

Indian Stocks Fall Before Expiry as Sensex Heads for Yearly Loss

Indian stocks dropped before Thursday's expiration of monthly futures and options contracts, with the benchmark equity gauge poised to cap its first annual loss in four years.

Infosys Ltd. and Tata Consultancy Services Ltd., the nation's biggest software exporters, were the top percentage decliners on the S&P BSE Sensex. State Bank of India, the largest lender, slipped for a second day. Carmaker Maruti Suzuki India Ltd. retreated the most in three weeks and Reliance Industries Ltd., owner of the world's largest petroleum refining complex, fell for the first time in three days.

The 30-stock Sensex slid 0.5 percent at the close in Mumbai, after changing direction at least 15 times. The Nifty 50 Index retreated 0.4 percent, with trading volume 26 percent below its 30-day average. The Sensex has fallen 5.6 percent in 2015 after the U.S. Federal Reserve raised interest rates for the first time in nearly a decade, and as Prime Minister Narendra Modi struggled to pass reforms to accelerate the country's economic growth.

"Some amount of volatility in and around the expiry is a given," Vikas Gupta, an executive vice president at Arthveda Fund Management Pvt. in Mumbai, said by phone. "We are seeing lower participation as the year comes to an end."

The Sensex's decline this year comes as Modi's efforts to pass laws, including a national sales tax and a bankruptcy code, were foiled by a lack of majority for his party in the upper chamber of the parliament. The gauge jumped 30 percent in 2014, its steepest gain in five years, after his Bharatiya Janata Party came to power with the biggest electoral mandate in three decades.



Traders have replaced 54 percent of current month futures with January contracts, data compiled by Bloomberg show as of 4:09 p.m. in Mumbai. Derivatives are India's most popular market segment, with average daily turnover in futures and options this year amounting to more than 12 times that in stocks.

Small-, Mid-Caps

Infosys sank 1.7 percent, paring this year's gain to 10 percent. Tata Consultancy Services, the nation's most valuable company, dropped 1.5 percent, the most since Dec. 22. State Bank of India and Reliance Industries each declined 1.1 percent.

Smaller companies have performed better than those on the Sensex this year, with the S&P BSE Midcap and the S&P BSE Smallcap gauges rising at least 5.6 percent. The mid-cap measure added 0.2 percent on Wednesday, while the small-cap measure gained less than 0.1 percent.

"With better economic growth and company earnings, 2016 should be a good year for Indian equities," Gupta said, adding he's recommending

software exporters to clients. “We see foreign inflows returning in a big way.”

Foreigners bought local stocks for a sixth straight day on Dec. 28, taking this year’s net purchases to \$3.1 billion, still the lowest amount in four years.

The Sensex trades at 15.5 times projected 12-month earnings, compared with a multiple of 11 for the MSCI Emerging Markets Index.