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December 15, 2017

The Week that was...

11th December to 15th December

Indian Economy

- Government data showed that growth of Consumer Price Index (CPI) based inflation or retail inflation surged to a 15-month high of 4.88% in Nov 2017 from 3.58% in the previous month and 3.63% in the same period of the previous year. Retail inflation growth thus surpassed the Reserve Bank of India's (RBI) medium-term target of 4%. The Consumer Food Price Index also grew 4.42% in Nov 2017 from 1.90% in the previous month and 2.03% in the same period of the previous year.
- Government data showed that the growth of India's Index of Industrial Production (IIP) slowed to 2.2% in Oct 2017 from an upwardly revised 4.1% (3.8% originally reported) in Sep 17 and 4.2% in the same period of the previous year. The manufacturing sector also slowed to 2.5% in Nov 2017 from 4.8% in the same period of the previous year. IIP growth for the period from Apr to Oct 2017 also slowed to 2.5% from 5.5% in the same period of the previous fiscal.
- Government data showed that the Wholesale Price Index (WPI)-based inflation rose to an 8-month high as it grew 3.93% in Nov 2017 from 3.59% in the previous month and 1.82% in the same month of the previous year. The growth of WPI food index also accelerated from 3.23% in Oct 2017 to 4.10% in Nov 2017. WPI for vegetables grew for the second consecutive month and increased 59.80% in Nov from 36.61% in the previous month.
- Government data showed that India's trade deficit expanded marginally to \$13.83 billion in Nov 2017 from \$13.40 billion in the same period of the previous year. However, trade deficit contracted from \$14.02 billion in the previous month. Exports grew 30.55% to \$26.20 billion in Nov after declining 1.12% to \$23.10 billion in the previous month due to improved global demand, government incentives and simplification of GST refund process.

Indian Equity Market

Domestic Equity Market Indices			
Indices	15-Dec-17	1 Week Return	YTD Return
S&P BSE Sensex	33462.97	0.64%	25.82%
Nifty 50	10333.25	0.66%	26.33%
S&P BSE Mid-Cap	16974.72	-0.41%	39.92%
S&P BSE Small-Cap	18170.65	-0.23%	49.06%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.8	26.46	45.08	89.1
P/B	3.05	3.48	2.98	2.61
Dividend Yield	1.16	1.1	0.81	0.62

Source: BSE, NSE *Value as on Dec 15, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
11-Dec-17	923	847	1.09
12-Dec-17	558	1206	0.46
13-Dec-17	516	1242	0.42
14-Dec-17	647	1106	0.58
15-Dec-17	1170	576	2.03

Source: NSE

- The Indian equity markets initially traded low after official data showed that industrial production growth hit a 3-month low in Oct 2017 and retail inflation rose to a 15-month high in Nov 2017. The recent strength in global crude oil prices also raised concerns over inflation outlook, which in turn may impact the Reserve Bank of India's stance on future rate cut.
- However, the trend reversed as investors cheered exit poll survey results, which predicted that the ruling party is set to retain Gujarat and gain Himachal Pradesh from the main opposition party.
- Meanwhile, provisional figures of direct tax collections indicated that net tax collections stood 14.4% higher during Apr-Nov 2017 compared with the corresponding period of last year.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25,549.24	0.89%	3.31%
S&P BSE Bankex	28,740.08	0.32%	0.41%
S&P BSE CD	22,013.47	0.83%	10.00%
S&P BSE CG	18,328.04	-0.82%	1.43%
S&P BSE FMCG	10,552.79	-0.09%	4.49%
S&P BSE HC	14,035.78	0.09%	3.60%
S&P BSE IT	10,897.57	0.81%	2.30%
S&P BSE Metal	13,868.38	0.77%	0.21%
S&P BSE Oil & Gas	16,289.91	1.10%	4.60%

Source: Thomson Reuters Eikon Value as on Dec 15, 2017

- On the BSE sectoral front, indices closed on a mixed note. S&P BSE Realty (-1.84%) stood as the major loser followed by S&P BSE Power (-1.19%) and S&P BSE CG (-0.82%). Meanwhile, S&P BSE Oil & Gas (1.10%) stood as the major gainer followed by S&P BSE Auto (0.89%) and S&P BSE CD (0.83%).
- Auto sector got support after data from Society of Indian Automobile Manufacturers showed that sales of domestic passenger vehicles grew 14.29% over the year to 2,75,417 units in Nov.

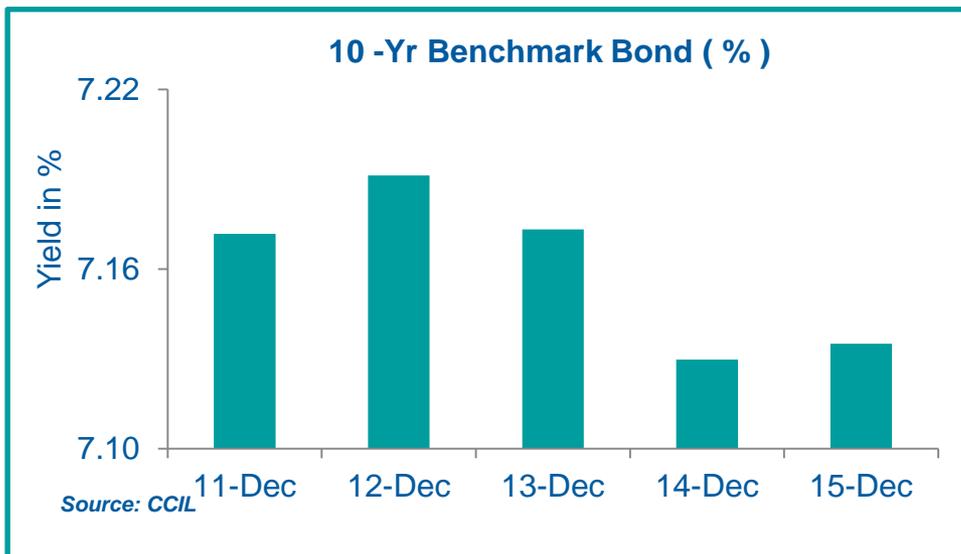
Indian Derivatives Market Review

- Nifty Dec 2017 Futures were at 10,359.5, a premium of 26.25 points above the spot closing of 10,333.25. The turnover on NSE's Futures and Options segment stood at Rs. 33.28 lakh crore as against Rs. 31.09 lakh crore in the week to Dec 8.
- The Put-Call ratio stood at 1.01 compared with the previous week's close of 0.80.
- The Nifty Put-Call ratio stood at 1.29 compared with the previous week's close of 1.26.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.99	5.90	5.85	6.06
91 Day T-Bill	6.16	6.11	6.11	6.25
7.80% 2021, (5 Yr GOI)	6.83	6.77	6.75	6.57
6.79% 2027, (10 Yr GOI)	7.14	7.09	7.02	6.48

Source: Thomson Reuters Eikon Value as on Dec 15, 2017



- Bond yields rose during the week under review after domestic inflationary pressures grew in Nov 2017. Retail inflation rose to a 15-month high in Nov, while wholesale price index-based inflation rose to an 8-month high in the same period. Increase in global crude oil prices and concerns of fiscal slippage also dampened market sentiment.
- However, further losses were restricted after the U.S. Federal Reserve forecasted only three rate hikes in 2018 amid concerns of low inflation in the U.S. Debt market sentiment received further support after the Reserve Bank of India (RBI) announced to buy back bonds worth Rs. 20,000 crore in the coming week.

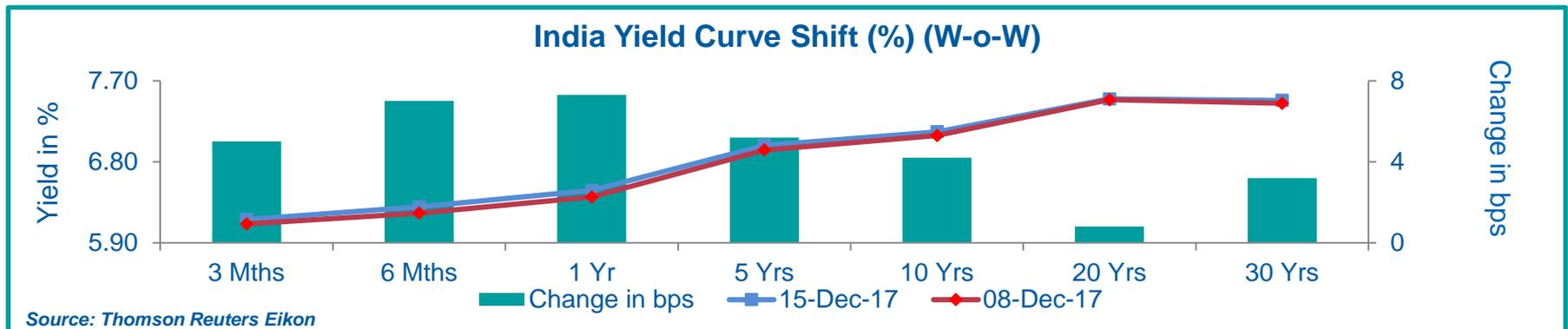
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.57	7.07	50
3 Year	6.90	7.37	47
5 Year	7.10	7.52	42
10 Year	7.42	7.79	37

Source: Thomson Reuters Eikon

Value as on Dec 15, 2017

- Yields on gilt securities increased across the maturities by up to 8 bps, barring 9-year paper that fell 1 bps and 11-year paper that closed steady.
- Corporate bond yields increased across the maturities in the range of 7 bps to 13 bps. The minimum increase was witnessed on 6-, 7- and 9-year maturities and the maximum on 3-year maturity.
- Spread between AAA corporate bond and gilt expanded across the maturities by up to 8 bps, barring 9- and 11-year maturities that closed steady.



Source: Thomson Reuters Eikon

Regulatory Updates in India

- According to the finance minister, recapitalisation of public sector banks would help them to lend to medium and small enterprises. This sector is gradually moving to the formal economy. As per the minister, banks' lending capacity was previously limited due to a shortage of capital. The minister further stated that taxation for small firms under the Goods and Services Tax (GST) regime was favourable.
- The Bombay Stock Exchange directed asset management companies to ensure that individual clients compulsorily submit their Aadhaar details from Jan 2018. The objective of the move is to comply with anti-money laundering rules.
- Retirement fund body Employees' Provident Fund Organization (EPFO) advised subscribers not to completely withdraw funds for trivial reasons. EPFO added that the provident fund money aims to provide social security benefits and that it should not be treated as a bank account.
- The power ministry has come out with the final guidelines to ensure transparent procurement of wind power through tariff-based competitive bidding. The objective of the move is to boost the usage of clean source of energy. The guidelines will enable distribution licensees to procure wind power at competitive rates in a cost-effective manner.

Regulatory Updates in India (contd..)

- According to the finance minister, the government is following the roadmap of fiscal consolidation. The minister also pacified concerns over provisions of Financial Resolution and Deposit Insurance Bill and added that the government will take steps to protect the public's deposits in financial institutions.
- According to the NITI Aayog chief, the government needs to offer better projects and put up a good dispute redressal mechanism to attract private investment in the infrastructure place. The NITI Aayog chief further added that the construction sector needs to grow at 50% per annum to achieve economic growth of 9% to 10%.
- The Supreme Court allowed the cement industry to use petroleum coke in place of coal. It needs to be noted that coal has been temporarily banned as pollution levels rose in Delhi in Nov 2017.

Global News/Economy

- The U.S. Federal Reserve (Fed) increased interest rates to a range of 1.25% to 1.50%, thereby marking a rate hike of 0.25% thrice in 2017. The hike was driven by a strong labour market and solid economy. The tone was, however, dovish on future rate hikes amid stubbornly low inflation. The earlier expectation for only three 1/4-point rate hikes in 2018 was reiterated in the meeting.
- A report from the Labor Department showed that U.S. consumer prices grew 0.4% in Nov 2017 as against a slight increase of 0.1% in Oct 2017. The increase was primarily driven by energy prices that grew 3.9% in Nov as against a decline of 1% in Oct.
- The European Central Bank (ECB) has raised the growth expectation for the euro zone as it gained confidence from the strong momentum in 2017. Although the inflation level remained short of its target into 2020, the ECB president stated that the central bank is still confident of inflation reaching its target of "below, but close to 2%". ECB raised the growth expectation for 2017 to 2.4% from 2.2%. The outlook for 2018 was increased to 2.3% from previous expectation of 1.8%. Meanwhile, the expectation for 2019 was increased to 1.9% from 1.7%. Meanwhile, the bank expects 1.7% growth in 2020.
- Data from the People's Bank of China showed that China's bank lending increased in Nov 2017. New yuan loans totaled CNY 1.12 trillion, much bigger than the expected level of CNY 800 billion and CNY 663.2 billion in Oct 2017.

Global Equity Markets

Global Indices			
Indices	15-Dec-17	1-Week Return	YTD Return
Dow Jones	24,651.74	1.33%	23.99%
Nasdaq 100	6,466.32	1.92%	31.66%
FTSE 100	7,490.57	1.31%	4.36%
DAX Index	13,103.56	-0.38%	12.98%
Nikkei Average	22,553.22	-1.13%	15.10%
Straits Times	3,416.94	-0.22%	17.87%

Source: Thomson Reuters Eikon *Value as on Dec 15, 2017*

Europe

- European markets remained low as market sentiment was dragged by uncertainty over the U.S. Republican party's initiative to overhaul the U.S. tax system as two Senators are holding out from voting for the GOP (Grand Old Party) tax plan. Investors also reacted to the policy decisions of global central banks.

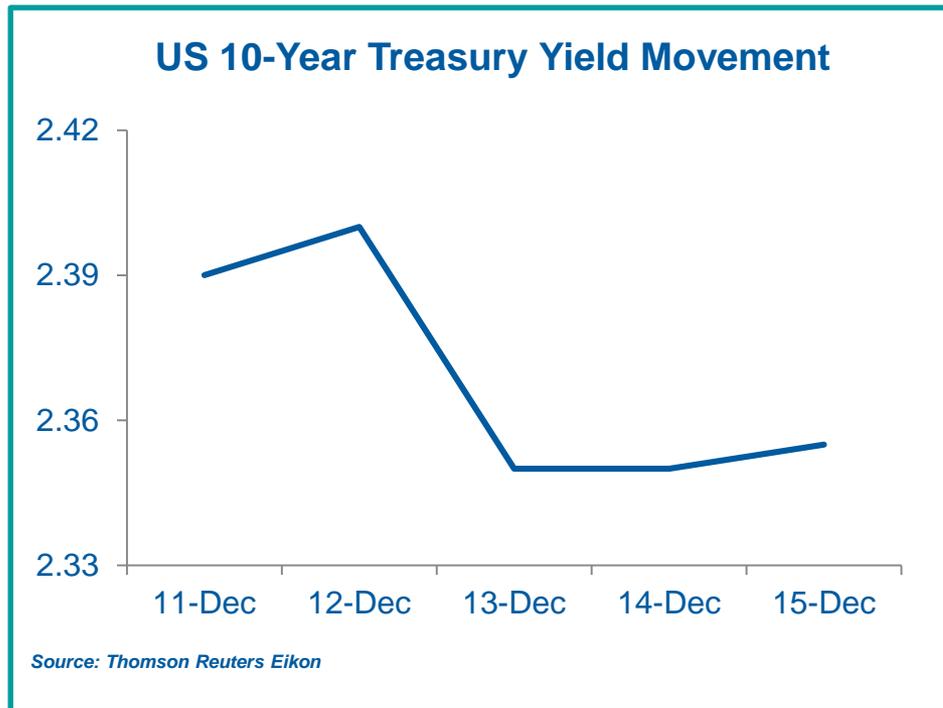
Asia

- Asian markets largely remained under pressure amid concerns over foreign fund outflow after the U.S. Federal Reserve decided to raise key interest rate in its latest policy meeting. The uncertainty over the fate of U.S. Republican tax reform plan too affected buying interest. Meanwhile, investors continued to follow the developments of South Korean President's four-day trip to China.

U.S.

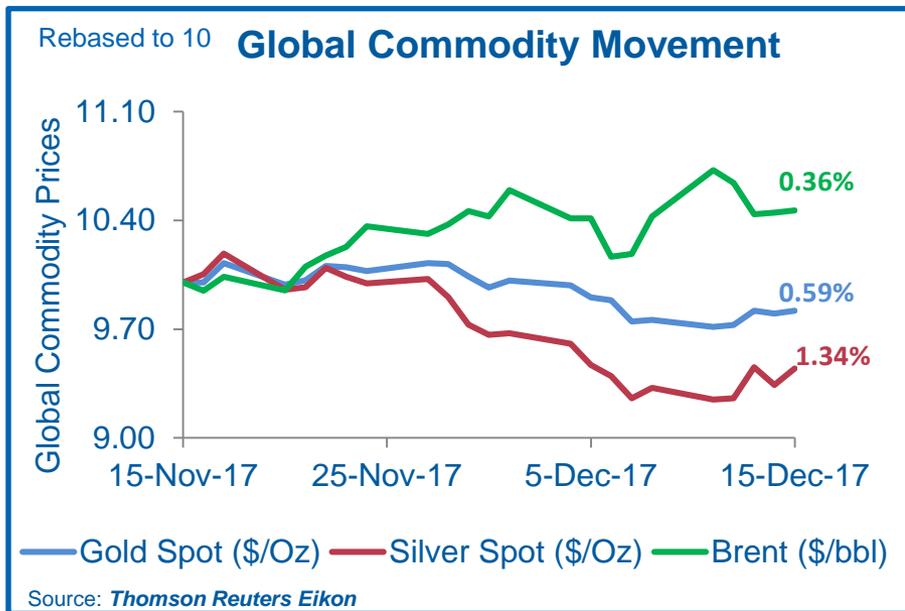
- U.S. markets gained during the week backed by upbeat economic data. The outcome of the U.S. Federal Reserve's (Fed) latest policy meeting also had a bearing on the market sentiment.
- While the U.S. Fed decided to raise key interest rate, as was widely expected, investors took positive cues about the outlook for future rate hikes from the accompanying statement and the outgoing Fed chief's press conference.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 2 bps to close at 2.36% from the previous week's close of 2.38%.
- U.S. Treasury prices fell initially after producer prices data for Nov 2017 came better than market expectations. However, the trend reversed soon after the consumer price index based inflation in the U.S. for Nov 2017 fell short of market expectations.
- U.S. Treasury prices rose further after the U.S. Fed in its monetary policy review raised interest rates by 25 bps as expected but assessed that inflation in U.S. would remain tame, which lowered the possibility of a faster pace of rate hikes by the U.S. Central Bank moving forward.
- However, gains were capped after U.S. retail sales for Nov 2017 came better than market expectations.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	64.55	64.32
Gold (\$/Oz)	1255.18	1247.76
Gold (Rs/10 gm)	28585	28492
Silver (\$/Oz)	16.05	15.84
Silver (Rs/Kg)	36644	36469

Source: Thomson Reuters Eikon Value as on Dec 15, 2017

Gold

- Gold prices gained following the release of lower U.S. inflation data that dampened speculation over a faster pace of rate hike in the coming year, even though the U.S. Fed in its Dec policy review forecasted further rate hikes. Renewed concerns over U.S. tax reform policy after two U.S. Republican Senators suggested changes to the tax reform bill also supported prices.

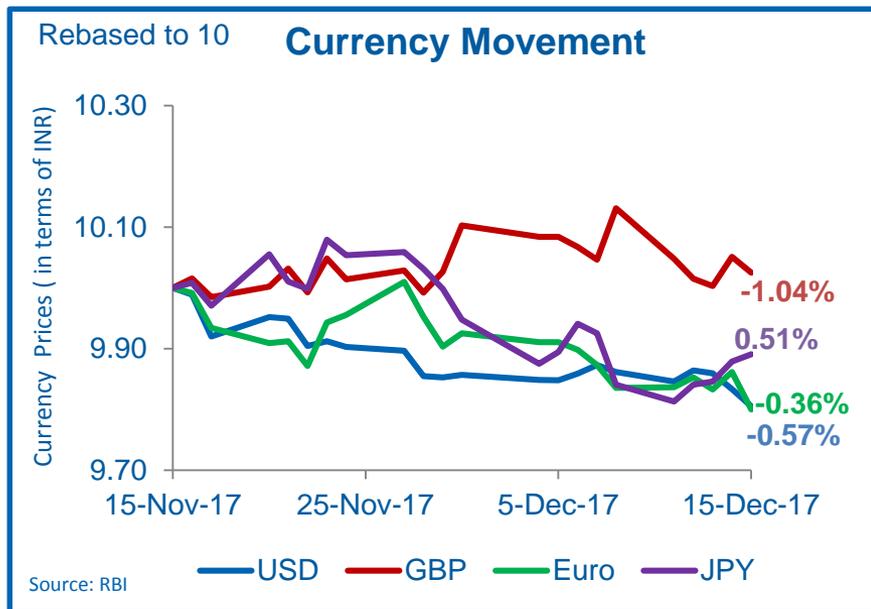
Crude

- Brent crude prices gained due to shut down in U.K.'s biggest North Sea oil pipeline which raised concerns of supply disruptions. The Organization of the Petroleum Exporting Countries' (OPEC) decision to continue with production cut also supported prices.

Baltic Dry Index

- The Baltic Dry Index fell owing to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.10	64.46
Pound Sterling	86.13	87.04
EURO	75.52	75.80
100 JPY	57.13	56.84

Source: RBI Figures in INR , Value as on Dec 15, 2017

Rupee

- The Indian rupee rose against the greenback amid optimism over the outcome of the state assembly elections in Gujarat and Himachal Pradesh.

Euro

- Euro rose against the greenback after Fed indicated gradual rate hikes moving forward even though it raised interest rates as expected. Gains were wiped out after the European Central Bank in its monetary policy review stuck with its pledge to provide stimulus for as long as needed.

Pound

- The pound rose initially against the greenback on optimism over Brexit negotiations. However, the trend reversed as market participants preferred to book profits.

Yen

- Yen surged against the greenback after the U.S. Fed raised interest rates but indicated gradual rate hikes moving forward.

The Week that was...

11th December to 15th December

Date	Events	Present Value	Previous Value
Monday, Dec 11, 2017	<ul style="list-style-type: none"> • China New Yuan Loans CNY (NOV) • Japan Machine Tool Orders (YoY) (NOV P) 	1200.0b 46.90%	663.2b 49.80%
Tuesday, Dec 12, 2017	<ul style="list-style-type: none"> • U.K. Consumer Price Index (YoY) (NOV) • Eurozone ZEW Survey (Economic Sentiment) (DEC) • Germany ZEW Survey Expectations (DEC) • Japan Tertiary Industry Index (MoM) (OCT) • Japan Machine Orders (YoY) (OCT) • U.K. House Price Index (YoY) (OCT) 	3.10% 29 17.4 0.30% 2.30% 4.50%	3.00% 30.9 18.7 -0.20% -3.50% 4.80%
Wednesday, Dec 13, 2017	<ul style="list-style-type: none"> • U.S. Consumer Price Index (YoY) (NOV) • U.S. FOMC Rate Decision (Upper Bound) • Eurozone Employment (YoY) (3Q) • Germany Consumer Price Index (YoY) (NOV F) • Eurozone Industrial Production (YoY) (OCT) 	2.20% 1.50% 1.70% 1.80% 3.70%	2.00% 1.25% 1.60% 1.80% 3.40%
Thursday, Dec 14, 2017	<ul style="list-style-type: none"> • Bank of England Bank Rate • China Retail Sales (YoY) (NOV) • European Central Bank Rate Decision • U.S. Retail Sales Advance (MoM) (NOV) 	0.50% 10.20% 0.00% 0.80%	0.50% 10.00% 0.00% 0.50%
Friday, Dec 15, 2017	<ul style="list-style-type: none"> • U.S. Industrial Production (MoM) (NOV) • U.S. Manufacturing (SIC) Production (NOV) 	0.20% 0.20%	1.20% 1.40%

The Week Ahead

18th December to 22nd December

The Week Ahead

Day	Event
<p>Monday, December 18, 2017</p>	<ul style="list-style-type: none"> • Eurozone Consumer Price Index (YoY) (NOV F) • U.S. NAHB Housing Market Index (DEC)
<p>Tuesday, December 19, 2017</p>	<ul style="list-style-type: none"> • Germany IFO Current Assessment (DEC) • U.S. Housing Starts (MoM) (NOV)
<p>Wednesday, December 20, 2017</p>	<ul style="list-style-type: none"> • Japan All Industry Activity Index (MoM) (OCT) • U.S. MBA Mortgage Applications (DEC 15) • U.S. Existing Home Sales (MoM) (NOV)
<p>Thursday, December 21, 2017</p>	<ul style="list-style-type: none"> • Bank of Japan Rate Decision • U.S. Gross Domestic Product Annualized (QoQ) (3Q T) • U.K. GfK Consumer Confidence (DEC) • U.K. Public Sector Net Borrowing (NOV) • U.S. Initial Jobless Claims (DEC 16)
<p>Friday, December 22, 2017</p>	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (NOV P) • U.S. Personal Consumption Expenditure Core (YoY) (NOV) • Germany GfK Consumer Confidence (JAN) • U.K. Gross Domestic Product (YoY) (3Q F) • U.S. New Home Sales (MoM) (NOV)

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