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Growing Popularity of Commodity Coins

Cryptocurrencies have been the most loved and at times, hated topic in the last 2-3 months. Financial markets all around the world are being flooded not only with Bitcoins but Corporate coins, Government coins and even Commodity backed coins forcing potential investors to scramble through this rising madness. Whatsoever, be the scenario but nothing has drawn as much controversy in this digital currencies market as **"El Petro" – an oil backed cryptocurrency** announced by the Venezuelan President, Mr. Nicolas Maduro in December 2017. The sole purpose of this idea of Mr. Maduro is to **"overcome financial blockades"** put in place by the western government as a response to the Venezuelan government's ongoing social & political turmoil. While some see this cryptocurrency as an opportunity of tokenization, other sees it as a forward sale of Venezuelan oil, just another act of political corruption.

Though this announcement is supposed to have an impact on country's crypto-community, which was desperately looking to protect itself from the plummeting bolivar, but at the same time its mining is said to generate an employment to the tune of 1 million.

In short, things have really become more complicated to comprehend with the announcement of this oil based cryptocurrency but the good thing is that it has revived the idea, what was sought by Kuwaiti officials way back in 2014 when they suggested a platform to trade oil in Bitcoins. And now, with the resurgence of this idea, an OPEC coin backed by oil could usher in a new era of both energy, trade and global finance.

The likelihood of such an endeavour is still slim due to large number of intricacies of oil politics, but with a looming USA shale boom posing an existential threat to the oil cartel, along with the Middle East's ambitious **"Blockchain and Renewable Energy"** plans, things could change quickly.

The point now is to wonder whether, this is the future of OPEC or not and if yes, will it add a utopian level of transparency and accountability to one of the most important industries on the planet, by far?

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Globalisation isn't dead, but it isn't same either!

When the world leaders met at WEF 2016 at Davos, an interesting idea was proposed that globalization is dead. Today, looking at Brexit and Trump adopting more protectionist measures, it might look like that but it really isn't that simple. Something phenomenally different has happened at conceptual level in terms of globalization. The definition itself is undergoing change today. Let's take example of Uber, business models like this don't need to do a lot of FDI in infrastructure to enter a market. The app, a strong technical backend and a marketing & business development force are the pre requisites required to get the wheel rolling. This is what we now call "Digital Trade". Facebook collects a lot of insights based on our likes, shares and the content we post. This data is utilized to give ad services to various companies. You can tax goods, services or people. How do you measure and assign economic value to something as sophisticated and complex as data? This is the fine thread that has changed the outlook of globalization.

The rapid growth of digitalization has short circuited the flow of information, data and business propositions based on them. Consider the example of Tesla where there was a need to raise the ground clearance of chassis in some models sold across countries. A conventional approach would have been to call back the cars to the plant for the same but what Tesla did was exemplary. They just sent a software upgrade patch which instructed the processor installed in car to raise the chassis clearance by the required amount. Millions of dollars were saved by just one software upgrade. Hence, it may be noted that the key pillars of free trade and globalization are based upon free flow of capital, goods and labour. Due to rising protectionism on one hand and increasing digitization on the other hand, we simply do not have the tools/framework to measure the disparity between digital trade and conventional trade. The first to solve this puzzle would be to acknowledge and include "digital trade" in the existing idea of globalization. Next would be to develop the economic value indicator to measure the economic impact created by the likes of Facebook and Uber of the world. Things from there have a huge scope for development.

In conclusion, the globalization isn't dead but it has definitely changed. It has got a digital makeover and it is time we start looking at it that way.

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Infrastructure Sector in India

The Indian Infrastructure sector presents great significant opportunities today. The recent trend and pattern of Indian infra-structure sector is characterized by high budgetary allocation for the sector, rising infrastructure deals, increasing private sector investment, improvement in logistics and rising FDI in the sector. In the Union Budget 2017-18, the government allocated a massive amount of ~USD 62 billion to the sector.

The growth drivers for infrastructure in India are Infrastructure Need, Housing Development, International Investment, Public Private Partnerships, government Initiatives like Smart Cities Mission, Housing for all. The sector is expected to contribute 15% to the Indian economy by 2030. The recent policy reforms such as the Real Estate Act, GST, REITs, are going to further strengthen the real estate and construction sector in India.

Rising Fiscal deficit has been one of the major reason behind fall in public investment in infrastructure in India which pushes up the cost of debt for public funding. Despite high saving rates in India, debt markets for corporate sector is still underdeveloped thereby, debt funding for infrastructure financing for private players involves low profitability. Complex rules and interpretation of compliance procedures discourages investment in the sector. Aggressive bidding which the government undertakes for new investments often calls speculative instinctive quotes.

It is important to build a dynamic and responsive policy deliberation forum to overcome glitches in the funding models. Further, it is important to maintain clarity on legislations and simplified policy for regulatory authorities for easy compliances with regards to infrastructure financing. Maintaining fiscal discipline is very crucial for states to build a better investment market in the long-term as it helps in minimizing business risks involved for investors. It is important to overcome policy paralysis and inconsistency in policies to boost investors' confidence. As villages gradually turn into suburbs and urban centers transform into work intensive metropolises, the demand is imperative and so is the need for innovation in the sector. Public Private Partnership (PPP) model be put into position to encourage more participation from the private sector. It is high time to implement some of them to address the growing infrastructure financing concerns.

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Rural Consumption Demand Review

Rural consumption demand in India, previously depressed due to the incumbent government's activities vis-à-vis demonetisation and GST reforms, has been in recovery since Q4 2016. Q3 and Q4 of 2017 has seen rural economy growth of around 12-15%. FMCGs have also reported double digit growths in revenues from rural areas in the same period on the back of sound monsoons and a bumper crop season. Farmers have shifted from food grains to cash crops to boost their short term incomes. Currently cash crops amount to 55% of total crop produce in India while food grains are at less than 40% which is an indication of smart-thinking on behalf of the farmers. Crucially, FMCG rural sales growth is strongly correlated to two rural macro indicators: disposable income and employment growth.

Some of the steps taken by the government via the budget to support the disposable incomes, directly and indirectly, of farmers and agro-related professions are:

1. Support prices for farmers for Kharif crops were hiked to 150% of production cost.
2. Operation Greens has been launched with a corpus of Rs 500 Cr to manage the price volatility of essential farm commodities like tomatoes, potatoes and onions.
3. Agriculture credit has been increased by 10% to Rs 11 lakh Cr.

Measures to boost rural employment specifically were lacking in this year's Budget. However, the provision for spending Rs 14.34 lakh Cr to be spent on rural infrastructure which will contribute to marginal employment generation.

An interesting indicator of rural consumer demand is the purchase of consumer durables (like smart phones) and two-wheelers, especially in Northern India. An uptake in growth figures for two-wheeler sales indicates that demand for staples is already being met by current disposable incomes and consumers are drawing cash from savings or taking up loans for satiating "necessary-luxury" needs. Rural sales in Q3 2017 for two-wheelers grew by 13% Y-o-Y, underlining the merits of this notion.

Moving forward for 2018, there is latent opportunity in rural E-Commerce due to the rising ubiquity of internet connectivity across mobile devices and the corresponding increase in smartphone sales (109 million users currently). Having said that, rural consumers still prefer smaller SKUs for consumer goods and are unwilling to pay any delivery charge over the MRP of the product. The challenge hence for FMCGs is to use their existing distribution channels and economize delivery charges as a cost centre to company (and mark down delivery charges to zero) to incentivise the early adopters in this market.

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Data Analytics and the art of Entertainment

The entertainment industry has been growing at a remarkable pace. This growth is a testament to the inherent need of human beings to see a narrative unfold in front of them. Narratives evoke emotions which result in empathy, antipathy or even apathy towards the characters that are part of that story. This statement is equally valid for music. Notes and different musical instrument replace characters and plot but in the end, it is collusion of these elements that results in the ecstatic experience popularly called “entertainment”.

It is this experience the entertainment industry is trying to use data analytics for. The buzzword data in this context should consist of customer reviews, number of clicks, TRP etc. in conventional terms. But data analytics techniques like Machine Learning have broken the rules so-to-speak by making the classification of data virtually obsolete. There is nothing called irrelevant data. All data is relevant as long as it can be analyzed and the way Machine Learning is evolving, even something as irrelevant as number of visits to a particular café can be used to determine that consumer’s taste in music.

Data analytics helps in creating a new environment in which the customer forms the core of any experience. Targeting a user’s previous preferences makes it easier to suggest things that a user might like, making it much more difficult for the user to lose interest in the form of entertainment being offered. But it raises many fundamental questions about consumption of art:

- Does it limit the domains a consumer can explore as the suggestions are based on the previous consumption habit of the consumer?
- Does it give power to the creator or the consumer because the consumer is oblivious of the methodology that is used for suggestions?
- Does a consumer really know what he wants?

The example of Spotify answers all the questions though the answers are not simple yes or no.

Earlier if you liked a song, all the recommendation systems could come up with was different songs of the same artist. Nowadays, Spotify will analyze everything from the lyrics, mood, theme and audio spectrum of the entire song to suggest you songs that you’ll like. And they usually consist of artists you haven't heard of before. So it clearly does not limit the domains a customer can explore. But there certainly is a pattern in these suggestions as these suggestions are a result of extensive data analytics methodologies.

This brings us to the next question. The balance of power between the consumer and the creator is still the same old black box. Neither the consumer is forced to consume a particular type of content nor does the creator have his hands tied to create a particular type of content. Data analytics has opened up the opportunities to be as diverse as possible for consumer and creator both. It has rather made it easier for both the sections to come together.

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State of the Indian Start-up Ecosystem

The genesis of the start-up ecosystem lies back in the 1960-70s when TCS and HCL were founded as the first tech companies of the country. The ecosystem has evolved over the years with inception of companies like Zoho, Infoedge and Musigma. But the real spurt of growth in the Indian start-up ecosystem occurred in 2007 with the founding of Flipkart.

The start-up ecosystem then saw an era of unprecedented growth with founding of companies like Zomato and Quickr in 2008 followed by Freshdesk, Ola, Snapdeal and Paytm in 2010. In 2011, Browserstack, Webengage, and Shopclues were founded. Housing.com and Jabong in 2012. In 2013, Amazon entered India. In 2014, Swiggy was founded, Ola & Snapdeal became Unicorns and Flipkart acquired Myntra. In 2015, Infibeam went public in India and became first e-commerce company to get listed in India. Paytm, Zomato & Quikr became unicorns. In 2016, “Start-up India, Stand-up India” initiative was launched. Also, Shopclues joined the unicorn club.

Today, India has the third largest start-up ecosystem in the world, adding over 1000 tech start-ups in 2017. India finds itself in company of countries like U.S., U.K., China and Israel which have been at the forefront of the global tech start-up revolution.

About 68% of Indian start-ups are based out of three cities- Bengaluru, Delhi NCR and Mumbai. In terms of business focus, about 40% of the tech start-ups in India are in the B2B segment, while 60% are focused towards the B2C segment.

The role of funding by Venture Capitalsits in the growth of the Indian start-up ecosystem can’t be ignored. About $ 13.7 billion USD was invested in Indian start-ups in 2017. Indian start-ups have seen funding from investors such as Accel Partners, Soft Bank, Sequoia Capital and Nexus Venture Partners, SAIF Partners and Kalaari Capital among others. Foreign investors constitute 44% of the total investments in Indian start-up ecosystem. Funding has happened across all development stages- Seed stage, early stage, growth stage and expansion stage.

However, not everything is hunky dory. According to sources, 20-25% of the start-ups founded between 2012 and 2017 have died out in 1.6-1.9 years from their inception.

2017 will be remembered as the year which saw some tapering of exuberance with investors displaying more caution with their investment decisions and the shift of focus towards long term sustainability of start-ups.

Behavioural Finance

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As stated by Benjamin Franklin, “The investor’s chief problem even his worst enemy is likely to be himself” could not be truer in today’s decision-making environment where financial decision making is converging with emotional intelligence and intuitions based on sentiments. You are either a subpar investor hit by the 2008 financial crisis or an exceptional investor catapulted by the investment in marijuana stocks, cryptocurrency or stocks in the recent developed fields like robotics and Artificial Intelligence. In this ironical market dynamics, for one investor to beat the market, the other has to underperform.

Investor behavior involves the study of purview of financial markets and psychology of investment. Behavioral finance has provided enough evidences of how the investor behavior often deviates from logic and reason thereby affecting the portfolio diversification. To understand behavioral biases of an investor, we can branch it into emotional biases, where feeling rules over facts and cognitive bias which includes consideration of a heuristic rule defining standard of rationality and good judgement.

Understanding investor behavior can inform the investors about the biases and hence help them in taking a better-informed decision for their portfolio. The common behavioral biases that trap the investors’ logic are as follows:

Conservative Bias: Under this bias, the investor makes decisions to invest in a stock only after witnessing the increase in its performance with a false expectation of continuity of this increase. This bias also neglects the trend of stocks falling below their intrinsic value, thereby resulting in an unbalanced portfolio investment.

Disposition Bias: Tailing the conservative bias is the disposition bias where the investor tends to sell the stocks appreciating in price too early and hold on to losing stocks for too long. This could lead to decrease in the returns of capital gains on tax waivers and the latest equity tax reforms as announced in Budget 2018.

Familiarity Bias: Under this bias trap, investors prefer investment in familiar stocks despite the presence of more profitable international or domestic investments.

Worrying Bias: This intangible bias occurs due to the anxiety of risk and security involved in any investment. Apprehensions deteriorate the pattern of portfolio investment.

Anchoring Bias: This bias occurs due to holding on to one belief that might have proved right at certain point of time. This bias remains indifferent to the latest developments and changes in the market. Financial decisions are controlled by the cognitive decision making which is exposed to a single instance of information.

Self-Attribution Bias: In this land of blind, the one-eyed man is the king who attributes the reasons of successful investments to himself and is complacent toward the reasons of failure of his investments quoting them to be a result of the external vagaries.

Trend Chasing Bias: When it comes to financial markets, history might not always repeat itself. This bias casts a shadow over the belief of persistent historical performance of stocks in the future market.

These are certain biases which if conquer an investor could lead to their pitfall. Hence, it is time to master the psychological thought process behind financial decisions to build our grand capital empire.

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