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December 22, 2017

The Week that was...

18th December to 22nd December

Indian Economy

- The Goods and Services Tax (GST) Council approved an early roll-out of the e-way bill for the inter-state movement of goods from Feb 2018 and the facility bill will be available for the trial run from Jan 15, 2018. An e-way bill is required for movement of goods worth more than Rs. 50,000. However, when goods are transported for less than 10 km within a state, the supplier or the transporter need not furnish details on the GST portal. The e-way bill mechanism has been introduced in the GST regime to plug tax evasion loopholes. The GST Council has made compliance of e-way bill compulsory for intra-state movement of goods from Jun 1, 2018. However, some states might roll out both inter-state and intra-state e-Way Bill from Feb on a voluntary basis. The decision comes on the wake of revenue shortfall witnessed in Oct 2017 that marked the lowest revenue as against the first three months since the implementation of GST from Jul 1.
- According to data from RBI, foreign investment inflows to India grew approximately \$45 billion between Apr 2017 and Oct 2017, up 20% YoY. The upside was driven by improved outlook on the Indian economy that is undergoing structural reforms. However, 40% of the inflows are short-term in nature, as against 24% in the year-ago period.
- According to the International Monetary Fund (IMF), India's bad loans surged to Rs. 9.5 lakh crore that is hampering country's economic growth. As per the organisation, India's major banks seems strong, but the system is subject to considerable vulnerabilities. High non-performing assets and slow deleveraging and repair of corporate balance sheets are testing the resilience of the banking system, and holding back investment and growth. IMF also added that demonetisation and GST brought only short-term pain and the long-term benefits.

Indian Equity Market

Domestic Equity Market Indices			
Indices	22-Dec-17	1 Week Return	YTD Return
S&P BSE Sensex	33940.30	1.43%	27.62%
Nifty 50	10493.00	1.55%	28.28%
S&P BSE Mid-Cap	17573.78	3.53%	44.86%
S&P BSE Small-Cap	18991.20	4.52%	55.79%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	25.03	26.86	46.37	113.81
P/B	3.1	3.54	3.07	2.73
Dividend Yield	1.13	1.08	0.79	0.59

Source: BSE, NSE Value as on Dec 22, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
18-Dec-17	924	827	1.12
19-Dec-17	1338	421	3.18
20-Dec-17	1064	687	1.55
21-Dec-17	1118	645	1.73
22-Dec-17	1032	735	1.40

Source: NSE

- The domestic equity touched new record highs during the week with investors cheering the ruling party's victory in the key state elections in Gujarat and Himachal Pradesh. The victory raised hopes of continuity of the existing economic reforms. Positive global cues too buoyed investor sentiment following the passage of U.S. tax reform bill, aimed at reducing corporate tax rates.
- Nonetheless, buying interest was affected to some extent after the release of Monetary Policy Committee's minutes, which showed that members of the committee are concerned due to rise in inflation and uncertainties surrounding recovery of growth.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	26573.6	4.01%	5.07%
S&P BSE Bankex	28981.9	0.84%	-0.71%
S&P BSE CD	22544.7	2.41%	8.73%
S&P BSE CG	19126.7	4.36%	4.32%
S&P BSE FMCG	10657.1	0.99%	3.41%
S&P BSE HC	14419.7	2.73%	3.41%
S&P BSE IT	11135.6	2.18%	4.02%
S&P BSE Metal	14527.9	4.76%	1.14%
S&P BSE Oil & Gas	16499.6	1.29%	3.42%

Source: Thomson Reuters Eikon Value as on Dec 22, 2017

- On the BSE sectoral front, all the indices closed in the green. S&P BSE Realty was the top gainer, up 4.81%, followed by S&P BSE Metal and S&P BSE Capital Goods, which rose 4.76% and 4.36%, respectively.
- S&P BSE Power and S&P BSE Auto rose 4.16% and 4.01%, respectively. S&P BSE Healthcare and S&P BSE Consumer Durables were up 2.73% and 2.41%, respectively.

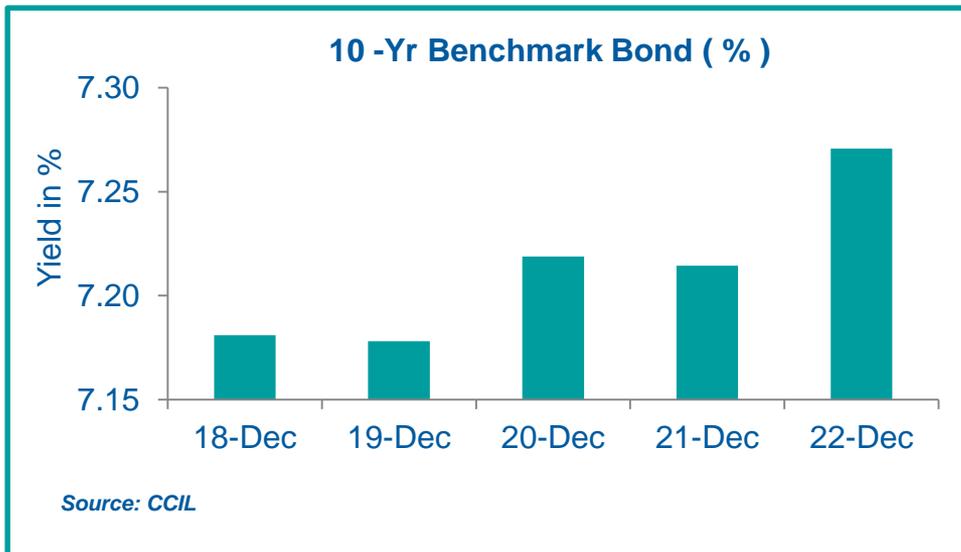
Indian Derivatives Market Review

- Nifty Dec 2017 Futures were at 10,505.45, a premium of 12.45 points above the spot closing of 10,493.00. The turnover on NSE's Futures and Options segment stood at Rs. 37.71 lakh crore as against Rs. 33.28 lakh crore in the week to Dec 15.
- The Put-Call ratio stood at 1.08 compared with the previous week's close of 1.01.
- The Nifty Put-Call ratio stood at 1.59 compared with the previous week's close of 1.29.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.97	5.99	5.91	6.10
91 Day T-Bill	6.20	6.16	6.11	6.24
7.80% 2021, (5 Yr GOI)	6.90	6.83	6.74	6.54
6.79% 2027, (10 Yr GOI)	7.27	7.14	6.96	6.45

Source: Thomson Reuters Eikon *Value as on Dec 22, 2017*



- Bond yields rose during the week due to worries over government’s fiscal stance and as the Monetary Policy Committee’s latest policy meeting showed concerns about inflation gathering pace.
- Also, the current ruling party’s win in Gujarat elections but by a lesser margin weighed on investors’ sentiment. However, reports showing that government may cut spending in the next quarter restricted some losses.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 13 bps to close at 7.27% from the previous week’s close of 7.14% after trading in a range of 7.14% to 7.29%.

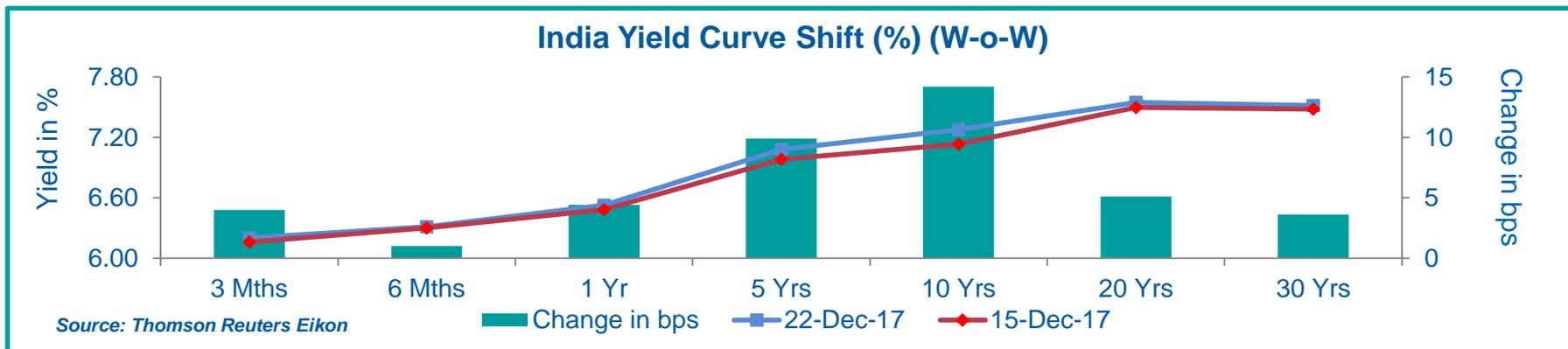
Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.46	7.2	74
3 Year	7.01	7.48	47
5 Year	7.21	7.62	41
10 Year	7.56	7.83	27

Source: Thomson Reuters Eikon

Value as on Dec 22, 2017

- Yields on gilt securities increased across the maturities in the range of 4 to 24 bps, barring 12-year paper that fell 1 bps. Highest rise was seen on 3-year paper.
- Corporate bond yields rose across the maturities in the range of 2 to 13 bps. The maximum rise was seen on 1-year paper.
- Spread between AAA corporate bond and gilt contracted across 2 to 15 years' maturities in the range of 4 bps to 15 bps, barring 3- and 5-year maturities that closed steady. Spread on 1-year paper expanded 24 bps.



Source: Thomson Reuters Eikon

Regulatory Updates in India

- According to the minutes of Monetary Policy Committee's (MPC) Dec meeting, status quo was announced in the key policy repo rate at 6%. As per the minutes, food inflation due to vegetables remains highly variable and there are several risks to projected inflation trajectory. Firstly, inflation expectations of households for both three-month ahead and one-year ahead periods in the latest round of the Reserve Bank of India's (RBI) survey moved up. Secondly, rising input cost pressures for both manufacturing and services are raising risks of pass-through on output prices. Lastly, fiscal slippage concerns remain. According to the deputy governor, the headline inflation is projected to cross 4% soon and will remain above target in medium term. The members expect little scope for accommodation or for change of stance at the present stage. As per the minutes, price of crude oil may rise due to uncertainty because of geopolitical events. Next MPC meeting is scheduled on Feb 6 and 7, 2018.
- The cabinet approved the introduction of the Consumer Protection Bill, 2017, to amend the Consumer Protection Act, 1986. The approval comes amid cabinet's focus on faster redressal of consumer grievances and ensuring stringent action against unfair trade practices. The Bill seeks to enlarge the scope of the existing Act. Also, it proposes stringent actions against misleading advertisements and food adulteration.

Regulatory Updates in India (contd..)

- According to the chairman of the Securities and Exchange Board of India (SEBI), although cryptocurrencies are gaining popularity very fast, it does not pose a systemic risk for Indian markets at present. However, the Ministry of Finance along with the Ministry of Information Technology and RBI are considering assessing the risk related to it in near future. He also added that the capital market regulator is revisiting the settlement norms and have started rewriting certain regulations, to make the transactions simpler.
- The Parliament passed the Companies Amendment Bill. The bill allows the creditors involved in insolvency proceedings to acquire shares of insolvent company at a discounted price that was earlier prohibited. The bill also brings stronger corporate governance standards with simpler provisions and stringent penalties for non-filing annual returns. The bill also includes simplification of the private placement process and rationalisation of provisions related to loans to directors. The bill has replaced the requirement of government approval for managerial remuneration above prescribed limits by approval through special resolution of shareholders.

Global News/Economy

- A report from the Commerce Department showed that U.S. real gross domestic product growth slightly missed previous estimates and grew 3.2% in the third quarter. The downward revision reflects slightly slower than previously expected consumer spending growth. Consumer spending grew 2.2% in the third quarter. The downward revision to consumer spending was partly offset by an upward revision to state and local government spending.
- According to a report from the Eurostat, euro zone's consumer prices grew 1.5% year-on-year in Nov 2017 as against a gain of 1.4% in Oct 2017. However, inflation remained below the European Central Bank's target of 'below, but close to 2%'. The increase in inflation was mainly driven by higher energy prices. Energy price inflation grew to 4.7% in Nov from 3% in Oct. Meanwhile, growth in food, alcohol and tobacco came in at 2.2% in Nov as against 2.3% in Oct.
- The Bank of Japan kept its monetary stimulus unchanged as inflation remains well below the target of 2%. The governor and the board members of the Japanese central bank have decided by an 8-1 majority vote to hold their target of raising the amount of outstanding JGB holdings at an annual pace of about JPY 80 trillion. The bank will purchase government bonds so that the yield of 10-year JGBs will remain at approximately 0%. The board also decided to maintain the -0.1% interest rate on current accounts that financial institutions maintain at the bank. Regarding the outlook, Japan's economy is likely to continue its moderate expansion.

Global Equity Markets

Global Indices			
Indices	22-Dec-17	1-Week Return	YTD Return
Dow Jones	24754.06	0.42%	24.51%
Nasdaq 100	6465.166	-0.02%	31.64%
FTSE 100	7592.66	1.36%	5.78%
DAX Index	13072.79	-0.23%	12.71%
Nikkei Average	22902.76	1.55%	16.89%
Straits Times	3385.71	-0.91%	16.79%

Source: Thomson Reuters Eikon *Value as on Dec 22, 2017*

Europe

- European markets got initial support from some positive Chinese and Japanese economic data along with rise in euro zone's consumer price inflation data for Nov 2017 and improved U.K. GDP data for the third quarter. Investors also took positive cues after the U.S. tax reform bill was passed by the Republican lawmakers. However, later investors became concerned on renewed political turmoil in Spain following election in Catalonia.

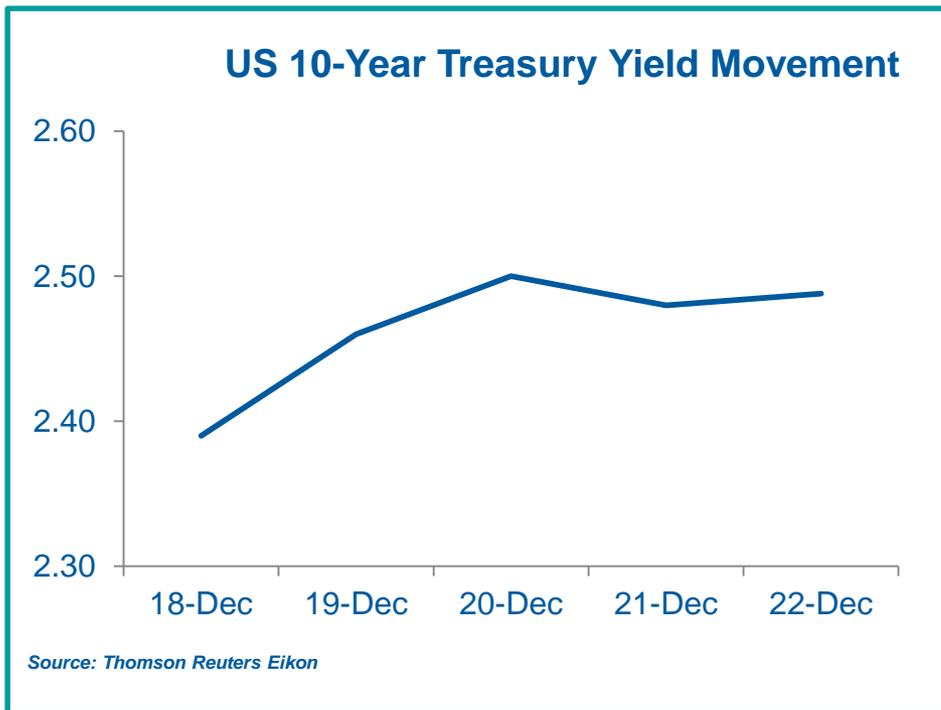
Asia

- Most of the Asian markets traded up following faster-than-expected rise in export data from Japan in Nov 2017 and improved house prices data in majority of the Chinese cities. However, the upside was limited as investors became concerned over the impact of U.S. tax reform policy.

U.S.

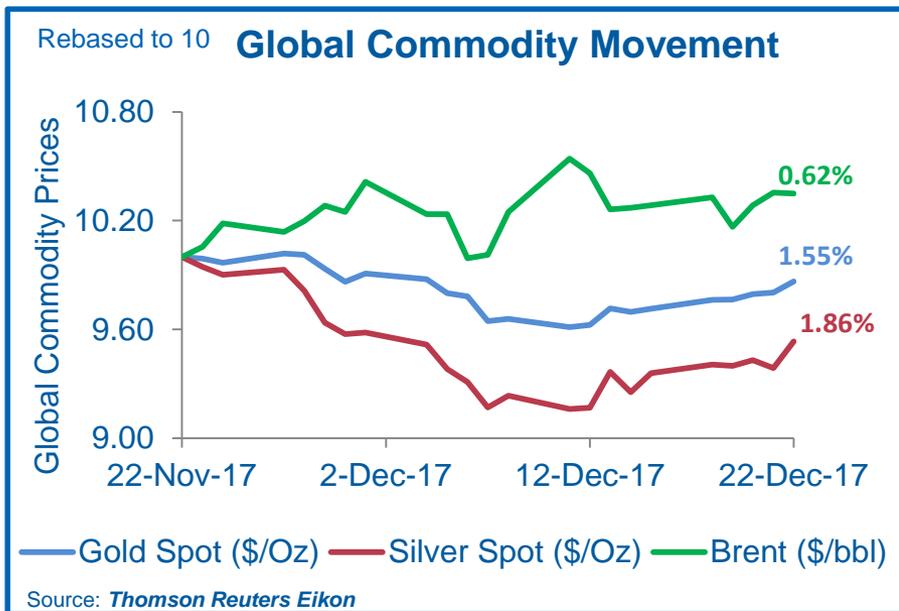
- U.S. markets gained after the tax reform bill was approved by the Republican lawmakers and sent for final approval from the U.S. President. Improved homebuilder confidence data for Dec 2017, higher-than-expected rise in housing starts and existing home sales data in Nov 2017 helped further gains.
- However, the upside was limited after final estimate of U.S. GDP grew at a slower than estimated in the third quarter.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond surged 13 bps to close at 2.49% from the previous week's close of 2.36%.
- U.S. Treasury prices fell initially during the week as market participants were of the perception that the U.S. Federal Reserve would continue to raise interest rates further.
- Losses were extended after the U.S. Senate approved the tax bill even though market participants remained skeptical of the U.S. tax bill's supposed positive impact on the U.S. economy.
- However, further losses were restricted as market participants resorted to bargain hunting following the recent decline in bond prices.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	64.95	64.55
Gold (\$/Oz)	1274.61	1255.18
Gold (Rs/10 gm)	28686	28585
Silver (\$/Oz)	16.35	16.05
Silver (Rs/Kg)	37097	36644

Source: Thomson Reuters Eikon Value as on Dec 22, 2017

Gold

- Gold prices continued to find support from U.S. Federal Reserve's dovish stance regarding future rate hike. Additionally, the bullion was benefitted by the weakness in U.S. dollar against euro following the passage of major U.S. tax reforms bill. Later, mixed series of U.S. economic data capped the gains.

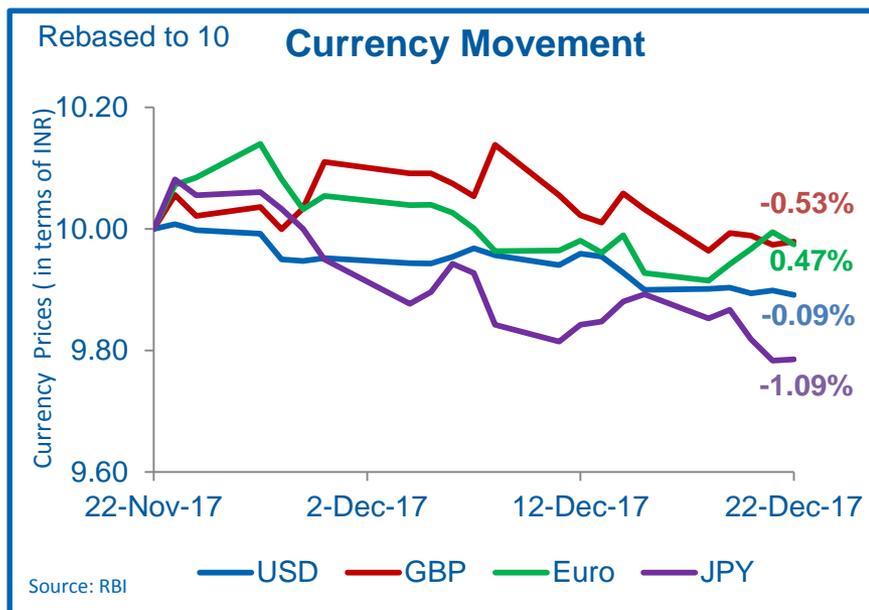
Crude

- Brent crude prices rose following supply concerns arising from the shutdown of Forties pipeline outage in the North Sea. Oil prices found further support after data from the Energy Information Administration and the American Petroleum Institute showed a fall in U.S. crude inventories in the week to Dec 15.

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	64.04	64.10
Pound Sterling	85.67	86.13
EURO	75.88	75.52
100 JPY	56.51	57.13

Source: RBI Figures in INR , Value as on Dec 22, 2017

Rupee

- The Indian rupee closed almost steady against the greenback as gains in the domestic equity market were almost neutralized due to month-end dollar demand from oil importers and dollar purchases by state-run banks.

Euro

- Euro rose against the greenback amid skepticism about the U.S. tax bill's supposed positive impact on the U.S. economy.

Pound

- The pound rose against the greenback after a survey showed that British factories matched a three-decade high for orders in Dec 2017.

Yen

- Yen weakened against the greenback after the U.S. Senate approved the tax bill even though market participants remained skeptical of the U.S. tax bill's supposed positive impact on the U.S. economy.

The Week that was...

18th December to 22nd December

Date	Events	Present Value	Previous Value
Monday, Dec 18, 2017	<ul style="list-style-type: none"> • Eurozone Consumer Price Index (YoY) (Nov F) • U.S. NAHB Housing Market Index (Dec) 	1.5% 74	1.5% 69
Tuesday, Dec 19, 2017	<ul style="list-style-type: none"> • Germany IFO Expectations (Dec) • U.S. Housing Starts (MoM) (Nov) 	109.5 3.3%	111 8.4%
Wednesday, Dec 20, 2017	<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) 	0.3% -4.9% 5.6%	-0.5% -2.3% 2.4%
Thursday, Dec 21, 2017	<ul style="list-style-type: none"> • Bank of Japan Rate Decision • U.S. Gross Domestic Product Annualized (QoQ) (3Q T) • U.S. Initial Jobless Claims (Dec 16) • U.S. House Price Index (MoM) (Oct) • Eurozone Consumer Confidence (Dec A) • U.K. GfK Consumer Confidence (Dec) • U.K. Public Sector Net Borrowing (Nov) 	-0.1% 3.2% 245k 0.5% 0.5 -13 8.1b	-0.1% 3.3% 225k 0.4% 0.1 -12 7.2b
Friday, Dec 22, 2017	<ul style="list-style-type: none"> • U.S. PCE Core (YoY) (Nov) • U.K. Gross Domestic Product (YoY) (3Q F) • U.S. Durable Goods Orders (Nov P) 	1.5% 1.7% 1.3%	1.4% 1.9% -0.4%

The Week Ahead

25th December to 29th December

The Week Ahead

Day	Event
<p>Monday, December 25, 2017</p>	<ul style="list-style-type: none"> • Japan National Consumer Price Index (YoY) (Nov) • Japan Jobless Rate (Nov)
<p>Tuesday, December 26, 2017</p>	<ul style="list-style-type: none"> • U.S. S&P/Case-Shiller US Home Price Index (YoY) (Oct)
<p>Wednesday, December 27, 2017</p>	<ul style="list-style-type: none"> • U.S. Consumer Confidence Index (Dec) • Germany Retail Sales (YoY) (Nov) • Japan Housing Starts (YoY) (Nov) • Japan Construction Orders (YoY) (Nov) • U.S. MBA Mortgage Applications (Dec 22) • U.S. Pending Home Sales (YoY) (Nov) • Japan Retail Trade (YoY) (Nov) • Japan Industrial Production (YoY) (Nov P)
<p>Thursday, December 28, 2017</p>	<ul style="list-style-type: none"> • U.S. Advance Goods Trade Balance (Nov) • U.K. Nationwide House Prices (YoY) (Dec) • U.S. Wholesale Inventories (MoM) (Nov P) • U.S. Initial Jobless Claims (Dec 23)
<p>Friday, December 29, 2017</p>	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (Dec P)

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