

SENSEX: 36,469.43 | NIFTY: 10,893.65 | DOW JONES: 25063.89 | NASDAQ: 7263.87 | USD/INR: 71.46 | GOLD: \$1282.60 | OIL: \$55.26
(Feb 2019 future Contract) (Mar 2019 future contract)

Budget 2019

Detailed report inside

Stock Picks

| Company Name | CPM (Rs) | Target(Rs) |
|-----------------------------|----------|------------|
| Strides Pharma Science Ltd. | 445 | 530 |
| Avanti Feeds Ltd | 361 | 427 |
| Apex Frozen Foods Ltd | 336 | 434 |

Source: Geojit Financial Services

INR Fund Picks

| Company Name | | Returns (CAGR) | |
|--------------------------|--------------------|----------------|-------|
| | | 3Yr | 5Yr |
| HDFC Top 100 - Growth | Largecap | 15.89 | 15.81 |
| Kotak Emerging | Midcap | 13.07 | 23.40 |
| Mirae Asset India Equity | Multicap | 16.21 | 19.35 |
| Tata India Consumer | Thematic | 19.70 | - |
| HDFC Balanced Advantage | Balanced Advantage | 15.13 | 16.19 |
| HDFC Small Cap | Small | 18.11 | 20.37 |

UAE Round Up

- Jet Airways (India) Ltd has agreed to most of the conditions set by its partner Etihad for offering a lifeline to the debt-laden domestic carrier. Dubai Ruler inaugurates mega project Burj Jumeira
- Construction will kick off immediately as the first phase of the development will be delivered in 2023. Airbus A380 under threat as Emirates weighs rejigged order -sources
- UAE declares holiday for private sector workers attending Pope's mass. The Papal mass is taking place on Tuesday, February 5 at the Zayed City stadium in Abu Dhabi
- Petrol prices will be cut by roughly 2.5 per cent compared to January

Global:

- # The S&P 500 overcame a slow start to the week to finish higher by 1.6% with earnings coming in better than feared and a dovish-minded Federal Reserve easing the market. In the process, the benchmark index also notched its best January since 1987.
- # The Dow Jones Industrial Average gained 1.3%, the Nasdaq Composite gained 1.4%, and the Russell 2000 gained 1.3%.
- # The S&P 500 energy (+3.2%), real estate (+2.9%), consumer staples (+2.9%), and industrial (+2.6%) sectors led this week's advance. On the other hand, the consumer discretionary (-0.1%), financials (+0.1%), and materials (+0.8%) sectors underperformed
- # Also, the FOMC voted unanimously to keep the fed funds target rate range unchanged at 2.25% to 2.50%, as expected
- # U.S. Treasuries saw increased buying interest following Wednesday's FOMC decision and Fed Chair Powell's press conference. Treasuries pulled back on Friday, though, after a stronger-than-expected Employment Situation Report for January, which showed that nonfarm payrolls increased by 304,000
- # The 2-yr yield finished the week down 11 basis points to 2.50%, and the 10-yr yield fell nine basis points to 2.69%. The U.S. Dollar Index fell 0.2% to 95.66. WTI crude rose 3.0% to \$55.28/bbl.

| Index | Started Week | Ended Week | Change | Change% | YTD % |
|---------|--------------|------------|--------|---------|-------|
| DJIA | 24737.20 | 25063.89 | 326.69 | 1.3 | 7.4 |
| Nasdaq | 7164.86 | 7263.87 | 99.01 | 1.4 | 9.5 |
| S&P 500 | 2664.76 | 2706.53 | 41.77 | 1.6 | 8.0 |

India:

- # Key equity indices advanced last week, ahead of the Union Interim Budget that was announced on Friday, 1 February 2019. The government presented a farm-friendly, consumption-oriented Budget ahead of the general elections. Positive global cues also boosted investors sentiment. Risk appetite in the global stock markets improved after the US Federal Reserve left interest rates unchanged and said it would be patient with further rate hikes.
- # The Sensex rose 443.89 points or 1.23% to settle at 36,469.43. The Nifty 50 index rose 113.10 points or 1.05% to settle at 10,893.65. The BSE Mid-Cap index fell 40.44 points or 0.28% to settle at 14,641.38. The BSE Small-Cap index fell 49.75 points or 0.36% to settle at 13,950.45.
- # Despite being an election year and high expectations of populism, the Government seems to have done a wonderful job in sticking fiscal prudence and presented a balanced pro-growth budget. Fiscal deficit for FY2019, which is the current financial year, at 3.4% of GDP is close to the target of 3.3% set earlier. The target for FY2020 has been fixed at 3.4% thereby clearly indicating that the Government is not letting go of the fiscal prudence. It is important to note that the fiscal deficit was 4.5% in FY2014 and 4.1% in FY2015. Despite tough reforms like GST and Bankruptcy Code, the Government seems to have managed the fiscal arithmetic well.
- # The Government also presented its Vision 2030 along with the Budget and targets USD10trillion economy by then.
- # Overall a very balanced Finance Budget which ticked the right boxes, stuck to fiscal prudence while focussing on growth



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INTERIM BUDGET 2019-20 SENSEX: 36,469

A well-managed pre-election budget...

The interim budget was watched on three important points like SOPs to small farmers, incentive to the common man and in the overall will it be fiscal prudent. The outcome has been marginally better than expected by the market, it provides a good package considering the upcoming general election and maintaining its rationality in the long-term. For the market it will provide a positive signal since the interim budget will not trouble the economic accountability with populist agenda in the medium-term. The given measures are positive for Consumption oriented sectors like FMCG, Consumer Staples & Durables and Auto. Real Estate may also benefit given sensible tax concessions.

Populist measures with Prudent Financials...

The fiscal deficit has been marginally twisted-up to 3.4% from 3.3% targeted earlier. This is marginally better than anticipated by the market which was mentally prepared for 3.5%. Similarly, the forecast for FY20 has been increased to 3.4% from the earlier target of 3.2%, which is marginally above the expectation but includes the cost of farmer schemes & higher petroleum subsidy. In overall it maintains the stature of fiscal deficit in the long-term, which is positive for the market.

Farms SOPs was directed well...

A direct cash benefit of Rs6,000/annum to small and vulnerable farmers under Kisaan Samman Nidhi was announced. A cost of Rs20,000cr & Rs75,000cr is built in FY19 & FY20 respectively. This benefit will be to land owners and will be implemented with the state government support. A risk for huge SOPs was feared by the market, but it was lower than anticipated. Govt. plans to double farmer's income by 2022 and 50% increase in MSP were highlighted in the speech. For rural workers, MNEGRA outflow has been increased to Rs60,000cr for FY20.

Tax cut for middle class...

Tax burden for middle class has been cut to a benefit of Rs15,000pa (Annexure1). Standard deduction limit has been increased to Rs50,000 from Rs40,000 and Tax slab has been standardized, no-tax up-to Rs5lacs/annum In a nutshell, after factoring 80C exemption of Rs1.5lac, there will be no tax up-to total income of Rs7lacs. The total cost of this measure is forecasted at Rs18,500cr in FY19.

Budget's key assumptions...

The total expenditure has been maintained at 15% growth for FY19. While more expenditure is towards food, agriculture and social welfare. Govt. is hoping for more income from direct tax and non-tax revenues. In FY20, total expenditure is expected at 13.3% with moderation in subsidy cost. More expenditure are allocated to rural & agriculture segment. The positive side of the forecast is that borrowing has been maintained flat during FY18 to FY20. The weightage to the overall assumptions will be assessed by the market in the coming days.

Budget - Better than anticipated

We had a muted expectation on the interim budget with two things in mind, populist agenda and fiscal prudence which has been managed well. Infrastructure and Capex related spending are not in the limelight while social agenda is the key. Sectors which can have direct benefit are Consumption oriented sectors like FMCG, Staple, Discretionary and Real Estate due to tax concessions. While indirect beneficiaries could be IT and Pharma given the risk awareness in the market.

| Sector | Stocks |
|------------------------|----------------------------------|
| Aquaculture | Avanti Feeds & Apex Frozen |
| FMCG | HUL, Jyothy Labs, Dabur |
| Consumer Discretionary | V-Guard& Bata |
| Real Estate | Sobha, Prestige Estates & Oberoi |
| Auto | Escorts & Hero Motocorp |

| BUDGETPLAN(Rsbn) | FY18(A) | FY19(RE) | FY20(BE) |
|---------------------------|---------------|---------------|---------------|
| Tax Revenue | 12,425 | 14,844 | 17,050 |
| Change% | 13% | 19% | 15% |
| Non Tax revenue | 1,927 | 2,453 | 2,726 |
| Change% | 29% | 27% | 11% |
| Capital receipts | 7,067 | 7,276 | 8,065 |
| Total Receipts | 21,420 | 24,572 | 27,842 |
| Change (%) | 8% | 15% | 13% |
| Total Exp | 21,420 | 24,572 | 27,842 |
| Change (%) | 8% | 15% | 13% |
| Revenue Deficit | -2.6% | -2.2% | -2.2% |
| Fiscal Deficit (%) | -3.5% | -3.4% | -3.4% |

Interim Budget - Sectors

| Sectors | Announcements | Positive Stocks |
|--|---|---|
| Aquaculture | <ul style="list-style-type: none"> • 2% interest subvention to farmers pursuing activities like animal husbandry and fisheries, who avail loan through Kisan Credit Card. Additional 3% interest subvention on timely repayment. • A separate 'Department of Fisheries' to be created for providing sustained and focussed attention to fisheries sector. | AvantiFeeds, ApexFrozen Foods |
| FMCG Consumer discretionary | <ul style="list-style-type: none"> • Indirect benefits with higher government spending in rural economy and general improvement in disposable income from reduction in tax. | Dabur, Emami, HUL, Jyothy lab, DMart, V-Guard, Bata |
| Auto | <ul style="list-style-type: none"> • Higher spending in rural market and reduction in taxation. • Target for agricultural credit in FY19 has been revised from Rs11 lakh cr to Rs11.68 lakh cr. | TVSMotors, MSIL Hero motocorp, Escorts, M&M |
| Infra | <p>Pradhan Mantri Gram Sadak Yojana – Rs19,000cr allocated in FY20 against Rs15,000cr in FY19.</p> <p>Gross budgetary support for NHAI, Roads & Bridges increase was capped at 6% (Rs82,581cr from 78,241cr).</p> | Neutral for the sector |
| Railways | <p>Capex for Railway at Rs1.59 lakh cr and budgetary allocation at Rs64,857cr in FY20.</p> | KEC International |
| Real Estate | <p>Exemptions from levy of tax on notional rent on unsold inventories to two years after the completion of project, for corporate.</p> <p>Steps taken to reduce tax burden from GST.</p> <ul style="list-style-type: none"> • Exempt levy of income tax on notional rent on a second self-occupied house, for individuals. | Sobha, Oberoi & Prestige |
| Defence | <ul style="list-style-type: none"> • Hiked budget allocation by 7% to Rs3 lakh cr | Bharat Electronics |

Direct Tax

Individuals

| | |
|---------------------------|---|
| Tax Rate/Slab | Individual taxpayers having annual taxable income up-to Rs5 lakhs will get full tax rebate. |
| Standard deduction | Standard Deduction has been raised from current Rs40,000 to Rs50,000. |
| Others | No TDS for interest earned on bank/post office deposits is being up-to Rs40,000 |

Annexure 1 - Illustration

| Particulars | Until AY 2019-20 | From AY2020-21 |
|--|------------------|----------------|
| Income from Salary | 7,00,000 | 7,00,000 |
| Standard deduction | 40,000 | 50,000 |
| Deduction under 80C | 1,50,000 | 1,50,000 |
| Taxable Income | 5,10,000 | 5,00,000 |
| Tax Payable | 14,500 | 12,500 |
| Rebate U/S 87A | - | 12,500 |
| Net Tax Payable | 14,500 | - |
| Education Cess (4% of net tax payable) | 580 | - |
| Total Tax Payable | 15,080 | - |

Agriculture

- Fixed the minimum support price (MSP) of all 22 crops at minimum 50% more than the cost with an aim to double the income of farmers.
- New scheme 'Pradhan Mantri Kisan Samman Nidhi' (PM-KISAN) launched with an outlay of Rs75,000cr for FY20 to extend direct income support at the rate of Rs6,000 per year for farmers having cultivable land up-to 2 hectares.
- Increased allocation for Rashtriya Gokul Mission to Rs750cr in current year.
- A separate 'Department of Fisheries' to be created for providing sustained and focussed attention to fisheries sector.
- Two percent interest subvention to farmers pursuing animal husbandry and fisheries.
- All farmers affected by severe natural calamities will be provided the benefit of interest subvention of 2% and additional 3% interest subvention upon timely repayment of loans.

Welfare and development schemes

- To build 1 lakh digital villages next five years.
- Under PM Ujjwala Yojana, Govt. to deliver 8cr free LPG connections to rural households.
- Rs.60,000cr are being allocated for MGNREGA. Additional amount would be provided if required.
- Rs.19,000cr allocated for Pradhan Mantri Gram Sadak Yojana (PMGSY).
- By March 2019, all willing families will get electricity connection under Saubhagya Yojana.
- Rs3000/month pension from age of 60 years for unorganised sector workers-Pradhan MantriShram-Yogi Maandhan.

Poor and underprivileged

- 10% reservation for poor in educational institutions and government services while maintaining existing reservation for SC/ST/OBCs.
- Rs76,801cr is proposed for welfare of SC and Rs50,086cr for ST for FY20.

Snapshot of Tax rates specific to Mutual Funds

The rates are applicable for the financial year 2019-20 and subject to enactment of the Finance Bill, 2019

INCOME-TAX IMPLICATIONS ON DIVIDEND RECEIVED BY UNIT HOLDERS

| | Individual/ HUF | Domestic Company | NRI |
|---|--|--|--|
| Dividend | | | |
| Equity oriented schemes | Nil | Nil | Nil |
| Debt oriented schemes | Nil | Nil | Nil |
| Rate of tax on distributed income (payable by the MF scheme)** | | | |
| Equity oriented schemes* | 10% + 12% Surcharge + 4% Cess = 11.648% | 10% + 12% Surcharge + 4% Cess = 11.648% | 10% + 12% Surcharge + 4% Cess = 11.648% |
| Money market or Liquid schemes / debt schemes (other than infrastructure debt fund) | 25% + 12% Surcharge + 4% Cess = 29.12% | 30% + 12% Surcharge + 4% Cess = 34.944% | 25% + 12% Surcharge + 4% Cess = 29.12% |
| Infrastructure Debt Fund | 25% + 12% Surcharge + 4% Cess = 29.12% | 30% + 12% Surcharge + 4% Cess = 34.944% | 5% + 12% Surcharge + 4% Cess = 5.824% |

* Securities transaction tax (STT) shall be payable on equity oriented mutual funds schemes at the time of redemption/switch to the other schemes/sale of units.
 ** For the purpose of determining the tax payable by the scheme, the amount of distributed income has to be increased to such amount as would, after reduction of taxes on such increased amount, be equal to the income distributed by the Mutual Fund. In other words, the amount payable to unit holder is to be grossed up for determining the tax payable and accordingly, the effective tax rate would be higher. The above-mentioned rate is without considering the grossing up.
 Surcharge mentioned in the above table is payable on base tax. Further, "Health and Education Cess" is to be levied at 4% on aggregate of base tax and surcharge.

CAPITAL GAINS TAXATION

| | Individual/ HUF | Domestic Company | NRI |
|--|------------------|--|---|
| Equity Oriented Schemes | | | |
| • Long Term Capital Gains (units held for more than 12 months) • Short Term Capital Gains (units held for 12 months or less) | | | |
| Long term capital gains | 10%* | 10%* | 10%* |
| Short term capital gains | 15% | 15% | 15% |
| Other Than Equity Oriented Schemes | | | |
| • Long Term Capital Gains (units held for more than 36 months) • Short Term Capital Gains (units held for 36 months or less) | | | |
| Long term capital gains | 20% [§] | 20% [§] | Listed - 20% [§] Unlisted - 10%** |
| Short term capital gains | 30% [^] | 30% ^{^^} / 25% ^{^^^} | 30% [^] |

| Tax Deducted at Source (Applicable to NRI Investors) | | |
|---|--------------------------|--|
| | Short term capital gains | Long term capital gains |
| Equity oriented schemes | 15% | 10%* |
| Other than equity oriented schemes | 30% [^] | 10%** (for unlisted) & 20% [§] (for listed) |

* Income-tax at the rate of 10% (without indexation benefit) on long-term capital gain exceeding Rs. 1 lakh provided transfer of such units is subject to STT.
 § Surcharge at 15% on base tax, is applicable where income of Individual/HUF unit holders exceeds Rs. 1 crore and at 10% where income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore. Further, "Health and Education Cess" to be levied at the rate of 4% on aggregate of base tax and surcharge.
 @ Surcharge at 7% on base tax is applicable where income of domestic corporate unit holders exceeds Rs 1 crore but does not exceed 10 crores and at 12% where income exceeds 10 crores. Further, "Health and Education Cess" to be levied at the rate of 4% on aggregate of base tax and surcharge.
 # Short term/ long term capital gain tax (along with applicable Surcharge and "Health and Education Cess") will be deducted at the time of redemption of units in case of NRI investors.
 & After providing indexation.
 ** Without indexation.
 ^ Assuming the investor falls into highest tax bracket.
 ^^ This rate applies to companies other than companies engaged in manufacturing business who are taxed at lower rates subject to fulfillment of certain conditions.
 ^^^ If total turnover or gross receipts during the financial year 2017-18 does not exceed Rs. 250 crores. Further, the domestic companies are subject to minimum alternate tax not specified in above tax rates.
 Transfer of units upon consolidation of mutual fund schemes of two or more schemes of equity oriented fund or two or more schemes of a fund other than equity oriented fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.
 Transfer of units upon consolidation of plans within mutual fund schemes in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.
 Relaxation to non-residents from deduction of tax at higher rate in the absence of PAN subject to them providing specified information and documents.
 Dividend Stripping: The loss due to sale of units in the schemes (where dividend is tax free) will not be available for set off to the extent of tax free dividend declared; if units are: (A) bought within three months prior to the record date fixed for dividend declaration; and (B) sold within nine months after the record date fixed for dividend declaration. Bonus Stripping: The loss due to sale of original units in the schemes, where bonus units are issued, will not be available for set off; if original units are: (A) bought within three months prior to the record date fixed for allotment of bonus units; and (B) sold within nine months after the record date fixed for allotment of bonus units. However, the amount of loss so ignored shall be deemed to be the cost of purchase or acquisition of such unsold bonus units.

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

1. Income Tax Rates

For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial juridical persons

| Total Income | Tax Rates |
|--|-----------|
| Upto Rs. 250,000 ^{(a)(b)} | NIL |
| Rs. 250,001 to Rs. 500,000 ^{(d)(e)} | 5% |
| Rs. 500,001 to Rs. 1,000,000 ^(d) | 20% |
| Rs. 1,000,001 and above ^(d) | 30% |

(a) In case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs. 300,000.

(b) In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 500,000.

(c) Surcharge at 15% on base tax, is applicable where income exceeds Rs. 1 crore and at 10% where income exceeds Rs 50 lakhs but does not exceed Rs. 1 crore. Marginal relief for such person is available.

(d) Health and Education cess @ 4% on aggregate of base tax and surcharge.

(e) Finance Bill, 2019 has proposed a rebate of lower of actual tax liability or Rs. 12,500 (against earlier rebate of Rs. 2,500) in case of individuals having total income not exceeding Rs. 500,000 (against earlier income of Rs. 350,000).

2. Securities Transaction Tax (STT)

STT is levied on the value of taxable securities transactions as under

| Transaction | Rates | Payable by |
|---|--------|-------------------|
| Purchase/ Sale of equity shares (delivery based) | 0.1% | Purchaser/ Seller |
| Purchase of units of equity oriented mutual fund | Nil | Purchaser |
| Sale of units of equity oriented mutual fund (delivery based) | 0.001% | Seller |
| Sale of equity shares, units of business trust, units of equity oriented mutual fund (non-delivery based) | 0.025% | Seller |
| Sale of an option in securities | 0.05% | Seller |
| Sale of an option in securities, where option is exercised | 0.125% | Purchaser |
| Sale of a futures in securities | 0.01% | Seller |
| Sale of units of an equity oriented fund to the Mutual Fund | 0.001% | Seller |
| Sale of unlisted equity shares and units of business trust under an initial offer | 0.2% | Seller |

3. Special rates for non-residents as per domestic provisions

(1) The following incomes in the case of non-resident are taxed at special rates on gross basis:

| Transaction | Rates ^(a) |
|--|----------------------|
| Dividend ^(b) | 20% |
| Interest received on loans given in foreign currency to Indian concern or Government of India (not being interest referred to in section 194LB or section 194LC) | 20% |
| Income received in respect of units purchased in foreign currency of specified Mutual Funds/UTI | 20% |
| Royalty or fees for technical services ^(c) | 10% |
| Interest income from a notified infrastructure debt fund, specified loan agreement, specified long-term bonds, rupee denominated bonds and business trust | 5% |
| Interest on FCCB, Dividend on GDRs ^(b) | 10% |

(a) These rates will be further increased by applicable surcharge and health and education cess.

(b) Other than dividends on which DDT has been paid.

(c) In case the non-resident has a Permanent Establishment (PE) in India and the royalty/ fees for technical services paid is effectively connected with such PE, the same is taxable at 40% (plus applicable surcharge and health and education cess) on net basis.

(2) Tax on non-resident sportsmen or sports association on specified income @ 20% plus applicable surcharge and health and education cess.

4. Capital Gains rates applicable to unit holders as per domestic provisions

| Transaction | Short-term capital gains ^(a) | Long-term capital gains ^{(a)(b)} |
|---|---|---|
| Sale transactions of equity shares/ unit of an equity oriented fund which attract STT | 15% | 10%* |
| Sale transaction other than mentioned above: | | |
| Individuals (resident and non-residents) | Progressive slab rates | 20% / 10% ^(c) |
| Firms | 30% | |
| Resident companies | 30% ^(d) /25% ^(e) | |
| Overseas financial organizations specified in section 115AB | 40% (corporate) 30% (non corporate) | 10% |
| FIs | 30% | 10% |
| Foreign companies other than ones mentioned above | 40% | 20% / 10% ^(c) |
| Local authority | 30% | 20% / 10% |
| Co-operative society rates | Progressive slab | |

* Income-tax at the rate of 10% (without indexation benefit) on long-term capital gains exceeding Rs. 1 lakh.

(a) These rates will further increase by applicable surcharge & health and education cess.

(b) Indexation benefit wherever applicable.

(c) Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10 per cent tax (without benefit of indexation and foreign currency fluctuation).

(d) This rate applies to companies other than companies engaged in manufacturing business who are to be taxed at lower rate subject to fulfillment of certain conditions.

(e) If total turnover or gross receipts of the financial year 2017-18 does not exceed Rs.250crores.

5. Dividend Income:

Additional tax of 10% (plus applicable surcharge and health and education cess) is applicable in case of all resident tax payers, excluding domestic companies and few other specified entities for dividend income of more than Rs. 10,00,000 received from a domestic company or companies.

Personal Tax Scenarios (Amount in Rupees)

| Individual | Total Income | | |
|---|--------------|-----------|-----------|
| | 1,00,000 | 5,50,000 | 11,00,000 |
| Tax in FY 2018-19 | 117,000 | 1,673,100 | 3,722,550 |
| Tax in FY 2019-20 | 117,000 | 1,673,100 | 3,722,550 |
| Additional Tax Burden/(Savings) | NA | NA | NA |
| Additional Tax Burden/(Savings) (%) | NA | NA | NA |
| Resident senior citizen (age of 60 years but below 80 years) | Total Income | | |
| | 1,00,000 | 5,50,000 | 11,00,000 |
| Tax in FY 2018-19 | 114,400 | 1,670,240 | 3,719,560 |
| Tax in FY 2019-20 | 114,400 | 1,670,240 | 3,719,560 |
| Additional Tax Burden/(Savings) | NA | NA | NA |
| Additional Tax Burden/(Savings) (%) | NA | NA | NA |
| Resident very senior citizen at the age of 80 years and above | Total Income | | |
| | 1,00,000 | 5,50,000 | 11,00,000 |
| Tax in FY 2018-19 | 104,000 | 1,658,800 | 3,707,600 |
| Tax in FY 2019-20 | 104,000 | 1,658,800 | 3,707,600 |
| Additional Tax Burden/(Savings) | NA | NA | NA |
| Additional Tax Burden/(Savings) (%) | NA | NA | NA |

Marginal relief as applicable would be available

Disclaimer : The information set out above is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund & to the unit holder is in accordance with the prevailing tax laws as certified by the mutual funds tax consultant. Any action taken by you on the basis of the information contained herein is your responsibility alone. Tata Mutual Fund will not be liable in any manner for the consequences of such action taken by you. The information contained herein is not intended as an offer or solicitation for the purchase and sales of any schemes of Tata Mutual Fund.



Gold had a wonderful start in 2019. Does it continue the momentum?

Spot gold set to end the initial month of 2019 by gaining about three percent. An overall breakdown in global equity market and escalating geopolitical tensions reinvigorated gold's safe haven appeal. For the last four months, gold in the international market had made a whopping gain of more than 12 percent.

Performance of domestic gold prices was also not different. In the most active MCX futures, prices gained about five percent since the start of January. Indian prices are currency trading at multi-year highs tracking its overseas prices coupled with weak domestic currency. Domestic prices gained more than thirteen percent from its recent low of Rs 29184 hit last August.

Gold prices started gaining in India since the first week of September last year. A weak rupee gave additional support to domestic prices. INR has weakened by more than nine percent last year on a strong dollar and weak momentum in emerging market currencies. Widening current account deficit and net capital outflows influenced the shortage of dollar liquidity influenced the currency. During October, the Indian rupee hit an all-time low of Rs 74.48 versus the dollar but closed the year at Rs 69.56. Considering its last ten year performance, Indian rupee has depreciated about 75 percent.

Anxieties over slowing global economic momentum and the impact of tariff clashes between world's two largest economies lifted the gold's safe have appeal. A weak dollar, worries over Brexit, and health of emerging markets attracted more investor sentiments.

Looking ahead, gold likely to continue gains in 2019. Moderate pace of global economic activity amid trade dispute between world's top two economics and a possible correction in the dollar is most likely to support the metal. As a safe-haven, gold's demand historically has been strongly responsive to periods of heightened risk.

The U.S Federal Reserve have signalled a more neutral stance on their policy during this year, therefore, the impact on policy changes are expected to be limited. Usually gold faces headwinds from higher interest rates and strong dollar. Gold's performance was largely affected by a strong dollar last year.

As a consumer good and long-term savings vehicle, gold demand historically has been positively correlated to economic growth. Structural global economic reforms in emerging markets, especially from the key consumers like China and India,

is most likely to prop up demand from these countries. China is the world's top gold consumer followed by India. Both country's internal demand was limited last year due to high domestic prices.

An increased central bank buying to diversify their foreign reserves and counterbalance fiat currency risk may also lift the demand for yellow metal. A volatile global equity and mounting geopolitical tensions would add more support to prices.

Looking ahead, if the key demand pillars of gold continue to work together and supply remains steady, gold prices most likely to continue its positive momentum. If economic sentiments continue to weaken and global geopolitical conditions remains the same, gold would be the front runner this year. On the price front, a tight trade inside \$1,370-1,160 a troy oz would be seen initially. Breaking either side would suggest fresh directions to the commodity. The immediate upside hurdle of \$1370 if broken, gold can move up to \$1500 or even higher later. In the meantime, in the domestic market, uncertainties over upcoming Lok Sabha elections and its aftereffects on equities and currency market likely to set the direction of domestic gold prices.

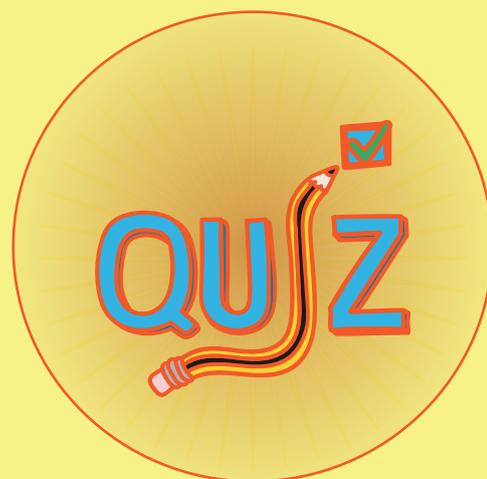
Q: Who presented the first Union Budget of Independent India and when?

Share the answer at reply@barjeel.ae

Answer to the last quiz:

Q How easily you can buy/sell a share without affecting the share price is called...? is

c) Liquidity



Thank you for the quick responses. The early right answer of the quiz was given by:

Mr. Rama Krishna

Mr. Baiju Rajan

Congratulations!

The answer to the question along with the **Winners Name** will be published in the next issue of Market Digest. All the best!

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