

News U Can Use

June 10, 2016

The Week that was...
6th June to 10th June

Indian Economy

- ❑ Government data showed that the index of industrial production (IIP) fell 0.8% in Apr 2016 compared with a rise of 0.1% in Mar 2016 and 3% increase in the same month of the previous year. The fall in industrial output was due to 3.1% contraction in the manufacturing sector.
- ❑ According to the revenue secretary, indirect tax collections rose 37% during the period Apr-May 2016 compared with the same period of the last fiscal. The finance minister has forecasted indirect tax collection of Rs. 7.78 lakh crore in FY17, up 9.7% from the Rs. 7.09 lakh crore collected in FY16.
- ❑ The World Bank has lowered India's growth projections for the FY17 and FY18 by 2% and 3%, respectively. Accordingly, the current estimations are 7.6% and 7.7% for FY17 and FY18, respectively, down from the earlier expectation of 7.9% for both the fiscals. World Bank expressed concerns over the stressed asset quality of the banking sector and added that weak exports are affecting the growth of the economy.
- ❑ The government is expected to come out with revised IIP and Whole Price Index by the end of this year with a new base year of 2011-12, according to the chief statistician. He mentioned that as part of the revision, the basket of items and weightage assigned to different entries on the basis of which indices is computed will be updated. There is a possibility of a service sector index being introduced, too.

Indian Equity Market

Domestic Equity Market Indices			
Indices	10-Jun-16	1 Week Return	YTD Return
S&P BSE Sensex	26635.75	-0.77%	1.82%
Nifty 50	8170.05	-0.62%	2.60%
S&P BSE Mid-Cap	11376.37	-0.16%	1.16%
S&P BSE Small-Cap	11362.72	1.92%	-4.84%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	19.62	22.43	24.37	40.67
P/B	2.82	3.38	2.4	1.92
Dividend Yield	1.45	1.28	1.25	1.00

Source: BSE, NSE

Value as on June 10, 2016

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
06-Jun-16	726	843	0.86
07-Jun-16	933	616	1.51
08-Jun-16	1028	541	1.90
09-Jun-16	714	828	0.86
10-Jun-16	720	856	0.84

Source: NSE

- Indian equity markets ended the week in red. The positive impact of Reserve Bank of India's (RBI) assurance of accommodative monetary policy was offset by concerns over global economic health after the World Bank lowered its global growth forecast for 2016, citing slowing growth in advanced economies.
- Not just that, weak Chinese export data for May 2016 overshadowed optimism over delay in rate hike by the U.S. Federal Reserve. Uncertainty over the UK-European Union referendum was a further drag for the bourses. Towards the end of the week, market participants remained cautious ahead of the U.S. Federal Reserve's meeting next week.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	19308.3	-0.57%	4.91%
S&P BSE Bankex	20426.9	1.02%	6.89%
S&P BSE CD	11452.5	0.09%	-3.69%
S&P BSE CG	14705.3	2.40%	8.18%
S&P BSE FMCG	8155.12	-0.47%	5.38%
S&P BSE HC	14910.7	-0.97%	-4.00%
S&P BSE IT	11282.3	-3.48%	0.34%
S&P BSE Metal	8284.43	2.73%	8.67%
S&P BSE Oil & Gas	9403.83	0.05%	1.86%
S&P BSE Power	1939.9	3.32%	4.74%

Source: Reuters *Values as on June 10, 2016*

- ❑ On the BSE sectoral front, indices witnessed a mixed trend. S&P BSE IT was the major laggard, down 3.48%, followed by S&P BSE Teck and S&P BSE Healthcare, which slipped 3.21% and 0.97%, respectively.
- ❑ S&P BSE Power was the top gainer, up 3.32%, followed by S&P BSE Metal and S&P BSE Capital Goods, which went up 2.73% and 2.40%, respectively. Banking sector gained following RBI's stance on accommodative monetary policy.

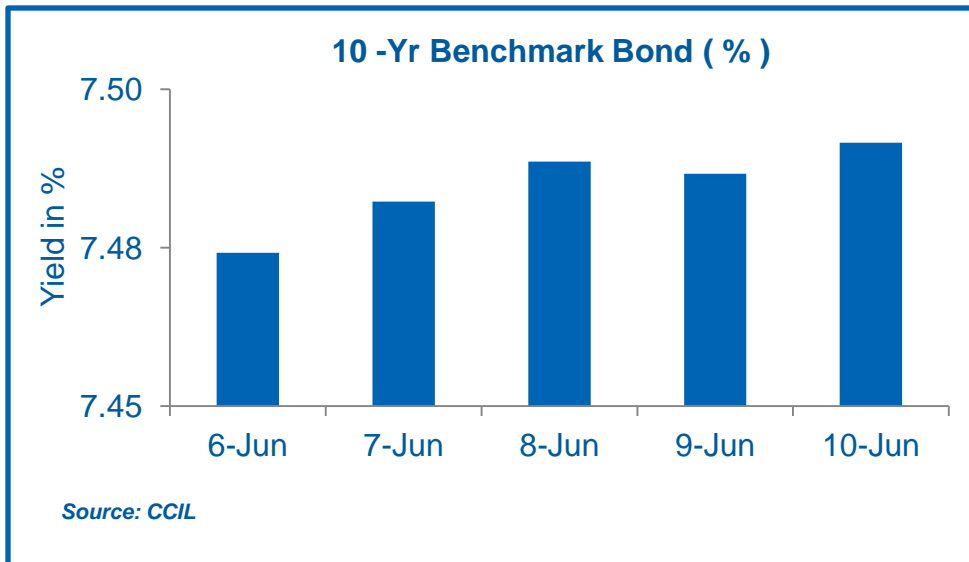
Indian Derivatives Market Review

- ❑ Nifty Jun 2016 Futures were at 8,190.40 points, a premium of 20.35 points, over the spot closing of 8,170.05. The turnover on NSE's Futures and Options segment stood at Rs. 10.67 lakh crore during the week to Jun 10, compared with Rs. 9.11 lakh crore recorded in the previous week.
- ❑ The Put-Call ratio stood at 1.11, compared with the previous session's close of 0.95.
- ❑ The Nifty Put-Call ratio stood at 1.12, compared with the previous session's close of 1.05.

Domestic Debt Market

Debt Indicators (Yield %)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.16	6.28	6.53	6.66
91 Day T-Bill	6.79	6.82	6.83	7.17
08.27% 2020, (5 Yr GOI)	7.31	7.35	7.35	7.72
07.59% 2026, (10 Yr GOI)	7.49	7.49	7.43	--

Source: Reuters Values as on June 10, 2016



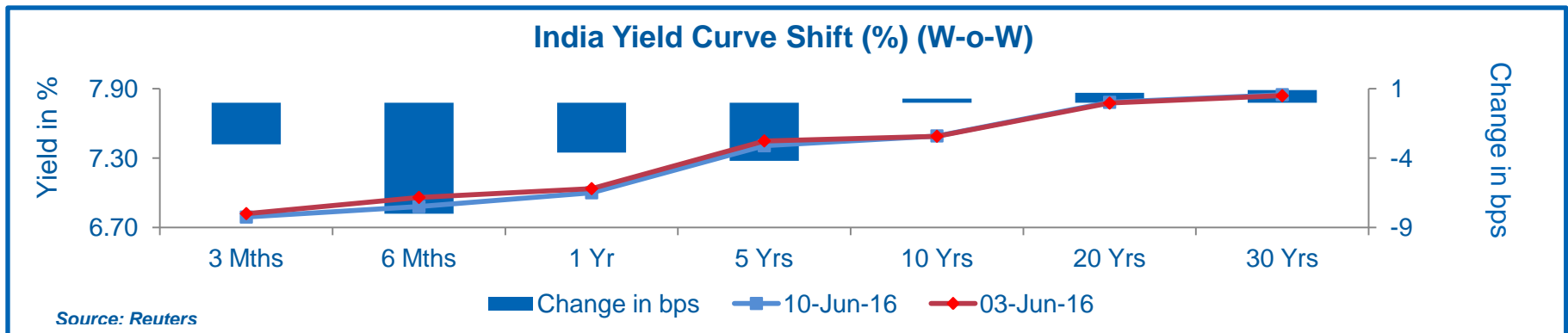
- Bond yields started the week on a positive note, but ended unchanged after trading in a tight range during the week.
- Yields fell initially after U.S. nonfarm payroll employment for May 2016 grew at the slowest pace since Sep 2010. However, yields increased later following the Reserve Bank of India's (RBI) second bi-monthly monetary policy review where key rates were kept unchanged.
- Bond buying remained muted after a weekly debt sale boosted supply of government securities. Investors were cautious ahead of the release of retail inflation data next week.
- Yield on 10-year benchmark bond (7.59% GS 2026) ended unchanged compared with the previous week's close of 7.49%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	7.14	7.74	60
3 Year	7.34	7.96	62
5 Year	7.61	8.08	47
10 Year	7.77	8.26	49

Source: Reuters Values as on June 10, 2016

- Yields on gilt securities declined on 1- to 5-year papers by up to 4 bps, while increased on 9-, 13-, 19-, and 30-year maturities by up to 2 bps.
- Corporate bond yields plunged on 1- to 6-year maturities by up to 3 bps, with exception on 3-year where yields remained unchanged.
- Difference in spread between AAA corporate bond and gilt expanded remained constant on 2- and 5-year papers, while contracted only on 6-year paper by 1 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India (RBI) in its second bi-monthly monetary policy review for FY17 kept key repo rates unchanged at 6.5% following increase in domestic inflationary pressures. The central bank affirmed to continue with its 'accommodative' monetary policy stance and maintained the gross value added growth projection for FY17 at 7.6%. It kept its inflation target unchanged at 5% for the fiscal with an upward bias. RBI added that it will review the implementation of the Marginal Cost Lending Rate framework by banks.
- ❑ According to RBI, above normal monsoon, astute food management, introduction of the electronic national agriculture market (e-NAM) trading portal, and expansion in supply capacity may help contain the surge in domestic inflationary pressures. However, the central bank warned that increase in global crude oil prices and implementation of the 7th Central Pay Commission recommendations may push inflation upwards.
- ❑ Capital market regulator Securities and Exchange Board of India (SEBI) has asked depositories to deposit 5% of their annual profits along with the fines collected by them from brokers and other entities in an Investor Protection Fund. The fund will be used for investor education and awareness programmes.
- ❑ SEBI is planning to allow foreign fund managers to function as 'portfolio managers' under an easier regulatory regime. The arrangement will prove beneficial for the foreign fund managers wanting to relocate in India.

Regulatory Updates in India (contd..)

- SEBI is considering easing norms for Real Estate Investment Trusts (REITs) so that these trusts are able to invest more in under-construction assets and subsequently have a larger number of sponsors. This will make REITs more attractive to investors.
- According to the executive director of RBI, the central bank is in the process of setting up a multidisciplinary committee to explore the usage of financial technology in India. The move comes at a time when the usage of financial technology is booming within the country. Experts have estimated that the market could double to \$2.4 billion in the coming four years.
- The Insurance Regulatory and Development Authority of India (IRDAI) has acknowledged web aggregators as insurance intermediary. A web aggregator is a company who owns a website for marketing of insurance products of different insurers, in order to generate lead for those insurers. The regulatory body has corrected the guidelines pertaining to the web aggregators. As a part of new guideline, web aggregators will be allowed to sell insurance products worth Rs. 1.5 lakh, up from Rs. 50,000 earlier.
- Insurance Regulatory and Development Authority of India (IRDAI) has proposed norms for increasing insurance penetration in the country in a cost-efficient way. According to media reports, the norms are meant for selling and servicing of insurance policies via e-commerce.

Global News/Economy

- According to the U.S. Federal Reserve's chairperson, the nation's economy will continue to grow despite slowdown in job creation. Inflation is expected to rise eventually. The chairperson also warned that economic problems in China and U.K.'s possible exit from the European Union may have a negative impact on the U.S. economy.
- The World Bank lowered global growth expectations because of slow growth in advanced economies, persistently low commodity prices, weak global trade, and ailing capital flows. The global economy is expected to grow 2.4% in 2016 instead of 2.9% estimated in Jan 2016. Also, the growth outlook for 2017 was lowered to 2.8% from 3.1%. However, the rate is expected to grow up to 3% by 2018, after stabilization in commodity prices start supporting the growth of commodity exporting emerging markets.
- The Labour Department revealed that rise in U.S. consumer prices was higher than expected in Apr 2016, mainly due to sharp jump in energy prices. Consumer price inflation accelerated to 0.4% in Apr from 0.1% in Mar 2016. Energy prices surged 3.4% in Apr, higher than 0.9% increase in the previous month due to 8.1% spike in gasoline.
- According to the Labor Department, U.S. weekly jobless claims declined unexpectedly by 4,000 to 264,000 in the week to Jun 4. Jobless claims for the previous week to May 28 was revised to 268,000. Market experts were expecting an increase in claims.

Global Equity Markets

Global Indices			
Indices	10-Jun-16	1-Week Return	YTD Return
Dow Jones	17865.34	0.33%	4.18%
Nasdaq 100	4461.05	-1.08%	-0.82%
FTSE 100	6115.76	-1.51%	0.37%
DAX Index	9834.62	-2.66%	-4.36%
Nikkei Average	16601.36	-0.25%	-10.02%
Straits Times	2822.97	0.49%	-0.46%

Source: Reuters

U.S.

- U.S. bourses posted gains over the week after the U.S. Federal Reserve (Fed) chief remained positive on the U.S. economy.
- However, most of the bourses pared its gains later as investors remained cautious ahead of the U.K. vote on whether to leave the European Union.

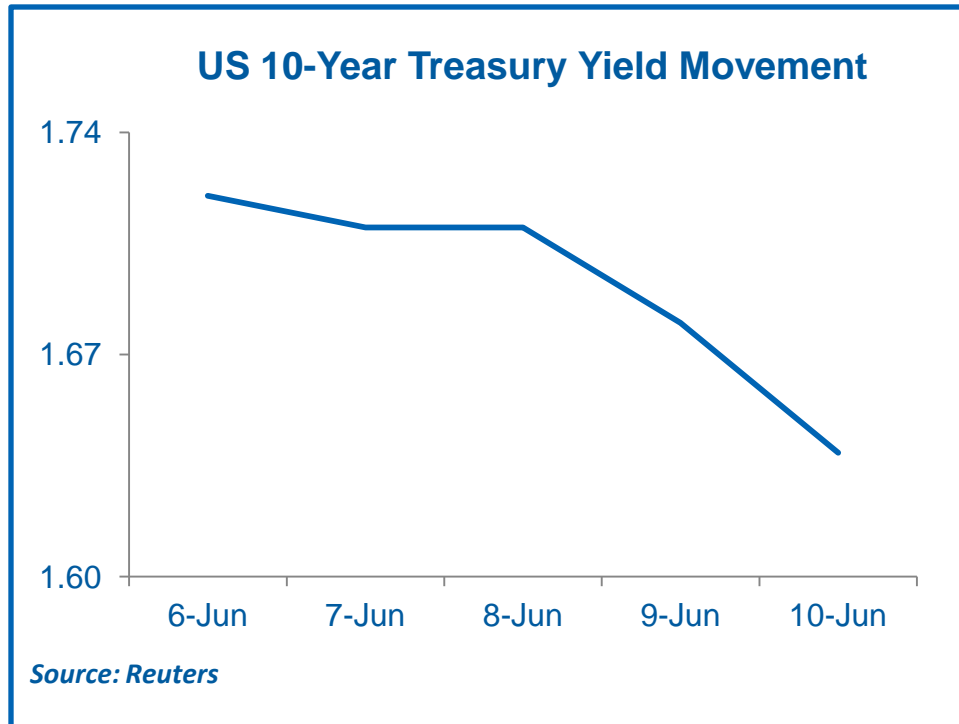
Europe

- European markets gained initially as euro zone's economy grew more than previously estimated in the Q1 of 2016. However, bourses reversed its gains later because of uncertainty over the referendum on Jun 23 when Britain will vote to decide whether it will remain in the European Union.

Asia

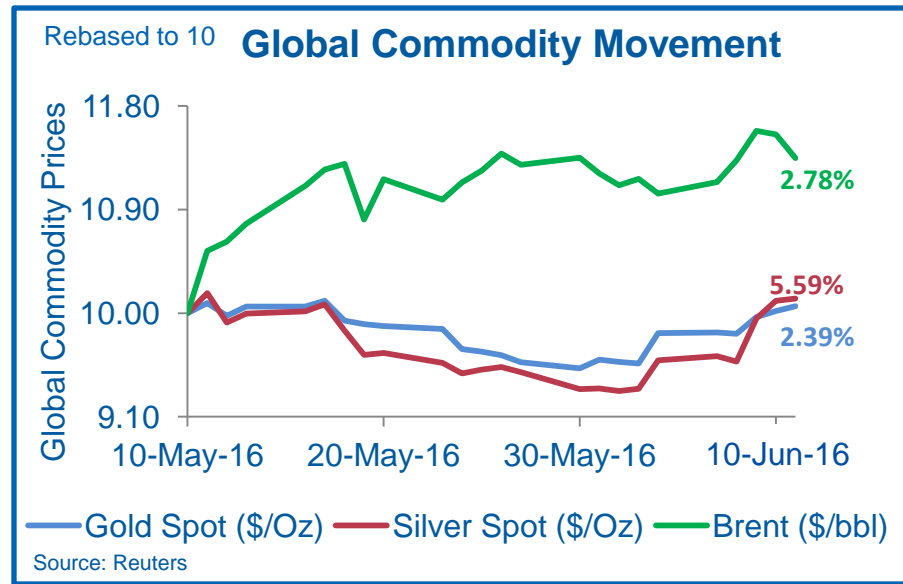
- Asian markets traded on a mixed note because of lesser possibility of an immediate rate hike by the U.S. Fed and improved global crude oil prices. Japan's upwardly revised gross domestic product in the quarter ended Mar 2016 also added to gains. However, the surge was restricted after the World Bank lowered its global growth outlook for 2016 and 2017.

Global Debt (U.S.)



- The 10-year U.S. Treasury bond yield fell 6 bps to close at 1.64%, compared with the previous week's close of 1.70%
- The U.S. treasury prices fell initially after the U.S. Federal Reserve chief acknowledged the weak jobs report for May 2016 but maintained a positive outlook over the U.S. economy
- However, the trend reversed and Treasury prices rose on growing possibility that Fed may refrain from raising interest rates in its monetary policy review due later in the month.
- Strong demand at the debt auction and renewed concerns over global growth further increased the safe haven appeal of U.S. Treasuries.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	49.54	48.20
Gold (\$/Oz)	1273.8	1244.09
Gold (Rs/10 gm)	29167	28616
Silver (\$/Oz)	17.315	16.398
Silver (Rs/Kg)	40356	38452

Source: Reuters Values as on June 10, 2016

Gold

- Gold prices went up during the week as uncertainty over the UK-European Union referendum boosted the safe haven appeal of the bullion. Growing demand for the precious metal further supported the commodity price as holdings in SPDR Gold Trust rose to the highest level since Oct 2013.

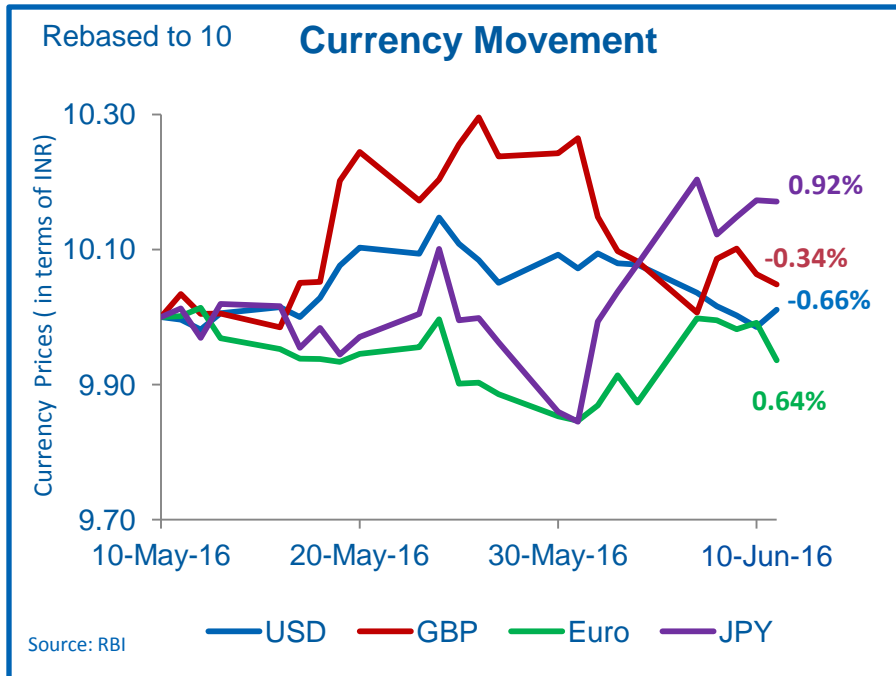
Crude

- Concerns over political unrest in Nigeria continued to support Brent crude prices during the week. Oil prices found additional support after data from the U.S. Energy Information Administration showed that U.S. crude stocks fell 3.23 million barrels to 532.5 million in the week to Jun 3.

Baltic Dry Index

- Baltic Dry Index remained unchanged on WoW basis.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.79	67.24
Pound Sterling	96.57	96.90
EURO	75.47	74.99
JPY(per 100 Yen)	62.40	61.83

Source: RBI Figures in INR , Values as on June 10, 2016

Rupee

- The rupee rose against the greenback on reports of monsoon arrival and expectations that the U.S. Fed will refrain from raising interest rates in Jun.

Euro

- Euro fell against the greenback after U.S. initial jobless claims fell unexpectedly for the week to Jun 4 and wholesale inventories in the U.S. increased more than expected in Apr.

Pound

- The pound weakened against the U.S. dollar on concerns that Britain may vote to leave the European Union on Jun 23.

Yen

- Yen declined against the greenback amid indications that the Japanese government may intervene in the currency market to weaken yen.

The Week that was...
June 06 to June 10

The Week that was (Jun 06 – Jun 10)

Date	Events	Present Value	Previous Value
Monday, June 06, 2016	Eurozone Sentix Economic Confidence (May)	9.90%	6.20%
	German Markit Construction PMI (May)	52.7	53.4
Tuesday, June 07, 2016	Japan Leading Index (Apr)	100.5	99.3
	Eurozone GDP (Q1)	1.70%	1.50%
Wednesday, June 08, 2016	China Trade Balance (May)	49.98B	45.56B
	Japan Current Account (Apr) Yen	1.878.5B	2980.4B
	Japan GDP Annualised (Q1)	1.90%	1.70%
	U.K. Industrial Production (Apr)	1.60%	-0.20%
	U.K. Manufacturing Production (Apr)	0.80%	-1.90%
Thursday, June 09, 2016	Japan Core Machine Orders (Apr)	-9.20%	3.20%
	China Consumer Price Index (May)	2.00%	2.30%
	U.K. Visible Trade Deficit (Apr) Pounds	-10526	-10646
Friday, June 10, 2016	U.S. Wholesale Inventories (Apr)	0.60%	0.20%
	U.S. University of Michigan Confidence (Jun)	94.3	94.7

The Week Ahead...
June 13 to June 17

The Week Ahead

Day	Event
Monday, June 13	<ul style="list-style-type: none"> ❑ China Industrial Production (YoY) (MAY). ❑ China Retail Sales (YoY) (MAY).
Tuesday, June 14	<ul style="list-style-type: none"> ❑ Japan Industrial Production (YoY) (APR F). ❑ Eurozone Industrial Production (YoY) (APR). ❑ U.K. Consumer Price Index (YoY) (MAY).
Wednesday, June 15	<ul style="list-style-type: none"> ❑ U.S. Federal Open Market Committee Rate Decision (JUN 15). ❑ U.S. Industrial production (May). ❑ Eurozone Trade Balance (euros) (APR).
Thursday, June 16	<ul style="list-style-type: none"> ❑ Japan BOJ Policy Rate (JUN 16). ❑ Eurozone Consumer Price Index (YoY) (MAY F). ❑ U.S. Consumer Price Index (YoY) (MAY).
Friday, June 17	<ul style="list-style-type: none"> ❑ U.S. Housing Starts (MoM) (MAY). ❑ Eurozone Current Account (euros) (APR). ❑ U.S. Building Permits (MoM) (MAY).

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