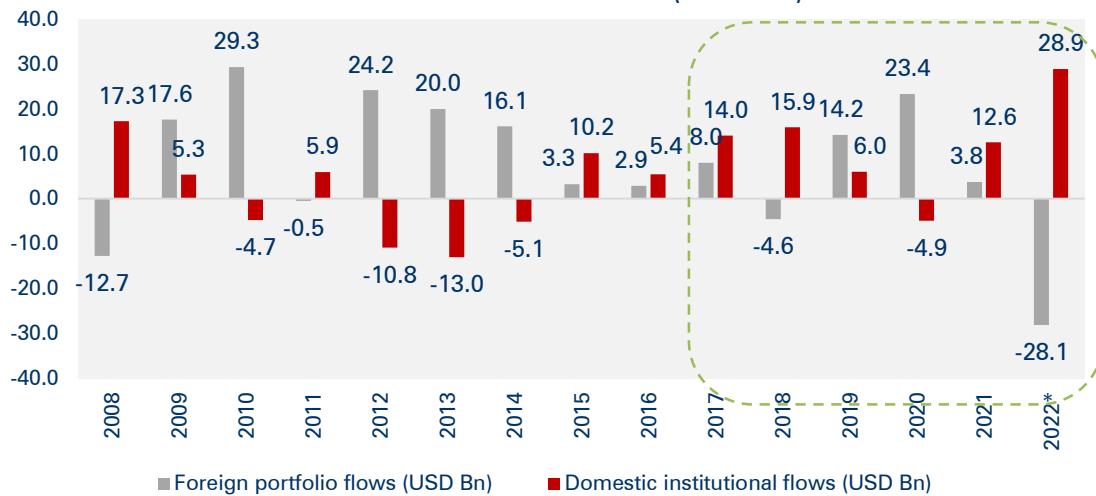


Indian markets – Record Foreign selling offset by strong domestic buying

June 24, 2022

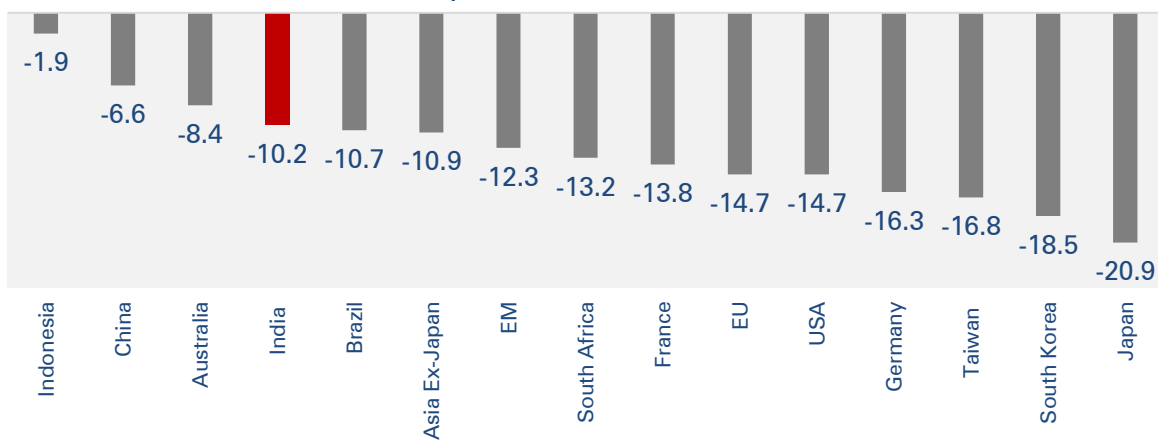
- Indian equity markets have witnessed record selling from Foreign Portfolio Investors (FPI) since October 2021. FPI's have **sold USD 28.1bn** in CY2022 (01 Jan 2022 to 21 June 2022) and **USD 32.9bn** since October 2021. Although this translates into 1% of total market cap, the ownership of FPI's in Indian equity markets at **17.0% is at a 9 year low**.
- On the contrary, Domestic Institutional Investors (DII) have **bought equities worth USD 28.9bn** in CY2022 (01 Jan 2022 to 15 June 2022) and **USD 37.7bn** since October 2021.
- Amongst DIIs, mutual funds have been the largest buyers, with ~62% share in total buying. The contribution of other institutions in the DII space has edged up only marginally up to 38%, against its 15-year average of 35%.
- The mutual fund industry's Assets under Management (AUM) has grown **two fold** over last five years from INR 19.0trn in May 2017 to INR 37.2trn (USD 480bn) as of May 2022, led by flows into equity funds and ETFs. Sharp and consistent uptick in monthly Systematic Investment Plan (SIP) contributions (average of **USD 1.5bn per month**) suggests that investors have begun to look beyond the stock market volatility.
- This increased participation by retail investors and domestic institutions has kept the Indian markets resilient as compared to global markets as of now.
- One year trailing Nifty 50 index returns in INR terms are now in the negative territory (-1%) and it will be interesting to see whether retail investor flows hold up going forward.
- While domestic flows in equity markets have gained prominence since 2017, the **penetration of household assets in equity markets at 5%** is still lower than most other developed and emerging markets.

FPI and DII Net Flows (USD bn)



Source: CDSL, SEBI; *CY2022 data is as of June 21, 2022

Market performance in CY2022 (USD%)



Source: Morningstar Direct; Currency: US Dollar; Performance as of June 21, 2022

Foreign ownership at its lowest in 9 years



Source: Bloomberg, Nomura Research; Foreign ownership is as a % of total outstanding market cap as on June 15, 2022

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