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1. Global Economic Briefs

- Officials at the IMF-World Bank's 2019 Annual Spring Meetings said in a joint communiqué on April 13th that the global expansion, now seen at its most sluggish pace in three years, is likely to firm up next year, **but central banks & fiscal authorities have limited policy options to drive a rebound.**
- Proceedings of the Fund-Bank meetings kicked off with the IMF cutting its global growth outlook for the third time in six months. **The world economy will likely grow 3.3% in 2019, the slowest expansion since 2016 and 0.2 percentage points below the IMF's estimate from January.**
- The US president Trump has blamed the quantitative tightening by the US Fed during 2018 for hindering the nation's economic growth and stock market gains by perhaps 30%. **He has added that it should begin pumping money into the economy as it did during the 2007-2009 recession.**
- As it sees positive changes in the economy, the central bank of China has reiterated its pledge on Apr 15th to continue with a prudent monetary policy **supporting reasonably ample liquidity in the interbank market. It also proposes to keep the Yuan stable and strengthen coordination between monetary & fiscal policies.**
- On Apr 15th, EU countries gave the final green light for Brussels to open trade talks with Washington, despite France's opposition. **The EU's 28 member states had struggled for months to agree on a mandate to open trans-Atlantic talks, with some fearing the delay would restart a trade war with the US president.**
- The EU leaders have delayed Brexit for up to six months, overriding the objections of French president Macron and setting a Halloween deadline for the UK to leave the bloc. **The new departure date is set for October 31st, in what is the EU's second approval of an extension in less than a month.**
- Japan's exports fell for a fourth straight month in March as China-bound shipments slumped again, **reinforcing growing concerns on weaker external demand. According to Reuters, market participants expect the BOJ to stand pat at a rate review next week, though some investors say the recent batch of soft indicators may pile pressure on policymakers to add to the central bank's already massive stimulus later in the year.**
- While official data on April 17th showed China's economy grew by 6.4% in Q1, 2019, defying expectations for a further slowdown, talks on a US-China trade deal have yet to bear fruit.

2. Indian Agriculture Scene

- India's official weather department – IMD expects southwest monsoon in 2019 to be near normal. **The monsoon seasonal rainfall is likely to be 96% of the Long Period Average (LPA) with a model error of +/- 5%.**
- The IMD predictions came against the backdrop of the latest global forecasts that weak El Nino conditions have developed over equatorial Pacific Ocean **and they are likely to persist this summer. However, IMD officials have maintained that these conditions would weaken after summer.**
- While the IMD has predicted near normal monsoon, the private forecaster Skymet has forecasted 93% rainfall, which falls in the below normal category.
- We need to wait till the next IMD announcement that comes in the month of June to get a clearer picture of the monsoons.

3. India's Overall Economic & Policy Developments

- The IMF has lowered India's GDP growth forecast by 20 bps to 7.3% for FY20 citing national accounts statistics data, **which indicated softer underlying growth momentum. According to IMF, what India needs to revive its**

growth prospects is a continued implementation of structural and financial sector reforms with efforts to reduce public debt.

- India's retail (CPI) inflation was at 2.86% in March (our forecast - 2.74%) versus the previous year's March print at 4.28%. Core inflation too has eased to 5.06% in March, 2019 versus 5.34% in the previous month and at 5.78% in May, 2018. The decline in core inflation was broad-based.
- India's producer price (WPI) inflation was at 3.18% in March (our forecast - 3.10%) versus the previous year's March reading at 2.74%. A pick-up in producer price inflation was led by vegetables, pulses, wheat and fuel & power components. Manufactured product price inflation, in fact eased from 3.12% in Mar-18 to 2.16% in Mar-19 with a negative growth momentum in several consumer goods' prices.
- According to India Ratings, the softening of the Indian rupee-US dollar forward rate on the back of the US \$ 5 billion foreign exchange swap window opened by the RBI, if sustained in future might provide a fillip to Indian borrowers that plan to raise foreign currency-denominated capital. Also, if the foreign funds inflow continues and the hedging cost remains low, foreign currency borrowings could pick up significantly during FY20, lowering the demand-supply gap in the domestic credit market.
- The RBI has communicated to the National Company Law Appellate Tribunal (NCLAT) that banks must flag bad loans as NPAs after 90-day default.
- While India's exports rose by 11% (y-o-y) to \$32.6 billion in March, its imports grew by just 1.4% to \$43.4 billion primarily due to a growth of 5.6% in crude oil imports. Imports of non-oil, non-precious metals have been contracting steadily since Nov, 2018. A faster pace of growth in exports than imports has shrunk India's trade deficit to \$10.89 billion in March.
- According to RBI, Indian banks loans and deposits rose at the pace of 13.2% and 10.0% on year respectively, as on Mar 29th, 2019. While outstanding loans increased by Rs 2.14 trillion to Rs 97.67 trillion in the two weeks to Mar 29, aggregate deposits increased by Rs 3.46 trillion to Rs 125.73 trillion. The average Credit-Deposit ratio marginally declined to 77.69% as on Mar 29 from 78.14% on Mar 15.
- India's Broad Money Supply, i.e., M3 growth was at 10.6% (y-o-y), as on Mar 29th, 2019 (versus 9.2% a year ago). Currency in circulation with the public has increased from Rs 17.60 trillion as on Mar 31, 2018 to Rs 20.55 trillion as on Mar 29, 2019. Compared to the previous year, deposit mobilisation of commercial banks has improved significantly in FY19.
- India's "foreign exchange reserves" surged by \$1.88 billion to \$413.78 billion during the week Apr 1-5, 2019 aided by bullish FPI inflows into Indian capital markets.

4. India's Industrial & Services Sectors Scenario

- Indian industrial production growth slowed to 0.1% (y-o-y) in Feb, 2019 – the lowest since June, 2017. Growth was weakest in the manufacturing sector with capital & intermediate goods reporting contraction and consumer goods industries posting very low growth.
- South Indian consumers are leading the revival in gold demand in India, as per some media reports. Jewellers are expecting demand to pick up in Southern India post completion of general elections in the region on 23rd April, 2019.
- India's central government is planning to ease financing and construction norms for its 'Housing for All' programme to speed up construction of affordable houses across the country. Some of the changes under consideration are allowing greater access to institutional finance to the poor, relaxation in eligibility criteria for bank loans and switching to a life cycle cost approach to construction of such houses to bring down costs and ensure quality of construction.

- The latest report of India's Ministry of Statistics & Programme Implementation that monitors large infrastructure projects has stated that out of such 1,424 projects in question, 344 have reported cost overruns and 384 time escalation till Dec., 2018.

5. Indian Debt Market

- Currently, liquidity in the banking system is estimated to be in deficit of Rs 700-800 billion. Liquidity deficit has widened significantly in the banking system following outflows on account of payment for government bonds and state development loan auctions.
- According to data compiled by Bloomberg, the average corporate bond spread — the difference between yields of corporate bonds and government bonds of the same tenure — for 10-year paper rated AAA has fallen to 108 bps in April - the lowest since Dec, 2018.
- According to fixed income experts, two consecutive rate cuts by the RBI in 2019 and higher FPI inflows have contributed to the “fall” in bond yields in recent weeks.

6. Government's switch notice , auction uncertainty weigh on gilts

- Government bonds were seen steady this week as it's a short trading weeks due to two public holidays. Also, market players are keenly waiting for the release of MPC minutes today to get further cues on policy orientation.
- However, 10-year benchmark (7.26% 2029) is down today as government says it will switch Rs 20 billion of 7.28% 2019 bond with 2029 paper to control “redemption” pressure.
- While such operations help the government avoid bunched up repayments and improve debt management, the move reduces appetite for government bonds as banks are actively trying to reduce the duration of their bond portfolios to minimise marked-to-market risks.
- Yield on the 10-year benchmark paper has risen to 7.42% today from its closing level at 7.39% on Apr 16, as the market does not have much appetite for duration. Sentiment for government bonds has further weakened ahead of today's Rs 170 billion sale of dated securities.

7. Indian rupee likely to depreciate again

- Indian rupee has been Asia's best performing currency in the past three months, as it appreciated by 2.45% during this period, led by strong FPI flows into Indian capital markets. Foreign funds flows were supported by improved re-election prospects for the ruling BJP.
- Currently, rupee is hovering near 69.42-43 per US \$ reflecting a marginal pick-up from its last closing at 69.60, driven by dollar sales by exporters.
- Going forward, we expect rupee to reverse recent gains and weaken due to the ongoing monetary easing and rising uncertainty around the outcome of national election & movement in global crude oil prices. Crude still remains a major risk amid Libya instability & OPEC cuts.

8. Indian stocks seen volatile

- A back to back reduction in policy rates and sustained inflows of foreign portfolio capital have made the Sensex gain 8.8% & Nifty 50 8.4% in the calendar year 2019 so far.
- Foreign institutional investors have poured over Rs 610 billion in Indian equities so far this year against an outflow of Rs 326 billion in the entire year 2018.
- However, volatility index has risen significantly in recent weeks due to the ongoing election season progress and upcoming announcement of Q4, FY19 financial results by India Inc.
- According to stock experts, a downward revision in GDP forecast by RBI, higher oil prices, global factors and elections will add volatility in market. Additionally, Q4 earnings will also weigh on investor sentiments.

9. Brent Crude at \$71.38 per bbl on Apr 18, 2019

- Brent crude prices dropped today to \$71.38 per barrel from yesterday's closing at \$71.64 as the impact of plentiful US production offset a surprise decline in US inventories.
- According to energy experts, a persistent rise in US oil output, together with lingering demand-side concerns emerging from the US-China trade dispute, is limiting oil price gains.
- With oil prices on the boil just as general elections are progressing, India's oil minister has asked world's largest oil exporter Saudi Arabia to play an active role in keeping rates at a reasonable level. In FY18, India's crude oil imports from Saudi Arabia were 36.8 mt, accounting for 16.7% of its total imports.

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