



Source: chart & following table: Bloomberg

Close: 27 Jun 2014	Index Level	Pts Chg- Day	% Chg YTD	PE 2014/15	High	5 Year PE Low Avg	
SENSEX 30	25,100	+ 37	+18.6%	16.6x	25.6x	9.1x	17.2x
NIFTY 50	7,509	+ 15	+19.1%	16.5x	25.0x	9.0x	17.4x

BOMBAY : 27 JUN

INR ₹ / USD	\$1=	Rs60.03
INR ₹ / GBP	£1=	Rs102.25
INR ₹ / EUR	€1=	Rs81.92

The SENSEX closed virtually unchanged. The mood is upbeat and investors see the overall trend as being up. However, they do not wish to chase shares higher till they see positive policy announcements in the 10 July Budget.

LONDON / NEW YORK : 27 JUN

Many GDRs/ADRs show double digit gains. Top gainers YTD are: L&T: +53%, M&M: +37%, HDFC Bank: +35%, ICICI: +31%.

⇒ The first annual budget of the new government is due on 10 July.

Finance Minister, Arun Jaitley, who is also Defence Minister for now, will present it. The budget will be very closely watched by investors for early signals of the economic and business roadmap unveiled by Prime Minister Modi. He was swept to power in a historic landslide victory which ended 25 years of coalition governments in India - these have often impeded tough decisions to spur economic growth. Expectations are now high that single party rule will allow the space for a decisive implementer like PM Modi to bring back India on the path of high growth it enjoyed some years ago.

⇒ So what is the wish list from Indian industry and business for this budget? The list includes, inter alia:

- Opening of sectors to Foreign Direct Investment, including defence (to spur manufacturing and also create badly needed jobs) and e-commerce;
- Fiscal consolidation and prudence with the fiscal deficit;
- Taming stubbornly high inflation, which has remained over 8% since 2012, through supply side initiatives;
- Revamping archaic labour laws, which were largely set during British rule over a 100 years ago, to increase jobs;
- Spur manufacturing from its worst annual performance in 30 years. Modi would like to raise manufacturing from the current 16% of GDP to about 26%;
- Fast track approvals for stalled infrastructure projects;
- Announcements on raising education and healthcare nationally.

⇒ India has the 3rd largest armed force in the world in terms of active personnel, and is the 8th largest spender on defence.

However, in the last 10 years China, Russia and Saudi Arabia have all increased their defence spending faster than India. Despite this, India has very much been in the news in recent years after it became the world's largest arms importer in 2011. And still is. Although it once was reliant on Soviet weaponry it is now the top export market for US arms. This is more a reflection of India's weak manufacturing capability at home, rather than an aggressive military expansion by her. Both private and public sector manufacturing in India lack capacity and technological ability. A solution, favoured by

PM Modi, is to the above is by allowing greater FDI in India's defence sector. About half of India's defence expenditure goes to the army, a quarter to the air force and the balance to the navy, ordinance factories, R&D and the like. India spends about \$36bn on defence, an increase of 10% over the previous year. In comparison China allocates \$ 132bn, or more than thrice India's budget.

⇒ Even before the elections the BJP party and Modi indicated that an increase in the FDI limit from the current 26% to 49%, and even 75% or 100% in some cases of domestic manufacture would be examined in the defence sector.

Last year India spent \$6bn on imported arms. Sensing a possible shift in India's views on increased FDI in this sector, foreign governments have been quick with plans to visit New Delhi to increase defence business with India. First off the mark was Russia's Deputy PM Dmitry Rogozin two weeks ago. However, Russia's offer to arm Pakistan with Mi-35 attack helicopters has displeased India. On Monday French Foreign Minister Laurent Fabius is to arrive. He hopes to finalise the stalled sale of 126 Rafale jet fighters worth about \$ 15+ bn. US Senator John McCain is also due next week to boost US exports of arms to India. In about 10 days UK's Foreign Secretary William Hague and Finance Minister George Osborne are due in New Delhi. The British Ministers are likely to try reviving plans by India to buy the Eurofighter Typhoon which lost out to Rafale made by France's Dassault.

⇒ Strong capital flows into Indian stock markets from foreign investors has helped the capitalisation of Indian bourses to cross \$ 1.5 trillion for the first time ever.

Indian stock markets account for about 2.5% of global stock market capitalisation. Within BRIC countries, China leads the way and is almost double the size of India, which in turn has a market capitalisation close to the combined size of Brazil and Russia. Foreign investors have invested \$ 9.9 bn in Indian shares and another \$ 10.5 bn in debt so far in 2014, surpassing the \$12 bn they invested in all of 2013 (shares: +\$20bn and debt market: -\$8bn). Despite the hitherto poor flow of economic news investors are cheered by the BJP's investor and business friendly approach. And by Mr Modi's decisiveness and vision to invigorate the economy through an investment led recovery. The Budget on 10 July and effects of El Nino on India's monsoons will influence the next major move on the stock markets.



2014 YTD PERFORMANCE OF ASIA PACIFIC/WESTERN EQUITY MARKETS IN LOCAL CURRENCY, US\$ & GB£

- The table below shows 2014 returns in local currency and also currency adjusted returns in US\$ and GB£;
- Global markets are generally higher. Many show double digit gains. Emerging markets have reversed their position this year compared to last year when they lagged developed markets. There are some standouts in Asia - notably India, Pakistan and Philippines, all of which show solid gains in local currency and also in US\$ and GB£;
- Indian shares had surged pre-election till mid-May sensing a win for the business and investor-friendly BJP party. They have continued setting new all-time highs post election on hopes of PM Modi being the right man to turn around India's fortunes;
- Among BRIC economies, India (after the battering it took last year) leads the way. Russian shares have recovered from the sell-off as a result of the country's involvement in the separation of Crimea from Ukraine and subsequent incorporation into the Russian Federation. Brazil shows a healthy double-digit gain in US\$ and GB£, while China continues to falter due to a perceived economic slowdown there;
- In Asia - Pacific the top 3 gainers are : India : +18%, Pakistan : +16% and Philippines: +16%. Australian shares are flat in local currency but gain slightly in US\$ and GB£. Hong Kong is flat, while Taiwan:+8% and Vietnam: +14% show healthy returns;
- Japan closed 2013 with a 57% gain but is now in single digit negative territory YTD;
- In Western markets US' NASDAQ leads: +5% , Switzerland is +4% , Germany's DAX is +3%, UK's FTSE is unchanged.

INDEX PERFORMANCE	Index at 27 June 2014	YTD 2014 %Chg	YTD 2014 %Chg	YTD 2014 %Chg
ASIA PACIFIC		In local Currency	in US\$	in GB£
S&P ASIA CME 50	3,684	+ 2	+ 2	- 1
MSCI APEX 50	963	+ 3	+ 3	+ 1
AUSTRALIA 200 INDEX	5,445	+ 2	+ 7	+ 5
CHINA SHANGHAI COMP	2,037	- 4	- 6	- 8
CHINA SHENZHEN COMP	1,087	+ 3	n/c	- 3
HONG KONG HANG SENG	23,221	n/c	n/c	- 3
INDIA NIFTY 50	7,509	+ 19	+ 23	+ 19
INDIA SENSEX 30	25,100	+ 18	+ 22	+ 19
INDONESIA JAKARTA COMP	4,845	+ 13	+ 15	+ 15
JAPAN NIKKEI 225	15,095	- 7	- 4	- 7
MALAYSIA K.L. COMP.	1,881	+ 1	+ 3	n/c
PAKISTAN KSE 100	29,344	+ 16	+ 24	+ 21
PHILIPPINES PSEI	6,842	+ 16	+ 17	+ 15
SINGAPORE STI	3,271	+ 3	+ 4	+ 2
SRI LANKA ALL SHARE	6,363	+ 7	+ 8	+ 5
STH. KOREA KOSPI	1,989	- 1	+ 2	n/c
TAIWAN TAIEX	9,307	+ 8	+ 8	+ 5
THAILAND SET INDEX	1,483	+ 14	+ 15	+ 11
VIETNAM STOCK INDEX	579	+ 14	+ 14	+ 11
WESTERN				
GERMANY DAX	9,815	+ 3	+ 2	n/c
SWITZERLAND SMI	8,562	+ 4	+ 4	+ 2
UK FTSE 100	6,757	n/c	+ 2	n/c
US D.J. IND	16,819	+ 2	+ 2	- 1
USA NASDAQ	4,388	+ 5	+ 5	+ 2
BRAZIL BOVESPA	53,279	+ 3	+ 11	+ 8
RUSSIA MICEX 10	3,248	- 1	- 3	- 6

Source : Bloomberg



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- Introductions of funds (long only, hedge and private equity) to banks, family offices and asset managers in Europe
- Introduction of clients to Private Banks globally
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Deepak N. Lalwani also acts as Consultant - India at stock broker WH Ireland (est. 1872), London, where all stock broking activities (GDRS/ADRS/AIM shares + bonds) are executed. The old team from Astaire, where he worked for 16 years, moved to WH Ireland.

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