

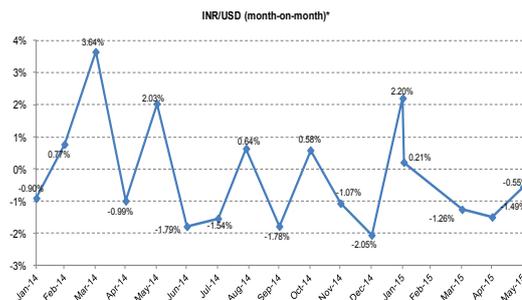
### 1-year BRICs performance comparison\*

India's SENSEX emerged 2nd amongst the BRICS (1-year)



In descending order (from 30th May 2014 to 30th May 2015): **SHCOMP** (Shanghai Stock Exchange Index), **BSE Sensex** (Bombay Stock Exchange), **MICEX** (Moscow Stock Exchange Index) and **IBOVESPA** (Brasil Sao Paulo Stock Exchange Index).

### INR/USD chart (from Jan 2014 to May 2015)\*\*



\* Source: Bloomberg

\*\* S&P

### FPIs pour in USD 39 Billion in the 1st year of Modi government

India's capital markets have caught the interest of foreign investors as they have pumped in a substantial USD 39 Billion in equities and debts during the first year of the Modi government. The net investments by Foreign Portfolio Investors (FPIs) into Indian equities stood at USD 14 Billion during the first one-year period since the new government, led by Prime Minister Narendra Modi, took charge on May 26, 2014.

The same for debt markets was at USD 24 Billion, taking the total to USD 39 Billion, according to data from the Securities and Exchange Board of India (SEBI). Majority of the overseas investors now find India to be a better choice to invest in as they believe returns can be generated in both the short and long term.

### Moody's reports a positive outlook on domestic firms

Global rating agency Moody's today said that 70 per cent of the domestic firms have a stable outlook and 26 per cent of them carry positive credit outlook.

### RBI cuts interest rates for the third time in 2015

The RBI cut interest rates for a third time this year on June 2nd 2015 taking advantage of subdued inflation to lend more support to the Indian economy. Yielding to demands from Finance Minister Arun Jaitley and industry, Reserve Bank Governor Raghuram Rajan cut repo rate (short-term lending rate) to 7.25 per cent from 7.5 per cent, a move that is likely to result in lower borrowing cost for individuals and corporates. The reduction showed policymakers recognised the need to put the economy on a sounder footing, regardless of data released on Friday that showed India outpaced China by growing 7.5 percent in the March quarter.

### Prime Minister Mr Narendra Modi's 3 nation visit

Prime Minister Narendra Modi embarked on a three nation tour of China, Mongolia and Republic of Korea from May 14–19, 2015. The tour was aimed at giving a boost to the East Asia policy, aligning it with Make in India initiatives and bringing momentum to the country's foreign policy in the strategically significant region.

**China** - He visited Xian, Beijing and Shanghai from May 14–16, where he held bilateral meetings with his Chinese counterpart, Li Keqiang. The creation of the Asian Infrastructure Investment Bank, which includes India among its key founding members, was largely motivated by China's interest in playing a more decisive role in revamping the region's economic landscape. The two sides signed 21 trade and investment deals worth USD 22 Billion during this visit.

**Mongolia** - Modi became the first Indian Prime Minister ever to visit the northeast Asian country. He met with the Mongolian President Tsakhiagiin Elbegdorj to strengthen bilateral cooperation in diverse areas like shipping and logistics, transport, highways and electric power development in new energy industries. This tour will also see the two sides inking a Double Taxation Avoidance Convention.

**The Republic of Korea (South Korea)** - Modi met with President Park Geun-Hye to discuss issues ranging from diplomacy and the economy to the security situation on the Korean peninsula. This visit was heavily focused on economic ties with Asia's fourth-largest economy and beefing up investments from large South Korean conglomerates such as Hyundai, Samsung and LG and. All three manufacturing giants operate plants in India where they enjoy sizeable shares of the vast consumer market for cars, smartphones and home appliances.

Modi met the primary political leaders and eminent business tycoons of all three nations looking to secure promises of bigger investments as part of his "Make In India" initiative, aimed at fostering the nation's relatively weak manufacturing sector.

### CPI & Inflation

April CPI inflation fell to 4.87% yoy (vs. an upwardly revised 5.25% in March), lower than consensus expectations of 4.93% and despite a month-on-month pick-up in food inflation. 'Core' inflation rose to 4.32% yoy from 4.2% in March, and fuel inflation edged higher by 45bps (second big jump in a row) to 5.6% yoy. India's Inflation has come down significantly over the past few months partly driven by lower commodity prices and by sluggishness in the economy. The latest data from RBI projects the mid-point of CPI (est) to fall further in next few months and rise thereafter to reach 6.4-6.5% range by the Mar'16. This decline in inflation is further corroborated by latest GDP data which indicates that the GDP deflator for Q4FY15 was 0.2% vs. 8.4% in Dec'13.

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