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1. Pump-prime

- ✓ Stimulate activity in (an economy) by investment.
- ✓ "Government attempts to pump-prime the economy have failed"

2. Abysmal

- ✓ Very bad; of very poor quality/shocking
- ✓ बहुत बुरा; बहुत घटिया प्रकार का

3. Carve out something

- ✓ **To create or obtain something that helps you by skillful activities:**
- ✓ *She carved out a reputation for herself as a high-powered lawyer.*

4. Reinforce

- ✓ To make something stronger
- ✓ अधिक मज़बूत करना, सुदृढ़ करना
- ✓ Concrete can be reinforced with steel bars.
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5. Accommodative

- ✓ **Willing to fit in with someone's wishes or needs.**
- ✓ "She was understanding, patient, accommodative, and always had a solution to all problems"
- ✓ **FINANCE:** intended to stimulate economic activity by lowering interest rates.
- ✓ "That monetary policy is extraordinarily accommodative"

6. Impulse

- ✓ A sudden desire to do something without thinking about the results
- ✓ परिणाम का विचार किए बिना कुछ करने की सहसा उत्पन्न इच्छा; आवेग
- ✓ She felt a terrible impulse to rush out of the house and never come back.
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7. Notable

- ✓ Interesting or important enough to receive attention
- ✓ (पर्याप्त रोचक या महत्वपूर्ण होने के कारण) ध्यान देने योग्य
- ✓ The area is notable for its wildlife.

8. Buoyancy

- ✓ A cheerful and optimistic attitude or disposition.
- ✓ **Synonyms**
- ✓ **cheerfulness**, cheeriness, happiness, light-heartedness, carefreeness, brightness, gladness, merriment, joy, bounce, effervescence, blitheness, sunniness,

breeziness, jollity, joviality, animation, liveliness, life, sprightliness, jauntiness, ebullience, high spirits, vivacity, vitality, verve, sparkle, zest.

- ✓ **A high level of activity in an economy or stock market.**
- ✓ *‘There is renewed buoyancy in the demand for steel’*
- ✓ **Synonyms**
- ✓ **Vigour**, strength, high level of activity, burgeoning, resilience, growth, development, progress, improvement, expansion, mushrooming, snowballing, ballooning.

9. Cruise

- ✓ To stay at the same speed in a car, plane, etc.
- ✓ कार, विमान आदि का एक ही गति पर चलते रहना
- ✓ Cruising at 80 kilometres an hour

10. Leverage

- ✓ Leverage is an investment strategy of using borrowed money—specifically, the use of various financial instruments or borrowed capital—to increase the potential return of an investment. **Leverage** can also refer to the amount of debt a firm uses to finance assets.

A monetary policy to pump prime growth

Apart from providing ample liquidity and credit growth enablers, the RBI has assured industry of support when needed

The RBI in its recent Monetary Policy review has provided an optimistic forward guidance. It predicts that inflation, at 6.69 per cent in August, will begin to recede in Q4 of FY 2020-21 and can go down to 4.3 per cent by Q1 of 2021-22 as supply side dynamics improve with the opening up of the economy. Also, it expects GDP to improve from the abysmal -23.9 per cent in Q1 of 2020-21 and to end the current fiscal at -9.5 per cent.

Instead of using rate cut as market signal, the RBI has used its market intelligence and external expertise to carve out innovative enablers and infused optimism. Reinforcing its commitment to maintain an accommodative monetary policy stance as long as it is necessary to revive growth, is a clear sign that the option of rate cut is not closed. More than such affirmation, the data backed forward view should be able to reinforce confidence in entrepreneurs to stimulate economic activities. Building upon the pulse of early signs of recovery, the RBI could well balance between priorities of growth and inflation.

Comparing early high frequency growth indicators — pre-Covid February and August data — the RBI has identified agriculture and the rural sector as a key stimulator to prop up the growth impulses. Evident rise in sales of tractors, two-wheelers, three-wheelers, spurt in agriculture exports and sale of fertilisers have demonstrated impending signs of recovery.

The eight-core industries (ECI) index improved from 60 in April to 85 by August. Increase in production of steel, cement and electricity is notable. Production of automobiles has picked up pace recording higher sales. Construction, transport and domestic trade also reflect buoyancy.

The composite Purchasing Managers' Index (PMI) dropped from 57.6 in February to 7.2 in April has bounced back to 54.6 in August cruising fast towards pre-Covid levels. Such positive trail of economic indicators affirms the optimism of the RBI and provides a sense of confidence to markets.

Credit push

The bank credit growth trailing at 5.26 per cent year-on-year on September 11, against deposit growth of 11.98 per cent, is worrisome and needs immediate attention. Considering the constraints of banks in lending, the RBI has increased regulatory limits for retail portfolio.

The maximum aggregate retail exposure limit of banks to a single counter-party has been raised from ₹5 crore to ₹7.5 crore. It rationalised differential risk weights on individual home loans and linked them to only loan to value ratio (LTV) sanctioned up to March 31, 2022. This can create demand for high-value loans of over ₹75 lakh. The proposed reduction in risk weights is expected to save close to ₹500 crore of capital of banks.

The scheme of 'Co-Lending Model' for banks and non-banks introduced in 2018 has now been extended to all NBFCs, including housing finance companies. This will enable financial intermediaries to leverage comparative advantage.

Right from the outbreak of Covid-19, the RBI has been pumping liquidity — close to ₹10 trillion so far in different forms. Continuing its policy to extend sufficient liquidity support for the stability of financial markets, the RBI is actively working towards ensuring softer yield curves to rein in cost of government borrowings. While doubling the size of each auction to buy bonds to ₹20,000 crore, the RBI for the first time included state development loans under open market operations (OMOs).

The RBI has also proposed to conduct on tap Targeted Long Term Repo Operations (TLTRO) with tenors of up to three years for a total amount of up to ₹1 lakh crore at a floating rate linked to the policy repo rate that assures medium term and long term liquidity to banks. The RBI is open to increase the amount and tenure of TLTROs depending upon the response and liquidity needs.

Amid the convincing growth optimism, the RBI has created reinforcing support structures with ample liquidity, softer yield curves, credit growth enablers and, more importantly, the assurance to stand with the industry for necessary interventions to ensure that the economy recovers to pre-Covid status soon.

SEBI's moves to keep retail investors off AT-1 bonds are welcome, but there are loose ends to tie up

A shallow market for AT-1 bonds can hurt when Tier 1 capital requirements for public sector banks are expected to shoot up on the back of Covid-related provisioning

The Securities Exchange Board of India (SEBI) has done small investors a good turn by restricting their access to so-called innovative debt instruments such as perpetual non-cumulative preference shares and perpetual bonds (also known as AT-1 bonds). It has said that offers of such instruments should henceforth take the electronic book provider route, with participation restricted to Qualified Institutional Buyers (QIBs). The minimum ticket size for initial offers and secondary market trading in these bonds has been raised to ₹1 crore. Explicit disclosures will now be required on the perpetual character of these bonds, and the Point-of-Non-Viability (PONV) clause that allows the RBI to direct a troubled bank to completely write-off the principal value. These new requirements are a welcome attempt by SEBI to ward off YES Bank-like situations, where the write-off of AT-1 bonds as a part of the bank's restructuring plan came as a rude shock to the hundreds of retail investors. This case brought into focus the widespread mis-selling of AT-1 bonds to retirees and low-risk investors by banks and intermediaries — who plugged them as high-yield fixed deposit substitutes without disclosing clauses that allow the issuer to forfeit both interest and principal.

While SEBI's new rules will keep retail investors off these instruments, there are loose ends that need tying up. With a key category of investors — high net worth individuals — now blocked out, banks may have to contend with fewer buyers for their future AT-1 offerings at a time when sentiment towards these bonds has already been soured by the YES Bank write-off. After all, it was to broad-base demand and give public sector bank (PSB) bond offers a leg-up that the RBI opened AT-1 bonds to retail investors a couple of years ago. The increase in the minimum trading lot can impact secondary market liquidity, rendering these bonds less appealing to institutions. A shallow market for AT-1 bonds can hurt when Tier 1 capital requirements for PSBs are expected to shoot up on the back of Covid-related provisioning. Fitch estimates banks' capital requirement at $15-58 billion in the coming year.

In this context, SEBI and the RBI can evaluate if AT-1 bond participation can be opened up to informed non-QIB investors such as corporate treasuries and family offices with appropriate caveats. The regulators also need to work out an exit window, perhaps through buybacks, for retail investors stuck in older AT-1 bonds with a current outstanding value of over ₹84,000 crore. Barring investors from an asset class also isn't the ideal solution to the pervasive problem of mis-selling that plagues many financial products. While SEBI needs to initiate specific penal actions against intermediaries guilty of mis-selling, the RBI needs to tighten its lax oversight of banks acting as intermediaries for third-party products. SEBI's actions should serve as a wake-up call for the RBI to pay more serious attention to investor protection.

A slim stimulus: On Centre's move spur demand

The govt. cannot wait for the pandemic to ease to loosen the purse strings further

Finance Minister Nirmala Sitharaman's **fresh set of measures**, on Monday, to spur consumer demand and capital expenditure include an interestingly designed tweak to the LTC allowances of government employees. Her reckoning is that these would lend a ₹73,000 crore demand spurt to prop up the ailing economy in the second half of this year. This could rise beyond ₹1-lakh crore if private sector employers offered similar LTC incentives. With **industrial output slipping for the sixth month** in a row in August, the clamour for new stimulus measures had been growing ahead of a particularly bleak festive season. But this package, which will cost the exchequer about 0.2% of GDP, taking overall fiscal support through the pandemic to 1.7% of GDP, may not be as persuasive as may have been envisaged. Enhancing the Centre's capital expenditure in specific sectors by ₹25,000 crore from the extant level of ₹4.12-lakh crore is laudable. But pandemic restrictions have affected the ability to get new projects going. Till August, just about ₹1.34-lakh crore of the budgeted capex had been spent. The same problem plagues the ₹12,000 crore offered as an interest-free 50-year loan to States for capital spending over the next six months.

While States have been allowed to use these loans to pay off existing contractors' dues, the amounts on offer are unlikely to have an impact; ₹2,000 crore has been set aside for States that manage to complete three of four reforms mandated in the earlier **Atmanirbhar Bharat package**, in order to get additional borrowing leeway. Only some States may qualify for this. Too many conditions also pervade the consumption push. Linking LTC perks of government staff who have not availed them yet due to restricted travel during the pandemic to spending on non-travel items is an innovative nudge. But requiring them to spend three times their return ticket fares under LTC on goods and services attracting at least 12% GST from GST-registered vendors, may be too prescriptive and overlooks the reluctance towards discretionary spending due to low visibility on the economy's prospects. Eligible employees may find the scheme complex and too expensive to avail. One hopes the government has more in its quiver to expedite recovery. Waiting too long for the pandemic to ease before loosening the purse strings further could extend the pain. The focus should not just be on conjuring a trickle-down stimulus from those with their jobs and savings intact but also on relief measures for those without. Even the IMF has been urging countries to spend now to diminish the damage. Avoiding spending now to maintain fiscal discipline and prevent a rating downgrade seems sensible, but if the underlying edifices of the country's growth story crumble in the process, a future downgrade will become inevitable.

Crisis in Caucasus: On Armenia, Azerbaijan and Nagorno-Karabakh

Azerbaijan, Armenia and the Karabakh rebels should go back to the ceasefire

The ongoing **fighting between Armenian rebels and the Azerbaijani Army** in **Nagorno-Karabakh**, a self-declared republic within Azerbaijan, risks becoming a wider regional conflict. Though Armenia and Azerbaijan agreed to a Russia-mediated ceasefire last week after days of fighting, the **truce crumbled immediately amid a blame game**. Whatever the truth is, an emboldened Azerbaijan, backed by Turkey, seems determined to press ahead with its offensive. The conflict over Nagorno-Karabakh is decades old. The region, largely populated by ethnic Armenians, is located within the international boundaries of Azerbaijan. Under the Soviet Union, it was an autonomous province that was part of the Azerbaijan republic. In 1988, when the Soviet power was receding, the regional assembly in Nagorno-Karabakh voted to join Armenia, triggering ethnic clashes. After the Soviet disintegration in 1991, Armenia and Azerbaijan went to war over this largely mountainous, forested enclave. By the time a ceasefire was reached in 1994, the rebels, with support from Armenia and Russia, had established their *de facto* rule and extended their influence to the Armenian border. Ever since, the border has remained tense

What makes the clashes now far more dangerous is the external intervention. Turkey has called Armenia a threat to peace in the region; the Azeris and Turks share ethnic and linguistic bonds. Also, the pre-Soviet Azerbaijan was a local ally of the Ottomans when they invaded Transcaucasia in the last leg of World War I. For Turkey, which, under President Recep Tayyip Erdoğan, is trying to expand its geopolitical reach to the former Ottoman regions, the conflict over Nagorno-Karabakh is an opportunity to enter the South Caucasus. Turkey also has a particularly bad relationship with Armenia. But its problem is that Armenia is a member of the Russia-led Collective Security Treaty Organization (CSTO). Russia enjoys good economic and defence ties with both Armenia and Azerbaijan. But Armenia, as a CSTO member and host to a Russian military base, has more weight. In a wider conflict, Armenia could trigger Article 4 of the CSTO treaty and ask for Russian help. And if Moscow responds favourably, that would pit Russia against Turkey, a NATO member. Russia, already involved in military conflicts in Syria, Ukraine and Libya, may not like opening another front. That is why it has re-emphasised its neutrality and hosted talks in Moscow for a truce. But it will be forced to take sides if the conflict spills into Armenia. Both sides should understand the volatile situation and call off the hostilities. Nagorno-Karabakh has in the past witnessed large-scale ethnic violence. Instead of risking a regional war, Azerbaijan, Armenia and the Karabakh rebels should go back to the ceasefire and open up diplomatic channels.