WILLIAM O'NEIL INDIA

MARKETSMITH® INDIA

MACRO, MARKET, AND MEMES

24TH SEPTEMBER 2020

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INDIA VOLATILITY INDEX (VIX)

In cricket, some players thrive in the fast-paced T20, while others are at their best playing patiently for five days in a test match. In the stock market, some traders brace high risk-reward scenarios prevalent in trading. They are constantly in the thick of things and are required to make quick decisions. The year 2020 is like a T20 game. Extremely volatile and a high risk-reward game.

Source: whatsapp forward

Similarly, in the financial market context, the volatility index measures the risk perception of the market. It indicates the market's expectation of volatility over the near term. India VIX is calculated using the Black & Scholes (B&S) model. The B&S Model takes five variables as input for calculating VIX, which are strike price, time to expiry, the market price of the stock, the risk-free rate, and the volatility. In a simplified manner, India VIX is the expected annual change in the Nifty over a period of thirty days. For example, if the India VIX currently stands at 15, this implies that the traders expect 15% volatility for the next thirty days.

Historically, it has been observed that there exists an inverse correlation between the benchmark index and the VIX. Further, India VIX plays a major role in gauging the fear or confidence factors among the traders. A higher VIX always indicates lower confidence of traders regarding the ongoing range of the market and higher volatility. On the other hand, a lower VIX signals confidence of the traders regarding the current trade in the market, and traders are expecting stable range and lower volatility. Before the COVID-19 pandemic, India VIX remained below 30 since 2014. However, after the pandemic broke out, the VIX surpassed 30 and was trading near 50 levels. Further, for some trading days in March, it was trading above the 80 level. This resulted in a correction of about 40% in the Indian benchmark index, which touched the low near 7,500 levels.

CRUDE OIL

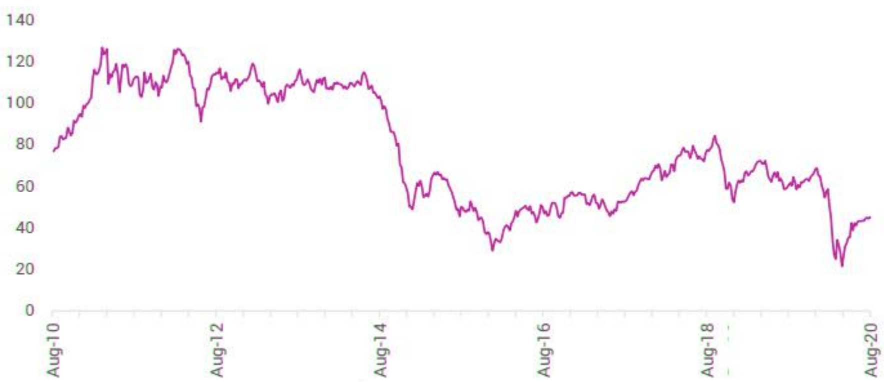
In April, U.S. oil's slide into negative territory triggered a flurry of speculation, sending market participants across the world into a tizzy. Economics of crude oil turned into the talk of the town as the world gauged the impact of a historic crash in WTI crude oil prices on the global economy. The unexpected turn of events unfolded after technical factors got triggered in the face of May futures' expiry. Unwillingness among investors to accept physical delivery at the time of settlement forced them to dump their contracts at all costs, resulting in negative prices. It was the lack of inventory to store crude that investors embraced the idea of paying to get these front-month contracts off their hands.

Source: whatsapp forward

Organization of the Petroleum Exporting Countries (OPEC) contributes ~40% of the world's crude oil production. OPEC manages production in its member countries by setting production targets according to demand and supply. OPEC's production decisions affect crude oil prices globally. Historically, there has been a significant increase in crude oil prices, with OPEC cutting production targets. Among OPEC, Saudi Arabia, being the leading producer, has a significant impact on changes in oil prices.

The oil price drop is possibly the only positive news for India's economy during the lockdown. This is a great comfort for an emerging economy like us during these crises. Low crude oil prices kept inflation in check, giving the Reserve Bank of India the room for a rate cut. Excluding customs, oil revenue accounted for Rs 2,63,812 crore in 2018-2019. While the government recently raised the excise duty on petrol and diesel, fuel demand is expected to remain low in FY21. So, the government's receipts FY21 could decline more and fall way short of the estimated Rs 2.4T.

Crude Oil Historic Price



Economics of production cost:

Generally, a conventional method of drilling oil is used by leading oil producers like Saudi and other middle eastern countries. For a conventional method, the set up needs a rig, drill stem, casing, the crew, and all the other pieces that go into a vertical well. The shale oil production in the U.S. and Canada is different. Instead of drilling just past the target deposit, the wells will take a 90-degree turn in the deposit and run alongside it horizontally. These types of well take more time to drill and more basic inputs like drill stem, increasing the overall cost of drilling.

Also, once a well is drilled and perforated, a lot of water, proppants, and chemicals are pumped down the hole to fracture the formation and allow the oil to flow back into the pipe. All of this adds to the cost of the well. That is the reason that shale oil wells may have a break-even of more than $40 a barrel, and it makes sense for these firms to suspend drilling when crude oil price dips significantly.

In conventional oil production, generally, a hole has been drilled straight down into a deposit. A pump is used to pull the deposit to the surface. The cost-per-barrel of conventional deposits is generally low. Consensus estimates that Saudi produces the cheapest oil (under $10 a barrel). The other middle east countries have a production cost of around $20 a barrel.

Country	Million barrels per day	Share of world total
United States	19.51	19%
Saudi Arabia	11.81	12%
Russia	11.49	11%
Canada	5.50	5%
China	4.89	5%
Iraq	4.74	5%
United Arab Emirates	4.01	4%
Brazil	3.67	4%
Iran	3.19	3%
Kuwait	2.94	3%
Total top 10	71.76	71%
World total	100.63	

Source: EIA

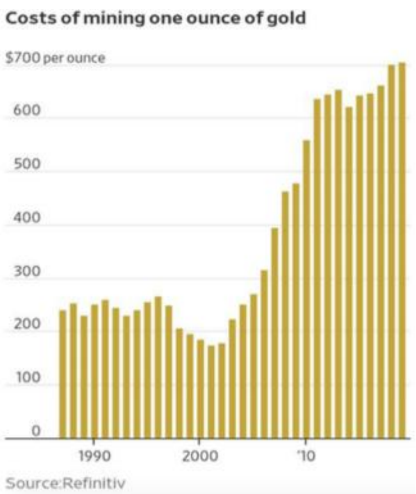
Economies of countries like Saudi Arabia, UAE, Iran, Iraq, and Kuwait can face serious repercussions due to lower oil prices. The governments of these countries are more dependent on oil for spending and social programs

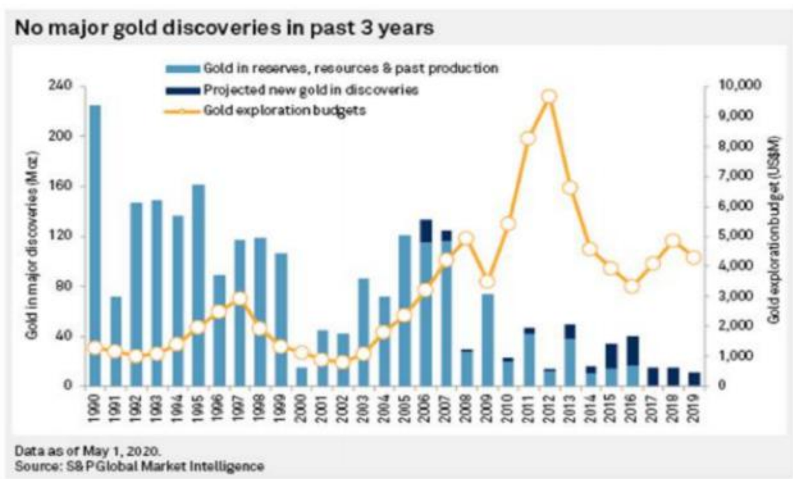
Recently, crude broke down the 50 day EMA and reaching towards the $41 level. Consensus expect crude oil prices to remain around $40 level in 2020, with limited chance to go higher as demand scenario is very weak.

GOLD

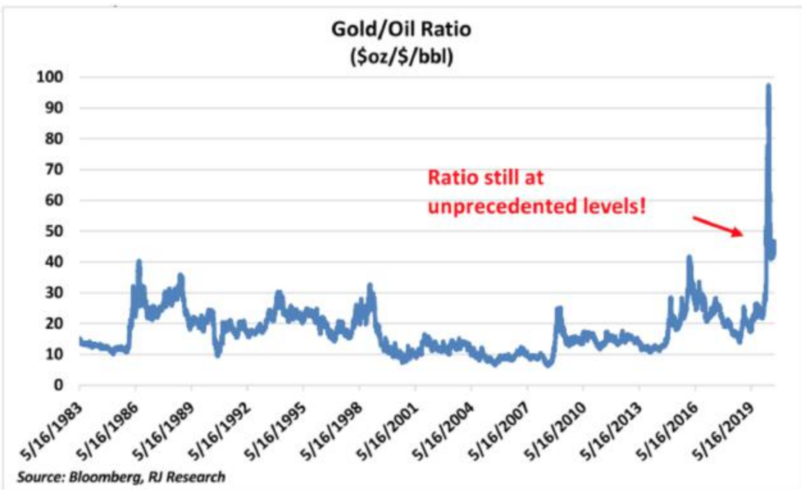
Source: whatsapp forward

Gold price touched Rs 55,000 per 10 grams in August in India. This dramatic surge in the yellow metal's prices to new record-breaking levels was majorly driven by a combination of low interest rates, stimulus programs, a weak U.S. dollar, and of course a global pandemic, among others. In the global contexts as well, Gold futures prices surged to a nine-year high of $1,856.60 per troy ounce in London in August, climbing closer to a record high of $1,920 an ounce registered in September 2011.





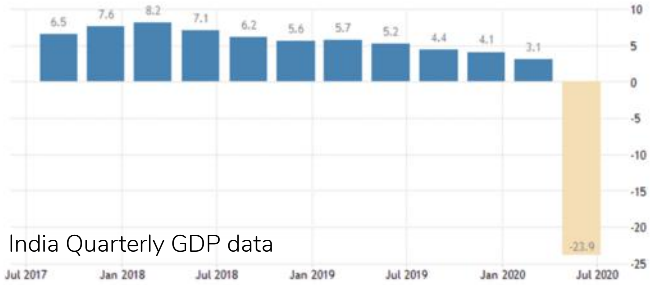
Since the early 1980s, an ounce of gold can be used to buy an average seventeen and a half barrels of Brent crude in the open market. Amid a significantly diverse historical backdrop that includes wars, geopolitical conflicts, OPEC decisions, financial crises, and both inflationary and deflationary periods, the gold-to-oil ratio has remained stable and quick to correct any momentary spikes. The gold-to-oil ratio has spent over 90% of its time within 10 of its average of ~17.5:1 ratio. As shown in the above graph, every time the ratio had previously crossed the 40:1 level, it has only stayed there for a day or two before quickly retracing to lower levels. However, this year the ratio touched nearly a 100:1 in April (more than double the prior high) and has remained above the 40:1 mark for more than five months.



The dramatic surge in the yellow metal's price to new record-breaking levels in August has now edged lower. But consensus expects gold to remain at an elevated level.

GDP

Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country in a specific period. It gives an economic snapshot of a country and its growth rate. It can be calculated in three ways, using expenditure, production, or income. There are two kinds of GDP, nominal and real GDP (inflation adjusted).



GDP divided by a country's population known as GDP per capita is a useful way to compare between countries.

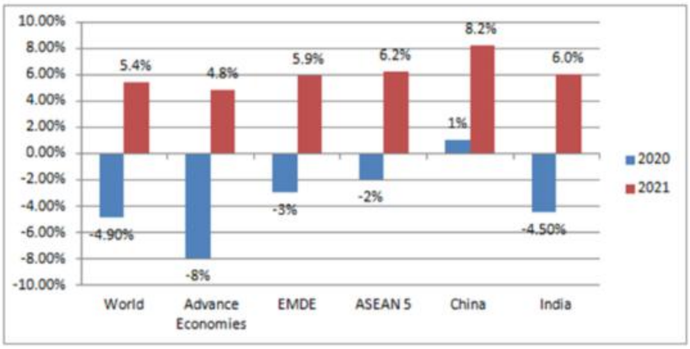
Gross Domestic Product = Private Final Consumption Expenditure (C) + Government Final Consumption Expenditure (G) + Gross Domestic Capital Formation (I) + Net Exports (X-M)
GDP = C + G + I + (X-M).

If a country's exports are higher than its imports, it has a trade surplus. While, if imports are higher than exports, then a country has a trade deficit.

GDP of a family: It can be calculated using the Income approach. Sum of incomes of all the individuals of a family is known as its GDP. Wages received, interest earned, rent received, other incomes (corporate profits, capital gains, etc.) combined to arrive at the family's GDP.

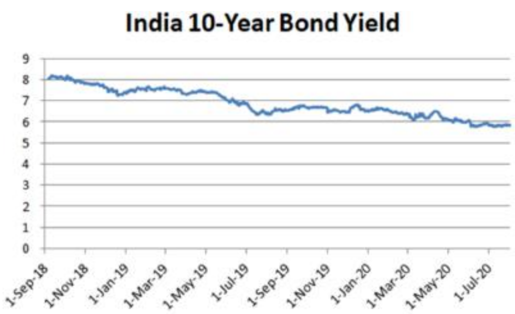
The IMF in June projected a sharp contraction of 4.5% for the Indian economy in 2020, citing the pandemic that has nearly stalled all economic activities. But the IMF added that growth is expected to bounce back in 2021 with a robust 6% growth rate.

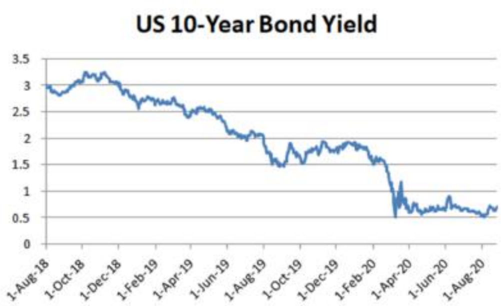
Source: whatsapp forward



Source: World Economic Outlook, June 2020, IMF
Note: (1) EMDE – Emerging Market and Developing Economies (2) ASEAN-5 composed of five countries: Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.

BOND YIELD

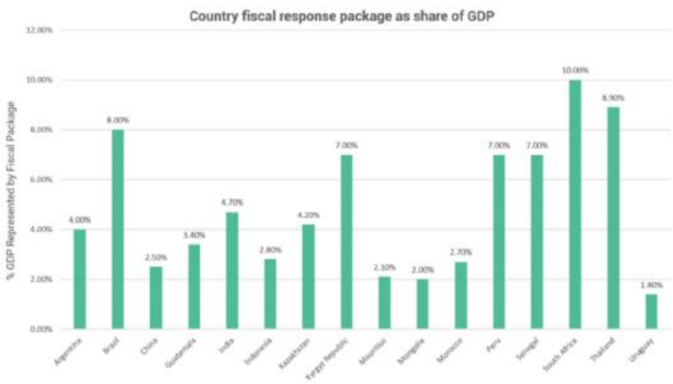




Bond yield acts as a leading economic indicator and the shape of yield curve indicates the health of the economy and the stages of economic position in the business cycle. Traditionally, professionals look for the plot of difference between 10-year and 2-year Treasury yields. A large difference implies indicates that the yield curve is "steep," whereas a small yield curve denotes a "flat" curve. The yield curve remains steep when short-term interest is kept low in light of economic downturns/distress. The low interest rate plays a key role to stimulate the economy, thereby, growth starts picking up and eventually the yield curve is steepened with the rise of long-term rates. Similarly, when the economy cycle matures, short-term rates are high due to rate hike by institutional bodies, while longer-term rates begin to rise more slowly or even decline. Thus, the shape of the yield curve tells us about the trajectory of the economy and its positioning in the business cycle.

FISCAL RESPONSES BY DIFFERENT COUNTRIES

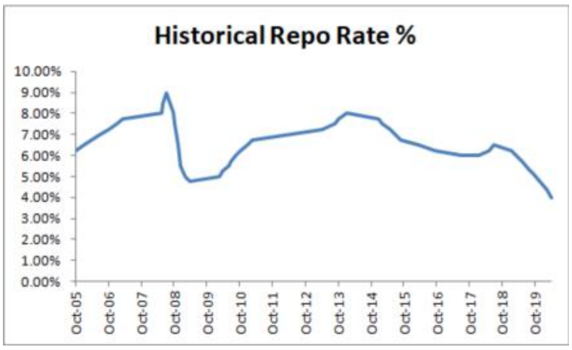
Source: whatsapp forward

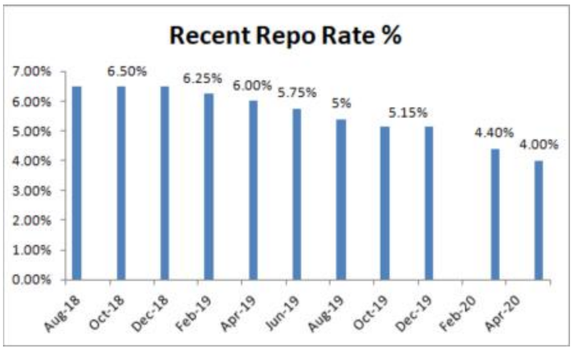


Source: UN

Repo Rate and its Implications on Inflation and Economy:

Repo rate is one of the major monetary policy tools of central banks to maintain its control over the supply of money to achieve the general economic goals. Other tools are Cash Reserve Ratio, Statutory Liquidity Ratio, Bank Rate, Repo Rate, Reverse Repo Rate, and Open Market Operations.

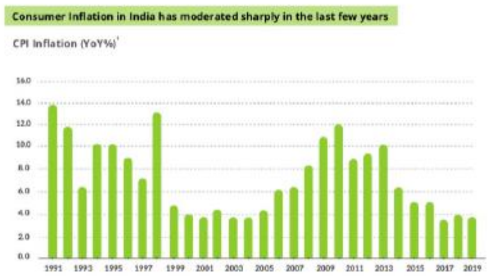


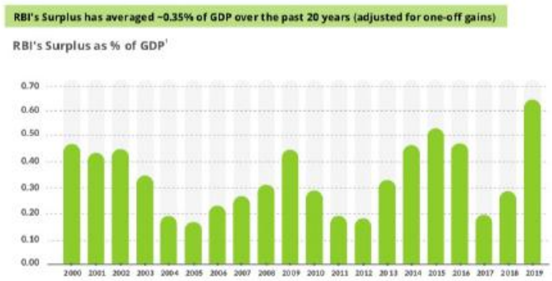


Commercial banks borrow funds from the RBI in case of any shortfall of funds. The interest rate at which the central bank lends is known as **Repo rate**. Whereas, the rate at which the central bank (RBI in India) borrows money from banks is known as **Reverse Repo rate**.

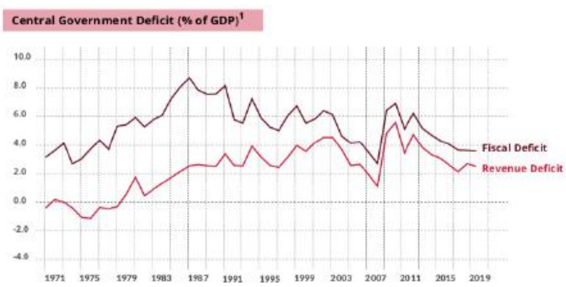
These two instruments fall under the Liquidity Adjustment Facility (LAF) of the bank. The RBI uses these instruments to control the supply of money in the market. In case of increasing inflation, RBI increases its repo rate, thereby disincentivizing banks to borrow money. This decreases the money in circulation, which helps in reducing inflation. In case of decreasing inflation, the RBI decreases repo rate which enables banks to borrow more money. With the help of borrowed funds, banks' lending increases, which increases the money in circulation.

Other Key Indicators: India

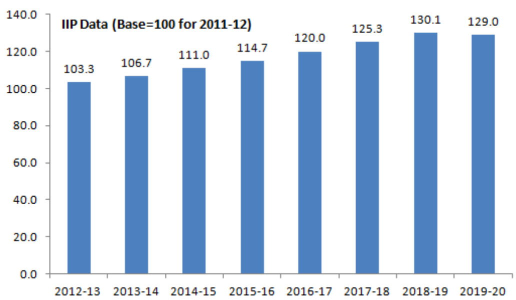




Source: Data Book, SBI



Source: Data Book, SBI

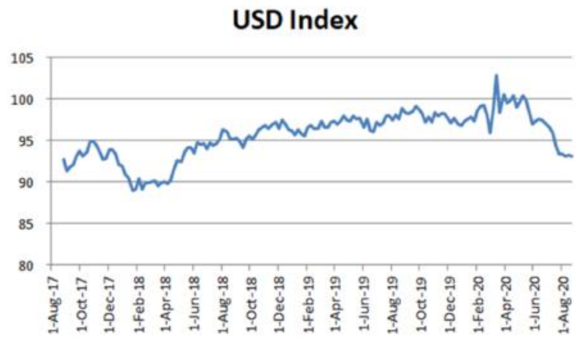


Source: mospi.nic.in

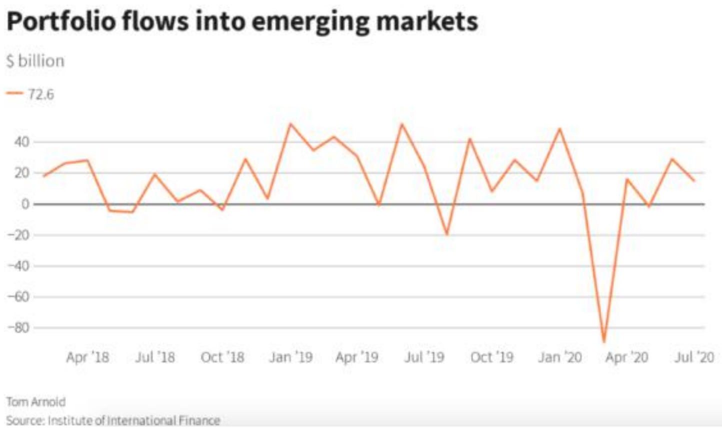
USD INDEX

The U.S. Dollar Index measures the value of the USD relative to a basket of six foreign currencies. Euro has the highest weight (~58%), followed by the Japanese yen (~14%) and pound sterling (~12%). The INR is not in this basket of currencies, but any change in the dollar index has an implication on its value. With the depreciation/appreciation of INR, fund flow in India's equity market, profitability of companies in import and export business, dollar-denominated corporate debt, and commodities are all impacted.

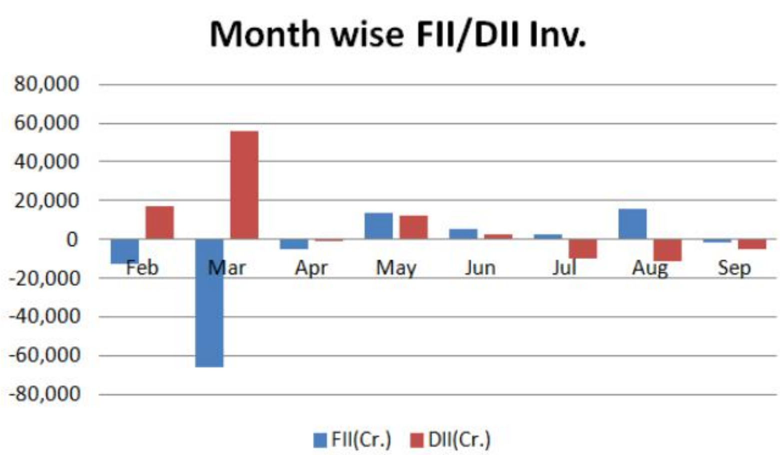
When the dollar index rises, INR falls relative to the USD and vice-versa. When the dollar index is falling, FII/FPIs get higher returns in terms of dollar and vice-versa. Further, it has been observed that, historically, commodity prices have had an inverse relationship to the dollar index. Intuitively, gold prices move in the opposite direction to that of the dollar index. However, over the last two years, the trend has not held true.



Historically, it has been observed that there exist a relationship between the USD index and emerging market (EM) assets. When the USD strengthens, emerging market economies typically have to increase interest rates to defend their currencies, which acts against equity market performance. On the flip side, the weak dollar acts as a boon in disguise for emerging economies. This majorly happens due to factors such as borrowing costs and capital flows, among others. Talking about the borrowing costs, during periods of low U.S. interest rates, several emerging market corporations and governments may look to leverage the benefit of a weaker USD to borrow money for financing growth and budgetary needs. Similarly, from the capita flow perspective, weaker dollar makes opportunity for EM markets to attract foreign funds seeking higher investment returns.

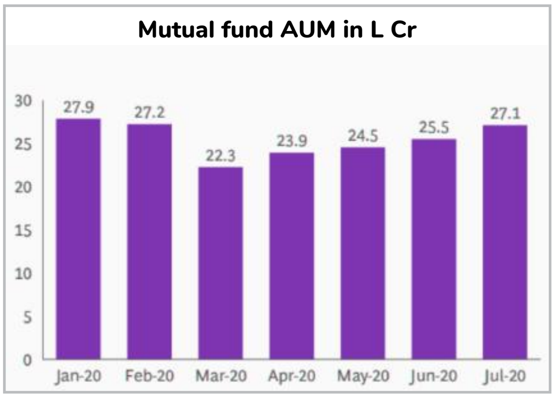


In the current scenario, the USD is trading lower against majority of emerging market currencies including the rupee. Last Friday, the rupee touched a high of Rs 73.15. Further, over the last four to five months, significant money flow has come in from FIIs. FIIs' capital inflows into Indian equities stood at $2.87B in June, the highest ever in the year. Similarly, Rs 28,203 crore has been infused into Indian financial markets in the first two trading weeks of August, as per NDSL data.



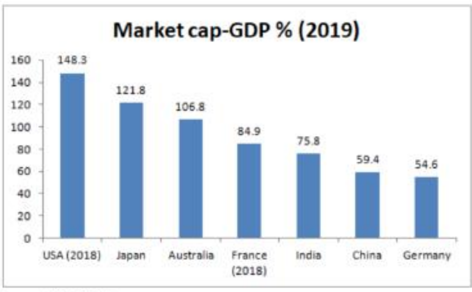
RETAIL ACCOUNT OPENING AND MUTUAL FUNDS AUM TRENDS

The number of retail investors witnessed a significant jump during the March-April period. More than 1M new demat account have been opened with the Central Depository Services (CDSL) alone in March and April. About 6.18 lakh new demat accounts were opened in CDSL in March and another 6 lakh in April. Moreover, account opening is remarkable considering only 4.2M new demat accounts opened in 11 months between April 2019 and February 2020. Further, zerodha has added a record 3 lakh new customers in April-May, which includes 65% first-time investors. Similarly, mutual funds investments are back in track again with mutual funds AUM reaching near to pre-covid level in July itself.



MARKERT CAP TO GDP

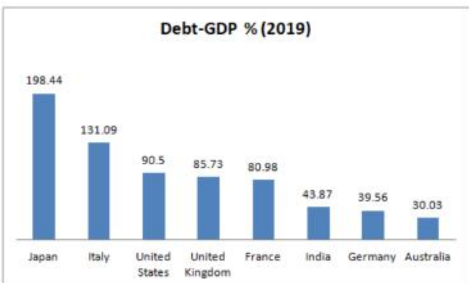
Source: whatsapp forward



Source: World Bank

- The ratio compares the market value of all stocks to the value of the country's GDP.
- This ratio is used to determine whether the market is undervalued or overvalued.
- If the ratio is between 50% and 75%, then the market is said to be undervalued.
- If the ratio is between 75% and 90%, then the market is said to be fairly valued.
- If the ratio is between 90% and 115%, then the market is said to be modestly overvalued.
- The average for 2019 based on 58 countries was 83.64%. The highest value was in Hong Kong: 1,338%, followed by Saudi Arabia with 303%.

DEBT TO GDP



Source: IMF

- The debt to GDP ratio is the ratio of a country's public debt to its GDP. Generally speaking, higher levels of this ratio indicates the difficulty of a country to repay its debts. Governments tend to borrow funds to stimulate growth in a country, which provides jobs and improves the standard of living of its population.
- According to the World Bank study, if the debt-to-GDP ratio of a country exceeds 77% for an extended period, it slows economic growth. Every percentage point of debt above this level costs countries 1.7% in economic growth.

KHARIF SOWING, RAINFALL, AND RESERVOIR LEVELS

As per data released by the Ministry of Agriculture, the sowing of Kharif crops in the country as of August 28 witnessed a 7.5% y/y increase to 1,082.2 lakh ha area as against 1,009.98 lakh ha area during the corresponding period last year. This increase in Kharif sowing is majorly driven by huge rainfall received by many regions in the country. As per the IMD reports, the rainfall in August was the strongest in the last 44 years. This heavy rainfall has resulted in an increase in storage levels in 123 reservoirs to 131.2B cubic meters, which is near about 77% of the total capacity. The current year's storage is about 102% of last year's storage and 119% of the average rainfall of the last ten years. 114 reservoirs have storage of more than 80% and 8 reservoirs have storage ranging from 51% to 80%.

Crops Division

Progress of area coverage under Kharif crops as of August 28

Sl.No.	Crop	Normal Area(DES)	Area Shown		Increase/Decrease over(lakh ha)	% increase/decrease over
			2020-21	2019-20	2019-20	2019-20
1	Rice	397.3	389.8	354.4	35.4	10.0
2	Pulses	128.9	134.6	128.7	5.9	4.6
3	Coarse cereals	184.9	176.9	172.5	4.4	2.6
4	Oil seeds	178.1	193.3	170.9	22.4	13.1
5	Sugarcane	48.5	52.3	51.7	0.6	1.2
6	Jute & Mesta	7.9	7	6.9	0.1	1.4
7	Cotton	121.0	128.4	124.9	3.5	2.8

Source: Department of Agriculture, Cooperation, and Farmers Welfare

Crops (INR per quintal)	2016-17	2017-18	2018-19	2019-20	2020-21	Increase in MSP 2020-21 (y/y)
Padddy	1,470	1,550	1,750	1,815	1,868	2.90%
Jowar	1,625	1,700	2,430	2,550	2,620	2.70%
Bajra	1,330	1,425	1,950	2,000	2,150	7.50%
Ragi	1,725	1,900	2,897	3,150	3,295	4.60%
Maize	1,365	1,425	1,700	1,760	1,850	5.10%
Turi	5,050	5,450	5,675	5,800	6,000	3.40%
Moong	5,225	5,575	6,975	7,050	7,196	2.10%
Urad	5,000	5,400	5,600	5,700	6,000	5.30%
Groundnut	4,220	4,450	4,890	5,090	5,275	3.60%
Cotton	3,860	4,020	5,150	5,255	5,515	4.90%

source: Government of India

The government released Rs 430B by the first week of July under MNREGA, out of an incremental allocation of Rs 1T for FY21. As per the data released by CMIE, the MNREGA scheme has provided employment to 43.7M households in June. Further, employment in farming has advanced 17% y/y to Rs 130M in June. This should trigger positive rural sentiment and calibrate rural consumption. Further, rural employment has received a positive trigger due to the reverse migration of labor to villages in the light of the COVID-19 outbreak.

The agriculture sector looks encouraging, driven by the better-than-expected output of crops, higher MSP, and a favorable monsoon this year.

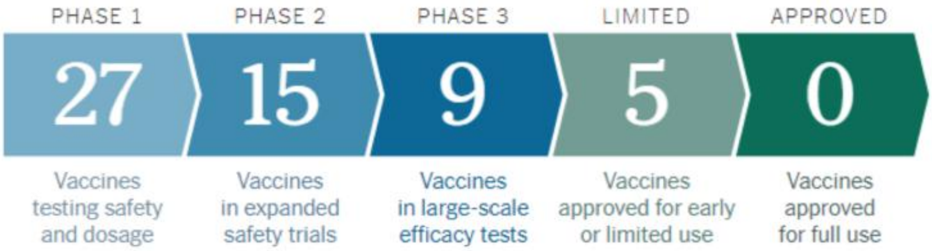
RAINFALL SUMMARY

Category of the rainfall	WEEK			SEASON		
	20.08.2020 TO 26.08.2020			01.06.2020 TO 26.08.2020		
	Number of Sub-divisions			Number of Sub-divisions		
LARGE EXCESS (+60% or more)	10			2		
EXCESS (+20% to +59%)	6			10		
NORMAL (+19% to -19%)	8			20		
DEFICIENT (-20% to -59%)	8			4		
LARGE DEFICIENT (-60% to -99%)	4			0		
NO RAIN (-100%)	0			0		
Cumulative rainfall (mm)	Actual	Normal	% Departure	Actual	Normal	% Departure
EAST & NORTH-EAST INDIA	66.3	81.7	-19%	1116.8	1075.2	+4%
NORTH-WEST INDIA	54.1	42.5	+27%	403.5	465.1	-13%
CENTRAL INDIA	126.1	60.8	+107%	870.6	755.0	+15%
SOUTH PENINSULA	36.9	40.4	-9%	664.6	540.4	+23%
country as a whole	76.9	54.5	+41%	725.7	674.7	+8%

source: Government of India

VACCINE DEVELOPMENT STATUS

Vaccines typically require years of testing before they reach a clinic, but in the tough global situation due to the COVID19 pandemic, scientists are moving on a fast track to make a safe and effective coronavirus vaccine as early as possible. According to a New York Times report, 40 vaccines have reached various stages of clinical trials in different parts of the world, and at least 92 preclinical vaccines are under active investigation on animals.



Source: The New York Times

Stages of Development:

PRECLINICAL TESTING: A new vaccine is tested on cells and then on animals, such as mice or monkeys, to see if it produces an immune response.

PHASE 1
SAFETY TRIALS: Vaccine is given to a small number of people to test if it is safe and check dosage to confirm that it stimulates the immune system.

PHASE 2
EXPANDED TRIALS: Vaccine is given to hundreds of people split into groups, such as children and the elderly, to see if it has an impact on their immune system.

PHASE 3
EFFICACY TRIALS: Vaccine is given to thousands of people and then researchers wait to see how many become infected, compared with volunteers who received a placebo. These trials can determine if the vaccine protects against the coronavirus.

APPROVAL: Regulators in each country review the trial results and decide whether to approve a vaccine or not.

In India, Bharat Biotech and Zydus Cadila are in phase two of vaccine development. Bharat Biotech has a collaboration with the Indian Council of Medical Research and the National Institute of Virology. Bharat Biotech designed a vaccine called Covaxin based on an inactivated form of the coronavirus. Zydus Cadila began testing a DNA-based vaccine in July and is currently running phase two trials.

Globally, following vaccines are in third phase of clinical trial or have limited use approval:

- **Phase 3:**
  - Moderna develops vaccines based on a messenger RNA (mRNA) to produce viral proteins in the body.
  - The Murdoch Children's Research Institute in Australia is testing a vaccine called BRACE.
- **Phase 3 and approved with limited use**
  - The Chinese company CanSino Biologics vaccine called Ad5.
  - The Gamaleya Research Institute, part of Russia's Ministry of Health, a vaccine called Gam-Covid-Vac.
  - The Wuhan Institute of Biological Products.
- **Phase 2 and 3 (Combine phase)**
  - The German company BioNTech in collaborations with Pfizer
  - A vaccine in development by AstraZeneca and the University of Oxford called ChAdOx1.

Source: whatsapp forward

BANKING SCENERIO

Loan Moratorium:

Due to the COVID-19 outbreak, the RBI had announced several regulatory and supervisory measures to enable the continuity of viable businesses and households. On March 27, it announced a three-month moratorium period till May which was later extended to August due to the widespread of virus. Looking at the situation, the Supreme Court has further extended the period till September 28.

SC is also looking into waiver of interest amount during the six months moratorium period. If the apex court orders waiver, banks will have to take a hit estimated to be around Rs 2T. Without interest waiver, thousands of borrowers who availed moratorium will be charged compound interest and the loan repayment burden will increase significantly. SC will hear the loan moratorium and interest waiver case on September 28.

Source: whatsapp forward

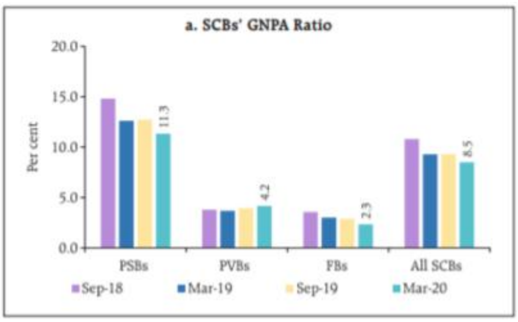
In terms of loan moratorium availed, about two-thirds of PSB customers availed compared with 49.2% customers of PVBs. In terms of total outstanding, around 67.9% of the PSB loans were under moratorium, while 31.1% of PVBs total outstanding is in moratorium. Of whole-sale credit outstanding at the end of FY20, public sector banks accounted for 62% and private sector banks accounted for close to 29%

Sector	Corporate		MSME		Individual		Others		Total	
	% of total customers	% of total outstanding	% of total customers	% of total outstanding	% of total customers	% of total outstanding	% of total customers	% of total outstanding	% of total customers	% of total outstanding
PSBs	28.8	58	73.9	81.5	80.3	80	48.8	63.7	66.6	67.9
PVBs	21.6	19.6	20.9	42.5	41.8	33.6	39.1	40.9	49.2	31.1
FBs	32.6	7.7	73.3	50.4	8.4	21.1	75.8	4.8	21.4	11.5
SFBs	78.8	43.7	90.5	52.3	90.9	73.2	64.6	12.3	84.7	62.6
UCBs	63.4	69.3	66.5	65.5	56.8	62	35.6	59.2	56.5	64.5
NBFCs	39.7	56.2	60.7	61.1	32.5	45.9	37.3	41.4	29	49
SCBs	24.7	39.1	43.1	65.3	52.1	56.2	45.7	55.7	55.1	50
System	30.8	41.9	45.8	65	50.4	55.3	45.7	54.6	**48.6**	**50.1**

Source: RBI Supervisory Returns.

Asset Quality of Banks:

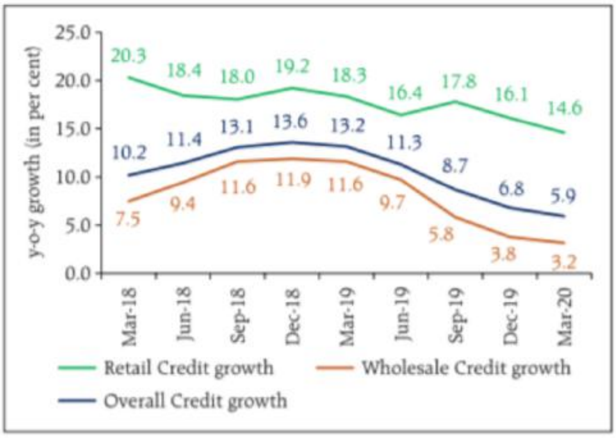
According to the RBI's financial stability report of July, the capital to risk-weighted assets ratio of Scheduled Commercial Banks (SCBs) declined to 14.8% in March from 15.0% in September 2019. Their GNPA ratio was down to 8.5% from 9.3% and PCR improved to 65.4% from 61.6% over this period. RBI's macro stress tests for credit risk indicate that the GNPA ratio might increase from the current 8.5% in March to 12.5% by March 2021 under the baseline scenario; the ratio may escalate to 14.7% in a very severely stressed scenario.



Source: RBI

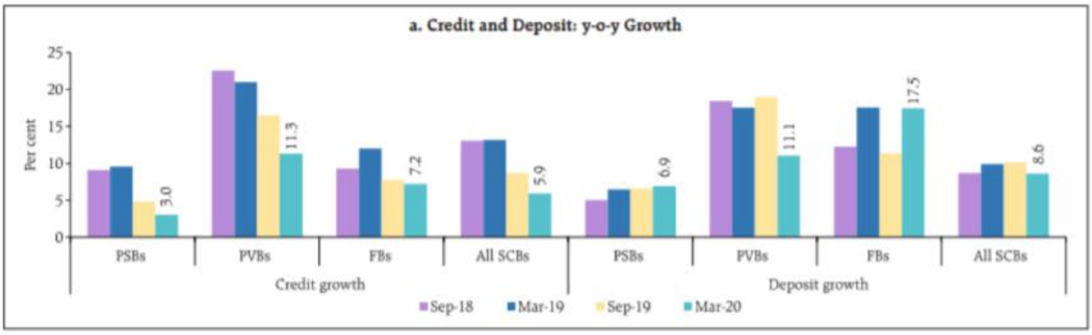
Credit and Deposit Growth of Banks:

Credit growth which declined in H1 FY20 further declined to 5.9% y/y in H2 FY20 and remained muted up to early June, mostly due to the impact of COVID-19. This is characterized by a robust but slowing retail credit growth across bank groups, coupled with decelerating wholesale credit growth. PSBs saw a meager 3.0% y/y growth in H2 FY20 while private banks saw 11.3%. Credit growth declined from 6.2% y/y in June to 5.8% in July.



Source: RBI Financial Stability Report, July 2020

Deposit growth in H2 FY20 declined to 8.6% y/y, mostly due to private banks. PVBs grew 11.1% in H2 FY20, a sharp decline from H1 FY20 growth whereas PSBs and FBs saw deposit growth in H2 FY20. Deposit growth remains stable at ~11% in July.



Source: RBI

India's fiscal deficit reached Rs 8.2T (103% of budget estimate) in April-July. GST collection dipped 4% m/m to Rs 0.87T in July.

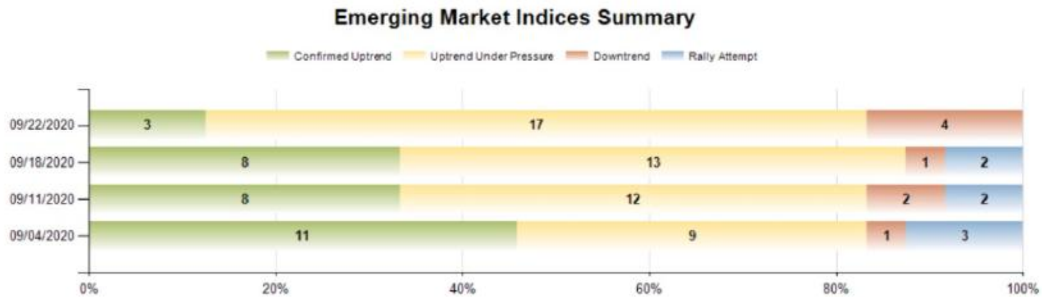
SECTORIAL PERFORMANCE

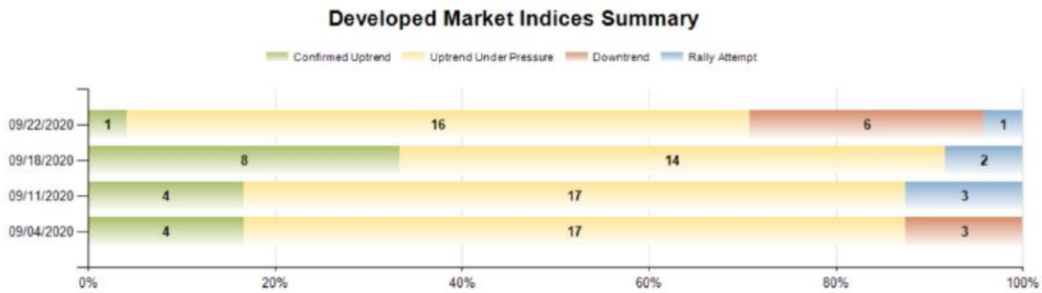
Sectors	1 week Return	1 Month Return	3 Month Return	6 Month Return	12 Month Return	YTD Return (From April 01 2020)
Nifty 50	-4.07%	-2.11%	6.31%	45.81%	-4.06%	30.09%
BSE SENSEX	-4.16%	-1.99%	6.26%	44.98%	-3.64%	27.83%
Nifty Midcap 100	-5.73%	-3.11%	9.53%	8.17%	-28.80%	1.67%
Nifty Sml Cap100	-6.46%	-0.03%	18.95%	67.26%	-2.80%	57.27%
Reality	-6.49%	-5.53%	-4.34%	20.91%	-21.96%	20.60%
Bank	-6.18%	-5.03%	-4.88%	24.45%	-30.67%	11.15%
Pharma	-0.02%	0.61%	12.79%	80.55%	49.61%	62.76%
IT	0.18%	9.63%	34.91%	77.11%	31.65%	55.84%
Financial Services	-5.35%	-5.44%	-4.18%	25.02%	-23.04%	12.42%
FMCG	-4.91%	-7.22%	-0.11%	26.19%	-5.87%	7.66%
Energy	-5.51%	-7.02%	0.80%	50.78%	-0.35%	35.40%
Metal	-7.97%	-12.61%	5.73%	47.37%	-12.38%	39.32%
Auto	-5.70%	-3.07%	13.28%	66.86%	-1.82%	62.94%

As of September 23 EOD

CURRENT MARKET SCENARIO

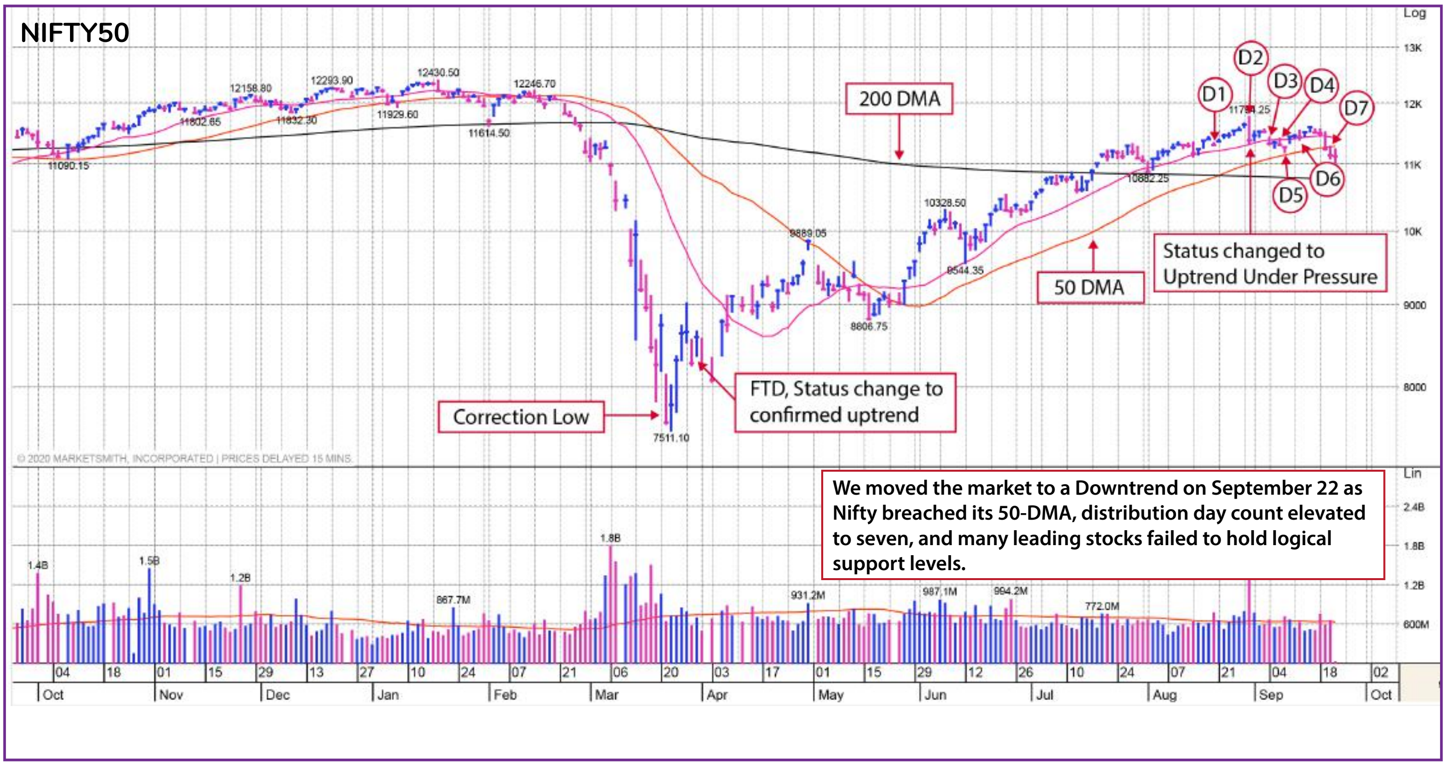
O'Neil Global Market status





O'Neil Indian Market status: Downtrend

Under this market conjuncture, investors should remain on the sidelines and avoid taking any fresh exposure. Further, investors already with positions open should trim their market exposure, and raise cash if possible. They should wait for the market to show credible signs of recovery and meanwhile, can observe the stocks which are showing resilience under falling market scenarios. Looking forward, we will shift the market to a Rally Attempt if Nifty establishes a bottom and stays above today's low (11,025) for three straight sessions. From there, we would prefer to see a follow-through day before shifting the market back to a Confirmed Uptrend. Should this occur, the focus will be on ideas that show the best relative strength with good accumulation.



LOOKING AHEAD

India's GDP growth rate has taken an unprecedented hit, but consensus expects a V-shaped recovery in GDP in 2021, keeping the equity market up and running. The year 2020 is like a T20 game. Extremely volatile and a high risk-reward game. In India, rural recovery can be positive, given the normal and a largely well distributed monsoon, healthy sowing, ground water situation, and MSP. The pain is around consumption of services, especially travel, sports, tourism, and entertainment. Job losses and the spike in retail inflation would further reduce disposable incomes of people. Consensus expects crude oil prices to remain around $40 in 2020, with limited chance to go higher as the demand scenario is very weak, which can be positive for India. The dramatic surge in the yellow metal's price to new record-breaking levels in August has now edged lower. But consensus expects gold to remain at an elevated level. Market is hoping on the corona vaccine to be ready by year end. Major delay, if any, can be negative as economic activities in 2021 may not rebound as strongly as expected. In addition, geopolitical events such as the U.S. election, India-China border disputes, and the U.S.-China trade issues can keep markets on a bumpy ride. For D-street, India-China issue is very crucial. But, like in the past, a diplomatic solution is expected.

Overall, a blend of various macro and geopolitical scenarios has surrounded the markets globally. Also, valuations look stretched according to consensus. In such a market, it is important to cancel out noise and look for what the market tells. In the words of William O'Neil, "The moral of the story is: never argue with the market. Your health and peace of mind are always more important than any stock."

Source: whatsapp forward

Source: whatsapp forward

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Disclosure of Interest Statement	Companies where there is interest
Analyst ownership of the stock	No

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