Foreign fund outflows highest since 2008

Posted at: 26/12/2018

Foreign fund outflows highest since 2008-FPIs sold shares worth almost $4 billion in October alone

- For the Indian equity markets, year 2018 will end as the worst in terms of foreign money outflows since 2008 when markets across the globe were reeling under the sub-prime crisis and Lehman Brothers filed for the largest bankruptcy in history.
- In the Indian context, 2018 would also be only the third such year in the last decade when foreign portfolio investors (FPIs) would end a calendar year as net sellers of Indian shares.
- Further, the year also saw overseas investors selling shares worth almost $4 billion or Rs.28,921 crore in just one month — October — making it the worst-ever month in terms of FPI outflows.
- The previous high was seen in November 2016, when FPIs sold Indian shares worth Rs.18,244 crore.
- Market participants are of the view that such significant outflows were primarily on account of the weakness in the rupee and the volatility of the stock markets that saw the benchmark Sensex touching an all-time high of 38,989 in August only to lose more than 9% or more than 3,500 points since then.

Domestic support

- Meanwhile, most market participants believe that the potential losses this year have been largely mitigated due to the strong buying support, especially in index constituents, from domestic institutional investors such as mutual funds and the Life Insurance Corporation (LIC).
- Strong buying by domestic investors also helped the Indian stock markets overtake Germany for the first time ever in terms of market capitalisation.
- According to data from the World Federation of Exchanges (WFE), the market capitalisation of India was pegged at $2.06 trillion in December, slightly higher than Germany's $1.9 trillion.

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