



MUDRA

An Imprint on the Economy

DEPARTMENT OF COMMERCE

CHRIST UNIVERSITY

CONTENTS

- 1) THE TEQUILA CRISIS, IN A NUTSHELL 3
- 2) EURO WILL BECOME A CARRY TRADE CURRENCY 6
- 3) GREECE'S SAGA OF QUANDARIES 9
- 4) ANY GUESSES FOR WHO THIS FAMOUS PERSONALITY IS? 12
- 5) BOOK REVIEW 15
- 6) THE POWER OF A DREAM 17
- 7) HEADS OF INTERNATIONAL ORGANISATIONS 20
- 8) HEADS OF INDIAN ORAGNISATIONS 23
- 9) ABBREVIATIONS 25
- 10) BUSINESS QUIZ 26

THE TEQUILA CRISIS, IN A NUTSHELL

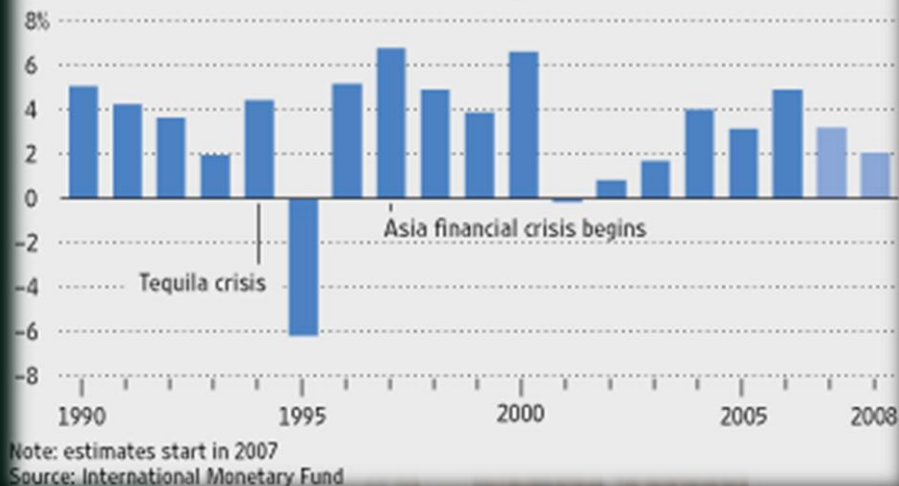
Mexico suffered its worst economic crises under the presidency of Carlos Salinas de Gortari, an economist and reformer whose 6 year administration ended with a budget deficit of 7% and the economy in shatters. In 1981 a technocratic government came to power and deregulated the Mexican economy, appointed PhDs from Ivy Universities to run the Government.

Even with all that reforms underway the economy grew by less than 1% during 1981-89. No payoff emerged after all those reforms, in 1994 wages were still below 1981 levels because of the overvalued peso. The country's currency(peso) was indexed to the dollar, 1 Dollar=1 Peso, making its goods expensive relative to other countries, established currency board had a negative impact and pegging the Peso to the Dollar laid the groundwork for their own demise.

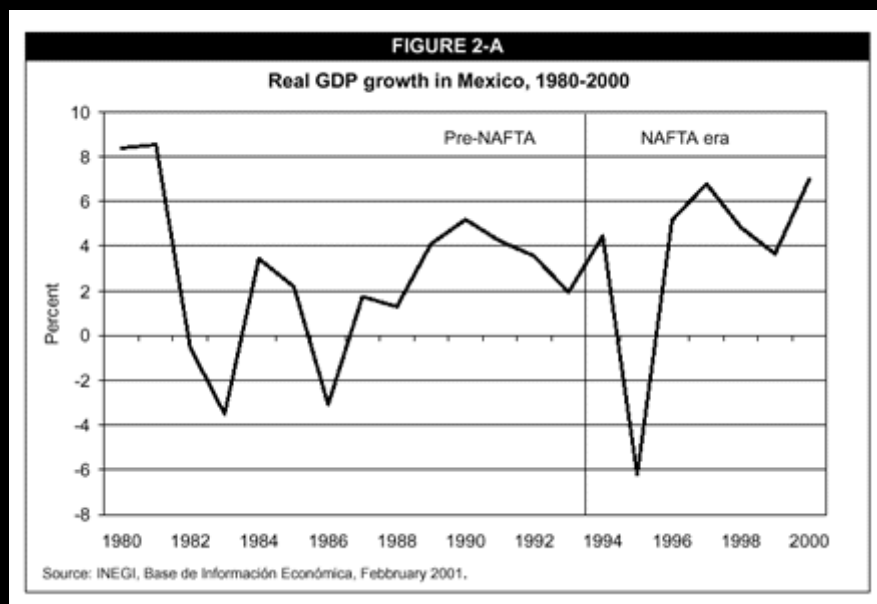
Learning From the 'Tequila Crisis'

Mexico's handling of its financial crisis in the 1990s may offer guidance for U.S. regulators crafting the current bailout plan

Mexico's GDP, in constant prices, change from a year earlier



In December of 1994 devaluation took place, but speculators didn't say "ok that's over" and stopped betting on the currency's continued decline, that was how it worked in Britain and Sweden in 1992, danger is the speculators will view the 1st devaluation as a sign of more to come and if u make devaluation big enough you don't set up expectations for more to come. Mexico broke both rules, gave sentences a kinetic dimension, initial devaluation was 15%, only half of what economists were suggesting, government behaved arrogantly, massive capital flight was inevitable and the country abandoned its fixed exchange rate, finance minister Serapoche was replaced. Foreign investors were "shocked", currency fell to half the pre-crisis value, pressing problem was that they could not finance long term debt and accumulated substantial amount of short term debt, the need to pay high interest rates on that debt which was a major problem in 1980s due to populist policies.



If a country is running a deficit on its current account, buying more goods than it sells it must correspondingly be running equal surplus in its capital a/c, selling more assets than it buys, this however did not work in the Economy, defeated in a 100 different ways it accepted the Brady deal of 1989, it gave more confidence to the market and government could roll over debt, by march it paid interest rates of 75%, to convince the market that it would not devalue, converted billions of short term debt into so called 'Tesobonos', indexed to the dollar size of dollarized debt exploded, reinforced the sense of panic ,in 1995 real GDP plunged 7%.

By:

Abhith Pallegar

III B.Com (Hons) 'J

EURO WILL BECOME A CARRY TRADE CURRENCY

The Euro is exhibiting signs of becoming a carry trade currency. Carry trade is when markets borrow in one currency to fund the purchase of assets in another currency. The end result is a general weakening of the funding currency and rise in prices in some asset classes.



The last one month has seen the Euro fall by over 5% against the US Dollar (USD). The Euro has come off from USD 1.34 to USD 1.27 since the beginning of December 2011 to date. Equity indices in the same period have been positive to mildly negative across geographies. US and European indices have gained over the last one month even as the Euro fell to one year lows. A one month trend may not be a precursor to the future, but looking at the fundamentals of the Euro, the trend may well continue. The trend of a weakening Euro and rising equity prices is a good possibility for the rest of 2012. The fundamentals of the Euro have weakened considerably over the last few months. A large part of the Euro's strength was derived from the fact that the ECB's (European Central Bank) sole mandate was inflation targeting. The mandate has not formally changed but the ECB is now getting sucked into the debt problems plaguing Eurozone countries. The move by the ECB to lend unlimited funds for three years at 1% to European banks is an indirect effort to bail out debt ridden countries that are unable to refinance debt. The last auction of funds in December 2011 saw banks borrowing close to 500 billion Euros from the ECB.



ECB has consistently been expanding its balance sheet since 2008, when the credit crisis forced central banks to lend against securities to stem a liquidity crisis. The debt problems of Eurozone countries have forced the ECB to buy bonds of the debt ridden countries of Italy, Spain, Portugal and Greece. ECB's assets have grown from less than Euro 1.4 trillion in 2008 to Euro 2.7 trillion in 2011. A central bank pumping liquidity into the system is a cause for currency weakness.

The ECB has cut interest rates from 1.5% to 1% over the last two months. The Eurozone debt issues and the resultant threat to growth as governments adopt austerity measures to cut debt prompted the cutting of policy rates. The fall in Eurozone inflation to 2.8% in December 2011 from 3% in

November 2011 is an indicator of falling inflation expectations. Unemployment is at over 10% levels in the Eurozone and forecasts of a mild recession this calendar year will not help in improving job prospects. The ECB will have to cut rates further to prop up the Eurozone economy.

In contrast to the Eurozone economics, the US economy is looking much better. The latest numbers coming out of the US is positive with manufacturing growth for December 2011 at six month highs and unemployment rate coming off to three lows at 8.5%. The US has been continuously adding jobs albeit at a slow pace with December 2011 seeing job additions of 200,000. The US Federal (Fed) has pledged to maintain interest rates at zero percent till 2013 and this will help US economy to grow at a better pace than the Eurozone. Markets will look at rising growth differentials between the Eurozone and the US and will take down the Euro further against the USD. An equity market rally across the globe with the Euro as the funding currency is well on the cards. Low Eurozone interest rates and high liquidity from the central bank will can act as a catalyst for carry trades. Commodities may not rally on the back of a strong USD.

India can benefit from a global equity rally driven by cheap Euro funding. Interest rate differentials work in favour for India, as policy rates are 750bps above ECB rate of 1%. Growth differential also works in favour for India as it is growing at 7% against a zero or negative growth in the Eurozone. Stable to weak commodity prices on the back of a strong USD will benefit India as it brings down inflation expectations. The markets are now in a completely unknown territory as well established fundamentals have broken down. Hence a rally led by Euro will be new to the markets and it remains to be seen how it will pan out.

By:

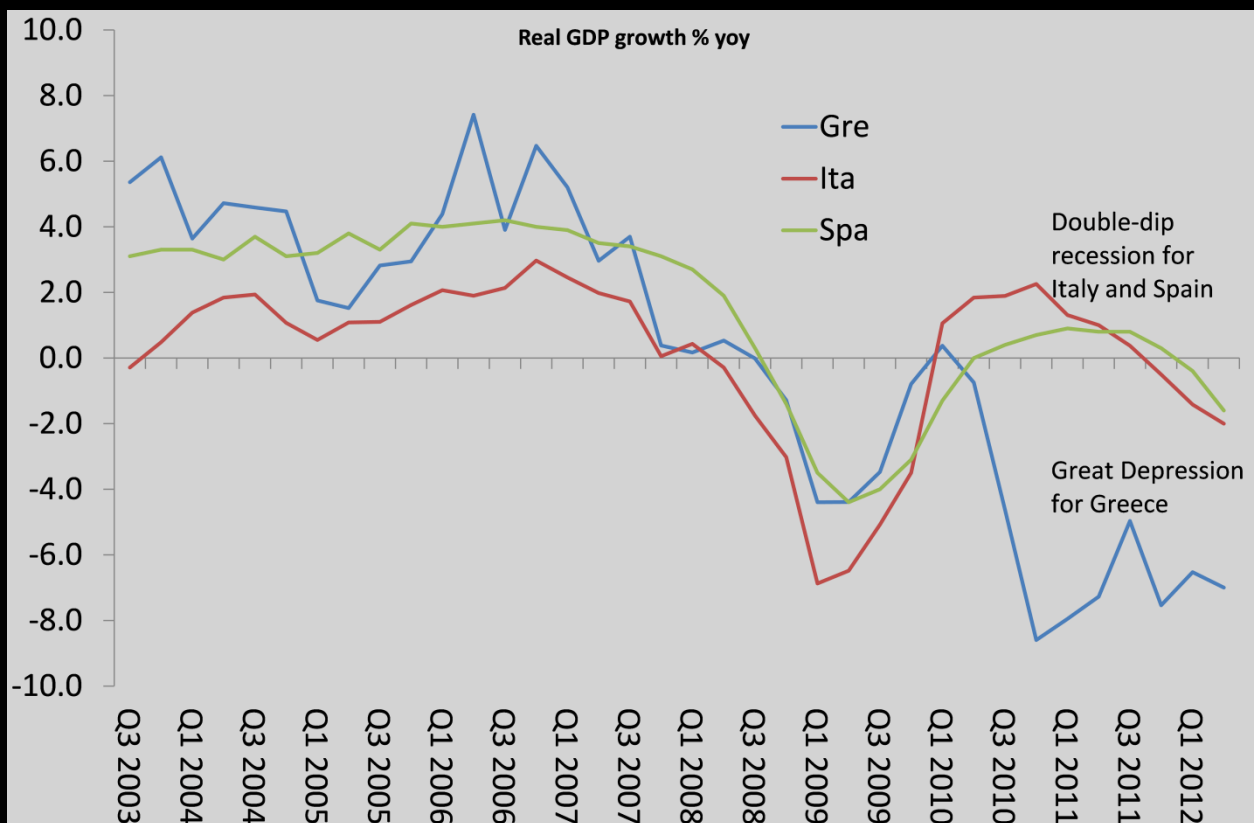
M. Maria Monica

5 B.Com C

GREECE'S SAGA OF QUANDARIES

The recent Euro zone meltdown has made many countries approach IMF with a begging bowl especially the PIGS (Portugal, Ireland, Greece and Spain). The debt levels of these countries and many other strong economies have gone spiraling up; the Debt to GDP ratio of Ireland is at 43%, Spain at 11%, Portugal at 10%, France at 10% and Germany at 9% and Greece at

Some of you might think that some of the economies such as Spain or Portugal have the debt levels comparable to Germany or France but the problem of these countries stems from higher current account deficit. A country running high current account deficit should also run high capital account surplus to maintain the monetary balance. Papandreou who came into power in 2009 acknowledged high debt levels in the economy and went public with that sentiment, however, his timing couldn't have been more unpalatable which for the last 15 years was at 100% of GDP. The fact which his predecessor had covered up. Greek has its debt level at 150% of GDP and a high current account deficit. It is neither endowed with rich natural resources nor does it produce trucks or other high value goods.

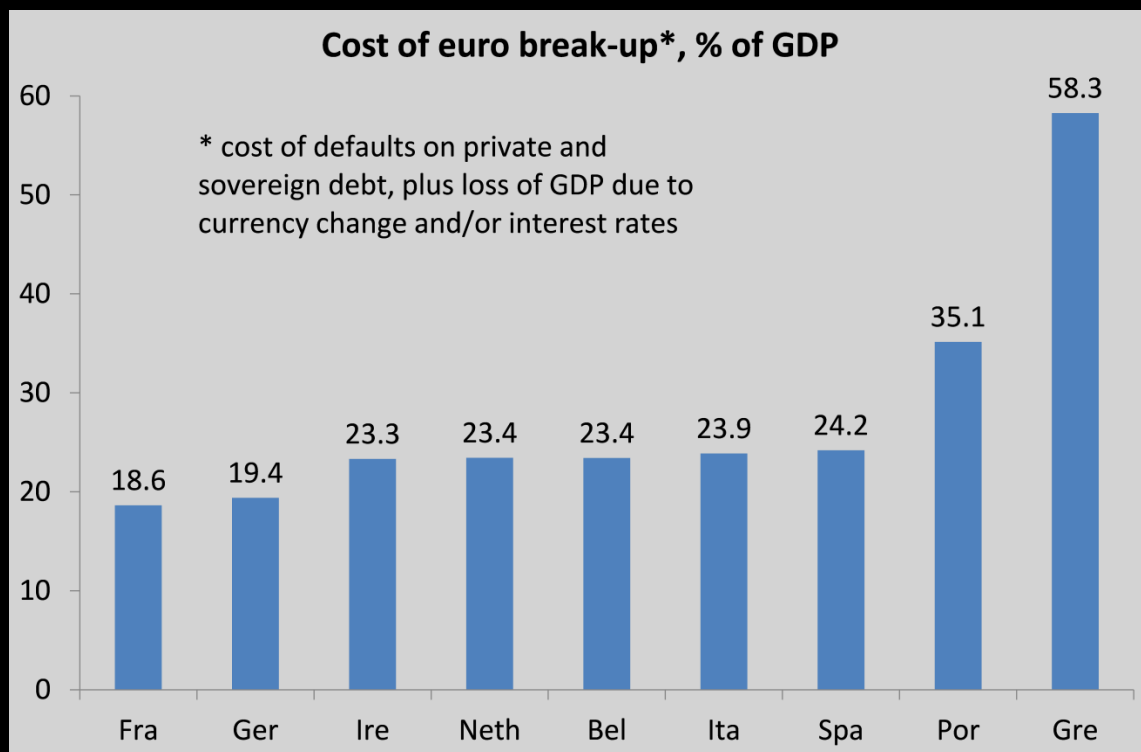


However the main problem of Greece is not of high debt levels or inability to pay off the outside creditors but the inefficiency of the Greek economy and this makes Greece's consecutive rounds of fiscal stimulus ineffective.

Greek currently has 2 options:

- Ask its allies and the IMF for more aid
- Declare bankruptcy which is not a politically acceptable option.

Americans in the spring of 2010 provided 150 billion dollars expecting a Europe-wide recovery which was eventually ineffective. The two largest sectors of the Greek economy are tourism and shipping which have seen shipping rates fall by 90% in the last 3 years. Greece is caught in a web of fundamental macroeconomic under performance of which it has no control although refinancing has taken place but in vain.



The IMF may step up to a second major aid package but this will in no way reduce the debt to GDP ratio of the country. The bulk of debt owed by the Greeks is taken out of private hands and placed in public hands which will not be negatively affecting the domestic markets. Ultimately default has to occur, the only question is whether the default will be orderly or messy.

By:

Abhith Pallegar

III B.Com (Hons) 'J'

ANY GUESSES FOR WHO THIS FAMOUS PERSONALITY IS?
EVER DRANK COKE?
THEN YOU SHOULD KNOW THE ANSWER...

Drink

Enjoy

Get refreshed

Coca Cola



IT IS MUHTAR KENT, CHARMAN AND CEO OF THE COCA COLA COMPANY.

A BRIEF PROFILE:

Muhtar Kent was born in 1952 in New York. A Turkish-American business executive, He is the Chairman and Chief Executive Officer (CEO) of The Coca-Cola Company.

Muhtar Kent is of the Muslim faith. After completing high school at Tarsus American College in Mersin, Turkey in 1971, Muhtar Kent went to the United Kingdom to study at the University of Hull.

Subsequently, he earned his MBA degree at Cass Business School, London.

1



Muhtar Kent at the World Economic Forum in Davos, 2010.

KENT'S INSPIRING JOURNEY TO THE TOP...

Muhtar Kent found a job at The Coca-Cola Company through a newspaper ad. He toured the country in trucks to sell Coca-Cola, and thereby learned its distribution, marketing and logistics systems.

1985: Muhtar is promoted to the General Manager position of Coca-Cola Turkey and Central Asia, and transferred the Headquarters of the Company from Izmir to Istanbul.

1989: He is appointed vice president of Coca-Cola International, responsible for 23 countries in a region from the Alps to the Himalayas. Living in Vienna, Austria, he served at this post until 1995.

1995: Promoted further, Muhtar Kent becomes Managing Director of Coca-Cola Amatil-Europe. In two years, he increases the turnover of the Company by about 50%, which covers bottling operations in 12 European countries.

1999: Muhtar Kent leaves the Coca-Cola Company after 20 years of service. Returning to Turkey, he assumes the post of top executive of Efes Beverage Group at Anadolu Group, the largest local shareholder of the Coca-Cola franchise in Turkey and one of Europe's largest international beverage businesses. He extends the company's territory from the Adriatic to China.

2005: Rejoins Coca-Cola after almost 6 years and is appointed President and Chief Operating Officer of the Company's North Asia, Eurasia and Middle East Group, a position reporting directly to Chairman and CEO Neville Isdell.

2006: Muhtar Kent's rise continues and is promoted in January 2006, to the newly-created position of President of International Operations. In this capacity, he was responsible for all operations outside of North America, and all group presidents outside of North America reported to him.

2008: His successful career takes him finally to the summit of the Coca-Cola Company, which names him Chairman and CEO, effective July 1, 2008.

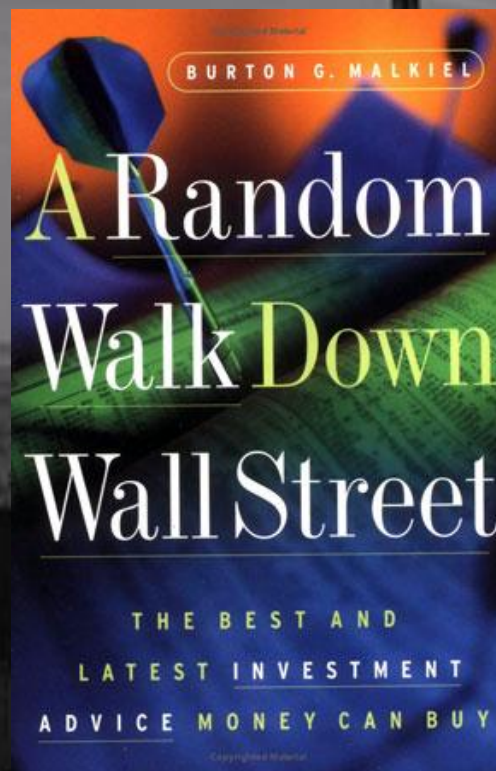
Also, Kent currently serves on the Board of Directors of the National Committee on United States-China Relations. He is indeed an inspiring personality to many budding business executives of the future.

By: Kazim Mirza

III B.Com (Hons) 'J'

BOOK REVIEW

A RANDOM WALK DOWN WALL STREET



Burton Malkiel, takes a chapter-by-chapter approach to knocking down any theories that might suggest beating the market consistently, especially once capital gains taxes and transaction charges are taken into account. They do not have a distinct edge over others, whatever their algorithms are based on, perhaps migratory roots of elephants. Since most index mutual funds do very little trading and have low fees would pull enormous weight for the bulls.

Investors avoid paying taxes on an on-going basis and don't have the transaction charges inherent in individual stock buys. And you don't

have to lose your money to latest Ponzi or bust of some bucketing broker.

Malkiel lays out the two stock theories that might be used to justify individual stock purchases ("Firm Foundation" investing that looks for intrinsic value, and "Castles In the Air" that suggests riding the wave of a good story that other investors will buy in to), and then shows that no technical analysis or fundamental analysis can consistently predict future returns. Malkiel's theory is that stocks are a "random walk," meaning it is impossible to know which way the next step will be taken. I highly recommend this book to anyone that is starting out investing or those who have been in the market for a while.

By:

Abhith Pallegar

III B.Com (Hons) 'J'

The Power of a Dream



This is a true life story of a man who always dreamed bigger and with never giving up attitude in his life, he finally grew up to be one of the powerful businessmen of free India running a five star hotel. He is Rai Bahadur Mohan Singh Oberoi.

Mohan Singh Oberoi was born on 15th-Aug-1898 in a place called Chakwal (earlier Jhelum) district, Punjab. When he was six months old his father, a contractor died, leaving his mother with few resources.

Mohan Singh Oberoi was a young man who dreamed of his future and was reluctant to rest until he achieved it. He thought of starting a five star hotel that could be termed one of the best hotels in the world. But his dream was far moved from reality for what he had in his pocket were just a few coins.

The immediate question before him was that of a survival, he then decided to find a job. When he saw the Sezil Hotel just in front of him he got into meet the General Manager of that hotel, an English man named Groves.

Oberoi directly went to the manager's cabin and said to Groves that he was interested in working in the hotel. When Groves asked him about the different jobs he know, Oberoi replied that he knew typing and shorthand. But the General Manager was not interested because there was no vacancy for him. But Oberoi was not willing to give up. He said " I will do anything you tell me. I can go to the market to buy groceries. I can be a guide to the tourists who come here. I can...". Groves did not feel like sending back such a young man filled with confidence. Mohan Singh Oberoi was given job that day itself. There was something extra ordinary in this young man and his very presence changed the hotel in a few days. He succeeded in cutting down the expenses. He made the service much better, and then soon he was given a promotion.

Later he was appointed as the Assistant General Manager of the Carlton Hotel in Shimla. Ernest Clark was the owner of this hotel. When Clark left for England, Oberoi became the manager as well as the business partner of Clark. Soon he became the sole owner of Carlton Hotel. By that time it had become the best hotel in Shimla. The Young Man heard the famous grand hotel in Calcutta was suffering from heavy losses. He offered to run it for a monthly rent of Rs 7000/- Within five years Oberoi became its owner. In the same year he also became the owner of the Associated Hotels.

After the Independence of India, he extended his hotel chain even abroad. Gradually, he grew up to be one of the powerful businessmen of free India. And then later Mohan Singh Oberoi was widely regarded as the father of 20th century for India's hotel business, and was the founder and chairman of Oberoi Hotels and Resorts, which is India's 2nd largest hotel company, with many other luxurious hotels in Sri Lanka, Nepal, Egypt, Australia, and Hungary.

By:

Chaitanya Dayanand Gokarn

III B.Com 'D'

SOME OF THE IMPORTANT HEADS OF ORGANISATIONS...



World Bank: Mr. Jim Yong Kim (President)



International Monetary Fund (IMF):
Madame Christine Lagarde (Managing
director/ chief)



Asian Development Bank(ADB):
Haruhiko Kuroda (President and
chairman)



World Trade Organization: Mr. Pascal Lamy (Director General)



North Atlantic Treaty Organization(NATO): Anders Fogh Rasmussen(Secretary General)



South Asian Association for Regional Cooperation(SAARC): Mr. Ahmed Saleem (Secretary General)



Association of South East Asian Nations(ASEAN):Mr. Surin Pitsuwan (Secretary General)

HEADS OF INDIAN ORGANIZATIONS:

Planning Commission of India: Prime Minister of India: Dr. Manmohan Singh

Comptroller and Auditor General of India (CAG): Mr. Vinod Rai

Central Board of Direct Taxes (CBDT): Dr. Poonam Kishore Saxena
(Chairman)

Securities and Exchange Board of India (SEBI): Mr. Upendra Kumar Sinha
(Chairman)

National Bank for Agriculture and Rural Development (NABARD): Dr.
Prakash Bakshi

State Bank of India: Shri Pratip Chaudhuri (Chairman)

Industrial Development Bank of India (IDBI): Mr. R.M. Malla (Chairman and
Managing Director)

Life Insurance Corporation of India (LIC): Shri D.K. Mehrotra (Chairman)

Unit Trust of India: Mr. Imtaiyazur Rahman (Acting CEO)

Confederation of Indian Industry (CII): Mr. Adi Godrej (President)

Associated Chambers of Commerce and Industry of India (ASSOCHAM): Mr. Rajkumar Dhoot (Chairman)

Federation of Indian Chambers of Commerce and Industry (FICCI): Mr. R.V. Kanoria (President)

National Association of Software and Services Companies (NASSCOM): Mr. Natrajan Chandrasekaran (Chairman) , Mr. Som Mittal (President)

By:

K.R. Vaibhav

III B.com J

ABBREVIATIONS

CAO -	Chief Accounting Officer
CAGR	Compound annual growth rate
CAPEX	Capital Expenditure
CAPM	Capital asset pricing model
CIMA	Chartered Institute of Management Accountants
CISA	Certified Information Systems Auditor
CMA	Certified Management Accountant
LIBOR	London Interbank Offered Rate
VAD	Value-Added Distributor
BRU	Business Recovery Unit



BUSINESS QUIZ

Q1. Which iconic company's name can be translated roughly as "play well" in Danish ?

Q2. A Dutch shipmaster in 16th cent discovered that it is better to transport 'burnt wine' where water can be added later. What drink

Q3. What did Alastair and Jean Calluthers discover accidentally in 1987 while experimenting with medicines for eye muscle disorders?

Q4. What accidental discovery did Thomas Adams make in 1870 while experimenting with chicle as a substitute for rubber?

Q5. As Pranab Mukherjee becomes the 13th President of India, he will discard his white Ambassador for a new car. What will be his official car?

Q6. "_____ is now the national airline of India. That's what people say," sighs the retired Air India man. Fill in the blank

Q7. The sponsors are paying to provide publicity for Olympics. How? Sponsors cannot put logo on players/stadia.

Q8. Which co will be handling the entire IT systems of the London Olympics?

Q9. The global sponsors of Olympics are called TOPs. What does TOP stand for?

Q10. Hasbro has a tie up with Funskool India to market its toys and games in India. Name the parent company of Funskool.

Q11. Which Indian newspaper advertises with the line “Why settle for anything else”?

Q12. Which Indian newspaper claims along with its price on the masthead that ‘One Paise goes to charity for every issue sold’.

Q 13. Who has taken over as the new CEO of Yahoo?

Q14. Honda advertised in the 1960s with the line “You meet the nicest people on a Honda”. Which Indian automobiles advertised two decades later with the same line?

By:

Jinisha Jose
III B.Com ‘K’

Answers - June QUIZ

Q1. Arcelor Mittal

Q2. Surface

Q3. A tax for using IE

Q4. Citibank

Q5. 345,000 \$

Q6. Karl Marx

Q7. Shah Rukh Khan

Q8. Reliance

Q9. Hong Kong Stock Exchange

Q10. Bring your own device.

Q11. New York

Q12. He is the analyst who brought down the earnings estimate of Facebook before IPO

Q13. YouFace

Q14. Ans. D.K.Mehrotra

Q15. Ans. Singapore.

Q16. Pizza hut

Q17. Nestle.

Q 18. Rs 10 lakhs and above.

Q19. John Keynes.

Q20. Maruti 800.

EDITORIAL TEAM

DEPARTMENT CO-ORDINATORS

Mrs. Nithila Vincent and Dr. Anuradha P.S

FACULTY IN CHARGE

Mr. Rishikesh. K. B. and Mrs. Rajani RoshanJohn

STUDENT COMMITTEE

Editor: Abhith Pallegar, III B.Com (Hons) 'J'

STUDENT CORE COMMITTEE

Chaitanya Dayanand Gokarn	III B.Com „D“
Kazim Mirza Raza	III B.Com 'J'
Jinisha Jose	III B.Com 'K'
K.R.Vaibhav	II B.Com 'J'
Md. Aaquib	II B.Com 'D'
Sneha	I B.Com 'J'
Abdul Khadeer	B.Com 'D'