



**Go India Advisors**

Weekly Newsletter

# Market Masala...

*The flavors that influenced the market this week*

# Headlines this week

*Two killers – oil and coronavirus*



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**Norges**, Norway's US\$950bn sovereign wealth fund, the **world's biggest is preparing to liquidate assets** to cover government withdrawals. Norway faces twin shocks of oil price collapse and coronavirus pandemic. Read [here](#).

**Sovereign funds from oil producing nations in Middle East and Africa estimated to offload around US\$225bn worth of stock**, It appears that they have already offloaded US\$150bn worth of stock and some more is to follow. Read [here](#)

**A total of 72 ETFs with US\$1.4bn in assets shutdown and returned their money to investors in Q1CY20**, this is the most since Q3CY17 which saw 73 funds close down. Investors move to broad based funds to hedge risks. Read [here](#)

# Voices that matter



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**Howards Mark**, Director and Co Chairman of **Oaktree** in a [memo](#) to it's clients outlines the pessimistic and optimistic outcomes and way forward for Coronavirus led crisis. He aptly sums it **"You may or may not feel there's still time to increase defensiveness ahead of potentially negative developments. But the most important thing is to be ready to respond to and take advantage of declines"**.



**Larry Fink, Chairman, Blackrock** in a letter to shareholders writes, **"This is not 2008. The virus shock's impact will likely be large and sharp, but we believe investors should be level headed, take a long term perspective and stay invested"**. Read [here](#)

# Global Markets tumble resumes

Name	Returns %			
	One Week <small>(28/03/2019-03/04/2020)</small>	One Month <small>(04/03/2019-03/04/2020)</small>	One Year <small>(04/04/2019-03/04/2020)</small>	YTD <small>(01/01/2019- 03/04/2020)</small>
Hang Seng HSI PR HKD	-1.06	-11.60	-22.51	-17.57
DJ Industrial Average TR USD	-2.65	-18.61	-17.67	-25.74
NASDAQ Composite TR USD	-1.69	-14.99	-5.60	-17.59
S&P 500 TR USD	-2.02	-16.97	-11.62	-22.56
NYSE Composite TR USD	-2.94	-20.99	-20.97	-28.48
FTSE 100 TR GBP	-2.02	-19.26	-23.77	-27.50
Nikkei 225 Average TR JPY	-7.24	-14.69	-16.08	-23.91
IISL Nifty 50 TR INR	-6.66	-28.32	-29.63	-33.35
S&P BSE SENSEX India INR	-7.46	-28.56	-29.03	-33.12



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# Sector Heat Map

## Week Ending 3 March 2020

Oil Gas 7.15 %	Healthcare 6.59 %	FMCG 3.63 %	Energy 2.58 %	Utilities 1.18 %
Infra 1.09 %	Metal -2.46 %	Power -2.54 %	Basic Materials -2.88 %	Consumer Durables -3.62 %
Industrials -4.08 %	Telecom -4.75 %	Capital Goods -5.5 %	Consumer Disc. -5.75 %	Realty -7.45 %
Teck -7.61 %	IT -7.9 %	Auto -8.5 %	Finance -12.18 %	Bankex -13.98 %

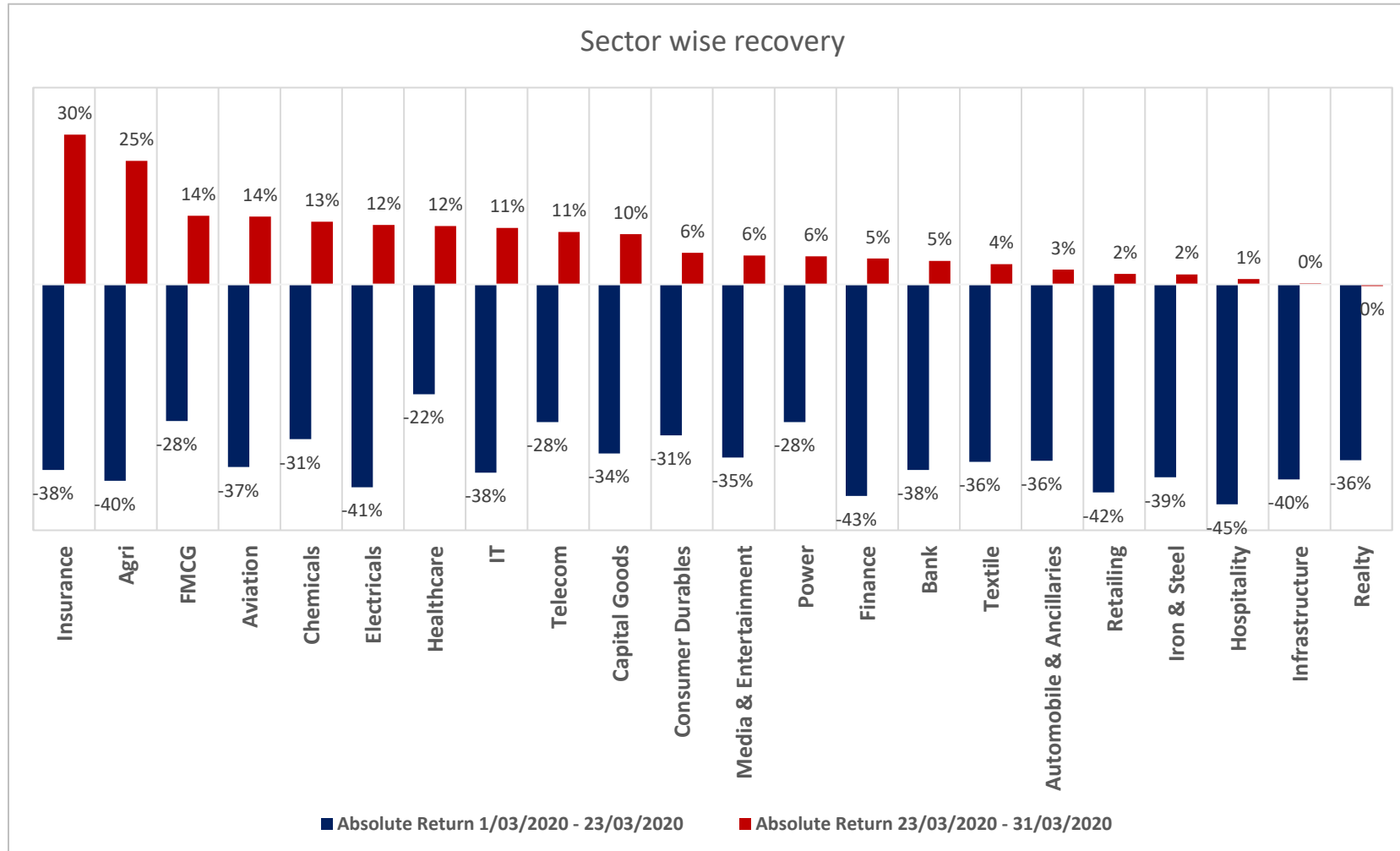
*For more information: Click on the image.*

# Sell-off – Method to Madness



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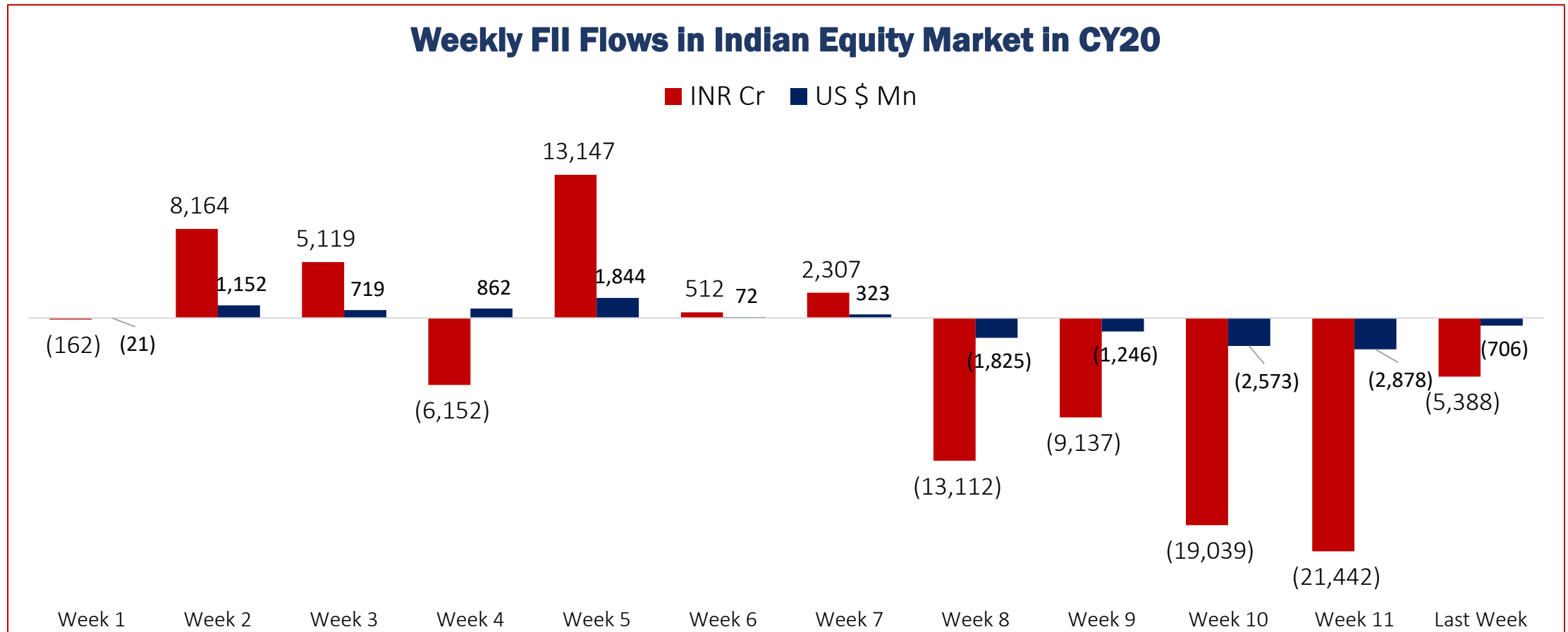


1. Defensive sectors – FMCG, Healthcare Utilities got sold off less.
2. Market sees opportunity in uptake of insurance policies as people may buy medical and life insurances.
3. Agriculture has been omitted from lockdown.
4. No surprise, retailing, hospitality and large ticket items like real estate, automobile takes a back seat.

# FII sell off– is it subsiding



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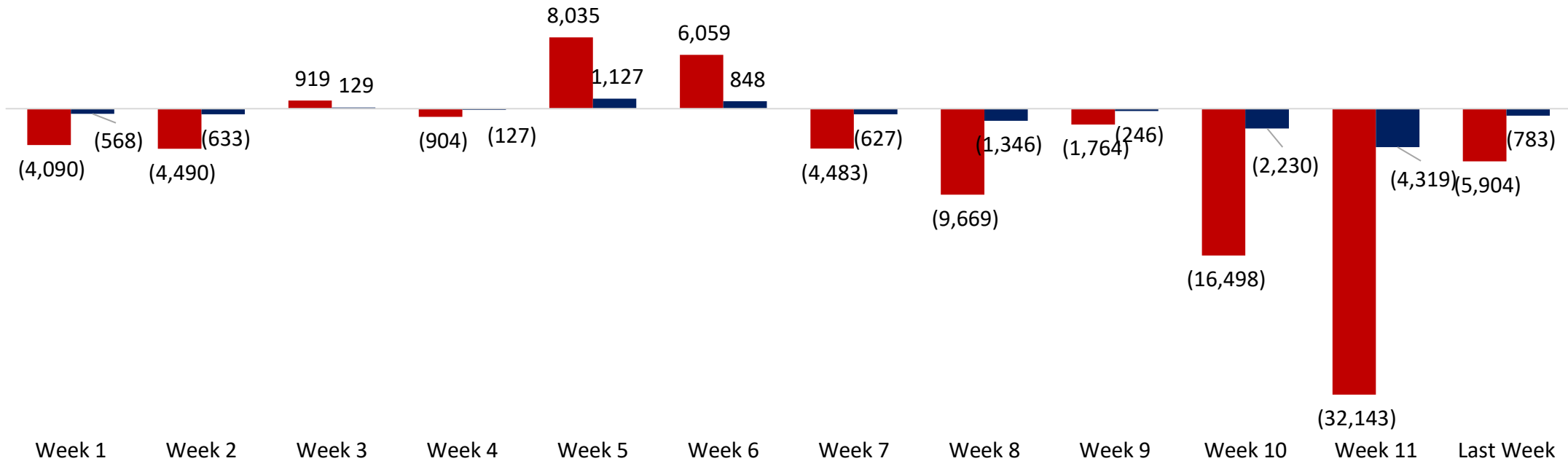
# FIIs sell off – same trend in Debt Markets



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## Weekly FII Flows in Indian Debt Market in CY20

■ INR Cr      ■ US \$ Mn

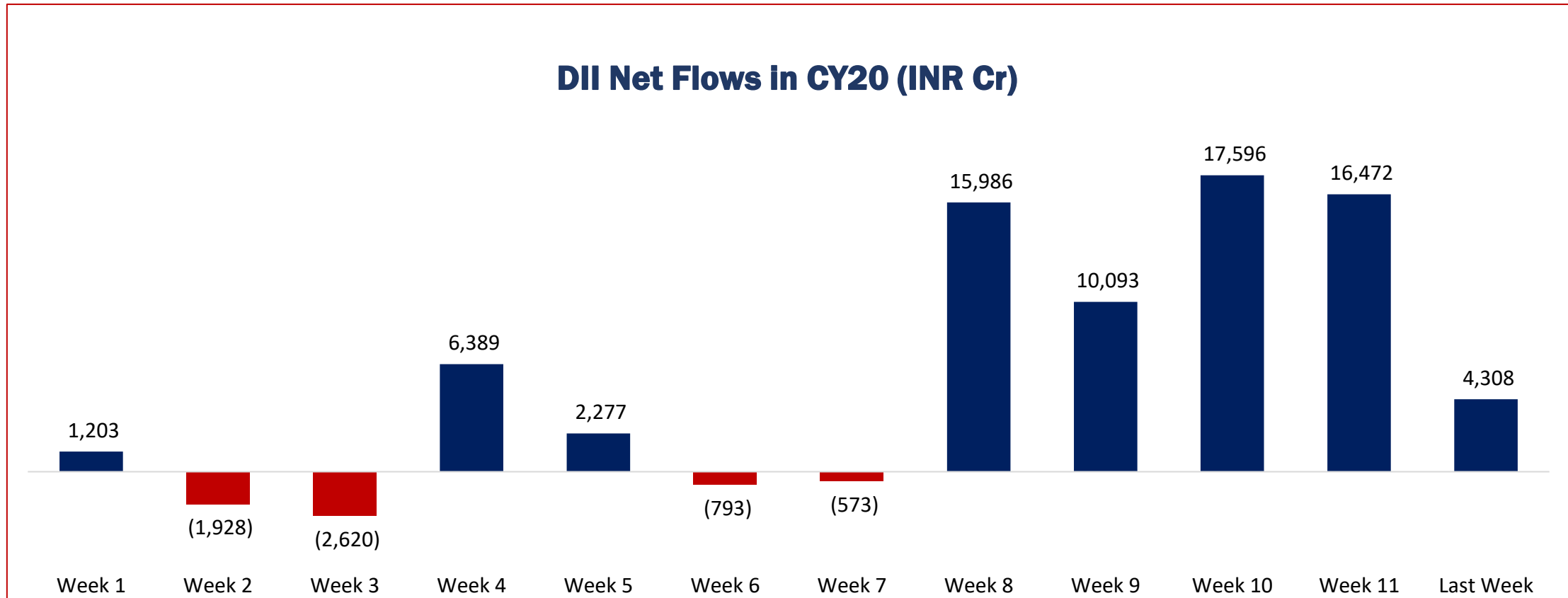




# DII Net Flows continue to be positive



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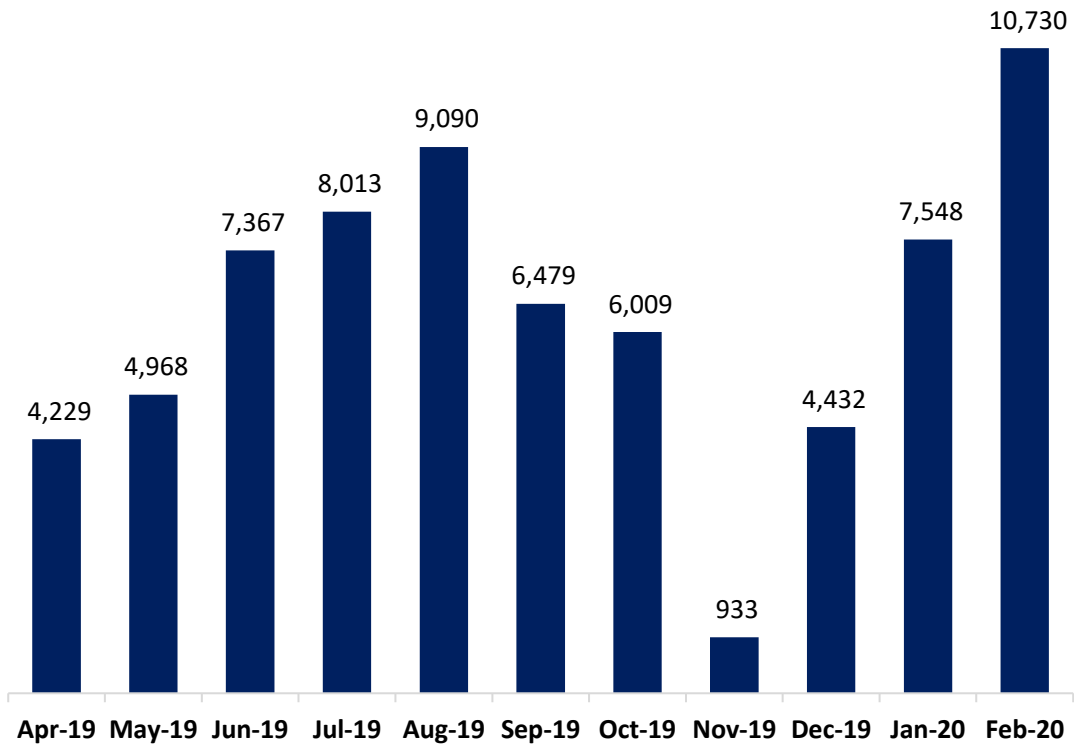


# Retail investors continue to keep faith

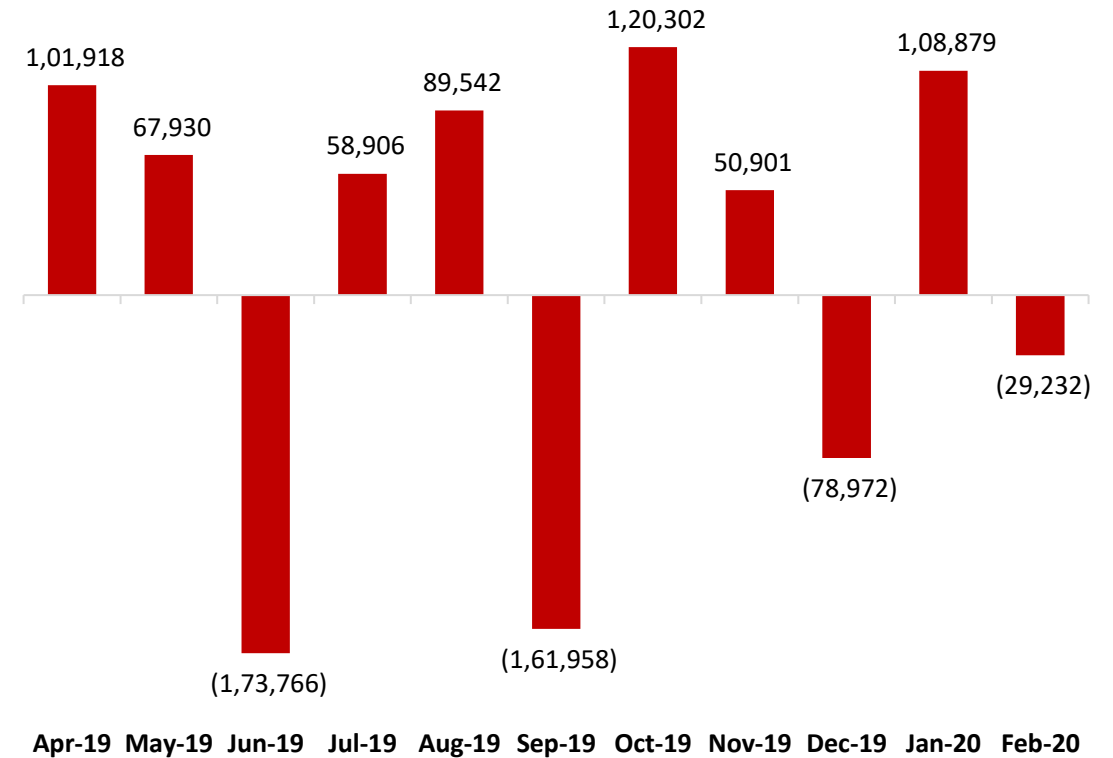


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### Growth/Equity Oriented Schemes ( INR Cr)



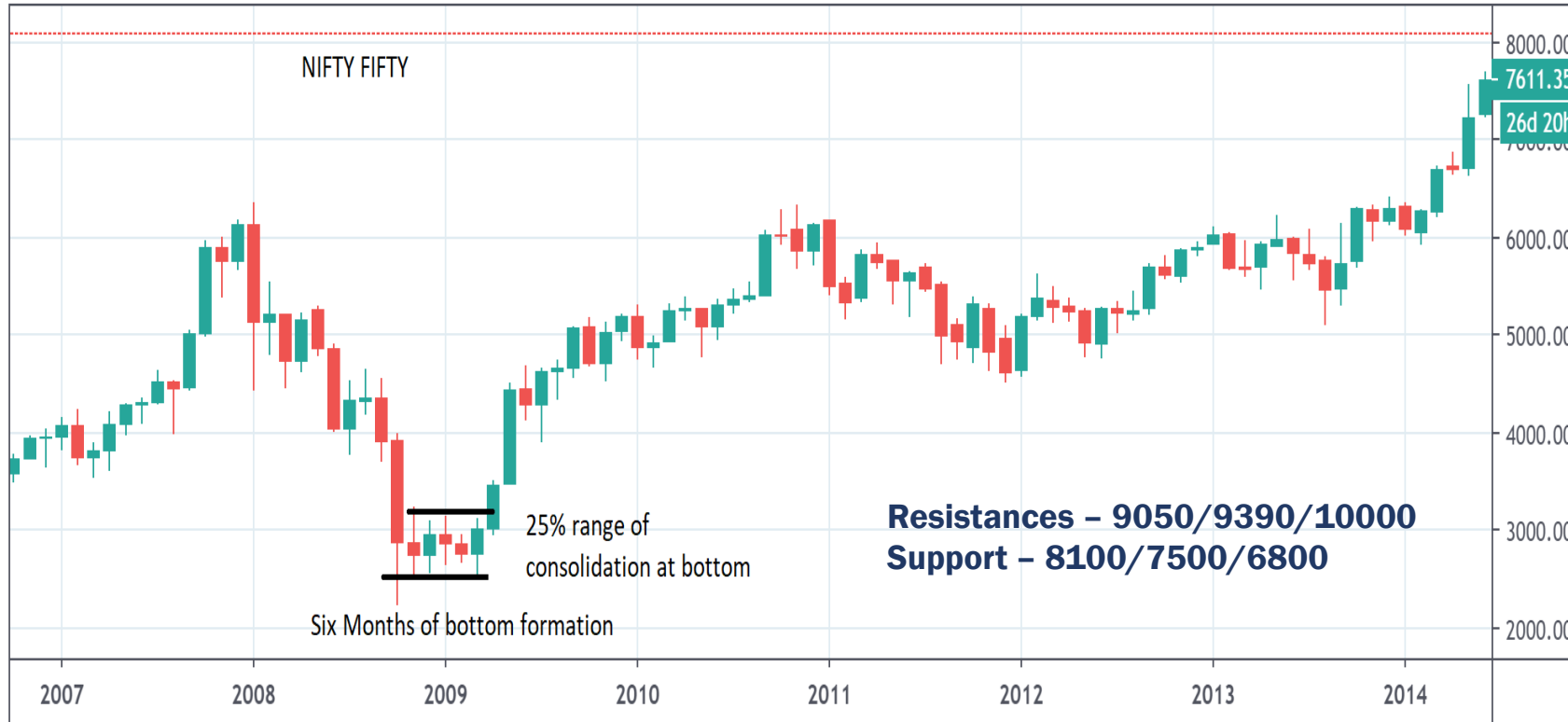
### Income/Debt Oriented Schemes ( INR Cr)





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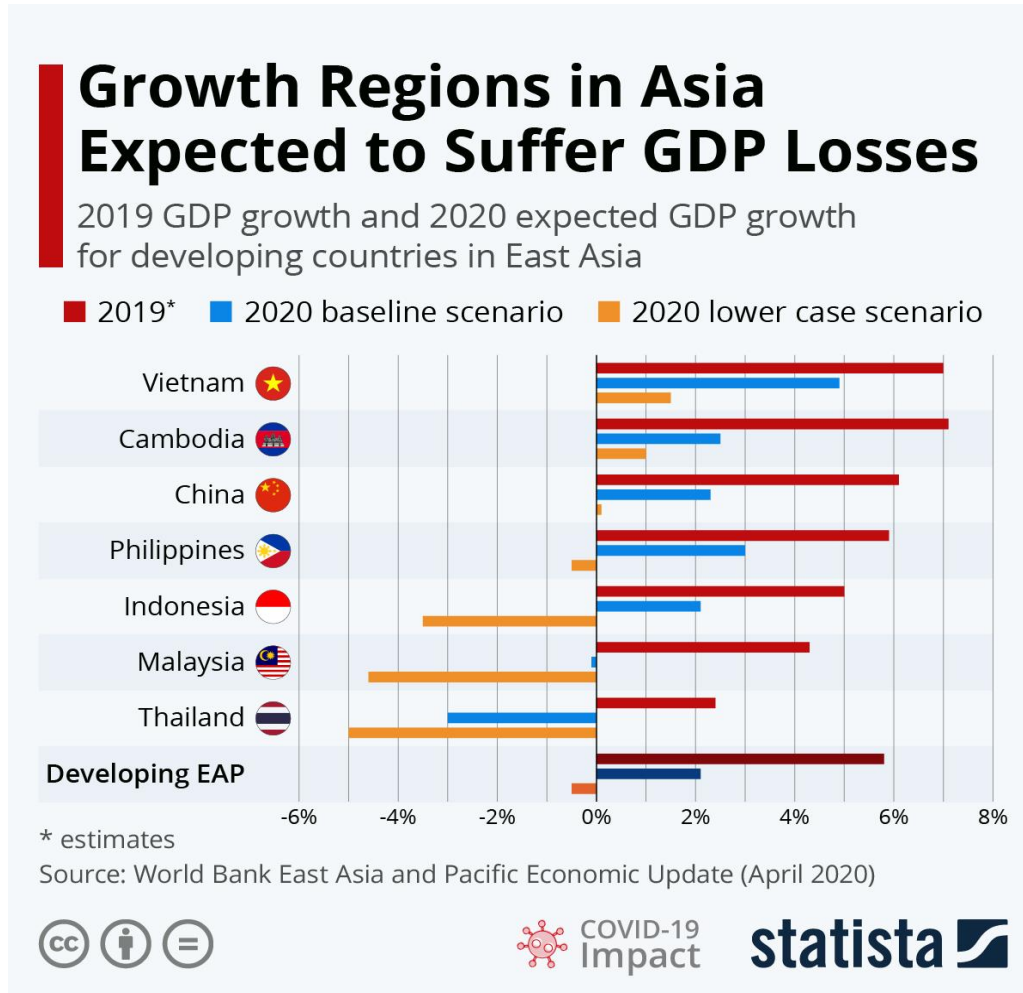
# Tech Check – Bottom takes months



1. Learning from the GFC crash 2008. The bottom formation was a 6 month process in which market traded in a 25% range.
2. Currently market seems to have found a range of 7500-9400. Unless things become very bad and we see levels of 6800/6100.
4. VIX have dropped from 80+ to now 55. But remains elevated so 2-3% index moves are still on, maybe not 10% moves. MACD and RSI at 33 have settled in bearish zone.



# GDP losses and recession looms



1. Developing nations in the East Asia/Pacific region will take a major economic hit due to the corona virus outbreak.
2. Countries that rely on tourism heavily (Thailand, Cambodia) are vulnerable in this crisis, as are countries which carry high debts (Thailand, China, Malaysia, Vietnam).
3. Yet, Vietnam profits from picking up slack left by decreasing Chinese exports.
4. It was now up to governments to flatten the curve of infections as well as the curve of recession, - because economic cost was “ultimately also a human cost.”

# Covid -19 Fallout on Investment Managers



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## Manikay Funds

New York-based hedge fund Manikay will unwind three of its funds and return money to investors, with founder Shane Finemore saying the coronavirus had made the world and financial markets “too uncertain” to trade. Manikay Partners had an AUM of USD2.8 billion

## Solus Alternative AM

One of the best known specialists in distressed investments, is closing its flagship fund after suffering a combination of heavy redemptions and poor performance. The fund had an AUM of \$4.3 bn

## Malachite Capital Management

A NY based hedge fund founded by former Goldman Sachs Group Traders is winding down after market turmoil. The fund had an AUM of USD 600 million

## India Nivesh PMS and Broking



*SEBI registered broker, India Nivesh shut its portfolio management business and subsequently its broking business on account of the turmoil in the stock market.*

*If it takes 2 years to climb back to previous highs, maybe there is no money to be made by these funds. Makes sense to return the money.*



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# Corporates on Covid – 19 Impact



Demand has definitely got hit badly and its effect has been more in the last one week as the Coronavirus spread has been happening. On the Supply side, China is more or less now back in action, factories are operating at around 70-75 percent and very soon should be reaching the 100 percent mark. They have started sending supplies –  
**Nilesh Gupta, Managing Partner - Vijay Sales**



Overall density at shop floor is reduced as employees per shift are reduced. Maintaining good inventory on consumables and given that goods trains are working, exports are now easier. We are focussing more on exports–  
**VR Sharma, MD, JSPL**

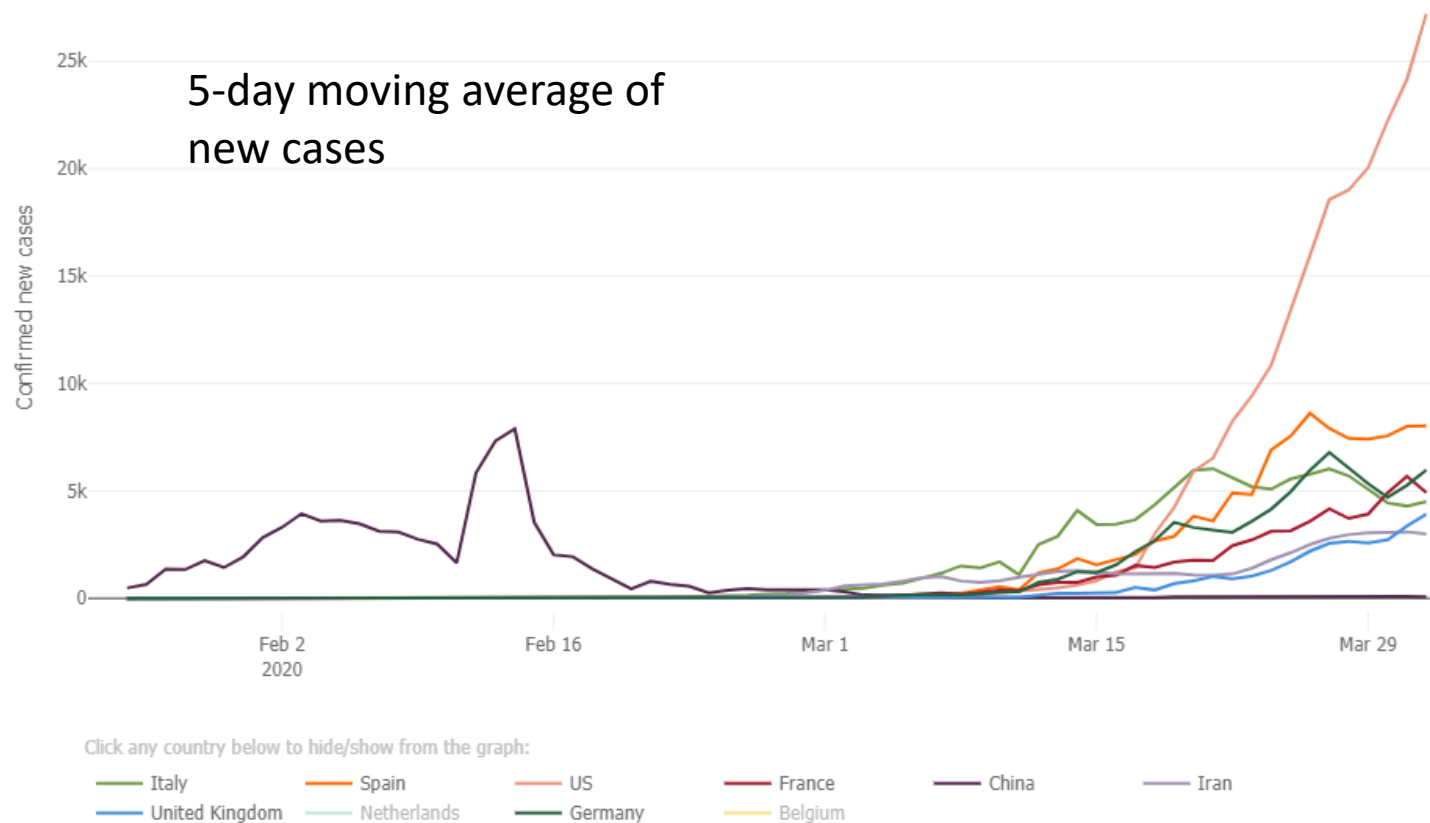


**Amit Agarwal, Country Head, Amazon**

*Our priorities are to keep employees and facilities safe and to deliver essential products. We are working closely with state governments and local authorities to get clearances and curfew passes so that we deliver essential goods to customers. A lot needs to be done in getting curfew passes. The decline in delivery personnel has also become a pain point. We need more people to provide essential services to consumers,*



# Covid 19 Check – US spike a new concern



06-04-2020

1. US President thinks that there could be 100-200k deaths, a scary picture.

2. India has been testing only high risk category population. Out of 69245 tests done around 2653 has tested positive. A rate of 3.8%. This is an increase from 2.8% rate till last week. The impact of Markaz cases which seem to be highly infected.

3. Still to hear about The recent exodus of migrant labourers. Government made a statement in Supreme Court that 1/3rd could be infected. God save us!

# INDIA COVID-19 HOTSPOTS



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## Losing the plot post Markaz cases

- Delhi
  - Nizamuddin West – 6 dead in Telangna who attended the congregation. **24** positive cases in Delhi. **441** hospitalized.
  - Dilshad Garden – Total number of cases in Shahadra district is **11**.
- Rajasthan
  - Bhilwara – **26** out of **83** cases in the state, are from this town. 1,194 samples taken.
- Uttar Pradesh
  - Noida - **38** cases. **626** samples are tested and 1,852 people are under surveillance.
  - Meerut – 19 people have tested positive.
- Maharashtra
  - Mumbai – **167** positive cases and 8 deaths.
  - Pune – **46** cases were reported. 2,216 passengers are under surveillance.
- Gujarat
  - Ahmedabad – **23** cases are detected and 3 deaths.
- Kerala
  - Kasaragod – **99** positive cases and 7,725 people are under observation. 163 in isolation wards.
  - Pathanamthitta – Only **5** positive cases, but 7,254 are under observation.



# Fund in Focus: DSP Small Cap

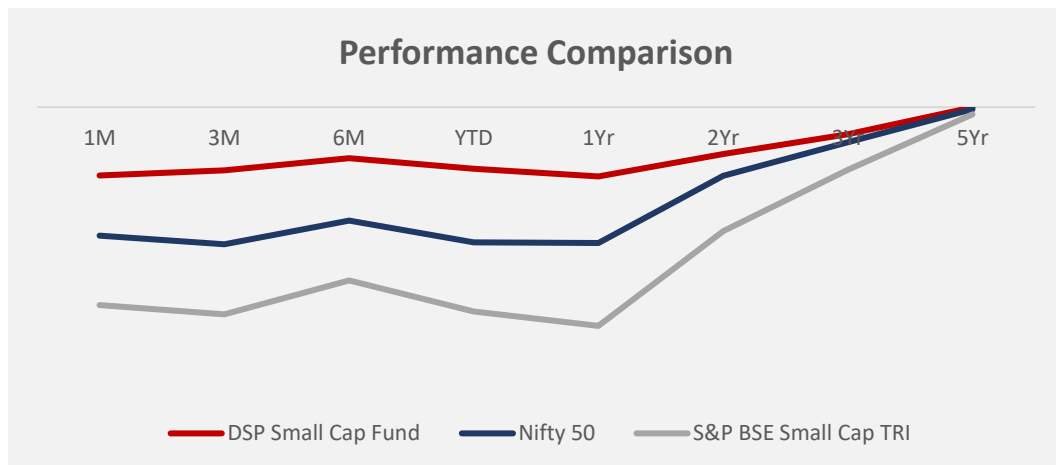
Fund Manager:  
Mr Vinit Sambre

Preferred Sector :  
Pharmaceuticals

Fund Size :  
INR 50,446Mn

Investment Style:  
Growth Oriented

(10% of Total Holdings is in Pharmaceuticals)



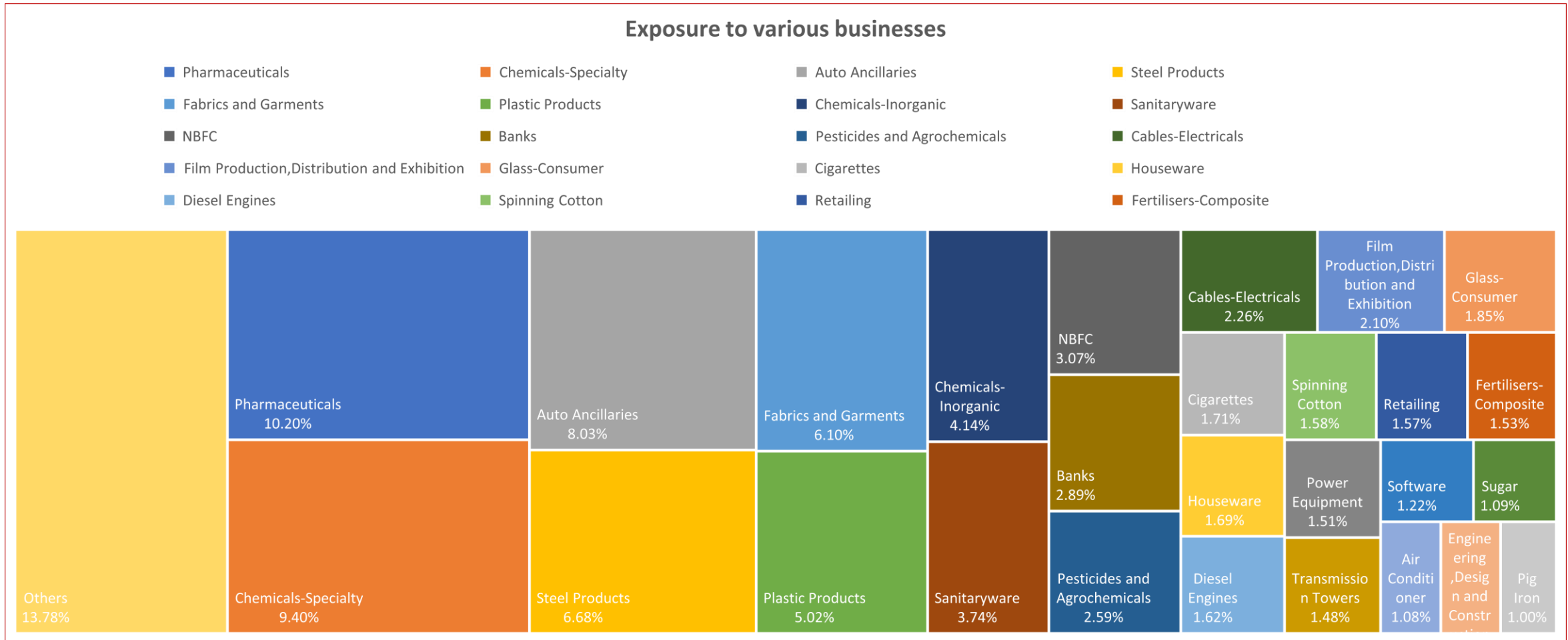
## Mr Vinit Sambre, Head-Equities – DSP Investment Managers:

He is a Chartered Accountant managing DSP Blackrock since 2007. Prior to this he worked as an Equity Strategist/Analyst at DSP Merrill Lynch , IL&FS Investmart Limited and UTI Investment Advisory Services.

06-04-2020



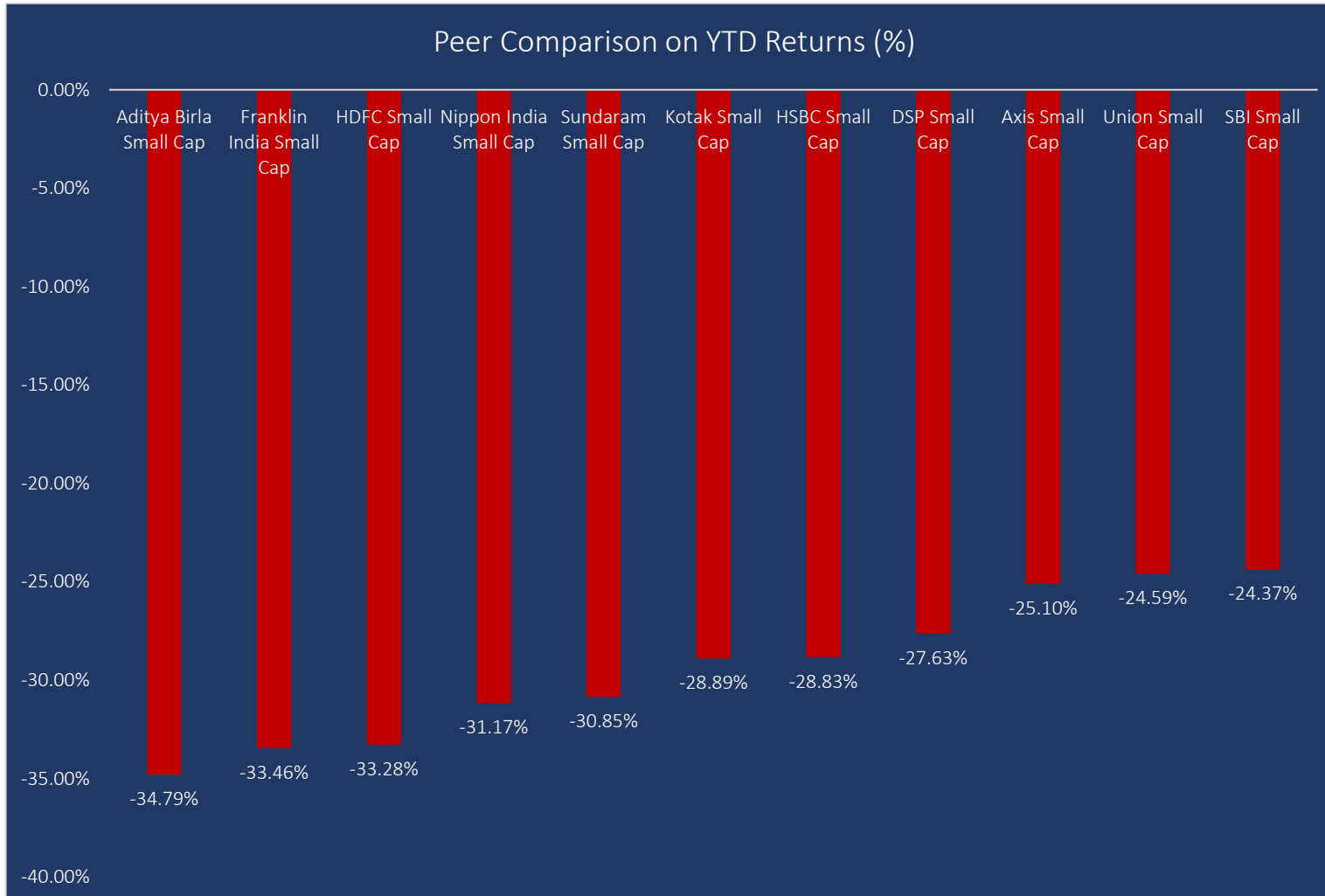
# Mitigating Risk of Small Caps by Diversifying the Portfolio Distinctly



06-04-2020

Note: Exposure to "Others" do not exceed 1% in any business segment

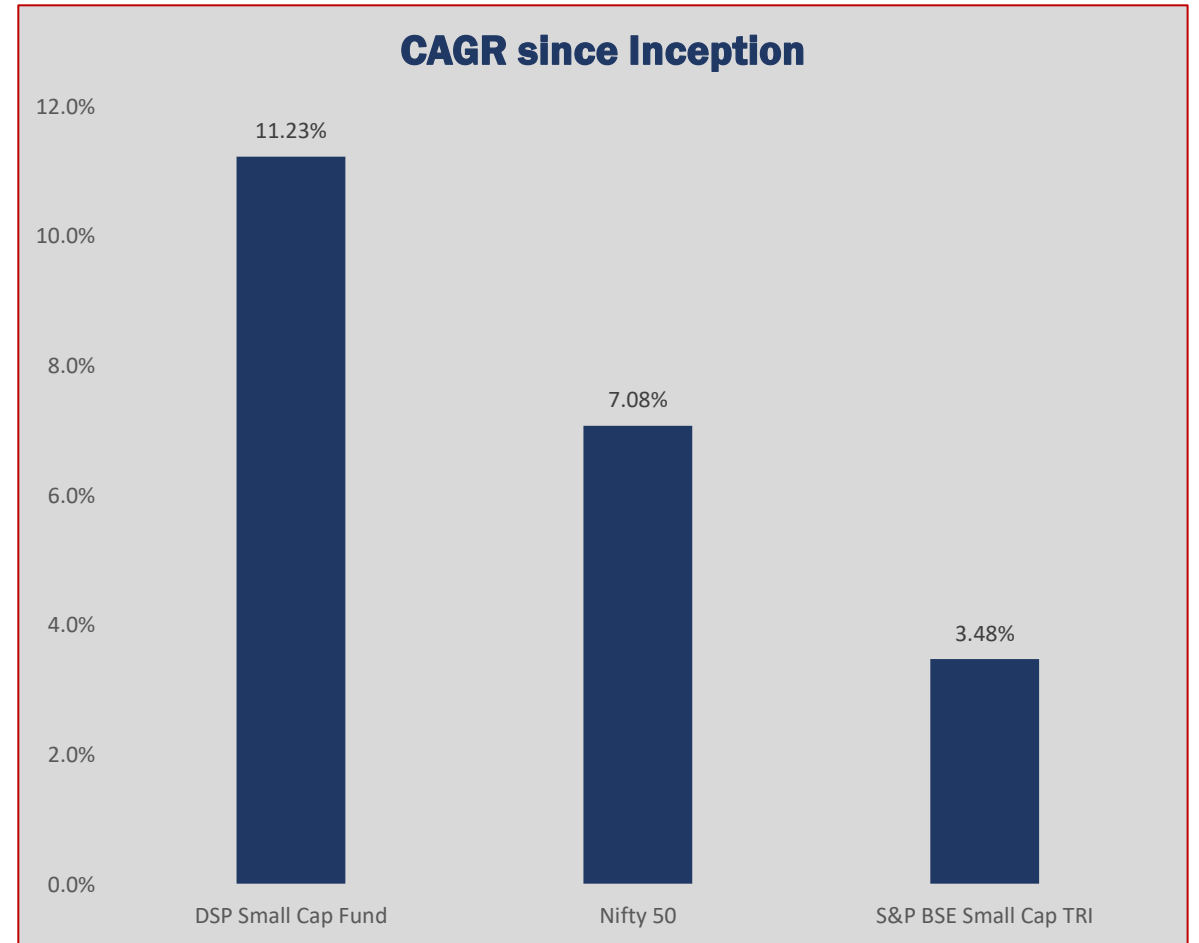
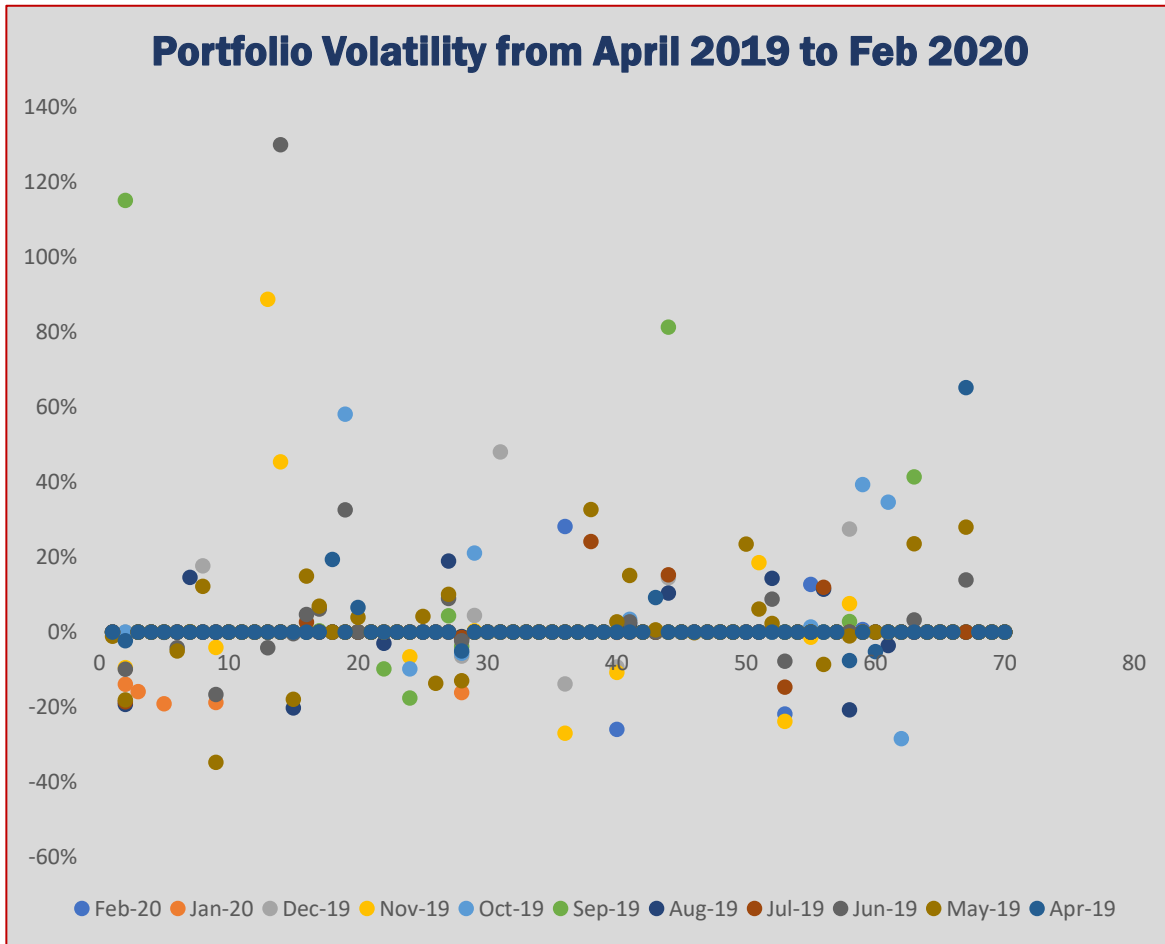
# Performing Better Than Most Peers



*“Over the last two years, the S&P BSE Small Cap TRI has fallen cumulatively by ~56%. We currently have the ability to invest in great businesses at attractive valuations thereby making the risk/reward proposition favorable at current valuations” – Vinit Sambre*

Reopens for Lumpsum Investments from April 1 2020

# High Volatility but Delivers High Returns



Note: DSP Small Cap Fund launch date-14/06/2007



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# Upcoming Events

## ■ Monday, April 6

- Indian Nikkei Services PMI
- UK Construction PMI
- Russia CPI
- Phillipines CPI
- Japan Feb Household Spending
- Australia Trade Balance

## ■ Tuesday, April 7

- Australia Interest Rate Decision
- German Industrial Production
- French Trade Balance
- Phillipines Trade Balance
- Australia Financial Stability Report

## ■ Wednesday, April 8

- Germany 10 Year Bond Auction
- US MBA Purchase Index
- US Crude Oil Inventories
- South Korea Interest Rate Decision

## ■ Thursday April 9

- UK Industrial Production
- UK Trade Balance, UK GDP
- German Current Account Balance
- US Core PPI
- China CPI, China PPI
- Japan PPI

## ■ Friday, April 10

- US Core CPI, US Trade Balance

# Thank You



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- Any suggestions for what will be useful for you to get a bird's eye view of the market, do write to us at [hello@goindiaadvisors.com](mailto:hello@goindiaadvisors.com)
- To check out more about the market, visit [www.goindiastocks.com](http://www.goindiastocks.com)