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Privacy: The New Alpha For Profitability

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China's Debt Problem

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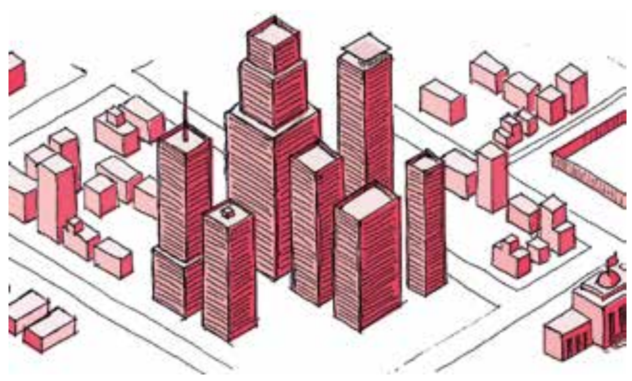

*Images on the cover are taken from stock photos

PRIVACY:
THE NEW ALPHA FOR PROFITABILITY

Amazon & Flipkart promise to deliver goods to our doorstep within a few days and we thrive on binge buying and window shopping on most days of the week because of it. Why? Well of course because it is hassle-free and fast! We visit tons of sites to consume information on the internet and we also want to consume it as quickly as possible, compelling ourselves to accept all the terms and conditions placed by the sites. It is quite ironic that we crib and sulk about our privacy being invaded and on the other hand, we accept all these terms and conditions in the blink of an eye. It is this dilemma that has made privacy the talk of the town. Are we as much to blame for our privacy being distorted as the profit-hungry tech companies?

The advent of the internet changed countless aspects of our daily lives, including how we learn, communicate, work, think, and especially how we define different values, like privacy. With this article, we will be shedding light on

• What is privacy and why is it creating an uproar?
• How privacy and profits go hand in hand for Tech giants.
• Big data at war over privacy.
• Privacy going forward.

The right to privacy which was recognized as a fundamental right and emerged primarily from Article 21 of the Constitution of India to act as a fair and necessary right. To make this right meaningful, it is the duty of the state to put in place a data protection framework that, while protecting citizens from dangers to informational privacy originating from state and non-state actors, serves the common good and well-being.

Privacy in the 21st century:

Informational privacy is the privilege to have control over how our personal information is collected and used.

Although, in the 21st century the exact definition of "privacy" has become quite difficult to comprehend. As technology has advanced, it has become easier to gather information at the click of a button at any time of the day. The catch here is that this mass exposure works two ways — you may be able to see everything online, but you can also be seen as easily.

A serious user privacy issue is the identification of personal information during transmission over the Internet. The applications on our phones and through hundreds of websites that we visit to access information in just a few clicks are all, channels to get access to everything including our location, and specifications of not just where we are 24/7 but also where we live and go to work every day. Monetary transactions we make throughout the day, our favorite coffee shop, and even our personal text messages and e-mails fall under the purview of this big abyss that the digital age has brought upon us.

How do privacy and profits go hand in hand for Tech Giants?:

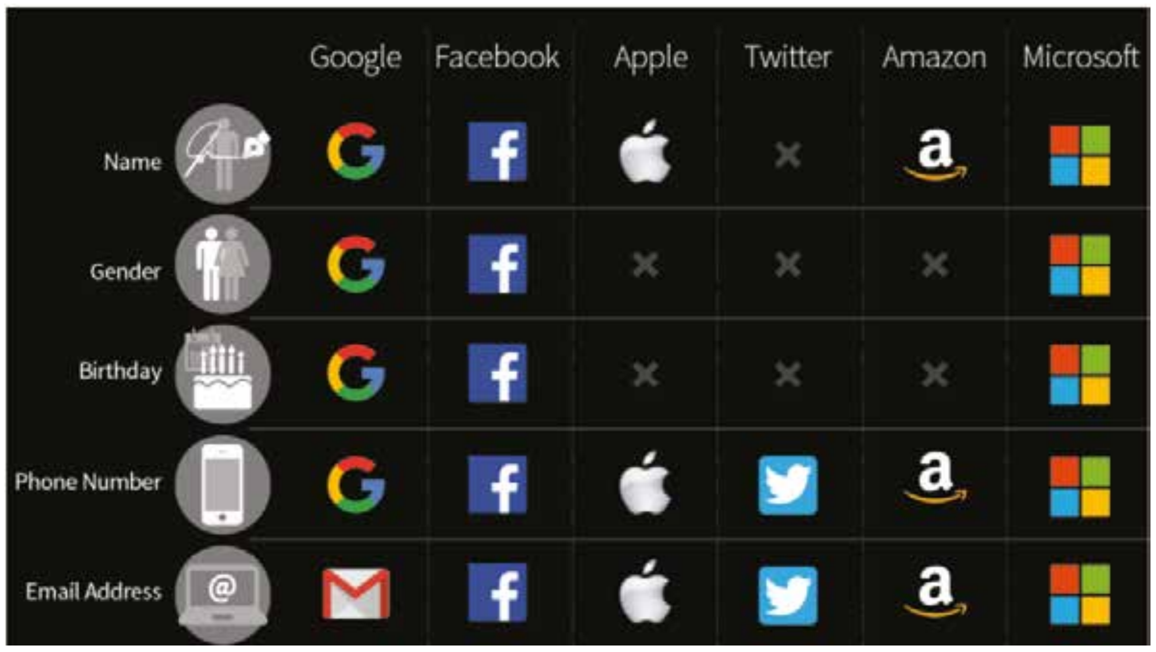

Fig: 1 Source: www.pcmag.com

Google makes $0.44 billion per day. As of October 2021, Mark Zuckerberg's net worth is $ 122 billion. Amazon's sales grew by 27% in the second quarter of 2021and it is worth $ 113.1 billion. This list of revenues can go on and on. Many other tech giants like Jio and Microsoft can come under this ambit. But wait, do we know the real revenue models behind such figures? If you are wondering whether these figures are the results of the services these big techs provide then you are right but also wrong in a wider sense. Their major earnings come from our privacy which they have manufactured into a monetized product. The keyword here is " Data collection". Their entire revenue models revolve around our privacy and our data. Not only do they collect our data without our knowledge but also use it for their profits and that is precisely what their real weapon is in the process of making huge revenues. A thought might pop up in your mind as to how data gets collected without our knowledge. It's no surprise but the new necessity of our lives; "technology" enables data collection. It's the technology that feeds our personal data to the tech giants. In fact, it's not only the tech giants that feed on our personal data but this list also includes academic researchers, foreign nations, hackers, and law enforcement agencies. Whenever we visit a site, we see hundreds of pop-ups to accept "cookies" to keep reading. In a jiffy, we click on "Accept and proceed" permitting them to make our experience more personalized with "cookies" planted onto our browser and account. Cookies are trackers deployed by websites that collect data about where you click, which page you visit, where you exit, and where you spend more time. This is how cookies acting as trackers ensures the smooth collection of our personal data. While we speak about data, it's worth emphasizing on the word " Big Data" rather than just data. In fact, it is this big data that companies use to improve their business models.

Well, what is Big data?:

Big data is a term that describes large, hard-to-manage volumes of data comprising greater variety, and these data sets are so voluminous that traditional data processing software just can't manage them. But it's not just the type or amount of data that's important, it's what organizations do with this data that matters. Let us understand this with an example. Amazon, since its founding in 1994, has collected loads of information about what millions of people buy, where those purchases are getting delivered and how the consumers are paying for the product they buy. Moreover, in recent years, Amazon has begun offering an access to its self-service ad portal, where companies including marketing companies can buy ad campaigns and target them to ultra-specific demographics, including past purchasers. This usage of big data can be boiled down to four major ways through which companies make money. Let's dive into it.

Marketing and advertising- It goes without saying that the right marketing strategies are imperative for a company to make profits. Therefore, companies invest heavily in developing their marketing tactics. Big data as a tool has done wonders in this direction. Through big data, companies can monitor their online presence, their customer base, and current customer trends before launching a marketing campaign which in turn results in a highly focused marketing campaign that paves the way for targeting current customers and even potential future customers, ultimately contributing towards higher monetary returns.

Product development- As per the statistics, 66% of new products still fail within two years. 96% of all innovations (of which most are new products) fail to return their cost of capital. One potential reason cited for failure is that the new product or service idea serves no strongly identified customer need. This is where " Big Data" comes into the picture and enables the companies to calculate whether the customers want this product or not, the possible competition in the market, whether the product is profitable, etc. Then they use big data analytics to ensure that the product meets customer expectations so that they can make money out of the product.

Buying and selling to third party users- As has already been mentioned above, Big data is one of the major statistics that is collected by the tech giants and sold off to smaller companies in exchange for money which makes part of the huge revenues the companies earn. To be more precise, data collected across 62 countries i.e. 2.5 billion addressable consumers— who amount to 68 percent of the world's online population have accepted "cookies" and their data is being sold right this second. Our browser history; most visited websites and apps are all part of big data. In turn, these third-party users make use of the big data collected to send targeted ads in the form of aggressive ad marketing and further sell it to more companies for a higher price than they paid to retrieve it. In this form, our privacy has turned into merely a revenue stream rather than a personal right.

Risk management- As it relates to financial risks, big data helps to identify and forecast risks that can harm your business. With the escalation of cybercrime, big data analysis can help to detect patterns that indicate a potential cybersecurity threat to a business. Using data science technology that incorporates predictive algorithms to analyze big data along with risk assessment, companies can obtain real-time insight into their risks and use that to drive their risk management strategy. By leveraging the different sources of big data, organizations derive insight into organizational risk, which allows for assessing and minimizing threats.

Information exposure due to Covid-19 pandemic:

The pandemic years were not just a regrettable state of affairs but they brought to us the best of innovations, especially in terms of technology. Not only did people integrate more data collection and information exposure into their daily lives, be it on meetings and classes on zoom; ordering groceries online; contacting healthcare providers through video sessions and so on but they were also told that location tracking could have public health benefits. Location data companies promoted their services as useful tools to keep count of the vaccinated population or measure the effectiveness of social distancing as they tracked millions of people who were likely unaware that they were being tracked at all, let alone how and to what extent.

Were we safe before the pandemic?:

After the scandal in 2010s, involving a researcher at Cambridge Analytica, a political consulting firm that did work for the Trump campaign, who improperly accessed millions of Facebook users' data, CEO Mark Zuckerberg was confronted, and then Facebook was fined $5 Billion(which is worth pennies to the huge tech giant). Zoom claimed to offer end-to-end encryption; it didn't. It also sent user data to Facebook and LinkedIn, but there were no serious repercussions for the violation. So how are we to trust any company? How should we make sure our data is landing in safe hands? and if not so, how can we demand justice? In June 2018, California passed the California Consumer Privacy Act (CCPA) of 2018. The policy grants consumers the right to request the data that businesses collect on them and to ask companies not to sell their data. The law imposes strict rules about how businesses disclose data collected from consumers. Among other things, this law adds and funds a dedicated agency to investigate privacy violations. Needless to say, it was opposed by major media, telecom, and tech companies, including Amazon, Google, Microsoft, Comcast, AT&T, and Verizon.

Privacy going forward:

For private information to be respected and collected for the right reasons through the right channels the world would need more laws like this one. Customer information is not a commodity, but rather a personal bond of trust between an organization and its customers. This also extends to what is shared with outside vendors and their associated platforms. Transparency should be paramount.

But will this change happen soon enough? Will we start understanding how important it is for us to safeguard our privacy and not throw it under the bus every time we visit a site to consume information? Only time will tell.

-Hrishita Lingam & Nandini Nahar

THE INTEREST RATE FIASCO

Our global leaders have been hawkishly hinting at the possibility of interest rate hikes as the world's central banks have been stuck in the world's most important pawn shop: "the repo market." Nothing, however, could have foreshadowed the current situation where the central banks are announcing record-high interest rates. Some of them are The Russian central bank which raised its key interest rate by 75 basis points to 7.5 percent, and New Zealand that raised rates for the first time in seven years. A majority of other countries have multiple hikes up their sleeves. But what are the mechanics of this baffled play of repurchase rate points?

Let's understand this from where it began:

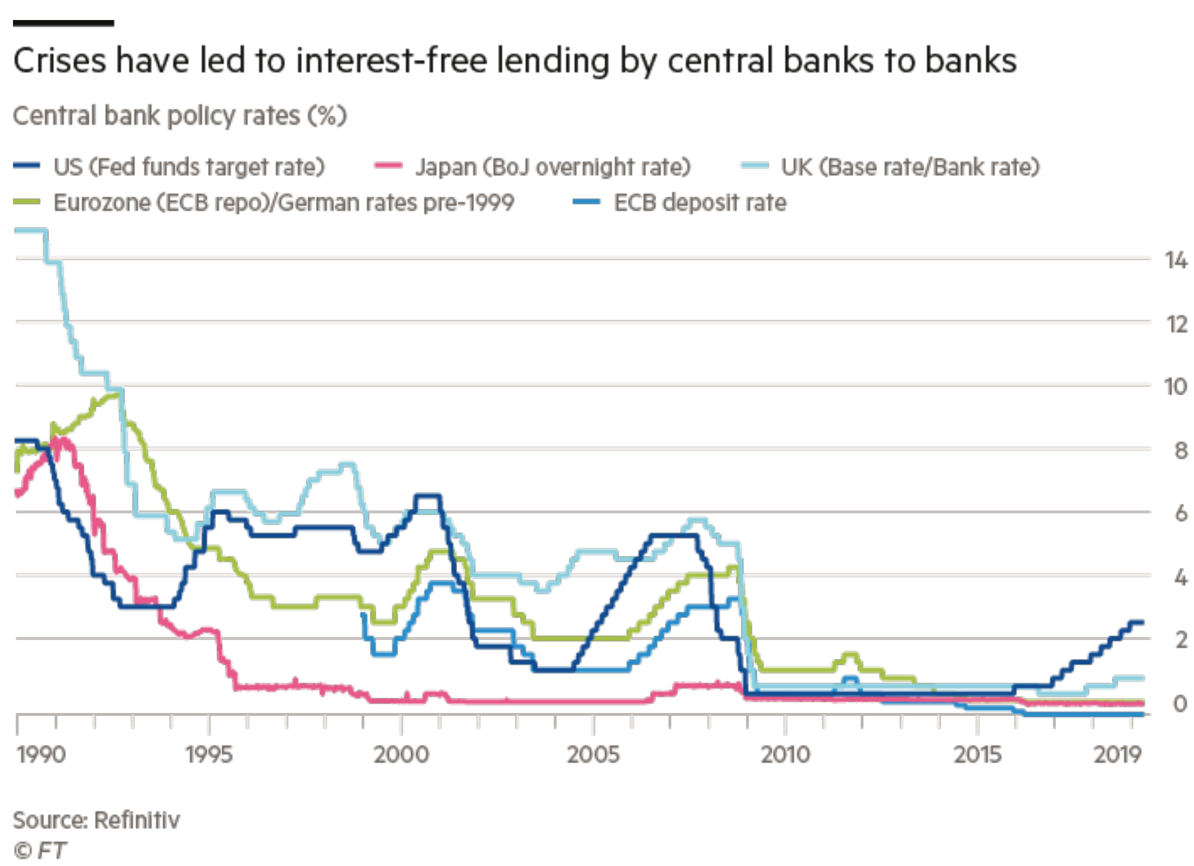

Fig:2, Source: Refinitiv

In 2019, global interest rates hit rock bottom. What followed were investors taking on more risk in search of higher yields. This slow build-up of risk in the low interest rate environment was slammed by the unprecedented Pandemic.

The Pandemic:

In 2020 when WHO declared COVID-19 a pandemic, the world entered into an uncharted economic territory. Countries imposed strict lockdowns, restricting flow of goods, people, tax revenues, supply chains and transport. This stalled the economies, and delivered a global recession. The human costs were immeasurable, but the economic contagion spread faster than the disease.

Fig:3, Source: BCG Center for Macroeconomic Analysis

Starting with inflationary supply and deflationary demand shifts in the Covid-19 recession, demand shortfalls dominated supply-side dynamics on the net. **As a result, the aggregate demand curve sank and the global economy shrank by -3.5 percent.**

To manage this aggregate demand crunch, **Quantitative easing** was introduced by the countries where the central banks made large-scale purchases of financial assets, like government and corporate bonds and even stocks. This aimed at a chain reaction: *Money supply increases-liquidity increases-interest rates decline--investors reallocate assets-economic growth spurts.*

How Was Quantitative Easing Implemented?

The world's four major central banks (Fed, ECB, BOE, and BOJ) expanded their QE programs by a total of $9.1 trillion, and the asset purchases increased the size of their cumulative balance sheet by around 60 percent. This was the largest QE program ever implemented. The US Federal Reserve launched quantitative easing (QE) by lowering interest rates by a total of 1.5 percent, bringing them close to zero percent (0.25 percent). In addition, beginning in March 2020, it purchased $120 billion in government-backed bonds each month to restore credit flow.

QE in emerging markets was deemed as playing with fire but 13 EM countries including Indonesia, India, Poland, and Hungary successfully experimented with some form of quantitative easing amid the pandemic. During March-May2020, the Reserve Bank of India (RBI) purchased 3.1 trillion rupees worth of bonds, as well as lowered interest rates to an all-time low of 4.4 percent and the repo rate by 115 basis points (bps)

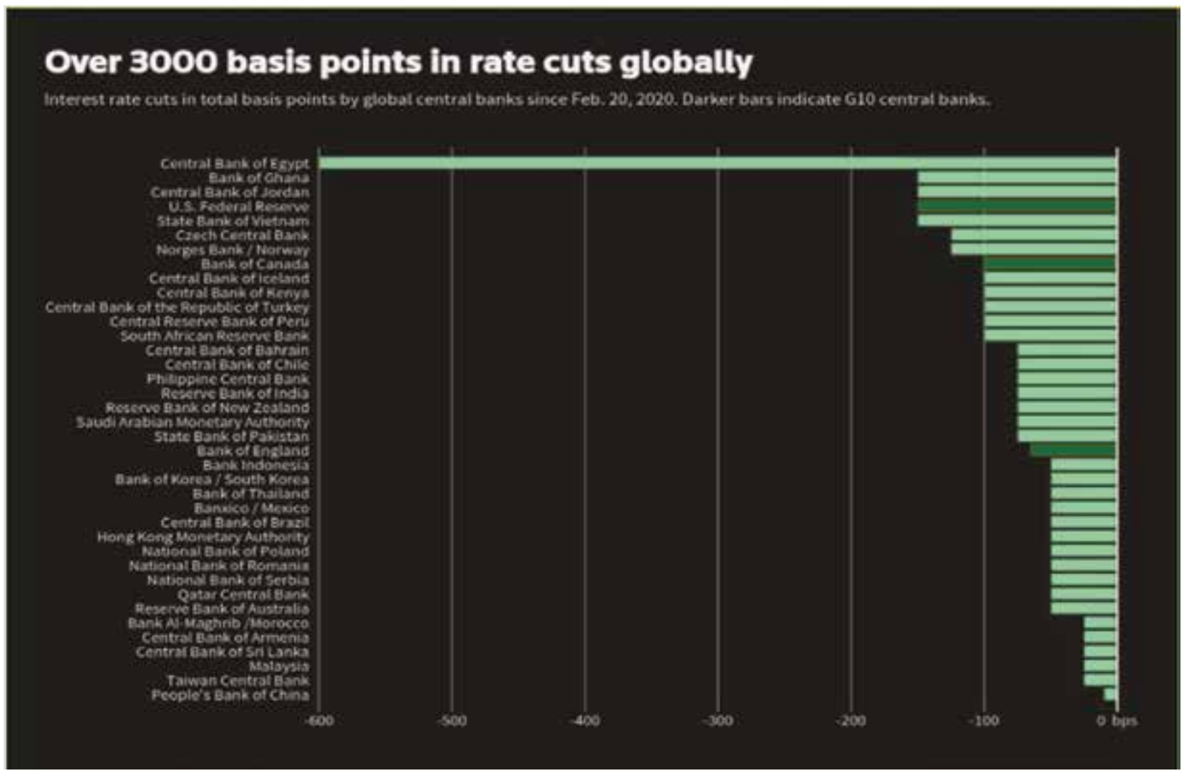

Fig:4, Source: Reuters

The Economic Hangover of the Pandemic

Coming out of the pandemic, there are severe consequences of the Quantitative Easing program. Paramount of them is the soaring public debt which has surpassed the levels of the previous 60 years. This might develop a stressful situation as we move with the course of the business cycle. Why? Well, if government debt is roughly 125 percent of GDP, every 1% increase in interest rates will result in a 1.25 percentage-point increase in the annual fiscal deficit's share of the GDP.so even while the global economy is recovering it is still digging out of one of the deepest economic contractions throughout the world. Inflation rates are rising. The labour market is very constrained. Stock markets are flirting with all-time highs at the same time. There is a boom in consumer demand, which has been met with supply bottlenecks and rising costs.

While QE exit strategies are critical and inevitable. The crucial issue here is the timing. Premature monetary policy tightening will have serious consequences, stagflation, or weak growth with a high level of unemployment and inflation.

Inflation Risks:

Critical to the interest rate scenarios is the rising levels of inflation. The past 6 months have seen inflationary spikes which are raising concern for almost all the countries.Inflation and GDP have a highly sensitive relationship. Annual GDP growth is critical for stock market participants. Most businesses will be unable to increase earnings if general economic output is dropping or remaining stable (which is the primary driver of stock performance). However, too much GDP growth due to an increase in inflation is also dangerous, as it erodes stock market gains by making the money (and future corporate profits) less valuable. The high GDP rate along with a high inflation rate usually occurs after a recession. In this case it makes the nominal growth very high too. As it can be seen in the chart, the high inflation is accompanied by a high GDP projection.

Real GDP growth projections

% change, year-on-year

	2020	2021	2022		2020	2021	2022
World	-3.4	5.7	4.5	G20	-3.1	6.1	4.8
Australia	-2.5	4.0	3.3	Argentina	-9.9	7.6	1.9
Canada	-5.3	5.4	4.1	Brazil	-4.4	5.2	2.3
Euro area	-6.5	5.3	4.6	China	2.3	8.5	5.8
Germany	-4.9	2.9	4.6	India*	-7.3	9.7	7.9
France	-8.0	6.3	4.0	Indonesia	-2.1	3.7	4.9
Italy	-8.9	5.9	4.1	Mexico	-8.3	6.3	3.4
Spain	-10.8	6.8	6.6	Russia	-2.5	2.7	3.4
Japan	-4.6	2.5	2.1	Saudi Arabia	-4.1	2.3	4.8
Korea	-0.9	4.0	2.9	South Africa	-7.0	4.6	2.5
United Kingdom	-9.8	6.7	5.2	Turkey	1.8	8.4	3.1
United States	-3.4	6.0	3.9				

Note: *India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20. World and G20 aggregates use moving nominal GDP weights at purchasing power parities.
Source: OECD Economic Outlook database.

4 OECD

Fig:5, Source: OECD

The OECD said that the central banks need to come up with strategies to counter the faster-than-expected cost increases amid an uneven recovery. In the OECD’s forecasts, it now expects inflation in the Group of 20 bloc at 3.7% in 2021 and 3.9% in 2022.While pricing pressures in the United States will eventually ease, the organization's economists predict that the rate will remain above 3% into next year.

According to the OECD, the world has lost some growth momentum due to a mix of higher inflation and uneven growth. That casts doubt over what kind of economy will emerge from almost two years of severe disruption during a global health crisis. The OECD trimmed its global growth forecast for 2021 to 5.7% from 5.8%.

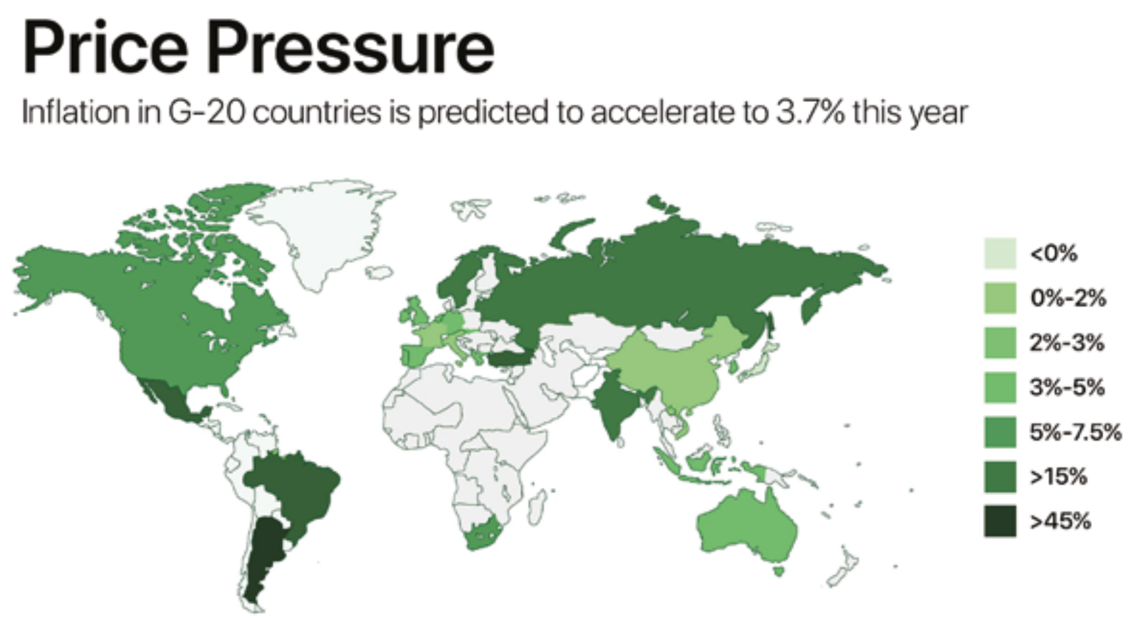

Fig:6, Source: OECD

Future Outlook:

So now as more money was put in the economy, the recession subsided and the threat of inflation came up. The Fed has two options in front of them, either slowing down the supply of money or withdrawing from applying the policy itself. This is called Tapering. Once the economy is normal or once the desired effect is accomplished, the Fed reduces the purchase of central bank assets. This helps in reducing the liquidity from the economy. To not affect the market, tapering is done gradually and slowly, in parts. Any knee-jerk movements to this policy is called taper tantrums, like in 2013, when erstwhile chairman of the Federal Reserve, Ben Barnanke spoke of possible financial tightening, investors dumped financial assets in emerging markets en masse and moved their capital to safe-haven assets in developed markets. This came to be known as the 'taper tantrum'. In June 2021, the Fed seemed to be at the end of its easy money policy. There were some talks about tapering but the central bank had rejected those claims saying that it is still in the early stages. According to Business Insider, this mixed communication might indicate that the tapering could arrive early next year. This would again help in strengthening the dollar. The upcoming reversal of Quantitative Easing programmes in advanced economies would result in a sucking out of ample liquidity from the global financial markets. Since the US Fed buys $120 billion of bonds each month, the tapering process would alter the supply and demand dynamics and could potentially induce short-term volatility in certain market segments, such as long-dated bonds and fixed income assets. Most vulnerable central banks, such as Brazil, Ghana and Armenia, are getting ready to fortify the financial system of their nations against any problems which might hit the emerging markets like it did in 2013 taper tantrum by starting their tightening cycle. In April 2021, Canada's central bank was the first from the G7 countries to withdraw the Covid stimulus and indicated that they will increase the interest rates by 2022. Norway increased its base rate by 0.25 percent and has signaled further hikes to 1.25 percent by end of 2022. New Zealand's central bank has raised interest rates for the first time in seven years as it tries to rein in property prices and inflation. Russia's central bank raised its key interest rate by 75 basis points to 7.5% delivering its sixth hike this year in an effort to tame the highest inflation. Turkey aggressively tightened last year; a move its central bank governor hopes will serve as a "shield" against any Fed pivot.

How US Tapering Affects India:

India was amongst the most affected countries during the 2013 US tapering. This time as there was a lot of liquidity in the USA's economy, a lot of it flowed into the Indian markets. There was a 44% increase recorded in FDI equity inflow from the US during the FY 2020-21 compared to FY 2019-20. When tapering occurs the foreign investors will pull out their money from the riskier emerging markets and invest in something safer. Any announcement by the Fed could lead to a potential crash in the stock market of the country. But there has already been a lot of speculation about potential tapering by the Fed which is leading to the market correcting itself lately. It is said that the US tapering will hurt India and Indonesia less than the other nations.

In recent years, the government and the RBI have taken a number of steps to facilitate foreign investments in Indian bonds. Last year, the RBI opened certain specified categories of government securities for unrestricted access to foreign investors. While foreign investments in government debt is restricted to 6 percent of outstanding stock, this limit does not apply to some notified bonds.Bonds from the two countries are already leading gains in emerging Asia this quarter, offering 3-5 percent returns to dollar-based investors. In comparison, lower-yielding bonds from Thailand and South Korea have handed losses of between 4.5-5 percent.Today, the RBI has amassed $572 billion in foreign currency assets, which will be useful in combating any speculative attack on the rupee as a result of the US Fed's slowdown in bond buying.

The best course of action is to concentrate on fundamentals and guarantee macroeconomic stability, avoiding any form of short-term knee-jerk reaction in the event of a spillover from the taper talk. India should maintain a sufficient level of reserves, minimise excessive exchange rate volatility, and equip its banks and businesses to deal with higher volatility.

-Radhika Parikh & Divyanshi Arora

CHINA'S DEBT PROBLEM

The recent debacle with Evergrande has put China in the forefront of discussions when it comes to the stability of the global financial system and has shed a much needed light on the country'sextreme level of indebtness that has been a source of concern for experts around the world. Since the adoption of the free market policies by China in 1979, China has been by far one of the fastest growing economies in the world with an average GDP growth rate of 9.5% through 2018, a pace described by the World Bank as "the fastest sustained expansion by a major economy in history". Such growth has enabled China to double its GDP roughly every 8 years and has allowed the country to lift close to 800 million out of poverty. Currently, it is the second largest economy in the world by GDP at an astounding figure of $14 Trillion and the largest economy in the world in terms of purchasing power parity. In-fact, it is estimated to exceed the US in terms of GDP by 2030 and it has been able to do all this within a period ofmere 72 years. Therefore, it is not a surprise that for a very long time, China's ec nomic policies were considered to be something out of fiction. The country was hailed as a leader when it came to championing economic prowess even through some of the most turbulent periods in geopolitical history with the global ideological war between the US and the Soviet Union popularly referred to as the 'Cold War'. Today, it is considered to be a global manufacturing hub and world's largest merchandise trader and holder of foreign exchange reserves. However, cracks in its economic policies that have fueled this incredible expansion is finally starting to show. As a country that dedicates most of its economic prosperity to the rise of its real estate and infrastructure industry which in turn was funded and fueled by massive state funded programs, it is also the secondmost heavily indebted country in the world as of 2021.

Nature of China's Current Debt:

In broad terms, China's Debt can be divided into domestic debt and foreign debt. The domestic debt consists of household debt, corporate debt and public/sovereign debt. All of the domestic debt is denominated in Yuan, the country's official legal currency. Household debt refers to the private debt that is borne by the citizens of the country. It includes debt such as consumer debt and mortgage debt. Corporate Debt is the debt that is owed by the private and public sector corporations to domestic financial institutions and banks. Public debt on the other hand refers to a combination of national and local government debts. China's foreign debt in currencies other than yuan includes borrowings made by domestic corporations both in the

private and public sector from foreign financial institutions. It also includes corporate and national bonds that are offered to global investors by domestic companies as well as the national government. It's outstanding foreign debt stood at $2.4 Trillion by the end of 2020 according to the Chinese State Administration of Fo eign Exchange.

China's Debt levels rose sharply in 2020 due to the stimulus measures and monetary easing policies that were adopted by the country's government and central bank to curb the economic impact caused by the Covid-19 pandemic disrupting global supply chains and

China's manufacturing processes and global consumer demand.

The National Institute of Finance and Development (NIFD), which is a government linked think-tank estimated by the end of 2020, China's overall Debt to GDP ratio of 270.1 percent, up from 246.5 percent in 2019. Household Debt to GDP declined slightly for the first time on a quarterly basis since 2012, from 62.2 percent at the end of 2020 to 62.1 percent in the first quarter of 2021, according to NFID. Within household debt, consumer loans rose from 13.4 percent in late 2020 to 13.9 percent in the first quarter of 2021. Public Debt to GDP fell the most in 2020.

Holders of Chinese Debt:

Most of China's local government debt is owned by state owned or state controlled financial institutions. For decades, local governments have borrowed using off-balance sheet borrowings through local government financial vehicles. (LGFV) There is hardly any transparency that can be attained as to the amount borrowed and what remains outstanding as a result of such financial agreements. Reports suggest that such bo rowing measures were used by local governments to fund local real estate markets and developers. In 2018, such hidden debts were estimated to be between $4.2 Trillion to $5 Trillion. Most of Chinese debt is typically owned by Chinese domestic commercial banks and then by public policy banks supported by the government and attuned to lending practices that support government policies. Some of these banks also issue bonds to raise funds for infrastructure ,investment and insurance companies.

Foreign investors on the other hand have mostly invested through the Chinese bond market by investing in bonds and securities offered by the national and local governments as well as private companies. There is also a hefty investment in Mortgage-Backed Securities (MBS) products. The Chinese bond market is now the second largest in the world behind the US, and it's prowess is often witnessed by the effectiveness of the quantitative easing policies adopted by the central bank in times of economic downfall like the pandemic. Foreign investors now own close to $550 Billion worth of bonds in it's $16 Trillion Bond market.

China's Real Estate and Change in its Debt:

Data from the most recently published China Household Survey state that there are currently 65Million-home units that are empty. That's enough to house the entire population of France. This is a perfect example of China's housing bubble that has been at the forefront of the country's economic advancement in the modern century. China's housing market is now the biggest in the world valued at close to $52 Trillion, which is double the size of that of the US. With an oversupply of home units and a lowering demand, the real estate i dustry in China is experiencing an effective correction. However, given the fact that close to 6 decades of growth in the industry was fueled by debt, this slowdown in the Chinese Housing market is calling for a recall of corporate debt. Evergrande, and it's massive $300 Billion debt problem is a characteristic of the faults in the real estate debt market that is likely to u ravel without government fiscal support.

As a result of the ballooning debt in its real estate and the greater infrastructure industry, since 2016 the Chinese Central bank has led an effort of a deleveraging policy across the horizon which in turn is a main reason for the recent pressure on Evergrande. In April, the State Council, the government's cabinet said that LGFVs should restructure or go bankrupt in they are

Figure:1

unable to pay back.

Causes:

We can consider this issue on 2 comprehensive levels. It's domestic debt which includes corporate, household and government, and foreign debts which includes borrowings from foreign multinational banks, trade credits, debt securities issued by the state. We all are aware about the Chinese strategy of investments in other u derdeveloped and developing countries. But it puts everyone in the world with a question, how did China get into this so-called financial virus, will it be contagious in future?

Domestic Debts:

If we recollect the 2008 financial crisis that shook the world, China's domestic debt has been growing at an average rate of 20% which is almost double and faster than it's GDP growth. In the same year, the state received $586 Billion (4 Trillion Yuan) as a stimulus package to recover the economy, which led to excessive borrowing but if we check the trend of its GDP it is still in a downward trend. Keeping 2008 as a base, China's Disposable income has increased by 12% annually on average, while the household debt has grown up by 23% each year on average, which means that a rational individual's nominal income has increased by 3 times of what he used to earn in 2008 but if we consider the debts, it has certainly grown by almost 9 times, this difference has been growing rapidly from 2019-20 onwards. All this at the end has added up and affected the aggregate debt figure.

The Social Burden:

According to the house price to wage ratio, China has 7/10 most expensive cities for residential property. Cities irrespective of their tier, have one thing in common that the income of the residents is humongously unproportionate to the housing prices. The ave age price of a property for a sustainable living is around $300,000, so even for the city's general public who make $1,200- $5,000 per month, the price seems prohibitively high. And still 90% of the registered families own their home, which makes China have a more than considerable home ownership rate in the world. And the answer to this is pretty much simple, Bank Loans and Housing Provident Funds.

When the country started privatizing the housing market as a helpful measure in order to make urban housing affordable to the public, more people started investing their income in such projects. People in China are raised from an early age to become productive members of society, get married, have a family and most importantly own a home. For the Chinese, their home is their real security. So, home ownership for Chinese families has literally become a matter of life or death.

As the ever increasing population and relative demand, infrastructure companies like Modernland China, Greenland and especially Evergrande arose in such booming times. Most of the directors or owners of such companies are a part of the Chinese People's Political Consultative Conference (CPPCC). Evergrande had their base expanded in different sectors, right from owning a football team till selling water bottles and electric vehicles.Media houses have put forward in such a way that for evergrande, in order to raise funds and resources, the founder gave confidence to the creditors.

Recently most of the revenues that have been generated by these infrastructure companies are through pre-sold apartments that are not completed yet and the companies on other hand are facing huge debt problems because of the government measures in order to provide urban homes. Every year, China starts building 15 million new homes - five times as many as the US and Europe combined, creating nothing but a ghost town, these homes being empty portrays that they are sold out to the investors or buyers, but not occupied by any of them. And the number of such ghost towns is so high, that it can house the entire population of France (65 Million Approx.).

As the market share of the above-mentioned companies is higher than others, these are the same companies that get lending either from the centre or other foreign sources.

The Chinese property market is weakening, and new apartment demand is dwindling. The housing market bubble "has shown signals of a turning point," says the National Institution for Finance and Development, a renowned Beijing think tank, which also cited poor demand and declining sales figures. Evergrande has cut their prices with a higher rate, but the buyers are quite hesitant to invest their income.

The After effect of Evergrande:

Evergrande was just the beginning, Modernland China was supposed to pay back $250 Million, reports mentioned the company has neither paid the principal nor the interest, it is not as big as Evergrande but it is showing some similar symptoms. Even after trying everything to avoid a default nothing has worked out, thus entering the list of defaulters, the crisis has become so big now that even the state cannot put it under cover.

But the deal is not only with the infrastructure sector in China, the economy is witnessing defaults across the board. The offshore bonds have almost tripled in the last 3 years, in 2018 the default was of around $3.3 Billion and currently it is $8.7 Billion. The infra sector holds one-third of this debt, the rest belongs to other sector. Other countries should try deleveraging their investments in china in order to secure themselves

from this virus, otherwise this debt pile could lead to pandemic in a financial way

-Atharva Tidke & Mallar Chakraborty

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Congratulations!!!

1st place in Speculate to Dominate Contest

Speculate to Dominate was a contest to test participants knowledge and skills on Financial markets. It was a part of Aldeberan 2.0 , A Pan India event conducted by ICHR.

Ehsan Ziyad and **Manmad Rao** represented the college and bagged the first place in the contest.

The college participated in all the 8 contests and were finalists of 4 contests. Other Team members were Sanskar Agarwal, Prachi Tolani, Divyanshi, Nandini Vengurlekar, Prachi Bhagat, Tejas Tule, Shlok Agarwal and Sejal Manglani.

Symbiosis Investments and Finance Association

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