

Equities tumble, ₹ slips as FPIs turn risk-averse

Investors await Fed move; concerns grow over widening trade deficit

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Mumbai, 17 December

Indian equity benchmarks declined sharply on Tuesday as foreign portfolio investors (FPIs) turned cautious ahead of the US Federal Reserve's policy decision. The heavy selloff impacted the currency market, too, pushing the rupee to a fresh intraday low of 84.93 against the dollar before the Reserve Bank of India stepped in.

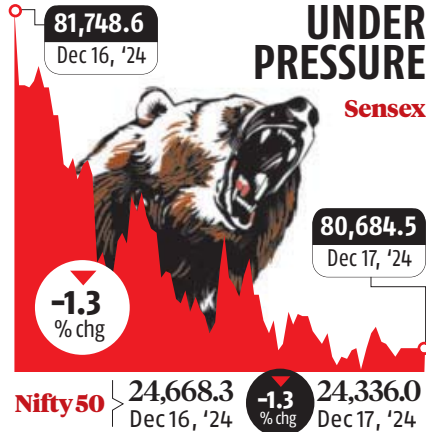
A record trade deficit of nearly \$38 billion in November further dampened sentiment, while concerns grew over FPIs reallocating funds from Indian equities to US markets. The Sensex fell 1,064 points, or 1.3 per cent, to close at 80,684, while the broader Nifty 50 index dropped 332 points, or 1.35 per cent, to end the session at 24,336. Both indices saw their biggest single-day losses since November 28.

The market capitalisation of BSE-listed firms declined by ₹4.9 trillion to ₹455 trillion.

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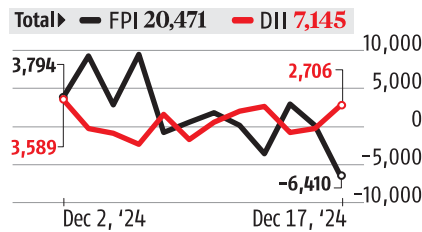
▶ AMFI LARGE CAP CUTOFF
MAY TOUCH ₹1 TRILLION

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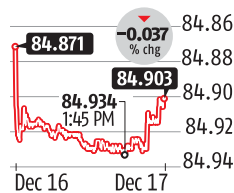
DII FLOWS STAY BUOYANT

Net equity investment (₹ crore)



Data points for Dec 17 are provisional; Sources: NSDL, exchange

ON THE SLIPPERY SLOPE



₹ VS \$ CHANGE %

1 year	-2.239
YTD	-1.995
FYTD	-1.764
MTD (Dec)	-0.481

Source: Bloomberg;
Compiled by BS Research
Bureau

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Sebi extends MF expense structure to new asset class

Specialised investment fund (SIF), a new asset class, will have the same expense structure as that of mutual funds (MFs), according to rules notified by the markets regulator.

'A fifth of AIF investments questionable'

A fifth of the investments, worth nearly ₹1 trillion, made by alternative investment funds (AIFs) are questionable in terms of the intent behind such bets and are under the scanner, said Ananth Narayan, Sebi whole-time member.

Guidelines for investment advisors eased

Sebi has amended norms governing investment advisors and research analysts to facilitate ease of doing business by providing relaxation in eligibility criteria for registration and simplifying the compliance requirements.

₹ may breach 85 vs \$ by 2024 end

FPIs were net sellers of Indian equities worth ₹6,410 crore on Tuesday, marking their heaviest outflows since November 28. The selling spree was exacerbated by concerns over India's merchandise trade deficit, which surged to \$37.84 billion in November due to a surge in gold imports and a fall in exports, from \$27.14 billion in October. Year-on-year, the deficit nearly doubled from \$20.7 billion.

The widening trade gap stoked fears of mounting pressure on India's current account deficit, con-

tributing to the rupee's slide to a new closing low of 84.90 per dollar, despite a late recovery. The rupee had settled at 84.87 on Monday.

"The rupee fell because of the trade deficit data. Additionally, demand for dollars from oil importers and selling pressure in equities weighed on the Indian unit," said a dealer at a state-owned bank. "The RBI intervened at 84.90 per dollar."

Market participants said that the rupee could weaken further, breaching the 85 mark by December

2024-end and potentially hitting 85.50 by March 2025. "Wider trade deficit, as well as slowdown in capital inflows, resulted in balance of payment being negative, which has put pressure on the rupee," said Gaura Sen Gupta, chief economist at IDFC FIRST Bank. She projected the rupee would hit 85.50 per dollar by March and 86.50 by December 2025.

The Indian currency has depreciated 1.99 per cent so far this calendar year and 0.48 per cent in December alone. In the current

financial year, it has weakened 1.76 per cent against the greenback.

The Federal Reserve's upcoming monetary policy decision also kept investors on edge, prompting FPIs to pull funds from Indian equities. Although the Fed is expected to cut its benchmark rate by 25 basis points, uncertainty lingers about the pace of cuts next year, with concerns that US President-elect Donald Trump's policies could stoke inflation.

Additionally, fund managers are shifting investments into US equities, intensifying outflows elsewhere. Bank of America reported on Tuesday that cash levels as a percentage of total assets under

management fell to 3.9 per cent in December — a signal that has often preceded global equity selloffs.

"There is no major catalyst left for the index to rally," said Andrew Holland, CEO of Avendus Capital Public Markets Alternate Strategies. "Up-moves going forward are likely to be stock-specific. A lot of concerns about Trump's policies have already played out in the market."

Market breadth was weak, with 2,502 stocks declining against 1,521 advancing. All 30 Sensex constituents ended lower. HDFC Bank, down 1.7 per cent, and Reliance Industries, which fell 1.8 per cent, were the biggest drags on the index.