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**SECURITIES AND EXCHANGE BOARD OF INDIA**

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**CAPITAL MARKET REVIEW**

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

During May 2018, the primary market witnessed 20 equity issues (of which 20 issues are IPOs) that mobilised ` 2,225 crore as compared to 14 equity issues (of which 12 issues are IPOs and two issues are Rights issue) that mobilised ` 341 crore during April 2018. Further, there were three debt public issue amounting ` 12,229 crore in May 2018 compared to two debt public issue that raised ` 3,214 crore during April 2018.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **May-18** | | **Apr-18** | | **2018-19$** | | **2017-18$** | |
|  | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** | **No. of Issues** | **Amount (` crore)** |
|  |
| *1* | *2* | *3* | *2* | *3* | *6* | *7* | *8* | *9* |
| a. Public Issues | 23 | 14,453 | 14 | 3,406 | 37 | 17,859 | 23 | 4,345 |
| (i) Debt | 3 | 12,229 | 2 | 3,214 | 5 | 15,443 | 1 | 1,969 |
| (ii) Equity, of which |  |  |  |  | 0 | 0 |  |  |
| IPOs | 20 | 2,225 | 12 | 191 | 32 | 2,416 | 22 | 2,376 |
| FPOs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b. Rights Issues | 0 | 0 | 2 | 150 | 2 | 150 | 3 | 518 |
| Total Equity Issues a(ii)+b | 20 | 2,225 | 14 | 341 | 34 | 2,566 | 11 | 2,894 |
| ***Grand Total (a+b)*** | ***23*** | ***14,453*** | ***16*** | ***3,555*** | ***39*** | ***18,009*** | ***26*** | ***4,863*** |

***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 May of the respective years*

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

During May 2018, there were five QIP issues amounting of ` 1,008 crore listed at BSE and NSE compared to three QIP issues amounting ` 1,862 crore during April 2018 **(*Table 10*)**.

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

There were 25 preferential allotments (amounting to ` 2,812 crore) listed at BSE and NSE together during May 2018, compared to 59 preferential allotments (amounting to ` 72,436 crore) during April 2018 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

During May 2018, ` 10,539 crore was raised through private placement in the corporate bond market compared to ` 66,399 crore in April 2018 (**Exhibit 2**).

1. **Total Resources Mobilised by Corporate Sector**

Total amount mobilised through public issues and private placement of both debt and equity combined stood at ` 28,812 crore in May 2018 as compared to `1,44,253 crore in April 2018 **(*Table 12 and Exhibit 2*)**.

**Exhibit 2: 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*** |
| **2017-18** | **1,05,178** | **1,30,488** | **2,35,666** | **4,953** | **5,99,147** | **6,04,100** | **8,39,766** |
| **2018-19$** | **2,566** | **78,118** | **80,684** | **15,443** | **76,938** | **92,381** | **1,73,065** |
| Apr-18 | 341 | 74,298 | 74,639 | 3,214 | 66,399 | 69,614 | 1,44,253 |
| May-18 | 2,225 | 3,820 | 6,045 | 12,229 | 10,539 | 22,768 | 28,812 |

***Notes:***

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

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

1. **Resource Mobilisation by Mutual Funds**

During May 2018, there was a net outflow of ` 50,001 crore from the mutual funds industry as against a net inflow of ` 1,37,429 crore during April 2018. In the month under review, there was a liquidation of an amount of ` 67,406 crore from income / debt oriented schemes, however, an inflow of ` 12,070 crore in Growth / equity oriented schemes, ` 2,666 crore in Balanced schemes and ` 2,656 crore in Exchange traded funds and ` 13 crore in Fund of funds schemes investing overseas scheme. The cumulative net assets under management of all mutual funds decreased by 2.8 per cent to ` 22,59,578 crore at the end of May 2018 from ` 23,25,505 crore at the end of April 2018 **(*Tables 56 & 58*).**

1. **Trends in the Secondary Market**

The Indian stock market closed on a flat note during the month under review. At the end of May 2018, S&P BSE Sensex closed at 35322 witnessing an increase of 0.5 per cent from previous month’s closing at 35160. The Nifty 50 closed at 10736 at the end of May 2018 compared to previous month’s closing at 10739 (***Figure 1***). Both S&P BSE Sensex and Nifty 50 touched their intraday high of 35994 and 10929, respectively on May 15, 2018 and touched their intraday lows of 34303 and 10418, respectively on May 23, 2018.

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

Market capitalisation of BSE decreased by 2.7 per cent to ` 1,48,69,671 crore at the end of May 2018, from ` 1,52,79,535 crore at the end of April 2018. Market capitalization at NSE too decreased to ` 1,46,93,260 crore from ` 1,50,92,002 crore during the same period. The monthly turnover of BSE increased by 5.2 per cent to ` 75,361 crore in May 2018 from ` 71,630 crore in April 2018. Further, the monthly turnover of NSE also increased by 9.1 per cent to ` 7,00,013 crore in May 2018 from ` 6,41,440 crore in April 2018. The P/E ratios of S&P BSE Sensex and Nifty 50 were 23.2 and 27.2 respectively, at the end of May 2018 compared to 23.8 and 26.7 respectively a month ago (***Exhibit 3***).

**Exhibit 3: The Basic Indicators in Cash Segment**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2018-19$** | **2017-18** | **May-18** | **Apr-18** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** | | | | | |
| S&P BSE Sensex | **35,322** | **32,969** | 35,322 | 35,160 | 0.5 |
| Nifty 50 | **10,736** | **10,114** | 10,736 | 10,739 | 0.0 |
| **B. Market Capitalisation (` crore)** | | | | | |
| BSE | **1,48,69,671** | **1,21,54,525** | 1,48,69,671 | 1,52,79,535 | -2.7 |
| NSE | **1,46,93,260** | **1,19,78,421** | 1,46,93,260 | 1,50,92,002 | -2.6 |
| **C. Gross Turnover (` crore)** | | | | | |
| BSE | **75,361** | **10,82,968** | 75,361 | 71,630 | 5.2 |
| NSE | **7,00,013** | **72,34,826** | 7,00,013 | 6,41,440 | 9.1 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **23.2** | **22.7** | 23.2 | 23.8 | -2.7 |
| Nifty 50 | **27.2** | **24.7** | 27.2 | 26.7 | 2.0 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,450** | **5,619** | 5,450 | 5,638 | -3.3 |
| NSE | **1,941** | **1,931** | 1,941 | 1,952 | -0.6 |

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

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

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

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

Indian securities market witnessed a mixed trend during the month under review. Among BSE indices, in May 2018, S&P BSE Bankex increased by 4.7 per cent, followed by S&P BSE Sensex (0.5 per cent) and S&P BSE PSU (0.5 per cent), however S&P BSE Healthcare decreased by 8.1 per cent, followed by S&P BSE Consumer Durables (7.6 per cent) and S&P BSE Small Cap (6.3 per cent). As regards NSE indices, Nifty Bank increased by 5.6 per cent followed by Nifty PSU Bank (3.7 per cent) and Nifty FMCG (0.1 per cent), however, Nifty Pharma decreased by 9.3 per cent followed by Nifty Midcap 50 (8.2 per cent) and Nifty Midcap 100 (6.8 per cent). Among BSE indices the S&P BSE Power recorded the highest daily volatility (1.6 per cent), followed by S&P BSE Teck (1.1 per cent) and S&P BSE Healthcare (1.1 per cent). At NSE during the same period, daily volatility of Nifty Midcap 100 was 1.9 per cent, followed by Nifty Small 100 (1.3 per cent) and Nifty IT (1.2 per cent) (***Exhibit 4***).

**Exhibit 4: Performance of Indices at BSE and NSE during May 2018 (Per cent)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BSE** | | | **NSE** | | |
| **Index** | **Change over Previous month** | **Volatility** | **Index** | **Change over Previous month** | **Volatility** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| S&P BSE Bankex | 4.7 | 0.6 | Nifty Bank | 5.6 | 0.6 |
| S&P BSE Sensex | 0.5 | 0.6 | Nifty PSU Bank | 3.7 | 0.9 |
| S&P BSE PSU | 0.5 | 0.6 | Nifty FMCG | 0.1 | 0.6 |
| S&P BSE FMCG | -0.1 | 0.6 | Nifty 50 | 0.0 | 0.6 |
| S&P BSE Large Cap | -0.5 | 0.6 | Nifty 100 | -0.7 | 0.6 |
| S&P BSE 100 | -1.0 | 0.9 | Nifty 200 | -1.5 | 1.1 |
| S&P BSE 200 | -1.5 | 1.0 | Nifty 500 | -1.9 | 0.9 |
| S&P BSE Teck | -1.8 | 1.1 | Nifty IT | -2.3 | 1.2 |
| S&P BSE 500 | -1.9 | 0.9 | Nifty MNC | -2.9 | 0.9 |
| S&P BSE Capital Goods | -3.7 | 0.8 | Nifty Next 50 | -4.7 | 0.9 |
| S&P BSE Metal | -4.7 | 0.7 | Nifty Media | -5.4 | 0.8 |
| S&P BSE Power | -4.9 | 1.6 | Nifty Small 100 | -6.7 | 1.3 |
| S&P BSE Small Cap | -6.3 | 1.0 | Nifty Midcap 100 | -6.8 | 1.9 |
| S&P BSE Consumer Durables | -7.6 | 0.7 | Nifty Midcap 50 | -8.2 | 1.1 |
| S&P BSE Healthcare | -8.1 | 1.1 | Nifty Pharma | -9.3 | 0.9 |

***Source:*** *Bloomberg*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of May 2018 was 172.4 lakh at NSDL (an increase of 0.5 per cent over April 2018) and 151.7 lakh at CDSL (an increase of 1.2 per cent over April 2018). The number of investor accounts increased by 9.2 per cent at NSDL and by 20.6 per cent at CDSL over the number of investor accounts at the respective depositories in May 2017 **(*Table 62*)**.

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

India is one of the most vibrant markets for exchange traded equity derivatives in the world. The total monthly turnover in equity derivatives market at NSE increased by 23.8 per cent to ` 1,93,42,073 crore during May 2018 from` 1,56,20,227 crore during April 2018 (*Figure 4*). During the month under review options on index accounted for about 84.9 per cent of the total turnover in the F&O segment at NSE. In May 2018, monthly turnover of index futures increased by 3 per cent, however, that of stock futures decreased by 0.1 per cent over pervious month. Further, monthly turnover of put options on index and call options on index increased by 29.2 per cent and 28.5 per cent, respectively. In addition, monthly turnover of put options on stock and call options on stock also increased by 0.1 per cent and 10.2 per cent, respectively over previous month. The open interest in value terms in the equity derivative segment of NSE decreased by 18.7 per cent to ` 2,85,599 crore at the end of May, 2018 from ` 3,51,290 crore as at end April 2018 **(Table 35).**

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

The monthly turnover in equity derivatives segment of BSE was ` 2.6 crore in May 2018, compared to ` 4.3 crore in April 2018. The open interest in value terms in equity derivatives segment of BSE stood at ` 0.2 crore as on May 31, 2018 *(****Exhibit 5 and Table 34****)*.

**Exhibit 5: Trends in Equity Derivatives Market**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **NSE** | | | **BSE** | | |
| **Apr-18** | **May-18** | **Percentage Change Over Month** | **Apr-18** | **May-18** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| **A. Turnover (` crore)** | | | | | | |
| (i) Index Futures | 4,33,691 | 4,46,741 | 3.0 | 1.7 | 0.5 | -69.0 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 61,69,968 | 79,27,461 | 28.5 | 0.0 | 0.0 | NA |
| *Call* | 65,70,818 | 84,91,736 | 29.2 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 14,31,957 | 14,30,487 | -0.1 | 2.5 | 2.0 | -21.2 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 3,01,816 | 3,32,672 | 10.2 | 0.0 | 0.0 | NA |
| *Call* | 7,11,977 | 7,12,977 | 0.1 | 0.0 | 0.1 | -100.0 |
| **Total** | **1,56,20,227** | **1,93,42,073** | **23.8** | **4.3** | **2.6** | **-38.6** |
| **B. No. of Contracts** | | | | | | |
| (i) Index Futures | 49,93,824 | 49,91,448 | 0.0 | 20 | 6 | -70.0 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 6,79,63,276 | 8,28,60,071 | 21.9 | 0 | 0 | NA |
| *Call* | 6,95,99,045 | 8,65,98,523 | 24.4 | 0 | 0 | NA |
| (iii) Stock Futures | 1,99,71,346 | 2,18,01,493 | 9.2 | 39 | 33 | -15.4 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 42,47,393 | 51,05,748 | 20.2 | 0 | 0 | NA |
| *Call* | 92,24,410 | 99,68,877 | 8.1 | 0 | 2 | -100.0 |
| **Total** | **17,59,99,294** | **21,13,26,160** | **20.1** | **59** | **41** | **-30.5** |
| **C. Open Interest in terms of Value ( ` crore)** | | | | | | |
| (i) Index Futures | 32,983 | 29,146 | -11.6 | 0.0 | 0.0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 1,00,564 | 73,607 | -26.8 | 0.0 | 0.0 | NA |
| *Call* | 64,452 | 51,641 | -19.9 | 0.0 | 0.0 | NA |
| (iii) Stock Futures | 1,29,011 | 1,19,078 | -7.7 | 0.1 | 0.2 | 76.9 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 8,706 | 4,275 | -50.9 | 0.0 | 0.0 | NA |
| *Call* | 15,574 | 7,853 | -49.6 | 0.0 | 0.0 | NA |
| **Total** | **3,51,290** | **2,85,599** | **-18.7** | **0.1** | **0.2** | **76.9** |
| **D. Open Interest in terms of No of Contracts** | | | | | | |
| (i) Index Futures | 3,92,295 | 3,36,966 | -14.1 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 11,72,153 | 8,66,530 | -26.1 | 0 | 0 | NA |
| *Call* | 7,53,920 | 5,95,459 | -21.0 | 0 | 0 | NA |
| (iii) Stock Futures | 18,90,703 | 18,12,134 | -4.2 | 2 | 4 | 100.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 1,29,324 | 65,643 | -49.2 | 0 | 0 | NA |
| *Call* | 2,28,869 | 1,19,845 | -47.6 | 0 | 0 | NA |
| **Total** | **45,67,264** | **37,96,577** | **-16.9** | **2** | **4** | **100.0** |

1. **VIX Futures at NSE**

India VIX closed at 13.2 at the end of May 2018, higher than 12.4 registered at the end of April 2018 (***Figure 5***).

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

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

The monthly turnover of currency derivatives at NSE during May 2018 increased by 37.2 per cent to ` 6,89,452 crore from ` 5,02,657 crore in April 2018. During the same time the monthly turnover of currency derivatives at BSE also increased by 10.1 per cent to ` 7,28,468 crore from ` 5,09,962 crore. In addition, the monthly turnover of currency derivatives at MSEI increased by 10.1 per cent to ` 7,237 crore from ` 6,571 crore (***Figure 6* *and Tables 41, 42 and 43***).

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

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

During May 2018, the monthly turnover of interest rate futures at NSE decreased by 55.3 per cent to ` 12,088 crore from ` 27,039 crore in April 2018. The monthly turnover of interest rate futures at BSE too decreased by 11.5 per cent to ` 7,944 crore in May 2018 from ` 8,979 crore in April 2018. There was no trading in interest rate futures at MSEI during the month under review. (***Figure 7* *and Table 51***).

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

1. **Commodities Derivatives Markets**

**A. Market Trends**

At the end of May 2018, MCX Comdex closed at 3860.60, registering an increase of 1.88 per cent over the closing value of 3789.40 on April 30, 2018. On Y-o-Y basis, the MCX Comdex increased by 24.1 per cent, mainly on account of increase in prices of base metals, crude oil, Natural Gas and Gold. On the other hand, NCDEX Dhaanya closed at 2876.57, a decrease of 0.76 per cent over the closing values of 2898.52 at the end of April 2018. On Y-o-Y basis, the NCDEX Dhaanya Index increased by 2.5 per cent mainly due to increase in prices of Turmeric, Soybean, Refined Soy Oil, Wheat, RM Seed, Guar Seed, Barley and Guar Gum. **(Figure 8)**.

MCX Comdex recorded an intra-day high of 3964.29 on May 25, 2018 while 3761.67 on May, 01, 2018 was its lowest intra-day level. NCDEX Dhaanya recorded an intra-day high of 3013.64 on May 15, 2018 and an intra-day low of 2862.52 on May 31, 2018 **(Details in Table 66)**.

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

**Source: MCX and NCDEX**

During May 2018, among the three component indices of MCX Comdex, Metal and Agri. indices increased by 2.83 per cent each, while Energy Index declined by 0.12 per cent. MCX Metal index which is composed of base metals increased on account of gain in futures prices of Nickel (11.8 per cent), followed by Lead (5.4 per cent), Aluminium (3.8 per cent) and Copper (1.7 per cent). The uptrend in Agri. index in May 2018 was due to 6.3 per cent rise in futures prices of Cotton followed by Crude Palm Oil (1.6 per cent). The downtrend in MCX Energy Index was driven by decrease in Crude Oil futures prices by 1.4 per cent. A decline of 0.76 per cent for NCDEX Dhaanya index may be attributed to the decrease in futures prices of its components namely, Guar Gum (9.8 per cent), Coriander (7.9 per cent), Guar Seed (4.4 per cent), Soybean (3.3 per cent), Castor Seed (1.9 per cent) and Turmeric (0.7 per cent). Increase in prices of Cotton Seed Oilcake (12.5 per cent), Barley (6.9 per cent), Wheat (5.4 per cent), RM Seed (4.2 per cent), Jeera (2.9 per cent), Refined Soy Oil (1.0 per cent) and Chana (0.8 per cent) resisted for further decline of Dhaanya prices.

Daily volatility during May 2018 of MCX Comdex and NCDEX Dhaanya indices was recorded at 0.80 per cent and 0.76 per cent respectively. Among the component indices of MCX Comdex, MCX Energy recorded highest volatility of 1.65 per cent, followed by MCX Agri (0.79 per cent) and MCX Metal (0.54 per cent). The daily volatility and variation over the previous month for indices on commodity derivatives is shown in the Figure 9 below:

**Figure 9: Variation (point-to-point) and daily volatility of India commodity indices in May 2018 (Per cent)**

**Source: MCX and NCDEX**

**Turnover**

During May 2018, among the four national commodity derivative exchanges, except NCDEX, MCX, NMCE and ICEX have recorded a decrease in turnover.

The total turnover at all the four national exchanges stood at `5,84,991 crore, a decrease of 3.8 per cent over the turnover of ₹6,07,789 crore during the previous month. The agricultural segment contributed `53,495 crore (9.1 per cent) while that of the non-agricultural segment contributed `5,31,496 crore (90.9 per cent) to the total turnover during the month. Among, the non-agricultural commodities segments, Bullion, Metals and Energy are traded at MCX, whereas, diamond contracts are traded at ICEX.

The total turnover (futures+ options) at MCX decreased by 4.4 per cent during May 2018 to `5,39,755 crore, over total turnover of `5,64,504 crore recorded in April 2018. The turnover in MCX Gold options, picked up from ₹2,640 crore in April 2018 to ₹14,859 crore, an increase of more than 5.6 times. The increase in turnover in Gold options was due to the introduction of Liquidity Enhancement Scheme (LES) by the Exchange in May 2018.

The Options trading in Crude Oil, Copper and Silver contracts commenced at MCX on 15th May, 21st May and 24th May 2018 and recorded a total turnover of ₹1,519 crore, ₹301 crore and ₹191 crore respectively up to the month end.

The contribution to the total turnover at MCX from futures segment in metal was at 39.77 per cent followed by energy (32.79 per cent), bullion (22.71 per cent) and agricultural commodities had a share of 1.60 per cent. The options segment contributed 3.1 per cent to the total turnover.

The total turnover (futures +options) at NCDEX increased by 5.33 per cent to `41,751 crore during May 2018, from `39,640 crore in April 2018. The turnover in Guar Seed options contracts decreased to ₹13 crore in May 2018, a decrease of 37.44 per cent over ₹21 crore recorded in April 2018.

The total turnover at NMCE decreased by 1.37 per cent to `3,123 crore from `3,166 crore recorded for last month.

The total turnover at ICEX in diamond contracts decreased by 24.38 per cent to ₹362.42 crore in May 2018 from ₹479.26 crore during last month.

The total turnover of agricultural commodities was the highest at NCDEX (`41,751 crore) followed by MCX (`8,621 crore) and NMCE (`3,123 crore). The turnover of agricultural and non- agricultural commodities at national exchanges is shown in Figures 10, 11 and the details in Tables 67 to 72.

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

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

**B. Commodity price trends**

At the end of May 2018, M-o-M returns among the near month contracts of non-agricultural commodities were positive for Nickel (11.8 per cent), followed by Natural Gas, Lead, Aluminium, Silver and Copper, while the returns decreased the most for Crude Oil at 1.4 per cent followed by Zinc (1.3 per cent) and Brass (0.1 per cent). Among agricultural commodities, the M-o-M returns were the highest for Cotton Seed Oilcake (12.5 per cent), followed by Barley, Cotton, Rubber Wheat, RM Seed, Jeera, Pepper, Crude Palm Oil, Isabgul Seed and Refined Soy Oil. M-o-M returns declined the most for Mentha Oil (10.7 per cent), followed by Guar Gum, Coriander, Raw Jute, Guar Seed, Cardamom, Soybean, Castor Seed and Turmeric.

The Y-o-Y returns on futures prices among non-agricultural commodities increased the most for Nickel by 80.2 per cent, followed by Crude Oil, Zinc, Aluminium, Copper, Lead, Gold and Natural Gas, while it declined the most for Silver (0.5 per cent). Among agricultural commodities, Y-o-Y returns increased the most for Turmeric (33.3 per cent) followed by Soybean, Crude Palm Oil, Refined Soy Oil, Mentha Oil, Raw Jute, RM Seed, Guar Seed, Barley, Cotton, Rubber and Guar Gum, while Y-o-Y returns declined the most for Isabgul Seed (27.0 per cent), followed by Pepper, Cotton Seed Oilcake, Coriander, Jeera, Maize Rabi, Cardamom and Castor Seed. **(Exhibit 6).**

**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, ICEX and NMCE**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Commodities traded at MCX and NMCE | Closing value as on 31/05/2018 | Variation in prices as on 31/05/2018 (per cent) | | Commodities traded at NCDEX and ICEX | Closing value as on 31/05/2018 | Variation in prices as on 31/05/2018 (per cent) | |
| **M-o-M** | **Y-o- Y** | **M-o-M** | **Y-o- Y** |
| MCX | | | | **NCDEX** | | | |
| Aluminum | 154.15 | 3.8 | 24.4 | Guar Seed | 3636 | -4.4 | -8.4 |
| Copper | 457.05 | 1.7 | 23.9 | Guar Gum | 7575 | -9.8 | 4.5 |
| Crude Oil | 4517 | -1.4 | 44.5 | Soybean | 3549 | -3.3 | 31.6 |
| Gold | 30831 | -0.7 | 6.9 | Chana | 3508 | 0.8 | NA |
| Lead | 165.0 | 5.4 | 23.2 | Turmeric | 7096 | -0.7 | 33.3 |
| Natural Gas | 199.5 | 8.5 | 0.5 | RM Seed | 3915 | 4.2 | 12.4 |
| Nickel | 1024.4 | 11.8 | 80.2 | Ref. Soy Oil | 766.5 | 1.0 | 23.6 |
| Silver | 39904 | 3.3 | -0.5 | Cotton Seed Oil cake | 1335 | 12.5 | -25.4 |
| Zinc | 209.05 | -1.3 | 26.0 | Wheat | 1806 | 5.4 | 13.2 |
| Cardamom | 895.5 | -4.3 | -8.1 | Jeera | 16200 | 2.9 | -8.1 |
| Cotton | 21360 | 6.3 | 4.2 | Coriander | 4319 | -7.9 | -8.7 |
| CPO | 653.1 | 1.6 | 27.4 | Barley | 1495.5 | 6.9 | -5.8 |
| Mentha Oil | 1305.7 | -10.7 | 22.9 | Castor Seed | 3920 | -1.9 | -7.3 |
| Brass | 360.6 | -0.1 | NA | Maize Rabi | 1188 | NA | -8.6 |
| NMCE | | | | **ICEX** |  |  |  |
| Castor Seed | 3920 | -2.3 | -6.6 | Diamond 1CT | 3349 | 0.7 | NA |
| Rubber | 12656 | 5.5 | 3.5 | Diamond 0.5CT | 1542.5 | 1.4 | NA |
| Raw Jute | 4261 | -5.3 | 13.8 |  | | | |
| Isabgul Seed | 8343 | 1.0 | -27.0 | Diamond 0.3 CT | 980 | -1.5 |  |
| RM seed | 701.5 | 1.5 | 14.7 |  |  |  |  |
| Guar Seed | 3637 | -4.7 | 9.4 |  |  |  |  |
| Pepper | 38250 | 2.0 | -26.0 |  |  |  |  |

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

**Source: MCX, NCDEX, ICEX & NMCE**

**C. Advance estimates of production of exchange traded commodities for 2017-18**

The 3rd Advance Estimates of production of major crops for 2017-18 have been released by the Department of Agriculture, Cooperation and Farmers Welfare on 16th May, 2018. The assessment of production of different crops is based on the feedback received from States and validated with information available from other sources.

As a result of near normal rainfall during monsoon 2017 and various policy initiatives taken by the Government, country has witnessed record foodgrains production in the current year. As per Third Advance Estimates for 2017-18, total foodgrains production in the country is estimated at 279.51 million tonnes which is higher by 4.40 million tonnes than the previous record production of foodgrain of 275.11 million tonnes achieved during 2016-17. The current year’s production is also higher by 19.33 million tonnes than the previous five years’ (2012-13 to 2016-17) average production of foodgrains.

Production of **wheat**during 2017-18 is estimated at record 98.61 million tonnes is higher by 0.10 million tonnes as compared to wheat production of 98.51 million tonnes achieved during 2016-17. Further, the production of wheat during 2017-18 is higher by 5.28 million tonnes than the average wheat production of the last five years.

Total **pulses**production during 2017-18 is estimated at record 24.51 million tonnes which is higher by 1.37 million tonnes than the previous year’s production of 23.13 million tonnes. The production of pulses during 2017-18 is higher than the last five years’ average production by 5.66 million tonnes.

Total **oilseeds**production in the country during 2017-18 is estimated at 30.64 million tonnes which is lower by 0.64 million tonnes than the production of 31.28 million tonnes during 2016-17. However, the production of oilseeds during 2017-18 is higher by 1.09 million tonnes than the average oilseeds production of the last five years.

With a significant increase by 49.03 million tonnes over 2016-17, total production of **sugarcane**in the country during 2017-18 is estimated at 355.10 million tonnes. The production of sugarcane during 2017-18 is also higher by 13.06 million tonnes than the average sugarcane production of 342.04 million tonnes of the last five years.

Production of **cotton**during 2017-18 estimated at 34.86 million bales (of 170 kg each) is higher by 2.28 million bales than the previous year’s production of 32.58 million bales. Further, it is also higher by 1.36 million bales than its average production of 33.50 million bales of the last five years.

Production of **jute & mesta**during 2017-18 estimated at 10.62 million bales (of 180 kg each) is lower than the production during the 2016-17.

**D. 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 rainfall during the week (31st May, 2018 – 06th June, 2018) has been 14% lower than Long Period Average (LPA).

As per latest information available on sowing of kharif crops, around 8% of the normal area under kharif crops has been sown upto June 8, 2018. Area sown under all kharif crops taken together has been reported at 84.61 lakh hectares at All India level as compared to 85.81 lakh hectares in the corresponding period of last year and 77.93 lakh ha. normal area as on date.

**Exhibit 7: Kharif crop sowing progress**

*(in lakh hectare)*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Crop name** | **Normal area for whole kharif season** | **Normal area as on date** | **Area sown reported** | | | **Absolute change over (+/-)** | |
| **This year 2018** | **% of Normal for whole season** | **Last year 2017** | **Normal as on date** | **Last year** |
| Maize | 74.22 | 3.24 | 3.45 | 4.6 | 3.00 | 0.2 | 0.5 |
| Soybean | 112.51 | 0.05 | 0.17 | 0.1 | 0.13 | 0.1 | 0.0 |
| Castor Seed | 10.51 | 0.02 | 0.01 | 0.1 | 0.01 | 0.0 | 0.0 |
| Cotton | 119.75 | 14.23 | 12.48 | 10.4 | 14.06 | -1.8 | -1.6 |
| Sugarcane | 48.84 | 45.35 | 49.95 | 102.3 | 49.46 | 4.6 | 0.5 |
| Jute & Mesta | 8.11 | 7.16 | 6.89 | 85.0 | 6.88 | -0.3 | 0.0 |

*Source: Dept. of Agriculture Co-operation and Farmers’ Welfare, Government of India*

1. **Trading in Corporate Debt Market**

During May 2018, BSE recorded 3000 trades of corporate debt with a traded value of ` 49,384 crore compared to 3442 trades with a traded value of ` 48,913 crore recorded in April 2018. At NSE, 4863 trades were reported in May 2018 with a traded value of ` 96,402 crore compared to 5,588 trades with a traded value of ` 1,13,975 crore in the previous month ***(Figure 12 and Table 13*)**.

**Figure 12: Trends in Reported Turnover of Corporate Bonds (**` **crore)**

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

During May 2018, the total net outflow from the secondary market by mutual funds was ` 467 crore compared to an investment of ` 31,458 crore in April 2018. During May 2018, Mutual funds invested ` 13,619 crore in equity however, liquidated of an amount of ` 14,086 crore from Debt in comparison of ` 11,293 crore investment in equity and ` 20,165 crore investment in debt in April 2018 (***Figure 12***).

As on May 31, 2018, there were a total of 1853 mutual fund schemes in the market, of which 1,217 (65.7 per cent) were income / debt oriented schemes, 511 (27.6 per cent) were growth / equity oriented schemes, 27 (1.5 per cent) were balanced schemes, 69 (3.7 per cent) were exchange traded funds and 29 (1.6 per cent) were fund of funds investing overseas **(*Tables 59 & 60*).**

**Figure 13: Trends in Mutual Funds Investment (` crore)**

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

In May 2018 too, FPIs liquidated ` 29,776 crore from Indian securities market, out of which ` 10060 crore from equity, ` 19654 crore from debt and ` 61 crore from hybrid securities (***Figure 14***).

The assets of the FPIs in India, as reported by the custodians, at the end of May 2018 was ` 31,77,685 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 93,497 crore, constituting 2.9 per cent of the total assets of the FPIs (***Tables 53, 54 & 55***).

**Figure 14: Trends in FPIs Investment (` crore)**

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

1. **Trends in Portfolio Management Services**

Assets under management (AUM) of discretionary portfolio management services (PMS) increased by 0.2 per cent to ` 11,72,543 crore in May 2018 from ` 11,52,123 crore in April 2018. The AUM of Non-discretionary PMS also increased by 0.3 per cent to ` 92,416 crore from ` 92,174 crore, whereas, AUM of Advisory services, decreased by 2.9 per cent to ` 2,10,645 crore from ` 2,17,030 crore. In terms of number of clients in PMS industry, discretionary services category topped at with 1,18,480 clients, followed by non-discretionary category with 5,576 clients and advisory category with 2,221 clients at the end of May 2018. ***(Table 61).***

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

During May 2018, eight open offers with offer value of ` 463 crore were made to the shareholders as against 15 open offers with offer value of ` 1,815 crore in April 2018(***Figure 15***).

**Figure 15: Details of Open Offers Made under the SEBI (SAST) Regulations (` crore)**

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

**~~Snapshots~~**

**United States:**

* GDP expanded by 2.2 per centper cent (annualised) in Q1 2018, lower than 2.9 per centper cent in the previous quarter.
* Annual CPI inflation was 2.8 per centper cent in May 2018, higher than 2.5 per centper cent in the previous month
* Unemployment rate declined further to 3.8 per centper cent during May 2018.

**United Kingdom**

* Real GDP growth rate came down to 1.2 per centper cent (Y-o-Y) in Q1 2018.
* Annual CPI inflation was 2.4 per centper cent in May 2018.
* Unemployment rate was 4.2 per centper cent during the period February to April 2018.

**Japan:**

* GDP expanded by 1.1 per centper cent (Y-o-Y) in Q1 2018.
* Annual CPI inflation dropped to 0.7 per centper cent in May 20-18 from 0.6 per centper cent in previous month.
* Unemployment rate was 2.5 per centper cent in April 2018.

**Euro Zone (EA19):**

* GDP expanded by 2.5 per centper cent (Y-o-Y) in Q1 2018.
* Annual CPI inflation rose to 1.9 per centper cent in May 2018.
* Unemployment rate was 8.5 per centper cent in April 2018.

**BRICS Nations:**

* Real GDP of Brazil grew by 1.2 per centper cent (Y-o-Y) in Q1 2018. Annual CPI inflation increased to 2.9 per cent in May 2018. Unemployment decreased to 12.9 per cent in April 2018.
* Russia’s GDP expanded by 1.3 per cent (Y-o-Y) in Q1 2018. Annual CPI inflation was 2.4 per cent in March 2018. Unemployment rate was 5.0 per cent in March 2018.
* India’s real GDP grew by 7.7 per cent (Y-o-Y) in Q4 of 2017-18. Annual CPI inflation rose to 4.9 per cent in May 2018.
* GDP of China expanded by 6.8 per cent (Y-o-Y) in the Q1 of 2018. Annual CPI increased by 1.8 per cent in May 2018. Unemployment rate was 3.9 per cent in Q1 of 2018.
* GDP of South Africa grew by 0.8 per cent (Y-o-Y) in Q1 of 2018. Annual CPI increased by 4.5 per cent in April 2018. Unemployment rate in South Africa remained at 26.7 per cent in Q1 2018.

1. **Introduction:**
   1. The global economies continues to expand, albeit at a slower pace in the first quarter of 2018, on the back of stronger recovery in USA and Eurozone starting mid-2016 which was partially negated by slower growth in UK and Japan. Emerging market economies remained strong, even seeing the fastest pace of growth for industrial production since 2012.
   2. The World Bank has forecasted healthy global economic growth of 3.1 per cent in 2018 before slowing gradually over the next two years. Activity in advanced economies is expected to grow 2.2 per cent in 2018 before easing to a 2 per cent rate of expansion in 2019. Growth in emerging market and developing economies overall is projected to strengthen to 4.5 per cent in 2018, before reaching 4.7 per cent in 2019 as the recovery in commodity exporters matures and commodity prices level off following this year’s increase.
   3. The International Monetary Fund (IMF) has upgraded its outlook for the global economy for 2018 to 3.9 per cent, from its previous forecast of 3.7 per cent made in October 2017. If realized this would be the strongest rate of global GDP growth since 2011. The IMF noted that the impact of expansionary fiscal policy in the United States and a partial recovery in commodity prices are likely to help support global growth in the near term.
   4. IMF projects that advanced economies will continue to expand above their potential growth rates during 2018 and 2019 and might decelerate afterwards, while growth in emerging market and developing economies will rise before levelling off.
   5. However, alongside the improvement in short-term prospects, downside risks to global growth have also been building. According to Word Bank the key risks to global economic growth include the build-up of trade tensions among major economies; increasing geopolitical tensions; greater uncertainty about the path of monetary policy adjustment in developed economies; and high and rising levels of debt in both developed and developing countries. Any of these factors have the potential to derail the recent improvement in economic prospects.
   6. Amidst mounting protectionism, in May 2018, the U.S. broadened its tariffs on steel and aluminium imports to include Canada, Mexico and the European Union, intensifying a trade war. A sharp moderation of global trade flows would negatively impact world economic growth. But there are still significant uncertainties about the sustainability of growth in international trade flows.
   7. Over-leveraging also threatens to destabilize the nascent economic growth. According to the Bank of International Settlements’ latest Quarterly Review, debt has not only soared to unprecedented levels, but a large portion is denominated in foreign currencies thereby amplifying default risks. USD-denominated debt in emerging markets has increased to $3.7 trillion, while that in advanced economies (ex-U.S.) has jumped to a US$ 7.7 trillion. The latter amounts to more than 26 per cent of GDP of advanced economies excluding the U.S., nearly double the exposure of 12 years ago.
   8. Further, the potential upward pressure on inflation due to fiscal stimulus in U.S. and proposed import tariffs, have led to increased uncertainty around the pace of interest rate hikes, and raised the probability of a more rapid withdrawal of monetary stimulus. This uncertainty increases the risk of global financial market volatility. Many developing countries are exposed to associated risks, especially where the rise in debt in recent years reflects significant amounts of dollar-denominated debt. The prospects of tighter liquidity conditions and potential spikes in risk aversion expose emerging economies to higher borrowing costs, depreciation of domestic currencies and a decline in equity prices.
2. **The World Economy:**
   1. The International Monetary Fund in its World Economic Outlook – April 2018 issue has highlighted the strengthening of the global growth during 2017 driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. As per the IMF estimates, the world economy would grow at 3.9 per cent in 2018 as well as in 2019. However, as the US fiscal stimulus gets over the upswing of the advanced nations would be subdued given their weak potential growth. Climate change, geopolitical tensions, and cyber security breaches pose additional threats to the subdued medium-term global outlook.

**Exhibit 1: Overview of the World Economic Outlook Projections**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Country / Region** | **Year over Year** | | | |
|  |  | **Projections** | |
| **2016** | **2017** | **2018** | **2019** |
| **World Output** | **3.2** | **3.8** | **3.9** | **3.9** |
| **Advanced Economies** | **1.7** | **2.3** | **2.5** | **2.2** |
| United States | 1.5 | 2.3 | 2.9 | 2.7 |
| Euro Area | 1.8 | 2.3 | 2.4 | 2.0 |
| Germany | 1.8 | 2.5 | 2.5 | 2.0 |
| France | 1.2 | 1.8 | 2.1 | 2.0 |
| Italy | 0.9 | 1.5 | 1.5 | 1.1 |
| Spain | 3.3 | 3.1 | 2.8 | 2.2 |
| Japan | 0.9 | 1.7 | 1.2 | 0.9 |
| United Kingdom | 1.9 | 1.8 | 1.6 | 1.5 |
|  |  |  |  |  |
| **Emerging Market and Developing Economies** | **4.4** | **4.8** | **4.9** | **5.1** |
| Brazil | -3.5 | 1.0 | 2.3 | 2.5 |
| Russia | -0.2 | 1.5 | 1.7 | 1.5 |
| India\* | 7.1 | 6.7 | 7.4 | 7.8 |
| China | 6.7 | 6.9 | 6.6 | 6.4 |
| South Africa | 0.6 | 1.3 | 1.5 | 1.7 |

**Note:** \* 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 fiscal year 2011/12 as a base year.

**Source:** IMF

* 1. Advanced economies are expected to grow at 2.5 per cent in 2018 and at 2.2 per cent in 2019. Strong investment spending underlined the bright outlook for the advanced economies. Both stronger gross fixed capital formation and an acceleration in stock building contributed to the pickup in investment, with accommodative monetary policy, stronger balance sheets, and an improved outlook helping release pent-up demand for capital goods.
  2. As regards the emerging economies, growth is expected to be 4.9 per cent in 2018 and 5.1 per cent in 2019. Growth in the emerging market and developing economies is supported by acceleration in private consumption. However, the picture is mixed within the group. While growth in China and India last was supported by resurgent net exports and strong private consumption, respectively, an end to fixed investment contractions in commodity-exporting countries played an important role in their growth pickup in 2017. Higher fixed investment growth also supported the growth performance of other emerging market and developing economies, alongside stronger private consumption.

**Exhibit 2: Major Macroeconomic Indicators:**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **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** |
| **Developed Countries** | United States | 2.80 | Q1 | 2.20 | Q1 | 2.8 | May-18 | 3.80 | May-18 | 2.00 |
| United Kingdom | 1.20 | Q1 | 0.10 | Q1 | 2.4 | May-18 | 4.20 | Apr-18# | 0.50 |
| Eurozone | 2.50 | Q1 | 0.40 | Q1 | 1.9 | May-18 | 8.50 | Apr-18 | 0.00 |
| Germany | 2.30 | Q1 | 0.30 | Q1 | 2.2 | May-18 | 3.40 | Apr-18 | 0.00 |
| France | 2.20 | Q1 | 0.20 | Q1 | 0.6 | May-18 | 9.20 | Apr-18 | 0.00 |
| Japan | 1.10 | Q1 | -0.20 | Q1 | 0.7 | May-18 | 2.50 | Apr-18 | -0.10 |
| **BRICS** | Brazil | 1.20 | Q1 | 0.40 | Q4 | 2.9 | May-18 | 12.90 | Apr-18 | 6.50 |
| Russia | 1.30 | Q1 | -0.38 | Q1 | 2.4 | May-18 | 4.90 | Apr-18 | 7.25 |
| India | 7.70 | Q1 | 1.90 | Q4 | 4.9 | May-18 | NA | NA | 6.25 |
| China | 6.80 | Q1 | 1.40 | Q1 | 1.8 | May-18 | 3.89 | Q1 of 2018 | 4.35 |
| South Africa | 0.80 | Q1 | -2.20 | Q4 | 4.5 | Apr-18 | 26.70 | Q1 of 2018 | 6.50 |

Note: Q1 refers to Jan - Mar 2018; \* Q-o-Q GDP growth figures are in annualised terms, # for trailing three months period.

***Source:*** *Bloomberg*

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

***Source:*** *Trading Economics*

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

***Source:*** *Trading Economics*

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

***Source:*** *Bloomberg*

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

***Source:*** *Bloomberg*

**United States:**

* 1. According to “revised” estimate released by the Bureau of Economic Analysis, the real GDP of US grew at an annual rate of 2.2 per cent Q-o-Q during the first quarter of 2018, below 2.3 per cent growth in the advance estimate and 2.9 per cent growth recorded in the previous quarter. The deceleration in real GDP growth in the first quarter was caused by a downturn in personal consumption expenditure, fixed investment and government spending. On a Y-o-Y basis, the real GDP increased by 2.8 per cent during first quarter of 2018 compared to the corresponding quarter in the previous year.
  2. As per data released by the Bureau of Labor Statistics, the annual consumer prices inflation in USA rose to 2.8 per cent in May 2018 from 2.5 per cent in April 2018. It is the highest inflation rate since February of 2012, mainly due to rising prices for gasoline and shelter. On a monthly basis, consumer prices edged up 0.2 per cent, the same as in April. The unemployment rate fell to 3.8 per cent in April 2018 from 4.1 per cent in the previous month. The Federal Open Market Committee (FOMC) in its June 2018 meeting hiked the federal funds rate by 25 basis points to 2.0 per cent.

**United Kingdom:**

* 1. As per the “revised” estimate by Office for National Statistics, the British economy grew at 0.1 per cent Q-o-Q in the Q1 of 2018, in line with the preliminary estimates but lower than 0.4 per cent growth in the previous quarter. It was the weakest growth rate since a 0.1 per cent contraction recorded in the fourth quarter of 2012.  On a Y-o-Y basis, GDP expanded 1.2 per cent in the Q1 2018 following a 1.4 per cent expansion in the previous quarter.
  2. The annual CPI Inflation in the UK remained unchanged at 2.4 per cent in May 2018, its lowest level in a year. UK unemployment rate remained unchanged at 4.2 per cent during the period February - April 2018, its lowest level in 42 years. The Bank of England Monetary Policy Committee, in its May 2018 meeting, decided to hold the Bank Rate at 0.50 per cent.

**Japan:**

* 1. The Japanese economy contracted 0.2 per cent (Q-o-Q) in the first quarter of 2018 as private consumption and capital expenditure slowed, compared to 0.3 per cent expansion in the previous period. On an annualised basis, the economy shrank 0.6 per cent, the same as the preliminary estimate but worse than market consensus of a 0.4 per cent contraction and following an upwardly revised 1 per cent expansion in the preceding quarter. Japanese economy grew by 1.1 per cent (Y-o-Y) during Q1 2018 as compared to 2.0 per cent expansion in previous period.
  2. Consumer price inflation in Japan fell to 0.7 per cent in May 2018, from 1.1 per cent in the previous month. The Bank of Japan left its key short-term interest rate unchanged at -0.1 per cent at its June 2018 meeting. The policymakers also decided to keep its 10 year Government bond yield target around zero per cent but lowered their assessment on inflation to be in a range of 0.5 to 1 per cent for 2018 fiscal year.

**Euro Area (EA19)[[2]](#footnote-2):**

* 1. The Eurozone economy lost steam in the first quarter of 2018. According to “revised” estimate by the Eurostat, the seasonally adjusted GDP rose by 0.4 per cent Q-o-Q in the euro area during the first quarter of 2018, slower than GDP growth of 0.7 per cent in previous quarter. Among Eurozone's countries, the GDP expanded at a softer pace in Germany (0.3 per cent), France (0.3 per cent), the Netherlands (0.5 per cent), Austria (0.7 per cent), Belgium (0.4 per cent), Portugal (0.4 per cent), Lithuania (0.8 per cent) and Cyprus (0.8 per cent). Meanwhile, GDP growth was unchanged in Italy (at 0.3 per cent), Spain (at 0.7 per cent) and Slovakia (at 0.9 per cent); and picked up in Finland (1.1 per cent) and Latvia (1.7 per cent). Eurozone economy grew by 2.5 per cent (Y-o-Y) during Q1 2018 as compared to 2.8 per cent in previous period.
  2. According to the flash estimate by Eurostat, the Eurozone annual inflation spike to 1.9 per cent in May 2018, significantly higher from 1.3 per cent in previous month. Among Eurozone's largest economies, the highest annual rate was registered in France (2.3 per cent), Germany (2.2 per cent), Spain (2.1 per cent) and Italy (1 per cent).
  3. The unemployment rate in the Eurozone was decreased slightly to 8.5 per cent in April 2018, lowest since December 2008. Among the Member States, the lowest unemployment rates in April 2018 were recorded in the Czech Republic (2.2 per cent), Malta (3.0 per cent) and Germany (3.4 per cent). The highest unemployment rates were observed in Greece (20.8 per cent) and Spain (15.9 per cent).

**Brazil:**

* 1. Real GDP of Brazil advanced by 0.1 per cent Q-o-Q in the fourth quarter of 2017, following an upwardly revised 0.2 per cent expansion in the previous quarter. During 2017, the economy expanded 1 per cent, following a 3.5 per cent contraction in both 2016 and 2015. .
  2. Consumer prices in Brazil increased 2.76 per cent year-on-year in April 2018, up from 2.68 per cent in previous month. The Central Bank of Brazil cut its key Selic rate by 25 basis points to 6.50 per cent on 21 March 2018 following a 25-bps slash on 7 February 2018. The cut, widely anticipated and unanimous, was the eleventh straight, bringing borrowing costs to the lowest in modern history amid below-target inflation and a gradually improving economy. The jobless rate in Brazil increased to 13.1 per cent in the three months to March 2018.

**China:**

* 1. The Chinese economy expanded 6.8 per cent Y-o-Y in the first quarter of 2018, the same as in the previous two quarters. On Q-o-Q, the Chinese economy grew by 1.4 per cent first quarter of 2018, compared to an advance of 1.6 per cent in the previous quarter. Considering full year, the economy grew 6.9 per cent in 2017, above the 6.7 per cent recorded in 2016.

* 1. China's consumer price inflation remained unchanged at 1.8 per cent in May 2018. The People's Bank of China’s benchmark one-year lending rate remained at 4.35 per cent, since last cut of 25 basis point in October, 2015. Unemployment Rate in China decreased to 3.89 per cent in the first quarter of 2018 from 3.9 per cent in the previous quarter.

**Russia:**

* 1. Russia's gross domestic product grew by 1.3 per cent year-on-year in the first quarter of 2018, following a 0.9 per cent expansion reported in the previous period. The Bank of Russia recently lowered its estimate of GDP annual growth for the first quarter to 1.3-1.5 per cent, from 1.5-1.8 per cent previously estimated, due to the weakening of business activity in March amid unusual cold weather
  2. Russia's consumer price inflation remained unchanged at 2.4 per cent year-on-year in May 2018. Russian unemployment rate fell to 5 per cent in March 2018 from 5.4 per cent in the same month of the previous year, and in line with market expectations.
  3. The Bank of Russia held its benchmark one-week repo rate at 7.25 per cent, after revising the inflation forecast upwards due to a planned increase of the value added tax in 2019.

**South Africa**

* 1. The South African economy advanced 0.8 per cent (Y-o-Y) in the first quarter of 2018, down from 1.5 per cent expansion in the previous quarter. It was the weakest growth rate since the second quarter of 2016, mainly due to a contraction in agriculture, forestry and fishing activities and mining.
  2. Consumer prices in South Africa rose 4.5 per cent in April 2018, acceleration from 3.8 per cent in the previous month. The South African Reserve Bank left its benchmark repo rate unchanged at 6.5 per cent on May 24th 2018, in line with market expectations, mentioning lower inflation expectations. South Africa's unemployment rate remained unchanged at 26.7 per cent in the first quarter of 2018.

1. **Review of Global Financial Markets:** 
   1. Most of the indices both from developing and developed markets, ended slightly lower in May 2018. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed an increase of 0.3 per cent during the month. On the other hand, MSCI Emerging Market Index registered a decrease of 3.8 per cent. MSCI India Index registered decrease of 2.6 per cent over the previous month. (Chart 5).

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

*Source: Bloomberg*

**Bond Markets:**

* 1. US Treasury yields slightly decreased during May 2108. The 10-year Treasury note’s yield decreased from 2.95 per cent to 2.86 per cent during the month. The German government 10-year note’s yield decreased to 0.34 from 0.56 per cent during the month.
  2. Chinese 10-year yields went slightly lower from 3.65 per cent to 3.64 per cent, while Spain’s yield went up from 1.28 per cent to 1.50 per cent. UK 10-year gilt yields went down from 1.42 to 1.23 per cent. Indian yield went up from 7.77 to 7.83 per cent.

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

***Source****: Bloomberg*

**Currency Market:**

* 1. During May 2018 (by comparing the closing prices of the close of last trading days of the April and May), the U.S. dollar (USD) lost against 2 currencies out of 7 currencies (i.e. INR, YEN, GBP, EURO, Real, Yuan and Ruble) evaluated against it. The change in the currencies against dollar was Ruble (1.06 per cent), Yen (0.35 per cent), Yuan (-1.00 per cent), INR (-1.17 per cent), GBP (-3.57 per cent), Euro (-3.70 per cent) and Real (-7.00 per cent) respectively.
  2. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 93.98 on close of May 2018, it appreciated 2.33 per cent against the basket of major currencies during May 2018, and was 2.01 per cent above the close of last trading day of 2017.

* 1. Comparing the closing prices of currencies in 2017 with the closing price of May, Yen changed by 3.41 per cent followed by Yuan (1.48 per cent), GBP (-1.73 per cent), Euro (-3.02 per cent), INR (-5.59 per cent), Ruble (-8.28 per cent) and Real (-12.58 per cent) respectively.
  2. Since the beginning of May 2016 till May 2018 (closing prices of the last trading days of April 2016 and May 2018 were compared), Brazilian Real and Russian Ruble changed -8.53 and 3.75 per cent respectively against USD. During the same period, INR depreciated 1.64 per cent. Other currencies such as Yen depreciated 2.1 per cent against USD. Euro gained 1.87 per cent against USD while GBP depreciated 9.92 per cent against USD. Chinese Yuan gained 1.04 per cent against USD.

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

**Source**: Bloomberg

**Trend in Market Indices:**

* 1. Major stock indices all over the world exhibited a negative trend during May 2018. Amongst the indices of developed markets, Straits Times of Singapore STI decreased by 5.1 per cent during the month. CAC 40 of France witnessed a decrees of 2.2 per cent, followed by Nikkei 225 of Japan by 1.2 per cent.
  2. As regards the emerging market indices, Taiwan Taiex of Taiwan led the way with an increase of 2.0 per cent, followed by Russian Traded of Russia and Sensex of India which increased by 1.4 per cent and 0.5 per cent respectively. On the contrary, a fall of 10.9 per cent was registered by Bovespa of Brazil followed by Hermes Index of Egypt and Budapest Stock Exchange Index of Hungary declining by 7.9 per cent and 7.7 per cent respectively during the same period.

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

**Source**: Bloomberg

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

**Source**: Bloomberg

**Market Capitalisation:**

* 1. Market capitalisation of major countries in the world, at the end of May 2018, is given in table A6 and is illustrated in Chart 10. The market capitalisation of most of the major countries showed a negative trend during the month of May 2018.
  2. Among major developed markets, the increase of 2.3 per cent in market capitalisation observed for USA. Followed by increase of 1.6 per cent for Australia, increase of 0.1 per cent for Hong Kong, decrease of 1 per cent for UK, decrease of 1.2 per cent for Japan, decrease of 3.1 per cent for Germany, decrease of 3.5 per cent for France and decrease of 4.9 per cent for Singapore during May 2018.
  3. As regards the emerging markets, decrease of 26.8 per cent in market capitalisation observed for Argentina. Followed by decrease of 16.4 per cent for Brazil, decrease of 16 per cent for Hungary, decrease of 14.1 per cent for Turkey, decrease of 13.2 per cent for Mexico, decrease of 7.3 per cent for Egypt, decrease of 7 per cent for Malaysia, decrease of 6.3 per cent for South Africa and decrease of 5.8 per cent for Pakistan during May 2018.

**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 May 2018, the monthly notional turnover of index futures in EUREX was the highest at USD 42,059 billion followed by CME Group (USD 5,904 billion), Hong Kong Exchanges and Clearing (USD 1,186 billion) and Japan Exchange Group (USD 787 billion). In case of Index options, EUREX recorded the monthly turnover of USD 42,631 billion followed by Korea Exchange (USD 2,962 billion) and CME Group (USD 2,108 billion). Korea Exchange recorded highest number of contracts traded in Index option category, with 41 million contracts traded in May 2018, followed by Chicago Board Options Exchange (37.3 million contracts), TAIFEX (15.3 million contracts) and CME Group (12.8 million contracts).
  2. In case of Stock Options, Nasdaq - US recorded highest volume (58.2 million contracts) in terms of contracts traded on the major world exchanges followed by BM&FBOVESPA (52.9 million contracts), NYSE (39.2 million contracts), Chicago Board Options Exchange (38.4 million contracts) and Hong Kong Exchanges and Clearing (9.2 million contracts). In case of Stock Futures, EUREX remains the number one exchange in terms of number of contracts traded with monthly volume of 59.1 million contracts, followed by Korea Exchange (50.2 million contracts), Moscow Exchange (13.2 million contracts) and Borsa Istanbul (4.8 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 2017-18, quarterly GVA (Gross Value Added) at basic price of 2011-12 has shown a growth rate of 7.6 per cent (Y-o-Y) against 6.0 per cent of same quarter of previous fiscal year. Agriculture sector's GVA at basic price has shown a growth of 4.5 per cent as against 7.1 per cent of same quarter of previous fiscal year. Manufacturing sector grew by 9.1 per cent against 6.1 per cent of Q4 of previous fiscal year. For the financial, real estate and professional services sector, quarterly GVA at basic prices, grew by 5.0 per cent as compared to growth of 1.0 per cent in previous fiscal year.
   2. GDP in FY 2017-18 has shown a growth rate of 6.7 per cent (Y-o-Y). The World Bank has held India's economic growth forecasts to 7.3 per cent for FY 2017-18.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **2016-17** | | | | **2017-18** | | | |
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| 1. Agriculture & allied activities | 4.3 | 5.5 | 7.5 | 7.1 | **3.0** | 2.6 | 3.1 | 4.5 |
| 2. Mining & Quarrying | 10.5 | 9.1 | 12.1 | 18.8 | 1.7 | 6.9 | 1.4 | 2.7 |
| 3. Manufacturing | 9.9 | 7.7 | 8.1 | 6.1 | -1.8 | 7.1 | 8.5 | 9.1 |
| 4. Electricity, Gas, Water Supply & Other Utility Services | 12.4 | 7.1 | 9.5 | 8.1 | 7.1 | 7.7 | 6.1 | 7.7 |
| 5. Construction | 3.0 | 3.8 | 2.8 | -3.9 | 1.8 | 3.1 | 6.6 | 11.5 |
| 6. Trade, Hotel, Transport, Communication and services related to broadcasting | 8.9 | 7.2 | 7.5 | 5.5 | 8.4 | 8.5 | 8.5 | 6.8 |
| 7. Financial, Real Estate & Professional Services | 10.5 | 8.3 | 2.8 | 1.0 | 8.4 | 6.1 | 6.9 | 5.0 |
| 8. Public Administration, Defense and Other services | 7.7 | 8.0 | 10.6 | 16.4 | 13.5 | 6.1 | 7.7 | 13.3 |
| **Gross Value Added at Basic Price** | **8.3** | **7.2** | **6.9** | **6.0** | **5.6** | **6.1** | **6.6** | **7.6** |
| **GDP** | **8.1** | **7.6** | **6.8** | **6.1** | **5.6** | **6.3** | **7.0** | **7.7** |

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) increased by 4.9 per cent in April 2018, against 3.2 per cent growth recorded in April 2017 (both over the corresponding period in the previous year), with manufacturing growing by 5.2 per cent as compared to its 2.9 per cent growth in previous year. Electricity grew at 2.1 per cent in as compared to 5.4 per cent growth in previous year. Mining grew by 5.1 per cent, compared to 3.0 per cent growth in previous year.

**Inflation**

* 1. India's CPI inflation Grew by 4.87 per cent in May, against 4.58 per cent of previous month. Food prices (as measured by CFPI) showed an increase of 3.1 per cent as compared to 2.8 per cent in last month. The Repo rate currently stands at 6.25 per cent.

**Trade – Exports and Imports**

* 1. Exports during May 2018 grew 20.18 per cent in dollar terms valued USD 28.86 billion as compared to USD 24.01 billion during same month of last year. Imports grew by 14.85 per cent to USD 43.48 billion from 37.86 billion during the same month of last year. The merchandise trade deficit was USD 14.62 billion in during May 2018, against the deficit of USD 13.84 billion of May 2017. Taking merchandise and services together, overall trade deficit for April-May 2018-19 was estimated at USD 21.69 billion, against the deficit of USD 21.41 billion during April-May 2017-18.

**Foreign Exchange Reserves**

* 1. Since end of March 2018, forex reserves have decreased by about USD 11,720.7 million. The reserves were recorded at USD 412.8 billion as on May 25, 2018. (Exhibit 4)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Particulars | **25 May 2018** | **27 Apr 2018** | **30 Mar 2018** | **23 Feb 2018** |
| **Total Reserves** | 412.8 | 420.4 | 424.4 | 420.6 |
| **Foreign Currency Assets** | 387.6 | 395.3 | 399.1 | 395.5 |
| **Gold** | 21.7 | 21.5 | 21.6 | 21.5 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.5 |
| **Reserve Position in the IMF** | 2.0 | 2.1 | 2.1 | 2.1 |

***Source:*** *RBI*

1. **Annex Tables:**

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Index** | **As on** | **As on** | **As on** | **As on** |
| **March\*,2017** | **March\*, 2018** | **April\*, 2018** | **May\*, 2018** |
|  |  |  |  |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5903.8 | 5868.9 | 6071.6 | 6123.5 |
| France | CAC 40 | 5089.6 | 5167.3 | 5520.5 | 5398.4 |
| Germany | Dax | 12256.4 | 12096.7 | 12612.1 | 12604.9 |
| Hong Kong HSI | Hang Seng | 24111.6 | 30093.4 | 30808.5 | 30468.6 |
| Japan NIKKEI | Nikkei 225 | 18909.3 | 21454.3 | 22467.9 | 22201.8 |
| Singapore STI | Straits Times | 3175.1 | 3428.0 | 3613.9 | 3428.2 |
| UK | FTSE 100 | 7322.9 | 7056.6 | 7509.3 | 7678.2 |
| USA DOW JONES | Dow Jones Industrial Average | 20663.2 | 24103.1 | 24163.2 | 24415.8 |
| USA NASDAQ Composite | Nasdaq Composite | 5911.7 | 7063.4 | 7066.3 | 7442.1 |
| India (BSE) | Sensex | 29620.5 | 32968.7 | 35160.4 | 35322.4 |
| India (NSE) | Nifty 50 | 9173.8 | 10113.7 | 10739.4 | 10736.2 |
| Brazil | Bovespa | 64984.1 | 85365.6 | 86115.5 | 76753.6 |
| Chile | Stock Market Select | 4783.4 | 5542.2 | 5710.9 | 5455.1 |
| China | Shanghai SE Composite IX | 3222.5 | 3168.9 | 3082.2 | 3095.5 |
| Colombia | IGBC General | 10150.7 | 11320.4 | 12414.6 | 12297.0 |
| Egypt | Hermes | 1167.8 | 1659.8 | 1738.2 | 1600.5 |
| Hungary | Budapest Stock Exchange | 31634.3 | 37258.9 | 38295.7 | 35356.8 |
| Indonesia | Jakatra Composite | 5568.1 | 6189.0 | 5994.6 | 5983.6 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1740.1 | 1863.5 | 1870.4 | 1740.6 |
| Mexico | Bolsa | 48541.6 | 46124.9 | 48358.2 | 44662.6 |
| Pakistan | Karachi 30 | 25615.6 | 22801.3 | 22394.8 | 21021.1 |
| Russia | Russian Traded | 1509.7 | 1771.9 | 1652.0 | 1674.9 |
| South Africa | FTSE/JSE Africa All Share | 52056.1 | 55474.5 | 58252.1 | 56157.9 |
| Taiwan | Taiwan Taiex | 9811.5 | 10919.5 | 10657.9 | 10875.0 |
| Thailand | Stock Exchange of Thai | 1575.1 | 1776.3 | 1780.1 | 1727.0 |
| Turkey | ISE National 100 | 88947.4 | 114930.2 | 104282.8 | 100652.3 |

\*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** | |
|
| **Apr-18** | **May-18** | **Apr-18** | **May-18** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.7 | 0.4 | 15.9 | 16.7 |
| France | CAC 40 | 0.9 | 0.5 | 14.3 | 14.5 |
| Germany | Dax | 1.2 | 0.9 | 12.6 | 12.9 |
| Hong Kong HSI | Hang Seng | 1.3 | 1.0 | 11.6 | 11.8 |
| Japan NIKKEI | Nikkei 225 | 1.6 | 0.7 | NA | NA |
| Singapore STI | Straits Times | 1.0 | 0.7 | 13.7 | 13.6 |
| UK | FTSE 100 | 0.8 | 0.7 | 13.3 | 14.0 |
| USA DOW JONES | Dow Jones Industrial Average | 1.3 | 0.8 | 16.3 | 16.1 |
| USA NASDAQ Composite | Nasdaq Composite | 1.5 | 0.6 | 21.6 | 22.5 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.9 | 0.6 | 24.1 | 20.6 |
| India (NSE) | Nifty 50 | 0.9 | 0.6 | 22.5 | 19.8 |
| Argentina | Indice Bolsa General | 1.2 | 2.5 | 13.4 | 12.3 |
| Brazil | Bovespa | 0.9 | 1.7 | 12.9 | 11.5 |
| Chile | Stock Market Select | 0.6 | 0.5 | 17.4 | 16.2 |
| China | Shanghai SE Composite IX | 1.0 | 1.0 | 12.3 | 12.2 |
| Colombia | IGBC General | 0.8 | 0.9 | 14.2 | 13.8 |
| Egypt | Hermes | 0.8 | 0.8 | 12.2 | 12.2 |
| Hungary | Budapest Stock Exchange | 1.4 | 1.4 | 10.5 | 10.0 |
| Indonesia | Jakatra Composite | 0.8 | 1.4 | 15.8 | 15.4 |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.4 | 1.2 | 16.6 | 15.8 |
| Mexico | Bolsa | 0.8 | 0.7 | 15.9 | 15.6 |
| Pakistan | Karachi 30 | 0.7 | 1.1 | 9.9 | 9.4 |
| Russia | Russian Traded | 1.3 | 1.3 | 6.3 | 5.9 |
| South Korea | Kospi Index | 1.1 | 0.7 | NA | NA |
| South Africa | FTSE/JSE Africa All Share | 1.0 | 0.9 | 15.4 | 14.5 |
| Taiwan | Taiwan Taiex | 0.8 | 0.7 | 13.2 | 13.4 |
| Thailand | Stock Exchange of Thai | 0.6 | 0.6 | 16.0 | 15.7 |
| Turkey | ISE National 100 | 0.7 | 1.5 | 8.2 | 7.0 |

NA.: Not Available

**Source**: Bloomberg,

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Stock Exchange** | **Apr-18** | | | **May-18** | | |
| **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** | **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** |
| Australian Securities Exchange | NA | 4,818 | 4,818 | NA | 1,694 | 1,694 |
| BME Spanish Exchanges | 21,713 | 69 | 21,782 | 23,980 | 448 | 24,427 |
| Bolsa de Comercio de Buenos Aires | 6,821 | 0 | 6,821 | 1,142 | 0 | 1,142 |
| Borsa Istanbul | 4,510 | 34 | 4,544 | 3,228 | 1,214 | 4,443 |
| Euronext | NA | 5,396 | 5,396 | NA | 4,067 | 4,067 |
| Hong Kong Exchanges and Clearing | 13,289 | 1,717 | 15,006 | 13,959 | 3,487 | 17,446 |
| Irish Stock Exchange | 4,929 | 6 | 4,934 | 1,168 | 139 | 1,307 |
| Japan Exchange Group Inc. | 4,964 | 3,653 | 8,616 | NA | NA | NA |
| Johannesburg Stock Exchange | 2,567 | 631 | 3,198 | 2,353 | 201 | 2,554 |
| Korea Exchange | 48,126 | 84 | 48,210 | 48,917 | 55 | 48,972 |
| London SE Group | 37,181 | 3,135 | 40,315 | 25,275 | 3,031 | 28,306 |
| Moscow Exchange | 23,691 | NA | 23,691 | 24,366 | NA | 24,366 |
| Nasdaq - US | NA | 1,665 | 1,665 | NA | 2,469 | 2,469 |
| Nasdaq Nordic Exchanges | 4,200 | 25 | 4,226 | 13,302 | 54 | 13,357 |
| NYSE | NA | 7,611 | 7,611 | NA | 19,333 | 19,333 |
| Oslo Bors | 745 | 367 | 1,112 | 295 | 535 | 830 |
| Shanghai Stock Exchange | NA | 6,091 | 6,091 | NA | 3,571 | 3,571 |
| Shenzhen Stock Exchange | 2,959 | 4,807 | 7,766 | 5,363 | 2,269 | 7,632 |
| Singapore Exchange | 35,317 | 134 | 35,451 | 28,223 | 55 | 28,278 |
| SIX Swiss Exchange | 4,117 | 0 | 4,117 | 4,954 | 1,358 | 6,312 |
| Tel-Aviv Stock Exchange | 1,722 | 67 | 1,789 | 2,493 | 132 | 2,624 |
| TMX Group | 233 | 2,520 | 2,753 | 0 | 2,361 | 2,361 |
| Warsaw Stock Exchange | NA | 60 | 60 | NA | 35 | 35 |

NA: Not Available

**Source**: World Federation of Exchanges

**Table A4: Monthly Turnover in Derivatives (Stock Options and Stock Futures) in Major Stock Exchanges**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **May-18** | | | |
| **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 | 31,534 | 0 | 0 |
| Bolsa de Comercio de Buenos Aires | 33,42,998 | 0 | 0 | 0 |
| Chicago Board Options Exchange | 3,83,70,171 | NA | NA | NA |
| Nasdaq - US | 5,81,69,458 | NA | NA | NA |
| NYSE | 3,92,45,951 | 11,070 | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 70,73,944 | 14,082 | 1,63,639 | 233 |
| Hong Kong Exchanges and Clearing | 91,50,994 | 32,345 | 33,330 | 140 |
| Japan Exchange Group | 1,33,204 | NA | NA | NA |
| Korea Exchange | 16,56,915 | NA | 5,01,52,310 | 30,494 |
| TAIFEX | 20,465 | 105 | 19,38,010 | 14,069 |
| Thailand Futures Exchange | NA | NA | 46,58,718 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 450 | 0 | 11,73,375 | 178 |
| BME Spanish Exchanges | 14,76,290 | 1,307 | 8,34,195 | 543 |
| Borsa Istanbul | 1,59,733 | 18 | 47,87,729 | 948 |
| EUREX | 23 | 2,01,90,700 | 5,90,85,770 | 2,87,79,900 |
| Euronext | NA | NA | NA | NA |
| Johannesburg Stock Exchange | 6,43,417 | 44 | 4,03,427 | 447 |
| Moscow Exchange | 43,577 | 15 | 1,32,10,624 | 4,218 |
| Nasdaq Nordic Exchanges | 17,58,273 | 2,903 | 3,66,168 | 670 |
| Oslo Bors | 1,03,487 | 188 | 26,553 | 38 |
| Tehran Stock Exchange | 116 | 0 | 0 | 0 |
| Tel-Aviv Stock Exchange | 70,344 | 534 | 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** | **May-18** | | | |
| **Stock index options** | | **Stock index futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 14,88,248 | 12,374 | 3,51,83,655 | 1,62,724 |
| Chicago Board Options Exchange | 3,72,86,444 | NA | NA | NA |
| CME Group | 1,27,51,402 | 21,07,750 | 4,49,42,448 | 59,03,520 |
| ICE Futures US | 0 | 0 | 24,80,268 | 1,49,655 |
| MexDer | 1,295 | 31 | 49,540 | 1,121 |
| Nasdaq - US | 2,04,529 | NA | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 12,21,695 | 56,078 | 9,85,689 | 1,11,967 |
| Hong Kong Exchanges and Clearing | 26,20,045 | 2,92,717 | 94,00,302 | 11,85,530 |
| Japan Exchange Group | 25,64,636 | NA | 1,76,10,962 | 7,86,557 |
| Korea Exchange | 4,10,31,429 | 29,61,630 | 55,65,385 | 2,95,551 |
| Singapore Exchange | 12,19,833 | NA | 1,24,15,895 | NA |
| TAIFEX | 1,52,78,054 | 2,75,640 | 65,89,054 | 3,16,937 |
| Thailand Futures Exchange | 98,906 | NA | 30,07,716 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 7,019 | 34 | 70,622 | 345 |
| BME Spanish Exchanges | 3,03,846 | 3,476 | 7,58,133 | 72,970 |
| Borsa Istanbul | 7,691 | 22 | 49,08,463 | 13,810 |
| EUREX | 1,14,27,664 | 4,26,30,800 | 4,48,72,274 | 4,20,58,700 |
| Euronext | NA | NA | NA | NA |
| Johannesburg Stock Exchange | 4,84,168 | 211 | 9,30,845 | 25,440 |
| Moscow Exchange | 20,30,128 | 4,688 | 89,51,971 | 19,196 |
| Nasdaq Nordic Exchanges | 5,57,483 | 10,059 | 32,83,777 | 58,238 |
| Oslo Bors | 47,257 | 452 | 1,98,574 | 1,960 |
| Tel-Aviv Stock Exchange | 27,55,248 | NA | NA | NA |
| Warsaw Stock Exchange | 22,658 | 140 | 3,11,140 | 3,819 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Mar-18** | **Apr-18** | **May-18** | **M-o-M change(%)** |
| *1* | *2* | *3* | *4* | *5* |
| **Developed Markets** |  |  |  |  |
| Australia | 13,26,639 | 13,49,486 | 13,71,698 | 1.6 |
| France | 25,82,570 | 26,62,644 | 25,70,276 | -3.5 |
| Germany | 24,39,646 | 24,49,090 | 23,74,292 | -3.1 |
| Hong Kong | 56,40,924 | 56,36,531 | 56,42,515 | 0.1 |
| Japan | 63,68,031 | 63,95,091 | 63,19,119 | -1.2 |
| Singapore | 5,64,966 | 5,77,903 | 5,49,456 | -4.9 |
| UK | 36,50,244 | 37,97,857 | 37,61,470 | -1.0 |
| USA | 2,93,53,555 | 2,96,94,007 | 3,03,64,872 | 2.3 |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 21,87,156 | 22,84,769 | 22,02,508 | -3.6 |
| Argentina | 1,06,097 | 1,00,983 | 73,933 | -26.8 |
| Brazil | 10,02,482 | 9,63,906 | 8,05,402 | -16.4 |
| Chile | 2,98,516 | 3,01,639 | 2,87,140 | -4.8 |
| China | 76,82,781 | 73,74,088 | 73,37,628 | -0.5 |
| Colombia | 1,30,412 | 1,38,931 | 1,33,073 | -4.2 |
| Egypt | 58,051 | 59,352 | 55,005 | -7.3 |
| Hungary | 30,956 | 31,179 | 26,192 | -16.0 |
| Indonesia | 4,95,571 | 4,80,884 | 4,75,175 | -1.2 |
| Malaysia | 4,71,177 | 4,63,293 | 4,30,913 | -7.0 |
| Mexico | 3,92,128 | 3,91,042 | 3,39,531 | -13.2 |
| Pakistan | 80,886 | 81,666 | 76,949 | -5.8 |
| Russia | 6,40,863 | 5,93,121 | 5,99,500 | 1.1 |
| South Korea | 17,50,077 | 17,82,720 | 17,12,777 | -3.9 |
| South Africa | 5,71,433 | 5,49,989 | 5,15,314 | -6.3 |
| Taiwan | 12,68,179 | 12,10,400 | 12,25,183 | 1.2 |
| Thailand | 5,61,978 | 5,55,564 | 5,29,901 | -4.6 |
| Turkey | 2,26,086 | 2,06,254 | 1,77,155 | -14.1 |

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

***Source****: Bloomberg*

**Sources:**

1. OECD database
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HIGHLIGHTS OF DEVELOPMENTS IN

INTERNATIONAL SECURITIES MARKETS

1. **BCBS and IOSCO issued criteria for identifying simple, transparent and comparable short-term securitisations**

*14 May 2018* The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) issued the Criteria for identifying simple, transparent and comparable short-term securitisations (the shortterm STC criteria), which are available on the BCBS and IOSCO websites.

The short-term STC criteria aim to assist the financial industry in its development of simple, transparent and comparable short-term securitisations. The criteria maintain and build on the principles in the Criteria for identifying simple, transparent and comparable securitisations issued by BCBS-IOSCO in July 2015. The criteria published take account of the characteristics of asset-backed commercial paper (ABCP) conduits, such as

* + - 1. the short maturity of the commercial paper issued,
      2. the different forms of programme structures and (iii) the existence of multiple forms of liquidity and credit support facilities.

*Source: IOSCO* <https://www.iosco.org/news/pdf/IOSCONEWS498.pdf>

1. **Use of behavioural insights may help educate investors**

*30 May 2018* Financial regulators, public authorities, and other organisations are increasingly using behavioural insights to educate investors to make more informed financial decisions, according to a report published today by the International Organization of Securities Commissions (IOSCO) and the Organisation for Economic Co-operation and Development’s International Network on Financial Education (OECD/INFE)

The IOSCO-OECD report, The Application of Behavioural Insights to Financial Literacy and Investor Education Programmes and Initiatives, examines how findings from behavioural sciences can be used to develop investor education and financial literacy initiatives that may be more effective than traditional programs, largely by mitigating the effects of behavioural biases. Behavioural sciences focus on the way individuals think and behave, based on empirical evidence from a range of social sciences, such as economics, psychology, and social marketing, as well as from other fields like neuroscience.

*Source: IOSCO* <https://www.iosco.org/news/pdf/IOSCONEWS499.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 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-2)