I-CAN COMMUNIQUÉ

MAY 2017

MONTHLY NEWSLETTER – MAY 2017

I-CAN FINANCIAL SOLUTIONS

Market Update

Sensex : Up 1.0% Nifty : Up 1.4%	
Best performing sector: Realty (20.2%)	Worst performing sector: IT (-7.2%)
Best performing Global index: CAC 40 (2.8%)	Worst performing Global index: Shanghai Composite (-2.1%)
Indian Rupee: 0.9%	Gold price: 0.8%

The Indian headline indices moved upwards by more than 1% in April. The 10-year Government bond yield inched up by 28 basis points and reached 6.68% by April-end. Foreign institutional investors (FIIs) were net buyers in the equity and debt markets to the tune of Rs. 2,394.5 crore and Rs. 20,363.8 crore respectively. India continues to be a preferred destination for international investors. An investor sentiment survey carried out by Credit Suisse reveals that India is the second-most preferred market (overweight) in Asia (excluding Japan), Chinese stocks listed in Hong Kong being the most preferred. Also, India emerged as one of the most active regional markets for initial public offerings (IPOs) with 26 such offerings in the first three months of 2017, showed a recent quarterly report by consultancy firm EY.

On the macroeconomic front, India continues to show promising growth prospects. India is predicted to be the fastest growing economy in the world in 2017-18 and will be a key driver for global growth, according to the International Monetary Fund (IMF). As per the latest World Bank report, the Indian economy growth will increase to 7.2% this fiscal and rise further to 7.5% in 2018-19. Exports from India reached a peak of $29.23 billion in March with a 27.6% rise compared to last year. Wholesale inflation fell to 5.7% in March from 6.5% in February, mainly due to a fall in mineral and fuel prices. Retail inflation increased to 3.8% in March from 3.6% in February. Industrial production measured by IIP declined by 1.2% in February. India's Manufacturing PMI stood at 52.5 in April (the same level as March) while Services PMI slipped to 50.2 from 51.5 in March. (PMI stands for Purchasing Managers' Index). The interest rate cut cycle in the economy seems to be nearing an end. RBI kept the repo rate on hold in the last monetary policy review on 6th April'17.

Indian retail investors continue to show preference for financial assets. Mutual funds' AUMs increased by Rs 4.7 lakh crore in January – March'17 quarter. Net inflows into equity funds (which include equity, equity-linked saving schemes and other ETFs) for the financial year 2016-17 stood at Rs 94,421 crore, the highest in the last decade. Mutual funds have emerged as an attractive investment avenue in an environment of lower interest rates being offered by traditional investment options. Fixed deposit rates continue to decline. Last month State Bank of India (SBI) cut its interest rates on medium- and long-term deposits of individuals by up to 50 basis points (bps). SBI's revised structure shows that for 2 to 3-year term deposits, it will offer 6.25% annually. The same rate is being offered on 3-10 year deposits. PPF interest rate has also been cut to 7.9%.

Reforms announced last month-

- Petrol and diesel prices will be revised on a daily basis from 1st May'17 in select towns in line with international rates, similar to what happens in most developed markets.
- After the successful merger of five associates with SBI, the government is looking to consolidate more public banks going forward, with an aim to create only a few lenders of global size and scale.
- SEBI on 26 April'17 announced major changes in norms relating to mutual funds, public issues, capital raising and commodity derivatives after its board met for the first time under new chairman Ajay Tyagi.
  -Investors can instantly redeem liquid mutual funds up to Rs 50,000 a day, or 90% of the folio value, whichever is lower.
  -SEBI also allowed investors to use e-wallets to buy mutual funds of up to Rs 50,000 per financial year.
  -Approved trading in commodities options on stock exchanges.
  -SEBI has also decided to form a panel to monitor use of IPO proceeds of Rs 100 crore and above.
  -New norms related to tightening of initial public offering (IPO) norms to ensure that funds raised are not misused; eased existing capital-raising norms to help banks deal with rising bad loans; and changes in securities contracts norms for better integration of the commodity derivatives market with the securities market were announced
- Prime Minister Narendra Modi has pushed for changing the financial year to January-December.
- The Narendra Modi government is readying to embark on a three-year action plan for holistic growth and development of the country prepared by the Niti Aayog after deliberations with states and central ministries.
- The cabinet on 19 Apr'17 allowed state government entities to directly tap bilateral agencies for resources – with an aim to boost infrastructure development
- AadhaarPay takes off with 7 lakh shops already on it.
- Prime Minister Narendra Modi launched in Nagpur a cashless/less cash township model, developed by Gujarat Narmada Valley Fertilizers and Chemicals Ltd (GNFC), across 81 townships in 12 States. These townships will deliver 2.5 lakh cashless transactions per day, translating into 9 crore cashless transactions in a year. GNFC's township at Bharuch in Gujarat became India's first cent per cent cashless township after demonetisation.
- The Centre will undertake periodic labour surveys so as to arrive at quarterly employment data.

Liquid Funds vs Savings Account

Almost all of us have a savings account where we save our earnings to meet our future expenses. There are other ways to save our idle money and earn better returns than savings account, and one of the options to earn better returns than the savings account is to invest in Liquid Funds.

WHAT ARE LIQUID FUNDS?

Liquid funds are debt mutual funds that invest in short-term instruments like commercial papers, treasury bills, certificates of deposit etc. for a tenure of 91 days or less. An investor can invest in liquid funds today and can redeem the money tomorrow. There is no exit load applicable and the money is credited to the investor's account on the next day from redemption. Some fund houses also offer ATM cards to withdraw money, which further adds on to the flexibility to withdraw money anytime for the investor.

WHAT ARE SAVINGS ACCOUNTS?

Savings accounts are the most favoured money saving instruments among individuals. The individual's park their money in their savings accounts for short-term in order to use it to meet their daily expenses. Savings accounts are maintained by banks and post offices where the individuals have the flexibility to deposit and withdraw money anytime.

BASED ON THE FOLLOWING FACTORS ONE CAN FIGURE OUT THE DIFFERENCE BETWEEN LIQUID FUNDS & SAVINGS ACCOUNTS:

1. Returns

The saving account gives interest ranging from 4%-6% approximately depending on the bank, whereas the rate of return for the liquid funds has varied from 7%-8% annually. Therefore, liquid funds have offered better returns (almost double) compared to savings account.

2. Withdrawal

You can withdraw a large sum from your savings account through a withdrawal slip or cheque. You can also withdraw limited sum from ATM. Large payments can be done via online banking. To get your liquid fund money, you have to place a redemption request (either through a form or online) and it gets transferred to your account at least after one working day.
In an effort to promote digitalization in mutual funds, SEBI has allowed investments of up to Rs. 50,000

per mutual fund per financial year through e-wallets. Also mutual fund companies have been permitted
to allow instant redemption (through online mode) to resident investors in liquid funds of upto Rs. 50,000, or 90% of folio value, whichever is lower. So you can get your money in your bank account within a few minutes.

3. Taxation

The taxation applicable on liquid funds for a period of less than 3 years is short-term capital gains tax, which is calculated based on the investors tax slab. Similarly, on savings account the returns are taxed as per the individual's tax slab. Liquid funds have the advantage of tax-efficient returns when compared to savings bank account for a horizon of more than 3 years. Here, the long-term capital gains are taxed at 20% after indexation. Although most people will not keep their money in a liquid fund for 3 years or more, even for shorter periods liquid funds offer better post-tax returns compared to a savings account.

4. Suitability

Liquid funds are suitable for those who want to invest their surplus to earn higher return than saving account rates, but seek high liquidity. Savings account is suitable for those who want to just have a storage to park money. Liquid funds are available with different investment options like Daily Dividend, Weekly/Monthly Dividend and Growth option.

Conclusion

Shifting the idle money in the savings account to higher returns yielding liquid funds can always be a wise decision. It gives better post-tax returns and a lot of flexibility.

Did you know?

Every ton of recycled paper saves about 17 trees.

Cartoon of the Month

"Your mother and I need more time to save for your college education. We'd like you to go back to Kindergarten and start over."

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Top Personal Finance News – April 2017

1) The smart way to manage money: insure your health, wealth and house: Click here

2) Understand financial needs of parents before allocating assets for them: Click here

3) When fake claims take the life out of insurance: Click here

4) Investing for your children's big dreams: Click here

5) How do fund houses declare the dividend for a scheme?: Click here

6) Should you invest in mutual funds? 5 points to know before forking out your money: Click here

7) Trading on a mobile? Avoid these common mistakes: Click here

8) New Income Tax forms: What information is being asked for? All you want to know about the new rules: Click here

9) Know the health insurance policies you really need: Click here

10) Three-year SIPs gave positive returns in 90 per cent of cases : Click here

11) 5 things every young investor should do at the start of a new financial year: Click here

12) Should you invest in SIPs for perpetuity?: Click here

13) Investment tip: How long should you run an SIP?: Click here

14) Be a buy-and-hold investor in mutual funds: Click here

15) Stock markets: All you want to know about when to sell your shares in 5 points: Click here

16) All you must know about SIP in an ELSS mutual fund: Click here

17) Mutual fund units can neither be transferred from one holder to another, nor gifted to another person: Click here

18) Mandatory Aadhaar in tax returns: problem or solution?: Click here

19) 50 shades of mutual funds: Click here

20) Should you invest in a PMS or in mutual funds?: Click here