



**WITH  
EVERY  
MARKET FALL**



**MAKE  
MORE  
INVESTMENT**



**FOR  
LONG-TERM  
GROWTH**

**Investing at lower prices,  
selling at higher prices  
with a long term view  
is the secret behind  
the wealth creation  
in Mutual Fund/ Equity market.  
Whenever the market falls down,  
it's the right time to invest.  
But when and why  
is the biggest question?**

## The reason for the market fall in August 2011:

The US credit rating downgrade by credit rating agency Standard and Poor's (S&P) from AAA to AA + has further brought uncertainties in global economic environment.

Country	Rating*	Meaning of the rating
UK, France, Germany, Canada	AAA	Extremely strong capacity to meet financial commitments. Highest Rating.
US	AA+	
Spain	AA	Very strong capacity to meet financial commitments.
Japan, China, Taiwan	AA-	
Italy	A+	Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
Ireland, South Africa	BBB+	
Russia	BBB	Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
India, Brazil, Portugal	BBB-	Considered lowest investment grade by market participants.
Greece	CC	Currently highly vulnerable.

\*Sovereign foreign currency ratings.

Source: Standard & Poor's

Note: Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

## But an AAA Rating doesn't mean Growth, why?

### GDP Growth:

Sl.No.	Country/ Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average Growth	IMF Projection 2011
1	Brazil	2.8	1.3	2.7	1.1	5.7	3.2	4	6.1	5.2	-0.6	7.5	3.55	4
2	Canada	5.2	1.8	2.9	1.9	3.1	3	2.8	2.2	0.5	-2.5	3.1	2.18	2.6
3	China	8.4	8.3	9.1	10	10.1	11.3	12.7	14.2	9.6	9.2	10.3	10.29	9.3
4	France	3.7	1.8	0.9	0.9	2.2	1.8	2.5	2.3	-0.1	-2.7	1.5	1.35	1.9
5	Germany	3.2	1.2	0	-2	1.2	0.8	3.4	2.7	1	-4.7	3.6	0.95	2.5
6	Greece	4.5	4.2	3.4	5.9	4.4	2.3	5.2	4.3	1	-2	-4.5	2.61	-3
7	India	4	5.2	3.8	8.4	8.3	9.3	9.3	9.8	4.9	9.1	9.7	7.44	8.3
8	Ireland	9.7	5.7	6.5	4.4	4.6	6	5.3	5.6	-3.5	-7.6	-1	3.25	0.5
9	Italy	3.7	1.8	0.5	0	1.5	0.7	2	1.5	-1.3	-5.2	1.3	0.59	1.1
10	Japan	2.9	0.2	0.3	1.4	2.7	1.9	2	2.4	-1.2	-6.3	5.1	1.04	1.4
11	Portugal	3.9	2	0.7	-0.9	1.6	0.8	1.4	2.4	0	-2.5	1.3	0.97	-1.5
12	Russia	10	5.1	4.7	7.3	7.2	6.4	8.2	8.5	5.2	-7.8	4	5.35	4.8
13	South Africa	4.2	2.7	3.7	2.9	4.6	5.3	5.6	5.6	3.6	-1.7	2.8	3.57	3.5
14	Spain	5	3.6	2.7	3.1	3.3	3.6	4	3.6	0.9	-3.7	-0.1	2.36	0.8
16	UK	3.9	2.5	2.1	2.8	3	2.2	2.8	2.7	-0.1	-4.9	1.3	1.66	1.7
17	US	4.2	1.1	1.8	2.5	3.6	3.1	2.7	1.9	0	-2.7	2.9	1.92	2.8

Source: GDP 2000-2010 World Bank and IMF. GDP Projection 2011-IMF

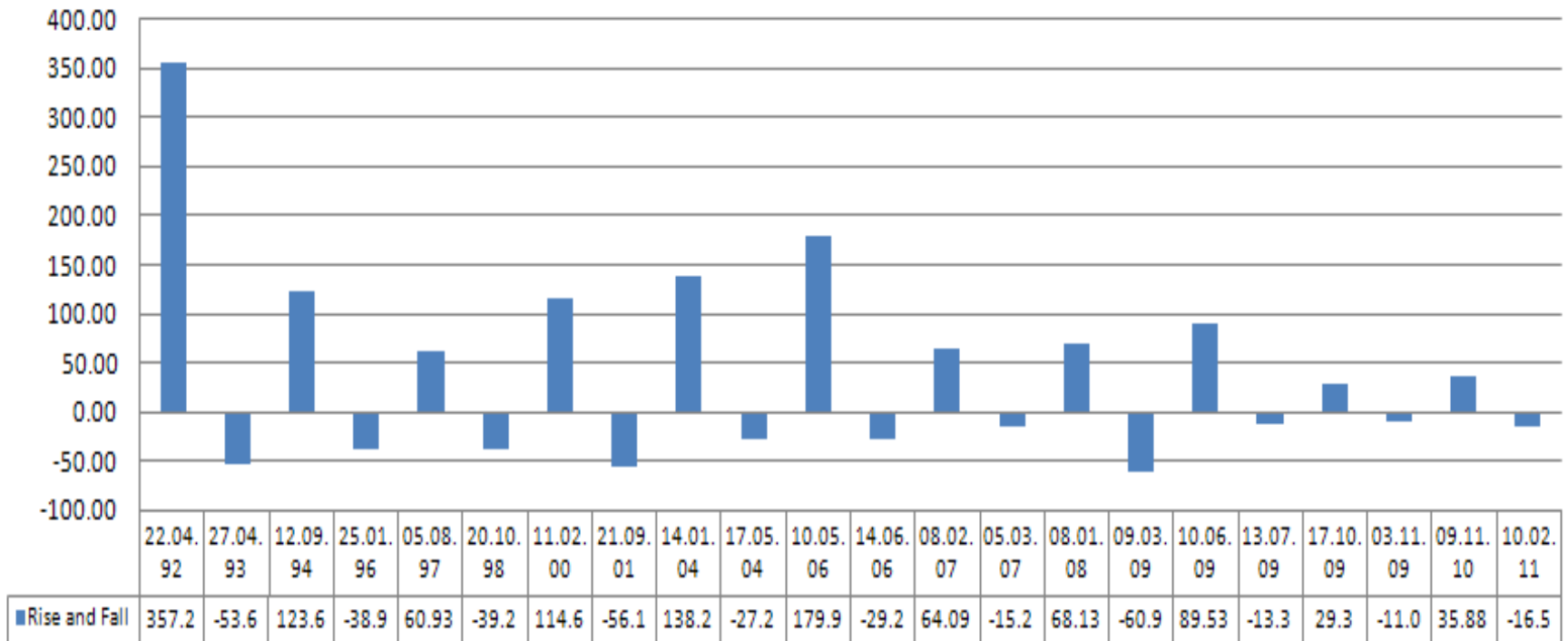
## Top 14 Countries Exposure to US Debt

Sl. No	Country	US Debt Exposure	Sr. No	Country	US Debt Exposure
1	China	1.15 Trillion	8	Switzerland	108 Billion
2	Japan	912 Billion	9	Canada	91 Billion
3	UK	346 Billion	10	Luxembourg	68 Billion
4	Brazil	211 Billion	11	Germany	61 Billion
5	Taiwan	153 Billion	12	Thailand	60 Billion
6	Hong Kong	122 Billion	13	Singapore	57 Billion
7	Russia	155 Billion	14	<b>India</b>	<b>51 Billion</b>

Source: The Economic Times

## India's stock market for the previous Bull and Bear phase

Sensex Bull & Bear Phase with Date and Percentage



Source: BSE

## Advantage of Rebalancing:

One time investment Rs.1,00,000/- with out any rebalancing.

Date	Sensex	Unit	Value	Date	Sensex	Unit	Value
02.01.1991	999.26	100.07	100000	09.11.2010	20932.48	100.07	2094798.15

One time investment Rs.1,00,000/- with rebalancing.

<u>Buy</u>				<u>Sale</u>			
Date	Sensex	Unit	Value	Date	Sensex	Unit	Value
02.01.1991	999.26	100.07	100000	22.04.1992	4467.32	100.07	447062.83
27.04.1993	2070.71	215.90	447062.83	12.09.1994	4630.54	215.90	999725.84
25.01.1996	2826.08	353.75	999725.84	05.08.1997	4548.02	353.75	1608862.14
20.10.1998	2764.16	582.04	1608862.14	11.02.2000	5933.56	582.04	3453591.71
21.09.2001	2600.12	1328.24	3453591.71	14.01.2004	6194.11	1328.24	8227284.49
17.05.2004	4505.16	1826.19	8227284.49	10.05.2006	12612.38	1826.19	23032620.02
14.06.2006	8929.44	2579.40	23032620.02	08.02.2007	14652.09	2579.40	37793637.83
05.03.2007	12415.04	3044.18	37793637.83	08.01.2008	20873.33	3044.18	63542209.64
09.03.2009	8160.40	7786.65	63542209.64	10.06.2009	15466.81	7786.65	120434694.81
13.07.2009	13400.32	8987.45	120434694.81	17.10.2009	17326.01	8987.45	155716634.13
03.11.2009	15404.94	10108.23	155716634.13	09.11.2010	20932.48	10108.23	211590264.53

Though it's not possible for us to identify each and every highs and lows of the equity market, but, if we can identify at least a few of them which would accumulate more wealth.

## The top 3 largest economies in 2050

No	Researcher	No 1 country	No 2 country	No 3 country
1	Citi Group	India	China	US
2	PWC	China	India	US
3	Goldman Sachs	China	US	India
4	HSBC	China	US	India

### Current Situation:

- **Inflation and Interest Rate:** The rising inflation rate is the biggest challenge for RBI. Due to rising inflation rate, RBI had increased the interest rate 11 times from 3.25% to 8% till Mar 2010. But still it's not under control.
- **Gold:** Gold prices are increasing due to global economic uncertainty.
- **Oil:** Oil prices are decreasing due to global economic uncertainty. The average buying price of crude oil of India was \$113.92 per barrel for the last July fortnight to around \$107 in the current fortnight, down by 6%. A fall in oil prices by \$10 per barrel will help India save around \$10 billion.

## Our view:

Indian market has reacted with global market but we don't expect any huge direct impact of the global crisis for India. In the coming days, there may be more downgrading in Euro Zone countries like France, Italy, Spain, UK etc. We expect in the short-term that the market might be more volatile or may go down from the current index due to global crisis, rising inflation, interest rate, input cost of companies, decreasing profitability of companies and lower export. Gold may increase more from here due to global crisis. We assess that the current market fall is quite different from the market fall in 2008. Currently, India's high foreign reserves, low external debt and low export-to-GDP ratio are helping to deal with the Global crisis. We believe that if the global problem continues, there may be more correction in commodities and oil, which will help lower the Indian inflation as well as lower the interest rates. This will make the Indian economy grow faster. Although the Indian GDP grows at 7%, FII will continue to invest in India. Other than China, no other economies in the world will grow more than India because India's economy is growing on the basis of internal demand and consumption, and not fully dependent on exports. So it is proved that every market fall has a very good long-term buying opportunity, and hence it is better to avoid panic selling for wealth creation.

## **Disclaimer:**

All the above information and views expressed by us are based on current situation. Further it may be changed due to any eventuality. All the above data are collected from different sources. Our views are only for reading purpose and it should not be taken as an investment advice. The readers are requested to make their own investigation and take professional advice before taking any action.



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