July 2018 Issue: II Vol: 78

SENSEX: 36,496.37 | NIFTY: 11,010.20 | DOW JONES: 25058.12 | NASDAQ: 7820.20 | USD/INR: 68.74

GOLD: \$1231.10

OIL: \$68.26 (Sep 2018 future contract)

(Aug 2018 future contract)

Stock Picks

Company Name	CPM (Rs) T	arget (Rs)
Mahindra CIE Automotive Ltd	d. 245	281
Ashok Leyland Ltd	107	125
Federal bank Ltd	85	101
Source: Geojit Financial Services Ltd.		

INR Fund Picks

Performance as on 18/07/18		Returns (CAGR)	
Company Name		3Yr	5Yr
Tata Equity P/E Fund	Thematic	15.06	25.54
HDFC Mid-Cap Opp	Midcap	12.64	25.70
SBI Magnum Multicap	Flexicap	11.09	20.73
ICICI Pru Equity & Debt	Balance	9.43	17.06
HDFC Top 100 Fund	Largecap	9.64	16.46



UAE Round Up

- The UAE and China signed a strategic cooperation framework agreement on Friday to deepen energy partnership and explore mutually beneficial investment opportunities across the energy value chain to boost growth.
- ArabianChain Technology, Gulf-based innovator in the blockchain industry, has said it has signed a joint venture with Curiositas to create Wethaq, the world's first platform for Islamic capital markets using smart contracts and legal automation.
- Federal Tax Authority says the project to implement the tourist VAT refund is nearing its final preparation stages

MARKET UPDATE

Global:

- # There were a heap of headlines out of Washington this week, but Wall Street kept its cool, finishing little changed. The S&P 500 finished flat, while the Dow Jones Industrial Average finished a tick higher (+0.2%), and the Nasdag Composite finished a tick lower (-0.1%). The small-cap Russell 2000 outperformed, rallying 0.6%.
- # President Trump capped a week-long trip to Europe on Monday by meeting with Russian president Vladimir Putin in Helsinki, Finland. The leaders met for roughly four hours, discussing a wide range of topics, including arms control, the future of Syria, and, of course, Russian interference in the 2016 U.S. election, which Mr. Putin again denied.
- Mr. Trump faced criticism for appearing to reject his own intelligence agencies' conclusion that Russia meddled in the election in favor of Mr. Putin's plea of innocence. President Trump later clarified his remarks, replacing the word would with wouldn't in the following statement referring to Russian interference: "I don't see any reason why it would be
- # Back to Mr. Trump, the president did an exclusive interview with CNBC on Thursday in which he criticized the Fed, saying he's "not thrilled" about interest rate hikes, and said he is willing to slap tariffs on \$500 billion worth of Chinese goods -virtually every Chinese product coming into the U.S. -- if necessary. Mr. Trump also commented on the strengthening dollar, saying it puts the U.S. at a disadvantage.
- # The president followed up that interview with a tweet on Friday, saying "China, the European Union and others have been manipulating their currencies and interest rates lower, while the U.S. is raising rates while the dollars gets stronger and stronger with each passing day - taking away our big competitive edge...Tightening now hurts all that we have done."
- # Mr. Trump's comments on the Fed were particularly controversial as presidents typically refrain from speaking on monetary policy in an effort to protect the Fed's independence. The White House issued a follow-up statement after the CNBC clip aired on Thursday, clarifying that Mr. Trump respects the Fed's independence.
- # On a separate -- but related -- note, Fed Chair Jerome Powell gave Congress his semiannual update on the economy and monetary policy, speaking before both the Senate Banking Committee and the House Financial Services Committee. Mr. Powell's testimony provided no new information; he simply reinforced the view that improving economic conditions should allow the Fed to continue hiking rates gradually.
- # The second guarter earnings season heated up this week with several influential names reporting their latest results. Netflix (NFLX) dropped sharply on Tuesday -- although shares did rebound notably intraday -- after the streaming media company missed subscriber growth estimates. Ahead of earnings, Netflix was up more than 100% on the year.
- # Fellow tech names Microsoft (MSFT), IBM (IBM), and eBay (EBAY) also reported their quarterly results this week. Microsoft and IBM rallied after beating earnings estimates, but eBay tumbled after reporting below-consensus results. The top-weighted technology sector finished the week with a gain of 0.1%, extending its yearly advance to 15.4%.
- # Several financial giants also reported earnings this week, including Bank of America (BAC), Goldman Sachs (GS), and Morgan Stanley (MS), all of which topped estimates. The positive results helped the heavily-weighted financial sector climb 2.2% and finish atop the week's sector standings.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	25019.41	25058.12	38.71	0.2	1.4
Nasdaq	7825.98	7820.20	-5.78	-0.1	13.3
S&P 500	2801.31	2801.83	0.52	0.0	4.8

India:

- # After two weeks of rally, the Indian equity markets seem to have taken a breather as indices ended almost unchanged. Benchmarks failed to carry forward the momentum as tumbling rupee, weak global cues and the no confidence motion in the monsoon parliament session dented the sentiment across the street. However, it was the midcap and small space that came alive towards the fag end of the week.
- # For the week, Metal index tumbled by 6%, Realty index was down by 3.6%, Pharma index fell by 3%, Auto index declined by 2.2%, Energy index was down by 1.7%, FMCG index was down by 1.1%, Infra index fell by 1.8%.













By **Dr. V K Vijayakumar,**Chief Investment Strategist, Geojit Financial Services Ltd.

In the Irish playwright Oscar Wilde's play 'A Lady Windemere's Fan' a character remarks: "a cynic is a man who knows the price of everything but the value of nothing." Oscar Wilde was criticizing the tendency of some people to assess everything in terms of money. In romantic literature real value is priceless. Of course, there are many things in life that can't be valued in monetary terms. But, in investment, price is hugely important. Value creation and wealth generation depend largely on the price an investor pays for an asset. That's why Warren Buffet famously said, "it's far better to buy a wonderful company at a fair price rather than a fair company at a wonderful price."

What is value investing?

Value investing is an investment strategy that involves buying securities that are underpriced. A security is underpriced when its market price is less than its intrinsic value. In simple words, value investing is buying a security cheap and waiting for its price to go up.



Benjamin Graham is the father of value investing. Benjamin Graham and David Dodd, who taught at Columbia Business School, developed the ideas of value investing. The ideas were developed in their great work 'Security Analysis' published in 1934. Basically, they advised buying stocks that are cheap; that is, buying stocks that are cheap in terms of parameters such as PE Ratio, Price to Book, Dividend yield etc. The difference between the intrinsic value and market price is the 'margin of safety'. If the market price is lower than the intrinsic value, the stock is safe to invest. If the price paid for the stock is much lower than its intrinsic value, sooner or later, it results in phenomenal wealth creation. As Benjamin Graham said, "price is what you pay; value is what you get."

Different styles of value investing

Benjamin Graham has many followers. Consequently there are different styles of the strategy. The most famous follower of Graham is his student, the legendry Warren Buffet. Buffet gave lot of importance to the quality of business and management. Buffet himself was influenced by his friend and partner, Charlie Munger.

Mr Market

Graham developed an allegory called 'Mr Market' in his magnum opus "The Intelligent Investor". Mr Market is a highly emotional and volatile character. He is very happy at times; sometimes he is very sad. He oscillates between euphoria and despair. When Mr Market is happy, stock prices go up. When Mr Market is sad, stock prices go down. When he is gripped with despair, market crashes. When he is euphoric, prices shoot up to irrational levels. This manic-depressive character of Mr Market offers opportunities to investors to buy low and sell high.

It is important to understand that the returns from investment will be huge if a stock is bought at low absolute value than at low relative value.

Absolute and relative value

In bull markets it would be difficult to find absolute value. As a bull market matures most stocks would be fully priced and it would be difficult to find absolute value. During such times, relative value becomes important. For instance, at the peak of the 2003-08 bull market in India, most stocks were overpriced. In other words, there was no absolute value. But pharma and IT provided relative value. Investors who invested in these relatively underpriced stocks gained substantially in the years that followed the recovery in stock prices after the crash of 2008.

Or, take the ongoing bull market in India. Valuations are highthan-historical averages. In mid and small-caps valuations are excessive. In brief, spotting value is extremely difficult. Of course, there will be hidden gems at all points of time; but spotting them would be a herculean task. It is important to understand that the returns from investment will be huge if a stock is bought at low absolute value than at low relative value.

Market crises creates absolute value

Really attractive absolute values emerge during crisis. That's why experts say, "buy when there is blood on the streets." In this age of globalization, crises in Developed Markets will easily spread to all markets since economies and markets are interconnected. Investors can learn from two examples in recent history.

The terrorist attack on 9/11 was a 'black swan event', which led to panic and crash in markets across the globe. Stocks were available at attractive absolute values. Similarly, the global financial meltdown of 2008 and the Great Recession that followed led to sharp and massive fall in stock prices. Investors who bought stocks at attractive absolute values during these crises made huge profits when the markets rebounded. Since markets are manic-depressive, such opportunities emerge once in a while.

Warren Buffet put it succinctly when he said: "Charlie and I have no magic plans to add earnings except to dream big and be prepared mentally and financially to act fast when opportunities present themselves. Every decade or so, dark clouds will fill the economic skies and they will briefly rain gold. When downpours of that sort occur, it is imperative that we rush outdoors, carrying washtubs not buckets. That we will certainly do."

SIPs as value investing

In mutual funds, fund managers do asset allocation, which is actually buying low and selling high. Fund managers continuously churn portfolios by exiting from over-valued stocks and entering stocks, which are relatively under-valued. Systematic Investment Plan is a form of value investing. In SIPs the investor invests through ups and downs of the market. Big value is created when investors invest through a bear market. Many first-time retail investors enter the market at its peak and then panic and exit when the market crashes. Even an investor who enters the market at its peak can make money if she continues to invest systematically. Imagine an investor who entered the market at the peak of the previous bull run in 2008. If she had continued investing through the bear phase that followed, she would be sitting on huge profits now. Big losses are incurred when investors panic, stop investment and exit from the market.

In the ongoing bull run, finding absolute value is not easy. Hidden gems always exist, but spotting them requires extensive research and expertise, which are normally beyond the reach of retail investors. Therefore, it would be better to leave the pursuit of value to professional fund managers by investing systematically because SIP is an efficient form of value investing.



Prescribed Return Forms

Here under is the list of Forms applicable to NRIs for returns of FY 17-18:

ITR-1 is the simplest form to be filed by an individual taxpayer who earns income from salary/pension, from one house property and income from other sources. The total annual taxable income should not exceed Rs 50 lakh and it should not include any income from betting, gambling, etc. Unlike last year, detailed calculation of income from salary and from house property is required to be submitted. Additional fields for TDS as per Form 26QC made on rent and quoting of PAN of the tenant for such rent has also been provided. ITR-1 has been withdrawn for NRIs. ITR-2 or ITR-3 is applicable to them.

A person of this category who files income tax return for the first time would not be subjected to any scrutiny in the first year unless there is specific information available with the Department. Good! This will surely attract many otherwise hesitant entities to enter the tax net.

ITR-2 is applicable for individuals and HUFs having income other than income from 'Profits and gains from business or profession'.

ITR-3 is for individuals and HUFs having income under the head 'Profits and Gains from Business or Profession'. An individual or an HUF, who is a partner in a firm, shall be required to file Form ITR-3 only and not in ITR-2.

A field relating to Sec. 115H has been added relating to benefits availed under continuation of special provisions u/s 115C to 115I related with NRIs who have returned to India permanently.

ITR-V: To be used by all taxpayers. This is the acknowledgment form to be submitted also with your returns. Where the ITR is transmitted electronically without digital signature you have to post it separately to CPC at Bangaluru within 120 days. Where the ITR is filed physically, you have to submit it along with the relevant ITR. Your returns will not be considered as filed unless the signed ITR-V reaches the CPC. The Department has started linking Aadhaar with PAN thereby eliminating the procedure of sending ITR-V to the Centralised Processing Unit in Bangalore.

INVESTMENT IDEA

BRIEF Note

SELFIE - Markets in Pockets

SELFIE is the first of its kind trading platform in India to have an exhaustive range of features in a single platform. It will also provide optimum user experience whichever device you are using, be it tablet, mobile, laptop or PC. SELFIE will give you total control of your trading functions while providing you with timely research inputs to make sound decisions. The trading platform is custom designed by Geojit Technologies Limited.

SELFIE - Features:

Market Data- SELFIE offers you customizable dashboards and views with widgets basket. You can also have all the Market intelligence and research calls in one page. In addition, you can have an Integrated Security view with quotes, charts, news, recommendations, MBP, F&O Chains & Order windows all at one place.

Advanced Charting platform - Now you can Trade directly from Charts with SELFIE! It offers you advanced chart types like Heiken-Ashi, Kagi, Point & Figure, Renko & Line Break, 90 + Studies and indicators, Watchlists, Portfolio and Order views. It also has User defined Views and Study templates and One click order entry from anywhere.

Derivative Market Watch- To help you make your investment decisions based on sound information, SELFIE features: Heat maps, Futures and options chains, Option Greeks charting and VWAP Screeners and more.

Trade Online

For web platform: https://selfie.geojit.net/

For Android: https://goo.gl/Ym2dT3

For Apple: https://goo.gl/nXwwT6







ESTATE ROUND UP



Dubai Land Development (DLD)is the ultimate authority to register the following transactions (except DIFC):

- Sales and purchases
- Mortgages
- Long term leases
- Lease agreements (Ejari)
- Inheritance rights
- Restrictions on title and liens
- Easements (ie. right to use property of another for a specific purpose)
- Recording of zoning and development rights
- Partial sales (public auctions)
- Gifted lands.



Q.Which of the following will not give investor the benefit of compounding?

- a) Equity Funds
- b) Gold ~ETFs
- c) Dividend Payout
- d) Growth Schemes

Answer to the last quiz, Q. The Stock Market Game pays dividends.? a) true

Share the answer at *reply@barjeel.ae*

The answer to the question along with the **Winners Name** will be published in the next issue of Market Digest. All the best!

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You permit Barjeel Geojit to update you the new offerings, changes and developments in the product offerings and regulatory environment
(V) Barjeel Geojit does not sell personal data to third parties and all reasonable steps are taken to nesure strict confidential control of the product of th

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