Print This Pa

2Cs responsible for biggest single-day drop in Sensex; what should investors do?

Two ‘C’ – coronavirus, and crude oil led to a sharp 6 percent fall in Indian markets on March 9 which turned out to be the biggest point drop in the history of the benchmark indices.

The S&P BSE Sensex lost more than 2,400 points while Nifty50 shed nearly 700 points intraday on Monday.

Let’s look at the final tally on D-Street – the S&P BSE Sensex closed 1,942 points lower at 35,634.95 while the Nifty50 ended with losses of 538 points to close at 10,451.45 on Monday.

The next big question in front of investors is – what should they do now? Is this the biggest opportunity for creating wealth for long term investors?

Well, the comforting fact is that the large part of the decline was largely due to external factors such as a sharp fall in crude oil prices, coronavirus, and a steep fall in US Bond Yields.

After a steep correction which we have seen in the last one month, Nifty50 is now trading at attractive valuations and any dips could be used as a buying opportunity, suggest experts.

We have collated views from different experts on CNBC-TV18, and the ones who spoke to Moneycontrol:

Jai Bala of Cashthechaos.com to CNBC-Tv18

I warned people not to get excited about the tax cuts as the long-term was weak in the US markets. Coronavirus has just become an excuse for selling as the country with the least number of cases of coronavirus got hit the most.

When crude falls it is not good for risky assets. The conventional wisdom that falls in crude oil prices is good for equity markets no longer holds true.

Mihir Vora, director and chief investment officer at Max Life Insurance Company Ltd to CNBC-Tv18

Investors should deploy a wait & watch approach as nobody can time the markets amid rising fears of coronavirus. Investors should not rule out unconventional measures from global as well as Indian central bankers to increase liquidity.

The Street might be factoring in a rate cut by the RBI if fall in bond yields below 6 percent is of any reference. We are going to see an ease in interest rates, and as and when bounce back happens, private sector financials will do well.

Domestic and consumption themes will be back in focus. Commodities and metals will continue to remain weak because we will be discounting a global slowdown.

Expert: Devang Kakkad – Head, Research & Advisory – Equirus Wealth

Ongoing uncertainty and fear remind me of Sir John Templeton’s quote.

"The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."

Current challenges are surely concerning but not unsurmountable, such times provide the best investment opportunity.

For long term investors, there is certainly a bargain available to invest and create wealth. History suggests that such steep correction is often a buying opportunity. In terms of valuation as well, owing to recent correction, valuations are in a reasonable zone as well.

Expert: Madhu Kela, Market Veteran to CNBC-TV18

This is the time to keep your head cool where your experience will get tested. This is not the first time it has happened. From the past, it is clear that investors who have made investments in a panic have ended making handsome returns.

But, can you by 100 percent sure that what you bought today cannot go down 5-15 percent tomorrow. We can’t be sure of that and it is entirely possible. We can never be sure that this is the bottom.

The best way is to invest through this troubled time and don’t put all the money in one go and maybe use the volatility. This is not the time to panic and selloff. For long term investors, this is the time to get in the market and invest gradually.

Expert: Dyaneshwar Padwal – AVP- Technical Analyst at KIFS Trade Capital

D-Street is clearly playing red Holi this year, you’ve likely heard that investing in stocks and bonds is a good way to diversify your portfolio.

Diversification being the key here – investors are advised to invest in a variety of instruments such as debt market, gold, equities & mutual funds to cover their risk so that when one industry is having trouble, another one will be healthy, propping up your overall portfolio.

The second most important point is tune out of market noises and doesn’t let your own fears or the fears of others cause you to act irrationally.

Expert: Gaurav Bissa, Assistant Vice President, LKP Securities

The markets world over have seen a strong correction. Volatility is also seen rising very fast which has made the job of traders very difficult. However, the traders who got the trend correct have been getting some gains. The sentiment has taken a beating. Participation has come down. There are many who have been waiting on the sidelines