

FPI outflow hits 16-month high

■ Rise in global yields may be a reason

New Delhi, May 6: Foreign investors have pulled out over ₹15,500 crore from the Indian capital market in April, making it the steepest outflow in 16 months, due to surge in global crude prices and rise in yields of government securities here.

This comes after an inflow of ₹11,654 crore in equities in March and an outflow of over ₹9,000 crore from the debt market during the period.

Prior to that, foreign portfolio investors (FPIs) had pulled out over ₹11,674 crore from the country's capital market (equity and debt) in February.

As per the latest depository data, FPIs withdrew a net sum of ₹5,552 crore from equities and another ₹10,036 crore from the debt market in April, taking the total to ₹15,588 crore.

This is the steepest outflow from the capital market since December 2016, when the FPIs had pulled out over ₹27,000 crore. So far this year, FPIs have put in over ₹7,100 crore in equities and withdrew close to ₹14,000 crore from the debt market.

"An increase in (government securities) yields in the domestic market has seen FPIs pulling out money from the Indian debt markets, whereas outflow of money from equity market is a function of rise in global yields and deterioration in macroeconomic fundamentals of Indian economy largely due to rising crude

OUTBOUND DOLLARS

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— AJAY BODKE, CEO, Prabhudas Lilladher



prices... Besides, FPIs have also booked profit ahead of the upcoming state election," Rakesh Tarway, head of research at Reliance Securities.

According to Ajay Bodke, CEO, Prabhudas Lilladher, there has been a heightened risk aversion as markets are watching with caution the outcome of key developments related to US-Iran and Karnataka elections.

"Firstly, whether a headstrong Trump tears the Iran nuclear accord despite fervent pleas from other signatories. Withdrawal by the US and reimposition of tough economic sanctions on Iran has the potential to send global crude oil prices soaring

as Iran is one of the largest suppliers of crude," he said.

This would impact all the oil importing economies including India and adversely affect its CAD, fiscal deficit, imported inflation and create headwinds for economic growth, he added.

"Secondly, an adverse outcome for BJP in the Karnataka polls may embolden the opposition's criticism of the government's economic policies creating roadblocks for future reforms. Conversely, a favourable outcome for the BJP will strengthen its resolve to carry forward the momentum in the next round of assembly polls in October 18," Mr Bodke pointed out.

— PTI