



ONLINE  
SESSION

TIE CM Exclusive

**FOCUS SESSION**

# **Impact of Global Turmoil on Asset Classes**

Saturday, 4 April 2020  
5:30pm - 7:00pm

**PRESENTATION & NOTES**

## Traditional Asset Classes

1. Equity
2. Mutual Funds
3. Debt and Bonds
4. Real Estate
5. Gold
6. Cash and equivalents

Equity

Mutual  
Funds

Debt and  
Bonds

Real Estate

Gold

Cash and  
Equivalents

## New Asset Classes

1. Angel Investing
2. VC/PE Funds
3. Cryptocurrency
4. REIT
5. INVIT
6. ETF

Angel  
Investing

VC/PE  
Funds

Crypto-  
currency

REIT

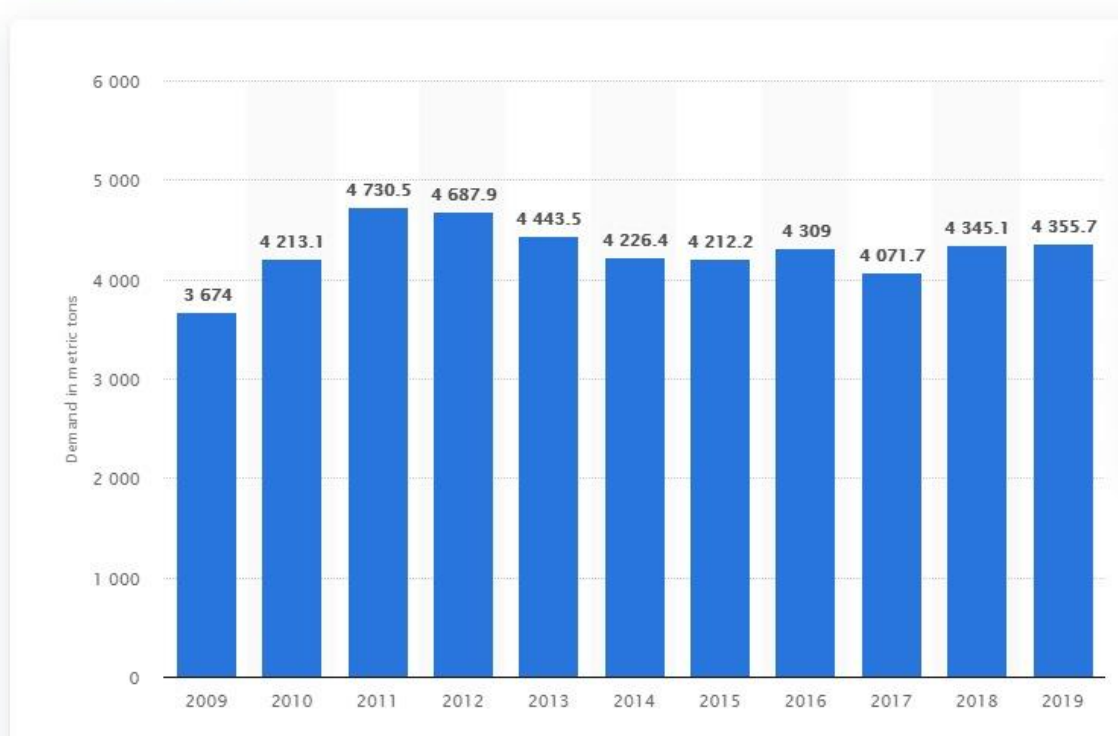
INVIT

ETF

The RBI increased its stash by about 42 tons last year, and after adding more in January and February, the country's gold reserves now stand at a record high of almost 609 tons, according to data from the International Monetary Fund. Russia bought 274 tons in 2018 and has added more this year, while China's central bank is on a renewed buying spree that began in December. Global official sector gold purchases could reach 700 tons in 2019 led by these countries as well as Kazakhstan, Iran, and Turkey, according to Citigroup Inc.

## Gold demand worldwide from 2009 to 2019

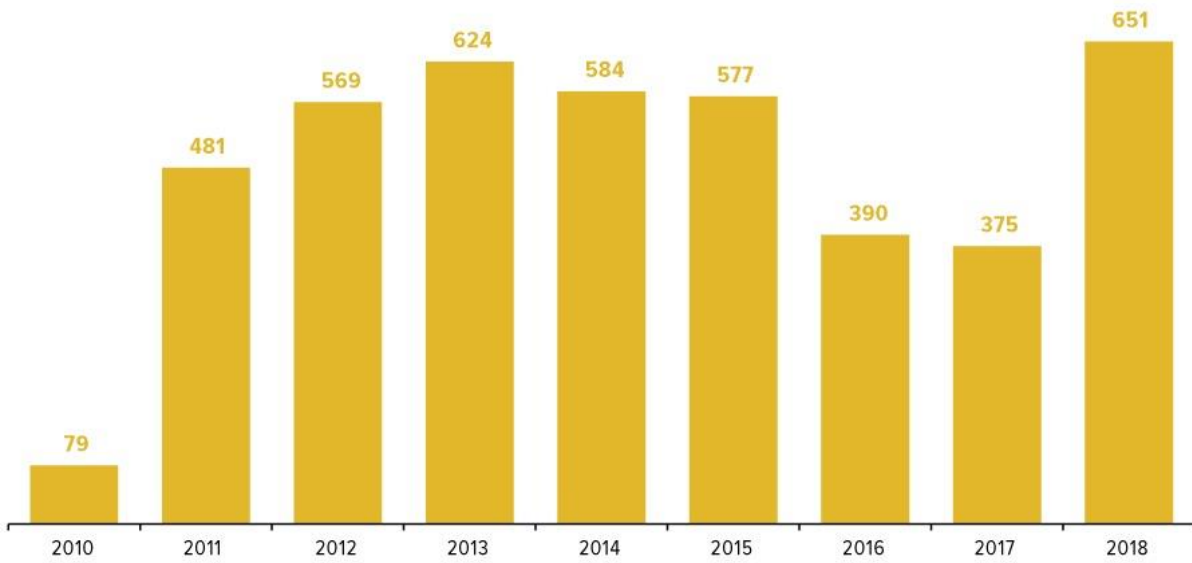
*(in metric tons)*





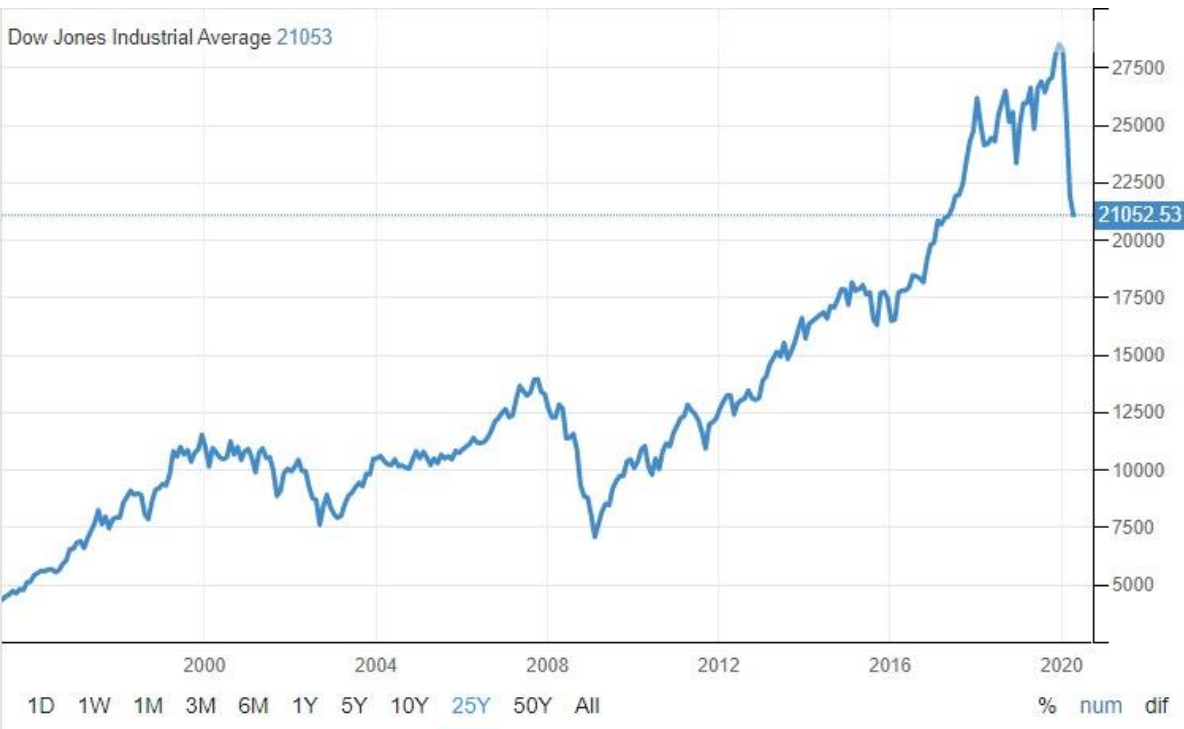
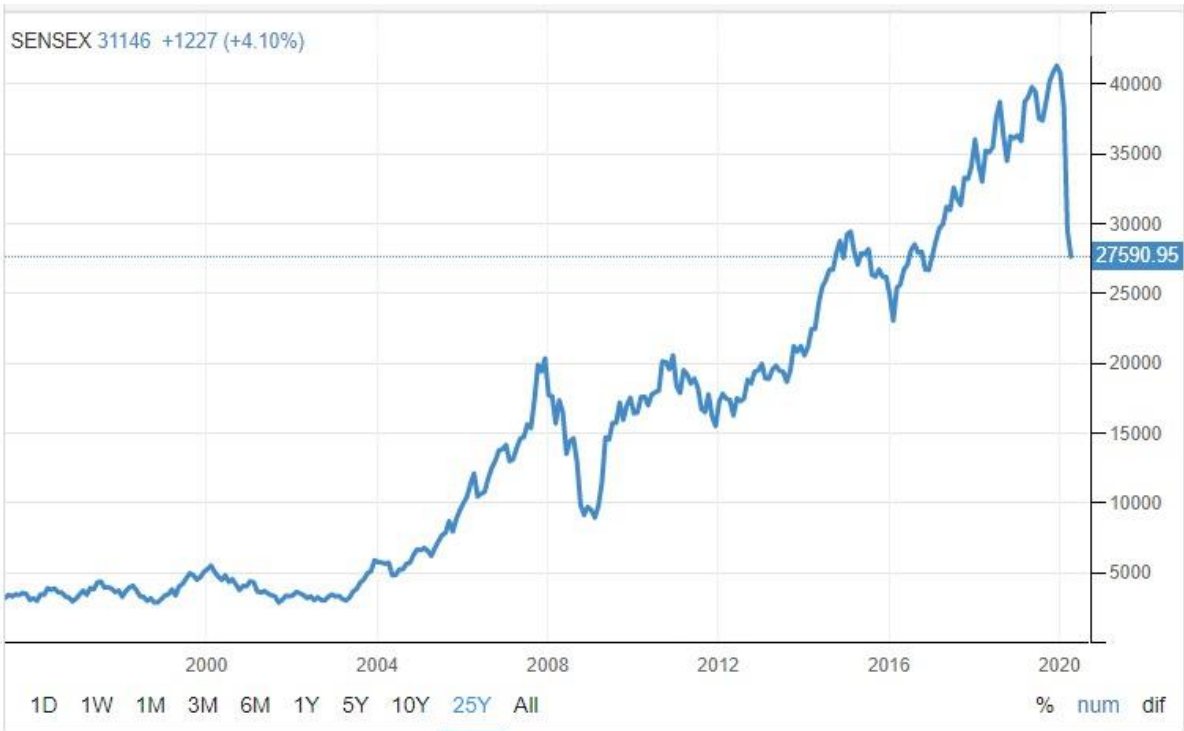
## Global Central Banks Have Been Net Buyers of Gold Since 2010

In Metric Tonnes



Source: WGC, U.S. Global Investors





## **Firstly**

What is the turmoil? Is this connected to Covid ? Was it supposed to happen even if it was not there? Why so that it was supposed to happen even in spite of Covid? This was bound to happen, there have been some clues earlier in our group in terms of market peaking out.

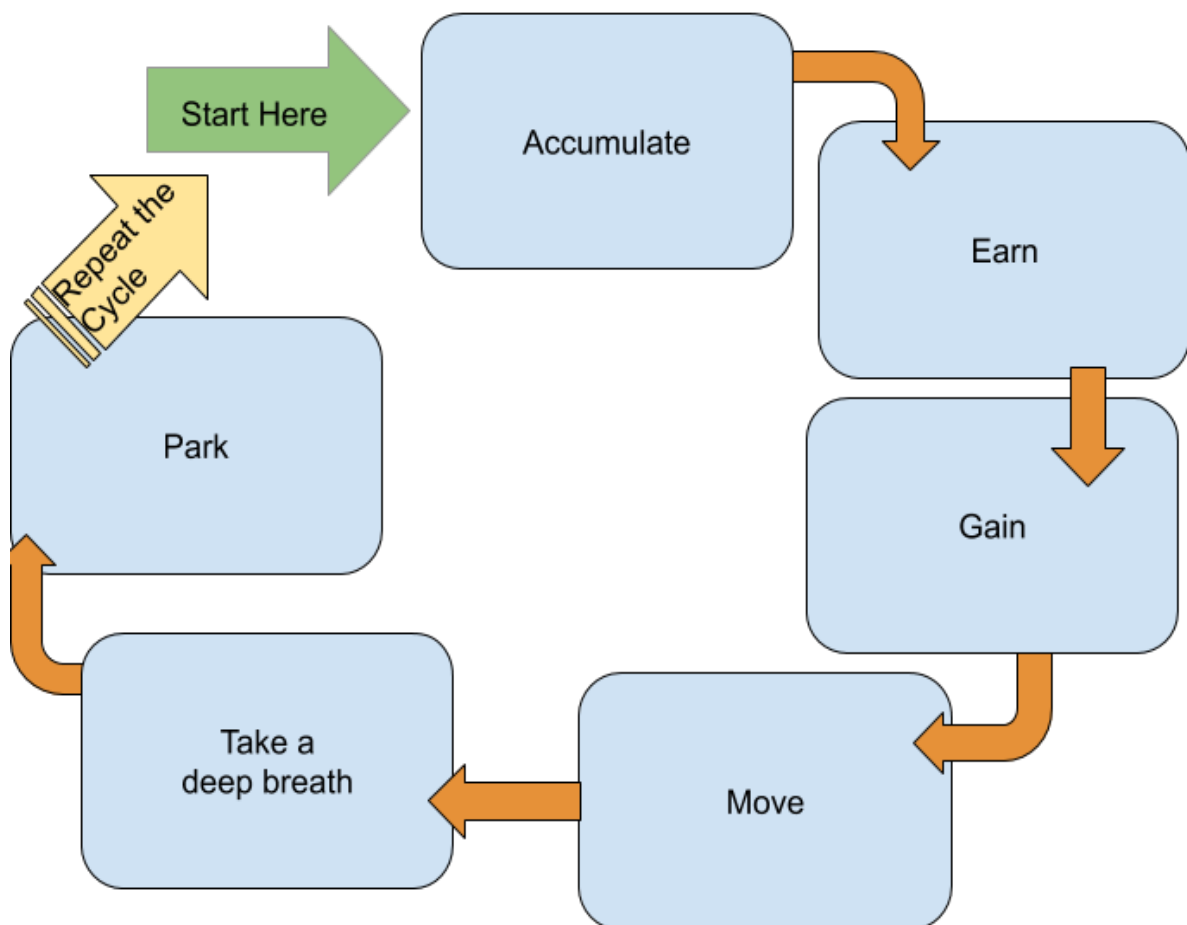
## **Past**

- Very long bull run in US, from Jan 2009 till now
- Same goes for India Jan 2009 to Dec 2019
- All the global asset classes were hot, Gold, Oil, Stocks, since past 1 year
- There is usually very little correlation, and in some cases a negative correlation, between different asset classes, specially at main junctures/turmoils like this
- All Central Banks were buying Gold
- Fiscal deficits of countries like Germany had gone down, there was no deficit
- Interest rates of govt borrowings had gone negative
- Trade War between China & US at peak
- We are missing the war between Trump and Germany..
- Sanctions against Iran
- 18 Airlines went bankrupt in 2019
- Gold Demand was stagnating, had it not been for central banks, then the actual consumer demand was down in 2018 & 2019 itself
- But Gold prices were going up, showing that fear was being built and people moving from asset class to another asset class
- In India
  - Banking sector was facing huge amounts of NPA
  - Credit squeeze by banks
  - Fiscal Deficit control led to less spending by government
  - Stronger Rupee made exports less competitive
  - Underlying aftershocks of GST and Demonetisation

# Decision Making

1. Frame your objective  
Growth or Income
2. Time Period
3. Risk Taking Ability  
Investor, Speculator or Gambler
4. Allocation in each Asset Class

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## SOME AXIOMS

1. Resist the allure of diversification.
2. Focus , choose what suits you right
3. What is enough?
4. Decide in advance what gain you want from a venture and when you get it , get out.
5. Always take your profit too soon , set a target return (based on the asset class)
6. An annualised minimum return on portfolio should be booked
7. When the ship starts to sink, jump - unless you are the Captain!
8. All money phenomena are manifestations of human behaviour. Price of stocks rise and fall because of what men and women are doing , thinking and feeling.
9. Income is high tax, but less risky; Growth is low tax, but more risky. Choose what you want
10. लक्ष्मी को भोगिए ; कुछ दिन घर में भी रखें ; keepin savings or Liquid for sometime
11. Don't think that what should I do with money? I do not have any need..
12. If you do not sell or value your money, it will not value you
13. An asset's illiquidity does not speak to its return potential; It only means it may take more time to find a buyer to convert the asset to cash
14. You only make money, profit when you sell something. Please just do not keep it hoarding, keep selling and booking profits. Do not work on FOMO
15. My personal favourite - do not leverage your asset class to ride on other asset class

## WHAT IS IN - WHAT IS OUT

1. Are you in the business of Asset Class; if passive just put FDR
2. Active Investing is in; Passive Investing is out
3. ***There is nothing called free lunch; if someone is selling you any financial product and not charging from you, that means he is not working for you***
4. Concept of Big Rock and Small Rock - water inside an earthen pot, put big first, you will take huge amounts of small rocks to get the water to top, you will be exhausted.. Alternatively put the smaller first, it will rise slowly, but you will see it positively

## EQUITIES/MUTUAL FUND

1. Markets should be down in medium term
2. It is a bear market
3. Even if you need to buy, buy small
4. Still wait for at least the dust to settle down



5. Dividend income to be only considered if you own more than 65% of the company, so don't buy on dividend yields
6. Fundamental data of past is irrelevant for stock markets, they always discount the future

### **REAL ESTATE**

1. Fixed Income
2. Land Banks are out
3. Indian model of real estate flawed
4. Rental Annuity is better
5. Centre of city, large JDA type pattas, for residential

### **Slow and steady wins the race**

### **DEBT**

1. The inflationary component of the investment should be covered by the fixed income category, debt, bonds, etc..
2. Based on the opportunity, they should be moved out to others
3. REIT, INVIT, NCD's etc are good debt market funds to give you that extra returns
4. No one became bankrupt by lending; debt;
5. The power of compounding works here
6. There are now many fancy products, PPML Debentures
7. As long as fear and greed is in human beings, debt cannot be out fashioned

### **GOLD**

1. If you want gold, it should be physical, no paper trade or absolutely ratio of physical
2. There is a breakout after 1703, from current 1648, 1747, 1770, 1829, 1911

### **CASH & LIQUID**

1. At least 3months of business fixed costs and 12 months of personal fixed costs should be in liquid, right from Savings Bank account to Money market or FDR, giving not more than 4-5%
2. Then parking the funds, make sure to diversify

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