Celebrating 10 years of Creating Wealth

I-CAN COMMUNIQUÉ

MARCH 2023

MONTHLY NEWSLETTER – MARCH 2023

Sensex : Down 1.71% Nifty : Down 1.64%	
Best performing sector: Capital Goods (1.16%)	Worst performing sector: Utilities (-11.8%)
Best performing Global index: Madrid General (1.3%)	Worst performing Global index: Nasdaq Industrial (-6.9%)
Indian Rupee: -0.98%	Gold (International): -4.1%

MACRO ECONOMIC HIGHLIGHTS

The Reserve Bank of India upped the repo rate by 25 basis points. The monetary policy committee (MPC) voted by a 4:2 majority to arrive at this decision, even as stickiness in core inflation has become a matter of concern. While the rate hike from 6.25 per cent to 6.50 per cent is in line with market expectations, RBI Governor Shaktikanta Das' observations that "we need to see a decisive moderation in inflation", probably indicates that MPC is not done with the cycle yet. Das said the headline inflation has moderated with negative momentum in November and December 2022, but the stickiness of core or underlying inflation (which excludes changes in food and energy prices) is a matter of concern. The central bank also revised its FY23 retail inflation projection lower to 6.5 per cent (6.7 per cent earlier), and for Q4 at 5.7 per cent (5.9 per cent). Further, on the assumption of a normal monsoon, retail inflation has been projected at 5.3 per cent for FY24 -Q1 at 5 per cent, Q2 at 5.4 per cent, Q3 at 5.4 per cent and Q4 at 5.6 per cent- with risks evenly balanced. The RBI has projected real GDP growth for FY24 at 6.4 per cent- Q1 at 7.8 per cent (7.1 per cent earlier), Q2 at 6.2 per cent (5.9 per cent), Q3 at 6.0 per cent and Q4 at 5.8 per cent- with risks evenly balanced. Das cautioned that weak external demand and the uncertain global environment however, would be a drag on domestic growth prospects.

The Bank of England raised interest rates a half point to 4%, saying more increases will be needed if signs of an inflationary spiral persist. Federal Reserve officials continued to anticipate further increases in borrowing costs would be necessary to bring inflation down to their 2% target when they met earlier this month, though almost all supported a step down in the pace of hikes.

After two months of easing, retail inflation based on Consumer Price Index (CPI) breached the RBI's upper tolerance level and surged to 6.5 per cent in January against 5.72 per cent of December.A key reason for the rise is higher price of cereals combined with spices and other food products. The wholesale price index (WPI)-based inflation rate for January 2023 fell to a two-year low at 4.73 per cent. This was on the back of a higher base and easing of pricing pressure for fuel and manufactured products. In December 2022, wholesale price inflation stood at 4.95 per cent. In January 2021, it was at 2.51 per cent. This is the fourth consecutive month that factory-gate inflation saw a single-digit print after remaining in double digits for 18 successive months.

Production of eight infrastructure sectors rose at a three-month high of 7.4 per cent in December 2022 against 4.1 per cent in the same month of previous year on a better show by coal, fertiliser, steel, and electricity segments, according to the official data released. Growth in services activity decelerated in January from a six-month peak in December but still remained well above a long-term average, propped up by sustained flow of fresh business orders from the domestic market.The seasonally adjusted S&P Global India Services PMI Business Activity Index hit 57.2 in January, compared with 58.5 in the previous month. The long-term average stands at 53.5.

India has the strongest growth prospects among emerging market economies and the fiscal 2024 budget will support productivity and higher growth which will be the bulwark for the economy amid the global downturn, according to S&P. The international ratings firm expects India to grow 6% on a real basis in FY24. India's gross domestic product (GDP) is expected to grow at 6.2 per cent in FY24 as drivers of domestic demand remain intact amid fears of an impending slowdown, Morgan Stanley said in a research report released.

REFORMS

Market regulator SEBI is now going behind the corporate veil of the foreign portfolio investors in the aftermath of the allegations that have emerged against Adani Group. In India, it has been noticed that in a large number of cases, the foreign portfolio investors (FPIs) are just the registered vehicles, but the ultimate beneficial owners (UBOs) of their positions are hidden. SEBI has directed the designated depository participants (DDPs), which are mainly custodian banks that act as a link between the FPIs, SEBI, and investors, to update the list of UBOs. SEBI has threatened the DDPs that their FPI licences will be cancelled if they do not divulge the UBOs, and their positions will have to be wound up by March 2024. SEBI has asked all the DDPs to update the details of UBOs of all the FPIs registered in India.

Sebi has notified governance norms for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) on the lines of listed companies. In two separate notifications, provisions such as those related to tenure of auditor, computation of leverage and unclaimed or unpaid distribution have been streamlined by the regulator. REITs or InvITs would not appoint an individual as the auditor for more than one term of five consecutive years, while an audit firm cannot be appointed as the auditor for more than two terms of five consecutive years. Investment by these investment vehicles in overnight mutual funds would be considered as cash and cash equivalent, for the purpose of computation of leverage. Besides, unclaimed or unpaid distributions for REITs/ InvITs would be transferred to the 'Investor Protection and Education Fund' constituted by Sebi. The Board of Directors of REITs or InvITs should comprise at least six directors and have at least one woman independent director. The quorum for every board meeting should be one-third of its total strength or three directors, whichever is higher, including at least one independent director. Also, they have been asked to formulate a vigil mechanism, including a whistle blower policy for directors and employees to report genuine concerns.

With an aim to bring in transparency, capital markets regulator Sebi mandated all stock brokers and depositories to maintain websites. A designated website brings in transparency and helps the investors to keep themselves well informed about the various activities of the Stock broker (SB) and Depository participant (DP).

The National Stock Exchange of India (NSE) extended the market trade hours for interest rate derivatives to 5pm. The change in timing will come into effect from 23 February onwards, the circular issued by the bourse said.

Analysis Paralysis

Analysis paralysis is an inability to make a decision due to over-thinking a problem. Psychologists say the root cause of analysis paralysis is anxiety. We fear choosing the wrong option. The process of choosing an investment is particularly prone to analysis paralysis. These days there are too many investment options promoted by various bankers, brokers and advisors. It is easy to get bogged down in an analysis of many options until it becomes impossible to choose one. However, it is imperative to arrive at a decision and put your money to work as there is an upside risk to the capital market. Hence delaying decisions can lead to lost opportunities of making profits. Thus, let us see how to avoid Analysis Paralysis**.**

Know your investment goals and Always Keep Your Objectives in Mind

What is your investment time horizon? What is your risk tolerance? How passive or active of an investor do you want to be? Be honest about what you want to accomplish and why. The primary motivations behind the decision or desired outcome should always be kept in mind. Overarching investment objectives should serve as your foundational guide for evaluating options.

Accept that Uncertainty is Inevitable

It's important to accept that there will always be deviations and random occurrences outside of your control. You should still be thorough in your efforts, but remember that uncertainty is inevitable in any analysis.

Decision making is an ongoing process

Any decision derived from your analysis is not likely to be the end-all conclusion on the matter. Embrace the iterative process and take a learning approach towards all of your results, which will help you in the long run.

Forget about perfection

Sometimes the outcome of acting at all is better than waiting for the "perfect" investment, which may never materialize. The fact is there is no perfect investment, and there's always another deal to be had.

Build your knowledge

Often, decisions have to be made quickly. Build up your knowledge over time so that when the time is right, you know enough to feel confident in your analysis abilities.

Analyse your worst-case scenario

A major factor in analysis paralysis is the tendency to start thinking about how devastating a bad investment would be. Thus, following basic rules of investing like asset allocation, diversification and choosing an expert professional to make fundamentally sound investments would significantly reduce the probability of actualizing your worst-case scenario.

Monthly Mantra

Financial risk lies not only where most of us look for it- in the economy or in the investments- but also within ourselves.

Cartoon of the Month

"If you keep working until you're 85, you can afford an early retirement."

Good News!

Apple has become the single largest creator of blue collar jobs in the electronics sector after having generated 100,000 new direct jobs in the past 19 months.

Unemployment rate for persons aged 15 years and above in urban areas declined to 7.2 per cent during October-December 2022 from 8.7 per cent a year ago, the National Sample Survey Survey (NSSO) showed.

Automotive and consumer durables companies, which depend on China for components, have seen supply chain constraints ease after China ended its zero-Covid policy.

The flow of money into deposits of Non-Resident Indians (NRIs) rose 76 per cent to $5.4 billion in April-December this financial year over $3.07 billion in the same period 2021.

The government is finalising a plan to upgrade 5,500 km of existing highways into the National Highways for Electric Vehicles (NHEV) through a public-private partnership across 23 cities in 12 states. The e-highways will collectively have 111 stations with charging and other facilities.

Monthly GST collection is expected to average around Rs 1.50 lakh crore and it will be the 'new normal' in FY24 in view of concerted efforts to check evasion and bring new businesses within the GST net, Central Board of Indirect Taxes and Customs (CBIC) chief Vivek Johri said. In an interview to PTI, Johri said the GST and Customs revenue collection numbers as given in Budget 2023-24 are realistic based on nominal GDP growth and import trends, respectively and the indirect tax collection target set for next fiscal will be achieved.

S&P Global Ratings said core **inflation** in **India** has been declining sequentially, and an elevated 6.25 per cent policy rate limits the need for further rate hikes.

India Ratings has revised the outlook on the microfinance sector to 'improving' from 'neutral' and has also maintained the 'stable' rating outlook for FY24. It expects the sector to notch up high double-digit growth of 20-30 per cent, on improved collections and disbursals. It sees the credit cost to improve to 1-3 per cent from 1.5-5 per cent this fiscal.

The banking sector reported the strongest year-on-year growth in net interest income (NII) for the December 2022 quarter since the pandemic hit June 2020 quarter helped by a sustained double-digit credit offtake. In addition, the sector continued to report lower year-on-year provisioning for nonperforming assets (NPAs) for the fourth consecutive period following improving collection efficiency and rising credit quality.

Top Personal Finance News – February 2023

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