

FIN-O-DATE

THE FINANCIAL GAZETTE OF MDIM



FINARITHA

THE FINANCE CLUB OF MDIM

WEEKLY
FINANCIAL
MAGAZINE
FOR THE
STUDENTS
OF
MDIM



**LET BUSINESSES OWN THE WORLD
YOU BE THE RULER**

ABOUT US



Finartha, the finance club of Management Development Institute Murshidabad formed with the ambitions of bridging the gap between the academic and professional worlds. As a student—run organization, the club brings together students with a shared interest in Finance to enjoy presentations from industry professionals, competitions, quizzes, finance-related discussions, casual and formal networking events as well as a variety of social events. It provides the platform for interactive discussions and orients oneself towards the world of business and commerce. The club plans to get into media through social as well as print media to update the students, academic professionals and industry veterans about its various activities. It thrives on providing the students with additional resources needed to develop themselves into strong candidates for the prospective job market. If one is zealous enough for the activities which go into finance and its substrates then 'Finartha' is the platform to quench that zeal.



FINARATHA



MDI | Management Development Institute MURSHIDABAD



November 28, 2020

ISSUE- 72

INDEX

- SENSEX **44149.72**
- NIFTY 50 **12968.95**
- NASDAQ **12205.85**
- DOWJONES **29910.37**

CURRENCY

- USD/INR ₹ **73.96**
- GBP/INR ₹ **98.42**
- YEN/INR ₹ **0.71**
- EURO/INR ₹ **88.49**

LATEST BY:
NOV 28th, 2020

TOP GAINERS

Securities	Prev closing	Closing Price	Percentage increase	High/Low
Tata Motors	173.75	17888.95	2.82%	183.85/174.65
Asian Paints	2155.30	192.40	2.01%	2244.60/2165.00
Hero MotoCorp	3024.55	3108.85	2.00%	3118.55/3032.00
DivisLab	3544.30	3605.10	1.80%	3659.90/3509.75
Bajaj Auto	3129.20	3173.55	1.31%	3249.00/3135.70

TOP LOSERS

Securities	Prev closing	Closing Price	Percentage decrease	High/Low
Nestle Ind	17741.95	1899.50	4.34%	18068.90/16949.75
Power Grid	197.65	375.85	3.24%	197.65/188.70
JSW Steel	359.20	350.20	2.60%	362.00/347.65
Shree Cem	24381.15	24306.35	2.33%	24529.05/23351.00
HCL Tech	842.05	822.10	2.24%	847.80/814.35

TAKE-O-TRADE

SPOT	SIGNAL	TAKE AT	TARGET 1	TARGET 2	STOP LOSS
TVS Motors	BUY	515.00	550.00	600.00	481.00
Federal Bank	BUY	64.00	71.00	81.00	59.00
Sobha Ltd	BUY	326.00	375.00	420.00	295.00

Market Watch

- Nifty traded below 13000 showing a strong resistance at 13000
- Formation of Doji at all time high gives a possible trend reversal.
- Nifty is likely to trade in a range suggesting a loss of momentum.
- RSI falls back below 75 mark thus suggesting bearish sentiment.

Disclaimer: Futures, stocks and options trading involves substantial risk of loss and is not suitable for every investor. You are responsible for all the risks and financial resources you use and for the chosen trading system. You should not engage in trading unless you fully understand the nature of the transactions you are entering into .

What's Brewing In The Market?

Facebook's digital coin Libra may be launched in January

Facebook's Libra cryptocurrency is readying to launch as early as January, the Financial Times reported on Friday, citing three unidentified people involved in the project. The Geneva-based Libra Association that will issue and govern Libra plans to launch a single digital coin backed by the dollar, the FT said, citing one of the people. Libra's exact launch date would depend on when the project receives approval to operate as a payments service from the Swiss Financial Market Supervisory Authority, but could come as early as January, the three people said. Finma said it would not comment on Libra's application, which was initiated in May. The move would represent an even bigger scaling-back of the project's ambitions than that proposed in April in response to a regulatory and political backlash against the project. Libra, unveiled by Facebook Inc last year, was relaunched in slimmed-down form after regulators and central banks across the world raised concerns it could upset financial stability and erode mainstream power over money. But several Libra members told the FT that they believed the appointment of HSBC legal chief and former George W Bush-era terrorism finance tsar Stuart Levey in May as its first chief executive marked a turning point for the project, as it sought to cast itself as independent from Facebook. Since then, a handful of members have been racing to build and test their own products to launch on top of the digital currency network when it goes live. The Libra Association, of which Facebook is one of 27 members, is seeking the go-ahead from Switzerland's markets watchdog to issue a series of stablecoins backed by individual traditional currencies, as well as a token based on the currency pegged stablecoins. Yet under the body's new plan, other coins backed by traditional currencies, as well as the composite, would be introduced at a later date, the FT said. The Libra Association did not immediately reply to a request for comment. FINMA, the Swiss regulator, did not elaborate beyond a statement in April confirming receipt of Libra's application for a payments licence. Stablecoins are designed to avoid the volatility typical of cryptocurrencies such as bitcoin, making them in theory more suitable for payments and money transfers.



Libra's exact launch date will depend on when the project receives approval to operate as a payments service
PHOTO: REUTERS

Markets tumble on profit-booking



The benchmark indices plunged on Wednesday after hitting fresh record highs in the morning session amid profit booking and concerns about valuations. The benchmark Sensex fell 695 points, or 1.6 per cent, and ended the session at 43,828. It slipped nearly 1,000 points from the intra-day high of 44,825. The Nifty50 fell 196 points, or 1.5 per cent, to end the session at 12,858. It had climbed to 13,146 intra-day. Analysts said that investors chose to take money off the table, citing overbought markets and a cautious approach ahead of derivatives expiry. "It's normal to see an intermediate dip in a trend, and we may see further profit-taking. Besides, volatility is likely to remain high due to scheduled derivatives expiry. Considering the scenario, we suggest limiting naked leveraged trades and preferring hedged positions," said Ajith Mishra, VP-research, Religare Broking. Before Wednesday's fall, the benchmark indices had surged 12 per cent in November, underpinned by record buying by foreign portfolio investors (FPIs).

After deep discounts, gear up for price hike

LME-SPOT PRICE			
	Nov 24 \$/Tonne	%Change 1D 1month	
Zinc	2,745.00	-0.4	7.0
Copper	7,302.00	1.2	6.1
Lead	2,006.00	0.8	11.9
Aluminium	1,964.50	-0.3	7.4

COMMODITIES		
	Nov 25	Chg %
Crude palm oil-Kandla (₹/10 kg)	908	13.0
Ref soy oil-Indore (₹/10 kg)	1,059	9.5
Sugar M grade-Kolhapur (₹/qtl)	3,174	-0.6
Wheat-Delhi (₹/qtl)	1,813	0.0
China hot rolled steel (NY/tonne)	4,092	4.8
Crude oil (\$/bbl)	48	16.5

*1 Month change Source: NCDEX, Bloomberg

Household appliances such as washing machines, refrigerators, television sets and air conditioners are set to get expensive by at least 3-5 per cent as commodity inflation is forcing companies to hike prices. The increase in prices across categories could start coming as early as next month. In some sectors, the hikes have begun. All metal prices from steel to copper, aluminium, zinc and lead have shot up by about 5-11 per cent in the last one month. Crude oil has increased by about 16.5 per cent while soya oil and palm oil are up by about 9-13 per cent in the same period. So is the case with cement, which according to a recent CLSA report has firmed up by about Rs. 5-15 per bag across regions in

the last month. This has a straight impact on the housing industry, which is having to contend with higher construction costs as the economy unlocks and real estate activity gains pace. There is a downward pressure on revenues coupled with the pandemic-proof trends rung in by the 'new normal' due to inflation. All of this does not augur well for cashstrapped incumbents." Auto and durables sectors are firm on price hike.

CASH MANAGEMENT

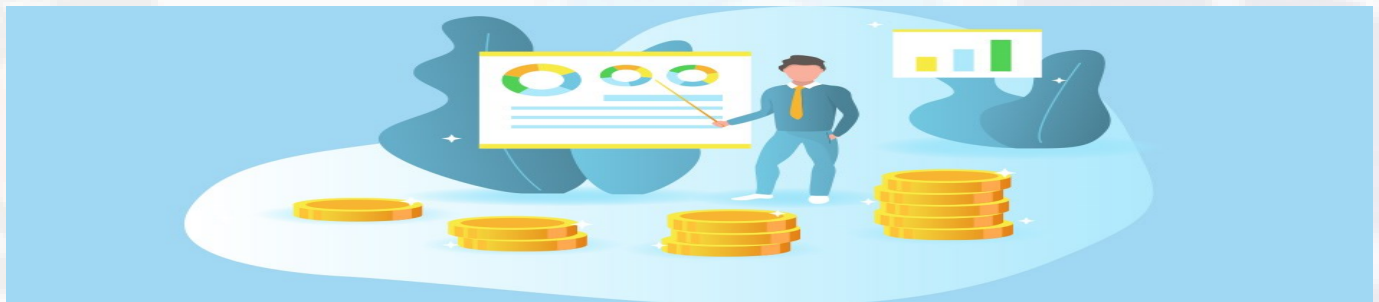
Cash management, also known as treasury management, is the process that involves collecting and managing cash flows from the operating, investing, and financing activities of a company. In business, it is a key aspect of an organization's financial stability.

Cash management is important for both companies and individuals, as it is a key component of financial stability. Financial instruments involved in cash management contain money market funds, Treasury bills, and certificates of deposit.

The Importance of Cash

Cash is the primary asset individuals and companies use regularly to settle their debt obligations and operating expenses, e.g., taxes, employee salaries, inventory purchases, advertising costs, and rents, etc. Cash is used as investment capital to be allocated to long-term assets, such as property, plant, and equipment (PP&E) and other non-current assets. Excess cash after accounting for expenses often goes towards dividend distributions.

Companies with a multitude of cash inflows and outflows must be properly managed to maintain adequate business stability. For individuals, maintaining cash balances is also a major concern



Understanding Cash Management

In an organization, chief financial officers, business managers, and corporate treasurers are usually the main individuals responsible for overall cash management strategies, stability analysis, and other cash-related responsibilities. However, many organizations may outsource part or all of their cash management responsibilities to some service providers.

The cash flow statement is the main component of a company's cash flow management. The cash flow statement comprehensively records all of the organization's cash inflows and outflows. It includes cash from operating activities, cash paid for investing activities, and cash from financing activities. The bottom line of the cash flow statement shows how much cash is readily available for an organization.

The operating part of cash activities is based heavily on the net working capital, which is presented on the cash flow statement as a company's current assets minus current liabilities. Businesses strive to make the current assets balance exceed the current liabilities balance.

The other two parts of the cash flow statement are somewhat more straightforward with cash inflows and outflows connected to investing and financing, such as investments into real estate, buying new equipment and machinery, and originating stock repurchases, or paying out dividends as part of the financing activities.

There are many internal controls utilized to manage and achieve efficient business cash flows. Some of a business's major cash flow considerations comprise the average length of account receivables, write-offs for uncollected receivables, collection processes, rates of return on cash equivalent investments, liquidity, and credit line management.

Causes of Problems with Cash Management

Unfortunately, many businesses engage in poor cash management, and there are several reasons for the problem.

1. Poor understanding of the cash flow cycle
2. Lack of understanding of profit versus cash
3. Lack of cash management skills
4. Bad capital investments

India's foreign exchange reserves rise by over \$2.5 bn

India's foreign exchange reserves rose \$2.51 billion during the week ended November 20.

According to the Reserve Bank of India's weekly statistical supplement, the reserves increased to \$575.290 billion from \$572.771 billion reported for the week ended November 13.

India's forex reserves comprise of foreign currency assets (FCAs), gold reserves, special drawing rights (SDRs), and the country's reserve position with the International Monetary Fund (IMF). On a weekly basis, FCAs, the largest component of the forex reserves, edged higher by \$2.83 billion to \$533.10 billion.

However, the value of the country's gold reserves decreased by \$339 million to \$36.015 billion. Nevertheless, the SDR value gained \$4 million at \$1.492 billion, while the country's reserve position with the IMF rose by \$19 million to \$4.68 billion.



RETAIL INFLATION IS AT 6 YEAR HIGH

The retail inflation, based on consumer price index, was at a six-year high of 7.61% in October, while wholesale price-based inflation rose to a eight-month high of 1.48%. Inflation remained above the central bank 2%-6% target range for the seventh straight month. However, fund managers draw some respite from the fact that the high inflation was backed by spike in food prices, gold and oil.

Food inflation went up to 11.07% from 10.68%, the highest since January. Prices of vegetables jumped 22.51%, egg 21.81%, meat and fish 18.7% and pulses 18.34%.

They believe the arrival of winters should ease the price and bring down the inflation numbers considerably. Here is what the fund managers said:

Avnish Jain, fixed-income head, Canara Robeco Mutual Fund

While inflation in recent times has been higher than RBI's upper band of 6%, it is on back of higher than expected food inflation. The lockdown and subsequent disruptions of supply chains impacted prices of essential items. Further, unseasonal rains in the recent past impacted standing crops keeping food inflation unreasonably high. However, it is expected that the arrival of winter crop should ease prices. Also government increased excise duty on fuel, which had an impact on fuel inflation but this was a one-time impact. Global oil prices continue to remain under pressure as oil demand gets hit on back of pandemic induced global slowdown, which should likely keep a lid on fuel inflation going forward. Going forward, it is expected that with contraction in GDP, demand driven inflation should continue to moderate. Market participants perceive the recent surge in inflation as transitory and the same has been opined by the policy makers as well. Bond yields have been on a downtrend driven by dovish RBI policies as well excess liquidity and it is expected that rates are likely to remain lower in the near term.

FIN-SCAMS: This series will cover some major scams which occurred in the financial market and significantly affected the economy.

Stratton Oakmont may have looked like a respectable stock brokerage firm from the outside, but it was a bona fide boiler room in fact. A boiler room is a term used to describe an outbound call center that, often over the telephone or by email, sells dubious stocks and investments.

To drive under-performing stocks (typically penny stocks) on to unsuspecting victims, Stratton Oakmont practiced deceptive tactics. Employees of the company often spread false and misleading statements to investors to sell more stocks and push up the share price. Stratton Oakmont had already held stakes in the firms they were selling all the while. They would then sell their shares and walk away with a hefty profit if their schemes led to a higher share price. This tactic, which is a form of fraud, is known as 'pump and dump.'



Jordan Belfort

In 1989, the securities company Stratton Oakmont, which was a subsidiary of Stratton Securities, was started by Belfort. Here as a penny stock trader, Belfort will continue to improve his skills and begin marketing penny stocks to other investors. But when Stratton Oakmont started running the company as a boiler room, things began to take a turn for the worse. Belfort would encourage penny stocks during the boiler room days through aggressive marketing that pushed up the price of these stocks. Belfort will then tell his investor team to dump the stock over time earning him millions of dollars.

Stratton Oakmont hired 1,000 traders at its peak, responsible for issuing stocks worth over \$1 billion. These fraudulent acts cost millions of dollars to investors, and this soon attracted the attention of the authorities. Belfort's pump and dump days were over when his company was permanently shut down in 1996 by the Financial Sector Regulatory Authority.

In addition to money laundering, Belfort was charged with securities fraud, which sent Belfort to jail.

Jordan Belfort also sold non-existent stock.

Jordan Belfort's friend, Danny Porush, grew up with Steve Madden, a women's shoe company. JB took Steve Madden public but he, Steve and Danny owned large shares in the company which was illegal. JB made Steve Madden sign a paper saying that the stock is his no matter how high the price goes and to put the stock certificate in escrow (safe hands). This meant Steve Madden was part of this stock fraud. This is because Steve Madden was only allowed to be listed on NASDAQ if the underwriter only owned 5% of the stock. But JB etc owned more than 5% so that was illegal.

A rathole was someone who owned shares of stock on paper. But you couldn't own more than 5% of any stock. JB secretly bought large amounts of new issue stock at standard prices JB would set. In the case of Steve Madden, of the 2 million units up for public offer, 1 million were purchased by ratholes at which JB would buy the stock back (for about 1-5M) at the standard initial price or less so that the ratholes made a profit of \$1.50 every 1 stock and then JB would artificially increase the price because of the amount of buying and selling this would cause as everyone would 'pick up the fucking phone and start dialling'. JB then

Belfort was sent to Taft Correctional Institution to begin a four-year jail sentence after being found guilty of securities fraud and money laundering. But he was released after serving 22 months after working out a plea bargain with the FBI for his cooperation.

Part of the plea agreement ordered Belfort to refund \$110 million to investors he defrauded in the course of his pump and dump operations. This will require Belfort to pay investors back 50 percent of his potential profits.

But later, a judge ruled against 50 percent after a few court hearings and ordered Belfort to pay a fixed amount of \$10,000 a month. Belfort agreed to this number and seemed to be pleased with this decision.

Belfort turned over a new leaf during his time in jail and published two books: *The Wolf of Wall Street* and *Capturing the Wolf of Wall Street*. Now Belfort is a motivational speaker who speaks at different venues across the country, and he also talks about his days in the boiler and the errors he made in the past.

TEAM FINARTHA

The **FINANCE CLUB OF MDIM**

BATCH OF 2019-21 & BATCH 2020-22

ISSUE - 72 | DATE - 28th November



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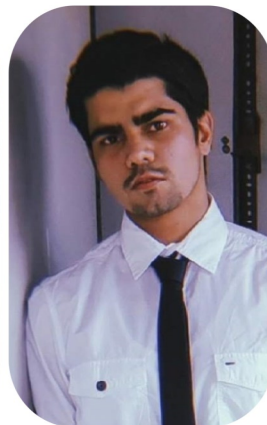
Shubham
Bhattacharya



Joy
Dutta



Megha Poddar



Rahul
Dhankhar



Navin
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