

News U Can Use

January 27, 2017

The Week that was...
23rd January to 27th January

Indian Economy

- ❑ The central government has revised ease of doing business norms for states. Department of Industrial Policy & Promotion after discussing with states and World Bank has drawn up the new agenda that concentrates on 294 action points instead of 340 in the previous year. State governments accordingly require taking steps regarding licensing and related processes in health, pharma, fertiliser, and transport to improve this year's ease of doing business rankings.
- ❑ The central government has approved 3% interest subsidy on loans of up to Rs. 2 lakh for all households that are not covered under Pradhan Mantri Aawas Yojana (Grameen). The government aims to ease the Equated Monthly Instalment (EMI) by ensuring cheap home loans in rural areas.
- ❑ The government has decided to waive Rs. 660.50 crore of interest on short-term crop loan during the period from Nov to Dec 2016. Furthermore, the government granted Rs. 400 crore to National Bank for Agriculture and Rural Development (NABARD) to bear refinancing cost of co-operative banks.
- ❑ A major global credit rating agency has urged the Indian finance minister to maintain the pace of fiscal consolidation in the annual budget, scheduled next week. Fiscal consolidation would help the country to reduce the country's debt level, which would help improve the prospects of a rating upgrade.

Indian Equity Market

Domestic Equity Market Indices			
Indices	27-Jan-17	1 Week Return	YTD Return
S&P BSE Sensex	27882.46	3.14%	4.84%
Nifty 50	8641.25	3.50%	5.65%
S&P BSE Mid-Cap	12964.73	3.03%	6.87%
S&P BSE Small-Cap	13112.12	2.75%	7.56%

Source: MFI Explorer

Ratios	S&P BSE Sensex	Nifty 50	S&P BSE Mid Cap	S&P BSE Small Cap
P/E	21.76	23.00	28.75	70.04
P/B	2.83	3.28	2.30	2.06
Dividend Yield	1.42	1.28	1.18	0.78

Source: BSE, NSE

Value as on January 27, 2017

NSE Advance/Decline Ratio			
Date	Advances	Declines	Advance/Decline Ratio
23-Jan-17	991	637	1.56
24-Jan-17	1002	614	1.63
25-Jan-17	966	651	1.48
27-Jan-17	820	836	0.98

Source: NSE

- ▣ The domestic equity market moved up primarily owing to optimism ahead of the annual Union Budget scheduled on Feb 1. Investors are looking forward to the budget in post-demonetisation times.
- ▣ Strong quarterly earnings numbers from blue chip companies, and some of the other recent better than expected corporate earnings, added to the gains.
- ▣ Market sentiment was also buoyed by positive rollovers of derivatives to Feb series during the week.

Indian Equity Market (contd.)

Sectoral Indices			
Indices	Last Closing	Returns (in %)	
		1-Wk	1-Mth
S&P BSE Auto	22201.4	4.47%	11.58%
S&P BSE Bankex	22566.2	4.76%	10.55%
S&P BSE CD	12778.2	5.55%	16.73%
S&P BSE CG	14836.6	2.37%	9.50%
S&P BSE FMCG	8574.14	0.91%	8.47%
S&P BSE HC	14979.2	0.93%	3.72%
S&P BSE IT	9884.68	0.53%	-1.00%
S&P BSE Metal	11806.2	5.93%	18.74%
S&P BSE Oil & Gas	13103.7	4.86%	10.31%

Source: Reuters *Value as on January 27, 2017*

- On the BSE sectoral front, all indices closed in the green. S&P BSE Metal, up 5.93%, turned out to be the highest grosser, trailed by S&P BSE Consumer Durables (5.55%), S&P BSE Oil & Gas (4.86%), S&P BSE Bankex (4.76%), and S&P BSE Auto (4.47%).
- Buying interest appeared in banking stocks following upbeat quarterly earnings numbers from industry heavyweights.

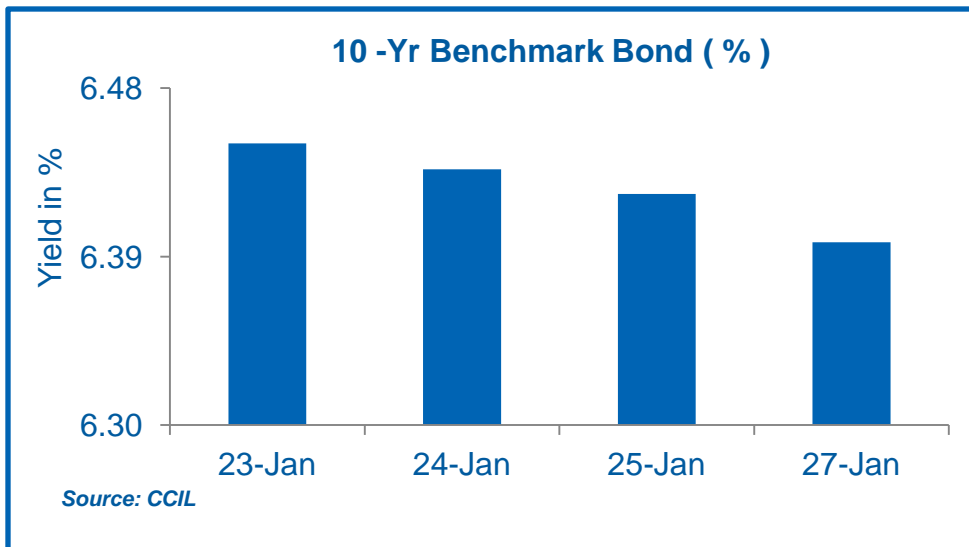
Indian Derivatives Market Review

- Nifty Jan 2017 Futures settled during the week at 8,602.75 points. Nifty Feb 2017 Futures were at 8,671.10 points, a premium of 29.85 points over the spot closing of 8,641.25. The turnover on NSE's Futures and Options segment stood at Rs. 22.23 lakh crore during the week to Jan 27, compared with Rs. 20.71 lakh crore recorded in the previous week.
- The Put-Call ratio stood at 0.76, compared with the previous week's close of 1.00.
- The Nifty Put-Call ratio stood at 0.99, compared with the previous week's close of 1.19.

Domestic Debt Market

Debt Indicators (%)	Current Value	1-Wk Ago	1-Mth Ago	6-Mth Ago
Call Rate	6.02	6.02	6.13	6.39
91 Day T-Bill	6.23	6.23	6.23	6.57
7.80% 2021, (5 Yr GOI)	6.45	6.48	6.65	7.11
6.97% 2026, (10 Yr GOI)	6.40	6.46	6.59	--

Source: Reuters Value as on January 27, 2017



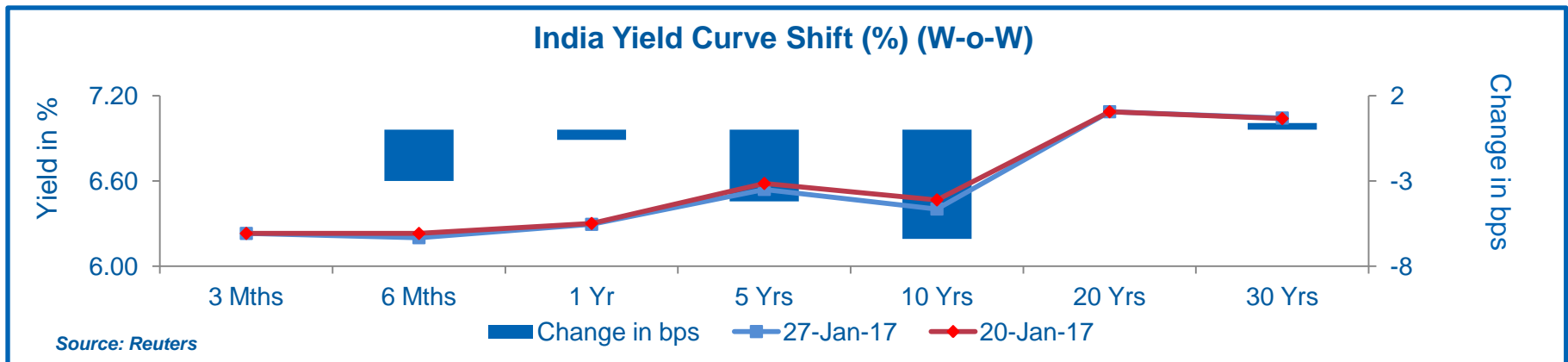
- Bond yields fell following strong demand at the weekly debt auction. Expectations that the government would stick to fiscal consolidation in the Union Budget on Feb 1 also boosted market sentiment.
- Lack of clarity about the new U.S. President’s economic and fiscal policies further encouraged demand of emerging market assets.
- Yield on the new 10-year benchmark bond (6.97% GS 2026) fell 6 bps to close at 6.40% from the last week’s close of 6.46%.
- Banks’ weekly average borrowings through RBI’s Marginal Standing Facility window fell to Rs. 200.00 crore till Jan 25 at 6.75%, from Rs. 175.50 crore borrowed in the previous week.

Domestic Debt Market (Spread Analysis)

Maturity	G-Sec Yield (%)	Corporate Yield (%)	Spread bps
1 Year	6.39	6.73	34
3 Year	6.42	6.85	43
5 Year	6.64	7.13	49
10 Year	6.65	7.30	65

Source: Reuters Value as on January 27, 2017

- Yields on gilt securities fell across maturities in the range of 1 bps to 7 bps, barring 24-year paper that increased 2 bps.
- Corporate bond yields fell across maturities in the range of 1 bps to 8 bps, barring 1- and 15-year papers that increased 1 bps each. Yield on 5-year paper closed steady.
- Difference in spread between AAA corporate bond and gilt expanded across all maturities in the range of 1 bps to 4 bps, barring 4-, 6-, and 7-year papers that contracted in the range of 3 bps to 6 bps.



Regulatory Updates in India

- ❑ Securities and Exchange Board of India (SEBI) is considering taking steps to tighten regulations related to the appointment and removal of directors from company boards. The move comes amid an ongoing tussle regarding mismanagement, suppression of minority shareholders, and corporate governance failures within a multinational conglomerate and holding company headquartered in Mumbai.
- ❑ According to data from SEBI, Indian companies have raised Rs. 29,033 crore by issuing non-convertible debentures to retail investors during the ongoing financial year till Jan 17. In the last fiscal year, companies had mobilised Rs. 38,812 crore through similar route. Firms have raised money through 13 issues in the current fiscal so far against 20 in entire FY16.
- ❑ SEBI data showed that the capital brought in by alternative investment funds (AIFs) rose to Rs. 28,486 crore during the period from Oct to Dec of the current fiscal. This corresponds to an increase of more than 14% from the previous quarter. Investment from AIF has more than doubled from Rs. 14,031.39 crore in Dec 2015. The category I AIFs made investments of Rs. 3,867.04 crore, category II AIFs made investments of Rs. 17,186 crore, and category III AIFs made investments of Rs. 7,433 crore.

Regulatory Updates in India (contd..)

- Data from SEBI showed that investments in domestic capital markets through participatory notes (P-Notes) fell to Rs. 1.57 lakh crore in Dec 2016. Of the total, P-Note holdings in equities were at Rs. 1.01 lakh crore at the end of Dec and the remaining holdings were in debt and derivatives markets. The quantum of FPI investments via P-Notes fell to 6.7% in Dec, from 7.5% in the previous month.
- Data from Reserve Bank of India (RBI) showed that Indian companies in Dec 2016 raised \$2.80 billion in overseas borrowings, including that from rupee denominated bonds (RDB). Indian companies in the same month of the previous year stood at \$3.03 billion. The data cannot be compared on a yearly basis as the Indian companies were allowed to raise money through newly introduced RDB instruments in 2016.

Global News/Economy

- ❑ Data from the U.S. Commerce Department showed that economic growth of the U.S. economy slowed more than expected in the fourth quarter of 2016 as gross domestic product increased by 1.9% in the fourth quarter of 2016, following a 3.5% jump in the third quarter of 2016.
- ❑ Data from the U.S. Commerce Department showed that durable goods orders in U.S. fell 0.4% in Dec 2016 after falling by a revised 4.8% (originally reported a 4.5% decline) in Nov 2016.
- ❑ According to the Office for National Statistics, U.K. gross domestic product stood stable at 0.6% in the fourth quarter, the same pace of growth as seen in the previous two quarters. The growth was largely driven by services, with a strong contribution from consumer-focused industries such as retail sales and travel agency services.
- ❑ As per data from the Ministry of Internal Affairs and Communications, Japan's consumer prices increased 0.3% YoY in Dec 2016 compared with 0.5% gain registered in the previous month, while core CPI fell 0.2% YoY for the third straight month. On MoM basis, CPI fell 0.2% and core CPI data stood unchanged in Dec.
- ❑ The Ministry of Economy, Trade and Industry showed Japan's all industry activity index increased 0.3% MoM (a seasonally adjusted) in Nov 2016, which is slower than forecast but better than Oct 2016 when it remained unchanged.

Global Equity Markets

Global Indices			
Indices	27-Jan -17	1-Week Return	YTD Return
Dow Jones	20093.78	1.34%	1.07%
Nasdaq 100	5168.06	2.07%	5.23%
FTSE 100	7184.49	-0.19%	0.58%
DAX Index	11814.27	1.58%	1.86%
Nikkei Average	19467.4	1.72%	-0.65%
Straits Times	3064.85	1.79%	5.72%

Source: Reuters

Europe

- European markets gained initially as sentiment got support following strong economic reports from Germany and the U.K. Improved quarterly earnings of some corporates also acted as catalyst. However, bourses gave up some of its gains following a slight fall in the flash composite PMI of eurozone business activity in Jan.

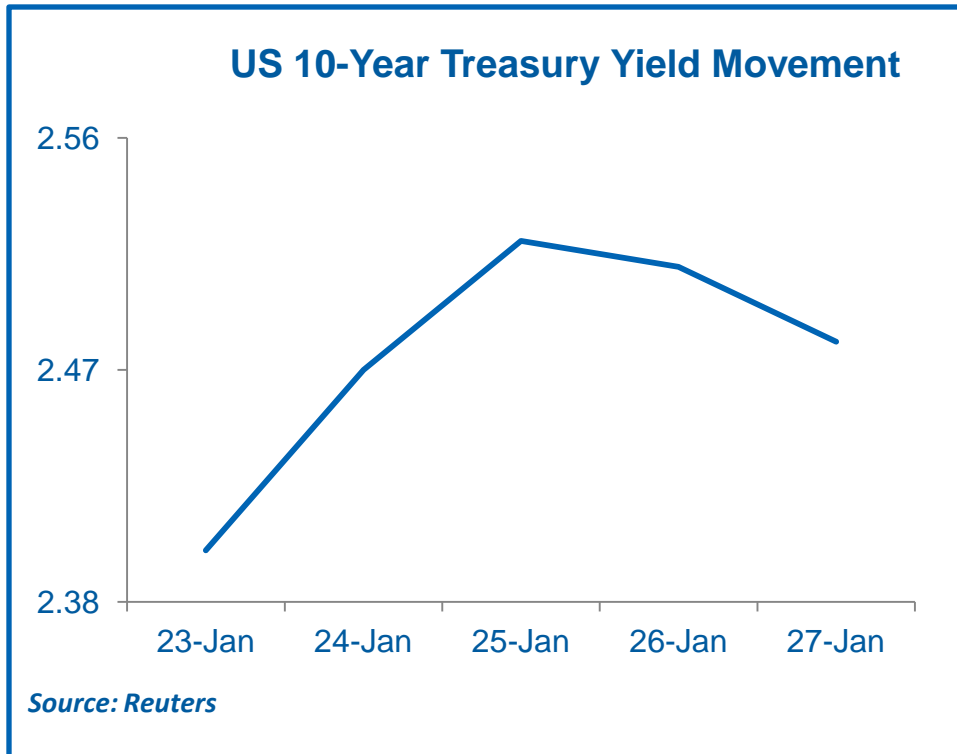
Asia

- Asian markets gained during the week despite initial jitters following newly elected U.S. President's inauguration speech. Chinese market gained after data showed that profits earned by Chinese industrial firms grew the most in three years in 2016. Chinese central bank's decision to ease tight liquidity ahead of the Lunar New Year holidays also helped sentiment. Better than expected Japanese economic data also buoyed investors.

U.S.

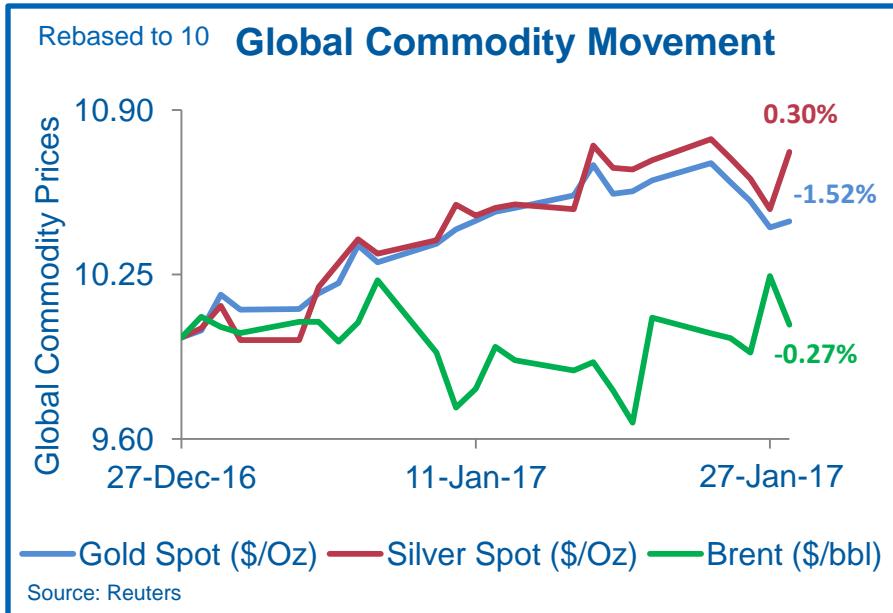
- The U.S. markets posted gains after investors shrugged off initial worries over the protectionist policies the U.S. President mentioned in his inauguration speech.
- Sentiment also got support after the energy sector was boosted by the newly elected U.S. President's signing of executive orders to revive a controversial project.

Global Debt (U.S.)



- The 10-year U.S. Treasury yield rose 1 bps to close at 2.48%, compared with the previous week's close of 2.47%.
- U.S. Treasury prices rose initially amid uncertainty and lack of clarity regarding economic policies to be adopted by the new U.S. President.
- However, the trend reversed after the U.S. President signed key projects, which made investors optimistic regarding the growth prospects of the U.S. economy. But losses were restricted after the growth of the U.S. economy slowed more than expected in the fourth quarter of 2016.

Commodities Market



Performance of various commodities

Commodities	Last Closing	1-Week Ago
Brent Crude(\$/Barrel)	54.84	54.99
Gold (\$/Oz)	1191.21	1209.56
Gold (Rs/10 gm)	28696	29024
Silver (\$/Oz)	17.12	17.07
Silver (Rs/Kg)	40543	40983

Source: Reuters

Value as on January 27, 2017

Gold

- Gold prices moved down over the week as the policy decisions of the newly-elected U.S. President on infrastructure spending and tax cuts dampened its safe haven appeal. Bullion prices witnessed additional pressure as improved corporate earnings outlook prompted investors to go for riskier assets like stocks.

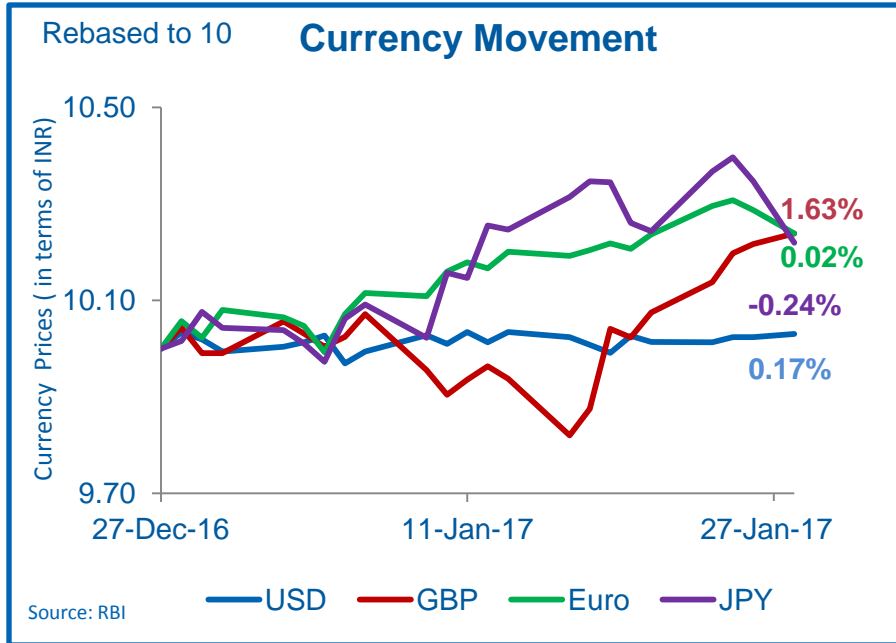
Crude

- Brent crude prices witnessed pressure amid concerns over rising U.S. oil inventories after the U.S. Energy Information Administration reported that crude supplies rose by 2.9 million barrels in the week to Jan 20 to 488.3 million barrels.

Baltic Dry Index

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

Currencies Markets



Movement of Rupee vs Other Currencies		
Currency	Last Closing	1-Wk Ago
US Dollar	68.20	68.09
Pound Sterling	85.49	84.12
EURO	72.75	72.73
JPY(per 100 Yen)	59.24	59.38

Source: RBI

Figures in INR , Value as on January 27, 2017

Rupee

- The rupee fell against the greenback following month-end dollar demand from oil importers.

Euro

- The euro gained against the greenback following weaker than expected growth of the U.S. economy in the fourth quarter of 2016.

Pound

- The pound rose against the greenback after the Supreme Court in U.K. ruled that the British government needs approval from its Parliament for leaving the European Union.

Yen

- ✓ The yen fell against the greenback on possibility of a faster pace of interest rate hike by the U.S. Fed. Bank of Japan's decision to increase buying in 5 to 10-year bonds also kept yen under pressure.

The Week that was...
January 23 to January 27

The Week that was (Jan 23 – Jan 27)

Date	Events	Present Value	Previous Value
Monday, January 23, 2017	Japan All Industry Activity Index (MoM) (NOV)	0.30%	0.20%
	Eurozone Consumer Confidence (JAN A)	-4.9	-5.1
Tuesday, January 24, 2017	Japan Nikkei Manufacturing PMI (JAN P)	52.8	52.4
	Eurozone Markit Composite PMI (JAN P)	54.3	54.4
	Germany Markit/BME Composite PMI (JAN P)	54.7	55.2
	U.S. Markit Manufacturing PMI (JAN P)	55.1	54.3
	U.S. Existing Home Sales (MoM) (DEC)	-2.80%	3.30%
Wednesday, January 25, 2017	German IFO - Business Climate (JAN)	109.8	111
	U.S. House Price Index (MoM) (NOV)	0.50%	0.40%
Thursday, January 26, 2017	U.K. Gross Domestic Product (YoY) (4Q A)	2.20%	2.20%
	U.S. Advance Goods Trade Balance (DEC)	(\$65.0B)	(\$65.3B)
	Japan National Consumer Price Index (YoY) (DEC)	0.30%	0.50%
	U.S. Markit Composite PMI (JAN P)	55.4	54.1
Friday, January 27, 2017	U.S. Gross Domestic Product (Annualized) (4Q A)	1.9%	3.5%
	U.S. Durable Goods Orders (DEC P)	-0.4%	-4.8%
	U.S. Personal Consumption (4Q A)	2.2%	1.5%

The Week Ahead...
January 30 to February 03

The Week Ahead

Day	Event
Monday, January 30, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Germany Consumer Price Index (YoY) (JAN P). <input type="checkbox"/> U.S. Pending Home Sales (YoY) (DEC).
Tuesday, January 31, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Eurozone Gross Domestic Product s.a. (YoY) (4Q A). <input type="checkbox"/> Bank of Japan Monetary Policy Meeting. <input type="checkbox"/> U.S. Consumer Confidence (JAN).
Wednesday, February 01, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> China Manufacturing PMI (JAN). <input type="checkbox"/> U.S. ISM Manufacturing (JAN). <input type="checkbox"/> U.S. Federal Open Market Committee Rate Decision.
Thursday, February 02, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> Bank of England Rate Decision. <input type="checkbox"/> U.S. Initial Jobless Claims (JAN 28).
Friday, February 03, 2017	<ul style="list-style-type: none"> <input type="checkbox"/> U.S. Change in Non-farm Payrolls (JAN). <input type="checkbox"/> U.S. Unemployment Rate (JAN). <input type="checkbox"/> U.S. ISM Non-Manufacturing Composite (JAN).

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