GOLD	RUPEE	OIL	SILVER
₹45,063	₹74.17	$47.92	₹47,359

*Indian basket as on March 6, 2020

SENSEX: 35,634.95 ▼ 1941.67 NIFTY: 10,451.45 ▼ 538.00 NIKKEI: 19,698.76 ▼ 1,050.99 HANG SENG: 25,040.46 ▼ 1,106.21 FTSE: 6,026.93 ▼ 435.62 DAX: 10,729.97 ▼ 811.90

*International market data till 1900 IST

COLLAPSE IN OIL PRICES ADDS TO RISK OFF SENTIMENT

Rupee below 74 level, bond yields down on global crash, COVID-19-led slowdown fears

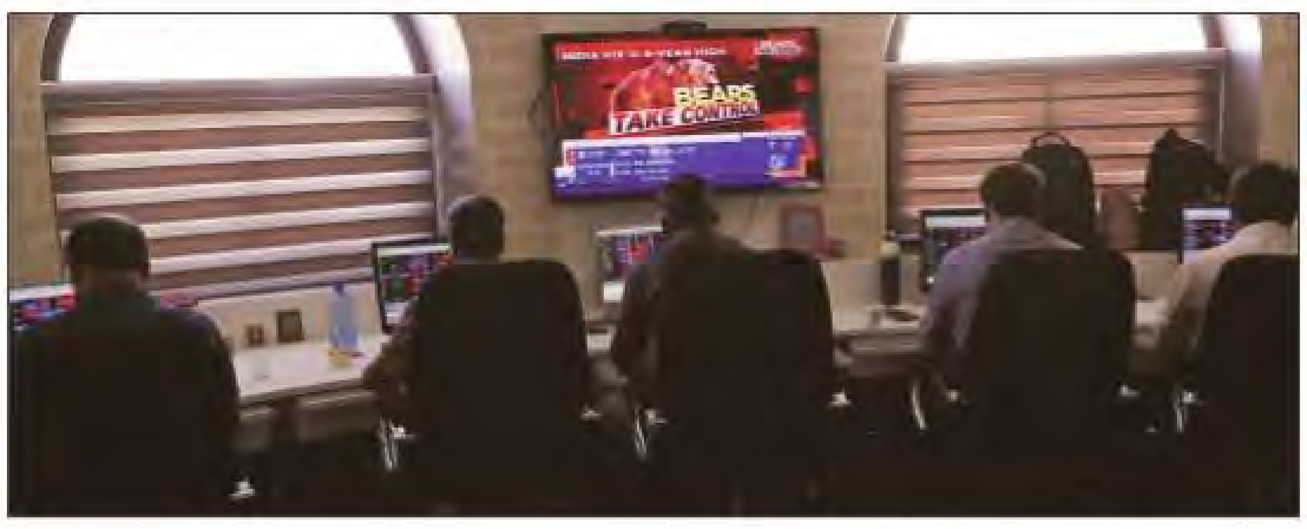
ENS ECONOMIC BUREAU
MUMBAI, MARCH 9

THE RUPEE on Monday fell below the 74-level against the US dollar to settle 30 paise down at 74.17 amid heavy selling in domestic equity market triggered by rising concerns over coronavirus-led economic slowdown.

Forex traders said the rupee depreciated versus major trading currencies as a 30 per cent collapse in oil prices added to risk off sentiment caused by relentless spread of coronavirus across the globe. "The heavy selling in the stock market that led to 1942 points crash in the Sensex has raised fears over withdrawals by foreign investors," said analyst.

Foreign portfolio investors have already pulled out Rs 16,758 crore from India in March with the equity market alone witnessing around Rs 12,500 crore outflows, as per the NSDL data.

The yield on 10-year benchmark government bonds, which fell below 6 per cent during the day, declined by 12 basis points to close at 6.07 per cent on Monday. In the US, the yield on benchmark US 10-year Treasury briefly touched an all-time low of 0.318 per cent in overnight trading, adding another 30 basis points to an unprecedented fall in the key interest rate. That rate was above 1.5 per cent as recently as mid-February.



Stockbrokers keep an eye on the BSE index in Mumbai. AP

Siddhartha Khemka, head — retail research, Motilal Oswal Financial Services, said, "the relentless FII selling in the last two weeks has added to the overall downtrend. There was panic globally as fears of rising cases of coronavirus in countries like Italy and US made investors nervous. This has led to worries over a prolonged global economic slowdown."

According to a Care Ratings report, the fear of a global slowdown that can deteriorate to a recession is palpable based on the reaction of markets.

"Just look at some of the developments: The 10-year government bond is now at around 6 per cent and breached this mark temporarily. It was 6.18 per cent on Friday. The US Treasury yields also have moved towards 0.50 per cent. Stock indices have fallen sharply across the globe and the Sensex is down. The rupee is down to below Rs 74.11. Will this be temporary? One cannot tell right now as the virus factor has made forecasting extremely difficult. Volatile times are for sure in the coming days," it said.

D K Aggarwal, president, PHD Chamber of Commerce and Industry, said the volatility in the rupee and stock markets is short lived and is majorly driven by the spread of coronavirus disease in many countries.

The markets are expected to stabilise as fundamentals of Indian economy are strong enough to withstand the external shocks on the back of robust economic reforms undertaken by the government during the last many years, he said.

"India's economic resilience has strengthened during the recent times on account of factors such as improving FDI inflows, forex reserves and several measures undertaken to boost up investment sentiments in the economy," Aggarwal said.

E. EXPLAINED

FPI outflows can put more pressure on the rupee

STOCK INDICES have fallen sharply across the globe and the Sensex crashed over 5 per cent on Monday. Indications are that volatility in the currency and stock markets are expected to continue in the near term. While the fall in crude oil prices is expected to boost the rupee's strength and bring down India's oil import bill, it's being negated by foreign portfolio outflows which can put pressure on the rupee. However, much will depend on global cues, especially the impact of coronavirus and oil price stability.

Qatar travel ban to hurt Indian carriers; IndiGo, Air India and AI Express cancel Doha flights

PRANAV MUKUL
NEW DELHI, MARCH 9

After Kuwait, Qatar prohibits entry of travellers from India. However, flyers can pass through Doha airport for transit flights

WITH NUMBER of people testing positive for coronavirus increasing in India every day, countries like Qatar and Kuwait have prohibited entry of travellers from India. While Qatar's travel ban would mean that Qatar Airways continues its operations as a network airline, the move will hurt Indian carriers that function as point-to-point operators. Following the Qatar government's order, IndiGo, Air India and Air India Express cancelled their flights to Doha.

"In addition to Qatar Airways announcement regarding flights to and from Italy, entry to the State of Qatar is temporarily suspended for all those intending to travel from certain countries, as of 9 March 2020. This decision comes as a preventive measure due to the spread of Coronavirus (COVID-19) worldwide. The decision includes the following countries: Bangladesh, China, Egypt, India, Iran, Iraq, Lebanon, Nepal, Pakistan, Philippines, South Korea, Sri Lanka, Syria and Thailand," the Qatari government said in an official statement.

As on Monday, there were over 40 confirmed cases of COVID-19 in India, and a total of 9,41,717 international passengers from 8,827 flights have been screened at airports till date with 54 passengers being referred to the Integrated Disease Surveillance Programme or other hospitals. Currently, Qatar Airways, IndiGo, Air India and Air India Express connect Indian cities to the west-Asian country's capital city Doha.

In a statement, Qatar Airways said that entry to Qatar was temporarily suspended for all those travelling from the 14 countries, and only those passengers with onward connections through Doha will be accepted for travel.

"Owing to the travel ban for people of multiple nationalities, including Indian nationals, IndiGo will be cancelling its flights to Doha till March 17, 2020. We will be monitoring the situation closely and will share further updates once the ban is lifted," IndiGo said in a statement.

IndiGo operates non-stop daily flights between Doha and Mumbai, Kochi, Kozhikode, Delhi, Hyderabad and Chennai.

According to information from flight-tracking portal Flightradar24, Air India and Air India Express' flights to Doha from airports like Delhi, Mumbai, Kochi, etc were cancelled. For Air India, Doha adds to the list of international destinations, for which the national carrier has reduced its flights in wake of the coronavirus situation. These include flights to Milan and Rome in Italy and Seoul in South Korea, where the flights have been reduced to two per week from three or four flights per week. Similarly flights to Tokyo have been reduced to four a week from five per week earlier.

The Directorate General of Civil Aviation of Kuwait had announced last week that all flights to the country to and from India and six other countries — Bangladesh, the Philippines, Sri Lanka, Syria, Lebanon and Egypt — were temporarily suspended.

In a similar move, India had banned flights to and from Iran on February 27, but lifted the restrictions to allow Iran to evacuate citizens stranded in India and vice versa. India has also suspended all visas granted to foreign nationals from China, Italy, Iran, South Korea, and Japan. Both regular and e-visas, granted to all foreign nationals who have travelled to any of these countries on or after February 1, also stand cancelled.

VIRUS EFFECT

Moody's cuts 2020 growth forecast to 5.3%

New Delhi: Moody's Investors Service on Monday cut its growth forecast for India to 5.3 per cent for 2020 from 5.4 per cent estimated earlier, as it expects the coronavirus outbreak to dampen domestic demand globally. In its update on Global Macro Outlook for March, Moody's said the virus outbreak has spread rapidly. "It now seems certain that even if the virus is steadily contained, the outbreak will dampen global economic activity well into Q2 of this year," it said. Apart from supply chain disruptions, it also expects consumption and investment to be affected and prices of oil and other commodities to remain around current lows until the end of June.

New York Fed to inject at least $50 bn daily

Washington: The New York Federal Reserve Bank announced Monday it will increase its daily injections of cash into financial markets by $50 billion to $150 billion as a protective step amid the coronavirus epidemic. The increase "should help support smooth functioning of funding markets as market participants implement business resiliency plans in response to the coronavirus," the New York Fed said in a statement. AFP

OIL DEMAND SET FOR FIRST CONTRACTION SINCE 2009: IEA

Oil prices plunge by a third as Saudi, Russia turn on the taps

REUTERS
NEW YORK/LONDON, MARCH 9

OIL PRICES crashed on Monday, suffering their biggest daily rout since the 1991 Gulf War, after the collapse of an OPEC+ supply agreement that now threatens to overwhelm the world with oil, inciting panic throughout the energy sector. After failing to come to an agreement to cut supply, Saudi Arabia and Russia over the weekend pledged instead to ramp up production, which could quickly flood global markets with oil at a time when demand has already weakened substantially.

The market's reaction has been furious, with crude futures plunging by nearly 20 per cent. Brent crude futures were down $8.84, or 19.5 per cent, to $36.43 a barrel by 1449 GMT. They earlier fell by as much as 31 per cent to $31.02, their lowest since February 12, 2016. US West Texas Intermediate (WTI) crude fell $7.81, or 18.9 per cent, to $33.47 a barrel. WTI earlier dropped 33 per cent to $27.34, also the lowest since February 12, 2016.

Should these losses hold, it would be the biggest one-day percentage decline for both benchmarks since January 17, 1991, the outset of the US Gulf War, when it fell by a third.

Meanwhile, global stock markets plunged on Monday after Saudi Arabia-Russia price war, sending investors already spooked by the coronavirus outbreak fleeing for the safety of bonds and the Japanese yen. European stocks suffered hefty losses and a 7 per cent slide in the S&P 500 at the open on Wall Street triggered a circuit-breaker put in place after the financial crisis a decade ago, halting US stock trading for 15 minutes. The 10-year US Treasury note's yield slid as low as 0.318 per cent — a level unthinkable just a week ago — as investors rushed to cut risk assets and snap up safe-havens. At 1:12 p.m. ET, Dow Jones Industrial Average was down 1,628.16 points, or 6.29 per cent, at 24,236.62 and the S&P 500 was down 175.94 points, or 5.92 per cent, at 2,796.43. The Nasdaq Composite was down 443.18 points, or 5.17 per cent, at 8,132.44. At one point Dow Jones Industrials crashed 2,000 points in what would be its biggest one-day fall ever.

Frankfurt and Paris markets tumbled about 8.5 per cent and London tanked 12 per cent. Italy's main index slumped almost 15 per cent. The pan-regional STOXX 600 fell into bear market territory — a drop of more than 20 per cent — from an all-time high in February. The losses in Europe followed sharp declines in Asia. MSCI's broadest index of Asia-Pacific shares ex-Japan lost 4.4 per cent in its worst day since August 2015.

A 7% slide in the S&P 500 at the open on Wall Street triggered a circuit-breaker, halting US stock trading for 15 minutes. At one point Dow Jones Industrials crashed 2,000 points in what would be its biggest one-day fall ever

Saudi Aramco shares dive

Dubai: Saudi Aramco shares fell by as much as 10 per cent on Monday, dropping below their December listing price after Saudi Arabia and Russia said they would raise oil production in a battle for market share, sending crude prices down by a third.

Aramco shares fell below their 32 riyals IPO price on Sunday. The December IPO valued the company at $1.7 trillion in the world's biggest share offering. Aramco shares closed at 28.35 riyals ($7.55), 11.4 per cent below its IPO price. The shares closed 5.5 per cent lower. REUTERS

A Saudi Aramco compound in Jeddah, Saudi Arabia. AP

'Surplus liquidity in system, but downturn fears remain'

Though surplus liquidity was recorded in the banking system in the previous week, developments in markets around the world have led to a palpable fear of a global slowdown, that can deteriorate to a recession, Care Ratings said in its Liquidity Report for the week ended March 6, 2020

INDIA'S BANKING SYSTEM LIQUIDITY IN SURPLUS: During the week March 2-6, liquidity in the banking system remained in a surplus position. Outstanding liquidity surplus in banking system was nearly ₹3 lakh crore throughout the week ending March 6

HIGHER GOVT SPENDING, RBI DOLLAR PURCHASES: Higher government spending and the dollar purchases (cumulative net purchase of $29 bn or Rs 2.05 lakh crore during April-December, 2019) by the Reserve Bank of India have also added to the surplus in the banking system

LTRO OPERATIONS: The auctions of long term repo operations undertaken by RBI totalling Rs 75,084 crore might have partly attributed to the widening of the liquidity surplus in the banking system

2,300 POINTS: Fall in Indian benchmark Sensex during the week, with stock indices across the globe falling sharply

$1,680: Price of spot gold per ounce

0.50%: LEVEL TOWARDS WHICH THE US TREASURY 10-YEAR YIELDS HAVE MOVED

₹74/$: LEVEL BELOW THE INDIAN RUPEE HAS FALLEN IN COMPARISON TO THE US DOLLAR

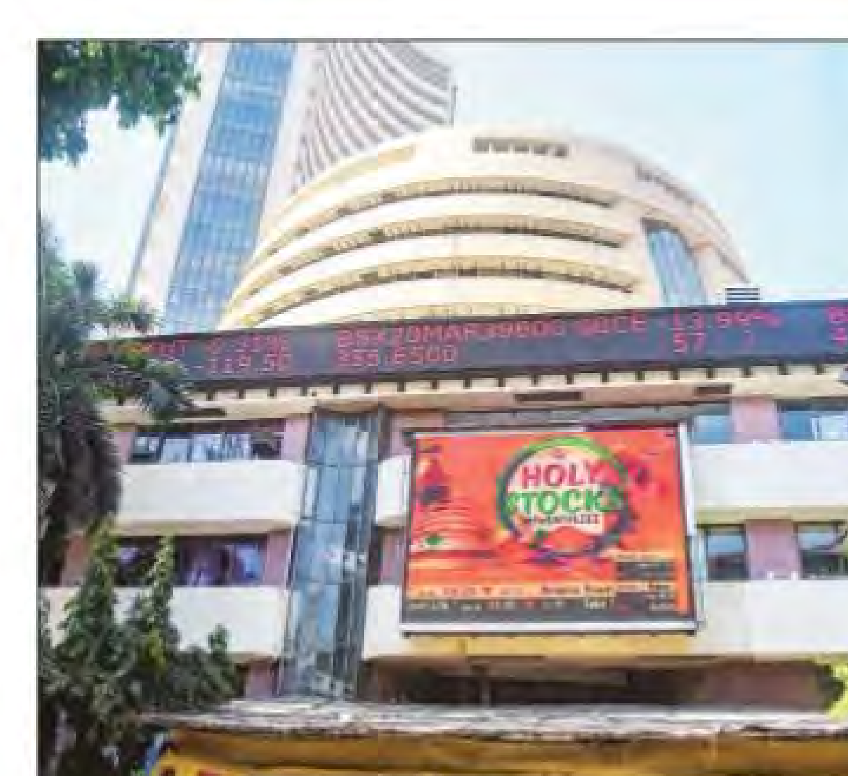
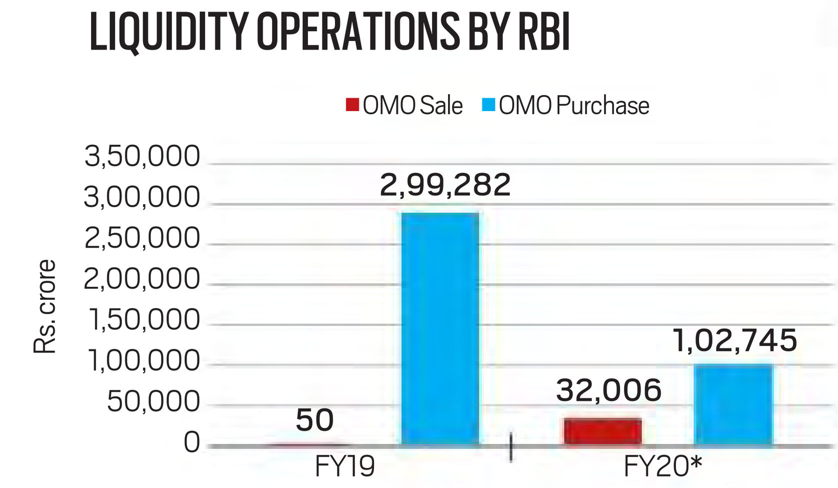


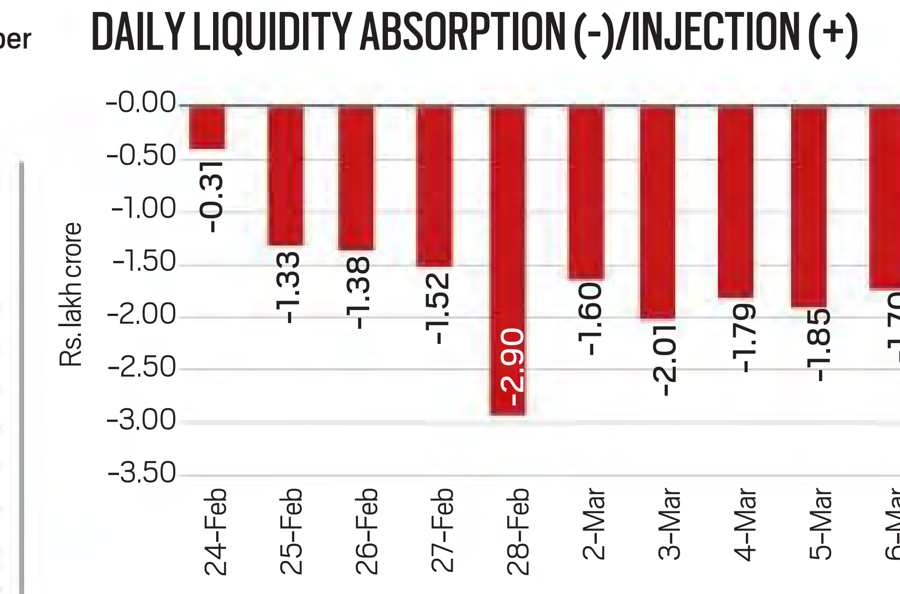
Photo: PTI

LIQUIDITY OPERATIONS BY RBI



Source: RBI
*Apr-6 March2020

DAILY LIQUIDITY ABSORPTION (-)/INJECTION (+)



Source: RBI - * Based on CARE's calculation
Daily Liquidity Injection (+)/Absorption = (Total repo + MSF + SLF + OMO purchase) - (Total reverse repo - OMO sales)

Lower credit off-take: *The sustained liquidity in the banking system could in part be ascribed to lower credit off-take when compared with the deposit growth*

$35/barrel: *Level of Brent crude futures, having undergone a steep fall on the back of the coronavirus impact*

Source: Care Ratings

IMF: Govts should offer cash transfers, tax relief to ease coronavirus effects

REUTERS
WASHINGTON, MARCH 9

GOVERNMENT POLICYMAKERS will need to implement "substantial" targeted fiscal, monetary and financial market measures to combat the economic impact from the rapidly spreading coronavirus, International Monetary Fund chief economist Gita Gopinath said on Monday.

In a blog posting on the IMF's website, Gopinath said her top recommendations involved putting cash directly into the hands of households and businesses. Broad interest rate cuts may instill confidence but would be effective in stimulating activity only once business conditions normalise, she added. "Households and businesses hit by supply disruptions and a drop in demand could be targeted to receive cash transfers, wage subsidies, and tax relief, helping people to meet their needs and businesses to stay afloat," Gopinath wrote.

Gita Gopinath, Chief Economist, IMF

She cited as an example Italy's decision to extend tax deadlines for companies and a wage supplementation fund to support workers laid off amid quarantines and travel restrictions. South Korea also has introduced wage subsidies for small merchants and increased allowances for homecare and job seekers, while China has temporarily waived social security contributions for businesses, she said.

"For those laid off, unemployment insurance could be temporarily enhanced, by extending its duration, increasing benefits, or relaxing eligibility," she wrote. "Where paid sick and family leave is not among standard benefits, governments should consider funding it to allow unwell workers or their caregivers to stay home without fear of losing their jobs during the epidemic."

Gopinath also said central banks should be ready to provide liquidity to banks and nonbank finance companies, "particularly to those lending to small- and medium-sized enterprises, which may be less prepared to withstand a sharp disruption."

ANTITRUST HURDLES LOOM

Aon to buy Willis in $30-bn insurance mega-deal

REUTERS
WASHINGTON, MARCH 9

First mooted a year ago, the deal between Aon Plc and Willis Towers Watson creates a company that will overtake market leader Marsh & McLennan in terms of value

UK-BASED AON Plc said on Monday it would buy Willis Towers Watson for nearly $30 billion in an all-stock deal that creates the world's largest insurance broker but is almost certain to face regulatory hurdles.

The deal unifies the sector's second and third largest names into a company worth $76 billion by current share prices and adds scale in a battle with falling margins and challenges ranging from the coronavirus to climate change. "We know each other well and this came together pretty quickly," Aon chief executive officer Greg Case said on a call with analysts, adding that the deal was motivated by "unmet client needs."

First mooted a year ago, the deal creates a company that will overtake market leader Marsh & McLennan in terms of value. It follows a period of brutal competition that has driven down insurance premiums even as claims continue to rise.

Aon confirmed last year that it was in early stage talks with Willis Towers before quickly scrapping the plans, without giving a reason.

Analysts said that an Aon-Willis deal might have trouble clearing anti-trust hurdles and Aon's shares plunged nearly 11 per cent in pre-market trade, while Willis' shares rose just 3.14 per cent, although both moves came in a market hit heavily by Monday's collapse in oil prices. "The insurers and re-insurers are unlikely to be happy about the deal given the scale of the two players coming together," said analyst Ben Cohen at Investec.

The deal terms state Aon will be obligated to pay a fee of $1 billion to Willis if the deal were to fall through.

Aon chief financial officer Christa Davies said she was confident of getting all the "necessary approvals" for the deal.

The deal follows other moves to consolidate the global insurance business. Marsh last April sealed its own purchase of British rival Jardine Lloyd Thompson for $5.7 billion, at the time cementing its position as the biggest global player.

Under the deal, Willis shareholders would receive 1.08 Aon shares, or about $232 per share as of Aon's Friday close, representing a total equity value of $29.86 billion.

The offer is at a premium of 16 per cent to Willis's closing price on Friday.

When the deal closes, existing Aon shareholders will own about 63 per cent and existing Willis investors will own about 37 per cent of the combined company on a fully diluted basis. The deal is expected to add to Aon's adjusted earnings per share in the first full year of the deal, with savings of $267 million, reaching $600 million in the second year, with the full $800 million achieved in the third year. The deal is subject to the approval of shareholders and regulatory approvals and is expected to close in the first half of 2021.

Aon will maintain its headquarters in London and the combined firm will be led by Aon CEO Case and Aon CFO Davies.