



INDIA REPORT

Celebrating 22 years

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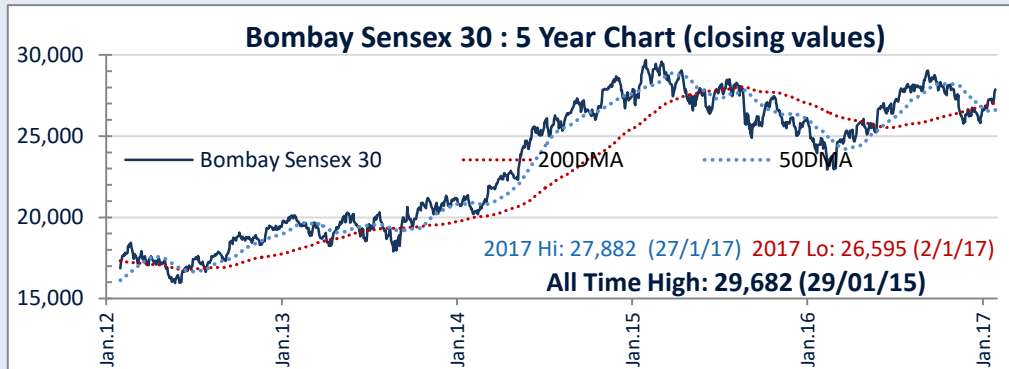


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Source: closing values, chart & following table: Bloomberg

Close:	Index			PE		5 Year PE	
30 Jan 2017	Level	Pts Chg- Day	% Chg YTD	2017/18	Avg	High	Low
SENSEX 30	27,850	- 32	+4.6%	17.4x	18.0x	23.0x	14.2x
NIFTY 50	8,633	- 9	+5.5%	17.2x	17.7x	22.7x	13.8x

Other Markets: Level & % YTD

ASIA: CHINA Shanghai: 3,159 (+2%)

JAPAN Nikkei 225: 19,369 (+1%)

EUROPE: UK FTSE: 7,130 (n/c)

GERMANY DAX: 11,724 (+2%)

USA: Dow Jones: 20,094 (+2%)

GOLD: \$1,190.70 (+3%)

SILVER: \$17.03 (+7%)

BRENT OIL: \$54.91 (+1%)

Indian Currency

INR ₹ / USD \$1= Rs67.95 (n/c)

INR ₹ / GBP £1= Rs84.95 (+1.3%)

INR ₹ / EUR €1= Rs72.25 (+1.1%)

⇒ **The Annual Indian Budget is to be presented on Wednesday, 1 February.** Usually this is done in the last week of February. The Railway Budget shall be discontinued to be made a day before, as was the custom until this year. Instead, matters relating to railways will form part of the main budget. **The move to bring forward the budget by about four weeks is to allow more time for budget proposals to be passed through parliament so that they may be quicker to impact the fiscal year it covers.**

⇒ **In the first week of taking office, in a telephone call, US President Donald Trump invited Indian Prime Minister Narendra Modi to visit the U.S. this year.** The conversation between the two leaders covered economic and defence cooperation. Security in South and Central Asia was also covered, as U.S. troops continue to battle the Taliban in Afghanistan and Pakistan. However, there are concerns in India that Trump may reverse ex-US President Obama's tilt towards Asia in the 21st century as the former wishes to focus more on U.S. domestic issues. The White House website said that the two leaders "resolved that the United States and India stand shoulder to shoulder in the global fight against terrorism". Trump's election campaign mandate to withdraw U.S. security presence in Asia would expose India to a rising China. Trump's tough stance on immigration and "America First" jobs policy will potentially make it more difficult for Indian I.T. companies to get U.S. visas to send their staff there. The U.S. accounts for about 60% of India's software exports. Still, Modi in his personal account tweet said the conversation with Trump had been "warm" and that they would work further to strengthen bilateral ties. **Modi also invited Trump to India this year.**

⇒ **Cricket-loving India is a sleeping giant as far as football is concerned.** Cricket is deemed to be more of a religion in the sub-continent than a sport. It is revered across sections of society there and is also a great social equaliser. India ranks number one in the world according to the International Cricket Council (ICC) in the ICC Test Rankings. The country, with 1.3 billion people is finally waking up to the most popular sport in the world – football. India is 137th in world ranking for football and, on the only occasion they qualified for the World Cup in 1950, they pulled out without kicking a ball. **Ambitions have since changed and India aims to qualify for the 2026 World Cup.**

⇒ **Daunting challenges abound for India from starting virtually from scratch in football.** Embracing the sport and developing it at grassroots level is now the goal for the country. But huge obstacles exist as a proper ecosystem needs to be developed - from improving current facilities, to coaching and encouraging more players to enter the system. Finding appropriate spaces to play is a major problem in India's over crowded cities, combined with the imperative for children to play regularly to improve and sharpen their skills. As in other fields in India, where a lack of proper infrastructure is an impediment, improvisation is often the solution there. The concept of pop-up pitches where organisers bring portable goals and announce venues on social media is becoming increasingly popular. The Indian Super League (ISL), promoted by billionaire Mukesh Ambani's Reliance Industries and Rupert Murdoch's Star India TV is in its third season. It selects the most talented players for a residential programme called "Young Champs" which is based near Mumbai. Started in 2014 the scheme's initial target is to have 500,000 coached and playing regularly. The clubs have thus to take coaching very seriously to show results to parents. The ambition of some is to monetise the new sport into something mega. Just like the Indian Premier League (IPL) for cricket which has contests every April and May by franchise teams representing Indian cities. The league, founded in 2007, is the most-attended cricket league in the world. And, in just ten years ranks sixth among all sports leagues. **Eyes are now on developing football in India, despite challenges.**

⇒ **The term emerging markets was coined around the 1980s to differentiate economies with high growth potential, but that still lacked the developed markets' regulatory standards, depth of market, trading systems and liquidity for investors.** A more appropriate term now is "developing" markets as many are, over time, approaching the levels of developed markets. Hong Kong and Singapore are "developed markets". Many institutions, including the IMF, MSCI (formerly Morgan Stanley Capital International), FTSE, Dow Jones, Russell categorise countries as developed, emerging or frontier. The MSCI indices are most used as a US\$ benchmark by global investors. The MSCI World Index contains 23 developed countries, the MSCI Emerging Markets Index contains 23 countries and the Frontier Index contains 23 countries. **Page 2 has a table comparing returns in US\$ over 1, 5 and 10 years.**



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AT 31 DECEMBER 2016 : DEVELOPED VS EMERGING EQUITY MARKETS

TABLE OF RETURNS IN US\$ FOR 1, 5 AND 10 YEARS

- The table below gives a snapshot of the returns in US\$ at end 2016 – 1year, 5 years and 10 years;
- MSCI indices have been used to show US\$ returns. The countries that make up each index may be found at: <https://www.msci.com/market-cap-weighted-indexes>.
- MSCI ACWI index combines the MSCI World Index (Developed Markets) and MSCI Emerging Markets Index;
- Developed markets (23 countries) account for about 90% of MSCI ACWI index, emerging markets (23 countries) for about 10%. The table below shows the countries that make up the bulk of each category.
- Frontier markets are not covered, as they are outside the scope for this comparison;
- In developed markets the US, Germany, Japan and Hong Kong show positive returns across all periods, and in emerging markets only India;
- Currency translations into US\$ make a material difference, especially for periods when the US\$ has been strong;
- In 2016 most emerging markets have fared better than developed markets;
- 5-year period: emerging markets have been hammered and the best performing market was the US;
- 10-year period: Germany was the best market among developed markets, followed closely by the US. China and India did better than developed markets in this period.

COUNTRY		1 Year To 31 Dec 2016	5 Years To 31 Dec 2016	10 years To 31 Dec 2016
% returns in US\$ at 31 December 2016				
<u>DEVELOPED MARKETS:</u>				
<u>AMERICAS:</u>	USA (Dow Jones 30)	+14	+62	+85
	CANADA	+21	-3	+18
<u>EUROPE:</u>	UK	-4	+1	-10
	FRANCE	+2	+24	-9
	GERMANY	+3	+57	+88
	SWITZERLAND	-8	+28	+40
<u>ASIA:</u>	JAPAN	+3	+49	+20
	HONG KONG	+1	+20	+48
<u>EMERGING MARKETS:</u> BRICs account for 42% of Emerging Markets				
	BRAZIL	+69	-39	+28
	RUSSIA	+48	-17	+1
	INDIA	n/c	+38	+92
	CHINA	-17	+28	+316

Source: Bloomberg



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