

MIDNIGHT NEWS UPDATES

- Brent Crude prices touched an 18-year low of \$22.6/bbl on Monday after global macro estimates have pegged the fall in global oil demand at 30% due to the massive shutdown across most economies. The WTI Crude was on the threshold of breaking below the \$20/bbl mark. Apart from the demand compression, there is also the much larger risk of supply glut with Saudi Arabia pledging to increase its oil exports to 10.5 million bbl/day from April. With Russia also planning to hike supply, the storage demand may not be enough to hold oil prices. Oil traders are bracing for the 1998 low of \$10/bbl.
- The government has raised the FPI limit for corporate bonds to 15% of outstanding stock for the fiscal year 2020-21. This will take the overall limit for FPIs in corporate bonds from Rs.317,000 crore to Rs.429,000 crore. FPIs have already sold more than \$7.50 billion in Indian debt in the last one month apart from an equal amount sold in equities. This limit will go up further to Rs.540,000 crore in the second half of the fiscal. This may not have an immediate impact as real yields are low, rupee is weak and FPIs are yet to full use the current limits. But in a buoyant market, this limit may be useful.
- IndusInd Bank, which has seen tremendous pressure in the last few months, admitted that it lost nearly 11% of its deposits after one of the state governments withdrew its deposits with the bank. The run on deposits has been one of the big worries in the recent past. In the case of Yes Bank, the bank was put into an RBI moratorium after it saw a virtual run on deposits by institutional investors. One of the concerns that investors had about IndusInd Bank is that its asset profile is estimated to be somewhat similar to Yes Bank. The stock has corrected more than 80% since the beginning of January 2020.
- With PTI erroneously reporting that the government was planning an extension of the current fiscal year to June 30th, the government has come out and confirmed to the contrary. The government has declared categorically that the fiscal year 2019-20 will end as scheduled on March 31st 2020. Some of the business associations had requested the government for postponement of the fiscal year due to the lockdown. However, the government has already extended some of the due dates like the filing of tax returns, filing of GST returns etc. Shift in fiscal year could have an impact on fiscal targets.
- In what could have long range implications for the US shale market, banks are going slow on lending to shale companies. It was the combination of liquidity and low cost of credit that fuelled the shale boom in the US, changing the economics of global oil forever. With the value of the oil reserves of shale companies now down 65% in the last 3 months, the banks have started worrying about the falling value of their collateral. With a demand of 20-30% in oil demand expected and Brent Crude nearing \$20/bbl, the banks have a real collateral challenge to worry about. In the last 7 years, the US has emerged as the largest and the most critical swing producer of oil in the world, reducing the influence of Saudi Arabia and the OPEC substantially. The reserve based loan (RBL) market is estimated to be worth \$200 billion.
- The COVID-19 situation continued to remain grim as of end of 30 March. The total number of confirmed cases in the world crossed 7.71 lakhs with more than 37,000 deaths being recorded. The US leads the list of COVID-19 affliction cases with over 1.60 lakh persons affected and the death toll crossing 2900. Italy continues to lead in number of deaths with over 11,600 casualties followed by Spain with 7400 casualties. India has over 1100 confirmed cases with 29 deaths confirmed till date. The lock down could now being extended across the world and India could also follow suit to extend the lockdown.

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