

RELIANCE

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# News U Can Use

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September 15, 2017

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The Week that was...

**11<sup>th</sup> September to 15<sup>th</sup> September**

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## Indian Economy

- Consumer Price Index (CPI) based inflation or retail inflation grew 3.36% in Aug 2017 from 2.36% in the previous month, marking a five-month high. Retail inflation for Aug 2016 came in at 5.05%. The consumer food price index expanded 1.52% in Aug compared with a contraction of 0.36% in the previous month and an expansion of 5.91% in the same month of the previous year.
- The Index of Industrial Production (IIP) expanded 1.2% YoY in Jul 2017, as against a 0.2% fall (revised downwards from a fall of 0.1% reported earlier) in Jun 2017. The Indices of Industrial Production for the electricity, mining and manufacturing activities grew 6.5%, 4.8% and 0.1%, respectively.
- Data from Reserve Bank of India (RBI) showed that India's Current Account Deficit (CAD) expanded to \$14.3 billion (2.4% of GDP) in Q1 of FY18 from \$3.4 billion (0.6% of GDP) in the preceding quarter and \$0.4 billion (0.1% of GDP) in the same quarter of the previous fiscal. CAD widened on YoY basis due to higher trade deficit driven by a larger increase in merchandise imports relative to exports.
- India's exports grew 10.29% on a yearly basis to \$23.82 billion in Aug 2017 from \$21.60 billion in the same period of the previous year on account of rise in shipments of engineering, petroleum, and chemicals, which grew 19.53%, 36.56% and 32.41%, respectively. Imports too grew 21.02% to \$35.46 billion in Aug from \$29.30 billion in the year-ago month due to rise in inward shipments of gold and silver, which grew 68.90% and 106.83%, respectively.

## Indian Equity Market

Domestic Equity Market Indices			
Indices	15-Sep-17	1 Week Return	YTD Return
S&P BSE Sensex	32,272.61	1.85%	21.35%
Nifty 50	10,085.40	1.52%	23.30%
S&P BSE Mid-Cap	15,972.74	1.38%	31.66%
S&P BSE Small-Cap	16,687.76	2.22%	36.90%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	24.13	26.24	31.96	85.14
P/B	3.09	3.51	2.88	2.59
Dividend Yield	1.20	0.94	1.13	0.68

Source: BSE, NSE Value as on Sep 15, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
11-Sep-17	923	779	1.18
12-Sep-17	1,010	688	1.47
13-Sep-17	603	1,081	0.56
14-Sep-17	861	817	1.05
15-Sep-17	690	991	0.70

Source: NSE

- Indian equity markets grew over the week as easing concerns over the U.S.-North Korea tiff supported investor sentiment. However, buying interest was restricted after retail inflation rose to a five-month high in Aug 2017 due to costlier vegetables and fruits and industrial production grew only marginally in Jul 2017. Country's wholesale price index-based inflation also increased to a four month high in Aug 2017 triggered by higher prices of fuel and food.
- Markets got jittery on the last trading session of the week on renewed concerns of geopolitical tensions as North Korea fired another missile over Japan into the Pacific ocean. However, the downturn was neutralized by strong participation of domestic institutional investors.

## Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24,483.27	1.66%	3.72%
S&P BSE Bankex	27,977.88	1.77%	2.75%
S&P BSE CD	18,082.94	0.47%	2.93%
S&P BSE CG	18,157.94	2.85%	5.10%
S&P BSE FMCG	10,136.25	0.60%	3.58%
S&P BSE HC	13,763.32	4.79%	5.14%
S&P BSE IT	10,070.10	1.54%	-1.38%
S&P BSE Metal	13,976.15	0.14%	9.93%
S&P BSE Oil & Gas	15,229.77	0.88%	4.57%

Source: Thomson Reuters Eikon Value as on Sep 15, 2017

- On the BSE sectoral front, all the indices closed in the green. S&P BSE Healthcare was the top gainer, up 4.79%, followed by S&P BSE Capital Goods and S&P BSE Power, which rose 2.85% and 2.20%, respectively.
- S&P BSE Bankex and S&P BSE Auto went up 1.77% and 1.66%, respectively. Buying interest was seen in healthcare sector as opportunities are arising for U.K. healthcare providers and investors to invest in hospitals in India and share skills with the Indian counterparts.

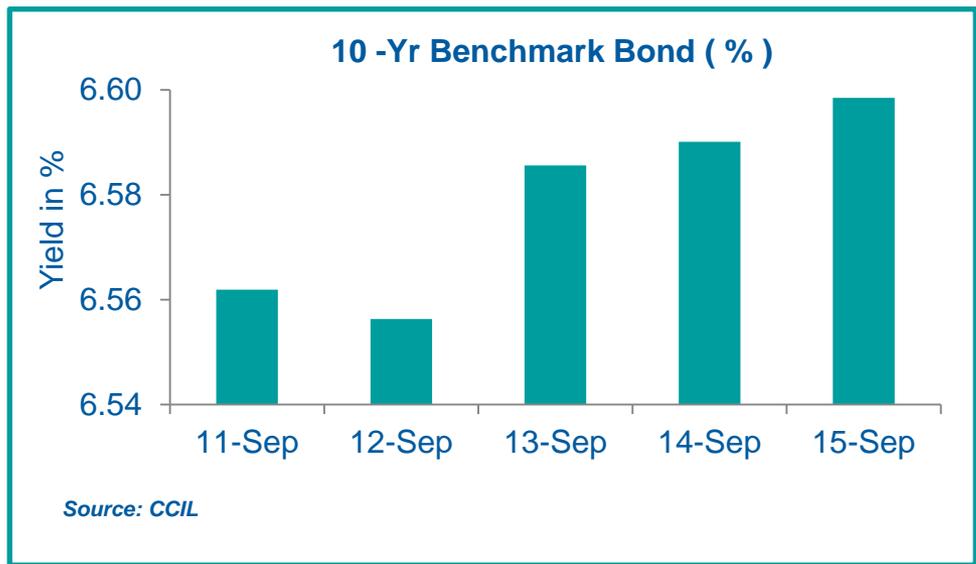
## Indian Derivatives Market Review

- Nifty Sep 2017 Futures were at 10,101.95, a premium of 16.55 points above the spot closing of 10,085.40. The turnover on NSE's Futures and Options segment stood at Rs. 30.15 lakh crore as against Rs. 25.72 lakh crore in the week to Sep 8.
- The Put-Call ratio stood at 1.03 compared with the previous week's close of 0.95.
- The Nifty Put-Call ratio stood at 1.53 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	5.86	5.97
91 Day T-Bill	6.09	6.09	6.12	5.92
07.80% 2021, (5 Yr GOI)	6.48	6.44	6.43	6.88
06.79% 2027, (10 Yr GOI)	6.60	6.54	6.52	--

*Source: Thomson Reuters Eikon* *Value as on Sep 15, 2017*



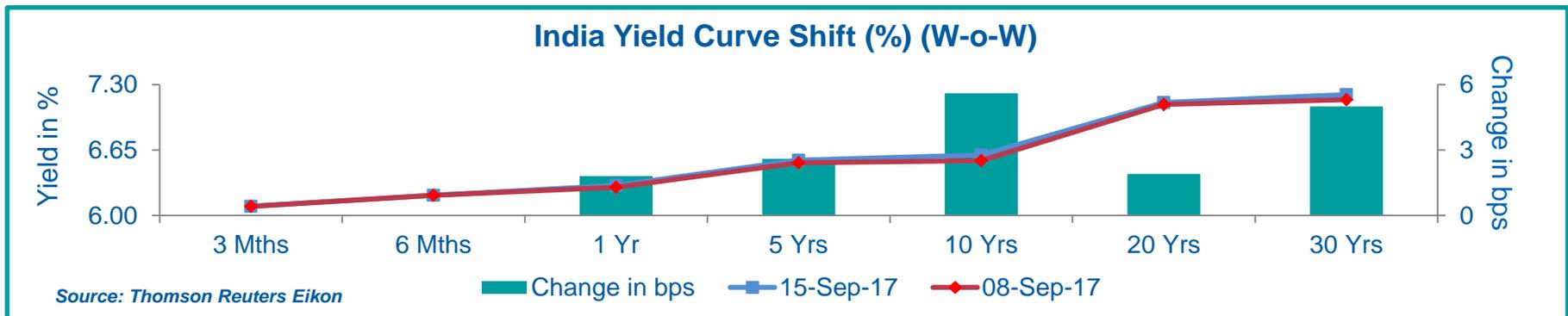
- Bond yields rose initially as investors sold notes ahead of a state debt auction and consumer inflation data, both due on Sep 12. Yields further rose after retail inflation grew to a five month high in Aug 2017. This increased concerns that the Monetary Policy Committee might not consider easing interest rates in the near term.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 6 bps to close at 6.60% from the previous week's close of 6.54% after trading in a range of 6.53% to 6.61%.
- According to RBI's Scheduled Bank's Statement of Position in India as of Sep 1, 2017, banks' deposit and credit growth stood at 9.60% and 6.48% YoY, respectively.

## Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.37	6.79	42
3 Year	6.53	7.02	49
5 Year	6.65	7.18	53
10 Year	6.87	7.42	55

Source: Thomson Reuters Eikon Value as on Sep 15, 2017

- Yields on gilt securities increased across the maturities by up to 8 bps. The maximum increase was witnessed on 7- and 9-year papers.
- Corporate bond yields increased across the maturities in the range of 3 bps to 6 bps.
- Spread between AAA corporate bond and gilt contracted across 6 to 10 years' maturities by up to 2 bps. Spread across the remaining maturities expanded by up to 4 bps, barring 4-year paper that closed steady.



## Regulatory Updates in India

- The Goods and Services Tax (GST) Council has increased cess on motor vehicles - mid-size cars, large cars and sports utility vehicles by 2%, 5% and 7%, respectively, as against whole 10% increase effected in the law. Meanwhile, it has kept the overall tax incidence within 50%. With this increase in cess rate, the overall tax incidence on mid-size cars has increased to 45%, large cars to 48% and SUVs to 50% from 43% (28% GST + 15% cess). On a separate note, the council has cut GST rates on more than 40 items, including walnuts, broom, clay idols, custard powder, idly-dosa batter, rubber bands, raincoat, etc.
- The Securities and Exchange Board of India (SEBI) has issued a new set of guidelines that will govern outsourcing by stock exchanges and clearing corporations. The guidelines set to safeguard capital markets from outside risks will ensure that exchanges and clearing corporations do not outsource their core and critical activities to third parties. Also, exchanges and clearing corporations will have to put in place a robust system to monitor outsourced activities.
- The Union cabinet has approved additional 1% dearness allowance to Central government employees and dearness relief to pensioners. This is expected to benefit 49.26 lakh employees and 61.17 lakh pensioners. Also, the cabinet has approved doubling the gratuity limit to Rs. 20 lakh for private sector employees, similar to the central government employees.

## Regulatory Updates in India (contd..)

- A committee appointed by SEBI has proposed a new afternoon window for block deals on the secondary market. This is proposed in order to ensure confidentiality of the large trades and stable prices for the usually negotiated transactions. Currently, block deals take place during the first 35 minutes of the trading day. SEBI got the feedback that the morning window was not working very well as participants got to know about the impending deals sometimes. This often pushed up just before block deals. In order to address this problem, institutional investors that operate in the local market have suggested a new window in the afternoon.
- A four-member standing committee has been set up to receive complaints of undue profiteering by any entity under the GST regime. The standing committee on anti-profiteering will act as complaint processing machinery and will refer cases for investigation to the Directorate General of Safeguards. The panel has been set up with two officials of the Central Board of Excise and Customs and one each from Delhi and Haryana tax department.

## Global News/Economy

- Data from the U.S. Labor Department showed that the U.S. consumer price index grew 0.4% in Aug 2017 after inching up 0.1% in Jul 2017. The increase can be attributed to the spike in energy prices, which surged 2.8% in Aug 2017 after edging down 0.1% in Jul 2017.
- According to a report from the Commerce Department, U.S. retail sales missed market expectations and fell 0.2% in Aug 2017 after rising by a downwardly revised 0.3% (0.6% originally reported) in Jul 2017. The decline reflects sharp fall in sales by motor vehicle and parts dealers. Excluding the decline in auto sales, retail sales grew 0.2% in Aug 2017 after gaining 0.4% in Jul 2017.
- The Bank of England retained its record low interest rate once again at 0.25% with 7-2 vote in its monetary policy review. All the members voted to maintain the quantitative easing at £ 435 billion.
- A report from the Office for National Statistics showed that U.K. consumer prices surpassed market expectations and grew 2.9% YoY in Aug 2017 as against an increase of 2.6% in Jul 2017. Core inflation (excluding energy, food, alcoholic beverages and tobacco) grew to 2.7% in Aug 2017 from 2.4% in Jul 2017. Consumer prices grew 0.6% MoM in Aug 2017.
- Data from the National Bureau of Statistics showed that China's industrial production grew 6% YoY in Aug 2017, down from 6.4% growth in Jul 2017. Meanwhile, retail sales eased to 10.1% in Aug 2017 as against a growth of 10.4% in Jul 2017.

## Global Equity Markets

Global Indices			
Indices	15-Sep-17	1-Week Return	YTD Return
Dow Jones	22,268.34	2.16%	12.00%
Nasdaq 100	5,988.00	1.26%	21.92%
FTSE 100	7,215.47	-2.20%	0.52%
DAX Index	12,518.81	1.75%	7.94%
Nikkei Average	19,909.50	3.29%	1.61%
Straits Times	3,209.56	-0.59%	10.71%

Source: Thomson Reuters Eikon Value as on Sep 15, 2017

### Europe

- European market ended mixed during the week. Investors were relieved that the impact of Hurricane Irma was less extensive than was feared. Eurozone industrial production increased slightly in Jul 2017, however, weak Chinese economic data and lingering geopolitical tension in the Korean peninsula capped the upside.

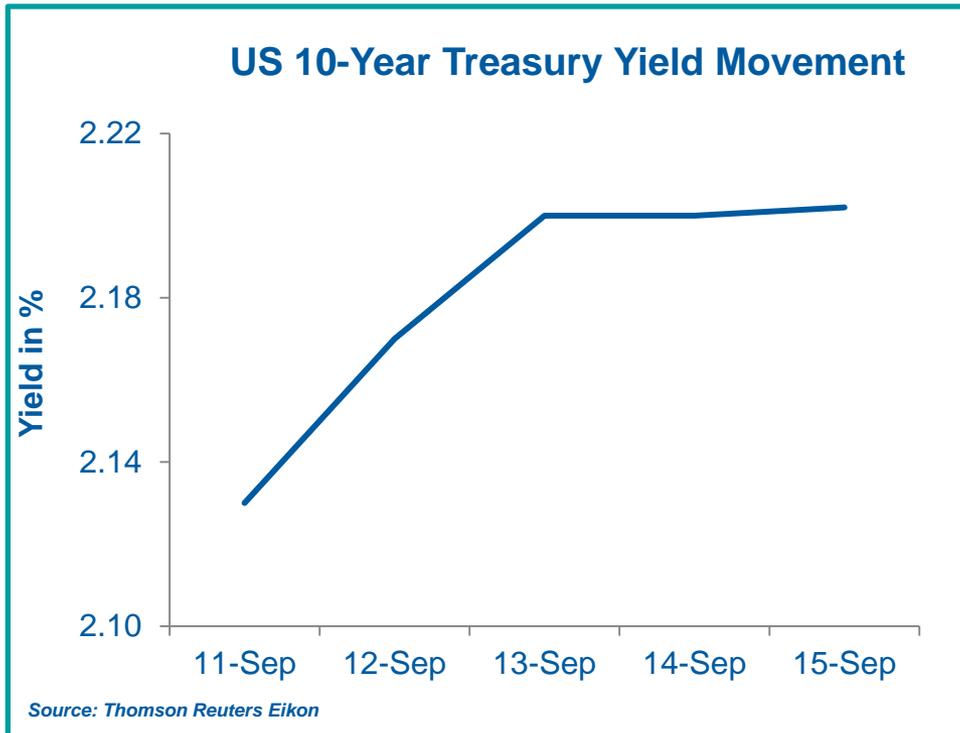
### Asia

- Asian markets traded mixed following miscellaneous economic data from China and Japan. China's industrial output and retail sales grew in Aug 2017 but were weaker than expected. Japan's industrial output declined in Jul 2017 but its core machinery orders rose in the same month. Renewed geopolitical tension following North Korea threatening Japan and the U.S. and launching a missile later in the week also dampened sentiment.

### U.S.

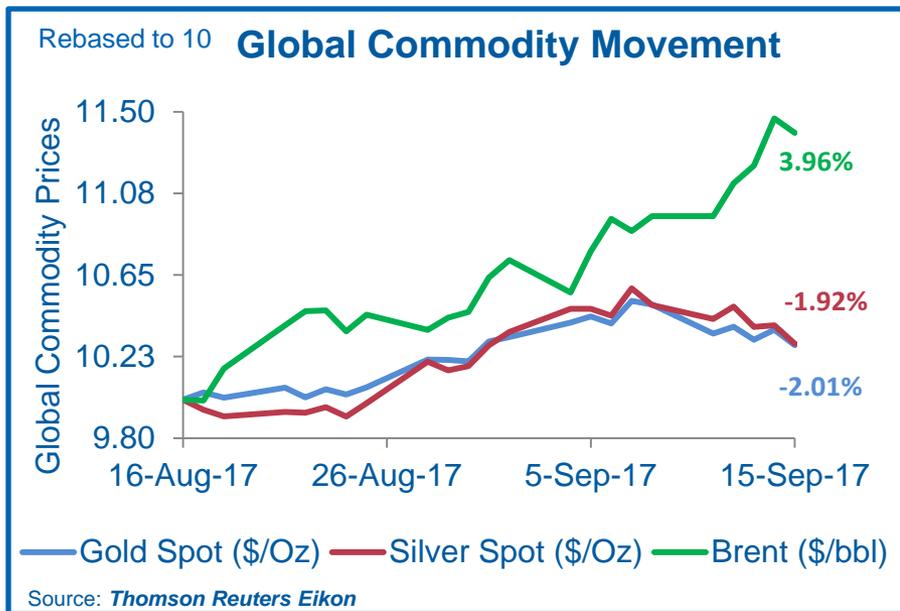
- The U.S. market gained as the Dow Jones and the S&P 500 closed at record high levels after the impact of Hurricane Irma did not turn out to be as severe as many had predicted.
- Also, the treasury secretary announced that tax reform is expected to be accomplished by the end of 2017. Improved economic data further supported the bourses.

## Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond surged 14 bps to close at 2.20% from the previous week's close of 2.06%.
- U.S. Treasury prices fell initially during the week as concerns over escalating geopolitical tensions eased to some extent. Losses were extended after U.S. consumer price inflation grew in Aug 2017 increasing possibilities of a rate hike by the U.S. Federal Reserve (Fed) in the remaining of 2017.
- Prices fell further owing to soft demand for U.S. benchmark 10-year notes with investors reducing their bond holdings to make room for government and corporate debt supply. However, further losses were restricted after U.S. retail sales fell in Aug 2017.

## Commodities Market



## Gold

- Gold prices fell after concerns that Hurricane Irma could wreak havoc went down. Prices came down further after U.S. inflation expanded in Aug 2017 creating possibilities of further rate hikes in U.S. in the remaining of 2017.

## Crude

- Brent crude prices climbed on data showing a snap in inventories. A report from the International Energy Agency (IEA) showed that global oil output declined in Aug 2017. Further, the Organization of Petroleum Exporting Countries (OPEC) cut output in Aug 2017, which pushed prices.

## Baltic Dry Index

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

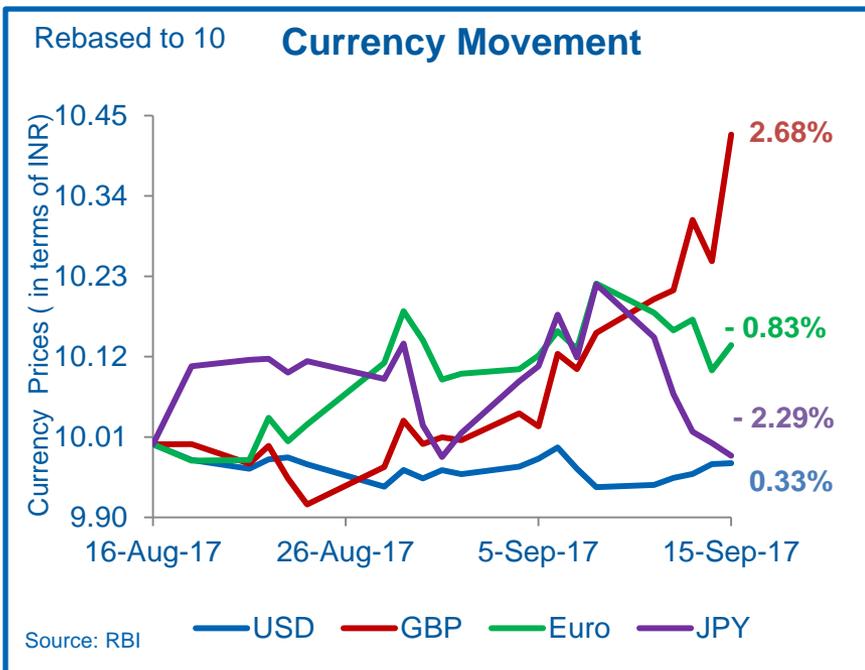
### Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	57.27	55.09
Gold (\$/Oz)	1,319.22	1,346.31
Gold (Rs/10 gm)	29,925	30,388
Silver (\$/Oz)	17.58	17.92
Silver (Rs/Kg)	40,360	41,097

Source: Thomson Reuters Eikon

Value as on Sep 15, 2017

## Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.08	63.87
Pound Sterling	86.12	83.88
EURO	76.40	77.04
JPY(per 100 Yen)	57.92	59.28

Source: RBI Figures in INR , Value as on Sep 15, 2017

### Rupee

- Indian rupee weakened against the greenback on concerns of a rate hike by the Fed in the near term. Greenback demand from state-run banks also weakened the rupee.

### Euro

- Euro weakened against the greenback after U.S. producer prices and U.S. consumer prices grew in Aug 2017. However, further losses were restricted after U.S. retail sales fell in Aug 2017.

### Pound

- Sterling surged against the greenback on growing possibility of a rate hike by the Bank of England in the coming months.

### Yen

- Yen weakened against the greenback after effects of Hurricane Irma faded in the U.S. Losses were extended on increased possibility of a rate hike by the Fed in the near term.

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The Week that was...

**11<sup>th</sup> September to 15<sup>th</sup> September**

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## The Week that was (Sep 11 – Sep 15)

Date	Events	Present Value	Previous Value
<b>Monday, September 11, 2017</b>	• Japan Tertiary Industry Index (MoM) (JUL)	0.10%	-0.20%
	• Japan Machine Tool Orders (YoY) (AUG) (P)	36.30%	28.00%
<b>Tuesday, September 12, 2017</b>	• U.K. Consumer Price Index (YoY) (AUG)	2.90%	2.60%
	• U.K. House Price Index (YoY) (JUL)	5.10%	5.10%
<b>Wednesday, September 13, 2017</b>	• Germany Consumer Price Index (YoY) (AUG) ( F)	1.80%	1.80%
	• Eurozone Employment (YoY) (2Q)	1.60%	1.60%
	• U.K. Jobless Claims Change (AUG)	-2.8k	-2.9k
	• U.K. Average Weekly Earnings (3M/YoY) (JUL)	2.10%	2.10%
	• U.K. ILO Unemployment Rate (3M) (JUL)	4.30%	4.40%
	• Eurozone Industrial Production (YoY) (JUL)	3.20%	2.80%
<b>Thursday, September 14, 2017</b>	• U.K. Bank of England Rate Decision	0.25%	0.25%
	• China Industrial Production (YoY) (AUG)	6.00%	6.40%
	• U.S. Consumer Price Index (YoY) (AUG)	1.90%	1.70%
	• China Foreign Direct Investment (YoY) CNY (AUG)	9.10%	2.30%
	• China Retail Sales (YoY) (AUG)	10.10%	10.40%
<b>Friday, September 15, 2017</b>	• U.S. Advance Retail Sales (AUG)	-0.20%	0.30%
	• U.S. University of Michigan Confidence (SEP) (P)	95.3	96.8

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The Week Ahead

**18<sup>th</sup> September to 22<sup>nd</sup> September**

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## The Week Ahead

Day	Event
<b>Monday, September 18, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone Consumer Price Index (YoY) (AUG F)</li> <li>• U.S. NAHB Housing Market Index (SEP)</li> </ul>
<b>Tuesday, September 19, 2017</b>	<ul style="list-style-type: none"> <li>• Eurozone ZEW Survey (Economic Sentiment) (SEP)</li> <li>• Germany ZEW Survey (Economic Sentiment) (SEP)</li> <li>• U.S. Housing Starts (MoM) (AUG)</li> <li>• U.S. Export Price Index (YoY) (AUG)</li> <li>• Japan Merchandise Trade Balance Total (Yen) (AUG)</li> </ul>
<b>Wednesday, September 20, 2017</b>	<ul style="list-style-type: none"> <li>• U.S. Federal Open Market Committee Rate Decision</li> <li>• U.K. Retail Sales (YoY) (AUG)</li> <li>• U.S. Existing Home Sales (MoM) (AUG)</li> </ul>
<b>Thursday, September 21, 2017</b>	<ul style="list-style-type: none"> <li>• Bank of Japan Monetary Policy Statement</li> <li>• Japan All Industry Activity Index (MoM) (JUL)</li> <li>• U.K. Public Sector Net Borrowing (Pounds) (AUG)</li> <li>• U.S. Initial Jobless Claims (SEP 16)</li> <li>• Eurozone Consumer Confidence (SEP A)</li> </ul>
<b>Friday, September 22, 2017</b>	<ul style="list-style-type: none"> <li>• Germany Markit/BME Composite PMI (SEP P)</li> <li>• Eurozone Markit Composite PMI (SEP P)</li> <li>• U.S. Markit US Composite PMI (SEP P)</li> </ul>

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RELIANCE

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