

I-CAN COMMUNIQUÉ



I-CAN FINANCIAL SOLUTIONS

JANUARY 2021



MONTHLY NEWSLETTER – JANUARY 2021

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| Sensex : Up 8.2% | |
| Nifty : Up 7.8% | |
| Best performing sector: Realty (20.2%) | Worst performing sector: Power (3.1%) |
| Best performing Global index: Seoul Composite (10.9%) | Worst performing Global index: MerVal (-6.1%) |
| Indian Rupee: 1.3% | Gold (International): 6.5% |

Indian stock markets ended the year 2020 with a bang as the headline indices reached their lifetime highs. As the year ended the S&P BSE Sensex closed above the 47,700 mark and Nifty 50 crossed the 13,900 level for the first time, generating returns of 8.2% and 7.8% respectively for the month of December. The S&P BSE Mid Cap index was up 6.1% while the S&P BSE Small Cap index inched up by 7.2% last month. The market sentiment has been very positive because of global liquidity, foreign fund flows, vaccine development, reduction in Covid-19 case count and good corporate earnings.

Foreign institutional investors (FIIs) pumped in a net amount of Rs. 62,015.7 crore in equities and Rs. 4,078.8 crore in bond markets. This is the second consecutive month of more than Rs 60,000 crore net inflows in Indian equity markets.

The total Covid-19 case tally in India crossed 1 crore infections. Over the last few weeks there has been a substantial drop in the daily new

Covid-19 case and death count. The recovery rate reached an impressive 96%. The Central Drugs Standard Control Organisation (CDSCO) approved the Covid-19 vaccines of both Serum Institute of India (SII) and Bharat Biotech for restricted use in India.

The worldwide coronavirus caseload has surpassed 8.2 crore. A mutant coronavirus named B.1.1.7 was detected in the UK and later spread to around 30 countries. The new strain is not deadlier than the strain which started the pandemic but is said to be more easily transmissible, which has raised concerns on its global spread. Most experts believe the same vaccines can be used for the new strain as well.

India's FY21 GDP estimates were revised upwards by various agencies:

| Agency | Previous | Revised |
|--------------------|----------|---------|
| Fitch | -10.5% | -9.4% |
| India Ratings | -11.8% | -7.8% |
| S&P Global Ratings | -9% | -7.7% |
| Crisil | -9.5% | -7.7% |
| SBI Research | -10.9% | -7.4% |

Among emerging markets (EMs) India attracted the second-highest overseas investor flows in 2020. Foreign portfolio investor (FPI) flows in India were \$22.6 billion, which is a 58% increase from 2019. China remained the top EM in terms of FPI flows, despite a 21.5% decrease in flows from 2019. A Morgan Stanley report stated that emerging markets including countries like India will see a fast pace of economic growth in 2021, averaging 7.4%. According to the Centre for Economics and Business Research (CEBR) India

will again become the fifth largest economy in the world by overtaking the UK in 2025.

As per the United Nations (UN) report 'Foreign Direct Investment Trends And Outlook In Asia And The Pacific 2020/2021', Indian economy could prove to be most resilient in the sub-region of South and South-West Asia over the long term. India is likely to attract strong investments owing to the large market it offers.

The Index of Industrial Production (IIP), which measures industrial growth, grew at 3.6% in October – higher than 0.2% growth in September. India's Manufacturing Purchasing Managers' Index (PMI) stood at 56.4 in December. It was 56.3 in November. A figure above 50 indicates expansion.

India saw a current account surplus for the third consecutive quarter in the July-September'20 quarter. The surplus lessened to \$15.5 billion (2.4% of GDP) from \$19.2 billion (3.8% of GDP) in the previous quarter. The reason behind the surplus is a sharp decline in imports which led to a lower merchandise trade deficit.

India's fiscal deficit for the April-November period touched Rs. 10.75 lakh crore, or 135% of the full-year target for FY21.

Retail inflation fell to 6.93% in November from 7.61% in October. The wholesale price index-based (WPI) inflation rose to 1.55% in November from 1.48% in October due to costlier manufactured items. This is the highest level of WPI since February. The Monetary Policy Committee (MPC) of the Reserve Bank of India kept the repo rate unchanged at 4% and maintained an accommodative stance.

The mutual fund industry of India and the US received 'top' grade for robust disclosure practices in areas like fees and transparency of holdings by Morningstar.

Reforms

- The Cabinet Committee on Economic Affairs (CCEA) approved projects worth Rs. 12,000 crore as per government's focus on infrastructure.
- Health insurance companies will be required to disclose benefit/premium illustration for policies issued on individual and floater basis from April 1, 2021.
- In view of the pandemic the Central Board of Direct Taxes (CBDT) extended the last date for income tax return filing to January 10, 2021.
- Starting January 1, the limits for contactless card transactions and e-mandates for regularly occurring transactions through cards and the Unified Payment Interface (UPI) have changed from Rs. 2,000 to Rs. 5,000.
- All lanes of National Highways will accept only electronic payments through FASTag from January 1.
- The Cabinet approved a Rs. 3,500 crore subsidy to sugar mills for exporting 60 lakh tonne of sugar during 2020-21.
- The Cabinet approved the Atmanirbhar Bharat Rozgar Yojana scheme at an expenditure of Rs. 1,584 crore for the current financial year.



10 Changes from January'21 you should know about

The following is a list of important changes which become effective starting January 2021 which might affect your personal finance decisions.

1. Cheque Payments rule:

RBI announced the 'positive pay system' for cheque in the August Monetary Policy, as per which key details may be needed to be re-confirmed for payments above Rs. 50,000. The details to be provided include date, name of beneficiary, amount etc. and need to be provided electronically or through ATMs. The move was announced with the objective of keeping frauds in check. This will come into effect from 1 January, 2021. The account holder is free to opt for this facility. We need to see if some banks make it mandatory in case of cheque amounts worth Rs. 5 lakh or above.

2. Contactless card payments:

In the August Monetary Policy RBI announced allowing of e-mandates/standing instruction processing for credit cards and debit cards for recurring transactions upto Rs. 2,000. In the December policy the limit was increased to Rs. 5,000 with effect from 1 January, 2021. This implies that the two-factor authentication process can be done away with for customers opting for this facility upto Rs. 5,000. Hence small value payments can be processed much faster.

3. Quarterly GST Filing:

Starting 1 January, 2021 businesses with up to Rs. 5 crore turnover will need to file only four GST sales returns against 12 at present. This should impact almost 94 lakh taxpayers.

4. Car Prices:

Maruti Suzuki announced a hike in car prices for its entire product range beginning from January 2021. Mahindra & Mahindra has also made a similar announcement. The rise in input costs for vehicle manufacturers has led them to make this move.

5. Standard Term Life Insurance:

Life insurance companies are mandated by the insurance regulatory IRDAI to offer a standard individual term insurance policy from 1 January, 2021. The product is named Saral Jeevan Bima. The minimum sum insured is Rs. 5 lakh and maximum cover is Rs. 25 lakh. A standard product is introduced to make it easier for customers to make a choice, increase the trust among them and reduce claim settlement hassles.

6. New Riskometer for Mutual Funds:

SEBI has introduced a new riskometer tool to help investors make more informed decisions with respect to mutual fund schemes. The changes will be made effective from 1 January, 2021. Earlier the riskometer categories were low, moderately low, moderate, moderately high and high risk. SEBI has introduced a sixth category – ‘very high risk’ for the most aggressive investors.

7. NAV Calculation for Mutual Funds:

As per the new rules investors will be able to purchase mutual fund units at the NAV of the day when their money reaches the asset management company (AMC).

8. Multi Cap Fund Norms:

SEBI issued new norms for multi-cap mutual fund schemes in September 2020. The definition of multi-cap schemes was changed as follows: the fund has to invest a minimum of 25% each in large cap, mid cap and small cap stocks. Earlier, this category had the flexibility to invest anywhere with no restrictions. SEBI had given fund houses time till January 2021 to comply with the new norms. Many multi cap schemes are expected to shift to a 'flexi-cap' style instead of complying with the rules.

9. FASTag Mandatory for four-wheelers:

From January 1, 2021 no four-wheeler will be permitted to drive through toll plazas without FASTag.

10. LPG Cylinder prices:

Oil marketing companies will revise LPG prices on the first of every month depending on the market rate of crude in international markets.

Did you know?

The world's quietest room is located at Microsoft's headquarters in Redmond, Washington

Cartoon of the Month

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“The bank found suspicious activity on my credit card. It was being used responsibly to buy necessary things.”

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