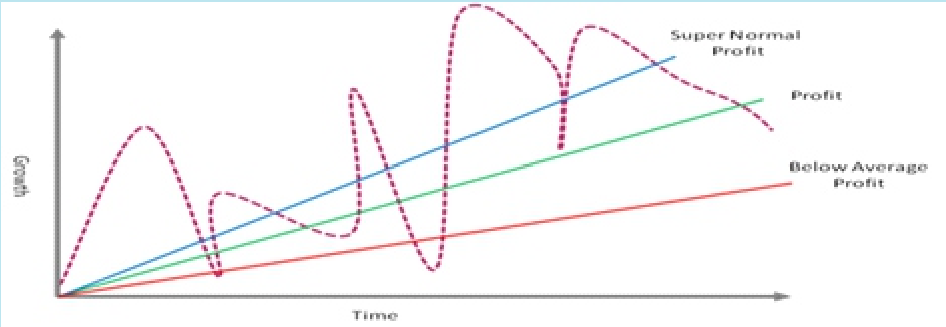
Equity Outlook – Being slave of market or making market a slave

Life as we all know is not a straight line, infact life ceases to exist if it's a straight line. The biggest perception we carry is that there are ups and downs and the journey is through a rugged road. Given that human beings have emotions, it is these emotions that cause the ups and down. The action is not so important as much as the reaction, it is the reaction of the majority that causes fluctuations.

The essence of life is to differentiate between actions and reaction. If the intent of an individual is to build a body of that of a macho, he needs to knock the door of gym daily, the workout has to be perennial and relentless. The body takes time and the workout yields result over a period of time, it does not happen overnight, if the pains taken are more, the gains are in place quicker and if the path is lost mid-way, one is back to square one.

Similar analogy can be applied in the stock markets. The stock prices are slaves of earnings and profits of a corporate grow in a linear fashion over a period of time. If the corporate is taking extra care and extra pains, the profits move at a supernormal rate and vice-versa. Things don't happen overnight. The action (growth of profits) is visible and will be more or less in a linear fashion, however the reaction (stock price movement) is volatile. Our essence in the PMS is to differentiate between the action (profit) and reaction (price). The same is depicted the chart below.



A mango tree yields fruit after a decade but once it starts, it is perennial. There are reasons for markets to be volatile – trade wars, crude inching up, concern on political stability, rising interest rates in US, deteriorating macro variable so on and so forth. Lot of reasons crop up to justify the price movement – we consider them as noise and keep our ears close to such noise. We focus on action (growth of profits) and capitalize on the reaction (fluctuations in price)

Just to illustrate how we think. In India number of cars per 1000 is 28, in China it is 80 and in US it is 800. Can India go US way – maybe no, but can it come close to China – certainly yes, it means auto sales if it goes to 50 or 60 per 1000 could double from current level. Does all the noise say such a thing – no, but can it happen – yes – then this is the way to react and act in markets by focusing on companies and their profits and use market price as a slave to buy the share then to be a slave of the market.

Happy investing !!!

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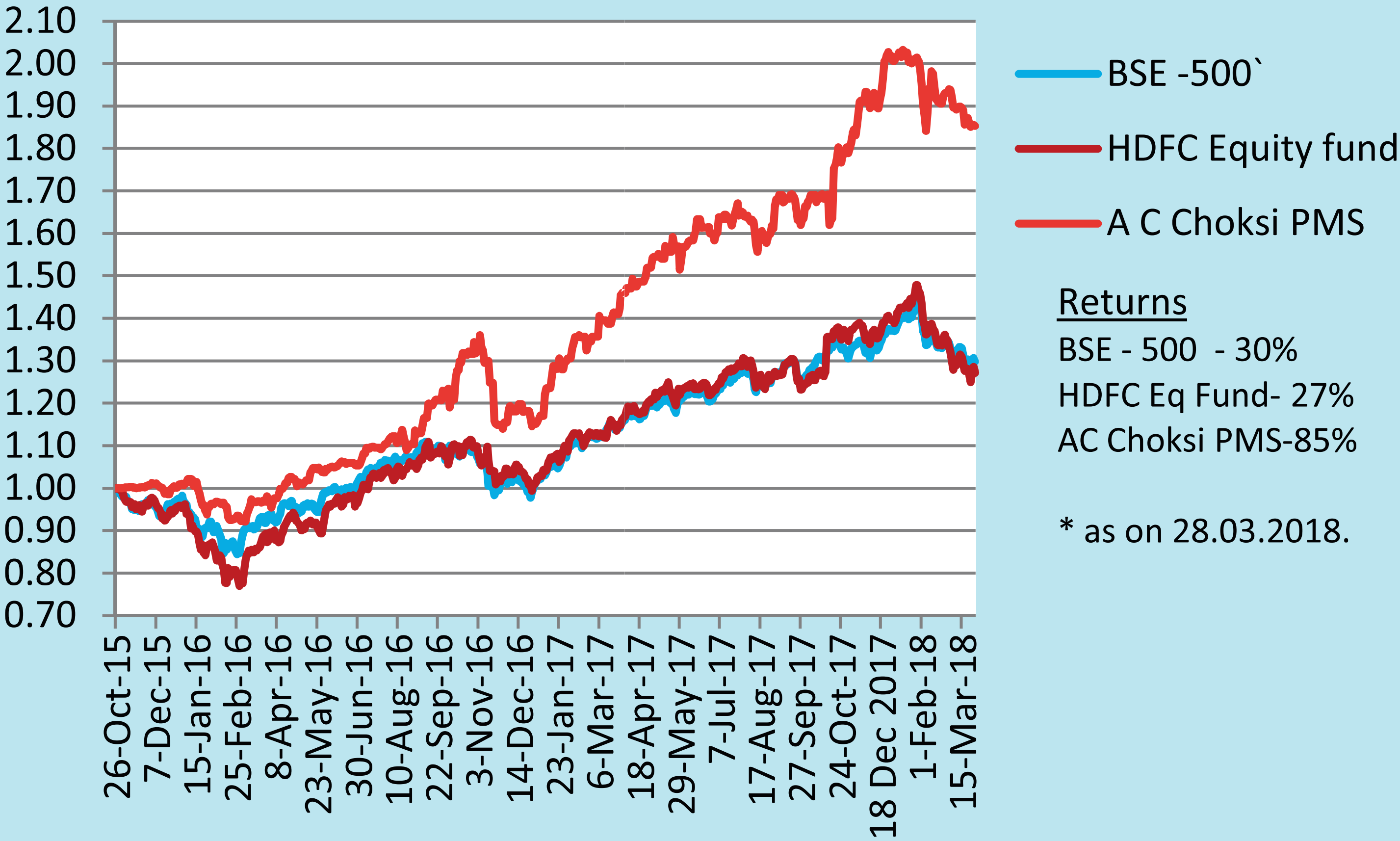
TURTLE STAR



Returns

BSE - 500 - 30%

HDFC Eq Fund- 27%

AC Choksi PMS-85%

* as on 28.03.2018.