

LIQUIDITY, VALUATIONS AND EVENTS

Jul - Sep
2015

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	30th June 2014	31 st March 2015	30th June 2015	3-Month Returns (%)	1-Year Returns (%)
S&P BSE SENSEX	India	25,414	27,957	27,781	-1%	9%
CNX Nifty Index	India	7,611	8,491	8,369	-1%	10%
Bovespa	Brazil	53,168	51,150	53,014	4%	0%
CAC 40	France	4,423	5,034	4,870	-3%	10%
DAX	Germany	9,833	11,966	11,083	-7%	13%
Dow Jones	US	16,827	17,776	17,596	-1%	5%
FTSE 100	UK	6,744	6,773	6,621	-2%	-2%
Hang Seng	Hong Kong	23,191	24,901	25,967	4%	12%
Jakarta Composite	Indonesia	4,879	5,519	4,883	-12%	0%
KLSE Composite	Malaysia	1,883	1,831	1,692	-8%	-10%
Nasdaq	US	4,408	4,901	4,958	1%	12%
Nikkei 225	Japan	15,162	19,207	20,110	5%	33%
NYSE	US	10,979	10,899	10,790	-1%	-2%
RTS Index	Russia	1,366	880	928	5%	-32%
Seoul Composite	South Korea	2,002	2,041	2,060	1%	3%
Shanghai Composite	China	2,048	3,748	4,053	8%	98%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	30th June 2014	31 st March 2015	30th June 2015	3-Month Returns (%)	1-Year Returns (%)
S&P BSE AUTO Index	15,249	19,259	18,712	-3%	23%
S&P BSE BANKEX	17,475	20,865	20,982	1%	20%
S&P BSE Capital Goods	16,200	17,293	17,518	1%	8%
S&P BSE FMCG	6,676	7,773	7,789	0%	17%
S&P BSE Health Care	11,462	17,285	16,564	-4%	45%
S&P BSE METAL Index	13,100	9,466	9,335	-1%	-29%
S&P BSE OIL & GAS Index	11,151	9,312	9,859	6%	-12%
S&P BSE Power Index	2,319	2,127	2,022	-5%	-13%
S&P BSE PSU	8,634	7,608	7,638	0%	-12%
S&P BSE Realty Index	2,077	1,665	1,413	-15%	-32%
S&P BSE TECh Index	5,266	6,257	5,925	-5%	13%
CNX Infrastructure	3,373	3,250	3,254	0%	-4%
S&P BSE SENSEX	25,414	27,957	27,781	-1%	9%

FOREIGN INSTITUTIONAL INVESTOR (FII)

- FII Flows in Equity **FLOW**

(in Rs. Million)	Apr - 15	May - 15	Jun - 15	TOTAL
Gross Purchase	1,101,457	1,027,837	1,068,687	3,197,981
Gross Sale	984,247	1,085,522	1,095,449	3,165,218
Net Investment	117,209	-57,685	-26,762	32,763

- FII Flows in Debt

(in Rs. Million)	Apr - 15	May - 15	Jun - 15	TOTAL
Gross Purchase	260,920	183,560	330,488	774,968
Gross Sale	224,800	268,600	306,666	800,066
Net Investment	36,120	-85,040	23,822	-25,098

**Total Net FII Flows in
April – June 2015**

Rs. 7,665 million

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Apr - 15	May - 15	Jun - 15	TOTAL
Gross Purchase	1,236,776	809,695	386,084	2,432,555
Gross Sale	939,058	627,091	289,303	1,855,452
Net Investment	319,230	204,115	118,292	641,637

MF ACTIVITY

•Equity

(in Rs. Million)	Apr - 15	May - 15	Jun - 15	TOTAL
Gross Purchase	243,674	217,005	225,174	685,853
Gross Sale	151,231	175,242	141,097	467,570
Net Investment	92,439	41,767	84,078	218,284

•Debt

(in Rs. Million)	Apr - 15	May - 15	Jun - 15	TOTAL
Gross Purchase	1,417,637	1,049,744	1,320,742	3,788,123
Gross Sale	1,191,374	875,858	792,148	2,859,380
Net Investment	226,265	173,888	528,596	928,749

**Total Net MF Activity in
April – June 2015**

Rs. 1,147,033 million

DOMESTIC EVENTS

FISCAL DEFICIT

- 2014-15 Fiscal Deficit target beaten:
 - The government has contained the fiscal deficit at 3.99% of GDP in 2014-15 to Rs 5.01 lakh crore.
- India's fiscal deficit during April-May touched INR 2,086.24 billion (\$32.8 billion), or 37.5% of the target for the 2015-16 fiscal year ending in March 2016. The deficit was 45.3% during the same period a year ago.

REFORMS

- **Housing for All by 2022**
 - The Union Cabinet approved on 17 June the launch of the “Housing for All by 2022” programme for the rehabilitation of slum-dwellers and promotion of affordable housing for the urban poor.
 - Target: 20 million houses over 7 years
- **Goods and Service Tax (GST) Bill**
 - GST Bill stuck in Rajya Sabha. In the second week of July a Parliamentary panel will submit its report.
 - CRISIL Research sees rollout of goods & services tax (GST) to reduce logistics costs of companies producing non-bulk goods by as much as 20%.
- **Black Money**
 - A new law will come into effect from April 1, 2016 to tackle the black money problem. A one-time compliance window will be announced for those with undeclared assets abroad to come clean.
- **Public Sector Banks**
 - Post of Chairman and Managing Director split
 - Next in line could be the formation of the Bank Boards Bureau (BBB), which will be set up to advise on all board-level appointments, including executive directors.

- Fuel Prices

- Petrol price was hiked by 64 paise a litre on 15 June, but diesel price was cut by Rs 1.35 per litre in line with trend in global oil rates. This is the third increase in petrol price since May. However, in case of diesel, the reduction has halted two consecutive increases during last month.

- EPFO

- Undeterred by resistance from trade unions, the Employees' Provident Fund Organization (EPFO) said it will start investing in equity markets next month, as part of a reform drive aimed at boosting the economy.

- Land Pooling Policy

- Union Urban Development Ministry on May 26 approved the regulations for operationalisation of Land Pooling Policy of the Delhi Development Authority with five amendments, aiming at ensuring timely completion of real estate projects with all necessary infrastructure.

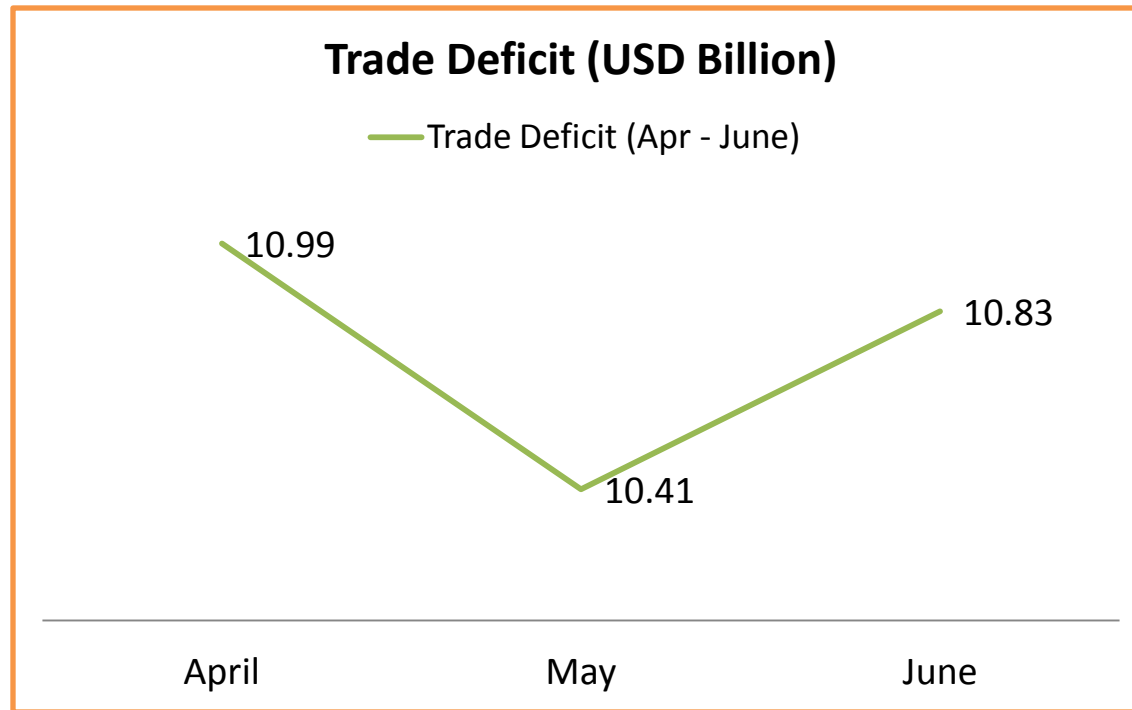
- Post Offices to be modernised

- Post offices are being revamped and modernised to provide banking services in rural areas, according to Union Minister Sanwarlal Jat. Modern post offices in rural areas in which customers would get ATM, E-post, pension account, core banking and money transfer facilities is on the cards

RBI

- Repo rate cuts repo rate by 25 basis points
 - The Reserve Bank of India (RBI) on 2nd June cut interest rates by 25 basis points (bps) for the third time this year on account of weak growth. The repo rate now stands at 7.25%
- Other measures taken by RBI – providing more teeth to lenders
 - The RBI, on 1st June, allowed banks to invest in long term-bonds of other banks. This is subject to conditions whereby not more than 20 per cent of the primary issue size of a bond issue is allotted to investor banks.
 - RBI on 8th June allowed banks to take control of debt-laden companies by converting loans into equity, if a debt restructuring fails to revive them within a stipulated timeframe.
 - RBI has allowed banks to borrow from international financial institutions for general banking business without seeking its permission.
 - The RBI has released draft guidelines allowing importers and exporters to write options on their underlying exposures in the OTC market.
- India's foreign exchange reserves crossed \$355 billion for the first time by end of June.

CURRENT ACCOUNT DEFICIT (CAD)



- Trade Deficit (in fig above)
- Current Account Deficit (CAD) fell sharply to its lowest level in a year at USD 1.3 billion or 0.2% of GDP in the January-March quarter, as trade gap narrowed on lower oil prices and robust foreign inflows.
- India's CAD rose to \$8.2 bn (1.6% of GDP) for the year's 3rd quarter ending Dec'14

DOMESTIC GROWTH

- The Gross Domestic Product at current prices is estimated at Rs. 125.41 lakh crore in the last financial year ended March 31, 2015.
- The output of the 8 core industries shrunk by 0.4% in April (for the 2nd consecutive month) making it the steepest fall in 18 months.

PMI	April-15	May-15	June-15
Manufacturing	51.3	52.6	51.3
Services	52.4	49.6	47.7

- Index of Industrial Production (IIP) data in %

	April-15	May-15	June-15
IIP (in %)	3.36	2.7	Awaited

- As per the Economic Survey, Growth in Gross Value Added (in %) is as follow:

	2014-15 (in %)
Agriculture	1.1
Industry	5.9
Services	10.6

- Views of different international agencies:
 - **OECD**: Indian economy saw the "strongest growth" in the first quarter of 2015 among large economies, including China, the US, Germany and Canada
 - **World Bank**: Downgraded outlook for global economic growth but upgraded its forecast for India. It expects India to be the fastest-growing major economy in 2015, expanding by 7.5% and outpacing China in 2016 and 2017.
 - **CLSA**: The Modi phenomenon, which helped the Indian markets climb record highs, seem to be wearing off. However, the Indian market still is one of the most promising emerging market over a five to ten-year horizon.

INFLATION

- WPI continues to be in the negative territory
- CPI increased from 4.87% to 5.4% in the last quarter. However, it continues to remain in RBI's comfort zone.

(in %)	April-15	May-15	June-15
Wholesale Price Index	-2.65	-2.36	-2.4
Consumer Price Index	4.87	5.01	5.4

MONSOONS

- The southwest monsoon covered the entire country on 26th June – way ahead of its schedule. The normal date is 15th July.
- The Indian Meteorological Department (IMD) revised its monsoon forecast for 2015 from below normal to deficit.
- According to Moody's, a weak monsoon is likely to be credit negative for India as it is expected to push up food inflation as well as government deficits.

GLOBAL EVENTS

US

- **Federal Reserve – rate hike on hold**
 - Fed Chair Janet Yellen emphasized that the rate decision was still up in the air and was dependent on further improvement in the labor market
 - With the economy still on track to grow as much as 2 percent for the year, the central bank's latest policy statement keeps it on track for at least one and perhaps a second rate increase later this year.
- **Growth**
 - The U.S. economy contracted slightly in the first quarter as it struggled with bad weather, a strong dollar, spending cuts in the energy sector and disruptions at West Coast ports. The Commerce Department said gross domestic product fell at a 0.2 percent annual rate in the January-March quarter instead of the 0.7 percent pace of contraction it reported last month.
 - Retailers reported strong sales in May and employers stepped up hiring. Housing is also firming.
 - Industrial production declined 0.3 percent in April for its fifth consecutive monthly loss, which pulled the year-over-year total down to 1.9 percent.
 - US existing home sales marked 5.35m for May 2015 against 5.09m for earlier month, its fastest pace since November 2009
- **Unemployment – signs of improvement**
 - Fell to 5.3% (lowest level in 7 years)
 - New jobs added: 223,000 in April, 280,000 in May, 223,000 jobs added in June
- **Inflation –**
 - The inflation rate in the United States increased for the first time in six months to 0.1 percent in June 2015 from 0 percent May
- **The United States has overtaken Saudi Arabia as the world's biggest oil producer in 2014**

CHINA

- Growth
 - Jan-March quarter growth is the slowest in 6 years at 7%, down from 7.3% in the last quarter of 2014.
- Monetary Policy Easing
 - China's central bank cut lending rates for the fourth time since November and reduced the reserve requirements of banks.
 - Peoples Bank of China cut its benchmark 1-year lending and deposit rates by 0.25% to 4.85% and 2% respectively; in addition, the reserve requirement ratio for commercial banks was cut by 0.50%.
- Stock Market Crash
 - Shanghai Composite Index crashed from its peak on 12th June by 17% (upto 30th June'15)

EUROZONE

- Euro area
 - Unemployment rate: Down from 11.2% in March to 11.1% in April (the lowest in 3 years)
 - Highest seen in Greece (25%) and Spain (23%)
 - Lowest seen in Germany (4.7%) and Austria (5.7%)
 - Economic Growth
 - Revised Euro zone Gross domestic product rose by 0.4% in the three months through March, similar to the growth of 0.4% in the previous three months period
- Greece – Grexit seemed nearing!
 - On 26th June, Greece's international creditors offered Athens a five-month, 12-billion-euro (\$13.4-billion) extension of its bailout programme but said it must seal a deal that weekend to avoid an IMF default next week.
 - The new leftist government of Greece has resisted demands by the International Monetary Fund and European Commission on austerity measures.
 - The country missed the 30th June deadline to repay roughly 1.6 billion Euros, or \$1.8 billion, to the International Monetary Fund.
 - Banks and stock exchanges remained shut on 29th June after Greece's lenders refused to extend its bailout and many retail depositors lined up to withdraw cash from banks. The ECB decided to freeze the level of funding support it gives to the banking system.
 - A Public Referendum was to be conducted on 5th July to test whether Greeks want to remain in the Euro zone.

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q2CY15	Start to End Value In Q2	Outlook for Q3CY15	Remarks
Debt	10-Year Gilt: Up 1% 3-M T Bill: Down 4% 3-M CP: Down 8% 6-M CP: Down 5% 1-Yr CP: Down 2% 5-Yr AAA Corp Bond: Up 1% 10-Yr AAA Corp Bond: up 2% Average Call Rate: Down 22%	7.80 - 7.87 7.94 - 7.64 8.86 - 8.15 8.85 - 8.40 8.79 - 8.61 8.3 - 8.41 8.28 - 8.43 9.06 - 7.06	Interest rates across the spectrum should start moving down by the end of the quarter	This view will be negated in case the monsoon weakens and/or the crude prices go up
Equity	Sensex: Down 1% Nifty : Down 1%	27957 - 27781 8491 - 8369	Volatile with a positive bias	Provided FII flows don't become highly negative following fed Rate hike.

EVENTS TO LOOK FOR IN THE NEXT QUARTER

- DOMESTIC
 - RBI Monetary Policy Review – 4th August 2015
 - Passage of bills in the Monsoon Session of the Parliament starting on 13th August – Land Acquisition, GST, Real Estate Regulation and Development, Prevention of Corruption Bill etc.
 - Progress of Monsoons
- INTERNATIONAL
 - US Fed Interest Rate Hike – whether the first hike happens in September
 - Greece: Bailout reforms
 - China: Growth slowdown and trends in the stock market

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