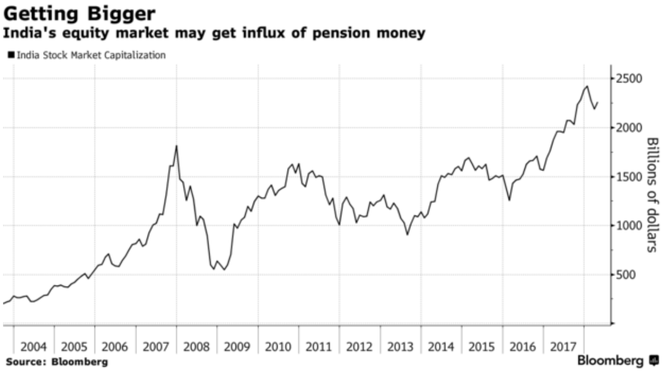
Highlights

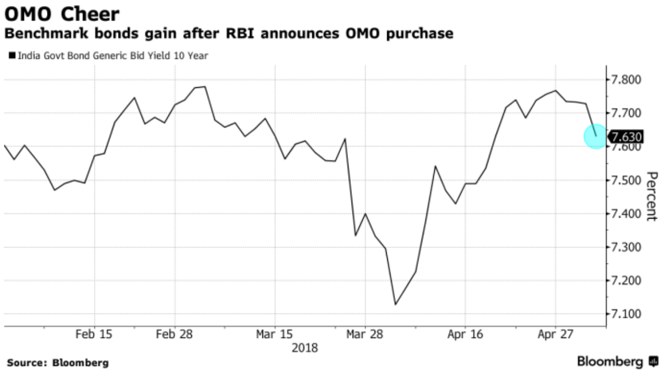


India's USD 2.3 trillion equity market is about to get a boost in the form of a new endorsement from the nation's pension regulator. The Pension Fund Regulatory and Development Authority (PFRDA) is pending an approval from the government to increase the equity proportion for government employees from 15% to 50% to match the maximum for private-sector pensions overseen by its National Pension System (NPS) arm. Government employees contribute about 87% of the USD 35 billion overseen by the NPS. (Source: Bloomberg, PFRDA)

India's retail inflation eased to the lowest in 5 months, from 4.4% in February to 4.28% in March. The softer inflation number was below the central bank's projected 4.5% pace for the fourth-quarter of fiscal year 2018 and may be temporary due to a decline in food prices.
(Source: Bloomberg)

India's southwest monsoon, which waters more than half of the country's farmland and is crucial for growth is expected to be normal this year. The monsoon is critical to India's agriculture as it accounts for more than 70% of annual rainfall and recharges water reservoirs that help irrigate crops. Deficient rain in the country, the world's second-biggest producer of rice, wheat and sugar and top grower of cotton, often leads to lower crop output and higher imports of commodities like wheat, edible oils and sugar. Food inflation makes up a substantial percentage of the CPI and could negatively impact fiscal slippage as the government would have to increase its minimum support price (MSP) paid to farmers. (Source: Bloomberg)

India's central bank raised limits for overseas bond investors by USD 16 billion for the fiscal year to March 2019 to spur demand for Indian debt markets. Overseas investors can boost holdings of sovereign debt to 5.5% by March 2019, and 6% a year later, according to the RBI. It also scrapped a rule that prevented foreigners from investing in debt of less than three years residual maturity. Overseas investors will also be allowed to hold up to 30% of the outstanding of any single security versus 20% earlier. While a limit of 20% for total investment in securities with residual maturity below 1 year was set, the minimum residual maturity requirement for central government securities (G-secs) and state development loans was withdrawn. The central bank also set 9% as the limit for foreign investors to own debt sold by Indian companies. The limit for foreign investment in state development loans will remain unchanged at 2% of outstanding securities. The RBI will discontinue existing sub-categories in corporate bonds as there will now be a single limit for such debt.
(Source: Bloomberg, RBI)



Indian sovereign bonds rallied following the RBI's announcement that it would buy USD 1.5 billion worth of securities with maturities ranging from 2020 to 2033 maturities on May 17. The open-market purchases announcement - the first since October 2016, is one of several recent measures taken by authorities to support the market. (Source: Bloomberg)