



# **MONTHLY NEWSLETTER FEBRUARY 2024**

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**OF BUDGETS AND  
INSURANCES – THE USUAL  
CLASSICS**

# MARKET DATA AND MACROS

**BSE Sensex:** 71,752 (-0.68 % MoM)  
**Nifty 50:** 21,726 (-0.03% MoM)  
**Nifty Bank:** 45,997 (-4.75% MoM)  
**Nifty Midcap:** 48,569 (5.17 % MoM)  
**Nifty Small-Cap:** 16,026 (5.83% MoM)  
**Nifty PE Ratio:** 22.46

\*\* MoM" an abbreviation for "Month on Month Performance". Data as on 31st Jan except for Nifty PE

**Brent Crude:** 80.55  
**USD/INR:** 83.04  
**Gold(Rs/10 gms):** 62,685  
**10-year G-sec yield:** 7.14%

\*Data as on 31st Jan



In January 2024, the Indian stock market exhibited a phase of consolidation, with notable challenges in the banking sector, primarily among major private banks. Despite these challenges, the broader market demonstrated resilience, as evidenced by a 5% increase in the mid and small-cap indices, building on a robust performance in December. However, investor caution remains paramount, as valuations in these segments appear stretched.

A diversified investment approach, with an emphasis on large-cap stocks, could be a prudent strategy in the current climate. The anticipated reversal in the interest rate cycle and positive macroeconomic developments offer support to the market. Nevertheless, it's crucial to recognize that these factors may already be reflected in current market prices.



## BUDGET HIGHLIGHTS:

- 1. Fiscal Discipline:** Targets a 5.8% fiscal deficit, emphasizing capital expenditure-led growth.
- 2. Infrastructure:** Allocates INR 11.11 lakh crore, a 17% increase, for infrastructure development.
- 3. Manufacturing:** Boosts funding for large-scale electronics, semiconductors, and display manufacturing.
- 4. Clean Energy:** Aims for net-zero by 2070 with increased funding for solar power, green hydrogen, and bio-manufacturing.
- 5. Social Empowerment:** Prioritizes poverty reduction, skills training, women's empowerment, and farmers' welfare.
- 6. Financial Sector:** Focuses on FDI growth and international partnerships for investment.
- 7. Healthcare:** Enhances funding for Ayushman Bharat, cervical cancer vaccines, and healthcare facility upgrades.
- 8. Tax Benefits for Start-ups and Investments:** Extends tax benefits to start-ups and certain investments until 31st March 2025.
- 9. Tax Demand Withdrawal:** Withdraws tax demands up to INR 25,000 for FY 2009-10 and up to INR 10,000 for FY 2010-11 to 2014-15.
- 10. Tax Status Quo:** Maintains the previous year's direct and indirect tax rates.



## BALANCING RISKS WISELY

In early investing years, we usually believe in the financial markets' prowess, dismissing the need for health or term insurance, making classic mistakes and re-learning old lessons of providing for uncertainty. We direct the intended premium into investments, confident that market returns would outpace any potential benefits from insurance. However, when the uncertainty strikes and there is sudden health crisis struck him, the medical bills quickly outpace the returns from his investments, leaving us grappling with substantial debts.

**A staggering 73% health protection gap in India affects 40 crore individuals, comprising 31% population.**

As individuals, we often take life and health for granted. We ensure to insure our iPhones or vehicles, but not our lives. The COVID-19 pandemic serves as a stark reminder of the unpredictability of life, highlighting the importance of being financially prepared for unforeseen crises. On the flip side, many are aware of the absolute need for insurance but then again make the stark folly of mixing investments with insurance, for instance, ULIPs.

Here are my two cents, choosing Unit Linked Insurance Plans (ULIPs) for insurance coverage presents several drawbacks.

- ULIPs subject investors to unpredictable market fluctuations affecting potential returns.
- These plans enforce up to 5 years of limited liquidity, hindering fund accessibility.

- ULIPs lack the flexibility for investors to customise portfolios based on risk appetite or financial goals.
- Surrendering ULIPs mid-term involves intricate processes with varying terms and penalties.

When it comes to life insurance, numbers play a crucial role. Term insurance, with its straightforward structure and lower premiums, often proves to be a more cost-effective option compared to other life insurance products. Analysing the numbers and understanding the long-term implications can guide individuals towards choosing the most suitable life insurance policy for their needs.

Despite the vital role insurance plays, the industry is not without its challenges. Misselling, or the deceptive selling of insurance products, is a prevalent issue. Consumers should be vigilant and well-informed, seeking transparency and clarity in policy terms. Understanding the potential risks and benefits of insurance products is critical to avoiding misselling tactics.

Insurance, a shield against life's uncertainties, requires careful consideration. Weighing numbers and exploring simpler alternatives, such as term insurance, can provide robust and cost-effective solutions. Staying vigilant against misselling practices is crucial for insurance to remain a reliable tool for securing our financial future.