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COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

DECEMBER
2019



MONTHLY NEWSLETTER – DECEMBER 2019

Sensex : Up 1.7%	
Nifty : Up 1.5%	
Best performing sector: Telecom (23.5%)	Worst performing sector: Capital Goods (-7.6%)
Best performing Global index: Nasdaq (4.5%)	Worst performing Global index: Jakarta Composite (-3.5%)
Indian Rupee: -0.01%	Gold (International): -3.0%

In the month of November Indian stock markets continued their upward momentum. While Sensex and Nifty went up by 1.7% and 1.5% respectively, Nifty Midcap 100 and Nifty Smallcap 100 rallied by 2.4% and 1.2% respectively. The S&P BSE Midcap and Smallcap index were up by 1.5% and 0.02% respectively. The rally was supported by global liquidity. Foreign institutional investors (FIIs) invested a net amount of Rs. 25,230.6 crore in equity markets. However, they pulled out a net amount of Rs. 2,358.2 crore from bond markets.

The 10-year government bond yield inched up by 2 basis points to 6.47%.

In the July-September 2019 quarter, Indian GDP grew by the slowest pace in the last six years. The growth was 4.5% against 7% growth seen in the same period last year. Index of Industrial Production (IIP), which captures growth in factory output, was -4.3% in September – hitting a 7-year low. Many experts and analysts are of the opinion that a fiscal stimulus is needed to

revive the economy and to address the weak consumer demand.

Goods exports fell for the third consecutive month in October to \$26.38 billion. This is a 1.11% fall from the year-ago period. Imports contracted by a sharper 16.31% to \$37.39 billion. The trade deficit narrowed to \$11.01 billion compared to \$18 billion in October 2018.

There was a build-up of stress in the telecom sector. Government intervened and gave comfort to the players by deferring the spectrum payments for FY21 and FY22. The existing players also announced a tariff hike.

Fitch expects the problems of the non-banking financial companies (NBFCs) to continue and growth to come in at a slower pace in 2020. A ray of hope emerged as the Reserve Bank of India (RBI) superseded the board of one of the troubled NBFCs – Dewan Housing Finance Corporation Ltd (DHFL) – before the initiation of resolution under the insolvency and bankruptcy laws. The government has now allowed covering financial institutions by a special window under the bankruptcy code. Only a regulator will be allowed to refer a non-bank lender or housing financier to a bankruptcy tribunal.

Retail inflation, measured by Consumer Price Index (CPI), reached a 16-month high of 4.62% in October. Food inflation jumped to 7.89% - the highest since July 2016. Wholesale inflation, measured by Wholesale Price Index (WPI), softened to 0.16% in October – the lowest in over 3 years.

The GST collection crossed the Rs 1 lakh crore mark in November after remaining below that level for three consecutive months. The collection was Rs. 1,03,492 crore in November. The Nikkei Manufacturing Purchasing Managers' Index (PMI) unexpectedly rose to 51.2 in November from 50.6 in October. The Services PMI increased to 52.7 in November from 49.2 in October. (A reading above 50 indicates expansion, while one below that indicates contraction)

Moody's expects India's fiscal deficit to touch 3.7% of GDP. The Centre's target for the current financial year was 3.3%. One of the ways the government plans to address the deficit is by carrying out strategic disinvestment of five PSUs which includes Bharat Petroleum Corporation Ltd (BPCL).

More than 6 lakh investor accounts (folios) were added to the mutual fund industry in October – the highest in the last 3 months. The assets under management (AUM) of the industry increased by 7.4% from the previous month to reach Rs 26.33 lakh crore.

Reforms

- The government cleared a plan to set up a Rs. 25,000 crore alternative investment fund (AIF) to revive stalled housing projects. The government will invest Rs. 10,000 crore while the remaining will come in from State Bank of India, LIC and other such entities.
- NEFT transactions will be available 24x7 starting December 16.
- SEBI announced the following regarding Portfolio Management Services (PMS):
 - The minimum ticket size has been increased from Rs. 25 lakh to Rs. 50 lakh
 - The minimum net worth requirement for PMS providers

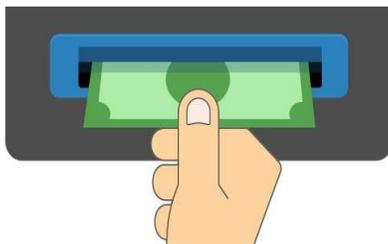
has been increased from Rs 2 crore to Rs 5 crore.

- Other decisions include capping investments in unlisted securities, eligibility criteria for PMS distributors and the requirement of a custodian.
- SEBI issued some rules for exchange traded debt funds and index funds. The index for debt ETFs should have at least 8 companies and no issuer should have more than 15% weight. All the constituents must be of investment grade.
- SEBI revised the cut off time to determine the minimum threshold of margins to be collected by members from their commodity traders for trades beyond banking hours to 5 pm.
- The Insurance Regulatory and Development Authority of India (IRDAI) will come out with standard guidelines for insurance of houses and commercial establishments.
- IRDAI notified that licensed surveyors will no longer be mandatory for settling claims in the line of business (LoB), which includes claims under personal accident, motor, health, cyber and travel insurance.
- SEBI mandated that any default in repayment of principal or interest to lenders by listed companies which continues beyond 30 days from the pre-agreed payment date will have to be disclosed to shareholders within 24 hours of such an event.
- The central government cleared the Code on Industrial Relations (IR) Bill, 2019. It protects the amendments brought about by state governments which gives companies the flexibility to hire and fire workers. To help industries in hiring contract workers directly, the

government has proposed to introduce the concept of fixed-term employment in the labour laws.

- SEBI is considering introducing direct plans for alternative investment funds (AIFs) and PMS funds. Direct plans exclude the commission or fee paid to distributors.
- The government has come up with a scrap recycling policy to work towards higher producer responsibility.

- The Finance Minister introduced two information technology initiatives – ICEDASH and ATITHI. The former is for better ease of doing business monitoring dashboard of the customs department. The latter is a mobile app for international travelers to file their customs declaration in advance.



SWPs: A Smart Way to meet Cash Flow Needs

A systematic withdrawal plan (SWP) in a mutual fund is an instruction to the fund house to withdraw a fixed sum of money on a fixed date and credit it to the investor’s bank account. The frequency of these withdrawals (monthly/quarterly etc) is also decided in advance. Each withdrawal happens as per that day’s net asset value (NAV) of the scheme.

We can understand the working of a SWP by taking the following example. The SWP amount per month is Rs. 10,000. The number of units to be redeemed is calculated as per the fund’s NAV on the particular date.

Month	Cashflows	NAV	No of units redeemed	Fund Units	Investment Value
January		100	0	1,000	1,00,000
February	-10,000	103	97	903	93,009
March	-10,000	102	98	805	82,110
April	-10,000	105	95	710	74,550

After three withdrawals adding to Rs. 30,000 the fund value is Rs 74,550.

The SWP option is useful for those who have invested during their working life and would like to meet their monthly expenses from those investments in the retirement phase. It is also beneficial for anyone who needs regular cashflows.

Advantages of SWP

- i. **Tax efficiency:** In regular interest instruments such as fixed deposits you pay 30% of the return as tax (if you are in the highest tax slab). In case of dividend option of mutual funds the dividend tax is 10% of the amount paid out as dividend. Compared to both these situations the tax outgo is likely to be lesser in case of SWP. In case of equity schemes, for units held for less than a year you pay 15% and for units older than a year you pay 10% - that too only on the gains component. In case of SWP in a debt fund, if the holding period is less than 36 months you pay tax on the gains as per your income tax slab and if the holding period is higher than 36 months capital gains are taxed at 20% with indexation benefit. Gains are calculated using first in-first out principle.
- ii. **Rupee Cost Averaging:** Since units are redeemed at different NAVs the risk of realizing a lower value on investments is lesser compared to a large lump sum redemption. The remaining units also get more time to appreciate.
- iii. **Regular Cash Flows:** The required cash flow automatically reaches your bank account on the date chosen by you periodically.

Did you know?

A single human being's DNA contains as much information as fifty novels.

Cartoon of the Month



“Normally, a clothesline in the yard would negatively impact the appearance and price of your property...but I’m calling it a solar-powered wardrobe spa!”

Top Personal Finance News – November 2019

- 1) How to use market volatility to your advantage through SIP: [Click here](#)
- 2) Link your FASTag to a prepaid card, not a savings or current account: [Click here](#)
- 3) How to allocate between market-based and contract-based investments: [Click here](#)
- 4) An aggressive portfolio consisting only of equity funds works over long term: [Click here](#)
- 5) Income tax: No ITR refund till you verify it. Here's how to do it: [Click here](#)
- 6) Three tips for choosing the right motor insurance: [Click here](#)
- 7) Mutual Fund Vs FD: Which of the two offers better investment opportunity?: [Click here](#)
- 8) If landlord is NRI, TDS is mandatorily deducted, irrespective of rent amount: [Click here](#)
- 9) How to become rich: Seven money habits to accumulate wealth: [Click here](#)
- 10) Avoid recurring deposits (RD) if you are in a higher tax slab: [Click here](#)
- 11) Savings account with higher interest rate! First check if it would benefit you: [Click here](#)
- 12) Porting your insurance may be beneficial, but make sure you do it right: [Click here](#)
- 13) PMC Bank crisis: Should you change your bank? Here's how to evaluate: [Click here](#)
- 14) Lost your ATM card? How card protection plans can help you: [Click here](#)
- 15) 5 tips to protect savings in times of inflation: [Click here](#)
- 16) Should you choose a mutual fund that invests in your favourite foreign brands?: [Click here](#)
- 17) Life Insurance Riders: Types, features, benefits; Here is all you need to know: [Click here](#)
- 18) Mobile banking: How to make your transactions secure: [Click here](#)
- 19) How are Mutual Funds taxed?: [Click here](#)
- 20) Diabetes health insurance is expensive. Here's a 4-point guide to manage related costs: [Click here](#)