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MONTHLY NEWSLETTER – NOVEMBER 2020

Sensex : Up 4.1% Nifty : Up 3.5%	
Best performing sector: Banking (12.5%)	Worst performing sector: Media (-8.3%)
Best performing Global index: MerVal (8.9%)	Worst performing Global index: RTS Index (-9.5%)
Indian Rupee: -0.5%	Gold (International): -1.2%

The Indian headline indices made a comeback in October with the S&P BSE Sensex and Nifty 50 posting gains of 4.1% and 3.5% respectively. The BSE Mid Cap and Small Cap indices were up by 1.4% and 0.1% respectively. The banking sector made a sharp turnaround and the bank index posted a 12.5% gain last month. The 10-year government bond yield fell by 13 basis points from 6.02% to 5.88%.

Foreign institutional investors (FIIs) invested a net amount of Rs. 19,540.7 crore in equity and Rs. 1,641.3 crore in debt markets.

The total number of Covid-19 cases in India crossed 83 lakh by end of October, including 1.22 lakh deaths. The total reported daily cases is on the decline for the last 7 weeks. Global case count crossed 45.24 million and death toll exceeded 11.83 lakh.

The International Monetary Fund (IMF) slashed Asia's economic growth forecast to 2.2% this year. As per IMF forecasts India's economy is likely to contract by 10.3% this year, while China's is likely to expand by 1.9%. Asia could grow by 6.9% in 2021. G20 leaders vowed to do whatever it takes to support the global economy and financial stability.

The US economy grew at a whopping 33.1% annual growth rate in the July – September quarter – the largest quarterly jump in its history.

World Economic Forum's founder and Chairman Klaus Schwab said India has the potential to shape global agenda and define the collective future. PHDCCI (an industry body) said that the worst for the Indian economy is over and is on the verge of a slow recovery. It expects India to grow by 7.7% in 2021-22.

India's foreign exchange reserves touched a lifetime high of $560.5 billion as on 23rd October, 2020. Exports increased by 5.27% year-on-year to $27.4 billion in September. Imports declined by 19.6%, leading to trade deficit of $2.91 billion. The trade deficit one year ago was $11.67 billion.

Inflation numbers have been increasing. The CPI inflation in August was 6.69%. Wholesale inflation as measured by WPI increased to

1.32% in September from 0.16% in August. In the October monetary policy RBI decided to keep the repo rate unchanged at 4% and maintained an accommodative stance.

The fiscal deficit for the April-September period increased to Rs 9.1 lakh crore – 115% of the full year budget estimate. At the same time last year the figure was 93% of the budget estimate.

The index of industrial production (IIP) growth - which measures industrial output – was -8% in month of August compared to -10.8% in July.

Power demand in India was at a 14-month high in September. According to rating and research agency ICRA, auto sales will register a double digit growth in FY22 on a historically low base.

India's manufacturing Purchasing Managers' Index (PMI) increased to 58.9 in October from 56.8 in September. Last month's reading is the highest since mid-2008. The Services PMI increased to 54.1 in October from 49.8 in September.

In the July – September quarter 8 IPOs worth $850 million were launched. As per a report by consulting firm EY the second half of 2020 looks significantly better for IPOs.

Reforms

- The RBI asked all lending institutions, including non-banking financial companies, to implement the waiver of interest on interest for loans up to Rs 2 crore for the six-month moratorium period beginning March 1, 2020.
- Single-window clearance mechanism is likely to start in April as 20 states are already on board with the government's proposal. Around 6 foreign investors have already begun talks with the government. They will get to identify lands or sites for setting up manufacturing facilities across the 20 states.
- The government announced a one-time Rs 10,000 interest-free festival advance to its officers and employees in order to revive consumer spending.
- An additional budget of Rs 25,000 crore was provided by the government as capital expenditure to develop roads, defence, water supply, urban development and domestically produced capital equipment. This will be over and above the Rs. 4.13 trillion allocated in the Union Budget 2020-21.
- The Insurance Regulatory and Development Authority of India (IRDAI) made it mandatory for all life insurance companies to provide a standard life insurance policy from 1st January, 2021. The policy will provide a sum assured of maximum Rs 25 lakh. The product will be named 'Jeevan Saral'.
- Pension Fund Regulatory and Development Authority (PFRDA) is expected to come up with an assured return product under the National Pension System (NPS) by end of this financial year.
- RBI announced that RTGS money transfer facility will be available round the clock, 24 hours a day, 7 days a week from December 2020.

- The government extended the income-tax return (ITR) filing deadline for fiscal 2020 to December 31, 2020, for most individual taxpayers, from the earlier deadline of November 30, 2020.
- The Cabinet Committee on Economic Affairs approved that 100% of the food grains and 20% of sugar should be mandatorily packed in jute bags in an attempt to support the jute industry. Around 3.7 lakh workers are employed by the jute industry.

Sovereign Gold Bonds: Series VIII

The eighth tranche of Sovereign Gold Bonds (SGB) will open on 9th November (Monday) and close on 13th November (Friday) – one day prior to Diwali.

SGB 2020-21 is issued by the Reserve Bank of India on behalf of the government. The issue price for this issue has been fixed at Rs. 5,177 per gram of gold.

Features to note:

i. The annual interest rate is 2.5%. Interest is credited semi-annually to the investor bank account.
ii. For those who subscribe to the issue online and pay through digital mode, a discount of Rs. 50 per gram will be offered. So the issue price applicable for these investors will be Rs. 5,127 per gram of gold.
iii. The nominal value is determined on the basis of the average closing price published by the India Bullion and Jewellers Association Ltd for gold of 999 purity of the last three working days, i.e., November 4 – 6, 2020.
iv. The bonds are denominated in multiples of gram(s) of gold with a basic unit of 1 gram and the minimum permissible investment is 1 gram.
v. The maturity period is 8 years. An exit option is available after the fifth year. The redemption price is calculated based on the then prevailing price of gold.

What are the advantages of SGBs?

i. Investing in gold via SGBs eliminates the risk of theft and storage costs associated with holding gold in the physical form.
ii. There is an assurance of annual interest of 2.5% and the market value of gold at maturity.
iii. It is easy to buy online and hold in demat form. SGBs are tradeable on stock exchanges.
iv. The capital gains at the time of redemption ate maturity are exempted from tax for individuals.
v. SGBs are eligible as collateral for loans.
vi. The safety is very high as it is backed by the Indian government.

What are the disadvantages of SGBs?

i. The annual interest is taxable.
ii. If you sell before maturity, short term/long term capital gains tax is applicable depending on the holding period. If the holding period is more than 3 years, long term capital gains tax is applicable with indexation benefit.

For a long-term investor who wishes to diversify the investment portfolio and can hold the bond till maturity it is a great option. The exemption of capital gains tax at maturity leads to huge savings compared to other forms of gold investments. Gold investment should be limited to 10-15% of the portfolio as a hedge against fall in other asset prices.

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Did you know?

Antarctica is covered in a sheet of ice which is 7,000 feet thick on an average. At its thickest point it is 15,000 feet thick.

Cartoon of the Month

"You saved $126 for your retirement. My advice is to convert it all to pennies and reinvest it at the nearest wishing well."

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Top Personal Finance News – October 2020

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3) How mutual fund SWP route can offer you guaranteed monthly income: Click here
4) Health insurer not paying you? Here are 6 reasons why your insurance claim is not being admitted: Click here
5) Assess the credit profile of NCDs before investing: Click here
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