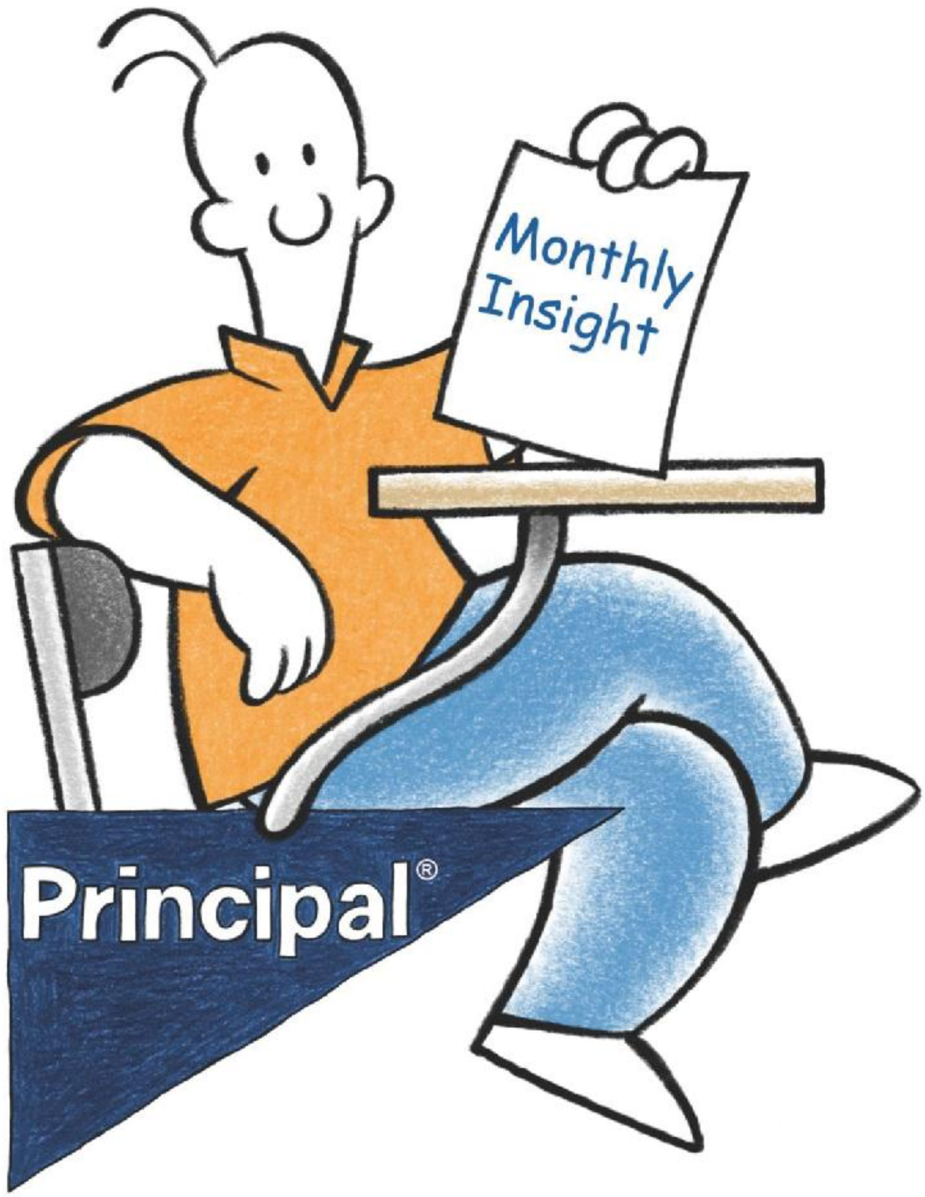
Principal®
Mutual Funds



WE'LL GIVE YOU AN EDGE®

October 2014

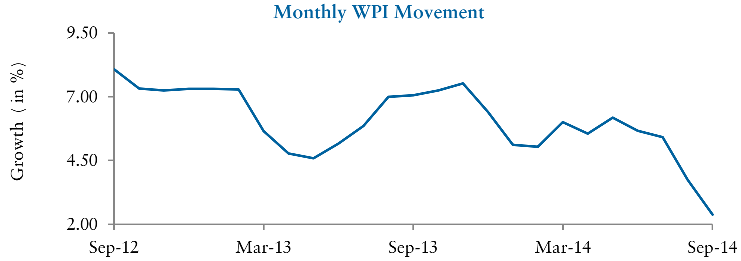
Principal Monthly Insight

Indian Economy

Economic Releases in October-2014			
Policy Rates	**Period**	**Actual**	**Previous**
Repo Rate^	31-Oct-14	8.00%	8.00%
Reverse Repo^	31-Oct-14	7.00%	7.00%
CRR^	31-Oct-14	4.00%	4.00%
Key Indicators	**Actual**	**Previous**	
Index Of Industrial Production (IIP)	0.40%(Aug-14)	0.40%(Jul-14)	
Wholesale Price Index Inflation(WPI)	2.38%(Sep-14)	3.74%(Aug-14)	
Export (Y-o-Y)	2.70%(Sep-14)	2.35%(Aug-14)	
Import (Y-o-Y)	25.95%(Sep-14)	2.08%(Aug-14)	
Current Account Deficit ($ Billions)	-7.84(Jun-14)	-1.21(Mar-14)	
Fiscal Deficit FYTD (INR Trillion)	438.83(Sep-14)	397.93(Aug-14)	

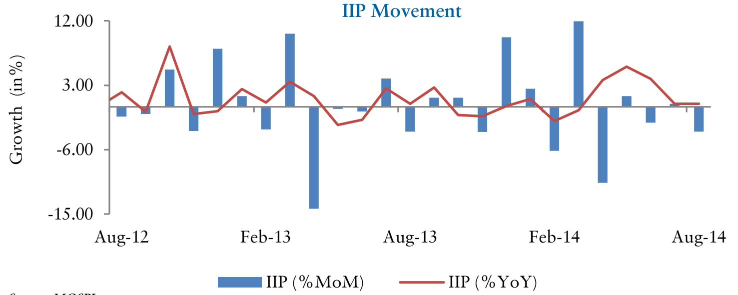
Source: RBI, Reuters; ^Based on Second-Quarter RBI Monetary Policy review released on 30-September 20114

Monthly WPI Movement



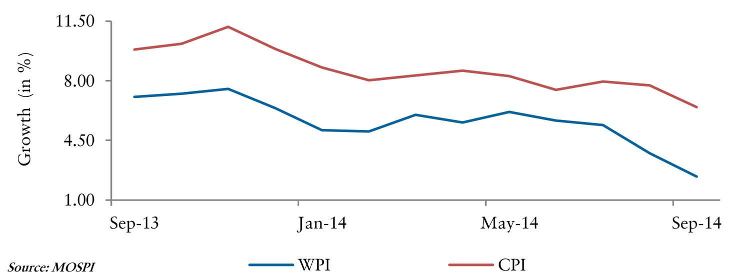
Source: Office of the Economic Adviser, Ministry of Commerce & Industry

IIP Movement



Source: MOSPI

WPI & CPI Movement over last 1-year



Source: MOSPI

- Government data showed that *fiscal deficit touched 82.6% of the Budget Estimates for 2014-15 to cross Rs. 4.38 lakh crore at the end of September*. During the same period of the last fiscal, the deficit stood at 76% of the Budget Estimate. The fiscal deficit stood over Rs. 5.08 lakh crore or 4.5% of Gross Domestic Product (GDP) in 2013-14. It stood at 4.9% in 2012-13.

- *India's industrial production inched up 0.40% in August on a yearly basis compared to a downwardly revised 0.41% (0.50% originally reported) in July* due to contraction in manufacturing output and consumer goods. The manufacturing sector contracted by 1.4% in August, compared to 0.2% decline in output a year ago. The consumer goods output contracted by 6.9% in August against 0.9% decline recorded a year ago.

- *Consumer Price Index (CPI)-based inflation rate fell to 6.46% on a yearly basis in September* compared to 7.73% in August and 9.84% in the corresponding period last year due to decline in food and fuel prices. The food price inflation fell to 7.67% from 9.35% in August. Consumer food price-based inflation index also plunged to 7.67% from a revised 9.35% in August.

- India's *Wholesale Price Index (WPI)-based inflation eased for the fourth straight month in September to 2.38%.* Food inflation stood at 3.52% against 5.15%, while the fuel and power group inflation came in at 1.33% against 4.54% in August. The reading for July WPI inflation was revised to 5.41% against 5.19% earlier.

- Data from the Commerce and Industry Ministry showed that *growth of eight core industries in September fell to 1.9%, the slowest pace in eight months, against 9% in the same month of the previous year.* During April-September, the eight sectors grew by 4%, against 5% in the year-ago period.

- *According to the World Bank, the growth of the Indian economy may accelerate to 5.6% in 2014-15 and 6.4% in 2015-16* on the back of reformatory measures and expeditious clearances to large projects. The World Bank also opined that the implementation of goods and services tax would be a significant reform.

- *Indian factory activity expanded at its slowest pace in nine months mainly due to slow growth in new orders.* Data showed that the HSBC Manufacturing Purchasing Managers' Index (PMI), compiled by Markit, fell to 51.0 in September from 52.4 in August.

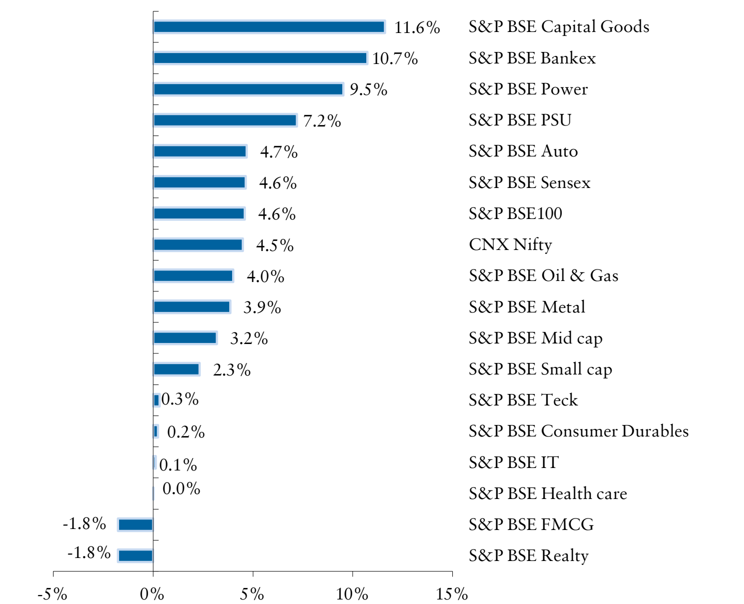
Principal Monthly Insight

Indian Equity Market

Index PE Ratio & Returns	Closing Values#	1 Year	3 Year	5 Year
CNX Nifty*	8,322.20	32.12	16.02	12.04
CNX Nifty PE	16.62	15.61	15.54	18.23
S&P BSE Sensex*	27,865.83	31.66	16.31	11.87
S&P BSE Sensex PE	16.48	16.96	15.83	17.95

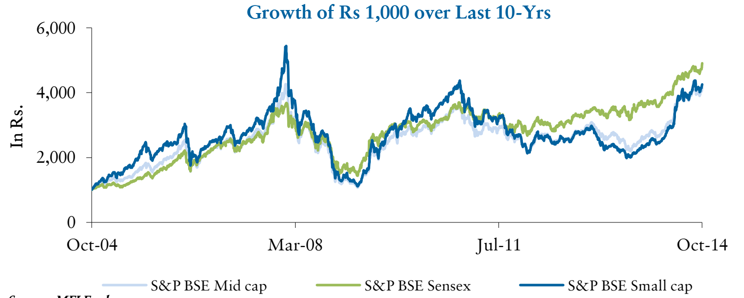
*Source: NSE, BSE, * Returns less than 1 year are absolute, greater than 1 year are Compounded Annualized , # As on 31-Oct-2014*

Monthly returns as on October 31,2014



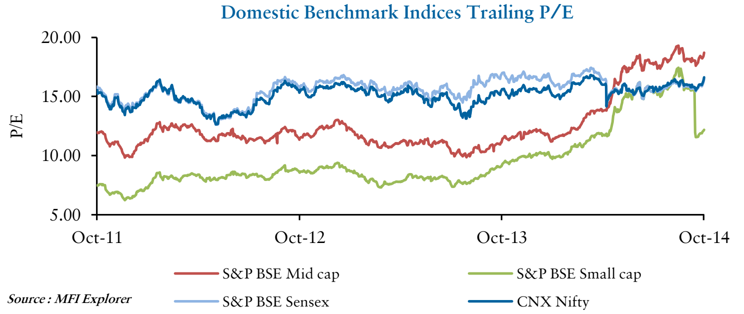
Source: MFI Explorer

Growth of Rs 1,000 over Last 10-Yrs



Source : MFI Explorer

Domestic Benchmark Indices Trailing P/E



Source : MFI Explorer

- *Indian equity markets scaled record highs in October as the country's improving economic situation and the reforms measures announced by the Government helped improve investor sentiments.* While S&P BSE Sensex hovered around 28,000 level, CNX Nifty breached the 8,300 mark for the first time. Positive economic data from the U.S. and continued fall in global crude oil prices provided additional boost. Besides, the outcome of the Assembly elections in two states, which came along expected lines, also supported markets. However, weakness in European markets and outflow of foreign funds capped the gains to some extent.

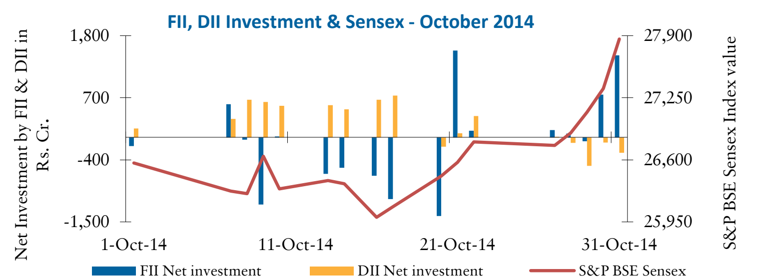
- The key benchmark indices, S&P BSE Sensex and CNX Nifty, recorded new closing highs of 27,865.83 and 8,322.20 points, respectively on October 31. S&P BSE Sensex rose 4.64% while CNX Nifty gained 4.49%. Meanwhile, S&P BSE Mid-Cap and S&P BSE Small-Cap rose 3.19% and 2.34%, respectively.

- According to data from the Central Depository Services (India) Ltd., Foreign Portfolio Investors (FPI) remained net sellers of Indian stocks worth Rs. 1,171.51 crore in October. They were net buyer in September worth Rs. 5,102.52 crore. Meanwhile, domestic mutual funds remained net buyers in the equity segment to the tune of Rs. 5,939.70 crore during the month under review.

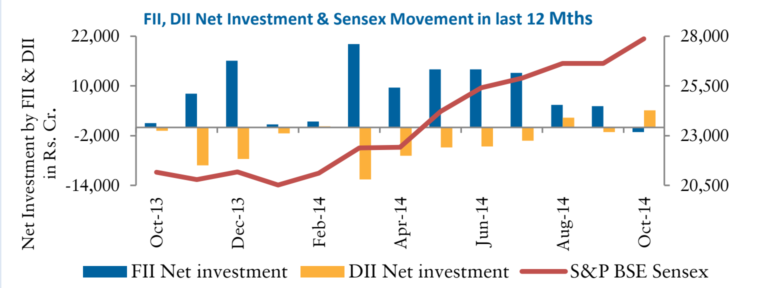
- *Markets witnessed pressure initially as investor sentiments dented after a private survey showed that India's manufacturing sector grew at its slowest pace in nine months in September.* Concerns over Chinese growth numbers further hit the bourses. Selling pressure increased after the International Monetary Fund cut its outlook for global growth in 2015. However, *markets got some support after minutes of the Federal Reserve's (Fed) latest policy meeting indicated that interest rates in the U.S. are unlikely to go up anytime soon.* Encouraging growth forecast for India by the World Bank also boosted sentiments.

- Bourses got further support after data showed India's wholesale inflation plunged to 2.38% in September, the lowest since October 2009. However, weak industrial production data capped the gains to some extent. Meanwhile, retail inflation for September came in at 6.46%, the lowest since the Government started releasing the data in 2012.

- *Markets rose further as investors welcomed the outcome of the recently-concluded Assembly elections in two states.* Besides, the Government's move to deregulate diesel prices and raise gas prices supported markets. Sentiments improved more after the Cabinet announced an ordinance to resolve issues of the coal sector arising out of the Supreme Court's cancellation of coal block allocation.



Source: MFI Explorer



Source: MFI Explorer

- *Towards the end, markets touched all-time highs following a series of positive global cues and upbeat U.S. GDP data for the third quarter.* Besides, the Bank of Japan's move to introduce a massive stimulus program supported the bourses.

- On the BSE sectoral front, majority of the indices closed in green. S&P BSE Capital Goods was the top gainer, up 11.61% followed by S&P BSE Bankex, which rose 10.73%. S&P BSE Power, S&P BSE Auto and S&P BSE Oil & Gas rose 9.52%, 4.69% and 4.02%, respectively. Auto stocks witnessed heavy buying on hopes of better sales in the festive season. Stocks of Oil Marketing Companies rose after the Government decided to abolish the policy (in practice since 1984), which required public sector companies from the sector to give preference to domestic vendors, even if their bids were higher up to 10% than their foreign competitors. However, S&P BSE Realty was the major laggard, down 1.76% followed by S&P BSE FMCG, which fell 1.75%.

Regulatory Update

- The Government has de-regulated the price of diesel and announced a new pricing formula for domestically-produced natural gas. The immediate impact of the announcement was a cut in diesel prices by Rs. 3.37 a litre with effect from October 19, which came on the back of softening in global crude oil prices. The Government also increased the price of gas from domestic fields to $5.6 per unit, or roughly 33%, from $4.2. The new price came into effect from November 1.

- Subsidised cooking gas (LPG) rates have been hiked by Rs. 3 per cylinder after the Government raised the commission paid to dealers. The commission paid to dealers was hiked to Rs. 43.71 per 14.2-kg cylinder.

- The Government has notified rules for minimum 25% public shareholding in listed state-owned firms. According to the norms, over 30 listed Public Sector Undertakings will need to raise their public shareholding to minimum 25% by August 21, 2017. The move is expected to promote wider investor base in listed state-run companies and boost the Government's plan to raise funds from disinvestment program.

- According to the Securities and Exchange Board of India (SEBI), FPI such as sovereign wealth and foreign Central Banks can invest in Government Bonds having a minimum residual maturity of one year within $5-billion category.

- The Central Bank issued new guidelines on the reporting of bad debt and the working of the Joint Lenders' Forum (JLF). Accordingly, it said banks will be permitted to report their SMA-2 (Special Mention Accounts) and JLF formations on a weekly basis, at the close of business on every Friday. If Friday is a holiday, banks will have to report the details on the next working day. With the new regulations, crop loans will be exempted from such reporting. However, banks will have to continue reporting their other agricultural loans.

- SEBI has notified new regulations regarding employee stock options. The regulator has allowed companies to have employee stock option program where they can buy their own company's shares subject to certain conditions. Generally, in India, some companies count it (shares held by ESOP Trusts) in the promoter category and some companies count it in the public category.

Source : Reuters

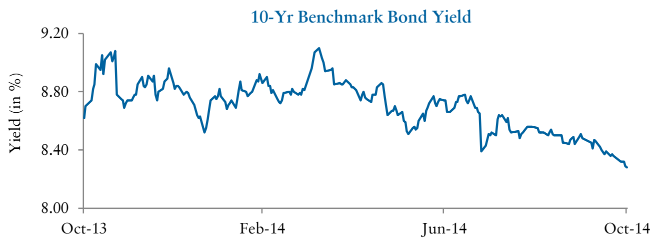
Indian Fixed Income

RBI Policy Rates		
Key Rates (%)	Current^	Previous
Reverse Repo Rate	7.00	7.00
Repo Rate	8.00	8.00
CRR	4.00	4.00
SLR	22.00	22.00
Bank Rate	9.00	9.00

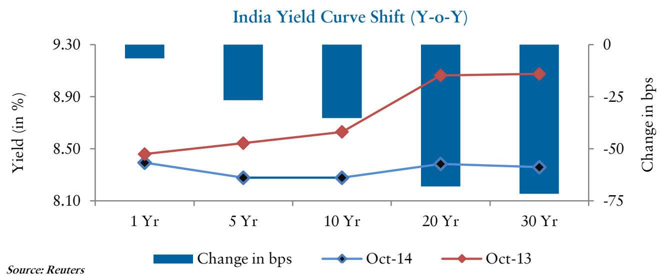
^Based on Bi-monthly RBI Monetary Policy review released on 30-Sep-2014
Source: RBI

Debt Indicators (Yield %)	Oct-14	Sep-14
Call Rate	7.78%	7.99%
1 Mn NSE Mibor	8.54%	8.77%
10-Yr Benchmark Bond	8.28%	8.51%
91-Day T-Bill#	8.47%	8.58%
182- Day T-Bill#	8.54%	8.68%
364-Day T-Bill#	8.57%	8.66%

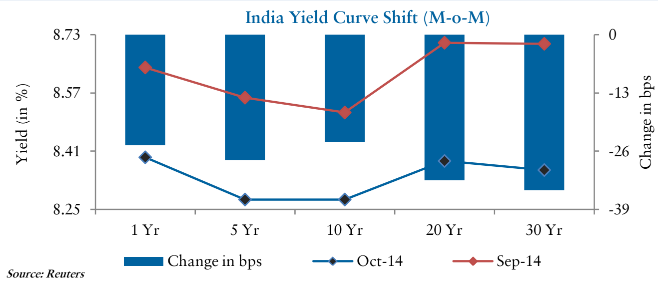
 # Indicates Monthly Average cut off during Auction
Source: RBI



Source: CCIL



Source: Reuters



Source: Reuters

- Indian bond markets recorded their highest gains in eighteen months in October on hopes that ease in inflationary pressure would make way for the Central Bank to trim key policy rates. Fall in global crude oil prices and expectations that the Government would announce more reforms to boost growth also helped improve investor sentiments.

- *Bond yields fell initially during the month on the back of drop in international crude oil prices. Bond yields fell further on hopes that the Government may soon hike the debt investment limits for Foreign Portfolio Investors (FPIs).*

- The trend continued after both wholesale and retail inflation fell in September, which raised hopes of a rate cut by the Central Bank. *Government data showed that CPI-based inflation fell to 6.46% on a yearly basis in September compared to 7.73% in August and 9.84% in the corresponding period last year due to decline in food and fuel prices.* The food price inflation fell to 7.67% from 9.35% in August. Consumer food price-based inflation also plunged to 7.67% from a revised 9.35% in August. *Meanwhile, India's WPI-based inflation eased for the fourth straight month in September to 2.38% against 3.74% in August and 7.05% in the same month last year.*

- *Bond markets got further support after the Government deregulated diesel prices.* Deregulation of diesel prices, fall in global crude oil prices and ease in inflationary pressures are likely to lower the Government's subsidy burden, which in turn would help fiscal deficit numbers.

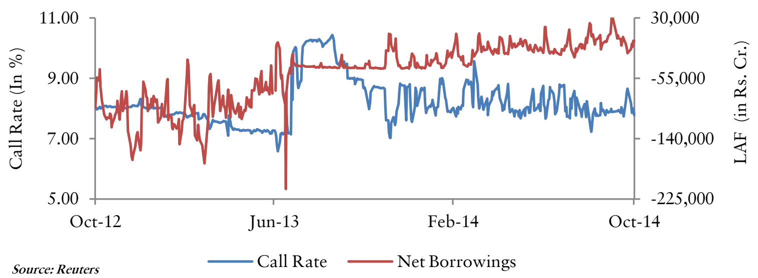
- Bond prices continued with their upward momentum on hopes that the Government will announce more economic reforms measures going forward. This will help offset any possible adverse impact if the Fed hikes rates earlier than expected. *Robust foreign fund inflows into the debt market also boosted investor sentiments.*

- However, gains were capped after the Open Market Operations (OMOs) conducted by the Central Bank did not come along expected lines. The Central Bank conducted OMOs on October 13 and sold securities worth Rs. 6,582 crore out of an aggregate amount of Rs. 10,000 crore. Out of four Government Securities, the Central Bank accepted bids worth Rs. 3,014 crore in 8.79% GS 2021, Rs. 2,568 crore in 8.33% GS 2026 and Rs. 1,000 crore in 8.79% GS 2021. No bids were accepted for 8.07% GS 2017 (July).

- The yield on the 10-year benchmark bond dropped 23 bps to close at 8.28% against the previous month's close of 8.51%, after moving in the broad range of 8.28% to 8.48% over the month.

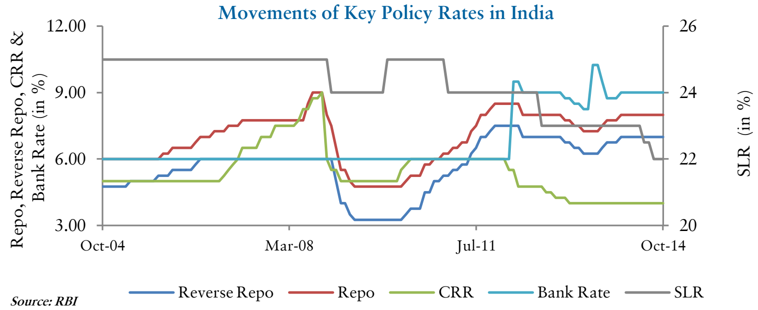
- Liquidity position remained comfortable for a major part of the month. Taking into consideration both the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF), banks deposited surplus funds worth Rs. 8,348 crore (till October 21) to the Central Bank.

Liquidity Monitor - Call Rate and Net Borrowings



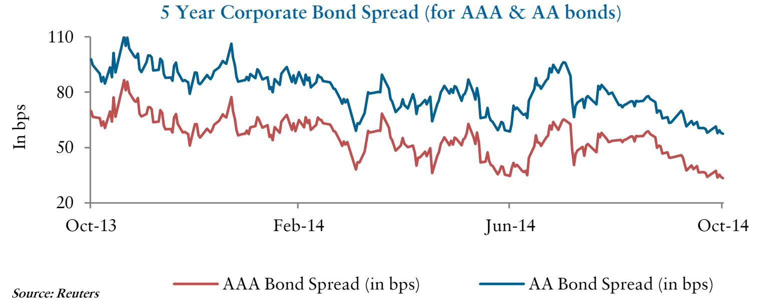
Source: Reuters

Movements of Key Policy Rates in India



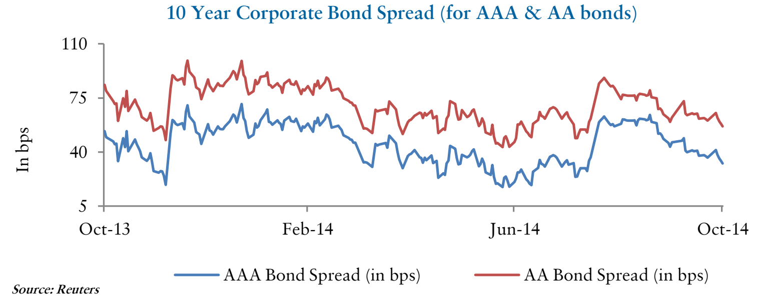
Source: RBI

5 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Reuters

10 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Reuters

- Call rates remained below the repo rate of 8% for most part of the month. Interbank call money rates moved in the range of 7.73% to 8.66% during the month, against 7.23% to 8.18% recorded in the previous month. Banks' net average borrowings through the LAF window stood at Rs. 1,704.65 crore compared to the previous month's average lending of Rs. 1,634.09 crore. Under the Central Bank's MSF window, the average borrowing stood at Rs. 1,717.41 crore, compared to the previous month's average borrowing of Rs. 283.82 crore.

- *The Central Bank continued to conduct term repo auctions under its revised liquidity framework to ensure that liquidity condition remained comfortable.* The Central Bank conducted term repo auctions and overnight variable rate repo auctions for a notified amount of Rs. 1,67,000 crore. The allotted amount stood at Rs. 1,53,563 crore, for which the cut-off stood in the range of 8.01% to 8.28%. The Central Bank also conducted overnight variable rate reverse repo cumulatively worth Rs. 2,15,000 crore. The allotted amount stood at Rs. 1,50,934 crore, for which the cut-off stood in the range of 7.85% to 7.99%. As a result, net borrowings under term repo auctions and variable rate and reverse repo auctions stood at Rs. 2,629 crore only.

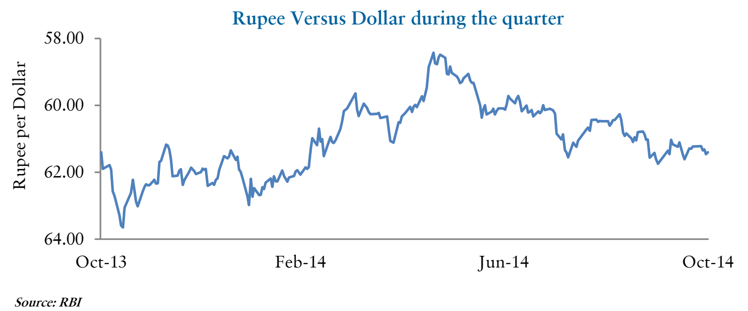
- The Central Bank conducted the auction of dated securities for notified amount of Rs. 45,000 crore with no devolvement on primary dealers. The cut-off yield remained in the range of 8.27% to 8.68% during the month. The Central Bank also conducted the auction of state development loans for a notified amount of Rs. 21,850 crore, for which the cut-off stood in the range of 8.67% to 8.91%. *The highest yield of 8.91% was seen for Goa and Manipur and the lowest of 8.67% was observed for Punjab.* The Central Bank also conducted auctions of 91-days, 182-days and 364-days Treasury bills worth Rs. 45,000 crore, Rs. 12,000 crore and Rs. 18,000 crore, respectively during the month. The cut-off yield stood in the range of 8.41% to 8.71% during the month.

- Yields on the Gilt Securities dropped across the maturities in the range of 16 bps to 47 bps. It fell the least on 3 and 4-year papers and the most on 7-year paper. Similarly, Corporate Bond yields fell on the entire segment in the range of 34 bps to 41 bps. Yields declined the most on 5-year maturity and the least on 15-year paper. The spread between AAA corporate bond and Gilt contracted across the yield curve in the range of 1 to 23 bps except 15-year maturity, which expanded by 2 bps.

Currency

Movement of Major Currencies (Denominated in Indian Rupee)				
Currency	Value(as of31-Oct-2014)	1 Mth Ago	3 Mths Ago	1 Year Ago
INR/1 USD	61.41	61.61	60.25	61.41
INR/1 EURO	77.19	78.21	80.70	84.12
INR/1 GBP	98.06	100.28	101.92	98.29
INR/ 100 YEN	55.28	56.36	58.61	62.44

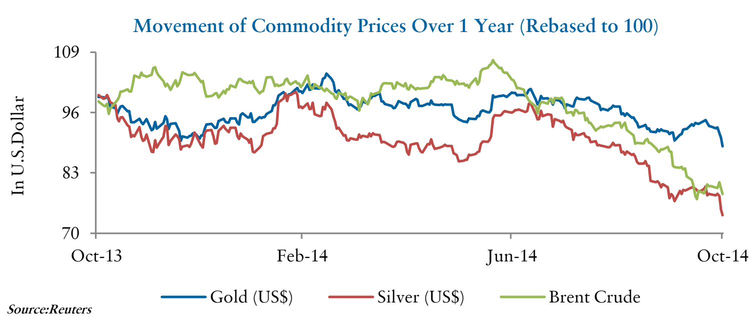
Source: RBI



Commodity

Performance of various Commodities					
Commodities	Value(as of31-Oct-2014)	Returns (in %)			
		1 Wk Ago	1 Mth Ago	6 Mths Ago	1 Year Ago
Crude Brent ($/Barrel)	84.52	-2.55	-10.49	-22.44	-21.54
Gold ($/Oz)	1173.92	-5.37	-2.88	-9.09	-11.28
Gold (Rs./10 gm)	25871.00	-5.26	-3.37	-13.11	-15.68
Silver ($/Oz)	16.14	-5.45	-4.72	-15.54	-26.13
Silver (Rs./Kg)	35608.00	-6.89	-8.19	-15.00	-26.71

Source: Reuters, MCX



INR

- The rupee rose against the dollar on the back of strong foreign inflows, deregulation of diesel prices and stronger-than-expected Chinese trade data. *The rupee got more support after the International Monetary Fund raised India's growth forecast for the current fiscal.* However, gains were capped as the Fed concluded its monthly asset-purchase program and acknowledged improvement in the U.S. labour market, which supported the greenback. *Concerns over global economic growth and widening of India's trade deficit in September also hit the domestic currency.*

Euro

- The euro gained against the dollar initially as the greenback paused its rally after touching two-year highs. *The euro got support as the European Central Bank (ECB) President provided no signs of buying sovereign bonds.* In the second half, the trend reversed after positive U.S. economic data boosted the dollar. Moreover, reports that the ECB was planning to buy corporate bonds to revive the economy of the region hit the euro. The currency closed the month in red after the Fed concluded its monthly bond-buying program and highlighted improvements taking place in the U.S. labour market.

Crude

- *Oil prices plunged 10.49% during the month on the back of a stronger dollar and easing supply concerns.* Saudi Arabia cut its oil prices to all destinations, prompting speculation that the world's biggest exporter would not lead supply cuts by the Organization of Petroleum Exporting Countries (OPEC). Prices witnessed more pressure as lower economic growth forecasts raised concerns over global oil demand. Sentiments dampened further after the International Energy Agency cut its estimates for global oil demand growth for 2015. The falling trend continued as a leading U.S. investment bank lowered its forecast for oil price to $85 a barrel from $100 as rising production in non-OPEC countries outside North America is likely to surpass demand.

Gold

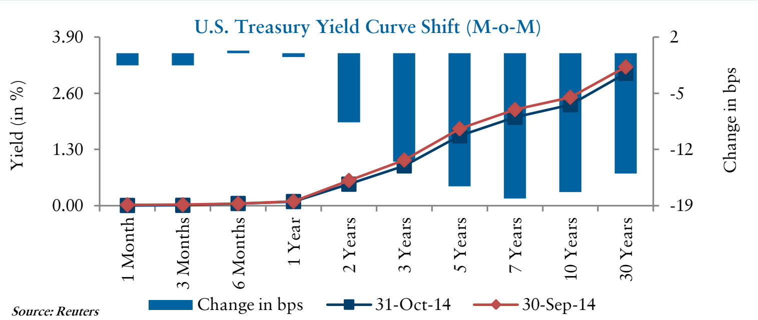
- Gold prices fell 2.88% in October on the back of a firm dollar and various measures taken by Central Banks across the globe. *Initially, gold prices fell on concerns that the Fed might increase interest rates, which hit the safe-haven appeal of the bullion.* However, the metal found some support later as minutes of the Fed's policy meeting indicated that interest rates are unlikely to go up in the near term. Strong physical demand from India amid festive season also supported the bullion. Gold prices again started falling as better-than-expected third quarter U.S. GDP growth data and a new round of quantitative easing by the Bank of Japan prompted investors to go for equities.

Global Equity Market

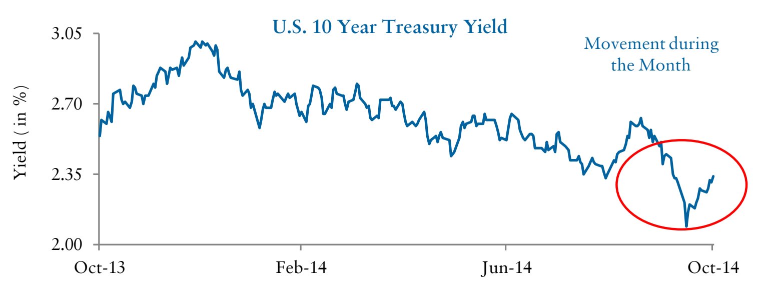
Performance of Major International Markets (as on October 31,2014)		
Indices	Country	1 Mth
United States		
Nasdaq 100	U.S.	2.69
S&P 500	U.S.	2.32
DJ Industrial Average	U.S.	2.04
Asia Pacific		
SET IDX	Thailand	-0.10
JSX Composite	Indonesia	-0.93
FTSE Straits Times	Singapore	-0.08
KOSPI	S. Korea	-2.76
Hang Seng	Hong Kong	4.64
NIKKEI 225	Japan	1.49
Shanghai SE Composite	China	2.38
S&P BSE Sensex	India	4.64
S&P/ASX 200	Australia	4.42
Europe		
FTSE 100	U.K.	-1.15
CAC 40	France	-4.15
FSE DAX	Germany	-1.56

Source: MFI Explorer & Reuters

Global Fixed Income - U.S.



Source: Reuters



Source: Reuters

United States

- *The U.S. markets rose during the month on the back of a series of encouraging economic data, including stronger-than-expected GDP numbers for the third quarter.* Sentiments improved further following upbeat quarterly earning numbers from blue chip companies. However, gains were capped after the Fed in its monetary policy statement said that the rates may rise sooner than expected if the economy continues to gain momentum.

Europe

- *European markets remained low during the month as weak German economic data raised concerns about the pace of recovery in the Euro zone.* Market sentiments dampened further after Germany lowered its growth forecast for the next two years. However, losses were restricted due to encouraging corporate earning numbers. *Positive outcome of the ECB's stress test on the region's banking industry also boosted sentiments.*

Asia

- Asian markets remained strong during the month, led by Hang Seng, which rose 4.64%. *Hang Seng rallied towards the month-end on the back of positive cues from mainland Chinese markets.* Meanwhile, Japanese bourses surged after the Bank of Japan announced massive stimulus to boost growth. Encouraging U.S. GDP data also contributed to the rally.
- The yield on the 10-year U.S. Treasury bond fell 17 bps in October to close at 2.34% against 2.51% recorded in September.
- *The U.S. Treasury prices surged in the first half of the month but the trend reversed in the second half.* Signs of slowing global growth improved the safe-haven appeal of the U.S. Treasury bond, which led to rise in prices. Fresh indications of economic weakness in Germany and lower global growth forecasted by the International Monetary Fund improved the demand of U.S. bonds.
- *Prices started retreating in the second half on the back of profit booking.* Improvement in the U.S. consumer confidence and strength in the U.S. and European bourses hit bond markets. *The Federal Reserve's move to end its asset-purchase program further restricted the overall gains in the U.S. bond markets.*

Investment Classroom

Interdependence of Central Bank's monetray policies across countries

The world has moved towards economic globalization in the last few decades. The international integration of markets for goods, labour, capital and technology has grown as never before. As movements in economic and financial intermediaries around the globe has become ever more tightly linked, individual central banks across the countries are losing their ability to pursue monetary policies independent to their own domains. The policies pursued by the Central Bank of one country are often affecting the financial activities or even macroeconomic parameters of others and vice versa.

Economic theories have recognized the interdependence of national economies long time back. The Mundell-Fleming model of open economies as well as New Keynesian models described the likely effects of shocks to one economy on its trading partners. These effects in the past were, however, restricted to areas where there were direct links as most other sectors were still insulated to the outside impact. But things are different today and thus, the Federal Reserve's policy move is followed equally eagerly in India as that of the Indian Central Bank in the U.S. and other countries.

The impact of the Federal Reserve's (Fed) moves to scale back its purchases of long-term bonds or the tapering of Quantitative Easing has spread ripples in the financial markets across the world. However, the Fed's original intent was to stabilize its own financial system – the first step towards exit from more than five years of unconventional monetary policy.

If one goes back a little, it would be easier to trace the impact of the Fed's policy stance on emerging markets on a larger canvas. In the aftermath of the global financial crisis, the ultra-loose monetary policies pursued in advanced countries – the U.S., especially – had prompted a global search for higher yield with investors flocking in emerging markets. But the trend disrupted when in 2013 the Fed signalled its intention to unwind (tapering of QE) its unconventional monetary policy. A recent International Monetary Fund (IMF) study named "Global Impact and Challenges of Unconventional Monetary Policies" found that although the Fed's first round of quantitative easing from January 2009 to March 2010 had resulted in withdrawal of funds from emerging-market bond markets, the scenario changed with the beginning of QE3 that caused a huge $91 billion inflow to emerging markets.

Before the tapering was announced, Indian markets enjoyed the benefits of excess U.S. dollar in circulation. Since interest rates were at near zero per cent level in the U.S., foreign investors did not hesitate to invest in India and take advantage of higher interest rates. India has been significant beneficiary and has reportedly received as much as $88 billion of capital inflows, despite deteriorating macroeconomic conditions and weak corporate fundamentals. The QE tapering, therefore, can have consequences for India.

In fact, after the Fed's first move towards QE tapering was announced, emerging economies in general were apprehending serious negative impact on their financial markets. Interestingly, this has not happened, at least, not as much as was feared. India's stock indices have continued to touch new records and Foreign Portfolio Investments have remained robust. Among other reasons, the RBI's follow-up monetary policy must have helped India to avoid a serious fall out of QE tapering. Higher yield – following the RBI's decision to keep interest rates high – has continued to attract foreign investments which in turn, helped stock indices to move higher on the one hand and on the other, has strengthened the value of the rupee against the dollar.

Not only the Fed's policy moves are influencing monetary policies of other Central Banks, but the Fed's own policy seems to be influenced by that of other Central Banks as well. The latest move for full throttle easing programme of the Bank of Japan for example, is expected to impact monetary policy stance of many countries.

The U.S. Treasury yields moved up after the ECB cut key interest rates thrice, including its refinancing rate of 0.05%. It also drove its deposit rate deeper into negative territory, now charging 0.20% to banks that park money overnight. Since the strengthening of the dollar has made U.S. stocks less attractive to foreign buyers, the added liquidity is likely to flow to Asia. The ECB's robust easing program gives Fed the leverage to extend tighter policies at its meeting.

However, the emerging economies are often compelled to suffer from the domino effect that occurs every time the Fed or the ECB decides to tighten their monetary policies. So much so, that the Indian Central Bank Governor has now called for a better international coordination among the world's Central Banks. He urged the Fed and other major Central Banks to reinterpret and broaden their mandates, now largely defined in domestic terms, to take into account the effect their policies may have on others.

Source for data, graphs and analysis, unless otherwise specified: ICRA Online Research

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