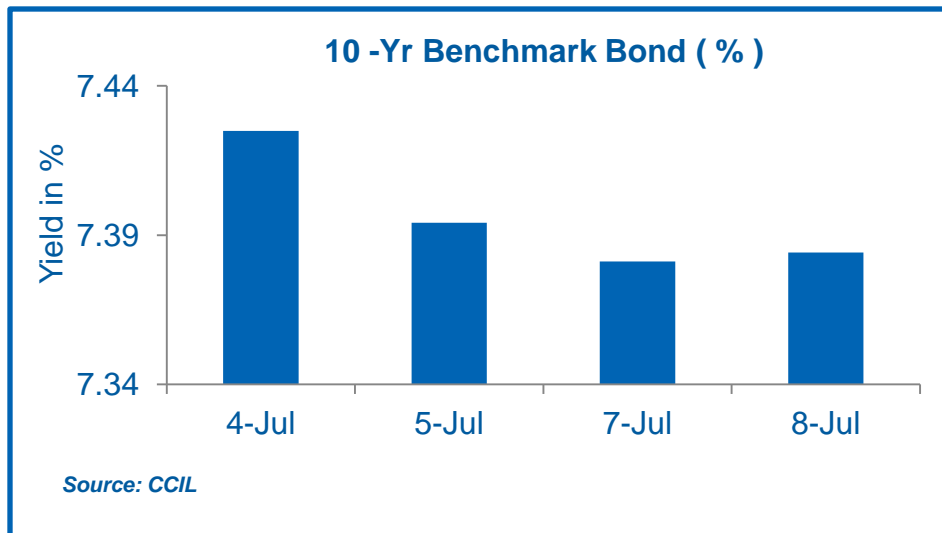
Indian Derivatives Market Review

- Nifty Jul 2016 Futures were at 8,336.45 points, a premium of 13.25 points, over the spot closing of 8,323.20. The turnover on NSE's Futures and Options segment stood at Rs. 8.29 lakh crore during the week to Jul 8, compared with Rs. 22.09 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.92, compared with the previous session's close of 0.94.
- The Nifty Put-Call ratio stood at 1.04, compared with the previous session's close of 0.99.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.44	6.25	6.47	6.95
91 Day T-Bill	6.54	6.54	6.80	7.20
08.27% 2020, (5 Yr GOI)	7.15	7.24	7.33	7.62
07.59% 2026, (10 Yr GOI)	7.38	7.42	7.49	7.58

Source: Reuters Values as on Jul 08, 2016



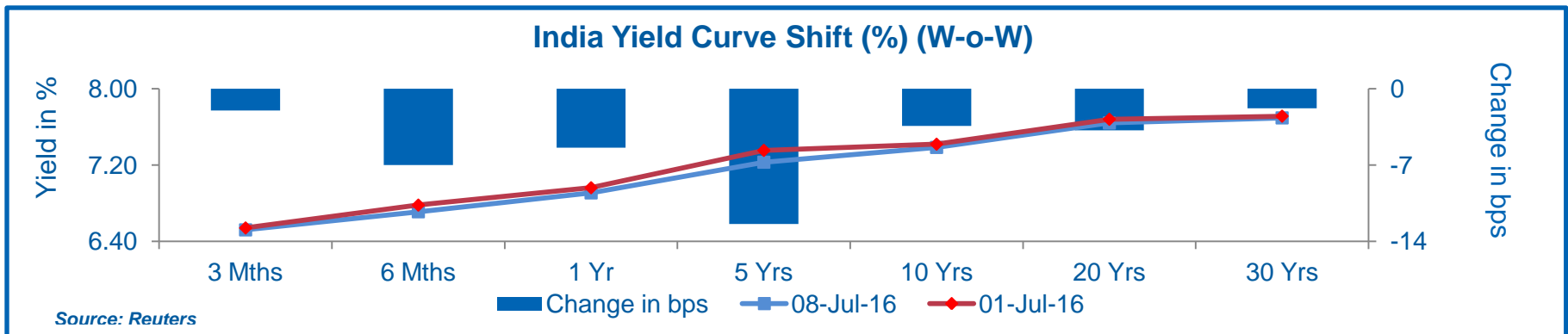
- Bond yields fell from the previous week on hopes that central banks across the globe will ease their monetary policies following Britain’s exit from the European Union.
- Lower possibility of an interest rate hike by the U.S. Federal Reserve in the near term and hopes of above normal monsoon also boosted market sentiment.
- Yield on 10-year benchmark bond (7.59% GS 2026) fell 4 bps to close at 7.38% compared with the previous week’s close of 7.42%.
- Banks’ net weekly average lending under RBI’s LAF stood at Rs. 1,266 crore (for Friday, only repo session considered), compared with previous week’s borrowing of Rs. 17,747.60 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.05	7.56	52
3 Year	7.18	7.83	65
5 Year	7.39	8.01	62
10 Year	7.60	8.12	52

Source: Reuters Values as on Jul 08, 2016

- Yields on gilt securities fell across the maturities in the range of 1 bps to 12 bps. The minimum fall was witnessed on 24-year paper and the most across 5- and 6-year maturities.
- Corporate bond yields fell across the maturities in the range of 4 bps to 13 bps.
- Difference in spread between AAA corporate bond and gilt securities expanded across 3 to 9-year maturities in the range of 1 bps to 8 bps, and contracted on the remaining segment in the range of 2 bps to 8 bps.



Regulatory Updates in India

- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) extended time for listed companies to submit their financial statements incorporating the new accounting standards. Indian Accounting Standards that are similar with the International Financial Reporting Standards are mandatorily applicable on certain class of companies from Apr 1 this year. As per the extended time, results for the quarter ended Jun and quarter ending Sep can be submitted by Sep 2016 and Dec 2016, respectively.
- ❑ The Ministry of Mines is considering raising import duty on aluminium products by 2.5%. The move is expected to restrict cheaper imports of aluminium that are hampering the profitability of state-owned companies. The finance minister, in the Union Budget, had announced that basic customs duty will be increased for primary aluminium from 5% to 7.5% and that on aluminium products from 7.5% to 10%.
- ❑ The finance ministry proposed to allow domestic companies to issue hybrid instruments like optionally and partially convertible debentures to foreign players. However, the debentures have to be converted into equity shares based on 'fair market value' within a stipulated time. After the proposal is approved by the Cabinet Committee on Economic Affairs, RBI will issue a notification on hybrid instruments eligible for foreign direct investment.

Regulatory Updates in India (contd..)

- ❑ The government relaxed the norms for disclosing salaries of employees by companies in their financial reporting. The rules have become less rigorous and many clauses have been removed. Under the new rules, companies will only have to disclose salaries of 10 top paid employees in the director's report or to the registrar of companies and those earning in excess of Rs. 1.02 crore per year. Earlier, companies have to report remuneration details of every employee who earned more than Rs. 60 lakh a year. For part-time employees, the threshold has been raised to Rs. 8.52 lakh a month from Rs. 5 lakh earlier.
- ❑ The government is considering raising the Foreign Direct Investment (FDI) limit in the newspapers and periodicals to 49%. Presently, the FDI policy permits 26% through government approval route. The government recently eased norms in about eight sectors including civil aviation, defence, private security agencies, pharmaceuticals, and food processing industry.
- ❑ According to the Minister of State for Petroleum & Natural Gas, government might reconsider the rules on the entry of foreign companies in India's oil retailing business to create more competition and provide fuel to consumers at a better price . Currently, fuel retailing license can be obtained if a company invests Rs. 2,000 crore in hydrocarbon exploration and production, refining, pipelines, and liquefied natural gas terminals.

Global News/Economy

- ❑ Data from the U.S. Labor Department showed that non-farm payroll employment in the U.S. rose more than expected by adding 287,000 jobs in Jun 2016. However, the job growth in May 2016 was downwardly revised to just 11,000 from the original reading of 38,000. The unemployment rate also rose to 4.9% in Jun from 4.7% in May.
- ❑ As per the minutes of U.S Federal Reserve's (Fed) policy review meeting in Jun, any rate hike in the month of Jul is off the table due to the unexpected decision of Britain to exit the European Union. It was also stated that there was need of sufficient evidence that economic growth has picked up and inflation was moving closer to 2% on a sustained basis.
- ❑ A report from payroll processor ADP showed that private sector employment in the U.S. added 172,000 jobs in Jun 2016 following a downwardly revised increase of 168,000 jobs in May 2016.
- ❑ The Bank of England (BoE) reduced its capital buffer requirements for banks to zero percent from 0.5% of banks' U.K. exposures with immediate effect to ensure stability in the financial system after 'Brexit'.
- ❑ According to Markit Economics, Japan's services PMI fell to 49.4 in Jun 2016 from 50.4 in May 2016 due to fastest drop in new orders in nearly five years. The Nikkei composite output index (both services and manufacturing), fell to 49.0 in Jun from 49.2 in May.

Global Equity Markets

Global Indices			
Indices	08-Jul-16	1-Week Return	YTD Return
Dow Jones	18146.74	1.10%	5.82%
Nasdaq 100	4528.36	2.05%	0.68%
FTSE 100	6590.64	0.19%	8.16%
DAX Index	9629.66	-1.50%	-6.36%
Nikkei Average	15106.98	-3.67%	-18.12%
Straits Times	2847.04	0.02%	0.39%

Source: Reuters

Europe

- Initially, market fell amid persisting concerns following the exit of Britain from the European Union. However, some respite came on hopes that the European Central Bank and the BoE may adopt additional stimulus measures to support the financial markets.

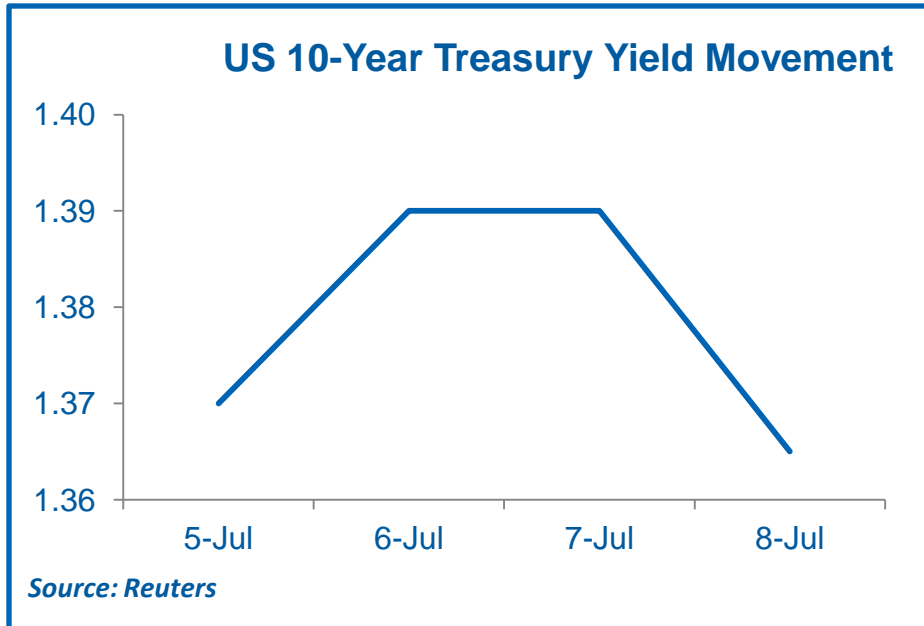
Asia

- Asian bourses traded on a mixed note after BoE warned about increasing risks in the financial market following 'Brexit'. Worries regarding non-performing loans at Chinese banks and disappointing labour cash earnings and nominal wage growth in Japan dented sentiment further. However, investors found some respite on lesser possibility of immediate rate hike by the U.S. Fed.

U.S.

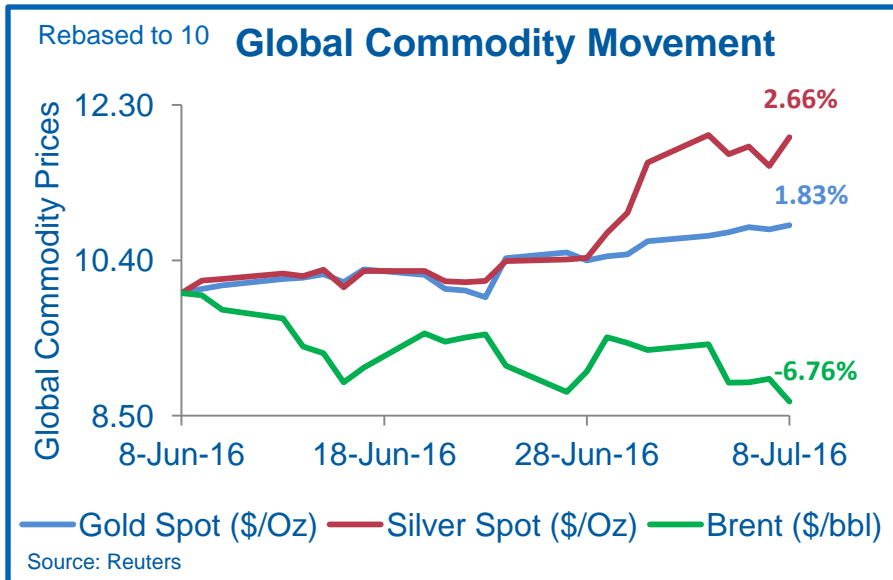
- U.S. markets gained after the minutes of the Fed's latest monetary policy meeting revealed that policymakers were reluctant to make any monetary policy changes due to the ongoing hesitance regarding 'Brexit'.
- Faster than expected growth in the U.S. service sector in Jun (based on ISM survey) and better-than-expected payroll data from ADP also added to gains.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield fell 9 bps to close at 1.37%, compared with the previous week's close of 1.46%.
- The U.S. treasury prices surged earlier as its safe haven appeal boosted on persisting concerns that the exit of the Britain from the European economy would adversely affect the growth prospects of the global economy.
- However, gains were capped as investors resorted to book profits from the recent rally. More than expected increase in the U.S. non-farm employment in Jun also reduced the safe haven appeal of the U.S. Treasuries to some extent.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	43.87	47.05
Gold (\$/Oz)	1366.40	1341.91
Gold (Rs/10 gm)	31204	30980
Silver (\$/Oz)	20.26	19.74
Silver (Rs/Kg)	45922	44293

Source: Reuters Values as on Jul 08, 2016

Gold

- Gold prices gained as investors stocked up on the precious metal amid ongoing concerns over Brexit. Holdings in SPDR Gold Trust, increased 3.02% to 982.72 tonnes during the week, the highest since June 2013.

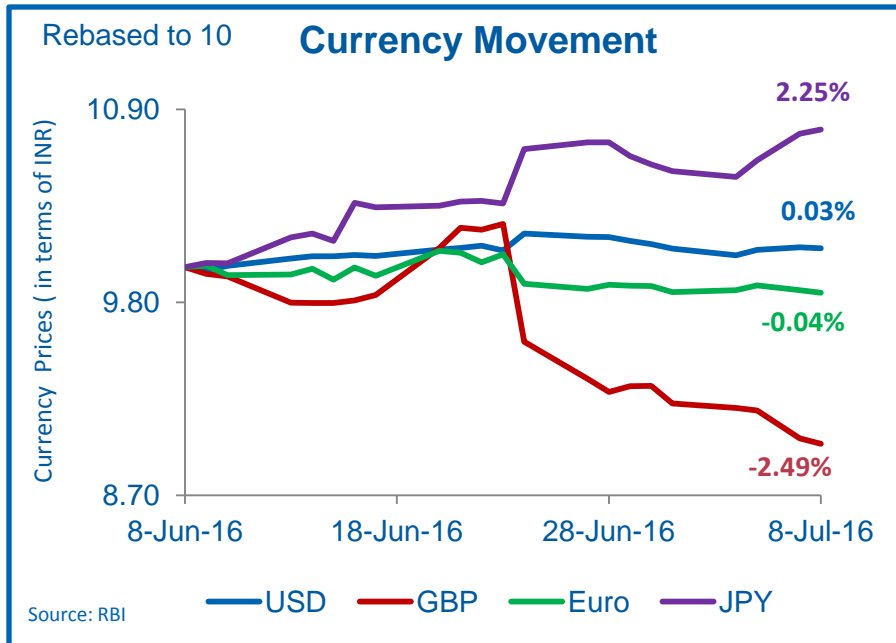
Crude

- Brent crude prices ended the week on a negative note though it had started the week positively. As the rate of supply declined in the U.S., prices too started moving downward. Investors were also worried that global economy would be negatively impacted in response to 'Brexit'.

Baltic Dry Index

- The Baltic Dry Index went up during the week due to higher capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	67.46	67.44
Pound Sterling	87.32	89.55
EURO	74.72	74.74
JPY(per 100 Yen)	67.15	65.67

Source: RBI

Figures in INR , Values as on Jul 08, 2016

Rupee

- The rupee fell against the greenback initially following decline in domestic equity market. The trend reversed as minutes of the U.S. Fed's monetary policy meeting eased concerns over rate hike.

Euro

- Euro fell against the U.S. dollar as concern over slowdown in global growth due to Britain's exit from the EU weighed on market sentiment.

Pound

- Pound fell against the U.S. dollar as investors were worried about the economic and financial outcome of the U.K. after the country decided to leave EU.

Yen

- Yen gained against the greenback following BoJ governor's announcement to expand monetary stimulus, if required.

The Week that was...
Jul 04 to Jul 08

The Week that was (Jul 04 – Jul 08)

Date	Events	Present Value	Previous Value
Monday, July 04, 2016	Japan Monetary Base (YoY) (JUN)	25.40%	25.50%
	Markit/CIPS UK Construction PMI (JUN)	46.00	51.20
Tuesday, July 05, 2016	Caixin China PMI Composite (JUN)	50.3	50.5
	Nikkei Japan PMI Composite (JUN)	49.00	49.20
	Markit/CIPS UK Composite PMI (JUN)	52.40	53.00
	Euro-Zone Retail Sales (YoY) (MAY)	1.60%	1.40%
	U.S. Durable Goods Orders (MAY F)	-2.30%	-2.20%
	U.S. ISM Non-Manufacturing Composite (JUN)	56.50	52.90
Wednesday, July 06, 2016	German Factory Orders n.s.a. (YoY) (MAY)	-0.20%	-0.40%
	Markit Germany Construction PMI (JUN)	50.4	52.7
	Japan Leading Index (MAY P)	100.00	100.00
Thursday, July 07, 2016	German Industrial Production n.s.a. and w.d.a. (YoY) (MAY)	-0.40%	0.80%
	U.S. Initial Jobless Claims (JUL 2)	254k	270k
	U.K. Industrial Production (YoY) (MAY)	1.40%	2.20%
	U.S. Unemployment Rate (JUN)	4.90%	4.70%
Friday, July 08, 2016	U.S. Change in Non-farm Payrolls (JUN)	287k	11k (rev)
	Japan Trade Balance - BOP Basis (Yen) (MAY)	¥39.9b	¥697.1b

The Week Ahead...
Jul 11 to Jul 15

The Week Ahead

Day	Event
Monday, Jul 11	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Machine Orders (YoY) (MAY). <input type="checkbox"/> U.S. Labor Market Conditions Index Change (JUN) .
Tuesday, Jul 12	<ul style="list-style-type: none"> <input type="checkbox"/> German Consumer Price Index (YoY) (JUN F) <input type="checkbox"/> U.S. Wholesale Inventories (MAY) <input type="checkbox"/> Japan Tertiary Industry Index (MoM) (MAY)
Wednesday, Jul 13	<ul style="list-style-type: none"> <input type="checkbox"/> Euro-Zone Industrial Production w.d.a. (YoY) (MAY) <input type="checkbox"/> China Trade Balance (JUN) <input type="checkbox"/> U.S. Monthly Budget Statement (JUN)
Thursday, Jul 14	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Rate Decision (JUL 14) <input type="checkbox"/> U.S. Initial Jobless Claims (JUL 9) <input type="checkbox"/> Bank of England Asset Purchase Target (JUL)
Friday, Jul 15	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (YoY) (JUN) <input type="checkbox"/> China Retail Sales (YoY) (JUN) <input type="checkbox"/> Euro-Zone Consumer Price Index (YoY) (JUN F)

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