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**EDITORIAL COMMITTEE**

**Mr. Ananta Barua**

**Mr. J. Ranganayakulu**

**Mr. S. V. Murali Dhar Rao**

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**CAPITAL MARKET REVIEW**

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

Indian primary market recorded uptick in resource mobilisation during June 2017 compared to the previous month. During the month under review, the primary market witnessed 15 equity issues that mobilised ` 5,632 crore compared to 7 equity issues during May 2017 that mobilised ` 1,480 crore. There were 14 initial public offerings (IPOs) that raised 5,512 crore and one rights issue that raised ` 120 crore.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **Jun-17** | | **May-17** | | **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 | 14 | 5,512 | 7 | 1,480 | 31 | 9,824 | 23 | 7,761 |
| (i) Debt | 0 | 0 | 0 | 0 | 1 | 1,969 | 4 | 1,899 |
| (ii) Equity, of which |  |  |  |  |  |  |  |  |
| IPOs | 14 | 5,512 | 7 | 1,480 | 30 | 7,856 | 19 | 5,862 |
| FPOs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b. Rights Issues | 1 | 120 | 0 | 0 | 3 | 488 | 1 | 75 |
| Total Equity Issues a(ii)+b | 15 | 5,632 | 7 | 1,480 | 33 | 8,343 | 20 | 5,937 |
| ***Grand Total (a + b)*** | ***15*** | ***5,632*** | ***7*** | ***1,480*** | ***34*** | ***10,312*** | ***24*** | ***7,836*** |

***Notes:***

*1. IPOs - Initial Public Offers, FPOs - Follow on Public Offers*

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

*$ denotes as at the end of June 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 was one QIP issue during June 2017 which raised ` 15,000 crore compared to ` 7,298 crore that was mobilised through five QIP issues in the previous month **(*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 48 preferential allotments (amounting to ` 4,825 crore) listed at BSE and NSE together during June 2017, compared to 48 preferential allotments (amounting to ` 2,377 crore)listed during May 2017 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

Private placement mechanism dominates the resource mobilization through corporate bonds. During June 2017, an amount of ` 75,337 crore was raised through private placement of 370 issues in the corporate bond market. However, there was no public issue of debt during the month **(*Table 12 and Exhibit 1A*)**.

Further, in June 2017, the total amount mobilised through public issues and private placement of both debt and equity combined stood at ` 1,00,794 crore as compared to ` 44,544 crore in May 2017.

**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$** | **8,343** | **36,541** | **44,885** | **1,969** | **1,72,545** | **1,74,514** | **2,19,398** |
| 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 |

***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 June 2017 are provisional*

1. **Resource Mobilisation by Mutual Funds**

During June 2017, there was a net outflow of ` 16,593 crore from the mutual funds industry against a net outflow of ` 40,711 crore during May 2017. In the month under review, there were outflow of ` 33,460crore from income / debt oriented schemes whereas inflow of ` 8,165 crore into growth / equity oriented schemes. Balanced schemes recorded inflow of ` 7,458 crore. Exchange traded funds witnessed net inflow of ` 1,282 crore of which there was an outflow of ` 82 crore from gold ETFs and an inflow of ` 1,364 crore in other ETFs. The Fund of funds schemes investing overseas registered net outflow of ` 39 crore. The cumulative net assets under management by all mutual funds fell by 0.4 per cent to ` 18,96,291 crore at the end of June 2017 from ` 19,03,975 crore at the end of May 2017 **(*Tables 52 & 54*).**

1. **Trends in the Secondary Market**

The Indian stock market witnessed a mixed trend gain during May 2017. At the end of June 2017, S&P BSE Sensex closed at 30921.6 witnessing 0.7 per cent fall from its last month’s closing at 31145.8. The Nifty 50 also declined by 0.1 per cent to close at 9520.9 at the end of June 2017 compared to previous month’s closing at 9,621.3 (***Figure 1***). S&P BSE Sensex and Nifty 50 touched their intraday highs of 32672.7 and 10114.9 respectively on July 27, 2017. Both Sensex and Nifty touched their intraday lows of 31017.1 and 9543.6 respectively on July 03, 2017.

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

Market capitalisation of BSE increased by 0.1 per cent to ` 1,25,96,812 crore at the end of June 2017, from ` 1,25,80,119 crore at the end of May 2017. Market capitalization at NSE also rose to ` 1,24,30,129 crore from ` 1,24,16,789 crore during the same period witnessing a gain of 0.1 per cent. The P/E ratios of S&P BSE Sensex and Nifty 50 were 22.6 and 24.2 respectively at the end of May 2017 compared to 22.7 and 24.4 respectively a month ago (***Exhibit 2***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18$** | **2016-17** | **Jun-17** | **May-17** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** | | | | | |
| S&P BSE Sensex | **30,922** | **29,621** | 30,921.6 | 31,145.8 | -0.7 |
| Nifty 50 | **9,521** | **9,174** | 9,520.9 | 9,621.3 | -1.0 |
| **B. Market Capitalisation** | | | | | |
| BSE | **1,25,96,812** | **1,21,54,525** | 1,25,96,812 | 1,25,80,119 | 0.1 |
| NSE | **1,24,30,129** | **1,19,78,421** | 1,24,30,129 | 1,24,16,789 | 0.1 |
| **C. Gross Turnover** | | | | | |
| BSE | **2,52,111** | **9,98,261** | 85,935 | 91,106 | -5.7 |
| NSE | **15,46,917** | **50,55,913** | 4,86,305 | 5,88,502 | -17.4 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **22.6** | **22.6** | 22.6 | 22.7 | -0.1 |
| Nifty 50 | **24.2** | **23.3** | 24.2 | 24.4 | -0.5 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,794** | **5,834** | 5,794 | 5,783 | 0.2 |
| NSE | **1,820** | **1,817** | 1,820 | 1,814 | 0.3 |

***Note:*** *$ denotes as at the end of June 2017*

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

The monthly turnover of BSE (cash segment) fell by 5.7 per cent to ` 85,935 crore in June 2017 from ` 91,106 crore in May 2017. The monthly turnover of NSE (cash segment) also fell by 17.4 per cent to ` 4,86,305 crore in June 2017 from ` 5,88,502 crore in May 2017.

**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 showcased a mixed trend during June 2017 as indicated by different market indices. Among BSE indices, in June 2017, S&P BSE Healthcare index increased the most (4.6 per cent), followed by S&P BSE Consumer Durables index (4.0 per cent) and S&P BSE FMCG index (3.2 per cent). On the other hand, S&P BSE PSU index fell by 6.5 per cent followed by S&P BSE Teck index (3.3 per cent) and S&P BSE Capital Goods index (3.0 per cent). As regards NSE indices, Nifty Pharma index rose the most (6.4 per cent), followed by Nifty FMCG index (3.5 per cent) and Nifty Small 100 index (1.8 per cent), whereas Nifty PSU Bank index fell by 6.0 per cent, followed by Nifty IT index (3.7 per cent) and Nifty Media index (2.7 per cent). Among BSE indices the S&P BSE Consumer Durables index recorded the highest daily volatility (1.6 per cent), followed by BSE Metal index (1.1 per cent) and S&P BSE FMCG index (0.8 per cent) during the month under review. At NSE during the same period, daily volatility of Nifty PSU Bank index was the highest at 1.1 per cent, followed by Nifty IT index (0.9 per cent) and Nifty Pharma index (1.5 per cent) (***Exhibit 3***).

**Exhibit 3: Performance of Indices at BSE and NSE during June 2017 (Per cent)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BSE** | | | **NSE** | | |
| **Index** | **Change over Previous quarter** | **Volatility** | **Index** | **Change over Previous quarter** | **Volatility** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| S&P BSE Sensex | -0.7 | 0.3 | Nifty 50 | -1.0 | 0.4 |
| S&P BSE 100 | -0.8 | 0.4 | Nifty Next 50 | 0.9 | 0.5 |
| S&P BSE 200 | -0.4 | 0.4 | Nifty 100 | -0.8 | 0.4 |
| S&P BSE 500 | -0.2 | 0.4 | Nifty 200 | -0.5 | 0.4 |
| S&P BSE Large Cap | -0.7 | 0.4 | Nifty 500 | -0.2 | 0.4 |
| S&P BSE Small Cap | 2.2 | 0.7 | Nifty Midcap 50 | 0.7 | 0.7 |
| S&P BSE Consumer Durables | 4.0 | 1.6 | Nifty Midcap 100 | 1.3 | 0.6 |
| S&P BSE Capital Goods | -3.0 | 0.7 | Nifty Small 100 | 1.8 | 0.7 |
| S&P BSE Bankex | -1.0 | 0.6 | Nifty Bank | -0.9 | 0.6 |
| S&P BSE Teck | -3.3 | 0.7 | Nifty IT | -3.7 | 0.9 |
| S&P BSE FMCG | 3.2 | 0.8 | Nifty FMCG | 3.5 | 0.8 |
| S&P BSE Metal | 1.1 | 1.1 | Nifty Pharma | 6.4 | 0.9 |
| S&P BSE PSU | -6.5 | 0.6 | Nifty PSU Bank | -6.0 | 1.1 |
| S&P BSE Power | 0.2 | 0.6 | Nifty Media | -2.7 | 0.9 |
| S&P BSE Healthcare | 4.6 | 0.8 | Nifty MNC | 1.4 | 0.6 |

***Source:*** *BSE and NSE*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of May 2017 was 159 lakh at NSDL (an increase of 0.7 per cent over May 2017) and 128 lakh at CDSL (an increase of 1.4 per cent over May 2017). The number of investor accounts increased by 7.6 per cent at NSDL and by 13.6 per cent at CDSL over the number of investor accounts at the respective depositories in June 2016 **(*Table 58*)**.

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 monthly total turnover in equity derivatives market at NSE fell by 3.8 per cent to ` 1,14,32,267 crore in June 2017 from ` 1,18,81,402 crore in May 2017 (***Figure 4***). During the month under review options on index accounted for about 82 per cent of the total turnover in the F&O segment at NSE. During June 2017, monthly turnover of index futures and stock futures fell by 14.3 per cent and 20.8 per cent, respectively. Monthly turnover of put options on index and fell by 2.4 per cent, whereas, in case of call options on index, it increased by 5.3 per cent. Monthly turnover of put options on stock call options on stock fell by 30.6 per cent and 26.7 per cent, respectively. The open interest in value terms in the equity derivative segment of NSE decreased by 15.8 per cent to ` 2,63,319 crore as on June 30, 2017 from ` 3,12,588 crore as on May 31, 2017.

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

The monthly total turnover in equity derivative segment of BSE fell to ` 468 crore in June 2017 from ` 1,086 crore in May 2017. The open interest in value terms in equity derivatives segment of BSE decreased to ` 7 crore as on June 30, 2017 from ` 21 crore as on May 31, 2017 (***Exhibit 4***).

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **NSE** | | | **BSE** | | |
| **May-17** | **Jun-17** | **Percentage Change Over Month** | **May-17** | **Jun-17** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| **A. Turnover (` crore)** | | | | | | |
| (i) Index Futures | 3,75,949 | 3,22,144 | -14.3 | 1,081 | 468 | -56.7 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 46,30,978 | 45,20,107 | -2.4 | 0 | 0 | NA |
| *Call* | 46,17,328 | 48,63,586 | 5.3 | 0 | 0 | NA |
| (iii) Stock Futures | 14,02,148 | 11,10,362 | -20.8 | 5 | 3 | -36.6 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 2,74,833 | 1,90,610 | -30.6 | 0 | 0 | NA |
| *Call* | 5,80,167 | 4,25,459 | -26.7 | 0 | 0 | NA |
| **Total** | **1,18,81,402** | **1,14,32,267** | **-3.8** | **1,086** | **471** | **-56.6** |
| **B. No. of Contracts** | | | | | | |
| (i) Index Futures | 48,16,269 | 40,52,219 | -15.9 | 14,812 | 6,267 | -57.7 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 5,73,43,652 | 5,37,52,489 | -6.3 | 0 | 0 | NA |
| *Call* | 5,52,23,511 | 5,62,99,371 | 1.9 | 0 | 0 | NA |
| (iii) Stock Futures | 1,97,24,492 | 1,57,18,759 | -20.3 | 69 | 43 | -37.7 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 38,14,715 | 26,55,447 | -30.4 | 0 | 0 | NA |
| *Call* | 33,15,699 | 56,27,829 | 69.7 | 0 | 0 | NA |
| **Total** | **14,42,38,338** | **13,81,06,114** | **-4.3** | **14,881** | **6,310** | **-57.6** |
| **C. Open Interest in terms of Value (` crore)** | | | | | | |
| (i) Index Futures | 30,061 | 25,575 | -14.9 | 20 | 4 | 384.8 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 86,819 | 68,267 | -21.4 | 0 | 0 | NA |
| *Call* | 72,712 | 61,149 | -15.9 | 0 | 0 | NA |
| (iii) Stock Futures | 99,829 | 94,422 | -5.4 | 1 | 1 | 30.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 8,637 | 5,375 | -37.8 | 0 | 0 | NA |
| *Call* | 14,531 | 8,531 | -41.3 | 0 | 0 | NA |
| **Total** | **3,12,588** | **2,63,319** | **-15.8** | **21** | **5** | **-76.3** |
| **D. Open Interest in terms of No of Contracts** | | | | | | |
| (i) Index Futures | 3,92,833 | 3,40,365 | -13.4 | 274 | 57 | 380.7 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 11,15,753 | 9,12,966 | -18.2 | 0 | 0 | NA |
| *Call* | 9,44,876 | 8,15,408 | -13.7 | 0 | 0 | NA |
| (iii) Stock Futures | 15,16,297 | 14,21,635 | -6.2 | 7 | 9 | 28.6 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 1,25,279 | 75,896 | -39.4 | 0 | 0 | NA |
| *Call* | 2,17,334 | 1,21,585 | -44.1 | 0 | 0 | NA |
| **Total** | **43,12,372** | **36,87,855** | **-14.5** | **281** | **66** | **-76.5** |

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 11.73 at the end of June 2017, lower than 11.76 registered at the end of May 2017 (***Figure 5***). During March and April 2017 there was no trade in VIX futures contract. The open interest in India VIX contracts was zero at the end of May 2017.

**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 June 2017 fell by 17.4 per cent to ` 3,24,732 crore from ` 3,93,123 crore in May 2017. During the same time the monthly turnover of currency derivatives at BSE also declined by 5.8 per cent to ` 3,63,858 crore from ` 3,86,288 crore whereas the monthly turnover of currency derivatives at MSEI increased by 4.6 per cent to ` 14,203 crore from ` 13,582 crore (***Figure 6* *and Tables 37, 38 and 39***)

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

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

During June 2017, the monthly turnover of interest rate futures at NSE increased by 20.9 per cent to ` 26,852 crore from ` 22,208 crore in May 2017. The monthly turnover of interest rate futures at BSE increased by 52.5 per cent to ` 18,657 crore in June 2017 from ` 12,230 crore in May 2017. At MSEI, there was no trade in interest rate futures in both the months (***Figure 7* *and Table 47***).

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

1. **Commodities Futures Markets**

**A. Market Trends**

At the end of June 2017, the composite index MCXCOMDEX sloped downwards to close at 3056.81 whereas Dhaanya index of NCDEX increased to close at 2875.74. MCXCOMDEX decreased by 1.72 percent while Dhaanya increased by 2.44 percent over the closing values of previous month. (Figure 8). MCXCOMDEX recorded an intraday high of 3116.85 on June 01, 2017 while 2966.02 on June 22, 2017 was its lowest intra-day level during the month. NCDEX Dhaanya recoded an intra-day high of 2907.61 on June 15, 2017 and an intra-day low of 2794.83 on June 02, 2017. The group indices of MCXCOMDEX, namely, MCX Metal increased by 1.30 percent, whereas MCX Energy and MCX Agri. decreased by 4.90 percent and 6.80 percent, respectively. **(Details in Table 61 to 69).**

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

Source: MCX and NCDEX

Daily volatility during June 2017 of MCXCOMDEX and NCDEX Dhaanya indices was recorded at 0.58 percent and 0.64 percent, respectively. Among the component indices of MCXCOMDEX, MCX Energy recorded highest volatility of 1.64 percent, followed by MCX Agri. (0.67 percent) and MCX Metal (0.50 percent). The daily volatility and return over the previous month of commodity futures market indices is shown in the Exhibit 5 below:

**Exhibit 5: Performance of Indices at MCX and NCDEX during June 2017 (Percent)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MCX** | | | **NCDEX** | | |
| **Index** | **Change over Previous month** | **Daily Volatility** | **Index** | **Change over Previous month** | **Daily Volatility** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| MCXCOMDEX | -1.72 | 0.58 | Dhaanya | 2.44 | 0.64 |
| MCX Metal | 1.30 | 0.50 |  |  |  |
| MCX Energy | -4.90 | 1.64 |  |  |  |
| MCX Agri. | -6.80 | 0.67 |  |  |  |

Source: MCX and NCDEX

During June 2017, the national commodity exchanges namely, MCX and NCDEX recorded a decrease in turnover while NMCE recorded an increase in turnover. The regional stock exchange of Chamber of Commerce (CoC), Hapur also recorded decrease in turnover over the previous month. The total turnover at all the three national exchanges stood at `4,57,934 crore. Out of this total turnover, agricultural commodities contributed `49,250 crore (10.8 percent) while that of the non - agricultural commodities contributed `4,08,684 crore (89.2 percent) to the total turnover. Presently, the non-agricultural commodities of Bullion, Metals and Energy segments are traded only at MCX.

The turnover at MCX decreased to `4,15,826 crore in June 2017, a decrease of 1.31 percent over `4,21,344 crore recorded during May 2017. The contribution to the total turnover at MCX from Metal segment was at 35.01 percent followed by Energy segment at 34.05 percent, Bullion segment with 29.21 percent and agricultural commodities had a share of 1.72 percent.

The turnover at NCDEX has decreased from `43,263 crore in May 2017 to `39,094 crore in June 2017, a decrease of 9.6 percent.

The total turnover at NMCE has increased from `2,770 crore in May 2017 to `3,013 crore in June 2017, an increase of 8.8 percent. The entire turnover at NCDEX and NMCE was contributed by the agricultural commodities segment.

The total turnover of agricultural commodities was the highest at NCDEX (`39,094 crore) followed by MCX (`7,143 crore) and NMCE (`3,013 crore). The turnover of agricultural and non- agricultural commodities at national Exchanges is shown in Figure 9 and Figure 10 and the details in Table 63, 64 and 65.

The regional commodity exchange, Chamber of Commerce (CoC), Hapur, is trading only Mustard Seed contract. CoC, Hapur recorded a turnover of `412 crore during June 2017 as against total turnover of `529 crore during May 2017, a decrease of 22.1 percent.

**Figure 9: Turnover of Agricultural Commodities Futures at National Exchanges (`crore)**

**Figure 10: Turnover of Non-Agricultural Commodities Futures at Exchanges (`crore)**

**B. Periodic variation in futures closing prices**

At the end of June 2017, M-o-M returns among the near month contracts of non-agricultural commodities were positive for base metals viz., Copper, Lead, Nickel and Zinc (Exhibit 6). During the month, Lead and Lead Mini futures prices gained by 9.2 percent each, followed by Copper and Copper Mini (both 5.9 percent), Zinc (5.5 percent), Zinc Mini (5.4 percent), Nickel Mini (2.5 percent) and Nickel (1.8 percent). M-o-M prices of Crude Oil futures declined the most by -7.3 percent, followed by Natural Gas (-5.0 percent), Silver and its variants (-3.7 percent each), Gold and its variants (-0.4 percent to 1.8 percent), Aluminium and Aluminium Mini (both -0.3 percent).

Among all the agricultural commodities traded at all three national exchanges, most of the contracts generated positive M-o-M returns. Among the top gainers, Turmeric futures recorded highest gain of 19.7 percent, followed by Maize Kharif (15.3 percent), Chilli (14.3 percent) and Cardamom (10.3 percent). Among the top losers in terms of M-o-M prices, V797 Kapas declined the most by (-6.4 percent), followed by Cotton (- 5.5 percent), Mentha Oil (-4.0 percent), Guar Gum (-3.5 percent), Crude Palm Oil (-2.6 percent) and Sugar (-2.1 percent).

On Y-o-Y basis, in terms of futures prices a negative trend is observed among non-agricultural commodities. Among them, Zinc futures were the top gainer with 25.7 percent increase, followed by Lead (22.4 percent), Copper (17.6 percent) and Aluminium (11.3 percent). Among losers, prices of Silver and its variants declined between (-12.5 percent to -12.6 percent), followed by Crude Oil (-10.2 percent), Gold and its variants in the range of (-6.5 percent to -8.8 percent) and Nickel (-5.6 percent).

Among agricultural commodities, Y-o-Y returns in terms of futures prices was highest for Castor Seed contract at NMCE (36.0 percent), followed by Guar Gum (25.4 percent), Cardamom (18.3 percent) and Maize Kharif (9.0 percent), On the other hand, Y-o-Y return on prices among agricultural commodities declined the most for Chilly (-40.8 percent), followed by Raw Jute (-37.3 percent), Cotton Seed Oilcake (-32.1 percent), Coriander (-30.7 percent), Soybean (-23.7 percent) and Turmeric (-23.1percent).

**Exhibit 6: 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 | Closing value as on 30/06/2017 | Variation in prices as on 30/06/2017 (percent) | | Commodities traded at NCDEX / NMCE | Closing value as on 30/06/2017 | Variation in prices as on 30/06/2017 (percent) | |
|
| M-o-M | Y-o- Y | M-o-M | Y-o-Y |
| MCX Comdex | 3057 | -2.4 | -2.4 | Dhaanya Index | 2876 | 1.8 | -10.3. |
| MCX AGRI Index | 2268 | -6.2 | -2.2 | Guar seed 1 | 3389 | -1.2 | 5.3 |
| MCX Metal Index | 4589 | 1.2 | 1.1 | Guar Gum | 7137 | -3.5 | 25.4 |
| MCX Energy Index | 2224 | -7.1 | -9.1 | Soybean | 2854 | 5.9 | -23.7 |
| Aluminium | 124 | -0.3 | 11.3 | Turmeric | 6378 | 19.7 | -23.1 |
| Aluminium Mini | 124 | -0.3 | 11.3 | Sugar | 3670 | -2.1 | 2.4 |
| Copper | 389 | 5.9 | 17.6 | RM seed | 3609 | 3.3 | -24.3 |
| Copper Mini | 389 | 5.9 | 17.6 | Soy Oil | 640 | 4.1 | 0.5 |
| Crude Oil | 2968 | -7.3 | - 10.2 | Maize Kharif | 1610 | 15.3 | 9.0 |
| Gold | 28439 | -1.8 | -8.8 | Cottonseed oilcake | 1730 | -4.0 | -32.1 |
| Gold Guinea | 23373 | -0.5 | -6.5 | Wheat | 1605 | 0.3 | -9.0 |
| Gold Petal | 2906 | -0.4 | -6.2 | Jeera | 18910 | 7.4 | -4.8 |
| Gold Mini | 28471 | -1.3 | -8.6 | Coriander | 5033 | 2.2 | -30.7 |
| Lead | 148 | 9.2 | 22.4 | Barley | 1439 | 1.1 | -8.3 |
| Lead Mini | 148 | 9.2 | 22.4 | Chilli | 7520 | 14.3 | -40.8 |
| Natural Gas | 194 | -5.0 | -1.8 | V797 kapas | 879 | -6.4 | -4.9 |
| Nickel | 607 | 1.8 | -5.6 | Shankar Kapas | 1092 | -1.9 | -9.7 |
| Nickel Mini | 607 | 2.5 | -5.0 | Castor Seed | 4395 | 1.6 | NA |
| Silver | 38783 | -3.7 | -12.6 | Maize Rabi | 1310 | 0.8 | 15.7 |
| Silver Micro | 38819 | -3.7 | -12.5 | **NMCE** | | | |
| Silver Mini | 38822 | -3.7 | -12.5 |
| Zinc | 179 | 5.5 | 25.7 | Castor Seed | 4420 | 5.3 | 36.0 |
| Zinc Mini | 179 | 5.4 | 25.7 | Rubber | 12918 | 5.6 | -10.5 |
| Cardamom | 1034 | 10.3 | 18.3 | Raw Jute | 3702 | -1.1 | -37.3 |
| Cotton | 20010 | -5.5 | -1.5 | Isabgul Seed | 11276 | -1.3 | -3.0 |
| CPO | 480 | -2.6 | -4.9 | RM seed  Guar Seed | 602.5  3395 | -1.5  2.1 | -26.1 |
| Mentha Oil | 891 | -4.0 | 7.0 | 5.5 |
| RBD Palmolein | 526 | -1.8 | Na | Pepper | 50269 | -2.7 | NA |

Notes : 1. Returns are calculated as percentage change in the closing value of near month contract prices last trading day of the month over the corresponding trading periods.

2. If the near month contract is expiring within 10 days, next expiry contract is considered.

Source : Bloomberg & NMCE

**C. Monsoon and Kharif Crop Sowing Progress**

As per the Minutes of the Meeting of Crop weather watch Group, Ministry of Agriculture and Farmers Welfare, in the monsoon season, at All-India level, the cumulative rainfall during the monsoon season i.e. from June 1- July 5, 2017 has been 5 percent higher than Long Period Average (LPA). Rainfall in the four broad geographical divisions of the country during the above period have been higher than LPA by 47% in North West India & 5 percent in Central India but lower than LPA by 9 percent in East & North East India and 1 percent in South Peninsula.

As per latest data released by Ministry of Agriculture on sowing of Kharif crops, around 38.1 percent of the normal area under Kharif crops has been sown upto July 07,2017. Area sown under all Kharif crops taken together has been reported to be 404.27 lakh hectares at all-India level as compared to 371.39 lakh hectares in the corresponding period of last year.

1. **Trading in Corporate Debt Market**

During June 2017, BSE recorded 2,290 trades of corporate debt with a traded value of ` 35,325 crore compared to 2,123 trades with a traded value of ` 30,365 crore recorded in April 2017. At NSE, 5,948 trades were reported in June 2017 with a traded value of ` 1,34,049 crore compared to 4,942 trades with value of ` 95,578 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 ` 21,724 crore in June 2017 out of which ` 9,106 crore was invested in equity and ` 12,618 crore was invested in debt. This is an increase over total investment of ` 18,872 crore in May 2017 out of which ` 9,358 crore was invested in equity and ` 9,514 crore was invested in debt (***Figure 12***).

As on June 30, 2017, there were a total of 2,081 mutual fund schemes in the market, of which 1,468 (70.5 per cent) were income / debt oriented schemes, 490 (23.5 per cent) were growth / equity oriented schemes, 31 (1.5 per cent) were balanced schemes, 63 (3.0 per cent) were exchange traded funds and 29 (1.4 per cent) were fund of funds investing overseas **(*Tables 55 & 56*).**

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

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

In June 2017, the FPIs remained net buyers in the Indian securities market to the tune of ` 29,302 crore. There were net inflow of ` 3,617 crore in equity and ` 25,685 crore in debt (***Figure 13***).

The assets of the FPIs in India, as reported by the custodians, at the end of June 2017 was ` 28,83,104 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 1,32,785 crore, constituting 4.6 per cent of the total assets under custody of FPIs. (***Tables 49, 50 & 51***)

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

1. **Trends in Portfolio Management Services**

Assets under management (AUM) of discretionary portfolio management services (PMS) increased by 1.4 per cent to ` 10,23,416 crore in June 2017 from ` 10,09,057 crore in May 2017. However, during the same time the AUM of Non-discretionary PMS marginally rose from ` 76,518 crore to ` 76,491 crore. AUM of Advisory services, on the other hand, decreased by 2.9 per cent from ` 1,88,541 crore to ` 1,83,172 crore.

In terms of number of clients, at the end of June 2017, out of 89,212 clients in PMS industry, discretionary services category leads with total of 82,753 clients, followed by non-discretionary category with 4,903 clients and advisory category with 1,556 clients. ***(Table 57)***

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

In June 2017, six open offers with offer value of ` 75 crore were made to the shareholders as against five open offers with offer value of ` 441 crore in May 2017 (***Figure 14***).

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

**MONTHLY REVIEW OF GLOBAL FINANCIAL MARKETS[[1]](#footnote-1)**

**Snapshots**

**United States:**

GDP expanded by 2.6 percent in Q2 2017 (Y-o-Y) as compared to 1.2 percent in Q1 2017. CPI inflation was 1.6 percent (Y-o-Y) in June 2017. Unemployment rate fell to 4.4 percent in June 2017 from 4.3 percent in previous month.

**United Kingdom**

Real GDP growth rate came down to 1.7 percent (Y-o-Y) in Q2 2017 against 2.0 percent of Q1 2017. CPI inflation was 2.6 percent (Y-o-Y) in May 2017 as compared to 2.7 in April. Unemployment rate remained at 4.5 percent during the period March to May 2017.

**Japan:**

GDP expanded by 1.3 percent (Y-o-Y) in Q1 2017, as compared to 1.7 percent in Q4. CPI inflation was 0.4 percent (Y-o-Y) in June 2017. Unemployment rate decreased to 2.8 percent in June 2017 from 3.1 percent in April 2017.

**Euro Zone (EA19):**

GDP advanced by 2.1 percent (Y-o-Y) in Q2 2017 from 1.9 percent in Q1 of 2017.CPI inflation decreased to 1.3 percent (Y-o-Y) in June 2017 against 1.4 percent in May 2017. Unemployment decreased to 9.3 percent in June 2017.

**BRIC Nations:**

* Real GDP of Brazil contracted by 0.4 percent (Y-o-Y) in Q1 2017. CPI inflation came down to 3.0 percent in June 2017. Unemployment rate decreased to 13.0 percent June 2017.
* Russia’s GDP advanced by 0.5 percent (Y-o-Y) in Q1 2017. CPI inflation was 4.4 percent (Y-o-Y) in June 2017. Unemployment rate decreased slightly to 5.1 percent in June 2017.
* India’s real GDP grew by 7.1 percent (Y-o-Y) in Q4 quarter of 2016-17 as compared to 7.0 percent in Q3, FY 2016-17. Consumer prices in India recorded 1.5 percent (Y-o-Y) in June 2017, decreasing from a 2.2 percent in May 2017.
* GDP of China expanded by 6.9 percent (Y-o-Y) in the June quarter of 2017. Consumer prices in China remained constant at 1.5 percent (Y-o-Y) in June 2017, as compared to the previous month. Unemployment rate slightly fell to 3.95 percent in June quarter.
* GDP of South Africa advanced by 1.0 percent, against 0.7 percent in the previous quarter. Consumer prices increased by 5.1 percent in June 2017. Unemployment rate in South Africa remained at 27.7 percent in the second quarter of 2017.

1. **Introduction:**
   1. Global economic growth is gradually becoming more balanced. Both advanced nations as well as emerging market economies are witnessing stable recovery with the exceptions of the Brexit-impacted UK and temporary dips in the US and India during the first half of 2017, which are both expected to rebound in the remainder of the year. Eurozone remained a bright spot. Euro-zone continues to show healthy growth trends, confirming the underlying improvements in the region’s economy. Japan’s economy continues to expand albeit at a slow pace, supported by monetary and fiscal stimulus, growth in exports and relatively healthy domestic demand. The Chinese economy has shown stronger growth during the first half of 2017 compared to last year. The present political imbroglio in Brazil is posing as the main impediment to growth, nevertheless, the economy is forecast to recover in two years. The Russian economy is witnessing a modest rebound after two years of deep recession

**The World Economy:**

* 1. The International Monetary Fund (IMF) in its World Economic Outlook Update published in July 2017 has estimated the global growth for 2016 at 3.2 per cent. The global growth is projected to be 3.5 per cent in 2017 and 3.6 per cent in 2018. As per the Update, economic activity in both advanced economies and emerging and developing economies would accelerate in 2017. Advanced economies would grow at 2 per cent in 2017 and 1.9 per cent in 2018 while the emerging market and developing economies would grow at 4.6 per cent and 4.8 per cent respectively.

**Exhibit 1: Excerpts from World Economic Outlook Projections by the IMF**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region** | **Year over Year** | | | |
| **Estimate** | | **Projections** | |
| 2015 | 2016 | 2017 | 2018 |
| **World Output** | **3.4** | **3.2** | **3.5** | **3.6** |
| **Advanced Economies** | **2.1** | **1.7** | **2** | **1.9** |
| United States | 2.6 | 1.6 | 2.1 | 2.1 |
| Euro Area | 2 | 1.8 | 1.9 | 1.7 |
| Germany | 1.5 | 1.8 | 1.8 | 1.6 |
| France | 1.1 | 1.2 | 1.5 | 1.7 |
| Italy | 0.8 | 0.9 | 1.3 | 1 |
| Spain | 3.2 | 3.2 | 3.1 | 2.4 |
| Japan | 1.1 | 1 | 1.3 | 0.6 |
| United Kingdom | 2.2 | 1.8 | 1.7 | 1.5 |
| Canada | 0.9 | 1.5 | 2.5 | 1.9 |
| **Emerging Market and Developing Economies** | **4.3** | **4.3** | **4.6** | **4.8** |
| Brazil | -3.8 | -3.6 | 0.3 | 1.3 |
| Russia | -2.8 | -0.2 | 1.4 | 1.4 |
| India | 8 | 7.1 | 7.2 | 7.7 |
| China | 6.9 | 6.7 | 6.7 | 6.4 |
| South Africa | 1.3 | 0.3 | 1 | 1.2 |

**Notes:** For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year.

**Source:** *International Monetary Fund*

* 1. The inflation remained tamed across the world. As a result of strong inventory levels in the United States and a pickup in supply, the oil prices have receded. Headline inflation also generally softened as the impact of the commodity price rebound of the second half of 2016 faded, and remains at levels well below central bank targets in most advanced economies. Core inflation has remained broadly stable. It has largely been stable in emerging economies as well, with a few, such as Brazil and Russia, witnessing strong declines.
  2. The IMF in its Update also assessed the possible risks. While short-term risks remain broadly balanced, medium-term risks are still skewed to the downside. Among the advanced the US, the risk is two sided. On the upside, implementation of a fiscal stimulus could drive U.S. demand and output growth above the baseline forecast, while on the downside, implementation of the expenditure-based consolidation proposed in the Administration’s budget would drive them lower. On the upside, the pickup in activity in the euro area, with buoyant market sentiment and reduced political risks, could be stronger and more durable than currently projected. On the downside, protracted policy uncertainty or other shocks could trigger a correction in rich market valuations, especially for equities, and an increase in volatility from current very low levels. In turn, this could dent spending and confidence more generally, especially in countries with high financial vulnerabilities. Lower commodity prices would further exacerbate macroeconomic strains and complicate adjustment needs in many commodity exporters.

As per IMF, the following downside risks are threatening the strength and durability of the recovery:

1. ***Protracted period of policy uncertainty:*** Heightened policy uncertainty across the globe remains a concern. This includes U.S. regulatory and fiscal policies which is quite unpredictable at this moment, negotiations of post-Brexit arrangements, or geopolitical risks. Policy uncertainty could harm confidence, deter private investment, and weaken growth.
2. ***Financial tensions:*** China may witness abrupt slowdown in its growth as a result of failure to continue the recent focus on addressing financial sector risks and curb excessive credit growth. This may result into adverse spillovers to other countries through trade relations.

Faster monetary policy tightening in the US could trigger reversals in capital flows to emerging economies. Besides, the recent U.S. dollar appreciation would affect emerging economies with large leverage, U.S. dollar pegs, or balance sheet mismatches. On a positive note, due to a brighter outlook of the U.S., its trading partners would benefit from positive demand spillovers.

In the Eurozone, financial stability concerns might reignite as a result of weak bank balance sheets in some countries and an unfavorable profitability outlook coupled with higher political risks. Further, a rise in long-term interest rates would worsen public debt dynamics. Finally, a broad rollback of the strengthening of financial regulation and oversight achieved since the crisis—both nationally and internationally—could lower capital and liquidity buffers or weaken supervisory effectiveness, with negative repercussions for global financial stability.

1. ***Inward-looking policies:*** Over the longer term, failure to lift potential growth and make growth more inclusive could fuel protectionism and hinder market-friendly reforms. The results could include disrupted global supply chains, lower global productivity, and less affordable tradable consumer goods, which harm low income households disproportionately.

***Noneconomic factors.*** Rising geopolitical tensions, domestic political discord, and shocks arising from weak governance and corruption can all weigh on economic activity.

**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, real GDP in the OECD area increased by 0.5 per cent quarter-on-quarter (Q-o-Q) in the first quarter of 2017, compared with 0.7 per cent in the previous quarter, mainly reflecting reduced contributions from private consumption and investment. Net exports also has some contribution to overall GDP growth. Year-on-year (Y-o-Y) GDP growth for the OECD area was stable at 2.0 per cent in the first quarter of 2017.
  3. According to provisional estimates, the real GDP in the G20 area grew at 0.9 per cent, in the first quarter of 2017. On a Y-o-Y basis, GDP growth for the G20 area increased to 3.4 per cent in the first quarter of 2017 from 3.3 per cent in the previous quarter.
  4. Annual inflation in the OECD area slowed to 1.9 per cent in June 2017, compared with 2.1 per cent in May 2017, reflecting a continued slowdown in energy price inflation. Energy prices rose by 3.0 per cent in the year to June compared with 5.5 per cent in May. Food price inflation marginally increased to 1.6 per cent in June, compared with 1.5 per cent in May. Excluding food and energy, inflation in the OECD area was stable at 1.8 per cent in June. The OECD unemployment rate was stable at 5.9 per cent in May 2017, the same reading compared to the previous month.

**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 | 2.10 | Q2 | 2.60 | Q2 | 1.60 | Jun-17 | 4.40 | Jun-17 | 1.25 |
| United Kingdom | 1.70 | Q2 | 0.30 | Q2 | 2.60 | Jun-17 | 4.50 | May-17 | 0.25 |
| Eurozone | 2.10 | Q2 | 0.60 | Q2 | 1.30 | Jun-17 | 9.10 | Jun-17 | 0.00 |
| Germany | 1.70 | Q1 | 0.60 | Q1 | 1.60 | Jun-17 | 3.80 | Jun-17 | 0.00 |
| France | 1.80 | Q2 | 0.50 | Q2 | 0.70 | Jun-17 | 9.60 | Q1 of 2017 | 0.00 |
| Japan | 1.30 | Q1 | 0.30 | Q1 | 0.40 | Jun-17 | 2.80 | Jun-17 | -0.10 |
| **BRICS** | Brazil | -0.35 | Q1 | 1.00 | Q1 | 3.00 | Jun-17 | 13.00 | Jun-17 | 9.25 |
| Russia | 0.50 | Q1 | NA | - | 4.40 | Jun-17 | 5.10 | Jun-17 | 9.00 |
| India | 6.12 | Q1 | 1.50 | Q1 | 1.54 | Jun-17 | NA | - | 6.00 |
| China | 6.90 | Q2 | 1.70 | Q2 | 1.50 | Jun-17 | 3.95 | Q2 of 2017 | 4.35 |
| South Africa | 1.00 | Q1 | -0.70 | Q1 | 5.10 | Jun-17 | 27.7 | Q2 of 2017 | 6.75 |
| **Other Ems** | South Korea | 2.70 | Q2 | 1.10 | Q1 | 1.90 | Jun-17 | 3.80 | Jun-17 | 1.25 |
| Indonesia | 5.01 | Q1 | 4.00 | Q2 | 4.37 | Jun-17 | 5.33 | Q1 of 2017 | 4.75 |
| Turkey | 5.00 | Q1 | 1.40 | Q1 | 10.90 | Jun-17 | 10.5 | Apr-17 | 8.00 |

Note: Q1 refers to Jan - Mar 2017

Q2 refers to Apr- Jun 2017

***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. **Eurozone Notched up Growth of 0.6 percent in The Second Quarter of The Year**

The recent released figures puts annual growth in the 19-country bloc at 2.1% since a year ago. For the first quarter the growth rate was slightly revised from 0.6 percent to 0.5 percent. In the last week of the July 2017, IMF said the outlook for several Eurozone economies was brighter than it was initially thought, with countries including France, Germany, Italy and Spain seeing growth forecasts revised up. As a result of the same The European Central Bank is planning to tighten up monetary policy after years of pumping up activity through low interest rates and bond-buying. It intends to begin the process in the autumn, although inflation observed to be low at 1.3%, well under the 2% target for the Eurozone.

* 1. **RBI cuts repo rate to 6 percent**

In a recent meeting held on 2August 2017, RBI cut the repo rate to more than 6.5 years low by decreasing it by 25 basis points. Out of six members of Four members of the monetary policy committee voted to cut rates by 25 bps, while one voted for a 50 bps cut and one voted for leaving rates unchanged. "Recognizing that inflation is expected to rise from the current lows (1.54% in June) over the rest of the year, the MPC persevered with the neutral stance," said by RBI governor Urjit Patel. He further added "Government and RBI are working in close coordination to resolve large stressed corporate borrowers and recapitalise PSBs within the fiscal deficit target”.

**United States:**

* 1. As per the “advance” estimates released by the Bureau of Economic Analysis the real GDP of US growth increased at 2.6 percent (Q-o-Q) (in annualised terms) during the second quarter of 2017 from 1.2 percent growth rate recorded in the previous quarter. The increase in real GDP reflected positive contributions from non-residential fixed investment, exports, residential fixed investment, and personal consumption expenditures that were partly offset by negative contributions from private inventory investment, federal government spending, and state and local government spending. Real GDP increased by 1.6 percent in 2016 (Y-o-Y) compared with an increase of 2.6 percent in 2015. IMF has revised down the growth forecast in the United States to 2.1 percent from 2.3 percent in 2017 and to 2.1 percent from 2.5 percent in 2018.
  2. As per data released by the Bureau of Labor Statistics, the consumer prices in USA went up by 1.6 percent (Y-o-Y) in June 2017. The price index for all items less food and energy rose by 1.7 percent (Y-o-Y) during the month. Unemployment rate in the US was 4.4 percent in June 2017 against 4.3 percent of the previous month. The Federal Open Market Committee (FOMC) on 26 July 2017 decided to raise federal funds rate to 1.25 percent in view of positive market conditions.
  3. The seasonally adjusted Markit US Manufacturing Purchasing Managers’ Index (PMI) posted 52.0 in June 2017, slightly down from 52.7 of May. The Markit U.S. Services PMI also moderated marginally to 54.2 in June 2017 from 53.6 in May 2017.

***Observations:*** *A disappointing end of manufacturers reported to the Q2 2017, with few signs of growth picking up any time soon.* *All-sector PMI’s average reading for the Q2 2017 is down slightly on the Q1 2017, suggesting that the underlying pace of economic growth remains somewhat subdued though still robust. Actual GDP data are expected to show a stronger rebound, still largely reflecting volatile quarterly seasonal variations in the official data released.*

**United Kingdom:**

* 1. As per the second estimate by Office for National Statistics, the British economy grew at 0.3 percent (Q-o-Q) in the Q2 2017, compared to 0.2 percent growth in the previous quarter. UK GDP growth in Q2 2017 saw a fall in consumer facing industries such as retail and accommodation and household spending also slowed. There was strong growth in the output of the services sector with a notable contribution in consumer-focused industries. On a Y-o-Y basis, GDP expanded 1.7 percent in the Q2 2017 following a 2 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 increased to 2.6 percent (Y-o-Y) in June 2017 against 2.9 percent in May 2017. UK unemployment rate fell to 4.5 percent during the period March 2017 to May 2017 compared to 4.6 percent in the period February 2017 to April 2017. The Bank of England Monetary Policy Committee kept the Bank Rate at same as of 0.25 percent and left the stock of purchased assets at £435 billion on June 14, 2017.
  3. Manufacturing PMI further softened to 54.3 in June 2017 from 56.3 in May 2017. The UK Services PMI moved down to 53.4 from 53.8 in the previous month.

***Observations:*** *New business grew at the weakest pace for about a year and growth was down sharply from April’s around three-year high. Strong growth in new orders and overall activity was destabilised by a loss in business optimism, which fell to one of the lowest levels in past 6 years. This slowdown was largely resulted from the domestic market, where increased business uncertainty appears to have led to some delays in placing new orders. “Export orders remained low despite the ongoing competitiveness boost of the weak sterling exchange rate.*

**Japan:**

* 1. The Japanese economy advanced 0.3 percent (Q-o-Q) in the first quarter of 2017, at the same pace in the previous quarter. It was the strongest expansion since Q1 2016 quarter supported by private consumption, exports and an unexpected rise in capital expenditure.In Y-o-Y terms, Japanese economy grew by 1.3 percent (Y-o-Y) during Q1 2017 as compared to 1.7 percent (Y-o-Y) in Q4 2016. The growth forecast for Japan has been revised down by IMF to 1.3 percent from 1.4 percent in 2017 and to 0.6 percent in 2018.
  2. Consumer prices in Japan increased by 0.4 percent in June 2017, at same pace as in last two months.The cost of housing and transport declined while the food inflation was steady. The seasonally adjusted unemployment rate in Japan fell down to 2.8 percent in June 2017 from 3.1 percent in the previous month.
  3. The Bank of Japan left its key short-term interest rate unchanged at -0.1 percent at its June 2017 meeting, as expected. The policymakers also decided to keep its 10 year Government bond yield target around 0 percent.

***Observations:*** *Japan’s economy is benefiting from healthy global demand, a weak currency and resilient domestic activity at home. The recovery, however, could be jeopardized by an appreciation of the yen and rising protectionism.*

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

* 1. The real GDP growth in the Euro area was recorded 2.1 percent in the Q2 2017 (Y-o-Y). In Q-o-Q terms, the Euro Area economy growth advanced by 0.6 percent (Q-o-Q) in Q2 2017 as compared to the previous quarter. Among the largest economies in the Euro area, the GDP growth of Spain increased 0.9 percent while the GDP growth of France (0.5 percent) and Austria (0.8) remained unchanged in Q2. In contrast, economic growth decelerated in Belgium (0.4 percent), Latvia(1.3 percent) and Lithuania( 0.6 percent) as compared to previous quarter Q1. The growth projections for Euro Area has been revised up by IMF to 1.9 percent from 1.7 percent in 2017 and to 1.7 percent from 1.6 percent in 2018.
  2. Eurozone annual inflation decreased to 1.3 percent year-on-year in June 2017 down from 1.4 percent in the previous month. The highest annual rates were recorded in Lithuania (3.5 percent), Estonia and Latvia (both 3.1 percent) and the lowest in Ireland (-0.6 percent), Denmark (0.4 percent) and Romania (0.7 percent). Spain and Germany recorded (both 1.6 percent) in June 2017.
  3. The seasonally-adjusted unemployment rate in the Eurozone recorded 9.1 percent in June 2017 down from 9.3 percent in May 2017.This remains the lowest rate recorded in the euro area since December 2008. Among the Member States, the lowest unemployment rates were recorded in the Czech Republic (2.9 percent) ,Germany (3.8 percent) and Malta( 4.1 percent); while the highest unemployment rates were observed in Greece (21.7 percent in April 2017) and Spain (17.1 percent).
  4. The European Central Bank held its benchmark refinancing rate at 0 percent for the eleventh consecutive meeting and left the pace of its bond-purchases unchanged, as widely expected. Policymakers confirmed the monthly asset purchases will run at the current monthly pace of €80 billion until March, and from April, they are intended to continue at a monthly pace of €60 billion until the end of the year. Both the deposit rate and the lending rate were also left steady at -0.4 percent and 0.25 percent, respectively.

***Observations:*** *The Eurozone’s growth spurt likely remained strong in the second quarter as incoming data is bright. Industrial production increased at the fastest pace in six-months in May and the unemployment rate is resting at a multi-year low. A firmer labour market and stronger economy will support the healthy expansion of the Eurozone in the coming year. On the macroeconomic front, economic growth indicators in the euro-area continued to signal a robust and improving level of economic activity.*

**Brazil:**

* 1. GDP of Brazil contracted by 0.4 percent in the first quarter of 2017, performing better than market expectations. It was the twelfth straight quarter of contraction for the country but at the slowest pace in 2 years, mainly on account of decline in consumer spending and smaller investment. As per recent World Economic Outlook by IMF ,Brazil is expected to grow at 0.3 percent in 2017 and 1.3 percent in 2018 .
  2. Consumer prices in Brazil increased by 3.00 percent (Y-o-Y) in June 2017, easing down from a 3.6 percent in the May 2017 and below the market expectations. The Central Bank of Brazil executed another 100 basis point cut in its benchmark SELIC rate to 9.25 percent .It is the seventh straight rate decline, bringing borrowing costs to the lowest since September of 2013 amid slowing inflation and a sticky contraction. Unemployment Rate in Brazil further eased down to 13.0 percent in June 2017 from 13.3 percent rate recorded in May 2017.

**China:**

* 1. The Chinese economy expanded by 6.9 percent in the second quarter of 2017, at similar pace as compared to the first quarter, surpassing market expectations of a 6.8 percent predicted growth. This growth was supported by faster rises in industrial output, retail sales and fixed-asset investment while fiscal spending surged. According to IMF’s recent forecast, China’s growth is expected to remain at 6.7 percent in 2017, the same level as in 2016, and to decline modestly in 2018 to 6.4 percent.

* 1. Consumer prices in China increased by 1.5 percent (Y-o-Y) during June 2017, at a same pace as in May 2017 matching market consensus. The People's Bank of China has kept benchmark one-year lending rate unchanged at 4.35 percent and has been the same since last cut of 25 basis point in October, 2015. Unemployment rate in China fell slightly to 3.95 percent in the second quarter of 2017 from 3.97 percent in the first quarter of 2017.

**Russia:**

* 1. The Russian economy expanded 0.5 percent(Y-o-Y) in the first quarter of 2017, following 0.3 percent growth in the previous quarter. The economy is expected to return to growth in 2017 after two years of contraction as a result of recovering private consumption and fixed investment. A rebound in mining, manufacturing and trade and a jump in transportation boosted growth. The growth forecast for Russia is expected to remain at 1.4 percent for both 2017 and 2018.
  2. Consumer prices in Russia increased by 4.4 percent year-on-year in June 2017, from 4.1 percent increase in the previous month.   
     The Central Bank of Russia has kept its benchmark one-week repo rate at 9 percent to maintain inflation close to the 4 percent target. Russian unemployment rate declined to 5.1 percent in June of 2017 from 5.2 percent in the previous month and below market expectations of 5.3 percent.

**South Africa**

* 1. The South African economy advanced 1 percent (Y-o-Y) in the first quarter of 2017, higher than 0.7 percent in the previous two quarters and matching market expectations. It is the highest growth rate since the second quarter of 2015 due to a rebound in mining and a two-year high jump in agriculture. As per IMF’s projections, the growth projection for South Africa is upwardly revised to 1.0 percent in 2017 but showed a downward revision to 1.2 percent from 1.6 percent in 2018 .
  2. Consumer prices in South Africa increased 5.1 percent year-on-year in June 2017, easing down from 5.4 percent in May which was the lowest rate since November 2015.The South African Reserve Bank reduced its benchmark repo rate 6.75 percent at its July meeting. The unemployment rate in South Africa remained at 27.7 percent in the second quarter of 2017 as compared to the previous period. It is the highest jobless rate since 2004.

1. **Review of Global Financial Markets:** 
   1. International stocks recorded mixed performance in June 2017. Equity prices continued to remain strong thus reflecting market optimism regarding corporate earnings and some further compression of interest rate spreads. However, investor sentiments were affected owing to indications of moderation in pace of growth in European markets and political uncertainty encompassing the elections in UK. Investor sentiments also drowned initially as European Central Bank (ECB) and Bank of England (BoE) hinted towards pulling back on quantitative easing. On the other hand, Emerging markets stocks rose in June as demand for riskier assets prevailed.. June 2017 marked the seventh consecutive monthly rise for MSCI Emerging Markets Index in spite of a second raise in Fed rates this year on June 14, 2017. The MSCI Emerging Markets index registered a strong gain and outperformed the MSCI World index.

During June 2017, US stocks generated modest gains despite some mixed economic data and political uncertainty surrounding the US administration’s capacity to move forward with its expansive fiscal policies. Eurozone stocks strengthened as equity prices were supported by an encouraging economic scenario, diminishing political risk and improved corporate earnings. Japanese equities advanced on account of increased private consumption as well as export-import gains. In China, stocks recorded strong gains owing to positive economic data and a landmark decision by index provide MSCI to include China A-shares into its flagship emerging markets index in 2018. Brazilian stocks retreated as the charges of corruption were alleged against the country’s president, however Brazilian economy emerged from its recession as its GDP numbers improved. India equities advanced, although underperforming as compared to broader regional returns due to possible short term impact in anticipation of a much awaited new indirect taxation system (GST). Russian stocks fell as the Brent crude, its top export, suffered a sharp decline.

* 1. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed marginal increase of 0.2 percent. On the other hand, MSCI Emerging Market Index registered a increase of 0.5 percent during June 2017. MSCI India Index registered a fall of 0.9 percent over the previous month. (Chart 3).

**Chart 3: Movement in MSCI World and Emerging Market Index**

*Source: Bloomberg*

**Bond Markets:**

* 1. The positive economic data, continued accommodative monetary policy and subdued inflation provided a healthy backdrop for the bonds over the quarter. Long-term bond yields in advanced economies, which have been on a decline since March, rebounded as the month of June closed. The U.S. Federal Reserve increased short-term interest rates in June, however markets still expect a very gradual path of U.S. monetary policy normalization. Bond spreads over Germany have compressed sharply in France, Italy, and Spain on subsided electoral uncertainty and stronger signs of recovery.

* 1. The yield on the 10-year Treasury note reached its post election low in mid-June before climbing quickly near the end of the month .The 10-year Treasury note’s yield rose to 2.30 percent at the end of June, as compared to 2.20 in the previous month. U.K. 10-year gilt yields ascended to 1.26 percent from 1.05 percent in the previous month.
  2. The 10 year German bond yields increased to 0.47 percent at the end of June 2017. The 10 year government bond yield of China has decreased to 3.57 percent. The yield of India also descended marginally to 6.51 percent while the Russian bond yield descended to 8.01 percent in June 2017.

**Chart4: Movement in 10 year bond yield of major countries**

***Source****: Bloomberg*

**Currency Market:**

* 1. During June 2017 (by comparing the closing prices of the close of last trading days of the May and June), the U.S. dollar (USD) lost against 3 out of 7 currencies evaluated against it (i.e. INR, YEN, GBP, EURO, Real, Yuan and Ruble).  The currencies gained GBP (1.28 percent), EURO (1.12 percent) and Yuan (0.59 percent) respectively against Dollar. The currencies which lost against it were Ruble (4.47 percent), Real (2.16 percent), Yen (1.70 percent) and INR (0.53 percent) respectively.
  2. By the end of June, the U.S. dollar weakened by around 3.5 percent in real effective terms since March 2017, while Euro has appreciated by a similar amount on increased confidence in the euro area recovery and a subsided political risk. During the same period, exchange rate changes across emerging market currencies have been relatively modest.
  3. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 95.63 on close of June 2017, it lost 1.34 percent against the basket of major currencies during June 2017, and was 6.44 percent below of the close of last trading day of 2016.
  4. Comparing the closing prices of currencies in 2016 with the closing price of June, Euro gained 7.32 percent followed by GBP (5.01 percent), INR (4.94 percent), Yen (3.68 percent), Ruble (3.40 percent) and Yuan (2.45 percent) respectively, whereas Real lost 0.12 percent.
  5. Since the beginning of May 2015 till (closing prices of the last trading days of May 2015 and June 2017 were compared), Brazilian Real and Russian Ruble lost 4.09 and 12.73 percent respectively against USD. During the same period, INR depreciated by 1.46 percent, and Yen gained 9.48 percent against USD. Euro gained 3.30 percent against USD while GBP depreciated by 18.46 percent against USD. Chinese Yuan has depreciated by 9.37 percent against USD.

**Chart 5: Movement of major currencies against US Dollar ($)**

**Source**: Bloomberg

**Trend in Market Indices:**

* 1. Major stock indices all over the world exhibited a timid performance during June 2017. Amongst the developed markets Japan’s Nikkei witnessed an increase of 2.0 percent, followed by USA’s Dow Jones increasing by 1.6 percent and Singapore STI marginally increasing by 0.5 percent during June 2017. Meanwhile, a decline was registered by CAC of France falling by 3.1 percent followed by UK’s FTSE and Germany’s Dax decreasing by 2.8 percent and 2.3 percent respectively.
  2. As regards the emerging market indices, Taiwan’s Taiex led the way with an increase of 3.5 percent, followed by ISE National 100 of Turkey which increased by 3.0 percent and Shanghai SE Composite IX which recorded an increase of 2.4 percent during in June 2017. On the contrary, a steep fall of 9.1 percent was registered by Karachi 30 of Pakistan, followed by Russia’s Russian Traded declining by 5.1 percent and JSE Africa All Share of South Africa retreating by 3.6 percent during the same period.

**Chart 6: Trend in Major Developed Market Indices**

**Source**: Bloomberg

**Chart 7: Trend in Market Indices of BRICS Nations**

**Source**: Bloomberg

**Market Capitalisation:**

* 1. Market capitalisation of major countries in the world, at the end of June 2017, is given in table A6 and is illustrated in Chart 8. The market capitalisation of all the major countries showed the positive trend while emerging markets showed negative trend during the month of June 2017.
  2. Among major developed markets, the market capitalisation of Australia, Japan and Singapore increased significantly by 4.1 percent, 1.7 percent and 1.1 percent respectively during June 2017. The market capitalisation of USA and Hong Kong increased marginally by 0.3 percent and 0.2 percent respectively while the market capitalisation of UK and Germany decreased by 1.5 percent and 0.9 percent respectively at the end of June 2017.
  3. As regards the emerging markets, the market capitalisation of India decreased slightly by 0.5 percent to USD 1.9 trillion while China’s market capitalisation saw a significant increase by 4.4 percent to USD 6.9 trillion. The market capitalization of Turkey and Hungary ascended significantly by 3.6 percent and 3.2 percent respectively. Russia’s market capitalisation significantly declined by 6.3 percent while South Africa came down by 5.2 percent. Colombia and Brazil showed decrease in their market capitalisation and fell by 4.6 percent and 3.7 percent respectively at the end of June 2017.

**Chart 8: 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 June 2017, the monthly notional turnover of index futures in CME Group was the highest at USD 6,682 billion followed by EUREX (USD 2,570 billion), Japan Exchange Group (USD 1,262 billion) and ICE Futures US (USD 886 billion). In case of Index options, Korea Exchange recorded the monthly turnover of USD 3,071 billion followed by CME Group (USD 2,235 billion) and EUREX (USD 1,330 billion). Korea Exchange recorded highest number of contracts traded in Index option category, with 46.5 million contracts traded in June 2017, followed by Chicago Board Options Exchange (37.6 million contracts), EUREX (32.3 million contracts) and TAIFEX (17.7 million contracts).
  2. In case of Stock Options, Nasdaq - US recorded highest volume (50.9 million contracts) in terms of contracts traded on the major world exchanges followed by BM&FBOVESPA (49.5 million contracts), Chicago Board Options Exchange (37.7 million contracts), NYSE (31.7 million contracts) and EUREX (14 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 23 million contracts, followed by Moscow Exchange (20.3 million contracts), EUREX (14 million contracts) and Thailand Futures Exchange (3.9 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 Q4 of 2016-17. As per the estimates, quarterly GVA (Gross Value Added) at basic price for Q4 of 2016-17 has shown a growth rate of 5.6 percent (Y-o-Y). Agriculture sector's GVA at basic price has been estimated at 5.2 percent in Q4 of 2016-17 as against 1.5 percent in Q4 of 2015-16. Quarterly GVA at basic prices for Q4 of 2016-17 from manufacturing sector grew by 5.3 percent as compared to growth of 12.7 percent in Q4 of 2015-16. For the financial, real estate and professional services sector, quarterly GVA at basic prices for Q4 2016-17 grew by 2.2 percent as compared to growth of 9 percent in Q4 2015-16.
   2. GDP in Q4 of 2016-17 has shown a growth rate of 7.1 percent (Y-o-Y). The World Bank has marginally kept India's economic growth forecasts to 7.2 percent and 7.5 percent for 2017 and 2018 respectively.
   3. The Nikkei India Manufacturing PMI (Purchasing Managers’ Index) stood at 51.6 in May slightly down from 52.5 in April. The Nikkei India Services PMI Index noted increase to 52.2 in May, from 50.2 in April, from the reading of previous month, registering an expansion for consecutive 3 months.

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

| **Items** | **2015-16** | **2016-17** | **2015-16** | | | | **2016-17** | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(1st RE)** | **(PE)** | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **1. Agriculture & allied activities** | 0.7 | 4.9 | 2.4 | 2.3 | -2.1 | 1.5 | 2.5 | 4.1 | 6.9 | 5.2 |
| **2. Industry** |  |  |  |  |  |  |  |  |  |  |
| Mining & Quarrying | 10.5 | 1.8 | 8.3 | 12.2 | 11.7 | 10.5 | -0.9 | -1.3 | 1.9 | 6.4 |
| Manufacturing | 10.8 | 7.9 | 8.2 | 9.3 | 13.2 | 12.7 | 10.7 | 7.7 | 8.2 | 5.3 |
| Electricity, Gas, Water Supply & Other Utility Services | 5 | 7.2 | 2.8 | 5.7 | 4 | 7.6 | 10.3 | 5.1 | 7.4 | 6.1 |
| **3. Services** |  |  |  |  |  |  |  |  |  |  |
| Construction | 5 | 1.7 | 6.2 | 1.6 | 6 | 6 | 3.1 | 4.3 | 3.4 | -3.7 |
| Trade, Hotel, Transport, Communication and services related to broadcasting | 10.5 | 7.8 | 10.3 | 8.3 | 10.1 | 12.8 | 8.9 | 7.7 | 8.3 | 6.5 |
| Financial, Real Estate & Professional Services | 10.8 | 5.7 | 10.1 | 13 | 10.5 | 9 | 9.4 | 7 | 3.3 | 2.2 |
| Public Administration, Defense and Other services | 6.9 | 11.3 | 6.2 | 7.2 | 7.5 | 6.7 | 8.6 | 9.5 | 10.3 | 17 |
| **Gross Value Added at Basic Price** | **7.9** | **6.6** | **7.6** | **8.2** | **7.3** | **8.7** | **7.6** | **6.8** | **6.7** | **5.6** |

***RE-*** *Revised Estimates;* ***PE****- Provisional Estimates*

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) growth by 1.7 percent in May 2017, against 8.0 percent growth recorded in May 2016 (both over the corresponding period in the previous year), with manufacturing grew by 1.2 percent as compared to its 8.6 percent growth in previous year. Electricity grew at 8.7 percent in May as compared to 6.1 percent growth in previous year. Mining contracted by 0.9 percent in May, compared to a growth of 5.7 percent in previous year. During April-May 2017-18, the IIP grew 2.3 percent, against 7.3 percent growth recorded in April-March 2016-17.

**Inflation**

* 1. India's CPI inflation grew by 1.54 percent in June, as compared to 2.18 percent in May. Food prices (as measured by CFPI) showed a contraction of 2.12 percent in June as compared to 1.05 percent in May. The Repo rate currently stands at 6.25 percent.

**Trade – Exports and Imports**

* 1. Exports during June 2017 growing by 4.39 percent in dollar terms valued at US$ 23.56 billion as compared to US$ 22.57 billion during June 2016. Imports increased by 19.01 percent to USD 36.52 billion in June 2017 from 30.69 billion in June 2016. The merchandise trade deficit was USD 12.96 billion in during June 2017, against the deficit of USD 8.12 billion of June 2016. Taking merchandise and services together, overall trade deficit for April- June 2017-18 was estimated at USD 28.6 billion, against the deficit of USD 8.0 billion during April-June 2016-17.

**Foreign Exchange Reserves**

* 1. Since the end of March 2017, forex reserves have increased by about USD 16,584.70 million. The reserves were recorded at USD 386.54 billion as on 30 June 2017. (Exhibit 4)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **30 June 2017** | **26 May 2017** | **28 April 2017** | **31 March 2017** |
| **Total Reserves** | 386.5 | 378.8 | 372.7 | 370.0 |
| **Foreign Currency Assets** | 362.4 | 354.5 | 349.1 | 346.3 |
| **Gold** | 20.3 | 20.4 | 19.9 | 19.9 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.4 |
| **Reserve Position in the IMF** | 2.3 | 2.3 | 2.3 | 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**  **May\* , 2017** | **As on**  **June\*, 2017** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5151.8 | 5903.8 | 5761.3 | 5764.0 |
| France | CAC 40 | 4385.1 | 5089.6 | 5283.6 | 5120.7 |
| Germany | Dax | 9965.5 | 12256.4 | 12615.1 | 12325.1 |
| Hong Kong HSI | Hang Seng | 20776.7 | 24111.6 | 25660.7 | 25764.6 |
| Japan NIKKEI | Nikkei 225 | 16758.7 | 18909.3 | 19650.6 | 20033.4 |
| Singapore STI | Straits Times | 2840.9 | 3175.1 | 3210.8 | 3226.5 |
| UK | FTSE 100 | 6174.9 | 7322.9 | 7520.0 | 7312.7 |
| USA DOW JONES | Dow Jones Industrial Average | 17685.1 | 20663.2 | 21008.7 | 21349.6 |
| USA NASDAQ Composite | Nasdaq Composite | 4869.8 | 5911.7 | 6198.5 | 6140.4 |
| India (BSE) | Sensex | 25341.9 | 29620.5 | 31145.8 | 30921.6 |
| India (NSE) | Nifty 50 | 7738.4 | 9173.8 | 9621.3 | 9520.9 |
| Brazil | Bovespa | 50055.3 | 64984.1 | 62711.5 | 62900.0 |
| Chile | Stock Market Select | 3937.5 | 4783.4 | 4855.8 | 4747.2 |
| China | Shanghai SE Composite IX | 3003.9 | 3222.5 | 3117.2 | 3192.4 |
| Colombia | IGBC General | 9871.5 | 10150.7 | 10678.2 | 10891.3 |
| Egypt | Hermes | 687.3 | 1167.8 | 1196.3 | 1216.9 |
| Hungary | Budapest Stock Exchange | 26451.0 | 31634.3 | 34551.9 | 35205.4 |
| Indonesia | Jakatra Composite | 4845.4 | 5568.1 | 5738.2 | 5829.7 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1717.6 | 1740.1 | 1765.9 | 1763.7 |
| Mexico | Bolsa | 45881.1 | 48541.6 | 48788.4 | 49857.5 |
| Pakistan | Karachi 30 | 19167.5 | 25615.6 | 26689.0 | 24250.8 |
| Russia | Russian Traded | 1203.3 | 1509.7 | 1426.5 | 1353.6 |
| South Africa | FTSE/JSE Africa All Share | 52250.3 | 52056.1 | 53562.6 | 51611.0 |
| Taiwan | Taiwan Taiex | 8744.8 | 9811.5 | 10040.7 | 10395.1 |
| Thailand | Stock Exchange of Thai | 1407.7 | 1575.1 | 1561.7 | 1574.7 |
| Turkey | ISE National 100 | 83268.0 | 88947.4 | 97541.6 | 100440.4 |

\*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** | |
|
| **May-17** | **Jun-17** | **May-17** | **Jun-17** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.5 | 0.9 | 16.2 | 16.3 |
| France | CAC 40 | 2.0 | 0.7 | 15.6 | 15.2 |
| Germany | Dax | 0.5 | 0.8 | 13.9 | 13.6 |
| Hong Kong HSI | Hang Seng | 0.5 | 0.7 | 12.6 | 12.4 |
| Japan NIKKEI | Nikkei 225 | 1.8 | 0.6 | NA | NA |
| Singapore STI | Straits Times | 0.7 | 0.5 | 14.6 | 14.7 |
| UK | FTSE 100 | 0.4 | 0.5 | 15.2 | 15.0 |
| USA DOW JONES | Dow Jones Industrial Average | 0.9 | 0.4 | 17.3 | 17.7 |
| USA NASDAQ Composite | Nasdaq Composite | 0.7 | 0.9 | 23.5 | 23.4 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.7 | 0.3 | 20.7 | 20.9 |
| India (NSE) | Nifty 50 | 0.6 | 0.3 | 20.0 | 19.6 |
| Argentina | Indice Bolsa General | 1.4 | 1.3 | 19.3 | 17.2 |
| Brazil | Bovespa | 2.3 | 0.8 | 11.6 | 11.8 |
| Chile | Stock Market Select | 0.7 | 0.4 | 17.8 | 17.5 |
| China | Shanghai SE Composite IX | 0.7 | 0.5 | 13.7 | 14.0 |
| Colombia | IGBC General | 0.7 | 0.6 | 14.7 | 14.7 |
| Egypt | Hermes | 0.8 | 0.4 | 11.3 | 12.2 |
| Hungary | Budapest Stock Exchange | 1.0 | 0.7 | 11.6 | 11.4 |
| Indonesia | Jakatra Composite | 0.8 | 0.6 | 16.1 | NA |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.3 | 0.3 | 16.6 | 16.3 |
| Mexico | Bolsa | 0.8 | 0.5 | 17.8 | 18.3 |
| Pakistan | Karachi 30 | 1.3 | 2.1 | 11.4 | 10.6 |
| Russia | Russian Traded | 1.3 | 1.0 | 6.2 | 6.2 |
| South Korea | Kospi Index | 1.0 | 0.5 | NA | NA |
| South Africa | FTSE/JSE Africa All Share | 0.4 | 0.8 | 15.0 | 14.8 |
| Taiwan | Taiwan Taiex | 0.4 | 0.6 | 13.6 | 14.1 |
| Thailand | Stock Exchange of Thai | 0.4 | 0.2 | 15.2 | 15.4 |
| Turkey | ISE National 100 | 0.8 | 0.7 | 9.3 | 9.3 |

NA.: Not Available

**Source**: Bloomberg,

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Stock Exchange** | **May-17** | | | **Jun-17** | | |
| **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** | **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** |
| Australian Securities Exchange | NA | 2,395 | 2,395 | NA | 1,832 | 1,832 |
| BME Spanish Exchanges | NA | 657 | 657 | NA | 1,041 | 1,041 |
| Bolsa de Comercio de Buenos Aires | 4,755 | 0 | 4,755 | 10,615 | 5 | 10,620 |
| Borsa Istanbul | 6,307 | 25 | 6,332 | 8,592 | 360 | 8,951 |
| Euronext | NA | 3,740 | 3,740 | NA | 13,363 | 13,363 |
| Hong Kong Exchanges and Clearing | 14,170 | 2,956 | 17,126 | 9,694 | 5,380 | 15,074 |
| Irish Stock Exchange | 0 | 1,217 | 1,217 | 1,885 | 2 | 1,887 |
| Japan Exchange Group Inc. | 4,945 | 293 | 5,237 | NA | NA | NA |
| Johannesburg Stock Exchange | 3,345 | 66 | 3,411 | 4,795 | 1,493 | 6,289 |
| Korea Exchange | 41,253 | 3,389 | 44,642 | 42,900 | 525 | 43,425 |
| London SE Group | 29,901 | 2,840 | 32,741 | 34,231 | 2,579 | 36,811 |
| Moscow Exchange | 21,500 | 8 | 21,508 | 23,718 | NA | 23,718 |
| Nasdaq - US | NA | 519 | 519 | NA | 553 | 553 |
| Nasdaq Nordic Exchanges | 12,257 | 0 | 12,257 | 4,246 | 240 | 4,486 |
| NYSE | NA | 18,230 | 18,230 | NA | 10,064 | 10,064 |
| Oslo Bors | 3,624 | 504 | 4,128 | 8,514 | 1,036 | 9,550 |
| Shanghai Stock Exchange | NA | 6,254 | 6,254 | NA | 7,303 | 7,303 |
| Shenzhen Stock Exchange | 598 | 2,655 | 3,252 | 2,817 | 3,758 | 6,575 |
| Singapore Exchange | 29,799 | 2,390 | 32,189 | 36,065 | 179 | 36,244 |
| SIX Swiss Exchange | 6,008 | 0 | 6,008 | 6,250 | 0 | 6,250 |
| Tel-Aviv Stock Exchange | 1,960 | 161 | 2,121 | 2,457 | 457 | 2,914 |
| TMX Group | 149 | 5,120 | 5,270 | 241 | 3,878 | 4,119 |
| Warsaw Stock Exchange | NA | 125 | 125 | NA | 366 | 366 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **Jun-17** | | | |
| **Stock options** | | **Stock futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 4,94,57,247 | 28,500 | 0 | 0 |
| Bolsa de Comercio de Buenos Aires | 19,33,398 | 0 | 0 | 0 |
| Chicago Board Options Exchange | 3,77,18,298 | NA | NA | NA |
| Nasdaq - US | 5,09,20,154 | NA | NA | NA |
| NYSE | 3,17,06,985 | 7,177 | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 75,64,389 | 13,417 | 7,85,528 | 851 |
| Hong Kong Exchanges and Clearing | 84,40,612 | 22,337 | 11,756 | 68 |
| Japan Exchange Group | 49,317 | NA | NA | NA |
| Korea Exchange | 11,39,214 | NA | 2,29,56,530 | 19,102 |
| TAIFEX | 19,066 | 58 | 14,37,387 | 8,392 |
| Thailand Futures Exchange | NA | NA | 39,49,856 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 1,768 | 1 | 21,30,501 | 235 |
| BME Spanish Exchanges | 19,38,624 | 2,016 | 24,44,715 | 1,852 |
| Borsa Istanbul | 3,00,944 | 69 | 20,33,563 | 323 |
| EUREX | 1,39,92,267 | 61,516 | 1,40,07,924 | 48,643 |
| Euronext | 1,01,62,768 | 27,116 | 58,529 | 146 |
| Johannesburg Stock Exchange | 9,45,608 | 22 | 28,08,331 | 2,094 |
| Moscow Exchange | 1,54,250 | 37 | 2,02,74,035 | 4,997 |
| Nasdaq Nordic Exchanges | 18,75,167 | 3,399 | 3,79,715 | 408 |
| Oslo Bors | 0 | 0 | 0 | 0 |
| Tehran Stock Exchange | 8,81,502 | 3 | 0 | 0 |
| Tel-Aviv Stock Exchange | 57,205 | 345 | 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** | **Jun-17** | | | |
| **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 | 15,28,008 | 14,566 | 2,23,16,893 | 1,08,583 |
| Chicago Board Options Exchange | 3,76,18,892 | NA | NA | NA |
| CME Group | 1,39,63,616 | 22,34,830 | 5,55,71,679 | 66,82,440 |
| ICE Futures US | 3,066 | 348 | 94,55,408 | 8,86,200 |
| MexDer | 2,969 | 81 | 1,77,004 | 4,120 |
| Nasdaq - US | 2,87,371 | NA | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 9,65,786 | 42,475 | 76,901 | 1,99,012 |
| Hong Kong Exchanges and Clearing | 24,59,623 | 2,32,344 | 63,19,693 | 6,25,430 |
| Japan Exchange Group | 25,45,725 | NA | 2,56,15,308 | 12,62,490 |
| Korea Exchange | 4,65,19,444 | 30,71,400 | 68,53,730 | 3,69,587 |
| Singapore Exchange | 5,66,083 | NA | 1,26,69,344 | NA |
| TAIFEX | 1,76,94,925 | 2,99,130 | 51,66,670 | 2,45,955 |
| Thailand Futures Exchange | 75,527 | NA | 22,36,410 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 7,383 | 36 | 57,161 | 276 |
| BME Spanish Exchanges | 3,39,242 | 4,012 | 6,65,520 | 64,058 |
| Borsa Istanbul | 22,391 | 76 | 38,91,261 | 13,576 |
| EUREX | 3,22,63,055 | 13,30,010 | 5,16,75,295 | 25,69,630 |
| Euronext | 13,40,933 | 79,509 | 41,03,816 | 2,92,170 |
| Johannesburg Stock Exchange | 3,81,451 | 201 | 31,94,471 | 63,769 |
| Moscow Exchange | 39,84,056 | 6,400 | 1,53,01,362 | 28,372 |
| Nasdaq Nordic Exchanges | 4,26,071 | 8,265 | 35,02,441 | 51,823 |
| Oslo Bors | 0 | 0 | 0 | 0 |
| Tel-Aviv Stock Exchange | 21,98,799 | NA | NA | NA |
| Warsaw Stock Exchange | 25,997 | 163 | 5,16,718 | 6,473 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Apr-17** | **May-17** | **Jun-17** | **M-o-M change(%)** |
| *1* | *2* | *3* | *4* | *5* |
| **Developed Markets** |  |  |  |  |
| Australia | 12,52,435 | 12,01,963 | 12,51,211 | 4.1 |
| France | 22,31,242 | 23,45,096 | 23,47,027 | 0.1 |
| Germany | 21,01,156 | 21,81,049 | 21,61,548 | (0.9) |
| Hong Kong | 44,39,803 | 45,66,084 | 45,77,354 | 0.2 |
| Japan | 53,89,187 | 55,56,568 | 56,52,599 | 1.7 |
| Singapore | 5,32,691 | 5,36,587 | 5,42,662 | 1.1 |
| UK | 33,70,064 | 34,85,003 | 34,32,329 | (1.5) |
| USA | 2,66,96,106 | 2,69,13,467 | 2,69,97,561 | 0.3 |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 19,61,125 | 19,61,200 | 19,50,997 | (0.5) |
| Argentina | 79,972 | 85,548 | 81,623 | (4.6) |
| Brazil | 7,87,363 | 7,63,218 | 7,35,076 | (3.7) |
| Chile | 2,36,712 | 2,38,354 | 2,34,502 | (1.6) |
| China | 68,08,335 | 66,99,969 | 69,96,993 | 4.4 |
| Colombia | 1,06,129 | 1,06,666 | 1,01,477 | (4.9) |
| Egypt | 38,272 | 39,011 | 39,915 | 2.3 |
| Hungary | 23,585 | 25,200 | 25,994 | 3.2 |
| Indonesia | 4,62,364 | 4,67,627 | 4,75,382 | 1.7 |
| Malaysia | 4,04,250 | 4,09,015 | 4,08,102 | (0.2) |
| Mexico | 3,72,830 | 3,75,816 | 3,87,145 | 3.0 |
| Pakistan | 94,260 | 97,815 | 89,007 | (9.0) |
| Russia | 5,75,204 | 5,57,933 | 5,22,597 | (6.3) |
| South Korea | 13,91,297 | 14,98,106 | 15,02,685 | 0.3 |
| South Africa | 4,54,320 | 4,66,504 | 4,42,066 | (5.2) |
| Taiwan | 10,89,805 | 11,18,798 | 11,40,915 | 2.0 |
| Thailand | 4,36,694 | 4,45,015 | 4,49,716 | 1.1 |
| Turkey | 1,98,805 | 2,04,728 | 2,12,196 | 3.6 |

*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's Division of Corporation Finance Expands Popular JOBS Act Benefit to All Companies

*29th June, 2017*: The Securities and Exchange Commission today announced that the Division of Corporation Finance will permit all companies to submit draft registration statements relating to initial public offerings for review on a non-public basis. This process will be available for IPOs as well as most offerings made in the first year after a company has entered the public reporting system. It will take effect on July 10, 2017. Permitting all companies to submit registration statements for non-public review, similar to the benefit used by emerging growth companies (EGC) under the JOBS Act, will provide companies with more flexibility to plan their offering. The non-public review process after the IPO reduces the potential for lengthy exposure to market fluctuations that can adversely affect the offering process and harm existing public shareholders. By requiring a public filing period prior to the launch of marketing, the process incorporates a feature of the EGC review process that provides an opportunity for the public to evaluate those offerings.

*Source: https://www.sec.gov/news/pressrelease/2017-121.html*

1. Additional Charges Announced in Case Involving Pre-Released ADRs.

*22nd June, 2017:* The Securities and Exchange Commission announced additional charges in an enforcement investigation involving the improper handling of American Depositary Receipts (ADRs) by a Wall Street firm’s securities lending desk. The SEC’s order finds supervisory failures by Anthony Portelli, a former managing director and head of operations at broker-dealer ITG Inc. Portelli supervised ITG’s securities lending operations and was responsible for the firm’s compliance with “pre-release agreements” for ADR transactions. ADRs are U.S. securities that represent foreign shares of a foreign company. Before obtaining a “pre-released ADR” to lend to a customer, brokers like ITG must own, or determine that a customer owns, the number of foreign shares that corresponds to the number of shares the ADR represents. Under Portelli’s watch, personnel on ITG’s securities lending desk failed to take reasonable steps to determine whether the proper amounts of foreign shares were owned and held by ITG’s customers. This failure opened up the possibility that the ADRs could be used improperly for short selling or dividend arbitrage.

*Source: https://www.sec.gov/news/pressrelease/2017-119.html*

1. IOSCO Publishes Country Review of Sri Lanka’s Implementation of IOSCO Principles

*30th June 2017:* The IOSCO Board published its Assessment Committee’s *Country Review of the Democratic Socialist Republic of Sri Lanka*. This is the third Country Review conducted by IOSCO’s Assessment Committee. The Country Review identifies challenges that Sri Lanka Securities and Exchange Commission (SEC) faces in meeting international regulatory standards. With respect to the framework´s design, the Country Review finds that the independence and regulatory remit of the regulator should be extended as a matter of priority. In addition, the framework needs further revisions to clarify the SEC’s powers (particularly enforcement and cooperation) and set out clear and consistent guidance across all standards. Regarding the framework´s operation, the Country Review recommends risk-based supervision, staff development, raising standards for regulatory action as well as improving prosecutions, policy communication, emerging risk identification, internal audit processes and supervision of the audit profession. This Country Review was carried out by a Review Team of seven experts nominated by member

organizations from Australia ASIC, India SEBI, the Netherlands AFM, Singapore MAS and Québec

AMF, and the IOSCO General Secretariat.

*Source: www.* *iosco.org/news/pdf/IOSCONEWS465.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)