NewsLetter

SYNEMERGE SOLUTIONS LLP
Advice and Services that build Confidence.....

VOL. 1 I ISSUE NO. 1

The bear market puzzles

How to defuse the shocker?

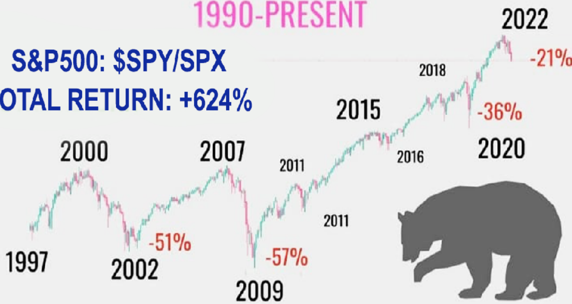
How to resort to a shock-proof investment strategy? We need to change our perception to ensure a safe landing and a take-off subsequently. Stay cool. Every puzzle is solvable with the right equations. Economic troubles and bear aggression are only transient issues.

The global market is passing through troubled waters. There are plenty of reasons for this. The US economy is through a recession and high inflation forcing them to hike interest rates. Energy prices are spiralling up. Demands are decelerating. The uncertainty about the end of the bloodier Russia-Ukraine war makes analysts predict more troubles. These are enough for the western and eastern markets to remain bearish.

Back home we have only worries which have nothing to do with economic fundamentals. The Indian markets react to the crisis with a persistent decline in the equities. The equity market is under severe pressure. That doesn't mean all investors are running away from the Indian market by dumping everything at a loss. The World Bank, earlier this month, released a report on Global Economic Prospects in which it mentioned the Indian economy to grow 7.1 per cent this year, the highest rate of growth in any economy. The advanced economies like the United States, Euro Region and Japan are projected to grow 2.6 per cent and 2.5 per cent each. That indicates an average fall of 1.2 per cent from the projection the World Bank made in January this year.

Hitesh Pandey
Founder and Managing partner
Synemerge Solutions LLP, Mumbai

But why do the troubles in the developed economies drag the well-performing Indian market along with them? The World Bank study did not show any fall in the Indian economy from the point it predicted in January. Still, the question about the fall remains. The falls we see nowadays or the erratic movements reflect a sentimental issue or an aberration. I call it technical remission to the overheating market, which is necessary when there is an investment pullback. We had the same market in 2007, 2018 and 2020 when the lockdown began. But a decline always intimidates investors and hits their morale. Yet, it is only a worry uncalled for. It is an issue of perception, which would change later as they



understand the reality of the power of the domestic market. There is a light at the end of every tunnel. We need to stay within our self-control structure. There is no puzzle we cannot solve if we have flexible equations in hand.

We need to understand that an overheating market is always dangerous. A technical correction is inherent in the bull market. The nature of the bear market is not permanent. A bull market is a market for liquidation, not for an active equity investment. A bear market has always been safe for investors. That is a market for taking new positions at an attractive valuation. However, we have a perception that the bear phase is a doomed period, and booming is a blooming phase. A bull market is good for liquidation. Empirically we have seen those who were active in the bull phase couldn't stay in the equity market beyond its corrective phase. The simple reason is those who were aggressively buying only equities in the bull market used to burn their fingers.

Like equities, we have an array of debt products of various maturities, both liquid and illiquid. Fixed return debt assets are the first and last resort for the risk-averse investors, who are called savers. The savers never know that the value of their savings depletes as they never get an inflation-adjusted return from their savings. Yet they are happy with the safety of the net of what they used to save. Savings is not a wrong tendency, nor an incorrect strategy. Nevertheless, it is a fact that over a period, they are the net losers. At the same time, the ace investors who plan the right time entry and stretch out their strategy into debts in intervals become the ultimate gainers.

Professional investors never fail because of their right understanding of the market. They are never worried about the fall in asset prices; rather, they look at the fall as an opportunity to accumulate financial assets. They buy when prices fall and sell them when the prices go up. They know every rise has a fall. In the interval period after selling at high prices, they shift the gains into the best liquid savings instruments. They use the fund again to park in equity-linked instruments at a lower price when the market declines. They are ace investors who can maintain an evergreen portfolio. That is the shock-proof medium-term investment strategy. They build a safe portfolio over a period with careful planning. Perhaps, the bear market gives them a learnable lesson and can cheer them with an opportunity to buy potential financial assets at attractive prices. No other phase is better than the bearish phase for buying. We only need to change our perception to understand the nature of the market. ■

TAKE A LOOK AT THE HISTORICAL RETURNS OF NIFTY 50

Year	Return	Year	Return	Year	Return
1990 :	18.58%	2001 :	-16.18%	2012 :	27.70%
1991 :	68.84%	2002 :	3.25%	2013 :	6.76%
1992 :	36.28%	2003 :	71.90%	2014 :	31.39%
1993 :	36.95%	2004 :	10.68%	2015 :	-4.06%
1994 :	13.40%	2005 :	36.34%	2016 :	3.01%
1995 :	-23.15%	2006 :	39.83%	2017 :	28.65%
1996 :	-1.04%	2007 :	54.77%	2018 :	3.15%
1997 :	20.05%	2008 :	-51.79%	2019 :	12.02%
1998 :	-18.08%	2009 :	75.76%	2020 :	14.58%
1999 :	67.42%	2010 :	17.95%	2021 :	23.98%
2000 :	-14.65%	2011 :	-24.62%	2022 :	-9.75%

There are only 9 years out of 33 years, where Nifty 50 has given negative returns.