Indians protest against cash ban

AFP, *Kolkata*

TENS of thousands of people turned out Monday for nationwide protests against India's controversial ban on high-value banknotes, which opposition party organisers say has caused a "financial emergency".

India is still reeling from Prime Minister Narendra Modi's shock decision nearly three weeks ago to pull 86 percent of the currency from circulation overnight, triggering a chronic shortage of notes in an economy that operates almost entirely on cash.

Around 25,000 people took to the streets of the eastern city of Kolkata, capital of West Bengal state, whose left-wing Chief Minister Mamata Banerjee has warned of "riots and epidemics" if the ban continues.

An estimated 6,000 more turned out to protest in Mumbai, India's western commercial hub, police said.

But many ordinary Indians say they support the scheme if it forces the rich to pay their taxes by making them bank undeclared income. Only a handful of states observed a call for a nationwide protest strike.

"We are protesting against the undeclared financial emergency imposed by the government and the hardships people across the country are facing because of this illegal decision," said Manish Tiwari of the opposition Congress party.

"The decision to demonetise high-value currency was done without any authority and legislation and is clearly illegal."

Owners of the banned 500 and 1,000 rupee ($7.30, $14.60) notes have until the end of the year to deposit them in a bank, and can only directly exchange a small number for new currency.

But authorities have struggled to print enough new notes to meet demand and economists say the ensuing cash crunch will hit growth.

Former prime minister Manmohan Singh, a respected economist, said last week it would shave at least two percentage points off growth, which topped seven percent in the first half of the financial year.

"I do not disagree with the objectives but it is a monumental case of mismanagement," the Congress party lawmaker told parliament.

"The way demonetisation has been implemented, it will hurt agricultural growth and all those people working in the informal sector."

Over 90 percent of transactions in India are conducted in cash and many of the country's poorest have no access to banking.

Many have been left without enough cash to buy food or daily essentials, while farmers have been unable to buy seeds and small traders say business has fallen off a cliff.

Nonetheless Modi has repeatedly defended the scheme, accusing its detractors of being tax evaders and urging all Indians to switch to non-cash payment methods.

AFP

Members of the Congress party hold up the banned 500 and 1,000 rupee notes as they shout slogans during a protest in front of the Reserve Bank of India in Hyderabad yesterday.

Indian bonds, bank shares fall as RBI temporarily hikes cash reserve ratio

REUTERS, *Mumbai*

INDIAN bonds and banking shares slumped on Monday after the Reserve Bank of India ordered banks to temporarily increase their cash on deposit at the RBI to absorb excess liquidity caused by a government ban on high-denomination notes.

The benchmark 10-year bond yield rose as much as 15 bps at one point, while the overnight call rate surged to 14.4 percent from its 5.90 percent close on Friday.

The Reserve Bank of India had been forced to act, according to traders, after Prime Minister Narendra Modi's shock move on Nov 8 to abolish 500 and 1,000 rupee notes had sparked a surge in deposits of the old notes at banks.

Lenders, in turn, had plowed this cash into government bonds, sparking a rally in debt markets that analysts had warned could not last once people started withdrawing cash, a particular concern because the rupee had hit a record low last week as emerging market currencies fell.

Analysts also noted the RBI had to act because it was running short of government bonds that it could offer as collateral under its reverse repo arrangements.

The move comes as the RBI's supervision of the massive operation to deal with the abolition of 86 percent of the notes in circulation has come under increased criticism from Modi's political opponents, including former Prime Minister Manmohan Singh last month.

The RBI has announced a range of measures to ease the pain from its measures, but analysts say the RBI should have planned more effectively, rather than reacting to events.

"They have been doing a good job ironing out the kinks as they become apparent," said Varun Khandelwal, founder of Bullero Capital.

"However, the RBI was definitely behind the curve in failing to expect massive buying of bonds by the banking system. Their circular placing a 100 percent cash reserve requirement (CRR) on fresh deposits should have come on the 8th or 9th November, not on the 26th (of November)."

The RBI said on Saturday that banks would need to transfer 100 percent of the deposits generated between Sept 16 and Nov 11 with the RBI, saying it was a temporary measure that would be reviewed on or before Dec. 9.

The move is likely to drain over 3.24 trillion rupees ($47.29 billion) from the banks, according to Reuters estimates.

The RBI will review its decision once the government has issued an adequate amount of market stabilisation scheme bonds to soak up liquidity, Governor Urjit Patel was quoted as telling the Press Trust of India on Sunday, in his first interview since his appointment in August.

Banking shares skidded on Monday, with State Bank of India down 1.5 percent, given that the RBI's requirements would deprive banks of the interest earned on funds deposited with the RBI.

The RBI's action could also cut short a rally in bond markets that has seen the 10-year bond yield fall more than 50 bps to a more than 7-1/2 year low. The yield was last up 7 bps at 6.30 percent.

Emerging market assets have tumbled since Donald Trump's election to president on expectations he will pursue an expansionary fiscal policy that will drive up inflation and lead to higher U.S. interest rates.

The RBI's banknote action comes ahead of its policy review on Dec. 7. Analysts say there is a growing possibility the central bank will cut interest rates by 25 bps given that the abolition of the high-value banknotes is expected to dent the economy by sharply hitting consumer demand.

The RBI had last cut the repo rate in October, and analysts had expected another cut by early 2017 after inflation has continued to decline.

StanChart to cut 10pc of corporate, institutional banking staff

REUTERS/FILE

Passersby walk in front of the main branch of Standard Chartered in Hong Kong.

REUTERS

STANDARD Chartered is set to cut about a tenth of its global corporate and institutional banking headcount, sources with direct knowledge of the matter said on Monday, as the bank steps up an aggressive drive to cut costs.

Standard Chartered Chief Executive Bill Winters this month branded the bank's income and profit unacceptable, as below-forecast third-quarter results underlined the challenges facing his overhaul.

The job cuts will be rolled out beginning this week across all the bank's major business centres including in Singapore and Hong Kong, one of the sources told Reuters. All the sources declined to be named as they were not authorised to speak to the media.

"We are making our corporate and institutional banking division more efficient," a Standard Chartered spokesman said, without revealing how many jobs are to be axed.

"Removing duplication in roles and managing our costs to protect planned investments in technology and people means that a small number of existing roles will be impacted." It was not immediately clear how many employees the British bank has in its corporate and institutional banking division globally.

Corporate and institutional banking accounts for the bulk of revenues at Standard Chartered, which had 84,477 employees in total at the end of June.

Separately, the bank said Ajay Kanwal would step down from his role as regional CEO for Asean and South Asia with immediate effect. Anna Marrs, CEO of commercial and private banking, will assume the role in addition to her existing position.

In a statement issued by Standard Chartered, Kanwal said he had resigned after he failed to disclose his past personal investments outside the bank. Kanwal had been with Standard Chartered since 1992.

Kanwal could not be immediately reached for comment by Reuters.

China risks wasting $490b on coal plants: campaigners

AFP, *Beijing*

CHINA could waste as much as half a trillion dollars on unnecessary new coal-fired power stations, a climate campaign group said Monday, arguing the world's top carbon polluter already has more than enough such facilities.

The Asian giant's rise to become the world's second largest economy was largely powered by cheap, dirty coal. But as growth slows, the country has had a difficult time weaning itself off the fuel, even as the pollution it causes wreaks havoc on the environment and public health.

Many of China's giant state-owned coal mining firms are unviable and plagued by overcapacity, but the ruling Communist Party is reluctant to turn off the financial taps and risk widespread unemployment, with its potential for anger and unrest.

As of July, China already had 895 GW in coal-fired power stations -- representing more than half its electricity generation -- said the London-based Carbon Tracker Initiative, which argues for limiting carbon emissions using financial data.

The country was operating the coal units at less than half their capacity, it said, but "perversely" had another 205 GW already under construction and plans for an additional 405 GW. At an estimated US$800 million per kW, that could cost US$490 billion in total, CTI said.

"This misallocation of capital is a microcosm of wider structural woes within the Chinese economy," it said in a report.

Power demand growth had slowed from 10 percent to three percent or less per year, it added. Even if power consumption grew at five percent a year until 2020 and coal-fired stations were run at 45 percent capacity, it said, existing plants and those currently under construction would be more than enough.

"China no longer needs to build any additional coal plants and therefore should act with conviction to contain its coal overcapacity crisis," the report said.

Beijing has repeatedly pledged to cut overcapacity in several sectors as it seeks to reform the economy to make it more efficient.

It set a target of reducing coal production capacity by 250 million tonnes this year, which Premier Li Keqiang announced last week had been met by the end of October.

But even though capacity cuts do not necessarily lead to reductions in production, they have been blamed for rising coal prices, giving stricken producers a new lease of financial life.

CTI's comments echo statements by environmental campaign group Greenpeace, which estimated in July that China has up to 300 GW of excess coal-fired capacity.

Opec makes last-ditch bid to save oil deal as tensions grow

REUTERS

OPEC was trying on Monday to rescue a deal to limit oil output as tensions grew among the producer group and non-Opec member Russia, with top exporter Saudi Arabia saying markets would rebalance even without an agreement.

Opec experts started a meeting in Vienna at 0900 GMT and were due to make recommendations to their ministers on how exactly the Organisation of the Petroleum Exporting Countries should reduce production when it meets on Nov 30.

Meanwhile, the Algerian and Venezuelan oil ministers were to travel to Moscow on Monday and Tuesday in a final attempt to persuade Russia to take part in cuts instead of merely freezing output, which has reached new highs in the past year.

In September, Opec, which accounts for a third of global oil production, agreed to cap output at around 32.5-33.0 million barrels per day versus the current 33.64 million bpd to prop up oil prices, which have more than halved since mid-2014.

The meeting on Nov. 30 was expected to rubber-stamp that deal, with Russia and some other non-Opec producers such as Azerbaijan and Kazakhstan also contributing.But doubts emerged in recent weeks as Opec's No.2 and 3 producers, Iraq and Iran, expressed reservations about the mechanics of output reductions and Saudi Arabia voiced concern about Russia's willingness to cut.

On Friday, Opec canceled an experts meeting with non-Opec producers scheduled for Nov 28 after Saudi Arabia said the organisation needed to sort out its differences first.

Over the weekend, Saudi Energy Minister Khalid al-Falih said oil markets would rebalance even without an output-limiting pact. That contrasted with his previous statements, in which he had said Riyadh was keen for a deal.

Doubts about Opec's ability to deliver promised cuts sent Brent crude down 2 percent initially on Monday to less than $47 per barrel, though prices later recovered.


REUTERS/FILE

A person carrying an umbrella walks by the Opec headquarters in Vienna, Austria.

Gold rises from multi-month lows as dollar weakens

REUTERS

GOLD rose over 1 percent on Monday, recovering from 9-1/2 month lows, as the US dollar extended losses after touching a near 14-year high last week. Spot gold had gained 0.92 percent to $1,193.80 an ounce by 0532 GMT after climbing as high as $1,197.54 earlier in the session.

The metal marked its lowest since Feb. 8 at $1,171.21 per ounce in the previous session. US gold futures were up 1.3 percent at $1,193.50 per ounce.

The dollar index, which measures the greenback against a basket of currencies, was down 0.67 percent at 100.810 after slipping 0.2 percent in the previous session as US Treasury yields eased from recent peaks.

"The dollar strength has eased somewhat and we may be seeing some buying interest re-enter the market," ANZ analyst Daniel Hynes said.