

RELIANCE

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August 18, 2017

The Week that was...

14th August to 18th August

Indian Economy

- Government data showed that retail inflation grew 2.36% in Jul 2017 from 1.46% in the previous month. Retail inflation in the same month of the previous year stood at 6.07%. The consumer food price index also contracted 0.29% in Jul compared with a contraction of 2.12% in the previous month and an expansion of 8.35% in the same month of the previous year.
- Government data showed that Wholesale Price Index (WPI) based inflation grew 1.88% in Jul 2017 from 0.90% in the previous month and 0.63% in the same month of the previous year. The build-up inflation rate in this fiscal so far came in at 0.62% compared with a build-up rate of 3.81% in the previous-year period. The growth was because food inflation turned positive and manufactured items witnessed growth in prices. Subsequently, prices of important crops like vegetables witnessed growth of 21.95% against a contraction of 21.16% in the previous month. WPI for minerals also expanded 24.84% in Jul following a contraction of 2.02% in the previous month.
- Government data showed that India's trade deficit expanded to \$11.45 billion in Jul 2017 from \$7.76 billion in the same month of the previous year. Imports grew 15.42% YoY to \$33.99 billion in Jul 2017 from \$29.45 billion in the Jul 2016 while exports grew 3.94% YoY to \$22.54 billion in Jul from \$21.69 billion in the same month of the previous year. Imports grew as gold imports increased 95.05% to \$2.10 billion in Jul from \$1.08 billion in the same month of the previous year. Oil imports also grew 15.02% to \$7.84 billion in Jul from \$6.82 billion in the same month last fiscal.

Indian Equity Market

Domestic Equity Market Indices			
Indices	18-Aug-17	1 Week Return	YTD Return
S&P BSE Sensex	31,524.68	1.00%	18.53%
Nifty 50	9,837.40	1.30%	20.27%
S&P BSE Mid-Cap	15,208.46	3.27%	25.36%
S&P BSE Small-Cap	15,617.95	3.87%	28.12%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.58	25.10	30.12	78.50
P/B	3.02	3.46	2.70	2.43
Dividend Yield	1.24	0.97	1.20	0.73

Source: BSE, NSE *Value as on Aug 18, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
14-Aug-17	1,379	338	4.08
16-Aug-17	1,148	538	2.13
17-Aug-17	923	726	1.27
18-Aug-17	589	1,102	0.53

Source: NSE

- Indian equity markets managed to end in the green amid firm global signals on receding tensions between the U.S. and North Korea. Also, announcement by one of the IT majors of considering a share buyback proposal in a meeting scheduled later in Aug 2017 added to the gains.
- Meanwhile, weak U.S. inflation data for Jul 2017 lowered the prospects of another rate hike in 2017, thereby improving investors' sentiment.
- However, resignation of chief executive officer and managing director of one of the IT majors, persistent capital outflows by foreign institutional investors, terrorist attack in Barcelona, and growing uncertainty over U.S. President's reform agenda hurt sentiment.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23,785.70	2.14%	-2.32%
S&P BSE Bankex	27,183.84	0.32%	-0.07%
S&P BSE CD	17,699.61	3.29%	11.41%
S&P BSE CG	17,220.27	1.73%	-2.33%
S&P BSE FMCG	10,076.13	3.73%	0.82%
S&P BSE HC	12,938.17	1.02%	-12.34%
S&P BSE IT	10,081.89	-1.82%	-0.88%
S&P BSE Metal	12,941.50	5.39%	7.27%
S&P BSE Oil & Gas	14,794.46	2.94%	6.91%

Source: Thomson Reuters Eikon Value as on Aug 18, 2017

- On the BSE sectoral front, most of the indices closed in the green barring S&P BSE Information Technology (-1.82%) and S&P BSE Teck (-0.92%). Meanwhile, S&P BSE Realty (6.60%) stood as the major gainer followed by S&P BSE Metals (5.39%), S&P BSE FMCG (3.73%), and S&P BSE Power (3.36%).
- S&P BSE Information Technology declined after the resignation of chief executive officer and managing director of one of the IT majors.

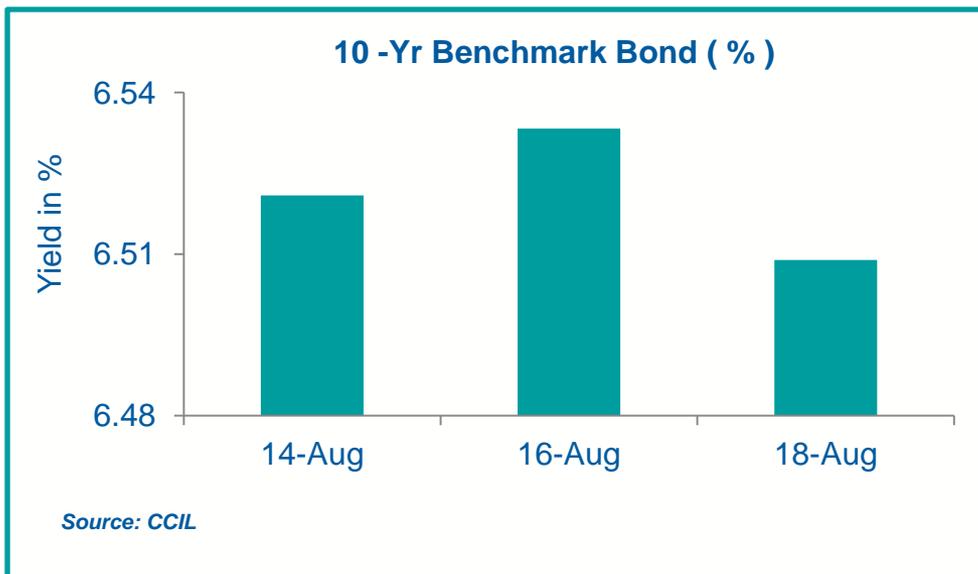
Indian Derivatives Market Review

- Nifty Aug 2017 Futures were at 9,854.40, a premium of 17.00 points above the spot closing of 9,837.40. The turnover on NSE's Futures and Options segment stood at Rs. 18.27 lakh crore compared against Rs. 34.86 lakh crore in the week to Aug 11.
- The Put-Call ratio stood at 0.88 compared with the previous week's close of 0.85.
- The Nifty Put-Call ratio stood at 1.14 compared with the previous week's close of 1.06.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.86	5.85	6.07	6.05
91 Day T-Bill	6.12	6.12	6.16	6.19
07.80% 2021 , (5 Yr GOI)	6.43	6.43	6.52	6.69
06.79% 2027, (10 Yr GOI)	6.51	6.50	6.46	--

Source: Thomson Reuters Eikon *Value as on Aug 18, 2017*



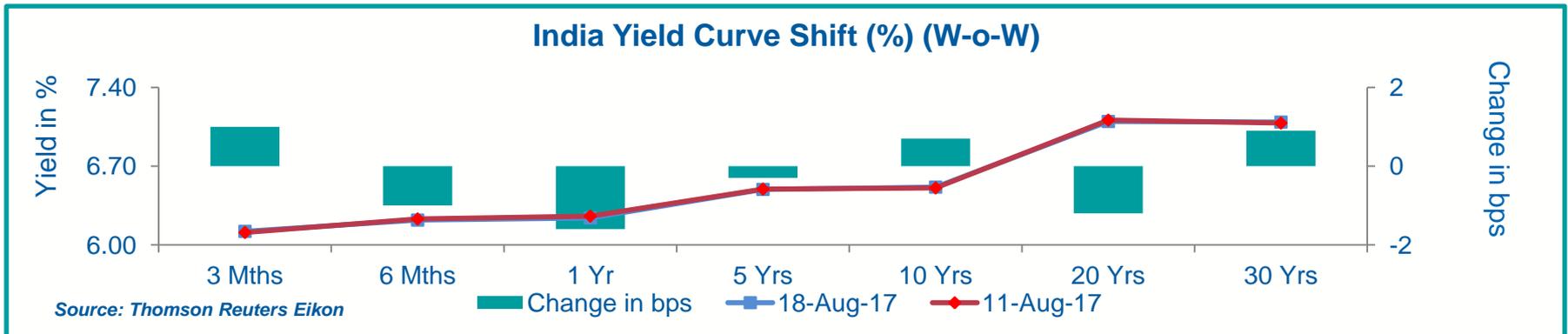
- Bond yields rose after retail inflation grew more than expected in Jul 2017 lowering hopes of any further easing by the Monetary Policy Committee in the near term. Yields rose further after the outcome of the weekly debt auction on Aug 18 came below market expectations. However, most of the losses were neutralised as market participants resorted to bargain hunting.
- Yield on the 10-year benchmark bond (6.79% GS 2027) inched up 1 bps to close at 6.51% from the previous week's close of 6.50% after trading in a range of 6.49% to 6.55%.
- Data from RBI showed that India's foreign exchange reserves grew \$163.8 million to touch a new life-time high of \$ 393.612 billion in the week ended August 11.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.18	6.73	55
3 Year	6.51	7.00	49
5 Year	6.59	7.14	55
10 Year	6.76	7.34	58

Source: Thomson Reuters Eikon *Value as on Aug 18, 2017*

- Yields on gilt securities increased across the maturities by up to 3 bps, barring 1- and 19-year maturities that fell 2 and 1 bps respectively. Yield on 2-, 5-, and 11-year maturities closed steady.
- Yield on corporate bonds increased across the maturities by up to 3 bps, barring 1-year paper that fell 5 bps. Yield on 10-year paper closed steady.
- Spread between AAA corporate bond and gilt expanded by up to 3 bps, barring 1- and 10-year maturities that contracted 1 and 2 bps, respectively. Spread on 3-, 4-, 8-, and 9-year maturities closed steady.



Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) has operationalised a portal for online registration of stock brokers and other market intermediaries. This will help to improve the ease of doing business. The portal provides for registration, processing of application, grant of final registration, application for surrender and cancellation, among other facilities for securities market intermediaries.
- SEBI announced that it has increased inspection of suspected brokers and other entities and taken action against hundreds of them. This comes in the wake of crack down on the misuse of the stock market for money laundering.
- SEBI has relaxed the norms to purchase stake in distressed listed companies by lenders. The market regulator has exempted lenders from making open offers for shareholders. However, the stake buying will be subject to certain conditions, including shareholders' approval of the stake acquisition by way of special resolution.
- The Union cabinet approved the Central Goods and Services Tax (CGST) refund scheme with a budgetary allocation of Rs. 27,413 crore. The scheme will help industrial units in Himachal Pradesh, Uttarakhand, Jammu & Kashmir, and the North East till 2027.

Regulatory Updates in India (contd..)

- The cabinet approved an alternative mechanism for pursuing government's strategic sale programme. Under this arrangement, the finance minister, roads minister, and minister of relevant administrative ministry will decide on matters relating to terms and conditions of sale from the stage of inviting expressions of interest to that of seeking financial bids.
- Government has allowed export of gold jewellery (plain or studded) and other articles of 8 carat and above up to a maximum limit of 22 carat purity. However, above 22 carat export has been banned with an aim to check round tripping of the precious metal. The limit is applicable for domestic tariff area and export-oriented units, electronics hardware technology parks, software technology parks, and bio technology parks.
- Amid stepped up efforts against illicit fund flows, the government has begun weeding out Limited Liability Partnership (LLP) entities that have been inactive for a long time. Besides, taking action on companies that are inactive for a long time, the government has also begun cracking the whip on similar LLPs across the country. Approximately, 200 LLPs that have not been carrying out business activities at least two straight financial years have been identified by the government.

Global News/Economy

- A report from the Commerce Department showed that U.S. retail sales surpassed market expectations and grew 0.6% in Jul 2017 as against upwardly revised gain of 0.3% in Jun 2017 (0.2% decline originally reported).
- Minutes of U.S. Federal Reserve's (Fed) Jul meeting showed that policymakers expect to increase their benchmark lending rate by a quarter percentage point one more time this year. However, policymakers remained concerned of low inflation in the U.S. Many officials were of the view that inflation might remain below 2% for a longer period of time than they currently expected.
- Minutes of the European Central Bank's policy meeting on Jul 20 showed that policymakers were concerned over appreciation of the euro against the greenback. Policymakers also pointed out the risk that the exchange rate of the euro could increase in the future.
- According to data from the Office for National Statistics, U.K. ILO unemployment rate fell to 4.4% in the second quarter from 4.9% in the year-ago period. This marked the lowest rate since 1975.
- According to data from the National Bureau of Statistics, China's industrial production growth slowed at a faster than expected pace to 6.4% YoY in Jul 2017 from 7.6% rise in Jun 2017. Meanwhile, retail sales growth in China also eased to 10.4% in Jul 2017 from 11% in Jun 2017.

Global Equity Markets

Global Indices			
Indices	18-Aug-17	1-Week Return	YTD Return
Dow Jones	21,674.51	-0.84%	9.02%
Nasdaq 100	5,790.91	-0.70%	17.91%
FTSE 100	7,323.98	0.19%	2.04%
DAX Index	12,165.19	1.26%	4.89%
Nikkei Average	19,470.41	-1.31%	-0.63%
Straits Times	3,251.99	-0.85%	12.18%

Source: Thomson Reuters Eikon *Value as on Aug 18, 2017*

Europe

- European markets witnessed gains amid easing tensions between the U.S. and North Korea. Buying interest found additional support as flash estimate from Eurostat showed that the euro area economy expanded as initially estimated in the second quarter of 2017. However, terrorist attack in Barcelona capped the gains.

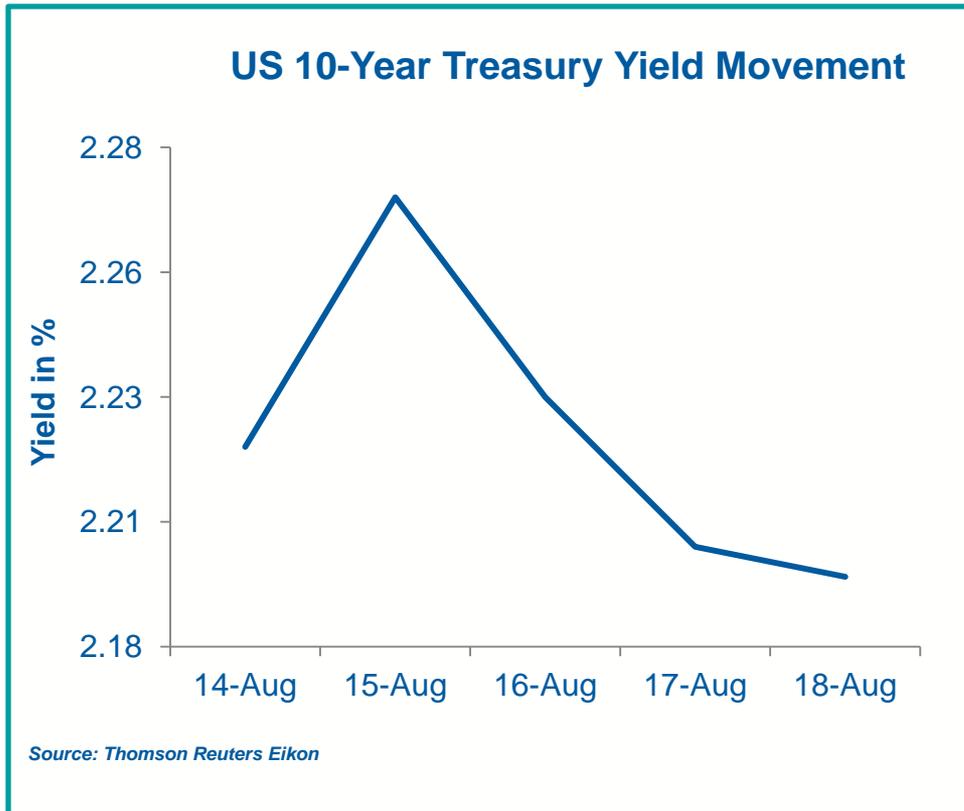
Asia

- The positive impact of easing geopolitical tensions between the U.S. and North Korea was offset by growing uncertainty over probable rate hike by the Fed in Dec 2017. Also, International Monetary Fund warned that China's credit growth is on a "dangerous trajectory". Ongoing political concerns in the U.S. and terror attack in Barcelona acted as spoilsports.

U.S.

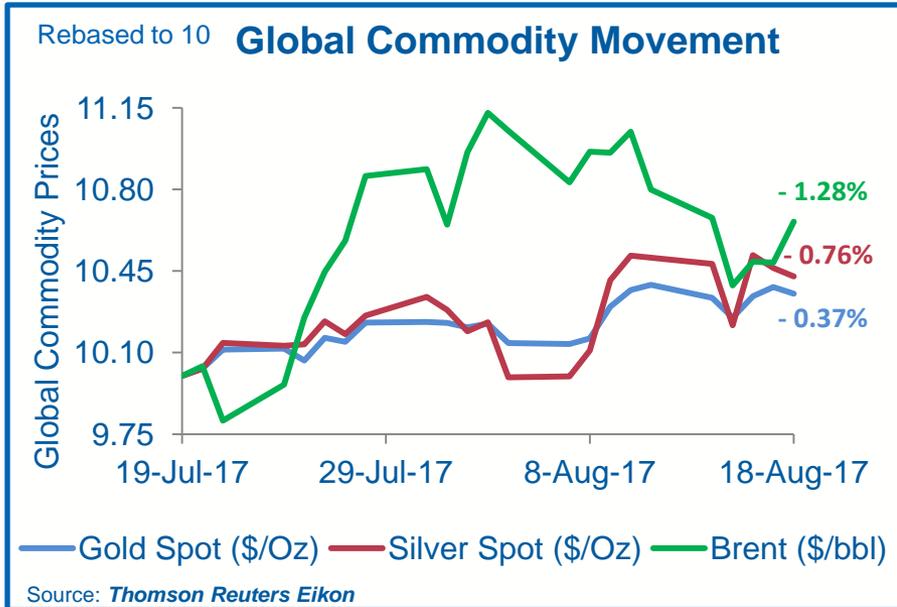
- U.S. equity markets witnessed losses during the week after Fed's July meetings minutes led to uncertainty over one more rate hike in 2017.
- Ongoing concerns over the U.S. President's ability to push through the reform agenda and terrorist attack in Barcelona further dented market sentiment.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond closed steady at 2.19% compared to the closing of the previous week.
- Initially, U.S. Treasury prices fell as easing tensions between the U.S. and North Korea improved risk appetite. Strong domestic U.S. retail sales for Jul and regional factory activity data for Aug, brought down prices further.
- However, renewed concerns over the U.S. President’s reform agenda and terrorist attack in Barcelona improved safe haven appeal of U.S. treasuries.
- Gains were neutralised after U.S. Treasury fell at the end of the week as market participants cheered the exit of a senior White House adviser who is known for his economic nationalist views that revived the appetite for stocks.

Commodities Market



Gold

- Gold prices moved down over the week on easing tensions between the U.S. and North Korea. Downside was limited after minutes of Fed's Jul policy meeting indicated delay in further rate hikes.

Crude

- Brent crude prices ended the week lower on lingering concerns over a global supply glut after data from the U.S. Energy Information Administration showed that total domestic crude production edged up by 79,000 barrels a day to 9.5 million barrels a day in the last week, its highest level since Jul 2015.

Baltic Dry Index

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

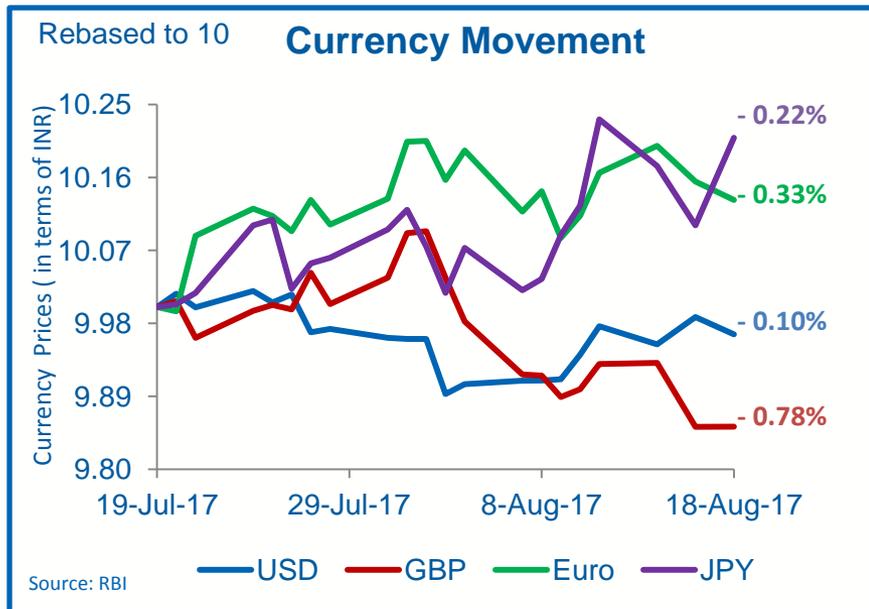
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	51.10	51.76
Gold (\$/Oz)	1,284.10	1,288.81
Gold (Rs/10 gm)	29,134	29,002
Silver (\$/Oz)	16.93	17.06
Silver (Rs/Kg)	39,108	39,062

Source: Thomson Reuters Eikon

Value as on Aug 18, 2017

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.10	64.17
Pound Sterling	82.62	83.27
EURO	75.21	75.46
JPY(per 100 Yen)	58.63	58.76

Source: RBI Figures in INR , Value as on Aug 18, 2017

Rupee

- The Indian rupee was almost flat against the U.S. dollar as losses following upbeat U.S. retail sales data for Jul 2017 were reversed owing to dollar sales by banks.

Euro

- Euro fell against the U.S. dollar on easing geopolitical tensions between the U.S. and North Korea, and upbeat U.S. retail sales data for Jul 2017.

Pound

- Pound fell against the greenback on easing geopolitical tensions between the U.S. and North Korea and upbeat U.S. economic data.

Yen

- Yen fell initially against the U.S. dollar on easing geopolitical tensions between the U.S. and North Korea. However, doubts on another rate hike by U.S. Fed reversed most of the losses.

The Week that was...

14th August to 18th August

The Week that was (Aug 14 – Aug 18)

Date	Events	Present Value	Previous Value
Monday, August 14, 2017	<ul style="list-style-type: none"> • China Retail Sales (YoY) (JUL) • China Industrial Production (YoY) (JUL) • Eurozone Industrial Production (YoY) (JUN) 	10.40%	11.00%
Tuesday, August 15, 2017	<ul style="list-style-type: none"> • U.S. Advance Retail Sales (JUL) • Germany Gross Domestic Product (YoY) (2Q P) • U.K. Consumer Price Index (YoY) (JUL) • U.K. House Price Index (YoY) (JUN) • U.S. Business Inventories (JUN) 	0.60%	0.30%
Wednesday, August 16, 2017	<ul style="list-style-type: none"> • Eurozone Gross Domestic Product (YoY) (2Q P) • U.S. Housing Starts (MoM) (JUL) • U.S. Building Permits (MoM) (JUL) • U.K. Jobless Claims Change (JUL) 	2.10%	2.00%
Thursday, August 17, 2017	<ul style="list-style-type: none"> • U.K. Retail Sales (YoY) (JUL) • Eurozone Consumer Price Index (MoM) (JUL) • U.S. Industrial Production (JUL) 	2.60%	2.60%
Friday, August 18, 2017	<ul style="list-style-type: none"> • U.S. University of Michigan Confidence (AUG P) 	4.90%	5.00%
		0.50%	0.30%
		2.20%	2.10%
		-4.80%	7.40%
		-4.10%	9.20%
		(4.2K)	3.5K
		1.50%	2.80%
		-0.50%	0.00%
		0.20%	0.40%
		97.6	93.4

The Week Ahead

21st August to 25th August

The Week Ahead

Day	Event
Monday, August 21, 2017	<ul style="list-style-type: none"> • Japan All Industry Activity Index (MoM) (JUN)
Tuesday, August 22, 2017	<ul style="list-style-type: none"> • Eurozone ZEW Survey (Economic Sentiment) (AUG) • Germany ZEW Survey (Economic Sentiment) (AUG) • U.S. House Price Purchase Index (QoQ) (2Q)
Wednesday, August 23, 2017	<ul style="list-style-type: none"> • Germany Markit Composite PMI (AUG P) • Eurozone Markit Composite PMI (AUG P) • U.S. Markit Composite PMI (AUG P) • U.S. New Home Sales (MoM) (JUL) • U.S. MBA Mortgage Applications (AUG 18)
Thursday, August 24, 2017	<ul style="list-style-type: none"> • Japan National Consumer Price Index (YoY) (JUL) • U.K. Gross Domestic Product (YoY) (2Q P) • Japan Nikkei Manufacturing PMI (AUG P) • U.S. Existing Home Sales (MoM) (JUL)
Friday, Aug 25, 2017	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (JUL P) • Germany Gross Domestic Product (YoY) (2QF)

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