



I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

JUNE 2019



MONTHLY NEWSLETTER – JUNE 2019

Sensex : Up 1.7%	
Nifty : Up 1.5%	
Best performing sector: Capital Goods (10.6%)	Worst performing sector: Pharma (-10.1%)
Best performing Global index: Argentina's MerVal (14.8%)	Worst performing Global index: Hong Kong's Hang Seng (-9.4%)
Indian Rupee: -0.2%	Gold (India): 0.8%

Narendra Modi's emphatic win in the General Elections, which led him to re-election as Prime Minister for the second term, uplifted the market sentiment significantly. Right from the time exit polls were released on 19th May (which predicted a majority for NDA), the markets rallied. The final election results were released on 23rd May. The 58-member council of ministers under Modi's leadership was sworn in on 30th May.

Sensex and Nifty inched up by more than 1.5% in May. The BSE Mid and Small Cap indices went up by 1.4% and 1.7% respectively. The benchmark 10-year government security yield fell by a sharp 38 basis points from 7.41% to 7.03%. Foreign institutional investors pumped in a net amount of Rs. 7,919.7 crore and Rs. 1,111.4 crore in the equity and debt markets respectively.

For the first time in 6 years India saw a decline in foreign direct investment (FDI) equity inflows for financial year 2018-19. The drop was to the tune of 1%, falling to \$44.4 billion as on 31st March, 2019.

The markets globally felt some jitters as the trade war between the US and China intensified. US hiked tariffs from 10 to 25% on goods worth \$ 200 billion. In retaliation, China also announced an increase of 10 to 25% in tariffs on US exports worth \$ 60 billion.

On the domestic macroeconomic front, there are concerns on the growth slowdown. The Indian GDP growth for the January-March'19 quarter dropped to a 5-year low of 5.8%. A FICCI economic outlook survey estimated the Indian GDP growth between 6.8 and 7.3% for FY20. According to the UN Report 'World Economic Situation and Prospects', India GDP is expected to grow at 7.1% in financial year 2019-20, a downward revision from the 7.4% previously expected. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) moved up to 52.7 in May from 51.8 in April. A figure above 50 indicates expansion, while a reading below that signals contraction. The India Services PMI fell to 50.2 in May from 51 in April.

The pre-monsoon rains (which occur between March and May) have been deficient by 23% across the country. Retail inflation measured by the consumer price index (CPI) increased to a 6-month high of 2.92% in April, due to higher food prices. On the other hand, the wholesale inflation number measured by the wholesale price index (WPI) dropped by 3.07% in April due to lower fuel and manufactured product prices.

The GST tax collection for April was at an all-time high of Rs. 1.13 lakh crore – a 10% increase from last year.

There have been some more credit events highlighting the continuing pain in the liquidity situation of some institutions in the Indian NBFC space. On 15 May CARE downgraded the rating of the long term debt of Dewan Housing Finance Limited (DHFL) from A/A- to BBB- with negative implications. The reason for the downgrade was the deteriorating liquidity of the group due to delay in getting a strategic investor on board. Later in the month DHFL failed to make timely debt repayment on its bonds. On 19 May, CARE downgraded the rating of Reliance Capital's long term debt and subordinated debt by three notches from 'A' to 'BBB' due to defaults by two of its subsidiaries – Reliance Home Finance and Reliance Commercial Finance. This put pressure on the NAV of some debt mutual funds which had exposure to these entities as mutual funds have to follow the standard haircuts in case of default by the issuers.

Reforms

- RBI created a task force to develop a secondary market for corporate loans.
- RBI has clarified that banks can use Aadhar for KYC verification with the customer's consent.
- RBI will extend the timings for RTGS transactions from 4:30 pm to 6 pm.
- RBI plans to implement new norms for non-banking financial companies (NBFCs) after the recent liquidity crisis in the sector:
 - Liquidity coverage ratio (LCR) in a phased manner over four

years starting April 2020. The requirement will be 60% LCR in April 2020 and will move towards 100% LCR by April 2024.

- Set aside 60% of net cash flows in highly liquid assets (like government securities and cash).
- There have been reports that the new government is working to introduce a banking cash transaction tax (BCTT) to discourage cash transactions.
- The Insurance Regulatory and Development Authority of India (IRDAI) released draft regulations for the creation of a regulatory sandbox to allow a conducive environment for insurtech and fintech companies to carry innovation in the insurance space.
- NITI Ayog has developed a plan to create an institutional framework for artificial intelligence (AI) in India. There is a budget likely to the tune of Rs. 7,500 crore for the next 3 years.
- SEBI and RBI are discussing and analyzing the business model of rating agencies.
- RBI has released 12 objectives in its Payment and Settlement System in India Vision 2019-21 document. It includes a four times increase in digital payments, a drop in paper-based transactions, better pricing and better customer grievance redressal system.

All You need to know about Home Insurance



For most families, home is a painstakingly built asset which is very close to their hearts. It involves lot of financial commitment along with the effort and emotional involvement. It is important to insure your home against any form of mishaps and natural calamities. Less than 1% homes in India are insured. It is a myth that only home owners should consider buying home insurance. Even if you live in a rented place, you need insurance for the home contents which belong to you.

General insurance companies provide health insurance policies. Typically, home insurance plans cover the building and its contents. Currently there are around 30-35 plans in the market. A policy which covers everything related to your home is a comprehensive policy. A home insurance is not a very expensive proposition. Most plans are reasonably priced. Normally, the sum insured of the structure of the house completely depends upon multiplying the area of the structure by the cost of creation. The premium for a sum insured of Rs. 1 crore is between Rs. 5,000 and Rs. 10,000. (indicative)

What all does a home insurance policy cover?

- Fire
- Burglary
- Breakdown
- Accidental damage of valuables such as laptops, phones, digital cameras

A standard fire and perils policy also covers

- Natural calamities like lightning, volcanic eruptions, earthquakes, storms, floods
- Damage caused due to malicious intent
- Missile testing operations
- Damage caused due to leakage from automatic sprinkler installations
- Rockslide and landslide

In a recent report released in May, IRDAI has said that insurance of home structure must cover accidental death due to gas cylinder explosion for a reasonable amount.

What all is not covered?

- Destruction of property done willfully
- Damages to the property due to wear and tear
- Losses occurred due to war
- Money in the form of cash, collectibles and antiques

Things you need to know before opting for a home insurance:

- a. **Structure Cover:** Before choosing a comprehensive plan make sure you evaluate whether you need to insure the structure. If you reside in a flat, it is quite likely that your housing society already has insured the building. So it is important you check that.
- b. **Contents Cover:** There are two options for covering the contents of the house: standard and detailed. Under a standard plan, the insurer assumes a standard set of assets and belongings. It is more advisable to opt for a detailed plan – and list down each of your assets.
- c. **Replacement Costs:** It is preferable to select replacement cost, rather than depreciated value of household assets for determining the insurance amount.
- d. **Preserve documents:** It is important to keep the insurance documents carefully in a locker or safe so that in case of a claim they can come in handy.

Did you know?

Facebook runs on 61 million lines of code. That's more than twice the amount needed for an F-35 Fighter Jet.

Cartoon of the Month



Top Personal Finance News – May 2019

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