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**CAPITAL MARKET REVIEW**

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

Resource mobilisation through primary securities market continued during January 2018. During the month under review, the primary market witnessed 18 equity issues that mobilised ` 2,276 crore as compared to 18 equity issues that mobilised ` 2,239 crore during December 2017. There were 17 initial public offerings (IPOs) of equity issues that raised ` 2,258 crore and one rights issue that raised ` 18 crore during the month.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **Jan-18** | | **Dec-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 | 2,258 | 17 | 1,622 | 156 | 70,524 | 87 | 53,437 |
| (i) Debt | 0 | 0 | 1 | 229 | 5 | 4,125 | 13 | 27,661 |
| (ii) Equity, of which |  |  |  |  |  |  |  |  |
| IPOs | 17 | 2,258 | 16 | 1,393 | 150 | 66,387 | 73 | 25,767 |
| FPOs | 0 | 0 | 0 | 0 | 1 | 13 | 1 | 10 |
| b. Rights Issues | 1 | 18 | 2 | 847 | 15 | 4,539 | 7 | 1,397 |
| Total Equity Issues a(ii)+b | 18 | 2,276 | 18 | 2,239 | 166 | 70,938 | 81 | 27,174 |
| ***Grand Total (a + b)*** | ***18*** | ***2,276*** | ***19*** | ***2,468*** | ***171*** | ***75,063*** | ***94*** | ***54,835*** |

***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 January 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 four QIP issues during January 2018, which raised ` 809 crore compared to eight QIP issues during December 2017 which raised ` 11,037 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 42 preferential allotments (amounting to ` 913 crore) listed at BSE and NSE together during January 2018, compared to 43 preferential allotments (amounting to ` 12,793 crore) during December 2017 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

Private placement mechanism dominates the resource mobilization through corporate bonds. During January 2018, ` 27,703 crore was raised through private placement of 257 issues in the corporate bond market. There was no public issue of debt during the month **(*Table 12 and Exhibit 1A*)**.

Total amount mobilised through public issues and private placement of both debt and equity combined stood at ` 55,406 crore in January 2018 as compared to ` 67,406 crore in December 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$** | **70,929** | **1,03,896** | **1,74,825** | **4,125** | **4,87,764** | **4,91,889** | **6,66,714** |
| Apr-17 | 1,232 | 7,041 | 8,273 | 1,969 | 63,819 | 65,787 | 74,060 |
| May-17 | 1,480 | 9,675 | 11,155 | 0 | 33,389 | 33,389 | 44,544 |
| Jun-17 | 5,632 | 19,825 | 25,457 | 0 | 75,337 | 75,337 | 1,00,794 |
| Jul-17 | 1,108 | 3,335 | 4,443 | 1,713 | 49,033 | 50,746 | 55,189 |
| Aug-17 | 1,705 | 6,367 | 8,072 | 215 | 51,552 | 51,767 | 59,838 |
| Sep-17 | 17,163 | 17,439 | 34,602 | 0 | 50,821 | 50,821 | 85,423 |
| Oct-17 | 18,608 | 10,408 | 29,015 | 0 | 44,146 | 44,146 | 73,162 |
| Nov-17 | 19,496 | 4,254 | 23,750 | 0 | 50,855 | 50,855 | 74,605 |
| Dec-17 | 2,239 | 23,829 | 26,069 | 229 | 41,108 | 41,337 | 67,406 |
| Jan-18 | 2,267 | 1,722 | 3,990 | 0 | 27,703 | 27,703 | 31,693 |

***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 January 2018 are provisional*

1. **Resource Mobilisation by Mutual Funds**

During January 2018, there was a net inflow of ` 1,06,158 crore into the mutual funds industry as against to a net outflow of ` 1,75,023 crore during December 2017. In the month under review, there was net inflows of ` 74,561 crore into income / debt oriented schemes and ` 15,390 crore into growth / equity oriented schemes. Balanced schemes recorded inflow of ` 7,666 crore. Exchange traded funds, on the other hand, witnessed net outflow of ` 2,345 crore of which there was an outflow of ` 110 crore from gold ETFs and ` 2,236 crore from other ETFs. The Fund of funds schemes investing overseas recorded net outflow of ` 40 crore. The cumulative net assets under management by all mutual funds rose by 5.4 per cent to ` 22,41,275 crore at the end of January 2018 from ` 21,37,613 crore at the end of December 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 January 2018, S&P BSE Sensex closed at 35,965 witnessing 5.6 per cent rise from previous month’s closing at 34,057. The Nifty 50 also rose 4.7 per cent to close at 11,028 at the end of January 2018 compared to previous month’s closing at 10,531 (***Figure 1***). Both S&P BSE Sensex and Nifty 50 touched their intraday high of 36,444 and 11172, respectively on January 29, 2018. Both Sensex and Nifty touched their intraday lows of 33,703 and 10,405 respectively on January 2, 2018.

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

Market capitalisation of BSE increased by 1.0 per cent to ` 1,53,20,978 crore at the end of January 2018, from ` 1,51,73,867 crore at the end of December 2017. Market capitalization at NSE also increased to ` 1,51,40,453 crore from ` 1,49,82,296 crore during the same period witnessing a gain of 1.1 per cent. The P/E ratios of S&P BSE Sensex and Nifty 50 were 25.4 and 27.5 respectively at the end of January 2018 compared to 25.2 and 26.9 respectively a month ago (***Exhibit 2***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **2017-18$** | **2016-17** | **Jan-18** | **Dec-17** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** | | | | | |
| S&P BSE Sensex | **35,965** | **29,621** | 35,965.0 | 34,056.8 | 5.6 |
| Nifty 50 | **11,028** | **9,174** | 11,027.7 | 10,530.7 | 4.7 |
| **B. Market Capitalisation** | | | | | |
| BSE | **1,53,20,978** | **1,21,54,525** | 1,53,20,978 | 1,51,73,867 | 1.0 |
| NSE | **1,51,40,453** | **1,19,78,421** | 1,51,40,453 | 1,49,82,296 | 1.1 |
| **C. Gross Turnover** | | | | | |
| BSE | **9,22,851** | **9,98,261** | 1,22,537 | 95,689 | 28.1 |
| NSE | **60,00,292** | **50,55,913** | 8,14,839 | 5,98,032 | 36.3 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **25.4** | **22.6** | 25.4 | 25.2 | 0.8 |
| Nifty 50 | **27.5** | **23.3** | 27.5 | 26.9 | 2.2 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,613** | **5,834** | 5,613 | 5,616 | -0.1 |
| NSE | **1,906** | **1,817** | 1,906 | 1,897 | 0.5 |

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

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

The monthly turnover of BSE (cash segment) increased by 28.1 per cent to ` 1,22,537 crore in January 2018 from ` 95,689 crore in December 2017. The monthly turnover of NSE (cash segment) too increased by 36.3 per cent to ` 8,14,839 crore in January 2018 from ` 5,98,032 crore in December 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 a mixed trend during the month under review. Among BSE indices, in January 2018, S&P BSE Bankex index increased the most (7.4 per cent), followed by S&P BSE Teck index (6.6 per cent) and S&P BSE Small Cap (6.4 per cent). S&P BSE Small Cap, on the other hand, fell by 2.7 per cent followed by S&P BSE Power (2.6 per cent). As regards NSE indices, Nifty IT index rose the most (11.3 per cent) followed by Nifty Bank index (7.2 per cent) and Nifty 50 index (4.7 per cent). Nifty Midcap 50 index, on the other hand fell by 3.4 per cent followed by Nifty Small 100 index (3.0 per cent) and Nifty Pharma index (2.5 per cent). Among BSE indices the S&P BSE Metal index recorded the highest daily volatility (1.6 per cent), followed by S&P BSE PSU index (1.1 per cent) and S&P BSE Consumer Durables index (1.1 per cent) during the month under review. At NSE during the same period, daily volatility of Nifty PSU Bank index was 2.2 per cent, followed by Nifty Small 100 index (1.2 per cent) and Nifty IT index (1.2 per cent) (***Exhibit 3***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BSE** | | | **NSE** | | |
| **Index** | **Change over Previous month** | **Volatility** | **Index** | **Change over Previous month** | **Volatility** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| S&P BSE Sensex | 5.60 | 0.49 | Nifty 50 | 4.72 | 0.50 |
| S&P BSE 100 | 3.53 | 0.50 | Nifty Next 50 | -1.50 | 0.81 |
| S&P BSE 200 | 2.85 | 0.52 | Nifty 100 | 3.72 | 0.50 |
| S&P BSE 500 | 2.30 | 0.54 | Nifty 200 | 2.84 | 0.54 |
| S&P BSE Large Cap | 4.12 | 0.48 | Nifty 500 | 2.18 | 0.55 |
| S&P BSE Small Cap | -2.67 | 0.97 | Nifty Midcap 50 | -3.36 | 1.08 |
| S&P BSE Consumer Durables | -0.94 | 1.08 | Nifty Midcap 100 | -1.65 | 0.97 |
| S&P BSE Capital Goods | 6.43 | 0.91 | Nifty Small 100 | -3.04 | 1.21 |
| S&P BSE Bankex | 7.38 | 0.69 | Nifty Bank | 7.20 | 0.63 |
| S&P BSE Teck | 6.61 | 0.90 | Nifty IT | 11.32 | 1.17 |
| S&P BSE FMCG | 0.15 | 0.59 | Nifty FMCG | 1.03 | 0.67 |
| S&P BSE Metal | 3.27 | 1.58 | Nifty Pharma | -2.45 | 0.89 |
| S&P BSE PSU | -0.62 | 1.10 | Nifty PSU Bank | -0.51 | 2.22 |
| S&P BSE Power | -2.61 | 0.74 | Nifty Media | 0.71 | 0.92 |
| S&P BSE Healthcare | -1.62 | 0.79 | Nifty MNC | -0.34 | 0.62 |

***Source:*** *Bloomberg*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of January 2018 was 169 lakh at NSDL (an increase of 1.0 per cent over December 2017) and 144 lakh at CDSL (an increase of 2.0 per cent over December 2017). The number of investor accounts increased by 10.0 per cent at NSDL and by 20.9 per cent at CDSL over the number of investor accounts at the respective depositories in January 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 16.8 per cent to ` 1,60,09,779 crore during January 2018 from ` 1,37,07,150 crore during December 2017 (***Figure 4***). During the month under review options on index accounted for about 79.8 per cent of the total turnover in the F&O segment at NSE. In January 2018, monthly turnover of index futures and stock futures increased by 10.8 per cent and 36.6 per cent, respectively. Monthly turnover of put options on index and call options on index increased by 10.0 per cent and 15.9 per cent, respectively. Monthly turnover of put options on stock and call options on stock increased by 50.2 per cent and 42.2 per cent, respectively. The open interest in value terms in the equity derivative segment of NSE increased by 17.8 per cent to ` 3,74,522 crore as on January 31, 2018 from ` 3,17,935 crore as on December 31, 2017 **(Table 35).**

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

The monthly total turnover in equity derivative segment of BSE was ` 4.3 crore in January 2018, compared to ` 1.4 crore in December 2017. The open interest in value terms in equity derivatives segment of BSE increased to ` 0.6 crore as on January 31, 2018 from ` 0.5 crore as on December 31, 2017 *(****Exhibit 4 and Table 34****)*.

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **NSE** | | | **BSE** | | | **MCX-SX** | | |
| **Dec-17** | **Jan-18** | **Percentage Change Over Month** | **Dec-17** | **Jan-18** | **Percentage Change Over Month** | **Dec-17** | **Jan-18** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* | *10* |
| **A. Turnover (` crore)** | | | | | | | | | |
| (i) Index Futures | 4,06,556 | 4,50,375 | 10.8 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 53,54,520 | 62,07,912 | 10.0 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 59,63,830 | 65,60,595 | 15.9 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 12,44,069 | 16,98,947 | 36.6 | 1.4 | 4.3 | 216.6 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 2,06,924 | 2,94,253 | 50.2 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 5,31,251 | 7,97,697 | 42.2 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| **Total** | **1,37,07,150** | **1,60,09,779** | **16.8** | **1.4** | **4.3** | **216.6** | **0** | **0** | **Na** |
| **B. No. of Contracts** | | | | | | | | | |
| (i) Index Futures | 47,69,247 | 50,31,029 | 5.5 | 0 | 0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 5,95,31,409 | 6,67,10,823 | 12.1 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 6,35,70,365 | 6,74,78,633 | 6.1 | 0 | 0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 1,71,81,163 | 2,19,68,814 | 27.9 | 19 | 62 | 226.3 | 0 | 0 | NA |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 28,99,301 | 38,45,878 | 32.6 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 69,63,208 | 96,90,224 | 39.2 | 0 | 0 | NA | 0 | 0 | Na |
| **Total** | **15,49,14,693** | **17,47,25,401** | **12.8** | **19** | **62** | **226.3** | **0** | **0** | **Na** |
| **C. Open Interest in terms of Value ( ` crore)** | | | | | | | | | |
| (i) Index Futures | 28,813 | 34,326 | 19.1 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 87,069 | 99,893 | 14.7 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 59,876 | 82,236 | 37.3 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 1,24,294 | 1,31,981 | 6.2 | 0.5 | 0.6 | 14.3 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 6,206 | 8,892 | 43.3 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| *Call* | 11,676 | 17,194 | 47.3 | 0.0 | 0.0 | NA | 0 | 0 | Na |
| **Total** | **3,17,935** | **3,74,522** | **17.8** | **0.5** | **0.6** | **14.3** | **0.0** | **0.0** | **Na** |
| **D. Open Interest in terms of No of Contracts** | | | | | | | | | |
| (i) Index Futures | 3,54,552 | 3,97,066 | 12.0 | 0 | 0 | NA | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |  |  |  |
| *Put* | 10,62,304 | 11,52,654 | 8.5 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 7,16,045 | 9,36,455 | 30.8 | 0 | 0 | NA | 0 | 0 | Na |
| (iii) Stock Futures | 17,04,815 | 18,08,675 | 6.1 | 7 | 8 | 14.3 | 0 | 0 | Na |
| (iv) Options on Stock |  |  |  |  |  |  |  |  |  |
| *Put* | 81,748 | 1,15,772 | 41.6 | 0 | 0 | NA | 0 | 0 | Na |
| *Call* | 1,54,887 | 2,28,617 | 47.6 | 0 | 0 | NA | 0 | 0 | Na |
| **Total** | **40,74,351** | **46,39,239** | **13.9** | **7** | **8** | **14.3** | **0** | **0** | **Na** |

1. **VIX Futures at NSE**

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

India VIX closed at 15.93 at the end of January 2018, higher than 12.67 registered at the end of December 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 January 2018.

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

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

The monthly turnover of currency derivatives at NSE during January 2018 rose by 22.1 per cent to ` 4,81,163 crore from ` 3,94,077 crore in December 2017. During the same time the monthly turnover of currency derivatives at BSE also rose by 69.4 per cent to ` 5,40,691 crore from ` 3,19,219 crore and the monthly turnover of currency derivatives at MSEI rose by 14.7 per cent to ` 10,574 crore from ` 9,215 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 January 2018, the monthly turnover of interest rate futures at NSE increased by 3.9 per cent to ` 32,065 crore from ` 30,862 crore in December 2017. The monthly turnover of interest rate futures at BSE, fell by 3.9 per cent to ` 16,608 crore in January 2018 from ` 17,274 crore in December 2017. The monthly turnover in interest rate futures at MSEI was nil during the month under review. (***Figure 7* *and Table 51***).

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

1. **Commodities Derivatives Markets**

**A. Market Trends**

At the end of January 2018, MCX Comdex closed at 3650.19, registering an increase of 2.30 percent over the closing value of 3568.20 at the end of December 2017. On the other hand, NCDEX Dhaanya closed at 3145.61, recording an increase of 4.37 percent over the closing values of 3013.90 at the end of December 2017 **(Figure 8)**. MCXCOMDEX recorded an intra-day high of 3708.50 on January 25, 2018 while 3537.62 on January 05, 2018 was its lowest intra-day level during the month. NCDEX Dhaanya recorded an intra-day high of 3180.42 on January 29, 2018 and an intra-day low of 2968.66 on January 01, 2018 **(Details in Table 62)**.

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

**Source: MCX and NCDEX**

Among the three component indices of MCX Comdex, Energy and Metal indices recorded positive returns of 5.1 percent and 1.6 percent, respectively while Agri Index declined marginally by 0.9 percent. MCX Energy index (composed of only Crude Oil and Natural Gas) increased due to gain of 6.8 percent in crude oil futures, while the gain in metal index is due to surge in prices of Zinc, Nickel and Lead. The downtrend of MCX Agri Index was driven by decline of 10.5 percent in Mentha Oil futures. A gain of 4.37 percent for Dhaanya index may be attributed to the increase in prices of Soybean (20.3 percent), Guar seed (13.1 percent), Guar gum (11.5 percent), Coriander (8.2 percent), RM Seed (5.0 percent). However, there was a decline of 23.6 percent in Jeera Futures, followed by Turmeric (7.8 percent), Chana (4.2 percent) and Barley (3.5 percent), during the month.

Daily volatility during January 2018 of MCXCOMDEX and NCDEX Dhaanya indices was recorded at 0.48 percent and 0.71 percent respectively. Among the component indices of MCXCOMDEX, MCX Energy recorded highest volatility of 0.97 percent, followed by MCX Metal (0.61 percent) and MCX Agri. (0.47 percent). The daily volatility and variation over the previous month for indices on commodity derivatives is shown in the Figure 9 below:

**Figure 9 : Performance of Indices at MCX and NCDEX during January 2018 (Percent)**

**Source: MCX and NCDEX**

**Turnover**

During January 2018, all the four national commodity exchanges namely, MCX, NCDEX, NMCE and ICEX recorded an increase in turnover. The turnover at regional Exchange viz. Hapur Commodity Exchange (HCE), has however recorded a decrease over the previous month.

The total turnover at all the four national exchanges was recorded at `5,67,217 crore, an increase of 25.2 percent over the turnover of 4,52,892 during previous month. The agricultural segment contributed `86,379 crore (15.2 percent) while that of the non-agricultural segment contributed `4,80,838 crore (84.8 percent) to the total turnover during the month.. Among, the non-agricultural commodities segments, Bullion, Metals and Energy are traded at MCX, whereas, diamond contracts are traded at ICEX. The total turnover in MCX Gold contracts, both call and put option taken together increased to ₹1,705 crore in January 2018, an increase of 33.64 percent over ₹1,275 crore recorded in December 2017.

The total turnover at MCX (futures+ options) increased by 23.91 percent during January 2018 to `4,93,563 crore, over total turnover of `3,98,315 crore recorded in December 2017. The contribution to the total turnover at MCX from Metal segment was at 39.98 percent followed by Energy segment at 36.43 percent, Bullion segment with 20.58 percent and agricultural commodities had a share of 2.66 percent. Gold Option contributed 0.35 percent to the total turnover.

The turnover at NCDEX (futures +options) has increased by 35.75 percent to `69,857 crore during January 2018, from `51,461 crore in December 2017.

Option trading in Guarseed contracts commenced at NCDEX on 14th January, 2018. The total notional turnover in call and put option taken together was reported at ₹131.47 crore.

The total turnover at NMCE has increased by 19.54 percent to `3,405 crore during January 2018 from `2,848 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 46.39 percent to ₹392.57 crore in January 2018 from ₹268.16 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 (`69,857 crore) followed by MCX (`13,117 crore) and NMCE (`3,405 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 `0.27 crore during January 2018, a decrease of 96.01 percent over the total turnover of `6.81 crore during December 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 Derivatives at National Exchanges (`crore)**

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



**B. Commodity price trends**

At the end of January 2018, M-o-M returns among the near month contracts of non-agricultural commodities were positive for Nickel (10.2 percent), followed by Zinc, Crude Oil, Lead, Gold, Natural Gas and Silver, while returns were decreased the most for Copper at 3.2 percent, followed by Aluminum (1.2 percent). Among Agricultural Commodities, the M-o-M returns were the highest for Soybean (20.3 percent), followed by Guar Seed, Guar Gum, Coriander, Cardamom, Rape/Mustard Seed, Raw Jute, Refined Soy Oil and Crude Palm Oil. The returns declined the most for Jeera (23.6 percent), followed by Mentha Oil, Turmeric, Rubber, Pepper, Chana, Barley Cotton Seed Oilcake, Castor Seed, Isabgul Seed, Cotton and Wheat.

The Y-o-Y returns on futures prices among non-agricultural commodities increased the most for Nickel by 28.8 percent, followed by Zinc, Aluminium, Crude Oil, Copper, Lead and Gold, while it declined the most for Natural Gas (10.5 percent) followed by Silver. Among agricultural commodities, Y-o-Y returns increased the most for Guar Gum (59.3 percent) followed by Mentha Oil, Guar Seed, Soybean, Rape/Mustard Seed, Turmeric, Refined Soy Oil, Castor Seed and Raw Jute, while Y-o-Y returns declined the most for Pepper contracts at NMCE (34.2 percent) followed by Cotton Seed Oilcake, Rubber, Coriander, Cardamom, Isabgul Seed, Wheat, Jeera, Cotton, Crude Palm Oil and Barley. **(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 31/01/2018** | **Variation in prices as on 31/01/2018 (percent)** | | **Commodities traded at NCDEX** | **Closing value as on 31/01/2018** | **Variation in prices as on 31/01/2018 (percent)** | |
| **M-o-M** | **Y-o- Y** | **M-o-M** | **Y-o- Y** |
| Aluminium | 141.7 | -1.2 | 14.8 | Guar seed | 4612.5 | 13.1 | 41.5 |
| Copper | 450.9 | -3.2 | 11.0 | Guar Gum | 9969 | 11.5 | 59.3 |
| Crude Oil | 4112 | 6.8 | 13.8 | Soybean | 3685 | 20.3 | 21.4 |
| Gold | 30117 | 3.3 | 4.1 | Chana | 3846 | -4.2 | NA |
| Lead | 167.1 | 4.8 | 4.7 | Turmeric | 7234 | -7.8 | 7.0 |
| Natural Gas | 190.5 | 0.4 | -10.5 | RM seed | 4136 | 5.0 | 7.9 |
| Nickel | 863.1 | 10.2 | 28.8 | Ref.Soy Oil | 745.2 | 3.2 | 6.8 |
| Silver | 39319 | 0.2 | -6.2 | Cotton seed oil cake | 1725.5 | -2.6 | -22.8 |
| Zinc | 228.6 | 8.1 | 18.4 | Wheat | 1661 | -1.1 | -11.1 |
| Cardamom | 1173.6 | 6.3 | -19.9 | Jeera | 16530 | -23.6 | -7.7 |
| Cotton | 19360 | -1.8 | -4.6 | Coriander | 5945 | 8.2 | -20.6 |
| CPO | 560.6 | 1.1 | -4.6 | Barley | 1469 | -3.5 | -3.7 |
| Mentha Oil | 1763.8 | -10.5 | 56.9 | Castor Seed | 4255 | -2.0 | NA |
| **NMCE** | | | |  |  |  |  |
| Castor Seed | 4246 | -2.2 | 6.7 |  |  |  |  |
| Rubber | 12347 | -7.6 | -21.5 |  |  |  |  |
| Raw Jute | 4156 | 6.2 | 0.2 |  | | | |
| Isabgool Seed | 10638 | -2.1 | -15.3 |  |  |  |  |
| RM seed | 691 | 6.6 | 9.9 |  |  |  |  |
| Guar Seed | 4632 | 12.8 | 42.9 |  |  |  |  |
| Pepper | 42691 | -5.9 | -34.2 |  |  |  |  |

Notes: Returns are calculated as percentage change in the closing value of near month contract

Prices as on last trading day of the month vis-a-vis the closing value of previous month.

**Source: MCX, NCDEX & NMCE**

1. **Trading in Corporate Debt Market**

During January 2018, BSE recorded 2,717 trades of corporate debt with a traded value of ` 45,963 crore compared to 2,599 trades of corporate debt with a traded value of ` 42,513 crore recorded in December 2017. At NSE, 5,177 trades were reported in January 2018 with a traded value of ` 94,875 crore compared to 4,971 trades with a traded value of ` 1,03,840 crore in the previous month ***(Figure 12 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 ` 31,263 crore in January 2018, out of which ` 9,023 crore was invested in equity and ` 22,240 crore was invested in debt. This was an increase from total investment of ` 27,331 crore in December 2017 out of which ` 8,333 crore was invested in equity and ` 18,998 crore was invested in debt (***Figure 13***).

As on January 31, 2018, there were a total of 1,910 mutual fund schemes in the market, of which 1,279 (67.0 per cent) were income / debt oriented schemes, 506 (26.5 per cent) were growth / equity oriented schemes, 30 (1.6 per cent) were balanced schemes, 67 (3.5 per cent) were exchange traded funds and 28 (1.5 per cent) were fund of funds investing overseas **(*Tables 60 & 61*).**

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

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

In January 2018, net investment by the FPIs in the Indian securities market was ` 22,272 crore, out of which ` 13,781 crore was invested into equity and ` 8,523 crore was invested in debt. On the other hand, FPIs sold hybrid securities of ` 32 crore (***Figure 14***).

The assets of the FPIs in India, as reported by the custodians, at the end of January 2018 was ` 33,81,677 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 1,19,556 crore, constituting 3.5 per cent of the total assets under custody of FPIs (***Tables 54 & 55***).

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

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

1. **Trends in Portfolio Management Services**

Assets under management (AUM) of discretionary portfolio management services (PMS) increased by 1.2 per cent to ` 11,28,688 crore in January 2018 from ` 11,15,754 crore in December 2017. The AUM of Non-discretionary PMS also rose by 2.1 per cent to ` 89,720 crore from ` 87,858 crore, whereas, AUM of Advisory services, decreased by 6.9 per cent to ` 2,00,665 crore from ` 2,15,635 crore. In terms of number of clients, at the end of January 2018, out of 1,13,873 clients in PMS industry, discretionary services category leads with total of 1,06,535 clients, followed by non-discretionary category with 5,314 clients and advisory category with 2,024 clients. ***(Table 61).***

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

In January 2018, two open offers with offer value of ` 3 crore were made to the shareholders as against four open offers with offer value of ` 13 crore in December 2017 (***Figure 15***).

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

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

**Snapshots**

**United States:**

GDP expanded by 2.6 percent (annualised) in Q4 2017 as compared to 3.2 in previous quarter. CPI inflation was 2.1 percent (Y-o-Y) and Unemployment rate was 4.1 percent in January 2018

**United Kingdom**

Real GDP growth rate came down to 1.4 percent (Y-o-Y) in Q4 2017 against 1.8 percent of Q4 2017. CPI inflation was 3.0 percent (Y-o-Y) in January 2018. Unemployment rate was 4.3 percent during the period October to December 2017.

**Japan:**

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

**Euro Zone (EA19):**

GDP advanced by 2.7 percent (Y-o-Y) in Q4 2017 from 2.6 percent of previous quarter. CPI inflation decreased by 1.3 percent (Y-o-Y) in January 2017 as against previous month. Unemployment rate recorded 8.7 percent in December 2017.

**BRICS Nations:**

* Real GDP of Brazil advanced by 0.1 percent (Y-o-Y) in Q3 2017. CPI inflation increased to 2.86 percent in January 2018. Unemployment rate decreased to 11.8 percent in December 2017.
* Russia’s GDP advanced by 1.1 percent (Y-o-Y) in Q3 2017. CPI inflation was 2.2 percent (Y-o-Y) in January 2017. Unemployment rate was 5.1 percent in December 2017.
* India’s real GDP grew by 6.7 percent (Y-o-Y) in Q3, 2017-18 as compared to 6.2 percent of Q2. Consumer prices in India recorded 5.07 percent (Y-o-Y) in January 2017, against 5.21 of previous month.
* GDP of China expanded by 6.8 percent (Y-o-Y) in the Q4 quarter of 2017. Consumer prices in China increased by 1.5 percent (Y-o-Y) in January 2018. Unemployment rate observed to be 3.90 percent in Q4.
* GDP of South Africa advanced by 0.8 percent, against 1.3 percent in the previous quarter. Consumer prices increased by 4.4 percent in January 2017. Unemployment rate in South Africa remained at 26.7 percent in Q4 2017.

1. **Introduction:**
   1. Global economic growth has continued its improving momentum in recent quarters. Strong growth in the US, along with rising growth levels in the Euro-zone and the UK and solid output numbers in Japan supported the global growth momentum. Also, emerging and developing economies’ momentum continues. In the emerging economies, the major economies’ growth forecasts remained almost unchanged this month, except for the forecast for Brazil which has witnessed continuous recovery. India’s growth outlook is comparatively better in 2018 compared to that in 2017. China’s GDP growth expectation remains unchanged. Russia is forecast to continue its recovery in 2018. As some major economies have reached their short-term growth potential, further upside for global growth in the near-term is now limited.

**The World Economy:**

* 1. The International Monetary Fund (IMF) in its World Economic Outlook Update published in January 2018 has pointed ~~out~~ that global economic activity has continued to firm up. As per the IMF estimates, global output has grown by 3.7 per cent in 2017. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia.

**Exhibit 1: World Economic Outlook Projections**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Area / Country** | Year over Year | | | | Q4 over Q4 2/ | | |
| Estimate | | Projections | | Estimate | Projections | |
| 2016 | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| **World Output \*** | **3.2** | **3.7** | **3.9** | **3.9** | **3.9** | **3.9** | **3.8** |
| **Advanced Economies** | **1.7** | **2.3** | **2.3** | **2.2** | **2.4** | **2.3** | **2** |
| United States | 1.5 | 2.3 | 2.7 | 2.5 | 2.5 | 2.7 | 2.4 |
| Euro Area | 1.8 | 2.4 | 2.2 | 2 | 2.4 | 2.1 | 2 |
| Germany | 1.9 | 2.5 | 2.3 | 2 | 2.8 | 2.1 | 2.1 |
| France | 1.2 | 1.8 | 1.9 | 1.9 | 2.2 | 1.8 | 1.9 |
| Italy | 0.9 | 1.6 | 1.4 | 1.1 | 1.5 | 1.4 | 0.9 |
| Spain | 3.3 | 3.1 | 2.4 | 2.1 | 3 | 2.2 | 2 |
| Japan | 0.9 | 1.8 | 1.2 | 0.9 | 2 | 0.9 | -0.3 |
| United Kingdom | 1.9 | 1.7 | 1.5 | 1.5 | 1.3 | 1.5 | 1.5 |
| **Emerging market and Developing Economies** | **4.4** | **4.7** | **4.9** | **5** | **5.2** | **5.3** | **5.3** |
| Brazil | -3.5 | 1.1 | 1.9 | 2.1 | 2.5 | 2.2 | 2 |
| Russia | -0.2 | 1.8 | 1.7 | 1.5 | 2.3 | 1.9 | 1.6 |
| India † | 7.1 | 6.7 | 7.4 | 7.8 | 7.9 | 7.4 | 7.8 |
| China | 6.7 | 6.8 | 6.6 | 6.4 | 6.7 | 6.5 | 6.4 |
| South Africa | 0.3 | 0.9 | 0.9 | 0.9 | 1.2 | 0.5 | 1.1 |

**Note:**

\* For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

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

**Source:** IMF

* 1. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes. This upward revisions result mainly from advanced economies, where growth is now expected to exceed 2 per cent in 2018 and 2019 backed by the expectation that favourable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports.
  2. In the U.S. tax reform and associated fiscal stimulus are expected to temporarily raise U.S. growth, with favourable demand spill overs. Growth rate in some of the euro area economies such as Germany, Italy, and the Netherlands is expected to rise backed by the stronger momentum in domestic demand and higher external demand. Growth in Spain, on the other hand is expected to soften, reflecting the effects of increased political uncertainty on confidence and demand.
  3. The growth forecast for 2018 and 2019 has also been revised up for other advanced economies, reflecting in particular stronger growth in advanced Asian economies, which are especially sensitive to the outlook for global trade and investment. The growth forecast for Japan has been revised up for 2018 and 2019, reflecting upward revisions to external demand, the supplementary budget for 2018, and carryover from stronger-than-expected recent activity.
  4. In spite of a brighter outlook, some risk factors remain. If the period of very low interest rates and low expected volatility in asset prices continue for a long time, yield-seeking investors may increase their exposure to lower-rated corporate and sovereign borrowers and less credit-worthy households. The share of companies with low investment-grade ratings in advanced economy bond indices has increased significantly in recent years. Non-financial corporate debt has grown rapidly in some emerging markets, calling for a policy response.
  5. Secondly, long standing commercial agreements, such as NAFTA and the economic arrangements between the United Kingdom and rest of the European Union, are under renegotiation. An increase in trade barriers and regulatory realignments would weigh on global investment and reduce production efficiency, exerting a drag on potential growth in advanced, emerging market, and developing economies. A failure to make growth more inclusive and the widening of external imbalances in some countries, including the United States, could increase pressures for inward-looking policies.
  6. Thirdly, the medium-term global outlook is also clouded by geopolitical tensions, notably in East Asia and the Middle East. Recent extreme weather developments—hurricanes in the Atlantic, drought in sub-Saharan Africa and Australia—point to the risk of recurrent, potent climate events that impose devastating humanitarian costs and economic losses on the affected regions. They may also add to migration flows that could further destabilize already fragile recipient countries.

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

* 1. The Organisation for Economic Co-operation and Development (OECD) was born on 30 September 1961. It is an organisation of 35 member countries worldwide who together try to identify problems, discuss and analyse them, and promote policies to solve them. Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries.
  2. As per the provisional estimates, the real gross domestic product (GDP) in the OECD area grew at 0.6 per cent quarter-on-quarter (Q-o-Q) in the fourth quarter of 2017 as compared to 0.7 per cent growth in the previous quarter. Real GDP of the OECD area decelerated to 2.6 per cent year-on-year (Y-o-Y) in the fourth quarter of 2017 from 2.8 per cent in the previous quarter.
  3. Real GDP in the G20 area grew by 1.0 per cent in the 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 slowed to 2.3 per cent in December 2017, compared with 2.4 per cent in November 2017. This slight decrease in the annual rate of inflation was driven by energy prices which grew at a slower pace in December (6.2 per cent), than in the year to November (7.8 per cent). Food price inflation increased to 2.2 per cent, up from 2.0 per cent in November. Excluding food and energy, inflation increased slightly to 1.9 per cent, compared with 1.8 per cent in November. The OECD unemployment rate fell by 0.1 percentage point in December 2017, to 5.5 per cent. This is 0.1 percentage point lower than the level just before the financial crisis (April 2008)..

**Exhibit 2: Major Macroeconomic Indicators**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Developed  Countries** | **Country / Region** | **Quarterly Growth Real GDP** | | | | **Annual CPI Inflation** | | **Unemployment Rate** | | **Benchmark Interest Rate** |
| **Y-o-Y** | **period** | **Q-o-Q** | **period** | **Rate** | **Period** | **Rate** | **Period** |
| United States\* | 2.50 | Q3 | 2.60 | Q3 | 2.10 | Jan-18 | 4.10 | Jan-18 | 1.50 |
| United Kingdom | 1.40 | Q3 | 0.40 | Q3 | 3.00 | Jan-18 | 4.40 | Dec-17 | 0.50 |
| Eurozone | 2.70 | Q3 | 0.60 | Q3 | 1.30 | Jan-18 | 8.70 | Dec-17 | 0.00 |
| Germany | 2.90 | Q3 | 0.60 | Q3 | 1.60 | Jan-18 | 3.60 | Dec-17 | 0.00 |
| France | 2.40 | Q3 | 0.60 | Q3 | 1.30 | Jan-18 | 8.90 | Dec-17 | 0.00 |
| Japan | 1.50 | Q3 | 0.10 | Q3 | 1.40 | Jan-18 | 2.80 | Dec-17 | -0.10 |
| **BRICS** | Brazil | 1.40 | Q2 | 0.10 | Q2 | 2.86 | Jan-18 | 11.80 | Dec-17 | 6.75 |
| Russia | 1.80 | Q2 | 1.08 | Q2 | 2.20 | Jan-18 | 5.20 | Jan-18 | 7.50 |
| India | 6.30 | Q2 | 1.60 | Q2 | 5.07 | Jan-18 | NA | NA | 6.00 |
| China | 6.80 | Q3 | 1.60 | Q3 | 1.50 | Jan-18 | 3.90 | Dec-17 | 4.35 |
| South Africa | 0.80 | Q2 | 2.00 | Q2 | 4.40 | Jan-18 | 26.70 | Dec-17 | 6.75 |
| **Other Ems** | South Korea | 3.00 | Q3 | -0.20 | Q3 | 1.00 | Jan-18 | 3.60 | Jan-18 | 1.50 |
| Indonesia | 5.19 | Q3 | -1.70 | Q3 | 3.25 | Jan-18 | 5.50 | Sep-17 | 4.25 |
| Turkey | 11.10 | Q2 | 1.20 | Q2 | 10.35 | Jan-18 | 10.30 | Nov-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. **Small business access to alternative finance increasing as new bank lending declines**

The new bank lending to SMEs fell in 60 per cent countries out of 25 countries assessed by OECD, and the median value growth rate in new SME lending fell from 2.6 per cent in 2015 to -5.6 per cent in 2016. It is notable that a continued decline in SME bankruptcies in 2016 indicated towards improved business conditions. The Scoreboard found a median year-on-year drop of 6.9 per cent, 9.1 percent and 6.5 per cent in bankruptcies respectively in year 2014, 2015 and 2016. Payment delays and non-performing loans also remained at relatively lower levels in a majority of these 25 countries studied. SMEs are benefiting from low interest rates. The median value of the average interest rate charged to SMEs fell by 0.82 percentage points on the year.

* 1. **Annual inflation falls to 2.3 percent in December 2017**

Annual inflation continued to pick up in OECD area for consecutive fifth month. Inflation falls at 2.3 per cent against the 2.4 of the previous month. Energy prices saw a slower growth at 6.2 per cent. For food only the inflation was 2.2 per cent 20 basis points above that is of November. Inflation excluding food and energy rose at 1.9 per cent.

**United States:**

* 1. As per the “advance” estimates released by the Bureau of Economic Analysis the real GDP of US grew at an annual rate of 2.6 percent during the fourth quarter of 2017 against 3.2 percent growth rate recorded in the previous quarter. The increase in real GDP reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, non-residential fixed investment, exports, and federal government spending. Real GDP increased by 1.6 percent in 2016 (Y-o-Y) compared with an increase of 2.6 percent in 2015. As per IMF’s latest growth outlook the US economy is projected to expand at 2.2 percent in 2017 and 2.3 percent in 2018.
  2. As per data released by the Bureau of Labor Statistics, the consumer prices in USA went up by 2.1 percent (Y-o-Y) in January 2018. The price index for all items less food and energy rose by 1.8 percent (Y-o-Y) during the month. Unemployment rate in US was 4.1 percent in January 2017 same as of previous month. The Federal Open Market Committee (FOMC) on 31 Jan 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 55.5 in January 2018, against 55.1 of previous month. The Markit U.S. Services PMI recorded in 53.3 against 53.7 of the previous month.

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

**United Kingdom:**

* 1. As per the second estimate by Office for National Statistics, the British economy grew at 0.4 percent (Q-o-Q) in the Q4 2017, compared to 0.5 percent growth in the previous quarter. On a Y-o-Y basis, GDP expanded 1.4 percent in the Q4 2017 following a 1.8 percent expansion in the previous period. IMF has revised down the growth forecast in the United Kingdom to 1.7 percent from 2.0 percent in 2017 and to 1.5 percent in 2018.
  2. The CPI Inflation in the UK was at 3.0 percent (Y-o-Y) in January 2018 same as of previous period. UK unemployment rate was 4.4 percent during the period October 2017 to December 2017 against 4.3 of previous period. The Bank of England Monetary Policy Committee decided to keep the Bank Rate at 0.50 percent and left the stock of purchased assets at £435 billion.
  3. Manufacturing PMI marked in 55.3 January 2018 against 56.2 in previous period. The UK Services PMI marked 53.0 in January 2018 against 54.2 of previous period.

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

*.*

**Japan:**

* 1. The Japanese economy advanced 0.1 percent (Q-o-Q) in the fourth quarter of 2017,following a 0.6 percent expansion in the previous period. Growth was mainly supported by household consumption. .In Y-o-Y terms, Japanese economy grew by 1.5 percent (Y-o-Y) during Q4 2017 as compared to 1.9 percent (Y-o-Y) in previous period. According to IMF’s outlook, the Japanese economy is expected to grow at 1.5 percent in 2017 and pace of expansion is expected to weaken thereafter to 0.7 percent in 2018.
  2. Consumer prices in Japan rose 1.4 percent in January 2017, following 1 percent expansion in the previous month. This was the highest in past 30 months. The seasonally adjusted unemployment rate in Japan increased to 2.8 percent in January 2018 from 2.7 percent in the previous month.
  3. The Bank of Japan left its key short-term interest rate unchanged at -0.1 percent at its January 2018 meeting, as expected. The policymakers also decided to keep its 10 year Government bond yield target around 0 percent offered a more upbeat view on private consumption and capital expenditure.

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

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

* 1. The real GDP growth in the Euro area was recorded 2.7 percent in the Q4 2017 (Y-o-Y). In Q-o-Q terms, the Euro Area economy growth advanced by 0.7 percent in Q4 2017 above 0.6 percent as compared to the previous quarter. Among Eurozone's countries, GDP expanded at a faster pace in Germany (0.6 percent), Italy (0.3 percent), Spain (0.7 percen), Austria (0.7 percent) and Latvia (0.3 percent). Meanwhile, GDP growth picked up in France (0.6 percent), the Netherlands (0.8 percent), Finland (1.1 percent), Belgium (0.5 percent), Portugal (0.7 percent), Slovakia (0.9 percent), Lithuania (1.5 percent) and Cyprus (1.1 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 1.3 percent in January 2018, down from 1.4 percent in December 2017. The lowest annual rates were registered in Cyprus (-1.5 percent), Greece (0.2 percent) and Ireland (0.3 percent). The highest annual rates were recorded in Lithuania and Estonia (both 3.6 percent) and Romania (3.4 percent).
  3. The seasonally-adjusted unemployment rate in the Eurozone recorded 8.7 percent in December 2017, same as previous month. Among the Member States, the lowest unemployment rates in December 2017 were recorded in the Czech Republic (2.3 percent), Malta and Germany (both 3.6 percent). The highest unemployment rates were observed in Greece (20.7 percent in October 2017) and Spain (16.4 percent).
  4. The European Central Bank decided to keep interests rates unchanged in its January meeting and held its benchmark refinancing rate at 0 percent. They also agreed that the language pertaining to the monetary policy stance could be revisited in forthcoming meetings, with some members expressing a preference for dropping the easing bias regarding the APP from the Governing Council’s communication..

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

**Brazil:**

* 1. GDP of Brazil advanced by 0.1 percent in the third quarter of 2017, following an upwardly revised 0.7 percent growth in the previous period. It is the smallest expansion in three quarters after a 2-year recession. As per recent World Economic Outlook by IMF, Brazil is expected to grow at 0.7 percent in 2017 and 1.5 percent in 2018.
  2. Consumer prices in Brazil increased by 2.86 percent (Y-o-Y) in January 2018, easing from a 2.95 percent in the December 2017 .The Central Bank of Brazil had executed a 50 basis point cut in its benchmark SELIC rate to 7.00 percent in December 2017. It was the tenth straight rate decline, bringing borrowing costs to the lowest since September of 2013 amid plunging inflation and a slow recovery. The unemployment rate in Brazil went down to 11.8 percent in the last quarter of 2017 from 12 percent in the three months to November 2017, beating market expectations of 11.9 percent.

**China:**

* 1. The Chinese economy expanded 6.8 percent year-on-year in the last quarter of 2017, the same as in the previous three months and beating market expectations of 6.7 percent. Considering full 2017, the economy grew 6.9 percent, well above the official target of near 6.5 percent and a 26-year low of 6.7 percent in 2016. Strong growth in industry and exports and a resilient property market were the main drivers of the expansion. According to IMF’s recent forecast, China’s growth is expected to grow at 6.8 percent in 2017, and to decline modestly in 2018 to 6.5 percent.
  2. China's consumer prices rose by 1.5 percent year-on-year in January of 2018, after a 1.8 percent rise in the December 2017, matching market expectations. It was the lowest inflation rate since July 2017. . The People's Bank of China’s benchmark one-year lending rate remained at 4.35 percent, since last cut of 25 basis point in October, 2015. Unemployment Rate in China decreased to 3.90 percent in the fourth quarter of 2017 from 3.95 percent in the third quarter of 2017.

**Russia:**

* 1. Russia's gross domestic product expanded by 1.5 percent year-on-year in 2017, compared with a 0.2 percent contraction in 2016. It was the first year of growth since 2014. The secondary sector contributed positively to growth. The growth forecast for Russia is expected to remain at 1.8 percent for 2017 and 1.6 for 2018.
  2. Russia's consumer price inflation dropped to 2.2 percent year-on-year in January 2018 from 2.5 percent in December 2017, well below the central bank's target of 4 percent. The Central Bank of Russia’s benchmark one-week repo rate remained at 7.75 percent. Russian unemployment rate remained unchanged at to 5.1 percent in December 2017 as compared to previous month, but fell from 5.3 percent in the same month of the previous year.

**South Africa**

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

1. **Review of Global Financial Markets:** 
   1. With the start of new calendar year Developed International stocks and emerging stocks experienced a rise in January 2018. These gains were driven by a sturdy synchronised worldwide economic growth, improved corporate earnings, positive investor reaction to US corporate Tax reforms and rising energy prices. On the other hand, Emerging markets advanced as improving global economic growth encouraged investors to pursue riskier assets. The MSCI Emerging Markets (EM) Index climbed up for a fourth consecutive month, extending a continuous streak of gains in 2017 following a pause last September, outperforming its counterpart in MSCI World Index.
   2. US equities witnessed a strong advance as the economic momentum continued during the month as retail sales remained robust and inflation rose. Eurozone equities registered gains in January as the region’s GDP growth recorded its strongest level in a decade, while cyclical stocks led the gains. Japanese stocks registered gains at the start of January but were partly ebbed away as the month closed. Robust exports, imports, and positive business sentiments pushed the rise in equities. China witnessed solid returns as macroeconomic data came out more resilient than expected with acceleration in the country’s annual GDP growth. Indian stocks, which were already trading on high valuations, lagged the MSCI EM index. Brazilian equities also rallied sharply on account of political developments in the country. Russia recorded strong gains, while South Africa posted a positive return but underperformed, having rallied strongly in December 2017.
   3. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed an increase of 5.2 percent. On the other hand, MSCI Emerging Market Index registered a significant increase of 8.3 percent in January 2018. MSCI India Index registered 3.0 percent in January 2018 over the previous month. (Chart 5).

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

*Source: Bloomberg*

**Bond Markets:**

* 1. The Federal Reserve left the federal funds rate unchanged in its January 2018 meeting, however it mentioned that inflation is expected to increase later in the year. Hopes of a faster growth and higher inflation after the passage of tax reform at the close of 2017 put pressure on Treasury prices in January 2018 and pushed yields higher across the curve. Major developed market central banks kept their monetary policies unchanged in January 2018, nonetheless Euro surged after the minutes from the December meeting of the European Central Bank (ECB) were released. The 10-year Treasury note’s yield finished January at 2.72 percent driven by increased demand, while the 30-year Treasury note was at 2.95 percent as January closed. The German government 10-year note’s yield rose from 0.43% to 0.70% during the month.
  2. Yields on sovereign 10-year notes in the UK and Japan also increased, finishing January 2018 at 1.52 percent and 0.09 percent, respectively. The weaker dollar generally boosted the returns for U.S. investors of debt denominated in other currencies. Emerging markets bonds benefited from solid inflows and an improving global growth forecast. News was mixed in Brazil, a key emerging markets bond issuer. In a widely expected decision, S&P Global Ratings cut the country’s long-term sovereign credit rating to BB- from BB, noting that Brazil had failed to pass meaningful fiscal reform needed to support continued economic growth.

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

***Source****: Bloomberg*

**Currency Market:**

* 1. During January 2018 (by comparing the closing prices of the close of last trading days of the December and January), the U.S. dollar (USD) lost against 6 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 GBP (4.25 percent), Yuan (3.17 percent), Euro (2.99 percent), Yen (2.61 percent), Real (2.25 percent), Ruble (2.17 percent) and INR (-0.39 percent) respectively.
  2. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 89.13 on close of January 2018, it lost 3.25 percent against the basket of major currencies during January 2018, and was 12.79 percent below the close of last trading day of 2016.

* 1. Comparing the closing prices of currencies in 2016 with the closing price of January, Euro changed by 15.17 percent followed by GBP (13.03 percent), Yuan (9.4 percent), Ruble (8.07 percent), INR (6.31 percent), Yen (6.24 percent) and Real (2.13 percent) respectively.
  2. Since the beginning of January 2016 till January 2018 (closing prices of the last trading days of December 2015 and January 2018 were compared), Brazilian Real and Russian Ruble changed 19.58 and 22.39 percent respectively against USD. During the same period, INR gained 3.72 percent. Other currencies such as Yen gained 9.03 percent against USD. Euro gained 12.54 percent against USD while GBP depreciated 3.89 percent against USD. Chinese Yuan has gained 3.18 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 January 2018. Amongst the developed markets, Hang Seng of Hong Kong witnessed an increase of 9.9 percent, followed by USA’s Nasdaq Composite increasing by 7.4 percent and Dow Jones of USA increasing by 5.8 percent during January 2018. On the contrary, a fall of 2.0 percent was registered by FTSE 100 of UK, followed by Australia’s All Ordinaries declining by 0.3 percent during the same period.
  2. As regards the emerging market indices, Russian Traded of Russia led the way with an significant increase of 13.5 percent, followed by Brazil’s Bovespa which increased by 11.1 percent and Karachi 30 of Pakistan which also recorded an increase of 8.9 percent during January 2018. On the contrary, no fall was registered by any emerging market index.

**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 January 2018, 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 January 2018.
  2. Among major developed markets, the market capitalisation of Hong Kong increased significantly by 9.6 percent while France showed an increase of 6.6 percent during January 2018. Japan and Germany also showed an increase in their market capitalisation by 5.7 percent and 5.6 percent respectively. There was no decline recorded in market capitalisation of any country during the same period.
  3. As regards the emerging markets, the market capitalisation of Colombia increased by 14.2 while Brazil’s market capitalisation witnessed an increase by 13.6 percent. The market capitalization of Argentina and Russia ascended by 12.3 percent and 11.4 percent respectively. Thailand and Mexico also showed increase in their market capitalisation and rose by 8.6 percent and 8.1 percent respectively at the end of January 2018. No decline was registered in market capitalisation of any emerging markets economy during the same period.

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

***Source****: Bloomberg*

**Derivatives Market:**

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

1. **Review of Indian Economy**
   1. As per the latest available release of Ministry of Statistics and Programme Implementation for quarterly estimates of GDP, for Q3 of 2017-18, quarterly GVA (Gross Value Added) at basic price of 2011-12 has shown a growth rate of 6.7 per cent (Y-o-Y) against 6.9 percent of same quarter of previous fiscal year. Agriculture sector's GVA at basic price has been estimated at 4.1 percent as against 7.5 per cent of same quarter of previous fiscal year. Manufacturing sector grew by 8.1 percent same as in Q3 of previous fiscal year. For the financial, real estate and professional services sector, quarterly GVA at basic prices, grew by 6.7 percent as compared to growth of 2.8 percent in previous fiscal year.
   2. GDP in FY 2016-17 has shown a growth rate of 7.2 percent (Y-o-Y). The World Bank has downgraded India's economic growth forecasts to 6.7 percent and 7.3 percent for 2017 and 2018 respectively.
   3. The Nikkei India Manufacturing PMI (Purchasing Managers’ Index) stood at 52.4 in January against 54.7 in previous month. The latest Nikkei India Services PMI Index noted 51.7 against 50.9 of previous month.

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

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

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) increased by 7.1 percent in December 2017, against 2.4 percent growth recorded in December 2016 (both over the corresponding period in the previous year), with manufacturing growing by 8.4 percent as compared to its 0.6 percent growth in previous year. Electricity grew at 4.4 percent in as compared to 6.4 percent growth in previous year. Mining grew by 1.2 percent, compared to 10.8 percent growth in previous year. During April-December 2017-18, the IIP grew 3.7 percent, against 5.1 percent growth recorded in corresponding period in previous financial year.

**Inflation**

* 1. India's CPI inflation grew by 5.07 percent in January, against 5.21 in previous month. Food prices (as measured by CFPI) showed an increase of 4.70 percent as compared to growth of 4.96 percent in last month. The Repo rate currently stands at 6.00 percent.

**Trade – Exports and Imports**

* 1. Exports during January 2018 grew at 9.07 percent in dollar terms valued at USD 24.38 billion as compared to USD 22.36 billion during same month of last year. Imports increased by 26.10 percent to USD 40.68 billion from 32.26 billion during the same month of last year. The merchandise trade deficit was USD 16.30 billion in during January 2018, against the deficit of USD 9.90 billion of January 2017. Taking merchandise and services together, overall trade deficit for April- January 2017-18 was estimated at USD 80.22 billion, against the deficit of USD 40.02 billion during April-January 2016-17.

**Foreign Exchange Reserves**

* 1. Since the end of March 2017, forex reserves have increased by about USD 47,834.50 million. The reserves were recorded at USD 417.79 billion as on 26 January 2018. (Exhibit 4)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **26 Jan 2018** | **29 Dec 2017** | **24 Nov 2017** | **27 Oct 2017** |
| **Total Reserves** | 417.8 | 409.4 | 400.7 | 398.8 |
| **Foreign Currency Assets** | 393.7 | 385.1 | 376.3 | 373.8 |
| **Gold** | 20.4 | 20.7 | 20.7 | 21.2 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.5 |
| **Reserve Position in the IMF** | 2.1 | 2.0 | 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**  **December\*, 2017** | **As on**  **January\*, 2018** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5151.8 | 5903.8 | 6167.29 | 6146.47 |
| France | CAC 40 | 4385.1 | 5089.6 | 5312.56 | 5481.93 |
| Germany | Dax | 9965.5 | 12256.4 | 12917.64 | 13189.48 |
| Hong Kong HSI | Hang Seng | 20776.7 | 24111.6 | 29919.15 | 32887.27 |
| Japan NIKKEI | Nikkei 225 | 16758.7 | 18909.3 | 22764.94 | 23098.29 |
| Singapore STI | Straits Times | 2840.9 | 3175.1 | 3402.92 | 3533.99 |
| UK | FTSE 100 | 6174.9 | 7322.9 | 7687.77 | 7533.55 |
| USA DOW JONES | Dow Jones Industrial Average | 17685.1 | 20663.2 | 24719.22 | 26149.39 |
| USA NASDAQ Composite | Nasdaq Composite | 4869.8 | 5911.7 | 6903.39 | 7411.48 |
| India (BSE) | Sensex | 25341.9 | 29620.5 | 34056.83 | 35965.02 |
| India (NSE) | Nifty 50 | 7738.4 | 9173.8 | 10530.70 | 11027.70 |
| Brazil | Bovespa | 50055.3 | 64984.1 | 76402.08 | 84912.70 |
| Chile | Stock Market Select | 3937.5 | 4783.4 | 5564.60 | 5855.38 |
| China | Shanghai SE Composite IX | 3003.9 | 3222.5 | 3307.17 | 3480.83 |
| Colombia | IGBC General | 9871.5 | 10150.7 | 11478.10 | 12113.25 |
| Egypt | Hermes | 687.3 | 1167.8 | 1436.98 | 1496.52 |
| Hungary | Budapest Stock Exchange | 26451.0 | 31634.3 | 39377.31 | 40188.51 |
| Indonesia | Jakatra Composite | 4845.4 | 5568.1 | 6355.65 | 6605.63 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1717.6 | 1740.1 | 1796.81 | 1868.58 |
| Mexico | Bolsa | 45881.1 | 48541.6 | 49354.42 | 50456.17 |
| Pakistan | Karachi 30 | 19167.5 | 25615.6 | 20215.67 | 22018.81 |
| Russia | Russian Traded | 1203.3 | 1509.7 | 1597.64 | 1812.81 |
| South Africa | FTSE/JSE Africa All Share | 52250.3 | 52056.1 | 59504.67 | 59506.12 |
| Taiwan | Taiwan Taiex | 8744.8 | 9811.5 | 10642.86 | 11103.79 |
| Thailand | Stock Exchange of Thai | 1407.7 | 1575.1 | 1753.71 | 1826.61 |
| Turkey | ISE National 100 | 83268.0 | 88947.4 | 115333.0 | 119044.4 |

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

**Source**: Bloomberg

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Index** | **Volatility (per cent)** | | **P/E Ratio** | |
|
| **Dec-17** | **Jan-18** | **Dec-17** | **Jan-18** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.3 | 0.4 | 17.0 | 16.6 |
| France | CAC 40 | 0.7 | 0.6 | 15.6 | 15.2 |
| Germany | Dax | 0.8 | 0.7 | 14.6 | 13.7 |
| Hong Kong HSI | Hang Seng | 0.9 | 0.8 | 13.3 | 12.9 |
| Japan NIKKEI | Nikkei 225 | 0.8 | 1.0 | NA | NA |
| Singapore STI | Straits Times | 0.6 | 0.6 | 15.6 | 14.4 |
| UK | FTSE 100 | 0.5 | 0.5 | 15.7 | 14.5 |
| USA DOW JONES | Dow Jones Industrial Average | 0.3 | 0.6 | 19.7 | 18.0 |
| USA NASDAQ Composite | Nasdaq Composite | 0.5 | 0.7 | 24.3 | 22.8 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.6 | 0.5 | 24.0 | 25.2 |
| India (NSE) | Nifty 50 | 0.6 | 0.5 | 22.7 | 23.7 |
| Argentina | Indice Bolsa General | 1.0 | 1.3 | 19.0 | 14.6 |
| Brazil | Bovespa | 0.9 | 1.2 | 14.6 | 13.6 |
| Chile | Stock Market Select | 1.9 | 0.5 | 21.5 | 19.8 |
| China | Shanghai SE Composite IX | 0.6 | 0.6 | 14.6 | 13.5 |
| Colombia | IGBC General | 0.5 | 0.9 | 19.0 | 15.0 |
| Egypt | Hermes | 0.5 | 0.8 | 12.5 | 10.9 |
| Hungary | Budapest Stock Exchange | 0.9 | 0.9 | 11.0 | 11.2 |
| Indonesia | Jakatra Composite | 0.5 | 0.7 | 18.4 | 17.3 |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.5 | 0.4 | 16.9 | 16.7 |
| Mexico | Bolsa | 0.6 | 0.7 | 18.0 | 17.1 |
| Pakistan | Karachi 30 | 1.4 | 1.1 | 9.9 | 9.7 |
| Russia | Russian Traded | 0.8 | 1.2 | 7.1 | 6.8 |
| South Korea | Kospi Index | 0.7 | 0.7 | NA | NA |
| South Africa | FTSE/JSE Africa All Share | 0.7 | 0.7 | 16.9 | 16.4 |
| Taiwan | Taiwan Taiex | 0.6 | 0.6 | 13.9 | 13.4 |
| Thailand | Stock Exchange of Thai | 0.3 | 0.5 | 17.5 | 16.6 |
| Turkey | ISE National 100 | 0.8 | 1.3 | 9.2 | 8.6 |

NA.: Not Available

**Source**: Bloomberg,

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

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

NA: Not Available

**Source**: World Federation of Exchanges

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

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

NA: Not Available

**Source**: World Federation of Exchanges

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

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

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Nov-17** | **Dec-17** | **Jan-18** | **M-o-M change(%)** |
| **1** | **2** | **3** | **4** | **5** |
| **Developed Markets** |  |  |  |  |
| Australia | 13,21,861 | 14,07,396 | 14,58,409 | 3.6 |
| France | 25,44,643 | 25,35,935 | 27,03,229 | 6.6 |
| Germany | 24,27,201 | 24,28,815 | 25,65,898 | 5.6 |
| Hong Kong | 53,22,506 | 53,86,255 | 59,02,293 | 9.6 |
| Japan | 62,08,398 | 63,29,868 | 66,92,251 | 5.7 |
| Singapore | 5,75,936 | 5,66,887 | 5,90,182 | 4.1 |
| UK | 36,75,726 | 38,03,374 | 39,46,169 | 3.8 |
| USA | 2,91,12,869 | 2,96,44,397 | 3,13,42,089 | 5.7 |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 22,84,752 | 23,86,341 | 24,23,928 | 1.6 |
| Argentina | 1,05,595 | 1,06,688 | 1,19,812 | 12.3 |
| Brazil | 8,10,139 | 8,91,558 | 10,12,542 | 13.6 |
| Chile | 2,55,837 | 2,95,410 | 3,13,953 | 6.3 |
| China | 75,98,971 | 77,24,010 | 82,52,150 | 6.8 |
| Colombia | 1,08,937 | 1,19,928 | 1,36,966 | 14.2 |
| Egypt | 48,308 | 50,176 | 52,219 | 4.1 |
| Hungary | 30,553 | 30,956 | 33,304 | 7.6 |
| Indonesia | 4,91,539 | 5,14,817 | 5,41,638 | 5.2 |
| Malaysia | 4,16,597 | 4,48,239 | 4,81,104 | 7.3 |
| Mexico | 3,89,831 | 3,73,630 | 4,03,845 | 8.1 |
| Pakistan | 79,320 | 77,338 | 82,853 | 7.1 |
| Russia | 5,87,261 | 5,88,405 | 6,55,191 | 11.4 |
| South Korea | 17,00,748 | 17,18,143 | 18,17,683 | 5.8 |
| South Africa | 5,15,763 | 5,83,437 | 6,02,256 | 3.2 |
| Taiwan | 12,01,663 | 12,08,786 | 12,79,413 | 5.8 |
| Thailand | 5,08,246 | 5,29,470 | 5,74,748 | 8.6 |
| Turkey | 1,93,760 | 2,25,226 | 2,39,585 | 6.4 |

*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 Halts Alleged Initial Coin Offering Scam

*30th January, 2018*: SEC obtained a court order halting an allegedly fraudulent initial coin offering (ICO) that targeted retail investors to fund what it claimed to be the world’s first “decentralized bank. Dallas-based AriseBank used social media, a celebrity endorsement, and other wide dissemination tactics to raise what it claims to be $600 million of its $1 billion goal in just two months. AriseBank and its co-founders Jared Rice Sr. and Stanley Ford allegedly offered and sold unregistered investments in their purported “AriseCoin” cryptocurrency by depicting AriseBank as a first-of-its-kind decentralized bank offering a variety of consumer-facing banking products and services using more than 700 different virtual currencies. The SEC alleges that AriseBank falsely stated that it purchased an FDIC-insured bank which enabled it to offer customers FDIC-insured accounts and that it also offered customers the ability to obtain an AriseBank-branded VISA card to spend any of the 700-plus cryptocurrencies. AriseBank also allegedly omitted to disclose the criminal background of key executives. The court approved an emergency asset freeze over AriseBank, Rice, and Ford and appointed a receiver over AriseBank, including over its digital assets.

The SEC intervened to protect the digital assets before they could be dissipated, enabling the receiver to immediately secure various cryptocurrencies held by AriseBank including Bitcoin, Litecoin, Bitshares, Dogecoin, and BitUSD. AriseCoin’s public sale began around Dec. 26, 2017, and was originally scheduled to conclude on Jan. 27, 2018, with distribution to investors on Feb. 10, 2018.

*Source: https://www.sec.gov/news/pressrelease/2018-8.html*

1. Iosco Board Communication On Concerns Related To Initial Coin Offerings (ICOs).

*18th January, 2018:* Initial Coin Offerings (ICOs), also known as token sales or coin sales), typically involve the creation of digital tokens – using distributed ledger technology – and their sale to investors by auction or through subscription, in return for a crypto-currency such as Bitcoin or Ether (or more rarely for government-backed or official fiat currency (such as the US Dollar or the Euro)). These offerings are not standardized, and their legal and regulatory status is likely to depend on the circumstances of the individual ICO. There are clear risks associated with these offerings. ICOs are highly speculative investments in which investors are putting their entire invested capital at risk. While some operators are providing legitimate investment opportunities to fund projects or businesses, the increased targeting of ICOs to retail investors through online distribution channels by parties often located outside an investor’s home jurisdiction -- which may not be subject to regulation or may be operating illegally in violation of existing laws -- raises investor protection concerns. There have also been instances of fraud, and as a result, investors are reminded to be very careful in deciding whether to invest in ICOs.

In its meeting on 18-19 October 2017, the Board of the International Organization of Securities Commissions (IOSCO) discussed the growing usage of ICOs to raise capital as an area of concern. Following this meeting, IOSCO issued a statement to its members regarding the risks of ICOs and referenced various approaches to ICOs taken by members and other regulatory bodies. A sample of communications issued by authorities is available at link:**http://www.iosco.org/publications/?subsection=ico-statements**. The IOSCO Board has also established an ICO Consultation Network through which members can discuss their experiences and bring their concerns, including any cross-border issues, to the attention of fellow regulators.

*Source: https://www.iosco.org/news/pdf/IOSCONEWS485.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)