Quarterly Financial Magazine | www.tbng.co.in

April 2020

THINKING MAN

DIRECTOR'S NOTE

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The present market is highly volatile as the global economy is treading unchartered waters with a pandemic at bay. Over the past few decades, the world has seen recessions, wars, and natural calamities; yet, a pandemic of this magnitude that we are witnessing today perhaps happens once a century. Due to a lack of clarity on a vaccine to fight the disease the measures that we can currently take are to control its spread and until that time market volatility is here to stay. As we speak, our country along with a few others are under lockdown, several trillion dollars of evaporated market cap, widening credit spreads and volatility across assets are zooming to record levels, but...

"History provides a crucial insight regarding market crises: they are inevitable, painful and ultimately surmountable."
- Shelby M.C. Davis

MAKING PROGRESS

The global spread of COVID-19 is a key concern at this time as the total number of cases globally is surging. Though China was considered the origin of the virus, the US has now become the epicentre for the virus spread with ~400,000 cases at the time of writing this piece. The good news is that there are signs of stabilization in Europe especially in Italy and Spain.

In India: The total number of cases has meagrely crossed 8,000. Honestly, the cases could be under-reported based on the aggregate of tests conducted so far, but India is definitely ramping up testing which is a positive sign. Rising temperature, possible links of COVID-19 with BCG vaccine and Malaria, young population, pro-active government steps are affirmative and give us hope. While no country has been totally immune, but from an optimistic viewpoint, no hot country has seen major spread till now either. However, the risk India faces is of dense population and the emergence of clusters.

INSTITUTIVE ACTION

In response to COVID-19, global central banks and governments have provided large monetary and fiscal stimulus to cushion the impact of COVID-19 on the economy with a 21-day pan-India lockdown to contain its spread. In other allowances, RBI reduced rates by 75 bps, announced measures which will enhance liquidity in the system by 3.7 lakh crore, as well as a moratorium on loan and interest payments which should provide relief to a large swath of the population. The government has also announced relief measures worth Rs.1.7 lakh crore targeted to the low-income segment. However, in comparison to other economies like the US, Europe, and China, where a very large stimulus of almost 8-10% of GDP has been announced, we need to do more.

NEED OF THE HOUR

- Infusion of large fiscal stimulus with targeted measures for various sectors that are bearing the brunt of the slowdown and which will provide some relief to MSMEs.
- Key valuation metrics indicate that equities are firmly in the attractive zone. Sufficient liquidity and accommodative monetary policy should support equity valuations.
- Debt to GDP typically rises in any crisis. Growing the economy out of trouble with the growth in denominator taking care of this ratio is the only way to go.

WHAT NEXT

Estimating the full impact of this pandemic is challenging at this time. The global growth expected to contract in the first two-quarters of CY20, global GDP growth estimates for CY20 are being downgraded to negative levels. Even as global macro fundamentals favour India, FY21 GDP growth estimate for India has also been downgraded to 2% from the earlier 5.5-6% as containment efforts are stepped up.

There are two distinct benefits India will see out of Corona Virus issue – 1) Many global corporations will now actively seek to diversify the supply chain to countries other than China (India is well-positioned now with corporate tax cuts, etc.) and 2) Oil price decline will act as a fiscal and CAD boost to India (given Government will keep a major part of benefits of price decline).

All this being said over a period of time this too shall pass, markets will recover and life will return to normalcy. To make the most of this melancholy time we must ensure to hold sight of our long-term goals and make the most of these market declines. Let us ensure the safety of our health and wealth as we stay safe and calm.

Also, remember…

"You make most of your money in a bear market; you just don't realize it at the time."
- Shelby Cullom Davis

MARKET OUTLOOK

EQUITY UPDATE

Global Markets ended on a sombre note in March as the world grappled with the widening spread of COVID-19. Indian Markets (Nifty 50 Index) witnessed a sharp decline of 23.2% - a large monthly decline since the Global Financial Crisis. In a bid to contain the spread of COVID-19, many countries announced lockdowns bringing economies to a grinding halt and raising concerns of severe slowdown. This led to further negative sentiments and risk aversion across asset classes. India too saw a steep rise in the number of COVID-19 cases. As a measure to further prevent the spread of COVID-19, the Government of India too ordered a complete nationwide lockdown for 21 days starting March 25 leading to a sharp sell-off in Indian markets. The decision of a complete lockdown spooked FIIs and resulted in an outflow of ~61,972 Crs. Defensive sectors like Consumer Staples and Healthcare did well while high beta sectors like Financials and Industrials underperformed.

Flows	Mar - 20	Feb - 20	Jan - 20
FIIs (Net Purchases / Sales) (Rs cr)	-61,973	1,820	12,123
MFs (Net Purchases / Sales) (Rs cr)	25,743	9,863	1,384

Earning Growth (%)	FY19	FY20E	FY21E
Sensex	18.8	14.5	21.5

Note: # FII hldg includes ADR/GDR (BSE500 Index); Data Source: Crisil Research; * Data till Mar 31, 2020; CAD: Current Account Deficit; GDP: Gross Domestic Product, IIP: India Industrial Production FII: Foreign Institutional Investors; MF-Mutual Fund; E- Estimate

FPI

FPIs pulled out nearly US$ 15bn from Indian markets in March, their highest ever outflow. With domestic savings rate steadily declining and at multi-year lows now, we have stayed heavily dependent on foreign capital. Recent moves such as increasing FPI limit in corporate bonds and opening-up certain government securities under the fully accessible route are welcome steps. Statutory FPI limits of Indian companies having been increased to the sectoral foreign investment limit effective April 1, 2020, should help India's weight in MSCI EM equity index. Yet we also need concerted efforts to rev up domestic savings to provide us with the much-needed risk capital, partly through a rethink on taxation on capital gains and dividends, and partly through regulatory measures.

Domestic Markets	Mar - 20 (%)	Current PE	Average
S&P BSE Sensex	(23.1)	17.81	20.0
NSE Nifty	(23.2)	19.38	20.3
S&P BSE Auto	(31.0)	16.6	18.4
S&P BSE Bankex	(34.0)	16.8	17.3
S&P BSE Capital Goods	(28.7)	15.7	28.6
S&P BSE Consumer Durables	(26.0)	33.7	30.6
S&P BSE FMCG	(6.5)	27.1	39.2
S&P BSE Healthcare	(9.9)	25.7	28.3
S&P BSE IT	(14.3)	15.0	19.7
S&P BSE Metals	(30.7)	5.3	12.3
S&P BSE Mid Cap	(27.6)	20.5	23.8
S&P BSE Oil & Gas	(20.6)	7.3	12.1
S&P BSE PSU	(24.2)	7.2	13.3
S&P BSE Realty	(36.3)	17.1	24.0

Data Source: Crisil Research; * Data till Mar 31, 2020;

US ECONOMY

The US' Federal Reserve System slashed its benchmark interest rate to 0-0.25% and launched a $700 billion stimulus programme in a bid to protect the economy from the effect of Covid-19. The central bank also announced new lending programmes worth $300 billion to support the financial markets.

EUROZONE

The European Central Bank (ECB) launched a new Pandemic Emergency Purchase Programme to counter the risk caused to the euro area by the Covid-19 outbreak. The bank will buy up to €750 billion ($820 billion) in government and private sector bonds and left the rate on the main refinancing operations at a record low of 0%.

Global Markets	Mar-20 (%)	Current PE	10 Yr Average
US	(13.7)	15.5	15.7
UK	(13.8)	15.8	17.4
Japan	(10.5)	16.0	19.8
Hong Kong	(9.7)	9.4	10.9
Singapore	(17.6)	9.5	12.2
China	(6.9)	7.4	8.5

Data Source: Crisil Research; * Data till Mar 31, 2020, PE- Price to Earnings

UK

The Bank of England (BoE) reduced interest rates by 65 basis taking the rates to their lowest ever at 0.1%. The central bank also added 200 billion pounds ($239 billion) to its quantitative-easing target, raising it to 645 billion pounds to lessen the economic fallout of the Covid-19 pandemic.

JAPAN

The BoJ pledged to buy 200 billion yen ($1.90 billion) of 5-10-year Japanese government bonds and also injected an additional 1.5 trillion yen in two-week loans. Japan also announced a second package of measures worth about $4 billion in spending to cope with the fallout of the Covid-19 outbreak.

CHINA

The People's Bank of China (PBoC) launched a 50 billion yuan reverse repurchase operation and lowered the seven-day reverse repurchase rate from 2.40% to 2.20%. Effective from March 16, 2020, the central bank cuts reserve requirement ratio (RRR) by 50-100 bps for qualifying banks. The new RRR cuts will release a combined 550 billion yuan ($79 billion) of long-term funds.

MACRO UPDATE

CRUDE OIL

As the world grapples with the Covid-19 crisis, the price war between Russia and Saudi Arabia has created an Oil shock as well. While falling oil is positive for India with estimated savings of US$ 1.5bn per dollar decline, there are several deeper impacts too. For example, US is the largest producer of oil and a large part of its Shale Gas industry could potentially be at risk creating trouble for the world's largest economy. Impact of weak global growth on India along with reduced FPI appetite and flows are likely to weigh and offset direct benefits from reduced oil bill.

Macro Economy Data Release

Indicator	Latest Update	Previous Update
IIP	2.00% (February)	0.07% (January)
GDP	4.7% (3QFY20)	5.1% (2QFY20)
USD/INR	75.68 (March)	72.17 (February)
WPI	2.26% (February)	3.10% (January)
CPI	6.58% (February)	7.59% (January)

INFLATION

Retail inflation, based on Consumer Price Index (CPI), fell to 6.58% in February 2020 from a 68-month high of 7.59% in January, because of a decline in food prices and the base effect.

CURRENCY

The rupee ended sharply lower against the US dollar. The exchange rate settled at Rs 75.68 per dollar on March 31 as against Rs 72.17 per dollar on February 28. The rupee took a hit as risk appetite remained low owing to the rising number of coronavirus cases in the country and the lockdown announced by the Centre.

DEBT UPDATE

Gilts: Gilts ended higher with the yield on the 10-year benchmark 6.45% 2029 paper settling 6.14% on March 31, 2020, compared with 6.37% on February 28, 2020. (Source: CRISIL, data as on Mar 31, 2020)

Average Liquidity Support by RBI

Rs -2931.09 billion (Includes: LAF, MSF, SLF & Term Repo)	
Bank Credit Growth	Bank Deposit Growth
6.4%	9.2%

RECENT RBI POLICY UPDATE

In order to shield the country from economic consequences of a 21-day lockdown to combat COVID-19, the RBI unleashed it's bazooka – a comprehensive package of measures which can be broadly classified under:

1.Enhancing banking liquidity, 2. Supporting Financial Market, 3. Reducing Debt servicing burden, a week before its scheduled April 3 review.

RBI's introduction of LTROs may nudge banks to participate in the corporate bond market which may help in the normalization of the credit spread. Hence, while the measures announced by the RBI may go a long way in easing financial conditions, safeguarding financial stability, and ensuring that the initial shock to the economy is not amplified through the financial sector, more will likely be needed. This makes fixed income markets attractive at this point of time even though RBI has fired its first set of bullets, as the government and RBI may continue to remain watchful of the depth of disruptions caused by COVID-19 and maintain their stance of doing "Whatever it takes", to support the economy.

While 90-days moratorium will be of great help, lost revenues will stretch balance sheets for several businesses. At the same time, smaller financial institutions, especially NBFCs, may face severe liquidity crunch as they offer moratorium on the asset side while facing borrowing hurdles on the liability side. Further, as growth plunges and defaults rise especially in small businesses and retail loans, there is a heightened risk in the financial sector.

OUR VIEW

EQUITY

Time to Be Over Weight on Equities in staggered manner

In a market crisis, it is easier for earnings to evaporate but balance sheets don't. Focus on quality stocks and market leaders as well as on strong balance sheet companies with less debt.

Those sitting on cash must consider this opportunity, In such times, investors must show courage and keep emotions out of investing decisions.

We believe that volatility is inherent to equities which need to be kept in mind while investing. As an investor, one must embrace volatility and be cognizant of their own asset allocation while investing.

DEBT

We continue to believe that the main theme would be accrual. This is mainly due to the significant divergence which is prevalent between G-Sec/AAA yields Vs. AA/A yields. Hence, it is recommended to invest in accrual schemes which invest in higher credit quality securities.

INVESTING IN UNCERTAIN TIMES:

The mischievous stock market is at it again. The influence of economic and social factors on the equity markets giving rise to sharp price changes in the fundamental values of stocks are creating yet another uneasy situation. While the deadly impact of Coronavirus is seen across the globe, it's after-effects on the economics of nations have been severely felt too. To further complicate the situation, behavioural biases like loss aversion, anchoring, and herd mentality are adding to the frenzy.

In such situations, investors must maintain a frugal attitude towards their investments. This is a time when we should avoid any knee jerk reactions triggered due to panic, thus keeping our behaviour in check. Here are some pointers to ensure your investments are guarded.

STAY INVESTED

At the age of 40, Ravi has been investing a chunk of his income in equity markets intending to save Rs.2 crores for his retirement. In today's volatile market should he liquidate his investment because of its volatility or stay put? It is a known fact that over other asset classes, equities generate better returns in the long run. With an aim in investing for long-term gains, it is important to understand that these current fluctuating market changes barely have any effect on your long-term investments. The volatility of markets majorly affects short term investments. Based on your goals, if you are invested with maturity dates as long as 8 to 10 years away, this short term turbulence will have no repercussions on your outcome a decade later.

KNOW YOUR ASSETS

As a rule of thumb, advisors focus on diversification of asset categories to achieve optimal returns at a low cost. To help you diversify your portfolio easily, you should consider investing in various instruments across different asset classes namely stocks, bonds or money markets. Each asset class has its unique characteristics based on factors like risk, liquidity, percentage of returns, tenure and above all market volatility. As an investor, your due-diligence is imperative for you to understand the attributes of your investments, its categories, and allied risks. A well-diversified portfolio helps mitigate risks and balances the losses without affecting the performance of your portfolio as a whole. But most of all, a precise understanding of your asset classes will help avert triggers to reactive measures.

DIVERSIFY TO HEDGE

Your prudence is expected while putting all your eggs in one basket. Implementing the right investment strategy to balance risks versus rewards is what defines a perfect investment portfolio, especially during these unpredictable times. The right asset allocation depends on a variety of attributes of the investor like risk tolerance, goals and time frame to invest. The right mix of your investments in uncorrelated asset classes can guarantee your portfolio is optimally diversified to hedge any uncertainties. Uncorrelated assets in simpler terms refer to assets that do not see a simultaneous fall or rise due to specific market triggers.

A simple example is investments in gold to balance investments in stocks. While there is no proof of the relative relationship of gold and stocks, it is a known fact their inverse association is clearly seen when equities are under stress. Having said that, a combination of investment in gold and stocks especially during times of market volatility can ensure your portfolio maintains its profitability and hedges you from risks of extreme losses.

DIVERSIFY TO IMPROVE

Diversification of strategies can bring immense benefits to a portfolio. Usually we follow basic concepts such as large-cap funds are preferred by people with minimal risk appetite and less number of working years, while a younger person with higher risk tolerance could pick small-cap funds to invest in, so on and so forth. But an actively managed portfolio can make a world of a difference to your investments. For example the Sensex and Nifty have corrected nearly 15%, this is a good time to invest that surplus cash in SIP's or even consider increasing the number of SIP's or its instalments as the case may be. Diversification of your portfolio quarterly with a mix of different investment strategies can generate better returns and mitigate risks.

ACT PRUDENTLY, INVEST WISELY

The volatility of markets is unpredictable even to the most seasoned investors. The fact that long-term investments need continual discipline and consistency is the intrinsic truth of investing. In these times of instability stay focussed on your long term goals and its related investments. Simultaneously, take advantage of the falling market while keeping your risk capacity in check.

LIFE @ TBNG

THINKING MAN - Financial Wellness Programme

The Thinking Man workshop was created with a vision to educate investors and help them in making more informed related decisions. So far over 1500+ business owners and professionals and a dozen corporate houses have benefited from our highly interactive and informative sessions which are expertly designed and curated by industry professionals .

In this program we aim to educate the attendees on :

- How to save money by controlling your behavior
- The power of 7, Regret of 5,Magic of 20
- Breaking the myth between real estate return and equity return
- Understanding the Gap between investor return & market return

TESTIMONIALS

"TBNG is extremely professional in their approach. And their strength according to me is their persistence, constant reminders and feedback with their clients. Especially for me because I need someone behind me to get my job done. Thanks guys!"

Dr. P. Anantnarayanan, Senior Dentist, Meenakshiammal Dental College, Chennai

"Thank you is really a small word for guiding, trusting and forcing me for systematic investment planning. I remember 3 years back when my net worth was close to zero and you and your team at TBNG Capital Advisors Pvt. Ltd., were consistence in making me think for financial security and long term planning. Today things look different as all aspects including my daughter's higher education have been secured financially. TBNG also helped me to inculcate the habit of keeping personal and professional finance differently, which has also resulted in Infiniti maintaining its accounts in proper manner and generating funds when necessary."Big thanks from my family."

Mr. Sahin Talathi, Director Infiniti Building Products Pvt. Ltd.

"I have been associated with TBNG for almost 4 years now and we did click up instantly. Tarun has a depth of knowledge which is backed by an efficient team. The team is very informative and responsive. Each interaction is taken as learning and they strive to improve each time. TBNG has helped me in achieving my goals with a proper product mix of investments in mutual funds, direct equity and insurance. Tarun also believes in sharing his knowledge which is seen through the various programs he attends in the capacity of a speaker and articles published in various news papers. It has been a great experience to work with such a humble and wonderful person and his every supporting and smiling team."

Paresh Joglekar Vice President Compliance,RBS Bank

MEDIA PRESENCE

ABOUT TBNG

TBNG is a 15 yearold SEBI Registered InvestmentAdvisor& is considered one ofthe India's leading independent FinancialAdvisors.

We observed that successful Indian families are finding it counter-productive to individually deal with multiple experts including but not restricted to Investment Advisors, tax consultants, Accountants, Lawyers, etc. to manage their wealth and are recognizing the value of "Family CFO" - An experienced guide, a financial coordinator and an advocate who would offer unbiased advice keeping into account the unique context of the families' circumstances and goals. TBNG has emerged as the Family CFO of choice of successful families.

With our flagship online platform **"Thinking Man,"** a digital financial planning platform, we intend to digitize our core Financial Planning services in a cost effective and transparent manner to reach the masses. On our Thinking man platform we offer options to select plans based on the clients' suitability. The primary aim of the Premium Plan is to assist naïve, young and retail investors .we also provide our users with half yearly, as well as yearly review, portfolio rebalancing services and also the facility to interact with the assigned financial planner to help align the portfolio to any changes in financial goals that require an immediate and corrective course of action.

TBNG

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