



Dear Market Participants,

The first six months of the year have been an interesting and challenging period for the Indian economy. The RBI, for the first time in four years, raised the interest rates by 25 basis points even as the INR has shown clear signs of weakening. Indian banking continues to be in a state of flux but the NCLT is surely pushing NPAs closer to resolution. Globally, the emerging global trade wars and oil price volatility are likely to have implications for inflation and currency movements in India. For MSE, this volatility is an opportunity in the currency and the fixed income business product lines.

The change in regulations and easing of limits on trading in currency derivatives has resulted in a slow but steady increase in the size of the exchange traded currency derivatives segment. MSE has currency derivatives as one of its major focus areas. We expect this currency hedging business on the exchange platform to slowly but surely achieve greater proportion as compared to the current OTC platform.

During the first six months of the calendar year, Foreign Portfolio Investors (FPIs) have pulled out more than \$7 billion from equity and debt. However, domestic fund flows continue to be strong. Assets managed by the Indian mutual fund industry have grown from INR. 19.11 trillion in April 2017 to INR. 23.21 trillion in April 2018, representing a 21.41% growth. Retail investments in Mutual funds have increased by 35.8%. To cite an example, the SIP collections are over \$1 billion on a monthly basis, as per AMFI data. The emergence of MFs as a serious investor class should make a case for IPO's by high quality, fundamentally sound corporates to mop up the demand for paper. Here again, we see an opportunity.

As an exchange, we are gearing up to meet the opportunities on all these fronts. The exchange is uniquely poised to provide bespoke service-based platform offerings in the Listing space including for SME's. There is an upcoming roll out planned for an "On the Web" trading application and a few other value added service based platform offerings. MSE recently launched "e-BID" the Electronic Book Provider (EBP) platform for issuance of debt securities on a private placement basis. This will also enable transparent price discovery. You can look forward to a series of such initiatives and our focus will continue to be on the troika of currency derivatives, fixed income and SME segment. May we all live in interesting times!

Udai Kumar | MD & CEO

**MSE FEATURES AMONGST
INDIA'S TOP 500 COMPANIES.**

- D&B PUBLICATION, 2018

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METROPOLITAN STOCK EXCHANGE

TRADING IN A STRONG DOLLAR WORLD – SHOULD USDINR TRADERS CHANGE STRATEGY NOW?

Dr. Ranjan Chakravarty

May's sell off in emerging markets has sent off alarms across the trading world. Reports of a flight to quality in global fixed income given recently strengthening USD yields have shaken the global market. Not surprisingly, emerging market currencies have borne the brunt of this change in global market winds. Though the most dramatic short term fall has been in the Turkish and Argentine currencies but all of the emerging markets all the way down to Indonesia have been affected. For instance, the USDINR (Indonesian Rupiah pair) moved from 13,750 in the middle of April to 14,074 by the second week of May. In the same period USDINR pair has moved from 65.50 to 67.50. Lots of alarm bells have gone off around the emerging markets world. What does this mean for India? Specifically, what does it mean for USDINR trading in the near term?

If we look back in time, we observe that from 2008 to 2017 we lived in a world in which the global driver of capital flows, U.S. consumption, had been cowed by the fallout of the subprime disaster, the global financial crisis and moribund asset prices. U.S. exports needed to be competitive as a means of bolstering this situation. A weak dollar policy was very logical and indeed the U.S. had no choice. So did India benefit in this period? Unfortunately our export driven services sector could not accommodate a weak dollar so the INR had to weaken further in lock step. The result: a 50% drop in INRUSD in 10 years.

Simultaneously, oil prices weakened considerably in the last decade until the upturn in the recent past. So even under weakening oil and softening U.S. yields, the USDINR currency pair continued to weaken. Hence, even though the shock of the last month has been significant, has it been severe enough to warrant a change in strategy or any fundamental rethink?

Evidence does not support this type of contention.

A study of historical volatility over the last six months shows that the 10 day volatility is most sensitive to any sensational news but the 30 day volatility actually accommodates most perspectives as it is most reflective of the futures contract. At the moment the 10 day volatility, as expected, has jumped up, but has already shown some downticks. The 30 day volatility, in contrast, has increased, but not extraordinarily so. This is significant, because it tells us that USDINR is not as adversely affected as currencies in other emerging markets.

So how have implied volatilities behaved? In the one month, we clearly see that the volatility smirk is, as expected, skewed towards in the money calls, implying a covered position in long USDINR with a written deep in the money call ought to yield extremely good returns. Simultaneously deep out of the money puts are extremely cheap, so a fully covered position long USDINR forwards, written deep in the money calls and bought deep out of the money put is a perfect position to be in.

In conclusion, the trouble in emerging markets driven by hardening US yields is a fixed income problem of asset reallocation whereas India is an emerging market equity superpower. Secondly, a weakening currency in India is seen to be clearly the continuation of a long term trend. With this kind of predictability and stability, leave alone alarm, what in fact is unfolding is a happy situation for USDINR traders in all segments of the market.

Market Watch

Securities	As on May 31, 2018	One Month Change
Equity		
MSE SX 40	20866.91	-0.97%
MSCI Emerging Market	\$ 45.6900	-0.04%
MSCI India	1242.76	0.58%
Currency*		
USD	67.4300	-0.01%
Pound	89.6850	0.05%
Euro	78.8390	0.23%
Yen	0.6201	-0.04%
Bonds Price		
5yr Gol	7.834	0.46%
10yr Gol	7.826	0.57%
US 10yr	2.860	0.10%

*This data pertains to currency pairs USDINR, GBPUSD, EURUSD, and USDJPY

Source: Bloomberg

Period: 1-31 May, 2018

DID YOU KNOW?

- Newly listed IPOs are available for trading on MSE Equity platform under 'Permitted To Trade' category, on the same day of listing as on BSE/NSE.
- MSE Equity platform offers trading of equity shares of 1280 frontline companies, 50 ETFs (Exchange Traded Funds) and 21 SGBs (Sovereign Gold Bonds), under 'Permitted To Trade' category.
- MSE SX40 is the flagship index of the Exchange comprising of equity shares of 40 frontline companies. Futures (FUTIDX) and Options (OPTIDX) contracts (Symbol: SX40) are available for trading on MSE Equity Derivatives platform.

THE NEXT BIG INITIATIVE

MSE is shortly introducing a future ready multi-asset Integrated Trading platform with web and desktop front ends. A comprehensive order, risk and user management system having exchange third-party market access. It offers a multi-level hierarchy system and permission based user experiences for easy management of clients and staff base. The plug-and-play system developed to boost convenience & efficiency.

EXCHANGE UPDATES

MSE goes live with “e-BID” Electronic Book Provider Platform

Electronic book provider is a book building service provided for Debt Segment by the Exchange. This mechanism is aimed at achieving better and transparent price discovery through the bidding process. We facilitate the bidding process by bidders of the issue electronically. The platform is web based and is easily accessible to the Issuers, Arrangers and the Bidders. The Issuer completes all the details while the interested arrangers and bidders, place their bids. This platform shall bring vibrancy to the debt market. All market participants can participate in the MSE-EBP platform by registering with the Exchange. MSE-EBP is accessible by logging in the link <https://ebp.msei.in>

MSE introduces newly listed 15 scrip's under Permitted to Trade

Metropolitan Stock Exchange, the youngest national level stock exchange of India welcomes listing of 14 IPOs. These young companies' entry in the capital markets gets a red carpet from MSE under the “Permitted to trade category” (PTT). Trading in the equity shares of these companies will be in cash market segment for all investors. The companies listed are Apollo Micro Systems Limited, Newgen Software Technologies Limited, Amber Enterprises India Limited, Galaxy Surfactants Limited, Aster DM Healthcare Limited, H G Infra Engineering Limited, Bharat Dynamics Ltd, Bandhan Bank Limited, Hindustan Aeronautics Ltd, Karda Constructions Ltd, Sandhar Technologies Ltd, Mishra Dhatu Nigam Ltd, ICICI Securities Ltd, Lemon Tree Hotels Limited & Indostar Capital Finance Ltd.



Deal Reporting Platform now available on MSE

Metropolitan Stock Exchange of India Limited (MSE) provides a reporting platform in the debt segment which can be accessed by registered participants including trading members as well as non-trading members in the exchange debt segment and other eligible RBI regulated entities to report their OTC trades in Corporate Bonds and Securitized Debt instruments.

MSE has introduced XBRL based filing for its listed companies through a filing portal called “MSE Listing Centre”

eXtensible Business Reporting Language - XBRL is an electronic format for communication of business and financial data. XBRL is a computer readable language. XBRL is a structured, but adaptable language. XBRL is a type of XML (extensible markup language), which is a specification that is used for organizing and defining data. XBRL uses tags to identify each piece of financial data, which then allows it to be used programmatically by an XBRL-compatible program. XBRL allows for easy transmission of data between businesses. Going forward, all the listed companies will be required to file the quarterly/yearly reports with respect to shareholding pattern, corporate governance, reconciliation of share capital audit report and financial result in the XBRL mode only.

KEY REFORMS

Trading Hours on Stock Exchange (with effect from October 1, 2018)

SEBI has directed Exchanges to increase the trading hours to integrate various segments of securities market, it has been decided to permit Stock Exchanges to set their trading hours in the Equity Derivatives Segment between 9:00 AM and 11:55 PM, similar to the trading hours for Commodity Derivatives Segment which are presently fixed between 10:00 AM and 11:55 PM

MSE EVENTS

A FEW GLIMPSES OF VARIOUS EVENTS AT MSE

Dealers & Market participants attending



INSIGHT SERIES

“TRADING IN A STRENGTHENING DOLLAR ENVIRONMENT”



Currency Dealers Meet Held on 1st June 2018 at MSE Headoffice.

IAP EVENT



IAP event held at Bangalore
on 28th April 2018



IAP event held at Lucknow on 14th April 2018



IMPORTANT MSE CIRCULARS

Circular No.	Dated	Subject	Description
MSE/TRD/6259/2018	April 24, 2018	Version Release of Member Admin Terminal (11.6.16) in Currency Derivatives Segment	Provision to view crystallized loss in Member Admin Terminal
MSE/TRD/6221/2018	April 11, 2018	Review of Framework for Stocks in Derivatives Segment	SEBI Circular Ref. No: SEBI/HO/MRD/DP/CIR/P/2018/67 dated April 11, 2018
MSE/CTCL/6219/2018	April 10, 2018	Measures to strengthen Algorithmic Trading and Co-location / Proximity Hosting framework	SEBI Circular No. SEBI/HO/MRD/DP/CIR/P/2018/62 dated April 09, 2018
MSE/TRD/6205/2018	April 04, 2018	Revision in Market Lot of Derivative Contracts on Individual Stocks	Periodic Revision
MSE/Index/6186/2018	02 April, 2018	Semi Annual Index Review	The Exchange has conducted periodic review of the indices. Further, the changes in free float adjustment factor for SX40 Index and capping factor for the constituents of SXBANK Index will also be implemented w.e.f. from May 02, 2018.
MSE/SURV/6132/2018	March 21, 2018	List of security moving into Additional Surveillance Measure (ASM)	The shortlisted security shall be monitored on pre-determined objective criteria. Market participants may note that ASM framework shall be in conjunction with all other prevailing surveillance measures being imposed by the Exchanges from time to time.

INDIAN ECONOMIC INDICATORS

Economic Indicators as on June 6, 2018*

	Current	Previous
Forex Reserves (USD Billion)	412.8	415.1
IIP (YOY)	4.4%	7%
CPI (YOY)	4.6 %	4.3%
WPI (YOY)	3.2%	2.5%
Quarterly GDP Growth (YOY)	1.80%	1.80%
Bank Credit Growth (QOQ)	10.32%	11.13%

*Source: RBI Website & Various Sources

Policy Rates as on June 6, 2018*

Bank Rate	6.25%
Repo Rate	6.00%
Reverse Repo Rate	5.75%
CRR	4.00%
SLR	19.50%
Call Money Rate	4.50% to 6.00%

*Source: RBI Website
As per Credit Policy announced on 6th June, 2018

ECONOMIC CALENDAR FOR THE PERIOD JUNE 18- JULY 20, 2018

Monday	Tuesday	Wednesday	Thursday	Friday
June 18	June 19	June 20	June 21	June 22
US:Simply Economics	US:Redbook 6:25 PM	JP:BoJ MPB Minutes 5:20 AM	GB:BOE Announcement & Minutes 4:30 PM	US:Fed Balance Sheet 2:00 AM
US:Housing Market Index 7:30 PM		US:Current Account 6:00 PM	US:Jobless Claims 6:00 PM	US:Money Supply 2:00 AM
				JP:CPI 5:00 AM
June 25	June 26	June 27	June 28	June 29
US:New Home Sales 7:30 PM	US:Consumer Confidence 7:30 PM	US:Retail Inventories [Advance] 6:00 PM	US:GDP 6:00 PM	US:Farm Prices 12:30 AM
		US:Wholesale Inventories [Advance] 6:00 PM	US:Jobless Claims 6:00 PM	US:Fed Balance Sheet 2:00 AM
				US:Money Supply 2:00 AM
				JP:Industrial Production 5:20 AM
July 2	July 3	July 4	July 5	July 6
CN:PMI Manufacturing Index 6:30 AM	US:Factory Orders 7:30 PM	US:Bank Reserve Settlement	US:Jobless Claims 6:00 PM	US:Fed Balance Sheet 2:00 AM
IN:PMI Manufacturing Index 10:30 AM		IN:PMI Services Index 10:30 AM	US:FOMC Minutes 11:30 PM	US:Money Supply 2:00 AM
				US:Employment Situation 6:00 PM
July 9	July 10	July 11	July 12	July 13
DE:Merchandise Trade 11:30 AM	US:Consumer Credit 12:30 AM	US:PPI-FD 6:00 PM	IN:CPI 5:30 PM	US:Fed Balance Sheet 2:00 AM
	CN:Producer Price Index 7:00 AM	US:Wholesale Trade 7:30 PM	IN:Industrial Production 5:30 PM	US:Money Supply 2:00 AM
	US:JOLTS 7:30 PM			US:Import and Export Prices 6:00 PM
July 16	July 17	July 18	July 19	July 20
CN:Industrial Production	US:Industrial Production 6:45 PM	US:Beige Book 11:30 PM	US:Jobless Claims 6:00 PM	US:Fed Balance Sheet 2:00 AM
IN:WPI 12:00 PM			US:Philadelphia Fed Business Outlook Survey 6:00 PM	US:Money Supply 2:00 AM

MSE FEATURES AMONGST INDIA'S TOP 500 COMPANIES.

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Metropolitan Stock Exchange - A national level Stock Exchange providing completely integrated trading platforms for Currency Derivatives, Interest Rate Futures, Stocks & Bonds.

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