

Appointment of New RBI Governor Could Signal Policy Continuity

The Indian government announced the appointment of Dr Urjit Patel as the Reserve Bank of India's (RBI) new governor on 20 August. Dr Patel will take over the reins of the RBI from outgoing governor Dr Raghuram Rajan from 4 September 2016, for a period of three years.

Currently the deputy RBI governor in charge of Monetary Policy and Research, Dr Patel is well regarded and seen a safe pair of hands to take the helm at the central bank. Apart from the RBI, Dr Patel had also worked with the Indian government in various capacities previously and has held positions at the International Monetary Fund and Boston Consulting Group, among others. His appointment as the new Reserve Bank of India (RBI) governor is a sensible choice and augurs well for policy continuity, given what he has achieved during his tenure. Dr Patel is the chief architect of the inflation-targeting monetary policy framework that is currently under implementation and has been instrumental in the formation of a Monetary Policy Committee.

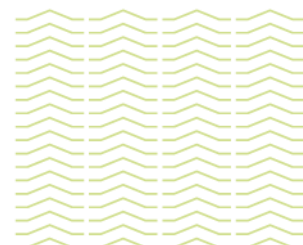
Widely viewed as being equally, if not more hawkish than his predecessor, Dr Patel could potentially keep to the RBI's current policy trajectory in areas such as inflation targeting, liquidity and exchange rate policy. That said, one area that bears watching would be his approach to tackling the asset quality issues at public sector banks. Outgoing RBI governor Rajan had called for an Asset Quality Review (AQR) on the banking sector, with the aim of cleaning up banks' balance sheets by March 2017. The RBI had taken the view that the banks had been deferring the classification of bad loans and the full extent of non-performing loans on the banks' balance sheets was not accurately reflected. Almost all public sector banks slipped into losses following the AQR, while the well run private lenders emerged relatively unscathed. Although it is likely that we are closer to the end of the review, the AQR is an ongoing process and it remains to be seen how the new RBI governor would choose to proceed with this.

	Value	% w/w Change
Equities		
Dow Jones Indus. Avg	18,552.6	-0.1
S&P 500 Index	2,183.9	-0.0
MSCI AC Asia Pacific	139.1	-0.6
S&P/ASX 200 Index	5,526.7	-0.1
Hang Seng Index	22,937.2	+0.7
Ho Chi Minh Stock Index	662.3	+1.0
Jakarta Composite Index	5,416.0	+0.7
FTSE Bursa Malaysia KLCI	1,687.7	+0.2
KOSPI Index	2,056.2	+0.3
Karachi 100 Index	39,499.1	-1.0
S&P Bse Sensex Index	28,077.0	-0.3
Shanghai Se Composite	3,108.1	+1.9
Stock Exch Of Thai Index ¹	1,538.8	-0.9
Straits Times Index	2,844.0	-0.8
Taiwan TAIEX Index	9,034.3	-1.3
TOPIX Index (Tokyo)	1,295.7	-2.1

Bonds / Currencies		
US 10YR Treasuries	1.5781	6bps
EUR/USD	1.1325	+1.5
USD/JPY	100.22	-1.1
GBP/USD	1.3075	+1.2

Commodities		
Gold (Spot)	1,341.3	+0.4
Crude Oil (WTI)	48.5	+9.1
RJ/CRB Commodity Index	188.8	+3.3

Source: Bloomberg (last trading price for week ended 19 August 2016)



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