

## Indian Economy

- Indian equity market is one of best performing markets in this year till date with inflows from both FII and domestic investors.

Market	% change from 31st Dec'16 to 11 <sup>th</sup> Apr'17 in USD terms
India (BSE)	17.8
Brazil (BVSP)	10.3
Hong Kong (Hang Seng)	9.2
China (SSEA)	6.7
Euro Area (FTSE Euro 100)	6.6
Germany (DAX)	6.5
Britain (FTSE 100)	4.2
United States (DJIA)	4.5

- Foreign funds inflows in equity and debt market aggregated to USD 8.5 Bn in Mar'17 as compared to previous high of USD 8 Bn in Sep'10.
- Indian currency has appreciated by 5% outperforming most of the emerging market currencies since the start of this year due to the rise in foreign investor flows.
- The government is taking various policy initiatives to bring structural reforms which will lead to growth in Indian economy:
  - GST rollout from July 1, 2017
  - Integration of Aadhaar with government's social spending, tax collection and other administrative services
  - Proposal to abolish Foreign Investment promotion Board (FIPB) to avoid delay in clearances in foreign fund inflows
  - Institution of the Insolvency and Bankruptcy Code to boost ease of doing business
  - Stimulation of capital expenditure by fast tracking awards of contract in Dedicated Freight corridor, encouraging of 'Make in India' for defence equipments
  - Approval of strategic disinvestment of 11 PSUs to mobilize revenue
- Normal monsoon as predicted by Indian Metrological Department for this year will boost rural growth, will be positive for companies dependent on rural areas for revenues and help banks to ease off pressure due to waiver of farm loans.

## Global Economy

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- In the Euro area, the Purchasing Manager's Index rose to a six year high of 56.7 in Mar'17 amidst improving consumer confidence and steadily strengthening employment conditions.
- Japanese economy is also showing nascent signs of revival in the form of falling unemployment, improving business sentiment on fixed investment, and rising exports helped by the depreciation of the yen.
- In China, supportive macroeconomic policies, surging credit growth and a booming property market have held up the momentum of growth albeit amidst concerns about financial stability and capital outflows.
- The International Monetary Fund (IMF) has raised its 2017 global growth forecast to 3.5% as compared to its projection of 3.4% done in Jan'17. The Fund anticipates improvement in manufacturing and trade gains in Europe, Japan and China but also has cautioned that increasing protectionism will threaten a broad-based recovery.

## Outlook

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- Cyclical revival in global manufacturing and trade activity, better-than-expected corporate results, fading of demonetization fears, prediction of good monsoon and continued funds flows has brought further optimism to the market. This has led to richness in valuations (18 X forward P/E on FY18 earnings).
- Any volatility in Indian equities induced by global events at a time when the Indian economy is improving on nearly all parameters will be a good opportunity for the investment in equities.
- Given the uncertainty associated with roll out of GST, hardening inflation and global factors such as US interest rates, RBI is likely to hold rates and its policy stance. In such a scenario yields are likely to remain range bound.
- Investors should look to invest in short to medium term debt funds.