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1. Global Economic Briefs

- The acting chief of IMF has urged global policy makers to be ready with more stimulus, if a global economy already slowed by a trade war downshifts significantly further.
- The US President Donald Trump has claimed that his tariff battle with China is working after official data from Beijing showed growth in China dropping to its slowest pace since 1992.
- Amid slowing global growth, the Federal Reserve, ECB and perhaps even the BOJ are all set to ease monetary policy in coming months. But with less room to act than in the past, their leaders are urging politicians to join the effort, if a downturn takes hold. According to Bloomberg news, the pressure could be applied on July 17th when central bankers & finance ministers of G-7 nations meet for talks in Paris.
- As per the IIF (Washington) report, global debt levels jumped in Q1, 2019 to \$246.5 trillion outpacing the world economy and closing in on last year's record level. That's the second-highest dollar number on record after the first three months of 2018. New borrowing by the US federal government and by global non-financial business led the increase.
- Most of the slowing in world growth comes from outside the US and this explains why bond yields in many sovereign debt markets are substantially lower than in the US, and even below zero in some cases.

2. Indian Agriculture Scene

- The southwest monsoon has missed its July 15 deadline to cover all of India. Some parts of the country like west Rajasthan, small portions of Punjab & Haryana still remain dry as per India's weather department. The national monsoon deficit (Jun 1-Jul 16) is now 14%, with 265.9 mm realised against 308.4 mm.
- Sowing of kharif (summer) crops in India has been down by 8.6% until July 12th. Pulses have seen the biggest shortfall so far. Even last year, in a 2018-19 crop year, India's food grain production had fallen marginally to 283.37 mt due to fall in pulses and coarse cereals output even as the country harvested record rice and wheat crops.
- So far as water reservoir levels are concerned, many Indian states are experiencing acute water crisis this year. The highest level of water deficit is in Southern States – AP, Kerala, Tamil Nadu, Telangana & Karnataka in that order. Other states like Rajasthan, HP, Tripura, Maharashtra, Jharkhand, UP, Uttarakhand, Gujarat & West Bengal too are witnessing a significant deviation in actual water level from the normal level.

3. India's Overall Economic & Policy Developments

- As per the recent tri-annual survey of IHS Markit, India's slowing economic growth, water shortage and regulatory hurdles have taken its business sentiment in June to the lowest level since June, 2016.
- Since April, India's retail inflation has been steadily inching up due to a pick-up in food inflation. In June, retail (CPI) inflation was at 3.18% versus 3.05% in the previous month. However, core inflation (demand-pull) which has been steadily coming down since December, 2018 has now reached 4.11% versus last month's 4.25%.
- India's producer price (WPI) inflation declined to 2% in June from 2.5% in May on the back of a y-o-y deflation in fuel inflation and very weak manufactured product price inflation reflecting weak pricing power of companies.
- Both exports and imports of India contracted on year during June, 2019 by 9%-plus. What is worrisome is a huge contraction in non-oil, non-precious metals imports growth in June at -9.3%. This is the sixth consecutive

month for which these imports have contracted. India's trade deficit came in at \$15.28 billion in June – almost at the same level as the past month.

- India and the US must prioritise efforts to manage current trade tensions and work towards signing a bilateral trade agreement, [said the former US trade representative for South and Central Affairs, in a report titled, 'Trade at a Crossroads: A Vision for the US-India Trade Relationship'](#).
- Economists have raised concerns over the Indian government's decision of meeting its expenditure through overseas sovereign bonds on the grounds of economic sovereignty and the macroeconomic consequences.
- [As per reports](#), Indian NBFCs are likely to witness one of the slowest "disbursement growth" in over three years in Q1, FY20 due to sparse liquidity [and a low demand environment in auto, real estate and non-retail sectors](#).
- According to RBI, Indian banks loans and deposits rose at the pace of 12.0% and 10.0% on year respectively, as on June 21st, 2019. [While outstanding loans declined by Rs 33.3 billion to Rs 96.49 trillion in the two weeks to June 21st, aggregate deposits declined by Rs 496.7 billion to Rs 124.91 trillion. As a result, the Average Credit-Deposit ratio increased to 77.25% as on June 21st, from 76.97% on June 7.](#)
- India's Broad Money Supply, i.e., M3 growth was at 10.1% (y-o-y), as on June 21st, 2019 [\(versus 9.8% a year ago\)](#). [Bank credit to commercial sector remains the major contributor to M3 growth this year. Compared to the previous year, the contribution of "net foreign exchange assets of banks" has fallen this year.](#)
- India's "foreign exchange reserves" surged for the fourth consecutive week by \$2.23 billion to \$429.91 billion as on July 5th, 2019.

4. India's Industrial & Services Sectors Scenario

- India's passenger vehicle sales fell by 17.5% (y-o-y) in June 2019 at 225,732 units. [Exports too remained flat at 56,729 units.](#)
- India's flat steel makers like Tata Steel, Essar Steel & JSW Steel are jittery over how steel demand would pan out as auto sales for the June 2019 quarter have hit the worst in almost two decades. [Flat steel producers are trying to make up for the reduced share of automobile market by diverting products towards alternative segments such as renewables, oil and gas, and structural steel for pre-engineering, among others.](#)
- India's factory output posted a modest growth of 3.1% (y-o-y) in May, 2019 versus 3.8% in May, 2018 [led by continued contraction in consumer durables \(-0.1%\) and flattish growth in capital goods \(0.8%\) production.](#)
- Stagnant sales have pushed the services PMI for India into negative zone for the first time in June, 2019 since May 2018 [and the manufacturing PMI too moderated on the back of weak domestic demand and exports.](#)

5. Indian Debt Market

- Currently, liquidity in the banking system is estimated at a surplus of around Rs 1.30 trillion.
- Surplus liquidity is aiding the fall in the rates on short-term debt. For instance, rates on two-month CPs issued by manufacturing companies on July 17th were at 5.90-6.00% from their level ~6.60-6.70% on July 1st. Similarly, two month CP rates for NBFCs have come down from 7.00-7.10% on July 1st to 6.10-6.20% today.
- According to the SEBI data, corporate bond issuances through private placement have doubled to Rs 490.71 billion in June, 2019 versus Rs 237.33 in June, 2018. Most of these issuances were done by PSUs and AAA rated NBFCs like SBI, Power Fin Corp, REC, HDFC, LIC Housing Finance, etc.
- The average corporate bond spread still remains elevated. As per the FIMMDA data, the average corporate bond spread for 'AAA' rated three-year paper rose to 123 bps in June from 108 bps in May.

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6. Indian government bonds seen up

- Supported by a fall in global crude oil price, the US yields and the RBI rate cut hopes, the 10-year benchmark yield fell to 6.3% as on July 17th. It was as high as 7.5% at end Feb, 2019.
- The RBI has lowered the repo rate by a cumulative 75 bps since February and is widely expected to ease the policy further given the high intensity of economic slowdown.
- Market participants have cashed in on the recent fall in yields and booked profits. While the sentiment is still up, market participants are now waiting for the RBI to provide guidance on the course of future rate cuts.

7. Indian rupee consolidating near 69 per USD

- Indian rupee has stayed in the band of 68.44 to 68.95 per US dollar in the month of July so far.
- While global dollar weakness has been helping, pressures on exports and volatile crude oil prices are weighing on the FX sentiment.
- Rupee has consolidated near 69 against the US dollar in July. Any adverse movement in the Brent crude price remains the key risk for INR.

8. Indian stocks under the pressure of weak earnings

- Indian stock sentiment has weakened on the back of weak corporate earnings, persistent selling by FIIs and lack of stimulus measures in the Union Budget for FY20.
- So far this month, foreign investors have sold \$822.15 million worth of equities. The selling pressure has increased after the Budget proposed hiking the tax surcharge on individuals with a taxable income of over Rs 20 million.
- Economic slowdown is also weighing on the sentiment.

9. Brent Crude at \$63.66 per bbl on July 17, 2019

- Oil futures marked their lowest finish in roughly two weeks on July 17th, as US government data revealed that domestic crude supplies fell for a fifth straight week, but the stocks were down by less than the market expected and product inventories climbed.
- Brent crude price ended at \$63.66 a barrel on July 17th – the lowest since July 4. Potential progress toward negotiations between the U.S. and Iran over Tehran's missile program also put pressure on oil prices on July 17th.

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