34th

ANNUAL FOREX ASSEMBLY

at

Budapest (Hungary)

14th August to 17th August, 2025



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FAI 34th Annual Forex Assembly

Organising Team


Mr. Viresh Kumar Suryawanshi


Mr. Debajyoti S. Mahopatra


Mr. Sumant Kumar


Mr. Arvind Khusape


Mr. Rahul Shah


Mr. Amyn Mecklai


Mr. Vishal Kaushal


Mr. Amisha Mehta


Mr. Shailesh Ashra

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Welcome Note by Chairman



Respected Delegates, Honourable Guests, and Esteemed Colleagues,

It is a profound privilege to commence the 34th Annual Forex Assembly of the Forex Association of India here in Budapest, an epicentre of history and innovation, and fittingly the birthplace of ingenious minds who have left a mark far beyond their homeland.

Budapest, the heart of Hungary and a bridge between Western and Eastern Europe, is a city known for its history, culture, architecture and natural beauty, and of course the inventor of the Rubik's cube is from Budapest making it a perfect setting for this year's gathering.

Our assembly this year delves into the challenges and transformation impacting global financial markets amid heightened unpredictability. As we convene in 2025, an era defined by overlapping shocks and fluid geopolitical trajectories, our theme: "State of Global Financial Markets in Uncertain Times"speaks to the complexities and opportunities that shape our collective journey.

This summit brings together visionaries and influencers from across India and abroad, providing a space for the robust exchange of ideas, forward-looking dialogue, and strategies to steer the future of foreign exchange in India. I look forward with great anticipation to the exchanges and insights that today will surely yield.

Since its inception in 1980, the Forex Association of India has remained dedicated to raising the standards of professionalism, transparency, and knowledge within the forex community. In our 34th year, we reaffirm our commitment to creating a platform for collaboration, thought leadership, and strategic dialogue especially crucial in these uncertain times.

The Year 2025 has tested global markets. Policy divergences, lingering effects of trade policy shifts, and volatility ignited by external events dominate headlines. Despite temporary reprieves in tariff escalations, the ambiguity that envelops global trade is reverberating through supply networks and is felt in rising inventories and stubborn uncertainty. This backdrop serves as both a reminder of our vulnerabilities and a call to adapt with urgency.

Economic realignments, notably between the world's dominant economies, continue to reshape supply chains and competitive dynamics, giving rise to both risks and strategic openings for nations agile enough to respond. In parallel, ballooning sovereign liabilities exacerbated by rising security outlays persist as a concern for the fiscal stability of many advanced and emerging economies. For instance, the United States' rising debt and policy responses have already begun to reverberate through bond markets and interest rate expectations.

The shadow of geopolitical instability, from persistent regional conflicts to escalations that threaten essential resources, reinforces the market's sensitivity to external shocks. This is vividly illustrated in the movements of key benchmarks and currency indices, which have taken on increased prominence as barometers of investor sentiment.

Within this climate, emerging economies are adapting with a blend of prudence and innovation. China, despite efforts to reignite internal demand, contends with demographic and structural headwinds even as policy flexibility in other fast-growing regions is tested by the demands of balancing inflation control with economic support.

Shifts driven by technological disruption, the promise and risks of artificial intelligence, energy transition, and climate adaptation add another layer of complexity, demanding evolution in how both markets and regulators respond. It is clear that the paradigms of the past no longer suffice on their own; concerted action and inventive thinking are required.

Amid this global turbulence, India stands as a symbol of strength and purposeful progress. Powered by formidable internal consumption, robust sectoral performance, and ongoing modernization, the Indian economy continues to outperform, projecting growth at the upper end among its peers.

India's foreign exchange reserves, standing strong at near USD 700 billion, reflect not only confidence in the rupee but also the strength of our policy framework. Our capital markets, led by the equity markets, have scaled new heights and continue to attract healthy FDI and FPI inflows. The INR, amidst global fluctuations, has shown commendable maturity, backed by prudent and effective policy measures by RBI.

The confidence of international capital in India's story is mirrored in resilient currency reserves and enthusiastic cross-border investment.

This resilience springs from:

- Enduring household and enterprise demand
- Prudent financial system management
- Expanding infrastructural capacity
- Inclusive technology-driven solutions bridging communities and markets

Unwavering stewardship by the Reserve Bank of India and continued reforms have fostered integration with international financial platforms and broadened the reach of innovative payment and settlement frameworks. Recent milestones ranging from increased participation of Indian securities in global indices to new frameworks empowering local currency settlements and expanding digital payment corridors signal a deepening of India's role in the evolving global system.

The Reserve Bank of India and the Government of India have initiated a series of measured and market-enabling reforms in the past year. Notably:

- **Master Direction on Electronic Trading Platforms (2025)** to enhance transparency and risk controls across FX, rates, and derivatives.
- **Revised Initial Margin (IM) and Variation Margin (VM)** guidelines to align India with global risk management practices, enhancing counterparty safety and reducing systemic vulnerability.
- **Forex Regulation Amendments (2025)** simplifying cross-border INR transactions and expanding NRI access via NRO and Special Rupee Vostro accounts.
- **New Hedging Facilities** for Corporates, easing access to derivative instruments and promoting more inclusive participation.
- **Inclusion of Indian G-Secs** in Global Indices, attracting sustained FPI debt inflows.
- Promotion of INR in Trade Settlements, supporting the internationalisation of the rupee.
- Global expansion of UPI and RuPay, boosting digital cross-border pay flows.

Together, these measures reflect a strategic vision to modernize India's forex ecosystem, making it more transparent, liquid, accessible, and globally competitive.

These measures aim not only to deepen India's forex market structure but also to enhance its integration with global financial systems, support capital inflows, and foster long-term stability.

India's readiness to embrace sustainability through green finance, along with frameworks encouraging foreign engagement in climate-linked securities, illustrates an orientation not just toward growth, but toward responsible, future-focused development.

I would like to express sincere appreciation to the Reserve Bank of India for its steady guidance. Our gratitude also extends to all partners, associations, and stakeholders whose faith and engagement have ensured the continued relevance and vibrancy of this forum.

To the dedicated members of the Forex Association of India, your expertise and spirit are the foundations on which our progress is built.

A special word of thanks to our sponsors, your support has made this forum possible and to our event partner, for orchestrating this event so seamlessly in this beautiful city.

Let me leave you with a quote by Winston Churchill that seems particularly relevant today:

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

May we all be optimists shaping a future of strength, sustainability, and shared prosperity, despite the uncertainty.

In closing, optimism remains our most valuable asset. Where there is uncertainty, there are also avenues for reinvention. May we all lead with insight and conviction, championing a future defined by resilience, sustainability, and shared prosperity.

Thank you for your presence and engagement. Welcome to Budapest, and may our discussions today inspire new heights for all.

Warm Regards,
Viresh Kumar Suryawanshi
Chairman, Forex Association of India
Deputy General Manager (Forex),
State Bank of India

Message from Secretary FAI



Respected Dignitaries, Guests and Delegates,

Heartiest welcome to the 34th Annual Assembly of the Forex Association of India (FAI).

The Forex Association of India, proudly affiliated with the "Association Cambiste Internationale" in Paris, began its humble journey in 1980. Today, we are immensely proud to count all PSU banks, private banks, and major foreign banks among our esteemed members.

FAI has always been guided by an unwavering commitment to the development of India's forex markets, empowered by professionalism and knowledge. In these rapidly evolving times, FAI remains dedicated to guiding and supporting the Indian forex community through active engagement, insightful discussions, rigorous deliberation, and academic excellence.

In the year 2024, 33rd Annual FAI Conference held at Prague- Czech Republic under the theme of "Indian Financial markets- Practitioners perspective" which was graced by key RBI officials, Executive Directors of a few PSBs, Heads of Treasury of Public Sector Banks, Private Banks, Foreign Banks and Corporates.

In this spirit, we continue to prioritize our educational initiatives, supporting market-linked programs like the ACI Dealing and Diploma certification examinations for forex dealers. The course fees are reimbursed by FAI after passing the certification course. Education committee of FAI supporting to the growth of the Forex Dealers through various market updates, seminars and panel discussion.

FAI also hosts a mid-year assembly, bringing together the industry's best minds to discuss pertinent issues that fuel the growth of India's forex markets. Our FY 2024-25 mid-year assembly in Mumbai, was a resounding success, attended by Heads of Treasuries, well known economist and senior RBI officials. The theme for mid- year conference was "India's economic outlook in FY 2024-25" discussed at length by eminent economist, representative of technology service providers etc.

To further support forex market participants, FAI also proudly publishes the Forex Calendar, an indispensable tool used extensively by treasuries across banks, corporates, and overseas branches of Indian banks.

Friends, we are living in a time marked by protectionism and individualistic national policies of tariffs and reciprocal tariffs. This makes the theme for 34th Annual Forex Assembly, "**State of Global Financial Markets in Uncertain Times,"** incredibly timely and crucial. I urge all participants to actively engage in every session and activity we have arranged for you. Let's make this 34thAnnual Forex Assembly a truly remarkable success!

Congratulating each and every one of you on a remarkable national achievement: India has officially become the world's 4th largest economy, surpassing Japan! Financial markets of India are the absolute bedrock of economic growth, and the brilliant minds have played a pivotal role in India's incredible ascent.

Finally, on a personal note, Budapest is one of Europe's most profoundly historic and beautiful destinations. I strongly encourage you all to make the most of the excursions arranged by FAI, as well as your free time, to immerse yourselves in the rich layers of history and culture that define magnificent capital of Hungary.

Warm Regards

Debajyoti S. Mohapatra
Hon. Secretary – FAI
Asst. General Manager & Chief Dealer
Bank of India

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Global financial markets in turbulent times
By **Madan Sabnavis,** *Chief Economist,* Bank of Baroda

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Delegate List

FAI Managing Committee



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(State Bank of India)
Chairman



Mr. Debajyoti S. Mohapatra
(Bank of India)
Hon. Secretary



Mr. Sumant Kumar
(Bank of Baroda)
Vice Chairman



Mr. M. Naresh Kumar
(Canara Bank)
Treasurer



Mr. Arvind Khusape
(Axis Bank)
Jt. Secretary



Mr. Rahul Shah
(Sunidhi Securities & Fin. Ltd.)
Jt. Treasurer



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(Karur Vysya Bank)
President [Chennai Chapter]



Mr. Rajesh Lakhotia
(Raychand Lakhotia & Sons)
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(ICICI Bank)
Member



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(Central Bank of India)
Member



Mr. Ram Kumar
(Punjab National Bank)
Member



Mr. Bhavya Dutta
(Indian Bank)
Member

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(IDBI Bank)
Member



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(Shinhan Bank)
Member



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(Bank of Maharashtra)
Member



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(Federal Bank)
Member



Mr. Shivam Shukla
(UCO Bank)
Member



Mr. Vivek Sharma
(HDFC Bank)
Member



Mr. Vishal Kaushal
(ANZ Bank)
Member



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(Union Bank of India)
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Member



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(Mecklai & Mecklai)
Member



Mr. Shailesh Ashra
(SAK Forex Market Pvt. Ltd.)
Member

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Programme

Welcoming Dignataries

Welcome address by Chairman, FAI

Address to Assembly by Secretary, FAI

Keynote address by Chief Guest
Mr. Radha Shyam Ratho – Executive Director – RBI

Panel Discussion :
Policy & Marketing Deepens : What are the next reforms required to make India a Global Ex-hub?

Distinguished Panel Members :
Ms. Dimple Bhandia – Chief General Manager FMRD – Reserve Bank of India
Mr. H. K. Jena – Managing Director – CCIL
Mr. Subrat Kumar – Executive Director – Bank of India
Mr. Samir Sawhney – Chief General Manager Global Markets – State Bank of India

Moderator :
Mr. Vishal Kaushal – Head of Investor Sales ANZ – India

Short speech by sponsor / partners

Vote of Thanks

Disperse for Gala Dinner

Chief Guest

Name		Bank / Institution
Mr. Radha Shyam Ratho	Chief Guest	Executive Director Reserve Bank of India

Panel Members

Ms. Dimple Bhandia	Panelist	Chief General Manager FMRD – Reserve Bank of India
Mr. H. K. Jena	Panelist	Managing Director CCIL
Mr. Subrat Kumar	Panelist	Executive Director Bank of India
Mr. Samir Sawhney	Panelist	Chief General Manager Global Markets – State Bank of India & Chairman, FEDAI

Moderator

Mr. Vishal Kaushal	Moderator	Head of Investor Sales ANZ – India

Esteemed Dignitaries

Mr. Ravi Ranjan	Deputy Managing Director State Bank of India & Chairman, FIMMDA
Mr. Srinivasa Panigrahi	Chief General Manager State Bank of India
Mr. Abhijit Basak	Chief General Manager Union Bank of India

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THEME OF THE
34th ANNUAL FOREX ASSEMBLY
OF THE
FOREX ASSOCIATION OF INDIA

State of
Global Financial Markets
in Uncertain Times

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Chief Guest



Mr. Radha Shyam Ratho

Executive Director
Reserve Bank of India

Mr. Ratho has worked with the Reserve Bank of India (RBI) for over 33 years and is currently Executive Director in charge of Financial Markets Operations Department and Financial Markets Regulation Department. His responsibilities include overseeing RBI's financial market operations and regulation in the forex, money, and bond markets. Until recently, he was also overseeing the Secretary's Department, which provides assistance to the Central Board of Directors. Prior to that, he was also handling areas related to foreign exchange and management of RBI's foreign exchange reserves. He is also a member of the Adjudication Committee to decide on enforcement actions on regulated entities. Mr. Ratho represents RBI on the Markets Committee of the BIS, Basel. He has chaired the Inter- Departmental Group constituted by RBI on "Internationalisation of INR".

Mr. Ratho holds a Master's degree in Analytical & Applied Economics. He has also completed CAIIB and MBA, and M.S. from the University of Leicester (UK).

Distinguished Panel Member



Ms. Dimple Bhandia

Chief General Manager FMRD
Reserve Bank of India

Ms. Dimple Bhandia is a career central banker with over 25 years of central banking experience covering the areas of financial markets, reserves management, financial stability, payment systems and banking supervision.

She has also worked as Member of the Secretariat of the Financial Stability Board.

Currently, she is heading the Financial Markets Regulation Department in the Reserve Bank of India.

Distinguished Panel Member



Mr. H. K. Jena

Managing Director
The Clearing Corporation of India Ltd.

Mr. Hare Krishna Jena is the Managing Director of The Clearing Corporation of India Limited (CCIL), a critical financial market infrastructure institution in India. Under his leadership, CCIL plays a pivotal role in ensuring robust clearing and settlement mechanisms for transactions across India's financial markets including **government securities, money markets, foreign exchange, and derivatives**. CCIL also functions as India's Trade Repository for Over-the-Counter (OTC) derivatives in line with global regulatory reforms aimed at enhancing transparency, reducing counter party risk, and strengthening systemic risk. This function aligns with the **G20 commitments** and standards set by the **Financial Stability Board (FSB)** and the **Committee on Payments and Market Infrastructures–IOSCO (CPMI-IOSCO)**.

In addition to its core functions, CCIL's subsidiaries include **Clearcorp Dealing Systems (India) Ltd.**, offering electronic trading platforms across multiple asset classes viz. government securities, forex, money markets, and derivatives, with recent expansion into retail segments; **Legal Entity Identifier India Ltd. (LEIL)**, a recognized Local Operating Unit (LOU) for issuing **Legal Entity Identifiers (LEIs)** in India, complying with global regulatory requirements under the **Global LEI System**; and **CCIL IFSC Ltd**., a recently set-up subsidiary in GIFT City, to provide clearing and settlement services to banks operating within the International Financial Services Centre (IFSC).

Before joining CCIL, Mr. Jena had a distinguished 35-year career with **State Bank of India (SBI)**, India's largest commercial bank, where he held numerous senior leadership roles, culminating in his role as **Deputy Managing Director – Global Markets**. His extensive banking experience spans across **Retail Banking, Treasury Operations and policy, Risk Management, International banking**, and **strategic thinking**.

Mr. Jena has actively contributed to the development of India's financial sector through his participation on several high-level boards and joint ventures including SBI Macquarie Infrastructure Management Private Limited, Oman India Joint Investment Fund Management Company Pvt. Ltd., SBI-SG Global Securities Services Private Ltd., Foreign Exchange Dealers Association of India (FEDAI) where he also served as Chairman, Gujarat State Energy Generation Ltd., SBI DFHI Ltd., Macquarie SBI Infrastructure Management PTE Ltd.

Distinguished Panel Member



Mr. Subrat Kumar

Executive Director
Bank of India

Shri Subrat Kumar has been appointed as Executive Director of Bank of India and assumed charge on 21.11.2022. Shri Kumar is a B.Sc., MBA (Finance)& CAIIB qualified Banker. He has over 30 years of experience in Commercial Banks / Asset Management Co.

During his long stint in the Banking Industry, he gained varied exposures in all important spheres of operational and strategic Banking with expertise in Treasury, Risk Management, Credit Monitoring & Corporate Credit. He successfully handled the responsibilities such as Regional Head, Patna, Head of Treasury, Audit & Inspection, Credit Monitoring & Corporate Credit. He held the position of Chief Risk Officer and Chief Financial Officer (CFO) of Bank of Baroda as well.

He was also on the Boards of FIMMDA and BoB Capital Markets Ltd.

As an Executive Director, he is currently handling the following portfolios in Bank of India viz. – Corporate Credit, International & International Subsidiaries, Foreign Business, Domestic Subsidiaries, Treasury, Government Business, Credit Monitoring, Risk Management, Fraud Risk Management, Premises & Estate, Resources & Customer Excellence Branch Banking.

Distinguished Panel Member



Mr. Samir Sawhney

Chief General Manager
***Global Markets*, State Bank of India**
& *Chairman*, FEDAI

Mr. Samir Sawhney is currently Chief General Manager (Global Markets) at State Bank of India, Corporate Centre, Mumbai. At present, he oversees the Treasury operations of the Bank consisting of Investment portfolio, Money market, Equity & Private Equity of the Bank and Forex market with a combined portfolio of nearly Rs.15 lac crore.

Prior to the current assignment, Mr. Sawhney was General Manager (Rupee Market) of Treasury operations.

Mr. Sawhney, a post-graduate in management, joined State Bank of India as Probationary Officer in 1991 and has worked extensively in major banking verticals like Treasury, International Banking and Retail Banking, including overseas assignments at SBI New York.

Moderator



Mr. Vishal Kaushal

Head of Investor Sales, India
ANZ Banking Group Limited

Mr. Vishal Kaushal is currently working with ANZ Banking Group Limited, Mumbai branch as Head of Investor Sales, India and has more than 15 years of experience in Financial Markets. Prior to his current role, he had a long stint at Standard Chartered Bank, and across the two organisations has covered multiple asset classes such as Foreign Exchange, Interest Rate Derivatives, Bonds, High Yield Credit and Syndicated Loans looking after a portfolio of Global and Indian Institutional clients.

Mr. Kaushal is a graduate from Indian Institute of Technology, Roorkee and holds a PGDM from Indian Institute of Management, Indore.

He has also been a member of the Forex Association of India's Managing Committee since 2019.

Esteemed Dignitaries



Mr. Ravi Ranjan

Deputy Managing Director
Global Markets, State Bank of India

Mr. Ravi Ranjan Currently heading Global Markets of SBI as Deputy Managing Director. Global Market Unit, looking after entire investment portfolio of SBI, which is close to USD 200 Billion. He also holds the post of Chairman, Fixed Income and Money Market Association of India (FIMMDA) currently.

Prior to the current assignment, Mr. Ranjan was heading Corporate Accounts Group (CAG) of SBI as Deputy Managing Director catering to the large corporate clients of the Bank.

Mr. Ranjan, holds Master in Business Administration from MDI, Gurugram, M.Sc. in Botany from Patna University. He has over 34 years of banking experience, having started his career as a Probationary Officer with State Bank of India in 1991. He has held various positions both in India and overseas, across multiple functions including Chief General Manager of Chennai Circle, President & Chief Operating Officer of SBICAP Securities Ltd. (SSL), a subsidiary of SBI during 2022-2023 and as Vice President & Head - Syndications at Hong Kong looking after Syndicated Loan portfolio with portfolio of SBI Hongkong.

Esteemed Dignitaries



Mr. Srinivasa Panigrahi

Chief General Manager
State Bank of India

Shri Srinivasa Panigrahi is a career banker with 30 years of banking experience, having started his career as a Probationary Officer in 1995. He has held various positions across a wide range of domains in Retail Banking, Branch Banking, Treasury Operations & International Banking. He has recently been elevated to the post of Chief General Manager and is currently working in Global Markets, State Bank of India.

In his present role, he oversees the Forex and Treasury Marketing Division of Bank.

He earlier worked as Deputy General Manager (Global Trade Dept.) and handled the trade finance portfolio of all the foreign offices of Bank. He also worked as Vice President Trade Finance at SBI Sydney Australia, looking after Trade Finance Portfolio during his tenure.

Esteemed Dignitaries



Mr. Abhijit Basak

Chief General Manager
Union Bank of India

Mr. Abhijit Basak, Chief General Manager at Union Bank of India is a seasoned banking professional with extensive leadership experience, having successfully headed Mumbai Zone, a major zone with a strong track record in credit management and business development as well as Bhopal Zone. He has also led key verticals viz. Large Corporate, Mid Corporate and Financial Institutions Group. He demonstrates in-depth knowledge of credit appraisal, risk assessment, and portfolio management across diverse sectors. Presently, acting as Head of Treasury, overseeing strategic investment decisions, liquidity management, and regulatory compliance with a focus on optimizing returns and managing market risks. He is known for a results-driven approach, strong decision-making capabilities, and the ability to lead large teams while fostering a culture of performance and integrity.

Mr. Abhijit Basak holds an MBA degree and has participated in numerous leadership and development programs conducted by reputed institutions in India and abroad further strengthening the expertise in both operational and strategic aspects of banking. His strong academic foundation and extensive training enable him to provide tactical insights and drive business growth with exceptional analytical and leadership skills.

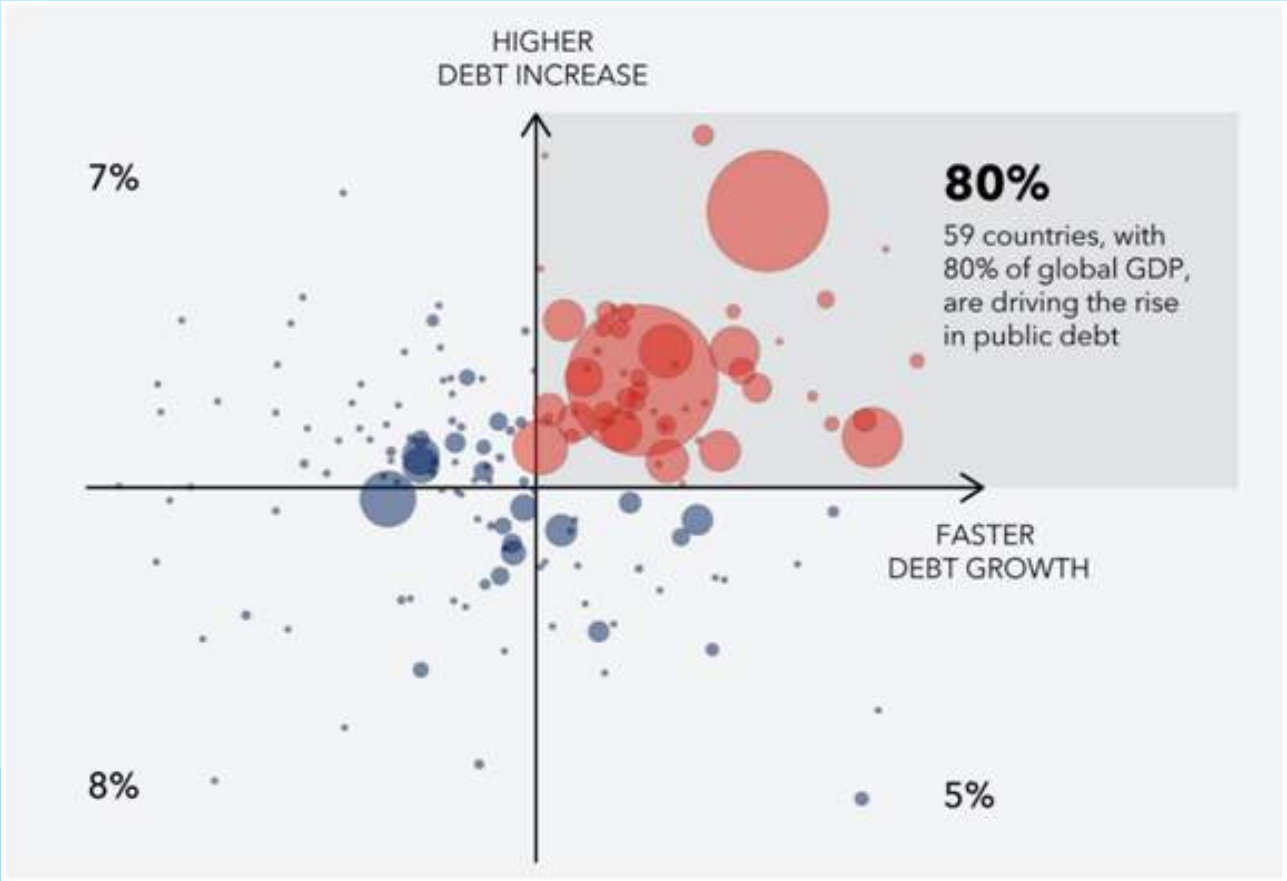
Essence and Importance of Monetary Policy Communication



By Dr. Soumya Kanti Ghosh
Economist
State Bank of India

Basis latest IMF Fiscal Monitor projections, Global public debt could increase to 100 percent of global gross domestic product by the end of the decade if current trends continue. The rising ratio of public debt to GDP reflects renewed economic pressures as well as the consequences of pandemic-related fiscal support. The worrisome trend raises fresh concerns about long-term fiscal sustainability even as multiple jurisdictions face rising budgetary and financing challenges.

The projections show that about a third of countries, accounting for ~80 percent of global GDP, have public debt that's both higher than it was before the pandemic and rising at a faster pace. More than two-thirds of the 175 economies in IMF's study, now have heavier public debt burdens than before COVID spread in 2020.



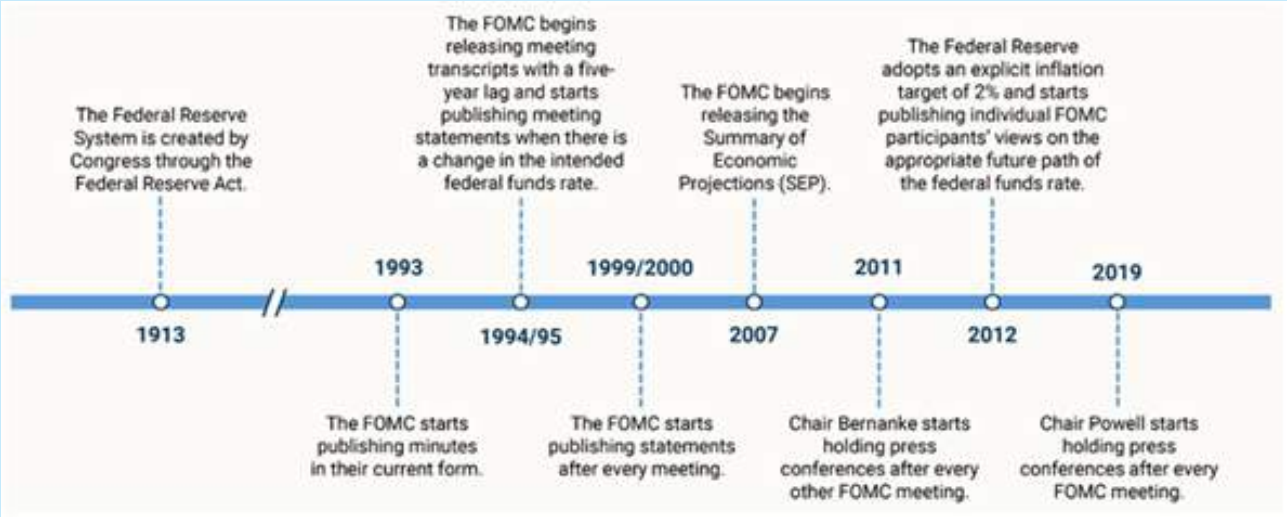
(Source: IMF)

With debt being a perpetual, and in many cases larger than lives, part of governments (the deficit in US is expected to balloon further with the Big, Beautiful Bill (YTD figures till May'25 are up 14% y-o-y) even as total interest outgo on debt is destined to exceed US$ 1 trillion now, and rising further- the US had total average debt of US$35.46 Tn in 2024 while the average interest servicing cost stood at 3.32%), deft debt management at optimal cost, and through a well crafted financing mix hinges on a very powerful tool that can soothe the frayed investors' nerves amidst the market cacophony and bouts of volatility; that of the Central Bank communications while they remain entrusted with public debt management. Central banks have a greater responsibility to share information in ways that improve the investors, including public's, understanding as also confidence in monetary policy prudence. This communication must be consistent enough for average people to follow, and dynamic enough that it can adjust to the circumstances that are faced, while striving to be transparent.

Central banks are increasingly reaching out to the general public to motivate and explain their monetary policy actions. One major aim of this outreach is to ensure accountability and create trust; another is to guide inflation expectations. Central Bank communication across the world has been the subject of much intellectual discourse, but it has almost always been in the context of the communication of monetary policies. That is understandable because monetary policy is at the heart of central banking and also because communication of monetary policy is possibly more challenging than communicating other policies. The onus for clear communication that is a Confidence Building and Boosting measure has increased manyfold post the Black Swan events in succession, pandemic and geopolitical aggressions in toes.

The enhanced communications have had significant paybacks. Firstly, they have a cascading effect on public's nuanced understanding of the Central Bank's mandates and commitments. Secondly, clear monetary policy communication gravitates towards anchoring inflation expectations and helps in navigating economic shocks more effectively. Finally, these communications allow households, businesses, and financial markets to understand how policymakers see the economy and how they might react if things evolve differently than expected.

As Mary C. Daly, President and CEO of the Federal Reserve Bank of San Francisco recently put it, for most of its history, the FOMC of the Fed worked under a veil of secrecy, which was rather intentional. Federal Reserve officials were either silent or purposely vague. As late as during the June 2003 FOMC meeting, then-Chair Alan Greenspan advised participants to be "very vague" in response to questions about the conduct of monetary policy (as the FOMC minutes showed years later). Chair Greenspan generally adhered to this approach, reputedly (!) joking to reporters that "If I seem unduly clear to you, you must have misunderstood what I said".



(Source: Mary C Daly, FRBSF)

The FOMC released its first post meeting statement in February 1994 and began to release a statement after every regularly scheduled meeting in May 1999.The prevailing view was that less transparency promoted candid internal debate, minimized disruptive financial market reactions, and provided flexibility to respond to unexpected events (Blinder et al. 2024). Moreover, many policymakers thought that they needed to surprise markets for policy to have an effect! (Poole 2005).

While communicating policy after it is made is the standard mode of communication, central banks are taking to communication before policy action. This again is a lesson from experience — that the markets do not like unexpected news, and that surprises should be avoided unless surprise is, in rare circumstances, part of the strategy itself. Rotating the needle back, when the Fed announced it would reinvest the proceeds of maturing securities purchased under the first phase of quantitative easing (QE1), the markets were unnerved. In contrast, the elaborate communication exercise that preceded the QE2 delivered the expected announcement effect. QE2 did, of course, come in for extensive criticism, but that is certainly not because of lack of communication. The Bank of England (inter alia the broader markets, chiefly pension funds) bore the burnt of poor communication at the height of inflationary prices spiral some years back, when asset prices were pummelled over fears of changes in valuations and foggy implications emanating from less than prudent fiscal measures unveiled, exacerbated by lack of proper communication. As ex-RBI Governor Shaktikanta Das put it succinctly, Decisiveness, timing and communication are key to effective monetary policy.

Over the last two decades, central banks have moved towards clearer communication and greater transparency. This has been driven by several motivations. First, central banks have realised that open and transparent communication enhances policy effectiveness. This shift reflects a shift in the theory of monetary policy. Until the early 1990s, monetary policy was strongly influenced by Robert Lucas' argument that monetary policy affected real variables only if the policy changes were unanticipated. This encouraged obscurity over openness and clarity. Lost in the message was the fact that monetary policy always affected nominal variables like inflation even if fully

anticipated. In the 1980s, Finn Kydland and Ed Prescott argued that fully transparent rules rather than discretionary policy changes were more efficient and creditable. This was the beginning of the push towards rules over discretion and greater central bank transparency. The most eloquent illustration of this shift is the change in the communication strategy of the US Fed.

Prior to 1994, the US Fed didn't even announce the target Fed Funds Rate (FFR); the market was expected to infer the rate from the timing, sequencing and magnitude of its open market operations. In contrast, today, the Fed not only announces the rate but also gives a clear indication of future policy trajectory. Indeed, it is standard practice for central banks these days to indicate the policy rates, the rationale behind the policy action, the expected outcomes, and often, forward guidance on future policy actions. The firm stand taken by Fed chair Powell of late, linking the rate decisions with quality of incoming date mired in tariff upheavals testifies another facet of rock stead communication from the Central Bank, simultaneously vouching for the fabled independence of the institutions at the heart of monetary matters. These events are definitely going to have a cascading effect on asset prices/allocation as uncertainty, if not fear, grips the world's largest bonds market and a *de facto* reserve currency (basis recent UBS reserve managers survey).

The Reserve Bank of India (RBI) had a similar experience. Both on the way up to the crisis and on the way down, it had to make several off-cycle policy adjustments. There was wide agreement that these measures were expedient but, at times, they did not go down well with the market because of the surprise element. This prompted the RBI to revise its communication strategy by introducing, with effect from September 2010, more structured mid-quarter reviews (now bi-monthly). Such frequent policy reviews reduced the need for off-cycle action, minimising the surprise element. In recent times, the RBI has been putting in a subtle message of policy changes through its monthly and annual publications, that sometime escapes granular attention. Sometimes communication, instead of being a vehicle for policy, can be the policy itself. Drawing yet again from the US experience during the crisis, the Fed realised that its repeated announcement/first generation policy signals of keeping rates low " for an extended period" or "can be removed at a pace that is likely to be measured", led markets to reach a certain inference on what the "extended period" could mean. The ECB's use of such code words as "strong vigilance" also belongs to this category. Some policy analysts argued that a step that the Fed could consider was to modify the language of the statement (second generation signals as Bank of Canada does) to provide exact information to the markets. This, it was believed, could have eased financial conditions as desired.

Another factor that has motivated central banks to place a bigger emphasis on communication is their hardearned autonomy in the years before the crisis. Central banks have increasingly embraced more open communication to counter the criticism that an autonomous central bank comprising unelected decision makers was inconsistent with a democratic structure. Before we conclude, here are two things to remember. First central bank communication is important for the institution to learn, listen and understand. One is referring here not to the standard one-way oral or written communication but to two-way communication between the central bank and its stakeholders, with the central bank remaining largely on a listening mode as the RBI does at periodic intervals. Second, continuous interaction with market (social media included) and all stakeholders is the best strategy for policy effectiveness and helps deflect threats to central bank credibility.

The recent change in stance by RBI, for example, appeared to have confused a lot of market participants who probably failed to read between the lines, as growth needed a vigorous 'right-there-right-now' front loading approach against a benign inflation trajectory and uncertainties on global trade front warranting defending the moats of domestic consumption and investment revival, a steeper than anticipated rate cut considered an antidote to vagaries of uncertainity.

Taking a cue from the RBI statement in 2021, wherein it had provided a succinct rationale behind the distinction between "time-based" guidance and "state-based" guidance (and the interwoven plot of the same with the forward guidance; explicit as well as implicit), the RBI's shift from "time-based" guidance to "state-based" guidance was a firm commitment to support growth in an implicit manner in the highly uncertain environment of today where it has to navigate through much troubled waters, a fine walk that has earned it the epithet of one of the finest Central Bank globally, though the laurel is more of a beacon to make the Central Bank future-ready for India's fast-growing economy, while striving to be a model central bank for Global South towards deepening financial inclusion and internationalisation of the currency pairs beyond the Greenback.

Separately, MPC's June decision to go for a relatively mammoth cut, while changing the stance to neutral should not have been confused with a pause on future rate cuts trajectory in the medium term but rather a semblance of adopting flexible manoeuvrability on part of a conscious regulator to diligently perform a new troika- manage the yield curve and ensure adequate liquidity in the ecosystem, while renewing the pledge to keep growth sacrosanct.

Post the MPC announcement the RBI Governor also took necessary steps to assuage the frayed nerves of the debt markets by clarifying that the change in stance is a dynamic and evolving process, more attuned to the middle point of immediate present and imminent future in a world besieged with VUCA / BANI (and not a forward guidance for the time being!) which effectively had a sobering effect on longer tenor yields that had vaulted in an auto pilot mode as the broader markets (sans a minority) had not been bracing for the steep cut from the RBI.

To sum up, with systemic soundness and resilience at multi years highs (RBI FSR June'25), the growth mindset of financial intermediaries seems ready for the next big leap. Elevated, and transparent modes of communication are thus an enabling stepping stone towards thisgreater cause. Simultaneously, it would be prudent to remember the words of Mr Das "*while too much of communication can confuse the market, too little may keep it guessing about the central bank's policy intent*". This assumes greater significance as the barriers between private and public is rapidly vanishing, tokenisation of assets and pouring of pension money into private credit is pencilled, along with digital assets getting regulatory approval in select jurisdictions, all necessiating robust and unambiguous communication that invigorates sustainable growth amidst diverse forces at play.

Global financial markets in turbulent times



By Madan Sabnavis
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The world has gone through fairly tumultuous times in the last 5 years or so starting with covid. While this was a natural disaster over which no one had control, the subsequent waves of turbulence were largely manmade and an outcome of political differences which led to a conflagration in the form of wars which have tended to get prolonged. There was Ukraine to begin with followed by the Hamas battle which have become permanent. There have been other skirmishes too with the Israel Iran war fortunately ending with the US also joining the battle before ensuring a ceasefire.

On the economic front, while the world economy got out of covid and things seemed to be on the upward part of the curve, the MAGA slogan has been put into action and has created an upheaval with the threat of tariffs being imposed on all countries causing considerable disturbances in global financial markets. What is one to make of this situation?

The wars that have been raged, and are raging, have largely been buffered by the markets with equilibrium being restored in a span of 6 months or so. To begin with there were reverberations on commodity prices as the sanctions imposed on Russia led to energy costs going up. Simultaneously putting Russia out of SWIFT meant that alternative methods were explored for transferring funds to Russia in exchange for gas and crude oil. This too has been absorbed now in the system; and there was irony with Russia also urging for restraint in the recent Iran-Israel fracas.

Today the world economy is sieged more by the tariff issue where the President has been blowing hot and cold over the imposition of a new tariff structure for all countries exporting goods to the USA. This has been a major action point for the US President ever since he took over on January 20 with various measures being announced at different points of time. The structure has been quite volatile with announcements being made and then deferred. This has opened the doors to negotiation by different countries as USA is the largest importer of goods and affects the economies of all countries. The crux for any country is that the new tariff structure, which is higher than the existing one, will mean compromises to be made on the import side which can affect domestic industry. Besides, differing tariffs across countries open the door to more competition as those confronting lower duties can seize an opportunity.

When talking of the impact on markets, three areas are of interest come to mind– commodities, foreign currency and bonds. All of them have been affected in a differential manner on account of all these ongoing developments on the economic and political fields.

On the commodities side, the crude oil market is most vulnerable and this has shown in fairly wide gyrations when there have been any disturbances on the political side. This is so as West Asia is the major supplier of oil and any war which comes in the way has caused fluctuations in the price of crude oil. There will always be volatility whenever there is a conflict. Both Russia and Iran have had an impact thought the former was of a longer duration before an equilibrium has been found. The positive development here has been that there has been a slower growth in demand for oil in the world with the focus now being on renewables and demand is bound to come down gradually over time.

The tariff issue will however have a major bearing on prices of metals in particular as the USA has already raised tariffs of copper, steel and aluminum which are fundamental for almost all industries. This has the potential to lead to dumping in other countries as countries like China work to substitute other markets for any loss of share in US imports. This consequence is real though not yet evident but once the tariff structure get implemented, it may be expected to surface. But higher tariffs will increase inflation in the USA and hence the target of 2% inflation which has been spoken of will be under threat this year. Metal prices will remain volatile for sure this year and as higher tariff induced prices get included in the cost of production by American industry, there can also be an upward pressure on finished products like automobiles, machinery, metal products etc. While the final direction is still unclear, volatility is to stay in the commodity markets. Add to this crude oil which though has been range bound so far in the $ 60-70/barrel bracket, can show an upward tendency depending on the changing political equations.

Higher inflation in the USA has implications for the bond markets. As long as inflation threatens to remain higher in USA, the Fed will be less compelled to lower rates; and going by the market expectations, a rate cut can be pushed back later to the year and the earlier target of September looks unlikely as there is still no clarity on the tariff issues. This is the main reason for the Fed to be cautious on rate cuts even while other central banks like ECB and BoE have lowered rates in the normal course to spur growth. The US treasuries have remained weak with the 10-year yield hovering in the 4.3-4.5% range. Every time there is movement on the tariff issue, the yields tend to tighten. While typically bond yields in other countries, including India should be driven by domestic forces given that foreign funds participation in the market is still limited, the two tend to get linked nonetheless. This has also contributed to bond yields in India being a trifle sticky, though domestic considerations such as the change of stance of the RBI has also played a role here.

Once the Fed gets cautious in terms of rate cuts with possible higher inflation resulting from the tariff policy to be introduced, it also has implications for the currencies. Presently there has been considerable volatility in the currency market with the dollar tending to weaken. But if the Fed keeps interest rates at the present levels for longer, there will be a tendency for the dollar to strengthen as funds flow to the USA given the higher differential yields across markets. This can have an impact on other currencies which tend to get linked with the dollar. It has been seen in the past too that a stronger dollar has tended to keep the rupee under pressure even when fundamentals have been fairly strong. A weaker dollar (which is the case today) has kept the rupee firmer. But, as seen in the past too, such gyrations are common and have been in alignment with announcements made by the US President since the time he took over in January.

Currency fluctuations cannot be ignored as they invariably lead to the doors of central banks which have to weigh options when countering such volatility. This will continue in 2025 too because as the rupee either depreciates or appreciates too rapidly, action would be warranted to steady the currency. This would hold more so as the new tariff regime will keep changing the competitive advantage of various exporting countries where currency has the most important role to play. Therefore, there will be pressure on central banks to manage currencies purely from the point of view of tackling this externality of volatile dollar being compounded by strategies used by competing countries to remain ahead in the race for retaining the US export market.

The stock market probably would be easier to predict because the tariff impact has been revealed to be limited to a couple of trading sessions after which it is back to other economic fundamentals and sentiments which drive stock indices. Therefore ironically the stock markets will be easier to gauge from the point of view of the tariff trauma relative to commodities, bonds and currency which are more susceptible to announcement effects from the USA.

Until there is a clear announcement of the tariff policy, global markets would be in a state of flux and central banks all over would be watchful of these developments. While currency stability would be the primary goal of central banks, the bond market too would be watched closely so that it reflects better the direction provided by monetary policy.

Satellites Don't Fall Out of the Sky



By V Thiagarajan
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Introduction

When you are sleeping peacefully at 2.00 am and some one shakes you up and asks you: What is the impact on the economy due to a decline in Consumer Confidence release in the evening … Stanley Fischer used to say that every economist should be ready to face a situation like this and have a reference framework that could help in quick articulation of the view as well as the strategy.

Likewise, any market practitioner should strive to stay well prepared with a reference framework and a strategy at all times to identify the phase of the business cycle and be confident to suggest a possible cyclical turning point

Margaret Thatcher once defended her economic package asserting "there is no alternative" and her ardent followers simply accepted. However, there are always different economic perspectives and various policy choices besides alternative ideas to interpret the available information.

The objective of this article is to impress the practitioners of the need to make efforts to use the contemporarily relevant business cycle theories as an alternative in their thought process and view the world through that Prism.

Setting the tone

It is common knowledge that the economy is always evolving, constantly undergoing shifts that can bring positive change and rejuvenate conditions but also present potential challenges. Monitoring the current status of the economy and anticipating its future trends are very relevant for policy making as well as forecasting the direction and potential objectives of the financial variables such as Exchange rate, Interest rate and Equity indices.

In so far as common sayings that we hear often, "The economy has changed significantly in recent years" and "this time it's different" possibly rank higher. The irony is that economic models - the formal ones that academics use or the rules of thumb that traders and corporates employ are almost always based on the premise that past continues to reflect the future trajectory.

However, in the last fifteen years, we have seen events unfold to the surprise of every market watcher forcing the economists to reassess many of their assumptions about the way the economy works. Key economic relationships disappear completely, only to reappear later with a casual indifference to the professional opinion.

There can never be an objective view about the future without some assumptions. Hence, it was far easier to study how the economy has evolved in the recent past and extrapolate as to how the

economy's trajectory might change in future. Put another way, understanding how the economy has changed can provide insights into how conventional wisdom will probably go wrong in future.

The objective of this article is to attempt to find answer to an enduring question for determining the best approach to forecast the business cycle and for understanding the efficacy of the monetary and fiscal policies and to develop new and more deeply founded mechanisms that formalize alternative possible explanations for business cycles as well as provide convincing validation

Theory of Business cycles in early stages

Until WWI, a real assessment of the economic fluctuations was not properly defined. The literature was essentially based on exotic studies without any theoretical foundation. A significant improvement had then been made with the development of the so-called "economic barometers", which qualified as the first attempt to analyse and monitor economic fluctuations and the resultant business cycles.

Business cycles as we know them today were codified and analysed by Arthur Burns and Wesley Mitchell in their 1946 book Measuring Business Cycles. One of the key insights was that most of the economic indicators move together. During an expansion, not only does output rise, but also employment rises. Inflation may rise if the expansion is particularly brisk. Conversely, during a recession, the output of goods and services declines, employment falls, and unemployment rises.

This made every one conscious of the business cycle because most sectors of the economy were supposed to move up and down together. This phenomenon, referred to as co-movement, continues to be the most important central part of the official definition of the business cycle.

.In the 38 years after WWII, recessions occurred roughly every 4 years, on average. They were similarly frequent before WWII and hence the term 'cycle' then sounded appropriate. However , as any natural process would have it , there were so many distortions from time to time- In the era before World War II, prices typically fell during a recession just as Textbook would dictate but since the 1950s prices continued to rise during downturns as well , though more slowly than during expansions.

Models in the Keynesian tradition held that business cycles arise from shocks to aggregate demand, such as a decline in consumer spending (perhaps due to low confidence) or fiscal and monetary tightening. A key element was that prices and wages do not adjust quickly, resulting in painful spells of unemployment and contractions in production. This implied that policymakers could potentially use expansionary fiscal or monetary policy to contain the recessionary forces .

The Keynesian notion of policy was one of managing an economy which, at least at the macroeconomic level, was greatly incapable of managing itself and the policymakers should intervene frequently. Fundamental to this viewpoint was the notion that cyclical fluctuations were due to largely unexplainable "animal spirits." Simply put, recessions were assumed have occurred due to an economy in error and the goal of policy was to correct that error.

Economists normally thought of the economy as always tending to gravitate toward a long-run trend rate of growth. Even in this present days, the policymakers have been broadly following these basic principles to determine the phase of the business cycle in which the economy is operating and using monetary or fiscal measures to strive for pushing the real economic activity towards long rum equilibrium . Market practitioners always tried to predict the cyclical turning

points and positioned themselves ahead to encash the macro opportunities. So the markets continued to be ahead of the policymakers and at times forcing the policymakers to toe their line of thinking .

Contemporary Business Cycles

According to the NBER , the U.S. economy between the 1850s and the early 1980s experienced 30 recessions lasting an average of 18 months, with intervening periods of economic growth averaging 33 months. However, in the modern era, Recessions tend to be much shorter while expansions continue much longer.

These days when an economic boom ends, the downturn is generally sharp and short, meaning that the growth rate falls far below trend for a short period of time. When a slump ends and growth resumes, the boom is more gradual: longer lasting, with growth rates not as far from trend. This type of asymmetry is referred to as growth-rate or steepness asymmetry. It is present in many macroeconomic aggregates: output, industrial production, fixed investment and hours worked.

For instance, since 1990, every business cycle has concluded with relatively low headline and core inflation. In contrast, from 1960 to 1990, business cycles ended with inflation rates of at least 5%, sometimes reaching double digits

A simple comparison of duration may not explain the severity of recessions or the strength of expansions. Alternatively the degree of severity should be measured by the decline in output that occurs in a recession or the growth that occurs in an expansion. However, most studies conclude that output has remained more stable in the post-World War II era.

The last business cycle lasted more than 10 years, from 2009 until early 2020, and it was marked by episodes of Price collapse, Government shutdowns, Coordinated Fiscal and Monetary impulses and frequent geo political crisis. The current cycle has been there for only four years and has already weathered pandemic waves, Labour shortages, Logistics crisis, Tariff turmoil ,War and Inflation.

In this cycle, the most important point is that the global economy as well as the US economy has spent at least three years defying expectations. It emerged from the pandemic shock more quickly and more powerfully than broad consensus . It proved resilient even in the face of both high inflation and fast paced interest rate hikes and consistent quantitative tightening.

The prospect that many forecasters once considered imminent — a recession — looked increasingly like a false alarm and the normally reliable signposts faltered.

- Sahm's rule is one example: If the three-month average of the national unemployment rate has risen 0.5% or more from the previous 12-month low, the rule triggers. This was triggered after the July 2023 monthly jobs report resulting in widespread concerns of an imminent recession and investors quickly moved to price in more than four interest rate cuts only to be proved utterly wrong.
- Economists placed too much weight on erroneous "leading indicators" which are weighted towards the manufacturing and industrial sectors, which were the overstating the chances of a recession. However, the consumer spending swung from goods to services and therefore labour markets – stayed resilient.

- Markets saw yield curve inversions—when short-term bond yields exceed long-term yields—as foreboding and concluded that the recession was inevitable., given the past evidence . Investors who interpreted the inversion as a sign of an imminent market decline and pulled out of stocks could have missed out on subsequent equity market gains. And if those same investors had bought back into stocks when the yield curve's slope became positive, they would have been exposed to the market downturn that followed.

In keeping with the cautionary words of Vernon Walters, ex-US Ambassador to the UN, who stated that "the expected rarely occurs and never in the expected manner"

The word Business cycle itself has now become a misnomer considering that there is no repetitive pattern of equal duration and mechanical oscillations one normally associates with such theories are hardly seen . As Soft landings have now become a normal part of the global macro economy, we can conclude that the business cycles have changed over time

Let us examine the probable reasons

Reason 1 : Stronger Global Linkages

The volatility of global growth, as measured by the rolling 10-year standard deviation of world GDP growth (PPP weighted), has fallen progressively since its 1970s peak mainly in response to stronger global linkages.

Economic theory does not provide definitive guidance concerning the impact of increased trade and financial linkages on the properties of business cycles. However, the historic evidence shows that the international trade linkages generate both demand and supply-side spillovers across countries.

Business cycles in the modern era can be assumed to consist of two components: an economic cycle and a financial cycle. Changes in policy and price measurement have shifted the pressures and excesses of the business cycle from the economy to the financial sector. The advent of stabilization policy, the end of bank runs, and structural changes in the economy all seemed destined to radically reduce short-run economic fluctuations

Reason 2 : Leverages and resultant impact

In advanced economies, a century-long, near-stable ratio of credit to GDP gave way to rapid financialization and surging leverage in the last forty years. This "financial hockey stick" coincides with shifts in foundational macroeconomic relationships beyond the widely noted return of macroeconomic fragility and crisis risk.

Leverages- be it at the corporate level or household level –are obviously correlated with business cycle and the excessive usage of leverage normally causes Income Inequality as well as Economic Resilience which are evident nowadays in the global economy.

- Higher Leverage results in more widespread income inequality as in the economic downturns, low-skilled workers are often hit hardest, while highly-skilled workers with specialized knowledge and skills may be less affected or even thrive.
- Leverages result in economic resilience as Countries and regions with diverse economies and robust innovation systems are better equipped to withstand the shocks. This resilience allows them to recover more quickly from economic downturns.

Reason 3 : Dominance of Services economy

Structural shifts in the world economy brought on by rapid technological developments have placed services and services trade at the heart of economic transformation. The services sector's share of global GDP increased from 53 per cent to 69 per cent between 1970 and 2024. The services sector today generates more jobs (50 per cent share of employment worldwide) and output (67 per cent share of global GDP) than agriculture and industry combined – and is increasingly doing so in economies at earlier stages of development.

When measured correctly, they also account for more than half of the value in international trade.

Services and Financial services have picked up the slack left by the decline in manufacturing employment and they are not inherently as sensitive to aggregate business fluctuations and they remain less cyclical. In fact, services seem to display a profound disinterest in the rest of the economy, growing steadily recession or not.

It is easy to underestimate the importance of this dynamic shift . With a smaller share of the workforce employed in cyclical industries, recessions should have less impact on employment. This means that personal income and unemployment will be less affected. This, in turn, reduces the impact of a recession on account of personal consumption.

Reason 4 : Policy Measures

Macroeconomic thinking is still largely dominated by the Keynesian view that a fiscal expansion is an appropriate policy response to downturns and recessions. Governments respond by trying to boost activity through two channels: automatic stabilizers and fiscal stimulus—that is, new discretionary spending or tax cuts. Policymakers generally aim to tailor the size of stimulus measures to their estimates of the size of the output gap—the difference between expected output and what output would be if the economy were functioning at full capacity.

Central banks do face a trade-off between stabilising inflation and stabilising output. Although there remains a question as to how far the impact of monetary policy in downturns associated with a financial crisis differs from its impact during downturns without such a crisis. The Global financial crisis 2008 and the Covid-19 crisis tested central banks as they had not been tested for many decades and they provided unprecedented monetary accommodation in response to the severity of the contraction and the gradual pace of the ensuing recovery., which even today is thought to be the back stop play book, resulting in self-fulfilling thinking that makes recessions less frequent and less intense. Importantly, this thought process is likely to continue.

Reason 5 : Technological Advancements

Significant technological advancements and globalization from the mid-1990s have decreased business cycle volatility, limiting or postponing stress that previously would have arisen during a typical business cycle. In this context , the relevance of Real Business cycle theory is important to be considered

The conventional view of business cycles was brought into question by a group of researchers who articulated an alternative view called Real business cycle (RBC) theory and it was concluded that the business cycles mostly resulted from random changes in the growth rate of business-sector productivity.

Without a doubt, the most controversial aspect of real-business-cycle theory appears to ascribe no importance to existing counter cyclical policies in contradiction to the long held view. Moreover, it implies that some policies aimed at reducing the severity of business cycles are likely to entail more costs than benefits.

This theory says that the business cycle is driven by shocks to the rate of neutral technological change or in other words from random changes in the growth rate of business-sector productivity or to put it more general terms are primarily the result of real shocks to the economy, rather than changes in monetary policy or other nominal factors. In essence, it suggests that the economy experiences ups and downs due to real-world events such as technological innovations, changes in labour productivity, or shifts in resource availability.

RBC has been almost validated by the post pandemic global economy where economies with higher productivity could weather the Inflationary spiral and rate hikes whereas economies with lower productivity could not escape a slowdown.

Recent developments in digitalization, machine learning and artificial intelligence (AI), collectively referred to as Industry 4.0, have raised new and interesting questions such as: "What is going to be the effect on the macro economy going forward ?"

We would conclude that the possible future innovation in Artificial Intelligence (AI) is emerging as big game changer and its value potential for increasing productivity is limitless. To some extent, the markets have priced the same but broadly the beneficial effects in full have not yet been factored.

The parallels between the AI and the IT revolution are clear. But there are also numerous uncertainties regarding the potential and the constraints of AI. Many tools and applications are still in their infancy, and many business models are still in a development stage. Conversely, it is a hype right now, and companies that just mention AI in earnings calls know this resonates well with investors

- The economic impact of AI will be driven by: 1. Productivity gains from businesses automating processes (including use of robots and autonomous vehicles). 2. Productivity gains from businesses augmenting their existing labour force with AI technologies (assisted and augmented intelligence). 3. Increased consumer demand resulting from the availability of personalised and/or higher-quality AI-enhanced products and services.
- AI could possibly contribute up to $15.7 trillion to the global economy in 2030, more than the current output of China and India combined. Of this, $6.6 trillion is likely to come from increased productivity and $9.1 trillion is likely to come from consumption side effects.
- From a macroeconomic point of view, there are opportunities for emerging markets to leapfrog more developed economies. And within a business sector, one of today's start-ups or a business that hasn't even been founded yet could be the market leader in ten years' time.

Technology manifests most directly in measured economic statistics as an increase in productivity—the amount of output generated in an average hour of work in the economy. Productivity growth has not historically been associated with higher unemployment or higher inequality, meaning that worries that technological change could be driving a jobless future have yet to materialize.

Conclusion

- Financial markets can continue to debate about whether it is 'early-cycle,' 'mid-cycle' or 'late-cycle but as a believer in macro strategies, one should not be blindsided into always applying the old paradigm of business cycle theory.
- The global economy undoubtedly is less vulnerable to the boom-and-bust cycles of old — mainly because its prosperous consumers are service-oriented, less dependent than ever on factories or farms and that the Consumption spending makes up about 70 percent of the economy.
- The most important message to policymakers from the modern-day business cycle theory is, "Don't try to do too much" and the primary lesson for critics of monetary policy is "Don't expect too much."
- However, all thins equal, it's very difficult to say what the world is going to look like, but we need to continually scan for what's going on.

Summing up , Satellites don't fall out of the sky as they stay in balance because of two powers viz. gravity and Centrifugal force. Similarly the business cycles of modern era are in balance because of Dominance of Non-cyclical sectors and Technological advancement aided productivity gains.

In other words, dips in momentum may happen but within a steadier orbit not only for Satellites but also for the Macro economy of this decade.

Had the H.M.S. Titanic altered its course just one degree out of port from Southampton, England on April 10, 1912 on its way to New York, it would have missed the iceberg that eventually sunk her four days later. In the similar vein, the practitioners and policymakers should reorient their thought process just in time in keeping with the changing times to navigate this modern macro economy instead of being tied down to the increasingly obsolete economic equations of the past.

"Shifting global landscape challenging Dollar hegemony; Rupee's fate hinges on how India plays the trade chessboard"



By Kanika Pasricha
Chief Economic Advisor
Union Bank of India

"Shifting global landscape challenging Dollar hegemony; Rupee's fate hinges on how India plays the trade chessboard"

Since 2nd Apr '25, when Trump announced reciprocal tariffs, we have seen tectonic shifts in the global flows landscape, both trade and capital. Economies globally are rushing to forge trade deals with the US and also amongst each other in an attempt to safeguard themselves in an increasingly protectionist world. We believe that trade is fragmenting way faster than capital flows which are likely to follow with a lag to "entrusted" partners, with whom right deals would have been struck in time. Yet, in the wake of President Trump's disruptive tariff policies and fundamental issues with respect to US fiscal/debt dynamics, heightened concerns have been raised about Dollar hegemony. While it may appear to be like a storm (on Dollar) in a (trade) teacup, yet it needs to be acknowledged that Dollar is not the only game in town.

In this global backdrop, it is key to watch for how India positions itself in this evolving global trade, flows and currency chessboard. We firmly believe that this will be the most important factor driving Rupee's fate in the coming years. That said, while empirical research in recent years projected a possible shift in India's current account dynamics from deficit to surplus in the next decade, given the rise as services powerhouse. However, we expect this to be realised only if we reap the manufacturing opportunity, in a growing protectionist world.

Systemic Shifts Underway in global flows: Trade dominates, Capital follows

Richard Baldwin, Professor of International Economics at IMD Business School, in his book, "Why Trump's Trade War Fails and the World Moves On (May' 25)" explains, *"on 2 April 2025, the United States firebombed the global trade rulebook. It was something deeper and more disruptive: a structural strike against the global trade system itself, driven less by economic strategy than by political grievance."*

For decades, the U.S., with its benevolent, ultra-low trade tariffs, has served as the world's largest consumer, with its enlarged current account deficit financed primarily by foreign purchases of Treasuries and other dollar denominated assets, alongside federal fiscal deficits and Fed balance sheet expansion to ensure ample market liquidity. Interestingly China reaped the opportunity well, and grew into a manufacturing powerhouse by attracting FDI flows and also acquired massive global assets to become a key source for all critical industries for the future. Now, we are in a position where the US-China trade relationship is evolving, countries are rushing to forge trade deals with trusted partners and rise in weaponisation of trade is also being witnessed.

The goalposts of "free trade" have shifted: countries now view tariff-setting as a strategic tool to re-engineer supply chains and reinforce "trusted-partner" blocs rather than solely to correct specific bilateral imbalances. For decades, global capital flows were shaped by the "hyper-globalisation" model - characterised by liberalised markets and free movement of finance. However, today, we witness a paradigm shift where capital flows are more steadily dictated by geopolitical alignments and trade partnerships. Ultimately, the shift from frictionless trade to tariff-driven fragmentation marks a fundamental reordering of globalization one in which strategic trade alliances, not broad liberalization, now dictate the flow of goods, and capital.

Against this global backdrop, we are closely monitoring trade developments and the lifting of tariff related uncertainties to gauge their impact on global investor sentiment and the timing and magnitude of capital flows into India.

Dollar hegemony challenge: Cracks in the crown or storm in a trade teacup?

In a world marked by heightened global trade and macro uncertainty, the US Dollar, with its typical safe haven demand it enjoys with its universal currency status is finally depreciating after years. The DXY index is down more than 10% this year and is trading at lowest levels since 2022. As Barry Eichengreen, Professor of economics and political science at UC Berkeley, explains, "the dollar is weakening at a time when there are heightened concerns about how the White House's "erratic" policies and the massive US debt load might impact demand for US assets". That said, while concerns are being raised about Dollar hegemony, "The international monetary system remains dominated by the dollar, none of the prospective alternatives being ready for prime time. Because the dollar has incumbency, liquid markets, and habit formation in its favour, a significant shock would be needed to displace it". He also believes that must the international monetary system needs to come to terms with the rising trend that the dollar stays first among equals but no longer the only game in town.

IMF's Currency Composition of Official Foreign Exchange Reserves (COFER) data for Q1-2025 shows that despite weakening trend, US Dollar accounted for USD 67 billion of central bank reserve growth - 58% of the global increase, underscoring its enduring appeal. That said, Hard assets like gold are gaining flavour with central banks persistent in beefing up gold reserves apart from exploring multipolar currency systems, and alternative settlement mechanisms. With regards to the latter, China has rapidly advanced in building alternatives to the SWIFT system through the development of its own cross-border interbank payment infrastructure and the international rollout of the digital yuan (e-CNY). The e-CNY maintains a strict 1:1 parity with the physical renminbi, providing sovereign-backed stability, direct PBoC liability, and eliminating the volatility seen with crypto currencies.

Rupee internationalization is India's push to increase the use of the INR in global trade and finance, reducing reliance on the US dollar. Key moves include the RBI's 2022 trade settlement mechanism, bilateral currency agreements and Special Vostro Rupee Accounts with banks in 18 countries. India is also expanding the rupee's presence via international payment systems and its UPI platform. While challenges like limited convertibility and low global demand remain; opportunities through BRICS+ and growing digital infrastructure support. However, this year, India has adopted a cautious approach to de-dollarization, prioritizing trade de-risking through local currency agreements rather than fully moving away from dollar-based transactions given Trump's opposition to BRICs deals and sanctions on Russia. At the same time, it is engaged in negotiations with the US for a potential "mini" trade deal, aiming to finalize it soon, which could help mitigate the impact of harsher tariffs.

Rupee's fate hinges on how India plays the global trade & flows chessboard

In a period of global volatility, the global trade & flows along with currency chessboard is being redrawn. In this context, how India plays this evolving chessboard will be key in terms of its position in global dynamics. Till now India has not been a dominant player and not dominating in any of its global trade alliances or security councils. Hope we end up at the right side of this chessboard as it attempts to strike trade deals with the US and find other allies in a world laden with friend, near and re-shoring.

It is key for India to delicately balance the evolving US-China trade dynamics as we both are important to us from a trade perspective. US has 18% share in our exports and China enjoys a similar import share with India showing that we are dependent on the later for key raw materials with value addition undertaken to export various products to the world.

We have been stuck in this 17-18% manufacturing share in GDP and how we play this chessboard will facilitate a rise in this share to government's ambition of ~25%. Apart from striking deals with key trade partners, we need to guard against dumping threat from China even as the government has provided support to sectors like steel, solar etc.

As stated above, while empirical research in recent years projected a possible shift in India's current account dynamics from deficit to surplus in the next decade, given the rise as services powerhouse *(net services exports have risen more than 2x since pre-covid period to clock ~USD 190bn in FY25)*. However, we expect this to be realised only if we reap the manufacturing opportunity, in a growing protectionist world. Until India's services led current account turns sustainably surplus, we view the rupee as a 'twin deficit' currency with an average annual depreciation of ~3%, aligned with the long- term US–India inflation and interest rate differential."

Our analysis shows that Rupee moves by an average 3-4% annually on a 3-year rolling basis to adjust for long-term India-US inflation/rate differential. RBI papers refer to this as "Balassa Samuelson effect". For instance, during March 2020 to March 2023, Rupee moved by 11% while 3-year annual average was ~3-4% (Mar-20: 75.5, Mar-21: 73.1, Mar-22: 75.8, Mar-23: 82.2). In the current cycle, Rupee moved by 1.5% in FY24 (Mar-24: 83.4), 2.4% in FY25 (Mar-25: 85.48) and ~0.8% in FYTD26 (till 18th Jul'25). Hence, a ~3% move in FY 26 implies that Rupee is likely to move towards 88 threshold in FY 26 and exceed 90 threshold in the next year as part of alignment with fundamentals.

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State of Global Financial Markets in Uncertain Times



By Ms. Sakshi Gupta
Principal Economist
Vice President - HDFC Bank

Financial markets have been dealt with a series of shocks in 2025 from tariff uncertainties to geopolitical tensions, rising risks of stagflation to concerns around sovereign debt levels. The US dollar index has cumulatively fallen by 12 per cent during the first six months of the year while the EUR has gained by 14% against the dollar and emerging market currencies like CNY have gained by 2.3%. However, currency movements have been choppy with wild swings as investors have tried to navigate the mounting "unknowns".

Markets have skipped from one trade to the other over the past 6 months

- It first started with the "Trump Trade" which was US asset positive as investors worried over the impact of Trump's tariff policies on the rest of the World while believing that US growth exceptionalism will continue. The US Dollar Index gained by 8.6% between October 2024 and early January 2025.
- This trade then transformed into a "relief trade" where investors reversed some of their earlier positions believing that Trump's actions will not be extreme and most likely be moderate in nature. This led to some retracement in US dollar strength, also as worries over US growth started to creep in.
- The third phase of "sell USD" trade started in early April as Trump announced extreme tariffs against all its trading partners. Even as Trump later announced a 90-day pause to these tariffs and toned down its rhetoric against China, the damage was already done. The US dollar index has continued to moderate since then as tariff uncertainty has made a comeback in recent days as the Trump administration has ramped up its rhetoric on tariff threats while agreed trade deals with major countries have still not been finalised. The movement in the US dollar has driven movement is both DMs and EMs currencies from initial depreciation to an appreciation bias.

These movements in the currency market signal the ever-changing reactions to lingering uncertainties as investors struggle to navigate a plethora of risks. That said, a part of these moves mask perhaps more permanent structural shifts that are underway. To understand this better, one needs to dissect the factors that are driving currencies so far.

So, what lies behind the US dollar fall?

The currency market movements have defied conventional expectations that during times of uncertainty or elevated risks, safe haven flows tend to prop up the US dollar index while weighing on riskier emerging market currencies. Moreover, interest rate differentials that tend to drive

capital flows to look for higher returns havealso failed to support the US dollar. To recall, the US central bank has kept rates unchanged so far in 2025 at 4.25-4.5 per cent while other central banks including the ECB, BoE and most central banks in emerging markets are nearing the end of their rate cutting cycle. As a result, the interest rate differential between US and other emerging markets has remained compressed.

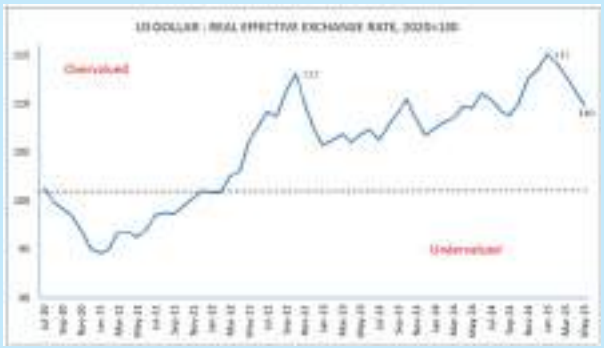
Despite these factors, the US dollar index (an index against a basket of major currencies) has depreciated by 12 per cent during the first six months of 2025. This has been driven by a host of factors. One, some loss in confidence in US assets, given the risk to US growth and inflation due to tariff uncertainties, threat to the credibility of the US Fed coupled with rising risks around the US fiscal health have led to a broad "sell-USD" trade in recent months.

The changing face of currency moves in 2025

	October 24 to 13 Jan	13 Jan to June-end
Vs. USD	Trump Trade	Sell-USD Trade
DXY	8.66	-11.57
EUR	-7.40	14.43
JPY	-9.70	8.44
GBP	-8.20	12.25
AUD	-10.20	5.68
INR	-3.30	1.02
CNY	-4.50	2.29
IND	-7.10	0.25
THB	-6.20	5.96
MYR	-9.10	6.61

Note: +ve is currency appreciation, -ve is depreciation. DXY is US dollar index. All currency movements are vis-à-vis USD

US dollar remains overvalued by 10% as of May 2025



Second, the moderation in the US dollar, aligns with Trump's broader trade strategy and speaks to the mounting over-valuation of the US dollar over the last few years. Trump administration's tariffs are driven by the objective of reducing the US trade deficit with the rest of the World. This has implications for not just trade flows but also capital flows and the value of the US dollar. A strategy to reduce trade deficits, would de facto also require greater competitiveness of US exports and therefore aligns with a correction in the over-valuation witnessed in the US dollar. Despite the recent fall in the US dollar, it continues to remain overvalued by close to 10 per cent as per the real effective exchange rate, signalling room perhaps for further downward corrections.

Third, there have been concerns around the US dollar losing reserve currency status or a shift towards de-dollarisation. The US dollar share in global foreign exchange reserves has been moderating over the last decade with the likes of the Japanese Yen, the pound, and the Chinese Yuan gaining some share. In addition, gold as an asset class has gained prominence – with share in total reserves rising across developed and emerging markets. The current trade uncertainties and search for alternative trade markets could in part further accelerate the diversification away from the US dollar. That said, given the lack of major alternatives, the US dollar could continue to remain the dominant reserve currency over the coming years.

Share of US dollar in global FX reserves has been moderating over the last decade.

Currency share of global FX reserves	2010	2015	2018	2020	2022	2024
USD	62.2	65.4	61.8	58.9	58.5	57.8
EUR	25.8	19.1	20.7	21.3	20.4	19.8
JPY	3.7	4.0	5.2	6.0	5.5	5.8
GBP	3.9	4.3	4.4	4.7	4.9	4.7
CAD	-	1.9	1.8	2.1	2.4	2.8
CHF	0.1	0.2	0.1	0.2	0.2	0.2
AUD	-	1.7	1.6	1.8	2.0	2.1
RMB	-	1.1	1.9	2.3	2.8	2.2

Gold is gaining prominence as a reserve asset as holdings of gold reserves have been steadily increasing.

Share of Gold Reserves as % of Total Forex Reserves				
Country	**2010**	**2015**	**2020**	**2024**
U.S	75.2	72.2	78.7	75.0
U.K	14.3	7.1	10.5	14.9
India	**8.4**	**5.4**	**7.0**	**11.4**
Australia	8.5	5.8	8.0	11.0
Philippines	11.2	8.3	10.4	10.3
Thailand	2.6	3.3	3.6	8.3
Japan	3.1	2.1	3.3	5.8
China	1.6	1.8	3.5	5.5
Singapore	2.5	1.7	2.1	4.8
South Korea	0.2	1.0	1.4	2.1

What has this meant for the rupee?

Given this backdrop, there are shifting currents when one looks at the movement of the rupee as well. The USD/INR pair depreciated by 3.3% during October 2024 to 13th January 2025, reaching close to 88 levels. This was driven by the "Trump Trade" where the US dollar rose on optimism around US growth while tariff threats weighed on the rest of the World. However, since April 2025, the rupee started gaining ground against the US dollar, in line with gains in other developed and emerging market peers. Cumulatively, the rupee has appreciated by 1 per cent against the US dollar between 14th January and June-end 2025. This has happened despite geopolitical tensions and narrowing interest rate differentials with the US as the RBI frontloaded rate cuts of 100bps. This is explained by the ongoing weakness in the US dollar as discussed earlier.

Rupee has appreciated, but gained competitiveness

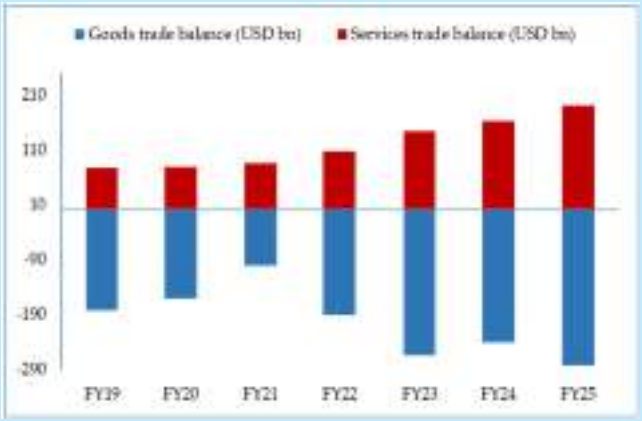
Interestingly, despite this appreciation in the rupee vis-à-vis the US dollar, it has infact become more competitive compared to peers. The RBI's Trade Weighted 40 currency real effective exchange rate shows that after reaching almost 108.1 levels (8% overvaluation) in November 2024, the REER index dropped closer to 101 levels by May 2025 (a value above 100 shows overvaluation and below 100 signals undervaluation). This has come on the back of moderating domestic inflation and a greater appreciation witnessed in major trading partner currencies including the EUR, JPY and the CNY.

The RBI's intervention strategy on the rupee also seems to have undergone a change with a move towards a relatively more hands-off strategy, intervening only during episodes of sharp or sudden movements with no explicit bias for particular levels and comfort with both appreciation and depreciation till the time it reflects market fundamentals and is not the result of pure speculative moves. The foreign exchange reserve position of the RBI has also improved, with FX reserves rising close to USD 700 billion as of June 2025, provides it with ample ammunition to protect the currency in case of sharp volatility, providing confidence to markets.

In terms of REER (real effective exchange rate) rupee's competitiveness has improved



Services trade surplus partially offsetting goods trade deficit-helping in keeping CAD contained



Beyond these more near-term factors, there are also some medium-term changes influencing the rupee.

For one, is our current account deficit position. Between 2012-2019, India's current account deficit averaged at -2.2% of GDP. In comparison, since 2020, the current account deficit on average has reduced to -0.7% of GDP. This has been led by a rise in India's net services exports with the increasing role of professional and business services exports. Moreover, the rise in remittances has also helped cushion the goods trade deficit for India over the last few years. For instance, in FY25, India's merchandise trade deficit stood at USD 287 billion and was cushioned by net services exports of USD 189 billion and transfers (majorly remittances) of USD 123 billion. With a reducing current account deficit, the depreciation pressures on the rupee have also reduced. The rupee depreciated by 4.5% against the US dollar during 2011-12 and 2018-19. In comparison, since 2019-20 to 2024-25, the depreciation was lower at 3.3% and just 2.5% if the Ukraine-Russia war episode is excluded.

India's current account balance over the last 15 years: Declining current account deficit



The average depreciation in the USD/INR pair has also reduced



The other factor that has been supporting India's current account deficit and pressures on the rupee **has been the reduced vulnerability to Middle East oil prices shocks as India continues to diversify its import basket** (with the Gulf countries accounting for 47% of crude oil imports in 2024-25 vs. 65% in 2017-18), its oil intensity of GDP reducing, and as increasing petroleum exports cushion the impact of an overall large oil import bill.

Finally, interest rate differential patterns – a conventionally important indicator of currency movements and capital flows is also showing early signals of a structural change. The nominal interest rate differential between India and the US is at historic lows (measured by the difference in 10-year bond yield) close to 200bps compared to historical levels of close to 400-500bps. More recently, this has been driven by rate cuts in India while the US Fed has kept its policy rates unchanged. Moreover, fiscal and debt concerns have added pressure to long-end US yields in recent months.

The interest rate differential between India and US has declined to 200 bps from an average of ~500-bps over the last decade.



The inflation differential between US and India has also narrowed



However, beyond these near-term factors, what also explains this narrowing interest rate differential is the reducing inflation differential between the two countries from a more fundamental perspective, with inflation is India averaging lower compared to historical levels. A lower inflation differential over the medium-term suggests that the interest differential level between India and US could also average at a new normal – which could be at a lower range. As a result, the scope for sharp depreciation in the rupee to adjust for the higher domestic inflation also reduces. In addition, this could have implications for the level of forward premia as well over the medium term.

The heightened global uncertainties have clouded the outlook for financial markets over the course of 2025 with volatility remaining the only constant. However, these volatile swings seem to be masking perhaps the beginning of more structural shifts that could define financial markets over the medium-term.

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Steady Decline of the Mighty Dollar



By Kunal Sodhani
Head of Treasury
Shinhan Bank India

De-dollarization refers to the **global shift away from the use of the U.S. dollar** in international trade, finance, and foreign exchange reserves. It involves countries and institutions **reducing their reliance on the dollar** and instead using **alternative currencies** (like the euro, Chinese yuan, or local currencies) or **assets like gold**. The U.S. dollar (**USD**) has been the **dominant global currency** for decades - but its **relative dominance is gradually declining**. While it still plays a central role in trade, finance, and central bank reserves, several data points and global shifts show that its supremacy is being eroded **slowly but steadily**.

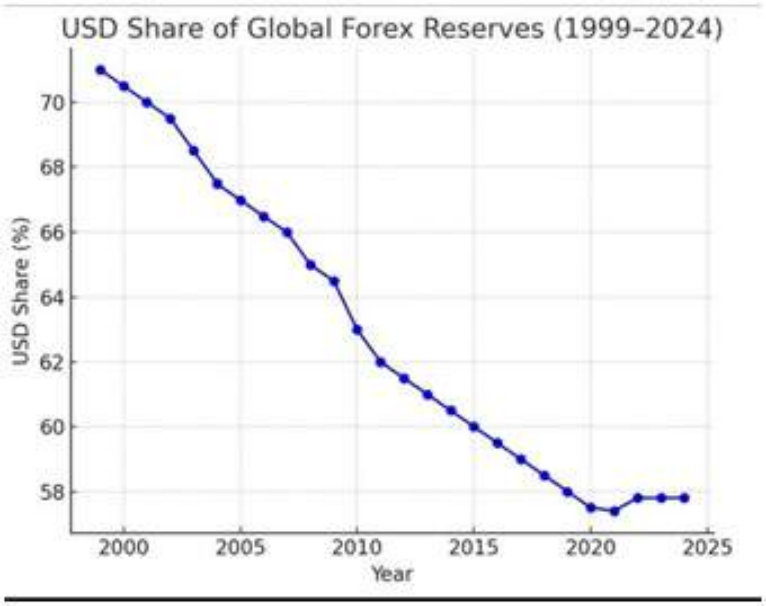
De-dollarization is the **shift away from using the U.S. dollar** in:

- **International trade transactions**
- **Central bank foreign exchange reserves**
- **Debt issuance and settlements**
- **SWIFT and global financial infrastructure**

Why is the world moving away from the dollar?

1. **Geopolitical Risk and Sanctions**
    - The U.S. has used the dollar-based financial system (like SWIFT and U.S. banks) to enforce **economic sanctions**.
    - Countries such as **Russia, Iran, China, and Venezuela** view this as a threat to sovereignty and are diversifying into **other currencies** to avoid being cut off.
    - The 2022–2024 sanctions on Russia accelerated this trend.
2. **Desire for Monetary Sovereignty**
    - Relying heavily on the dollar **exposes countries to U.S. interest rate policies**.
    - For example, when the U.S. Federal Reserve raises rates, it can hurt emerging markets by causing capital outflows and currency devaluation.
    - Countries want to regain control over their economies by moving away from dollar exposure.

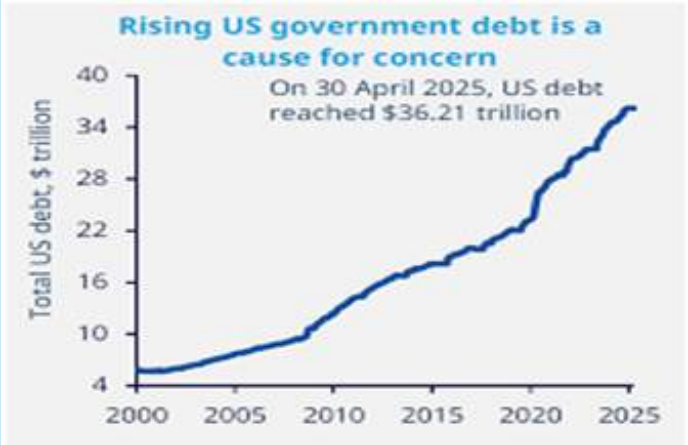
3. **Diversification of Central Bank Reserves**
   - The dollar's share in global FX reserves fell from **~71% in 1999 to ~57% in 2024**.



3. **Diversification of Central Bank Reserves**
   - The dollar's share in global FX reserves fell from **~71% in 1999 to ~57% in 2024**.
   - Central banks are increasing holdings in:
     - **Euro**
     - **Chinese yuan**
     - **Gold**
     - **Smaller currencies** like AUD, KRW, CAD
4. **Bilateral Trade Agreements in Local Currencies**
   - Nations are signing deals to trade in **non-dollar currencies**:
     - India–Russia: Settlements in rupees and rubles
     - China–Brazil: Yuan–real transactions
     - China–Saudi Arabia: Yuan-denominated oil contracts (partial)
   - These reduce dollar demand in global trade.
5. **Rise of Alternative Financial Systems**
   - China's **CIPS** (Cross-Border Interbank Payment System) and Russia's SPFS **(System for Transfer of Financial Messages)** are being developed as **alternatives to SWIFT**, allowing dollar-free trade settlement.
   - Digital currencies like China's **e-CNY** also aim to challenge dollar dominance in the long run.

6. U.S. Debt and Fiscal Concerns

- Global concerns about rising U.S. **national debt**, fiscal deficits, and potential loss of confidence in dollar assets may prompt reserve managers to hedge.



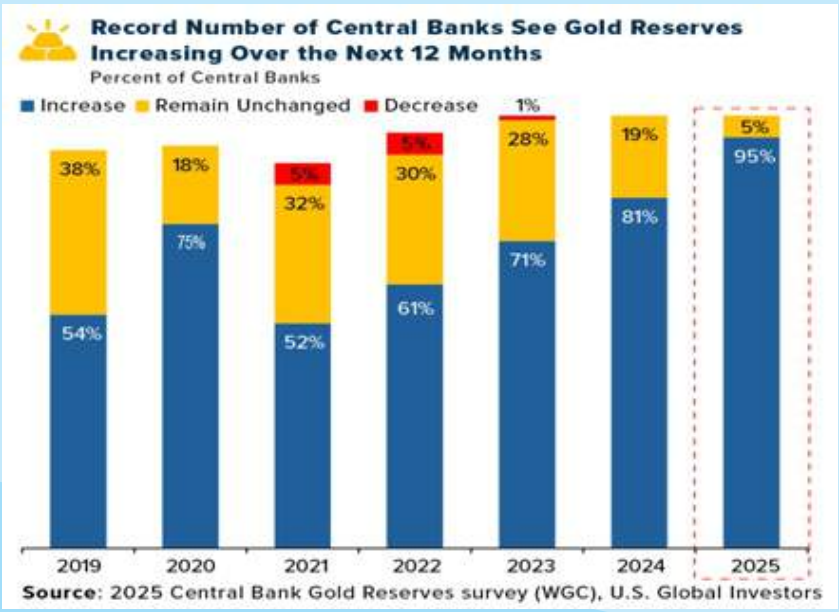
7. Growth of Multipolar World Order

- BRICS+ nations and regional blocs (ASEAN, SCO, Gulf Cooperation Council) are pushing for **multipolar financial systems** that reflect their growing share in the global economy.
- A shift in economic power is encouraging **currency pluralism**.

Key Insights:

1. Gold's Surge in Reserves

- Gold now represents ~20% of total official reserves—surpassing the euro, which lingers around 16%
- Central banks added a record 1,000+ tonnes in 2024—double the decade's average
- Emerging economies (e.g., Russia, China, India) view gold as a hedge against sanctions and currency freezes.



2. **Euro & Yuan Movement**

- The euro's share remains stable at ~20%, while other currencies (like the Canadian, Australian dollars, and Korean won) are growing modestly, reaching ~22% combined
- The Chinese yuan's share declined slightly from its 2022 peak (~2.6%) to ~2.1–2.2% by end 2024 .

3. **Non traditional Currency Uptick**

- Non-traditional currencies (like CAD, AUD, KRW, SGD, NOK, SEK, CHF) rose by around 1.1 percentage points in 2024, totalling ~9.6%

Constraints to Full De-Dollarization:

Despite the trend, **full de-dollarization is highly unlikely** in the medium term due to:

- Lack of **credible alternatives** with sufficient liquidity, trust, and openness.
- **U.S. Treasury markets** remain the world's most liquid and safest store for reserves.
- The **eurozone lacks fiscal union**, and the **yuan faces capital controls** and transparency issues.

The future of de-dollarization is evolutionary, not revolutionary. It reflects a world where countries seek more control over their financial fate—but where no single challenger has yet emerged to displace the dollar.

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India amid potential global portfolio capital shifts



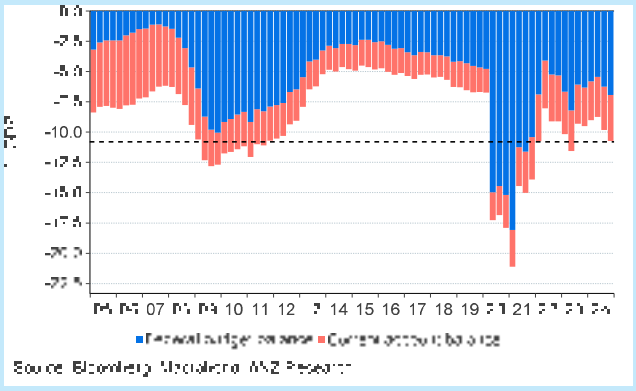
By **Dhiraj Nim**
Economist / FX Strategist
ANZ Research

Global capital shifts in the offing

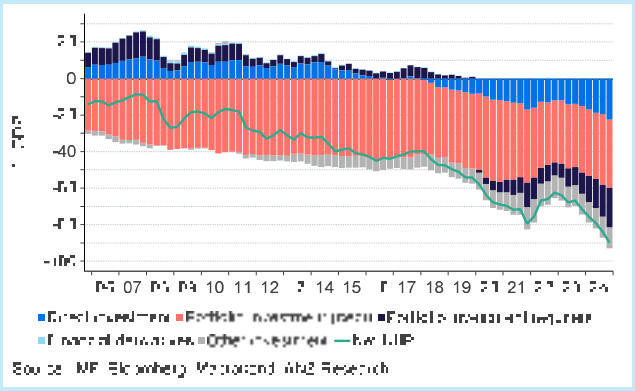
Structural challenges and shifting policy landscape in the US will encourage a gradual reallocation of capital as global investors reevaluate their allocations to US financial assets. This evolving context offers strategic opportunities for Asian economies, especially India, to capture a greater share of international investment flows.

The US economy faces long-term challenges, including stricter trade and immigration policies that may hamper potential growth and corporate profitability. Additionally, rising external debt and ongoing budget deficits have heightened concerns about the long-term financial stability of the world's largest economy. Collectively, these issues are diminishing the relative attractiveness of US financial assets and denting the safe-haven status of the US dollar.

US twin deficit problem



Deterioration in US NIIP

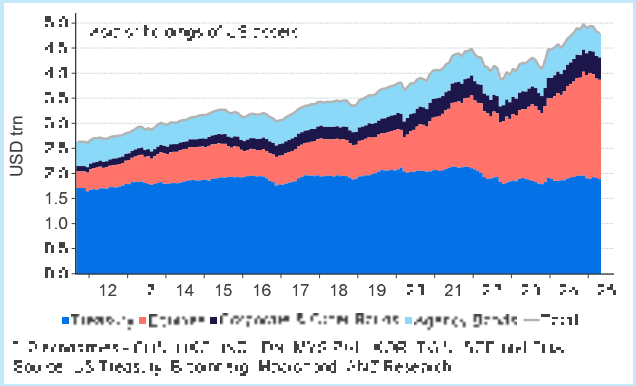


Currently, foreign investors hold approximately USD 31.3 trillion in long-term US portfolio assets, representing 27% of global GDP. This comprises USD 17.3 trillion in equities and USD 7.6 trillion in treasuries. As the perceived risk-reward profiles shift, a measured yet persistent reallocation is in progress.

Asian economies will play a pivotal role in this transition. Five key Asian economies with surplus net international investment positions (NIIP) - mainland China, Taiwan, Hong Kong, Singapore, and South Korea- collectively maintain USD 4.3 trillion in long-term US assets.

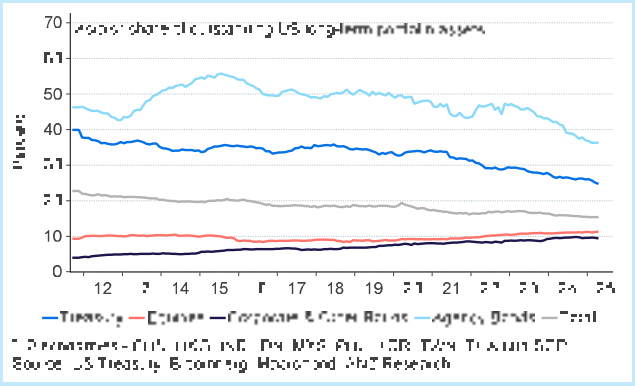
Foreign ownership of bonds

Asia's holdings of US portfolio assets



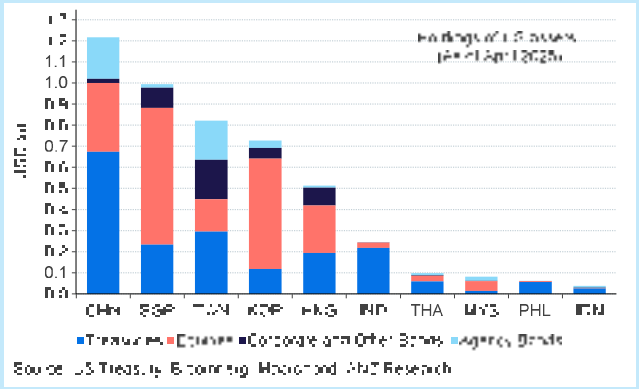
Approximation of foreign ownership of stocks

Asia's share of outstanding US portfolio

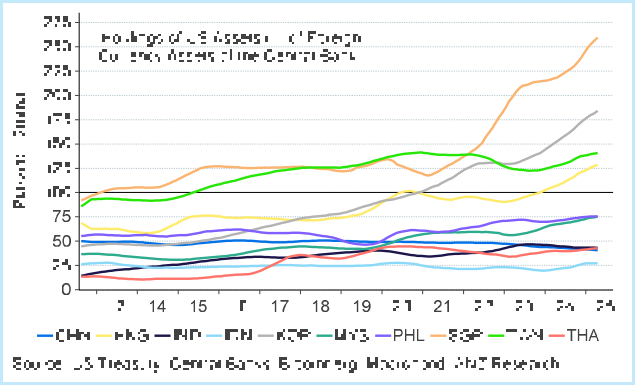


In four of these markets (excluding mainland China), institutional investors such as sovereign wealth funds, insurers and asset managers possess more US assets than the foreign-currency assets in their international reserves. These institutions will likely spearhead the adjustment, probably beginning with US equities that have maintained elevated valuations in the recent years. A diversification from US treasuries will be slow due to the lack of an alternative in terms of liquidity and scale.

Economy-wise holdings of US portfolio



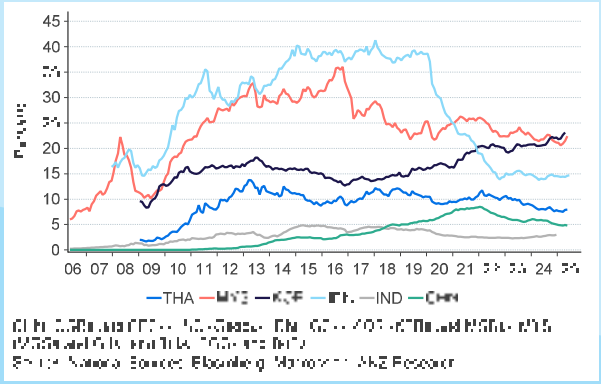
US portfolio holdings (% of FCA)



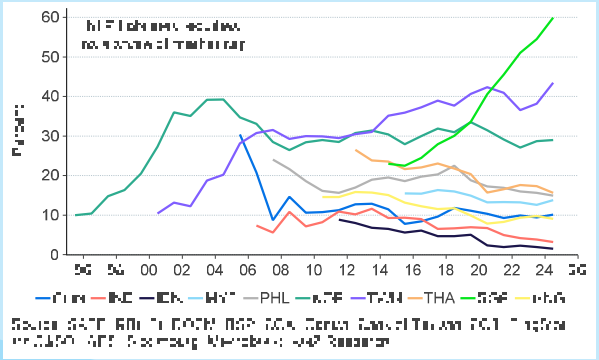
India's strategic advantage

India is the fifth-largest global economy but it has low foreign ownership of financial assets - under 5% in bonds and less than 20% in equities - offering scope for increased investment from an 'underweight' position. The improvement in India's macro health also stands out in Asia, compared to a little over a decade ago when it was a part of the 'fragile five' club due to the US Fed's taper tantrum.

Foreign ownership of bonds



Approximation of foreign ownership of stocks



Growth prospects have improved for India. Post-pandemic, India's potential growth is pegged at 6.5-7% on the back of infrastructure push, technology diffusion, policy support to exports and manufacturing, and a structural uptrend in services exports.

Inflation has become a less pressing issue, structurally. Excluding food, where inflation targeting monetary policy is not effective, CPI inflation has remained broadly within the target range since the adoption of flexible inflation targeting in May 2016. Business and financial market inflation expectations have been more or less anchored, reflecting the credibility of the inflation-targeting framework.

Fiscal discipline has become a hallmark of macro stability in India. The pandemic-led widening of public debt and deficits was much less severe for India than many major economies. The central government has been doing better than its pre-defined fiscal deficit target year after year, consolidating confidence in fiscal processes and the onshore bond market. This is happening at a time when India is opening its capital account further to foreign portfolio investors thanks to bond index inclusion. The central government will shift to an explicit debt target from FY27 (fiscal year ending March 2027), which will further bolster fiscal confidence and flexibility.

The current account deficit has structurally narrowed, thanks to a rising services surplus and remittances. Even with a sharp commodity price shock, as in 2022, the current account deficit remained manageable and sustainable. This has also meant that India's net international investment position deficit has stabilised, alongside rising foreign exchange reserves.

Asia's macro evolution over the last decade

Economy	Δ Current account balance-to-GDP (ppt)*	Δ General government debt-to-GDP (ppt)*	Δ GDP growth (ppt)*	Δ CPI inflation (ppt)*
Mainland China	0.0	45.4	-3.2	-1.6
Hong Kong	9.1	6.3	-1.8	-2.4
India	1.4	14.0	1.3	-2.9
Indonesia	3.1	15.8	-0.4	-2.2
Malaysia	-2.1	13.6	0.5	0.3
Philippines	-7.4	13.7	-0.4	1.9
Singapore	0.8	66.2	-1.0	1.8
South Korea	-2.0	15.2	-1.0	2.1
Taiwan	4.4	-10.3	-0.4	1.2
Thailand	0.2	19.5	-1.3	0.2
US	**-1.5**	**15.5**	**0.4**	**3.3**
Euro area	**0.6**	**0.0**	**3.2**	**3.4**
Japan	**2.7**	**12.0**	**-0.4**	**1.8**

*3-year average in 2024 minus that in 2014
Source: IMF WEO, ANZ Research

All these features can become strong pull factors for global capital when portfolio diversification from US financial assets begins. While smaller Asian markets may start the shift, larger economies like India can absorb significant capital inflows. The scale of such inflows can be large. For instance, a 20% reallocation of US equity holdings by five NIIP-surplus Asian economies mentioned above could release USD40billionin fresh investments.

Managing the transition

As capital flows into India and other Asian economies grow, policymakers must address various attendant issues. While inflows will undoubtedly support the balance of payments positions, they will also impart currency volatility, which the Reserve Bank of India (RBI) is usually averts. We can expect stronger RBI interventions.

Asset price changes will be another issue. As we have seen in recent years, with rapid financialisation of household savings via investments in the equity market, the imperative to monitor potential asset price bubbles will be stronger, especially as the surge in equity investments in India by domestic retail investors is happening at a lower per capita income than observed in prior international experience.

Liquidity issues will also become more persistent. Large inflows absorbed by the RBI will shore up domestic liquidity. This can stoke credit in risker segments and lead to a rise in the credit-to-GDP ratio much above the levels warranted by underlying economic fundamentals. The problem can be especially challenging during episodes of high domestic inflation.

Real exchange rate appreciation must also be averted for the sake of exports and manufacturing competitiveness. In India, unchecked capital inflows have led to real exchange rate appreciation in the past. This led to a decline in global export share, especially for low and mid-tech items.

Transition will be slow

The trend of diversification is still in the early stages. A recent Bank for International Settlements (BIS) bulletin noted that hedging activity (not large-scale selling of US assets) from Asian investors drove the sharp US dollar weakness in April and May 2025. Still, reports of rising inflows into Asian local debt markets suggest that the shift may already be underway. The move away from US portfolio assets won't happen overnight, but we are building up towards that future. If managed well, India could emerge as a key destination for global capital in the years ahead.

How elevated debt levels of major economy contribute to FX volatility?

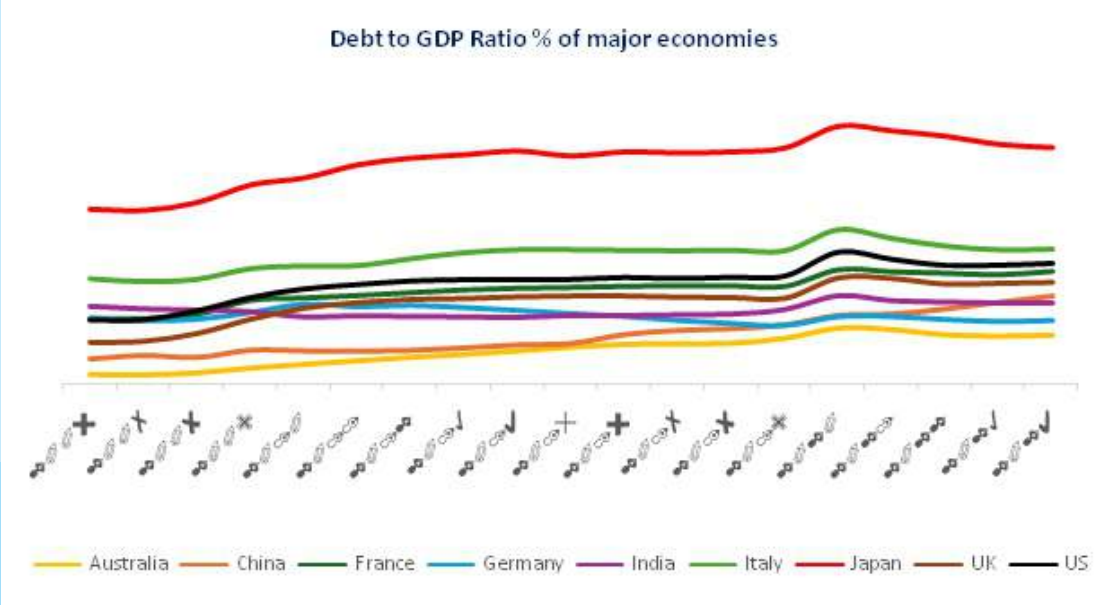


By Vivek Sundram
Research Analyst
SBI Global Markets Unit

The global economy is grappling with an escalating challenge: ballooning public debt levels. While many nations contribute to this trend, the scale of indebtedness in major advanced economies like the United States and Japan presents a particularly potent threat, with far-reaching implications for foreign exchange (FX) markets and the stability of emerging market currencies. As we move further into 2025, the signals are becoming clearer – a highly indebted world means increased volatility and potential distress for global financial architecture.

According to IMF Fiscal Monitor (April 2025), the global public debt to GDP is projected to rise by an additional 2.8% points of GDP in 2025 to 95.1 (% to GDP) and 99.6 in 2030, surpassing even the pandemic peak. The IMF analysis indicated that roughly one-third of nations, representing 80% of the global GDP, possess public debt that not only exceeds pre-pandemic levels but is also increasing at a quicker rate. Additionally, over two-thirds of the 175 economies are grappling with public debt levels heavier than those recorded in 2020 during COVID. Another IMF report reveals that interest expenditures currently take up 10% of the central government's budget, and this figure is projected to double by 2030.

The risk of elevated debt levels has grown due to more stringent and unpredictable financial conditions coupled with increased economic uncertainty. The intensification of trade disputes and policy unpredictability continues to pose significant challenges for the foreign exchange market forecast.



***Source**: IMF, Bloomberg*

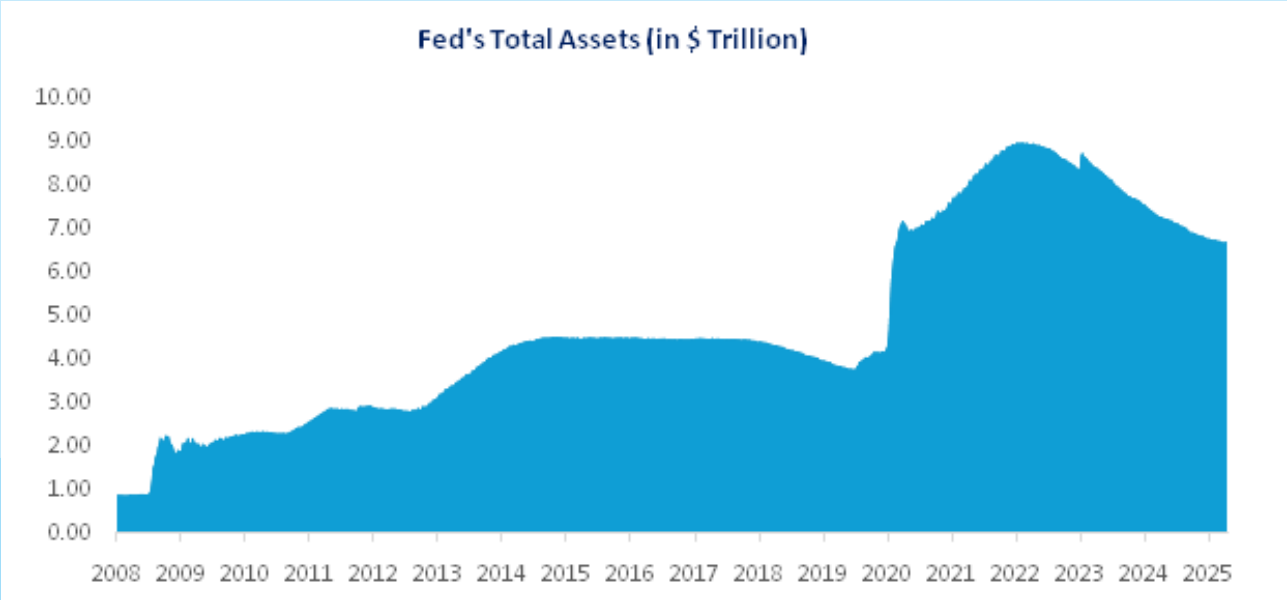
Growing public debt raises the burden of debt servicing for a nation and affects economic policies, leading to volatility in foreign exchange markets. When a country issues foreign currency-denominated debt, it can increase foreign exchange reserves; however, repaying such debt decreases these reserves, which may impact domestic liquidity and economic activity. The higher cost of servicing foreign-denominated debt, along with rising prices of imported goods for local production, can negatively affect economic growth, which is vital for maintaining sustainable debt levels and a strong currency.

A slowing economy can weaken the currency, causing further contraction through reduced foreign investment and higher production costs. Heavy national debt limits a central bank's ability to manage liquidity and interest rates effectively, increasing the risk of financial crises, which bring about high interest rates and currency depreciation. This situation may deter foreign investors and reduce the government's capacity to invest in infrastructure and development. Ultimately, persistent high debt can hinder economic recovery during downturns if borrowing funds are used for current consumption instead of productive investments.

Elevated debt levels in the US & Japan – Why a major concern for the FX market?

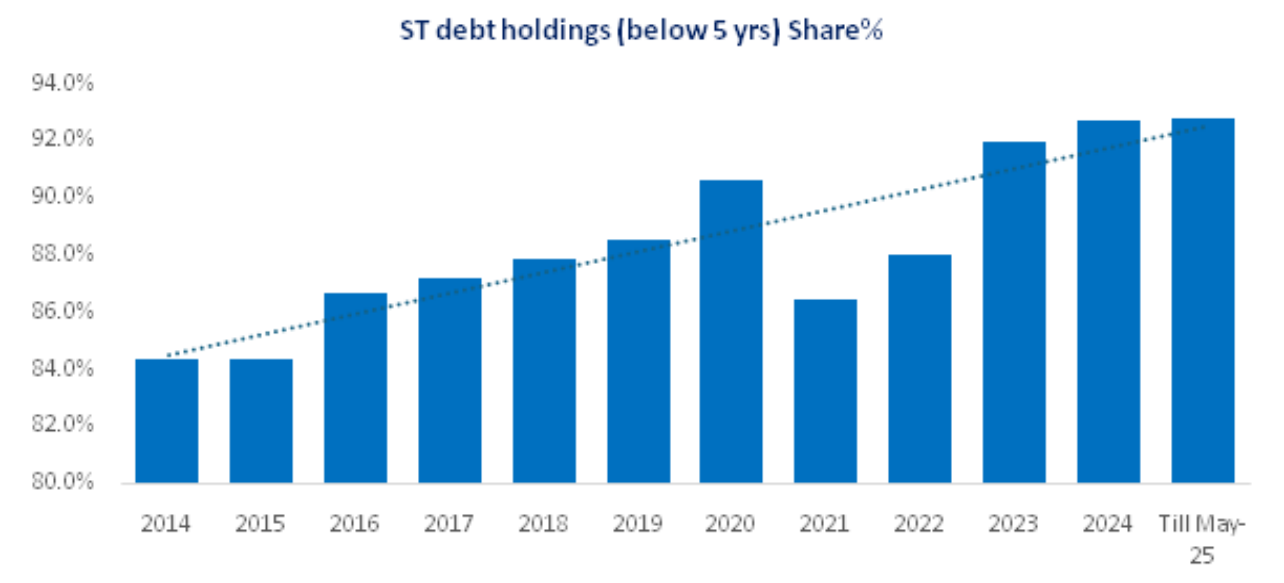
During COVID, Fed started quantitative easing (QE) by purchasing massive amounts of financial assets, primarily US treasuries but also mortgage-backed securities, and injected liquidity in the market to stimulate the economy. Consequently, the assets on the Fed's balance sheet increased sharply to $8.97 trillion during April 2022 from $4.17 trillion in December 2019. But later the Federal Reserve dramatically shifted its monetary policy in 2022, implementing significant interest rate hikes and reducing its asset holdings (quantitative tightening) to counter the persistent high inflation that emerged in 2021.

The increase in money supply due to QE dragged the US Dollar index and UST yields lowerin 2020. In addition, the economy was in a bad shape. Unemployment rate shot up, inflation started to peak, and the economy slipped into contraction territory. From mid-2022, Central Bank began to reduce its bond purchases and gradually unwinding its balance sheet. Simultaneously, FOMC kept hiking its Fed funds target rate to contain inflation. Both these measures started to tighten monetary policy and increased interest rates, as intended by the Fed.



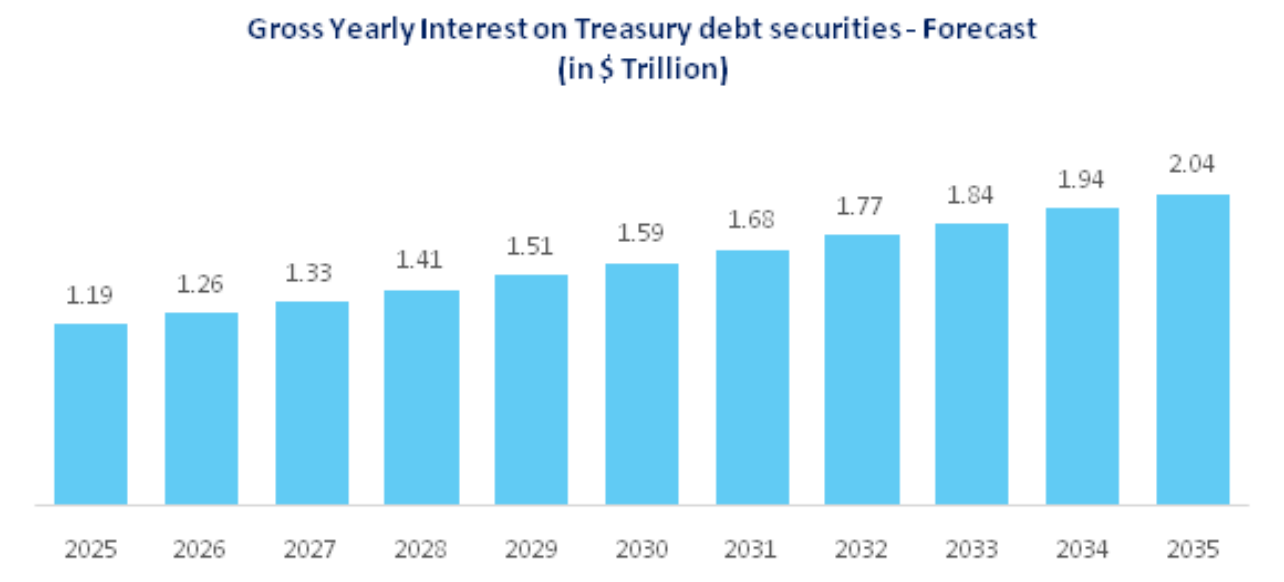
Source: *US Federal Reserve*

The key problem is that the debt, which was issued during QE to support the economy, has continued to balloon over the years, with little effort to cut down Covid era spending. Currently, the US public debt stands in excess of $36 trillion. Another problem was that a large chunk of this debt is issued using short term securities. According to the US Treasury data, share of short-term debts (treasury bills and upto5yr notes) was 90.6% of total gross issuance in 2020. This trend as continued in the subsequent years as yields have risen, with an average share of short-term debt issuance of 89.8% of total gross issuance between 2021-2024. Short term debt shares of gross issuance, till May this year, stands at 92.8%.



Source: *US Department of Treasury, SIFMA*

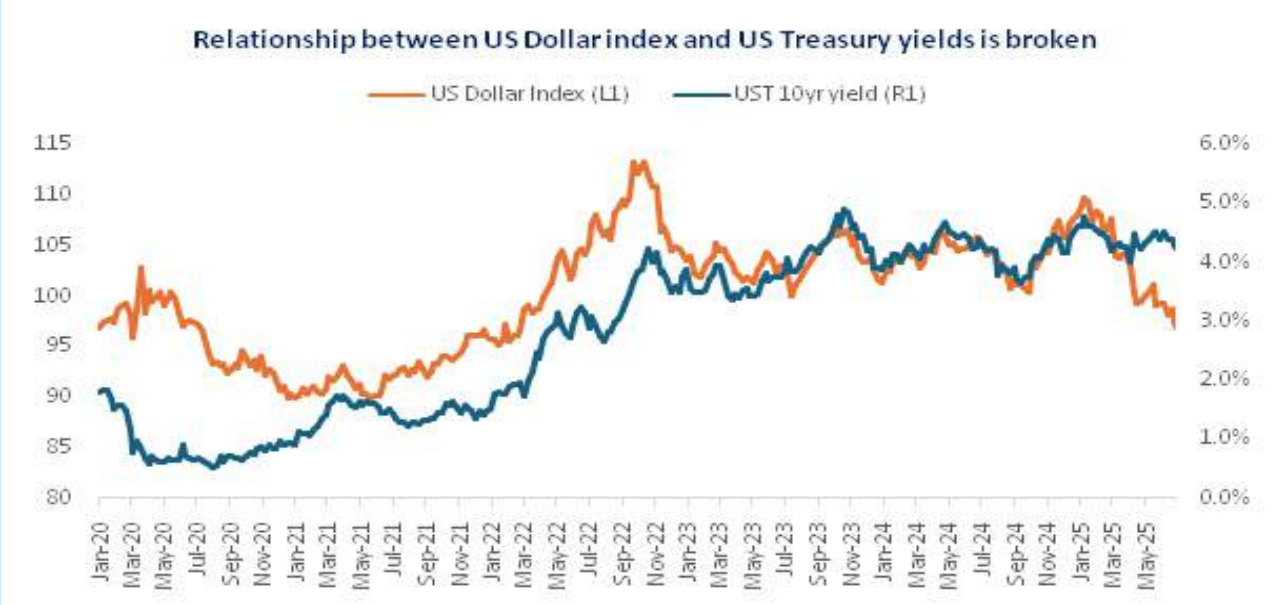
As a result of this choice, now $18.5 trillion worth of debt needs to be refinanced over the next 5 years, at a much higher interest rate. The yearly interest payments are expected to exceed $2 trillion by 2035, according to US CBO projections.



Source: *US CBO's January 2025 Baseline Projections*

The recent passage of the "Big, Beautiful Bill" could further worsen this already precarious situation. This is not a good sign for the US economy and has impacted the US Dollar negatively. Bond market has also seen some sell offs but probably is betting on the Fed eventually coming in to curtain any major rise in yields – with the large issuance lined up, the treasury cannot afford higher yields from here. The depreciating currency makes it even worse for global investors, and that has started to show up in auction data in recent months.

The FX market's discomfort with the ballooning US debt has resulted in the US Dollar's relationship with US treasury yields breaking up in last few months, with USD depreciating despite higher yields.



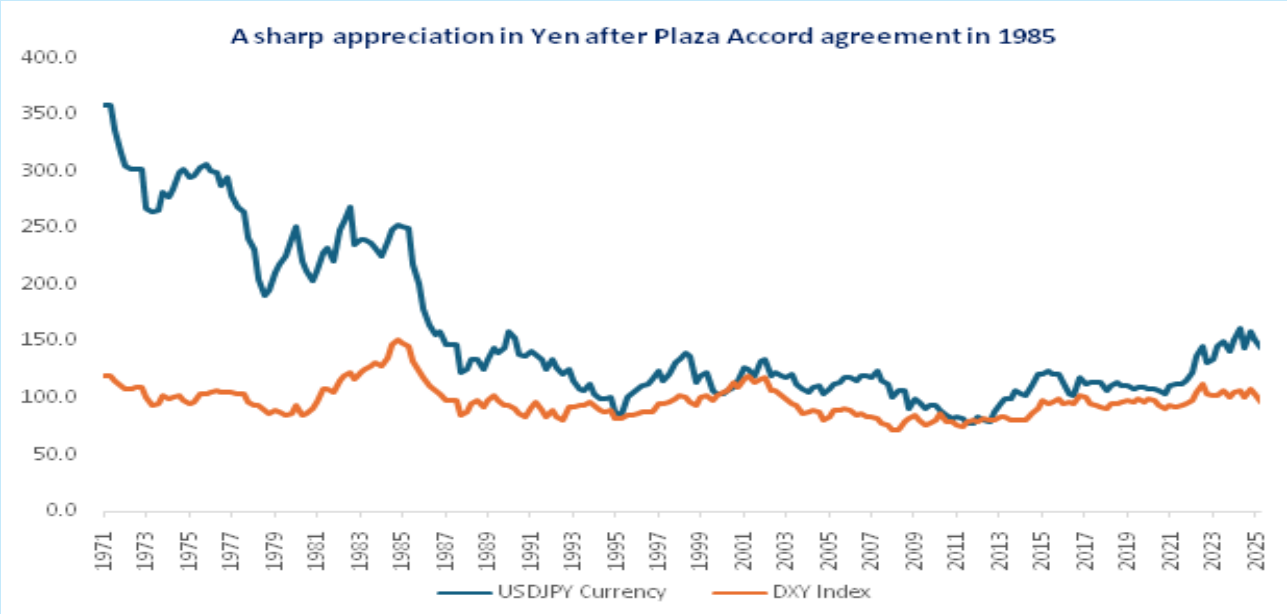
Source: *Bloomberg*

The perception of "US exceptionalism," supported by USD's status as the world's invoicing currency of choice and characterized by the robust US equity market performance since the GFC, contributes to sustained demand for the dollar, even amid high debt levels. Foreign investors collectively hold trillions of dollars in US stocks, bonds, and other assets, which helps finance the federal deficit and maintain relatively low borrowing costs.

However, this privilege is not without limits. A sudden, large, and sustained decline in demand for US Treasury securities could trigger a fiscal crisis, leading to a sharp spike in interest rates and a steep fall in the dollar. America's long-held reputation for financial out performance and safety, which has historically attracted capital even during turbulent times, may erode if foreign lenders become less willing to finance US's spending. Of course, Fed may step in to buy treasuries, at the risk of stoking inflation.

Japan is another country which is facing debt challenges, which can worsen if yields continue to rise. A sharp jump in debt was due to decades of persistent fiscal deficits and minuscule economic growth, which are the economic consequences of "Plaza Accord", a 1985 agreement signed by G5 nations: Germany, France, US, Japan & UK. The Accord was supported by synchronized interventions in the currency market and a continuous lowering of US short-term interest rates. As a result, it led to an unusually substantial appreciation of the Yen, reaching 46% against the USD. This sharp rise in the yen's value immediately impacted Japan's export-oriented industries

by making Japanese goods significantly more expensive abroad. For instance, Toyota, a leading automaker, was compelled to raise prices for its exports, primarily to the United States. The economic downturn required massive government spending to support struggling banks, leading to high budget deficits and a debt-to-GDP ratio that increased from about 55% in 1980 to over 236% by 2024.



Source: *Bloomberg*

Historically, Japan has tried to manage its massive debt burden through a combination of ultra-low interest rates and more recently through the Bank of Japan's (BoJ) Yield Curve Control (YCC) policy. The YCC policy was designed to suppress long-term government bond yields, which also helped to keep debt servicing costs manageable for the government. This sustained ultra-loose monetary policy has been a major contributor to the Yen's weakness. It created substantial interest rate differentials between Japan and other major economies, such as the United States, prompting investors to seek higher returns elsewhere – leading to the popular carry trade.

However, recent shifts in the BoJ's policy, driven by persistent inflationary pressures, are leading to higher Japanese Government Bond (JGB) yields. In the month of May 2025, Japanese 40-yr bond yield skyrocketed to 3.68% from 2.57% a year ago after poor demand at a 40-yr bond auction. Higher inflation would be helpful for inflating awaythe debt burden, but it also carries risks, such as eroding the value of savings and possibly resulting in economic instability. The escalation in yields directly increases the cost of debt servicing for a highly indebted Japanese government. Ishiba Shigeru, the prime minister of Japan's statement –"Our country's fiscal situation is undoubtedly extremely poor, worse than Greece", shows that the government is well aware of the problem.

Japan also faces a major long-term challenge due to its aging population and rising social security costs. According to National Institute of Population and Social Security Research (NIPSSR), Japan's population is projected to decrease by 30%, and the population aged 65 and over to make up about 40% of the population by 2070. Social security spending is projected to increase to roughly 24% by 2040, as per government projections, leading to greater reliance on public debt to fund pensions, medical care, and long-term care.

Historically, Japan funded its public debt through high domestic savings. However, these savings are declining and may turn negative by 2030. If government debt grows faster than domestic savings, Japan might have to seek funding from foreign investors, which could raise borrowing costs and increase market risks. The fiscal situation could worsen due to slow economic growth and the need for fiscal stimulus. Although the Bank of Japan has kept bond yields low, any shift away from these policies could raise long-term interest rates, increasing debt servicing costs. This combination of an aging population and declining savings creates a potential "demographic debt trap," which could force Japan to borrow more from costly foreign sources while facing a shrinking workforce and economic growth challenges. This poses a critical long-term fiscal challenge that requires fundamental reform to address.

The substantial ownership of Japanese Government Bonds (JGBs) by the Bank of Japan (BOJ) presents a considerable challenge for Japan, stemming from the possibility of bond market instability and the hurdles associated with unwinding these assets. As of 30th June 2025, BOJ has 79.1% allocation in JGBs. It reported an unrealized loss of 28.625 trillion yen ($198.29 billion) on its JGB holdings for the year ending in March, a significant increase from the previous year's loss. The bank plans to hold the bonds until maturity, so these losses won't be realized. Interest rates have risen, leading to higher bond yields, which some economists believe may make the bank cautious about future rate hikes due to potential market instability. We have already seen an episode of unwinding of carry trade in July last year, particularly triggered by BOJ's rate hike decision, which sent shock waves across global markets. The yen appreciated sharply (more than 13%), while Nikkei tumbled more than 25% during a period of July & August 2024. US equity markets also saw a selloff during that period. India and other emerging economies could also see outflows, which will likely to put pressure on currency and impact sectors, especially those which rely more on foreign capital. According to NSDL, Indian assets under the custody of Japanese foreign portfolio investors (FPIs) stood nearly at ₹ 2.44 lakh crore as of June 2025 (roughly 3% of the total ₹ 81 lakh crores held by the top 10 FPI investors in India). Japanese companies are also major investors in India, while many Indian infrastructure projects are financed by Japanese funding. All of these can be negatively impacted.

The rising global debt levels, particularly in the US and Japan, represent a significant headwind for the global economy and financial markets. While both nations possess unique characteristics that have historically allowed them to manage high debt, the current trajectory is unsustainable in the long run. For FX markets, this translates to increased volatility, with potential for significant re-pricing of major currencies based on fiscal health. For emerging currencies, the challenge is even greater, as they face the dual threat of tighter global liquidity and increased capital flight. Policymakers in both advanced and emerging economies face complex trade-offs. Credible fiscal consolidation plans, structural reforms to boost growth, and prudent monetary policy will be crucial to navigate this increasingly indebted global landscape and mitigate the risks to currency stability and economic prosperity. The gathering storm of debt demands urgent and coordinated attention.

About Budapest

Budapest, the capital of Hungary, is a city defined by historical depth and architectural grandeur. Formed in 1873 through the unification of Buda, Pest, and Óbuda, it has since evolved into a dynamic cultural and political centre in the heart of Central Europe. Each former city contributes distinctly to the capital's identity: Buda, with its royal heritage and scenic hills; Pest, a lively expanse of civic institutions, cafés, and neoclassical avenues; and Óbuda, bearing the imprint of ancient Roman civilization. Together, they create a capital where centuries of history and modern urban life exist in remarkable harmony.

Budapest's cultural richness extends beyond its monuments. The city's culinary heritage reflects its diverse past, blending Austro-Hungarian, Ottoman, and Balkan influences into enduring national dishes such as gulyás (goulash), stuffed peppers, and sweet pastries like strudel. Whether enjoyed in a historic café or a contemporary bistro, Hungarian cuisine remains a central part of the local experience and cultural identity. In addition to its artistic and historical significance, Budapest plays a pivotal role in Hungary's economic landscape.

As the country's financial hub, it is home to the Budapest Stock Exchange (BÉT) and numerous national and international banks, investment firms, and technology companies. Key industries such as finance, IT, logistics, and real estate thrive here, supported by a highly educated workforce and a business-friendly environment. This combination of heritage and innovation makes Budapest not only a cultural capital, but a vital economic one as well.

Budapest is, in many respects, a city of contrasts - majestic yet approachable, steeped in tradition yet outward-looking. It invites visitors not merely to observe, but to immerse themselves in its distinctive rhythm and character. Architectural Landmarks & Cultural Highlights Budapest serves as a living gallery of architectural styles - Gothic, Baroque, Neoclassical, and Art Nouveau - interwoven along the banks of the Danube. The city's geography echoes its identity: the elevated, historic Buda side reveals a medieval past, while the expansive, energetic Pest side showcases 19th-century urban ambition. Buda Castle & Castle Hill Rising above the river, Buda Castle has symbolized Hungarian sovereignty for centuries.

Once the residence of kings, the castle now houses the Hungarian National Gallery and the Budapest History Museum. Exploring the surrounding Castle Hill reveals cobblestone streets, centuries-old buildings, and panoramic vistas that offer a glimpse into the city's storied past. Fisherman's Bastion A short walk from the castle, the Fisherman's Bastion stands as a striking Neo-Romanesque structure with seven towers, each representing one of the original Magyar tribes. The terrace provides some of the finest views in the city, especially of the Parliament Building on the opposite bank.

Hungarian Parliament Building Dominating the Pest skyline, the Hungarian Parliament is an architectural masterpiece of Neo-Gothic design. With its spires, ornate facades, and stained-glass windows, it is as captivating inside as it is from afar.

Guided tours offer insights into Hungary's political system and feature the Holy Crown of Hungary, housed in its grand central hall. St. Stephen's Basilica Named after Hungary's first Christian king, St. Stephen's Basilica is one of the country's most important religious buildings. Its grand dome and richly decorated interior draw countless visitors, while the preserved mummified right hand of King Stephen offers a unique historical relic.

The panoramic view from the dome is among the best in the city. Andrássy Avenue & Heroes' Square The elegant Andrássy Avenue, a UNESCO World Heritage Site, is lined with 19th-century mansions, embassies, and the Hungarian State Opera House. It leads to the monumental Heroes' Square, where statues of Hungary's founding leaders and national heroes stand in tribute to the country's enduring spirit. Arts, Music & Cultural Events Budapest has long been a beacon of artistic and musical excellence.

Institutions such as the Franz Liszt Academy of Music, the Museum of Fine Arts, and the Hungarian State Opera House uphold a legacy of classical refinement. Opera, chamber music, and symphonic concerts are performed yearround in beautifully preserved historical venues. Simultaneously, the city embraces contemporary culture through street art, independent galleries, and multidisciplinary festivals.

Events such as the Budapest Spring Festival, Café Budapest, and the internationally renowned Sziget Festival reflect the city's creative diversity and its role as a regional cultural hub.

Shopping & Local Design From luxury fashion to traditional crafts, Budapest's shopping scene is both stylish and authentic. Andrássy Avenue hosts luxury boutiques and international brands, while Váci Street caters to visitors with a mix of retail stores and cafés in a pedestrian-friendly setting. For those interested in local culture, the Central Market Hall offers Hungarian specialties such as paprika, Tokaji wine, hand-embroidered textiles, and artisanal souvenirs.

Budapest's emerging design districts and weekend markets highlight a new generation of Hungarian creators, offering everything from sustainable fashion to modern ceramics. Green Spaces & Outdoor Life Despite its architectural density, Budapest offers numerous green retreats for relaxation and recreation.

Among the most popular is Margaret Island, a tranquil, car-free haven in the middle of the Danube, complete with landscaped gardens, medieval ruins, and open-air performance spaces. City Park (Városliget), adjacent to Heroes' Square, blends cultural institutions with leisure. It is home to the Museum of Fine Arts, the House of Music Hungary, and expansive walking paths. The area is currently undergoing revitalization that balances modernization with the preservation of its natural character.

For panoramic views, Gellért Hill provides some of the most dramatic perspectives of the city, along with wooded trails and the historic Citadel, a fortress that has played various roles throughout Budapest's turbulent past. Shopping & Thermal Relaxation in Central Budapest. Budapest offers more than architectural beauty and historical depth - it also provides excellent shopping and world-renowned thermal bathing experiences, particularly convenient from central locations like the Marriott.

Shopping malls Nearby Several modern shopping centres are within easy reach:

- West End City Centre (10 min by car / 15 min via metro) One of the largest malls in the region, featuring 400+ stores, dining, and entertainment next to Nyugati Station.
- Arena Mall (15 min by car / 20 min by public transport) A spacious, upscale complex with fashion retailers, restaurants, and an IMAX cinema.
- Mammut Shopping Centre (15–20 min by car or metro) Located in Buda near SzéllKálmántér, Mammut offers retail, groceries, and casual eateries. Budapest's Thermal Bath Culture The city's natural hot springs feed iconic baths known for their healing properties and historical architecture:
- Széchenyi Baths (15 min from downtown) Europe's largest thermal complex with outdoor pools, saunas, and a grand Neo-Baroque setting in City Park.
- Gellért Baths (10–15 min away) An Art Nouveau gem known for its ornate indoor pools and tranquil ambiance.
- Rudas Baths (10 min by tram) A blend of Ottoman and modern design with a rooftop thermal pool offering panoramic city views.

Budapest is not only one of Europe's most picturesque capitals—it is also one of its most intellectually and emotionally engaging. Its stately boulevards, layered architecture, and profound sense of history offer more than visual appeal; they invite thoughtful exploration.

From royal palaces to riverside promenades, from ancient ruins to contemporary festivals, every part of Budapest reveals a city in dialogue with its past and in motion toward its future. Whether you visit for a weekend or a season, Budapest leaves a lasting impression—elegant, complex, and quietly unforgettable.

By,
Amyn Mecklai

The Clearing Corporation of India

The Clearing Corporation of India (CCIL) acts as a Central Counterparty (CCP) in the Indian G-Sec, Money (Repo and TREPS) Market, Forex and OTC Derivative markets. Set up in 2001, at the initiative of RBI to act as the CCP for OTC markets in India, CCIL has been a pioneer, launching new products and services aimed at enhancing efficiency and resilience in the financial market infrastructure. In recognition of its robust risk management and compliance framework, CCIL was designated as a Qualified CCP (QCCP) by RBI in January 2014.

CCIL is among the few CCPs globally that guarantees trades (outright and repos) in G-Sec and Forex markets. As a Triparty Repo Agent for Government Securities, CCIL facilitates CCP settlement of all Triparty Repo trades executed on the Triparty Repo Dealing System (TREPS). The PvP (Payment versus Payment) mode of settlement in the USD/INR settlement segment, has been instrumental in eliminating the residual credit risk and reduction of counterparty exposure limits. CCIL has also initiated CCP clearing services in Rupee denominated derivatives benchmarked to MIBOR and Modified MIFOR. The facilitation of guaranteed settlement by CCIL has resulted in the elimination of counterparty and operational risks and uncertainties. The resultant availability of liquidity with the banks due to multilateral netting provided by CCIL has aided growth in these markets. CCIL also manages RBI Retail Direct Gilt Platform on behalf of RBI, which facilitates individual investors to directly invest in Government Securities (G-Secs) such as bonds, treasury bills and dated securities.

CCIL, through its wholly-owned subsidiary, Clearcorp Dealing Systems India Limited (Clearcorp), provides a range of dealing systems/platforms across Government Securities, Money Market, Forex and Derivatives markets. The CROMS trading system, an anonymous order matching system for Repos, TREPS-an electronic trading platform for the Triparty Repo market, FX-CLEAR- the forex trading platform and the ASTROID platform for trading in the IRS market are the trading platforms developed by Clearcorp. It has also developed the NDS-OM anonymous trading platform for the Government Securities market and the NDS-CALL platform for transactions in the Call market on behalf of the Reserve Bank of India. In the forex market, Clearcorp has also developed the FX-Retail platform for customers of banks to conduct their forex transactions.

In the OTC derivatives market, CCIL through its products, platforms and services has played a pivotal role in mitigating inherent risks of the market and helped expand market access to new products and market participants. The Trade Repository services for this market commenced in 2007, and CCIL has gradually expanded its gamut of activities to facilitate CCP services for MIBOR and Modified MIFOR linked swaps, provide Margining and Collateral Management services for non-centrally cleared derivative (NCCDs) transactions through the 'SARVAM' platform and periodic portfolio compression services to reduce outstanding positions of market participants. The Trade Repository services have brought greater transparency to these markets and the completeness of the information being made available now has helped the Regulator and market participants to gauge the level and depth of these markets at any point of time. CCIL has one more trade repository reporting platform (F-TRAC) that captures the primary and secondary market activity in the Commercial Paper and Certificate of Deposit market and also secondary market Repo activity in Corporate Bonds, NCDs, CP and CD.

Moving beyond its role as a pioneer in the wholesale segment of the financial markets, CCIL now supports the regulatory objective to expand the presence of smaller and retail participants in the Government Securities, Forex and OTC derivatives market. The Clearing Member structure launched in various settlement segments in 2020 has helped to extend facility of clearing services to both retail and non-retail customers. Giving a push to the RBI initiative to expand the retail investor's footprint in the G-Sec market, CCIL manages the RBI Retail Direct Scheme launched in November 2021, on behalf of RBI, which facilitates individual investors to directly invest in Government Securities (G-Secs) such as Central Government and State Government Securities, Treasury Bills, Sovereign Gold Bonds and FRSB securities. Under the RDG scheme, CCIL acts as an aggregator/receiving office for the primary issuance of G-Secs including FRSB and SGBs.

Legal Entity Identifier India Limited (LEIL) a wholly-owned subsidiary of CCIL has been accredited by the Global Legal Entity Identifier Foundation (GLEIF) as a Local Operating Unit (LOU) for issuance and management of Legal Entity Identifiers (LEIs).

THE CLEARING CORPORATION OF INDIA LTD.

STATE-OF-THE-ART FINANCIAL MARKET INFRASTRUCTURE, DELIVERED EFFICIENTLY



CCP SETTLEMENTS	TRADING PLATFORMS	LEI	REPORTING PLATFORMS	TRADE REPOSITORY	VALUE ADDED SERVICES
FOREX	FX-CLEAR	LOU FOR ISSUANCE OF LEGAL ENTITY IDENTIFIERS	CORE	RATE DERIVATIVES	PORTFOLIO COMPRESSION
MONEY MARKET	FX-RETAIL		F-TRAC	CREDIT DERIVATIVES	DATA & PUBLICATIONS
G SECS	CROMS			FOREX DERIVATIVES	TRAINING
DERIVATIVES	ASTROID				MARKET INDICES
	TREPS				BENCHMARK RATES
	NDS CALL				SARVAM
	NDS OM				
	RBI RETAIL DIRECT				

COMMITTED IN THE SERVICE OF MARKET PARTICIPANTS:

QUALIFIED CCP | RISK MITIGATION | TRANSPARENCY

COST SAVINGS | IMPROVED LIQUIDITY MANAGEMENT

INFORMATION AVAILABILITY | KNOWLEDGE MANAGEMENT

CCIL | Clearcorp | CCIL IFSC

Bloomberg for the Sell Side.

Our trading technology solves for today, and prepares for tomorrow. Built to scale with your needs and adapt to market shifts, our award-winning solutions are an investment in success for years to come.

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About 360T Group

360T is far more than an award-winning multi-bank, multi-asset trading platform for OTC financial instruments. As the Deutsche Börse Group's global FX unit, 360T is able to provide firms on both the buy- and sell-side with all the technology, services and tools necessary to support their individual business requirements.

360T offers a full range of streamlined services across the entire trading workflow of FX, Short-Term Money Market products and commodities. With over 2,900 buy-side customers and more than 200 liquidity providers across 75 different countries and offices in Europe, America, Asia Pacific, India and the Middle East., today 360T is uniquely positioned to help connect the global FX industry via our proprietary suite of web-based technology solutions.

Execution Management System (EMS)

360T's Execution Management System (EMS) is a functionally rich, easily configurable system which offers customised workflow solutions designed to cater for a wide range of trading requirements.

A Complete Suite of FX Products
Supports multiple different ways of executing FX Spot, NDFs, Outright Forwards, Swaps and Options instruments.

Automated Trading
Advanced automation tools enable traders to focus on the value-add areas of their business.

Flexibility
An effortlessly configurable and highly customisable solution capable of adapting to any workflow.

Ease of Integration
Our EMS is specifically designed to be seamlessly and easily integrated into firms existing workflows.

Greater Efficiency
Our EMS helps to drive costs down and help firms improve their bottom-line.

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Using our EMS significantly reduces the risk of human error during the trading process.

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Our large, diverse client base enables 360T to connect local onshore liquidity in developing markets with a worldwide community of offshore users to create a truly global liquidity pool for streaming NDFs.

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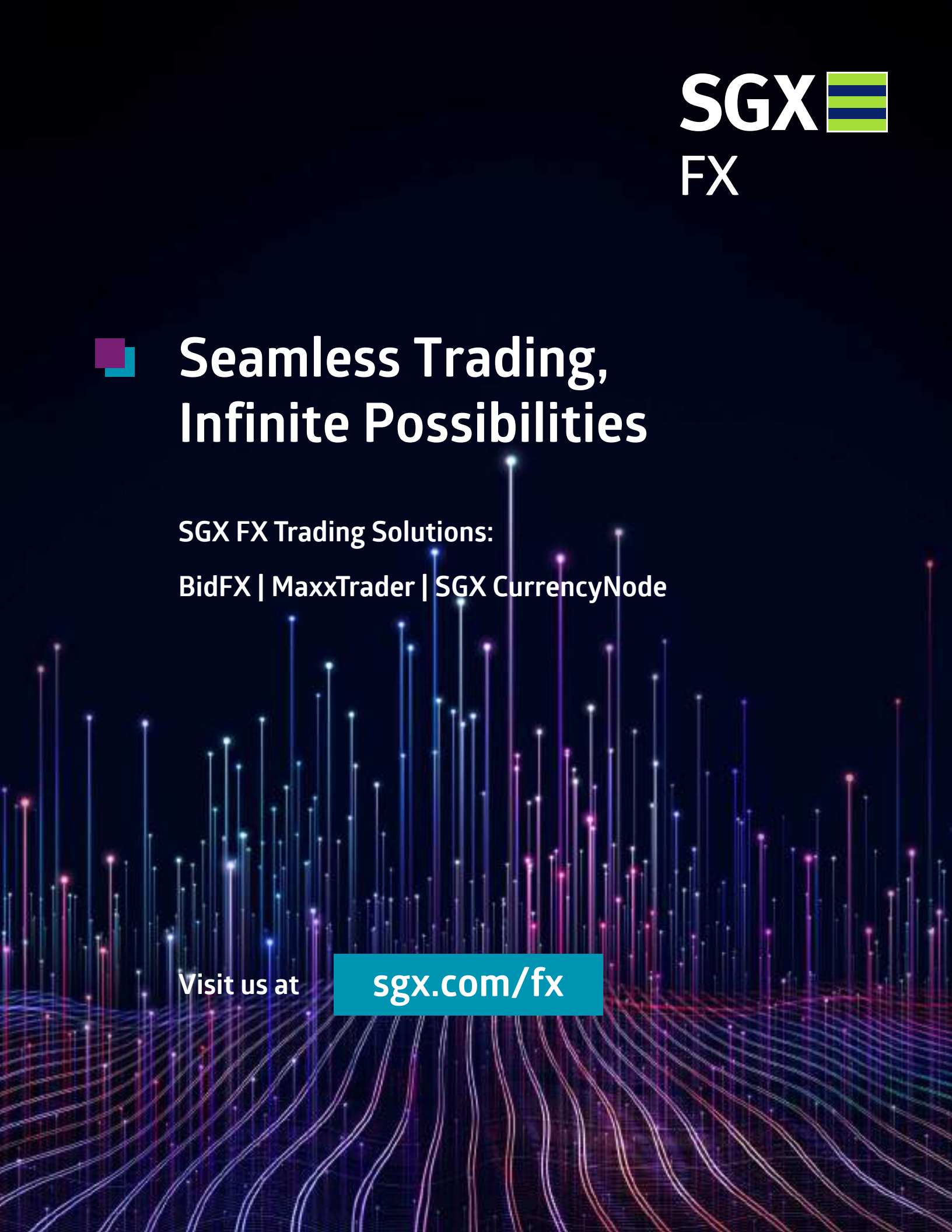
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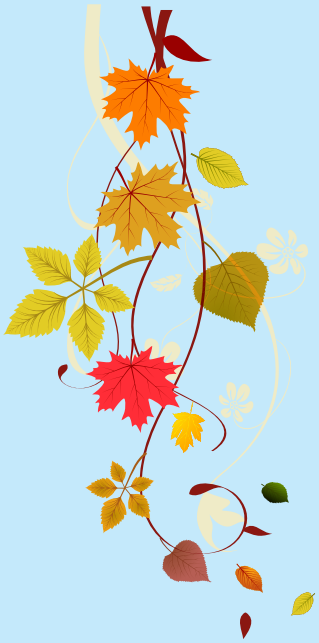
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