GREYEX

SEBI Registered Category I Merchant Banker

Monthly Newsletter

June 2020

Equity Market Summary:

The Dow Jones Industrial Average rose 4.26 percent, while the Standard & Poor's 500 Index picked up 4.53 percent. The NASDAQ Composite led, gaining 6.75 percent. April's positive momentum continued into May, as stocks registered healthy gains, and investors looked to future economic hopes rather than current woes.

Further aiding stocks was a better-than-expected jobs report and firming oil prices. Many investors breathed a sigh of relief on the news that U.S. and Chinese negotiators were planning to meet, despite the rising tensions between the two nations.

World markets also posted solid gains on economic recovery hopes, with the MSCI-EAFE Index rising 5.15 percent. European markets moved higher, with gains in France, Germany, and the Netherlands. The U.K. slipped 0.88 percent.

Pacific Rim stocks were mixed, with advances in Australia (+5.37 percent) and Japan (+8.34 percent). Hong Kong dropped 6.83 percent due to China-related tensions. The volatile Merval Index, which tracks the largest companies based in Argentina, jumped 48.04 percent.

The majority of industry sectors moved higher in May, with increases in Communication Services (+11.54 percent), Consumer Discretionary (+7.79 percent), Energy (+7.63 percent), Financials (+4.23 percent), Health Care (+2.26 percent), Industrials (+5.93 percent), Materials (+6.33 percent), Real Estate (+2.29 percent), Technology (+9.69 percent), and Utilities (+0.14 percent). A small loss was experienced by Consumer Staples (-0.07 percent).

Stocks rallied, as hopes for a COVID-19 vaccine rose, and the Federal Reserve restated its commitment to do whatever would be necessary to support an economic recovery.

Following Memorial Day weekend, stocks surged, once again, due to rising optimism over economic re-opening, reported declines in new COVID-19 cases, and further news surrounding the development of a potential vaccine.

Other Major Domestic News

During the month, markets got a reality check and cracked heavily but thereafter recovered mildly on back of buying from foreign institutional investors at lower levels. Most of the sectors have exhausted their bull power, especially the Pharma sector wherein a barrage of fundamental triggers like launch of drugs for COVID-19 in India by Glenmark Pharma, Cipla as well as other relaxations in export restrictions are now unable to take the Pharma basket higher. Therefore, the corollary is that all the buyers have almost exhausted their power and the sector is heading for a long-drawn consolidation. Additionally, if earnings for the coming quarter do not come in line with the swift rally, this sector may see cracks in the prices. It is also expected that the government and RBI might again come out with measures to revive the sluggish economy which would hopefully keep the bulls on high spirits but this may not culminate into higher stock prices.

Petrol and diesel prices have been continuously increasing since last few weeks. What comes as the biggest shocker is that diesel and petrol prices have more or less aligned which is a big negative for freight and transport sectors which are already struggling to find enough load to get trucks back on road and juggling with shortage of drivers, the second effect is the deep cascading effect on the entire economy.

Surprisingly, the IMF also commented that financial markets are not aligned with realities and financial assets can correct by around 10%. Other international agencies have also revised growth targets, expecting a further cut in the growth prospects of the Indian economy due to the aftermath of strict lockdowns. Given the quantum of helicopter money printed by the US, Gold looks to be better poised for giving positive returns. Investors are advised to allocate some (10-20%) portion of their assets to gold at least for the next 3-5 years.

Domestic Markets

	Previous Month	Current Month	Change in % terms
BSE Sensex	32,424.10	35,155.71	8.42%
Nifty	9,580.30	10,370.65	8.25%
Nifty Mid 100	13,273.00	14,784.25	11.39%
Nifty 500	7,822.40	8,519.15	8.90%
BSE Small Cap	10,892.60	12,450.96	14.31%

Global Markets

	Previous Month	Current Month	Change in % terms
Dow Jones	25,383.11	25,306.00	-0.30%
NASDAQ	9,489.87	9,874.15	4.05%
S&P 500	3,044.31	3,047.70	0.11%
FTSE100	6,076.60	6,179.94	1.70%
Shanghai Composite	2,852.35	2,984.67	4.64%

Commodities

	Previous Month	Current Month	Change in % terms
Gold 10 gm	46,654	48,340	3.61%
Silver 1 Kg	50,118	48,550	-3.13%
Crude Oil ($/Barrel)	35.49	39.14	10.28%

Currency in terms of INR

	Previous Month	Current Month	Change in % terms
USD	75.54	75.50	-0.05%
Euro	83.91	84.69	0.93%
GBP	93.62	92.65	-1.04%
JPY	0.70	0.70	0.00%

Global Market Summary:

World markets also posted solid gains on economic recovery hopes, with the MSCI-EAFE Index rising 5.15 percent. European markets moved higher, with gains in France, Germany, and the Netherlands. The U.K. slipped 0.88 percent. Pacific Rim stocks were mixed, with advances in Australia (+5.37 percent) and Japan (+8.34 percent). Hong Kong dropped 6.83 percent due to China-related tensions. The volatile Merval Index, which tracks the largest companies based in Argentina, jumped 48.04 percent.
Industrial production fell 11.2 percent, the largest one-month drop in the index's 100-plus-year history. Retail sales plunged by 16.4 percent, with every sector lower except for non-store retailers, which are predominately internet-based merchants.
The unemployment rate leaped to 14.7 percent, as nonfarm payrolls fell by 20.5 million. The unemployment rate was the highest seen since the Great Depression.
With the S&P 500 up 18 percent in the quarter ending on Tuesday and just 10 percent below its February record high, investors are parsing an array of factors that could weigh on stocks in the months ahead, including potential delays in reopening parts of the US economy and sky-high stock valuations.
The S&P 500's strongest quarterly performance since the fourth quarter of 1998 -- during the dot-com boom -- was driven by gains in April and May, followed by an overall flat June after Wall Street gave back gains in the second half of the month. Globally, MSCI's world equity index has rallied to within 10 percent of its February record highs.

Why should we invest in SMEs and MSMEs?

- Given market volatilities and Corporate Governance irregularities, investors have become more selective, to balance the Risk and Return matrix, portfolio allocation to SMEs is the best way to maximize returns.
- Positive Post IPO price performance & attractive valuation is keeping investors engaged in SME investing.
- To unlock the true potential of SMEs & MSMEs and strengthening SME & MSME ecosystem, developing favorable access to finance is most essential.
- Along with Government also Private Organizations, Banks and market intermediaries are looking forward to contributing towards broad basing capital market initiatives for MSMEs.
- Apart from financial assistance, MSMEs require well timed holding and mentoring at crucial stages of business life cycle. Widespread awareness programs, skill development, recognition, peer learning & getting Indian MSMEs visible on global map should be part of MSME growth agenda adding up to formalization & leading to inclusive growth of Indian economy.
- Number of entrepreneurs bringing their companies to market remain high due to positive investor sentiment & growing popularity amongst fund houses & institutional investors.
- Marginal decline in number of listings is present, however fund raising in records is high.
- There has been an increase in average IPO size depicting
- company's being able to raise higher amounts of funds.
- Exit to Private Equity & Venture Capital funds can be provided through SME IPO route.
- Anchor investor participation seen in top IPOs. Regulators also reduced minimum anchor size from Rs 10 Cr. To Rs. 2 Cr. for SME IPO.
- Migration trend continues with increasing number of companies opting to migrate to Main Board. Now migration is possible even before completing 2 years of listing.

India-China Standoff

China's state-run newspaper Global Times has estimated a 50 percent hit on trade volumes with India as a result of the two countries' bitter, unending standoff in the Eastern Ladakh's Galwan valley, coupled with challenges posed by coronavirus pandemic.
Put in numbers, this translates to as much as $46.35 billion, or over Rs 3.42 lakh crore, of business loss at current prices if we go by 2019 trade data released by General Administration of Customs of China measuring trade volumes between the two countries at $92.84 billion.
To put it in perspective, China is India's one of the leading trade partners and constitutes 9 percent of India's total export and 18 percent of total merchandise imports.
The import dependency on China for a range of raw materials (APIs, basic chemicals, agro-intermediates) and critical components (Auto, Durables, Capital goods) is skewed. To give a flavour, out of the respective imports, 20 percent of the auto components and 70 percent of electronic components come from China. Similarly, 45 percent of consumer durables, 70 percent of APIs and 40 percent of leather goods imported are from China.
Amid border tensions, the Centre on Monday night banned 59 Chinese apps saying they are engaged in activities which are "prejudicial to the sovereignty and integrity of India, defence of India, security of state and public order".

Success Story

Mac Hotels, Misquita Engineering market cap reaches ₹54 cr

PANAJI: Two Goa-based companies, MAC Hotels Ltd and Misquita Engineering Ltd, have created history of sorts by unlocking a combined market value of Rs 53.6 crore over a short period of time. With investors holding 25% of shares, an amount of Rs 13.50 crore of wealth has been created for investors in these two companies, states a press release.
MAC Hotels ltd, listed on October 4, 2018 with an IPO price of Rs 24, closed at Rs 105 on June 8, while Misquita Engineering Ltd, listed on October 4, 2019 with an IPO price of Rs 27, closed at Rs 80 on June 8. Mac Hotels, managed by the Cotta family, has chalked out ambitious plans of both expansion and diversification. The company has plans on the anvil to increase its inventory of rooms manifold in the years ahead and is diversifying into the food retail segment.
Similarly, Misquita Engineering managed by Avinash Misquita and family is also on an expansion and diversification mission. It is augmenting its existing capacity as well as diversifying into solar power and other verticals. It expects to increase its revenue and earnings several times going forward.

We are happy to announce that Billwin Industries Limited, our recent project got Trading Permissions from the BSE SME via letter dated June 29, 2020 and its market price at the day end is recorded at Rs. 37.10, which is 0.27% higher than its Issue price.

Why Gretex?

Our Services are widespread in:

- IPO launches
- De-listing
- Open Offer
- Exit Offer
- Corporate Restructuring
- Buy back
- Mergers & Acquisitions
- Valuation of Shares and Debentures
- Sweat Equity
- Private Equity
- Venture Capital
- Offshore Financing
- ESOP

Chairman's message:

Markets spearheaded higher inspite of all the pessimism surrounding economic growth prospects – India China border tussle, India Inc.'s weak quarterly performance as well as slow demand revival in the real economy. 'Hope' the single most emotion is rallying markets higher on the pretext that things will normalize in the next 3-6 months. At the same time, management commentary after quarterly results, in general, suggests that Q1FY21 will be washout quarter. And the insanely disconnected market seems to have even discounted and assimilated this as one of the darkest quarters in history. It goes without saying, if the new world order fails to bring about the same level of visibility and demand revival, markets might genuinely react and discount such negative surprises that have currently mesmerized all participants under the all-weather word 'Hope'; things will eventually improve. It is therefore expected that markets are likely to keep their underlying positive bias at least until Q1FY21 results are being announced. However, post the quarterly announcements markets are expected to correct upon seeing big red cuts in numbers which will then be a good time for investors to buy on declines.

Petrol and diesel prices have been continuously increasing since last few weeks. What comes as the biggest shocker is that diesel and petrol prices have more or less aligned which is a big negative for freight and transport sectors which are already struggling to find enough load to get trucks back on road and juggling with shortage of drivers, the second effect is the deep cascading effect on the entire economy. Higher transportation costs would bring in higher inflation which might impede RBI's ability to reduce interest rates and distort consumption. This would impact consumption as higher inflation and lower returns on savings would reduce purchasing power affecting the much-needed demand revival of our crippled economy. This is not a good sign!

Statistical evidence suggest that sometimes monthly expiries have registered intermediate tops and bottoms. July expiry is expected to begin with lower short interests and therefore the velocity of the up-move rally that was witnessed in the month of May and June may not occur again in July. Infact, July can give a negative surprise and can fall decently, if no fresh delivery-based buying emerges. Markets are still going to be significantly influenced by updates on India-Sino standoff and US-Sino trade talks. While these influences might only be sentimental but if FPIs start selling, markets can really fall from the cliff as they have already bounced back 38% which statistically is a good number for markets to start drifting lower. All the positives, if any, are discounted, however any negative surprises may take markets lower. Investors are advised to be cautious, conserve cash and wait on the sidelines.

-Thank You
Alok Harlalka

Chronicles of this Month:

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	**2** Facilities to view status of/deficiency in claim applications and making good those deficiencies by SEBI	**3** After Auto Insurance, BSE EBIX Beta launches health insurance on its On-Demand Hi-Tech Platform	**4**	**5** Changes to the S&P BSE Indices	**6**
7	**8** NOW trading platform of NSE to discontinue w.e.f. September 14, 2020	**9**	**10** Implementation of Section 51A of UAPA,1967 by SEBI	**11**	**12** Reconstitution of the S&P BSE Indices	**13**
14	**15**	**16**	**17**	**18** Press release by SEBI to continue regulatory measures in view of Covid-19 till July30, 2002	**19**	**20**
21	**22**	**23** Relaxations by SEBI for Listed Companies having Stressed assets	**24**	**25**	**26**	**27**
28	**29** RBI announces Special Open Market Operations of simultaneous purchase and sale of GOI securities	**30** Change in applicable average base rate to be charged by NBFC-MFIs by RBI				

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