

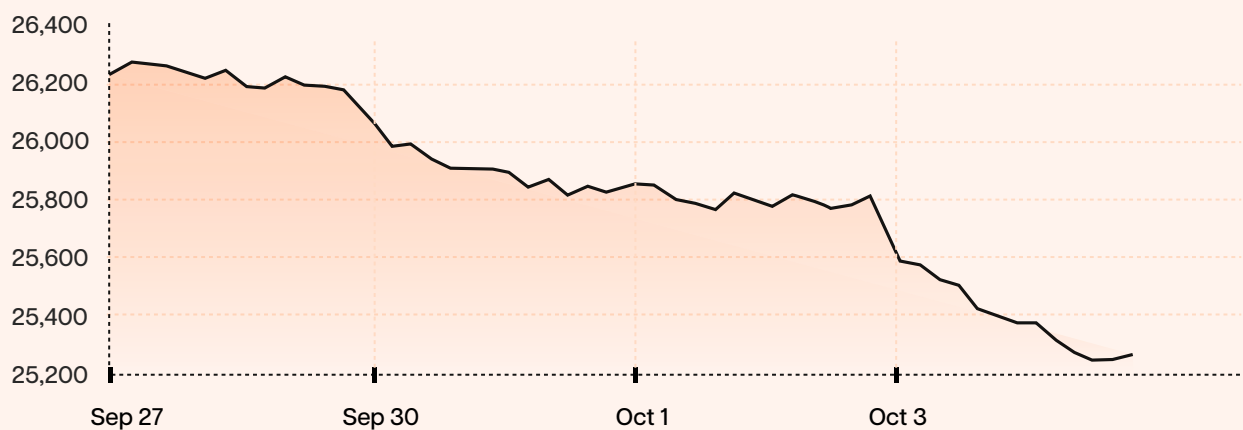


DEZERV HOUSE

Making global

What's happening in the markets?

The Indian equity markets, particularly the Nifty50, have faced significant pressure over the past few trading sessions, with a decline of 3.68% (or 965 points) between September 27 and October 3, 2024.



This downturn is largely influenced by two major factors that have heightened market volatility and investor uncertainty.

1 Geopolitical tensions

What happened?

- 1 Iran launched direct missile attacks on Israel this week, escalating tensions in the Middle East
- 2 This conflict has caused a spike in crude oil prices, with WTI Crude rising by 5.69% from \$67.67 to \$71.52 per barrel within a week

Potential impact

- ➊ Increased instability in the Middle East could disrupt energy supply chains and elevate transportation costs globally
- ➋ Rising crude prices may contribute to inflationary pressures in India, potentially delaying interest rate cuts by the RBI and complicating the balance between inflation control and growth stimulation

2 Chinese economic stimulus

What happened?

- 1 On September 24, 2024, Beijing announced a substantial stimulus package aimed at boosting economic growth and restoring market confidence
- 2 This announcement led to a notable rally in Chinese stocks, attracting significant investor attention

Potential impact

- 1 The positive performance of Chinese markets could divert foreign investments away from India
- 2 While the stimulus measures are designed to address growth concerns, uncertainties remain regarding their effectiveness in resolving underlying vulnerabilities within China's economy, particularly if there are changes in the U.S. political landscape, such as a potential Donald Trump presidential win

Dezerv View

Equity

- Indian stocks, especially small caps and midcaps, are already trading at a significant premium
- However, high frequency indicators such as PMI* (57.5 in August compared to 58.1 in July) and GST collections (6.5% YoY growth) are showing signs of slower growth in consumer demand in India
- Corporates may see some compression in profit margins
- These factors may put some pressure on equity markets over a short to medium term
- **For any fresh capital deployments in equity, you can invest 25% lump sum and stagger the balance over the next 4 months**

Fixed Income

- The conflict in the Middle East has a direct bearing on global production and transportation of crude oil. Additionally, during periods of uncertainty, capital tends to flow toward safe-haven currencies like the USD, which could result in depreciation of the Indian Rupee
- These factors can contribute to higher inflation in the short term, prompting the RBI to postpone interest rate cuts
- **To safeguard your portfolio against these risks, investors should revisit their asset allocation to maintain exposure to fixed income with a hold-to-maturity strategy**

Commodities

- Gold: Gold has historically been a safe haven for investors. In times of global uncertainty we should see gold prices appreciate
- Crude Oil: Iran, a major global supplier of crude oil, is in direct conflict, which will impact crude oil prices. Additionally, if the Chinese economy starts showing signs of revival, we may see oil prices strengthening further

We are actively monitoring the markets and we will proactively reach out to you in case there is any opportunity to accelerate deployment.

*PMI - Purchasing Managers' Index

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