

Barjeel **MARKET DIGEST**

Driven by Trust

KNOWLEDGE POWER. WEALTH ENHANCER

October 2018 Issue:II Vol: 84

SENSEX: 34,315.63

NIFTY: 10,303.55

DOW JONES: 25444.34

NASDAQ: 7449.03

USD/INR: 73.48

GOLD: \$1228.70

OIL: \$69.28

(Dec 2018 future contract)

(Dec 2018 future contract)



BARJEEL MARKET WATCH

Invest Right


<https://goo.gl/QTuFk9>

Stock Picks

Company Name	CPM (Rs)	Target (Rs)
Avenue Supermarts Ltd	1,333	1,513
State Bank Of India	269	345
Gabriel India Ltd.	127	150

Source: Geojit Financial Services Ltd.

INR Fund Picks

Company Name	Performance as on 15/10/18	Returns (CAGR)	
		3Yr	5Yr
Tata Equity PE - Growth	Thematic	13.67	21.62
HDFC Mid-Cap Opp	Midcap	10.21	23.57
Mirae Asset India Equity	Flexicap	12.23	19.73
ICICI Pru Equity & Debt	Balance	10.52	16.59
ICICI Pru Bluechip	Largecap	10.70	15.06

UAE Round Up

- Today marks the beginning of a two-year countdown to Expo 2020 Dubai.
- Dubai's Roads and Transport Authority (RTA) and du, from Emirates Integrated Telecommunications Company (EITC), are set to embark on a joint project to fit all taxis in Dubai (about 10,800 cabs) with free Wi-Fi service.
- Dubai Fitness Challenge 2018 works to make Dubai world's most active city
- The Emirates is the first Arab country to start using vertical farm. At these farms, plants grow in vertical rectangular basins. This is in line with the country's vision of UAE 2021 to support sustainable crop production and ensure food security for the Emirates.

MARKET UPDATE



Global:

- # The third quarter earnings season ramped up this week after kicking off last Friday. Financial companies Goldman Sachs (GS), Morgan Stanley (MS), Bank of America (BAC), U.S. Bancorp (USB), Charles Schwab (SCHW), and BlackRock (BLK) reported mostly better-than-expected profits, helping to boost the S&P financial sector 0.8% higher.
- # Also of note, retailer Sears Holdings (SHLD) filed for Chapter 11 bankruptcy. While the news was not a surprise, it did generate a sentimental story line given the retailer's storied operating history.
- # The minutes from the September FOMC meeting were released on Wednesday, showing that officials generally agreed on the need for more gradual rate hikes. In addition, the minutes revealed that a number of officials saw the need to hike rates above levels expected to prevail over the long run. The probability of a December rate hike remains high, ticking up to 83.7% from 79.8% last week, according to the CME FedWatch Tool.
- # The disappearance and alleged murder of Washington Post columnist Jamal Khashoggi pressured U.S. Treasury Secretary Steven Mnuchin into pulling out of next week's Future Investment Initiative conference in Saudi Arabia. President Trump expressed confidence in intelligence reports that the murder was ordered by high-level Saudi officials, but stopped short of putting the blame on Saudi Arabia's crown prince Mohammed bin Salman.
- # Elsewhere overseas, China's Shanghai Composite touched a new four-year low this week due to investor concerns over slowing economic growth. On Friday, China reported 6.5% year-over-year GDP growth, less than the prior quarter's growth of 6.7% and less than the expected growth of 6.6%. Additionally, Canada became the second country in the world to legalize marijuana on Wednesday, causing a sell-the-news reaction in weed stocks.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	25339.99	25444.34	104.35	0.4	2.9
Nasdaq	7496.89	7449.03	-47.86	-0.6	7.9
S&P 500	2767.13	2767.78	0.65	0.0	3.5

India:

- # After taking a breather in the previous week, markets resumed with their declining trend once again. Nifty sold off in the last two sessions of the week as higher US interest rates, growth concerns in China, and global trade tensions weighed on sentiments.
 - # Among the sectoral indices, Auto index declined 4.3%, Realty was down 2.5%, Metals fell 2.1%, Energy slipped 1.6%, Nifty Bank was down 1.2%, Infra was down 1.5%, while the IT index edged lower by half a percent. On the other hand, FMCG index gained 2.4% and Pharma index was up 1.3%.
- For the week, Nifty index declined 1.4% while Bank Nifty index was down 1.2%


<https://www.facebook.com/barjeelgeojitae/>

<https://goo.gl/7T5qRA>

<https://twitter.com/BarjeelGeojit>

<https://youtu.be/ox6GrfGZRm>



Learnings from 2008 Recession

The Great Recession of 2008: 10 years on Lessons from market crashes

By: Dr. Vijaykumar

Geojit Financial Services Ltd.

The Great Recession of 2008-09 was the worst global economic crisis after the Great Depression of 1930s. The 'sub-prime crisis' in the US housing market was the epicenter of the catastrophe that led to a global financial meltdown. The collapse of the large investment bank, Lehman Brothers, led to a contagion, impacting financial institutions. Globally, stock markets and currency markets crashed. Credit contracted hugely and business confidence was impacted. The global economy slipped into a massive recession. Global GDP contracted by 2 percent in 2009. US suffered an economic contraction of 5 percent and job losses of 10 million. Europe was severely impacted with contraction of the European economy by 4 percent. Southern Europe particularly Portugal, Ireland, Italy, Greece and Spain were severely impacted pushing Europe into a debt crisis by 2010. International trade contracted by 13 percent in 2009.

Asia was one of the least affected regions. China and India were least affected even though both countries experienced decline in growth rates.

Unprecedented global economic co-operation

The global financial crisis witnessed unprecedented global co-operation and synchronized monetary policy initiatives. G7 and G20 groups met frequently. For the first time in global negotiations, emerging economies like India were taken seriously. President Obama, in the G20 meetings, listened to our economist Prime Minister Manmohan Singh with a lot of respect. Globally, central banks cut interest rates in a synchronized manner. The European Central Bank and central banks in US, UK and Japan, in an unprecedented move, cut interest rates to near zero levels. In India, the RBI, in the severest cut in interest rate in history, cut the repo rate from 9 percent in 2007 to 3.5 percent over the next 3 years.

Even though global growth remained sluggish for many years after the crisis, presently the global economy is in the pink of health. The US is presently going through one of the longest periods of economic expansion in history. Europe has recovered from the debt crisis and is growing at a decent rate. Some of the emerging economies like Argentina and Turkey are in trouble due to sharp depreciation in their currencies. China has slowed down its growth rate substantially. Indian economy has recovered from the twin shocks of demonetization and GST implementation. In spite of the depreciation in INR this year, the Indian economy is doing well.

India and the global recession

India was one of the few large economies that were not impacted by the crisis. India's well-regulated banking system played an important role in insulating the Indian economy from the global financial crisis. But it is also a fact that some of the excesses during the crisis later led to severe banking distress that India is going through now. And this crisis has become a huge NPA mess of more than Rs 10 lakh crores.

When a major recession, like the 2008 recession happens the standard economic response is to provide monetary and fiscal stimulus to revive the economy. Monetary response is to cut the interest rate and the fiscal response is to cut taxes and increase government spending. Like all other governments, India too did this. This was the right thing to do under those circumstances. But in retrospect we have to say that our response was a bit too excessive. The stimulus provided by the RBI and the government did succeed in reviving the economy. India's growth rate, which had slumped to less than 5 percent in 2007-08, quickly recovered and rebounded to more than 8 percent growth in 2009-10 and 2010-11. But the economy had to pay a heavy price for this stimulus.

Bad decisions during good times

The global boom of 2003-07 emboldened businessmen to make reckless investments. Banks, flush with funds, were chasing industrialists to borrow from them. Later, the government, as part of its fiscal stimulus package, encouraged public sector banks to lend massively to large projects. Huge investments were made, particularly, in steel and power projects. PSU banks, with very little expertise in financing such projects, lent money to such projects, without due diligence. Result? Most of these loans became NPAs. The Chinese policy of dumping steel impacted the steel industry globally. India too was impacted. The Supreme Court verdict cancelling coal allocations inflicted a massive blow to the power sector. **Even though the loans given to Vijay Malaya and Nirav Modi are prominent in public discourse, the worst blow to the Indian banking system was delivered by these loans to the steel and power sectors.**

The excessive fiscal and monetary stimulus following the Great Recession also led to very high inflation in 2012 and 2013 forcing the RBI to steeply hike interest rates. This, along with the slowdown in global trade, impacted India's growth rate. The collapse of demand and the excess capacity in industry led to sharp fall in private investment. To prevent further slowdown in the economy, the central government had to step up public investment and recapitalize the PSU banks, which had eroded a substantial part of their capital. The oil bonanza that the government received from the crude crash in 2014 had to be largely used for this.

Lessons from market crashes: history repeats

Globally, the stock markets have rebounded smartly from the crash and most markets are now at all time highs. S & P 500 has more than quadrupled from the low of 666 recorded in March 2009 to the present levels of around 2700. The Sensex, too, has more than quadrupled from the 2009 March low of 8160 to above 37000 presently. **The important lesson from the market crash, and the later rebound, is that smart investment strategy is 'buy on bad news'.** Market tends to overreact and this over-reaction provides buying opportunities. Take a look at the crashes and rebounds in the Indian stock market during the last 25 years.

It is clear that all major corrections were great buying opportunities. Investors who bought "when there was blood on the streets" laughed all the way to the bank when calm returned to the market. Of course, it is difficult to identify the top and catch the bottom of the market. It is enough to be cautious at very high levels of valuations and buy when the market stabilizes following a crash and then wait with a lot of patience. As Warren Buffet famously said, "panic when everybody is greedy; be greedy when every one is panicking."

Sensex High	Date	Sensex Low	Date
4546	02-04-1992	1980	27-04-1993
4643	12-09-1994	2713	04-12-1996
6150	14-02-2000	2156	03-10-2001
6249	09-01-2004	4227	17-05-2004
12671	11-05-2006	8799	14-06-2006
14723	09-02-2007	12366	16-03-2007
21206	10-01-2008	8160	09-03-2009
20509	31-12-2010	15848	26-08-2011
29220	27-02-2015	24616	05-02-2016
Around 38000	September 2018		



Contract For Difference (CFD)

A contract for difference (CFD) is a popular form of derivative trading. CFD trading enables you to trade on the price movement of underlying financial assets/speculate on the rising or falling prices of fast-moving global financial markets (or instruments) such as shares, indices, commodities, currencies and treasuries. With CFD trading, you don't buy or sell the underlying asset (for example a physical share, currency pair or commodity). You buy or sell a number of units for a particular instrument depending on whether you think prices will go up or down.

CFDs are a leveraged product, which means that you only need to deposit a small percentage of the full value of the trade in order to open a position. This is called 'trading on margin'. While trading on margin allows you to magnify your returns, your losses will also be magnified as they are based on the full value of the CFD position.

For every point the price of the instrument moves in your favour, you gain multiples of the number of CFD units you have bought or sold. For every point the price moves against you, you will make a loss.

Advantages of trading CFD

- Entitled to corporate actions
- Trade on both rising and falling markets
- Efficient use of your capital
- No stamp duty

Since owning a contract for difference is practically identical to owning the actual share, you are also entitled to dividends as per the share holders above. The major difference is that all dividends are cleared in cash, there are no reinvestment schemes or any other sort of substitute available.

Other corporate actions such as bonus issues, buybacks, takeovers and share splitting are also automatically reflected on your CFD trading account as soon as they are implemented

Costs of CFD trading

Spread

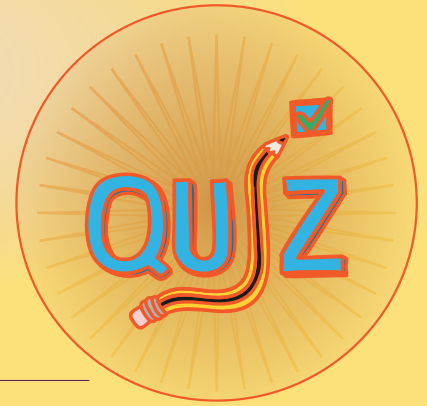
When trading CFDs you must pay the spread, which is the difference between the buy and sell price. You enter a buy trade using the buy price quoted and exit using the sell price. The narrower the spread, the less the price needs to move in your favour before you start to make a profit, or if the price moves against you, a loss.

Holding costs

At the end of each trading day (at 5pm New York time), any positions open in your account may be subject to a charge called a 'holding cost'. The holding cost can be positive or negative depending on the direction of your position and the applicable holding rate.

Q: If you invest in a closed-end mutual fund and you want to divest some of the shares, are there restrictions?

- a) You have no choice but to hold your shares until the mutual fund terminates.
- b) You can sell your shares only to other investors on the secondary market.
- c) You can sell your shares only to other investors in the same mutual fund.



Share the answer at reply@barjeel.ae

Answer to the last quiz, Q: In general, if interest rates go down, then bond prices...?

b) Go up



Thank you for the quick responses. The right answer of the quiz was given by:
Mr. Mr. A.K. Prakashan

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

You can't change the direction of the wind, but
you can adjust the sails to reach your destination

Contact your Barjeel Advisor Today!



Dubai: Tel: +971 4 3060900

Abu Dhabi: Tel: +971 2 4125000

Sharjah: Tel: +971 6 5932000

Al Ain: Tel: +971 3 7648100

Disclaimer:

(I) Investments in Financial Instruments are subject to market risks, please read the relevant risk disclosure documents before investing.

(II) Past performance does not guarantee returns in the future.

(III) Barjeel Geojit Securities LLC (Barjeel Geojit) does not offer any products with guaranteed returns.

(IV) You are aware and agree that your personal information provided by you through this document and or any other means such as website, social media, campaigns, etc. will be used by Barjeel Geojit for regulatory and business purposes.

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 ensure strict confidentiality.

(VI) Barjeel Geojit facilitates you to trade in the Indian Stock Market with Geojit Financial Services Limited. All your trade dealings, rights / obligations as an investor, rights / obligations to remedies in NSE and BSE executed through Geojit Financial Services Limited will be governed by the prevailing relevant rules and regulation in India and dealt with by Geojit Financial Services Limited.

Foreign Securities Promotion Brokers of Buying & Selling Commodities, Options & Future Contracts DGCX (Broker / Clearing Member): License No.: 607007 A SCA Regulated Company