How oil slipped on a "GREECY" floor

In the chimerical world of economics and finance, the two most important events happening in the international market were, "The oil prices and The Greek crisis."

Talking about the Indian economy, the new government was greeted with lower oil prices and because of this our government was remarkably successful in crawling down the inflationary pressure. Somehow things went in favour of the govt. and the oil prices started plunging. The oil prices fell from 115 usd/bbl to 48 usd/bbl forming a deep trench on the six monthly chart, and yet searching for the bottom. One of the reasons being the basic 12th class, economic principle-"supply is more than demand". But why this happened? The growth of oil production in North America, particularly in the US, has been staggering. US oil production levels were at their highest in almost 30 years. It has been this growth in US energy production, where gas and oil is extracted from shale formations using hydraulic fracturing or fracking that has been one of the main drivers of lower oil prices. At the same time Saudi Arabia, the world's largest oil exporter and Opec's most influential member are resisting to cut the production. Reason being, all OPEC members and Russia can't afford to lose the market share. At the same time US for 5 long years kept on extracting oil and kept adding to their reserves and for that time period they kept on exploiting the oil produced by the OPEC countries as a result there was no import of oil from US for the following year, as now they had enough oil to sustain their economy, due to this there was a supply glut in the global market. Now the problem with the middle east economies and Russia is that, they rely on a particular sector for their growth and performance. But there is a saying "the biggest quality of a person is his/her biggest weakness", same goes with these economies, if their core sector stops performing these economies slow down. Although Saudi Arabia needs oil prices to be around $85 in the longer term, it has deep pockets with a reserve fund of some $700bn - so can withstand lower prices for some time. But its hard time for Russia, as Russia loses about $2bn in revenues for every dollar fall in the oil price, and the World Bank has warned that Russia's economy would shrink by at least 0.7% in 2015 if oil prices do not recover.

Coming on to the demand side aspect, all the major oil importing countries have benefitted a lot resulting in shrinking of their CAD's. But, while China slows down, Brazil stagnates, Russia enters recession and India strives hard to implement economic reforms, there is a sign of global slowdown which has impacted the global demand for oil. Looking at the Indian economy in particular, reduction in oil price has benefitted the economy but at the same time it may have a detrimental effect on the economy, as due to global slowdown Indian exports may get hampered as a result of a slacking global demand.

Now coming to the second half of my topic, which is going to be the most influential event globally for all the major economies of the world, "The Grexit". The term Grexit refers to the exit of Greece from the EU. The left aligned opposition Syriza party led by Alexis Tsipras which is an "Anti Austerity party" came to power on the

25th of January 2015 and has formed an anti-austerity coalition with a centre-right party, the Greek Independents. The Greeks sent a message to Europe's austerity-peddling elites of the so-called "Troika" of the International Monetary Fund, the European Commission and the European Central Bank negotiating their country's debt: You don't own us. Looking at this, the population of economically distressed countries such as Spain, Portugal, Italy and even France are recollecting their strength towards officials and policymakers who insist that there is no choice but to accept austerity. Alexis Tsipras proposals are hardly extreme: His intentions are not to void the current agreement between Greece and its European lenders but to renegotiate the country's debt burden to the point that it doesn't keep Greece's economy in a downward spiral. In response to what has clearly become a humanitarian emergency, he proposes to raise the minimum wage and reverse some pension cuts and tax hikes on regular people. Its debts were 127% of GDP or national income and rose the following year to 146%. Today a Grexit would weaken German and French banks, and cost the German government up to €77bn, which is more than the default combined with an exit from the euro zone would cost €75.8 billion. Alarmists have warned that Syriza's victory will ignite instability and economic disaster, but that threat sounds hollow to a country already laid to waste by flawed policies.

Prolonged weakness in oil prices and Greece demand of substantial hair cut on its financial obligations will definitely have an impact on global financial markets which may result in volatility in the markets.

-By Shravan Mantri
SY B.F.M

1 Fiscal Target Expected To Be Met

The fiscal deficit touched 99% of the budget estimate at the end of Nov

TARGET 4.1% of GDP

"Even though the revenues have been challenging due to low manufacturing, now it is turning around & it looks like we will be able to meet our fiscal targets"

at a customs function in New Delhi on January 27

2 More Assurances On Retrospective Tax

There is a small chance that this could be rolled back, given that it continues to worry investors

If not rolled back, there could be more assurances that its provisions would not be invoked

"Stability of policy is important.... which is why retrospective taxation, because of absence of stability of policy, became a defining moment against India globally"

at the ETNow India Economics Conclave on December 8

3 Some People Could Lose Cooking Gas Subsidy

The under recovery on cooking gas was ₹46,458 cr in 2013-14

The government could deny subsidy benefit to some sections – for instance, taxpayers in the highest bracket

"We have given enough indication—some sections which don't need the LPG subsidy will have to forgo that"

at the Vibrant Gujarat Summit on Jan 11

4 Tax Incentives For 'Make In India'

The govt is keen to make domestic manufacturing cost competitive

A short-term solution would be to offer tax incentives while the entire ecosystem is improved

"So unless our taxation regime is internationally compatible, the cost of our product is going to be more...So am I going to provide them with a tax regime which is compatible to what they get across the world"

at the government's Make in India programme in December

5 But Don't Expect Many Tax Concessions

Fiscal consolidation has to continue

The govt needs resources to step up public spending

""For any finance minister to withdraw this tax or withdraw that tax is not so easily possible" until the govt is in a position to balance its accounts -- "

at the World Economic Forum in Davos on Jan 22, when asked if the minimum alternate tax could be lowered or removed

6 Incentives For NRI Investments

NRI investments through FDI in India since April 2000 stood at $4.7billion, or 1.98% of the total

The govt could provide an easier regime that puts NRI investment on par with domestic investment

"Suggestion with regard to attracting more NRI investment is an issue which is actively under consideration"

at the World Economic Forum in Davos on January 22

7 Greater Public Investment In Infrastructure

Growth In Gross Fixed Capital Formation (%)

Chief economic advisor has called for greater public spending to revive investments

Idea has found greater support since then

"A lot more endeavour by the govt in making our manufacturing more competitive, investment also including public investment in infrastructure"

at the Economic Times Global Business Summit on January 16

8 Further Correction In Inverted Duty Structure

Inverted duty refers to the taxation of inputs at higher rates than finished products

This discourages domestic manufacturing

"We are correcting the inverted duty structure, which can hurt certain sections of the industry"

at the World Economic Forum in Davos on January 22

Source – Economic Times, January 2015

Provided by Pratik Shah SY B.F.M

“Modi-fication” of Indian Stock Market-Bearish to Bullish Phase

The Indian stock market’s Bull Run was abruptly halted when the financial crisis hit the world markets during the early years of 2008. USA’s economic train was derailed for a major overhaul of financial sector and that affected economies directly or indirectly linked to USA in some way.

India and China both had to employ fiscal stimulus to prevent their economies sliding into a major recession like USA and Europe during this period, the excessive debt and leverage risk increased through the bank lending and trade imbalance with other countries with volatile price of crude oil. The careless stimulus contributed to the inflation that occurred in India which was double digit i. Pranab Mukhraji’s move to impose the retroactive transaction tax of on corporate acquisition and other transactions dampened the investor’s confidence.

The dysfunctional working of past coalition government was a disaster in making since important investment projects were stuck in wrangling of the various ministries. The foreign investors just packed their bags and left for other investment destinations like Indonesia and Vietnam. India witnessed its GDP growth cut into half while its currency depreciated more than 25.0 % and the job growth was stopped. The Loksabha bills that can calm the financial market and help organize the food distribution were stalled by the coalition partners due to corruption.

This was the story of the past. With Mr. Narendra Modi’s victory and elimination of coalition government, we breathed a sign of the relief that we have a one party with a clear majority and we are poised for the economic revival.

The Indian stock market is filled with enthusiasm and expectation. For instance, in hope that Mr. Modi would become prime minister, the benchmark stock index S&P BSE Sensex rose 571.61 points or 2.4% to 24,693.35 in the week before he took office on May 26Some of the recent moves by Modi government offer very encouraging signs of good governance and as to how the new government will act and behave. According to one estimate Rs 16 crore lacs of investment project that were stuck in red tape are going to be cleared quickly.

The economic times of India reported: “Rakesh Jhunjhunwala of Rare Enterprises says that Indian economy is going to see a significant and sustainable growth and he remains extremely bullish on Indian economy. He stated that that India needs to increase the household savings flowing into equities to invest in infrastructure badly needed for growth."

Market capitalization of all listed companies is well over RS.8,900,000 crores or roughly US $ 1.6 trillion at the current rate of exchange. For the year2014, the BSE Sensex has rallied over 7600 points to touch the record levels of over 28000 and the rally may well stretch till 33000 in the next six-twelve months, say analysts. Tracking the momentum, they see the Nifty index hovering around 10-11k in the same period. The new government in many instances more likely to discard the caps and limitation, means unchaining the entire economy from government control.

There are other indicators like; smart phone users in India will soon touch 85 million; energy and power sectors are going to get a major boost.

The year 2014 saw the return of retail investors in the stock market once again. However, there is still a great scope for increase in retail participation in India. Here are four things to know:

1. **Retail turnover**: In 2013, retail investors fled the markets. As a result, total trading volumes in the cash segment of the BSE and NSE hit their lowest level in seven years. In 2014, however, retail investors came back resulting in the average daily turnover in the retail segment of the two exchanges to be Rs 9,524 crore as of early December, a jump of 54% from the previous year. This is the highest since 2010, when turnover touched Rs 10,928 crore.
2. **Demat accounts**: The rise in retail participation can be seen in the increase in the number of new demat accounts this year. Over 11 lakh accounts have been opened this year, taking the total count of demat accounts in India over the 2 crore mark according to the data from the National Securities Depository Ltd and Central Depository Services Ltd. The two depositories are responsible for holding all of investors' securities and provide demat services. This suggests there is still great scope for an increase in retail participation.
3. **Mutual fund investments:** A significant portion of this retail participation has been through mutual funds. This is why there has been a rise in the number of mutual fund folios. Close to 2 lakh MF investor accounts were opened in the period between April and October 2014 alone, taking the total to 3.97 crore. In contrast, the number of folios declined consistently between 2011 and 2014.
Even the amount of investments in mutual funds increased. This can be seen in the share rise in the total assets under management (AUM) for the mutual fund industry. While the total AUM for the industry rose 25% to Rs 11.4 lakh crore in November 2014 from the previous year. Moreover, 40 new close-ended equity funds were launched between January and November-end, which collected Rs 7,459 crore, according to media reports.

4. **SIPs**: The increase in mutual fund investments led to a rise in preference for Systematic Investment Plans or SIPs. These are MF investment plans, where you can break your total investments into monthly instalments. You, thus, decide to invest a fixed amount on a monthly or quarterly basis in a particular scheme. There were 3.5 lakh additions to the SIP schemes in September 2014, up from the 1.5 lakh in January, according to a Financial Express report.

By Vrishank Shukla
SY B.F.M

http://www.academia.edu/7472039/_Modi-fication_of_Indian_Stock_Market-Bearish_to_Bullish_Phase

ICICI Launches Twitter Banking Services. Allows Funds Transfer & More Through Twitter!

ICICI Bank, India’s largest private sector bank, today announced the launch of banking services on Twitter. Christened, ‘**icicibankpay**’, the first-of-its kind service in India enables ICICI Bank customers to transfer money to anyone in the country who has a Twitter account. Apart from this, the service allows Twitter users to check account balance, view last three transactions and recharge prepaid mobile in a completely secure manner.

ICICI Bank, which is already hailed as one of the most social friendly banks has now become World’s first bank to open up banking services through Twitter.

Source – NDTV, January 2015

-Collated by

Priya Muralidaran

FY B.F.M

LIC raises stake in Central Bank to 15%

NEW DELHI: Country's largest insurer LIC has raised its holding in Central Bank of India to 15 per cent by picking up another 5.51 per cent stake for Rs 626.23 crore. LIC bought 8.28 crore shares through preferential allotment raising its stake to 15 per cent, Central Bank of India said in a filing on the BSE. Despite 15 per cent stake, the voting right of LIC would be restricted to 10 per cent as per the provisions of Banking Companies (Acquisition and Transfer of Undertakings) Act 1970. As per the provisions, no shareholders of a bank other than the central government will be entitled to voting right in respect of any shares held by him in excess of 10 per cent of the total voting rights of all the shareholders of the bank.

Last year, Central Bank of India sold 7.10 crore shares to Life Insurance Corporation of India (LIC) and raised Rs 581.61 crore. The bank allotted 7,10,75,753 equity shares to LIC subsequent to passing of the special resolution by shareholders at their meeting held on July 15, 2014. The shares of face value Rs 10 were alloted at Rs 81.83 per unit. Prior to this, LIC had 5.31 per cent stake in the bank. The government holding was at 88.63 per cent as of June, 2014.

Source – Firstpost, January 2015

-Collated by
Nalini Gupta
FY B.F.M

RBI's action on bank notes

RBI lifts ban on carrying 1,000, 500 bank notes to and from Nepal, Bhutan Reserve Bank of India (RBI) has lifted ban on carrying Indian bank notes of Rs 1,000 and 500 denominations to and from Nepal, Bhutan.
In this regard RBI has issued a circular that eased the restriction on export and import of bank notes of 1,000 and 500 denominations for Nepal and Bhutan. However, RBI has put a limit of carrying such notes at Rs 25,000 per person. Earlier in May 2000, RBI had imposed ban following the request of Union government to curb smuggling of counterfeit currency. Implication: It will provide a great relief to workers from both nations as well as Indian tourists travelling to Nepal and Bhutan.

Source – Economic Times, January 2015

-Collated by

Ratika Khandelwal, FY B.F.M

70% Indians have no health insurance: Study

NEW DELHI: Seventy per cent of India's population have no health insurance and the country is short by 2 million beds compared with the global benchmark, according to a whitepaper released by a leading health sector body.

The report 'Aarogya Bharat 2015', released by NATHEALTH on 20th January 2015, stated that India requires US$ 3 trillion in cumulative funding and has the potential to generate 15 to 20 million jobs by 2025.

NATHEALTH has been created to improve access and quality of healthcare and has leading Healthcare, Medical Technology, Diagnostic service providers and Health Insurance Companies as stakeholders.

"This 'while paper' is an effort to drive thought leadership as we move towards a healthier, 'Aarogya' India over the next decade. Total spending on healthcare is anticipated to reach about 6 per cent of GDP by 2025.

"Private insurance is expected to grow at a compounded annual rate of about 25 per cent to cover the top 25 per cent of the population, by income level. Public insurance will provide essential care to 60 per cent of the population by 2025," said Shivinder Mohan Singh, President of NATHEALTH.

"India can adopt universal access to essential healthcare driven by private sector-led provision with the Government playing the role of primary payer and provider in remote and underserved areas," said Anjan Bose, Secretary General of NATHEALTH.

NATHEALTH also urged the Government to increase public spending on healthcare to 2.5 per cent-3 per cent of GDP, apportion a greater share of public spending to prevention, including mass screenings and primary care coverage by 2025.

Additionally, the Government should focus on being a payer, not a provider and demand and support quality outcomes, the report stressed.

The 'white paper' recommends the expansion of the supply of healthcare talent in critical roles, rejuvenation of AYUSH, (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) and encouragement of private investment in education.

"To facilitate 'Make in India' innovations, the Government can look to further incentivize domestic innovation and manufacturing. This will also have a ripple effect in terms of increased FDI and will generate employment," said Bose.

A key recommendation of the white paper is an appeal to the Government to increase tax exemption on premiums of health insurance and incentivize private sector participation in medical education.

The 'white paper' was released in collaboration with Bain and Company at its 2nd annual event held on 20th January 2015.

The body also introduced a unique initiative of an 'Ethics Pledge', a declaration by the industry leaders across diverse healthcare segments in partnership with Indian Medical Association (IMA), to build a robust and transparent platform to promote ethical practices in the healthcare ecosystem.

Source – Economic Times, January 2015

-Collated by
Nalini Gutpa
FY B.F.M

Quiz

Questions:-

1. Which was the first foreign bank to enter India and in which year?
2. Which was the latest bank to be added to the list of public sector banks in India?
3. Who was the Governor of RBI, who later became the Prime Minister of our country?
4. Which is the self-regulatory body for the mutual fund industry?
5. Where was the World Economic Forum 2015 held?
6. Who is the chief of IMF?

By

Priya Muralidaran

FY B.F.M

Answers:-

1. Standard Chartered, 1858
2. Bharatiya Mahila Bank
3. Dr. Manmohan Singh
4. Association of Mutuals Fund of India (AMFI)
5. Davos, Switzerland
6. Christine Lagarde