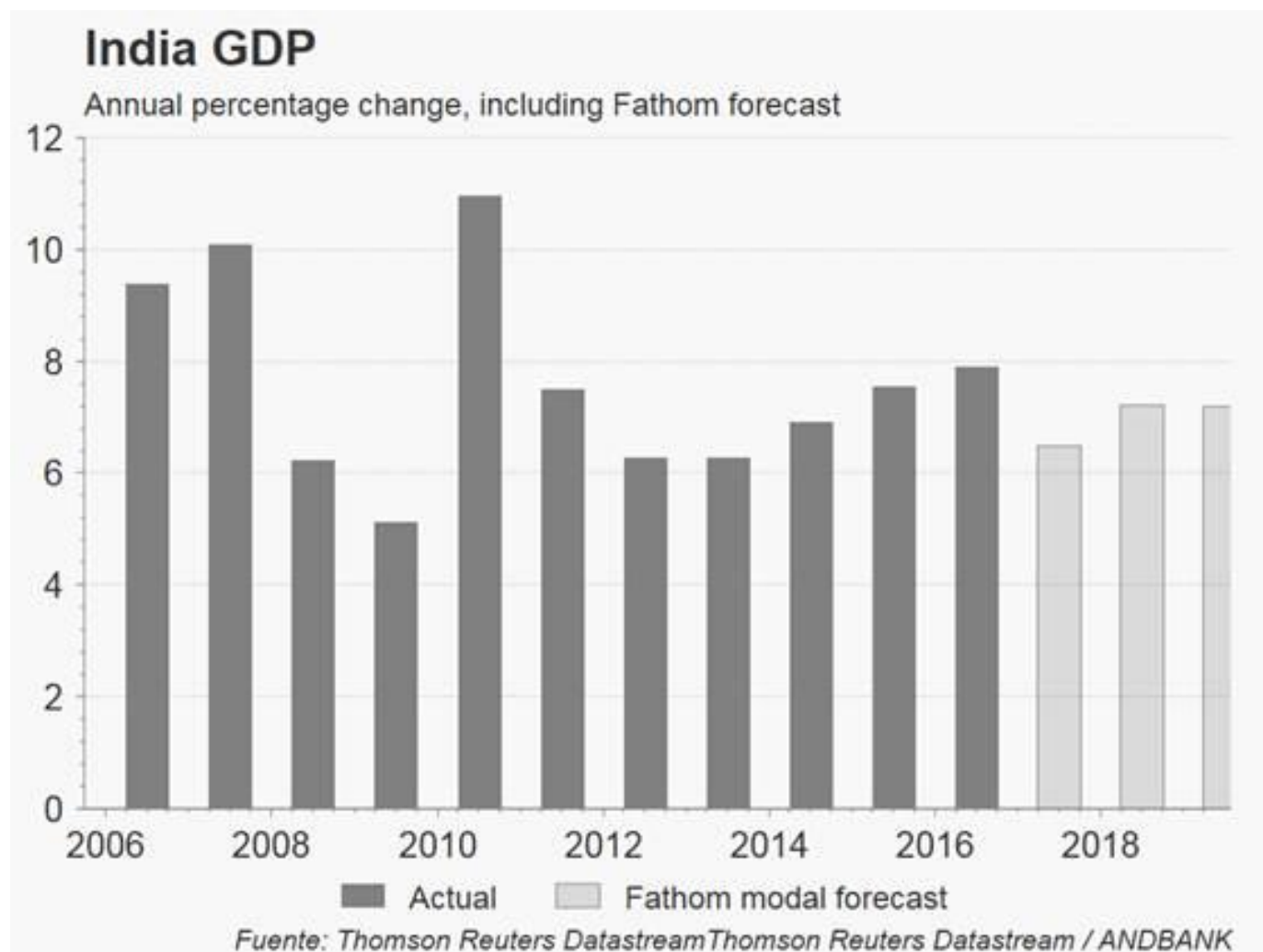


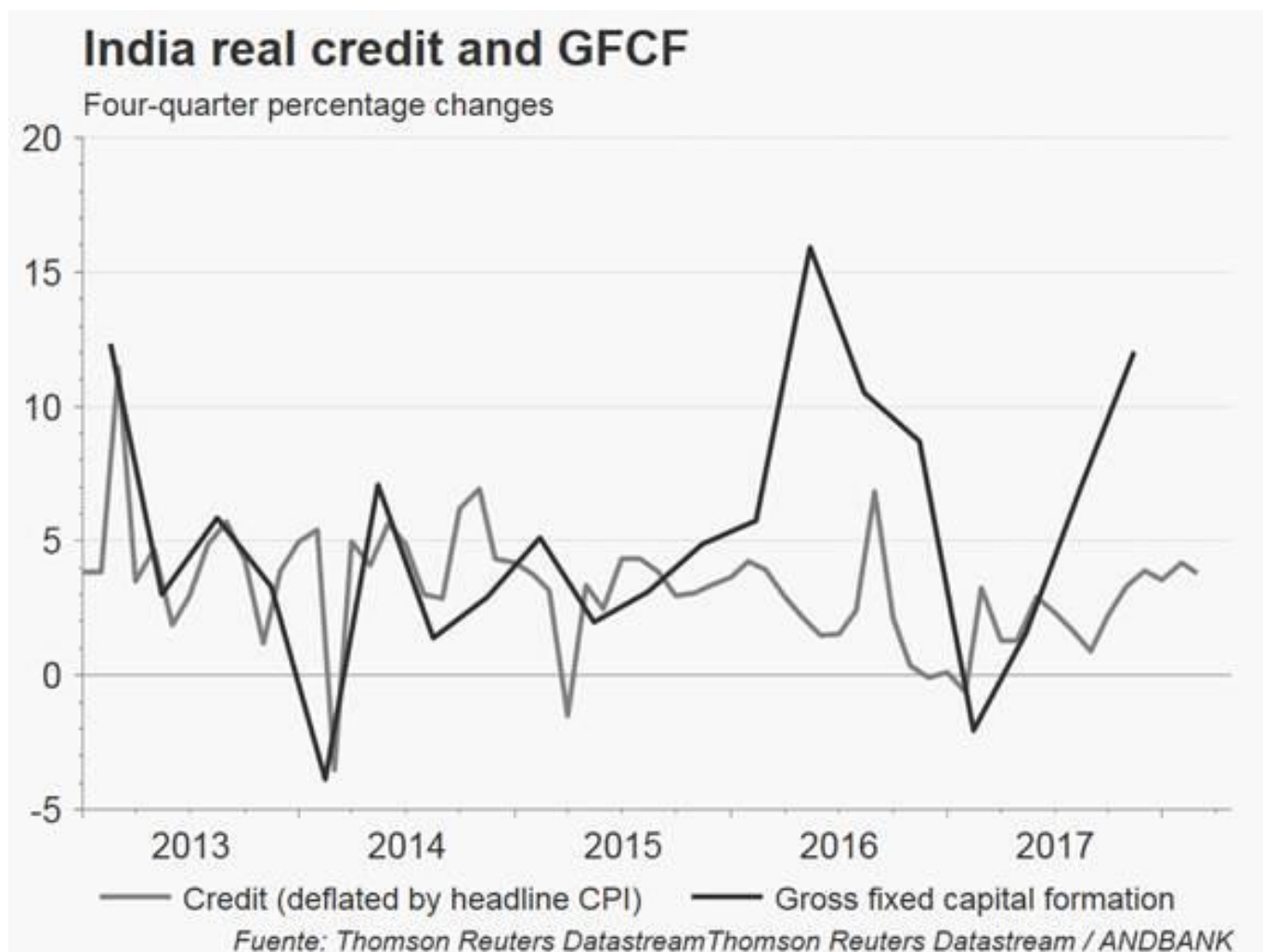
Flash Note 30/04/2018

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What's behind the recent USD move? And now what?

- Indian shares posted their biggest monthly gain in over two years on Monday, with technology and banking shares leading the index after some evidences that the effects from an alleged fraud in the financial sector seen in February could be overdone.
- The benchmark BSE index .BSESN closed 0.55 percent higher on Monday at 35,160.36 and **was up 6.6 percent for the month**
- Following the recent plunge in India's public sector bank stocks, some analysts now consider these stocks as a trading opportunity. Considering that in the PNB scandal the worst could be over, India's public sector banks—which account for 70% of national lending— are now trading at a 40% discount to book value.
- Outlook: POSITIVE
 - ✓ Economic growth floats all boats and the last two quarters has seen sequential rises, with investment as a share of GDP having bottomed at 28% and bank credit recently rising to a two-year high of 11%".
 - ✓ The real kicker for public sector banks comes from India's greatly enhanced bad debt resolution program. In this context, the new bankruptcy system shows signs of adhering to strict timelines and delivering better than expected recoveries.
 - ✓ Some 540 cases have been admitted under the new regime since January 2017 and some 79 judgments have been pronounced. Of the resolved "bad debt cases", the recovery rate came out at 40% (beating India's historical rate of 26%).
 - ✓ In the next 2-3 months we will see resolution plans for 12 large borrowers that account for 25% of the system's outstanding non-performing loans (all entered under a 270-day RBI program) and a recovery rate of 40% would be taken as a very bullish signal for public banks.
 - ✓ Central Bank survey: India's central bank surveyed the landscape and has painted an upbeat picture. It argued that the investment cycle may be turning, while inflation, the sub-continent's constant bugbear, is becalmed.
 - ✓ Household consumption appears to have recovered impressively since demonetization and government consumption should also support growth.
 - ✓ The push to localize production is taking off and the GST is positive for organized manufacturers.





Best regards