

Barjeel MARKET DIGEST

KNOWLEDGE. POWER. WEALTH ENHANCER

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SENSEX: 33,176.00 | NIFTY: 10,195.15 | DOW JONES: 24946.51 | NASDAQ: 7481.99 | USD/INR: 65.08 | GOLD: \$1313.20 | OIL: \$62.30
(April 2018 future contract) (May 2018 future contract)

Stock Picks

Company Name	CPM (Rs)	Target (Rs)
Supreme Industries Ltd	1187	1335
Minda Industries Ltd	1085	1237
Amara Raja Batteries Ltd.	805	892

Source: Geojit Financial Services Ltd.

INR Fund Picks

Performance as on 14/03/18		Returns (CAGR)	
Company Name		3Yr	5Yr
Sundaram Rural India Fund Thematic		17.83	21.19
Kotak Emerging Equity Sh Midcap		15.05	25.88
DSPBR Opp Fund-Reg Flexicap		13.37	19.79
ICICI Pru Balanced Fund Balance		11.06	18.02
ICICI Pru Focused Bluechip Equity Largecap		9.59	16.61

Are You a part of the Opportunity?



UAE Round Up

- The price of food items and most goods will fall by up to 50 per cent this month to coincide with the International Day of Happiness, the Ministry of Economy said. Prices of 7,500 commodities will drop between 10 and 50 per cent on all food and household items.
- Expatriates in the UAE continue to send more of their earnings back to their home countries as the US dollar holds strong against several currencies, with remittances in the last quarter alone reaching Dh43.2 billion.

MARKET UPDATE

Global:

- # Equities reversed course this week, undoing about a third of last week's rally, as investors continued to search for equilibrium following the abrupt sell off in early February. Since that drop, the S&P 500 has had three up weeks and two down weeks, reclaiming around 60% of its nearly 300-point plunge. The S&P 500 lost 1.2% this week, while the Nasdaq Composite and the Dow Jones Industrial Average declined 1.0% and 1.5%, respectively.
- # Trade war talk continued this week following reports that President Trump is seeking to hit China with steep tariffs and investment restrictions as early as next week. Those tariffs, which are expected to total as much as \$60 billion, would initially be targeted towards information technology, telecommunications, and consumer electronic products as punishment for alleged intellectual property theft, but could eventually expand to a broader range of products.
- # The proposed tariffs were cited as the primary driver of this week's sell off, as many believe they could lead to a tit-for-tat trade war between the world's two largest economies. Peter Navarro, Director of the White House National Trade Council, attempted to ease the tariff-induced fears in a CNBC interview on Thursday, assuring viewers that the U.S. can implement tariffs "in a way that is peaceful and will improve and strengthen the trading system."
- # In other political developments, the White House made some notable personnel changes this week--CIA Director Mike Pompeo replaced Rex Tillerson as Secretary of State, and longtime CNBC personality Larry Kudlow replaced Gary Cohn, who resigned last week, as the president's top economic advisor--and the New York Times reported on Thursday that Special Counsel Robert Mueller has subpoenaed the Trump Organization for documents, some of which relate to Russia.
- # Nine of eleven S&P sectors finished the week in negative territory, with materials (-3.2%) being the weakest performer. Materials giant Monsanto (MON) dropped 4.8% on Thursday following news that its pending merger with Bayer will likely face additional hurdles from antitrust officials.
- # Financials suffered amid a flattening of the yield curve, which doesn't bode well for lenders, as they rely on the difference between what they spend on deposits and what they charge for loans. The yield on the 2-yr note climbed three basis points to 2.29%, while the benchmark 10-yr yield dropped six basis points to 2.84%, cutting the 10-2 spread to 55 bps--its lowest level since late January.
- # Investors received several influential economic reports this week, including the February readings for the Consumer Price Index, the Producer Price Index, Retail Sales, Housing Starts, and Building Permits. In short, the data didn't really give investors a reason to adjust their rate-hike expectations; it's all but certain that the Fed will hike rates at its meeting next week, and the Fed funds futures market is still pointing towards a total of three rate hikes this year--although the chances for a fourth hike are sitting at 34.3%.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	25335.74	24946.51	-389.23	-1.5	0.9
Nasdaq	7560.81	7481.99	-78.82	-1.0	8.4
S&P 500	2786.57	2752.01	-34.56	-1.2	2.9

India:

- # For the week, Nifty and Sensex edged higher by 0.5% each.
- # The Indian equity markets snapped a two week losing streak after macro numbers brought some joy to the street. Robust Industrial Production growth in January coupled with slowing down of retail inflation were among the major factors that propped up sentiments.
- # However, profit booking coupled with reports that the country's monsoon could be below normal due to El Nino impact, caused some panic offloading in the market towards the end of the week, erasing gains. Political instability after TDP broke ties with the ruling NDA added to the woes.
- # February's wholesale inflation lowered marginally to 2.48% vs. 2.84% in the previous month. India's IIP expanded to 7.5% in January, compared to 7.1% growth rate in December. Retail inflation in February slowed down to 4.44% compared to 5.07% in January.



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New Tax Impact on Mutual Fund

Finance Bill 2018 has introduced two major changes in Equities & Equity Oriented Mutual Fund Schemes:

1. Long Term Gains on Equities & Equity Oriented Mutual fund will be taxed @ 10% without indexation. However, long term gains upto Rs. 1,00,000/- in a Financial Year would be exempted from taxation. Long term gains above Rs. 1,00,000/- in a Financial Year is liable for 10% taxation.
2. Dividends on Equity Oriented Mutual Funds to be taxed @ 10%. The exemption of Rs 1,00,000 won't applicable on dividend distribution tax as it is deducted at the scheme level.

These Taxes are exclusive of Surcharge and Cess.

An investment in equity oriented Mutual Fund scheme held for more than 1 year is classified as a long term investment. Any gain arising out of such investment will be taxed @ 10%. All gains until January 31, 2018 have been "grandfathered". Therefore, assumed new cost of holding will be its closing valuation as on January 31, 2018. However, the start date of investment remains the original purchase date. Following illustration provides various scenarios for clear understanding about implication of grandfathering investment & its impact on tax:

Scenario 1:

Assume, an equity oriented mutual fund scheme is purchased on January 1, 2017 at Rs. 100/-. Its market value on January 31 2018 is Rs. 200/- and it is sold on April 1 2018 at Rs. 250/-. As the actual cost is less than market value as on January 31 2018, latter (Rs. 200/-) will be taken as cost of acquisition and long term capital gain will be Rs. 50/- (selling price minus cost of acquisition)

Scenario 2:

If an equity oriented mutual fund scheme is acquired on January 1, 2017 at Rs. 100/- and its fair market value is Rs. 200/- on January 31 2018 but it is sold for Rs. 150/- on April 1 2018. In this case, the fair market value as on January 31 2018 is not only higher than actual cost of acquisition but also higher than the sale value. Therefore, the sale value would be taken as the cost of acquisition and the long term capital gain would be NIL.

Scenario 3:

An equity oriented mutual fund scheme is acquired on January 1 2017 at Rs. 100/- but its fair market value as on January 31 2018 is Rs. 50/- and it is sold on April 1 2018 at Rs. 150/-. Here since actual cost of acquisition is higher than the fair market value as on January 31 2018, the actual cost of acquisition will be used for calculating long term capital gains. Hence, the taxable amount in this scenario is Rs. 50/- (selling price minus actual cost of acquisition).

More info: www.incometaxindia.gov.in/News/FAQ-on-LTCG.pdf

It's QUIZ Time

Q.A gilt fund is a special type of fund that invests ?

- a.in very high quality equity only
- b.in instruments issued by companies with a sound track record
- c.in short-term securities
- d.in government securities only

Answer to the last quiz, FPI (Foreign Portfolio Investor) is regulated in India by?: is option c) SEBI

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

Mr. Sydney Dias &

Mr. Ajit Jain

Share the answer at reply@barjeel.ae

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

REAL ESTATE ROUND UP



Shares & Securities (continued)

A new Sec. 50CA has been inserted to provide that where consideration for transfer of share of a company (other than quoted share) is less than the FMV of such share determined in accordance with the prescribed manner, FMV shall be deemed to be the full value of consideration for the purposes of computing capital gains.

The requirement to have the deal in a recognised stock exchange in India applied only to sales and not purchases. Therefore, when bonus shares are sold in the market, after a holding period of 1 year, the tax concessions apply. These used to attract heavy tax since their cost of acquisition was required to be taken as nil. Same is the case for IPOs and right issues but to a lesser extent. Those who have lost the record of cost and date of acquisition need not now worry.

10%-or-20%

Option In the case of listed shares and securities which are not sold on any recognised stock exchange in India, such as a 'buy-back' of its own shares by the company or direct transaction between two persons, as well as Zero Coupon Bonds (alternatively termed as Deep Discount Bonds) which do not suffer any STT, LT gains is charged to tax @10% without indexation (= sale - cost = profit) or 20% with indexation (= sale - indexed cost), whichever is lower. ST gains are to be added to the normal income of the assessee and charged to tax at the rate applicable to his slab of income.

Debt-based schemes of MFs were in the same league. FA14 has taken away the option of 10% without indexation from the debt-based units of MFs. Now, such units have joined the league of all other assets, such as houses, jewellery, etc., where LTCG is taken as a separate block, charged to tax @20% with indexation and STCG is taxed like any other income at the rates applicable to the assessee.

FA16, consequent upon the judgement of various courts related with the definition of 'securities' under SCRA, has clarified that the LTCG arising from transfer of shares of a private limited company shall be charged to tax @10%. Moreover, the period for getting benefit of LTCG in case of shares of unlisted companies has been reduced from 3 to 2 years.

Kindly post your queries if any here at reply@barjeel.ae

Know the Obligations of Property Developer in Dubai

Subject to the provisions of Federal Law No. (5) of 1985 Issuing the Civil Code related to construction contracts, the developer will remain liable, for ten (10) years from the date of the completion certificate for the project developed by him, to repair or remedy any defects in the structural components of the Jointly Owned Real Property of which he is notified by the Owners Association or any Unit Owner.



The Developer will remain liable, for one (1) year from the date of the completion certificate for the project or part of the project developed by him, to repair or replace defective installations in the Jointly Owned Real Property. For the purpose of this Article, such installations include the mechanical and electrical works, sanitary and plumbing installations and similar installations.



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Disclaimer:

(I) Investments in Financial instruments are subject to market risks, please read the relevant risk disclosure documents before investing.

(II) Past performance does not guarantee returns in the future.

(III) Barjeel Geojit Securities LLC (Barjeel Geojit) does not offer any products with guaranteed returns.

(IV) You are aware and agree that your personal information provided by you through this document and or any other means such as website, social media, campaigns, etc. will be used by Barjeel Geojit for regulatory and business purposes.

(V) You permit Barjeel Geojit to update you the new offerings, changes and developments in the product offerings and regulatory environment

(VI) Barjeel Geojit does not sell personal data to third parties and all reasonable steps are taken to ensure strict confidentiality.

(VII) Barjeel Geojit facilitates you to trade in the Indian Stock Market with Geojit Financial Services Limited. All your trade dealings, rights / obligations as an investor, rights / obligations to remedies in NSE and BSE executed through Geojit Financial Services Limited will be governed by the prevailing relevant rules and regulation in India and dealt with by Geojit Financial Services Limited.

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