

**Straight Drive**

A roundup of top events and moves on the Street

**A volatile day for Jet Airways**

Shares of Jet Airways declined over 6 per cent intraday after the company said seven more aircraft have been grounded due to non-payment of lease rentals. However, the scrip recovered smartly and closed 0.91% higher at ₹222.80 on the BSE.

**Vascon Engg wins order**

EPC player Vascon Engineers gained as much as 14.35%, their biggest intraday percentage gain since December 21, 2017. The scrip gained momentum after it informed bourses that the company has received order worth ₹83.52 crore from the Airports Authority of India. However, the scrip closed 9.41% higher at ₹15.70.

**Top Nifty losers, gainers**

As many as 26 stocks of the Nifty index closed the day in the red, with TCS falling the most by 3.62%, followed by Eicher Motors (down 2.87%), UltraTech Cement (down 2.03% and Maruti Suzuki (down 1.96%). On the other hand, share price of ONGC, Vedanta, Coal India and BPCL gained up to 5.43%.

**32 stocks ready to rise**

Momentum indicator, moving average convergence divergence, or MACD, showed bullish crossovers on 32 counters on the BSE, signalling that these stocks may rise in coming sessions. Among the stocks that saw bullish crossovers were Nalco, Oriental Bank, Future Retail, Equitas Holdings and Rashtriya Chemicals. On the flip side, 14 issues, including Hero MotoCorp, MCX, ABB India, Motilal Oswal Financial Services, Sonata Software and Team-lease, showed bearish crossover.

**Buyers pile into these 175 stocks**

As many as 175 stocks hit their upper circuit on the BSE even as 193 counters hit the lower circuit. Those that hit upper circuits included PG Electroplast, Zodiac Clothing, Sankhya Infotech, Max Altet Systems and Rama Steel Tubes. Darjeeling Ropeway Company, Himachal Fibres, Capital Trust and Intellivite Capital Ventures were among the ones that plumed lower circuits.

Nishant Kumar/ETMarkets.com

**AT 62.5%, STATES' FISCAL DEFICIT IN FY19 THE WORST IN EIGHT YEARS**

**States Running High Fiscal Deficits, too**

The central government's fiscal deficit reached 112% of the budget estimate in the first nine months of the current fiscal, the highest in 19 years due to weak tax receipts. Also, the fiscal picture for the 19 states, which accounted for 90% of the total state budget is not very encouraging either. According to data compiled by Motilal Oswal, their fiscal deficit was 62.5% of their budget estimates, the worst in eight years. These states on an average had a fiscal deficit of 44.3% of the budget estimates in the past five fiscals.

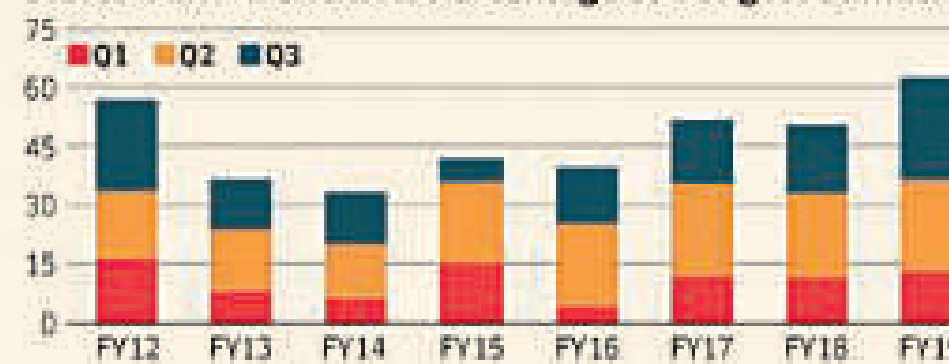
There is a wide divergence in the fiscal deficit of the individual states. Bihar's fiscal deficit was 5.5 times the full-year budget estimate in the nine months of FY19 as the tax collection was just 20%

of the budget estimate and 37% lower compared with the corresponding period of the previous fiscal while revenue and capital spending rose by 39% and 40%, respectively.

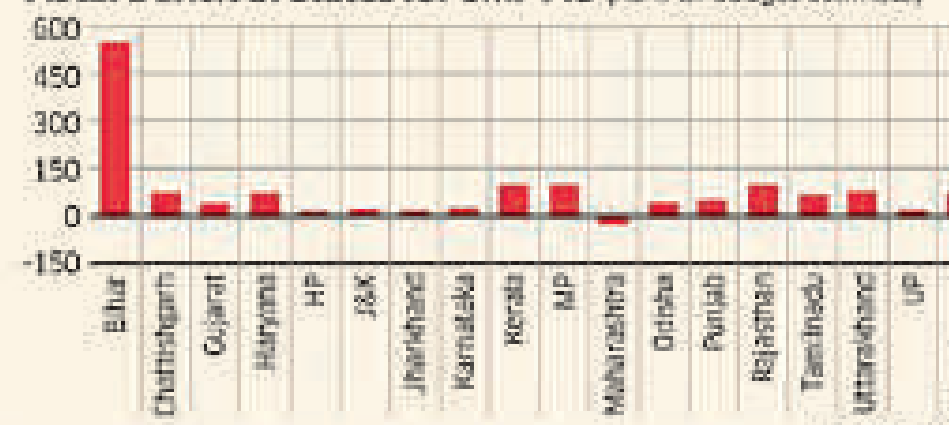
The fiscal deficit of Kerala, Rajasthan, and Madhya Pradesh have surpassed their full-year budget estimate target. On the other hand, Maharashtra had a budget surplus of 25% of the budget estimate in the first nine months of FY19. The spending of the state governments remains elevated. The total expenditure of 19 states rose by 14.5% for the first nine months of FY19. The higher spending was mainly due to capital spending which rose by 23.1% in the first nine months of FY19.

- Ashutosh R Shyam/ETIG

States' Fiscal Deficit: As Percentage of Budget Estimate



Fiscal Deficit of States for 9MFY19 (As % of budget estimate)



**CURRENT MARKET ATTRACTIVE FOR INVESTMENT: SHANKAR SHARMA**

**'Don't Expect a Significant Post-election Rally Even If Modi Comes Back in 2019'**

Sharma says even if BJP doesn't return to power, the negative impact won't last

ETMarkets.com



Market veteran Shankar Sharma does not see any substantial bounce in the domestic equity market even if BJP returns to power in the forthcoming general elections.

In last two elections, the market has seen substantial bounce post the election results. In 2014, a change in guard at the Centre triggered a rally across the board, with midcaps and smallcaps leading from the front. When UPA-II came to power, the domestic indices had hit upper circuits on the day of election outcome.

But Sharma says he sees no big move this time if the ruling party is re-elected. An opposite outcome, in fact, could only be a temporary negative for the market.

India's general elections are scheduled to be held in April and May 2019 to constitute the 17th Lok Sabha.

Sharma said if there is an adverse verdict for BJP, the impact will be negative but only for a short

duration. "I don't expect a substantial move in the market if there is a change in government," he said.

"The same government coming back does not mean much for the market. If another government comes in, it might mean a bad thing for temporary period, but the market might then end up thinking that maybe new thinking might not be such a bad thing. So we will wait and see," Sharma said.

He, however, said the current environment is quite attractive for equity investment. Sharma said he does not see any substantial fall in the indices from here on, unless the situation on the border worsens.

"I am a little worried about the current discussions and discourse. However, a 10-15 per cent decline in Nifty is unlikely unless the

border unrest grows," he said. The stock market likes peace, calm, harmony, progress, and not talk on war, he said.

Sharma, Vice-Chairman and joint MD of First Global, said he is very optimistic about global equities, especially emerging markets. He says the Chinese market may outperform the emerging markets pack in 2019.

"I don't think there's any issue with global markets. The world is a peaceful place," he said in an interaction with ETNOW.

In the current market, Sharma sees pockets for value in companies with good earnings and no leverage. "I am seeing a mixed bag of players in the market. Some stocks and managements are dodgy."

He said equities as an asset class is very volatile in nature. "If you don't have the stomach to see 30-40 per cent fall, then you should not be in equities," Sharma warned investors.

From an investment perspective, the Dalal Street veteran is positive on the smallcap space after the recent fall. "After looking at the earnings numbers of smallcap players, I am optimistic on this space without a doubt," he said.

With nearly four decades of experience, Sharma said the chemicals space looks good right now. "This space has been volatile, but we see some solidity coming in," Sharma said.

**MFs, PMS may Get to Play in Commodity Derivatives Soon: Sebi**

Our Bureau

Mumbai: Mutual funds and portfolio management services would be allowed "very soon" in the commodity derivatives market, said SK Mohanty, whole time member, Sebi.

He was speaking at the sidelines of an event organised by FICCI and MCX investor protection fund. Asked whether the regulator would announce participation of the new institutional investors at its board meet on Friday, Mohanty said it would "happen soon" without clarifying how soon.

He added that mutual funds' presence would open the gate for the launch of new products like commodity ETFs which would increase the retail base on the commodity derivatives segment (CDS).

Mohanty also said that public comments had been received by Sebi on launch of indices trading in CDS and that even this product would be launched shortly. The custodial regulations had been amended recently by Sebi to allow custodians to participate in the segment, paving the way for mutual funds' entry.

**BoJ, RBI Sign Pact for Currency Swap**

Mumbai: The Bank of Japan (BOJ), and the Reserve Bank of India (RBI) have signed a currency swap agreement that enables both countries to swap their local currencies (i.e., either Japanese yen or Indian rupee) against US dollar for up to \$75 billion. The agreement is effective from Thursday. The authorities of both countries believe that, by enhancing financial cooperation, the bilateral swap agreement will contribute to the stability of financial markets, thereby further developing the economic and trade ties between the two countries. RBI said in a press release. - Our Bureau

**Crowd Funding Platforms**

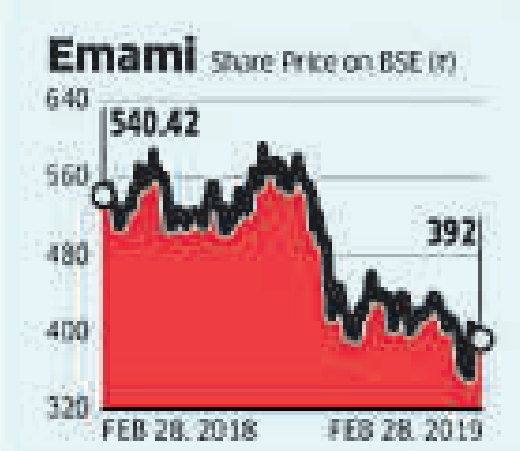
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"MF rules are anyway light touch and give sufficient freedom for the entities." Sebi had proposed special regulations for the crowd funding platforms in 2015. In 2016, the market regulator released a discussion paper proposing draft norms. However, Sebi dropped the idea subsequently due to multiple factors. The Reserve Bank of India (RBI) had released a set of rules of crowdsourcing firms in peer to peer (P2P) lending. This brought a significant number of crowd funding platforms under the central bank's purview. There were also views within the government that the new-age platforms should not be over burdened with regulations.

**AFTER RELEASE OF SHARES**, promoters' total pledge has come down to 40.75% from 47.58%, stock may see a re-rating

**Emami Promoters Use Stake Sale Proceeds to Pare Share Pledges**

Rajesh Mascarenhas @timesgroup.com



Mumbai: Promoters of Emami, who sold 10% in the company to raise ₹1,600 crore last week, have used majority of the proceeds to repay loans from mutual funds and release the pledged shares. The move could result in the re-rating of the stock, according to analysts.

Promoters had borrowed from mutual funds keeping shares as collateral. After the 11% plunge in the Emami's share price on February 11 amid worries about companies with higher promoter share pledges, mutual funds had asked the consumer goods maker's promoters to reduce the extent of pledge.

Last week, promoters of Emami Group sold 10% stake worth ₹1,600 crore to funds like SBI Mutual Fund, Premji Invest, Amundi, IDFC and others, thereby reducing the promoter holding in Emami to 62.7% from 72.7% as on December 31.

After the release of the shares, Emami promoters' total pledge has come down to 40.75% of their total shareholding from 47.58% before the stake sale, according to exchange filings.

Emami promoters had pledged shares with HDFC AMC, Reliance Nippon Life AMC, ICICI Prudential AMC, SBI-SG Global Securities, Axis MF AMC and Invesco MF AMC, regulatory filings with stock exchanges revealed.

Nearly ₹1,000 crore of the stake sale proceeds have been used to release shares worth around ₹1,500 crore from financial lenders, according to bankers. Since the stake sale, Emami's stock has gained 13%.

In a statement to stock exchange-

es, Emami Group promoters said the stake sale proceeds will reduce promoter debt which was used in creation of assets like cement and solar power, while adding that they do not anticipate any further dilution of stake in the foreseeable future.

"In our view, the 10% stake sale by Emami Limited's promoters will aid re-rating of the stock from the current levels due to better financial stability of the promoters," said Abhijeet Khandu, analyst at Antique Stock Broking. "However, a sustained re-rating of the stock from the current levels will be driven by improvements in performance of its male grooming business, summer product portfolio and continued improvement in Kesh King and Pancharishta."

Emami's stock was under pressure due to consistent weak operating performance and rising promoter share pledge. The stock fell nearly 40% in the six months prior to the stake sale.

"We believe promoter stake sale is a positive and will reduce the risk associated with the stock," said Naveen Trivedi, analyst at HDFC Securities. "On the business side, the company has also enhanced the quality of its distribution but is awaiting a favorable season to benefit from the same."

**Wall Street Slides After Early End to Trump-Kim Summit**

Reuters

US stocks slipped on Thursday as a US-North Korea summit ended abruptly without an agreement, with a clutch of weak earnings adding to the downbeat sentiment. President Donald Trump said he had walked away from a nuclear deal at his summit with Kim Jong Un in Vietnam because of unacceptable demands from the North Korean leader to lift

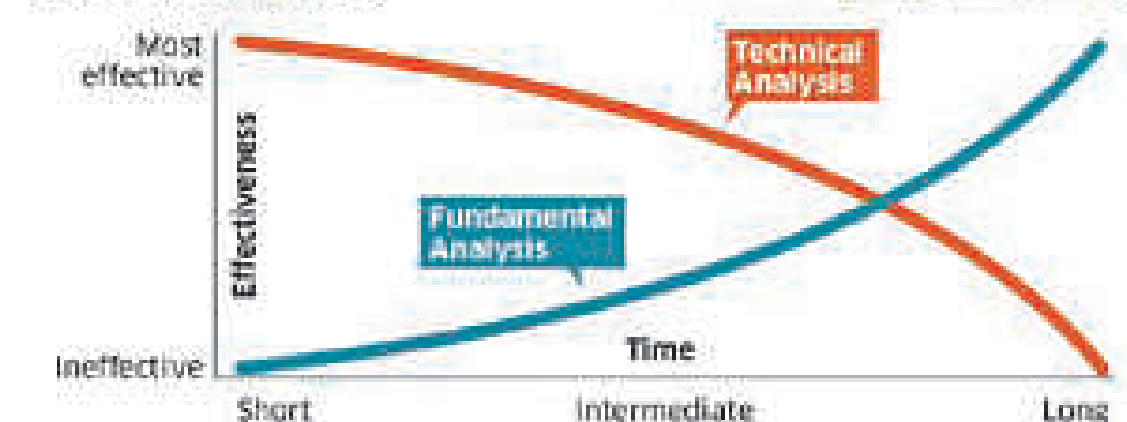
US-led sanctions. "After the lack of results from the North Korean summit, there could be some nervousness about the possibility of similar results coming out of China tariff negotiations," said Jake Dollarhide, chief executive officer of Longbow Asset Management in Tulsa, Oklahoma. "But the biggest factor is that we've had a sharp rise since the Christmas Eve lows. A lot of people are just nervous that we've come too far too fast."

**ET in the Classroom**

**TECHNICAL ANALYSIS SERIES 1**

**Fundamental vs Technical Analysis for Markets**

Since the purpose of getting into stock market is to generate higher returns, all 'smart investors' buy scrips that are expected to rise in the future and sell the ones that are likely to fall or remain flat. However, methods used to identify these stocks differ significantly under fundamental and technical analysis. ET in the Classroom has explained several fundamental analysis topics in the past, and now, starting a new series on technical analysis. Though technical analysis can be used in all markets - commodities, forex, stocks or bonds - we are confining it to the stock market for the sake of simplicity.



**1. Fundamental analysis**

A stock's future potential is measured in this method by analysing macro factors such as the country's GDP growth, inflation rate, interest rate, etc or micro factors like company's sales, profitability, return on equity, liabilities, cash holding, etc.

**2. Technical analysis**

Technical analysis, on the other hand, uses pure historical market data like share price movements, volume, option interest, etc for predicting future price direction of a stock.

**3. Why ignore fundamental data?**

Technical analysis ignores fundamental data not because they are irrelevant but because the market price of a stock discounts these fundamental factors through the actions of buyers and sellers and, hence, there is no need to analyse them again. The first rule of this method is that 'price captures everything'.

**4. Which is best?**

It is difficult to say which one is best because technical analysis works better for short-term trading and investing, while fundamental analysis is useful for long-term investing (see chart). Since both methods are useful, most brokerages employ both types of analysts.

**5. Techno-Funda analysis:**

Successful investors use both the methods - fundamental analysis to identify which stock to buy or sell and technical analysis to decide when to do so.

TEXT: Narendra Nathan

**NICHE FUNDS COME WITH HIGH REWARD, BUT ALSO ELEVATED RISK**

**'Investing on Steroids' Pays Off for Thematic ETFs**

**Trouncing the Market: Marijuana, solar power, clean energy funds up more than 30%**

Bloomberg

New York: For returns more than triple the stock market average so far this year, look no further than a quirky group of exchange-traded funds that bet on the latest investment fads.

The top three performing US-listed, non-leveraged ETFs this year are so-called thematic funds — or niche products that focus on categories. From marijuana, to solar power and clean energy portfolios constructed with com-

panies betting on industrial and social transformations are trouncing rivals across the broader equity market.

While it's only the end of February, their performance has been astounding. The ETFMG Alternative Harvest ETF, ticker MJ, which wagers on the growth of cannabis, has surged nearly 50%. A fund that focuses on solar power, the Invesco Solar ETF, TAN, and the Invesco Wilderhill Clean Energy ETF, PBW, which holds companies across the new-energy spectrum, have both gained more than 30%.

"This is really investing on steroids," said Todd Rosenbluth, director of ETF research at CFRA Research. "You're taking significant risk — sometimes that gets rewarded, but you're going to fail quite often with these investment strategies."

Most recently, investors have



been compensated for the risk. While the S&P 500 is experiencing its best start to a year since 1987, these funds have tripled year-to-date returns. But that comes after a volatile 2018 — all three funds fell more than double the benchmark index. In fact, TAN saw losses four times greater than the S&P 500's 6.2% decline.

But while performance has wowed, investor flows haven't necessarily followed suit. So far this year, investors have pulled cash from TAN and PBW. The weed-focused fund meanwhile has taken in \$227 million, sending its total assets above \$1 billion.

In the more than \$3.5 trillion ETF industry, thematic ETFs have grown increasingly popular as issuers look for ways to differentiate themselves, while charging more money. Last year marked a record for thematic ETF

launches. State Street Corp. set out with the first ever fund tracking space and deep sea exploration. Other niche products look to pets, self-driving cars and the growth of artificial intelligence. Thematic ETFs on average cost investors \$5.80 for every \$1,000 invested, compared with \$5.00 for all ETFs.

With higher costs and elevated risk, ETFs such as these aren't for everyone. At Kingsview Asset Management, the team tends to stay away from thematic ETFs since they're more a "flavor of the day," according to Paul Nolte, a Chicago-based portfolio manager at the firm. "If you hit them right, they're wonderful — they're up huge amounts already this year," Nolte said. "But if you hit them wrong, or you think this theme is going to work out and it doesn't, you end up with a big dud."