

# I-CAN COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

## NOVEMBER 2018



## MONTHLY NEWSLETTER – NOVEMBER 2018

<b>Sensex : Down 4.9%</b>	
<b>Nifty : Down 5%</b>	
Best performing sector: PSU Banks (7.8%)	Worst performing sector: Energy (-13.6%)
Best performing Global index: Brazilian Bovespa (10.2%)	Worst performing Global index: Argentinian MerVal (-11.9%)
Indian Rupee: -2%	Gold price: 4.3%

The headline indices fell by around 5% in the month of October. The mid and small cap indices fell lesser – by 1% and 1.6% respectively. The 10-year Government security yield fell by 17 basis points to 7.85%. The Reserve Bank of India (RBI) contributed to the yield softening as it infused Rs 12,000 crore in the system by purchasing government bonds on October 11 to meet the festival season demand for funds. Foreign institutional investors (FIIs) sold a net amount of Rs. 28,921 crore in the equity markets and Rs. 9,978 crore in the debt markets.

The non-banking finance companies (NBFCs) were gripped by concerns on liquidity as a result of the confidence crisis that has emerged due to defaults on debt payments by IL&FS. The yields of NBFCs have jumped by up to 400 basis points from their issue rates. Finance Minister Arun Jaitley has

asked the top six public sector banks to ensure there are no further defaults by non-banking financial companies (NBFCs). The key asset classes also faced some pressure because of intense media speculation of issues between the government and RBI.

Global sentiment has also been weak. There have been concerns over China's growth, divide between Italy and the rest of Eurozone and concerns over trade war.

The wholesale price index (WPI)-based inflation rate rose to 5.13% in September from 4.53% in August. The consumer price index (CPI)-based inflation rate increased to 3.77% in September from 3.69% in the previous month. In the last Monetary Policy Review the RBI decided to keep the repo rate unchanged. The Index of Industrial Production (IIP) which measures factory output, fell to a 3-month low of 4.3% in August.

India's fiscal deficit has already reached more than 95% of the Budget Estimate in the April-September 2018 period. The figure for the same period in the previous year was 91% of the Budget Estimate. The government is running behind schedule in terms of disinvestment targets. In order to

push the pace of divestments, the government announced a stake sale of 9% in Coal India Ltd. The estimated proceeds from this offer for sale will be Rs 14,860 crore.

The trade deficit fell to a 5-month low of \$13.98 billion in September even though oil prices have been on the rise. The foreign exchange reserves fell by \$5.1 billion to \$394.46 billion in the week ending 12th October – the highest weekly decline in seven years. This is also the lowest absolute level of reserves in more than a year.

In a span of 20 days starting from 3rd October the Brent Crude Oil prices fell from \$86 to \$76 per barrel. This has coincided with a fall in the prices of US equities. Also, Saudi Arabia on 23rd October re-assured of continuing to supply oil in order to meet demand despite reduction in oil exports from Iran. This development also eased crude prices. This is positive for India.

Another positive data point is the improvement in Purchasing Managers' Index (PMI) numbers. The PMI for the manufacturing sector increased from 52.2 in September to 53.1 in October. The Services PMI increased to 52.2 in October from a 4-month low of 50.9 in September.

As per the data from Central Board of Direct Taxes (CBDT), the number of individuals declaring income above Rs 1 crore increased by around 68% to 81,344 for assessment year 2017-18. The tax base has grown significantly from 5.3 crore in assessment

year 2013-14 to 7.4 crore in assessment year 2017-18.

Although the month of September was brutal for the stock markets, net equity inflows into mutual funds increased to Rs 11,172 crore in September. This is a rise of 33.39% from August. As per SEBI data mutual funds collected Rs 7,727 crore through systematic investment plans (SIP) in September. This is a growth of 40% from a year ago.

#### Reforms

- The Reserve Bank has relaxed norms for the fire audit of currency chests allowing banks to get it done from approved agencies in case of shortage of staff at district fire offices. Banks maintaining currency chests are required to get fire audit done once in a two years.
- The government has plans of launching a global exchange traded fund (ETF) by next financial year to attract investments from foreign pension funds.
- Insurance Regulatory and Development Authority of India (IRDAI) increased the minimum death benefit for linked and non-linked insurance products to 7 times for regular premium products and 1.25 times for single premium products.
- The Department of Telecommunications asked telecom service providers to stop using Aadhaar authentication to verify the KYC of existing mobile customers and to

issue new connections. It has set a deadline of November 5 to implement this.

- SEBI directed mutual fund companies to stop paying upfront commissions to distributors and switch to a full trail model. Mutual fund companies are supposed to meet all scheme related expenses (including commissions) from the scheme only and not from the books of the asset management company.
- SEBI is likely to create an industry body to formulate best practices for the Portfolio

Management Services (PMS) industry and also draw out a template to bring homogeneity in their marketing material.

- IRDAI wants insurance companies to stop discriminating against people with HIV/AIDS. Such individuals cannot be denied insurance cover, unless supported by actuarial studies.
- SEBI has permitted foreign entities to participate in the commodity derivatives segment of stock exchanges in order to hedge their exposures.

## Use your Diwali Bonus Wisely!



### Diwali Bonus

The festival of lights brings a lot of cheer and it is also the time when many salaried people receive bonuses. With every e-commerce player flashing attractive offers in an effort to get you to spend a large chunk of this on their websites, chances of impulsive purchases are greater than before. We believe there are smarter ways of using a part, if not all of the surplus you receive this festive season.

1. List down important purchases: Prepare a list of items in order of importance/priority that you need to purchase and look for the best deals available on these items. Usually, most sellers have put out items on discounts around Diwali. If you have been seeking a loan, compare the quotations from different banks before selecting the lender. It is best to avoid impulse purchases. Making a budget for important purchase items is always beneficial.
2. Beware of No Cost EMIs: The so-called 'zero cost EMIs' being offered these days for making purchases of high value items can be misleading. Make sure you make the calculations of the actual interest you will end up paying and do not miss reading the terms and conditions.
3. Long term investment goals: It is a time to re-look at bigger priorities and long term goals like retirement planning, child education, planning for your child's marriage etc. Your bonus can be invested wisely to fund the more important goal(s). It is advisable to consult a financial advisor who can guide you in this regard. With the Indian stock markets having corrected significantly this year, it could be a good time to start deploying money through mutual funds. Your financial advisor will also guide you with the tax implications for each of the investment options.
4. Planning a Vacation: If you are planning to go on a holiday in a few months' time, you can invest the bonus in a safe investment avenue like liquid funds (a type of mutual fund which invests in money market securities whose maturity period is less than 91 days).
5. Planning for higher salary: If you have also got a salary hike this Diwali, you can make a stronger commitment to your financial goals. The excess amount can be used to start or increase your monthly contribution to Systematic Investment Plans (SIPs). SIP is a facility offered by mutual fund companies which leads to automatic debits from your bank

account every month on a fixed date to be invested in specific mutual fund schemes. Various studies show that SIPs are the best way to take advantage of the volatile nature of stock markets and to create wealth in the long term.

6. Insurance Coverage: If you and your family do not have a health insurance or have an insurance with an inadequate sum insured, make a provision for protecting your loved ones against unforeseen medical expenses. It is always prudent to not solely rely on the health insurance plan offered by your employer. You need to have a separate policy to secure you and your family. Also evaluate with the help of a financial advisor if the breadwinner of the family has sufficient life insurance cover.
  
7. Tax Saving Investments: It is possible to reduce your taxable income for the financial year by as much as Rs 1.5 lakh by making investments in financial instruments that qualify under Section 80C. From a long term perspective, one can consider Equity Linked Saving Schemes (ELSS) which are offered by mutual fund companies. ELSS schemes invest in stocks and come with a 3-year lock-in period. The last 5 year average return of ELSS schemes as on 31<sup>st</sup> October'18 is 16% compounded annually. This is despite the recent correction in the market. On the contrary PPF interest rate is 7.6% currently. If you haven't made the provision to invest under Section 80C for this financial year, you can use your bonus towards this.

### Did you know?

The longest highway in the world is the Trans-Canada Highway which is over 7,604 kilometers (4,725 miles) in length.

### Cartoon of the Month



## Top Personal Finance News – October 2018

- 1) What will happen to bank accounts opened through Aadhaar: [Click here](#)
- 2) You may need to go through new KYC process to delink Aadhaar from mobile: [Click here](#)
- 3) Should you participate in a buyback? Here are the reasons why you should: [Click here](#)
- 4) Are my mutual fund investments safe?: [Click here](#)
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- 6) Know how you can save tax on capital gains: [Click here](#)
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- 9) Debt fund risk: Best solutions are the simplest: [Click here](#)
- 10) An investor needs to cover risks other than investment risks as well: [Click here](#)
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- 13) Don't get jittery due to market volatility, stay with your SIPs: [Click here](#)
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- 17) Mutual Funds: No tax required to be paid on gift deed: [Click here](#)
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**19)** Save systematically before taking that long-awaited trip: [Click here](#)

**20)** How to earn higher long-term returns with Equity Linked Savings Scheme: [Click here](#)