Twitter Thread by Amit Kumar Gupta



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A thread on cumulative FII inflows into India in the CY2020

Background : This was a widely shared link on social media and also tweeted by FM @nsitharaman amid a lot of discussion around the strong foreign inflows in Indian

India received ~1.6 lakh crore in FII flows last calendar year when most Asian and emerging markets witnessed outflows. This is encouraging stuff one would say. However, this is not the complete story.



The total flows in Secondary markets (Debt + Equity but not including FDI deals in primary markets) are marginally positive. It means as yields collapsed, FIIs switched from Indian debt to Indian equities.

In fact, last 6 CYs (2015-2020) net flow in debt & equity is negligible.

9:22 94%

FII/DII Activity

aywise | CM Provisional | CM SEBI | Derivatives

FII: Net Buy/(Sell)*

(Rs. crores)

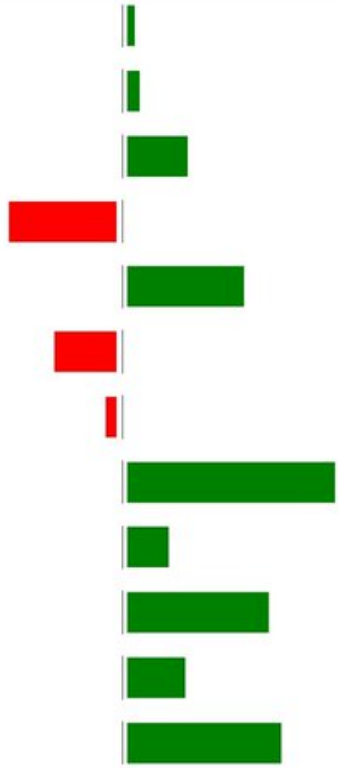
FII

Daily Monthly Yearly

Equity + Debt

Secondary Market

2021	+7,052.93
2020	+11,842.14
2019	+58,776.90
2018	-104,758.96
2017	+114,052.88
2016	-60,138.86
2015	-10,572.12
2014	+202,771.61
2013	+40,382.90
2012	+138,109.90
2011	+56,236.50
2010	+150,248.90



*Note: FII Data is as reported to SEBI/Depositories on or upto previous trading day(s)

Now one may ask what suddenly changed in 2020. Well, Central banks kept the tap open. That's easy answer.

But still the flows became aggressive only in last two months of 2020 - Nov & Dec


11:38
FII/DII Activity
Daywise
CM Provisional
CM SEBI
Derivative
FII / DII: Net Buy/(Sell)*
(Rs. crores)
FII
DII
Daily
Monthly
Yearly
Jan 2021 +9,264.22
Dec 2020 +48,223.94
Nov 2020 +65,238.60
Oct 2020 +14,537.40
Sep 2020 -11,410.69
Aug 2020 +15,749.86
Jul 2020 +2,490.19
Jun 2020 +5,492.95
May 2020 +13,178.96
Apr 2020 -5,209.15
Mar 2020 -65,816.70
Feb 2020 -12,684.30
Jan 2020 -5,412.06
Dec 2019 +694.12
Nov 2019 +12,924.93
Oct 2019 +8,595.66
Sep 2019 -6,624.05
Aug 2019 -14,828.76
Jul 2019 -16,870.13
Jun 2019 -688.50

Why in last two months?

Two technical things happened:

(a) MSCI Annual review on Nov 10 brought fresh inflows. This happens every year, so was not surprising.

https://t.co/b0OdkWvyyX

(b) MSCI also implemented change in foreign ownership limit (FOL) for Indian securities i.e merging the FDI+FII limit to sectoral limit.

PS : This was supposed to happen in June-20 but thanks to Babugiri and C19 lockdown was postponed to Nov-20

Apart from this, licking wounds from Nov-16 US elections experience, many FIIs raised cash in two months leading up to the election date. As the event unfolded, money poured leading to the money tsunami.

In short, Nov & Dec 20 flows were exceptional due to technical adjustments & may or may not continue.

Idea that this will continue without any improvement in earnings outlook is fraught with risks. Any hint of liquidity withdrawn in any form from anywhere can prick the bubble.

Thanks to @mystockedge for the charts.