

RELIANCE

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# News U Can Use

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October 13, 2017

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The Week that was...

**9<sup>th</sup> October to 13<sup>th</sup> October**

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## Indian Economy

- Government data showed that Index of Industrial Production (IIP) touched a 9-month high in Aug 2017. Industrial output growth accelerated to 4.3% YoY in Aug 2017 from downwardly revised 0.9% rise (1.2% originally reported) in the previous month and 4.0% in the corresponding period of the previous year.
- Government data showed that Consumer Price Index (CPI)-based inflation increased 3.28% YoY in Sep 2017 similar to the downwardly revised growth (3.36% originally reported) in the previous month, but lower than 4.39% rise in Sep 2016. Consumer Food Price Index-based inflation eased to 1.25% YoY in Sep 2017 from 1.52% in Aug 2017 and 3.96% a year ago. Housing, fuel and light, clothing and footwear and miscellaneous goods rose 6.10%, 5.56%, 4.63% and 3.83%, respectively.
- Government data showed that India's trade deficit narrowed to \$8.98 billion in Sep 2017 from \$9.07 billion in the corresponding period of the previous year. Exports grew 25.67% to \$28.61 billion from \$22.77 billion in the same period of the previous year. Imports during the same period also grew 18.09% to \$37.60 billion from \$31.84 billion in the same period of the previous year. Major commodity group of imports showing high growth in Sep 2017 over the corresponding month of last year were silver (128.31%), pearls, precious & semi-precious stones (56.91%), coal, coke & briquettes (48.00%) and electronic goods (40.90%).

## Indian Equity Market

Domestic Equity Market Indices			
Indices	13-Oct-17	1 Week Return	YTD Return
S&P BSE Sensex	32,432.69	1.94%	21.95%
Nifty 50	10,167.45	1.88%	24.30%
S&P BSE Mid-Cap	15,966.69	0.80%	31.61%
S&P BSE Small-Cap	16,925.66	1.78%	38.85%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.33	26.41	40.67	81.27
P/B	3.10	3.47	2.83	2.53
Dividend Yield	1.19	1.12	0.86	0.66

Source: BSE, NSE Value as on Oct 13, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
09-Oct-17	987	757	1.30
10-Oct-17	1025	703	1.46
11-Oct-17	521	1188	0.44
12-Oct-17	1142	567	2.01
13-Oct-17	787	930	0.85

Source: NSE

- Indian equity markets ended in the green amid steady consumer inflation rate for Sep 17 despite expectation of accelerating rate. Also, strong industrial production numbers for Aug 17 and the Goods and Service Tax Council offering relief to exporters and small and medium businesses by way of easing rules boosted investor sentiment.
- An important deal by one of the telecom majors with a subsidiary of an Indian conglomerate further supported buying interest.
- However, gains were capped after the International Monetary Fund lowered India's growth projection for 2017. Also, investors remained cautious ahead of the upcoming earnings season.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,749.72	0.67%	1.54%
S&P BSE Bankex	27,746.15	1.97%	-0.73%
S&P BSE CD	18,311.30	1.37%	1.36%
S&P BSE CG	17,399.05	0.50%	-4.46%
S&P BSE FMCG	10,181.74	1.25%	0.28%
S&P BSE HC	14,057.14	0.56%	4.09%
S&P BSE IT	10,371.36	2.59%	4.24%
S&P BSE Metal	14,421.03	1.83%	2.78%
S&P BSE Oil & Gas	15,624.79	1.02%	2.56%

Source: Thomson Reuters Eikon Value as on Oct 13, 2017

- On the BSE sectoral front, most of the indices closed in the green. Meanwhile, S&P BSE Teck (3.7%) stood as the major gainer followed by S&P BSE Information Technology (2.6%), S&P BSE Bankex (2.0%), and S&P BSE Metals (1.8%).
- S&P BSE Information Technology witnessed 2.6% gain as one of the IT majors got a boost after approval of its share buyback programme.

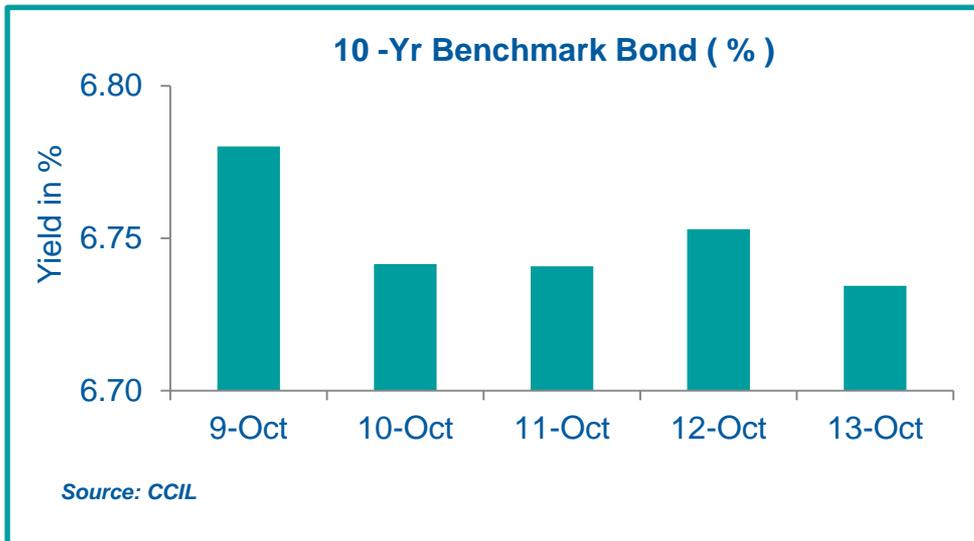
## Indian Derivatives Market Review

- Nifty Oct 2017 Futures were at 10,192.40, a premium of 24.95 points over the spot closing of 10,167.45. The turnover on NSE's Futures and Options segment stood at Rs. 32.88 lakh crore as against Rs. 21.24 lakh crore in the week to Oct 6.
- The Put-Call ratio stood at 0.89 compared with the previous week's close of 0.95.
- The Nifty Put-Call ratio stood at 1.63 compared with the previous week's close of 1.37.

## Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.83	5.85	5.85	5.96
91 Day T-Bill	6.08	6.07	6.08	5.95
7.80% 2021, (5 Yr GOI)	6.55	6.56	6.46	6.79
6.79% 2027, (10 Yr GOI)	6.73	6.76	6.59	--

*Source: Thomson Reuters Eikon* *Value as on Oct 13, 2017*



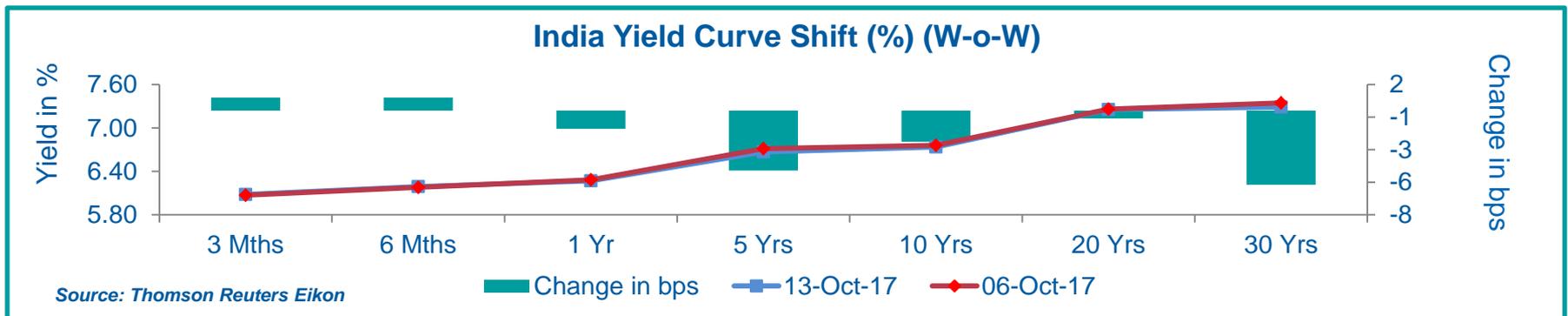
- Bond yields rose initially as market sentiment remained subdued after the Monetary Policy Committee (MPC) kept key interest rates unchanged and raised its inflation projection for the second half of 2017-18. Market participants also remained on the sidelines ahead of the release of key retail inflation data for Sep 2017 on Oct 12.
- However, the trend reversed after retail inflation grew at a slower than expected pace in Sep 2017. In addition retail inflation for Aug 2017 was downwardly revised from the earlier projection. This increased hopes of further easing of monetary policy by MPC in the near term.
- Yield on the 10-year benchmark bond (6.79% GS 2027) fell 3 bps to close at 6.73% from the previous week's close of 6.76%.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.32	6.82	50
3 Year	6.61	7.05	44
5 Year	6.77	7.23	46
10 Year	7.05	7.50	45

Source: Thomson Reuters Eikon Value as on Oct 13, 2017

- Yields on gilt securities fell across the maturities by up to 34 bps. The maximum contraction was witnessed on 14-year paper.
- Corporate bond yields dropped across the maturities by up to 8 bps, barring 3-year paper that closed steady and 5-year paper that increased 4 bps.
- Spread between AAA corporate bond and gilt closed steady on 1- and 8 to 10 years' papers, while expanded on 3- and 5-year papers by 2 and 8 bps, respectively. Remaining securities contracted by up to 5 bps.



## Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) has asked stock exchanges to penalise companies that are not compliant with the minimum public shareholding requirements and to impose a fine of Rs. 5,000 per day on non-compliance. Also, it has asked the exchanges to freeze promoter shares and restrict them from acting as promoters in other listed companies until they are not compliant. SEBI further stated that notices should be issued to the non-compliant entities within 15 days from the date of observation of non-compliance.
- The Reserve Bank of India has introduced stricter Know Your Customer (KYC) norms for wallet users. Also, it has allowed interoperability and brought in fraud detection norms to prevent fake wallet transactions. These steps are expected to change the scope of operations for mobile wallets. Mobile wallets that have been conforming to a minimum KYC format (like a simple verification of mobile number) will now have to be converted to full KYC wallet within 12 months of opening it. Also, all the current wallet users have been asked to convert the full KYC format by the end of 2017.
- The revenue secretary announced that the government will clear pending GST refunds of exporters by the end of Nov 2017. Also, the revenue secretary announced that no tax will be levied on exports over the next six months as the Council has decided to revert to the pre-GST era. Revenue secretary also stated that an e- wallet service will be launched from Apr 1, 2018, which will give exporters notional credits that can be used to pay GST.

## Regulatory Updates in India (contd..)

- Cabinet is expected to soon give approval for the road transport and highways ministry's program that involves construction of 44 economic corridors at a cost of Rs. 5 lakh crore. The project involves construction of 24,000 km of new highways along with feeder routes besides these roads. The project aims at speedy movement of cargo as well as development of multimodal logistics hubs and parks on the periphery of major commercial centres.
- The Minister of State for Food Processing has announced that the government will focus on setting up of mini food parks to raise the processing level. Also, the Union minister has asked the industry to buy agricultural items directly from farmers in order to boost their income. Meanwhile, the minister stated that all 42 sanctioned mega food parks will be operational by 2019.
- The Union cabinet cleared revised pay scales for approximately eight lakh teachers and academic staff of higher educational institutions after implementation of the Seventh Pay Commission's recommendation. The implementation of the pay revision that is expected to benefit 7.58 lakh teachers and equivalent academic staff will increase the teachers' pay in the range of Rs. 10,400 and Rs. 49,800 as against the existing entry pay. It would result in an entry pay growth in the range of 22%-28%.

## Global News/Economy

- The International Monetary Fund (IMF) has raised its outlook for the world economy for 2017 and 2018. It expects growth of 3.6% and 3.7% as against previous expectation of 3.5% and 3.6% for 2017 and 2018, respectively. IMF believes that global economic upturn has strengthened. However, it stated that given the low wage growth, challenges faced by commodity exporters, subdued trends of productivity and demographics, the recovery is incomplete.
- According to the minutes of the U.S. Federal Reserve's (Fed) latest monetary policy meeting, the central bank kept the rates unchanged as was expected, but has begun their balance sheet normalization process. But before increasing interest rate for the third time this year in Dec 2017, policymakers will be strictly looking at inflation data for Oct and Nov 2017.
- The economy ministry raised expectation for Germany's Gross Domestic Product (GDP) for 2017 and 2018. It expects GDP to grow 2% in 2017 as against previous expectation of 1.5%. Meanwhile, Germany's GDP in 2018 is expected to grow 1.9% as against prior expectation of a growth of 1.6%.
- According to the European Central Bank (ECB), banks in the euro zone are well prepared to handle the sudden or sharp changes in interest rate environment. After citing results from a test that used six different hypothetical interest rate shocks, ECB found that higher interest rates would lead to higher net interest income in the next three years for a majority of banks.

## Global Equity Markets

Global Indices			
Indices	13-Oct-17	1-Week Return	YTD Return
Dow Jones	22,871.72	0.43%	15.04%
Nasdaq 100	6,092.45	0.46%	24.05%
FTSE 100	7,535.44	0.17%	4.98%
DAX Index	12,991.87	0.28%	12.02%
Nikkei Average	21,155.18	2.24%	7.97%
Straits Times	3,319.11	0.85%	14.49%

*Source: Thomson Reuters Eikon* *Value as on Oct 13, 2017*

### Europe

- European markets witnessed gains following strong German industrial production numbers for Aug 2017. Gains were further supported after data showed that eurozone industrial output expanded at the fastest pace in nine months in Aug, largely driven by production of capital goods. Encouraging Chinese trade data for Sep 17 further added to the gains.

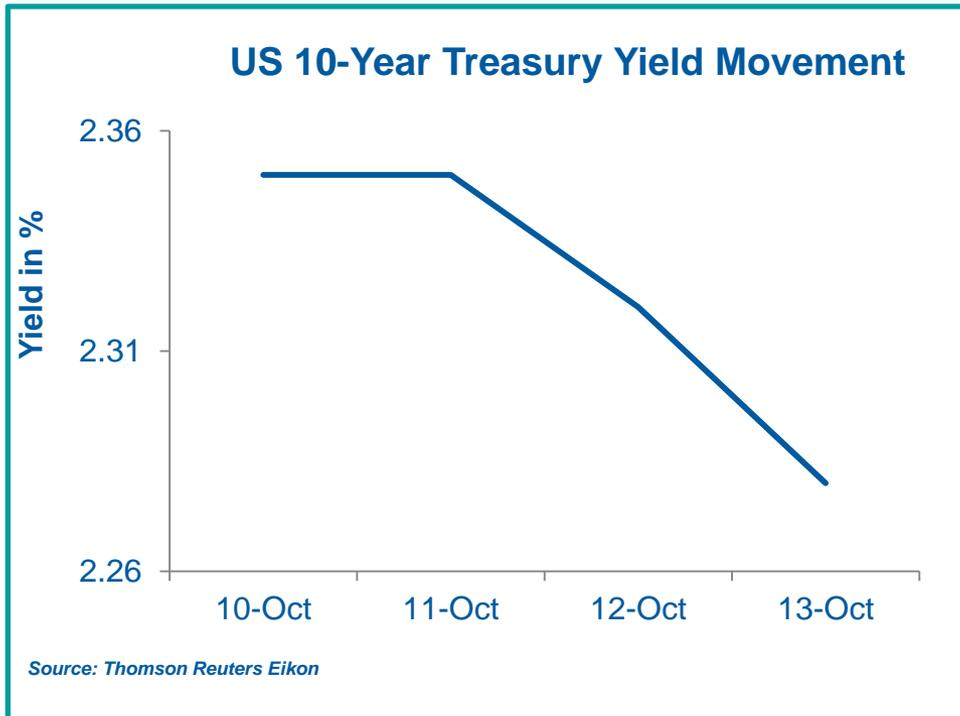
### Asia

- Asian markets too rose following better than expected Japanese core machinery orders data in Aug 2017. Investor sentiment found additional support from encouraging Chinese trade data for Sep 17, which added to the evidence of strength in the world's second-largest economy.

### U.S.

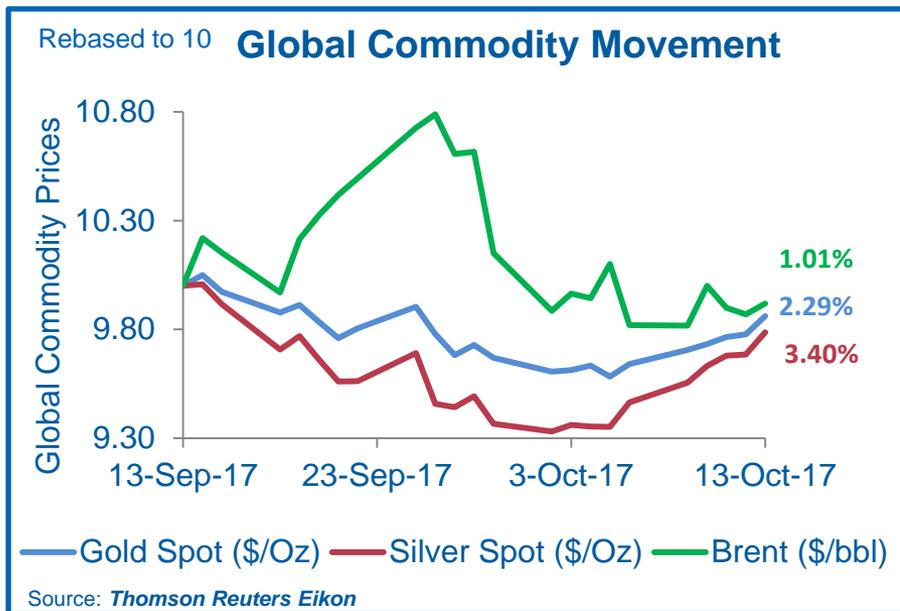
- U.S. markets went up after minutes of the Fed's Sep 17 meeting expressed cautious stance regarding the timing of the next interest rate hike.
- Gains were extended after retail sales in U.S. grew substantially in Sep 2017. Market participants also remained optimistic ahead of the upcoming earnings season for the quarter ended Sep 2017.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 9 bps to close at 2.28% from the previous week's close of 2.37%.
- U.S. Treasury prices initially rose on safe haven appeal after Catalonia's leader proclaimed independence for the region. This raised concerns about populist movements in the euro zone that could damage the bloc's economic strength and single currency.
- Gains increased on strong demand at the Treasury Department's \$12 billion bond sale. Moreover, lower than expected U.S. consumer inflation data for Sep 2017 disappointed market participants which further added to the safe haven appeal of U.S. Treasuries.

## Commodities Market



## Gold

- Gold prices traded high during the week after the minutes of the Fed's latest policy meeting although indicated a rate hike in Dec 2017, policymakers showed concerns over growth in inflation rate that could affect future rate increases.

## Crude

- Brent crude prices gained on news that Saudi Arabia is planning to reduce its allocations by 560,000 barrels per day (bpd) in Nov 2017. Sentiment got further support on expectations that the Organization of the Petroleum Exporting Countries (OPEC) might extend the production cuts beyond the current expiry date of end-Mar 2018 .

## Baltic Dry Index

- The Baltic Dry Index grew during the week owing to stronger capesize and panama activities.

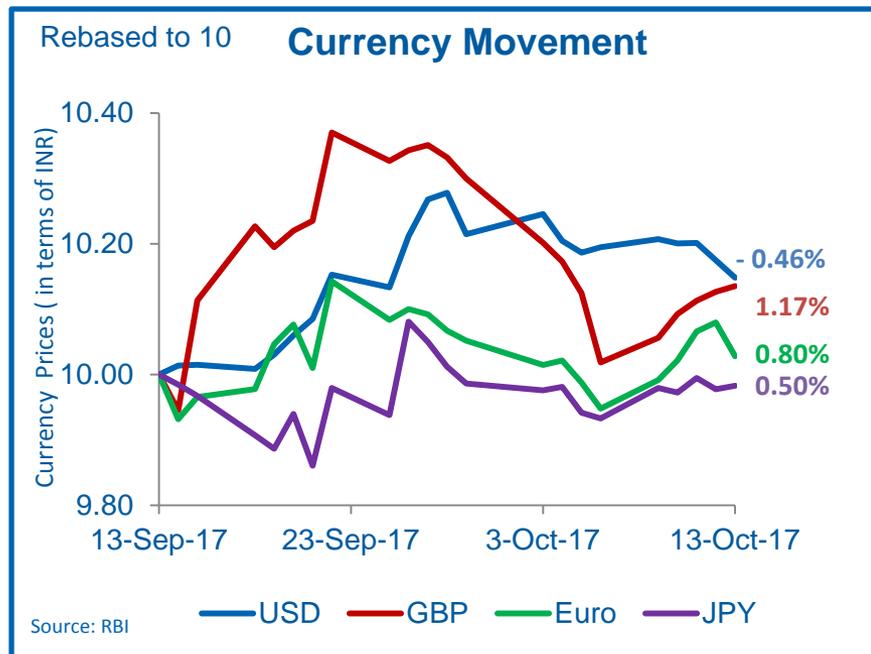
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	55.95	55.39
Gold (\$/Oz)	1,304.47	1,275.30
Gold (Rs/10 gm)	29,675	29,337
Silver (\$/Oz)	17.35	16.78
Silver (Rs/Kg)	39,783	38,721

Source: Thomson Reuters Eikon

Value as on Oct 13, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.93	65.23
Pound Sterling	86.31	85.31
EURO	76.88	76.26
JPY(per 100 Yen)	58.01	57.72

Source: RBI Figures in INR , Value as on Oct 13, 2017

### Rupee

- The Indian rupee gained against the U.S. dollar due to selling of greenback by foreign banks.

### Euro

- The euro rose against the greenback following upbeat Germany industrial output and trade balance data in Aug 17. However, upbeat U.S. weekly jobless claims data for the week ended Oct 7 capped the gains.

### Pound

- Pound strengthened against the U.S. dollar following upbeat U.K. manufacturing output for Aug 17. Hopes that the U.K. might get a two-year Brexit transition deal added to the gains.

### Yen

- Yen rose against the greenback on stronger than expected Japan's core machinery orders data for Aug 2017 and weaker than expected U.S. consumer inflation data for Sep 2017.

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The Week that was...

**9<sup>th</sup> October to 13<sup>th</sup> October**

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## The Week that was (Oct 9 – Oct 13)

Date	Events	Present Value	Previous Value
<b>Monday, Oct 9, 2017</b>	• China Caixin Composite PMI (SEP)	51.4	52.4
	• Germany Industrial Production (YoY) (AUG)	4.70%	4.20%
	• Japan Trade Balance - BOP Basis (Yen) (AUG)	¥318.7b	¥566.6b
<b>Tuesday, Oct 10, 2017</b>	• Japan Eco Watchers Survey Current SA (SEP)	51.3	49.7
	• Japan Machine Orders (YoY) (AUG)	4.40%	-7.50%
	• U.K. Total Trade Balance (Pounds) (AUG)	-£5,626	-£4,236
	• U.K. Manufacturing Production (YoY) (AUG)	2.80%	2.70%
	• U.K. Industrial Production (YoY) (AUG)	1.60%	1.10%
<b>Wednesday, Oct 11, 2017</b>	• Japan Machine Tool Orders (YoY) (SEP P)	45.30%	36.20%
	• Japan Bank Lending incl Trusts (YoY) (SEP)	3.00%	3.20%
<b>Thursday, Oct 12, 2017</b>	• Japan Tertiary Industry Index (MoM) (AUG)	-0.20%	0.10%
	• Eurozone Industrial Production (YoY) (AUG)	3.80%	3.60%
	• U.S. Initial Jobless Claims (OCT 07)	243k	258k
<b>Friday, Oct 13, 2017</b>	• U.S. Consumer Price Index (YoY) (SEP)	2.20%	1.90%
	• China Trade Balance (SEP)	\$28.50b	\$41.99b
	• U.S University of Michigan Confidence (OCT P)	101.1	95.1
	• U.S. Retail Sales (MoM) (SEP)	1.60%	-0.10%

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The Week Ahead

**16<sup>th</sup> October to 20<sup>th</sup> October**

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## The Week Ahead

Day	Event
<b>Monday, October 16, 2017</b>	<ul style="list-style-type: none"> <li>• China Consumer Price Index (YoY) (SEP)</li> </ul>
<b>Tuesday, October 17, 2017</b>	<ul style="list-style-type: none"> <li>• U.K Consumer Price Index (YoY) (SEP)</li> <li>• Eurozone ZEW Survey (Economic Sentiment) (OCT)</li> <li>• Germany ZEW Survey (Economic Sentiment) (OCT)</li> <li>• U.K. House Price Index (YoY) (AUG)</li> <li>• Eurozone Consumer Price Index (YoY) (SEP F)</li> <li>• U.S. Industrial Production (SEP)</li> </ul>
<b>Wednesday, October 18, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. ILO Unemployment Rate (3M) (AUG)</li> <li>• U.S. Housing Starts (MoM) (SEP)</li> </ul>
<b>Thursday, October 19, 2017</b>	<ul style="list-style-type: none"> <li>• China Gross Domestic Product (YoY) (3Q)</li> <li>• China Retail Sales YTD (YoY) (SEP)</li> <li>• China Industrial Production (YoY) (SEP)</li> <li>• Japan All Industry Activity Index (MoM) (AUG)</li> <li>• U.K. Retail Sales (YoY) (SEP)</li> <li>• U.S. Initial Jobless Claims (OCT 14)</li> </ul>
<b>Friday, October 20, 2017</b>	<ul style="list-style-type: none"> <li>• U.K. Public Sector Net Borrowing (Pounds) (SEP)</li> <li>• U.S. Existing Home Sales (MoM) (SEP)</li> </ul>

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RELIANCE

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Thank you for  
your time.