

Barjeel **MARKET DIGEST**

KNOWLEDGE . POWER . WEALTH ENHANCER

August 2018 Issue|| Vol: 80

SENSEX: 37,947.88 | NIFTY: 11,470.75 | DOW JONES: 25669.32 | NASDAQ: 7816.33 | USD/INR: 69.80 | GOLD: \$1184.20 | OIL: \$65.21
(Dec 2018 future contract) (Oct 2018 future contract)



BARJEEL MARKET WATCH

INVEST RIGHT



<https://goo.gl/6txYg9>

Stock Picks

Company Name	CPM (Rs)	Target (Rs)
Aarti Industries Ltd	1330	1493
Capital First Ltd.	554	653
Strides Shasun Ltd.	415	480

Source: Geojit Financial Services Ltd.

INR Fund Picks

Company Name	Performance as on 14/08/18	Returns (CAGR)	
		3Yr	5Yr
Tata Equity P/E Fund	Thematic	16.81	26.96
HDFC Mid-Cap Opp	Midcap	13.48	28.25
Mirae Asset India Equity	Flexicap	13.44	22.76
ICICI Pru Equity & Debt	Balance	10.75	18.73
ICICI Pru Bluechip	Largecap	11.45	18.25

UAE Round Up

- Gulf states raise over \$30 billion of bonds in H1 2018
- Gulf equity markets were mostly flat to lower on Thursday, lacking momentum ahead of a long holiday next week when markets will mostly be closed for Eid al-Adha.
- Dubai's financial services regulator has stopped Abraaj Capital from taking on new business or moving money to Abraaj Investment Management (AIML), its related entity, as part of an investigation into the group.
- Emerging Markets Property Group (EMPG), the parent company of UAE-based real estate portal Bayut.com, has announced that it has closed \$50 million investment.



MARKET UPDATE

Global:

- # On the trade front, reports that the U.S. and China will resume trade talks by the end of the month helped equities rally on Thursday. The talks will mark the first official negotiations since a breakdown two months ago, but it's worth noting that the talks are expected to be between low-level officials. In addition, The Wall Street Journal reported late on Friday that Chinese and U.S. negotiators are planning talks to try to end their trade disagreement ahead of multilateral meetings between President Trump and President Xi in November.
- # In other corporate news, Tesla's (TSLA) chief executive, Elon Musk, attempted to clarify last week's tweet about taking Tesla private, saying that his claim that funding has been secured is based on repeated conversations with Saudi Arabia's sovereign wealth fund. Mr. Musk also did a high-profile interview with The New York Times, in which he discussed his personal struggles, calling this past year "the most difficult and painful" of his career. Tesla shares ended the week lower by 14.1%.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	25313.14	25669.32	356.18	1.4	3.8
Nasdaq	7839.11	7816.33	-22.78	-0.3	13.2
S&P 500	2833.28	2850.13	16.85	0.6	6.6

India:

- # India's retail inflation for July softened significantly to 4.17% as against 4.9% in the prior month. Price pressure within the food basket moderated, while relatively lower oil prices also provided some respite. On the other hand, India IIP for the month of June expanded by 7% yoy to a 5-month high.
- # For the week, Pharma index zoomed by 6%, IT index shot up 3%, FMCG index was up 2.7%, midcap 100 index gained 1.6%, Realty index gained 1.3%, Auto index gained 0.3%, while Bank Nifty ended flat. On the other hand, the Infrastructure index was down 1.2%, Metals index was down 1.1%, and the Energy index was down 0.8%.



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



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



<https://twitter.com/BarjeelGeojit>



Investor's Paradox

By Mr. Anand James,
Geojit Financial Services Ltd.

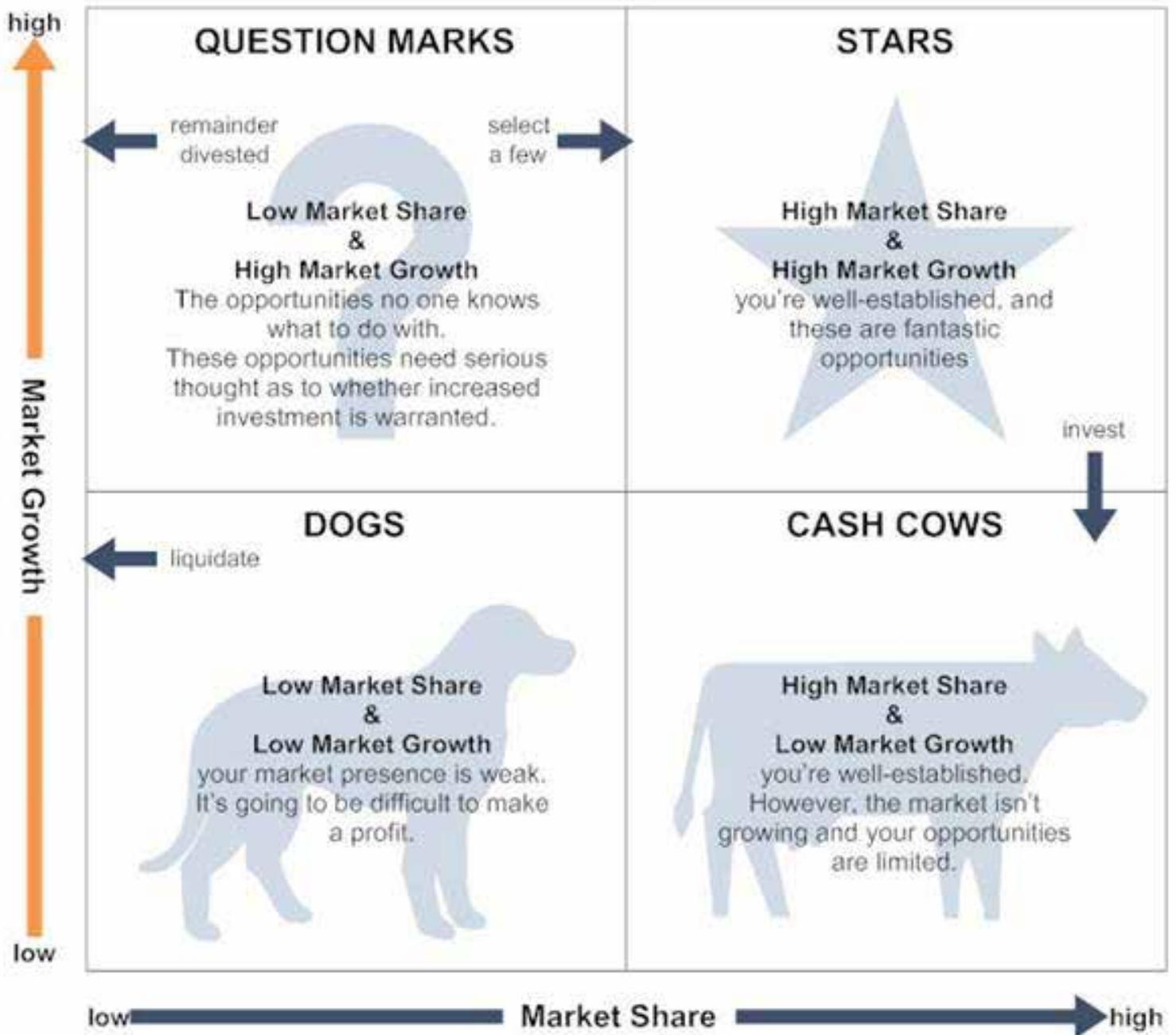
We are all quick to judge a company by the returns that it provides on our investment. What helps these businesses provide such returns is not a secret; it is often a mix of good management, marketing, luck, employees etc. But, what is it that distinguishes a company that could give high returns from another that could give decent, but steady returns for a longer period?

The BCG approach

The Boston consulting group's model (BCG matrix) that helps to prioritise the product portfolio of a business provides instructive insights towards this end.

The matrix places products into four categories. Stars, which are in a high growth stage, also has high market share. They use up a lot of cash, but also bring back good revenue, having a high market share. Cash cows, also have high market share, but the growth is low. As the growth is low, investment needed is lower, but good revenue is generated on account of having a high market share. Dogs have low growth and low market share, for which expensive turn around plans are not ideal, and needs to be liquidated, if not sufficiently profitable. Lastly, Question Marks need the highest attention, as it requires high investment being in high growth category, but their returns are low, as market share is low.

Growth-Share Matrix



It is a no brainer that it is "stars" that we would want to have, but if we can't lay our hands on stars, "cash cows" are a must have. We would all want to own such companies that gives high returns, or at best give decent returns for a long period without fuss. But, how do we spot a star or a cash cow? None of the existing pricing models employed for stock picking do it well enough to identify a company that can be a star or a cash cow. Fundamental valuation approach looks at a possible mismatch between value and market price, while fractal analytics and technical analysis are predictive models on human behaviour. Other approaches like quantitative or derivative analysis are not much different either. So the process of identifying a star or a cash cow goes well beyond the stock's price, present or future.

Engage

When, actor Sonali Bendre took to twitter to announce that she has been diagnosed with a high-grade metastatic cancer, fans and well-wishers poured in supportive comments on the social media. A few months earlier, actor Irrfan Khan had also taken to twitter to reveal that he had been diagnosed with neuro endocrine tumour, the public outpour has been similar. And we are all familiar with cricketer Yuvraj Singh's several trysts with cancer; there have been several instances of celebrities similarly reaching out to the public. But, why do we like to hear their stories, and why do we wish them well, though most of us hardly know them for real? Their online charisma is probably a reason, but certainly not the only, or not

the only, or not even the main reason. It is because; we would like to tell ourselves, through their recovery stories that we can be heroes in our own lies. When celebrities go public with their pain, they are not just following a global trend of such disclosures or because they are now increasingly facing difficulty in hiding their main events. Such engagement with the fans not only serves to ease the pain, but also serves to maintain the connection with the fans, which in turn ensures that when they come back, their brand image is embellished and enriched. Such communication also plugs the possibility of wrong information that could otherwise have diminished the brand image.

We have seen that stocks that have rewarded investors over a long period of time, are those that have been able to manage successful brands and have leaders who have been able to maintain a connect with the public or investors. No wonder, not all the stocks that constituted Nifty50 index ten years back remain with the index now. So, it is evident, that besides the obvious aspects of managing a successful business, it is imperative to maintain a connect with the customer to ensure longevity. From an investor perspective, it pays to look out for those companies that have managed to do that. This, though is subjective, but is nevertheless an important yardstick to estimate if a stock investment will end up as a cash cow or a shooting star.

Let me leave you with another thought, with a quick dab into quantum physics.

Schrodinger's cat

[i]In Schrodinger's experiment, devised in 1935, a cat is placed in a

sealed box along with a radioactive sample, a Geiger counter and a bottle of poison. If the Geiger counter detects that the radioactive material has decayed, it will trigger the smashing of the bottle of poison and the cat will be killed. At the heart of Schrodinger's experiment was an attempt to explain how average person could understand how a subatomic particle can exist as a combination of multiple states. Through the experiment, the flaws in a previous interpretation of the same were illustrated, which stated that a particle exists in many states until observed. In the case of Schrodinger's cat, it would have meant that the cat is both alive and dead, until the box is opened, to see if radio active material has decayed or not or if the poison bottle is broken or not. There is an observer's paradox here which means that until the observation is made, the cat has two realities: either dead or alive, or in other words, the observer here is the trigger for whether the cat will be alive or dead.

Stretching these scientific insights into to investor parlance, can it be said that a stock in one's portfolio could be both a cash cow and a poor investment, at the same time, until the company-investor connection is made? Does it also follow that the very act of the investor making a connection or getting engaged with the company through observation, analysis or criticism, can alter the state of the company; ie being a cash cow or not? We can call this the "Investor paradox". But it is increasingly becoming evident that, what analysts learn about the companies at minute level or fundamental level, and its relationship to what investors observe from a broader level, or how they make their buy/sell decisions has not been fully explored.

[i]<https://www.telegraph.co.uk/technology/google/google-doodle/10237347/Schrodingers-Cat-explained.html>

Q.Q12: What is one thing you can be certain of when you switch mutual funds frequently?

- a) You maximise your returns
- b) Your risks are spread out
- c) You will be able to catch the market timing
- d) You incur additional costs

Share the answer at reply@barjeel.ae

Answer to the last quiz, Q.The market has been in the dumps for months. What's the smartest move?

- c) Buy while stocks are cheap.

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

**Mr. Abid Husain &
Mr. Abishek Nair**

Congratulations!

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





Indian Rupee Quanto Futures

Product

Indian Rupee- United States Dollar Index futures contract is an extension of the Indian Rupee suite of derivatives. The Index contract is reflecting the USD INR rate of the Indian rupee and has a multiplier of 100 converting the rate into dollars. This allows the participants to capture the Indian Rupee volatility without taking any underlying exposure to the pair.

The contract is easy to understand because the price reflected in the Index is the internationally quoted USDINR convention. The Index nature of the contract causes the both USD and INR leg to be variable, providing extra beta to the contract making it very suitable for traders.

Contract	Parameters
Contract Symbol	DINRI
Underlying	Indian Rupee
Contract Size	100 index points
Notional Contract Value	100 index points
Trading /Settlement Currency	US Dollar
Price Quote	USD INR Quanto till fourth decimal place (e.g. Bid 63.6800 / Ask 63.6825)
Tick Size	0.0025 Index points
Tick Value	25 US cents
Settlement Basis	Open Positions at expiry of contract shall be settled in US Dollars as per the Final Cash Settlement Price (FCSP) declared by the Exchange.
Final Cash Settlement Price	FCSP would be based on the official US Dollar reference rate issued by the Reserve Bank of India, based on bank rates in Mumbai at 12 noon on the day of trading or earliest available date

Smart ways to grow your money

Mutual funds could give you good returns with low risks



By Krishnan Ramachandran, CEO Barjeel Geojit Securities

While we all have the good intention to save a good portion of our earnings, in many a case, a lack of knowledge, awareness and assessment of investment choices lead to a lop-sided, minimal focus on financial planning.

There are a number of life-stage investment planning for a NRI that typically needs attention. These include property, children's education, family commitments, adequate life insurance cover, lifestyle goals such as holidays, retirement planning, societal contributions and health-related cover. Each of these goals or aspirations have a time frame that could vary from five years to 25 years.

There are many types of investment avenues that can help NRIs reach their financial goals. These include banking products (fixed deposits); bonds, stocks, mutual funds, insurance products, derivatives, structured products etc. For the sake of brevity, we will briefly discuss mutual funds as an investment option.

Mutual funds are operated by Asset Management Companies who engage professional fund managers to manage the various categories of schemes in line with the investment objectives stated in the scheme information document. All mutual fund operators are

regulated by the Capital Market Regulator of the jurisdiction, for India it is the Securities & Exchange Board of India (SEBI).

Mutual funds broadly can be classified into 3 categories– equity, debt, balanced.

There are of course many variants of mutual funds schemes to choose from – these include funds such as diversified, large cap, small cap, mid cap, sector specific (banks, infrastructure etc.) tax savings, exchange traded funds, hybrid to name a few.

Each one of these investment choices have to be made depending on the risk-reward perception and exposure that an investor chooses to take. Investors may also choose to invest by way of a lump sum basis or by way of systematic investment plans whereby the investment is done on a monthly basis, this route especially enables to develop a fiscal discipline for most investors.

It is also equally important to have a diversified portfolio which comprises different asset classes apart from mutual funds. The overall objective of any investment strategy is essentially to secure a good future and achieve financial independence and security. In short 'time in investments will make your money work hard for you'. The moot question therefore is "Are you there" in this world of investments.

Special to GN focus, Gulf News

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.

(VII) Barjeel Geojit also facilitates promotion of Mutual Funds approved by Securities & Commodities Authority (SCA). However, an approval by SCA does not represent a recommendation to purchase or invest in the Funds. SCA and/or Barjeel Geojit are not liable for any default by any of the concerned parties in the Fund, in the performance of their tasks and duties, or for the accuracy and integrity of the data in the subscription prospectus and that the onus is on all the concerned parties identified in the relevant documents in accordance with the roles and functions of each one of them.

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

www.barjeel.ae