

India Sensex Set for Best Quarter Since Modi's 2014 Election Win

Indian stocks rose, with the benchmark gauge poised for its best quarter since Prime Minister Narendra Modi assumed office two years ago, as the government stepped up measures to bolster growth and global equities recovered from the Brexit vote.

The S&P BSE Sensex climbed 0.7 percent at 11:03 a.m. in Mumbai, taking its gain since the end of March to 6.3 percent. The advance is the biggest since the 14 percent rally in the period ended June 2014, when Modi won the biggest parliamentary majority in three decades.

The government in the last two weeks has eased rules on foreign direct investment, approved a new mineral mining policy and a proposal to increase salaries for federal staff. The policy measures have helped soften the impact of the central bank Governor Raghuram Rajan's impending departure that was announced less than a week before the U.K.'s referendum on membership of the European Union.

"The series of government actions has boosted confidence," Vikas Gupta, an executive vice president at Arthveda Fund Management Pvt. in Mumbai, said by phone. "Economic recovery has definitely started and the reforms are improving business sentiment."

Tata Motors Ltd., the biggest truckmaker and owner of Jaguar Land Rover, was the best performer on the Sensex. State Bank of India and ICICI Bank Ltd. rose at least 2 percent each. Hero MotoCorp Ltd., a two-wheeler maker, increased to its highest level since December 2014. Hindustan Unilever Ltd. climbed for second day this week.

Wage Hike

Modi's government Wednesday approved a \$13 billion jump in salaries for civil servants, spurring optimism the payout will boost consumption that has been the key driver of the nation's world-beating growth. The administration also cleared the so-called model shop and establishment bill that allows 24-hour operations for retailers through the year and approved a mineral mining policy.

On June 20, the government eased FDI rules in airlines and defense-equipment makers. The government seeks to pass a constitutional amendment authorizing the goods-and-services tax, known as GST, in the monsoon session of parliament starting July 18.

The Sensex has rebounded 17 percent from the lows reached in February as company earnings recovered after declining in four of the previous five quarters and overseas investors bought shares at the fastest pace in more than a year. Offshore funds have invested \$530 million in Indian stocks in June, set for the fourth month of purchases.

"Investors can now see the economic recovery in company bottom lines and the macro numbers," Gupta said. "Demand was missing, which will be taken care of by the salary boost. So, increased demand and a good monsoon will create a positive economic cycle."