Bears tighten grip on markets; Sensex tanks 1,176 points, Nifty falls below 23,500 level

MUMBAI, DEC 20: Equity benchmark indices Sensex and Nifty plunged about 1.5 per cent on Friday, taking their downtrend to the fifth straight session, due to risk aversion in the global markets after the hawkish stance of the US Federal Reserve.

The 30-share BSE benchmark tumbled 1,176.46 points or 1.49 per cent to settle at 78,041.59. During the day, it slumped 1,343.46 points or 1.69 per cent to 77,874.59.

The NSE Nifty tanked 364.20 points or 1.52 per cent to 23,587.50.

From the 30 blue-chip Sensex pack, Tech Mahindra, IndusInd Bank, Axis Bank, Mahindra & Mahindra, Tata Motors, Larsen & Toubro, State Bank of India, Tata Consultancy Services, UltraTech Cement and Reliance Industries were the biggest laggards.

In contrast, JSW Steel, Nestle and Titan were the gainers.

In Asian markets, Seoul, Tokyo, Shanghai and Hong Kong settled lower.

Equity markets in Europe were trading in the negative territory. Wall Street ended on a mixed note on Thursday.

Foreign Institutional Investors (FIIs) offloaded equities worth Rs 4,224.92 crore on Thursday, according to exchange data.

Global oil benchmark Brent crude declined 0.96 per cent to USD 72.18 a barrel.

Falling for the fourth day running, the 30-share BSE benchmark tanked 964.15 points or 1.20 per cent to settle at 79,218.05 on Thursday. The Nifty tumbled 247.15 points or 1.02 per cent to sink below the 24,000 mark at 23,951.70.

Donald Trump wants European Union to buy more US oil and gas or face tariffs

WASHINGTON DEC 20: U.S. President-elect Donald Trump said on Friday that the European Union may face tariffs if the bloc does not cut its growing deficit with the United States by making large oil and gas trades with the world's largest economy.

The EU is already buying the lion's share of U.S. oil and gas exports, according to U.S. government data, and no additional volumes are currently available unless the United States increases output or volumes are re-routed from Asia - another big consumer of U.S. energy.

"I told the European Union that they must make up their tremendous deficit with the United States by the large scale purchase of our oil and gas," Trump said in a post on Truth Social.

The European Commission said it was ready to discuss with the president-elect how to strengthen an already strong relationship, including in the energy sector.

"The EU is committed to phasing out energy imports from Russia and diversifying our sources of supply," a spokesperson said.

The United States already supplied 47% of the European Union's LNG imports and 17% of its oil imports in the first quarter of 2024, according to data from EU statistics office Eurostat.

Trump has vowed to impose tariffs on most if not all imports, and said Europe would pay a heavy price for having run a large trade surplus with the U.S. for decades. Trump has repeatedly highlighted the U.S. trade deficit for goods, but not trade as a whole.

The U.S. had a goods trade deficit with the EU of 155.8 billion euros ($161.9 billion) last year. However, in services it had a surplus of 104 billion euros, Eurostat data shows. Trump, who takes office on Jan. 20, has already pledged hefty tariffs on three of the United States' largest trading partners - Canada, Mexico and China.

Most European oil refiners and gas firms are private and the governments have no say on where the purchases are coming from unless authorities impose sanctions or tariffs. The owners usually buy their resources based on price and efficiencies.

The EU has steeply increased purchases of U.S. oil and gas following the block's decision to impose sanctions and cut reliance on Russian energy after Moscow invaded Ukraine in 2022.

The United States has grown to become the largest oil producer in recent years with output of over 20 million barrels per day of oil liquids or a fifth of global demand.

U.S. crude exports to Europe stand at over two million bpd representing over a half of U.S. total exports with the rest going to Asia. The Netherlands, Spain, France, Germany, Italy, Denmark, and Sweden are the biggest importers, according to the U.S. government data.

The United States is also the world's biggest gas producer and consumer with output of over 103 billion cubic feet per day (bcfd).

The U.S. government projects that U.S. exports of liquefied gas (LNG) will average 12 bcfd in 2024. In 2023, Europe accounted for 66% of U.S. LNG exports, with the UK, France, Spain and Germany being the main destinations.

EU exports are dominated by Germany with key goods being cars, machinery and chemicals.

D-Street investors become poorer by Rs 18.43 lakh crore in 5 days of market crash

NEW DELHI, DEC 20: Equity investors became poorer by Rs 18.43 lakh crore in five days of market crash as the BSE benchmark Sensex tanked 4,091 points, amid unabated foreign fund outflows and weak global trends.

In the past five trading days, the BSE benchmark has tanked 4,091.53 points, or 4.98 per cent.

The market capitalisation of BSE-listed firms eroded Rs 18,43,121.27 crore to Rs 4,40,99,217.32 crore (USD 5.18 trillion) in the last five days.

On Friday, the 30-share BSE benchmark tumbled 1,176.46 points, or 1.49 per cent, to settle at 78,041.59. During the day, it slumped 1,343.46 points, or 1.69 per cent to 77,874.59.

"Nervousness continued to grip investors and stocks across-the-board went into a tailspin as the dollar's continuing strength against the rupee has been prompting foreign investors to flee local equities and take shelter in safe haven dollar assets," Prashanth Tapse, Senior VP (Research), Mehta Equities Ltd, said.

From the 30 blue-chip Sensex pack, Tech Mahindra, Mahindra & Mahindra,

IndusInd Bank, Axis Bank, Tata Motors, State Bank of India, Tata Consultancy Services, Larsen & Toubro, UltraTech Cement and Reliance Industries were the biggest laggards.

In contrast, Nestle and Titan were the gainers.

"Disappointment regarding the slower-than-anticipated rate cuts by the US Fed has adversely affected global market sentiment. This bearish outlook is particularly impacting the domestic market, which is already contending with high valuations & low earnings growth. The sell-off has been widespread, with significant declines in mid- and small-cap stocks, where valuations premiumisation is at historical peak," Vinod Nair, Head of Research, Geojit Financial Services, said.

In Asian markets, Seoul, Tokyo, Shanghai and Hong Kong settled lower.

Equity markets in Europe were trading in the negative territory. Wall Street ended on a mixed note on Thursday.

Foreign institutional investors (FIIs) offloaded equities worth Rs 4,224.92 crore on Thursday, according to exchange data.

The BSE midcap gauge tanked 2.43 per cent and smallcap index dropped 2.11 per cent.

All BSE sectoral indices ended lower. Realty slumped 4.07 per cent, power tanked 3.55 per cent, capital goods (3.02 per cent), industrials (2.67 per cent), BSE-focused IT (2.61 per cent), IT (2.51 per cent), consumer discretionary (2.32 per cent) and services (2.29 per cent).

As many as 2,950 stocks declined while 1,045 advanced and 90 remained unchanged on the BSE.

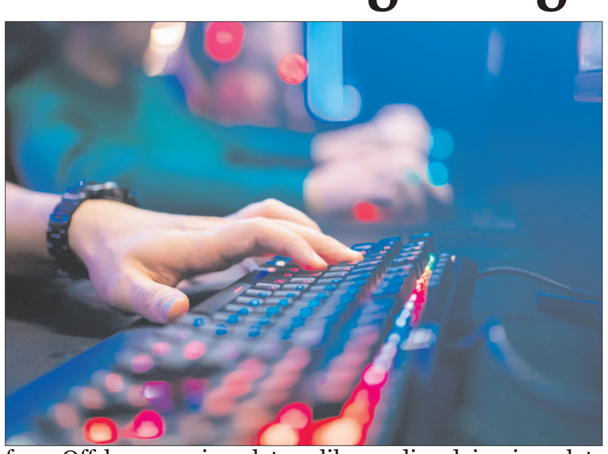
SOGI calls for 28% GST on platform fee and not deposits for Indian gaming companies

NEW DELHI, DEC 20: Real money gaming firms-backed Skill Online Games Institute (SOGI) has demanded that the government levy 28 per cent GST on platform fees instead of on deposit for gaming companies in India, to prevent offshore platforms from taking advantage of significant tax arbitrage.

The demand comes ahead of the 55th meeting of the GST Council in Jaisalmer, Rajasthan on Saturday.

In an interview with PTI, Amrit Kiran Singh, President of SOGI, said the online gaming industry is in a nascent stage and the government and industry need to work together to harness the full positives of this industry for the economy and country.

"SOGI has approached the Indian government to put forward its recommendations that will allow India to harness the full potential of this huge industry for creating jobs and contributing to its GDP while simultaneously mitigating negative aspects of such as addiction," he said. Starting October 1, 2023, deposits on online gaming platforms and casinos attracted 28 per cent GST (goods and services tax). This marked a significant increase from the previous 18 per cent on platform



fees. Offshore gaming platforms were also mandated to register with GST authorities and pay taxes, failing which the government would block those sites.

"As a result of the higher tax burden, Indian players have increasingly turned to offshore platforms, especially Chinese platforms, which advertise GST and TDS-free offerings during high-profile events like the Cricket World Cup and IPL. 83 per cent of funds spent by Indian players on online games are flowing to offshore platforms, with only 17 per cent remaining with Indian platforms," Singh said.

The increased GST has unintentionally pushed Indian players toward illegal gambling sites, further exacerbating national security concerns and revenue loss for India, he added. "Measures like media advisories, platform blocking, and attempts to force offshore platforms to register in India have proven ineffective, as these platforms easily circumvent restrictions and continue to attract Indian players. The government has failed to get offshore platforms to register with Indian authorities over the past 13 months," Singh said.

Blocking and banning are completely ineffective in the digital space due to 'domain farming', he said. Domain farming refers to the practice of acquiring and managing multiple domain names.

It is high time that the government addressed the elephant in the room--the increase in GST has caused an enormous tax arbitrage with offshore platforms, Singh said.

"Most countries with successful online gaming sectors use the Gross Gaming Revenue (GGR) tax model, with rates between 15-20 per cent. This model supports industry growth, compliance, and higher tax revenue, while deposit-based taxation drives businesses to offshore, illegal operators," he said.

GGR is the total amount of money a gaming company earns from bets minus the amount paid out to winners.

"Existing GST slabs are unlikely to be changed exclusively for online games. While we would ideally like the GST to be taken back to 18 per cent, we have taken the pragmatic path and recommended the 28 per cent slab on the Platform Service Fee. It will be a very significant improvement on the current 28 per cent on deposit situation," Singh said.

SOGI has also advocated a government-industry collaboration to mitigate the negative aspects of the industry, he added. Use of smart tech to curb addiction by timing out players who have overindulged is one of the suggestions, he said.

SOGI is an industry association focused on data and research. Platforms supporting SOGI include Playship, Rummy Prime, Gameskraft, Pocket 52, Rummy Culture, Rummy Time, and Wimo.

Swiss inquiry castigates failings of Credit Suisse oversight, pins most blame on bosses

BERN, DEC 20: Swiss lawmakers called for stricter oversight of the financial sector after investigating the collapse of Credit Suisse, casting an unflattering light on authorities while pinning the blame on the bank's implosion primarily on its managers.

In a long-awaited 569-page report published on Friday, lawmakers exposed Swiss bureaucracy that is unaccustomed to scrutiny, rebuking regulators for being secretive and mistrustful, and for responding at times haphazardly to the crisis that felled the bank in March 2023.

Arch rival UBS stepped in to buy Credit Suisse for a fraction of its value in a government-orchestrated rescue.

In June 2023, parliament took the unusual step of forming a committee to probe the official response to the Credit Suisse meltdown. Interviews with those involved were held privately.

The government has said it will use the findings to inform its plans for reform of the banking sector.

"The (committee) considers Credit Suisse's years of mismanagement to be the cause of the crisis," say the opening lines of a statement accompanying its report, translated from German.

The committee, known as PUK, chronicled in detail the chaotic final days of the bank, and criticized a lack of transparency during months of crisis meetings between finance ministry officials, the central bank, and the market regulator FINMA, urging them to keep written records in future.

"However, the PUK does not see any causal misconduct on the part of the authorities for the Credit Suisse crisis and finds that they prevented a global financial crisis," it wrote.

The unravelling of 167-year-old Credit Suisse, a pillar of the financial establishment and the country's second-biggest lender, left Switzerland with just one major international bank, which now holds a balance sheet bigger than the entire economy.

The government in April sketched out 'too-big-to-fail' plans to ensure UBS does not go the same way as Credit Suisse, centring chiefly on making the bank hold more capital. But it vowed not to give more specifics until after the PUK report. The committee's conclusions did not offer prescriptive advice on how the banking sector should be reformed, but the broad sweep of the 30 recommendations and requests directed at the government cleaved closely to those April proposals.

It pressed the government to strengthen FINMA and ensure "appropriate consideration" be given to the foreign units of systemically relevant banks such as UBS, which authorities have said could need bigger capital buffers to weather crises.

The PUK report also argued that financial incentives in the sector should not be skewed after noting that bonuses paid out to Credit Suisse's management between 2010 and 2022 exceeded the bank's 34 billion Swiss francs ($37.9 billion) in losses during that period.

The committee criticized FINMA for granting Credit Suisse relief in how much capital the lender needed to hold in the years before its undoing and urged the government to limit such concessions in future.

UBS has argued that systemically important banks already have enough capital and that excessive demands could hurt business and undermine Switzerland's attractiveness to investors.

Officials were discussing the potential demise of Credit Suisse for months, but the report found that many of their discussions were ad hoc and lacking in transparency.

In particular, the inquiry raised questions about how former Finance Minister Ueli Maurer shared information about the bank with his successor Karin Keller-Sutter, who took office in 2023.

FSSAI mandates quarterly reporting of expired, rejected food products

NEW DELHI, DEC 20: Food safety regulator FSSAI has ordered licensed food manufacturers and importers to submit quarterly data on rejected and expired food items through its online compliance system FOSCOS to prevent their resale for human consumption.

The Food Safety and Standards Authority of India (FSSAI) directive, issued on December 16, also applies to repackers and relabellers.

The new reporting requirements cover three key areas: quantity of products failing internal quality testing or inspection; volume of expired or returned products from the food supply chain; and detailed records of product disposal, including destruction, auction, or alternative use, with specific buyer and waste disposal agency information.

The move is aimed at preventing rebranding and resale of expired and rejected food items for human consumption under the guise of cattle feed.

The initiative will enable real-time tracking of rejected or expired goods and their subsequent disposal or auction for non-human consumption purposes, FSSAI said. While the FOSCOS (Food Safety and Compliance System) reporting function is still being developed, the regulator has asked food businesses to begin collecting the required data to ensure readiness for submission when the system becomes operational.