

Course correction – Turf War

Address structural problems that have caused trading in Indian derivatives to move Offshore

India's stock exchanges are not too keen on the idea of competing with their global **peers**. Instead, they are happy to guard the home **turf** against foreign exchanges that do a better job of finding new clients. On changes that do a better job of finding new clients. On Friday, the National Stock Exchange, the Bombay stock Exchange and the Metropolitan Stock Exchange of India announced their decision to stop providing data feed and other support to overseas exchanges that list **derivatives** linked to Indian stocks and **indices**. Any existing agreement allowing data-sharing with foreign bourses except that which is related to exchange-traded funds will expire in six months. Explaining the reason, the statement said offshore derivatives could be causing "migration of liquidity from India, which is not in the best interest of Indian markets". Given that the volume of derivatives linked to Indian stocks trading in the **offshore** market is higher than volumes in the domestic **bourses**, Indian exchanges have enough reason to fear their foreign counterparts. Ambitious **endeavours** such as the International Financial Service Centre in Gujarat, although yet to gain the **patronage** of foreign investors, may also benefit from the **crackdown** on offshore derivative markets. Foreign bourses, however, will likely find other ways to list derivatives linked to Indian stocks and indices without any help from Indian exchanges soon. The present move, thus, is unlikely to **rein** in the vast offshore market for Indian derivatives. It also leaves a lot to be desired.

Index derivatives such as the SGX Nifty that is linked to stocks that form Nifty, have **gained** the **patronage** of large foreign investors for many reasons. These instruments are traded for longer hours in offshore exchanges, including hours when Indian exchanges are closed for business, making them more investor friendly. Places like Singapore and Dubai, where these derivatives are traded, are low-tax jurisdictions that offer investors the change to lower their transaction costs as well. The fact that offshore derivatives are denominated in dollars adds to their **allure**. In India, in contrast, the securities transaction tax and the capital gains tax discourage foreign investment in financial assets. The proposal to extend trading hours in order to attract investors too has failed to take off. The statement by Indian **bourses** withdrawing support for offshore derivatives comes after an earlier decision by Singapore's stock exchange, the Singapore Exchange Limited (SGX), to introduce in February futures on individual stocks that are part of nifty. Incidentally, the SGX's decision to introduce futures specific to stocks listed in the NSE was **spurred** by the Securities and Exchange Board of India's decision last year to restrict foreign investment in domestic futures. Offshore markets are thus simply **catering** to the **unmet** demands of foreign investors. India's policymakers should thus first of all address the structural problems that have caused trading in Indian derivatives to

move offshore. This would be a far better response than any **knee-jerk** response favouring domestic exchanges.

WORD LIST

1. **Peer** : (appear briefly, person who is another's equal, scan)
Synonym : become visible, crop up, emerge, open to view, peep out, peer out.
2. **Turf** : (earth, territory, grounds)
Synonym : grass, lawn, sod, soil, peat, sward
3. **Derivative** : (product, descendant)
Synonym : by-product, offshoot, outgrowth, spin-off, wave.
4. **Indices** : (Plural form of index)
Synonym : Indication, indicator, ratio, basis, clue, evidence formula, guide, hand, indicant, mark, model, symbol, symptom, pointer, sign
5. **Offshore** : (away from the shoreline)
Synonym : seaward, a sea
6. **Bourses** : (stock market)
Synonym : amex, board, bourse, commodities
7. **Endeavour** : (try hard to achieve something)
Synonym : try, attempt, venture, undertake, aspire, aim, seek, strive, struggle, labour, toil
8. **Patronage** : (support of a cause) (business done at an establishment)
Synonym : aegis, auspices, backing, encouragement, financing, sponsorship, subsidy, advocacy, aid, assistance, benefaction, grant, help
9. **Gain** : (acquire, win)
Synonym : achieve, advance, attain, benefit, boost, build up, collect, earn, expand, get, grow, have, improve, increase, make, obtain, produce, promote, reach, realize, reap, score, secure.
10. **Crackdown** : (restraint)
Synonym : clampdown, repression, strike, suppression, crush, end, stop
11. **Rein** : (restraint, control)
Synonym : restrain, curb, bit, brake, bridle, check, deterrent, halter, harness, hold, line, restriction.
12. **Nifty** : (Nifty is the sensitive index of the National Stock Exchange.)
13. **Allure** : (appeal) (entice (v))
Synonym : attraction, charisma, charm, enticement, glamor, magnetism, temptation, enchantment, lure
14. **Spur** : (incite, prompt)
Synonym : arouse, drive, propel push, spark, stimulate, stir, trigger, awaken, exhort, favour
15. **Cater** : (Provide, help)
Synonym : coddle, furnish, gratify, humor, indulge, outfit, procure, purvey, victual, supply

16. **Unmet** : (inappropriate, inapt, unfit, not proper, suitable)

Synonym : disproportionate, improper, incorrect, irrelevant, tasteless, unseemly, unsuitable, wrong.

17. **Knee jerk** : (automatic)

Synonym : expected, predictable, reflex, spontaneous

Course correction – EVIDENCE OF FRAGILITY

Underwhelming growth estimates come amid worrying data on agriculture

Five months after Chief Economic Adviser Arvind Subramanian **predicted** that economic growth was likely to be closer to 6.5% in the current **fiscal** year, the Central Statistics Office has **forecast** that the gross domestic product (GDP) would expand at **precisely** that pace in the 12 months ending in March. The **headwinds** that had been **flagged** by Mt. Subramanian at that time are providing to be the **crucial** factors dampening **momentum**. For one, **gross** value added, or GVA which excludes taxes that feature in the GDP number is projected to grow by 6.1%, slowing from a provisional 6.6% in 2016-17, as manufacturing and the agriculture, forestry and fishing components of GVA **decelerate**. Second, the key investment **metric** of gross fixed capital formation, though estimated to show faster growth, is expected to **shrink** in terms of **proportion** to GDP : to 29%, from 29.5% in the provisional estimates for 2016-17 and 30.9% in 2015-16. With the Index of Industrial Production (IIP) data released in mid-December also reflecting a sharp slowdown over the seven month period from April to October, there are signs that the **rebound** seen in the second quarter may be far more **vulnerable** to **unravelling** than previously considered. With agriculture struggling for **traction**, **despite** a 'normal' monsoon, the prospect of private final consumption expenditure regaining **vigour** in a hurry seems remote, especially since rural households make a **sizeable** contribution to aggregate demand. The forecast for consumption spending **posit** both a slowdown in growth to 6.3% in 2017-18, from 8.7% a year earlier, and a marginal **contraction** in share of GDP.

That softer growth estimates have come at a time when the government's fiscal deficit has already crossed the budget estimate for the full year, and GST collections are underwhelming, is a particular cause for concern. With Brent crude hovering around \$67 a barrel, oil prices are now well above the \$60-65 range that the Economic Survey had flagged as having the potential to undermine both consumption and public and private investment. Data on kharif food grain production used by the CSO in computing GVA in agriculture, while provisional, project an almost 3% drop in output in 2017-18. This raises the possibility of stronger inflationary pressures on food prices in the coming months. With consumer price **inflation** having accelerated in November to 4.88%, the fastest pace in 15 months, monetary authorities at the Reserve Bank of India will have little to no **leeway** to **mull** interest rate reductions to support growth. On their part, policymakers must bank on building on the measures taken to **unclog** the credit pipelines, including the recent steps to recapitalise state owned lenders. Other initiatives must include moves to reenergise the export sector : there may be no better time to make the most of the 'fair winds' of a strong global economic rebound that are blowing.

WORD LIST

1. **Predict** : (express an outcome in advance)
Synonym : anticipate, call, conclude, envision, forecast, foresee, think
2. **Fiscal** : (monetary)
Synonym : budgetary, economic, financial, commercial, pecuniary.
3. **Forecast** : (Prediction, often of weather or business)
Synonym : budget, calculation, estimate, outlook, prognosis, projection, anticipation, augury, cast.
4. **Precisely** : (exactly, just)
synonym : absolute, accurately, as well, correctly, literally, specifically, squarely, strictly
5. **Headwind** : (a wind blowing from directly in front, opposing forward motion)
6. **Flag** : (decline, fall off)
synonym : abate, deteriorate, ebb, fade, languish, sag, taper off, wane.
7. **Crucial** : (critical, important)
synonym : central, compelling, deciding, decisive, essential, imperative, momentous, necessary, pivotal, pressing, touchy, urgent, vital.
8. **Momentum** : (impetus, push)
synonym : energy, power, strength, drive, force, impulse.
9. **Gross** : (large, fat)
synonym : great, heavy, hulking, husky, overweight, thick, adipose, big, bulky, dense, fleshy
10. **Decelerate** : (slow down)
synonym : brake, slow
11. **Metric** : (rhythmical) (as in condensed)
synonym : cadent, measured, metrical, rhythmic
12. **Shrink** : (become smaller)
synonym : decrease, diminish, drop off, dwindle, fall off, lessen, narrow, reduce, shorten, shrivel, wane, weaken, wither
13. **Proportion** : (relative amount, size of part to whole)
synonym : bulk, capacity, dimension, distribution, fraction, magnitude, percentage, portion, rate, ratio, scale, scope, share, volume.
14. **Rebound** : (bounce back; ricochet)
synonym : overcome, pickup, revive, backfire, boomerang.
15. **Vulnerable** : (open to attack)
synonym : accessible, defenceless, exposed, liable, ready, sensitive, susceptible, unsafe weak
16. **Unravel** : (unfold, solve, untangle)
synonym : decipher, resolve, solve, undo, untangle, extricate
17. **Traction** : (physical resistance, friction)
synonym : suction, absorption, adherence, adhesion, constriction, contraction
18. **Despite** : (in spite of, regardless of)
synonym : against, although, even though, even with, in contempt of in defiance of, in the face of
19. **Vigour** : (physical strength and good health)

- synonym : robustness, hardiness, strength, stamina, fitness, toughness, muscle, power.
20. **Sizeable** : (huge)(as in astronomical)
synonym : colossal, considerable, enormous, gigantic, humongous, monumental, tremendous, vast, whopping, astronomic, epic.
21. **Posit** : (suppose)
synonym : hypothesize, postulate
22. **Contraction** : (drawing in; shortening)
synonym : decrease, deflation, recession, reduction, shrinkage, abbreviation, confinement, curtailment, elision, receding, reducing.
23. **Inflation** : (increase, swelling)
Synonym : boom, expansion, hike, rise, boost, distension, enhancement, enlargement, escalation, extension, prosperity
24. **Leeway** : (room to move, grow)
Synonym : extent, headway, latitude, margin, play, scope, space
25. **Mull** : (think about seriously)
Synonym : contemplate, deliberate, examine, ponder, weight, chew, consider, delay, linger, wool-gather, revolve.
26. **Unclog** : (as in clear, as in unblock)
Synonym : clean, clear away, clarify, eliminate, erase, free, open, ameliorate, brighten, cleanse, meliorate, purify, refine, rid.

SOME IMPORTANT IDIOM AND PHRASES

1. Takes no prisoners
Example – The Indian Army's order was to take no prisoners.
Meaning – To kill the enemy rather than seize them as prisoners.
2. Pandora's box
Example – Unfortunately, his decisions opens a Pandora's box of domestic violence.
Meaning – To do something that causes a lot of new problems that one did not expect.
3. Beat a dead horse
Example – Do you think its' worth sending the reapplication to the company or I am beating a dead horse.
Meaning – To waste time doing something that has already been attempted.
4. Left to his own devices
Example – Sumit's father left to his own devices for the new project.
Meaning – To allow you to decide for yourself what you do.
5. Shoestring budgets
Example – The restaurant is running on a shoestring budget, so they can't afford more stuff.
Meaning – Characterized by a small amount of money.
6. In the same boat
Example – Suddenly Rohit was in the same boat as any other employees who had lost their job.
Meaning – Experiencing the same situation or condition.

7. Keep one's word

Example – Keeping one's word is necessary to the legal profession.

Meaning – To do what you promise to do./To uphold one's promise.

8. Knocked over

Example – I didn't mean to knock you over./The thief knocked over the television set from my house.

Meaning – To push or strike someone or something./To steal something.

9. To catch a tartar

Example – Our neighbour thought I would give up if my complaint had to go to the court. They will soon realize that they have caught a Tartar.

Meaning – To deal with someone or something that proves unexpectedly troublesome or powerful.

10. To lose face

Example – He denied that he made a mistake because he didn't want to lose his face.

Meaning – To do something which makes other people stop respecting you.

11. The rank and file

Example – The party leadership seems to be losing the support of the rank and file.

Meaning – The ordinary members of an organization and not its leaders.

12. Once in a blue moon

Example – Once in a blue moon day, I get time to travel.

Meaning – Something that happens very rarely.

13. Beating around the bush

Example – The politician was beating around the bush when people demanded a reason for the scam.

Meaning – Avoiding the topic.

14. Chip on your shoulder

Example – He has a chip on his shoulder for being abandoned by his friends in school days.

Meaning – When someone is upset about something that happened a while ago.

15. In high spirits

Example – He was in high spirits when I met him in the office.

Meaning – In a cheerful mood.

16. Struck several bad patches

Example – He struck several bad patches before he made good.

Meaning – Had many professional difficulties.

17. A chip off the old block

Example – Truly he is a chip off the old block.

Meaning – Very similar to his father.

18. Bitten off more than one can chew

Example – Suresh has unknowingly bitten off more than he can chew.

Meaning – To take up a task which one may not be able to accomplish due to lack of ability.

19. The bare bones

Example – The bare bones of the conversation had been that he hated my performances in that project.

Meaning – The main point.

20. A piece of cake

Example – Music is my piece of cake.

Meaning – Something that is easy to understand or do.

21. Blessing in disguise

Example – The course that I took was a blessing in disguise and I realize it now.

Meaning – Something good or useful that did not initially seem that way.

22. Come hell or high water

Example – I have decided that come hell or high water, I will finish my work.

Meaning – Possible obstacles in your path.

23. Taste of your own medicine

Example – Bad people will surely have a chance to taste their own medicine.

Meaning – When someone receives the same treatment, usually negative, that he/she gives to others.

24. Golden handshake

Example – It's better to offer a golden handshake to the aged employees.

Meaning – A big amount of money given to a person when he/she leaves a company or retires.

25. Apple of one's eye

Example – My mother is always an apple of my family's eye.

Meaning – Being cherished more than others are.

26. Feeling a bit under weather

Example – I am not going to gym today as I am feeling a bit under weather.

Meaning – Feeling slightly ill.

27. Mean business

Example – The border is surrounded by forces who mean business.

Meaning – Being serious/ dedicated.

28. The best of both worlds

Example – I had the best of both world since I worked as an ordinary member but got to learn from the leaders.

Meaning – The benefit of widely different situations, enjoyed at the same time.

29. Hear it on grapevine

Example – I heard it on grapevine that he has cheated the organization.

Meaning – To hear rumours about something or someone.

30. Can't judge a book by its cover

Example – It is wise not to judge a book by its cover.

Meaning – Can't judge something primarily by it's appearance./ Don't judge someone based on how the person looks like.

**The past cannot be changed.
The future is yet in your power.**