



SMART INVESTING  
**PSU Banks Surge On Govt's Move to Top Up Their Capital**

## HIGHER EPF INTEREST of 8.65% gives savers an opportunity to increase exposure to debt in their portfolios Should You Hike VPF Contribution?

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Mumbai: The Employees' Provident Fund Organisation (EPFO) board has recommended an increase in interest rate of the Employees' Provident Fund (EPF) from 8.55% to 8.65%.  
Though this needs to be approved by the Finance Ministry before it becomes binding, savers are hopeful that the proposal will go through especially because we are heading towards a general election and the chances of the ministry rejecting it are remote.  
As expected, employee unions are rejoicing over the proposal. "We are very happy about this rate increase because it will directly benefit all EPFO members," says Virjesh Upadhyay, general secre-

tary, BMS, and also an EPFO board member. The total subscriber base of EPFO is estimated to be around 6 crore.

In addition to their normal contribution, employees can benefit from this higher interest rate by voluntarily contributing more - i.e. through Voluntary Provident Fund (VPF). Since VPF generate same interest as EPF, it has become even more compelling now.

More importantly, the rates offered on EPF are about 1% higher than other options (see table). "Since this risk-free and tax-free investment option is generating better returns, VPF is a great retirement planning tool and therefore, it should be there in the debt portfolio of all salaried employees," says Mrin Agarwal, founder director, Finsafe India. VPF is also available for deduc-

### Returns Comparison

Comparable debt options with 80C benefit

Option	Taxability of interest	Int. Rate (In %)
Public Provident Fund	Tax free	8.00
EPF / VPF	Tax free	8.65
Bank FDs (average rate)	Taxable	7.50
5 Yr NSC - VIII Issue	Taxable	8.00

The interest rate is for FY19



Source: ETIG Database

tion under section 80C and therefore, can be a good tax planning tool. While there is a limit of ₹1.5 lakh per annum for investment in Public Provident Fund (PPF), there is no such restriction in VPF. Flexibility and convenience are

other advantages of VPF. "Since VPF happens through salary deductions, investors find it convenient. Most companies allow employees to start, stop, increase or decrease their VPF contributions twice a year," says Agarwal.

However, one should not ignore the fact that VPF comes with withdrawal restrictions and full withdrawal possible only at the time of retirement. Savers also should not ignore their goals and asset allocations while increasing their VPF contributions.

Young people are supposed to have higher equity component and low debt component, so VPF may not be a great option for them (ie their debt portion may get full through EPF itself).

"VPF is a very good option for people with higher age and who want to increase their debt portion by reducing equity portion. They can do this by increasing their VPF contribution and reducing fresh equity investment by same amount", says Melvin Joseph, founder, Finvin Financial Planners.

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### Market Trends

STOCK INDICES	VALUE	% CHANGE
Nifty 50	10789.85	0.51
Sensex	35898.35	0.40
MSCI India	809.99	0.44
MSCI EM	2359.91	0.34
MSCI BRIC	613.59	0.36
MSCI World	8616.04	0.02
SX 40	21143.36	0.44
Nikkei	21464.23	0.15
Hang Seng	28629.92	0.41
Strait Times	3277.91	0.01

OIL (\$)	BOND
DUBAI CRUDE	10-YR YIELD
66.67	7.35
0.93	0.01

GOLD RATE	US	India
OPEN	1341.70	1474.70
LAST	1337.10	1470.77

\*At 10.30pm. After adjusting for import duty, Indian spot gold lower by \$0.04 to US Comex gold price on Thursday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (₹/\$ Exchange Rate)	OPEN	LAST
	71.05	71.24

Market on Twitter @ETMarkets

**SOLITAIRE PRICE INDEX**  
22<sup>nd</sup> February, 2019  
**4,217**  
0.34% ↑ 15.82% ↑  
Over last Month Over last Year  
Nationally Standard & Transparent Pricing since 2006. Published on every Friday.  
DIVINE SOLITAIRES  
\*This is an average of Divine Solitaires Price List. This data has not been created by The Economic Times.  
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### Aggregate Results So Far

Based on 4040 Cos' Earnings	Dec-18 (₹Cr)	QoQ %Chg	YoY %Chg
Net Sales	2351562	3.57	17.73
Op Profit	366489	0.09	-1.03
Interest	288019	3.75	16
Net Profit	95368	-15.71	-23.55

SOURCE: ETIG DATABASE

## AC Makers Feel the Heat as Winter Casts a Longer Spell

The manufacturers of air cooling products such as fans, air coolers and air conditioners are likely to face a second consecutive year of lower sales volume given the possibility of an extended winter. According to the Met Department, winter is expected to linger a little longer than usual due to western disturbance - a low pressure in the Atlantic Ocean and Europe that results in a cold wave.

▶ SMART INVESTING

## TECHNICAL INDICATOR reveals whenever 400 stocks of BSE 500 fall below 200-DMAs, the market has bounced back after remaining sluggish for over 40 days more Extent of Fall in Stock Prices Shows a Rebound Could be in the Offing

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Mumbai: The stock market sell-off may be overdone if the extent of shares that have fallen below a key technical indicator is anything to go by.

In the past, the market has rebounded whenever 400 stocks or 80% of the BSE-500 index fell below the 200-day moving average (DMA) - a trend indicator. After the drop in the markets - especially in mid- and small-cap shares - in the past five months, 101 of BSE 500 stocks are currently trading above their 200 DMA. When an index or a stock closes below the 200-DMA, it is said to be in a long-term downtrend. But the indicator is also considered to be a reversal sign when too many stocks in an index fall below 200 DMA.

The findings are based on Edelweiss SAT-DMA Index, which shows the stocks trading above their 200 DMAs.

"The analysis revolves around the hypothesis that the market tends to bottom out when less than 20% of BSE500 stocks are above the 200 DMA," said Yogesh Radke, head of alternative &

### What History Suggests



quantitative research, Edelweiss Securities.

But the rebound may not happen in a hurry. In the past 15 years, the market has remained sluggish for 46 days from the day when the SAT-DMA Index hits the 20% mark.

"Going by history, the extrapolation indicates the likelihood of the market languishing for the next 40 days before resuming its upward trajectory," Radke said. The trend of SAT-DMA Index hitting the 20% mark and a sub-

sequent bounce-back was seen on six occasions in the past 15 years - June 2006, March-April 2008, February-March 2011, November-January 2012, August-September 2013 and February-March 2016.

The sell-off in the stock market has been on account of liquidity concerns in NBFCs, outflows by foreign portfolio investors, uncertainty ahead of elections and steep share valuations. Since September 1, the Sensex has declined 6%, the mid-cap index has

dropped 16% and the small-cap has tumbled 22%. The fall in Sensex and Nifty has been moderated by strength in a few blue-chips.

Stocks in the BSE 500 index that are currently trading above 200 DMA include large-caps such as Wipro, Axis Bank, Reliance Industries, Infosys and Bajaj Finance, and mid-cap stocks, such as Bata India, Power Finance Corp, Aditya Birla Fashion, UPL and Divi's Lab.

In the past, the BSE500 Index has dropped by 5% on an average from the day the SAT-DMA Index hit the 20% mark. As the SAT-DMA Index moved above 20%, average returns are 7-8% in the next 2-3 months and 25% in the next year.

"The sharp correction especially in mid- and small-cap stocks is overdue and I believe Indian market will bounce back soon as the valuations of many quality stocks are attractive," said Raameed Agrawal, joint MD, Motilal Oswal Financial Services. "The current valuations of several quality stocks have improved the risk reward ratio in favour and offering a buying opportunity in the beaten down mid-cap and small-cap stocks."

### SINCE OCT, THE INDEX HAS GAINED 12% IN DOLLAR TERMS

## Nifty's Outperformance Narrows as Other Global Markets Catch Up

Indian equities appear to be losing their edge over global peers for the first time since October, with Mumbai's rivals catching up on generating dollar returns. To be sure, the Nifty remains among the best performing indices of the 21 most tracked globally. Since the beginning of October, it has posted 12% gains in dollar terms. But in the year to date, the Nifty is down 2.6%. In rupee terms, the index is flat since January.

Other emerging markets such as Russia, China, and Brazil are up in the range of 13% to 18% in dollar terms. Developed markets, including the US, the UK, Germany, France and Japan, are up 6% to 11%.

In the New Year, HDFC Bank and HDFC have weighed on dollar returns, as these two heavyweights are down 8% and 4%, respectively. Between them, these blue-chip financiers make up 18.3% of the Nifty. Also, 10 out of 15 FI-heavy Indian stocks are in the red since January. Other heavyweights that have dragged Nifty down include L&T, Maruti

Suzuki, and IndusInd Bank.

Among the gainers in the period are Reliance Industries, Axis Bank, and Infosys: They advanced 8.4%, 8.3% and 7.6%, respectively, in dollar terms since the beginning of the year.

- Jwalit Vyas & Shailesh Kadam

Company	Oct 9, 2018 - Feb 21, 2019 (% Return)		Jan 1, 2019 - Feb 21, 2019 (% Return)		Country	Oct 9 - Y2D	Y2D % chg	1 Yr % chg
	INR	USD	INR	USD				
HDFC	11.9	16.9	-5.8	-8.2	India (Nifty)	12.43	-2.72	-5.71
HDFC Bank	9.0	13.9	-1.5	-3.9	Indonesia (KLIC)	0.90	4.69	-9.53
Reliance Inds	14.3	19.4	11.2	8.4	South Africa (Jalsh)	-1.21	9.33	-20.73
TCS	-8.5	-4.5	0.5	-2.0	Singapore	-1.67	7.60	-9.08
Infosys	2.2	6.8	10.3	7.6	Brazil (IBOV)	-2.30	14.29	-2.59
Kotak Bank	16.3	21.5	3.0	0.5	Thailand (SET)	-6.09	9.20	-7.91
ICICI Bank	14.6	19.7	-3.6	-6.0	Korea (Kospi)	-6.74	7.80	-12.05
Axis Bank	26.1	31.7	11.1	8.3	Australia (AS51)	-7.26	9.69	-6.33
ITC	2.4	7.0	-2.8	-5.2	China (Shcomp)	-7.76	12.97	-20.59
Maruti Suzuki	1.6	6.1	-9.1	-11.4	UK (FTSE)	-9.78	9.31	-7.73
HUL	15.8	20.9	-2.7	-5.2	France (CAC)	-11.24	8.73	-9.52
IndusInd Bank	-8.3	-4.2	-7.6	-9.9	US (DOW)	-11.74	11.26	4.66
HCL Tech	-1.2	3.2	9.5	6.8	Russia (RTSI)	-11.96	17.89	-21.02
L&T	5.0	9.7	-11.0	-13.3	Germany (DAX)	-12.03	7.26	-15.30
Bajaj Fin	28.7	34.4	-0.1	-2.6	Japan (Nikkei)	-12.18	6.21	-5.72

SOURCE: ETIG DATABASE

### COMPANY OWNS 42.88% STAKE IN THE JOINT ENTITY

## Reliance Cap Invites Nippon Life to Buy it Out of MF JV

Our Bureau

Mumbai: Reliance Capital has invited its asset-management partner Nippon Life Insurance Co. to make an offer to acquire its 42.88% stake in a listed mutual fund business the Anil Ambani company jointly owns with Japan's biggest money manager.

Reliance Nippon Life Asset Management (RNAM), the listed asset manager from which Reliance Capital is seeking to exit, ranks fifth by way of assets under management (AUM) in the Indian mutual fund in-

dustry. The asset management company manages assets worth ₹2.43 lakh crore as in January 2019.

Last fiscal, RNAM made a net profit of ₹522 crore.

At present, both Reliance Capital and Reliance Nippon Life Asset Management Company are equal partners in the asset manager, holding 42.88% each. About 14% equity is held by the Indian public. RNAM shares surged 20% to ₹187 on Thursday. At this price, the company has a market capitalization of ₹1,450 crore.

The Indian mutual fund industry is concentrated in favour of the biggest names, with the 10 largest asset managers accounting for four-fifths of the industry's total AUM since March 2016.

With more than \$700 billion in assets, Nippon Life, a Fortune 100 company, is Japan's largest asset manager.

Nippon Life is expanding its global asset management footprint and recently acquired stakes in DWS and TCW as part of that strategy.

Continued on ▶ SMART INVESTING

### A Monk Who Trades

Why are you bringing through the trash can what have you lost?  
MY TICKET! The lottery agent just told me I stand to win ₹10 lakh. I just need to show him my ticket.

What?? My laundry guy has just claimed my prize money!

You must have left it in your pocket, and he must have found it.

That money belongs to me. I will sue him!

You cannot prove that the ticket was yours. Do not blame him for taking advantage of your carelessness.

Money launderer?

He must have lost his wallet!

Ensure to get receipt/ acknowledgement of funds/ collateral deposited with the member.

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