



Celebrating 12 years of Creating Wealth

I-CAN COMMUNIQUÉ

AUGUST 2024





MONTHLY NEWSLETTER – AUGUST 2024

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| Sensex : Up 3.43 % | |
| Nifty : Up 3.92 % | |
| Best performing sector: Infrastructure (13.17 %) | Worst performing sector: Metal (-2.35 %) |
| Best performing Global index: Nasdaq Bank (17.14 %) | Worst performing Global index: Merval (-8.3 %) |
| Indian Rupee: -0.35 % | Gold (International): +4.24 % |

MACRO ECONOMIC HIGHLIGHTS

Union Finance Minister Nirmala Sitharaman presented the Union Budget for the Financial Year 2024-25 on July 23, 2024, her seventh consecutive Budget presentation. The finance minister announced nine priorities in the Union Budget 2024-25 for generating ample opportunities in the economy. The nine priorities include productivity, jobs, social justice, urban development, energy security, infrastructure, innovation and reforms.

(Please read our presentation titled “Union Budget July 2024” for detailed information about the budget.)

Retail inflation, measured by the Consumer Price Index (CPI), accelerated to a four-month high of 5.08 per cent in June 2024, driven by a spike in food inflation to 9.36 per cent due to rising prices of vegetables and pulses. This June 2024 reading

is also higher than the 4.87 per cent recorded in the same month last year, official data released on showed. The latest CPI inflation figures have reinforced the Reserve Bank of India’s decision to avoid cutting repo rates, despite two MPC members recently suggesting that maintaining high interest rates may be hindering economic growth.

India’s Wholesale Price Index (WPI)-based inflation rose for the fourth consecutive month in June to a 16-month high of 3.36 per cent from 2.61 per cent in May, primarily on the back of an adverse base effect and a sharp spike in food prices. Inflation in food prices stood at 10.87 per cent during the month, showed data released by the Ministry of Commerce and Industry. In June 2023, wholesale inflation had stood at -4.18 per cent.

U.S. prices rose moderately in June, underscoring improving inflation environment that potentially positions the Federal Reserve to begin cutting interest rates in September. The personal consumption expenditures (PCE) price index nudged up 0.1% last month after being unchanged in May, the Commerce Department's Bureau of Economic Analysis said. In the 12 months through June, the PCE price index climbed 2.5% after rising 2.6% in May.

The US economy grew faster than expected in the second quarter amid solid gains in consumer spending and business investment, but inflation pressures subsided, leaving intact expectations of a September interest rate cut from the Federal Reserve. Growth last quarter also received a

boost from inventory building as well as increased government spending, the Commerce Department's advance report on second-quarter gross domestic product showed. The housing market recovery, however, regressed and was a small drag on the economy. The trade deficit widened further, subtracting from GDP growth.

In India, services activity across the country improved in June, with the HSBC India Services Business Activity Index, or services PMI, rising to 60.5 during the month from five-month low of 60.2 in May. The uptick was mainly a result of stronger rise in new orders and an “unprecedented expansion” in international sales, a release by S&P Global said. The pace of increase in activity was quicker than in May and above its long-run average, the global ratings agency said. Demand strength and rising intakes of new business were cited as the key determinants of growth by panelists.

Collection from Goods & Services Tax (GST) in June touched ₹1.74 lakh crore, registering around 8 per cent growth of June of last fiscal, official sources said. From now on, the Finance Ministry has discontinued releasing detailed GST collection data on day 1 of every month. This practice continued for 74 months. No reason has been given for discontinuing the release of monthly GST collection data. While June's collection grew eight per cent year over year, it was flat month over month. May's collection was ₹1.73 lakh crore. According to the latest figures, collection in the first three months has reached ₹5.57 lakh crore. Sources said that better compliance and consumption have improved collection.

About 6 crore income tax returns have been filed for income earned in 2023-24, of which 70 per cent were filed under the new simplified tax

regime which offers lower rate of tax, Revenue Secretary Sanjay Malhotra said.

REFORMS

To streamline the liquidation processes of AIF schemes, the Securities and Exchange Board of India (Sebi) issued new guidelines for Alternative Investment Funds (AIFs) availing dissolution, seeking additional liquidation periods, and handling in-specie distribution of assets. Schemes approaching dissolution must now file an information memorandum requiring a list of specified details with Sebi before the end of their liquidation or extended liquidation period. This must include a due diligence certificate from a merchant banker in the specified format. For schemes requiring an additional or fresh liquidation period, a request must be submitted to Sebi with the necessary details. For in-specie distribution of investments, Sebi has mandated that unliquidated investments during the liquidation period can be carried out after the approval of at least 75% of investors by investment value in the scheme of AIF. “The manager, trustee, and key management personnel of the AIF shall be responsible for ensuring compliance with these provisions,” Sebi said in a circular.

SEBI has issued new guidelines to streamline operations and enhance the ease of doing business for credit rating agencies. The circular introduces specific timelines for dealing with appeals made by companies regarding rating actions carried out during periodic surveillance of ratings. These modifications will be applicable, with effect from August 01, 2024, SEBI said in a circular. The changes mandate that CRAs communicate ratings to companies within one

working day of the rating committee meeting, with an outer limit set to ensure promptness.

Finance Minister Nirmala Sitharaman revealed that the government is establishing a new fund to help MSMEs facing financial issues due to delayed payments. Traders must now clear MSME bills within 45 days according to Section 43B(h) of the Income Tax Act. The new rule, active from April 1, has made MSMEs apprehensive. The budget has also offered collateral-free loans for MSMEs and proposed a Rs 1000 crore venture capital fund for the space sector. Additionally, the Rs 1 lakh crore Anusandhan National Research Fund will support research and innovation, particularly in Bengaluru.

SEBI proposed seven key amendments to the derivatives trading framework, aiming to bolster investor protection and market stability. Based on an expert working group recommendations, the markets regulator has proposed fewer options strike prices, upfront collection of options premium, at least trebeling minimum contract sizes, and reducing weekly expiries.

To improve the ease of doing business, SEBI proposed tweaking guidelines pertaining to the additional disclosure framework for certain foreign portfolio investors (FPIs). Under the proposal, Sebi has suggested a suitable risk-based threshold for the identification and categorisation of FPIs as land bordering countries (LBC) or non-LBC entities for the disclosure requirement rather than the current rule that mandates disclosure of each and every interest owner in the fund. As per the additional disclosure framework for FPIs issued in August 2023, certain FPIs with assets under management (AUM) exceeding Rs 25,000 crore are required to provide granular details of all their investors or stakeholders on a look-through basis to ascertain whether the FPI is effectively domiciled in a land bordering country (LBC) or not. In its draft papers, Sebi has proposed to modify the disclosure requirements and link the same to an appropriate minimum threshold of disclosure for the identification and categorisation of an FPI as an LBC or non-LBC entity.

How does war impact the economy and equity?

Russian forces began their full-scale invasion of Ukraine in February 2022. Since then, it is estimated that thousands of people have been killed, millions of Ukrainians have fled and the country has sustained damage worth billions of dollars. As of August 2024, the situation between Iran and Israel remains tense and complex. Such wars cause geo-political uncertainty and impact investor sentiment negatively. Let us look at how wars impact economies and investors in detail.

Wars disrupt global supply chains as they often lead to the destruction of critical infrastructure which can halt the movement of goods, disrupt production processes and delay shipments. The uncertainty and risks associated with war can drive up the costs of raw materials as well as transportation. It can also lead to the imposition of trade barriers and sanctions. Countries involved in the war or those that support one side may face restrictions on trade, affecting their ability to export or import goods.

War can have a substantial impact on oil prices due to the critical role that oil plays in the global economy. Wars, especially those in oil-producing regions, can disrupt the extraction, production, and transportation of oil. For example, conflicts in the Middle East, which is a major oil-producing region, can lead to supply shortages and increase in prices. Conflicts can lead to threats to key transport routes through which a significant portion of global oil trade passes. The oil market is highly sensitive to news and speculative trading. Reports of conflict or escalating tensions can lead to speculative buying, which can drive up oil prices even before any actual supply disruptions occur.

A significant hike in crude oil prices can have a complex and varied impact on the stock market, affecting different sectors and overall market sentiment in multiple ways. Companies heavily invested in refining or those reliant on crude oil as a raw material may face higher costs, which can hurt their profitability. Higher fuel costs can increase operational expenses for companies in transportation and logistics, including airlines, shipping companies, and trucking firms. This can lead to reduced profit margins and lower stock prices in these industries. Countries that are major oil importers may experience a trade deficit due to higher oil import costs. Rising oil prices can contribute to overall inflation, as higher fuel costs lead to increased prices for goods and services.

War can significantly impact inflation through several mechanisms. Apart from the inflation arising out of supply shortages, increased production costs and increased energy prices, war often leads to a surge in government spending on military operations and defence. This increased expenditure can lead to higher government borrowing or money creation, contributing to inflation. Post-war reconstruction efforts require significant investment, which can also be inflationary if funded by increasing the money supply or through high levels of debt.

War can lead to significant currency fluctuations through several mechanisms, impacting exchange rates and overall currency stability. In times of war, there is often a shift in capital flows toward currencies considered safe havens. This can lead to an appreciation of safe-haven currencies and a depreciation of those from countries directly involved in or affected by the conflict. Trade disruption can



impact a country's balance of trade and currency value. Countries that rely heavily on imports or exports might see their currencies fluctuate based on changes in trade dynamics. In response to war-related economic disruptions, central banks might adjust interest rates or implement unconventional monetary policies.

The uncertainty and risk associated with conflict can deter investment in affected regions. This lack of investment can stall infrastructure projects, technological advancements, and improvements in supply chain efficiency. Thus, due to the economic instability, compressed corporate earnings and depressed investor sentiment, the stock markets are most likely to be negatively impacted by wars in short to medium term.

Monthly Mantra

Fear of missing out on fun leaves many people broke. Delayed gratification is the key to wealth creation.

Cartoon of the Month



Good News!

1. India recorded its highest-ever defence exports, reaching \$2.5 billion (Rs 20,915 crore) in the fiscal year 2023-24, as revealed by the Economic Survey 2023-24 presented by Finance Minister Nirmala Sitharaman in the Lok Sabha. This significant milestone marks a 25% increase from the \$2 billion reported in FY23. The Ministry of Defence (MoD) data highlighted a remarkable increase in India's annual domestic defence production, which reached nearly Rs 1.27 trillion in FY24, a 16.7% rise from Rs 1.09 trillion in the previous fiscal year. This surge is attributed to substantial efforts by both the private defence sector and defence public sector undertakings.
2. Bajaj Auto, the world's leading manufacturer of two-wheelers and three-wheelers, unveiled the groundbreaking Freedom, the world's first CNG motorcycle, in Pune in presence of union minister Nitin Gadkari. The Bajaj Freedom CNG motorcycle boasts significant fuel cost savings, with users potentially saving around 50 per cent compared to similar petrol motorcycles. It features a CNG tank that provides a range of over 200 km on just 2 kg of CNG fuel. Additionally, a 2-litre petrol tank acts as a range extender, offering an additional 130 km if the CNG supply is exhausted, ensuring an uninterrupted journey.
3. After a moderation in the first two months of this fiscal, company registrations rebounded in June with a 12% increase from a year before, according to the latest corporate affairs ministry data. The incorporation of limited liability partnerships (LLPs) continued to surge-barring a one-off drop in May after many months-and leaped 73% in June from a year earlier.
4. The measures announced in the Budget on agriculture and rural areas are in the right direction. The announcements on capital expenditure, manufacturing, services, MSMEs, health, education, and taxation will also help rural areas. Under agriculture, the finance minister lists (a) transforming agricultural research (b) release of new varieties (c) natural farming (d) mission for pulses and oilseeds (e) vegetable production and supply chains (f) digital public infrastructure for agriculture (g) shrimp production and export. Strengthening supply chains and digital public infrastructure is important to get higher prices and incomes for farmers.
5. India's diesel exports to Europe surged fourfold in June over the previous month as refiners profited from better margins available in the continent. Indian refiners exported 119,400 barrels per day of diesel to Europe in June, up from 24,500 barrels per day in May, according to energy cargo tracker Vortexa.

Top Personal Finance News – July 2024

1. RBI asks lenders to hear out loan defaulters before tagging accounts as ‘fraud’; check revised norms | Mint (livemint.com) [Click here](#)
2. How can debt PMS fit into your investment portfolio? | Mint (livemint.com) [Click here](#)
3. NSE warns investors against man offering assured returns on investment; releases his number, Telegram channel - Market News | The Financial Express [Click here](#)
4. 33 major health insurers live on new national claims exchange; policyholders to get claims settled quicker on NHCX - The Economic Times (indiatimes.com) [Click here](#)
5. Demat accounts surge to 16.2 crore, 42 lakh new accounts added in June: Motilal Oswal - The Economic Times (indiatimes.com) [Click here](#)
6. Indians can now pay via UPI in Qatar - The Economic Times (indiatimes.com) [Click here](#)
7. SBI unveils MSME Sahaj offering loans within 15 minutes; details here | Mint (livemint.com) [Click here](#)
8. RBI alarmed at lakhs of bank accounts being used for fraud: Report | Mint (livemint.com) [Click here](#)
9. How does investor psychology influence momentum investing strategies? | Mint (livemint.com) [Click here](#)
10. Swiggy, Zomato may hike platform fee further to Rs 10-15, say restaurants | Company News - Business Standard (business-standard.com) [Click here](#)