

LIQUIDITY, VALUATIONS AND EVENTS

**July-September
2015**

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	30 th Sept 2014	30 th June 2015	30 th Sept 2015	3- month Returns (%)	1-Year Returns (%)
S&P BSE SENSEX	India	26,631	27,781	26,155	-4%	-2%
CNX Nifty Index	India	7,965	8,369	7,949	-5%	0%
Dow Jones	US	17,043	17,620	16,285	-3%	-4%
NYSE	US	10,703	10,805	9,800	-1%	-8%
Nasdaq	US	4,493	4,987	4,620	-10%	3%
Bovespa	Brazil	54,116	53,081	45,059	2%	-17%
Hang Seng	Hong Kong	22,933	26,250	20,846	-13%	-9%
Jakarta Composite	Indonesia	5,138	4,911	4,224	5%	-18%
KLSE Composite	Malaysia	1,846	1,707	1,621	8%	-12%
Nikkei 225	Japan	16,174	20,236	17,388	-20%	8%
Seoul Composite	South Korea	2,020	2,074	1,963	-3%	-3%
CAC 40	France	4,416	4,790	4,455	-8%	1%
DAX	Germany	9,474	10,945	9,660	-13%	2%
FTSE 100	UK	6,623	6,521	6,062	2%	-8%
Shanghai Composite	China	2,364	4,277	3,053	-45%	29%
RTS Index	Russia	1,126	940	790	20%	-30%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	30 th Sept 2014	30 th June 2015	30 th Sept 2015	3- month Returns (%)	1-Year Returns (%)
S&P BSE AUTO Index	17,747	18,712	17,391	-7%	-2%
S&P BSE BANKEX	17,615	20,982	19,682	-6%	12%
S&P BSE Capital Goods	14,268	17,518	15,111	-14%	6%
S&P BSE Consumer Durables	9,851	10,746	10,810	1%	10%
S&P BSE FMCG	7,631	7,789	7,752	0%	2%
S&P BSE Health Care	14,352	16,564	17,779	7%	24%
S&P BSE METAL Index	11,409	9,335	6,834	-27%	-40%
S&P BSE OIL & GAS Index	10,729	9,859	8,695	-12%	-19%
S&P BSE PSU	7,783	7,638	6,695	-12%	-14%
S&P BSE Realty Index	1,581	1,413	1,397	-1%	-12%
S&P BSE SENSEX	26,631	27,781	26,155	-6%	-2%
S&P BSE TECK Index	5,919	5,925	6,256	6%	6%
S&P BSE Power Index	1,978	2,022	1,842	-9%	-7%

FOREIGN INSTITUTIONAL INVESTOR (FII) FLOWS

• FII Flows in Equity

(in Rs. Million)	July-15	August-15	September-15	TOTAL
Gross Purchase	953,688	971,006	893,445	2,818,139
Gross Sale	900,498	1,139,779	958,197	2,998,473
Net Investment	53,190	-168,773	-64,752	-180,334

• FII Flows in Debt

(in Rs. Million)	July-15	August-15	September-15	TOTAL
Gross Purchase	132,292	147,432	110,004	389,727
Gross Sale	132,252	153,901	103,088	389,242
Net Investment	40	-6,469	6,915	486

**Total Net FII Outflows in
July-September**

Rs. 1,79,849 Million

Source: SEBI

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	July-15	August-15	September-15	TOTAL
Gross Purchase	1,261,147	886,017	390,916	2,538,081
Gross Sale	988,559	620,802	288,186	1,897,547
Net Investment	274,559	265,215	102,731	642,504

Source: SEBI

MF ACTIVITY

•Equity

(in Rs. Million)	July-15	August-15	September-15	TOTAL
Gross Purchase	212,519	282,559	233,983	729,061
Gross Sale	169,131	177,230	140,783	487,144
Net Investment	43,390	105,330	93,202	241,922

•Debt

(in Rs. Million)	July-15	August-15	September-15	TOTAL
Gross Purchase	996,490	1,182,889	1,143,334	3,322,713
Gross Sale	687,424	940,999	976,989	2,605,412
Net Investment	309,067	241,890	166,343	717,300

Source: SEBI

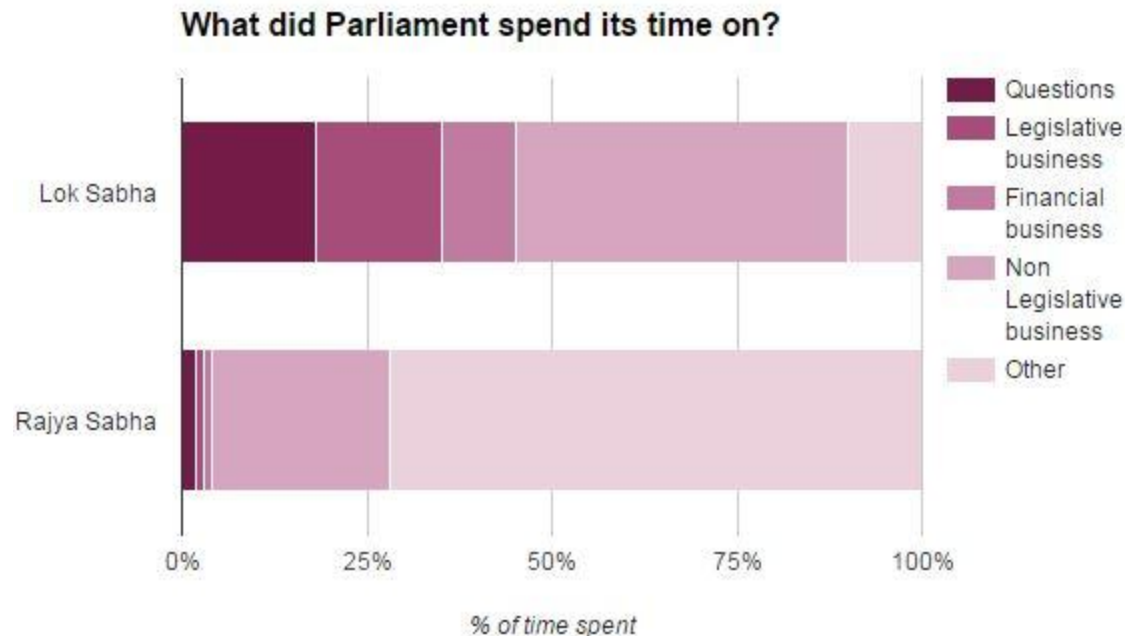
**Total Net MF Activity in
July-September**

Rs. 959,222 Million

DOMESTIC EVENTS

MONSOON SESSION: A WASHOUT

- A big disappointment – some say it was the second worst in 15 years – mainly because of the Opposition obstructing the proceedings.
- Only one Bill – the Delhi High Court (Amendment) Bill, 2014, passed by Rajya Sabha in the previous session which was passed by Lok Sabha during this session – was passed by both Houses. The Lower House passed four Bills in all, but the Upper House did not pass any.



GROWTH SLOWDOWN

- India's gross domestic product (GDP) slowed down to 7% in the June 2015 quarter as compared to 7.5% in the previous quarter (January-March).
- Lower growth projections for 2015-16

	Earlier	Revised
Asian Development Bank	7.8%	7.4%
RBI	7.6%	7.4%
Fitch	7.8%	7.5%
IMF	7.5%	7.3%
UBS	7.5%	7.1%

INFLATION & PMI

	July'15	August'15	September'15
WPI	3.69%	3.66 %	-4.54%
CPI	4.05%	4.95%	4.41%

Wholesale Price Inflation continued falling while Retail Price Inflation shows a mixed trend.

Purchasing Managers' Index	July'15	August'15	September'15
Manufacturing	52.7	52.3	51.2
Services	50.8	51.8	51.3

Decelerating Manufacturing growth while Services growth showed some improvement.

LOWER INTEREST RATES

- RBI Governor Raghuram Rajan reduced the repo rate, the rate at which the central bank lends to commercial banks, to 6.75% from 7.25% in the Monetary Policy Review on 29th September.
- A welcome move – in the background of slowing growth
- The RBI is now more focused on working with the Government to ensure that the benefit of rate cuts is passed on by the banks to the consumers.

IMPORTANT REFORMS

- **INFRASTRUCTURE**

- To enable insurance and pension funds to invest in India's infrastructure companies with credit rating of BBB- and above, the Reserve Bank of India has allowed banks to do partial credit enhancement (PCE) of bonds offered by such infrastructure companies.
- The government on 27th Aug released a list of 98 cities selected for the smart cities project aimed at kick-starting the next wave of planned urbanisation in India.
- A proposal to redevelop about 400 railways stations in metros and major cities besides pilgrim centres and tourist spots was cleared
- The Cabinet, chaired by Prime Minister Narendra Modi, approved establishment of the proposed Rs 20,000-crore National Investment and Infrastructure Fund (NIIF).

- **BANKING & INDUSTRY**

- Coming to the aid of domestic oilseeds farmers and the processing industry, the government has hiked the import duty on crude and refined edible oils by 5 percentage point each
- The government is planning to reduce its stake in State-run banks to 52 per cent to make them more professional and independent, Finance Minister Arun Jaitley said. It will reduce govt interference and improve the quality of decision making.

IMPORTANT REFORMS

- FISCAL REFORMS:

- The government mobilized over Rs. 9,300 crore from a 10% stake sale in IOC, which is the largest one this financial year, although it was rescued largely by institutional investors like LIC.
- In line with fall in international crude prices, petrol and diesel prices have been reduced:

Price cut (Rs./litre)	Petrol	Diesel
1 st July, 2015	0.31	0.71
15 th July, 2015	2	2
31 st July, 2015	2.43	3.6
14 th August, 2015	1.27	1.17
31 st August, 2015	2	0.5

- Four hikes in excise duty on petrol and diesel between November 2014 and January 2015 have generated an additional revenue of Rs 30,000 crore in the first five months of the current fiscal

IMPORTANT REFORMS..contd

- FOREIGN INVESTMENTS RELATED
 - New foreign investment Policy: The government allowed up to 49% foreign portfolio investment (FPI) through the automatic route in most sectors such as brownfield pharmaceuticals, single-brand retail, insurance, pension and facsimile editions of foreign newspapers.
 - Promising a simpler foreign investment regime, the government introduced a concept of composite cap for all kinds of overseas inflows including through FDI, FII and NRI routes.
- Proposal to transfer fertiliser subsidy directly into farmers' accounts and a road map for the pilot project is on its way.

GLOBAL HEADWINDS: CHINA

- CHINA :

- Global sentiment was badly impacted by the sharp devaluation of the Chinese Yuan by 1.9% on 11th August, followed by 1.6% the very next day.
- **‘Black Monday’**: On August 24, Chinese stocks suffered their steepest fall in one day, with Shanghai's main share index closing down at 8.49%.
- Impact:
 - Other global indices nosedived one after another.
 - Outflows from developing nation markets
 - Emerging market currencies affected the most – Indian Rupee most resilient
- On 25th August, People’s Bank of China announced that it would cut both the interest rate and the reserve ratio for banks
- The International Monetary Fund (IMF) pointed out that slowdown in China could have a much larger impact on the global economy than what was originally estimated
- The Chinese Shanghai Composite index was the worst performing global index in August as well as September

US MONETARY POLICY

- On 17th September, the US Federal Reserve left interest rates unchanged due to worries about the global economy, financial market volatility and low inflation at home.
- It left open the possibility of modest rate rises later this year.

“What did surprise me was that the president of the Richmond Virginia Fed was the only one who voted in favor of an increase,” Veteran investor Wilbur Ross, chairman of WL Ross to Economic Times

TURBULENT GLOBAL MARKETS

- June-September: Worst quarter since 2011
- \$11 trillion worth of global shares have been shed over 3 months
- Causes for the negative sentiment:
 - Falling commodity prices
 - Unstable Chinese markets
 - Anticipation of US Federal Reserve rate hike
- The Organisation for Economic Cooperation and Development (OECD) trimmed its global growth forecast for 2015 from 3.1% to 3.0%
- Volkswagen Scandal: There was a major impact, though short term in nature after revelations of cheating by Volkswagen in emission tests by using software to hide the true extent of diesel pollution.

EVENTS TO WATCH OUT FOR

- DOMESTIC
 - Bihar State Elections
 - Winter Session of Parliament
 - Corporate earnings
 - Inflation trend
- GLOBAL
 - US Fed Policy
 - China growth numbers
 - Crude and commodity prices
 - Middle east crisis

OUTLOOK FOR ASSET CLASSES

Asset Class	Yields in Q3CY15	Start to End Value In Q3	Outlook for Q4CY15	Remarks
Debt	10-Year Gilt: Down 4% 3-M T Bill: Down 10% 3-M CP: Down 7% 6-M CP: Down 5% 1-Yr CP: Down 7% 5-Yr AAA Corp Bond: Down 1% 10-Yr AAA Corp Bond: Down 2% Average Call Rate: Down 4%	7.82 – 7.54 7.59 - 6.86 8.08 - 7.54 8.23 - 7.79 8.63 - 8.05 8.43 - 8.34 8.46 - 8.30 7.07 - 6.78	Yields at the longer end of the spectrum should trend down even more provided inflation remains subdued	Impact of Fed rate hike on foreign portfolio investments in Debt market will be an important factor to watch
Equity	Sensex: Down 7% Nifty : Down 6%	28021 - 26155 8453 - 7949	Consolidation should get over in this quarter and trend should be upwards	Earnings outlook should begin to improve from Q1CY16 and the market will begin to rally in anticipation. Global factors may play spoilsports

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