

RELIANCE

MUTUAL  
FUND

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# News U Can Use

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June 23, 2017

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The Week that was...

**19<sup>th</sup> June to 23<sup>rd</sup> June**

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## Indian Economy

- According to the Directorate General of Civil Aviation (DGCA), total domestic air passenger traffic surged 17.36% to 1.01 crore in May 2017 from 86.69 lakh in Mar 2016. This marks a record as more than one crore passengers were ferried by domestic airlines.
- According to a major rating agency, the fiscal deficit estimate for 2017-2018 is expected to rise to 3.35% of Gross Domestic Product (GDP) from the current estimate of 3.24% of GDP. The increase in deficit estimate reflects Rs. 17,780 crore shortfall in non-tax revenue target from telecom services industry.
- A major credit rating agency has stated that owing to restructuring by banks, weakness in some large corporate accounts and events like waiver of farm loans, pressures on asset quality for banks is expected to continue in FY18. The agency expects gross non-performing assets to increase in the range of 9.9% to 10.2% by Mar 2018 from 9.5% in Mar 2017.
- Reserve Bank of India (RBI) credit data of Travel Head from Balance of Payments showed that, India's Foreign Exchange Earnings (FEEs) surged 20.9% on a YoY basis to Rs. 12,403 crore in May 2017. Over a period of two years, FEEs increased 30% while tourist footfalls grew 19%. Meanwhile, the FEEs during the period Jan to May 2017 grew 19.2% on a YoY basis as against a growth of 14% over the period Jan to May 2016 on YoY basis.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	23-Jun-17	1 Week Return	YTD Return
S&P BSE Sensex	31,138.21	0.26%	17.08%
Nifty 50	9,574.95	-0.14%	17.06%
S&P BSE Mid-Cap	14,583.81	-1.51%	20.22%
S&P BSE Small-Cap	15,381.90	-1.82%	26.18%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.8	24.37	31.01	71.26
P/B	2.98	3.54	2.56	2.38
Dividend Yield	1.25	1.11	1.23	0.76

*Source: BSE, NSE* *Value as on Jun 23, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
19-Jun-17	736	953	0.77
20-Jun-17	729	954	0.76
21-Jun-17	832	847	0.98
22-Jun-17	623	1051	0.59
23-Jun-17	348	1340	0.26

*Source: NSE*

- Indian equity markets rose initially amid hopes of a reduction in non-performing asset size in the banking sector after RBI asked banks to start bankruptcy process against large loan defaulters. Benchmark indices touched record highs after Securities and Exchange of India (SEBI) eased norms for Foreign Portfolio Investors (FPIs). SEBI expanded "the eligible jurisdictions for grant of FPI registration to category I FPIs by including countries having diplomatic tie-ups with India".
- However, bourses gave up most of the gains (with Nifty 50 closing in red) amid uncertainty over transition to Goods & Service Tax (GST). The finance minister confirmed that GST will be officially rolled out on the midnight of Jun 30.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23,614.53	-2.06%	2.40%
S&P BSE Bankex	26,618.81	0.11%	3.96%
S&P BSE CD	15,817.39	-0.96%	3.15%
S&P BSE CG	17,282.08	-0.99%	-1.22%
S&P BSE FMCG	10,210.81	0.72%	3.94%
S&P BSE HC	14,019.53	-0.91%	-1.39%
S&P BSE IT	9,853.85	-0.30%	-2.77%
S&P BSE Metal	10,986.52	-1.16%	-0.96%
S&P BSE Oil & Gas	13,305.59	-2.78%	-2.62%

Source: Reuters Value as on Jun 23, 2017

- On the BSE sectoral front, barring S&P BSE FMCG and S&P BSE Bankex, all the indices closed in the red.
- S&P BSE Oil & Gas was the major loser, down 2.78%, followed by S&P BSE Auto and S&P BSE Realty, which slipped 2.06% and 1.91%, respectively.
- S&P BSE Metal and S&P BSE Capital Goods slipped 1.16% and 0.99%, respectively. Stock of oil exploring companies fell amid weakness in global crude oil prices.

## Indian Derivatives Market Review

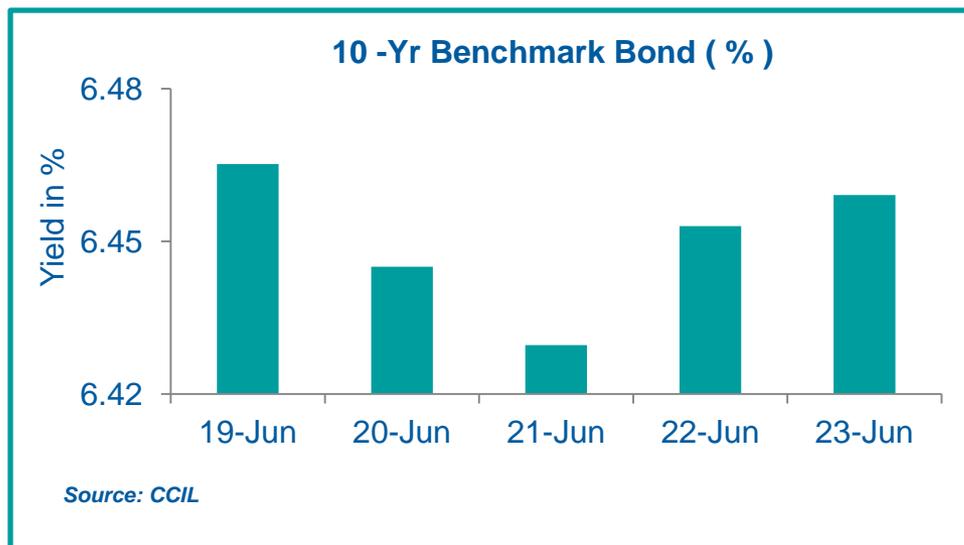
- Nifty Jun 2017 Futures were at 9,590.05, a premium of 15.10 above the spot closing of 9,574.95. The turnover on NSE's Futures and Options segment stood at Rs. 28.39 lakh crore in the week to Jun 23, compared with Rs. 13.73 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.95 compared with the previous week's close of 0.91.
- The Nifty Put-Call ratio stood at 1.10 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	6.08	6.09	6.06	6.13
91 Day T-Bill	6.26	6.26	6.29	6.21
07.80% 2021 , (5 Yr GOI)	6.54	6.58	6.79	6.59
06.79% 2027, (10 Yr GOI)	6.46	6.49	6.67	--

*Source: Reuters* *Value as on Jun 23, 2017*

- Bond yields fell in the first half of the week as fall in the U.S. Treasury yields prompted foreign investors to consider emerging-market debt. Demand for bonds increased ahead of the release of Monetary Policy Committee’s (MPC) Jun meeting minutes on hopes that the minutes will signal a rate cut in the coming months.
- However, gains were capped after the policy meeting minutes indicated that the central bank governor favours avoiding premature policy action amid an uncertain near-term inflation outlook.
- Yield on the 10-year benchmark bond (6.79% GS 2027) fell 3 bps to close 6.46% compared with the previous close of 6.49%. During the session, bond yields moved in the region of 6.42% to 6.49%.

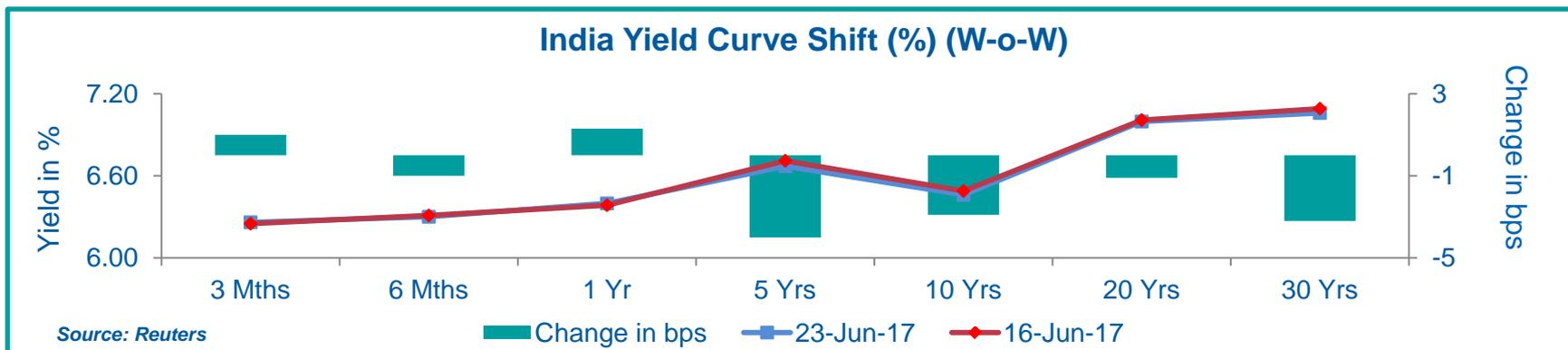


### Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.50	6.97	47
3 Year	6.58	7.14	56
5 Year	6.77	7.27	50
10 Year	6.63	7.39	76

Source: Reuters Value as on Jun 23, 2017

- Yields on gilt securities fell across maturities by up to 5 bps, barring 1- and 2-year papers that rose 1 bps each. Yield on 3- and 14-year papers were flat. Highest fall was seen on 6-year paper.
- Corporate bond yields dropped across curve by up to 2 bps, leaving 6 to 8 years' papers that increased 1 bps each. Yield on 1- and 5-year papers were flat.
- Spread between AAA corporate bond and gilt expanded across maturities by up to 5 bps, barring 1 to 3 years' papers that contracted by up to 3 bps.



## Regulatory Updates in India

- SEBI has eased norms for FPIs. SEBI expanded the eligible jurisdictions for grant of FPI registration to category I FPIs as it included those countries that have diplomatic tie-ups with India. In addition, SEBI allowed FPIs who are functioning under the Multiple Investment Managers structure and holding foreign venture capital investors registration, to appoint multiple custodians.
- The government has notified 18 sections and two rules just a few days ahead of the roll out of GST. The 18 sections relate to registration of current central excise, service tax, and VAT payers with the GST-Network as well as transitional provisions. Meanwhile, the two rules were notified by the Central Board of Excise and Customs on registration and composition levy.
- SEBI has imposed a fee of \$1,000 on P-Notes, thereby tightening P-Note norms. Also, in order to keep a check on any misuse for channelizing black money, it has debarred their issuance for speculative purposes. Simultaneously, the market regulator has decided to ease the entry norms for foreign portfolio investors who are willing to invest directly in Indian markets and not through participatory notes. However, SEBI shall not completely ban these instruments as some new investors tend to use them to test the Indian markets.

## Regulatory Updates in India (contd..)

- SEBI has made it easier for the banks to sell the distressed companies by easing rules on the restructuring of distressed companies. SEBI has extended the relaxations currently provided to banks while acquiring or dealing with the debt of distressed companies to prospective investors. As of now, banks are exempted from preferential issue requirements and open offer obligations available for undertaking the restructuring of distressed companies through strategic debt restructuring. However, now these relaxations are for investors also who are following such restructuring schemes. The new investors now need not make an open offer to minority shareholders of companies they take control of.
- The finance minister highlighted some new changes regarding the upcoming GST launch. The norms for filing returns have been relaxed until Sep 2017 without any late fees or penalties. Also, the council approved the creation of an anti-profiteering authority that will exist for two years. Further, it has set the rate on lotteries at 12% of face value for those run by state governments and at 28% for those authorised by state governments but run by private entities.
- The RBI has urged banks to resolve 55 identified cases of bad loans within six months, otherwise it will have to examine those cases and refer for resolution under the Insolvency and Bankruptcy Code. The central bank believes that banks should speed up the bad loans or non-performing assets resolution process for these cases.

## Global News/Economy

- Data from the U.S. Labour Department showed that initial jobless claims for the week to Jun 17 increased modestly by 3,000 to 241,000 from the previous week's revised level of 238,000 (237,000 originally reported).
- A report from the National Association of Realtors showed that existing home sales in the U.S. rose 1.1% to an annual rate of 5.62 million in May 2017 after falling 2.5% to a downwardly revised rate of 5.56 million (5.57 million originally reported) in Apr 2017.
- A flash report from IHS Markit showed that composite output index in Germany dropped to 56.1 in Jun 2017 from 57.4 in May 2017, marking the weakest pace of growth since Feb 2017. Flash manufacturing Purchasing Managers' Index fell to 59.3 in Jun from 59.5 in May.
- A flash survey data from IHS Markit showed that composite output index in euro zone fell to 55.7 in Jun 2017 from 56.8 in May 2017. This marked the slowest pace in five months. The services Purchasing Managers' Index fell to 54.7 from 56.3 in May. Meanwhile, the manufacturing PMI grew to 57.3 from 57.0 in May.
- A report from the Ministry of Economy, Trade and Industry showed that Japan's all industry activity index grew 2.1% on MoM basis in Apr 2017 as against a decline of 0.7% in Mar 2017. Construction activity grew 7.3% and industrial output grew 4% in Apr as against a decline of 0.9% in construction activity and 1.9% in industrial output in Mar.

## Global Equity Markets

Global Indices			
Indices	23-Jun-17	1-Week Return	YTD Return
Dow Jones	21,394.76	0.05%	7.61%
Nasdaq 100	5,803.11	2.14%	18.16%
FTSE 100	7,424.13	-0.53%	3.43%
DAX Index	12,733.41	-0.15%	9.79%
Nikkei Average	20,132.67	0.95%	2.75%
Straits Times	3,209.47	-0.68%	10.71%

*Source: Reuters* *Value as on Jun 23, 2017*

## Europe

- Most of the major European markets fell following a fall in global crude oil prices and after the euro area private sector grew at the slowest pace in five months in Jun 2017. Bank of England governor's statement that the time is not appropriate to raise interest rates owing to inflationary pressures and weak wage growth in Britain also weighed on the market sentiment.

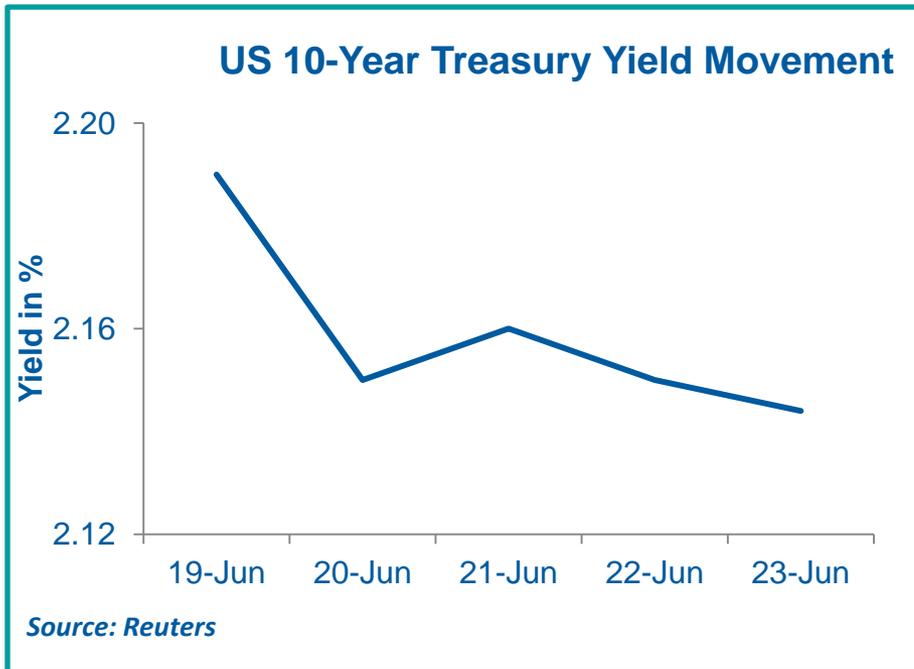
## Asia

- Most of the major Asian markets grew largely after U.S. index provider MSCI decided to incorporate mainland China-listed A-shares in its Emerging Market Index. Easing of tight liquidity conditions in China and data showing Chinese property market continuing to stabilise in May 2017, also helped bourses.

## U.S.

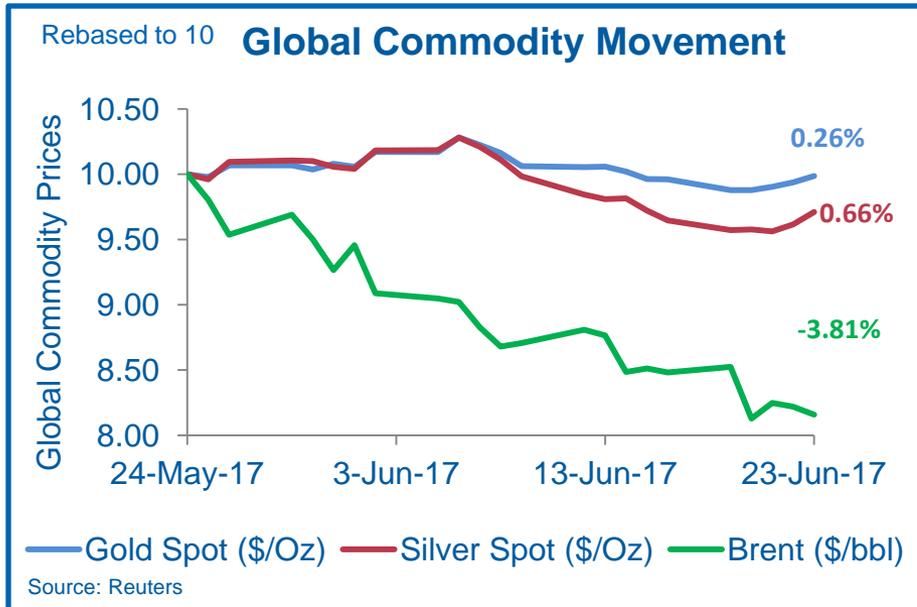
- U.S. markets ended higher mainly on news from Europe where the French President earned a strong consent from the parliament to pursue his pro-European Union and business-friendly development plans post his party's victory with a clear majority in the elections.
- However, gains were capped after concerns of supply glut led to a sharp snap in crude prices.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 2 bps to close at 2.14% from the previous week’s close of 2.16%.
- U.S. Treasury prices fell initially after comments from some U.S. Fed officials raised possibility that the U.S. central bank may continue to increase interest rates. Key Fed officials were of the view that delay in interest rate hike could pose risks to the U.S. economy.
- However, the trend reversed as market participants remained worried regarding low inflation in the U.S. Markets also waited for indication from other key Fed officials regarding the timeline of the next interest rate hike.

## Commodities Market



## Gold

- Gold prices rose as investors became skeptical whether the Fed would raise interest rates amid concerns of weak inflation. Ongoing Brexit negotiations between the U.K. and the European Union also helped the prices of the precious metal.

## Crude

- Brent crude prices plunged amid lingering concerns over supply glut. Rising U.S. drilling activity further weighed on the sentiment as U.S. drillers last week added rigs for the 22<sup>nd</sup> week in a row. Additionally, Nigeria and Libya reported more production.

## Baltic Dry Index

- The Baltic Dry Index gained during the week owing to improved capesize and panamax activities.

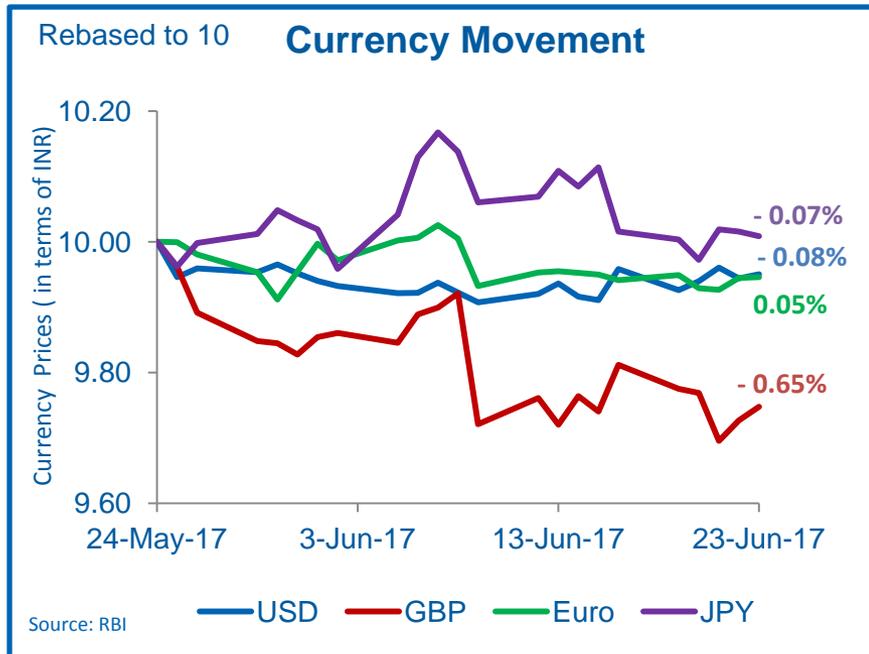
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	43.18	44.89
Gold (\$/Oz)	1,256.40	1,253.13
Gold (Rs/10 gm)	28,753.00	28,657.00
Silver (\$/Oz)	16.69	16.58
Silver (Rs/Kg)	38,601.00	38,565.00

Source: Reuters

Value as on Jun 23, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.54	64.59
Pound Sterling	81.97	82.51
EURO	72.08	72.05
JPY(per 100 Yen)	58.01	58.05

Source: RBI Figures in INR , Value as on Jun 23, 2017

## Rupee

- The rupee weakened against the greenback after comments from some Fed officials raised concerns that the U.S. central bank may continue to increase interest rates.

## Euro

- The euro inched down against the greenback on concerns that the Fed may continue to increase interest rates.

## Pound

- The sterling weakened against the greenback amid worries over Britain's economic future. Uncertainty as to what stance the Bank of England adopts regarding its monetary policy review also kept the sterling under pressure.

## Yen

- The yen weakened against the greenback on concerns that the Fed may continue to increase interest rates.

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The Week that was...

**19<sup>th</sup> June to 23<sup>rd</sup> June**

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**The Week that was (June 19– June 23)**

Date	Events	Present Value	Previous Value
<b>Monday, June 19, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone Construction Output (YoY) (Apr)</li> </ul>	3.2%	3.8%
<b>Tuesday, June 20, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Nationwide Department Store Sales (YoY) (May)</li> <li>• Germany Producer Prices (YoY) (May)</li> </ul>	0.0% 2.8%	0.7% 3.4%
<b>Wednesday, June 21, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Supermarket Sales (YoY) (May)</li> <li>• U.K. Public Finances (Pounds) (May)</li> <li>• U.K. Central Government NCR (May)</li> <li>• U.K. PSNB ex Banking Groups (May)</li> </ul>	-1.8% 13.4b -6.9b 6.7b	0.6% -15.2b -15.2b 9.4b
<b>Thursday, June 22, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. CBI Trends Total Orders (Jun)</li> <li>• U.S. House Price Index (MoM) (Apr)</li> <li>• Eurozone Consumer Confidence (Jun A)</li> <li>• U.S. Leading Indicators (May)</li> <li>• U.S. Continuing Claims (10 Jun)</li> </ul>	16 0.7% -1.3 0.3% 1944k	9 0.7% -3.3 0.2% 1936k
<b>Friday, June 23, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Nikkei Manufacturing PMI (Jun P)</li> <li>• Germany Markit Manufacturing PMI (Jun P)</li> <li>• Germany Markit Services PMI (Jun P)</li> <li>• Eurozone Markit Manufacturing PMI (Jun P)</li> <li>• Eurozone Markit Services PMI (Jun P)</li> </ul>	52.0 59.3 53.7 57.3 54.7	53.1 59.5 55.4 57.0 56.3

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The Week Ahead

**26<sup>th</sup> June to 30<sup>th</sup> June**

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## The Week Ahead

Day	Event
<b>Monday, June 26, 2017</b>	<ul style="list-style-type: none"> <li>• U.S. Durable Goods Orders (MAY) (P)</li> <li>• Germany IFO - Business Climate (JUN)</li> <li>• U.K. BBA Loans for House Purchase (MAY)</li> </ul>
<b>Tuesday, June 27, 2017</b>	<ul style="list-style-type: none"> <li>• Germany Retail Sales (YoY) (MAY)</li> <li>• U.S. Consumer Confidence (JUN)</li> </ul>
<b>Wednesday, June 28, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. Nationwide House Prices (MoM) (JUN)</li> <li>• U.S. Retail Inventories (MoM) (MAY)</li> <li>• Japan Retail Trade (MoM) (MAY)</li> </ul>
<b>Thursday, June 29, 2017</b>	<ul style="list-style-type: none"> <li>• Germany Consumer Price Index (YoY) (JUN P)</li> <li>• U.S. Gross Domestic Product (Annualized) (1Q )</li> <li>• Japan Industrial Production (YoY) (MAY P)</li> <li>• U.S. Initial Jobless Claims (JUN 24)</li> </ul>
<b>Friday, June 30, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone Consumer Price Index - Core (YoY) (JUN))</li> <li>• U.S. Personal Consumption Expenditure Core (MoM) (MAY)</li> <li>• U.K. Gross Domestic Product (YoY) (1Q F)</li> <li>• Japan Construction Orders (YoY) (MAY)</li> <li>• U.S. Personal Income (MAY)</li> <li>• Germany Unemployment Change (JUN)</li> </ul>

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