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October 27, 2017

The Week that was...

23rd October to 27th October

Indian Economy

- The Union government has approved an unprecedented capitalisation plan of Rs. 2,11,000 crore for state-run banks. Out of the total amount, Rs. 76,000 crore will come from budgetary support and markets and Rs. 1,35,000 crore will come from front-loaded recap bond. The government underlined the importance of setting up stronger banks to give an impetus to stalled private investment in the country. The finance minister also assured that the macroeconomic fundamentals of the country remained strong.
- The Goods and Services Tax (GST) Council has eased GST Invoicing Norms for retailers. According to the new norms, retailers don't have to issue long invoices detailing prices and taxes for each item under the new tax regime. They also don't need to issue separate invoices for exempted items that are taxed at the 0% rate and can club all purchases in one bill. The move is expected to ease the billing and compliance burden on retailers.
- Data from the Reserve Bank of India (RBI) showed that the All-India House Price Index (HPI) across 10 major cities grew 8.7% on a yearly basis in the period from Apr to Jun 2017. However, the growth moderated from the previous quarter when the annual growth was 10.4%. The all-India HPI witnessed an annual growth of 7.3% a year ago. On a sequential basis, the All-India HPI witnessed a growth of 3.8%.
- According to a major credit rating agency, market borrowings by state governments in the second half of the current fiscal may increase by 7% to 11%, which it attributed to waiving of farm loans by some state governments.

Indian Equity Market

Domestic Equity Market Indices			
Indices	27-Oct-17	1 Week Return	YTD Return
S&P BSE Sensex	33157.22	1.76%	24.67%
Nifty 50	10323.05	1.10%	26.21%
S&P BSE Mid-Cap	16379.58	1.64%	35.02%
S&P BSE Small-Cap	17303.66	1.41%	41.95%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.52	26.67	41.35	81.49
P/B	3.09	3.49	2.87	2.52
Dividend Yield	1.17	1.11	0.84	0.65

Source: BSE, NSE *Value as on Oct 27, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
23-Oct-17	830	923	0.90
24-Oct-17	969	762	1.27
25-Oct-17	720	1000	0.72
26-Oct-17	922	801	1.15
27-Oct-17	906	835	1.09

Source: NSE

- Indian equity markets ended in the green and touched record highs as investors cheered the finance minister's announcement of a mega recapitalisation package for banks and a massive road infrastructure investment of nearly Rs. 7 lakh crore over the next five years.
- Also, investors took positive cues from the election victory of Japan's pro-business Prime Minister and reports that the revenue secretary said some alterations in the Goods and Services Tax rate structure is required in order to reduce the burden on small and medium businesses.
- However, gains were capped after a senior North Korean official stated that the warning from North Korea's foreign minister of a possible atmospheric nuclear test over the Pacific Ocean should be taken seriously.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	25305.9	1.43%	6.42%
S&P BSE Bankex	28096.5	3.35%	4.92%
S&P BSE CD	17897.5	-2.25%	2.87%
S&P BSE CG	18294.5	4.77%	7.04%
S&P BSE FMCG	10277.8	0.09%	5.14%
S&P BSE HC	14140.9	-0.21%	6.22%
S&P BSE IT	10417.1	0.46%	4.33%
S&P BSE Metal	15021	2.36%	13.02%
S&P BSE Oil & Gas	16365.5	2.27%	11.39%

Source: Thomson Reuters Eikon Value as on Oct 27, 2017

- On the BSE sectoral front, most of the indices closed in the green. S&P BSE Capital Goods (4.8%) stood as the major gainer followed by S&P BSE Bankex (3.3%), S&P BSE Power (3.1%), and S&P BSE Metals (2.4%).
- S&P BSE Bankex gained amid announcement of a mega recapitalisation package for banks. S&P BSE Consumer Durables (-2.3%) stood as the major loser, followed by S&P BSE Healthcare (-0.2%).

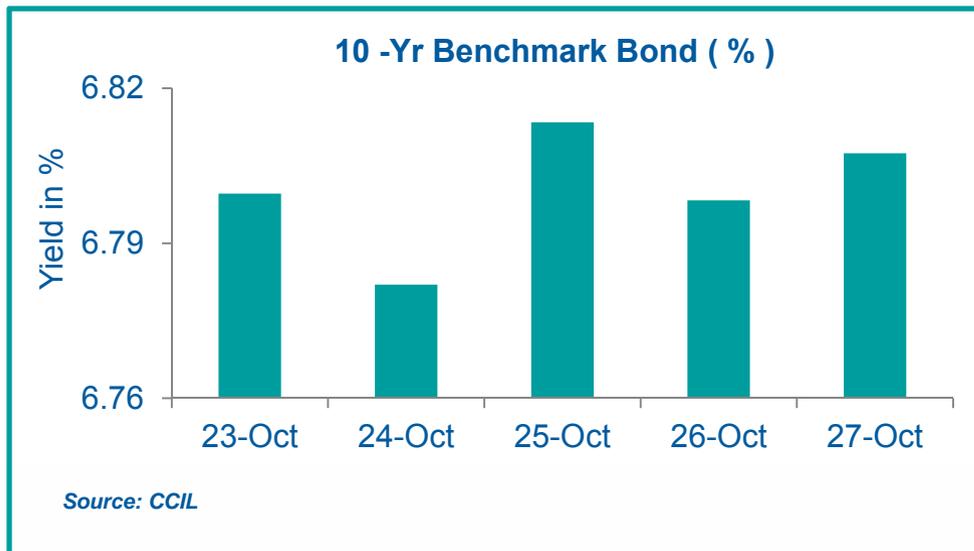
Indian Derivatives Market Review

- Nifty Oct 2017 Futures settled at 10,343.80. Nifty Nov 2017 Futures were at 10,356.85, a premium of 33.80 points above the spot closing of 10,323.05. The turnover on NSE's Futures and Options segment stood at Rs. 44.36 lakh crore as against Rs. 24.29 lakh crore in the week to Oct 18.
- The Put-Call ratio stood at 0.85 compared with the previous week's close of 0.73.
- The Nifty Put-Call ratio stood at 1.38 compared with the previous week's close of 1.62.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.86	5.97	5.86	5.98
91 Day T-Bill	6.10	6.10	6.09	6.23
7.80% 2021, (5 Yr GOI)	6.57	6.65	6.55	6.90
6.79% 2027, (10 Yr GOI)	6.81	6.76	6.67	--

Source: Thomson Reuters Eikon *Value as on Oct 27, 2017*



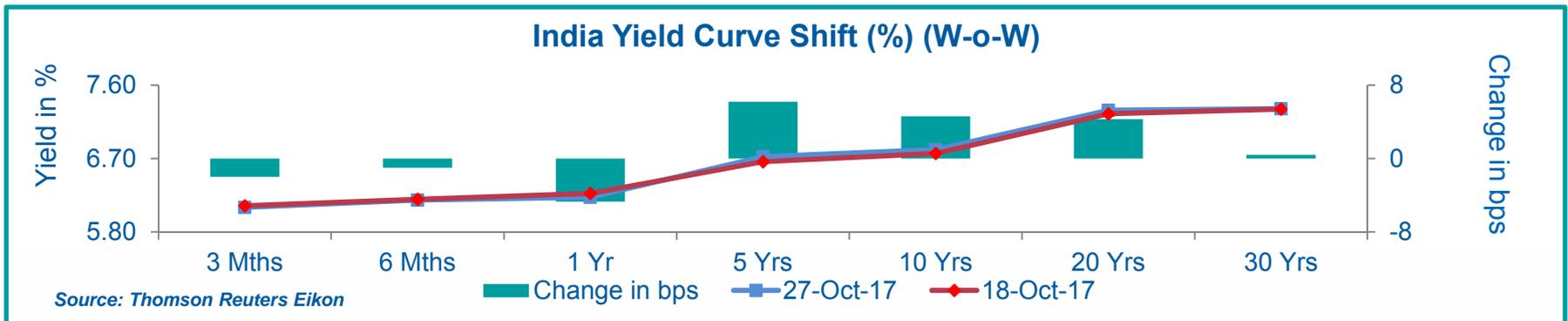
- Bond yields rose initially after minutes of the Monetary Policy Committee’s Oct 2017 meeting showed that policymakers were concerned over rising domestic inflationary pressures with one panel member hinting at the possibility of a future rate hike. Losses were extended on growing possibility that the next U.S. Federal Reserve (Fed) chief will be more hawkish on the monetary policy stance, resulting in aggressive rate hikes by the Fed next year.
- Heavy supply of debt securities and government’s plan to inject fresh capital in state-run banks that includes bank recapitalization bonds also weighed on market sentiment. However, bargain hunting by market participants restricted further losses.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.26	6.80	54
3 Year	6.63	7.01	38
5 Year	6.82	7.16	34
10 Year	7.12	7.55	43

Source: Thomson Reuters Eikon *Value as on Oct 27, 2017*

- Yields on gilt securities increased across the maturities by up to 6 bps, barring 1-year paper that fell 5 bps and 30-year paper that closed steady.
- Corporate bond yields rose across 6 to 15 years' maturities in the range of 4 bps to 5 bps. Yield on the remaining segment either closed steady or fell by up to 2 bps.
- Spread between AAA corporate bond and gilt contracted across 2 to 5 years' maturities in the range of 2 bps to 7 bps. Spread on the remaining segment expanded by up to 5 bps, barring 7- and 10-year papers that closed steady.



Regulatory Updates in India

- Capital markets regulator Securities and Exchange Board of India (SEBI) revised the framework for “block deals” as it provided two separate trading windows of 15 minutes each and increased the minimum order size or execution of trades in the block deal to Rs. 10 crore. Presently, block deal for shares worth Rs. 5 crore through a single transaction is allowed. The block deal window will help buyers and sellers to execute trades for a large number of shares while ensuring confidentiality of the large trades and stable prices for such transactions.
- According to the Ministry of Corporate Affairs, insolvency resolution plans, such as sale and transfer of assets, do not require approval from shareholders or the company. The government here is of the view that according to the Insolvency and Bankruptcy Code (IBC), the resolution plan is binding on the company, its lenders, employees, guarantors, shareholders and other stakeholders if approved by the National Company Law Tribunal (NCLT). This clarification is expected to provide impetus to the resolution process in insolvency cases where the original promoters of the company often seek to block a plan by insisting on a vote in line with the provisions of the Companies Act or norms mandated by SEBI.

Regulatory Updates in India (contd..)

- Government of India is likely to introduce a new law against misleading advertisements and will set up a central authority to quicken redressal of consumers' grievances. The new law is awaiting Cabinet Approval to put fine up to Rs. 50 lakh and up to three years' ban in case of misleading endorsement by celebrities while manufacturers would face fine and jail term for similar offence.
- According to the Prime Minister, the government is considering a new consumer protection law. The objective of the move is to ensure that grievances are redressed in a time-bound and cost effective manner. On a separate note, he added that the Goods and Services Tax (GST) would benefit poor and middle-class consumers as the new tax regime would usher in increased competition among companies, which would result in lower price of goods.

Global News/Economy

- According to a report from the Commerce Department, U.S. Gross Domestic Product (GDP) grew more than market expectations by 3.0% in the third quarter of 2017 after rising 3.1% in the previous quarter. More than expected GDP growth was due to positive contributions from consumer spending, private inventory investment, non-residential fixed investment, exports, and federal government spending. However, slight slowdown in GDP was due to decelerations in consumer spending, non-residential fixed investment, and exports that were partly offset by growth in private inventory investment and decline in imports.
- Durable goods orders in the U.S. rose more than market expectations by 2.2% in Sep 2017. The figure indicates good health of the heavy manufacturing sector. Excluding the volatile transportation sector, orders were up 0.7% in Sep.
- The European Central Bank (ECB) kept interest rates unchanged for the 13th consecutive month in its monetary policy review. The main refinancing rate was held at a record low of 0% and the deposit rate at -0.40%. The marginal lending facility rate was kept at 0.25%. The bank will continue its asset purchases programme of €60 billion a month till Dec 2017 after which it will reduce it to €30 billion and will continue them till Sep 2018 at least.
- According to a preliminary estimate report from the Office for National Statistics, U.K.'s Gross Domestic Product (GDP) surpassed market expectations and grew 0.4% sequentially in third quarter ended Sep 2017, slightly up from 0.3% in the second quarter. Services sector was the largest contributor to GDP growth. On a YoY basis, economy expanded 1.5%.

Global Equity Markets

Global Indices			
Indices	27-Oct-17	1-Week Return	YTD Return
Dow Jones	23434.19	0.45%	17.87%
Nasdaq 100	6213.468	1.71%	26.51%
FTSE 100	7505.03	-0.24%	4.56%
DAX Index	13217.54	1.74%	13.96%
Nikkei Average	22008.45	2.57%	12.32%
Straits Times	3386.44	1.37%	16.82%

Source: Thomson Reuters Eikon *Value as on Oct 27, 2017*

Europe

- European markets mostly traded up after the ECB announced that it will reduce its asset purchases at the start of next year while extending them for some more months. However, gains were restricted as investors became cautious over the future of Catalonia.

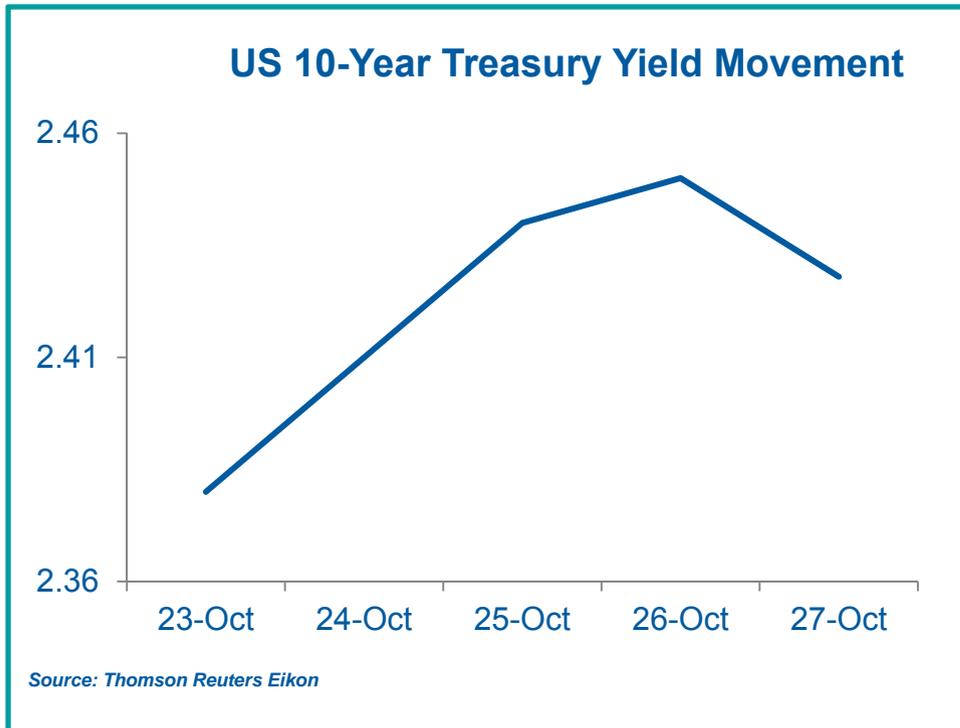
Asia

- Asian markets mostly traded high following favourable outcome of Japan's Prime Minister Election and after China's ruling party was elected for the second five-year term. Sentiment improved on expectations of further stimulus measures by the Japanese government and hopes of tax reforms in the U.S. Improved Chinese industrial profit data for Sep 2017 and encouraging results from some of the U.S. companies also helped sentiment.

U.S.

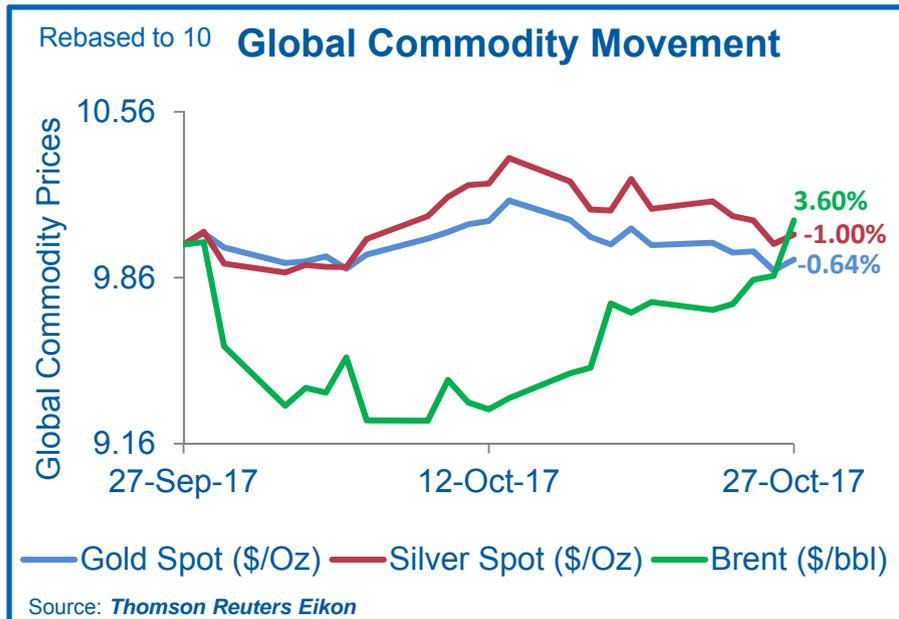
- U.S. market gained in the week following positive economic data including rise in real GDP in the third quarter, higher than expected U.S. durable goods orders for Sep and substantial increase in new home sales during the same period. Encouraging results from U.S. companies helped sentiment. Investors also remained optimistic over the possibility of a major tax reform.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 5 bps to close at 2.43% from the previous week's close of 2.38%.
- U.S. Treasury prices fell on the back of upbeat earning results for the quarter ended Sep 2017 and optimism regarding U.S. President's tax plans. Losses were extended after U.S. GDP for the third quarter of 2017 grew more than expected.
- Strong U.S. durable goods and new home sales data for Sep 2017 and soft auction of U.S. 7-year notes that witnessed weakest demand added to the losses.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	60.44	58.34
Gold (\$/Oz)	1272.60	1280.77
Gold (Rs/10 gm)	29258	29611
Silver (\$/Oz)	16.81	16.98
Silver (Rs/Kg)	38705	39267

Source: Thomson Reuters Eikon Value as on Oct 27, 2017

Gold

- Gold prices fell on expectations of major tax reforms and improved manufacturing activity in the U.S. along with the hopes that the U.S. central bank will raise interest rate later during the year. Favourable outcome of Japanese Prime Minister election result further reduced the safe haven appeal of the metal.

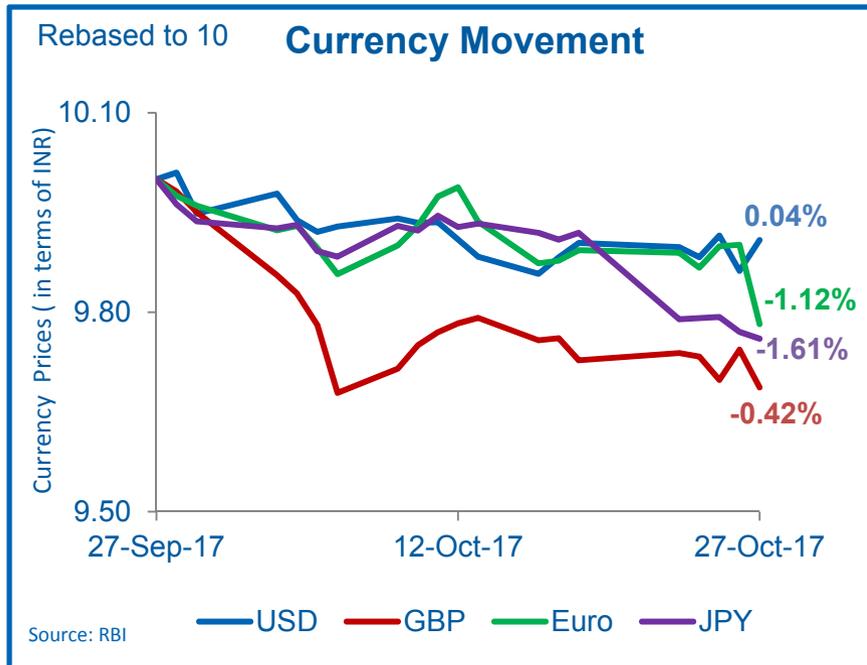
Crude

- Brent crude prices rose as the political tension in the Kurdistan region continued to disrupt crude supplies. Prices moved up further after Saudi Arabia's energy minister stated that the country would focus on reducing oil stocks in industrialized countries.

Baltic Dry Index

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

Currencies Markets



Rupee

- The Indian rupee fell marginally against the U.S. dollar after the ECB reduced its bond purchase program but decided to extend it for few more months.

Euro

- Euro weakened against the greenback after ECB stated that it would slow down its asset purchasing program from Jan 2018, as anticipated by the market.

Pound

- The pound weakened against the greenback as investors were doubtful over the rate hike by the Bank of England next week. However, more than expected growth of U.K in third quarter of 2017 restricted the losses.

Yen

- The yen weakened against the greenback as the latter gained on optimism about forthcoming federal tax cuts and speculation that the next U.S. Federal Reserve chief will be more hawkish.

Movement of Rupee vs Other Currencies

Currency	Last Closing	1-Wk Ago
US Dollar	65.09	65.06
Pound Sterling	85.38	85.74
EURO	75.68	76.54
JPY(per 100 Yen)	57.00	57.93

Source: RBI

Figures in INR , Value as on Oct 27, 2017

The Week that was...

23rd October to 27th October

Date	Events	Present Value	Previous Value
Monday, Oct 23, 2017	<ul style="list-style-type: none"> • Japan Leading Index (AUG F) 	107.2	106.8
Tuesday, Oct 24, 2017	<ul style="list-style-type: none"> • Eurozone Markit Composite PMI (OCT P) • U.S. Markit Composite PMI (OCT P) • Germany Markit Composite PMI (OCT P) • Japan Nikkei Manufacturing PMI (OCT P) 	55.9 55.7 56.9 52.5	56.7 54.8 57.7 52.9
Wednesday, Oct 25, 2017	<ul style="list-style-type: none"> • U.K. Gross Domestic Product (YoY) (3Q A) • U.S. Durable Goods Orders (SEP P) • U.S. MBA Mortgage Applications (OCT 20) • U.S. House Price Index (MoM) (AUG) • U.S. New Home Sales (MoM) (SEP) • Germany IFO - Business Climate (OCT) 	1.5% 2.2% -4.6% 0.7% 18.9% 116.7	1.5% 2.0% 3.6% 0.4% -3.6% 115.3
Thursday, Oct 26, 2017	<ul style="list-style-type: none"> • U.S. Advance Goods Trade Balance (SEP) • U.S. Pending Home Sales (YoY) (SEP) • Japan National Consumer Price Index (YoY) (SEP) • Germany GfK Consumer Confidence Survey (NOV) 	(\$64.1B) -5.4% 0.7% 10.7	(\$63.3B) -3.3% 0.7% 10.8
Friday, Oct 27, 2017	<ul style="list-style-type: none"> • U.S. Gross Domestic Product (Annualized) (3Q A) • U.S. University of Michigan Confidence (OCT F) 	3.0% 100.7	3.1% 101.1

The Week Ahead

30th October to 03rd November

The Week Ahead

Day	Event
<p>Monday, October 30, 2017</p>	<ul style="list-style-type: none"> • U.S. Personal Consumption Expenditure Deflator (YoY) (SEP) • Germany Consumer Price Index (YoY) (OCT P) • Japan Jobless Rate (SEP) • U.K. Mortgage Approvals (SEP)
<p>Tuesday, October 31, 2017</p>	<ul style="list-style-type: none"> • Bank of Japan Rate Decision (OCT 31) • Eurozone Gross Domestic Product (YoY) (3Q A) • Eurozone Consumer Price Index Estimate (YoY) (OCT) • Eurozone Unemployment Rate (SEP) • U.S. Consumer Confidence (OCT)
<p>Wednesday, November 01, 2017</p>	<ul style="list-style-type: none"> • U.S. ISM Manufacturing PMI (OCT) • U.S. ISM Employment (OCT) • U.S. Federal Open Market Committee Rate Decisio
<p>Thursday, November 02, 2017</p>	<ul style="list-style-type: none"> • Germany Unemployment Rate (OCT) • Bank of England Rate Decision (NOV 02) • Japan Consumer Confidence Index (OCT)
<p>Friday, November 03, 2017</p>	<ul style="list-style-type: none"> • U.S. Unemployment Rate (OCT) • U.S. ISM Non-Manufacturing PMI (OCT) • China Caixin Composite PMI (OCT)

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