



Celebrating 10 years of Creating Wealth

I-CAN COMMUNIQUÉ

JUNE 2022



MONTHLY NEWSLETTER – JUNE 2022

Sensex : Down 2.6%	
Nifty : Down 3%	
Best performing sector: Auto (4.93%)	Worst performing sector: Metals (-16.4%)
Best performing Global index: Shanghai Composite (4.57%)	Worst performing Global index: Swiss Market (-4.3%)
Indian Rupee: -0.8%	Gold (International): -3.5%

Amid the ongoing war between Ukraine and Russia, inflation continues to be the biggest worry for the market. RBI Governor Shaktikanta Das announced an increase in the policy repo rate by 40 basis points to 4.40 per cent and also raised the Cash Reserve Ratio (CRR) by 50 basis points to 4.50 per cent on 4th May as per the decision taken by Monetary Policy Committee (MPC) in order to combat the rising inflation in the country. This was followed by the Federal Reserve raising its benchmark interest rate by half a percentage point which happened to be its most aggressive step yet in its fight against a 40- year high inflation.

Foreign institutional investors (FIIs) pulled out a net amount of Rs. 39993.22 crore from equity and Rs. 5505.55 crore from bond markets.

India's GDP grew 4.1 per cent in the fourth quarter of the financial year 2021-22. For the full financial year 2021-22, the GDP saw a

growth of 8.7 per cent. The SBI in its latest research report has raised the forecast for India's economic growth for the ongoing fiscal by 20 basis points to 7.5 per cent, citing continued credit growth and better statistical base. However in the May update of its Global Macro Outlook 2022-23, Moody's has lowered its calendar year 2022 growth forecast for India to 8.8 per cent from the earlier forecast of 9.1 per cent made in March. It has maintained its 2023 growth forecasts at 5.4 per cent.

Consumer sentiments fell sharply in the last week of May, more so in rural India than urban, on the back of export ban on wheat and sugar as stated by the Centre for Monitoring Indian Economy (CMIE). According to CMIE data, the index of consumer sentiments (ICS) tanked by 9.4% in the week ended May 29. While the ICS fell by 5.9% in urban regions, the fall was much steeper by 11.4% in rural regions.

India's industrial production indicated by the Index of Industrial Production (IIP) rose by 1.9 per cent while the manufacturing sector's output grew 0.9 per cent in March 2022. During 2021-22, the IIP grew 11.3 per cent as against an 8.4 per cent contraction in 2020-21.

The S&P Global India Manufacturing Purchasing Manager's Index (PMI) was at 54.6 in May, little changed from 54.7 in April, pointing to a sustained recovery across the sector. The above 50 reading was the eleventh in as many months and consistent with a solid improvement in operating conditions as per the press release from S&P Global. May data also highlighted a notable uptick in growth of new export orders. The rate of expansion was sharp and fastest since April 2011. GST collections stood at Rs1.4 lakh crore in May 2022. Core sector growth hit a

six month high of 8.4% in April while credit growth was up 11.9% YOY as of May 6.

The annual retail inflation rate in India measured by the Consumer Price Index (CPI) increased to 7.79 per cent in April of 2022, the highest since May of 2014, and above market forecasts of 7.50 per cent. Wholesale inflation, measured by the Wholesale Price Index (WPI) grew 15.08 per cent for the month of April, 2022 (YOY).

Reforms

- SEBI has come up with new rules that will make the stock and commodity market brokers pay through their nose if they default on the client's money. According to SEBI's new rules, in 30 trading days from crystallization of balances, stock exchanges or clearing corporations will have to endeavor to settle the claims of maximum number of clients by way of interim measures under their supervision, prior to issuing show cause notice for declaring the trading member a defaulter. Clients can raise their claims only after the stock exchange has declared the broker as a defaulter.
- Now a broker will have to pay small investors out of available funds and own resources. Such amount shall be paid in full to all such investors having credit balance up to the amount of Rs25 lakh. Further, investors having credit balance of more than Rs25 lakh shall be paid on pro-rata basis from the remaining funds.
- SEBI issued norms to calculate margin requirements for intra-day snapshots. It has been decided that the margin requirements to be considered for the intra-day snapshots, in derivative segments, shall be calculated based on the fixed Beginning of Day margin parameters. The new framework will come into effect from August 1.
- SEBI will soon set up an expert committee on FPIs to directly deal with concerns faced by them and facilitate capital flows into the country.
- SEBI streamlined the process of right issues pertaining to minimum time period between closure of trading in Right Entitlements (RE) on stock exchange platform and closure of such issue. Under the new framework, trading in REs on the secondary market platform of stock exchanges will commence along with the opening of the issue and will be closed at least three days prior to the closure of the rights issue while the earlier requirement was four days. The new framework will be applicable for all right issues and fast track rights issue with immediate effect.
- In a bid to bring in more transparency, SEBI will ask IPO-bound companies to disclose a firm logic of their pricing to see if the same is higher than the pricing of the placement of the shares done by the company in the preceding fundraising.

Managing your debt

As we move towards consumerism, we are increasingly prone to availing debt for managing our expenditure. Debt is no more a taboo for the youth. It is widely accepted as the easiest means to upgrade one's lifestyle and to get the opportunity of owning one's dream home or car and defer its payment over a period of time by bearing the interest cost. However mismanaging debt can hurt one's credit score and the state of their personal finance in a big way. Since the repercussions of mismanaging debt can be huge, it is imperative to be very diligent while dealing with debt. Following are some factors that must be taken into consideration while managing debt-

1. It is important to know your Debt to Income ratio (DTI). This ratio tells you how much of your income is going toward debt payment. To arrive at this figure, divide your debt payments by your income and multiply by 100. The lower this number is, the better it is. However ideally one must try to keep this number below 40% at any point in time.
2. Paying off credit card debt first is often the best strategy because credit cards have higher interest rates than other debts.
3. List out all your debts along with their tenure and rate of interest. Also write down the EMIs that you are paying as per the current outstanding amount. This will help you to prioritize and rank your debts in the order you want to pay them off.
4. Ensure that you stick to deadlines so that you can avoid adding to your outflow in the form of penalties and late fees and also maintain a good credit score.
5. You can consolidate your debt if you have debts of varying tenures and rates of interest. This will make it easier to manage and give you more time to clear it out.

Did you know?

A chameleon's tongue is twice as long as its body.

Cartoon of the Month



“How do the year end numbers look?”

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