



STRICTLY STREET

The official newsletter of AAMDANI

FALLING YIELDS OF US T-BILLS

TREASURY BILLS (T-bill) are seen to fetch lower rates on the back of the weakening peso and amid fears of a global recession. Bond traders see rates on the T-bills declining further following the decline in US Treasury yields last week. It is expected to be 10 to 15 basis points lower compared to the previous auction.

The US Treasury bond yield curve inverted for the first time since 2007, in a sign of investor concern that the world's biggest economy could be heading for recession.

The inversion — a situation where shorter-dated borrowing costs are higher than longer ones — saw US two-year note yields rise above the 10-year bond yield. Such an inversion, considered a classic recession signal, occurred last in June 2007 when the US sub-prime mortgage crisis was gathering pace. The US curve has inverted before every recession in the past 50 years, offering a false signal just once in that time.

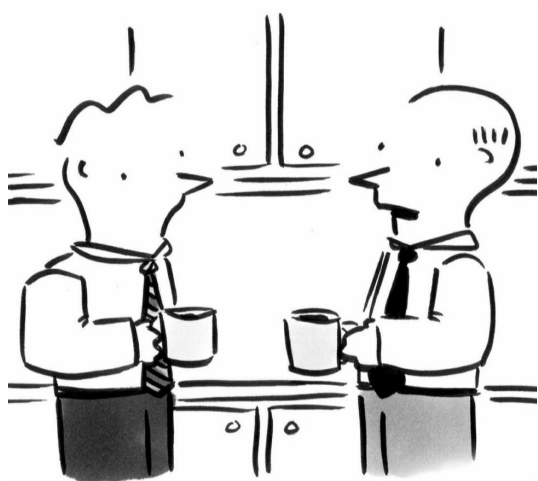
Meanwhile, the peso weakened along with most Asian currencies last week due to recession fears. On a week-on-week basis, the peso weakened to P52.44 from its P51.88-per-dollar close last Aug. 9.

"It's not your salary that makes you rich, it's your spending habits."

- Charles Jaffe

Govt may permit 100% FDI in contract manufacturing

The government is working on a proposal to allow 100 per cent FDI in contract manufacturing (Production of goods by one firm, under the label or brand of another firm) with a view to attract overseas investments, sources said. According to the existing foreign investment policy, 100 per cent foreign direct investment (FDI) is permitted in the manufacturing sector under the automatic route. A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without government's approval.



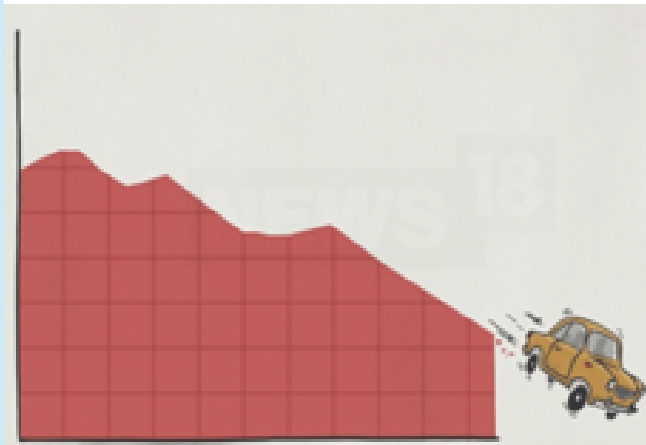
"I'd say take it up with management, but that's me, so just ignore it."

TROUBLE IN THE INDIAN ECONOMY

The Indian auto sector is facing the worst crisis in about 20 years. The downfall of this sector has led to massive job cuts and forced companies to bring down their operations. Estimates suggest that automakers, parts manufacturers and dealers have laid off about 350,000 workers since April and number continues to grow.

Causes:

- Severe liquidity crunch due to the IL&FS crisis since late last year
- An increase in up front insurance costs, 28% GST charged on cars, motorcycles and scooters
- Decline in demand due to severe floods in some key vehicle buying states
- The impending deadline of mandatory transition to the Bharat Stage VI (BS VI) emission norms is another irritant.
- Proposed policy to convert some vehicle category to electric from present ICE engines.



Will this head the Indian economy to a slowdown?

GDP growth as during January to March 2019, it slowed down to 5.8%. This is the slowest growth rate of GDP since 2014-15. It is visible in almost every sector of the Indian economy, evident as below.

- In the real estate sector, the number of unsold homes has increased.
- Fast-moving consumer goods (FMCG) companies have reported a decline in volume growth in the first quarter.
- Lending to the job-creating MSME sector has also slipped.
- During April to June 2019, non-oil non-gold non-silver imports fell by 5.3%, the biggest contraction in three years.
- RBI has cut interest rates four times this year but the transmission of the same by banks to borrowers has lagged and thus, there is no boost in economic activity.

In response to the slowdown, the RBI is expected to cut interest rates by 40 basis points before the end of the current financial year as monetary easing till now appears to be insufficient in boosting economic growth.



Prospects of Reliance Industries

Reliance Industries and oil & gas British major BP Plc have agreed to set up a new joint venture company, 51 per cent of which will be held by RIL and 49 per cent by BP, that will take over the ownership of RIL's existing Indian fuel retail network and access its aviation fuel business. The JV partners aim to grow the fuel retail outlets to up to 5,500 sites over the next five years.

Also, RIL's Chairman Mukesh Ambani announced a deal with Saudi Aramco, which he termed as one of India's largest foreign direct investments till date. As per the deal, Saudi Aramco will acquire a 20 percent stake in Reliance's oil-to-chemicals (OTC) business at an enterprise value of \$75 billion.

After acquiring British toy retailer Hamleys for about ₹620 crore, Reliance Brands Ltd. has announced its plan to bring the American luxury jewellery brand Tiffany & Company to India. On September 5, Reliance Jio will launch its fibre services. Its plan to telecast first day first show of a movie will be launched in the middle of 2020. It has also announced partnership with Microsoft for digital transformation of India. RIL aims to become a zero net debt company within the next 18 months.



Test your awareness



1. Which Indian brand is currently planning to partner with US-based luxury jeweller Tiffany & Co.?
2. What is India's first sovereign wealth fund?
3. Which country has halted its business activities with Chinese company Huawei?
4. Which UP-based startup has recently acquired Delhi's Binge Digital?

Upcoming Products and Services

- Flipkart Ideas, which will work with brands and influencers to produce content on several topics including health, wellness, fitness, cooking, and photography.
- Flipkart Videos, an in-app video streaming feature dubbed that will syndicate movies, shows and other long-form and short-form content.
- Uber buses expected to be launched in a year.
- Huawei unveiled new operating system HarmonyOS to be run on its upcoming flagship Mate30.
- India's first corridor for electric vehicles is expected to be set up by 2020 on the Yamuna Expressway and the NH-48.

HIGHLIGHTS

- Hospitality firm OYO is all set to launch its coffee chain, the French Express.
- The Board of Control for Cricket in India (BCCI) decided to retain Ravi Shastri as Team India's head coach.
- Byju's to replace Oppo on team India jersey.
- Gurugram-based CARS24 has announced a strategic partnership with cricketer Mahendra Singh Dhoni.
- Amazon is in talks with India's Future Group to acquire 8-10% stake in Future Retail, India's one of the largest retailers

Add to Vocab



INTERNET OF THINGS (IoT)

The extension of Internet connectivity into physical devices and everyday objects, enabling them to send and receive data

Facts

1. The bite in Apple's logo was added so it wouldn't be confused with a cherry.
2. Hitachi once produced an ATM that heated bills to 200 degree celsius to kill any bacteria, then ironed them before dispensing.
3. The full form of YAHOO is Yet Another Hierarchical Official Oracle.