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## **DAILY NEWS DIGEST BY BFSI BOARD**

**04 October 2024**



## **ECONOMY**

**Gold shines amid Iran-Israel conflict, prices likely to move toward Rs 78500:** As geopolitical tensions between Iran and Israel intensify, gold has emerged as a sought-after safe haven for investors. Various factors, including the escalating conflict, the anticipation of US Federal Reserve interest rate cuts, and the upcoming festive and wedding seasons have increased the yellow metal's value. In response to the heightened geopolitical risks and lower US bond yields, gold prices reached approximately Rs 76,114 per 10 grams on the MCX on Thursday evening. As global uncertainties persist, market analysts anticipate that the yellow metal's upward trajectory will continue.

***(Business Today)***

**Stock market highlights: Sensex, Nifty tank 2% as geopolitical tensions hit markets:** The Indian stock markets witnessed a sharp decline on Thursday, October 3, 2024, as global uncertainties and heightened volatility led to a significant sell-off. The BSE Sensex plummeted 1,769.19 points or 2.10 per cent to close at 82,497.10, while the Nifty 50 tumbled 546.80 points or 2.12 per cent to end at 25,250.10. The market opened with a gap-down and faced sustained selling pressure throughout the session, marking the fourth consecutive day of decline for the Nifty index. On the daily chart, the Nifty index faced selling pressure for the fourth consecutive day, closing near the 25,250 mark. A bearish candle has formed, signalling continued weakness." The sectoral performance was overwhelmingly negative, with Realty, Auto, Energy, and Financials emerging as major laggards, declining between 2.43 per cent and 4.36 per cent. The broader market also felt the heat, as evidenced by the Nifty Midcap 100 index dropping 2.21 per cent and the Nifty Small Cap 100 index falling 1.96 per cent.

***(Business Standard)***

**Govt okays National Mission on Edible Oils-Oilseeds with Rs 10K cr outlay:** The government on Thursday approved National Mission on Edible Oils-Oilseeds with an outlay of Rs 10,103 crore to make India self-sufficient in cooking oils. India imports more than 50 per cent of its annual edible oil requirement. "With an aim to make India self reliant in oilseed production in next 7



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years, Cabinet approves National Mission on Edible Oils- Oilseeds (NMEO-Oilseeds) for 2024-25 to 2030-31 with outlay of Rs 10,103 crore," the government said on social media platform X. The mission aims to increase primary oilseed production from 39 million tonnes in 2022-23 to 69.7 million tonnes by 2030-31, the government said. "It seeks to extend oilseed cultivation by an additional 40 lakh hectares," it added. India imports palm oil from Indonesia and Malaysia while soyabean oil is imported from Brazil and Argentina. Sunflower comes mainly from Russia and Ukraine.

***(Business Standard)***

## **BANKING & FINANCE**



**Trai seeks help from RBI, sectoral regulators to push via anti-spam process:** The Telecom Regulatory Authority of India (Trai) has reached out to the Reserve Bank of India (RBI), and other sectoral regulators to push entities, including banks, businesses and insurance companies, to register for the Trai's Digital Consent Acquisition (DCA) process, officials said. The move comes after only a few businesses registered for DCA, which was first mandated in June, 2023 to rein in exponentially rising cases of spam and excessive tele-calling in the country.

***(Business Standard)***

**LIC eyes less than 50% stake in standalone health insurance company:** State-owned Life Insurance Corporation (LIC) is not keen on a composite license but it is looking to buy less than 50 per cent stake in a standalone health insurance company to enter the health insurance segment such that they have a say in the management of the company, without having to run the company, sources in the know said. "LIC doesn't need a composite licence. Even if it is introduced, they will not opt for it. They are looking to buy a stake in a standalone health insurance company where they will have a say in the management," the sources added.

***(Business Standard)***

**Banks record a higher deposit growth rate in Q2 FY25 than Q1 FY25:** Banks recorded a higher growth year-on-year (Y-o-Y) in raising deposits during the second quarter of financial year 2025 (Q2FY25) compared to Q1FY25, owing to intensified efforts to raise liabilities by offering higher rates and innovative schemes. Four out of five banks have recorded growth at least 2-3 per cent higher than the pace seen in the quarter ended June 2024.

***(Business Standard)***



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**BoB to sell Oman operation to Bank Dhofar as part of rationalisation:** State-owned Bank of Baroda (BoB) on Thursday said it proposes to sell its Oman operation to Bank Dhofar as part of rationalisation of foreign operation. The bank has accorded approval for accepting the offer for acquisition of the banking business of Bank's Oman territory operations by Bank Dhofar on a going concern basis, BoB said in a regulatory filing. This is subject to approval from concerned regulatory authorities, it said. The total business of BoB operation in the country was 113.35 million Omani Rial while the net worth stood at 25.54 million Omani Rial.

***(Business Standard)***

**Gap in credit and deposit growth narrows:** By the end of September, the gap between credit and deposit growth in India's banking system has narrowed to 162 basis points from 220 basis points. This change reflects regulatory efforts to increase deposits while de-risking the financial system, as demand for loans continues to rise.

***(Economic Times)***

## INDUSTRY OUTLOOK



**PM Internship Scheme: Early hours of launch sees strong response from companies, over 1K internship positions posted:** Indian firms in sectors including agriculture and allied activities, automotive and pharma have already begun posting vacancies for interns as part of the ambitious PM Internship Scheme that was launched on a pilot mode on October 3. Firms such as pharma major Alembic, Mahindra and Mahindra as well as Max Life Insurance which had by Thursday morning already put out 1,077 vacancies for interns. “As many as 111 companies have already come on board for the scheme and a virtual exercise for familiarisation and training is being carried out by the ministry of corporate affairs for them,” said a source close to the development, adding that many more companies are expected to join over the next few days. “Based on the interactions with companies, most of the internship will be in production and maintenance related aspects of work,” said a senior government official. In the early hours of the portal being opened, internship opportunities had been posted for seven districts in states including Maharashtra, Uttarakhand, Telangana and Gujarat.

***(Business Today)***

**In a first, an Indian agency gives out sovereign ratings:** Global credit rating agencies assess the creditworthiness of governments, corporations and other entities, providing ratings that influence



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investment decisions and borrowing costs worldwide. Taking on foreign counterparts like Moody's, Fitch and S&P Global, India-based CareEdge Global IFSC Ltd – a subsidiary of CARE Ratings Ltd – will now issue sovereign ratings of global economies. The rating agency has assigned sovereign ratings to 39 countries including India.

***(Business Line)***

**Shipping lines invoke force majeure due to US East Coast port strike:** In a first major impact for the trade due to the strike by the International Longshoremen's Association (ILA) in the US East Coast ports, global shipping lines -- US's APL; China's COSCO and France's CMA CGM -- have invoked force majeure. Denmark's Maersk and COSCO have announced a local Port Disruption Surcharge due to a strike, which commenced on October 1. The contract between United States Maritime Alliance, Ltd. (USMX) and the ILA expired on September 30, and the ILA members went on strike from the next day. All major terminals in the US East and Gulf Coasts will remain closed for the duration of the strike, which is unknown at this time.

***(Business Line)***



## REGULATION & DEVELOPMENT

**Cabinet rationalizes all farm sector schemes under 2 umbrella schemes with Rs 1.01 lakh cr investment:** The Union Cabinet on October 3 approved a proposal to rationalize all Centrally Sponsored Schemes (CSS) operating under Ministry of Agriculture and Farmer's into two-umbrella schemes, with total investment of Rs 1,01,321 crore, aimed to increase farmers' income and food security. The two schemes are PM Rashtriya Krishi Vikas Yojana (PM-RKVY) that will promote sustainable agriculture and Krishonnati Yojana (KY), which will achieve food security for self-sufficiency, said Minister of Information and Broadcasting Ashwini Vaishnaw. "All components shall leverage technology to ensure efficient and effective implementation of the various components. These Schemes are implemented through the State Governments," according to a government statement. Under PM-RKVY, states have been given flexibility to reallocate funds from one component to another based on their specific requirement, the statement added. The Central share in the Rs 101,321 crore allocation is Rs 69,088.98 crore while the state share is Rs 32,232.63 crore.

***(Moneycontrol)***

**After Sebi's new F&O rules, BSE discontinues weekly index derivatives contracts on Sensex 50, Bankex:** Days after the Securities and Exchange Board of India (Sebi) introduced





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measures to limit weekly expiries, the Bombay Stock Exchange (BSE) on Thursday announced the discontinuation of weekly contracts for both Sensex 50 and Bankex indices, effective November 14. "Weekly Index Derivatives contracts on SENSEX 50 will be discontinued with effect from November 14, 2024, end of day. New weekly contracts will not be generated after the expiry of existing unexpired contracts. Existing unexpired contracts will continue till their respective expiry," BSE said.

***(Business Today)***

**Sebi reduces trading lot size of privately placed InvITs to Rs 25 lakh:** Markets regulator Sebi has drastically reduced the trading lot size of privately placed infrastructure investment trusts (InvITs) to Rs 25 lakh in a bid to boost investors' participation and increase liquidity of such investment vehicles. The current trading lot for secondary market trading for privately placed InvITs is set at Rs 1 crore. Further, if the InvIT invests at least 80 per cent of its asset value in completed and revenue-generating assets, then the trading lot is Rs 2 crore. "Trading lot for the purpose of trading of units on the designated stock exchange shall be Rs 25 lakh," Sebi said in its notification dated September 26. The move came into effect the same day.

***(Business Standard)***



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## FINANCIAL TERMINOLOGY

### TWIN BALANCE SHEET PROBLEM

- ❖ A twin balance sheet is a scenario where banks are under severe stress and the corporates are overleveraged to the extent that they cannot repay their loans.
- ❖ During a boom period and the economic growth is robust, corporates are encouraged to invest and expand aggressively. The economic survey of 2017-18 put it simply. A twin balance sheet problem follows a standard path. Their companies expand during a boom, leaving them with obligations that they cannot repay. So, they default on their debts, leaving bank balance sheets impaired, as well.
- ❖ According to the 2017-18 economic survey, investors dumped the stocks of PSU, bringing their prices to such low levels that at one point HDFC was valued as much as 24 public sector banks put together.
- ❖ In the mid-2000s, infra companies saw robust growth and their shares shot up. But as the loans piled up, banks found themselves in a tight spot. It was a twin balance sheet problem.



**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 : 83.9492  
INR / 1 GBP : 110.5969  
INR / 1 EUR : 92.6077  
INR /100 JPY: 57.2400

**EQUITY MARKET**

Sensex: 82497.10 (-1769.19)  
NIFTY: 25250.10 (-546.80)  
Bnk NIFTY: 51845.20 (-1077.40)

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- ❖ Guidance Note on the Internal Audit of General Insurance Companies.
- ❖ BFSI Chronicle (quarterly issue of BFSIB)
- ❖ Handbook on Stock & Book Debts Audit (Revised and Enlarged 2<sup>nd</sup> Edition)

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