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WEALTHWISE®

Wiseinvest®
With YOU, in meeting
FINANCIAL CHALLENGES

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest Advisors, which is a quality investment advisory firm that specializes in mutual funds. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of around 30 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Besides, our team of advisors has professionals who have spent years in the mutual fund industry. In the last fourteen years, thousands of our clients have benefitted from our quality advice and have made mutual funds as the mainstay of their portfolio. You can benefit too from our expertise for your existing as well as new investments. All you need to do is to just call up any of the offices or email your requirements at information@wiseinvestadvisors.com and our professional advisors will do the rest.

Dear Investor,

The month of September witnessed a dramatic turnaround in Indian stock markets as Finance Minister announced one of the most ambitious reforms in a long time. The government's decision to bring corporate tax rate down towards the world average from among the highest bolstered the sentiments amongst downbeat investors. It may be recalled that Finance Minister had reduced the corporate tax on companies with a turnover of up to ₹ 400 crore to 25 per cent in the Union Budget 2019. This brought down the effective tax rate for over 99 per cent of companies to 27.8 per cent (inclusive of surcharge and education cess). For the rest less than 1 per cent, the effective rate remained at 34.94 (on 30 per cent corporate tax rate).

The reduction in effective corporate tax rate to 25.17 percent will significantly improve profitability of full tax-paying companies and that would result in change in return on equity (ROE) and multiple re-ratings. Among the sectors, banking, FMCG, consumer durables, and auto companies would be major beneficiaries. Besides, reduction in Minimum Alternate Tax (MAT) as well as lower tax rate of 15 percent for new manufacturing companies incorporated on or after October 1, 2019, with the condition that they start production by March 2023 will make India very competitive amongst emerging markets. Further, removal of enhanced surcharge on capital gains is a big positive for investors.

While a revenue loss of ₹ 1,45,000 crore for the government on account of tax rate cuts has raised concerns about fiscal imbalance, this structural change will induce faster growth that will recoup revenue loss. Considering that a big chunk of taxes is paid by PSUs, the higher profits by these entities will result in higher income for the government by way of dividend. Moreover, the government would get more revenue from Dividend Distribution Tax as companies are likely to pay higher proportion of income as dividend.

We believe that this bold step by the government and its positive impact on the economy and corporate earnings will propel the stock market to higher levels. It also drives home a point that one must continue the process of investment through volatile periods to gain from such sudden developments rather than waiting on the sidelines for the market to stabilize before taking the plunge. Therefore, one must stay committed to one's defined time horizon to benefit from the true potential of equity and equity-oriented mutual funds.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market Performance During September 2019.

Indices	3rd September 2019	30th September 2019	Change in (%)
Sensex	36,562.91	38,667.33	5.76
MIDCAP	13,245.58	14,104.13	6.48
SMLCAP	12,369.82	13,170.76	6.47
BSE-100	10,911.18	11,580.94	6.14
BSE-200	4,516.95	4,794.25	6.14
BSE-500	13,955.84	14,810.02	6.12

Equity Market Outlook

For equity investors, calendar year 2019 has not been a rewarding one so far. Year to date (till end-September), the Nifty is up 5.6%. In fact, the Nifty was only up 1.5% YTD till end of August. Globally too, the emerging markets (EMs) haven't had a great year, the MSCI EM (USD) index is only up 3.7% (till September 27).

The GDP growth for Q1, FY 20 came in at 5%, led by weak consumer demand, tight liquidity for small and midsize businesses, weak exports, slowdown in infra spend etc. While numbers for Index of Industrial Production numbers seem to be bottoming out (July IIP grew at 4.3%); based on high frequency data (auto sales, both in commercial and passenger vehicles, growth in credit to industry, growth in railway freight traffic, non-oil imports and petroleum product consumption) it appears that the GDP growth for Q2, FY 20 may not be substantially better. Investment demand has been weak for some time now, and government and private consumption expenditure has been supporting the economy. As consumption demand has sputtered, the government has swung into action making a number of announcements to help in ease of doing business and bringing down costs. In August end, it had announced steps to help the auto sector (increased depreciation etc.), infrastructure sector (expediting delayed payments) and had allowed for automatic permission for 100% FDI in contract manufacturing etc. In mid-September, the government announced measures to help the housing and exports sectors. However, on the 20th, the government announced sharp tax cuts (to 25% for all corporates) and to 17% for those who set up new companies in the manufacturing space. Surcharge on capital gains on equity was also done away with. Investors have called this a major reform. All the above moves taken together show that the government is concerned about the slowdown and is backing businesses to revive the economy. After the tax cuts, Indian tax rates are in line with most countries in Asia-Pacific. This could lead to global companies considering India as one of the investment destinations if they were looking to diversify manufacturing out of China.The tax cuts should help in reviving sentiment among domestic companies. However, the impact of the tax cuts on reviving economic growth will be lagged as the demand side of the economy is a concern, and these cuts help on the supply side. Their impact on economic growth would depend as to what extent the corporates share the gains with customers by cutting prices, use the surplus to make investments or conserve these instead. With these cuts, there is a fiscal support to the economy, to support the aggressive monetary stimulus which the RBI has undertaken. It seems likely that the fiscal deficit target of 3.3% of GDP will be breached, given the weaker than targeted GST collections and impact of these tax cuts. However, right now, growth is more important to the economy but the government should be cautious to not let fiscal deficit get out of hand. The government has also been saying that it will track that PSUs and departments do not slack up on their capex budgets. If it were to get implemented, it will certainly lead to economic revival over the couple of quarters.

We expect the Nifty earnings to benefit on account of these and the narrow large cap indices have moved largely in line with this since the announcement.

As said above, the GDP numbers for Q2 should not be much better than that for Q1. Earnings for Q2 also will be weak as consumption is yet to recover and among financials, only the large PSU banks and leading private banks should do well. In the near term, companies will watch for the festival season demand as that will give an indication of revival in consumer sentiment. The good news is that the system is light on inventory.

As said above, managing fiscal deficit will be a challenge and the government seems to be moving towards privatization of select PSUs. If even a few cases of privatization are successful it will be a big positive trigger for the markets. To some extent, bullish markets can also help in reviving consumer sentiment as a fairly large number of investors now invest in equity markets either directly or through mutual funds and these would gain from a positive wealth effect.

As said above, while the earnings for Q2 will not be great, valuations for the markets are in line with long term averages. Also, valuations for equity relative to the government bond yield are fairly attractive. Other positive factors are low oil prices, low cost of borrowing, a good monsoon (though some areas have also been impacted by floods) and government efforts to revive business sentiment.In the near term the markets may move in a range though with an upward bias given the positives listed above. The risks to the markets are event risks on the global geo political front (US-China issues, tension in the middle east) or on the Indian subcontinent, negative surprises on stressed assets with banks/ NBFCs, the tendency of some state governments to renege on contracts, consumer demand not sustaining beyond the festival season and finally, rise in interest rates if the government borrowings increase meaningfully to make up for the shortfall in revenue.

Rajat Jain
Chief Investment Officer
Principal Asset Management Pvt. Ltd.

Debt Market Outlook

Key Event Update in Sept 2019

Real GDP growth for the quarter April to June 2019 came in at 5%, much lower than analysts' forecasts. Private consumption demand was hit hard, investment remains lack lustre, and export growth has slowed. The slowdown is partly cyclical and partly structural. Over past one year the NBFC crisis which started with IL&FS and weakening global growth have been two of the main cyclical factors. August CPI inflation released during the month came in at 3.21% as compared to 3.15% in July. Core inflation has moderated to 4.1% from 4.4% in July. Banking System Liquidity remains ample. For the month of September it has ranged between 0.35 lakh crore to 1.70 lakh crore. Money market yields softened during the first half of Sept, but tightened post advance tax flows and tightening in liquidity conditions. 3 month CD yields (maturing end Dec) are trading between 5.40% to 5.60%. There was some flare up in oil prices due to attack on Saudi Arabia's oil facilities but it subsided once on expectations of normalization soon after.

The main event for the debt market was the announcements by the FM on 20th Sept entailing substantial changes to in India's corporate tax structure. As far as the debt market is concerned, the main impact would be on the fiscal.

Fiscal Impact: The FM indicated that the tax cut measures would entail a tax revenue loss of Rs 1.45 lakh crores (0.7% of GDP). Of this, 0.45% of GDP may accrue to the central government, and the rest to the states. Thus the central government fiscal deficit budgeted estimate of 3.3% is likely to be breached. State finances could also come under some pressure. Expectedly, government bond yields rose sharply on the news, with the ten yr G sec closing at 6.79% on Friday (20th Sept). Bond yields and money market rates also rose though the impact here was lesser. However to add a caveat, the FM later indicated that so a review of the fiscal deficit target will be done closer to February 2020 and government sources also indicated that Sovereign Bond Issuance maybe undertaken. These comments helped to stem the continuous fall in prices and the ten yr gilt has since then been trading in a range of 6.70 – 6.78%.

Overall, debt market is cautious due to recently announced tax cuts and fears of large fiscal slippage.

RBI also released the much awaited recommendations of the Working Group on the Liquidity Framework on 26th Sept. The group has recommended that the current liquidity management framework should largely continue in its present form and remain flexible. We expect that RBI may also look to introduce longer term repos in addition to OMOs and Forex Swaps for durable liquidity operations. There was a slight negative impact on gilt markets and no impact on money market yields post the announcement.

Outlook

- Given lack of fiscal space for meaningful large stimulus measures, monetary policy may end up doing the heavy lifting. Benign inflation should also aid the case for continued rate cuts. We expect RBI MPC may cut key repo and reverse repo rates by 15-25 bps in the upcoming Monetary Policy Review on 4th October. This would bode well for upto 3 month money market yields which may fall from current levels. Another key trigger which the market participants will be tracking in October will be the borrowing plan of the government for second half of FY20. If there is an increase in borrowing, it may have a negative impact on gilt prices. As far as corporate bond market is concerned, a successful resolution of DHFL debt can lead to improved sentiment in the credit markets. However overall environment remains fragile and therefore the preference for safety and high quality remains.

- Overall, Investors should have a balanced asset allocation within debt funds. In the current scenario short term debt funds category is in a sweet spot.

Bekxy Kuriakose
Head - Fixed Income Investments
Principal Asset Management Pvt. Ltd.

Performance Of Select Funds

Data as on September 27, 2019

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Frontline Equity Fund	Aug-02	-0.26	4.27	3.88	6.74	8.88	13.61	11.73	17.59
ABSL Equity Fund	Aug-98	0.19	4.83	3.11	7.45	11.19	15.96	12.17	17.73
Axis Bluechip Fund	Jan-10	11.86	17.20	15.32	15.02	11.93	15.54	—	—
Axis Focused 25 Fund	Jun-12	10.33	9.71	10.71	14.02	13.88	15.30	—	—
Franklin India Equity Fund	Sep-94	-4.38	-1.84	2.19	5.11	8.68	13.56	12.29	17.15
HDFC Equity Fund	Jan-95	-3.34	4.41	6.20	8.93	7.98	13.08	12.03	17.91
HDFC Top 100 Fund	Oct-96	-2.86	4.11	6.62	9.24	8.25	12.38	11.05	17.63
HSBC Large Cap Equity Fund	Dec-02	3.69	6.09	6.09	8.79	8.74	11.24	8.93	13.89
ICICI Prudential Bluechip Fund	May-08	1.63	3.57	6.92	9.34	9.47	13.51	12.85	—
IDFC Core Equity Fund - Regular Plan	Aug-05	-1.10	0.68	2.89	7.34	9.41	11.62	8.88	—
Kotak Bluechip Fund - Regular Plan	Dec-98	2.92	6.69	7.05	7.89	9.38	12.48	10.32	15.82
Kotak Standard Multicap Fund Regular	Sep-09	2.60	8.45	7.47	10.38	12.66	16.64	13.40	—
L&T Equity Fund	May-05	-0.53	1.60	3.47	6.44	8.13	12.20	11.37	—
Mirae Asset Large Cap Fund - Regular	Apr-08	1.55	7.10	8.22	11.69	12.25	16.59	15.08	—
Mirae Asset Emerging Bluechip Fund	Jul-10	2.62	10.93	7.76	12.70	17.08	22.91	—	—
Motilal Oswal Multicap 35 Fund	Apr-14	3.71	6.95	2.71	8.93	14.81	—	—	—
Reliance Large Cap Fund	Aug-07	-2.62	3.09	6.70	9.55	9.92	13.91	11.51	—
Reliance Multi Cap Fund	Mar-05	-4.13	3.96	5.05	7.52	7.39	12.57	13.90	—
Invesco India Contra Fund	Apr-07	-1.92	1.49	7.49	10.63	11.63	16.58	12.97	—
SBI Bluechip Fund	Feb-06	4.00	8.55	6.38	7.35	10.30	14.76	11.53	—
Principal Emerging Bluechip Fund	Nov-08	0.55	1.06	1.79	7.79	13.07	18.94	15.26	—

Midcap & Smallcap

Axis Midcap Fund	Feb-11	5.47	9.99	12.12	12.27	11.90	18.05	—	—
DSP Midcap Fund - Regular Plan	Nov-06	0.44	6.02	2.77	6.71	12.43	16.92	15.56	—
HDFC Mid-Cap Opportunities Fund	Jun-07	-5.62	-0.82	-0.28	4.65	10.63	16.84	16.88	—
Kotak Emerging Equity Scheme	Mar-07	0.52	6.39	2.56	6.73	12.96	17.77	15.05	—
Franklin India Smaller Companies Fund	Jan-06	-8.30	-5.88	-4.76	1.67	9.27	18.26	15.99	—
HSBC Small Cap Equity Fund	May-05	-9.30	-6.88	-7.78	-0.50	6.64	12.98	8.98	—
L&T India Value Fund	Jan-10	-2.36	-1.23	-0.10	6.40	11.44	17.42	—	—
SBI Magnum Global Fund	Sep-94	5.21	7.00	6.65	6.29	9.77	16.45	15.17	19.65

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	0.37	17.46	5.89	12.14	15.58	18.35	16.76	—
Reliance Banking Fund	May-03	-2.53	10.53	3.97	10.40	12.32	14.49	14.45	19.93
Reliance Pharma Fund	Jun-04	-4.84	-11.17	5.72	-1.26	3.65	11.95	14.85	18.36
Canara Robeco Consumer Trends	Sep-09	5.14	16.24	10.14	12.12	14.17	15.99	14.98	—
SBI Consumption Opportunities Fund	Jul-99	-0.58	1.69	8.40	11.27	11.38	14.59	20.25	19.44
Tata India Consumer Fund - Regular	Dec-15	2.10	0.69	6.02	14.53	—	—	—	—
Axis Long Term Equity Fund	Dec-09	9.49	12.45	11.07	12.41	12.96	18.84	—	—
HDFC Taxsaver Fund	Mar-96	-4.25	-1.59	1.10	6.16	6.18	11.88	10.77	16.75
HSBC Tax Saver Equity Fund	Jan-07	-0.38	4.99	1.88	6.65	8.24	13.10	11.43	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	-3.61	-1.16	1.56	8.60	10.00	14.72	13.03	—
Mirae Asset Tax Saver Fund - Regular	Dec-15	2.90	8.66	9.00	13.98	—	—	—	—

HYBRID

ABSL Equity Hybrid '95 Fund	Feb-95	-0.39	3.04	1.76	5.13	8.82	12.59	11.33	15.48
Canara Robeco Equity Hybrid Fund	Feb-93	2.67	8.25	7.40	8.60	10.18	13.23	12.33	16.31
HDFC Hybrid Equity Fund	Sep-00	0.12	6.86	5.03	8.01	9.99	14.01	14.22	—
ICICI Prudential Balanced Advantage	Dec-06	4.13	8.98	7.32	8.01	9.23	—	—	—
ICICI Prudential Equity & Debt Fund	Nov-99	-0.87	2.47	4.85	7.38	9.59	14.11	13.39	14.74
Invesco India Dynamic Equity Fund	Oct-07	3.01	5.49	3.36	8.06	8.11	—	—	—
Kotak Equity Hybrid Fund - Regular	Nov-99	4.69	8.80	5.35	6.42	8.53	10.38	9.52	13.69
L&T Hybrid Equity Fund	Feb-11	1.23	2.43	2.44	6.40	9.43	13.64	—	—
Principal Hybrid Equity Fund	Jan-00	-3.38	-1.02	3.40	8.28	9.72	12.94	10.32	12.94
Reliance Equity Hybrid Fund	Jun-05	-2.63	-1.96	0.87	5.71	8.03	11.80	11.42	—
SBI Equity Hybrid Fund	Dec-95	5.64	12.14	9.36	9.66	11.06	15.32	11.94	16.39
HDFC Equity Savings Fund	Sep-04	0.79	4.19	4.39	7.05	7.90	—	—	—
IDFC Equity Savings Fund - Regular	Jun-08	1.92	4.23	3.89	4.37	5.45	—	—	—
Kotak Equity Savings Fund - Regular	Oct-14	2.76	5.70	6.21	7.36	—	—	—	—
Reliance Equity Savings Fund	May-15	-8.48	-7.40	-2.24	2.13	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.46	3.33	6.30	6.12	6.04	6.51
Invesco India Arbitrage Fund	Apr-07	1.54	3.24	5.93	5.98	5.91	6.43
Kotak Equity Arbitrage Fund Regular	Sep-05	1.53	3.36	6.41	6.28	6.21	6.63

DEBT

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Mth*	3 Mth*	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**
ABSL Short Term Opportunities Fund	May-03	0.35	2.61	4.86	9.91	6.98	6.99	8.40
ABSL Medium Term Plan	Mar-09	0.81	2.66	3.76	5.84	4.99	6.09	7.99
HDFC Credit Risk Debt Fund - Regular	Mar-14	0.46	2.23	4.14	8.97	6.12	6.72	8.39
Kotak Credit Risk Fund Regular Plan	May-10	0.49	2.44	4.29	8.82	6.78	6.99	8.31
Invesco India Short Term Fund	Mar-07	0.20	2.63	4.66	9.88	6.55	6.52	7.48
Reliance Credit Risk Fund	Jun-05	0.70	0.78	-0.52	3.99	4.35	5.56	7.27
SBI Magnum Income Fund	Nov-98	-0.10	2.50	5.56	11.20	6.19	7.11	8.64
L&T Credit Risk Fund	Oct-09	-2.29	-0.62	-1.56	2.59	3.36	4.97	7.10
Kotak Savings Fund Regular Plan	Aug-04	0.43	1.93	3.92	8.39	7.43	7.34	7.86
L&T Ultra Short Term Fund	Apr-03	0.44	1.96	3.90	8.27	7.39	7.32	7.85
Kotak Banking and PSU Debt Fund	Dec-98	0.06	2.62	5.56	11.44	7.75	7.70	8.34

*Absolute ** Annualised. Past performance may or may not be sustained in future.

Dividends declared by equity and equity-oriented funds during the month of September 2019

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Balanced Advantage Fund - Dividend - Monthly	03-09-2019	0.06
ICICI Prudential Equity & Debt Fund - Dividend - Monthly	03-09-2019	0.20
Tata Hybrid Equity Fund - Regular Plan - Dividend - Monthly	03-09-2019	0.35
Taurus Starshare (Multi Cap) Fund - Dividend	09-09-2019	0.50
ICICI Prudential Multi-Asset Fund - Dividend	09-09-2019	0.20
ICICI Prudential Long Term Equity Fund (Tax Saving) - Dividend	16-09-2019	0.62
Sundaram Select Thematic Funds Financial Services Opportunities - Dividend	16-09-2019	0.56
Sundaram Infrastructure Advantage Fund - Dividend	16-09-2019	0.80
PGIM India Hybrid Equity Fund - Dividend - Monthly	17-09-2019	0.17
Invesco India Dynamic Equity Fund - Dividend	19-09-2019	0.12
UTI Multi Asset Fund - Retail - Dividend	19-09-2019	0.08
Sundaram Equity Hybrid Fund - Dividend	19-09-2019	0.11
L&T Large and Midcap Fund - Dividend	23-09-2019	0.15
Nippon India Balanced Advantage Fund - Dividend	24-09-2019	0.16
Sundaram Mid Cap Fund - Dividend	24-09-2019	0.15
L&T Conservative Hybrid Fund - Dividend - Quarterly	24-09-2019	0.14
Aditya Birla Sun Life Balanced Advantage Fund - Dividend	25-09-2019	0.12
Kotak Standard Multicap Fund - Dividend	25-09-2019	1.20
HDFC Balanced Advantage Fund - Dividend	25-09-2019	0.31
HDFC Hybrid Equity Fund - Dividend	25-09-2019	0.32
LIC MF Equity Hybrid Fund - Plan A - Dividend	25-09-2019	0.10
LIC MF Large Cap Fund - Dividend	25-09-2019	0.18
LIC MF Tax Plan 1997 - Dividend	25-09-2019	0.22
UTI Hybrid Equity Fund - Dividend	25-09-2019	0.19
Kotak Equity Hybrid - Dividend	26-09-2019	0.13
Kotak Tax Saver Scheme - Dividend	27-09-2019	0.31
SBI Multi Asset Allocation Fund - Dividend - Quarterly	27-09-2019	0.14
PGIM India Long Term Equity Fund - Dividend	27-09-2019	0.10
PGIM India Large Cap Fund - Dividend	27-09-2019	0.44
PGIM India Hybrid Equity Fund - Dividend	27-09-2019	0.30
DSP Equity & Bond Fund - Regular Plan - Dividend	27-09-2019	0.21
Canara Robeco Equity Hybrid Fund - Regular Plan - Dividend - Monthly	27-09-2019	0.56
Canara Robeco Conservative Hybrid Fund - Regular Plan - Dividend - Quarterly	27-09-2019	0.22
Templeton India Equity Income Fund - Dividend	30-09-2019	0.68
ICICI Prudential Equity & Debt Fund - Dividend - Annual	30-09-2019	0.33
Nippon India Large Cap Fund - Dividend	30-09-2019	0.09

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest Advisors can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or our branch to avail of this free service.

Market Outlook

The sharp economic slowdown of the past several months had necessitated policy action at a war scale. The Government responded with big bang reform on corporate taxes. The sharp cut essentially represents a huge transfer from the government to the corporate sector. In our view, this move underlines the government's belief that it is the innovation, efficiency and enterprise of the private sector that will drive growth while the government plays the role of a facilitator in business.

While this move doesn't directly address the near-term demand weakness beyond providing a sentiment boost, this is an important step towards reviving the investment cycle. Followed with appropriate regulatory realignment, this would also help in bringing in foreign manufacturing as global supply chains readjust. This in turn should create employment leading to sustained consumption and growth. In fact, the consumption driven growth of the past few years while investments struggled was unstainable as incrementally this consumption was being financed through dipping savings and increasing leverage, as income growth severely lagged.

There are concerns around the implication on fiscal deficit. While the fiscal pressures are for real, the government has levers to address those. For one, the move should strengthen the government's resolve to shore up its finances through asset monetization and strategic divestments. Similarly, there is room for significant increase in GST compliance as collections have run way below expectations so far. The time is also ripe to relook at subsidies. The experience with fuel subsidy was very encouraging. With better adaption of Direct Benefit Transfer (DBT), food and fertilizer subsidies can also be rationalized.

Given the global backdrop, the tax reform assumes greater significance. There is enormous uncertainty globally, from frail economies to rising geopolitical tensions: trade tensions between US-China and Japan-Korea, Brexit, Hong Kong, the middle east to name a few. India being integrated with the rest of the globe is bound to be impacted, yet this can be our opportunity to stand out and stand tall. Amidst all the chaos, India can carve out a position of strength for itself owing to several factors.

India for one is a large and stable democracy with a strong political leadership. At a time when the world continues to experiment with unconventional monetary policy, India has been relatively prudent on monetary and fiscal fronts. While the world is grappling with excess leverage, we have modest debt to GDP. When currency is increasingly being used by countries as a tool against economic challenges, India has largely left its currency to market forces. Globally while policy uncertainty has been on the rise, India has been cracking down on corruption and black economy and improving the ease of doing business. When climate change is emerging as the biggest risk, India is already taking a lead on environment (non-fossil fuel adoption, ban on single use plastic, water conservation to name a few) despite the stage of our economic development.

The common theme across all these, be it strong democracy, prudent fiscal and monetary policy, market determined currency, modest leverage, crackdown on black economy or environment and social security initiatives, is that we have ingrained sustainability in our development model. And in that context the fact that the government has sought to revive investments through corporate tax cuts rather than wasteful consumption emphasizes its focus on the structural rather than here and now. At a time when investment opportunities are scarce globally and money is abundant, India can be an oasis of hope for foreign capital. Yet, in spite of the inherent strengths of our model, we shouldn't be counting our chickens before they hatch. There is a tremendous lot to be done before we hope to be a truly viable investment destination for the world.

Starting with sustainability, one remarkable achievement has been the empowering of masses as a way to sustainable development. The integration of the rural masses with the mainstream through road, electricity, financially, digitally and through improved social security should go a long way in rural India catching up with urban India. The resultant rise in their aspirations has to be positively channelized to move the large population employed in relatively unproductive agricultural activities away into more productive sectors by reskilling them. Within agriculture, reforms such as farmer education, land record digitization, investment in logistics and food parks and contract manufacturing to name a few have the potential to significantly improve productivity.

Being a country deficient in risk capital, we need to do more to channelize both domestic and foreign savings. A sovereign bond offering in local currency can do a lot of good to building credibility around Rupee as well as India. Effort should be made to get these local currency bonds included in international bond indexes. An associated outcome will be a better bargaining position with rating agencies. These are vital as we have humongous investment needs for infrastructure build up. Given the challenges faced by private sector in the previous cycle, asset recycling, by inviting long term investors in infrastructure assets to free up capital for further asset creation, has to be the dominant funding model.

While raising investment rate is a prerequisite to raising domestic savings,

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these savings have to be better incentivised to move to financial assets rather than physical. Especially flow into equity markets remains abysmal denying corporates the much-needed risk capital. Corporate tax cut is an important step; the government should evaluate following it up with removal of long-term capital gains tax to encourage equity flows. Jan Dhan has been a great success story on financial inclusion. How about Jan Nivesh to encourage more financial savings?

A direct tax code with a significant simplification and lowering of personal taxes will go a long way in channelizing savings. A radical simplification of tax filings, through measures such as Aadhar linkage, app-based interface or faceless pre-assessment, can be a significant boost to tax compliance and collections. And not to forget the behavioural aspects of it all, we wonder what changing the name of income tax to something like ***Swabhimaan Yogdaan*** and GST to ***Rashtra Nirmaan Yogdaan*** will do to willingness of Indians to pay their share of taxes!

Finally, investment cycle won't revive without a revival in business sentiment. After a period of what many commentators believe to be regulatory and judicial overreach, the PM in his Independence Day speech acknowledged the need to respect wealth creators. The current tax reform is an important step in that direction. Regulatory environment needs to align with taxation now and soothe more nerves to unleash private sector's enterprise. While these tax cuts help private sector deleveraging, focussed approach on NPA resolution and bank recapitalisation is needed to kickstart credit growth.

Financial sector is the life-blood of the economy and addressing challenges in that space is of utmost importance, especially given the role reflexivity plays in shaping the real economy. NCLT like framework to deal with stressed entities in the financial sector, refinance window for illiquid assets with appropriate haircut, steps to revive real estate and MSME sector, a scheme to provide priority debt to stalled but viable projects that are NPA are some of the steps needed. While ensuring abundant liquidity, a strong message that "we will do whatever it takes" along with swift and coordinated policy response are needed to alleviate the current stress and set in motion a virtuous cycle.

Bond yields have spiked on fears of fiscal slippage post tax cut announcement. Given the local growth-inflation dynamics, weak global growth and commodity prices, and given these tax cuts don't do much to inflation expectations, we expect the RBI to remain accommodative. Given the already elevated term premium, expect yields to cool off as a result.

Equity markets aren't discounting a new investment cycle yet given the concerns around financial sector stress. The recent up-move therefore has barely mimicked the upgrades to FY20 earnings owing to tax cuts. However, with corporate profits to GDP at multi-decade lows, mean reversion may be in order. Investors should take comfort that Government is intent on decisive structural reforms to fortify India's position in the global arena.

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.

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