

RELIANCE

MUTUAL  
FUND

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# News U Can Use

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May 19, 2017

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The Week that was...

**15<sup>th</sup> May to 19<sup>th</sup> May**

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## Indian Economy

- India's exports increased 19.77% YoY to \$24.64 billion in Apr 2017, but imports surged at a much faster rate by 49.07% to \$37.88 billion, which led to rise in the trade deficit. Trade deficit expanded to \$13.25 billion in Apr 2017 from \$4.84 billion in Apr 2016. Rise in imports was mainly contributed by higher purchase of crude oil and petroleum products that grew 30.12% to \$7.35 billion from \$5.65 billion in the year ago period.
- The Government of India announced that owing to the intense and bold policy reforms, inflow of foreign direct investment in India has surged 9% to a record level of \$43.48 billion in 2016-2017 as against \$40 billion investments in 2015-2016.
- According to data from the Reserve Bank of India (RBI), India's services export grew 3.4% YoY to \$160.68 billion last fiscal. The receipts from services export were \$155.41 billion in the fiscal year ending 2015-16. Also, payments for services imported by India also increased to \$95.47 billion for fiscal ended Mar 2017 from \$85.72 billion a year ago.
- According to a survey carried out by the Labour Bureau, which covers eight key sectors of the non-farm economy, indicated that jobs increased by just 1.1% last year in India. Job growth is tracked by a quarterly survey of over 10,000 units, while unemployment is recorded in an annual survey of 7.8 lakh people and the quarterly survey started in Apr 2016.
- According to media reports, Indian companies have raised Rs. 7 lakh crore through issue of corporate bonds in fiscal year 2017 for the expansion of business plans, repayment of debt and to support working capital requirements. This marks a record YoY increase of 43.0%.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	19-May-17	1 Week Return	YTD Return
S&P BSE Sensex	30464.92	0.92%	14.55%
Nifty 50	9427.9	0.29%	15.26%
S&P BSE Mid-Cap	14644	-1.42%	20.71%
S&P BSE Small-Cap	15227.07	-1.94%	24.91%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.99	24.91	32.2	60.79
P/B	2.92	3.6	2.57	2.36
Dividend Yield	1.33	1.22	1.26	0.72

Source: BSE, NSE Value as on May 19, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
15-May-17	973	693	1.40
16-May-17	878	806	1.09
17-May-17	703	961	0.73
18-May-17	317	1376	0.23
19-May-17	545	1144	0.48

Source: NSE

- Indian equity markets closed the week higher mainly after Nifty set a new record by breaching the 9,500-mark for the first time. Hopes of a strong monsoon based on the India Meteorological Department's statement that rains could reach the southern Kerala coast on May 30, two days prior to its schedule, boosted investor confidence.
- Bourses were also helped by the release of economic data that came with revisions in new base-year series for Wholesale Price Index (WPI) inflation and Index of Industrial Production (IIP), a sharp drop in retail inflation to 2.99% in Apr 2017 that stirred up an argument if the Reserve Bank of India should cut interest rates, and strong corporate quarterly earnings results.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23141.6	-0.45%	5.87%
S&P BSE Bankex	25858.6	0.55%	5.22%
S&P BSE CD	15475.7	-3.28%	0.97%
S&P BSE CG	17669.7	-1.48%	2.28%
S&P BSE FMCG	9627.43	1.62%	3.94%
S&P BSE HC	14858.1	-0.21%	-2.88%
S&P BSE IT	10116.8	0.94%	5.15%
S&P BSE Metal	11206.2	1.31%	0.95%
S&P BSE Oil & Gas	14034.2	-1.67%	-1.85%

Source: Reuters Value as on May 19, 2017

- On the BSE sectoral front, most indices closed in the negative.
- S&P SBE Consumer Durables (-3.28%) was the top loser, trailed by S&P SBE Oil & Gas (-1.67%), S&P SBE Capital Goods (-1.48%), S&P SBE Realty (-1.13%), S&P SBE Power (-1.05%), and S&P SBE Auto (-0.45%).
- Auto sector dipped on reports that vehicles could turn pricier post GST implementation. Cars could fall in the 28% bracket, exclusive of cess.

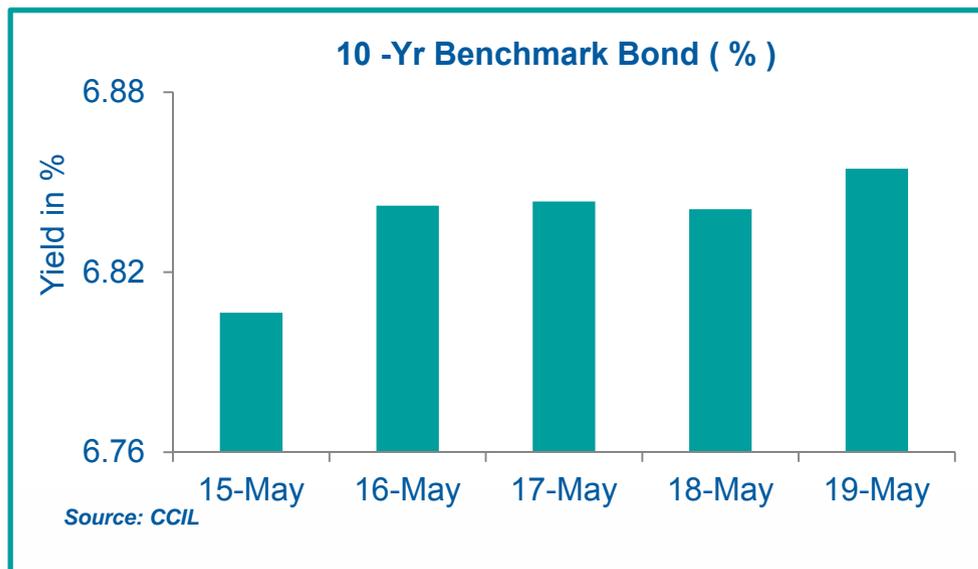
## Indian Derivatives Market Review

- Nifty May 2017 Futures were at 9,445.75, a premium of 17.85 over the spot closing of 9,427.90. The turnover on NSE's Futures and Options segment stood at Rs. 27.60 lakh crore in the week to May 19, compared with Rs. 22.07 lakh crore during the preceding week.
- The Put-Call ratio stood at 1.11 compared with the previous week's close of 1.00.
- The Nifty Put-Call ratio stood at 1.21 compared with the previous week's close of 1.24.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.06	6.11	5.97	5.95
91 Day T-Bill	6.30	6.30	6.07	5.98
7.80% 2021, (5 Yr GOI)	6.82	6.86	6.81	6.35
6.97% 2026, (10 Yr GOI)	6.85	6.91	6.85	6.43

*Source: Reuters* *Value as on May 19, 2017*



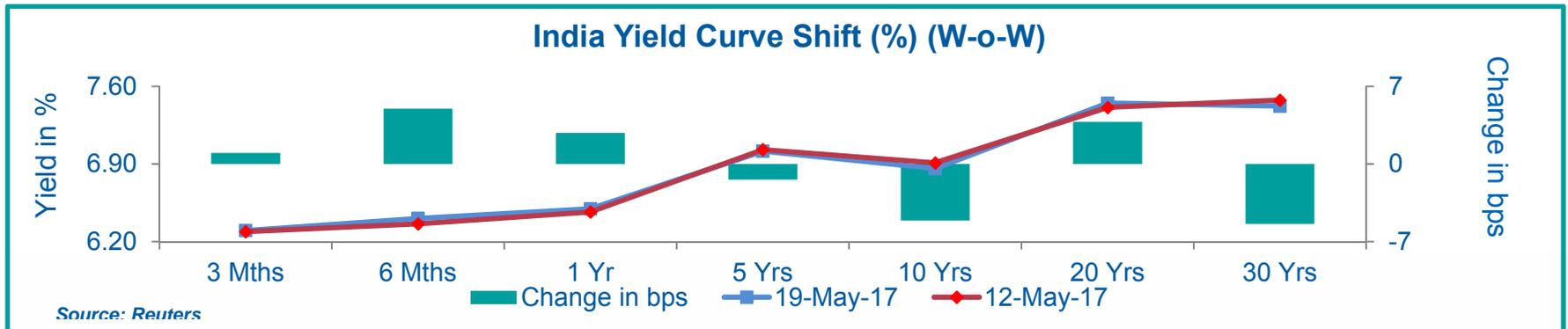
- Bond yields fell after retail inflation plunged to a 5-year low in Apr 2017, which increased hopes of a rate cut by the Reserve Bank of India (RBI) in the near term. However, gains were capped as market participants booked profits. Some caution was also noticed ahead of the monetary policy review and India Meteorological Department’s next forecast for monsoon in Jun 2017.
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 6 bps to close 6.85% compared with the previous close of 6.91%. During the session, bond yields moved in the region of 6.80% to 6.89%.
- Banks’ net average lending to RBI under the Liquidity Adjustment Facility stood at Rs. 6,749.40 crore (for Friday, only repo session considered), compared with the previous week’s lending of Rs. 10,921.05 crore.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.61	7.10	49
3 Year	6.79	7.35	56
5 Year	7.11	7.45	34
10 Year	7.20	7.69	49

*Source: Reuters* *Value as on May 19, 2017*

- Yields on gilt securities fell across maturities by up to 11 bps, barring 1-, 9-, 15-, 19-, and 24-year maturities that increased up to 4 bps.
- Corporate bond yields closed steady on 1- and 2-year papers and increased 2 bps on 3-year. Yield on remaining maturities fell in the range of 2 bps to 6 bps.
- Spread between AAA corporate bond and gilt contracted across maturities in the range of 3 to 9 bps, barring 2- and 3-year paper that rose 1 and 6 bps, respectively.



## Regulatory Updates in India

- The finance minister announced that the Goods and Services Tax (GST) Council finalised four tax brackets for services that range from 5% to 28% (5%, 12%, 18%, 28%). However, the minister stated that the council is yet to decide tax bracket for gold. Transport services (Railways, air) will come under the 5% category. Hotels and lodges with tariff below Rs. 1,000 will be exempt while those with Rs. 2,500-5,000 will come under the bracket of 18%. Luxury hotels will be levied at a rate of 28%. Tax rate for telecom and financial services is set at 18%.
- The government is planning to exempt approximately 100 items out of the GST regime. Per the media reports, goods of common use and consumed largely by the masses like primary produce, fruits and vegetables, flour, salt, milk, eggs, tea, coffee, and prasad sold at temples are expected to be a part of the exempted list.
- According to media reports, the GST council finalised tariffs for around 1,150 items at the two-day meeting. The decision was taken amid most of the states pitching in to keep those items out of the list that are sensitive for them. Also, various industry groups came in for keeping their respective products in the lowest bracket. This meeting is being done to finalise the decisions on the new tax framework that is expected to roll out in Jul 2017. Finance minister of Jammu & Kashmir stated that it could be the first state in the country to bring real estate within the ambit of GST.

## Regulatory Updates in India (contd..)

- The government exempted Infrastructure Investment Trusts (InvITs) from the ambit of acceptance of deposit rules under the Companies law. This action has been taken to ease the compliance requirements for the investment vehicle. However, Real Estate Investment Trusts (REITs) have not been given any such exemption so far.
- Government ordered all states to immediately remove stock limit on pulses because of ample availability of pulses in the country and their falling prices. Removal of stock limit will help traders and processors to buy more tur, which in turn could arrest the price fall.
- To ease the non-availability of coal linkages to power sector projects, Union cabinet approved a new policy in which power sector will receive the coal supply either through the auction route or power purchase pact based on competitive bidding of tariffs. The cabinet approved the signing of Fuel Supply Agreement with the Letter of Assurance holders and removed the present old linkage allocation policy.
- The Securities and Exchange Board of India (SEBI) set position limitations for brokers and institutional investors that deal with cross-currency futures and options contracts in international financial services centres. These position limitations shall limit the highest number of options or futures contracts these investors are allowed to hold on one underlying security.

## Global News/Economy

- A report from the U.S. Commerce Department showed that housing starts in the U.S. further plunged 2.6% to an annual rate of 1.172 million in Apr 2017 from a revised 1.203 million in Mar 2017. Meanwhile, building permits fell 2.5% to a rate of 1.229 million in Apr from a revised 1.260 million in Mar.
- According to the Labor Department, U.S. initial weekly jobless claims fell surprisingly by 4,000 to 232,000 in the week ended May 13, from the previous week's unrevised level of 236,000.
- Latest data from the Eurostat showed that eurozone's inflation grew 1.9% in Apr 2017 compared with growth of 1.5% in Mar 2017. The growth was in line with the market as well as European Central Bank's expectations. Core inflation that excludes energy, food, alcohol, and tobacco, surged to 1.2%, up from 0.7% in Mar, marking the highest rate since Sep 2013.
- Figures from the Office for National Statistics showed that U.K.'s inflation surged 2.7% in Apr 2017, up from 2.3% in Mar 2017 owing to higher air fares and oil prices. This marked the highest inflation level since Sep 2013.
- Data from the National Bureau of Statistics showed that industrial production in China grew only 6.5% YoY for Apr 2017, down from 7.6% growth in Mar 2017. Meanwhile, retail sales growth stood at 10.7% in Apr, lower than the 10.9% gain in Mar. The downside reflects weak domestic spending as well as overseas demand at the beginning of the second quarter.

## Global Equity Markets

Global Indices			
Indices	19-May-17	1-Week Return	YTD Return
Dow Jones	20804.84	-0.44%	4.64%
Nasdaq 100	5651.564	-0.62%	15.07%
FTSE 100	7470.71	0.48%	4.08%
DAX Index	12638.69	-1.03%	8.97%
Nikkei Average	19590.76	-1.47%	-0.02%
Straits Times	3216.92	-1.18%	10.97%

*Source: Reuters* *Value as on May 19, 2017*

### Europe

- European markets too felt the heat of the political turmoil in the U.S., which overshadowed the positive impact of rise in U.K. inflation in Apr 2017 to the highest level since 2013. Buying interest was affected after data showed a decline in eurozone construction output in Mar 2017. Meanwhile, investors were relieved after final data from Eurostat showed that eurozone inflation accelerated as estimated in Apr.

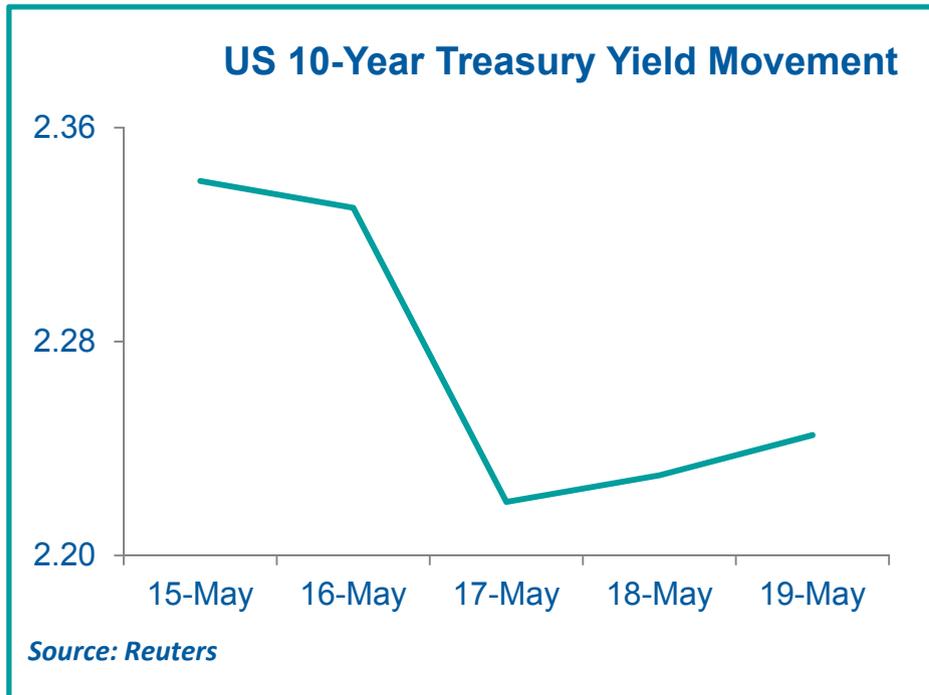
### Asia

- Asian markets witnessed a mixed trend over the week. While weak cues from Wall Street kept investors wary, concerns over Chinese regulatory tightening eased on expectations of more liquidity infusion in the financial system by the Chinese central bank. Meanwhile, strength in Japanese yen against the U.S. dollar kept Nikkei average index under pressure.

### U.S.

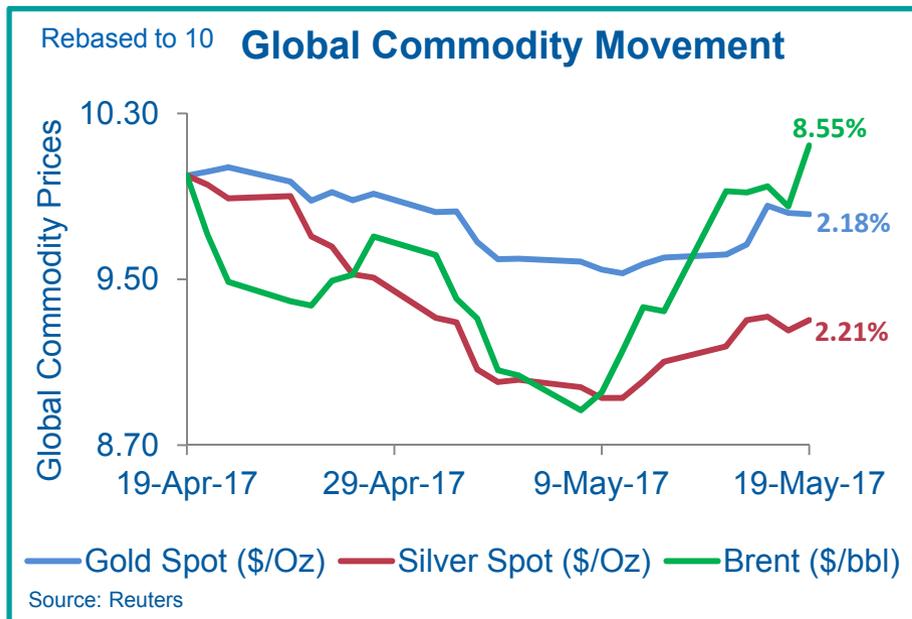
- U.S. markets remained largely low because of the ongoing political turmoil in Washington, which offset optimism about U.S. President's ability to implement tax reform and deregulation.
- According to media reports, the latest development on the situation involved President's direction to former FBI Director to set aside an investigation of former National Security Advisor.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 8 bps to close at 2.25% from the previous week's close of 2.33%.
- U.S. Treasury prices rose initially after data showed that housing starts in the U.S. unexpectedly fell in Apr 2017, which led to doubts about how many times the U.S. Federal Reserve will raise interest rates this year.
- U.S. Treasury prices surged further amid concerns of political turmoil in the U.S. and political instability in Brazil. Gains were extended as investors were worried regarding U.S. President's reform agenda and became apprehensive that efforts to cut taxes and increase spending might get disrupted.

## Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	52.42	48.29
Gold (\$/Oz)	1255.05	1228.33
Gold (Rs/10 gm)	28659	28066
Silver (\$/Oz)	16.82	16.46
Silver (Rs/Kg)	38690	38059

Source: Reuters Value as on May 19, 2017

## Gold

- Gold prices gained amid rising concerns over political turmoil in the U.S. that further raised doubts on implementation of economic stimulus program by the U.S. President. A successful missile test by North Korea and a worldwide cyber-attack fueled demand for the safe haven bullion.

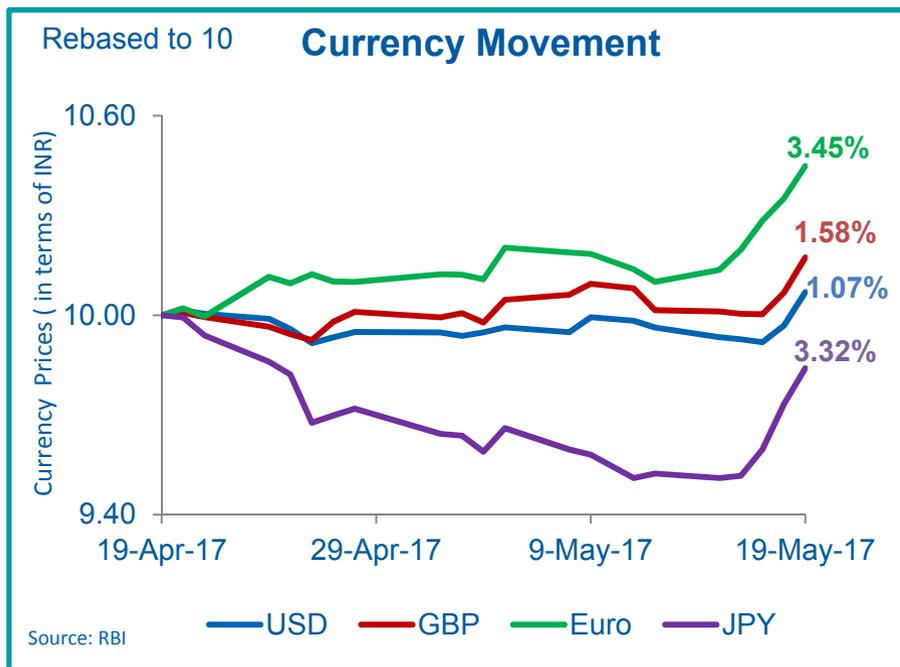
## Crude

- Brent crude prices gained after Saudi Arabia and Russia said that supply cuts need to last into 2018, a step toward extending OPEC's effort to support prices for longer than initially agreed. This also raised expectations that major oil producer countries will extend the supply cut plan in the upcoming meeting on May 25.

## 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	64.99	64.30
Pound Sterling	84.18	82.87
EURO	72.30	69.89
JPY(per 100 Yen)	58.44	56.56

Source: RBI

Figures in INR , Value as on May 19, 2017

### Rupee

- The rupee fell following greenback purchases by state-run banks and oil importers. Intervention by the central bank, however, restricted further losses.

### Euro

- The euro surged against the greenback as concerns over political turmoil in the U.S. and doubts over U.S. President's reform agenda kept the latter under pressure.

### Pound

- The pound rose after inflation in Britain rose more than expected in Apr 2017. Pound got further support due to weakening of dollar globally.

### Yen

- The yen surged against the greenback as its safe haven appeal improved on persisting worries over political turmoil in the U.S. and doubts over U.S. President's reform agenda.

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The Week that was...

**15<sup>th</sup> May to 19<sup>th</sup> May**

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## The Week that was (May 15 – May 19)

Date	Events	Present Value	Previous Value
<b>Monday, May 15, 2017</b>	<ul style="list-style-type: none"> <li>• China Retail Sales YTD (YoY) (Apr)</li> <li>• U.S. NAHB Housing Market Index (May)</li> <li>• Japan Machine Tool Orders (YoY) (Apr P)</li> <li>• China Industrial Production (YoY) (Apr)</li> </ul>	10.2% 70 34.7% 6.5%	10% 68 22.8% 7.6%
<b>Tuesday, May 16, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. Consumer Price Index (YoY) (Apr)</li> <li>• Japan Tertiary Industry Index (MoM) (Mar)</li> <li>• Eurozone Gross Domestic Product (YoY) (1Q P)</li> <li>• Japan Machine Orders (YoY) (Mar)</li> <li>• U.S. Housing Starts (MoM) (Apr)</li> </ul>	2.7% -0.2% 1.7% -0.7% 2.6%	2.3% 0.0% 1.7% 5.6% 6.6%
<b>Wednesday, May 17, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Gross Domestic Product Annualized (1Q P)</li> <li>• Eurozone Construction Output (YoY) (Mar)</li> <li>• Eurozone Consumer Price Index (YoY) (Apr F)</li> </ul>	2.2% 3.6% 1.9%	1.4% 5.5% 1.5%
<b>Thursday, May 18, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. Retail Sales (YoY) (Apr)</li> <li>• China Foreign Direct Investment (YoY) CNY (Apr)</li> <li>• U.S. Initial Jobless Claims (May 13)</li> </ul>	4.5% -4.3% 232,000	2.8% 6.7% 236,000
<b>Friday, May 19, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone Consumer Confidence (May A)</li> <li>• Germany Producer Prices (MoM) (Apr)</li> </ul>	-3.30 0.40%	-3.60 0.00%

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The Week Ahead

**22<sup>nd</sup> May to 26<sup>th</sup> May**

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## The Week Ahead

Day	Event
<p><b>Monday,</b> <b>May 22, 2017</b></p>	<ul style="list-style-type: none"> <li>• Japan Leading Index (Mar)</li> <li>• Japan Coincident Index (Mar)</li> <li>• U.S. Chicago Fed National Activity Index (Apr)</li> </ul>
<p><b>Tuesday,</b> <b>May 23, 2017</b></p>	<ul style="list-style-type: none"> <li>• Japan Nikkei Manufacturing PMI (May) Preliminary</li> <li>• Germany Gross Domestic Product w.d.a (YoY) (Q1)</li> <li>• Eurozone Markit Manufacturing PMI (May) Preliminary</li> <li>• U.S. Markit Manufacturing PMI (May) Preliminary</li> </ul>
<p><b>Wednesday,</b> <b>May 24, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. Housing Price Index (MoM) (Mar)</li> <li>• Germany GfK Consumer Confidence Survey (Jun)</li> <li>• U.S. MBA Mortgage Applications (May 19)</li> <li>• U.S. Existing Home Sales Change (MoM) (Apr)</li> </ul>
<p><b>Thursday,</b> <b>May 25, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.K. Gross Domestic Product (YoY) (1Q) Preliminary</li> <li>• U.S. Initial Jobless Claims (May 19)</li> <li>• U.S. Wholesale Inventories (Apr) Preliminary</li> <li>• Japan National Consumer Price Index (YoY) (Apr)</li> </ul>
<p><b>Friday,</b> <b>May 26, 2017</b></p>	<ul style="list-style-type: none"> <li>• U.S. Gross Domestic Product (Annualized) (1Q S)</li> <li>• U.S. Durable Goods Orders (Apr P)</li> <li>• U.S. Michigan Consumer Sentiment Index (May)</li> </ul>

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