MONTHLY NEWSLETTER – FEBRUARY 2016

I-CAN FINANCIAL SOLUTIONS

MARKET UPDATE – January 2016

Sensex : Down 4.77% Nifty : Down 4.82%	
Best performing sector: Consumer Durables (1.55%)	Worst performing sector: Capital Goods (-12.46%)
Best performing global index: Indonesia Jakarta Composite (0.48%)	Worst performing global index: China Shanghai Composite (-22.65%)
Indian Rupee: (-2.50%)	Gold price: (6.40%)

BEAR ATTACK

Most major global markets have slipped into bear territory this year

Country	Change (%) YTD	Change (%) From 1-year high	Country	Change (%) YTD	Change (%) From 1-year high
China	-24.96	-48.71	**India**	**-6.30**	**-18.50**
Brazil	-11.47	-34.48	Germany	-5.54	-17.10
Hong Kong	-12.83	-33.18	Indonesia	-0.18	-17.00
Singapore	-11.47	-28.11	UK	-4.04	-15.90
Taiwan	-5.19	-21.06	South Korea	-2.77	-12.91
Thailand	-0.59	-20.95	Switzerland	-5.62	-12.74
France	-8.03	-20.26	South Africa	-5.60	-12.18
Philippine	-5.59	-19.34	USA	-7.88	-11.80
Japan	-10.47	-18.67	Mexico	-2.00	-8.60

Performance of index for respective countries; Data as on January 28; YTD: Year-to-date Source: Bloomberg

The year 2016 started on a turbulent note for India as well as global markets. One of the major headwinds was China's stock market crash which is a result of concerns over the health of the economy – which triggered "circuit breaker" and hence suspension of trading twice in the first week of January. The other major concern is the impact of fall in commodity prices.

Main benchmark indices of several countries have entered bear territory following sharp sell-off in stocks this year, which has wiped of over $7 trillion from world market capitalisation. If markets drop by 20 per cent or more from the peak and stay at these levels for over two months, it is considered to be a bear market. The following Bloomberg data as on 28th January reveals bear markets across countries:

The Indian headline indices fell by almost 5% in the month of January (as on 31st January). FIIs were net sellers in equity markets, registering an outflow of Rs. 11,126 crores. The net inflow in debt markets was Rs. 2,313 crores. Industrial output fell 3.2 per cent in November – the first fall after 13 months of positive growth. Inflation seems to be inching up higher. CPI Inflation rose to 5.61% in December compared to 5.41% in November. WPI inflation came in at -0.73% vis-à-vis -1.99% in November. Data released by the commerce ministry showed that during the month, exports contracted 14.75% to $22.3 billion, while imports shrank 3.9% to $33.9 billion, amounting to a trade deficit of $11.7 billion in December 2015. This was the 13th consecutive month of export decline.

However, India continues to be termed as the 'bright spot' by many international agencies:

- Standard & Poor's Rating Services: Indian economy is less vulnerable to external shocks as it is mainly driven by household consumption and government spending, and not dependent on hot money
- UN: India will be the fastest-growing major economy in the world in 2016, says the United Nations' 'World Economic Situation and Prospects 2016' report. The report expects the Indian economy, which accounts for over 70 per cent of South Asia's GDP, to grow 7.3 per cent in 2016 and 7.5 per cent in 2017, up from an estimated 7.2 per cent in 2015.
- World Bank: Expects India's growth to pick up to 7.8% in the next financial year, projecting it to be the fastest growing economy in the world for the next three years by a distance, riding on stronger domestic policy reforms.
- IMF: The International Monetary Fund (IMF) last week kept its growth forecast for India unchanged at 7.5% in 2016-17

Improving FDI: FDI flows to India nearly doubled to $59 billion in 2015, largely boosted by steps taken by the government to improve investment climate, according to UNCTAD's latest report on global investment flows. The quality of foreign direct investment (FDI) coming into the country has improved substantially, according to Reserve Bank of India data.

Important reforms:

- The much anticipated 'Start-up India' initiative was launched by Prime Minister Narendra Modi in a move to help start-ups and catalyse entrepreneurship. Announcements like a Rs. 10,000 crore fund to back startups, 3 year tax exemption, capital gains tax exemption, creation of a Startup India hub, 80% reduction in patent filing fee, mobile app to register startups in 1 day etc were announced.
- The Modi administration plans to make all government services available on mobile phones in the next five years so that citizens don't have to visit offices, making it much easier for them to get their work done efficiently and conveniently.
- On 28th January, government announced a list of 20 places that will be developed as smart cities. The shortlisted 20 cities include Bhubaneswar, Pune, Jaipur, Surat, Kochi, Ahmedabad, Jabalpur, Vishakhapatnam, Solapur, Davangere, Indore, Coimbatore, Kakinada, Belgaum, Udaipur, Guwahati, Chennai, Ludhiana Bhopal and New Delhi Municipal Corporation.
- The government divested 10% in Engineers India Ltd. The issue was subscribed 2.54 times. This fetched the government around Rs. 637 crore.
- The government is in discussions with the Reserve Bank of India (RBI) to allow more free ATM transactions for certain types of accounts as part of its drive to deepen financial inclusion through the spread of cash-vending machines.
- Deposits in accounts opened under the government's flagship financial inclusion programme — Pradhan Mantri Jan-Dhan Yojana (PMJDY) —

have crossed the Rs 30,000 crore mark. As many as 20.38 crore bank accounts were opened under the PMJDY.

- An advisory panel set up by SEBI has suggested tax reforms and changes in existing laws to facilitate capital-raising by alternative investment funds (AIFs) and boost entrepreneurship.
- The Department of Posts (DoP) plans to open 1,000 ATMs and bring all 25,000 departmental post offices under core banking system by March this year.
- The Prime Minister's Office has constituted a committee under Arvind Panagariya, vice-chairman of the NITI Aayog, to speed up the Mumbai-Ahmedabad High-Speed Rail Corridor, meant for bullet trains between the two cities.
- Ministry of Defence (MoD) on Jan 11 unveiled the Defence Procurement Procedure (DPP) 2016, which will be effective from March. The new policy aims at giving a boost to the Make in India initiative, a greater role for the private sector, and a big push to the medium and small scale sector.
- Pension regulator PFRDA has launched e-NPS, a convenient online based subscriber registration and contribution facility for NPS (National Pension System)
- The Centre has approved the setting up of a Credit Guarantee Fund for the Micro Units Development Refinance Agency (MUDRA) scheme, which is expected to guarantee loans of over Rs. 1 lakh crore. The Credit Guarantee Fund would guarantee loans under the Pradhan Mantri Mudra Yojana from April 8, 2015, to reduce the credit risk borne by banks and other lenders under the scheme, and have a corpus of Rs. 3,000 crore.

Saving Capital Gains Tax on Property Sale in India

In today's world buying and selling properties is part of an investment portfolio. Real estate is regarded as an asset, so the profit from its sale is assessed under the head 'capital gains'. While selling the property, saving capital gain tax is one of the important aspects for the seller of property. If the property is sold at a profit in less than three years, then short term capital gains tax shall be applicable. On the other hand if the property is sold after three years, then a capital gains tax of 20 per cent shall apply after indexation. Now, as indicated the seller have to either pay short term or long term capital gains tax. However, the seller can avoid paying capital gains tax by doing one of the following:

a) **Reinvesting sale proceeds in another property:** A seller can save entire tax outgo if he or she uses proceeds equivalent to long-term capital gains for buying a new house located within India within one year prior to the sale date or two years from the sale date.
b) **Construction of another property:** The seller can also use the sale proceeds to construct another residential property and the leeway one gets is three years and not two years.
c) **Sale proceeds to be invested in capital gains bonds:** If the seller don't want to go for a residential property than he or she can still save LTCG tax by investing in specified bonds issued by the National Highways Authority of India or Rural Electrification Corporation (under section 54/54EC) within six months from the date of sale. These bonds have a lock-in period of three years. Also, the seller can only invest a maximum of Rs 50 lakh in these bonds and pay tax on the remaining amount.
d) **Capital Gains Account Scheme (CGAS):** If the seller wants to bide his or her time and do not want to hasten into an investment, he or she can invest the capital gains in a special Capital Gains Account Scheme (CGAS) before the due date of filing tax returns, that is 31 July. The seller has to invest the capital gains in Capital Gains Account Scheme (CGAS), with his or her bank, which serves to inform the taxman that he or she do plan to invest in a property, but at a later date.

The seller must remember that they are allowed to purchase or construct only one new asset from the capital gain that accrues. This means that he or she cannot make multiple property acquisitions and thus seek to reduce his or her tax outgo. However, if he or she sells more than one property, he or she can invest the resulting cumulative capital gain amount in a single new property.

So plan wisely and carefully to reduce your tax outgo..!!

Is Travel Insurance a Waste of Money?

For some trips, travel insurance is a virtual necessity; for others, it's worthless. The question boils down to a matter of risk. A basic purpose of any insurance is to mitigate financial risk. Travel insurance is insurance that is intended to cover medical expenses, trip cancellation, lost luggage, flight accident and other losses incurred while traveling, either internationally or within one's own country.

Travel insurance can usually be arranged at the time of the booking of a trip to cover exactly the duration of that trip, or a "multi-trip" policy can cover an unlimited number of trips within a set time frame. Some policies offer lower and higher medical-expense options; the higher ones are chiefly for countries that have extremely high medical costs, such as the USA.

WHAT DOES TRAVEL INSURANCE COVER?

There are six basic things covered under any type of travel insurance are:

1) **Trip/Flight Cancellation Coverage:** As its name implies, trip cancellation insurance (sometimes known as trip interruption insurance or trip delay insurance) covers you in the event that you or your traveling companions need to cancel, interrupt or delay your trip.
2) **Travel Medical Insurance:** Travel Medical Insurance provides only short-term medical coverage if the policyholder becomes ill or is injured while traveling; the duration can be anywhere from five days to up to one year, depending on the policy.
3) **Major Medical Insurance:** Major medical insurance is for travelers who are planning to take longer trips of six months to one year or longer.
4) **Emergency Medical Evacuation Insurance:** This type of insurance provides coverage for medically necessary evacuation and transportation to medical facilities.
5) **Lost / Delayed Bags or Delayed Flights Coverage:** Under Baggage Coverage, you can claim for Lost / Stolen / Damage of your personal belongings. Under Baggage Delay Coverage, you can claim for purchasing essential items until your bags are arrived. Under Travel Delay Coverage, you can claim for expenses in case your Trip / Flight is delayed.
6) **Accidental Death and Flight Accident Insurance:** This type of insurance pay benefits to a traveler’s surviving beneficiaries, as with life insurance. Benefits are paid out in the event of an accident resulting in death or serious injury to the traveler.

SPECIALIZED COVERAGE

There are also more specialized forms of travel insurance. For example, some focus on the needs of business travelers, extreme athletes or expatriates. So, if the traveler is planning to participate in high-risk or extreme sports while away, selecting an insurance that is made specifically to cover him/her in case of a sports-related injury might be more cost-effective and needs-specific than selecting an insurance policy that provides more general coverage.

DO YOU REALLY NEED TRAVEL INSURANCE COVERAGE?

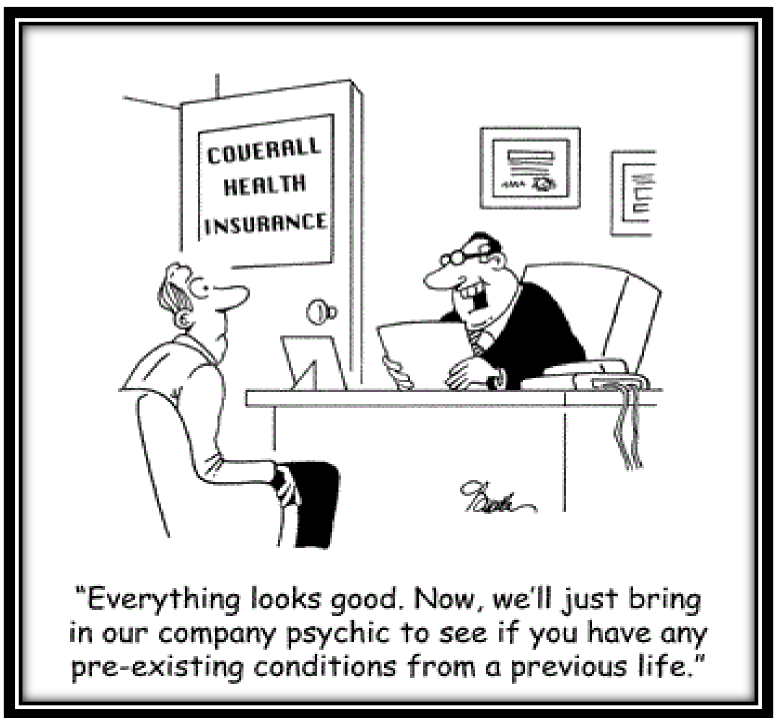
As with other insurance policies, buying travel insurance (or not buying it) is a gamble. You don't want to ever regret not buying the insurance, but you also don't want to pay for something you don't need—and, looking at the list above, you might already be covered for some of these items elsewhere (e.g., you already have life insurance that covers death or dismemberment or health insurance that covers emergencies abroad). When you have the right insurance in place to cover you on your trip, you can ensure that your dream vacation turns out to be all you had planned and more.

Finally, remember that you have to get insurance before your trip starts; it won't protect you if you get the insurance after an accident happens or your trip is cancelled (that's like trying to get home insurance after your house has already burned down).

Did you know?

India was the first country to develop extraction and purifying techniques of sugar.

Cartoon of the Month



Top Personal Finance News – January 2015

1) Want to cut risk and tax without compromising on returns? Try balanced MFs: Economic Times Click Here

2) Dejargoned: Top-up health insurance plan: Mint Click Here

3) 5 smart things to know about semi-closed e-wallets: Economic Times Click Here

4) Does NPS work for you?: Mint Click Here

5) Seeking value in the market: Business Standard Click Here

6) How to make investments after retirement: Mint Click Here

7) Things to keep in mind after buying life insurance: Financial Express Click Here

8) Invest for tax benefits, but with a plan: Mint Click Here

9) How risky is that debt?: Economic Times Click Here

10) As you near a goal, shift from equity to ultra-short-term funds: Mint Click Here

11) Ten best money moves for 2016: Economic Times Click Here

12) Confused which Life Insurance to buy: Financial Express Click Here

13) FATCA - No hiding from the US taxman: Economic Times Click Here

14) IPOs: Focus on buying for the long term: Business Standard Click Here

15) Do you know these financial concepts?: Business Standard Click Here