

Highlights

State-controlled lenders will receive a capital injection to the tune of USD 32 billion as the Indian government seek to revive loan growth. The government will sell USD 20.77bn of recapitalization bonds while banks will raise another USD 11.23 billion through “budgetary support” and from equity issuance. The unprecedented amount which is ten-fold higher than the government’s previous pledge in 2009, will improve bank capital ratios and help revive loan growth for Asia’s third-largest economy. The government’s recapitalisation plan for public sector banks is likely to propel credit growth by up to 700 basis points to 15 per cent and as a consequence push up GDP numbers to 7 per cent in the next fiscal year. (Source: Ambit Capital, Bloomberg)



India leaped 30 places to rank 100 out of 190 countries in World Bank’s Ease of Doing Business Index 2018.

The World Bank also named India as one of the top 10 countries that improved the most in the areas measured by Doing Business, citing India’s commitment to reform its business environment. Notable improvements were seen in the areas of implemented reforms or eased rules for construction permits, landing credit, protecting minority investors, paying taxes, cross-border trade and resolving insolvency. (Source: World Bank)

October saw a staggering USD 2.5 billion plowed into Indian equities for a 19th straight month as domestic investors continue to shift money out of deposits into equity funds making it Asia’s second best performing stock market. The Indian government’s push for pension funds to invest in stocks is expected to drive flows higher. (Source: AMFI, Bloomberg)

Fresh Legs?

Priming banks to spur credit growth could give the equity market another boost



Source: Bloomberg

BloombergGadfly

Narendra Modi’s government’s announcement to recapitalize state-owned banks drove the PSU Index of state banks up by 30 percent in one day, adding about USD17 billion in market capitalization to its members.

It was the biggest single-day inflow of foreign direct investments since February 2017 as USD 1.1 billion worth of shares changed hands. The India’s stock market has a total value of about USD 2.2 trillion. (Source: Bloomberg)

The Reserve Bank of India’s October meeting minutes revealed a hawkish bias from the monetary policy committee, even though it kept an overall neutral stance.

Concern about upside risks to the inflation outlook and the consensus for structural reforms and fiscal discipline to close the output gap, further dampened the possibility of any rate cuts for the next meeting. RBI Member, Michael Patra’s view that rate hikes might be required soon to curb inflationary pressures was seen to buoy yields. (Source: RBI, Bloomberg)

India, the world’s second-biggest producer of wheat, raised the minimum purchase price of wheat by 6.8 percent, the biggest increase in six years in a bid to boost farm income and to enhance output.

The federal government, who is the single biggest buyer of food crops in the country also increased the price it will pay for major grains such as chickpea, lentil and mustard. The move ahead of key state polls in November will help to shore up Indian Prime Minister Narendra Modi’s popularity in a country where over 70 percent of the 1.3 billion population depend on farming for their livelihood. (Source: Bloomberg)

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