I-CAN COMMUNIQUÉ

JULY 2017

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MONTHLY NEWSLETTER – JULY 2017

Market Update

Sensex : Down 0.8% Nifty : Down 1.1%	
Best performing sector: Realty (5.8%)	Worst performing sector: Oil & Gas (-7.3%)
Best performing Global index: Shanghai Composite (2.4%)	Worst performing Global index: RTS Index (-5%)
Indian Rupee: -0.1%	Gold price: -1.2%

The month of June saw the headline equity indices falling marginally from the previous month closing levels. FIIs were net buyers in the Indian equity and debt market to the tune of Rs. 3,616.8 crore and Rs. 25,685.1 crore respectively. The 10-year benchmark G-sec yield fell by 15 basis points to 6.51% – a positive for Indian bond investors. Gold price fell by around 1%.

This is a buoyant phase for Indian primary and secondary markets. Private equity and venture capital (PE/VC) investments recorded the highest monthly investments in the past 10 years at $3.1 billion in May 2017. A report suggested that bankers expect equity capital market deals worth a record $20 billion (Rs 1.3 lakh crore) to be struck this financial year, including partial privatisations by the government of India. A lot of activity has also been witnessed in the IPO space.

Indian macroeconomic variables continue to look favourable. Inflation has been easing. Inflation as measured by wholesale price index (WPI) eased to a five-month low of 2.17% in May after hitting 3.85% in April. The Consumer Price Index (CPI) that provides an indication of retail inflation, stands at a four-year low of 2.18% for the month of May 2017. The monsoons have started on a good note with a 4% surplus in the month of June. Indian exports grew by 8.3% in May propelled by petroleum, engineering, textiles and gems and jewellery. However, due to rising gold imports the trade deficit hit a 30-month high of $13.84 billion.

The Reserve Bank of India left the repo rate unchanged in the Monetary Policy review on 7 June.

The investment sentiment is improving. The 2017 Global Retail Development Index (GRDI), now in its 16th edition, ranks the top 30 developing countries for retail investment worldwide and analyses 25 macroeconomic and retail-specific variables. In this report, India has surpassed China to secure the top position among 30 developing countries on ease of doing business, according to a study that cited India's rapidly expanding economy, relaxation of FDI rules and a consumption boom as the key drivers.

Six Indian cities — including Hyderabad, Bengaluru, Pune, Mumbai, Delhi and Chennai — have found place in the top 10 emerging property investment destinations list for the Asia-Pacific, according to property consultant Cushman & Wakefield.

•REFORMS

- In order to bring in transparency in the working of investment advisers and prevent conflict of interest that exists between advising and selling of investment products, SEBI has proposed a number of changes in the Investment Advisers (IA) Regulations, 2013. It has underlined that the investment adviser should act in the best interest of the client and should not receive commission from the product manufacturers.
- The Reserve Bank of India decided to order banks to tip 12 companies into bankruptcy proceedings. These unnamed 'dirty dozen', most likely in the steel and power sector, represent 25% of the country's estimated $120 billion bad loan problem.
- Anyone looking to open a bank account will have to furnish his Aadhaar number along with the income tax permanent account number (PAN). The Aadhaar will also be needed for any financial transaction above Rs 50,000, highlighting the increasing degree to which the biometric identity is becoming the cornerstone of government measures to curb unaccounted income along with PAN.
- In 2018 financial year in India could commence from January instead of April as the Centre appears set to make the historic transition to end the 150-year-old tradition. Accordingly, the next Budget could be presented by the Centre in November this year, high level government sources told PTI today.
- Passports will be in both Hindi and English, instead of just English, External Affairs Minister Sushma Swaraj said on 23 June.
- RBI told banks to set aside at least 50% of the loan amount as likely losses for for loans being referred to the bankruptcy courts. The regulator also said that provisioning should be 100% in those cases that don't get resolved in the initial mandatory period for loan restructuring and instead are forced into liquidation.
- The World Bank has cleared a $ 250-million loan for making Indian youth more employable through reskilling, in a move that is seen to aid the Skill India mission.
- The Union Cabinet, chaired by Prime Minister Narendra Modi, has approved the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 to be introduced in the Parliament. The FRDI will provide a comprehensive resolution framework to deal with bankruptcy situations in financial sector entities such as banks and insurance companies.
- SEBI is planning to exempt private equity (PE) funds from the one-year lock-in requirement in initial public offerings (IPOs).
- SEBI asked depositories to make necessary arrangement for reporting of dividend and interest payments in customer accounts for the implementation of the Foreign Account Tax Compliance Act (FATCA).
- India's first 'private' railway station Habibganj to come up near Bhopal.

Importance of Emergency Reserve

Life is unpredictable and one cannot setup things as per their own choices or requirements all the time. We never know when life throws a financial surprise on us. So, how can one deal with an uninvited emergency in their life which can have an impact on their financial equilibrium? The only way to deal with such a situation is adequately plan for an Emergency Fund.

What is an Emergency Fund?

An emergency fund is used to set aside funds in case of personal financial uncertainties, such as loss of job, medical emergency in family, unexpected tax liabilities or change in economic scenarios like Demonetisation which we all recently experienced. Such unexpected and unplanned situations which will have an impact on our planned financial expenses calls for a creation of an Emergency Fund.

How much to save for an Emergency Fund?

An individual must save up to an amount which is equal to sustain 3 to 6 months of household and personal expenses, but saving only for a period of 3 to 6 months might not be sufficient for all individuals. Saving depends on an individual's financial stability.

Fixed Expenses

It is important to take into account fixed and unavoidable expenses such as EMIs, insurance premiums, children's education fees, etc for determining the quantum of the emergency fund. Individuals paying large EMIs and premiums are significantly impacted when the income stops or reduces to a certain extent. The emergency fund will vary as per the regular outflow of the unavoidable expenses.

Alternative Financial Arrangements

Alternative financial arrangements such as health insurance policy, personal accident policy, medical insurance policy will take care of the financial requirements in case of medical emergency or hospitalisation. Individuals with larger debit or credit cards may be able to manage the temporary financial instability compared to individuals without such plastic money.

Where to Invest your Emergency Fund?

Once an individual has analysed the quantum of emergency fund, one should save the amount and invest it in a safe way. The various investment avenues that can be used to park the emergency funds are saving accounts, recurring deposit, short term debts funds etc. which can offer return ranging from 4% to 8% depending on the type of instrument. For an individual it is advisable to invest a major portion of the fund into Liquid and Ultra Short term debt fund and the remaining funds can be invested into long term debt funds or bonds which offer good returns.

A minimum portion of the emergency funds can be invested into equity funds for balancing the returns to the overall emergency fund. One should avoid investing a major portion of the emergency funds into aggressive instruments like equities.

Conclusion

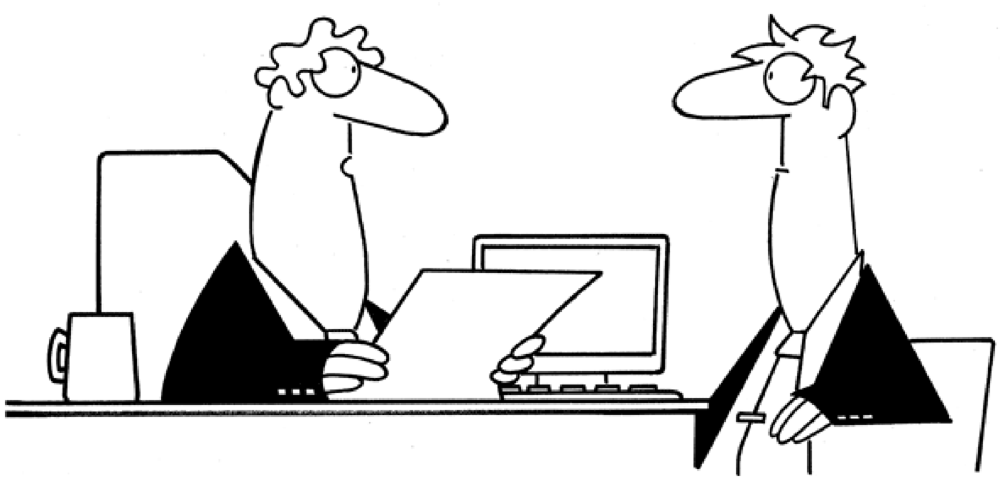
Creating an Emergency Fund will help an individual to develop a discipline of regular saving habit and enable to save a substantial amount in case of a financial instability. Having an emergency fund helps to reduce the dependency on borrowing funds from family, friends, relatives or from creditors at high interest rates. One should utilize the emergency funds wisely rather than spending on personal expenses. One should avoid unnecessary expenses and start saving money and step by step increase the savings towards emergency fund.

The contingencies cannot be avoided but our reaction to the contingencies can be planned. Being prepared helps to reduce the stress and anxiety and allows managing in the best possible and dignified manner.

Did you know?

Earth is worth about $7 Quadrillion when accounting for all of its resources

Cartoon of the Month



"Yes, we have a retirement program. After 25 years, we bring you to a recycling center where they turn you into a fresh new employee."

I-CAN FINANCIAL SOLUTIONS

Top Personal Finance News – June 2017

1) Why MF investments in your child's name is a better idea: Click here

2) When will my mutual fund investments double?: Click here

3) Debt Funds: Short or long? Why portfolio maturity matters: Click here

4) What is TDS and how does it work? : Click here

5) How to review your mutual fund investments : Click here

6) Go the mutual fund way in equities: Click here

7) Should I Invest in ELSS or PPF? : Click here

8) You do not need too many funds in a portfolio to achieve diversification: Click here

9) Changing jobs? Here's how to file your income tax returns : Click here

10) How to lock and unlock access to Adhaar biometrics : Click here

11) E-filing income tax return: How individuals can upload any ITR using excel utility : Click here

12) Liquid vs ultra short-term funds : Click here

13) When and how to sell your investments : Click here

14) Three things to look for in the annual report of a mutual fund : Click here

15) How much money do I need to retire? : Click here

16) How to claim income tax refund : Click here

17) How to get wealthy on a salary : Click here

18) Who writes a will: why, when and how? : Click here

19) Should you opt for an endowment insurance policy? : Click here

20) How to choose a term insurance plan: Click here