

FPIs' secondary market outflows most in 13 yrs

Instead of fresh fund infusion, they have reallocated the money to the primary market

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Foreign portfolio investors (FPIs) have offloaded shares worth ₹46,000 crore from the secondary market, so far, this financial year — the most since FY09. They, on the other hand, have invested more than ₹53,000 crore in the primary market during the same period, indicating they have been reallocating their holdings without bringing in much fresh capital.

A substantial portion of foreign money appears to have made its way to initial public offerings (IPOs). Total investment by FPIs as anchors stands at ₹24,477 crore, nearly six times that of last year and more than nine times the amount invested in 2019, the data from PRIME Database shows.

The steep rally and lofty valuations have led a number of foreign brokerages to turn cautious on Indian equities, of late. In a note last week, foreign brokerage Morgan Stanley said that while India remained entrenched in a long-term bull market, driven by a likely new profit cycle, the relative performance to EMs could pause,



given strong trailing performance and relative valuations.

“Indian equities are running into many challenges, including the US rate cycle, rising oil prices, elections in key states, potential third Covid wave, the upward inflexion in domestic interest rates, rich headline valuations, and strong relative trailing performance,” the brokerage observed, while downgrading India to equal-weight in its global EM portfolio.

Morgan Stanley expects earn-

ings to compound 27 per cent annually over the next couple of years and the Sensex to rise 16 per cent to 70,000 by December 2022 in its base case scenario. Its FY22 earnings estimate has been lowered by 7 per cent but FY23 numbers remain unchanged. Index returns are likely to trail earnings growth as the market digests trailing returns.

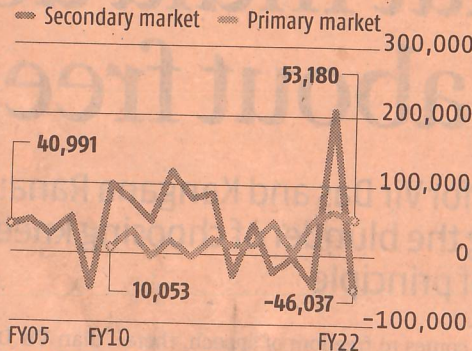
“We call time on the 20-month rally in Indian equities... Rich valuations, a high probability of

earnings disappointment, and a potential lack of marginal buyers add to our motivation to book profits in India,” said CLSA’s Chief Equity Strategist Alexander Redman in a note dated November 12 and titled Indian Equities: On Borrowed Time.

Japanese firm Nomura has downgraded Indian equities from “overweight” to “neutral”, citing unfavourable risk-reward.

CHANGING TACK

FPI investments (₹ cr)



Data up to Nov 22, 2021

Source: NSDL; compiled by BS Research Bureau