



*Celebrating 10 years of Creating Wealth*

# I-CAN COMMUNIQUÉ

## MAY 2022



## MONTHLY NEWSLETTER – MAY 2022

<b>Sensex: Down 2.6%</b>	
<b>Nifty: Down 2.1%</b>	
Best performing sector: Utilities (18.2%)	Worst performing sector: IT (-12.9%)
Best performing Global index: RTS Index (5.9%)	Worst performing Global index: Nasdaq (-13.3%)
Indian Rupee: -0.8%	Gold (International): -2%

As the war waged on Ukraine by Russia completed more than two months, it continues to be a major headwind leading to weakness in the global equity markets.

While the Sensex and Nifty fell by more than 2%, the S&P BSE Mid Cap index gave a positive return of 1.3% and the S&P BSE Small Cap index was up by 1.4%. The 10-year government bond yield inched up to 7.14% from 6.84%.

The foreign institutional investors (FIIs) sold a net amount of Rs. 17,143.8 crore in stock markets and Rs. 4,438.8 crore in the bond markets.

The recent uptick in Covid-19 cases in India hints at a possibility of a fourth Covid wave, according to Nomura. The brokerage firm, however, believes that this is not a short-term risk factor.

According to Labour Ministry data India's formal sector employment increased by 0.4 million to 31.4 million in the October-December 2021 quarter.

CII President T V Narendran expects the Indian economy to grow by 7.5-8% in FY23. Asian Development Bank (ADB) predicted a 7.5% GDP growth in FY23. The World Bank reduced the FY23 growth estimate from 8.7 to 8% because of headwinds like supply chain bottlenecks and rising inflation risks in the wake of the Russia-Ukraine war. UBS slashed the growth forecast for FY23 by 70 basis points to 7%. The International Monetary Fund (IMF) cut down its outlook for FY23 from 9 to 8.2%.

The wholesale price index-based WPI inflation for the month of March increased to a four-month high of 14.55%. This is the 12th consecutive month of a double-digit print. Consumer price index-based CPI inflation for the same period rose to 6.95% compared to 6.07% in February. This is the 3rd consecutive month where the number was above RBI's upper band of tolerance of 6%.

India's forex reserves saw a decline of \$311 million to reach \$603.694 billion in the week ending 15 April'22.

Credit rating agencies said there was a sharp improvement in corporate India's credit quality in the second half of FY22.

Factory output measured by the index of industrial production (IIP) increased to 1.7% in February from 1.5% in January.

India's Manufacturing Purchasing Managers' Index (PMI) showed an improvement by increasing from 54 in March to 54.7 in April. The Services PMI jumped to a 5-month high of 57.9 in April, rising sharply from 53.6 in March.

#### Reforms

- The Ministry of Corporate Affairs (MCA) invited bids from private players for analysis of its database to get insights such as corporate behaviour in key areas such as extent of leverage, use of funds for its stated purpose etc.
- SEBI introduced a risk management framework for the electronic gold receipt segment of recognised stock exchanges.
- The Insurance Regulatory and Development Authority of India (IRDAI) allowed insurance companies to have exposure to financial and insurance activities up to 30%. Earlier it was capped at 25%.
- The commerce ministry is working on the draft Tea (Promotion and Development) Bill, 2022 to remove the colonial-era provisions and socialist-era government restrictions on the sector.
- The Department of Telecommunications (DoT) exempted mobile phones, smart watches, smart cameras, servers and point of sale (PoS) machines from mandatory testing and certification, thereby reducing compliance burden.

## Fixed Income Assets



You may have often heard that asset allocation and diversifying the investment basket across different options is the key to build wealth in the long term. While risky assets such as equity, gold and real estate may help to compound the capital at a higher rate, they go through cycles and often the investors have to bear losses and wait for the recovery for an indefinite period of time. While they may act like sixers in scoring good returns, it is essential to have a fixed income portfolio to generate stable returns and ensure liquidity during tough and volatile times.

Does this mean that this asset class guarantees risk free returns? The answer is a big No. In fact, investing in this asset class without due diligence may lead to capital erosion. The key risks involved are credit risk and interest rate risk. Credit risk refers to the risk of a corporate making default at interest payments / repayment of the capital upon maturity to the bond holders. While the interest rate risk refers to the risk of the bond prices falling and resulting in mark to market losses as the yields go up due to monetary tightening during inflation.

While bank FD and sovereign bonds had been one of the most favoured options among baby boomers, the interest rates across the globe have been on a downward trajectory which compelled Gen X and millennials to look at alternative options such as corporate bonds and FDs , debt mutual funds, FMPs, debentures etc. While interest income or capital gains is generally taxed as per the tax slab of the investor, the long term capital gains (when holding period exceeds 3 years) in debt mutual funds is taxed at 20% post indexation thus making it a more tax efficient option as per the current taxation rules in India.

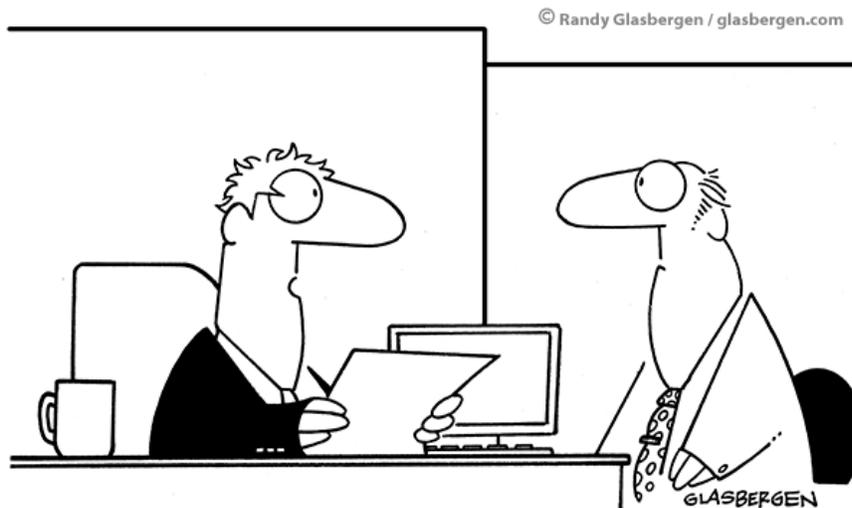
One must take the following factors into consideration while investing in fixed income assets-

1. Check the credit quality of the debt instruments and give preference to the ones with high credit ratings
2. Assess the preferred investment horizon and invest in instruments of similar duration. (Match your investment goal with the maturity of the investment option)
3. Do not invest all the money in a single option but diversify well to achieve optimum risk adjusted returns.
4. Review the portfolio periodically to mitigate risks and optimize returns.

## Did You Know

You actually lose a large percentage of your taste buds while in an airplane. This might explain a lot about those less-than-stellar in-flight meals, or why you find yourself craving the saltiest foods while in the sky.

## Cartoon of the Month



**“You have enough money for a comfortable retirement. Spend it on a good sleeping bag and you can be comfortable almost anywhere.”**

## **Top Personal Finance News – April 2022**

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- 2) Health insurance tips: Should you opt for riders and top up plans?: [Click here](#)
- 3) Taking loans to cover volatile income creates debt trap for many: [Click here](#)
- 4) This is how cryptocurrency assets will be taxed from April 1 in India. 10 points: [Click here](#)
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