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**CAPITAL MARKET REVIEW**

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

Resource mobilisation through primary securities market witnessed strong rebound during September 2017 as compared to the previous month. During the month under review, the primary market witnessed 42 issues that mobilised ` 17,163 crore as compared to 12 issues during August 2017 that mobilised ` 1,920 crore. There were 40 initial public offerings (IPOs) of equity issues that raised ` 17,142 crore. There was two rights issues that raised ` 21 crore during the month.

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Items** | **Sep-17** | | **Aug-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 | 40 | 17,142 | 12 | 1,920 | 97 | 31,525 | 67 | 41,210 |
| (i) Debt | 0 | 0 | 1 | 215 | 4 | 3,914 | 10 | 23,893 |
| (ii) Equity, of which |  |  |  |  |  |  |  |  |
| IPOs | 40 | 17,142 | 11 | 1,705 | 93 | 27,611 | 57 | 17,317 |
| FPOs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b. Rights Issues | 2 | 21 | 0 | 0 | 6 | 708 | 3 | 618 |
| Total Equity Issues a(ii)+b | 42 | 17,163 | 11 | 1,705 | 99 | 28,319 | 60 | 17,936 |
| ***Grand Total (a+b)*** | ***42*** | ***17,163*** | ***12*** | ***1,920*** | ***103*** | ***32,233*** | ***70*** | ***41,828*** |

***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 September of the respective years*

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

Qualified Institutional Placement (QIP) is an alternative mode of resource raising available for listed companies to raise funds from domestic market. In a QIP, a listed issuer issues equity shares or non-convertible debt instruments along with warrants and convertible securities other than warrants to Qualified Institutional Buyers only. There was three QIP issue during September 2017 which raised ` 5,500 crore compared to one QIP issue during August 2017 which raised ` 874 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 25 preferential allotments (amounting to ` 8,145 crore) listed at BSE and NSE together during September 2017, compared to 30 preferential allotments (amounting to ` 5,493 crore) listed during August 2017 **(*Table 11*)**.

1. **Private Placement of Corporate Debt**

Private placement mechanism dominates the resource mobilization through corporate bonds. During September 2017, ` 50,821 crore was raised through private placement of 170 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 ` 85,423 crore in September 2017 as compared to ` 59,838 crore in August 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$** | **28,319** | **63,683** | **92,002** | **3,896** | **3,23,951** | **3,27,847** | **4,19,849** |
| 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 |

***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 September 2017 are provisional*

1. **Resource Mobilisation by Mutual Funds**

During September 2017, there was a net outflow of ` 16,605 crore from the mutual funds industry against a net inflow of ` 61,701crore during August 2017. In the month under review, there was net outflow of ` 45,514 crore from income / debt oriented schemes, whereas net inflow of ` 18,936 crore into growth / equity oriented schemes. Balanced schemes recorded inflow of ` 8,141 crore. Exchange traded funds witnessed net inflow of ` 1,895 crore of which there was an outflow of ` 74 crore from gold ETFs and an inflow of ` 1,969 crore in other ETFs. The Fund of funds schemes investing overseas recorded net outflow of ` 62 crore. The cumulative net assets under management by all mutual funds fell by 0.9 per cent to ` 20,40,301 crore at the end of September 2017 from ` 20,59,289 crore at the end of August 2017 **(*Tables 52 & 54*).**

1. **Trends in the Secondary Market**

The Indian stock market witnessed correction during September 2017. At the end of September 2017, S&P BSE Sensex closed at 31,283.7 witnessing 1.4 per cent fall from its last month’s closing at 31,730.5. The Nifty 50 also decreased by 1.3 per cent to close at 9,788.6 at the end of September 2017 compared to previous month’s closing at 9917.9 (***Figure 1***). S&P BSE Sensex and Nifty 50 touched their intraday highs of 32,524.11 and 10,178.95 respectively on September 19, 2017. Both Sensex and Nifty touched their intraday lows of 31,081.83 and 9,687.55 respectively on September 28, 2017.

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

Market capitalisation of BSE decreased by 0.1 per cent to ` 1,31,81,353 crore at the end of September 2017, from ` 1,31,89,763 crore at the end of August 2017. Market capitalization at NSE also fell to ` 1,30,45,716 crore from ` 1,30,55,208 crore during the same period witnessing a loss of 0.1 per cent. The P/E ratios of S&P BSE Sensex and Nifty 50 were 23.4 and 25.4 respectively at the end of September 2017 compared to 23.7 and 25.6 respectively a month ago (***Exhibit 2***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **2017-18$** | **2016-17** | **Sep-17** | **Aug-17** | **Percentage change over previous month** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| **A. Indices** |  |  |  |  |  |
| S&P BSE Sensex | **31,284** | **29,621** | 31,283.7 | 31,730.5 | -1.4 |
| Nifty 50 | **9,789** | **9,174** | 9,788.6 | 9,917.9 | -1.3 |
| **B. Market Capitalisation** | |  |  |  |  |
| BSE | **1,31,81,353** | **1,21,54,525** | 1,31,81,353 | 1,31,89,763 | -0.1 |
| NSE | **1,30,45,716** | **1,19,78,421** | 1,30,45,716 | 1,30,55,208 | -0.1 |
| **C. Gross Turnover** | | | | | |
| BSE | **5,03,919** | **9,98,261** | 84,349 | 79,064 | 6.7 |
| NSE | **32,44,782** | **50,55,913** | 6,00,092 | 5,53,829 | 8.4 |
| **D. P/E Ratio** | | | | | |
| S&P BSE Sensex | **23.4** | **22.6** | 23.4 | 23.7 | -1.3 |
| Nifty 50 | **25.4** | **23.3** | 25.4 | 25.6 | -0.7 |
| **E. No. of Listed Companies** | | | | | |
| BSE | **5,650** | **5,834** | 5,650 | 5,627 | 0.4 |
| NSE | **1,851** | **1,817** | 1,851 | 1,848 | 0.2 |

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

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

The monthly turnover of BSE (cash segment) increased by 6.7 per cent to ` 84,349 crore in September 2017 from ` 79,064 crore in August 2017. The monthly turnover of NSE (cash segment) rose by 8.4 per cent to ` 6,00,092 crore in September 2017 from ` 5,53,829 crore in August 2017.

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

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

Indian securities market witnessed mostly negative trend during September 2017 as indicated by different market indices. Among BSE indices, in September 2017, S&P BSE Healthcare index increased the most (2.6 per cent), followed by S&P BSE Metal index (2.1 per cent) and S&P BSE Small Cap index (0.8 per cent). On the other hand, S&P BSE FMCG index fell by 3.9 per cent, followed by S&P BSE PSU (3.7 per cent) and S&P BSE Power (2.4 per cent). As regards NSE indices, Nifty Pharma index rose the most (3.5 per cent) followed by Nifty Media index (0.6 per cent), whereas Nifty PSU Bank index fell by 7.6 per cent followed by Nifty FMCG index (5.2 per cent) and Nifty Small 100 (2.1 per cent). Among BSE indices the S&P BSE Metal index recorded the highest daily volatility (1.4 per cent), followed by S&P BSE Healthcare index (1.4 per cent) and S&P BSE Capital Goods index (1.3 per cent) during the month under review. At NSE during the same period, daily volatility of Nifty Phrama index was 1.6 per cent, followed by Nifty Small 100 index (1.3 per cent) and Nifty Midcap 50 index (1.2 per cent) (***Exhibit 3***).

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **BSE** |  |  | **NSE** |  |  |
| **Index** | **Change over Previous month** | **Volatility** | **Index** | **Change over Previous month** | **Volatility** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| S&P BSE Sensex | -1.4 | 0.6 | Nifty 50 | -1.3 | 0.6 |
| S&P BSE 100 | -1.4 | 0.7 | Nifty Next 50 | -1.8 | 1.0 |
| S&P BSE 200 | -1.2 | 0.7 | Nifty 100 | -1.4 | 0.7 |
| S&P BSE 500 | -1.1 | 0.8 | Nifty 200 | -1.2 | 0.7 |
| S&P BSE Large Cap | -1.6 | 0.7 | Nifty 500 | -1.1 | 0.7 |
| S&P BSE Small Cap | 0.8 | 1.2 | Nifty Midcap 50 | -0.4 | 1.2 |
| S&P BSE Consumer Durables | -0.8 | 0.9 | Nifty Midcap 100 | -0.9 | 1.1 |
| S&P BSE Capital Goods | -0.9 | 1.3 | Nifty Small 100 | -2.1 | 1.3 |
| S&P BSE Bankex | -1.5 | 0.8 | Nifty Bank | -1.1 | 0.8 |
| S&P BSE Teck | -1.8 | 0.4 | Nifty IT | -0.8 | 0.4 |
| S&P BSE FMCG | -3.9 | 0.7 | Nifty FMCG | -5.2 | 0.8 |
| S&P BSE Metal | 2.1 | 1.4 | Nifty Pharma | 3.5 | 1.6 |
| S&P BSE PSU | -3.7 | 0.9 | Nifty PSU Bank | -7.6 | 1.1 |
| S&P BSE Power | -2.4 | 0.9 | Nifty Media | 0.6 | 1.0 |
| S&P BSE Healthcare | 2.6 | 1.4 | Nifty MNC | -0.1 | 0.8 |

***Source:*** *Bloomberg*

1. **Trends in Depository Accounts**

The total number of investor accounts at the end of September 2017 was 163 lakh at NSDL (an increase of 0.8 per cent over August 2017) and 134 lakh at CDSL (an increase of 1.7 per cent over August 2017). The number of investor accounts increased by 8.4 per cent at NSDL and by 16.7 per cent at CDSL over the number of investor accounts at the respective depositories in September 2016 **(*Table 58*)**.

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

India is one of the most vibrant markets for exchange traded equity derivatives in the world. The monthly total turnover in equity derivatives market at NSE fell by 8.0 per cent to ` 1,35,50,361 crore during September 2017 from ` 1,47,35,150 crore in August 2017 (***Figure 4***). During the month under review options on index accounted for about 81 per cent of the total turnover in the F&O segment at NSE. In September 2017, monthly turnover of index futures fell by 7.4 per cent, whereas monthly turnover of stock futures increased by 1.8 per cent. Monthly turnover of put options on index and call options on index decreased by 7.2 per cent and 11.5 per cent, respectively. Monthly turnover of put options on stock fell by 4.9 per cent, whereas, monthly turnover of call options on stock rose by 0.1 per cent. The open interest in value terms in the equity derivative segment of NSE increased by 19.8 per cent to ` 2,95,655 crore as on September 30, 2017 from ` 2,46,904 crore as on August 31, 2017 **(Table 31).**

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

The monthly total turnover in equity derivative segment of BSE fell to ` 3 crore in September 2017 from ` 22 crore in August 2017. The open interest in value terms in equity derivatives segment of BSE increased to ` 0.6 crore as on August 31, 2017 from ` 0.08 crore as on August 31, 2017 *(****Exhibit 4 and Table 30****)*.

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **NSE** | | | **BSE** | | |
| **Aug-17** | **Sep-17** | **Percentage Change Over Month** | **Aug-17** | **Sep-17** | **Percentage Change Over Month** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* |
| **A. Turnover (` crore)** | | | | | | |
| (i) Index Futures | 3,99,317 | 3,69,891 | -7.4 | 19 | 1 | -95.5 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 57,12,286 | 52,98,926 | -7.2 | 0 | 0 | NA |
| *Call* | 65,27,897 | 57,76,218 | -11.5 | 0 | 0 | NA |
| (iii) Stock Futures | 12,57,968 | 12,80,396 | 1.8 | 2 | 2 | -2.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 2,69,013 | 2,55,921 | -4.9 | 0 | 0 | NA |
| *Call* | 5,68,669 | 5,69,008 | 0.1 | 0 | 0 | NA |
| **Total** | **1,47,35,150** | **1,35,50,361** | **-8.0** | **22** | **3** | **-85.5** |
| **B. No. of Contracts** | | | | | | |
| (i) Index Futures | 47,89,537 | 44,67,175 | -6.7 | 248 | 11 | -95.6 |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 6,52,75,950 | 6,14,18,880 | -5.9 | 0 | 0 | NA |
| *Call* | 7,19,81,496 | 6,49,18,248 | -9.8 | 0 | 0 | NA |
| (iii) Stock Futures | 1,74,70,818 | 1,73,14,055 | -0.9 | 28 | 21 | -25.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 37,39,525 | 32,84,450 | -12.2 | 0 | 0 | NA |
| *Call* | 33,15,699 | 70,78,836 | 113.5 | 2 | 0 | NA |
| **Total** | **16,65,73,025** | **15,84,81,644** | **-4.9** | **278** | **32** | **-88.5** |
| **C. Open Interest in terms of Value ( ` crore)** | | | | | | |
| (i) Index Futures | 20,611 | 26,789 | 30.0 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 70,407 | 81,683 | 16.0 | 0 | 0 | NA |
| *Call* | 54,096 | 72,256 | 33.6 | 0 | 0 | NA |
| (iii) Stock Futures | 90,916 | 99,043 | 8.9 | 0 | 1 | 650.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 4,033 | 5,596 | 38.7 | 0 | 0 | NA |
| *Call* | 6,840 | 10,288 | 50.4 | 0 | 0 | NA |
| **Total** | **2,46,904** | **2,95,655** | **19.7** | **0** | **1** | **650.0** |
| **D. Open Interest in terms of No of Contracts** | | | | | | |
| (i) Index Futures | 2,64,930 | 3,47,156 | 31.0 | 0 | 0 | NA |
| (ii) Options on Index |  |  |  |  |  |  |
| *Put* | 9,18,273 | 10,63,087 | 15.8 | 0 | 0 | NA |
| *Call* | 7,02,612 | 9,29,879 | 32.3 | 0 | 0 | NA |
| (iii) Stock Futures | 13,29,883 | 14,61,891 | 9.9 | 1 | 6 | 500.0 |
| (iv) Options on Stock |  |  |  |  |  |  |
| *Put* | 56,731 | 78,028 | 37.5 | 0 | 0 | NA |
| *Call* | 99,245 | 1,43,349 | 44.4 | 0 | 0 | NA |
| **Total** | **33,71,674** | **40,23,390** | **19.3** | **1** | **6** | **500.0** |

1. **VIX Futures at NSE**

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

India VIX closed at 12.49 at the end of September 2017, higher than 11.95 registered at the end of August 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 September 2017.

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

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

The monthly turnover of currency derivatives at NSE during September 2017 rose significantly by 49.6 per cent to ` 5,57,624 crore from ` 3,72,652 crore in August 2017. During the same time the monthly turnover of currency derivatives at BSE also increased by 20.1 per cent to ` 3,57,994 crore from ` 2,98,051 crore whereas the monthly turnover of currency derivatives at MSEI decreased by 9.5 per cent to ` 7,896 crore from ` 8,722 crore (***Figure 6* *and Tables 37, 38 and 39***).

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

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

During September 2017, the monthly turnover of interest rate futures at NSE increased by 12.2 per cent to ` 24,201 crore from ` 21,573 crore in August 2017. The monthly turnover of interest rate futures at BSE, on the other hand, decreased by 33.6 per cent to ` 11,355 crore in September 2017 from ` 17,102 crore in August 2017. There was no trade in interest rate futures at MSEI during the month. (***Figure 7* *and Table 47***).

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

1. **Commodities Futures Markets**

**A. Market Trends**

At the end of September, 2017, the composite index MCXCOMDEX registered a rise over its closing values at the end of August 2017, the Dhaanya index of NCDEX on the other hand showed a declining trend over its closing values at the end of August 2017. The MCXCOMDEX closed at 3352.90, registering an increase of 1.62 percent, whereas, Dhaanya index closed at 2988.44, recording a decline of 1.20 percent, over its closing values of August 2017. (Figure 8). MCXCOMDEX recorded an intra-day high of 3391.89 on Sept. 27, 2017 while 3285.27 on Sept.11, 2017 was its lowest intra-day level during the month. NCDEX Dhaanya recoded an intra-day high of 3050.25 on Sept.13, 2017 and an intra-day low of 2953.14 on Sept.25, 2017 **(Details in Table 62)**. Among MCXCOMDEX’s group indices, MCX Energy increased by 9.44 percent, whereas MCX Metal and MCX Agri. decreased by 1.38 percent and 0.60 percent, respectively.

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

**Source: MCX and NCDEX**

Daily volatility during September 2017 of MCXCOMDEX and NCDEX Dhaanya indices was recorded at 0.64 percent and 0.47 percent, respectively. Among the component indices of MCXCOMDEX, MCX Energy recorded highest volatility of 1.30 percent, followed by MCX Metal (0.75 percent) and MCX Agri. (0.52 percent). The daily volatility and return over the previous month of commodity futures market indices is shown in the Figure 9 below:

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

**Source: MCX and NCDEX**

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

The total turnover at all the four national exchanges was recorded at `5,26,685 crore. Out of this total turnover, agricultural commodities contributed `62,450 crore (11.9 percent) while that of the non-agricultural commodities contributed `4,64,234 crore (88.1 percent) to the total turnover. Among, the non-agricultural commodities segments, Bullion, Metals and Energy are traded at MCX, whereas, diamond contracts are traded at ICEX.

The turnover at MCX decreased to `4,72,876 crore in September 2017, a decrease of 3.22 percent over `4,88,629 crore recorded during August 2017. The contribution to the total turnover at MCX from Metal segment was at 42.09 percent followed by Energy segment at 28.49 percent, Bullion segment with 27.56 percent and agricultural commodities had a share of 1.86 percent.

The turnover at NCDEX has decreased from `54,370 crore in August 2017 to `50,574 crore in September 2017, a decrease of 7.0 percent.

The total turnover at NMCE has increased from `2,711 crore in August 2017 to `3,093 crore in September 2017, an increase of 14.1 percent. The entire turnover at NCDEX and NMCE was contributed by the agricultural commodities segment.

The turnover at ICEX in diamond contracts is recorded at ₹141.7 crore in September, an increase of 1621.39 percent over four days turnover of ₹8.23 crore recoded in August 2017.

The total turnover of agricultural commodities was the highest at NCDEX (`50,574 crore) followed by MCX (`8,784 crore) and NMCE (`3,093 crore). The turnover of agricultural and non- agricultural commodities at national exchanges is shown in Figure 10 and Figure 11 and the details in Table 63, 64 and 65.

The Hapur Commodity Exchange (HCE), Hapur, which is trading only in Rape/Mustard Seed contract recorded a total turnover of `334 crore during September 2017, a decrease of 6.5 percent over the total turnover of `357 crore during August 2017.

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

**Figure 11: Turnover of Non-Agricultural Commodities Futures at MCX (`crore)**

**B. Commodity price trends**

At the end of September 2017, M-o-M returns among the near month contracts of non-agricultural commodities were positive for Crude Oil (11.03 percent), Lead (7.96 percent), Zinc (4.25 percent), Aluminum (1.92 percent), Natural Gas ( 1.85 percent) and Gold Guinea (0.84 percent) while M-o-M returns decreased the most for Nickel (8.70 percent), followed by Copper (1.51 percent), Silver (0.86 percent), Gold Mini (0.7 percent) and Gold Petal (0.10 percent). Among Agricultural Commodities, the M-o-M returns where highest for Crude Palm Oil (5.76 percent), followed by Raw Jute (4.4 percent), Rubber (2.3 percent), Soy Oil (0.61 percent) and Cotton Seed Oil Cake (0.47 percent). The M-o-M returns declined the most for Pepper (10.66 percent), followed by Cardamom (10.44 percent), Coriander (9.84 percent) and Guar Seed (8.5 percent).

The Y-o-Y returns on futures prices among non-agricultural commodities increased the most for Zinc by 31.52 percent, followed by Copper (30.25 percent), Aluminum (24.65 percent), Lead (16.54 percent) and Crude Oil (5.01 percent), while it declined the most for Silver (13.71 percent), Gold and it’s variants (3.85 percent to 5.79 percent). Among agricultural commodities, Y-o-Y returns increased the most for Mentha Oil (36.48 percent) followed by Guar Gum (20.74 percent), Castor Seed (16.5 percent) Rubber (15.5 percent), Jeera (10.9 percent), while Y-o-Y returns declined the most for Coriander (41.44 percent), followed by Cotton Seed Oil Cake (23.74 percent) and RM Seed (18.20 percent). **(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 | Closing value as on 29/09/2017 | Variation in prices as on 29/09/2017 (percent) | | Commodities traded at NCDEX/ NMCE | Closing value as on 29/09/2017 | Variation in prices as on 29/09/2017 (percent) | |
|
| M-o-M | Y-o- Y | M-o-M | Y-o-Y |
| MCX Comdex | 3352.9 | 1.62 | 5.20 | Dhaanya Index | 2988 | -1.20 | -4.8 |
| MCX AGRI Index | 2501.91 | -0.60 | 4.26 | Guar seed 10 MT | 3737 | -5.54 | 5.03 |
| MCX Metal Index | 4957.8 | -1.38 | 6.24 | Guar Gum | 8005 | -4.34 | 20.74 |
| MCX Energy Index | 2508.78 | 9.44 | 3.66 | Soyabean | 2985 | -2.64 | -7.73 |
| Aluminium | 137.80 | 1.92 | 24.65 | Chana | 5658 | -8.45 | NA |
| Copper | 427.95 | -1.51 | 30.25 | Turmeric | 7318 | -0.05 | 1.84 |
| Crude Oil | 3373.00 | 11.03 | 5.01 | RM seed | 3739 | -0.85 | -18.20 |
| Gold | 29557.00 | -0.63 | -3.85 | Soy Oil | 662 | 0.61 | 0.96 |
| Gold Guinea | 23636.00 | 0.84 | -5.07 | Cotton seed oil cake | 1503 | 0.47 | -23.74 |
| Gold Petal | 2928.00 | -0.10 | -5.79 | Wheat | 1618 | -1.16 | -7.65 |
| GoldM | 29549.00 | -0.70 | -4.11 | Jeera | 19180 | -3.47 | 10.90 |
| Lead | 163.50 | 7.96 | 16.54 | Coriander | 4454 | -9.84 | -41.44 |
| Natural Gas | 198.40 | 1.85 | 2.27 | Barley | 1434 | -2.48 | -8.69 |
| Nickel | 678.70 | -8.70 | -2.92 | Pepper | 43735 | -10.66 | NA |
| Silver | 39457.00 | -0.86 | -13.71 | Castor Seed | 4636 | 0.43 | NA |
| Zinc | 208.65 | 4.25 | 31.52 |  |  |  |  |
| Cardamom | 1071.70 | -10.74 | -6.94 | **NMCE** |  |  |  |
| Cotton | 18530.00 | -0.64 | -6.60 | Castor Seed | 4603 | -0.2 | 16.5 |
| CPO | 547.60 | 5.76 | -5.91 | Rubber | 13519 | 2.3 | 15.5 |
| Mentha Oil | 1173.60 | -0.32 | 36.48 | Raw Jute | 4116 | 4.4 | -2.5 |
|  |  |  |  | Isabgul Seed | 11095 | -2.0 | NA |
|  |  |  |  | RM Seed | 614.5 | -3.2 | -14.1 |
|  |  |  |  | Guar Seed | 3743 | -8.5 | 5.7 |
|  |  |  |  | Pepper | 43725 | -10.5 | NA |

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

prices last trading day of the month over the corresponding trading periods.

Source : Bloomberg & NMCE

1. **Trading in Corporate Debt Market**

During September 2017, BSE recorded 2,227 trades of corporate debt with a traded value of ` 36,603 crore compared to 2,347 trades of corporate debt with a traded value of ` 32,929 crore recorded in August 2017. At NSE, 5,247 trades were reported in September 2017 with a traded value of ` 1,14,712 crore compared to 5,072 trades with a traded value of ` 1,09,895 crore in the previous month ***(Figure 11 and Table 13*)**.

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

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

The total net investment in the secondary market by mutual funds was ` 49,312 crore in September 2017 out of which ` 17,457 crore was invested in equity and ` 31,855 crore was invested in debt. This was a decrease from total investment of ` 54,408 crore in August 2017 out of which ` 17,941 crore was invested in equity and ` 36,467 crore was invested in debt (***Figure 12***).

As on September 30, 2017, there were a total of 1,972 mutual fund schemes in the market, of which 1,350 (68.5 per cent) were income / debt oriented schemes, 498 (25.3 per cent) were growth / equity oriented schemes, 30 (1.5 per cent) were balanced schemes, 66 (3.3 per cent) were exchange traded funds and 28 (1.4 per cent) were fund of funds investing overseas **(*Tables 55 & 56*).**

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

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

In September 2017, the FPIs were net sellers in the Indian securities market to the tune of ` 10,043 crore. There were net outflow of ` 11,392 crore from equity whereas ` 1,349 crore inflow into debt (***Figure 13***).

The assets of the FPIs in India, as reported by the custodians, at the end of September 2017 was ` 30,03,476 crore, out of which the notional value of offshore derivative instruments (including ODIs on derivatives) was ` 1,22,684 crore, constituting 4.1 per cent of the total assets under custody of FPIs. (***Tables 49, 50 & 51***)

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

1. **Trends in Portfolio Management Services**

Assets under management (AUM) of discretionary portfolio management services (PMS) increased by 1.3 per cent to ` 10,64,482 crore in September 2017 from ` 10,50,497 crore in August 2017. The AUM of Non-discretionary PMS also rose by 3.4 per cent from ` 80,296 crore to ` 83,000 crore and AUM of Advisory services, increased by 1.3 per cent from ` 1,93,575 crore to ` 1,96,169 crore. In terms of number of clients, at the end of September 2017, out of 99,709 clients in PMS industry, discretionary services category leads with total of 92,935 clients, followed by non-discretionary category with 5,118 clients and advisory category with 1,656 clients. ***(Table 57)***

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

In September 2017, three open offers with offer value of rupees one crore were made to the shareholders as against two open offers with offer value of ` 125 crore in August 2017 (***Figure 14***).

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

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

**Snapshots**

**United States:**

GDP expanded by 3.1 percent (annualised) in Q2 2017 as compared to 1.2 percent in Q1 2017. CPI inflation was 2.2 percent (Y-o-Y) and unemployment rate was 4.2 percent in September 2017.

**United Kingdom**

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

**Japan:**

GDP expanded by 1.4 percent (Y-o-Y) in Q2 2017, as compared to 1.5 percent in Q1. CPI inflation rose to 0.7 percent (Y-o-Y) in September 2017. Unemployment rate was steady at 2.8 percent in August 2017 as compared to the previous month.

**Euro Zone (EA19):**

GDP advanced by 2.3 percent (Y-o-Y) in Q2 2017 from 1.9 percent in Q1 of 2017.CPI inflation increased by 1.5 percent (Y-o-Y) in September 2017 as against previous month. Unemployment rate recorded 9.1 percent in August 2017.

**BRICS Nations:**

* Real GDP of Brazil advanced by 0.3 percent (Y-o-Y) in Q2 2017. CPI inflation increased to 2.5 percent in September 2017. Unemployment rate decreased to 12.6 percent in September 2017.
* Russia’s GDP advanced by 2.5 percent (Y-o-Y) in Q2 2017. CPI inflation was 3.0 percent (Y-o-Y) in September 2017. Unemployment rate rose to 5.0 percent in September 2017.
* India’s real GDP grew by 7.1 percent (Y-o-Y) in Q4 ,2016-17 as compared to 7.0 percent in Q3, FY 2016-17. Consumer prices in India recorded 3.28 percent (Y-o-Y) in September 2017, same as in the previous month.
* GDP of China expanded by 6.8 percent (Y-o-Y) in the third quarter of 2017. Consumer prices in China increased by 1.6 percent (Y-o-Y) in September 2017, as compared to the previous month. Unemployment rate slightly fell to 3.95 percent in June quarter.
* GDP of South Africa advanced by 1.1 percent, against 1.0 percent in the previous quarter. Consumer prices increased by 5.1 percent in September 2017. Unemployment rate in South Africa remained at 27.7 percent in the second quarter of 2017.

1. **Introduction:**
   1. The first half of 2017 witnessed strong recovery across the globe which may continue in the second half as well. The global growth is backed by the ongoing growth dynamic in the Euro-zone and in Japan, solid growth in China and India, and an improving situation in Russia. Besides, expectation in the US remains positive as the country may witness growth dynamic through a potential tax cut in 2018. However, headwinds may come from geopolitical developments in the Korean Peninsula and the Middle East. Besides, the repercussions of monetary policy normalisation, particularly in the US and the Euro-zone may cause some turbulence in the global financial markets. Seemingly high valuations in equity and bond markets, combined with low volatility, continued low inflation against improving growth rate in advanced nations may be an early sign of an upcoming turmoil. Debt levels also remain high in some key economies. Stability in the oil market remains a key determinant for global economic growth as well.

**The World Economy:**

* 1. The recovery in the world economy accelerated backed by firmer domestic demand growth in advanced economies and China and improved performance in other large emerging market economies. The International Monetary Fund (IMF) in its World Economic Outlook published in October 2017 revised its growth projection for the world output to 3.6 per cent in 2017 and 3.7 per cent in 2018. Growth rate in advanced economies has been picking up in 2017 backed by faster recovery in the euro area. As per the IMF projection, growth rate of the advanced nations is going to be 2.2 per cent in 2017 and 2.0 per cent in 2018, showing a notable increase from 1.7 per cent in 2016. The emerging market and developing economies too are expected to grow at faster pace at 4.6 per cent in 2017 and 4.9 per cent in 2018, from 4.3 per cent in 2016 (Exhibit 1).

**Exhibit 1: *World Economic Outlook* Projections – October 2017**

(Per cent)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Region / Country** | **Year-over-Year** | | | |
|  |  | **Projections** | |
| **2015** | **2016** | **2017** | **2018** |
| **World Output** | **3.4** | **3.2** | **3.6** | **3.7** |
| **Advanced Economies** | **2.2** | **1.7** | **2.2** | **2.0** |
| United States | 2.9 | 1.5 | 2.2 | 2.3 |
| Euro Area | 2.0 | 1.8 | 2.1 | 1.9 |
| Germany | 1.5 | 1.9 | 2.0 | 1.8 |
| France | 1.1 | 1.2 | 1.6 | 1.8 |
| Italy | 0.8 | 0.9 | 1.5 | 1.1 |
| Spain | 3.2 | 3.2 | 3.1 | 2.5 |
| Japan \* | 1.1 | 1.0 | 1.5 | 0.7 |
| United Kingdom | 2.2 | 1.8 | 1.7 | 1.5 |
| Canada | 0.9 | 1.5 | 3.0 | 2.1 |
| Other Advanced Economies † | 2.1 | 2.2 | 2.6 | 2.5 |
| **Emerging Market and Developing Economies** | **4.3** | **4.3** | **4.6** | **4.9** |
| **BRICS** |  |  |  |  |
| Brazil | -3.8 | -3.6 | 0.7 | 1.5 |
| Russia | -2.8 | -0.2 | 1.8 | 1.6 |
| India \*\* | 8.0 | 7.1 | 6.7 | 7.4 |
| China | 6.9 | 6.7 | 6.8 | 6.5 |
| South Africa | 1.3 | 0.3 | 0.7 | 1.1 |
| ASEAN †† | 4.9 | 4.9 | 5.2 | 5.2 |

\* Japan's historical national accounts figures reflect a comprehensive revision by the national authorities, released in December 2016. The main revisions are the switch from the System of National Accounts 2008 and the updating of the benchmark year from 2005 to 2011.

† Excludes the Group of Seven (Canada, France, Germany Italy, Japan, United Kingdoms, and United States) and euro area countries.

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

†† Indonesia, Malaysia, Philippines, Thailand, Vietnam

* 1. As per the IMF projections, in short-run, the ongoing cyclical recovery in the advanced nations is going to continue as output gap remains in some economies since labour market is yet to reach its full potential. In the medium term as the labour market reaches saturation. The ongoing momentum may sustain backed by strong consumer and business confidence, which is witnessed in the euro area and in East Asia. However, downside risk may emanate from factors like policy uncertainty regarding US regulatory and fiscal policies, the potential adoption of trade restrictions, negotiation of the United Kingdom’s relationship with the EU post-Brexit, and geopolitical risks. The following factors may cause turmoil in global financial markets:

1. *Financial stability risks in China:* The Chinese economy may face slowdown due to slower rebalancing of activity toward services and consumption, a higher debt trajectory, and diminished fiscal space available to respond in case of an abrupt adjustment.
2. *Tightening of global financial conditions:* Continued low interest rates in advanced nations may be risky. The IMF has pointed out that the search for yield amid historically low interest rates has pushed investors to move beyond their traditional risk mandates and is already causing a build-up of credit and liquidity risks and increased vulnerability to market risks in some countries and market segments.
3. *Risks of capital flow reversals:* Corporate leverage has increased substantially in several emerging market economies (in addition to China) since the global financial crisis, with high levels of foreign currency denominated corporate debt issuance. Net financial flows to emerging market and developing economies have picked up over the past year, as global risk appetite has recovered. Following a period of abundant credit supply, a sudden tightening of global financial conditions could expose financial fragilities, especially where buffers may be wearing thin after a period of macroeconomic strains and financial volatility.
4. *Challenges facing euro area banks:* The European banks are inflicted with bad debts. During the first quarter of 2017, nonperforming loan ratios were at about 5.7 per cent for the euro area, and greater than 10 per cent in six countries (including Italy, which accounts for about 30 per cent of the euro area’s NPL stock). With stubbornly high cost-to-asset ratios, especially for medium- and small-size banks, profitability also remains a challenge. Besides, low earnings hinder banks’ ability to build cushions against unexpected losses and to raise capital in markets.
5. *Persistently Low Inflation in Advanced Economies:* A number of advanced economies have been recording persistently subdued inflation which can carry significant risks by leading to a belief that central banks are willing to accept below-target inflation, thereby reducing medium-term inflation expectations. Low inflation and interest rates would reduce central banks’ capacity to lower real interest rates to restore full employment in an economic downturn thereby pushing the economy into a liquidity trap. Real wages would also be less flexible, and when demand falters, firms would be more likely to resort to laying off workers to reduce costs, amplifying the recessionary impulse.

**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 accelerated to 0.7 per cent quarter-on-quarter (Q-o-Q) in the second quarter of 2017 from 0.5 per cent in the previous quarter. Real GDP of the OECD area accelerated to 2.4 per cent year-on-year (Y-o-Y) in the second quarter of 2017 from 2.1 per cent in the previous quarter.
  3. Growth GDP in the G20 area accelerated to 0.9 per cent in the second quarter of 2017, compared with 0.8 per cent in the previous quarter, according to provisional estimates. Turkey recorded the highest quarterly growth among G20 economies (2.1 per cent). Real GDP also increased significantly in China (by 1.7 per cent), South Africa (0.6 per cent) and in Australia and the United States (0.8 per cent). GDP of the G20 area increased by 3.6 per cent (Y-o-Y) in the second quarter of 2017 compared with 3.4 per cent in the previous quarter.
  4. Annual inflation in the OECD area increased to 2.2 per cent in August 2017 from 2.0 per cent recorded in July 2017. This increase was mainly driven by energy price inflation which accelerated to 5.9 per cent in the year to August, compared with 3.7 per cent in July. Food price inflation also increased, but only marginally, to 1.8 per cent in August, compared with 1.7 per cent in July. Excluding food and energy, inflation was stable at 1.8 per cent for the fourth consecutive month. The OECD unemployment rate was stable at 5.8 per cent in August 2017, unchanged since May 2017.

**Exhibit 2: Major Macroeconomic Indicators**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Developed**  **Countries** | **Country / Region** | **Quarterly Growth Real GDP** | | | | **Annual CPI Inflation** | | **Unemployment Rate** | | **Benchmark Interest Rate** |
| **Y-o-Y** | **period** | **Q-o-Q** | **period** | **Rate** | **Period** | **Rate** | **Period** |
| United States | 2.30 | Q3 | 3.10\* | Q2 | 2.20 | Sep-17 | 4.20 | Sep-17 | 1.25 |
| United Kingdom | 1.50 | Q3 | 0.40 | Q3 | 3.00 | Sep-17 | 4.30 | Aug-17 | 0.25 |
| Eurozone | 2.50 | Q3 | 0.60 | Q2 | 1.50 | Sep-17 | 9.10 | Aug-17 | 0.00 |
| Germany | 2.10 | Q2 | 0.60 | Q2 | 1.80 | Sep-17 | 3.60 | Sep-17 | 0.00 |
| France | 2.20 | Q3 | 0.50 | Q2 | 1.00 | Sep-17 | 9.50 | Q2 of 2017 | 0.00 |
| Japan | 1.40 | Q2 | 0.60 | Q2 | 0.70 | Sep-17 | 2.80 | Sep-17 | -0.10 |
| **BRICS** | Brazil | 0.30 | Q2 | 0.20 | Q2 | 2.54 | Sep-17 | 12.60 | Aug-17 | 7.50 |
| Russia | 2.50 | Q2 | 1.08 | Q2 | 3.00 | Sep-17 | 5.00 | Sep-17 | 8.50 |
| India | 7.10 | FY 16-17 | 5.70 | Q1 | 3.28 | Sep-17 | NA | NA | 6.00 |
| China | 6.80 | Q3 | 1.70 | Q3 | 1.60 | Sep-17 | 3.95 | Q2 of 2017 | 4.35 |
| South Africa | 1.10 | Q2 | 2.50 | Q2 | 5.10 | Sep-17 | 27.7 | Q2 of 2017 | 6.75 |
| **Other Ems** | South Korea | 3.60 | Q3 | 1.40 | Q3 | 2.10 | Sep-17 | 3.70 | Sep-17 | 1.25 |
| Indonesia | 5.01 | Q2 | 4.00 | Q2 | 3.72 | Sep-17 | 5.33 | Q1 of 2017 | 4.25 |
| Turkey | 5.10 | Q1 | 2.10 | Q1 | 11.20 | Sep-17 | 10.7 | Jul-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. **Population ageing and rising inequality**

As per a recent publication by OECD, titled ‘Preventing Ageing Unequally’ says that in 1980, there were only 20 people aged 65 and over for every 100 of working-age, on average across the OECD; by 2015 this number had ascended to 28 and by 2050 is anticipated to twofold to reach 53.. Many developing economies are aging much faster. Simultaneously, inequalities have been increasing from one generation to the next. Among people starting their working life it is now already much higher than among today’s elderly.

* 1. **Employment rate increases to 67.6 percent**

As per latest OECD employment report, the employment rate in OECD area– defined as the share of people of working-age in employment increased by 20 basis points the second quarter of 2017, to 67.6 percent; 3.2 percentage points above the 2009 low and 1.0 percentage point above the previous peak in 2008. Around 559 million persons were employed in the second quarter of 2017, which is 26 million more than the second quarter of 2008. Compared to the first quarter of 2017, the euro area employment rate rose by 0.3 percentage point (to 66.2 percent). In US it increased by 20 basis point to 70.0 percent.

**United States:**

* 1. As per the “third” estimates released by the Bureau of Economic Analysis the real GDP of US growth increased at 3.1 percent (Q-o-Q) (in annualised terms) during the second quarter of 2017 from 1.2 percent growth rate recorded in the previous quarter. The increase in real GDP reflected positive contributions from non-residential fixed investment, exports, residential fixed investment, and personal consumption expenditures that were partly offset by negative contributions from private inventory investment, federal government spending, and state and local government spending. Real GDP increased by 1.6 percent in 2016 (Y-o-Y) compared with an increase of 2.6 percent in 2015. As per IMF’s recent growth outlook the US economy is projected to expand at 2.2 percent in 2017 and 2.3 percent in 2018.
  2. As per data released by the Bureau of Labor Statistics, the consumer prices in USA went up by 2.2 percent (Y-o-Y) in September 2017. The price index for all items less food and energy rose by 1.7 percent (Y-o-Y) during the month. Unemployment rate in the US was 4.2 percent in September 2017 same as of the previous month. The Federal Open Market Committee (FOMC) on 20 Sep 2017 voted to maintain the target range for the federal funds rate at 1 to 1.25 percent.
  3. The seasonally adjusted Markit US Manufacturing Purchasing Managers’ Index (PMI) posted 53.1 in September 2017, slightly up from 52.8 of August. The Markit U.S. Services PMI recorded at 55.3 in September 2017 against 56.0 in August 2017.

***Observations:*** *The hiring, with job creation picked up to a nine-month high was a good news for the economy. However, with employment rising faster than output, productivity may be expected to be slipping. Growth is largely dependent on the services sector, however, as manufacturing lags behind, struggling in part due to the strong dollar. The ongoing low interest rate with low inflation and improving growth rate may be an early signal to economic disruption.*

**United Kingdom:**

* 1. As per the second estimate by Office for National Statistics, the British economy grew at 0.4 percent (Q-o-Q) in the Q3 2017, compared to 0.3 percent growth in the previous quarter. On a Y-o-Y basis, GDP expanded 1.5 percent in the Q3 2017 following a 1.7 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 September 2017 against 2.9 in August 2017. UK unemployment rate fell to 4.3 percent during the period June 2017 to August 2017 same as in previous period. The Bank of England Monetary Policy Committee kept the Bank Rate at same as of 0.25 percent and left the stock of purchased assets at £435 billion.
  3. Manufacturing PMI marked 55.9 in September 2017 from 56.7 in August 2017. The UK Services PMI marked 53.6 against 53.2 in the previous month.

***Observations:*** *The higher than expected growth of the UK economy increased the chances of interest rate rise in November 2017.The primary aim for the authorities is to raise labour productivity to ensure higher wage rate that would improve the living standard of the people.*

**Japan:**

* 1. The Japanese economy advanced 0.6 percent (Q-o-Q) in the second quarter of 2017,below preliminary estimates of a 1.0 percent expansion. Business spending grew much slower than expected and private consumption rose slightly less than anticipated.In Y-o-Y terms, Japanese economy grew by 1.4 percent (Y-o-Y) during Q2 2017 as compared to 1.5 percent (Y-o-Y) in Q1 2017. According to IMF’s outlook, the Japanese economy is expected to grow at 1.5 percent in 2017 and pace of expansion is expected to weaken thereafter to 0.7 percent in 2018.
  2. Consumer prices in Japan remained unchanged at 0.7 percent in September 2017, the same as in previous month. Prices of food increased at a faster pace while cost of transport was flat and cost of housing continuedto fall. The seasonally adjusted unemployment rate in Japan remains stable at 2.8 percent in September 2017 as compared to the previous month.
  3. The Bank of Japan left its key short-term interest rate unchanged at -0.1 percent at its September 2017 meeting, as expected. The policymakers also decided to keep its 10 year Government bond yield target around 0 percent.

***Observations:*** *Resilient global growth and improving domestic demand are propping up Japan’s economy this year. However, ongoing geopolitical tensions could lead the yen to appreciate, hurting the external sector.*

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

* 1. The real GDP growth in the Euro area was recorded 2.3 percent in the Q2 2017 (Y-o-Y). In Q-o-Q terms, the Euro Area economy growth advanced by 0.6 percent in Q2 2017 as compared to the previous quarter. Among Eurozone's countries, GDP expanded at a faster pace in Spain (0.9 percent), the Netherlands (1.5 percent) and Austria (0.9 percent).  GDP growth was unchanged in France (at 0.5 percent), Italy (at 0.4 percent) and Slovakia (at 0.8 percent), and slowed in Germany (0.6 percent), Belgium (0.4 percent), Cyprus (0.9 percent), Latvia (1.3 percent), Lithuania (0.6 percent) and Portugal (0.2 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 increased by 1.5 percent year-on-year in September 2017, in same pace as compared to the previous month. The highest annual rates were recorded in Lithuania (4.6 percent), Estonia (3.9 percent), and Latvia (3.0 percent) and the lowest annual rates were registered in Cyprus (0.1 percent), Ireland (0.2 percent) and Finland (0.8 percent).
  3. The seasonally-adjusted unemployment rate in the Eurozone recorded 9.1 percent in August 2017, same as in the last two months. Among the Member States, the lowest unemployment rates were recorded in the Czech Republic (2.9 percent) ,Germany (3.6 percent) and Malta( 4.2 percent); while the highest unemployment rates were observed in Greece (21.2 percent in June 2017) and Spain (17.1 percent).
  4. The European Central Bank decided to keep interests rates unchanged in its October meeting and held its benchmark refinancing rate at 0 percent. ECB also decided to reduce its quantitative easing programme to a monthly pace of €30 billion from January with the option of extending it in September 2018. Both the deposit rate and the lending rate were also left steady at -0.4 percent and 0.25 percent, respectively.

***Observations:*** *Eurozone’s economy continued to grow on all fronts in the third quarter of 2017. Industrial production surged in August, and economic sentiment jumped to an over 10-year high in September. In addition, the unemployment rate hovered at a multi-year low in August and robust external demand has boosted exports, despite a strong euro.*

**Brazil:**

* 1. GDP of Brazil advanced by 0.3 percent in the second quarter of 2017, following 0.4 percent contraction in the previous period. It is the first advancement in the growth rate since first quarter of 2014 mainly on account of recovery in household spending .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 2.54 percent (Y-o-Y) in September 2017, increasing from a 2.46 percent in the August 2017 .The Central Bank of Brazil executed another 75 basis point cut in its benchmark SELIC rate to 7.50 percent .It is the ninth straight rate decline, bringing borrowing costs to the lowest since September of 2013amid plunging inflation and a slow recovery.  Unemployment Rate in Brazil further eased down to 12.6 percent in August 2017 from 12.8 percent rate recorded in July 2017.

**China:**

* 1. The Chinese economy expanded by 6.8 percent in the third quarter of 2017, following a 6.9 percent growth in the last two quarters. It was the weakest pace of expansion since the Q4 of 2016, as fixed-asset investment rose the least in nearly 18 years while industrial output and retail sales increased further.  According to IMF’s recent forecast, China’s growth is expected to grow at 6.8 percent in 2017, and to decline modestly in 2018 to 6.5 percent.

* 1. Consumer prices in China increased by 1.6 percent (Y-o-Y) during September 2017, as compared to 1.8 percent in August 2017 and in line with market expectations. The People's Bank of China has kept benchmark one-year lending rate unchanged at 4.35 percent and has been the same since last cut of 25 basis point in October, 2015. Unemployment rate in China fell slightly to 3.95 percent in the second quarter of 2017 from 3.97 percent in the first quarter of 2017.

**Russia:**

* 1. The Russian economy expanded 2.5 percent(Y-o-Y) in the second quarter of 2017, following 0.5 percent growth in the previous quarter. The economy is expected to return to growth in 2017 after two years of contraction as a result of recovering private consumption and fixed investment. A rebound in mining, manufacturing and trade and a jump in transportation boosted growth. The growth forecast for Russia is expected to remain at 1.8 percent for 2017 and 1.6 for 2018.
  2. Consumer prices in Russia eased to 3.0 percent year-on-year in September 2017, from 3.3 percent in the previous month. The Central Bank of Russia has lowered its benchmark one-week repo rate to 8.5 percent due to unexpected slowdown in inflation. Russian unemployment rose slightly to 5.0 percent in September of 2017 from 4.9 percent in the previous month.

**South Africa**

* 1. The South African economy advanced 1.1 percent (Y-o-Y) in the second quarter of 2017, higher than 1 percent in the previous two quarters and beating market expectations. It is 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 increased 5.1 percent year-on-year in September 2017, from 4.8 percent in August and above market expectations. The South African Reserve Bank kept its benchmark repo rate steady at 6.75 percent at its September meeting. The unemployment rate in South Africa remained at 27.7 percent in the second quarter of 2017 as compared to the previous period. It is the highest jobless rate since 2004.

1. **Review of Global Financial Markets:** 
   1. Developed international stock markets rose in September, though emerging markets equities showed slowdown. Geopolitical concerns about rising tensions between North Korea and the U.S. and a morning rush hour terrorist incident at a southwest London Underground station temporarily suppressed markets. On the other hand, weakening global demand resulted in a slight monthly loss for emerging markets stocks, ending nine consecutive months of advances.
   2. Eurozone equities advanced against a backdrop of positive economic data. The possibility that the European Central Bank (ECB) could soon reduce its stimulus measures continued to be a focus for the market. Japanese equities strengthened in U.S. dollar terms during the month, as exports spiked to the largest year-on-year increase since November 2013. Chinese stocks advanced, though recent data signaled the start of a widely anticipated second-half economic slowdown. Brazilian stocks surge on privatization news while Indian stocks retreated amid currency weakness and growing concerns about the outlook for the country’s economy, which expanded at its slowest pace in three years in the June quarter.
   3. MSCI World Index, which is a leading indicator for tracking the overall performance of stock markets in developed markets witnessed notable increase of 2.1 percent. On the other hand, MSCI Emerging Market Index registered a decrease of 0.1 percent during September 2017. MSCI India Index registered a fall of 1.6 percent in September 2017 over the previous month. (Chart 3).

**Chart 4: Movement in MSCI World and Emerging Market Index**

*Source: Bloomberg*

**Bond Markets:**

* 1. Global bond yields generally rose during the month despite the backdrop of escalating tensions between the US and North Korea. An acceleration in inflation, the Trump administration’s announcement of its tax reform proposal, and the Federal Reserve’s decision to start cutting back it’s USD 4.5 trillion balance sheet in October 2017 helped drive Treasury yields higher in September 2017. The 10-year Treasury note’s yield finished the month at 2.33 percent, higher as compared to 2.12 in the previous month.

* 1. U.K. 10-year gilt yields surged during September 2017 and prices fell amid expectations of higher interest rates. The yield ascended to 1.37 percent from 1.03 percent in the previous month.
  2. Bonds in developed non-U.S. markets declined in U.S. dollar terms as the dollar strengthened versus the yen and the euro. Government bond yields in core European markets gradually increased from their early month lows with 10 year German bond yields increasing to 0.46 percent at the end of September 2017. The 10 year government bond yield of China has decreased marginally to 3.62 percent. The yield of India also increased to 6.66 percent while the Russian bond yield descended to 7.60 percent in September 2017.

**Chart 5: Movement in 10 year bond yield of major countries**

***Source****: Bloomberg*

**Currency Market:**

* 1. During September 2017 (by comparing the closing prices of the close of last trading days of the August and September), the U.S. dollar (USD) lost against 2 (GBP and Ruble) out of 7 currencies (INR, YEN, GBP, EURO, Real, Yuan and Ruble) evaluated against it. The change in the currencies against dollar was GBP (3.74 percent), Ruble (0.83 percent), Yuan (-0.60 percent), Real (-0.63 percent), EURO (-0.68 percent), INR (-2.14 percent) and YEN (-2.24 percent) respectively.
  2. US Dollar Index, an index representing the strength of dollar against basket of other major currencies, observed to be 93.08 on close of September 2017, it gained 0.44 percent against the basket of major currencies during September 2017, and was 8.94 percent below the close of last trading day of 2016.
  3. Comparing the closing prices of currencies in 2016 with the closing price of September, Euro gained 10.75 percent followed by GBP (7.90 percent), Ruble (5.97 percent), Yuan (4.39 percent), INR (3.86 percent), Yen (3.45 percent) and Real (2.80 percent) respectively.
  4. Since the beginning of September 2015 till (closing prices of the last trading days of August 2015 and September 2017 were compared), Brazilian Real and Russian Ruble gained 12.85 and 10.73 percent respectively against USD. INR gained 1.57 percent. Other currencies such as Yen gained 7.12 percent against USD, Euro gained 4.79 percent against USD while GBP depreciated by 14.86 percent against USD. Chinese Yuan has depreciated by 4.00 percent against USD.

**Chart 6: Movement of major currencies against US Dollar ($)**

**Source**: Bloomberg

**Trend in Market Indices:**

* 1. Major stock indices all over the world exhibited quite a mixed trend during September 2017. Amongst the developed markets DAX of Germany witnessed an increase of 6.4 percent, followed by CAC 40 of France increasing by 4.8 percent and Japan’s Nikkei increasing by 3.6 percent during September 2017. Meanwhile, a decline was registered by Singapore STI falling by 1.7 percent, followed by Hang Seng of Hong Kong and FTSE 100 of UK decreasing by 1.5 percent and 0.8 percent respectively during the same period.
  2. As regards the emerging market indices, Hermes of Egypt led the way with an increase of 5.7 percent, followed by Brazil’s Bovespa which increased by 4.9 percent and Russian traded of Russia which recorded an increase of 4.5 percent during September 2017. On the contrary, a steep fall of 6.5 percent was registered by ISE National 100 of Turkey, followed by Budapest Stock Exchange of Hungary and Taiex of Taiwan declining by 2.1 percent and 0.9 percent respectively during the same period.

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

**Source**: Bloomberg

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

**Source**: Bloomberg

**Market Capitalisation:**

* 1. Market capitalisation of major countries in the world, at the end of September 2017, is given in table A6 and is illustrated in Chart 8. The market capitalisation of most of the major countries showed positive trend during the month of September 2017.
  2. Among major developed markets, the market capitalisation of Germany increased significantly by 5.4 percent while France showed an increase of 4.6 percent during September 2017. UK and USA also showed an increase in their market capitalisation by 3.9 percent and 3.1 percent respectively while the market capitalisation of Australia and Singapore decreased by 1.8 percent and 1.0 percent respectively at the end of September 2017.
  3. As regards the emerging markets, the market capitalisation of India decreased by 2.1 percent to USD 2.0 trillion while China’s market capitalisation saw a marginal increase by 0.8 percent to USD 7.5 trillion. The market capitalization of Argentina and Egypt ascended significantly by 11.1 percent and 6.8 percent respectively. Russia, Brazil and Chile showed increase in their market capitalisation and rose by 4.5 percent, 3.3 percent and 1.7 percent respectively at the end of September 2017.On the contrary, market capitalisation of Turkey declined significantly by 9.2 while South Africa and South Korea showed a decrease of 5.0 percent and 0.8 percent respectively in September 2017.

**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 September 2017, the monthly notional turnover of index futures in CME Group was the highest at USD 5,827 billion followed by EUREX (USD 2,223 billion), Japan Exchange Group (USD 1,247 billion) and Hong Kong Exchanges and Clearing (USD 681 billion). In case of Index options, Korea Exchange recorded the monthly turnover of USD 2,667 billion followed by CME Group (USD 2,156 billion) and EUREX (USD 1,116 billion). Korea Exchange recorded highest number of contracts traded in Index option category, with 50.2 million contracts traded in September 2017, followed by Chicago Board Options Exchange (42.6 million contracts), EUREX (26.9 million contracts) and TAIFEX (18.1 million contracts).
  2. In case of Stock Options, BM&FBOVESPA recorded highest volume (62.6 million contracts) in terms of contracts traded on the major world exchanges followed by Nasdaq - US (45.2 million contracts), Chicago Board Options Exchange (32.4 million contracts), NYSE (24.7 million contracts) and EUREX (14.4 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 29.7 million contracts, followed by Moscow Exchange (17.6 million contracts), Thailand Futures Exchange (6.3 million contracts) and EUREX (5.4 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 Q1 of 2017-18, quarterly GVA (Gross Value Added) at basic price of 2011-12 has shown a growth rate of 5.6 percent (Y-o-Y) against 7.6 percent of same quarter of previous fiscal year. Agriculture sector's GVA at basic price has been estimated at 2.3 percent in Q1 of 2017-18 as against 2.5 percent of same quarter of previous fiscal year. Manufacturing sector grew by 1.2 percent as compared to growth of 10.7 percent in previous fiscal year. For the financial, real estate and professional services sector, quarterly GVA at basic prices, grew by 6.4 percent as compared to growth of 9.4 percent in previous fiscal year.
   2. GDP in FY 2016-17 has shown a growth rate of 7.1 percent (Y-o-Y). The World Bank has marginally kept India's economic growth forecasts to 7.2 percent and 7.5 percent for 2017 and 2018 respectively.
   3. The Nikkei India Manufacturing PMI (Purchasing Managers’ Index) stood at 51.2 in September same as in previous month. The Nikkei India Services PMI Index noted 50.7 in September against 47.5 in August.

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

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

***Source:*** *CSO*

**Index of Industrial Production**

* 1. India’s General Index of Industrial Production (IIP) increased by 4.3 percent in August 2017, against 4.0 percent growth recorded in August 2016 (both over the corresponding period in the previous year), with manufacturing growing by 3.1 percent as compared to its 5.5 percent growth in previous year. Electricity grew at 8.3 percent in August as compared to 2.1 percent growth in previous year. Mining grew by 9.4 percent in August, compared to a growth of -4.3 percent contraction in previous year. During April-August 2017-18, the IIP grew 2.2 percent, against 5.9 percent growth recorded in April-August 2016-17.

**Inflation**

* 1. India's CPI inflation grew by 3.28 percent in September, same as in previous month. Food prices (as measured by CFPI) showed an increase of 1.25 percent in September as compared to growth of 1.52 percent in last month. The Repo rate currently stands at 6.00 percent.

**Trade – Exports and Imports**

* 1. Exports during September 2017 growing by 25.67 percent in dollar terms valued at USD 28.61 billion as compared to USD 22.77 billion during same month of last year. Imports increased by 18.09 percent to USD 37.0 billion in September 2017 from 31.84 billion during the same month of last year. The merchandise trade deficit was USD 8.98 billion in during September 2017, against the deficit of USD 9.07 billion of September 2016. Taking merchandise and services together, overall trade deficit for April- September 2017-18 was estimated at USD 43.81 billion, against the deficit of USD 16.47 billion during April-September 2016-17.

**Foreign Exchange Reserves**

* 1. Since the end of March 2017, forex reserves have increased by about USD 29,702.00 million. The reserves were recorded at USD 399.66 billion as on 29 September 2017. (Exhibit 4)

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **29 Sep 2017** | **25 Aug 2017** | **28 Jul 2017** | **30 Jun 2017** |
| **Total Reserves** | 399.7 | 394.6 | 392.9 | 386.5 |
| **Foreign Currency Assets** | 375.2 | 370.8 | 368.8 | 362.4 |
| **Gold** | 20.7 | 19.9 | 20.3 | 20.3 |
| **SDRs** | 1.5 | 1.5 | 1.5 | 1.5 |
| **Reserve Position in the IMF** | 2.3 | 2.3 | 2.3 | 2.3 |

***Source:*** *RBI*

1. **Annex Tables:**

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Index** | **As on**  **March\*,2016** | **As on March\*,2017** | **As on**  **August\* , 2017** | **As on**  **September\*, 2017** |
| *1* | *2* | *3* | *4* | *5* | *6* |
| Australia | All Ordinaries | 5151.8 | 5903.8 | 5776.25 | 5744.86 |
| France | CAC 40 | 4385.1 | 5089.6 | 5085.59 | 5329.81 |
| Germany | Dax | 9965.5 | 12256.4 | 12055.84 | 12828.86 |
| Hong Kong HSI | Hang Seng | 20776.7 | 24111.6 | 27970.30 | 27554.30 |
| Japan NIKKEI | Nikkei 225 | 16758.7 | 18909.3 | 19646.24 | 20356.28 |
| Singapore STI | Straits Times | 2840.9 | 3175.1 | 3277.26 | 3219.91 |
| UK | FTSE 100 | 6174.9 | 7322.9 | 7430.62 | 7372.76 |
| USA DOW JONES | Dow Jones Industrial Average | 17685.1 | 20663.2 | 21948.10 | 22405.09 |
| USA NASDAQ Composite | Nasdaq Composite | 4869.8 | 5911.7 | 6428.66 | 6495.96 |
| India (BSE) | Sensex | 25341.9 | 29620.5 | 31730.49 | 31283.72 |
| India (NSE) | Nifty 50 | 7738.4 | 9173.8 | 9917.90 | 9788.60 |
| Brazil | Bovespa | 50055.3 | 64984.1 | 70835.05 | 74293.51 |
| Chile | Stock Market Select | 3937.5 | 4783.4 | 5153.15 | 5341.93 |
| China | Shanghai SE Composite IX | 3003.9 | 3222.5 | 3360.81 | 3348.94 |
| Colombia | IGBC General | 9871.5 | 10150.7 | 11048.63 | 11097.07 |
| Egypt | Hermes | 687.3 | 1167.8 | 1209.93 | 1279.20 |
| Hungary | Budapest Stock Exchange | 26451.0 | 31634.3 | 38092.26 | 37290.65 |
| Indonesia | Jakatra Composite | 4845.4 | 5568.1 | 5864.06 | 5900.85 |
| Malaysia | FTSE Bursa Malaysia KLCI | 1717.6 | 1740.1 | 1773.16 | 1755.58 |
| Mexico | Bolsa | 45881.1 | 48541.6 | 51210.48 | 50346.06 |
| Pakistan | Karachi 30 | 19167.5 | 25615.6 | 21002.90 | 21605.95 |
| Russia | Russian Traded | 1203.3 | 1509.7 | 1486.25 | 1552.94 |
| South Africa | FTSE/JSE Africa All Share | 52250.3 | 52056.1 | 56522.11 | 55579.92 |
| Taiwan | Taiwan Taiex | 8744.8 | 9811.5 | 8174.92 | 10383.94 |
| Thailand | Stock Exchange of Thai | 1407.7 | 1575.1 | 1616.16 | 1673.16 |
| Turkey | ISE National 100 | 83268.0 | 88947.4 | 110010.50 | 102907.70 |

\*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** | |
|
| **Aug-17** | **Sep-17** | **Aug-17** | **Sep-17** |
| **1** | **2** | **3** | **4** | **5** | **6** |
| **Developed Markets** |  |  |  |  |  |
| Australia | All Ordinaries | 0.5 | 0.4 | 16.0 | 15.9 |
| France | CAC 40 | 0.7 | 0.4 | 15.0 | 15.7 |
| Germany | Dax | 0.8 | 0.4 | 13.2 | 14.2 |
| Hong Kong HSI | Hang Seng | 0.8 | 0.6 | 12.9 | 12.6 |
| Japan NIKKEI | Nikkei 225 | 0.6 | 0.7 | NA | NA |
| Singapore STI | Straits Times | 0.5 | 0.5 | 14.9 | 14.7 |
| UK | FTSE 100 | 0.7 | 0.5 | 15.2 | 15.2 |
| USA DOW JONES | Dow Jones Industrial Average | 0.4 | 0.4 | 18.0 | 18.4 |
| USA NASDAQ Composite | Nasdaq Composite | 0.8 | 0.6 | 24.1 | 24.3 |
| **Emerging Markets** |  |  |  |  |  |
| India (BSE) | S&P Sensex | 0.7 | 0.6 | 22.6 | 21.8 |
| India (NSE) | Nifty 50 | 0.7 | 0.6 | 22.0 | 20.5 |
| Argentina | Indice Bolsa General | 1.4 | 0.8 | 15.1 | 16.8 |
| Brazil | Bovespa | 0.8 | 0.8 | 13.7 | 14.3 |
| Chile | Stock Market Select | 0.4 | 0.6 | 19.7 | 20.8 |
| China | Shanghai SE Composite IX | 0.7 | 0.3 | 14.8 | 14.6 |
| Colombia | IGBC General | 0.6 | 0.4 | 16.2 | 16.3 |
| Egypt | Hermes | 0.7 | 0.5 | 11.4 | 10.9 |
| Hungary | Budapest Stock Exchange | 0.6 | 0.6 | 11.9 | 11.1 |
| Indonesia | Jakatra Composite | 0.6 | 0.4 | 16.7 | 17.5 |
| Malaysia | FTSE Bursa Malaysia KLCI | 0.3 | 0.3 | 16.5 | 16.4 |
| Mexico | Bolsa | 0.4 | 0.4 | 18.9 | 18.6 |
| Pakistan | Karachi 30 | 1.3 | 1.1 | 8.8 | 9.7 |
| Russia | Russian Traded | 0.8 | 0.6 | 6.8 | 7.2 |
| South Korea | Kospi Index | 0.7 | 0.6 | 10.7 | 11.1 |
| South Africa | FTSE/JSE Africa All Share | 0.6 | 0.6 | 16.2 | 15.6 |
| Taiwan | Taiwan Taiex | 0.6 | 0.6 | 14.3 | 13.6 |
| Thailand | Stock Exchange of Thai | 0.5 | 0.3 | 16.1 | 16.7 |
| Turkey | ISE National 100 | 1.0 | 1.1 | 9.4 | 8.6 |

NA.: Not Available

**Source**: Bloomberg,

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Stock Exchange** | **Aug-17** | | | **Sep-17** | | |
| **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** | **Bonds (USD Million)** | **Equity (USD Million)** | **Total (USD Million)** |
| Australian Securities Exchange | NA | 3,881 | 3,881 | NA | 3,028 | 3,028 |
| BME Spanish Exchanges | NA | 512 | 512 | NA | 2,073 | 2,073 |
| Bolsa de Comercio de Buenos Aires | 3,332 | 0 | 3,332 | 7,117 | 11 | 7,128 |
| Borsa Istanbul | 6,887 | 59 | 6,946 | 5,774 | 9 | 5,783 |
| Euronext | NA | 10,593 | 10,593 | NA | 6,095 | 6,095 |
| Hong Kong Exchanges and Clearing | 4,484 | 1,969 | 6,453 | 11,971 | 12,097 | 24,068 |
| Irish Stock Exchange | 0 | 74 | 74 | 1,771 | 0 | 1,771 |
| Japan Exchange Group Inc. | 4,940 | 421 | 5,361 | NA | NA | NA |
| Johannesburg Stock Exchange | 4,851 | 1,317 | 6,167 | 7,385 | 329 | 7,714 |
| Korea Exchange | 39,579 | 226 | 39,805 | 38,069 | 372 | 38,441 |
| London SE Group | 30,952 | 1,494 | 32,446 | 48,244 | 1,944 | 50,188 |
| Moscow Exchange | 27,046 | NA | 27,046 | 20,186 | NA | 20,186 |
| Nasdaq - US | NA | 208 | 208 | NA | 987 | 987 |
| Nasdaq Nordic Exchanges | 1,648 | 0 | 1,648 | 6,434 | 529 | 6,962 |
| NYSE | NA | 6,872 | 6,872 | NA | 11,108 | 11,108 |
| Oslo Bors | 3,192 | 0 | 3,192 | 6,418 | 107 | 6,525 |
| Shanghai Stock Exchange | NA | 4,552 | 4,552 | NA | 7,071 | 7,071 |
| Shenzhen Stock Exchange | 5,384 | 12,167 | 17,550 | 2,049 | 6,053 | 8,102 |
| Singapore Exchange | 34,756 | 188 | 34,944 | 49,679 | 43 | 49,722 |
| SIX Swiss Exchange | 930 | 0 | 930 | 4,215 | 0 | 4,215 |
| Tel-Aviv Stock Exchange | 1,099 | 229 | 1,328 | 3,566 | 64 | 3,630 |
| TMX Group | 1,224 | 2,810 | 4,035 | 0 | 2,886 | 2,886 |
| Warsaw Stock Exchange | NA | 8,567 | 8,567 | NA | 40 | 40 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Exchange** | **Sep-17** | | | |
| **Stock options** | | **Stock futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 6,25,61,309 | 40,693 | 0 | 0 |
| Bolsa de Comercio de Buenos Aires | 31,15,959 | 0 | 0 | 0 |
| Chicago Board Options Exchange | 3,24,16,471 | NA | NA | NA |
| Nasdaq - US | 4,51,78,159 | NA | NA | NA |
| NYSE | 2,46,59,488 | 5,360 | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 67,53,895 | 13,956 | 3,07,049 | 274 |
| Hong Kong Exchanges and Clearing | 81,19,543 | 24,716 | 5,342 | 40 |
| Japan Exchange Group | 55,845 | NA | NA | NA |
| Korea Exchange | 19,13,549 | NA | 2,97,47,577 | 24,476 |
| TAIFEX | 20,187 | 88 | 21,00,223 | 12,142 |
| Thailand Futures Exchange | NA | NA | 62,51,913 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 3,445 | 1 | 23,91,759 | 316 |
| BME Spanish Exchanges | 19,41,235 | 1,918 | 19,23,925 | 1,459 |
| Borsa Istanbul | 2,99,514 | 58 | 16,78,055 | 366 |
| EUREX | 1,44,10,343 | 67,905 | 54,17,295 | 24,138 |
| Euronext | 53,55,769 | 20,345 | 33,588 | 261 |
| Johannesburg Stock Exchange | 10,73,368 | 46 | 24,93,178 | 2,181 |
| Moscow Exchange | 1,42,865 | 41 | 1,76,37,879 | 5,206 |
| Nasdaq Nordic Exchanges | 20,89,954 | 3,239 | 6,30,906 | 1,014 |
| Oslo Bors | 0 | 0 | 0 | 0 |
| Tehran Stock Exchange | 16,84,914 | 2 | 0 | 0 |
| Tel-Aviv Stock Exchange | 51,751 | 313 | 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** | **Sep-17** | | | |
| **Stock index options** | | **Stock index futures** | |
| **Number of contracts traded** | **Notional turnover (USD Million)** | **Number of contracts traded** | **Notional turnover (USD Million)** |
| **Americas** |  |  |  |  |
| BM&FBOVESPA | 18,52,964 | 24,911 | 3,13,19,674 | 1,82,248 |
| Chicago Board Options Exchange | 4,26,18,444 | NA | NA | NA |
| CME Group | 1,29,05,400 | 21,56,180 | 4,87,01,840 | 58,27,210 |
| ICE Futures US | 1,738 | 250 | 70,32,301 | 5,42,929 |
| MexDer | 407 | 11 | 1,33,527 | 3,679 |
| Nasdaq - US | 2,29,535 | NA | NA | NA |
|  |  |  |  |  |
| **Asia - Pacific** |  |  |  |  |
| Australian Securities Exchange | 10,28,312 | 47,113 | 17,16,996 | 1,86,895 |
| Hong Kong Exchanges and Clearing | 27,52,840 | 2,75,688 | 63,11,800 | 6,81,443 |
| Japan Exchange Group | 30,45,974 | NA | 2,42,02,477 | 12,47,480 |
| Korea Exchange | 5,02,15,705 | 26,66,700 | 69,76,477 | 3,93,007 |
| Singapore Exchange | 8,76,755 | NA | 1,20,92,478 | NA |
| TAIFEX | 1,81,27,361 | 3,13,185 | 57,79,010 | 2,81,612 |
| Thailand Futures Exchange | 1,81,328 | NA | 36,14,382 | NA |
|  |  |  |  |  |
| **Europe - Africa - Middle East** |  |  |  |  |
| Athens Derivatives Exchange | 7,794 | 37 | 48,218 | 234 |
| BME Spanish Exchanges | 5,05,895 | 6,107 | 6,24,709 | 63,984 |
| Borsa Istanbul | 10,414 | 38 | 32,36,342 | 11,925 |
| EUREX | 2,68,96,270 | 11,16,430 | 4,47,90,688 | 22,22,770 |
| Euronext | 11,37,219 | 70,329 | 31,11,014 | 2,25,237 |
| Johannesburg Stock Exchange | 3,78,323 | 122 | 29,69,562 | 64,956 |
| Moscow Exchange | 31,26,279 | 6,741 | 1,15,31,644 | 24,697 |
| Nasdaq Nordic Exchanges | 5,70,945 | 11,053 | 35,12,585 | 51,872 |
| Oslo Bors | 0 | 0 | 0 | 0 |
| Tel-Aviv Stock Exchange | 21,23,419 | NA | NA | NA |
| Warsaw Stock Exchange | 23,688 | 163 | 4,49,989 | 6,228 |

NA: Not Available

**Source**: World Federation of Exchanges

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Stock Exchange** | **Jul-17** | **Aug-17** | **Sep-17** | **M-o-M change(%)** |
| *1* | *2* | *3* | *4* | *5* |
| **Developed Markets** |  |  |  |  |
| Australia | 13,19,104 | 13,18,586 | 12,94,956 | (1.8) |
| France | 24,15,866 | 23,93,031 | 25,02,531 | 4.6 |
| Germany | 22,30,539 | 22,32,023 | 23,52,442 | 5.4 |
| Hong Kong | 47,99,582 | 49,56,829 | 49,86,881 | 0.6 |
| Japan | 57,40,647 | 57,24,992 | 58,17,558 | 1.6 |
| Singapore | 5,56,580 | 5,52,464 | 5,46,951 | (1.0) |
| UK | 35,50,345 | 34,84,869 | 36,19,296 | 3.9 |
| USA | 2,74,54,116 | 2,72,20,399 | 2,80,55,837 | 3.1 |
|  |  |  |  |  |
| **Emerging Markets** |  |  |  |  |
| India | 20,74,592 | 20,73,860 | 20,30,816 | (2.1) |
| Argentina | 77,320 | 86,980 | 96,639 | 11.1 |
| Brazil | 8,25,849 | 8,88,118 | 9,17,775 | 3.3 |
| Chile | 2,52,972 | 2,67,210 | 2,71,857 | 1.7 |
| China | 70,99,266 | 75,11,278 | 75,68,913 | 0.8 |
| Colombia | 1,09,619 | 1,10,475 | 1,10,005 | (0.4) |
| Egypt | 41,280 | 41,437 | 44,240 | 6.8 |
| Hungary | 28,448 | 30,264 | 29,006 | (4.2) |
| Indonesia | 4,77,442 | 4,80,328 | 4,77,893 | (0.5) |
| Malaysia | 4,11,184 | 4,13,297 | 4,16,954 | 0.9 |
| Mexico | 4,06,887 | 4,13,396 | 3,99,984 | (3.2) |
| Pakistan | 88,473 | 80,328 | 83,478 | 3.9 |
| Russia | 5,21,878 | 5,60,778 | 5,86,066 | 4.5 |
| South Korea | 15,38,579 | 15,17,718 | 15,06,031 | (0.8) |
| South Africa | 4,71,397 | 4,94,784 | 4,70,069 | (5.0) |
| Taiwan | 11,51,150 | 11,66,678 | 11,48,333 | (1.6) |
| Thailand | 4,59,737 | 4,72,054 | 4,85,971 | 2.9 |
| Turkey | 2,27,294 | 2,37,880 | 2,15,945 | (9.2) |

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

***Source****: Bloomberg*

**Sources:**

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

HIGHLIGHTS OF DEVELOPMENTS IN

INTERNATIONAL SECURITIES MARKETS

1. SEC Adopts Interpretive Guidance on Pay Ratio Rule

*21st September, 2017*: SEC has approved interpretive guidance to assist companies in their efforts to comply with the pay ratio disclosure requirement mandated by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under the Commission’s rule implementing the pay ratio requirement, companies are required to begin making pay ratio disclosures in early 2018. In particular, the guidance:

* States the Commission’s views on the use of reasonable estimates, assumptions and methodologies, and statistical sampling permitted by the rule
* Clarifies that a company may use appropriate existing internal records, such as tax or payroll records, in determinations about the inclusion of non-U.S. employees and in identifying the median employee
* Provides guidance as to when a company may use widely recognized tests to determine whether its workers are employees for purposes of the rule.

*Source: https://www.sec.gov/news/pressrelease/2017-172.html*

1. SEC Announces Enforcement Initiatives to Combat Cyber-Based Threats and Protect Retail Investors.

*25th September, 2017:* The SEC announced two new initiatives that will build on its Enforcement Division’s ongoing efforts to address cyber-based threats and protect retail investors. The creation of a Cyber Unit that will focus on targeting cyber-related misconduct and the establishment of a retail strategy task force that will implement initiatives that directly affect retail investors reflect SEC Chairman Jay Clayton’s priorities in these important areas. The Cyber Unit will focus the Enforcement Division’s substantial cyber-related expertise on targeting cyber-related misconduct, such as:

* Market manipulation schemes involving false information spread through electronic and social media
* Hacking to obtain material nonpublic information
* Violations involving distributed ledger technology and initial coin offerings
* Misconduct perpetrated using the dark web
* Intrusions into retail brokerage accounts
* Cyber-related threats to trading platforms and other critical market infrastructure.

The Retail Strategy Task Force will develop proactive, targeted initiatives to identify misconduct impacting retail investors. This task force will apply the lessons learned from those cases and leverage data analytics and technology to identify large-scale misconduct affecting retail investors.

*Source: https://www.sec.gov/news/pressrelease/2017-176.html*

1. Emerging market regulators committed to strengthening sustainable finance and cyber resilience.

*21st September, 2017:* Leading emerging market regulators met this week in Colombo, Sri Lanka, at the IOSCO Growth and Emerging Markets (GEM) Committee annual meeting and conference hosted by the Securities and Exchange Commission of Sri Lanka. The GEM Committee annual meeting and conference were preceded by the meeting of the IOSCO Asia-Pacific Regional Committee (APRC). The two day event attracted more than 300 participants from 50 jurisdictions. Participants discussed measures to address challenges in scaling up sustainable market based financing, including the role of policy makers, regulators and industry participants in promoting green financing solutions within emerging markets. The GEM Committee also conducted a cyber-simulation exercise developed in collaboration with market experts to strengthen regulatory capabilities and preparedness in tackling cyber threats. APRC focused on issues, including initial coin offerings (ICOs), the effective supervision of harmful but legal conduct, common enforcement challenges for the region, the impact of European Union regulations on Asia-Pacific markets and capacity building initiatives in the region.

*Source: https://www.iosco.org/news/pdf/IOSCONEWS473.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)