

**You must have got enough and more bad NEWS about US economy: Bankruptcy, Job cuts, Layoffs, write-offs, bailouts.**

**What about INDIA?**

**How will this financial tsunami affect INDIA?**

### **Indian economy Vs Developed Economy:**

- Indian economy is currently undergoing a cyclical downturn as compared to structural issues faced by developed economies like US & Europe
- Most of the Banks and other financial institutions in US & Europe are failing due to high level of leverage and huge losses on account of investing in sub-prime assets. On the contrary all the Indian banks are very strong. Thanks to the strong control exercised by our central bank in monitoring the functioning of our banks.
- Despite cyclical downturn our economy will still grow at 7%+ for the current year compared to negative growth expected from western economies
- Most of the developed countries are in recession whereas India is not and will not

**Make hay while sun shines.**

**This is a once in a life time opportunity to fulfil our long pending dreams!**

**Make the best use of the opportunity**

**How?**

**Save and INVEST**

**Many in INDIA save wisely.**

**Very few out here know how to INVEST wisely.**

**Worst still, they are blissfully unaware of protecting their savings and investments**

**First let us talk about investment:**

### **What are the asset classes available for investment?**

- **Bank deposits:** Very liquid with almost zero risk and at the same time the returns are limited after taking into account the tax part (around 7% net of tax)
- **Real estate:** High return high risk especially in case of buying and selling of land. Mostly illiquid but long term capital appreciation is always much better than bank FD's. The capital requirement is always much higher.
- **Commodities:** It includes metals like Gold, silver, copper, aluminium, crude etc : This is generally for end user who wants to hedge his future requirement. High risk and High reward. Not generally advisable for retail investor.
- **Equity Investment:** This relates to investment in the equity capital of the company through stock exchanges. High risk and High reward for short term investor and almost zero risk for long term investor. The average annual return on a mutual fund is 17% in the last 5 years including the current year which saw capitulation of the stock market.

**Here we are referring to investing in Indian equity market.**

## **The basic principle of investment in stock markets:**

- Buy low and sell high
- **Warren buffet** the 2<sup>nd</sup> richest man in the world who started his career as a news paper boy has built his entire wealth by **investing the companies which he thought will grow in the future.** His basic principle of investing in stock market is “ Invest when every one is afraid to invest and sell when every one becomes greedy to buy the stocks”. These are his principles of this living legend and he is successful all through his life . He is currently 75+. The Indian market scenario is currently reflect the principle of this legend (every one is afraid of investing).

## **The prices of the stocks that are traded on stock exchanges are based on the following.**

- The fundamentals of the company that is listed in stock exchanges
- Liquidity flow from domestic and foreign investors(demand and supply for the stocks)
- The sentiment of the investors
- Lead from global market
- Future outlook of the companies traded in the stock exchanges

## **Future outlook of Indian economy and Indian Stock market:**

- With the sharp fall in commodity prices most of the Indian import bill will come down. This will help in bridging the fiscal gap and we expect the budget deficit to come down drastically
- With the fall in the prices of steel and base metal prices we see the cost of manufacturing will come down drastically benefiting consumers in the long run
- Inflation is expected to come down to less than 3% by march '09
- Interest rate will follow suit and we can expect the Prime lending rates of banks to fall below 7% in the next 3to 6 months
- This will improve the demand for the goods and services (including housing)
- With the lower cost of borrowing and lower cost of input we expect most of the companies are expected to show improved profit
- Improved profit will get automatically reflected in the share prices of those companies.

## **What can we do for you?**

- We can help you to identify multibaggers (stock which can multiply in its prices over a period of one year)
- We can buy those stocks through India Infoline trading account
- We can help/guide you to buy stocks through on line and off line (by calling our office)
- We always you to churn your portfolio by selling stocks which has achieved its intrinsic value and identify stocks to buy which are undervalued
- Our service will be able to service your requirement whenever you need it.

## **Our advice to investors:**

- We are very positive on the stock market if an investment decision is taken with one year perspective.
- Most of the stocks are available way below the intrinsic value due to the prevailing negative sentiment
- We expect the market to gain momentum from mid Jan
- We see a minimum of 25% on investing in stock market with one year perspective.