

News U Can Use

May 12, 2017

The Week that was...
8th May to 12th May

Indian Economy

- ❑ Data from the Society of Indian Automobile Manufacturers (SIAM) showed that sales of passenger vehicles grew 14.68% to 2,77,602 units in Apr 2017 on the back of hopes of a normal monsoon. Sales of passenger vehicles stood at 2,42,060 units in the same period of the previous year. Overall sales of vehicles across categories grew 6.8% to 20,30,476 units.
- ❑ According to a United Nations report, the Indian economy is projected to grow 7.5% in 2018, which will be supported by higher private and public consumption and increased infrastructure spending. In 2017, economy will expand by 7.1%, says a report by the UN Economic and Social Commission for Asia and the Pacific. Inflation is expected to touch 5.3-5.5% in 2017 and 2018, higher than Reserve Bank of India's (RBI) target of 4.5-5%, the regional development arm of the United Nations said.
- ❑ According to the latest forecast by the India Meteorological Department (IMD), monsoon could be normal this year and it could reach 100% of the long-period average (LPA). In its initial forecast, IMD had projected monsoon rainfall at 96% of LPA, which is considered as near normal. This has eased worries about possible shortage in rainfall during the rainy season.
- ❑ According to a global rating agency, government's ordinance on non-performing assets (NPA) resolution will improve the efficacy of NPL resolution mechanisms and prove to be credit positive.

Indian Equity Market

Domestic Equity Market Indices			
Indices	12-May-17	1 Week Return	YTD Return
S&P BSE Sensex	30188.15	1.10%	13.51%
Nifty 50	9400.9	1.25%	14.93%
S&P BSE Mid-Cap	14854.45	0.92%	22.45%
S&P BSE Small-Cap	15528.83	1.13%	27.39%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.03	23.88	33.01	65.43
P/B	2.94	3.59	2.65	2.45
Dividend Yield	1.32	1.22	1.24	0.69

Source: BSE, NSE

Value as on May 12, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
08-May-17	1020	650	1.57
09-May-17	918	747	1.23
10-May-17	1025	634	1.62
11-May-17	678	991	0.68
12-May-17	525	1162	0.45

Source: NSE

- Investors had reason to cheer as key benchmark indices touched all-time closing highs during the week; the key driver being India Meteorological Department's (IMD) latest monsoon forecast.
- The chief of the weather office said that India is likely to receive higher monsoon rainfall than previously forecast amid easing concern over the El Nino weather condition.
- However, gains were restricted on the last trading session of the week amid investors' cautious stance ahead of the retail price inflation data for Apr 2017 and index of industrial production data for Mar 2017, scheduled to be released post market hours.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23245.4	3.26%	4.59%
S&P BSE Bankex	25717.1	0.15%	3.99%
S&P BSE CD	16001.3	1.26%	3.79%
S&P BSE CG	17936	1.41%	2.59%
S&P BSE FMCG	9474.3	1.10%	1.31%
S&P BSE HC	14888.7	1.31%	-3.35%
S&P BSE IT	10022.5	2.80%	0.18%
S&P BSE Metal	11061.7	2.03%	-5.44%
S&P BSE Oil & Gas	14272.5	0.52%	1.43%
S&P BSE Realty	2067.6	5.71%	21.05%

Source: Reuters *Value as on May 12, 2017*

- On the BSE sectoral front, all the indices closed in the green. S&P SBE Realty was the top gainer, up 5.71%, followed by S&P BSE Auto and S&P SBE Teck, both of which went up 3.26% each. S&P BSE IT and S&P BSE Metal went up 2.80% and 2.03%, respectively.
- Buying interest was seen in rate sensitive sectors as favourable monsoon forecast heightened chances of easing retail price inflation, thereby increasing prospects of rate-cut by the Reserve Bank of India in the near future.

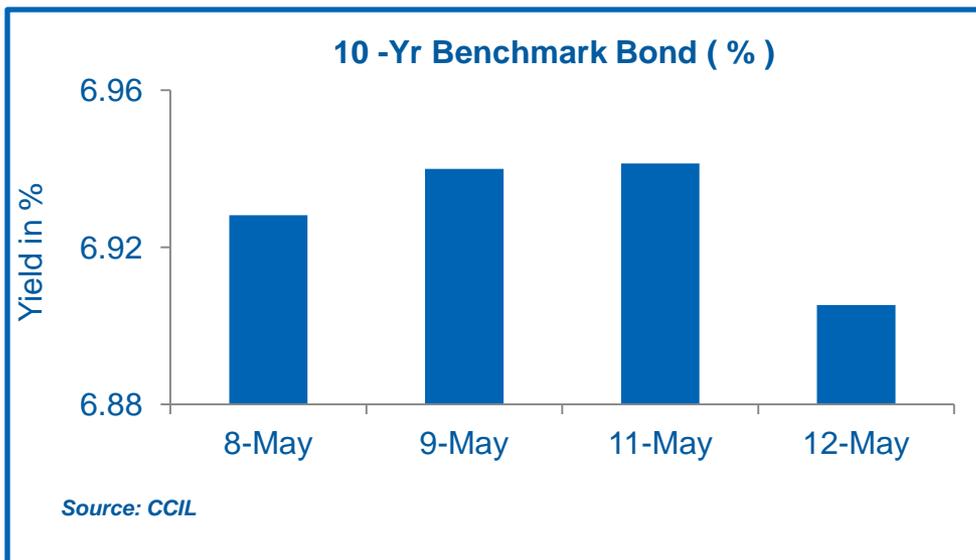
Indian Derivatives Market Review

- Nifty May 2017 Futures were at 9,414.80, a premium of 13.90 over the spot closing of 9,400.90. The turnover on NSE's Futures and Options segment stood at Rs. 22.07 lakh crore in the week to May 12, compared with Rs. 18.89 lakh crore during the preceding week.
- The Put-Call ratio stood at 1.00 compared with the previous week's close of 0.87.
- The Nifty Put-Call ratio stood at 1.24 compared with the previous week's close of 1.11.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.11	6.02	5.93	6.23
91 Day T-Bill	6.30	6.28	5.97	6.26
7.80% 2021, (5 Yr GOI)	6.86	6.88	6.82	6.57
6.97% 2026, (10 Yr GOI)	6.91	6.94	6.78	6.72

Source: Reuters Value as on May 12, 2017



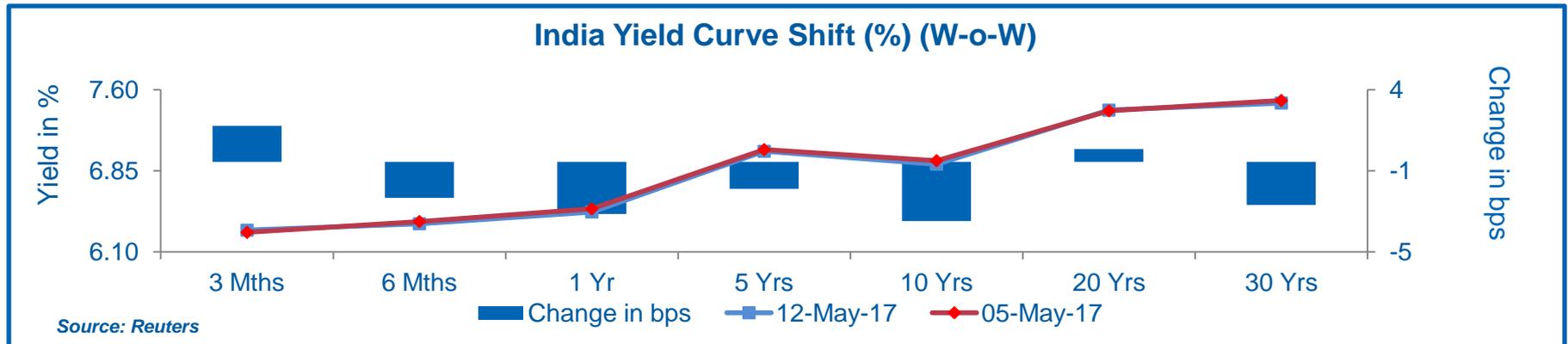
- Bond yields fell following the outcome of the final round of the French Presidential elections and pricing of a new 10-year paper, which came in line with market expectations.
- Investor’s expectations for a drop in retail inflation data for Apr 2017 also boosted market sentiment. However, profit booking by investors restricted the gains.
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 3 bps to close 6.91% compared with the previous close of 6.94%.
- Banks’ net average lending to RBI under the LAF stood at Rs. 9,285.75 crore (for Friday, only repo session considered), compared with the previous week’s lending of Rs. 15,461.35 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.584	7.1	52
3 Year	6.829	7.33	50
5 Year	7.127	7.47	34
10 Year	7.25	7.74	49

Source: Reuters Value as on May 12, 2017

- Yields on gilt securities fell on 1-year paper, 3 to 13 years' maturities and 30-year paper in the range of 1 bps to 5 bps.
- Corporate bond yields fell across 2 to 15 years' maturities in the range of 1 bps to 7 bps and closed steady on 1-year paper.
- Spread between AAA corporate bond and gilt witnessed a mixed trend. It increased the most on 1- and 7-year maturities by 3 bps each and contracted the most on 3-year paper by 6 bps. Spread on 8- and 9-year maturities closed steady.



Regulatory Updates in India

- ❑ The Reserve Bank of India has declined sharing details of the note ban process as it would be detrimental to the country's economic interests. According to the central bank, revealing such details may hamper future economic or fiscal policies of the Government of India.
- ❑ As per media reports, the government has decided to keep all transactions accepted by the Securities and Exchange Board of India (SEBI) outside the scope of the new rule introduced in the budget in Feb 2017. The new rule stated imposition of capital gains tax if securities transaction tax (STT) has not been paid.
- ❑ The government is considering a financial package for the National Agricultural Cooperative Marketing Federation of India (NAFED), the leading government agency for procurement of pulses and oilseeds. A note from the Cabinet Committee of Economic Affairs will be placed during May 2017 for approval of the government. During FY17, NAFED procured various commodities worth Rs. 5,916 crore.
- ❑ According to the finance minister, the government will provide more funds for the recapitalisation of banks. The government has allocated Rs. 10,000 crore for recapitalisation of state-run banks for FY18.

Regulatory Updates in India (contd..)

- ❑ The finance minister ruled out taxing agricultural income and opined that the case of a rich farmer is rare in nature. The minister added that the farm sector is under pressure and that farm holdings are very small in size.
- ❑ According to the commerce and industry minister, India's new manufacturing policy will be rolled out in Sep 2017. The objective of the new policy will be to create more jobs in the economy amid rapid growth of technology that is replacing labour. The new policy will exploit synergies between elements in "Digital India" and "Skill India" keeping in mind the increasing automation at factories.
- ❑ Government has asked Non-Profit Organisations (NGOs) to open their accounts in banks that have core banking facilities. The move will ensure that NGO furnish real time data to security agencies in case of any discrepancy. There are as many as 5,845 NGOs in the country. It is one of the steps taken by the government aimed at checking NGOs who receive foreign funding.
- ❑ According to the ministry of agriculture, the government is considering raising the minimum support price (MSP) of paddy by Rs. 80 per quintal to Rs. 1,550 for the upcoming 2017-18 crop year that will start from Jul 2017. The proposed rates are in line with the recommendations of the expert body, Commission for Agricultural Costs and Prices.

Global News/Economy

- ❑ The Labour Department report showed U.S producer price index rose more than expected at 0.5% YoY in Apr 2017 compared with 0.1% fall in the prior month. Increase in producer prices was mainly due to rise in prices for services.
- ❑ According to the Labor Department, U.S. initial weekly jobless claims fell by 2,000 to 236,000 in the week to May 6, from the previous week's unrevised level of 238,000. Four-week moving average also rose by 500 to 243,500 from the previous week's unrevised average of 243,000.
- ❑ The Bank of England in a split vote decided to keep interest rates on hold in its monetary policy review. However, the committee voted unanimously to maintain the asset purchase programme at £435 billion. The bank downgraded its growth outlook for 2017 to 1.9% from 2%, while upgraded the growth outlook for 2018 to 1.7% from 1.6%. It projected inflation at 2.7% in the second quarter of 2017 and at 2.6% in the second quarter of next year.
- ❑ According to the European Central Bank (ECB) chief, a substantial degree of monetary accommodation is needed to support inflation. ECB chief opined that underlying inflation pressures remained subdued and is yet to show a convincing upward trend.
- ❑ Data from Destatis showed that Germany's GDP grew 0.6% QoQ in line with expectations in the Mar quarter of 2017, faster than the revised 0.4% increase in the Dec quarter of 2016 on improved domestic and foreign demand.

Global Equity Markets

Global Indices			
Indices	12-May-17	1-Week Return	YTD Return
Dow Jones	20896.61	-0.53%	5.10%
Nasdaq 100	5686.81	0.72%	15.79%
FTSE 100	7435.39	1.89%	3.59%
DAX Index	12770.41	0.42%	10.11%
Nikkei Average	19883.9	2.25%	1.48%
Straits Times	3255.29	0.79%	12.29%

Source: Reuters *Value as on May 12, 2017*

Europe

- European markets witnessed initial pressure as investors cashed in recent gains seen after French election results came broadly in line with market expectations. Sentiment dampened further after official data showed that German industrial output fell in Mar. Later, solid GDP data from Germany and some fresh merger & acquisition activity helped investors shrug off the initial concerns, thereby reversing the trend .

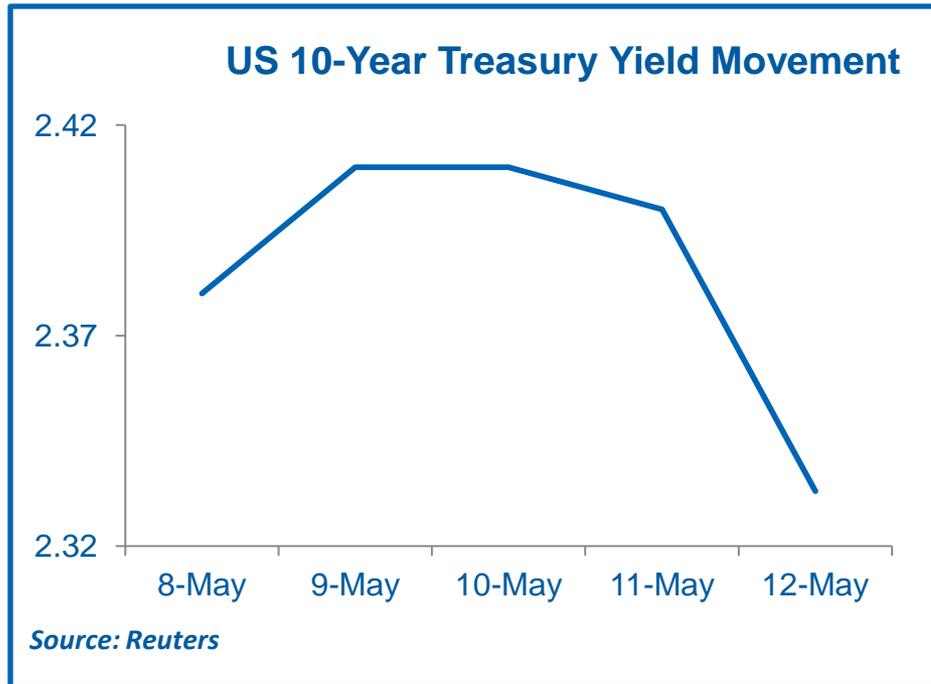
Asia

- Asian markets rose during the week with the exception of Chinese market. Weakness in Japanese yen against the U.S. dollar was the main reason behind the gains. Meanwhile, the positive impact of the French Presidential election result was neutralized to some extent by concerns over stringent financial regulations by the Chinese government.

U.S.

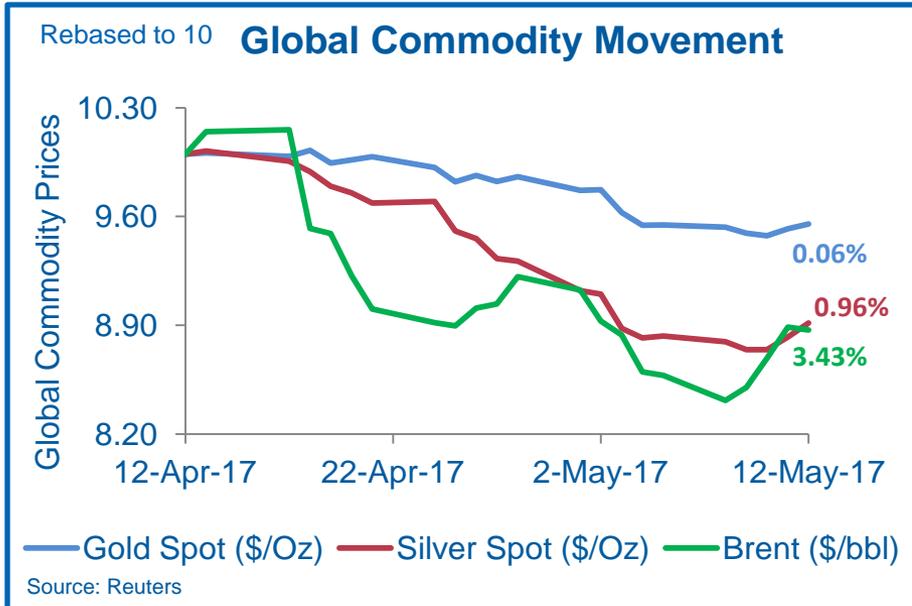
- U.S. markets remained largely weak amid a series of disappointing earnings numbers from major companies. Data reinforcing expectations of an imminent interest rate hike by the Federal Reserve also weighed on the markets.
- Political uncertainty dented market sentiment following the U.S. President's abrupt dismissal of the FBI director.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 2 bps to close at 2.33% from the previous week's close of 2.35%.
- U.S. Treasury prices fell initially as its safe haven appeal diminished and the risk sentiment boosted after the outcome of the French Presidential elections came along expected lines.
- However, the trend reversed after U.S. consumer price inflation data and retail sales data for Apr 2017 came lower than market expectations, which scaled back expectations of a strong U.S. economic rebound in the second quarter and revived appetite for U.S. Treasuries.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	48.29	46.69
Gold (\$/Oz)	1228.33	1227.59
Gold (Rs/10 gm)	28066	28227
Silver (\$/Oz)	16.457	16.3
Silver (Rs/Kg)	38059	38123

Source: Reuters Value as on May 12, 2017

Gold

- Gold prices grew marginally as the U.S. President's unexpected dismissal of FBI chief boosted popularity of the safe-haven asset. Victory of the pro-EU candidate in the French Presidential elections, and possibility of a U.S. interest rate hike in Jun 2017, kept bullion prices under pressure.

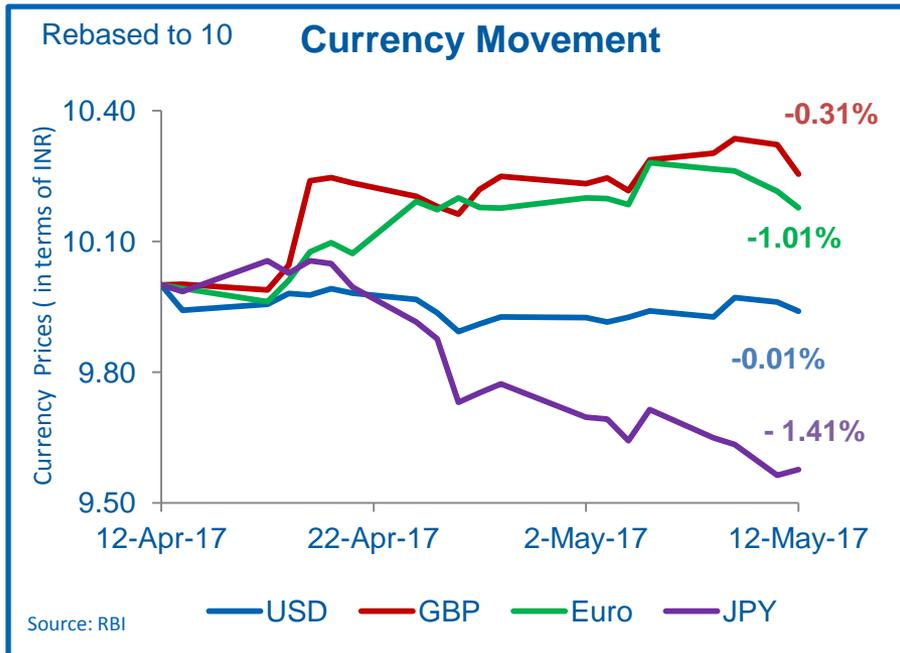
Crude

- Brent crude prices moved up after members of the Organization of the Petroleum Exporting Countries (OPEC) reached an agreement to extend the deal until the end of 2017, and as Saudi Arabia's supply curb towards Asia turned out to be greater than expected.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.30	64.31
Pound Sterling	82.87	83.13
EURO	69.89	70.60
JPY(per 100 Yen)	56.56	57.37

Source: RBI Figures in INR , Value as on May 12, 2017

Rupee

- The rupee rose against the greenback as the risk appetite improved after the French election results came along expected lines. Selling of the greenback by banks and exporters further boosted the rupee.

Euro

- The euro weakened against the greenback on profit booking after the former rose to a 6-month high following the outcome of the French Presidential elections.

Pound

- The pound weakened against the greenback after the Bank of England kept interest rates unchanged in its monetary policy review and trimmed U.K.'s growth forecasts for 2017.

Yen

- The yen weakened against the greenback as its safe haven appeal diminished following favourable the outcome of the French elections.

The Week that was...
8th May to 12th May

The Week that was (May 8 – May 12)

Date	Events	Present Value	Previous Value
Monday, May 08, 2017	China Trade Balance (APR) (USD)	38.05B	23.92B
	Japan Consumer Confidence Index (APR)	43.2	43.9
Tuesday, May 09, 2017	Germany Industrial Production (YoY) (MAR)	1.90%	2.00%
	U.S. Wholesale Inventories (MAR F)	0.20%	-0.10%
	Germany Trade Balance (euros) (MAR)	25.4B	20.0B
Wednesday, May 10, 2017	China Consumer Price Index (YoY) (APR)	1.20%	0.90%
	China Producer Price Index (YoY) (APR)	6.40%	7.60%
	Japan Leading Index (MAR P) (MAR P)	105.5	104.7
Thursday, May 11, 2017	U.K. Industrial Production (YoY) (MAR)	1.40%	2.50%
	U.K. Manufacturing Production (YoY) (MAR)	2.30%	3.00%
	U.K. Total Trade Balance (Pounds) (MAR)	(4.90B)	(2.65B)
Friday, May 12, 2017	Germany Gross Domestic Product (QoQ) (1Q P)	0.60%	0.40%
	Germany Consumer Price Index (YoY) (APR F)	2.00%	2.00%
	Germany Industrial Production (YoY) (MAR)	1.90%	1.40%
	U.S. Consumer Price Index (YoY) (APR)	2.2%	2.4%
	U.S. Advance Retail Sales (APR)	0.4%	0.1%
	U.S. University of Michigan Confidence (MAY P)	97.7	97.0

The Week Ahead...
May 15 to May 19

The Week Ahead

Day	Event
Monday, May 15, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Retail Sales (YoY) (APR) <input type="checkbox"/> China Industrial Production (YoY) (APR) <input type="checkbox"/> Japan Machine Tool Orders (YoY) (APR P)
Tuesday, May 16, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Consumer Price Index (YoY) (APR) <input type="checkbox"/> Eurozone Gross Domestic Product (YoY) (1Q P) <input type="checkbox"/> Japan Machine Orders (YoY) (MAR) <input type="checkbox"/> U.S. Housing Starts (MoM) (APR)
Wednesday, May 17, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Gross Domestic Product (YoY) (1Q P) <input type="checkbox"/> Japan Industrial Production (YoY) (MAR F) <input type="checkbox"/> U.S. MBA Mortgage Applications (MAY 12)
Thursday, May 18, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.K. Retail Sales (YoY) (APR) <input type="checkbox"/> U.S. Initial Jobless Claims (MAY 13)
Friday, May 19, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Supermarket Sales (YoY) (APR)

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