MONTHLY NEWSLETTER – AUGUST 2016

I-CAN FINANCIAL SOLUTIONS

Market Update

Sensex : Up 4% Nifty : Up 4%	
Best performing sector: Metal (10%)	Worst performing sector: Technology (-2%)
Best performing Global index: Brazil Bovespa (11%)	Worst performing Global index: Russian RTS Index (-0.3%)
Indian Rupee: 0.8%	Gold price: 7%

Contrary to expectation, the markets have been rallying post-Brexit. Headline equity indices went up by 4% while the 10 year Government Bond yield fell by 28 basis points. FIIs bought a net amount of Rs. 12,612crore in equity markets and Rs. 6,845 crore in the debt market. Morgan Stanley has raised its June 2017 base case for Sensex by 15% to 30,000 from 26,000 because of reasons like turnaround in earnings growth, reduction in interest rates and global liquidity. HSBC also turned overweight on India and announced 2016-end Sensex target of 28,500.

A major Cabinet portfolio reshuffle was carried out by the PM. Among the significant names moved around where SmritiIrani from HRD to Textiles and SadanandGowda from Law to Statistics. Prakash Javadekar got the Human Resource Development ministry.Finance Minister ArunJaitley was relieved of the Information and Broadcasting ministry. Former journalist MJ Akbar was inducted into the Council of Ministers and he got the status of Minister of State in the Foreign Ministry.

Inflation went up for yet another month. Indian wholesale prices rose 1.62% and retail prices increased by 5.77% due to higher food prices. Growth of industrial output increased by 1.2% in May 2016, which was a positive sign. Another positive indication is an improvement in exports. Goods exports from India increased 1.27% in June to $22.57 billion (year-on-year) after declining for 18 straight months, with most of the key sectors performing well.India's import cover improved to 10.9 months at the end of March 2016, from 9.8 months at end-September 2015, as the country's foreign exchange reserves improved about $10 billion in the period, according to RBI half-yearly report on reserves.
There is pick up in activity seen in the primary market with highest number of IPOs being launched in the last 6 years. Deal-making by India Inc and investors continued at a brisk pace in the first half of 2016.Data from Grant Thornton show that 750 deals adding up to $21.8 billion were made in this period against 738 deals worth $21.1 billion in the same period in 2015.

The US Federal Reserve left rates unchanged at its policy review. U.S. job growth surged in June as manufacturers and other employers boosted hiring. Nonfarm payrolls increased by 287,000 – the largest gain since October.

Reforms in India:

- The Cabinet approved an outlay of Rs. 12,000 crore for providing job skills to and certifying 10 million young people over the next 4 years.

- The Union cabinet on 20 July approved the Benami Transactions (Prohibition) Amendment Bill, 2015 and the Transgender Persons (Protection of Rights) Bill 2016 with the hope of introducing them in the ongoing monsoon session of Parliament.
- To ensure speedy redress of the 70,000 debt recovery cases pending in the country, a Joint Committee of Parliament has suggested major changes to the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, which was introduced in May.
- With focus on R&D efforts in the automotive industry, PM NarendraModi-led Cabinet gave its approval for cost revision of the NATRIP initiative to Rs 3,727.3 crore.NATRIP stands for National Automotive Testing and R&D Infrastructure Project.Modi government sees NATRIP as an important initiative for establishment of global test centres in India.
- Prime Minister NarendraModi asked the NITI Aayog to create a new architecture of policy making that anticipates problems and suggests remedies.

Positive Commentary on Indian growth by various agencies:

Agency	Outlook
CRISIL	India's economic growth forecast at 7.9% in 2016-17, assuming a normal monsoon. The quality of growth has improved.
S&P	India's GDP growth to expand about 8% in next two years
Nomura	India has presented the biggest turnaround story in the emerging market as it has been focusing on long-term, gradual GDP growth with slower methods, which help create sustainability in the markets.
BofA-ML	Long-term growth potential for India equities intact
CLSA	The liquidity-driven rally in Indian equity markets has led to valuations running ahead of fundamentals but the same could sustain if expectation of announcement of global fiscal stimulus are met

4 Things You Must Know About Investing in Gold Funds

Gold funds have been topping the return chart after a lull of last three years. The gold fund category has given an average return of over 22 per cent over the last one year. After a dream run on the back of the global economic meltdown in 2008, gold funds ran into rough weather in the last three years. Now, once again on the back of global uncertainties, think of Brexit, future of the European Union, Trump Presidency in the US, and so on, gold is riding high again as cautious investors are looking for safe havens to park their money. However, if one is planning to start investing in gold, then one should always keep a few unique characteristics of the yellow metal in mind.

Gold is a hedge, not an investment

Many investment experts subscribe to the view that gold is not an investment option,It is rather an insurance premium to hedge against economic uncertainties. They argue that gold is not all like other investment options like stocks, bonds, etc. For example, when one is investing in a stock, then one owns a part of a company that is engaged in a business. Similarly, a bond pays you interest. Gold, in comparison, is a commodity that would go up or down depending purely on the demand for it. Sure, as said before, gold shows its mettle and offer exceptional returns when investor sentiment turns bleak and all other markets are down and out. However, these phases normally do not last long. Critics also believe that most investors are not aware of the annualised returns offered by gold as they simply compare the price of gold in different points.

You don't need to diversify into gold at all

Many investment experts ask their clients to invest in gold to diversify their portfolio across different asset classes. However, there are many critics to this form of diversification. They argue that this strategy of diversifying just for sake of diversification could hurt investors with a corpus of small to medium size in the long run. This is because it may hit the overall returns from the portfolio. According to them, small investors shouldn't heed to the advice of diversify into every possible investment option; the focus should be about optimizing returns and meeting financial goals without exposing oneself to unnecessary risk.

However, investors with a large to very large corpus can invest across various assets because they have the resources to take meaningful exposure to a particular asset class. Also, they don't face the risk of not able to achieve various financial goals because of lower returns from the portfolio.

Limit your exposure to gold

Even if one is a die-hard fan of the precious metal, then one shouldn't go overboard with the allocation to it. Most investment advisors ask their clients, even the very rich ones, to

limit
their exposure to 5-10 per cent. A large exposure could offer great stability during crisis, but it can also drag the overall returns down in the long term. For example, some top gold ETFs have given around 25-30 per cent annual returns between 2008 and 2011. The returns fell to around 10 per cent in 2012 and to-14 per cent in 2013. Even in 2015, gold ETFs gave negative returns. That means after reaping phenomenal returns between 2008 and 2011, the investors also had to deal with negative returns (losing money) in 2013 and 2015. Even in 2014, the returns were barely 1 per cent.

Don't forget any of these points

Gold ETFs haven't seen any jump in inflows so far, but the buzz around gold is likely to attract the attention of investors in the coming days. If one is planning to join the bandwagon, it would be better to remember these points. If bullion experts are to be believed, gold is likely to see renewed interest in the coming months from investors because of the uncertainties around the globe. If so, one can reap the benefits for a couple of years. Demand for gold may weaken once the scenario changes for better. These lessons may come handy at that point. And if you are looking to ride the bull wave, be careful. It is not easy to get in and out of any bull run at the right time.

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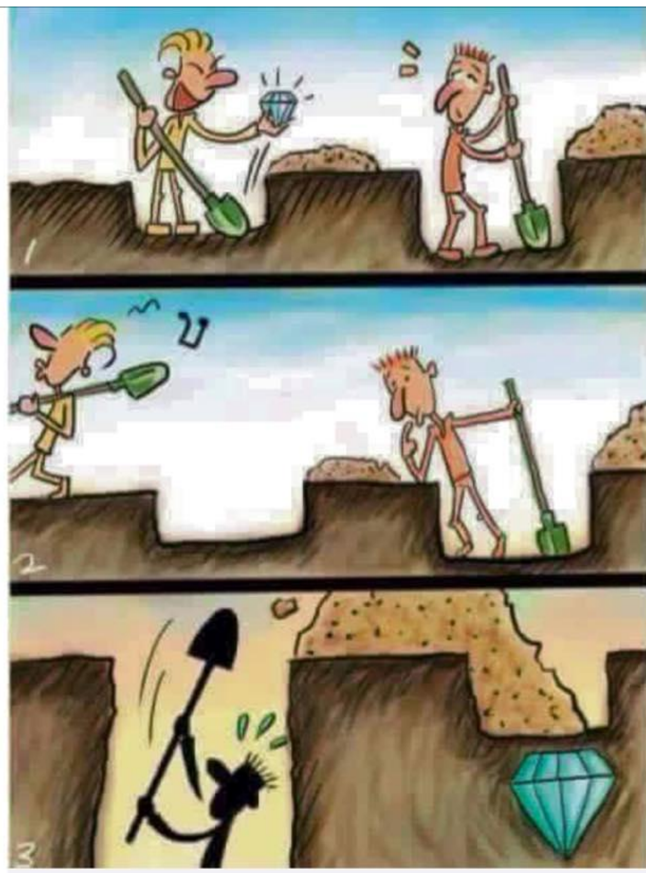
Did you know?

If Earth's entire history was viewed as a 24 hour period, humans would only represent 1 minute and 17 seconds.

Cartoon of the Month



People fail in their lives because their focus is on another's wealth rather than their own goals

Top Personal Finance News – July 2016

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