



**DIGITIAN
CAPITAL**



DIGITIAN VIEW

A monthly Investment outlook



FUTURE FOCUS

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“ We are at the beginning of a deep recession, do not get fooled by the rebound rally in the stock markets, second and third order effects will come.. preservation of cash is key”

Navigate Global Market Meltdown & Recession

DIGITIAN VIEW!

We have correctly predicted that there will be a market Meltdown in USA during March-April 2020 (refer to our newsletter link [December 2019](#) & [January 2020](#)). However, we did not have expected such deep crash that we have seen due to COVID-19. Refer to our market charts. Our Trading strategy was perfect for USA and our performance is Superb and very few Fund Managers will have such a fantastic result when the entire market is down.

**OUR USA RETURN in 2020
(31st March 2020):**

**30% vs -20% S&P 500
overvalued stocks. (2019 28%)**

This clearly shows our ability to perform and beat market in this kind of volatile market.

I always mention, It is comparatively easier to make money in the bull market but if you can make money in the bear market then that shows super capability and understanding of the market. Then you are truly professional and capable of making money for Investors. I am happy we have shown that rare trend and we are now ready to make SUPER GAIN in our USA.

We have analyzed the entire Black Swan - Event COVID 19 in our News- letter February 2020(Link) which if you should read in order to keep you ahead in this market. In this issue,we are concentrating on markets and economies post COVID-19. We believe this will open up Economic crises and social crises as well.

MARKET WATCH

Equity Indices	Monthly Open	Monthly Close	Monthly Change %	2020 YTD %	2019 %
S & P	2954	2585	-12.5%	-20.0%	28.9%
Nasdaq	8567	7700	-10.1%	-14.2%	35.2%
FTSE 100	6581	5672	-13.8%	-24.8%	12.1%
Shanghai Composite	2960	2759	-6.8%	-9.5%	22.3%
NIFTY	11201	8510	-24.0%	-30.1%	12.2%
Nairobi SE 20	2337	1930	-17.4%	-27.3%	-6.3%
Egypt SE 30	12228	9521	-22.1%	-31.8%	7.1%
Tanzania All Shares	2036	1741	-14.5%	-15.4%	0.9%
Ghana Composite	2187	2159	-1.3%	-4.3%	-12.2%
Nigeria SE 30	1140	904	-20.7%	-23.3%	-16.9%
Morocco All Shares	12260	9704	-20.8%	-20.3%	7.1%
Bangladesh DSE 30	1474	1330	-9.8%	-11.5%	-20.1%

Commodity	Monthly Open	Monthly Close	Monthly Change %	2020 %	2019 %
Gold	1698	1597	-5.9%	5.1%	18.5%
Crude Oil	51.4	20.62	-59.9%	-68.8%	22.0%
WTI Oil	46.09	25.89	-43.8%	-57.7%	33.6%
Copper	2.549	2.2	-13.7%	-21.4%	6.3%
Iron Ore	86.46	88.22	2.0%	-3.6%	32.4%
Aluminium	1698	1528	-10.0%	-15.3%	-20.1%

Remember in February 2020 Newsletter I left a Question : **How Far we are from Recession?** One Quarter away, Yes if this virus continues to spread from the present 7 countries to over 20 countries including India death toll ex china crosses 30,000. Then the global economy is not far from recession.

At the end of March'20, 171 countries got affected - 1.25 million people infected and more than 69000 died with over 45,000 critically ill --- over 60% of the world population are under lockdown (new word), except essential services all business, airports and countries have stopped working. By the time we report next month it will be over 200,000 dead

So definitely we are in RECESSION.

Therefore, the **Question is how big will be the recession.**

Let me give you some more developments- a) **Energy price war** between Russia and Saudi Arabia - Opec became almost ineffective - The oil price hit a Low of \$22 per barrel(unheard off). This will lead to bankruptcy of several oil companies, also affect many oil dependent countries. Further, given the lockdown and falling global demand for energy it will be a long haul.

b) **Airline, Travel Tourism and Hospitality Industry** - Given the lockdown of the countries and close down of airports. Most of the international airlines have grounded their flights - 90% operations came to a halt. Given the spread of fear and **social distancing** (new phrase), the industry will be affected for sure for a quarters to 2 quarters; Passengers will not be back before winter. There will be huge capital loss and bankruptcies and merger which will also add to the recession pressure and jobless. Many tourism dependent countries will face huge issues in terms of budget deficit & huge unemployment.

c) Thirdly given the falling demand, unemployment, other consumer related industries will be affected which in turn will affect the capital intensive industries as investors will be restricted. This will also lead to huge Non-performing loans - from Individuals, small businesses and Corporates - that will create losses for Banks. Given the death and health cost and may other recall of insurances for loss of business etc, the insurance industry will also be in problem. Further, given the foreign exchange issues and high budget deficits, many sovereign will default in the bonds payment so the same will crash the bond market which will create a huge effect for marginal countries and prolonged the recession;

This creates the more greater problem than 2008 for sure where the problem started only in the financial industries and Government could pump in money and the markets are back within 2 years. This time it will be more prolonged for many countries;

Please refer to our country chart and an early indications given by Debashish in his article.

Capital Markets

As I mentioned in last issue, "spectacular V shape recovery in the stock markets are ruled out, it will be U shape recovery. However, the duration will be dependent on the global linkage of each economy and how the portfolio money move between countries." **Now most of the Pundits have accepted this and openly talking about this.** So again we are right and this complicates the matter as : **How flatten will be the U curve ?** we do not know the answer. Interestingly, in all major markets you will observe a **rebound rally** USA, China, India although there has been no significant change in the environment.

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2020 %	Inflation %
USA	21729	26689	-3.6%	0.9%
China	12238	10290	1.6%	-2.0%
India	2260	2305	2.0%	4.2%
Egypt	331	53	3.5%	6.00%
Kenya	71	18	2.5%	5.3%
Tanzania	54	10	3.0%	3.7%
Ghana	43	20	3.0%	7.0%
Nigeria	405	101	0.50%	6.0%
Morocco	101	59	1.0%	1.0%
Bangladesh	221	40	4.0%	4.00%

Forex	Monthly Open	Monthly Close	Monthly Change %	2020 YTD %	2019 %
EUR USD	1.106	1.102	-0.4%	-1.7%	-2.3%
GBP USD	1.280	1.238	-3.3%	-6.6%	-10%
USD INR	72.530	75.335	-3.7%	-5.4%	-2.1%
USD KES	101.150	105.200	-3.8%	-2.5%	-0.7%
USD EG POUND	15.630	15.740	-0.7%	1.9%	11.60%
USD TZS	2300.000	2313.000	-0.6%	-0.6%	0.0%
USD CEDI	5.460	5.765	-5.3%	-1.1%	-14.5%
USD NAIRA	306.400	361.000	-15.1%	0.4%	0.5%
USD TAKA	84.940	84.450	0.6%	0.5%	-1.8%



However, this is not the time to relax rather this is the most difficult time in the market. Pundits have already predicted that there will be **a second and third order effect which will keep the market volatile (Till the USA VIX is above 18 - presently at 45). We also agree to the same.**

So my advise to investors will be to stay away from the market and only invest through your Fund Managers. This market is not suitable for individual investors.

However, as Fund Managers we shall be in the markets and will play the game as it unfolds. However in USA our strategy will be as under :

1. **Prefer Cash than staying put in Investment,**
2. **High Volatility : will be the norm of the Game :** so we shall

limiting our loss limit.

3. **Time with the market is the key:** Market swings with every news so we have to closely watch each movement

4. **Reassessment of the Revenue Model of the companies before investment :** This we have carried out and are watching over 40 shares some of which which we think will be performing better than markets;

I am sure when I will write the April issue by then we shall see the second order effect post the begining of the earning season. Remember preservation of cash is more important till the full effect becomes clear.

Stay at home and be happy with family and watch your Investment!

Coming Soon

New Service : Surrogate Investment

Digitian Capital (DC) has launched a new service "Surrogate Investment". We have come across many of our readers who may not have USD 100,000 or equivalent to join the club and make their investment fortune. Further, we understand **TRUST & BELIEF** are two big factors confronting the medium value investors. The service is designed to address these issues while creating a family of DIGITIAN investors :

The features of Surrogate Investment (SI) :

1. Invest your own Money through your own custodian account (so no money transfer)
2. Only two markets : India and USA
3. Atleast investable funds of USD 20,000 or AED 10,000 or INR 10,00,000
4. Digitian Capital would give you names of only 1(one) share (on the basis of our model **WINGS to freedom**)
5. You will invest yourself on the basis of that Tips on that share
6. Digitian will advice you to sell the the shares at right point in time.
7. You transfer 20% of the profit you generated out of the sale of shares. (Say you invested USD 20000/- in Apple and you sold it at USD 24000 then you will pay DC, USD

800 (20% of gain of USD 4000)
8. On receipt of USD 800 DC will provide you another name of shares where you will invest again USD 20000 or more.

If you have a loss from a tip it will be adjusted first from subsequent gain, before upside kicks in.

So it is **SIMPLE .. SIMPLE**

Why You should avail this service?

- You do not have time like Professional Fund Managers like us, so you are getting a professional specific advise
- Your money is in your own account. You can sell whenever you want
- Digitian capital is doing all the hard work, Selecting the share, monitoring the performance of the company, attending AGM and Investors Conference, advising you the buy and sell time with entry and exit price.

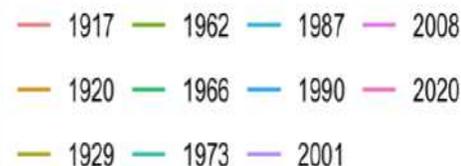
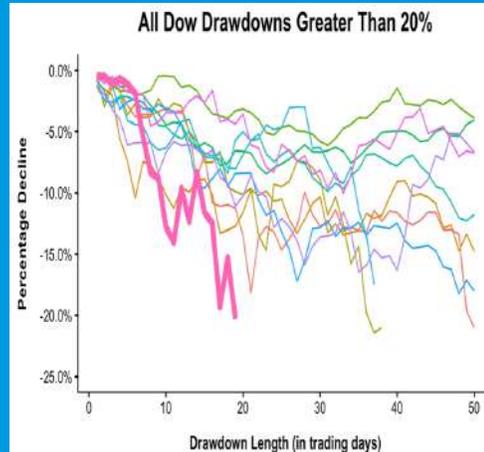
Fees for the Service :

- a) ZERO UPFRONT Fees
- b) Upside of 20% of the profit **only on realisation** of the profit (So Zero risk)

Process :

- 1) Sign up : digitiancapital.com
- 2) Start Your millionaire Journey

BEST CHART OF THE MONTH



Courtesy: Bloomberg

“ The average number of days from peak to bear market territory is 255, the median is 156. The Dow's fall in 2020 would make it by far the fastest all-time high to bear market ever - much severe than 2008 or 2001. The second fastest was 1929, which took 36 sessions.”

The chart tracks the fall in DOW index in each of the earlier fall which were more than 20% since 1917 - percentage of fall since the peak just before crush



VALUE INVESTING

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“If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes ... “I buy on the assumption that they could close the market the next day and not reopen it for five years” - Warren Buffet

What to do in this once a lifetime Crisis

Just to recap what I wrote in my last article. There is a famous Chinese proverb : **“Those who predict, do not know, those who know, do not predict. But nobody knows”**

The above statement is so apt during this crisis of Covid 19 .One cannot predict by extrapolating the past as this virus is different .Those who are expert are also conservative and scared to predict ,actually no one knows for surety which makes it very difficult for us to act.

In this context what I wrote is :

Assuming you are (a)long term investor, so when market in end Jan as per you was (b)fairly valued (if either of the statement was not true ,you would have sold the market), now with markets correcting 13% now,the market in relative terms is better valued than what it was in end Jan .Can the market correct more than 13%, we do not know, it can or it can reverse upwards – we don't knows, no one knows, no one catch the bottom.

So if you are long term investor and not bothered about short to midterm then slowly buy the market as it better valued relatively. Buy not at one go but in staggered manner, that is what we are doing! One more important thing, turn off the screen ,be off from social media

for some time, enjoy the nature, go for holiday, take break ,basically stop seeing the screen ,you will be happy.

Like Warren buffet says **"If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes ... “I buy on the assumption that they could close the market the next day and not reopen it for five years”.**

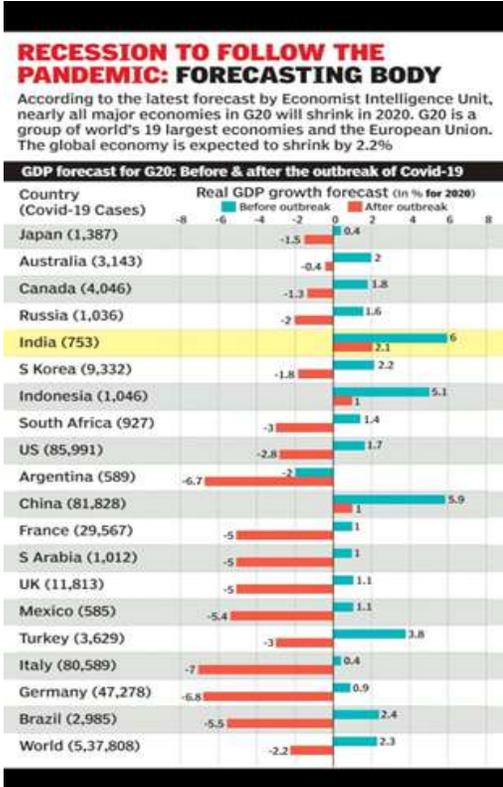
Update as of now :

As I write this article the virus have spread to more than 180+ countries impacting 1.6 mio people with close to 100000 deaths all over the world .The virus in India have impacted more than 6500 people with more than 200 deaths .

We are at a “never seen before never experienced before” type historic juncture where not human greed and fear which drive economic or market boom and bust in all earlier cycles is playing the spoilsport, but a health hazard created the crisis after almost 100+ years when globe is much more interconnected, when people, information and analysis travel must faster than any time in human history.

Since this type of pandemic haven't happened in last 100 years ,inspite of all data and the world being interconnected, fear is at its highest till

the vaccine is discovered. There is almost a halt to economic activities in major countries of the world and the worst is no one knows when it will kick start again .There will be second and third level of impact of this halt or lockdown. No one knows how devastating it will be. Major developed countries and their central bank have come up with economic & fiscal stimulus. Even after these stimulus no one can stop a recession in major economies and no know knows when this will end. Please see as of now the projections of GDP's of different countries.



The original coronavirus issue in China started as a supply side issue (China not able to supply to the world), but now since the entire world is impacted it is a Demand Side issue now. It is a function of earning power, predictability of cash flows, demographic profile, availability of quality jobs, skill level, wealth effect and “animal spirit”. Now these issues have varied effect on different countries. In India, these issues are constraining our growth for many years as we faced quite a few economic shocks which are known to every one like Demonetization, lack of private Capital expenditure, stretched fiscal Position, poor growth in tax collection and almost zero job growth.

This Lock Down in India has only exacerbated the issue significantly. Now we face situation when many people who are employed in SME / MSME may find problem in retaining their existing job, there may be salary cut or deferment in well paying jobs, poor increase in salary / wage across sectors.

Unfortunately, this Covid19 crises have come at a very critical moment for Indian economy as we were about to come out of the decade long banking NPA crises and presently staring at another NPA crises due to this massive lock-down and slowdown.

Having said above, there is also contra view which is all these thinking of the unknown is crap. We, as people, will continue to do exactly what we were doing. It is purely the recency bias that people are projecting things of today onto tomorrow. They feel may be with the

exception of - may be online businesses pickup a bit and video conferencing/ chats becoming more prevalent, nothing will change.

Lets take a look back at demonetisation. Everyone were saying cash will be dead and most people will start transacting online or through mobile. And initial data did suggest that. Paytm became the poster boy. Pause and fast forward 2 years. Paytm is struggling to survive.

Cash transactions are at an all time high and those businesses which were supposed to have been killed by the so-called “formal economy” are doing as well as they did before.

So what you do now in this kind of situation ? The drops in US and Indian markets are ferocious to say the least

I have just put my point of view ,you please apply your situation and mind to decide what you need to do :

1. Have a minimum of 2 years living expense in bank. Please keep it idle and don't try to optimize this.
 2. In this kind of situation
 - i. Cash is king, use relief rally to sell on dips to preserve cash
 - ii. You can buy those stocks which have corrected a lot
 - iii. Rejig your portfolio (lower weight-age on leveraged business in this type of crisis)
 - iv. Buy the market as it is better valued relatively but Invest that money which you don't require for next 5 years. Buy NOT at one go but in staggered manner over months .
- As investors you cannot sell everything and be at 100% cash as no

S&P daily chart: Sept-Oct 2008 compared to Feb-Mar 2020

Again, strikingly similar so far.



- Between 28 October and 04 November 2008 the S&P rallied 19% and then fell 26% into 21 November.
- So far from the 23 March 2020 low to today it has rallied 20%
- As can be seen from the top 15 up days of all time for the S&P (Next page)- big daily bounces are also not always a turning point

What has been worrying you is not the drop itself but the speed (read in short time) of the drop. Normally when market drops so much, you will have relief rally in such bear market. Please see the above graph for better understanding .

So again the question may come to your mind what you do in this kind of situation .

one can catch the bottom of the market, our actionable is to watch out for those businesses which are shepherded by great management and have a tailwind in their business operations with high free cash flow and low debt. [Mr Market is already helping you with the valuations and is likely to help you more in the future!!](#)

Stay safe , take care and all the best !

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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.

We make you ready for them

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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 opportunities, Please write to us for more details at info@mydigitian.com

- Unique Access to Frontier & Emerging Markets
- Value Stock Pick
- Online Investment Platform
- Cheaper Cost
- Multi-bagger return
- Open & Transparent Upside Sharing

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