Buoyed significantly by a series of positive earnings surprises, the S&P BSE Sensex closed August at all-time high. With a 28% return YTD and rising profits keeping P/E multiples well below their highs, Indian equity markets are in the unusual position of attracting both value and momentum investors at present.

The S&P BSE Realty index had another poor month, falling over 8% in August. Otherwise, a majority of sectors gained with S&P BSE Auto the leading index. The small cap segment matched the 3% gains of large-caps, with mid-caps trailing.

The S&P BSE Small Cap index now shows a 12 month return over 100%, a further 10% is required to match the all-time highs of late 2010.

Consumer price inflation (CPI) rose in July from June’s lows but remains marginally below the Reserve Bank of India current target of 8%; the central bank kept its key policy rates unchanged. Corporate and treasury yields dropped around a fifth of a percent, tracking similar declines in the U.S.

Gold gained, albeit marginally (up 0.6%), while the S&P GSCI fell over 2% and into negative territory for the year. Against a backdrop of escalating conflict in Russia and the Middle East, the 2% fall in oil prices indicates that the energy markets are not ringing the alarm bells yet.

The Rupee gained a further 1% against the dollar in August, ending at 60.5.
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