



March & April '13 – Important Months for your Debt Investments

Pebble Silk Monthly Advisory Communique

Feb '13

March comes first. Literally.

It is important for your debt investment decisions because:

- Debt returns typically spike up in March every year. Increase is due to temporary but heightened demand for funds by various institutions including banks
- Thus, funds pending investment decision can be locked in good rate FMPs
- The yield immediately winds down next month (April)
- Thus, even short/medium term funds can be chosen as there would be a capital gain on fall of interest rate in April

Below is monthly data for the last few years confirming the above mentioned trend in interest rate.

| 12 Month Bank CD rates | | | | |
|-------------------------------|---------|----------|-------|-------|
| Year | January | February | March | April |
| 2009 | 7.4 | 7.0 | 7.3 | 5.8 |
| 2010 | 6.0 | 6.5 | 6.5 | 6.2 |
| 2011 | 9.7 | 10.0 | 10.0 | 9.7 |
| 2012 | 9.8 | 10.1 | 10.6 | 9.8 |

April '13 is equally important. If not more.

- New Indexation factor gets in effect on 1st of April
- This immediately should add 7.5% to 8% tax shield for any switch out / redemption made in a debt fund (if the holding tenure is more than 1 year).
- This opportunity should be used to create capital losses.
- Any redemption or reallocation in debt funds should be deferred till April to save incurring avoidable capital gains

Following is the indexation benefit that has become available for the last few years under the Income Tax Act:

| Financial Year | Indexation Factor |
|----------------|-------------------|
| 2012-13 | 8.5% |
| 2011-12 | 10.4% |
| 2010-11 | 12.5% |
| 2009-10 | 8.6% |
| 2008-09 | 5.6% |
| 2007-08 | 6.2% |

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