


Capital Market & Derivatives – Current Scenario



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PART A



CAPITAL MARKET

CURRENT SCEBARIO

Capital Markets in India – Current Picture

1

The pessimism in Indian market is mainly due to sovereign debt overhanging & uncertainties in euro area. Consequently emerging and developing economies are facing the brunt.

2

Sharp and Sudden fiscal cliff, consolidation in US with quantitative restrictions has further put caution for overseas investors and therefore call and put is restricted.

3

Whatever the sluggishness, the Services Sector in India is sure to take giant leads and when growth rate increases, India will stand at its peak.

Where do we stand now?

The factors for downslide in the market is mainly due to

- ❖ **high inflation – 8% to 9%**
 - ❖ **Slow GDP growth rate 6% and below**
 - ❖ **fall in demand, consumption, investment and exports**
 - ❖ **Spill over effects of developed economies**
 - ❖ **Rising crude and gold prices**
 - ❖ **Widening of Current Account Deficit**
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What steps have been taken?



- **Deregulation of interest rates**
 - **Enhancement of investment limits for FII's**
 - **Increasing the limit for availing External Commercial Borrowings (ECB's)**
 - **Increasing the limit for Qualified Foreign Investors to invest up to US\$ 1 billion in corporate bonds**
 - **Boost for Infrastructure development projects**
 - **Increase in the cap for FDI in many sectors**
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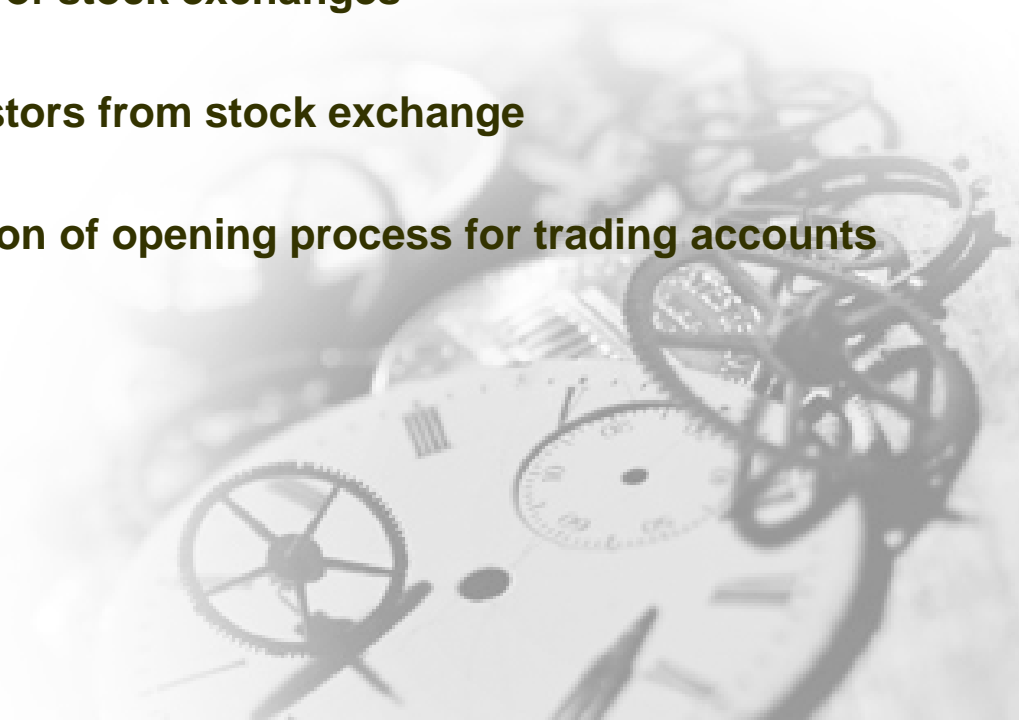
Where are We?

- 1. In the primary market, the resource mobilized through public and rights issues has fallen from about Rs 144 billion in the first half of 2011-12 to Rs 100 billion during the same period in 2012-13.**
- 2. The secondary market has been affected too. While the market-cap to GDP ratio has fallen marginally to 64.3% in September 2012 from 65.7% a year ago, the average daily market turnover during the first half of 2012-13 has fallen by 9% from the level prevailing in the corresponding period of 2011-12.**

Policy Developments

- **Capital Market**
 1. **ASBA facility through syndicate / sub-syndicate members (SEBI Circular dated April 29, 2011)**
 2. **ASBA facility mandatory for QIBs and NIIs (SEBI Circular dated April 29, 2011)**
 3. **Adjustment of differential pricing amount at the time of application for allotment of specified securities (SEBI Circular dated May 16, 2011)**
 4. **Redemption of Indian Depository Receipts (IDRs) into underlying equity shares**

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- 1. Eligibility criteria for companies coming out with IPOs through the profitability track record**
 - 6. Disclosure of quarterly financial results**
 - 7. Disclosure of voting results by listed entities**
 - 8. Disclosure of price information of past issues handled by merchant bankers**

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- 6. Mode of supplying annual reports to shareholders in soft copy**
 - 7. Admission of LLP as members of stock exchanges**
 - 8. SMS and email alerts to investors from stock exchange**
 - 9. simplification and rationalisation of opening process for trading accounts**



PART B



DERIVATIVE TRADING

INSTRUMENTS

- **FORWARDS**
- **FUTURES**
- **OPTIONS**
- **SWAPS**



PERTINENT QUESTION

Are derivatives

Constructive or Destructive?



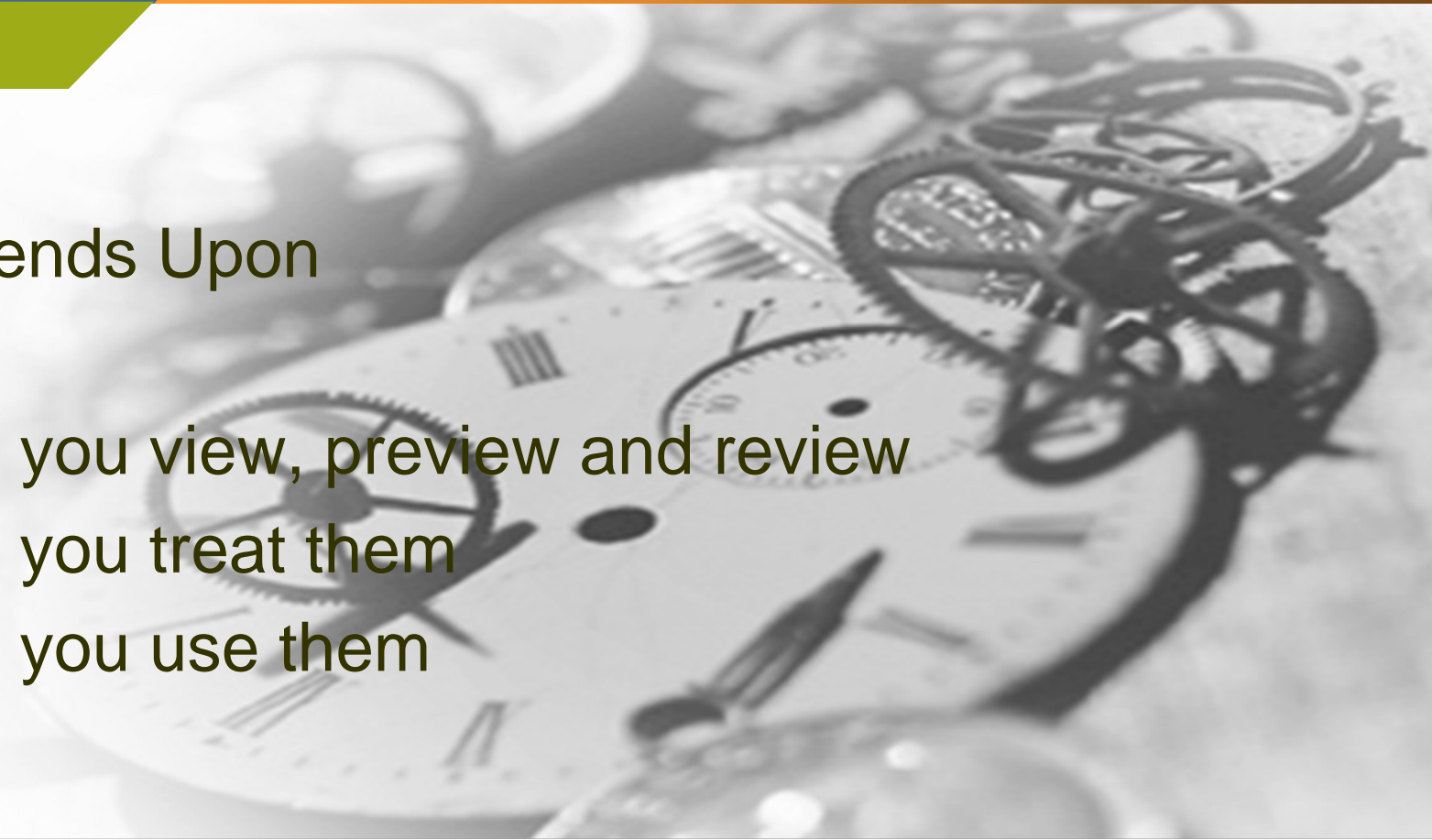
Answer

Depends Upon

How you view, preview and review

How you treat them

How you use them



Moral

- It is not important that Wealth is the Health
- It is more important that how healthy the wealth

