

RELIANCE

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May 26, 2017

The Week that was...

22nd May to 26th May

Indian Economy

- The Ministry of New & Renewable Energy (MNRE) has received approval from the government to raise Rs. 2,360 crore through bonds during FY18 through the Indian Renewable Energy Development Agency. The proceeds from the bonds would be used by MNRE in the renewable energy projects like solar park, green energy corridor, generation-based incentives for wind projects, roof-top solar, off-grid/grid-distributed and decentralised renewable power, as well as investment in corporations and autonomous bodies.
- According to Reserve Bank of India (RBI) data, investment in overseas ventures by Indian firms has decreased 44% to 3.15 billion in Apr 2017 from \$5.61 billion in Apr 2016. Of the total outward direct investments during the month, \$1.43 billion was through equities, while \$1.01 billion was in the form of loans, and \$709.68 million as part of issuance of guarantee.
- The ministry of finance in its report for debt management showed that public debt in India fell 1.9% QoQ to Rs. 60.66 lakh crore for the quarter ended Mar 2017 compared with Rs. 61.84 lakh crore at the end of Dec 2016. Internal debt accounted 92.6% of public debt compared with 92.7% in the previous quarter. Gross and net market borrowings of the government for FY17 were revised downwards to Rs. 5.82 lakh crore and Rs. 4.07 lakh crore from Rs. 5.85 lakh crore and Rs.4.41 lakh crore in the previous fiscal, respectively.

Indian Equity Market

Domestic Equity Market Indices			
Indices	26-May-17	1 Week Return	YTD Return
S&P BSE Sensex	31028.21	1.85%	16.67%
Nifty 50	9595.10	1.77%	17.31%
S&P BSE Mid-Cap	14519.90	-0.85%	19.69%
S&P BSE Small-Cap	15086.26	-0.92%	23.76%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.91	24.32	NA	NA
P/B	3.00	3.62	NA	NA
Dividend Yield	1.29	1.19	NA	NA

Source: BSE, NSE, NA – data not available *Value as on May 26, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
22-May-17	497	1194	0.42
23-May-17	286	1398	0.20
24-May-17	339	1355	0.25
25-May-17	1241	429	2.89
26-May-17	1251	426	2.94

Source: NSE

- Indian equity market closed the week higher due to persistent inflow of foreign funds and sustained buying by retail investors, buoyed by a series of positive cues such as early onset of monsoon and finalisation of rates by the Goods and Services Tax Council.
- Encouraging corporate earning numbers from a major company in the FMCG sector further boosted investor sentiment. The BSE Sensex breached the 31,000-mark for the first time ever, while Nifty touched the 9,600-mark during the last trading day of the week.
- However, geopolitical tensions arising between India and Pakistan after the Indian Army conducted surgical strikes across LoC in Pakistan, restricted gains to some extent.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	23810.7	2.89%	5.07%
S&P BSE Bankex	26495.2	2.46%	5.11%
S&P BSE CD	15397.7	-0.50%	-0.91%
S&P BSE CG	17895.6	1.28%	0.18%
S&P BSE FMCG	10015.9	4.04%	4.36%
S&P BSE HC	13590.9	-8.53%	-10.03%
S&P BSE IT	10399.1	2.79%	7.94%
S&P BSE Metal	11413.4	1.85%	1.43%
S&P BSE Oil & Gas	14201.4	1.19%	-1.50%

Source: Reuters *Value as on May 26, 2017*

- On the BSE sectoral front, most indices closed on a positive note. S&P BSE FMCG was the top gainer, up 4.04%, followed by S&P BSE Auto and S&P BSE IT, which went up 2.89% and 2.79%, respectively. S&P BSE Bankex and S&P BSE Metal rose 2.46% and 1.85%, respectively.
- S&P BSE Health care sector fell significantly over the week, as investors reacted to the developments around the insider trading case of a major pharma company with the Securities and Exchange Board of India.

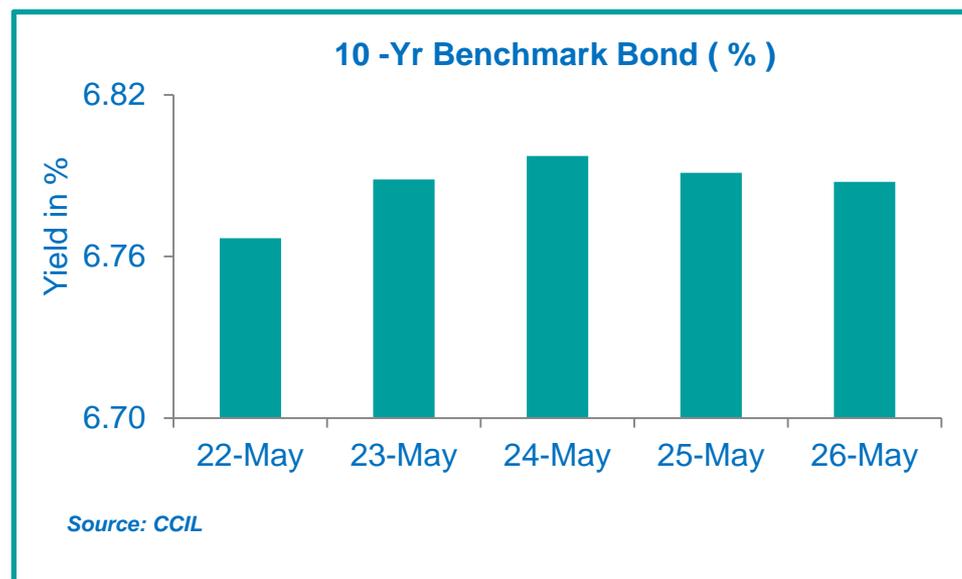
Indian Derivatives Market Review

- Nifty Jun 2017 Futures were at 9,575.80, a discount of 19.30 over the spot closing of 9,595.10. The turnover on NSE's Futures and Options segment stood at Rs. 37.80 lakh crore in the week to May 26, compared with Rs. 27.60 lakh crore during the preceding week.
- The Put-Call ratio stood at 0.80 compared with the previous week's close of 1.11.
- The Nifty Put-Call ratio stood at 1.10 compared with the previous week's close of 1.21.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.03	6.06	5.99	5.98
91 Day T-Bill	6.24	6.30	6.18	5.75
7.80% 2021, (5 Yr GOI)	6.75	6.82	6.90	6.15
6.97% 2026, (10 Yr GOI)	6.79	6.85	6.96	6.23

Source: Reuters *Value as on May 26, 2017*



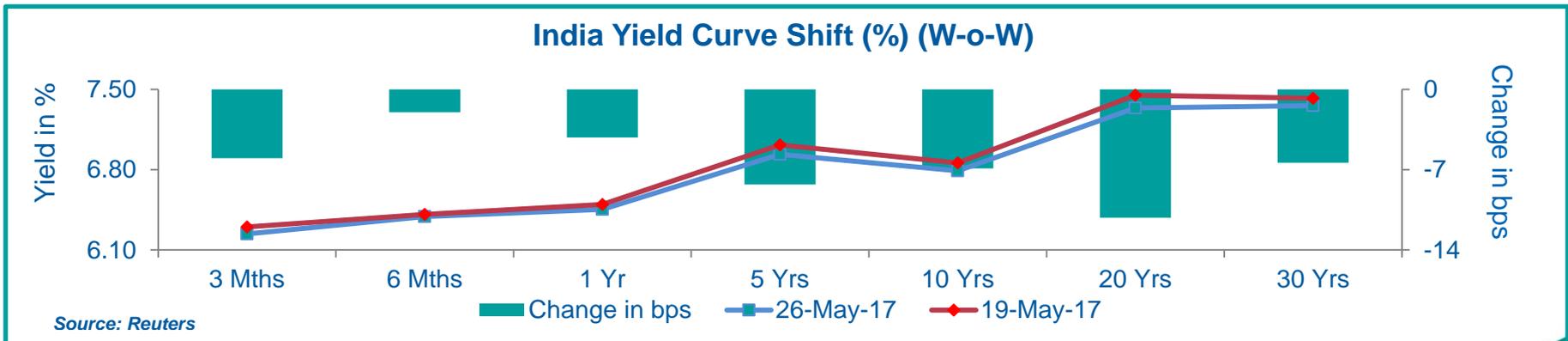
- Bond yields fell after government officials allayed concerns of high inflation following the implementation of Goods and Services Tax from Jul 1 and added that steps have been taken to ensure that domestic inflationary pressures do not go up. This led to hopes that the Monetary Policy Committee will be less hawkish in its upcoming monetary policy review in Jun 2017. Short covering by primary dealers also added to the gains..
- Yield on the 10-year benchmark bond (6.97% GS 2026) fell 6 bps to close 6.79% compared with the previous close of 6.85%.
- Banks' net average lending to the Reserve Bank of India (RBI) under the Liquidity Adjustment Facility stood at Rs. 9,522.35 crore (for Friday, only repo session considered), compared with the previous week's lending of Rs. 5,824.80 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.57	7.08	51
3 Year	6.74	7.28	54
5 Year	7.03	7.43	40
10 Year	7.11	7.62	51

Source: Reuters Value as on May 26, 2017

- Yields on gilt securities fell across the maturities in the range of 3 bps to 14 bps. The minimum contraction was witnessed on 6-year maturity and the maximum on 24-year paper.
- Corporate bond yields fell across the maturities in the range of 2 bps to 7 bps. The minimum contraction was witnessed on 1- and 5-year maturities and the maximum on 3- and 10-year papers.
- Spread between AAA corporate bond and gilt expanded across the maturities in the range of 2 bps to 9 bps, barring 3-year paper that contracted 1 bps.



Regulatory Updates in India

- The Reserve Bank of India (RBI) has permitted co-operative banks to issue prepaid payment instruments like mobile wallets. RBI has put down strict regulations that co-operative banks have to follow before issuing wallets for utility bill payments and other activities up to a limit of Rs. 10,000. Besides meeting the eligibility criteria and other guidelines, banks should be CBS compliant and have net non-performing assets less than 3%. Also, the bank should have earned profits in the previous financial year. Cooperative banks are already allowed to install ATMs and issue debit cards.
- According to the latest data from SEBI, credit rating agencies (CRAs) rated a total of 1,204 long-term corporate debt securities worth Rs. 17 lakh crore in FY17. Out of which, a majority 1,087 issues (90.3%) worth Rs. 16.90 lakh crore were rated "investment grade". Therefore, only 117 corporate bonds, which represent 9.7% of the total corporate debt issues worth Rs. 12,714 crore, were assigned a "non-investment grade" in FY17.
- According to media reports, the Reserve Bank of India is expected to announce guidelines to bring non-performing assets (NPA) ordinance into operation soon. The guidelines that will speed up the recovery of bad loans (that have crossed Rs. 8 lakh crore) shall include creation of a separate cell to identify issues pertaining to NPAs or bad loans. Also, the clause shall provide definitive timeframe for the resolution process.

Regulatory Updates in India (contd..)

- The Union cabinet has approved doing away with the 25-year old Foreign Investment Promotion Board (FIPB). Moving on, Foreign Direct Investment (FDI) proposals will be cleared by the respective ministries and in those cases where security concerns is a priority, the matter will be approved by the home ministry. Previously, concerns were raised that the need to get FIPB approval often leads to delays in foreign investments.
- The Union cabinet has given clearance to the "Strategic Partnership" model for the defence sector. Post clearance, the government will shortlist and pick Indian companies who will then tie up with foreign firms. These foreign firms will supply fighter jets, helicopters, armoured vehicles, and submarines. Both larger domestic corporates and the micro, small, and medium enterprises will participate under this policy. The model seeks to boost 'Make in India' in the defence sector.
- The government has come out with regulations under the Insolvency and Bankruptcy Code. According to the ministry of corporate affairs, the new regulations have come into effect from Apr 1, 2017. Under the new regulations, companies, limited liability partnerships, and any other persons incorporated with limited liability can choose voluntary liquidation.
- The Union cabinet has decided to increase fair and remunerative price (FRP) of sugarcane by Rs. 25 per quintal to Rs. 255 for the 2017-18 season beginning Oct 2017. The decision has come after taking into account the rise in cost of production and millers' capacity to pay the rate in view of better sugar prices. The finance minister is of the view that the situation of the sugar mills has improved.

Global News/Economy

- According to the minutes of the central bank's meeting on May 2-3, the U.S. Federal Reserve is set to raise interest rates in Jun 2017, marking the second increase in 2017. Policymakers also discussed scaling back their \$4 trillion-plus holdings of mortgage-backed bonds and longer-term U.S. government bonds.
- A report from the Commerce Department showed that U.S.' Gross Domestic Product (GDP) surpassed market expectations and grew 1.2% in the first quarter compared with the preliminary estimate of 0.7% growth. However, the pace was slower than 2.1% growth witnessed in fourth quarter 2016.
- According to data from Destatis, Germany's GDP grew 0.6% QoQ in the first quarter 2017, fastest growth since the first quarter of 2016. The growth was in-line with the market expectations and higher than 0.4% growth in fourth quarter 2016.
- A global credit rating company downgraded China's long-term local and foreign currency issuer ratings to A1 from Aa3. The agency also changed its outlook for the country to stable from negative. The rating agency expects that the financial strength of the country would erode in the coming years since China's wide debt continues to rise as potential growth slows.

Global Equity Markets

Global Indices			
Indices	26-May-17	1-Week Return	YTD Return
Dow Jones	21080.28	1.32%	6.03%
Nasdaq 100	5788.359	2.42%	17.86%
FTSE 100	7547.63	1.03%	5.15%
DAX Index	12602.18	-0.29%	8.66%
Nikkei Average	19686.84	0.49%	0.47%
Straits Times	3219.42	0.08%	11.05%

Source: Reuters *Value as on May 26, 2017*

Europe

- Most of the major European markets ended the week on an upbeat note mainly over strong economic reports from the euro zone, Germany, and France. Release of the minutes of the U.S. Federal Reserve’s latest monetary policy meeting suggesting a rate hike in Jun 2017 also buoyed sentiment.

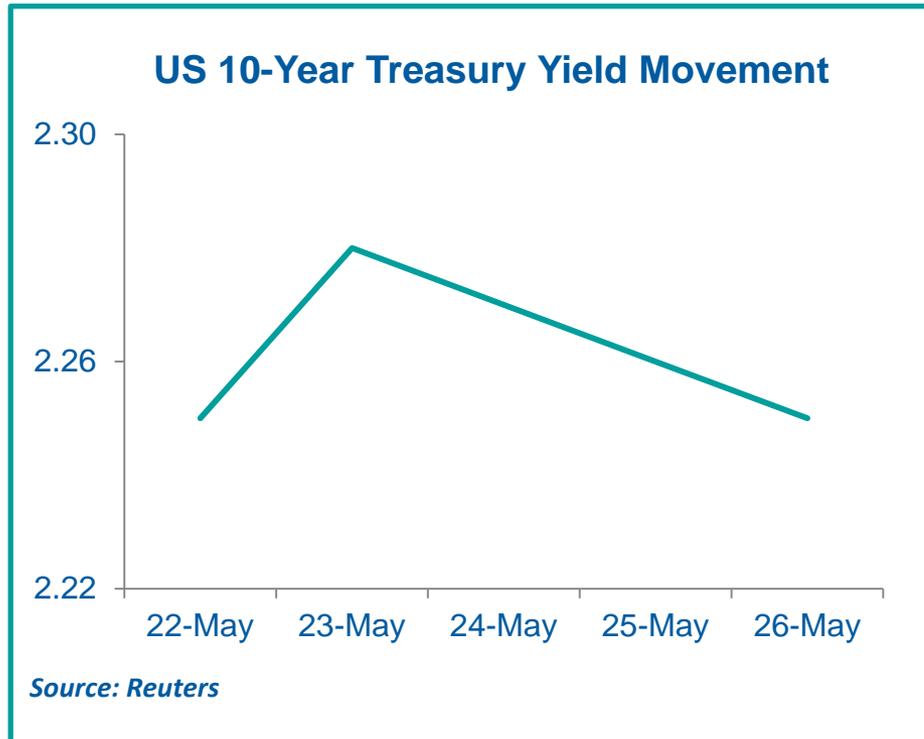
Asia

- Most of the major Asian markets climbed on strong global cues following release of minutes from the U.S. Federal Reserve’s monetary policy meeting that indicated at a rate hike in Jun 2017. Buying interest grew after official data showed Japan’s exports expanded in Apr 2017, supported by higher shipments of semiconductors and steel.

U.S.

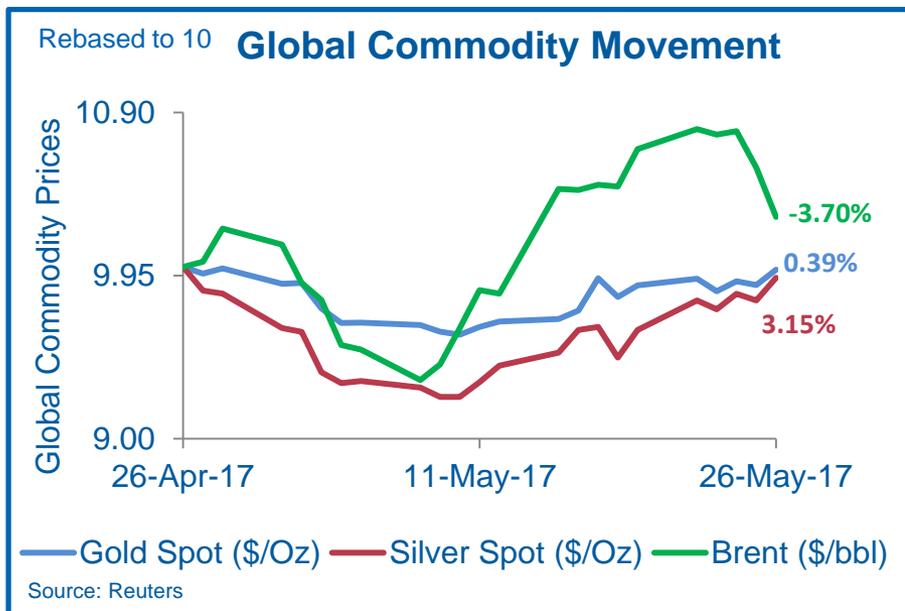
- Major U.S. markets closed the week positively, primarily following the release of the minutes of the U.S. Federal Reserve’s fiscal policy meeting. The minutes indicated that the Fed could hike interest rates at its meeting in mid-Jun 2017 if recent economic conditions remain favourable.
- Upbeat earnings results from industry majors also supported sentiment. However, weak economic data restricted gains.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond remain unchanged to close at 2.25%.
- U.S. Treasury prices fell initially as investors sold bonds to make space for federal and corporate bonds supplies later in the week. However, the trend reversed after the release of minutes of latest U.S. monetary policy that indicated a gradual approach on raising interest rates.
- Downgrade of China’s credit rating also boosted demand for the safe haven asset. Treasury prices rose further following solid demand for Treasury notes.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	50.48	52.42
Gold (\$/Oz)	1266.66	1255.05
Gold (Rs/10 gm)	28782	28659
Silver (\$/Oz)	17.35	16.82
Silver (Rs/Kg)	39635	38690

Source: Reuters Value as on May 26, 2017

Gold

- Gold prices remained high overcoming concerns over probable rate hike by the U.S. Federal Reserve in the near future. The bullion's prices remained steady as political uncertainty in the U.S. continued to boost the safe haven appeal of the precious metal.

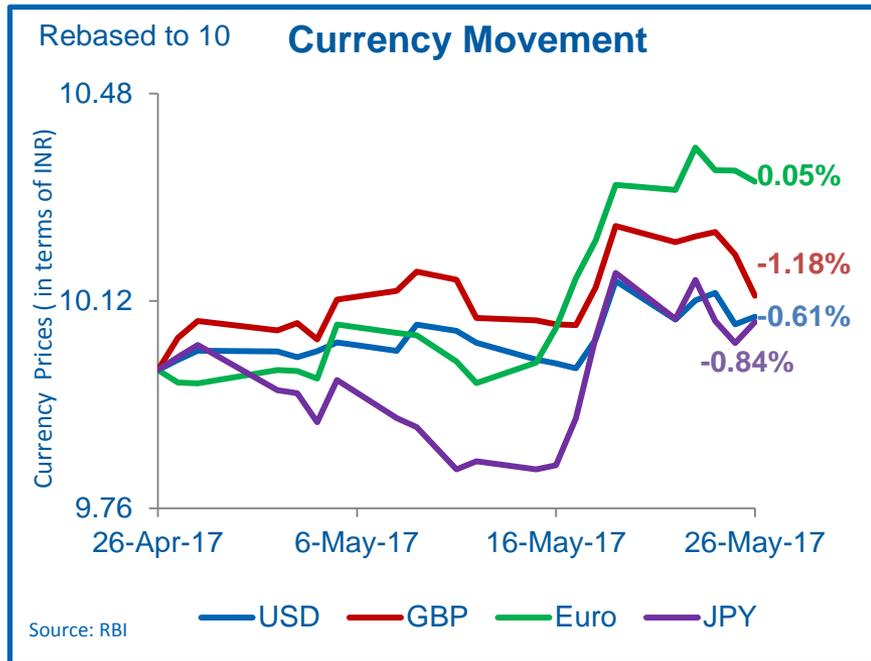
Crude

- The meeting between the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers, agreed on a nine-month extension of output cuts till Mar 2018. However, the market reacted negatively as the agreement fell short of investors' expectations for longer or deeper cuts, resulting in weakness in oil prices over the week.

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	64.59	64.99
Pound Sterling	83.18	84.18
EURO	72.33	72.30
JPY(per 100 Yen)	57.95	58.44

Source: RBI Figures in INR , Value as on May 26, 2017

Rupee

- The rupee rose against the greenback following gains in the domestic equity market. Minutes of the U.S. Federal Reserve's latest meeting that pointed to a near term rate hike but at the same time signalled caution going forward also weighed on the greenback.

Euro

- The euro inched up initially against the greenback but later the trend reversed following an upward revision of U.S. gross domestic product growth in the first quarter of 2017

Pound

- The pound weakened against the greenback initially during the week as market participants were worried over the upcoming elections in Britain in Jun 2017.

Yen

- The yen inched up against the greenback amid volatility as its safe haven appeal improved on political uncertainty in the U.S.

The Week that was...

22nd May to 26th May

The Week that was (May 22 – May 26)

Date	Events	Present Value	Previous Value
Monday, May 22, 2017	<ul style="list-style-type: none"> Japan Convenience Store Sales (YoY) (APR) 	0.3%	0.0%
Tuesday, May 23, 2017	<ul style="list-style-type: none"> Japan Nikkei Manufacturing PMI (MAY P) Japan All Industry Activity Index (MoM) (MAR) Germany Gross Domestic Product (QoQ) (1Q F) U.S. New Home Sales (MoM) (APR) Eurozone Markit Manufacturing PMI (MAY P) 	52.0 -0.6% 0.6% -11.4% 57.0	52.7 0.7% 0.6% 5.8% 56.7
Wednesday, May 24, 2017	<ul style="list-style-type: none"> Germany GfK Consumer Confidence Survey (JUN) U.S. House Price Index (MoM) (MAR) U.S. Existing Home Sales (APR) 	10.4 0.6% 5.57M	10.2 0.8% 5.70M
Thursday, May 25, 2017	<ul style="list-style-type: none"> U.K. Gross Domestic Product (QoQ) (1Q P) U.S. Advance Goods Trade Balance (APR) U.S. Initial Jobless Claims (20 MAY) Japan National Consumer Price Index (YoY) (APR) 	0.2% (67.6B) 234K 0.40%	0.3% (65.1B) 233K 0.20%
Friday, May 26, 2017	<ul style="list-style-type: none"> U.S. Gross Domestic Product (Annualized) (1Q S) U.S. Durable Goods Orders (APR P) 	1.20% -0.70%	0.70% 2.30%

The Week Ahead

29th May to 02nd June

The Week Ahead

Day	Event
<p>Monday, May 29, 2017</p>	<ul style="list-style-type: none"> • Japan Jobless Rate (APR) • Japan Retail Trade (YoY) (APR)
<p>Tuesday, May 30, 2017</p>	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (MAY P) • U.S. Personal Consumption Expenditure Core (YoY) (APR) • U.S. Consumer Confidence (MAY) • U.K. GfK Consumer Confidence Survey (MAY)
<p>Wednesday, May 31, 2017</p>	<ul style="list-style-type: none"> • China Manufacturing PMI (MAY) • Germany Unemployment Change (MAY) • Eurozone Consumer Price Index Estimate (YoY) (MAY) • U.S. Pending Home Sales (YoY) (APR) • Eurozone Unemployment Rate (APR)
<p>Thursday, June 01, 2017</p>	<ul style="list-style-type: none"> • U.S. ISM Manufacturing (MAY) • China Caixin Manufacturing PMI (MAY) • U.K. Markit Manufacturing PMI (MAY) • U.S. Construction Spending (MoM) (APR)
<p>Friday, June 02, 2017</p>	<ul style="list-style-type: none"> • U.S. Change in Non-farm Payrolls (MAY) • U.S. Unemployment Rate (MAY) • Japan Consumer Confidence Index (MAY)

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