# MONTHLY NEWSLETTER – JUNE 2016

| Sensex : Up 4.14%<br>Nifty : Up 3.95% | |
|---|---|
| Best performing sector: Capital Goods (9.56%) | Worst performing sector: Health Care (-2.16%) |
| Best performing global index: US Nasdaq (3.62%) | Worst performing global index: Brazil Bovespa (-10.09%) |
| Indian Rupee: (-1.38%) | Gold price: (-4.35%) |

May was an encouraging month for the Indian equity markets. The headline indices moved up by around 4%. FIIs invested a net amount of Rs. 2,542.9 crore in equities. However, they were net sellers in the debt markets – which saw an outflow of Rs. 4,408.8 crore. 10 year G sec yield hardened from 7.436 to 7.472% during the month. Corporate earnings brought some relief to the markets. Aggregate sales growth for the companies was the best in six quarters, their net profits collectively grew at the fastest pace in eight quarters. The GDP growth in the January – March quarter was 7.9% which was a positive surprise and was at a five-year high. Agriculture showed a revival by registering a 2.3% growth, against -1.7% in the same quarter last financial year.

An upward pressure on inflation has surfaced. The Wholesale Price Index (WPI) rose 0.34% in April, compared with -0.85% in March. Led by a rise in food prices, inflation based on wholesale prices accelerated in April for the first time in 18 months. CPI Inflation increased to 5.39% in April from 4.83% in March. Exports continued to decline. Goods exports from India declined 6.74% year-on-year to $20.56 billion in April 2016, posting a 17th consecutive month of fall. Trade deficit narrowed to a five-year low to $4.84 billion with imports declining by a sharper 23.1% to $25.41 billion. The Index of Industrial Production (IIP) increased by just 0.1% in March 2016 from a year ago.

An important event was the state assembly election results. It was a clean sweep for Mamata Banerjee-led Trinamool Congress (TMC) in West Bengal. Along predicted lines, the Left emerged as a powerful force in Kerala, with the LDF witnessing a thumping victory over Congress-led UDF. BJP-led alliance had a strong victory in Assam, which is a significant move for BJP in the state where Congress was in power for three consecutive terms. Jayalalithaa-led AIADMK turned out to be the winner in Tamil Nadu. The only election result positive for Congress was that of

Puducherry where it won in alliance with DMK.

Some of the reforms announced last month:

- The Lok sabha, on 5 May, passed the Bankruptcy Bill, which promises to enable banks faster winding up of troubled companies and recover money before the value of the underlying assets get eroded fully. The Bill, once becomes law, will enable the creditors to take most decisions and the law can, thus, help faster rehabilitation of companies. It will thus improve liquidity in the banking sector and credit flow.
- The Lok Sabha on 5 May cleared the Finance Bill, signing off on the government's tax proposals for the year aimed at reducing litigation, checking tax evasion and simplifying tax laws. It will also pave the way for setting up the monetary policy panel comprising members from the Reserve Bank of India and independent experts that will decide changes in policy rates.
- The Centre has approved an investment of over Rs 5,530 crore for providing basic infrastructure in over 110 cities across six states under AMRUT scheme for the current financial year. The states are Madhya Pradesh, Gujarat, Rajasthan, Odisha, Jharkhand and Meghalaya.
- Telecom Regulatory Authority of India (TRAI) has rolled out a pre-consultation report on net neutrality, following the Department of Telecommunications seeking the regulator's views.
- No tax would be deducted at source for PF withdrawals of up to Rs 50,000 from June 1.
- Newborns may soon start getting Aadhaar as part of the Narendra Modi government's efforts to provide the unique identification number to all residents by March 2017.
- The Cabinet has approved the first ever national Capital Goods Policy that seeks to reduce reliance on imported equipment by incentivising domestic production and in the process creating crores of jobs. The policy seeks to increase production of capital goods from Rs 2.3 lakh crore in 2014-15 to Rs 7.5 lakh crore in 2025 and also raise direct and indirect employment from the current 84 lakh to 3 crore.
- The government has gained the right to tax capital gains arising in Mauritius from sale of shares acquired on or after April 1, 2017, in Indian companies. India and Mauritius on 10 May signed a protocol for amendment of a

three-decade-old double taxation avoidance agreement. The new tax treaty may encourage offshore fund managers to relocate to India, in the process making the country a fund management hub.

- The SEBI Board approved a proposal to increase disclosure requirements for issuance of Participatory Notes, which may help curb the flow of black money into the Indian equity market.
- World’s largest single rooftop solar power plant of 11.5 Mw capacity was inaugurated in Beas near Amritsar in Punjab on 17 May.
- Retirement fund body EPFO next month is likely to consider and approve a proposal to provide life insurance cover to its subscribers for three years after cessation of employment.
- RBI released draft guidelines for issuing on-tap universal bank licences but excluded large industrial houses from entering the sector.

The US Federal Reserve signaled raising interest rates if the economy picks up as expected and jobs continue to be generated.


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## Mistakes To Avoid In Financial Planning

When it comes to managing finances, no one is perfect. Everyone makes mistakes, but you can make up for poor decisions or avoid them entirely by learning from your own and other people's bad financial choices. It is fairly easy to get so entangled in the jargon that you lose sight of basic sound financial planning principles. Here are some mistakes that you can easily avoid.

- **Not Budgeting:** If you don't have a target, it is impossible to know if you have missed it. So it is important to measure actual expenditure against the budget on a regular basis and to adjust the budget according to your needs.

- **Not rebalancing investments:** To properly manage a portfolio and to create wealth it is imperative to ensure that your asset allocation is in accordance with your investment goals. Rebalancing is necessary because the returns from different asset classes can vary.

- **Not following an asset allocation:** Over time, the differential returns can significantly change the asset mix of your portfolio. Rebalancing restores the portfolio to the original asset allocation, thereby controlling the risk and the returns it will generate.

- **Keeping long term and short term goals separate:** It's necessary to plan for short-term as well as long-term goals. Investors tend to invest much of their investable surplus in equities, but forget to plan for contingencies. They themselves don't know if the equity investments made are for long term or for short term. So it is necessary to set short term as well as long term goals separately.

- **Delay investing till income is higher:** For young earners, spending is more important than saving. Many young earners don't start investing because their income is low. This is a fallacy. For a young investor, the smallness of the investment is more than made up by the long time available for the money to grow. The investment can be scaled up as the income grows in the coming years.

- **Treating insurance as investment:** The cardinal rule is not to mix insurance with investment. Traditional insurance policies that give the "triple benefits" of life insurance, long-term savings and tax benefits are bought every year. It’s always better to consult a financial advisor right from determination of insurance needs to retirement planning to get covered against financial risks.

- **Not setting up an emergency fund:** Unforeseen emergencies of life don’t announce themselves before turning up. So everyone needs an emergency fund. If you don't have an emergency fund, you could be forced to liquidate other assets to tide over the crisis.

- **Forgetting Inflation:** Inflation means that your money is gradually worth less over time. It is a common mistake to not look beyond traditional savings tools such as Bank Fixed Deposits or Life Insurance. The safest investments like a savings account or government bonds will often deliver returns at a rate lower than inflation. Sometimes modest risk is necessary to make sure your savings aren’t depleted by inflation.

A little time spent in the beginning to make the right choices can save you from a lot of trouble later. It’s just a matter of knowing the right thing to do. We hope this article will help you avoid a few of these pitfalls on your road to ‘fiscal fitness’…!!!

## Did you know?

**MUSIC IS ONE OF THE FEW ACTIVITIES IN LIFE THAT INVOLVES USING THE WHOLE BRAIN.**

## Cartoon of the Month

# Top Personal Finance News – May 2016

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5) Minor's income not clubbed with parent's in certain cases. Click Here
6) Here's all you need to know about expense ratio. Click Here
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