

LIQUIDITY, VALUATIONS AND EVENTS

Jul - Sept
2017

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	30 th Sept 2016	30 th Jun 2017	30 th Sept 2017	3-Month Returns (%)	1-Year Returns (%)
Bovespa	Brazil	58,367	62,900	74,294	18%	27%
RTS Index	Russia	991	1,001	1,137	14%	15%
Hang Seng	Hong Kong	23,297	25,765	27,519	7%	18%
Nasdaq	US	5,312	6,140	6,496	6%	22%
Dow Jones	US	18,308	21,350	22,381	5%	22%
Shanghai Composite	China	3,005	3,192	3,348	5%	11%
NYSE	US	10,722	11,762	12,179	4%	14%
NIFTY 50	India	8,611	9,521	9,789	3%	14%
DAX	Germany	10,511	12,325	12,742	3%	21%
CAC 40	France	4,448	5,121	5,298	3%	19%
Nikkei 225	Japan	16,450	20,033	20,312	1%	23%
S&P BSE SENSEX	India	27,866	30,922	31,284	1%	12%
FTSE 100	UK		7,313	7,368	1%	0%
Seoul Composite	South Korea	2,044	2,392	2,388	0%	17%
Jakarta Composite	Indonesia	5,365	5,830	5,894	0%	10%
KLSE Composite	Malaysia	1,653	1,764	1,759	0%	6%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	30 th Sept 2016	30 th Jun 2017	30 th Sept 2017	3-Month Returns (%)	1-Year Returns (%)
S&P BSE METAL Index	9,764	11,374	13,564	19%	39%
S&P BSE OIL & GAS Index	11,378	13,203	14,843	12%	30%
S&P BSE Consumer Durables	12,549	16,013	17,555	10%	40%
S&P BSE AUTO Index	22,232	23,408	24,180	3%	9%
S&P BSE BANKEX	22,046	26,278	27,025	3%	23%
NIFTY 50	8,611	9,521	9,789	3%	14%
S&P BSE PSU	7,462	8,113	8,322	3%	12%
S&P BSE TECK Index	5,631	5,524	5,608	2%	0%
S&P BSE SENSEX	27,866	30,922	31,284	1%	12%
S&P BSE Realty Index	1,512	2,043	2,065	1%	37%
S&P BSE Capital Goods	14,582	17,076	17,172	1%	18%
S&P BSE Power Index	1,990	2,226	2,206	-1%	11%
S&P BSE FMCG	8,461	10,428	9,773	-6%	16%

FOREIGN INSTITUTIONAL INVESTOR (FII) FLOWS

FII Flows in Equity

(in Rs. Million)	Jul- 17	Aug- 17	Sept - 17	TOTAL
Gross Purchase	10,58,409	9,86,214	10,83,684	31,28,307
Gross Sale	10,06,802	11,29,149	11,97,607	33,33,558
Net Investment	51,607	(1,42,935)	(1,13,923)	(2,05,251)

FII Flows in Debt

(in Rs. Million)	Jul- 17	Aug- 17	Sept - 17	TOTAL
Gross Purchase	3,80,390	2,98,056	1,94,796	8,73,242
Gross Sale	1,91,719	1,45,565	1,81,307	5,18,591
Net Investment	1,88,672	1,52,491	13,489	3,54,652

**Total Net FII Flows in
Jul – Sep 2017**

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

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Jul- 17	Aug - 17	Sept - 17	TOTAL
Gross Purchase	21,72,913	14,93,795	7,91,605	38,81,147
Gross Sale	17,52,742	11,21,488	5,81,350	34,55,579
Net Investment	4,20,171	3,72,308	2,10,255	10,02,734

Source: SEBI

MF ACTIVITY

Equity

(in Rs. Million)	Jul- 17	Aug - 17	Sept - 17	TOTAL
Gross Purchase	5,02,685	5,02,728	4,25,634	14,31,047
Gross Sale	3,84,687	3,23,317	3,07,459	10,15,463
Net Investment	1,17,999	1,79,411	1,18,175	4,15,585

Debt

(in Rs. Million)	Jul- 17	Aug - 17	Sept - 17	TOTAL
Gross Purchase	14,21,485	13,79,628	13,00,207	41,00,960
Gross Sale	10,17,610	10,14,600	9,96,637	30,28,847
Net Investment	1,17,999	1,79,411	1,18,175	10,72,113

Source: SEBI

**Total Net MF Activity
in Jul – Sept '17**

**Rs 14,87,698
Million**

DOMESTIC EVENTS

GST IMPLEMENTATION

- This was a much awaited and breakthrough reform implemented by the government on 1st July, 2017
- It is a value-added tax at each stage of the supply of goods and services based on the amount of value added at each stage.
- Businesses and traders with annual sales above Rs 20 lakh are liable to pay GST.
- In the first quarter of the implementation of GST, the GST Council has taken several decisions to address the concerns and difficulties faced by the exporter and trading community.
- Benefits:
 - Transparency on taxes levied
 - Improvement in ease of doing business
 - Reduced tax burden on many items
 - Better tax compliance

GROWTH

- The annualised GDP growth for June'17 quarter was only 5.7% - which came as a surprise. It was widely perceived as an outcome of demonetisation and GST rollout.
- Purchasing Managers' Index (PMI) has been on a rising trend in the last quarter

PMI (SERVICES)		PMI (MANUFACTURING)	
Jul-17	45.9	Jul-17	47.9
Aug -17	47.5	Aug -17	51.2
Sept-17	50.7	Sept-17	51.2

- Index of Industrial Production (IIP) has also been on a rising trend

	Jul – 17	Aug – 17	Sept – 17
IIP (%)	0.94	4.3	Not released

INFLATION & RBI POLICY

- WPI inflation increased in July and again fell in September
- CPI inflation also increased in July and August and fell marginally in September.

	Jul-17	Aug-17	Sept -17
Wholesale Price Index (WPI)	1.88	3.24	2.6
Consumer Price Index (CPI)	2.36	3.36	3.28

- In August, on expected lines, RBI reduced the repo rate by 25 basis points to 6% and indicated that the further course of action will depend on a combination of factors, including states implementing farm loan waivers.

MAJOR REFORMS

Pradhan Mantri Sahaj Bijli Har Ghar Yojana: Mission for electricity for over 4 crore families by Dec 2018

SEBI allowed Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) to raise capital by issuing debt securities.

E-Way Bill: Required to transport any item worth more than Rs. 50,000 within the country

SEBI started a portal for online registration of stock brokers and other market intermediaries

SEBI directed stock exchanges to initiate action against 331 listed entities suspected of being shell companies. Of them, 162 were actively traded; 169 had already been suspended.

SEBI is looking to cut by half the number of active mutual funds in India.

RISING RETAIL PARTICIPATION IN FINANCIAL MARKETS

- Mutual fund folios grew by over 66 lakh in the April – September 2017 period.
- Retail investor participation, especially from small towns has been increasing.
- In the past few months, on average, around 880,000 SIP accounts were added every month with an average size of about Rs 3,300 per account, according to Association of Mutual Funds in India (AMFI).

MONSOONS

- India received a total of 841.3 mm of rain in the June to September period.
- The number is within the normal monsoon range. However, the distribution was uneven. Out of 36 sub-divisions, 5 areas received excess rainfall, 25 received normal rains and the remaining 9 received deficient rains.

GLOBAL EVENTS

CHINA

- The third quarter GDP growth was 6.8%, slightly shy of 6.9% growth reported in the previous quarter (Source: National Bureau of Statistics, China)
- Debt Crisis
 - The debt-to-GDP ratio reached 257% in 2017, higher than United States' 152% and, and more than most emerging markets.
 - According to IMF, the ratio will reach 300% by 2020
 - The growing debt is raising concerns over the sustainability of growth
 - The People's Bank of China governor has warned of a 'Minsky Moment'
 - which implies that suddenly risks in the economy start manifesting and the asset prices slump
 - S&P Global Ratings downgraded China's long-term sovereign credit rating citing increasing risks from its rapid build-up of debt.

US

- Employment

- In the month of July 189,000 new jobs were added and in August 156,000 new jobs were added. For the first time in 7 years, the monthly jobs added figure was negative for September 2017, i.e., 33,000 jobs were lost. However, many economists took this as a minor blip due to Hurricanes Harvey and Irma.
- The overall unemployment rate fell to 4.2% which was a positive.

- Growth

- US GDP Growth was revised to 3.1% for the April - June quarter – the quickest pace in 2 years.
- The hurricanes shook economic activity and led to a drop in consumer confidence in the month of September

US – NORTH KOREA TENSIONS

- North Korea has been rapidly developing nuclear weapons. Since July 28, there is rising exchange of heated conversations between the country and the US due to this.
 - US Vice President Pence said that US, along with its allies, will increase pressure on North Korea to end its nuclear program.
 - The United Nations Security Council unanimously approved tough new U.S.-drafted sanctions against North Korea that include a ban on coal and other exports worth over \$1 billion.
 - China's foreign minister requested North Korea to halt its missile and nuclear testing, a day after China and Russia supported the United States in the U.N. sanctions vote.
 - China has meanwhile started stepping up its military presence on its border with North Korea
 - The US Navy has also been conducting drills.
- This is also a worry for the global financial market participants

EVENTS TO LOOK OUT FOR

- DOMESTIC
 - RBI Monetary Policy
 - Winter Session of Parliament
 - Inflation numbers
 - GDP growth number
 - Corporate earnings data
 - Outcome of State elections especially Gujarat
- INTERNATIONAL
 - US – North Korea tensions
 - US jobs data
 - New Federal Reserve Chairman and commentary
 - Crude Prices

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q3CY17	Start to End Value In Q3	Outlook for Q4CY17	Remarks
Debt	10-Year Gilt: Up 15 bps 3-M T Bill: Down 21 bps 6-M T Bill: Down 13 bps 3-M CP: Down 5 bps 6-M CP: Down 8 bps 1-Yr CP: Down 15 bps 10-Yr AAA Corp: Down 21 bps Call Rate: Up 17 bps	6.51 – 6.66 6.29 – 6.08 6.31 – 6.18 6.69 – 6.64 6.92 – 6.84 7.19 – 7.04 7.6 – 7.39 5.81 – 5.98	Yield on short term papers is expected to move down while the long dated bonds yields may hold steady	Sharp rally in crude prices or food inflation may push yields higher
Equity	Sensex: Up 1% Nifty : Up 3%	30,922 – 31,284 9,521 – 9,789	An upmove is more likely	Any major global crisis or NDA debacle in the state elections will bring the markets down

Thank you

