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1. Global Economic Briefs

- The US President clarified last week that he may not impose more tariffs on Chinese goods after Beijing sent the US a list of measures that it was willing to take to resolve trade tensions. [However, the President is unwilling to omit some major items from the list.](#)
- The National Association of Home Builders/Wells Fargo Housing Market Index for the US dropped eight points in November to 60, the lowest level since August 2016, [according to a report released yesterday. A housing slowdown may have implications for how far the US central bank will extend its run of eight interest-rate hikes since late 2015.](#)
- The world economy took a body blow in the third quarter (Q3, 2018) with Japan and Germany both contracting. [The data from the third- and fourth-largest economies are a setback when the outlook for global growth is already fraying.](#)
- However, China provided some sense of stability as infrastructure investment and industrial production picked up, [while weak retail sales underscored the slowdown underway in its economy.](#)
- The European Union is hammering out the first bloc-wide rules to prevent foreign investments from threatening national security, [as Chinese acquisitions foster political unease.](#)
- The British PM Theresa May and her team have reached a deal with the EU about how the UK will leave the EU and in the immediate aftermath several ministers and junior ministers resigned. [The current week will also be highly volatile in British politics as Mrs May tries to convince MPs to support her plan, and her leadership. The chance of a total political stalemate and chaos is significant.](#)
- Dubai isn't the booming business hub any more that it used to be. [Despite the ongoing rapid construction of new high rises, the city is lacking a sustainable influx of expatriates, as foreigners head elsewhere amid rising costs of living and doing business.](#)
- According to analysts of the Swiss Bank Julius Baer, the global economy is at a late stage of business cycle. [The main risks to the world economy are in the form of commercial disputes in the US and escalation of sanctions against Iran, budget problems in Italy, risks associated with a British exit from the European Union & a risk of default in Turkey.](#)

2. Indian Agriculture Scene

- [Rabi \(winter crop\) sowing in India has been reported at 19.1 million hectares as on 16 Nov, 2018, which is 16% lower \(y-o-y\). Delayed withdrawal of southwest monsoon and erratic rainfall across the country impacted the sowing of wheat and pulses crops in the ongoing season of rabi crops.](#)
- [The effects of climate change on India's agriculture are no longer about distant projections. The latest research study by the Indian Council of Agricultural Research \(ICAR\) states the impact of climate change \(extreme weather events\) will be increasingly felt on crops, plantations, even livestock in 151 districts, or slightly more than one-fifth of the total districts in India.](#)
- [As an action plan, in each of the 151 climatically vulnerable districts of India, one representative village is now being chosen where "location-specific technologies" will be deployed. The technologies for demonstration have been selected based on the nature of vulnerability faced by the district and its main farming system.](#)
- [The prices of major pulses in India - tur, moong, gram and urad have risen by 10-20% over the past two-three weeks as scanty rains in the major growing regions of Maharashtra, Karnataka, Andhra Pradesh and Gujarat have hit the overall production.](#)

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3. India's Overall Economic & Policy Developments

- Fitch Ratings has retained India's sovereign rating at 'BBB-' with a stable outlook stating that the rating balances a strong medium-term growth outlook and favourable external balances relative to peers **even as it remains concerned over weak fiscal finances, a fragile financial sector and some lagging structural factors.**
- To boost its non-tax revenue, India's central government is looking to garner at least Rs 50 billion during FY19 through share buy-back offers **of nearly eight state run companies.**
- NRI deposits have seen a net inflow of \$6.8 billion into India during H1, FY19 **versus the inflows of \$2 billion in H1, FY18 triggered by a significant depreciation of INR and rising interest rates.**
- India's merchandise exports grew by 17.9% (y-o-y) to \$27 billion in Oct, 2018 **driven by increased exports of petroleum products, organic & inorganic chemicals, drugs & pharmaceuticals and engineering goods. At \$44.1 billion, India's imports too increased by 17.6% in October primarily on account of oil imports. Growth in non oil imports was modest. India's trade deficit again widened to \$17.1 billion from \$14 billion in the preceding month.**
- India's market regulator SEBI has introduced a specific section on liquidity among key rating drivers for financial entities. **This would include parameters like liquid investments or cash balances, access to unutilised credit lines, liquidity coverage ratio, adequacy of cash-flows for servicing maturing debt obligation, etc.**
- India's government and the central bank – RBI have ironed out their differences and found a middle path in the central bank's Board meeting yesterday (Nov 19). **The Board decided to set up expert committee to examine transfer of RBI's surplus funds to government; review the prompt corrective action (PCA) framework, frame a restructuring scheme for stressed for stressed micro, small & medium enterprises and retain banks' capital adequacy at 9% while allowing extension by one year till March, 2020. Also, the government expects the RBI to announce more measures in the days ahead to address liquidity issues faced by the financial intermediaries.**
- According to RBI, Indian banks loans and deposits rose at the pace of 14.6% and 9.0% on year respectively, as on Oct 26, 2018. **While outstanding loans increased by Rs 407.4 billion to Rs 90.34 trillion in the two weeks to Oct 26, aggregate deposits declined by Rs 150.5 billion to Rs 117.71 trillion. The average Credit-Deposit ratio marginally improved in the last reported fortnight to 76.75% as on Oct 26 from 76.30% as on Oct 12.**
- India's Broad Money Supply, i.e., M3 growth was at 10.0% (y-o-y), as on Oct 26, 2018 **(versus 6.1% a year ago), as "currency in circulation with the public" has been growing at a faster pace (21.1%, y-o-y). Bank credit to commercial sector too has been growing at a healthy pace of 13-14% versus last year's growth at 6.4%.**
- India's "foreign exchange reserves" further declined by \$121.2 million to \$393.01 billion as on Nov 9, 2018. **Forex reserves had touched a record high of \$426 billion in the week to April 13, 2018. Since then, it has been on a slide and is now down by over \$33 billion as the monetary authority has been selling dollars to contain INR volatility.**

4. India's Industrial & Services Sectors Scenario

- The National Highways Authority of India (NHAI) has asked India's Ministry of Finance to allocate more funds than the FY19 Budget allocation of Rs 296.6 billion due to an increase in land prices in the last one year **and the pace of construction in line with the set targets during the first six months of the current financial year.**
- India's Ministry of Statistics & Programme Implementation (MOSPI) monitors infrastructure projects worth Rs 1.5 billion and above. **Of these 1,361 projects in question, 358 reported cost overruns (Rs 3.4 trillion) and 296**

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time escalation till July 2018, as per the MOSPI's latest report. The report attributes the time overrun to a host of issues including delay in land acquisition, forest clearance, supply of equipment, fund constraints, geological surprises, shortage of labour, maoist problems, legal cases and law and order situation.

- The six northeastern states of India - Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland and Sikkim - have finally agreed to implement the Real Estate Regulation Act (RERA), paving way for protecting the interest of home-buyers in these states.
- India's Ministry of Commerce is developing a system to assess industrial parks in the country based on internal and external infrastructure, connectivity, environment, safety management and business support services. The purpose is to help improve infrastructure of industrial parks which are present in almost all the states. Currently, there are over 3,000 industrial parks in sectors such as engineering, software, food processing and chemicals. The system could become a ready-to-refer database for prospective investors in these industrial parks.

5. Indian Money Market

- India's one-day call money rate is currently hovering near the RBI's repo rate as liquidity deficit (Rs 800 billion) still remains high.
- However, scene in short-term debt market has been steadily stabilising. For instance, rates on one-month and two-month CPs for NBFCs have eased by 60-65 bps from their levels at end-Sept, 2018 but the rates on six-month to one-year CPs have not eased to that extent.
- The RBI would purchase five government bonds worth a combined amount of Rs 80 billion through open market operations (OMOs) on Nov 22nd. On Oct 26th, due to high liquidity deficit in the system, the central bank had said it would purchase government securities worth up to Rs 400 billion through OMOs operations in November, of which the central bank purchased gilts worth Rs 320 billion so far.

6. Indian gilts remain up on optimism

- Government bonds opened up in India today as there was no negative development from the RBI's board meeting held yesterday.
- The RBI board has decided to examine the prompt corrective action framework for state-owned banks, which leaves the door open for some relaxation of rules for these banks to exit the framework.
- According to dealers, this may recover the appetite for date securities of these banks. This move combined with the OMO announcement is highly positive for the G-Sec sentiment.
- The yield on 10-year benchmark paper that had attained 8.18% on Sept 11th has eased to 7.76-77% today.

7. Improved sentiment for INR

- INR received a boost today as there was no negative surprise from the RBI's board meeting.
- Moreover, along with other Asian currencies INR gained from the overnight weakness in the US dollar following a disappointing reading of US home builders confidence index that fell by eight points in November to its lowest level in two years.

- However, according to FX experts, political uncertainty (due to upcoming state and general elections) is emerging as the key risk for INR, going ahead. While local macros have improved, political jitters amid state/general elections will be the key headwind for further appreciation of INR.

8. Indian stocks in consolidation phase

- Indian equities ended lower today in line with their Asian counterparts following concerns over some of the large global technology companies.
- Bloomberg news showed that concern about demand for Apple Inc.'s iPhones and the public image of Facebook Inc. damped investor sentiment globally. In India, some investors remain concerned that the price of oil will rebound and weigh on company profits, while the outcome of state elections through year-end has fanned the prospect of political instability ahead of a national poll next year.
- Experts say big correction is probably done but there will be a consolidation phase for Indian stocks on global headwinds.

9. Brent crude at \$65.97 per bbl on Nov 20, 2018

- After six weeks of falling, the crude price came to a pause last week.
- A barrel of Brent crude that cost \$86 per barrel at the beginning of October has now fallen to \$65-66 per barrel.
- While the Brent price is only back to where it was in Mar, 2018, such a significant drop will now lift the pressure on central banks to curb inflation. This to some extent will restore a sense of balance in the global economy.

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