



Market News

Tech slide hits Wall Street as coronavirus cases spiral

The CBOE volatility index held at a 20-week high ahead of the final weekend before Election Day on Tuesday.

RIL shows strong sequential rebound across businesses in Q2; Jio, Retail segments shine

The stock rallied 35 percent in 2020, while it showed stellar returns of 131 percent from March 23's closing lows.

IndusInd Bank posts Q2 net profit of Rs 663.1 crore; NII grows about 13% YoY

The bank's Q2FY21 NII grew 12.7 percent YoY to Rs 3,278 crore against 2,909.4 crore in Q2FY20. CNBC-TV18 poll's estimate for NII was Rs 3,263.1 crore.

Maruti Suzuki shares trade in the red; CLSA retains sell, increases FY21-23 EPS estimates by 5-10%

CLSA is of the view that profitability improvement lagged peers with strong volume growth but a weak mix. Key positives were the commentary around the festival retails.

Hindustan Petroleum Corporation (HPCL) share price rose nearly 4 percent in early trade on October

30 after announcement that the board will consider share buyback on November 4.

A board meeting of the company is scheduled to be held on November 04, 2020 for consideration and approval of financial results for the second quarter & half year ended September 30, 2020. In the said meeting, the board will also consider a proposal to buyback the fully Paid equity shares of face value of Rs 10 each of the company.

Airline company InterGlobe Aviation (IndiGo) on October 29 said its loss widened to Rs 1,194.8 crore in Q2 FY21, higher than the loss of Rs 1,062 crore posted in the corresponding quarter of the previous financial year.

However, the number was better-than-expected as a CNBC-TV18 poll had estimated the loss to the tune of Rs 1,897 crore. It helped that the company's total expenses fell 55.9 percent YoY to Rs 4,224.1 crore in Q2FY21 from Rs 9,571.6 crore in Q2FY20.

Public sector lender Bank of Baroda has more than doubled its September quarter profit following decline in provisions, though NII growth was in single digit.

Profit for the quarter increased to Rs 1,678.6 crore, compared to Rs 736.7 crore in year-ago period.

Results & Corporate Action

Result Calendar	
Date	Company Name
02 November 2020	RAMCOCEM,ZEEL,ESCORT HDFC,NTPC,PNB, BANDHANBNK
03 November 2020	SUNPHARMA,GODREJPROP, MUTHOOTFIN,DABUR, ADANI PORTS,PVR
04 November 2020	LUPIN,APOLLOTYRE,HINDPETRO SRF,PIDILITIND,SBIN,PETRONET ADANI ENT,MCDOWELL-N
05 November 2020	BERGEPAIN,CONCOR, GODREJCP,TORENTPOWER
06 November 2020	UBL,TATA CONSUM,CIPLA, ASHOKLEY,BHEL,MANAPPURAM VOLTAS,BEL,GLENMARK BOSCH LTD,MRF,RECLTD,ITC



Corporate Action	Company Name	Type & Percentage	Record Date	Ex-Date
	ILandFS	final (30%)	~	02.11-2020
	Ester Ind	Interim (30%)	03.11-2020	02.11-2020
	CRISIL	Interim (700%)	03.11-2020	02.11-2020
	Angel Broking	Interim (41.5%)	03.11-2020	02.11-2020
Dividend	Sagar Cement	Interim (20%)	04.11-2020	03.11-2020
	Man Industries	Interim (40%)	04.11-2020	03.11-2020
	Kewal Kiran	Interim (150%)	04.11-2020	03.11-2020
	CG Consumer	Interim (150%)	04.11-2020	03.11-2020
	Aarti Drugs	Interim (25%)	04.11-2020	03.11-2020
	Larsen	Special (900%)	05.11-2020	04.11-2020
	Supreme Petro	Interim (25%)	06.11-2020	05.11-2020
	Supreme Ind	Interim (250%)	06.11-2020	05.11-2020
	Marico	Interim (300%)	06.11-2020	05.11-2020
	Kopran	Interim (15%)	07.11-2020	05.11-2020
	ICICI Securitie	Interim (160%)	06.11-2020	05.11-2020
	Ambuja Cements	Interim (850%)	~	06.11-2020
Bonus	H K Trade Intl	Bonus Ratio(2:5)	04.11-2020	03.11-2020
	SEACOAST SS	Bonus Ratio(1:2)	04.11-2020	03.11-2020
	Shankar Lal Ram	Bonus Ratio(1:3)	07.11-2020	05.11-2020
Splits	Continent petro	Old fy (10) New fy (5)	~	05.11-2020

Nifty Spot in Last Week:-

As we saw the Price Movement in Nifty Spot in last week that In Upside is 12018.65 and in Downside 11775.75



NIFTY WEEKLY CHART



BANKNIFTY WEEKLY CHART

Nifty Spot in Upcoming Week:-

There is strong Resistance is 11950 sell on rise with sl 11950 down side target 11440 if break this level then next target 11100 possibility.

Bank Nifty in Upcoming week:-

There is strong Resistance is 24950 sell on rise with sl 24950 down side target 23300 possibility.

Recommendation for next week

Serial No.	Stock Name Cash segment	Above / Below / Add HOLD	CMP as on 31.10.2020	Trail SL	Buy Stop loss	Sell Stop loss	Target
1	BPCL(BUY)	HOLD337	354	335			370
2	RAIN(BUY)	Hold 100	106		94		120
3	KOPRAN(BUY)	HOLD107	130	109			150

Commodity Market

COPPER: ~ buy in deep with sl 520 upside target 550 possibility.



CRUDEOIL:- - There is strong Resistance is 2820 Sell on rise this sl down side target 2350 to 2350 possibility.



SILVER: - There is strong Resistance is 64400 Sell on rise this sl down side target 58000 possibility.



GOLD:- sell on rise with sl 52200 down side target 49800 possibility.



Currency Market (Future Levels)

USDINR: - buy in deep with stop loss 73.80 upside target will be 75.00 to 75.80 possibility.



GBPINR: - Investors can buy in deep with stop loss 95.70 upside target will be 97.15 to 97.70 possibility.



EURINR :-Investors can buy in deep with stop loss 86.60 upside target will be 88.00 to 88.25 possibility.



JPYINR:- Investors can buy in deep with stop loss 69.45 upside target will be 70.72 to 71.05 possibility.



Currency FUT LEVEL	DEMAND ZONE LEVEL		CLOSE	SUPPLY ZONE LEVEL	
	D2	D1		S1	S2
USDINR	74.15	74.30	74.60	75.04	75.60
GBPINR	95.79	96.25	96.76	97.13	97.50
EURINR	86.60	86.95	87.41	87.70	88.11
JPYINR	70.20	71.00	71.63	72.00	73.00

Currency Corner

Premium / Discount (USD/ INR) Based on Forward Rates	
Duration	Premium
One month Forward	0.24
Three month Forward	0.37
Six month	1.19
One year	2.66

RBI reference Rates	
Currency	Rates
USD	73.97
GBP	96.33
Euro	86.97
100 Yen	70.87

the impact of Milton Friedman's 'Permanent Income Hypothesis'

continue to last week

The Permanent Income Hypothesis

The answer lies in Permanent Income Hypothesis (hereon PIH). PIH was postulated in 1957 by Milton Friedman in response to the usual Keynesian route taken by governments to increase incomes in the aftermath of crises. In specific, in response to a crisis, governments are prone to increasing government spending and cutting taxes in the hope of spurring consumption. Friedman's view was that these measures don't ensure an uptick in consumption. His PIH theory, on the other hand, states that consumption is a function of the average future income, and not just of the current or immediately foreseeable future.

Friedman observed that human beings are essentially forward-thinkers. Any momentary hardship is considered just as that – momentary. They believe the future will bring better things and in an event of a crisis, it is considered short-lived in context of the broader lifespan of that individual. Therefore, even if people have lost jobs during the crises or have to make do with lower income for the time being, they don't expect this to continue in the future. Provided their perceived average future income hasn't wavered significantly, their level of consumption catches up quite quickly once the crisis abate.

Across the world, the robust recovery seen in consumption across countries as diverse as China, the US, and India through the summer and into the autumn, validates Friedman's PIH and highlights the need for taking a longer term view of the impact of COVID-19 and the stock market.

The stockmarket understands PIH

Like consumers, the stockmarket too looks forward and discounts the future (rather than looking back and fretting about yesterday's disasters). Hence, as Aswath Damodaran has shown, the stockmarket in period t is discounting the economic recovery which will begin four quarters hence in $t+4$ (see slide 8 titled 'Markets are meant to be predictors not reflectors'). Whilst we are not sure how many people in the stockmarket have heard about Friedman's PIH, the way the stockmarket discounts economic recoveries seems to make sense both in the context of PIH and in

the context of how consumption has historically rebounded post a crisis.

In fact, we can use a simple DCF model – and we know investors love simple models - to see how a well-managed company can actually benefit from a exigency like Covid-19. Let's assume that a market leading widget manufacturer with a dominant franchise is fairly valued at \$100 pre-Covid. Assume that this value emanates from the next 20 years of profits – at the rate of \$5 per annum - discounted back to the present. Then, Covid-19 enters the picture and impacts the widget manufacturer in two ways. Firstly, it wipes out its current year's profits completely. Secondly, it financially weakens the said company's competition relatively more and thus allows the dominant player to gain, say, 10% points of market share through the Covid-19 crisis such that its profits for the next 19 years will be \$5.50 per annum. Now, as per our simple DCF model, the widget manufacturer's fair value is $19 \times 5.50 = \$104.50$. This simple model allows us to understand why across the world well-managed, dominant franchises have seen their stock prices soar even as the real economy has struggled through Covid.

Conclusion

Over the past century there have been three exigencies comparable to Covid-19 in scale and severity – the Spanish Flu which followed World War I, World War II and the GFC. The US stock market (the Dow Jones) rallied strongly after each of these crises had abated. Specifically, the Dow rose 16% per annum through the 1920s. It rose 9% per annum during the period America fought in World War II (1941-45), and 5% per annum in the five years following the end of the war (1945-50). It rose 15% per annum for the first 5 years following the GFC and 12% per annum in the 10 years post the GFC. Both in the financial markets and in the real economy, the past belonged and the future belongs to those who are willing to assess risks rationally rather than emotionally.

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