



We Deserve A Better Tomorrow
Save Invest Grow

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

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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 Cyclical 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.

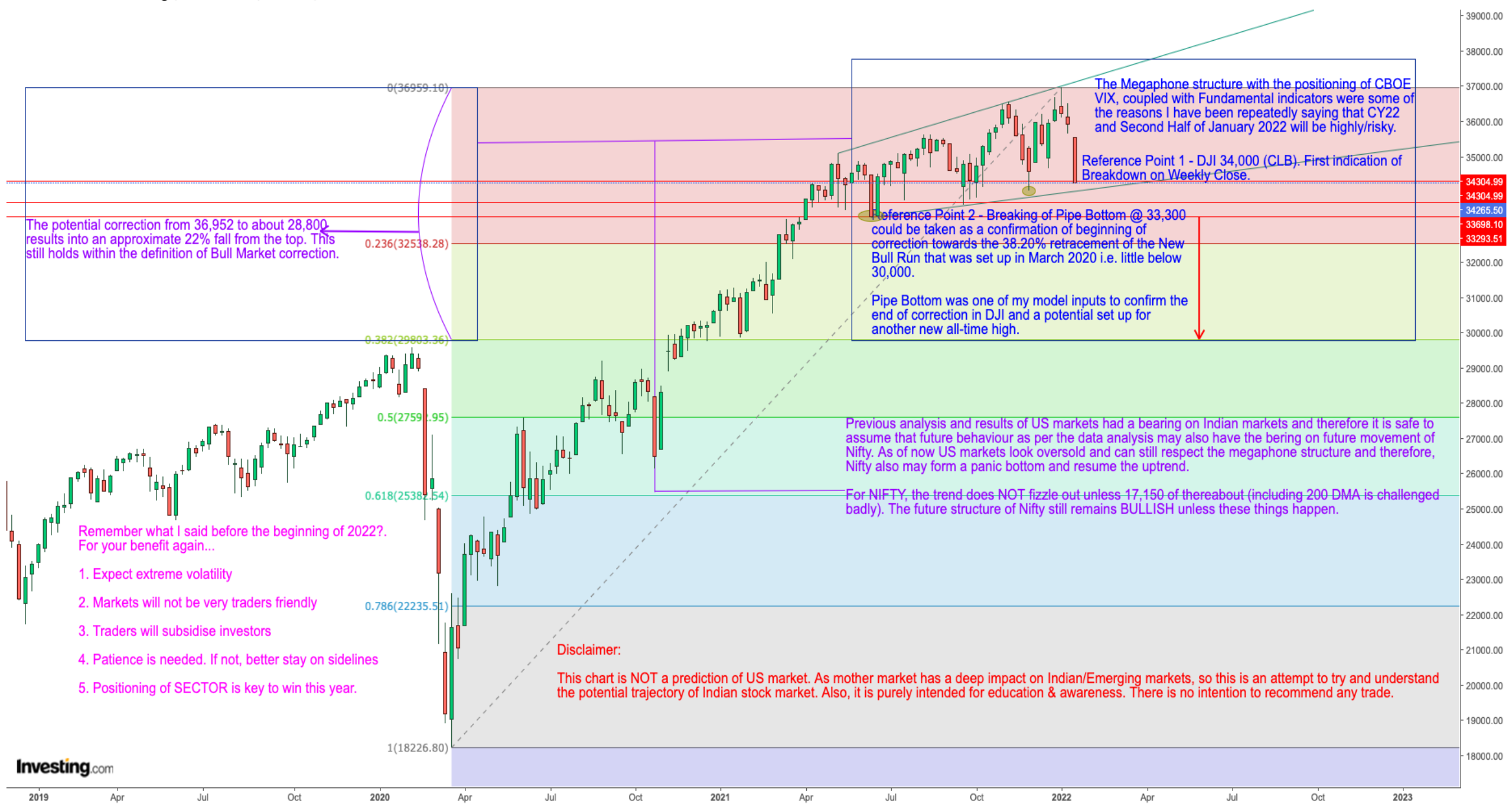
Disclaimer - As an Investment Adviser I am NOT authorised to trade/advise in Crypto; however, looking at the inter relationship of asset classes, it is important to understand the potential movement of Crypto. This analysis is more for education and awareness. It is NOT a recommendation to trade.



If Bitcoin gets into this orbit, then it could lead to Equity turmoil but all of these will ONLY set a renewed confidence in Equities and will lead Equities to many newer high in times to come. Economic growth remains in favour of Equities.

As Bitcoin is speculative/gamble in nature, the losses arising out of it may be taking toll on other risk asset classes such as Equities. My earlier opinion was that this money will move into Equities but on the contrary the losses in Crypto are hurting Equities too.

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



0(36959.10)

The potential correction from 36,952 to about 28,800 results into an approximate 22% fall from the top. This still holds within the definition of Bull Market correction.

0.236(32538.28)

0.382(29803.36)

The Megaphone structure with the positioning of CBOE VIX, coupled with Fundamental indicators were some of the reasons I have been repeatedly saying that CY22 and Second Half of January 2022 will be highly/risky.

Reference Point 1 - DJI 34,000 (CLB)- First indication of Breakdown on Weekly Close.

Reference Point 2 - Breaking of Pipe Bottom @ 33,300 could be taken as a confirmation of beginning of correction towards the 38.20% retracement of the New Bull Run that was set up in March 2020 i.e. little below 30,000.

Pipe Bottom was one of my model inputs to confirm the end of correction in DJI and a potential set up for another new all-time high.

Previous analysis and results of US markets had a bearing on Indian markets and therefore it is safe to assume that future behaviour as per the data analysis may also have the bearing on future movement of Nifty. As of now US markets look oversold and can still respect the megaphone structure and therefore, Nifty also may form a panic bottom and resume the uptrend.

For NIFTY, the trend does NOT fizzle out unless 17,150 of thereabout (including 200 DMA is challenged badly). The future structure of Nifty still remains BULLISH unless these things happen.

Remember what I said before the beginning of 2022?. For your benefit again...

1. Expect extreme volatility
2. Markets will not be very traders friendly
3. Traders will subsidise investors
4. Patience is needed. If not, better stay on sidelines
5. Positioning of SECTOR is key to win this year.

Disclaimer:

This chart is NOT a prediction of US market. As mother market has a deep impact on Indian/Emerging markets, so this is an attempt to try and understand the potential trajectory of Indian stock market. Also, it is purely intended for education & awareness. There is no intention to recommend any trade.

34304.99
34304.99
34265.50
33698.10
33293.51

Nifty 50, India, NSE:NSEI, D

MA (200, close, 0)

