I-CAN COMMUNIQUÉ

I-CAN FINANCIAL SOLUTIONS

APRIL 2020

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MONTHLY NEWSLETTER – APRIL 2020

Sensex : Down 23% Nifty : Down 23%	
Best performing sector: Healthcare (-9.9%)	Worst performing sector: Realty (-36.3%)
Best performing Global index: Shanghai Composite (-4.5%)	Worst performing Global index: MerVal (-30.3%)
Indian Rupee: -4.6%	Gold (International): 1.9%

The stock markets across the globe witnessed unprecedented turmoil and a massive sell-off in the month of March as the Covid-19 virus cases rose sharply across geographies. India also witnessed a rising number of cases. By end of March'20 47 people died of the disease and 1,403 people tested positive in India. The global death toll was above 40,000 with more than 8 lakh people reported as carrying the infection. The number of cases have been increasing rapidly. By 9 April the number of cases in India were above 5,800 and the world total was above 15 lakh.

The Indian headline indices fell by 23%. The S&P BSE Mid Cap and S&P BSE Small Cap index fell by 28% and 30% respectively in a single month. Foreign investors have been selling across asset classes. The Indian bond markets and equity markets saw a net outflow of Rs 60,375.8 crore and Rs 61,972.8 crore respectively. The Indian Rupee came under pressure – depreciating from 72.18 to 75.63 against the US dollar in a month. As economies massively shut down normal operations there was a massive drop in crude oil demand. The Brent Crude Oil price fell by a dramatic 50% from $49.7 to $25 per barrel.

The Covid-19 crisis has put further pressure on the real estate sector. Apartment sales have fallen 42% year-on-year and 24% quarter-on-quarter in the January-March 2020 quarter, according to Anarock Property Consultants.

Prime Minister Narendra Modi announced a 21-day nationwide lockdown from the midnight of 24th March in order to prevent a large-scale impact of the corona virus. The Indian GDP growth predictions for FY21 were revised downwards as stated below:

Agency	Earlier	Now
India Ratings	5.5	3.6
IDFC	5.3	3.6
S&P	5.2	3.5
HDFC Bank	5.6	3.2
Citibank	5.5	2.5
UBS	4	2.5
ICRA	4.2	2

Moody's Investors Service brought down its India growth projection for calendar year 2020 from 5.3% to 2.5%. Barclay's slashed the 2020 GDP forecast from 4.5% to 2.5%.

G20 major economies agreed to infuse over $5 trillion into the global economy and do everything possible to contain the damage being caused by Covid-19. The US Fed reduced repo rates by 150 bps to 0.00-0.25% as an emergency measure.

The bond markets faced a large amount of liquidity tightening due to a huge sell-off by foreign investors. This led to hardening of yields across the spectrum. When debt fund NAVs started RBI announced a number of measures to infuse liquidity into the system:

- The repo rate was reduced by 75 bps to 4.4% and the reverse repo rate by 90 bps to 4%. The reverse repo rate reduction will incentivize banks to lend rather than keep balances deployed at 4%.
- Long-term repo operations (LTROs) of up to Rs 1 lakh crore wherein banks can borrow from RBI at the repo rate and the borrowed funds can only be used to buy corporate bonds, commercial papers and non-convertible debentures (NCDs).
- Reduction in cash reserve ratio (CRR) of 100 basis points to 3%
- Under the Marginal Standing Facility (MSF) banks can borrow overnight by dipping up to 2% into the Statutory Liquidity Ratio (SLR). This limit has been raised to 3%.
- The above three measures will infuse a total of Rs 3.74 lakh crore
- All lending institutions allowed to grant a 3-month moratorium on repayment of instalments for term loans outstanding as on 1st March, 2020
- Lending institutions permitted to allow deferment of three months on interest payment with regards to working capital loans as on 1st March, 2020

After these measures were announced the bond yields softened.

The government announced a relief package worth Rs 1.7 lakh crore to help the poorest sections of the society and those hit hardest by the ongoing Covid-19 virus.

<u>For medical staff</u>

- Rs 50 lakh medical insurance for doctors, paramedics and other medical staff

<u>Food for poor</u>

- Additional 5 kg wheat or rice per person for 3 months
- 1 kg free dal per household for 3 months
- Free LPG for Ujjwala beneficiaries for 3 months

<u>Cash in Hand</u>

- Increase in MGNREGS wages to Rs 202 from Rs 182
- Rs 500 per month per person to 200 million women Jan Dhan account holders for next 3 months
- Ex-gratia of Rs 1,000 to poor senior citizens, widows and disabled
- Rs 20 lakh collateral-free loans to women Self Help Groups
- Rs 2,000 to 87 million farmers under PM Kisan in 10 days

<u>Organised sector</u>

- Government to contribute EPF to companies with less than 100 workers
- Contribution for both employee and employer
- Non-refundable advance of 75%, or 3 month wages, from PF account

<u>Construction Workers</u>

- States to use Rs 31,000 crore construction workers' welfare fund
- States to use District Mineral Fund for medical activities

India's retail inflation softened from a 68-month high of 7.59% in January to 6.58% in February. The wholesale inflation fell from 3.1% in January to 2.26% in February. The factory output in India measured by the Index of Industrial Production (IIP) grew by 4.5% in February'20 after a growing at 2% in the previous month. The Manufacturing Purchasing Managers' Index (PMI) fell from 54.5 in February to 51.8 in March. The Services PMI fell to a four-month low of 51.8 in March from 54.5 in February.

Despite the weakness in the markets the total net inflows in open-ended equity mutual funds was Rs 11,722.7 crore in March.

Reforms

- A total of 12 bills were passed by the Parliament in the Budget Session which had to end abruptly on March 23. The bills include the budget Appropriation Bills, the Finance Bill, The Direct Tax Vivad se Vishwas Bill, budget of Jammu & Kashmir and an amendment to the Insolvency and Bankruptcy Code.
- The Insurance Regulatory and Development Authority of India (IRDAI) directed insurance companies to allow an extra 30-day grace period for payment towards insurance renewal if desired by policyholders.
- The Finance Minister announced a three-month waiver on charges for not maintaining the Average Monthly Balance (AMB) in saving bank accounts.
- The PAN-Aadhar linking deadline was extended to June 30, 2020
- SEBI eased compliance requirements for brokers and mutual funds.
- SEBI decided to offer operational exemptions to FPIs, which includes relaxations on issues such as submitting physical forms.
- The Cabinet cleared three schemes worth over Rs. 48,000 crore to boost electronics and components manufacturing.
- EPFO decided to disburse pension early to 6.5 million account holders before the end of March in order to help them deal with the virus situation.
- On 28 March the Prime Minister announced setting up of the PM Cares (Prime Minister’s Citizen Assistance and & Relief in Emergency Situations) Fund. Within a week the amount collected cross Rs 6,500 crore as individuals, celebrities, corporates and government officials came forwards to contribute.
- PM Narendra Modi asked for cooperation among SAARC members to combat the pandemic and proposed an emergency fund in which India will make an initial contribution of $10 million.
- The Cabinet Committee on Economic Affairs (CCEA) approved a proposal to inject Rs 1,340 crore into regional rural banks (RRBs) in FY21 to provide support during the corona virus pandemic.

Why you should not Stop SIPs in the Current Scenario

A Systematic Investment Plan (SIP) is a facility whereby one can invest a pre-decided amount in chosen mutual fund schemes at a set frequency (the most common one being monthly). In the last few years this has become a popular route for investing among Indians. One of the primary reasons for the popularity of this investment vehicle is the attractive returns equity mutual fund investors witnessed and lack of avenues especially after demonetization.

What are the benefits of SIPs?

- Saving discipline: Since the periodic instalments committed to SIPs automatically get deducted from your bank account, it is a forced saving. Once the money is deducted you are compelled to spend on current expenses only out of the balance amount left in the bank account.
- Rupee Cost Averaging: As a fixed amount is invested in a fund on a regular basis, you are effectively averaging out the cost of your purchase. When the markets are low, you end up with more units and a lesser number of units when markets are high. Thus, SIPs help you reduce your overall cost of acquisition by averaging your cost during volatility.

  We can understand this with an example of an investor who invests Rs 10,000 every month in a certain equity scheme:

Month	Scheme NAV	No of units bought
1	200	50
2	220	45
3	230	43
4	225	44
5	200	50
6	180	56
7	175	57
8	170	59
9	165	61
10	150	67
11	130	77
12	125	80
Total money invested	Rs 1,20,000	
Total units bought	689	

In the above example we assume the markets are on a downward journey and the NAV is dipping. The average cost of acquiring a unit comes to Rs 174. Had the same investor invested the entire Rs 10,000 in the first month the average unit cost would have been Rs 200. Now, when the markets turn and start an upward journey the SIP investor stands to make much higher profits. Over the long term investors who continue SIPs in a bear market phase stand to benefit.

- Convenience: You need not invest manually at regular intervals. The automatic debits make it seamless.

- Light on the pocket: Affordable regular investments pinch us lesser compared to making the entire investment in one shot.

- Relief from pressure of timing the market: It is next to impossible to time the lows to enter and the highs to exit in stock markets. Those who invest in a staggered manner via SIPs do not have to worry about trying to time the market and the risk of wrong entry time is drastically reduced.

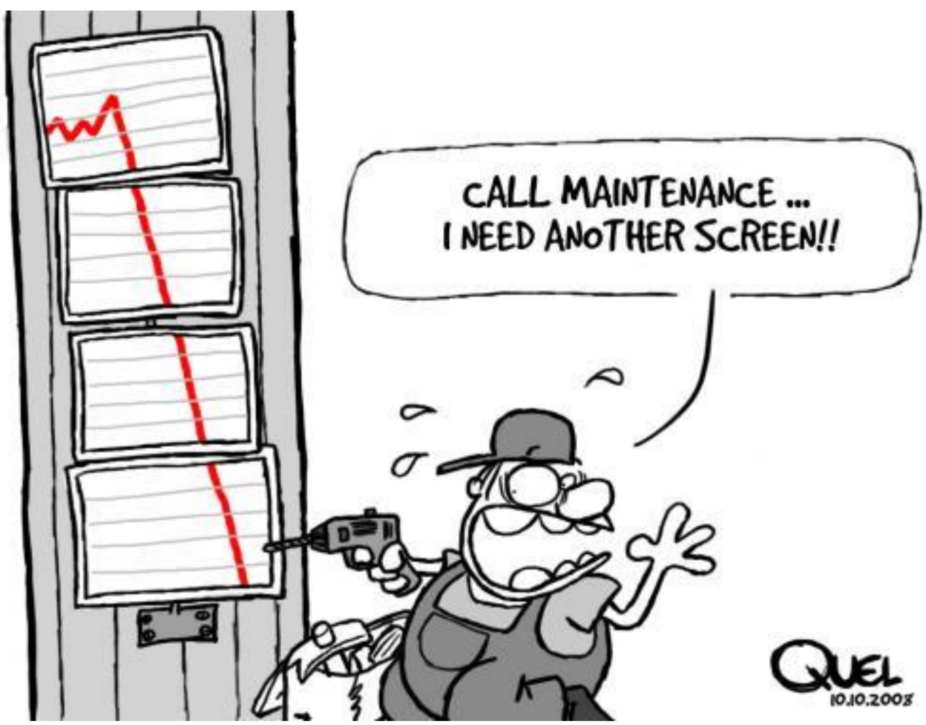
Continue or Increase your SIPs in the current scenario

In the current scenario, it is likely that many investors are concerned with the low returns after the markets have corrected sharply owing to the Covid-19 outbreak. The markets are witnessing unprecedented volatility – not only in India but across the world. Experts are still trying to figure out the full social and economic impact of this calamity. However, your SIPs will fetch you a large number of units in the depressed market scenario. When the Covid-19 issue is behind us and things begin to normalize the financial markets will turn for the better and the investors who enter now will stand to gain. Patience and persistence is the key to making good returns in the stock markets in the long run.

Did you know?

Netflix is responsible for 15% of global internet traffic

Cartoon of the Month



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