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MARKET DIGEST

KNOWLEDGE POWER. WEALTH ENHANCER

January 2019 Issue:I Vol: 88

SENSEX: 36,386.61 | **NIFTY:** 10,906.95 | **DOW JONES:** 24706.35 | **NASDAQ:** 7157.23 | **USD/INR:** 71.26 | **GOLD:** $1282.60 (Feb 2019 future Contract) | **OIL:** $54.04 (Mar2019 future contract)

HAPPY 2019

MARKET UPDATE

Stock Picks

Company Name	CPM (Rs)	Target(Rs)
Aurobindo Pharma Ltd.	785	811
State Bank Of India	303	345
PNC Infratech Ltd.	150	157

Source: Geojit Financial Services

INR Fund Picks

Performance as on 17/01/19

Company Name		Returns (CAGR) 3Yr	5Yr
HDFC Top 100 - Growth	Largecap	16.29	15.26
Kotak Emerging	Midcap	14.33	23.54
Mirae Asset India Equity	Multicap	16.64	19.00
Tata India Consumer	Thematic	21.32	-
HDFC Balanced Advantage	Balanced Advantage	15.59	15.88
ICICI Pru Equity & Debt	Hybrid	13.66	15.90
Tata Equity P/E Fund	Value	17.11	21.28

UAE Round Up

- Successful tests have been carried out on automated fare collection gates which will be installed in Route 2020 of Dubai Metro
- The world's first commercial flight has taken place using locally produced sustainable fuel on an Etihad Airways Boeing 787 plane.
- Dubai's non-oil economic growth slows in December. Latest Emirates NBD data shows that new business increased at the second-slowest rate in over two years.
- The bone-shaking "Viking thunderclap" made famous by Iceland fans at Euro 2016 has become a smash hit in the most unlikely of places -- at the Asian Cup in the United Arab Emirates.

Global:

The S&P 500 gained 2.9% this week, rising on the back of a strong financial sector (+6.1%) and growing optimism surrounding U.S.-China trade talks. The benchmark index has now posted its fourth straight weekly gain and is now up 6.5% in January.

The Dow Jones Industrial Average (+3.0%), the Nasdaq Composite (+2.7%), and the Russell 2000 (+2.4%) also had solid performances, increasing their monthly gains to 5.9%, 7.9%, and 9.9%, respectively.

10 of the 11 S&P 500 sectors finished the week higher with the heavily-weighted financial sector rallying on bank earnings. Conversely, the utilities sector (-0.2%) was the only group to finish in the red this week amid an increase in Treasury yields.

Then, positive-sounding trade reports from The Wall Street Journal and Bloomberg boosted an already-improved investor sentiment and helped the benchmark index end the week above its 50-day moving average.

The Wall Street Journal indicated that Treasury Secretary Mnuchin proposed to lift tariffs on some, or all, Chinese imports during negotiations. Meanwhile, Bloomberg's report indicated that China made an offer during trade negotiations earlier this month to boost the amount of U.S. imports, resulting in balanced trade with the U.S. by 2024.

U.S. Treasuries sold-off amid the extended gains in the stock market, driving yields higher. The 2-yr yield rose 14 basis points to 2.61%, and the 10-yr yield rose 12 basis points to 2.78%. The U.S. Dollar Index gained 0.7% to 96.37, and WTI crude rose 4.4% to $53.84/bbl.

Regarding the Brexit uncertainty, the British Parliament voted against PM Theresa May's Brexit deal this week, and Ms. May survived a subsequent no-confidence vote. Both outcomes were expected and produced little impact on U.S. markets.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	23995.95	24706.35	710.40	3.0	5.9
Nasdaq	6971.48	7157.23	185.75	2.7	7.9
S&P 500	2596.26	2670.71	74.45	2.9	6.5

India:

In the week ended Friday, 18 January 2019, the Sensex rose 376.77 points or 1.05% to settle at 36,386.61. The Nifty 50 index rose 112 points or 1.04% to settle at 10,906.95. Key equity indices advanced last week on positive global cues amid optimism for progress in US-China trade talks. Gains were also triggered on hopes of interest rate cut by the Reserve Bank of India (RBI) after latest data revealed that retail inflation dropped sharply in December.

On the macro front, the annual rate of inflation, based on monthly Wholesale Price Index (WPI), stood at 3.80% (provisional) for the month of December 2018 (over December, 2017) as compared to 4.64% (provisional) for the previous month and 3.58% during the corresponding month of the previous year.

Build up inflation rate in the financial year so far was 3.27% compared to a build up rate of 2.21% in the corresponding period of the previous year. The data released during market hours on 14 January 2019. India's index of industrial production (IIP) (base year 2011-12=100) moderated sharply to mere 0.5% in November 2018, compared with 8.4% growth recorded in October 2018. The industrial production growth for October 2018 has been revised upwards from 8.1% increase reported provisionally. The data released after market hours on Friday, 11 January 2019.

The output of manufacturing sector declined 0.4%, while the electricity generation growth moderated to 5.1%% in November 2018. Further, the mining output growth also eased to 2.7% in November 2018.

Manage instability with stable investment

We are living in a VUCA world. Volatility, Uncertainty, Complexity and Ambiguity have been hallmarks of the stock market all the time; but now, the economy, business and even politics have been gripped by the VUCA phenomenon in an unprecedented manner. In this VUCA world, where crude is more a financial asset than a commodity, crude price can crash by 30 percent in 6 weeks, throwing monetary policy management into confusion. Hawkish policy stance can turn dovish within 2 months. Currency markets can turn out to be almost as volatile as the stock market. An invincible leader and political party suddenly appear vulnerable and a languishing party, rises phoenix like, to resurgence. How should investors manage this VUCA environment?

There is a long-term trend for economic growth, corporate earnings and market appreciation. If we take the last 25 years, India's nominal GDP has grown by 13%, corporate earnings by 15% and market-cap by 16% a year. This is the long-term trend. But in the short-term, occasionally even in the medium-term, this long-term trend may be disrupted. During booms, the growth in corporate profits and rallies in the market would be disproportionate and vice versa during slowdowns and crisis. Sometimes, there can be extended periods of poor performance by the market and sometimes bull runs will defy economic logic and rationality for long. That's the nature of the beast! The only way an investor can manage this volatility is by remaining calm and responding rationally through systematic investment. When market irrationality brings prices of quality stocks down, 'the intelligent investor' would turn aggressive and grab the opportunity. As Warren Buffet famously said,"when it is raining gold, reach for the bucket, not the thimble." At other times, stick to the basics, that is, buy and hold.

Data on the long-term returns from important asset classes in India are revealing: For the period March 1981 to March 2018, the average annual returns from gold, bank FDs, PPF and Sensex were 8.46%, 9.11%, 9.64% and 16.49% respectively. After discounting for inflation of 7.04% during this period, the real returns were: gold (1.42 %), bank FDs (2.07%), PPF (2.60%) and Sensex (9.45%). The message is clear and simple: in the long run, stock is the only asset class that can beat inflation and give decent returns to investors. But, "there is no gain without pain"; and the pain is the short-term negative returns and high volatility. Investors would benefit handsomely if they understand and appreciate this simple lesson from financial history. These are unstable times; the best way to manage this instability is through a stable strategy of systematic investment.

By: Dr.V.K. Vijaykumar, Geojit Financial Services Ltd.

Portfolio Management Services (PMS)

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Portfolio Management Services (PMS), service offered by the Portfolio Manager, is an investment portfolio in stocks, fixed income, debt, cash, structured products and other individual securities, managed by a professional money manager that can potentially be tailored to meet specific investment objectives. When you invest in PMS, you own individual securities unlike a mutual fund investor, who owns units of the fund. You have the freedom and flexibility to tailor your portfolio to address personal preferences and financial goals. Although portfolio managers may oversee hundreds of portfolios, your account may be unique.
The offerings are usually ideal for investors: who are looking to invest in asset classes like equity, fixed income, structured products etc ,who desire personalised investment solutions ,who desire long-term wealth creation ,who appreciate a high level of service

*** Discretionary:**
Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager.

*** Non Discretionary**
Under these services, the portfolio manager only suggests the investment ideas. The choice as well as the timings of the investment decisions rest solely with the Investor. However the execution of trade is done by the portfolio manager.

Modes
Apart from cash, the client can also hand over an existing portfolio of stocks, bonds or mutual funds to a Portfolio Manager that could be revamped to suit his profile. However the Portfolio Manager may at his own sole discretion sell the said existing securities in favour of fresh investments

Benefits

- Professional Management:
- Continuous Monitoring
- Risk Control
- Hassle Free Operation
- Flexibility
- Transparency
- Customised Advice

For further details get in touch with your nearest Barjeel Advisor

25 Trillion in years

By: Ms. Vijayasri. S. Kaimal, Geojit Financial Services Ltd.

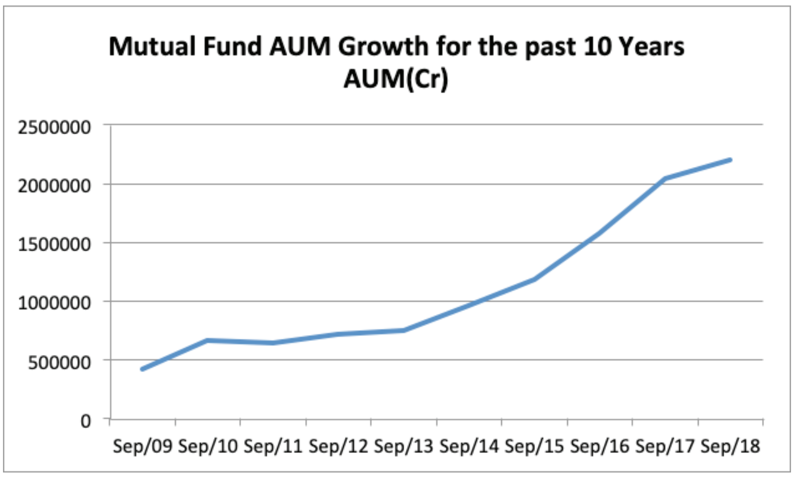
Performance – Past and Present.

India's private sector mutual fund industry is completing its quarter century this year. Although mutual funds were introduced in India decades ago, it gained popularity and acceptance only during the last few years. Promisingly, individual investors (retail plus high net worth individuals) now hold a considerable share of the mutual fund assets. This is quite evident from the following investment data.

It can also be seen that the value of industry assets held by the individual investors recorded an increase of 39% in absolute figures during the above period.

As per the latest data published by AMFI (Association of Mutual Funds in India), the AUM of the Indian MF Industry has grown from Rs. 4.83 trillion on 30th September 2008 to Rs.22.04 trillion (Rs.22.04 lakh cr) on 30th September, 2018, close to fivefold increase in a span of 10 years. The Industry's AUM had crossedthe milestone of Rs.10 trillion (Rs.10 Lakh Cr) for the first time in May 2014 and in a period of just over 4 years, the AUM size had more than doubled and reached an all time high of Rs. 25.2 trillion in August 2018. The following graph shows the steep growth witnessed in the assets for the past 10 years.

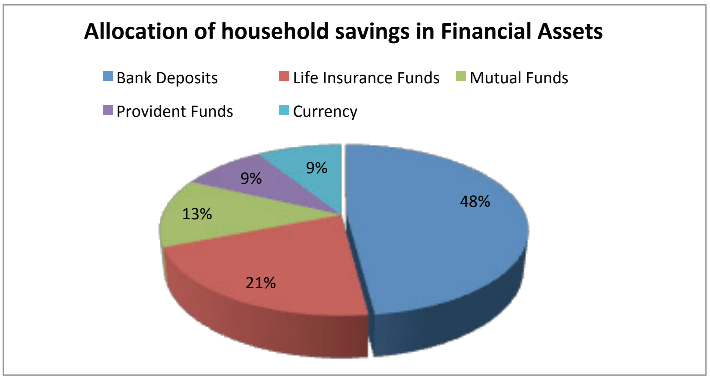
	September 2009	September 2018
Value of MF Fund industry assets held by Individuals	Rs.2.58 Lakh Cr.	Rs.12.62 Lakh Cr.
Percentage Share of individual Investors	41	57



Source: Amfi India

Breakup of Financial Savings.

At this stage, it will be appropriate to examine what the future holds for the Indian mutual fund industry. The chart given below shows the allocation of household savings in financial assets. Bank deposits are still the most preferred financial assets wherein 48% of the household savings have been allocated. Even though the share of household savings in mutual fund assets increased from 9% in 2015 to 13% in 2018 as per a recent RBI report, the comparative allocation of household savings in mutual fund assets is still very low in India. There is huge untapped potential for mutual funds as far as household savings are concerned.



The Future

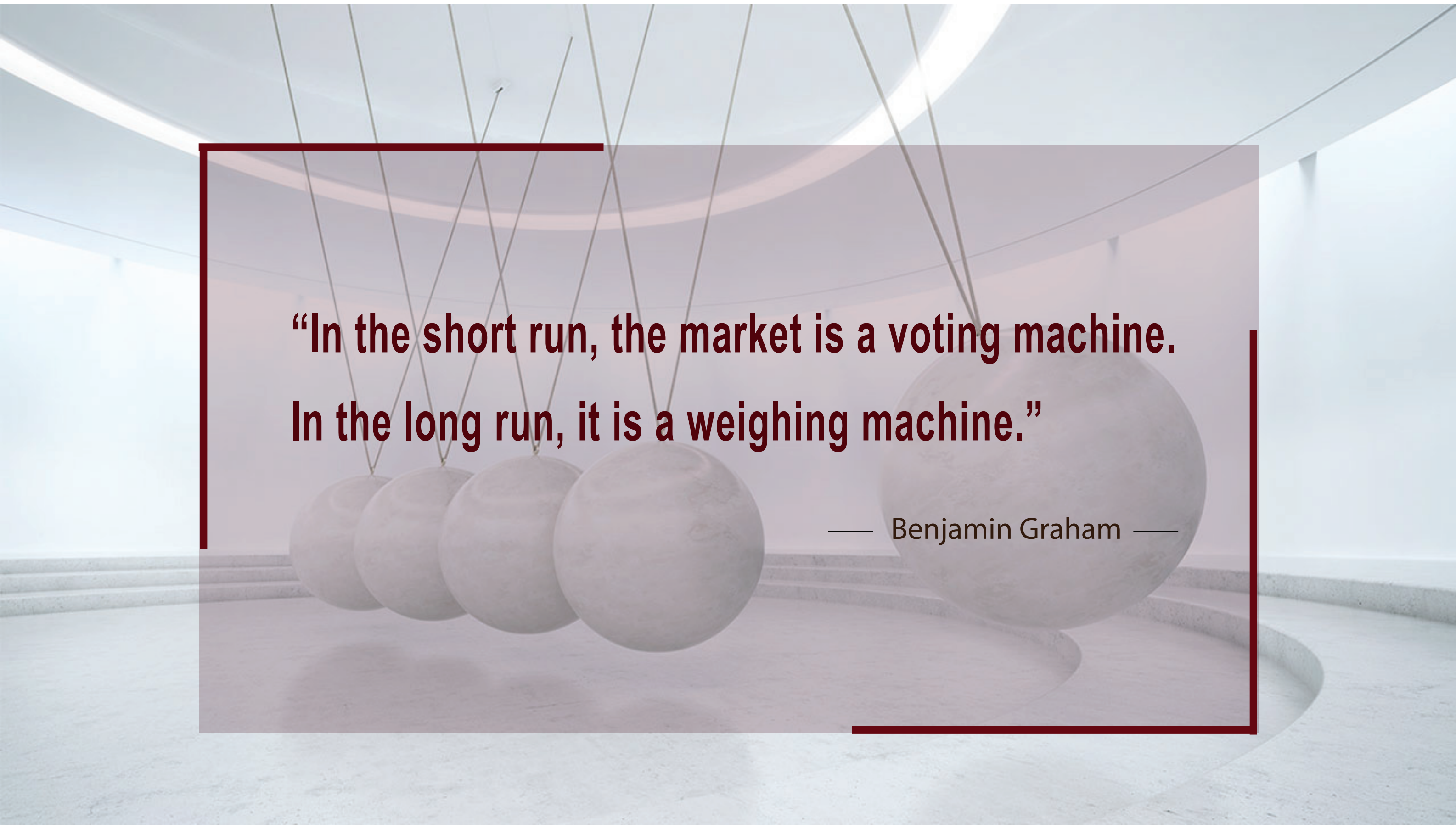
As the economy transforms from a developing to a developed one, we could see fixed income rates trending lower in coming decades.Investors largely started thinking of moving from traditional investment products to those financial instruments that will deliver attractive post tax returns. Now fixed income investors are looking beyond bank deposits for short term fund parking. Now,they place liquid funds and ultra short term category funds as a substitute to bank deposits. The amount of monthly SIP inflow has crossed 7900 crore. Investors have embraced SIPs as one of their monthly savings instrument along with bank and post office schemes. The investors can now transfer money instantly from their bank savings accounts to mutual fundsthrough mobile applications provided by the mutual fund companies.Whenever the investors require their money back, it is possible to redeem and transfer money back to their bank accounts. After two market crashes in a decade, investors now are well aware of inherent volatility in equity oriented schemes and stay invested with the right spirits.

It will also be interesting to see how some equity mutual fund schemes have fared for the last two decades compared to its benchmark. Generally funds are evaluated with its past performance of one year, three year and five year periods. But we have shortlisted these funds from its 20 year rolling returns. Rolling returns are best measure of performance as this is the annualized returns taken for a specific period on every day/week/month/year. When we analyze the performance, the following mutual fund schemes from different càtegories have the real wealth creators over these years.

Data as on 24.10.2018

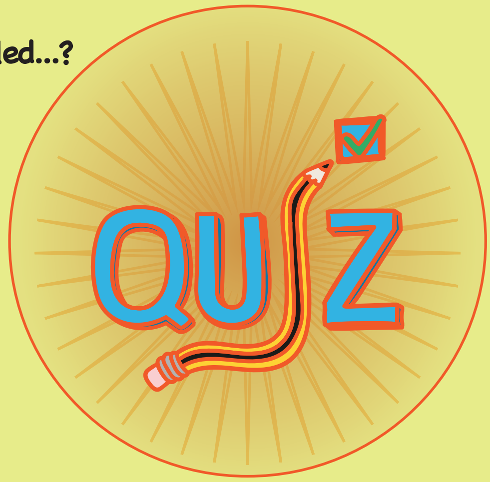
Scheme Name	Category	SIP Performance:20 Year (Oct 1998 -Oct 2018) @ Rs.1000 per month, Total Inv Amt: 2,40,000/ -	
		Present Value of Investments	SIP Return
SBI Equity Hybrid Fund -Reg(G)	Aggressive Hybrid	14,52,921	15.75
HDFC Top 100 Fund(G)	Large cap	22,83,550	19.37
Aditya Birla SL Equity Fund(G)	Multi cap	22,63,778	19.30
HDFC Equity Fund(G)	Multicap	25,69,703	20.31
ICICI Prudential Multicap Fund(G)	Multicap	19,19,896	17.99

25 trillion in 25 years is of course an impressive achievement.
More than that, it is the past that presents the future course.



Q:How easily you can buy/sell a share without affecting the share price is called...?

a) Volatility
b) Short selling
c) Liquidity
d) Averaging down



Share the answer at ***reply@barjeel.ae***

Answer to the last quiz:
Q If you have a short investment horizon of between 2 to 5 years,? is
a) You should hold a greater proportion of less risky mutual funds

Congratulations!

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

Mr. Rahul Chander

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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