

Secondary Market Developments

26. The year 1996-97 witnessed only temporary buoyancy in share prices which could not free the secondary market from the grip of bear phase (Table 4.2). Though the market registered an all time peak in 1997-98 when the BSE sensitive index (monthly closing) climbed to 4306 in July, the index fell thereafter but consistently stayed above 3500 before declining to 3224 in January, 1998. Subsequently the index rose to reach 3893 on March 31, 1998. The East Asian crisis caused jitters in the world capital markets, leading to closure of the New York Stock Exchange (NYSE) twice within a day in late October, 1997. The Indian securities markets however functioned

uninterrupted without trading halts and broker defaults. Except for short periods of volatility, the Indian capital market was not affected by the East Asian crisis. The various measures instituted by SEBI including individual scrip based circuit breakers as opposed to index related circuit breakers prevalent in NYSE and other measures like intra-day trading and exposure limits and marked to market margins were successfully tested out under these conditions of market stress. Though for the first time net FII investment became negative in November, 1997 and remained negative till January, 1998, this trend was later reversed and net FII investment remained positive in both February and March 1998.

TABLE 4.2
Stock market indicators

Indicator	Index ¹		Price/Earn. Ratio		Average Daily Turnover (BSE) Rs. Crore	Market Capitalisation ² Rs. Crore
	Sensex	Natex	Sensex	Natex		
1997						
April	3841.11	1646.05	14.81	13.54	644.99	528507
May	3755.10	1612.20	14.24	13.30	571.94	533043
June	4256.09	1827.43	16.17	15.11	865.56	619469
July	4305.76	1873.68	15.84	15.32	931.64	626680
August	3876.08	1694.76	15.80	14.68	1019.03	579877
September	3902.03	1692.32	14.66	12.99	859.58	576556
October	3803.24	1644.16	14.89	13.05	879.28	553834
November	3560.29	1543.10	13.33	11.72	766.32	519551
December	3658.98	1586.60	13.46	12.08	821.54	547517
1998						
January	3224.36	1401.38	12.79	11.34	869.03	494224
February	3622.22	1568.83	14.49	12.84	868.25	554080
March	3892.75	1697.14	15.65	14.04	1110.00	589816

¹ Monthly Closing. Sensex (Base 1978-79=100) Natex (Base 1983-84=100) ² Estimated for all India.
Source : SEBI.

BSE Sensex Movement from April 1997 to April 1998 (Monthly Closing)

