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Friday
01st May, 2020

Lighting a path forward in Equities & Commodities...

SENSEX

NIFTY

GOLD

SILVER

CRUDE OIL

USD / INR

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Price Forecast

INSTRUMENT	30th April 2020.	1 Month	2 Month	3 Month	1 year
SENSEX	33318	31000	25501	22501	35501
NIFTY	9860	9101	7511	6151	10751
USD $ / INR	75.11	76	77.5	80	75
GOLD	44906	42000	47001	49001	45001
SILVER	40989	37501	42001	44001	39501
CRUDE OIL	1315	951	551	251	1501

Dear Valued Reader,

With March 2020 bloodbath and April's spectacular rebound at Dalal Street in the rearview mirror — the street now anxiously braces to greet the second month of Fy21.

Honestly speaking, Dalal Street investors' will keep their attention squarely only on one catalyst: COVID-19.

This is because the financial markets across the globe are surrounded with little or you can say confusing visibility on backdrop of relentless cascade of COVID-19 news that makes any investment decisions challenging.

The street suspects that COVID-19 crisis is not out of the woods yet — on expectations of poor economic data and weak corporate earnings in the days ahead. Honestly speaking, until the demand returns to pre-virus levels, it will be unwise to swim against the tide. At the moment, there is a sense of discomfort — a sense of discord amongst investors' camp.

Bottom-line: The "epic battle" between Bulls and Bears to continue. Coronavirus is the wild card.

Now, before we start a brand new-innings of trading this May 2020, let's review how the major indices listed at Dalal Street fared in March and April 2020 and also their performance in the year 2020.

Yes, we are ready with our May-June-July 2020 forecast but before that, we wish great health and good luck to all our clients and their families during these trying times.

Instruments	Prices as on 30th April 2020	April 2020 % Change	March 2020 % Change	2020 % Change
Sensex	33,718	+14.42%	-23.05%	-18.27%
Nifty	9,860	+14.68%	-23.25%	-18.97%
BSE Auto Index	13,350	+24.23%	-30.98%	-27.78%
BSE Bank Index	24,725	+12.13%	-34.01%	-32.58%
BSE Capital Goods Index	12,187	+11.00%	-28.69%	-28.08%
BSE Consumer Durables	20,525	+6.00%	-25.96%	-17.94%
BSE FMCG	10,771	+5.03%	-6.47%	-6.57%
BSE Healthcare	15,332	+26.21%	-9.88%	+14.17%
BSE Metal	6,746	+18.08%	-30.67%	-35.31%
BSE Mid-Cap	12,013	+13.66%	-27.60%	-19.74%
BSE Small-Cap	11,102	+15.54%	-29.91%	-18.96%
BSE Power	1,491	+8.17%	-19.74%	-22.62%
BSE Reality	1,450	+7.15%	-36.27%	-36.40%
BSE Oil/gas	12,066	+20.41%	-20.60%	-18.17%
BSE IT	14,235	+10.84%	-27.60%	-8.02%

THE BACK STORY: An Amazing April for Dalal Street.

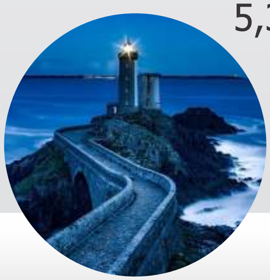
Nifty did hit the headlines in March 2020 when the benchmark was simply seen nose-diving and most importantly, halting the longest equity bull market on record. Fear prevailed on the backdrop of Coronavirus pushing the global economy into a recession.

But volatility and short covering came to bulls' rescue as Dalal Street witnessed a spectacular rebound in the month of April 2020 as many a momentum stocks were seen gaining traction again — primarily driven by a lavish monetary and fiscal policy across the globe. This move was a welcome support to jump start the diving growth. Actually, the unprecedented budgetary support measures are need of the hour and all coordinated action with more expansionary fiscal policies is vital to avoid a global depression.

Net-net, April's optimism at Dalal Street looked quite promising as the perma-bulls camp were seen quite convinced by the fact that that central banks across the globe will use all their available policy options to limit the economic fallout.

The positive takeaway from April trading was that despite being plagued by COVID-19, the benchmarks have leaped by ~14% to start FY21 on a promising note.

Interestingly, the magnificent gains came despite the Foreign Portfolio Investors (FPIs) sold shares worth INR 5,208.50 Cr in April 2020. Digging deeper, FII remained sellers for the fourth consecutive month as they had sold equities worth INR 65,816.70 Cr in March, INR 12,684.30 Cr in February, while they sold equities worth INR 5,359.51 Cr in January.



Technically too, Sensex/Nifty are now well below their 200-DMA (37,967/11,197 respectively) — Please note, 200 DMA is seen as an important gauge of an asset's longer-term trend.

Let’s now have a look at other key catalysts from last month:

- World Health Organization says: "The pandemic is far from over."
- More than 33,00,000 COVID-19 cases around the world with 2,39,000 dead. Confirmed coronavirus cases in India go past 37,776 and death toll at 1,223. Maharashtra is the most-affected state with 11,506 cases and 485 deaths
- Franklin Templeton shuts six of its mutual funds in India after the coronavirus pandemic wrought havoc in the country’s bond markets, in a move that traps over USD 3 Bn of investors’ funds and raises risks of further turmoil across the asset management industry.
- Fed slashes rates to Near-Zero and unveils sweeping program to aid the US economy. A statement following the Federal Open Market Committee meeting pledged accommodative policy until the economy again reaches full employment and 2% inflation. US Federal Reserve Warns Virus 'Poses Considerable Risks'. Fed also said it will do all it can to help the economy since it is still facing considerable risk.
- Catching headlines all April was WTI crude oil prices, which had dramatically tanked below zero and then eventually turned positive during the month.
- Facebook to invest INR 43,574 Cr in Jio Platforms, a unit of Reliance Industries, for a 9.99% stake, an all cash deal that will help the oil-to-retail conglomerate reduce debt and strengthen the social media company’s presence in its largest market, especially for its WhatsApp unit.

- The US 10-year Treasury yield fell below 0.61% as investors remain on edge about the coronavirus.

- Hopes continued for the second stimulus after Finance Minister Nirmala Sitharaman announced a INR 1.7 lakh Cr Gareeb Kalyan Yojana to help the poor tide over the coronavirus lockdown.

- Also, for FY19, last date for returns extended to June 30, 2020. For delayed payments made till June 30, interest rate reduced to 9% from 12%. All GST returns for March, April, May and composition returns extended to June 30, 2020.

- Sentiments remained positive after RBI slashed interest rates by 75 bps, CRR to 4.4%.

- RBI also suggested a 3-month moratorium on loans.

Long story short: The bulls were at the top in April 2020 as Dalal Street ended with a magical 14.42% gains.

LOOKING AHEAD:

Nifty 9,860.
Sensex 33,718 : **Stay long only if you think that coronavirus is losing...**

To start with, Dalal Street's immediate trend primarily depends on:

- How long the shutdown will continue?
- Can the shutdown save the Indian economy and save lives?

Honestly speaking, the surge of coronavirus cases across the globe and the predictions for the looming recession caused by the coronavirus outbreak is getting even direr.

Recession fears have resurfaced on global stock markets amidst reports of jitters that supply chains and economies could suffer from the spread of the infectious illness that originated in Wuhan, China, known as COVID-19.

The reality is that our economy was already in a downtrend and the coronavirus is seen infecting it, each passing day.

Digging deeper, Coronavirus is a humanitarian and societal crisis of unprecedented speed and scale.

What's unknown with this novel virus is how long, far and deep that transmission will go into any society, how it might still mutate and how disastrous it will be.

Now, until we have answers to the two questions mentioned at the start — it will be unwise to swim against the tide. The main uncertainty currently revolves around how long and how widespread the abrupt halt in economic activity will be until the recovery starts. It is a fact that the economy cannot fully reopen until the pandemic is wrestled under control.

If the scenario deteriorates, the global economy could probably move from a recession into a depression!!! Please note, time span is the key differentiation between a recession and a depression.

A recession is typically declared when economic activities decline for two consecutive quarters, while a depression means the downturn has lasted a much longer time—usually years—with a much deeper impact.

There have been 33 recessions since 1854, according to the National Bureau of Economic Research, but only one depression—the Great Depression that lasted from 1929 to 1938.

So, the ghost of the great depression of 1929 brings us to the biggest question: Is the

downtrend at Dalal Street just getting started and do investors' prepare for more difficult times??

Well, COVID-19 is the 1st black swan of 2020 and investors' anxiety at Dalal Street concerning about the pandemic is quite real. That's because we have no certainty the COVID-19 virus will be gone soon. To put it straight, if the virus lasts through May end, then all the economic effects will simply get amplified.

The street fears that the spike in Coronavirus cases will threaten the economic activity and shall lead to prolonged slowdown in India. The street suspects that India's April-June GDP may fall to negative 5% year-on-year or even more. There is apprehension that the worldwide scenario could deteriorate further — and if it does then the global economy could probably move from a recession and into a depression!!!

Coronavirus is catastrophic, and the problematic area is that the virus has crossed all borders and most importantly — physicians still have no vaccine or cure for the novel coronavirus.

The panic — the mayhem at Dalal Street will stop only if the following three conditions are met:

1. The viral spread must begin to slow. Only, if the spread stops, the ultimate economic impact of the virus can be ascertained.

2. The need of the hour is "extraordinary economic measures" to be taken by the Reserve Bank of India and the Indian Government to support the Indian economy. The street will now look for follow-up financial bazookas after the Finance Minister Nirmala Sitharaman announced a INR 1.7 lakh Cr Gareeb Kalyan Yojana to help the poor tide over the coronavirus lockdown.

3. Stocks become dirt cheap amidst further fears surrounding COVID-19 and the consequent market sell-off makes some panic bottom. Yes, markets could bottom out if they get a sense that

negative catalysts are overblown and the Coronavirus is really not that bad economically for India especially on backdrop of Crude-oil prices flirting with sub USD 10 a barrel (now at USD 19 a barrel).

Predicting the stock market at a panic time like this is hard. To predict it accurately, we would have to predict the direct effects on the economy of the COVID-19 pandemic, as well as all the real and psychological effects of the pandemic of financial anxiety. The two catalysts are different but inseparable.

So, in the near term — the key catalyst commanding attention would be the flattening the curve of new coronavirus cases.

Long story short: The need of the hour is a therapy or a vaccine for COVID-19. Establish long positions only if you sense that coronavirus is losing.

And that brings us to our call of the month which suggests volatility will continue to be the hallmark as long as traders struggle to find a floor to the selling in response to the mounting coronavirus crisis. Technically, the most watched support on Sensex/Nifty is at 25,501/7,501 mark respectively. Below 25,501/7,501, selling stampede could knock down Sensex/Nifty further to its biggest support at 21,501/6,151 mark respectively. Please note, confirmation of strength only above Sensex/Nifty 36,101/10,601 mark on closing basis.

The biggest challenge in 2020 would be revival of Indian economy — especially after the demonization which has dented India's growth prospects for 4 years. Possibilities of fiscal slippages are the biggest concerns for our stock markets. The big investors' camp would be also eyeing RBI's & Governments' policies ahead of the upcoming US elections in 2020.

Fueling negativity would be sharp decline in April sales of all major automobile manufacturers with passenger vehicles and two wheeler sales declining now near an all-time low.

India's economic momentums have slowed to historic lows and there is no evidence yet to suggest that economic activities have bottomed out.

The street now anxiously awaits the latest tax cuts which will trigger a domestic revival in demand. Agreed that India's recent competitive tax rates could help the economy grab a larger share of the global trade pie, but at the time of writing it is not yet clear whether that will happen soon, or how long it would take for that to materialize.

Global Investors will keep a close eye on the local bond markets. Simply put, if the bond yields harden further from here on then that will work as a negative catalyst as it will further add to the Government's borrowing costs and widen the fiscal deficit further.

The other key questions vexing investors' mind are:

1. Will Dalal Street start underperforming severely amidst collapsing GDP numbers?
2. How long it will take for the growth to rebound? Will there be any upside surprises to economic growth?
3. Will foreign funds continue with their Jan-April 2020 exit mode at Dalal Street?
4. Will tanking oil prices act as a key positive catalyst and a blessing for India on backdrop that import bill is likely to be much lower?
5. Will there be a recovery in corporate profits?
6. Will GST implementation and recovery start improving India's outlook in 2020?

7. Will Wall Street continue to trade with wild swings?

8. Will Brexit Britain endure an economic recession?

9. The upcoming US presidential election that is starting to heat up.

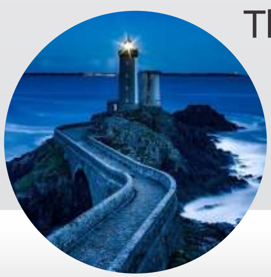
10. **Last but not least is that there are signs of rising tensions cropping up between the US and China — centered on the handling of the infectious disease, which was first, identified in Wuhan, China.**

The next big question: Amidst dramatic COVID-19 events and sluggish domestic economy — what investors should do?

We suspect, this time too — the historical tendency to underperform will again be coined by the Dalal Street adage **"sell in May and go away".**

That's because the pathway for Dalal Street in the near term is likely to become more perilous. We say so because the big FII camp will be increasingly sensitive to the economic outlook. Many corporate businesses will emerge from lockdown short of money, with strained balance-sheets and facing weak demand.

Having said that, any sharp panic declines can ultimately be best handled by buying the dip and preparing for markets to head higher.



The battle going forward will be between extremely oversold technical conditions on the index heavyweight stocks, improving liquidity from DIIs camp, a government committed to reforms and bring back the economy on track, supportive global cues vs. sluggish deteriorating fundamentals on backdrop of coronavirus fears.

It looks safe to say that there will be frequent shocks and wild volatility in the near term. To us, the year 2020 looks promising with attractive investment opportunities only on any excessive panic selling from here on.

Now here are some bullish catalysts:

- Oil prices at a record low. This should help India to reduce its trade deficit.
- Expectations of another round of fiscal stimulus from the government should continue to bolster sentiments.
- RBI's whopping 75 basis points cut in the repo rate, bringing it down to 4.4%, its lowest ever should boost optimism as credit flow likely to begin. We suspect the rates drop further to 3.50% by June-August 2020.
- RBI also announced a special liquidity facility of INR 50,000 Cr for mutual funds in the wake of the winding up of six debt funds by Franklin Templeton.
- Lower global interest rates particularly in the US and most importantly, higher liquidity should bring more capital allocation to India.
- China's production activities to remain subdued and also long-term structural shift from China to India is quite likely. Emerging markets like India may attract a large number of foreign businesses and investments.
- It's most likely that organized businesses will fare better in the current scenario, and improve market share. Consolidation of businesses is most likely.
- Rural businesses will be more resilient.

- Price to Book ratio is largely in line with the lows of the Global Financial Crisis.

Amidst this backdrop, we would like to quote Charles Darwin saying, 'It is not the strongest of species that survives, nor the most intelligent, but the one most adaptable to change.'

The message is very clear — investors should not try to pick stocks or time the market—they don't have the information to find the next Bajaj Finance.

Agreed, coronavirus worries could ratchet higher in the short term. That's why, in such a setting, we have toned down our expectations of an outsized return from Dalal Street in the next three months, but we believe, there is no real need to change or modify your long-term investments. Well, Charles Darwin may have referred the above to nature; but his adage appears most suitable to the current environment at Dalal Street. **'Be Flexible & Focus on very very long term' will be the winning theme for 2025.**

Bottom-line: If coronavirus pandemic grows then investors should brace for 'blizzard of bad news' by hedging their equity exposure by establishing long positions in gold. **But remember, fear at bourses will subside the moment infections peak and when a vaccine is developed.** And if you hold your equity exposures well, we are sure— you will walk away with some pretty nice gains by the end of 2021.

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