Developing Capital Markets Through Regional Cooperation

SOUTH ASIAN FEDERATION OF EXCHANGES

CAPITAL MARKETS

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A MONTHLY E-PUBLICATION ABOUT THE DEVELOPMENTS IN THE CAPITAL MARKET INDUSTRY OF THE REGION

MEMBERS' CONTRIBUTIONS

ADX in January 2013

- ADX Press release

2013 started out as a fine year for ADX. January in particular seemed to be a busy month. We started implementing a new trading mechanism known as "Call Auctions"; which is based on calculating the closing prices and we also shifted to a new Free Float Index. The migration from the current system of Volume Weighted Average Price (VWAP) will help ADX operate more seamlessly with global systems.

In order to maintain a stable stock market, we have set the daily price fluctuation limits of stocks, at a maximum limit 15 per cent of the closing price and a minimum of 10 per cent. This change is within the limit provided by the market regulator, the Emirates Securities and Commodities Authority (SCA).

Most developed markets use the call auction mechanism, which gives a more accurate reflection of the real price of a stock, especially if the last trade price was not realistic. Our decision to adopt the new trading mechanism and the shift to a Free Float Index comes from our continuous efforts to develop our operations in accordance with the best international standards applied in the field. The new mechanism went into effect on the 2nd of January 2013.

During the month of January, We also welcomed a high level Korean financial delegation headed by H.E. Kim Jung-Hoon, Chairman of National Policy Committee, at the Korean National Assembly. The delegation oversaw the signing of an MoU between ADX and Korea Stock Exchange (KRX). Under the terms of the MoU, ADX and KRX established an agreement to facilitate the development of communication channels for the sharing of information between both exchanges. Also through the MoU further cooperation will cover aspects such as structuring of listed products, corporate governance, exchange of staff, and research projects.

We were pleased to have signed the MoU as it is a basis for a fruitful cooperation with the KRX, one that will raise the level of efficiency of ADX services and contribute in supporting the economic growth of the emirate of Abu Dhabi.

Also in January, we took part in the 2013 Arindon Investors Conference 'Market Outlook for Investors and The Future of MENA Capital Markets which was held in Bahrain on the 30th of January 2013. Our participation came through our CEO Rashed Al Baloushi who was one of the speakers at the panel discussions on Capital Markets Outlook.

Our main goals of partaking in the conference were to attract foreign and institutional to our market investors and to highlight Abu Dhabi's exceptional resilience and robust growth.

Potential Scenarios and Implications of the US Fiscal Cliff

-D.R. Dogra, MD & CEO, CARE Ratings

The impending US fiscal cliff has come to occupy a prominent place amongst the various risks and fears confounding not just the US but the entire global economy. Despite this crisis primarily being one internal to the US, given the stature of the nation as being the world's largest economy and the interconnection across economies, the fears associated with this are being transmitted across countries.

Fiscal Cliff de- jargoned

It is a term that denotes the combination of the various expiring tax cuts and broad based government spending cuts which are due to come into effect at midnight 31st December,2012. These are some of the measures that are to be enacted as per the terms of the Budget Control Act of 2011 which is a long term plan to control and reduce the US governments budget deficit. These measures would lead to an increase in tax revenues and lower government spending which could be beneficial over the longer term - lower deficit and debt levels help improve growth prospects. Various laws are slated to expire/change/increase at midnight of 31st December 2012, such as the 2% payroll tax cuts, tax breaks for businesses, taxes related to health care and changes in the minimum alternative tax to name a few. At the same time, automatic government spending cuts are to take into effect, which according to some estimates could be in some 1000 government programs and include defense and medicare spending.

The combination of expiring tax cuts and government spending reduction would help reduce the US budget deficit by an estimated USD 600 billion. At the same time, these measures are slated to have an adverse effect on the economic growth given the prevailing fragile economic environment. The enactment of these measures thus find opposition within the US Congress.

There is debate about the appropriateness of the use of the word "*cliff*" which has come to be universally used in relation to the fiscal conundrum being faced by the US. The opponents of this advocate the use of the words such as "*fiscal slope*" or "*fiscal hill*" instead to convey the true nature of the problem faced. They argue that the term "*fiscal cliff*" tends to indicate immediate disaster right at the onset of 2013, whereas the implication of the fiscal outcomes would have bearings over the full year and which would be gradual at first.

Fears

There is palpable fear associated with the above mentioned measures coming into effect, the fear being that of the US economy slipping back into recession. Moreover there are heightened concerns that the US fiscal problems could stretch far beyond the US, given the potential multiplier nature of the problem. If the US economy falters again, nearly all others too could follow suit, striking a severe blow to the fragile global economy, recovery from which could be painstakingly long and slow.

Likely Scenarios

Opposition within the US Congress against the scheduled enactment of the measures to control deficit by way of tax increases and spending cuts, has given rise to uncertainty about the US fiscal outcomes in 2013. No clear solution has been formulated yet to resolve/address this opposition despite nearing the deadline (31 December,2012).

This has prompted markets, financial institutions, think tanks etc to anticipate various likely scenarios the US government may eventually adopt to tackle its deficit control programme, all of which have varying consequences. One is that, the US policy makers decide to enact the measures as scheduled (tax increases and spending cuts from the start of 2013) which would increase tax revenue and lower spending and consequently rein in future budget deficits. This could result in severely depressing the economic growth.

The second option is that the US government decides not to enact the deficit control and to continue with no changes in taxes and spending . The US economy would see a growth as a result but its long term fiscal stability concerns (widening deficits and high debt levels) would not be tackled which could eventually push the country towards a financial crisis akin to the one faced in Europe currently. This option would weaken the long term outlook for the country's economy.

Lastly, the p
arties could opt for a middle course wherein deficit concerns are addressed to an extent i.e. retaining government spending and raising only some taxes. This would neither help in reducing the government budget deficit nor would it aid growth. The US long term fiscal stability would not be addressed which could potentially evolve into a serious financial crisis.

Implications of Fiscal Cliff

Even though the fiscal measures/cliff does not come into effect till 31st December,2012, the US and global economy is already visualizing and seeing some of the implications on account of this. It is almost universally expected that if the slated programmes goes into effect it would have a dramatic impact on the economy, more so in the prevailing weak and faltering global economic environment. It is expected to push the US economy into recession again and given that it is the world's single largest economy this would have severe repercussion world over. As pointed out by the US Federal Reserve Chairman, worries over how the budget negotiations would be resolved is already damaging growth.

As government spending constitutes a major portion of US GDP, a reduction in the same would result in a decline in the nation's GDP. The US Congressional Budget Office (CBO) has estimated that the US GDP would be cut by 4 percentage points in 2013.

These measures would also result in a rise in unemployment and lead to a drop in household income, all of which would take a toll on consumer sentiments and further hamper growth. A drop in consumer spending in the US which is one of the world's largest importer could also severely jolt the export oriented' economies in Asia and other emerging economies.

With the US Congress skirting a resolution to the prevailing fiscal problems, uncertainty abounds. This has made investors increasingly wary, affected investor sentiment and increased risk aversion. Households and businesses in all likelihood have already implemented changes in their spending which would have implication on demand and growth even before the measures are enacted. Also subdued investor sentiment would have a spill-over effect on the global commodities and financial markets. The liquidity crunch would lead to a reversal in capital flows to emerging markets.

Presently, negotiations are on between the US President and the US Congress to reach a solution or compromise over the tax increases and spending cuts before these could come into effect starting 2013. Markets and most observers are however skeptical whether this would be resolved in time and this sentiment is being reflected in the financial markets all over. Markets have been sliding with the time frame for the tax increases and budgetary cuts fast approaching.

It has also been argued that given that the US Congress is empowered to enact retrospective legislations, they could do so even after the deadline in this case. In that case, the fiscal cliff would not be an impediment to growth, as has already been stated, the implications of the fiscal cliff would be felt over the whole year and not at the start of the 2013.

LAHORE STOCK EXCHANGE AND PAKISTAN MERCANTILE EXCHANGE HOLD SEMINAR ON COMMODITIES TRADING

- LSE Press release

Lahore Stock Exchange & Pakistan Mercantile Exchange Ltd jointly held an Investor Awareness program on the topic “Commodities Trading on PMEX” at the Auditorium of Lahore stock Exchange. Managing Director and Chief Executive Officer of LSE Mr. Aftab Ahmed Chaudhry was the guest speaker of this seminar.

Around 130 people from different walks of life and diverse age groups attended the seminar including LSE members, students, prospective investors and retired persons. 10 broker representatives from 5 registered brokerage houses namely – KASB Commodities, Enrichers Pvt. Ltd, JS Global Capital Ltd, Unicorn Commodities and Shajar Capital - had put up their stalls for marketing and networking purposes.

Sahibzada Mansoor Ali, Chief Business Officer of PMEX, was the speaker during the session. He deliberated on the history and growth of PMEX over the years, contribution of commodity markets to overall economic landscape of the country and the products being traded at PMEX platform. Moreover, he emphasized the need for investor awareness on commodity futures trading highlighting the fact that investors can not only benefit from the increase in prices but also a downward trend which is a significant advantage over other investment avenues.

The audience listened to the presentation with immense interest and asked many questions pertaining to Pakistan Mercantile Exchange, volumes, brokers' roles in commodity trading, price mechanism, commissions involved and procedures of working in commodities.

The seminar was followed by hi-tea where the PMEX team and brokers got a chance to interact with potential investors and have a one on one discussion regarding the business.

Pakistan Mercantile Exchange abbreviated as PMEX recently introduced the slogan of “Invest| Trade| Hedge” further strengthening its corporate brand and reasserting itself as the only platform where one can Buy, Sell, Trade - Gold, Silver, Crude Oil, Agriculture and Financial Futures.

Pakistan Mercantile Exchange Limited is Pakistan's first demutualized exchange and the first and only Commodities and Futures exchange in the country. It is licensed and regulated by the Securities and Exchange Commission of Pakistan. PMEX currently lists various contracts for trading in Gold, Silver, Crude Oil, IRRI6 Rice, Palm Olein, Sugar, Wheat and KIBOR.

Risk management in horticulture using commodity futures

-Nazir Ahmed Moulvi and Niteen Jain
Senior Analysts
MCX

Over the past half a century, countries in the South Asia region have made good progress with respect to food and the overall livelihood security. Recognizing that the much of the economy is agriculture-oriented, almost all national and provincial governments in the region have focused on horticulture crops. The reasons for this focus were two-fold: for providing nutrition to the masses and also to provide a boost to the farmers' incomes. Besides, countries such as India with diverse soil and climate comprising several agro-ecological regions provide ample opportunities to grow a variety of horticulture crops. In India, the importance of horticulture can also be gauged from the fact that after the first few Five Year Plans assigning priority to achieving self-sufficiency in food grain production, over the years, horticulture has emerged as a key focus area of policy push for achieving rural prosperity. As a result, horticulture today is an indispensable part of agriculture, offering a wide range of choices to the farmers for crop diversification.

Rising incomes, rapid urbanization, changing lifestyles, global market integration and trade liberalization are increasing the demand for horticultural products in all developing countries. Encouraged with increased demand, producers have responded by increasing the supply. As a result, area and production of horticulture crops have increased in recent times. In India, for instance, the area under horticulture has increased to 21.8 million hectare in 2010-11 from 13.43 million hectare in 1991-92, while production has more than doubled to 240.5 million tonnes during 2010-11 from 97.83 million tonnes in 1991-92 (Source: Dept. of Agriculture, Govt. of India). The efforts put on the horticulture sector have been rewarding and India has now emerged as world's largest producer of coconut, arecanut, cashew, ginger, turmeric, black pepper and the second largest producer of fruits, vegetables and tea. Similarly, the production of fruits, vegetables and spices in Pakistan stands at about 12 million tons (source: Pakistan Horticulture Development and Export Company, Ministry of Commerce, Govt. of Pakistan), with large exports – current and potential.

Horticulture provides ample opportunities for sustaining large number of agro-industries which generate substantial employment opportunities. The contribution of this sector to the GDP and employment generation in many developing countries has been significant. For instance, the sector contributes around 28 percent of agricultural GDP from about 13.08 percent of the area and 37 percent of the total exports of agricultural commodities in India (Source: Planning Commission of India, XI Five Year Plan documents). Similarly, occupying just 7 percent of its agricultural land, horticulture contributes to 18 percent of Bangladesh's agricultural GDP (Source: World Bank). Horticulture is also generally known to be (upto 3 to 4 times) more remunerative than field crops. Adoption of horticulture, both by small and marginal farmers, has brought prosperity in many regions of the South Asian region. In India, the contribution of this sector has been prominent in states such as, Maharashtra, Karnataka, Andhra Pradesh and Kerala are prime examples.

Thus, horticulture in the South Asian economy today, is not merely a means of crop diversification but forms an integral part of food and nutritional security, as also an essential ingredient of economic security.

Risk management in horticulture:

Although horticulture is a remunerative income generating activity, it is also plagued by high price volatility. The report of the India's Working Group on Horticulture, Plantation Crops and Organic Farming for the XI Five Year Plan (2007-12) has identified price risk as one of the major risk faced by horticulture producers. Horticulture is affected both with controllable and uncontrollable risks.

Controllable risks such as pest attacks, disease etc. can be managed with use of pesticide and use of appropriate technology. Among the uncontrollable risks such as price risk, deficit or excess rainfall, extreme temperature conditions etc.

As in agricultural commodities, price risk in many horticultural crops can be managed through futures contracts. In commodity futures trading, participants trade on futures contracts to hedge their risk against adverse price movements. The prices in an exchange are determined in the form of a continuous successful matching of bid & ask (trade) by the market participants. This provides reference prices for the underlying commodity - a function known as price discovery.

Historically, farmers have been at the mercy of traders or intermediaries while selling their produce, who pay less to farmers and in turn sell at exorbitant rates pocketing huge trading margins as the margin between consumer price and producers' price gets added due to multiple level of intermediation. Horticulture faces problems such as high price volatility, lack of farmers' access to information and insufficient infrastructure such as storage facilities and poor transportation – all of which add to volatility in farmers' incomes. Thus, farmers are confronted with multiple problems such as volatile and uncertain prices for their produce – leading to undisposed debts and deprivation.

Futures market assures farmers of a better realization for their produce besides equipping them with information on future market trends. Exchange-traded commodity futures help them realize a better price for their produce through the twin functions of price discovery and price risk management. Horticulture farmers can reap benefits from the futures market in horticulture commodities in two ways. Directly, futures market helps farmers and other producers to lock in the prices of their future output or inputs, therefore, helping to hedge against the volatility in these prices. Indirectly, futures markets enable discovery and dissemination of future price trends, thus aiding in their decision-making on sowing, harvesting, warehousing, timing of sales, etc. Since the futures market reflects fundamentals of the crop that emanate from national and international markets, futures prices take into account all such relevant factors in discovering the correct price. Futures market also helps farmers by reducing the price volatility in the spot markets for the same commodity.

At present several horticulture crops (such as potato, rubber, spices) and their derivatives (such as crude palm oil) are traded on national commodity exchanges. By accessing the platforms offered by the futures market of these crops, producers and their respective cooperatives can hedge against the price risk assuring themselves of better returns.

As far as risk related to weather and rainfall is concerned, these risks can be hedged through rainfall and weather indexes. These indexes, available for trading in the major international commodity exchanges, are yet to be operationalized in any exchange in South Asia. However, once the Forward Contracts (Regulation) Amendment Bill, 2010 is approved by the Indian parliament, these products too may be available in Indian exchanges, providing new instruments to horticulture farmers for hedging against weather-induced risks.

MCX-SX Equity and Equity Derivative segment to be inaugurated on Feb 9, 2013 by Hon'ble Union Finance Minister Shri P. Chidambaram

-MCX-SX Press Release

MCX-SX India's New Stock Exchange

- Capital market regulator SEBI gave "commencement certificate" for trading in new segments such as Equity, Futures and Options on Equity, Interest Rate Derivatives and Wholesale Debt Market to the exchange last month.
- Ministry of Corporate Affairs (MCA), Government of India granted the status of a "recognized stock exchange" to MCX-SX last month.
- 270 membership applications already registered by SEBI out of the 496 applications submitted by the exchange. Exchange expects to cross the 350 count shortly.

Mumbai, January 28, 2013: The Equity and Equity derivative segment of MCX Stock Exchange (MCX-SX) will be inaugurated on February 9, 2013 by Shri P. Chidambaram, Hon'ble Union Finance Minister. Shri. U K Sinha, Chairman, Securities and Exchange Board of India (SEBI) and Dr. Arvind Mayaram, Secretary- Dept of Economic Affairs will also be present at the function to be held in Mumbai. Live trading in this segment will commence from February 11, 2013.

Commenting on the development, Mr. Jignesh Shah, Vice Chairman of MCX-SX, said, "Inauguration of MCX-SX equity segment will be a significant milestone not only for MCX-SX but the entire nation. Our exchange adds a new dimension to the exchange evolution by embedding growth and inclusion that are so critical for a country like India."

Mr. Joseph Massey, MD & CEO, MCX-SX added "We will continue with our efforts to ensure equitable and inclusive growth of Indian Capital Market. In line with the regulator's vision, our focus will be to increase the depth of markets, introduce new segments and strengthen participation of investors from across the country."

MCX-SX was granted the status of a "recognized stock exchange" by the Ministry of Corporate Affairs (MCA), Government of India on December 21, 2012. It received "commencement certificate" from market regulator SEBI for trading in new segments such as Equity, Futures and Options on Equity, Interest Rate Derivatives and Wholesale Debt Market on December 19, 2012.

Earlier, MCX-SX received 700 applications for new membership, a world record for an exchange before going live during. A mock testing session for its Capital Market segment was held on the auspicious occasion of 'Chhat' festival on November 19, 2012 to familiarise participants with this new trading platform of MCX-SX.

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SAFE
SOUTH ASIAN FEDERATION OF EXCHANGES

Regional Financial Integration

"Developing a Harmonized Regulatory Framework for the Capital Markets in Pakistan & South Asia"

"Project Update"

Project Reports

SAFE submitted an initial draft of first three project reports to SGAFP offices on 21st December, 2012. The first report documents the collated regulations of all the major stock exchanges in the South Asian region. An exclusive software system was developed to maintain the database of regulations for quick analysis and compiling the data into codification template. This software system ensures the integrity of the regulations entered into the database and adheres to pre-defined classifications at three levels. The second report documents the differences identified in the collated regulations of all the major stock exchanges in the South Asian region, whereas the third report documents the benchmarking of the exchanges regulations (which were provided for codification) with respect to IOSCO standards.

Media Briefing

SAFE held a press briefing of its USAID Small Grants Program funded project on developing a regionally harmonized regulatory framework, on Wednesday, 23rd January 2013, at Hill View Hotel, Islamabad. The meeting got good coverage from renowned media players such as Geo TV and Ajj TV. It was also attended by mainstream print media of Pakistan such as The Jang Group, Business Recorder, Daily News, Nawa-i-Waqt, Daily Ausaf etc. The news clippings and videos have been shared with SGAFP team with this communiqué. SAFE's consultants, Mr. Murad Baig and Mr. Nabeel Zubair, gave an elaborated presentation on the project progress and talked about their upcoming envisaged visit to the South Asian countries in the following month. Mr. Aftab Ahmad Ch., Secretary General SAFE, in his speech, emphasized on the need to increase cross boarder financial activities within the South Asian region to create strong intraregional links and an integrated economic region. Speaking on the occasion, Mr. Abid Anwar, USAID Small Grants representative commented that as part of its commitment to the Pakistani people, the U.S. Government, through the U.S. Agency for International Development (USAID) seeks to secure a self-sustaining economic future of Pakistan by nurturing more efficient economic environment. He further assured that the people of United States of America are committed to assist Pakistan to further develop its economic sector and economic sustainability.

Steering Committee Meeting

A project steering committee meeting was held on 10th January, 2013 in the office of Infotech to appraise the project progress and review the upcoming visits of Exchanges. A detailed presentation was delivered stating the objectives, outcome and target audience to whom consultants will meet. Traveling plan was presented and consensus was reached on the travel dates and entities to visit in each country. It was agreed that same plan would be forwarded to SGAFP for approval to meet the next milestone of the project.

Exchange Visits

International visit of all three consultants was envisaged to be undertaken by the third week of January 2013 as per the project work plan, hence SAFE submitted travel authorization form for consultants to SGAFP for forwarding to USAID on 11th January 2013. In order to manage the travel in a timely manner, SAFE applied for SAARC visa sticker for all three consultants so as to enable them to travel within the South Asian region without getting into visa hassle. In the meanwhile, SAFE got engaged with all the stakeholders in the South Asian region and managed to crystallized meetings' time/date for consultants with the top management at chosen exchanges and regulatory bodies during the month of January. The consultants got the SAARC visa sticker on 23rd January 2013. Final travel plan for consultants to leave for envisaged visits to SAARC countries was starting from Monday, 28th January 2013. However, SAFE was given the international travel authorization by USAID/SGAFP on Thursday, 31st January 2013.

The visits are planned to appraise the Industry Working Group on the project objectives, benefits and its outcomes. This shall help in ensuring early commitment to manage the change for smoother adoption of project recommendations.

SOUTH ASIAN SECURITIES MARKETS HIGHLIGHTS

Long term investors needed

bdnews24.com

The Chittagong Stock Exchange (CSE) president Al Maruf Khan says the currency policy of the apex bank and changes in the Company laws are some of the reasons that explains the falling turnover in the Bangladesh's stock markets. Khan told some 'hard alternatives' have to be found to restore market confidence amongst investors. 'It should be our endeavour to find long-term investors." Despite the government's efforts, there seems to be glut in investments in the country's two stock markets in Dhaka and Chittagong since last year. On Tuesday, the turnover at the Dhaka Stock exchange fell to a five year low of TK 1.04 billion . "Long term investments are key to revive the markets. Institutional investors are not putting their money into the markets at the moment," Khan said. He suggested three alternatives to boost investments in the stock markets – look for foreign investors, allow insurance funds to invest in the markets and encourage long term investments by pension funds. Khan said the Bangladesh Securities and Exchange Commission is working on a policy to draw foreign investors into the country's stock markets . "The policy will make it clear which country can invest how in our markets ." Khan said the Chittagong Stock Exchange is preparing a presentation to attract investments from Europe . "By May-June , we should reach out for European investments in our markets. For that adequate spadework needs to be done. If we attract about three billion dollars from the European markets of the thirty billion dollars in circulation their markets, then that would stabilize our markets and boost it up."

Soon, you can hold insurance policies in electronic form

thehindubusinessline.com

You will soon be able to hold your insurance policies electronically. At its board meeting here on Wednesday, the Insurance Regulatory Development Authority (IRDA) board licensed the National Securities Depository Limited (NSDL), Central Depository Services Limited (CDSL), Stock Holding Corporation of India, Karvy Group and Computer Age Management (CAMS) Repository Services to act as repositories for insurance policies. This move will enable policyholders to maintain insurance policies in electronic form and make changes, modifications and revisions to them. Policyholders will not be levied any charges for using such facilities as the insurance repositories will be paid directly by the insurance companies.

ADX receives ISO 9001 quality management standard certificate

ameinfo.com

Abu Dhabi Securities Exchange (ADX) has received the international quality certification ISO 9001.2008 for its outstanding quality management systems. This certificate was presented to ADX by TÜV NORD Group following a thorough assessment. Mr. Rashed Al Baloushi, CEO of ADX commented on the achievement, "Implementing a Quality Management System will motivate staff by defining their key roles and responsibilities. Becoming an ISO registered organization is a natural extension of our quality and service commitment to our stakeholders across the region."

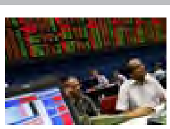
"Our stakeholders will notice that orders are met consistently, on time and to the correct specification. This can open up the market place to increased opportunities." said Mr. Rashed Al Baloushi, CEO of ADX.

ADX CEO added: "Our success in achieving this goal is due to the tremendous dedication and teamwork of everyone in our organization."

Mr. Al Baloushi concluded by saying: "ISO registration reflects our commitment to achieving and maintaining excellence in our business and operations, and to continuous improvement and an on-going commitment to provide our stakeholders with the best services." It is worthy to note that ADX already has achieved ISO 27001 certification in 2011 to become the first financial market to define and certify based on auditable international standard for information security management system (ISMS), covering its Trading, Clearing, Settlement, Registry and Depository services.

CSE set for boom in 2013 - C T Smith

dailymirror.lk



Fresh after witnessing a full year of volatility and challenges in 2012 with the benchmark All Share Index (ASI) closing down 7.1% at 5643, the Colombo Stock Exchange (CSE) is now poised to make a leap, predominantly backed by budgetary proposals and further monetary easing, according to leading stock broking & research firm. "The market seemed to have regained momentum and stabilized towards year end largely driven by high foreign investor participation. Therefore, we expect the recent upward momentum to broadly continue in the near term in 2013E and foreign investor participation to be maintained," C T Smith Stockbrokers (Pvt) Ltd (C T Smith) stated. The Monthly Report released by the firm for last December further foresaw the potential positive impact on CSE due to renewed interest and infusion of foreign capital into India subsequent to sweeping market and economic reforms. Anticipating further monetary easing going forward, the report said, "We anticipate further staggered rate cuts in the range of 50-100bps in 2013E, which would likely rekindle local retail investor interest that saw a decline last year." As a result and also boosted by strategic market transactions as part of corporate restructurings, C T Smith expects a rise in average daily turnover to be slightly below Rs.2.2 billion, levels seen during post-conflict boom (2009-2010) from the existing level of Rs.884 million.

Drawing from the budget 2013, the firm expressed optimism over a minor revival in Initial Public Offerings (IPOs) by 2H as opposed to Rs.1.4 billion raised through only five IPOs in 2012. Furthermore, C T Smith citing a recent statement by Deputy Finance Minister Dr. Sarath Amunugama to list several State Owned Enterprises (SOEs) said no firm details have been provided by the latter. Whilst expecting a less challenging year for the corporates in 2013 with superior returns to shareholders, the report adds, "Companies with exposure to key growth sectors such as infrastructure, tourism and ports would stand to be at a greater advantage while selected consumer plays are also expected to do well. Furthermore, in an anticipated low interest rate environment, the banking & finance sector would be a key beneficiary, while also trading at relatively undemanding valuations." Meanwhile, during the year to December, the highest performing sector was Beverage, Food and Tobacco (+21.1pc) whilst the lowest performing sector was Information Technology (-56.8pc).

Where's the limit?: Will the KSE break the 20,000 barrier in 2013? *tribune.com.pk*

After a blow-out year in 2012, with the benchmark KSE-100 index rising 49%, can investors expect the index to breach the 20,000-point mark in 2013? Most stock market analysts are reluctant to say so explicitly, though their forecasts suggest that the market may, at least, get close. One of the more optimistic forecasts is by Syed Rehan Ali, a technical research analyst at Foundation Securities, who predicts that the stock market may hit the 19,700 level by the end of calendar year 2013 – though he hastens to add that there is likely to be plenty of volatility in the earlier half of the year, when the index may actually slide back to the 15,700 level.

The 20,000-point barrier may sound dizzyingly high, but it is only about 18.3% higher than the closing level of 2012. Given the fact that the market's 10-year average return is 21.2%, the KSE-100 index would only need to have a below average year in order to breach that important psychological barrier. But it is not just the technical factors that favour a continued rise in the equity markets. Fundamental factors also favour another profitable year for equity market investors. Two main factors are likely to drive growth: a continued resilience in corporate earnings, and an increasing likelihood of foreign investor attention. Corporate earnings have grown remarkably strongly over the past couple of years. In 2011, the last year for which complete data is available, net incomes for all companies listed on the Karachi Stock Exchange increased by 27.3%, according to data released by the State Bank of Pakistan. The corresponding figure for 2012 is likely to be in a similar range, judging by preliminary data. For 2013, the outlook for key sectors appears strong. The devaluation of the rupee is likely to help revenue growth at companies in the energy sector as well as textile exporters, according to BMA Capital, an investment bank. Given high levels of operational leverage, even a slight increase in revenues is likely to result in a substantial increase in profits for most of these companies. Another factor at play is election spending, which is likely to drive growth in cement sector stocks as the government spends more money on infrastructure projects in the run-up to the polls. This growth may be cyclical, but it is likely to benefit the economy nonetheless.

Secular factors – such as the rising purchasing power of the middle class – are also at play and are likely to cause a renewed interest in food and consumer goods companies, particularly from foreign investors. Another factor at play in this sector is likely to be the more than $335 million that investors will be looking to redeploy in the food and consumer goods sector after they receive their payouts from Unilever Pakistan, which is looking to de-list from the Karachi Stock Exchange. And then there is the expected interest from foreign investors, who have struggled for returns in both their own home markets as well as more established emerging markets. In 2013, at least some of them are likely to turn their attention towards frontier economies like Pakistan, which means that valuations for Pakistani stocks are likely to rise. According to Raza Jafri, a research analyst at AKD Securities, the Pakistani equity market is currently trading at 7.2 times expected 2013 earnings. This is not only below regional markets but also below even Pakistan's own historical levels. Add in an expected dividend yield of 7.6% and Pakistani stocks will suddenly start to look very attractive indeed, even to foreign investors who have hitherto remained skittish. That increased demand, in turn, is likely to turn into a self-fulfilling prophecy of higher returns.

Mauritius projects 3.7 per cent growth in 2013 *africareview.com*

The Mauritian government projects that its economy will grow by 3.7 per cent this year, up from the 3.3 per cent attained in 2012. Figures from the Ministry of Economic Development and the Central Statistics Office show that tourism and finance would be among the biggest drivers of growth this year for the prosperous Indian Ocean island.

Agriculture and construction paint a meeker growth picture, the government data showed. Manufacturing is seen to expand by about 2.0 per cent, marginally higher than the 1.9 per cent attained in the last financial year. Food processing would grow by over 2 per cent in 2013 with textile and manufacturing rising 2 per cent over the course of the year. Export enterprises traded just over Rs 46 billion ($1.49 billion) last year, with economists positive over the growth of the main export industries of clothing and fish products. While construction is expected to decline further by 2 per cent after shrinking 2.9 per cent in 2012, this is based on a drop in public financed projects and in private construction ventures.

Finance and insurance activities are set to grow by 5.5 per cent. Traditional sugarcane production hit 400,000 tonnes resulting in a steep decline in growth of 3 per cent compared to 7 per cent in 2012. However tourism is set to register growth of around 3.5 per cent primarily based on tourist arrivals forecasted at 1 million by the end of 2013, after stalling in 2012. Some 960,000 arrivals were recorded in 2012, mainly due to a steep downturn from the island's main source countries of France and the UK. Foreign Direct Investment (FDI) mounted to Rs 12 billion ($390 million) for 2012, however the forecasts for this year has not been released so far. Finance minister Xavier-Luc Duval in a press statement said that policy would be this year be progressive to mitigate any negative economic impacts for the year. There would also be an emphasis on diversifying the economy, he said.

SAARC CCI demands revival of visa on arrival in India *pakistantoday.com.pk*

SAARC Chamber of Commerce and Industry, an apex body of chambers in the region, yesterday demanded the revival of facility of visa on arrival in India to boost socio economic prosperity in the south asian countries which possess 24 per cent of global natural resources. Tracing the history while commenting on the suspension of visa on arrival to Pakistanis by the Indian government, SAARC CCI Vice President Pak chapter and veteran trade leader Iftikhar Ali Malik said that for promotion of economic co-operation in South Asia, free movement of businessperson in the region is crucial and India-Pakistan agreement on flexible visa policy will allow multiple-entry on reciprocal basis.

He said that India and Pakistan two most powerful members of the SAARC region must come to enter a suitable trade regime. He said we all have seen that times have changed the concept and the economic prosperity and member countries have taken the lead which was much needed so that we all could take full benefits of the regional power to eliminate the poverty and bring self reliance and prosperity in the region like other global blocs of the world. He said that every SAARC country had its unique characteristics as India is the 4th largest economy, Pakistan was hub of textiles, Bangladesh was centre of garments industry Nepal,Maldives and Sri Lanka were emerging destination of tourists from all over the world. He said that SAARC Charter demands firm resolve to work towards making it more meaningful for our people, sincere efforts to end political confrontation and act for socio economic prosperity work in unison to safeguard rich heritage and also to rise to face future challenges.
Iftikhar Ali Malik said that it was unfortunate that the world development indicators present bleak picture of the region on global economic fronts despite having enormous potential, the contribution of SAARC countries in global GDP was less than 2 % and its share in export is only 1.5 % which does not reflect our potential.

Women Fall Behind in Financial Literacy; Dr. Bonnie Stresses Importance of Self-Sufficiency *marketwatch.com*

Women face bad news when it comes to their financial futures. According to a study discussed in USA Today, in the past year women have become less financially literate and less likely to practice good habits when it comes to managing money. Dr. Bonnie Eaker Weil cautions women against this trend, and highlights the importance of women taking care of themselves. Between 2011 and 2012, women became less likely than men to pay their credit card balance or to have an emergency savings fund. They're less likely to have a good understanding of stocks, bonds, and mutual funds or other investments. The gap between men and women surveyed in these areas widened by a minimum of six percentage points. Therapist and financial expert Dr. Bonnie Eaker Weil finds this study troubling, especially because women have a longer life expectancy than men. She urges women to recognize that they tend to spend more time thinking about others and not planning for their future - and to take steps to correct this issue.

"Women have a longer life expectancy than men," she says, "plus they are out of the workforce longer when taking care of kids so they have less social security and make less money over the course of their lives." She theorizes that women should want to compensate for these things, and actually be ahead of men financially but that doesn't happen because women are the guardian of connection, and they spend more time worrying about their family and loved ones than they do thinking about themselves. Additionally, Dr. Bonnie points out that women tend to be more risk averse and that affects their financial confidence as well. It's no wonder that women don't look forward to making financial decisions, or investing because the market has been so erratic over the past few years, but Dr. Bonnie urges women not to be satisfied with this situation. "Women should not be comfortable in their complacency," she cautions. "They have to learn how to take care of themselves first, just like in an airplane where the instructions are to first put on your own oxygen mask before helping others!". In order to plan for the future, Dr. Bonnie wants women to know it's ok to think of themselves first - "Women should feel good about saving money first before helping others." In her book, Financial Infidelity, Dr. Bonnie talks about the ways in which couples and families can be unfaithful when it comes to money, but these cautionary instructions can apply to individuals as well. Dr. Bonnie tells women: "Refusing to plan for yourself for your future can be a type of infidelity because you're not being wise with your money, and are cheating yourself out of a potentially prosperous future." It's time that women gain financial confidence, she says, because they'll be outliving husbands, and people are also getting divorced later in life now. Without a safety net, women can be left on their own with no way to catch up financially and live the life they envisioned as they grow older.

NIC Bank, Bank of Asia Nepal to merge *in.reuters.com*

The Nepali financial sector will witness a merger between two commercial banks for the first time with the merger of NIC Bank and Bank of Asia Nepal (BoAN). NIC Bank and BoAN signed a memorandum of understanding today to pursue the merger which is expected to be concluded by mid-January 2013. "Both the banks had been looking for a partner to merge with in both international and domestic banks but talks did not lead anywhere," informed chief executive of NIC Bank Sashin Joshi.

He stressed that after the merger, the merged entity will be one of the largest commercial banks with the highest capital base exceeding Rs five billion. "This is first time that any two strong class 'A' financial institutions are going to merge, and the increased capital base will allow the bank to finance large projects on its own," he added. The banks will apply for a Letter of Intent (LoI) at Nepal Rastra Bank (NRB) and after obtaining the LoI they will conduct Due Diligence Audit that will determine the share swap ratio between the banks. The banks have yet to decide on the name after the merger. After the merger, the bank will have 65 branches and 69 ATMs with 36 branches of NIC and 37 branches of BoAN in operation. Likewise, its customer base will exceed 225,000 with total deposits of Rs 34 billion and loans worth Rs 28 billion. "The merged bank will have about 90,000 shareholders and 800 employees," according to Joshi. "The bank will strive to retain all its employees as the expansion of the bank will require more manpower," Joshi added. The banks have already corresponded with Nepal Stock Exchange to halt trading to avoid any manipulation of share prices. NIC's shares were traded at Rs 486 and BoAN shares were traded at Rs 237 at the stock exchange today. BoAN earned a profit of Rs 117 million and NIC earned Rs 263 million by the third quarter of the current fiscal year. Since the last couple of years, NRB has been encouraging financial institutions to consolidate as the Nepali financial system is not large enough to allow space for more than 200 financial institutions to conduct business without stepping on each other's toes. Due to the central bank's insistence on mergers, there are more than 26 financial institutions that have formally applied for an approval to merge from NRB. The central bank has already given LoI to eight sets of financial institutions with six more to go. Most of the financial institutions seeking mergers belong to class 'C' and 'B' categories. Among the commercial banks in the country, Machchhapuchhre Bank is opting for a merger with Standard Finance, and Global Bank's merger with IME Financial Institution and Lord Buddha Finance is almost complete.

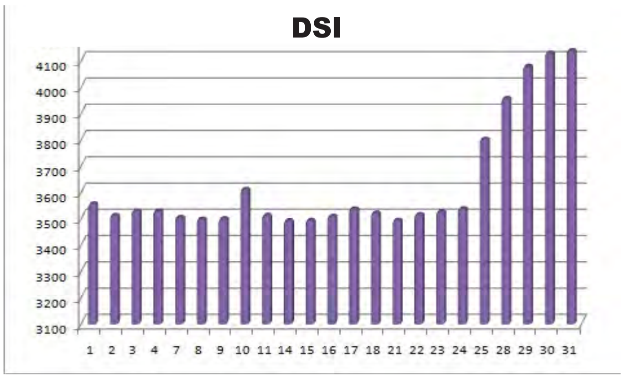
DB X-trackers lists Pakistan and Bangladesh frontier equity ETFs *etfstrategy.co.uk*

Deutsche Bank’s ETF platform, DB X-trackers, has expanded its London-listed emerging and frontier markets offering with the cross-listing of ETFs that provide exposure to the equity markets of Pakistan and Bangladesh. Pakistan and Bangladesh are among the 10 most populated countries in the world and both markets present interesting characteristics. Pakistan has one of the lowest P/E ratios in the region, at just 7x, and an attractive dividend yield of 7.41%. Its market cap/GDP ratio is just around 20%, significantly lower than the average of emerging markets which is around 45%. This shows a large potential for future capital market growth.

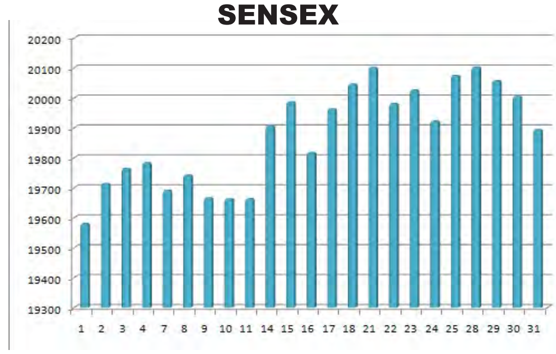
Bangladesh offers an equally exciting proposition with an average annual GDP growth rate of over 6% in the last 5 years and a decline in the poverty rate from 40% in 2005 to 31.5% in 2010. The country is seeing strong export growth boosted by a low manufacturing cost base, which stands at around 15% of that of coastal China. The country’s current growth rate is forecast to continue over the next few years, up until at least 2016, according to the Economist Intelligence Unit. The DB X-trackers MSCI Pakistan IM TRN Index ETF (XBAK) tracks the performance of large, mid and small capitalisation companies listed on the Karachi, Islamabad and Lahore stock exchanges in Pakistan. The index currently has 25 constituents, including OGDCL, MCB Bank, Fauji Fertilizer, Pakistan Oilfields and United Bank. The DB X-trackers MSCI Bangladesh IM TRN Index ETF (XBAN) currently tracks the performance of 64 companies, again across the large, mid and small-cap range, listed on the Bangladeshi exchanges, namely the Dhaka Stock Exchange, and the Chittagong Stock Exchange. Major holdings include Square Pharma, Islami Bank Bangladesh, National Bank, Gramenphone and Eastern Bank. “With the largest number of emerging markets ETFs in Europe, DB X-trackers is coming to be regarded as the ‘go to’ ETF provider for emerging markets exposure. These London listings also demonstrate once again how ETFs are making difficult-to-access markets more investable, with DB X-trackers playing a key role in developing the market,” said Manooj Mistry, head of DB X-trackers for the UK. DB X-trackers offers 60 emerging markets ETFs covering global, regional, country and sector-specific exposures. This includes the DB X-trackers MSCI Emerging Markets TRN Index ETF, which tracks the performance of global emerging markets and currently has around €2.7 billion in assets under management. Other DB X-trackers ETFs offer exposure to the equity markets of China, India, Brazil, Mexico, Taiwan, Russia, Indonesia, Thailand, Vietnam, Chile, Korea and Malaysia, while additional regional-focused offerings provide exposure to the BRICs and emerging and frontier Africa. Both ETFs were initially listed on the Singapore Exchange in September 2011 and are also listed on the Deutsche Börse (Xetra). They are swap-based (fully collateralised) and come with TERs of 0.85%.

MAJOR SAFE MARKETS
January

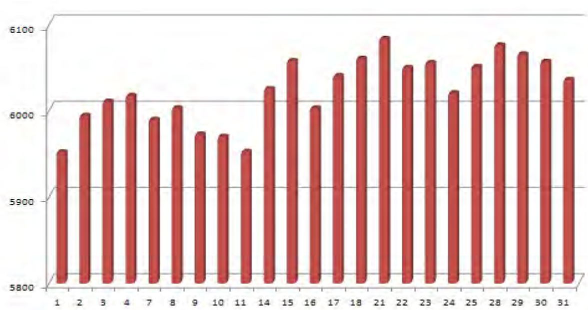
DHAKA STOCK EXCHANGE
DSI



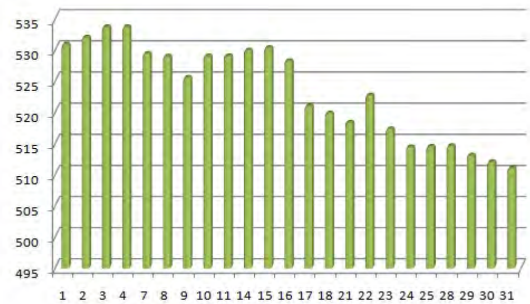
BOMBAY STOCK EXCHANGE
SENSEX



NATIONAL STOCK EXCHANGE
S&P CNX NIFTY



NEPAL STOCK EXCHANGE
NEPSE



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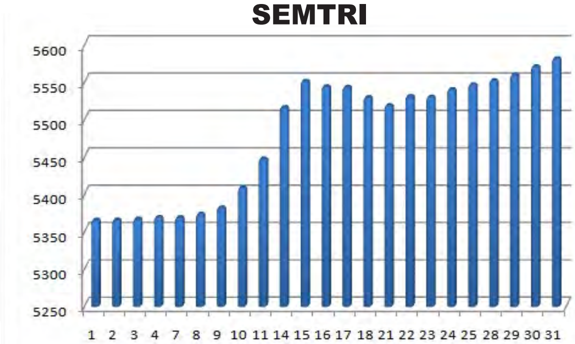
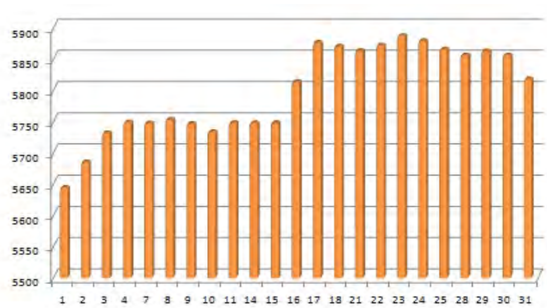


COLOMBO STOCK EXCHANGE
ASI



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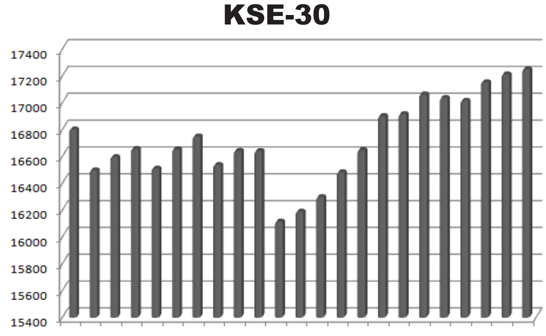
KSE-30



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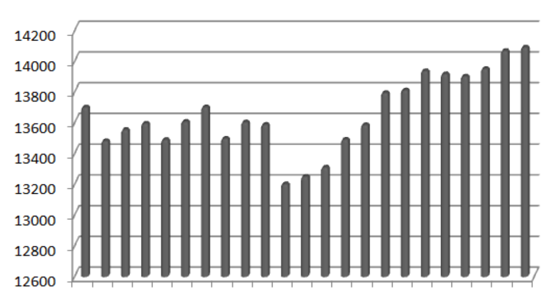
KSE-100



**Please note that the closing index values for every day have been quoted for all the indices.*

SOUTH ASIAN
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