

Weekly Market Chatter @ Sensex 17,460.9

- Sunday Business Line

Index Outlook: Sensex retains a toe-hold

The Sensex tripped down a gentle slope last week. But the most notable feature of the week's trade was the gritty performance of the Indian benchmark against the back-drop of crumbling global stock prices. The Dow and the FTSE fell 4 cent and the Shanghai Composite collapsed 6 per cent, while Sensex walked away with a minor cut of less than 1 per cent.

Concern over economic slow-down in China and the US coupled with the lurking European credit issue made investors cash out some of the gains made since last March. What with watching the progress of monsoon, the RBI's next move and the second quarter earnings that will start trickling in from next week; an eventful period lies ahead for Indian investors.

Volumes were high in the first half of last week but it petered out in the second. FII's were selling more than they what they bought for most part. Open interest has climbed above Rs 1,20,000 crore already implying that there is no let-up in speculative activity on our bourses. Put options however continue to outnumber call options implying a bearish bias in trading sentiment.

Short-term oscillators are signalling a bearish bias. The 10-day rate of change oscillator has dipped in to negative zone though it is holding just below the zero line and the relative strength index has moved from bullish to neutral zone. That weekly oscillators are not giving a decisive signal implies that a move is possible in either direction over the medium term.

The whipsaw movement of last week has not made the medium-term direction of the Sensex apparent yet. As discussed in our last column, the medium-term uptrend from the May low of 15,960 is still very

strong. Movement last week suggests that buyers are emerging at every dip, in expectation of a rebound.

We stay with the view that a decline to 17,330 or 17,170 is possible in the days ahead. But reversal from these levels would imply that bulls are not vanquished yet. A sideways move between 17,000 and 18,000 can then ensue for a few weeks to be followed by another attempt at moving above 18,000.

This rosy scenario would however be dashed on a close below 17,170.

That would precede a decline to 16,700 or even below 16,000 over the medium-term. It needs to be remembered that our medium-term range remains between 15,500 and 18,000. Investors have to learn to live with volatility for the rest of this year, at least.

A silver lining is however present in the form of a resilient show by some of the other Asian benchmarks. Stocks in markets such as Indonesia, Malaysia, Philippines, Korea, Taiwan, Thailand and India are relatively unscathed in this round of correction and are still close to their 2010 peaks. It is possible that when the correction ends, investors could flock to these markets driving stock prices higher to new 2010 peaks.

The Sensex is currently poised close to key short-term support band between 17,350 and 17,400. Presence of 20-day simple moving average at this level also adds to its significance. A negative reaction to the rate hike can however drag the index down to the next downward target at 17,170. Convergence of many counts at this point makes it likely that a rebound is possible from this level. If not, subsequent supports would be at 17,079 and 16,950. Resistances for the week ahead would be at 17,581 and 17,711.

Change your old banking habits

Business Standard - Arnav Pandya New Delhi June 6, 2010

You can no longer cancel a wrong entry in a cheque, make a correction and sign next to it

A small change that will be visible in the coming days will impact the way Indians handle bank cheques. The Reserve Bank of India (RBI) has changed the rules for permissible alterations on cheques. Several banks have already begun informing their customers about bringing this change into effect soon.

Cheques are instruments used for making and receiving payments and used by individuals and corporate entities. Their use is widespread and constitutes an important part of bank dealings for people.

If there is a mistake made while writing the details on the cheque, an individual currently makes the necessary change on it. To confirm the change has been made by the right person and is not a fraud, the account holder/s then sign where the change has been made. This has been accepted over the years.

CHANGE

But, this will change. To standardise and enhance security features in a cheque form, the RBI came out with a benchmark prescription called 'CTS-2010 Standard' this February. Among the various points mentioned, RBI has clearly mentioned prohibiting changes and alterations on cheques.

The important thing is that any alteration on cheques, except for validation of dates (that, too, if required) cannot be made. This would mean the old process of signing after making the change would no longer work; a new cheque would have to be made. This is expected to help banks in controlling fraud, as no change would be permitted in areas like the name of the payee, amount of cheque in words and figures and so on.

For example, if you are writing a cheque in the name of Amit but you write Amti, then you need a new cheque. The name on the cheque cannot be crossed out and the right one written. Similarly, Rs 5,000 written as Rs 50,000 would require a new cheque, with the figures tallying. This is a big change set in motion and banks have been given time for its implementation. They are in the process of intimating their customers about it.

IMPACT

The first impact of the change is that individuals will have to change the manner in which they operate and deal with cheques. Even a small mistake will make the cheque unusable. All details have to be mentioned correctly.

The other angle that will arise is cost. Making a mistake is fine, but where the bank is charging for the cheques, this will entail an additional cost. True, the cost will not be high but if there are lots of mistakes, the total cost would rise. If a bank is charging Rs 100-200 for a 50-cheque booklet, several cheques wasted means expense incurred.

There is a second cost angle. If there is a mistake and the cheque is put into the system with the change and then this is rejected by a bank, another problem will arise. There are heavy penalties for a returned cheque and this could run into anything from Rs 250-750. Even if you are not the person who issued the cheque, a return can lead to a penalty for you, too. A silly mistake can lead to a financial impact, as well as the loss of face or credibility that would arise when such a cheque goes back unpaid.

The manner of operation for the individual will also change, in the sense that they will always have to be ready in case something goes wrong. Say, for example, you go to pay a bill for Rs 540 and then you realise it is for Rs 560. Today, if you are the account holder, you make the change on the cheque with you and sign; the process is smooth and easy to achieve. However, in the future, even if you are the account holder, this will not work and what you will be required to do is to carry additional cheques.

What you need to know about a will

Mint - Harshada Karnik on Jun 09, 2010

All's well that ends well. And for that to happen, all you need is sound planning. But more often than not, the wealth accumulated over a lifetime gets locked in litigation after death. In fact, we as a nation have witnessed many high-profile family feuds due to lack of a will, yet it is difficult to convince people to plan for after their time.

Says Jaydeep Kashikar, director, Brain Point Investment Centre Pvt. Ltd., a financial planning firm, "We all like to take life for granted, postpone the thought of death and keep succession planning for a later date. I give the example of Dhirubhai Ambani to my clients and tell them that it is best to create a will to avoid unnecessary feuds in the family.

Why a will

Succession planning assumes importance when the value of the assets at stake is high. "When the amount is small, it is usually not a problem but as the value of the assets increases, the chances of dispute and litigation also increases," says Adrish Ghosh, head (wealth advisory), Barclay's Wealth India, a wealth advisory firm.

Says Suresh Sadagopan, certified financial planner, Ladder7 Financial Advisories, "Earlier, the perception was that only high networth individuals go for wills. But, now more and more middle- and upper middle-class individuals, too, are opting for it to avoid family strife later. Also, apart from assets with a financial worth, those with an emotional value attached to them also figure in wills."

Moreover, you may want your money to be used by certain individuals when you are not around. Says Kashikar: "Every individual has certain desires on how his wealth and assets should be distributed to his loved ones after his death. You can do so through a will."

How to make a will

Creating a will is simple. Says Anju Gandhi, partner, SN Gupta and Co., a law firm, "It can be as simple as noting down on a paper who you want your assets to be passed on to. It could simply be a record of how and in what proportion you want your assets to be distributed to the beneficiaries after you."

But there are certain things you need to bear in mind when creating a will. For instance, the will has to be hand-written and both you and the two witnesses should sign each page. It is a good practice to mention the number of pages. In case you are revising a will, it is advisable to mention the details in the previous will and declare them null and void to leave no room for ambiguity. Don't forget to destroy the old wills, if any. Also, ensure that the executor is neutral and has no personal interest in the matter.

Another piece of advice from Gandhi, "Always have a miscellaneous clause in your will. This means that mention who will get any asset you may have forgotten to list in the will or acquired after the will was created. This will not leave any room for arguments with regards to residuary assets."

Validity of a will

A popular notion is that a will should be registered to lend it authenticity, but an unregistered will is also perfectly valid.

"People feel more secure if the will is registered as they believe it feels more credible and the authenticity cannot be questioned that way," says Ghosh.

In fact, in case of multiple wills, the latest will is considered valid, if created correctly, even if it is unregistered. Earlier wills that are registered are not valid in this case.

A will can be registered with the sub-registrar of the concerned area. Usually, people register the will through a lawyer or a trust and nominates them as the the custodian and executor of the will.

How to execute a will

A will can be executed only after going through a probate. In case of a simple will, to which nobody has raised any objections, a probate is not compulsory in all states in India. However, if a probate is compulsory, the will is first published in a leading local daily. Any objection to the will has to be conveyed by the dissenting party to the court within the stipulated time. If there is no objection, then the court certifies the will, determines the beneficiaries and directs the distribution of assets. The process takes a minimum of six months.

When you need a trust

Succession planning can also be done through a trust. A trust may be created when the beneficiary is incapable of taking care of himself/herself, would need a regular stream of income for his/her sustenance or if the ownership and control of a family business has to be handed over to the next generation. "If a family business is divided between two or more siblings, the management and day-to-day decision-making can get complicated," says Ghosh.

Gandhi recommends her clients to create a trust in case they have minor children or disabled dependants. The trust ensures that the trustee(s) you can rely on manages the assets and your dependants are taken care of. Gandhi adds, "So, in case of a minor, you can unlock a specific proportion of assets every year for the child's education, and a certain proportion for the child's higher education and marriage."

Since a trust deed can be worded the way you want it, you have the freedom to regulate who gets what, when and in what proportion. You can also specify when the trust is to be dissolved. Unlike in a will, here the beneficiary is not required to deal with any nitty-gritty and the trustee takes care of all that.

Says Ghosh, "Since there is no probate, you are assured that the assets can't be locked or sealed due to any pending litigation in the court which could take around a year."

Shortcomings: If you set aside your assets and create an irrevocable trust during your lifetime, the assets get locked and even in case of an emergency, you will not be able to use your own money. But there's a way out. You can create a revocable trust by wording in accordingly.

A trust created for such purposes is a private trust and needs to have at least two trustees—the laws for its registration differ from state to state.

Teach your child what really counts

If you want your children to inherit true wealth, make them financially literate

By Amar Pandit in WealthDiscuss | 07 Jul 2010

I like this quote by American columnist Bob Talbert: "Teaching kids to count is fine but teaching them what counts is best." The quote is pithy but it gets to the core of teaching fiscal responsibility.

What parents forget

If you look around, parents and teachers focus a lot on teaching mathematics—they send kids to Vedic Maths and Abacus classes to enable them to have numbers at their fingertips from a young age.

Parents also enrol their kids in drama, dance, singing, karate and other classes. But how many of us actually remember that when our kids enter the real world, the first thing they will confront is money?

Amidst all the classes, we forget an important life skill—financial literacy. Many of us probably pay our children pocket money but we don't realise that this is not teaching them about the value of money or how to manage it. Some schools touch upon economics or basic finance courses, however, no school is equipped to analytically teach financial literacy to your kids.

What exactly is financial literacy?

It means understanding:



- * Income, expenses and savings
- * Budgets
- * Assets—real and financial—and liabilities
- * Risk management, insurance and its purpose
- * Investments and how to make money work for you
- * Taxation
- * How to handle situations such as disability, starting a business, inheritance
- * Wills, trusts, and intergenerational wealth transfer.

Money lessons at home

Most parents might touch on the concept of piggy banks and savings early on, but are usually reluctant to discuss the topic of money and family finances with their children.

In the Indian context, money is a touchy issue and in terms of discussing sensitive topics, ranks as high as sex education. Thus, it's not surprising that most parents are loath to discussing it.

The earlier the better

The best way to teach kids about money is to let them deal with money early on. This is because as kids grow into teenagers they develop strong habits, which become hardwired because of peer pressure and the external environment.

This particularly happens beyond the 6th grade, when children face severe peer pressure. They want to buy gadgets, branded clothes and do many things that their friends are doing. Telling them to act sensibly and responsibly at this age might be a tall order if you have not inculcated good habits early on.

They need to understand the power of money and the consequences of their decisions. It's far better that they commit mistakes at a young age with smaller amounts than commit financial blunders when they grow up. They will thus experience handling their own money and making decisions around it. I believe this is a strong competitive edge that you can give your children for their future financial success.

When's a good time?

In my experience, kids between the age of 5 and 12 are receptive to financial literacy. Hence, it is best to start between 5 – 12 years of age. This is not to say that children above 12 do not appreciate financial literacy.

They certainly do, when the content is interesting, but it takes a little more time for them to understand the importance because they develop certain habits and are consumers by then. There will be constant demands, or emotional blackmail that most parents will be exposed to at some point of time.

You must understand that it's natural for them to sometimes behave like this and is a part of growing up. The best part is that you can still teach them to be savvy savers, spenders, investors and givers.

Money lessons for kids

Common sense and some practical ideas is all you need to have to start teaching your children about money. The key learning points for kids should be:

- * Having healthy values about money
- * Setting goals and priorities
- * Thinking and making prudent choices
- * Not living for the weekend: delay instant gratification
- * Understanding the virtues of hard work.

The 'how' part

There are often many real-life situations when you can teach your kids about money, considering that money is an integral part of our daily life.

Any time: Whenever you buy groceries or petrol or even pay school fees, you can teach children. If you have taken your son to an ATM, and he insists on pressing all the buttons like most kids, take this opportunity to discuss a few points about ATMs.

Special time: You can always set aside time to teach them the basics of money management. If you cannot, then you must seek professional help. It is far better to spend some money on financial education than allowing your children to develop irresponsible and dangerous money attitudes, behaviours and habits.

Finally, it is the parents responsibility to control what children buy and how much they spend. If parents fail in this critical test, no amount of money will be enough for their kids to spend when they grow up.

We must realise that it is our mistake when we rush off to dress them in so-called designer outfits or spend several lakhs or thousands on their birthday parties without giving an iota of thought on the impact this has on the children's minds.

Don't forget that even though you might not be teaching your kids directly, they are constantly learning by just observing you.

NFOs: Coming Soon – as per Draft Offer documents filed with SEBI up to June 2010

Mutual Fund house	Name of fund	Type	Components / Theme
HDFC	Cancer Cure fund	3 yr CE Capital Protection Oriented Income	Debt 60%, G-Sec 40% Min. inv. in NFO Rs 50,000
DLF Pramerica	Pramerica Growth fund	Diversified equity	Primarily Equity
L&T	Banking & Financial Services	Sectoral equity	Primarily Equity

CE = Close Ended

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