

After hiatus, banking scrips back in favour among FPIs

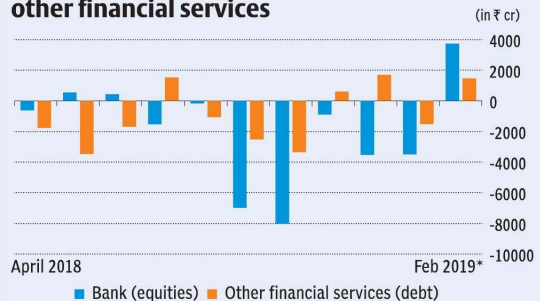
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Bringing a seven-month selling spree to an end, foreign portfolio investors turned net buyers of Indian banking stocks in the first half of February with a net investment of around ₹3,780 crore in the sector. FPIs stopped being buyers in June 2018 when they closed with a net investment of ₹427 crore.

According to sector-wise data available with depositories, the banking sector witnessed highest sell-off by FPIs in the equity segment with a net sales of bank stocks worth ₹24,300 crore between April 2018 and January 2019. “The FPIs have stayed away from the BFSI sector for most part of the year mainly because of the 14 per cent depreciation in rupee in the first six months of FY19, though it has corrected since then,” said Mona Khetan, Senior Research Analyst, Reliance Securities. “Com-

Net investment of FPIs in banks and other financial services



Other financial services include: Financial institutions, housing finance companies, non-banking financial services *Data as on Feb 15, 2019 Source: NSDL

mercial banks hold around 40 per cent of outstanding government securities. IL&FS' default and liquidity concerns surrounding NBFCs also added to weak flows and risk aversion in both equity

and debt markets,” Khetan added..

“The US Fed dialling back its predictions of future rate hikes and the RBI’s monetary policy committee cutting repo rates by 25 bps on February 7 have made FPIs change

their stance to neutral,” said Deepak Jasani, Head Retail Research, HDFC Securities.

One of the key drivers of Indian stock market, FPIs have been maintaining a cautious view on Indian equities and bond market since the beginning of the financial year (FY19). The foreign investors have been a net sellers in six out of 10 months till January 2019, during which they have dumped equities worth ₹51,300 crore and bonds worth ₹48,300 crore.

Investment in debt

After a record sell-off of equities and debt worth ₹38,900 crore in October 2018, the FPIs closed November and December as net buyers with an investment of about ₹11,600 crore and ₹7,900 crore, respectively. However, FPIs closed January 2019 as sellers with a net negative investment of ₹5,556 crore. On the debt side, FPIs have

been averse to the ‘other financial services’ sector which includes financial institutions, NBFCs and housing finance companies. Between April 2018 and January 2019, FPIs sold bonds worth ₹11,580 crore, making it the second highest sector with maximum sell-off after sovereign bonds. But, the FPIs reversed their negative outlook on the NBFC sector in February.

During the fortnight ended February 15, foreign investors pumped ₹1,468 crore in the sector, marking it the third instance when FPIs have been net buyers in the sector during this fiscal. (The FPIs were net buyers in November and December 2018). “The sentiments towards bank equities and NBFC debt could remain sanguine as long as interest rate remains at around the current levels and the Indian currency does not show depreciating tendencies,” Jasani said.