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1. Global economic briefs

- The US economic growth slowed less than previously reported in the fourth quarter (at 2.1% instead of 1.9%), driven by robust consumer spending. However, despite this upward revision, the economy grew by just 1.6% for all of 2016 – its worst performance since 2011.
- There are signs that US economic activity slowed further in Q1, 2017, with the trade deficit widening in January and both consumer & construction spending weakening.
- US President Trump held out the possibility on Sunday (Apr 2) of using trade as a lever to secure Chinese cooperation against North Korea and suggested Washington might deal with Pyongyang's nuclear and missile programs on its own if need be.
- Greece has agreed with its lenders on key labor reforms, spending cuts and energy issues, moving closer to clinching a deal before a meeting of Euro zone finance ministers on April 7, as per the sources close to the talks. This is expected to help allow the return of EU and IMF mission chiefs to Athens in the coming days to finalize details with Greek finance and labor ministers before the Euro-group meeting in Malta.
- Growth in China's manufacturing sector (51.8) as well as services sector (55.1) as measured by the official Purchasing Managers' Index (PMI) accelerated in Mar-17 – a sign that China has been gaining momentum in 2017.
- Even Japan is benefitting from a rebound in overseas demand that has brightened the prospects for its exporting sector. Japanese factory output rose at the fastest pace in eight months and the jobless rate hit a two-decade low in Feb-17, as per the official data. However, household spending remained soft and consumer inflation was flat, underscoring the challenges faced by BOJ in generating sustained price rises backed by steady wage growth.
- Australian house prices rose the most in almost seven years in Mar-17, as the country's housing boom accelerated. Average home values in Australia's eight state and territory capitals rose 12.9% in the 12 months through Mar-17, the fastest pace since May-10.

2. India: Agriculture and rural economic news

- Indian government's think-tank Niti Aayog has revamped the existing 10-year old Rashtriya Krishi Vikas Yojana to fast-track agriculture development. In its new form, the emphasis will be on innovations & agri entrepreneur development, promotion of value addition linked agri-business models and involvement of youth in agriculture through various incentives. The scheme will be known as "RKVY-Raftaar", going ahead.
- Indian state Kerala government's decision to launch an exclusive brand of organic rice - Aranmula Rice - has given an impetus to the agriculture activity in the region, which is being assiduously revived.
- Data revealed that only 47.5% workers in Indian government's rural job scheme, MGNREGA, received their wages within 15 days of work in the financial year that ended on March 31st. Even as timely payment remains a sore area, the rural job guarantee programme has been able to spend 68% of its money on agriculture and related activities – a major thrust area for India's Prime Minister.

3. India's overall economic & policy developments

- The Central GST Bill 2017, the Integrated GST Bill 2017, the GST (Compensation of States Bill, 2017) and the Union Territory GST Bill, 2017 were passed in the Lower House of the Parliament in India on March 29th after a long wait.

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- According to the Indian government's think-tank -NITI Aayog, India believes in globalisation and foreign direct investment in the country would surely grow despite the protectionist talks in the West.
- India's Finance Bill 2017 has got the nod from the President to give effect to provisions like the ban on cash transactions above Rs 0.2 mln and compulsory quoting of Aadhaar for filing tax returns.
- India's government has lowered interest rates on small savings instruments by 0.1%, effective from 1st April, 2017. Earlier for the year FY17, the Employee's Provident Fund Organisation (EPFO), a retirement body fund for its four core members, had declined the interest on provident fund deposits to 8.65% as compared to 8.8% in FY16.
- A recent record shared in India's lower house - Lok Sabha revealed that the direct recruitment in central government jobs dipped by 89% in 2015 in comparison to 2013.
- According to RBI, Indian banks loans and deposits rose by 4.4% and 13.0% on year respectively, as on Mar 17, 2017. While outstanding loans grew by Rs 496 bln to Rs 75.66 trln in the two weeks to Mar 17, aggregate deposits declined by Rs 7.1 bln to Rs 105.42 trln.
- India's Broad Money Supply, i.e., M3 growth stood at 7.0 % (y-o-y), as on Mar 3, 2017 (versus 10.6% a year ago), due to a drastic y-o-y fall in the growth of "currency with the public" since Nov 8th.
- India's foreign exchange reserves further increased by \$1.15 bln to \$367.93 bln in the week ended Mar 24, 2017 according to the RBI's latest weekly data. The country's forex reserves had richly increased by \$2.67 bln to \$366.78 bln in the previous week also. According to market sources, the increase in FER can be attributed to likely maturities in the forward market and also some spot buying by the regulator to control rupee appreciation on the back of record FPI inflows.

4. India's industrial & services sectors scenario

- India's manufacturing PMI rose to 52.5 in Mar-17 from 50.7 in Feb-17 led by stronger domestic orders and export demand. Inflationary pressures eased as both input and output prices indexes moderated.
- India's core industrial production grew by 1% in Feb-17 as against 3.4% recorded in the previous month. Barring coal & steel production, which posted a growth of 7.1% and 8.7%, respectively, all other industries posted either a negative or lowly positive growth in Feb-17.
- Education, health care and pilgrimages are to stay away from the ambit of GST in India as the nation's government is not eager to give any shock in the first year of the rolling out by bringing in new services. The government will stress on keeping concessional rates for services like transport at the current level.
- According to the draft rules on valuation released by India's government, exchange offers on televisions, mobile phones and refrigerators are likely to become less attractive under the GST regime. GST will be applicable on the price of the item without taking into account the reduction in price on account of the exchange. This is likely to impact the sectors -consumer durables & electronics.
- Companies in India will be able to get credit of up to 40% of their GST liability against excise duty paid on stocks remaining with traders when GST is rolled out.
- India's Prime Minister inaugurated today the country's longest road tunnel that links Kashmir Valley with Jammu by an all-weather route and reduces the distance by 31 kms.
- India has added a record 5,400 MW of wind power capacity in FY17, a government statement said on Apr 2nd. The previous high was the 3,472-MW added in FY16. Notably, 2,026 MW was added in Mar-17, beating the Mar-16 record of 1,700 MW.

5. Indian money market review last week

- India's weighted average call money rate (WACR) averaged at 5.96% last week flattish from the week previous to that, as liquidity remained in the surplus mode.
- Average daily fixed rate repo borrowing of banks increased from Rs 13.06 bln in the previous week to Rs 32.75 bln in the week under review (Mar 27-31). Average daily borrowing under MSF too increased from Rs 0.50 bln to Rs 2.93 bln.
- The RBI had to conduct two variable term repo auctions last week – of 15-days each, with the sizes Rs 60 bln on Monday and Rs 49 bln on Friday.
- While 91-day T-bill rate moved in the band of 5.75% to 5.83% during last week; 364-day T-bill rate moved in the range of 6.06 %-6.10% - hardly reflecting much change from the previous week.
- Three-month CP rate hovered in the band of 6.61% to 6.65% last week, reflecting an average fall of four bps over the previous week.
- Money market players are keenly looking forward to announcement from the RBI to drain surfeit liquidity in the banking system, without hurting the investment confidence.

6. RBI meeting, FOMC minutes to set tone for G-Sec yields this week

- Indian sovereign benchmark bond yield fell by 15 bps last week to settle at 6.68%.
- On year-on-year basis, the benchmark yield was lower by huge 79 bps, helped by surplus liquidity conditions and good appetite on the back of weak credit sentiment.
- Currently, a sharp increase in State government borrowings and frontloading of the Central government borrowings are weighing on the sentiment. However, “surplus liquidity in banks” and “improved capital inflows into the debt segment” have helped the downside bias in G-sec yields.
- Fixed income traders are looking forward to the RBI's action on April 6th – esp. announcement of measures to deal with surplus liquidity and the minutes of US FOMC March meeting to get further cues. Yields are seen in the wide range of 6.67% to 6.77% this week.

7. INR seen resilient in the near term

- INR appreciated by 0.86% last week to 64.85 per USD, driven by capital inflows into Indian stocks & bonds.
- Indian rupee has rallied by 4.5% since Dec 31st in response to a thumping win for the ruling BJP in state elections. The Fed's dovish tone on future rate hikes that contributed to a weaker dollar has also improved the attractiveness of EM assets, including the Indian ones.
- According to Forex experts, while INR is seen resilient in the near term, there is a high probability of a turn in the trajectory as we go forward. Future movement will primarily be driven by renewal of positive sentiment towards the US dollar and India's evolving external sector fundamentals.

8. Indian stocks seen volatile this week

- Global stock markets ended mixed last week with Germany, France, Brazil, S'pore, India and the US ending in a positive zone, while UK, HK, China & Japan ended in a negative zone.

- The UK's formal notification to the EU of its intention to withdraw from the bloc, pressures on China created by the USD movement, weaknesses in euro were the major factors weighing on the sentiment.
- Back home, Indian stocks closed higher by 0.7% over the previous week, driven by further progress on the GST front last week. Within sectors, consumer & capital goods and power stocks gained, whereas auto, realty, pharma, metals & IT stocks lost out.
- Major triggers for stock movement this week will be RBI's policy and the INR trajectory. However, equity markets may trade with volatile sentiments due to profit-booking at higher levels in the current season, say stock experts.

9. Brent crude settled at \$52.83 per bbl on Mar 31, 2017

- Between Mar 24 & Mar 31, Brent crude increased by nearly 4% to end at \$52.83 per barrel.
- However, experts at Goldman Sachs expect another oil glut in 2018 as prices head down again on swelling US crude oil inventories, with Brent dropping below \$50 per barrel for the first time this year last week.
- Goldman has identified a handful of projects in Brazil, Russia, Canada and the Gulf of Mexico that will reach completion and add to global supply between 2017 and 2019. Combined with new shale output, these projects could add another one million barrels per day next year.

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