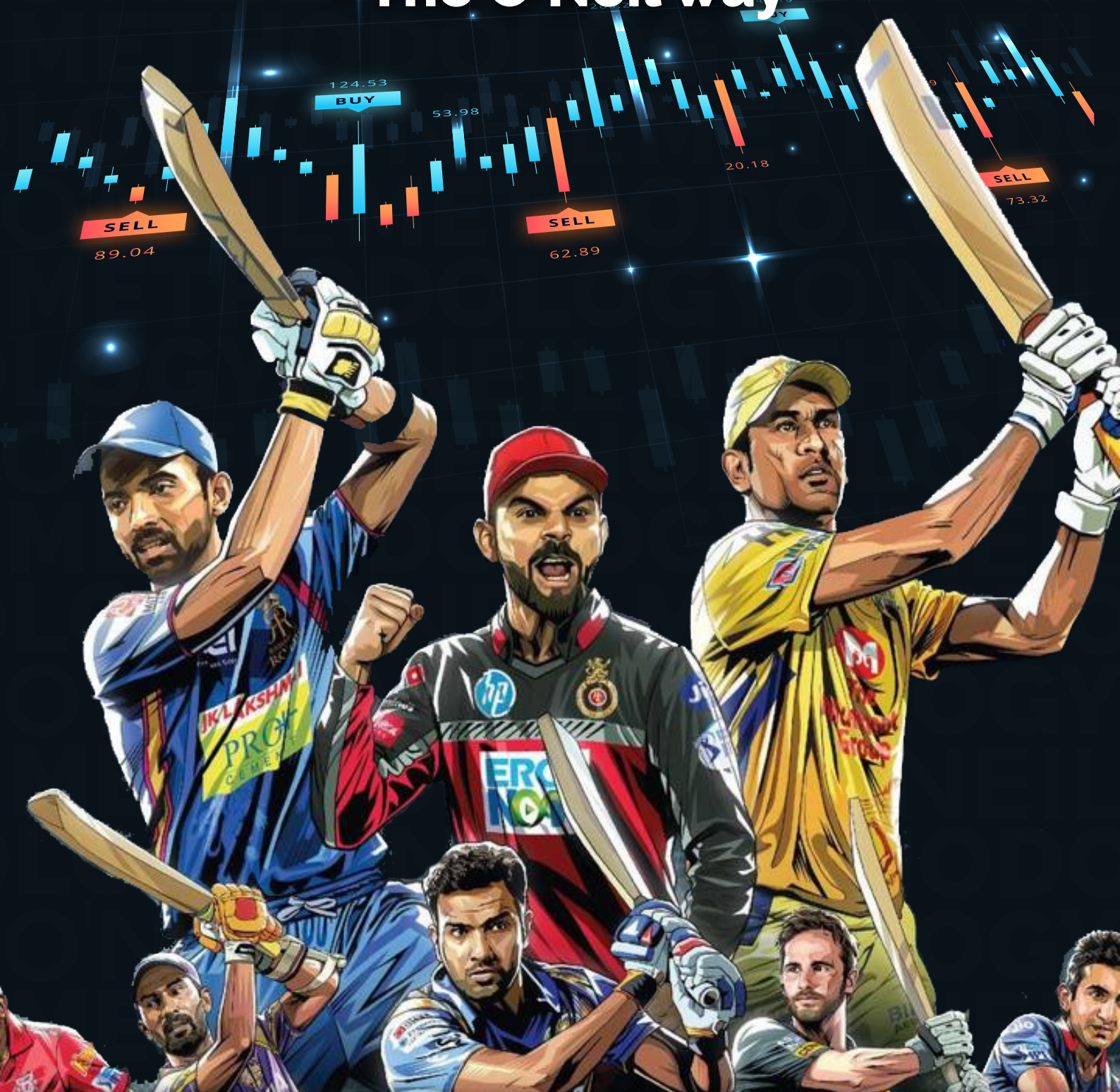


WILLIAM O'NEIL INDIA

Lessons from IPL for Markets - The O'Neil way



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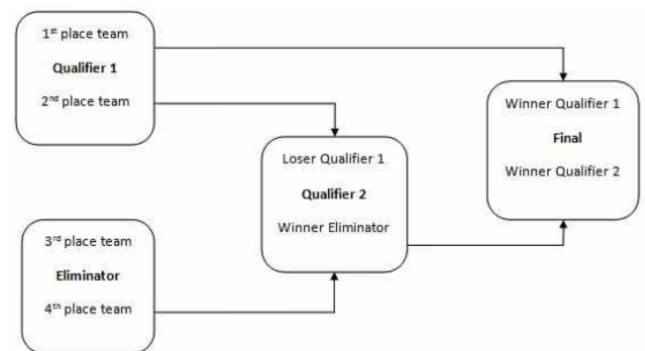
Lose The Least: In IPL keep NRR high and in Market keep losses low

IPL 2020 began with a bang, and now all cricket enthusiasts are busy talking about their favorite team, player, intriguing statistics, and unique insights from the mega event. The 13th edition of the IPL kicked off on a high with a super over game in the first week and some brilliant performances from Rahul, Mayank, Sanju, among others.

While talking about statistics and match results, smart cricket fans do not limit their discussions to a win or loss; they also focus on NRR (Net Run Rate) of the teams. In league tournaments, like IPL, NRR is one of the most important statistical figures. It often comes into play at the end of every session to rank the teams that have earned the same number of points.

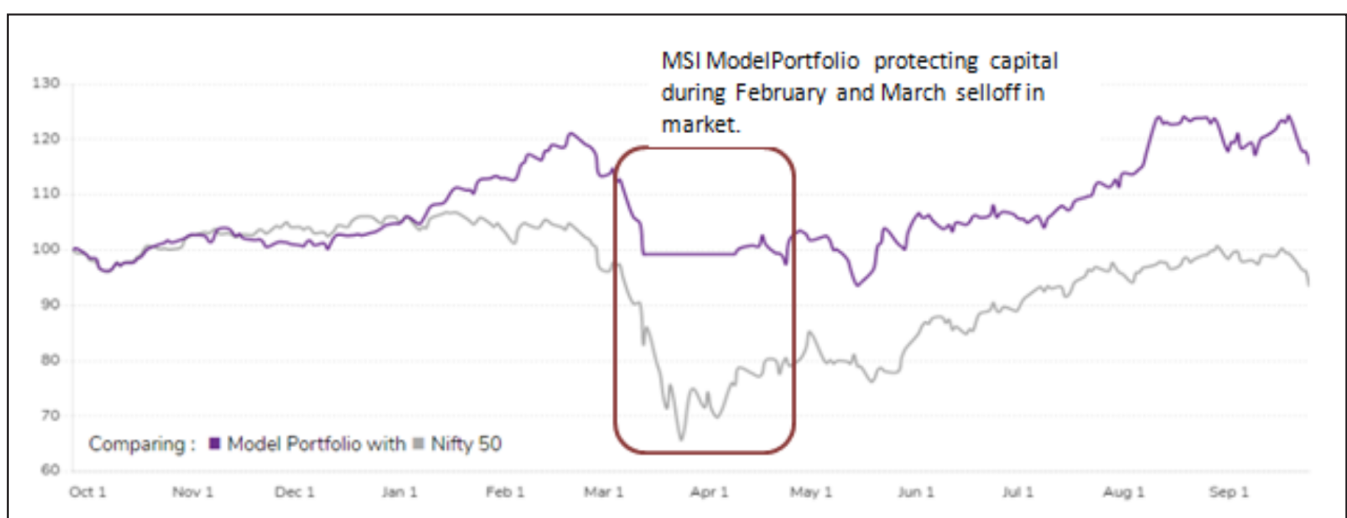
In last year's IPL, we saw that the league stage ended with three teams earning 12 points each. The top three spots were already occupied, and only one out of these three had a chance to qualify for the playoffs. Here the NRR came into the picture, and SRH made it to the playoffs. For the top two spots also, higher NRR is important. Well, because the teams that are placed first and second get two chances to make it to the final, while the other two have to compulsorily win two games to make it to the final. This clearly means that while winning, win big, and while losing the match, lose with minimum margin.

Season 2019						
Team		M	W	L	NRR	Pts
1 MI		14	9	5	+0.421	18
2 CSK		14	9	5	+0.131	18
3 DC		14	9	5	+0.044	18
4 SRH		14	6	8	+0.577	12
5 KKR		14	6	8	+0.028	12
6 KXIP		14	6	8	-0.251	12
7 RR		14	5	8	-0.449	11
8 RCB		14	5	8	-0.607	11



The same goes for the stock market in the words of William O'Neil, "The whole secret to winning big in the stock market is not to be right all the time, but to lose the least amount possible when you're wrong." To make money in stocks, you must protect the money you have. Live to invest another day by following this simple rule: Always sell a stock if it falls 7–8% below what you paid for it. No questions asked. This basic principle helps you cap your potential downside. And it is the simplest way to make sure you never let a small loss become a BIG one.

No stock is immune. The general market (i.e., the major indexes, primarily the Nifty and Sensex) exerts a tremendous pull on individual stocks. Even the strongest leaders will have a hard time moving higher when the market is heading south. And if you just blindly hold your stocks and take no defensive action as an uptrend slips into a downtrend, you risk giving back all your hard-earned gains (and then some). If your capital gets blocked during a correction, you might miss investing in new winners when markets rebound. According to our study, mostly every bull run has different stocks and sectors leading it.



Punjab versus Delhi Capitals: What Do We Learn?

What happened:

The game started on a low with Delhi Capitals losing early wickets. However, the middle order came to the rescue, especially Australian all-rounder Marcus Stoinis, who scored blistering 53 runs off just 21 balls. DC was able to come up with a respectable score to give bowlers some freedom to go hard on the Kings. And the bowlers delivered for the Capitals. Spin giant Ashwin dismissed two dangerous batsmen in a single over. Kings XI Punjab was in a state of shock as they lost half the team for just 55 runs.

On the other hand, Mayank Agarwal who opened the innings with his Captain was trying to stitch a partnership. Mayank started the inning slowly, even as the wickets kept on falling at the other end. He kept his nerve and started to accelerate the inning from the 13th over. After 12 overs, Punjab's scorecard was at 68-5, with Mayank scoring 22 runs from 26 balls, i.e., less than run-a-ball. For the sixth wicket, he stitched a 46-run partnership with K Goutam. After Gowtham's dismissal in the 16th over, it was just an Agarwal show. He scored his last 67 runs off just 34 balls.

Climax: Scores were leveled with three balls remaining, and Mayank was in full swing; everyone thought it was a Punjab game. But, as they say, keeping the nerve at the crucial point of the game is most important. Mayank could have gone for a single, instead, he opted for a FLAMBOYANT finish. He was caught at the boundary and the game slipped into the super over to decide the winner. Eventually, Punjab lost.



Source: Hotstar

Lesson:

The same happens in the stock market as well. There is an old saying on Wall Street that the market is driven by just two emotions: fear and greed. Although this is a simplification, it can often be true. Succumbing to these emotions can profoundly harm investor portfolios, the stock market, and even the economy. There is a vast academic literature, known as "behavioral finance," devoted to the topic.

Most people want to get rich as quickly as possible, and bull markets invite us to try it. This get-rich-quick thinking makes it hard to maintain a disciplined, long-term investment plan. It's times like these when it's crucial to maintain and stick to the fundamentals of investing.

William J. O'Neil says,

"The secret is to hop off the elevator on one of the floors on the way up and not ride it back down again."

KL Rahul's Smashing Knock:

What happened:

KL Rahul played a spectacular record-breaking innings against Royal Challengers Bangalore (RCB) in the sixth game of IPL 2020 as he smashed a hundred against them. His unbeaten innings of 132 off only 69 deliveries helped Punjab register their first win in IPL 2020. This amazing knock included 14 boundaries and seven sixes. The Kings XI Punjab beat Bangalore by 97 runs. Also, this is the highest score by an Indian batsman in the IPL.



Source: Hotstar

The previous record was held by Rishabh Pant, who had scored 128 runs. The pitch was completely flat with no grass and no moisture, which made it batting friendly, and that worked in favor of batsmen. A quality player like KL Rahul capitalized on the batting-friendly conditions, attacked each ball, and scored a glorious hundred. He also became the fastest Indian to reach 2,000 IPL runs.

Drawing a similar analogy to the **stock market**, investors should look for good quality growth stocks that exhibit explosive growth in quarterly **earnings**, superior **relative strength**, leadership quality, and top-notch **institutional holdings**. Stocks with these parameters have the potential to deliver multi-fold returns.

"A standout stock needs both a sound growth record in recent years and a strong current earnings record in the last several quarters. It's the powerful combination of these two critical factors, rather than one or the other, that creates a super stock, or at least one that has a higher chance for true success." – William J. O'Neil, MarketSmith Founder

The stocks with the aforementioned winning qualities start outperforming among its peers when the overall market condition is favorable i.e. the market is in a Confirmed Uptrend as per the CANSLIM methodology. In CAN SLIM, the market itself – the M in CAN SLIM – is the most important factor for making money. Your chances of grabbing profits in growth stocks increase when the market is acting right.

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