

RELIANCE

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July 28, 2017

The Week that was...

24th July to 28th July

Indian Economy

- The Union cabinet increased the annual investment limit in Sovereign Gold Bonds (SGBs) to 4 kg per individual from 500 gm. In addition, the ceiling on investment will not include the holdings kept as collateral by banks and financial institutions. The move will ensure regular availability and improve liquidity of the bonds that are listed on the stock exchanges. Also, appropriate market making initiatives will be devised to improve liquidity and tradability of SGBs.
- A report from NITI Aayog showed that India's dependency on coal will continue even after decades from now and will account for 42% to 50% of the country's energy mix. The report added that penetration of renewable energy in the country will increase from 3.7% in 2012 to 11% to 14% in 2047.
- According to the Directorate General of Commercial Intelligence & Statistics, coal imports by India for the period Apr 2017 to Jun 2017 were down 8.1% YoY to 52.74 million tonne from 57.38 million tonne in the previous year period. Also, coal imports have been consistently declining over the past three years. During 2014-15, 2015-16, and 2016-17, India imported 217.78 million, 203.95 million, and 190.95 million tonne of coal, respectively.
- According to the commerce minister, Foreign Direct Investment (FDI) in India grew 23% to \$10.02 billion during the period from Apr to May of this fiscal. The minister added that India has received \$182.4 million FDI in food products during the same time period.

Indian Equity Market

Domestic Equity Market Indices			
Indices	28-Jul-17	1 Week Return	YTD Return
S&P BSE Sensex	32309.88	0.88%	21.49%
Nifty 50	10014.5	1.00%	22.43%
S&P BSE Mid-Cap	15329.56	0.95%	26.36%
S&P BSE Small-Cap	16071.22	0.49%	31.84%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.68	25.56	30.45	76.9
P/B	3.12	3.49	2.72	2.49
Dividend Yield	1.21	0.96	1.19	0.72

Source: BSE, NSE Value as on Jul 28, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
24-Jul-17	819	875	0.94
25-Jul-17	748	952	0.79
26-Jul-17	848	842	1.01
27-Jul-17	468	1227	0.38
28-Jul-17	779	891	0.87

Source: NSE

- Indian equity markets hit record highs in the period -- Nifty settled at 50 points short of the 10,000-mark on one occasion, and reached the crucial mark for the first time ever in opening trade on another. The growth was triggered by upbeat earnings numbers from industry majors, economic expansion, government reforms, continuous capital inflows, and extensive buying by retail investors. Sensex too reached new highs during the week.
- The International Monetary Fund maintaining India's economic growth projections at 7.20% in 2017-18, while raising it to 7.70% in 2018-19, further supported sentiment.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24342.8	-0.13%	3.63%
S&P BSE Bankex	28021.5	1.91%	6.55%
S&P BSE CD	16165.5	0.52%	3.12%
S&P BSE CG	17724.5	0.05%	4.07%
S&P BSE FMCG	10195.2	0.92%	0.69%
S&P BSE HC	14414.2	-2.85%	2.97%
S&P BSE IT	10361.1	0.38%	6.03%
S&P BSE Metal	12219.8	0.26%	9.70%
S&P BSE Oil & Gas	14068.5	0.10%	6.60%

Source: Reuters Value as on Jul 28, 2017

- On the BSE sectoral front, most indices except S&P BSE Healthcare and S&P BSE Auto closed in the positive. S&P BSE Bankex, up 1.91%, was the top gainer. Some of the other gainers included S&P BSE FMCG, S&P BSE Consumer Durables, S&P BSE Realty, S&P BSE IT, S&P BSE Power, and S&P BSE Metal.
- While Bankex climbed after an industry heavyweight declared net profit of Rs. 960 crore, and also approved stock split in ratio of 5-for-1, metal sector was boosted by gains of an industry major's stock.

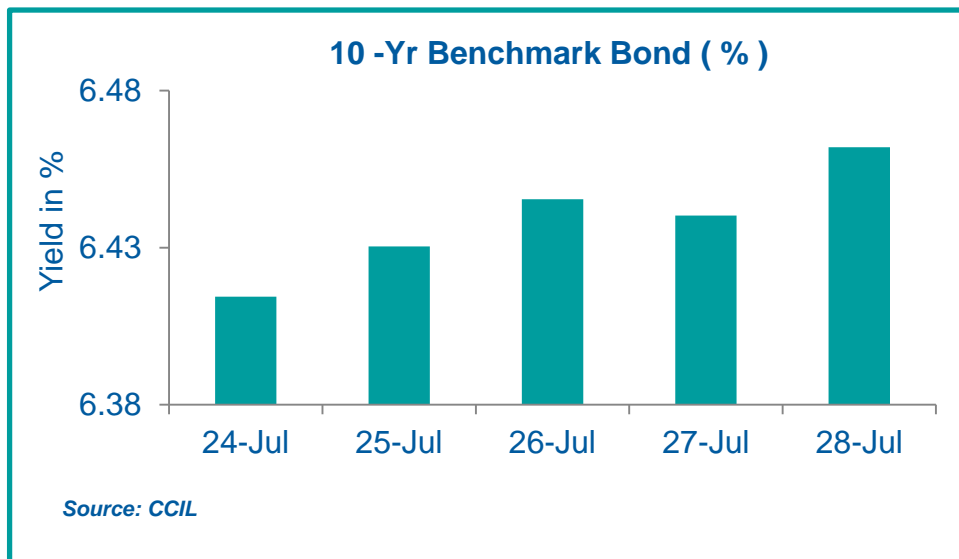
Indian Derivatives Market Review

- Nifty Aug 2017 Futures were at 10,042.25, a premium of 27.75 points above the spot closing of 10,014.50. The turnover on NSE's Futures and Options segment stood at Rs. 36.01 lakh crore compared with Rs. 30.59 lakh crore in the week to Jul 21.
- The Put-Call ratio stood at 0.84 compared with the previous week's close of 1.01.
- The Nifty Put-Call ratio stood at 1.27 compared with the previous week's close of 1.41.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.08	6.10	6.05	6.02
91 Day T-Bill	6.13	6.08	6.30	6.23
07.80% 2021 , (5 Yr GOI)	6.51	6.48	6.57	6.45
06.79% 2027, (10 Yr GOI)	6.46	6.44	6.50	--

Source: Reuters *Value as on Jul 28, 2017*



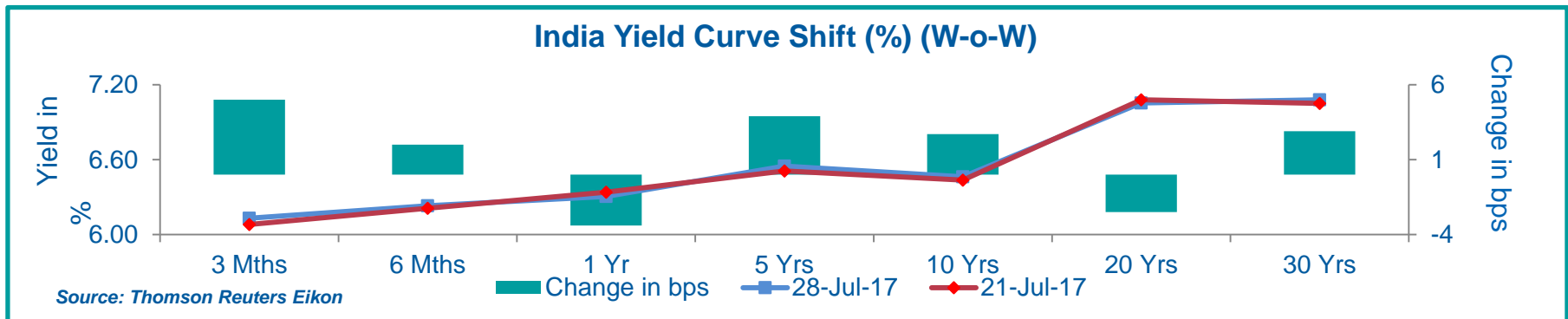
- Bond yields rose marginally after moving in range during the week. Yields rose as investors were cautious ahead of the U.S. Federal Reserve’s (Fed) monetary policy statement on Jul 26.
- However, losses were restricted tracking decline in the U.S Treasury yields after the U.S. Fed kept interest rates unchanged in its monetary policy review and refrained from providing a timeline on unwinding its balance sheet. Investors remained cautious ahead of Monetary Policy Committee’s review meeting to be held on Aug 2, 2017.
- Yield on the 10-year benchmark bond (6.79% GS 2027) increased 2 bps to close 6.46% compared with the previous close of 6.44%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.41	6.82	41
3 Year	6.57	7.03	46
5 Year	6.65	7.18	53
10 Year	6.69	7.32	63

Source: Reuters Value as on Jul 28, 2017

- Yields on gilt securities increased across maturities by up to 7 bps, barring 1- and 19-year papers that fell 3 and 2 bps, respectively. Yield on 2-year paper was flat. The minimum rise was witnessed on 15-year paper and the maximum on 11- and 12-year papers.
- On the contrary, corporate bond yields fell across maturities by up to 5 bps, leaving 7- and 9-year papers that were flat.
- Spread between AAA corporate bond and gilt contracted across segments by up to 10 bps. Spread fell the most on 4-year paper and the least on 1-year paper.



Regulatory Updates in India

- Capital market regulator Securities and Exchange Board of India (SEBI) is considering reducing the time taken for a security to list on an exchange to three days from the date of closure of its initial public offer (IPO), instead of the earlier envisaged timeline of four days. Presently, public issues take six days to list after closing for a subscription. SEBI is of the view that reducing the listing timeline to three days would lower the impact of market volatility.
- SEBI has notified stricter norms for participatory notes (P-Notes). According to the norms, SEBI has stipulated a “regulatory fee” of \$1,000 on each offshore derivative instruments subscriber. The fee needs to be collected and deposited by the issuing foreign portfolio investor once every three years, starting from Apr 1, 2017. The move comes amid worries that P-Notes are conduits to channelize black money from abroad into the country through investment in domestic equity market.
- SEBI is considering making it mandatory for listed companies to inform stock exchanges if they fail to service debt on time. The objective of the move is to reign in greater fiscal discipline and keep shareholders better informed. SEBI is also considering the timeframe within which the information has to be declared to the stock exchanges. Presently, companies and banks don’t have to disclose information related to defaults to bourses.

Regulatory Updates in India (contd..)

- SEBI has announced that an exchange can be set up by a domestic or foreign bourse in the international financial services centre (IFSC) with at least 51% stake. Meanwhile, entities like insurers, commodity derivative exchanges, public financial institutions of Indian jurisdiction can hold up to 15% of the paid-up equity share capital of such stock exchange.
- The Reserve Bank of India (RBI) has given final authorization to National Payments Corporation of India (NPCI) to function as the Bharat Bill Payment Central Unit (BBPCU) and operate the Bharat Bill Payment System (BBPS). In Aug 2016, 8 BBPS operating units had received in-principle approval from RBI and took part in the pilot. Post pilot run for almost a year, NPCI has now received the final clearance from RBI, thereby streamlining the technology and business processes.
- According to a major credit rating agency, new regulations by SEBI on foreign holdings of rupee-denominated corporate bonds are expected to lower down the options for companies to diversify their funding sources. SEBI had announced last week that foreign purchases of rupee-denominated corporate notes would only be allowed through auction once the foreign holdings reached 95% of Combined Corporate Debt Limit.

Global News/Economy

- According to the International Monetary Fund (IMF), global output growth projections remained steady at 3.5% and 3.6% for 2017 and 2018, respectively. IMF, in its World Economic Outlook Update, said that the pickup in global growth remains on track as anticipated in Apr 2017. While 2017 and 2018 growth forecast for the U.S. economy has been revised downward, forecast for the euro zone has been revised upward. The report said short-term risks are broadly balanced, but medium-term risks are still skewed to the downside. Japan's growth is projected to accelerate to 1.3% in 2017 from 1.2% estimated earlier but growth for 2018 was maintained at 0.6%.
- U.S. Federal Reserve maintained its key interest unchanged at 1.00% to 1.25% range. However, the central bank has already raised interest rates twice this year and plans more rate hikes during the rest of 2017. The bank will also begin to unwind its bloated balance sheet "relatively soon".
- According to the Conference Board, U.S. consumer confidence index surpassed market expectations and grew to 121.1 in Jul 2017 from a downwardly revised score of 117.3 in Jun 2017. The upside reflects improvement in consumers' assessment of current conditions with present situation index climbing to 147.8 in Jul from 143.9 in Jun.
- According to a report from Destatis, Germany's consumer price inflation surprisingly increased to 3-month high to 1.7% YoY in Jul 2017 as against 1.6% in Jun 2017. Energy prices increased 0.9% after stabilizing in Jun. Food inflation slowed to 2.7% from 2.8% in Jun. Consumer prices inched up 0.4% on MoM basis.

Global Equity Markets

Global Indices			
Indices	28-Jul-17	1-Week Return	YTD Return
Dow Jones	21830.31	1.16%	9.80%
Nasdaq 100	5908.916	-0.21%	20.31%
FTSE 100	7368.37	-1.13%	2.65%
DAX Index	12162.7	-0.63%	4.87%
Nikkei Average	19959.84	-0.70%	1.87%
Straits Times	3330.75	0.50%	14.89%

Source: Reuters *Value as on Jul 28, 2017*

U.S.

- Encouraging corporate earnings of industry heavyweights helped U.S. markets gain for major part of the week. Positive economic data also supported buying interest. While consumer confidence index improved in Jul, a separate report from Commerce Department showed substantial increase in durable goods orders in Jun.

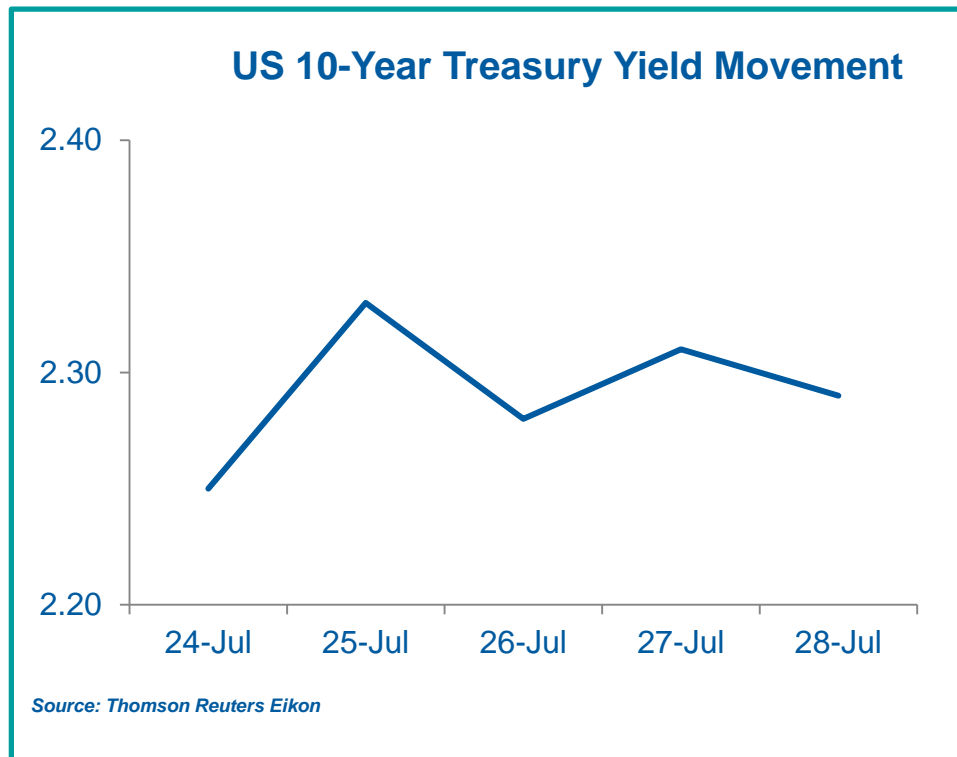
Europe

- Majority of the European markets remained low after preliminary data from HIS Markit showed that the pace of European private sector growth slowed for the second successive month in Jul. Mixed series of corporate earnings results contributed little to buying interest.

Asia

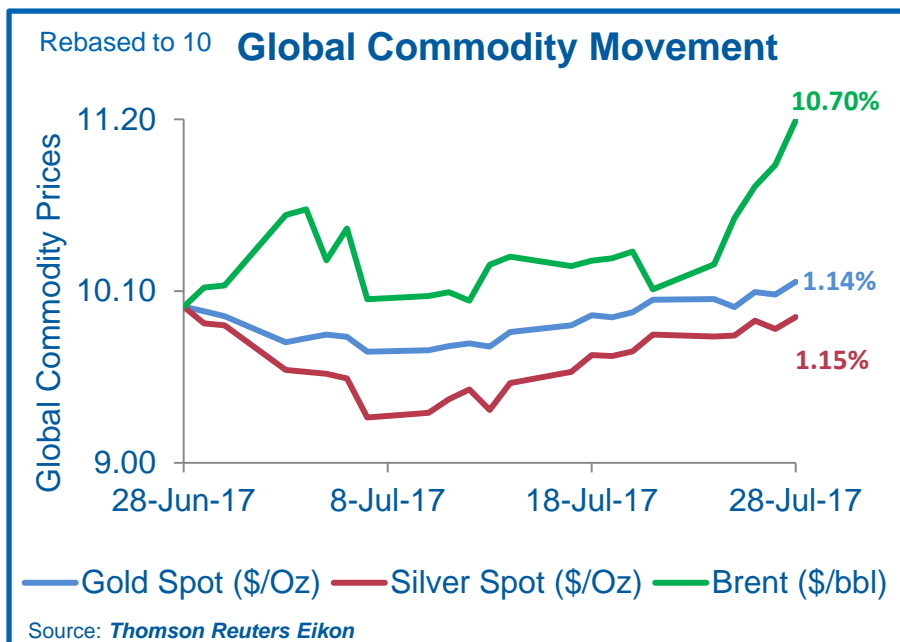
- Asian markets rose during the week with the exception of Nikkei Average, which fell 0.70% WoW. Investors took positive cues after the International Monetary Fund kept its growth forecasts for the world economy unchanged for this year and next, and slightly raised growth expectations for China. Improved crude oil prices also helped gains after Saudi Arabia pledged to reduce exports from Aug 2017 and Nigeria agreed to curb production as well.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 5 bps to close at 2.29% from the previous week's close of 2.23%.
- U.S. Treasury prices fell initially as investors were waiting for the outcome of U.S. Federal Reserve's (Fed) policy meeting.
- Treasury prices fell further following gains in the U.S. equity market, a day before the U.S. Fed meeting, due to strong quarterly earnings of some reputed companies thereby reducing the demand for safe haven bonds.
- Also, heavy supply of government and corporate debt weighed on market sentiment. However, losses were restricted after the U.S. Fed in its policy meeting refrained from providing any timeline for unwinding its balance sheet.

Commodities Market



Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	52.04	47.01
Gold (\$/Oz)	1268.75	1254.40
Gold (Rs/10 gm)	28443	28320
Silver (\$/Oz)	16.66	16.47
Silver (Rs/Kg)	37901	37573

Source: Reuters

Value as on Jul 28, 2017

Gold

- Gold prices remained high for the major part of the week, led by the outcome of the U.S. Federal Reserve's latest policy meeting. U.S. Federal Reserve kept its key interest rates unchanged in the policy meeting.

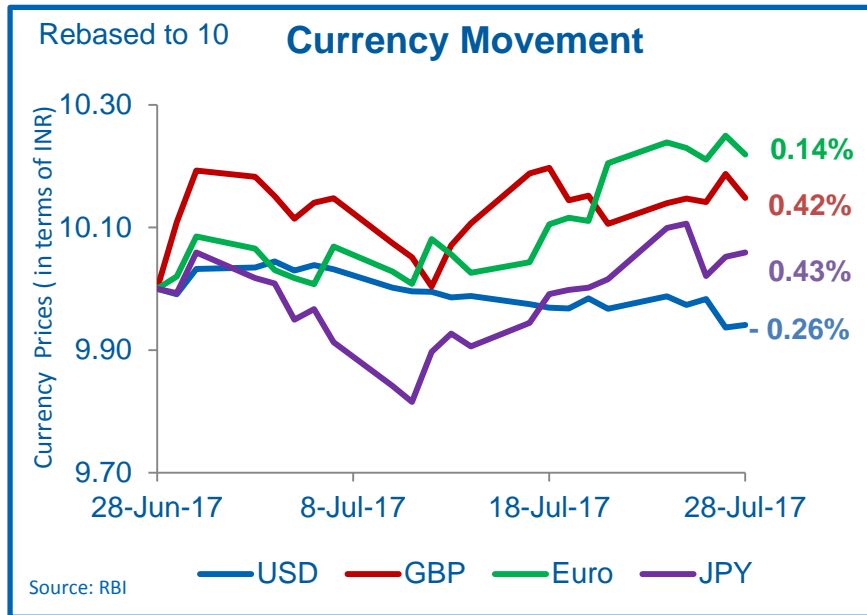
Crude

- Brent crude prices surged led by favourable outcome of the highly anticipated meeting of Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers, held during the week. The OPEC and non-OPEC producers discussed to extend their deal on curbing output by 1.8 million barrels per day (bpd) beyond Mar 2018, if necessary.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.15	64.32
Pound Sterling	83.89	83.54
EURO	74.98	74.88
JPY(per 100 Yen)	57.78	57.53

Source: RBI Figures in INR , Value as on Jul 28, 2017

Rupee

- The Indian rupee strengthened against the U.S. dollar after the U.S. Federal Reserve (Fed) refrained from providing a timeline for unwinding its balance sheet in its monetary policy review, while keeping the policy rate unchanged as expected.

Euro

- Euro rose against the U.S. dollar after the U.S. Fed in its monetary policy review did not provide timeline for unwinding its balance sheet.

Pound

- Pound rose against the U.S. dollar after the U.S. Fed in its monetary policy review did not provide timeline for unwinding its balance sheet.

Yen

- Yen inched up against the greenback after the U.S. Fed in its monetary policy review did not provide timeline for unwinding its balance sheet, and unimpressive U.S. economic data.

The Week that was...

24th July to 28th July

The Week that was (Jul 24– Jul 28)

Date	Events	Present Value	Previous Value
Monday, Jul 24, 2017	• Japan Nikkei Manufacturing PMI (Jul P)	52.2	52.4
	• Eurozone Markit Composite PMI (Jul P)	55.8	56.3
	• U.S. Existing Home Sales (MoM) (Jun)	-1.8%	1.1%
Tuesday, Jul 25, 2017	• U.S. Consumer Confidence (Jul)	121.1	117.3
	• U.S. House Price Index (MoM) (May)	0.4%	0.6%
	• Germany IFO - Current Assessment (Jul)	125.4	124.2
Wednesday, Jul 26, 2017	• U.K. Gross Domestic Product (YoY) (2Q A)	1.7%	2.0%
	• Japan Small Business Confidence (Jul)	50	49.2
	• U.S. Federal Open Market Committee Rate Decision (Jul 26)	1.25%	1.25%
	• U.S. FOMC Rate Decision (Lower Bound) (Jul 26)	1.0%	1.0%
Thursday, Jul 27, 2017	• U.S. Durable Goods Orders (Jun P)	6.5%	-0.1%
	• U.S. Advance Goods Trade Balance (Jun)	63.9b	-66.3b
	• Japan National Consumer Price Index (YoY) (Jun)	0.4%	0.4%
	• Germany GfK Consumer Confidence Survey (Aug)	10.8	10.6
	• U.S. Wholesale Inventories (Jun P)	0.6%	0.4%
	• U.S. Durable Goods Orders (Jun P)	1.70%	1.6%
Friday, Jul 28, 2017	• Germany Consumer Price Index (YoY) (Jul P)	0.3%	2.0%
	• U.S. Core Personal Consumption Expenditure (QoQ) (2Q A)	52.2	52.4

The Week Ahead
31th July to 04th Aug

The Week Ahead

Day	Event
<p>Monday, Jul 31, 2017</p>	<ul style="list-style-type: none"> • Eurozone Consumer Price Index - Core (YoY) (JUL A) • China Manufacturing PMI (JUL)
<p>Tuesday, Aug 01, 2017</p>	<ul style="list-style-type: none"> • Germany Unemployment Rate (JUL) • Eurozone Gross Domestic Product (YoY) (2Q A) • U.S. Personal Consumption Expenditure Core (YoY) (JUN) • U.S. ISM Manufacturing (JUL)
<p>Wednesday, Aug 02, 2017</p>	<ul style="list-style-type: none"> • Japan Consumer Confidence Index (JUL) • Eurozone Producer Price Index (YoY) (JUN)
<p>Thursday, Aug 03, 2017</p>	<ul style="list-style-type: none"> • Bank of England Rate Decision (AUG 03) • Bank of England Asset Purchase Target (AUG) • U.S. ISM Services/Non-Manufacturing Composite (JUL) • China Caixin Composite PMI (JUL)
<p>Friday, Aug 04, 2017</p>	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (JUL) • U.S. Unemployment Rate (JUL) • Germany Markit Construction PMI (JUL)

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