# TURNING ECONOMIC TURBULANCE INTO OPPORTUNITIES

With coronavirus still raging through and vaccine possibly some months away, it's definitely a challenging time for all of us. As experienced in the past, motivational story telling never works in equity and capital market. When Modi Govt was formed in the centre, most of the print and electronic media predicted Sensex would be at 100000 by 2020. However, a totally unpredictable reason like an invisible virus has disrupted the economy as a whole and capital market in particular. Emotional thinking depletes faster than logical thinking. Let's think logically, stay invested and participate into the recovery rally of the market which may come, sooner or later.

EM foster once said, I do not believe in beliefs. Likewise, we are not astrologers to predict. Market is unpredictable. However, the valuation level of the equity market and aftereffects of policies and programmes of the Govt, is always predictable especially on the basis of demand and supply. Investor always has to check the level of PE ratio, CAD, Fiscal deficit for value-based investment strategy. Notional loss and gain are a market phenomenon. Investor has to filter all noises of market and economy by not basing their investment decisions only on expert's opinion about stock market especially anchors sitting in the studios and predicting future.


In the last 40 years, since 1980, there have been 6 instances where market fell more than 40% and only 3 instances where the fall was more than 50%.  Now, if you are wondering what happened post these market crashes, yes, it bounced back with vengeance. One must analyse or review portfolio every 3 months at least. No monthly, weekly, daily or hourly review of portfolios is advisable. Focus on the facts, beware of information bias. Calculate less, think more and think independently.

The trade war between US and China is receding. Their markets along with our other Asian peers' markets are recovering. The economic packages of the US FED and ECB (European Central Bank) amounts to 2.4 Trillion USD which is almost half of our vision of 5 trillion economy by 2025. Our revival package is almost 1% of GDP. However, we cannot compare our economic conditions with the developed nations. Our primary duty as of now with regard to reviving economy is to safe guard the international rating of the country and this no freebies policy will strengthen our CAD and Fiscal deficit.

Economic activities are on improving trend in the country now. Electricity demand, transfer of mining lease, reduced taxation for the FII, improvement of traffic and velocity of money etc are indicating earlier recovery of market and economy. As of now, the average PE is 18 to 22 which is a moderate level for investing into the value stocks and mutual funds. Earlier all market recoveries were U shaped and now a V shaped recovery is expected as and when supply crisis recovers.

Monsoon is promising and rural economic revival is on the cards. Our rural areas have not been affected much by coronavirus and hence any support from the govt towards the rural economy would be an added advantage for reviving economy as a whole. Agricultural production never stopped because of the pandemic. APMC reforms will allow farmers to sell their product directly to consumers. Many economic reforms are expected to be announced shortly.

We advisors can only give an overall and general guidance based on several micro and macro conditions of the economy. One has to navigate through the uncertain times in accordance with the strength and weakness of the economy. We have to learn to live in ambiguity or uncertainty which is hard and there is no single text book available on uncertainty. More information does not guarantee better decision. We interpret new information to fit our existing beliefs. Let’s read history of market, stay invested and participate into the economic growth of the country.

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