

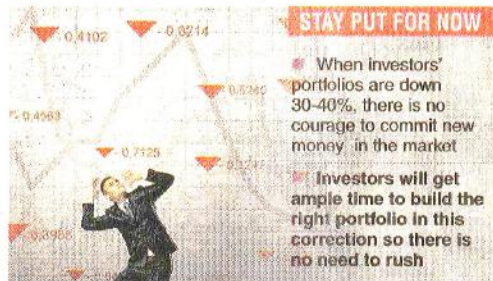
# Don't try to catch a falling knife in Street

Anuj Shah

Last few weeks, markets across the globe have been extremely volatile. The volatility and brutal selling has shaken the confidence of investors across the board. We are seeing a war between liquidity and fundamentals.

## Liquidity driving market

Indian markets were expensive from March 2018 till August this year, when the Nifty 50 Index made a lifetime high of around 11,750. Sustained inflow of domestic, as well as foreign money, were chasing few stocks in the markets helping the Nifty 50 Index touch new highs. And today liquidity crunch is pulling the Nifty 50 Index lower every single day. Given such a situation, it's always the liquidity factor that drives the market either side in the short run. Eventually, once the dust settles, fundamen-



tals start playing and market becomes more rational and starts to rise. Rise in crude oil prices and depreciating rupee were the triggers responsible for the worsening of our macros. Now although crude oil prices have corrected from the top of \$87 per barrel to around \$76 per barrel, market is not ready to buy these arguments and wants to sell until a clear picture emerges on both global as well as domestic front.

## Stay on sidelines

There has been price destruction across all sectors be it banks, non-banking finance companies and automobiles. Some of the fall may also be due to extreme pessimism in the minds of investors. But markets don't like uncertainty. Second, when portfolios of investors are down 30-40% from the peak, there is hardly any courage to commit new money in the mar-

ket. The nervousness in the market is at such peak that even companies with good earnings are punished and the ones that disappoint are battered. It makes sense for investors and traders to step out and watch the market from outside rather than attempting and buying in hopes of any bottom. Investors will be well-off by not attempting to catch a falling knife.

Going ahead one should watch the data of commercial papers repayments that is lined up by various NBF-Cs / HFCs for October and November, along with corporate earnings and then take a fresh view on the market. Investors will get ample time to build the right portfolio in this correction so there is no need to rush.

*The writer is head-privilege client group, Reliance Securities*