



# PERSPECTIVE

**JUNE 2022**

**Date: 08/07/2022**

Well to start with, nothing has much changed in Apr-June quarter. Markets were in a sideways consolidation and we have seen a healthy correction (Sensex went down to 51k). Like the synchronized global rally, the decline too followed the global markets.

**Sentiments:** Exchange turnover has come down sharply. Markets are back in the hands of the old timers who have the discipline + patience required in investing. Old lessons dismissed as outdated just a few years ago may need to be relearned. Eventually we always realize that "Valuations do matter". As stated, one should have "Joy of Missing Out – JOMO" rather than "Fear of Missing Out – FOMO" when asset classes have low margin of safety.

**Current Market Scenario:** Over the last 15 years, global debt has ballooned to \$300 trillion and global equity value has risen sharply to \$100 trillion. Global market cap to GDP is 100%. The bull market we had seen over the last two years was largely due to the monetary policy measures initiated by global central banks. Currently, we are in the midst of an interest rate hike cycle (driven by global central banks) which could lead to lower global economic growth. Data released on June 10 showed that the US consumer prices climbed 8.6 percent over the year through May, the fastest rate of increase in 40 years, after rising 8.3 percent.

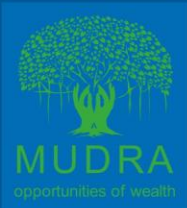
Oil prices above \$120 for 12 months can be problematic for India and creates further inflationary pressure.

Quantum and pace of the Fed/RBI rate hike, trajectory of the US 10-year Treasury Yields will decide the course of market.

**Our Appeal to Investors:** As investor seek that Financial Strategist should be trustworthy and competent enough and understand that "Sarathi Zaroori hain". In a similar manner investor should maintain discipline, follows recommended strategies and control emotions. It is a symbiotic relation. One cannot deliver without cooperation from the other.

**Forecasting Numbers:** In-house Valuation metrics indicates that overall market valuations have moderated from their recent peak. SENSEX guesstimates based on valuation implied framework tells: 51000 – 52000 Moderate Zone @ 55% Equity (Almost Done), 48000-49000 (Fair valuation zone) @ Overweight Equity 70% + , 42000-43000 (Worst case scenario) @ 90% + Equity.

**Action Plan for Investors:** June 2022: Use more courage; Oct 2021 onwards: Use more knowledge. Cash combined with courage in a time of crisis is priceless. Our internal Model asset allocation



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currently shows 75% max towards Equity for Aggressive investor. Ideal/prudent allocation at this valuation should be 55%.

**Summing it Up:** Diversification is simply accepting – “Never a Hero, Never a Zero”. We never lose when Market panics, we only lose when we panic. When one is desperate to say Good Bye to the stock market is the time for Good Buy. Steady addition to diversified equity funds is recommended.

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