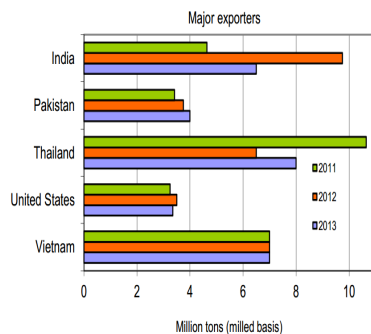


## HEADLINES

07 Jan 2013

### India may lose top slot as rice exporter in 2013



According to government advisory body CACP, India may lose global leadership in the rice market in 2013 as shipments are likely to slide by 30% to 7 million tonnes due to weak prices and surplus grain in Thailand. Shipments from Thailand are expected to rise as the country has surplus stock of 12 million tonnes of the grain.

### RBI may issue new bank license guidelines in 4-6 weeks

The RBI is likely to issue final guidelines for grant of banking licenses to new players within the next 4-6 weeks, while those interested in setting up new banks, including giants like Reliance, Religare and L&T groups, have begun doing the groundwork. The Finance Ministry is currently in the process of sending its final comments to the RBI on the draft guidelines issued by the central bank on the matter, after which the final guidelines should be announced.

### Maharashtra, NCR attract over 50% of FDI in India

Maharashtra and National Capital Region have cornered over 50% of the foreign direct investment inflows into the country since April 2000, according to the industry ministry data.

Maharashtra attracted maximum foreign inflows at \$61.13 billion, about 33% of total FDI inflows during April 2000 - October 2012. Delhi's National Capital Region (NCR) including parts of Uttar Pradesh and Haryana, received \$35.4 billion foreign direct investment during the period.

NCR accounted for 19% of the country's total FDI. During the period, India received \$185.7 billion foreign inflows, according to the data.

### Muted Q4 earnings likely for Indian IT cos: analysts

Slower growth in discretionary spending and delays in decision making of clients may continue to hurt Indian IT companies' revenue growth in the December quarter, analysts said. Traditionally, the October-December quarter is a weak quarter for IT companies as the number of working days is lesser compared to other quarters due to the holiday season at the client locations.

### LIC Housing plans to raise up to Rs 1,000 crores via ECBs

LIC Housing Finance Limited, promoted by state-run insurance giant LIC, is mulling raising Rs 700- 1,000 crore through External Commercial Borrowings (ECB), said Chief Executive V K Sharma. In December, the Reserve Bank of India (RBI) allowed real estate developers and housing finance companies to raise up to \$1 billion through external commercial borrowings (ECBs) in the current fiscal to promote low-cost housing projects.

ECBs are considered attractive as cost of raising the loan overseas is lower than that of domestic borrowings.

### Further hike in gold import duty on cards

Finance minister P. Chidambaram has said that the government may be forced to make gold imports costlier to restrict the ballooning current account deficit.

India's current account deficit touched a record 5.4% of gross domestic product (GDP) in the second quarter of the fiscal, increasing the country's vulnerability to external shocks in recent months. With gold constituting a substantial share of the country's imports, the government has been looking at ways to curb demand.

## **Did You Know?**

**07 Jan 2013**

- ◆ The original two currencies of America was the Sterling Pound, and the Spanish Dollar. In fact, the first type of U.S. currency to ever be issued was a mere \$2,000,000. It was issued in 1775 by the Continental Congress. Every new issue of this currency steadily devalued it against the Sterling Pound, and the Spanish Dollar.
- ◆ Banking in India started in last decades of 18th century with establishment of The General Bank of India (1786) and Bank of Hindustan (1790). Both are now inoperative.
- ◆ Punjab National Bank (1895) was established in Lahore. It was the first bank purely managed by Indians
- ◆ A banknote is made on special paper; when held up to the light , it reveals a watermark that looks like a picture
- ◆ The largest check ever written was from the American ambassador to the Indian government for \$1,279,187,490
- ◆ There are 138 stock exchanges in the world
- ◆ Before the days of paper money, Americans traded animal skins, including deer and elk bucks, for goods and services. Hence the word "buck" to describe money
- ◆ If a smoker quit smoking 30 years ago, rather than purchasing a pack of cigarettes each day, the smoker could have saved \$205,774. Talk about money going up in smoke!

## **The Little Things**

- ◆ **Forex reserves: \$296.58 billion in the week ended Jan 4**
- ◆ **Brent Crude: 111.36 USD/bbl as on Jan 6**
- ◆ **Sensex: 19,784.08 as on Jan 4**
- ◆ **Gold (10gm- 22 carat): Rs. 28229.78 as on Jan 6**
- ◆ **Exchange rate (Rupee): Rs. 54.89025 /USD as on Jan 6**

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**07 Jan 2013****Crisis Facing Wikipedia**

From 'the encyclopedia that anyone can edit' to 'the encyclopedia that anyone who understands the norms, socializes him or herself, dodges the impersonal wall of semi-automated rejection and still wants to voluntarily contribute his or her time and energy can edit'.

Wikipedia, one of the world's biggest websites is gradually losing many English-language editors. Wikipedia is thus, finding it difficult to keep pace. The number of collaborators or volunteer editors have declined from 56,000 in 2007 to some 35,000 at the end of 2012.

The reasons, according to researchers are-

- 1) Wikipedia's primary quality control mechanism and algorithmic tools used to reject contributions are found to be the main reasons
- 2) Wikipedia's structure- Wikipedia made certain changes to manage quality in the face of massive growth in participation. However, the changes were not executed well



" Don't worry, I checked the figures with wikipedia. "

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07 Jan 2013

## Not so merry 'CLIFF-mas' for Obama

Authored by: Swapnil Rathod, MMS-A

Although the Mayans had predicted the doomsday to be 21<sup>st</sup> December 2012, but for the US President the date seems to be 31<sup>st</sup> December. As all eyes round the globe are focused on what the re-elected President does to reduce the fiscal deficit along with averting the risk of an eminent mild recession emerging due to the consequences. Although the fiscal cliff is expected to cut America's deficit by around \$ 500 billion which is half of its current value, the burden due to this cut will be borne by the middle class people in USA.

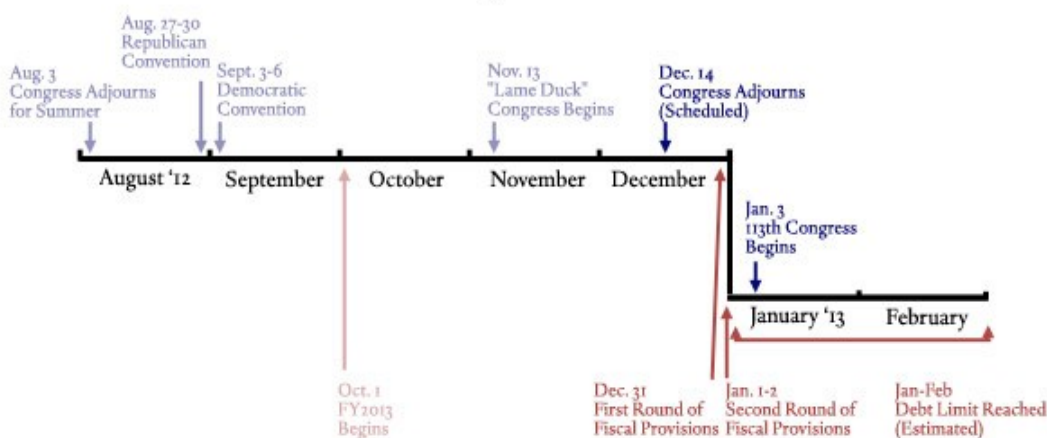
### What Is Fiscal Cliff

In the United States, the **fiscal cliff** refers to the economic effects that could result from tax increases, spending cuts and a corresponding reduction in the US budget deficit beginning in 2013.

### How does the fiscal cliff come about?

A Provision of the Budget Control Act (BCA) of 2011, which was a deal signed by President Obama in August 2011 to end the battle over raising debt ceiling, is scheduled to go into effect on the midnight of December 31<sup>st</sup>. The Act was a compromise between Democrats and Republicans on economic policies while temporarily increasing the debt ceiling – the amount of money the government could borrow from itself to pay its bills. The crucial part of the Act provided for a joint select committee of Congressional Democrats and Republicans – the so called 'Supercommittee' to produce bipartisan legislation by late November 2012 that would decrease the U.S. deficit by \$1.2 trillion over the next 10 years. To do so, the committee agreed to implement by law if no other deal was reached before Dec. 31, massive government spending cuts as well as tax increases or a return to tax levels from previous years. These are the elements that make up the 'fiscal cliff.'

## Timeline: Marching Toward the Fiscal Cliff



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### What laws from the Budget Control Act (BCA) will go into place?

First, there will be a 2 percent tax increase for most people due to the end of 2011's temporary payroll tax cuts.

Second, There will also be an end to several tax breaks for businesses, and changes in the alternative minimum tax (AMT) that could result in more people having to pay (the income range is currently between \$45,000 and \$200,000) and higher tax payments for those who do.

Several of these existing tax breaks came from the George W. Bush tax cut bill of 2001, which were extended under President Obama until the end of 2012.

Tax Increases for higher income individuals to help pay for the affordable Health Care Act (popularly known as ObamaCare). At the same time, spending cuts will take place in more than 1,000 government programs, including cuts in the defense budget as well as social programs like Medicare, through 2022.

07 Jan 2013

## Not so merry 'CLIFF-mas' for Obama

### **What is the impact of Fiscal Cliff?**

It is estimated that the policies from BCA would cut the GDP of America by four percentage points. The higher taxes and spending cuts would reduce the U.S. budget deficit by an estimated \$560 billion, out of which the majority of the income would be from the lower and the middle class at an estimated value of \$ 288 billion. It is predicted that there would be an increase in unemployment by about 1% which could cause about two million people to lose their jobs.

If Congress and Obama do not act by Dec. 31, numerous Bush-era tax laws will expire, including the one on estate taxes. That would mean the estate tax rate will shoot up next year to the pre-Bush levels of 55 percent after a \$1 million exemption.

### **What can be done to prevent it?**

The Republicans and Democrats are on the opposite ends on dealing the same issue. While the Republicans want cuts in the government spending to reduce the country's deficit without raising taxes, the Democrats want to increase the tax along with the spending cuts.

This is one problem which the White house always wanted to avoid, but time has come when the Obama Government need to stand up and face it, as the whole world is eyeing this event as the major turn which will determine the supremacy of the world's strongest economy.

### **What actions have the Government taken over it?**

Although the decision to avoid Fiscal Cliff was taken at the last minute, both the Republicans and Democrats finally agreed to a common set of policies which helped them to avoid putting the US economy into an immediate recession.

The Bill passed by the House will prevent middle class tax hike and delay automatic spending cuts. The Bill will raise taxes for families earning more than \$ 450,000 a year (& Single person earning more than \$ 400,000 / year). Although it seems that the lower income group is exempted from this tax cut, it is not true. The social security tax will be increased by two percentage points on all incomes up to \$ 113,000, which means a smaller paycheck for everyone.

Although currently it seems that the problem has been dealt with, another showdown is just round the corner. The Treasury department needs to sign a bill that will increase the limit of money that the country can borrow, and the lawmakers need to pass it. Although the lawmakers have averted the issue, this year will be crucial for the US as it will have to focus on introducing reforms to bring the economy back on track.

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