

Monthly Market Update; February 2013

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Union Budget (2013-14) - Highlights

THE ECONOMY AND THE CHALLENGES

- ◆ Getting back to potential growth rate of 8 percent is the challenge facing the country.
- ◆ Slowdown in Indian economy has to be seen in the context of slowing global economic growth from 3.9 per cent in 2011 to 3.2 per cent in 2012. However, no reason for gloom or pessimism. Of the large countries of the world only China and Indonesia growing faster than India in 2012-13.
- ◆ Between 2004 and 2008, and again in 2009-10 and 2010-11 the growth rate was over 8 per cent and crossed 9 per cent in four of those six years.
- ◆ Higher growth leading to inclusive and sustainable development' to be the *mool mantra*. Government believes in inclusive development with emphasis on improving human development indicators specially of women, the scheduled castes, the scheduled tribes, the minorities and some backward classes.

Fiscal Deficit, Current Account Deficit and Inflation

- ◆ Fiscal deficit at 5.3 per cent of GDP this year and 4.8 per cent of GDP in 2013-14 announced by the Government.
- ◆ Foreign investment is an imperative in view of the high current account deficit (CAD). FII, FDI and ECB three main source of CAD Financing.
- ◆ Development must be economically and ecologically sustainable and democratically legitimate.
- ◆ WPI inflation to about 7 per cent and core inflation Food inflation is worrying but all possible steps to be taken to augment the supply side to meet the growing demand for food items.

Savings

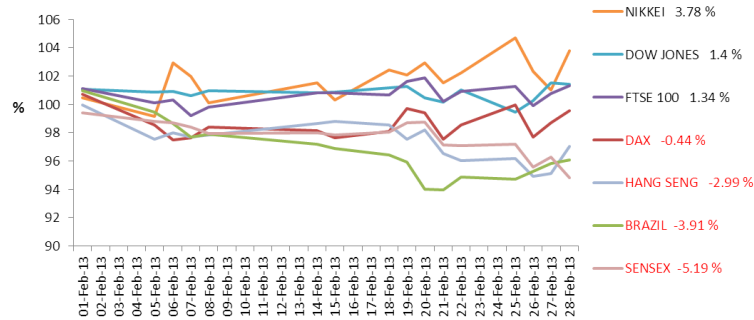
- ◆ Need to incentivise greater savings by household sector in financial instruments.
- ◆ Following measures proposed:
 - a) Rajiv Gandhi Equity Savings Scheme to be liberalised.
 - b) In consultation with RBI, instruments protecting savings from inflation to be introduced

Capital Market

- ◆ Proposal to amend the SEBI Act, to strengthen the regulator, under consideration number of proposal finalized in consultation with SEBI.
- ◆ Designated depository participants, authorized by SEBI, may register different classes of portfolio investors, subject to compliance with KYC guidelines.
- ◆ SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
- ◆ Rule that, where an investor has a stake of 10 per cent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 per cent, it will be treated as FDI will be laid.
- ◆ FIIs will be permitted to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
- ◆ FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.
- ◆ SEBI to prescribed requirement for angel investor pools by which they can be recognised as Category I AIF venture capital funds
- ◆ Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).
- ◆ Stock exchanges to be allowed to introduce a dedicated debt segment on the exchange.

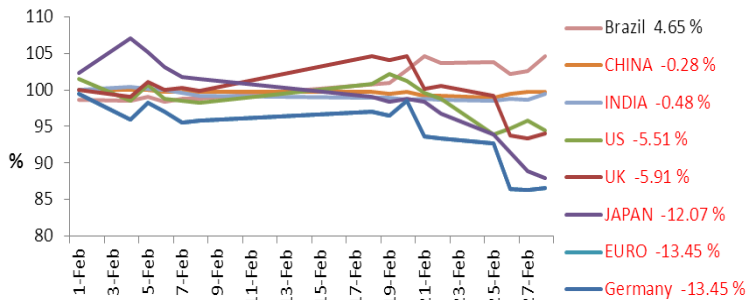
Global Market Connect

Performance of Global Equity Indices for February 2013



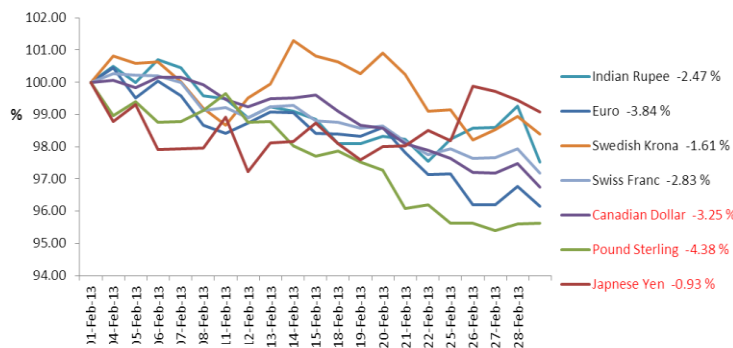
Source: Bloomberg

Performance of Global Bond Markets for February 2013



Source: Bloomberg

Performance of Global Currencies for February 2013



Source: Bloomberg

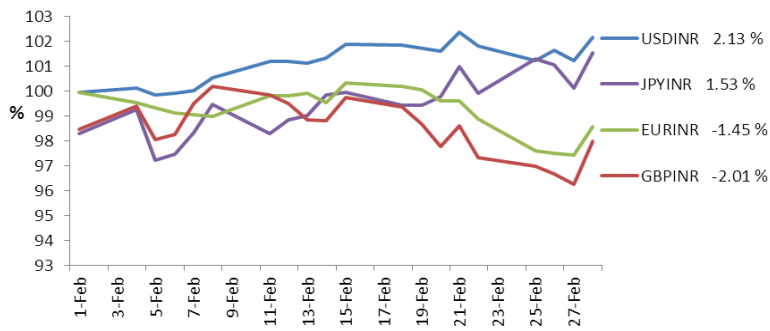
ETFs Turnover for January 2013 in Top 10 Exchanges

Exchange	Turnover (USD Bns)	Ranking
NYSE Euronext (US)	263.58	1
NASDAQ OMX	172.27	2
London SE Group	31.39	3
Deutsche Börse	17.03	4
Hong Kong Exchanges	15.75	5
Korea Exchange	14.43	6
Mexican Exchange	13.47	7
SIX Swiss Exchange	9.43	8
Shanghai SE	8.67	9
NYSE Euronext (Europe)	8.49	10
NSE - India	0.18	24
BSE - India	0.02	27

Source: World Federations of Exchanges

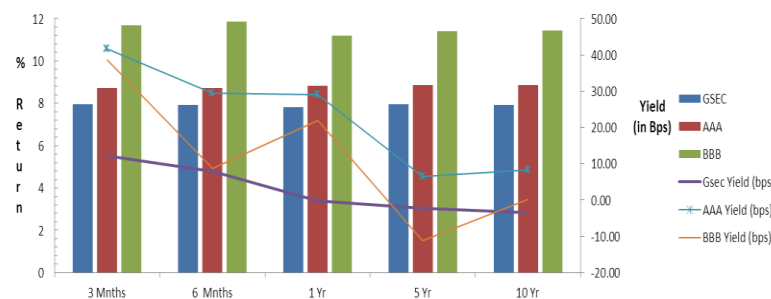
Indian Market Connect

Performance of Currencies in Spot Markets February 2013



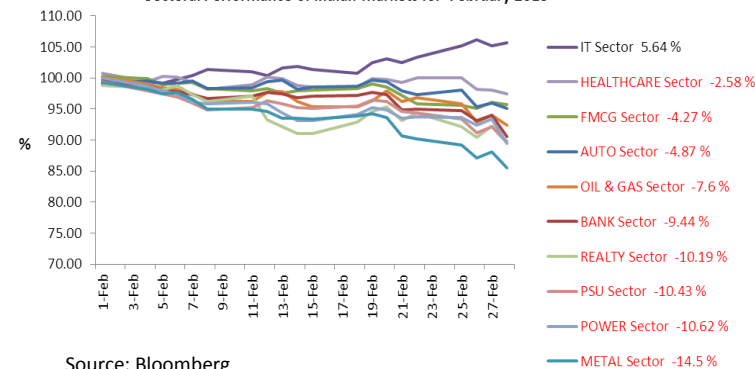
Source: Bloomberg

Performance of Debt Markets February 2013



Source: Bloomberg

Sectoral Performance of Indian Markets for February 2013



Source: Bloomberg

Economic Survey 2012-13 – Highlights

Growth

- Indian economy is likely to grow between 6.1% to 6.7% in 2013-14 as the downturn is more or less over and the economy is looking up
- FY13 growth is estimated at 5.0%.
- The slowdown in the rate of growth of services in 2011-12 at 8.2%, and particularly in 2012-13 to 6.6 percent from the double-digit growth of the previous six years, contributed significantly to slowdown in the overall growth of the economy, while some slowdown could also be attributed to the lower growth in agriculture and industrial activities.

Industrial Performance

- After recovering to a growth of 9.2 per cent in 2009-10 and 2010-11, growth of value added in industrial sector, comprising manufacturing, mining, electricity and construction sectors, slowed to 3.5 per cent in 2011-12 and to 3.1 per cent in the current year
- The manufacturing sector, the most dominant sector within industry, also witnessed a decline in growth to 2.7 per cent in 2011-12 and 1.9 per cent in 2012-13 compared to 11.3 per cent and 9.7 per cent in 2009-10 and 2010-11, respectively.
- With improved business sentiments and investor perception and a partial rebound in industrial activity in other developing countries, industrial growth is expected to improve in the next financial year.

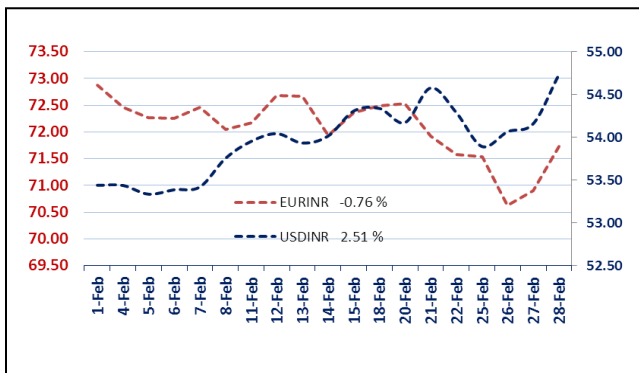
Inflation

- WPI may decline to 6.2- 6.6 by March.
- Food inflation mainly driven by cereals

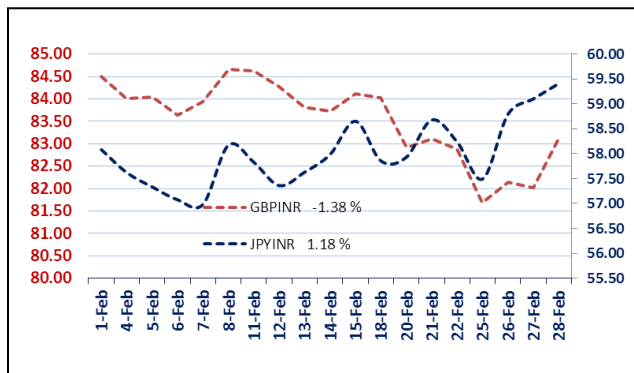
Source: Economic Survey 2012-13

MCX-SX Corner

The Rupee depreciated against the Dollar, with the close price of USDINR for February 2013 moving from Rs. 53.3925 to Rs. 54.735 during the period, experiencing a high of Rs. 54.735 and a low of Rs. 53.335

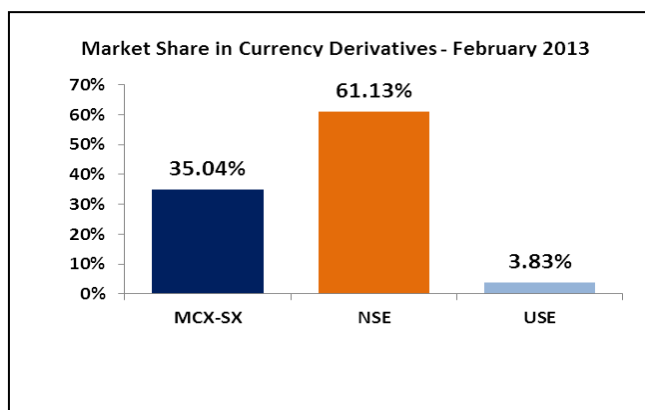
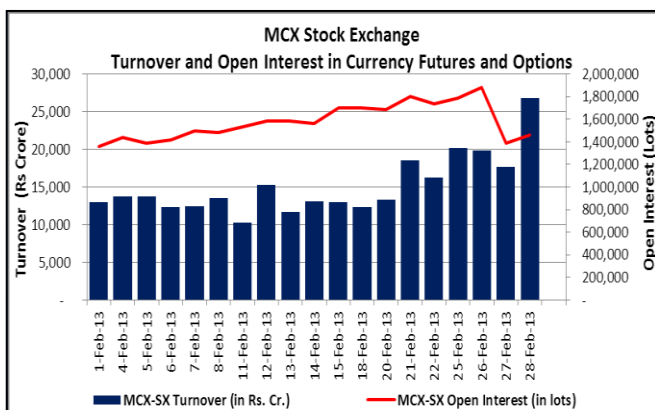


The Rupee appreciated against the British Pound, with the close price of GBPINR for February 2013 moving from Rs. 84.275 to Rs. 83.11 during the period, experiencing a high of Rs. 84.66 and a low of Rs. 81.6875



The Rupee appreciated against the EURO, with the close price of EURINR for February 2013 moving from Rs. 72.2775 to Rs. 71.73 during the period, experiencing a high of Rs. 72.675 and a low of Rs. 70.6325

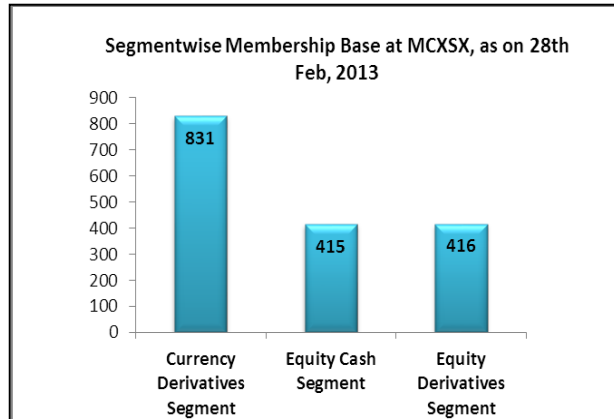
The Rupee depreciated against the Japanese Yen, with the close price of JPYINR for February 2013 moving from Rs. 58.7175 to Rs. 59.41 during the period, experiencing a high of Rs. 59.41 and a low of Rs. 56.985



During February 2013, the market share of the Exchange in the Currency derivatives segment stood at 35.04% in the Currency Futures and Options segment. The average daily turnover in MCX-SX across Currency Futures and Options segment was Rs. 15,105.38 with average daily volume of 2,745,288 lots during the same period.

MCX-SX Corner

Segment wise Membership Base



Source: MCXSX – Membership, as on 28th Feb 2013

SX40

SX40 is the flagship Index of MCX-SX. A free float based index of large cap - liquid stocks representing diversified sectors of the economy.

Index Universe	Large Cap Cos.
No. of cos.	40
Index Basket Recasting	Semi- Annually
Minor Share Issuance	Monthly
Weight of the largest Constituent	9.4%
Top 10 holding	62.4%

MCX-SX Press Releases & Circulars

- ◆ **Hon'ble Union Finance Minister Shri. P Chidambaram inaugurated MCX-SX Equity and Equity Derivatives segment.** First symbolic trade of the flagship index 'SX40' was also entered by the Hon'ble Finance Minister in the presence of Shri. U K Sinha, Chairman, Securities and Exchange Board of India (SEBI) and Dr. Arvind Mayaram, Secretary- Dept. of Economic Affairs. Trading in the new segment goes live from February 11, 2013 **(9th Feb 2013)**
- ◆ **MCX-SX announces "investor friendly" Liquidity Enhancement Scheme in Equity and Equity Derivatives Segments (19th Feb 2013)**
- ◆ **Liquidity Enhancement Schemes (LES) for Equity Cash Segment and Equity Derivatives Segment,** dated: 19th Feb 2013, Ref: MCX-SX/ID/1027/2013
- ◆ **Levy of STT in the Futures and Options Segment w.e.f. Feb 11th and on Capital market segment 2013,** dated: 18th Feb 2013, Ref: MCX-SX/F&A/1023&1024/2013
- ◆ **Settlement Schedule for Currency Derivatives Segment,** dated 15th Feb, 2013, Ref: MCX-SX/C&S/1020/2013
- ◆ **List of G-Secs, T-Bills, Equity Shares, ETF's & Liquid MF Schemes accepted as collaterals,** dated 1st Feb 2013, Ref: MCX-SXCCL/CD/123/2013

Regulatory Developments

✓ Securities Exchange Board of India

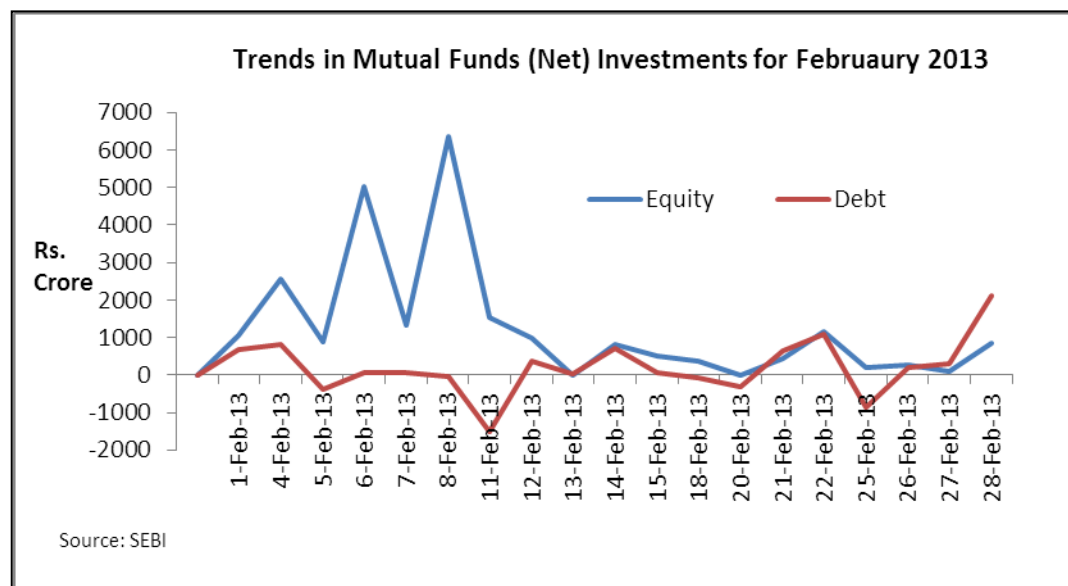
- ✓ Scheme of Arrangement under the Companies Act, 1956 – Revised requirements for the Stock Exchanges and Listed Companies, dated February 4th, 2013 ([CIR/CFD/DIL/5/2013](#))
- ✓ Time Period for initial offering and allotment of units of Mutual Fund Scheme eligible under Rajiv Gandhi Equity Savings Scheme, 2012 (RGESS) , dated February 4th ,2013 ([CIR/CFD/DIL/5/2013](#)) *As per Regulation 34 of SEBI (Mutual Funds) Regulations, 1996, initial offering period of any Mutual Fund scheme (other than ELSS scheme) shall not be more than fifteen days. Further, as per Regulations 35 and 36 of SEBI (Mutual Funds) Regulations, 1996, the Mutual Fund / AMC shall allocate the units, pay the refundable amount, if any, to the concerned applicants and also issue statement of accounts to the applicants whose applications has been accepted, within a period of five working days from the date of closure of initial subscription*
- ✓ Increase in FII debt limit for Government and Corporate Debt category , dated February 08, 2013 ([CIR/IMD/FIIC/3/2013](#))
- ✓ Liquidity Enhancement Schemes for Illiquid Securities in Equity Cash market , dated February 08, 2013 ([CIR/MRD/DP/05/2013](#)) *SEBI vide its circular CIR/DNPD/5/2011 dated June 02, 2011, permitted liquidity enhancement schemes (LES) in Equity Derivatives Segment and specified broad guidelines for the same.*

✓ Reserve Bank of India

- ✓ Security and Risk Mitigation Measures for Electronic Payment Transactions. on February 28th, 2013 ([RBI/2012-2013/424](#))
- ✓ Permission to Standalone PDs for membership in SEBI approved Stock Exchanges for trading in Corporate Bonds ([RBI/2012-2013/412](#)) *With a view to further develop the debt market in India, it has been decided to permit standalone PDs to become members of SEBI approved stock exchanges for the purpose of undertaking proprietary transactions in corporate bonds. While doing so, standalone PDs are required to comply with all the regulatory norms laid down by SEBI and all the eligibility criteria/rules of stock exchanges.*
- ✓ International Organization of Securities Organisations published report on Investor Education Initiatives on 25th Feb 2013, providing IOSCO members and the public with an overview of the different approaches that supervisory authorities and self-regulatory organizations take to educate retail investors on issues relevant to financial products that are distributed by intermediaries.

Key Market Developments

Mutual Funds Investment Trend for February 2013 – Initial recovery in the Equity markets, hoping a boost to the Debt portfolio post budget announcements



Indian Economy Data		Percentage Change
Exports in US\$ bn		
Dec 2012	24.87	3%
Jan 2013	25.58	
Imports in US\$ bn		
Dec 2012	42.55	7%
Jan 2013	45.58	
International Reserves (as on 22 nd February 2013)	US \$ 291.92 Bn	
Policy Rates		
Bank Rate	8.75%	
Repo Rate	7.75%	
Reverse Repo Rate	6.75%	
Lending/ Deposit Rates		
Base Rate	9.70% - 10.50%	
Term Deposit Rate	7.50% - 9.00%	

Source: Ministry of Finance and RBI

- Indian economy is likely to grow between 6.1% to 6.7% in 2013-14 as the downturn is more or less over and the economy is looking up. FY13 growth is estimated at 5.0%.
- After recovering to a growth of 9.2 per cent in 2009-10 and 2010-11, growth of value added in industrial sector, comprising manufacturing, mining, electricity and construction sectors, slowed to 3.5 per cent in 2011-12 and to 3.1 percent in the current year
- WPI may decline to 6.2- 6.6 by March. Food inflation mainly driven by cereals this year. Lower inflation to create room for rate cuts.

Source: Economic Survey 2012-13

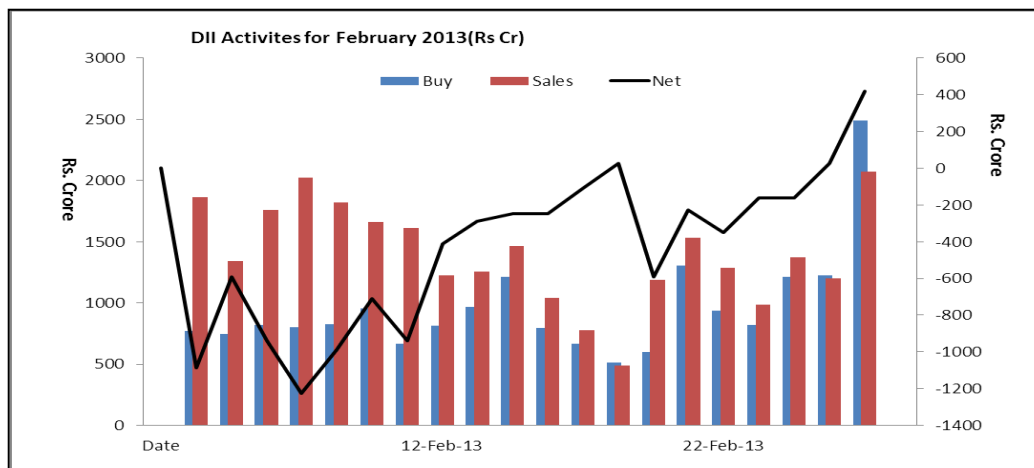
Key Market Developments

FII Investments for February 2013

<i>Debt/Equity</i>	<i>Investment Route</i>	<i>Net Investment (Rs Crore)</i>	<i>Net Investment US(\$ million)</i>
Equity	Stock Exchange	15340.6	2866.34
	Primary market & others	9098.9	1708.94
	Sub-total	24439.3	4575.26
Debt	Stock Exchange	3847.5	713.54
	Primary market & others	153.6	29.42
	Sub-total	4001.2	742.95

Source: SEBI

DII Activities – February 2013 (in Rs Crore): Effective upturn in the net transaction's by DII



Source: Website of Indian Stock Exchanges

Economic Calendar – March 2013

Monday	Tuesday	Wednesday	Thursday	Friday
				1
				US: Money Supply EMU: PMI Manufacturing Index EMU: HICP Flash US: ISM Manufacturing Index
4	5	6	7	8
EMU: PPI US: Export Inspections	US: ISM non-Manufacturing Index JP: PMI Composite GB: CIPS/PMI Services Index	EMU: GDP US: EIA Petroleum Status Report US: ADP Employment Report	US: Beige Book US: International Trade EMU: ECB Announcement US: Productivity and Costs	US: Consumer Credit US: Fed Balance sheet US: Money Supply US: Employment Situation
11	12	13	14	15
US: Export Inspections IT: GDP FR: Industrial Production	US: ICSC – Goldman Store sales US: Redbook GB: Industrial Production	US: Treasury Budget EMU: Industrial Production US: Retail Sales US: EIA Petroleum Status Report	US: Current Account US: PPI US: EIA Natural Gas Report US: Bloomberg Consumer Comfort Index	US: Fed Balance Sheet EMU: HICP US: Money Supply US: CPI US: Industrial Production
18	19	20	21	22
EMU: Merchandise Trade US: Export Inspections	US: Housing Starts US: Redbook US: FOMC Meeting Begins	US: EIA Petroleum Status Report GB: Labor Market Report	EMU: PMI Composite Flash US: Leading Indicators US: EIS natural Gas Report	US: Fed Balance sheet US: Money Supply
25	26	27	28	29
US: Chicago Fed National Activity Index US: Export Inspections	US: Durable Goods Orders US: Richmond Fed Manufacturing Index US: Redbook US: Consumer Confidence	US: EIA Petroleum Status Report US: Pending Home Sales Index GB: GDP	US: GDP US: EIA Petroleum Status Report US: Chicago PMI US: Corporate Profits	US: Money Supply US: Fed Balance Sheet US: Personal Income and Outlays US: Consumer Sentiment

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References

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