

Can "Curry" Keep Investors Hot?



AFTER the Federal Reserve cut interest rates in September, investors around the globe were thinking how to keep the investment market hot. Certainly, "curry" is a good choice. In less than a month, India's benchmark Sensex index climbed by more than 20% and the inflows of capital pushed the rupee to its highest level in more than nine years. The country does not only attract "hot-money", but also the long term capital for the projects from infrastructure to retailing sectors. Carrefour of France, the world's second-largest retailer, is planning to enter India through the wholesale "cash-and-carry" format as it seeks to tap one of the world's most promising retail markets. Since October, India's stock market regulator has eased the criteria for foreign institutional investors seeking to register to buy shares in the country's domestic market, potentially opening the door wider for the entry of more hedge funds. The

chairman of the Securities and Exchange Board of India also promised broader medium-term reforms to allow greater market access. For example, the regulator was confirming the introduction of a series of proposals aimed at curbing foreign investment in the market via offshore derivative instruments, known as participatory notes. These notes are derivatives based on underlying Indian stocks or derivatives that are sold by investment banks to investors, especially hedge funds, which either are not eligible to register to invest directly in India's market or do not want to go through the trouble of registering. Presently, no single shareholder in a fund is permitted to hold more than 10% ownership. The limit would be eased to 49%. Domestically, the economy grows at a healthy pace with robust consumption in sight. Towers Perrin, a human

resources advisory company, conducted survey over two months, covering more than 4,000 companies worldwide and found Indian salary rises virtually across the board far outstripping those in China. Indian employees are estimated to have received an average salary increase of 14% this year. The rate is expected to be maintained in with 2008 settlements forecast to average 15%. That compares with an anticipated annual inflation rate of 5.7% this year and 5.4% in 2008. In comparison, Chinese employees are heading for salary increases of 8% this year and 9% in 2008. Although subprime crisis cool the global market off from economic peak, something curry-flavored might keep you warm during the coming winter.



Microscope

India gained independence in 1947, after two centuries of British colonial rule. Partition at the same time created the state of Pakistan, with which India has fought three wars, two over the disputed territory of Kashmir.

India is the second-most populous country in the world, with nearly 1.1bn people in 2006. Its economy is the 12th-largest in the world measured in nominal US dollars, but rises to third-largest when measured at purchasing power parity exchange rates. The large (and inefficient) public sector co-exists with a sizeable and diversified private sector.

India's trade deficit rose to US\$61.2bn in 2006 in balance-of-payments terms, up from US\$46.9bn in 2005. Exports performed strongly, rising by 20% to US\$123.2bn, but imports jumped by 24% to US\$184.4bn, largely owing to higher international oil prices and to demand for industrial inputs and consumer goods. The US remains India's largest trading partner, although China is India's leading supplier and its third-largest export market. 

MARKET BRIEFING


YTD % (local curr)

US DJ	13,176 (+5.7%)
Nasdaq	2,637 (+9.2%)
Euro Stoxx 50	4,282 (+3.9%)
HSI	27,614 (+38.3%)
Japan NK225	15,154 (-12%)
China Shanghai Composite	5,316 (+98.7%)
Singapore	3,440 (+15.2%)
India BSE30	19,698 (+42.9%)
Brazil BOVESPA	64,609 (+45.3%)
Aus All Ord	6,526 (+15.6%)
US-10yr Bond	Yield 4.06%


As at 16/11/07

Insight: "Keyman Insurance Planning"

When a company carries out such as providing their services, recruitment, paying the bills and so on, they often overlook important issues like insurance specifically, key man insurance. Companies purchase this life insurance policy on the life of the company's key executive. Many small businesses depend on a key person or few key employees to manage and run their business. Since these people are crucial to the success of a business, companies invest in key man insurance, which is actually a life insurance on the business. The company is the beneficiary of the plan and therefore pays the insurance policy premiums. The payout

provided from the death of those executives buy time to find a new person or to implement other strategies in order save the business. If the key person unexpectedly dies, the company receives the insurance payoff. This coverage compensates for the death, which affect the success of the company. Key man insurance protects the company from drowning when they lose the executive who holds the business together. The company uses the insurance proceeds for expenses towards replacement of the person, to pay off debts, distribute money to investors, pay severance to employees or even close the business down in an orderly manner. Sometimes key man insurance does give companies better options than immediate bankruptcy. In HK, this type of insurance premium expenses may be tax-deductible. 

A-Z Financial Tools

FORMULA INVESTING is a strategy which eliminates emotional decisions by following a set of rules, like dollar cost averaging. Securities are purchased in fixed dollar amounts at regular intervals, regardless of what direction the market is moving. Thus, as prices of securities rise, fewer units are bought, and as prices fall, more units are bought. 



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