I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

FEBRUARY 2020

Monthly Newsletter – February 2020

Sensex : Down 1.3% Nifty : Down 1.7%	
Best performing sector: Realty (11%)	Worst performing sector: Metal (-9%)
Best performing Global index: Nasdaq (2%)	Worst performing Global index: Hang Seng (-6.7%)
Indian Rupee: 0.5%	Gold (International): 4.5%

The first month of 2020 was marked by a lot of news on the global front. As the year started, the markets went through some volatility as the US administration headed by Donald Trump ordered a drone attack that killed Iranian commander Qassem Soleimani, who led the Revolutionary Guards' Quds force. On the other hand, there are increasing concerns on the coronavirus outbreak which originated in China in December 2019 and so far has claimed 490 reported lives in China. A further 24,324 people have been infected in the mainland. At least 25 countries have confirmed cases which includes countries like US, South Korea, Japan, Singapore, Thailand, Vietnam, Hong Kong, India etc. The markets got some breather after the landmark signing of the first phase of the US-China trade deal. On the domestic front, factors such as better estimates of the third quarter corporate earnings, better transmission of interest rate cuts and liquidity led to some boost in the sentiment. The coronavirus issue has led to a weakness in crude oil prices which is beneficial for India. The further worsening of the coronavirus spread is a key risk clouding the global economy.

While the headline indices fell by more than a percent each, the mid and small cap segments rallied. The S&P BSE Mid Cap and S&P BSE Small Cap went up by 3.3% and 7.1% respectively. The 10-year government bond yield inched by 4 basis points to 6.6%.

Foreign institutional investors (FIIs) were net buyers in the equity markets, pumping in Rs. 12,122.58 crore in January. They sold Indian bonds worth a net amount of Rs. 11,647.95 crore. Foreign direct investment (FDI) in India rose by 15% to $26 billion in the first half of the current financial year (April 2018 – September 2019).

India's exports reported a fall for the fifth consecutive month in December 2019. Exports fell 1.8% from a year ago to $ 27.36 billion. Imports fell by 8.8% to $ 38.61 billion, thus reducing the trade deficit to $ 11.25 billion. The government asked for a Rs. 10,000 crore interim dividend from the RBI as it struggles with a widening fiscal deficit. The tax collection and divestment proceeds have been short of target.

Concerns on the domestic growth front continue. India's GDP growth estimate for FY 2018-19 was revised downwards to 6.1% from 6.8% by the government. India Ratings projected the GDP growth to come in at 5% in FY20 and 5.5% in FY21. IMF chief Kristalina Georgieva shared the economic outlook at the World Economic Forum. According to her the economic slowdown in India is temporary and better momentum is expected in the future. Some green shoots that are emerging seem to suggest we might have reached the bottom of the growth slowdown. Industrial growth measured by the Index of Industrial Production (IIP) increased by 1.8% in November, compared with -3.8% in October. The Manufacturing Purchasing Managers' Index (PMI) for India shot up sharply from 52.7 in December to 55.3 in January, the highest in nearly eight years. Even the Services PMI increased significantly from 53.5 to 55.5 in the same period. A figure above 50 indicates expansion.

Reforms

- New insurance guidelines will come into effect from February 1, 2020. Some of the changes proposed for life and unit-linked insurance plans (ULIPs) are as follows:
    - Increase in time period allowed for the revival of policies from two to three years
    - Sum assured for ULIPs reduced from ten to seven times of premium paid
    - Withdrawal limit for pension plans increased to 60%
- SEBI tightened margin norms on commodity derivatives. Commodities were categorized as per their realized volatility.
- SEBI proposed that a company with both distribution and advisory arms cannot offer both product purchase as well as advisory to the same client. Only one of these can be offered to a single client.
- RBI asked banks to allow only domestic card transactions at ATMs and PoS terminals at the time of issuance/reissuance of card. For international transactions, online transactions and contactless transactions, customers will have to separately set up services on their card.
- Insurance Regulatory & Development Authority (IRDAI) mandated all general and health insurance companies to offer a Standard Health Insurance Product (SHIP). It will be called Arogya Sanjeevani Policy.
- RBI released a mobile App which will help the visually impaired to identify currency notes.

Union Budget: Key points

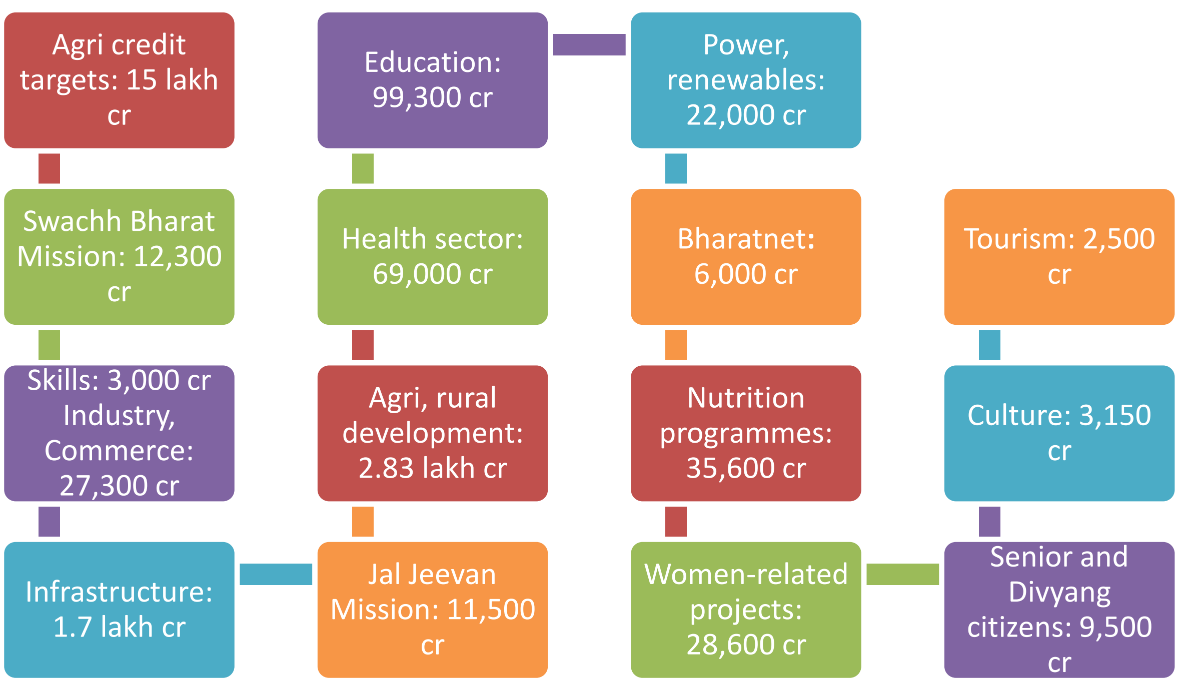
The Union Budget 2020 which was presented on 1st February'20 was based on three pillars – Aspirational India (better living standards, with access to health, education and jobs), Economic Development and Caring Society. The underlying idea behind the themes is to enhance the 'ease of living' for Indians.

While the government did not come up with big bang ideas, it has taken steps in the right direction to address the economic challenges of slowing growth in a weak global environment. The government has taken a series of steps in the last few months to revive the economy – such as corporate tax rate cuts and other reforms.

Realistic Projections

The government made realistic projections regarding the fiscal deficit target for FY20 and FY21 at 3.8% and 3.5% respectively. The nominal GDP for FY21 was pegged at 10%. Monthly GST collections are projected at Rs. 1,15,000 crore. Net market borrowings are estimated at Rs. 4.99 lakh crore for 2019-20 and Rs. 5.36 lakh crore for 2020-21.

Funds Allocated for FY21



Infrastructure Spending

- Rs. 22,000 crore has been allocated for power, renewable energy
- Rs. 106 lakh crore National Infrastructure Pipeline to address infra needs
- 100 more airports by 2024
- 1 lakh gram panchayats to be linked via Fibre-To-Home under Bharat Net
- 12 lots of highway bundles to be monetized by 2024

New Personal Income Tax Regime

WITH EXEMPTION	Annual Income (Rs.)	WITHOUT EXEMPTION
Nil	0 – 2.5 Lakh	Nil
5%*	2.5 – 5 Lakh	5%
20%	5 – 7.5 Lakh	10%
20%	7.5 – 10 Lakh	15%
30%	10 – 12.5 Lakh	20%
30%	12.5 – 15 Lakh	25%
30%	Above 15 Lakh	30%

*Rebate available, i.e., no income tax if gross income is below 5 Lakh.

Key announcements

- Removal of dividend distribution tax: Companies not required to pay dividend distribution tax. Dividend to be taxed at the hands of recipients only. For investors 10% TDS only on dividends paid out by companies and mutual funds. Dividends upto Rs 5,000 to be exempt from tax liability.
- Bank Insurance coverage increased: Deposit insurance cover has been increased from Rs 1 lakh to Rs 5 lakh.
- LIC to be listed: Government intends to sell stake in Life Insurance Corporation of India through IPO
- Instant PAN based on Aadhar: Investing in mutual funds and insurance will become easier as government has agreed to issue new PAN based on Aadhar
- MSME sector: Audit threshold increased from Rs 1 crore to Rs 5 crore
- Corporate bond market boost: The limit for FPI investment in corporate bonds has been increased from 9% to 15%
- Tuberculosis free India: Government to launch 'TB harega desh jeetega' campaign to eliminate TB by 2025
- Simplified GST: A new simplified GST system to be introduced from April 2020
- Aim to double farm income by 2022
- Development of five new smart cities
- Increase in Basic Customs Duty to boost Make In India: Customs duty raised on footwear to 35% from 25% and on furniture goods to 25% from 20%.

Did you know?

Statistics from China indicate that about 2% of people infected with the new coronavirus have died, suggesting it may be deadlier than seasonal flu but less deadly than SARS, which killed about 10% of infected individuals.

Cartoon of the Month

"When you're done saving for my education, don't forget to start saving for my retirement."

Top Personal Finance News – January 2020

1) What is Union Budget?: Click here
2) Term insurance: Points to keep in mind while opting for a term insurance plan: Click here
3) It is not necessary to appoint a lawyer as executor of your Will: Click here
4) There's no guarantee that a mutual fund scheme will replicate past returns: Click here
5) Income Tax return filing: Compulsory to declare cash deposit over Rs 1 cr: Click here
6) Is using IPO funding facility a good idea?: Click here
7) Don't have high exposure to one AMC: Click here
8) Appoint a guardian to make a minor child an insurance nominee: Click here
9) Kill your bad debt before it kills you: Click here
10) Annuity is taxable as per your tax slab: Click here
11) Two approaches to portfolio construction: Click here
12) Aarogya Sanjeevani Policy: Is standard health insurance product good for first-time buyers?: Click here
13) Your debit, credit card just got more secure: Click here
14) Know the insurance cover you need for your two-wheeler: Click here
15) Continue your SIPs even in a downturn: Click here
16) Why taking OPD health cover is a smart idea: Click here
17) 'Investing without goals is like not saving at all': Click here
18) Systematic Transfer Plan - Best method to deal with market volatility: Click here
19) Life Insurance for NRI: Can Non-Resident Indians buy life insurance plans in India?: Click here
20) Have money in inactive bank accounts? Here's how you can claim them back: Click here