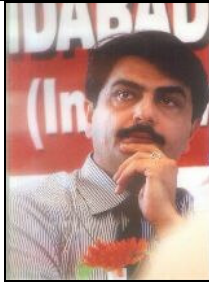
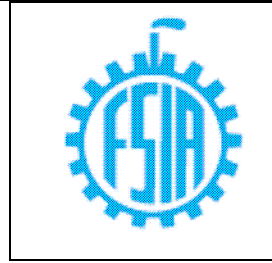


*E-circular dt Monday, October 13, 2008*



Rajive Chawla  
President, FSIA



Sangeet Kr Gupta  
Hony Consultant, FSIA

## **Falling Stock markets: what to do?**

Dear Members,

### **Preface**

Many of our members are connected directly and indirectly with the stock markets. Whether as investors, or as listed companies themselves. The [recent tumbling of the stock markets](#) has left all [spell-bound, confused](#), and [rattled](#).

There are some who came out of the market when the index was around 16000-20000. But the vast majority of the readers of this circular, would still be holding on to their investments, whether in Infosys, or Reliance, or L & T, or Reliance Power, or even DLF, or our own Shivalik Global and Action Construction Equipment shares.

### **Next Question : What is the question ? What is the Dilemma ?**

Today, our members, do send us mails / telephone calls / or talk over informal meetings, and all have had the same question on their lips.

- & ``[What should I do now?](#)``,
- & ``[Will the index touch 10000?, or maybe even 9000 ?](#)``,
- & ``[Should I sell off and come out now ?](#)``,
- & ``[When will the market recover ?](#)``

Frankly we at FSIA Editorial Team have no single or sure answer to some of these questions. We understand and so will you that -- the real good fund manager (or consultant, by whatever name called) knows that he cannot predict the direction of the market, and even in case he can predict the market direction, he cannot predict the slope of the curve - how fast will it fall. It reminds me of remark by a speaker in a PHDCCI seminar at New Delhi last year ``[the BSE sensdex will surely reach 100,000](#) [But, we do not know, when !.....](#)`` ( similarly, BSE sensdex will never reach ZERO )

Jokingly, this means that, BSE sensex may surely come back to 20000, go to 30000 and even reach 100000 points, but it would be 10 years, or 20 years or 50 years, or more , none of us knows that.

### **Next Question : What causes us to behave in such a manner in every stock market up and down ?**

Human beings know that in case of a dangerous situation they have to do something. Monkeys also behave in the same manner. Who knows this? Tigers know this. So when a tiger wants to catch a monkey it goes to the trunk of a tree and roars repeatedly. In fear the monkeys start jumping from one branch to another. Monkeys can jump well, can they not? Well they can, but in fear they crash against each other and fall prey to the tiger!

So now you know why most of us are like monkeys and “The Big-Brokers and Banks” of the Global Stock markets are like that tiger.

### **Next Question : What will the market do?**

We would have called this a million dollar question. However, thanks to this great meltdown, let me call it the trillion dollar question.

#### **First view = Optimistic**

1. India is growing at 7% if you believe the pessimists and 9% if you believe the optimists. Anyway it is way above the world average, so investments will flow in.
2. Oil will hover around USD 70 to USD 90 to the barrel and that is good news.
3. Our working population is huge, and has a fantastic capacity to earn, save and spend.
4. Our domestic investors have put a small amount of money in equity markets, as they invest more, markets can only go up.
5. Indian Prime Minister and Indian Finance Minister, say that markets will go up. They can't be wrong, can they ?

#### **Second view = Pessimistic**

1. We are nowhere near the beginning of the American problem. Credit cards, Home loan defaults, Pay day loans, - the American – European problem seems to grow – as per the everyday newspaper reports.
2. Indian IT companies will surely have a huge drop in earnings - thanks to the American problems.
3. The turmoil in the banking/ investment banking / financial services industry worldwide will bring compelling problems and less money comes into the Indian markets.
4. Down turns could be for short term - say 18 to 24 months, but secular bear markets can keep the index same for long periods. Remember the American Dow Jones remained at the same level from 1970 to 1982. And the Indian Market has also shown long spells like after the Harshad Mehta downturn, and so on.

So, which view would you want to take? Optimistic or Pessimistic? Make your choice.

### **Next Question : “What should I do ?”**

- & Dear member, let your portfolio to do well, just stay in your place... of course some of the basic structure has to be in place.
- & The worst decision is to “Sell when all are selling ( at the bottom) and buy when all are buying ( at the top, of the curve)”. So, relax, Take a Deep Breath.
- & As the Finance minister said yesterday, “.....Dont worry, Be Happy.....”. For the rest of his speech, refer to [www.economictimes.com](http://www.economictimes.com)
- & So, Relax ..... what has happened, is a problem, but the world will continue to exist. If you invested your own money, stay put.
- & If you invested by taking loans, you are in deeper soup. Rate of interest are pretty high already, and paying from your own pocket , while the market remains very very low, for months, will be a real pain , both to you and to your CA (Chartered Accountant)

### **Next Question : “OK, but still, ..... What should I do NOW ?”**

Bad News friends, but we cannot turn back the stock market, for time being.

- & The down turn has been global
  - o AIG Shares have dropped from \$ 70.00 to \$ 3.12 , in one year.
  - o Drop in Share price by 95.5% : (Source : [www.AOL.com](http://www.AOL.com))
- & Last week, on a `business` channel I heard an analyst say `shift to cash, so that you can sleep peacefully`.
- & `Cash is king` is another fond statement.
- & “Gold is another king”
- & Continue your Systematic Investment Plans. Stopping investing because the market has fallen is not very sensible.
- & Stop watching Business television for time being.
- & Stop reading panic articles.

**Next Question : “What are the consultants doing themselves ?”**

- & In a bear market (let us say a market which is slowing down) if you do reallocate your portfolio, you should be buying MORE equity, not less.
- & So, I am one of those, who are waiting, and probably, will be a buyer in the market soon.
- & The real blue chip shares, are available for 50% to 70% discount. ( of in today’s Supermarket off-season sales, you could say, 1-ke-sath-2 free, or “Buy 1-Get 3” scheme.
- & So, if this clicks to you, BUY those blue chips you always wanted to buy.

Some snaps from the G-7 Meet ( on 11-10-2008). The Prime Ministers/ Presidents of the Top 7 nations of the world, made their plans for preventing the problems from further aggravating.

<b>Core Points</b>		
Bailout funding USD 1000 billion by G-7 countries , which is equal to Indian Rupee 50,00,000 crores		

Indian Market Indices - Latest Today ( 13-10-2008 ) 1 pm

**Sensex**

13 Oct  
13 00 PM

**Snapshot**

<b>Current Level</b>	<b>11212.65</b>
<b>Last Close</b>	<b>10527.85</b>
<b>Change</b>	<b>684.80</b>
<b>% Change</b>	<b>6.50</b>



## Indian Market Indices - Last week news

*The 30 share index, BSE Sensex plunged 575.86 points, or 4.40%, to 12,526.32 in the week ended Oct. 03, 2008. On the other hand, the broad based NSE Nifty plunged 166.95 points, or 4.19%, to 3,818.30 in the same period.*

	Indices Trend			
		Sensex		Nifty
Period	Value	% Change	Value	% Change
1 Week	13,102.18	(4.40)	3,985.25	(4.19)
1 Month	15,049.86	(16.77)	4,504.00	(15.22)
3 Months	13,454.00	(6.90)	4,016.00	(4.92)
6 Months	15,343.12	(18.36)	4,647.00	(17.83)
1 Year	18,280.24	(31.48)	5,327.25	(28.33)


	Global Indices Watch			
Index	Latest Close	Weekly % Gain/Loss		
DOW	1,947.39	(10.81)		
Nasdaq	4,980.25	(2.13)		
FTSE	10,325.38	(7.34)		
Nikkei	10,938.14	(8.03)		

Major gainers in 30-share index were State Bank Of India (3.29%), HDFC Bank (2.22%), ACC (1.85%), Hindustan Unilever (1.45%), Bharat Heavy Electricals (1.03%), and Maruti Suzuki India (0.59%) over the week.

On the other hand Larsen & Toubro (53.07%), Tata Steel (14.65%), Reliance Energy (11.50%), Sterlite Industries (India) (11.50%), Tata Motors (11.41%), and Reliance Industries (10.20%) were the biggest losers in the Sensex over the week.

### Part 2 of today's Circular

This is also the time to know the deadlines in the coming days

15 <sup>th</sup> October	E-TDS Returns and E-TCS Returns	
25 <sup>th</sup> October	Service Tax Returns- first Half Year	
30 <sup>th</sup> October	ROC return, if the AGM is dt 30.9.08	
15 <sup>th</sup> December	Advance Tax	

**For queries, suggestions and feedback , you can e-mail us at :**

	<p><b>Sangeet Kumar Gupta</b>  FCA, ICWA, PGDMM, B.Com(Hons)  Honorary Consultant,  Faridabad Small Industries Association  93126-08426  <a href="mailto:groupmlg@eth.net">groupmlg@eth.net</a>  <b>Camp Off</b> : 63, Sector-15, Faridabad  <b>FSIA Off</b> : FSIA Park, Opp. Plot No.23,  Sector- 24, Faridabad- 121005</p>	
--	---	--

#### **Subscription**

Please send your details, and request e-mail to [groupmlg@eth.net](mailto:groupmlg@eth.net)

#### **for Discontinuation of this E-mail**

To discontinue receipt of e-mails from the author, please reply mentioning "Discontinue" in the Subject.

#### **Notes & disclaimer**

For private circulation. Intended for recipient only. This is only for personal information of the members. Based on information & interpretations available as on Sunday, October 12, 2008 at 8pm Please contact your Consultant / Chartered Accountant / counsel for his final opinion, if deemed fit.

**Advt. :** Many Successful businesses are controlling their Business operations, Accounts, Purchase, Sales, Complaints, Collections, Taxation, Production, ISO-9000/ ISO-14001 and TS-16949 systems on the Finsys ERP packages © MLG Infotech P Ltd 1992-2008.



## Past E-Circulars

We have hosted many of the past e-circulars on the Internet, for ready access.  
And for you to download, in case you don't get it by mail.  
You may click at <http://www.finsys.co.in/Ecirculars.htm> , for the back issues of the FSIA E-circulars.

## News :

We have hosted some recent News items too on this site  
You may click at <http://www.finsys.co.in/index.htm> , for the News & Finsys ERP product new modules, including auto-SMS and auto-email facilities

Yes, you can implement these facilities for your company  
via the MLG Team