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Global Capital Markets:

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UNIVERSITY of ST. THOMAS
Opus College Of Business

Major Issues

- Global Capital Market Development

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The Monetary Policy Committee (MPC) of the India's Central Bank, the Reserve Bank of India (RBI) in its policy decisions on October 9, 2020 maintained the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent., the reverse repo at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25%. These decisions can be taken as positive measures investments in both equity and debt mutual funds. With INR 20,000 crore under open market operations, RBI intents to bring down the yield curve on government bond which will bring optimism for the bond market. In pursuant to debt funds, the corporate may continue to bet on short-term debt funds, banking & PSU funds, and corporate bond funds for short to medium needs. Though long-term funds and gilt funds may benefit from the accommodative policy stance, investment in these funds will be beneficial as longer investment horizon and stomach for volatility. RBI also decided to continue with the accommodative stance of monetary policy as long as necessary continuing for the current financial year and also carry forward to the next year so as to revive the growth on a sustainable basis and thus minimize the impact of COVID-19. While taking policy decisions, the Governor, RBI has also considered that the inflation remains within the target in the near future. All the required liquidity measures initiated in the policy are perceived optimistically by both, the bond and stock markets. This will hopefully bring efficiency to the capital markets. To impart liquidity to SDLs and consequently, facilitating efficient pricing, RBI decided to conduct open market operations (OMOs) in State Development Loans (SDLs) as a special drive during the current financial year. This would improve secondary market activity and rationalize spreads of SDLs over central government securities of comparable maturities.

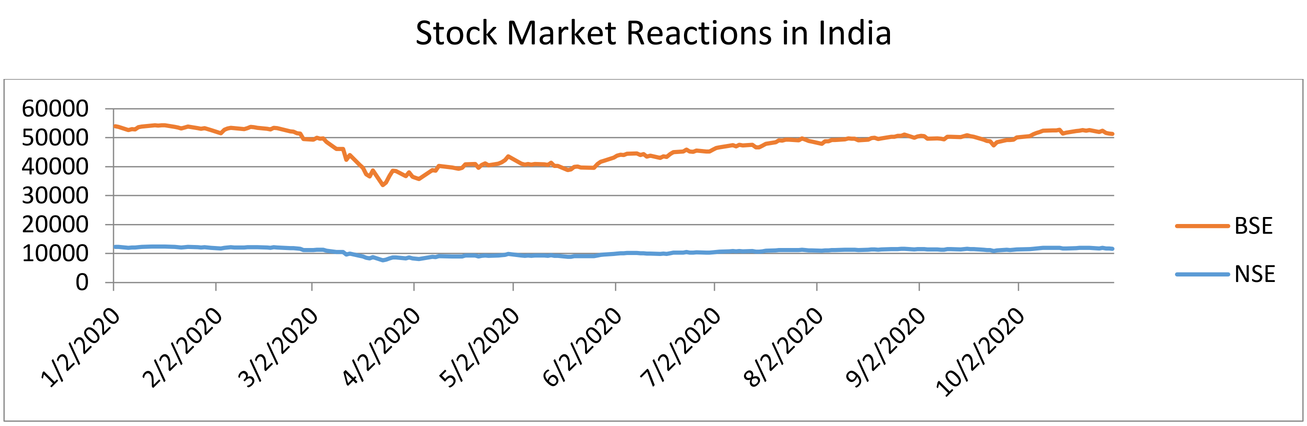
Chief Editor's Desk

The IMF report October 2020 on financial stability focused on comprehending the COVID 19 pandemic, a concern for severe global economic crisis. The report states about the unprecedented action to protect public health, contain the immediate economic damage, and safeguard the financial system. According to IMF, near term financial stability risks have been restrained on account of much desired changes in monetary policy implications on one side while providing massive fiscal support on the other. The very prompt action could stabilize global financial markets, enthused confidence in investors' sentiment as well maintained the flow of credit. According to the report, preexisting financial vulnerabilities are getting intensified, facilitating to potential headwinds towards recovery. Risks to growth are still tilted to the downside. According to the IMF estimates, the probability of falling global growth below zero in 2021 is close to 5 percent. It cautions the policymakers and central banks for a trade off in their decision making, between the support required per-se and the implications of rising vulnerabilities for growth in the medium term. The conclusions of IMF certainly call for a coordinated approach among policy makers, financial markets, banking and non-banking financial intermediaries.

Prof. Vikas Tripathi

Ajay Thakur
Head – BSE SME, India

The capital market has seen one of the biggest and sharpest fall after making a peak of 42,273.87 in February, 2020 to 25,638.90 by March 23, 2020. Sensex crashed almost 38 percent and was one of the fastest crashes in stock market history owing to panic selling resulting due to pandemic Covid19. There was heavy sell off by FIIs (Foreign Investors) in Indian equity market with a net outflow of $7.54 billion in equity and another $7.36 billion in debt instruments in March, 2020 itself. This was the highest ever sell off by the FIIs in a particular month ever in the history of Indian capital market. Thereafter we have seen a fast recovery in the market owing to strong FII inflow since the month of May 2020. The stock market is always futuristic and reacts with the slightest indication of any economic downturn or recovery in either negative or positive way. As the government has declared the lockdown, it was totally evident that it would have a severe impact on the economy and there will be a contraction. We have seen in both April to June 2020 quarter where economy contracted by almost 23 percent and even in July to September 2020 quarter, economy contracted by almost 8 percent. However, ironically the capital market witnessed a rally. The rise in the capital market has taken most of the intellectuals and analysts by surprise. This V shaped recovery in the capital market has been mainly due to the fiscal stimulus package, strong FII inflows and better than expected second quarter earnings. Lowering of interest rates by RBI has also helped the sentiments which have also contributed to the recovery of the market. Strong market has seen a lot of companies raising funds through IPOs and Bonds. Almost 10 companies came with the IPO on the main board who have raised approximately Rs. 17,100crs and 16 companies came out with the IPO on the SME board raising Rs 97.13crs. The month of October was choppy one where we saw gains in the market but towards the end it gave some parts of the gain and ended up by 3.6 percent. As the economy unlocks we have seen surge in GST collection and most of the companies opined that they are coming back to pre covid levels.



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Manoranjan Sharma
Chief Economist
Infomerics Ratings, India

Capital market grew sharply in terms of all parameters, viz., amount raised, number of stock exchanges and other intermediaries, listed stocks, market capitalization, trading volumes and turnover, market instruments, investor population, issuer and intermediary profiles. But India's capital market relative to USA, Malaysia and South Korea remains low and largely skewed. India's debt markets comprise government bonds (central government – accounting for 90% of the total – and state governments) and corporate bond market (PSUs, corporates, financial institutions and banks). India has sophisticated market design of equity spot and derivatives market, widespread retail participation and resilient liquidity. SEBI implemented measures like submission of quarterly compliance reports, market company valuation on lines of the Sarbanes-Oxley Act enhanced corporate governance. But unsatisfactory enforcement causes concern.

Given growing markets, skilled labor force, intellectual manpower, technological expertise, dedicated reforms and greater global integration, the Indian capital market is set to grow. With globally competitive Indian markets in terms of pricing, efficiency and liquidity, Indian stock market return is likely to outstripping other emerging markets over the medium term. Mutually reinforcing flourishing stock markets, fast-growing mutual funds and banks strengthened India's financial sector. But capital markets continue to be shallow with only 5 % of India's household savings invested as against 20% in developed economies and 51% in the US. Investor behavior determining the choice of an asset is primarily governed by safety and liquidity. India's government bond segment (nearly 40% of GDP) is comparable to many emerging market economies. But India's corporate bonds (debt+equity+deposits) compare unfavorably with Philippines, Thailand, Korea and USA. There are persisting issues of large size of insider holdings, limited institutional investors and few innovative products, viz., securitized debt and fund products based on alternative assets. Unlike other markets preoccupied with increasing listed companies, India needs to slash number of listed companies to ensure that only companies with traded stocks, reasonable volumes and better price discoveries remain, while providing other platforms for smaller companies.

With sustained high growth, rising exports, increasing corporate earnings, high investment rates and moderate inflation, Indian capital market is poised for growth. Sustained growth requires wide equity distribution by direct participation in capital market and indirectly through financial institutions, i.e., mutual funds, pension funds and insurance companies to enhance long-term savings and facilitate long-term financing. This necessitates an efficient and transparent price discovery process with high disclosure and regulatory standards and sound liquidity and risk management. The convergence with international best practices in respect of clearing and settlement, payment systems and funds transfer, governance, disclosure and transparency require removal of insider trading, information asymmetry, inadequate and delayed information. Leveraging India's capital market requires a single clearing corporation for money, debt and foreign exchange and provision of demutualization, improved corporate governance, reduced market concentration, availability of market capitalization for trading and enhanced role of mutual funds. Protection of retail investor, transparent operations, developed corporate debt market, streamlined regulatory mechanism and development of Mumbai as an international financial center would help to make stock markets deep, efficient and stable.

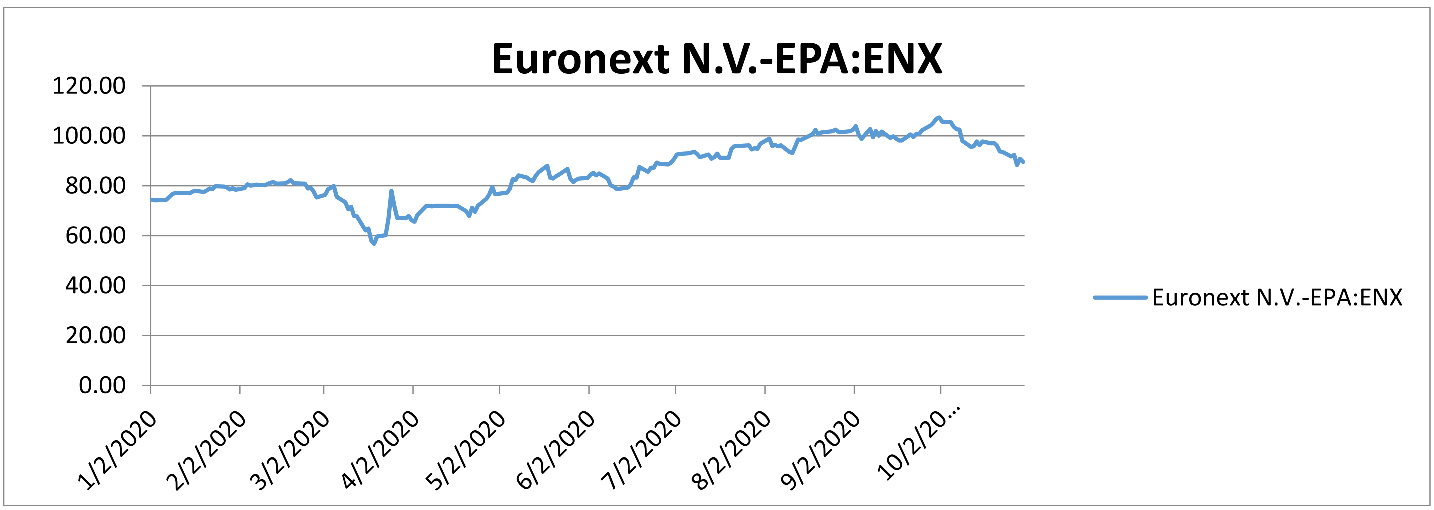
INDIA

- Stock market regulator SEBI revamped margin trading.

- Investors will no longer be able to take advantage of the margin from the broker. The amount of money they will give to the broker in the form of upfront margin, they will be able to buy the shares only.
- In the new system, shares will remain in investor account and the clearing house will mark the pledge there itself. This will prevent stocks from entering the broker's account.
- NSE had revised the transaction charges structure in the equity market segment ("EQ" series) for a period of three months starting from August 1, 2020 to October 31, other than NIFTY 50 Index constituents, NIFTY Next 50 index constituents, debt-oriented exchanges traded funds and stocks included in Graded Surveillance Measures (GSM).
- Repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.
- Reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.
- These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- During October SENSE rose from 38697 on October 1 to 40129 on October 31, 2020. Similarly, the NIFTY rose from 11416 to 11881 during the month.

Link: https://www.rbi.org.in/ https://www.bseindia.com/ https://www.nseindia.com/

Stock Market Reactions in Eurozone:



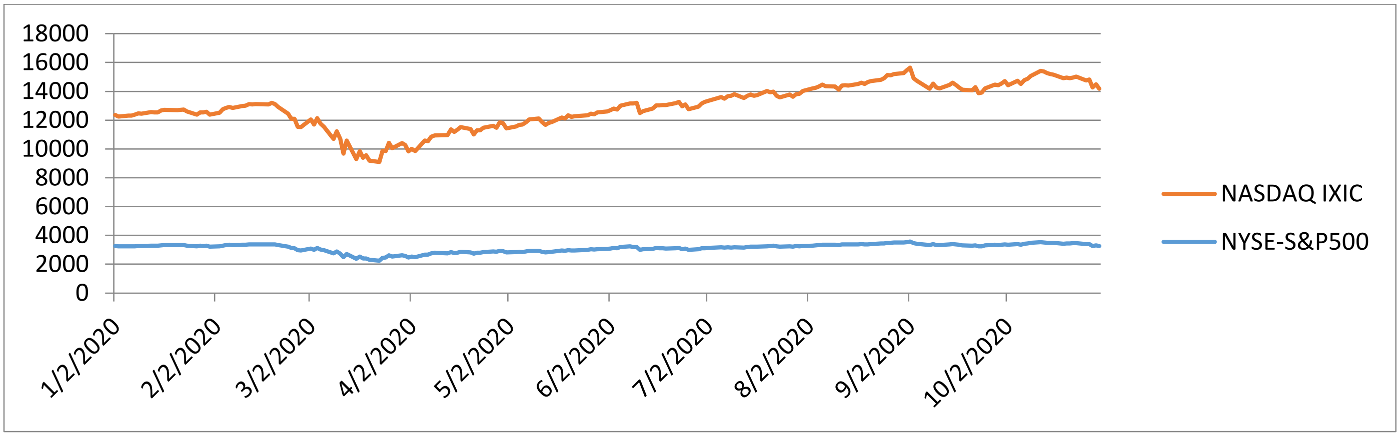
European Central Bank, Europe

- Governing Council makes English the default language of master netting agreements after 13 October 2020. The amending Guideline is available in EUR-Lex.
- No secured marketable assets other than asset-backed securities and covered bonds would be accepted as Euro system collateral applicable from 1 January 2021.

- Approval of launching a two-month public consultation on the draft Euro system oversight framework and assessment methodology for electronic payment instruments, schemes and arrangements (PISA) and the draft exemption policy for the related Euro system oversight framework (the three documents together comprise the so-called PISA Framework).

Link: https://www.ecb.europa.eu/press/govcdec/otherdec/2020/html/ecb.gc201030~0f4a7df16d.en.html

Stock Market Reactions in US

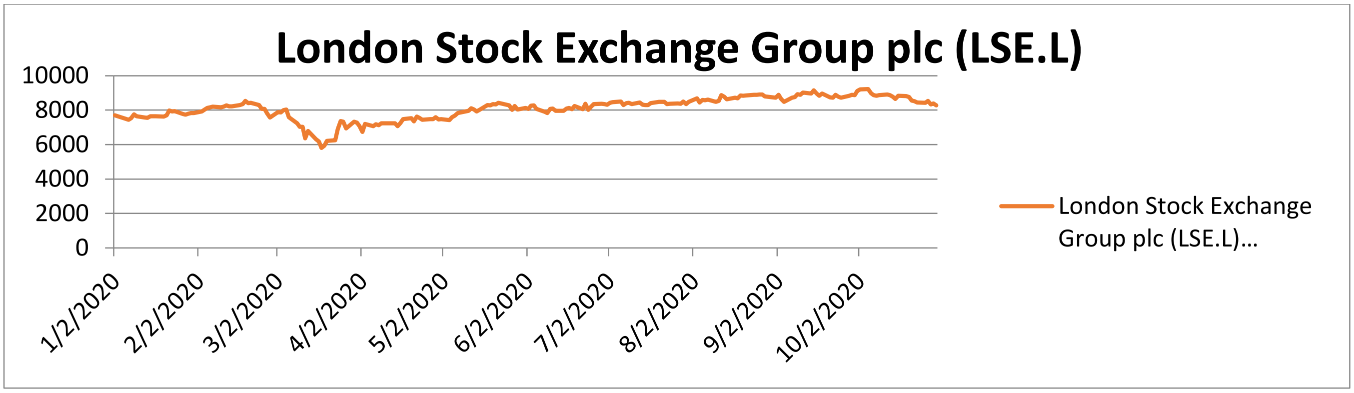


NYSE (The New York Stock Exchange), USA

- The introduction of NYSE Pillar sessions for Floor Broker systems scheduled to begin on October 19, 2020 is being postponed until November 9, 2020.
- Class A Ordinary Shares issued by ION Acquisition Corp 1 Ltd is part of a new security offering that will trade under the ticker IACA with CUSIP G49392106 on October 27, 2020.
- As this new offering has not previously traded on any listing market and has no prior day's closing price, Regulation SHO Rule 201 will not apply to security IACA until its second day of trading on NYSE. Further, NYSE Rule 123D (d) will apply and the security will be in a regulatory halt until the NYSE has opened trading.
- NYSE has determined that the Warrants, each whole warrant exercisable for one Class A ordinary share at an exercise price of $11.50 per share, issued by ION Acquisition Corp 1 Ltd is part of a new security offering that will trade under the ticker IACA WS with CUSIP G49392114 on October 27, 2020. As this new offering has not previously traded on any listing market and has no prior day's closing price, Regulation SHO Rule 201 will not apply to security IACA WS until its second day of trading on NYSE. Further, NYSE Rule 123D(d) will apply and the security will be in a regulatory halt until the NYSE has opened trading.
- The following issues which were first listed for options in August 2020, ranked in the Top 300 most active issues for the month of September 2020, and will be added to the Program effective October 2, 2020: Bigcommerce Holdings, Inc. (Ticker: BIGC), Li Auto Inc. (Ticker: LI), Rocket Companies Inc. (Ticker: RKT)

  Link: https://www.nyse.com/trader-update/history#

Stock Market Reactions in UK

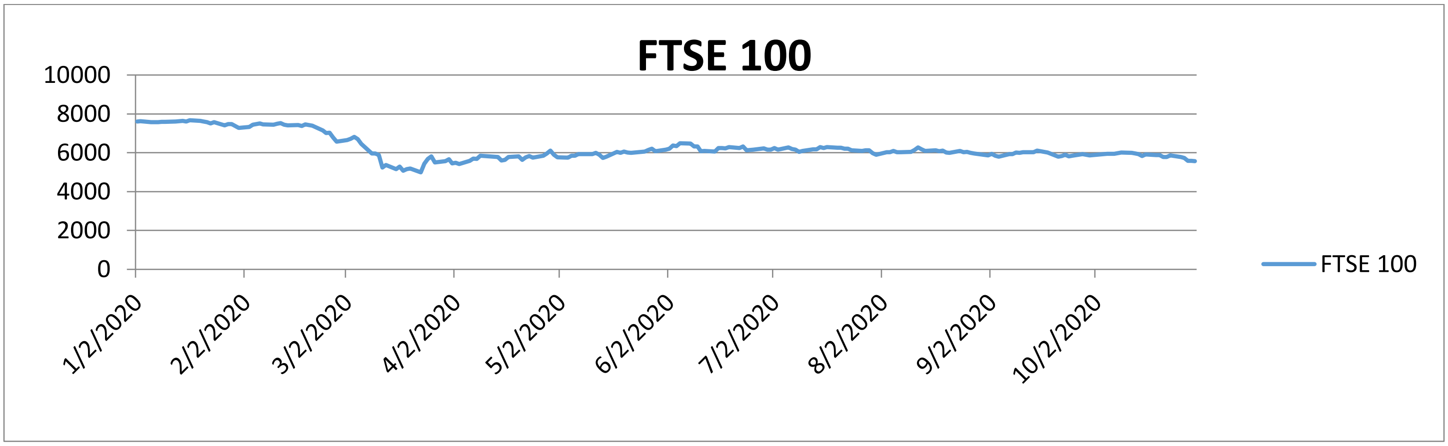


London Stock Exchange, UK

- London Stock Exchange saw a high number of deals from corporate, FIG, sovereign and supranational issuers globally, raising a total of $532bn through 653 bonds. **International Securities Market (ISM)** continues to grow, now with 189 admitted bonds, raising £54.8bn from 64 issuers from across the world.
- London Stock Exchange, in partnership with Nivaura, launched its flagship automated product LSEG Flow in September, an innovative end-to-end platform designed to automate the DCM process.
- In early September London Stock Exchange hosted its first webinar to introduce the product (LSEG Flow), which was well received by the global financial community.
- London Stock Exchange's DCM team is delighted to take part in several upcoming virtual events including **Environmental Finance - Green Bonds Europe virtual conference** (12-13 Nov), **Bonds, Loans & Sukuk Africa Virtual** (24-25 Oct) and **Bonds, Loans & Sukuk Middle East Virtual** (8-9 Dec).

Link: https://www.londonstockexchange.com/discover/news-and-insights/debt-capital-markets-update-q3-2020

Stock Market Reactions in Singapore



Singapore Exchange Limited (Singapore)

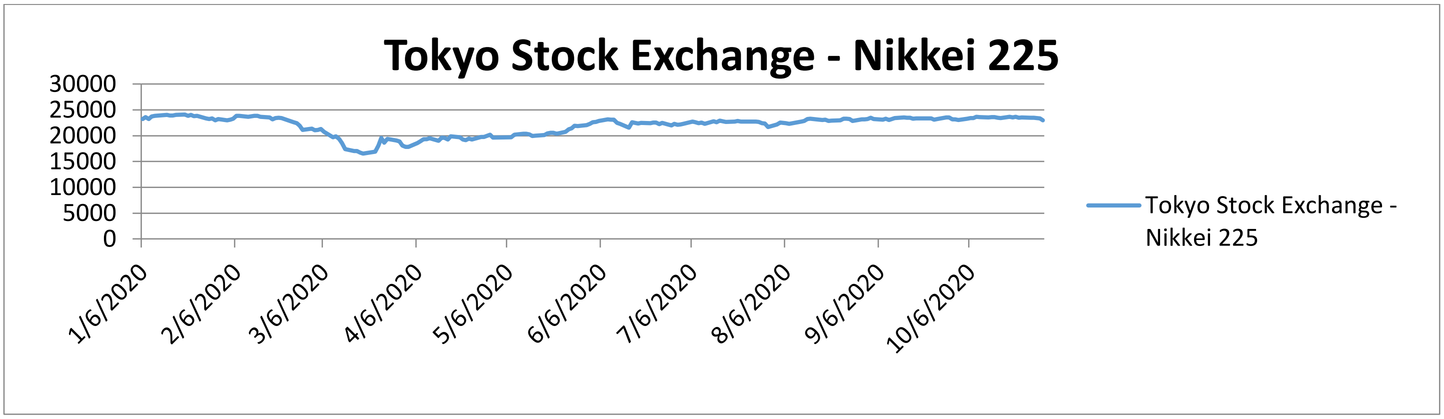
- Singapore Exchange (SGX) has again won the "Exchange of the Year" accolade at the FOW Asia Capital Market Awards 2020 for its leadership in supporting clients with a pan-Asia waterfront of derivatives, amid heightened uncertainty in global markets.

- SGX welcomes the listing of Nanofilm Technologies. With a market cap of around S$1.7 billion, Nanofilm Technologies is a leading provider of nanotechnology solutions in Asia, leveraging its proprietary technologies, core competencies in R&D, engineering, and production, to provide technology-based solutions across a wide range of industries.

- SGX welcomes the listing of ICBC CSOP FTSE Chinese Government Bond Index ETF. The fund replicates the performance of fixed-rate government bonds issued in mainland China as measured by the FTSE Chinese Government Bond Index (CGBI).

Link: https://www.sgx.com/

Stock Market Reactions in Japan



Japan

- Expended FLEX Historical Service
- IHS Market and TSE to Combine Data, Creating a Unique Japanese Securities Finance Data Set
- TSE launched a paid service of providing corpus data created from timely disclosure documents to strengthen by efficient and sophisticated creation of English disclosure documents by listed companies and translation companies and that more overseas investors will use timely disclosure documents created by utilizing machine translation.
- NIKKEI index value at 23029.90 showed 1.15% return for one month.

Link: https://www.jpx.co.jp/english/corporate/about-jpx/profile/01.html

Dr. Deepak Tandon
Professor - Finance,
International Management Institute, India

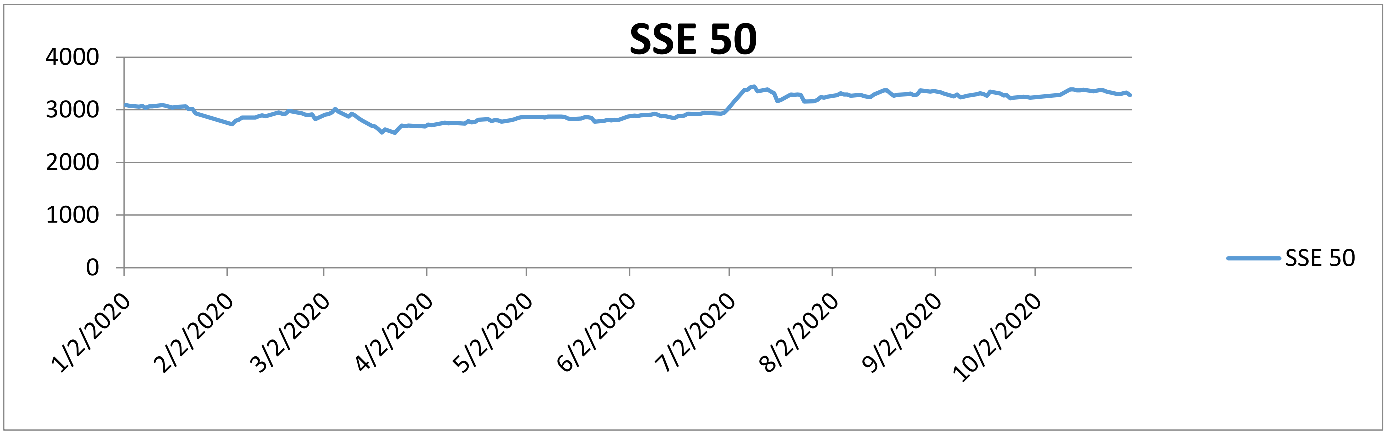
Since the last two decades there has been a constant battling of the Indian rupee against the dollar facing a downfall trend. Continuous economy downside, US saving dollars in buying Crude oil making it strengthen, FII sell mode in equity and DII buy mode more than sell, Interest rates of USD-INR leading to attrition in companies, heavy trade deficit, rising CAD leading to depletion of Forex reserves, no stability in inflation rates are some of the KRIs for the fall of Indian rupee amidst strengthening US Dollar. In September –October 2020, notably the capital inflows and strong domestic equities limited the local currency's fall to some extent. Despite the fact that India's economic imbalances, as demonstrated by the merchandise trade deficit have reached multi-year highs in recent months, and falling investor confidence in developing economies has given jitters in the financial Markets. Moreover, tightening of monetary policy in major developed economies and the erection of trade barriers around the world, dampening global growth potential have substantiated the falling trend of Indian rupee. As India's economy and business climate continue to develop and grow, trading the USD/INR pair has become an attractive investment opportunity for Forex traders. the pair USD/INR is correctly monitored by Reserve Bank of India. Initially, it was evinced that the regulator was protecting the 74.50 zone but consequent to trading volumes it is hovering at 73.28- 73.87 per USD. Globally, risk sentiments have strengthened on aggressive stimulus by Fed and there have been sharp inflows into local stocks. So RBI has correctly kept intervening intermittently and continues building its Forex reserves, which are up $60 billion at $535.35 billion since the start of the fiscal year in April. Amidst Covid-19 pandemic the financial markets have also taken a brunt and have forced most investors and businesses across the world to seek to conserve that most crucial asset during times of crisis: cash and more specifically the U.S. Dollar. We hope that the things will change for the better and Rupee will soon be rebounded and see its intrinsic strength.

Trend Chart Past 60 days

Table 1: 1 USD to INR since India's independence

Year	1947	1949	1975	1985	1990	1995	2000	2005	2010	2015	2020
Exchange rate(INR per USD)	3.30	4.76	8.39	12.38	17.01	32.42	43.50	43.47	46.21	66.79	73.46

Stock Market Reactions in China



Shanghai Stock Exchange, China

- The Shanghai Stock Exchange (SSE) has recently launched the work of supplementing members of the Stock Listing Committee of the SSE STAR Market as required for building the SSE STAR Market and the examination work.
- Shanghai Stock Exchange (SSE) officially issued the *SSE Guidelines No.2 on the Application of Self-Regulation Rules for Listed Companies on SSE STAR Market - Voluntary Information Disclosure* (the *Guidelines* for short). Regarding the background and purposes of the *Guidelines*, an SSE official in charge of the relevant businesses has answered related questions.
- Shanghai Stock Exchange (SSE) issued two sets of rules, including the *Guidelines of Shanghai Stock Exchange for the Application of Self-Regulation Rules for Listed Companies No. 1 - Major Asset Restructuring* (the *Guidelines for Listed Companies No. 1* for short) and the *Guidelines of Shanghai Stock Exchange for the Application of Self-Regulation Rules for the Listed Companies on the SSE STAR Market No. 1 – Regulated Operation of Listed Companies* (the *Guidelines for SSE STAR Market No. 1* for short), marking the initial results achieved in streamlining and optimizing the system of rules for continuous regulation of the SSE-listed companies.

Link: http://english.sse.com.cn/

This bulletin is compiled & circulated by Financial Markets Research Centre, Institute of Business Management, and Mathura. Views and suggestions are welcome. Dr. Kanhaiya Singh Centre Director

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