**SEBI**

**BULLETIN**

**January 2018 VOL. 16 NUMBER 01**

**(LOGO)**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**EDITORIAL COMMITTEE**

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**CAPITAL MARKET REVIEW**

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

Resources mobilised through primary market witnessed a sharp decline during December 2017 compared to previous three months. During the month under review, the primary market witnessed 18 equity issues that mobilised ` 2,239 crore as compared to 20 issues that mobilised ` 19,496 crore during November 2017. There were 16 initial public offerings (IPOs) of equity issues that raised ` 1,393 crore and two rights issues that raised ` 847 crore during the month. There was one public debt issue which raised ` 229 crore during the month.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **Dec-17** | | **Nov-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 | 17 | 1,622 | 16 | 18,932 | 139 | 68,266 | 80 | 48,407 |
| (i) Debt | 1 | 229 | 0 | 0 | 5 | 4,125 | 10 | 23,893 |
| (ii) Equity, of which |  |  |  |  |  |  |  |  |
| IPOs | 16 | 1,393 | 15 | 18,919 | 133 | 64,128 | 70 | 24,515 |
| FPOs | 0 | 0 | 1 | 13 | 1 | 13 | 0 | 0 |
| b. Rights Issues | 2 | 847 | 4 | 564 | 14 | 4,521 | 5 | 1,298 |
| Total Equity Issues a(ii)+b | 18 | 2,239 | 20 | 19,496 | 148 | 68,662 | 75 | 25,812 |
| ***Grand Total (a+b)*** | ***19*** | ***2,468*** | ***20*** | ***19,496*** | ***153*** | ***72,787*** | ***85*** | ***49,705*** |

***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 December 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 December 2017 which raised ` 11,037 crore compared to seven QIP issues during November 2017 which raised ` 2,741 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 43 preferential allotments (amounting to ` 12,793 crore) listed at BSE and NSE together during December 2017, compared to 29 preferential allotments (amounting to ` 1,513 crore) during November 2017 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

Private placement mechanism dominates the resource mobilization through corporate bonds. During December 2017, ` 41,108 crore was raised through private placement of 126 issues in the corporate bond market. There was one public issue of debt during the month that mobilised ` 229 crore.**(*Table 12 and Exhibit 1A*)**.

Total amount mobilised through public issues and private placement of both debt and equity combined stood at ` 67,406 crore in December 2017 as compared to ` 74,605 crore in November 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$** | **68,662** | **1,02,174** | **1,70,836** | **4,125** | **4,60,061** | **4,64,185** | **6,35,021** |
| 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 |

***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 December 2017 are provisional*

1. **Resource Mobilisation by Mutual Funds**

During December 2017, there was a net outflow of ` 1,64,096 crore from the mutual funds industry as against to a net inflow of ` 1,26,173 crore during November 2017. In the month under review, there was net outflow of ` 1,88,219 crore from income / debt oriented schemes and a net inflow of ` 16,088 crore into growth / equity oriented schemes. Balanced schemes recorded inflow of ` 9,755 crore. Exchange traded funds witnessed net outflow of ` 1,662 crore of which there was an outflow of ` 58 crore from gold ETFs and an outflow of ` 1,603 crore from other ETFs. The Fund of funds schemes investing overseas recorded net outflow of ` 58 crore. The cumulative net assets under management by all mutual funds fell by 6.2 per cent to ` 21,37,613 crore at the end of December 2017 from ` 22,79,032 crore at the end of November 2017 **(*Tables 56 & 58*).**

1. **Trends in the Secondary Market**

The Indian stock market witnessed uptrend during the month under review. At the end of December 2017, S&P BSE Sensex closed at 34,057 witnessing 2.7 per cent rise from its last month’s closing at 33,149. The Nifty 50 also rose 3.0 per cent to close at 10,531 at the end of December 2017 compared to previous month’s closing at 10,227 (***Figure 1***). S&P BSE Sensex touched its intraday high of 34,057on December 29, 2017 and Nifty 50 touched its intraday highs of 10,532 on December 26, 2017. Both Sensex and Nifty touched their intraday lows of 32,597and 10,044 respectively on December 06, 2017.

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

Market capitalisation of BSE increased by 4.0 per cent to ` 1,51,73,867 crore at the end of December 2017, from ` 1,45,96,656 crore at the end of November 2017. Market capitalization at NSE also increased to ` 149,82,296 crore from ` 1,43,92,501 crore during the same period witnessing a gain of 4.1 per cent. The P/E ratios of S&P BSE Sensex and Nifty 50 were 25.2 and 26.9 respectively at the end of December 2017 compared to 24.4 and 26.2 respectively a month ago (***Exhibit 2***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2017-18$** | **2016-17** | **Dec-17** | **Nov-17** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** | | | | | |
| S&P BSE Sensex | **34,057** | **29,621** | 34,056.8 | 33,149.4 | 2.7 |
| Nifty 50 | **10,531** | **9,174** | 10,530.7 | 10,226.6 | 3.0 |
| **B. Market Capitalisation** | | | | | |
| BSE | **1,51,73,867** | **1,21,54,525** | 1,51,73,867 | 1,45,96,656 | 4.0 |
| NSE | **1,49,82,296** | **1,19,78,421** | 1,49,82,296 | 1,43,92,501 | 4.1 |
| **C. Gross Turnover** | | | | | |
| BSE | **8,00,314** | **9,98,261** | 95,689 | 1,22,709 | -22.0 |
| NSE | **51,85,453** | **50,55,913** | 5,98,032 | 7,35,187 | -18.7 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **25.2** | **22.6** | 25.2 | 24.4 | 3.4 |
| Nifty 50 | **26.9** | **23.3** | 26.9 | 26.2 | 2.9 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,616** | **5,834** | 5,616 | 5,696 | -1.4 |
| NSE | **1,897** | **1,817** | 1,897 | 1,885 | 0.6 |

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

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

The monthly turnover of BSE (cash segment) fell by 22.0 per cent to ` 95,689 crore in December 2017 from ` 1,22,709 crore in November 2017. The hike in turnover during November was due to execution of two bulk deals in the shares of Bharati Airtel Ltd. amounting to ` 19,671 crore on November 03, 2017 and November 08, 2017. The monthly turnover of NSE (cash segment) too fell by 18.7 per cent to ` 5,98,032 crore in December 2017 from ` 7,35,187 crore in November 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 witnessed mostly positive trend during the month under review. Among BSE indices, in December 2017, S&P BSE Metal index increased the most (6.3 per cent), followed by S&P BSE Consumer Durables index (5.8 per cent) and S&P BSE Small Cap (5.6 per cent). S&P BSE PSU, on the other hand, fell by 1.2 per cent followed by S&P BSE Bankex (1.1 per cent). As regards NSE indices, Nifty MNC index rose the most (7.0 per cent) followed by Nifty Midcap 100 index (5.5 per cent) and Nifty Midcap 50 index (5.3 per cent). Nifty PSU Bank index, on the other hand fell by 6.3 per cent followed by Nifty Bank index (1.0 per cent). Among BSE indices the S&P BSE Metal index recorded the highest daily volatility (1.4 per cent), followed by S&P BSE Power index (1.0 per cent) and S&P BSE Consumer Durables index (0.9 per cent) during the month under review. At NSE during the same period, daily volatility of Nifty PSU Bank index was 1.3 per cent, followed by Nifty Pharma index (1.0 per cent) and Nifty MNC index (1.0 per cent) (***Exhibit 3***).

**Exhibit 3: Performance of Indices at BSE and NSE during December 2017 (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 | 1.35 | 0.65 | Nifty 50 | 1.63 | 0.68 |
| S&P BSE 100 | 1.82 | 0.69 | Nifty Next 50 | 3.11 | 0.81 |
| S&P BSE 200 | 2.27 | 0.68 | Nifty 100 | 1.86 | 0.70 |
| S&P BSE 500 | 2.57 | 0.67 | Nifty 200 | 2.31 | 0.69 |
| S&P BSE Large Cap | 1.70 | 0.68 | Nifty 500 | 2.66 | 0.68 |
| S&P BSE Small Cap | 5.60 | 0.78 | Nifty Midcap 50 | 5.28 | 0.88 |
| S&P BSE Consumer Durables | 5.79 | 0.90 | Nifty Midcap 100 | 5.48 | 0.80 |
| S&P BSE Capital Goods | 3.20 | 0.86 | Nifty Small 100 | 4.44 | 0.89 |
| S&P BSE Bankex | -1.11 | 0.78 | Nifty Bank | -0.99 | 0.76 |
| S&P BSE Teck | 4.65 | 0.68 | Nifty IT | 3.85 | 0.77 |
| S&P BSE FMCG | 3.19 | 0.71 | Nifty FMCG | 3.38 | 0.79 |
| S&P BSE Metal | 6.28 | 1.35 | Nifty Pharma | 2.87 | 1.03 |
| S&P BSE PSU | -1.19 | 0.77 | Nifty PSU Bank | -6.26 | 1.32 |
| S&P BSE Power | 1.78 | 0.99 | Nifty Media | 3.51 | 0.76 |
| S&P BSE Healthcare | 5.22 | 0.77 | Nifty MNC | 7.01 | 0.90 |

***Source:*** *Bloomberg*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of December 2017 was 167 lakh at NSDL (an increase of 0.8 per cent over November 2017) and 141 lakh at CDSL (an increase of 1.8 per cent over November 2017). The number of investor accounts increased by 9.5 per cent at NSDL and by 19.7 per cent at CDSL over the number of investor accounts at the respective depositories in November 2016 **(*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 decreased by 11.3 per cent to ` 1,37,07,150 crore during December 2017 from ` 1,54,51,469 crore during November 2017 (***Figure 4***). During the month under review options on index accounted for about 82.6 per cent of the total turnover in the F&O segment at NSE. In December 2017, monthly turnover of index futures increased by 7.6 per cent, whereas that of stock futures fell by 10.9 per cent. Monthly turnover of put options on index and call options on index decreased by 9.7 per cent and 13.4 per cent, respectively. Monthly turnover of put options on stock and call options on stock fell by 18.1 per cent and 12.4 per cent, respectively. The open interest in value terms in the equity derivative segment of NSE increased by 8.3 per cent to ` 3,17,935 crore as on December 31, 2017 ` 2,93,505 crore as on November 30, 2017 **(Table 31).**

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

The monthly total turnover in equity derivative segment of BSE was ` 1.4 crore in December 2017, compared to ` 1.8 crore in November 2017. The open interest in value terms in equity derivatives segment of BSE decreased to ` 0.5 crore as on December 31, 2017 from ` 0.3 crore as on November 30, 2017 *(****Exhibit 4 and Table 30****)*.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **NSE** | | | **BSE** | | |
| **Nov-17** | **Dec-17** | **Percentage Change Over Month** | **Nov-17** | **Dec-17** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| **A. Turnover (` crore)** | | | | | | |
| (i) Index Futures | 3,77,959 | 4,06,556 | 7.6 | 0.0 | 0.0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 59,31,258 | 53,54,520 | -9.7 | 0.0 | 0.0 | NA |
| *Call* | 68,87,014 | 59,63,830 | -13.4 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 13,96,413 | 12,44,069 | -10.9 | 1.8 | 1.4 | -22.5 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 2,52,659 | 2,06,924 | -18.1 | 0.0 | 0.0 | NA |
| *Call* | 6,06,165 | 5,31,251 | -12.4 | 0.0 | 0.0 | NA |
| **Total** | **1,54,51,469** | **1,37,07,150** | **-11.3** | **1.8** | **1.4** | **-22.5** |
| **B. No. of Contracts** | | | | | | |
| (i) Index Futures | 43,78,831 | 47,69,247 | 8.9 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 6,46,19,921 | 5,95,31,409 | -7.9 | 0 | 0 | NA |
| *Call* | 7,29,49,308 | 6,35,70,365 | -12.9 | 0 | 0 | NA |
| (iii) Stock Futures | 1,96,00,435 | 1,71,81,163 | -12.3 | 24 | 19 | -20.8 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 35,18,583 | 28,99,301 | -17.6 | 0 | 0 | NA |
| *Call* | 33,15,699 | 69,63,208 | 110.0 | 0 | 0 | NA |
| **Total** | **16,83,82,777** | **15,49,14,693** | **-8.0** | **24** | **19** | **-20.8** |
| **C. Open Interest in terms of Value ( ` crore)** | | | | | | |
| (i) Index Futures | 22,072 | 28,813 | 30.5 | 0.0 | 0.0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 81,338 | 87,069 | 7.0 | 0.0 | 0.0 | NA |
| *Call* | 65,341 | 59,876 | -8.4 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 1,14,572 | 1,24,294 | 8.5 | 1.8 | 1.4 | 69.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 3,538 | 6,206 | 75.4 | 0.0 | 0.0 | NA |
| *Call* | 6,645 | 11,676 | 75.7 | 0.0 | 0.0 | NA |
| **Total** | **2,93,505** | **3,17,935** | **8.3** | **1.8** | **1.4** | **69.0** |
| **D. Open Interest in terms of No of Contracts** | | | | | | |
| (i) Index Futures | 2,75,849 | 3,54,552 | 28.5 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 10,23,746 | 10,62,304 | 3.8 | 0 | 0 | NA |
| *Call* | 8,12,213 | 7,16,045 | -11.8 | 0 | 0 | NA |
| (iii) Stock Futures | 17,03,816 | 17,04,815 | 0.1 | 4 | 7 | 75.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 51,346 | 81,748 | 59.2 | 0 | 0 | NA |
| *Call* | 96,258 | 1,54,887 | 60.9 | 0 | 0 | NA |
| **Total** | **39,63,228** | **40,74,351** | **2.8** | **4** | **7** | **75.0** |

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 12.67 at the end of December 2017, lower than 13.55 registered at the end of November 2017 (***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 December 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 December 2017 fell by 20.6 per cent to ` 3,96,077 crore from ` 4,96,177 crore in November 2017. During the same time the monthly turnover of currency derivatives at BSE also fell by 20.4 per cent to ` 3,19,219 crore from ` 4,01,253 crore and the monthly turnover of currency derivatives at MSEI increased significantly by 65.6 per cent to ` 9,215 crore from ` 5,565 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 December 2017, the monthly turnover of interest rate futures at NSE fell by 15.3 per cent to ` 30,862 crore from ` 36,433 crore in November 2017. The monthly turnover of interest rate futures at BSE, fell by 34.6 per cent to ` 17,274 crore in December 2017 from ` 26,430 crore in November 2017. The monthly turnover in interest rate futures at MSEI showed nil turnover during December 2017 compared to ` 5 crore in the previous month. (***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 December 2017, the composite index MCXCOMDEX registered a rise over its closing values of November 2017, the Dhaanya index of NCDEX on the other hand registered a decline over its closing value at the end of November 2017. The MCXCOMDEX closed at 3568.20, registering an increase of 3.27 percent, whereas, Dhaanya index closed at 3013.90, recording a decrease of 1.24 percent, over its closing values of November 2017. **(Figure 8)**. MCXCOMDEX recorded an intra-day high of 3571.14 on December 29, 2017 while 3380.06 on December 14, 2017 was its lowest intra-day level during the month. NCDEX Dhaanya recoded an intra-day high of 3079.85 on December 04, 2017 and an intra-day low of 2953.98 on December 15, 2017 **(Details in Table 62)**. All group indices of MCXCOMDEX namely MCX Metal, MCX Energy and MCX Agri. moved upward by 3.93 percent, 2.64 percent and 2.12 percent, respectively.

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

**Source: MCX and NCDEX**

Daily volatility during December 2017 of MCXCOMDEX and NCDEX Dhaanya indices was recorded at 0.63 percent and 0.81 percent, respectively. Among the component indices of MCXCOMDEX, MCX Energy recorded highest volatility of 1.02 percent, followed by MCX Metal (0.72 percent) and MCX Agri. (0.58 percent). The daily volatility and variation over the previous month for indices of commodity futures is shown in the Figure 9 below:

**Figure 9 : Performance of Indices at MCX and NCDEX during December 2017 (Percent)**

**Source: MCX and NCDEX**

**Turnover**

During December 2017, the national commodity Exchanges namely, NMCE and ICEX recorded an increase in turnover, whereas MCX and NCDEX recorded a decrease in turnover. The turnover at regional Exchange viz. Hapur Commodity Exchange (HCE), has also recorded a decrease over the previous month.

The total turnover at all the four national exchanges was recorded at `4,52,892 crore. Out of this total turnover, agricultural commodities contributed `65,957 crore (14.6 percent) while that of the non-agricultural commodities contributed `3,86,935 crore (85.4 percent) to the total turnover. Among, the non-agricultural commodities segments, Bullion, Metals and Energy are traded at MCX, whereas, diamond contracts are traded at ICEX. Option trading in Gold contracts commenced at MCX on 17th October, 2017. The total turnover in call and put option taken together decreased to ₹1,275 crore in December 2017, a decrease of 55.49 percent over ₹2,866 crore recorded in November 2017.

The total turnover at MCX (futures+ options) decreased by 15.81 percent to `3,98,315 crore, over total turnover of `4,73,130 crore recorded during November 2017. The contribution to the total turnover at MCX from metal segment was at 41.43 percent followed by energy segment at 34.64 percent, bullion segment with 20.69 percent and agricultural commodities had a share of 2.92 percent. Gold Option contributed 0.32 percent to the total turnover.

The turnover at NCDEX has decreased by 8.23 percent to `51,461 crore during December 2017, from `56,073 crore in November 2017.

The total turnover at NMCE has increased marginally by 0.27 percent to `2,848 crore during December 2017 from `2,840 crore in 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 4.25 percent to ₹268.16 crore in December from ₹₹257.23 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 (`51,461 crore) followed by MCX (`11,648 crore) and NMCE (`2,848 crore). The turnover of agricultural and non- agricultural commodities at national exchanges is shown in Figures 10, 11 and the details in Tables 63 to 67.

The Hapur Commodity Exchange (HCE), Hapur, where only Rape/Mustard Seed contract is traded recorded a total turnover of `6.81 crore during December 2017, a decrease of 95.50 percent over the total turnover of `151 crore during November 2017. The exchange has not introduced fresh contract for the next month in view of their proposed resolution for voluntary exit.

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

**Figure 11: Turnover of Non-Agricultural Commodities Derivatives (`crore)**

**B. Commodity price trends**

At the end of December 2017, M-o-M returns among the near month contracts of non-agricultural commodities were positive for Aluminum (9.4 percent), followed by Copper, Nickel, Silver, Crude Oil, Zinc, Gold and Lead, while returns were decreased most for Natural Gas at 3.8 percent. Among Agricultural Commodities, the M-o-M returns were the highest for Cardamom (16.8 percent), followed by Pepper, Cotton Seed Oilcake, Cotton, Guar Seed, Rubber, Guar Gum, Soybean, Barley, Coriander and Turmeric. The returns declined the most for Chana (15.2 percent), followed by Crude Palm Oil, Castor Seed, RM Seed, Raw Jute, Refined Soy Oil, Isabgul Seed and Jeera.

The Y-o-Y returns on futures prices among non-agricultural commodities increased the most for Copper by 24.47 percent, followed by Zinc, Aluminium, Lead, Nickel, Gold and Crude Oil, while it declined the most for Natural Gas (25.96 percent) followed by Silver. Among agricultural commodities, Y-o-Y returns increased the most for Mentha Oil (92.02 percent) followed by Guar Gum, Guar Seed, Jeera, Castor seed, Turmeric, Cotton, Soybean and Refined Soy Oil, while Y-o-Y returns declined the most for Pepper contracts at NMCE (32.66 percent) followed by Coriander, Cardamom, Barley, Cotton Seed Oilcake, Wheat, Isabgul Seed, R M Seed, Raw Jute, Crude Palm Oil and Rubber. **(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 29/12/2017 | Variation in prices as on 29/12/2017 (percent) | | Commodities traded at NCDEX | Closing value as on 29/12/2017 | Variation in prices as on 29/12/2017 (percent) | |
| **M-o-M** | **Y-o- Y** | **M-o-M** | **Y-o- Y** |
| Aluminium | 143.30 | 9.4 | 23.96 | Guar seed | 4078.0 | 5.0 | 25.94 |
| Copper | 466.00 | 8.0 | 24.47 | Guar Gum | 8939 | 1.8 | 44.15 |
| Crude Oil | 3850.00 | 4.4 | 5.05 | Soybean | 3,064.00 | 1.0 | 1.16 |
| Gold | 29156.00 | 0.5 | 5.78 | Chana | 4015 | -15.2 | NA |
| Lead | 159.50 | 0.1 | 20.20 | Turmeric | 7842 | 0.8 | 15.97 |
| Natural Gas | 189.70 | -3.8 | -25.96 | RM seed | 3939 | -4.0 | -9.41 |
| Nickel | 783.40 | 7.7 | 14.89 | Ref.Soy Oil | 721.75 | -1.4 | 0.80 |
| Silver | 39237.00 | 4.5 | -0.97 | Cotton seed oil cake | 1771.5 | 10.2 | -11.95 |
| Zinc | 211.50 | 2.7 | 24.08 | Wheat | 1680 | 0.2 | -11.04 |
| Cardamom | 1104.00 | 16.8 | -19.39 | Jeera | 21650 | -0.6 | 21.56 |
| Cotton | 19710.00 | 8.2 | 3.85 | Coriander | 5494 | 0.9 | -24.99 |
| CPO | 554.60 | -5.9 | -4.81 | Barley | 1,521.50 | 0.9 | -17.60 |
| Mentha Oil | 1970.90 | -7.0 | 92.02 | Castor Seed | 4341 |  | NA |
| NMCE | | | |  |  |  |  |
| Castor Seed | 4341 | -5.1 | 18.8 |  |  |  |  |
| Rubber | 13363 | 2.3 | -4.2 |  |  |  |  |
| Raw Jute | 3915 | -1.4 | -8.0 |  | | | |
| Isabgool Seed | 10861 | -1.3 | -10.8 |  |  |  |  |
| RM seed | 648 | -4.0 | -2.6 |  |  |  |  |
| Guar Seed | 4108 | 5.7 | 26.2 |  |  |  |  |
| Pepper | 45356 | 14.3 | -32.7 |  |  |  |  |

Notes: 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.

Source: Bloomberg & NMCE

1. **Trading in Corporate Debt Market**

During December 2017, BSE recorded 2,599 trades of corporate debt with a traded value of ` 42,513 crore compared to 2,463 trades of corporate debt with a traded value of ` 40,696 crore recorded in November 2017. At NSE, 4,971 trades were reported in December 2017 with a traded value of ` 1,03,840 crore compared to 5,265 trades with a traded value of ` 1,17,575 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 ` 27,331 crore in December 2017 out of which ` 8,333 crore was invested in equity and ` 18,998 crore was invested in debt. This was a decrease from total investment of ` 54,058 crore in November 2017 out of which ` 12,080 crore was invested in equity and ` 41,978 crore was invested in debt (***Figure 12***).

As on December 31, 2017, there were a total of 1,904 mutual fund schemes in the market, of which 1,272 (66.8 per cent) were income / debt oriented schemes, 507 (26.6 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 December 2017, the FPIs in the Indian securities market were net sellers to the tune of ` 3,544 crore, out of which ` 5,883 crore was outflow from equity and ` 2,350 crore was invested in debt (***Figure 13***).

The assets of the FPIs in India, as reported by the custodians, at the end of December 2017 was ` 32,80,283 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 1,52,243 crore, constituting 4.6 per cent of the total assets under custody of FPIs. (***Tables 53, 54 & 55)***

**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 2.0 per cent to ` 11,15,753 crore in December 2017 from ` 10,92,992 crore in November 2017. The AUM of Non-discretionary PMS also rose by 1.8 per cent to ` 87,858 crore from ` 86,264 crore and AUM of Advisory services, increased by 1.6 per cent to ` 2,15,635 crore from ` 2,12,263 crore. In terms of number of clients, at the end of December 2017, out of 1,09,448 clients in PMS industry, discretionary services category leads with total of 102,334 clients, followed by non-discretionary category with 5,278 clients and advisory category with 1,836 clients. ***(Table 61).***

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

In December 2017, four open offers with offer value of ` 13 crore were made to the shareholders as against five open offers with offer value of ` 358 crore in November 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 3.2 percent (annualised) in Q3 2017 as compared to 3.1 in previous quarter. CPI inflation was 2.1 percent (Y-o-Y) and Unemployment rate was 4.1 percent in December 2017

**United Kingdom**

Real GDP growth rate came down to 1.5 percent (Y-o-Y) in Q3 2017 against 1.7 percent of Q2 2017. CPI inflation was 3.0 percent (Y-o-Y) in December 2017. Unemployment rate was 4.3 percent during the period August to October 2017.

**Japan:**

GDP expanded by 2.1 percent (Y-o-Y) in Q3 2017, as compared to 1.4 percent in Q2. CPI inflation rose 0.6 percent (Y-o-Y) in November 2017. Unemployment rate came down to 2.7 percent in November 2017 as compared to the previous month.

**Euro Zone (EA19):**

GDP advanced by 2.6 percent (Y-o-Y) in Q3 2017 from 2.3 percent in Q2 of 2017.CPI inflation decreased by 1.4 percent (Y-o-Y) in December 2017 as against previous month. Unemployment rate recorded 8.7 percent in November 2017.

**BRICS Nations:**

* Real GDP of Brazil advanced by 0.4 percent (Y-o-Y) in Q3 2017. CPI inflation increased to 2.95 percent in December 2017. Unemployment rate decreased to 12.0 percent in November 2017.
* Russia’s GDP advanced by 1.8 percent (Y-o-Y) in Q3 2017. CPI inflation was 2.5 percent (Y-o-Y) in December 2017. Unemployment rate was 5.1 percent in November 2017.
* India’s real GDP grew by 6.3 percent (Y-o-Y) in Q2, 2017-18 as compared to 5.7 percent of Q1. Consumer prices in India recorded 5.21 percent (Y-o-Y) in December 2017, against 4.88 of previous month.
* GDP of China expanded by 6.8 percent (Y-o-Y) in the third quarter of 2017. Consumer prices in China increased by 1.8 percent (Y-o-Y) in December 2017, as compared to the previous month. Unemployment rate observed to be 3.95 percent in third quarter.
* GDP of South Africa advanced by 0.8 percent, against 1.3 percent in the previous quarter. Consumer prices increased by 4.6 percent in November 2017. Unemployment rate in South Africa remained at 27.7 percent in the third quarter of 2017.

1. **Introduction:**
   1. International stock in both advanced and developing economies soared in December 2017. Resurge in global economic growth, positive investor response to tax reforms in US, escalating energy prices and waning political tension in EU, contributed to market gains recorded by the close of year.
   2. Emerging markets registered strong growth in Oct-Dec Quarter on back of favourable political developments. The MSCI Emerging Markets index rose and outperformed the MSCI World index.
   3. US equities ended the year on a strong note. Markets rallied on the news of long awaited tax reform bill that offers big cuts in corporate tax. The stocks also got a boost from favourable macroeconomic data as well as better than expected third quarter performance.
   4. The closing of 2017 did not go well for Eurozone equities with MSCI EMU recording negative growth in December quarter. Although data indicates the Eurozones’s economy on its path to recovery, the region’s quarterly GDP growth was slightly lower than that of June quarter. 2017 turned out be a good year for corporate bonds with positive total returns, the former outperformed government bonds. Also, Convertible bonds globally benefited from the strong equity market rally in the December quarter.
   5. According to latest World Bank projections in the *Global Economic Prospects*, India’ Real GDP is projected to grow at 6.7 per cent in 2017, but will pick up pace in 2018 at 7.2 percent, and will attain a growth rate of 7.5 percent in 2019 as well as in 2020. China on the other hand is projected to grow at a pace of 6.8 per cent in 2017 and subsequently slow down to 6.4 per cent in 2018, then 6.3 per cent in 2019 and finally at 6.2 per cent in 2020. As per the report, India will regain its top position from China as the fastest growing economy in the world.

**The World Economy:**

* 1. The Organisation for Economic Co-operation and Development (OECD) in the OECD Economic Outlook published in November 2017 portrayed a bright picture of the global recovery. As per the said report, the lift to global growth is supported by policy stimulus accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. The report forecasts that Global GDP growth would be just over 3.5 per cent in 2017 strengthening further to 3.75 per cent in 2018 before easing slightly in 2019 (Exhibit 1).

**Exhibit 1 : OECD Forecasts**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Average 2005-2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2017 Q4 | 2018 Q4 | 2019 Q4 |
|  |  | Per cent | | | |  |  |  |  |
| **Real GDP growth1** |  |  |  |  |  |  |  |  |  |
| World2 | 3.8 | 3.3 | 3.1 | 3.6 | 3.7 | 3.6 | 3.8 | 3.7 | 3.6 |
| OECD2.7 | 1.5 | 2.4 | 1.8 | 2.4 | 2.4 | 2.1 | 2.5 | 2.2 | 1.9 |
| United States | 1.5 | 2.9 | 1.5 | 2.2 | 2.5 | 2.1 | 2.5 | 2.3 | 2 |
| Euro area7 | 0.8 | 1.5 | 1.8 | 2.4 | 2.1 | 1.9 | 2.5 | 1.9 | 1.8 |
| Japan | 0.6 | 1.1 | 1 | 1.5 | 1.2 | 1 | 1.5 | 1.1 | 0.4 |
| Non-OECD2 | 6.2 | 4 | 4.1 | 4.6 | 4.9 | 4.8 | 4.8 | 4.8 | 4.8 |
| China | 10 | 6.9 | 6.7 | 6.8 | 6.6 | 6.4 | 6.8 | 6.5 | 6.3 |
| **Output gap3** | -0.9 | -1.4 | -1.2 | -0.5 | 0.2 | 0.6 |  |  |  |
| **Unemployment rate4** | 7.2 | 6.8 | 6.3 | 5.8 | 5.5 | 5.3 | 5.6 | 5.4 | 5.3 |
| **Inflation1.5** | 2 | 0.8 | 1.1 | 1.9 | 2.1 | 2.2 | 1.9 | 2.2 | 2.4 |
| **Fiscal balance6** | -4.6 | -2.9 | -3 | -2.6 | -2.4 | -2.2 |  |  |  |
| **World real trade growth1** | 4.7 | 2.7 | 2.6 | 4.8 | 4.1 | 4 | 4.1 | 4.2 | 3.9 |

1. Percentage changes; last three columns show the increase over the year earlier.

2. Moving normal GDP weights, using purchasing power parities.

3. Per cent of potential GDP.

4. Per cent of labour force.

5. Private consumption deflator.

6. Per cent of GDP.

7. With growth in Ireland in 2015 computed using gross value added at constant prices excluding foreign-owned multinational enterprises dominated sectors.

**Source:** OECD Economic Outlook 102 database.

* 1. The OECD opines that monetary policy is set to remain accommodative in the major economies in 2018-19 and fiscal policy easing will offer more support to activity than in the three years prior to 2017. In the EMEs, an upturn in investment is projected to support growth in India and the dynamic Asian economies in 2018-19. On the other hand, a continued recovery is projected in Brazil and Russia, helped by the higher level of commodity prices and more accommodative monetary policy is also underlining the recovery. Nevertheless, a projected gradual slowdown in domestic demand growth in China, as stimulus measures in 2016-17 ease and necessary efforts continue to stabilise corporate debt and reduce excess capacity, will check the overall pace of trade and output growth in key trading partners in 2018-19.
  2. Survey indicators confirm that the global recovery continued at a robust pace during the month of November 2017. During the month under review, a solid upswing in growth of manufacturing production offset a slightly weaker upturn in service sector activity. Thus the outlook for global growth remains positive, as manufacturing looks set to sustain its recent bounce and rising order intakes boost service providers.

**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 slowed to 0.7 per cent quarter-on-quarter (Q-o-Q) in the third quarter of 2017 from 0.8 per cent in the previous quarter. Real GDP of the OECD area accelerated to 2.4 per cent year-on-year (Y-o-Y) in the second quarter of 2017 from 2.1 per cent in the previous quarter.
  3. Real GDP in the G20 area grew by 1.0 per cent in the third quarter of 2017 (Q-o-Q), the same rate as in the previous quarter but with wide variation across countries, according to provisional estimates. Year-on-year (Y-o-Y) GDP growth for the G20 area increased to 3.9 per cent in the third quarter of 2017 (from 3.7 per cent in the previous quarter).
  4. Annual inflation in the OECD area picked up for the fifth consecutive month in November 2017, to 2.4 percent, compared with 2.2 percent in October 2017. This increase in the annual rate of inflation was driven by both energy and food prices. Energy price inflation rose to 7.7 percent in November, compared with 5.8 percent in October, while food price inflation rose to 1.9 percent from 1.7 percent in October. Excluding food and energy, inflation remained stable at 1.9 percent in November. The OECD unemployment rate fell by 0.1 percentage point in October 2017, to 5.6 per cent, returning to its April 2008 pre-crisis rate.

**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 | 2.30 | Q3 | 3.20\* | Q3 | 2.10 | Dec-17 | 4.10 | Dec-17 | 1.50 |
| United Kingdom | 1.70 | Q3 | 0.40 | Q3 | 3.00 | Dec-17 | 4.30 | Oct-17 | 0.50 |
| Eurozone | 2.60 | Q3 | 0.60 | Q3 | 1.40 | Dec-17 | 8.70 | Nov-17 | 0.00 |
| Germany | 2.80 | Q3 | 0.80 | Q3 | 1.70 | Dec-17 | 3.60 | Nov-17 | 0.00 |
| France | 2.30 | Q3 | 0.60 | Q3 | 1.20 | Dec-17 | 9.70 | Q3 of 2017 | 0.00 |
| Japan | 2.10 | Q3 | 0.60 | Q3 | 0.60 | Nov-17 | 2.70 | Nov-17 | -0.10 |
| **BRICS** | Brazil | 1.40 | Q3 | 0.10 | Q3 | 2.95 | Dec-17 | 12.00 | Nov-17 | 7.00 |
| Russia | 1.80 | Q3 | 1.08 | Q2 | 2.50 | Dec-17 | 5.10 | Nov-17 | 7.75 |
| India | 6.30 | Q2 | NA | NA | 5.21 | Dec-17 | NA | NA | 6.00 |
| China | 6.80 | Q3 | 1.60 | Q3 | 1.80 | Dec-17 | 3.95 | Q3 of 2017 | 4.35 |
| South Africa | 0.80 | Q3 | 2.00\* | Q3 | 4.60 | Nov-17 | 27.70 | Q3 of 2017 | 6.75 |
| **Other Ems** | South Korea | 3.80 | Q3 | 1.50 | Q3 | 1.50 | Dec-17 | 3.60 | Dec-17 | 1.50 |
| Indonesia | 5.06 | Q3 | 3.18 | Q3 | 3.61 | Dec-17 | 5.50 | Q3 of 2017 | 4.25 |
| Turkey | 11.10 | Q3 | 1.20 | Q2 | 11.92 | Dec-17 | 10.30 | Oct-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. **OECD employment rate increases by 0.2 per cent to 67.8 per cent**

OECD increased by 0.2 percentage point in the third quarter of 2017, to 67.8 per cent and is now 3.4 percentage points above the observation in the fourth quarter of 2009. In comparison to the previous quarter Euro area employment rate grew by 0.2 per cent to reach to overall employment rate of 66.4 per cent. 0.3 per cent increase in the employment rate for women exceeded those recorded for men of 0.1 per cent, narrowing the gap between the two to 15.3 percentage points. The gap is now 2.9 percentage points smaller than what it was in the second quarter of 2008 pre-crisis level.

* 1. **Annual inflation grows at 2.4 per cent in November 2017**

Annual inflation continued to pick up in OECD area for consecutive fifth month. Inflation grew at 2.4 per cent against the 2.2 of the previous month. Energy prices saw the highest growth at 7.7 per cent. In US, energy grew at 9.4 per cent where as in Euro area (HICP) it increased by 4.7 per cent. For food only the inflation was 1.9 per cent in entire OECD area, for US it was 0.6 and for Euro area it was 2.2 per cent.

**United States:**

* 1. As per the “third” estimates released by the Bureau of Economic Analysis the real GDP of US grew at an annual rate of 3.2 percent during the third quarter of 2017 against 3.1 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 2.1 percent (Y-o-Y) in December 2017. 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 December 2017 same as of previous month. The Federal Open Market Committee (FOMC) on 13 Dec 2017 increased the target range for the federal funds rate to, 1.25 to 1.5 per cent from 1.00 to 1.25 per cent.
  3. The seasonally adjusted Markit US Manufacturing Purchasing Managers’ Index (PMI) posted 55.1 in December 2017, against 53.9 of October. The Markit U.S. Services PMI recorded in 53.7 December 2017 against 54.5 of November.

***Observations:*** *Riding on the demand upswing the output growth accelerated to its fastest in the year. Energy prices kept on rising at an increased rate, linked to higher costs. The economy signalled a strong growth of 2 to 2.5 per cent in the last quarter of 2017. Average prices charged by manufacturers continued to rise further in November, with the pace of inflation accelerating to highest in past 3 years.*

**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 Q3 2017, compared to 0.3 percent growth in the previous quarter. On a Y-o-Y basis, GDP expanded 1.7 percent in the Q3 2017 following a 1.9 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 3.0 percent (Y-o-Y) in December 2017 against 3.1 of November 2017. UK unemployment rate was 4.3 percent during the period August 2017 to October 2017 same as in 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 56.3 December 2017 against 58.2 in November 2017. The UK Services PMI marked 54.2 in December 2017 against 53.8 of November.

***Observations:*** *Growth was driven by intermediate and investment goods sectors during December. Growth in the consumer goods sector remained slow. The service sector appears to be growing. Input prices kept on rising form more than 1.5 years. December 2017 saw and upturn in Service sector alongside the solid expansion seen in manufacturing and modest construction sector upturn.*

*.*

**Japan:**

* 1. The Japanese economy advanced 0.6 percent (Q-o-Q) in the third quarter of 2017,following a 0.7 percent expansion in the previous period. Growth was mainly supported by exports and faster increase in business spending. .In Y-o-Y terms, Japanese economy grew by 2.1 percent (Y-o-Y) during Q3 2017 as compared to 1.6 percent (Y-o-Y) in Q2 2017. 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 0.6 percent in November 2017, following 0.2 expansion in the previous month. Prices of food fell at a slower pace while cost of transport showed an increase. The seasonally adjusted unemployment rate in Japan came down to 2.7 percent in November 2017 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 December 2017 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 2.6 percent in the Q3 2017 (Y-o-Y). In Q-o-Q terms, the Euro Area economy growth advanced by 0.6 percent in Q3 2017 below 0.7 percent as compared to the previous quarter. Among Eurozone's countries, GDP expanded at a faster pace in Germany (0.8 percent), Italy (0.5 percent), Latvia (1.5 percent) and Portugal (0.5 percent).  GDP growth was unchanged in Austria (at 0.8 percent), and slowed in France (0.5 percent), Spain (0.8 percent), Netherlands(0.4 percent), Belgium (0.3 percent), Lithuania (0.1 percent), and Cyprus (0.9 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 1.4 percent in December 2017, down from 1.5 percent in November 2017.The highest annual rates were recorded in Lithuania and Estonia (both 3.8 percent), and United Kingdom (3.0 percent) and the lowest annual rates were registered in Cyprus (-0.4 percent), Ireland and Finland (both 0.5 percent).
  3. The seasonally-adjusted unemployment rate in the Eurozone recorded 8.7 percent in November 2017, down from 8.8 percent in October 2017. Among the Member States, the lowest unemployment rates were recorded in the Czech Republic (2.5 percent), Malta and Germany (both 3.6 percent) while the highest unemployment rates were observed in Greece (20.5 percent in September 2017) and Spain (16.7 percent).
  4. The European Central Bank decided to keep interests rates unchanged in its December meeting and held its benchmark refinancing rate at 0 percent. ECB also decided to reduce its quantitative easing programme to a monthly pace of €30 billion from January with the option of extending it in September 2018. Both the deposit rate and the lending rate were also left steady at -0.4 percent and 0.25 percent, respectively.

***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 1.4 percent in the third quarter of 2017, following 0.4 percent expansion in the previous period. It is the first advancement in the growth rate since first quarter of 2014 mainly on account of recovery in household spending and jump in exports .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 2.95 percent (Y-o-Y) in December 2017, increasing from a 2.80 percent in the November 2017 .The Central Bank of Brazil executed another 50 basis point cut in its benchmark SELIC rate to 7.00 percent .It is the tenth straight rate decline, bringing borrowing costs to the lowest since September of 2013amid plunging inflation and a slow recovery.  Unemployment Rate in Brazil further eased down to 12.0 percent in November 2017 from 12.2 percent rate recorded in October 2017.

**China:**

* 1. The Chinese economy expanded by 6.8 percent in the third quarter of 2017, following a 6.9 percent growth in the last two quarters. It was the weakest pace of expansion since the Q4 of 2016, as fixed-asset investment rose the least in nearly 18 years while industrial output and retail sales increased further.  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.

* 1. Consumer prices in China increased by 1.8 percent (Y-o-Y) during December 2017, as compared to 1.7 percent in November 2017 and slightly below market expectations. The People's Bank of China has kept benchmark one-year lending rate at 4.35 percent and has been the same since last cut of 25 basis point in October, 2015. Unemployment rate in China remain unchanged at 3.95 percent in the third quarter of 2017 as compared to second quarter of 2017.

**Russia:**

* 1. The Russian economy grew 1.8 percent(Y-o-Y) in the third quarter of 2017, slowing down from 2.85 percent expansion in the previous quarter. The weaker expansion was likely caused by slower industrial production while other sectors like retail, construction and agriculture grew faster.  The growth forecast for Russia is expected to remain at 1.8 percent for 2017 and 1.6 for 2018.
  2. Consumer prices in Russia remained stable at 2.5 percent year-on-year in December 2017. The Central Bank of Russia has lowered its benchmark one-week repo rate to 7.75 percent. Russian unemployment remain unchanged at 5.1 percent in November of 2017 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. Still, figures matched market expectations. 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 increased 4.6 percent year-on-year in November 2017, easing from 4.8 percent in previous months and slightly below market expectations. The South African Reserve Bank kept its benchmark repo rate steady at 6.75 percent at its November meeting. The unemployment rate in South Africa remained at 27.7 percent in the third 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 exhibited an upward trend as markets rose in December. Resurgence in global economic growth, favourable investor response to tax reforms in the US, rise in energy prices and waning political tension in Europe, all contributed to strengthening of global markets. Emerging markets stocks recorded gains in December as investor sentiments were uplifted by forecast of a sustained global economic growth and improved corporate earnings in the next financial year. The MSCI Emerging Markets Index advanced for the third consecutive month and outperformed its counterpart in MSCI World Index. These gains in emerging markets came despite the US Federal Reserve raising its short term interest rates for a third time in the year.
   2. US equities advanced and continued their steady rise throughout the year. The passing of tax reforms legislation which entails reduction in corporate tax caused a surge in the stock markets. UK stocks rose by the close of December quarter as IMF upgraded its global growth forecast, reflecting hopes for synchronised economic recovery. Japanese equities strengthened slightly in US dollar terms. Improved exports, imports and healthy business sentiments contributed to revision in the country’s quarterly GDP growth. Chinese stocks recorded strong gains as the December quarter GDP growth remained stable. Indian equities generated strong gains as the government announced plans for a major recapitalisation initiative for Public sector banks. Brazilian stocks posted negative returns owing to weakening of its currency. Russian stocks underperformed slightly as compared to emerging European markets amidst higher prices and a strong currency.
   3. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed an increase of 1.3 percent. On the other hand, MSCI Emerging Market Index registered a significant increase of 3.4 percent during December 2017. MSCI India Index registered 3.8 percent in December 2017 over the previous month. (Chart 5).

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

*Source: Bloomberg*

**Bond Markets:**

* 1. The Federal Reserve raised its short-term lending rate by a quarter percentage point at its December meeting, contributing to a further flattening of the Treasury yield curve during the month. The 10-year Treasury note’s yield finished the month at 2.41 percent driven by increased demand. In the UK, 10-year gilts were down to 1.19 percent from 1.36 percent. A November rate hike by the BoE was well anticipated and was accompanied by dovish guidance. Economic activity remains subdued and political uncertainty continues.
  2. In Europe, positive economic momentum continued unabated, with manufacturing activity at multi-year highs. The ECB announced the reduction of asset purchases, but extended the programme, which proved a significant boost to bond yields. The 10-year German bond yields increased to 0.43 percent at the end of December 2017. The 10 year government bond yield of China has decreased marginally to 3.90 percent. The yield of India increased to 7.33 percent while the Russian bond yield descended to 6.83 percent in December 2017.

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

***Source****: Bloomberg*

**Currency Market:**

* 1. During December 2017 (by comparing the closing prices of the close of last trading days of the November and December), the U.S. dollar (USD) lost against 5 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 Ruble (1.49 percent), Yuan (1.49 percent), INR (1.11 percent), Euro (1.07 percent), GBP (0.11 percent), Yen (-0.06 percent) and Real (-1.05 percent) respectively.
  2. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 92.12 on close of December 2017, it lost 0.99 percent against the basket of major currencies during December 2017, and was 9.87 percent below the close of last trading day of 2016.

* 1. Comparing the closing prices of currencies in 2016 with the closing price of December, Euro changed by 12.39 percent followed by GBP (8.77 percent), Yuan (6.24 percent), INR (6.07 percent), Ruble (5.97 percent), Yen (3.48 percent) and Real (-1.77 percent) respectively.
  2. Since the beginning of December 2015 till December 2017 (closing prices of the last trading days of November 2015 and December 2017 were compared), Brazilian Real and Russian Ruble changed 14.36 and 13.32 percent respectively against USD. During the same period, INR gained 4.22 percent. Other currencies such as Yen gained 8.55 percent against USD. Euro gained 12.12 percent against USD while GBP depreciated 11.34 percent against USD. Chinese Yuan has depreciated 1.69 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 positive trend during December 2017. Amongst the developed markets, FTSE 100 of UK witnessed an increase of 4.9 percent, followed by Hang Seng of Hong Kong increasing by 2.5 percent and Dow Jones of USA increasing by 1.8 percent during December 2017. On the contrary, a fall of 1.1 percent was registered by CAC 40 of France, followed by Strait Times of Singapore and DAX of Germany declining by 0.9 percent and 0.8 percent respectively during the same period.
  2. As regards the emerging market indices, Stock Market Select of Chile led the way with an significant increase of 11.2 percent, followed by ISE National 100 of Turkey which increased by 10.9 percent and Jakarta Composite of Indonesia which also recorded an increase of 6.8 percent during December 2017. On the contrary, a fall of 0.4 percent was registered by JSE Africa All Share of South Africa, followed by Shanghai Composite of China declining by 0.3 percent 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 December 2017, is given in table A6 and is illustrated in Chart 10. The market capitalisation of most of the major countries showed a fairly positive trend during the month of December 2017.
  2. Among major developed markets, the market capitalisation of Australia increased significantly by 6.5 percent while UK showed an increase of 3.5 percent during December 2017. Japan and USA also showed an increase in their market capitalisation by 2.0 percent and 1.8 percent respectively while the market capitalisation of Singapore and France decreased by 1.6 percent and 0.3 percent respectively at the end of December 2017.
  3. As regards the emerging markets, the market capitalisation of India increased by 4.4 percent to USD 2.3 trillion while China’s market capitalisation witnessed a increase by 1.6 percent to USD 7.7 trillion. The market capitalization of Chile and Brazil ascended by 15.5 percent and 10.0 percent respectively. Turkey and South Africa showed increase in their market capitalisation and rose by 16.2 percent and 13.1 percent respectively at the end of December 2017. Colombia also showed an increase of 10.1 percent in its market capitalisation in December 2017.On the contrary, market capitalisation of Mexico and Pakistan declined by 4.2 percent and 2.5 percent respectively.

**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 December 2017, the monthly notional turnover of index futures in CME Group was the highest at USD 5,898 billion followed by EUREX (USD 2,313 billion), Japan Exchange Group (USD 1,388 billion) and Hong Kong Exchanges and Clearing (USD 854 billion). In case of Index options, Korea Exchange recorded the monthly turnover of USD 3,722 billion followed by CME Group (USD 2,365 billion) and EUREX (USD 1,065 billion). Korea Exchange recorded highest number of contracts traded in Index option category, with 50.1 million contracts traded in December 2017, followed by Chicago Board Options Exchange (40.6 million contracts), EUREX (25.1 million contracts) and TAIFEX (20.1 million contracts).
  2. In case of Stock Options, BM&FBOVESPA recorded highest volume (52.9 million contracts) in terms of contracts traded on the major world exchanges followed by Nasdaq - US (47.4 million contracts), Chicago Board Options Exchange (31.1 million contracts), NYSE (27.2 million contracts) and EUREX (11.8 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 28.8 million contracts, followed by Moscow Exchange (14.7 million contracts), EUREX (8.5 million contracts) and Thailand Futures Exchange (4.7 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 Q2 of 2017-18, quarterly GVA (Gross Value Added) at basic price of 2011-12 has shown a growth rate of 6.1 per cent (Y-o-Y) against 6.8 percent of same quarter of previous fiscal year. Agriculture sector's GVA at basic price has been estimated at 1.7 percent in Q2 of 2017-18 as against 4.1 per cent of same quarter of previous fiscal year. Manufacturing sector grew by 7.0 percent as compared to growth of 7.7 percent in previous fiscal year. For the financial, real estate and professional services sector, quarterly GVA at basic prices, grew by 5.7 percent as compared to growth of 7.0 percent in previous fiscal year.
   2. GDP in FY 2016-17 has shown a growth rate of 7.1 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 54.7 in December against 52.6 in previous month. The Nikkei India Services PMI Index noted 50.9 in December against 48.5 in November.

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

| **Items** | **2016-17** | | | | **2017-18** | |
| --- | --- | --- | --- | --- | --- | --- |
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| 1. Agriculture & allied activities | 2.5 | 4.1 | 6.9 | 5.2 | **2.3** | 1.7 |
| 2. Mining & Quarrying | -0.9 | -1.3 | 1.9 | 6.4 | -0.7 | 5.5 |
| 3. Manufacturing | 10.7 | 7.7 | 8.2 | 5.3 | 1.2 | 7.0 |
| 4. Electricity, Gas, Water Supply & Other Utility Services | 10.3 | 5.1 | 7.4 | 6.1 | 7.0 | 7.6 |
| 5. Construction | 3.1 | 4.3 | 3.4 | -3.7 | 2.0 | 2.6 |
| 6. Trade, Hotel, Transport, Communication and services related to broadcasting | 8.9 | 7.7 | 8.3 | 6.5 | 11.1 | 9.9 |
| 7. Financial, Real Estate & Professional Services | 9.4 | 7.0 | 3.3 | 2.2 | 6.4 | 5.7 |
| 8. Public Administration, Defense and Other services | 8.6 | 9.5 | 10.3 | 17 | 9.5 | 6.0 |
| **Gross Value Added at Basic Price** | **7.6** | **6.8** | **6.7** | **5.6** | **5.6** | **6.1** |
| **GDP** | **7.9** | **7.5** | **7.0** | **6.1** | **5.7** | **6.3** |

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) increased by 8.4 percent in November 2017, against 5.1 percent growth recorded in November 2016 (both over the corresponding period in the previous year), with manufacturing growing by 10.2 percent as compared to its 4.0 percent growth in previous year. Electricity grew at 3.9 percent in November as compared to 9.5 percent growth in previous year. Mining grew by 1.1 percent in November, compared to 8.1 percent growth in previous year. During April-November 2017-18, the IIP grew 3.2 percent, against 5.5 percent growth recorded in April-November 2016-17.

**Inflation**

* 1. India's CPI inflation grew by 5.21 percent in December, against 4.88 in previous month. Food prices (as measured by CFPI) showed an increase of 4.96 percent in December as compared to growth of 4.35 percent in last month. The Repo rate currently stands at 6.00 percent.

**Trade – Exports and Imports**

* 1. Exports during December 2017 grew at 12.36 percent in dollar terms valued at USD 27.03 billion as compared to USD 24.06 billion during same month of last year. Imports increased by 21.12 percent to USD 41.91 billion in December 2017 from 34.60 billion during the same month of last year. The merchandise trade deficit was USD 14.88 billion in during December 2017, against the deficit of USD 10.55 billion of December 2016. Taking merchandise and services together, overall trade deficit for April- December 2017-18 was estimated at USD 70.06 billion, against the deficit of USD 35.63 billion during April-December 2016-17.

**Foreign Exchange Reserves**

* 1. Since the end of March 2017, forex reserves have increased by about USD 39,411.90 million. The reserves were recorded at USD 409.37 billion as on 29 December 2017. (Exhibit 4)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **29 Dec 2017** | **24 Nov 2017** | **27 Oct 2017** | **29 Sep 2017** |
| **Total Reserves** | 409.4 | 400.7 | 398.8 | 399.7 |
| **Foreign Currency Assets** | 385.1 | 376.3 | 373.8 | 375.2 |
| **Gold** | 20.7 | 20.7 | 21.2 | 20.7 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.5 |
| **Reserve Position in the IMF** | 2.0 | 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**  **November\* , 2017** | **As on**  **December\*, 2017** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5151.8 | 5903.8 | 6057.21 | 6167.29 |
| France | CAC 40 | 4385.1 | 5089.6 | 5372.79 | 5312.56 |
| Germany | Dax | 9965.5 | 12256.4 | 13023.98 | 12917.64 |
| Hong Kong HSI | Hang Seng | 20776.7 | 24111.6 | 29177.35 | 29919.15 |
| Japan NIKKEI | Nikkei 225 | 16758.7 | 18909.3 | 22724.96 | 22764.94 |
| Singapore STI | Straits Times | 2840.9 | 3175.1 | 3433.54 | 3402.92 |
| UK | FTSE 100 | 6174.9 | 7322.9 | 7326.67 | 7687.77 |
| USA DOW JONES | Dow Jones Industrial Average | 17685.1 | 20663.2 | 24272.35 | 24719.22 |
| USA NASDAQ Composite | Nasdaq Composite | 4869.8 | 5911.7 | 6873.97 | 6903.39 |
| India (BSE) | Sensex | 25341.9 | 29620.5 | 33149.35 | 34056.83 |
| India (NSE) | Nifty 50 | 7738.4 | 9173.8 | 10226.55 | 10530.70 |
| Brazil | Bovespa | 50055.3 | 64984.1 | 71970.99 | 76402.08 |
| Chile | Stock Market Select | 3937.5 | 4783.4 | 5003.40 | 5564.60 |
| China | Shanghai SE Composite IX | 3003.9 | 3222.5 | 3317.19 | 3307.17 |
| Colombia | IGBC General | 9871.5 | 10150.7 | 10808.29 | 11478.10 |
| Egypt | Hermes | 687.3 | 1167.8 | 1396.15 | 1436.98 |
| Hungary | Budapest Stock Exchange | 26451.0 | 31634.3 | 38673.73 | 39377.31 |
| Indonesia | Jakatra Composite | 4845.4 | 5568.1 | 5952.14 | 6355.65 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1717.6 | 1740.1 | 1717.86 | 1796.81 |
| Mexico | Bolsa | 45881.1 | 48541.6 | 47092.45 | 49354.42 |
| Pakistan | Karachi 30 | 19167.5 | 25615.6 | 20108.91 | 20215.67 |
| Russia | Russian Traded | 1203.3 | 1509.7 | 1562.43 | 1597.64 |
| South Africa | FTSE/JSE Africa All Share | 52250.3 | 52056.1 | 59772.83 | 59504.67 |
| Taiwan | Taiwan Taiex | 8744.8 | 9811.5 | 10560.44 | 10642.86 |
| Thailand | Stock Exchange of Thai | 1407.7 | 1575.1 | 1697.39 | 1753.71 |
| Turkey | ISE National 100 | 83268.0 | 88947.4 | 103984.40 | 115333.0 |

\*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** | |
|
| **Nov-17** | **Dec-17** | **Nov-17** | **Dec-17** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.4 | 0.3 | 16.6 | 17.0 |
| France | CAC 40 | 0.5 | 0.7 | 15.8 | 15.6 |
| Germany | Dax | 0.7 | 0.8 | 14.7 | 14.6 |
| Hong Kong HSI | Hang Seng | 0.8 | 0.9 | 13.2 | 13.3 |
| Japan NIKKEI | Nikkei 225 | 0.9 | 0.8 | NA | NA |
| Singapore STI | Straits Times | 0.5 | 0.6 | 15.7 | 15.6 |
| UK | FTSE 100 | 0.5 | 0.5 | 14.9 | 15.7 |
| USA DOW JONES | Dow Jones Industrial Average | 0.5 | 0.3 | 19.3 | 19.7 |
| USA NASDAQ Composite | Nasdaq Composite | 0.6 | 0.5 | 24.3 | 24.3 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.6 | 0.6 | 23.7 | 24.0 |
| India (NSE) | Nifty 50 | 0.6 | 0.6 | 22.5 | 22.7 |
| Argentina | Indice Bolsa General | 1.6 | 1.0 | 16.7 | 19.0 |
| Brazil | Bovespa | 1.5 | 0.9 | 13.8 | 14.6 |
| Chile | Stock Market Select | 1.6 | 1.9 | 19.0 | 21.5 |
| China | Shanghai SE Composite IX | 0.7 | 0.6 | 14.6 | 14.6 |
| Colombia | IGBC General | 0.7 | 0.5 | 17.2 | 19.0 |
| Egypt | Hermes | 1.0 | 0.5 | 11.7 | 12.5 |
| Hungary | Budapest Stock Exchange | 0.9 | 0.9 | 11.4 | 11.0 |
| Indonesia | Jakatra Composite | 0.5 | 0.5 | 17.5 | 18.4 |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.3 | 0.5 | 15.8 | 16.9 |
| Mexico | Bolsa | 0.6 | 0.6 | 17.5 | 18.0 |
| Pakistan | Karachi 30 | 1.0 | 1.4 | 9.5 | 9.9 |
| Russia | Russian Traded | 1.4 | 0.8 | 7.2 | 7.1 |
| South Korea | Kospi Index | 0.6 | 0.7 | 11.2 | NA |
| South Africa | FTSE/JSE Africa All Share | 0.6 | 0.7 | 16.4 | 16.9 |
| Taiwan | Taiwan Taiex | 0.5 | 0.6 | 13.9 | 13.9 |
| Thailand | Stock Exchange of Thai | 0.5 | 0.3 | 17.1 | 17.5 |
| Turkey | ISE National 100 | 1.5 | 0.8 | 8.4 | 9.2 |

NA.: Not Available

**Source**: Bloomberg,

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Stock Exchange** | **Nov-17** | | | **Dec-17** | | |
| **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** | **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** |
| Australian Securities Exchange | NA | 2,955 | 2,955 | NA | 5,000 | 5,000 |
| BME Spanish Exchanges | NA | 2,007 | 2,007 | NA | 701 | 701 |
| Bolsa de Comercio de Buenos Aires | 5,877 | 0 | 5,877 | 7,831 | 1 | 7,831 |
| Borsa Istanbul | 4,107 | 248 | 4,354 | 3,830 | 36 | 3,866 |
| Euronext | NA | 3,342 | 3,342 | NA | 6,853 | 6,853 |
| Hong Kong Exchanges and Clearing | 19,184 | 17,896 | 37,080 | 18,043 | 9,692 | 27,735 |
| Irish Stock Exchange | 1,484 | 82 | 1,567 | 599 | 13 | 612 |
| Japan Exchange Group Inc. | 2,633 | 1,313 | 3,946 | NA | NA | NA |
| Johannesburg Stock Exchange | 2,815 | 389 | 3,204 | 4,020 | 704 | 4,724 |
| Korea Exchange | 41,795 | 518 | 42,313 | 32,438 | 658 | 33,097 |
| London SE Group | 32,471 | 12,087 | 44,558 | NA | 3,617 | 3,617 |
| Moscow Exchange | 17,309 | 1 | 17,310 | 33,235 | 28 | 33,263 |
| Nasdaq - US | NA | 1,223 | 1,223 | NA | NA | NA |
| Nasdaq Nordic Exchanges | 3,840 | 269 | 4,109 | 4,093 | 0 | 4,093 |
| NYSE | NA | 12,978 | 12,978 | NA | 4,044 | 4,044 |
| Oslo Bors | 4,262 | 1,599 | 5,861 | 5,399 | 488 | 5,886 |
| Shanghai Stock Exchange | NA | 18,844 | 18,844 | NA | 7,322 | 7,322 |
| Shenzhen Stock Exchange | 1,091 | 8,308 | 9,399 | 3,260 | 11,213 | 14,473 |
| Singapore Exchange | 22,229 | 1,188 | 23,417 | 37,558 | 53 | 37,611 |
| SIX Swiss Exchange | 5,748 | 38 | 5,786 | 2,580 | 196 | 2,776 |
| Tel-Aviv Stock Exchange | 1,945 | 293 | 2,238 | 2,799 | 287 | 3,085 |
| TMX Group | 467 | 2,921 | 3,388 | 167 | 5,612 | 5,779 |
| Warsaw Stock Exchange | NA | 160 | 160 | NA | 65 | 65 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **Dec-17** | | | |
| **Stock options** | | **Stock futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 5,28,65,849 | 35,461 | 0 | 0 |
| Bolsa de Comercio de Buenos Aires | 32,58,304 | 0 | 0 | 0 |
| Chicago Board Options Exchange | 3,10,87,493 | NA | NA | NA |
| Nasdaq - US | 4,73,76,842 | NA | NA | NA |
| NYSE | 2,72,08,547 | 6,791 | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 55,42,151 | 11,157 | 4,98,295 | 584 |
| Hong Kong Exchanges and Clearing | 91,93,418 | 33,784 | 11,489 | 70 |
| Japan Exchange Group | 59,919 | NA | NA | NA |
| Korea Exchange | 20,81,260 | NA | 2,88,15,107 | 26,044 |
| TAIFEX | 19,231 | 106 | 18,54,422 | 11,950 |
| Thailand Futures Exchange | NA | NA | 46,50,333 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 1,932 | 1 | 20,73,466 | 285 |
| BME Spanish Exchanges | 21,18,406 | 2,112 | 25,05,943 | 1,777 |
| Borsa Istanbul | 4,25,476 | 87 | 25,10,205 | 598 |
| EUREX | 1,17,73,288 | 58,814 | 85,03,381 | 33,951 |
| Euronext | 53,66,933 | 19,099 | 18,046 | 68 |
| Johannesburg Stock Exchange | 4,09,037 | 42 | 24,88,258 | 1,978 |
| Moscow Exchange | 1,21,024 | 39 | 1,46,71,114 | 4,796 |
| Nasdaq Nordic Exchanges | 14,47,755 | 2,612 | 1,39,985 | 180 |
| Oslo Bors | 1,84,509 | NA | 1,60,462 | NA |
| Tehran Stock Exchange | 1,10,000 | 0 | 0 | 0 |
| Tel-Aviv Stock Exchange | 62,911 | 390 | 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** | **Dec-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 | 14,88,248 | 13,914 | 3,51,83,655 | 1,82,987 |
| Chicago Board Options Exchange | 4,06,13,580 | NA | NA | NA |
| CME Group | 1,31,30,840 | 23,65,140 | 4,61,08,054 | 58,98,380 |
| ICE Futures US | 589 | 90 | 55,59,575 | 3,71,751 |
| MexDer | 252 | 6 | 1,30,071 | 3,156 |
| Nasdaq - US | 2,08,189 | NA | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 7,83,650 | 35,942 | 6,00,619 | 1,87,173 |
| Hong Kong Exchanges and Clearing | 24,27,103 | 2,84,861 | 72,21,329 | 8,53,643 |
| Japan Exchange Group | 25,55,974 | NA | 2,46,67,048 | 13,87,540 |
| Korea Exchange | 5,01,45,526 | 37,21,600 | 69,87,969 | 4,03,001 |
| Singapore Exchange | 9,21,894 | NA | 1,25,73,294 | NA |
| TAIFEX | 2,01,19,411 | 3,55,677 | 60,13,043 | 2,96,839 |
| Thailand Futures Exchange | 1,01,795 | NA | 23,28,412 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 9,715 | 45 | 39,125 | 184 |
| BME Spanish Exchanges | 5,56,850 | 6,744 | 6,55,110 | 64,985 |
| Borsa Istanbul | 12,755 | 45 | 38,68,510 | 13,956 |
| EUREX | 2,50,62,925 | 10,64,790 | 4,40,21,491 | 23,12,980 |
| Euronext | 11,15,799 | 71,868 | 29,40,792 | 2,25,964 |
| Johannesburg Stock Exchange | 3,25,466 | 122 | 29,89,174 | 65,989 |
| Moscow Exchange | 27,17,292 | 6,016 | 90,42,956 | 20,274 |
| Nasdaq Nordic Exchanges | 4,64,666 | 9,083 | 39,95,056 | 63,226 |
| Oslo Bors | 61,639 | NA | 2,20,282 | NA |
| Tel-Aviv Stock Exchange | 33,86,554 | NA | NA | NA |
| Warsaw Stock Exchange | 17,243 | 119 | 4,00,887 | 5,525 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Oct-17** | **Nov-17** | **Dec-17** | **M-o-M change(%)** |
| *1* | *2* | *3* | *4* | *5* |
| **Developed Markets** |  |  |  |  |
| Australia | 1,319,877 | 1,321,861 | 1,407,396 | 6.5 |
| France | 2,530,088 | 2,544,643 | 2,535,935 | (0.3) |
| Germany | 2,388,398 | 2,427,201 | 2,428,815 | 0.1 |
| Hong Kong | 5,160,102 | 5,322,506 | 5,386,255 | 1.2 |
| Japan | 6,068,227 | 6,208,398 | 6,329,868 | 2.0 |
| Singapore | 567,490 | 575,936 | 566,887 | (1.6) |
| UK | 3,649,211 | 3,675,726 | 3,803,374 | 3.5 |
| USA | 28,560,968 | 29,112,869 | 29,644,397 | 1.8 |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 2,231,750 | 2,284,752 | 2,386,341 | 4.4 |
| Argentina | 102,066 | 105,595 | 106,688 | 1.0 |
| Brazil | 890,369 | 810,139 | 891,558 | 10.0 |
| Chile | 285,897 | 255,837 | 295,410 | 15.5 |
| China | 7,760,054 | 7,598,971 | 7,724,010 | 1.6 |
| Colombia | 106,659 | 108,937 | 119,928 | 10.1 |
| Egypt | 45,904 | 48,308 | 50,176 | 3.9 |
| Hungary | 30,794 | 30,553 | 30,956 | 1.3 |
| Indonesia | 484,695 | 491,539 | 514,817 | 4.7 |
| Malaysia | 419,465 | 416,597 | 448,239 | 7.6 |
| Mexico | 373,146 | 389,831 | 373,630 | (4.2) |
| Pakistan | 79,608 | 79,320 | 77,338 | (2.5) |
| Russia | 579,475 | 587,261 | 588,405 | 0.2 |
| South Korea | 1,629,323 | 1,700,748 | 1,718,143 | 1.0 |
| South Africa | 475,233 | 515,763 | 583,437 | 13.1 |
| Taiwan | 1,196,126 | 1,201,663 | 1,208,786 | 0.6 |
| Thailand | 502,678 | 508,246 | 529,470 | 4.2 |
| Turkey | 213,913 | 193,760 | 225,226 | 16.2 |

*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 Charges Operators of $1.2 Billion Ponzi Scheme Targeting Main Street Investors

*21st December, 2017*: SEC announced charges and an asset freeze against a group of unregistered funds and their owner who allegedly bilked thousands of retail investors in a $1.2 billion Ponzi scheme. According to the SEC’s complaint, Robert H. Shapiro and a group of unregistered investment companies called the Woodbridge Group of Companies LLC, defrauded more than 8,400 investors in unregistered Woodbridge funds. Woodbridge advertised its primary business as issuing loans to supposed third-party commercial property owners paying Woodbridge 11-15 percent annual interest for “hard money,” short-term financing. In return, Woodbridge allegedly promised to pay investors 5-10 percent interest annually. The SEC complaint alleges that Shapiro and Woodbridge used investors’ money to pay other investors, and paid $64.5 million in commissions to sales agents who pitched the investments as “low risk” and “conservative.” the scheme collapsed in typical Ponzi fashion in early December as Woodbridge stopped paying investors and filed for Chapter 11 bankruptcy protection..

*Source: https://www.sec.gov/news/pressrelease/2017-235.html*

1. Broker Charged With Giving Special Access to IPOs for Cash Kickbacks.

*19th December, 2017:* The SEC charged a Wall Street stockbroker with illegally accepting more than $1 million in undisclosed kickbacks for giving certain customers preferential access to lucrative IPOs, enabling them to reap major trading profits in the secondary markets. The SEC alleges that Brian Hirsch subverted allocation policies and procedures at two brokerage firms where he worked on the wealth syndicate desk, making long-running arrangements with certain customers to give them larger allocations of coveted public offerings being marketed by the firms. In most instances, the customers sold their stock into the market as soon as possible to turn a substantial profit at the expense of the firms’ other brokerage customers and the issuers’ interests in raising capital from long-term investors.

*Source: https://www.sec.gov/news/pressrelease/2017-234.html*

1. MG to hold roundtables on reforms to audit standard-setting process

*15th December, 2017:* The Monitoring Group (MG) announced that following the recent publication of its consultation paper on possible reforms to the global audit standard-setting process, it will hold a series of roundtable discussions with stakeholders on the proposed reforms. The consultation is part of its ongoing global effort to promote high-quality international auditing and ethical standards. The MG is arranging the following roundtables to gather feedback from participants and answer their questions on possible options to enhance the governance, accountability and oversight of the international audit standard-setting process: Johannesburg on 10 January; London on 15 January; Washington DC on 24 January; and Singapore on 30 January. The MG is a group of international financial institutions and regulatory bodies that is responsible for the overall governance of the international audit-related standard-setting process and the review of its effectiveness. The MG is particularly interesting in having the following stakeholders participate in the roundtable discussions:

• Investors and users of financial statements;

• Those charged with governance;

• Academics;

• Preparers;

• Audit firms and their networks;

• Securities and other capital market regulators;

• Prudential regulators;

• Audit regulators and oversight bodies;

• National standard setters;

• Governments, NGOs and public sector organizations; and

• Professional accountancy organizations.

*Source: https://www.iosco.org/news/pdf/IOSCONEWS484.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)