



INDIA REPORT

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LALCAP

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Bombay Sensex 30 : 5 Year Chart (closing values)



Close:	Level	Index Pts Chg-Day	% Chg YTD
7 Nov 2022			
SENSEX 30 (2022 High)	61,185	+ 235	+5.0%
NIFTY 50	18,203	+ 86	+4.9%

Other Markets: Level & % YTD

ASIA: CHINA Shanghai: 3,078 (-15%)
JAPAN Nikkei 225: 27,528 (-4%)
EUROPE: UK FTSE: 7,326 (-1%)
GERMANY DAX: 13,580 (-15%)
USA: Dow Jones: 32,403 (-11%)
NASDAQ Composite: 10,475 (-33%)
GOLD: \$1,675.09 (-8%)
SILVER: \$20.64 (-11%)
BRENT OIL: 98.02 (+26%)

Indian Currency; Level & YTD

INR ₹ / USD	\$1=	Rs81.94 (-10.0%)
INR ₹ / GBP	£1=	Rs93.69 (+7.0%)
INR ₹ / EUR	€1=	Rs81.73 (+3.5%)

⇒ **The S&P Global India services Purchasing Managers' Index showed that activity in India's dominant services industry gathered pace in October on strong demand despite high inflationary pressures.**

This led to the second fastest hiring pace in over three years. The index edged up to 55.1 in October and remained above the 50-mark that separates expansion from contraction for a fifteenth month. That marked the longest stretch of growth since October 2016. Inflation in India has been hovering above the Reserve Bank of India's (RBI) target range of 2%-6% since the start of this year. Job creation in the services sector picked up and business expectations were at an almost eight year high. Barring August, hiring was the second-fastest in over three years. **India's SENSEX 30 is +5.0% YTD, and just 1% below its all-time high touched in October 2021. This is in contrast to major global stock markets.**

⇒ **In 2009, developed countries most responsible for global warming pledged to give \$100 billion per year by 2020 to help developing nations deal with its consequences.** The commitment has still not been met, generating mistrust and reluctance among some developing nations to accelerate their emissions reductions. **India called on rich countries on Friday to live up to their promise of providing \$100 billion in annual climate finance to developing nations and urged them to increase the amount for future years the U.N. climate conference COP27 in Egypt, started yesterday.**

⇒ **"The goal of \$100 billion per year of climate finance by 2020 and every year thereafter through till 2025 is yet to be achieved," the government said in a statement ahead of the COP27.** India is the world's third largest emitter of greenhouse gases after China and the United States - though it is much lower down the rankings of emissions per capita, according to Our World in Data. It has been boosting its share of renewable energy, but coal continues to be India's main fuel for power generation, as the country struggles to provide energy for its 1.4 billion people using a cheaper fuel. India has already initiated steps such as meeting half of its energy demand from non-fossil fuels and building 500 gigawatts of non-fossil energy capacity by 2030. This is higher than its previous target of 40%, which the government said it had already achieved in December 2021. **Oil is mainly used for transport, and India imports over 75% of its oil needs.**

⇒ **Several car makers are planning to make EVs in India, with the government offering billions of dollars in incentives to build EVs and their parts locally as it seeks to cut oil imports and pollution.** India is looking to add local manufacturing of a range of zero-emission technologies as it aims to become carbon neutral by 2070. The country has committed to build 500 gigawatts of clean power capacity by 2030, and the positioning of very large amounts of battery storage is seen as essential to enable 24/7 renewable energy. Lithium is the key ingredient in batteries for electric vehicles and energy storage. However, India imports virtually all of its lithium. Australia and Chile currently dominate commodity production, while China is the world's largest refiner. **Over 85% of purchases came from China and Hong Kong, despite India's efforts to avoid imports from its giant neighbour where border clashes have created tensions which have spilled over to bilateral trade.**

⇒ **PM Modi's government is seeking a change to existing policy to remove eight minerals, including lithium, beryllium and zirconium, from a restricted list that currently prohibits production by private companies.** The changes would allow the government to auction permits to exploit lithium reserves in the country's drive to become more self-sufficient in green technologies. According to the Indian Mines Ministry, the government agencies made small discovery of lithium resource at a site in Karnataka. **However, the country is required to find and develop further lithium deposits to enable production at larger scale. The country is also exploring lithium and cobalt assets overseas.**

⇒ **India has tried to be included in global bond indexes since 2013, but many issues have thwarted that ambition.** JPMorgan, whose GBI-EM index is tracked by an estimated \$240 billion of funds globally, only began considering India's inclusion in its global bond index in 2021, a year after it began including China yuan-denominated debt. If successful, India would be the last major emerging market to be added to the JPMorgan index. It could see investors invest \$30 billion into India's bond market within 9 months and between \$170 billion and \$250 billion over the next decade, Morgan Stanley has estimated. India's local bond settlement rules, tax complexities and the way in which investors will repatriate their money are among the operational issues that still need to be resolved by the government and RBI. **India's inclusion in the index is possible in Q1 2023.**



AT 31 OCTOBER 2022 : DEVELOPED VS EMERGING EQUITY MARKETS

TABLE OF RETURNS IN US\$ FOR 1, 5 AND 10 YEARS TO 31 OCTOBER 2022

- The table below gives a snapshot of the returns, including dividends, in **US\$** at 31 October 2022 – 1year, 5 years and 10 years. Any currency appreciation/depreciation vs the US\$ is reflected in the returns;
- Morgan Stanley's 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 covers approximately 85% of the global investable equity opportunity set. It combines the MSCI World Index (Developed Markets) and MSCI Emerging Markets Index <https://www.msci.com/our-solutions/indexes/acwi>
- Developed markets (23 countries) account for about 90% of MSCI ACWI index, emerging markets (24 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;
- Currency translations into US\$ make a material difference, especially for periods when the US\$ has been strong;
- 1-year period: The continuing Russia-Ukraine war has contributed to energy and food inflation, which has caused interest rates to rise dramatically. Equity markets have seen a dramatic sell-off as a result. India is the best performing market in the table, despite the 10.5% depreciation against the US\$ in the year to 31 October 2022.
- 5-year period: The best performing markets were the U.S. and India. Hong Kong, Germany and China show losses.
- 10-year period: The US was the best market by a handsome margin, with NASDAQ standing out in the past decade. India was again the second best. Developed markets did much better than emerging markets in this period. India performed well despite currency depreciation against the US Dollar of 55% in the 10 years. Brazil is the only country to show a loss, reflecting currency depreciation.

COUNTRY	1 Year To 31 Oct 2022	5 Years To 31 Oct 2022	10 years To 31 Oct 2022
% returns in US\$ at 31 October 2022			
<u>DEVELOPED MARKETS:</u>			
Countries below represent over 75% of the Developed Markets Index			
<u>AMERICAS:</u>			
USA (Dow Jones 30)	- 8	+55	+214
USA (S&P 500)	-15	+63	+231
USA (NASDAQ)	-29	+90	+374
CANADA	-13	+33	+ 55
<u>EUROPE:</u>			
UK	-14	+ 1	+ 28
FRANCE	-20	+12	+ 89
GERMANY	-28	-16	+ 40
SWITZERLAND	-17	+37	+ 109
<u>ASIA:</u>			
JAPAN	-26	+ 5	+ 101
HONG KONG	-35	-35	n/c
<u>MAJOR EMERGING MARKETS:</u>			
BICs account for c. 50% of Emerging Markets (Russia excluded from index)			
BRAZIL	+22	+ 2	- 21
INDIA	- 6	+51	+ 144
CHINA	-32	- 8	+ 70

Source: Bloomberg, MSCI



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20 YEAR PERFORMANCE AT 31 OCTOBER 2022

OF MSCI INDICES: INDIA vs EMERGING MARKETS, CHINA & ALL WORLD INDEX

(In USD)	MSCI India Index (MXIN Index)	MSCI Emerging markets Index (MXEF Index)	MSCI China Index (MXCN Index)	MSCI ACWI (MSCI ACWI NET Total return Index)
CAGR- 20 Years	11.87%	5.63%	6.23%	7.87%
Absolute Return	843.5%	199.5%	235.0%	355.5%

CAGR=Compound Annual Growth Rate



Source: Bloomberg, MSCI

1. The above chart shows the 20-year performance of Indian equities (MSCI India Index in US\$) compared to the MSCI Emerging Markets Index, MSCI China Index and MSCI ACWI, which is Morgan Stanley's flagship global equity index.
2. Over 20 years in US\$ terms the returns are:

MSCI Index	Absolute return	Compound Annual Growth Rate (CAGR)
India	+ 843%	11.87%
Global World	+356%	7.87%
China	+ 235%	6.23%
Emerging Markets	+200%	5.63%



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