

FPI outflow hits 16-month high to ₹15,500 cr in April

NEW DELHI: Foreign investors have pulled out over Rs 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.

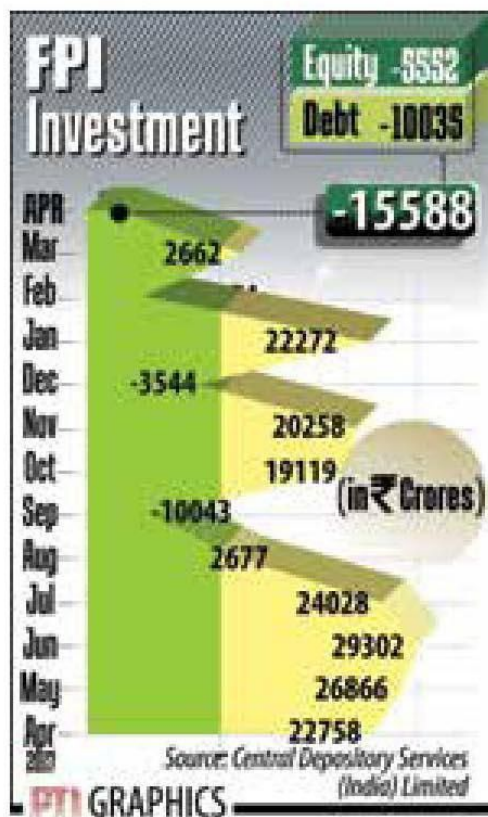
This comes after an inflow of Rs 11,654 crore in equities in March and an outflow of over Rs 9,000 crore from the debt market during the same period.

Prior to that, foreign portfolio investors (FPIs) had pulled out over Rs 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 Rs 5,552 crore from equities and another Rs 10,036 crore from the debt market in April, taking the total to Rs 15,588 crore (\$2.4 billion).

This is the steepest outflow from the capital market since December 2016, when foreign portfolio investors had pulled out over Rs 27,000 crore.

So far this year, foreign portfolio investors have put in over Rs 7,100 crore in equi-



ties and withdrew close to Rs 14,000 crore from the debt market.

"An increase in (government securities) yields in the domestic market has seen foreign portfolio investors 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 prices.

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

According to Ajay Bodke, CEO at 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.