

PAISA VASOOL

October 2024 Newsletter

Content

US: Fierce Election Battle	1
US: A Shade Lighter	2
Global: Lukewarm October	2
US GDP annual growth rate	3
US Inflation	3
US 10 Year Bond Yield Slides	4
Currencies & Commodities	4
INDIA: Growth Concerns	5
October Meltdown	6
Sectoral Performance	6
Index Valuations	7
Index Forward Valuations	7
US Vs Indian Equity markets	8
Indian GDP: Growing well	8
Indian Inflation: Settling down	9
India: 10 Yr G Sec Yield Falling	9
Smart choices in High Markets	10
Crystal Ball	11

US: Fierce Election Battle

1 US equity markets corrected in October 2024 as concern around US presidential elections took centerstage. This has resulted in a temporary halt to a massive rally in equity markets in last 1 year.

2 The two presidential candidates Donald Trump and Kamla Harris are engaged in a bitter neck to neck battle in the elections. If Trump wins then he is likely to go for a fiscal expansion which can boost US economy in short term. Bond yields in US have surged to 4.4% in anticipation of this event.

3 US economy expanded and annualized 2.8% in Q3 2024, below 3% in Q2 and forecasts of 3%.

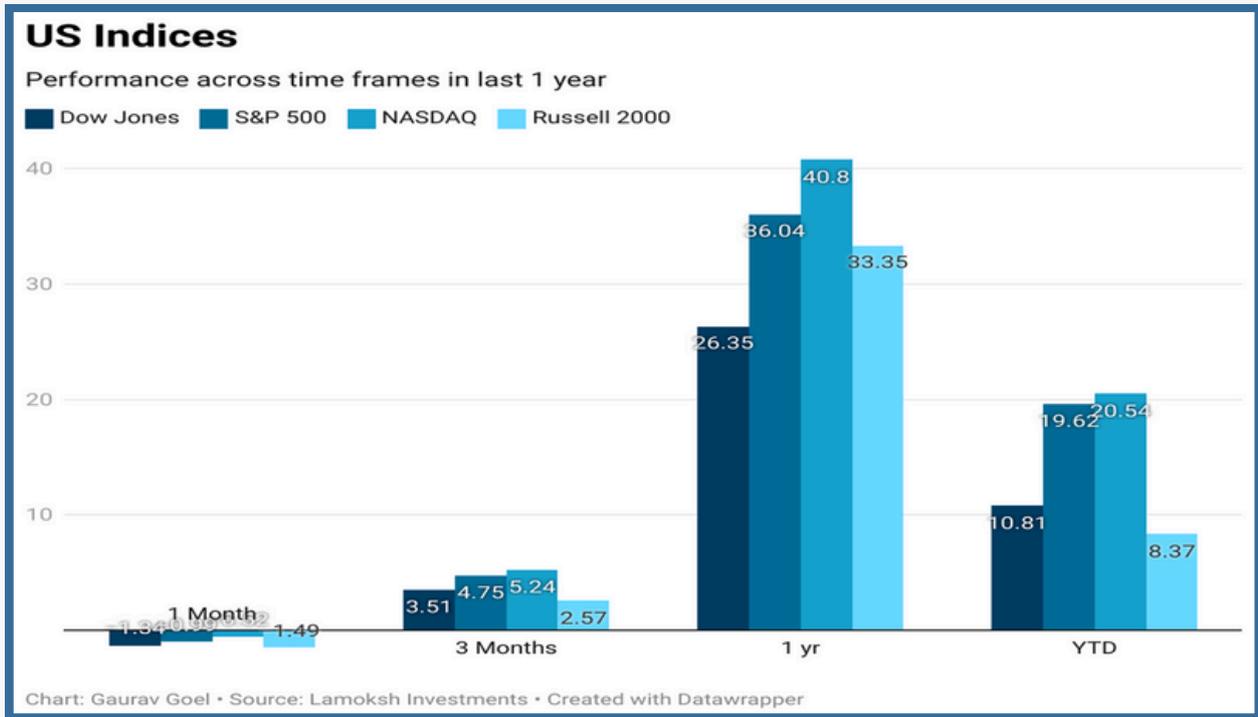
4 IMF lowered its 2025 global growth forecast to 3.2% from the July estimate of 3.3%. It kept this year's projections unchanged at 3.2%. It warned of rising risks, conflicts and trade protectionism but praised central banks for controlling inflation without causing recessions.

5 The Euro area on the other hand is seen expanding at a slower 0.8% this year vs 0.9% seen in July. German economy is now seen stalling compared to 0.25 growth previously forecasted. %. UK GDP is seen rising faster at 1.1% vs 0.7%.

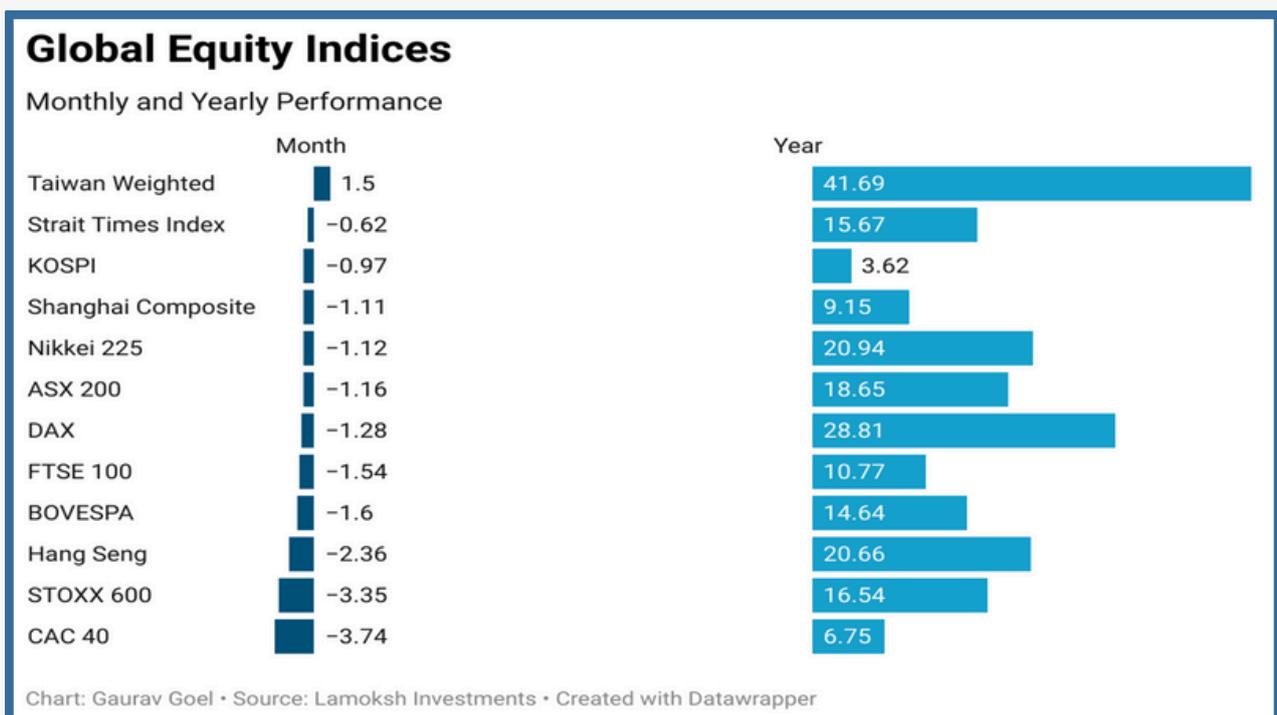
6 Growth forecasts have also been revised lower for China to 4.8% vs 5% and Japan to 0.3% vs 0.7%. Growth forecasts were left steady for India at 7%.

7 Bank of Japan held on to the interest rates and stated that it will raise them and adjust degree of easing if the outlook is realized. It noted that interest rates are currently at a significantly low level.

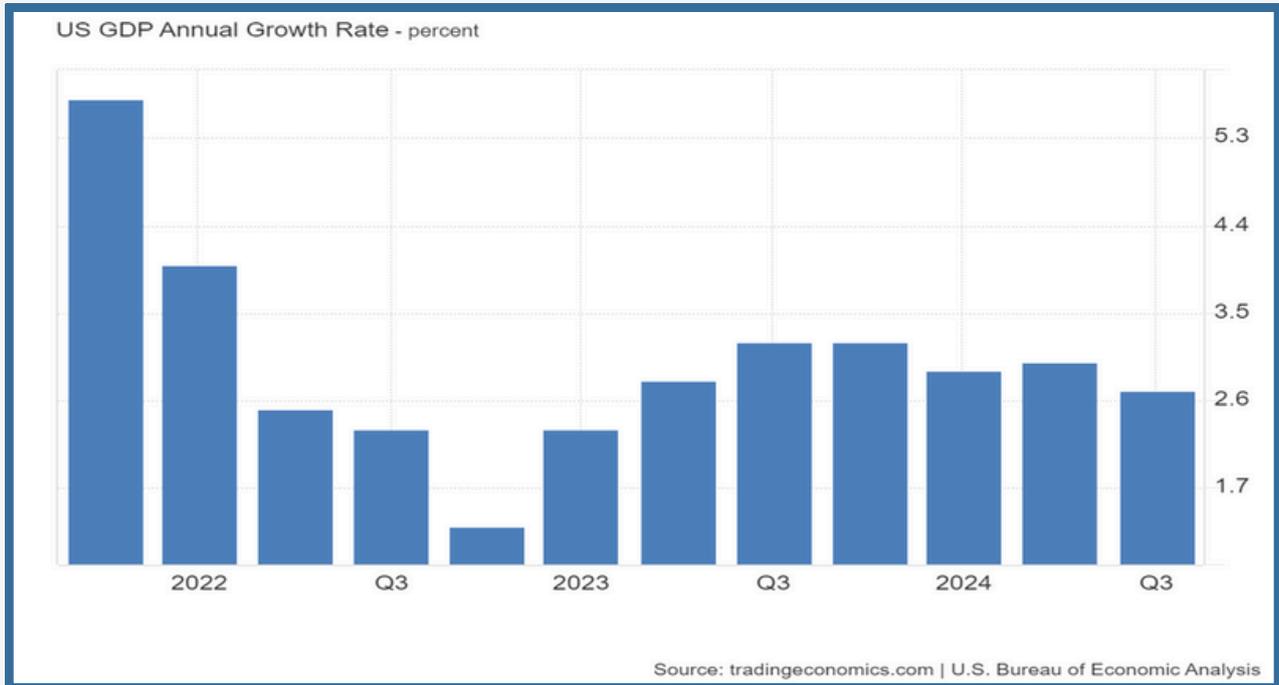
US: A Shade Lighter



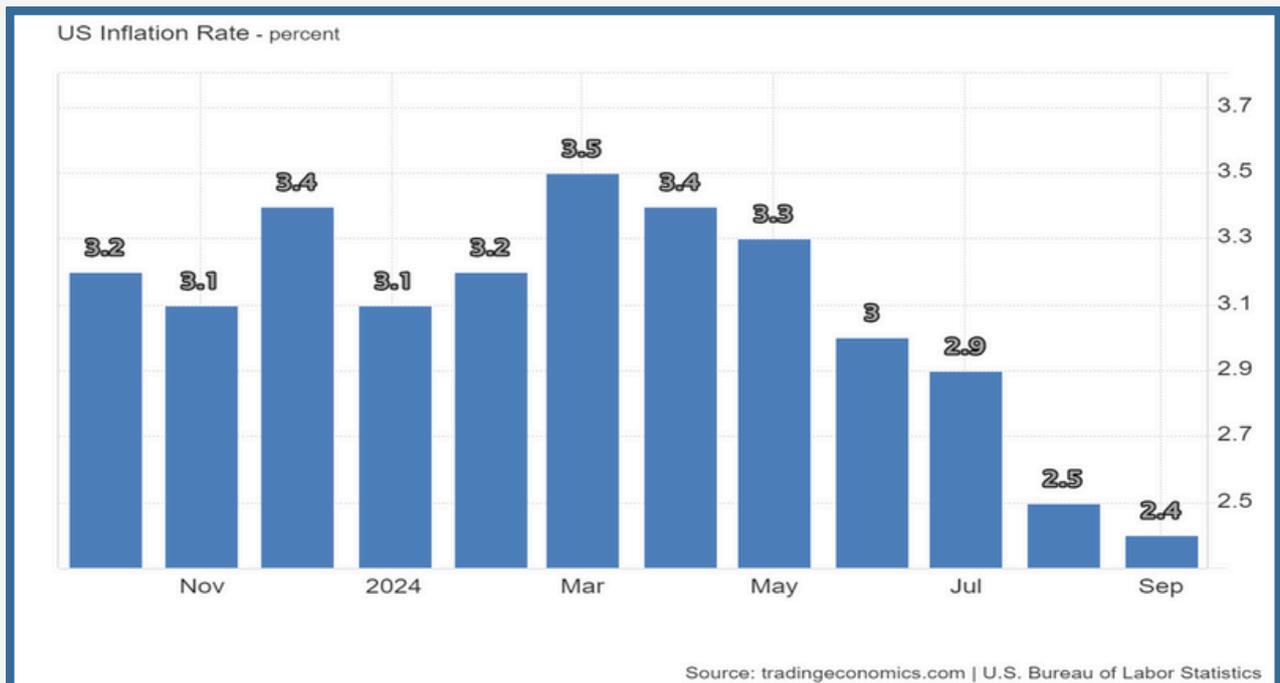
Global: Lukewarm October



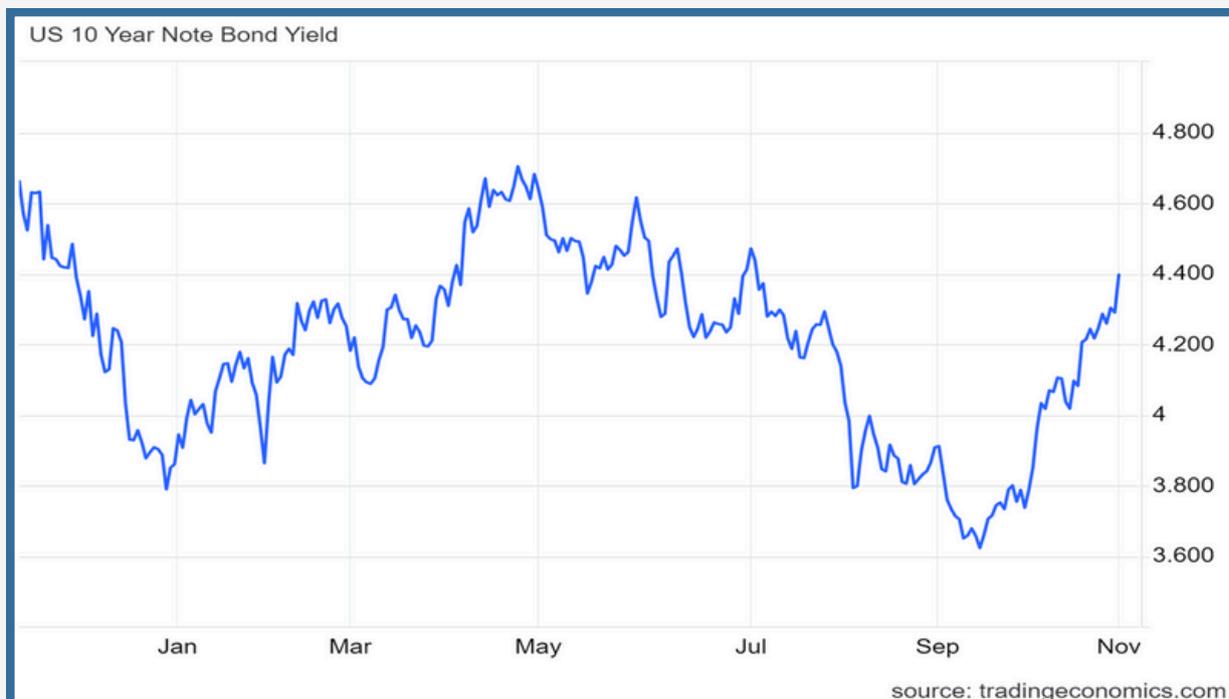
US GDP Annual Growth Rate



US Inflation



US 10 Year Bond Yield Slides



Currencies & Commodities

Commodity	Month	Year	Currency Pair	Description	Month	Year
Palm Oil	15.18%	27.72%	BTCUSD	BITCOIN	14.63%	99.21%
Gold	3.47%	38.63%	USDBRL	Brazilian Real	6.77%	16.95%
Silver	2.88%	44.01%	USDJPY	Japanese Yen	4.09%	1.42%
Coal	0.98%	22.65%	USDSGD	Singapore Dollar	2.43%	-3.00%
Brent	0.37%	-14.00%	DXY	Dollar Index	2.33%	-1.98%
Cotton	-1.65%	-12.03%	USDRUB	Russian Ruble	1.80%	4.40%
Aluminium	-1.81%	18.32%	USDCNY	Chinese Yuan	1.35%	-2.66%
Uranium	-2.63%	8.28%	USDINR	Indian Rupee	0.20%	1.03%
Steel	-3.47%	-13.04%	EURUSD	EURO	-1.57%	2.38%
Coffee	-4.03%	48.75%	GBPUSD	British Pound	-2.83%	5.63%
Copper	-5.30%	18.52%	AUDUSD	Australian Dollar	-4.59%	-3.55%
Soybean	-6.11%	-23.97%				
Wheat	-6.93%	-3.40%				

Commodities

Currencies

INDIA: Growth Concerns

- ▶ Sensitive Indian equity markets were beaten badly in October by record FII outflows, concerns around growth slowdown and impact of US presidential elections on the Indian economy. Equity markets faced the onslaught despite attempts by domestic investors to shield the fall.
- ▶ Benchmark indices corrected substantially led by the midcap and the large cap stocks. The valuations were extremely high in the broader markets and markets needed an excuse to give up the gains.
- ▶ The Indian economy expanded by 6.7% from the previous year in the June quarter of 2024, slowing from the 7.8% increase in the earlier period and missing market expectations of a 6.9% growth rate. It was the slowest expansion in five quarters, owed to a sharp slowdown in government spending as the long-awaited general elections drove several usual government activities to halt.
- ▶ The main reason for slowdown is the degrowth in governments expenditure over the previous year. General elections in Q1 followed by high degree of rainfall in September played their part.
- ▶ India's foreign exchange reserves stood at USD 684.81 bn vs USD 688,27 bn. The bank loan and deposit growth was at 11.5% vs 12.8% and 11.7% vs 11.8% respectively. GST collections in October grew by 8.9% at rupees 1.87 lac crore. India's April- September fiscal deficit reached 29.4% of budgetary target at rupees 4.745 lac crore.
- ▶ October composite PMI stood at 58.6 vs 58.3 in September. Services PMI was at 57.9 vs 57.7 and manufacturing PMI at 57.4 vs 56.5.

October Meltdown

Indian Benchmark Indices

Performance Chart Across Multiple Tenors

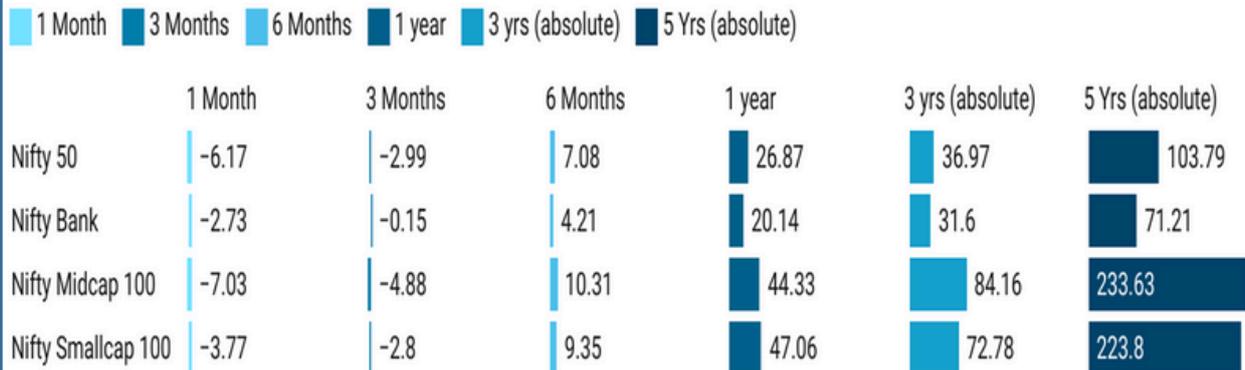


Chart: LaMoksh Investments • Source: Gaurav Goel • Created with Datawrapper

Sectoral performance

Indian Sectors

Performance Across Tenors



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

Index Valuations

Index	Fall from 52 Wk Peak	EPS	PE	PB	Valuation Verdict
Nifty 50	-7.88%	1072.00	22.58	3.60	Expensive
Nifty Bank	-5.49%	3640.40	14.14	2.30	Cheap
Nifty Midcap 100	-7.90%	1328.40	42.24	5.10	Very Expensive
Nifty Smallcap 100	-5.29%	529.50	35.13	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	1232.8	19.6	1417.7	17.1	Neutral
Nifty Bank	4186.5	12.3	4814.4	10.7	Very Cheap
Nifty Midcap 100	1527.7	36.7	1756.8	31.9	Very Expensive
Nifty Smallcap 100	608.9	30.5	700.3	26.6	Expensive

US Vs Indian Equity markets

US Vs India

Benchmark Equity Indices Comparison

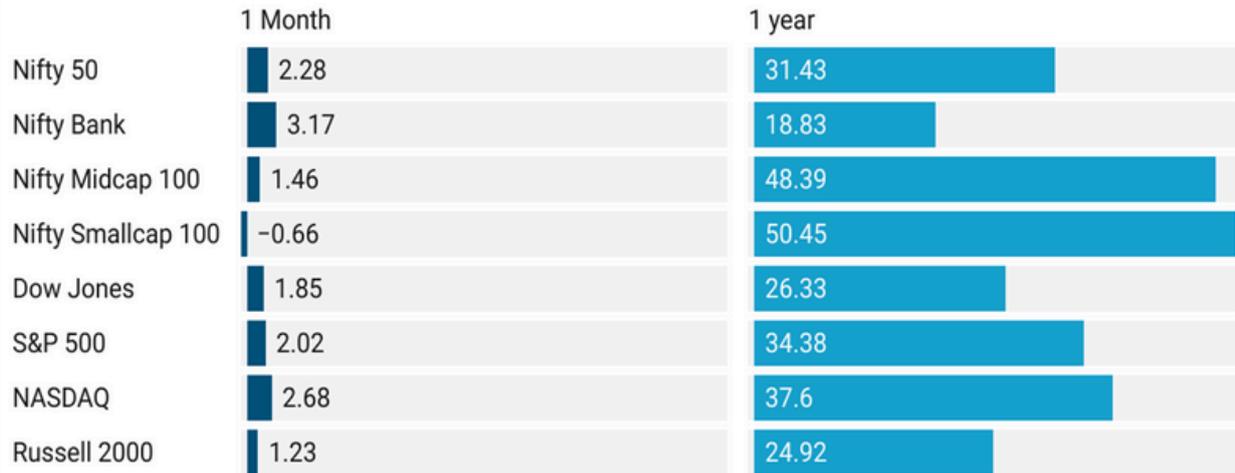
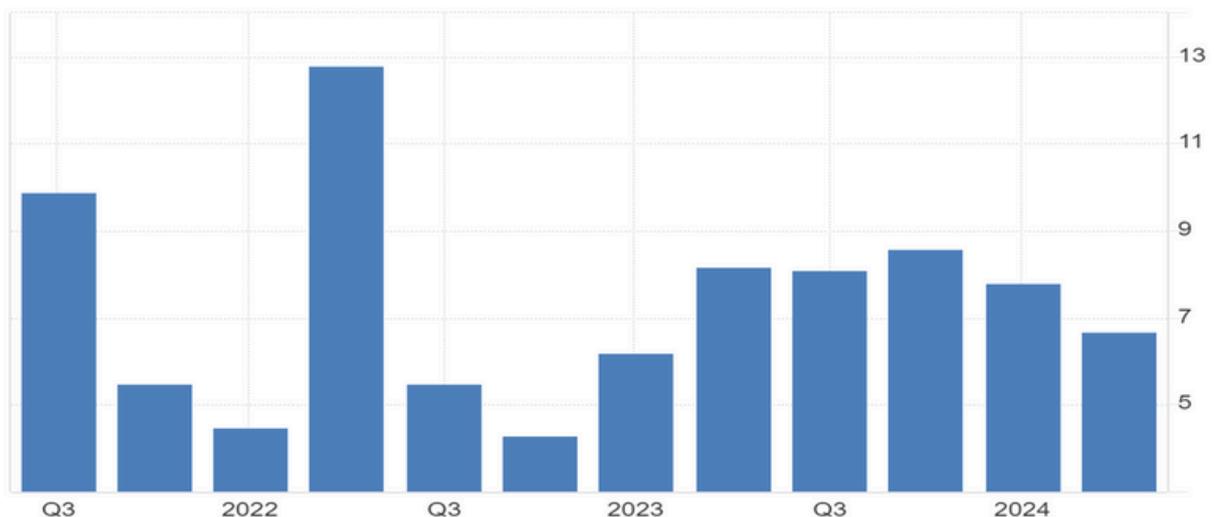


Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

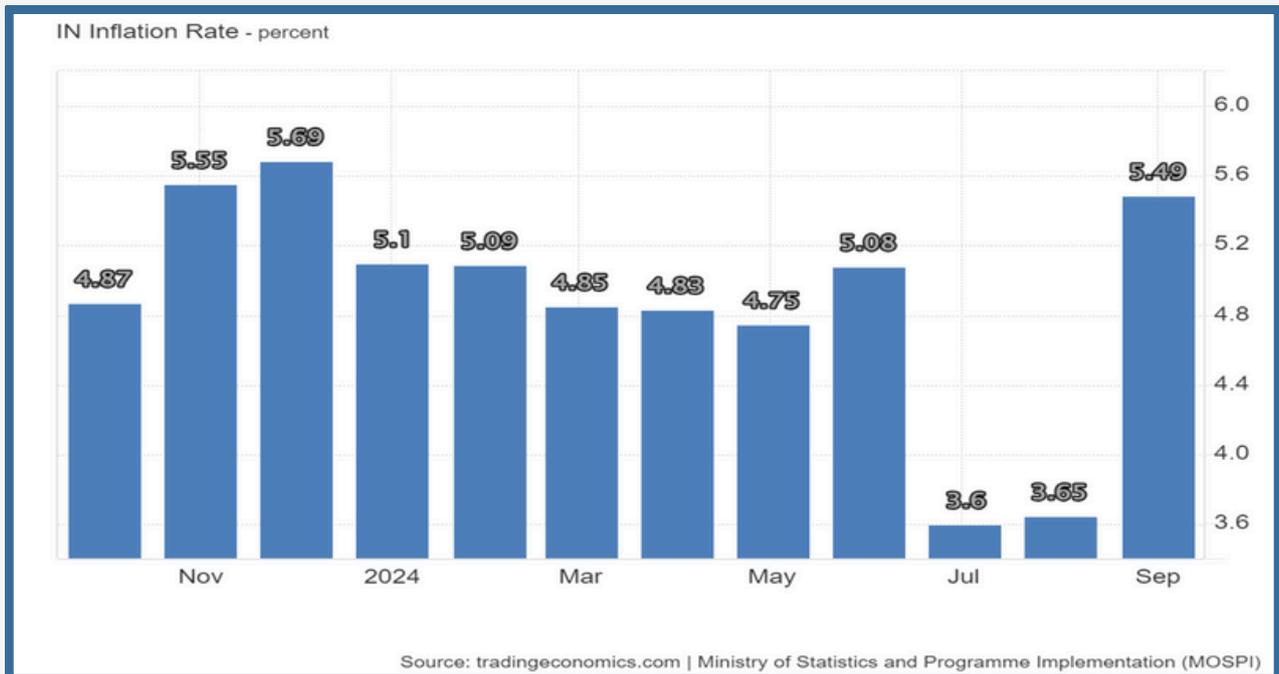
Indian GDP: Growing Well

IN GDP Annual Growth Rate - percent

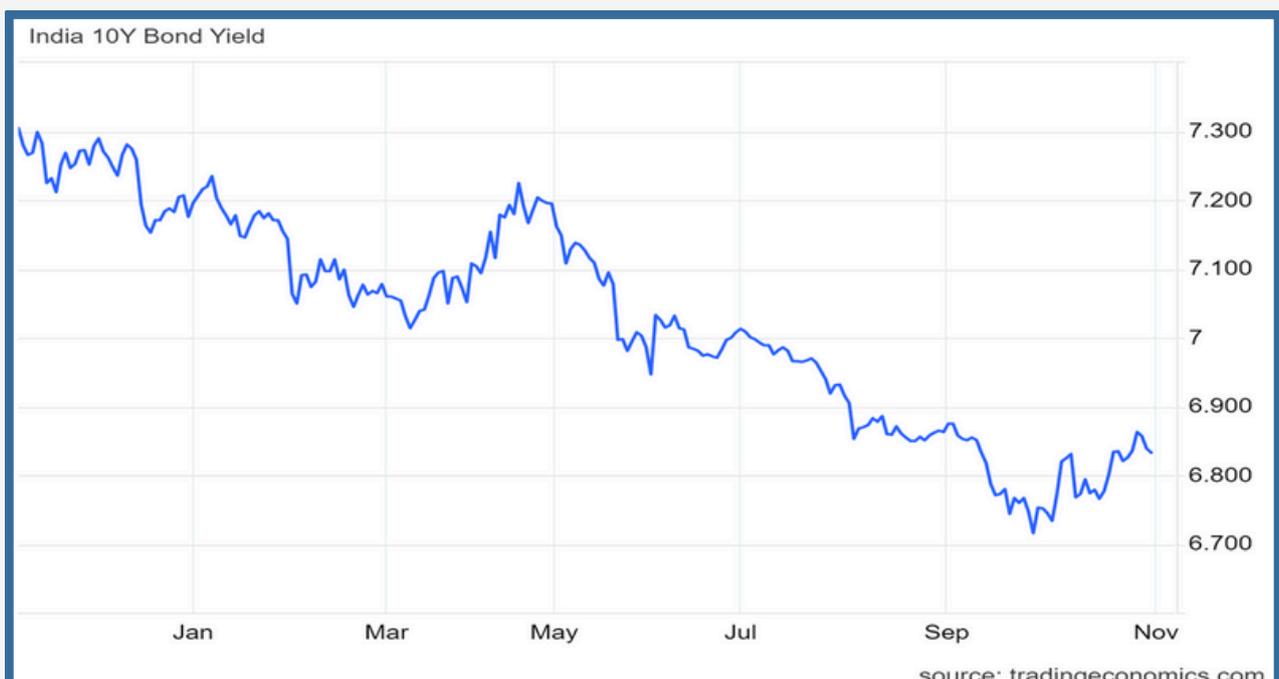


Source: tradingeconomics.com | Ministry of Statistics and Programme Implementation (MOSPI)

Indian Inflation: Settling Down



India: 10 Yr G Sec Yield Falling



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.

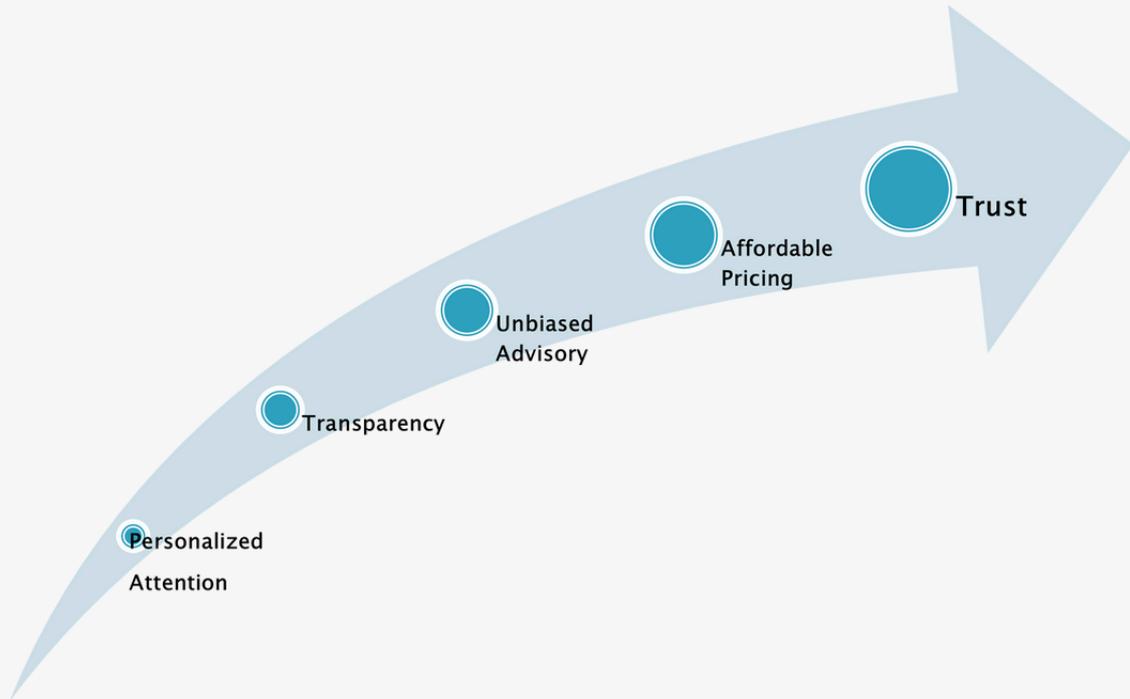
- ▶ **Cut the Crap:** In bullish markets, it is inevitable that low quality stock with dubious promoters or corrupt practices or low corporate governance standards unknowingly creep into the portfolios. Analyze, evaluate and get rid of them.
- ▶ **From Euphoria to Prudence:** Maximum euphoria exists in micro, penny and SME stocks. Shift to larger cap stocks unemotionally.
- ▶ **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.
- ▶ **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.
- ▶ **Continue your SIP's:** Don't discontinue your Systematic Investment Plans at any stage.
- ▶ **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.
- ▶ **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.

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.

- ▶ US presidential candidates are locked in a close battle and the swing states are likely to play a critical role in deciding the outcome. We predict an outright win for the republican candidate and ex president Donald Trump and Republicans taking over the control of Congress.
- ▶ Donald Trump is an unpredictable, control freak. However, we expect economy to do much better especially in the short term if he gets elected though long term economic headaches may emerge. He will cut taxes and go for a massive fiscal expansion programme.
- ▶ If Trump wins, the war in Russia-Ukraine may end soon. While he has promised 60% tariff on imports from China and 20% from the rest of the world, we think it would turn out to be more of an election talk than reality.
- ▶ Indian American relations may benefit more under Trump administration as he has a personal equation with prime minister Narendra Modi.
- ▶ China is likely to announce a stimulus package coinciding with the election outcome in US. The first stimulus package announced in October failed to lift the economy. The second package will also have little impact though stock markets in China will move up.
- ▶ India will go for a major government led capital expenditure cycle in the second half of FY 2025 as growth has been poor and below expectation till now. We expect Indian government to leave no stone unturned to get back on target and meet budget targets. We also expect RBI to cut repo rates by 0.25% in the next MPC meeting.

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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