

News U Can Use

January 13, 2017



The Week that was...
09th January to 13th January

Indian Economy

- ❑ Consumer Price Index (CPI) based inflation or retail inflation in Dec plunged to the lowest level since Dec 2014 to 3.41% from 3.63% in Nov and 5.61% in the same period of the previous year. Consumer food price index also came down to 1.37% from 2.03% in the previous month and 6.40% in the same month of the previous year. While retail inflation fell 14.59% for vegetables, it grew 21.06% for sugar and confectionary.
- ❑ India's Index of Industrial Production (IIP) rose 5.7% in Nov after falling 1.9% in the previous month. The sharp increase was mainly due to capital goods output that surged 15.0% during the period under review and consumer goods expanded 5.6% in Nov. Manufacturing, mining, and electricity production rose 5.5%, 3.9%, and 8.9%, respectively, during the period.
- ❑ The World Bank has lowered India's growth forecast for FY17 to 7% from the earlier estimation of 7.6%, attributing it partly to demonetisation of high-value currency notes. It has mentioned that the sudden demonetisation move could weigh on growth trajectory in the third quarter of FY17, while industrial production and manufacturing and services activities might get affected in the fourth quarter of FY17.
- ❑ Data from SIAM showed that sales of passenger vehicles declined 1.36% YoY to 227,824 units in Dec 2016 as against 230,959 units in the corresponding period last year, after companies reduced production to match dealers' stock level. Commercial vehicles sales fell 5% to 53,966, while sales of two-wheelers plunged 22%.

Indian Equity Market

Domestic Equity Market Indices			
Indices	13-Jan-17	1 Week Return	YTD Return
S&P BSE Sensex	27238.06	1.79%	2.42%
Nifty 50	8400.35	1.90%	2.70%
S&P BSE Mid-Cap	12639.03	2.58%	4.18%
S&P BSE Small-Cap	12689.85	2.01%	4.10%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.22	22.47	27.98	72.44
P/B	2.76	3.18	2.24	1.98
Dividend Yield	1.44	1.31	1.21	0.8

Source: BSE, NSE *Value as on January 13, 2017*

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
09-Jan-17	875	752	1.16
10-Jan-17	976	636	1.53
11-Jan-17	1085	546	1.99
12-Jan-17	635	1009	0.63
13-Jan-17	696	916	0.76

Source: NSE

- ❑ Indian equity market traded higher during the week, tracking gains in the global market. Investors awaited the U.S. President-elect's speech on fiscal spending strategies, but the conference failed to throw light on his policies.
- ❑ Markets also gained from the fact that the President-to-be refrained from declaring any stern measures for H1B visas.
- ❑ Sentiment remained upbeat despite a major bank's report hinting at a 2% drop in the country's Gross Domestic Product in the upcoming two quarters. However, investors turned cautious ahead of the Union Budget due on Feb 1, and the upcoming Dec quarter earnings.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	21260.6	1.19%	4.70%
S&P BSE Bankex	21657	3.62%	2.37%
S&P BSE CD	12001.2	0.95%	8.32%
S&P BSE CG	14585	3.56%	4.67%
S&P BSE FMCG	8340.97	1.80%	3.44%
S&P BSE HC	15036.8	-0.23%	-3.06%
S&P BSE IT	9952.06	0.72%	0.96%
S&P BSE Metal	11220.9	5.47%	4.14%
S&P BSE Oil & Gas	12664.3	0.75%	4.75%

Source: Reuters *Value as on January 13, 2017*

- On the BSE sectoral front, all indices except S&P BSE Healthcare (-0.23%), and S&P BSE Realty (-0.22%) closed on an optimistic note. The healthcare sector dipped owing to the U.S. President-elect's negative approach towards pharmaceutical companies.
- S&P BSE Metal, up 5.47%, was the top gainer, trailed by S&P BSE Power (4.00%), S&P BSE Bankex (3.62%), S&P BSE Capital Goods (3.56%), S&P BSE FMCG (1.80%), and S&P BSE Auto (1.19%).

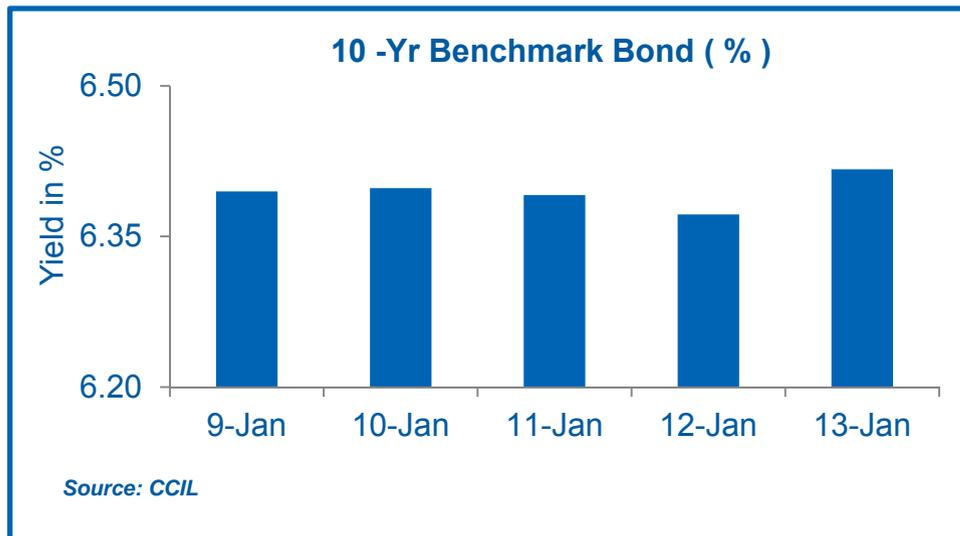
Indian Derivatives Market Review

- Nifty Jan 2017 Futures were at 8,417.70 points, a premium of 17.35 points, over the spot closing of 8,400.35 points. The turnover on NSE's Futures and Options segment stood at Rs. 18.25 lakh crore during the week to Jan 6, compared with Rs. 16.75 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.98, compared with the previous week's close of 0.95.
- The Nifty Put-Call ratio stood at 1.23, compared with the previous week's close of 1.11.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.04	6.13	6.06	6.38
91 Day T-Bill	6.25	6.19	6.20	6.58
07.80% 2021, (5 Yr GOI)	6.44	6.44	6.39	7.11
06.97% 2026, (10 Yr GOI)	6.42	6.39	6.42	--

Source: Reuters *Value as on January 13, 2017*



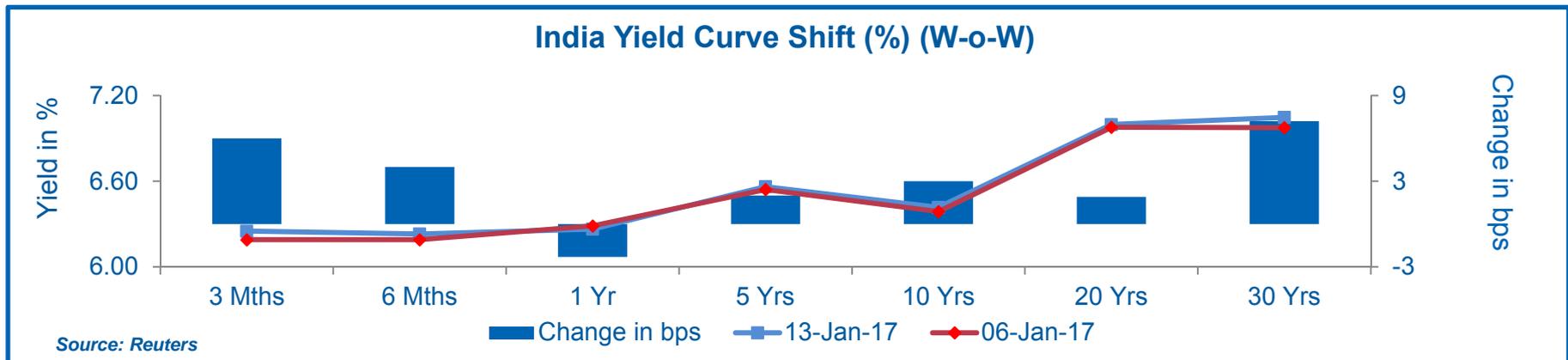
- Bond yields rose during the week under review as fresh supply of government debt weighed on market's sentiment. However, losses were restricted after the new U.S. President-elect failed to provide any clarity on economic and fiscal policies.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) rose 3 bps to close at 6.42% from the previous close of 6.39%.
- RBI conducted the auction of four-dated securities – 6.84% Government Stock (GS) 2022, 6.97% GS 2026, 7.73% GS 2034, and 7.06% GS 2046 for a notified amount of Rs. 11,000 crore. The cut-off rates for the securities stood at 6.43%, 6.40%, 6.99%, and 7.01%, respectively.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.35	6.66	31
3 Year	6.46	6.85	39
5 Year	6.65	7.07	42
10 Year	6.63	7.27	64

Source: Reuters Value as on January 13, 2017

- Yields on gilt securities increased across maturities by up to 7 bps, barring 1-, 6-, and 13-year papers that fell by up to 2 bps.
- Corporate bond yields fell across 1 to 5 years' maturities in the range of 2 bps to 8 bps, and increased in remaining maturities by up to 3 bps.
- Spread between AAA corporate bond and gilt contracted across most of the maturities by up to 9 bps, barring 9-year paper that closed steady. Spread on 6- to 8-year and 15-year maturities expanded by up to 3 bps.



Regulatory Updates in India

- The Securities and Exchange Board of India (SEBI) is likely to modify the rules for preferential issue of shares so that banks can apply for such an issue even if they have sold equity shares of the company in the last six months. The proposal will come up for discussion in the meeting of the Primary Market Advisory Committee on Jan 16. At present, companies cannot make a preferential issue of shares to entities who have sold shares of the issuer company in the preceding six months.
- The Reserve Bank of India governor advocated for setting up a unified regulator and a world-class legal framework for the International Financial Services Centres (IFSCs). The central bank governor is of the view that the move will help to expeditiously deal with dispute resolution and other issues. Furthermore, the governor underlined the importance of setting up a high level working group that will look into the existing laws governing financial contracts in India.
- SEBI is considering tightening its settlement norms by making the suspected defaulters pay more for any delay on their part. SEBI is also mulling allowing mutual funds to invest in a new class of 'Alternative Securities', which would initially comprise Real Estate and Infrastructure Investment Trusts. The move if implemented will attract more number of investors into Real Estate and Infrastructure Investment Trusts.

Regulatory Updates in India (contd..)

- Reserve Bank of India has asked the government to bring down its federal and state government borrowing in its annual budget scheduled on Feb 1, 2017. He added that India's government debt to gross domestic product ratio is highest among G20 countries and it is also impacting the country's sovereign ratings.
- According to the Union Minister, minimum pension has been increased to Rs. 9,000 per person and also ex-gratia amount has been increased from Rs. 10-15 lakh to Rs. 25-35 lakh for central government employees. The government wants to make good use of the knowledge, experience and efforts of the retired employees which can provide value addition to the current scenario.

Global News/Economy

- ❑ The World Bank has cut down the global growth expectations from 2.8% projected in Jun 2016 to 2.7%. Growth for 2018 and 2019 is expected to be 2.9% each. According to the Global Economic Prospects report, growth in the U.S. was expected to pick up to 2.2%, while for the 19-nation euro area, it is expected to slow down to 1.5% in the current year.
- ❑ U.S. factory orders declined 2.4% in Nov 2016 after growing by a revised 2.8% in Oct 2016. The fall in orders was mainly due to sharp pullback in durable goods orders, which fell by 4.5% in Nov after increasing by 5.0% in the previous month. As per report, non-durable goods also declined 0.2% in Nov following a 0.6% increase in the previous month.
- ❑ U.K. construction output declined 0.2% in Nov 2016 as against 0.6% decrease in previous month. The fall was mainly due to a contraction in non-housing repair and maintenance. On YoY basis, construction accelerated to 1.5% from 0.7% in Oct 2016.
- ❑ The German economy expanded at the fastest pace in five years in 2016. Gross domestic product grew 1.9% last year after expanding 1.7% in 2015. This was the fastest expansion since 2011 when the economy had grown 3.7%.
- ❑ China's inflation declined to 2.1% in Dec 2016 from 2.3% in Nov 2016 due to a high base in the previous year and slower food price growth. Food prices grew 2.4% following a 4% rise in Nov, while non-food inflation climbed to 2% from 1.8% in the previous month.

Global Equity Markets

Global Indices			
Indices	13-Jan-17	1-Week Return	YTD Return
Dow Jones	19885.73	-0.39%	0.02%
Nasdaq 100	5059.51	1.05%	3.02%
FTSE 100	7337.81	1.77%	2.73%
DAX Index	11629.18	0.26%	0.27%
Nikkei Average	19287.28	-0.86%	0.90%
Straits Times	3025.07	2.11%	4.35%

Source: Reuters

Europe

- Majority of the European markets were dragged by the comments from the U.S. President-elect. Positive impact of growth in Germany's exports and imports in Nov was overshadowed by lower than expected German industrial production data for the same period. However, losses reversed at the end on upbeat corporate earnings from the U.S.

Asia

- Asian markets witnessed a mixed trend during the week. Worries over "Brexit" impact and prospect of more rate hikes in the U.S. during 2017 continued to weigh on investor sentiment. Buying interest was affected after the U.S. President-elect failed to provide clarity on his proposed fiscal spending plans.

U.S.

- The U.S. President-elect's first press conference in several months had a major impact on the Wall Street with majority of the indices witnessing initial selling pressure.
- While the President-elect's decision to call for new bidding procedures for the drug industry triggered selling pressure in pharma stocks, lack of clarity on proposed fiscal spending plans kept market participants on the sidelines.

Global Debt (U.S.)

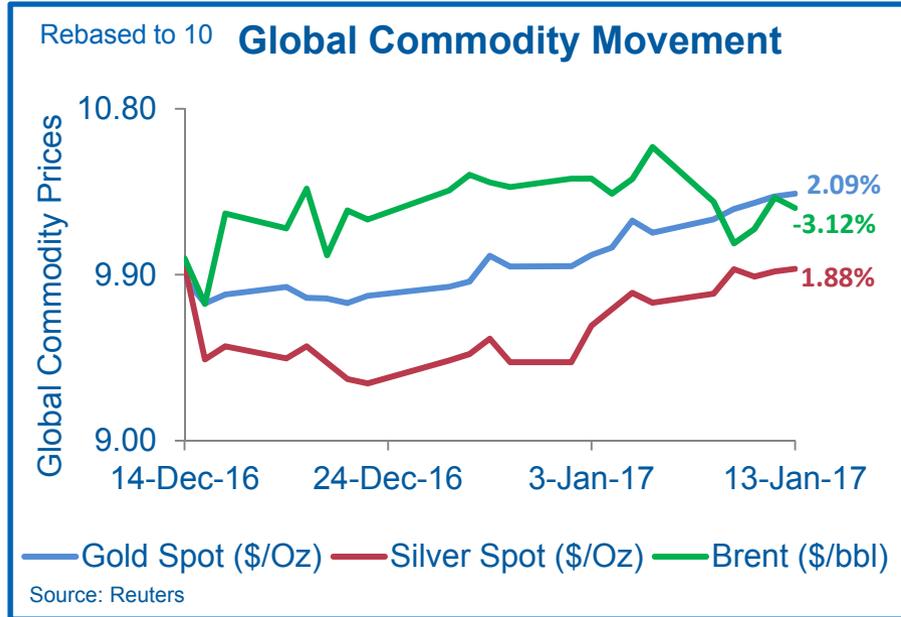
US 10-Year Treasury Yield Movement



Source: Reuters

- The 10-year U.S. Treasury yield fell 4 bps to close at 2.38%, compared with the previous week's close of 2.42%.
- U.S. Treasury prices rose initially as concern over weakening of Chinese yuan increased the demand of safe-haven debt.
- The prices rose further following strong demand of 10-year note. Also, lack of clarity on future trade and fiscal policies by the U.S. President-elect in his speech led to increased demand for safe-haven debts.
- However, heavy selling at the end of the week erased some of the earlier gains. Worries about potentially higher inflation and federal borrowing under the President-elect increased selling.

Commodities Market



Performance of various commodities		
Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	54.06	55.8
Gold (\$/Oz)	1197.26	1172.72
Gold (Rs/10 gm)	28809	28302
Silver (\$/Oz)	16.79	16.48
Silver (Rs/Kg)	40694	40032

Source: Reuters Value as on January 13, 2017

Gold

- Gold prices gained as the U.S. dollar lost steam after the U.S. President-elect's first press conference failed to present any cues on economic and trade policies, tax reform, and infrastructure spending.

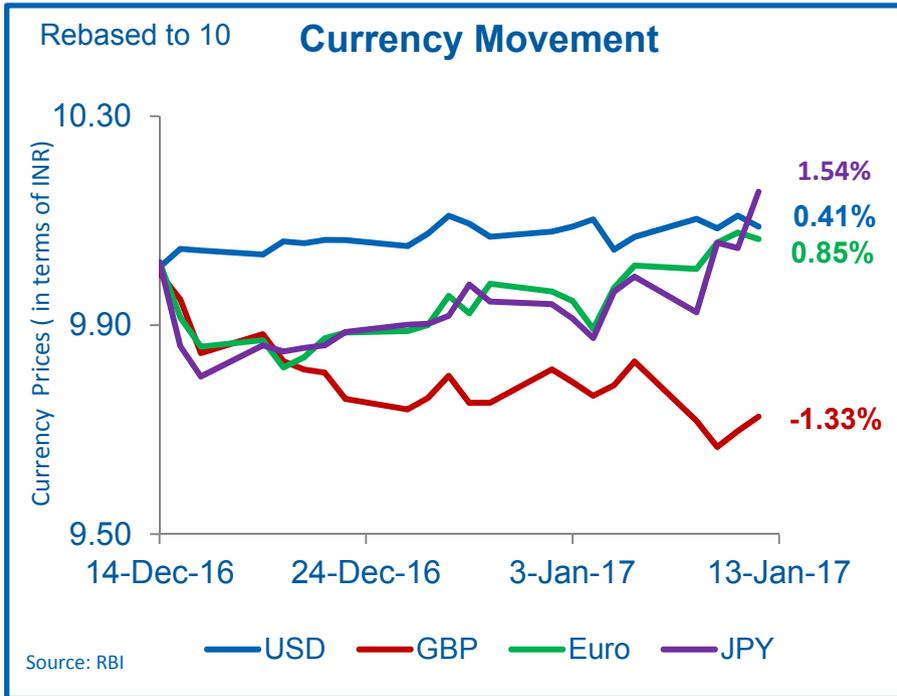
Crude

- Brent crude prices dropped after the weekly report from the U.S. Energy Information Administration indicated that rise in crude inventories surpassed expectations. Growth in U.S. drillers' activity for the 10th straight week, increased supplies from Iran, Iraq, Libya, and Nigeria also weighed on prices.

Baltic Dry Index

- The Baltic Dry Index decreased owing to lower capesize and panamax activities.

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.23	67.95
Pound Sterling	82.98	84.10
EURO	72.48	71.87
JPY(per 100 Yen)	59.40	58.50

Source: RBI Figures in INR , Value as on January 13, 2017

Rupee

- Indian rupee fell against the U.S. dollar following strong demand of greenback from importers.

Euro

- Euro strengthened against the greenback as investors got disappointed after the U.S. President-elect in his first press conference did not reveal much about the economic and fiscal policies.

Pound

- Sterling declined against the greenback following concerns over hard Brexit after Britain's Prime Minister said that the country would not keep "bits" of European Union membership.

Yen

- Yen strengthened against the greenback after the U.S. President-elect did not give much clarity about his future trade and fiscal policies for the U.S. economy.

The Week that was...
January 09 to January 13

The Week that was (Jan 09 – Jan 13)

Date	Events	Present Value	Previous Value
Monday, January 09, 2017	Germany Industrial Production (YoY) (Nov)	2.2%	1.6%
	Eurozone Unemployment Rate (Nov)	9.8%	9.8%
	Germany Trade Balance (euros) (Nov)	22.6B	19.4B
Tuesday, January 10, 2017	China Consumer Price Index (YoY) (Dec)	2.1%	2.3%
	China Producer Price Index (YoY) (Dec)	5.5%	3.3%
	Japan Consumer Confidence Index (Dec)	43.1	40.9
Wednesday, January 11, 2017	U.K. Industrial Production (YoY) (Nov)	2.0%	-0.9%
Thursday, January 12, 2017	Japan Trade Balance - BOP Basis (Yen) (Nov)	313.4B	587.6B
	Japan Eco Watchers Survey: Outlook (Dec)	50.9	51.3
	Eurozone Industrial Production (YoY) (Nov)	3.2%	0.8%
	U.S. Initial Jobless Claims (Jan 7)	247K	237K
Friday, January 13, 2017	U.S. Advance Retail Sales (Dec)	0.6%	0.1%
	U.S. U. of Michigan Confidence (Jan) (P)	98.1	98.2

The Week Ahead...
January 16 to January 20

The Week Ahead

Day	Event
Monday, January 16, 2017	<input type="checkbox"/> Japan Machine Orders (YoY) (Nov)
	<input type="checkbox"/> U.K. Rightmove House Prices (YoY) (Jan)
Tuesday, January 17, 2017	<input type="checkbox"/> U.K. Consumer Price Index (YoY) (Dec)
	<input type="checkbox"/> Germany ZEW Survey (Current Situation) (Jan)
Wednesday, January 18, 2017	<input type="checkbox"/> U.S. Consumer Price Index (YoY) (Dec)
	<input type="checkbox"/> U.K. Jobless Claims Change (Dec)
	<input type="checkbox"/> Eurozone Construction Output w.d.a. (YoY) (Nov)
	<input type="checkbox"/> Eurozone Consumer Price Index (MoM) (Dec)
Thursday, January 19, 2017	<input type="checkbox"/> U.S. Industrial Production (Dec)
	<input type="checkbox"/> European Central Bank Rate Decision (Jan 19)
Friday, January 20, 2017	<input type="checkbox"/> U.S. Housing Starts (MoM) (Dec)
	<input type="checkbox"/> China Gross Domestic Product (YoY) (4Q)
	<input type="checkbox"/> China Industrial Production (YoY) (Dec)
	<input type="checkbox"/> China Retail Sales (YoY) (Dec)
	<input type="checkbox"/> U.K. Retail Sales (YoY) (Dec)

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