

Trends in the Global Financial Markets - 2017

What is the issue?

\n\n

\n

- 2017 proved good for equity investors with almost all global markets experiencing a bullish run.

\n

- This was mainly driven by high liquidity and many consider it a growth recovery after the 2008 financial crisis.

\n

\n\n

What are the trends worldwide?

\n\n

\n

- India's Nifty saw a net capital gain of 28%, mainly due the highest ever investments by mutual funds and supportive global portfolio flows.

\n

- The primary market was also buzzing with 120-odd initial public offerings, picking up Rs 750 billion in subscriptions.

\n

- Elsewhere too, this trend prevailed, with America's Dow Jones Industrial Average gaining 24.5%, Euro zone's FTSE 100 gaining 24%, Japan's Nikkei 225 was up 23%, and South Korea's KOSPI was up by 35%.

\n

- Significantly, the US economy is in top gear, Japan has seen its best growth in two decades and the EU too recorded its best growth of this decade.

\n

- Notably, China's Shanghai was an underperformer and gained only 12%.

\n

\n\n

What is the investment profile in Indian?

\n\n

\n

- Mutual fund contribution exceeded the combined funds of foreign portfolio investors (Rs 500 billion) and Other Domestic Institutions (Rs 820 billion).
\n
- Also, India's rally received additional impetus from retail participation, who own just under half of that "Assets under Management" (AUM).
\n
- Notably, around 800,000 new systematic investment plans are being opened every month and many individuals are also investing directly in equity.
\n
- **The Challenge** - The only concern for Indian investors was the low earnings growth - last year, the Nifty's earnings rose just 5.5%.
\n
- It is the hopes of a corporate rebound that have kept investors interested and rising share prices have also created a wealth effect.
\n
- While this has helped attract more rounds of investments thus far, if there isn't an earnings rebound, the trend will see a reverse.
\n
- But an earnings rebound will depend on higher consumption and more private sector capital expenditure, both of which are currently weak.
\n

\n\n

How does the future look?

\n\n

- Indian markets have shown be quickly receptive to business and has avoided being a clearly unbroken bullish run, which promises its sustainability.
\n
- Also, despite the global growth recovery, FPIs are unlikely to move out as there are few alternative markets that can give such decent returns.
\n
- While this provides some stability to Indian markets, there are several policy expectations from the government to kick-start CapEx and boost consumption.
\n
- The Union Budget is showing signs of a fiscal slippage and hence it is important to avoid populism to send reassuring signals to investors.
\n
- Also, the churn due to the GST regime will have to stabilise.
\n

\n\n

\n\n

Source: Business Standard

\n

