

India: Singh's Effect

India's stocks stole the limelight last week as an election victory by the ruling party calmed fears of political uncertainty and spurred optimism economic reforms will follow. India's Sensex index jumped 14%, the steepest weekly advance since March 1992. The rupee also completed the biggest weekly advance in 13 years. Singh, the first premier to win re-election after serving a full term since 1971, has the backing of 322 lawmakers and doesn't need the support of communists who had previously blocked economic reforms. Therefore, the victory definitely allows Manmohan Singh to form a government without frustration to entice foreign investment in coming few years. According to Bloomberg, the new administration may resume share sale plans for electricity producer NHPC Ltd., explorer Oil India Ltd. and fuel retailer Hindustan Petroleum Corporation. For the past few months, the economy has

suffered a rather extreme external shock with a negative impact that is likely to be felt for coming months. It was unfortunate that the external shock followed on the heels of a sustained bout of monetary policy tightening with the Reserve Bank of India (RBI) raising interest rates and the CRR as late as August 2008. Consequently, the economy was faced with a freezing of both national and international credit markets that saw liquidity drying up and interest rates spiking overnight to 20% on Sept. 26, 2008. The RBI estimates fiscal and monetary steps announced so far are worth more than \$85 billion, or almost 7% of gross domestic product. The tax cuts and increased spending since December widened the federal budget deficit to 6% of GDP in the year ended March 31, from a target of 2.5%. There has been a concern over that India will



start thinking about reversing their expansionary steps to check inflationary pressures and that widening deficit to finance fiscal stimulus may prevent interest rates from declining. Now, Singh's government is likely to carry out its pre-poll promise of stepping up spending to support economic expansion. Nevertheless, the economic intelligence arm of global rating agency Moody's recently said that the outlook remained dim for the economy till 2010. However, the market reaction has evaporated that worry, evidenced by the stock purchases by overseas funds. The amount exceeded sales by \$1.1 billion on May 19, the most since June 2007, taking the net this month to \$3 billion. In addition, India's modest dependence on exports will help weather global recession and recover this year, reducing the need for further stimulus. **E**

Microscope

India's ruling Congress Party and its allies won a clear victory in the general election held in May, emerging well ahead of the right-wing, Hindu nationalist Bharatiya Janata Party (BJP). In all, the Congress-led United Progressive Alliance (UPA) won 261 of 543 seats in the Lok Sabha - the lower house of India's bicameral Parliament - and came within eleven seats of an absolute parliamentary majority, while the BJP-headed National Democratic Alliance (NDA) got only 157. Singh, 76, becomes the first premier to be re-elected after serving a full five-year term since Indira Gandhi in 1971, and will have to plot a recovery for an economy expanding at its slowest pace in six years and confront growing security concerns in neighboring Pakistan. He had previously served as finance minister in the 1991-96 Congress Party government, implementing a number of measures that liberalized India's economy until then tightly controlled by the state and paved the way for its subsequent rapid growth. Despite the global economic crisis, India has the world's second-fastest growing economy; however, widespread poverty remains a major problem. **E**

MARKET BRIEFING

YTD % (local curr)

US DJ	8,277 (-5.7%)
Nasdaq	1,692 (7.3%)
Euro Stoxx 50	2,433 (-0.7%)
HSI	17,062 (18.6%)
Japan NK225	9,225 (4.1%)
China Shanghai Composite	2,597 (42.7%)
Singapore	2,245 (27.5%)
India BSE30	13,887 (43.9%)
Brazil BOVESPA	50,568 (34.7%)
Aus All Ord	3,755 (2.6%)
US-10yr Bond	Yield 3.45%

As at 22/05/09

Insight: "Estate Planning"

Many people don't normally think of their possessions as an "estate", nor do they worry much about what will happen to it all when they're gone. However, many of them may assume that their possessions will simply pass on to their families. Estate planning is not just for the wealthy. There may be several reasons for you to consider an estate plan immediately. For example, do you care about who receives your assets? Do you care who the guardian will be of your children or grandchildren? Are the combined value of your estate and the gifts you have given throughout your lifetime sufficient for heirs? Do you

wish to maximize the value of your estate? To address these, someone may draft a will, whether it stands alone or as part of an integrated estate plan, will provide for the disposition of property.

Although the execution of a will is a necessity in any estate plan, it does not by itself provide the maker with any income or estate benefits. Insurance plan may help with this regard. You can use it to leave much-needed income to your survivors, provide for your children's education, pay off your mortgage, and simplify the transfer of assets. Life insurance can also be used to replace wealth lost due to the expenses that may follow your death, and to make gifts to charity at relatively little cost to you. Last but not the least, keeping your estate plan updated can be just as important as developing your estate plan. **E**

A-Z Financial Tools

"Undervaluation" means a stock price perceived to be too low or cheap, as indicated by a particular valuation model. For instance, some might consider a particular company's stock price cheap if the company's price-earnings ratio is much lower than the industry average, or if the market value is lower than that of the value from discount cash flow model. **E**



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