

## Let the pillage commence!

India's Central Bank chief resigns, opening up the coffers for state plunder. Brexit purgatory continues, will someone make it stop! And it's not all going well across the channel in France either, as Macron tries to buy his way out of trouble - this sounds like it will stretch France's fiscal deficit (Italy take note...)



Source: Shutterstock

### India: RBI's Patel resigns

This From Prakash Sakpal on the RBI Governor's resignation ([full note here](#)).

We noted in our ['Asia week ahead' note last Friday](#) that the investors would stay clear of the Indian markets ahead of the polling results for five state elections to be announced today. And we have more reasons to think so now, following the news yesterday about the Reserve Bank of India's governor resigning ahead of the forthcoming RBI board meeting later this week (14 December).

Ujjit Patel's resignation for 'personal reasons' in fact goes to reinforce the widened rift between the central bank and the government. Clearly, the central bank independence is compromised, and, the government indeed has a greater control of the central bank and its reserves, which is required to plug the widening fiscal deficit in the election year. Whoever replaces Patel, most likely

the senior-most deputy governor, or a hand-pick of the government, the next central bank chief will be under an intense pressure from the government to concede to the latter's demands for more growth-friendly policies ahead of the general elections in early 2019. The news is clearly a significant negative for the markets; even Moody's deplored as being credit negative. The USD/INR is just shy of our end-year 71.50 forecast (spot 71.3).

## Put me out of my misery

Asked if I was going home for Christmas at the coffee shop this morning (standard question to expats), I had to answer, "No, there's nothing there for me now", and as I watch the Brexit purgatory drag on, that feels increasingly true. [James Smith has put an excellent piece on this on Think](#) - I can't talk about this anymore. Please read his detailed note on what this all means.

One way or another, I'm just hoping someone will put me out of my misery on this topic - though as I noted in yesterday's note, the groundswell for a second referendum in the UK (sample of about four in various recent pub-based conversations) seems to be growing, whether to decisively leave without a deal on WTO terms, with the accompanying though hopefully short-lived food and medical shortages that this would possibly entail, or to return to what existed before, which placed against the alternatives, does not look such a bad place to be after all. Either way, the best Christmas present of all would be an end to Brexit news stories.

## Macron uses "Get out of jail" card - its not free though

I'm hoping someone will soon put a value on the cost of French President Emmanuel Macron's cave-in to the Gilets Jaunes movement. France was projected to run a budget deficit of 2.8% before Macron pulled the plug on plans to raise fuel duties. He is now trying to buy peace with a EUR100 per month increase in the minimum wage, a tax-free end-of-year bonus, an end to levies on overtime and cuts to taxes on lower income pensions.

Most interested in the impact on the French deficit will be the Italians, who are in a fight with the European Commission about their plans for a 2.4% deficit. of course, deficit procedures are more complicated than a straight comparison of deficits, but to the average yellow-vested punter on the streets, this is about as far as it usually gets...For all those looking for a EUR rally next year, this sort of internal European inconsistency, as much as the mediocre macro story, provides a good reason to keep EUR expectations limited.

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