HICET BUSINESS SCHOOL
COIMBATORE

BUSINESS AFFAIRS

HALF YEARLY MAGAZINE
JULY - DECEMBER 2018

Department of Management Science started in the year 2005, in order to transform the students community into business professions by offering two years Business administration master's program with the specializations in Finance, Marketing, Human Resources, Production and Operations, Systems, and Logistics. All the activities of the business school is evolved around the Vision, Mission, Programme Educational Objectives, Programme Outcomes, and Graduate Attribute statements are guided by its core values.

FOUNDER AND CHAIRMAN'S MESSAGE

The management is extremely happy to see the outcome of the MBA Department of our college in bringing out with a department magazine called "BUSINESS AFFAIRS 2018". I hereby extremely happy for the interest shown by the department. Today, business news has an important connotation in the competitive world of business. So, it is an important step in bringing out contents of business in a magazineform for students to deliberate and discuss over, students should become industry readymanagers for future generation. I convey my blessings and good wishes to all members involved dedicatedly for the magazine preparation.

Thiru T.S.R Khannaiyan

MANAGING TRUSTEE'S MESSAGE

I am delighted to note that the department of MBA has come up with a department magazine called "BUSINESS AFFAIRS 2018". This type of magazines makes students to explore new business paradigms, I hope and wish this magazine will help our studentsin enhancing their knowledge in various spears of business and help them to succeed intheir career or business ventures. This magazine will also serve as a business knowledge repository for the existing andupcoming batch of students. My regards for MBA department to scale new height in the days to come.

Thirumathi Sarasuwathi Khannaiyan

EXECUTIVE TRUSTEE & SECRETARY'S MESSAGE

It gives me immense pleasure to know that the department of MBA has come up with a department magazine called "BUSINESS AFFAIRS 2018". These kinds of efforts will motivate the students in building their future profile and will give confidence in upbringing their hidden talents. I wish this magazine will help our budding management leaders to develop a sharp intellect in the areas of business affairs and bring out a competitive model of successful businesses in future. My good wishes for MBA department for bringing out this magazine.

Thirumathi. K. Priya Sathish Prabhu

EDITORIAL

I am glad to see the Department of Management Sciences having completed twelve years of its existence and is successfully marching in to the thirteenth year, we got the autonomous status from AICTE and Anna University in July 2016. We are continuing to grow with a committed vision to develop students in leadership capabilities and business oriented learning for success in managerial or entrepreneurial ventures with social responsibility.

In our campus, students are expected to have an enriching and life-turning experience which will enable them to reach new heights in their professional life. We foster sharpening of skills and enhancement of knowledge base in our students through various extra-curricular, co-curricular and curricular activities.

I appreciate all the students, who have contributed to the "Business Affairs 2018" a department magazine, I also wish faculty and student editors for highlighting important debatable topics in the magazine. I wish this magazine to become a treasure of knowledge for debate club members and serve a guiding literature for business students.

I wish you all success.

Dr .K. Samuvel,

Director –MBA .

Chief Editor

Dr.K.Samuvel

Director –MBA .

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II MBA

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ADVISOR'S MESSAGE

Hindusthan College of Engineering and Technology is an amalgamation of competent teachers, energetic students and with an experienced and efficient administration. The college came into existence with the vision of creating a safe and supportive environment for its students to provide a perfect balance of academics, sports, artistic and social opportunities. Learning should be a joy and we strive for that.

We believe in giving our students strong values along with a set of wings which may carry them far and wide. In turn, our students are equipped to face the challenges of the rapidly changing world. Today's India is an empowered, enlightened and enterprising nation. We wish to make it even more powerful with conscientious, smart and confident citizens who would make us proud by augmenting their multifaceted skills.

It gives me immense pleasure to give my best wishes to HOD and faculty fraternity of management sciences for bringing out the magazine "Business Affairs 2018". The students and faculties of the department are always proactive in taking initiatives in educational, technical, cultural and social events in bringing laurels to the institution. I hope that this magazine will serve the purpose of reflecting all the important information in the recent business trends and it will also inspire many other students who want to aspire for the MBA programme.

Dr .S. Annadurai

Advisor, Hindusthan Group of Institutions, Coimbatore

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PRINCIPAL'S MESSAGE

Hindusthan college of Engineering of Technology primarily intends to nurture the shelved potential in students providing an ideal platform for them to channelize their creative outbursts and lend expression to their thoughts and views on various aspects in serene manner.

Our Institution believes that the purpose of education is to turn mirrors into windows, and as such is focused not only on pure studies but also on providing opportunity to each student to explore his or her own capabilities and their area of interest curricular, co-curricular or extra-curricular.

We fortunately have a committed and supportive management, dedicated teachers and cooperative students which blend harmoniously to create a student centric college. In the MBA Department it is natural to find the intensive use of a variety of thinking activities, strategies and active ideas so that the department has become alive. This edition of the magazine "Business Affairs 2018" is a milestone that marks our growth, and gives life to business thoughts and aspirations.

I congratulate the entire editorial team for their hard work and dedication that has resulted in the publication of this issue of the department magazine. With this I extend my best wishes to you all in your academic journey towards excellence, knowledge and wisdom.

Dr. T. Kannadasam,

Principal, HICET.

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India becomes first South Asian country to get access to America's cutting-edge technology

In 2016, the US had recognized India as a major defense partner - a move which paved the way for country's STA-1 status. Both the countries had reached an understanding under which India would receive license-free access to a wide range of dual-use technologies.

The United States on Monday designated India as a Strategic Trade Authorization-1 (STA-1) country - a status that will allow the country to buy highly advanced and sensitive technologies from America. With such coveted designation, India will now be at par with the United States' closest allies and partners such as NATO.

In a statement, US Commerce Secretary Wilbur Ross said that this new designation reflects India's membership in three of the four multilateral export control regimes, as well the development of its national export control system.

"US companies will be able to more efficiently export a much wider range of products to Indian high technology and military customers. India's new status will benefit US manufacturers while continuing to protect its national security," he added.

STA Tier 1 treatment will expand the scope of exports subject to the Export Administration Regulations (EAR) that can be made to India without individual licenses. This regulatory change will enhance the bilateral defense trade relationship and result in a greater volume of US exports to India.

Currently there are 36 countries on STA-1 list. India is the only South Asian country to be on the list. Other Asian countries designated as STA-1 are Japan and South Korea.

According to Ross, STA-1 provides India greater supply chain efficiency, both for defense and for other high-tech products, that will increase activity with US systems, the interoperability of the systems, and will reduce time and resources needed to get licensing approved.

"We calculate that it will be a competitive advantage for the US, in terms of supplying those kinds of products to India. It looks as though over the last seven years, some USD 9.7 billion of products would have been affected, so it's a meaningful-sized number. And probably, it'll be much more than that because a lot of things they knew wouldn't be exportable, they didn't order from us," the US Commerce Secretary said.

In 2016, the US had recognized India as a major defense partner - a move which paved the way for India's STA-1 status

Both the countries had issued a joint statement saying, "Noting that the US-India defense relationship can be an anchor of stability and given the increasingly strengthened cooperation in defense, the US hereby recognizes India as a Major Defense Partner."

Both the countries had reached an understanding under which India would receive license-free access to a wide range of dual-use technologies in conjunction with steps that India has committed to take to advance its export control objectives.

STA-1 designation authorizes the export, re-export and transfer (in-country) of specified items on the Commerce Control List to destinations posing a low risk of unauthorized or impermissible uses.

Reacting to US' move, Indian Ambassador to the US Navtej Singh Sarna said: "It is a sign of trust not only in the relationship but also on India's capabilities an economy and as security partner, because it also presupposes that India has the multilateral export control regime in place, which would allow the transfer of more sensitive defense technologies and dual use technologies to India and without the risk of any proliferation."

US Commerce Secretary Ross yesterday said that India has partnered with the United States to improve its own export control regimes and has met most of the export control rules which the US thinks is useful.

RATHINA PANDIAN S

II YEAR MBA

Prolonged low interest rates could affect financial stability, central banks find.

Low market interest rates for a long time could have implications for financial stability as well as for the health of individual financial institutions, a report by the Committee on the Global Financial System finds.Financial stability implications of a prolonged period of low interest rates identifies channels through which a "low-for-long" interest rate scenario might affect the health of banks, insurance companies and private pension funds.

This scenario would be harder on insurers and pension funds than on banks. Even though the CGFS analysis did not show that measures of firms' financial soundness dropped significantly, prolonged low rates could still involve material risks to financial stability. In particular, a "snapback", involving an unexpected sudden increase in market rates from currently low levels, could affect banks' solvency and create liquidity issues for insurers and pension funds.

"A key takeaway is that, while a low-for-long scenario presents considerable solvency risk for insurance companies and pension funds and limited risk for banks, a snapback would alter the balance of vulnerabilities," said CGFS Chair Philip Lowe, Governor of the Reserve Bank of Australia.

"The first line of defense against these risks should be to continue to build resilience in the financial system by encouraging adequate capital, liquidity and risk management. But the report also underscores the need to monitor institutions' exposures in a comprehensive way, including through stress tests."

The CGFS is a central bank forum for the monitoring and analysis of broad financial system issues. It supports central banks in the fulfillment of their responsibilities for monetary and financial stability by contributing appropriate policy recommendations.

Financial stability implications of a prolonged period of low interest rates:

Report submitted by a Working Group established by the Committee on the Global Financial System. The Group was co-chaired by Ulrich Bindseil (European Central Bank) and Steven B Kamin (Board of Governors of the Federal Reserve System).

The report finds that while banks should generally be able to cope with solvency challenges in a low-for-long scenario, ICPFs would do less well. Even though the Working Group identified only a relatively

limited amount of additional risk-taking by banks and ICPFs in response to low rates, a low-for-long scenario could still engender material risks to financial stability. For example, even in the absence of greater risk-taking, a future snapback in interest rates could be challenging for financial institutions. Banks without sufficient capital buffers could face solvency issues, driven by both valuation and credit losses. ICPFs, instead, could face liquidity problems, driven either by additional collateral demands linked to losses on derivative positions or by spikes in early liquidations.

The BIS is worried by the current low interest rate environment, and in a new report by a committee chaired by Philip Lowe warn of the impact on financial stability across the financial services sector, with pressures on banks via net interest margins, and on insurers and super funds. They warn that especially in competitive markets, risks rise in this scenario.

Low interest rates may trigger a search for yield by banks, partly in response to declining profits, exacerbating financial vulnerabilities. Interest rates have been low in the aftermath of the Global Financial Crisis, raising concerns about financial stability. In particular, the profitability and strength of financial firms may suffer in an environment of prolonged low interest rates. Additional vulnerabilities may arise if financial firms respond to "low-for-long" interest rates by increasing risk-taking.

The decade following the Great Financial Crisis (GFC) has been marked by historically low interest rates. Yields have begun to recover in some economies, but they are expected to rise only slowly and to stabilize at lower levels than before, weighed down by a combination of cyclical factors (eg lower inflation) and structural factors (eg productivity, demographics).. An environment characterized by "low-for-long" interest rates may dampen the profitability and strength of financial firms and thus become a source of vulnerability for the financial system

SUBHASHINI M V

II YEAR MBA

Risks are raising that oil prices will cause

NEXT RECESSION

The last five economic recessions all were preceded by a spike in crude oil prices.

The recent rise in the price of oil has raised the likelihood of a recession, according to market forecasts.

As Warren Buffett said back in July 2008, as the price of gas went above $4, "exploding" inflation was the biggest risk to the economy.

But the boom in hydraulic fracturing means that the U.S. oil market has increasing ability to rebalance supply and demand. Oil gained more than 20 percent in the first half of 2018, and odds have been rising that higher crude oil prices will spark the next economic downturn. This should not come as a surprise for any investor who is a student of market history: The last five U.S. recessions were also preceded by a rise in oil prices.

In July 2008, even when the Federal Reserve was still betting that it had a handle on the economy, Warren Buffett warned that "exploding" inflation — whether in the price of oil or steel — was the biggest risk to the U.S. economy.

“Quickly rising oil prices have been a contributing factor to every recession since World War II,” said Moody's chief economist Mark Zandi. Odds of a 2020 U.S. recession have risen to 34 percent, from 28 percent before this year’s spike in crude oil, Moody’s stated in a report.

Customers pump gasoline into their cars at a gas station in the Bronx, New York, where gas

prices rose to over $3 per gallon in June President Donald Trump's tax cut, a deal on Capitol Hill to boost government spending, and a flattening of the difference between short- and long-term interest rates also are contributing to the elevated recession risk. "My recession odds for 2020 have significantly increased since late last year," Zandi said.

Oil seesawed in trading on Monday after President Trump's tweet about Iran added to a geopolitical catalysts for oil. It started trading strong but trailed off by the end of the day. Recent swings in the price of oil — especially early last week, when Treasury Secretary Steve Mnuchin said some buyers of Iranian oil may be given extra time before sanctions hit .The first question can be answered, at least partly, using some established rules of thumb about how much spending on gasoline cuts into other consumer spending. Baumohl cites an estimate that every penny added to the price of gasoline reduces consumer spending by $1 billion a year. Zandi estimates that every $10 added to crude prices would reduce U.S. growth by 10 to 15 basis points, or 0.1 to 0.15 percentage points, in the year after the increase. Going from $50 to $75, which has already happened, will reduce growth by a quarter of a point to nearly half of 1 percent, Zandi said. If oil hit $150, an economy recently growing near a 3 percent rate would see growth fall by half, and that's before higher prices sparked inflation and forced interest rates higher. Oil prices also spiked right before the 1990 downturn, running from $15 in May to $40 by September as Iraqi dictator Saddam Hussein invaded Kuwait. It then jumped from $10 as the dot-com boom gathered steam in late 1998 to nearly $30 by the time the Nasdaq average peaked in early 2000.The harder question is whether oil really is likely to go anywhere near $150, or whether U.S. suppliers can head off the worst of the damage by increasing domestic production. Another significant factor is whether they can build pipelines fast enough to carry crude from newer "tight oil" fields in Texas — made newly pumpable by hydraulic fracking technology — before prices spike.

SHIJA

II YEAR MBA

Worst-performing commodity of 2018: The world is dealing with a massive sugar glut

While global consumption is still rising, the pace of growth has slowed to an average 1.4 percent in recent seasons, down from 1.7 percent over the past decade, according to researcher Green Pool Commodity Specialists.

Sugar stockpiles are poised for a record as slowing demand growth and surging production creates the worst-performing commodity of 2018. Consumers have become increasingly wary of the health impact of their sweet tooth, and companies from canned-fruit maker Del Monte Foods Inc. to snack-food seller Mondelez International Inc. are touting products made with less sugar. While global consumption is still rising, the pace of growth has slowed to an average 1.4 percent in recent seasons, down from 1.7 percent over the past decade, according to researcher Green Pool Commodity Specialists.

That's coming at a time when production is booming, especially in India, the world's No. 2 producer. Farmers in Thailand are also collecting massive crops. World stockpiles are set to swell to the highest ever this season and stay near the record next year, according to the U.S. Department of Agriculture. Sugar futures in New York have already slumped 25 percent in 2018. That's the biggest loss on the Bloomberg Commodity Index, which tracks returns for 22 components. "Unless there's a weather issue, it doesn't look that the bulls have any hope for a sustained rally," said Donald Selkin, a New

York-based chief market strategist at Newbridge Securities Corp., which oversees about $2 billion. “Everybody is trying to do away with sugar and sugary products. You see that in supermarkets and grocery stores. Demand is going to remain less than what’s been in recent years. The price is doomed to stay low for a while.”On Monday, raw sugar for October delivery fell 1 percent to 11.4 cents a pound on ICE Futures U.S. in New York.Fund WagersInvestors are setting up for more declines.

In the week ended July 3, money managers more than tripled their net-short position, or the difference between bets on a price increase and wagers on a decline, to 54,736 futures and options, according to U.S. Commodity Futures Trading Commission data released Monday. The move came as short holdings increased 15 percent, while long bets fell almost 7 percent.

Global production will top demand by 19.6 million metric tons in the 12 months that end Sept. 30, the biggest overhang ever, Brisbane, Australia-based Green Pool said in a report last month. The excess would be more than enough to meet annual demand in China, the world’s top importer.

After farmers collected a mammoth crop, the Indian Sugar Mills Association said July 3 that processors are seeking to increase export quotas to a record 6 million tons. The group estimates the country’s output at as much as 32 million tons, a gain of 58 percent from a year earlier. Meanwhile in Brazil, surging ethanol stockpiles and tumbling prices for the bio fuel mean cane millers could process more of the crop into sugar .Weather Surprises Of course, crops can still fail, especially if the weather turns worse than expected. Dry conditions have hurt plants in Brazil’s Center-South, the world’s biggest producing region. The potential for an EL Nino weather pattern later this year could also mean some damage to Asian crops.

But in a market where demand slowing, small supply shocks can often be absorbed. While health concerns and taxes on sugary drinks that erode consumption have been more pronounced in developing economies, Green Pool said that these factors are now being “replicated” in emerging markets.

“All the bearish elements that had sugar pinned down initially are still in place, and some are even worse,” said Frank Jenkins, the president of JSG Commodities in South Norwalk, Connecticut. “We are looking for a long period of time with a very substantial surplus. We are in the fourth or fifth inning of this bear market.”

SHIJA

II YEAR MBA

Gobal unease, from commerce to currencies, rattles raw materials

They make an intriguing posse: about 160 “scouts” in jeans and muddy boots, jumping out of cars with ropes in hand, plunging deep into corn (maize) and soyabean fields across the American Midwest. They are not just farmers. They include commodity traders and hedge-fund managers. Their quest: to predict this year’s harvest by using ropes as a measure and counting, to the last ear of corn and soyabean pod, the yield in a given area. “We have a really beautiful crop. I think this is going to be a record,” says Ted Seifried, a market strategist at Zaner Group, a commodities brokerage in Chicago, during a stop in Nebraska on August 21st. The mud on his boots is a reassuring sign of ample moisture in the soil.

But when he gets back into the car with others on the Pro Farmer Midwest Crop Tour, the talk turns to darker subjects, such as trade tensions, collapsing currencies and what he calls the start of an “economic cold war” between America and China. “While we’re driving the 15-25 miles from field to field, we certainly have a lot to talk about. By and large the American producer thinks the fight with China is just. But it’s very much affecting the pocketbook.”

SHOAIB KHAN C

II YEAR MBA

IBM partners with indian it companies to build global solutions for disaster management

IBM has partnered with a host of organisations, including Invest India, Wipro, and IT body Nasscom for its 'Call for Code' initiative that aims to build global solutions for disaster management. Announced in May this year, 'Call for Code' is a global initiative where IBM is the founding member along with American Red Cross and United Nations Human Rights Organisation.

"2017 has been the costliest year ever for natural disasters in the Indian sub-continent. At the same time, India has the second largest developer community with 3.5 million developers – a community with great potential to create innovative solutions," Seema Kumar, Country Leader, Developer Ecosystem and Startups at IBM, said.

IBM intends to harness this potential by giving the developers access to tools, technologies, free code, and training with experts that will strengthen the efforts towards mitigating disasters, she added. Kumar said the partners have played a crucial role in this year's Call for Code initiative by validating the IBM's shared vision of helping humanity tackle natural disasters.Floods have wreaked havoc across the states this year, with Kerala being the latest. Hundreds have lost their lives, while thousands have been rendered homeless. More than 7.8 lakh people are estimated to be in relief camps. The winning team of the 'Call for Code' programme will receive a cash prize of USD 200,000, long-

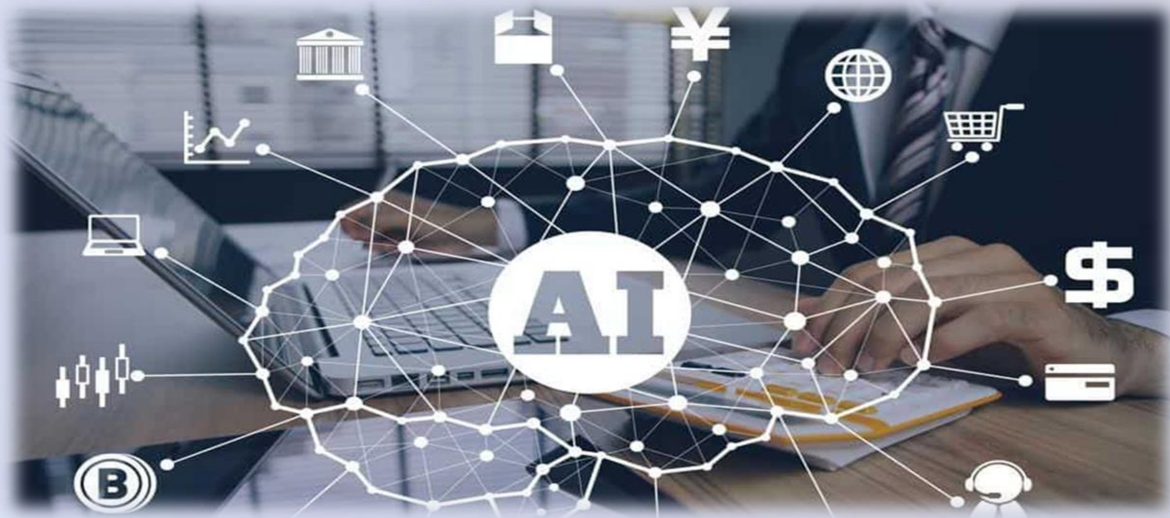
term open source project support from the Linux Foundation.An opportunity to pitch the solution to a venture capitalist as well as an opportunity to deploy the solution with an IBM corporate services team.

During a keynote address at the VivaTech Conference in Paris, IBM Chairman, President and CEO Ginni Rometty had called on the technology industry to help build a better future, committing IBM technology and USD 30 million over 5 years in the annual 'Call for Code' global initiative.
There have been over 300 events in 50 cities across the world in addition to 'Call for Code' days across 13 IBM Development Labs. About 40 similar events have been held in India across "IBM intends to harness this potential by giving developers access to tools, technologies, free code, and training with experts that will strengthen our efforts towards mitigating disasters," she added. As part of the programme,

IBM will provide access to Cloud, data, artificial intelligence (AI) and Blockchain technologies, along with training and code to the developers. Since the inception of the programme, over 35 organisations have "answered the call" to help improve the world, the statement said.

While tech giants like Persistent Systems, Wipro Limited and Capgemini hosted hackathons within their organisations to inspire their workforce to grow into problem solvers, NASSCOM and Invest India extended support in reaching out to start-ups and encouraging young entrepreneurs to be a part of the social change in India.

There have been over 300 events in 50 cities around the world in addition to "Call for Code" days across 13 IBM Development Labs in eight different countries to engage developers. India has held 40 similar events across all major cities in the country including Hyderabad, Bengaluru, Goa, Mumbai, Nagpur, Gurugram and Chennai.



technologies, free code, and training with experts that will strengthen our efforts towards mitigating disasters," said Seema Kumar, Country Leader, Developer Ecosystem & Startups at IBM. "We thank our partners who have played a crucial role in this year's Call for Code by validating our shared vision of helping humanity tackle natural disasters," she added.

The winning team will receive the first ever Call for Code Global Prize, a financial award of 200,000 USD. They will have access to longer-term support through IBM's partnership with the Linux Foundation, as well as the opportunity to present their solution to to venture capitalist firm New Enterprises Associates (NEA) for evaluation and feedback. The winning solution also will quickly transition from the development lab to the real world through the deployment of their technology via IBM's Corporate Service Corps.

VISHNUPRIYA P

II YEAR MBA

Trade war upsetting forex maths. and that's a big problem for rbi

Though the RBI maintained its growth projection for FY19 at 7.4 per cent, it has alluded to risks on account of protectionist measures and further escalation in trade tensions in its policy statement.

There are two dimensions to the risks to macroeconomic stability from trade tensions. One, of course, is that if the global economy slows, it could result in contraction in global trade and hit our export volumes.

Second is that of the policy response of central banks globally to counter the effect of trade war i.e. the risks of trade war eventually turning into a currency war. For example, China's PBoC has allowed the yuanto depreciate to mitigate the effect of tariffs imposed by the US.

This has resulted in the rupee strengthening by almost 6 per cent on a relative basis against the yuan since May. The relative rupee strength not only makes our exports uncompetitive in the global market, but also impinges on our domestic industry on account of import substitution as Chinese imports become cheaper,In the most recent phase of concerted global growth, our export growth has been tepid. While a part of it can be attributed to demonetisation and GST implementation induced challenges, muted export growth points to the fact that rupee overvaluation has also had a role to play. The elasticity of our exports to the rupee has increased.

The sectors worst affected by rupee overvaluation would be the ones that export undifferentiated goods as these goods can be easily substituted by exports from other countries such as Vietnam, Bangladesh and Sri Lanka. Rupee overvaluation, therefore, is a significant concern as exportsaccount for roughly 20 per cent of our GDP. he RBI is walking a very tight rope as it has to strike a delicate balance between inflationary

consequences of rupee depreciation and risks to export growth and domestic industry on account of rupee overvaluation. So far, the RBI seems more concerned about rupee depreciation, as is evident from aggressive intervention around the 69 mark.

The RBI is walking a very tight rope as it has to strike a delicate balance between inflationary consequences of rupee depreciation and risks to export growth and domestic industry on account of rupee overvaluation. So far, the RBI seems more concerned about rupee depreciation, as is evident from aggressive intervention around the 69 mark.

The RBI would certainly not want a repeat of a 2013-like situation when there was extreme pessimism that resulted in a speculative run on the currency. Runaway depreciation of the rupee in the run-up to the general elections can trigger a confidence crisis and jeopardise the chances of the incumbent government. The aggressive intervention strategy has worked so far and kept the speculators at bay

With the US mid-term elections approaching, it is unlikely that there would be any softening of protectionist rhetoric from the Oval office. With China too pledging to reply in kind, there does not seem to be any immediate end to the tensions. The rupee, therefore, is likely to closely track the Chinese yuan and the spread between the offshore CNH and onshore CNY.

The RBI is likely to intervene less aggressively if the yuan and other EM currencies continue to depreciate. The endeavour of the RBI would be to manage the real effective exchange rate of the rupee (REER), preventing extreme overvaluation and containing volatility by smoothening the pace of rupee depreciation.

SHOAIBKHANC

II YEAR MBA

Turkey crisis

Economy faces weak lira ,inflation ,debt ,tariffs

The lira plunged as much as 20 percent against the dollar on Friday after President Donald Trump said he approved doubling metals tariffs on Ankara. But the cracks in Turkey's economic foundation were already spreading before the American president made his move.

How did Turkey get here?

Turkey has in recent years been one of the fastest-growing economies in the world, even outperforming economic giants China and India last year. In the second quarter of 2018, the country reported 7.22 percent growth in its gross domestic product. That expansion, however, was fueled by foreign-currency debt, analysts said. At a time when central banks around the world were pumping money to stimulate their economies after the global financial crisis, Turkish banks and companies were racking up debt denominated in U.S. dollars, they said.

August 2018

Turkish President Recep Tayyip Erdogan is here to stay, and markets don't have confidence in him. That's a dangerous mix

That borrowing, which fueled consumption and spending, resulted in Turkey running deficits in both its fiscal and current accounts. The former happens when government spending exceeds revenue, while the latter essentially means a country buys more goods and services than it sells.The country's foreign currency debt now stands at more than 50 percent of its GDP, according to estimates by the International Monetary Fund.

Implications of Turkey's debt

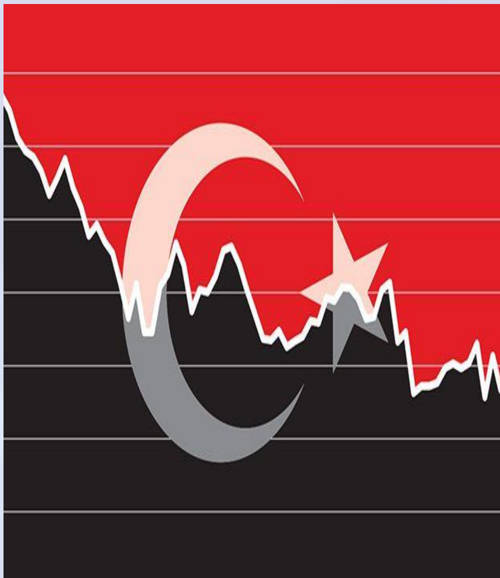
Turkey is not the only economy with "twin" deficits and high amounts of foreign currency debt. Indonesia, for example, also runs fiscal and current account deficits and its foreign currency borrowing is roughly 30 percent of GDP.But unlike Indonesia, Turkey doesn't have large enough reserves to rescue the economy when things go wrong, said Richard Briggs, an analyst from research firm Credit Sights. According to Briggs, Turkey's reserves are notably low compared to its $181 billion in short-term debt denominated

Economic mismanagement

- To many analysts, Turkey wouldn't have gotten into the current predicament if its central bank had been left to do its job.
- The Turkish economy has been "overheating" with inflation at 16 percent in July way exceeding the central bank's target of 5 percent. Raising interest rates could have helped to stem such a massive increase in consumer prices: Higher rates tend to attract foreign investors, who would need the lira to buy Turkish assets. That could in turn support the

- currency, which makes imports cheaper and lessens the burden of paying back foreign debt.

But Erdogan has said he's in favor of lower interest rates to continue driving growth. His influence over the country's central bank has undermined investor confidence, experts have saidPresident Erdogan continues to prioritize growth and lower rates which will extend the current crisis, rather than allowing the economy to rebalance. He is here to stay, and markets don't have confidence in him. That's a dangerous mix," Briggs wrote.



What's next for Turkey?

Without raising interest rates, Turkey has few other options to get out of its economic problems, said Eric Robertsen, global head for foreign

- exchange, rates and credit research at Standard Chartered Bank.

- Turkey earlier said it was limiting banks' foreign exchange swap transactions but it wasn't implementing capital controls. Those measures are merely "baby steps and won't do much unless interest rates are raised, Robertsen told CNBC's "Squawk Box.

- The interest rates policy is kind of the critical line of defense, he said, What they have to do is make sure that currency doesn't leave the country in a full-fledged capital flight ... it has to be a combination of currency measures and interest rates, there's no way around that.

MOSESRAJJ

II YEAR MBA

Emerging market currencies keep tumbling, but experts say fears of contagion may be overblown

Emerging markets have been hit by a renewed wave of sell-offs in shares and currencies, with Indonesia, Saudi Arabia and China among the countries hit by trade war tensions and a strengthening dollar.

European shares also fell on Wednesday as investors registered concerns over the impact on the global economy if more emerging markets were to follow Argentina and Turkey into financial crisis.Among the worst hit was Indonesia's rupiah, which fell to a new two-decade low on Tuesday at 14,940 against the dollar, then recovered slightly to 14,925 by Wednesday midday. The Argentine peso fell about 3 percent — it had already crashed 16 percent last week, bringing its losses this year to almost 50 percent against the dollar.Markets weighed the threat of a new development in the US-China trade war – fresh US tariffs on another $200bn (£155bn) of Chinese goods could be confirmed as soon as Friday – as well as weak Chinese service-sector growth figures and news this week that South Africa is in recession.The dollar rose for a fifth day, making it more expensive for emerging market countries to repay their dollar-denominated debts, while commodities fell, led by oil. City investors tend to buy US dollars – seen as the global reserve currency – during periods of financial market turbulence. This can however exacerbate the difficulties facing emerging market nations.

Currency weaknesses can cause problems for countries by pushing up import costs, which leads to a rise in inflation, as seen in Britain following the vote to leave the EU. Government and central bank policy responses to control the rising cost of living can have a damaging effect on economic growth, such as higher interest rates or austerity measures, meaning a general slowdown for developing nations may be looming on the horizon.

Despite the concerns over emerging markets, many investors have so far remained sanguine about the risk of the crisis spreading to damage the stability of the global financial system, or lowering developed nation economic growth. But that risk has steadily been increasing.

William Jackson, chief emerging markets economist at the consultancy Capital Economics, said the bigger risk was from a potential slowdown in the US or China, although he added: “There is little evidence to suggest that the market turmoil is translating into widespread macroeconomic strains.”

Also on Wednesday morning, the Indian rupee fell to a new low for the seventh day to 71.78. Turkey's lira slid as well on Tuesday, and the South African rand plunged about 3 percent on data that its economy has sunk into a recession.

Overall, the MSCI Emerging Markets Currency Index declined 0.46 percent on Tuesday — the biggest drop in two weeks. Since the start of the year, it has fallen 5.53 percent.

Despite fears of emerging markets contagion growing, analysts said investors should not panic simply on negative sentiment. Karine Hirn, a partner at asset manager East Capital, said that the stress can be partly attributed to a strong dollar and rising oil prices, but the real issue is trader sentiment.

"Let's not forget that, in general, emerging markets are really exposed to sentiment issues because a lot of investors are from overseas and not necessarily domestic investors. And the sentiment is definitely hurt by these trade tensions around the world," she told CNBC's "Squawk Box."

However, she stressed, the real point is that she is not seeing "big issues" arising from company earnings — businesses are generally not hurting.

The rupee and the rupiah have been under the most pressure among emerging currencies in Asia so far, analysts pointed out. But ANZ Head of Asia Research KhoonGoh said that the underlying economy in Indonesia is actually "not looking too bad," with second quarter growth increasing.

"This is largely financial markets reacting to contagion fears. Now, of course, that complicates matters for policy makers in Indonesia because their main priority is to try and stabilize the rupiah," Goh told CNBC's "Street Signs" on Wednesday. Meanwhile, Indonesian President Joko Widodo said on Wednesday that multiple external factors were behind the depreciation in the rupiah and the priority was to increase investment and exports to contain the country's current account deficit. Typically, a widening deficit can weaken the currency further, as more imports mean buying more foreign currencies to meet a country's needs.

"It is crucial (to) not hastily lurch towards a self-fulfilling prophecy of (emerging market) contagion risks," he cautioned, saying that the record plunges in the Argentine peso and the lira are in a "very different ballpark" compared to the declines in the rupiah and rupee.

"Investors know which economies to worry about, and which ones not to. And if you look at Thailand, huge current account surplus, just under 10 percent of GDP. Growth is actually starting to accelerate and pick up," said Goh of ANZ.

MOHAMED SUHAIL S R

II YEAR MBA

Joint venture: Coca-Cola considers cannabis-infused range

- Coca-Cola is considering developing a range of marijuana-infused beverages to help ease physical problems such as inflammation, pain and cramps.
- The world's largest drinks company is in talks with major Canadian marijuana producer Aurora Cannabis, but stressed that it was interested in the properties of cannabis that treat pain but do not get users high.
- The talks come as Canada prepares to legalise cannabis for recreational use, after many years of permitting it for medicinal purposes.
- Coca-Cola said it was monitoring the industry and was interested in developing new drinks infused with CBD or cannabidiol, the non-psychoactive ingredient found in cannabis plants which alleviates pain.

- It said: "Along with many others in the beverage industry, we are closely watching the growth of non-psychoactive CBD as an ingredient in functional wellness beverages around the world. The space is evolving quickly."

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-

- conversation – so more people have access to accurate information with integrity at its heart.
- Diageo, the maker of Guinness, is holding discussions with at least three Canadian cannabis producers about a possible deal, BNN Bloomberg reported last month. Heineken's Lagunitas craft-brewing label has even launched a brand specialising in nonalcoholic drinks infused with THC, marijuana's active ingredient. But Coca-Cola is the first major nonalcoholic-drinks manufacturer to consider such a move.

- In 2003 Stepan imported 175,000kg of coca for Coca-Cola. That's enough to make more than $200m worth of cocaine. They refer to the extract simply as 'Merchandise No 5'
- In December 2016, two-year-old Tristan Forde, from Co Cork, became the first person in Ireland to be allowed to be treated with medicinal cannabis under a licence, granted by the Minister for Health , that allowed his parents to import it for him.
- Irish scientists have also announced plans to use CBD to develop treatmentsfor some of the most common forms of epilepsy. Cannabidiol is also said to promote sleep, boost appetite and reduce stress, depression and anxiety.
- In 2013 the Atlantic reported that the extraction is done in a New Jersey chemical-processing facility by a company called Stepan, which in 2003 "imported 175,000 kilograms of coca for Coca-Cola. That's enough to make more than $200 million worth of cocaine. They refer to the coca leaf extract simply as Merchandise No 5.

MOSES RAJ J

II YEAR MBA

The rba does not look like its in a rush to lift interest rates

The Reserve Bank of Australia (RBA) left interest rates unchanged at 1.5% at the conclusion of its February monetary policy meeting, an outcome that was widely expected by financial markets.

"The low level of interest rates is continuing to support the Australian economy," the bank said in the key final paragraph of the statement.

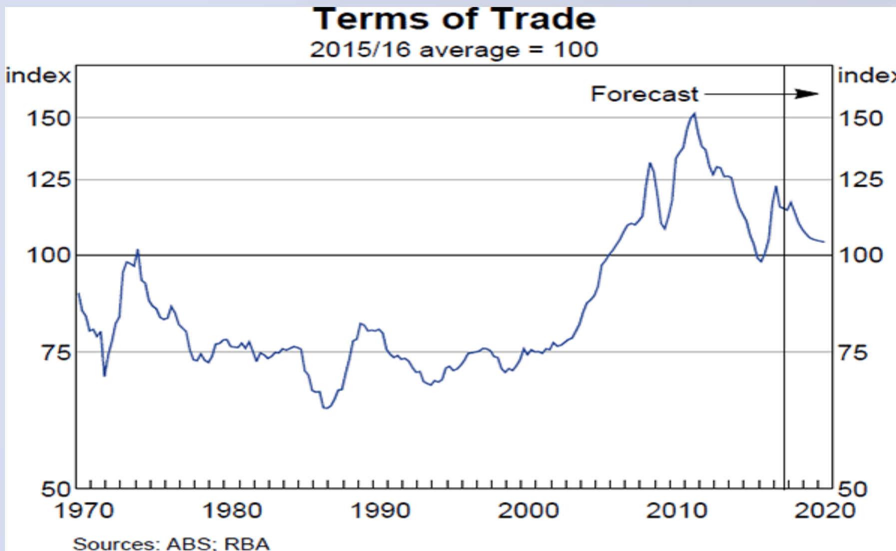
"Taking account of the available information, the Board judged that holding the stance of monetary policy unchanged at this meeting would be consistent with sustainable growth in the economy and achieving the inflation target over time."It added the line that "further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual," indicating that while it is growing increasingly confident that inflationary pressures are building, any pickup is likely to be modest in scale.

That suggests that while the bank thinks the next move in interest rates is likely to be higher, not lower, any increase in rates will be slow and unlikely in the near-term.On the inflation outlook specifically, the bank said it was "likely to remain low for some time, reflecting low growth in labour costs and strong competition in retailing".

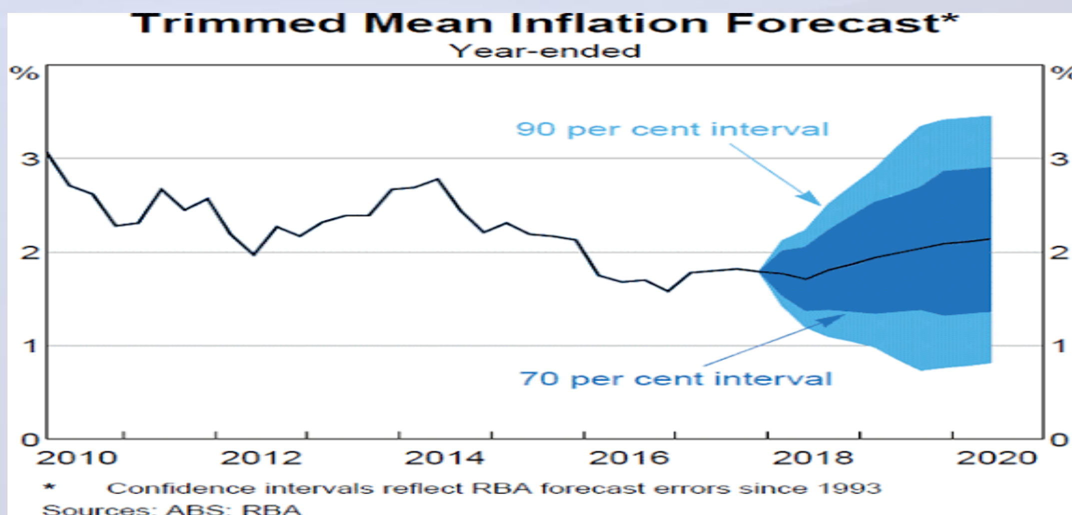
Despite the headwinds created by weak wage growth and intense competition in the retail sector, it said "a gradual pick-up in inflation is… expected as the economy strengthens".It added that it expects "CPI inflation to be a bit above 2% in 2018".

In its forecasts offered in November, the RBA had headline CPI rising to 2.25% by the end of the year. That suggests there's unlikely to be any major changes in its new forecasts when they are released in its quarterly Statement on Monetary Policy (SoMP).

Despite recent strength in the Australian dollar — something that puts downward pressure on import prices — the RBA refrained from talking down the currency, noting that the Aussie "remains within the range that it has been in over the past two years".



However, in a shot across the bows to those looking for further strength in the currency, it again warned that "an appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast". Suggesting that it will make few changes to its GDP growth in Friday's SoMP, it noted that growth was expected to pick up "to average a bit above 3% over the next couple of years". That's largely in line with its previous forecasts offered three months ago."The data over the summer have been consistent with this outlook," it said.



“Business conditions are positive and the outlook for non-mining business investment has improved. Increased public infrastructure investment is also supporting the economy.”Despite

recent strength in retail sales and consumer confidence, it again pointed out the fragility of Australia’s household sector — the engine room of the Australian economy.

“One continuing source of uncertainty is the outlook for household consumption,” it said, repeating the line from its December statement. “Household incomes are growing slowly and debt levels are high.”Like its assessment for the broader economy, its views on Australia’s labour and housing markets was similar to that communicated two months ago.

Following recent upgrades to growth from the IMF and other forecasters, the bank

offered a glowing assessment on the current state of the global economy.“There was a broad-based pick-up in the global economy in 2017,” it said. “A number of advanced economies are growing at an above-trend rate and unemployment rates are low. Growth has also picked up in the Asian economies, partly supported by increased international trade.”

On China, Australia’s largest trading partner, it described growth as “solid”, acknowledging that “authorities [are] paying increased attention to the risks in the financial sector and the sustainability of growth”. With global growth accelerating and labour market conditions continuing to strengthen, it also expressed confidence that this would “likely see inflation increase over the next couple of years”.Linked to the outlook for inflation, it expressed little concern about the recent spike in financial market volatility. “Long-term bond yields have risen but are still low,” it said. “As conditions have improved in the global economy, a number of central banks have withdrawn some monetary stimulus. “Financial conditions remain expansionary, with credit spreads narrow.”

There has been very little reaction in markets to the release of the February statement, underlining that much of the commentary was similar to that offered two months ago. The RBA thinks that Australian inflationary pressures are likely to build, but unless that occurs faster than what it currently expects, there’s little need to deliver a preemptive increase in rates.

INDHUMATHI R
II YEAR MBA

USAID-India End TB Alliance to eliminate TB announced

The **united states agency for international development** an independent agency of the united states federal government that is primarily responsibility for administration civilians foreign and development assistance. With a budget of over $27 billion, USAID is one of the largest official aid agencies in the world, and accounts for more than half of all U.S. foreign assistance—the highest in the world in absolute dollar terms.

Congress passed the Foreign Assistance Act on September 4, 1961, which reorganized U.S. foreign assistance programs and mandated the creation of an agency to administer economic aid. USAID was subsequently established by the executive order of President John F. Kennedy, who sought to unite several existing foreign assistance organizations and programs under one agency. USAID became the first U.S. foreign assistance organization whose primary focus was long-term socioeconomic development.

USAID's programs are authorized by Congress in the Foreign Assistance Act, which Congress supplements through directions in annual funding appropriation acts and other legislation. As an official component of U.S. foreign policy, USAID operates subject to the guidance of the President, Secretary of State, and the National Security Council. USAID has missions in over 100 countries, primarily in Africa, Asia, Latin America, the Middle East, and Eastern Europe.

Goals

USAID's mission statement, adopted in May 2013, is partner to end extreme poverty. To promote resilient, democratic societies while advancing the security and prosperity of the United States.

Disaster relief

Poverty relief

U.S. bilateral interests

Socioeconomic development

Some of the U.S. Government's earliest foreign aid programs provided relief in crises created by war. In 1915, USG assistance through the Commission for Relief of Belgium headed by Herbert Hoover prevented starvation in Belgium after the German invasion. After 1945, the European Recovery Program championed by Secretary of State George Marshall (the "Marshall Plan") helped rebuild war-torn Western Europe.

USAID manages relief efforts after wars and natural disasters through its Office of U.S Foreign Disaster Assistance in Washington D.C. Privately funded U.S. NGOs and the U.S. military also play major roles in disaster relief overseas.

Poverty relief

After 1945, many newly independent countries needed assistance to relieve the chronic deprivation afflicting their low-income populations. USAID and its predecessor agencies have continuously provided poverty relief in many forms, including assistance to public health and education services targeted at the poorest. USAID has also helped manage food aid provided by the U.S. Department of Agriculture. In addition, USAID provides funding to NGOs to supplement private donations in relieving chronic poverty.

USAID TODAY

Our objective is to support partners to become self-reliant and capable of leading their own development journeys. We make progress toward this by reducing the reach of conflict, preventing the spread of pandemic disease, and counteracting the drivers of violence, instability, transnational crime and other security threats. We promote American prosperity through investments that expand markets for U.S. exports; create a level playing field for U.S. businesses; and support more stable, resilient, and democratic societies. We stand with people when disaster strikes or crisis emerges as the world leader in humanitarian assistance.

USAID Formed

United States and India have formed 'USAID-India End TB Alliance comprising leading experts in public and private sectors to combat the menace of tuberculosis. It was announced by US Agency for International Development (USAID) administrator Mark Green at event in New York in presence of Union Health Minister J P Nadda.

USAID-India End TB Alliance

The alliance members include industry and civil society leaders, academics, scientists, innovators, investors, and members of the diasporas. The experts in the alliance will offer innovative approaches to combat tuberculosis in India. It two members include Dr. Soumya Swaminathan, Director General of World Health Organisation (WHO) and Blessina Kumar from Global Coalition of TB Activists. USAID will make initial US $30 million commitment, subject to approval of the US Congress.

Tuberculosis (TB)

TB is disease caused by bacteria "Mycobacterium tuberculosis" that most often affect the lungs. It spreads from person to person through the air. It commonly affects lungs but can also affect other parts of the body. It is the second biggest killer disease worldwide next only to HIV/AIDS. India accounts for about a quarter of the global TB burden. Worldwide India is the country with the highest burden of both TB and MDR (Multi-drug resistant) TB. It accounts for 27% of the world's TB cases; with 421,000 deaths per year i.e. one TB related death every minute. In March 2017, government had set aim elimination of TB in India by 2025.

RAJA PRIYADHARSHINI R

II YEAR MBA

Rupees depreciation

The mad rush for dollar by importers and currency speculators was halted temporarily after the central bank, Reserve Bank of India, aggressively intervened in the currency markets by selling dollars in both spot and forward markets to arrest the slide in the rupee.

if the rbi had not intervened in the currency markets on that day, the rupee might have breached the psychologically crucial mark of 70 to a dollar.

the rbi has not yet disclosed how much foreign exchange reserves were spent on that day, but market observers estimate that the rbi might have spent close to $2 billion in the forex markets to stem fall in rupee value.

after a gap of four years, the rbi increased the benchmark repo rate, the rate at which the central bank lends money to banks, to 25 basis points on 6th june, citing upside pressure on inflation due to rising crude oil prices which hit $80 a barrel in mid-may 2018. however, this move has not stopped the rupee from falling.

analysts predict a weaker rupee in the coming months. it is expected to remain in the 68-72 range against the us dollar during the year amid high oil prices, tightening of global liquidity, a strong dollar, and growing protectionist tendencies. analysts also predict one more policy rate hike by the rbi in the range of 25-50 basis points before the end of 2018.

Indian Rupee: Asia’s Worst Performing Currency

India is not the only emerging market economy (EME) facing excessive currency volatility. Other EMEs are also facing sharp exchange rate depreciation since the beginning of 2018.In particular, the Argentine peso and Turkish lira have depreciated drastically since April 2018. However, depreciation of the Indian rupee is higher than other Asian currencies (such as the Indonesian rupiah and Philippine peso) that have also witnessed rapid depreciation simultaneously. So far, the Indian rupee is the worst-performing currency in Asia as it has depreciated nearly 8 percent since the beginning of 2018. India follows a managed floating exchange rate system under which the exchange rate is largely determined by market forces. The RBI maintains that it does not target a pre-specified level or band for rupee exchange rate, but it occasionally intervenes in the foreign exchange market to stem the excessive volatility

A depreciating rupee along with higher oil prices would prove to be a double whammy for the Indian economy. India is the world's third-biggest oil consuming nation after the US and China. At present, India imports about 82 percent of its crude oil consumption. Notwithstanding official pronouncements, little efforts have been made in the past two decades to reduce dependence on oil imports by boosting domestic oil exploration and production. As a result, the country's dependence on oil imports is increasing day by day. Crude oil is the largest import bill for IndiaSince April 2018, international crude oil prices have surged in response to production cuts undertaken by OPEC, the rise in geopolitical tensions in Asia, and economic sanctions imposed on Iran by the US. With Brent crude oil prices currently hovering around $74 a barrel, it will worsen India's current account deficit besides stoking high inflation. In addition, the country's fuel subsidy bill will increase, thereby adding to fiscal pressures and forcing the government to curtail social sector spending. If the government asks state-owned oil firms to share the fuel subsidy burden, it will directly affect the profitability of these firms.

The rupee depreciation should also cause worry to India Inc. due to their unhedged currency exposure. Although the exact data on the use of hedging against currency risks by Indian corporates is not available, a study by India Ratings found that only 36 percent of the top 100 corporations with overseas borrowings are hedged for currency risks.

The Need for International Cooperation

Needless to add, India should improve its macroeconomic fundamentals. In addition to keeping one's house in order, India should actively engage and lead discussions on addressing the shortcomings of current international monetary and financial arrangements through international cooperation. The current scenario demands international policy coordination to safeguard global financial stability.

International policy coordination can occur at various fora including G20. Being a founding member of the G20, India should put these issues on this forum's policy agenda. India can enlist support from other G20 member-countries – especially Argentina, Turkey, Brazil, and Indonesia – that are currently facing similar financial risks. The upcoming meeting of G20 finance ministers and central bank governors later this month in Buenos Aires offers an opportunity that should not be missed by New Delhi.

MANIGANDAN L
II YEAR MBA

India’s debt lower than best, emerging market economies: IMF

India's debt is lower than the best or emerging market economies in the world, a top IMF official has said as he cautioned that the global debt has reached a new record high of $182 trillion in 2017.Vitor Gasper, International Monetary Fund (IMF) Director of Fiscal Affairs Department, said India's debt was substantially less than the global debt as percentage of world Gross Domestic Product (GDP).

In India, private debt in 2017 was 54.5 per cent of the GDP and the general government debt was 70.4 per cent of the GDP, a total debt of about 125 of the GDP, according to the latest IMF figures. In comparison, debt of China was 247 per cent of the GDP.

"So, it (India's debt) is substantially less than the global debt as percentage of world GDP," Gasper told media sources. India's debt is below the average of advanced economies and below the average of emerging market economies, he said.

"There is a positive relation between the debt to GDP ratio and the level of GDP per capita. If you compare around the world with the best economies or emerging market economies, the level of debt in India is lower," the top IMF official said.

The IMF is very much stressing that global debt at $182 trillion in 2017 is at a new record high, he said. Debt in advanced economies, since the global financial crisis, has increased quite substantially while the private sector has been very gradually leveraging, he added.

"If you look at emerging market economies, that includes India, you see that private debt in the last 10 years has increased quite substantially, although in the last two years, since the end of 2015, 2016 and 2017, there is a slowdown in the process of leveraging, but debt is very high and public debt is a very high as well," Gasper said.

In the last few years in India private debt has declined from almost 60 per cent to 54.5. "So, it's very stable. So, what you do see is that emerging market economies

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In the last few years in India private debt has declined from almost 60 per cent to 54.5. "So, it's very stable. So, what you do see is that emerging market economiestold a news agency. In the last few years in India, private debt has declined from almost 60 per cent to 54.5.In emerging market economies, private debt has risen much faster than public debt. China had substantial government assets, reflecting years of high infrastructure investment, he said. These assets are larger than its liabilities, putting net worth—the difference between assets and liabilities—well above 100 per cent of the GDP, the highest among emerging economies, he added.

The economy of the world is in doldrums amid intensifying trade tariff war added with surging crude prices. Recently, the International Monetary Fund (IMF) cut the global growth outlook for both fiscal 2018 and fiscal 2019. Here comes in a good news for India - the IMF top official confirmed that the country's debt is lower than the best in the world.

India is one of the emerging markets in the world. The country is currently witnessing an economic slowdown owing to a rise in crude prices which has ballooned its current account deficit for fiscal 2018 to touch a staggering $187.8 billion. Added to this the diminishing value of Indian currency has further shadowed the economic growth parameters. Vitor Gasper, the Director of the Fiscal Affairs Department in IMF stated that India's debt was substantially less when compared to the global debt as a percentage of world Gross Domestic Product (GDP). The private debt of the country in 2017 was 54.5% of the GDP and the general government debt stood at 70.4% of the GDP, a total debt of about 125 of the GDP, as per the latest IMF figures. In contrast, China's debt stands at 247 percent of the GDP. Mr Gasper noted 'So, it is substantially less than the global debt as a percentage of world GDP'. He also added that India's debt is below the average of advanced economies and below the average of emerging market economies. The top IMF official said that "There is a positive relation between the debt to GDP ratio and the level of GDP per capita. If you compare around the world with the best economies or emerging market economies, the level of debt in India is lower." Currently, as per the IMF report, the global debt stands at a new record high of $182 trillion in 2017. The private debt in India has substantially declined from almost 60 percent to 54.50 percent. According to Gasper, in emerging market economies private debt has risen much faster than public debt.

MANIGANDAN L
II YEAR MBA

October 2018

Indian oil price

India, the world's third-biggest oil consumer, Wednesday pressed OPEC to move to responsible pricing of oil and gas saying the recent spike in rates are far detached from market fundamental and are hurting importing nations.

A combination of crude oil climbing to four-year high and rupee dipping to its lowest level against US dollar has sent retail petrol, diesel and cooking gas (LPG) rates to record high. The relentless price rise has wiped away tax cuts done by the government to give relief to consumers.

"(I) met OPEC Secretary General Mohammed Sanusi Barkindo at the 3rd India-OPEC Energy Dialogue (and) raised the issue of surging crude prices which is hurting oil importing countries like India. sought responsible pricing, which is in the best interests of both producers and consumers," India imports over 83 per cent of its crude oil needs. Of the crude oil imported, about 85 per cent of comes from OPEC nations. Also, 80 per cent of gas imports come from those countries. ..

India believes OPEC has a major role in shaping oil prices and availability and the current high oil prices dent the economic development of many countries and threaten salready fragile world economic growth.

Pradhan said he also expressed concerns on global trade practices limiting the affordability .Barkindo, he said, reaffirmed India as an extremely important partner for OPEC and called for further strengthening India-OPECrelationship

.

"He said OPEC will help to develop it as a model for developing countries," Pradhan said. The OPEC secretary general said Saudi Arabia, the world's largest oil exporter and the organisation's kingpin, has assured that it is "committed, capable and willing" to ensure there will be no shortage in the oil market.

The government had on October 5 cut excise duty on petrol and diesel by Rs 1.50 per litre and asked oil PSUs to subsdise the two fuel by another Re 1. The twin move resulted in

retail rates being cut by Rs 2.50 per litre. However, the relentless price hike has wiped away all cut benefits on diesel and most on petrol.

While there was no change in prices on Wednesday, petrol in De .. petrol in Delhi costs Rs 82.83 per litre and diesel is priced at Rs 75.69.

The Determinants of Oil Prices

With oil's stature as a high-demand global commodity comes the possibility that major fluctuations in price can have a significant economic impact. The two primary factors that impact the price of oil are:

- supply and demand
- market sentiment

The concept of supply and demand is fairly straightforward. As demand increases (or supply decreases) the price should go up. As demand decreases (or supply increases) the price should go down. Sound simple? (For background reading, see "Economics Basics: Demand and Supply.")Not quite. The price of oil as we know it is actually set in the oil futures market. An oil futures contract is a binding agreement that gives one the right to purchase oil by the barrel at a predefined price on a predefined date in the future. Under a futures contract, both the buyer and the seller are obligated to fulfill their side of the transaction on the specified date.

The following are two types of futures traders:

- hedgers
- speculators

An example of a hedger would be an airline buying oil futures to guard against potential rising prices. An example of a speculator would be someone who is just guessing the price direction and has no intention of actually buying the product. According to the Chicago Mercantile Exchange (CME), the majority of futures trading is done by speculators as less than 3% of transactions actually result in the purchaser of a futures contract taking possession of the commodity being traded.

The other key factor in determining oil prices is sentiment. The mere belief that oil demand will increase dramatically at some point in the future can result in a dramatic increase in oil prices in the present as speculators and hedgers alike snap up oil

futures contracts. Of course, the opposite is also true. The mere belief that oil demand will decrease at some point in the future can result in a dramatic decrease in prices in the present as oil futures contracts are sold (possibly sold short as well), which means that prices can hinge on little more than market psychology at times.Unlike most products, oil prices are not determined entirely by supply, demand and market sentiment toward the physical product. Cyclical trends in the commodities market may also play a role. Regardless of how the price is ultimately determined, based on its use in fuels and countless consumer goods, it appears that oil will continue to be in high demand for the foreseeable future.

SHYAMKUMAR S

II YEAR MBA

IFLS CRISES

IL&FS Ltd, or Infrastructure Leasing & Finance Services, is a core investment company and serves as the holding company of the IL&FS Group, with most business operations domiciled in separate companies which form an ecosystem of expertise across infrastructure, finance and social and environmental services. A brain child of the late MJ Pherwani, IL&FS was founded in 1987 with equity from Central Bank of India, Unit Trust of India and Housi ..

How did IL&FS Crisis start?

One needs to understand where exactly IL&FS Crisis got initiated.

1) IL&FS would take a short term financing and provides long term funding to projects. There was the "Risk Management team" within the company which was supposed to do "risk assessment" frequently due to such unique business model. However, Risk Management team has not met in the last 4 years from 2015-2018 even once.2) The company has shown Rs 2,670 Crores losses for FY2018 which raised eyebrows of stock market experts.3) IL&FS has defaulted nonconvertible debenture (NCD) Bond payments.

4) IL&FS has defaulted DSP Credit Risk Mutual Fund commercial papers. These were rated as AAA. Due to default of payment, DSP Mutual Fund was under pressure for redemptions from corporate clients. It cannot sell Govt bonds as the yield was high.

5) IL&FS has started defaulting to several commercial papers and repayment of loans to mutual fund houses, corporates and banks..

How IL&FS went into Crisis mode in the last 4-5 months?

Here is the series of incidents on how IL&FS went into Crisis. 1) IL&FS was having huge outstanding debt of Rs 91,000 Crores out of which Rs 57,000 Crores are to Public Sector Banks.

2) In Jul-18, IL&FS subsidiary IL&FS Transport has delayed Rs 450 Crores of repayment to SIDBI. This is where the IL&FS Crisis started.

3) ICRA and CARE started downgrading the ratings due to these payment defaults.

4) In Jul-18 end, its founder and Chairman Mr.Ravi Parthasarathy has stepped down citing health reasons. Mr.Hemanth Bhargva, LIC MD joined as non executive chairman during that time.

5) In Aug-18, it has again defaulted 2 commercial papers to mutual fund AMCs and then later paid in 2 days late.

6) In Early September, IL&FS defaulted Rs 1,000 Crores loan repayment to SIDBI. It has defaulted several times during September for various loan repayments.

7) ICRA, CARE and BWR has downgraded its ratings to "default" or "junk". This is the worse of such ratings. RBI has initiated special audit about this company.

8) 15th September, Former LIC Chairman, Mr.SB Mathur has taken charge as Chairman of IL&FS.

9) SEBI has intervened very late in this case. Two weeks back it said it would look into this matter and assess risk on various mutual fund schemes.

10) In 21st September DSP Mutual Fund has sold DHFL Commercial Papers as it cannot sell Govt Bonds due to pressure from corporate clients.

11) Last week of September, RBI has raised concerns about IL&FS company management and met its top shareholders.

12) On 1st October, NCLT has allowed Govt of India to take control of the company and its matter. Govt of India has sacked its board. Its new board will have, Uday Kotak, former IAS officer & Tech Mahindra boss Vineet Nayyar, former Sebi chief G N Bajpai, former ICICI Bank chairman G C Chaturvedi, former IAS officers Malini Shankar and Nanda Kishore.

What are the actions taken now by SEBI/RBI/Govt of India

I can say all have failed for more than 4 months in assessing this crisis. One couldnot imagine the crisis of Lehman in 2008 now being occurred in India. Now based on direction from NCLT, Ministry of Corporate Affairs has taken over the control of the board and sacked its existing board of directors. This is swift reaction now in the last 3-4 days. Similar rescue was done for Satyam Computer Services which was hit by Scam.

Is IL&FS Crisis or a Scam?

. With elections coming in 2019, politicians would ensure that stock markets are up in 2019. One need to carefully watch for next 3 months Mutual Fund investors who are investing in Mutual Fund Schemes would be the biggest losers. Mutual Funds are investing in commercial papers, NCDs, Corporate Deposits with such companies in large size. With such companies defaulting or delaying payments, mutual fund schemes may expect redemption pressure and they may not be able to honour redemptions on time. Investors of stock markets are also the biggest losers. Stock markets already tumbled in the last 2 weeks. Many infra company stocks have fallen up to 60% of its share prices. IL&FS Transport, IL&FS Investment Managers, IL&FS Engineering, DHFL, Indiabulls real estate, YES Bank, Reliance Infra has taken a big beating in their stock prices in the last 2-3 weeks. Due to news about take over by Govt of India IL&FS group companies have gained in the last trading session.If Govt of India would not have taken the control of IL&FS board, entire Indian mutual fund industry would have been collapsed.

SHYAMKUMAR S

II YEAR MBA

Inflation Targeting pros and cons

Inflation Targets

Inflation targeting means Central Banks are responsible for using monetary policy to keep inflation close to the agreed target (usually around 2%).Since the mid-1990s, inflation targeting has become widely adopted by developed economies, such as UK, US, and the Eurozone. Inflation targets were introduced to help reduce inflation expectations and help avoid the periods of high inflation which destabilised economies in the 1970s and 80s. However, since the recession of 2008, economists have begun to question the importance attached to inflation targets and are worried that a strict commitment to low inflation can conflict with other more important macroeconomic objectives.UK. The Bank of England has an inflation target of CPI = 2% +/-1. They also have a remit to consider wider macroeconomic issues such as output and unemploymentThe ECB has a target to keep inflation below, but close to, 2%The US Federal Reserve has a dual target to keep long-term inflation at 2% and maximise employment.

Benefits of Inflation Targets

Credibility / Expectations. If an independent Central Bank makes a commitment to keep inflation at 2%, people will tend to have lower inflation expectations. Low inflation expectations make it easier to keep inflation low. It becomes a self-reinforcing cycle – if people expect low inflation, they don't demand high wages; if firms expect low inflation, they are more conscious of increasing prices. WIth low inflation expectations, smaller changes in interest rates can have a bigger effect.

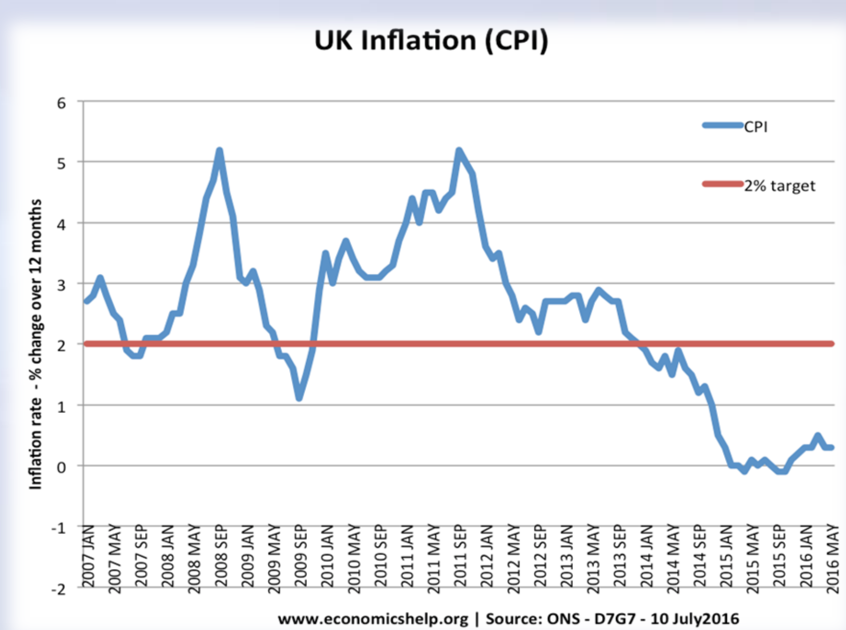
Avoid Boom and Bust. The UK economy has suffered from many 'boom and bust' economic cycles. We had a period of high inflationary growth, which later proved unsustainable and led to a recession. An inflation target places a greater discipline on monetary policy and prevents monetary policy becoming too loose – hoping there has been a 'supply side miracle. **Costs of Inflation**. If inflation creeps up, then it can cause various economic costs such as uncertainty leading to lower investment, loss of international competitiveness and reduced value of savings.

By keeping inflation close to the target, it avoids these costs and provides a framework for sustained economic growth. See: Costs of inflation for more details

Clarity. An inflation target provides clarity for monetary policy. Alternatives have been tried with less success. For example, in the early 1980s, monetarism suggested trying to target the money supply – but this indirect targeting of inflation proved limited as the link between the money supply and inflation was weaker than expected

Problems with Inflation Targets

Cost-push inflation may cause a temporary blip in inflation. Just before the recession of 2009, the UK experienced cost-push inflation of 5% due to high oil prices. To target 2% inflation would have required higher interest rates, which leads to lower growth. Some economists argued interest rates should have been cut earlier, and inflation targets were a reason for the delayed easing of monetary policy.



To some extent, the UK and US are willing to tolerate temporary deviations from the inflation target. The Bank of England allowed inflation to be above target during 2009-2012 because it felt the inflation was temporary and the recession was more serious.

However, the ECB have shown greater inflexibility and unwillingness to tolerate temporary blips in inflation. For example, in 2011 the ECB increased interest rates, despite low growth because they were concerned about inflation. The ECB then struggled with deflationary pressures.

2. Central Banks start to ignore more pressing problems. The ECB set monetary policy to keep inflation in the Eurozone on target. Yet, by targetting inflation, they appeared to be downplaying the costs of rising unemployment. In 2011/12, the ECB Inflation above target can impose costs on the economy such as uncertainty, loss of competitiveness and menu costs, but arguably these costs are much less significant than the social and economic costs of mass unemployment. Unemployment in Spain reached 25%, but there was little monetary stimulus in the Eurozone because the ECB is worried about inflation at 2.6% – This is giving low inflation too much priority in times of a recession.

3. Sometimes you need a higher inflation rate. This point is controversial, but in a liquidity trap, some economists, such as Paul Krugman argue that it can be necessary to target a higher inflation rate – to help overcome deflationary pressures. For example, in 2012, Germany had a current account surplus of 6%. Yet, Southern European countries had a large current account deficit and lack of competitiveness. To restore competitiveness, Southern European countries are pursuing deflationary policies which are risking recession and deflation. If Germany had higher consumer spending and higher inflation, then this would make the readjustment process in the Eurozone less painful.

4. Inflation targets are limited. After the 1992 recession, the UK had a long period of economic expansion and low inflation. This suggested inflation targeting was very successful in avoiding inflationary booms. To some extent this was true. However, the low inflation disguised an asset and banking boom and bust. This isn't so much a criticism of inflation targeting, but it is a clear limitation. Low inflation doesn't mean the economy has an underlying stability.The ECB argued that if they change their inflation target, they will lose credibility. But, this indicates they feel inflation is the main criteria for judging monetary policy. There also needs to be credibility in reducing unemployment and promoting economic growth.

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INDHUMATHI R

II YEAR MBA

India could face high inflation, low growth

The Reserve Bank of India's (RBI) bi-monthly monetary policy announced on April 5 maintained a status quo on rates but it contains a strange contradiction. This time, the RBI has projected Consumer Price Index-based inflation or CPI inflation to follow a downward trend and remain in the 4.7%-5.1% band. In February, however, the Monetary Policy Committee (MPC) of the central bank had forecast that the CPI will be in the 5.1%-5.6% range for the first half of 2018-19.

Having lowered inflation expectations, the RBI has raised its GDP growth projections by 80 basis points (bps) to 7.4% from 6.6%.

Here lies the puzzle

The growth-inflation tradeoff is a well-known paradigm. The Philips curve explains this tradeoff beautifully. The Phillips curve is an economic theory by A. W. Phillips which says that inflation and unemployment have a stable and inverse relationship. The concept posits that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment.

But an ET online analysis shows India will probably witness a higher inflation and lower growth scenario.

Why inflation could see an upward trajectory

The era of oil-price declines seems to be over, at least for the time being. India continues to import 80% of its crude demand and rupee has a weakening bias, keeping landed costs of fuel high. In CPI, which is the anchor for monetary policy, fuel products have a weight of almost 3% (the fuel and light combined has 7%) and this will measure the direct impact of a hike in fuel price. A 10% increase in fuel costs, for instance, will thus push up CPI inflation by almost 25 bps, ceteris paribusThere is an indirect impact also by way of a cascading effect through the transportation segment, which adds another 15 bps or so to the CPI.

Meanwhile, the trajectory of food inflation is not yet clear. This is the largest component in the CPI basket with food and beverages constituting 54%. The MPC has admitted upside risks to inflation due to the Union Budget announcement of a 1.5-fold hike in MSP for farm produce. Moreover, the baseline assumption now is that monsoon prospects are good. But what if spatial and temporal distribution turns bad? This remains unanswered. In addition, one must be wary of the statistical phenomenon called the 'base effect. Average CPI inflation for April 2017-February 2018 was 3.52%. The low base will cause an upside to inflation, in addition to risks emanating from oil-price shocks and exchange-rate pass through.

Rupee depreciation will play a role The rupee exchange rate is another variable that needs to be considered. Latest data shows the real effective exchange rate of the rupee (REER) against dollar (exchange rate adjusted for inflation) is at 101.28. The implication is rupee overvaluation of at least 1.28% at the current juncture. When landed costs of imports rise due to rupee depreciation, it brings forth imported inflation, and the quantum depends on the composition of those items in the CPI and wholesale price index (WPI) basket.

The end result: High inflation, low growth In all probability, inflation will be higher rather than lower as the RBI is expecting. It is more likely to print closer to the 5.1% to 5.6% range rather than below 5%. With inflation likely to read above 5% next year, an 80 bps upward revision to growth looks too optimistic.investible surplus, and acts as a drag on growth. For the present, it looks like a high-inflation, low-growth scenario.

INDHUMATHI R

II YEAR MBA

NBFC crisis

INTRODUCTION

What seemed to be a debt default by a single large non-banking financial company (NBFC)Infrastructure Leasing and Financial Services (IL&FS)has assumed such large proportions that it threatens to derail the entire sector and throw into jeopardy a clutch of companies involved in asset financing and personal loans. The crisis in India's NBFCs, triggered by the IL&FS debacle, has taken centrestage in the economic debate even as the tussle between the Union government and the Reserve Bank of India (RBI) on a host of issues, including refinancing for NBFCs, is heading for a climactic showdown at the central bank's next board meeting scheduled on November 19.

The threat looms large, but sources indicate that the panic buttons haven't been pressed yet on India's thriving EMI economy which funds everything from cars to homes to gold purchases in manageable equated monthly installments, and even small businessesand there's optimism that the RBI will come up with new ways to pump more money into NBFCs. NBFCs are currently not only in a crisis of liquidity but also of confidence, says Abizer Diwanji, partner (financial services) at consulting firm EY India.

The RBI has since tightened regulations and now, depending on who you speak with, you are warned or comforted about the state of NBFCs. These institutions work on short-term credit and nearly Rs 1.5 lakh crore is up for redemption this month. There is a clamour for the RBI to bail out the NBFCs. As Nilesh Shah, managing director of Kotak Mahindra Asset Management Company, says, If a child jumps off the first floor, will you help the child heal first or slap him? Now is the time to bandage the child, then you can rap him.

How the crisis unfolded

ike every other business, NBFCs have short-term and long-term cash requirements. They take long-term loans from banks as well as institutions by raising debentures. These loans mature, and additional loan disbursements need to take place. NBFCs' asset liability management is tougher than of banks, says Diwanji. They don't necessarily match cash flows and there are always gaps. They don't have fixed period receivables and fixed period payables, unlike banks who have

savings accounts, which is floating cash. As part of their regular business, these NBFCs keep borrowing short-term money through commercial papers (CPs) of three or six months from mutual funds. With the IL&FS default, some mutual funds were left cash-strapped. With the stock market going down, there have been more withdrawals from mutual funds. They have been trying to curtail more and more cash, and hence not giving out CPs, adds Diwanji. This choked NBFCs of funds, and their disbursements slowed down. Growth suffered and owing to liquidity fears, the stock prices of these firms took a hit. Companies then began to sell subsidiaries to raise cash.Shah says the banking system needs Rs 90,000 crore more to maintain its liquidity. And some NBFCs could be in trouble because of an asset-liability mismatch, where short-term funding is used to finance long-term assets. It will be stupid to assume that the entire Rs 28 lakh crore will be impacted, says a Mumbai-based analyst. While the government presented a grimmer picture, an RBI source clarified that system wise, there is excess liquidity

CONCLUSION

Even as the RBI and the government fight it out, several issues, including easier norms and more liquidity for small and medium enterprises, easing of norms for non-performing assets (NPAs) and getting banks out of the PCA framework, and a special window for NBFCs are expected to be on the agenda for the November 19 meet. I don't think the RBI will lend against portfolio directly, but it can give a liquidity window to banks to acquire higher portfolios from NBFCs, given that banks have a better understanding on how to manage and monitor those portfolios. They may also make an exemption for banks under the PCA framework. These measures can provide some relief to NBFCs and keep the EMI economy alive and kicking, say experts.

The State Bank of India has offered to bail out liquidity-starved NBFCs with its proposal to buy from them quality assets worth Rs 45,000 crore. Earlier, SBI had planned to buy only assets worth Rs 15,000 crore.That's not the case with NBFCs, as the lending would happen against their own portfolios, and hence the risks. Although this makes the job of the RBI a lot tougher, it has no way out but to come up with a plan to address the NBFC crisis, considering its scale and impact.

SANJEEVNATHAN M

II YEAR MBA

The recent tussle between the RBJ and the government points out to the delicate balance rbi has to maintain in its functioning

INTRODUCTION

In this days RBI and central Government facing tussle. This is something which happen from long time.RBI have taken many decision to tackle NPA , inflation and to handle rupees depression faced by country. This is one of the RBI responsibility to handle indian Economy. Some major action are.

- **Prompt Corrective Action (PCA)**: Putting public sector banks in this list to stop more NPA by banks. Banks can't lead more loan.**Power sector** in NPA list **Capital demand from center** : Center asking more capital for market because market facing issue with IL & FS crisis and NBFC (Non-banking financial institution) with less capital to lead.

Issue with Center and RBI ?

Center want banks to be remove from PCA, Power sector from NPA list so they can do more business, and more money to land in market but RBI refused because he want to control big NPA issue and don't wan't to land more money in market to create fresh NPA.

So Center want to use RBI act Section 7?

Which allow center to by pass RBI request and do what ever center want from RBI to do. Section 7 says that RBI is autonomous but within the framework of RBI act, it is clear that RBI is not absolute autonomy.

Recently, two majors organs of same body RBI & The Government of India has been gone through a autonomy fight

.Issues of contradiction

1. Govt of India want RBI to push for prompt corrective action of NPA or bad loans .

2 .Govt of India want tight liquidity. Currently RBI is regulating the monetary policy whereas GOI is regulating the fiscal policy.

3. Govt of India want self regulations on printing of currency , manages the inflation rates. etc.

Conclusion

Section 7 of RBI act, which will says RBI opinion and decision is not value.As finally what ever decision come at last but should be in favor of india economy. Both power should not loss is credibility due to some conflict.

SANJEEVNATHAN M

II YEAR MBA

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kotak mahindra challenges – rbi decision on preference share

Private sector lender Kotak Mahindra has locked horns with the Reserve Bank of India (RBI) over dilution of promoter stake in the bank. The bank on Monday moved the Bombay High Court challenging the RBI decision rejecting its share sale announced in August.

What RBI told Kotak Mahindra Bank The promoter Kotak family owns over 30 per cent in the bank and has to reduce it by a little over 10 percentage points by December 31 to take it under 20 per cent as directed by the RBI. The central bank had asked promoters to bring down their stake to under 20 per cent by December 30, 2018, and to 15 per cent by March 2020, and then under 10 per cent later on in line with the guidelines for new bank licences released four years ago.

What Kotak did In August, Uday Kotak sought to lower his stake to 20 per cent, as stipulated by the RBI, by selling non-convertible perpetual non-cumulative preference shares (PNCPS) to a group of investors. His family's stake was pared down to 19.70 per cent from about 30 per cent following issuance of preference shares.

Why RBI disapproved A few days later, the RBI objected to the tool used by Kotak to dilute his promoter stake in the bank. The sale, according to RBI, would not actually be a dilution of stake. According to analysts, the sale didn’t meet requirements as the preference shares are classified as AT1 or Tier 1 bonds according to the Basel III classification but are not part of common stock held by a bank, or equity capital, and hence won’t result in dilution of control, which is the intent of the central bank rule. But the bank conveyed to the RBI its position that the PNCPS was a part of paid-up capital and the legal basis on the matter of dilution of shareholding under the Banking Regulation Act.

What now? According to the Banking Regulation Act, the capital includes equity and preference. Kotak Mahindra had taken views from eminent lawyers and unanimously got the view that the Act allows equity dilution through preference share sale, without

GREESHMA K U

II YEAR MBA

Rupee falls 59 paise to 71.40 against us dollar in early trade

The rupee depreciated 59 paise to 71.40 against the US dollar in early trade Monday at the interbank foreign exchange amid strengthening US dollar against some currencies overseas.

Forex traders said besides increased demand of the US currency from importers, the dollar's strength against some currencies overseas weighed on the rupee.

The rupee opened lower at 71.28 against the dollar and dropped further to 71.41, 59 paise down over its previous close.On Friday , the domestic currency recuperated by 8 pise to close at 70.82 gainst the US Dollar. Traders ssid a lower opening in domestic equity market , rising crude prices and foreign fund outflows put additional pressure on the local unit.The 30 share BSE Sensex plummeted 551.74 points, or 1.55 percent , to 35,121.51 in opening session. Global crude oil prices rose after Opec members and 10 other oil producing naions agreed Friday to cut output by 1.2 million barrels a day in a bid to boost prices. Energy ministers reached the deal , which takes effect from January 1 but has already sent prices surging on oil marketsafter two days of talks at Opec headquarters in Vienna.

Brent crude , the international benchmark , was trading 0.68 percent up at USD 62..09 per barrel. Meanwhile , foreign funds pulled out Rs.817.40 crore from the capital market on a net basis, while domestic institutional investors bought shares worth Rs.242.56 crore Friday , provisional data showed.

GREESHMAKU

II YEAR MBA

Inflation slows to 5.1% in December 2018

Inflation averaged 5.2 percent in 2018 from 2.9 percent in 2017 and exceeded the BSP's two to four percent target range due to higher oil and food prices as well as the weak peso.

MANILA, Philippines — With the rise in food and transport costs slowing, inflation last month eased to 5.1 percent from six percent in November.

Data released by the Philippine Statistics Authority (PSA) showed the smallest rise in the consumer price index in seven months, cheering investors after five straight rate hikes last year raised the risk of slower economic growth.

Malacañang said there is no room for complacency despite the improving inflation figure. "The President and this administration will not fall into complacency in balancing the country's overall economic progress and alleviation of our people's distress to inflation," presidential spokesman and chief legal adviser Salvador Panelo said in a statement yesterday.

"Filipinos can expect that we will remain vigilant as we continue to monitor the prices of basic goods and commodities and implement measures to further ease the burden of our countrymen," he added.

Bangko Sentral ng Pilipinas (BSP) officer-in-charge Diwa Guinigundo said the supply-driven inflation trend in 2018 turned out to be short-lived as shown by the negative month-on-month inflation rate in December.“With seasonality, month-on-month inflation for December 2018

stood at -0.6 percent while deseasonalized series shows month-on-month inflation rate of -0.4 percent,” he said.He added the annual impact of the implementation of Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) law was less then one percentage point and is diminishing.

Inflation averaged 5.2 percent in 2018 from 2.9 percent in 2017 and exceeded the BSP’s two to four percent target range due to higher oil and food prices as well as the weak peso.

Core inflation eased to 4.7 percent in December from 5.1 percent in November, suggesting that demand pressures have not significantly built up.

“As we indicated previously, the uptick in core inflation was rather an aberration “But government must not let down its guard in monitoring unscrupulous sales practices and overpricing of food, gas, diesel and other basic commodities,” Angara said.

Sen. Paolo Benigno Aquino IV earlier warned the government is starting the year on the wrong foot by pushing through with the second round of tax hikes, saying it may worsen the burden of high prices on the Filipino people.

“The best New Year’s resolution for the country is to lessen the burden of our people,” said Aquino, who voted against the ratification of TRAIN.He said he hoped the government would

defer the implementation of the second tranche of excise tax on fuel until inflation normalizes or until prices of food and other goods go down.Rep. Michael Romero of party-list 1-Pacman said the government should sustain its gains in taming inflation. "The Revised Agricultural Tariffication Act must be swiftly implemented, rental rates on housing units for the poor and middle class and business space for small entrepreneurs must be tamed and more safety nets are needed fast," he said. He said with world oil prices at low levels, "it is now time to build the country's national strategic fuel reserves to shield all Filipinos from crude price hikes."

Romero, an economist, warned the administration's economic managers that the combined effects of the recent typhoon and the second round of increase in fuel taxes could worsen inflation again. "Let us learn from the lessons of 2018. Inflation continues to be elevated in many provinces. The goal is to bring down inflation to below four percent," he said. Another congressman, Carlos Zarate of Bayan Muna, said the administration should not crow about the easing of inflation to 5.2 percent last month from a high of 6.7 percent in September-October.

"The aggressive monetary tightening the BSP implemented from May to November was therefore aimed only at ensuring that the supply shocks from more than 60 percent increase in oil prices and the significant inflation rates of rice, fish, meat and vegetables did not evolve into sharp gains in wages, transport fares and prices of other services," Guinigundo added. "What was also pivotal in the anti-inflation efforts was the decisive action of the government to immediately undertake non-monetary measures, including the liberalized importation of key commodities including rice, fish, meat and sugar," he said.

Excise tax suspension

Senators, meanwhile, renewed their call for Malacañang to suspend the second round of increases in fuel excise taxes that took effect on Jan. 1 despite forecasts inflation will further slow down this year.He said 5.2 percent is almost twice the 2.9-percent increase in prices in 2017. "The 5.2-percent national average for 2018 is much higher than the projected 2-4 percent by the economic managers when they pushed for the passage of the TRAIN law," he said. Zarate added that the public should brace for another round of increases in inflation due to higher fuel taxes this year. – Paolo Romero, Jess Diaz, Edith Regalado

SUVETHA S

II YEAR MBA

RBI monetary policy meet today: 5 key points to know before announcement

HIGHLIGHTS

- The RBI is expected to keep key repo rate unchanged
- It is expected to change its stance to neutral
- RBI will be looking to address liquidity woes of banks
- The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) is expected to keep key lending rate unchanged at 6.5 per cent at its fifth bi-monthly monetary policy review in the year, on Wednesday (December 5).

The Monetary Policy Committee (MPC) will meet from December 3 to 5 for the fifth bi-monthly monetary policy statement for 2018-19. The resolution of the MPC will be placed on the website at 2.30 pm on December 5, 2018, the central bank said on its website. Despite easing inflation, the RBI is expected to maintain status quo on key repo rate, which is the rate at which the central bank lends money to commercial banks. The MPC increases or reduces the repo rate after taking into account factors, such as inflation and economic growth.

It is worth mentioning that the RBI, in its last bi-monthly meet in October, kept rates unchanged after two consecutive hikes starting June. The December policy review meet holds importance considering the recent differences between the RBI and government over fund infusion to support growth.

The meeting will also determine other key issues like the transfer of surplus funds to the government (every year, the central bank transfers surplus profits to the government as per the RBI ACT). Analysts on Dalal Street suggest that the central bank will not let its guard down despite inflation remaining below target. On the other hand, the RBI may infuse confidence on the liquidity front in the market.

In all likeliness, the RBI is expected to change its stance from calibrated tightening’ to neutral. In a neutral stance scenario, the RBI can be expected to either hike repo rate or reduce it in comparison to calibrated tightening where a reduction in rates is unlikely.

The central bank may also announce key measures to on fund infusion to fill the liquidity void created due to loan defaults to the tune of Rs 91,000 crore by infrastructure financing major IL&FS. Several market analyst firms have also shown concern over the recent liquidity crisis as the money market deficit may climb to Rs 1,44,000 crore in December, creating a panic situation for small and medium scale industries. As the six-member committee, headed by RBI Governor Urjit Patel, prepares to announce key rates.

Change in policy stance likely

The RBI is expected to change its tone or policy stance from calibrated tightening to neutral, considering an ease in inflation and moderation on global economic front. The rupee has also appreciated since the last meeting, which paves the way for RBI to change its stance. Economists have also ruled out the possibility of a restrained stance this time.

Commentary on liquidity issue

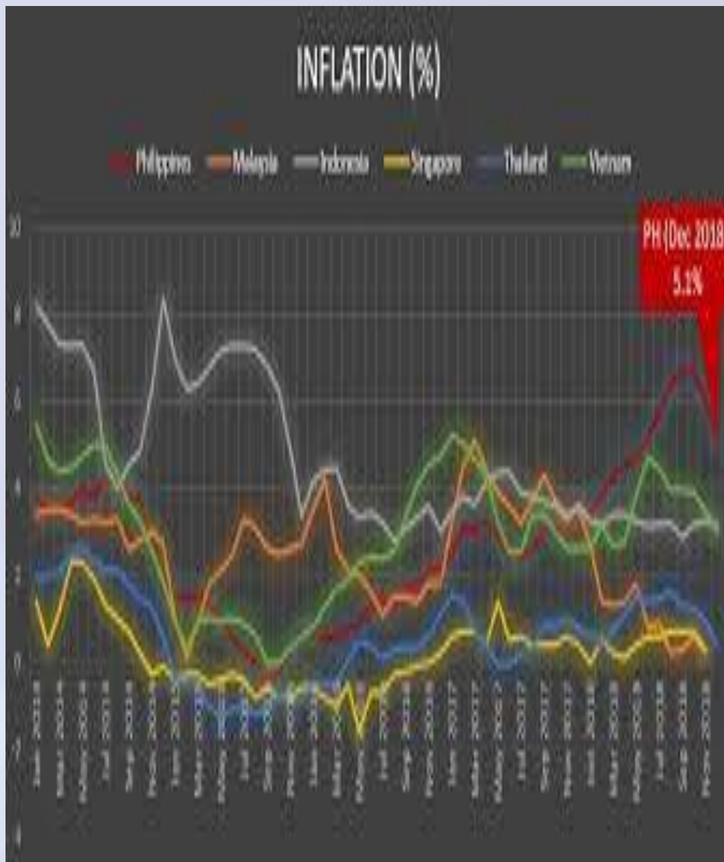
The RBI is likely to instill confidence in the market regarding the issue of liquidity. The RBI may take a call on infusing more liquidity into the system by purchase of open market operations (OMOs) a tool used the central bank to either infuse or recover liquidity (currency) to expand or contract the amount of money in the banking system. The RBI has already infused Rs 30,000 crore using OMOs and is expected to inject Rs 10,000 crore in the system soon.

Despite the injection, analysts say it may not be enough to put an end to the liquidity crisis as money market deficit continues to rise due to major loan defaults. However, the principal economist at Indian Ratings and Research, Sunil Kumar Sinha, said there was no major pressure of liquidity in the banking system. The roadmap shared by the RBI on the liquidity front will be crucial as it would dictate the fate of non-banking financial corporations (NBFCs), which have been in a pool of debt after the major loan defaults by IL&FS.

Confidence building exercise

Many analysts are expecting the announcements by MPC at this month’s review will be around confidence building and assuring that the pressure on the economic front is reducing. It may be noted that since the last monetary policy meet in October, the rupee has strengthened considerably, oil prices have reduced and inflation has remained below target.

Tackling growth slowdown



The monetary policy committee does not take a call on interest rates on the basis of GDP growth, analysts suggested that lack of fund release led to lowered infrastructure development, leading to a slump in economic growth. India's GDP growth for the second quarter slumped to 7.1 per cent from an impressive 8.2 per cent in the previous quarter.

The slowdown in growth is expected to be a key point of discussion considering that the RBI kept a check on fund infusion. Some economists have said clearly that banks are not lending enough due to the recent scenario. However, the RBI may step in and instill confidence among banks to restore normalcy.

Inflation target

Last but not the least, the RBI is likely to either keep lower inflation target or keep it unchanged as it has remained at 3.9 per cent, just a point below the central bank's forecast of 4 per cent. With easing inflation, it is unlikely that inflation target would be revised upwards. Despite reducing pressure on the economic front, it is unlikely that the central bank will cut key lending rates any time soon.

SUVETHA S

II YEAR MBA

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