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**CONTENTS**

**CAPITAL MARKET REVIEW**

**GLOBAL MARKET REVIEW - MARCH 2018**

**HIGHLIGHTS OF DEVELOPMENTS IN INTERNATIONAL SECURITIES MARKET**

**TABLES**

**PUBLICATIONS**

**CAPITAL MARKET REVIEW**

1. **Trends in Primary Market**
2. **Public and Rights Issues**

Resource mobilisation through primary securities market continued during February 2018. During the month under review, the primary market witnessed 17 equity issues that mobilised ` 18,367 crore as compared to 18 equity issues that mobilised ` 2,276 crore during January 2018. There were 13 initial public offerings (IPOs) of equity issues that raised ` 1,656 crore and 4 rights issue that raised ` 16,711 crore during the month.

**Exhibit 1: Primary Market Trends (Public & Rights Issues)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **Feb-18** | | **Jan-18** | | **2017-18$** | | **2016-17$** | |
|  | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** |
|  |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* |
| a. Public Issues | 13 | 1,656 | 17 | 2,258 | 169 | 72,180 | 96 | 55,220 |
| (i) Debt | 0 | 0 | 0 | 0 | 5 | 4,125 | 15 | 29,328 |
| (ii) Equity, of which |  |  |  |  |  |  |  |  |
| IPOs | 13 | 1,656 | 17 | 2,258 | 163 | 68,043 | 80 | 25,882 |
| FPOs | 0 | 0 | 0 | 0 | 1 | 13 | 1 | 10 |
| b. Rights Issues | 4 | 16,711 | 1 | 18 | 19 | 21,250 | 8 | 2,028 |
| Total Equity Issues a(ii)+b | 17 | 18,367 | 18 | 2,276 | 183 | 89,306 | 89 | 27,920 |
| ***Grand Total (a+b)*** | ***17*** | ***18,367*** | ***18*** | ***2,276*** | ***188*** | ***93,430*** | ***104*** | ***57,248*** |

***Notes:***

*1. IPOs - Initial Public Offers (IPOs include SME IPOs), FPOs - Follow on Public Offers*

*2. Amount raised through debt issues for the last two months are provisional.*

*$ denotes as at the end of February of the respective years*

1. **Private Placement**
2. **QIPs Listed at BSE and NSE**

Qualified Institutional Placement (QIP) is an alternative mode of resource raising available for listed companies to raise funds from domestic market. In a QIP, a listed issuer issues equity shares or non-convertible debt instruments along with warrants and convertible securities other than warrants to Qualified Institutional Buyers only. There were eight QIP issues during February 2018, which raised ` 5,604 crore compared to four QIP issues during January 2018 which raised ` 809 crore **(*Table 10*)**.

1. **Preferential Allotments Listed at BSE and NSE**

Preferential allotment also serves as an alternative mechanism of resource mobilization wherein a listed issuer issues shares or convertible securities to a select group of persons. There were 32 preferential allotments (amounting to ` 13,517 crore) listed at BSE and NSE together during February 2018, compared to 42 preferential allotments (amounting to ` 913 crore) during January 2018 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

Private placement mechanism dominates the resource mobilization through corporate bonds. During February 2018, ` 46,467 crore was raised through private placement of 330 issues in the corporate bond market. There was no public issue of debt during the month. Total amount mobilised through public issues and private placement of both debt and equity combined stood at ` 83,956 crore in February 2018 as compared to ` 31,693 crore in January 2018 **(*Table 12 and Exhibit 1A*)**.

**Exhibit 1A: Total Resources Mobilised by Corporate Sector (`** **crore)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Month** | **Equity Issues** | | | **Debt Issues** | | | **Total Resource Mobilisation (4+7)** |
| **Public & Rights** | **Private Placements** | **Total (2+3)** | **Public** | **Private Placements** | **Total (5+6)** |
| ***1*** | ***2*** | ***3*** | ***4*** | ***5*** | ***6*** | ***7*** | ***8*** |
| **2016-17** | **32,517** | **52,614** | **85,132** | **29,363** | **6,40,715** | **6,70,077** | **7,55,209** |
| **2017-18$** | **89,297** | **1,23,018** | **2,12,315** | **4,125** | **5,34,231** | **5,38,356** | **7,50,670** |
| Apr-17 | 1,232 | 7,041 | 8,273 | 1,969 | 63,819 | 65,787 | 74,060 |
| May-17 | 1,480 | 9,675 | 11,155 | 0 | 33,389 | 33,389 | 44,544 |
| Jun-17 | 5,632 | 19,825 | 25,457 | 0 | 75,337 | 75,337 | 1,00,794 |
| Jul-17 | 1,108 | 3,335 | 4,443 | 1,713 | 49,033 | 50,746 | 55,189 |
| Aug-17 | 1,705 | 6,367 | 8,072 | 215 | 51,552 | 51,767 | 59,838 |
| Sep-17 | 17,163 | 17,439 | 34,602 | 0 | 50,821 | 50,821 | 85,423 |
| Oct-17 | 18,608 | 10,408 | 29,015 | 0 | 44,146 | 44,146 | 73,162 |
| Nov-17 | 19,496 | 4,254 | 23,750 | 0 | 50,855 | 50,855 | 74,605 |
| Dec-17 | 2,239 | 23,829 | 26,069 | 229 | 41,108 | 41,337 | 67,406 |
| Jan-18 | 2,267 | 1,722 | 3,990 | 0 | 27,703 | 27,703 | 31,693 |
| Feb-18 | 18,367 | 19,122 | 37,489 | 0 | 46,467 | 46,467 | 83,956 |

***Notes:***

* 1. *Private placement of Equity includes, amount raised through preferential allotments, QIP and IPP mechanism.*
  2. *Public Equity Issues includes IPO, FPO & Rights issues of common equity shares.*
  3. *Data pertaining to Debt Issue of February 2018 are provisional*

1. **Resource Mobilisation by Mutual Funds**

During February 2018, there was a net inflow of ` 12,092 crore into the mutual funds industry as against to a net inflow of ` 1,06,158 crore during January 2018. In the month under review, income / debt oriented schemes liquidated ` 10, 056 crore. Growth / equity oriented schemes mobilised ` 16,268 crore. Balanced schemes mobilised ` 5,025 crore. Exchange traded funds, raised a net of ` 860 crore of which there was liquidation of ` 94 crore from gold ETFs and mobilisation of ` 954 crore from other ETFs. The Fund of funds schemes investing overseas recorded liquidation of ` 5 crore. The cumulative net assets under management by all mutual funds fell by 1.0 per cent to ` 22,20,326 crore at the end of January 2018 from ` 22,41,275 crore at the end of January 2018 **(*Tables 56 & 58*).**

1. **Trends in the Secondary Market**

The Indian stock market witnessed downtrend during the month under review. At the end of February 2018, S&P BSE Sensex closed at 34,184 witnessing 5.0 per cent fall from previous month’s closing at 35,965. The Nifty 50 also fell by 4.9 per cent to close at 10,493 at the end of February 2018 compared to previous month’s closing at 11,028 (***Figure 1***). Both S&P BSE Sensex and Nifty 50 touched their intraday high of 36,257 and 11,117, respectively on February 01, 2018. Both Sensex and Nifty touched their intraday lows of 33,843 and 10,276 respectively on February 06, 2018.

**Figure 1: Movement of Sensex and Nifty**

Market capitalisation of BSE fell by 3.6 per cent to ` 1,47,65,583 crore at the end of February 2018, from ` 1,53,20,978 crore at the end of January 2018. Market capitalization at NSE also fell to ` 1,45,64,091 crore from ` 1,51,40,453 crore during the same period witnessing a loss of 3.8 per cent. Monthly turnover of BSE during fell by 33.3 per cent from ` 1,22,537 crore in January 2018 to ` 81,758 crore in February 2018. Monthly turnover of NSE too fell by 21.5 per cent from 8,14,839 crore in January 2018 to 6,39,683 crore in February 2018. The P/E ratios of S&P BSE Sensex and Nifty 50 were 23.7 and 25.7 respectively at the end of February 2018 compared to 25.4 and 27.5 respectively a month ago (***Exhibit 2***).

**Exhibit 2: The Basic Indicators in Cash Segment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18$** | **2016-17** | **Feb-18** | **Jan-18** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** | | | | | |
| S&P BSE Sensex | **34,184** | **29,621** | 34,184.0 | 35,965.0 | -5.0 |
| Nifty 50 | **10,493** | **9,174** | 10,492.9 | 11,027.7 | -4.9 |
| **B. Market Capitalisation** | | | | | |
| BSE | **1,47,65,583** | **1,21,54,525** | 1,47,65,583 | 1,53,20,978 | -3.6 |
| NSE | **1,45,64,091** | **1,19,78,421** | 1,45,64,091 | 1,51,40,453 | -3.8 |
| **C. Gross Turnover** | | | | | |
| BSE | **10,04,610** | **9,98,261** | 81,758 | 1,22,537 | -33.3 |
| NSE | **66,39,974** | **50,55,913** | 6,39,683 | 8,14,839 | -21.5 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **23.7** | **22.6** | 23.7 | 25.4 | -6.8 |
| Nifty 50 | **25.7** | **23.3** | 25.7 | 27.5 | -6.6 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,637** | **5,834** | 5,637 | 5,613 | 0.4 |
| NSE | **1,916** | **1,817** | 1,916 | 1,906 | 0.5 |

***Note:*** *$ denotes as at the end of February 2018*

***Source:*** *BSE, NSE*

**Figure 2: Trends in Average Daily Values of Sensex and BSE Turnover**

**Figure 3: Trends in Average Daily Values of Nifty and NSE Turnover**

Indian securities market witnessed a negative trend during the month under review. Among BSE indices, in February 2018, S&P BSE Bankex index fell by 8.6 per cent, followed by S&P BSE PSU index (8.6 per cent) and S&P BSE Capital Goods (6.3 per cent). As regards NSE indices, Nifty PSU Bank index fell by 16.4 per cent followed by Nifty Bank index (8.3 per cent) and Nifty Midcap 100 index (5.4 per cent). Among BSE indices the S&P BSE Small Cap index recorded the highest daily volatility (1.6 per cent), followed by S&P BSE Capital Goods index (1.5 per cent) and S&P BSE Metal index (1.5 per cent). At NSE during the same period, daily volatility of Nifty Small 100 index was 2.0 per cent, followed by Nifty PSU Bank index (1.9 per cent) and Nifty Midcap 50 index (1.7 per cent) (***Exhibit 3***).

**Exhibit 3: Performance of Indices at BSE and NSE during January 2018 (Per cent)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BSE** | | | **NSE** | | |
| **Index** | **Change over Previous month** | **Volatility** | **Index** | **Change over Previous month** | **Volatility** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| S&P BSE Sensex | -4.95 | 0.90 | Nifty 50 | -4.85 | 0.90 |
| S&P BSE 100 | -4.85 | 0.93 | Nifty Next 50 | -3.59 | 1.14 |
| S&P BSE 200 | -4.59 | 0.96 | Nifty 100 | -4.67 | 0.91 |
| S&P BSE 500 | -4.41 | 1.01 | Nifty 200 | -4.68 | 0.97 |
| S&P BSE Large Cap | -4.68 | 0.91 | Nifty 500 | -4.50 | 1.01 |
| S&P BSE Small Cap | -3.15 | 1.60 | Nifty Midcap 50 | -3.01 | 1.73 |
| S&P BSE Consumer Durables | -5.74 | 1.27 | Nifty Midcap 100 | -5.39 | 1.39 |
| S&P BSE Capital Goods | -6.32 | 1.45 | Nifty Small 100 | -5.22 | 1.98 |
| S&P BSE Bankex | -8.62 | 1.17 | Nifty Bank | -8.30 | 1.15 |
| S&P BSE Teck | -1.31 | 0.94 | Nifty IT | -1.37 | 1.09 |
| S&P BSE FMCG | -1.91 | 0.70 | Nifty FMCG | -2.26 | 0.68 |
| S&P BSE Metal | -1.64 | 1.45 | Nifty Pharma | -4.52 | 1.53 |
| S&P BSE PSU | -8.56 | 1.19 | Nifty PSU Bank | -16.37 | 1.90 |
| S&P BSE Power | -4.15 | 1.27 | Nifty Media | -5.08 | 1.41 |
| S&P BSE Healthcare | -3.07 | 1.26 | Nifty MNC | -3.40 | 0.97 |

***Source:*** *Bloomberg*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of February 2018 was 170 lakh at NSDL (an increase of 0.8 per cent over January 2018) and 147 lakh at CDSL (an increase of 1.7 per cent over January 2018). The number of investor accounts increased by 10.1 per cent at NSDL and by 37.4 per cent at CDSL over the number of investor accounts at the respective depositories in February 2017 **(*Table 62*)**.

1. **Trends in Derivatives Segment**
2. **Equity Derivatives**

India is one of the most vibrant markets for exchange traded equity derivatives in the world. The total monthly turnover in equity derivatives market at NSE increased by 0.1 per cent to ` 1,60,26,618 crore during February 2018 from ` 1,60,09,779 crore during January 2018 (***Figure 4***). During the month under review options on index accounted for about 82.9 per cent of the total turnover in the F&O segment at NSE. In February 2018, monthly turnover of index futures increased by 23.5 per cent whereas that of stock futures fell by 20.3 per cent. Monthly turnover of put options on index fell by 5.0 per cent whereas that of call options on index increased by 12.7 per cent. Monthly turnover of put options on stock and call options on stock decreased by 13.8 per cent and 28.1 per cent, respectively. The open interest in value terms in the equity derivative segment of NSE fell by 4.7 per cent to ` 3,56,734 crore as on February 28, 2018 from ` 3,74,522 crore as on January 31, 2018 **(Table 35).**

**Figure 4: Trends of Equity Derivatives Segment at NSE (` crore)**

The monthly total turnover in equity derivative segment of BSE was ` 2.8 crore in February 2018, compared to ` 4.3 crore in January 2018. The open interest in value terms in equity derivatives segment of BSE fell to ` 0.5 crore as on February 28, 2018 from ` 0.6 crore as on January 31, 2018 *(****Exhibit 4 and Table 34****)*.

**Exhibit 4: Trends in Equity Derivatives Market**

| **Particular** | **NSE** | | | **BSE** | | | **MCX-SX** | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Jan-18** | **Feb-18** | **Percentage Change Over Month** | **Jan-18** | **Feb-18** | **Percentage Change Over Month** | **Jan-18** | **Feb-18** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* |
| **A. Turnover (` crore)** | | | | | | | | | |
| (i) Index Futures | 4,50,375 | 5,56,256 | 23.5 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 62,07,912 | 58,97,471 | -5.0 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 65,60,595 | 73,91,333 | 12.7 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 16,98,947 | 13,54,152 | -20.3 | 4.3 | 2.8 | -34.3 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 2,94,253 | 2,53,726 | -13.8 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 7,97,697 | 5,73,680 | -28.1 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| **Total** | **1,60,09,779** | **1,60,26,618** | **0.1** | **4.3** | **2.8** | **-34.3** | **0** | **0** | **Na** |
| **B. No. of Contracts** | | | | | | | | | |
| (i) Index Futures | 50,31,029 | 64,20,118 | 27.6 | 0 | 0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 6,67,10,823 | 6,55,22,364 | -1.8 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 6,74,78,633 | 7,84,18,384 | 16.2 | 0 | 0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 2,19,68,814 | 1,90,92,878 | -13.1 | 62 | 40 | -35.5 | 0 | 0 | NA |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 38,45,878 | 36,06,307 | -6.2 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 96,90,224 | 73,75,204 | -23.9 | 0 | 0 | NA | 0 | 0 | Na |
| **Total** | **17,47,25,401** | **18,04,35,255** | **3.3** | **62** | **40** | **-35.5** | **0** | **0** | **Na** |
| **C. Open Interest in terms of Value ( ` crore)** | | | | | | | | | |
| (i) Index Futures | 34,326 | 28,848 | -16.0 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 99,893 | 99,684 | -0.2 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 82,236 | 81,865 | -0.5 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 1,31,981 | 1,23,366 | -6.5 | 0.6 | 0.5 | -5.4 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 8,892 | 8,483 | -4.6 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 17,194 | 14,488 | -15.7 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| **Total** | **3,74,522** | **3,56,734** | **-4.7** | **0.6** | **0.5** | **-5.4** | **0.0** | **0.0** | **Na** |
| **D. Open Interest in terms of No of Contracts** | | | | | | | | | |
| (i) Index Futures | 3,97,066 | 3,53,161 | -11.1 | 0 | 0 | NA | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 11,52,654 | 11,98,193 | 4.0 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 9,36,455 | 9,64,432 | 3.0 | 0 | 0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 18,08,675 | 17,83,034 | -1.4 | 8 | 8 | 0.0 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 1,15,772 | 1,24,501 | 7.5 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 2,28,617 | 2,09,468 | -8.4 | 0 | 0 | NA | 0 | 0 | Na |
| **Total** | **46,39,23** | **46,32,789** | **-0.1** | **8** | **8** | **0.0** | **0** | **0** | **Na** |

1. **VIX Futures at NSE**

NSE introduced futures contracts on India VIX in the Futures & Options segment of NSE w.e.f. February 26, 2014. It is a volatility index based on the NIFTY Index Option prices. From the best bid-ask prices of NIFTY Options contracts, a volatility figure (in percentage) is calculated which indicates the expected market volatility over the next 30 calendar days. This volatility index is a measure of market expectations of near-term. The contract symbol is INDIAVIX and 3 weekly futures contracts were made available for trading. The contracts shall expire on every Tuesday. The tick size is 0.25 and lot size is 550.

India VIX closed at 13.81 at the end of February 2018, lower than 15.93 registered at the end of January 2018 (***Figure 5***). There was no trade in VIX futures contract in the current financial year. The open interest in India VIX contracts was zero at the end of February 2018.

**Figure 5: Trends in VIX futures at NSE**

1. **Currency Derivatives at NSE, BSE and MSEI**

The monthly turnover of currency derivatives at NSE during February 2018 rose by 20.1 per cent to ` 5,06,671 crore from ` 4,81,163 crore in January 2018. During the same time the monthly turnover of currency derivatives at BSE also fell by 22.1 per cent to ` 4,21,034 crore from ` 5,40,691 crore and the monthly turnover of currency derivatives at MSEI fell by 6.1 per cent to ` 9,928 crore from ` 10,573 crore (***Figure 6* *and Tables 41, 42 and 43***).

**Figure 6: Trends of Currency Derivatives at NSE, MSEI and BSE (` crore)**

1. **Interest Rate Futures at NSE, BSE and MSEI**

During February 2018, the monthly turnover of interest rate futures at NSE fell by 26.1 per cent to ` 23,711 crore from ` 32,065 crore in January 2018. The monthly turnover of interest rate futures at BSE, increased by 42.5 per cent to ` 23,671 crore in February 2018 from ` 16,608 crore in January 2018. The monthly turnover in interest rate futures at MSEI was nil during the month under review. (***Figure 7* *and Table 51***).

**Figure 7: Trends of Interest Rate Futures at NSE, BSE and MSEI (**` **crore)**

1. **Commodities Derivatives Markets**

**A. Market Trends**

At the end of February 2018, MCX Comdex closed at 3659.05, registering an increase of 0.24 percent over the closing value of 3650.19 at the end of January 2018. On the other hand, NCDEX Dhaanya closed at 3114.64, recording a decrease of 0.98 percent over the closing values of 3145.61 at the end of January 2018 **(Figure 8)**. MCXCOMDEX recorded an intra-day high of 3729.64 on February 02, 2018 while 3519.12 on February 09, 2018 was its lowest intra-day level during the month. NCDEX Dhaanya recorded an intra-day high of 3205.12 on February 19, 2018 and an intra-day low of 3068.44 on February 26, 2018 **(Details in Table 66)**.

**Figure 8: Movement of Commodity Derivatives Market Indices**

**Source: MCX and NCDEX**

Among the three component indices of MCX Comdex, Metal and Agri. indices increased by 0.9 percent and 0.01 percent, respectively while Energy Index declined by 0.8 percent. MCX Energy index (composed of only Crude Oil and Natural Gas) increased due to gain of 7.7 percent in Natural Gas futures prices, while the gain in Metal index was due to surge in futures prices of Nickel and Copper. The downtrend of MCX Agri. Index was driven by decline in Mentha Oil futures prices by 26.6 percent and Cardamom by 7.8 percent. A decline of 0.98 percent for Dhaanya index may be attributed to the decrease in futures prices of Cotton Seed Oilcake (10.2 percent), Jeera (9.9 percent), Turmeric (9.1 percent), Guar gum (7.7 percent), Coriander (7.2 percent), Guar seed (7.0 percent), Chana (4.6 percent) and Castor Seed (3.3 percent). However, there was an increase of 6.0 percent in Wheat futures, followed by Soybean (3.2 percent) and Refined Soy Oil (1.4 percent), during the month.

Daily volatility during February 2018 of MCXCOMDEX and NCDEX Dhaanya indices was recorded at 0.79 percent and 0.82 percent respectively. Among the component indices of MCXCOMDEX, MCX Energy recorded highest volatility of 1.40 percent, followed by MCX Metal (0.86 percent) and MCX Agri. (0.53 percent). The daily volatility and variation over the previous month for indices on commodity derivatives is shown in the Figure 9 below:

**Figure 9 : Variation (point-to-point) and daily volatility of India commodity indices (Percent)**

**Source: MCX and NCDEX**

**Turnover**

During February 2018, among the four national commodity derivative exchanges, MCX and ICEX recorded an increase in turnover, whereas, NCDEX and NMCE have recorded a decrease.

The total turnover at all the four national exchanges was recorded at `5,58,307 crore, a decrease of 1.6 percent over the turnover of ₹5,67,217 crore during the previous month. The agricultural segment contributed `69,522 crore (12.5 percent) while that of the non-agricultural segment contributed `4,88,785 crore (87.5 percent) to the total turnover during the month. Among, the non-agricultural commodities segments, Bullion, Metals and Energy are traded at MCX, whereas, diamond contracts are traded at ICEX.

The total turnover at MCX (futures+ options) increased by 0.81 percent during February 2018 to `4,97,572 crore, over total turnover of `4,93,563 crore recorded in January 2018. The total turnover in MCX Gold contracts, both call and put options taken together was ₹507 crore in February 2018, a decrease of 70.28 percent over ₹1,705 crore recorded in January 2018. The contribution to the total turnover at MCX from Metal segment was at 40.12 percent followed by Energy segment at 35.23 percent, Bullion segment with 22.68 percent and agricultural commodities had a share of 1.87 percent. Gold Options contributed 0.10 percent to the total turnover.

The turnover at NCDEX (futures +options) has decreased by 17.95 percent to `57,321 crore during February 2018, from `69,857 crore in January 2018. The total turnover in NCDEX, Guar Seed options contracts, both call and put options taken together decreased to ₹127 crore in February 2018, a decrease of 3.51 percent over ₹131 crore recorded in January 2018.

The total turnover at NMCE decreased by 14.67 percent to `2,905 crore during February 2018 from `3,405 crore in the previous month. The entire turnover at NCDEX and NMCE was contributed by the agricultural commodities segment.

The turnover at ICEX in diamond contracts has increased by 29.70 percent to ₹509.18 crore in February 2018 from ₹392.57 crore during last month. Presently, only diamond futures contracts are being traded at ICEX.

The total turnover of agricultural commodities was the highest at NCDEX (`57,321 crore) followed by MCX (`9,296 crore) and NMCE (`2,905 crore). The turnover of agricultural and non- agricultural commodities at national exchanges is shown in Figures 10, 11 and the details in Tables 67 to 72.

The recognition of Hapur Commodity Exchange (HCE), Hapur, in respect of Rape/Mustard Seed contract has expired on 28th February, 2018. The exchange has opted for voluntary exit from the commodity derivative markets.

**Figure 10: Trends in Turnover of Agricultural Commodities Derivatives (`crore)**

**Figure 11: Trends in Turnover of non-Agricultural Commodities Derivatives (`crore)**

**B. Commodity price trends**

At the end of February 2018, M-o-M returns among the near month contracts of non-agricultural commodities were positive for Nickel (3.8 percent), followed by Gold and Copper, while the returns decreased the most for Natural Gas at 7.7 percent, followed by Silver, Lead, Aluminum, Zinc and Crude Oil. Among Agricultural Commodities, the M-o-M returns were the highest for Cotton (6.6 percent), followed by Crude Palm Oil, Wheat, Raw Jute, Soybean, Rubber and Refined Soy Oil. M-o-M returns declined the most for Mentha Oil (26.6 percent), followed by Cotton Seed Oilcake, Jeera, Turmeric, Pepper, Cardamom, Guar Gum, Guar Seed, Coriander, Chana, Isabgul Seed, Castor Seed, Rape/Mustard Seed and Barley.

The Y-o-Y returns on futures prices among non-agricultural commodities increased the most for Nickel by 23.5 percent, followed by Zinc, Crude Oil, Copper, Aluminium, Lead and Gold, while it declined the most for Silver (11.6 percent) followed by Natural Gas. Among agricultural commodities, Y-o-Y returns increased the most for Soybean (29.5 percent) followed by Mentha Oil, Guar Gum, Guar Seed, Refined Soy Oil, Crude Palm Oil, Rape/Mustard Seed, Wheat, Castor Seed and Raw Jute, while Y-o-Y returns declined the most for Pepper contracts at NMCE (37.3 percent) followed by Cotton Seed Oilcake, Cardamom, Coriander, Isabgul Seed, Rubber, Jeera, Turmeric, Barley and Cotton. **(Exhibit 5)**

**Exhibit 5: Periodic variation (M-o-M and Y-o-Y) in futures closing prices for near month contracts of commodities traded at MCX, NCDEX and NMCE**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Commodities traded at MCX and NMCE | Closing value as on 28/02/2018 | Variation in prices as on 28/02/2018 (percent) | | Commodities traded at NCDEX | Closing value as on 28/02/2018 | Variation in prices as on 28/02/2018 (percent) | |
| **M-o-M** | **Y-o- Y** | **M-o-M** | **Y-o- Y** |
| MCX | | | |  |  |  |  |
| Aluminum | 139.35 | -1.6 | 9.0 | Guar seed | 4288.5 | -7.0 | 14.3 |
| Copper | 453.6 | 0.6 | 13.2 | Guar Gum | 9201 | -7.7 | 16.3 |
| Crude Oil | 4093 | -0.5 | 14.8 | Soybean | 3802 | 3.2 | 29.5 |
| Gold | 30379 | 0.9 | 2.7 | Chana | 3668 | -4.6 | NA |
| Lead | 163.8 | -2.0 | 8.8 | Turmeric | 6578 | -9.1 | -4.3 |
| Natural Gas | 175.9 | -7.7 | -4.9 | RM seed | 4085 | -1.2 | 6.2 |
| Nickel | 896.1 | 3.8 | 23.5 | Ref. Soy Oil | 755.9 | 1.4 | 11.9 |
| Silver | 38246 | -2.7 | -11.6 | Cotton seed oil cake | 1549.5 | -10.2 | -31.6 |
| Zinc | 226.2 | -1.0 | 20.4 | Wheat | 1760 | 6.0 | 5.9 |
| Cardamom | 1081.7 | -7.8 | -26.3 | Jeera | 14895 | -9.9 | -11.8 |
| Cotton | 20640 | 6.6 | -2.0 | Coriander | 5519 | -7.2 | -15.1 |
| CPO | 597 | 6.5 | 9.2 | Barley | 1451 | -1.2 | -5.3 |
| Mentha Oil | 1295.4 | -26.6 | 24.1 | Castor Seed | 4113 | -3.3 | 3.0 |
| NMCE | | | |  |  |  |  |
| Castor Seed | 4115 | -3.1 | 3.3 |  |  |  |  |
| Rubber | 12576 | 1.9 | -12.6 |  |  |  |  |
| Raw Jute | 4303 | 3.5 | 1.1 |  | | | |
| Isabgul Seed | 10191 | -4.2 | -14.6 |  |  |  |  |
| RM seed | 682.1 | -1.3 | 4.5 |  |  |  |  |
| Guar Seed | 4275 | -7.7 | 15.2 |  |  |  |  |
| Pepper | 39123 | -8.4 | -37.3 |  |  |  |  |

Notes: Returns are calculated as percentage change in the closing prices of near month contracts in the current month over that in the previous month.

**Source: MCX, NCDEX & NMCE**

**C. Second Advance Estimates of production of food grains for 2017-18**

Ministry of Agriculture releases estimates of production of food grains, oil seeds and other commercial crops four times a year. As per 2nd Advance Estimates released on February 27, 2018, the estimated production of major crops during 2017-18 is as under:

As a result of near normal rainfall during monsoon 2017, and various policy initiatives taken by the Government, the country has witnessed record foodgrain production in the current year. As per Second Advance Estimates for 2017-18, total Foodgrain production is estimated at 277.49 million tonnes which is higher by 2.37 million tonnes than the previous record production of 275.11 million tonnes achieved during 2016-17.

Production of Wheat estimated at 97.11 million tonnes is lower by 1.40 million tonnes as compared to record wheat production of 98.51 million tonnes achieved during 2016-17. However, the production of wheat during 2017-18 is higher by 3.77 million tonnes than the five year ‘average production’ of wheat.

Total Pulses production during 2017-18 is estimated at record 23.95 million tonnes which is higher by 0.82 million tonnes than the previous year’s production of 23.13 million tonnes. Moreover, the production of pulses during 2017-18 is higher than the five years ‘average production’ by 5.10 million tonnes.

Total Oilseeds production in the country during 2017-18 is estimated at 29.88 million tonnes which is lower by 1.39 million tonnes than the production of 31.28 million tonnes during 2016-17. However, the production of oilseeds during 2017-18 is marginally higher by 0.34 million tonnes than the average oilseeds production.

With a significant increase by 47.16 million tonnes over 2016-17, total production of Sugarcane in the country during 2017-18 is estimated at 353.23 million tonnes. The production of sugarcane during 2017-18 is also higher by 11.19 million tonnes than the average sugarcane production of 342.04 million tonnes.

Production of Cotton estimated at 33.92 million bales (of 170 kg each) is higher than the previous year’s production of 32.58 million bales. Further, it is also higher by 0.41 million bales than its average production of 33.50 million bales.

Production of Jute & Mesta estimated at 10.51 million bales (of 180 kg each) is lower than their production during the 2016-17.

**D. Second Advance Estimates of National Income – Agriculture Sector**

Second Advance Estimates of National Income, 2017-18 at constant (2011-12) prices and Quarterly Estimates of Gross Domestic Product for The Third Quarter (Oct-Dec), 2017-18 was published on February 28, 2018.

The Gross Value Added (GVA) estimates of agriculture sector have been compiled using the Second Advance Estimates of production of food grains for 2017-18. According to the information furnished by the Department of Agriculture and Cooperation (DAC), the production growth of food grains during the agriculture year 2017-18 was 0.9 percent as compared to 9.4 percent in the previous agriculture year. Crops including fruits and vegetables account for about 59.0 percent of GDP in ‘agriculture, forestry and fishing’ sector. Around 41.0 percent of GVA of this sector is based on the livestock products, forestry and fisheries, which is expected to register a combined growth of around 5.1 percent in 2017-18.

1. **Trading in Corporate Debt Market**

During February 2018, BSE recorded 2,299 trades of corporate debt with a traded value of ` 38,639 crore compared to 2,717 trades of corporate debt with a traded value of ` 45,963 crore recorded in January 2018. At NSE, 4,198 trades were reported in February 2018 with a traded value of ` 84,030 crore compared to 5,177 trades with a traded value of ` 94,875 crore in the previous month ***(Figure 11 and Table 13*)**.

**Figure 11: Trends in Reported Turnover of Corporate Bonds (**` **crore)**

1. **Trends in Institutional Investment**
2. **Trends in Investment by Mutual Funds**

The total net investment in the secondary market by mutual funds was ` 49,840 crore in February 2018, out of which ` 16,181 crore was invested in equity and ` 33,659 crore was invested in debt. This was an increase from total investment of ` 31,263 crore in January 2018 out of which ` 9,023 crore was invested in equity and ` 22,240 crore was invested in debt (***Figure 12***).

As on February 28, 2018, there were a total of 1,932 mutual fund schemes in the market, of which 1,296 (67.1 per cent) were income / debt oriented schemes, 511 (26.5 per cent) were growth / equity oriented schemes, 30 (1.6 per cent) were balanced schemes, 67 (3.5 per cent) were exchange traded funds and 28 (1.5 per cent) were fund of funds investing overseas **(*Tables 59 & 60*).**

**Figure 12: Trends in Mutual Funds Investment (` crore)**

1. **Trends in Investment by the Foreign Portfolio Investors (FPIs)**

In February 2018, FPIs liquidated ` 11,288 crore in the Indian securities market, out of which ` 11,037 crore was liquidated in equity and ` 254 crore was liquidated in debt. On the other hand, FPIs invested ` 3 crore in hybrid securities (***Figure 13***).

The assets of the FPIs in India, as reported by the custodians, at the end of February 2018 was ` 32,41,324 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 1,06,760 crore, constituting 3.3 per cent of the total assets under custody of FPIs (***Tables 53, 54 & 55***).

**Figure 13: Trends in FPIs Investment (` crore)**

***Note:*** *Data on**investment by FPIs in Hybrid securities has been compiled since December 26, 2017.*

1. **Trends in Portfolio Management Services**

Assets under management (AUM) of discretionary portfolio management services (PMS) increased by 0.9 per cent to ` 11,38,558 crore in February 2018 from ` 11,28,688 crore in January 2018. The AUM of Non-discretionary PMS marginally fell by 0.1 per cent to ` 89,623 crore from ` 89,720 crore, whereas, AUM of Advisory services, increased by 1.0 per cent to ` 2,21,147 crore from ` 2,00,665 crore. In terms of number of clients, at the end of January 2018, out of 1,18,099 clients in PMS industry, discretionary services category leads with total of 1,10,633 clients, followed by non-discretionary category with 5,356 clients and advisory category with 2,110 clients. ***(Table 61).***

1. **Trends in Substantial Acquisition of Shares and Takeovers**

In February 2018, two open offers with offer value of ` 10 crore were made to the shareholders as against two open offers with offer value of ` 3 crore in January 2018(***Figure 14***).

**Figure 14: Details of Offers Opened under the SEBI (SAST) Regulations (` crore)**

**Monthly Review of Global Financial Markets[[1]](#footnote-1) March 2018**

**Snapshots**

**United States:**

GDP expanded by 2.6 percent (annualised) in Q4 2017 as compared to 3.2 in previous quarter. CPI inflation was 2.2 percent (Y-o-Y) and Unemployment rate was 4.1 percent in February 2018

**United Kingdom**

Real GDP growth rate came down to 1.4 percent (Y-o-Y) in Q4 2017 against 1.8 percent of Q4 2017. CPI inflation was 2.7 percent (Y-o-Y) in February 2018. Unemployment rate was 4.3 percent during the period November to January 2018.

**Japan:**

GDP expanded by 1.5 percent (Y-o-Y) in Q4 2017, as compared to 1.9 percent in Q3. CPI inflation rose 1.4 percent (Y-o-Y) in January 2018. Unemployment rate was 2.8 percent in January 2018 as compared to the previous month.

**Euro Zone (EA19):**

GDP advanced by 2.7 percent (Y-o-Y) in Q4 2017 from 2.6 percent of previous quarter. CPI inflation decreased by 1.1 percent (Y-o-Y) in January 2018 as against previous month. Unemployment rate recorded 8.6 percent in January 2018.

**BRICS Nations:**

* Real GDP of Brazil advanced by 0.1 percent (Y-o-Y) in Q3 2017. CPI inflation increased to 2.84 percent in February 2018. Unemployment rate decreased to 12.2 percent in January 2018.
* Russia’s GDP advanced by 1.1 percent (Y-o-Y) in Q3 2017. CPI inflation was 2.2 percent (Y-o-Y) in February 2018. Unemployment rate was 5.2 percent in January 2018.
* India’s real GDP grew by 6.7 percent (Y-o-Y) in Q3, 2017-18 as compared to 6.2 percent of Q2. Consumer prices in India recorded 4.44 percent (Y-o-Y) in February 2018, against 5.07 of previous month.
* GDP of China expanded by 6.8 percent (Y-o-Y) in the Q4 quarter of 2017. Consumer prices in China increased by 2.9 percent (Y-o-Y) in February 2018. Unemployment rate observed to be 3.9 percent in Q4.
* GDP of South Africa advanced by 0.8 percent, against 1.3 percent in the previous quarter. Consumer prices increased by 4.4 percent in January 2018. Unemployment rate in South Africa remained at 26.7 percent in Q4 2017.

1. **Introduction:**
   1. Global economic growth has maintained its pace. However, it appears that some economies have reached growth limits although their growth remains at a high level. Lower-than-expected growth in 2017 witnessed in Japan, the UK, India and Russia point at limitations of the ongoing global growth dynamic. Besides, the potential sovereign debt-related consequences of the fiscal stimulus in the US coupled with the latest trade-related developments, may dampen the growth tempo to some extent. On a positive note, the shortfall of growth in few economies was compensated with better-than-anticipated growth in the Eastern European economies and rising growth levels in the Asia Pacific.

**The World Economy:**

* 1. The Interim Economic Outlook from the Organisation for Economic Co-operation and Development (OECD) provides the latest forecasts for GDP growth for 2018 and 2019, covering all G20 economies. The OECD projected that the global economy would grow by 3.9 per cent in both 2018 and 2019. It is expected that the expansion may continue and strengthen in the two years.

**Exhibit 1: OECD Interim Economic Outlook projections**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Region / Country** | **2017** | **2018** | **2019** | **Region / Country** | **2017** | **2018** | **2019** |
| **World** | 3.7 | 3.9 | 3.9 | **G20** | **3.8** | 4.1 | 4 |
| **Australia** | 2.3 | 3 | 3 | **Argentina** | **2.9** | 3.2 | 3.2 |
| **Canada** | 3 | 2.2 | 2 | **Brazil** |  |  |  |
| **Euro Area** | 2.5 | 2.3 | 2.1 | **China** | **6.9** | 6.7 | 6.4 |
| **Germany** | 2.5 | 2.4 | 2.2 | **India1** | **6.6** | 7.2 | 7.5 |
| **France** | 2 | 2.2 | 1.9 | **Indonesia** | **5.1** | 5.3 | 5.4 |
| **Italy** | 1.5 | 1.5 | 1.3 | **Mexico** | **2.3** | 2.5 | 2.8 |
| **Japan** | 1.7 | 1.5 | 1.1 | **Russia** | **1.5** | 1.8 | 1.5 |
| **Korea** | 3.1 | 3 | 3 | **Saudi Arabia** | -0.8 | 1.6 | 1.7 |
| **United Kingdom** | 1.7 | 1.3 | 1.1 | **South Africa** | 1.2 | 1.9 | 2.1 |
| **United States** | 2.3 | 2.9 | 2.8 | **Turkey** | **6.9** | 5.3 | 5.1 |

**Note:**

The G20 aggregate does not include EU countries that are not G20 members in own right.

1. Fiscal year in India starts in April

**Source:** OECD

* 1. On a positive note, trade and private investment have bounced back and job creation is strong. New fiscal stimulus in the United States and Germany would further boost short-term growth. Inflation is set to rise slowly. However, headwinds may come from a number of recent developments. New tensions and key vulnerabilities could derail the recovery. For example, advanced economies may gradually tighten their monetary policy in medium term. On the other hand, the restriction on imports of certain commodities by the US government may hamper international trade and in turn affect the growth.
  2. The Outlook underlines a range of policies that would help to sustain medium-term growth and ensure its benefits are widely shared. The report points out that the pace of structural reform is slow which thwart the process of improvement of skills. Hence, the fiscal stance should support but not overstimulate demand. Changes in the tax and spending mix would boost long-term inclusive growth.

**The Organisation for Economic Co-operation and Development (OECD)[[2]](#footnote-2):**

* 1. The Organisation for Economic Co-operation and Development (OECD) was born on 30 September 1961. It is an organisation of 35 member countries worldwide who together try to identify problems, discuss and analyse them, and promote policies to solve them. Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries.
  2. As per the provisional estimates, the real gross domestic product (GDP) in the OECD area grew at 0.6 per cent quarter-on-quarter (Q-o-Q) in the fourth quarter of 2017 as compared to 0.7 per cent growth in the previous quarter. Real GDP of the OECD area decelerated to 2.6 per cent year-on-year (Y-o-Y) in the fourth quarter of 2017 from 2.8 per cent in the previous quarter.
  3. Real GDP in the G20 area grew by 1.0 per cent in the fourth quarter of 2017; unchanged from the two previous quarters but with wide variation across countries, according to provisional estimates. Year-on-year (Y-o-Y) GDP growth for the G20 area was stable at 4.0 per cent in the fourth quarter of 2017. For 2017 as a whole, real GDP growth in the G20 area picked up to 3.8 per cent, from 3.2 per cent in 2016.
  4. Annual inflation in the OECD area slowed to 2.2 per cent in January 2018, compared with 2.3 per cent in December 2017. This slight decrease in the annual rate of inflation was driven by energy prices which grew at a slower pace in January (4.7 per cent), than in the year to December (6.2 per cent). Excluding food and energy, annual inflation also slowed marginally to 1.8 per cent, compared with 1.9 per cent in December. Food price inflation was stable at 2.2 per cent in January 2018. The OECD unemployment rate was stable at 5.5 per cent in January 2018.

**Exhibit 2: Major Macroeconomic Indicators**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Developed  Countries** | **Country / Region** | **Quarterly Growth Real GDP** | | | | **Annual CPI Inflation** | | **Unemployment Rate** | | **Benchmark Interest Rate** |
| **Y-o-Y** | **period** | **Q-o-Q** | **period** | **Rate** | **Period** | **Rate** | **Period** |
| United States\* | 2.50 | Q4 | 2.50 | Q4 | 2.20 | Feb-18 | 4.10 | Feb-18 | 1.50 |
| United Kingdom | 1.40 | Q4 | 0.40 | Q4 | 3.00 | Jan-18 | 4.40 | Dec-17 | 0.50 |
| Eurozone | 2.70 | Q4 | 0.60 | Q4 | 1.10 | Feb-18 | 8.60 | Jan-18 | 0.00 |
| Germany | 2.90 | Q4 | 0.60 | Q4 | 1.40 | Feb-18 | 3.60 | Jan-18 | 0.00 |
| France | 2.50 | Q4 | 0.60 | Q4 | 1.20 | Feb-18 | 8.90 | Q4 of 2017 | 0.00 |
| Japan | 2.00 | Q4 | 0.40 | Q4 | 1.40 | Jan-18 | 2.40 | Jan-18 | -0.10 |
| **BRICS** | Brazil | 2.10 | Q4 | 0.10 | Q4 | 2.84 | Feb-18 | 12.20 | Jan-18 | 6.75 |
| Russia | 1.80 | Q3 | 0.10 | Q3 | 2.20 | Feb-18 | 5.20 | Jan-18 | 7.50 |
| India | 7.20 | Q1 | 1.80 | NA | 4.44 | Feb-18 | NA | NA | 6.00 |
| China | 6.80 | Q4 | 1.60 | Q4 | 2.90 | Feb-18 | 3.90 | Q4 of 2017 | 4.35 |
| South Africa | 1.50 | Q4 | 3.10 | Q4 | 4.40 | Jan-18 | 26.70 | Q4 of 2017 | 6.75 |
| **Other Ems** | South Korea | 3.00 | Q4 | -0.20 | Q4 | 1.40 | Feb-18 | 3.60 | Feb-18 | 1.50 |
| Indonesia | 5.19 | Q4 | -1.70 | Q4 | 3.18 | Feb-18 | 5.50 | Q3 of 2017 | 4.25 |
| Turkey | 11.10 | Q3 | 1.20 | Q3 | 10.26 | Feb-18 | 10.40 | Dec-17 | 8.00 |

Note: Q1 refers to Jan - Mar 2017

Q2 refers to Apr- Jun 2017

Q3 refers to Jun – Sept 2017

Quarters are as per the financial year for India which is April to March

\*Represents figures in annualised terms

***Source:*** *Bloomberg*

**Chart 1: Year-on-Year Real GDP growth rates of developed countries/ region (percent)**

***Source:*** *Bloomberg*

**Chart 2: Year-on-Year Real GDP growth rates of BRICS countries/ region (percent)**

***Source:*** *Bloomberg*

**Chart 3: Year-on-Year Consumer Price Inflation for developed countries (percent)**

***Source:*** *Bloomberg*

**Chart 4: Year-on-Year Consumer Price Inflation for BRICS countries (percent)**

***Source:*** *Bloomberg*

1. **Major Recent Developments Across the Globe**
   1. **Free trade zones are becoming victims of counterfeit goods trafficking**

As per a recent article by OECD mentioning a report of European Intellectual Property Office, indicates rapid growth in free trade zones – where economic activity is driven by reduced taxes and customs controls, light regulation and limited oversight – is unintentionally fostering growth in counterfeit goods trafficking. To mention, there are more than 3,500 free trade zones, often located at key ports, in 130 countries or economies. The special zones facilitate trade by offering businesses advantageous tariffs and lighter regulation on financing, ownership, labour and immigration, and taxes.

**United States:**

* 1. As per the “advance” estimates released by the Bureau of Economic Analysis the real GDP of US grew at an annual rate of 2.6 percent during the fourth quarter of 2017 against 3.2 percent growth rate recorded in the previous quarter. The increase in real GDP reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, non-residential fixed investment, exports, and federal government spending. Real GDP increased by 1.6 percent in 2016 (Y-o-Y) compared with an increase of 2.6 percent in 2015. As per IMF’s latest growth outlook the US economy is projected to expand at 2.2 percent in 2017 and 2.3 percent in 2018.
  2. As per data released by the Bureau of Labor Statistics, the consumer prices in USA went up by 2.2 percent (Y-o-Y) in February 2018. The price index for all items less food and energy rose by 1.8 percent (Y-o-Y) during the month. Unemployment rate in US was 4.1 percent in February 2018 same as of previous month. The Federal Open Market Committee (FOMC) on 20 March 2018 increased the target range for the federal funds rate to, 1.5 to 1.75 per cent from 1.25 to 1.5 per cent.
  3. The seasonally adjusted Markit US Manufacturing Purchasing Managers’ Index (PMI) posted 55.3 in February 2018, against 55.5 of previous month. The Markit U.S. Services PMI recorded in 55.9 against 53.3 of the previous month.

***Observations:*** *With increased orders from Domestic and export demand both manufacturing and Service sectors saw a rise. It can also be expected to increase in the pricing power with the increase in the demand. A rise in the back orders was also observed as firms struggled to cope with the increased demand.*

**United Kingdom:**

* 1. As per the second estimate by Office for National Statistics, the British economy grew at 0.4 percent (Q-o-Q) in the Q4 2017, compared to 0.5 percent growth in the previous quarter. On a Y-o-Y basis, GDP expanded 1.4 percent in the Q4 2017 following a 1.8 percent expansion in the previous period. IMF has revised down the growth forecast in the United Kingdom to 1.7 percent from 2.0 percent in 2017 and to 1.5 percent in 2018.
  2. The CPI Inflation in the UK was at 2.7 percent (Y-o-Y) in February 2018 against 3.0 of previous period. UK unemployment rate was 4.3 percent during the period November 2017 to January 2018 same as of previous period. The Bank of England Monetary Policy Committee decided to keep the Bank Rate at 0.50 percent and left the stock of purchased assets at £435 billion.
  3. Manufacturing PMI marked in 55.3 January 2018 against 56.2 in previous period. The UK Services PMI marked 53.0 in January 2018 against 54.2 of previous period.

***Observations:*** manufacturing PMI indicated a further expansion while service PMI indicated a slight decreases in the growth of service sector. *Unemployment rates were also observed slight lower than the previous reading which indicates to increase in the number of new jobs being added. Inflation remains at three and above for consecutive five months.*

*.*

**Japan:**

* 1. The Japanese economy advanced 0.4 percent (Q-o-Q) in the fourth quarter of 2017, following a 0.6 percent expansion in the previous period. Growth was mainly supported by due to strong private consumption and an upward revision of business spending and inventories.In Y-o-Y terms, Japanese economy grew by 2.0 percent (Y-o-Y) during Q4 2017 as compared to 1.9 percent (Y-o-Y) in previous period. According to IMF’s outlook, the Japanese economy is expected to grow at 1.5 percent in 2017 and pace of expansion is expected to weaken thereafter to 0.7 percent in 2018.
  2. Consumer prices in Japan rose 1.4 percent in January 2018, following 1 percent expansion in the previous month. This was the highest in past 30 months. The seasonally adjusted unemployment rate in Japan decreased to 2.4 percent in January 2018 from 2.8 percent in the previous month.
  3. The Bank of Japan left its key short-term interest rate unchanged at -0.1 percent at its January 2018 meeting, as expected. The policymakers also decided to keep its 10 year Government bond yield target around 0 percent offered a more upbeat view on private consumption and capital expenditure.

***Observations:*** *Economic activity in Japan is expected to remain strong in 2018 as healthy global growth and accommodative financial conditions in the country have positive spillovers on the Japanese economy. However, persistent geopolitical tensions could add upward pressure on the safe-haven yen, hurting the all-important external sector.*

**Euro Area (EA19)[[3]](#footnote-3):**

* 1. The real GDP growth in the Euro area was recorded 2.7 percent in the Q4 2017 (Y-o-Y). In Q-o-Q terms, the Euro Area economy growth advanced by 0.6 percent in Q4 2017 as compared to the previous quarter. Among Eurozone's countries, Estonia (2.2 percent), Slovenia (2.0 percent) and Lithuania (1.4 percent) recorded the highest growth compared with the previous quarter, while Greece and Croatia recorded the lowest growth (both 0.1 percent), followed by Italy and Latvia (both 0.3 percent) .The growth of Euro area is projected to rise to 2.1 percent in 2017, before moderating to 1.9 percent in 2018.
  2. Eurozone annual inflation was 1.1 percent in February 2018, down from 1.3 percent in January 2018. The lowest annual rates were registered in Cyprus (-0.4 percent), Greece (0.4 percent), Denmark and Italy (both 0.5 percent). The highest annual rates were recorded in Romania (3.8 percent), Lithuania and Estonia (both 3.2 percent).
  3. The seasonally-adjusted unemployment rate in the Eurozone recorded 8.6 percent in January 2018, stable as compared to previous month. Among the Member States, the lowest unemployment rates in January 2018 were recorded in the Czech Republic (2.4 percent), Malta (3.5 percent) and Germany (3.6 percent). The highest unemployment rates were observed in Greece (20.9 percent in November 2017) and Spain (16.3 percent).
  4. The European Central Bank decided to keep interests rates unchanged in its January meeting and held its benchmark refinancing rate at 0 percent. They also agreed that the language pertaining to the monetary policy stance could be revisited in forthcoming meetings, with some members expressing a preference for dropping the easing bias regarding the APP from the Governing Council’s communication.

***Observations:*** *Eurozone’s economy continued to grow on all fronts in the third quarter of 2017*.*The Eurozone economy is on track to grow at the fastest pace this year due to several tailwinds, including accommodative monetary policy, improving labor market dynamics and a favorable external backdrop.*

**Brazil:**

* 1. GDP of Brazil advanced by 0.1 percent in the third quarter of 2017, following an upwardly revised 0.7 percent growth in the previous period. It is the smallest expansion in three quarters after a 2-year recession. As per recent World Economic Outlook by IMF, Brazil is expected to grow at 0.7 percent in 2017 and 1.5 percent in 2018.
  2. Consumer prices in Brazil increased by 2.84 percent (Y-o-Y) in February 2018, almost unchanged from a 2.86 percent in February 2018 .The Central Bank of Brazil cuts its key Selic rate by 25 basis points to 6.75 percent in December 2017. It was the eleventh straight rate decline, bringing borrowing costs to the lowest since September of 2013 amid plunging inflation and a slow recovery. The jobless rate in Brazil stood at 12.2 percent in the three months to January 2018, unchanged from the August-October 2017 period and above market expectations of 12 percent.

**China:**

* 1. The Chinese economy expanded 6.8 percent year-on-year in the last quarter of 2017, the same as in the previous three months and beating market expectations of 6.7 percent. Considering full 2017, the economy grew 6.9 percent, well above the official target of near 6.5 percent and a 26-year low of 6.7 percent in 2016. Strong growth in industry and exports and a resilient property market were the main drivers of the expansion. According to IMF’s recent forecast, China’s growth is expected to grow at 6.8 percent in 2017, and to decline modestly in 2018 to 6.5 percent.
  2. China's consumer prices rose by 2.9 percent year-on-year in February of 2018, after a 1.5 percent rise in the January 2018, matching market expectations. It was the lowest inflation rate since November 2013. The People's Bank of China’s benchmark one-year lending rate remained at 4.35 percent, since last cut of 25 basis point in October, 2015. Unemployment Rate in China decreased to 3.90 percent in the fourth quarter of 2017 from 3.95 percent in the third quarter of 2017.

**Russia:**

* 1. Russia's gross domestic product expanded by 1.5 percent year-on-year in 2017, compared with a 0.2 percent contraction in 2016. It was the first year of growth since 2014. The secondary sector contributed positively to growth. The growth forecast for Russia is expected to remain at 1.8 percent for 2017 and 1.6 for 2018.
  2. Russia's consumer price inflation rose to 2.2 percent year-on-year in February 2018 same as in the previous month. The Central Bank of Russia lowered its benchmark one-week repo rate at 7.50 percent. Russian unemployment rate increased to 5.2 percent in January 2018 as compared to previous month..

**South Africa**

* 1. The South African economy advanced 0.8 percent (Y-o-Y) in the third quarter of 2017, below upwardly revised 1.3 percent expansion in the previous period which was the highest growth rate in two years. As per IMF’s projections, the growth projections for South Africa are 0.7 percent for 2017 and 1.1 percent for 2018.
  2. Consumer prices in South Africa grew 4.4 percent in January of 2018, slowing down from 4.7 percent reported in December and slightly below market expectations of 4.5 percent. It was the lowest inflation rate since March 2015. The South African Reserve Bank kept its benchmark repo rate steady at 6.75 percent in its January 2018 meeting. Policymakers said the inflation outlook has improved and will remain near the target range midpoint although upside risks still arise. South Africa's unemployment rate decreased to 26.7 percent in the fourth quarter of 2017 from 27.7 percent in the previous period.

1. **Review of Global Financial Markets:** 
   1. With the start of new calendar year Developed international and emerging markets stocks fell in February.These gains were driven by fears of an unexpectedly fast rise in inflation and interest rates, geopolitical uncertainty, and investor reaction to corporate earnings and economic news. On the other hand, Emerging markets stocks fell in February, breaking a four-month-long winning streak, as worries about rising U.S. interest rates sparked a global sell-off. The MSCI Emerging Markets (EM) Index fell more than 10 percent from its latest high in January.
   2. U.S. equities were much more volatile in February than in recent months and posted negative returns, but share prices finished above their lowest levels of the month. European stocks’ performance mirrored the broad stock sell-off in the U.S. following concerns that a tightening labor market could spur higher labor costs and fears that the Federal Reserve might accelerate its pace of interest rate increases. Japanese equities also fell, but its stocks recovered better than in most other global markets. Positive economic news, including strong exports and imports, optimistic business sentiment, and increasing domestic consumption, helped to fuel the recovery. Chinese dollar- and yuan-denominated shares fell more than 6 percent in U.S. dollar terms. Indian Stocks retreat amid Credit Quality Concerns. Brazilian Stocks declined roughly 2 percent as Government shelves pension reforms. Russian stocks added about 1 percent, boosted by S&P’s decision to upgrade its credit rating on Russia to investment-grade status
   3. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed a significant decline of 4.3 percent. On the other hand, MSCI Emerging Market Index registered a significant decrease of 4.7 percent in February 2018. MSCI India Index registered a fall of 4.6 percent in February 2018 over the previous month. (Chart 5).

**Chart 5: Movement in MSCI World and Emerging Market Index**

*Source: Bloomberg*

**Bond Markets:**

* 1. US Treasury yields continued to rise at a robust pace as strong jobs data gave further fuel to growth and inflation expectations during February 2108. Treasuries were impacted by the volatility spike early in the month, with yields oscillating significantly over the first few days. They rose steadily thereafter, reaching an intra-month high of 2.95 percent. The 10-year Treasury note’s yield increased from 2.71 percent to 2.86 percent at the end of February 2018. The German government 10-year note’s yield fell from 0.70 percent to 0.66 percent during the month.
  2. European yields moved sideways, following January’s upward move. The German government 10-year note’s yield fell from 0.70 percent to 0.66 percent during the month. Chinese 10-year yields were lower from 3.92 percent to 3.85 percent, while Spain’s yield ticked up from 1.43 percent to 1.46 percent. UK 10-year gilt yields were marginally lower at 1.50 percent.

**Chart 6: Movement in 10 year bond yield of major countries**

***Source****: Bloomberg*

**Currency Market:**

* 1. During February 2018 (by comparing the closing prices of the close of last trading days of the January and February), the U.S. dollar (USD) lost against 2 currencies out of 7 currencies (i.e. INR, YEN, GBP, EURO, Real, Yuan and Ruble) evaluated against it. The change in the currencies against dollar was Yen (2.40 percent), Ruble (0.08 percent), Yuan (-0.70 percent), Euro (-1.68 percent), Real (-1.79 percent), INR (-2.34 percent) and GBP (-2.88 percent) respectively.
  2. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 90.61 on close of February 2018, it appreciated 1.66 percent against the basket of major currencies during February 2018, and was 11.35 percent below the close of last trading day of 2016.

* 1. Comparing the closing prices of currencies in 2016 with the closing price of February, Euro changed by 13.74 percent followed by GBP (10.52 percent), Yuan (8.77 percent), Yen (8.5 percent), Ruble (8.15 percent), INR (4.12 percent) and Real (0.38 percent) respectively.
  2. Since the beginning of February 2016 till February 2018 (closing prices of the last trading days of January 2016 and February 2018 were compared), Brazilian Real and Russian Ruble changed 18.93 and 25.56 percent respectively against USD. During the same period, INR gained 3.86 percent. Other currencies such as Yen gained 11.9 percent against USD. Euro gained 11.3 percent against USD while GBP depreciated 3.32 percent against USD. Chinese Yuan has gained 3.73 percent against USD.

**Chart 7: Movement of major currencies against US Dollar ($)**

**Source**: Bloomberg

**Trend in Market Indices:**

* 1. Major stock indices all over the world exhibited a negative trend during February 2018. Amongst the developed markets, Hang Seng of Hong Kong witnessed a decrease of 6.2 percent, followed by Dax of Germany decreasing by 5.7 percent and Nikkei 225 of Japan decreasing by 4.5 percent during February 2018.
  2. As regards the emerging market indices, Hermes of Egypt led the way with an increase of 2.1 percent, followed by Brazil’s Bovespa which increased by 0.5 percent and Russian Traded of Russia which also recorded ma marginal increase of 0.3 percent during February 2018. On the contrary, a fall of 6.4 percent was registered by Shanghai Comopsite of China followed by Bolsa of Mexico and IGBC General of Colombia declining by 6.0 percent and 5.8 percent respectively during the same period.

**Chart 8: Trend in Major Developed Market Indices**

**Source**: Bloomberg

**Chart 9: Trend in Market Indices of BRICS Nations**

**Source**: Bloomberg

**Market Capitalisation:**

* 1. Market capitalisation of major countries in the world, at the end of February 2018, is given in table A6 and is illustrated in Chart 10. The market capitalisation of most of the major countries showed a negative trend during the month of February 2018.
  2. Among major developed markets, the market capitalisation of UK decreased significantly by 6.5 percent while Hong Kong showed a decrease of 5.7 percent during February 2018. Australia, France and USA also showed a decrease in their market capitalisation by 3.7 percent, 3.5 percent and 3.0 percent respectively. Japan and Singapore also recorded decline in market capitalisation by 2.4 percent and 2.5 percent during the same period.
  3. As regards the emerging markets, the market capitalisation of South Korea decreased by 7.0 percent while Argentina’s market capitalisation witnessed a decrease by 6.7 percent. The market capitalization of India and Colombia descended by 6.3 percent and 5.7 percent respectively. China and Mexico also showed decrease in their market capitalisation and fell by 5.2 percent and 4.2 percent respectively at the end of February 2018. On the other hand, the market capitalisation of South Africa, Russia and Brazil increased by 2.3 percent, 2.0 percent and 0.7 percent respectively during the same period.

**Chart 10: Trend in Market Capitalisation of Major Exchanges (US$ Trillion)**

***Source****: Bloomberg*

**Derivatives Market:**

* 1. Among the major stock exchanges covered in the review (Table A4 & A5), during January 2018, the monthly notional turnover of index futures in CME Group was the highest at USD 5,960 billion followed by EUREX (USD 1,826 billion), Hong Kong Exchanges and Clearing (USD 1,272 billion) and Japan Exchange Group (USD 1,053 billion). In case of Index options, Korea Exchange recorded the monthly turnover of USD 5,121 billion followed by CME Group (USD 3,800 billion) and EUREX (USD 1,420 billion). Korea Exchange recorded highest number of contracts traded in Index option category, with 68 million contracts traded in January 2018, followed by Chicago Board Options Exchange (55.7 million contracts), EUREX (31.4 million contracts) and TAIFEX (21.4 million contracts).
  2. In case of Stock Options, BM&FBOVESPA recorded highest volume (70.1 million contracts) in terms of contracts traded on the major world exchanges followed by Nasdaq - US (68.1 million contracts), Chicago Board Options Exchange (45.1 million contracts), NYSE (38.8 million contracts) and Hong Kong Exchanges and Clearing (16.8 million contracts). In case of Stock Futures, Korea Exchange remains the number one exchange in terms of number of contracts traded with monthly volume of 33.1 million contracts, followed by Moscow Exchange (13.5 million contracts), EUREX (8.8 million contracts) and Thailand Futures Exchange (6.4 million contracts).

1. **Review of Indian Economy**
   1. As per the latest available release of Ministry of Statistics and Programme Implementation for quarterly estimates of GDP, for Q3 of 2017-18, quarterly GVA (Gross Value Added) at basic price of 2011-12 has shown a growth rate of 6.7 per cent (Y-o-Y) against 6.9 percent of same quarter of previous fiscal year. Agriculture sector's GVA at basic price has been estimated at 4.1 percent as against 7.5 per cent of same quarter of previous fiscal year. Manufacturing sector grew by 8.1 percent same as in Q3 of previous fiscal year. For the financial, real estate and professional services sector, quarterly GVA at basic prices, grew by 6.7 percent as compared to growth of 2.8 percent in previous fiscal year.
   2. GDP in FY 2016-17 has shown a growth rate of 7.2 percent (Y-o-Y). The World Bank has downgraded India's economic growth forecasts to 6.7 percent and 7.3 percent for 2017 and 2018 respectively.
   3. The Nikkei India Manufacturing PMI (Purchasing Managers’ Index) stood at 52.1 in February against 52.4 in previous month. The latest Nikkei India Services PMI Index noted 47.8 against 51.7 of previous month.

**Exhibit 3: Quarterly Estimates of GVA (Y-o-Y) (at 2011-12 prices)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **2016-17** | | | | **2017-18** | | |
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| 1. Agriculture & allied activities | 4.3 | 5.5 | 7.5 | 5.2 | **2.7** | 2.7 | 4.1 |
| 2. Mining & Quarrying | 10.5 | 9.1 | 12.1 | 6.4 | 1.8 | 7.1 | -0.1 |
| 3. Manufacturing | 9.9 | 7.7 | 8.1 | 5.3 | -1.8 | 6.9 | 8.1 |
| 4. Electricity, Gas, Water Supply & Other Utility Services | 12.4 | 7.1 | 9.5 | 6.1 | 7.1 | 7.7 | 6.1 |
| 5. Construction | 3 | 3.8 | 2.8 | -3.7 | 1.5 | 2.8 | 6.8 |
| 6. Trade, Hotel, Transport, Communication and services related to broadcasting | 8.9 | 7.2 | 7.5 | 6.5 | 8.4 | 9.3 | 9 |
| 7. Financial, Real Estate & Professional Services | 10.5 | 8.3 | 2.8 | 2.2 | 8.9 | 6.4 | 6.7 |
| 8. Public Administration, Defense and Other services | 7.7 | 8 | 10.6 | 17 | 13.2 | 5.6 | 7.2 |
| **Gross Value Added at Basic Price** | **8.3** | **7.2** | **6.9** | **5.6** | **5.6** | **6.2** | **6.7** |
| **GDP** | **8.1** | **7.6** | **6.8** | **6.1** | **5.7** | **6.5** | **7.2** |

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) increased by 7.5 percent in January 2018, against 4.1 percent growth recorded in January 2018 (both over the corresponding period in the previous year), with manufacturing growing by 8.7 percent as compared to its 4.3 percent growth in previous year. Electricity grew at 7.6 percent in as compared to 5.3 percent growth in previous year. Mining grew by 0.1 percent, compared to 2.5 percent growth in previous year. During April-January 2017-18, the IIP grew 3.5 percent, against 5.0 percent growth recorded in corresponding period in previous financial year.

**Inflation**

* 1. India's CPI inflation grew by 4.44 percent in February, against 5.07 in previous month. Food prices (as measured by CFPI) showed an increase of 3.26 percent as compared to growth of 4.70 percent in last month. The Repo rate currently stands at 6.00 percent.

**Trade – Exports and Imports**

* 1. Exports during February 2018 grew at 4.48 percent in dollar terms valued at USD 25.83 billion as compared to USD 24.73 billion during same month of last year. Imports increased by 10.41 percent to USD 37.81 billion from 34.25 billion during the same month of last year. The merchandise trade deficit was USD 11.98 billion in during February 2018, against the deficit of USD 9.52 billion of February 2018. Taking merchandise and services together, overall trade deficit for April- February 2017-18 was estimated at USD 85.70 billion, against the deficit of USD 44.38 billion during April-February 2016-17.

**Foreign Exchange Reserves**

* 1. Since the end of March 2017, forex reserves have increased by about USD 50,635.90 million. The reserves were recorded at USD 420.59 billion as on 23 February 2018. (Exhibit 4)

**Exhibit 4: Foreign Exchange Reserves (USD billion)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **23 Feb 2018** | **26 Jan 2018** | **29 Dec 2017** | **24 Nov 2017** |
| **Total Reserves** | 420.6 | 417.8 | 409.4 | 400.7 |
| **Foreign Currency Assets** | 395.5 | 393.7 | 385.1 | 376.3 |
| **Gold** | 21.5 | 20.4 | 20.7 | 20.7 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.5 |
| **Reserve Position in the IMF** | 2.1 | 2.1 | 2.0 | 2.3 |

***Source:*** *RBI*

1. **Annex Tables:**

**Table A1: Trend in major International Indices**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Index** | **As on**  **March\*,2016** | **As on March\*,2017** | **As on**  **January\*, 2018** | **As on**  **Febuary\*, 2018** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5151.8 | 5903.8 | 6146.47 | 6117.34 |
| France | CAC 40 | 4385.1 | 5089.6 | 5481.93 | 5320.49 |
| Germany | Dax | 9965.5 | 12256.4 | 13189.48 | 12435.85 |
| Hong Kong HSI | Hang Seng | 20776.7 | 24111.6 | 32887.27 | 30844.72 |
| Japan NIKKEI | Nikkei 225 | 16758.7 | 18909.3 | 23098.29 | 22068.24 |
| Singapore STI | Straits Times | 2840.9 | 3175.1 | 3533.99 | 3517.94 |
| UK | FTSE 100 | 6174.9 | 7322.9 | 7533.55 | 7231.91 |
| USA DOW JONES | Dow Jones Industrial Average | 17685.1 | 20663.2 | 26149.39 | 25029.20 |
| USA NASDAQ Composite | Nasdaq Composite | 4869.8 | 5911.7 | 7411.48 | 7273.01 |
| India (BSE) | Sensex | 25341.9 | 29620.5 | 35965.02 | 34184.04 |
| India (NSE) | Nifty 50 | 7738.4 | 9173.8 | 11027.70 | 10492.85 |
| Brazil | Bovespa | 50055.3 | 64984.1 | 84912.70 | 85353.59 |
| Chile | Stock Market Select | 3937.5 | 4783.4 | 5855.38 | 5602.83 |
| China | Shanghai SE Composite IX | 3003.9 | 3222.5 | 3480.83 | 3259.41 |
| Colombia | IGBC General | 9871.5 | 10150.7 | 12113.25 | 11411.08 |
| Egypt | Hermes | 687.3 | 1167.8 | 1496.52 | 1528.22 |
| Hungary | Budapest Stock Exchange | 26451.0 | 31634.3 | 40188.51 | 38112.00 |
| Indonesia | Jakatra Composite | 4845.4 | 5568.1 | 6605.63 | 6597.22 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1717.6 | 1740.1 | 1868.58 | 1856.20 |
| Mexico | Bolsa | 45881.1 | 48541.6 | 50456.17 | 47437.93 |
| Pakistan | Karachi 30 | 19167.5 | 25615.6 | 22018.81 | 21755.84 |
| Russia | Russian Traded | 1203.3 | 1509.7 | 1812.81 | 1818.18 |
| South Africa | FTSE/JSE Africa All Share | 52250.3 | 52056.1 | 59506.12 | 58325.09 |
| Taiwan | Taiwan Taiex | 8744.8 | 9811.5 | 11103.79 | 10815.47 |
| Thailand | Stock Exchange of Thai | 1407.7 | 1575.1 | 1826.61 | 1830.13 |
| Turkey | ISE National 100 | 83268.0 | 88947.4 | 119044.4 | 118950.8 |

\*Indices are as on last trading day of the month,

**Source**: Bloomberg

**Table A2: Volatility and P/E Ratio of Major International Indices**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Index** | **Volatility (per cent)** | | **P/E Ratio** | |
|
| **Jan-18** | **Feb-18** | **Jan-18** | **Feb-18** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.4 | 1.0 | 16.6 | 16.5 |
| France | CAC 40 | 0.6 | 1.2 | 15.2 | 14.7 |
| Germany | Dax | 0.7 | 1.2 | 13.7 | 12.9 |
| Hong Kong HSI | Hang Seng | 0.8 | 1.8 | 12.9 | 12.0 |
| Japan NIKKEI | Nikkei 225 | 1.0 | 1.7 | NA | NA |
| Singapore STI | Straits Times | 0.6 | 1.0 | 14.4 | 14.2 |
| UK | FTSE 100 | 0.5 | 1.0 | 14.5 | 13.7 |
| USA DOW JONES | Dow Jones Industrial Average | 0.6 | 1.9 | 18.0 | 16.9 |
| USA NASDAQ Composite | Nasdaq Composite | 0.7 | 1.8 | 22.8 | 22.1 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.5 | 0.9 | 25.2 | 24.5 |
| India (NSE) | Nifty 50 | 0.5 | 0.9 | 23.7 | 23.0 |
| Argentina | Indice Bolsa General | 1.3 | 2.3 | 14.6 | 14.9 |
| Brazil | Bovespa | 1.2 | 1.5 | 13.6 | 13.1 |
| Chile | Stock Market Select | 0.5 | 0.9 | 19.8 | 18.7 |
| China | Shanghai SE Composite IX | 0.6 | 1.7 | 13.5 | 12.8 |
| Colombia | IGBC General | 0.9 | 1.3 | 15.0 | 14.1 |
| Egypt | Hermes | 0.8 | 0.8 | 10.9 | 11.4 |
| Hungary | Budapest Stock Exchange | 0.9 | 1.1 | 11.2 | 10.8 |
| Indonesia | Jakatra Composite | 0.7 | 0.7 | 17.3 | 16.9 |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.4 | 0.8 | 16.7 | 16.5 |
| Mexico | Bolsa | 0.7 | 0.9 | 17.1 | 16.1 |
| Pakistan | Karachi 30 | 1.1 | 1.0 | 9.7 | 9.3 |
| Russia | Russian Traded | 1.2 | 1.6 | 6.8 | 6.5 |
| South Korea | Kospi Index | 0.7 | 1.2 | NA | NA |
| South Africa | FTSE/JSE Africa All Share | 0.7 | 1.4 | 16.4 | 16.3 |
| Taiwan | Taiwan Taiex | 0.6 | 1.9 | 13.4 | 13.1 |
| Thailand | Stock Exchange of Thai | 0.5 | 0.6 | 16.6 | 16.6 |
| Turkey | ISE National 100 | 1.3 | 1.2 | 8.6 | 8.6 |

NA.: Not Available

**Source**: Bloomberg,

**Table A3: Investment Flows – New capital Raised by Shares and Bonds in the Major Exchanges**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Stock Exchange** | **Dec-17** | | | **Jan-18** | | |
| **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** | **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** |
| Australian Securities Exchange | NA | 5,000 | 5,000 | NA | 1,214 | 1,214 |
| BME Spanish Exchanges | NA | 704 | 704 | NA | 2,345 | 2,345 |
| Bolsa de Comercio de Buenos Aires | 7,831 | 1 | 7,831 | 12,849 | 0 | 12,849 |
| Borsa Istanbul | 3,840 | 36 | 3,876 | 8,313 | 36 | 8,349 |
| Euronext | NA | 6,885 | 6,885 | NA | 4,722 | 4,722 |
| Hong Kong Exchanges and Clearing | 18,043 | 9,878 | 27,921 | 15,534 | 7,586 | 23,119 |
| Irish Stock Exchange | 599 | 13 | 612 | 4,973 | 35 | 5,007 |
| Japan Exchange Group Inc. | 9,286 | 9,610 | 18,896 | NA | NA | NA |
| Johannesburg Stock Exchange | 4,020 | 704 | 4,724 | 2,393 | 253 | 2,646 |
| Korea Exchange | 32,438 | 658 | 33,097 | 37,545 | 37 | 37,582 |
| London SE Group | 16,285 | 5,595 | 21,880 | 57,290 | 875 | 58,165 |
| Moscow Exchange | 33,235 | 28 | 33,263 | 20,650 | NA | 20,650 |
| Nasdaq - US | NA | 924 | 924 | NA | 536 | 536 |
| Nasdaq Nordic Exchanges | 4,093 | 172 | 4,265 | 4,248 | 3 | 4,251 |
| NYSE | NA | 4,044 | 4,044 | NA | 11,131 | 11,131 |
| Oslo Bors | 5,399 | 500 | 5,899 | 4,738 | 50 | 4,787 |
| Shanghai Stock Exchange | NA | 7,322 | 7,322 | NA | 14,404 | 14,404 |
| Shenzhen Stock Exchange | 3,260 | 11,213 | 14,473 | 4,981 | 8,645 | 13,625 |
| Singapore Exchange | 37,558 | 53 | 37,611 | 19,142 | NA | 19,142 |
| SIX Swiss Exchange | 2,580 | 196 | 2,776 | 3,825 | 0 | 3,825 |
| Tel-Aviv Stock Exchange | 2,799 | 287 | 3,085 | 3,159 | 30 | 3,189 |
| TMX Group | 167 | 5,612 | 5,779 | 199 | 3,167 | 3,367 |
| Warsaw Stock Exchange | NA | 100 | 100 | NA | 74 | 74 |

NA: Not Available

**Source**: World Federation of Exchanges

**Table A4: Monthly Turnover in Derivatives (Stock options and Stock futures) in major Stock Exchanges**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **Jan-18** | | | |
| **Stock options** | | **Stock futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 7,01,03,958 | 53,844 | 0 | 0 |
| Bolsa de Comercio de Buenos Aires | 35,31,975 | 0 | 0 | 0 |
| Chicago Board Options Exchange | 4,51,22,980 | NA | NA | NA |
| Nasdaq - US | 6,80,77,666 | NA | NA | NA |
| NYSE | 3,88,14,166 | 11,257 | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 57,21,013 | 12,980 | 44,308 | 156 |
| Hong Kong Exchanges and Clearing | 1,68,49,976 | 59,645 | 16,501 | 115 |
| Japan Exchange Group | 82,525 | NA | NA | NA |
| Korea Exchange | 18,93,921 | NA | 3,30,59,478 | 35,674 |
| TAIFEX | 24,854 | 177 | 21,57,867 | 13,808 |
| Thailand Futures Exchange | NA | NA | 63,98,097 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 2,275 | 1 | 11,73,166 | 225 |
| BME Spanish Exchanges | 16,98,900 | 1,525 | 4,03,794 | 303 |
| Borsa Istanbul | 4,62,272 | 99 | 27,07,203 | 706 |
| EUREX | 1,64,54,982 | 93,063 | 87,52,683 | 29,173 |
| Euronext | 68,89,681 | 27,740 | 7,353 | 45 |
| Johannesburg Stock Exchange | 12,39,426 | 56 | 6,14,040 | 811 |
| Moscow Exchange | 84,360 | 35 | 1,34,62,314 | 4,868 |
| Nasdaq Nordic Exchanges | 20,36,788 | 3,454 | 2,42,681 | 849 |
| Oslo Bors | 182 | 353 | 39 | 36 |
| Tehran Stock Exchange | 4,20,810 | 0 | 0 | 0 |
| Tel-Aviv Stock Exchange | 50,502 | 344 | NA | NA |

NA: Not Available

**Source**: World Federation of Exchanges

**Table A5: Monthly Turnover in Derivatives (Index options and Index futures) in major Stock Exchanges**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **Jan-18** | | | |
| **Stock index options** | | **Stock index futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 15,49,426 | 15,288 | 3,94,56,534 | 2,34,464 |
| Chicago Board Options Exchange | 5,57,43,740 | NA | NA | NA |
| CME Group | 1,99,55,687 | 38,00,320 | 4,40,56,005 | 59,60,480 |
| ICE Futures US | 0 | 0 | 25,41,410 | 1,96,797 |
| MexDer | 1,004 | 26 | 39,665 | 1,041 |
| Nasdaq - US | 3,96,160 | NA | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 8,74,425 | 43,027 | 6,88,531 | 82,493 |
| Hong Kong Exchanges and Clearing | 40,52,655 | 5,00,328 | 98,79,758 | 12,71,640 |
| Japan Exchange Group | 30,34,126 | NA | 2,38,94,730 | 10,53,120 |
| Korea Exchange | 6,80,26,317 | 51,21,100 | 74,06,274 | 3,94,635 |
| Singapore Exchange | 7,68,064 | NA | 1,44,81,011 | NA |
| TAIFEX | 2,14,46,387 | 4,05,091 | 63,57,111 | 3,33,174 |
| Thailand Futures Exchange | 1,56,661 | NA | 37,57,092 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 9,502 | 52 | 75,349 | 410 |
| BME Spanish Exchanges | 4,11,618 | 5,261 | 6,47,075 | 69,357 |
| Borsa Istanbul | 11,394 | 44 | 43,03,570 | 16,622 |
| EUREX | 3,14,33,049 | 14,20,480 | 2,97,64,314 | 18,25,850 |
| Euronext | 13,85,587 | 94,841 | 30,08,112 | 2,51,355 |
| Johannesburg Stock Exchange | 3,79,147 | 100 | 9,70,105 | 26,612 |
| Moscow Exchange | 32,96,682 | 7,955 | 91,44,154 | 22,652 |
| Nasdaq Nordic Exchanges | 4,61,758 | 9,465 | 32,30,805 | 64,946 |
| Oslo Bors | 52 | 511 | 197 | 1 |
| Tel-Aviv Stock Exchange | 32,97,945 | NA | NA | NA |
| Warsaw Stock Exchange | 23,829 | 182 | 2,54,096 | 3,891 |

NA: Not Available

**Source**: World Federation of Exchanges

**Table A6: Market Capitalisation of major Stock Exchanges** (US$ Million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Dec-17** | **Jan-18** | **Feb-18** | **M-o-M change(%)** |
| *1* | *2* | *3* | *4* | *5* |
| **Developed Markets** |  |  |  |  |
| Australia | 1,407,396 | 1,458,409 | 1,404,789 | (3.7) |
| France | 2,535,935 | 2,703,229 | 2,608,779 | (3.5) |
| Germany | 2,428,815 | 2,565,898 | 2,405,860 | (6.2) |
| Hong Kong | 5,386,255 | 5,902,293 | 5,568,750 | (5.7) |
| Japan | 6,329,868 | 6,692,251 | 6,530,628 | (2.4) |
| Singapore | 566,887 | 590,182 | 575,190 | (2.5) |
| UK | 3,803,374 | 3,946,169 | 3,691,487 | (6.5) |
| USA | 29,644,397 | 31,342,089 | 30,413,918 | (3.0) |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 2,386,341 | 2,423,928 | 2,270,798 | (6.3) |
| Argentina | 106,688 | 119,812 | 111,769 | (6.7) |
| Brazil | 891,558 | 1,012,542 | 1,019,294 | 0.7 |
| Chile | 295,410 | 313,953 | 308,772 | (1.7) |
| China | 7,724,010 | 8,252,150 | 7,824,166 | (5.2) |
| Colombia | 119,928 | 136,966 | 129,129 | (5.7) |
| Egypt | 50,176 | 52,219 | 53,712 | 2.9 |
| Hungary | 30,956 | 33,304 | 31,319 | (6.0) |
| Indonesia | 514,817 | 541,638 | 529,610 | (2.2) |
| Malaysia | 448,239 | 481,104 | 475,170 | (1.2) |
| Mexico | 373,630 | 403,845 | 387,029 | (4.2) |
| Pakistan | 77,338 | 82,853 | 81,231 | (2.0) |
| Russia | 588,405 | 655,191 | 667,977 | 2.0 |
| South Korea | 1,718,143 | 1,817,683 | 1,690,138 | (7.0) |
| South Africa | 583,437 | 602,256 | 616,329 | 2.3 |
| Taiwan | 1,208,786 | 1,279,413 | 1,242,423 | (2.9) |
| Thailand | 529,470 | 574,748 | 573,540 | (0.2) |
| Turkey | 225,226 | 239,585 | 239,353 | (0.1) |

*M-o-M: Month on Month.*

***Source****: Bloomberg*

**Sources:**

1. OECD database
2. Bureau of Economic Analysis (US)
3. Bureau of Labor Statistics (US)
4. The Conference Board (US)
5. The Federal Reserve System (US)
6. Institute for Supply Management (US)
7. Office for National Statistics (UK)
8. Bank of England (UK)
9. The Cabinet Office (Japan)
10. Statistics Bureau, Director-General for Policy Planning (Statistical Standards) (Japan)
11. Bank of Japan
12. Eurostat (EA18 and EU27)
13. European Central Bank (EA18)
14. *InstitutoBrasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics)
15. *Banco Central do Brasil* (Central Bank of Brazil)
16. Federal State Statistics Service (Russian Federation)
17. The Central Bank of the Russian Federation
18. The Central Statistical Office (India)
19. Office of the Economic Adviser to the Government of India
20. The Reserve Bank of India
21. National Bureau of Statistics of China
22. Peoples Bank of China
23. Markit Financial Information Services
24. World Federation of Exchanges
25. Bloomberg
26. BSE Ltd.
27. The National Stock Exchange
28. The Bank of Korea
29. Bank Indonesia
30. Central Bank of The Republic of Turkey
31. IMF
32. World Bank

HIGHLIGHTS OF DEVELOPMENTS IN

INTERNATIONAL SECURITIES MARKETS

1. **SEC Adopts Statement and Interpretive Guidance on Public Company Cybersecurity Disclosures**

*21st February 2018*: SEC approved a statement and interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. As SEC Chairman Jay Clayton said “I believe that providing the Commission’s views on these matters will promote clearer and more robust disclosure by companies about cybersecurity risks and incidents, resulting in more complete information being available to investors. In particular, I urge public companies to examine their controls and procedures, with not only their securities law disclosure obligations in mind, but also reputational considerations around sales of securities by executives.”

The statement provides the Commission’s views about public companies’ disclosure obligations under existing law with respect to matters involving cybersecurity risk and incidents. It further highlights the significance of cybersecurity policies and procedures and the application of disclosure controls and procedures, insider trading prohibitions, and Regulation FD and selective disclosure prohibitions in the cybersecurity context.

*Soruce:* [*https://www.sec.gov/news/press-release/2018-22*](https://www.sec.gov/news/press-release/2018-22)

1. **IOSCO consults on guidance to address conflicts of interest in the equity capital raising process**

21st February 2018: Conflicts of interest and associated conduct risks resulted from the role of intermediaries can challenge the trust of investors and efficiency of equity capital raising. To help regulators identify and address these issues, IOSCO in its February release issued a consultation report [Conflicts of interest and associated conduct risks during the equity capital raising process](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD593.pdf).

The report provides guidance on:

* Guidance to address conflicts of interest and pressure on analysts during the formative, preoffering phase of a capital raising
* Guidance to address conflicts of interest during the allocation of securities
* Guidance to address conflicts of interest in the pricing of securities offerings; and
* Guidance to address conflicts of interest and conduct risks stemming from personal transactions by staff employed within firms managing a securities offering

IOSCO circulated a survey to members and responses to the survey indicated that while different jurisdictions share some common characteristics, they tend to have different market practices and different legal and regulatory frameworks governing the equity capital raising process. Consequently, the severity of the conflicts of interest and associated misconduct risks, and the harm they can inflict, vary across jurisdictions. Thus, the guidance intended to guide its IOSCO members with a degree of flexibility over how they implement the measures domestically, to ensure that these measures are appropriate for the legal and regulatory framework and the specific risks arising in each jurisdiction.

Soruce: *https://www.iosco.org/news/pdf/IOSCONEWS488.pdf*

1. *Prepared by the Department of Economic and Policy Analysis-I of SEBI based on latest available data/information. Views expressed in the review are not of SEBI.* [↑](#footnote-ref-1)
2. The Organisation for Economic Co-operation and Development (OECD) was born on 30 September 1961. It is an organisation of 35 member countries worldwide. Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries. [↑](#footnote-ref-2)
3. The Eurozone or the Euro area is a monetary union of 19 of the 28 European Union (EU) member states which have adopted the euro as their common currency. The Eurozone consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. [↑](#footnote-ref-3)