

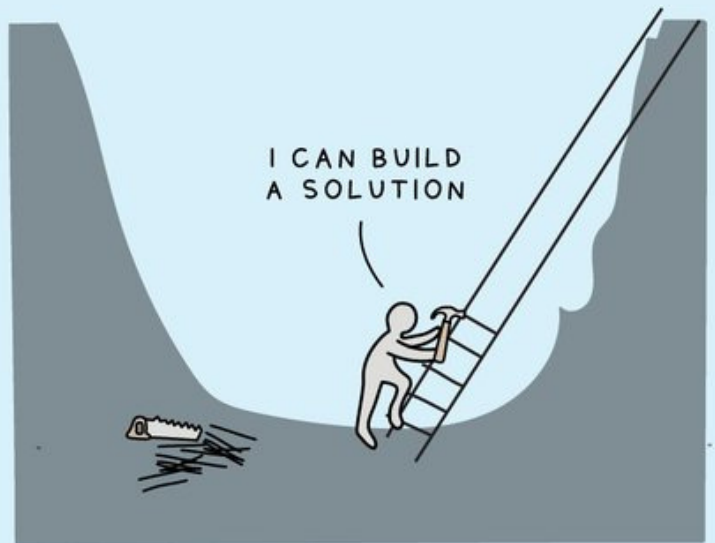
THIS FISCAL

THE MONTHLY NEWSLETTER BY SIMANDHAR ENGAGEMENT COUNCIL

FIXED MINDSET



GROWTH MINDSET



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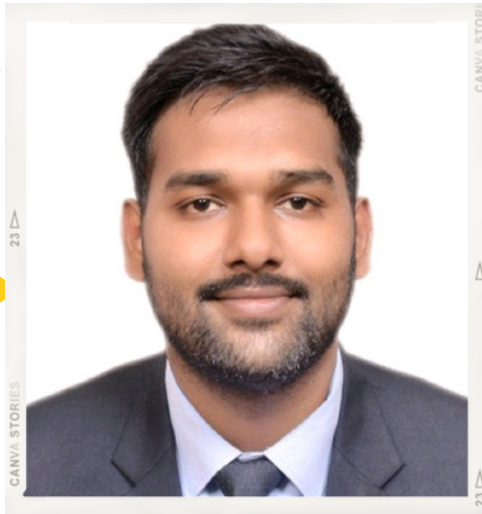
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SUCCESS STORIES FROM SIMANDHAR



Nitin Goyal
Licensed US CPA



Sohanlal Agarwal
Licensed US CPA

PLACEMENTS

 **Supriya - Deloitte**



 **Pooja Kamble - EY**



SPECIAL SHOUTOUT

Student of the Month



JATAN BHATT

CPA ALUMNI CELEBRATION



Congratulations

US CPA ALUMNI OF JULY



KARAN MEHTA



MARIAM



RADHAKRISHNA



RUMAAN KHAN



GIREESH KUMAR



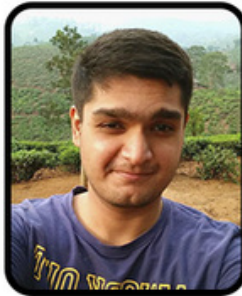
HARSHITA KALRA



LAKSHAY



KIRTHIKA KUMROUT



SHRAVAN TK



SIMRAN KAUR



ANUPAM KUMAR



DHAVAL B KAPADIA

US CMA ALUMNI OF JULY



SYNA FERNANDES

GLOBAL CURRENCY WAR

ALL YOU NEED TO KNOW ABOUT THE CURRENCY

Contributed by
Deepti Sasikumar



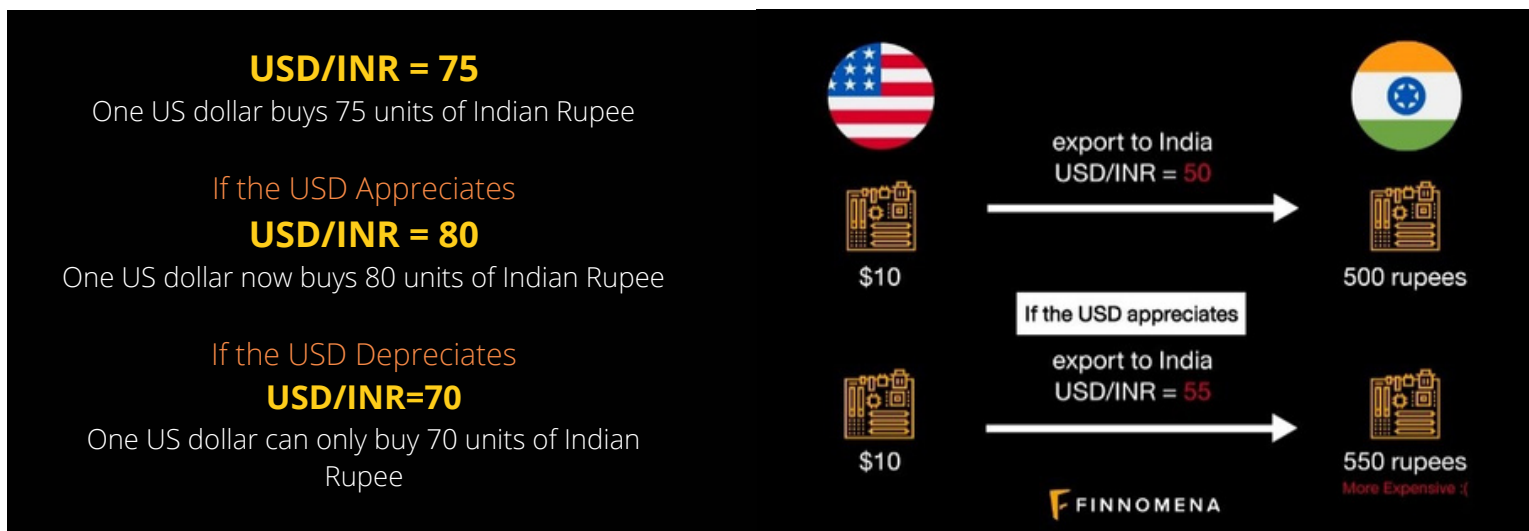
"The paper money that we use today is called fiat money, it is the government-issued currency that is not backed by a physical commodity but by the stability of the issuing government. Since the government's stability has an impact on the investment demand; inflation, social and geo-political changes will affect the currency value.

What is currency appreciation and depreciation?

➤ **Currency appreciation** is an increase in the value of the currency in relation to another currency due to changes in government policy, interest rates, trade balances, and business cycles. Currency appreciation takes place when exchange rates change, allowing for the purchase of more units of a currency.

- **Currency depreciation** is a fall in the value of a currency in a floating exchange rate system due to economic fundamentals, interest rate differentials, political instability, risk aversion among investors and so on.
- **Easy monetary policy and high inflation** are two of the leading causes of currency depreciation.

How does a change in currency affect exports and imports?



➤ As illustrated in the above image, an electronic component priced at \$10 in the U.S. that will be exported to India. This appreciation of USD may force the Indian importer to look for cheaper components from other locations. The 10% appreciation in the dollar versus the rupee has thus diminished the U.S. exporter's competitiveness in the Indian market.

➤ A weaker domestic currency stimulates exports and makes imports more expensive. Conversely, a strong domestic currency hampers exports and makes imports cheaper.

EVOLUTION OF CURRENCY REGIMES



- The U.K. introduced the “**gold standard**” in 1821. Governments began to back their currencies with gold reserves so the value of a currency was fixed at a certain amount of gold.
- In the late 1920s, the “**gold exchange standard**” was introduced, as maintaining sufficient gold reserves was difficult. This allowed the exchange of a local currency for gold or for other currencies that were still backed by gold, such as the British pound and the U.S. dollar. Thus, the first “reserve currencies” were born. However, the economic crisis that began in 1929 resulted in the U.K. **suspending the gold standard**.
- At the end of World War II, another system of fixed – but **adjustable** – **exchange rates** was developed with the **Bretton Woods agreement** among 40 countries, which tied their currencies to the U.S. dollar. In return, the U.S. agreed to maintain a gold standard. Bretton Woods was abandoned in the 1970s after the U.S. gave up the gold standard.
- **Fixed exchange rates** still exist today. **The Chinese yuan**, which is pegged to the U.S. dollar, is one of the most prominent examples. But most major economies today have free-floating currencies, allowing exchange rates to adjust to economic and market developments.
- The emergence of floating currencies is often credited for improving financial stability worldwide. In many countries, an independent central bank, such as the U.S. Federal Reserve, the Bank of England, Reserve Bank of India, watches over the stability of the nation’s currency.

What determines exchange rates between currencies?



The **exchange rate** gives the relative value of one currency against another currency.

An exchange rate GBP/USD of one, for example, indicates that £1 will buy one \$1.20 as of today. The U.S. dollar is the most commonly used reference currency, which means other currencies are usually quoted against the U.S. dollar.

The relationship between two currencies that can change in value is the **Purchasing Power Parity (PPP)** theory, which can be illustrated with the “**Big Mac index**” created by The Economist magazine.

In a perfect world, a **Big Mac** should have the **same value everywhere in the world**, regardless of the local currency. In a simplified example, assuming the exchange rate between the British pound and the U.S. dollar is 1.2 and the price of a Big Mac is £1 in the U.K., a Big Mac should cost \$1.20 in the U.S. in the current scenario. If the purchasing power of the British pound increases relative to that of the U.S. dollar, the exchange rate has to adjust so that the pound buys more dollars than previously. Otherwise, consumers will start to buy goods in the cheaper country.

How do global currencies work?

- Here, the government pegs its own currency to one of the major world currencies, such as the American dollar or the euro, and sets a firm exchange rate between the two denominations. To preserve the local exchange rate, the nation's central bank either buys or sells the currency to which it is pegged.
- The euro and the dollar have reached parity for the first time in 20 years in July, where \$1=€1, signalling the market's assumption that the European economy is heading for a deep recession as a result of Russia's invasion of Ukraine.
- The shift means European companies and consumers will pay more for the goods and services they import, while European exports become immediately cheaper in international markets.
- The euro has experienced a dramatic loss of value since early February when it was worth over \$1.13.
- The fall accelerated in recent weeks as fear spread that Russia, the EU's main energy provider, was going to completely cut off gas flows in retaliation for Western sanctions.
- The invasion has upended energy markets and sent gas bills soaring to all-time highs.
- The sudden shock has triggered record-breaking inflation across the eurozone, with an 8.6% figure in June, together with a gradual slowdown in economic activity.

THE GLOBAL CURRENCY WAR AND ITS IMPACT ON THE RUPEE

“Euro’s fall to \$1; what it means for the rupee

- If the euro continues to weaken, the **rupee**, which is already just a whisker away from **80 to a dollar**, will further weaken against the dollar.
- On this occasion, where **\$1=€1** means the **euro achieved parity with the US dollar**. This is only the second time since 2002 that the euro has fallen this low to a dollar (see chart below). The weakening in the euro against the dollar shows that investors are pulling out money from the Eurozone and into the US.



Rupee vs Dollar story

- The war in Ukraine is the most legitimate reason behind the falling rupee and geopolitical risks have weakened even the developed economies. Rising inflation, majorly due to oil, gas, and commodity prices, is going out of control, and recession fears are rising.
- The rupee has shed about six percent of its value against the dollar since the beginning of this year and is at the brink of 80 per dollar and might face a bumpy ride.
- At the beginning of the war in February this year, the rupee was at 75 levels, which touched 80 on July 15. While the Indian rupee has depreciated by 5%, other currencies have been affected more. The Japanese yen has dropped by 18%, the euro by 11%, British pound by 12% against the dollar.
- RBI's intermittent dollar selling helped limit losses.

How is India Responding?

The Reserve Bank of India (RBI) has announced a slew of measures to stabilize the rupee

- RBI has detailed the broad framework for cross-border trade transactions in rupees under FEMA, 1999.
- The settlement of trade transactions under this arrangement must take place in rupees. All exports and imports under this arrangement may be denominated and invoiced in rupees.
- Earlier in 1960s, rupee was accepted in gulf countries such as Qatar, UAE, Kuwait, and Oman.
- The Russia-Ukraine war and the disruptions to payments caused by it, is a good opportunity to insist on export settlement in rupees, beginning with some of the smaller export partners.
- The rupee can be transformed into an international currency by making it a stable currency to enable international trade or by keeping it as an asset.
- The rupee will be strengthened in the global market. Other countries may start adopting the rupee as their trade currency. The rupee is now accepted at Qatar airport which is a positive indication.
- If the rupee is internationalised, then India will truly become self-reliant.



- However, the main **challenge** in internationalization of the rupee as a currency of trade is that India needs to start exporting more to other countries. Also, India needs to become a manufacturer as that would significantly help the rupee become a currency of trade.
- On March 23 this year, Russian President Vladimir Putin announced that **European countries** would have to pay in **Russian currency roubles** instead of the US dollar or the euro, for **all natural gas imports**. Putin could make the demand because Russia supplies 40 per cent of the European Union's natural gas requirements.



India Impact

- While India remains the fastest-growing major economy, a weaker rupee, stubbornly high inflation, elevated oil prices and the ongoing Russia-Ukraine conflict pose the biggest downside risks.
- Foreign investors have already pulled \$13 billion from Indian stocks this quarter.
- However, RBI Governor Shaktikanta Das has repeatedly assured that the country's current **account gap is manageable**.
- Veteran banker and Kotak Mahindra Bank CEO Uday Kotak sounded

the alert for emerging markets given the sharp fall in the rupee and other currencies vis-a-vis the US dollar, fuelling a debate whether India is as vulnerable as Sri Lanka or Pakistan.

- The Indian rupee's weakening will be supportive of our exports.

What caused the Euro's drop?



- The E.U.'s economy is slowing, and recession fears are rising.
- The **energy crisis** has created so much instability in Europe.
- A combination of Europe's front-line exposure to **Russia's war in Ukraine** and the European Central Bank's tardiness in raising interest rates have driven it nearer to parity, or a 1:1 ratio with the dollar.
- The US Federal Reserve is raising interest rates much faster than the 19-nation euro area. That makes yields on US Treasury bonds higher than those on Europe's debt, driving investors to the dollar and away from the euro.

Significance of 1:1 Euro to Dollar

The first time the euro fell to parity with the dollar was in December 1999, not even a year after its inception. Just like now, analysts then pointed to a widening in the spread between German and US bond yields and stronger US growth. It was a dent in the pride of Europeans, who saw the common currency as an important political project and a rival to the dominant dollar. Today, the euro is considered one of world's key currencies for transactions and reserves, though hitting parity is still symbolic. For the financial markets, currency traders expect turbulence around the 1:1 level given that billions of euros in options bets are linked to that big line in the sand.

What could spark a turnaround?

Narrowing the interest-rate differential with other global bond markets.

Is this an existential crisis for the euro?

No, although aside from pressure on its value, the common currency has faced challenges as a concept in the past. Since its formation, managing a monetary union of disparate economies hasn't been easy. The rise of euro sceptic politicians in Italy and elsewhere has also provoked concern over the resilience of the bloc. A defining moment was in July 2012, when ECB President Mario Draghi pledged to do "whatever it takes" to save the common currency. Still, direct intervention to support the euro in the foreign exchange markets is rare, although central banks did take action in 2000 and even surviving when the US was hit by the great recession of 2008.

Final Word

On its part, India has taken measures to put an additional way for invoicing, payment, and settlement of exports and imports in the Indian rupee. The policy could go a long way in pushing the rupee mechanism. "India's high inflation is "not so problematic," said Vinay Khattar, Executive VP and Head of Research at Edelweiss Broking, while reckoning that significant pressure is building up globally because of high inflation in the US, driven by crude prices and the Russia-Ukraine war. The rupee is slowly regaining its lost ground led by RBI measures, portfolio inflows into the stock market and the softening in the prices of some commodities. If they sustain, rupee could get good support from fresh foreign capital inflows.

LET'S KNOW : SRI LANKA CRISIS

Contributed by
Sumukha Rao



Sri Lankan president Gotabaya Rajapaksa declared a state of emergency in the country, as thousands of countrymen wanted his resignation because of the huge economic crisis. The crisis is said to have begun due to multiple compounding factors like money creation, a nationwide policy to shift to Organic or Biological farming, the Easter Bombings in 2019, and the impact of the COVID-19 pandemic. The subsequent economic hardships resulted in the 2022 Sri Lankan protests. Sri Lanka is going through a major economic crisis. The foreign reserves have fallen by 70% and inflation has increased by 25% in a month and the debts have increased up to 4 billion dollars.



In 2018, Sri Lanka was one of the world's top destinations for tourism. It has recorded about 2.5 million foreign tourists who visited Sri Lanka in 2018. About 12 -13% GDP relied on tourism. But in April 2019, multiple bomb blast occurred in the country, targeting three churches and three luxury hotels in commercial capital Colombo. A total of 269 people were killed in the blast. Including 45 foreign officials, three police officers, and eight bombers, and at least 500 were injured. Due to the attack on tourists, The Hotel Association of Sri Lanka estimated a loss of \$1.5 billion in tourism earnings for the year. So, you can imagine why this one-day wrecked tourism.



The Sri Lankan president Gotabaya Rajapaksa won the election in 2019 and came into power. To revive the economic growth of the country, he promised to cut down the Value Added Tax to half. Reason behind this is that if people paid less tax, they would spend more. With the increase in consumption, there would be an increase in economic growth. But the timing was wrong. This tax cut came into effect on 1st December 2019 and 3 months later COVID pandemic hit. The logic behind people would consume more with tax reduction, but with lockdown, and people unable to go out to consume things, there was no consumption nor there was economic growth, and the government incurred a huge revenue loss. In 2019, the debt was 94% GDP. By 2021, the debt GDP increased up to 119%.

In the election, the president has promised the citizens saying, 'He would convert the country's agriculture into 100% organic'. The economically troubled country declared an overnight ban on synthetic fertilizers and pesticides without preparing the farmers, promoting a surge in food prices and worries about shortages. The president wanted the country to become 100% organic country overnight. The reason for the ban is to save some money on imports. It is estimated that Sri Lanka spends about US \$ 400 million on fertilizers imports annually.



Another reason behind Sri Lanka's economic crisis is the Food Mafia. The government claims that the Food Mafia is hoarding the food, there's a black market for even the basic items.

The major reason behind Sri Lanka's economic crisis is Foreign Debt. About 95% of all government revenues go towards debt repayment. It's been going on for years. Some of the money borrowed has been seemingly squandered on infrastructure that shows no sign of profit, which is even more damaging. China is also blamed for Sri Lanka's economic crisis. It is said that China is using debt-trap diplomacy.

China lends billions of dollars to countries. So that they can fund big infrastructure projects for highways, ports, and airports, to build power plants, and when the country cannot repay the debt, China confiscates the project. A major example of this is Hambantota port, Sri Lanka. It was built in November 2010, at a cost of \$1.3 billion with a loan from China. But the port suffered huge losses and Sri Lanka couldn't repay the debt. So, the government decided that 80% of the stake of the port would be privatized. After bidding, a Chinese company named China Merchant Port bought the stake in July 2017. 70% of the stake was sold to a Chinese company. In exchange, Sri Lanka received \$1.2 billion in foreign currency.

Due to all these reasons, Sri Lanka's currency is deteriorating rapidly. The economic crisis severely affects Unemployment, Inflation, Economic Growth, imports, and exports. The value of Sri Lanka's currency is falling, and everything they import is becoming more and more expensive, causing inflation to increase.

Many people are paying lakhs of money to get out of the country. I hope that the credit line being given to Sri Lanka, would help them successfully recover from the crisis. This crisis will not only affect the lives of people, but also affect the neighboring countries. If the situation continues, there will be more refugees in India and there may be several effects in India as well.

IT GOES ON ~

Life balances on two grades 'Asset & Liability', if there is no existence of liability the worth of an asset will never be defined.

Were as, Love has its two grades 'Forever & part time', some people who choose love as forever and end up with part time & vice-versa. Constantly the young generation are getting more smarter, smarter means smarter in their own world ;)it is hard to identify that who is for whom, if we' then in end we are left proven wrong.

People changes but things not, things changes but memories not, memories changes but moments not, at last no one can change those moments because they have been lived and written permanently.

Short period happiness will take you to the imagination which will remain same till the end. It will make you happy, but the result of that happiness will never be true.

Long term happiness will take you only those imaginations which you have dreamed for, things will be good but not better for some time, but at last it will result in forever happiness.

Both love & life has its own cycle, it is incomplete without ups and downs, a straight line even in an E.C.G means we are not alive.

Contributed by
Aayush Sarawagi



BOOK RECOMMENDATION OF THE MONTH

THE LONG GAME - DORIE CLARK

"We overestimate what we can do in a day and underestimate what we can do in a year."

This quote sums up the premise of the book. A very insightful book on playing the long game, how consistent efforts can help reap exponential rewards in the long term, and carving out your own path that is true to your authentic self.

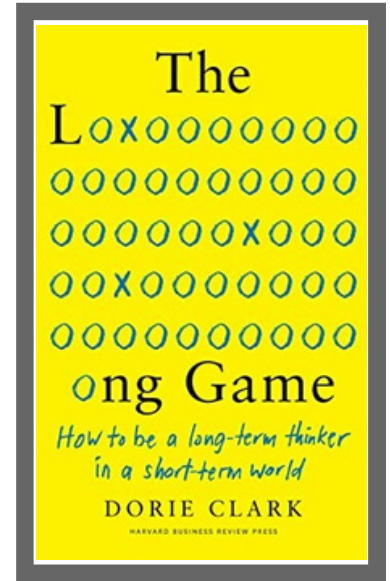
The age-old question that each mind has once thought of – what does it mean to live a good life?

Top insights from the book:

1. Don't be constrained by what's possible now but what you would like your future to be.
2. Choose the interesting path, not safe, not convenient or manageable.
3. Set extreme goals, at times that might even sound ridiculous, but backed by small consistent efforts, you will get there. It takes at least 2-3 years before seeing drops of progress and 5 years to make a mark.
4. Set an honest road map for yourself, it may take 5 or 10 years, the years will pass anyway, don't settle for a watered-down version from others experience or opinion.
5. Go back to why you set out on this journey, reconnect with yourself; what kind of person do you want to be.
6. Persevere, be curious and resilient.
7. Things that make little sense today will one day make exponential returns.
8. Keep working on your core skills and leverage them. Do one thing, make it count 10 times. Write, teach, network, share.
9. Be clear about your true priorities and authentic self.
10. Have the big picture in mind and the emotional fortitude to withstand short term inevitable setbacks and rejections. Climb above, beyond, and around, but never give up.
11. Start small no matter how monumental the goal is.
12. Be willing to say no to that which does not serve you.
13. Build relationships over time and beyond your field of interest, not only for immediate gain; it is called the infinite networking horizon.
14. Don't fall for short term accolades. See the big picture. Strategic patience and hard work will pay off.
15. Be resilient. Pivot and reinvent when needed. Carve your own path making room for what matters the most.

The long game is a painful challenge when others advance and we are not as far as we hoped. Even excellent performers fail at some point. Trust in the process long enough to achieve the desired outcome.

Dorie Clark is an author, strategy consultant, executive coach, and keynote speaker. She has been named one of the Top 50 business thinkers in the world by Thinkers50. She consults and speaks for clients including Google, Microsoft, and the World Bank.



Deepti
Sasikumar





**SIMANDHAR ENGAGEMENT COUNCIL PRESENTS
STOCK MARKET COMPETITION**

On 16th and 17th July 2022

To be Judged by



TRUPTI PATIL
Lead Investments, Global Treasury



REGISTRATION FEE: 100/-

CORPORATE TIEUPS OF THE MONTH



[Additional Resources - Access Here](#)

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Special Thanks - Tanmoy, Meera and Abhishek

Note - If you have access to Corporate Leaders in your network who would be interested in interacting with the SEC community and students, do reach out to the Corporate Relations Cell.

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