

LIQUIDITY, VALUATIONS AND EVENTS

Jan - Mar
2017

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	31 st Mar 2016	31 st Dec 2016	31 st Mar 2017	3-Month Returns (%)	1-Year Returns (%)
NIFTY 50	India	7,738	8,104	9,174	13%	19%
S&P BSE SENSEX	India	25,342	26,366	29,621	12%	17%
Hang Seng	Hong Kong	20,777	21,791	24,112	11%	16%
Nasdaq	US	4,870	5,432	5,912	9%	21%
Bovespa	Brazil	50,055	60,227	64,984	8%	30%
DAX	Germany	9,966	11,451	12,313	8%	24%
Seoul Composite	South Korea	1,996	2,026	2,160	7%	8%
KLSE Composite	Malaysia	1,718	1,638	1,740	6%	1%
CAC 40	France	4,385	4,838	5,123	6%	17%
Jakarta Composite	Indonesia	4,845	5,303	5,568	5%	15%
Dow Jones	US	17,685	19,820	20,663	4%	17%
Shanghai Composite	China	3,004	3,096	3,223	4%	7%
NYSE	US	10,207	11,074	11,493	4%	13%
FTSE 100	UK	6,175	7,120	7,323	3%	19%
Nikkei 225	Japan	16,759	19,145	18,909	-1%	13%
RTS Index	Russia	876	1,144	1,114	-3%	27%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	31 st Mar 2016	31 st Dec 2016	31 st Mar 2017	3-Month Returns (%)	1-Year Returns (%)
S&P BSE Consumer Durables	11,481	11,146	15,257	37%	33%
S&P BSE Realty Index	1,228	1,250	1,600	28%	30%
S&P BSE Capital Goods	12,861	13,525	16,446	22%	28%
S&P BSE BANKEX	18,392	20,565	24,421	19%	33%
S&P BSE METAL Index	7,541	10,079	11,804	17%	57%
S&P BSE Power Index	1,776	1,962	2,274	16%	28%
S&P BSE FMCG	7,692	7,998	9,270	16%	21%
NIFTY 50	7,738	8,104	9,174	13%	19%
S&P BSE OIL & GAS Index	9,162	12,031	13,564	13%	48%
S&P BSE PSU	6,107	7,628	8,597	13%	41%
S&P BSE SENSEX	25,342	26,366	29,621	12%	17%
S&P BSE AUTO Index	18,002	20,179	22,013	9%	22%
S&P BSE TECK Index	6,105	5,440	5,771	6%	-5%

FOREIGN INSTITUTIONAL INVESTOR (FII) FLOWS

FII Flows in Equity

(in Rs. Million)	Jan – 17	Feb – 17	Mar – 17	TOTAL
Gross Purchase	7,92,584	10,58,443	16,48,425	34,99,452
Gross Sale	8,04,350	9,59,421	13,35,161	30,98,931
Net Investment	-11,766	99,022	3,13,265	4,00,520

FII Flows in Debt

(in Rs. Million)	Jan – 17	Feb – 17	Mar – 17	TOTAL
Gross Purchase	1,81,410	2,15,398	4,41,558	8,38,366
Gross Sale	2,04,602	1,55,796	1,85,384	5,45,781
Net Investment	-23,192	59,603	2,56,175	2,92,585

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Jan – 17	Feb – 17	Mar – 17	TOTAL
Gross Purchase	18,01,538	12,66,516	6,55,354	37,23,409
Gross Sale	17,88,652	13,01,120	6,99,310	37,89,082
Net Investment	12,886	-34,604	-43,956	-65,673

Source: SEBI

MF ACTIVITY

Equity

(in Rs. Million)	Jan – 17	Feb – 17	Mar – 17	TOTAL
Gross Purchase	3,58,423	3,74,733	4,34,839	11,67,995
Gross Sale	3,03,562	3,54,336	4,11,163	10,69,061
Net Investment	54,861	20,397	23,676	98,934

Debt

(in Rs. Million)	Jan – 17	Feb – 17	Mar – 17	TOTAL
Gross Purchase	10,67,600	11,90,545	16,09,099	38,67,244
Gross Sale	7,19,721	8,02,249	12,08,247	27,30,217
Net Investment	3,47,879	3,88,296	4,00,852	11,37,027

Source: SEBI

**Total Net FII Flows in
Jan – Mar'17**

**Rs 12,35,961
Million**

DOMESTIC EVENTS

UNION BUDGET – MAJOR HIGHLIGHTS

- A well balanced Budget which was a positive event for the markets

Personal Income Tax for income range of Rs 2.5 to 5 lakh reduced from 10% to 5%

10% Surcharge for annual income range of Rs 50 lakh to 1 crore

Income tax for companies with turnover less than Rs 50 crore reduced to 25%

Fiscal Deficit target for FY18 is 3.2% of GDP

Major Infrastructure spending boost: Rs 3.97 lakh crore allocated

Reduction in holding period for long term capital gains from transfer of property reduced from 3 to 2 years.

Transparency in electoral funding: Rs 2,000 maximum cash donation

Push for digital economy

Target to double farmer income in 5 years

GROWTH

- India GDP expanded at an annualised 7% in the Sep - Dec 2016 quarter as per Central Statistics Office (CSO). This was a positive surprise as many expected a lower number due to demonetisation
- Purchasing Managers' Index:
 - There was a rising trend seen in both Manufacturing and Services PMI

PMI (SERVICES)		PMI (MANUFACTURING)	
Jan-17	48.7	Jan-17	50.4
Feb-17	50.3	Feb-17	50.7
Mar-17	51.5	Mar-17	52.5

- Index of Industrial Production (IIP) dropped sharply in Feb'17

	Jan - 17	Feb - 17	Mar - 17
IIP (%)	2.7	-1.2	Not released

FISCAL DEFICIT

- India's fiscal deficit in the first 11 months to February was 6.06 trillion rupees (USD 93.40 billion), or 113.4% of the budgeted target for the fiscal year ending in March 2017
 - The government's tax receipts usually surge March, helping it meet the budgeted full-year fiscal deficit target.
 - The government is confident of meeting the fiscal deficit target of 3.5% of GDP in FY17
- FY17 saw Rs 40,997 crore in disinvestment proceeds, which was the highest ever - 90% of the revised targeted amount of Rs 45,500 crore.
- Fiscal deficit target for FY18 is 3.2%

BJP ASSERTS POLITICAL STABILITY

- The highlight of the State Election season was BJP's emphatic win of 325 out of 403 seats in the important state of Uttar Pradesh

State	Party forming the Government	Seats Won	Total Seats
Uttar Pradesh	BJP	325	403
Uttarakhand	BJP	57	70
Punjab	Congress	77	117
Goa	BJP	17	40
Manipur	BJP	28	60

- In Goa BJP leaders garnered support of three MLAs each from the Maharashtrawadi Gomantak Party (MGP) and Goa Forward (GF) as well as two Independent legislators. In the State Assembly BJP representative Manohar Parrikar won the trust vote and became the CM.

INFLATION & NEUTRAL STANCE OF RBI

- Both WPI and CPI have been on an upward trajectory. Only wholesale price index eased in March from February levels.

	Jan-17	Feb-17	Mar-17
Wholesale Price Index	5.25	6.55	5.7
Consumer Price Index	3.17	3.65	3.81

- In the February Monetary Policy Review RBI decided to keep interest rates on hold owing to increased inflation expectations. RBI's target for inflation is 4%

FALLING INTEREST RATES

- As a result of Demonetisation the Indian economy has seen excessive liquidity in the system, which in turn led to decline in interest rates
- Average Bank Fixed deposit rates are down to 6-6.5%

STRONGER RUPEE

- The Indian Rupee has appreciated by almost 5% against the US Dollar in the first quarter of 2017 ending the quarter at Rs. 64.85/\$
- Factors contributing to the rise of Rupee:
 - Strong foreign fund inflows
 - Weaker dollar
 - Favourable domestic factors

DOMESTIC PARTICIPATION CONTINUES TO BE STRONG

- The amount raised via IPOs nearly doubled to Rs 29,018 crore in FY17 compared with Rs 14,811 crore in FY16.
 - 15 IPOs received over 10 times retail subscription.
- Net inflows in Mutual Funds for FY17 rose 155.66% from a year before to Rs 3.43 trillion – the highest in at least 11 years (Source: AMFI)
 - The net inflows in liquid, income and equity (including equity-linked savings schemes or ELSS) categories saw fresh investments of Rs 1.2 trillion, Rs 96,000 crore and Rs 70,000 crore respectively (Source: ICRA)

GLOBAL EVENTS



GLOBAL GROWTH

- The International Monetary Fund expects world growth rate to rise to 3.5% in 2017 and 3.6% in 2018
 - Global economic activity is expected to pick up
 - Emerging markets expected to grow by 4.5% in 2017 and 4.8% in 2018

USA

- Federal Reserve Commentary:
 - In March the US Fed increased the interest rate by 25 basis points
 - The US Fed continued to project two more increases this year, signaling more vigilance as inflation approaches its target
- Employment
 - Jobs added: 227,000 in January; 235,000 in February and 98,000 in March, 2017
 - The unemployment rate fell to 4.5% in March from 4.7% in February
- Growth
 - US GDP grew at 2.1% in the fourth quarter of 2016
 - IMF and Wells Fargo expect the US economy to grow at 2.3% in 2017

CHINA

- The Chinese economy expanded at a faster than expected annual rate of 6.9% in the first quarter of 2017
 - The government is aiming for growth of around 6.5% in 2017
 - Many analysts expect the second half of the year to clock in lower growth as the effects of the stimulus measures fade away
- Debt Crisis
 - China has an alarmingly high debt-to-GDP ratio of almost 300%
 - This is far higher than any emerging market or stabilised developed markets
 - According to some reports, the productivity of this debt is declining.

EUROPE

- Netherlands Election
 - Netherlands' ruling People's Party for Freedom and Democracy (VVD) , the party of Dutch Prime Minister Mark Rutte won the elections by securing 33 out of 150 seats in the lower house
 - The election was thought to be a litmus test for the rise of populist politics across Europe.
- Growth
 - PMI for Eurozone at 6-year high of 56.4 in March
 - Signs of economic revival

EVENTS TO WATCH OUT FOR

- DOMESTIC
 - Pace of reforms
 - Onset of monsoons
 - Quarterly Earnings of companies
 - RBI Monetary Policy & liquidity management
 - FII Inflows in India
- GLOBAL
 - Geopolitical tensions in Syria
 - Europe Election - France
 - Trend of foreign inflows into emerging markets
 - Crude Oil Price trajectory

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q1CY17	Start to End Value In Q1	Outlook for Q1CY17	Remarks
Debt	10-Year Gilt: Up 15 bps 3-M T Bill: Down 42 bps 6-M T Bill: Down 41 bps 3-M CP: Down 10 bps 6-M CP: Down 9 bps 1-Yr CP: Down 10 bps 10-Yr AAA Corp: Up 2 bps Call Rate: Down 9 bps	6.51 – 6.66 6.20 – 5.78 6.28 – 5.87 6.71 – 6.61 7.05 – 6.96 7.34 – 7.24 7.57 – 7.59 6.13 – 6.04	Yields on long term debt may be range bound with an upward bias. Yield on Shorter term debt may be sideways.	This outlook may change if there is a sharp decline in the inflation trajectory. The yield on short term paper may rise slightly if the credit offtake picks up.
Equity	Sensex: Up 12% Nifty : Up 13%	26,366 – 29,621 8,104 – 9,174	Upward bias with the tilt in favour of mid caps	The movement may be volatile driven by events such as Quarterly performances of corporates, progress of monsoon and FII flows

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