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September 8, 2017

The Week that was...

4th September to 8th September

Indian Economy

- Nikkei India Services PMI Business Activity Index came in at 47.5 in Aug 2017, compared with 45.9 in Jul 2017. This was the second consecutive month of contraction of services PMI. Meanwhile, Nikkei India Composite PMI Output Index stood at 49.0 in Aug against 46.0 in Jul.
- A major domestic rating agency has downgraded the growth forecast of the Indian economy for FY18 to 7.0% from the earlier projection of 7.4%. The downgrade came as the rating agency is of the view that disruptions arising from the implementation of GST will adversely impact the growth of the Indian economy for a few more quarters.
- Foreign Portfolio Investors (FPI) pulled out \$2 billion from stock markets, while they invested \$2.40 billion in debt market in Aug 2017. This was the seventh consecutive month in a row when investors made investment in the debt market. While there was a net inflow of Rs. 1.16 lakh crore for the period Feb to Jul 2017, FPIs withdrew more than Rs. 2,300 crore from the debt market in Jan 2017 only.
- According to a major domestic rating agency, housing finance companies (HFCs) are likely to need around Rs. 9,000-16,000 crore of external capital over the next three years to grow at 20-22%. The rating agency added that capital adequacy of HFCs is at comfortable levels due to relatively lower risk weights for home loans and commercial real estate loans.
- According to a report from the Bombay Stock Exchange (BSE), the value of shares pledged by the promoters of BSE-listed companies in the country slightly fell to Rs. 2.61 lakh crore at the end of Aug 2017 as against Rs. 2.64 lakh crore in Jul 2017.

Indian Equity Market

Domestic Equity Market Indices			
Indices	08-Sep-17	1 Week Return	YTD Return
S&P BSE Sensex	31687.52	-0.64%	19.15%
Nifty 50	9934.8	-0.40%	21.46%
S&P BSE Mid-Cap	15754.75	0.43%	29.87%
S&P BSE Small-Cap	16325.2	1.21%	33.92%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	23.74	25.9	31.58	83.06
P/B	3.04	3.47	2.84	2.54
Dividend Yield	1.22	0.94	1.16	0.70

Source: BSE, NSE Value as on Sep 8, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
04-Sep-17	581	1126	0.52
05-Sep-17	1149	529	2.17
06-Sep-17	854	835	1.02
07-Sep-17	951	750	1.27
08-Sep-17	692	1002	0.69

Source: NSE

- The domestic equity market closed in the red amid lingering geopolitical concern between the U.S. and North Korea, which prompted investors to move to safe haven assets. Lower service sector data also weighed on the sentiment as Nikkei India Services PMI Business Activity Index came in at 47.5 in Aug 2017 from 45.9 in Jul 2017, due to implementation of the Goods and Services Tax (GST). This was the second consecutive month of contraction of services PMI.
- Investors also remained cautious ahead of the GST council meeting scheduled on Sep 9. However, the downside was limited on positive development between India and China during BRICS (Brazil, Russia, India, China, and South Africa) Summit.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	24083.1	-0.27%	-2.65%
S&P BSE Bankex	27490.6	-0.49%	-1.06%
S&P BSE CD	17998.3	1.95%	3.88%
S&P BSE CG	17654	1.38%	0.24%
S&P BSE FMCG	10075.6	-1.23%	1.36%
S&P BSE HC	13134	-1.92%	-4.18%
S&P BSE IT	9917.17	-1.29%	-2.99%
S&P BSE Metal	13956.8	3.14%	7.72%
S&P BSE Oil & Gas	15097	-0.99%	2.48%

Source: Thomson Reuters Eikon *Value as on Sep 8, 2017*

- On the BSE sectoral front, most of the indices closed in the red barring S&P BSE Metal (3.14%), S&P BSE CD (1.95%), and S&P BSE CG (1.38%). Strength in the stocks of metal companies on the back of higher commodity prices helped the metal sector.
- Meanwhile, S&P BSE HC (-1.92%) stood as the major loser followed by S&P BSE Teck (-1.62%) and S&P BSE IT (-1.29%). News that the telecom regulator is going to set a 1-2 year roadmap to gradually phase out Interconnect Usage Charge (IUC) that is currently at 14 paise weighed on the telecom sector.

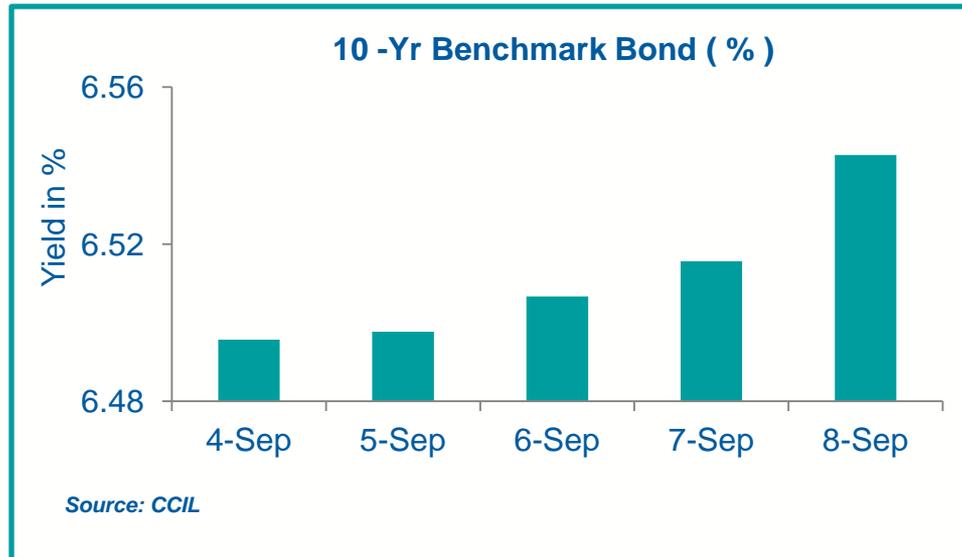
Indian Derivatives Market Review

- Nifty Sep 2017 Futures were at 9,950, a premium of 15.20 points above the spot closing of 9,934.80. The turnover on NSE's Futures and Options segment stood at Rs. 25.72 lakh crore as against Rs. 34.39 lakh crore in the week to Sep 1.
- The Put-Call ratio stood at 0.95 compared with the previous week's close of 0.89.
- The Nifty Put-Call ratio stood unchanged from 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	5.86	5.83	5.90	5.92
91 Day T-Bill	6.09	6.11	6.14	5.94
07.80% 2021, (5 Yr GOI)	6.44	6.43	6.42	6.87
06.79% 2027, (10 Yr GOI)	6.54	6.48	6.46	--

Source: Thomson Reuters Eikon *Value as on Sep 8, 2017*



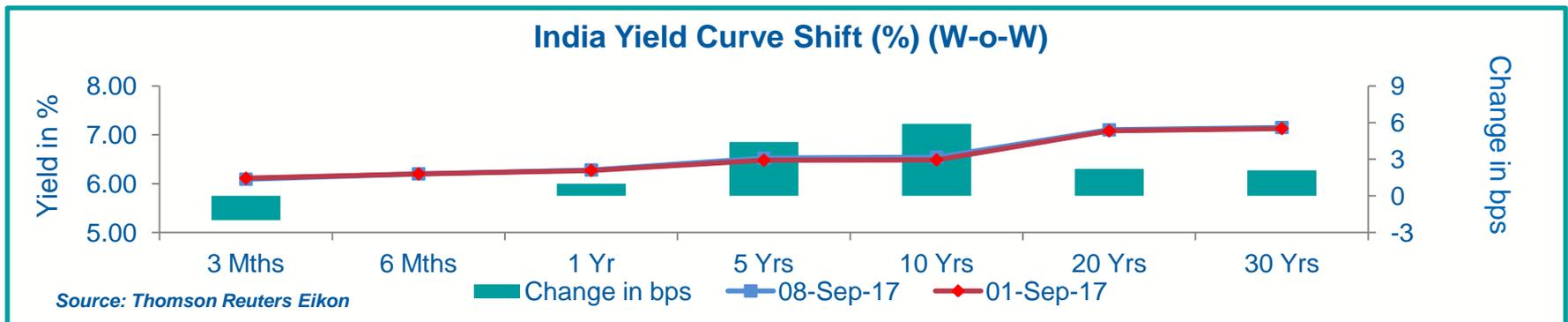
- Bond yields rose due to increased geopolitical tension after North Korea tested an advanced hydrogen bomb for a long-range missile. Market participants also remained on the sidelines due to lack of fresh domestic triggers. Supply of debt securities following the weekly debt auction also weighed on market sentiment.
- Yield on the 10-year benchmark bond (6.79% GS 2027) rose 6 bps to close at 6.54% from the previous week's close of 6.48% after trading in a range of 6.47% to 6.55%.
- Data from RBI showed that India's foreign exchange reserves rose to a record high of \$398.12 billion as of Sep 1, from \$394.55 billion in the previous week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.35	6.74	39
3 Year	6.51	6.96	45
5 Year	6.62	7.14	52
10 Year	6.82	7.37	55

Source: Thomson Reuters Eikon Value as on Sep 8, 2017

- Yields on gilt securities increased across maturities by up to 6 bps, barring 3- and 14-year maturities that closed steady.
- Yield on corporate bonds increased across maturities in the range of 2 bps to 4 bps. The maximum increase was witnessed across 5-, 6-, and 7-year maturities and the minimum rise on 3-, 10-, and 15-year papers.
- Spread between AAA corporate bond and gilt expanded across 1 to 4 years' maturities by up to 2 bps and contracted across 8-, 9-, 10-, and 15-year maturities by up to 4 bps.



Regulatory Updates in India

- Market regulator Securities and Exchange Board of India (SEBI) has proposed obligatory physical settlement in stock derivatives contracts. As of now, equity derivatives are cash settled, which means that difference between the entry price and exit price is either debited or credited in cash. However, in physical settlement, traders will have to take delivery of the shares against the derivatives position. SEBI has proposed this for the suitability of derivatives for retail investors.
- SEBI has barred 19 domestic and foreign entities from securities markets for manipulation in issuances of Global Depository Receipts (GDR). Also, the regulator has warned several others including foreign institutional investors. SEBI has been probing misuse of GDRs for routing black money back to India. It has put role of more than 50 individuals and companies under scanner.
- The government announced that in order to curb influx of cheaper foreign imports, it has imposed an additional import tax on certain stainless steel flat products from China for five years. The government imposed 18.95% countervailing duty on some hot-rolled and cold-rolled stainless steel flat products. This marks first such levy on a steel product. This is expected to benefit local steel makers when there is surge in imports.

Regulatory Updates in India (contd..)

- SEBI could make stringent rules to classify mutual fund schemes. This move will lead to merger of schemes and will help investors identify the right plan from within the product heap. The panel, appointed by SEBI, has identified a little more than 30 subcategories to classify schemes.
- SEBI has imposed ban on eight entities from the securities market for 10 years in a case wherein the directors of a stock broking firm supposedly collected Rs. 1,200 crore from the public illegally. While the regulator has restrained them from raising fresh funds from the public for 10 years, they will also have to pay back the money collected within three months along with interest.
- SEBI panel on corporate governance is mulling whether an auditor should be expelled from examining the books of listed companies if the audit is ineffective and fails to find financial discrepancies. The proposal from SEBI's panel on corporate governance came after some listed banks reported bad loans that diverged widely from Reserve Bank of India's (RBI) assessment.
- According to media reports, the former governor of the RBI announced that India could sell stakes in state-owned companies to fund a bank recapitalisation in order to revive growth and not wander from the path of fiscal consolidation. Per the media reports, the former head stated that as a matter of high priority, stronger and better-managed banks should be given the capital they require to absorb the losses.

Global News/Economy

- A report from the Institute for Supply Management showed that U.S. non-manufacturing index grew to 55.3 in Aug 2017 after declining to 53.9 in Jul 2017. Employment index, new orders index as well as business activity index witnessed growth in the month under review.
- The U.S. Federal Reserve has noted concerns in its Beige Book about a prolonged slowdown in the auto industry. Also, it stated that it was too early to measure the impact of Hurricane Harvey on the broader economy. A fifth of the oil and natural gas production in the Gulf of Mexico was offline and many onshore producers in the Eagle Ford region temporarily stopped production. However, the economy expanded at a modest to moderate pace in the past few months.
- The European Central Bank (ECB) kept interest rates and its massive stimulus programme unchanged for the 12th 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 also retained its asset purchases programme of €60 billion a month till Dec 2017, or beyond, if necessary.
- A report from the Cabinet Office showed that Japan's Gross Domestic Product (GDP) growth slowed to 0.6% QoQ in the second quarter of 2017 from 1% gain reported earlier and 0.4% in the previous quarter. On an annual basis, GDP growth reduced to 2.5% in the second quarter compared with 4% growth reported previously.

Global Equity Markets

Global Indices			
Indices	08-Sep-17	1-Week Return	YTD Return
Dow Jones	21797.79	-0.86%	9.64%
Nasdaq 100	5913.368	-1.24%	20.40%
FTSE 100	7377.6	-0.82%	2.78%
DAX Index	12303.98	1.33%	6.08%
Nikkei Average	19274.82	-2.12%	-1.63%
Straits Times	3228.56	-1.49%	11.37%

Source: Thomson Reuters Eikon Value as on Sep 8, 2017

Europe

- Major European markets finished mixed, although broader market sentiment remained subdued. Sentiment was impacted by mixed economic data. Meanwhile, the European Central Bank chief suggested that the bank's stimulus measures could be decided in Oct 2017. The central bank refrained from changing its interest rates, while stating its current net asset purchases would persist until Dec-end or even beyond that.

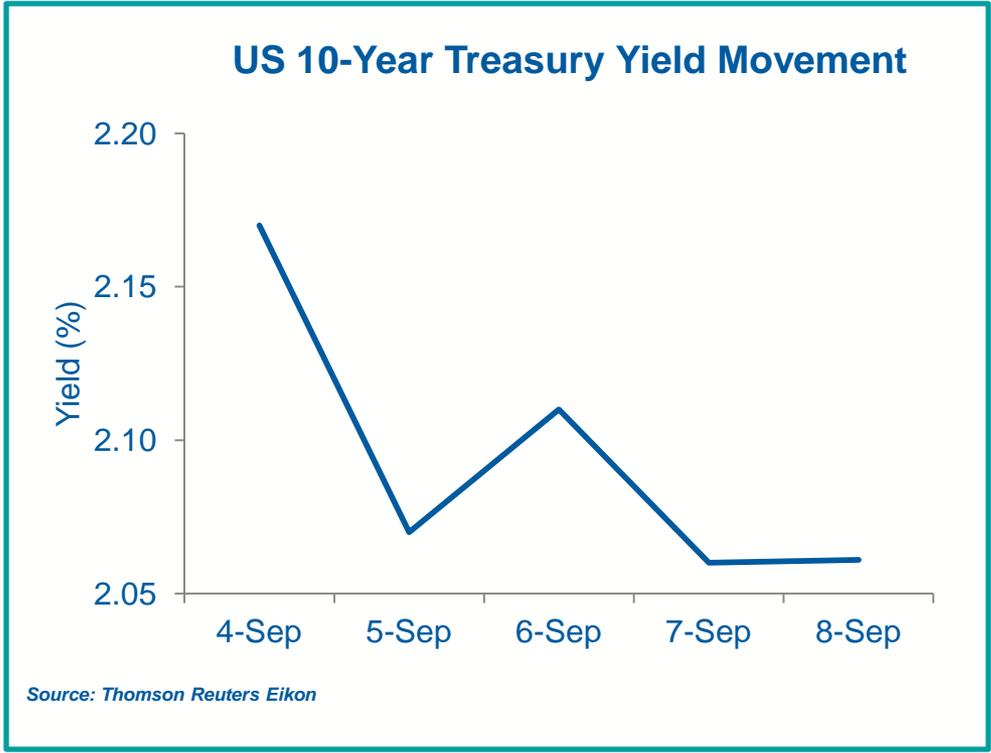
Asia

- Most of the major Asian markets dropped mainly owing to renewed geopolitical tensions. Negative economic data further weighed on sentiment; Japanese Cabinet Office confirmed Japan's gross domestic product figures snapped 0.60% for the second quarter of 2017, while Japan's overall bank lending slowed to 3.20% YoY in Aug 2017.

U.S.

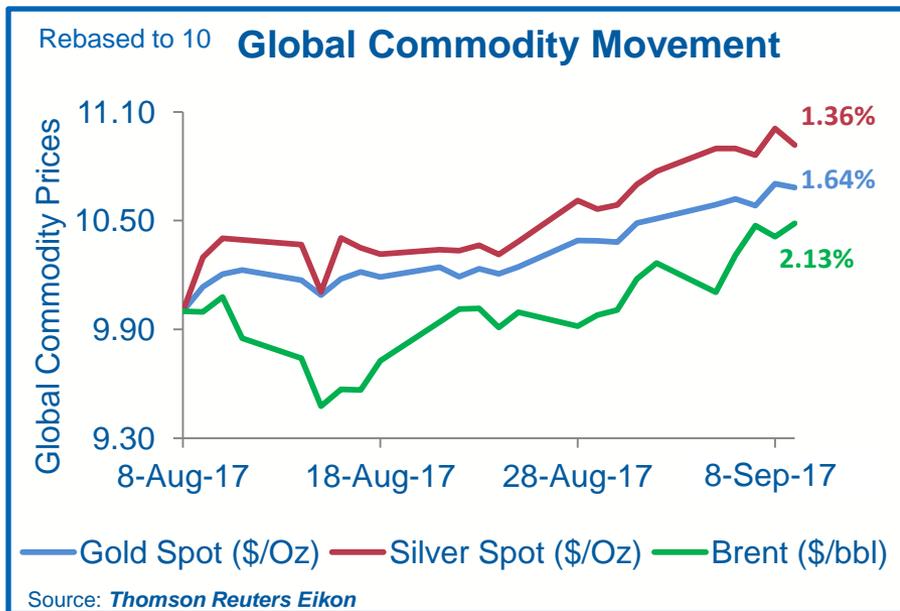
- Major U.S. markets dipped mainly on geopolitical tensions; the U.S. President reacted sharply to the news of North Korea conducting a major nuclear test on Sep 3.
- However, losses were capped on news that the U.S. President has given his nod to a move that would extend U.S.'s debt ceiling till Dec 2017 and sponsor the government for three months.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond fell 10 bps to close at 2.06% from the previous week's close of 2.16%.
- U.S. Treasury prices rose as worries about further nuclear tests by North Korea spurred safe-haven demand for U.S. government debt. Weaker than expected U.S. jobless claims data for week ended Sep 2 and worries about the impact of hurricanes in the U.S. also boosted demand for safe-haven debt.
- However, gains were capped as risk sentiment improved after the U.S. President supported congressional fiscal plan that includes a three-month suspension of the debt ceiling.

Commodities Market



Gold

- Renewed instance of geopolitical tensions between North Korea and the U.S. supported gold prices during the week, helping the precious metal to touch one-year high.

Crude

- Brent crude prices rose during the week following media reports that Saudi Arabia will cut oil supply allocations to its customers worldwide in Oct 2017 by 350,000 barrels per day (bpd). Meanwhile, arrival of Hurricane Irma renewed concerns over supply as the same drove towards Florida after passing through the Caribbean, causing massive destruction.

Baltic Dry Index

- The Baltic Dry Index fell during the week owing to weaker capesize and panamax activities.

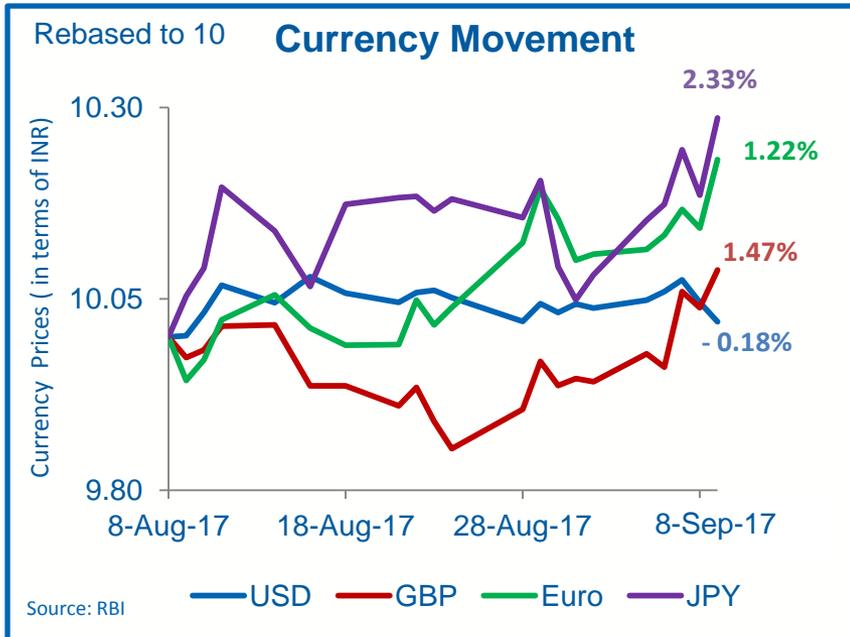
Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	55.09	53.94
Gold (\$/Oz)	1346.31	1324.57
Gold (Rs/10 gm)	30388	29742
Silver (\$/Oz)	17.92	17.68
Silver (Rs/Kg)	41097	39784

Source: Thomson Reuters Eikon

Value as on Sep 8, 2017

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	63.87	63.98
Pound Sterling	83.88	82.66
EURO	77.04	76.10
JPY(per 100 Yen)	59.28	58.10

Source: RBI Figures in INR , Value as on Sep 8, 2017

Rupee

- Indian rupee strengthened against the greenback as the latter came under pressure amid speculation that the European Central Bank (ECB) may begin scaling back its massive monetary stimulus in Oct 2017.

Euro

- Euro strengthened against the U.S. dollar following indications by the president of ECB on cutting back stimulus in Oct 2017.

Pound

- Sterling strengthened against the U.S. dollar on reduced expectations for another U.S. Federal Reserve rate increase this year.

Yen

- Yen strengthened against the greenback as its safe-haven appeal improved following ongoing geopolitical tension between the U.S. and North Korea.

The Week that was...

4th September to 8th September

The Week that was (Sep 4 – Sep 8)

Date	Events	Present Value	Previous Value
Monday, Sep 04, 2017	<ul style="list-style-type: none"> U.K. Markit/CIPS Construction PMI (AUG) Eurozone Producer Price Index (YoY) (JUL) 	51.1 2.0%	51.9 2.4%
Tuesday, Sep 05, 2017	<ul style="list-style-type: none"> Japan Nikkei Composite PMI (AUG) Eurozone Retail Sales (YoY) (JUL) U.S. Factory Orders (JUL) China Caixin Composite PMI (AUG) U.K. Markit/CIPS Composite PMI (AUG) 	51.9 2.6% -3.3% 52.4 54.0	51.8 3.3% 3.2% 51.9 54.1
Wednesday, Sep 06, 2017	<ul style="list-style-type: none"> U.S. ISM Services/Non-Manufacturing Composite PMI (AUG) Japan Labor Cash Earnings (YoY) (JUL) Germany Factory Orders (YoY) (JUL) Germany Markit Construction PMI (AUG) Germany Markit Retail PMI (AUG) 	55.3 -0.3% 5.0% 54.9 53.0	53.9 0.4% 5.1% 55.8 50.7
Thursday, Sep 07, 2017	<ul style="list-style-type: none"> European Central Bank Rate Decision European Central Bank Marginal Lending Facility Japan Leading Index (JUL P) 	0.0% 0.25% 105.0	0.0% 0.25% 105.7
Friday, Sep 08, 2017	<ul style="list-style-type: none"> China Trade Balance CNY (AUG) Japan Eco Watchers Survey Current SA (AUG) U.K. Industrial Production (YoY) (JUL) 	286.5b 49.7 0.4%	321.2b 49.7 0.3%

The Week Ahead

11th September to 15th September

The Week Ahead

Day	Event
Monday, September 11, 2017	<ul style="list-style-type: none"> • Japan Tertiary Industry Index (MoM) (JUL) • Japan Machine Tool Orders (YoY) (AUG P)
Tuesday, September 12, 2017	<ul style="list-style-type: none"> • U.K Consumer Price Index (YoY) (AUG) • U.K. House Price Index (YoY) (JUL)
Wednesday, September 13, 2017	<ul style="list-style-type: none"> • Germany Consumer Price Index (YoY) (AUG F) • U.K. ILO Unemployment Rate (3M) (JUL) • U.K Average Weekly Earnings (3M/YoY) (JUL) • Eurozone Industrial Production (YoY) (JUL) • Eurozone Employment (YoY) (2Q)
Thursday, September 14, 2017	<ul style="list-style-type: none"> • Bank of England Rate Decision • Japan Leading Index (JUL P) • U.S. Consumer Price Index (YoY) (AUG) • China Industrial Production (YoY) (AUG) • China Retail Sales (YoY) (AUG) • U.K. Retail Sales (YoY) (AUG)
Friday, September 15, 2017	<ul style="list-style-type: none"> • U.S. Advance Retail Sales (AUG) • U.S. University of Michigan Confidence (SEP P) • U.S. Industrial Production (AUG) • U.S. Business Inventories (JUL)

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