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SMART INVESTING
Grounding of 737s may Help IndiGo Regain Market Share

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Market Trends

STOCK INDICES		% CHANGE
Nifty 50	11341.7	0.36
Sensex	37752.17	0.58
MSCI India	874.02	0.25
MSCI EM	2355.77	0.19
MSCI BRIC	627.84	0.29
MSCI World	8637.26	0.04
SX 40	22203.51	1.67
Nikkei	21290.24	0.99
Hang Seng	28807.45	0.39
Strait Times	3195.59	0.52

Values in US $, Gross — At 7 pm IST

OIL ($)
DUBAI CRUDE
67.09
0.43
Absolute Change

BOND
10-YR YIELD
7.38
0.02
Figures in %

GOLD RATE
Prices per Troy Ounce ($)

	US	India
OPEN	1301.8	1433.38
LAST*	1307.5	1439.55

*At 10.30pm, After adjusting for import duty, Indian spot gold lower by $ 1.30 to US Comex gold price on Wednesday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (₹-$ Exchange Rate)

OPEN	LAST*
69.69	69.54

Market on Twitter@ETMarkets

JANUARY-MARCH FLOWS skewed more toward block deals and ETFs; experts say some FPIs are on the sidelines and not yet buying into the political sentiment-fuelled rally

FPI Quarterly Inflows Set for Highest Level Since 2017

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Mumbai: Inflows from foreign portfolio investors (FPIs) in the January-March period are on track to be the highest in a quarter in two years, spurred mainly by the Bharatiya Janata Party-led coalition's improved chances of returning to power. Adding to this is a rise in flows into emerging markets thanks to a dovish US Federal Reserve.

Though a large part of the inflows have come through exchange traded funds (ETFs) — considered relatively fickle — and block transactions on the bourses, active money has also started coming into local markets, said experts. Money managers believe that foreign flows will continue to be strong in the coming two months in the run-up to the general election, which may drive the benchmarks to record highs.

FPIs have pumped in ₹30,500 crore since January, including provisional data for Wednesday, which is the highest in a quarter since the January-March period of 2017, when it amounted to ₹44,200 crore.

Quarterly FII Inflows

Quarter	(in ₹ Cr)
Mar-2017	44220.57
Jun-2017	11687.82
Sep-2017	-20929.42
Dec-2017	16356.49
Mar-2018	13864.76
Jun-2018	-20705.09
Sep-2018	-9862.70
Dec-2018	-19100.28
Mar-2019	30476.01

Compiled by : ETIG Database
*Mar-2017 refers to January-March quarter

"A combination of India's underperformance coupled with growing likelihood that the incumbent government will come back has sparked this rally. The major global driver has been the US Fed pausing on interest rates as well as a deterioration in the outlook for Europe that has resulted in flows coming back into emerging markets," said Pratik Gupta, managing director and head, Deutsche Equities India. "Initial part of the flows after the air strikes came from ETFs. A lot of the foreign inflows have also come into large block transactions. Now we are beginning to see active money also coming in."

The Sensex and Nifty, which are at a six-month high, are up 4.8% this year in dollar terms while the China and Hong Kong markets are up 7-24%. MSCI India is up 4.2% so far this year while the MSCI EM index has risen 8.9% in the same period.

Foreign flows are catching up with India now, said Andrew Holland, chief executive officer at Avendus Capital-Alternate Strategies. Flows in the first two months of the year were tepid as political uncertainty was high in the aftermath of the three key state elections of Madhya Pradesh, Rajasthan and Chhattisgarh, where the BJP lost power.

US-China trade negotiations also kept investors on tenterhooks. India's air strikes in Pakistan in response to the Pulwama terror attack has boosted the Narendra Modi-led government's image and the BJP's prospects in the general election, which will be held in April-May. Counting takes place on May 23.

Opinion polls have suggested a comfortable majority for the BJP-led coalition in the lower house of parliament.

"Developed markets are not looking as great as emerging markets. Money is still coming into emerging markets," Holland said. "The US-China trade deal has still not been done. India is being seen as as a bit more defensive. Also, now the expectation is that Modi could get a majority," he added.

FPIs were net sellers in January to the tune of ₹467 crore. In February, they were net buyers of Indian shares worth ₹15,300 crore largely because of the ₹12,000 crore net purchase figure on February 22 due to the ING Group's sale of its remaining 3% stake in private lender Kotak Mahindra Bank. So far in March they have bought shares worth a net ₹15,600 crore.

Market experts estimate that about 40-50% of the foreign flows into Indian equities this year have come through block transactions, 30-40% through ETFs and the remaining via active funds. The sale of pledged shares by lenders has been absorbed by foreign institutions in some cases, they said.

Experts don't rule out the market rising to new highs before the poll outcome as share valuations are at a premium.

►► Continued on Money Matters

INDIA M-CAP TOUCHES $2.12 TRILLION

India Tops Germany on Market-Cap Chart

Mumbai's road to glory appears to be passing through New Delhi these days. In the run-up to the national polls, Dalal Street has edged past Frankfurt on the global market capitalisation leader-board, underscoring the average Indian voter's confidence that this summer's balloting would return to power a stable government at the Centre.

Europe's largest economy has a market capitalisation of $2.08 trillion, compared with $2.12 trillion for India, Bloomberg data showed. This is the second time in seven years that Mumbai outran Frankfurt. India's market capitalisation touched a record high of $2.45 trillion in January 2018. In the last one year, India's benchmark index rose 4% in dollar terms, while the key German gauge, DAX, dropped 14%.

India's market capitalisation to GDP ratio is 81%, compared with 51% for Germany. Its slide means that after London leaves the common economic bloc in March, there would be only one EU nation – France – in the seven biggest capital markets on the planet.

India continues to be among the fastest expanding economies, while there are multiple signs that growth in Germany is hard to come by. Its GDP contracted 0.2% in the third quarter and the German economy was largely flat in the fourth quarter of 2018.

– Ashutosh R Shyam/ETIG

Top Countries by Market Capitalisation (Fig in $ tn)

Country	Market cap
US	30.17
China	7.16
Japan	5.73
Hong Kong	5.53
UK	3.27
France	2.43
Canada	2.15
India	2.12
Germany	2.08
S. Korea	1.45
Australia	1.30

World Market capitalization $77.79 t

India Moves past Germany in Terms of Market Capitalisation

Source: Bloomberg; compiled by ETIG

Re Rallies for 3rd Day, Up 17 P Against Dollar

PTI

Mumbai: The Indian rupee Wednesday clocked its third straight session gains, rising 17 paise to close at a fresh two-month high of 69.54 against the US dollar on sustained foreign fund flows. Besides, the US dollar's weakness against its key rivals overseas strengthened forex market sentiment domestically.

At the Interbank Foreign Exchange, the domestic unit opened at 69.71 and advanced to a high of 69.42 during the day. It finally settled at 69.54, a rise of 17 paise against the dollar.

This was the best closing level for the Indian unit since January 1 this year, as it ended that day at 69.43.

Meanwhile, the rupee has gathered 60 paise in the last three sessions.

The dollar index, which gauges the greenback's strength against a basket of six currencies, was lower by 0.08 per cent at 96.85. A continuous rise in global crude oil prices kept rupee under some pressure, restricting its gains.

The Brent crude futures, the global benchmark, rose 0.67 per cent to quote at 67.12 a barrel on Wednesday.

The rise in oil prices has been supported by planned cuts to Saudi exports and a reduced forecast for US crude output.

Shorts Likely Trapped, Bank Nifty Set to Climb Further

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Mumbai: The Bank Nifty could rally to fresh highs as some of the traders who rolled over their bearish bets to the current (March) series appear to have not squared these off, said derivatives analysts, citing the rising open interest of Bank Nifty futures from the beginning of the present derivatives series.

The rollover of futures positions stood at 75.9% at expiry of the February series. As the Bank Nifty corrected 1.85% to 26,789.9 during the February series, some of the rolls were thought to be short positions. The shorts are trapped as the index futures contract has risen 7.4% so far this series to 28,949.65, a fresh closing high. Before closing, it hit a fresh record high of 28,998.1.

Since March 1, the near month futures contract open interest (OI) has risen from 14.2 lakh shares (20 shares make one lot) to 24.83 lakh shares on March 13. The futures contract has risen from 27,201 to 28,949.65 over the same period. The rising price accompanied by a jump in the OI indicates the creation of fresh bullish bets.

Some shorts who rolled over their bearish bets have not yet covered these, believe derivatives experts like Chandan Taparia of Motilal Oswal Financial Services and Amit Gupta of ICICI Direct. Had this been the case, the OI would have fallen on at least a few sessions in the current series as covering of a short position results in reduction of OI. But, so far in March, the OI has risen each day implying that some shorts may still be holding on.

As foreign portfolio investors pumped in Rs 15,615 crore in shares this month, and net purchased index futures – Nifty and Bank Nifty -- worth Rs 4,757 crore, the Bank Nifty has risen consistently to a fresh high. The extent of the recent FPI/FII bullishness – witnessed in their buying both in the cash and index futures' segments – might force those holding on to their Bank Nifty shorts to cover them, giving further impetus to the rally in banking stocks.

"The rally in the Bank Nifty could be aided by further short covering," added Rajesh Palviya, derivatives head, Axis Securities.

Managing a Single Fund for 25 Years and Generating High Alpha, too

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Mumbai: HDFC Mutual Fund's chief investment officer Prashant Jain has become the first Indian fund manager to complete 25 years managing a single fund. He achieved this in 2019 with HDFC Balanced Advantage Fund which has generated an alpha of 9.54% over the Sensex since 1994, Morningstar Direct data show.

HDFC Balanced Advantage Fund (the erstwhile HDFC Prudence Fund), launched in February 1994, is the largest equity-oriented fund in India with assets of ₹37,395 crore as of February 2019. The fund, now categorised as dynamic asset allocation (equity can be 0% to 100%), in its earlier avatar as HDFC Prudence Fund (a balanced fund). Data from Morningstar Direct show that when compared to other global funds managed by a single fund manager for 25 years and above, Jain's fund has generated an alpha of 9.54% over the Sensex, second only to legendary Peter Lynch who managed Fidelity Magellan till 1977, generating an alpha of 10.92%.

►► Continued on Smart Investing

Prashant Jain and Fund Scorecard

Fund Name	Inception Date	Return from Feb 2, 1994 (%)		20-year Return	
		Return	Alpha	Return	Alpha
HDFC Balanced Ad	Feb/01/94	18.48	9.54	21.08	8.22
American Funds Capital Income Bldr A	Jul/30/87	11.53	2.59	9.23	2.64
American Funds Growth Fund of Amer A	Nov/30/73	14.47	1.89	11.10	2.47
American Funds Income Fund of Amer A	Nov/30/73	11.76	1.91	9.64	2.36
CM-CIC France D	Dec/31/85	7.42	-0.22	4.82	-1.22
Dodge & Cox Stock	Jan/04/65	14.52	1.95	12.16	3.49
Fidelity® Contrafund®	May/17/67	14.73	2.58	11.23	3.09
Swedbank Robur Exportfond	Feb/1/93	13.79	2.88	12.59	3.07

Returns in percentage / annualized / as on January 31, 2019/HDFC Balanced Advantage (erstwhile HDFC Prudence Fund) is a hybrid fund and hence have a custom made hybrid index as its benchmark, the data for which is not available. Hence, for comparison purpose, the index used for calculating Alpha of HDFC Balanced Advantage Fund is S&P BSE Sensex.

Group/Investment	Fund Manager	Inception Date	Return	Alpha
Fidelity® Magellan®	Peter Lynch (May 1, 1977 - May 31, 1990)	5/2/1963	35.9	10.92
Fidelity Special Situations	Anthony Bolton (Dec 17, 1979 - Dec 31, 2007)	12/17/1979	26.3	9.20

Returns in percentage / annualized — Source: Morningstar Direct

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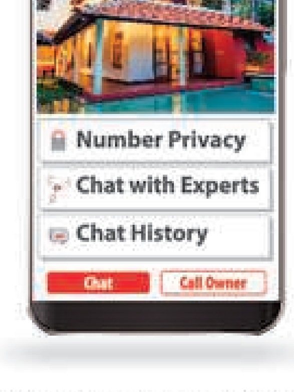

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