MONTHLY NEWSLETTER – JUNE 2015

I-CAN FINANCIAL SOLUTIONS

MARKET UPDATE – MAY 2015

Sensex & Nifty: Up 3%	
Best performing sector: Technology (5.3%)	Worst performing sector: Power (-1.2%)
Best performing global index: Japanese Nikkei 225 (5.3%)	Worst performing global index: Brazilian Bovespa (-6.2%)
Indian Rupee: -0.6%	Gold price: -1.2%

FIIs were net sellers in the month of May – selling Rs 5,768 crore of equity and Rs 8,504 crore of debt. Inflation has continued falling with WPI falling by 2.65% for the sixth straight month in April and CPI fell to 4.87% (from 5.25% in March). According to one HSBC report published in late May India's Current Account Deficit is likely to be manageable at 1.5% of GDP in the current fiscal despite recent rise in oil prices and slowdown in manufacturing. Last but not the least, India's gross domestic product (GDP) grew 7.3 per cent in 2014-15, which is higher than China's in the same period. The Government has managed to restrict the fiscal deficit to 4 per cent during 2014-15, which is even below the revised estimate announced in the budget.

The Lok Sabha on 30th April passed the Finance Bill 2015 through a voice vote. The amendments include tax concessions to foreign companies on minimum alternate tax (MAT).

Another bill to deal with black money parked abroad was passed by Parliament with government warning those having such assets to utilise the 'compliance window' or have sleepless nights once the global automatic information exchange system comes into effect in 2017. The Cabinet Committee on Economic Affairs (CCEA), led by Prime Minister Narendra Modi, granted approval for stake sale worth about Rs 50,000 crore (at current prices) in about 20 companies.

Despite the above mentioned positive events, some concerns on the growth front remain – India's core sector shrank for the first time in 17 months in March (by 0.1%), hurt by dismal performance of industries like steel and cement. Also, in the first major downgrade for Indian markets in the past one year, global brokerage HSBC on 13th May changed its stance on India to "underweight", saying corporate earnings may remain muted, the monsoon could be weak, and the odds are against further rate cuts

On the international front concerns over Greece re-surfaced as Greece is nowhere close to an agreement with the European Commission and International Monetary Fund (IMF), missing a target for a deal by the end of May set in the 3rd week of May by German Chancellor Angela Merkel and French President Francois Hollande.

Market outlook by Brokerages/Investment Banks-

	Sensex Target	Nifty Target
Bank of America-Merrill Lynch	33,000 (December 2015)	
Goldman Sachs		9,700 (March 2016) and 10,600 (December 2016)
UBS Securities		9,200 (December 2015)

- According to Goldman Sachs, the earnings per share (EPS) growth expectations from Indian markets in 2016 are the highest across emerging markets in Asia. It has an 'overweight' rating on India.
- UN Report: Indian economy is likely to clock 8.1 per cent growth in 2015-16, spurred by strong consumer spending amid low inflation, infrastructure projects and government's reform measures
- Nielsen Consumer Confidence Survey: For the sixth quarter in a row, India continued to lead the global confidence index in anticipation of improvement in the economy through reforms and stimulus announced by the central government, says a report. In the first quarter of 2015, India's consumer confidence score rose to 130 followed by Indonesia (123) and Philippines (115).

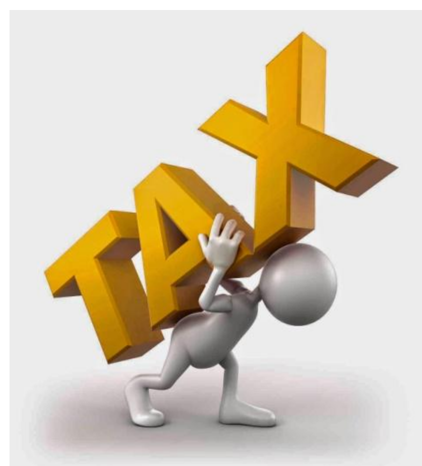
ELSS – WHY IS IT AN IDEAL INSTRUMENT FOR TAX SAVING?

ELSS Funds – what are they, how you save taxes, and why invest in them?

ELSS is a type of diversified equity mutual fund which is qualified for tax exemption under section 80C of the Income Tax Act, and offers the twin-advantage of capital appreciation and tax benefits. It comes with a lock-in period of three years.

Why should one invest in an ELSS?

ELSS funds are one of the best avenues to save tax under Section 80C. This is because along with the tax deduction, the investor also gets the potential upside of investing in the equity markets. Also, no tax is levied on the long-term capital gains from these funds. Moreover, compared to other tax saving options, ELSS has the shortest lock-in period of three years.



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BEYOND TAX SAVING

Parameter	PPF	NSC	ELSS
Tenure	15 years	6 years	3 years
Returns	(Compounded Annually) 8.70 %	(Compounded half-yearly) 8.60 to 8.90 %	Not assured dividends/ returns
Minimum investments	Rs.500	Rs.100	Rs.500
Maximum investments	Rs.1,50,000	No limit	No limit
Amount eligible for deduction under Section 80C	Rs.1,50,000	Rs 1,50,000	Rs 1,50,000
Taxation for interest	Tax free	Taxable	Dividends and capital gain tax free
Safety/ Rating	Highest	Highest	High Risk

	ELSS	PPF/NSC
Rs. 70,000 invested per annum for 20 years	Rs. 57. 22 lakh	Rs. 38.73 lakh
Assumed annualized growth rate	12%	8.8%

Pros and Cons

Like all investment options; ELSS too come with its share of advantages and disadvantages.

Advantages of ELSS over NSC and PPF:

- Main advantage of ELSS is its short lock-in period. Maturity period of NSC is 6 years and PPF is 15 years.
- Since it is an equity linked scheme earning potential is high.
- Investor can opt for dividend option and get some gains during the lock-in period
- Investor can opt for Systematic Investment Plan

Disadvantages of ELSS:

- Risk factor is very high compared to NSC and PPF

WHY DO YOU NEED HEALTH INSURANCE?

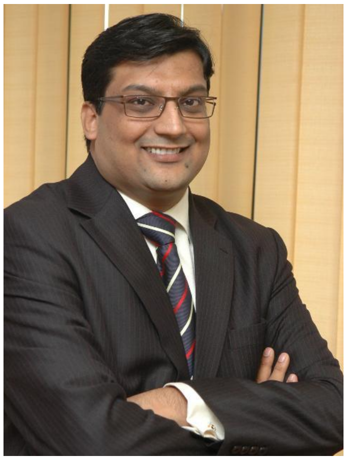
With rising medical costs, not having a health insurance can be a personal finance disaster.

'Buy health insurance when you don't want it, because you may not get it when you want it.' Most professionals who are provided health cover by their organizations are also advised to opt for a personal health insurance cover as well.

Why is a personal health cover important?

- The basic health insurance provided by the employer might cover individuals from minor ailments and provide a decent amount of coverage. However, this amount might often be insufficient in case of a major emergency.
- The validity of the health insurance cover provided by the organization is connected with the time span of your association with the organization.
- It is cheaper to buy a health cover when one is young and free from medical ailments. Also, most health insurance companies have a maximum permissible age limit.
- Payments towards health premiums are eligible for tax deductions under Section 80D of the Income Tax Act. This limit has been raised to Rs. 25,000 when you pay premium for yourself, your spouse or children. (The limit is Rs. 30,000 for senior citizens)

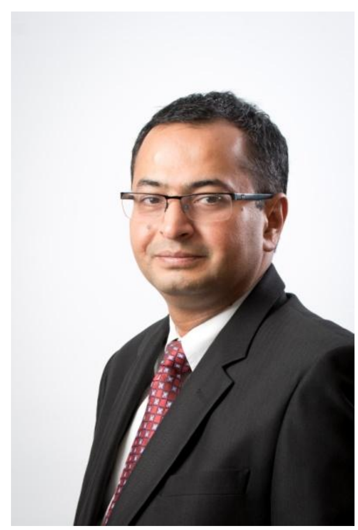
AMC VIEWS



Equity Outlook (Navneet Munot, CIO - SBI): The month was dominated by the high-decibel debates on "one-year of Modi Government". The efforts of the government have been laudable in terms of a positive, irreversible policy framework resting on fairness, transparency and predictability. It has also created an environment that promotes ease-to-do business, which is authentic to support a business instead of a businessman. That's a big shift according to us. Efforts to improve India's credibility among global fraternity will deliver fruits over a long period. Corporate earnings have been disappointing with earnings downgrades to the tune of 1.5%. As things stand, market valuations are at 16.3xFY16E and 13.7xFY17E, with an estimated growth of 17% over the next two years. Going forward, the market would take cues from trends in monsoon, global flows and government action.

As spending by centre and state government picks up, we expect situation 'on the ground' improving at the margin. We feel current market weakness and volatility presents a long-term investment opportunity for equity investors. We expect sustained domestic flows, coupled with reasonable valuations to provide support to the market. This stage of the market would create new opportunities with changing consumer, emerging technologies and improved policy framework.

Debt Outlook (Rahul Goswami – Head – Fixed Income, ICICI Prudential AMC):



We need to see what the inflation data looks like post the June RBI Policy given slight uncertainty on monsoon front. Overall we expect a 50 to 75 basis point repo rate cut in the current financial year (including the June RBI policy). Crude oil prices are a key factor to watch out for, as Crude oil impacts the currency and current account deficit situations. Also, monsoon is another important factor which could impact the food prices. Government policy on the fiscal front and efforts to contain retail inflation in light of uncertainty on monsoon could also have impact on overall inflation expectations. Looking at the current scenario where RBI is somewhat behind the curve as far as monetary easing is concerned; we believe that short and medium term bond category looks most attractive from a risk-adjusted return perspective. From an absolute return perspective, long term gilt funds look most attractive.

Did you know?

307 out of 400 open ended equity mutual funds outperformed Sensex in the last 1 year, which translates into 77%!!

Cartoon of the Month