

Equity Outlook (October 2018) – Merry go around...

The seeds of a bull run are sown when pessimism is at its peak. We are currently going through one such phase. Lot of factors are causing the sentiment to move southwards, rising crude prices to rising interest rates both in the domestic as well as in the international markets, to depreciating rupee, to skeptical management practices in companies like DHFL, ILFS etc and last but not least the fear for the markets that PM Mr. Modi's second term is uncertain.

Going back to 2013 – we had similar reasons for pessimism of coal scam to telecom scam to common wealth scam to scam everywhere. That in hindsight was the time to invest. In the said 5 years that followed - Sensex has registered gain of almost 100% and many many stocks have grown anywhere from 2x to even 10x.

We think in the near term politics is going to dominate its influence on the market sentiments. Elections are slated in the state of MP, Rajasthan and Chhattisgarh. All the three states are being ruled by BJP, if BJP loses two of the three states then in that case, Markets will believe that there are chances of BJP losing out in 2019 as well and hence will panic and give a sound beating to the stock prices. This situation to our mind will be great buying opportunity.

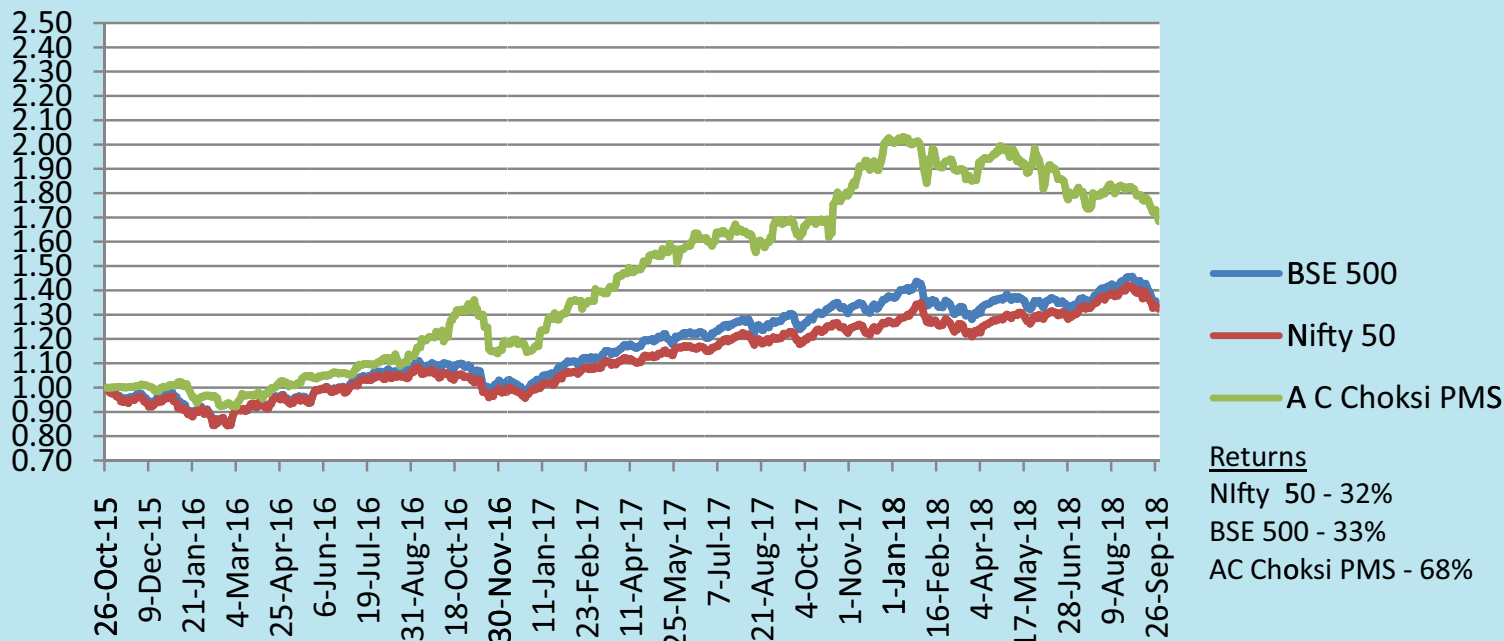
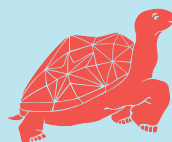
We believe Mr. Modi has many trump cards rolled in his sleeve and he will unfold them once the outcome of the state election is known. First – will be verdict on Ram mandir by Supreme Court. The current government will leave no stone unturned to expedite the project of mandir and that in turn will please the masses in the state of UP – UP accounts for 82 of the 544 Lok Sabha seats. Second – to gain popularity and show that the Govt is pro poor and will not spare the guilty they will get atleast one of the defaulters either Mallya or Modi or Choksi back in India. Third – there are 9 crore Muslim females in this country – there will be aggressive marketing of the law on Triple Talaq. Fourth and this could be final nail in coffin is to bring Petroleum products in the regime of GST – the petrol price will overnight correct from Rs 90 a litre to Rs 50 a litre. Fifth – there are nine crore first time voters in the country and they are all glued to social media – Mr. Modi will ensure that his popularity remains on the top in social media.

Well we could think of atleast above 5 cards, we are also sure that he has many more. Hence the best time to invest would be when there is fear and that fear would be in December. We also believe that the stage would be set for a 3X return over the next 5 years. The pockets of opportunity would come from companies who's fortunes are linked to spend in rural India and hold your breath – for the first time since inception of our PMS – we think public sector banks could provide those returns if carefully, cautiously and judiciously invested from 2019. The pain point remains however as is stated in the investing world – what the wise does in the beginning – fool does in the end. Also if in equity markets one acts well ahead of time then his actions are considered as good as wrong. Hence we would like to wait out till we see many more resolutions on the NCLT front and then go cherry picking.

In the portfolio we have created liquidity for clients ranging from 30% to even 100% (New clients), there is an old adage in the market – Never try to time the markets however we feel understanding the events that lie in front of you – and then taking appropriate action in an inefficient market like India can yield better returns that going just with the crowd and following a herd mentality.

All in all – time to top up, time to create the surplus and ride the journey with us to generate a 3X return over the next 5 years starting 2019.

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A C Choksi Share Brokers Pvt. Ltd.



**Returns**  
 Nifty 50 - 32%  
 BSE 500 - 33%  
 AC Choksi PMS - 68%  
 \* as on 28.09.2018.

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