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FINDEPTH

CURATED BY
BULLS AND BEARS - FINANCE CLUB OF PDEU

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NOTE FROM B&B

When we launched FINDEPTH a year ago, it was with the aim of making finance understandable and accessible to every student, whether or not they study finance. It's an undeniable fact that finance is an essential skill and this is what led to the creation of FINDEPTH. Every edition of this magazine is handcrafted by our team - from curation to editing to marketing, every detail is taken care of by our team. Birthing every Findepth is a task in itself but we'll continue to do so, if it means making even a single somebody financially aware. This vision and the passion behind it makes our team more determined to conduct rigorous research and brainstorm and bring out the best possible edition for our dear readers!

In an effort to widen your reading capacity and encourage finance inclusiveness, we have related finance with technology, International Relations, Startups and some common found practices in the world of finance in this edition.

We are grateful for all the love and support we have received for past editions of FINDEPTH, your appreciation is truly valuable to us. Finance is an ever-evolving field and so there are tons of concepts to learn from! If you, our readers, wish to contribute to FINDEPTH in any way, be it articles, jargons or the hilarious fintoons, feel free to reach out to us via email or Instagram!

Signing off on the behalf of Core 21-22 :)
Happy reading!

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FINANCE

FINTECH: A CURSE OR A BLESSING?

AI is a term thrown around a lot in today's conversation. But what do we know about it? Do we understand the importance of AI in the current world? Let's start with the basics to understand AI and how it gained significance in the market so quickly?

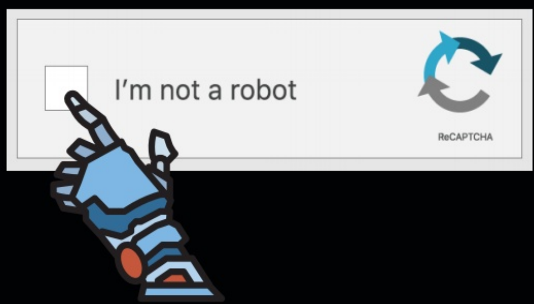
AI (Artificial Intelligence) is a machine's ability, like a computer or a robot, to mimic human intelligence to achieve a specified goal. Its main aim is to take the necessary steps after analyzing everything to reach the final objective. From self-driving cars to cancer-identifying cells machine to Spotify's recommended playlist, AI has dipped its toes in all the fields. Online AI tools can write content from scratch after setting the requirements. One may find it difficult to determine whether an AI has written this article or not.

The finance sector stores a colossal amount of data in the personal, consumer, and corporate finance world. Banking, marketing, e-commerce, HR, and many more benefit from the use. AI saves the day by crunching the data swiftly to give an efficient outcome. It can track the consumer's patterns and online searches to engage better with them or assist users in the form of a chatbot on websites or apps. In a short period, AI can refine and neatly organize data used in marketing, human resource, and research.

Consumers are always in need of help in managing their financial health. Companies and banks could provide better consumer interaction and quickly assess risk factors by incorporating AI in such services. It reduces human error and mundane work. The biggest bonus is that it saves money, the most salient thing in the sector.

But such a powerful tool in the wrong hands could lead to a disaster. Fraudsters can use AI to create powerful, highly believable scams with sophisticated deep layers. Voice cloning and deep fake scams are increasing in number day by day. Voice cloning recreates the person's voice and copies their habits, accent, and vocabulary down to the details. Add AI-generated videos in, and we get deep fakes. Such technology can be too complex for a regular person to notice. Many companies have fallen for this con. In 2019, the CEO of a British energy company was scammed of €220,000 due to voice phishing. The CEO believed he was on the phone with his boss, who requested the money transfer. He instantly recognized his boss's German accent and the pleasant way of talking. When the boss's words weren't matching the transfer details, he started to get suspicious of the caller's identity. But it was too late as the transaction was already completed, and the money was last seen being distributed across the globe from a Mexican bank account.

If AI is the poison, then it is also the antidote. Nothing can compare to an AI when it comes to fraud detection. AI can be trained to monitor and recognize the customer's financial habits. With the help of this assistance, even the tiny "not-visible-to-most" questionable activities can be flagged down quickly. Together with human fraud experts, AI can help them work smarter.



Along with this, AI is also non-corruptible. AI cannot be bribed or threatened to turn the other way than humans purposefully. Banks and companies need to ensure that data collect more data to ensure that AI keeps on improving itself to pull a fast one the scammers.

Introducing AI to this field has changed the entire game. It's a constant battle to outsmart the other and stay on top. One should constantly be up to date with their account summary and immediately report suspicious activities. Along with AI, our active participation is also needed to outwit the fraudsters.

Written By: Megha Mistry (19BEE046)
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INDIA UAE TRADE AGREEMENT

When COVID hit the world in 2019-2020, supply chains across the world were severely disrupted resulting in a substantial decrease in imports and exports of goods from the countries, because of that trade between the countries was severely affected. India's international trade worth 348 million United States Dollars (USD) was impacted, and India was among the top 15 countries which were most affected economically due to this pandemic. Since we are on the cusp of getting rid of this virus, the Government of India is making strategic moves by negotiating bilateral trade agreements with United Arab Emirates (UAE), United Kingdom (UK), and Australia to cop up with the loss suffered by India in terms of International Trade, recover from the loss and re-engineer the economy. India is also negotiating Financial Trade Agreements (FTAs) with European Union, Canada, and Israel but India's FTA with UAE is very important and of considerable interest for India as UAE is India's 3rd largest trade partner and this FTA is equally important for UAE as India is also UAE's 2nd largest trading partner.

This FTA between India and UAE is also the first Free Trade Agreement signed by Narendra Modi-led Government since it came into action back in 2014 and is also the first FTA to be signed in the decade. Discussions and Negotiations around the deal started back in September 2021. This deal was negotiated in just 88 days, making it the fastest trade deal to be negotiated until now, which clearly reflects the volume of the two sides' commitment, enthusiasm, and the urgency of the moment considering the requirement of greater international cooperation and more strategic partnerships to recover from the impact of a pandemic in general. The talks concluded on February 18 and India signed an 880-page long trade pact with the UAE called The Comprehensive Economic Partnership Agreement(CEPA), which was signed by commerce and Industry Minister Piyush Goyal and UAE's Minister of Economy Abdulla Bin Touq Al-Marri in New Delhi, which aims to reach new heights in Bilateral Trade between two countries by cutting import duties on a wide range of products and increasing bilateral trade to almost double from current 60 billion USD to 100 billion USD in the next 5 years.

Before this agreement, we were facing disadvantages in terms of duties being imposed in accessing UAE markets, but those duties have now been addressed. The CEPA will provide significant benefits to Indian and UAE businesses such as increased market access and reduced tariffs. Earlier, only 11% of total tariff line were given duty-free access to the UAE market while 87% of products were facing 5% duty and 2% were facing 10% or more duties, with CEPA coming into action from 1st may, 2022, 80% of tariff line and 90% of India's exports by value will be given duty-free access to the UAE market from the day one itself and in the coming years it is expected to cover 100% of the product line.

How will The CEPA benefit India?

The CEPA has opened vistas of opportunity in trade for both goods and services as well as investment between both the countries.. The CEPA will be substantially beneficial for labor-intensive sectors such as gems and jewelry and many more, with these products getting duty elimination and easy access to UAE market, exports from this product lines will rise significantly and boost the trade in the foreseeable future, this increased trade of products from this sectors would help to create 10 lakh job opportunities in next 5 years for the upcoming youth of India among which over 2 lakh and 1 lakh jobs will be generated in Textile and Plastic products sectors respectively plus the job creation in UAE due to this pact will also help 35 lakh Indians living in UAE. Not just goods, CEPA also covers 11 service sectors and 100 sub-sectors that are expected to be benefited. With CEPA being applicable, 15 billion USD worth of additional trade in services is also expected in the next 5 years which is double the trade reported in pre-pandemic years. Not only this CEPA will also provide an indirect strategic advantage to Indian products since UAE functions as a global trading hub, it will act as an excellent entry point for Indian products in getting closer and giving access to the Middle East, African and European markets.

How will The CEPA benefit UAE?

The CEPA is a win-win for both India and UAE. From UAE's perspective, it will act as a bridge to double the size of UAE's economy from 0.38 trillion USD to 0.8 trillion USD by 2030. The CEPA is also going to add about 9 billion USD to the UAE's economy which is about 1.7% of their GDP. It would also create 1.4 lakh jobs in priority sectors for UAE. The bilateral agreement will initially give duty-free access to 65% of products and over a period of 10 years, 90% of products from the UAE will be given duty-free access to the Indian market.

UAE exports about 200 tonnes of gold to India every year. Now, under the agreement of CEPA UAE will be charged 1% less than the tariff that is charged from the rest of the world. Swiss city Zurich is currently responsible for more than half of India's gold imports. With this concession on duty getting applicable, gold importers in India would prefer to buy more than 200 tonnes of gold from UAE and Dubai could replace Zurich as the biggest gold exporter to India in the foreseeable future. UAE has also given favorable concessions for their priority exports.

Safeguarding Mechanism to help Domestic Industries

The CEPA became the first of its kind in India's FTAs up till now to incorporate a safeguard mechanism. The government has addressed and criticized the unavailability of safeguarding mechanism in FTAs that have been negotiated previously that left the domestic industries vulnerable and kept them at risk especially when the surge in imports was observed, which was the main reason behind the trade deficit with the Association of South East Asian Nations (ASEAN) after signing the FTA with ASEAN back in 2010.

The CEPA incorporates a permanent safeguard mechanism that allows either of the countries to put restrictions on imports when the need arises to protect the domestic industry. Both the countries have also drafted separate exclusion lists, consisting of the products that they want to keep out of the norms of FTA to help domestic industries grow in these product domains.

Rule of Origin

The CEPA also became the first deal to be signed by India with stringent rules of origin norms. The agreement ensures stringent monitoring of trade flows from both the countries to prevent products from countries other than India and UAE from circumventing FTA trade routes and getting benefited from the tariff quotas as per the agreement, for example, products from China are not allowed to get duty-free access from India to UAE and vice versa. This was the major concern for India in previous FTAs which has now been addressed. The Rule of Origin has mandated stringent norms for value addition, if the goods from other countries are to be passed through this FTA route, then they are subjected to value addition norms such as a certain amount of economic value must be added to the product if it is not made in India or UAE.

New Topics addressed and initiatives taken

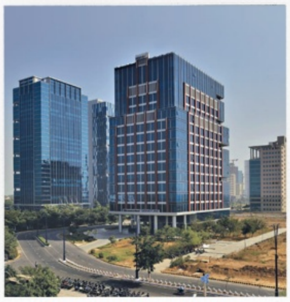
The CEPA is one of India's "New-Age FTAs" which incorporates the topics which are untouched or have never been addressed in the previous FTAs. The name itself says the "Comprehensive" agreement, which is clearly reflected in the pact since a very comprehensive or diverse range of topics and initiatives have been considered while signing the agreement. It has embraced all aspects of bilateral ties. These comprise detailed and separate chapters on government procurement, digital trade, and intellectual property rights. This FTA will allow companies to access government procurement processes for the very first time, which will open investment opportunities for both the sides. Digital trade will focus on cooperation, provisions for cross-border transfer of data, and harmonization in digital standards.

For the first time, problems faced by pharmaceutical products in accessing other countries' market is addressed. This deal includes automatic registration and marketing authorization within 90 days for Indian products approved by any of the developed countries such as the United States of America (USA), UK, European Union, and Japan to ensure the rapid and easy access of Indian pharmaceuticals to the UAE market. India has also got liberalized visa regime under the pact, in which UAE has liberalized its visa rules for Indians by making the process smoother. Under the FTA, business visitors will get a 90-day visa, contractual service providers can get 90-day visas that are extendable and Intra-corporate transferees can get a 3-year visa.

Under the FTA, a memorandum of Understanding (MoU) has been signed between the Agricultural and Processed Food Products Export Development Authority (APEDA) and DP World & Al Dahra to invest 7 billion USD to develop a food security corridor in India. DP World and India have also committed to invest 136 million USD in developing Free Trade Zone in Mumbai. Two sides have also pledged to work on creating investment opportunities for Indian investors in establishing specialized Industrial Advanced Technology Zones in Abu Dhabi with a focus on logistics, pharmaceuticals, food, healthcare, ICT, renewable energy, e-commerce, and Agri-tech and also setting up dedicated India Mart in Jebel Ali Free Zone. To boost cooperation in climate actions, both the nations have agreed upon setting up a joint hydrogen task force to promote the hydrogen economy. Under the pact, India has also agreed to set up an Indian Institute of Technology (IIT) in the UAE.

MoU signed between The Financial Services Regulatory Authority of Abu Dhabi Global Market (AGDM) and GIFT city, Gandhinagar

As a part of the CEPA, Abu Dhabi Global Market (AGDM) and Gujarat International Financial Tech (GIFT) City have extended their partnership in which they have pledged to work closely and collaborate to take efforts and initiatives for the development of financial markets in both the countries. This new partnership was established by signing the MoU. This MoU provides a framework for the exchange of views and expertise in the field of banking, financial securities, and security regulation of each jurisdiction. It also provides a platform for both the organizations to conduct joint activities and training initiatives for the development of skilled human capital and improve their capabilities and promote growth in both financial markets. This MoU enables both financial centers to synergize their efforts and knowledge to work on mutually beneficial financial projects and create business and investment opportunities in both the countries.



Gujarat International Financial Tech (GIFT) City

Abu Dhabi Global Market (AGDM)

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Maintain the 'Repo'?!

While maintaining the 'repo' 11 times straight in a row i.e for nearly two years, RBI finally decided to stir up the key interest rates with surprise announcements made by RBI Governor Mr. Shaktikanta Das on 4th May and 8th June 2022. From how it started to how it's going, let's get into the concepts of repo rate and reverse repo rate.

The Repo rate or repurchase rate is the interest rate at which the commercial banks borrow money from RBI to meet their short-term fund requirements by selling or mortgaging government bonds with a written agreement to repurchase them at a fixed date. The 'short-term' varies from one day (overnight Repo) to 7 days, 14 days, 21 days, or a maximum of 28 days (Term Repo).
Citing RBI Publication Reports dated 06th August 1999; RBI says, "The repos were described to be in the form of sale of dated government securities by the RBI for very short periods with a confirmed buy-back provision."
"But if the banks have to borrow from the RBI for its daily functioning, isn't that a warning of bankruptcy?" – We all must have thought or encountered such statements and well that's what we call a rumor, a myth. Let's go through an example to understand how repo rates play a role in managing fund shortages.

Example – Assuming that ABC bank has only two functions to perform; collecting savings in form of deposits and lending money in form of loans. While loans have fixed repayment dates, deposits have a quality of high liquidity i.e banks are bound to provide the amount at the spot when demanded by the depositor. Again assuming that ABC bank has only two customers – depositor Mr. P and loan taker Mr. Q. Now, Mr. Q as per the loan agreement will repay 10 lacs on the maturity date i.e exactly a week after. Mr. P today had a medical emergency and now demands his savings account balance from the bank which is worth 8 lacs. ABC Bank has funds worth 3 lacs and hence is short of funds by 5 lacs.
Now, is ABC Bank on the verge of bankruptcy? Let's check. Their income statements are flawless, the bank has been earning consistent profits every quarter, and the bank has profitable investments and credible loan agreements. Everything seems perfect and guess what, EVERYTHING IS PERFECT.
The situation is nothing but a liquidity crisis arising from factors such as maturity mismatching between assets and liabilities, lack of properly timed cash flow, paying ongoing operational bills, etc.

MONTH OF CHANGE OF REPO RATE	REPO RATE
JUNE 2019	5.75%
AUGUST 2019	5.40%
OCTOBER 2019	5.15%
MARCH 2020	4.40%
MAY 2020	4.00%
MAY 2022	4.40%

Source: RBI

RRR i.e. reverse repo rate is a mirror image of Repo Rate and not Rajamouli's RRR. The Reverse Repo Rate is the interest rate at which RBI borrows money from commercial banks. It's not always commercial banks who are in need of money. Putting it another way, the reverse repo rate is a tool through which commercial banks park their extra funds with RBI against government securities.
The Reverse Repo Rate is always kept lower than the Repo Rate because RBI is also a banking institution and hence, earns from the difference in interest rates.

MONTH OF CHANGE OF REPO RATE	REVERSE REPO RATE
MAY 2019	5.75%
JUNE 2019	5.50%
AUGUST 2019	5.15%
OCTOBER 2019	4.90%
MARCH 2020	4.00%
APRIL 2020	3.75%
MAY 2020	3.35%
MAY 2022	3.75%

Source: RBI

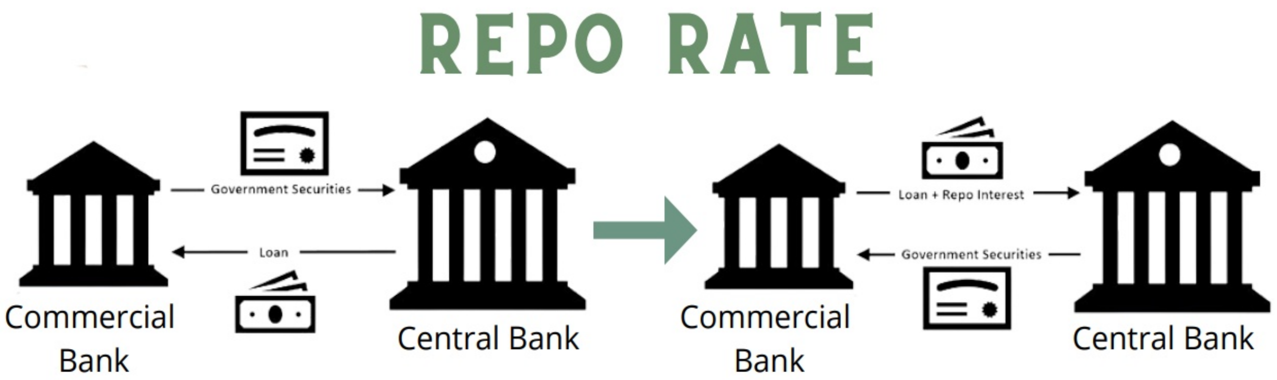
Repo and Reverse Repo rates as Monetary Tools:

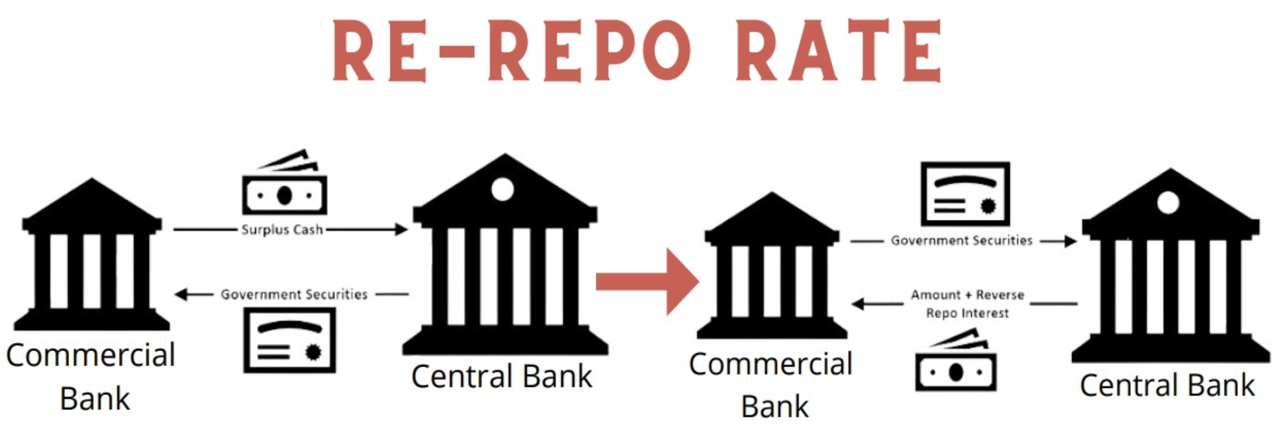
The Repo rate plays an important role in India's monetary policy to regulate inflation, the country's money supply, and liquidity in the economy, especially in the short run. Let's consider the following situations and how decisions about both rates can impact the economic situation.

- High Inflation RBI undertakes efforts to reduce money supply Increases Repo Rate Acts as a disincentive for banks to borrow money from RBI Banks have lesser money to lend Reduction in the money supply.
- High Inflation RBI undertakes efforts to reduce money supply Increases Reverse Repo Rate Acts as an incentive for banks to park more funds with RBI Banks have lesser money to lend Reduction in the money supply.
- Recession/Depression RBI undertakes efforts to increase the money supply Decreases Repo Rate Acts as an incentive for banks to borrow money from RBI Banks have more money to lend Increase in the money supply.
- Recession/Depression RBI undertakes efforts to increase the money supply Decreases Reverse Repo Rate Acts as a disincentive for banks to park funds with RBI Banks have more money to lend Increase in the money supply.

Hence, the increase and decrease of both rates have a similar impact but differently. Pretty much the reason why they are termed as mirror images of each other.

Note: With economics, come assumptions☺. It is assumed that all other variables remain constant when there is a change in any of the rates.





Current Repo and Reverse Repo Rates

RBI Governor Mr. Shaktikanta Das in a surprising move announced an increase of 40 basis points from the previous repo rate of 4.00% to 4.40% and within five weeks, a further increase of 50 bps was declared leading to the current rate of 4.90% . Similarly, RBI announced an increase of 40 basis points from the previous reverse repo rate of 3.35% to the current rate of 3.75% in May 2022.

RBI Governor in his statement mentioned the same citing persistent inflationary pressures in the economy, " Based on this assessment of the macroeconomic situation and the outlook, the MPC voted unanimously to increase the policy repo rate by 40 basis points to 4.40 percent, with immediate effect."

If the 'Why so sudden change?' question haunts your mind too, then here's the answer: RBI for the last two years had adopted an accommodative stance to withstand the then ongoing pandemic situation and now the Russia-Ukraine conflict. There are majorly two factors behind the sudden move: CPI inflation rates being much higher than RBI estimates for consecutive three months and highly probable the fourth month too and the impending Federal Open Market Committee decision.

Impact of the change in rates on the stock market:

The stock market and interest rates are inversely related. Every time the reserve bank raises the repo rate, the stock market reacts immediately. This implies that a rise in the repo rate causes corporations to cut back on expansion investment, resulting in a drop in growth and an impact on earnings and future cash flows, culminating in a drop in stock values.

The announcement on 4th May 2022 immediately pushed equity benchmarks to slump sharply with BSE Sensex plunging more than 1,400 points in the intra-day trade to close at 55,669.03. While the NSE Nifty settled below 16,700 after recording a fall of 391 points.

Furthermore, the effect of a change in the repo rate does not have a similar influence on all industries. Capital-intensive industries, like capital goods and infrastructure, are especially exposed to these shifts due to large capital or liabilities on these organizations' accounts. While equities in industries such as information technology (IT) and fast-moving consumer goods (FMCG) tend to be less affected.

Impact on general public:

Loan interest rates will begin to rise as the RBI raises the repo rate significantly. The repo rate increase, on the other hand, is excellent news for savers who have been experiencing declining real interest rates on their investments.

The adjustment in interest rates will undoubtedly affect consumer demand for housing, consumer durables, and other discretionary purchases. With credit to major enterprises and industries only starting to recover, the rate hike may limit credit growth to commerce as well owing to rising production costs. However, in the long run, price stability will be critical in maintaining demand.

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LOSS MAKING STARTUPS, and why investors invest in them.

With India crossing the hundred-unicorns mark and establishing its position as the 3rd largest startup ecosystem globally, it is looked at as an innovative, solution-driven model that is enabling the ease of business. While several surveys are hopeful for a further boost in the number of startups in 2022, statistics suggest a painful slowdown citing inflation as a significant reason. Around eight to ten thousand employees have been fired until now in 2022, with most startups reasoning the layoff as a financial crunch. Financial crunch occurs due to cash burn in business. Let's understand the concept of cash burn, its cause-effect and its impact on acquiring venture capital (VC funds).

Why do startups "burn" their cash?

Making a loss is not liked by anyone, but expecting the company to cover its expenses right from debut independently, is next to impossible. Especially in the initial phase of expansion, the investments and the costs are bound to be higher than the sales - which sometimes are close to zero!

Each startup has its journey of making money; it's not the same for all. Losses are an inevitable part of the journey, and hence, it's not about breaking even but instead, about the time taken to make the business profitable. In the beginning, companies naturally require a large pool of funds to set up their base.

Even today's bigshots like Snapchat were non-profitable companies until last quarter. Amazon and Facebook have been two of the biggest companies that continuously made losses until that ONE DAY they didn't. They were dependent on investor money and focused on their growth. As we see now, they did hit the jackpot.

Cash burn is when the company's sales are less than its expenses. The company focuses more on extensive marketing to generate sales. It is the cash put in to keep the company running.

There are a lot of articles on how to attract investors and how to raise funding. But the importance of using those funds finds no mention. Entrepreneurs often make a mistake while utilizing their funds.

So, here are the reasons - extensive growth, marketing expenses, set-up cost, and lack of knowledge about resource allocation.

Problems in startup systems -

Many problems exist in startup culture, which is why it's found that 90% of startups fail in the initial five years,

Here are some significant problems in the Startup system:

1. Thinking outside the box: In the intention to be unique, they often forget the need of the product. A product is made, but does one really need it? It's like making a solution for a problem that doesn't even exist.
2. Diversity in taste: India is the second most populous country - understanding and fulfilling all the needs and providing the same product throughout the country does not work.
3. Investing in the wrong people: Sometimes startups hire and invest in employees only to realize that they have wasted their limited capital on bad recruits. Hence, resource allocation remains a crucial factor in successful businesses.

4. Start-ups only focus on populated & developed market areas and work according to that same market. This makes it more concentrated, ignoring all the rural demands. All the competition is for the same market and none for the one in need.

So, all these listed problems do exist and lead to loss-making startups. However, the fact that they still raise funds and DO get venture capital at beaming valuations is something worth pondering upon - which brings us to the following question:

So, why does an investor invest in a loss making company?

Today, the start-up's value is not based on the profits they have earned but on the growth they have made—VCs reward startups to burn before they earn. Today more startups are burning over ten crore every month, than ever before in the history of India. This is on purpose - making a planned loss - and there is an apparent method to this madness of losing money. Choosing not to be profitable in favor of growth is now a strategy as long as large profits can be anticipated in the future.

Every investment in any idea needs some time to bear fruit, but in the case of startups, the assumptions are much bigger & aggressive. Entrepreneurs today are not worried about making their business profitable.

Some VCs invest in startups to sell them for higher returns when the startup grows. They wait for big investors to look for the opportunity in the start-up or for more prominent companies to acquire the startup.

Going for profitability too early often means limiting growth. An extensive customer base needs to be developed, and research needs to be done. Profit in the early stage implies something isn't right. The company's brand value also makes a difference, even if the company is not making any profit but shows greater growth every quarter.

So, while making a profit is the end goal, being bigger and better is the major goal for startups and investors

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TAPERING

Tapering refers to policies that modify ancient financial organization activities. Tapering efforts are primarily aimed toward interest rates and at dominant capitalist perceptions of the long-standing time direction of interest rates. Tapering measures could embrace impulsive discount rates or reserve requirements. Tapering may involve the fastness of purchases, which, theoretically, finishes up after reversing a central bank's quantitative easing (QE) policies.

Tapering is instituted once QE policies have accomplished the desired impact of stimulating and helping the economy. Tapering can exclusively be initiated once some reasonably economic utility has already been operated. As a result of their dependence on sustained money input beneath QE, the money markets could experience a downswing in response to tapering; this may be known as a "taper tantrum." Taper tantrums may prompt financial organizations to re-accelerate purchases (and reverse the tapering strategy).

Central banks haven't been able to unwind their expanded balance sheets for the majority. In 2021 the financial organization of the united states, the FED, has taken the help of the instrument TAPERING. They began the method of tapering the center in 2021. In March 2020, once the COVID-19 pandemic brought components of the economy to a virtual standstill, the Fed initiated each of the suggestions at its disposal to stimulate growth — cutting interest rates and assets. Once reducing short interest rates to zero, the financial organization began shopping for bonds and mortgage-backed securities at $120 billion per month.

At the time, Fed officers said the strategy would continue until "substantial further progress has been created toward our maximum-employment and price-stability goals." When nearly a year of widespread public speculation, the Fed determined the goals had been met and, in Nov 2021, said it had been time to the faucet. This was the aim that the Fed figuratively began carrying its foot from the accelerator by reducing the monthly pace of Treasury purchases by $10 billion and mortgage-backed securities purchases by $5 billion. At times, policymakers signaled that they may not faucet the brakes and lift interest rates until tapering is finished in mid-2022.

You might know what happens once FED tapers. Tapering, like quantitative easing, involves the manipulation of the economy.

Investors can interpret a sped-up taper as a sign that interest rates are getting to be raised soon, resulting in a panic as was seen once when Fed officers indicated that they'd begin tapering the asset-purchase program during worldwide financial crisis. Alternatively, tapering too slowly, or failing to spice up interest rates at the right time, will fuel inflation.

"Historically, when the Fed tapers and hikes interest rates, you mostly see bond prices go down, and interest rates move up, and extremely you see the stock market perform well over the next twelve months as a result of once the Fed is alternating it's because of a strengthening economy," says Heeten Doshi of Doshi Capital Management. "This time around, despite the Fed quickening its taper, we've seen interest rates rally due to the bond market being disturbed concerning COVID."

Zimmerman points out the impact of tapering on two utterly different slices of the gain strata. "Those who rent rather than own their home and who may need few long-term investments will see inflation erode their real purchasing power faster than their incomes can rise," Zimmerman says. "By contrast, those that own homes can most likely see the worth of their home increase at the pace of inflation. and people who hold investments like stocks have the good thing about an occasional interest-rate environment, that creates future cash flows value even extra in today's dollars, pushing company valuations up."

As a counterpoint to QE, Tapering provides a necessary balance to the consequences of lowered interest rates and significant infusions of money into the economy. It's the simplest way for the Fed to pull back and permit a hurt economy to heal and grow; exploitation of the Fed's preliminary tests most employment and worth stability. It's necessary to know that tapering, like QE, may be a relatively recent addition to the Fed toolkit.

Furthermore, every scenario that needs each QE and tapering differs from the one that came before. There is, as yet, no best thanks to answering the consequences of tapering save to comprehend that, at its essence, tapering is a trial to come to "normal." till then, it is best to concentrate but not panic.

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Edited By: Diya Desai (21BABBA131)

Strangely Expensive Things being bought and sold

There's nothing erroneous with being rich, however a few organizations make some truly unwise items that outrageously truly get bought. Look at the items beneath to discover some genuine things that are actually ludicrously estimated which just rich individuals could purchase. You need to be more than rich to buy the things in the list below.

LEONARDO DA VINCI: SALVATOR MUNDI (CA. 1500) - $450.3MILLION

Christie's auction house in central London on October 22nd, 2017 auctioned Leonardo da Vinci's: Salvator Mundi in New York on November 15th, 2017 which was bought by Saudi Crown Prince Mohammed bin Salman, who bought it on behalf of Abu Dhabi's Department of Culture and Tourism. The Salvator Mundi is the most expensive painting ever recorded till date.

THE CARD PLAYERS': PAUL CEZANNE - $250MILLION

The Card Players' by Paul Cezanne is a series of oil paintings which consists of five paintings. It was painted in the final period of Paul Cezanne in early 1890s. One version of The Card Players was sold in 2011 to the Royal Family of Qatar for $250Million setting up a new standard for highest ever price for a painting ever not surpassed until November 2017.

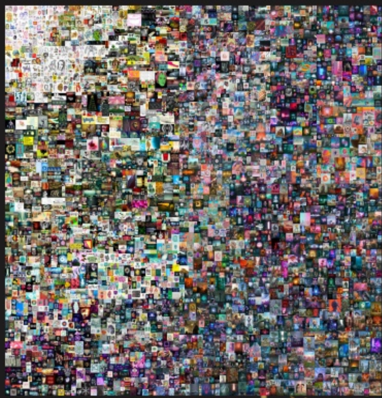
REMBRANDT VAN RIJN: PENDANT PORTRAITS OF MAERTEN SOOLMANS AND OOPJEN COPPIT (1634) - $180MILLION

These paintings were painted by Rembrandt van Rijn in 1634, on the occasion of the marriage of Maerten Soolmans and Oopjen Coppit. A purchase was made on February 1st, 2016 under the names Louvre Museum and RijksMuseum when they managed to pay half the price of the paintings. On March 10th, 2016, it was exhibited for the first time in the Louvre Museum, Paris.

"L'HOMME AU DOIGT" SCULPTURE BY ALBERTO GIACOMETTI'S - $141.3MILLION

"L'Homme au doigt" is a Bronze sculpture made in 1947 by Alberto Giacometti and it was recorded the most expensive sculpture ever sold when it was auctioned on 11th May, 2015 at Christie's auction house. Currently it is under possession of Mr. Steve Cohen who is a Hedge fund Billionaire and at present the sculpture is in the collection of New York's Museum of Modern Arts.

MICHAEL JOSEPH WINKELMANN A.K.A. BEEPLE: "EVERYDAYS: THE FIRST 5000 DAYS -$69.3MILLION



The above art is a digital art made by Michael Joseph Winkelmann a.k.a. Beeple which is a collage of 5000 digital images created by Winkelmann for his Everydays series. Everydays: The first 5000 days was sold for $69.3Million at Christie's on 11th March, 2021 making it the most expensive NFT and digital art ever sold. The owner of this digital art is Mr. Vignesh Sundaresan who is known by his pseudonym MetaKovan.

MOUAWAD 1001 NIGHTS DIAMOND PURSE - $3.8MILLION

The purse above consists of 18 carat gold, 4,517 diamonds (105 yellow, 56 pink and 4,356 colorless diamonds) and the total weight of this purse is measured at 381.92 carat. The Mouawad 1001 Nights Diamond Purse was named as the most expensive handbag in the world by the Guinness World Records 2011. The owner of this purse is Mr. Robert Mouawad himself till date.

THE MOTIVE OF GETTING THESE ITEMS AUCTIONED.

The most common purpose of auctioning these arts and items is because these precious things are a single piece item ever made in the whole world and they cannot be labelled with a fixed price. Secondly, auctions give a chance to every participant to bid on the arts/items they wish to buy and at the end, the top bidder gets the ownership of the arts/items they bid for. The world's top auction houses like "Christie's" and "Sotheby's" acts as a mediator for auctioning of the arts/items between the previous owner and the interested buyers. They set an open price of the piece after researching the history and importance of that thing.

SOME AMAZING FACTS ABOUT THESE RIDICULOUSLY EXPENSIVE ARTS AND ITEMS

The paintings of famous artists like Leonardo da Vinci, Paul Cezanne, etc. and items made up of precious metals like gold, platinum, etc. are considered as investments despite their low returns depending upon the demand of the artwork.

Millionaires/Billionaires buy the paintings which value in million dollars and they get tax benefits from this purchase. For instance, a person named Mike purchased an artwork of $1Million and paid sales tax of $88,000 on it making it's total worth $1,088,000. After this transaction, Mike gave the painting to a Museum he supports to hang it under his name. Then after 5years, the artwork got an appraisal to $5million and now he decided to donate the painting to the museum and claim a charitable income tax on it. Thus, Mike will get a $5Million wave-off on his total income. Suppose his income is $15million, then because of the charitable income tax claim, $5Million will be deducted from the total $15Million and his taxable income will be $10Million for the respective year. So, Mike will save at least $1.75Million in taxes.

In another scenario, Mike could've purchased the artwork and made it shipped to the free port which are tax free storage zones and let it stay there in the dark while it gets increased in value. Then, after a few years when the value of the artwork increased, Mike decided to sell it and called the dealer from whom he bought the painting to know if there are any potential buyers for the same or not. He gets a buyer and a transaction is made between them. Mike earned a sweet profit which will be considered as Capital gains (Profit from sale of an Asset) and the tax rate on Capital gains is lower than that on income tax. Thus, saving taxes again.

CONCLUSION

There are so many ridiculously expensive paintings, digital arts and items made up of precious metals and stones that have been bought and sold at auction houses worldwide. These artworks are types of investments for the wealthy people to save some sweet amount of taxes just by purchasing and donating these items or writing them as your assets. These artworks may sound ridiculous because of their strangely high prices to common people but eventually wealthy people use them to dodge income taxes.

Written By: Mohit Patel (19BCO075)
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FINANCE PUNS

What does an accountant do when they are under pressure?
They ask their boss to cut them sum slack!

Did you hear about the man with a passion for accounting?
Finance was his principal interest!

An Australian chess master went to a restaurant and ordered some food. After finishing his food, the waiter came and asked him "Credit or cash, sir?
" He replied, "Cheque, mate"

There was a sad-looking toucan sitting outside our home. I decided to ask why he was so sad.
He told me he was sad about his large bill.

My jam business failed.
My finances got spread too thin.

I bite all my quarters...
Now I have a lot of bitcoin

JITTERY JARGONS

GODFATHER OFFER

inspired by the Godfather movie, the Godfather offer is an offer made to a target company by an acquirer. The interested purchaser offers an incontestable and generous price compared to the initial share price, thus making it difficult for the target company to reject.

SMURFING

It is the practice of evading attention from governmental agencies by structuring large sums of money into smaller portions below a threshold value. It is a common money laundering scheme which is illegal and used for covert transactions. A person who does so is known as a smurf.

ZOMBIE DEBT

It refers to the debt that has passed the statute of limitations but can be aggressively collected by the debt collector/agency. These debts being recovered even after getting expired are similar to zombies rising from their graves. There is no legal need to pay off the zombie debt.

PLAIN VANILLA

A plain vanilla swap is one of the simplest financial instruments contracted in the over-the-counter market between two private parties, both of which are usually firms and financial institutions. There are several types of plain vanilla swaps, including an interest rate swap commodity swap, and a foreign currency swap. The term plain vanilla swap is most commonly used to describe an interest rate swap in which a floating interest rate is exchanged for a fixed rate or vice versa.

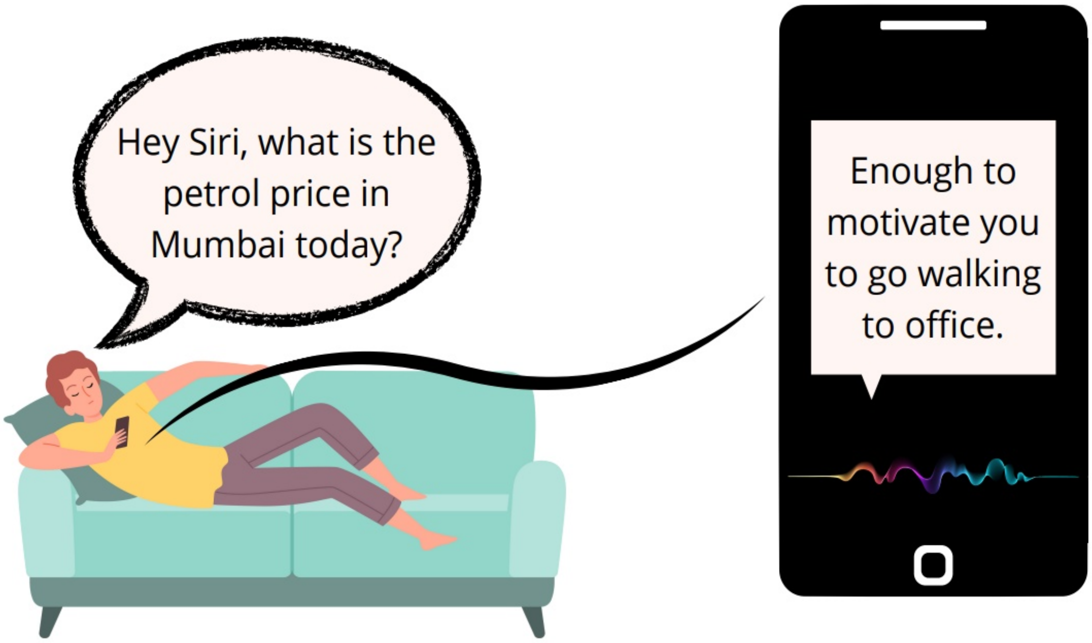
MONDAY EFFECT

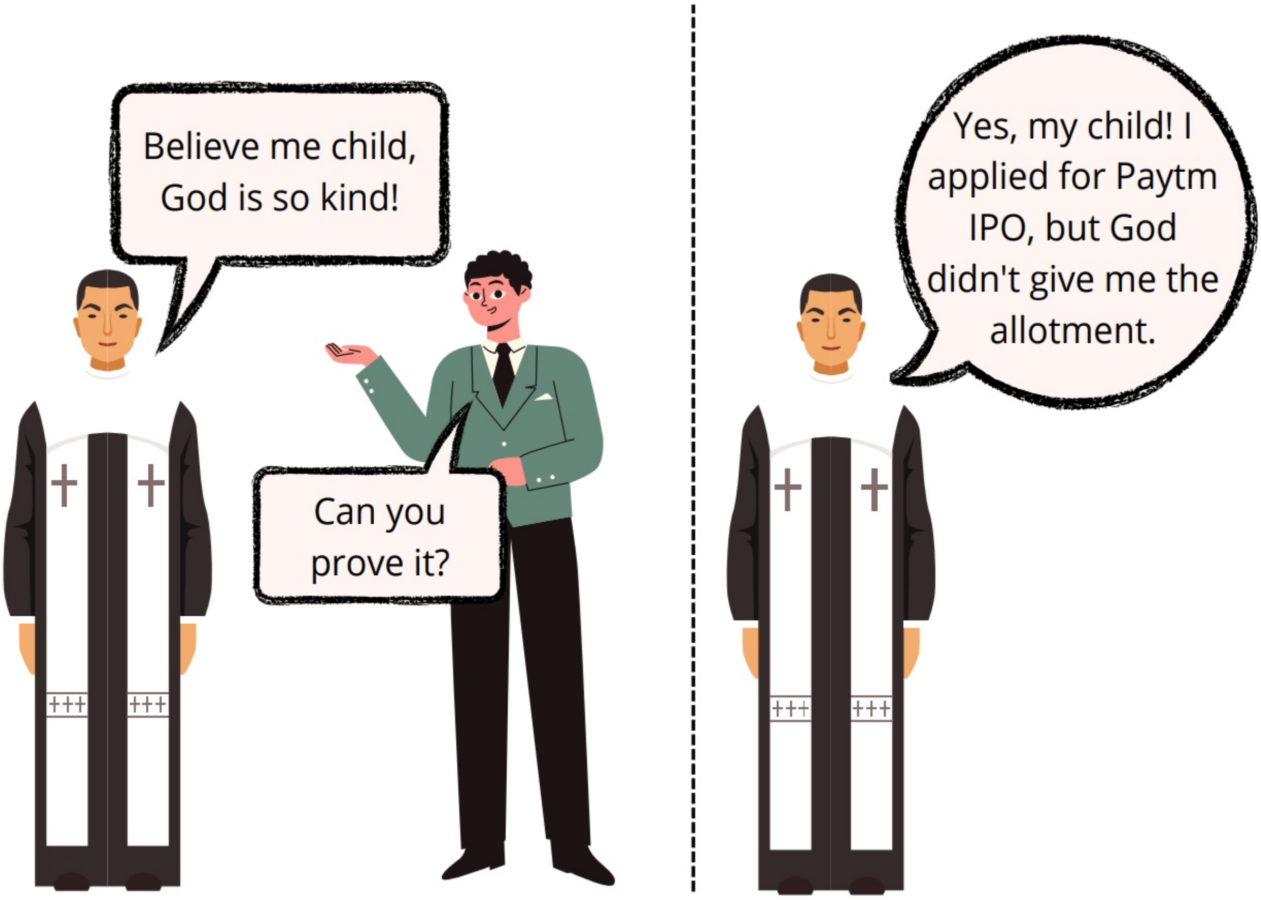
The term Monday effect refers to a financial theory that suggests that stock market returns will follow the prevailing trends from the previous Friday when it opens the following Monday. According to the theory, if the market was up on Friday, it should continue through the weekend and resume its rise on Monday while the reverse is likely to occur if the market was down on Friday. The Monday effect is important for day traders and other market watchers who rely on it to predict where the market will move at the beginning of the trading week.

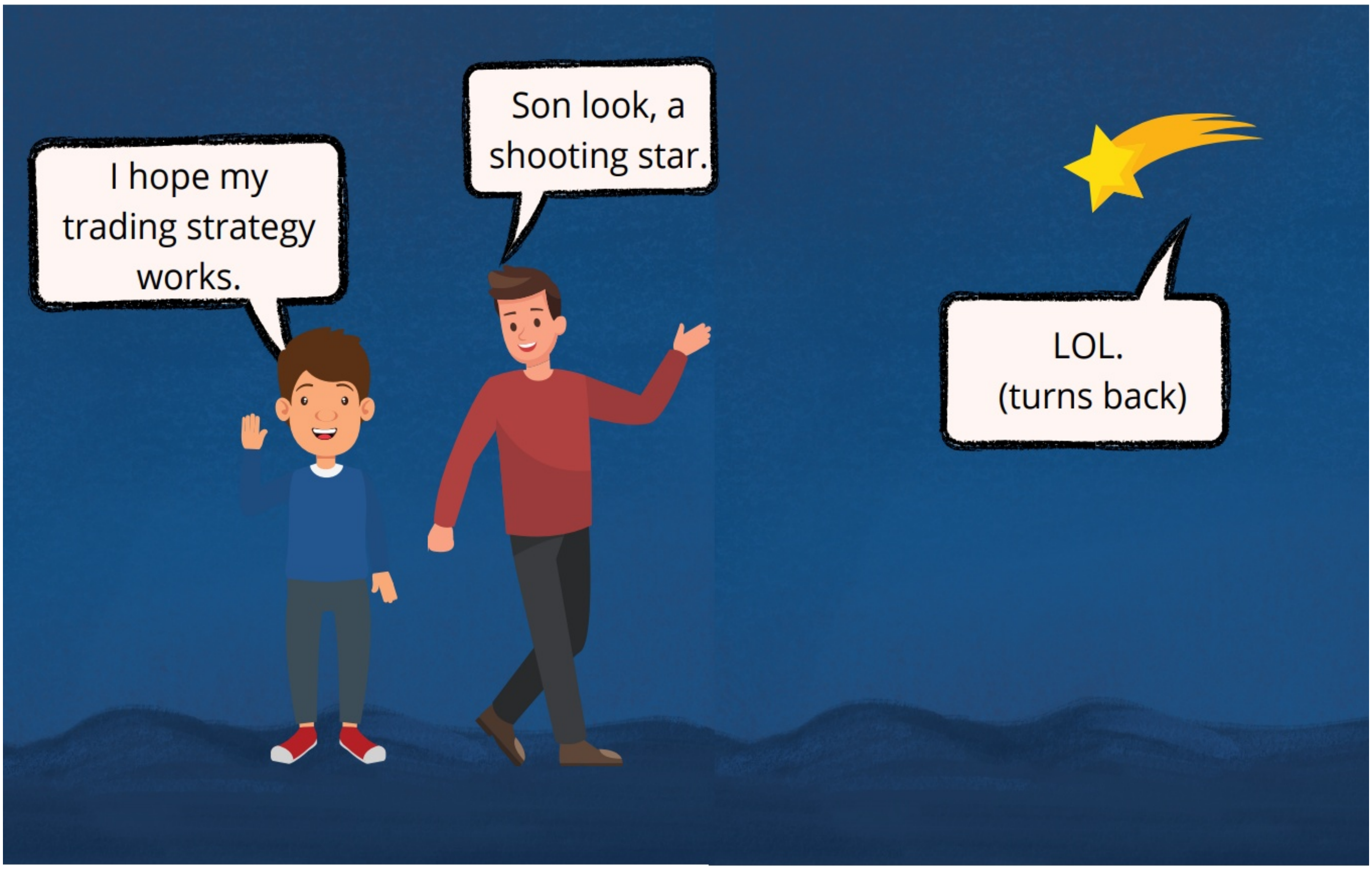
BOWIE BOND

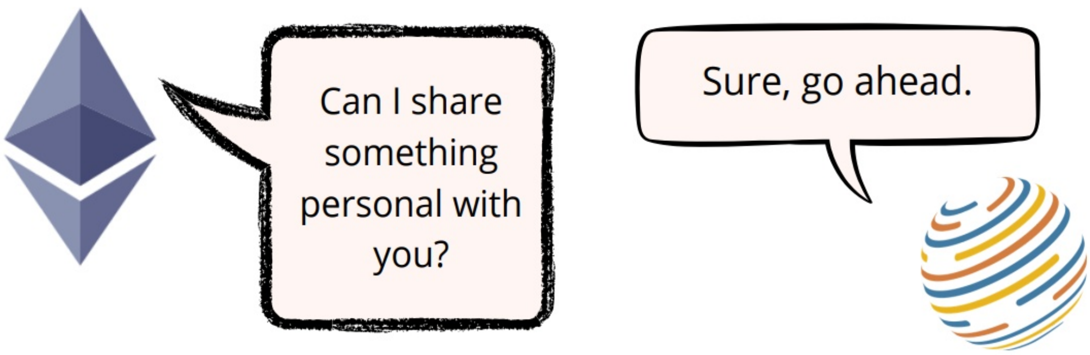
One and only asset that uses David Bowie's, the late musician, album revenue as collateral. In 1997, David Bowie teamed up with Prudential Insurance Company to raise $55 million from the interested investors and promised the income that'll be generated from his then future albums. After its success, other artists like James Brown, Rod Stewart, Tupac Shakur and many more worked to create their celebrity bonds. But with the current scenario of online streaming and file sharing, this unique bond has lost its popularity.

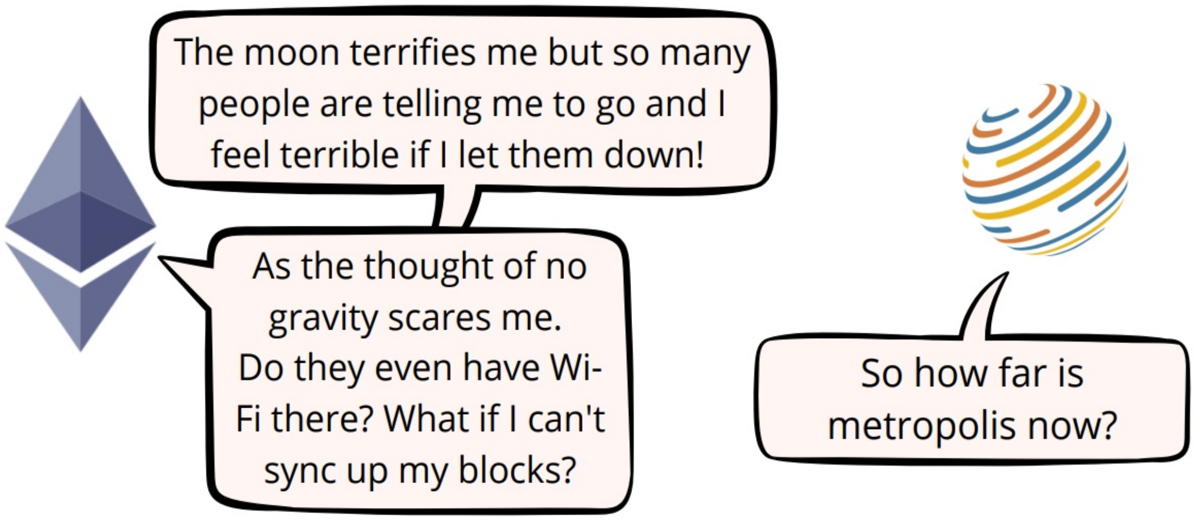
FINTOONS


Hey Siri, what is the petrol price in Mumbai today?
Enough to motivate you to go walking to office.


Believe me child, God is so kind!
Can you prove it?
Yes, my child! I applied for Paytm IPO, but God didn't give me the allotment.

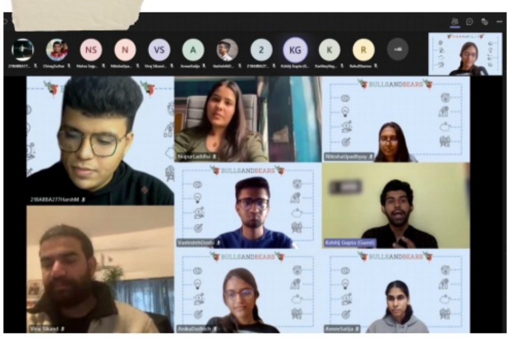

I hope my trading strategy works.
Son look, a shooting star.
LOL. (turns back)

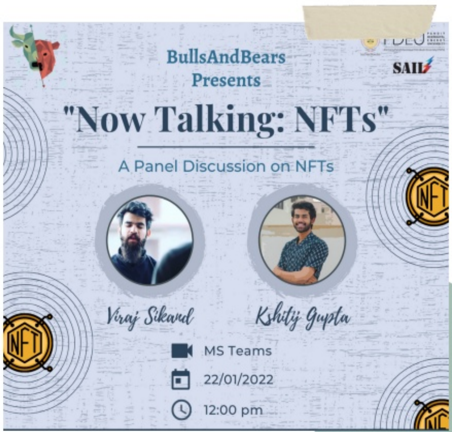

Can I share something personal with you?
Sure, go ahead.


The moon terrifies me but so many people are telling me to go and I feel terrible if I let them down!
As the thought of no gravity scares me. Do they even have Wi-Fi there? What if I can't sync up my blocks?
So how far is metropolis now?

B&B EVENTS

NOW TALKING: NFTS

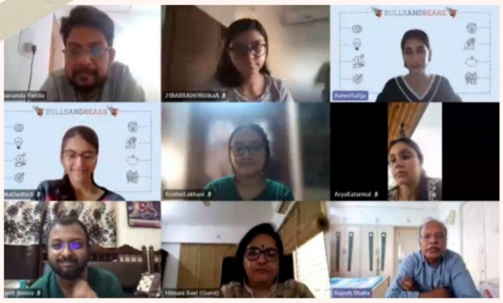




On 22nd January 2022, Bulls&Bears organized 'Now Talking: NFTs'. Non-Fungible Tokens and Metaverse have been a topic of intrigue lately and hence, B&B invited two guest speakers: Mr. Viraj Sikand, a verified NFT Artist and Mr. Kshitij Gupta, also a verified NFT Artist and core member of blockchain-backed fan engagement platform. The event witnessed 60-70 active participants from PDEU as well as different other universities. The motive of the event was to introduce our audience to a new and popular subject of discussion that may be a valuable source of income in the future, as well as to assist other students in exploring this new world and thereby providing them with vital insights. The participants were satisfied with the inputs provided to their queries by the speakers. Overall, the webinar was a great success and added valuable knowledge to the curiosity of the audience.

BAHI KHATA

Bulls&Bears in collaboration with Anirveda hosted a panel discussion on the Union Budget 2022-23 on 4th February 2022. The panel consisting of Prof. Rajesh Shah, Prof. Himani Baxi, and Prof. Rasananda Panda discussed the varied aspects of the Union Budget and its impact on the different sections of society. The entire event was hosted and moderated by Mr. Sarjeet Amin, an alumnus of PDEU. The discussion saw average participation of 30 active students from PDEU as well as different universities/colleges across Ahmedabad. Topics like Crypto Currency Bill, Tax on Digital Assets, Startup Ecosystem, Digital Rupee etc. were discussed. The panelists also provided insights into the impact of the Union Budget on the stock market. Hence, the webinar was a success in terms of interactive participation, engaging discussion and valuable knowledge.

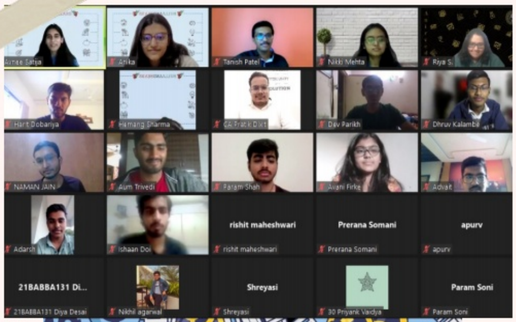


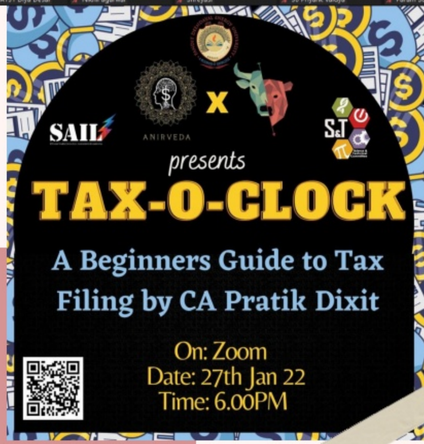
TESS FAIR

Bulls&Bears as part of Tess Fair (TESSERACT'22) organized a fun game 'Finpong' for two consecutive days where participants had to dunk the ping pong balls in the glass and questions were arranged with the same arrangement of glasses. As the balls get into the glass the questions would be asked. There were a total of 5 chances and participants giving more than 2 right answers were rewarded Vouchers. There were in all 40 participants on each day i.e. approximately 80-90 students for the entire event. The main motive of the game was to engage the students in basic aspects of finance in a very fun and interesting way and which was very well achieved by the club.

TAX-O-CLOCK

BullsandBears, in collaboration with Anirveda, as a part of its 3-day fest 'Economania' hosted Tax-o-Clock. The 'Tax-o-Clock' event was a primer on understanding the types of taxes, their importance, and an answer to the most talked-about process of filing Income Tax. The event provided a detailed understanding of different types of taxes, income tax calculations, deductions, TDS, the process of filing income tax, and also touched upon the basics of GST. The webinar aimed at spreading awareness about the seemingly confusing income tax filing process and answering the several questions that revolve around it.





GAME THEORY PERSPECTIVES ON DIGITAL MARKETS AND ANTITRUST CASES

BullsandBears in collaboration with The Economics Area, Department of Social Sciences at SLS organised an event on 'Game Theory Perspectives on Digital Markets & Antitrust Cases' with Prof. Dr. Viswanath Pingali, Faculty, Economics Area, IIM Ahmedabad. Prof. Pingali provides us with an introduction to the world of digital markets, and the economies of scale. He then also discussed single and multi-home, global and local network effects, and "the platform bubble" that exists in today's markets using case studies from Maruti, MRF, Windows, Microsoft among others. He aimed at making us understand about how data is the new strategy in digital markets and explaining the relevance of 'Stag Hunt' – which is a game that describes a conflict between safety and social cooperation.

BAZAAR

Bulls&Bears, the finance club of PDEU, hosted its flagship event 'Bazaar' on 26th March 2022 for TESSERACT'22. It is a stock market simulation game inspired by the real-life stock market. The event was sponsored by Milken and La Pino's Pizza. The event was held in a hybrid model with several participants joining the event online and was conducted through a 'Bazaar' website specifically curated for the event by the club. There were in total 100 participants with 60 of them joining offline and the rest joining online. A Dummy bank balance was provided to each participant and several companies were shown listed at different prices. Various news in forms of text, audio, and video and also rumors were spread through website and WhatsApp group. Club members enacted as CEOs of the companies, which made audience interaction more interesting and engaging. All the participants were given a Bazaar badge and notebook as mementos too.

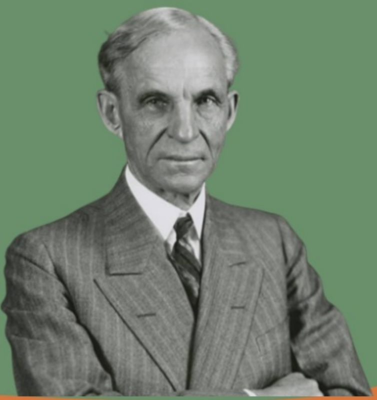
QUIZ

- Get this insect away from your face! Oh, no it's just another piece of real jargon. A _ is an investment banker used by public companies to discourage unwanted hostile takeovers.
- A _ is the price of a bond plus any accrued interest. Let us give you a hint for this one. The value of a bond without accrued interest is a clean price.
- This is an investment term for a company that continues to operate despite being bankrupt or merged and not a new George Romero flick set in a bank. It is going to sound like a rubbish film compared to what was in your heads.
- Sounds dangerous, but this is a genuine piece of jargon. This is when a bank offers a loan or another financial product at really low interest rates or prices. It's a loss-leading strategy used to increase market share.
- _ is when the prices along a futures curve rises successively as the contracts' expiration increases. More basically, it is when the futures price is trading above the spot price for a commodity.
- _ is the first derivative of duration, so it measures the sensitivity to interest rates of a bond's duration. If this is positive for a bond, the price increases at an accelerating rate when market interest rates fall. And vice versa.
- _ comes from the possibility of an early, unscheduled return of the principal of a bond or other fixed income security, usually a mortgage-backed security.
- A _ is the difference between the rate paid on an interest rate swap and the rate of the most recently issued treasury with the same maturity as the swap.

Answers:
1.Killer Bee 2. Dirty Price 3. Living Dead 4. Kamikaze Pricing
5. Contango 6. Convexity 7. Prepayment risk 8. Swap Spread

It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.

~ Henry Ford



BullsandBears

Reach out to us on:

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Thank you Reader!
We would love to hear your views on our fourth edition. You can send in your feedback/ submissions to pdpubnb@gmail.com