

News U Can Use

March 10, 2017

The Week that was...
6th March to 10th March

Indian Economy

- Government data showed that the country's industrial output grew 2.7% in Jan 2017 compared with a contraction of 0.1% in Dec 2016 and a contraction of 1.6% in the same period of the previous year. The manufacturing sector grew 2.3% in Jan 2017 compared with a contraction of 2.9% in the same period of the previous year. The cumulative growth for the period from Apr 2016 to Jan 2017 over the corresponding period of the previous year stands at 0.6%, compared with 2.7% in the previous year. On the sectoral front, the mining sector and capital goods sector grew 5.3% and 10.7%, respectively during the month under review.
- According to the Society of Indian Automobile Manufacturers (SIAM), domestic passenger vehicle sales rose 9.01% to 2,55,359 units in Feb, from 2,34,244 in the same month last year. Domestic car sales were up 4.9% at 1,72,623 units as against 1,64,559 in Feb 2016, while two-wheeler 13,62,045 units compared with 13,62,177 in the year-ago month. Sales of commercial vehicles moved up 7.34% to 66,939 units in Feb.
- According to the Department of Industrial Policy and Promotion (DIPP), foreign direct investment (FDI) in the services sector surged 77.6% YoY to \$7.55 billion during Apr to Dec period of FY17. Sectors including banking, insurance, R&D, outsourcing, courier, and technology testing, had received cumulative FDI of \$4.25 billion during the reported period. Government's initiatives to improve "ease of doing business" helped to boost FDI flow.

Indian Equity Market

Domestic Equity Market Indices			
Indices	10-Mar-17	1 Week Return	YTD Return
S&P BSE Sensex	28946.23	0.39%	8.84%
Nifty 50	8934.55	0.42%	9.23%
S&P BSE Mid-Cap	13365.59	-0.32%	10.17%
S&P BSE Small-Cap	13604.96	-0.11%	11.61%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	22.06	23.2	29.12	64.44
P/B	2.88	3.39	2.38	2.14
Dividend Yield	1.42	1.24	1.3	0.77

Source: BSE, NSE

Value as on March 10, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
06-Mar-17	906	767	1.18
07-Mar-17	679	970	0.70
08-Mar-17	523	1132	0.46
09-Mar-17	670	975	0.69
10-Mar-17	654	973	0.67

Source: NSE

- ▣ Indian equity markets managed to gain during the week ahead of the assembly election results in Punjab, Uttar Pradesh, Goa, Uttarakhand, and Manipur, scheduled to be released on Mar 11.
- ▣ Bourses found initial strength as India moved a step closer towards launching the long-awaited Goods and Services Tax (GST) from Jul 2017 after a panel of Central and state finance officials finalised two key bills to be put before Parliament.
- ▣ The same was overshadowed by growing uncertainty over the outcome of the assembly election. Such concerns eased to some extent, later during the week, as exit poll results strengthened the government's chances of passing key reform bills.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21791.0	1.08%	-1.82%
S&P BSE Bankex	23625.7	1.07%	1.95%
S&P BSE CD	13889.5	0.82%	2.20%
S&P BSE CG	15429.0	0.80%	-0.35%
S&P BSE FMCG	8793.36	0.11%	-1.38%
S&P BSE HC	15174.8	-1.07%	0.24%
S&P BSE IT	10456.6	-0.47%	3.84%
S&P BSE Metal	11554.8	-4.81%	-1.20%
S&P BSE Oil & Gas	13281.1	-0.72%	1.42%

Source: Reuters *Value as on March 10, 2017*

- ❑ On the BSE sectoral front, majority of the indices closed in the green. S&P BSE Auto was the top gainer, up 1.08%, followed by S&P BSE Bankex and S&P BSE Consumer Durables, which gained 1.07% and 0.82%, respectively.
- ❑ Auto sector rose after an auto major geared up to introduce four new products in FY18. However, S&P BSE Metal was the major laggard, down 4.81%, followed by S&P BSE Realty and S&P BSE Healthcare.

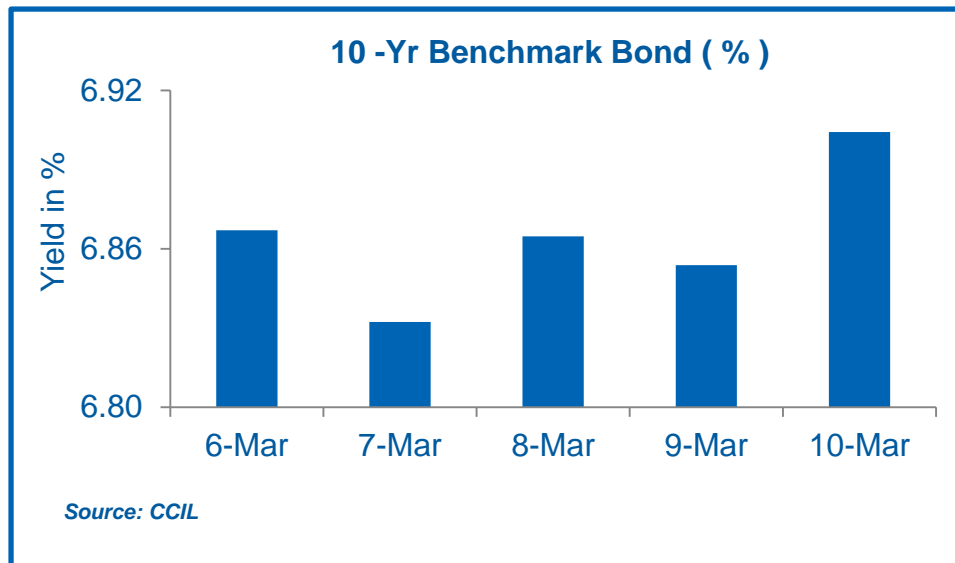
Indian Derivatives Market Review

- ❑ Nifty Mar 2017 Futures were at 8,958.70, a premium of 24.15 above the spot closing of 8,934.55. The turnover on NSE's Futures and Options segment stood at Rs. 19.22 lakh crore during the week to Mar 10, compared with Rs. 18.43 lakh crore during the week ended to Feb 24.
- ❑ The Put-Call ratio stood at 0.70, compared with the previous week's close of 0.77.
- ❑ The Nifty Put-Call ratio stood at 0.87, compared with the previous week's close of 0.97.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.01	5.90	6.11	6.40
91 Day T-Bill	5.93	6.00	6.26	6.54
7.80% 2021, (5 Yr GOI)	6.89	6.76	6.71	6.91
6.97% 2026, (10 Yr GOI)	6.90	6.77	6.81	6.83

Source: Reuters *Value as on March 10, 2017*



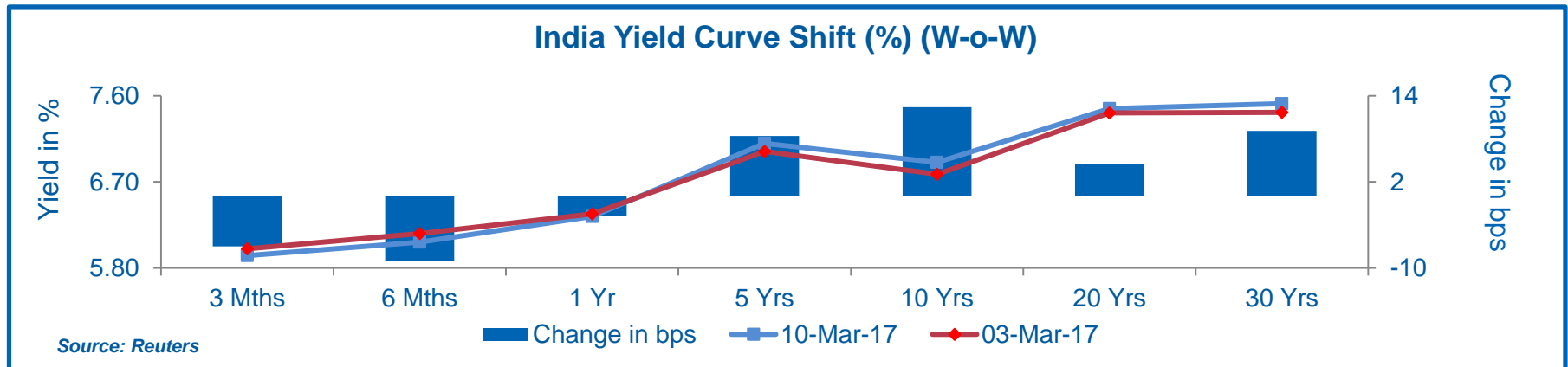
- ❑ Bonds yield surged after the U.S. Federal Reserve chair indicated at a probable rate hike in the upcoming monetary policy meeting due next week. Also, increase in supply of state and UDAY bonds added to the pain.
- ❑ However, short covering by investors and repurchase of securities by the government restricted the fall in bond prices.
- ❑ Yield on the 10-year benchmark bond (6.97% GS 2026) rose 13 bps to close at 6.90% from the previous weekly close of 6.77%.
- ❑ Banks' net average lending to the Reserve Bank of India (RBI) under the Liquidity Adjustment Facility stood at Rs. 9,912.00 crore (for Friday, only repo session considered), compared with the previous week's lending of Rs. 17,579.00 crore.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.42	6.96	54
3 Year	6.81	7.33	52
5 Year	7.16	7.67	51
10 Year	7.24	7.96	72

Source: Reuters Value as on March 10, 2017

- Yields on gilt securities increased across maturities in the range of 4 bps to 18 bps, barring 1-year maturity that fell 3 bps.
- Corporate bond yields increased across maturities in the range of 6 bps to 17 bps.
- Spread between AAA corporate bond and gilt expanded across 1 to 5-year maturities and 15-year paper in the range of 2 bps to 11 bps and contracted across the remaining maturities in the range of 3 bps to 9 bps.



Regulatory Updates in India

- ❑ The Reserve Bank of India has lowered the limit of disbursing loan against gold in cash given by Non-Banking Finance Companies (NBFCs). The loan disbursed by NBFC now cannot exceed more than Rs. 25,000 in cash against gold. Previously, the provision was Rs. 1 lakh, and above that loan can be disbursed by cheque. The reduction in the amount of gold loans in cash is in line with the provisions of the Income Tax Act.
- ❑ Market regulator Securities and Exchange Board of India (SEBI) is studying the regulatory framework in foreign countries for alternative investment funds (AIFs) in order to improve the existing rules for such class of investors. AIFs are funds established in India to pool in capital from Indian and foreign investors for investing as per a pre-decided policy.
- ❑ Data from SEBI showed that total assets under management of portfolio managers fell Rs. 8,212 crore to Rs. 11,89,243 crore at the end of Feb from Rs 11,97,455 crore in the preceding month. The total number of clients also rose to 75,011 in Feb from 73,642 in the previous month.
- ❑ The pension fund regulator Pension Fund Regulatory and Development Authority (PFRDA) opined that it would be difficult to move back to general provident fund (GPF) pension system. It needs to be noted that the GPF system was discontinued due to its huge fiscal burden and was replaced with National Pension System (NPS) in 2004. The remark comes as government employee associations demanded restoration of old pension system.

Regulatory Updates in India (contd..)

- ❑ The government has come out with the new Trademark Rules 2017 thereby replacing the former Trademark Rules 2002. The objective of the move is to streamline and simplify the process of trademark application filing which would help improve the ease of doing business within the country.
- ❑ The Union cabinet gave approval to customs convention on international transport of goods. The convention will give Indian traders access to fast, easy, reliable, and hassle free international system that will facilitate movement of goods by road or multi-modal means across the territories of other contracting parties.
- ❑ The Union cabinet approved a proposal to revive 50 unserved and under-served airports as well as airstrips at an estimated cost of Rs. 4,500 crore. The government aims to upgrade air connectivity to small cities and towns while the revival of such airports and airstrips.

Global News/Economy

- According to the Organization for Economic Co-operation and Development (OECD), global economic growth is expected to gain momentum modestly in 2017 and 2018 due to fiscal stimulus in major economies. However, it stated that the threat of financial vulnerabilities and political uncertainty risks still remains. The organisation in its Interim Economic Outlook report projected global growth of 3.3% in 2017 and 3.6% in 2018 from 3% in 2016.
- According to OECD, unemployment rate fell marginally in Jan 2017 after being stable for two months. The jobless rate stood at 6.1% in Jan compared with 6.2% in Dec 2016. The unemployment rate stood unchanged at 9.6% in Europe, while it fell 0.1% point in Japan and increased by 0.1% point in the U.S.
- Data from the U.S. Labour Department showed that non-farm payroll employment grew by 235,000 jobs in Feb after surging up by a revised 238,000 jobs (originally reported 227,000 jobs) in Jan. The unemployment rate also edged down to 4.7% in Feb from 4.8% in Jan. The annual rate of growth in average hourly employee earnings accelerated to 2.8% in Feb from 2.6% in Jan.
- Data from payroll processor ADP showed that U.S. private sector employment growth was highest since Jan 2006. Private sector employment increased 298,000 jobs in Feb 2017 after climbing by an upwardly revised 261,000 (originally reported 246,000) jobs in Jan 2017. The increase came following increased job growth in construction, mining and manufacturing industries.

Global Equity Markets

Global Indices			
Indices	10-Mar-17	1-Week Return	YTD Return
Dow Jones	20902.98	-0.49%	5.14%
Nasdaq 100	5385.899	0.23%	9.66%
FTSE 100	7343.08	-0.42%	2.30%
DAX Index	11963.18	-0.53%	3.15%
Nikkei Average	19604.61	0.70%	0.05%
Straits Times	3133.35	0.35%	8.08%

Source: Reuters

Europe

- European markets traded weak as market participants remained cautious ahead of U.S. Federal Reserve's policy meeting. Banking stocks were hit by news that a major German bank plans to raise capital through a share sale. Downbeat German factory orders report in Jan 2017 and continued political concerns in France further weighed on investor sentiment.

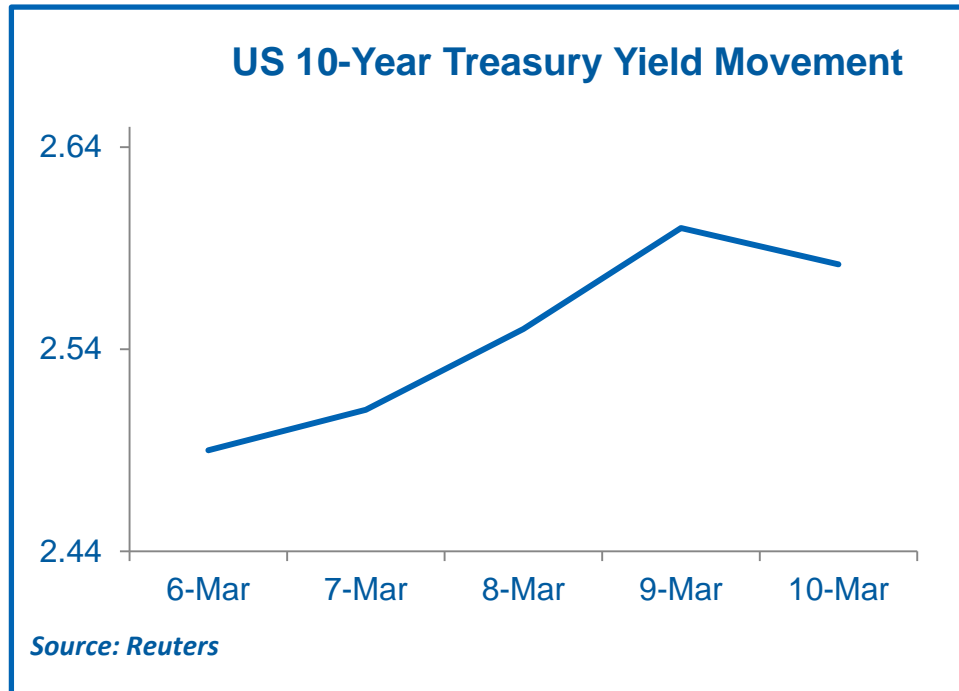
Asia

- Initially the Asian markets traded cautiously amid geo-political tensions. Markets became concerned after North Korea fired multiple ballistic missiles. Later, market recovered marginally following unexpected rise in Chinese forex along with higher than expected Japanese GDP data and current account surplus.

U.S.

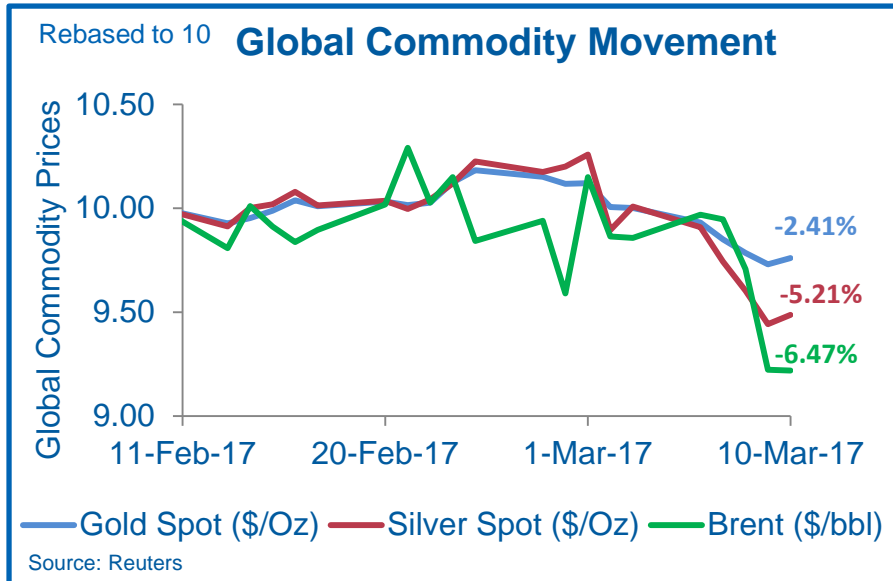
- The U.S. markets traded cautiously amid rising expectations of an interest rate hike by the U.S. Federal Reserve in the upcoming policy meeting. Lower crude oil prices also kept investors on the sidelines.
- A rebound in initial jobless claims in the week to Mar 4 further weighed on sentiment. However, downside was limited as U.S. ADP data showed a surprise jump in private employment in Feb 2017.

Global Debt (U.S.)



- Yield on the 10-year U.S. Treasury bond rose 9 bps during the week to close at 2.58% compared with the previous week's close of 2.49%.
- U.S. Treasury prices fell as supply dynamics came into play following hefty sale of government and corporate bonds.
- Growing possibility that the U.S. Federal Reserve will increase interest rates in its monetary policy review scheduled next week after U.S. private sector jobs data for Feb came better than expected also weighed on U.S. Treasury prices.
- However, further losses were restricted after U.S. wages grew less than expected in Feb and U.S. nonfarm payroll data for Feb fell short of the most optimistic views.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	50.42	53.91
Gold (\$/Oz)	1204.47	1234.22
Gold (Rs/10 gm)	28430.00	29126.00
Silver (\$/Oz)	17.03	17.96
Silver (Rs/Kg)	40183.00	42169.00

Source: Reuters Value as on March 10, 2017

Gold

- Gold prices remained under pressure during the week amid ongoing speculation over a probable rate hike by the U.S. Federal Reserve in its upcoming policy meeting. The recent comments from the U.S. Federal Reserve chief further reinforced such speculations.

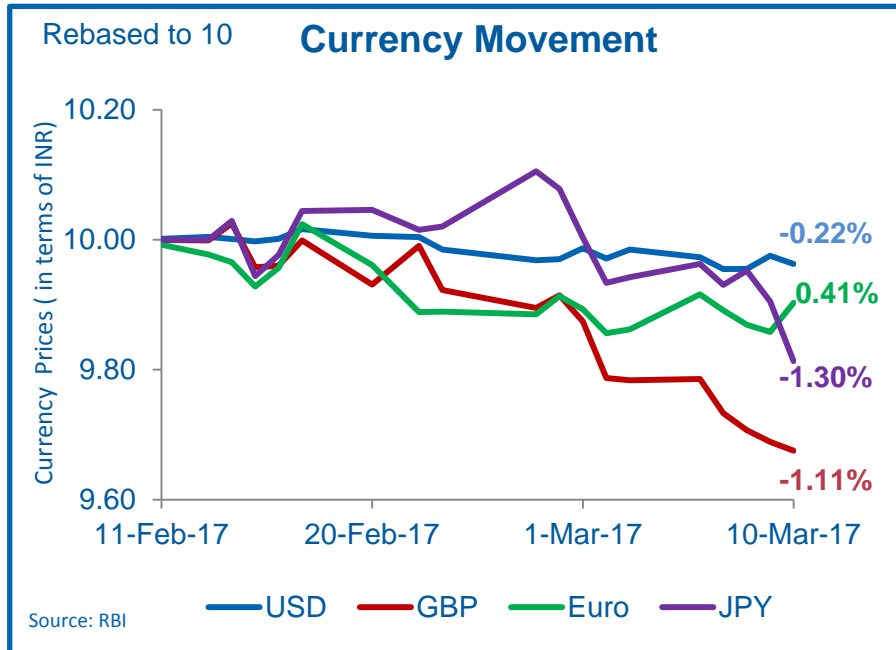
Crude

- Brent crude prices slumped during the week after official U.S. data showed that crude oil stocks of the nation surged 8.2 million barrels during the week ended Mar 3 to an all-time high of 528.4 million barrels. The data reduced the effectiveness of the Organization of the Petroleum Exporting Countries' initiative to cut oil output.

Baltic Dry Index

- The Baltic Dry Index increased during the week owing to higher capesize and panamax activities.

Currencies Markets



Rupee

- The rupee rose against the U.S. dollar following gains in the domestic equity market and selling of the greenback by foreign banks and exporters.

Euro

- The euro rose following reports that the ECB had discussed the possibility of raising interest rates before the end of its quantitative easing programme.

Pound

- The pound weakened against the greenback on growing concerns that Britain's economy is slowing as it prepares to formally exit the European Union.

Yen

- The yen rose initially against the greenback as its safe haven appeal increased on reports that North Korea had fired four ballistic missiles. However, the trend reversed on concerns of an imminent rate hike by the Fed.

Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	66.69	66.84
Pound Sterling	81.05	81.96
EURO	70.64	70.35
JPY(per 100 Yen)	57.79	58.55

Source: RBI *Figures in INR , Value as on March 10, 2017*

The Week that was...
6th March to 10th March

The Week that was (Mar 06 – Mar 10)

Date	Events	Present Value	Previous Value
Monday, March 06, 2017	Germany Markit Construction PMI (FEB)	54.1	52.0
	Germany Markit Retail PMI (FEB)	51.2	50.3
	U.S. Durable Goods Orders (JAN F)	2.0%	1.8%
	U.S. Factory Orders (JAN)	1.2%	1.3%
Tuesday, March 07, 2017	Japan Gross Domestic Product Annualized (4Q F)	1.2%	1.0%
	Eurozone Gross Domestic Product (YoY) (4Q F)	1.7%	1.7%
	Germany Factory Orders (YoY) (JAN)	-0.8%	8.0%
Wednesday, March 08, 2017	China Trade Balance (FEB)	(\$9.15B)	\$51.34B
	U.S. ADP Employment Change (FEB)	298K	246K
	U.S. Wholesale Inventories (JAN F)	-0.20%	-0.10%
Thursday, March 09, 2017	China Consumer Price Index (YoY) (FEB)	0.80%	2.50%
	China Producer Price Index (YoY) (FEB)	7.80%	6.90%
Friday, March 10, 2017	U.S. Change in Non-farm Payrolls (FEB)	235k	238k
	U.S. Unemployment Rate (FEB)	4.7	4.8
	U.K. Industrial Production (YoY) (JAN)	3.2%	4.3%
	U.K. Construction Output SA (YoY) (JAN)	2.0%	2.6%
	U.K. Manufacturing Production (YoY) (JAN)	2.7%	4.2%

The Week Ahead...
March 13 to March 17

The Week Ahead

Day	Event
Monday, March 13, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Japan Machine Orders (YoY) (JAN) <input type="checkbox"/> Japan Tertiary Industry Index (MoM) (JAN)
Tuesday, March 14, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Eurozone Industrial Production (YoY) (JAN) <input type="checkbox"/> China Retail Sales YTD (YoY) (FEB) <input type="checkbox"/> China Industrial Production YTD (YoY) (FEB)
Wednesday, March 15, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Consumer Price Index (YoY) (FEB) <input type="checkbox"/> Japan Industrial Production (YoY) (JAN) Final <input type="checkbox"/> U.K. Jobless Claims Change (FEB)
Thursday, March 16, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of Japan Policy Balance Rate (MAR 16) <input type="checkbox"/> U.K. Bank of England Rate Decision (MAR 16) <input type="checkbox"/> Eurozone Consumer Price Index (YoY) (FEB) Final
Friday, March 17, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. University Michigan Confidence (MAR) Preliminary <input type="checkbox"/> U.S. Industrial Production (FEB)

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