Summary

- A lacklustre December failed to take the shine off a phenomenal year for the Indian Equity markets. The S&P BSE SENSEX has recorded a total return of 31.9% for the year.
- The explanation that the year’s returns are due to the election result is overly simplistic. The SENSEX would have delivered 26% even excluding May’s performance, gaining in nine months out of twelve. Cheaper energy, effective management of inflation and a healthier economy each have also played supporting roles in the extraordinary rise of India’s markets this year.
- Smaller capitalization stocks have performed supertotively. The S&P BSE SmallCap index gained by over 70% in 2014; it has now more than tripled since 2009.
- The S&P BSE India 10 Year Sovereign Bond Index closed with a yield of 7.87%; down by 1% on the year. One of the few sovereign indices to outperform U.S. Treasuries, the index has a total return of 14% for the year.
- Such performances have duly attracted international attention. Foreign institutional investors (FIIs) pumped in a record $42 billion into Indian stocks and debt this year.
- Indian wholesale inflation (WPI) fell to zero percent in November, the lowest since July 2009, while the consumer price index (retail inflation) also eased to 4.38 percent - the lowest since the government started publication in January 2011.
- The S&P GSCI broad commodity index closed down a further 12% in December to complete its worst year since 2008; the price of a barrel of oil has fallen by 45% in Indian rupee terms this year. Gold gained slightly on the month to complete an indifferent year.

Source: S&P Dow Jones Indices LLC and/or its affiliates. Data as of the close Dec 31, 2014 or (*) as of Dec 30, 2014. Index performance based on total return. Brazil and Russian index returns are in USD, otherwise returns for indices are in local currency and/or USD for multi-currency regions. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results. For more information, please visit our website at www.spdji.com
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