

LIQUIDITY, VALUATIONS AND EVENTS

Apr - Jun
2017

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	30 th Jun 2016	31 st Mar 2017	30 th Jun 2017	3-Month Returns (%)	1-Year Returns (%)
Seoul Composite	South Korea	1,970	2,160	2,392	11%	21%
Hang Seng	Hong Kong	20,794	24,112	25,765	7%	24%
Nikkei 225	Japan	15,576	18,909	20,033	6%	29%
Jakarta Composite	Indonesia	5,017	5,568	5,830	5%	16%
S&P BSE SENSEX	India	27,000	29,621	30,922	4%	15%
Nasdaq	US	4,843	5,912	6,140	4%	27%
NIFTY 50	India	8,288	9,174	9,521	4%	15%
Dow Jones	US	17,930	20,663	21,350	3%	19%
NYSE	US	10,490	11,493	11,762	2%	12%
KLSE Composite	Malaysia	1,654	1,740	1,764	1%	7%
DAX	Germany	9,680	12,313	12,325	0%	27%
CAC 40	France	4,237	5,123	5,121	0%	21%
FTSE 100	UK	6,504	7,323	7,313	0%	12%
Shanghai Composite	China	2,930	3,223	3,192	-1%	9%
Bovespa	Brazil	51,527	64,984	62,900	-3%	22%
RTS Index	Russia	931	1,114	1,001	-10%	8%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	30 th Jun 2016	31 st Mar 2017	30 th Jun 2017	3-Month Returns (%)	1-Year Returns (%)
S&P BSE Realty Index	1,533	1,600	2,043	28%	33%
S&P BSE FMCG	8,453	9,270	10,428	12%	23%
S&P BSE BANKEX	20,531	24,421	26,278	8%	28%
S&P BSE AUTO Index	19,745	22,013	23,408	6%	19%
S&P BSE Consumer Durables	11,973	15,257	16,013	5%	34%
S&P BSE SENSEX	27,000	29,621	30,922	4%	15%
S&P BSE Capital Goods	14,875	16,446	17,076	4%	15%
NIFTY 50	8,288	9,174	9,521	4%	15%
S&P BSE Power Index	1,996	2,274	2,226	-2%	11%
S&P BSE OIL & GAS Index	9,721	13,564	13,203	-3%	36%
S&P BSE METAL Index	8,520	11,804	11,374	-4%	34%
S&P BSE TECK Index	6,069	5,771	5,524	-4%	-9%
S&P BSE PSU	6,717	8,597	8,113	-6%	21%

FOREIGN INSTITUTIONAL INVESTOR (FII) FLOWS

FII Flows in Equity

(in Rs. Million)	Apr – 17	May – 17	Jun – 17	TOTAL
Gross Purchase	8,70,033	11,79,556	12,66,530	33,16,119
Gross Sale	8,46,088	11,02,442	12,30,362	31,78,891
Net Investment	23,945	77,114	36,168	1,37,227

FII Flows in Debt

(in Rs. Million)	Apr – 17	May – 17	Jun – 17	TOTAL
Gross Purchase	3,46,272	3,02,217	4,28,313	10,76,802
Gross Sale	1,42,635	1,10,669	1,71,462	4,24,766
Net Investment	2,03,638	1,91,548	2,56,851	6,52,036

**Total Net FII Flows in
Apr – Jun 2017**

**Rs. 7,89,263
Million**

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Apr – 17	May – 17	Jun – 17	TOTAL
Gross Purchase	19,25,365	13,23,477	6,32,304	38,81,147
Gross Sale	17,24,845	12,15,431	5,67,029	35,07,304
Net Investment	2,00,521	1,08,046	65,276	3,73,843

Source: SEBI

MF ACTIVITY

Equity

(in Rs. Million)	Apr – 17	May – 17	Jun – 17	TOTAL
Gross Purchase	4,28,135	4,94,585	4,28,228	13,50,948
Gross Sale	3,15,693	3,94,807	3,37,167	10,47,667
Net Investment	1,12,443	99,777	91,061	3,03,281

Debt

(in Rs. Million)	Apr – 17	May – 17	Jun – 17	TOTAL
Gross Purchase	13,43,371	15,45,480	14,75,450	43,64,301
Gross Sale	7,84,042	14,43,924	13,49,271	35,77,237
Net Investment	5,59,329	1,01,556	1,26,179	7,87,064

Source: SEBI

**Total Net MF Activity
in Apr – Jun'17**

**Rs 10,90,345
Million**

DOMESTIC EVENTS



MAJOR REFORMS

- The government is pushing reforms – the most important one being introduction of GST

Introduction of GST

Union Cabinet approved the Financial Resolution and Deposit Insurance Bill, 2017

Cabinet allowed state governments to directly tap bilateral agencies to boost infrastructure

'Government procurement preference to Make In India order, 2017'- cleared by Cabinet

RBI ordered banks to tip 12 companies into bankruptcy proceedings

The government pushing to change the financial year from January to December

Petrol and diesel prices revised on a daily basis in line with international rates

Anyone looking to open a bank account will have to furnish his Aadhaar number along with the PAN

Infrastructure boost

GROWTH

- India GDP expanded at an annualised 6.1% in the Jan – March 2017 quarter – down from 7% in the previous quarter.
- RBI expects the growth to accelerate to 7.3% in 2017-18
- Purchasing Managers' Index:
 - Services PMI increased and reached 8-month high in June while the Manufacturing PMI showed a downward trend

PMI (SERVICES)		PMI (MANUFACTURING)	
Apr-17	50.2	Apr-17	52.5
May-17	52.2	May-17	51.6
Jun-17	53.1	Jun-17	50.9

- Index of Industrial Production (IIP)

	Apr - 17	May - 17	Jun - 17
IIP (%)	2.79	1.7	Not released

FISCAL DEFICIT

- The government met its fiscal deficit target of 3.5% of GDP in the financial year 2016-17.
- Fiscal deficit target for FY18 is 3.2%
- India's fiscal deficit in May reached 68.3% of the government's target for the financial year 2017-18.
 - It stood at Rs. 37.3 lakh crore, as per data from the Controller General of Accounts.
- Farm Loan Waivers
 - The slew of farm loan waivers announced recently by some states are likely to affect the fiscal deficit of those states
 - The Finance Minister has commented that the Centre is not looking to announce farm loan waivers and is committed to meet the fiscal deficit target

LOW INFLATION & NEUTRAL STANCE OF RBI

- Both WPI and CPI have surprised by falling to all-time low numbers.

	Apr-17	May-17	Jun-17
Wholesale Price Index	3.85	2.17	0.9
Consumer Price Index	2.99	2.18	1.54

- In the June Monetary Policy Review RBI decided to keep interest rates on hold.

IMPROVING INVESTMENT SENTIMENT

- India continues to be among the top ten countries in terms of foreign direct investment (FDI) inflows globally and the fourth in developing Asia, as per the World Investment Report 2016 by the United Nations Conference for Trade and Development (UNCTAD).
- The 2017 Global Retail Development Index (GRDI), now in its 16th edition, ranks the top 30 developing countries for retail investment worldwide and analyses 25 macroeconomic and retail-specific variables.
 - In this report, India has surpassed China to secure the top position among 30 developing countries on ease of doing business, according to a study that cited India's rapidly expanding economy, relaxation of FDI rules and a consumption boom as the key drivers.

IMPROVING INVESTMENT SENTIMENT

- Indian exchanges saw 57 IPOs raising \$ 2.3 billion in the first half of 2017.
- Private equity and venture capital (PE/VC) investments recorded the highest monthly investments in the past 10 years at \$3.1 billion in May 2017.
- Six Indian cities — including Hyderabad, Bengaluru, Pune, Mumbai, Delhi and Chennai — have found place in the top 10 emerging property investment destinations list for the Asia-Pacific, according to property consultant Cushman & Wakefield.

GLOBAL EVENTS

GLOBAL GROWTH

- The International Monetary Fund expects world growth rate to rise to 3.5% in 2017 as well as 2018
- The Fund commented that global activity has picked up boosted by an upturn in manufacturing, investment and stronger trade growth
 - Hence, the next round of forecasts due in July'17 could be higher

USA

- Federal Reserve Commentary:
 - In June the US Fed increased the interest rate by 25 basis points
 - The Fed agreed to raise the benchmark lending rate for the third time in six months to 1.25% from 1%, maintained their outlook for one more rate hike in 2017
- Employment
 - Jobs added: 207,000 in April; 152,000 in May and 222,000 in June
 - The unemployment rate was 4.4% in June
- Growth
 - US GDP grew at 1.4% in the first quarter of 2017

CHINA

- The Chinese economy grew at an annual rate of 6.9% in the second quarter of 2017
 - Last year's GDP growth was 6.7%. If the trend of the 6.9% growth of last two quarters continues, 2017 would be the first year China's growth rate exceeded the preceding year since 2010
- Debt Crisis
 - China has a very high debt-to-GDP ratio of almost 300%
 - Moody's Investors Service downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative.
 - Moody's expects that economy-wide leverage will increase further over the coming years.

EUROPE

- Growth
 - There have been better results from Europe, everywhere except Britain.
 - The Eurozone PMI in June rose to its highest level in six years, with particularly strong results from the major economies of Germany, France and Italy. A German survey of business confidence shows it is at a record high.
 - IHS Markit's Manufacturing Purchasing Managers' Index for the euro zone rose to 57.4 in June, up from May's 57.0 and 56.7 in April

EUROPE: ELECTIONS

- U.K. General Election
 - No party won majority in parliament as Theresa May's Conservatives lost seats in England and Wales to Labour and the Liberal Democrats, despite seeing their vote share rise.
 - Reports indicated a fall in the consumer confidence in the wake of UK's hung parliament
- French Presidential Election
 - President Emmanuel Macron won a strong majority in France's parliamentary election, sweeping aside traditional parties and securing a powerful mandate for pro-business reforms.

EVENTS TO WATCH OUT FOR

- DOMESTIC
 - Monsoons
 - Quarterly earnings
 - RBI Monetary Policy
 - Reforms undertaken in the Monsoon Session of Parliament
 - GST Implementation
- GLOBAL
 - Commentary from Central Banks like US Federal Reserve, ECB, Bank of Japan, People's Bank of China
 - China GDP data
 - Shrinking of Balance sheet by Fed
 - Geopolitical tensions around Syria and North Korea
 - Investigations around the US President Donald Trump
 - Catalan Independence Referendum

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q2CY17	Start to End Value In Q2	Outlook for Q3CY17	Remarks
Debt	10-Year Gilt: Down 45 bps 3-M T Bill: Up 11 bps 6-M T Bill: Up 4 bps 3-M CP: Down 6 bps 6-M CP: Down 11 bps 1-Yr CP: Down 6 bps 10-Yr AAA Corp: Down 8 bps Call Rate: Down 8 bps	6.96 – 6.51 6.18 – 6.29 6.27 – 6.31 6.75 – 6.69 7.03 – 6.92 7.25 – 7.19 7.68 – 7.6 5.88 – 5.81	Trajectory of yields headed down with one more rate cut expected from RBI in Aug. Inflation also expected to undershoot RBI target	Counterpoint: Food and energy prices inflation headed up may interrupt the slide in inflation and cause rate to harden
Equity	Sensex: Up 4% Nifty : Up 4%	29,621 – 30,922 9,174 – 9,521	Upward bias	Only a Global event and /or huge FII selling can trigger a correction.

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