

LIQUIDITY, VALUATIONS AND EVENTS

Oct - Dec
2016

MOVEMENTS OF MAJOR INDICES

Sectoral Index	Country	30 th Sep 2015	30 th Jun 2016	30 th Sep 2016	3-Month Returns (%)	1-Year Returns (%)
Bovespa	Brazil	45,059	51,527	58,367	13%	30%
Hang Seng	Hong Kong	20,846	20,794	23,297	12%	12%
Nasdaq	US	4,620	4,843	5,312	10%	15%
DAX	Germany	9,660	9,680	10,511	9%	9%
Jakarta Composite	Indonesia	4,224	5,017	5,365	7%	27%
RTS Index	Russia	790	931	991	6%	25%
Nikkei 225	Japan	17,388	15,576	16,450	6%	-5%
CAC 40	France	4,455	4,237	4,448	5%	0%
NIFTY 50	India	8,369	8,288	8,611	4%	3%
Seoul Composite	South Korea	1,963	1,970	2,044	4%	4%
S&P BSE SENSEX	India	27,781	27,000	27,866	3%	0%
Shanghai Composite	China	3,053	2,930	3,005	3%	-2%
NYSE	US	9,800	10,490	10,722	2%	9%
Dow Jones	US	16,285	17,930	18,308	2%	12%
KLSE Composite	Malaysia	1,621	1,654	1,653	0%	2%

MOVEMENT OF SECTORAL INDICES

Sectoral Index	30 th Sep 2015	30 th Jun 2016	30 th Sep 2016	3-Month Returns (%)	1-Year Returns (%)
S&P BSE OIL & GAS Index	9,859	9,721	11,378	17%	15%
S&P BSE METAL Index	9,335	8,520	9,764	15%	5%
S&P BSE AUTO Index	18,712	19,745	22,232	13%	19%
S&P BSE PSU	7,638	6,717	7,462	11%	-2%
S&P BSE BANKEX	20,982	20,531	22,046	7%	5%
S&P BSE Consumer Durables	10,746	11,973	12,549	5%	17%
S&P BSE Health Care	16,564	15,493	16,181	4%	-2%
S&P BSE SENSEX	27,781	27,000	27,866	3%	0%
S&P BSE Power Index	2,022	1,996	1,990	0%	-2%
S&P BSE FMCG	7,789	8,453	8,461	0%	9%
S&P BSE Capital Goods	17,518	14,875	14,582	-2%	-17%
S&P BSE TECK Index	5,925	6,069	5,631	-7%	-5%

FOREIGN INSTITUTIONAL INVESTOR (FII)

- FII Flows in Equity

FLOWS

(in Rs. Million)	Jul-16	Aug-16	Sep-16	TOTAL
Gross Purchase	9,59,156	10,16,752	11,57,153	31,33,061
Gross Sale	8,33,037	9,26,039	10,52,721	28,11,797
Net Investment	1,26,118	90,713	1,04,433	3,21,264

- FII Flows in Debt

(in Rs. Million)	Jul-16	Aug-16	Sep-16	TOTAL
Gross Purchase	2,43,688	2,58,466	3,03,345	8,05,499
Gross Sale	1,75,234	2,84,715	2,05,452	6,65,400
Net Investment	68,454	(26,249)	97,894	1,40,099

Source: SEBI

Total Net FII Flows in Jun-Sep

Rs 4,61,363 million

DOMESTIC INSTITUTIONAL INVESTOR (DII) FLOWS

(in Rs. Million)	Jul - 16	Aug - 16	Sep - 16	TOTAL
Gross Purchase	13,52,543	9,66,142	5,14,402	28,33,087
Gross Sale	14,37,160	9,90,213	4,94,410	29,21,783
Net Investment	(84,617)	(24,071)	19,992	(88,696)

Source: SEBI

MF ACTIVITY

•Equity

(in Rs. Million)	Jul-16	Aug-16	Sep-16	TOTAL
Gross Purchase	2,41,264	2,97,229	3,12,711	8,51,204
Gross Sale	2,41,599	27,006	2,74,295	5,42,900
Net Investment	(338)	27,170	38,414	65,246

•Debt

(in Rs. Million)	Jul-16	Aug-16	Sep-16	TOTAL
Gross Purchase	11,16,617	12,75,449	16,83,096	40,75,162
Gross Sale	9,20,088	12,34,520	11,49,979	33,04,587
Net Investment	1,96,531	40,929	5,33,121	7,70,581

Source: SEBI

**Total Net MF Activity in
Jul - Sep**

Rs. 8,35,827 Million

DOMESTIC EVENTS

GROWTH

- India GDP expanded at an annualised 7.1% in the April – June 2016 quarter. This is lower than 7.9% growth in the previous quarter
- Purchasing Managers' Index:
 - There was a rising trend seen in both Manufacturing and Services PMI followed by a drop in September
 - Services PMI was at a 42 month high in August'16

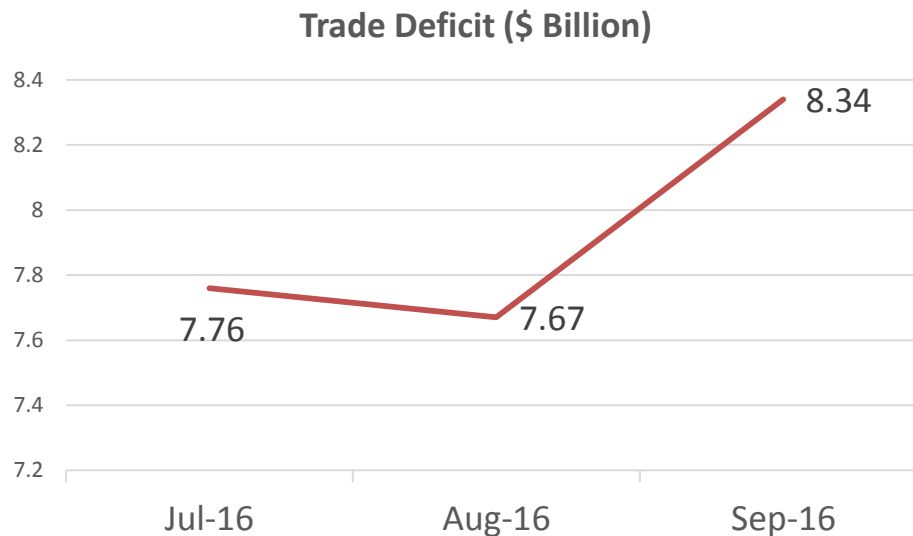
PMI (SERVICES)		PMI (MANUFACTURING)	
July	51.9	July	51.8
August	54.7	August	52.6
September	52	September	52.1

- Index of Industrial Production (IIP) dropped sharply in July'16

	May - 16	Jun - 16	Jul - 16
IIP (%)	1.2	2.1	-2.4

CURRENT ACCOUNT DEFICIT

- India's current account deficit (CAD) was \$277 million, or 0.1% of gross domestic product (GDP), in the April-June quarter—same as in the preceding quarter.
- In the same quarter a year ago, India posted a CAD of \$6.1 billion, or 1.2% of GDP.



PROGRESS ON REFORMS

Merger of Railway
and General Budgets
from 2017-18

Monetary Policy
Committee (MPC)
formation

Formation of GST
Council for preparing
a model Bill &
deciding rates

Banks can now sell
their stressed assets
to other lenders

SEBI allowed
commodity
exchanges to
introduce trading in
options

Outlay of Rs. 12,000
cr for providing job
skills to 10 mn in 4
years

Travel insurance
cover of upto Rs 10
lakh for less than Re
1 on online train
booking

India jumped 16
places to rank to 39
in WEF Global
Competitiveness
Index

Voluntary Income
Disclosure brought
Rs 65,000 crs into
the mainstream

INFLATION

- Both WPI and CPI have been on an upward trajectory, but the levels receded in the month of September'16.

	Jul-16	Aug-16	Sep-16
Wholesale Price Index	3.55	3.74	3.57
Consumer Price Index	6.07	5.05	4.31

EQUITY CULT EMERGING AMONG RETAIL INVESTORS

- Money raised from initial public offerings (IPOs) in the first half of FY17 touched a 9-year high at Rs 17,283 crore, according to data from Prime Data.
- The share of retail holding in stocks forming the Nifty 500 was 8.09 per cent in the June 2016 quarter, up from 7.6 per cent in March 2015
- Mutual fund account (folio) count increased to a record 5 crore by the end of September'16.
- The equity category witnessed an addition of more than 15 lakh investor folios to 3.75 crore in April-September period of the current fiscal.

INDO-PAK TENSIONS

- Rising tensions between India and Pakistan affected the Indian stock markets towards the end of September'16.
 - 17 Indian soldiers were killed in a militant attack in Uri area of Baramulla district on 18 September.
 - On 28 September India carried out surgical strikes on terrorists in Pakistan Occupied Kashmir.
 - Since then there have been instances of ceasefire violations by Pakistan.

GLOBAL EVENTS

SLOWDOWN IN GLOBAL TRADE

- The World Trade Organization (WTO) cut the global trade growth forecast to 1.7%.
 - This marked the first time in 15 years that international commerce was expected to lag the growth of the world economy.
- The International Monetary Fund warned that central banks are struggling to beat back deflationary forces and that governments need to spend to help them succeed.

USA

- Federal Reserve Commentary:
 - In the September review, the US Fed kept interest rates unchanged
- Presidential Elections
 - Former Secretary of State and U.S. Senator from New York Hillary Clinton became the Democratic Party's presidential nominee on July 26
 - Businessman and reality television personality Donald Trump became the Republican Party's presidential nominee on July 19
- Employment
 - Jobs added: 252,000 in July; 167,000 in Aug and 156,000 in Sep

CHINA

- The Chinese economy expanded at an annual rate of 6.7% in the third quarter
 - This is the third consecutive quarter of 6.7% growth – which raised some concerns over the reliability of this data
 - The growth has been achieved on account of a credit boom especially for real estate development projects and government backed infrastructure projects
 - Retail sales have also increased
- According to IMF chief economist Ken Rogoff, a calamitous "hard landing" of China is the greatest threat to global economy

EUROPEAN BANKING CRISIS

- Banks in Europe seem to be in trouble because of the following reasons:
 - Zero interest rates which makes it difficult for banks to make money and recover the cost of capital
 - Tougher international capital requirements
 - Penalties for misconduct by US Department of Justice
- Deutsche Bank got into trouble recently as U.S. Justice Department had proposed the bank pay a \$14 billion fine to settle civil claims related to its dealings in mortgage-backed securities.

EVENTS TO WATCH OUT FOR

- DOMESTIC
 - Passage of Bills in the Winter Session of the Parliament
 - Quarterly Earnings of companies
 - RBI Monetary Policy
 - India-Pakistan response to the heightened tension on border
 - FII Inflows in India
 - Political realignments and Outcome of state elections – Punjab and developments in U.P.
- GLOBAL
 - US Fed Policy in December and its impact
 - US Presidential Election Results in November
 - Trend of foreign inflows into emerging markets
 - Crude Oil Price trajectory

OUTLOOK FOR ASSET CLASSES

Asset Class	Performance in Q3CY16	Start to End Value In Q3	Outlook for Q4CY16	Remarks
Debt	10-Year Gilt: Down 70 bps 3-M T Bill: Down 23 bps 6-M T Bill: Down 28 bps 3-M CP: Down 101 bps 6-M CP: Down 90 bps 1-Yr CP: Down 71 bps Call Rate: Down 2 bps	7.51 – 6.81 6.65 – 6.42 6.79 – 6.51 7.79 – 6.78 8.08 – 7.18 8.27 – 7.56 6.43 – 6.41	The sharp decline in yields last quarter has factored in a major share of the rate cut. Any further fall in this quarter will be gradual.	Inflation moderation at an accelerated rate may give rise to speculation of a cumulative 50 bp rate cut before Mar '17 and may cause yields to fall sharply
Equity	Sensex: Up 3% Nifty : Up 4%	27,000 – 27,866 8,288 – 8,611	Looming Fed rate hike and uncertain outcome of the US election will keep the market volatile. Possibility of previous top being taken out	A combined institutional buying by foreign and domestic investors can propel the market to a different orbit

Disclaimer

This presentation is intended for internal use and may contain confidential information that belongs to the sender and/or legally privileged information that is protected by the attorney-client privilege. If you are not the intended recipient of this communication, you must not disseminate copy or take any reliance on it. If you have received this message in error please notify the sender immediately, to arrange the return of the document. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Citrus Advisors is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Citrus Advisors., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Citrus Advisors' prior written consent. No part of this document may be distributed in India or abroad. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

THANK YOU