I-CAN COMMUNIQUÉ

OCTOBER 2019

I-Can Financial Solutions Pvt. Ltd. | 502, Royyal Chambers, Opp. Juhu Millennium Club, Gulmohar Rd, JVPD Scheme, Juhu, Mumbai – 400049 | Tel: 022-26230644 Mob: 9029841234 | www.icanindia.com

I-CAN FINANCIAL SOLUTIONS

MONTHLY NEWSLETTER – OCTOBER 2019

Sensex : Up 3.6% **Nifty : Up 4.1%**	
Best performing sector: Oil & Gas (11.2%)	Worst performing sector: PSU Bank (-7.3%)
Best performing Global index: MerVal (18.1%)	Worst performing Global index: Jakarta Composite (-2.5%)
Indian Rupee: 0.8%	Gold (International): -3.5%

The Indian equity markets rejoiced after the momentous announcement of corporate tax cuts by Finance Minister Nirmala Sitharaman. The corporate tax rate was reduced to 22% for domestic companies which do not avail any concessions or incentives. New domestic manufacturing companies which will be incorporated after October 1 will pay income tax at the rate of 15% without any incentives. The changes are likely to have positive ripple effects in the economy. It is likely to lead to private sector investments, jobs and improvement in the overall sentiment. The headline indices posted the largest single day gain in a decade following the announcement. S&P BSE Sensex and Nifty 50 rallied by 3.6% and 4.1% respectively in September. The S&P BSE Mid Cap and Small Cap indices rose by 4.7% and 5.1% respectively.

Foreign institutional investors (FIIs) turned net buyers in Indian equities. They invested a net amount of Rs 7,547.89 crore. They sold a net amount of Rs. 990.05 crore in the debt markets.

The bond markets reacted negatively to the announcement on concerns of challenges the government is likely to face in meeting the fiscal deficit targets as the corporate tax cuts will lead to a revenue loss of Rs 1.45 trillion to the government. The 10-year benchmark government bond yield was up 14 basis point for the month of September to close the month at 6.7%.

The Finance Ministry asked all the central government departments to make capital expenditure plans for the next four quarters. The government gave October 15 as the deadline to all public sector companies to clear overdue payments to vendors. This part of the measures aimed at addressing the economic slowdown.

A drone attack at Abqaiq – the world's largest oil processing facility – situated in Saudi Arabia led to a spike in crude oil prices. Another site affected in the attack was Khurais – second largest facility in Saudi Arabia. The Brent Crude Oil price was up 3.6% for the month and touched $ 60.78/barrel on 30 September.

The direct tax collection for April-September period rose to Rs 5.5 lakh crore as on 17th September – a 4.7% increase against the budgeted 17.5% growth. The wholesale price index (WPI) rate remained unchanged at 1.08% in August as compared to the previous month. The retail price index (CPI) based inflation increased marginally to 3.21% in August from 3.15% in July. The index of industrial production (IIP) grew 4.3% in July from a downward-revised 1.2% in June. The Purchasing Managers Index (PMI) for Manufacturing was 51.4 in September

– unchanged from the August reading. The figure has stayed above 50 (which denotes expansion) for the 26th month in a row. The Services PMI fell to a 19-month low of 48.7 in September from 52.4 in August.

Credit Rating Agency Care slashed the credit rating of Reliance Capital by 8 notches to D from BB due to a delay in interest payments on its non-convertible debentures. Real estate lender Altico Capital defaulted on an interest payment against a loan taken from Mashreq Bank. One of the reasons for the default has been the liquidity crunch in the non-banking space after the IL&FS crisis. On the other hand, Essel Group and IL&FS SPV made partial repayments to mutual fund houses.

The top 25 real estate developers continue to add unsold inventory which has piled up to Rs 1.4 trillion as on March 2019 – an increase of 19% year-on-year.

Personal Finance

The mutual fund industry AUM increased by 4% from the previous month to Rs 25.47 lakh crore in August. Equity mutual funds saw a 12.8% rise in monthly flows to Rs 9,152.4 crore.

The interest rate on Employees' Provident Fund (EPF) has been fixed at 8.65% for 2018-19 – 10 basis points higher than the previous fiscal.

Reforms

- The Finance Ministry might come out with a National Infrastructure Pipeline – a dynamic list of private and public projects. This will help investors understand at what stage of execution each of these projects is in.
- SEBI is working on standardizing mutual fund processes and documentation in order to simplify things for the retail investors and boost their participation.
- In order to ensure uniformity and consistency in valuation, market regulator SEBI has asked mutual fund houses to follow 'waterfall' approach for the valuation of money market and debt securities. Under this approach, all traded securities would be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.
- SEBI has simplified the KYC requirements and registration process for foreign portfolio investors (FPIs). The definition of FPIs has also been broad-based by reducing the number of classification categories to two instead of three. SEBI has permitted FPIs to carry out off-market security transfers.
- Norms for debt mutual funds were tightened by SEBI. From 1st April it will be mandatory for liquid funds to hold 20% in liquid assets like cash and government securities. An asset management company (AMC) will not be permitted to charge investment management and advisory fees for the parking of funds in short-term deposits of scheduled commercial banks. This norm will be applicable after a month. Liquid and overnight funds are not permitted to invest in short-term deposits, debt and money market instruments having structured obligations or credit enhancement facilities.
- RBI announced that banks will now need to resolve failed debit card transactions within five days. UPI and wallet based transactions should be resolved in one day. This comes as a good news for e-commerce customers.
- The Union Cabinet has decided to ban all forms of nicotine-based electronic cigarettes due to its health risks.
- Applicants can now get in-principle approval of loans within 59 minutes through 19 public sector banks on the 'PSB Loans in 59 Minutes' portal.

Sovereign Gold Bonds

Indians love the yellow metal. Apart from its popularity among Indians, it also offers a hedge against risky investment assets such as equities. Ahead of the festival season, Sovereign gold bonds will be issued in India in two tranches this month – October 7 to 11 (2019-20 Series V) and October 21-25 (2019-20 Series VI). The issuance dates will be October 15 and October 30 respectively. The Reserve Bank of India (RBI) will issue the bonds on behalf of the Government of India. We help you know more about these bonds.

What are Sovereign Gold Bonds?
These are government securities denominated in grams of gold. For investors SGBs can be a substitute for investing in physical gold. One can avoid the storage costs and risks of holding physical gold. The bonds are either held in the books of RBI or in demat form.

Gold bonds will be issued in denominations of one gram of gold or multiples thereof. The issuance price of the gold bonds will be fixed on the basis of price of gold of 999 purity for the last three working days of the week preceding the subscription period. RBI will offer a discount of Rs. 50 per gram on issue price to those applying online and making payment through digital mode.

Who can invest in SGBs?
Any of the following can invest in gold bonds – individuals, Hindu Undivided Families (HUFs), trusts, universities, charitable institutions. You can also invest on behalf of a minor. Individual investors with subsequent change in residential status from resident to non-resident may continue to hold SGB till early redemption/maturity. Joint holding is allowed.

What is the rate of interest?
An interest of 2.5% will be paid on the nominal value of gold. It is payable twice in a year.

What are the documents required?
PAN Number is mandatory with every application.

What is the maturity period?
Gold bonds have a maturity period of 8 years. Premature redemption is allowed after the fifth year. On maturity, the redemption value is calculated as the average closing price of 999 purity gold of previous three working days. Gold bonds trade on stock exchange, which offers an early exit option.

What is the tax treatment?

The interest received is taxable. No capital gains tax is applicable on gold bonds if held till maturity. This is an exclusive tax benefit available on gold bonds as compared to other investment options like gold ETF, gold funds or physical gold.

Gold bonds can be presented as collateral for loans.

The next 6 months calendar of SGB issuances is as follows:
2019-20 Series VII December 2-6/December 10
2019-20 Series VIII January 13-17/January 21
2019-20 Series IX February 03-07/February 11
2019-20 Series X March 02-06/March 11

Did you know?

A study using MRI scans showed that the brains of people who exercise moderately look 10 years younger than those who don't.

Cartoon of the Month

"I was spreading some risk around, and apparently it all wound up in your portfolio."

Top Personal Finance News – September 2019

1) How to withdraw money from NPS, EPF accounts: Click here
2) Term plan premiums explained: Click here
3) Missed your return filing deadline in India? Here's what you can do: Click here
4) All you need to know about assigning life insurance policy: Click here
5) Want your Mutual Fund to give return like Sensex, Nifty? You can invest in this: Click here
6) Disclose all existing ailments to insurer: Click here
7) How capital gains from different forms of gold are taxed: Click here
8) Two things you need to ask yourself as you walk into the 'loan mela': Click here
9) Income tax dept launches faceless e-assessment scheme. 5 things to know: Click here
10) Credit card application got rejected? Here is what you need to do: Click here
11) What's Form 16 and how does it help file your returns?: Click here
12) Give last few instalments of SIP time to grow before withdrawing entire sum: Click here
13) The age at which you should get health insurance and the cover size you will need: Click here
14) Masked Aadhaar Card vs Regular Aadhaar Card: All you want to know about UIDAI's new e-Aadhaar Card: Click here
15) PPF, SCSS, post office saving schemes rules revised: Check what's new: Click here
16) Policy Lapsed? Purchase a new policy within 90 days of expiry or lose this benefit: Click here
17) Is your mutual fund buying or selling stocks too much?: Click here
18) Have you got insurance cover for your home?: Click here
19) PPF account cannot be opened jointly: Click here
20) You can exit NPS prematurely or extend it beyond subscribed limit: Click here