INFORMED INVESTOR

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Date:	29 JUNE – 03 JULY 2015	Category:	ASTRONOMY GURU
Editor:	MR. RAJESH DEDHIA	Author:	COL. AJAY JAIN
Title:	WEEKLY ARRTICAL FROM COL AJAY ASTROMONEYGURU		

Advance prediction for next Financial crisis when? Will it be bigger than 2008 crash?? Just read in Ajay market theory 2015-16. The 2008 crash was a warm up. ???

Are You Prepared For The Next Round Of The Financial Crisis? Many investors think that we could never have a crash again. The 2008 melt-down was a one in 100 years episode, they think.

They are wrong.

The 2008 Crisis was a stock and investment bank crisis. But it was not THE Crisis.

THE Crisis concerns the biggest bubble in financial history: the epic Bond bubble… which as it stands is north of $100 trillion… although if you include the derivatives that trade based on bonds it's more like $500 TRILLION.

The Fed likes to act as though it's concerned about stocks… but the real story is in bonds. Indeed, when you look at the Fed's actions from the perspective of the bond market, everything suddenly becomes clear.

Bonds are debt. A bond is created when a borrower borrows money from a lender. And at the top of the financial food chain are sovereign bonds like US Treasuries.

These bonds are created when someone lends the US money. Why would they do this? Because the US SPENDS more money than it TAKES IN via taxes. So it issues debt to cover its extra expenses.

This cycle continued for over 30 years until today, when the US has over $11 TRILLION in size.

Because we never actually pay our debt off (or rarely do), what we do is ROLL OVER debt when it comes due, so that investors continue to receive interest payments but never actually get the money back…, because the US Government doesn't have it… because it's still spending more money than it takes in via taxes.

This is why the Fed cut interest rates to zero and will likely do everything in its power to keep them low: even a small rise in interest rates makes all of this debt MORE expensive to pay off.

This is also why the Fed had the regulators drop accounting standards for derivatives… because if banks and financial firms had to accurately value their hundreds of trillions of derivatives trades based on bonds, investors would be terrified at the amount of leverage and the margin calls would begin.

The bond bubble is also why the Fed started its QE programs. Because by buying bonds, the Fed put a floor under Treasuries… which made investors less likely to dump bonds despite bonds offering such low rates of return.

This is also why the Fed is terrified of deflation. Deflation makes future debt payments more expensive. So the Fed prefers inflation because it means the dollars used to pay off debt down the road will be cheaper than Dollars today.

Again, when look at the Fed's actions through the perspective of the bond market…everything becomes clear.

The only problem is that by doing all of this, the Fed has only made the bond market even BIGGER. In 2008, the bond market was $82 trillion.

Today it's over $100 trillion. And the derivatives market, of which 80%+ of all trades are based on interest rates (Treasury yields), is at $700 TRILLION.

The REAL Crisis will be when the bond bubble bursts. When this happens, it will be clear that real standards of living have been falling since the '70s and that sovereign nations have been papering over this through social spending and entitlements (a whopping 47% of US households receive Government benefits in some form).

Imagine what will happen to the markets when the Western welfare states finally go broke? It will make 2008 look like a picnic.

As per Astro economics when will this happens? Just read my book Ajay market theory 2015-16, Cost of Book Rs 9200.

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Date:	29 JUNE – 03 JULY 2015	Category:	INDIANOTES.COM
Editor:	MR. RAJESH DEDHIA	Author:	BANK BAZAAR
Title:	HOW RBI RATE CUTS AFFECT YOUR BANK'S RATES		

Magic tricks and illusions are really difficult to understand until someone gives away the secret to it all and breaks the illusions. Figuring out why different banks react differently to RBI's rate cuts might seem just as difficult to understand but here we break the illusion for you.

It All Comes Down to Cost
Some banks either cut the deposit rates or the lending rates, while some others cut both.

Whether it is the lending rate or the deposit rate, it all depends on the banks overall cost of funding. A bank borrows from their depositors and lends the same money at a higher rate to their borrowers. The difference in these two rates, i.e., the average lending and borrowing rates is called Net Interest Spread. The higher the spread, the better it is for the bank.

A bank's borrowing cost includes the average rate of all time deposits (deposits with a pre-specified time period), such as fixed deposits, and demand deposits (deposits which can be withdrawn anytime), such as those in Current Account and Savings Account (CASA).

Banks pay a higher interest on fixed deposits, while they pay very low or no interest on CASA deposits. In India, the money in the current account earns no interest while money in savings account earns 4-5% interest on an average. In contrast, fixed deposits with one year or more maturity period are currently earning anywhere between 8-9%.

Therefore, if a bank has higher CASA deposits, the overall cost of funding for the bank is lower than a bank where CASA deposits are lower in number.

CASA ratio: What does it say?
The proportion of CASA deposits of a bank (overall deposit) is known as its CASA ratio. Suppose, if a bank has on an average Rs 500 crore in current and savings account during a year and their total deposits (including the fixed deposits) during the year was Rs 1,000 crore. Then the CASA ratio of the bank is 50%.

The higher the CASA ratio, the lower the cost of funding for the bank. This also means lower the chances of the bank reducing the deposit rates as and when the RBI cuts interest rates.

The state Bank of India and HDFC Bank, for example, had a CASA ratio of around 45% as of March 2015, as compared to IndusInd Bank's 34%. This means that chances of IndusInd Bank reducing their deposit rates at a possible trigger are higher than that of SBI or HDFC Bank.

Net Interest Margin
CASA ratio is a crude indicator of how the bank would change its deposit rates in future. A more advanced indicator is the net interest margin (NIM) of the bank.

Net Interest Margin is the net interest earned by a bank vis-à-vis its overall interest earning assets during a year. This is calculated by dividing the difference between interest earned and interest paid by the total interest earning assets that the bank has in its book. NIM is given in percentages and it basically shows how profitable the bank's operation is.

The higher the NIM, the lower the chances of a bank reducing deposit rates at the slightest provocation. Often (though not always), higher the CASA ratio, the higher the NIM.

For example, HDFC Bank with a CASA ratio of 45% had a NIM of 443%, while IndusInd Bank with CASA ratio of 34% had a NIM of 3.68%.

So, the next time you wonder why your bank has reduced the deposit rates while others have not, you know where to look at for the possible answers.

However, the bank's decision to change lending or deposit rates may also depend on competition and general interest rate scenario in the country. Therefore, any conclusion made based on CASA ratio or NIM may not always turn out that way. But, who knows, someday the rate cuts might work magic on your deposits when you least expect it.

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Date:	29 JUNE – 03 JULY 2015	**Category:**	OTHER NEWS
Editor:	MR. RAJESH DEDHIA	**Author:**	MR. CHANDRASHEKHAR THAKUR
Title:	SEMINAR ON SHARE MARKET		

STOCK MARKET AWARENESS SEMINAR IN ALIBAG (DIST. RAIGAD), MUMBAI

Dear Sir / Madam,

My following free seminar on Share Market Awareness organised by CDSL is scheduled in which you are cordially invited. Kindly also advise your customers, students, friends, relatives, sub brokers, clients etc to attend and take benefit of this educational seminar in which wealth of basic information about Demat, IPO, On line trading, Investor protection, various procedures, internet facilities etc will be provided in simple language using slide show. Duration is two hours including question answer session. Rotary Clubs, ICAI, Colleges, Banks, Stock Brokers, DPs, various organizations may schedule such seminar which will be at very nominal cost. For details kindly contact undersigned.

Saturday, 4th July 2015 at 6.00 p.m.	ALIBAG: Nana Patil Sabhagruh, Jilha Parishad, Alibag (Dist. Raigad) Maharashtra.
Wednesday 1st July 2015	Mumbai Central Post office (for their employees only)
Sunday 12th July 2015 at 11 a.m.	Lokmanya Seva Sangh, Ram Mandir Road, Vileparle-East, Mumbai - 400057

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