

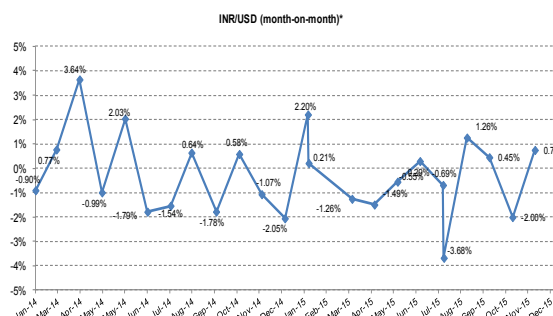
1-year BRICs performance comparison*

India's SENSEX emerged 3rd amongst the BRICS (1-year)



In descending order (from 31 Dec 2014 to 31 Dec 2015): **SHCOMP (Shanghai Composite Index)**, **INDXCF(MICEX)**, **BSE SENSEX(Bombay Stock Exchange Index)** & **IBOVSPA (Brasil Sao Paulo Stock Exchange Index)**.

INR/USD chart (from Jan 2014 to Dec 2015)**



* Source: Bloomberg

** S&P

Foreign investors lap up fresh stock of government bonds

Foreign portfolio investors (FPIs) lapped up a fresh supply of Indian government debt which came up for bidding on Jan 4th 2016, a testament to the attractiveness of these bonds which offer the best returns among emerging-market economies. Bids worth double the amount on offer were put in by FPIs, who were willing to pay a premium as high as 82 basis points (bps) to get access to the increased limits. One bps is one-hundredth of a percentage point. FPIs were allowed to buy an additional USD 8 billion in government bonds from 1 January as part of the Reserve Bank of India's (RBI) plan to throw open up to 5% of the outstanding stock of government bonds to global investors in tranches by March 2016.

India to remain bright spot of global economy: World Bank

India will continue to be the bright spot of the global economy and is projected to grow at a robust 7.8 per cent in fiscal 2016-17, more than a percentage point higher than China's, according to the World Bank. In its latest Global Economic Prospect report which is released every six months - the World Bank marginally reduced India's growth rate - 0.2 per cent in 2015 and 0.1 per cent in both 2016 and 2017. However, India continues to be the bright spot of the global economy, as Chinese growth is projected to slow further.

FY16 Balance of Payments to remain comfortable

FY16 external balances would gain from: 1. Lower trade deficit tracking muted oil & other commodity prices and 2. India's relatively healthier macro amongst global peers.

India's sovereign rating (Baa3) to have a positive outlook for 2016 : Moody's and ICRA

Global credit rating agency Moody's and its India affiliate, ICRA, have said that the country's sovereign rating (Baa3) carries a positive outlook for the year 2016 bucking the trend among similarly rated emerging market peers Brazil, Russia, South Africa, Indonesia, Turkey and the Philippines. The agency observed that healthy domestic growth and accommodative monetary policies will benefit corporates. The 'Baa3' rating incorporates credit strengths, such as India's diversified economy, robust growth prospects, relatively high domestic savings rate and high international reserve buffers.

Budget 2016: Modi government likely to revamp direct taxes to improve ease of doing business

The Narendra Modi government, which has pledged a predictable and non-adversarial tax regime, is likely to begin a sweeping revamp of direct taxes in the Budget that Finance Minister Arun Jaitley will present next month. Simplification and rationalisation will be the two themes driving the overhaul, which is aimed at improving ease of doing business and also creating a more positive perception of India's tax environment, long regarded as hostile and therefore inimical to them by investors.

CPI & Inflation

On the domestic side, Nov CPI continued its northward trajectory tracking the adverse base effect and the sequential rise in price momentum. The headline inflation level came in at 5.4% compared to 5% seen in Oct. The core inflation inched up as well to 4.6% vis-à-vis 4.4% seen in Oct. The price momentum was seen rising 0.4% MoM compared to 0.6% seen in Oct. Food index which constitutes ~46% of the overall CPI, marked some moderation due to a contraction in vegetable prices. Pulses' prices which have remain stubborn through the year inched up 3.6% MoM. Efforts by the Government such as recovering hoarded stock of pulses and importing higher quantity have not yet led to moderation in the prices. Higher prices of electricity led to higher rise in Fuel & Light component of the index. Overall services inflation continued to mark a steady sequential rise in most categories, viz. health, recreation, education as well as transport & communication barring personal care which contracted MoM. Services inflation reflects a steady trajectory; unlikely to be of any concern anytime soon. RBI's projected target of 5.8% for Jan'16 is likely to be comfortably met.

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