

# FOCUS



## NAG MUNAGAPATI WEALTH ADVISORS

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## Hi All,

Before we talk about macro factors that impact our markets, let's get in to the topic of risks and rewards in general.

Any decision we take in our life will have certain risks and rewards. Risk is inevitable in any choice we make and calculating the same is called intelligence whereas choosing the risk that fits your appetite is called rationality.

You may not choose the reward that you can get but you can always have the choice of deciding how much to risk or loose in any single transaction

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In our Investing context, let's see one example to understand how the risks and rewards are positioned. Let's take a fresh grad who came out of the college with flying colours. Say he has two options. one is a campus placement and the other is to do a start up on his own with the idea he has.



If he chooses the former option of going for a job, he will end up with some monetary savings and some credentials to his CV to take up further progress in his career.

If he opts to start up with his idea, he may end up with nothing in monetary savings or may create a unicorn after 5 years. Comparing the two options, we can see different risk reward points with different degrees of probability.

But keeping aside all the risks, rewards and probabilities, we humans are emotional beings and that's where the prejudice comes to fore and slips our rationality.

With this emotional bias, we take decisions out of passion. So when we take any investment decision, we gotta be as neutral as possible with respect to our emotional tilts and take decisions only based on math. And here I am not urging the fresh grad to not to take up the risky start up but he gotta be conscious of various outputs that he may end up with the decision he takes and shall choose the risk that fits his financial and emotional appetite.

So we shall be conscious of risks and rewards that may come with the decisions we make. In the context of investing, a safety deposit may fetch safety returns in the short term as a reward but it poses a risk of slightly defeating the inflation if we don't opt for alternate asset classes which can give us 10% + returns



## MACRO TALK

### LOWER INFLATION AT 5.66%



Finally a bit of ease in inflation. This justified the Monetary Policy decision by RBI. So we don't see any hawkish approach from RBI in the next two MPC sessions unless there is any surprise factor that may pop up influencing the inflation towards north side.

So we don't expect any interest rate hikes at least in the next two months. This shall be taken positively by the equity markets and so we expect an upside in the valuations in the near short term



## MACRO TALK

### US RECESSION AND IT COMPANY RESULTS

US and Europe recession is already felt across the sectors. IT in specific as we see lot of job cuts from stalwarts like Google and Microsoft. Recessions create hopelessness. Hopelessness will make you more careful with respect to the expend you make as you are worried about shrinking revenues and idle capacities. When budgets squeeze, consequently the revenues of your vendors also come down affecting the profitabilities and valuations across the value chain. Our IT space is seeing the same scenario with lesser demand and so lesser revenues with which we see a fall in valuation. This is clearly seen in the results of Infy/TCS and Wipro

### NIFTY AS AN INDICATOR

NIFTY is a composition of stalwart stocks in the indian economy in terms of market capitalization. But for us, its one of the technical indicators to guage the market trend. As the short term averages beat long term averages and scale up, it's a bull trend and vice versa is bear trend. On a short term basis, we see NIFTY starting a bull trend and we gotta see what form its gonna take with all the hopeless recession talks around annexed with indian inflation being the only softener here.



## **GST COLLECTIONS**



GST collections blew our mind with 1.87 lakh crores this April which is almost 12% higher than the collections of the same month last year.

This is a big positive indicator for demand sustenance and upscale. This is one of the primary indicators to show us how buoyant the results may come in the next quarter across all sectors . As I emphasise, more the GST revenues implies more revenues and more profitability consequently more profits and valuations.



## OUR FOCUS

We are doing good across all the sectors specifically in rural consumption with NESTLE doing very well. But IT space is suffering lower budgets from customers across US and Europe for the reasons of recession



Infy in specific got beaten so much for the same. But we see the traction coming back soon once the recession fizzles out and so we believe in the growth story and capabilities of INFY to come back strong. Otherwise we are good with all the stocks except a few like BATA which are under review but they are not giving up in anyway to comeback as per our defined strictures. Lets wait for much better days to come and lets be part of India's wealth creation story

After creating a portfolio for US stocks across all sectors, we focused to do a pure tech play portfolio for US tech and semi conductor stocks. We designed a portfolio with 25 stocks for one of our big clients. So now we are going to manage a sector and geography specific portfolio. So any client who wants to invest in US stocks can contact us.. See you all in a while with some value addition



## **OUR CHARGES AND OPERATIONAL CONTACT**



We charge 1% per annum on the Asset under management or 5000/- per annum whichever is higher

Clients with investment value of less than 2 lakh will be charged 2000/- fixed per annum

We serve our clients alike with the passion we have for the markets

Please contact our Business development and Operations lead Mr. Manindhar vsv

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Visit us at **[www.nagmunagapati.com](http://www.nagmunagapati.com)**

**CA Nag Munagapati**