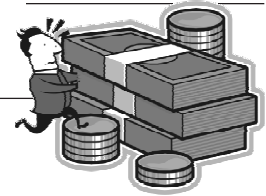


Billionaire

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Trend and the way forward for investments – Quadratic View

- *It was a real solid bear market rally that has happened in the last 15 days of March, 09. Is it a bear market rally or a transition to higher levels?*
- *I do not know as facts do not support the transition theory, though markets are capable of surprising most analysts most of the time.*
- *As mentioned by us since Jan, 09, April / May, 09 seem to be the turning period, when the markets could consolidate. The classical 2/3rd retracement are still valid at index levels of 8150 levels (which is likely to hold).*
- *This could be the bottom unless more negative news comes out from the US. We believe 2009 would be a consolidation year but with an upward bias.*
- *Some Fundamental logics which always work in favour of the investor:*
 1. *Debt P/ E is over 13 times (14 times earlier) and equity P/E is around 10.6 times (8.4 times earlier). This cannot sustain as low risk asset class has higher return and high risk asset class has low return. This is not sustainable and one asset class has to give way.*
 2. *Cash is King, if invested now. Cash rich companies would get better market share and hence higher discounting*
 3. *Interest rates are coming down very slowly due to the peculiar nature of Indian economy, but Debt markets are still not recognising the same and hence volatile. We believe the interest rates will come down to 4.5% but over a longer period*
 4. *Fear is still the predominant theme and as somebody said “BULL MARKETS ARE BUILT ON THE WALL OF BAD NEWS”.*
 5. *Indian markets have again outperformed other emerging markets (EM) yet again & have become relatively expensive; hence the chance of a correction is very high.*

When anybody talks of 15000 or even 19000 after 3 years, all look at him as if he has gone crazy, a true sign of bottom. Smart money has started moving in but in tranches and surely.

OIL as earlier mentioned touched 33\$/ bbl and may touch 60 again in April 09, but not sustain there. Negative GDP growth or poor corporate results may show us an index of 8000 or lower for a short period only. Gold which was a major theme in 2009-09 would be very volatile and touch 750US\$.

Probably the worst is over & 8000-9000 would be the short term bottom & 11500 may hold out as the next intermediate level and the long term bottom would be logically 10500. Cairn India & RIL would be the dark horses to watch.

We recommend our clients to read the Quadratic Grid and adhere to its targets.

Power, Infrastructure, Cement (only for long term), Pharma, Media & Auto are bullish in that order. In our article *“Investor Behaviour in Volatile markets”*, we have tried to spell out the manner in which investors behave in different market situations. Right now they are all in panic and when it turns into pure panic, we have touched bottom. We believe it could be around 8000-9000, but could be lower due to fundamental factors emanating from the US.

A fantastic time to start your SIP's in both MF & Direct Equities

We enclose a factual piece which shows SIP / STP are the safest strategy in equity investing.

Scheme	1 year SIP	2 year SIP	3 year	5 year	7 year
Reliance Vision Fund	6.9 / 10	7.5 / 10	7.3 / 10	10 / 10	10 / 10
HDFC Equity Fund	7.1 / 10	7.7 / 10	8.3 / 10	10 / 10	10 / 10
Reliance Growth Fund	6.2 / 10	8.3 / 10	8.2 / 10	10 / 10	10 / 10
Franklin India Blue Chip Fund	6.7 / 10	7.1 / 10	7.7 / 10	10 / 10	10 / 10

Patience  **Safe Gains**

Contributed by: Mr.Vijay S Choksi & Mr.C S Gourinadh

Basically we are getting quality companies free, as cash on the companies books are also available at discounted values. This is truly capitulation. *A sure sign of a BOTTOM.*

Corrections would be the order of the day.

Technically, the Sensex seems poised for a breakout to a higher level of 14500-17500 only after Aug, 09. The near term resistance is available at 11800, 10400, 10200 and then 9800, 9140 & 8780. The longer term resistance point is 13266, 14777, 16254 and then 18167.

Support levels are 9700, 9200, 8800, 8050 & 7790. Corporate earnings would see the worst quarter in March, 09. Elections would be a very strong trigger for the market. May/June, 09 would be very volatile months (15% either way).

Present P/E of 10.8 for FYQ309 & maybe fewer than 9 for FYQ410 is fairly under valued. After a certain volatile phase (read as fear), there would be an upswing & again a downswing probably in Mar / July, 09 (due to Global / Political factors) for a brief period.

As said last time, range bound markets between 8500 - 13500 is a certainty.

SIP / STP's are the way forward for a safer return profile.

Remember "Rome was not built in a day" so is wealth - it takes time.