श्री LAKSHMISHREE

Gateway to your Financial Goals

MONTHLY OUTLOOK

MAY 2020

MONTHLY OUTLOOK FOR MAY 2020

The index was forming a rising channel from last quarter of 2017 and continued till Jan 2020. Thereafter the index formed a lower high on 2nd week of Feb and the bears got into the driving seat.Index plunged breaching the lower end of the rising channel and also breach few major supports testing 2014-2015 highs which acted as support. The charts of Broader indices as well as individual stocks has been damaged in this bear carnage leaving many gaps so the index needs to consolidate for months to come to form long term bottom. The Corona saga has has broken the supply chain of the world and the lockdown by major economies has put tremendous pressure on companied top line and bottom line. Hence the Jan – March quarter results will not be very much effected but huge losses will be incurred in April- June quarter. We expected major long term bottom to form post April-June quarters are out and maximum damage being done. So for only consumption stocks which had shelf visibility has performed very good. Speaking technically The index can bottom around current swing low of 7500 around but any breach of those levels will plunge the index to 6342 which was the high of 2008 before markets plunged.Overall we have a view that the index will consolidate for months with India VIX cooling off before any fresh bull run starts.


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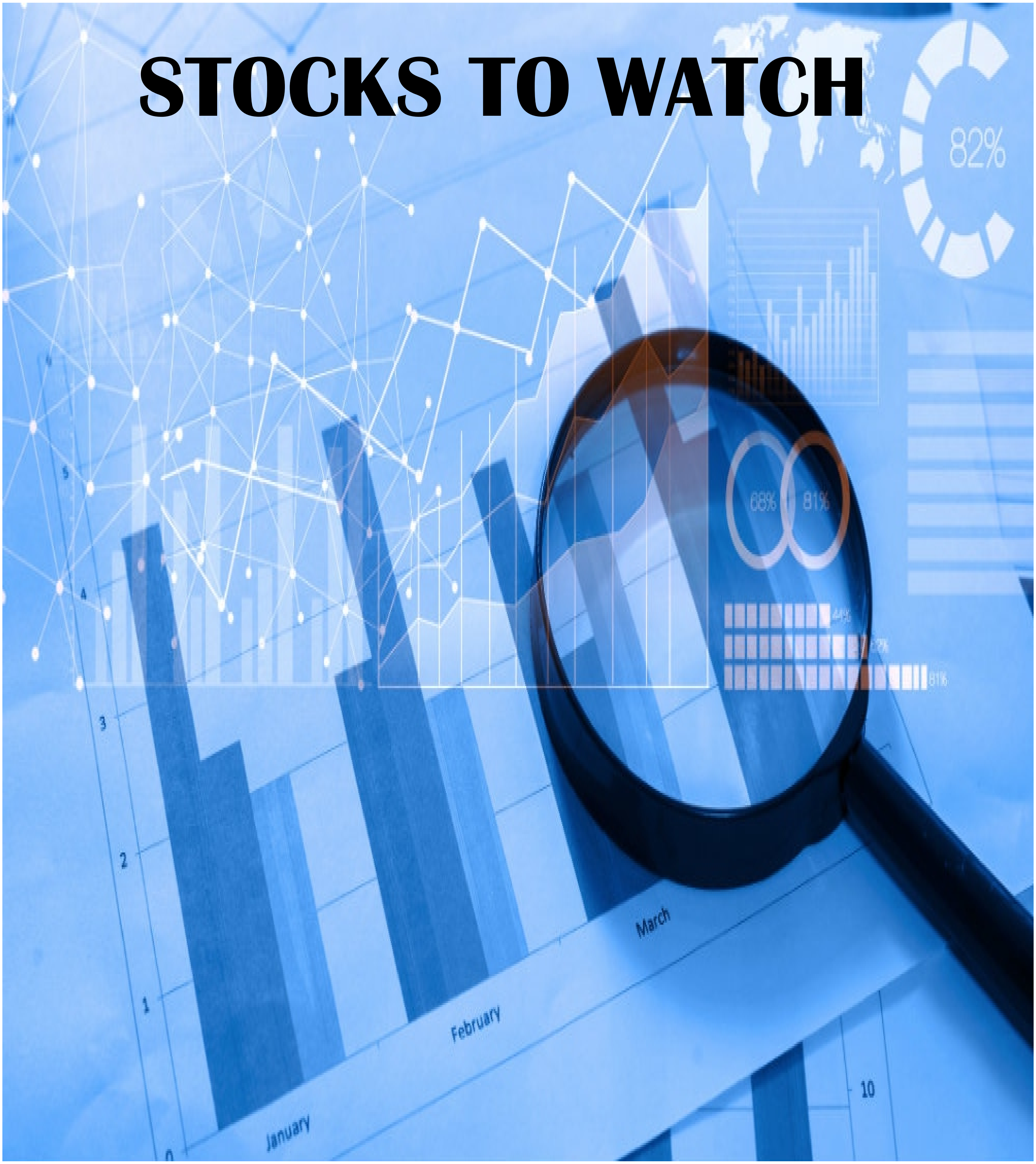
MAY 2020

STOCKS TO WATCH



MAY 2020

ICICI Bank

Current Market Price (Rs)	Target Price (Rs)	52 week H/L (Rs)	Mkt Cap (Rs cr)
380	437	552.20/268.30	244,987.52

Investment Rationale:

ICICI Bank has transformed itself from a corporate focused bank to a retail bank in the last 5 years. The focus of the management has shifted to lower risk retail loans to increase granularity in the lending book. Consequently the share of retail advances in the total advances of the bank has increased from 39% to 60% in 5yrs

Company Profile

ICICI Bank is a leading private sector bank in India. The Bank's consolidated total assets stood at Rs.12.50 trillion at June 30, 2019. ICICI Bank currently has a network of 5,275 branches and 15,589 ATMs across India.ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary.

Risk & Concerns:

Corporate asset-quality stress may remain elevated, while select segments in retail too are showing signs of stress.

Financial Summary:

	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018
Interest Earned	21,622.94	21,106.28	20,365.87	19,503.73	18,515.55
Other Income	16,748.01	16,318.50	13,503.02	17,280.52	14,917.76
Total Expenses	18,177.11	17,726.78	15,093.30	19,011.79	16,027.19
Net Profit	5,114.28	1,584.52	2,913.45	1,527.47	2,235.49

INFOSYS

MAY 2020

Current Market Price (Rs)	Target Price (Rs)	52 week H/L (Rs)	Mkt Cap (Rs cr)
715.50	823.50	847.00/509.25	301,046.89

Investment Rationale

Infosys is a global leader in next-generation digital services and consulting. It enables clients to navigate their digital transformation over 46 countries. With over three decades of experience in managing the systems and workings of global enterprises, the company steer clients through their digital journey by enabling the enterprise with an AI-powered core that helps prioritize the execution of change.

Company Profile

Infosys Limited formerly known as Infosys Technologies Limited was established in the year 1981 by N. R. Narayana Murthy and a team of six other engineers in Pune, India with an initial capital investment of just US $250.

Risk & Concerns:

The major risk for Infosys was exchange rate risk as it faced risks related to exchange rate fluctuations due to the fact that it provided sales and services in foreign currency.

Financial Summary:

	Mar 2020	Dec 2019	Sep 2019	Jun 2019	Mar 2019
Net Sales	23,267.00	23,092.00	22,629.00	21,803.00	21,539.00
Other Income	614.00	827.00	626.00	736.00	665.00
PBDIT	5,676.00	5,801.00	5,639.00	5,152.00	5,149.00
Net Profit	4,335.00	4,466.00	4,037.00	3,802.00	4,078.00

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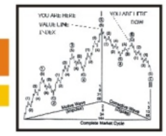


MAY 2020

CHANGES TO WITNESS

Is the fear of rupee depreciation holding back a fiscal stimulus?

Most economists have been rather puzzled about the Indian government's foot-dragging in announcing a decent fiscal stimulus. This includes, rather surprisingly, people who we thought had the government's ear. For example, V Anantha Nageswaran, a member of the Prime Minister's Economic Advisory Council wrote in a recent blog post, 'Quite what has caused the Indian government's seemingly permanent state of paralysis and stupor can only be a subject of speculation.' His candour, of course, needs to be admired.Let us speculate on the possible reasons for the government's reticence. Is it worried about how a larger fiscal deficit is going to be financed? Well, for a start it can look at what governments around the world are doing. To be sure, it's the developed economies that have pulled out all the stops, both fiscal and monetary, in an effort to support their economies and it can be argued that emerging markets face a very different set of risks. But emerging economies haven't been far behind in loosening policy either.A research report by Bank of America,'QE in emerging markets: safety in numbers or systemic risk?' from Aditya Bhave, their global economist and Rohit Garg, their Emerging Asia FX Strategist, says many emerging economies have emulated the example of the developed countries in adopting measures such as quantitative easing. For example, the Indonesian president has signed a regulation that will allow its central bank to buy bonds directly from the government, or from the primary market----this is nothing but a monetisation of the deficit and will ensure that government bond yields do not spike up as a result of more government borrowing. In the Philippines, the central bank has purchased bonds directly from the government under an agreement that the government will repurchase them in six months. Colombia has launched an explicit Quantitative Easing programme. The report has a long list of central banks that have gone in for a whole host of support operations, such as credit guarantees, open market operations, extension of repayments on central bank loans and so on.The worry is that in emerging markets, quantitative easing programmes could lead to weakening of the currency, which in turn could lead to inflation and capital flight. Says the report, 'One way this scenario could play out is if COVID-19 continues to spread in EM after the US and Europe have brought it under control and re-opened their economies. Inadequate healthcare resources in emerging economies make this a serious concern.' But there's also an upside -- since so many emerging markets are loosening fiscal and monetary policy, markets are less likely to punish any individual emerging market which goes in for these policies. Simply put, there is safety in numbers.There is therefore plenty of reason why the Indian government and the RBI should stop worrying about the fiscal deficit. We had pointed out that at the very minimum the government should let its deficit rise to the level it was at during the global financial crisis. Low oil prices in this crisis are a significant tailwind for India. A Jefferies report says, ‘The crude price decline and a reversion back to normal marketing margins for oil marketing cos. would create headroom to raise fuel duties by an additional Rs13/ltr……..This is an easy source for the govt to raise fiscal resources for a possible COVID stimulus which is getting delayed.'In fact, another Bank of America report, ‘Can INR limit fiscal stimulus?' by Indranil Sen Gupta and Aastha Gudwani, their India economists, says that, ‘The very slowdown in growth that is pulling down tax collections and driving up the fiscal deficit also pulls down oil prices and domestic import demand to compress the current account deficit.' They expect India's current account deficit to be zero percent of GDP in 2020-21 and 1 percent in 2021-22. That should support the rupee.Another possible concern the government could have is whether a higher fiscal deficit may lead to a downgrade by the rating agencies. Mexico has recently been downgraded by them. India at the moment is precariously perched at the bottom of the investment grade ratings and a downgrade will push it below investment grade. But as Rakesh Mohan, former RBI deputy governor said in an interview to CNBC-TV 18, 'I wouldn't worry about the credit rating agencies as I said they should be locked up and told to go home.' His argument was that it's unlikely to matter when practically every government and central bank is loosening policy. What's more, as the Bank of America India economists say, foreign portfolio investment in government securities is a mere 4.4 percent of foreign exchange reserves. And with $479 billion in forex reserves, the RBI has enough firepower to ward off speculative attacks on the rupee.The Bank of America report on emerging markets says, 'Even though the RBI has not made any explicit announcement, partial funding of the fiscal deficit through the RBI is almost inevitable, in our view. A clause in the FRBM Act allows the RBI to do this without seeking special approval from the government.'Investors are often told to have faith in the long-term India story. It's time the government and the RBI show that they too have that faith and go ahead and do whatever is needed to support the economy.

Debt fund closures are symptoms of an illness that can be cured only by a strong stimulus

Survival of the fittest is an adage that may be true on normal occasions but not when the COVID-19 fire is raging in India. The economic impact of the lockdown will be significant. The government's fiscal stimulus so far has targeted vulnerable citizens but a comprehensive economic stimulus for businesses is yet to be seen. RBI's measures too have not gone far enough to make businesses heave a sigh of relief.An outcome of a weak counter-response to the pandemic's economic pain was that Franklin Templeton could not meet redemption pressures in six of its funds and has decided to wind them down. Companies who have borrowed from these funds by issuing bonds have been facing trouble even earlier. But the pandemic has tipped them into the red zone and may have led to stress among other borrowers too, as business has come to a standstill.Franklin Templeton's actions have locked down Rs28000crore of investor funds and they will now have to wait for the underlying investments to mature, which will then be paid out. That buys the fund time to meet its redemption pressures. The risk of the issuer not being able to pay up on redemption remains but it buys time for the fund. The sums involved are substantial and this will have a ripple effect as investors—who could be individuals or institutions—in debt funds will shiver at a similar prospect. Of course, the funds in question invested in higher risk instruments to provide higher returns.While that could have meant that defaults on some of their investments may lead to events such as side-pocketing, a complete s tandstill of inflows and outflows was least expected. Understandably, investors may try and lower their exposure to debt funds and start withdrawing money, with those funds whose mandate is to provide higher returns (by taking higher credit risk) likely to suffer more.This could worsen the situation as lack of investor appetite for higher risk debt paper means weaker companies will not be able to access funds. That makes them even more vulnerable to the economic damage being caused by the shutdown. The economic effects of the shutdown can continue for longer, even after the shutdown is lifted.What is the solution? Sebi is said to be considering increasing the borrowing limit for mutual funds beyond the current limit of 20percent. But that's kicking the can down a road with poor visibility. Worse, as this article points out, companies such as NBFCs have been going to court to prevent rating agencies from downgrading their debt and obtain a stay on payments to be made to mutual funds. If issuers don't repay mutual funds then how will they repay investors? The NBFCs may say that if they have to give a moratorium on loans to their borrowers, where will they get the money to repay their obligations.The RBI and the government need to do more. The current measures are not enough. For example, the RBI allowed banks to borrow in the LTRO 2.0 window to lend to NBFCs and MFIs but even with low borrowing costs, banks appear reluctant to take the credit risk. The auctions saw only half the Rs25000crore funds on offer being taken, despite being available at the repo rate of 4.4percent. It is evident that banks will not be comfortable lending unless they get some assurance on the credit risk.A better alternative would be for the RBI to provide debt mutual funds with some sort of a temporary credit line, to meet their liquidity requirements. In October-November 2008, in the global financial crisis, the RBI had provided a term repo facility of Rs60000crore under which banks could tap central bank funds to address the liquidity stress faced by mutual funds, NBFCs and HFCs. Banks were given an SLR exemption of up to 1.5percent of NDTL also.While the global financial crisis had few links to India, the inter-connected nature of markets meant that India had to roll out strong monetary and fiscal measures to restore confidence in the system and provide support to lenders and issuers. The COVID-19 pandemic, however, is one that has affected India also and it's therefore puzzling why the response has not been strong enough.Still, there is time. The RBI is best placed to understand the inter-linkages in the financial markets. Franklin Templeton's move could see investors evaluate their own portfolio and take decisions to safeguard their own interests. This could have unintended consequences partly because the corporate bond market is very shallow and a flood of redemptions could see the market seize up. It is time for the RBI to step up and take bolder measures to provide a backstop for mutual funds to access money on tap, to meet redemption pressures. If investors see that there is enough liquidity in the system, the pressure on redemptions should ease.Of course, there is the question of credit risk. That's where the government could come in. A bolder set of fiscal stimulus measures are needed. A comprehensive fiscal stimulus is the need of the hour, with time already running out, that lends confidence to all links in the economic chain that the government is backing them in this period of a financial crisis. India has been found wanting on this front, compared to several other countries and even those in emerging markets. The US Fed and the ECB, for example, has even said they will buy junk bonds. While India may not have their firepower, it can surely do more than what it has.Once the RBI and the government make it clear that their words of support are going to be backed by money, of the 'as much as it takes' quantum, companies and lenders will regain confidence and risk appetite and business will both make a comeback.

Negative oil prices exposes the fault lines in the Indian Commodity Market

Oil markets have slipped into a territory they have never been in before. Negative prices were unheard of till this week when leveraged positions, supply-demand and inventory dynamics forced WTI benchmark prices below the zero mark for a day.While producers and traders who participated in the global oil market worldwide were being crushed, Indian traders were collateral damage.Here's how the Indian traders were run over by the virus, the oil market, the regulator and the commodity exchange MCX.Since March 27, 2020 exchanges reduced trading hours to 5 p.m. Oil prices in Indian exchanges are directly linked to those traded in New York Mercantile Exchange (Nymex). Hence, since the timings were curtailed Indian traders were always exposed to overnight price risk if they were carrying their trades to the next day.A key difference between the two exchanges is that while Nymex allows the trade to be settled by taking delivery, in the Indian market contracts have to either be squared off or the exchange closes the trade based on the settlement price.April 20th, when the massacre in the oil market took place, was the day when the April month futures contract ended both in India as well as on Nymex. The huge open interest in the Nymex oil market ahead of expiry was the first sign that the oil market was in trouble.The US was running out of storage space for crude oil and by mid-May 2020 tanks were expected to overflow. Those traders who would have insisted on taking delivery for their April contracts would have no space to store it. This information led to the long unwinding of future contracts which pushed prices into the negative zone.This unwinding took place at around 10:30 p.m. Indian time when MCX was closed and Indian traders who had left their position open could do nothing but stare in disbelief. Had the exchange not curtailed trading hours, Indian exchanges would have been operating till 11:30 p.m., their usual time, and traders would have had a chance to exit.Instead, the exchanges panicked. MCX failed to arrive at a settlement price for its contract ended on 20th April. It announced a provisional settlement price of Rs 1 per barrel after the Indian market closed. It later changed it and aligned the rate with that of Nymex and announced a settlement rate of minus Rs 2,884 per barrel.As a result of this, the 11,500 April contracts of oil which were open in the Indian markets caused a potential loss of Rs 435 crore to the broking and trading community.

The question is: who will foot the bill for these losses?

MCX in consultation with market regulator SEBI released a statement saying "The Crude Oil futures contracts are traded in MCX for the last 15 years and the said contracts are always settled at Due Date Rate as specified in the contract specification i.e New York Mercantile Exchange's (NYMEX) WTI Crude oil front-month contract's settlement price converted into Indian Rupees. The Crude Oil futures contracts expired on April 20, 2020, are also being settled on NYMEX WTI crude oil front-month contract's settlement price (i.e. - $37.63) converted into Indian Rupees (RBI USDINR reference rate: 76.6335) and rounded off to the nearest tick. The due date rate of Crude Oil futures contract expired on April 20, 2020, has been set at – Rs 2884 per barrel."The broking community is up in arms and have moved Bombay High Court against MCX's decision to arrive at a settlement price of minus Rs 2,884 per barrel for crude oil contracts that expired on Monday. The petition claimed that neither MCX nor any other commodity exchange in India "has any provision to trade commodities/ stock by assigning it a negative value to it". The firms are seeking a stay on the settlement of the contract till final orders.A deadly combination of negative oil prices and restrictions due to Covid-19 has exposed the fault lines in Indian commodity exchanges.The blame, however, clearly lies with MCX and Sebi. The two entities cannot take shelter in the fact that the exchange has been settling the price for the last 15 years at the Due Date Rate provided by Nymex. In none of the 15 years were Indian exchanges closed while Nymex was operational. While Nymex has provision for negative rates MCX and Sebi have never considered it even as a Black Swan possibility.One may say that traders should have closed their position rather than keeping it open, but none of the traders in India were aware that prices could go below zero. They had provided the margin needed if the price closed at zero, but not below it. A trader or a broker cannot be blamed for not foreseeing negative prices, the exchanges and regulators should have forewarned them of such a possibility.Exchanges could have demanded more than 100 percent margin while markets were falling, which in any case would have resulted in most traders closing their position rather than paying extra margin on a losing position. MCX should have conveyed to traders that prices can go below zero while the market was open.If commodity exchanges are using closing prices of foreign exchanges to arrive at the settlement price, they should adopt the rules that are prevalent in other exchanges. If a physical settlement is permissible in exchanges whose rates are benchmarked to Indian exchanges then the same provision should be allowed in India. Mimicking them partially would result in a crisis like the present one.For now, MCX and Sebi have allowed trading in the commodity exchanges to continue till 11:30 pm, but the matter of Rs 435 crore will take a while to settle.

Trying to keep out Chinese investors can turn out to be counterproductive

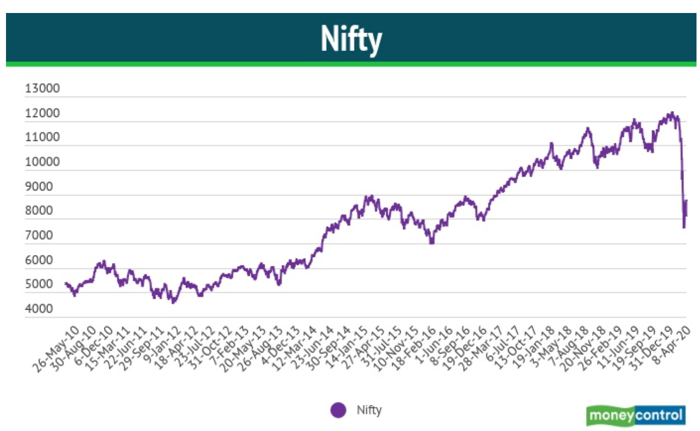
India has taken China off the automatic route for foreign direct investment. It has sought to make the new rule effective by focusing on where the beneficial ownership lies. To unearth this may need unravelling ownership sought to be hidden behind multilayered structures.Of course, China is not mentioned in the new rules but the restriction, which was earlier applicable to Pakistan and Bangladesh, have now been extended to all neighboring countries which includes China. This has elicited a predictable response from China which has said the new rule violates WTO principles of non-discrimination and goes against the idea of free and fair trade.The obvious provocation for the Indian move is the People's Bank of China, the country's central bank, hiking its stake in Housing Development Finance Corporation, the leading Indian home financing venture, from 0.8 per cent to 1.01 per cent. HDFC, the original company of the eponymous group, also holds stakes in well known group companies like HDFC Bank, the country's leading private bank.India's reason for making this move is to prevent opportunistic takeovers and acquisitions at a time when share prices in many instances are going at a discount because of the huge economic disruption brought on by the coronavirus pandemic. It has been reported that Germany also has such regulation, as does Australia which seeks to prevent fire sale of distressed corporate assets.The Chinese have of course taken advantage of the low prevailing share prices to raise their stake at a bargain. The HDFC share price over the last 12 months peaked in mid-January but has thereafter lost a hefty 35 per cent.A downside of the latest step-back from allowing freer cross border trade and investment as the economy grows bigger and more complex is funding of Indian startups. Earlier the US was the only significant source of funding in innovation ventures which is essential for a country that aspires to be a significant global player in information technology. Over the last few years China has come to stand beside the US as a source of risk capital for early stage funding.Last year (2019) China's investment in Indian startups nearly doubled to $ 3.9 billion from the previous year's $2 billion. Two leading Chinese internet conglomerates, the Alibaba group and Tencent, have invested in a range of Indian digitally driven ventures like Paytm, Ola, Byju's, Zomato, BigBasket, Flipkart and Dream11.Seeking to keep Indian companies in Indian hands is understandable but in the process creating hurdles in the way of the Indian economy going increasingly digital is counter productive. And it is of paramount importance that India increasingly emerges as a source of intellectual property, as Israel has, and not remain a software service provider surviving on the basis of wage arbitrage.The most important underlying concern over the latest government decision is whether it is one more instance of Indian economic policy turning inward under the present dispensation which has witnessed the slow raising of trade barriers. This has happened even as globally well-known economists such as Arvind Panagaria and Arvind Subramanian have left the government's services to go back to their academic grove.If India's current rulers let the Swadeshi Jagaran Manch take over the intellectual ownership of Gandhi's charkha and make it the symbol of the present government's economic philosophy, then it should not happen because of a monumental oversight. Through history, focused and committed groups have always wielded more influence than their size justifies.India's exceptional economic performance until a bit over a year ago which caused its leadership to dream of becoming a $ 5 trillion economy by 2024 is attributed by most economic historians to the process of liberalization that began under Narasimha Rao and was taken forward under AB Vajpayee and thereafter Manmohan Singh.There is every reason to be vigilant over a major economic power seeking to make an entry by stealth (until the latest change the ceiling of ownership through the automatic route was 10 per cent and a disclosure required once 1 per cent stake is crossed) but the problem with virtually any restrictive provision of this nature is that it is easy to instal but difficult to dismantle.The lowering of trade and investment barriers, text books say, lead to greater efficiency on the part of domestic businesses in order to survive amidst global competition and also greater access to knowledge and better management practices that are available through the global investor. As against this, domestic interests try to hide behind protective barriers by lobbying with the powers that be to ensure the perpetuation of self-serving regulation.During the 2015-19 period, India's rank in the Global Competitiveness Index prepared by the World Economic Forum hovered between a low 71 (2015) and the latest (2019) 68. There is no discernible upward journey. On the other hand, in the 2019 report, Singapore has replaced the US at the top. If the way the coronavirus challenge has been handled by the two systems is any guide, the index can be seen to have captured reality rather accurately.

Investing in the times of Coronavirus

With the imposition of a nation-wide lockdown to combat the coronavirus outbreak, the Indian equity market saw a sharp selloff in March 2020, losing nearly a quarter of investors' wealth in a single month. This is no doubt a Black Swan event and has understandably made investors jittery. In this article, we will look at the underlying domestic and international dynamics behind the recent fall, borrow learnings from previous crises, and suggest the way forward.

Market freefall in March after the 2019 rally that was detached from reality

2019 saw the broad market index rallying to lifetime highs even while the economy was breaking one low after another.This was driven by record FII inflows into large-cap quality stocks, and this handful of stocks were pulling the market higher and higher while the rest of the market was more reflective of the true picture of the economy.Come 2020 and the coronavirus pandemic, FIIs exited faster than they had come in, with March seeing the worst monthly FII outflow from equity in decades.



Largest net FII outflows from equities since 2000

Month	FPI Flows (bil USD)	Nifty Return
Mar-20	-8.4	-23%
Jan-08	-4.4	-16%
Oct-18	-3.8	-5%
Oct-08	-2.9	-26%
Nov-16	-2.6	-5%

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Interestingly the exit was more secular than the inflow as the entire market witnessed a freefall, not just the large-cap quality stocks which had rallied.

2019 Concentrated Rally v/s 2020 Secular Selloff

	Nifty	Nifty Next 50	Nifty Midcap
2019	12%	0%	-4%
YTD - March 2020	-29%	-25%	-32%

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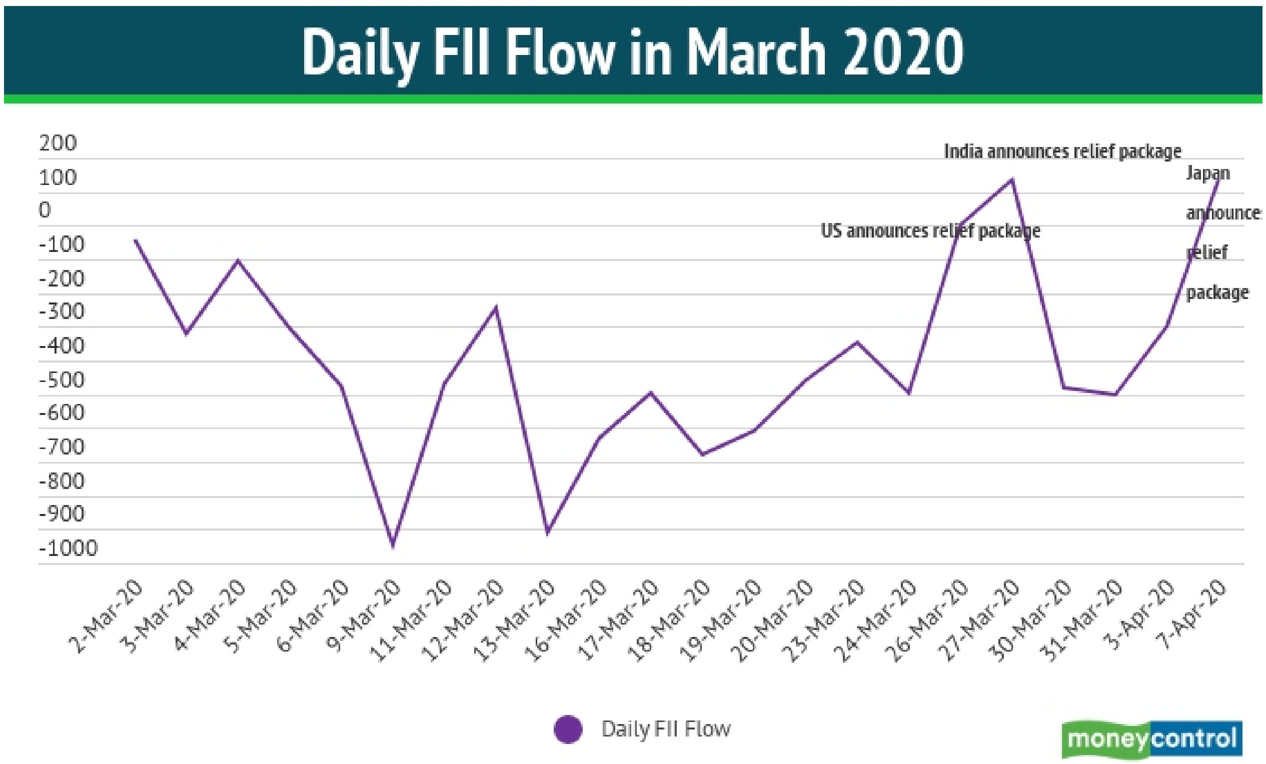
April to date shows a picture that's not so grim

Markets have recovered despite FIIs still being on the fence “ till 16th April, FII inflow has near about balanced out the FII outflowSo, the recovery in April can be attributed to tax-loss harvesting by domestic investors â€“ they had sold off their loss-making investments in March only to buy them back in the new financia year.Of course, the slowdown of FIIs exiting also played a role as major economies around the world including US, India, and Japan have announced one massive bailout package after another.



Good time to invest?

Yes, for the long-term.Nifty P/E has cooled down from the overheated levels of ~23 in 2019.Crises have historically offered good investing opportunities where the drop was more than compensated for in 5 years following the crisis.

Crisis	Return during the fall	5-year compounded growth / CAGR post the fall
Pandemic Crises:		
SARS	-10%	432% (CAGR 40%)
Bird Flu	-21%	160% (CARG 21%)
H1N1	-14%	88% (CAGR 13%)
Other Crises and Market Corrections:		
Global Financial Crisis	-58%	143% (CAGR 19%)
2011 Fall	-21%	79% (CAGR 12%)

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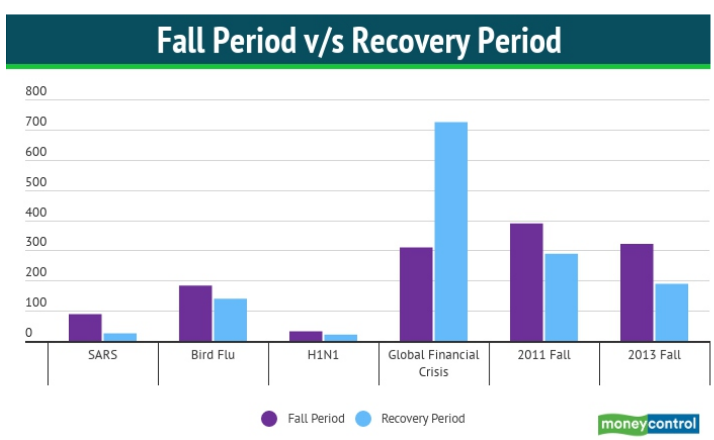
But, One must not try to time the market and hope to invest the bulk of their investments at the bottom, because bottom-fishing in Black Swan events such as the current one is nearly impossible. There are uncertainties in every aspect - duration of lockdown, prospects of recovery or virus resurgence post lockdown, developments on vaccine research, impact on corporate earnings amidst expectation of near halving of GDP and falling fiscal multiplier effects, conflicts between OPEC and Russia, pre-coronavirus uncertainties including credit squeeze, delays in construction and infrastructure projects, trade conflicts, release of pent up demand from the multiple relief packages offered across most major economies.It is advisable to stagger one's investments at every significant market dip because going by previous crises, the markets recover faster than they fall. This is, of course, with the exception of the Global Financial Crisis as a logjam in the engines of the economy " the financial services sector - makes recovery much slower. So, the investor may lose out on the opportunity altogether if he waits around hoping to catch the bottom.



In the previous crises, if one had invested at every dip of the fall, it would have been equivalent to investing at the middle of the fall. And we can see from the table below that that would still have been much better than losing out on the opportunity while waiting around for the bottom.

5 Year CAGR

Crisis	Investing right at the top	Investing in the middle of the fall	Investing right at the bottom
Pandemic Crises:			
SARS	36%	37%	40%
Bird Flu	8%	13%	21%
H1N1	11%	11%	13%
Other Crises and Market Corrections:			
Global Financial Crisis	0%	5%	19%
2011 Fall	6%	8%	12%

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Points of caution:

One must of course, keep in mind that earnings are going to be even more impacted in the coming quarters. Despite there being a lockdown for only a week in March, companies' Q4 results have been one of their worst shows since the 2008 crisis.Furthermore, pre-coronavirus issues " credit squeeze despite liquidity surplus and monetary and fiscal push, trade conflicts, conflicts in the middle-east, sanctions on Iran - still linger in the background and will come back into focus once we are past the pandemic.The pandemic has brought out new issues which may possibly persist long after the pandemic is behind us " OPEC+ conflicts, economies like Japan trying to reduce dependence on China et al.Crude price has dropped significantly under extreme demand slowdown owing to the pandemic. This has been providing a cushion to the Indian economy to an extent. If crude price recovers by OPEC+ supply cuts before the country is safely out of the pandemic, it will be a double whammy and may take a huge toll on the Indian economy.A sustained recovery is only possible once a clear way out of the pandemic is visible through either lockdown measures or through significant progress on vaccine development. Only then will the relief packages convert to higher growth at the ground level as businesses get back on track and consumption resumes. Meanwhile, investors are advised to stagger their investments and stick to fundamentally strong companies with low leverage and consistent cash-flows as they are better positioned to weather the storm.

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