INDIAN STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

Telegram Tips

Are They Legal In India?

STOCK MARKET OUTLOOK

STOCKS TO BET ON

Knowing How Stock Market Knocks The Indian Economy

Should Indian Investors Consider US Equity In Current Market Situation?

How Do Credit Cards Contribute To Rising Inflation?

From The
CEO'S Desk

INDIAN STOCK MARKET JOURNAL

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RESEARCH
Prateek Gupta

EDITING
Amrita Chakravorty

CONTENT
Neha Verma
Nilesh Chawra
Kavya Agrawal

DESIGN
Nikhil Sadaphal

HEAD OFFICE
305, Trinnity Business Park,
LP Savani Road,
Surat [Gujarat]-395009
TEL: 080008 16688

For queries:
admin@equitypandit.com

Website:
www.equitypandit.com

ISMJ, July Issue

Dear Readers,

Among many things happening worldwide, the most eye-catching was the Global Population to touch 8 billion in November 2022. India would surpass China in 2023, according to the 27th edition of the United Nations World Population Prospects. We hope people understand all aspects of the increasing population and control it soon.

This edition of ISMJ has brought you the Telegram Tips and actions taken by SEBI against its Illegalities. The edition also discusses the Indian Economy and how the stock market knocks it. Also, in the edition, we discussed how credit cards contribute to rising inflation.

Along with all the topics deemed the future of markets, we also bring you Stock Market Outlook and how Nifty and Bank Nifty are expected to move in the upcoming months. Hope you learn and grow.

We would like to thank you for appreciating our previous editions with your kind words. We would love to have your continuous feedback to improve our work. Please feel free to write to us at support@equitypandit.com.

Happy Investing!

Abhishek Parakh

Abhishek Parakh
CEO & Managing Director
EquityPandit Financial Services (P) Limited

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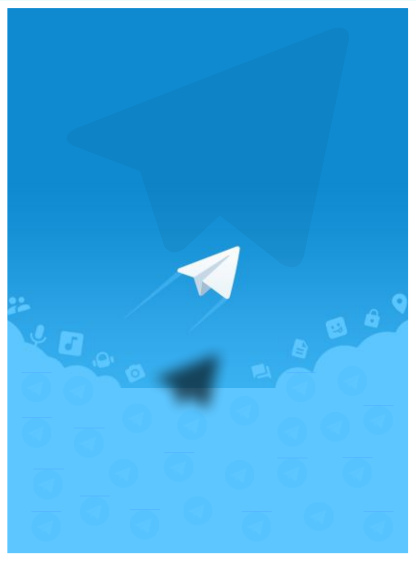

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STOCK MARKET OUTLOOK

NIFTY

The Indian equity market resumed its up move in this week also. The headline index continued with its pullback and moved past a few important levels while protecting the key supports. On a Technical Note, the Nifty index has been moving in the form of higher highs and higher lows formation from the past three weeks. The level of 16045 is likely to act as immediate support for the markets. The highest Call OI is presently placed at 16200. This indicates that NIFTY's price action against the 16200 levels will be important to watch for the coming week. If the NIFTY stays above 16200, it can move towards 16595 levels. Whereas, if it slips below 16200, we may see some correction and range bound market. The weekly RSI is near 46.31 and not showing any divergence against the prices. We suggest traders maintain a mildly bullish outlook going into the next week.

BANKNIFTY

The Bank Nifty and the Financial Services index positively outperformed the front-line NIFTY. The index prices are trading near Channel support weekly, which points out strength for the upcoming session. In this scenario, we may see upside momentum towards 35900/36240 levels in the index. On the downside, Bank Nifty has immediate support at the 35000 level. We believe that in the near term, volatility could be there because of the global uncertainty. Hence, a stock-specific approach is advisable for the coming trading sessions.

UPCOMING TRADING HOLIDAYS

Moharram

August 09, 2022
Tuesday

Independence Day

August 15, 2022
Monday

Ganesh Chaturthi

August 31, 2022
Wednesday

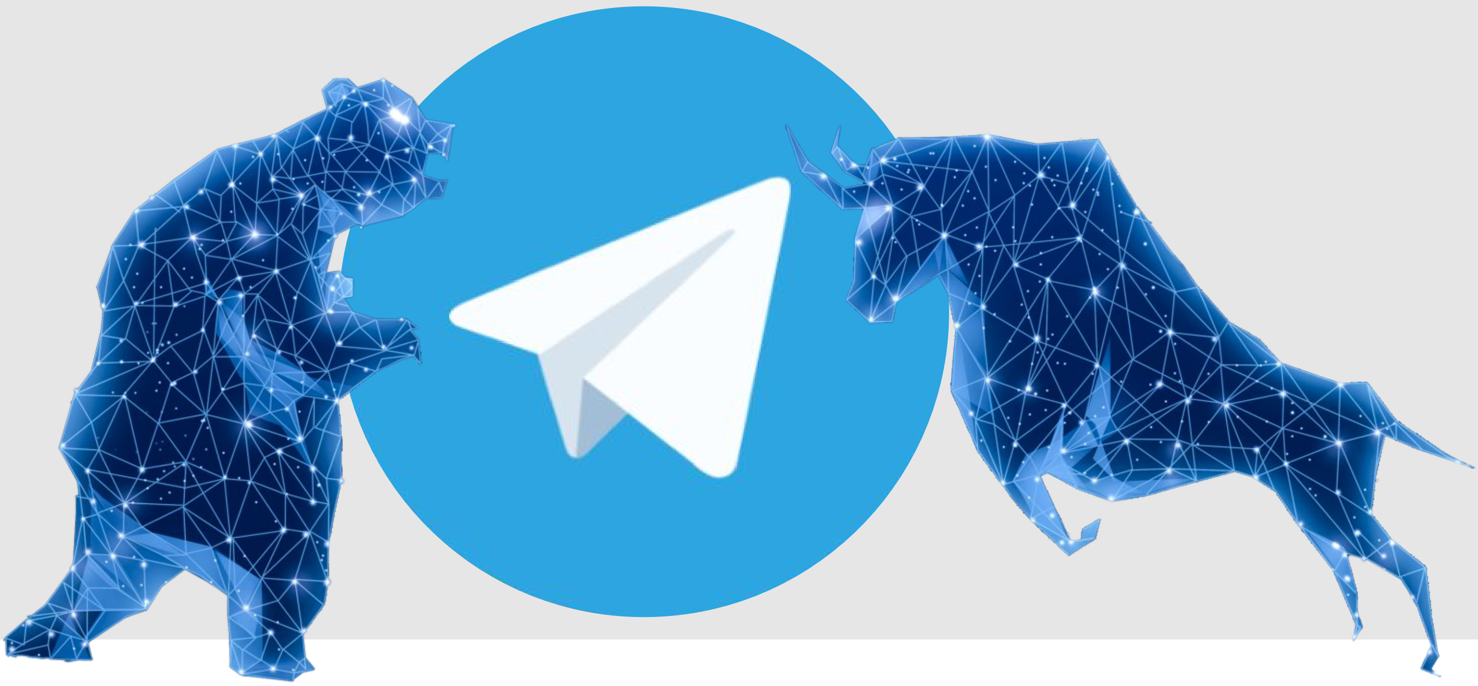
Telegram Tips

Are They Legal In India?

Introduction To Telegram

In the world of social media and technology, it is observed that mankind is more attached to mobile applications than to natural happenings. The reason behind this is technological advancement in the applications made for them. According to arecent research, 58.4% of the world's population uses social media.

However, when we look into platform penetration rates from people in eligible audiences, 93.33% of 4.8 billion global internet users and 85% of 5.27 billion mobile phone users are on social media. Whatsapp, Facebook, Instagram, Twitter, etc., were in use already, but in 2013, a new application came into existence called Telegram. Telegram's penetration averages around 25% in the selected countries like Brazil, India, and Spain, with Spain winning at 26%. However, India takes the lead in terms of downloads with 44.9 million.



As the coin has two sides, every good thing has a bad face. Though Telegram benefits students and youths, it is also a bad source for scammers and thieves in Insider Trading and providing illegal tips on the stock market and other private organisations, a crime considered in India. Many cases related to Insider Trading are registered under SEBI, and strict actions are taken against them. But it is necessary to make people aware of their safety and protection against cybercrimes and misuse of their mobile numbers and phone call recordings.

Let us know about telegram tips and their impact on Telegram users, the stock market, and investors. Along with this, we will also learn about the correct and trustful channels on Telegram one must follow for stock market information and guidance.

Popular Telegram Scams Occurring

Employment Scams

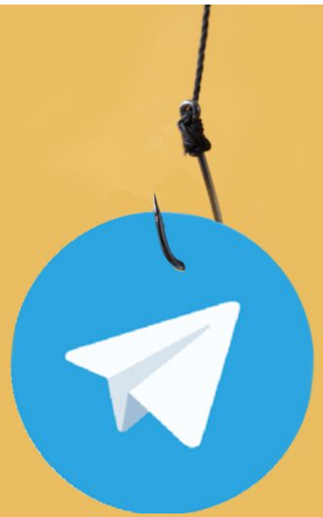
The scammer asks you to download the image or message and review it to hire you. Then, they interview you with some common questions asked to candidates. Once you answer their questions, including your private information related to bank accounts, location, etc., you are tracked by their crime team. The most important thing one must not do is sign in any document without thorough research.

Giveaway Scams

This is the most common scam on every social media. These promotional videos or images are sent to users to participate in the giveaway competitions. And through this, they try to trace the mobile number and bank account linked with it so that they can take all your money kept in it. They usually give some presents to users to attract through their website and try to hack their accounts. Therefore, one must beware of such frauds and not participate in such giveaways.

More scams that have been found till now are as follows:

- Load-up Scams
- Coin Listing and ICO Scams
- Tech Support Scams
- 'Crypto Expert' Scams
- Bitcoin and Other Cryptocurrency Giveaways
- 'Friend in Need Scams



What Do Illegally Offered Telegram Tips For Stock Market Means?

So, if we look at the positive aspect, it provides information about market conditions and fluctuations. But on the contrary, it is used for negative purposes also. Providing the company's data is not legal. It is a crime, and SEBI is the body for taking action against it. The market regulator had traced the whip on such

illegal activities. Any entity or firm not registered under SEBI is not allowed to give stock market or mutual funds advice, including recommendations by the law. Besides, if the expert is registered under SEBI, he should be bound to give appropriate information about the share price through his channel.

Bull Run 2017 Scam On Telegram

The Securities and Exchange Board of India (SEBI) had been cracking down against this channel on Telegram and has alleged that six people are responsible for running this channel named 'Bull Run'. They had conducted an operation searching for this group in Mehsana and Ahmedabad in Gujarat. After a thorough investigation, it was found that this group did not have the SEBI registration for advising of telegram tips. Eventually, they earned an illegal profit of Rs 2.84 crores in 10 months. SEBI had issued a 37-page order against this channel and the six people involved. These companies used to buy shares of small-cap companies in large quantities and render wrong information to people for their investment in those shares. They traded stocks including Total Transport Systems, Metro Global Ltd, and Alkali Metals Ltd. Their planned objective succeeded. After the rise of those shares in the market, they used to sell them and earned illegal profit.

SEBI had taken action against these people for violating the market rules. The stock market discontinued the people running this channel, and the entire amount earned will be recovered from those people. As per SEBI, these six people will neither buy nor sell directly or indirectly in the market till further orders. After this incident, SEBI has become stricter toward companies and social media platforms.

So, it is better to have proper consultancy from registered stock market experts before following any random investors or groups of traders. One must not follow any guidance from non-registered entities in matters of investment. The points to be remembered by an individual should be checking SEBI's registration of the expert, Attending Investor Education Programmes, getting help from Industry Experts, Lodge Immediate Complaint, and following genuine advisors.

How Do Credit Cards Contribute To Rising Inflation?

It's easy to assume that most people who use credit cards are short on cash. The wealthy are the most frequent users of credit cards, mainly for Interest Arbitration, which allows them to obtain interest-free loans for up to 45 days. And their decision is principally influenced by which credit card business gives the best benefits.

Yep! Your credit card is helping to fuel inflation. Sure, it makes transactions more accessible, provides security, and provides an excellent opportunity to earn rewards these days. Still, credit card issuers' business models offer more than we see.

But how do these businesses afford such lavish rewards? It's all about the Merchant Discount Rate, a fee charged to the merchant who swiped the card (usually 2-4 per cent).

Consider the case of credit card firm X, which offers a 2-4 per cent discount on supermarket products. A customer purchases groceries from 'W Provisions' with the credit card (X) and receives a 4% discount. Guess who just lost 4% of their market value?

W Provision is here! After all, it would have to pay the discounted amount to the credit card company. But why would the grocery business want to lose so much money per consumer who uses X to buy groceries? The explanation is simple: wouldn't you, as a consumer, go to another store if W Provisions didn't offer you a discount?

The Cycle Runs As Follows

The merchant agrees to pay the credit card companies' fees.

The credit card company rewards the consumer with a commission.

The client remains loyal to the merchant and the credit card company.

Let's get to the point and see how your credit card is fueling inflation by using the example of our youth's favourite Apple gadgets.

Several clients go to a merchant store called "Z Mobiles" and buy iPhones and iPads with their premium credit cards (from the same company), which give a 7% reward. For example, suppose Z Mobiles' profit margin on Apple product sales was 8%, with a 5-6 per cent commission loss to the credit card firm due to the Merchant Discount Rate.

Isn't 1-2 per cent of merchant sales insufficient? Naturally, retailers like Z Mobiles ask distributors and, indirectly, Apple to raise their margins to 10% or lower the price of Apple products. Now, if Apple has to increase the merchant's margin by 2%, the cost of the products will rise by at least 2%, resulting in inflation! Rewards-inflation problems generated by such a credit card can also be witnessed in the case of jewellery, groceries, and other items.

In A Nutshell, The Chain That Leads To Inflation Is As Follows

Merchants pressurise distributors to raise profits; distributors pressurise corporations; companies inflate product pricing to boost margins for all parties involved.

Who is it that this all boils down to? The average person must purchase these items without a debit or credit card. The super-rich benefit from discounts; product prices rise for the help of merchants and distributors; and others who are left out of the loop pay inflated prices for these things.

The hidden characteristics of Merchant Discount Rates and Customer Rewards allow credit card firms to gain additional profits, not the interest levied on delayed payments. Call it a game of convenience for the wealthy and upper-middle-class or the inflation trap that pushes the majority into poverty. Credit card corporations are a two-edged sword.

Will UPI Eventually Replace Credit And Debit Cards?

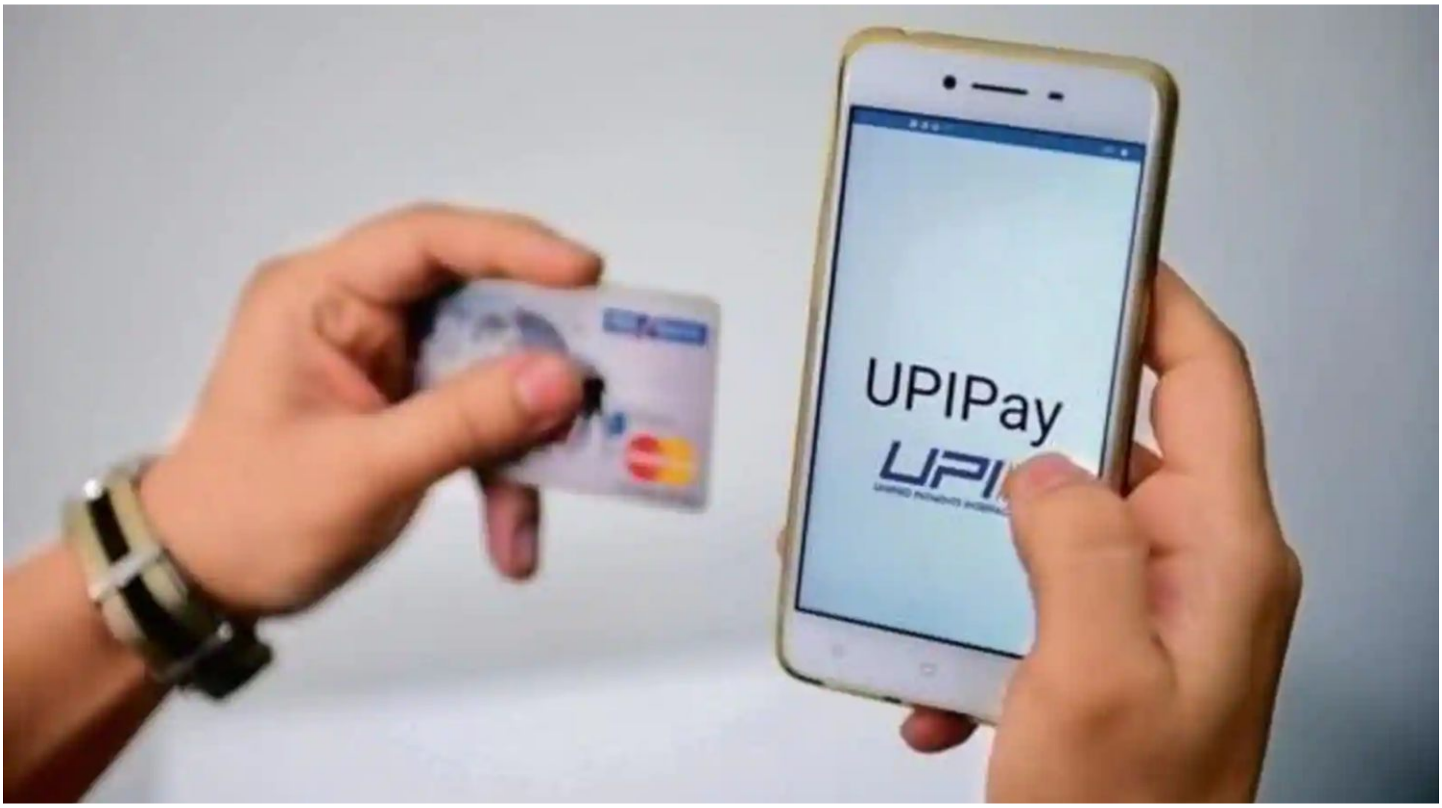
UPI acceptance is at an all-time high in India, according to FinTech and retail ecosystem companies. The Reserve Bank of India (RBI) and the Government of India (GOI) introduced UPI in November 2016 through the National Payments Corporation of India (NPCI), intending to clean up the country's "black money" and regulate transactions systematically and effectively.

According to recent reports, Tier 2 and Tier 3 cities and towns account for more than half of all online transactions. The number of online transactions via UPI, EdTech, E-commerce, Gaming, and These online payments are becoming more common in Tier 3 and Tier 4 cities, resulting in a massive increase in UPI's market share. The Peer-to-Peer (P2P) use-cases are now fixed, while the Person-to-Merchant (P2M) use-cases have a lot of room for expansion.

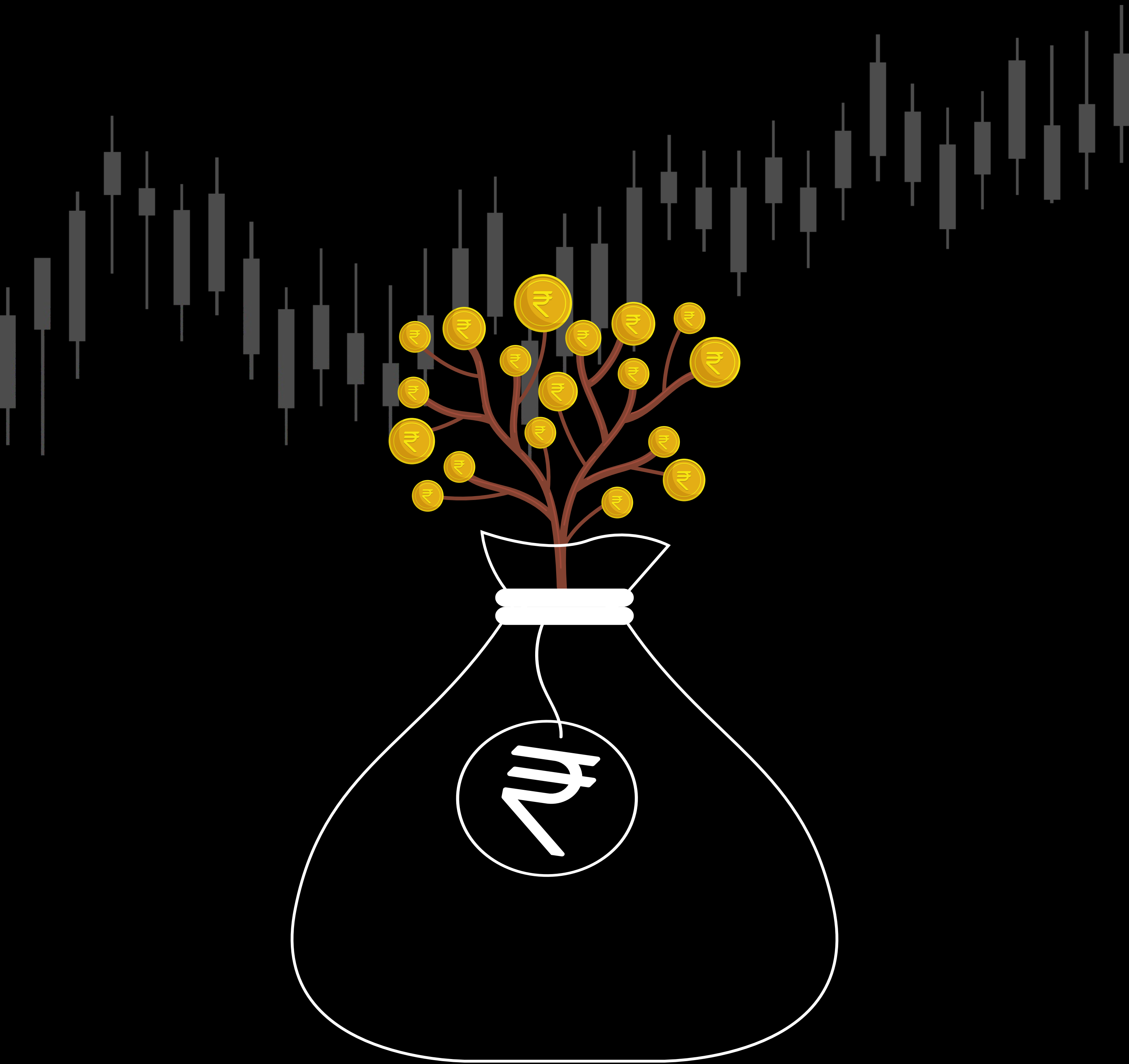
Since 2016, UPI payments have increased roughly 60 times, compared to 1.6 times for cards. UPI has become a growing threat to major card payment solution providers in India. This is because UPI has managed to replace cash and credit cards and establish a presence where credit and debit cards could not. In terms of data, UPI transactions totalled roughly INR 39 billion in 2021, compared to INR 211

million credit card POS transactions and INR 430 million debit card POS transactions. In 2021, UPI transactions were worth INR 72 trillion, compared to INR 9391 billion in credit card transactions and INR 6705 billion in debit card transactions.

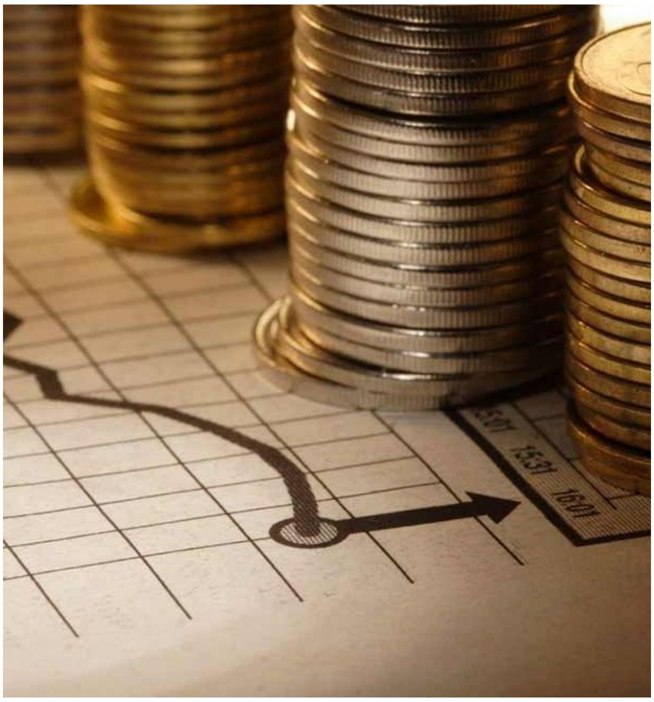
Although cash and card payments will not be replaced entirely, users will prefer UPI. The current shift is heavily focused on developing a new payment system with the primary goal of allowing more credit to flow into the economy. Although UPI has conquered the market, rural adoption will take time due to a shortage of smartphones in the rural ecosystem and a more significant gender gap in mobile phone availability.



KNOWING HOW STOCK MARKET KNOCKS THE INDIAN ECONOMY



The economy of India is a Middle Income Developing market economy. According to data, it is the world's fifth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). The growth of the Indian economy was consistent and positive due to its young population, development in the primary sector, globalisation in India, and integration into the global economy. At times, the economy lost its graph, especially in 2017, due to the 'Demonetisation in 2016' and the introduction of 'Goods and Service Tax in 2017'. Apart from household consumption, India's GDP is also influenced by Government spending, investment, and exports.



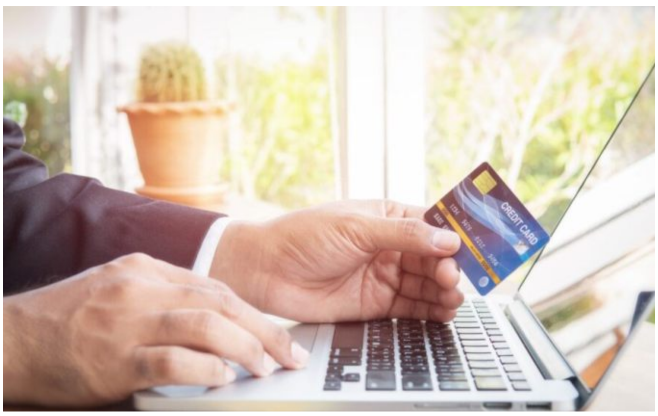
Besides, the utterly different sector that contributes to the global economy is the Indian stock market. The stock market is where investors can buy and sell shares of publicly traded companies. The economy represents how money is made and spent by a country's citizens, companies, and governments. Let us understand the contribution of the stock market and its impact on the Indian economy. While understanding the economy, we will also know about Gross Domestic Product (GDP) and its types as it plays a crucial role in the economy and how the stock market affects GDP. As monsoon has arrived, there may be fluctuations in the stock market's graphs due to agricultural production and its result in inflation in goods. Currently, SEBI has also allowed foreign stocks within the industry's aggregate mandated limit of $7 billion.

Stock Market And Indian Economy

Some key facts about the stock market that impact the Indian economy are as follows:

Wealth Effect

The wealth effect is a behavioural economic theory suggesting that people spend more as the value of their assets rises. A higher portfolio performance leads portfolio holders and consumers to see themselves as wealthier individuals. This makes them likely to spend more and more money on non-essential or luxury items. In Dec 2014, the value of the UK stock market was US $6.06 trillion, so it has a big impact on wealth. It is not predictable that the stock market will always lead to economic growth. As per the report, if we observe 2021-2022, the stock market will exhibit high consistency, and millions of new Demat accounts will be opened. On the contrary, our growth measured by GDP fell almost every quarter during the financial year. One of the reasons behind this was the outbreak of Covid-19.



Influences Pension Fund

Anybody with a private pension or investment trust will be affected by the stock market direct or indirectly. Many pension funds invested in the stock market lead to a drastic fall out in prices, resulting in the devaluing of these funds and future payouts as Pension fund capital is devoted almost entirely to the financial markets.

Bond Market Optimism

Bonds affect the stock market because when bonds go down, stock prices go up. And when bond prices go up, stock prices tend to go down. When investors sell bonds, prices drop, and their yields rise. A higher yield spells greater risk. But, during periods of economic expansion, bond prices and the stock market move in opposite directions because they compete for capital. Even if the stock market crashes, the company's credit rating falls, but blue-chip companies are always on their attitude during the thundering economic crisis. Thus, it makes their bond market a safe-haven investment for them.

How Does The Stock Market Affect The GDP?

Here are some of the key concepts that affect the GDP.

Consumer Spending

The ups and downs in the stock market affect consumer spending. For example, if an individual is intelligent and has a perfect investment plan, he will convince himself to invest more in equities and secure his future in it. But on the contrary, if the investments are performing poorly, he would wait to invest more and choose another way of earning additional income.

Business Spending

It is observed that the rise and fall of share price values affect the company's market capitalisation and also its market value. The higher the share is priced, the more is the income generated and vice versa. Rising stock prices make it easier for corporations to raise funds, and changes in stock prices can affect business strategies.

Government Spending

Their spending includes building roads, bridges, and subsidies for common people, industries, and agriculture. It is an investment wherein the assets are also generated for the welfare of society and government. Governments can make broad changes to monetary and fiscal policy, including raising or lowering interest rates, which greatly impacts business.

Bear Market vs GDP

Bear can be defined as a market which has declined by more than 20% and is followed by negative investor sentiment and a declining economic perspective. The fall in consumer spending is accompanied by increased unemployment and further uncertainty about the future. The contracting spending and investment due to lower confidence ultimately negatively impact GDP.

Bull Market vs GDP

The bull market is a phase when the equities market is rising to its peak. The stock market primarily affects gross domestic product by influencing an individual's financial conditions. If a corporate firm launches its IPO or FPO, it can use those found for expansion and diversification and in new projects. Besides, they can generate employment opportunities that can further boost a country's GDP.

The Onset Of Monsoon!

India has been consecutively receiving a favourable rainfall pattern over the last three years, i.e. 110 per cent of LPA in 2019, 109 per cent of LPA in 2020, and 99 per cent of LPA in 2021, as per a recent research report. The Indian summer monsoon rainfall (ISMR) considerably influences the Indian economic and corporate performance. Therefore, the announcement of long-range ISMR forecasts by the Indian Meteorological Department can impact stock returns significantly.

Agriculture
The Prime Backbone Of Economy

Monsoon plays a crucial role in the agricultural and production processes. The fluctuations in it can create ups and downs in the graph of the stock market and the Indian Economy. Sufficient rain is required for agrarian activities that can help create some surplus production for the country. When India receives an unexpected and proper amount of rainfall in a year, it results in crop failure leading to the loss in the food graph. Besides, when the output of these crops remains lower than earlier due to rainfall, it knocks the country's GDP. Thus, it creates a lack of confidence in the investor's minds to invest at times of monsoon.

Should Indian Investors Consider US Equity In Current Market Situation?

Would it make sense for Indian equities investors to consider US stocks in the current market? Lets discuss it here…

The global equity market is suffering through a difficult period, and Indian investors' patience is being challenged, particularly those with significant investments in offshore or US equities markets. It is due to two primary factors: i) growing inflation and the prospect of more rate hikes, and ii) the threat of a worldwide war in the wake of the Russia-Ukraine crisis. Investors may not be able to control market movements, but they can comprehend the variables that drive market direction. As a result, it can undoubtedly assist them in making more intelligent investing decisions.

The Current Situation Of The International Market

The Federal Reserve's Federal Open Market Committee (FOMC) is in charge of setting and controlling the USA's inflation objective and interest rates. In most cases, the institution aims for a 2% inflation rate. To everyone's surprise, the inflation rate in March was 8.5 per cent on a year-over-year basis, the most in forty years!

Inflation is now afflicting the majority of countries. The invasion of Ukraine by Russia has exacerbated the situation. Global commodity supply systems are under strain, increasing energy and other critical commodity prices.

Inflationary pressures have risen due to this predicament, which has been worsened by excess money in the system. As a result, the FOMC was forced to decide on interest rate hikes critically. The Federal Reserve intends to reduce its balance sheet by $9 trillion. As a result, more rate hikes are expected in the following months.

Significant market volatility is becoming the new normal with these hikes and ongoing conflict. So, should Indian investors consider investing in the stock market in the United States? If that's the case, what's the reason behind it?

Why Should You Invest In The US Stock Market?

To Make The Portfolio More Stable

After the financial crisis of 2008, the S& P 500 lost 20% of its value, while the Nifty 50 lost over 60% of its value. Examine the table to see what an investor would have experienced in the Nifty 50 or the S& P 500 in 2010 if he had invested a year before the dates listed. When we compare the Nifty 50 to the S& P 500, we can see how volatile it is.

The stock market in the United States is more developed than in emerging nations such as India. As a result, investing consistently in a well-established market can help investors achieve much-needed stock portfolio stability.

Aids In The Fight Against Inflation

One of the most important factors to consider when investing is that the rate of return exceeds the rate of inflation. Adding US equities to your portfolio might provide an additional layer of growth.

Given the current market conditions, investors will undoubtedly suffer turmoil. It's essential to keep in mind that market noises seldom outperform long-term investments.

"Courage taught me that no matter how severe a crisis gets... any smart investment would eventually pay off," Carlos Slim Helu says. Being an investor rather than a speculative is the key.

After adjusting for currency conversion, the S& P 500's annualised 10-year return is 15.54 per cent. The average return on the Indian stock market is between 12 and 14 per cent. However, considering the market's volatility, US equities investments might be a safe bet. As a result, having a presence in both markets makes sense for investors.

Beneficial For Diversification

While any changes in US policy or market conditions impact the Indian market, the link between the two is relatively minimal. Correlation is the relationship between two variables and the direction in which one will move in response to a change in the other.

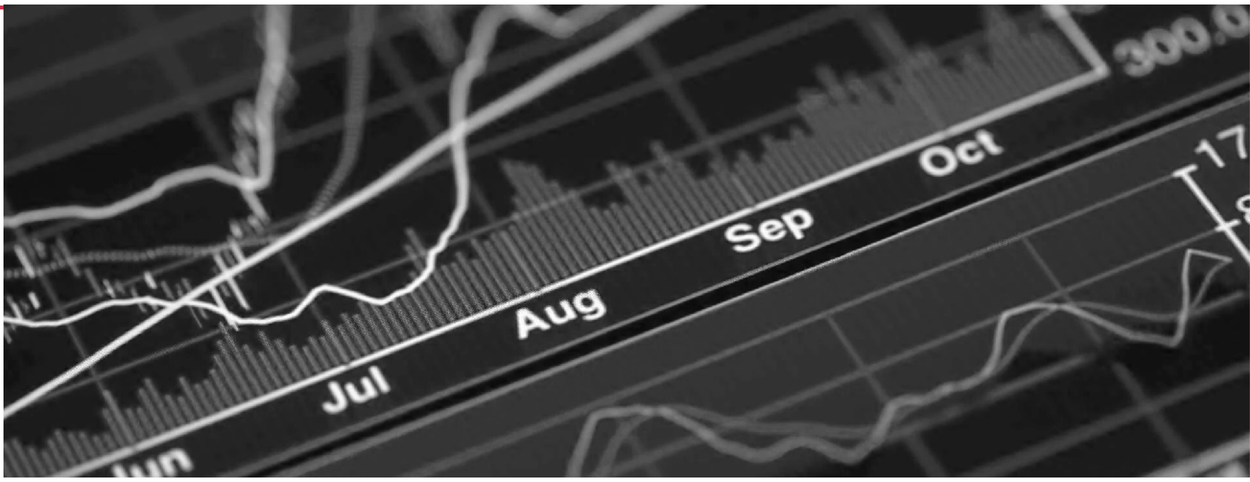
For 10- to 20 years, the correlation between the Nifty 50 and the S& P 500 is between 0.13 and 0.16. A correlation around 1 indicates that if the first variable changes, the second variable is more likely to move in the same direction.

The market correlation between India and the United States is relatively low (adjusting for exchange rates). This indicates that every change in the US impacts the Indian market, but the impact is minor. Because of the minimal correlation, it is an excellent way for investors to diversify their portfolios.

Last But Not Least

Investors may have to go through some paperwork under the Liberalised Remittance Scheme (LRS) requirements to explore direct investing possibilities in US equity. Indian investors can remit up to USD 2,50,000 in a Financial Year for overseas investments, according to RBI LRS norms.

Because "time in the market beats timing the market," investors should concentrate on building wealth over time. The asset class of US equities makes a lot of sense for various wealth purposes. Investors should consider their long-term goals and risk tolerance levels before adding US equities to their portfolios.



STOCKS TO BET ON

Multi Commodity Exchange of India Ltd.

Ambuja Cements Ltd.

Adani Ports and Special Economic Zone Ltd.

Dixon Technologies (India) Ltd.

Canara Bank Ltd.

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