I-CAN COMMUNIQUÉ

JUNE 2017

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MONTHLY NEWSLETTER – JUNE 2017

I-CAN FINANCIAL SOLUTIONS

Market Update

Sensex : Up 4.1% Nifty : Up 3.4%	
Best performing sector: FMCG (7.4%)	Worst performing sector: Healthcare (-9.7%)
Best performing Global index: Seoul Composite (6.4%)	Worst performing Global index: RTS Index (-5.5%)
Indian Rupee: -0.4%	Gold price: -0.2%

The Indian equity markets rallied by almost 4% in May because of the bullish market sentiment of both domestic and international investors. The net purchase by FIIs in the equity and debt markets in May was Rs 7,711.4 crore and Rs 19,154.7 crore respectively. Mutual Funds have invested 2.5 times more than foreign institutional investors (FIIs) on a net basis in stocks since April. India's stock market capitalization crossed $2 trillion in May, making it the ninth-largest equity market globally and second, after China, in the universe of emerging markets, according to Bloomberg data. The central board of trustees (CBT) of the Employees Provident Fund Organisation or EPFO on 27th May allowed the fund to invest 15% or over Rs 18,000 crore in stocks this financial year. This is likely to further stimulate the equity markets. The yields on the benchmark 10-year Government security fell by 30 basis points – a positive for fixed income investors as they made gains on appreciation of bond prices.

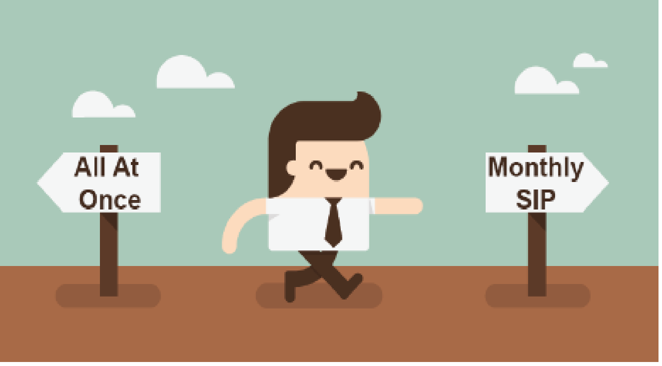
International agencies predict that the country will bounce back to high GDP growth rates. World Bank and IMF expect the GDP growth rate to be 7.2% in FY18. According to a report by Morgan Stanley the growth rate will rise to 7.9% by December as the stage is set for a sustained growth cycle. Another positive indication came from the Indian Meteorological Department (IMD), which said in early May that the monsoon could be 'normal' this year.

A new series for the Index of Industrial Production (IIP) has been introduced with the base year 2011-12. According to the new series, IIP grew by 2.7% in March. The new series has increased the growth number from 0.7% measured as per the old series. Nikkei Markit India Manufacturing Purchasing Managers' Index (PMI), an indicator of manufacturing activity, declined from 52.5 in April to a 3-month low of 51.6 in May. The Services sector showed higher growth last month. The Nikkei India Services Business Activity Index climbed to 52.2 in May from 50.2 in April, marking a strong rebound in the sector. Indian exports grew by 19.7% in Dollar terms in April but the trade deficit widened to $ 4,844.87 million due to higher imports growth - mainly contributed by crude oil and petroleum product purchases.

April inflation numbers sprung a surprise by a sudden fall to 2.99% in the Consumer inflation. Inflation based on the wholesale price index slipped to a four-month low of 3.85% as both food articles and manufactured items showed cooling in prices.

Due to the positive macroeconomic environment, growth opportunities and political stability India retained the top rank for the second year in terms of Foreign Direct Investment (FDI) inflows. As per DIPP figures, total FDI inflow was $60.08 billion in 2016-17.

- Reforms
  - The government has launched a new policy – 'Government procurement preference to Make In India order, 2017'- which is a national government procurement policy giving preference to locally made goods and services. This was cleared by the Cabinet. It is expected to give a big boost to local manufacturing and services as well as employment.
  - SHAKTI, or Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India got Cabinet approval. This policy approves the auction of Coal India's Fuel Supply Agreements to thermal power producers.
  - New Wholesale Price Index (WPI) series has been launched on 12th May with 2011-12 as the base year. The new series signals a move to the concept of producer price index and depart from the practice of including the indirect tax component from the price of goods.
  - The GST Council would meet on June 3 to fix rates for goods which have been left out.
  - RBI is working on drafting the final guidelines on consumer protection to limit their liability in case of fraud in electronic banking transactions.
  - According to RBI, digital transactions have trebled and quadrupled in volume and value across various modes from wallets to cards and interbank transfers from a year earlier. Debit card transactions rose to more than 1 billion in January from 817 million last year. This shift has been caused primarily due to demonetization.



Mistakes an Investor should avoid to help the money grow through SIP

<u>What is SIP?</u>

A Systematic Investment Plan (SIP) is a mode for investing money in mutual funds where an investor can invest a predetermined amount at regular intervals, i.e. weekly, monthly or quarterly to earn higher returns over a long period of time.

The main advantage of choosing SIPs as an investment option is the power of averaging and power of compounding which makes it a smart investment option.

However, there are some common mistakes that the investors make due to which they miss out on the benefits of SIP. Some of them are:

i. Investing an unrealistically high amount without budgeting:

To take advantage of the benefits of returns through SIPs, the investors invest a higher amount without calculating their savings that they might need in future. One should carefully evaluate the financial conditions and savings that would be required in the near future and set a realistic amount for SIP investments.

ii. Short Term Investment:

Some investors aim for a short time horizon when investing through SIPs. Considering the volatile nature of the market, investing for a short period is not beneficial. In fact, investments in SIPs during volatile times is considered the best investment option as this is the time where the power of compounding and power of averaging helps the investor to yield higher long term returns.

iii. Stopping the SIP Investment in Falling Market:

When the markets are very volatile or when the markets are falling the investors get worried due to the nature of the market and stop their SIPs. The nature of the market should not influence the investment commitment, because the investments through SIP is spread over a period of time and the change in prices gets balanced out. When the markets are falling down there are chances of getting more units and a lower NAV.

iv. Forgetting about the Investment:

Sometimes the investors invest through SIPs and tend to forget about their investment and also forget to renew the same. The investors should always keep a watch on their SIP investments and evaluate their portfolio frequently in order to replace the non performing funds with better performing funds.

v. Choosing Dividend Pay-out Option

In order to earn short term profits, the investors opt for Dividend Pay-out Option to partially withdraw the gains earned through SIP investments regularly which further affects the power of compounding. SIPs are mainly known for the power of compounding. Rather than opting for dividend pay-out option the investor should reinvest the dividend in order to gain the compounded wealth or choose the growth option.

Did you know?

The entire internet weighs as much as a strawberry.

Cartoon of the Month

"I have a diversified retirement portfolio: 25% down the drain, 40% out the window, 35% gone with the wind."

Top Personal Finance News – May 2017

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1) Accounting year shift: what it could mean for investors: Click here

2) Liquid funds instead of savings accounts for idle cash?: Click here

3) 8 biggest investment mistakes: planner survey: Click here

4) Bank verification can help overcome signature mismatch in mutual fund records: Click here

5) Here's how you can link PAN with Aadhaar: Click here

6) SIP vs STP: How much can you earn extra?: Click here

7) Income tax department launches facility to correct errors in PAN, Aadhaar: Click here

8) Here is the step-by-step process to withdraw 90% of your PF to buy home: Click here

9) How much of your income should go towards loan EMIs, insurance premium and rent?: Click here

10) NRIs who receive all their salary abroad will not be taxed in India: Click here

11) Know your debt funds: What are liquid funds?: Click here

12) Mutual funds: You have to stay with SIP for 6 months; here's why: Click here

13) How additional riders work in an insurance policy: Click here

14) Reasons to invest in mutual funds: Click here

15) How to register NPS grievances: Click here

16) How the GST rates will affect your money: Click here

17) Simplify your life: fight financial peer pressure: Click here

18) What is stock split and how does it affect investors?: Click here

19) Why a mutual fund is ideal for a first-time equity investor: Click here

20) All you need to know before trading commodities: Click here