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COMMUNIQUÉ

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MONTHLY NEWSLETTER – JANUARY 2022

Sensex : Up 2.1%	
Nifty : Up 2.2%	
Best performing sector: IT (10.4%)	Worst performing sector: Energy (-1.3%)
Best performing Global index: Mexico IPC (7.2%)	Worst performing Global index: RTS Index (-3.0%)
Indian Rupee: 1.1%	Gold (International): 3%

India saw a pick-up in Covid-19 cases, including a surge in fresh Omicron cases. As on 31 December'21 the total Omicron cases reached 1,270. The country logged in a total of 16,764 new Covid cases on the last day of the year. There is increasing evidence that while we might be looking at the onset of a third wave, the Omicron variant seems to be less severe in terms of impact on the health of those infected. The Centre and state governments have urged people to be cautious because of its high transmissibility. However, the economic impact might be limited as chances of a complete lockdown seem to be low. By end of 2021, 89% adults received their first dose and 64% adults were fully vaccinated.

The Indian headline indices Nifty 50 and S&P BSE Sensex gave more than 2% return in December'21. The S&P BSE Mid Cap index was up by 1.1% while the Small Cap index outperformed with a return of 5.4% last month. The 10-year government bond yield increased from 6.33% to 6.45%.

Foreign institutional investors (FIIs) pulled out a net amount of Rs. 19,026.1 crore from equity and Rs. 11,798.8 crore from bond markets.

Bank of America Securities India predicted 8.2% GDP growth with downside risks for India in FY23. Ratings and research firm ICRA expects the Indian economy to grow at 9% in FY23.

The Index of Industrial Production (IIP) grew at 3.2% in October, compared to 4.5% in the same month last year. IIP measures factory output.

The Nomura India Business Resumption Index (NIBRI) increased to a record level of 117.8 for the week ended December 19 from 116.6 in the prior week. The index is now 18 percentage points above the pre-pandemic levels. The Manufacturing Purchasing Managers' Index (PMI) fell from 57.6 in November to 55.5 in December. The Services PMI eased from 58.1 in November to 55.5 in December. A reading above 50 indicates expansion.

Wholesale inflation, measured by the Wholesale Price Index (WPI) rose to 14.23% in November from 12.54% in October. This is the eighth consecutive month of double-digit WPI inflation. Retail inflation measured by the Consumer Price Index (CPI) was 4.91% in November – up from 4.48% in October.

The assets under management (AUM) of the mutual fund industry grew by 26% to touch Rs. 37.72 lakh crore in December 2021.

The President of the World Economic Forum Borge Brende said that he is extremely optimistic on India in the long run but it might be a bumpy road in the short-to-medium term.

The Centre for Economics and Business Research (CEBR), a UK-based economic consultancy firm, forecasted that India will regain the sixth position from France next year and will become the third-largest economy in the world in 2031.

Reforms

- SEBI announced some regulatory changes with respect to initial public offerings (IPOs):
 - Companies are allowed to utilize a maximum of 35% of the fresh issue proceeds (with a cap of 25% towards an unidentified acquisition).
 - An offer for sale is usually considered to be a viable exit option for investors. Limits have been prescribed as to the percentage of shares that may be offered for sale by existing shareholders based on the shareholding pre-IPO for companies that do not meet net worth/profitability criteria.
 - Now credit rating agencies registered with SEBI can also be appointed as monitoring agencies.
 - SEBI wants that for book-built issuances the minimum gap in the price band should be such that the cap price is at least 105% of the floor price.
 - A revised allocation method has been prescribed for non-institutional investors – 1/3rd of the non-institutional portion is to be reserved for applicants investing more than Rs. 2 lakh and up to Rs. 10 lakh and 2/3rd of the non-institutional portion to be reserved for applicants investing more than Rs. 10 lakh.
 - The new rules bar large shareholders, with more than 20% stakes in the company, from selling their entire holdings on listing day. However, they can sell 50% of their shares on listing.
 - The lock-in period for anchor investors has been increased from 30 days to 90 days. This will be effective from April and will apply to only 50% of the allocation to anchor investors.
- SEBI allowed registered investment advisors (RIAs) to customize fees for accredited investors. Accredited investors are a class of sophisticated investors who have an understanding of the risks and returns associated with financial products. A person or entity are identified as an accredited investor on the basis of net worth or income.
- Out of 34 stressed power projects adding up to 40.13 gigawatt (GW), 17 with a total 20.29 GW capacity have been resolved and 7 other projects are under resolution.
- Indian states are working on pre-publishing draft rules for new labour code reforms. The new labour codes will replace 29 old cumbersome laws. The four new labour codes include the Code on Wages, Industrial Relations Code, Social Security Code and the Occupational Safety, Health and Working Conditions Code.
- The Election Laws (Amendment) Bill, 2021 which links electoral roll data with Aadhar was passed in Rajya Sabha.
- SEBI asked investment advisors and research analysts to disclose the Investor Charter, which is a document containing details of services provided to clients, their rights, do's and don'ts, responsibilities, investor grievance handling mechanism and timelines. They also need to disclose data on their websites and Apps regarding complaints received.

Things to keep in mind before taking a home loan



India's residential housing market saw a 71% rise in sales in the year 2021. As housing loan interest rates are around all-time low levels, it is surely a great time for home seekers to buy a property. However, since it is a high value purchase and a home loan EMI is a chunky affair, it is important to keep the following factors in mind before freezing on a home loan option:

- i. Fixed vs. Floating: You can avail a loan from a bank or housing finance company (HFC). A floating rate loan is benchmarked to a rate and the applicable interest rate will fluctuate with time depending on the interest rate movements in the economy. As we believe that the interest rates in the economy are most likely to go up, it makes sense to look for a fixed interest rate option. If it is a pure fixed loan, the EMIs and tenure will be known in advance. Since this option offers high predictability, it comes at a premium. If you opt for a fixed rate option check for any reset clauses.
- ii. Loan Amount & Tenure: If the loan amount is significantly high it is better to opt for a longer tenure so as to reduce the monthly EMI burden. If a shorter tenure loan is affordable it can reduce the overall credit cost. For example, if you are taking a home loan of Rs. 80 lakh for 15 years at 8.2%, the total interest paid at the end of the term will be around Rs. 60 lakh, while for a 25-year loan, it will be Rs. 1.8 crore which is almost double the amount.
Some banks offer step-up loans which offer lower EMIs initially which increase gradually with time. Step-down loans are the opposite – and might be suitable for people approaching retirement.
- iii. Compare processing fees: Enquire and check which banks/HFCs charge the lowest processing fees.
- iv. Research: After comparing terms of the loan, processing fees, documentation ease, administrative charges, legal fee, technical inspection fee etc go with the lender with the most attractive features.

Did you know?

Copenhagen, the capital city of Denmark, has been named the world's safest city by the Economist Intelligence Unit (EIU).

Cartoon of the Month





Top Personal Finance News – December 2021

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