CRUDE WATCH

OIL RISES AFTER FALLING OVER 1%

New York: Oil prices edged higher, after falling more than 1 per cent, following comments from US President Donald Trump that he had not agreed to roll back tariffs on China. Brent crude futures rose 22 cents to settle at $62.51 a barrel. **REUTERS**

RESERVES TOUCH $446.09 BILLION FOR THE WEEK ENDED NOVEMBER 1

Forex reserves grow by over $17 bn since Sept 20 to hit all-time high

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 9

A RISE in flow of funds by foreign portfolio investors (FPIs), following the government's announcements to cut corporate tax rate and push growth in the economy, alongside stable crude prices and currency, resulted in a substantial jump in the foreign exchange reserves as it hit an all-time high of of $446.098 billion for the week ended November 1, 2019.

According to the data released by the Reserve Bank of India, while the forex reserves grew by $3.5 billion during the week ended November 1, 2019, it has grown by over $17 billion since the week ended September 20, when it amounted to $428.5 billion.

The increase in reserves in the reporting week ended November 1, was mainly on account of a jump in foreign currency assets (FCA) — a major component of the overall reserves. The FCA increased by $3.201 billion to $413.654 billion in the week ended November 1, the RBI said.

EXPLAINED E.

Recent govt measures boost sentiment

THE INCREASE in reserves in the reporting week ended November 1, was mainly on account of a jump in foreign currency assets (FCA), a major component of the overall reserves. The FCA increased by $3.201 billion to $413.654 billion in the week ended November 1, the RBI said.

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Experts say the government's move to reverse its Budget decision about higher surcharge on FPIs, along with a cut in the corporate tax rate last month, has played a significant role in turning investors' mood and they have been investing in Indian markets. The inflow of funds has been aided by the US Federal Reserve's decision to cut interest rates.

Between September and now, the FPIs have invested a net of Rs 34,776 crore (nearly $5 billion) into Indian equities and the debt market. By contrast, they pulled out a net of Rs 8,874 crore between July and August (aggregate of debt and equity markets).

The rise in forex has also been supported by stability in crude oil prices. While crude stood at levels of about $65 per barrel in mid-September, it came down to under $58 per barrel in the first week of October. At present, it is trading at $62 per barrel.

The rise in forex reserves, alongside a softening of crude oil prices, comes as a breather for the country's rising external debt, which has risen significantly un the past couple of years — from $485 billion in June 2017 to $557 billion in June 2019. Experts say that if external debts are higher than the forex reserves, it makes the economy vulnerable to any oil price shock. However, as of now there is some relief on that account as forex reserves are climbing and crude oil prices continue to trade lower.

A rise in forex reserves will help improve the ratio of foreign exchange to external debt, which has deteriorated from a high of 106 per cent in June 2010 to 76.7 per cent in June 2019. It is important to note that even during the height of the global financial crisis in 2008, India's foreign exchange reserves, at $310 billion, exceeded the then total external debt of about $224 billion and provided a much larger coverage.

RISING FOREX RESERVES

Week ended	Forex ($ bn)
June 28	427.67
July 5	429.911
Jul 12	428.79
Jul 19	430.376
Jul 26	429.64
Aug 2	428.95
Aug 9	430.57
Aug 16	430.5
Aug 23	429
Aug 30	428.6
Sep 6	429.6
Sep 13	428.96
Sep 20	428.57
Sep 27	433.59
Oct 4	437.8
Oct 11	439.7
Oct 18	440.75
Oct 25	442.5
Nov 1	446.09

Goyal to meet USTR Lighthizer to discuss issues on Wednesday

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 9

COMMERCE AND Industry Minister Piyush Goyal will meet his US counterpart, Robert Lighthizer, on Wednesday in Washington to discuss trade related issues, an official statement said on Saturday.

"On November 13, Goyal will have India-US bilateral meeting with his counterpart US Trade Representative (USTR) Robert Lighthizer to discuss the outstanding bilateral issues and to arrive at a shared understating on a mutually beneficial basis," the statement said.

Next day, the minister will hold a high-level industry interaction with business and industry representatives in New York City.

On November 12, Goyal is scheduled to have a meeting with representatives of the medical devices manufacturing companies to discuss trade issues. He will also attend the 9th BRICS Trade Ministers Meet in Brasilia on November 11.

Discussions will be focussed on opportunities for enhanced intra-BRICS trade and investment cooperation, it said.

"Issues like cooperation in e-commerce, investment facilitation, MSMEs, Intellectual Property Right, will be discussed during the meet," it added.

Deliberations on the current global economic and trade environment, challenges facing the multilateral trading system, ways of advancing the BRICS trade and investment cooperation will also take place.

A Memorandum of Understanding will be inked among Trade and Investment Promotion Agencies of BRICS countries, which will help foster close collaboration. **WITH PTI**

ON THE AGENDA

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'Aramco targets sale of 0.5% of state oil firm to retail investors in IPO'

REUTERS
DUBAI, NOVEMBER 9

SAUDI ARAMCO is looking to sell up to 0.5 per cent of the state oil giant to retail investors in its planned initial public offering (IPO), three sources familiar with the matter told *Reuters*.

The Saudi oil group has not yet revealed the size of its planned IPO or what proportion of the company it will float, although sources have previously said this could be 1-2 per cent .

Aramco declined to comment.

It is expected to release more details about the company in an IPO prospectus document later on Saturday.

Assuming Aramco achieves a total valuation of $2 trillion, the retail tranche could be worth around $10 billion, the sources said on Saturday.

Aramco fired the starting gun on the domestic IPO last week after a series of false starts. It did not give details on how much would be sold or when the listing would happen, while expert valuations vary from $1.2 to $2.3 trillion.

A government committee has met in the past few months with dozens of wealthy Saudi individuals to secure pre-sale agreements, sources told Reuters last month.

And the government has encouraged investors to repatriate cash held overseas to buy into the IPO to avoid draining too much liquidity from the Saudi banking system, they said.

Reuters reported on October 17 that Aramco can take advantage of new market rules that allow issuers the flexibility to sell more shares to retail investors, likely exceeding the usual 10 per cent seen in recent IPOs.

"Local demand is strong," a second source said on Saturday, adding that this would lead institutional investors to think that up to 75 per cent of the IPO would be available for them.

Oil India Q2 net profit slips 27% to ₹627 cr

PRESS TRUST OF INDIA
NEW DELHI, NOVEMBER 9

STATE-OWNED OIL India Ltd on Saturday reported a 27.2 per cent fall in its net profit at Rs 627.23 crore in the second quarter ended September 30, 2019.

The company had registered a net profit of Rs 862.01 crore in the corresponding period of the previous financial year.

Total income fell to Rs 3,481.52 crore during Q2FY20 from Rs 4,031.41 crore in same period of FY19, Oil India said in a regulatory filing.

Turnover was down at Rs 3,213.61 crore for the quarter, as against Rs 3,743.58 crore a year ago.

The EBITDA (earnings before interest, taxes, depreciation and amortization) margin — the reader of profitability ratio — stood at 43 per cent during the quarter, down from 44 per cent in the year-ago quarter.

The company realised crude oil at $61.30 per barrel during the September quarter of the current financial year, down from $73.42 a barrel year ago.

BRIEFLY

Lakshmi Vilas Bank Q2 net loss at ₹357cr

New Delhi: Lakshmi Vilas Bank (LVB) on Saturday reported widening of net loss to Rs 357.18 crore for the second quarter ended September 30, 2019. The bank posted a net loss of Rs 132.31 crore in the July-September of 2018-19.

NTPC Q2 net rises 38% to ₹3,409 crore

New Delhi: State-run power giant NTPC on Saturday posted an around 38 per cent rise in its consolidated net profit at Rs 3,408.92 crore in the quarter to September 2019, driven by higher revenues.

Indiabulls Real Estate Q2 profit jumps fourfold

New Delhi: Indiabulls Real Estate reported a nearly fourfold jump in its consolidated net profit at Rs 301.16 crore for the second quarter of this financial year. Its net profit stood at Rs 75.91 crore in the year-ago period. Total income rose to Rs 1,101.9 crore in Q2 from Rs 1,059.71 crore in the year-ago quarter.

Yamaha brings out BS-VI compliant bikes

New Delhi: India Yamaha Motor (IYM) on Saturday launched BS-VI compliant variants of FZ-FI and FZS-FI bikes, priced between Rs 99,200 and Rs 1.02 lakh (ex-showroom). **PTI**

Failure to launch: The biggest IPO pull-outs of 2019

Private companies seeking to launch on stock markets have abandoned a series of initial public offerings (IPOs) this year after a string of high-profile startups failed to draw the expected interest from investors. Here are some of the most notable companies across the world that have pulled the plug on their IPOs in 2019

THE WE COMPANY: Owner of office-sharing startup WeWork, scrapped its IPO in September, as concerns around the sustainability of its business model led to a lackluster response from investors

ENDEAVOR GROUP HOLDINGS: The US entertainment and talent agency company backed by Hollywood power-broker Ari Emanuel, abandoned its IPO in September following weak stock market investor demand

BITMAIN TECHNOLOGIES: The world's largest designer of products for mining cryptocurrencies let its application for a Hong Kong IPO of at least $3 billion lapse in March, amid fears of price volatility

FERRETTI The Italian luxury yacht maker decided to pull its IPO in mid October, as it was not satisfied with the price offered by investors

KKR & Co The private equity giant and its partners pulled a planned $690.70 mn offering for lender Latitude Financial last month

JS GLOBAL LIFESTYLE: The household appliances maker has pulled its initial public offering of up to $462.53 million, sources told *Reuters* last month, making it the third float delayed in Hong Kong so far this year

ALIGHT: The Blackstone Group-backed HR consultant, elected to postpone its IPO indefinitely in March after declining to accept a discounted valuation

GFL ENVIRONMENTAL: The waste management firm said in early November it would cancel its IPO, after institutional investors pressed it to price its shares below the marketed range

Note: Compiled by Reuters

Trade war to ease but conflicts will persist: Ex-China Minister

REUTERS
BEIJING, NOVEMBER 9

A SINO-US trade war could ease somewhat but wider conflicts between the world's two largest economies will continue, Lou Jiwei, a former Chinese finance minister, said on Saturday.

"Look at the next development, there could be compromises in the trade war at a certain stage, and we have seen signs of compromising," Lou, now an official with a body that advises China's Parliament, told an economic forum in Beijing.

Officials from both countries on Thursday said China and the United States had agreed to roll back tariffs already put in place on each others' goods if a "phase one" deal was concluded, but the idea has been met with opposition from some quarters of the administration US President Trump.

Trump himself, in comments that hit stock prices and the dollar, said on Friday he had not agreed to a tariff rollback.

Washington has adopted a strategy to contain China's economic rise by preventing the country from climbing up the global value chain, Lou said.

"Containment and counter-containment are inevitable and that will be a long-term issue," he said. But Lou also said it would be difficult for the United States to decouple from China, given the potential disruption to global supply chains and the impact on businesses.

The US tariffs on Chinese exports will not fundamentally resolve its trade deficit.

China factory prices falter while inflation soars to near 8-yr high

REUTERS
BEIJING, NOVEMBER 9

CHINA'S PRODUCER prices fell the most in more than three years in October, as the manufacturing sector weakened on declining demand and a knock from the Sino-US tariff war, reinforcing the case for Beijing to keep the stimulus coming.

The producer price index (PPI), seen as a key indicator of corporate profitability, fell 1.6 per cent in October from a year earlier, marking the steepest decline since July 2016, the National Bureau of Statistics data showed Saturday. Analysts had tipped a contraction of 1.5 per cent for the PPI.

In contrast, China's consumer prices rose at their fastest pace in almost eight years, driven mostly by a surge in pork prices as African swine fever ravaged the country's hog herds. Analysts say the CPI rise could become a concern for policymakers looking to introduce measures to prop up demand.

However, core inflation, which excludes food and energy prices, pressures remain modest.

The factory deflation was punctuated by falling raw material prices, including in the oil and gas extraction and ferrous metal smelting industries. It aligns with other indicators showing shrinking manufacturing activity in October, with the official Purchasing Managers' Index (PMI) indicating contraction for a sixth straight month.

Zhao Wei, a macro analyst with Wuhan-based Changjiang Securities, said the drag from the real estate sector, which is suffering from a government crackdown on sales speculation and policy tightening on financing for developers, will also become more pronounced.

"Looking ahead, while a low base from last year will provide some support in the next few months, PPI deflation is likely to continue as overall demand is still under pressure," said Zhao.

PPI FALLS 1.6%

- **The producer price index, a key indicator of corporate profitability, fell 1.6 per cent in October from a year ago, marking the steepest decline since July 2016**
- **Analysts say the rise in retail inflation could become a concern for policymakers looking to introduce measures to prop up demand**

WeWork to sell Meetup, cut jobs in turnaround plan

ASSOCIATED PRESS
NEW YORK, NOVEMBER 9

WEWORK SAID late Friday it will divest from several side businesses and cut jobs as part of a 90-day plan to turn itself around, following its botched attempt to sell stock on Wall Street.

The office-sharing company will divest from five non-core businesses, including Meetup, the online community event organizer that WeWork bought in 2017, according to a newly released presentation first shared privately with investors in October. It will also sell its stake in women's co-working company The Wing.

An unspecified number of job cuts will target administrative employees, those working in growth-related positions and those at ventures the company expects to scale back. Layoffs will not include ₹₹community teams" based within its shared office sites.

The document shows WeWork was still working to grow rapidly as its initial public stock offering unraveled in September, a crisis that left the company on the brink of bankruptcy and forced the ouster of co-founder Adam Neumann.

In the third quarter of 2019, WeWork added a record 108,000 desks at newly built shared offices, leaving it now with substantially more space to fill even as it pursues a painful restructuring. The newly added desks led to a slight dip in its average occupancy rate to 80 per cent , compared to 83 per cent the previous quarter.

New York-based WeWork now has 580,000 members in 600 locations across 122 cities in 32 countries. The company said 43 per cent of its members are larger companies with more than 500 employees.

Moody's downgrades Britain debt outlook to negative from stable

AGENCE FRANCE-PRESSE
WASHINGTON, NOVEMBER 9

CREDIT RATINGS agency Moody's on Friday downgraded the outlook for Britain's debt, citing mounting policy challenges amid the Brexit debate.

The agency cut the outlook to negative from stable but kept the debt at the investment grade Aa2.

The ratings agency Fitch had similarly put Britain on "negative watch" in February.

Pointing to "paralysis that has characterised the Brexit-era policymaking process," Moody's said London has "struggled to cope with the magnitude of policy challenges that they currently face."

In addition, Britain's "economic and fiscal strength are likely to be weaker going forward and more susceptible to shocks than previously assumed," Moody's said in a statement.

Britons voted by 52 percent to leave the European Union in a 2016 referendum, but MPs have been divided over how, when and even if that result should be delivered. The political wrangling has forced two successive Conservative governments to ask the European Union to delay Brexit three times this year. It is now set for January 31.

Current Tory Prime Minister Boris Johnson hopes the snap election next month will give him a majority in the House of Commons to allow him to ratify his exit terms and finally leave the EU. "Over the longer term, institutional weakening may also impact the UK's economic strength, through its effect on the investment climate and on the UK's attractiveness to skilled and unskilled foreign labor," Moody's said.

"In recent years, we have already seen the negative impact this can have, and Moody's expects this negative influence will likely endure as the exit process continues and uncertainties persist during the subsequent phase of trade negotiations with the EU and with other nations."

AIM IS TO TACKLE THE FLOW OF DIRTY MONEY WITHIN THE BLOC'S FINANCIAL SYSTEM

Germany, France want supervisor against money laundering

REUTERS
BRUSSELS, NOVEMBER 9

THE EUROPEAN Union's largest states are pushing for the establishment of a new supervisory authority that would take over from states the oversight of money laundering at financial firms, after a series of scandals at the bloc's banks.

In a joint statement, Germany, France, Italy, Spain, the Netherlands and Latvia said the 28-country EU needed a "central supervisor" to tackle the flow of dirty money within the bloc's financial system.

The move comes after European lenders were shut down over money laundering in Latvia, Malta and Cyprus, while top banks from the Baltic and Northern Europe were involved in dodgy transactions worth billions of euros of Russian dirty money through the Estonian branch of Danske Bank, in what is seen as the worst money-laundering scandal on the continent.

The need for an EU supervisor emerged after repeated failures by national watchdogs at spotting and countering money laundering, the statement said.

"Where large financial interests are at stake, there is a risk of national supervisors being influenced directly or indirectly by supervised institutions or interest groups," the statement said.

The six countries said the new supervisor could be a new body or an existing watchdog, the European Banking Authority (EBA), which would need to be beefed up.

The call for change comes just few months after the bloc has agreed to overhaul EBA's mandate to give the watchdog new powers to tackle money laundering.

That reform, proposed by EU finance commissioner Valdis Dombrovskis, a former prime minister of Latvia, quickly appeared as insufficient to many observers.

The move marks a major shift in Germany's position. While France, Italy and Spain have been calling for months for stronger rules against money laundering, Berlin had opposed more ambitious changes in recent overhauls.

The six states also call for new anti-money laundering rules, in what would be the sixth review of those provisions, just one year after their latest overhaul was agreed in a reform now judged as "not decisive" by the six countries.

WHY THE DEMAND?

- **The move comes after European lenders were shut down over money laundering in Latvia, Malta and Cyprus, while top banks from the Baltic and Northern Europe were involved in dodgy transaction worth billions of dollars**
- **Along with Germany and France, Italy, Spain, the Netherlands and Latvia are making the demand**
- **The six countries said the new supervisor could be a new body or an existing watchdog, the European Banking Authority**