

Who cares about Fundamentals!!! What matters is Money Flow???

Markets are having a good time inspite of acute absence of greater Retail participation. BSE and NSE are in kissing distance of 29000 & 9000 respectively but yet there is no buzz in by lanes of Rajkot and Indore. Fundamentals are floating with little justification but Money Flow is strong with all taps on. For **FinSage** that's the concern because corporate earnings are yet to prove its worth. Financial fraternity including print and electronic media is trying to revive the retail sentiments by saying "Best quarter is ahead of us, because this wasn't impressive". If this euphoria continues then retail investor will perish big time because for him 18000 index level was expensive and all of a sudden 28000 index level is worth investing. **FinSage's** last note was on seeing reforms in practical which only can drive our economy. The same will be awaited till we go active in Equity.

Last quarter we saw 5.7% and it started making us believe that things will be better next quarter, and all we got next is 5.3%. While this isn't that much of a fall but a lot is hidden in depth of the numbers and analysis. **FinSage** unravels the concern behind the numbers of GDP this quarter.

1. Drop in Exports

FinSage studied the components of GDP and whats disturbing us is that after four quarters of positive export growth, we declined in exports in real terms. Last time it happened in June, 2013 and whole world knows what happened thereafter with Indian markets. However things are not that bad, we have our Fiscal Deficit in control, Crude is safely placed and overall dynamics of decision making are also in line but are we looking for devaluation of rupee to make our exports do well? Fall in crude has given a cushion eventually it will settle. Lack of Exports will require structural solution from government and till we have it markets cannot survive on hope.

Also drop in crude means lower demand of oil globally. This is a clear indicator that the slowdown worldwide is still there and we should be fearful of that. Exports of India will improve only when consumption globally goes up or Indian Industries become superior with cost efficiency. The later one is



FinSage believes that we need to be vigilant and prepare ourselves for short term correction. Stick to fundamentals and **FinSage** is sure that our financial interests will be safeguarded. With rate cuts in sight, Bonds will remain strong (which are at 8.1% on the 10 year, the lowest in 15 months). Debt investment makes sense and it can easily give double digit returns from here without taking much of risk.

At this point of time, the excitement in stock market does not reflect what GDP figures are telling us, that beneath the surface things are not as good as it seems. **FinSage** message is loud and clear the equity game for time being is no longer fundamentals – which as we see are weak – but all about money flow. Try to derisk the portfolio by booking partial profits and park in Debt instruments in line with your asset allocation.

