

RELIANCE

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# News U Can Use

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November 3, 2017

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The Week that was...

**30<sup>th</sup> October to 3<sup>rd</sup> November**

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## Indian Economy

- According to data from the World Bank, India has jumped to 100<sup>th</sup> place in the “Ease of Doing Business” rankings for 2018. India thus moved up the ladder by 30 notches from the last year.
- Government data showed that the Indian budgetary fiscal deficit over the first half of the current financial year from Apr to Sep of 2017 stood at Rs. 4.99 lakh crore or 91.3% of the full year's target of Rs. 5.47 lakh crore. The fiscal deficit in the corresponding period of the previous year stood at 83.9% of the budget estimate for the previous fiscal.
- Government data showed that the eight core industries witnessed a growth of 5.2% in Sep 2017 following a growth of 4.4% in the previous month and 5.3% in the same period of the previous year.
- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to 50.3 in Oct 2017 from 51.2 recorded in Sep 2017. The decline reflects negative effects arising from the implementation of the Goods and Services Tax, which dampened demand levels and pulled down overseas demand for Indian goods to the greatest extent since Sep 2013.
- The Nikkei India Services PMI Business Activity witnessed expansion for the second consecutive month and stood at 51.7 in Oct 2017, better than 50.7 in Sep 2017. Acceleration in service activity was driven by new orders, which grew at its fastest pace since Jun 2017. Meanwhile, the Nikkei Composite Output Index rose slightly to 51.3 in Oct 2017, from 51.1 recorded in the previous month.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	03-Nov-17	1 Week Return	YTD Return
S&P BSE Sensex	33,685.56	1.59%	26.66%
Nifty 50	10,452.50	1.25%	27.79%
S&P BSE Mid-Cap	16,713.11	2.04%	37.77%
S&P BSE Small-Cap	17,856.03	3.19%	46.48%

*Source: MFI Explorer*

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.92	26.87	42.36	86.92
P/B	3.14	3.53	2.93	2.60
Dividend Yield	1.15	1.07	0.82	0.63

*Source: BSE, NSE* *Value as on Nov 3, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
30-Oct-17	1,150	603	1.91
31-Oct-17	883	851	1.04
01-Nov-17	964	794	1.21
02-Nov-17	855	888	0.96
03-Nov-17	910	821	1.11

*Source: NSE*

- Domestic equity markets touched a fresh high after India went up by 30 notches to the 100<sup>th</sup> position on World Bank's 'Ease of Doing Business' list. Investor sentiment improved further after growth in eight core sectors touched a six-month high in Sep 2017 and final reading of a private survey showed that service sector activity expanded for the second consecutive month in Oct 2017, driven by rising new orders.
- Better than expected earnings of a few prominent domestic companies for the quarter ended Sep 2017 further supported buying interest.
- However, the upside was limited after the U.S. Federal Reserve's (Fed) upbeat outlook on the U.S. economy virtually confirmed a rate hike in Dec 2017, though the Fed kept interest rates unchanged for the time being, as per market expectations.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25,267.72	-0.15%	3.64%
S&P BSE Bankex	29,092.14	3.54%	7.42%
S&P BSE CD	18,602.22	3.94%	3.66%
S&P BSE CG	18,601.39	1.68%	8.54%
S&P BSE FMCG	10,305.86	0.27%	4.29%
S&P BSE HC	14,530.35	2.75%	7.18%
S&P BSE IT	10,383.02	-0.33%	3.77%
S&P BSE Metal	14,943.81	-0.51%	8.89%
S&P BSE Oil & Gas	16,524.05	0.97%	9.85%

Source: Thomson Reuters Eikon Value as on Nov 3, 2017

- On the BSE sectoral front, most of the indices closed in the green, barring S&P BSE Metal (-0.51%), S&P BSE IT (-0.33%) and S&P BSE Auto (-0.15%).
- S&P BSE Realty (8.57%) stood as the major gainer followed by S&P BSE Consumer Durables (3.94%) and S&P BSE Bankex (3.54%). Infrastructure and public sector banks performed well owing to the government's stimulus package.

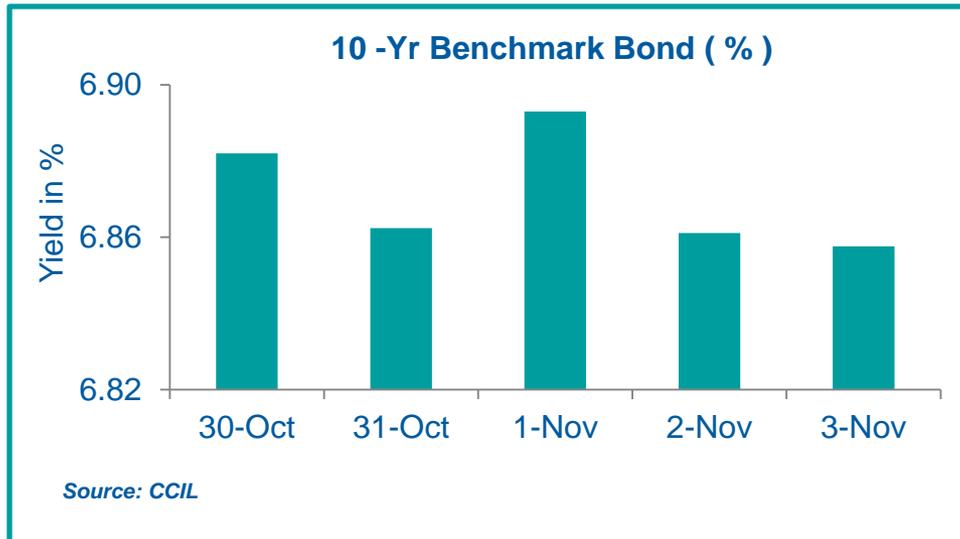
## Indian Derivatives Market Review

- Nifty Nov 2017 Futures were at 10,486.80, a premium of 34.30 points above the spot closing of 10,452.50. The turnover on NSE's Futures and Options segment stood at Rs. 27.99 lakh crore as against Rs. 44.36 lakh crore in the week to Oct 27.
- The Put-Call ratio stood at 0.88 compared with the previous week's close of 0.85.
- The Nifty Put-Call ratio stood at 1.55 compared with the previous week's close of 1.38.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.85	5.86	5.85	5.99
91 Day T-Bill	6.10	6.10	6.08	6.24
7.80% 2021, (5 Yr GOI)	6.61	6.57	6.54	6.92
6.79% 2027, (10 Yr GOI)	6.86	6.81	6.65	--

*Source: Thomson Reuters Eikon* *Value as on Nov 3, 2017*



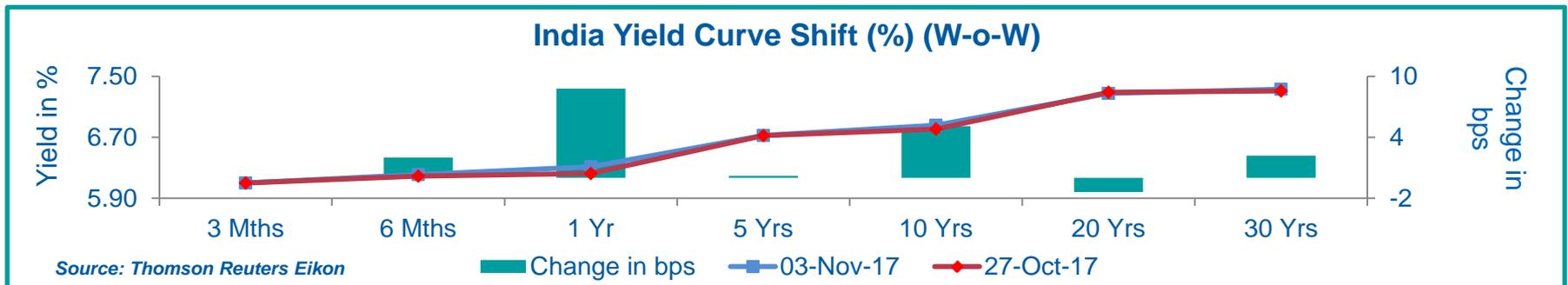
- Bond yields rose for the third consecutive week amid concerns that the government’s fresh plan to inject capital in state-owned banks through bank recapitalisation bonds may boost supply of debt securities and hurt the Central government’s fiscal consolidation drive. However, value buying following the recent decline in bond prices restricted further losses.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 5 bps to close at 6.86% from the previous week’s close of 6.81% after trading in a range of 6.80% to 6.90%.
- Data from the Reserve Bank of India (RBI) showed that India's foreign exchange reserves fell for the second consecutive week to \$398.76 billion as of Oct 27, from \$399.92 billion in the previous week.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.37	6.82	45
3 Year	6.67	7.04	37
5 Year	6.83	7.23	40
10 Year	7.17	7.59	43

Source: Thomson Reuters Eikon Value as on Nov 3, 2017

- Yields on gilt securities increased across most of the maturities by up to 9 bps, barring 19- and 24-year maturities that fell 1 bps each. Yields on 5-, 7- and 8-year maturities closed steady.
- Corporate bond yields increased across the maturities in the range of 2 bps to 12 bps.
- Spread between AAA corporate bond and gilt expanded across 4 to 8 years' maturities in the range of 3 bps to 10 bps. Yield across the remaining maturities contracted by up to 9 bps, barring 2- and 10-year maturities that closed steady.



## Regulatory Updates in India

- The government has eased the Arms Rules to provide a fillip to investment in the manufacturing of arms, ammunition and weapon systems in the country. The new rules will generate employment in the field of manufacturing of arms and ammunition and help meet the requirement of armed forces and police forces in the country. According to the new rules, the license granted for manufacturing will be valid for the life-time of the licensee company. The government has also done away with the renewal of the license that is required every five years.
- The Centre has made the use of Public Finance Management System (PFMS) compulsory for transfer of funds under the central-sector schemes that account for 31% of the Budget. This comes amid a move that would enable tracking and monitoring of the end-use of its funds. Currently, 613 such schemes across all ministries are being covered under PFMS. The centrally sponsored schemes that account for another 12.95% of the Budget might also be brought under scrutiny of PFMS.
- The government has announced that the Alternative Mechanism, headed by the finance minister, may suggest banks to examine merger proposals. This comes amid government's push towards consolidation among state-run lenders. The final schemes that will be framed will be approved by the Central government and laid in both the houses of Parliament.

## Regulatory Updates in India (contd..)

- The secretary of the Department of Industrial Policy and Promotion (DIPP) announced that the government is working with the World Bank to implement more than 200 reforms. The move is taken amid the wake of driving India into the top-50 bracket in ease of doing business. India recently jumped 30 places to rank 100<sup>th</sup> in the World Bank's 'ease of doing business' ranking driven by a slew of reforms in taxation, licensing, investor protection and bankruptcy resolution. Also, the secretary announced that the department has already begun meeting with stakeholders and taking feedback from them that will help in improving the business climate.
- The government at the Cabinet Committee on Economic Affairs (CCEA) decided to give ex-post facto clearance to implementation of the Special Banking Arrangement of Rs. 10,000 crore for payment of outstanding claims towards fertiliser subsidy in 2016-17. Urea and 21 grades of phosphate and potassium fertilisers will be available to farmers at subsidised prices through fertiliser manufacturers and importers by the government.
- The government has approved changes to ongoing Central scheme - Rashtriya Krishi Vikas Yojana (RKVY) amid focus on value chain, post-harvest infrastructure and agri-entrepreneur development. This comes on the wake of making farming a remunerative profession. Meanwhile, now the scheme has been rebranded as RKVY-Remunerative Approaches for Agriculture and Allied sector Rejuvenation (RAFTAAR). The new scheme that will have a budget allocation of Rs. 15,722 crore will be implemented for three years till 2019-20.

## Global News/Economy

- The Fed kept interest rates on hold in its monetary policy review in line with market expectations and maintained an upbeat outlook on the U.S. economy thereby keeping the door open for a rate hike in Dec 2017. The Fed also announced that it was proceeding with the reduction in \$4.2 trillion holdings of Treasury bonds and mortgage-backed securities.
- A report from the U.S. Labour Department showed that U.S. economy added 261,000 jobs in Oct 2017, which came in lower than market expectations of 310,000 jobs. The employment thus rebounded in Oct after generating only 18,000 jobs in Sep 2017 which was revised from the loss of 33,000 jobs initially reported. The unemployment rate fell 4.1% in Oct as against 4.2% in Sep.
- The Bank of England raised its benchmark rates by 25 bps to 0.50% as inflation continues to rise due to weaker pound. This was the first rate hike since Jul 2007. The Monetary Policy Committee has maintained the quantitative easing at £ 435 billion. The bank predicts inflation to rise further in the near term to 3.2% in Oct 2017, before starting to slow down to 2.4% in the fourth quarter of 2018.
- The Bank of Japan maintained its monetary stimulus and has lowered its inflation outlook in its monetary policy review. The Bank of Japan lowered its inflation expectation to 0.8% from 1.1% for 2017 and to 1.4% from 1.5% for 2018. Inflation for 2019 was maintained at 2.3%.

## Global Equity Markets

Global Indices			
Indices	03-Nov-17	1-Week Return	YTD Return
Dow Jones	23,539.19	0.45%	18.40%
Nasdaq 100	6,295.58	1.32%	28.18%
FTSE 100	7,560.35	0.74%	5.33%
DAX Index	13,478.86	1.98%	16.21%
Nikkei Average	22,539.12	2.41%	15.03%
Straits Times	3,382.31	-0.12%	16.67%

Source: Thomson Reuters Eikon Value as on Nov 3, 2017

### Europe

- European markets too witnessed buying interest after the euro area economy expanded at a faster than expected pace in the third quarter of 2017 and the unemployment rate in the region fell to a more than eight-year low in Sep 2017. Buying interest strengthened further following the announcement of the U.S. President's nominee for the next Fed chief.

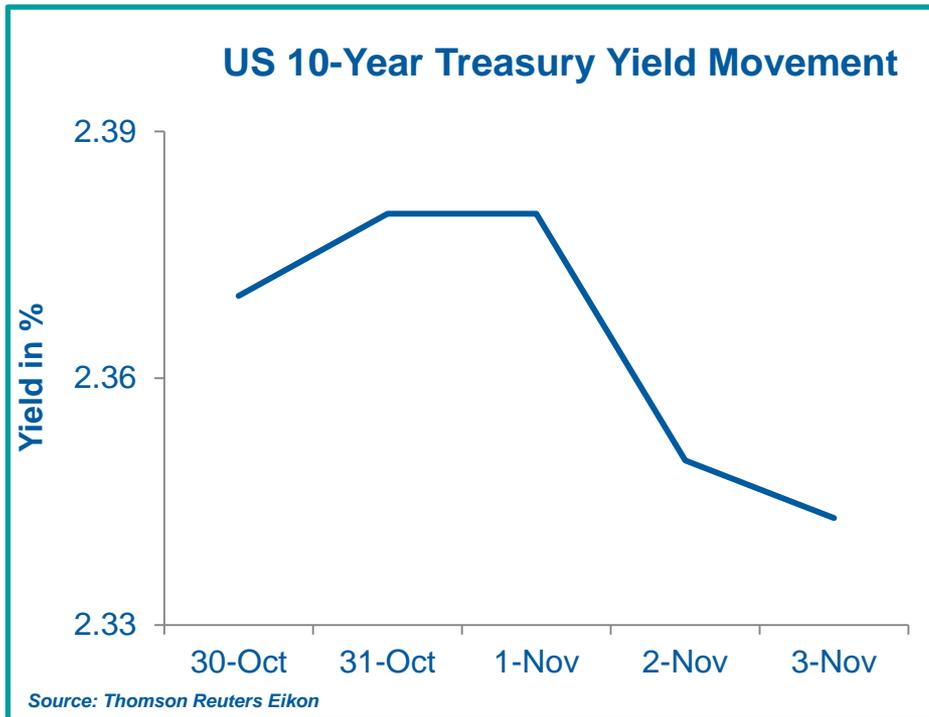
### Asia

- Asian markets too went up amid improved Chinese industrial profit data for Sep 2017. Improvement in China's Caixin manufacturing Purchasing Managers' Index (PMI) data for Oct 2017 further buoyed investor sentiment. However, gains were restricted after data showed that Japan's industrial production dropped in Sep 2017.

### U.S.

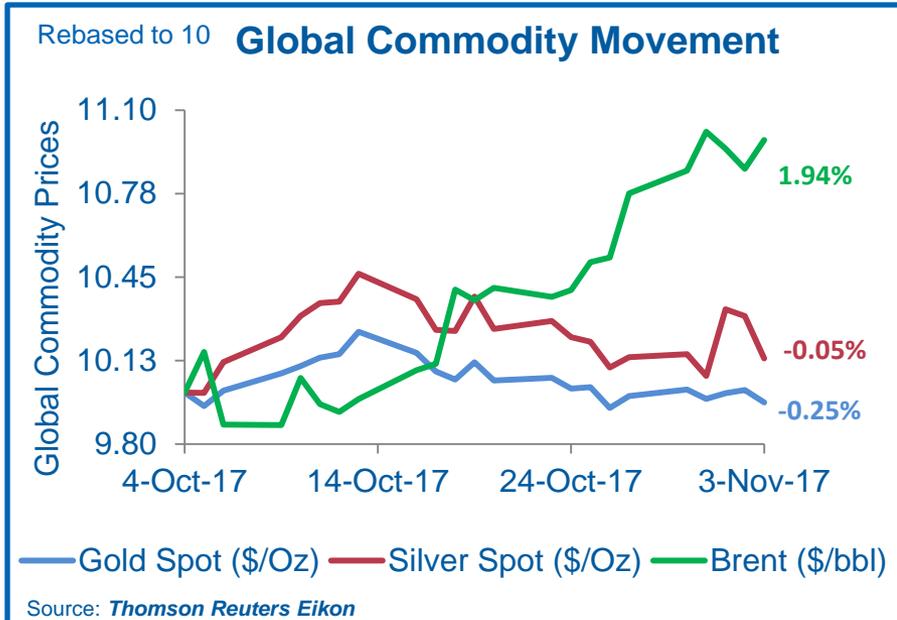
- U.S. markets rose during the week and closed at record high levels amid positive reaction to the latest batch of corporate earnings numbers for the quarter ended Sep 17.
- Meanwhile, the Fed left interest rates unchanged, in line with market expectations. Also, the central bank kept room for a rate-hike in Dec 2017, as was widely predicted.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 9 bps to close at 2.34% from the previous week's close of 2.43%.
- U.S. Treasury prices rose after the U.S. President appointed the widely expected candidate as the next Fed chief. As per reports, the new governor of the Fed is viewed as more dovish by the market participants.
- Treasury prices rose further following below than expected U.S. jobs data for Oct 2017. The report showed that wage rate remained subdued, thereby raising concerns about continuing low inflation level, though market participants perceived the recent hurricanes as distorting the data.

## Commodities Market



## Gold

- Gold prices fell over the week on growing possibility of an interest rate hike in Dec 2017 by the Fed and a slew of upbeat U.S. economic data.

## Crude

- Brent crude prices traded high on news that the Organization of the Petroleum Exporting Countries' (OPEC) output declined by 80,000 bpd to 32.78 million bpd in Oct 2017, while Russia also reduced its output by around 300,000 bpd during the same period. This has also raised expectations that OPEC would extend their production cut agreement beyond Mar 2018.

## Baltic Dry Index

- The Baltic Dry Index fell during the week due to weak capesize and panamax activities.

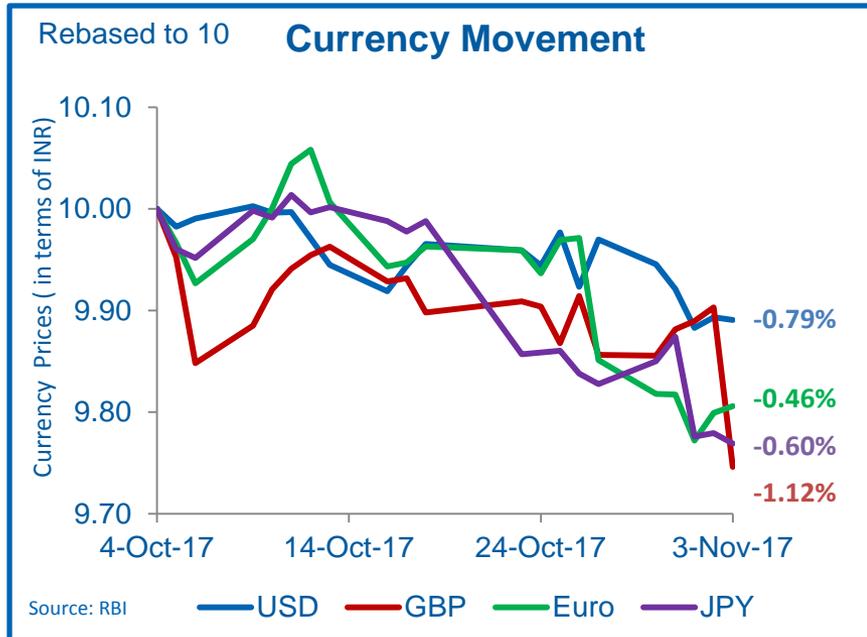
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	61.61	60.44
Gold (\$/Oz)	1,269.46	1272.60
Gold (Rs/10 gm)	29,167	29258
Silver (\$/Oz)	16.80	16.81
Silver (Rs/Kg)	39,354	38,705

Source: Thomson Reuters Eikon

Value as on Nov 3, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.58	65.09
Pound Sterling	84.43	85.38
EURO	75.33	75.68
JPY(per 100 Yen)	56.66	57.00

Source: RBI Figures in INR , Value as on Nov 3, 2017

### Rupee

- The Indian rupee strengthened against the U.S. dollar following gains in the domestic equity market and fresh worries over the U.S. President's reform agenda.

### Euro

- The euro closed steady against the greenback as initial worries over the U.S. President's reform agenda were neutralised by upbeat U.S. factory orders data for Sep 2017 and U.S. services sector data for Oct 2017.

### Pound

- The pound weakened against the greenback after the Bank of England increased interest rates for the first time in a decade but projected gradual rate hikes over the next three years.

### Yen

- The yen weakened against the greenback after the Bank of Japan kept its monetary policy steady and slightly lowered its inflation forecast for FY17.

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The Week that was...

**30<sup>th</sup> October to 3<sup>rd</sup> November**

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## The Week that was (Oct 30 – Nov 3)

Date	Events	Present Value	Previous Value
Monday, October 30, 2017	• U.S. Personal Spending (SEP)	1.00%	0.10%
	• Germany Consumer Price Index (YoY) (OCT Preliminary)	1.60%	1.80%
Tuesday, October 31, 2017	• China Manufacturing PMI (OCT)	51.6	52.4
	• Bank of Japan Policy Balance Rate (OCT 31)	-0.10%	-0.10%
	• Eurozone Gross Domestic Product s.a. (YoY) (3Q A)	2.50%	2.30%
	• Eurozone Consumer Price Index Estimate (YoY) (OCT)	1.40%	1.50%
	• U.S. Consumer Confidence Index (OCT)	125.9	120.6
Wednesday, November 1, 2017	• U.S. ISM Manufacturing (OCT)	58.7	60.8
	• U.S. FOMC Rate Decision (Upper Bound) (NOV 01)	1.25%	1.25%
Thursday, November 2, 2017	• Germany Unemployment Claims Rate (OCT)	5.60%	5.60%
	• Bank of England Bank Interest Rate Decision	0.50%	0.25%
	• Japan Consumer Confidence Index (OCT)	44.5	43.9
	• U.S. Initial Jobless Claims (OCT 28)	229k	234k
Friday, November 3, 2017	• U.S. Change in Non-farm Payrolls (OCT)	261k	18k
	• China Caixin PMI Composite (OCT)	51.0	51.4
	• U.S. ISM Non-Manufacturing/Services Composite (OCT)	60.1	59.8
	• U.S. Unemployment Rate (OCT)	4.1%	4.2%

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The Week Ahead

**6<sup>th</sup> November to 10<sup>th</sup> November**

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## The Week Ahead

Day	Event
<b>Monday, November 6, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Nikkei Composite PMI (OCT)</li> <li>• Germany Factory Orders (YoY) (SEP)</li> </ul>
<b>Tuesday, November 7, 2017</b>	<ul style="list-style-type: none"> <li>• Japan Labor Cash Earnings (YoY) (SEP)</li> <li>• Germany Industrial Production (YoY) (SEP)</li> <li>• Germany Markit Retail PMI (OCT)</li> <li>• Eurozone Retail Sales (YoY) (SEP)</li> <li>• U.S. Consumer Credit (SEP)</li> </ul>
<b>Wednesday, November 8, 2017</b>	<ul style="list-style-type: none"> <li>• China Trade Balance CNY (OCT)</li> <li>• Japan Leading Index CI (SEP P)</li> <li>• Japan Machine Orders (YoY) (SEP)</li> <li>• Japan Trade Balance - BOP Basis (Yen) (SEP)</li> </ul>
<b>Thursday, November 9, 2017</b>	<ul style="list-style-type: none"> <li>• China Consumer Price Index (YoY) (OCT)</li> <li>• Japan Eco Watchers Survey Outlook (OCT)</li> <li>• U.K. Industrial Production (YoY) (SEP)</li> <li>• U.K. Visible Trade Balance (Pounds) (SEP)</li> <li>• U.S. Initial Jobless Claims (NOV 04)</li> </ul>
<b>Friday, November 10, 2017</b>	<ul style="list-style-type: none"> <li>• U.S. University of Michigan Sentiment (NOV P)</li> <li>• China New Yuan Loans CNY (OCT)</li> </ul>

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