I-CAN COMMUNIQUÉ

I-CAN FINANCIAL SOLUTIONS

AUGUST 2020

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

MONTHLY NEWSLETTER – AUGUST 2020

Sensex : Up 7.7% Nifty : Up 7.5%	
Best performing sector: IT (22.6%)	Worst performing sector: Media (-4.3%)
Best performing Global index: MerVal (27.3%)	Worst performing Global index: FTSE 100 (-4.4%)
Indian Rupee: 0.9%	Gold (International): 10.8%

India's Covid-19 case count exceeded 16 lakh while the global tally reached more than 1.7 crore cases. More than 35,000 people died due to Covid-19 in India, with the global death tally at above 6.7 lakh. Some Indian states where the surge in cases intensified imposed stricter guidelines in the last few weeks.

Under the Unlock 3.0 guidelines the government lifted night curfew and allowed the opening of gyms and yoga institutes. Large congregations continue to remain banned – one exception being for the Independence Day celebrations. Lockdown will continue to be imposed in all containment zones, with states and union territories free to decide the contours of such zones.

As the economic restrictions eased further and foreign investors pumped in Rs 7,562.7 crore net amount, Indian stock markets showed a strong upward movement in the month of July. Both Sensex and Nifty gave a return of more than 7.5%. The S&P BSE Midcap index inched up by 5.4% and the S&P BSE Small cap index rallied by 5.2%. The 10-year government benchmark yield fell by 5 basis points from 5.89 to 5.84%. The foreign institutional investors pulled out a net amount of Rs. 2,476.4 crore from the debt markets.

The US Federal Reserve held rates close to zero and said they will use all the tools under their disposal to support economic recovery.

DBS (a Singapore-based brokerage firm) forecast a GDP contraction of 6% in FY21 for India. Bank of America Securities said the FY21 GDP is likely to shrink by 3% in FY21. As per a Nomura report, recent uptick in economic activity is likely to fade after the initial post-lockdown normalization. Oxford Economics, a global forecasting firm, said that India's GDP is expected to lose momentum in the third quarter (October-December'20) as the initial reopening push will fade. It further added that India could fare worst among Asian countries as per their scorecard. Dun and Bradstreet's Country Risk and Global Outlook Report, which covers 132 countries, stated that the global economy will contract by 5.2% in 2020 and will not reach pre-pandemic levels of activity before 2022.

India's Manufacturing PMI (Purchasing Managers' Index) declined from 47.2 in June to 46 in July. The Services PMI showed a slight improvement from 33.7 in June to 34.2 in July but continued to remain weak.

Indian foreign exchange reserves increased to a record level of $522.63 billion in the week to June 24.

India’s retail inflation measured by the Consumer Price Index (CPI) grew by 6.09% in June, mainly due to a rise in pulses and product prices. The wholesale inflation was -1.81% in June. The reason for the fall is due to weakness in fuel and power prices. Index of Industrial Production (IIP) contracted by 34.7% in May compared to last year. This is the third consecutive month of contraction on account of the lockdown.

India’s fiscal deficit during the first quarter of this fiscal widened to Rs 6.62 lakh crore or 83.2% of the budget estimates, mainly on account of poor tax collections due to the coronavirus lockdown.

According to data from the Centre for Monitoring Indian Economy (CMIE) the rural joblessness rate fell to 6.34% for the week ending July 12. The overall unemployment rate fell to 7.44% - closer to pre-Covid levels. The International Monetary Fund (IMF) said that stimulus measures taken by India are substantial, but there is scope for such measures.

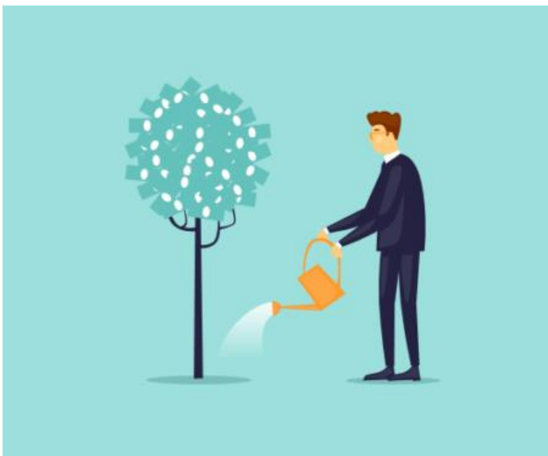
Systematic Investment Plans (SIPs) seem to be the preferred option for mutual fund investors as the industry collected Rs 50,000 crore through this route in the first six months of 2020.

Reforms

- The Cabinet approved a proposal to extend the distribution of free food grains and pulses under the Pradhan Mantri Garib Anna Yojana (PMGKAY) to 81 crore PDS beneficiaries for five months until November.
- The Cabinet approved a radical reform – the National Education Policy (NEP) 2020. Key changes suggested include:
    - Shift from the current 10+2 structure to 5+3+3+4 structure which includes 5 years of foundational education, 3 years of preparatory, 3 of middle and 4 years of secondary schooling
    - Increased flexibility and choice of subjects and no hard separation of streams for students
    - Experiential learning in all stages
    - Content to focus on idea, application and problem-solving
    - Board exams to test only core competencies
    - Multilingual approach with local language as the medium of instruction till at least Class 5
    - School students to have 10 bag-less days in a year during which they are exposed to a vocation of choice
    - Full academic, administrative and financial autonomy to the 200 top-ranked universities
    - SAT-like College test: National Testing Agency to conduct common college entrance exam twice a year.
    - 4-Year Bachelor’s programme to be preferred
- India and the UK signed a £8 million deal to battle anti-microbial resistance and strengthen the global fight against the pandemic.
- The Insurance Regulatory and Development Authority of India (IRDAI) asked insurers to ensure cashless treatment facility for coronavirus to policyholders.
- SEBI asked mutual fund companies to disclose the portfolios every 15 days.
- SEBI mandated mutual fund companies to undertake at least 10% of their secondary market trades in corporate bonds through the Request for Quote (RFQ) platform of stock exchanges from 1 October. This has been done in order

to bolster the liquidity on the exchanges for secondary market bond transactions.

- The Cabinet approved the extension of EPF contribution of 24% (12% employee share and 12% employer share) for another three months till August 2020.
- The PFRDA permitted the National Pension System (NPS) corporate debt funds to invest up to 10% of their assets in debt with residual maturity below three years. Pension funds were allowed to invest up to 5% of their assets in public sector units' debt ETFs.



Why should you start investing early?

It is important to start investing for your retirement life as early as possible. In a country like India one cannot rely on government for social security. With medical advancement the life expectancy has risen which implies that one needs to plan for a long period to maintain one's lifestyle after retirement. With nuclear families largely being the way of life, it becomes even more important to be financially secure in the later years of your life.

We did an analysis of how much of difference an early start can make to your retirement corpus:

				Corpus Achieved at Age 60	
Name	Investment Start Age (Years)	Retirement Age (Years)	Monthly Investment (Rs.)	Assuming 10% Return	Assuming 12% Return
Aryan	25	60	10,000	₹3,79,66,381	₹6,43,09,595
Binny	30	60	10,000	₹2,26,04,879	₹3,49,49,641
Chirag	35	60	10,000	₹1,32,68,334	₹1,87,88,466
Dinaz	40	60	10,000	₹75,93,688	₹98,92,554

In the above mentioned example we assume all the four persons started a monthly investment of Rs. 10,000 at different ages. Chirag started investing only 5 years later than Binny, but that led to a difference of more than Rs 93 lakh at the age of 60! If you compare Aryan and Chirag's final wealth the difference by a delay of 10 years is Rs 2.46 crore! Let us assume Chirag started monthly investments of Rs 20,000 (double of what Aryan was investing). Even then he will fall short by Rs 1.14 crore compared to Aryan. If Dinaz were to invest Rs 40,000 starting age 40, the corpus will be Rs 3.03 crore at 60 – still lower than Aryan by Rs 75.9 lakh.

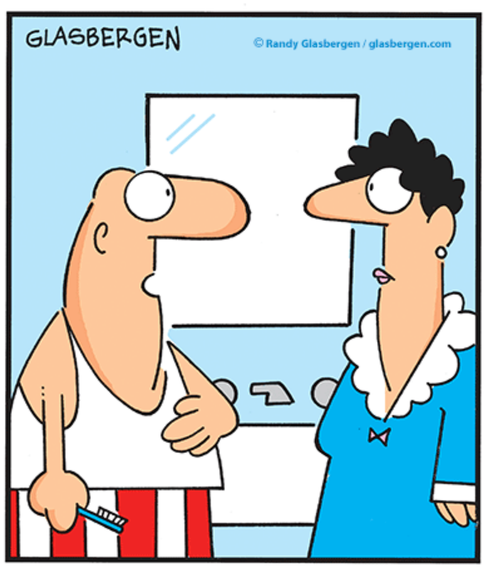
The staggering difference in the final wealth creation is because when you start early you end up investing consistently for a longer period of time and the power of compounding that kicks in when you have a long investment tenure. Small staggered investments do not pinch the wallet to a very large extent. Systematic investment plans (SIPs) offer the convenience of automatic monthly debits.

It is advisable to contact your financial advisor and start investing as soon as possible so that you have a peaceful and comfortable post-retirement life.

Did you know?

Monopoly is the highest played board game in the world. It has been played for over 85 years by 1 billion people, in 114 countries and over 47 languages.

Cartoon of the Month



"If heat makes objects expand, then I'm not overweight — I'm just a victim of global warming!"

Top Personal Finance News – July 2020

1) Should you buy insurance for investment needs?: Click here
2) What is Systematic Transfer Plan or STP in mutual funds? How it works?: Click here
3) Making a Will? Here are some dos and don'ts: Click here
4) Find out about these five things before buying Corona Kavach: Click here
5) How to choose the best standalone critical illness plan: Click here
6) Tax on gifts: Documents that you should have: Click here
7) Mutual fund expense ratio explained in 5 points: Click here
8) Top-up vs new health insurance policy: Which one should you choose?: Click here
9) Know your tax liability from segregated debt mutual fund portfolio payouts: Click here
10) How to check your Cibil score?: Click here
11) Refunds from life insurance plans depend on policy type and tenure: Click here
12) FDs fail to keep pace with retail inflation, money invested to lose value: Click here
13) How to transfer shares of a deceased investor: Click here
14) How gains from intraday trading are taxed: Click here
15) Hospitalized in a makeshift covid-19 hospital? You can claim health insurance: Click here
16) Debt mutual funds: Savvy investing is discovering risks early: Click here
17) Mutual Fund for Minors: How to keep MF folio active after minor turns major: Click here
18) Should you increase allocation to gold after the recent rally?: Click here
19) Understanding claim settlement ratio: 5 points: Click here
20) Wife can manage late husband's HUF if all coparceners are minors: Click here