

LIQUIDITY, VALUATIONS AND EVENTS

Jul - Sep
2016

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	31 st June 2015	31 st Mar 2016	30th June 2016	3-Month Returns (%)	1-Year Returns (%)
NIFTY 50	India	8,369	7,738	8,288	7%	-1%
S&P BSE SENSEX	India	27,781	25,342	27,000	7%	-3%
RTS Index	Russia	940	876	931	6%	-1%
FTSE 100	UK	6,521	6,175	6,504	5%	0%
Jakarta Composite	Indonesia	4,911	4,845	5,017	4%	2%
Bovespa	Brazil	53,081	50,055	51,527	3%	-3%
NYSE	US	10,805	10,207	10,490	3%	-3%
Dow Jones	US	17,620	17,685	17,930	1%	2%
Hang Seng	Hong Kong	26,250	20,777	20,794	0%	-21%
Nasdaq	US	4,987	4,870	4,843	-1%	-3%
Seoul Composite	South Korea	2,074	1,996	1,970	-1%	-5%
Shanghai Composite	China	4,277	3,004	2,930	-2%	-32%
DAX	Germany	10,945	9,966	9,680	-3%	-12%
CAC 40	France	4,790	4,385	4,237	-3%	-12%
KLSE Composite	Malaysia	1,707	1,718	1,654	-4%	-3%
Nikkei 225	Japan	20,236	16,759	15,576	-7%	-23%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	31 st June 2015	31 st Mar 2016	30th June 2016	3-Month Returns (%)	1-Year Returns (%)
S&P BSE Realty Index	1,413	1,228	1,533	25%	8%
S&P BSE Capital Goods	17,518	12,861	14,875	16%	-15%
S&P BSE METAL Index	9,335	7,541	8,520	13%	-9%
S&P BSE Power Index	2,022	1,776	1,996	12%	-1%
S&P BSE BANKEX	20,982	18,392	20,531	12%	-2%
S&P BSE PSU	7,638	6,107	6,717	10%	-12%
S&P BSE FMCG	7,789	7,692	8,453	10%	9%
S&P BSE AUTO Index	18,712	18,002	19,745	10%	6%
S&P BSE SENSEX	27,781	25,342	27,000	7%	-3%
S&P BSE OIL & GAS Index	9,859	9,162	9,721	6%	-1%
S&P BSE Consumer Durables	10,746	11,481	11,973	4%	11%
S&P BSE Health Care	16,564	15,149	15,493	2%	-6%
S&P BSE TECK Index	5,925	6,105	6,069	-1%	2%

FOREIGN INSTITUTIONAL INVESTOR (FII)

• FII Flows in Equity FLOWS

(in Rs. Million)	Apr - 16	May - 16	Jun - 16	TOTAL
Gross Purchase	8,92,779	8,76,707	10,08,662	27,78,148
Gross Sale	8,08,621	8,51,278	9,71,533	26,31,433
Net Investment	84,157	25,429	37,129	1,46,715

• FII Flows in Debt

(in Rs. Million)	Apr - 16	May - 16	Jun - 16	TOTAL
Gross Purchase	2,93,314	1,94,556	1,68,451	6,56,322
Gross Sale	2,29,130	2,38,644	2,30,654	6,98,427
Net Investment	64,184	-44,088	-62,202	-42,106

Source: SEBI

**Total Net FII Flows in
Apr-Jun**

Rs 1,04,609 million

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Apr - 16	May - 16	Jun - 16	TOTAL
Gross Purchase	10,57,859	7,67,284	3,59,280	21,84,422
Gross Sale	10,31,449	7,17,592	3,81,015	21,30,056
Net Investment	26,409	49,692	-21,736	54,366

Source: SEBI

MF ACTIVITY

•Equity

(in Rs. Million)	Apr - 16	May - 16	Jun - 16	TOTAL
Gross Purchase	1,64,456	2,59,283	2,10,063	6,33,802
Gross Sale	1,70,213	1,87,799	2,10,926	5,68,938
Net Investment	-5,755	71,487	-859	64,873

•Debt

(in Rs. Million)	Apr - 16	May - 16	Jun - 16	TOTAL
Gross Purchase	13,13,110	13,16,811	14,80,938	41,10,859
Gross Sale	9,57,881	13,39,981	10,40,597	33,38,459
Net Investment	3,55,229	-23,170	4,40,347	7,72,406

Source: SEBI

**Total Net MF Activity in
Apr - Jun**

Rs. 8,37,279 Million



DOMESTIC EVENTS

GROWTH

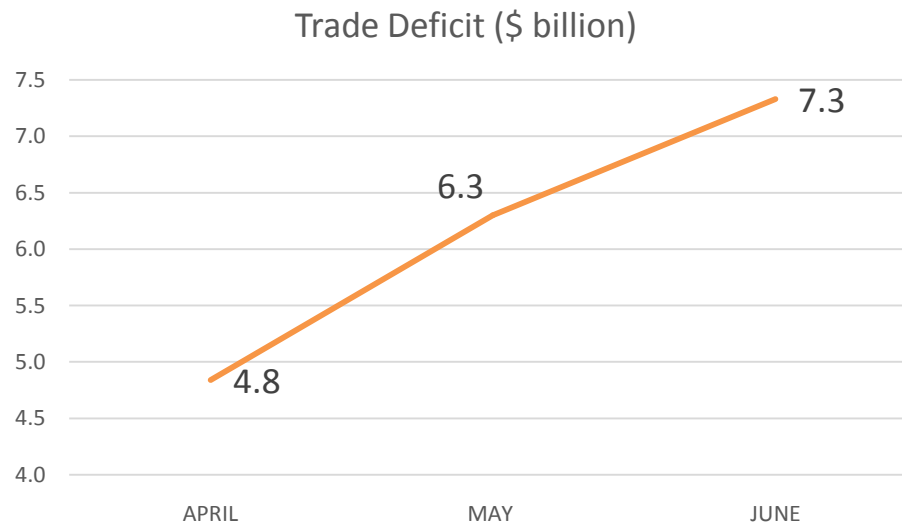
- India GDP expanded at 7.9% in the first quarter of 2016
- India's economic growth for the financial year 2016 has been estimated 7.6% Purchasing Managers' Index:
 - There has been an improvement in the Manufacturing PMI
 - Services PMI has been on a downward trend

PMI (SERVICES)		PMI (MANUFACTURING)	
April	53.7	April	50.5
May	51	May	50.7
June	50.3	June	51.7

- Index of Industrial Production (IIP)
 - IIP increased 1.2% year-on-year in May 2016, recovering from -1.3% in April 2016.

CURRENT ACCOUNT DEFICIT

- India's current account deficit (CAD) declined sharply to \$0.3 billion or 0.1% of GDP in the fourth quarter ended March for financial year 2015-16, against \$7.1 billion (1.3% of GDP), in the third quarter ended December 2015, on account of a lower trade gap.



PROGRESS ON REFORMS

- Reforms that got Cabinet nod
 - ‘Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill’ that will allow malls, shops, restaurants, banks and cinemas to operate 24 hours a day, effectively boosting employment generation in the country.
 - RS. 10,000-crore ‘Fund of Funds for Start-ups (FFS)’ with an aim to generate 18 lakh jobs.
 - Pay and pension raises that will put an additional Rs. 1.02 trillion in the hands of 10 million central government employees and pensioners in the current fiscal, delivering a potential boost to the consumer economy. The cabinet accepted the recommendations of the Seventh Pay Commission for pay and pension increases ranging from 14% to 23.5% for 4.7 million employees and 5.3 million pensioners.
 - National Capital Goods Policy that seeks to reduce reliance on imported equipment by incentivising domestic production and in the process creating crores of jobs.
- Bills Passed In Lok Sabha
 - The Lok sabha, on 5 May, passed the Bankruptcy Bill, which promises to enable banks faster winding up of troubled companies and recover money before the value of the underlying assets get eroded fully.
 - The Lok Sabha on 5 May cleared the Finance Bill, signing off on the government's tax proposals for the year aimed at reducing litigation, checking tax evasion and simplifying tax laws

PROGRESS ON REFORMS

- **Mauritius Tax Treaty**
 - The government has gained the right to tax capital gains arising in Mauritius from sale of shares acquired on or after April 1, 2017, in Indian companies. India and Mauritius on 10 May signed a protocol for amendment of a three-decade-old double taxation avoidance agreement. The new tax treaty may encourage offshore fund managers to relocate to India, in the process making the country a fund management hub.
- **Black Money**
 - The SEBI Board approved a proposal to increase disclosure requirements for issuance of Participatory Notes, which may help curb the flow of black money into the Indian equity market.
- **Infrastructure – AMRUT Scheme**
 - The Centre has approved an investment of over Rs 5,530 crore for providing basic infrastructure in over 110 cities across six states under AMRUT scheme for the current financial year. The states are Madhya Pradesh, Gujarat, Rajasthan, Odisha, Jharkhand and Meghalaya.

RBI POLICY

- Reserve Bank of India Governor Raghuram Rajan kicked off the new financial year cutting the repo rate by 25 basis points. However, it kept the rates unchanged in the June Monetary Policy review.
- It was decided that Dr. Raghuram Rajan's tenure would end in September this year.

INFLATION INCHING UP

- Both WPI and CPI have been on an upward trajectory

	April-16	May-16	June-16
Wholesale Price Index	0.34	0.79	1.62
Consumer Price Index	5.39	5.76	5.77

ROBUST MF INFLOWS

- Mutual funds folios in India rose by a record 14% in the year ended 31 March, indicating growing interest of retail investors in equity-oriented funds.
- Mutual funds in India added more than 5.9 million folios to reach a total of 47.7 million in FY16, according to CRISIL Research (citing data disclosed by AMFI)

STATE ELECTIONS

- West Bengal:
 - It was a clean sweep for Mamata Banerjee-led Trinamool Congress (TMC) in West Bengal.
- Kerala:
 - Along predicted lines, the Left emerged as a powerful force in Kerala, with the LDF witnessing a thumping victory over Congress-led UDF.
- Assam:
 - BJP-led alliance had a strong victory in Assam, which is a significant move for BJP in the state where Congress was in power for three consecutive terms.
- Tamil Nadu:
 - Jayalalithaa-led AIADMK turned out to be the winner in Tamil Nadu.
- Puducherry:
 - The only election result positive for Congress was that of Puducherry where it won in alliance with DMK.

GLOBAL EVENTS

BREXIT

- In a shocker to the markets British citizens voted in favour of Britain exiting the European Union.
 - Global stock markets lost about \$2 trillion in value on 24 June after Britain voted to leave the European Union, while sterling suffered a record one-day plunge to a 31-year low and money poured into safe asset classes like gold and government bonds.
 - Many experts said that India is least vulnerable to the UK shock vote.
 - The Indian markets recovered after the sharp fall on the day of the Brexit announcement.

CHINA

- GDP
 - China's economy grew 6.7% in the Jan-March quarter from a year earlier, meeting expectations and at its slowest pace in 7 years.
- Purchasing Managers' Index
 - Manufacturing PMI was on a declining trend
 - Services PMI showed improvement in the last quarter

	Apr-16	May-16	Jun-16
Manufacturing	50.1	50.1	50
Services	53.5	53.1	53.7

US

- Federal Reserve Commentary:
 - The US Federal Reserve kept interest rates unchanged on 27th April
- GDP
 - 1.2% GDP growth in the first quarter of 2016
- Employment
 - Jobs added: 123,000 in April; 38,000 in May and 287,000 in June
 - May saw low number of jobs added but the number looked much better in June

EVENTS TO WATCH OUT FOR

- DOMESTIC
 - Election of new RBI Governor
 - Passage of Bills in the Monsoon Session of the Parliament
 - Quarterly Earnings
 - State Elections: Haryana, Punjab
 - Passage of monsoon
- GLOBAL
 - US Fed Policy
 - China growth & mounting debt
 - Trend of foreign inflows into emerging markets

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q2CY16	Start to End Value In Q2	Outlook for Q3CY16	Remarks
Debt	10-Year Gilt: Down 1.5 bps 3-M T Bill: Down 48 bps 3-M CP: Down 81 bps 6-M CP: Down 42 bps 1-Yr CP: Down 23 bps Call Rate: Down 51 bps	7.465 - 7.45 7.13 - 6.65 8.6 – 7.79 8.5 – 8.08 8.5 – 8.27 6.94 – 6.43	Rates to remain elevated as RBI is unlikely to cut rates and there is a possibility of inflationary pressure getting built as a result of 7 th Pay Commission award.	This view will be negated if RBI cuts rates anytime before September
Equity	Sensex: Up 7% Nifty : Up 7%	25,342 – 27,000 7,738 – 8,288	Strong FII flows, reasonably good pick up in domestic focused companies and abundant monsoon to keep market buoyant	Reversal of flows or a derailment of any significant economy and negative developments in China may halt global rally in equities

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