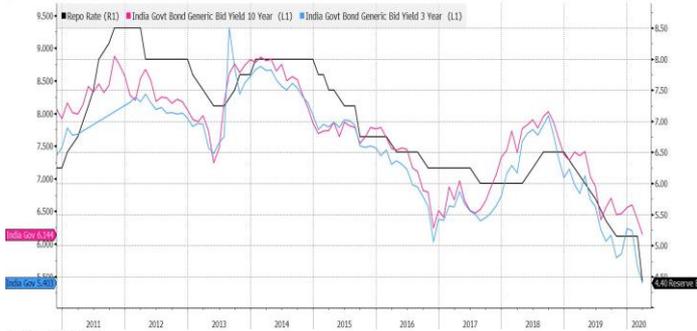


Highlights

Indian Bonds Rally RBI cut benchmark rates to record low



Source: Bloomberg

India's bonds rallied after the RBI delivered a steep rate cut that saw the repo rate at its lowest level on record.

The Reserve Bank of India slashed interest rates by 75 basis points to 4.40% after an emergency meeting of the MPC. In a bid to smoothen volatility and to lend support to the financial markets, the RBI also cut the Cash Reserve Ratio for a year by 100 basis points to 3% to boost liquidity by 3.74 trillion rupees (USD 50 billion) or approximately 3.2% of GDP. They also announced targeted long term repo operations of up to 1 trillion rupees to be deployed in investment grade corporate bonds, commercial paper and non-convertible debentures and a three-month moratorium on loan repayments covering all banks and shadow lenders starting March 1. Yields on benchmark 10-year bonds fell as low 5.98%; the lowest since 2009. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of Covid-19 on the economy, while ensuring that inflation remains within the target level. India's RBI surprised the market by bringing forward its meeting which was scheduled to start March 31; joining global central banks in efforts to stem the economic fallout of the Covid-19 pandemic. The measures are by far the most sweeping steps taken by the central bank to support the economy, and come a day after relief measures worth 1.7 trillion rupees (~USD 22.6 billion) were announced by Finance Minister Nirmala Sitharaman.

(Source: Bloomberg, RBI)

India's SEBI announced measures to curb market volatility.

The Securities and Exchange Board of India increased the trading margin in stocks and reduced the market-wide position to reduce volatility in stocks. The measures will be effective for a month starting March 23, after which the regulator will review their position for

further actions. SEBI also imposed restrictions on holding short and long positions in index derivatives by mutual funds, FPIs, trading members and clients, with additional position limit of 5 billion rupees on equity index futures contracts and equity index options contracts. The regulator will also allow exchanges in flexing dynamic price bands for F&O stocks. (Source: Bloomberg, SEBI)

The Finance Minister Nirmala Sitharaman announced fiscal aid measures on Thursday to help the most vulnerable sections of the country to ensure that they have access to food and essential services.

The plan involves cash transfers as well as steps on food security and will benefit migrant workers. Cash support listed by the finance minister include payments to farmers under an existing income support program. The plan also includes free cooking gas to the poor for three months, state-sponsored contributions to retirement funds for the same duration and insurance cover of 5 million rupees to medical workers. Most welfare measures announced were for a duration of 3 months suggesting that economic activity will take at least that long to return to normal per-lockdown levels following 3 weeks of lockdown. (Source: Bloomberg)

India's Foreign Reserve as of 20th March 2020



India's foreign exchange reserves fell to USD 469.9 billion, posting its biggest weekly drop since 2008.

The reserves fell by USD 12 billion as the central bank stepped in to defend the rupee. The decline was the biggest since the week ended October 24, 2008 when the reserves fell by USD 15.5 billion. The currency had retreated to a record low in the past week, dropping past 76 to a dollar, amid persistent selling by foreign portfolio investors. However, following the stimulus announcements, the Sensex has been on a path to recover lost ground. On Friday 28th of March, global funds bought INR 3.56 billion (~USD 47.32 million) of Indian stocks while domestic funds shored up the market, buying a net 17.04 billion rupee (~USD 226.48 million) worth of stocks according to exchanges. (Source: Bloomberg, RBI)

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