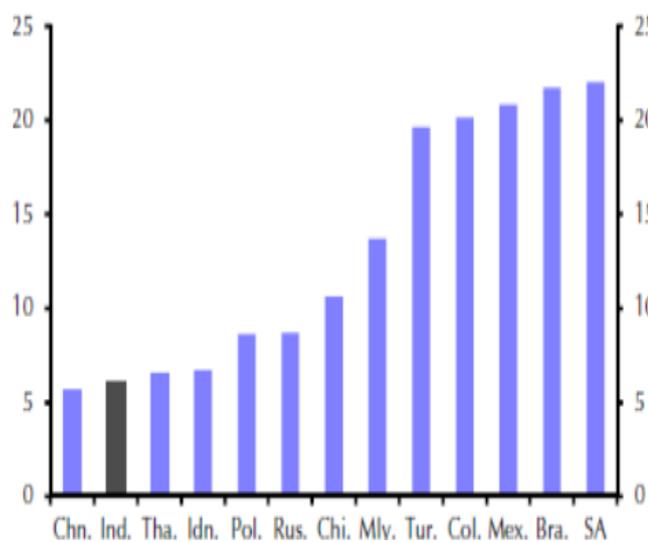
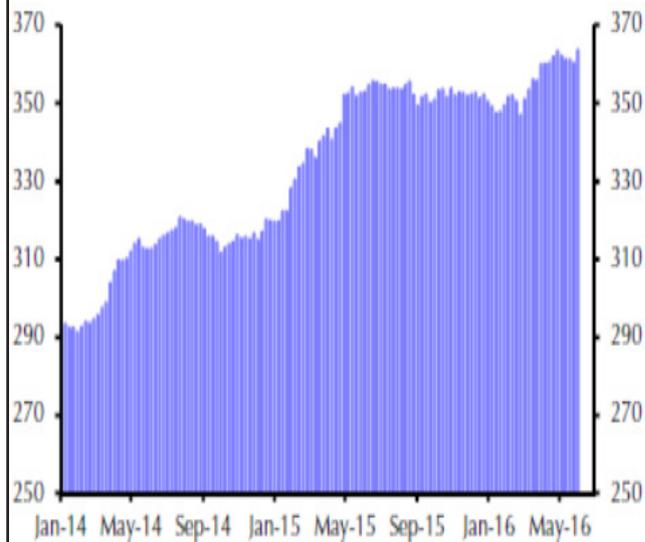


EM Currencies vs.US\$(% Depreciation Since 1st Jan'15)



Source: Capital Economics

India FX Reserves (USD billion)



Source: Capital Economics

1.The month of Brexit and “Rexit” created limited volatility for the rupee in June

Reserve Bank of India (RBI) governor Raghuram Rajan announced his intention to step down at the end of his contract in September. This news was followed by Britain’s referendum vote out of the EU. Rupee volatility however has been contained. The rupee is a relative outperformer year-to-date versus its EM counterparts, aside from China (chart 1). Indian exports to the UK make up only 0.5% of GDP, hence Brexit impact on India should be limited.

2.Record high FX reserves provide cushion for currency volatility

According to weekly data from the Reserve Bank of India (RBI), FX reserves hit a record high of USD 363.46 billion for the week ending June 3rd. On the whole, India’s FX reserves have trended upward continuously since the start of the year (chart 2).

3.Headline India GDP growth data stands out versus other major economies

The Indian economy expanded 7.9% year-on-year (YoY) in the first quarter of 2016 (the country’s final fiscal quarter Jan-Mar 2016) versus 7.2% YoY in the previous quarter. This puts India in the lead among large economies.

4. Current account deficit shrinks to its lowest level in 7 years

RBI data showed India’s current account deficit (CAD) narrow to \$0.3bn in the final fiscal quarter (Jan-Mar 2016) on the back of a lower trade deficit. This is the lowest level in 7 years, sharply down from \$7.1bn in the prior quarter and down from \$0.7bn from the prior year. Full year CAD for FY16 narrowed to 1.1% of GDP versus 1.8% in FY15.

5.Consumer prices accelerated but still remains within RBI target range

Headline inflation for May came in at 5.76% versus 5.47% in April due to a rise in food and fuel prices. But this is still below the RBI’s current 6% target.

6.Indian mutual fund industry sees 18% rise in AUM over a year

According to the Association of Mutual Funds in India (AMFI), assets managed by the country’s mutual fund industry grew from Rs. 12.26 trillion in May 2015 to Rs. 14.46 trillion in May 2016 – representing 18% growth.

7.India successfully launches 20 satellites into orbit on 22nd June

The Indian Space Research Organisation (ISRO) launched 20 satellites into orbit in a span of 26 minutes, bringing the country closer to the delivery rates of NASA and the Russian Federal Space Agency and strengthening India’s presence in the global space industry. Of the 20 satellites 17 are for commercial use and one (which weighed 725.5kg) is aimed to be used for earth observation (similar to NASA’s Landsat program). The cost of this mission amounted to 30% less than similar launches by other space agencies.

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