

RELIANCE

MUTUAL  
FUND

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# News U Can Use

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August 11, 2017

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The Week that was...

**7<sup>th</sup> August to 11<sup>th</sup> August**

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## Indian Economy

- Government data showed that the Index of Industrial Production (IIP) contracted 0.1% YoY in Jun 2017, as against 8% growth in Jun 2016. The downside reflected 0.4% dip in manufacturing activities and marginal growth of 0.4% in mining activities. According to use-based classification, growth in capital goods and consumer durables in Jun 2017 moderated from the year-ago period.
- According to a report from the Society of Indian Automobile Manufacturers (SIAM), domestic car sales grew 8.52% to 1,92,773 units in Jul 2017 from 1,77,639 units in the year-ago period. Domestic passenger vehicle sales grew 15.12% to 2,98,997 units in Jul from 2,59,720 units in the year-ago period. Meanwhile, sales of commercial vehicles were up 13.78% on YoY basis to 59,000 units in Jul.
- According to the Securities and Exchange Board of India (SEBI), Indian companies raised Rs. 49,033 crore in Jul 2017 through private placement of corporate bonds as against Rs. 36,774 crore in the year-ago period. This brings the total amount to Rs. 2.2 lakh crore in the first four months of the financial year. The funds are raised primarily for expansion of business plans, repayment of debt, and support working capital requirements.
- The Reserve Bank of India announced that so far investments in Sovereign Gold Bonds have been worth Rs. 6,030 crore. The scheme was launched in Nov 2015 by the government with an aim to lower the demand for physical gold and shift a part of the domestic savings that is used for purchase of gold into financial savings. The bonds have so far issued 9 tranches.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	11-Aug-17	1 Week Return	YTD Return
S&P BSE Sensex	31213.59	-3.44%	17.36%
Nifty 50	9710.8	-3.53%	18.72%
S&P BSE Mid-Cap	14726.27	-4.60%	21.39%
S&P BSE Small-Cap	15036.33	-5.59%	23.35%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.13	24.80	28.97	71.50
P/B	3.00	3.43	2.60	2.32
Dividend Yield	1.26	0.99	1.25	0.77

*Source: BSE, NSE* *Value as on Aug 11, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
07-Aug-17	1041	655	1.59
08-Aug-17	344	1355	0.25
09-Aug-17	328	1363	0.24
10-Aug-17	187	1532	0.12
11-Aug-17	631	1090	0.58

*Source: NSE*

- Indian equity markets ended the week on a negative note owing to weak domestic and global cues. On the domestic front, the recent crackdown by the capital market regulator Securities and Exchange Board of India (SEBI) on certain listed companies triggered selling pressure across the bourses. SEBI directed stock exchanges to impose trading restrictions on 331 listed entities, suspected to be used as medium for various financial manipulations or kept dormant for future use in some other capacity.
- Geopolitical tension too kept the markets under pressure after media reports stated that North Korea is considering strikes near U.S. strategic military installations in Guam with its intermediate range ballistic missiles.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23287.5	-6.10%	-3.58%
S&P BSE Bankex	27098	-3.48%	1.61%
S&P BSE CD	17135.5	-0.61%	7.39%
S&P BSE CG	16927.4	-4.49%	-3.51%
S&P BSE FMCG	9714.24	-3.16%	-8.69%
S&P BSE HC	12807.8	-7.71%	-11.38%
S&P BSE IT	10268.9	-0.99%	1.03%
S&P BSE Metal	12279.9	-2.57%	3.54%
S&P BSE Oil & Gas	14372.0	-3.01%	5.32%
S&P BSE Realty	1960.8	-9.80%	-8.51%

Source: Thomson Reuters Eikon Value as on Aug 11, 2017

- On the BSE sectoral front, all the indices closed in the red. S&P BSE Realty was the major loser, down 9.80%, followed by S&P BSE Healthcare and S&P BSE Auto, which fell 7.71% and 6.10%, respectively. Weaker than expected corporate earnings results for the Jun quarter across all the sectors weighed on market sentiment.
- Realty sector remained low since investors refrained from taking major bets before assessing the impact of Real Estate (Regulation and Development) Act (RERA) and Goods and Services Tax (GST) on the sector.

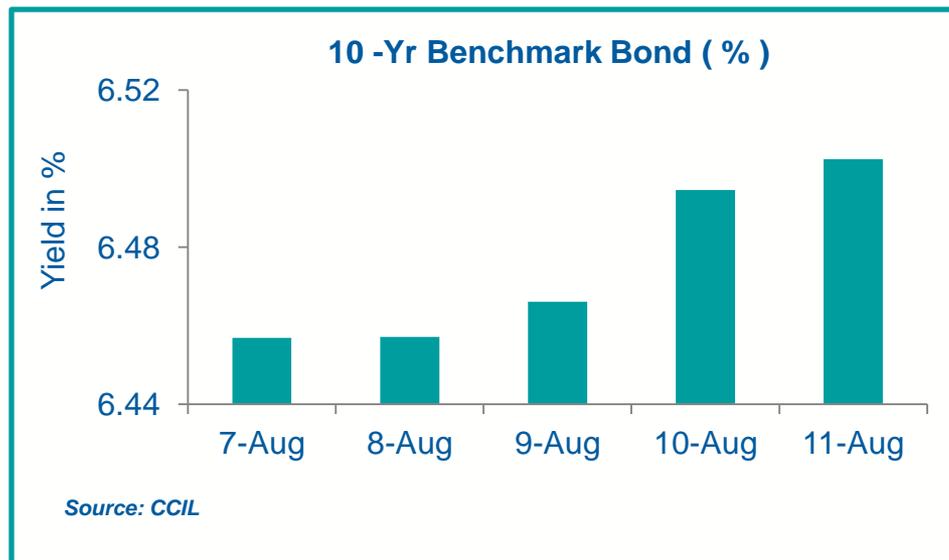
## Indian Derivatives Market Review

- Nifty Aug 2017 Futures were at 9,741.05, a premium of 30.25 points above the spot closing of 9,710.80. The turnover on NSE's Futures and Options segment stood at Rs. 34.86 lakh crore compared with Rs. 27.87 lakh crore in the week to Aug 4.
- The Put-Call ratio stood at 0.85 compared with the previous week's close of 0.90.
- The Nifty Put-Call ratio stood at 1.06 compared with the previous week's close of 1.27.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.85	5.90	6.04	6.11
91 Day T-Bill	6.12	6.10	6.24	6.26
07.80% 2021 , (5 Yr GOI)	6.43	6.41	6.56	6.71
06.79% 2027, (10 Yr GOI)	6.50	6.44	6.48	--

*Source: Thomson Reuters Eikon* *Value as on Aug 11, 2017*



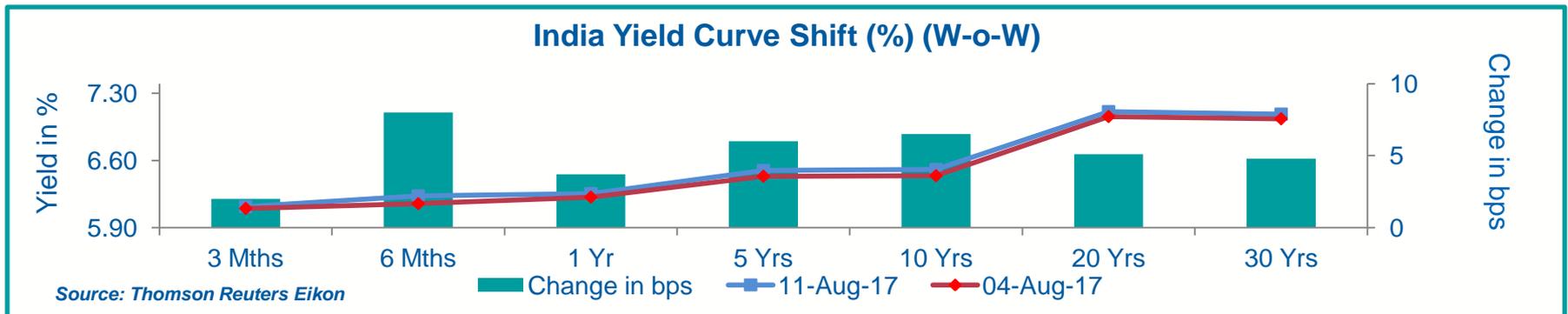
- Bond yields rose initially following increase in the U.S. Treasury yields after U.S. jobs data for Jul 2017 came better than market expectations.
- Market sentiment dampened further after the Reserve Bank of India (RBI) conducted open market sales of debt securities to absorb excess liquidity from the system and the outcome of the weekly debt auction on Aug 11 came lower than market expectations.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 6 bps to close at 6.50% from the previous week's close of 6.44% after trading in a range of 6.44% to 6.51%.
- RBI has decided to conduct sale of Government securities under Open Market Operations for an aggregate amount of Rs. 10,000 crore on Aug 29, 2017.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.21	6.78	57
3 Year	6.49	6.98	49
5 Year	6.59	7.11	52
10 Year	6.75	7.34	60

Source: Thomson Reuters Eikon Value as on Aug 11, 2017

- Yields on gilt securities increased across the maturities in the range of 2 bps to 9 bps.
- Yield on corporate bonds increased across the maturities in the range of 2 bps to 6 bps, barring 3-year paper that fell 1 bps.
- Spread between AAA corporate bond and gilt contracted across the maturities by up to 7 bps, barring 1- and 2-year maturities that expanded 16 bps and 2 bps, respectively.



## Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) asked Bombay Stock Exchange, National Stock Exchange, and the Metropolitan Stock Exchange, to initiate action against 331 suspected shell companies that are listed and these scrips will not be available for trade in Aug 2017. With immediate effect, bourses have been asked by the market regulator to keep 331 shares in stage four of the Graded Surveillance Mechanism. These 331 listed companies that were shared by corporate affairs ministry could even face compulsory delisting.
- SEBI asked rating companies to downgrade rating of any company to 'junk' immediately if it misses its loan repayment. Per the new rule, a company will be downgraded as soon as it defaults repayment even banks follow Reserve Bank of India's (RBI) asset classification norm that would not term them as non-performing asset before 90 days.
- RBI made it compulsory that issuer of commercial papers (CP) have to seek at least two ratings from rating agencies while adopting lower of the two for raising funds. The move comes on the wake to prevent shopping for favourable rates. Also, RBI stated that norms will be applicable for issuers who raise Rs. 1,000 crore in a calendar year. Simultaneously, RBI has relaxed minimum issuance size from Rs. 10 lakh proposed by in the draft paper on CPs to Rs. 5 lakhs.

## Regulatory Updates in India (contd..)

- RBI directed banks to make sure that customers' lockers remain safe and there is no negligence due to which they become liable to any claims by locker holders. Also, the Competition Commission of India has probed banks for alleged cartelization in providing locker services to their customers.
- The government and SEBI are planning to link Aadhaar card with financial market transactions, thereby making Aadhaar compulsory for buying shares and mutual funds. This is expected to help in curbing practices such as conversion of black money into white through the stock market.
- SEBI is planning to extend the trading hours for the derivatives market. Accordingly, trading in index futures could be kept open even after the close of cash market. The move will help investors with a tool to price in news flow that comes after market hours. SEBI has undertaken a review of the equity derivatives market and floated a discussion paper on this last month.

## Global News/Economy

- A report from the Labor Department showed that U.S. consumer price index inched up 0.1% in Jul 2017 after remaining unchanged in Jun 2017. While food prices grew 0.2% in Jul, energy prices inched down 0.1%. Core consumer prices (excluding food and energy prices) grew 0.1% in Jul 2017, thereby matching the same gains witnessed in the three previous months.
- A report from the U.S. Federal Reserve showed that consumer credit for Jun 2017 came in less than expected and grew \$12.4 billion after a gain of \$18.3 billion in May 2017. Meanwhile, non-revolving credit such as student loans and car loans surged \$8.2 billion in Jun after increasing \$11.5 billion in May.
- The Office for National Statistics showed that U.K.'s visible trade deficit widened to a 9-month high of GBP 12.72 billion in Jun 2017 from GBP 11.31 billion in May 2017. Total trade deficit increased by GBP 0.1 billion to GBP 8.9 billion in the second quarter as increases in imports were closely matched by increases in exports.
- According to the National Bureau of Statistics, China's inflation eased to 1.4% YoY in Jul 2017 from 1.5% in Jun 2017. Inflation was way below 3% target for the whole 2017 set by the government. Food prices fell 1.1% YoY while non-food prices grew 2.0% YoY in Jul. On a monthly basis, consumer prices edged up 0.1%, in contrast to a 0.2% drop in Jun.

## Global Equity Markets

Global Indices			
Indices	11-Aug-17	1-Week Return	YTD Return
Dow Jones	21858.32	-1.06%	9.94%
Nasdaq 100	5831.533	-1.16%	18.74%
FTSE 100	7309.96	-2.69%	1.84%
DAX Index	12014.06	-2.31%	3.58%
Nikkei Average	19729.74	-1.12%	0.69%
Straits Times	3279.72	-1.41%	13.13%

*Source: Thomson Reuters Eikon* *Value as on Aug 11, 2017*

### Europe

- European markets closed lower amid ongoing geopolitical concerns between the U.S. and North Korea, which compelled investors to shift towards the safe-haven options. Weaker than expected economic data like German industrial output and euro zone investor confidence negatively impacted investor sentiment.

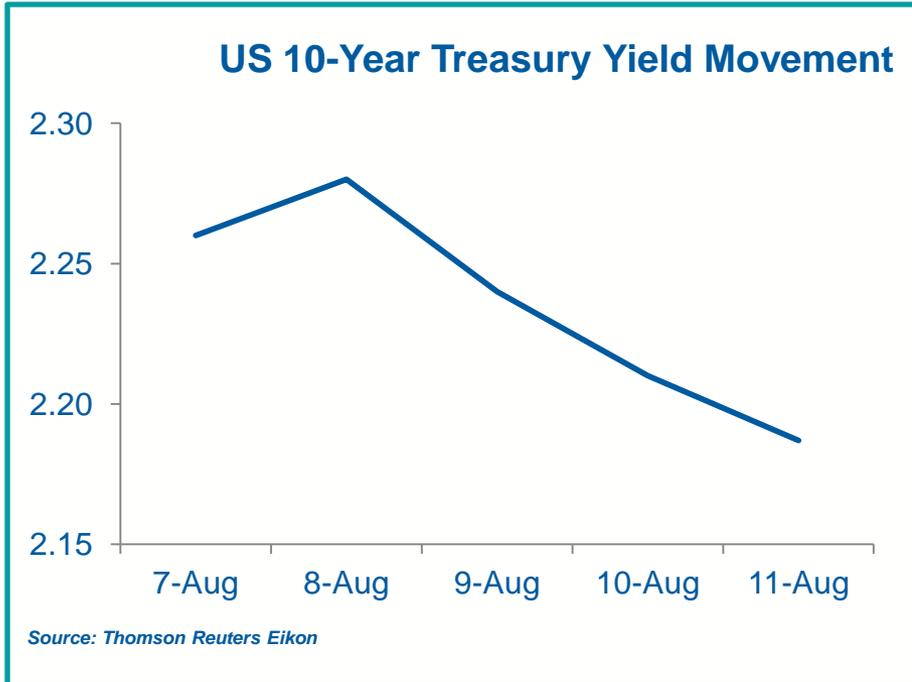
### Asia

- Asian markets closed in the negative terrain amid truncated trading week. Rising geopolitical tensions and lower than expected Chinese economic data played a spoilsport. Unexpected fall in Japan's core machinery orders for the third consecutive month in Jun 2017 further dampened sentiment.

### U.S.

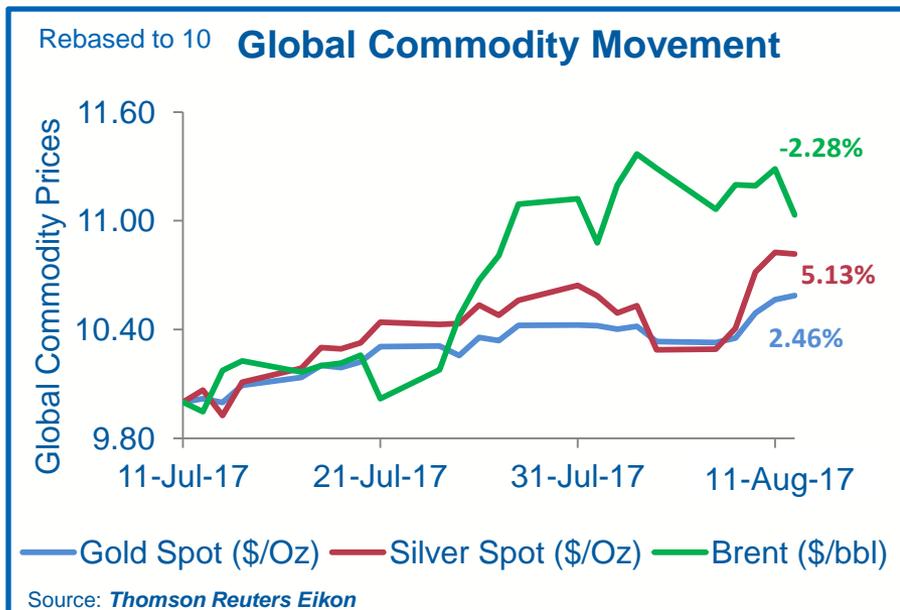
- U.S. markets fell over the week amid geopolitical concerns due to increasing tensions between the U.S. and North Korea following the remarks by the U.S. President.
- Some of the weak economic data also weighed on market sentiment as the producer price index for final demand edged down in Jul 2017 and initial jobless claims in the week ended Aug 5 witnessed an unexpected uptick.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 8 bps to close at 2.19% from the previous week's close of 2.27%.
- U.S. Treasury prices rose due to growing tensions between the U.S. and North Korea that spurred demand for safe-haven U.S. debts.
- Prices rose further after U.S. producer prices registered the biggest drop in 11 months in Jul 2017 and an unexpected rise in weekly jobless claims for the week ended Aug 5.
- Gains were extended after U.S. consumer prices rose less than expected in Jul 2017, indicating economic weakness that could delay rate hike by the U.S. Federal Reserve.

## Commodities Market



## Gold

- Gold prices traded higher owing mainly to geopolitical tensions as the U.S. President issued a warning to North Korea to stop threatening the U.S. with nuclear missiles, which kept supporting the precious metal's safe-haven appeal.

## Crude

- Brent crude prices ended the week lower mainly after the International Energy Agency stated that although the market was rebalancing itself, it was occurring slowly, because of the Organization of the Petroleum Exporting Countries' weak compliance with output cuts.

## Baltic Dry Index

- The Baltic Dry Index grew during the week owing to stronger capesize and panamax activities.

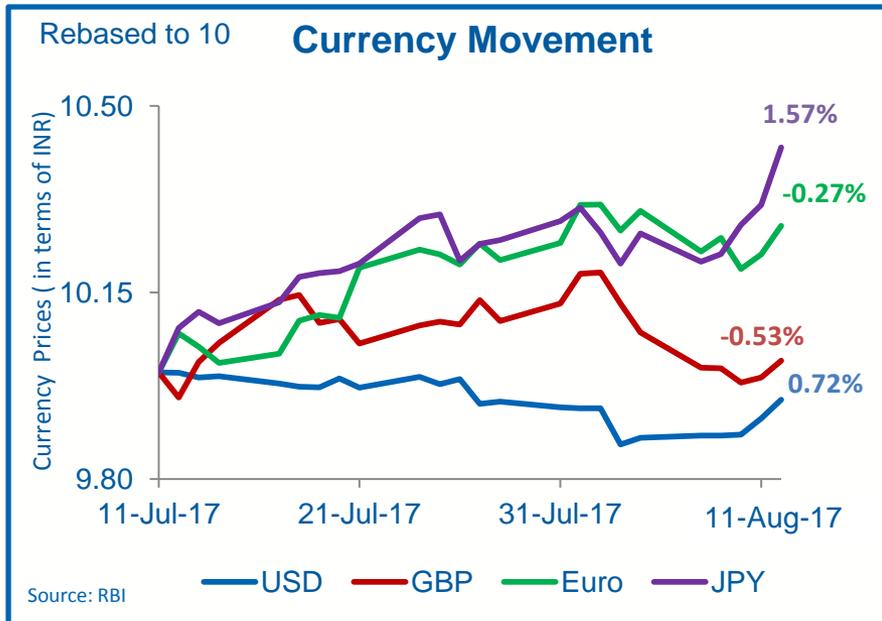
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	51.76	52.97
Gold (\$/Oz)	1288.81	1257.85
Gold (Rs/10 gm)	29002	28554
Silver (\$/Oz)	17.06	16.23
Silver (Rs/Kg)	39062	37966

Source: Thomson Reuters Eikon

Value as on Aug 11, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.17	63.71
Pound Sterling	83.27	83.71
EURO	75.46	75.66
JPY(per 100 Yen)	58.76	57.85

Source: RBI Figures in INR , Value as on Aug 11, 2017

### Rupee

- The Indian rupee weakened against the U.S. dollar following losses in domestic equity market and after U.S. jobs data for Jul came better than expected.

### Euro

- Euro strengthened against the greenback on hopes that the Fed may keep interest rates on hold amid signs of soft inflation in the U.S.

### Pound

- Sterling weakened against the U.S. dollar after U.K.'s consumer spending fell for the third consecutive month in Jul 2017, construction output declined and trade deficit expanded in Jun 2017.

### Yen

- Yen strengthened against the U.S. dollar as growing tensions between the U.S. and North Korea spurred demand for safe-haven yen.

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The Week that was...

**7<sup>st</sup> August to 11<sup>th</sup> August**

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## The Week that was (Aug 7 – Aug 11)

Date	Events	Present Value	Previous Value
<b>Monday, Aug 7, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Leading Index (JUN P)</li> <li>• U.S. Consumer Credit (JUN)</li> <li>• Germany Industrial Production (YoY) (JUN)</li> <li>• Japan Trade Balance - BOP Basis (Yen) (JUN)</li> </ul>	106.3 \$12.397b 2.40% ¥518.5b	104.6 \$18.285b 4.80% -¥115.1b
<b>Tuesday, Aug 8, 2017</b>	<ul style="list-style-type: none"> <li>• China Trade Balance CNY (JUL)</li> <li>• Japan Bankruptcies (YoY) (JUL)</li> <li>• Japan Eco Watchers Survey Current (JUL)</li> <li>• Germany Trade Balance (euros) (JUN)</li> </ul>	321.20b 0.28% 49.7 22.3b	294.30b -7.47% 50 22.0b
<b>Wednesday, Aug 9, 2017</b>	<ul style="list-style-type: none"> <li>• China Consumer Price Index (YoY) (JUL)</li> <li>• Japan Housing Loans (YoY) (2Q)</li> <li>• China Producer Price Index (YoY) (JUL)</li> <li>• Japan Machine Tool Orders (YoY) (JUL P)</li> </ul>	1.40% 3.30% 5.50% 26.30%	1.50% 3.30% 5.50% 31.10%
<b>Thursday, Aug 10, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Tertiary Industry Index (MoM) (JUN)</li> <li>• U.K. Industrial Production (YoY) (JUN)</li> <li>• U.S. Initial Jobless Claims (AUG 05)</li> <li>• U.K. Manufacturing Production (YoY) (JUN)</li> </ul>	0.00% 0.30% 244k 0.60%	-0.10% -0.20% 241k 0.30%
<b>Friday, Aug 11, 2017</b>	<ul style="list-style-type: none"> <li>• U.S. Consumer Price Index (YoY) (JUL)</li> <li>• Germany Consumer Price Index (YoY) (JUL F)</li> </ul>	1.70% 1.70%	1.60% 1.70%

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The Week Ahead

**14<sup>th</sup> August to 18<sup>th</sup> August**

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## The Week Ahead

Day	Event
<p><b>Monday,</b> <b>Aug 14, 2017</b></p>	<ul style="list-style-type: none"> <li>• China Retail Sales YTD (YoY) (JUL)</li> <li>• China Industrial Production YTD (YoY) (JUL)</li> <li>• Eurozone Industrial Production (YoY) (JUN)</li> </ul>
<p><b>Tuesday,</b> <b>Aug 15, 2017</b></p>	<ul style="list-style-type: none"> <li>• Germany Gross Domestic Product (YoY) (2Q P)</li> <li>• U.K. Consumer Price Index (YoY) (JUL)</li> <li>• U.S. Business Inventories (JUN)</li> <li>• U.S Advance Retail Sales (JUL)</li> </ul>
<p><b>Wednesday,</b> <b>Aug 16, 2017</b></p>	<ul style="list-style-type: none"> <li>• Eurozone Gross Domestic Product (YoY) (2Q P)</li> <li>• U.S. Housing Starts (MoM) (JUL)</li> <li>• Japan Merchandise Trade Balance Total (Yen) (JUL)</li> </ul>
<p><b>Thursday,</b> <b>Aug 17, 2017</b></p>	<ul style="list-style-type: none"> <li>• European Central Bank account of the monetary policy meeting</li> <li>• Eurozone Consumer Price Index (YoY) (JUL F)</li> <li>• U.S. Initial Jobless Claims (AUG 12)</li> <li>• U.K. Retail Sales (YoY) (JUL)</li> <li>• U.S. Leading Indicators (JUL)</li> </ul>
<p><b>Friday,</b> <b>Aug 18, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S University of Michigan Confidence (AUG P)</li> <li>• Japan Supermarket Sales (YoY) (JUL)</li> </ul>

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