



**DIGITIAN  
CAPITAL**



A monthly Investment outlook



## FUTURE FOCUS

Saugata Banerjee

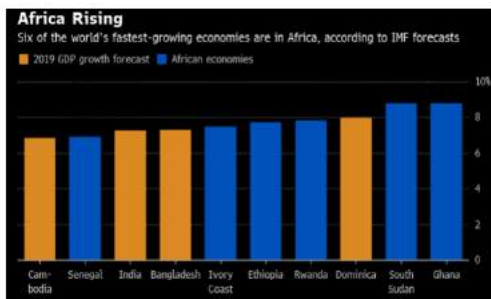
saugatab@mydigitian.com

# Hedging Market Risk DIGITIAN VIEW!

“In May 2019, huge fall in all markets except India, Ghana, and Bangladesh. This shows the fundamental concept of DIGITIAN is so powerful... In Digitian Capital we have made it possible for mid value investors to take advantage of this multi market hedging opportunity..”

May 2019 was a very hectic month for us in terms of Investor conference, on-boarding new investor, protecting our market return in a sliding world markets (see side Tables). **Most of the tracked markets registered huge fall except India, Ghana, and Bangladesh. This shows the fundamental concept of DIGITIAN is so powerful.** This was generally followed by Mega Investment Firm of USA who are having trillion dollars invested in most of the markets and play the long/short game depending upon the market trend and opportunity. **In DIGITIAN Capital we have made it possible for mid value investors to take advantage of this multi market hedging opportunity or remain happy with one home market.**

**Occasionally, people asks us why Africa ?** We believe that some of the African countries will have a huge momentum in the next two decades. **The only issue is governance** once a country make it right, we shall see huge upsurge in their performance. Given the low base, the run path is longer and nascent capital markets provide magnum opportunity. **In 2019 Six of the Top 10 fast growing World**



Courtesy : Bloomberg

## MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
S & P	2946	2759	-6.3%	10.1%	-11%
Nasdaq Composite	7781	7128	-8.4%	7.4%	-10%
FTSE 100	7413	7162	-3.4%	6.5%	-12.9%
Shanghai Composite	3048	2898	-4.9%	16.2%	-26.5%
NIFTY	11754	11922	1.4%	9.8%	2.9%
Nairobi SE 20	2749	2677	-2.6%	-5.5%	-23.7%
Egypt SE 30	14920	13771	-7.7%	5.6%	-11.8%
Tanzania All Shares	1967	1889	-4.0%	-7.4%	-14.6%
Ghana Composite	2337	2461	5.3%	-4.3%	-3.7%
Nigeria SE 30	1314	1302	-0.9%	-8.1%	-20.8%
Morocco All Shares	11192	10999	-1.7%	-3.2%	-9.4%
Bangladesh DSE 30	1847	1877	1.6%	-0.2%	-18.0%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
Gold	1282	1305	1.8%	1.7%	-1.5%
Crude Oil	71.65	61.69	-13.9%	14.0%	-19.1%
WTI Oil	63.36	53.37	-15.8%	16.5%	-29.1%
Copper	2.91	2.945	1.2%	11.9%	-19.7%
Iron Ore	93.24	98.72	5.9%	42.8%	-2.9%
Aluminium	1810	1794	-0.9%	-20.5%	23.7%

economies are from Africa. This is not only true for 2019, this was the case since 2010. The bad part is that there is no consistency and there are issues of governance, racial issue and corruption. However, given the Oil opportunity, leapfrogging possibility, abundant minerals, demographic advantage, huge carbon credit and the capability of being the food basket of the world, some of these economies in the next 10 years will double and in the next 20 years the GDP will be 3x to 4x. So we believe that expatriates and HNIs should start allocating 10% of their invest-able funds in African Equities when the banking P/E is at 3-4 times and most of the large cap is below PE of 10. In the long run you will be making the gain you cannot dream of - value investing at its best opportunity

China followed by India, UK, Germany have taken huge investment in Africa. 80% of the infrastructures are now built by Chinese companies. Through belt and Road Initiative China will be completely dominating Africa with their super mega Banks are already on the ground for the last 10 years. If you just take note of the Chinese investment in Oil Sector in Africa in the next 5 years will be \$15 billion.

The missing player is USA. They have a very poor Africa strategy since

Obama's second term and now with Trump(his completely inward looking policies). However, once the oil is developed in the next 10 years, it is expected, USA will also jump in for sure - it may happen very quickly in the post trump area.

African economies do not tax capital gain out of share, free repatriation, dividend yield varies between 8-12% on an average. Withholding tax is as low as 10%-15%. The Bond yields hover around 15%-20% pa. This also creates some kind cushion against the currency risk.

We have started our investor Roadshows in May 2019. I have covered the London Roadshow report in the next page. Our next Investor Roadshows is in Dubai on July 13, 2019. Dubai Readers read the last page for joining our roadshow.

The Markets will be range bounds till the second quarter results started coming out, 5-7% volatility at the Index level is on the cards. The Trade deals news may boost it for the time being but ultimately the second quarter result will determine the new peak formation. So be careful.

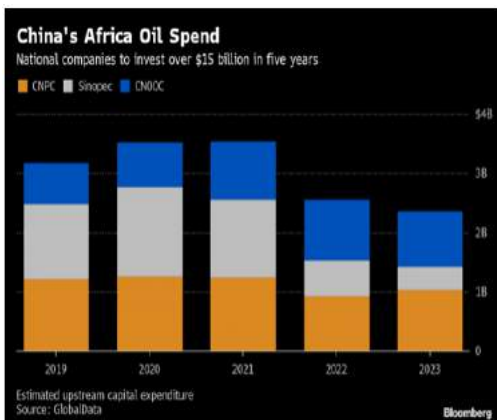
Debashish has started penning down his option strategies. I can see the value in the article for readers only you have to be slightly intelligent to get the que. I wanted this discussion so that you decipher trend from reading Option Quotes.

I wish another good month of investment and plan your future.

## COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2019 %	Inflation %
USA	18570	29898	2.3%	1.7%
China	12238	6119	6.0%	1.9%
India	2260	2305	7.2%	2.2%
Egypt	331	53	5.1%	11.97%
Kenya	71	18	6.0%	4.7%
Tanzania	54	10	4.0%	3.0%
Ghana	43	20	8.0%	9.4%
Nigeria	405	101	2.40%	11.4%
Morocco	101	59	2.8%	2.0%
Bangladesh	221	40	8.3%	5.35%

Forex	Monthly Open	Monthly Close	Monthly Change %	2019 YTD %	2018 %
EUR USD	1.122	1.118	-0.4%	-2.5%	-4.4%
GBP USD	1.304	1.264	-3.1%	-1.2%	-10%
USD INR	69.880	69.576	0.4%	0.2%	-8.1%
USD KES	101.300	101.250	0.0%	0.6%	1.3%
USD EG POUND	17.170	16.740	2.6%	6.9%	-0.73%
USD TZS	2305.000	2298.000	0.3%	0.1%	-2.6%
USD CEDI	5.200	5.429	-4.2%	-10.2%	-6.9%
USD NAIRA	359.300	360.000	-0.2%	1.2%	-16.1%
USD TAKA	84.270	84.410	-0.2%	-1.2%	-0.7%



## AFSIC London May 2019

### DIGITIAN First Investor Conference

In the seventh AFSIC conference May 2019 in London we launched our maiden Investor Roadshow. AFSIC stands for African Financial Sector Investment conference, one of the global best conference for its Africa focus with participation of world largest multilateral financial institutions (IFC, ECB, EIB, CDC, Norfund, GIC, Kfw, AFDB, UNCDF etc ), Fund Managers, PE Firms, Family Offices, Commercial Banks, Individual Investors etc. This year the total participation was over 4500.

We took two of our Investment products to London. The first and foremost is Our Private Investment Vehicle for investing in the listed stocks of selected African

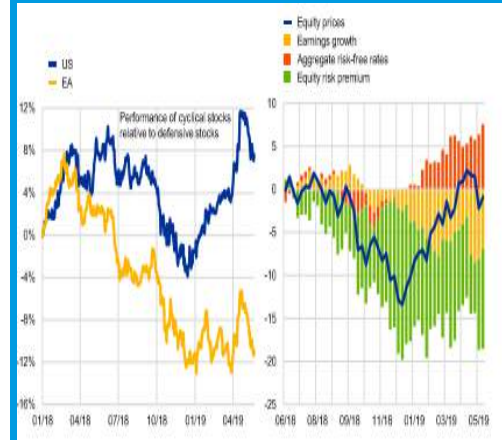
Frontier markets, Emerging markets like India and Bangladesh and Developed Markets of USA from a Tax Free Jurisdiction of UAE. We attracted lot of interests from the Family Houses of Europe and some African countries. We shall see some of the them as our investor shortly.

Our Second Focus was The Impact Financing Fund of USD 50 million for the late stage SME Private Equity and Debt financing, we did one to one presentation to all major Financial Institutions and most of them were very eager to participate. Our Third focus was to promote our upcoming **Crowd-funding Vehicle (Mojacrowd.com)** which is the first of its kind multi-country digital platform in the organized social sector of NGOs, Society Circle etc for providing donations and low interest loans after **Authentication, Validation, Measurement and Connection (AVMC)**



In the pictures, we are with our Technology Investor-Partner Ravishekar Krishnaswamy, CEO of a midsize IT firm Phoenix, India.

## BEST CHART OF THE MONTH



Courtesy : European Commercial Bank

“ Performance of cyclical stocks vs defensive stock is higher in USA than Euro Area which shows the market volatility given the negative Earnings Growth, growing aggregate risk free rates, ”



Courtesy: Bloomberg

“ Shares took a dip of 6-8% and after 3 months of down trend Gold is back with 2% gain.. we predict more to come in June 2019 ”





# VALUE INVESTING

Debashish Neogi

debashishn@mydigitian.com

“ Investing requires qualities of temperament way more than the qualities of intellect ”

## Options Simplified

I mentioned in my last article that I will write on options as to how we use it for our trading and investment strategies but options is a vast area and hence trying to simplifying it in one article of only two pages is extremely difficult but I will make an attempt. I will put some basic concepts here in this article and then may be in the next article articulate how to use them .

**What is Options** – An option is simply a contract that gives you the right to buy or sell a particular underlying (can be stocks, ETFs, futures, Indices, forex, houses etc ) at a particular price. Options are known as “derivatives ” since they derive their price from the price of the underlying assets.

**Right to Buy example** : You pay USD 20000 to own the “right to buy” a house for USD 1,000,000 during the period of next 6 months. The seller receives USD 20,000 and is now obligated to sell the house to you for USD 1,000,000 if you ask for it during the next 6 months .

Now two things can happen:

1. The house loses its value and becomes worth of USD 800,000 : In this case, if do not exercise your option to buy, the most you may lose is USD 20,000 instead of USD 200,000(=1,000,000-800,000) in case of outright purchase. You never had to buy the house and tie up USD 1000,000 instead you took a risk on only \$ 20,000.

2. The house gains value and is now worth USD 1,200,000: Here you can use your option to buy the house for USD 1000,000 and thereby you will make a profit of USD 180,000(=1,200,000 -1000,000-20,000) on an investment of USD 20,000.

You can sell your right to buy the house at USD 1200000 to someone else and collect the difference. That right provides a USD 200,000 advantage to the owner of the right, therefore it is worth at least USD 200,000 providing a profit of USD 180,000 without having to own the house and tie up USD 1,200, 000

What if the seller of the house expected the price of the house to increase in value soon. Say, the seller did not accept USD 20000 as a valid payment and is asking for USD 60000 , hence the price of the deal would have

changed even before the price of the house truly changed .

Let it apply to the case of stocks, in case of stock market future price trends of stock are also motivated by the options volume and the premium spread in a particular Stock.

Hence options are priced based on the underlying assets as well as the expectation of the future price trend.

### Benefits of trading Options:

1. It can be started with very low capital
2. It has the ability to generate short term income
3. It protect long term wealth

Hence Options is very versatile to fit both trading and investing style .

### Main four reasons to trade options :

#### 1. Leverage :

It controls a large asset with a small amount of capital. This provides a great financial leverage.

#### 2. Protection :

It provides protection to a stock through defining a fixed exit price

Continued Page 5

### 3. Diversification

It helps to diversify the Directional and non-directional trade .

### 4. Various strategies:

Option trading is the most versatile method to speculate in the market. So you need to know various strategies of contracting options.

There are 2 types of options :

Calls and Puts.

A call option gives the holder the right to buy a stock, and

A put option gives the holder the right to sell a stock

There are Four Basic Positions :

POSITIONS	CALL	PUT
	(Short-Call)	(Short Put)
Seller	Obligation	Obligation
(Short)	To SELL	To BUY
	(Long-Call)	(Long-put)
Buyer	Right	Right
(Long)	To Buy	To Sell

### Positive & Negative Correlations :

Options can be positively(+) or negatively (-) correlated. **Positively correlated** means options gains value as the stock gains value and vice versa and **Negatively correlated** means an options gains value as the stock loses value and vice versa .

### Correlation between buying and selling of calls and puts :

- $+ x + = +$   
i.e., buying a positively correlated unit (Call ) = Bullish
- $- x + = -$   
ie selling a positively correlated unit (Call ) = Bearish
- $+ x - = -$   
i.e. Buying a negatively correlated unit (Put) = Bearish
- $- x - = +$   
i.e. selling a negatively correlated unit (Put )= Bullish

### Example 1 : MSFT Jan18 70.00 Call at 3.10

By June 18,2019, if the market price of MSFT < strike price(SP) \$70.00, the buyer will not exercise the call option and the seller's payoff will be \$3.10 premium. If MSFT's market price>\$70.00, call buyer may exercise right to buy at SP \$70 to make gain;

### Example 2 : MSFT Jan18 67.50 Put at \$ 7.50

: By January 18, 2019, If MSFT's market price>strike price(SP) \$67.50, put buyer will not exercise his right to sell at SP, his loss is only \$7.50. If the market price <SP, the put seller is obligated to buy MSFT shares at 67.50 and make a gain.

### Volatility - The measurement of speed :

Options are priced based on the probability and expectation of price movement. Therefore the higher the implied volatility the higher is the option premium and vice versa.

### When to Buy & Sell Options :

we need to buy options when the option premium is low (ie when volatility is low ) and we need to sell options when the option premium is high (ie when volatility is high) .

**I have tried to simplify complicated option terminology as far as possible, lets discuss in next article how to use the above knowledge to our advantage in trading and investment strategy.**

Continued Page 6

Identify 16 cities in this collage



# NEWS FROM FRONTIER & EMERGING MARKETS WE FOLLOW

Courtesy : DIGITIAN Global Consulting

USA	Digitian Country Rating AAA
»	USA market completely reversed from the bull run and noted one of the biggest fall in May by both S&P 500 and Nasdaq dropping 6-8% in a month giving up most of the yearly gain after 4 Months of Bull run. As predicted, this is mainly due to stoppage of trade talks between the United States and China. It is expected that June will see some more volatility.
»	The main fall was driven by Tech stocks led by FAANG stocks. This is due to the apprehension of losing large Chinese markets as well as higher cost of hardware input supplied by Chinese company
»	Oil prices also fallen sharply after 4 months of rise by over 14-16% in a month due to over USA supply and expected slowing world demand.
India	Digitian Country Rating AA
»	Incumbent Indian Prime Minister won the election with majority which is a very big sign for a continued bull run and which continued during the month of May and is expected to continue for a quarter.
»	In the policy area, given the formation of a majority Government whole lot of pro development policy changes will be implemented
»	GDP growth has been surely slowing. Inflation slightly inched up further. However, Currency is appreciating against Dollar which may not be good for Export Sector.
China	Digitian Country Rating AA
»	China Market continued its fall for the second time with a 5% deep in May. China market may fall further, given the failure of the trade talk and otherwise slowing demand and economic uncertainty.
»	China state owned Industrial firms' profit decreased by 9.7%, China who controls 80% of the rare earth, threatens to tighten the rare earth import to USA; China tightened Forex control
Kenya	Digitian Country Rating B +
»	Kenya market continued its bearish Trend and eroded the entire gain of the year and completely in Bear grip, showing again a very dismal state of affairs of the country. We are expecting further fall within a range for this month as well
»	The economy is partly struggling because of excessive importation of cheaper goods. Chinese contractors come with their equipment, materials, cement and labour. Local manufacturers struggle to compete with Chinese products.
»	Kenya's Shilling did not slide further given the Euro issues last month, central bank has been able to control for the time being.
Ghana	Digitian Country Rating C
»	Ghana Stock market make a sharp rebound by 5% this month after months of sliding
»	Ghana's economy is skyrocketing. The IMF talks of a growth rate of 8.8% in its World Economic Outlook, which would make Ghana the fastest growing economy in the world in 2019. The cedi's sharp dive against the U.S. dollar still continued.



Egypt	Digitian Country Rating B-
<ul style="list-style-type: none"> <li>→ After the Q1 gain, Egypt EGx30 index recorder the second biggest drop of 7.7% in May 2019</li> <li>→ The Egyptian Natural Gas Holding Company (EGAS) plans to put some 11 natural gas exploration blocks in the western Mediterranean up for auction by 1Q2020</li> <li>→ Egypt's industrial production, excluding crude oil and petroleum products, rose by 27.6% year-on-year during the third quarter of 2018. Industrial production registered EGP 185.3 billion in Q3-18, compared to EGP 145.3 billion in Q3-17.</li> </ul>	
Tanzania	Digitian Country Rating C
<ul style="list-style-type: none"> <li>→ The economy seemed to coming back in track in the later half of the 2019. Credit growth was robust. Moreover, exports continued to increase, for the fourth month, on the back of rising foreign sales of gold and higher travel and transport receipts</li> <li>→ Afdb will continue to fund infrastructure growth in Tanzania with a support of over USD 2 billion</li> <li>→ Tanzania Natural Gas Power Requirement increasing in 2019; Tanzania to double its rice production by 2030;</li> </ul>	
Nigeria	Digitian Country Rating D
<ul style="list-style-type: none"> <li>→ The volatility in the oil price and all-important energy sector, which contracted for the fourth consecutive quarter. led the slowdown.</li> <li>→ MTN Telecommunications the largest Telecom company in the continent, listed its shares MTN Nigeria in The Premium Board. but still the index slipped</li> <li>→ Nigerian Industrial PMI dropped to 52.9 from 55.1 but still it is better than other African countries</li> </ul>	
Bangladesh	Digitian Country Rating BB
<ul style="list-style-type: none"> <li>→ In May, Bangladesh market witnessed a recovery of 1.6% but the markets remain range bound. It is expected to be in a growth trend given the possitive tailwinds in the economy</li> <li>→ According to MIGA, Bangladesh will be 30th largest economy of the world</li> <li>→ However, Bangladesh revised its Annual Development Programme budget by USD 1.3 billion</li> <li>→ Bangladesh planned to invest heavily on skill development programme to make its 60 million population in the 18-24 years, ready for new age industries;</li> </ul>	



# DIGITIAN MOMENTS

Courtesy : DIGITIAN Global Consulting



## E Games

Another major trend for Millennial and DIGITIAN, are eGames. It has become a mega industry of \$ 151 billion in revenue with the power of nanocheap, harddrive and Graphic Cards plus smart phones and 4G/LTE broadband, it caught the imagination of the current generation. Although most of the Game consoles are launched in 2000 now it is giving up to PC Games and Online Games mainly mobile. In 2019 the consoles has a market shares of \$ 35 billion and PC Games at 32 billion while Mobile Games has 51% market share with \$71 billion. The market will be 180 billion by 2022 growing at a CAGR of 11% while Mobile Games is growing at 26.8% CAGR.

**Game Console : SONY: Playstation (PS)** the first one came out in 1994. The PS 2 came out in 2000 and was the highest selling module at 155 million, PS 3 (87 million) was launched in 2006 and PS 4 launched (97 million) In 2013 and PS 4 Pro was launched in 2016. In the handheld category PS Go and PS Vita and PS VR (Virtual reality) are the ones launched. The series also has a strong line-up of **first-party titles** coming out of Sony Entertainment studios along with a group of 15 first Party developers. Play Station Network which Digital Gaming network has over 110 million users with 94 million active users.

**Microsoft: Xbox :** first released in 2001, XBOX 360 was released in 2005 (77 million) and Xbbox One in 2014 ( 90 million) XBOX one Kinect. Xbox Live is the multiplayer digital game platform having 64 million Users. Xbox uses third Party titles unlike Sony. **Nintendo Wii :** Launched first one in 2006 (PVL-001 RVL 101 and RVL 201) and Wii Mini and sold around 110 million.

**A gaming computer** or gaming rig is a personal computer designed for playing video games that normally require a lot of computing power with the addition of performance-oriented components, such as video cards and high core-count CPUs. Since 2012 Customs built Gaming Computer are being built for budget and easier upgradability. The major manufacturers are Nvidia and AMD. Gaming laptops such as Hasee, MSI, Acer, Asus are the mobile equivalent of gaming desktops and are usually more expensive.

**Gaming Software Companies :** This is the heart of gaming the titles and gradually becoming online Multiplayers games played globally sitting in your room

- Nintendo (Japan), the world's largest video game company by revenue, (Famous video game : Mario, Pokémon, The legend of Zelda), Rockstar Games (Washington) is famous for Grand Theft Auto (85 million copies), Red dead, Max Payne. Electronic Arts (EA), Sanfransisco, is famous for Army of Two series, Battlefield series, FIFA series, The Simpsons series, Star wars series, (\$ 29. 34 billion) Activision Blizzard (ATVI) is another strong name with titles like Call of duty series (54 million Players), Tony Hawks series (\$36.21 billion)

- EPIC Games (Not listed) with Chinese subsidiary Tancent has introduced first free online vIdeo Gamein 2017 super buster Fortnite. In 2 years Fortnite registered 250 million players. The other Games of Epic Games are Bullet storms, Castle of the winds, Kiloblaster, One must fall: 2097

**DIGITIAN predicts eGames with advent of 5G, VR, AI in the next 10 years the E games will grow to become \$ 500 billion revenue market.**



DIGITIANS are those who born in or after the year 2000 and will be a dominant force through 2075. They are completely different in usage of their left brain and motor nerves. They are different from the Millennials in behaviour, thinking and action.

The world is changing superfast – media, communications, banking, currencies, education, retail channels, health & medicines, travel and tourism, consulting, manufacturing, agriculture, – every sectors facing disruptive innovations; Nano technology, internet of things, artificial intelligence and robotics will be overwhelmingly embedded. In this age, model disruption, extinction, miniaturisation, real time delivery, speed and virtualisation are neo normals.

Presently DIGITIAN is raising money from **Equity Investor** in various classes (A, B and C) depending upon investment amount. This is a **Unique opportunity to select a Zero Tax destination to Invest money especially for diasporas.** If you need to know about Investment Opportunity. Please write to us or call us for more details at [info@mydigitian.com](mailto:info@mydigitian.com)

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Contacts us :

[info@mydigitian.com](mailto:info@mydigitian.com)  
 Standard Chartered Tower  
 Level 5 Emaar Square  
 Down Town, Burj Khalifa  
 PO Box : 35482  
 Dubai UAE