

RELIANCE

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# News U Can Use

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June 2, 2017

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The Week that was...

**29<sup>th</sup> May to 2<sup>nd</sup> June**

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## Indian Economy

- Government data showed that India's Gross Domestic Product (GDP) at constant (2011-12) prices grew 6.1% in the Mar quarter of 2017, slower than provisional 7.0% rise in the previous quarter. In FY17, real GDP grew 7.1%. Gross value added (GVA) at basic constant (2011-12) prices grew at a slower pace of 6.6% in FY17 compared with 7.9% in FY16. The base year of GDP has been revised from the year 2004-05 to 2011-12 from Apr 2017. Therefore, according to the new estimates, India's real GDP grew 6.4%, 7.5%, and 8.0% in FY14, FY15, and FY16, respectively.
- Government data showed core sector output grew 2.5% YoY in Apr 2017, much slower than revised 5.3% recorded in the previous month. The base year of the index of eight core industries has been revised from the year 2004-05 to 2011-12 from Apr 2017. The reason behind the fall was slower growth in refinery output, electricity, steel and natural gas and contraction in coal and crude oil production. Fertilizers production grew after being negative in the last four months.
- Results of a private survey showed that the Nikkei India Manufacturing Purchasing Managers' Index (PMI) dropped to a three-month low of 51.6 in May 2017 from 52.5 in Apr 2017. The weak expansion was due to soft rise in new orders and production. Also, export orders contracted for the first time in four months.
- The Employees Provident Fund Organisation (EPFO) Central Board of Trustees have decided to raise the limit of ETF investments from 10% to 15% of investible deposits.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	2-Jun-17	1 Week Return	YTD Return
S&P BSE Sensex	31273.29	0.79%	17.59%
Nifty 50	9653.5	0.61%	18.02%
S&P BSE Mid-Cap	14801.48	1.94%	22.01%
S&P BSE Small-Cap	15311.17	1.49%	25.60%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.65	24.43	31.54	60.81
P/B	2.94	3.63	2.60	2.32
Dividend Yield	1.30	1.18	1.23	0.76

Source: BSE, NSE Value as on Jun 2, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
29-May-17	462	1224	0.38
30-May-17	768	894	0.86
31-May-17	953	718	1.33
01-Jun-17	935	736	1.27
02-Jun-17	997	689	1.45

Source: NSE

- Domestic equity markets rose with benchmark indices touching record closing highs during the week. The growth was triggered by the monsoon's timely arrival at the southern Kerala coast, which increased chances of higher agricultural produce and improved economic growth.
- Investor sentiment was also buoyed by positive global cues. Encouraging U.S. private sector jobs data for Apr instilled confidence among investors that the U.S. economy is strong enough to withstand another rate hike. Buoyant manufacturing sector data from euro zone for Apr also boosted investor sentiment.
- However, gains were restricted by data showing slowdown in GDP growth in the fourth quarter of FY17.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24292.0	2.02%	6.06%
S&P BSE Bankex	26499.2	0.01%	4.57%
S&P BSE CD	15643.4	1.60%	-0.12%
S&P BSE CG	17749.9	-0.81%	-0.09%
S&P BSE FMCG	10299.4	2.83%	9.46%
S&P BSE HC	13875.6	2.09%	-6.89%
S&P BSE IT	10255.9	-1.38%	6.06%
S&P BSE Metal	11095.3	-2.79%	-1.28%
S&P BSE Oil & Gas	13965.3	-1.66%	-4.39%

*Source: Reuters* *Value as on Jun 2, 2017*

- On the BSE sectoral front, the indices witnessed a mixed trend. S&P BSE FMCG was the top gainer, up 2.83%, followed by S&P BSE Healthcare and S&P BSE Auto, which went up 2.09% and 2.02%, respectively. S&P BSE Consumer Durables and S&P BSE Bankex rose 1.60% and 0.01%, respectively.
- However, S&P BSE Metal was the major loser, down 2.79%, followed by S&P BSE Oil & Gas and S&P BSE IT, which slipped 1.66% and 1.38%, respectively.

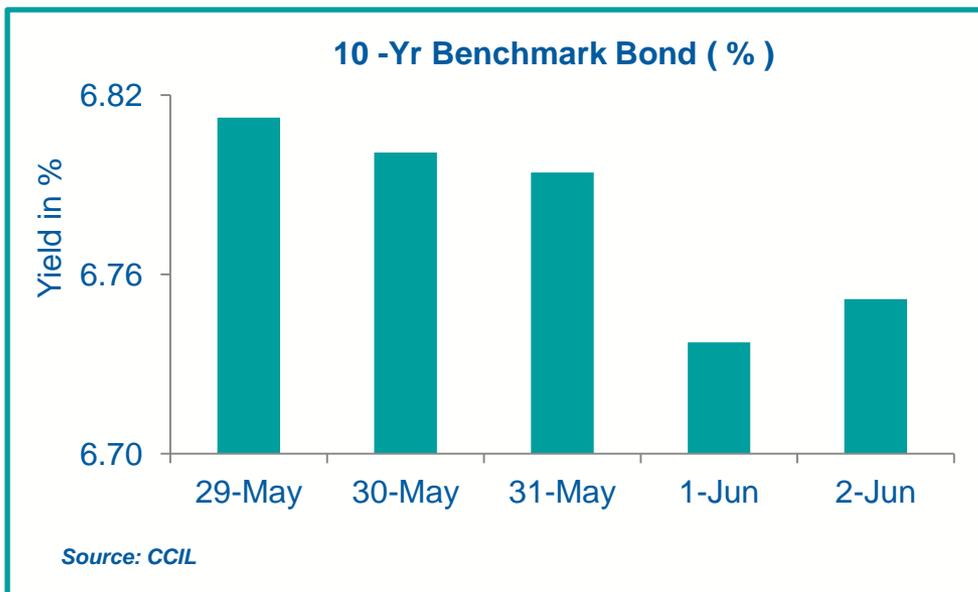
## Indian Derivatives Market Review

- Nifty Jun 2017 Futures were at 9,652.60, a discount of 0.90 below the spot closing of 9,653.50. The turnover on NSE's Futures and Options segment stood at Rs. 23.21 lakh crore in the week to Jun 2, compared with Rs. 37.80 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.97 compared with the previous week's close of 0.80.
- The Nifty Put-Call ratio stood at 1.16 compared with the previous week's close of 1.10.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.05	6.03	6.00	6.08
91 Day T-Bill	6.27	6.24	6.21	6.00
07.80% 2021 , (5 Yr GOI)	6.71	6.75	6.93	6.21
06.97% 2026, (10 Yr GOI)	6.75	6.79	6.99	6.24

*Source: Reuters* *Value as on Jun 2, 2017*



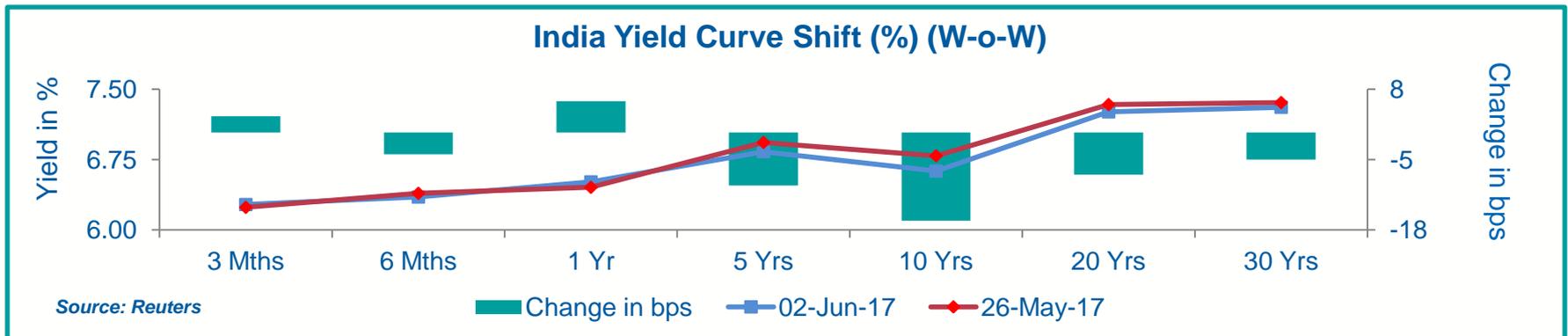
- Bond yields fell as a slower rate of gross domestic product growth in the fourth quarter of FY17 increased hopes for a less hawkish tone from the Monetary Policy Committee in a meeting scheduled next week.
- Gains were extended after core personal consumption expenditures price index in the U.S. remained below the U.S. Federal Reserve’s target of 2%. However, gains were restricted due to profit booking by investors.
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 4 bps to close 6.75% compared with the previous close of 6.79%.
- Data from RBI showed that India's foreign exchange reserves fell to \$378.76 billion as of May 26 from \$379.31 billion in the previous week.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.61	7.05	44
3 Year	6.69	7.26	57
5 Year	6.94	7.40	46
10 Year	6.77	7.60	83

Source: Reuters Value as on Jun 2, 2017

- Yields on gilt securities fell across the maturities in the range of 2 bps to 20 bps, barring 1-year paper that increased 6 bps.
- Corporate bond yields fell across the maturities in the range of 2 bps to 7 bps, barring 4-year paper that increased 1 bps.
- Spread between AAA corporate bond and gilt expanded across most of the maturities by up to 32 bps, barring 1-, 6-, and 7-year maturities that contracted in the range of 2 bps to 8 bps.



## Regulatory Updates in India

- Securities and Exchange Board of India (SEBI) has brought in disclosure norms for issuance and listing of green bonds in order to help companies raise funds through them for investment in renewable energy space. SEBI stated that the issuer of a green bond will have to disclose the environmental objectives of the issue of such securities in the offer documents. Also, the issuer will have to disclose use of proceeds, list of projects to which green bond proceeds have been allocated in the annual report as well as the periodical filings made to the stock exchanges.
- SEBI launched an online registration mechanism for mutual funds in order to improve the way of doing business. This move will help the existing and new fund houses to complete their registration with the capital market regulator quickly and in a cost-effective manner. The portal has been made operational effectively.
- In order to regulate index providers, SEBI introduced new norms. The index providers design and develop benchmark indices such as Sensex and Nifty, and also include subsidiaries of stock exchanges. Presently, they do not function under SEBI's regulatory purview. The new norms include a code of conduct for index operators, making it compulsory for them to disclose while including or excluding a stock from the indices. Also, the norms would take into account issues like avoiding conflict of interest, creation of a robust audit mechanism and a framework to facilitate early detection of potential misconduct.

## Regulatory Updates in India (contd..)

- According to the deputy governor of RBI, to further boost digital banking, bank account holders might be allowed to move from one bank to the other. Bank account portability will be enabled by linking bank accounts to Aadhaar, which is a pillar in India's digital infrastructure. The deputy governor has asked the Indian Bank Association to take sufficient measures to facilitate bank account portability.
- In order to regulate the Indian peer-to-peer (P2P) lending market, the RBI is expected to announce the guidelines during Jun-Jul of 2017. The central bank had issued a consultation paper in Apr 2016 on the Indian P2P lending market. The bank will soon come out with discussion paper and formal guidelines for the sector which is currently being self-governed.
- SEBI plans to charge a regulatory fee on brokers issuing Participatory Notes (P-Notes). P-Notes are offshore derivatives instrument that allows investors to invest in Indian market without registration. Therefore, charging a regulatory fee will put further restrictions and reduce the use of P-Notes.
- Niti Aayog vice chairman said that the government do not have any near term plans to create a bad bank to resolve the non-performing loans issue. To resolve the issue of bad loans, Niti Aayog has suggested going through private sector Asset Reconstruction Companies (ARCs) instead of bad bank, vice chairman said.

## Global News/Economy

- A report from the Labor Department showed that non-farm payroll employment grew less than expected in May 2017. Non-farm payroll employment grew by 138,000 jobs in May after growing by a downwardly revised 174,000 jobs in Apr 2017. However, despite slower than expected job growth, the unemployment rate inched down to 4.3% from 4.4% in Apr.
- Preliminary estimates from Eurostat showed that eurozone's headline inflation came in below market expectations and declined 1.4% in May 2017 as against decline of 1.9% in Apr 2017. This marked the lowest level so far this year. Excluding energy, food, alcohol & tobacco, the core inflation fell 0.9% from 1.2%.
- According to a report by the National Bureau of Statistics, China's industrial profits surged 14% on an annual basis in Apr 2017, which was slower than 23.8% growth in Mar 2017. Industrial profits for the month stood at CNY 572.78 billion.
- Preliminary estimate by the Ministry of Economy, Trade and Industry showed that industrial output in Japan missed market expectations both on MoM and YoY basis. However, it grew 4% on MoM basis in Apr 2017 as against 1.9% decline in Mar 2017. Meanwhile, on YoY basis, industrial production grew 5.7% faster than the 3.5% gain in Mar.
- According to a report by IHS Markit, the Caixin factory PMI for China fell to 49.6 in May 2017 from 50.3 in Apr 2017, thereby falling for the first time over a period of approximately one year. Also, the index fall below 50 reflects contraction in the sector.

## Global Equity Markets

Global Indices			
Indices	2-Jun-17	1-Week Return	YTD Return
Dow Jones	21206.29	0.60%	6.66%
Nasdaq 100	5881.458	1.61%	19.75%
FTSE 100	7547.63	0.00%	5.15%
DAX Index	12822.94	1.75%	10.56%
Nikkei Average	20177.28	2.49%	2.98%
Straits Times	3240.01	0.64%	11.76%

*Source: Reuters* *Value as on Jun 2, 2017*

## U.S.

- U.S. markets closed on a positive note after a slew of encouraging economic data instilled confidence in the investors regarding the strength of the economy to withstand another rate hike.
- Buying interest was not impacted by weaker than expected non farm payroll data for Apr.

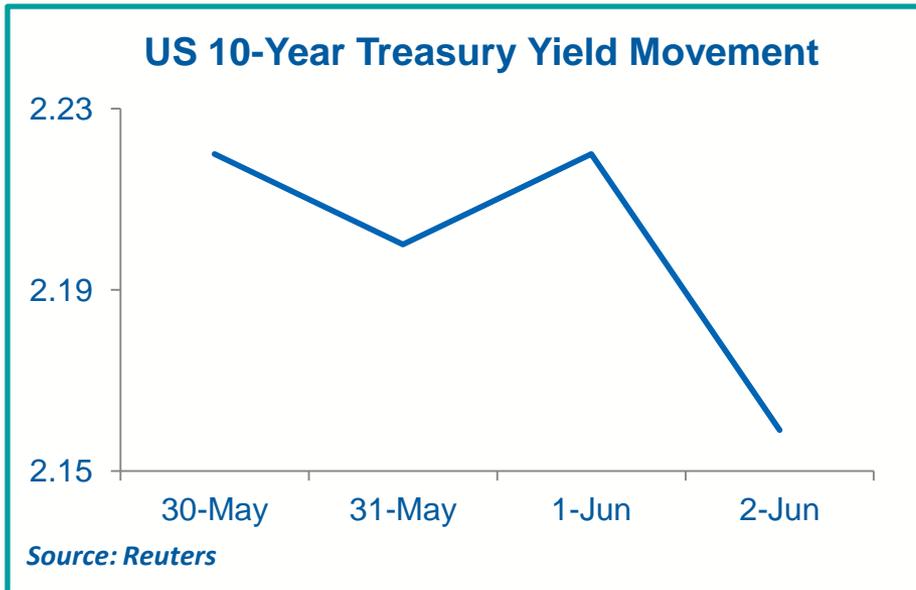
## Europe

- European markets witnessed gains following positive cues from Wall Street. Expansion in the Greek economy in first quarter of 2017 outweighed concerns over slower than expected producer price inflation in eurozone for Apr. Buying interest found additional support as U.K. construction sector expanded at the fastest pace in 17 months in May.

## Asia

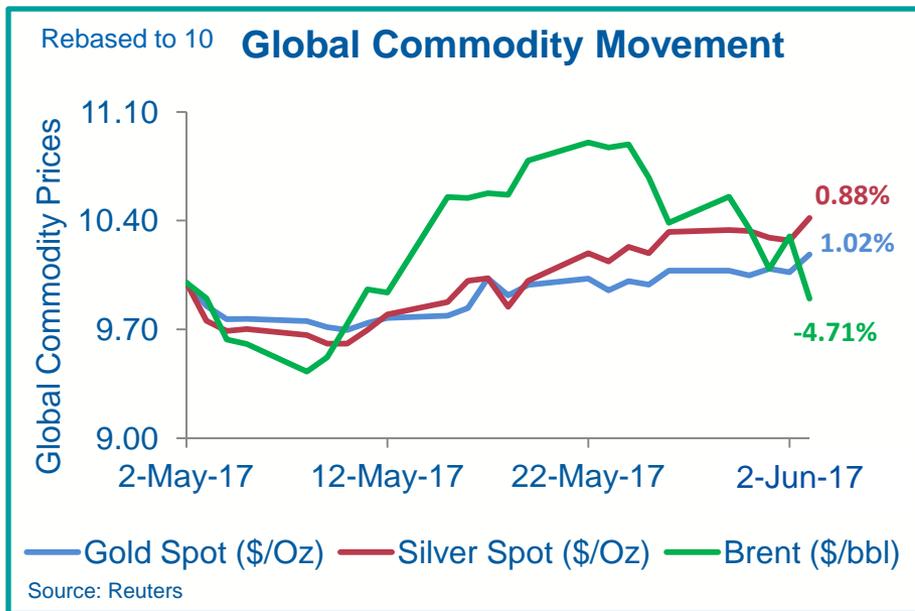
- Most of the major Asian markets gained largely over positive economic data from the U.S. and Europe, which outshone the U.S. President's decision to withdraw from the Paris climate agreement. However, North Korea sending another missile off its east coast, disregarding international pressure, capped gains.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 9 bps to close at 2.16% from the previous week's close of 2.25%.
- U.S. Treasury prices rose initially after core personal consumption expenditures in Apr 2017 remained below U.S. Fed's target of 2% which increased doubts about future rate hike by the U.S. central bank.
- However, U.S. Treasury prices came down temporarily due to upbeat U.S. private payrolls data for May 2017 that marginally boosted expectations for more rate hikes by Fed in 2017.
- U.S. Treasury prices surged later after U.S. nonfarm payrolls for May came below market expectations which indicated that the Fed may adopt a cautious tone in its upcoming monetary policy review in Jun.

## Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.10	50.48
Gold (\$/Oz)	1279.58	1266.66
Gold (Rs/10 gm)	28757	28782
Silver (\$/Oz)	17.50	17.35
Silver (Rs/Kg)	39403	39635

Source: Reuters Value as on Jun 2, 2017

## Gold

- Gold prices gained over the week in response to rising political uncertainties in Europe and the U.S., which boosted the bullion's safe haven demand.

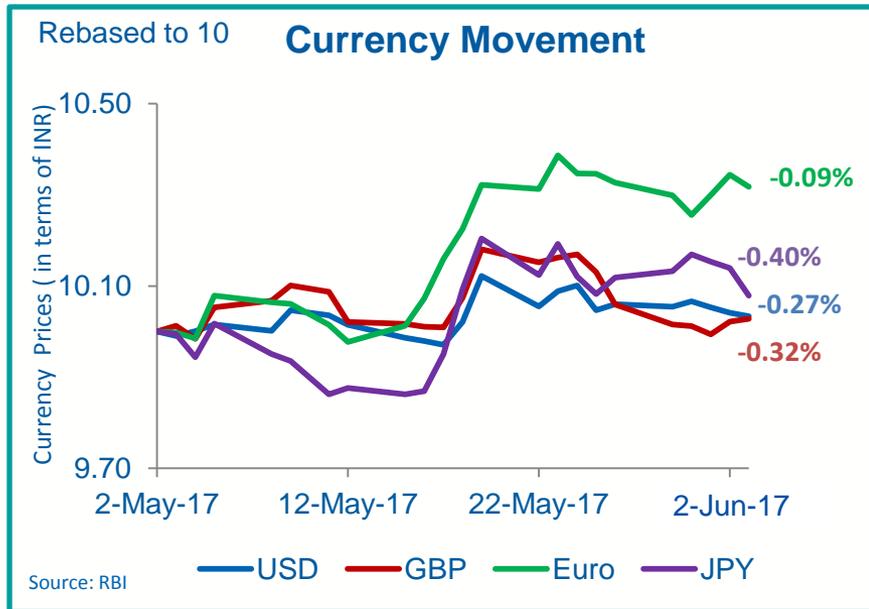
## Crude

- Brent crude prices fell on concerns of persistent global supply glut, while the U.S. and European political worries combined to subdue investor sentiment.
- Sentiment also remained muted after major oil producers' agreement to extend production-cut for nine months till Mar 2018 fell short of market's expectations and China's Caixin manufacturing PMI contracted in May.

## 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	64.42	64.59
Pound Sterling	82.92	83.18
EURO	72.27	72.33
JPY(per 100 Yen)	57.72	57.95

Source: RBI Figures in INR , Value as on Jun 2, 2017

## Rupee

- The Indian rupee fell initially following upbeat U.S. gross domestic product data in the first quarter of 2017 and political uncertainties in Europe. However, losses were reversed due to increasing doubts over the timing of future rate hike by Fed.

## Euro

- Euro strengthened against the greenback following political tension in the U.S. and downbeat U.S. jobs data for May 2017.

## Pound

- Sterling rose against the U.S. dollar amid optimism towards the upcoming elections in Britain scheduled on Jun 8.

## Yen

- Yen rose against the U.S. dollar as its safe haven appeal improved following political uncertainty in Europe and U.S. Gains were extended as U.S. nonfarm payrolls for May came below market expectations.

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The Week that was...

**29<sup>th</sup> May to 2<sup>nd</sup> June**

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## The Week that was (May 29 – June 2)

Date	Events	Present Value	Previous Value
<b>Monday, May 29, 2017</b>	• Japan Jobless Rate (APR)	2.8%	2.8%
	• Japan Retail Trade (YoY) (APR)	3.2%	2.1%
<b>Tuesday, May 30, 2017</b>	• Germany Consumer Price Index (YoY) (MAY P)	1.5%	2.0%
	• U.S. Personal Consumption Expenditure Core (YoY) (APR)	1.5%	1.6%
	• U.S. Consumer Confidence (MAY)	117.9	119.4
	• U.S. Personal Income (APR)	0.4%	0.2%
<b>Wednesday, May 31, 2017</b>	• China Manufacturing PMI (MAY)	51.2	51.2
	• Eurozone Consumer Price Index Estimate (YoY) (MAY)	1.4%	1.9%
	• Japan Construction Orders (YoY) (APR)	-0.2%	1.1%
	• Eurozone Unemployment Rate (APR)	9.3%	9.5%
	• U.S. Pending Home Sales (YoY) (APR)	-5.4%	0.5%
	• Germany Retail Sales (YoY) (APR)	-0.9%	2.9%
	• Germany Unemployment Rate (MAY)	5.7%	5.8%
<b>Thursday, June 1, 2017</b>	• U.S. ISM Manufacturing (MAY)	54.9	54.8
	• U.S. Construction Spending (MoM) (APR)	-1.4%	1.1%
	• U.K. Markit PMI Manufacturing (MAY)	56.7	57.3
<b>Friday, June 2, 2017</b>	• U.S. Change in Non-farm Payrolls (MAY)	138,000	174,000
	• U.S. Unemployment Rate (MAY)	4.30%	4.4%

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The Week Ahead

**5<sup>th</sup> June to 9<sup>th</sup> June**

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## The Week Ahead

Day	Event
<b>Monday, June 5, 2017</b>	<ul style="list-style-type: none"> <li>• U.S. ISM Services/Non-Manufacturing Composite (MAY)</li> <li>• Japan Nikkei Services PMI (MAY)</li> <li>• China Caixin Services PMI (MAY)</li> <li>• U.S. Factory Orders (APR)</li> </ul>
<b>Tuesday, June 6, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone Retail Sales (YoY) (APR)</li> <li>• U.S. Labor Market Conditions Index Change (MAY)</li> <li>• Japan Labour Cash Earnings (YoY) (APR)</li> </ul>
<b>Wednesday, June 7, 2017</b>	<ul style="list-style-type: none"> <li>• Germany Markit Construction PMI (MAY)</li> <li>• Eurozone Gross Domestic Product (YoY) (1Q F)</li> <li>• Japan Gross Domestic Product Annualized (1Q F)</li> <li>• Japan Trade Balance - BOP Basis (Yen) (APR)</li> </ul>
<b>Thursday, June 8, 2017</b>	<ul style="list-style-type: none"> <li>• European Central Bank Rate Decision</li> <li>• China Trade Balance (MAY)</li> <li>• U.S. Initial Jobless Claims (3 JUN)</li> <li>• Germany Industrial Production (YoY) (APR)</li> </ul>
<b>Friday, June 9, 2017</b>	<ul style="list-style-type: none"> <li>• China Consumer Price Index (YoY) (MAY)</li> <li>• China Producer Price Index (YoY) (MAY)</li> <li>• U.K. Industrial Production (YoY) (APR)</li> </ul>

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