



I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

AUGUST 2019



MONTHLY NEWSLETTER – AUGUST 2019

Sensex : Down 4.9%	
Nifty : Down 5.7%	
Best performing sector: IT (0.5%)	Worst performing sector: Consumer Durables (-14.5%)
Best performing Global index: Belgium's BEL-20 (4.3%)	Worst performing Global index: Nifty 50 (-5.7%)
Indian Rupee: 0.3%	Gold (India): 0%

A carnage was witnessed in the Indian equity markets in the month of July'19 after the Budget was presented on 5th July. The market was disappointed due to lack of big bang announcements. On the contrary the surcharge on income tax was hiked for the super-rich. The enhanced surcharge now is 25% on taxable income exceeding Rs 2 crore till Rs 5 crore and 37% on taxable income exceeding Rs 5 crore.

While Sensex and Nifty fell by 4.9% and 5.7% respectively, the fall in the S&P BSE Mid Cap and Small Cap index was even more intense – 7.9% and 10.8% respectively. The foreign institutional investors (FIIs) have been on a selling streak because of the negative sentiment around the introduction of a higher surcharge on income tax in the Budget. This directly affects them as well. Finance Minister Nirmala Sitharaman advised FIIs to register as companies to avoid paying a higher tax. However, this failed to have any soothing effect. FIIs sold a net Rs. 12,418.7 crore of Indian equities in July. The market sentiment was also hurt by the slowdown in the global economy. Trade wars are being looked at closely.

Other major domestic headwinds included weaker-than-expected monsoon in India and liquidity concerns.

The bond market saw a significant rally with the benchmark 10-year government bond yield falling by 51 basis points to 6.37%. FIIs pumped in a net Rs. 9,432.8 crore in debt markets. While international gold price went up by 1.2%, Indian gold prices remained flat.

The NBFC sector continues to be under stress. Dewan Housing Finance Ltd (DHFL) defaulted on NCD payments due on July 3, 4, 23 and 29. The company said it is working on liability restructuring along with its bankers and will soon submit a resolution plan. IL&FS Transportation Networks, a group company of the IL&FS group defaulted on interest payment of its NCD which was due on July 21. In the middle of the NBFC crisis, two of the credit rating agencies – CARE and ICRA have sent their managing director/CEOs on leave pending completion of the inquiry.

A recent report on foreign direct investment (FDI) by the Department for Promotion of Industry and Internal Trade (DPIIT) was encouraging. According to the report India received the highest-ever FDI inflow of \$64.37 billion during the financial year 2018-19.

The Indian economy is showing signs of consumption and investment slowdown. According to the International Monetary Fund (IMF) Indian GDP is expected to grow at 7% in 2019-20 – 0.3% lower than its April prediction due to weak demand. The wholesale price index

(WPI)-based inflation for the month of June was 2.02% - lower than 2.45% reported in May. The consumer price index (CPI)-based inflation rose to an 8-month high of 3.18%. The CPI reading for May was 3.05%. Industrial output growth (measured by IIP) was 3.1% in May – lower than 4.3% in April. The lower number was mainly on account of slower manufacturing and mining growth.

Some pick-up in activity was seen in the month of July. The Nikkei Manufacturing Purchasing Managers' Index (PMI) rose to 52.5 in July from the 52.1 reading of June. The Services sector PMI increased to a one-year high level of 53.8 in July – up from 49.6 in June. (In PMI parlance, a print above 50 means expansion while a score below that denotes contraction)

India's ranking improved by five places to 52 in the 2019 Global Innovation Index (GII).

Reforms

- The Cabinet approved the Banning of Unregulated Deposit Schemes Bill, 2019, to prevent acceptance of illicit deposits.
- Amendments to the Bankruptcy Law were passed in the Rajya Sabha. A strict 330 day timeline has been established for the insolvency resolution process, including legal proceedings. It also restores the priority of secured lenders on payouts from sale of insolvent companies.
- The Code on Occupational Safety Health and Working Conditions 2019 was introduced in the Lok Sabha. The proposal talks about providing safe working conditions for workers and states that workers will have to be paid twice the wage if they work overtime. Also no worker will be made to work overtime without prior consent in writing.
- SEBI may soon come up with stricter regulations for credit rating agencies to ensure better technical, quality and ethical standards. It might include peer review mechanism and scrapping of employee stock options (ESOPs) for agency staff.
- An amendment bill was passed in the Parliament which allows voluntary use of Aadhar as proof of identity for users to open bank accounts and get mobile phone connections.
- The Commerce Ministry is thinking of recasting export incentives and might roll back the Merchandise Exports from India Scheme (MEIS).
- As part of a one-time settlement (OTS) exercise RBI allowed banks to directly sell their bad loans in manufacturing and infrastructure sectors to investors. This will allow foreign investors to take direct loan exposure to Indian corporates.
- The GST Council constituted a committee of officers who will suggest risk-profiling parameters so that a taxpayer can be categorized as 'risky' in an automated fashion. The government wants to pre-empt GST tax evasion.
- SEBI fixed the minimum duration of the staggered delivery period at five working days for all commodity futures in order to bring uniformity in the timeline across exchanges.
- IRDAI has notified that in case of death of a policyholder due to suicide within 12 months from the date of inception or revival of a life insurance policy, life insurers have to pay either the surrender value or refund the premium to the policyholder.
- The government has made the anti-money laundering laws stricter by expanding the scope of 'proceeds of crime', which will now include properties and assets created through any criminal activity even if it is not

under the Provision of Money Laundering Act (PMLA).

- The government is likely to fix 'national minimum wages' to be followed by state governments. This will be part of the Wages Bill, 2019.

- RBI has directed audit firm partners who are in the middle of any disciplinary proceedings to be barred from signing bank balance sheets or conduct the audit process.
- National Housing Bank asked housing finance firms to not give loans that involve servicing by builders on behalf of borrowers.

How to avoid too much debt



We live in times when we are chased to take loans and credit cards – and banks and sellers bombard us with attractive offers and discounts. When you try to buy a high value item whether online or offline you are immediately given an option to opt for an EMI or equated monthly instalments. For instance, if you wish to buy a smartphone worth Rs 50,000 you might think twice – but the moment the seller offers that you can pay in instalments of Rs 3,000

per month the same purchase begins to look affordable and we fall for it. Nowadays many people have multiple loans running simultaneously -education loan, personal loan, car loan, home loan, credit card bills and so on. While debt in itself is not a bad thing, but in excess it can lead to a disastrous financial situation.

The following measures will help you avoid a debt trap:

- Make a Budget**
Plan for monthly expenses and savings. Whenever you wish to indulge in stuff beyond the 'necessary' items make sure you are not exceeding the amount earmarked for the unavoidable expenses and savings/investments. Cutting down on savings and investments to make optional purchases is a bad strategy in the long run.

- ii. **Track Debt**
Keep a track of credit card statements and monthly EMI commitments. Ensure the total monthly amount is in a manageable territory to avoid resorting to taking a loan to repay other loans.

- iii. **Limit the number of simultaneous EMIs**
In case your monthly EMI spend is more than 20% of your take-home pay it might be a cause of concern.

- iv. **Pay Credit Card dues in time**
Make it a habit to pay the credit card dues regularly. Many people have a habit of paying only the 'minimum amount due'. When you keep credit card bills pending you get charged an exorbitant interest rate on the remaining amount – which can eat into your hard earned money. It will also lead to a high credit score.

- v. **Build on emergency reserves**
It is prudent and smart to keep some money aside for emergency. Keep a sum aside every month and do not touch it unless it is an extreme situation. Ideally upto 6 months' worth of expenses should be kept aside for this purpose.

- vi. **Insure your health**
Unforeseen medical emergencies can be a spoiler for your budget and plans for debt repayment. Make sure you and your family is insured for a sufficient amount.

- vii. **Avoid multiple credit cards**
It is always better to limit the number of credit cards you use.

- viii. **Choose the lender wisely**
Make sure you have compared interest rates offered by different lenders and you opt for the relatively lower one. Go for reputed banks or financing companies rather than lesser known entities that offer too good to be true kind of promises.

Did you know?

Ontario, Canada, has more than 250,000 lakes. They contain about 1/5 of the world's fresh water.

Cartoon of the Month

INVESTMENTS AND
FINANCIAL SERVICES



“The good news is, nobody will ever hate you for being rich.”

Top Personal Finance News – July 2019

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