WEALTH FIRST

MONTHLY NEWSLETTER - NOV'24

"Given a 10% chance of a 100 times payoff, you should take that bet every time." — Jeff Bezos

Global Equities (in USD terms)

- Equity markets in developed economies posted a decline of 2% during October. Though the US GDP growth rate was a robust 2.8%, S&P Index declined by 0.9% and markets turned cautious ahead of US Elections.
- Japanese equities rose by 1.9%, supported by strong performance despite concerns around the yen and political changes.
- Emerging markets were down 4.3%, pressured by a strong US dollar, profit-taking in India, and volatility in China amid questions over new policy effectiveness.
- China introduced measures to stabilize its real estate sector, while Asian and emerging markets declined by over 4%, impacted by a stronger dollar.

Global Equities		
	1M	1Y
Nasdaq	-0.8%	38.0%
S&P 500	-1.0%	36.0%
MSCI Europe	-6.0%	19.2%
MSCI Emerging Equities	-4.4%	22.3%
Nifty 50	-6.6%	25.6%

Domestic Equities

Returns		
	1M	1Y
Nifty 50	-6.2%	26.9%
Nifty Next 50	-9.3%	58.8%
Midcap 150	-6.4%	43.3%
Smallcap 250	-3.6%	47.6%
Auto	-13.0%	47.7%
Oil & Gas	-13.0%	49.1%
Consumer Durables	-10.4%	116.2%
Financials	-2.3%	21.1%
Pharma	-2.3%	54.8%
IT	-3.7%	32.1%
IPO	-7.3%	43.8%

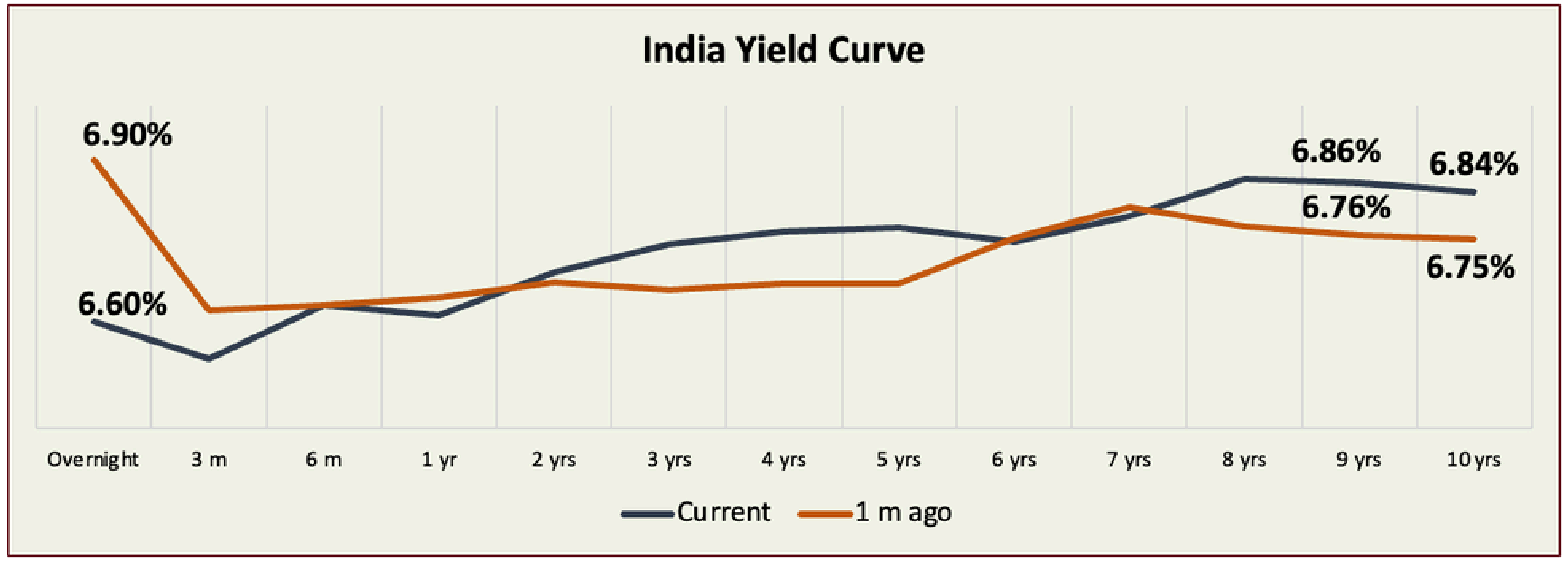
- October was marked by significant foreign institutional investor (FII) outflows eclipsing pandemic-driven selling levels.
- India’s stock market corrected sharply by over 6%, largely due to weaker corporate earnings and increased FII selling, in spite of domestic institutional investor (DII) inflows of ₹1.03 trillion.
- Mutual fund investments have remained a strong stabilizing force, with SIP investors supporting market resilience.
- The broader correction impacted high-beta small and midcap indices significantly, given their extended post Covid rally, although Small cap did recover significantly in the last week of October.

Global Yields

- Global Bonds declined 3.7%, influenced by US dollar strength and uncertainty over rate cuts.
- Fed Policy: September's 50 bp cut met with resilient inflation, challenging future cuts. 2- and 10-year Treasury yields surpassed 4.0%; Cooling rate cut expectations resulted in US Treasuries posting a -2.4% in October.
- In Europe, inflation rose to 2% year-over-year in October, driven by energy base effects. The ECB's rate cut took its deposit rate to 3.25%.
- The UK saw a tight labor market but notable inflation decline. The UK Gilt market underperformed due to budgetary pressures.
- Japanese government bonds declined, reflecting the Bank of Japan's hawkish tone and concerns about inflation.

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
1 Y ago	0.92%	2.70%	4.72%	4.49%	7.36%
6 M ago	0.89%	2.31%	4.61%	4.36%	7.17%
3 M ago	1.06%	2.23%	4.42%	4.26%	7.01%
1 M ago	0.86%	2.18%	3.79%	4.03%	6.75%
Nov-24	0.95%	2.13%	4.39%	4.46%	6.84%

Domestic Yields



- India's 10-year benchmark government bond yield saw its largest rise in six months in October, ending at 6.85%, up 10 basis points for the month.
- Initial yield declines followed the RBI's shift to a neutral policy stance, sparking hopes for December rate cuts.
- However, RBI Governor Shaktikanta Das's comments and policy meeting minutes tempered expectations, suggesting cuts are premature.
- State-run banks supported yields by purchasing nearly $5 billion in secondary market bonds. AAA Corporate Bond spreads vs G-sec have moved down to 40 bps

India Macro Trends

Macro Trends	Oct	Sep
FII flows (in crs)	-94,017	57,724
DII flows (in crs)	1,07,254	30,857
FII flows - Debt (in crs)	-4,406	1,299
New Corporate Bond Issuances (in crs)	26,508	48,551
Surplus Liquidity (in crs)	4,88,495	4,27,689
GST Collection (in crs)	1,87,000	1,73,000
CPI	5.49	3.65
Manufacturing PMI	57.40	56.50
Services PMI	57.90	57.70

- Sensex dropped from a record 85,978 points to 79,389 points, while Nifty fell to 24,205 points amid fund outflows and lower-than-expected Q2 earnings. Nifty and Sensex both declined approximately 6% in October, with DIIs stepping in to limit further drops by injecting ₹1.03 trillion.
- Growth risks remained the primary concern for investors, despite signs of resilience, particularly in the US economy. Uncertainty was also heightened by the upcoming US election and the potential implications of a policy shift on inflation and interest rates
- Foreign Institutional Investors (FIIs) recorded unprecedented outflows of ₹1.1 trillion in October, exceeding the previous record in March 2020.
- Including primary market activity, the net outflow for October stands at ₹94,017 crore after four months of net buying.
- Influences such as the upcoming U.S. presidential election, Chinese stock rally, and Q2 earnings misses drove large FII withdrawals, cooling India’s market rally.
- China’s Shanghai Composite saw a 20% increase, drawing some foreign investment away from Indian equities due to its economic stimulus measures. China's recent support measures have renewed focus on the country’s equity market. In October, policymakers introduced new initiatives which will allow local governments to use special local government bonds to purchase land from troubled developers alongside a planned debt ceiling hike for local governments.
- Domestic mutual funds provided stability, remaining net positive on equity inflows for 43 consecutive months, helping to counterbalance FII exits.
- Q2 earnings showed a 2.6% decrease in net profits and slower sales growth, contributing to a bearish outlook in the Indian market.
- While the structural change from SIP investments has minimized correction durations, concerns remain over valuation levels and resilience based on economic fundamentals.

Currencies & Commodities

Commodities	Returns	
	1M	1Y
Brent Crude	1.8%	-19.4%
Precious Metals		
Gold	3.9%	44.7%
Silver	3.9%	49.2%
Industrial Metals		
Steel	-5.1%	-5.7%
Iron Ore	9.2%	-21.9%
Aluminium	-14.1%	13.0%
Copper	-18.9%	24.0%
Zinc	-1.7%	19.9%
Nickel	-9.6%	-5.2%
Lead	-3.9%	-1.7%

- Global commodities declined by 1.9% in October. Oil prices were particularly volatile due to macroeconomic concerns and Middle East tensions.
- The World Bank forecasted a major oil supply surplus in 2025, which could push oil prices to multi-year lows.
- Energy prices are projected to fall by 6% in 2025, with food prices expected to decline by 9% this year and 4% in 2025 acording to Worl Bank.
- Oil prices were choppy, as macroeconomic concerns and risks of falling demand were weighed against the geopolitical tensions in the Middle East.

Performance of US Dollar against currencies		
Country	1M	1Y
India	-0.4%	-1.0%
AUD	3.2%	-2.6%
Japan	-5.9%	-0.2%
Canada	-1.4%	2.7%
Euro	-2.3%	2.8%
Pound	-3.7%	5.8%

- The rupee ended near an all-time low against the dollar at 84.08 on 31st Oct , as equity outflows and U.S. election uncertainty weighed on the currency. •It closed October with a 0.3% decline, fluctuating between 83.79 and 84.10.
- RBI actively intervened throughout October, selling dollars to stabilize the rupee, keeping it within a narrow range and supporting it against other major Asian currencies.
- The central bank's continuous support is aimed at mitigating sudden outflows and potential rupee depreciation risks, especially if U.S. election results favor a Trump win, which may rally the dollar and impact Asian currencies.
- According to a Reuters poll, the dollar is expected to retain its strength, supported by solid U.S. economic data and reduced expectations for Fed rate cuts.

Research Corner

Impact of US Elections on Markets

As Election Day on November 5, 2024, draws near, the fierce competition between Donald Trump and Kamala Harris intensifies, particularly in key swing states. This election is pivotal, as its outcome will significantly influence the future of markets, shaping economic policies and investor confidence. With this, the influence on global markets and geopolitical crises is under scrutiny.

Market Trends

Firstly, let us understand what history says in terms of market reactions to US election both in India and the US.

- Leading up to elections, US markets typically see a -2% return on average, while Indian markets average -0.5%.
- Post-election rebounds are notable, particularly after Democratic victories, with US markets averaging 25.8% and Indian markets 66.7% over a year.
- Republican wins result in more modest gains of 3% and 0.8% respectively.
- The tech sector, including NASDAQ and Nifty IT, consistently show growth post-elections, regardless of the winning party. This underscores its critical role in market dynamics.

Geopolitical Implications

The election outcome could also significantly impact global conflicts, such as those in Gaza, Lebanon, Ukraine, and Sudan.

Market Outlook

Prediction markets currently favor a Trump victory, suggesting potential volatility, especially in bonds and oil prices. Historically, US markets rise over presidential terms, with political gridlock often seen as favorable due to limited policy changes.

Conclusion

While the immediate impact of the elections remains uncertain, historical data indicates that Democratic wins traditionally boost market confidence, particularly benefiting the tech sector. Either way, post-1yr-election results have been positive with only variations in the degree, irrespective of the winning party. Investors should prepare for varied outcomes, maintaining flexibility as events unfold.

Democratic Win					
Impact of Elections on Markets		US Markets Avg	Indian Markets Avg	Average Movement in	
Prior to Elections	1 Month	-3.6%	-0.5%	-2.3%	
	6 Months	0.9%	-4.6%	-1.3%	
	1 Year	2.5%	-9.4%	-1.0%	
Post Elections	1 Month	0.4%	-2.4%	-0.7%	
	6 Months	11.3%	20.6%	15.0%	
	1 Year	25.8%	66.7%	42.1%	

Republican Win				
Impact of Elections on Markets		US Markets Avg	Indian Markets Avg	Average Movement in
Prior to Elections	1 Month	0.1%	-0.6%	-0.2%
	6 Months	4.2%	-0.3%	2.4%
	1 Year	8.6%	13.7%	10.6%
Post Elections	1 Month	1.8%	5.3%	3.2%
	6 Months	-0.2%	-6.4%	-2.7%
	1 Year	2.9%	0.8%	2.1%

Election Data has been considered since 1996 during which Democrats won 4 times and Republicans 3 times.

BEHAVIOURAL FINANCE

The Fresh Start Effect

Humans often put off investing, tempted by immediate comforts rather than long-term goals. Behavioral finance research by Professor John Beshears suggests a solution: leveraging "fresh starts" as psychological resets to help break old habits and build better financial ones.

Why Fresh Starts Work

The fresh-start effect is based on the idea that certain milestones—like New Year's or a birthday—can help us leave behind old habits. These moments allow for high-level thinking and self-reflection, making it easier to adopt virtuous behaviors. In Beshears' study, employees who were prompted to increase retirement contributions at such milestones were 25% more likely to do so. These resets help separate our current actions from past patterns, making it feel easier to commit to positive changes.

The Study: Fresh Starts in Action

In a field study conducted by Beshears and colleagues involving 6,000 university employees, participants were asked whether they would like to increase their retirement contributions immediately or at a future date. The key variable was how the future date was framed. When the date was tied to a fresh start—such as the beginning of a new year, a birthday, or the arrival of spring—there was a significant increase in commitment to enhancing contributions.

The results revealed that when participants viewed a fresh start as an opportunity to reassess their financial habits, they were not only more likely to commit to increasing their contributions, but those contributions rose by an impressive 25%. This suggests that people are more willing to engage in behaviors with long-term benefits, like saving for retirement, when they can associate those behaviors with a symbolic new beginning.

Applying Fresh Starts to Investing

Utilize fresh-start moments—like New Year's or personal milestones—to review your investment strategy and commit to increasing contributions for long-term financial success.

Market Watch

Snippets

- Developed markets saw a 2.0% drop, while emerging markets fell by 4.3% due to a strong USD and volatility in China.
- October was a volatile month with significant FII outflows from Indian equities, causing the Nifty and Sensex to fall by 6% each.
- Commodities dropped by 1.9% as oil prices fluctuated due to macroeconomic concerns and geopolitical tensions in the Middle East.
- US Treasury yields rose above 4%, reflecting uncertainties around Fed rate cuts and the upcoming US election.
- Japan outperformed in equities, supported by policy stability, though the stronger yen poses risks to exporters.
- The World Bank projected global commodity price declines, with a significant oil surplus expected to suppress prices further.

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Takeaways

- Rising geopolitical tensions, particularly in the Middle East, underscore the need for vigilance in sectors like energy and commodities.
- US elections also pose a risk of volatile markets with large caps and hybrid funds expected to be a safer play.
- World Bank's prediction of lower oil prices is expected to be beneficial for India's economy and thereby Indian markets.
- Gold and Silver are drawing much attention amidst global uncertainty and market volatility

Blogs

Key Events

Ongoing; Israel - Iran Conflict Escalation

Nov 5; US Presidential Elections

Dec; Fed Interest Rate Meeting

Book a Consultation

THANK YOU

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