

Equity Outlook (July 2018) – Recap

Let us do a recap of some of the monthly newsletters we have been sharing in the past.

Equity Outlook (May 2018)- INVEST FOR 3 YEARS AND NOT COMING 12 MONTHS

It means stock markets will not deliver returns like it did in the last 3 years in the coming 12 months.

Currently, macro is deteriorating. Currency too is depreciating, interest rates are rising both in global markets and are close to its bottom in the domestic markets as well.

The big takeaway is that prices have run ahead of the earnings growth that it merits. Sentiments could change due to various factors or time correction could happen.

Equity Outlook (January 2018)

Dear all first things first – as we step in 2018 – lets slightly temper our expectation of return generation as that of 2017. We are not worried in the markets for first half of 2018, but maybe in the later half.

as usual concerns remain and we believe it could come in second half of 2018. Firstly interest rates could start rising, monsoon is always unpredictable in our country, lastly markets will take cognizance of Gujarat election verdict and start preparing for failure of BJP in Rajasthan for sure. Again questions could come between selection of Mr. Modi or Mr. Gandhi – markets will be worried but later and not sooner.

Now coming to our current thoughts.

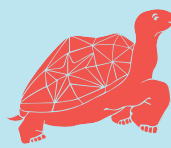
As usual – we would like to talk simple things – things that all of us understand. In a cricket team, a player is selected on the basis few things – first the skill set of the player, the temperament and natural instinct of the player and finally the captain of the team decides to include the player in the team depending on the pitch and the type of game (Test series, one day or 20-20)

Not all players are like Kohli or Tendulkar to adapt themselves to any game, there are players like Dravid and Sehwag – who are extremes and are fit for different game and different pitch. We believe given the headwinds in the markets – whether in terms of trade war or INR depreciation or rising interest rates or FII selling or price run up v/s earnings growth or rising crude or political uncertainty in forthcoming state elections or 2019 etc etc etc, ideal portfolio should now comprise of defensives of large cap or even bond investing rather being overweight in 20-20 format of mid and small cap stocks.

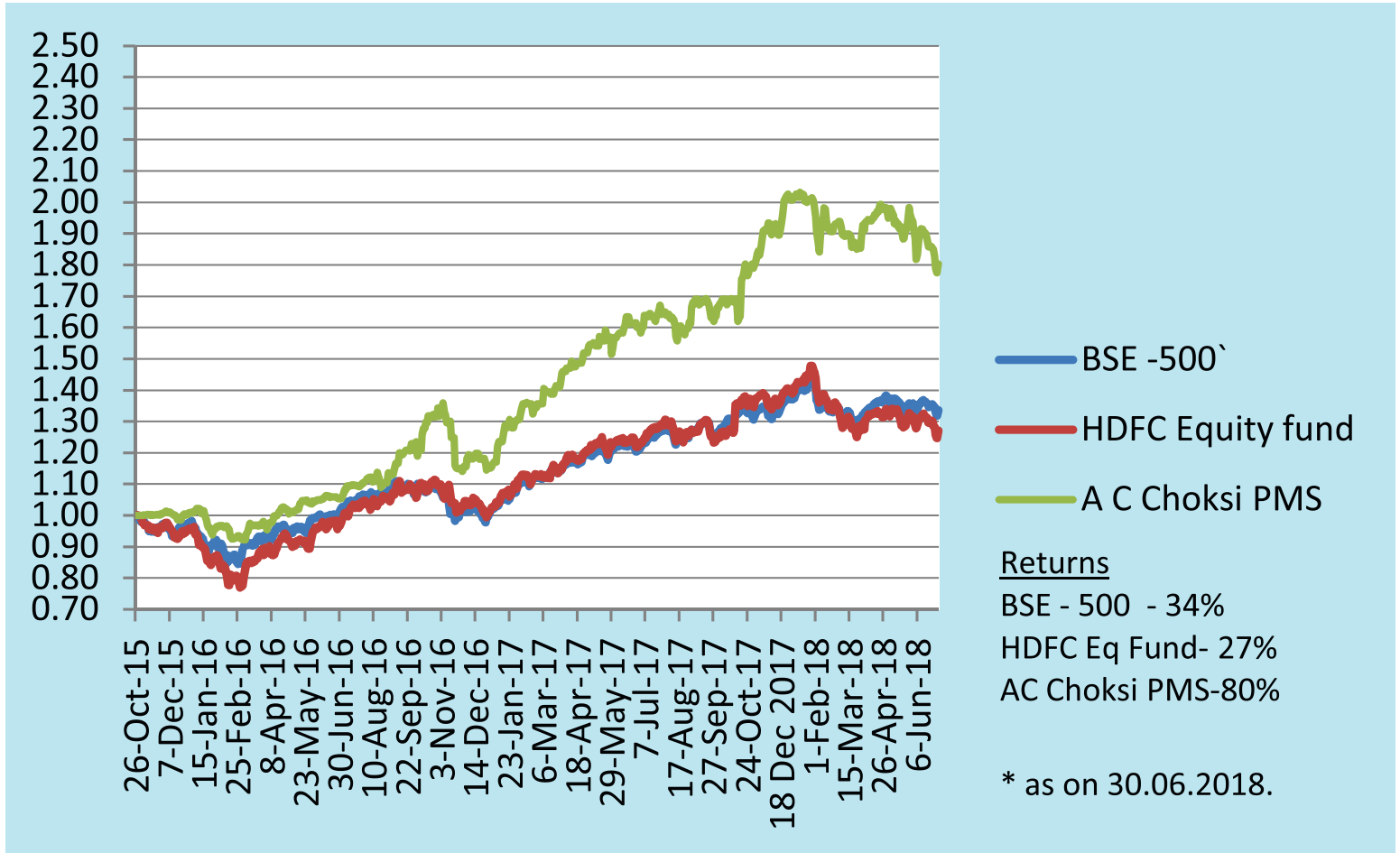
Given that the result season will start in a fortnight, we think that it will give us an opportune time to exit from the mid and small cap stocks and help position us in defensive stocks. Our strategy is to sell Sehwag and buy Dravid, switch from 20-20 to test portfolio.

Again we have kept it simple and will act in a simple fashion in your and our interest. (On a lighter note – its football and Wimbledon time and we are talking cricket – something that entire India understands)

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TURTLE STAR



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