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DAILY NEWS DIGEST BY BFSI BOARD

18 July 2024

ECONOMY

ADB keeps India's GDP growth projection at the same level of 7% for FY2024-25: Asian Development Bank (ADB), in its latest report, has kept India's GDP forecast at 7 per cent for fiscal year 2024-25. Its projection is same as the International Monetary Fund's (IMF) projection of 7 per cent, but less than the central bank's estimate of 7.2 per cent. "India's industrial sector is projected to grow robustly, driven by manufacturing and strong demand in construction. Agriculture is expected to rebound amid forecasts for an above-normal monsoon, while investment demand remains strong, led by public investment," the Manila-based bank said in the latest edition of Asian Development Outlook. It has also maintained its growth forecast at 7.2 per cent for fiscal year 2025-26.
(Business Today)

Food subsidies to cost 11% more than Interim Budget estimate: Report: India is likely to spend Rs 2.25 trillion ($11.97 billion) on food subsidies this financial year, four government sources said, up around 11% from the interim budget estimate in February due to higher spending on the support price for farmers. The country's combined food and fertiliser bill is expected to reach Rs 3.88 trillion, up 5% rise from the estimate in the interim budget unveiled before the election. Interim budget estimates will be replaced by a new budget from Prime Minister Narendra Modi's government that will be presented on July 23. Food and fertiliser subsidies in the interim budget accounted for about 8% of India's total spending of Rs 47.66 trillion during the fiscal year that ends on March 31, 2025.
(Business Standard)

EU's carbon tax mechanism expected to cost India 0.05% of GDP: Report: The European Union's Carbon Border Adjustment Mechanism (CBAM) will impose additional 25 per cent tax on energy-intensive goods exported from India to the EU, a new report said on Wednesday. This tax burden would represent 0.05 per cent of India's GDP, according to the report titled "The Global South's response to a changing trade regime in the era of climate change" by independent think tank

Centre for Science and Environment (CSE). These findings are based on data from the past three years (2021-22, 2022-23, and 2023-24). CBAM is the EU's proposed tax on energy-intensive products, such as iron, steel, cement, fertilizers, and aluminum, imported from countries like India and China. The tax is based on the carbon emissions generated during the production of these goods. The EU argues that this mechanism creates a level playing field for domestically manufactured goods, which must adhere to stricter environmental standards, and helps reduce emissions from imports. But other nations, particularly developing countries, are worried this would harm their economies and make it too expensive to trade with the bloc.
(Business Standard)

BANKING & FINANCE

ESAF SFB gets RBI nod for re-appointment of K Paul Thomas as MD & CEO: ESAF Small Finance Bank on Wednesday said it has received the Reserve Bank of India's (RBI's) nod for re-appointment of K Paul Thomas as its Managing Director & CEO for another three years. This approval was communicated via the RBI's letter dated May 16, 2024, granted under the Banking Regulation Act, 1949, the bank said in a statement. The bank will seek approval of the shareholders for the said re-appointment within the prescribed period, it said. Additionally, Paul Thomas is the Chairman of the Board of Sa-Dhan, the association of microfinance and impact finance institutions, it added.
(Economic Times)

Gold loan companies want govt to grant eligible gold loan NBFCs with 'priority sector status': Gold loan companies want the government to grant eligible gold loan NBFCs with 'priority sector status' and to reduce the import duty on gold in the upcoming Union Budget. George Alexander Muthoot, managing director of Muthoot Finance said " We urge the government to grant eligible gold loan NBFCs with 'priority sector status'. We believe that providing priority sector status to eligible gold loans NBFCs will be a step forward in driving financial inclusion as it majorly impacts the small borrowers whose borrowing needs are frequently less than Rs 50,000."
(Economic Times)

HSBC appoints Georges Elhedery as group chief executive: HSBC Holdings Plc announced the appointment of Georges Elhedery as the group chief executive, effective September 2. The appointment marks its third CEO change in less than eight years. Elhedery, currently the CFO, will succeed Noel Quinn. With a background in trading and investment banking, Elhedery previously led

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HSBC's Middle East and North Africa region. Quinn, who steered the bank through challenges, will support the transition until April 30, 2025.

(Economic Times)

INDUSTRY OUTLOOK

Framework for e-comm hubs by Sept: The regulatory framework to enable the setting up and functioning of e-commerce export hubs will be ready by September, commerce secretary Sunil Barthwal said on Tuesday. “A meeting was held with different departments concerned like revenue to discuss the framework. Even the industry representatives from areas like logistics and marketplace platforms participated in the meeting,” Barthwal said on the sidelines of an Indian Institute Foreign Trade event. The framework is part of the 100-day agenda of the department and some more meetings will be held before its details are finalised. Through these hubs, small producers will be facilitated to sell to aggregators and who will then find markets and sell to consumers or other businesses outside India, he said.

(Financial Express)

No takers for 18 lakh jobs in financial services sector in India: FBSB India CEO: A top official of the FPSB India (Financial Planning Standards Board) here on Wednesday said India is facing the issue of unemployability in the financial services sector because there were no takers of nearly 18 lakhs jobs last year. GIFT City in Gandhinagar, which employs nearly 6,000 people in the financial services sector, will generate nearly 1.5 lakh jobs in this sector in the next five years, FPSB India CEO Krishan Mishra told PTI here on Wednesday. "Last year, as per the data provided by the National Career Services portal of the central government, India created 46.86 lakh jobs in financial services. Of those, only 27.5 lakh jobs were filled. It shows that there were no takers for 18 lakh jobs. This is because of unemployability. Jobs are there, but people are not capable enough to take them up," said Mishra.

(Economic Times)

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REGULATION & DEVELOPMENT

After backlash, Karnataka puts job quota-for-locals bill on hold: The Karnataka government on July 17 decided to delay the implementation of a bill mandating job reservation for locals in the private sector. "The bill intended to implement reservation for Kannadigas in private sector institutions, industries and enterprises is still in the preparation stage. A final decision will be taken after comprehensive discussion in the next cabinet meeting," said a statement from Chief Minister's office on July 17. This comes against the backdrop of the National Association of Software and Service Companies (Nasscom) and industry leaders demanding the scrapping of the bill. Karnataka cabinet approved the draft State Employment of Local Candidates in the Industries, Factories and Other Establishments Bill, 2024, mandating 50 percent of management jobs and 70 percent of non-management roles to be reserved for local candidates (Kannadigas). The state cabinet also approved a 100 percent quota for Kannadigas in Group C and Group D jobs (blue-collar workers) in the private sector.
(Moneycontrol)

'Sebi proposal on new asset class for high risk takers looks promising': Capital markets regulator Sebi's proposal for introducing a new asset class for high-risk profile investors can help them gain access to a newer set of strategies including long-short equity fund and inverse Exchange-traded Fund (ETF). The new asset class is aimed at bridging the gap between mutual funds and Portfolio Management Services (PMS) in terms of flexibility in portfolio construction. In its consultation paper, the regulator said the new asset class will provide a regulated product with features like SIP (Systematic Investment Plan), higher risk-taking capability, and a higher ticket size, to meet the needs of the emerging category of investors. The regulator suggested a minimum investment of Rs 10 lakh for the new asset class, which could be permitted to invest in derivatives for purposes beyond just hedging and rebalancing.
(Business Standard)

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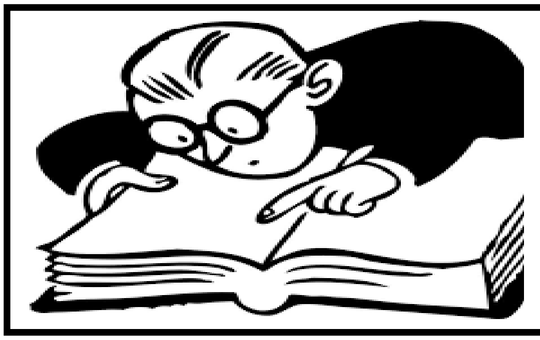

FINANCIAL TERMINOLOGY

BEAR TRAPS

- A bear trap occurs when the price of a financial asset appears to be on a steady decline. This leads investors to expect a further drop, and they short-sell to profit from the continuing downtrend. The trap is now set: instead of continuing to fall, the price suddenly reverses and goes back up. Investors get ensnared, taking on losses as the price of the security continues to increase.
- Bear traps are typically caused by a lack of sustained selling momentum and can be seen as deceptive signals that trick investors into acting prematurely. This phenomenon underscores the complexity and unpredictability of market movements, highlighting the importance of understanding and managing risk before entering a trading.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.5781
INR / 1 GBP : 108.2777
INR / 1 EUR : 90.9764
INR /100 JPY: 52.7100

EQUITY MARKET

Sensex: 80716.55 (+51.69)
NIFTY: 24613.00 (+26.30)
Bnk NIFTY: 52396.80 (-59.10)

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