Crypto Crashing – You Worry Not, Meet Your Savior; The Equities

Shomesh Kumar (RIA)
SEBI Registration No.
INA200015088
Sunday, 23 January 2022

Private & Confidential
Only for Shomesh Kumar's Clients
For Private Circulation Only

Website – www.shomeshkumar.in
Twitter – https://twitter.com/shomeshk?s=08
LinkedIn – https://www.linkedin.com/in/shomesh-kumar-b172801a

Equities – A Short-Term Blip For Even Brighter Future

Markets are reeling under selling pressure. Some of the factors impacting them negatively are Tapering, potential rise in interest rates, inflation sneaking in, continuous selling by FIIs (Indian/Emerging Equities) and Bitcoin crashing down. All of these are known issues except for the sudden crash in Bitcoin though it was clearly visible in the Head & Shoulder pattern, it had formed.

Note – We will not discuss about major supports of Nifty in this report as the overall structure has not turned bearish yet as per the structure/data.

OBSERVATIONS

- DJI has a potential Double Top like structure. Alongside, DJI is also following a Megaphone like structure which is making the index hover in a broad range. This structure still remains in place. Mostly it gets violated only if the Pipe Bottom formed at 33,300 is breached. In that case, DJI may head for the test of 38.20% retracement.

- The undergoing correction looks to be the result of crash of the Bitcoin. When I predicted the Bitcoin crash toward 30,000, I was counting it Equity positive as the funds would flow towards the best risk asset class i.e. Equities. I was wrong in this assumption and the losses in Bitcoin are being compensated by booking profits in Equities, thus accentuating the fall in Equities. My first long term target for Bitcoin was 30K and if even that is breached convincingly then it could head even towards 16K or below over time.

- Nifty structure still remains future bullish, unless Nifty breaks 17,150 or 200 DMA is convincingly breached. Additionally, Nifty Bank structure also remains bullish as of now. So, structurally there is no threat to these two major indices, however, some knee-jerk reaction can be felt.

- Economic growth remains encouraging. Government policies and China + 1 preference will only work as positive for India. Corporate Profit growth is encouraging and there is no threat of them getting derailed. Companies are in a position to pass on the incremental input cost.

- Inflation is on its way up and will increase further but growth will be able to take care of it.

- Volatility is increasing and will increase even further. Expect the machine trades to make volatility a normal thing for the markets.

Wannabe Winner, Do The Below

- Stop worrying about a bear market. We are in a Structural Bull Market buoyed by potential explosive economic growth (a potential 8.5%+ for FY23 and 6.5% from FY24 onwards for the whole decade). If anyone wants to name correction in a structural bull market a bear market, so be it. Consider any 5/10/15/20% correction as an opportunity to buy and just buy.

- Here onwards pledge to be an investor than being a trader unless you have the right acumen for the same. Focus on my words as I mentioned in December 2021, markets will reward more to investors this year given the expectation of extreme volatility. Extreme volatility resulting into sudden margin requirement will force traders to book losses.

- Buy the dips and increase the intensity of buying when the cut is deeper.

- As FIIs are on selling spree, shift the focus on Domestic Cyclicals which will benefit from the growth cycle.

- Government will increase its focus on in-house manufacturing, rural consumption, private capex & credit growth and therefore position yourself in the sectors such as Banking & Financial Services, Automobile (preferably Commercial Vehicles and then 2W/PV), Auto Ancillaries benefitting from EV boost and CV replacement cycle, Engineering & Capital Goods, Infrastructure, Metals & Allied sectors & Tourism. Go for staggered buying in FMCG and Pharma very selectively to create an hedge to the portfolio, but not more than 7% of the portfolio put together.

- Stay away from high PE, growth and new-age stocks which are exorbitantly priced. Stay away from IT frenzy till the valuations correct.

- Position the portfolio with time horizon of minimum 2-3 years and up to 5 years. Short-term view is a must avoid.

- At the end of the Bull cycle Banking Index may outperform Nifty by minimum 100 Percentage Points (not percent) and Capital Goods index can deliver 12 times return from the bottom made in March 2020. (Reports to be published).

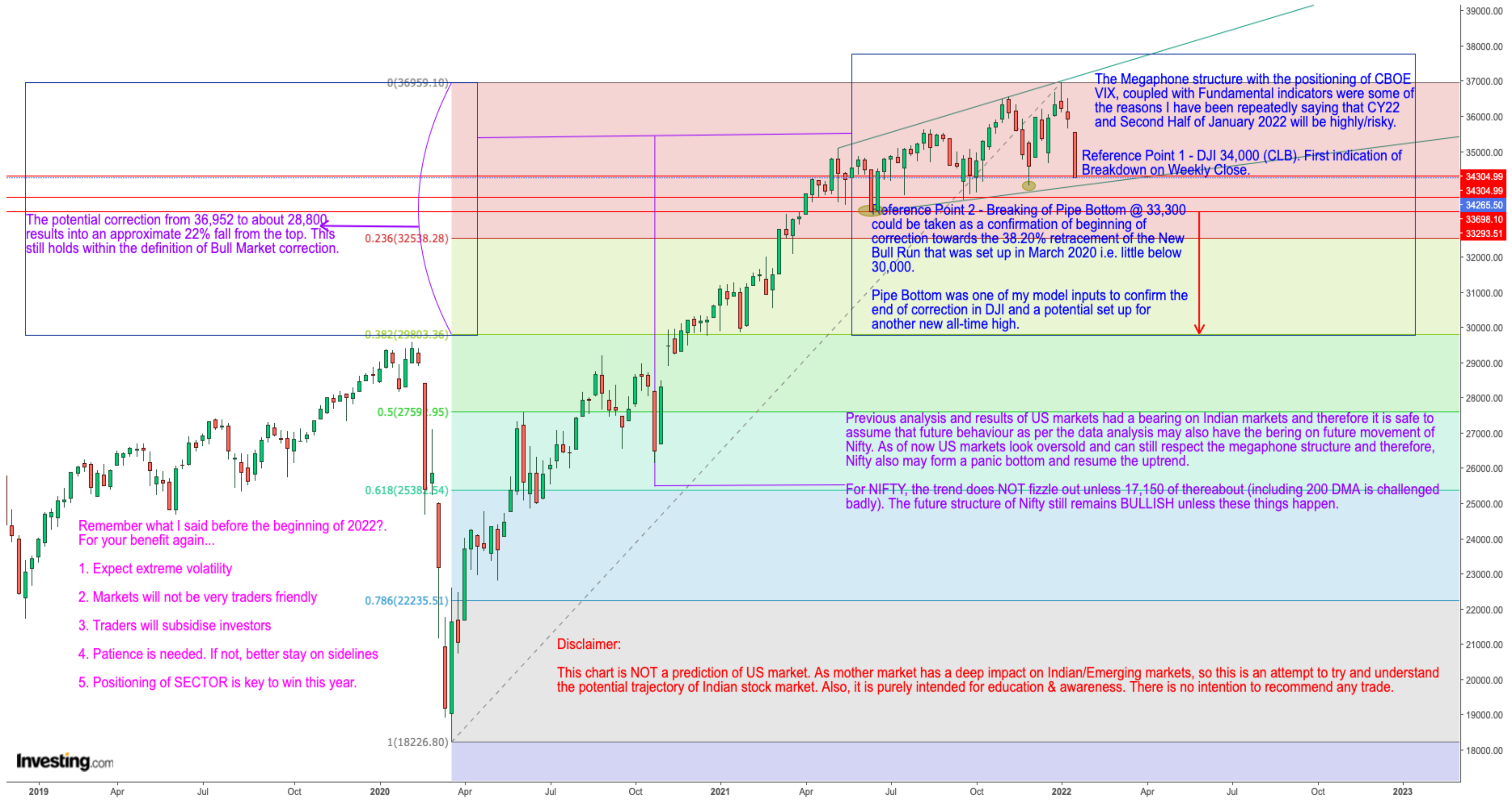
- Don’t be in search of a bottom unless you know it as I certainly don’t know it.

Published on Investing.com, 23/Jan/2022 - 6:04:24 GMT, Powered by TradingView.

Bitcoin, Investing.com:BTC/USD, D

Published on Investing.com, 23/Jan/2022 - 3:39:29 GMT, Powered by TradingView.

Dow Jones Industrial Average, United States, NYSE:DJI, W



Published on Investing.com, 23/Jan/2022 - 5:32:09 GMT, Powered by TradingView.

Nifty 50, India, NSE:NSEI, D