Your Masters Voice...

What can you understand from the market behaviour particularly FPI...? See the figures (all in crs) below first and we deliberate on that in order to reach the conclusion.

JAN -4262

FEB 17220

March 33981

April 21193

May 7920

June 2596

July -12419

Aug -17592

Sept 7548

Oct -4955

TOTAL 51230 crs

Now see the analysis. From Feb 2019 till Budget the buying was of Rs 82910 crs whereas before that there was continuous selling from 2014 till Jan 2019. Calendar year 2018 saw selling of almost rs 38000 crs. Post Budget the selling aggravated again with a figure of 27418 crs in 3.5 months out of which also SEPT month changed the equations from Rs 8000 crs minus it turned to be 7548 crs plus. That means had the FM did not announce tax cut and the whopping rally of 1000 Nifty could have happened the figure could have been 42966 crs say Rs 43000 crs.

Of course with the onset of Oct FPI started selling again as tax cut is not suiting them. If really, so they should not have gone mad on tax cut and carried the buying frenzy till Sept end and cut it short in Sept itself.

In fact, we cannot underestimate the brilliance of the FPI which has the highest capacity to borrow intellectuals and have financial muscle to withhold markets against the tide also. They what was wrong that FPI did not realise in Sept but realised in Oct that they should continue to sell again...? Just compare with this with normal seller looking for liquidity..? It will rock stock barrel sell and sell and sell. So if they believed that recession is certain then for sure some tax cuts could never help and they should have enchased the golden opportunity to vacate INDIA with the 1000 points rally in Nifty in just 2 days. The sell figure we could have loved to see is FPI minus 83000 crs and not 27418 crs...

There are various theories on which we can work with regard to FPI behaviour...

First theory is that all FPI are not the real owners of the funds. What is an FPI..? FPI means foreign portfolio investor. How it works. They raise money from the source country from small and wholesale investors that they want to invest in India with some assured returns. This means the fund managers always play with the borrowed public money in India and at the end of the day decide how much returns should be given to the investors after all costs. This is normally should happen and could be happening. Hedge funds are also parts of this. However, there are some FPI which are always in the business of name lending. There are some FPI who manage INDIAN promoters money. There are some FPI who manage the operators money. Hence it is always case where FPI, operators and promoters go hands in glove. As stated earlier many could be genuine long only funds. But long only funds generally do not believe in market distortion.

Accordingly the theory tossed up by some experts India is not a matured market hence quiet big percentage of Indian money is routed through these FPI. The very big global long only funds not yet entered INDIA as they do not see INDIAN market is a size. And it's really pity to see a 600-700 points fall for mere selling of say 200 crs (net) many a times.

Second theory is that FPI distort the intentionally to create artificial market and extreme volatility and they are least bothered about the retail investors. This is because they want domination. Also while keeping markets volatile and low they can corner big chunks through QIP route.

Third theory is that INDIAN operators and DII are more powerful that FPI and they are creating volatility to put hole to FPI pockets and remove their bread and butter.

Well, you take any theory, after 2014 INDIA is not overly dependent on the FPI. The AUM with the domestic funds have crossed 25 Lac Crores and still the inflow is as high as Rs 8000 to 12000 crs a month.

In bull market it is FPI who makes the price of the stock whereas in the bear market it is FPI that breaks the price. Who was buyer in VAKRANGEE at Rs 600..? Who is the seller in VAKRANGEE at Rs 50..? For FPI, it is easy to clean the books as they have give assured return on the capital deployed which comes easily from set of stocks and for them if some stocks go bad they are least bothered. They will clean up their Balance Sheet before the end of calendar year because even the bonus of the fund manager depends on that. Winners you will find place in the portfolio exhibited and loses are never seen in the portfolio. But the retail is always loser. Retail is one who is happy with 5% in profits and stands with holding even at 90% losses.

There is no protection to retail investors under law. Therefore the best policy for the retail investors should be to avoid FPI names, big HNI names and go purely by fundamentals of the co. Papers cannot lie. Balance Sheet can be manipulated but it is not difficult to read the same. Law gives you right to meet the management in the AGM once in a year and ask all sort of questions where you have doubts. In fact, you can request the management for out of schedule meeting also followed by plant visit. Plant visit will give you fair idea how the co is performing. Seeing is believing. There are many companies which trade in 1000 crs market cap and in reality there is not even shed in the name of plant. They strictly follow the cash flow, ageing of debtors and creditors, cost analysis with regard to sales and consistency in them. Abnormal rise cannot be without a reason. This kind of analysis will help understand what is good and what is bad. Relying on big names and high volumes could be right on some occasions but surely could trap you on the wrong side of the trade.

FPI figures are definite trend giver hence following these figures could misguide you. e g On Wed 9th Oct Sensex rose 650 points and FPI were sellers of 683 crs net whereas Sensex fell 390 points on Thursday whereas FPI selling net was just 263 crs. But the fact of weekly settlement of THURSDAY had to play its role. In short, please understand that FPI alone cannot decide the market trend. The volatility is created to suit certain segments where retail cannot fit hence it is our endeavour to suggest invest in QUALITY stocks with proper insight.

Nifty 200 DMA stands at 11268 hence so long as Nifty will trade above this level the bias will be upside. Nifty PE 19.58 is still compelling and there is limited scope for big fall. Now NSE site too has updated the PE which is stated at 25.95 and with divergence with bloom which shows at 24.41 and small difference is only for the fact that bloom is trailing and NSE is at standalone. Only 1 quarter gone hence the difference is narrow.

TEAM CNI............