April 2022

Fintrust

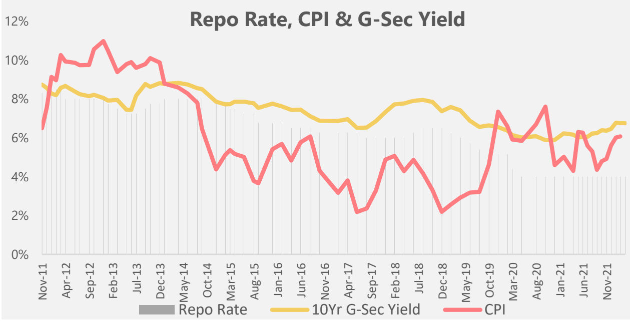
bulletin...

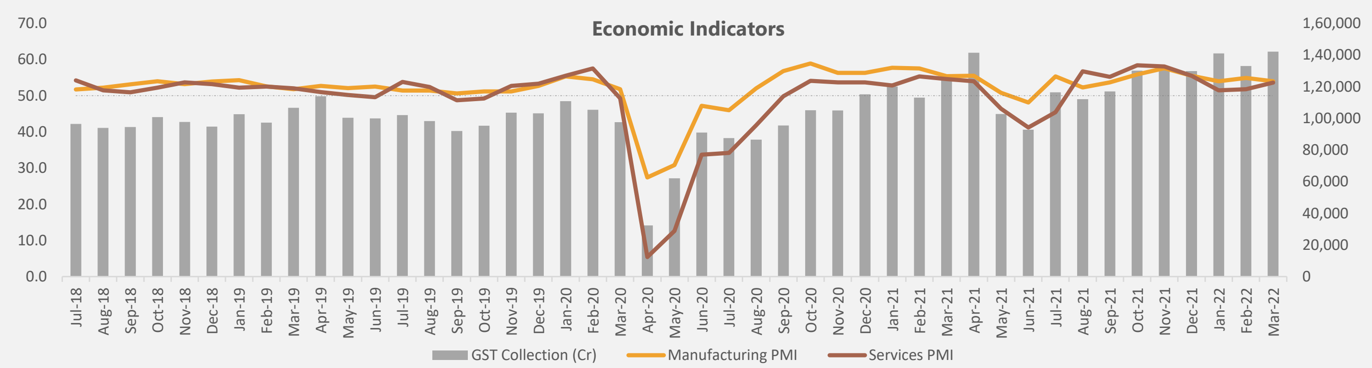
Economic Indicators

- India's manufacturing activity in March fell marginally to 54.0 from February's 54.9. The fall highlighted the joint-weakest rate growth since September 2021. The report said that while business conditions improved, the latest results showed slower expansions in factory orders and production as well as a renewed decline in new export orders.
- Business confidence which fell to its lowest level in two years, was dampened by inflation concerns. "For now, demand has been sufficiently strong to withstand price hikes, but should inflation continue to gather pace, we may see a more significant slowdown, if not an outright contraction in sales," said Pollyanna De Lima, Economics Associate Director at S&P Global.
- India's services sector activity continued to recover in March as containment measures were lifted following a substantial slowdown in growth at the start of the year. The S&P Global India Services Purchasing Managers' Index (PMI) increased to a three-month high of 53.6 in March from 51.8 in February.
- India's fiscal deficit stood at Rs 13.17 lakh crore or 82.7% of the full-year budget target in February due to higher expenditure. India's current account deficit stood at $23 billion or 2.7% of GDP in the third quarter of fiscal 2021-22, compared with a deficit of $2.2 billion or 0.3% of GDP in the same quarter a year ago.
- The gross goods and services tax (GST) revenue collected in March 2022 is Rs. 1.42 lakh crore, the highest ever since implementing the new taxation system, breaching an earlier record of Rs. 1.41 lakh crore collected in January 2022. The government said, anti-evasion activities, especially action against fake billers, coupled with economic recovery, have contributed to the enhanced GST. The improvement in revenue has also been due to various rate rationalization measures undertaken by the council to correct the inverted duty structure.
- India's CPI continued to remain above the upper limit of RBI's tolerance printing at 6.07% (February 22) vis-a-vis 5.03% (February 21), thus possibly resulting in a tighter monetary policy as we advance.

Head's Up from the Central Bank

- The RBI came out with the framework for geo-tagging the payment system touchpoints to ensure proper monitoring of the availability of payment acceptance infrastructure.
- The RBI will conduct a sell/buy swap auction for $5 billion in the last week of April to achieve three simultaneous goals. They include preventing a rout of the local unit, draining rupee liquidity, and rationalizing the cost of covering currency risks.
- Public sector banks have disbursed loans aggregating Rs. 41,269 Cr. via the portal '**psbloansin59minutes.com**' since September '18, accentuating the digitization tilt in the banking system.
- RBI data showed that India Inc's foreign direct investment slumped by 67% in February '22 to $753.61 Million, in sharp contrast to $ 2.28 Billion invested in February '21.





Debt Market & Other Indicators

- The interbank call money rate settled at 3.00% as of 31st March '22, compared with 2.90% a month earlier.
- Following the global trend, yields throughout maturity have gone up. The weighted average yield on the 10-year benchmark paper settled at 6.82% on 31st March '22 compared with 6.76% a month earlier.
- The government may significantly cut bank recapitalization in FY '22, and if this is executed, it will represent the lowest capital infusion in the last 12Y, thus limiting government expenditure.
- The government has announced plans to borrow Rs 8.45 lakh crore in the first half of 2022-23, about 59.4% of its planned borrowings for the fiscal year.
- The rupee slightly depreciated against the dollar but appreciated against other major currencies during March.
- During March, crude oil prices touched as high as $130/ barrel and then cooled off on potential Chinese oil demand disruptions due to Covid-19-related lockdown in the country, the largest ever release of US oil reserves, and as OPEC+ decided to stick to the previously agreed plan to raise output in May. Crude closed $5 higher at $100.60/ barrel than the previous month's close.

Indicator	Mar 22	Feb 22	Trend
Call rate	3.00%	2.90%	▲
3Month CP	4.35%	4.27%	▲
1Year CP	5.20%	5.10%	▲
3Year AAA	5.80%	5.70%	▲
5Year AAA	6.30%	6.27%	▲
10Year G-Sec	6.82%	6.76%	▲

Currency (USD)	Mar 22	Feb 22	Trend
US Dollar	75.88	75.56	▲
GBP	99.73	100.95	▼
EURO	83.98	84.69	▼
YEN	0.62	0.65	▼

Commodity (USD)	Mar 22	Feb 22	Trend
WTI Crude	100.60	95.72	▲
Gold	1947.82	1908.79	▲
Silver	25.12	24.37	▲

Debt Market Outlook

- RBI Governor has assured stakeholders that all COVID-related liquidity measures, including interest rates, come with a sunset clause and withdrawal from such liquidity measures will be smooth. So there is some comfort regarding the hike in the cost of capital.
- Higher electricity and energy costs could take the wind out of the sails of India's growth story, thus dampening stock market prospects, given that markets despise uncertainty. The Ukraine war has underscored the need for investing in uncorrelated assets like bonds, gold & real estate.

Domestic Equity Market

- Indian equity indices recouped most of the losses of February to post handsome gains in March. S&P BSE Sensex and Nifty 50 surged around 4% each. The increase was relatively sharp in broader indices, with Nifty Midcap 100 up by 5.2% and BSE Smallcap up by 5.8%.
- Most sectors ended higher, with metals, IT, Oil & Gas, and Realty being the top gainers. S&P BSE Metals, S&P BSE IT, S&P BSE Oil & Gas and S&P BSE Realty rose 7.6%, 8.7%, 8.2% and 6.2% respectively.
- FIIs remained negative for the sixth consecutive month, with a total sale of Rs. 2.74 lakh crore in the cash segment of the equity market for the fiscal year 2021-22.
- Companies in the medical tourism, hotel, travel and maritime industries will be severely dented due to the war.
- Three-pronged effects on oil prices (OPEC action, China's COVID containment strategy and US's shale dilemma) will affect inflation; hence investors need to take cognizance of this while investing.
- The surge in oil prices weighs heavily on macros as we move on to the next fiscal. India is buying Russian crude in defiance of Western, especially US pressure, to isolate the country economically and financially.
- India could be buying Russia's flagship Urals grade at discounts of as much as $35 a barrel on prices before the war. Given that crude oil prices have gone up significantly since the war began, substantial savings can accrue from the deep discounts.
- Fitch has slashed India's GDP forecast from 10.3% to 8.5% (FY '23) due to the steep rise in global energy prices.

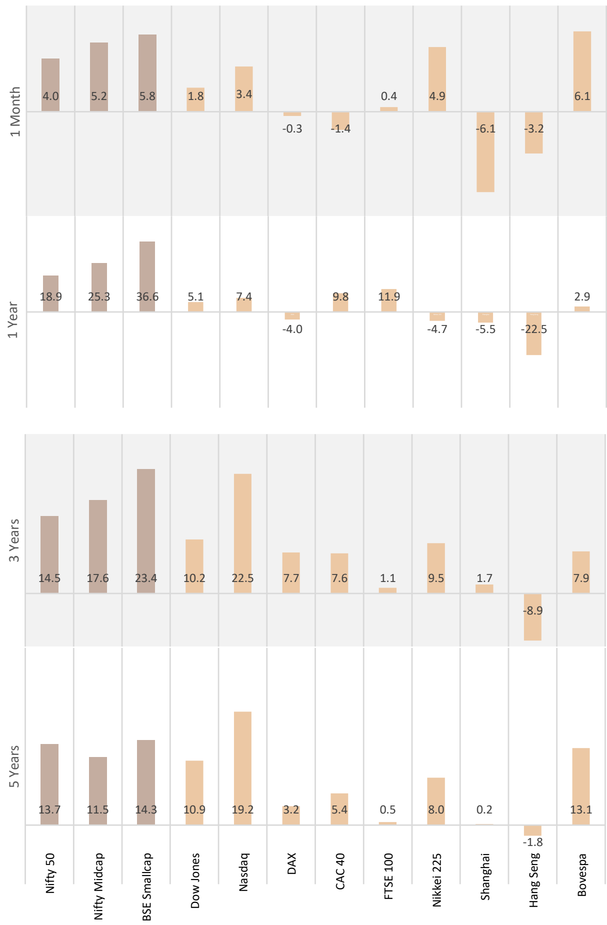
Broad Indices	Mar 22	Feb 22	Change
Nifty 50	17465	16794	4.0%
BSE Sensex	58569	56247	4.1%
Nifty Midcap	29692	28223	5.2%
BSE Smallcap	28216	26662	5.8%
S&P BSE 500	23695	22742	4.2%

Sectoral Indices	Mar 22	Feb 22	Change
S&P BSE Bankex	41754	41636	0.3%
S&P BSE Metal	22368	20784	7.6%
S&P BSE Healthcare	24304	23356	4.1%
S&P BSE IT	36403	33503	8.7%
S&P BSE FMCG	13335	13008	2.5%
S&P BSE CD	42272	43099	-1.9%
S&P BSE Auto	24050	24616	-2.3%
S&P BSE Oil & Gas	18741	17315	8.2%
S&P BSE Realty	3682	3466	6.2%
S&P BSE CG	27506	27658	-0.5%
S&P BSE Power	4044	3854	4.9%

Global Equity Markets

- Most global equities ended mixed as economies are still absorbing the effects of the Ukraine-Russia war. US treasury prices rose as uncertainty surrounding the Russia-Ukraine war boded well for the risk-averse asset.
- During the latter half of the month, markets gained on expectations of a diplomatic solution between Russia and Ukraine and a rally in financial shares following a rise in treasury yields. US stocks ended higher in March, with Dow Jones & Nasdaq gaining 1.8% and 3.4%.
- The US consumer confidence index rose to 107.2 in March from 105.7 in February.
- The US ADP employment report showed that 455,000 private-sector jobs were added in March, following an upwardly revised 486,000 in February.
- US manufacturing PMI rose to 58.5 in March from 57.3 in February, while services PMI rose to 58.9 from 56.5.
- Europe ended flat to negative as the eurozone economic sentiment indicator fell to 108.5 in March from 113.9 in February. Investors were disappointed with the UK's Budget announcement, rising domestic inflation, and uncertainty surrounding the Ukraine-Russia war.
- The UK's consumer price index rose 6.2% yearly in February compared with the 5.5% rise in January.
- The UK economy expanded 6.6% year-on-year in the fourth quarter of 2021 compared with a downwardly revised 6.9% growth in the previous quarter.
- Asian equities showed a mixed trend. Except for Japan's Nikkei, which is up by 4.9%, both major markets, China's Shanghai Composite and Hong Kong's Hang Seng were down by 6.1% and 3.2%, respectively, tracking weak European markets because of stringent lockdowns due to the resurgence of Covid-19 cases.
- Chinese Central Bank is exploring ways to deliver more stimulus to support the economy following disappointing manufacturing data and the resurgence of Covid-19 cases.

Performance of Indian & Global Indices



***Note:** For Periods till 1 year the returns are absolute and for beyond 1 year, its CAGR returns*

Equity Market Outlook

- The Eastern Europe war will not undermine India’s credit profile due to its substantial foreign exchange reserves, says S&P, but India’s current account deficit will be weakened going forward due to escalating oil prices, enhanced economic uncertainty, and higher commodity prices.
- We expect higher volatility across capital markets in the short term, primarily due to higher commodity prices and uncertainty over sanctions on Russia. Energy and food prices (mainly edible oil & oilseeds) will likely continue to see upward pressure on global supply chain concerns.
- We remain extremely cautious as the valuations are still high and expect the markets to be highly volatile in the near future due to the ongoing geopolitical and global inflationary situation.

Here's what NRIs wanting to invest in real estate should know to ensure there are no gaps in property selection

NRIs who have invested in real estate back home often have limited information about the quality or for that matter regarding the approvals and financial status of the project.

By Anurag Jhanwar
Published in
moneycontrol.com - 10th Mar 2022

Investment in real estate has always excited Non-Resident Indians (NRIs) and finds a predominant place in their portfolio. While the advantages of real estate as an investment class are well-known — tangible, rent-yielding, long-term appreciation, second-home option and flexibility for future expansion/relocation - the investment process has some challenges.

Here are some things NRIs wanting to invest back home should keep in mind:

Legal aspects

The real estate market in India remains largely unorganised. There are different rules and regulations across states.

First, the Foreign Exchange Management Act (FEMA), which governs NRI investments, changes frequently. Secondly, NRIs/PIOs (Person of Indian Origin) can't purchase agricultural land, including farmland or plantation property. Additionally, they need to know the fine print linked to taxation and repatriation of the proceeds.

Guidance from experienced real estate advisors becomes crucial to ensure there are no gaps in property selection and the buying process isn't fraught with risks.

Illegal possession or occupation:

It's practically impossible for NRIs to keep a tab on their properties. The menace of encroachment or illegal possession is high. Evicting illegal occupants becomes a challenge for property custodians, who usually comprise the owners' friends and relatives.

Given the stakes involved, all the legal documents must be signed by tenants, transactions need to be recorded and executed the right way before handing over possession.

Developers pedigree:

Numerous projects have hit a roadblock due to violations in construction norms, cash crunch and legal bottlenecks. NRIs consequently end up incurring huge losses. Not only is possession delayed, capital too gets blocked, thereby adversely impacting their overall investment portfolio.

Buyers' problems aggravate further owing to limited information about the quality and authenticity of legal papers and ignorance of the property's approval and financial status. Failure to regularly update themselves on the construction status too puts them at high risk.

RERA's (Real Estate Regulatory Authority) role should be highlighted here.

RERA does have a regulatory mechanism to protect the rights of home buyers and makes project information more transparent. While RERA provides access to all information, the body doesn't do the due diligence on behalf of the investors. Essentially, RERA aims at bringing transparency into the real estate sector.

Checking the pedigree of the developers and investigating facts about the financial and physical condition of the property remain the investors' responsibility.

Do the benefits outweigh the risks when it comes to investing in Gold ETFs?

Gold as an investment has always held a certain allure and has historically delivered positive long-term returns and also worked well in improving a portfolio's risk-adjusted-performance.

Quotes By Prashant Joshi
Published in
Financial Express - 10th Feb 2022

Gold ETF folios have witnessed an eight times increase from 4.23 lakh in December 2019 to 32.09 lakh in December 2021. During the same period, the AUM of gold ETF schemes witnessed a growth of 200 per cent from Rs 5,768 crores (equivalent to 14.8 metric tonnes) to Rs 18,405 crores (equivalent to 37.6 metric tonnes) of gold holding.

Financial advisors explain, gold as an investment has always held a certain allure and has historically delivered positive long-term returns and also worked well in improving a portfolio's risk-adjusted-performance. Therefore, gold is considered a good hedge against inflation, systemic risk, and currency depreciation.

Buying gold ETFs means an investor is purchasing gold in an electronic form which is parked in a Demat account. Industry experts say every unit of Gold ETF is backed by physical gold. Chintan Haria, Head – Product Development and Strategy, ICICI Prudential AMC says, "An investor here has the flexibility to buy and sell units of gold ETFs at any time during the trading hours as it is listed and traded on the stock exchanges, just like the equity stocks."

Note that, as there is no making charge here, the expenses associated with Gold ETF are much lower when compared to physical gold investments. Haria explains, "One need not worry about issues such as purity of gold, secure storage, etc. When investing through Gold ETFs, investors have the option to invest at regular intervals through systematic investment plans (SIPs) or opt for lump sum investment." As a result, experts say Gold ETF is best used as a tool to benefit from the price of gold rather than to get access to physical gold i.e. investors can reap the benefits of investing in gold without having to buy the physical asset.

Having said that, while Gold ETFs bring diversity and secure the portfolio from market volatility, various other factors make this route of investment in gold lucrative. Prashant Joshi, Co-Founder and Partner, Fintrust Advisors LLP points out, "Gold ETFs score highest over any other form of digital or physical gold investment due to liquidity and being regulated by SEBI alleviates the biggest fear of investors, that is, purity."

The volume of Gold ETFs portfolio surged more than 3 times from 9.7 lakh to nearly 32.1 lakh in 2021 as per AMFI data. "Various factors such as affordability since Gold ETFs can be brought as low as 1 unit (1 gram), tax efficiency, acceptability as collateral for loans, and rise in digital-savvy investors have mainly contributed towards driving this demand. Investors with a longer horizon can consider investing in Gold ETFs, allocating up to 10 per cent of their portfolio," adds Joshi.

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