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**Index at 12,500 again!!!**

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Events of the last few weeks have made some of the strongest proponents of equity investing question their thought process and challenged their conviction on the much hyped India growth story. India Rising somehow once again seems like a distant dream and a publicity stunt for which this time we could blame many people apart from the government.

While there is no denying that things are bad, in fact very bad in sections exposed to the US or even otherwise in sectors like real estate, but you must take note that the effect of that has already been reflected in the stock markets not just in India but across the world, in some cases maybe it is a bit overdone and that is why investors like Warren Buffet are doling in huge investments with a statement that he is 'putting money to work'

## **Ground Realities**

As most of us know from various sections of the media already that the current situation is largely fallout of the financial crisis in the US & maybe to some extent EUROZONE as well!!!! So that first question is *how much of that is in India?* Negligible, all of us know that. We have been protected this time just like we were protected in the Asian currency crisis of the 90s.

The next argument could be how much of this US recession will impact us? In my view the effect would be in two ways. One in the businesses of export oriented companies whether they export goods like textiles or services like software. Even companies in the BPO/KPO space will feel the heat and as a result employees of these companies. However some companies will continue to thrive irrespective of the market situation.



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## Our Daily Life

As I see it many of us will still wake up every morning to the alarm from a TITAN clock, eat BRITANNIA bread and butter for breakfast OR maybe have *paranthas* made of AASHIRWAD ATTA along with RED LABEL tea. We would then drive our MARUTI to work. On our way we will tank up at the local HP/BP/IOC outlet and maybe stop for a GOLD FLAKE. We will still make phone calls using an AIRTEL network and our wives would possibly be sending SMS for their favorite reality show participant on NDTV Imagine on the same phone. At office we will use some INFOSYS or TCS software, which runs on a HCL or WIPRO machine. We will be bugged by power cuts due to grid failures at POWERGRID and your VOLTAS AC will stop working. On weekends we will still go and watch movies at a PVR or INOX and finally during month-ends check our SBI or ICICI bank account to find that we have nothing left to invest with UpMarket.

Life is not coming to an end, not so soon. I know it is difficult to think stability in this scenario of GLOOM and DOOM, but things will stabilize, form a base and look up once again. They would turn without giving us a hint. My submission to all is that we should not be caught napping, once again, missing the bus.

*The perceived risk today is much higher than the actual risk and it keeps getting higher on every fall whereas the actual risk keeps reducing. Markets react to perception in the short run but will come back to face reality in the long run.*

Post the current turmoil it is very likely that the companies and sectors which lead are different from the ones that went up in the last rally. Some businesses will get hurt more than others in this turmoil, some will survive and others will perish. Most of you, in your business/jobs would have gone through multiple crisis situations and have survived only to emerge stronger. You would have also seen some other 'fancy guys' not being able to sustain.

I would also like to put forth **two more thoughts**:

1. If Warren Buffet is investing, I would like to be on the same side
2. If everyone is selling and I'm doing the same then I'm no different from the herd and bound to lose like them

The question which still remains is... **Have we touched the bottom?** Are we done with the fall? The answer could be **most likely not**. It very well could fall further.

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Should we then exit now to re-enter later say at 11K or 10K? Easier said than done. In a hypothetical scenario where you were to exit now and say the index later was to fall to 10,000 I'm sure you won't be able to invest because the expectation at that time would be that the index will fall further. I have seen so many people not being able to do it.

Markets by their very nature are volatile, and we cannot and should not try and assume anything else. However, whether we profit from it or otherwise depends on how we behave.

In my view India will emerge stronger, once this crisis is over and the bounce would be stronger than we can imagine.

Lastly, I know that many businesses are going through tough times and even the visibility is not so good. I'm in the same boat. It is difficult to look at the positive in these times but as Warren Buffet says, "The sillier the market's behaviour, the greater the opportunity for the business-like investor. Profit from folly rather than participate in it."

## Some Action Points

1. **Keep enough liquidity** – Crisis in the US teaches us that lack of liquidity could kill faster than lack of assets
2. **Do not exit equity now** – Now is not the time, most of the bad news is behind us. We need to wait for things to stabilize and they will come back up. Patience is the key
3. **Do not shun equity simply because it is down** - It would need a lot more than conviction and courage to invest now but believe me it is these investments which would give you the best returns. Keep your asset allocation in mind, do not over or under do it.

And of course, do call me in case you need to talk

Happy Investing!!!