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DAILY NEWS DIGEST BY BFSI BOARD

20 December 2024

ECONOMY

Narrowing of US, Indian 10-year treasury yields to impact FPI inflows: The narrowing spread between US 10-year treasury yields and Indian 10-year government securities yields, now at near two-decade lows, is expected to impact foreign portfolio investor (FPI) inflows into India's government debt and may even result in outflows, according to economists and market experts. US 10-year yields have risen following the US Federal Reserve's hawkish stance, which revised the guidance for possible rate cuts in calendar year 2025 from 100 basis points (bps) to 50 bps. This came after the Fed cut rates by 25 bps, in line with market expectations, and raised its inflation forecast, leading to a surge in US yields. Indian 10-year government securities closed at 6.78 per cent on Thursday, while US 10-year treasuries were trading at 4.54 per cent. The spread between the two benchmarks currently stands at 224 bps, the lowest since April 1, 2005.
(Business Standard)

RBI advises states to be more prudent in managing finances: A Reserve Bank of India study of state finances has given a thumbs up to the states for containing the consolidated fiscal deficit, but at the same time also nudged them to move to the 'golden rule' of funding current expenditure from current revenues, and use borrowed funds for capital expenditure. The central bank has also come heavily on excessive subsidies and cash transfers to farmers, youth and women.
(Economic Times)

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BANKING & FINANCE

CAG flags Rs 194 cr loss incurred by Oriental Insurance in FY20: State-owned Oriental Insurance Company Ltd incurred a loss of Rs 194 crore during FY20 for failing to properly determine bidding rates for Pradhan Mantri Fasal Bima Yojna, said a CAG report. According to report number 12 presented in Parliament earlier this week, Oriental Insurance Company Ltd determined the bidding rates for Pradhan Mantri Fasal Bima Yojna in 2019-20 by applying pricing components uniformly without specific determination as per the terms and conditions of the Agriculture Quota Share Reinsurance treaty with General Insurance Corporation of India, being Re-insurer. This led to imposition of Loss Corridor clause of the treaty by GIC and consequent loss of Rs 194.08 crore.
(Economic Times)

Govt proposes ban on unregulated lending, imprisonment for offenders: The Centre, in collaboration with states, has proposed to classify unregulated lending as a cognizable and non-bailable offence, with penalties including imprisonment of up to 10 years. The finance ministry has invited feedback by February 13 from stakeholders on the draft Bill, titled BULA (Banning of Unregulated Lending Activities), which aims to address both traditional and digital lending. Essentially, the Bill prohibits any form of public lending by individuals or organisations that are neither registered under any law, nor authorised by the RBI or other regulators," according to the draft Bill. The Bill stipulates that lenders who engage in illegal lending practices, whether digital or otherwise, will face imprisonment for terms ranging from 2 to 7 years, along with fines between Rs 2 lakh and Rs 1 crore. Lenders who use unlawful methods to harass borrowers or recover loans could face imprisonment of 3 to 10 years and hefty fines.
(Economic Times)

Rupee breaches 85/USD to hit new low after hawkish US Fed outlook: The rupee breached the psychologically significant 85-per-dollar mark, and government bond yields rose on Thursday following the US Federal Reserve's meeting, which signalled a more cautious pace of future interest rate cuts, unsettling financial markets, according to dealers. Several Asian currencies performed worse than the rupee. Indian equities also declined for the fourth consecutive session as the Federal Reserve projected only two rate cuts in 2025, contrary to expectations of three to four reductions. On Wednesday, the Federal Open Market Committee lowered the policy rate by 25 basis points, bringing the Fed Funds rate to a range of 4.25–4.50 per cent.
(Business Standard)

Poonawalla Fincorp to implement artificial intelligence in human resource processes: Non-banking finance company Poonawalla Fincorp is implementing Artificial Intelligence (AI) in human resource (HR) processes, including managing potential risks and ensuring accuracy in AI-driven hiring.

(Economic Times)

INDUSTRY OUTLOOK

SEBI fines Hindenburg-targeted Ebix for misrepresenting facts: EbixCash and its promoter Ebix, of which Hindenburg Research had written as having a "glaring fake revenue problem", were found to be in violation of the public issue regulations including downplaying and misrepresenting facts in the press release issued in response to the short-seller's report. Both the company and its promoter entity were jointly fined Rs 6 lakh by the market regulator on Thursday. EbixCash, which had planned to list in the Indian markets, had withdrawn from the process in 2023. In the order dated December 19, the Securities and Exchange Board of India's (SEBI's) Adjudicating Officer Asha Shetty noted that the press release (dated July 6, 2023) issued by the promoter Ebix, with respect to the Hindenburg report, had "downplayed the material impact of revenue restatements and misrepresented ongoing court proceedings".

(Moneycontrol)

IOC to invest over Rs 21,000 cr in Bihar refinery expansion, gas projects: Indian Oil Corporation (IOC) -- the nation's top oil firm -- will invest over Rs 21,000 crore to expand the Barauni refinery in Bihar as well as in setting up a city gas distribution network across the state, a senior executive said on Thursday. IOC is expanding its Barauni refinery to 9 million tonnes per annum from current 6 million tonnes together with a petrochemical plant at a cost of about Rs 16,000 crore and invest another Rs 5,600 crore in setting up network to retail CNG to automobiles and piped cooking gas to households and industries in 27 cities of Bihar, company Executive Director Suman Kumar said while speaking at the Bihar Business Connect 2024 investor summit here.

(Business Standard)

Govt urges sugar industry to diversify into ethanol-diesel, green hydrogen: Road, Transport and Highways Minister Nitin Gadkari on Thursday called upon the sugar industry to explore multiple avenues for diversification, including ethanol-diesel blending and green hydrogen production. Addressing the annual general meeting of the Indian Sugar and Bio-Energy Manufacturers Association (ISMA) virtually, the minister emphasised the need for setting up ethanol and CNG pumps, including through private sector participation. There is a huge potential for flex engines, ethanol-based engines, and bioCNG as alternatives to fossil fuels. Five automakers including Tatas, Suzuki, and Toyota are set to launch flex engine fuel cars in the market, he said and urged the tractor makers to start manufacturing tractors on alternative fuels. The minister suggested examining possibilities of exporting ethanol to neighbouring countries like Bangladesh, Bhutan, Nepal and Sri Lanka to expand market opportunities.

(Economic Times)

REGULATION & DEVELOPMENT

Too many Central govt schemes dilute spirit of co-operative fiscal federalism: RBI report: The Reserve Bank of India's (RBI) report on state finance said that too many Central government schemes dilute the spirit of co-operative fiscal federalism and reduce flexibility of state government spending. The report further said rationalisation of centrally sponsored schemes (CSS) can free up budgetary space to meet state-specific expenditure needs and reduce the fiscal burden of both the union and the state governments. The disbursement under the Centre's scheme, which ranged between Rs 11,000 to Rs 15,000 crore in the initial two years of 2020-21 and 2021-22, surged to Rs 81,195 crore in 2022-23 and further to Rs 1,09,554 crore in 2023-24, report said. These loans accounted for 14.4 per cent of the consolidated states' capital outlay in 2023-24. Even after excluding these interest-free loans from the Centre, there has been a steady increase in capital outlays of the states since 2021-22, the report added.

(Moneycontrol)

Government of India and Asian Development Bank (ADB) sign $42 million loan to strengthen coastal protection to help boost community resilience in Maharashtra: The Government of India and the Asian Development Bank (ADB) today signed a $42 million loan to provide coastal and riverbank protection to increase resilience of local communities and natural ecosystems in the state of Maharashtra. The project builds on ADB's earlier investment by incorporating hybrid approaches to combat coastal erosion, such as offshore reefs, rock protection works, along with flexible nature-based solutions like beach and dune nourishment. It also uses advanced technologies to predict climate change impacts, like sea-level rise and extreme weather, and

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enhances the coastal management information system with remote sensing satellite imagery, improving shoreline management

(PiB)

Sebi defers ESG disclosure deadline under BRSR framework by 1 yr to FY26: Markets regulator Sebi has decided to defer the ESG disclosure deadline for value chain partners of listed companies by one year until FY26, giving more time to them to comply with the Business Responsibility and Sustainability Reporting (BRSR) requirements. Until then, environmental, social and governance (ESG) reporting will remain voluntary instead of the current "comply-and-explain" approach. The proposal, approved by Sebi's board on Wednesday, is aimed at enhancing ease of doing business for listed companies and their value chain partners in meeting BRSR requirement. The Sebi's board approved several relaxations and updates for ESG disclosures. These include "deferring ESG disclosures for value chain", as well as "assessment or assurance" thereof, by one year. Hence, ESG disclosures for value chain shall apply from FY26 (as against the current requirement of FY 2024-25) and "assessment or assurance" thereof shall be applicable from FY 2026-27 (as against the current requirement of FY 2025-26)," Sebi said.

(Business Line)

FINANCIAL TERMINOLOGY

TOP-DOWN INVESTING

- Top-down investing is an investment analysis approach that focuses on the macro factors of the economy, such as GDP, employment, taxation, interest rates, etc. before examining micro factors such as specific sectors or companies.
- Top-down can be contrasted to bottom-up investing, which prioritizes the performance and fundamentals of individual companies before going to macro factors.
- Top-down investing can help investors economize on the time and attention they have to bring to bear on their investments, but can also miss out on potentially profitable individual investments.
- When looking at the bigger picture, investors use macroeconomic variables, such as GDP, trade balances, currency movements, inflation, interest rates, and other aspects of the economy. After looking at the big-picture conditions around the world, analysts next examine the general market conditions to identify high-performing sectors, industries, or regions within the macroeconomy. The goal is to find particular industrial sectors that are forecast to outperform the market.
- Based on these factors, top-down investors allocate investments to outperforming economic regions rather than betting on specific companies.

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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 : 85.0739
INR / 1 GBP : 107.1477
INR / 1 EUR : 88.3595
INR /100 JPY: 54.8300

EQUITY MARKET

Sensex: 79218.05(-964.15)
NIFTY: 23951.70 (-247.15)
Bnk NIFTY: 51575.70 (-563.85)

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- Certificate Course on Investment Management
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