FINANCE CLUB
PENNY PATROL

CHRIST
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WEALTH mantra

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EDITOR'S MESSAGE

Dear Readers,

We here at Penny Petrol, the Finance Club of CUSBMA CHRIST (Deemed to be University), Delhi NCR Campus bring you to yet another issue of our newsletter magazine 'Wealth Mantra'.

These are challenging times, with uncertainty and volatility becoming the norm in today's market. As investors and businesses navigate this landscape, it is more important than ever for them to stay informed and up-to-date on the latest trends and developments in finance.
That's where we come in. Our team tries to deliver you with the most accurate, insightful and comprehensive coverage of the financial world. Through our pages, you'll find in-depth analysis of the biggest stories shaping the markets, as well as practical advice and guidance on how to make informed investment decisions. In addition to our coverage of stocks, bonds, commodities, and currencies, we also delve into emerging markets, new technologies, and the latest breakthroughs in finance. We've also talked about the effects of new tax regime on the Insurance industry.

Along with this, the collapse of Silicon Valley Bank, the largest vendor in the startup ecosystem is another issue that leads to a discussion on the adverse impact of the downfall on the Indian startup scenario.

Our goal is to provide our readers with the knowledge and tools they need to succeed in these challenging times.

Gaurav Dawar
School of Business and Management

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Aris Sharma

Market Correlation and it's importance in today's world

The concept of correlation is crucial for decision making in the financial markets. In today's globalised world, economies are highly interconnected, and countries engage in trade with each other, leading to a correlation between their capital markets. For instance, the Indian stock market, represented by the Nifty 50 index, correlates with the US stock market, represented by the Dow Jones index. If the Dow Jones index experiences a negative trend, it is likely that the Indian markets will also open negatively and follow a similar trend. Similarly, the Indian banking index, Nifty Bank, correlates with the KBW bank index of the US. The US economy's dominance in the world market means that even small changes in the US economy can have a significant impact on developing economies globally. Therefore, it is essential to consider basic trends such as open, close, low, high, and last day's lows and highs of the top global indexes such as Dow Jones, NASDAQ, SGX Nifty, Hang Seng, and Nikkei, among others.

It is also crucial to recognize that the movement in commodities precedes the bond market, which ultimately impacts the stock markets. For instance, a change in crude oil prices could impact the bond market, leading to changes in the stock market. Recently, the US changed the definition of a recession from two consecutive quarters of negative GDP growth to a few months of negative GDP growth, indicating the importance of staying informed about global economic trends. In addition to traditional investments, alternative investments such as cryptocurrency, gold, crude oil, and the dollar's price can provide insights into market trends. Tracking these investments can help investors and traders analyze risks and make informed decisions. Finally, when considering alternative investments, it is essential to consider the flow of investment in these markets. For example, a positive flow of investment in Bitcoin suggests that the market mood is positive, and buyers are eager to invest their money to gain profits. Therefore, monitoring market sentiment can be valuable when making investment decisions. Overall, staying informed about global economic trends, monitoring traditional and alternative investments, and keeping track of market sentiment are all essential factors that can help investors and traders make informed decisions in the financial markets.

Investment Winter

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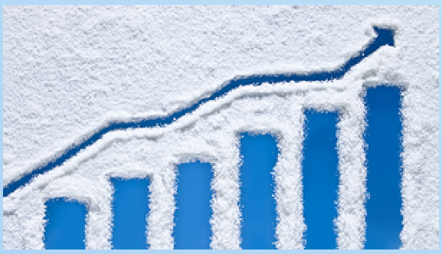
An investment winter refers to a period when investors become cautious and less willing to invest in businesses, leading to a decrease in venture capital or private equity funding for startups and other businesses. It can be caused by economic downturns, changes in investor sentiment, or industry disruptions. One good example is the dot-com crash in the early 2000s about which we will be talking about later. During an investment winter, businesses may need to be more creative in their fundraising efforts and focus on building a sustainable and profitable business model rather than relying on external funding.

It can be identified by several signs that indicate a decrease in investor confidence and funding availability. These signs include decreased funding for startups and businesses, increased scrutiny and due diligence by investors, lower valuations for high-risk ventures, industry disruptions, economic uncertainties, difficulties in exiting investments, and increased competition for remaining investment capital.



Investment winter can be caused by a variety of factors, including economic downturns, changes in investor sentiment, industry disruptions, overvaluation of assets, lack of profitable exit opportunities, excessive risk-taking, and changes in government regulations. These factors can work together to create a cautious investment climate, making it difficult for businesses to secure the funding they need to grow.

It can have significant impacts on both investors and the economy. For investors, it can lead to decreased returns and lower investment activity, which can further reduce the amount of capital available for startups and high-risk ventures. The economy can also be affected by a slowdown in job creation and innovation as businesses struggle to secure the funding they need to grow. However, investment winters can also have positive impacts by encouraging a more disciplined approach to investing and promoting sustainable growth models.

To prepare for an investment winter, businesses should focus on building a sustainable business model and diversifying their investments across multiple industries. It is also important to control costs, secure financing, and maintain strong relationships with investors, customers, and partners. During an investment winter, deals may take longer to close, so patience is the key. Staying informed by attending industry events, reading industry publications, and networking with other investors and businesses can also help prepare for potential downturns.

The dot-com crash in the early 2000s was an example of an investment winter, triggered by a speculative bubble in the technology sector. Many startups operating with little to no profits received large amounts of capital from investors, leading to a burst of the bubble and a significant decrease in available venture capital. Startups were forced to lay off employees or shut down entirely. The investment winter lasted for several years, with investors shifting focus to more stable companies. Eventually, the tech industry recovered, with surviving companies becoming household names and some of the most valuable in the world.

In conclusion, an investment winter can be a challenging time for businesses and investors alike, but by being aware of the signs and taking steps to prepare, they can weather the storm and emerge stronger on the other side. The dot-com crash serves as a reminder of the dangers of overvaluation and excessive risk-taking, and the importance of a sustainable business model. While economic downturns and industry disruptions are outside of businesses' control, they can control their approach to risk management, financing, and diversification. By staying informed, maintaining strong relationships, and focusing on long-term goals, businesses and investors can navigate the ups and downs of the investment landscape and ultimately contribute to a more stable and sustainable economy.

SILICON VALLEY INVESTMENT

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Silicon Valley bank is seen as the primary investor for startups and most of the startups are usually funded by this bank. The reason for fall is likely because many people just withdraw their cash out as the share prices of bank start falling gradually as the bank rates has been shot up in the us economy making difficult for banks to survive.

There could be many reasons behind the downfall of banks. Ignore the fact that the economies of the United States, the United Kingdom, and the European Union have all performed better than predicted in the immediate aftermath of the oil price shock created by Russia's invasion of Ukraine. This also created an impact on the inflation rates of the economy and the government has to increase the interest rates to tackle with the situation

It takes time for changes in monetary policy, the decisions made by central banks on interest rates and bond purchases and sales to have an impact. Changes in monetary policy, such as central bank decisions on interest rates and asset purchases and sales, takes time to have an effect.

After the increase in the rates, the assets left with the bank need to be sold out even when the time of loss the banks sell at loss of billion which lowers the value of shares.

SVB was designed to be a tiny bank that could operate under less strict regulations than a "systemically important" bank. In the end, however, all SVB depositors were safeguarded, rendering the distinction between a systemic and non-systemic bank relatively irrelevant. The global financial system is both intrinsically weak and too large to collapse.

This is because investors do not want to take risks when the money they have becomes more expensive owing to increasing interest rates. As interest rates rose, investors in technological start-ups — SVB's major clients – grew hesitant to take risks.

This will have bad impact on US IPO market as startups planning to go for listing may postpone their public issue till the actual picture arrives even New York bank community buys the large portion of bank in 2.7 billion $ after the incident fdci mergers the bank with Deposit Insurance National Bank of Santa Clara Immediate panic may subside with the U.S. government's guarantee of bank

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customer deposits. Stocks and financial futures increased after the guarantee by 1% to 2%. Before the guarantee, SVB customers were worried about paying employees, which would have upset the economy even more.

After the collapse of the bank the federal reserves merges with the bank to ensure people that their assets and funds are secured. The merger helps the bank to deal with hard situations and provide an aid to the bank. After a period of recording low interest rates during the epidemic, central banks throughout the world, led by the US Federal Reserve, began rapidly hiking key rates to combat inflation.

This has weakened investor enthusiasm and harmed the businesses of tech and start-up lenders like SVB.

Navigating the World of Finance: An Incomplete Education and The Art of Storytelling

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The subject of finance comes with the stigma of being 'boring', at least to all of us not actively pursuing a degree in finance. Recently, however, I have become invested (yes, pun intended) in the subject. Not just because I have been hit with adulthood and have to now think about savings and investments and taxes, but because sometimes good storytelling may change the way you perceive a subject.

My first interaction with the world of finance, I remember, was when I was only about 7. My mother used to ask me about the color of the arrows next to NIFTY and SENSEX. Even now, I only vaguely understand what NIFTY and SENSEX really represent (something about indices which show how the market is performing).

My second brush with finance came with an ex-boyfriend attempting to teach me - day-trading. Fuelled by my infatuation for him, I spent hours learning technical analysis and predictive techniques of what the market might do next. I made a Zerodha account, attempted some day-trading, and it was not too bad. However, soon I lost interest (can you blame me?). Although I could predict (most of the time) the direction of the market, I did not really understand the gravity of these changes, or what caused them. I was too risk-averse (despite my undying faith in my then boyfriend) to actually pursue day-trading any further. My ex, however, claims to be doing well with it. A lot of other people I met compare day-trading to gambling and there seems to be no consensus; So I honestly do not know who to believe

Nevertheless, my most recent brush with the world of finance came with me exploring Substack. I found a newsletter that makes finance sound... easy? Easy and interesting.

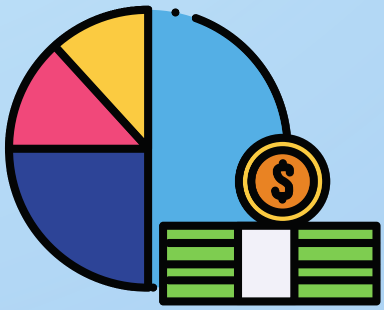
For the first time, I understood ongoing issues in the world of finance, in the Indian context too! I was not lost when all the Adani drama unfolded. Not only did I understand the situation (and all the nuances around it), but I enjoyed it like gossip. I had intelligent sounding discussions with my peers (Thank you 'Boring Money'!).

All this made me realize, finance should be taught in schools (How is learning about lost civilizations more relevant to my education?) I would much rather learn practical aspects of the financial world for when I start earning. Now, I am left to navigate this world of investment and taxes with my limited financial literacy. In this, my curriculum failed me (and countless others).

Another (non-controversial) piece I really enjoyed was about 'green bonds'. When a bond is issued by a company or the government, money is borrowed from investors and returned with an interest later. In a green bond, the company or government pays back the investor's money with a lesser interest. This discount received by the company or government is given under the condition that the money is used for environment-friendly activities (making the bond 'green'!). Among other things, the author comments on how the Indore Government gave a uniquely high interest rate for their green bonds, got good publicity for it, and managed to raise 5 times the needed commitment for their green bonds!

With this article, there are two points I am trying to make:
1) 'Boring' may signify a lack of understanding, and good, well-researched, simple storytelling solves this lack of understanding and interest.
2) Finance needs to be taught as a subject in schools for a well-rounded education (preferably using good storytelling!)

Also once again, I would like to give credits to Boring Money on Sub stack for igniting my interest in financial issues.



Effects of the New Tax Regime on the Insurance Industry

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The New Tax Regime which was initially introduced by the Government of India in the Union Budget 2020 had a low adoption in the FY2021. So, in order to boost and encourage tax payers to adopt to the new tax regime the finance minister Nirmala Sitharaman has brought in major structural changes in the tax slabs of the New Tax Regime including making it as a default option for tax payers from FY2024. Tax Payers who earlier had availed a tax rebate of ₹1.5 lakhs under the Section 80CC and additional ₹50,000 under National Pension Scheme cannot avail these benefits if one chooses to shift towards New Tax Regime. Additionally, Incomes from life insurance policies up to ₹5 lakhs will only be exempted and the income beyond that will be taxed. However, this will not include amount received on the death of the insured person.

Following this move from the Union Budget the Insurance Stocks including ICICI Prudential Life Insurance, HDFC Life Insurance, SBI Life Insurance and LIC fell by over 10%.

Without a tax benefit, it's feasible that taxpaying individuals may hold up purchasing life insurance until later in life, losing interest in large value policies that are once again investment-driven. There is no tax benefit from premium payments made for life and medical insurance for employees who choose the new tax system. This implies that choosing to purchase life and health insurance would be entirely independent of taxes.

Traditionally, our ancestors advised us to save rather than spend money on things like retirement, health care, and social security. However, the introduction of the new tax system and its expansion will not benefit taxpayers because they will have to pay a higher tax rate without taking into account social security measures. The finance minister wants people to spend money rather than save it, which may not be healthy for society in the long run.

Since many years ago, people have been mis-selling or selling insurance goods in order to obtain tax benefits rather than in order to protect themselves from unforeseen events. The government is now working to change this mindset of the people by encouraging them to purchase insurance policies in order to protect themselves from uncertainties rather than in order to reduce taxes. This has resulted in a misconception regarding insurance products when making investment decisions.

To Conclude, the Insurance sectors should focus on revisions in the product mix and start selling products more aggressively by higher penetration in the mass customer segment and aligning to the consumers requirement. Instead of focusing sales on high ticket luxury products, they should develop specialised and user-friendly products to meet the specific needs of the clients.

LET'S TALK ABOUT FINANCE AND ECONOMICS

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It's time to talk about the dreaded topic that makes most people want to run for the hills – finance and economics. But wait, don't run away just yet! I promise to make it interesting and dare I say, even funny. I mean, I'll try.

Let's start with the basics. What is economics? In simple terms, it's the study of how society uses its resources. But in layman's terms, it's the study of how to stretch your bank balance to make it last until your parents put in the money at the start of the month. And speaking of the month's start, have you ever noticed how the day before the next month starts to feel like Christmas Eve? You're filled with excitement, hope, and anticipation of all the things you can finally afford. Then 1st day comes, and you're left with a few bucks after all your previous bills are paid (damn your credit cards). It's like someone forgot to tell your bank account that the new month's start was supposed to be fun.

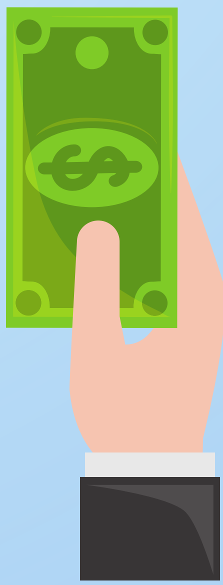
But don't worry, you're not alone. Many of us have been there, and that's why we need to have a good understanding of finance. It's not just about making money; it's about managing it wisely

.Have you ever heard the saying, "Money can't buy happiness, but it's a lot more comfortable to cry in a Mercedes than on a bicycle"? It's funny because it's true. Money may not buy happiness, but it can buy a lot of things that make us feel happy and comfortable. However, it's essential to remember that financial success is not just about material possessions. It's also about having the freedom to make choices that brings us joy and fulfillment. That's why it's important to have a healthy relationship with money.

Speaking of healthy relationships, let's talk about credit cards. Credit cards are like a toxic ex-boyfriend. They seem great at first, but before you know it, you're in debt and can't seem to get out. And just like a toxic ex, they always seem to find a way to sneak back into your life.

But don't worry; there is a way to break free from the cycle. It's all about being mindful of your spending, making smart financial decisions, and knowing when to walk away.

In conclusion, finance and economics may seem daunting, but with a little bit of humor and a lot of knowledge, we can all become financially savvy. So the next time you're feeling overwhelmed, just remember, it's not about how much money you make; it's about how you manage it. And if everything else fails, just think of your bank account as your own personal stand-up comedian – it's always there to make you laugh, whether you like it or not.



IS INVESTMENT A SCAM? HOW TO MAKE PRUDENT INVESTMENT DECISIONS

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Invest, Invest & Invest, that's how the modern marketing has made us investment conscious and has lured us to invest into schemes & securities, which we don't know about. While, sound financial management considers investment as essential, especially during times of inflation, job security concerns, uncertain political environment across the world, uncertain events such as SVB Banks crashes. So, it is clear that in these erratic times, channelizing your investments is as important as oxygen.

While, it might seem fairly simple to diversify your portfolios into FDs, bonds, gold, stock options etc, but the average Indian Investor does not even have complete knowledge about the FDs. One way to reflect that is how we all rush to our banks for our FDs but only a handful of us know about Post Office Banks and that they provide better interest rates. At a time where, Fin-Tech industry is booming it is also a matter of greater concern as 75% of India are not financially literate. Smallcase, Zerodha, Groww have all made it simpler to invest but riskier as well. According to multiple researchers, around 80% people make losses in their investments and this figure has been plummeting as well ever since COVID-19, with NIFTY50 reaching all time high & lows, the market has fluctuated a lot.

This might suggest people to go back to buying FDs & gold but a prudent investor knows this is not going to earn him/her better long-term returns. So, the new age investor wants to enter the market & bear the risk as well but the risk taken on just reflects courage rather then sound financial planning. The boom in the Fin-Tech industry is an essential one for the prudent investor but at the same time, it adds up against the courageous investor. So how can one rather make decisions in their investment with proper rationale rather then going in with sentiment or desire?

STEP 1: UNDERSTAND THE MECHANISM.

Whether it is Gold or Future Chain-Option, before investing anywhere you should know how it operates. If it fluctuates, why does it? What Should I do if it happens? While, most of us are used to leave the money and re-checking at the maturity period, this practice necessarily doesn't work well with securities. It is better to sell them or hold them, while the understanding of it ages with experience but understanding the structure is the 1st step in this direction. Invest in what you understand and not by general trend.

STEP 2: DO YOUR OWN RESEARCH

With the popularity of social media content platforms such as Youtube,Instagram etc., people have experienced losses as creators convince people to buy a particular stock. While, it is possible that not everyone does this but the harsh reality is far reaching. Influencers would buy a stock and convince their followers to do the same, Stock market working on the principle of demand-supply would end up raising the price of that stock for a handsome return for the creator. Soon the stock would fall and the common man would lose their money. So, what should you do before investing in a company? On a broader basis, the analysis is divided into two halves, fundamental & technical analysis. For new investor it is advised to go with fundamental analysis, looking at the ratios, borrowing, EPITDA and other such metrics.

STEP 3: PAPER TRADING

Paper trading is great way to learn the craft, whether for securities or for fixed assets such as gold, currencies etc. This provides users to invest virtual money to understand mechanisms and provides accurate information on how well are you equipped to invest with actual money. Especially in the domain of currency trading and securities it is very useful for investors to gain a proper insight into the market volatilities & fluctuations. Even, for traders who project speculation to earn money on platforms such as Binomo, Olymp Trade etc, should start off by paper trading, as the risk involved is relatively higher in them.

After becoming well versed and hands-on with the fundamentals, an investor can be considered ready. Whether he is successful or not, depends on the implementation & utilisation of funds on strategies. One can always use different strategies and methods for better portfolios but as an investor who is inexperienced or new to the different market avenues, certain principles or fundamentals should be always clear, rest one does require luck to a certain extent as well.

NATIONAL WEALTH VERSUS NATURES WEALTH, CAN THE TRADE OFF BE JUSTIFIED

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There is often a trade-off between a nation's wealth and its natural resources. On one hand, natural resources can provide a significant source of income and economic growth for a country, particularly in industries such as forestry and agriculture. Natural resources can also attract foreign investment and help support infrastructure development, such as roads, ports, and power plants with other soft infrastructure. Each country will have different choices on how to balance economic growth and, at the same time, protect the environment based on income levels and political preferences.

Increased output is a sign of economic growth. (real GDP). Therefore, it is probable that the environment will pay the price for increased output and consumption. The increased use of non-renewable resources, higher pollution levels, global warming, and the possible loss of environmental habitats are some of the ecological effects of economic development.

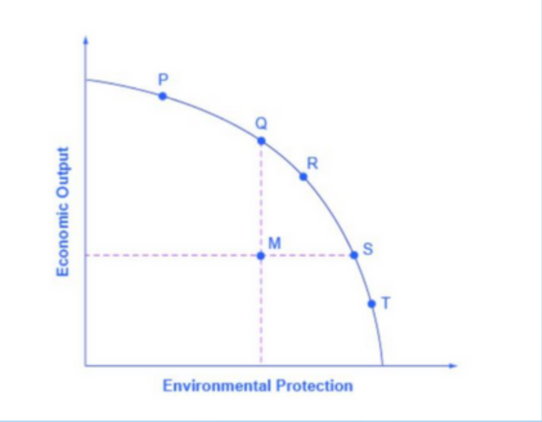
Unfortunately, A country cannot maximize both nation's wealth as well as environmental protection. Each country should indulge in how these two goals are balanced. Production possibility frontier (PPF) is one of the tools used to analyze both of these aspects. In the below given PPF, P- indicates a country with less environmental protection with more concentration on economic output, but on the other hand, Country T- is more emphasizing environmental protection with little attention on economic output.

But not all types of economic development harm the ecosystem. People can better invest in environmental protection and reduce the negative impacts of pollution as real incomes rise. Additionally, economic growth brought on by advanced technology can lead to higher production with less pollution.

Moreover, the world economy has grown twofold in the past 25 years, but the ecosystem as a whole has degraded by half. Since 1990, there has reportedly been a 40% rise in global carbon emissions. Scholars have given different views on the trade-off between economic growth and environmental sustainability. To justify this, economists have pointed out stable economic growth and a sustainable environment. This embraces,

- Social cost pricing
- Environment as a public good
- Include environmental indicators in economic statistics.
- The shift from non-renewable to renewable

In conclusion, the trade-off between environmental protection and economic growth is a false dichotomy. Government regulations for pollution control encourages modernization and innovation in industries. A clean environment reduces illness and attracts businesses, residents, and tourists. Wealth is intertwined with ecology because thriving ecosystems provide humans with food, air, and water. The wealthy cannot escape the consequences of environmental degradation.



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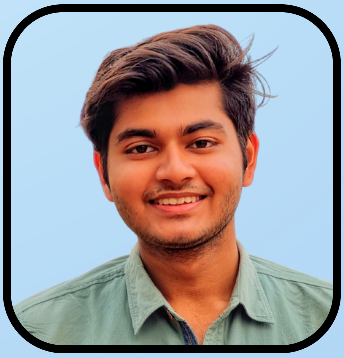

Swagatam Saha

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