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September 22, 2017

The Week that was...

18th September to 22nd September

Indian Economy

- Government data showed that 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. As a result, trade deficit in Aug widened to \$11.64 billion from \$7.71 billion during the same period of the previous year.
- To achieve the target of 25 billion digital transactions by Mar 2018, the government is planning to expand the use of two mobile payment solutions — BharatQR and Bharat Interface for Money (BHIM) -- by retail merchants. The government is consistently finding ways to make digital payments cheaper than cash and also digitising recurring payments, amid working on its strategy to promote cashless transactions. Also, the government intends to make BharatQR available even to merchants without current accounts.
- The government notified three benefits from demonetization, which it announced on Nov 8, 2016, to put a check on black money circulation. The benefits are - increase in volume of digital transactions, widening of tax base and controlled circulation of high denomination currency notes. The remark comes amid criticism that demonetization was unable to put a check on black money after the Reserve Bank of India reported that almost 99% of the banned currency had been returned to the banks. On a separate note the minister expressed hope that with more advanced technology coming into the market, digital payments will pick up pace moving forward.

Indian Equity Market

Domestic Equity Market Indices			
Indices	22-Sep-17	1 Week Return	YTD Return
S&P BSE Sensex	31922.44	-1.09%	20.03%
Nifty 50	9964.40	-1.20%	21.82%
S&P BSE Mid-Cap	15609.89	-2.27%	28.67%
S&P BSE Small-Cap	16293.03	-2.37%	33.66%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.68	25.95	39.20	77.06
P/B	3.01	3.47	2.73	2.40
Dividend Yield	1.22	0.95	0.89	0.70

Source: BSE, NSE Value as on Sep 22, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
18-Sep-17	1042	666	1.56
19-Sep-17	844	847	1.00
20-Sep-17	798	897	0.89
21-Sep-17	586	1107	0.53
22-Sep-17	216	1494	0.14

Source: NSE

- Indian markets dipped primarily on account of capital outflows by foreign funds following the U.S. Federal Reserve's announcement to wind down its stimulus measures. Fed also indicated that another interest rate hike could occur, which also adversely affected markets.
- Renewed geopolitical worries about North Korea further hindered sentiment. Investors turned apprehensive that the government's plan to stem economic slowdown could adversely affect fiscal deficit. Telecom stocks were hit after the Telecom Regulatory Authority of India (TRAI) reduced termination charge for all mobile to mobile calls to 6 paise per minute from 14 paise, which would become effective from Oct 1, 2017.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24361.3	-0.50%	4.26%
S&P BSE Bankex	27398.7	-2.07%	1.18%
S&P BSE CD	17555.3	-2.92%	0.07%
S&P BSE CG	17746.3	-2.27%	4.56%
S&P BSE FMCG	10025.2	-1.10%	-0.21%
S&P BSE HC	13864.4	0.73%	8.08%
S&P BSE IT	10063.9	-0.06%	1.88%
S&P BSE Metal	13338.1	-4.57%	4.50%
S&P BSE Oil & Gas	14940.8	-1.90%	1.27%

Source: Thomson Reuters Eikon Value as on Sep 22, 2017

- On the BSE sectoral front, all indices except S&P BSE Healthcare (0.73%) closed in the negative. S&P BSE Realty (-5.39%) was the highest loser, followed by S&P BSE Metal (-4.57%), S&P BSE Consumer Durables (-2.92%), S&P BSE Capital Goods (-2.27%) and S&P BSE Power (-2.16%).
- TRAI lowering termination fee hit telecom stocks. Losses in financial and capital goods stocks also weighed on sentiment. However, pharma stocks performed well on upbeat corporate announcements.

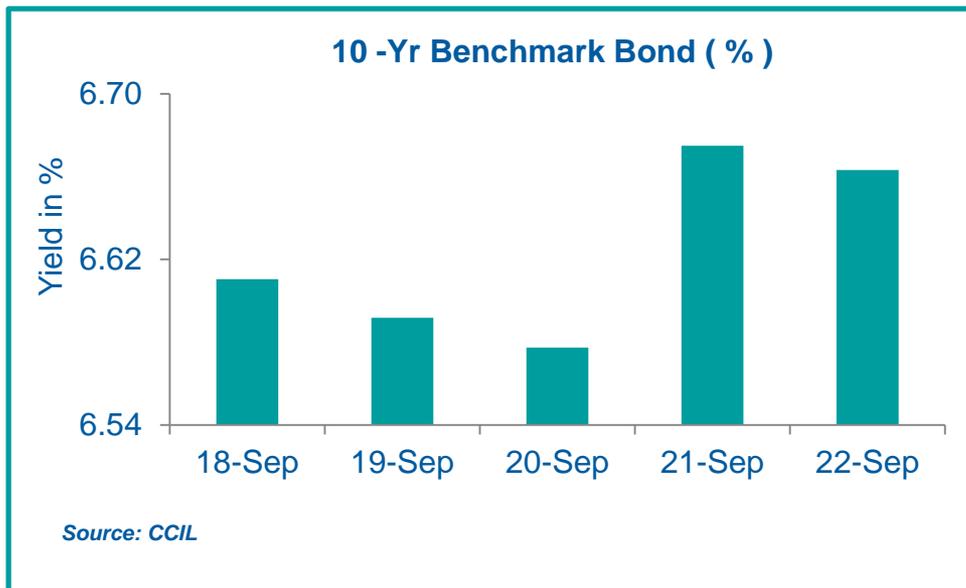
Indian Derivatives Market Review

- Nifty Sep 2017 Futures were at 9,982.95, a premium of 18.55 points above the spot closing of 9,964.40. The turnover on NSE's Futures and Options segment stood at Rs. 30.76 lakh crore as against Rs. 30.15 lakh crore in the week to Sep 15.
- The Put-Call ratio stood at 0.94 compared with the previous week's close of 1.03.
- The Nifty Put-Call ratio stood at 1.27 compared with the previous week's close of 1.53.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	5.89	5.85	5.94	5.97
91 Day T-Bill	6.10	6.09	6.15	5.83
07.80% 2021, (5 Yr GOI)	6.55	6.48	6.40	6.77
06.79% 2027, (10 Yr GOI)	6.66	6.60	6.54	6.81

Source: Thomson Reuters Eikon *Value as on Sep 22, 2017*



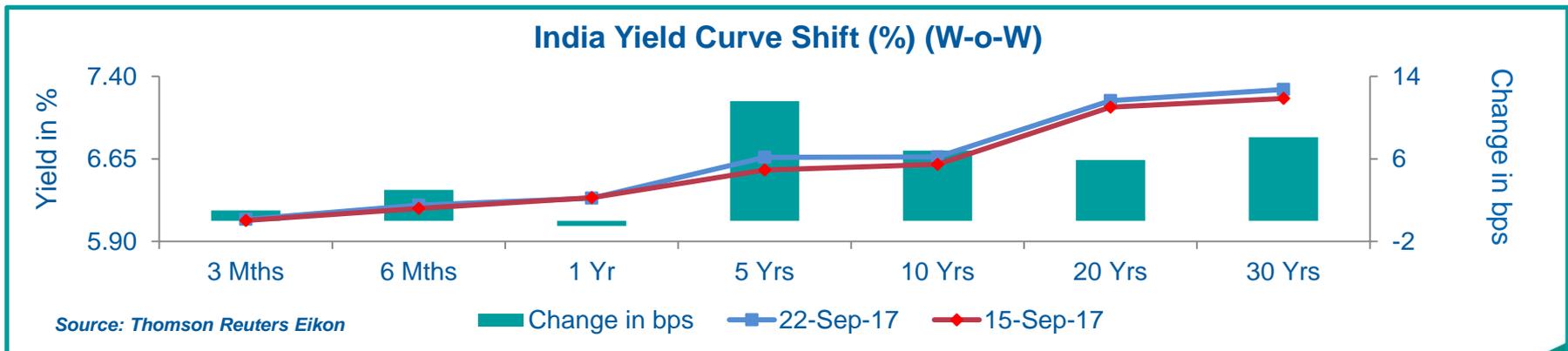
- Bond yields rose initially after the Reserve Bank of India (RBI) announced open market sale of government securities on Sep 28, 2017, but soon reversed as investors resorted to value buying.
- However, yields surged again after reports stated that India will increase spending in FY18 raising concerns about wider fiscal deficit. Another rate hike hinted by the U.S. Federal Reserve also weighed on the domestic debt market.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 6 bps to close at 6.66% from the previous week's close of 6.60% after trading in a range of 6.59% to 6.69%.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.34	6.83	49
3 Year	6.61	7.08	47
5 Year	6.76	7.24	48
10 Year	6.95	7.47	52

Source: Thomson Reuters Eikon Value as on Sep 22, 2017

- Yields on gilt securities increased across the maturities in the range of 4 to 12 bps, barring 1- and 24-year papers that were flat. The maximum increase was witnessed on 5-year paper and lowest rise on 14- and 15-year papers.
- Corporate bond yields rose across the maturities by up to 6 bps, leaving 7-year paper that was flat.
- Spread between AAA corporate bond and gilt contracted across segments in the range of 2 to 9 bps, except 1-year paper that expanded 7 bps.



Regulatory Updates in India

- Securities and Exchange Board of India (SEBI) eased norms for REITs (Real Estate Investment Trusts) and InvITs (Infrastructure Investment Trusts) which are listed on national stock exchanges so as to make them more attractive to investors. SEBI in a new mandate allowed these trusts to raise funds by issuing debt securities. In addition, regarding REITs, SEBI has allowed 'strategic investors' like registered NBFC, scheduled commercial bank, and international multilateral financial institutions to participate in the public issues of such trusts. Such investors are already allowed in InvITs.
- Few announcements were made in a cabinet meeting chaired by the Prime Minister of India. The announcements include – (i) centre to transfer three more properties of ITDC Hotels to state governments for redevelopment and (ii) productivity linked bonus will be given for Indian Railways employees before Dussehra festival season. Meanwhile, cabinet approved merger or rationalisation of 17 government printing presses into five units and also additional allocation of Rs. 9,900 crore was made for nutrition of children and pregnant and lactating mothers for next three years etc
- The chairman of the Securities and Exchange Board of India (SEBI) has pitched for multiple products and fund raising avenues for investors, in order to broaden their participations in the capital markets. Also, the chairman stated that developing currency-bond-derivatives links by creating suitable conditions could also attract investors to the markets. Also, the chairman announced that optimising market admission requirements to increase the number of local and foreign listings without compromising on corporate governance standards would act as effective market expansion measures.

Regulatory Updates in India (contd..)

- The National Stock Exchange (NSE) announced that it will auction investment limits for overseas investors for purchase of corporate bonds worth more than Rs. 2,200 crore on Sep 22, 2017. Also, NSE announced that the auction will be conducted on NSE's e-bid platform after the close of market hours. Overseas investors get the right to invest in debt up to the stipulated limit with this auction quota.
- The secretariat of the goods and services tax (GST) council has laid down guidelines for division of taxpayers on the basis of their turnover. This is done in order to ensure single interface under the new indirect tax regime. The government announced that the centre and the states will divide the tax payer base under GST through computer-based random sampling taking into account geographical location and type of the taxpayer.
- According to an order issued by the Department of Personnel and Training (DoPT), the central government employees will not be given daily allowance on Leave Travel Concession (LTC). Per LTC employees who are entitled under the rules to travel to their home towns and other places will be granted leave and ticket reimbursement. Earlier, the employees were entitled to an allowance that varied with their ranks.

Global News/Economy

- According to the Organisation for Economic Co-operation and Development, the global economy is predicted to rise 3.5% (unchanged from previous projection) in 2017 and 3.7% (up from previously estimated growth of 3.6%) in 2018, due to rise in industrial production and trade and faster pace of rebound in technology spending.
- The U.S. Federal Reserve (Fed) maintained its key interest at 1.00% to 1.25% range, which was in line with market expectations. The central bank stated that it will begin shrinking its bloated \$4.5 trillion portfolio in Oct 2017 by letting \$10 billion in bonds to mature without replacing them. Fed also stated that the hurricanes are unlikely to significantly impact economy in medium term. Also, according to Fed, the labor market continues to strengthen and economic activity has risen moderately so far in 2017.
- According to final data from Eurostat, euro zone's inflation climbed to a four-month high to 1.5% YoY in Aug 2017 faster than 1.3% rise in Jul 2017. However, inflation continued to stay below the European Central Bank's target of below 2%. On a monthly basis, consumer prices rose 0.3% in Aug.
- The Bank of Japan kept its monetary stimulus unchanged and decided to maintain -0.1% interest rate on current accounts that financial institutions maintain at the bank. However, a new member voted against the decision. The central bank will also purchase government bonds so that 10-year Japanese Government Bonds (JGB) yield remains at around 0%. The board decided to hold its target of raising the amount of outstanding JGB holdings at an annual rate of about JPY 80 trillion. The central bank stated that economy is expected to continue its growth at moderate rate.

Global Equity Markets

Global Indices			
Indices	22-Sep-17	1-Week Return	YTD Return
Dow Jones	22349.59	0.36%	12.41%
Nasdaq 100	5932.321	-0.93%	20.79%
FTSE 100	7310.64	1.32%	1.85%
DAX Index	12592.35	0.59%	8.57%
Nikkei Average	20296.45	1.94%	3.58%
Straits Times	3220.25	0.33%	11.08%

Source: Thomson Reuters Eikon *Value as on Sep 22, 2017*

Europe

- European markets initially strengthened after a global rating agency raised Portugal's credit rating to investment grade with a stable outlook. Buying interest found additional support after eurozone inflation climbed to a four-month high in Aug, as initially estimated.

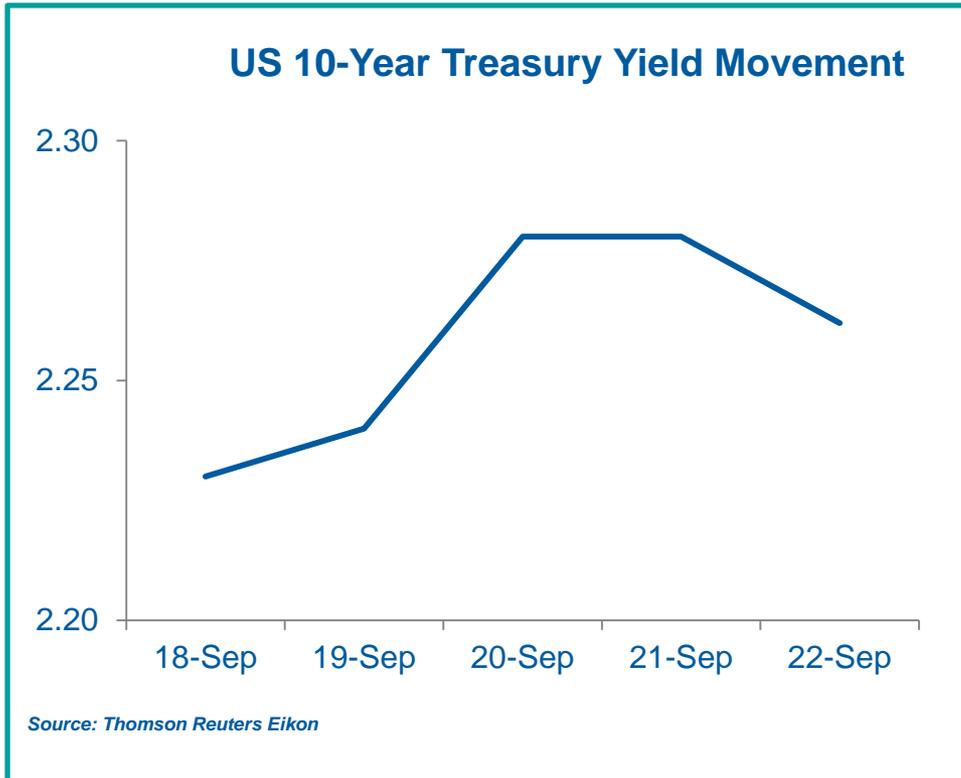
Asia

- Asian markets initially gained following stronger than expected Chinese bank loan data for Aug 2017. The positive impact of the growing optimism over Beijing's ability to maintain stability in financial markets was offset to some extent when a global rating agency downgraded China's credit rating. The agency cited higher economic and financial risks after a prolonged period of strong credit growth as the reason behind the downgrade.

U.S.

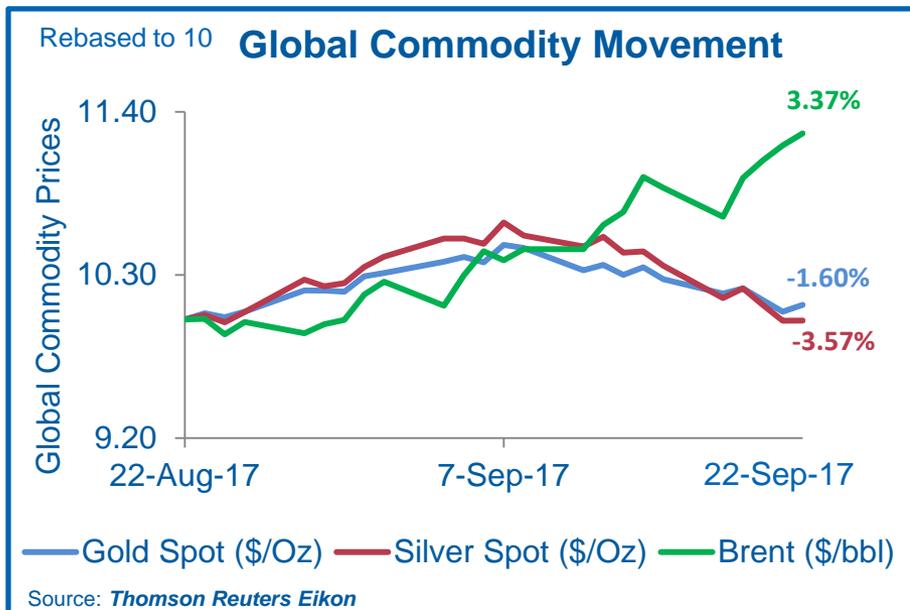
- The U.S. Federal Reserve's (Fed) monetary policy review meeting dominated Wall Street during the week. The Fed left interest rates unchanged, in line with market expectations; but it kept room for another rate hike this calendar year, restricting market gains.
- Buying interest was further affected after the central bank declared that it will begin shrinking its \$4.5 trillion balance sheet in Oct, initially allowing \$10 billion in bonds to roll off each month.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 6 bps to close at 2.26% compared with the previous week's close of 2.20%.
- U.S. Treasury prices fell as investors anticipated a hawkish comment from U.S. Federal Reserve's (Fed) monetary policy meeting after the Bank of England surprised investors last week with a discussion of a possible rate hike.
- Treasury prices fell further after the U.S. Fed indicated one more rate hike this year and stated paring its massive bond portfolio in Oct 2017. Meanwhile, announcement of increase in U.S. consumer prices for Aug 2017 in the last week also continued to increase the yields.

Commodities Market



Gold

- Gold prices moved down over the week after the U.S. Federal Reserve (Fed) kept interest rates unchanged but signaled another rate hike in 2017. The U.S. Fed also said that it will begin unwinding its \$4.5 trillion balance sheet in Oct 2017.

Crude

- Brent crude prices gained on expectations of positive outcome of the Organization of the Petroleum Exporting Countries (OPEC) and other producers' meeting in Vienna. Recent positive demand forecasts by OPEC and the International Energy Agency further helped sentiment.

Baltic Dry Index

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

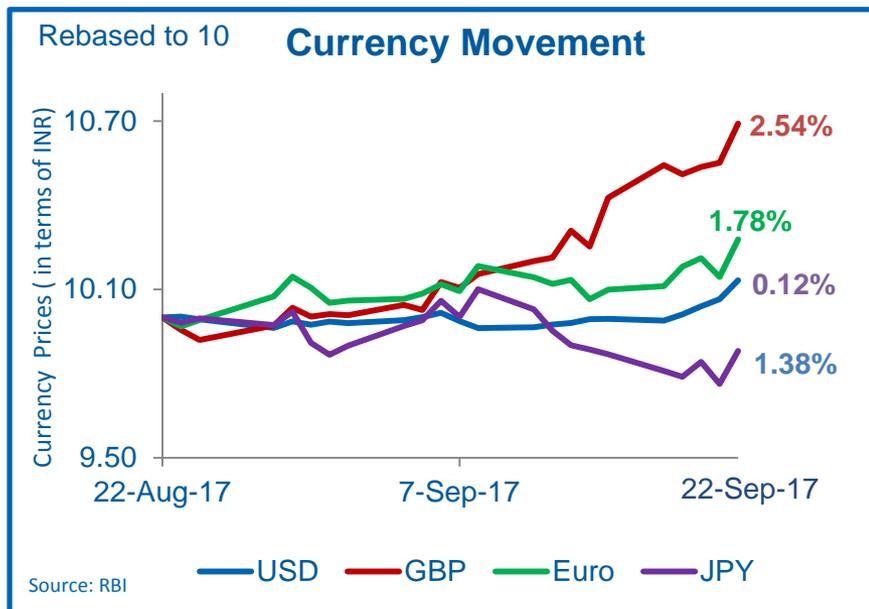
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	59.20	57.27
Gold (\$/Oz)	1296.98	1319.22
Gold (Rs/10 gm)	29551	29925
Silver (\$/Oz)	16.95	17.58
Silver (Rs/Kg)	39210	40360

Source: Thomson Reuters Eikon

Value as on Sep 22, 2017

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	64.96	64.08
Pound Sterling	88.31	86.12
EURO	77.76	76.40
JPY(per 100 Yen)	57.99	57.92

Source: RBI Figures in INR , Value as on Sep 22, 2017

Rupee

- The Indian rupee plunged against the U.S. dollar after the U.S. Federal Reserve (Fed) hinted at raising the policy interest rate once more in 2017 and stated paring its massive bond portfolio in Oct 2017.

Euro

- Euro rose after news stating North Korea's consideration of hydrogen bomb test on the Pacific Ocean resulted in geopolitical tension that weighed on the greenback.

Pound

- Sterling weakened against the greenback after the Governor of the Bank of England signalled limited and gradual rate hikes. Expectation of one more rate hike by the U.S. Fed in 2017 also weighed on pound.

Yen

- Yen weakened against the U.S. dollar after the U.S. Fed's monetary policy meeting increased the expectation of one more rate hike by the end of this year.

The Week that was...

18th September to 22nd September

The Week that was (Sep 18 – Sep 22)

Date	Events	Present Value	Previous Value
Monday, September 18, 2017	<ul style="list-style-type: none"> • Eurozone Consumer Price Index (YoY) (AUG F) • U.S. NAHB Housing Market Index (SEP) 	1.5% 64	1.3% 67
Tuesday, September 19, 2017	<ul style="list-style-type: none"> • Eurozone ZEW Survey (Economic Sentiment) (SEP) • Japan Merchandise Trade Balance Total (Yen) (AUG) • U.S. Housing Starts (MoM) (AUG) • Germany ZEW Survey (Economic Sentiment) (SEP) 	31.7 ¥113.6b -0.80% 17.0	29.3 ¥421.7b -2.20% 10.0
Wednesday, September 20, 2017	<ul style="list-style-type: none"> • U.S. Federal Open Market Committee Rate Decision (SEP 20) • U.K. Retail Sales (YoY) (AUG) • U.S. Existing Home Sales (MoM) (AUG) 	1.25% 2.80% -1.70%	1.25% 1.70% -1.30%
Thursday, September 21, 2017	<ul style="list-style-type: none"> • Japan BOJ Policy Balance Rate (SEP 21) • Japan All Industry Activity Index (MoM) (JUL) • U.K. Public Sector Net Borrowing (Pounds) (AUG) • U.S. Initial Jobless Claims (SEP 16) • U.S. House Price Index (MoM) (JUL) • Eurozone Consumer Confidence (SEP A) 	-0.10% -0.10% 5.1b 259,000 0.20% -1.2	-0.10% 0.20% -1.3b 282,000 0.10% -1.5
Friday, September 22, 2017	<ul style="list-style-type: none"> • Germany Markit/BME Composite PMI (SEP P) • U.S. Markit Composite PMI (SEP P) • Eurozone Markit Composite PMI (SEP P) 	57.8 54.6 56.7	55.8 55.3 55.7

The Week Ahead

25th September to 29th September

The Week Ahead

Day	Event
Monday, September 25, 2017	<ul style="list-style-type: none"> • Japan Nikkei Manufacturing PMI (SEP P) • Germany IFO - Expectations (SEP)
Tuesday, September 26, 2017	<ul style="list-style-type: none"> • U.S. Consumer Confidence (SEP) • U.S. New Home Sales (MoM) (AUG)
Wednesday, September 27, 2017	<ul style="list-style-type: none"> • U.S. Durable Goods Orders (AUG P) • Germany Retail Sales (YoY) (AUG) • Japan Small Business Confidence (SEP) • U.S. Pending Home Sales (YoY) (AUG)
Thursday, September 28, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (SEP P) • U.S. Gross Domestic Product (Annualized) (2Q T) • U.S. Advance Goods Trade Balance (AUG) • Japan National Consumer Price Index (YoY) (AUG) • U.K. Nationwide House Prices (YoY) (SEP)
Friday, September 29, 2017	<ul style="list-style-type: none"> • Germany Unemployment Change (SEP) • Eurozone Consumer Price Index Estimate (YoY) (SEP) • China Caixin Manufacturing PMI (SEP) • U.K. Gross Domestic Product (YoY) (2Q F)

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