

**INDIAN**

# STOCK MARKET JOURNAL

EMPOWERING TRADERS AND INVESTORS

The Art of Portfolio Evaluation: What, Why and How?

Income Tax Return and Mistakes to Avoid while Filing it

Building and Managing a Portfolio Using the Power of AI



**De-Dollarisation and a  
New Global Currency**

**Stocks To  
Bet On**

**Stock Market  
Outlook**

# From The CEO'S Desk



## **INDIAN STOCK MARKET JOURNAL**

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Full efforts have been made to ensure the authenticity and accuracy of the contents of the Yearbook, but we do not accept any liability for the errors if committed and the subsequent loss arising from the same, but we will make sure that the errors if occurred are recited and minimized in future editions and also would welcome the reader's feedback.

We welcome your comments and suggestions for our future editions to make it more helpful month after month.

Dear Readers,

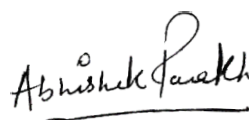
Among many things happening in India, the most spectacular moment was the inauguration of India's first official Apple store in Mumbai's Bandra Kurla Complex (BKC) by Apple CEO Tim Cook. The opening of Apple created employment opportunities for 100-plus members, with 72% of women working, and knowing 20-plus languages, thus contributing to the nation's GDP at large.

This edition of ISMJ has brought you everything about De-Dollarisation and the Rise of the Underdogs. The edition also discusses Income Tax Returns and avoiding mistakes while filing them. Also, in the edition, we discussed Building and Managing a Portfolio using the power of AI.

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  
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# Stock Market Outlook

## NIFTY

Both benchmark indices have been under pressure since the start of this week (17th April). However, for the first time since December 2022, the indices have shown a faster recovery of the last declining segment. Nifty has recovered from a 15-session decline (18100-16800) in just eight sessions, indicating structural improvement. The India VIX has closed below 12, indicating that the market participants perceive low risk. The daily charts show that the Nifty has encountered

resistance at 17860, which coincides with the 50% Fibonacci retracement level. Currently, the index is trading in the range of 17860-17615. We believe that the Nifty trend will likely remain sideways over the near term until either of these levels is breached.

In summary, if the Nifty sustains the 17860 levels, we can expect a rally till 18100 levels. On the other hand, a close below 17615 will indicate more weakness towards 17314.



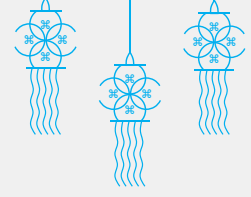
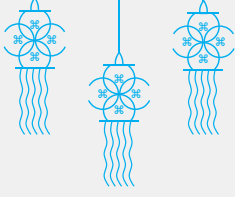
# BANK NIFTY



Bank Nifty experienced a volatile week, failing from the 42600 level. However, it displayed relative strength compared to the Nifty, managing to close above the support. The formation of higher highs and lows on the weekly chart gives us the confidence to revise the support base to the 41500 level, indicating a structural improvement in the Bank Nifty's trend. Maintaining the 41500 level is crucial for Bank Nifty. As long as it sustains above

this level, the index will remain in a "buy-on-dip" mode, and we can expect it to big move towards the 43560 levels. However, if it breaches below the 41500 support level, we can anticipate a further correction towards the 40500 level. In summary, the Bank Nifty has a bullish outlook as long as it sustains above the 41500 support level, and a break below this level could signal a shift towards a bearish sentiment.





# Upcoming Trading Holidays



## Maharashtra Day

May 01, 2023  
Monday



# DE-DOLLARISATION AND A NEW GLOBAL CURRENCY



The United States is facing a growing wave of global de-dollarisation. Many of the largest and most populous countries are banding together to launch a US dollar alternative for global trade, following years of abusing its reserve currency status.

The BRICS countries, comprising Brazil, Russia, India, China, and South Africa, are reportedly working on establishing a

new currency for use in intra-member state transactions that is not dependent on the US dollar or the euro but rather backed by gold or other commodities.

While there has been no official confirmation from other officials from the member nations, the plan is expected to be presented at the next BRICS leaders' summit scheduled for August 2023 in South Africa.



## **BRICS NEW CURRENCY**

Amid the ongoing Ukraine-Russia war and the subsequent sanctions imposed on Moscow, Russian lawmaker Alexander Babakov has suggested that India, China, and Russia should form a new economic association with a shared currency backed by gold and other rare-earth elements. Babakov believes a new currency would

benefit their shared objectives and help push back against USD hegemony.

President Vladimir Putin has also prioritised and enhanced Russia's role in groupings such as BRICS to help adapt the world order to the realities of a multipolar world. China and India are Russia's main allies on the world stage.



From left to right, Xi Jinping (President of China), Narendra Modi (Hon'ble Prime Minister of India), Cyril Ramaphosa (President of South Africa), Michel Temer (Former President of Brazil) and Vladimir Putin (President of Russia) at the 2018 BRICS Summit.

The new currency could potentially reduce dependency on the US dollar and the euro, a concern for several countries, including Russia, India, and China. However, it remains uncertain

whether the creation of a new currency by the BRICS nations will come to fruition and what its implications could be for global trade and the current financial system.

## INDIA-MALAYSIA

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On April 1, 2023, India and Malaysia agreed to trade using INR as a mode of settlement following the launch of India's Foreign Trade Policy to establish the rupee as a global currency. Trading in local currencies can reduce business transaction costs and encourage economic integration, but it may also increase exchange rate volatility and create an administrative burden.

The move from the US dollar is significant, indicating India's willingness to de-dollarise its international trade. The agreement is expected to benefit SMEs

and could encourage other countries in the region to explore similar arrangements, but potential risks should be monitored and mitigated.



Malaysia's Former Foreign Minister, Saifuddin Abdullah (Left) and Minister of External Affairs of India, Subrahmanyam Jaishankar (Right) at the Kuala Lumpur Convention Centre in Malaysia.



# RUSSIA-CHINA

Russia has been embracing the Chinese yuan, as it has become increasingly restricted from Western financial networks and the US dollar. The rise of the yuan in Russia's economy strengthens ties between the two countries, which have long rivalled each other for global influence but have grown closer amid shared discontent with the West.

Russian households, companies, and sovereign wealth funds are all becoming more reliant on the yuan. Energy exporters are increasingly getting paid in yuan, Russia's sovereign-wealth fund is



using the currency to store its oil riches, Russian companies have borrowed in yuan, whilst households are stashing savings in the currency.

# CHINA-BRAZIL

According to reports, Brazil and China have agreed to conduct their trade transactions using their local currencies instead of the US dollar. Under the deal, both countries will exchange yuan for reais rather than first converting their currencies to the US dollar.

ApexBrasil, the Brazilian Trade and Investment Promotion Agency, expects the move to reduce costs and promote and facilitate bilateral investment and trade. China is Brazil's largest trading partner, accounting for over a fifth of all imports, followed by the US. It is also Brazil's

biggest export market, accounting for more than a third of all exports.



# Bottom Line



The global trend towards de-dollarisation is gaining momentum as many countries seek to reduce their dependence on the US dollar in international trade. The move away from the US dollar is significant, indicating a willingness to de-dollarise international trade. While this shift could potentially reduce business transaction

costs and encourage economic integration, it may also increase exchange rate volatility and create administrative burdens. As the world moves towards a more multipolar order, the implications of this trend for global trade and the current financial system remain uncertain and should be monitored closely.



# TUS

# The Art Of Portfolio Evaluation

## What, Why And How?

BONDS

SHARES

MUTUAL  
FUNDS

SECURITIES



Portfolio Evaluation is an essential aspect of investment analysis. It involves assessing the quality of investment approaches and determining changes to improve investment results. It is, therefore, crucial for practitioners to understand the details of the analysis process to gain insight from the results and understand their limitations.



## What Is Portfolio Evaluation?

A portfolio combines investment products, including bonds, shares, securities, and mutual funds. Experienced portfolio managers customise this combination based on

the client's risk tolerance to create a long-term return portfolio. Individuals must save a portion of their income and invest it in a diversified portfolio of financial products.



# How To Evaluate Your Portfolio?

When evaluating your portfolio, it's crucial to consider both the returns you're earning and the risks you're taking to achieve them. High returns alone may not justify taking on high levels of risk. Here, we have discussed some of the most commonly used methods that comprehensively understand your portfolio's performance.

## Traditional Method

In the traditional method, the portfolio's returns are compared to those of a benchmark, typically a market index or a portfolio of a similar size. This approach is pretty straightforward as it focuses on measuring the returns generated by the portfolio compared to a standardised reference point. However, the traditional portfolio evaluation method does not consider the risks taken.

To address this limitation, risk-adjusted techniques have been developed to

evaluate portfolio performance.

These methods are more comprehensive as they consider returns and risks when evaluating portfolio performance.



## Treynor's Measure

The Treynor measure, first introduced by Jack L. Treynor, is a performance metric that assesses the risk-adjusted return of an investment portfolio by evaluating the portfolio's return per unit of systematic or market risk.





$$\text{Treynor's measure} = (R_P - R_F) / \beta$$

where,

$R_P$  = Portfolio Return

$R_F$  = Risk-free rate of return

$\beta$  = Beta coefficient

The formula for calculating the Treynor measure is simple. The risk-free rate represents the return an investor would expect to receive if they invested in a risk-free asset. The beta coefficient measures the portfolio's volatility relative to the overall market.

The Treynor measure is a valuable tool for diversified portfolio investors as it solely focuses on systematic risk and assumes that the portfolio has already eliminated unsystematic risk. A higher measure indicates better portfolio performance.

## Sharpe's Ratio

In 1966, William F. Sharpe developed the Sharpe ratio as a tool to evaluate the risk-adjusted return that considers both the standard deviation of the portfolio's returns and the risk involved in achieving that return.

$$\text{Sharpe ratio} = (R_P - R_F) / \sigma_P$$

where,

$R_P$  = Portfolio Return

$R_F$  = Risk-free rate of return

$\sigma_P$  = Standard deviation of the portfolio's returns

To calculate the Sharpe ratio, a portfolio's excess return over the risk-free rate is divided by the standard deviation of the portfolio's returns, which indicates the portfolio's volatility. A higher Sharpe ratio reflects a higher risk-adjusted return.

One of the advantages of the Sharpe ratio is that it considers the effects of portfolio diversification on risk. A well-diversified portfolio will have a lower standard

deviation and a higher Sharpe ratio than a concentrated portfolio with the same return.

It assumes that returns are normally distributed, which may not always be true. It also assumes that investors are risk-averse and prefer lower risk and higher return. However, some investors may be willing to take on more risk for the chance of higher returns.

## Jensen's Measure

Based on the Capital Asset Pricing Model (CAPM), the Jensen measure measures how much return a portfolio generates above the expected return from the market.

$$\text{Jensen's } \alpha = R_P - [R_F + (\beta) * (R_M - R_F)]$$

where,

$R_P$  = Portfolio Return

$R_F$  = Risk-free rate of return

$R_M$  = Market rate of return

$\beta$  = Beta coefficient

The excess return generated by the portfolio is also known as alpha. The higher the alpha, the better the portfolio's performance. A consistently positive alpha indicates that the portfolio is performing above average, while a

negative alpha signals that the portfolio is underperforming. The measure calculates risk premiums in beta, representing systematic risk. Therefore, this ratio is best applied to an investment that is already adequately diversified.



When evaluating your portfolio, there are several tips to keep in mind.

- Firstly, evaluating how you have allocated traditional assets in your portfolio is important. This can help to maximise your portfolio's potential.
  - Secondly, comparing the performance of your mutual funds and exchange-traded funds is important. These high-risk investments provide high returns, and it is important to keep a check on the volatile rates and invest where you can profit the most.
  - Thirdly, it is important to remember that expensive investment products can deplete a portfolio over time. Investing in a decent investment monitoring program that computes your portfolio expenses and shows how those expenses affect your lifetime returns can help you make informed investment decisions.
  - Fourthly, comparing how your fund or stock behaves relative to others in the same industry or sector can help you make informed decisions about your portfolio.
  - Finally, it is important to regularly make the necessary updates and tweaks to your portfolio. This will give you a clear picture of how you are doing towards achieving your goals and allow you to make necessary adjustments.
- By following these tips, you can effectively evaluate your portfolio and make informed investment decisions.

Evaluating your portfolio is an important step towards achieving your financial goals. It is essential to regularly review your portfolio's performance and compare them to relevant benchmarks to assess its effectiveness. Along with this, assessing risk-adjusted returns can give a clear picture of your investments and help you make informed decisions. Seeking feedback from a trained expert can provide valuable insights into rebalancing your portfolio according to changing life goals and events. Ultimately, portfolio evaluation aims to build a perfect portfolio that helps you create wealth in the short, medium, and long term. By keeping your investments on target and regularly making necessary updates and tweaks to your portfolio, you can achieve your financial objectives and secure your future.



# Income Tax Return And Mistakes To Avoid While Filing It





In India, every year between July and August, taxpayers are required to file their Income Tax Returns. While some prefer to hire a CA or Tax Consultant, many individuals opt to file their ITR themselves. However, due to the complex nature of income

tax law, mistakes are common among those filing their returns. There may be mistakes in ITR for even taxpayers who consult advisors because this period is when they start doing brisk business. More clients, more tasks, more rush and hence more mistakes.

## What Is ITR?

An Income Tax Return (ITR) is a report submitted to the Income Tax Department (IDT) of India containing information about the individual's income and the taxes they must pay during a financial year. These forms declare net tax liabilities, claim tax deductions, and report gross taxable income.

Any individual who is less than 59 years and has an annual income of more than Rs 2.5 Lakhs should file an IT return. The exemption limit for senior citizens

between 60 to 80 years of age is Rs 3 Lakhs; for super senior citizens, the limit is Rs 5 Lakhs.

We have compiled a list of common errors one could make while filing their ITR. But firstly, let's understand why one should file an ITR, mandatorily or voluntarily.



## Why Is It Important To File ITR?

Filing ITR is an essential process that taxpayers must perform with great care, as a single mistake can land them in deep trouble with the ITD. Even if your income levels do not require mandatory filing, it is advisable to file returns voluntarily for several reasons, such as:

- ➔ Failure to file tax returns on time can result in penalties, interest charges and even tax notices.
- ➔ Regular ITR filing is documented evidence of steady income, which financial institutions and countries seek to approve loans and visas, respectively.
- ➔ It enables one to carry their losses from one financial year to the next.
- ➔ Taxpayers can claim a refund of taxes withheld from income
- ➔ Filing regular ITR is a prerequisite for obtaining a tax clearance certificate
- ➔ Filing tax returns on time demonstrates responsibility towards the nation

Be it taxpayers or learned professionals, it is important to remember the following common mistakes while filing ITR to ensure a successful tax filing process without penalties or legal action.

### Mistake 1

## Late Filings Or No Filing At All

When it comes to ITR for individuals, the due date for filing is typically 31 July of the assessment year. However, this deadline can be extended by the

government. Failing to file before the deadline can result in several punitive measures, including a penalty of Rs 10,000 and an additional 1% interest on



unpaid taxes. Not filing your ITR at all is even worse; the ITD can initiate legal proceedings against you.

The consequences of these proceedings can be severe, including penal interest, a penalty of 50% of the tax payable avoided, and jail time ranging from 3 years to 7 years.



**Mistake 2**

**Using The Wrong ITR Form**

It is important to choose the correct ITR form based on the source of income. When taxpayers use the incorrect ITR form, their filing becomes defective, leading to its rejection by the ITD.

The table below describes, in brief, the specifications for the type of ITR form:



**ITR** Description of the Taxpayer

**ITR 1** Individuals with Income from Salaries, one house property, other sources and having total income upto Rs 50 lakh

**ITR 2** Individuals and HUFs not carrying out business or profession under any proprietorship

**ITR 3** Individuals and HUFs having income from a proprietary business or profession

**ITR 4** Individuals and HUFs having presumptive income from Business & Profession

**ITR 5** Artificial Juridical Person, Business trusts, Estate of insolvent or deceased, Body of Individuals or LLPs

**ITR 6** Companies other than those claiming an exemption under Section 11

**ITR 7** Persons including companies required to furnish returns under sections 139(4A), (4B), (4C), (4D), (4E), or (4F)

### Mistake 3

## Providing Incorrect Information

It is important to provide accurate personal information to avoid interest charges or rejection by the IDT.

Incorrect or incomplete bank details can lead to delayed refunds. Remember to pre-validate your bank account to enable your tax refund process. Special attention should also be given while mentioning the

email ID and contact number since the Tax Department sends important mail and messages.

Submitting false bills, including LIC receipts or medical bills to claim deductions or fake rent receipts to claim HRA, should be avoided since such bills can easily be tracked down.

### Mistake 4

## Not Mentioning Income From All Sources

When filing income tax returns, it is important to declare all sources of income, including rent, interest from fixed deposits and savings accounts, capital gains, and others, even if they are tax-exempt. Additionally, income from a minor child should be disclosed in the

parent's income tax return except for income earned using special knowledge or talent. If an individual switches jobs during the financial year, income from current and previous jobs must be reported to avoid discrepancies in the tax certificates.

**Mistake 5**

## Ignoring Form 26AS And TDS Certificate

It is crucial to verify Form 26AS, which is similar to a passbook and includes income, TDS, advance tax paid, tax credits, etc., before filing your ITR. It is essential to cross-check the information in

Form 26AS with Form 16 provided by the employer to avoid discrepancies. In case of a mismatch, it is advised to notify the tax authority and get it rectified, or you may receive a tax notice.



**Mistake 6**

## Forgetting To Verify And File Revised ITR

Filing ITR is incomplete until the return is verified and will be deemed "Invalid". You have 120 days to verify your ITR after submitting it. Verification can be done by sending a signed physical copy to the Central Processing Centre (CPC), e-verification using Aadhaar OTP or online

verification using Internet banking. It is better to rectify mistakes by submitting a revised return before the end of the assessment year, as even minor mistakes can be considered as concealment of income and result in fines and other penal interest charges.



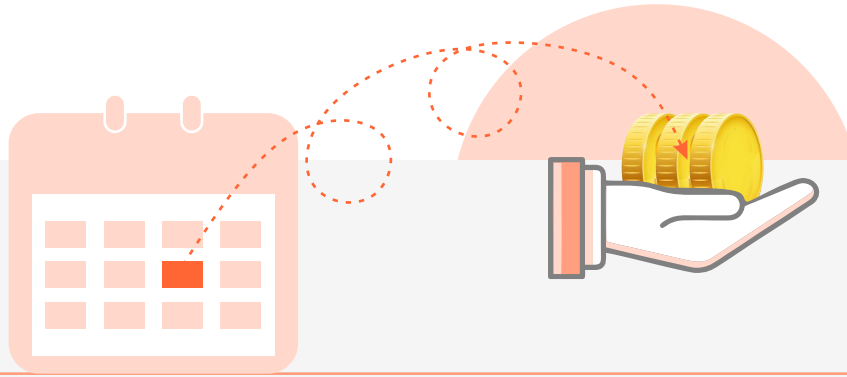


**Mistake 7**

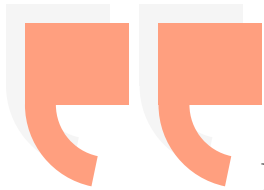
**Not Paying Advance Tax**

Taxpayers may not be aware that they need to pay advance tax if they have other sources of income besides their salary. Even if TDS has been deducted, taxpayers must pay advance tax when the difference

between their total tax liability and tax deducted at source exceeds a certain threshold. If advance tax is not paid on time, interest will be levied.



**Final Thoughts**

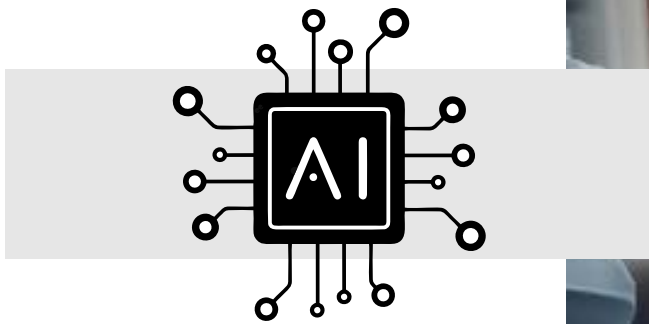


By avoiding discrepancies in your financial records and ensuring your ITR is error-free, you can avoid income tax audits and the need to file a revised ITR. Anyone can make mistakes, so take your time, use this list as a checklist, and confidently and carefully file your ITR, especially if you have multiple sources of income or are a first-time filer.



# Building And Managing A Portfolio Using The Power Of AI





The digital revolution has had a profound and lasting impact on the world as well as the Indian Stock Market over the past two decades. Investors are no longer solely relying on their brokers but are using the internet to a greater extent to purchase and sell shares.

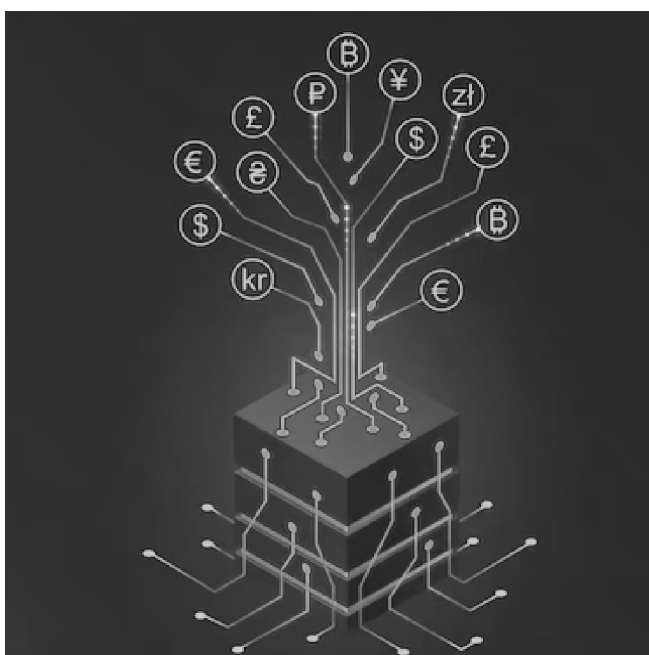
With around two billion internet users across the world, retail investor participation has increased, partly due

to the pandemic forcing people to stay at home and engage in stock market trading.

Artificial Intelligence (AI) has played a critical role in transforming the realm of financial management through digitisation. Risk management, customer segmentation, credit scoring, personalised banking, process automation, and more are some of the advantages of AI and its technologies that are leveraged by the finance sector.

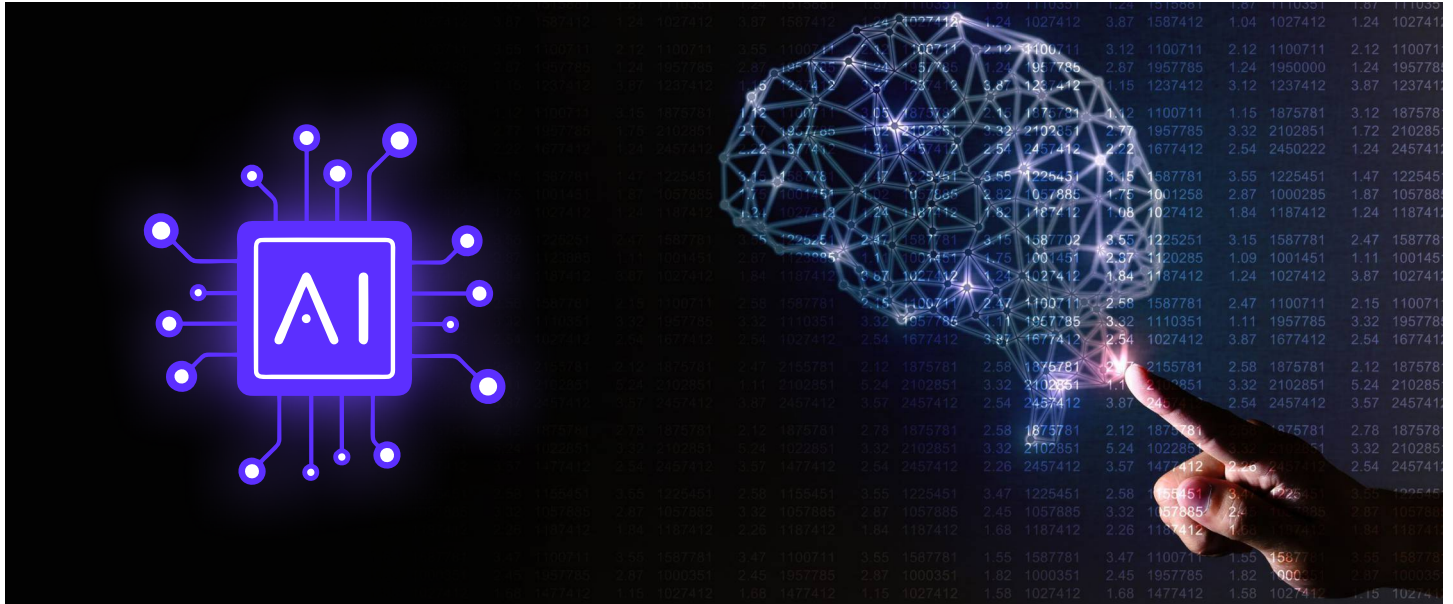
Another important area of finance is where AI plays a significant role in portfolio and wealth management. AI techniques can be used for sophisticated fundamental analysis and asset allocation in financial portfolios to provide better estimates of returns than conventional methods. Various fintech organisations have also shifted their focus towards increasing the usage of AI in managing risk in portfolios.

Let's dive in and discuss what AI is and how it can help build and manage a future-proof portfolio.





# What Is Artificial Intelligence And How Can It Help In Investing?



Artificial Intelligence, or AI, is a type of software that allows computers to mimic human intellect. Various AI techniques are used, such as genetic algorithms, cluster analysis, support vector machines, and decision trees.

Adopting AI can significantly impact the future of investment management. AI has a significant role to play in

portfolio management. AI techniques can perform fundamental analysis using text analysis and optimise asset allocations in financial portfolios.

AI techniques provide better estimates of returns and covariances than traditional methods, making it easier to construct portfolios that meet performance targets. AI can also be used for asset allocation decisions to build and optimise portfolios that perform better than those created using traditional methods. AI techniques often provide more accurate estimates of returns and covariances, which can be used in traditional portfolio optimisation frameworks. With AI, businesses can construct portfolios that meet performance targets more closely.



# Portfolio Creation And Management

The world of investment portfolio management is vast and complex. It includes various financial assets, such as stocks, mutual funds, commodities, and exchange-traded funds. With the advancement of technology, AI portfolio management software has emerged as an essential tool for managing diversified risks. These solutions can provide customised portfolio recommendations based on an investor's unique risk appetite and investment goals.

Using Ai, we can quickly and accurately scan vast amounts of data that human analysts may overlook. AI algorithms can identify patterns and trends, interpret market sentiment, news articles, and financial statements to identify signals and make predictions about a company's future performance.

AI is also transforming the peer-to-peer (P2P) lending industry. It streamlines data processing for more efficient creditworthiness evaluations



of potential borrowers, optimises underwriting processes, and enables more effective lending portfolio management.

Furthermore, AI can assist in creating optimal asset allocation strategies. It can help investors identify the best mix of assets to achieve their investment goals while minimising risks. AI-based solutions can adjust asset allocations based on changing market conditions and investor preferences.

AI can provide investors with more accurate and timely risk assessments. By analysing a wide range of factors influencing risk, such as interest rates, market volatility, and global events, AI algorithms can help investors make informed decisions that align with their risk appetite. AI can also help investors monitor their portfolios continuously, recommendations and providing alerts to take appropriate actions when necessary.



# AI In The FinTech Realm

AI has transformed the financial domain, particularly portfolio management. With AI techniques increasingly used in asset management and buy-side activities of the



financial markets, portfolio management has become more efficient, accurate and data-driven. Here are some other ways in which AI is being used:

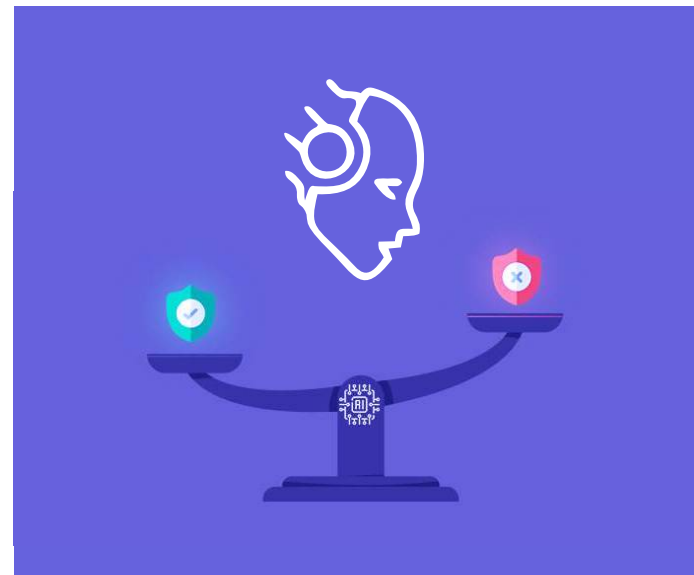
## Fundamental Analysis

AI techniques can also be applied for organising textual research of economic reports, annual reports, and other helpful documents and statements to determine correlations and then pick the stocks that can surpass those correlations. However, AI lacks human intuition, giving them an edge over AI regarding emotional intelligence while trading.



## Risk Management

Risk management is a crucial element of portfolio management. AI can help investors to better assess the risks associated with different investments by analysing a wide range of factors such as market volatility, geopolitical risks, and financial data. Following this, the investors will have a more accurate picture of the risks they face and how to manage them.





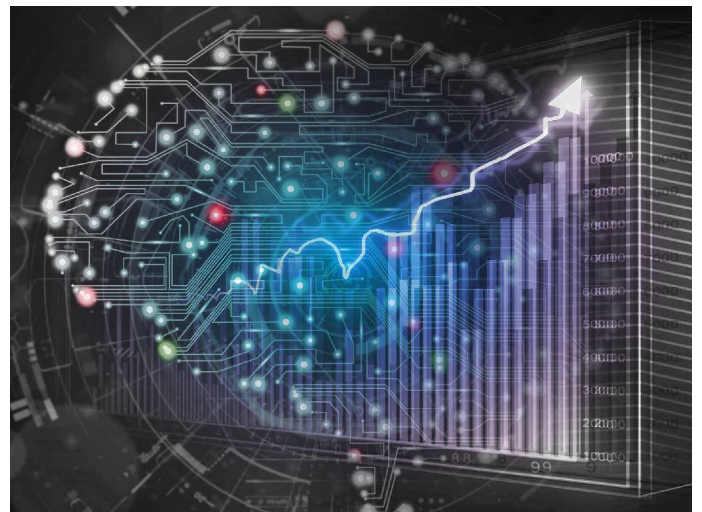
## Client Enablement

AI can provide automated insights, evaluate management sentiment, find non-intuitive relationships between market indicators and securities, analyse alternative data, estimate future growth and patterns in client behaviour, and drive smart client outreach and demand generation via analytics, using alternative data sources such as social media.



## Trade Management

Algorithmic trading is executing orders that use pre-programmed trading instructions that help make relevant predictions. AI-powered trading techniques assist in analysing transaction costs and executing large trades. AI can help execute trades without human intervention and dynamically evolve into computer-programmed algorithms (algos).



# Risks Involved In Using AI

While the benefits of using AI in finance are widely known, there are potential negative issues that asset managers should be aware of. These risks are related



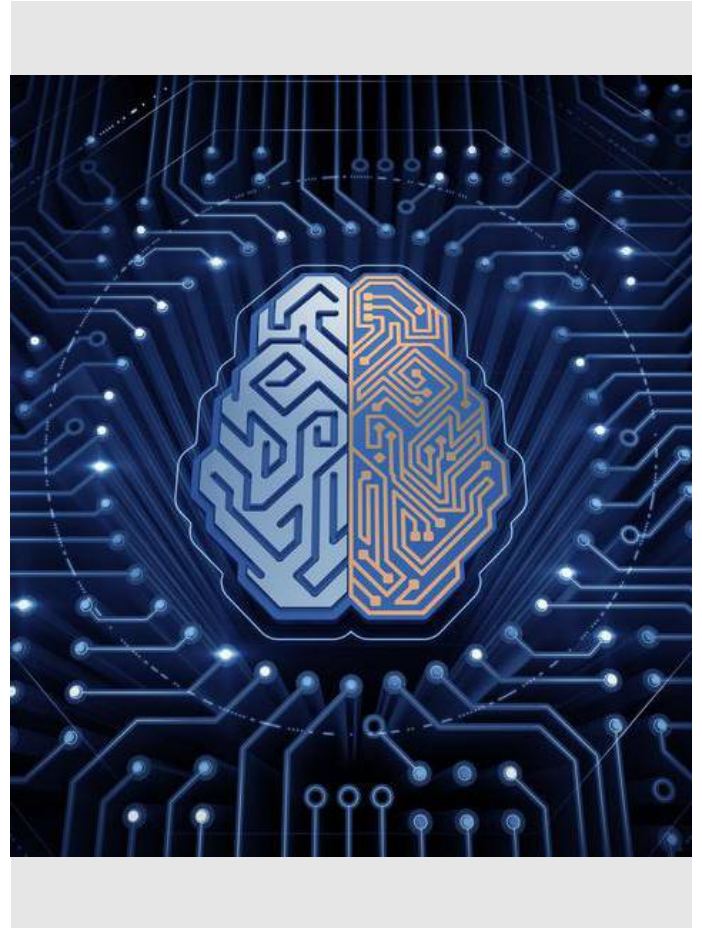
to complexity, opacity, and data integrity. AI models' inferences can be difficult, if not impossible, to understand and explain. Another risk of AI models is making

incorrect decisions based on inaccurate inferences that have captured spurious or irrelevant patterns in the data. AI models can also make attributing investment performance more challenging. Consequently, explaining to investors how and why the investment strategy failed can be difficult in cases of poor fund performance, undermining investors' trust in the fund or the industry.

Data quality and sufficiency can also be major concerns regarding AI models. Like other empirical models, AI models rely on the integrity and availability of data. Poor data quality can easily trigger the "garbage in, garbage out" phenomenon.

Asset managers must weigh the benefits and costs of using AI and be mindful of its potential risks. Since limited resources are available for developing and testing new

strategies, investing in AI must be evaluated against other research projects also vying for the same resources.



## The Takeaway

The integration of AI technology in portfolio management has the potential to revolutionise the finance industry. By combining the expertise of portfolio managers with AI tools, investors can achieve better returns while minimising risks. Although AI technology is imperfect, it has become an essential tool

in portfolio management that has transformed investment decisions. As AI technology continues to evolve, we expect to see even more advanced AI-based portfolio management solutions that leverage big data, machine learning, and other cutting-edge technologies to deliver even better results for investors.

# Stocks To Bet On



Bank of Baroda



IRCTC Ltd



Biocon Ltd



Aditya Birla Capital



Balrampur Chini Mills Ltd

Exclusive Recommendation By

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(SEBI Registration Number INA000006688)





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