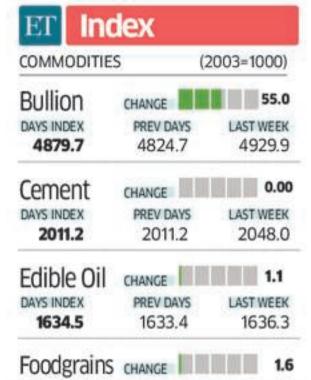
Tweet of the Day

Javier Blas@JavierBlas

If SaudiArabia brings its oil production down to 9.8 million b/d by March, the move will effectively wipe out four years of slow - and painful output gains. So, effectively, back to the Ali Al-Naimi era. Maybe, after all, the old Al-Naimi knew better?

Quarts & Ounces





M'rashtra Sugar Season may be Cut **Short on Drought**

PREV DAYS

2308.8

2318.1

DAYS INDEX

2310.4



Jayashree.Bhosale@timesgroup.com

Pune: Sugar production season of Maharashtra, the second-largest producer of the sweetener in the country, will be cut short by a month as sugar mills from drought hit areas are already closing operations as drought has affected plant growth.

"With crushing operations of three sugar mills already coming to an end, most of the sugar mills from Solapur district, which has the highest number of sugar mills in the state, will be closed by end of February," said an official of Maharashtra Sugar Commissionerate. In 2017-18, of the 187 mills that were in

operation, 7 mills had stopped machines by February end. By end of March, 80 of the 187 mills were closed, and by April, 172 of the 187 mills had closed crushing operations. The season came to an end on May 26. "Crushing operations of more than 90% of the sugar mills were over by April end in the previous year. This year, more than 75% of the mills will stop working by March end," said the official. Maharashtra has been reeling under one of the most severe droughts seen recently and reducing per acre production of sugarcane, which in turn slashed availability of cane for crushing.

Losses for farmers are two-fold as the cane payments have been delayed or paid only partially. On the other hand, they also have to bear losses due to fall in productivity. "Farmers are desperate that their cane will wilt in the fields if they insist on getting full or timely payment. All that they expect now is that mills buy their cane," said Khandu Adatrao, a farmer from Osmanabad district of Maharashtra. Till February 7, the state's sugar mills had crushed 702 lakh tonnes of cane and produced 76.44 lakh tonnes of sugar. The state expects to produce about 95 lakh tonnes to 100 lakh tonnes of sugar in 2018-19, against 107 lakh tonnes produced in the previous year.

The international sugar trade is already hoping for a revival in the sugar market, which will mainly be influenced by the extent of fall in India's sugar production in 2018-19 and in 2019-20 and Brazil's sugar production in its crushing season beginning April.

Analyst says softening of inflation has buoyed bond market sentiment as traders are now factoring in at least one more rate cut in April

Easing Inflation Boosts Demand for Govt Bonds

Saikat.Das1@timesgroup.com

Mumbai: Bond traders put their fiscal worries behind and piled into government securities, with consumer inflation coming in at just about half the central bank's target. With the Monetary Policy Committee signalling it is concerned about the headline consumer price numbers rather than the core inflation, the possibility of bigger rate cuts is now being speculated upon.

"If inflation continues to surprise on the lower side, the market may start factoring in a 50-basis-point rate cut instead of a quarter percentage point that markets have been factoring in post the February RBI policy," said Ashish Vaidya, head of markets for India at Singapore's DBS Bank. "Markets and pol-

wards more forward-looking ac-

Benchmark bond yields fell 7 basis

points to close at 7.29% on Wednes-

day. Bond yields and prices move in

Retail inflation, as measured by

tion on past data," he said.

opposite directions.

If inflation continues to | Sustained low headline surprise on the lower side, the | numbers have more than market may start factoring in a | offset the fiscal worries.

50-bps rate cut instead of a | You could expect a bond quarter percentage point that | market rally to continue markets have been factoring in | and sustain amid increasing post the February RBI policy | trading activities ASHISH VAIDYA, DBS Bank | SANDEEP BAGLA, Trust Capital | IDFC AMC icymakers are slowly moving tothe Consumer Price Index, eased to tion reading has buoyed the bond 2.05% in January, an 18-month low

> Reserve Bank of India' target for retail inflation is 4%.

> that price rises will remain subdued

in the next two-three quarters. The

tions instead of basing today's ac- and well below the consensus esti-

market sentiment as traders are now building in at least one more mate of 2.45% with many believing rate cut in April," said Sandeep Bagla, associate director at Trust Capital, "Sustained low headline numbers have more than offset the fiscal worries. You could expect a bond "Unexpected softening in the inflamarket rally to continue and sus-

for now

SUYASH CHOUDHARY.

ities," he said. "This could reignite interest from overseas investors in With the latest CPI the debt market too." Earlier, in the print, any doubts with interim budget, the government respect to RBI's pegged this financial year's deficit revised forecasts at 3.4% of GDP, compared with its should be put to rest previous projection of 3.3%. Overnight Interest Swap, a deriva-

tive gauge where investors exchange fixed rates for floating, has also dipped amid rising expectation of sharper interest rate cuts. The one-year maturity contract fell 12 basis points to 6.22 % Wednesday.

Meanwhile, RBI governor Shaktikanta Das, who met global investors on Tuesday in Hong Kong in a closed-door conference, exuded confidence over the government's fiscal position, which will not spring any ugly surprise, said an investor, who attended the meeting. "The gover-

tain amid increasing trading activ- nor was confident on a 3.9% retail inflation figure even in the worst case by December, which will still be 10 basis points less than the RBI's

target inflation," the person said. The benchmark bond yield is now likely to trade in the range of 7.15-7.35% compared with 7.20-7.40% expected last week, dealers said.

"With the latest CPI print, any

doubts with respect to RBI's revised forecasts should be put to rest for now," said Suyash Choudhary head - fixed income, IDFC AMC. This opens up space for one or even two more rate cuts ahead, especially given the evolving global growth concerns." Positive sentiment is also supplemented by global macros as the US Federal Reserve is not expected to raise fund rates with the central bank wanting to "normal-

ise" interest rates.

FIRST PROJECT This will be an integrated development project to monetise the land

Low-cost Housing is Priority Now



signed a product for the masses. I am not making four and five and six BHK flats nghanias want to

monetise the Thane land they own. The first project will be a 20-acre affordable housing project together with a school, Gautam Singhania, CMD, Raymond, tells ET Now.

What are your plans for venturing into real estate?

The market is fully aware that we have got a lot of land in Thane where the original factory was. We need to monetise this land and that is why the factory was originally moved. It has taken us a little while to get all the permissions for the land to get cleaned up. Historically, in India, all land has got some issues. Having done that, we have always stated as policy that we want to monetise the land and that will only enhance shareholder value. The first project on 20 acres, will be

an integrated development to monetise the land and obviously see what best real estate project we can do there.

We have de-

Where are you going to position your real estate offering?

We have volume to move. We want to do affordable housing which is for the masses. We have got a good product and if you do it correctly, I have to move volume. Number two, I have got two or three advantages -- We have designed a product for the masses. I am not making four and five and six BHK flats. Also, we have got the best location. Number three, we are giving a very good club house, a five-acre garden in the middle, very good facilities which go with the Raymond brand. Number four, we have got a school, sharing a common boundary wall. You will have swivel gate between the housing complex and the school.

THE RISK Will we witness inflationary risks with states, Centre announcing sops

Further Easing of Rates a Possibility

ill we be witnessing inflationary risks as states have been announcing loan waivers, the Centre has its own social scheme: and the RBI is accommodative, GV Giri, HoR, Institutional Broking, IIFL tells ET Now.

Factory output has crossed the 2% mark and retail inflation for January dipped to a 19-month low. Will there be more rate easing in April?

Yes, central bank easing rates does seem to be something that is quite likely and given the governor's speech and after that the data points. But let us not forget that even in the press conference that the governor did, most of the questions were: "is the governor not getting too far ahead in terms of being ahead of the curve?". Is it enough to just read into the headline inflation? Is not food inflation the principal reason for the inflation headline inflation being down? Now, crude will also slip at its

current lower level into the base some months out and after that this year-on-year benefit we have been having on energy will go away. That, plus any potential spike in

food inflation, puts us at risk of

ET Q&A THE QUESTION

But the question whether the governor is getting far ahead of the curve lingers

seeing a headline inflation climb rapidly. It will look very awkward for the central bank to do two cuts and then pull back.

But having seen how aggressively the current leadership in the central bank has been accommodative, one would not rule that possibility out, but the risks are definitely there.

States have been announcing loan waivers; the Centre has its own social schemes, plus the RBI is being accommodative. Will we be witnessing inflationary risks? Normally, one could argue that if a good amount of capacity addition is also happening then we could accommodate the growth but if a growth spurt comes about and government capex tails off and if private capex has not picked up, then we could end up seeing a little bit of inflation this calendar year itself.

INDIAN SOAP OPERA In every upheaval, such as the NBFC crisis, lies an opportunity

The Future is for **Credit Markets**



whole new set of global investors now want to play the credit opportunity in India, Rashesh Shah, CEO, Edelweiss Group, tells ET Now at the sidelines of the Edelweiss India Conference 2019.

The last couple of months have been very active for your company and the sector. Are you finding queries about your sector on the wealth and credit side?

Obviously, NBFCs have gone through a little bit of upheaval but that we have seen every three-four years. I call it the India soap opera that goes on in every part of India but every upheaval, every crisis is an opportunity. The credit markets will come through in a much stronger way and we are seeing a whole new set of global investors who are

now wanting to play the credit opportunity in India. They have already invested in equity markets. They are invested in private

The recent

upheaval in

NBFCs is

equity. Now they are saying, can we also play private credit? So, we announced Allianz which is a large 1.3-trillion-dollar balance sheet, global German insurance company. They have invested \$200 million in stressed assets funds. We are seeing large insurance

companies and pension funds who already are familiar with India and who have been investing in equity markets, now looking at credit markets also. The upheaval of the last quarter in NBFCs and the entire credit market is going to catapult the growth of credit markets in India in another dimension. We have seen that in equity markets over the last 20 years. Next 10 years are going to be for the credit markets in India.

FOOD GRAINS

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Barsi/Per Quintal)

Others (Per Quinty)

HYDERABAD

ce(Per Quintal)

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Barsi New (2700/3100)

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owar (2200/2600) 2400/2600

ine Old (3500/4000) 3500/47

Medium New (3000/3500

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CHENNAI

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aggery (cube) (3600/3900)

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irkapalle Gr. 1 (3450/3800)

HYDERABAD

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Sugar S-30 (3300) 3350 BENGALURU

Ped New (2700/2800)

PEAK ARRIVAL While chana fell 7%, mustard & wheat prices were down 2% & 10%, respectively

Chana, Wheat, Turmeric Prices Tumble on New Crop Arrivals **FALL IN PRICES**

Madhvi.Sally@timesgroup.com

New Delhi: Prices of chana, wheat, turmeric, coriander and mustard have started coming down with the arrival of new crop in the market, according to traders and analysts.

Since the start of 2019, the price of chana has dropped by almost 7% while that of mustard has corrected by nearly 2%. Wheat prices have also come down, correcting by almost 10%, they said. "The crop quality is good and

we expect production to be similar to previous year," said Kailash Partani, a trader in Indore, adding that trading companies including ITC, Cargill and Olam are expected to enter the market by March. Anuj Gupta, deputy vice-president of commodity research at Angel Commodity, said they expect the downward trend to continue for the next one month.

According to Partani, newlyharvested chana has started reaching Madhya Pradesh, Maharashtra and Rajasthan,



7%-Channa From ₹4,520 to ₹4,200 10%-wheat (per quintal)

and peak arrivals will begin in a fortnight across these states. Meanwhile, wheat prices have decreased from ₹2,200 per quintal to ₹1,955 per quintal on expectation of higher acreage and a bumper crop, said Gupta. Officials at the Directorate of Wheat Research in Karnal. Haryana, are optimistic that wheat production will surpass the targeted 100 million tonnes for the year.

Wheat harvesting has just begun in Maharashtra, Gujarat and Madhya Pradesh.

"Prices will further come down by 10% once the arrivals pick up in the next 15-20 days,"

said a Delhi-based trader. Prerana Desai, head of re-

search at Edelweiss Agri Value Chain, said, "As of now, the crop is looking good with the rains in the past week aiding the crop. The upcoming weather condition over northwest India has to be seen, before we comment on price movement. Rains will help the rabi crop, but if it is accompanied by hailstorm, it will damage crops and likely impact

Among spices, the price of turmeric corrected by almost 7%from ₹6,822 to ₹6,334—owing to higher production this year, said Gupta. Jeera too saw a

7_%-Turmeric From ₹6,822 to ₹6,334 From ₹2,200 to ₹1,955 The crop quality is production too be similar

2_%-Mustard

From ₹4.011 to ₹3.934

to previous year KAILASH PARTANI, A trader in Indore

downtrend, correcting by almost 11% to ₹15,400 per quintal. Coriander also corrected sharply—dropping 13% to ₹6,065 per

"Spices prices have corrected due to expectation of good crop and increase in arrival," said Gupta.

quintal.

Analysts said that while prices are down, weather events over the next few days across north India can potentially change the market sentiment.



Sunfover Exp (755) 745.

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CHENNAI

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HYDERABAD

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It Looks like the Rate Lowering Cycle is Unlikely to End with Current Cut The monsoons, elections and revenue collections will be key indicators to watch out for; lower US yields, weaker dollar to help Indian markets

GOPIKRISHNA SHENOY

CIO, SBI Life Insurance Co

The Monetary Policy Committee met from February 5 to February 7 and announced its final decision. What was surprising was the announcement as MPC decided on the basis of a 4-2 majority to

cut Reporate by 25 bps. The MPC had enough reasons to The Reserve Bank emphasised

monetary easing was necessary and, in their own words, the MPC panel believes the output gap has opened up once again after being called as "almost closed" in the previous meeting. Target inflation too was revised down to 3.2% from 3.4% for the first half and 3.9% for the third quarter of calendar year 2019. The decision for a cut may also be aid-

ed by the slowdown likely.

cut rates as headline CPI had

come down all the way to 2.2% in

With a flexible inflation target of

4%, a 180 basis points of under-

shoot convinced the MPC that a

the latest readings.



DOVISH STANCE

The noticeable change in the Federal Reserve's language in January gives us hope that 2019 could very well be a year of much less rate hikes in the US

the need to support growth as a mandate and on these lines has

growth is likely to slow by 10 ba- markets in the coming months. sispoints to 7.4% against a global backdrop.

The stance and language sounded dovish and, in our view, the rate cut cycle is unlikely to end here. We have been reading more on growth slowing in the developed markets and its impact on in the first week of April. emerging market for some time now.

The noticeable change in the January gives us hope that 2019 could very well be a year of much less rate hikes in the US. A natu-US bond yields and weaker dollar mentioned that the projected and this could help Indian capital

The benign inflation outlook of the MPC is after taking into consideration the fiscal projections by the Centre as well as the stickiness of core CPI. The borrowing programme will

start reflecting on bond markets Net borrowing is higher by 12% for the fiscal.

While it is comforting to watch

Federal Reserve's language in the projected headline inflation number of 3.9% at its highest for the current calendar, we will be watchful of monsoon as it unral reaction to this would be lower folds, the general election results and the revenue collections as it