THE FINANCIAL BUG

From the Editor's desk

The Financial BUG, a newsletter prepared by the BFM students is an initiative which helps to disseminate information about important news and events which affect the economy of our country. The aim is to inculcate a practical understanding of our learning's.

The newsletter contains different segments or sectorial news covered by the committee. The newsletter is prepared under the guidance of Pratik Sir and Pooja Ma'am. We hope it is appreciated and students get the most benefit out of it.

Lastly,

An initiative is always taken up by a few people, we the BFM's editorial team invite everyone who wishes to put forth there ideas or articles in the journal. Simply mail us your article at ejournalbfm@gmail.com.

We would be happy to put up your articles on the bulletin. Articles could be regarding to any topic or event that has occurred in the recent past. Suggestions regarding the same will be looked upon.

- Tejas Desai

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With $21 Trillion, China's Savers Are Set To Change The World

Few events will be as significant for the world in the next 15 years as China opening its capital borders, a shift that economists and regulators across the world are now starting to grapple with.

With China's leadership aiming to scale back the role of investment in the domestic economy, the nation's surfeit of savings -- deposits currently stand at $21 trillion -- will increasingly need to be deployed overseas. That's also becoming easier, as Premier Li Keqiang relaxes capital-flow regulations.

The consequences ultimately could rival the transformation wrought by the Communist nation's fusion with the global trading system, capped by its 2001 World Trade Organization entry. That stage saw goods made cheaper across the world, boosting the purchasing power of low-income families at the cost of hollowed-out industries.

Some changes are easy to envision: watch out for Mao Zedong's visage on banknotes as the yuan makes its way into more corners of the globe. China's giant banks will increasingly dot New York, London and Tokyo skylines, joining U.S., European and Japanese names. Property prices from California to Sydney to Southeast Asia already have seen the influence of Chinese buying.

Other shifts are tougher to gauge. International investors including pension funds, which have had limited entry to China to date, will pour in, clouding how big a net money exporter China will be. Deutsche Bank AG is among those foreseeing mass net outflows, which could go to fund large-scale infrastructure, or stoke asset prices by depressing long-term borrowing costs.

'Historic Proportions'

"This era will be marked by China shifting from a large net importer of capital to one of the world's largest exporters of capital," Charles Li, chief executive officer of Hong Kong Exchanges & Clearing Ltd., the city's stock market, wrote in a blog this month. Eventually, there will be "fund outflows of historic proportions, driven by China's needs to deploy and diversify its national wealth to the global markets," he wrote.

The continuing opening of China's capital account will also promote the trading of commodities in yuan, and boost China's ability to influence their prices, according to an analysis by

Bloomberg Intelligence.

As was the case with China's WTO entry, where many of the hurdles had been cleared in the years leading up to 2001, policy makers in Beijing have been easing restrictions on the currency, the flow of money and interest rates for years. What's making 2015 notable is the International Monetary Fund's once-in-five-year review of its basket of reserve currencies. China wants in, and is accelerating reforms to get there.

Offshore Centres

Recent steps to promote its currency have included setting up five offshore yuan centers, a new link between the Shanghai and Hong Kong stock exchanges and letting the tightly controlled yuan trade against the dollar in a wider band. It has promised to remove a cap on interest paid to savers.

“The integration of China –- the world’s second-largest economy with the highest saving rate but still a low per capita income -– into the global capital markets is an unprecedented event,” China International Capital Corp. economists led by Beijing-based Liang Hong wrote in a note this month.

There are already signs of that potential. Chinese buyers topped Canadians to rank as the biggest foreign purchasers of U.S. homes by sales and dollar volume in the year through March, accounting for more than a quarter of all international spending.

Moving Abroad

Lenders are speeding up their ambitions: Bank of Communications Co., China’s fifth-largest lender, is making its first overseas acquisition by buying a lender in Brazil, while China Construction Bank Corp. plans to open branches in Europe, Southeast Asia and Africa.

The global community is watching. U.S. Treasury Secretary Jacob L. Lew said after meetings this week between U.S. and Chinese officials that China is committed to pushing through necessary reforms to liberalize interest rates, open capital markets and open up more to foreign enterprises. The U.S. wants more access to the world’s second-biggest economy for its financial firms, something that’s been elusive since China’s WTO entry.

Few expect the yuan to soon threaten the dollar’s role as the global reserve currency, with a wave of domestic reforms needed first up to reassure international investors -- such as bolstering liquidity in the local bond market.

While U.S. policy makers are betting that a more open China will ease currency tensions between the two nations, any rapid depreciation in the yuan could trigger large-scale capital outflows, prompting intervention and new restrictions from China’s policy makers.

U.S. Friendly

“If they’re going to be gradually opening up to be like the U.S., then vast amounts of money are going to flow overseas,” said David Dollar, who served as U.S. Treasury attache in China and is now a senior fellow at the Brookings Institution in Washington. “I would speculate that it favours the U.S. over everything else.”

Other nations, from Argentina to South Korea, have suffered whiplash from volatile capital flows after they eased restrictions. While China is unlikely to tear down the barricades altogether, the opening of the nation’s capital borders will reverberate across the world.

“I don’t think you can find any significant economic system where deposits in the banking system are twice GDP,” said Nicholas Lardy, who has studied China for more than three decades and is a senior fellow at the Peterson Institute for International Economics. “That’s the potential.”

- By Shravan Mantri, TY B.F.M

<u>This New Indicator Shows The U.S. Job Market Finally Heating Up</u>

Just how quickly is everyone's paycheck growing? It's one of the most important questions in the American job market right now, with only inconclusive answers derived from conflicting data so far. This week, a regional Federal Reserve Bank added a new indicator to the mix in hopes of offering policy makers a closer look at what's really happening in the U.S. job market.

The new index—which shows a median wage increase of 3.3 percent in the 12 months through May, a substantially faster pace than even just a year ago—gives ammunition to central bank hawks who would like to raise interest rates in September.

The Atlanta Fed's newly introduced measure is based on Census Bureau questions to thousands of households, compared to other measures that survey businesses. "We are seeing signs of wage pressure," says John Robertson, a senior policy adviser at the regional bank.

While some economists consider the Employment Cost Index the single best measure of earnings, an advantage of the Atlanta Fed's tracker is it will come out monthly and provide a much faster take on the job market.

The Atlanta Fed wage measure has moved in tandem with changes in unemployment rate from 12 months earlier, Robertson says. This suggests that further wage gains are coming because the jobless rate has dropped to 5.5 percent, from 6.3 percent in May 2014.

Wage gains have doubled from 1.6 percent in January 2010, but they remain lower than the 4.1 percent level during the month the recession started in December 2007, the gauge shows.

It's not the first time the Atlanta Fed's research has played a role in shaping the policy debate. The institution, one of 12 regional banks, was more accurate than private forecasters in predicting the first-quarter slowdown in U.S. growth.

http://assets.bwbx.io/images/idGZ0A1NDuec/v1/-1x-1.jpg

- By Amee Shah, TY B.F.M

Flipkart Ranked Second In Top Global Book Sellers

E-commerce major Flipkart has been ranked second among top book sellers of the world, according to a survey.

Flipkart retails over 30 million books spread across literature, fiction, academic, biographies, business and management and self-help. (Source: Flipkart)

E-commerce major Flipkart has been ranked second among top book sellers of the world, according to a survey.

Flipkart is the only Indian brand to be ranked among the top five, says the survey report ‘Top 40 Global Bookstore Mind Share’ (BMS Index). The survey, which assessed both offline as well as online book sellers across the globe, has ranked Flipkart ahead of companies like Barnes & Noble of the United States, FNAC of France, Waterstones of the UK and The Book Depository, also from UK.

The results were finalised by standardising data from sources like Wikipedia traffic, GoogleBooks N-Gram and Google search term frequency. The index was based on two factors — the number of people thinking about these stores and its frequency. The research project for BMS Index was led by Paul Xavier McCarthy, Adjunct Professor of University of New South Wales, Australia and author of ‘Online Gravity’.

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Link - http://www.financialexpress.com/article/companies/flipkart-ranked-second-in-top-global-book-sellers/92450/

- By Yukti Sadrani, SY B.F.M

FINANCIAL QUIZ:

1. Name the term used for depreciating a company's intangible assets.
2. This term is derived from the Greek word 'oikanomia' means 'house management'. What is this term?
3. Royal and Sun alliance recently re-entered, after 29 years , to Indian financial markets, and it is the first foreign insurance company that started operations through a joint venture with an Indian company. Name the company.
4. What is the full form of ICICI ?
5. Which CEO was in the news recently for having donated his shares to his employees?

- By Priya Muralidaran, SY B.F.M

Deutsche Bank hit by record $2.5bn Libor-rigging fine

The penalties on Germany's largest bank also involved a guilty plea to the Department of Justice in the US and a deferred prosecution agreement. Jain was head of its investment bank during the alleged Libor rigging, but the bank has said he has been cleared of any wrongdoing.

Libor, the London inter-bank lending rate, is a key interest rate in finance, affecting financial contracts worth trillions of dollars. Deutsche is one of several major banks fined after traders were found to have manipulated the rate.

Deutsche Bank is also paying $55m (£35.7m) to settle civil charges for allegedly mis-stating financial reports.The US Securities and Exchange Commission (SEC) investigated the bank for the way it accounted for certain assets in reports filed during the financial crisis.

The two joint chief executives of Deutsche Bank are to step down, in an unexpected move that comes shortly after the investment bank was fined for its role in Libor manipulation and criticized for its conduct.

After an unscheduled meeting held by the bank's supervisory board on Sunday, the German lender said that Anshu Jain would leave at the end of this month, with Jürgen Fitschen staying on until the bank's annual meeting in 2016. Jain will continue to advise the bank as a consultant until January.

Deutsche said that John Cryan, the British former chief financial officer of UBS, will replace Jain as co-chief executive. When Fitschen departs he will not be replaced, leaving the 54-year-old Briton in sole charge. Paul Achleitner, chairman of the supervisory board, said: "I would like to express our gratitude and respect for the contributions that Jürgen and Anshu have made to our bank. Their decision to step down early demonstrates impressively their attitude of putting the bank's interests ahead of their own".

The surprise move came just over a month after Deutsche was fined a record $2.5bn (£1.7bn) for rigging Libor, ordered to fire seven employees and was accused of being obstructive towards regulators in their investigations into the global manipulation of the benchmark rate.

Georgina Philippou, the acting director of enforcement and market oversight at the Financial Conduct Authority, said at the time: "Deutsche Bank's failings were compounded by them repeatedly misleading us. The bank took far too long to produce vital documents and it moved far too slowly to fix relevant systems and controls".

Cryan has been a member of Deutsche Bank's supervisory board since 2013, and has served as chairman of the audit committee and a member of the risk committee. He will step down from the supervisory board after taking up his new role.

Achleitner added: "We are pleased to have appointed John Cryan as co-chief executive officer. John is not only a seasoned banker with extensive experience in financial matters but also espouses the professional and personal values required to advance Deutsche Bank and [its new] Strategy 2020. He knows the bank well, and we are convinced that he is the right person at the right time".

At the end of April, Jain unveiled Strategy 2020, which the bank said was “focusing Deutsche Bank to deliver value”. It also promised a “proactive stance on future regulatory direction and robust controls” and set a series of financial “ambitions”, designed to bolster shareholder returns.

Investor frustration about the bank’s performance became obvious last month when, at the annual meeting, 39% voted against Deutsche’s management board, and several investors called for Jain and Fitschen to resign.

The two co-chief executives of scandal-hit European banking giant, Deutsche Bank, have resigned.

Juergen Fitschen and Anshu Jain offered their resignations to an emergency meeting of the bank's supervisory board on Sunday, and their resignations were accepted.

The bank said John Cryan would become co-chief executive, replacing Mr Jain from 30 June.

Mr Fitschen will remain in post until the annual general meeting in May 2016.

After that, Mr Cryan, who has been a member of the bank's supervisory board since 2013, will become the sole chief executive, the bank said.

The planned resignations, first reported in the Wall Street Journal, come after a series of scandals affecting the bank, including a $2.5bn (£1.7bn) regulatory fine in connection with the bank's part in the Libor rate rigging affair.

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Deutsche Bank was the target of shareholder anger at its recent annual general meeting (AGM) in May, as concerns have grown over its disappointing profit growth, the fines, and its restructuring plans.

Hermes Equity Ownership Services, which holds a stake of almost 5% in Deutsche Bank, called for management changes, with director Dr Hans-Christoph Hirt saying: "We no longer have confidence in the management board."

In April, the bank reported that net income for the first three months of 2015 had halved to €559m (£407m), compared with the same period a year earlier.

This is despite the fact that revenue rose by almost a quarter to €10.4bn.

- By Vrishank Shukla, TY B.F.M

News On Greece: -

Greek Financial Crisis And Its Effect On The Indian Equity Market

Europe's common market exemplifies a situation that is unfavorable to a common currency. It is composed of separate nations, whose residents speak different languages, have different customs, and have far greater loyalty and attachment to their own country than to the common market or to the idea of "Europe." Despite being a free trade area, goods move less freely than in the United States, and so does capital.

The European Commission based in Brussels, indeed, spends a small fraction of the total spent by governments in the member countries. They, not the European Union's bureaucracies, are the important political entities. Moreover, regulation of industrial and employment practices is more extensive than in the United States, and differs far more from country to country than from American state to American state. As a result, wages and prices in Europe are more rigid, and labor less mobile. In those circumstances, flexible EXCHANGE RATES provide an extremely useful adjustment mechanism.

What Friedman means here is that if Greece still had the drachma, it could deal with its financial difficulties by devaluing the currency. A cheaper drachma would make Greek goods more attractive to foreigners, boosting exports and creating jobs. And a bit of inflation in Greece would help ease the country's debt burden — not an ideal outcome, but better than the years long depression the country has suffered since the 2008 financial crisis.

It's much harder for an unemployed man in Greece to move to get a job in Germany than it is for somebody who loses his job in Pennsylvania to find work in Texas. So Greece's unemployment rate has stayed disastrously high, even as other Eurozone nations have enjoyed a robust recovery.

EFFECTS ON INDIA.

Volatility Index surged 9.8% to 17.2975 points.

40 Nifty stocks fell

Top losers include tech Mahindra, HNDL and HCLT

Nifty ended 0.7% Down

EFFECTS ON GLOBAL MARKET

NIKKEI -2.9%

CHINA -4.7%

EURO MARKETS -3.3%

SOURCE: http://www.vox.com/2015/6/29/8859741/greek-financial-crisis-euro

- By Yashika Mehta, TY B.F.M

Greece Makes New Aid Proposal, Seeks Debt Restructuring

Greece pleaded for a short-term bailout extension on Tuesday to avert a midnight default as frantic efforts gathered pace to salvage a deal that could keep Athens in the euro, with Germany warning that time had run out to extend vital credit lines.

As the clock ticked down towards midnight, when billions of euros in locked-up bailout funds are due to expire, euro zone finance ministers called a last-minute conference call (1700 GMT) to discuss the Greek request.

European Commission President Jean-Claude Juncker appealed to Athens to accept the deal proposed by international creditors last week while holding out hopes that some extra tweaks could still be possible.

Leftist Greek Prime Minister Alexis Tsipras, who has called a referendum for Sunday to vote on the bailout terms, responded with a counter-proposal, requesting a two-year deal covering funding support and debt restructuring, an issue the lenders have so far been reluctant to tackle.

If no agreement is reached, Greece will default on a loan to the IMF, setting it potentially on a path out of the euro with unforeseeable consequences for both the European Union's grand currency project and the global economy. However the proposals appeared so far apart that success seemed higly unlikely.

German Chancellor Angela Merkel, whose country is Greece's biggest creditor, gave a cool response to talk of an 11th hour compromise, suggesting that there may be no time left for a deal.

EU and Greek government sources said Juncker, who spoke to Tsipras late on Monday, had offered to convene an emergency meeting of euro zone finance ministers to approve an aid payment to prevent Athens defaulting if the Greek leader sent a written acceptance of the terms.

However as last-ditch efforts continued, the growing risk of Athens being forced out of the single currency brought into sharp focus the chaos likely to be unleashed in Greece and the risks to the stability of the euro.

DEFIANCE

The last-ditch bid from Brussels came as uncertainty built ahead of Sunday's referendum, in which Tsipras has called for a "no" vote.

Former Greek Prime Minister Antonis Samaras, leader of the main opposition party, said a "No" vote would push the country out of the single currency and wipe out wages and pensions.

The euro fell against the dollar but European shares, which dropped sharply on Monday, steadied on hopes of a deal. . The Athens stock exchange is closed during a week-long shutdown of the banking sector which began on Monday.

Opinion polls show a majority of Greeks favour holding on to the euro but a rally of tens of thousands of anti-austerity protestors in Athens on Monday highlighted the defiance many about being pushed into a corner by the lenders.

Further rallies are expected in coming days, with a demonstration in favour of staying in the euro planned in central Athens on Tuesday.

Tsipras broke off negotiations with the Commission, the IMF and the European Central Bank and announced the referendum on the bailout terms early on Saturday, giving voters just one week to debate the fundamental issues at stake.

EU leaders hammered home the message that the real choice facing Greeks is whether to stay in the euro zone or return to the drachma, even though the EU has no legal way of forcing a member state to leave the single currency.

Italian Prime Minister Matteo Renzi warned against turning the referendum into a personality contest between Tsipras and Juncker or Merkel.

DEFAULT

Greece, which has received nearly 240 billion euros in two bailouts from the European Union and International Monetary Fund since 2010, is set to miss a 1.6 billion euro debt repayment to the IMF which falls due on Tuesday.

If that happens, IMF Managing Director Christine Lagarde will immediately report to the global lender's board at close of business, Washington time, that Greece is "in arrears" - the official euphemism for default.

It will be the first time in the history of the IMF that an advanced economy has defaulted on a loan from the world's financial backstop, putting Athens, which has seen its economy contract by more than 25 per cent since 2009, in the same bracket as Zimbabwe, Sudan and Cuba. Already the imposition of capital controls to prevent the crippled banking system from collapsing has given Greeks a bitter foretaste of the economic plunge that could follow exit from the euro.

Withdrawal limits of 60 euros a day have been fixed for cash machines and there have been long queues at petrol stations and in supermarkets as worried shoppers have stocked up on essentials like pasta and rice.

There were no immediate signs of serious shortages but if the banks remain closed, cash flow problems which have already been reported by some firms, could worsen.

http://m.economictimes.com/news/international/business/greece-makes-new-aid-proposal-seeks-debt-restructuring/articleshow/47883632.cms

- By Nalini Gupta, SY B.F.M

Thank You!!!

Answers to the quiz:-
1. Amortization
2. Economy
3. Sundaram
4. Industrial credit and Investment Corporation of India.
5. Rahul Yadav