



I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

APRIL 2019



MONTHLY NEWSLETTER – APRIL 2019

Sensex : Up 7.8%	
Nifty : Up 7.7%	
Best performing sector: PSU Bank (20.9%)	Worst performing sector: IT (-0.6%)
Best performing Global index: India (7.8%)	Worst performing Global index: KLSE Composite (-3.8%)
Indian Rupee: 2.3%	Gold (India): -5.1%

The Indian stock markets took a dramatic U-turn and rallied the most among all the major indices in the world. While the headline large cap indices gave a return of around ~8%, the mid and small cap indices went up by ~9% and ~10% respectively. The 10-year benchmark government bond closed at 7.35, lower by 6 basis points from March-beginning. Both equity and bond investors had reasons to cheer. Gold prices in India fell by 5%.

The following factors contributed to the strong equity rally:

- **Expectation of second term for Modi:** The markets are betting on the re-election of Mr. Narendra Modi for the second term after his government's strong response to the Pakistani terrorist attack in Pulwama.
- **Liquidity:** The foreign institutional investors (FIIs) invested a net amount of Rs. 33,980.56 crore and Rs. 12,001.63 crore in equity and debt markets respectively in March.

- **Rupee Appreciation:** The Indian currency appreciated by 2.3% against the US dollar last month.
- **EMs back in favour:** In its 19-20 March meeting, the US Federal Reserve decided not to increase interest rates on account of slowing economic growth in the US. Following US Fed's stance of keeping the interest rates on hold, globally there is greater optimism towards emerging markets.
- **Signs of resolution on trade war:** The trade talks between the US and Chinese leaders gave some respite to the markets.

There was positive commentary on Indian equities by various international institutions. Goldman Sachs upgraded its rating on India from 'market-weight' to 'overweight'. Morgan Stanley said it is positive on emerging market equities - especially India and China. Christopher Wood, Managing Director, CLSA maintained a 'double-overweight' rating on India.

At the same time some there are some macroeconomic concerns. Fitch moderated India's GDP growth forecast for FY20 to 6.8% from 7% due to lower than expected momentum in the economy. Industrial output growth measured by index of industrial production (IIP) came in at a two-month low of 1.7% in January'19, compared to 2.6% in December'18. The Nikkei India Manufacturing Purchasing Managers' Index (PMI) declined to 52.6 in March from 54.3 in February. The Nikkei Services Purchasing Managers' Index fell to 52.0 in March

from 52.5 the previous month. (A reading above 50 indicates expansion) Export growth fell to 2.4% in February from 3.7% in the previous month. Export growth has remained subdued since November'18.

The wholesale price index based inflation (WPI) number rose to 2.93% in February from 2.76% in January. This is on account of higher prices of fuel and power. Consumer Price index (CPI) based inflation also increased. It was 2.57% in February compared to 1.97% in the previous month. The increase can be attributed to increase in food prices (except vegetables).

Crude oil prices have been trending upwards because of restricted supply by OPEC countries. The supply touched a 5-year low in March. The Brent Crude oil price went up by 1.9% in March and by 27% in the year-to-date period as on 31st March'19. A report by Skymet predicts a below normal monsoon for India – 93% of the long term average. These two factors could cause some upward pressure on inflation.

RBI introduced a new tool for liquidity management. In order to infuse liquidity, RBI will buy dollars from banks in exchange for Indian Rupees. This first of its kind auction took place on 26th March.

Reforms/Positive Developments

- PM Narendra Modi announced the Pradhan Mantri-Shram Yogi Maandhan Yojana (PM-SYMY) which targets providing pension to 42 crore workers in the unorganized sector.
- PM Modi launched the locally developed National Common Mobility Card (NCMC) to provide people the facility to pay multiple kinds of transport charges such as metro, toll etc.
- SEBI has sent a letter to mutual funds (MFs) with the objective that the interest of unitholders is not compromised due to 'complex' debt

investments of MFs in promoter companies.

- The government relaxed the norms for e-way bills. Rules regarding validity have been changed and a facility has been provided for auto-calculating the route distance.
- PFRDA has increased the limit of debt investments by NPS schemes in order to give more flexibility to improve performance.
- On 27th March India conducted Mission Shakti and entered an elite club of "space super powers" which includes only USA, Russia and China. An anti-satellite A-SAT was launched which successfully hit a low orbit satellite.
- TRAI Chairman said that by end of the year TV viewers will be able to switch their service provider or DTH without changing the set top box.
- From 1st April, the Income Tax department will keep a check on the detailed profile of the taxpayers including transactions, social networking, relationships under the eagerly awaited Project Insight.
- SEBI issued a circular to MFs saying that all money market and debt securities rated below investment grade (BBB) shall be valued at the price provided by the valuation agencies.
- SEBI withdrew the 20% limit on investments by foreign portfolio investors (FPIs) in corporate bonds of an entity.
- On 8th March State Bank of India (SBI) announced linking of savings bank account and short-term loan rates to the repo rate. SBI is the first bank to have taken this market-linked approach which will lead to better transmission of interest rates to the end consumer.
- A Working Group of the Insurance Regulatory and Development Authority of India (IRDAI) has recommended

- making changes to the norms for surveyors and loss assessors for faster claim settlement.
- IRDAI and National Health Authority (NHA) have created a working group to submit a report on how to detect and prevent fraud in the Ayushman Bharat Scheme.
 - The Railway Board has begun discussions with several state governments to have mini secretariats and offices at stations, as part of the Indian Railways' station redevelopment programme.



All You Need to Know about Critical Illness Insurance

A Critical Illness is any serious health condition which has a huge impact on an individual's health and lifestyle and in some cases also leads to significant risk of reducing the life span. Such ailments also tend to be financially draining.

Unfortunately, we live in times when such illnesses are on the rise. The total number of cancer cases in India seems to be on an all-time high. According to a recent report, the number of cancer cases in India in 2017 was 15 lakh which is expected to cross 17.3 lakh by the end of 2020. As per reports, the number of Indians suffering from kidney problems has doubled in the last 15 years. The cost of dialysis can range from Rs 2,000 to Rs. 3000 per session. 1.8 million people in India suffer from stroke every year. The instances of heart attacks are also on the rise.

A traditional health insurance policy does not cover these diseases. It only covers hospitalization expenses and expenses for minor injuries. A critical illness plan entitles you to a lump sum amount on diagnosis of a critical illness. Hence, it does not work like a reimbursement policy but like a defined benefit plan.

Example: Assume a person has a health insurance cover of Rs 2 lakh and a critical illness policy of Rs 7 lakh. He suffers from a heart attack and the cost of the operation is Rs 5 lakh while the hospitalization charges are Rs 1.5 lakh. The health insurance will reimburse Rs 1.5 lakh while he can claim Rs 5 lakh from the critical illness cover.

A critical illness plan covers illnesses such as the following:

- Cancer
- Heart attacks
- Paralysis
- Stroke
- Organ transplant
- Disability
- Terminal illnesses
- Blindness
- Kidney ailment

Advantages of Critical Illness Plans:

- a) Diagnosis the only pre-requisite: The only condition that should be met to file a claim is diagnosis of a critical ailment – irrespective of whether the insured person was hospitalized or not. A traditional health insurance policy requires hospitalization for more than 24 hours to file a claim.
- b) Wider coverage of expenses: It provides cover not just on hospitalization or treatment but also for overdue debt and income loss due to illness.
- c) Low cost: Contrary to expectation these plans are not expensive. For example, for a 30-year old a Rs 10 lakh plan can cost in the range of Rs 2,000 to Rs 5,000 annually. (Please check quotes from insurance providers for exact details)
- d) Value for money: Compared to plans which cover a single critical illness (e.g., Cancer Policies) these plans offer coverage for a high number of diseases thus offering more value. However, it might be cheaper to get a single-disease policy if one has a family history of a particular type of critical illness.
- e) Tax Benefit: The premium paid qualifies for deduction under Section 80D. The maximum deduction for covering an individual below 60 years of age (self, spouse, parents or children) is Rs 25,000 and for an individual above 60 is Rs 50,000.

Please take a note of the following while selecting a plan:

- Illnesses covered: Please carefully note which illnesses are covered by the plan.
- Waiting Period: Some policies have a waiting period and any critical illness diagnosed within the waiting period is typically not covered.
- Survival Period: Policies could have a survival period clause. For instance, one needs to survive for at least 28 days after the diagnosis of a critical illness
- Multiple illnesses: If the insured person makes multiple claims, there is a minimum amount of time between these claims till he/she gets the full amount.

It is advisable to consult a financial advisor in order to select the right insurance amount and the right product.

Did you know?

UN estimates that nearly 40% of the food produced in India is wasted or lost.

Cartoon of the Month



Top Personal Finance News – March 2019

- 1) How much tax can you save via tax saving investments, expenditures?: [Click here](#)
- 2) Don't dilute your portfolio by holding too many funds: [Click here](#)
- 3) Understanding how section 80C of the Income Tax Act works: [Click here](#)
- 4) How to file car insurance claims in case of fire: [Click here](#)
- 5) Your car or two-wheeler insurance premium won't rise this year. Here are details: [Click here](#)
- 6) Discontinuing your insurance policy? Here are some tips: [Click here](#)
- 7) How are Nifty and Sensex created and what do they indicate?: [Click here](#)
- 8) Invest in hybrid funds for moderate risk: [Click here](#)
- 9) Indexation benefits available on debt MFs make them more tax efficient than FDs: [Click here](#)
- 10) Guide to systematic transfer plan: [Click here](#)
- 11) Year-end tax compliance for NRIs: [Click here](#)
- 12) You should keep increasing your savings rate every year: [Click here](#)
- 13) Money management makes you confident, say experts: [Click here](#)
- 14) Can you invest over Rs 150,000 in PPF in a financial year?: [Click here](#)
- 15) Multi-factor authentication: A security layer: [Click here](#)
- 16) No income tax refunds without bank account-PAN linking: [Click here](#)
- 17) Here's why investors should enter quality mid-caps with a 5-year horizon: [Click here](#)
- 18) Power of compounding: Here's what Rs 1 lakh per annum in MF, PPF, PF, FD does to wealth creation: [Click here](#)
- 19) How to get complaints resolved when insurance companies don't act: [Click here](#)
- 20) Here's how Indian students can save money on health insurance abroad: [Click here](#)