PERSPECTIVE

MUDRA
opportunities of wealth

DECEMBER 2019

Well to start with, a quick recap of 2019 **where there was mismatch between economic variables and headline indices like Sensex.** Within market there is a starking difference between returns of large and mid/small cap. **Only handfuls of stocks have contributed to market rally** hence not much capital appreciation seen across mutual fund portfolio. Then come the **corporate tax cut which proved to be a game changer in 2019** and it officially ended the bear view from the markets.

Going forward we want to highlight some **vital factors that are likely to be in play in the stock market in 2020.**

Economy and Union budget: Budget will be next governing factor for market as government has realized that there is more than Fiscal deficit and Inflation which government need to focus upon. Some steps government may take are **changes in income tax structure, capital gain tax and agriculture minimum support price (MSP). This will have multiplier effect** in the economy as money will change different hands. Higher probability is economy will revert to its average hence market will not fall to justify the economic variables**. Next trigger is disinvestment** which will provide **sufficient liquidity to government to enhance spending**

Earnings: Overall **earnings recovery and economic variables should improve** from **2nd Half of the year**. **Market normally moves around 6-9 months ahead of an actual recovery** in the economy and if market bottomed out in September, than **markets will be charitable with Q3 and Q4 of FY20 but not with the Q1 and especially Q2 of FY21.**

Election and Geo-politics: This year most of market movement will be governed by U.S headline news due to election year. **Republicans are considered pro-business** and if Trump gets reelected than all well and good but if some **democrat candidate comes, than excess volatility can be observed globally**. U.S-Iran conflict will likely result in military actions from both sides. Expect more headlines and also expect more volatility in the markets as a result. Over time any damage to ones investments is likely to be relatively small and short term. **End risk from rising tension which will be negative for India is – Boiling Oil**. **Macro level serious problem** arises if **Brent crude crosses – 80$/barrel.**

All in all, Our personal calculation **say bottom is made in 2019 Sept**. **Breathing/resting point for bull** valuation **wise coming out to be 12210.** We fundamentally see top of this last leg run **around 13100 (If economic variables didn't improve)**. If economic/earning variable improve as discussed above, combining it all we may expect **nifty to settle down between 14000 – 14500 in first half of Calendar year 2021.**

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