

PAISA VASOOL

September 2024 Newsletter

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Global Equity Markets

Rate Cuts, Economic Stimulus and Geopolitical Conflict

1 US equity markets continued their impressive run in September. As Fed progressed on the path of rate cuts and economy marching ahead with more certainty, fears of recession have abated.

2 US federal reserve embarked on a rate cut cycle as they trimmed benchmark interest rates bated. by 50 bps. Target range now stands at 4.75-5%. Fed expects 2 more rate cuts of 25 bps in 2024 and 100 bps rate cuts in 2025. It now has greater confidence that inflation is moving to targeted 2% level.

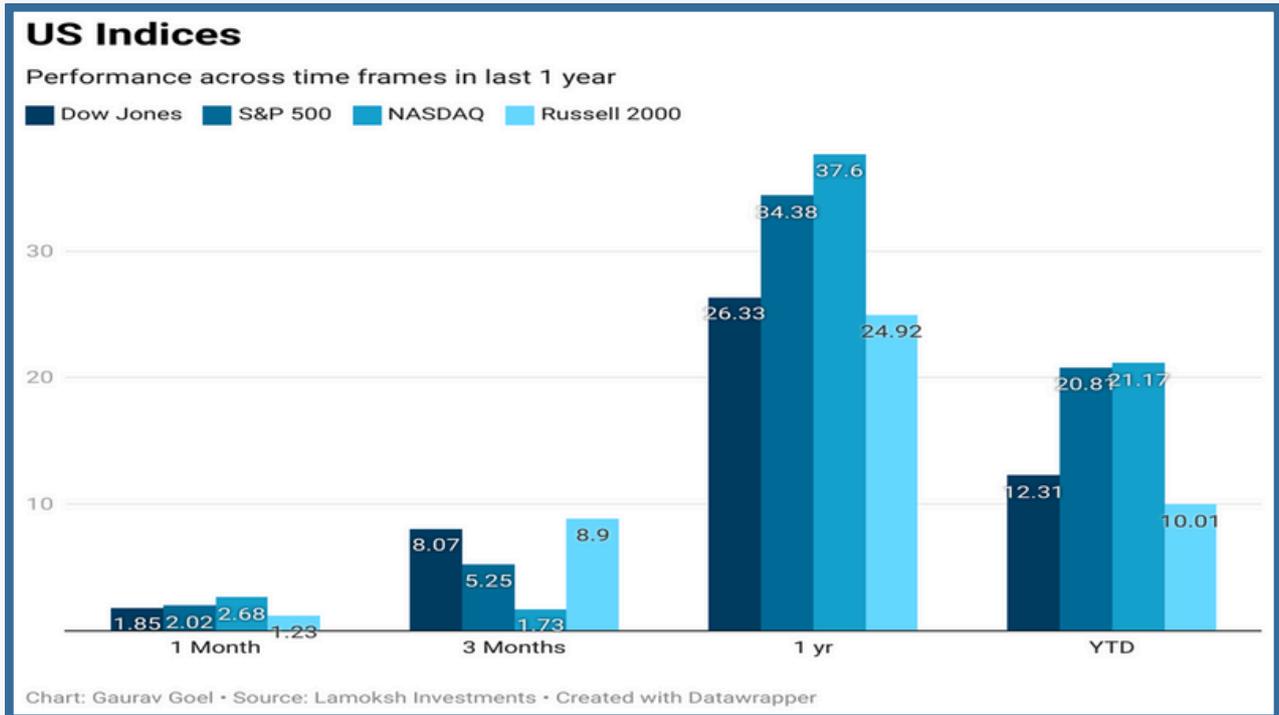
3 The People's Bank of China (PBOC) stole the limelight from the Fed in September as it unexpectedly lowered the 14 day reverse repurchase rate by 10 bps to 1.85%. It also injected CNY 74.5 billion of liquidity and up to CNY 160.1 billion via 7 day reverse repos keeping the rates unchanged at 1.7%.

4 Fed Chairperson Jerome Powell emphasized that the US economy remains robust and FOMC is in no rush to continue loosening monetary policy despite aggressive rate cuts in September, He underscored that 50bps reduction should not be considered a "new pace".

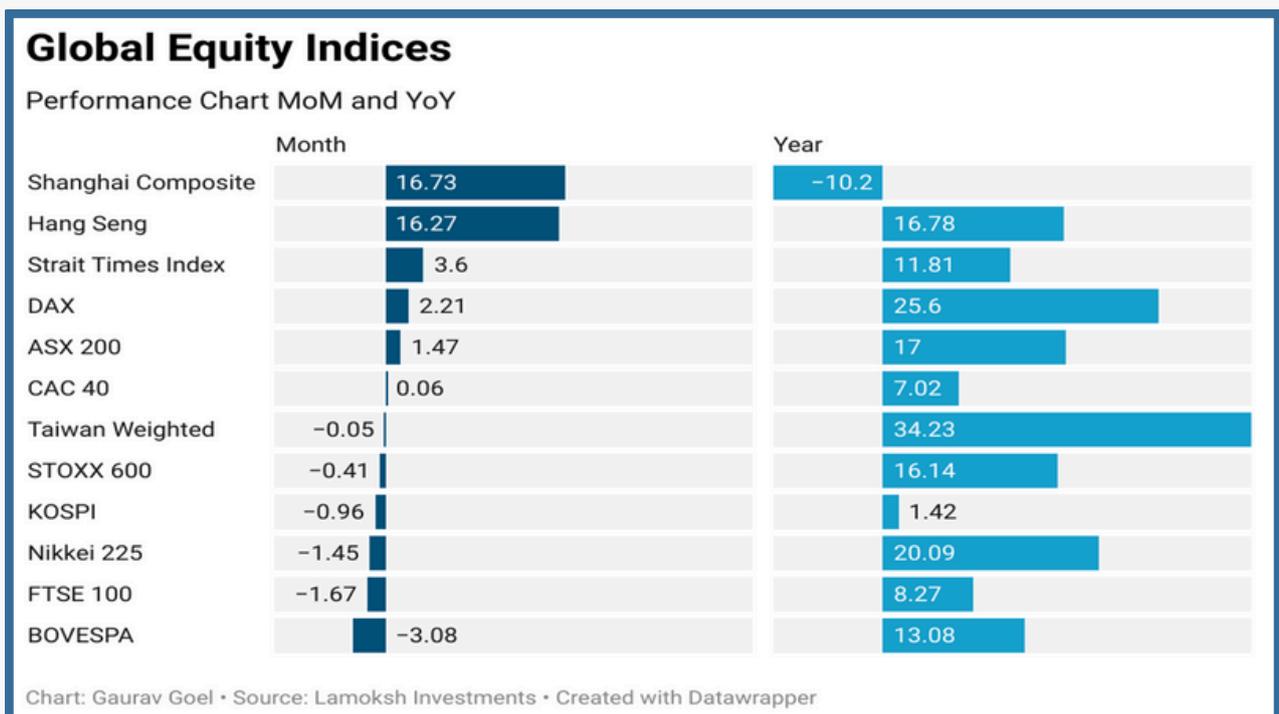
5 PBOC also announced, it would order banks to reduce mortgage rates for existing home loans before October 31 amid efforts to support the property sector. homeowners will be allowed to renegotiate mortgage terms starting November 1.

6 Geopolitical tensions flared up in middle east following the killing of Hezbollah's leader Hassan Nasrallah in an Israeli air attack on Beirut, Lebanon. In a retaliatory measure, Iran launched a missile attack on Israel. Oil prices moved up on fears of supply disruptions.

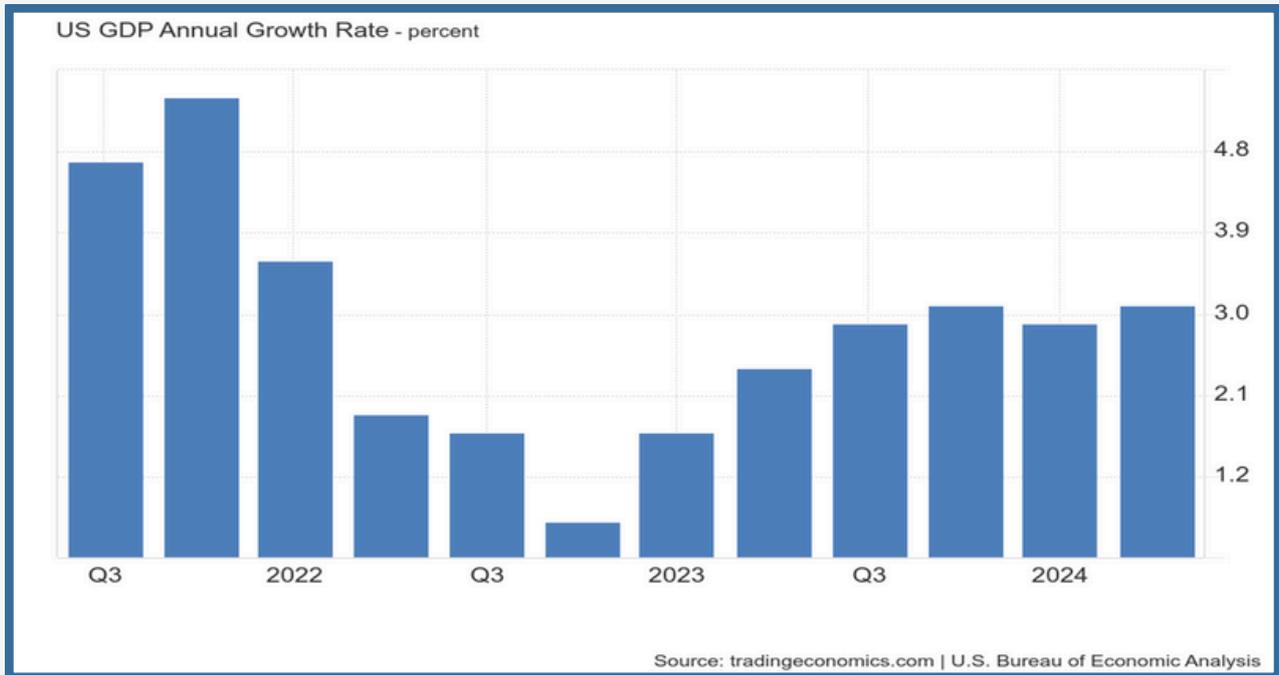
US: New Highs



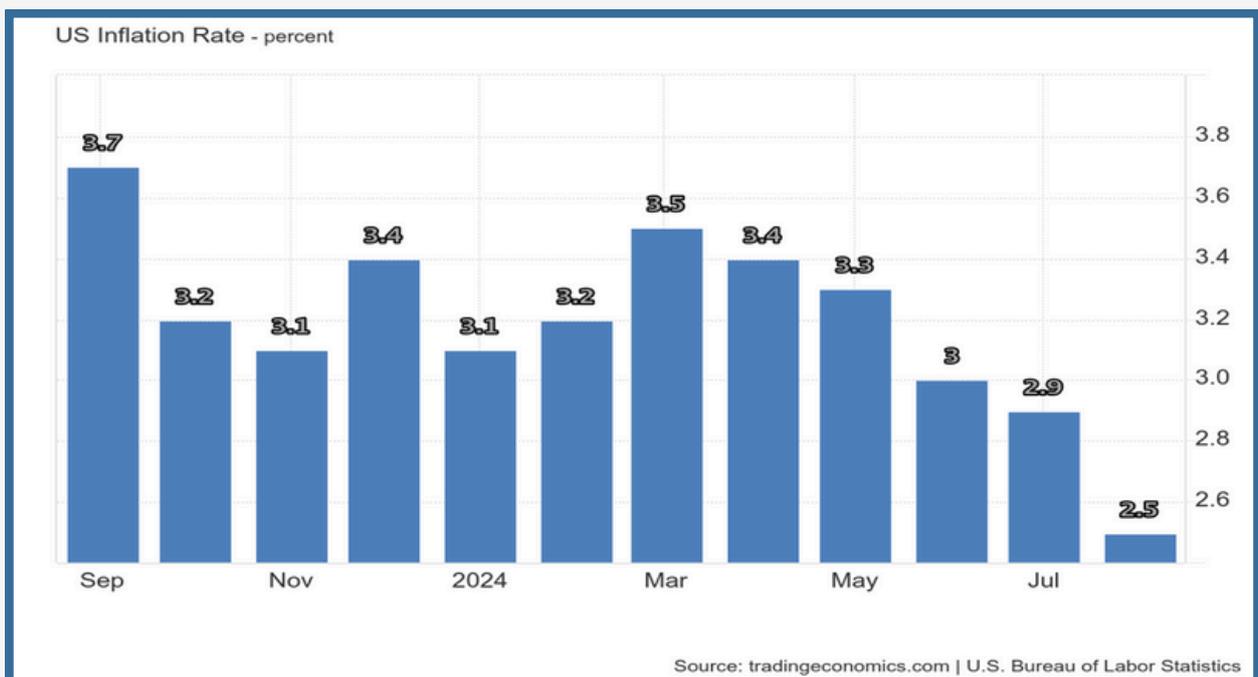
Global: China Rebounds



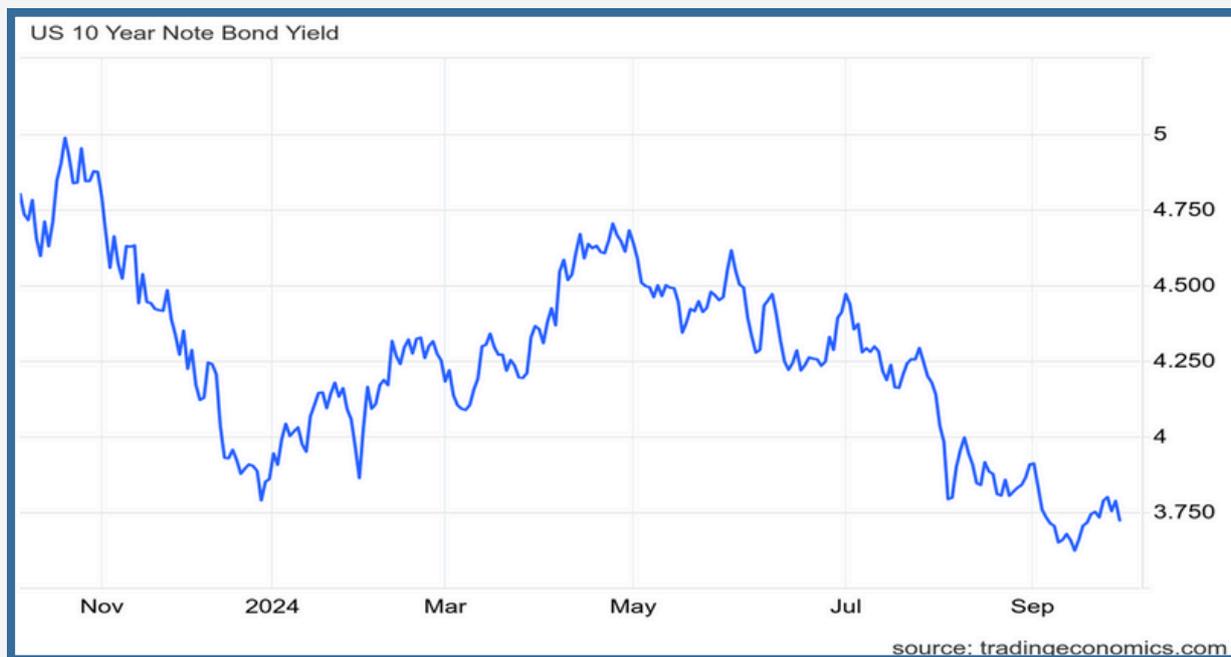
US GDP Annual Growth Rate



US Inflation



US 10 Year Bond Yield Slides



Currencies & Commodities

Commodity	Month	Year	Currency Pair	Description	Month	Year
Copper	12.38%	23.45%	BTCUSD	BITCOIN	7.40%	128.13%
Steel	10.65%	-5.66%	GBPUSD	British Pound	1.90%	9.68%
Coffee	10.25%	82.31%	EURUSD	EURO	0.78%	5.32%
Silver	9.65%	48.43%	USDINR	Indian Rupee	-0.09%	0.92%
Aluminium	8.13%	12.93%	USDBRL	Brazilian Real	-2.88%	8.29%
Gold	5.55%	44.24%	USDCNY	Chinese Yuan	-1.03%	-3.89%
Soybeaan	5.20%	-17.91%	USDSGD	Singapore Dollar	-1.66%	-5.89%
Wheat	4.71%	2.34%	DXY	Dollar Index	-0.87%	-5.73%
Uranium	3.47%	12.71%	AUDUSD	Australian Dollar	2.34%	7.58%
Palm Oil	2.87%	9.23%	USDRUB	Russian Ruble	2.59%	-5.11%
Cotton	0.92%	-18.63%	USDJPY	Japanese Yen	-1.58%	-3.69%
Coal	-4.38%	-12.94%				
Brent	-7.00%	-19.31%				

Commodities

Currencies

INDIA: Smart Gains

- ▶ Indian equity markets posted smart gains in September despite higher valuations compared to its peers. The domestic resilience, FPI inflows and strong economy contributed to the performance. There was some profit booking toward the end due to internal policy measures yet the performance rebound was meaningful.
- ▶ Momentum is shifting back in favour of large caps and the banking sector versus the broader markets which are clearly expensive on valuations. Sector rotation is also clearly visible.
- ▶ September gross GST collection was up 6.5% at Rs 1.73 Lac Cr vs Rs 1.67 Lac Cr YoY. India recorded a current account deficit of USD 9.7 Billion in three months to June of 2024. Infrastructure output in India contracted 1.8% YoY in August 2024 following a 6.1% growth in the previous month.
- ▶ April-August fiscal deficit stood at Rs 4.35 lac crore vs Rs 6.42 lac crore YoY. This is 27% of Rs 16.13 lac crore target for FY 2025. April to August revenue deficit was at 1.43 lac crore vs 2.84 lac crore YoY.
- ▶ Q1 FY25 GDP growth was at 6.7% vs 8.2% YoY and 7.8% QoQ while GVA was at 6.8%. Vs 6.3% July eight core industrial growth stood at 6.1% vs 5.1% MoM.
- ▶ HSBC India composite PMI dropped to 59.3 in September of 2024 from a final of 60.7 in the prior month. While pointing to the 38th month of rise in private sector activity the latest result was the softest level since December 2023 as factory output and the services sector logged lower expansion.
- ▶ India's forex reserves jumped to USD 689.46 bn as of September 20th, 2024. Indian bank loan growth stood at 13.3% vs 13.6% and deposit growth at 11.1% vs 10.8%.

Broader Markets Underperform (in September)

Indian Equity Benchmark Indices

Performance chart across tenors



Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

Sectoral performance

Indian Equity: Sectoral Indices

Performance across Tenors

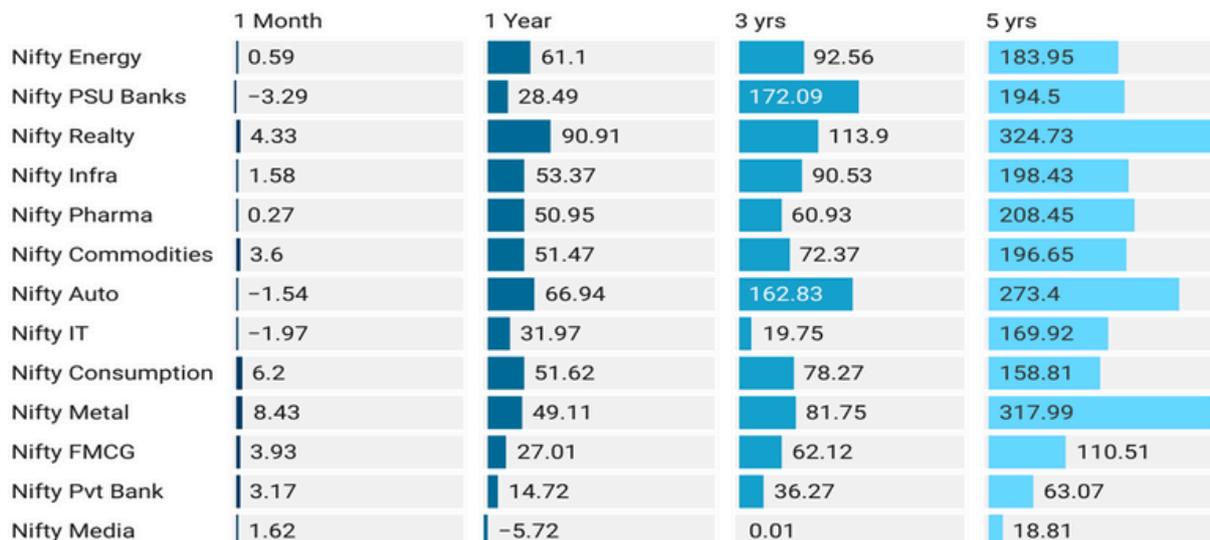


Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

Smart Choices in High markets

With equity markets hitting all time, we are seeing stretched valuations across the board particularly in the midcap and smallcap space. We think, its time to reallocate your equity portfolio. This does not mean that we book everything and shift our entire portfolio to cash. In a raging bull market, its difficult to predict when the rally is going to end. However, we can make certain smart choices.

- 1 **Cut the Crap:** In bullish markets, it is inevitable that low quality stock with dubious promoters or corrupt practices or low corporate governance standards unknowingly creep into the portfolios. Analyze, evaluate and get rid of them.
- 2 **From Euphoria to Prudence:** Maximum euphoria exists in micro, penny and SME stocks. Shift to larger cap stocks unemotionally.
- 3 **Low float to High Float Stocks:** Allocate more to large cap stocks by shifting one third of your small cap and mid cap portfolio to top 100 market cap stocks. Repeat, if market goes up further by 10% and so on
- 4 **Derivative Exposure for Hedging:** If you understand derivative market, hedge your portfolio by buying long dated puts. Keep adding the lots if market goes up further. This will act as an insurance if the market falls. Do not treat this as a speculative call at any stage.
- 5 **Continue your SIP's:** Don't discontinue your Systematic Investment Plans at any stage.
- 6 **Lumpsum through Systematic Transfer Plans:** Avoid lumpsum investments at any cost. Divide lumpsum investments in 12 tranches and invest each trance every month to average out your costs.
- 7 **Avoid Noise:** Bullish phase is usually characterized by intense greed. FOMO (Fear of Missing Out) is another common outcome. It is best o avoid euphoria and keep return expectations reasonable. Think long term and avoid fancy products. Stay away from people promising anything out of ordinary.

Index Valuations

Index	Fall from 52 Wk Peak	EPS	PE	PB	Valuation Verdict
Nifty 50	-1.77%	1064.00	24.26	3.90	Expensive
Nifty Bank	-2.73%	3570.00	14.84	2.40	Cheap
Nifty Midcap 100	-1.27%	1338.20	44.95	5.60	Very Expensive
Nifty Smallcap 100	-2.35%	536.30	35.76	4.20	Very Expensive

Index Forward Valuations

Index	1 Yr Fwd EPS	1 Yr Fwd PE	2 Yr Fwd EPS	2Yr Fwd PE	Valuation Verdict
Nifty 50	1223.6	21.1	1407.1	18.3	Neutral
Nifty Bank	4105.5	12.9	4721.3	11.2	Very Cheap
Nifty Midcap 100	1538.9	39.1	1769.8	34.0	Very Expensive
Nifty Smallcap 100	616.7	31.1	709.3	27.0	Expensive

US Vs Indian Equity markets

US Vs India

Benchmark Equity Indices Comparison

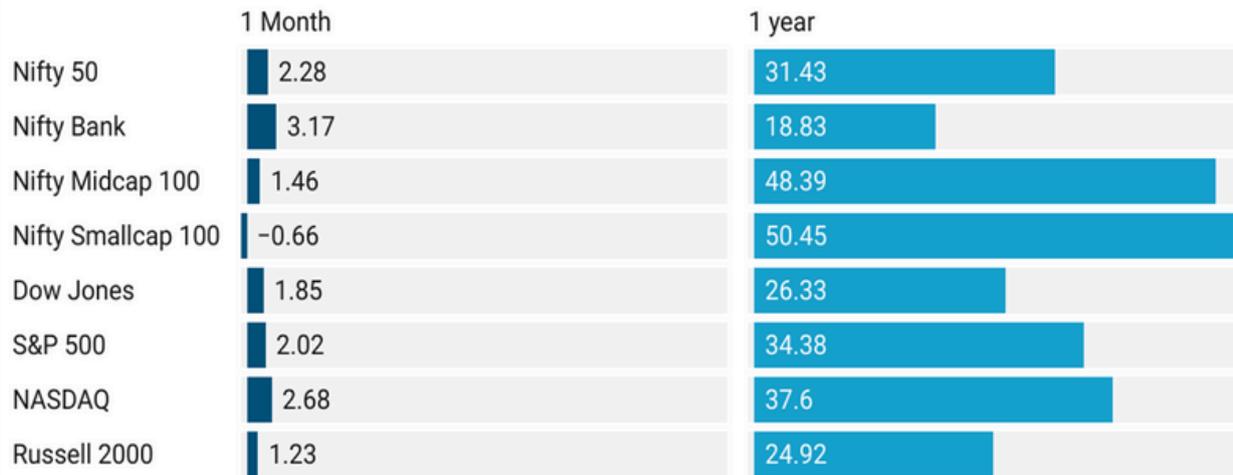
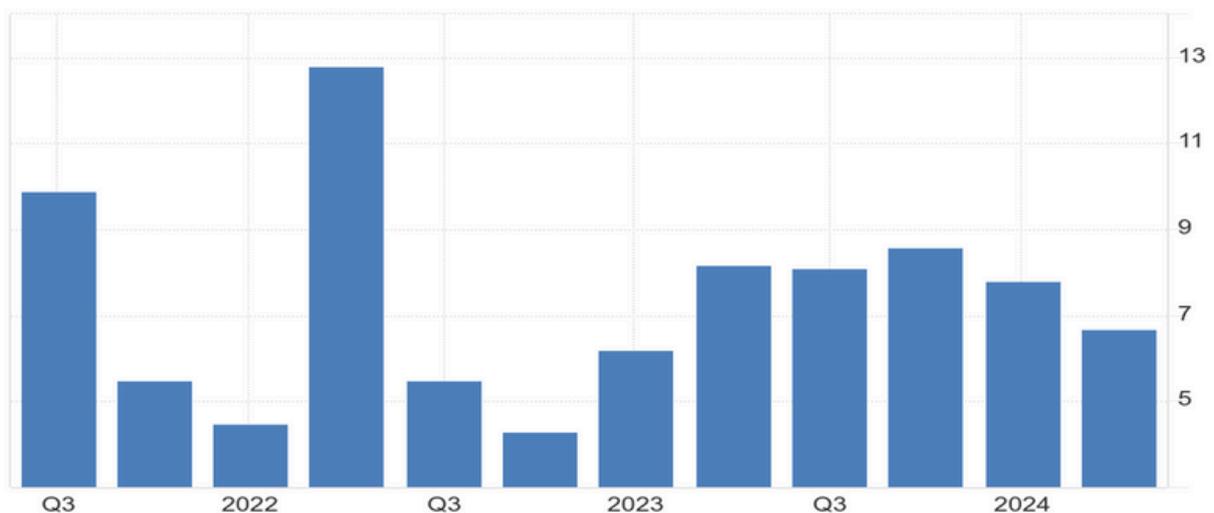


Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

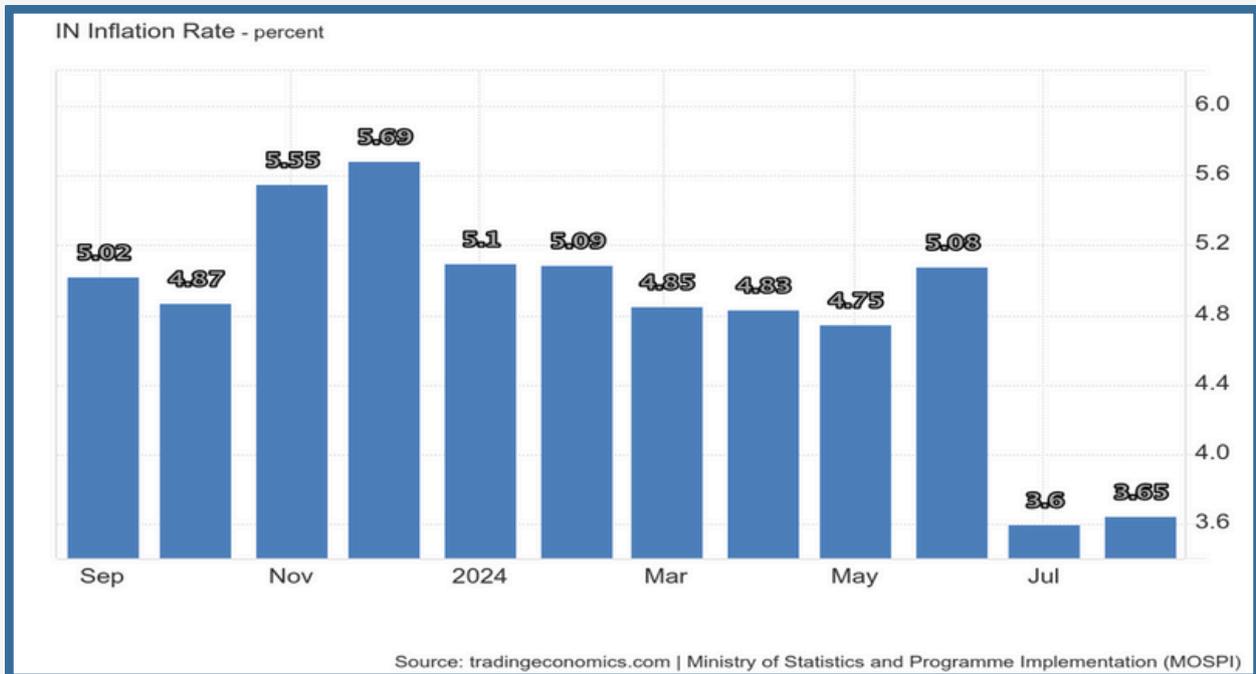
Indian GDP: Growing Well

IN GDP Annual Growth Rate - percent

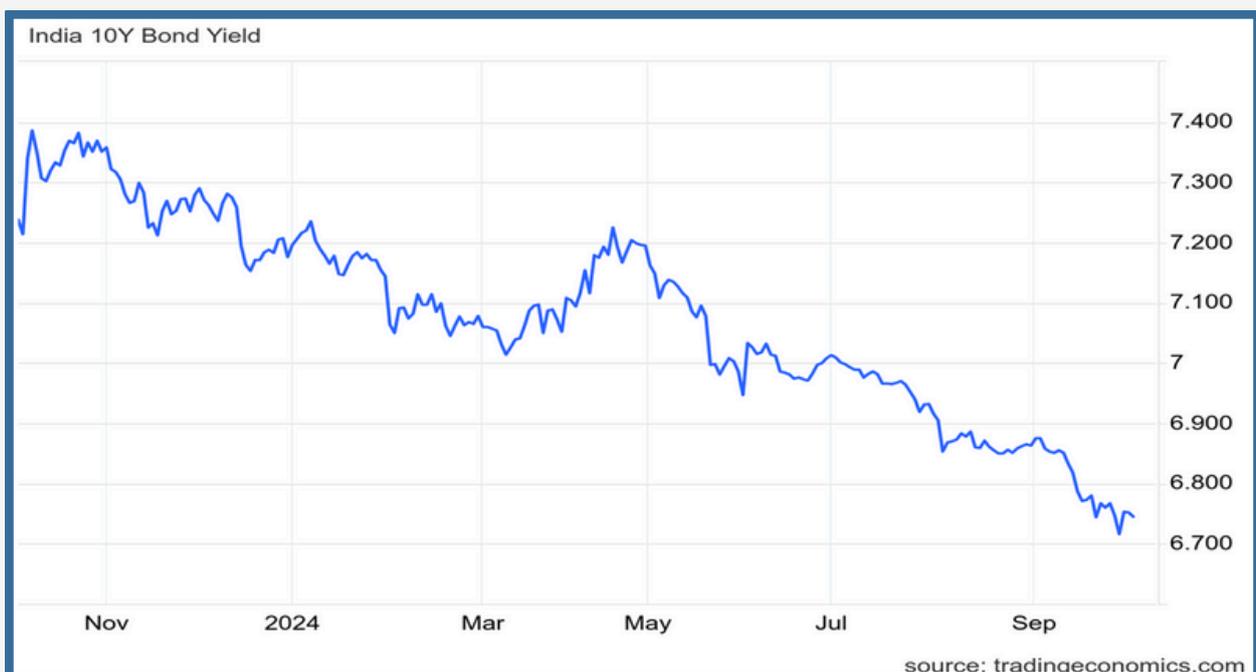


Source: tradingeconomics.com | Ministry of Statistics and Programme Implementation (MOSPI)

Indian Inflation: Settling Down



India: 10 Yr G Sec Yield Falling

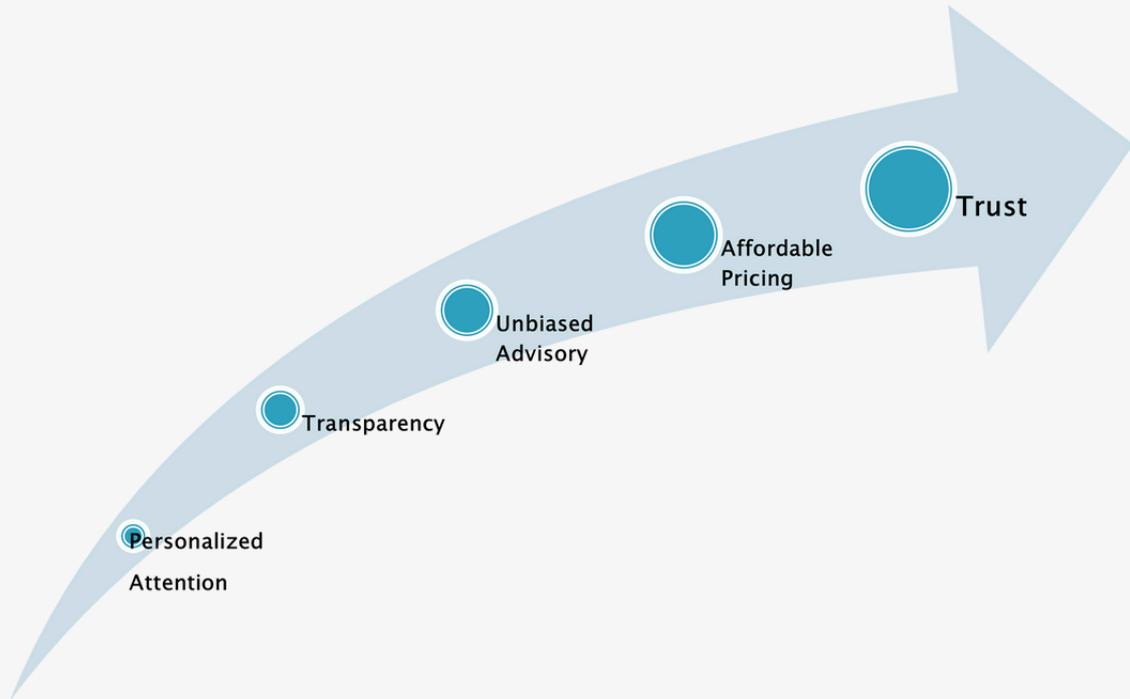


Crystal Ball

Note: Crystal Ball segment is a special part of our monthly newsletter. In this segment, we make some bold calls on future events but reserve the right to go wrong.

- ▶ India continues to trade in the expensive valuation range as compared to international peers and other advanced economies. Despite sound economic fundamentals and scorching GDP growth rate FII money will be hard to come in. Any deep correction is also unexpected, barring any exceptional, unforeseen event, as lots of money is waiting on the sidelines. Hence equity markets should trade within a range till earnings catch up and bring down valuations.
- ▶ We anticipate significant number and value of new IPO's hitting the street. Follow on offer's from existing listed companies and Government will try to absorb excess flows into the equity markets.
- ▶ We don't see any marked reversals in fresh inflows as retail participation will continue to increase. Despite recent measures from SEBI, derivative markets will continue to flourish.
- ▶ Geopolitical tensions will remain elevated in middle east but its economic impact will be limited. Despite recent hikes, oil prices will settle down in the range of USD 65-75. Gold and Silver will continue to sizzle with silver outpacing gold.
- ▶ Recent announcements in China have been positive. However, their economic problems are deep rooted and will require long term solutions. Nonetheless, they will attract huge FII inflows as valuations are extremely attractive.
- ▶ US stock markets are also in the expensive zone. Interest rate cuts will ensure flows into equity markets in US and emerging markets globally.

Our Commitment



Philosophies & Quotes

Someone's sitting in the shade today because someone planted a tree a long time ago.

- Warren Buffet

The big money is not in the buying & the selling....but in the waiting.

- Charlie Munger

The four most famous words in investing are: this time it's different.

- Sir John Templeton

It's only when the tide goes out that you discover who's been swimming naked.

- Warren Buffet

Yours Truly



- Around 2 decades of domestic and international experience in the financial sector.
- Worked with Barclays Wealth, IIFL Wealth and ICICI Bank Private Banking.
- Post Graduate Degree in International Business from IIFT, New Delhi.
- Certified NISM Series X-A and X-B Investment Adviser Examination.
- SEBI RIA Registration Number:INA100014426

 gauravgoelria@gmail.com

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 <https://t.me/LaMoksh>

 <https://www.linkedin.com/in/gaurav-goel-15a5125/>

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