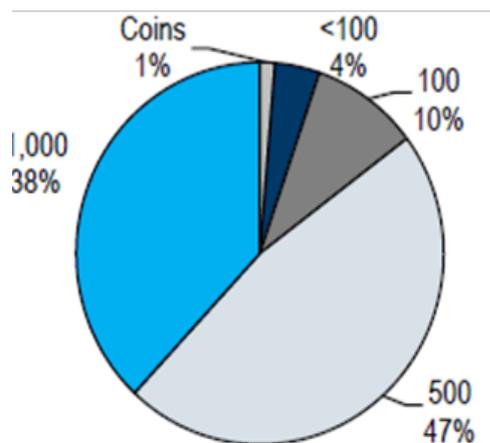
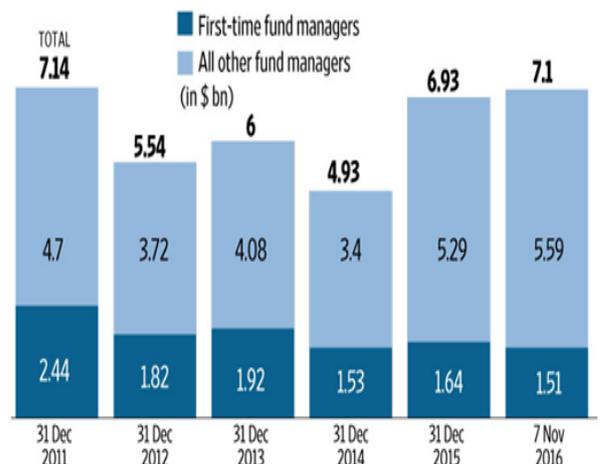


500 and 1000 rupee notes comprise 85% of currency in circulation



Source: RBI, UTI MF

Cash piles at India-based PE & VC firms versus deal volume



Source: Preqin, DealStreet Asia

1. Indian government demonetizes 500 and 1000 rupee notes

In a bid to clamp down on graft (“black money”) and tax evasion, the Indian government announced that 500 and 1000 rupee denominated notes were no longer considered legal tender. Near-term slowdown in economic activity is likely given that these notes comprise 85% of notes in current circulation (chart 1), with heavily cash-transacted sectors hit the most. But longer term the move is deemed very positive and is a huge step in combating graft.

2. Union Cabinet approved a slight hike in wheat (MSP), announces date of budget

India’s Union Cabinet approved a 6.6% hike in the MSP for wheat (as planting season commences). This is aimed to provide some respite to farmers in the key wheat producing states of Punjab and Uttar Pradesh (together contributing to over 40% of India’s wheat output). Simultaneously the government also decided that the Union Budget for 2017-2018 will be presented on 1st February 2017 which is earlier than usual, in order to speed up the implementation of various schemes and projects .

3. Cash piles at India-based PE and VC firms hit a near six-year high

According to Preqin data (chart 2), fund-raising by India-based funds have risen to \$7.1 billion. Improved global sentiment around the India macro and reforms story has been reflected in increased appetite for fund managers to raise money. This coincides with a decrease in deal/ transaction volume but according to investors, this is more a sign of higher discipline amongst fund managers.

4. India and Japan sign nuclear deal that was six years in the making

The agreement allows India to access and buy sensitive nuclear technology from Japan in order to provide clean electricity and meet India’s energy needs. The deal was signed during the annual India-Japan Bilateral Summit in Tokyo to promote the use and development of clean energy.

5. GST Council announces GST rates structure

The 4-tier GST rate structure was announced in November but will be debated in the winter session of parliament. This is a positive move in meeting the implementation target deadline of April 2017. The highest tier of 28% is proposed to be applied to ultra luxuries and “sin goods”, whilst a zero rate will be applied to almost half of the CPI basket including food grains. Therefore, the net impact on CPI is expected to be manageable.

6. Consumer Price Inflation (CPI) eases in October, core remains sticky

October’s headline inflation came in at 4.2% year-on-year (yoy) versus 4.4% in September. The lower headline rate is mainly attributed to the steep base effect – food prices and core inflation is expected to remain sticky but still within the central bank’s target range for now.

7. RBI expands universe of investable instruments for FPIs

As per the Union Budget announcement (2016-2017), the RBI expanded the investment basket of eligible instruments for investment by foreign portfolio investors (FPIs) under the corporate bond route to include unlisted corporate debt securities and securitised debt instruments

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