

# Market Outlook

March, 2020

# Words to remember during market panic...

Be fearful when others are greedy and greedy when others are fearful." – Warren Buffett

We don't have to be smarter than the rest. We have to be more disciplined than the rest. – Warren Buffett

More money has been lost trying to anticipate and protect from corrections than actually in them. – Peter Lynch

The stock market is a device for transferring money from the impatient to the patient" – Warren Buffett

A good plan violently executed now is better than a perfect plan executed next week. – George S. Patton

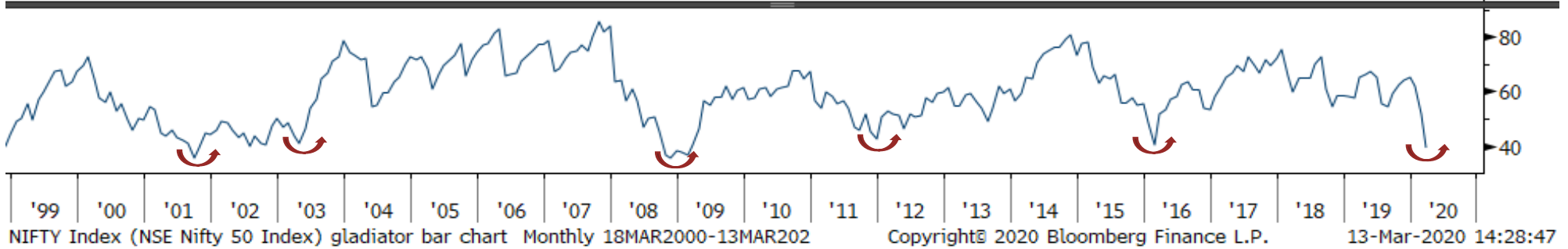
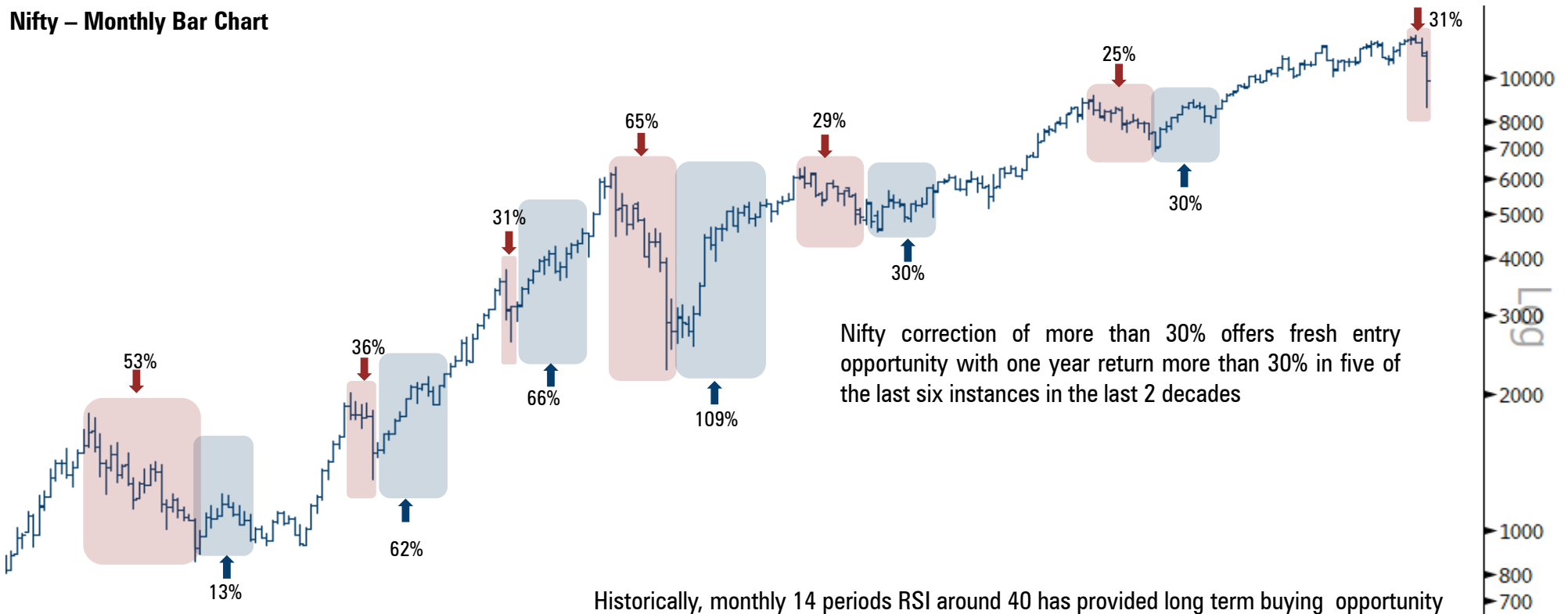
When you sell in desperation, you always sell cheap. – Peter Lynch

The most important quality for an investor is temperament, not intellect." – Warren Buffett

It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent. - Warren Buffett

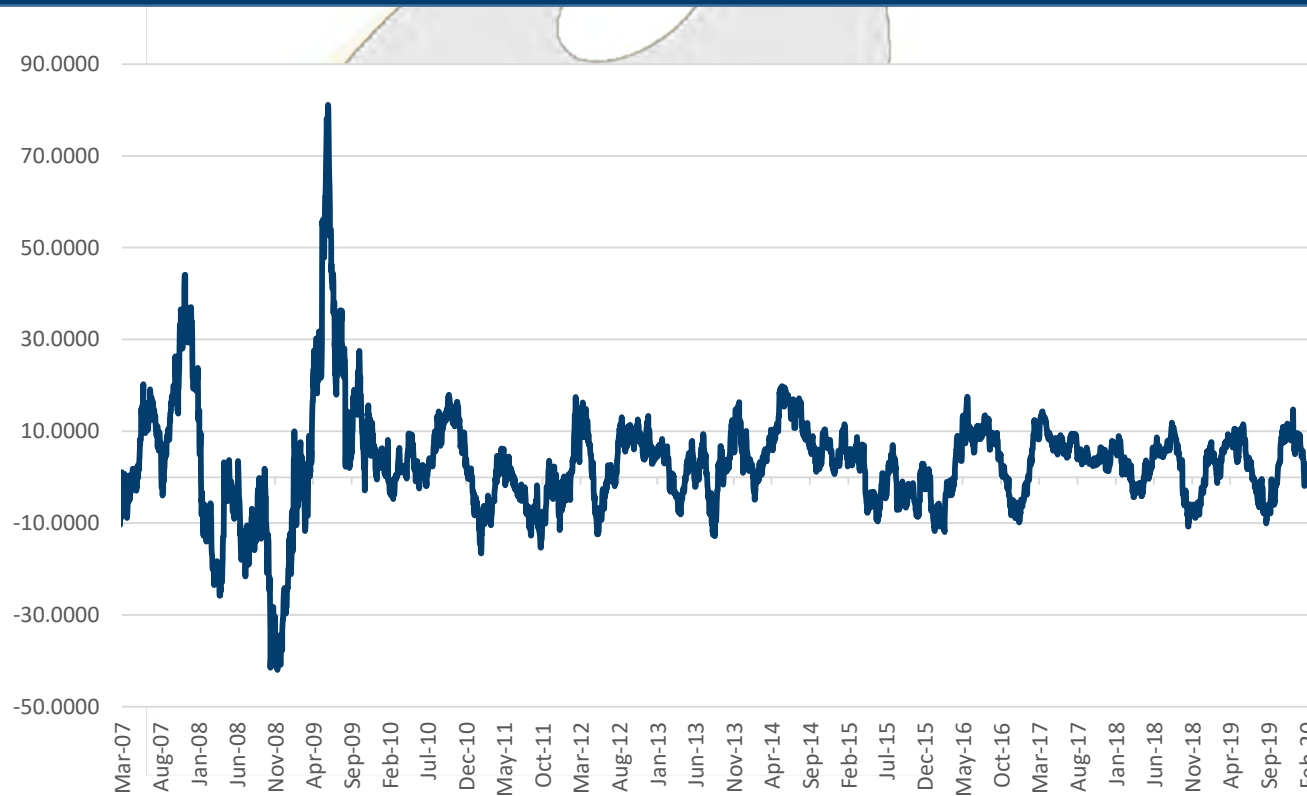
# Portfolio investing post major correction offers healthy returns...

**Nifty – Monthly Bar Chart**



S&P BSE Sensex is down 20% in last 3 months. Such sharp fall in 3 month is worst since 2008 subprime crises.

Historically, sharp fall results in equally sharp rebound.



Historically investing post 30% correction have yielded handsome returns over 1 year period..

## Nifty: Major Corrections & Subsequent rallies since 2000

Correction During		Correction Period	Correction (%)	Subsequent Base formation	Subsequent 1 Year Return (%)	Subsequent 2 Year close (%)
From	To					
Jan'20	Mar'20	3 Months	31			
Mar'15	Feb'16	12 Months	25	2 Weeks	30	54
Nov'10	Dec'11	14 Months	29	2 Weeks	30	39
Jan'08	Oct'08	10 Months	65	5 Months	109	167
May'06	Ju'06	2 Months	31	6 Weeks	66	56
Jan'04	May'04	5 Months	36	7 Weeks	62	138
Feb'00	Sep'01	20 Months	53	21 Months	13	67
			<b>39</b>	<b>Average</b>	<b>52</b>	<b>87</b>

- Nifty has corrected for more than 30% in the last three months and has witnessed a sharp rebound on Friday.
- Historically there have been six instances, in the last 2 decades, of correction more than 25%. Out of these in four instances correction was to the tune of ~30%.
- In all the four instances one year and two year forward returns for Nifty have been positive and in three instances the returns have been minimum 30% and 50% respectively

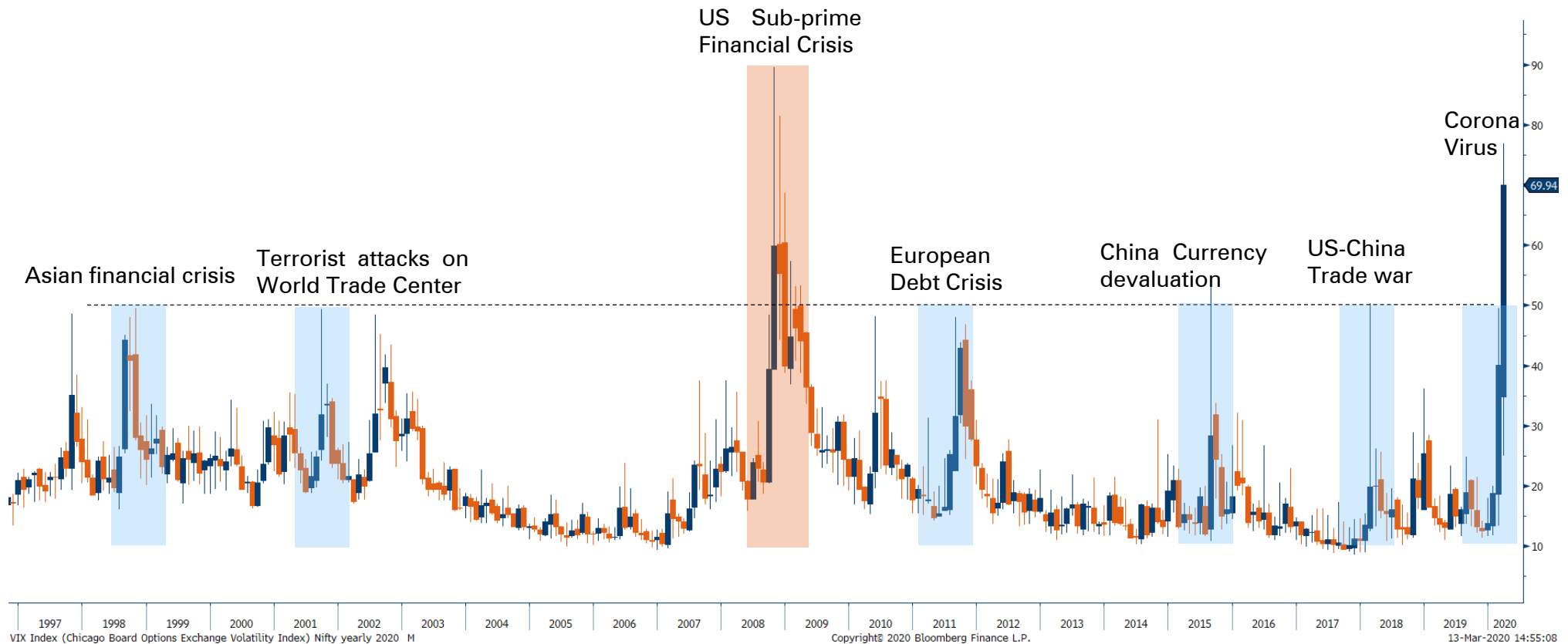
## Sectoral performance post major correction

Sectors	Sep-01		May-04		Jun-06		Oct-08		Dec-11		Feb-16		Average Returns 1 Yrs	Average Returns 2 Yrs
	1Year	2Year	1Year	2Year	1Year	2Year	1Year	2Year	1Year	2Year	1Year	2Year		
Auto	69	223	35	131	20	-9	181	342	45	55	40	61	65	134
Banks	31	154	55	84	82	36	87	173	57	43	48	80	60	95
Capital Goods	52	223	114	337	117	78	120	171	39	31	48	84	82	154
FMCG	-8	5	46	132	-8	4	60	103	46	61	30	55	28	60
IT	40	59	44	94	34	8	58	108	1	57	3	25	30	59
Metal	62	294	155	205	25	56	266	338	19	7	76	124	101	171
Oil & Gas	75	253	35	121	80	112	106	140	14	18	70	94	63	123
Pharma	12	63	16	43	22	28	64	143	37	66	5	-4	26	57
Power					57	38	129	154	15	-1	41	43	61	59
PSU	62	245	76	113	57	31	118	163	18	-5	56	54	65	100
Realty					94	92	53	0	52	151	66	81	66	81

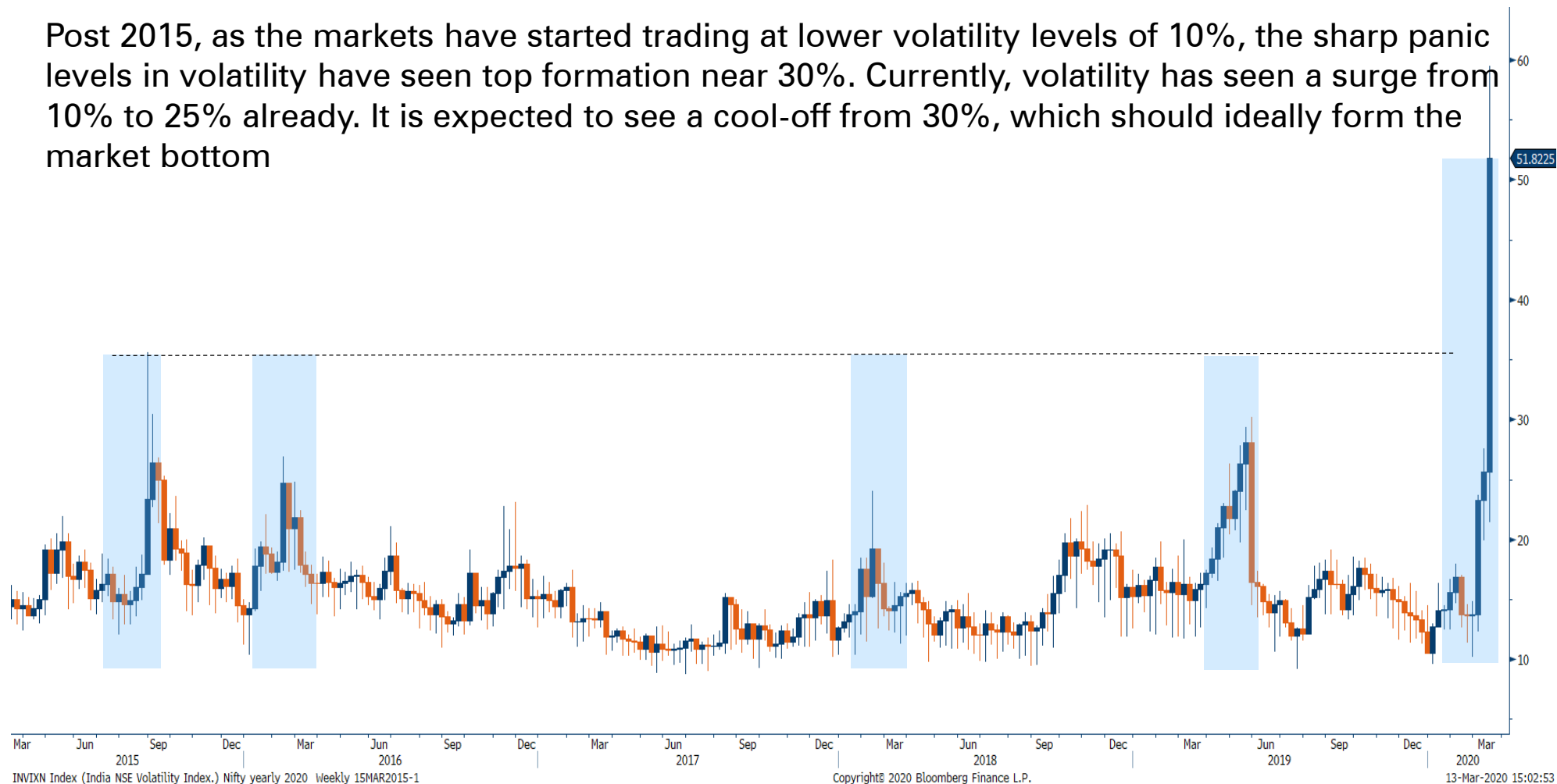
- Cyclical lead by Banking, Auto and Capital Goods were the major outperformer with returns more than 60% and 90% in 1 Year and 2 year respectively

Source: Bloomberg ICICI Direct Research  
March 13, 2020

US volatility index has topped out at 50% since 1997 barring 2008 crisis



Post 2015, as the markets have started trading at lower volatility levels of 10%, the sharp panic levels in volatility have seen top formation near 30%. Currently, volatility has seen a surge from 10% to 25% already. It is expected to see a cool-off from 30%, which should ideally form the market bottom

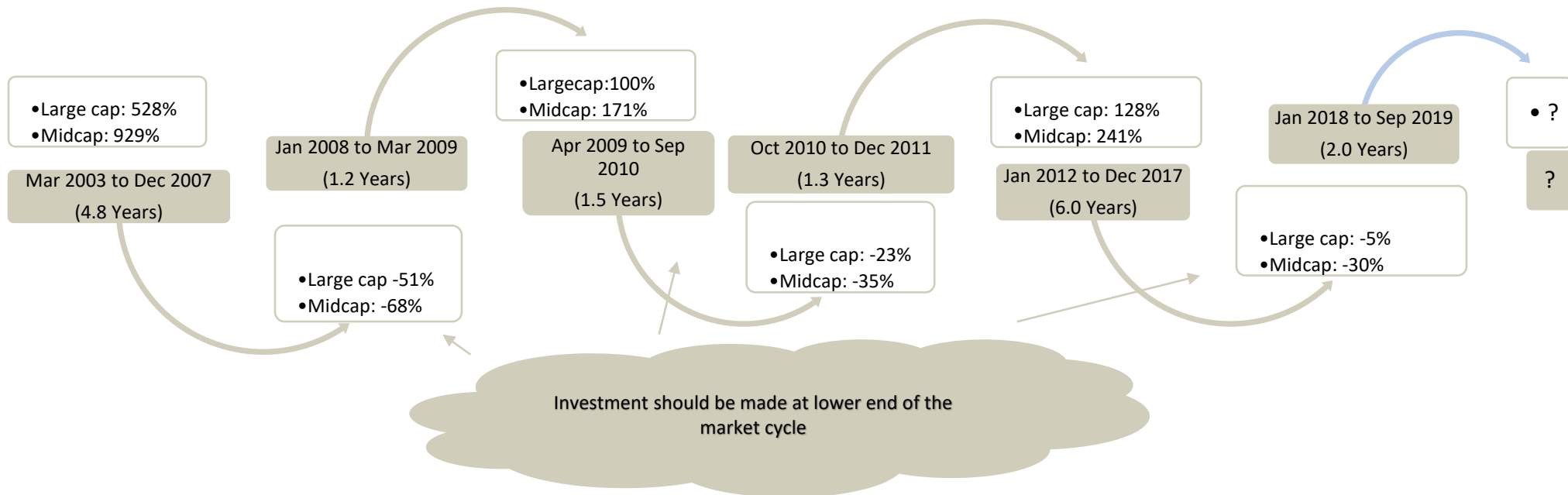


# While SIP is better, is it a good time to invest lumpsum?

Since equity markets are inherently volatile, doing investment through a systematic investment plan (SIP) is the best investment strategy. For lumpsum investment, **one basic thing one needs to ensure is that investment is made at the lower end of the market cycle. Conversely, lumpsum investment should be done when historical returns are negative or lower than long term average.**

While midcaps outperformed large caps significantly in FY15-18, it witnessed a reversal in trend amid liquidity issues along with NBFC crisis and other corporate defaults over the past 18 months. In turn, this skewed investor's focus towards quality companies, leading to underperformance of the broader markets, in general. Quality companies in both large cap and midcap/small cap have done well in 2019. We expect this trend to continue even in 2020.

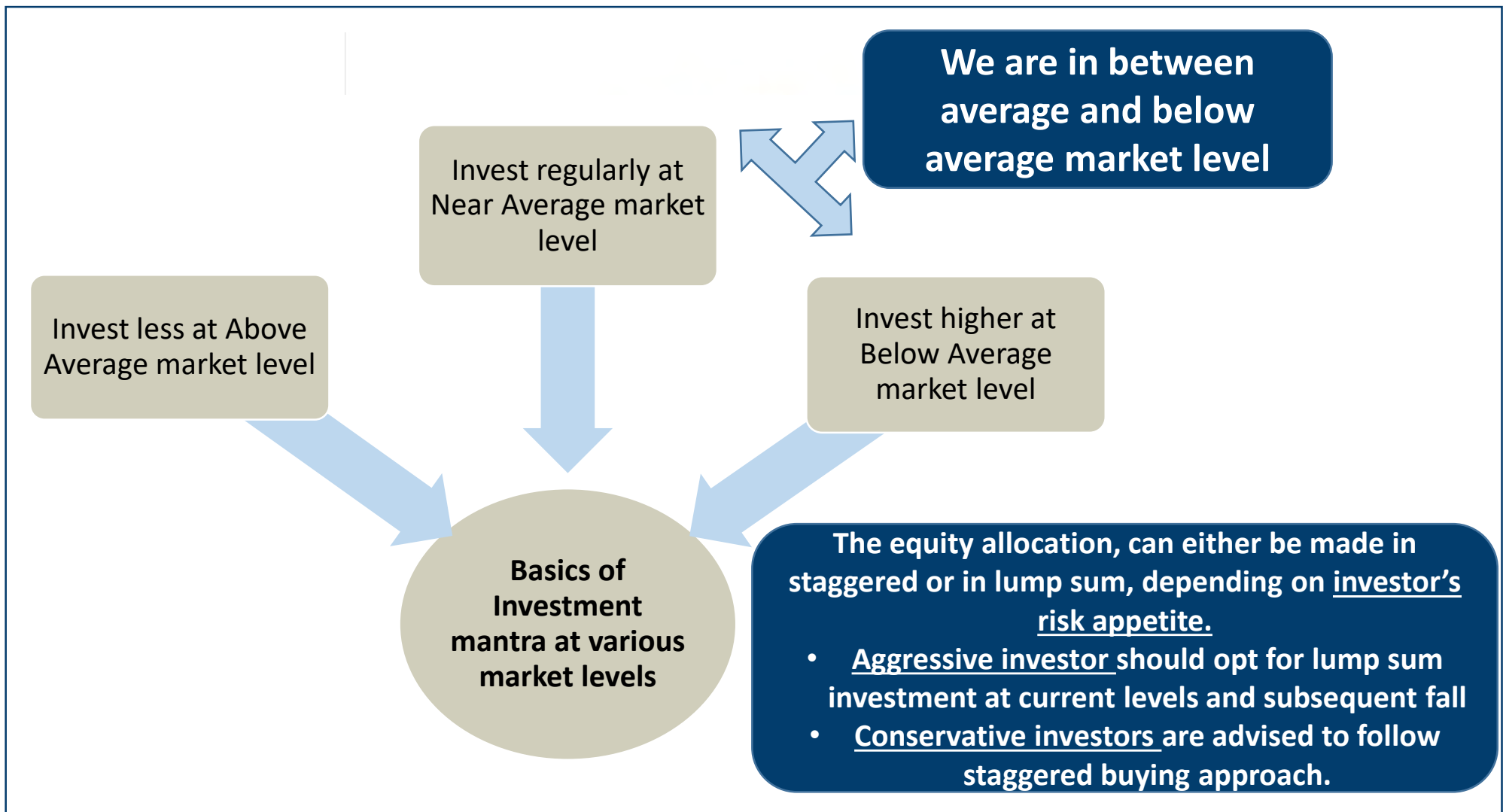
**We believe that a stock specific approach in both large caps and midcaps will continue to do well. However, midcap and small cap funds offer a better investment proposition as a stock specific approach may do well in the broader markets. Hence, lumpsum investment in midcap/small cap funds at current levels may be considered. However, the core portfolio should always comprise multicap oriented funds with accumulation being done through an SIP approach.**



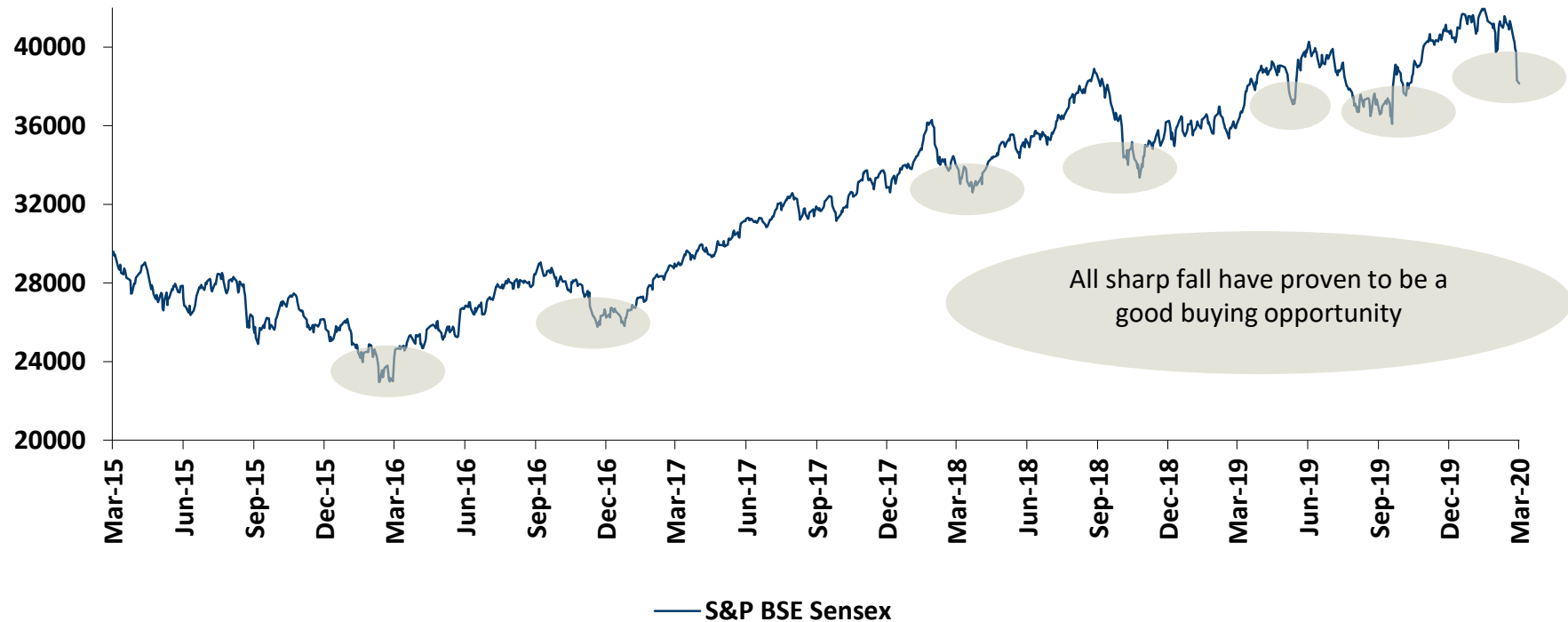
Source: Bloomberg, ICICI Direct Research



If I have money to invest, is it ok to put entire 100% into the markets now or partial. If partial what % and in what time span...



# Is current fall a buying opportunity?



The comparison of previous panics in Indian and US markets suggest that certain level of volatility acts as reversal point in most of the unforeseen events. In US barring 2008 all panics have ended at volatility level of 50% while in India the volatility has topped out at 30% since 2015. The reversal from these high levels of volatility results in the base formation for equity markets thus providing good investment opportunities.

- **As of March 13th, there are approximately 135000+ confirmed cases of corona virus with 4990 deaths. While China is the epicenter of the virus, there have been 55000+ confirmed cases outside of China in 127 different countries.**
- **As a point of comparison, the SARS (severe acute respiratory syndrome) outbreak in 2003 lasted about 9 months, from November 2002 to July 2003, resulted in 349 deaths with cases spanning 29 countries. It is pertinent to note that SARS virus had an impact of ~50 bps on Chinese GDP in 2003 and therefore, extended presence of the Corona fears may have some impact on the global growth.**
- **Corona virus scare has grown multifold post its spread across the key economic zone of Europe and US. Of course, while the numbers of affected cases in India, currently, are not significant, we believe that the pre-emptive geographical lockdown is likely to keep the overall numbers within a limit. Nonetheless, the outbreak of the corona virus will definitely have an overall impact on global as well as Indian GDP growth in the interim. Both trade as well as discretionary spends (travel, leisure etc.) are likely to take a hit in near term as public movement will be restricted given the fear over the same. The recent market correction is result of the same.**
- **However, historically, it has been seen that market recovery in such case is usually sharp and quick and precedes the economic growth rebound. Therefore, we see the current correction as a buying opportunities for the investors who should utilise the declines to lap up the good businesses which have comfortable leverage, strong return ratios and enjoy leadership position. The allocation, however, can either be made in staggered or in lump sum, depending on investor's risk appetite.**

Source: Bloomberg, ICICI Direct Research

## ANALYST CERTIFICATION

We /I, Pankaj Pandey, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

### Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, July not match with the recommendation in fundamental reports. Investors July visit [icidirect.com](http://icidirect.com) to view the Fundamental and Technical Research Reports. Our proprietary trading and investment businesses July make investment decisions that are inconsistent with the recommendations expressed herein.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and July not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there July be regulatory, compliance or other reasons that July prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers July receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report July not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This July not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment July vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results July differ materially from those set forth in projections. Forward-looking statements are not predictions and July be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities July have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein July or July not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document July come are required to inform themselves of and to observe such restriction.