VOL. 3 ISSUE 7 · SEP. 2020

MONEY MANTRA

Official Newsletter of the CHRIST Financial Analysis Cell

A special issue on

COVID LED INVESTMENT DILEMMA

Dear Readers,

Greeting!

World's major economies are currently going through major reforms and policy shifts due to the impact of Covid-19 and changes in political financial affairs. The new normal has come to effect after the viral outbreak, which is very much applicable in the financial world too. Considering these developments, this Special issue of Money Mantra " Covid Investment Dilemma" has been designed. This issue has 6 major sections

.

- "Bulls-Bears tussle Continues:Rising Market Volatility" discusses how the market has become more sensitive due to both positive and negative news in recent times and the dilemma of the investor due to reforms in policies.
- "Major Financial Crisis during Covid-19: Franklin Templeton" shows how this crisis has been the talk of the town in debt market of India and also the necessity of reform in current times to hedge against these cqrises.
- Gold over Equity: Is it Worth of Investment 2020?
- "Need of an Hour: Debt Market Reform" the importance of necessary actions and reforms in India has been discussed. The Indian agencies like RBI and SEBI should come up with a long-term strategy to restore and re-build the economy from further plunges.
- Market Performance
- Major bites of the month
- GoodReads

We as a team are pleased to present the new edition of September, 2020. We wish you all a happy reading experience.

Thank You
Money mantra Team

This issue:

Bulls-Bears Tussle: Rising Market Volatility
PAGE 02

Major Financial Crisis During Covid: Franklin Templeton
PAGE 03

Gold Over Equity: Worth of Investment in 2020
PAGE 05

Need of an Hour: Debt Market Reform
PAGE 06

Market Performance
Major Bites of the Month
PAGE 07

GoodReads
PAGE 08

COORDINATORS

ABHINAV KUMAR
NAVEEN KUMAR C R
SATISH SHUBHAM TRIPATHI
GOKUL BHARGAV R

MENTORS

DR. JOJI CHANDRAN
DR. SANJAY RASTOGI
DR. PUJA KAURA

Bulls-Bears tussle Continues: Rising market volatility

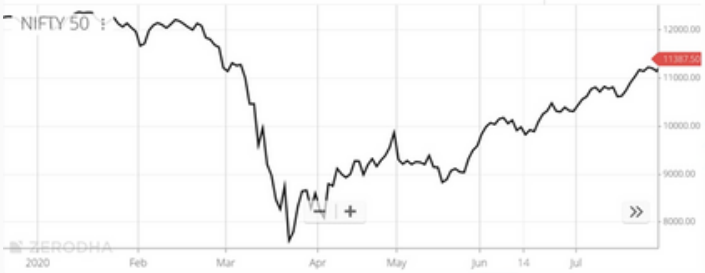
BY ABHINAV KUMAR

Bull and bear are two most frequently used terms by the people of investing world. Bull indicates upward movement and bear comes in the picture when market becomes sluggish. Behaviour of Bull and bear attributes the market scenario and describes appreciation or depreciation of traded stocks. In the last quarter of FY 2020, global & domestic market has seen unprecedented high & low. This condition makes it difficult to predict next movement which leads to fall in number of stakeholders to participate in the market.

Markets saw not only trading down in the past few months but also being supported by the optimistic feeling about the progress of corona-virus vaccines. On both sides, a follow up move was absent, as every bounce is currently being sold on the market. The re is however a lack of clear direction in the markets. Thus, blurry direction in the market is creating uncertainty for trader and investors in taking decision of when to walk in and when to walk out. Current volatile situation has tested all stakeholders in terms of who is having more risk capacity to sustain in the market.

Because of lack of clear direction, the trend traders obviously feel the stress, which does not offer them lucrative trading opportunities in the index, but seasoned market participant could have dig out the trading opportunities by shifting into time-frames. This strategy, however, is not for all and for others, it might be the better choice to sit on the side-lines and wait for more of a defined price action.

Some traders pick several trades a day easily while others do not. The current situation reminds us of the famous saying of American stock trader-Jesse Livemore who used to say, "In a narrow market, when prices don't get anywhere to talk about but travel within a narrow range, there's no point in trying to guess what the next big change will be up or down. The thing to do is to watch the market, read the report to decide the boundaries of getting nowhere price and make up mind that will not take an interest until the value drops in either direction across the boundary. Earning flow has been recorded volatile. The reactions have been sluggish, as the street has already factored in depressed earning for the recent quarter and likely for the next.



Recently announced stimulus package, Atmanirbhar Bharat, focuses primarily on providing liquidity and credit support. The market participant, however, hoped and anticipated that the stimulus package would concentrate on bringing more money into the hands of individuals to boost demand to revive virus hit economy. Since most of the steps highlighted problems on the supply side; the rebound in demand is likely to be gradual. It is now the responsibility of RBI and the banking sector to boost the overall transmission to the sectors in great need.

After the economic package was announced, several economists were disappointed when they gone through the package's outlook. They claimed that a fraction of what Prime M inister
Narendra Modi promised in his announcement is the actual expenditure. A report by economists from Goldman Sachs said India's GDP will contract by an annualised 45% in the second quarter from three months.

This is almost twice what they had expected for the same time frame in their earlier forecast. Now this prediction is proving correct as central government released report shown India's April-June quarter GDP contracted by a massive 23.9% YoY, the first GDP contraction in more than 40 years.

Now one question is striking in everyone's mind that why markets is bouncing back, if the economic package has not addressed the problems? Given the tight budget deficit and the uncertainty over the peak of infections, it is suspecting that even if things escalate from here on, the government would have held back some options for the future. The ultimate motto is 'Handle with care'. Unlike many global peers, India's leaders seem to acknowledge that, dealing with an unprecedented crisis, their key task is to stabilize the situation before finding best way to get clear idea to intervene.

Without a realistic response to the current pandemic, we continue to believe that a value-oriented approach is optimal for a long-term investor. Short term investors may want to use a trading strategy focused on technical and news. Recent volatility could provide good opportunities to those traders who do technical analysis and charts for trading.

Major Financial Crisis during Covid-19:
Franklin Templeton

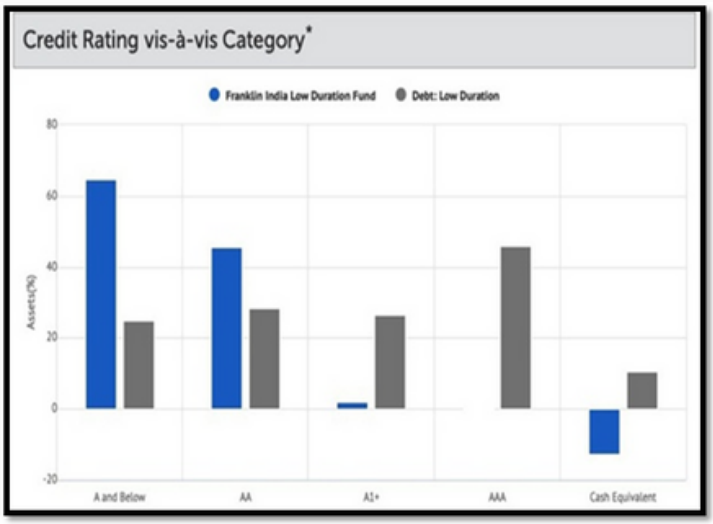
BY: NAVEEN KUMAR C R

Franklin Templeton India has winded up its 'Six' Debt fund schemes and this created a lot of chaos Specially in the Mutual fund sector.
Following 6 debt mutual funds have been closed by the Franklin Templeton India:

- Franklin India Low Duration Fund
- ·Franklin India Dynamic Accrual Fund
- ·Franklin India Credit Risk Fund
- ·Franklin India Short Term Income Plan
- ·Franklin India Ultra Short Bond Fund
- Franklin India Income Opportunities Fund.

This ensures that nobody can invest fresh in these funds and nobody can redeem the units from these funds. We know that a bond's rating and its fixed coupon (interest rate) are correlated inversely. Thus an instrument rated AAA will yield a lower return, and AA- will yield a higher return than AAA.

Franklin Templeton has decades of international experience and is a global leader in the asset management industry. The demand for junk bonds (below AA-grade) is massive in America, and so is the liquidity. These bonds produce substantially higher yields than the instruments classified by AAA. Thus, in India, they used the same approach and invested a disproportionate portion of its portfolio in lower graded debt instruments. This is obvious from below table. Other debt funds remain dedicated to better-quality instruments.



From the above table it can be seen that its schemes were either more or less of exposed to AA rated securities.

Investors invested their hard-earned money in their products for incremental returns of 1-2 percent, fully ignorant of the risk they signed up for. As fate would have it, a black swan event like COVID-19 seriously squeezed out of the market liquidity and flight of capital began to shift from higher risk instruments to lower risk instruments (Gold rally has touched a 8 year high, clear example of capital chasing safer asset classes).

Because of this the pressure on FT funds was higher than average for redemption. The redemptions initially happened in smaller amounts until February which was handled without any impact on the portfolio. However, redemption rate increased dramatically post Covid to the extent where the assets had to be sold at a substantial loss to fund redemption.

In such times, however, there were no buyers for the lower rated instrument, so FT was unable to liquidate these and give the investors seeking redemption a way out. As a result of this they borrowed from banks to meet the increased demand. The biggest risk in a credit portfolio is liquidity risk. They lost close to 50% of the AUM (asset under management) due to redemptions in a very short period. Thus, in addition to credit risk, these funds began to face two more risks-liquidity risk and concentration risk. Liquidity risk, as we have seen above, is when the underlying papers don't have buyers. Because of which the fund can either sell low-rated papers at the price of distress or can not sell at all, only high-quality papers are sold.

Table: *FTMF's high risk exposure in the wound-up schemes*

Scheme Name	Exposure to below AA rated securities (%)
Franklin India Low Duration Fund	64.7
Franklin India Short Term Income Plan	58.9
Franklin India Credit Risk Fund	50.2
Franklin India Dynamic Accrual Fund	44.6
Franklin India Income Opportunities Fund	41.3
Franklin India Ultra Short Term Bond Fund	23.9

Data as on April 23, 2020

(Source: FTMF, PersonalFN Research)

Let's discuss some that might be hitting your brain after reading this case:

Why did the investors start redeeming all of a sudden?

The case of low credit quality began to trouble investors when in Jan-2020 FT wrote off its entire investment in Vodafone Idea due to a supreme court judgement (Supreme Court rejected review petitions of various telecom companies challenging its judgement in the AGR case) which led to fall in returns leaving its investors puzzled. That has caused panic among its investors. At this moment the pattern of redemption has begun. Furthermore, the coronavirus pandemic accelerated the redemption moment.

Is this the case with all debt funds?

Absolutely No. Funds with high credit quality enjoy high liquidity. Just the funds that run credit risk strategy face illiquidity.

What will happen to all the investors who have invested in these funds?

The fund house will refund the money when it collects the money from the papers that underlie it.

But when?

As soon as buyers are found at fair value in the market or as soon as papers mature.

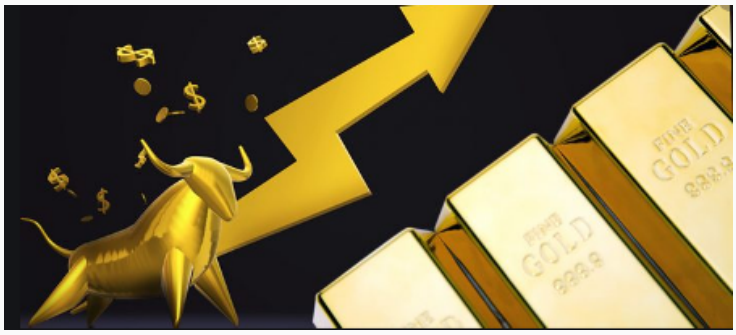
Lessons learnt are:

- Never Chase Returns Blindly
- Look at The Risk Associated
- Gather All The Information Related To The Fund

Therefore, it will be unwise to raise finger on either investor or firm for this crisis, but it is clear that Indian debt market needs reform to prevent crisis like this in future.

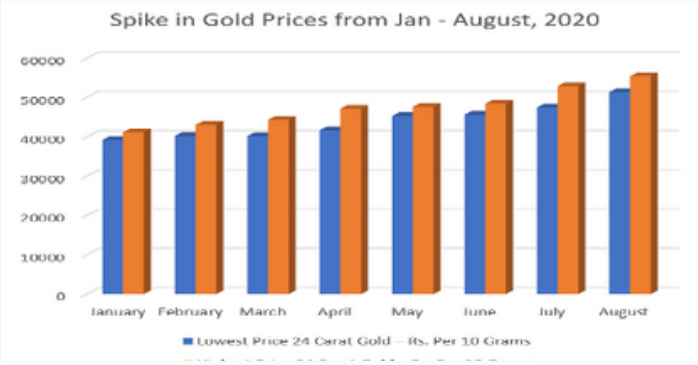
Gold Over Equity: Is it Worth of Investment in 2020?

BY: SATISH SHUBHAM TRIPATHI



Gold Prices in the year 2020 has been experiencing a continuous growth, the major factors behind the increment has been the outbreak of pandemic across whole world and geo-political relations among major economies. They are basically the reason behind the variation for the terms such as demand, Value of Dollar and Political – Financial affairs etc. which play crucial role in fluctuations of gold prices. Since the beginning of 2020 Corona virus outbreak has been the unpredicted and uncalled headwinds for bullish economies. Countries across the world changed their economic policies and had been forced to offer certain stimulus packages to hedge from the impact of pandemic.

The initial outbreak of pandemic happened in Europe and then across the world. The major impact of Corona was on tourism and hospitality sector and with the continuous surge of virus countries had to focus primarily on Corona virus and its impact on common people. Upcoming developments in economies has been on break and major economies in world had to face backlash of this development. India and USA have been one of the most sensitive countries to contain the virus and had been worst affected region of the world.



The price of gold has now up nearly 40-45% compared to March price of Rs 38500 for 10 grams to nearly Rs 55000 as of the August end.

- Pre – COVID Situation in India

Indian economy in the Jan-March of 2020 was already in poor condition with 3.1% growth compared to the 5.7% in previous year of same quarter. The GDP of the Country had been at its 11 year low with 4.2% in 2019 - 20. Sectors such as manufacturing and construction were already in their worse phase with 0.03% growth and 1.3% decline respectively. Major slowdown in various industries was already there which lead to the high unemployment rate.

- Post - COVID Situation in India

Since the lockdown has been called off with certain terms and conditions, the Government came with the stimulus packages and policies to normalize the current situation. Reserve bank of India announced several reforms and certain relaxation on interest rates etc. Still the revival of Indian economy will be a huge target to achieve. Continuous Spike in unemployment rate, Low GDP, better foreign policy for bilateral trades and worsening conditions of major industries will be huge challenge in upcoming months and year for the administration.

- Rise in Gold Prices and major reasons behind it

Yellow Metal has strong impact on the major currencies of the world. In the period of uncertainty investors usually opt for golds as it is a promising investment as a commodity. Basically, Gold prices in the uncertain situations like these (Post-Covid) reflects the macro-economic conditions and Investor sentiments. Whole world is facing the instability due to outbreak of pandemic and Domestic markets across the world are becoming more sensitive with the change in policies and stimulus packages given by the governments. Observing the sensitivity and slowdown in market, investors are using gold to hedge the capital from any threat. One can also say Gold is behaving more like a currency then a jewellery current situation and factors such as rise in demand and weak dollar has been the tailwinds for Gold prices.

- Rise in Demand

Rise in demand of Gold in the form of jewellery has declined a bit but through Gold Mutual funds and ETFs the investments in gold has been increased. So, with the ease in the reach of investors for gold the investment has risen also. Further, the factor such as fear among investors in other stocks, equities and assets, Gold has been more promising compared to others. Also, Diversification of portfolio is one of the tools used by investors to hedge the capital against any risk in future which includes the gold as a better option.

- Weak Dollar Value

Gold prices has been at the all-time high in the recent times and one of the factors behind it is the change in policy of US Federal Reserve to revive the country's economy. The Inflation based policy shift is basically that now Fed will be targeting an average of 2% inflation which in the past was fixed 2% target. It will be having certain benefits like increment in employment rate and ease in more capital flows with the emerging economies such as India.

With the change in policy value of Dollar has weekend which led toward the continuous spike in Gold price. Also, the current Geo-Political trade war between US-China has added more uncertainty in International market which is not sign of better stability soon. Also, the tensions in Middle east and India-China border face – off has a negative impact on Indian economy in various ways which leads towards much instability in region to normalize the ease in trade and business.

- Investment in Gold for 2020

The yellow metal has been the most promising commodity for investors in current volatile market both domestic and international. Also, with the ease in investment in gold through Gold mutual funds and ETFs gold has been on the priority for diversification of portfolios. There had been similar situation of slowdown as it is now in 2009 but the dollar's value has been another option for investors at that time but now due to policy shift and trade war between China and US has led the weak value of Dollar.

Demand has increased for gold due to uncertainty in market and as per analysts this spike in gold prices will be observed till the vaccine is not coming out. Normalization in countries with major economies will be the only stop against the outbreak. Many industries had to face the wrath of virus and recovery will be a long-term process. Also, considering the fact that pre-Covid situation of India had not been so healthy unemployment rate and bearish market will be major challenge for the country.

There is nearly no chance for vaccine to come as of now in the market and if we consider this fact then there will be continuous uncertainty into both domestic and international market. With respect to this condition there will be a continuous growth in the gold prices at least till the end of 2020.

NEED OF AN HOUR: Debt Market Reform

BY: ABHINAV & NAVEEN KUMAR C R

After Franklin Templeton crisis, Indian debt market flooded with the question that why it has not been reformed. This crisis revealed how conservative Indian debt market is in terms of short-term financing through riskiest Bonds. India's condition is opposite to global markets where junk bond sales are expanding after U.S-Europe monetary authorities have said they will buy riskiest securities directly or consider such issuance from lenders as collateral. Reserve Bank of India has also taken a series of moves to boost credit flow to the nation's small businesses, which form the basis of the $2.7 trillion economy.

At the time of Pandemic hit country, when India's weaker companies direly needed money, their bond is experiencing no demand. After Franklin Templeton crisis, sentiment has been majorly affected, which was a big buyer of high yield Indian securities, closed down debt funds in April month. Since 2018, The companies had already been facing difficulties to raise money, when sudden downfall of major infrastructure IL&FS Group sparked a credit crisis.

Sebi's position was primarily in the form of regulation based on disclosure, which requires listed securities to disclose all associated risks. But these reports are also lengthy, full of jargon and voluminous, indicating it is beyond the reach of the average investor to comprehend these documents entirely. Micro-monitor transactions are neither practical nor desirable for SEBI. It would be easier for such reports to state clearly the risks that investors take on.

After the financial crisis of 2007-08, more aggressive manager began buying debt from smaller firms, who were extremely desperate for capital in India, and often able to deliver much higher return on short term debt. This is what much of the portfolio of FT MFs consisted of -AA and A-rated debt from smaller, riskier firms.

It is in these scenarios that one yearns for a large, liquid corporate bond market which would provide companies with flexible funding options for short, medium- and long-term liquidity. Short run MFs provide a weak replacement for such a market, which has repeatedly hurt India due to its complete absence.

Despite Sebi's significant efforts, market in India has been a non-starter primarily because of perceived and actual confrontations.

There is need to put in or reinforce several layers of regulation to mitigate such events from recurrence. Moreover, these recent crises need to be used as a cause for fundamental regulatory and banking reform.

These long-term reforms are thoroughly outlined in the reports of various finance ministry, RBI, and Sebi committees. Now it is time to wait and watch when these reforms will happen.

MARKET PERFORMANCE

COMPILED BY: SATISH SHUBHAM TRIPATHI

Indicators	03-Aug-20	31-Aug-20	Percentage Change
BSE Sensex	36939.6	38628.29	4.6%
BSEMidCap	13716.79	14661.37	6.9%
BSE Auto	16395.68	17685.49	7.9%
BSE Bankex	23926.98	26972.91	12.7%
BSE Healthcar	18387.69	18387.62	0.0%
BSE IT	18133.07	18055.38	-0.4%
BSE Oil & Gas	12980.43	13083.32	0.8%
BSE Power	1527.65	1669.87	9.3%
BSE Metal	7859.92	8833.73	12.4%
BSE Realty	1557.47	1758.4	12.9%
BSE Telecom	1263	1227.33	-2.8%
USD/INR	74.8769	73.67	-1.6%

Major Bites Of The Month:

BY: GOKUL BHARGHAV. R

India's GDP shrank to Negative Zone:

For the first time in 40 years, India's GDP has faced negative growth. Quarter 1 results of Indian economy resulted in 23.9% of shrinkage of Indian economy for the fiscal year 21 Sectors such as Construction and manufacturing faced heavy downfall. FICCI on Sunday altered its prediction of India's median GDP from 5.5% to -4.5% for the fiscal year 20-21.

Pakistan & China's ban for bidding in India:

After banning bidders from countries like Pakistan and China DPIIT instructed that only Potential Bidders having more than 10% beneficial ownership from these countries have to register for Public Procurement in India and have to get security clearance. Once registered it will only valid for 12 months for every bidder. This is only applicable for public sector however no restrictions are being put in medical (valid only till Dec 31st 2020) and private sector.

Data Breach In "PAYTM":

John Wick hacker's group has breached Indian E-commerce Company PAYTM Mall data base through backdoor and stole the company's data. The perpetrator of the hack demanded an amount of 10 ETH (Ethereum) in Cryptocurrency which is equivalent to $4000 from PAYTM.

Shut Schemes of Franklin Templeton Mutual Funds:

The American based MNC Franklin Templeton has announced that it is going to stop 6 of its debt schemes in India on 23rd April 2020. So far these shutdown schemes have collected a total of Rs.4988 crores which includes Rs.708 crores of payments in the first two weeks of August.

REPO Rate Remains Unchanged:

RBI (Reserve Bank Of India) holds Repo Rate unchanged at 4% in the month of august which leads to zero increase in demand of new loans and home loan interest rates.

RBI Liquidity Measures for Banks:

On 31st August RBI announced new liquidity measures for banks, that banks can swap the funds that are raised under LTRO at 5.15% rate with newly made funds under Rs.1Trillion repo at a rate of 4%. RBI also increased the Held to Maturity limit from 19.5% to 22% for banks investments in gov't securities.

Amazon Online Pharmacy:

E-commerce giant Amazon India has recently launched an Internet Pharmacy in India. Amazon announced that this service will be debuted in Bangalore city and also trialed in other major cities of India also. This Amazon Pharmacy offers services such as prescription, over-the-counter and traditional Ayurveda medication as well as basic health devices. Amazon enters into direct competition with NetMeds, 1mg, PharmaEasy, Medlife.

Diesel Sales Decreased by 14% in August 2020:

Even though most of the places in India has lifted lockdown, still Diesel Consumption has fallen by 14% compared to July sales due to random increase in price of petroleum products, Floods happening all over India decreased transportation and Non-operational commercial vehicles – According to Petroleum Planning and Analysis Cell.

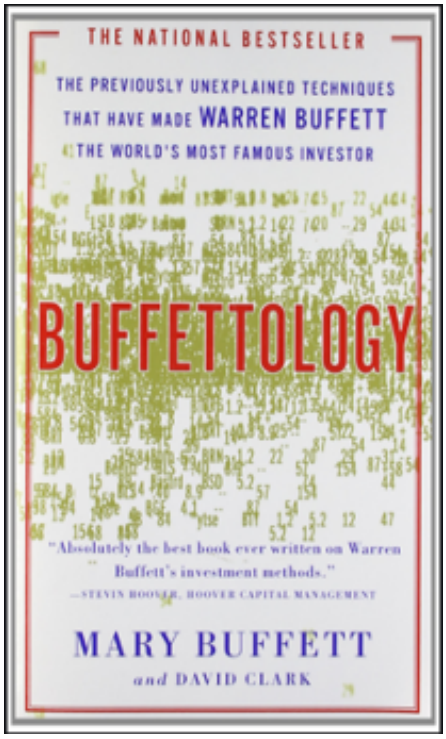
References:

https://economictimes.indiatimes.com/news/economy/indicators/gdp-growth-at-23-9-in-q1-worst-economic-contraction-on-record/articleshow/77851891.cms
https://www.deccanchronicle.com/business/economy/300520/even-before-covid19-indias-economy-was-slumping.html
https://www.thehindubusinessline.com/money-and-banking/with-tailwinds-gold-price-to-go-up-further/article32468394.ece
https://www.financialexpress.com/market/commodities/gold-prices-inch-closer-to-rs-55000-per-10-gm-global-gold-breaches-2000-prices-may-rise-more/2045254/

GOODREADS

Practical way to learn Investing: Buffetology

RECOMMENDED BY: MONEY MANTRA TEAM



Does finance fascinate you? Do you also want to grow your money through sensible investing?

We present you the solution from where you can learn investing in practical & fun way.

In the world of investing, the name Warren Buffett is synonymous with success and prosperity. Learn how Warren Buffett did it and how you can too.

Building from the ground up, Buffett choose wisely and picked his stocks with care, in turn amassing the huge fortune for which he is now famous. Mary Buffett, former daughter-in-law of this legendary financial genius and a successful businesswoman in her own right, has teamed up with noted Buffettologist David Clark to create Buffettology, a one-of-a-kind investment guide that explains the winning strategies of the master.

ABOUT US: CHRIST FINANCIAL ANALYSIS CELL(C-FAC) IS ESTABLISHED WITH A PURPOSE TO ENABLE THE STUDENTS TO INCORPORATE THE CLASSROOM LEARNING INTO REAL TIME FINANCIAL AND MARKET ANALYSIS AND INVESTMENT DECISIONS. THE ANALYSIS IS BASED ON CAPITAL MARKET, DAILY NEWS RELATED TO ECONOMY, BUSINESS, POLITICS, INTERACTIONAL TRADE AND BUSINESS ETC. AND FORECAST THE MARKET MOVEMENT FOR THE NEXT DAY AND WEEK. BASED ON THESE ANALYSIS THE FINANCE CELL PREPARES AND PUBLISHES A MONTHLY REPORT NAMED "MONEY MANTRA". THE CELL ALSO GIVES THESE ADVISORY SERVICES TO THE STUDENTS OF THE OTHER DOMAIN, FACULTY, AND THE STAFF ON THE INVESTMENT FINANCIAL PLANNING DECISIONS.

ADDRESS: GROUND FLOOR, CHRIST (DEEMED TO BE UNIVERSITY), MARIAM NAGAR, MEERUT ROAD, DELHI NCR GHAZIABAD-201003, PH. NO. +91 120 2986765, 1800-123-3212(TOLLFREE), MOB NO.:+919212440II; EMAIL: MAIL.NCR@CHRISTUNIVERSITY.IN