

MARKET UPDATE

January 2014

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Message from MD & CEO



Greetings from MCX-SX!

Since the last few months, the eminent board of MCX-SX has put in numerous efforts to ring-fence the Exchange and protect interest of investors and members. Having successfully achieved this, our focus now is to reinstate confidence and trust among members, attract participation from institutional investors, and make MCX-SX the preferred destination for members, institutional investors and listing companies.

MCX-SX is built on strong fundamentals and has positive inherent factors such as renowned shareholders - which include India's top Public & Private Sector Banks and domestic Financial Institutions - together holding over 88% stake in the Exchange, an eminent Board, and professional management team that can be benchmarked to the best globally. The transparent systems such as CAG audits, adherence to regulatory norms and implementing global best practices will ensure that our Exchange will set new milestones in the times to come.

With nationwide presence of trading terminals, robust risk management processes and technology infrastructure, MCX-SX has great potential as the country's third stock exchange. The Exchange remains committed to market development, to drive inclusive growth, to launch new products and segments to meet investor needs and to achieve global recognition for the Indian capital market.

Saurabh Sarkar
MD & CEO – MCX Stock Exchange

Board of Directors

The Board of Directors of the Exchange are eminent personalities from different fields. Their vision, experience and expertise will enable MCX-SX to grow the Indian securities market and provide world-class services to all stakeholders.

Mr. Gopal K. Pillai, IAS (Retd.) - Chairman and Public Interest Director
Former Union Home Secretary, Govt. of India

Mr. Thomas Mathew T., - Vice Chairman and Public Interest Director
Retired as Current-in-Charge Chairman of LIC

Prof. (Mrs.) Ashima Goyal - Public Interest Director
Professor, Indira Gandhi Institute of Development Research

Mr. D. R. Dogra - Public Interest Director
MD & CEO, Credit Analysis and Research Ltd.

Mr. Saurabh Sarkar - MD & CEO
Former MD & CEO, United Stock Exchange

Mr. U. Venkataraman - Whole-time Director
Former Head-Treasury, IDBI Bank Ltd.

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Third Quarter Monetary Policy Review

The Reserve Bank of India announced on 28th January, 2014 the following monetary policy measures in its third quarter review of monetary policy statement

- Increased the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.75% to 8.0%; and
- Retained the Cash Reserve Ratio (CRR) of scheduled banks unchanged at 4.0% of Net Demand and Time Liability (NDTL)
- Consequently, the reverse repo rate under the LAF stands adjusted at 7.0%
- The Marginal Standing Facility (MSF) rate and the Bank Rate at 9.0%.

The global recovery is gaining traction, led by the strengthening of the US economy, but it is still uneven and subdued in the Euro area and Japan, and a slowdown in China seems to be underway. Notwithstanding the boost from stronger external demand, uncertainty continues to surround the prospects for some emerging economies, with domestic fragilities getting accentuated. Financial market contagion is a clear potential risk.

Domestically, some loss of momentum of growth is likely in Q3 of 2013-14, despite a strong pick-up in *rabi* sowing. Industrial activity remains in contractionary mode, mainly on account of manufacturing, which declined for the second month in succession during Q3. Consumption demand continues to weaken and lackluster capital goods production points to stalled investment demand. Fiscal tightening through Q3 and Q4 is likely to aggravate the weakness in aggregate demand.

Retail inflation measured by the consumer price index (CPI) declined significantly on account of the anticipated disinflation in vegetable and fruit prices, it remains elevated at close to double digits. Moreover, inflation excluding food and fuel has also been high, especially in respect of services, indicative of wage pressures and other second round effects. In terms of the wholesale price index (WPI), headline inflation eased to a four-month low with the sharp decline in vegetable and fruit prices. It is critical to address these risks to the inflation outlook resolutely in order to stabilise and anchor inflation expectations, even while recognizing the economy is weak and substantial fiscal tightening is likely in Q4.

For the period April-December 2013, the trade deficit has shrunk by 25 per cent from its level a year ago, with merchandise exports increasing on a y-o-y basis for the sixth consecutive month in December, while non-oil imports have continued to decline. **Accordingly, the current account deficit (CAD) for 2013-14 is expected to be below 2.5 per cent of GDP as compared with 4.8 per cent in 2012-13.** The recent resumption of portfolio flows; both equity and debt, alongside the pick-up in FDI and external commercial borrowings that is underway should help finance the current account deficit comfortably.

For the period April-December 2013, the trade deficit has shrunk by 25 per cent from its level a year ago, with merchandise exports increasing on a y-o-y basis for the sixth consecutive month in December, while non-oil imports have continued to decline.

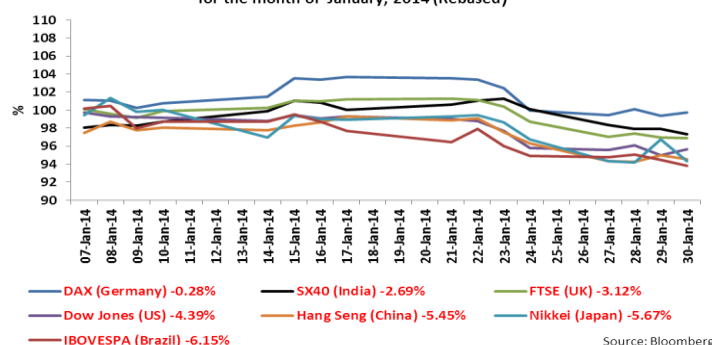
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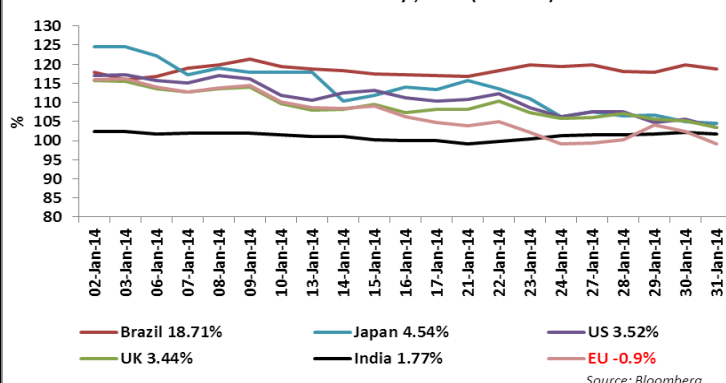
Global Market Connect

During January 2014, equities as an asset class have witnessed a global decline in terms of returns. However, major bond yields rates have witnessed an increase and currency rates depreciated.

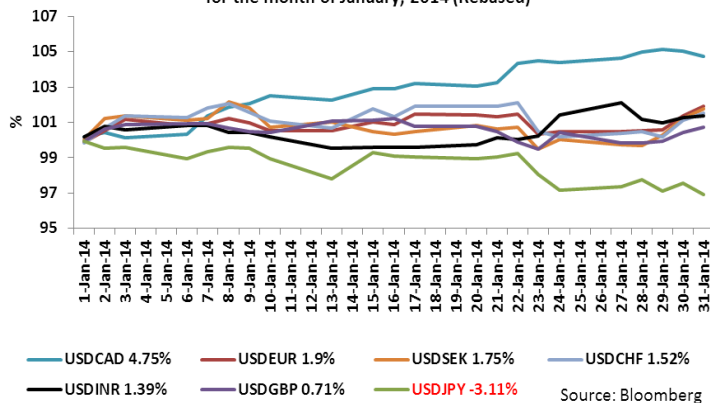
Performance of Global Indices
for the month of January, 2014 (Rebased)



Performance of Global Bond Markets
for the month of January, 2014 (Rebased)



Performance of Major Currencies against USD
for the month of January, 2014 (Rebased)



Market Capitalisation of Top 10 Exchanges

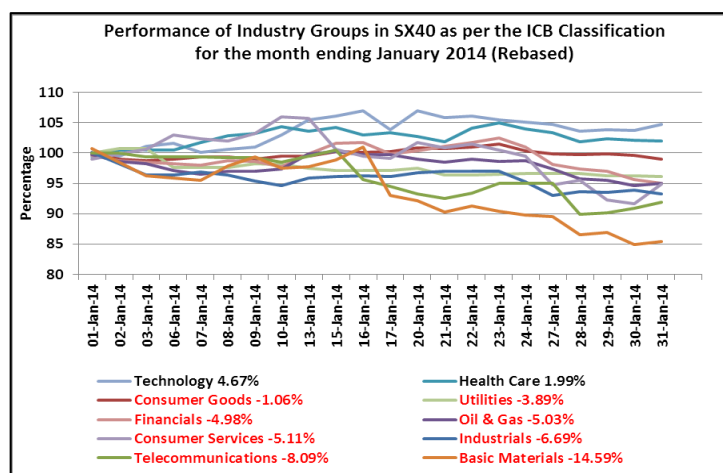
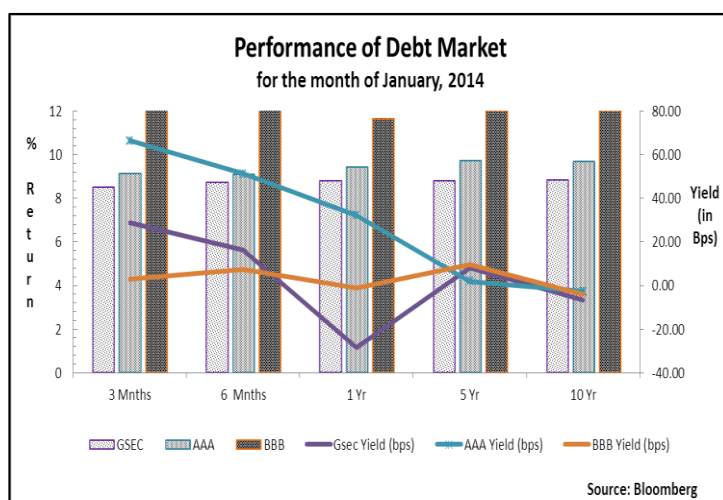
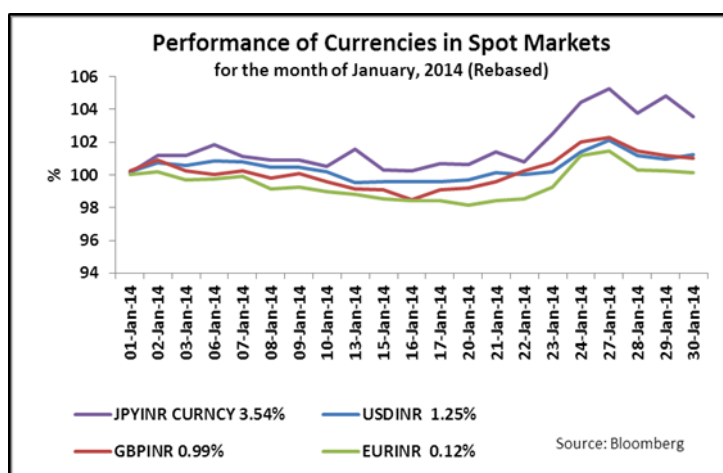
| Rank* | Exchange | 2013 (USD Bns) | 2012 (USD Bns) | % Change (Y-o-Y) |
|-------|------------------------------|-------------------|-------------------|------------------------|
| 1 | NYSE Euronext (US) | 17,950 | 14,086 | 27.43% |
| 2 | NASDAQ OMX | 6,085 | 4,582 | 32.79% |
| 3 | Japan Exchange Group - Tokyo | 4,543 | 3,479 | 30.59% |
| 4 | London SE Group | 4,429 | 3,397 | 30.40% |
| 5 | NYSE Euronext (Europe) | 3,584 | 2,832 | 26.54% |
| 6 | Hong Kong Exchanges | 3,101 | 2,832 | 9.49% |
| 7 | Shanghai SE | 2,497 | 2,547 | -1.97% |
| 8 | TMX Group | 2,114 | 2,059 | 2.67% |
| 9 | Deutsche Börse | 1,936 | 1,486 | 30.26% |
| 10 | SIX Swiss Exchange | 1,541 | 1,233 | 24.91% |

*Rank on the basis of Market Capitalisation for 2013 (H to L)
Source: World Federation of Exchanges

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Indian Market Connect

INR witnessed an overall depreciation against the major currencies viz. USD, GBP, EUR and JPY. As well as, debt markets' yields also witnessed an overall decline.

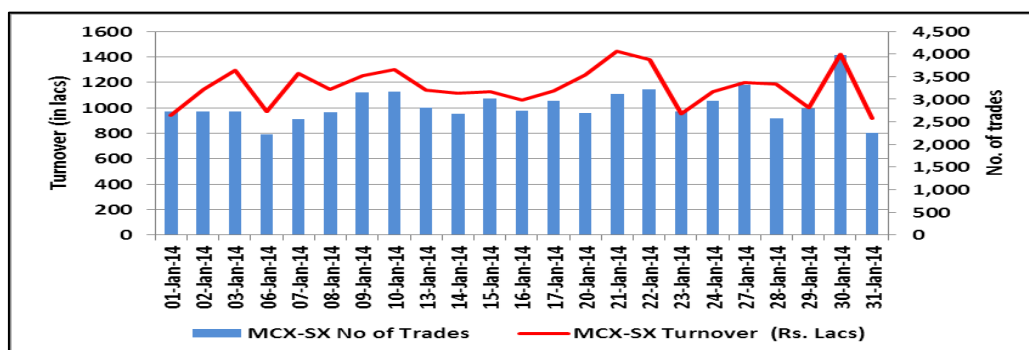


| FII Investments Route for the month of January, 2014 | | | |
|--|-------------------------|--------------------------------|-------------------------|
| Debt/Equity | Route | Net Investment (Rs Crore) | Net Investment (USD Mn) |
| Equity | Stock Exchange | 645.90 | 113.66 |
| | Primary market & others | 68.40 | 10.98 |
| | Sub-total | 714.30 | 124.63 |
| Debt | Stock Exchange | 12,092.50 | 1,977.89 |
| | Primary market & others | 516.40 | 83.96 |
| | Sub-total | 12,608.60 | 2,061.88 |
| Total | | 13,322.90 | 2,186.51 |
| FII Statistics | | | |
| As on | No. of registered FII | No. of registered Sub-accounts | |
| 31.12.13 | 1,739 | 6,394 | |
| 31.01.14 | 1,726 | 6,364 | |

Source: SEBI

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MCX-SX Corner- Equity & Equity Derivatives Segment



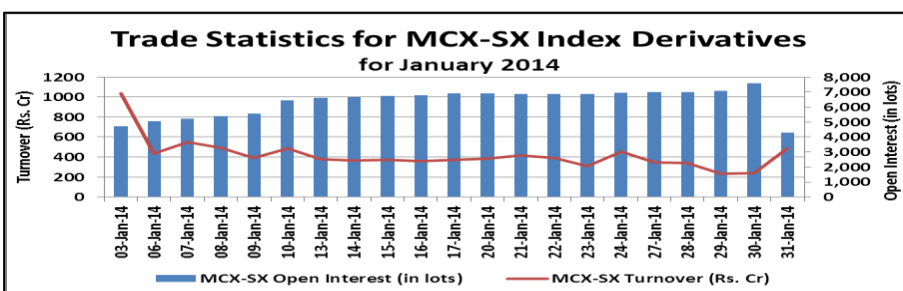
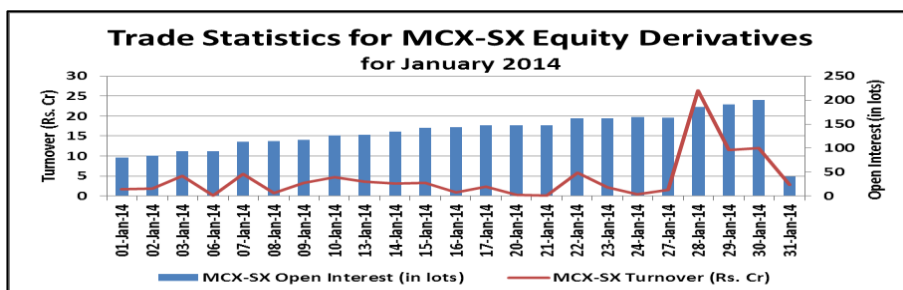
MCX-SX cash segment turnover increased by about 7%, when compared on a month on month basis.

MCX-SX cash segment turnover increased by about 7%, when compared on a month on month basis.

The total turnover on MCX-SX platform in cash segment was Rs. 251.41 crs for December 2013, when compared to January 2014; the same increased by Rs. 16.44 crs. The highest turnover for the month of January was observed on 21st January 2014, being Rs. 14.42 crs. The traded quantity (Cash Segment) during the period has increased to 18% when compared on a month on month basis.

The exchange has launched several Liquidity Enhancement Schemes, which embraces equity and equity derivative segments, an initiative to create sustainable and sticky liquidity in the markets. It has also on a timely basis reviewed the schemes to benefit financial market participants at large

The traded quantity (Cash Segment) during the period has increased to 18% when compared on a month on month basis.



Source *: MCX-SX Website and # MCX-SX Membership

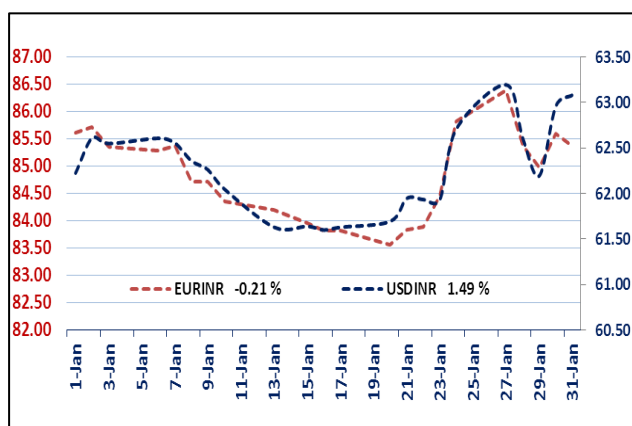
| Membership base on MCX-SX (as on 31 st January, 2014)# | |
|---|-----|
| Equity Capital Market | 534 |
| Currency Derivatives Segment | 844 |
| Equity Derivatives Segment | 535 |
| Debt Segment | 3 |

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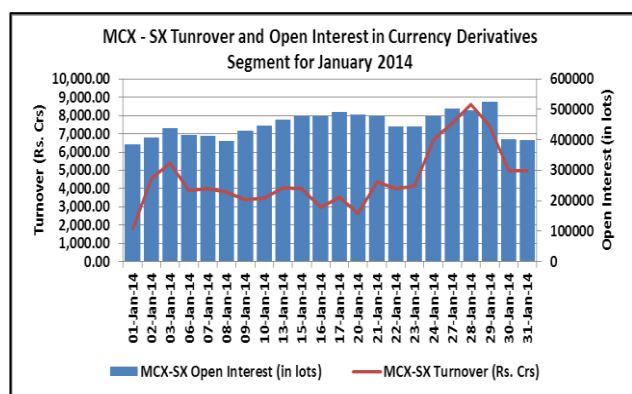
MCX-SX Corner- Currency Segment

The Rupee depreciated against the Dollar, British Pound, and Japanese Yen; however it appreciated against Euro in the futures markets.

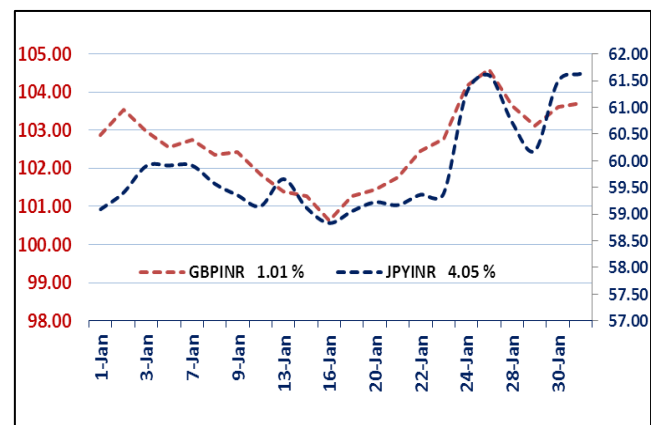
The Rupee depreciated against the Dollar, with the close price of USDINR for January 2014 moving from Rs. 62.155 to Rs. 63.0825 during the period, experiencing a high of Rs. 63.195 and a low of Rs. 61.600



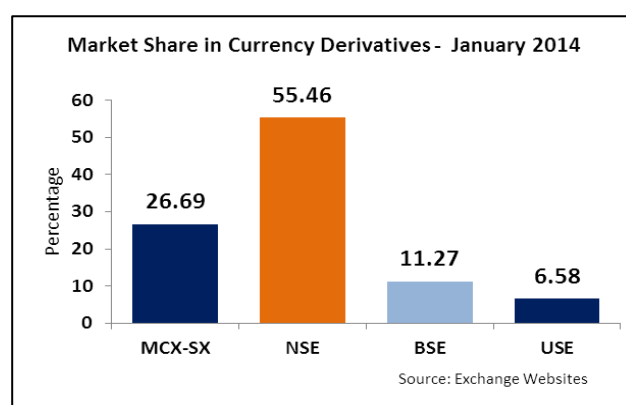
The Rupee appreciated against the EURO, with the close price of EURINR for January 2014 moving from Rs. 85.5425 to Rs. 85.365 during the period, experiencing a high of Rs. 86.395 and a low of Rs. 83.560



The Rupee depreciated against the British Pound, with the close price of GBPINR for January 2014 moving from Rs. 102.67 to Rs. 103.71 during the period, experiencing a high of Rs. 104.5975 and a low of Rs. 100.6325



The Rupee depreciated against the Japanese Yen, with the close price of JPYINR for January 2014 moving from Rs. 59.2325 to Rs. 61.63 during the period, experiencing a high of Rs. 61.63 and a low of Rs. 58.8325



During January 2014, the market share of the Exchange in the Currency derivatives segment stood at 26.69%. The average daily turnover in MCX-SX across Currency Futures and Options segment was Rs. 4,562.46 cores with average daily volume of 695,885 lots during the same period.

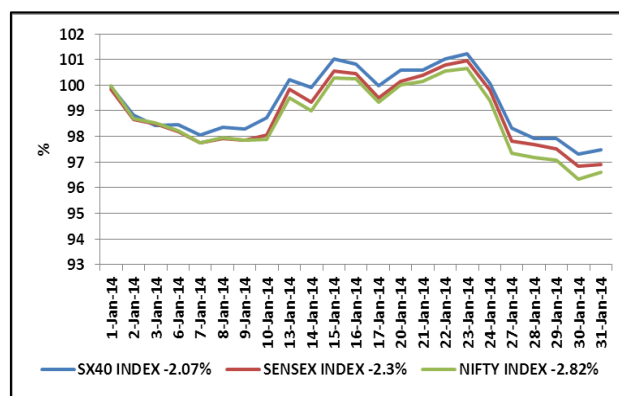
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MCX-SX Corner – SX40

Index Returns and Movements for the month of January, 2014

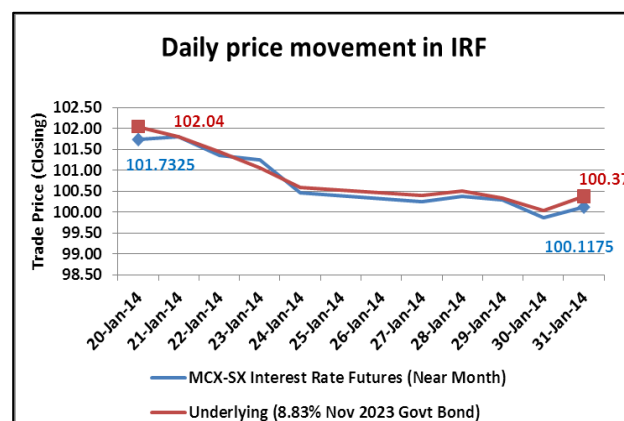
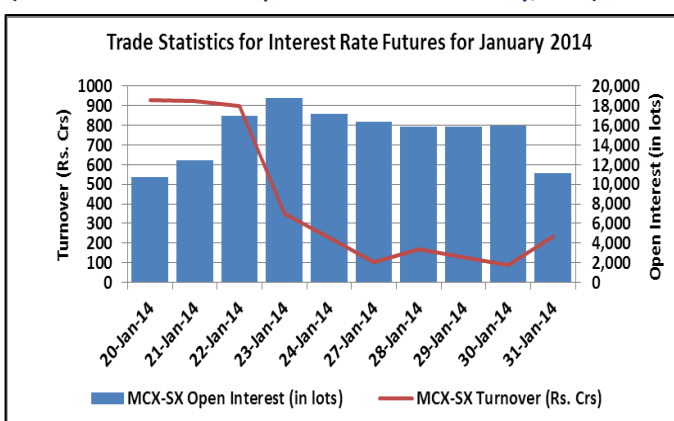
| Return of SX40 v/s Nifty and Sensex | | | |
|-------------------------------------|--------------------------------|---------------------------------|---------------|
| Index | As on 1 st Jan 2014 | As on 31 st Jan 2014 | |
| MCX-SX SX40 | 12,577.52 | 12,264.55 | -2.49% |
| SENSEX | 21,140.48 | 20,513.85 | -2.96% |
| NIFTY | 6,301.65 | 6,089.50 | -3.37% |

Source: Bloomberg



MCX-SX Corner – Interest Rate Futures

(Commenced on MCX-SX platform from 20th January, 2014)



Source: MCX-SX website

MCX-SX Circulars

- List of Approved Securities ECM, FNO, FIM, F&O, CDS; dated January 01, 2014. Ref. No: MCX-SX/C&S/ 1683/2014, 1684, 1685 & 1686/2014
- Trade to Trade Settlement; dated January 13, 2014. Ref. No.: MCX-SX/SURV/1701/2014
- Launch of Cash Settled Interest Rate Futures (IRF) on 10-Year Government of India Security; dated January 14, 2014. Ref. No.: MCX-SX/CDS/TRD/1703/2014
- Clearing, Settlement and Risk Management of Interest Rate Futures (IRF) on 10-Year Government of India Securities; dated January 14, 2014. Ref. No.: MCX-SXCCL/CDS/247/2014
- Settlement Schedule for February 2014; dated January 16, 2014. Ref. No: MCX-SX/C&S/1711/2014, 1712, 1713 & 1714
- Transaction Charges in Interest Rate Futures; dated January 18, 2014. Ref. No: MCX-SX/F&A/CDS/1718/2014
- Applicable MWPL, TM, FII & MF Limits; dated January 31, 2014. Ref. No: MCX-SX/SURV/1732/2014

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Regulatory Developments and Reports

Securities and Exchange Board of India

- Reporting of Trades in Securitised Debt Instruments be reported in trade reporting platforms; Clearing and Settlement of trades to be done through Clearing Corporations; dated January 7th, 2014 Ref No. [CIR/IMD/DF/1/2014](#)
- SEBI: Delivery Instruction Slip (DIS) Issuance and Processing; dated January 7th, 2014 Ref No: [CIR/MRD/DP/01/2014](#)
- Operational Guidelines for Designated Depository Participants; dated January 8th, 2014 Ref No: [CIR/IMD/FIIC/02/2014](#)
- FII Position Limits in Exchange Traded Interest Rate Futures (IRF); dated January 20th, 2014 Ref No: [CIR/MRD/DRMNP/2/2014](#)
- IT Governance for Depositories; dated January 21st, 2014 Ref No.: [CIR/MRD/DMS/03/2014](#)
- Change in Government Debt Investment limits; dated January 29th, 2014 Ref No.: [CIR/IMD/FIIC/3/2014](#)



Reserve Bank of India

- External Commercial Borrowings (ECB) Policy – Liberalisation of definition of Infrastructure Sector; dated January 6th 2014; [RBI/2013-2014/429](#)
- Foreign Direct Investment- Pricing Guidelines for FDI instruments with optionality clauses; dated January 9th 2014; [RBI/2013-2014/436](#)
- Risk Management and Inter Bank Dealings; dated January 13th, 2014; [RBI/2013-2014/446](#)
- Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure; dated January 15th 2014; [RBI/2013-2014/448](#)
- Macroeconomic and Monetary Developments, Third Quarter Review 2013-14; dated January 28th, 2014([Report](#))
- Foreign investment in India by SEBI registered Long term investors in Government dated Securities; dated January 29th, 2014 [RBI/2013-2014/473](#)



International Organization of Securities Commissions

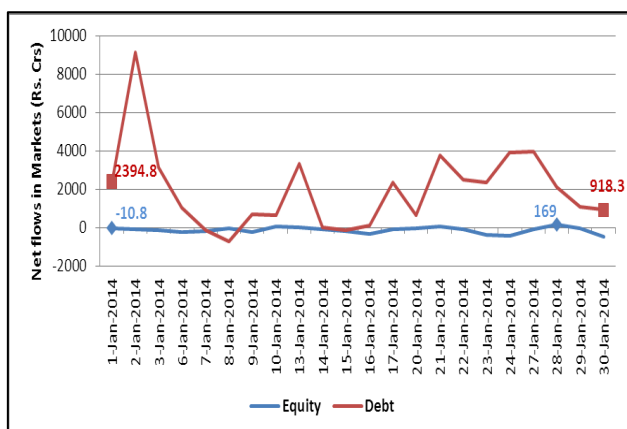
- IOSCO Publishes Recommendations Regarding the Protection of Client Assets; dated January 29th, 2014; Ref. No: [IOSCO/MR/03/2014](#)

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Key Indian Market Developments, January 2014

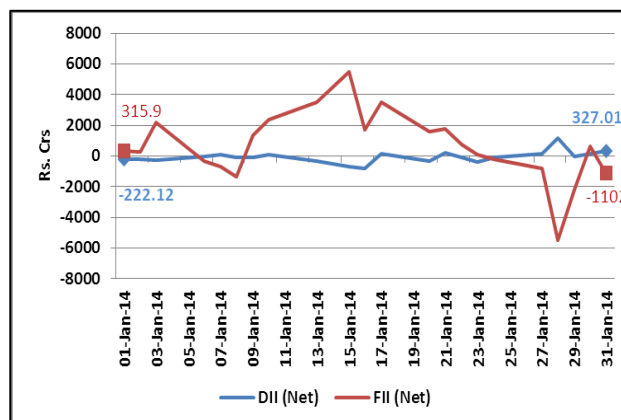
Daily trend of mutual funds' investments reflected a significant fall in debt segment while their equity investment remained flat. On the equity investments, DII investments remained stable; however FII investments were highly volatile.

Daily trend of Mutual Funds' Investments



Source: SEBI Webs

Daily trend Net for DII and FII



Source: SEBI Website

Key Indian Economic Indicators

| Key Economic Indicators - India | | % Change |
|--|-----------------|----------|
| Exports in USD bn | | |
| Nov -13 | 24.61 | 7.07% |
| Dec -13 | 26.35 | |
| Imports in USD bn | | |
| Nov -13 | 33.83 | 7.83% |
| Dec-13 | 36.48 | |
| International Reserves (as on 31 st January, 2014) | USD 291.07 bn | |
| Policy Rates | | |
| Bank Rate | 9.00% | |
| Repo Rate | 8.00% | |
| Reverse Repo Rate | 7.00% | |
| Lending/ Deposit Rates | | |
| Base Rate | 10.00% - 10.25% | |
| Term Deposit Rate | 8.00% - 9.10% | |

| Key Financial Indicators - India | | |
|--|-----------|--------|
| Particulars (as on 31 st January, , 2014) | INR Crs | USD bn |
| Reserve Money | 1,610,800 | 257.82 |
| Net RBI Credit to General Govt. | 644,300 | 103.13 |
| RBI Credit to Commercial Sector | 8,900 | 1.42 |
| RBI Claims on Banks | 38,900 | 6.23 |
| Net Foreign Exchange Assets | 1,784,300 | 285.59 |
| INR per USD | 62.4768 | |

Source: Ministry of Finance and RBI

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Economic Calendar – February, 2013

| Monday | Tuesday | Wednesday | Thursday | Friday |
|---|--|--|--|--|
| 3 | 4 | 5 | 6 | 7 |
| EMU:PMI Manufacturing Index GB:CIPS/PMI Manufacturing Index US:PMI Manufacturing Index US:Export Inspections US:ISM Mfg. Index | GB:PMI Construction | US:Bank Reserve Settlement EMU:PMI Composite GB:CIPS/PMI Services Index 4:30 AM ET US:ADP Employment Report US:Treasury Refunding Announcement US:ISM Non-Mfg Index US:EIA Petroleum Status Report | US:Export Sales EMU:ECB Announcement US:International Trade US:Productivity and Costs US:EIA Natural Gas Report US:Treasury STRIPS US:Fed Balance Sheet US:Money Supply | GB:Industrial Production US:Employment Situation |
| 10 | 11 | 12 | 13 | 14 |
| US:Export Inspections US:USDA Supply/Demand | US:Redbook US:Wholesale Trade | EMU:Industrial Production GB:BoE Inflation Report US:EIA Petroleum Status Report US:Treasury Budget | US:Export Sales US:Retail Sales US:Business Inventories US:EIA Natural Gas Report US:Fed Balance Sheet US:Money Supply | EMU:GDP Flash EMU:Merchandise Trade US:Import and Export Prices US:Industrial Production |
| 17 | 18 | 19 | 20 | 21 |
| US:Banking Holidays | GB:CPI GB:Producer Price Index US:Treasury International Capital US:Export Inspections | GB:Labour Market Report JP:Merchandise Trade | EMU:PMI Composite FLASH GB:CBI Industrial Trends Survey | GB:Public Sector Finances GB:Retail Sales US:Export Sales |
| 24 | 25 | 26 | 27 | 28 |
| EMU:HICP US:Chicago Fed National Activity Index US:Export Inspections | US:FHFA House Price Index | GB:GDP | EMU:EC Economic Sentiment EMU:ECB Announcement US:Export Sales JP:PMI Manufacturing Index JP:CPI | EMU:HICP Flash EMU:Unemployment Rate |

References

www.rbi.org.in; www.sebi.gov.in; www.commerce.nic.in; www.mospi.gov.in; www.finmin.nic.in; www.bls.gov;
www.reuters.com; www.cmegroup.com; www.worldbank.org.in; Bloomberg

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Tel: +91-44-4395 0850

Hyderabad: Flat No.201, Meridian Plaza, Beside Lal Bungalow, Ameerpet, Hyderabad – 500 016.
Tel: +91-40-4007 5037

Indore: 403, Corporate House, A - wing, Near DAVV University, RNT Marg, Indore – 452 001.
Tel: +91-731-3206 669



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