

I-CAN COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

OCTOBER 2020



MONTHLY NEWSLETTER – OCTOBER 2020

Sensex : Down 1.5%	
Nifty : Down 1.2%	
Best performing sector: IT (11.3%)	Worst performing sector: Telecom (-15.7%)
Best performing Global index: Swiss Market (0.5%)	Worst performing Global index: MerVal (-11.9%)
Indian Rupee: -0.2%	Gold (International): -4%

After posting strong positive returns month-on-month since May, the Indian headline indices fell by more than a percent in September. However, the S&P BSE Mid Cap and S&P BSE Small Cap indices were up by 0.3% and 3.7% respectively.

By end of September the total Covid-19 cases in India was 62.25 lakh. The recovery rate was a healthy 83.33%. The global case count crossed 3 crore. Under Unlock 5.0 cinema halls, entertainment parks, swimming pools for sportspersons will be allowed to open. The states have been given the flexibility to decide if they want to reopen schools from 15th October. Most restrictions except for international air travel will be lifted from 1st October.

A World Bank economic update indicated that the coronavirus pandemic is expected to lead the slowest growth in more than 50 years in East Asia and the Pacific as well as China. The region is likely to grow only at 0.9% this year. The US Federal Reserve held interest rates near zero and signaled it would maintain the levels

for at least three years to help revive the US economy.

The International Monetary Fund (IMF) lauded the 'Aatmanirbhar Bharat' as an important initiative and said that it has supported the Indian economy and reduced the downside risks. India moved up four places to rank 48 in the Global Innovation Index (GII). This makes it the third most innovative lower middle-income economy in the world.

Indian GDP contracted by 23.9% in April-June quarter of 2020-21 from the same quarter in the previous year. The United Nations Conference on Trade and Development (UNCTAD) said it expects a rebound in the Indian economy in 2021 but the contraction registered in 2020 is likely to translate into a permanent income loss.

S&P Global Ratings affirmed its 'BBB-' long-term and 'A-3' short-term unsolicited foreign and local currency sovereign ratings on India. Indian economic growth forecasts for FY 21:

Agency	GDP Growth (%)
CRISIL	-9.0
Asian Development Bank (ADB)	-9.0
S&P Global Ratings	-9.0
OECD	-10.2
Moody's	-11.5
Goldman Sachs	-14.8

Factory output measured by the Index of Industrial Production (IIP) fell by 10.4% in July – its fifth consecutive month of decline.

India's Manufacturing Purchasing Managers' Index (PMI) increased from 52.0 in August to 56.8 in September – the highest since January 2012. The Services PMI rose from 41.8 in August to 49.8 in September. Note that a reading above 50 indicates expansion, while a sub-50 print signals contraction.

According to CARE Ratings India's combined fiscal deficit will be 13-13.4% of gross domestic product (GDP) for the current fiscal. India's current account surplus increased to \$19.8 billion or 3.9% of GDP in the June quarter compared to \$0.6 billion surplus in the March quarter as imports have been falling due to the Covid pandemic.

House prices in India reduced by 1.9% year-on-year (Y-o-Y) in India during the second quarter of 2020, as per a global house price index.

Some significant changes were made in the mutual fund industry regulations. From 1st January 2021 investors will get the Net Asset Value (NAV) of a particular day only in the money reaches the fund house on the same day. SEBI changed the definition of 'Multi Cap Funds' from no minimum/maximum criteria to 25% minimum in each of the three market cap segments – large cap, mid cap and small cap.

Reforms

- SEBI will introduce a code of conduct for mutual fund managers including chief investment officers (CIOs) and dealers of asset management companies (AMCs).

- AMCs are permitted to become a self-clearing member of the recognized clearing corporations to clear and settle trades in the debt segment of the recognized stock exchanges, on behalf of its mutual fund scheme.
- SEBI notified new rights issue rules to rationalize the eligibility rating criteria and disclosure requirements to make fund raising easier, faster and cost-effective.
- The Defence Minister introduced the new Defence Acquisition Procedure (DAP 2020) which will govern the procurement of defence equipment from the capital budget. Several procurement categories are reserved for local firms.
- SEBI announced measures to make it safer to invest in debt mutual funds.
- The government planned to launch compulsory e-invoicing of GST from 1st October for businesses with turnover of more than Rs. 500 crore.
- A Taxation Bill was approved in the Parliament which provides relaxation in terms of compliance requirements for taxpayers during the current pandemic.
- The Department for Promotion of Industry and Internal Trade (DPIIT) issued a press note permitting foreign direct investment (FDI) in defence production above 74% on the automatic route.
- The Lok Sabha passed the Banking Regulation (Amendment) Bill, 2020 to bring cooperative banks under the supervision of RBI.
- The finance Ministry said holders of Jan Dhan accounts will be offered government-backed life and accident insurance.



Should you invest internationally?

Most investors have a ‘home bias’ when it comes to investments. This means that most of our investments are made in the markets of the country in which we live. According to a 2019 study by the World Bank Indians have a 99.8% of their investments in the home market.

In recent times there is a growing popularity of global stocks among Indian investors owing to high returns generated by this segment during the pandemic. A question in the minds of many Indian investors is whether they should have exposure to this asset type.

What are the merits of international investing?

- i. Exposure to world-class businesses: Countries like USA, Canada, UK, Germany, France, Hong Kong, and Japan are home to some of the most powerful companies which are also very popular brands.
- ii. Access to unique opportunities: India contributes to 3.3% of the global GDP, whereas countries like the USA and China contribute 22% and 15% respectively. Some of these large economies offer unique opportunities. For example, Japan and Germany offer engineering excellence. US is home to technology leaders. China has a strong manufacturing industry. Some of the promising themes may not be available in the home country.
- iii. Diversification: The correlation between returns among different geographical regions may be low. It is difficult to predict which market will perform well over which period. This helps in reducing the downside risk when one region underperforms.

What are the risks of investing globally?

- i. Exchange rate: If the Indian Rupee appreciates, this could eat into the returns made by the international investment.
- ii. Geopolitical and country-specific risk factors can add to the volatility

It is advisable to consult your financial advisor for the best modes of investing in global markets and it is recommended that you restrict the international exposure to 10-20% of the portfolio depending on your risk appetite.

Did you know?

The human ears and nose do not stop growing. As you grow older, your earlobes droop from gravity. This is why older people often have bigger ears and noses.

Cartoon of the Month



Top Personal Finance News – September 2020

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