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1. Global Economic Briefs

- Manufacturing activity in Europe, Japan & the US suffered in March, 2019 as per the HIS Markit PMI surveys. Analysts see downside risks primarily coming from the external side – that is trade tensions, a Chinese-led global slowdown.
- The protracted weakness in manufacturing across the globe remains a lingering risk and there is a high probability that growth concerns would intensify due to uncertainty created by Italy & Brexit woes.
- On March 23rd, Italy became first G7 country to join China's new "Silk Road" of transport & trade links stretching to Europe from Asia. Italy's signing of a "non-binding" protocol to take part in the global investment program has raised concerns among the nation's Western allies, including the US and the EU, regarding China's growing influence and global power.
- The EU has agreed to grant Britain a short Brexit delay, removing the immediate threat of the UK leaving the EU without a deal on March 29. The EU member states are pushing the Brexit deadline to April 12 without any conditions, a much shorter time period than the June 30 date UK Prime Minister Theresa May initially requested. The new deadline averts the impending disaster of a no-deal Brexit, but it doesn't eliminate it.
- The US Federal Reserve's dovish policy U-turn on Mar 20th reflected a combination of concerns about the global economic environment & financial market volatility. Three months ago, the Fed was still signaling several rate hikes this year. Also, the end of balance sheet reduction in September will include a glide path with a declining rate of runoff.
- Chicago Federal Reserve Bank President Charles Evans said today it was understandable for markets to be nervous when the yield curve flattened, though he was still confident about the US economic growth outlook.
- According to industry sources, "budget needs" are forcing Saudi Arabia to push for oil prices of at least $70 per barrel this year, even though US shale oil producers could benefit and Riyadh's share of global crude markets might be further eroded. The move defies US President's demands for OPEC to help reduce prices while he toughens sanctions on oil producers Iran and Venezuela.

2. Indian Agriculture Scene

- Latest data from the National Agricultural Cooperative Marketing Federation of India (NAFED) shows that government agencies could not procure even half of the quantity sanctioned by the Centre's Department of Agriculture in seven of the 11 growing states. Low procurement of kharif oilseeds and pulses by government agencies has been forcing farmers to sell their crops at abysmally low prices in the open market.
- According to Indian government officials, 47.4 million small & marginal farmers will receive the second installment of Rs 2,000 each in their bank accounts under the Pradhan Mantri Kisan Samman Nidhi (PM KISAN) scheme from 1st April, 2019. Of these 47.4 million beneficiaries, 27.4 million have already received the first installment of Rs.2,000 each and the remaining will be covered before March-end.
- Having fixed a record sugar sales quota of 2.45 million tonnes for March, 2019, higher than the expected demand of 2.0-2.1 million tonnes, India's government has now warned sugar mills of strict action if they offload stocks below the minimum sale price (MSP) set by it. The government believes a strict compliance of its directive will improve sugar mills' realisation and help them clear cane dues.

3. India's Overall Economic & Policy Developments

- Global rating agency Fitch Ltd. has lowered India's real growth forecast to 6.8% for FY20 from 7.0% estimated earlier as it sees weaker than expected growth momentum in the economy. The rating agency expects RBI to lower policy rates in 2019 amid protracted below target inflation and easier global monetary conditions than previously envisaged.
- The analysis of Q3, FY19 earning results for India's state owned banks revealed that their cash recoveries were lower than the write offs during the quarter. This was because no large NPAs were resolved through the insolvency route during the third quarter of FY19.
- According to the RBI data on sectoral deployment of credit, Indian banks have primarily relied on retail loans, which include home loans, consumer durable loans, vehicle loans, education loans, credit cards and other personal loans during FY19. As of Sept, 2018, their retail loans grew by 17.4% (y-o-y) over & above the growth of 18.5% (y-o-y) registered last year.
- India's government has overshot its disinvestment target for FY19 by Rs 50 billion, taking the total proceeds to Rs 850 billion, according to India's finance minister. This is the second highest disinvestment proceeds in a financial year after the government mopped up a little over Rs 1 trillion in FY18.
- The RBI has announced a rupee-dollar swap arrangement whereby it plans to buy dollars from banks (worth $ 5 billion) to be returned after three years for a forward premium. This premium would be determined through an auction today (Mar 26). This move will bulk the RBI's FX reserves while injecting rupee liquidity (~ Rs 346 billion) into the banking system. The swap announcement has led to a crash in the dollar-rupee forward premium lowering hedging costs for investors.
- According to RBI, Indian banks loans and deposits rose at the pace of 14.6% and 9.8% on year respectively, as on Mar 1st, 2019. While outstanding loans increased by Rs 891 billion to Rs 95.29 trillion in the two weeks to Mar 1st, aggregate deposits increased by Rs 1.11 trillion to Rs 122.30 trillion. The average Credit-Deposit ratio marginally increased to 77.92% as on Mar 1st from 77.89% on Feb 15th.
- India's Broad Money Supply, i.e., M3 growth was at 10.5% (y-o-y), as on Mar 1st, 2019 (versus 10.0% a year ago). However, M3 to GDP ratio has fallen to 79% in Mar, 2019 from 81.7% in Mar, 2018 reflecting weaknesses in aggregate monetary demand.
- India's "foreign exchange reserves" surged by $3.60 billion to $ 405.64 billion during the week Mar 8-15, 2019 primarily on account of increased investments by FPIs into India's capital markets.

4. India's Industrial & Services Sectors Scenario

- The telecom subscriber base in India has increased to 1,203.7 million in January 2019 from 1,197.87 million in December 2018.
- Steel prices in India are expected to remain firm in the coming months, according to the Steel Authority of India (SAIL). This growth in prices can be attributed to the seven per cent increase in domestic steel consumption led by investment in construction and infrastructure.
- Indian IT firms are struggling to obtain extension of H1B visas for its employees. The time taken to process H-1B application rose from 3.2 months in FY18 to 5.2 months in FY19. Thousands of Indian professionals in the IT field had to return back to India. While there have been outright denials in renewing visas, there has also been a sharp rise in the number of requests for evidence (RFE).
- India's FMCG market has declined by volume by one per cent in 2018 as compared to an increase of 7.5% witnessed in the previous year, according to a report by Kantar Worldpanel. As per the report while branded products from listed companies witnessed double-digit growth in volumes, demand for unbranded and unorganised products fell in the year.

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5. Indian Money Market

- Currently, liquidity in the banking system is estimated to be in deficit of Rs 700-750 billion.
- The RBI's three-year dollar/rupee swap is expected to infuse liquidity of the order of Rs 345.61 billion.
- Money market (short-term) interest rates on issuances of short term debt instruments like certificates of deposits and commercial papers stayed in the range of 6.63% (2-month CP) to 7.45% (one-year CD) today (March 26th). Banks borrowed Rs 196 billion today at 14-day term repo auction.

6. Elevated crude prices, borrowings weigh on gilts

- Indian government bond prices are under pressure as elevated crude prices are prompting some market players to trim their holdings.
- Additionally, G-Sec traders are keeping off large bets in caution ahead of the Apr-Sept, FY20 borrowings calendar to be announced shortly.
- Based on its interaction with the officials the Cogencis news service has reported that India's central government could choose to conduct 70% of the gross borrowing in Apr-Sep. Moreover, the RBI would continue to infuse durable liquidity through bond purchases under OMOs during FY20, especially as the currency in circulation is expected to increase sharply in the run up to the General Elections.

7. Indian rupee likely to depreciate again

- Indian rupee has ended at 68.87 against the US dollar today versus yesterday's level of 68.89.
- The currency had fallen in between in a knee-jerk reaction after higher-than-expected weighted average premium of 791.88 paise in RBI's FX swap auction today.
- Elevated Brent crude prices are expected to create a depreciation bias in Indian rupee. This week we expect data points on the US economy's consumer confidence, Q3 final GDP, Core PCE index, etc. A better-than-expected number could further strengthen depreciation bias in rupee.

8. Indian stocks seen subdued

- Indian benchmark indices ended their three-days losing streak and gained 1% today on positive global cues.
- Expectations that the US Fed would cut interest rates soon, to support a slowing economy, stoked expectations of sustained inflows from FPIs into EM like India.
- Stock gains were also supported by the RBI's swap auction today to improve systemic liquidity.
- FPI inflows, rollover of long positions to the April future & the RBI's liquidity- supportive actions are expected to lift the domestic stock sentiment in the coming days.

9. Brent Crude at $67.46 per bbl on Mar 26, 2019

- Crude prices firmed today (Mar 26), pushed up by ongoing supply cuts led by producer club OPEC and by US sanctions on Iran and Venezuela.
- However, energy experts have warned that signs of a sharp economic slowdown could soon drag on crude markets.

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- Brent crude oil futures were at $67.46 per barrel at 0110 GMT, up 25 cents, or 0.4% from their last close.

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