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**uTrade Solutions**

***Indian Financial  
Market Updates***

Jan'17 to May'17

June'2017

## **2017- Year of the Fire Rooster**

Following a highly eventful volatile year of unexpected events in 2016, 2017 started with relatively low volatility in the first half of the year.

Lower volatility meant lower trading opportunities in Indian markets. Most algo, arbitrage and market makers witnessed poor profits in these months. Volatility stayed low in the last few months across the global markets too.

Politically, India came out of Demonetisation with slow first quarter. The budget announcement in February was not as reformative as was hoped. But BJP's (India's leading political party) victory in key elections of UP and few other states, raised market expectations. This means that BJP soon gets majority in upper and lower houses of parliament, leading to an easier process of implementing reforms, that the nation so desperately needs.

US markets realized how fast they had anticipated and grown after the Trump victory, only to realistically correct themselves. After the US market slowdown in fading expectations from Trump, and lack of promising growth expectations from any other major emerging country, India started to outshine, once again, as a major investment destination.

Indian economy and stock markets thrived in March, on news of strong GDP number, UP elections, and global investment attraction. Volatility between March and May remained the lowest in years, alluding to stable predictable future.

**IT services in India** started slowing down due to immigration challenges in the US, automation taking away some mundane jobs, and an overall slowdown in the IT services sector around the world. This has started leading to job losses in one of the shining sectors of India, that is likely to shrink for years to come.

**Start-up ecosystem in India** continues to struggle with down rounds, lack of real business growth, harder to get funding and various other business challenges. First time in 2017, the new number of new startups starting had slowed down compared to a year ago.

**Bitcoin** continues to lead the news with acceptance in a few countries like Japan, and rejection/banning/cautioning / possible regulation imposition by several other emerging countries, as well as developed ones like EU. Bitcoin touched the highs of \$2,500 in May.

Among the Bitcoin community debates of forking, many users shifted to 'Ether' which is a lot younger than Bitcoin but has become the second-best alternative to bitcoin and passed \$200 in May this year.

Also the new trend has emerged for **startups to raise money from Initial Coin Offerings (ICO)**, where investors buy into the coins of the startup, for funding interesting projects. This is essentially crowdfunding meets Bitcoin. These coins have generally been based upon Bitcoin or Ethereum communities.

**Cryptocurrencies** were also misused to run fraudulent schemes. RBI in India issued warning against Bitcoin fraudulent investments.

**Blockchain** technology hype seems to finally taper off. The year 2017 may witness the Blockchain for enterprise slowdown. R3 consortium after spending \$59 million accepted that it doesn't require blockchain, which we had predicted earlier. Nonetheless, several other companies like IBM have deployed 400 projects but with hazy perspective. It is difficult to say which one (if any) of these would really sustain. We also blogged why Blockchain does not work for enterprises (primarily it's meant for decentralisation and openness among the crowd, which no enterprise generally wants).

**Automation** - We are no longer expecting the arrival of Automation. It's already here. 2017 has paved the way of automation in a way that there is no looking back now. Big giants including Google, Facebook, Amazon have bet on technologies like Artificial Intelligence, digital assistance, and many more leading to replacing humans. The increase used of technologies, and disconnect of humans from physical worlds and societies raises several dilemmas.



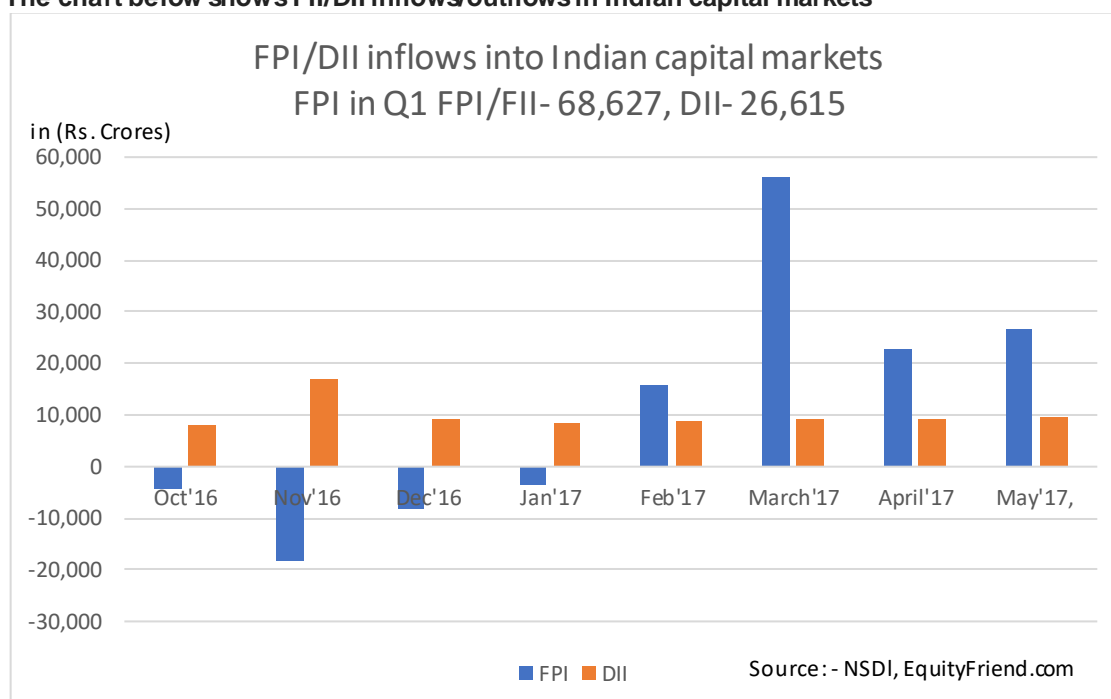
## SECTION 1. BUY SIDE

Foreign investors investment slowed/reversed investments in India at the beginning of 2017. It was primarily due to belief in US rate hike, and belief in US business growth following President's actions. As well as due to slowing Indian economic growth, post demonetisation. Foreign investors pulled out Rs 5,100 crore from Indian capital market in January alone.

However, Indian economic growth story bounced back in March after the convincing victory of BJP in UP elections (India's largest state), and dented confidence in US president's actions and slowing US markets.

Despite heavy outflow of foreign investment in early Q1, **Foreign portfolio investors invested heavily in Indian capital markets** (equities and debt) in March - May and Domestic institutional investors kept the market strong and deep throughout the year so far.

The chart below shows FII/DII inflows/outflows in Indian capital markets



Following are some of the news, stories relevant to Buy side:

- Why retail investors are shifting to liquid mutual funds. [Economic Times](#)
- How GST will impact your mutual fund investments? [Economic Times](#)
- Everyone's a winner! Is investing in Indian equities a child's play? [Economic Times](#)
- FPIs buy \$3 Bn of Indian debt in May, investing \$10 bn so far in 2017. [Money Control](#)

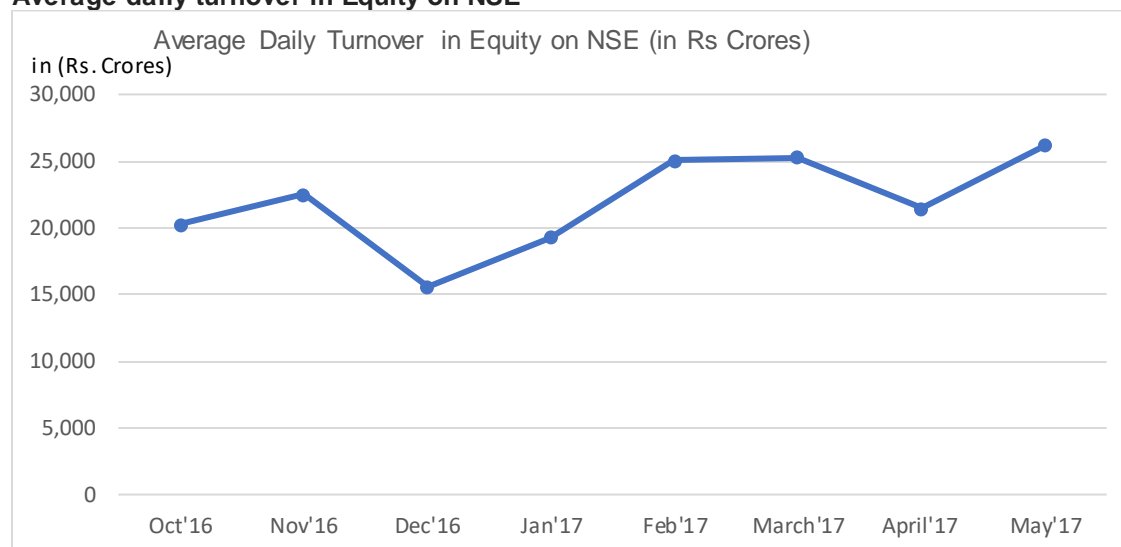


## **SECTION 2. SELL SIDE**

### **The trend of Indian market trading volume and trading opportunities:**

- Demonetisation lead to slow down in Indian capital markets, and hence sell side revenues in Jan-Feb.
- As D-Mart entered with a bang in market, it drew attention of buyers towards the entire retail sector. The number of demat accounts opened for Indian retail for this IPO were higher than all demat accounts opened in a year.
- Mar-May saw a growth in market, but primary driven by institutional investors (and hence institutional brokers) and did not help retail brokers or traders as such (due to low volatility).

### **Average daily turnover in Equity on NSE**



Source: - NSE

### **Following are some of the news, stories relevant to Sell side: -**

- Bull Run: India now world's most expensive stock market. [Financial Express](#)
- Locals driving Indian Stock market as Foreigners' influence ebbs. [Bloomberg Markets](#)
- As equities boom, market inclusion can be the next big thing to propel economic growth. [First Post](#)
- Financial sector IPOs to look out for in FY-2017-18. [Economic Times](#)
- Indian stock market beats Pakistan, China, leads global equity markets. [Economic Times](#)
- India's consumer share gain after govt finalises GST tax rates. [Reuters](#)



### SECTION 3. EXCHANGES

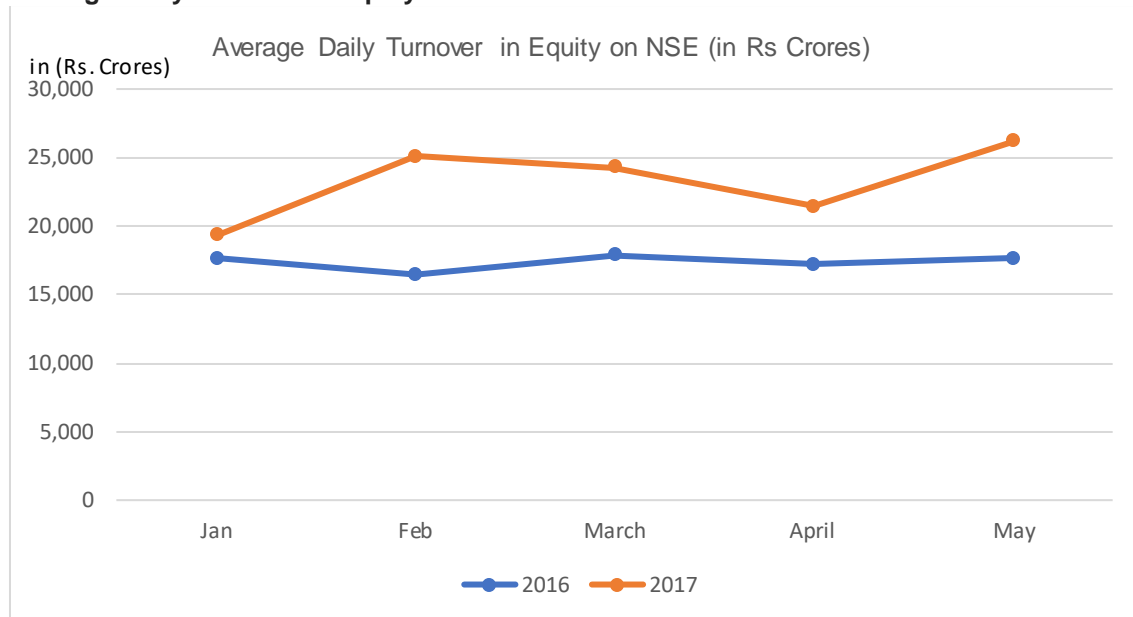
Following Demonetisation, **Volumes on Indian exchanges stayed low** between December – Feb time frame compared to a year before. Even the budget announcement in Feb did not cheer up the market volumes. And March was lowest volatility month in the last few years.

NSE's IPO got delayed due to continued investigation around it's unfair access in colocation scam. NSE key co-founders had left the exchange recently as well.

BSE went live with its first international stock exchange in Gift city India. NSE followed suit in early June recently.

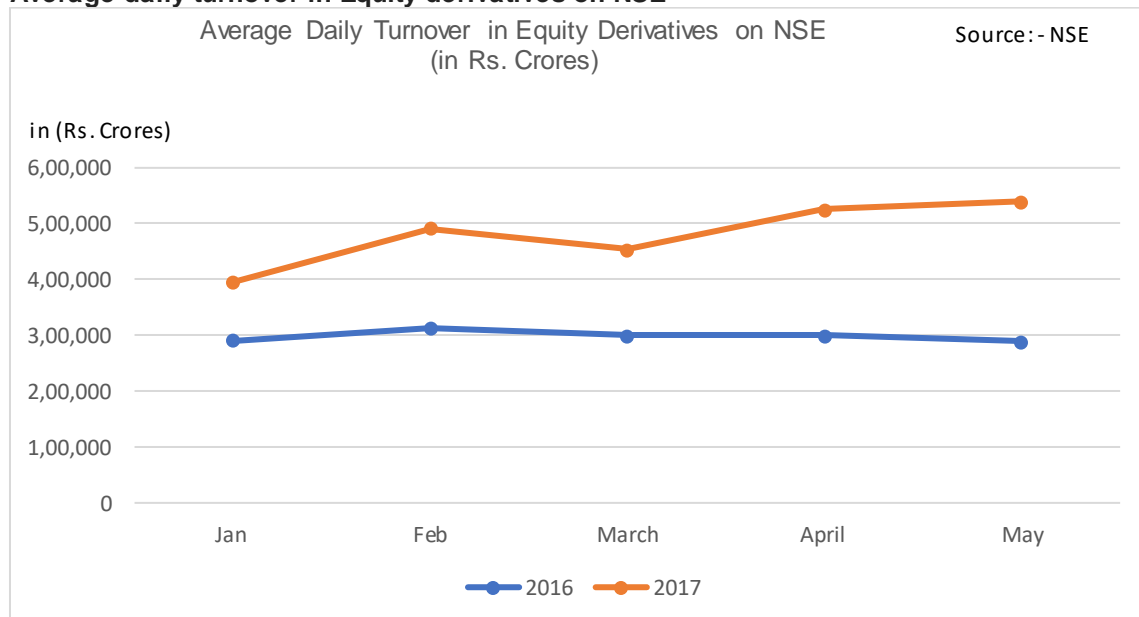
**The monthly wise volume comparison of first 5 months, to the year before are depicted below:**

#### **Average daily turnover in Equity on NSE**



Source: - NSE

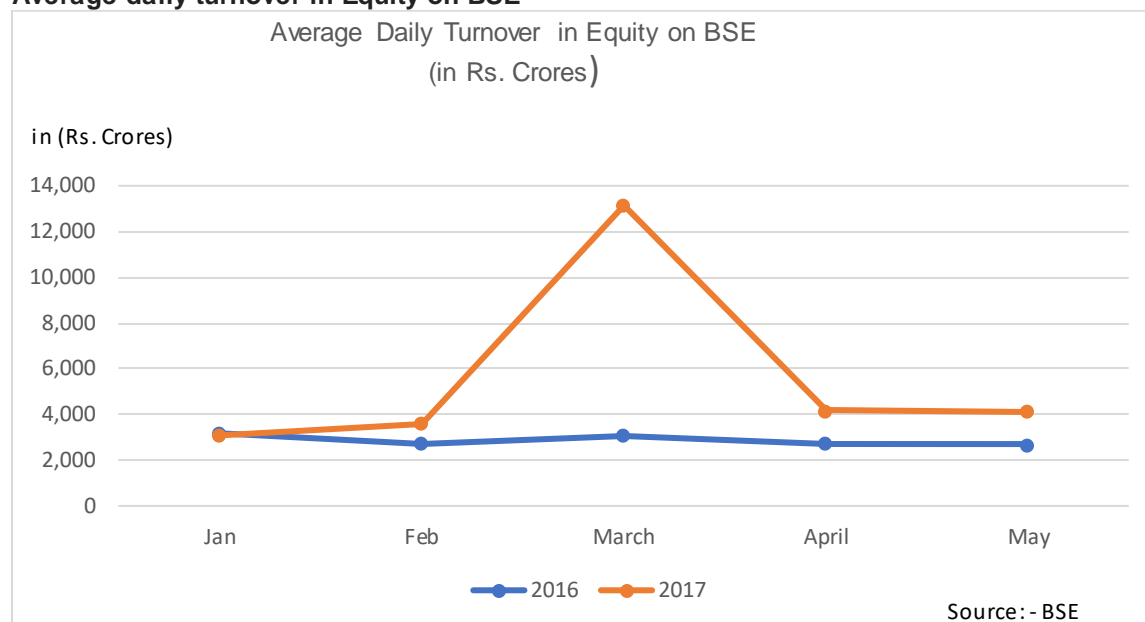
#### **Average daily turnover in Equity derivatives on NSE**



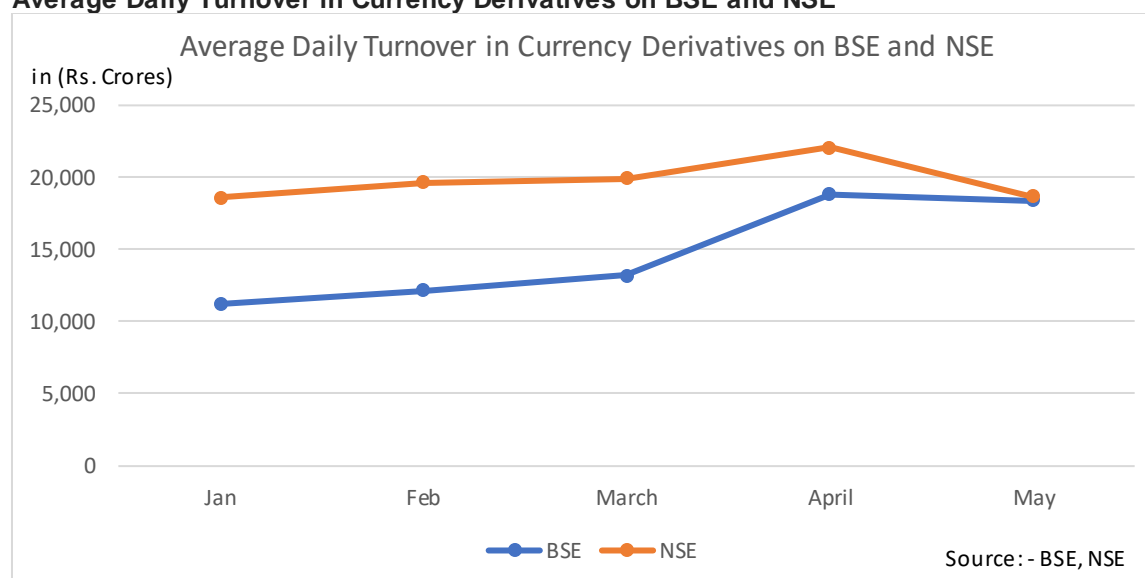
Source: - NSE



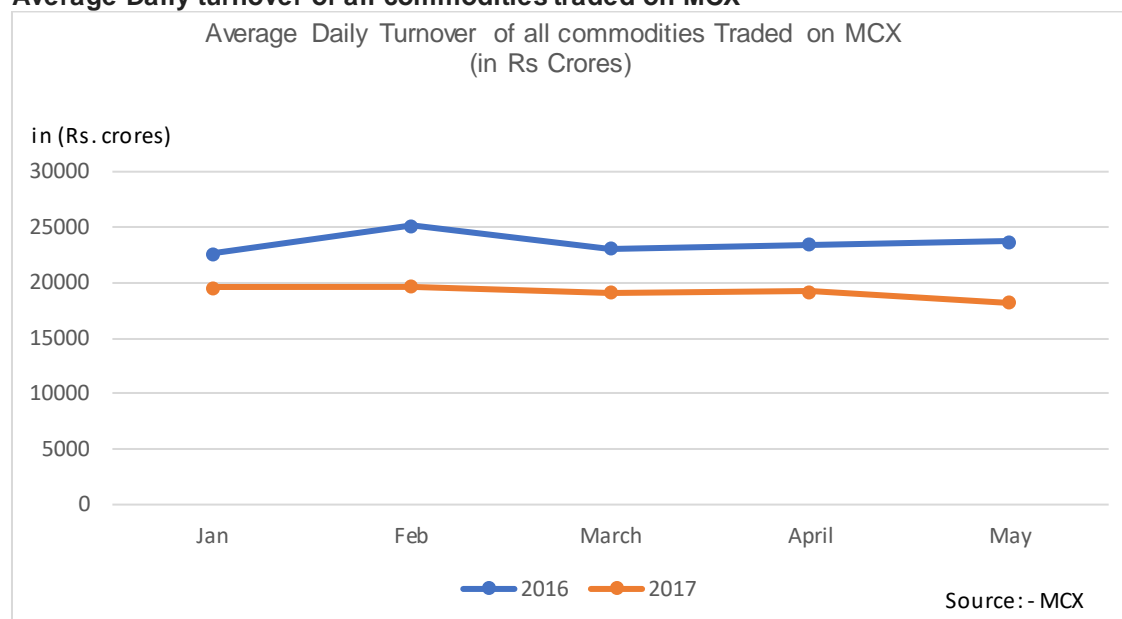
### Average daily turnover in Equity on BSE



### Average Daily Turnover in Currency Derivatives on BSE and NSE



### Average Daily turnover of all commodities traded on MCX



### News on Indian Exchanges

- BSE IPO goes live on NSE. [Money Control](#)
- NSE to redraft its algorithmic trading policy. [Live Mint](#)
- SEBI plans to increase the penalty on violation of algorithmic trade norms. [IIFL](#)
- India and Singapore Exchanges Launching derivatives contracts on Diamonds in India. [IDEX](#)
- SEBI to amend norms governing stock exchanges. [Times of India](#)
- SEBI working out commodity options details: [TOI](#)
- India's NSE index slips after breaching 9,700 level for first time. [Reuters](#)



## **SECTION 4. REGULATORY DEVELOPMENTS**

The revolutionary measure of demonetization did hurt many but definitely changed the face of Indian economy. It led to a big digital payment boom, following the ambitious and successful launch of UPI infrastructure and Bhim app for payments.

The beginning of 2017 proved that demonetization long-term view looks quite promising. People moved on in life and demonetization is done and dusted. Where the market was down in December, it was back on track in January.

SEBI welcomed new Chairman Mr. Ajay Tyagi earlier this year.

Fair access in Algo trading debate continues in Indian markets and media.

### **Some relevant RBI related news and articles.**

- RBI allowed NRIs access to the exchange traded currency derivatives market. [Business Standard](#)
- Next RBI move likely to be a rate hike. [Live Mint](#)
- E-wallet companies choke on new RBI norms on KYC and capital requirement. [Economic Times](#)
- RBI gets approval to print Rs 10 plastic notes. [Money Control](#)
- Demonetization's end: RBI removes all cash withdrawal limits. [Business Today](#)
- SEBI, RBI engage in turf war over stock trading of HDFC Bank. [Economic Times](#)
- Virtual currencies pose real financial risk: RBI Deputy Governor. [Business Standard](#)





## **SECTION 5. CAPITAL MARKETS TECHNOLOGIES IN INDIA AND BEYOND**

The focus of algo traders has shifted from need for speed to smarter algo logic. Several quantitative, technical indicators based algo developers seem consistently to do well. Focus on FPGA based trading has reduced, as software offers benefits of cost effectiveness similar to FPGA performance.

**Several exchange members continue to white label their retail front ends**, mobile app based trading continues to be the focus, self-register sign-ups and training focussed simulated trading is also being widely offered now.

Key Indian trading technology providers include Thomson Reuters' Omnesys (for institutional and retail platforms), Financial Technologies (for click traders), Greeksoft (for algos) and Symphony Fintech (for retail algos). For charts based trading, Spider, Amibroker and Falcon seem to lead the way. Global software like Flextrade, Fidessa, Ullink are also used by some institutions in India. Heckyl dominates the analytics space in Indian capital markets.

uTrade competes as well as collaborates with several vendors listed here.



## **SECTION 6. WORLDWIDE THEMES**

### **United States**

US markets volatility have remained very low since the presidential election.



The trend seems to continue in 2017. As expected, Fed increased interest rates, which flourished the market. But few factors may move the market and make it volatile. Policy framework will definitely drive the market under President Trump and can play a big role. Other could be the price of oil and commodities which will affect the movement of US dollar.

US also pulled out of Paris climate change pact and enacted several political decisions like banning immigrant muslims, building a wall with Mexico, etc. that has dented people's confidence in America. Key silicon valley figures including Elon Musk have resigned from the Trump's advisory panel following such decisions.



## SECTION 7. GLOBAL FINTECH

The Fintech sector is ready to become a dominant target for investments. We have started to see rising mobile payments applications which likely to grow in 2017 as well. Fintech companies and apps will make purchasing easier and stores will allow payments directly from a mobile phone.

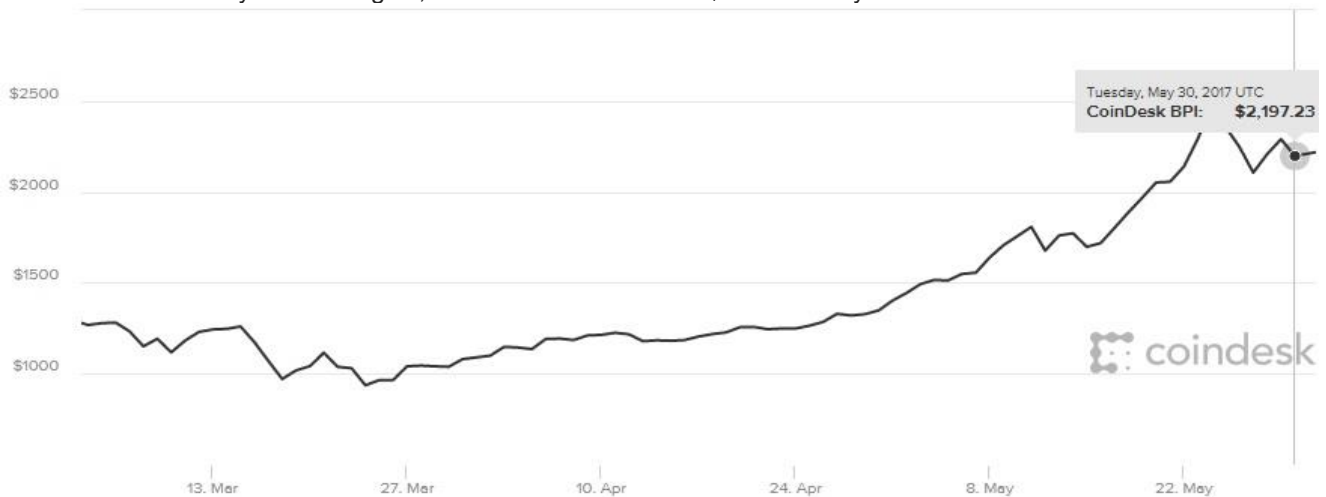
Netx big thing can be micropayments on internet. Bitcoin/Blockchain and automation of platforms shall act as catalyst for this growth in the next few years.

As the capabilities of AI evolve, Fintech companies likely to harness this technology to make better decisions and offer improved solutions.

The blockchain tried to re-write the financial rulebook, which still needs to substantiate its claims. Nonetheless, it is highly unlikely that traditional financial services will lose out to FinTech companies because establishing trust among users and dealing with regulations, could pose as an surmountable challenge for FinTech firms. As users hesitate to leave a well-known, established bank for a new FinTech. So, we may see various collaborations of traditional institutions with new FinTech companies, by which operational efficiency, innovative services, and customer service would increase. We will also witness more regulations come into picture which as a result will streamline the way Fintech would process.

The next five years are going to be memorable for Fintech.

Bitcoin value not only defeated gold, but also soared above \$2500 in May'17.



The next best virtual currency which is being traded is Ethereum at \$200.



Read more about how Bitcoin is being regulated around the world. [Here](#)



## **SECTION 8. WHAT ARE WE READING?**

Here is a selection of our favorite articles and content from 2017.

- [Iris Automation raises \\$1.5 million to help drones sense and avoid obstacles](#)
- [Foreign investors withdraw whopping Rs 5,100 crore from the Indian capital market in January](#)
- [Automation is the reason for Infosys to release 9000 employees](#)
- [Blockchain to run welfare show, Finland may set example](#)
- [New York Stock exchange adopts 'speed bump' for one of its markets](#)
- [Man accidentally makes \\$1.3 million buying a house with bitcoin](#)
- [Automation the solution to Bengaluru's traffic woes?](#)
- [Delhi govt not submitting action plan on climate change: MoEF](#)
- [RBI says it hasn't authorised use of bitcoins; flags risks](#)
- [NRIs can now access exchanges for hedging](#)
- [India flirts with a Universal Basic Income Idea - merging 900+ social welfare schemes together](#)
- [You can now buy and sell 'weed' on Toronto's stock exchange](#)
- [Delhi traffic chaos costs Rs 60,000 crore annually](#)
- [As Goldman Embraces automation, even the masters of the universe are threatened](#)
- [Charting the fascinating path that robots have taken over the years](#)
- [Applying for US visa? get ready to reveal your social media passwords](#)
- [Bill Gates says Robots should be taxed like workers](#)
- [UK government grants permission to issue blockchain-based currency](#)
- [Around 2.2 million deaths in India and China from air pollution: Study](#)
- [India loosens derivatives limits, widening market for foreigners](#)
- [United Arab Emirates consider to officially recognize bitcoin, work on regulatory framework](#)
- [China sets precedent in handling bank defaulters, restricts them buying plane tickets](#)
- [First blockchain consortium to accept failure: R3 does not need blockchain, after \\$59 million research](#)
- [A Canadian company trading under the ticker WEED is valued at \\$1 billion](#)
- [Here are the key things to know about Uber's ties to the self-driving startup accused of stealing Google's technology](#)
- [WhatsApp may enter digital payments segment: Co-founder Brian Acton](#)
- [IBM deploys 400 blockchain projects, but perspectives are unclear](#)
- [Fintech evolution - Silicon valley tried to upend banks. Now it works with them](#)
- [A new cryptocurrency for coordinating artificial intelligence on Numeraire](#)
- [How your personal data sells cheaper than chewing gum](#)
- [SEBI plans to increase the penalty on violation of algorithmic trade norms](#)
- [One Bitcoin worth more than one ounce of Gold for first time](#)
- [Black money hunt reaches penny stocks: I-T dept unearths nexus between shell cos, operators](#)
- [Scientists discover how to 'upload knowledge to your brain'](#)
- [How my public records request triggered Waymo's self-driving car lawsuit](#)



- [The potential for blockchain to transform electronic health records](#)
- [AI robots to screen Facebook social media posts for 'suicidal tendencies'](#)
- [A stock market maverick is listing one of India's most profitable retail chains](#)
- [Microsoft has created an A.I that can write its own code](#)
- [NASA's found a lost spacecraft orbiting our Moon](#)
- [Bitcoin is now useless for Micropayments, but solutions are coming](#)



## **SECTION 9. UPDATES: uTrade Solutions**

### **Some product developments at uTrade Solutions 2017:**

- uTrade has taken ISV vendor empanelment on NCDEX & MSE exchange.
- uTrade has re-connected with Interactive Brokers to access US markets
- uTrade and muTrade products are being merged, so as to efficiently manage our developments and offer our clients both integrated products in a single installation.
- uTrade team has started helping its partner firm in UK- HashCove, in building its digital app called carbon. A video presentation of HasCove and its Carbon app idea can be seen here: - <https://www.youtube.com/watch?v=TdtSXGm4zJg>
- uTrade offers access (for click traders, dma, algos, risk management) to following markets, Indian Exchanges,
  - NSE
  - BSE
  - MCX (in-house)
  - MSEI
  - NCDEX
  - INX BSE
  - INX, NSEInternational Exchanges
  - SGX
  - DGCX
  - BIST (Turkey)
  - HNX (Vietnam)
  - MOEX (Russia)
  - BCS(Chile)
  - FXAllThird party routers (Access to 100+ Global Markets)
  - Trading Technologies FIX
  - Object Trading
  - Interactive Brokers
  - Active market data

### **uTrade News, Blogs, and Events**

- Updated overview on Bitcoin/Blockchain basics  
<https://www.youtube.com/watch?v=e2x4n6leu4o>
- [Humanity Challenges- need global solutions, driven by Machines](#)
- [Where can you spend bitcoin, legally](#)
- [Why Blockchain does not work for most use cases](#)

More available at

<http://www.utradesolutions.com/newsroom.html>

<http://kunalonfintech.com/>

### **Previous newsletters**

[http://www.utradesolutions.com/Periodic\\_Newsletter\\_Aug\\_2016.pdf](http://www.utradesolutions.com/Periodic_Newsletter_Aug_2016.pdf)

[http://www.utradesolutions.com/H2\\_2016\\_newsletter\\_Jan17.pdf](http://www.utradesolutions.com/H2_2016_newsletter_Jan17.pdf)



## **SECTION 10. uTrade Solutions- COMPANY OVERVIEW**

uTrade Solutions is a FinTech company providing enterprise software for financial trading, including multi-asset trading platform, algorithms and risk management solutions to financial institutions and their end customers. Our product suite includes the following:

- ✓ **Low latency algorithmic trading platform:** Used in exchange co-location environment or in client data centers/cloud for fastest access to markets to execute arbitrage, market making, execution, excel based, quant driven, api based proprietary and various other strategies across all asset classes. It also provides FIX APIs for DMA and Algos access
- ✓ **Multi-Asset Trading Platform:** with full suite application and html5 web-based front ends (Including admin functions, risk management, order management, connectivity to exchanges etc.). It supports trading for all listed products including equities, futures, options, commodities, as well as for non-listed products like FX, CFDs, etc.
- ✓ **Open Source, Risk Management, and Custom Solutions:** We also customize and open source some modules of our technologies.
- ✓ **Hashcove-** uTrade's partner firm Hashcove is driving new age technology solutions around crowd sourced digital platforms, inspired by Bitcoin / Blockchain alike technologies.

We have built our products from ground-up with a modular architecture in order to effectively address current and rapidly evolving user needs. We have also filed for 6 patents in India and 1 patent in US/UK to lead innovation in the trading life cycle.

Please watch our video demos at [www.youtube.com/utradesolutions](http://www.youtube.com/utradesolutions) and [www.youtube.com/hashcove](http://www.youtube.com/hashcove)

uTrade Solutions was recognized as a leading innovative fin-tech start-up by:



## Section 11. uTrade's Global Footprint (client presence)





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*info@utradesolutions.com*  
*uTrade Solutions Private Ltd.*  
*4th Floor, Landmark Plaza (F3), Quarkcity SEZ,*  
*A40A, Industrial Area, Phase 8 Extension,*  
*Mohali – 160 071,*  
*Chandigarh, India*