

Important Vocab For the Editorial

1. **stock market** (noun) – equity market, share market, a stock exchange. It is where traders buy and sell shares of companies on a public exchange.
2. **the wheels come off** (phrase) – things go disastrously wrong; a situation devolves into catastrophic/destructive.
3. **palpable** (adjective) – noticeable, appreciable, discernible.
4. **foreign portfolio investor** (noun) – Investors investing in financial assets, such as shares, government bonds, corporate bonds, convertible securities, infrastructure securities etc in a foreign country.
5. **pull out** (phrasal verb) – withdraw, retreat, leave/disengage.
6. **in contrast to** (noun) – difference, dissimilarity, variation.
7. **enthusiastic** (adjective) – passionate, avid, eager.
8. **take aback** (phrase) – surprise, shock, stun; shake up, unnerve, disturb.
9. **discount** (verb) – disregard, pay no attention to, take no notice of/overlook.
10. **lacklustre** (adjective) – dull, uninspired/uninteresting, mundane.
11. **prelude** (noun) – introduction, start, beginning.
12. **downturn** (noun) – setback, upset/blow, decline (in business activity).
13. **slash** (verb) – reduce, cut, lower.
14. **Gross domestic product (GDP)** (noun) – a measure of economic activity in a country. It is the total value of a country's annual output of goods and service.
15. **slip** (verb) – fall, drop, decline.
16. **catch up** (phrasal verb) – pick up.
17. **bleak** (adjective) – unpromising, unfavourable, disadvantageous.
18. **high frequency** (adjective) – acute, sharp, piercing/high-pitched.
19. **underlying** (adjective) – fundamental, basic, primary.
20. **turmoil** (noun) – trouble, disturbance, upheaval/disorder.
21. **look beyond** (verb) – anticipate, look forward, plan.
22. **mid-cap** (noun) – a company with market capitalization between \$2 billion and \$10 billion. Large-cap is with a large market capitalization, more than \$10 billion and Small cap is with less than \$2 billion market capitalization.
23. **erosion** (noun) – destruction, deterioration, decline.
24. **index** (noun) – guide, measure, indication.
25. **cheerleader** (noun) – an ardent supporter of someone.
26. **vocal** (adjective) – vociferous, outspoken, forthright.
27. **push through** (phrasal verb) – succeed in passing a law accepted by the people who oppose it.
28. **sell-off** (noun) – selling of something (commodity/share) which causes fall in price.
29. **vote with their feet** (phrase) – indicate one's disapproval by walking out (or indicate one's approval by staying in).

Flee market: on Indian stock market rally

Investors seem disappointed with tax measures seen as burdening businesses

The wheels of India's multi-year stock market rally are slowly beginning to come off. Since the Union Budget was presented this month, there has been a palpable change in mood among investors, who in June led a mini-rally in the market as signs emerged one after another that the government led by Prime Minister Narendra Modi would be returning to power at the Centre. The Nifty and the Sensex are down roughly by about 5% since the Budget was presented. Foreign portfolio investors have pulled out over ₹ 2,500 crore in July, in contrast to June when FPIs made a net investment of close to ₹ 10,400 crore. Investors who were quite enthusiastic about the prospects of structural reforms that could boost India's economic growth under the second Modi government, have been quite disappointed by the Budget proposals. Among other things, Finance Minister Nirmala Sitharaman imposed new taxes on the "super rich" and on companies that buy back their own shares, and raised the mandatory minimum public shareholding in listed companies (a move that is seen to be against the interests of promoters). Not surprisingly, investors have been taken aback by these measures, which are seen as increasing the burden on businesses.

Even more worrying is the signal that is sent across by the falling stock market. As stock prices discount the future, lacklustre market performance could well be a prelude to the further worsening of general economic conditions in the near term. There is already a significant downturn in sectors such as automobile with major companies reporting falling sales and earnings, and automobile dealers closing down showrooms and slashing jobs. The overall gross domestic product growth, which slipped below 6% to hit 5.8% in the fourth quarter, has also been slowly catching up with the bleak picture painted by high-frequency economic indicators for quite some time. The underlying turmoil in Indian markets becomes evident when one looks beyond the Sensex and the Nifty at the mid-cap and small-cap space that has witnessed significant value erosion since the start of 2018. The small-cap index has lost almost a third of its value since January 2018 while the mid-cap index has lost about a fifth of its value. Interestingly, many industrialists who were previously enthusiastic cheerleaders for the Narendra Modi government have turned vocal about their disappointment at the government not being bold enough in pushing through structural reforms needed to boost economic growth despite the majority it enjoys in Parliament. This suggests the deep sell-off in stocks over the last 18 months may well be a sign of disappointed investors voting with their feet.