



MONTHLY NEWSLETTER AUGUST 2024

**MARKET WISDOM :
STRATEGIC APPROACH
AND RATIONALITY**

MARKET DATA AND MACROS

<p>BSE Sensex: 81,741 (3.43 % MoM)</p> <p>Nifty 50: 24,951 (3.92 % MoM)</p> <p>Nifty Bank: 51,553 (-1.51 % MoM)</p> <p>Nifty Midcap: 58,991 (5.84 % MoM)</p> <p>Nifty Small-Cap: 19,138 (4.48 % MoM)</p> <p>Nifty PE Ratio: 23.40</p> <p><small>** MoM" an abbreviation for "Month on Month Performance". Data as on July 31st</small></p>	<p>Brent Crude: 80.84</p> <p>USD/INR: 83.72</p> <p>Gold (Rs/10 gms): 69,309</p> <p>10-year G-sec yield: 6.92 %</p> <p><small>*Data as on July 31st</small></p>
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In July, the Indian equity markets showcased consistent growth, with the BSE Sensex surpassing 81,000 and the Nifty 50 approaching 25,000. Although there was a slight dip in month-on-month returns, particularly for the Nifty Bank index, the overall market trajectory remained positive. The Nifty Midcap and Small-Cap indices also posted gains, though concerns about overvaluation in these segments continue to be a point of being cautious before investing in them.

The Union Budget 2024-25 has influenced the market dynamics. The increase in capital expenditure, particularly in infrastructure, is poised to drive long-term economic growth. However, recent changes in capital gains taxes, including higher rates for both Short-Term and Long-Term Capital Gains and adjustments in indexation, had introduced some market volatility.

The market's consistent growth, backed by infrastructure investments and solid earnings, suggests a positive long-term outlook. However, with the recent tax changes and valuation issues in mid and small caps, it's essential to adopt a strategic approach. Staying vigilant and focusing on fundamental strength will help in navigating potential market corrections and avoiding losses.



IN THE NEWS:

- **Fiscal Deficit:** For the first quarter of the fiscal year, India's fiscal deficit reached ₹1.36 lakh crore, representing 8.1% of the annual target.
- **Core Sector Performance:** The growth of the eight core sectors in India decelerated to 4% year-on-year in June, down from 6.4% in May.
- **Digital Payments Security:** The RBI has proposed new methods for additional factor authentication (AFA) for digital transactions, including the use of passwords, PINs, software tokens, and biometric identifiers like fingerprints.
- **RBI Measures:** The Reserve Bank of India has directed banks to issue show-cause notices to borrowers identified as wilful defaulters.
- **Federal Reserve Rates:** The Federal Reserve has kept the federal funds rate steady at 5.25%-5.50%, maintaining this rate for the eighth consecutive meeting.
- **US Employment Data:** The US ADP Employment Change reported an addition of 122,000 jobs in July, the lowest increase in six months, following a revised 155,000 increase in June.



RATIONAL AND REASONABLE

During market volatility, investors often grapple with balancing logic and emotions. Striking a balance between these aspects leads to more effective decision-making. How, you ask?

Historically, bold decisions are driven by emotional insight. Let me quote some examples, like Julius Wagner-Jauregg's fever therapy for syphilis which led to significant breakthroughs. Elon Musk's passionate belief in the future of space exploration and sustainable energy drove him to make bold decisions with SpaceX and Tesla, despite numerous challenges and initial financial losses. Steve Jobs' immense emotional drive for innovation and perfection led to the creation of iconic products like the iPhone, iPad, and Mac. This highlights the importance of integrating emotions into rational decision-making.

In the context of investing, rational investors rely solely on numerical data, while reasonable investors often consider a broader perspective. These may include social and emotional factors, which is a holistic approach that helps investors stay committed to their strategies during market volatility.

Consider the "home bias" phenomenon, where Indian investors prefer domestic companies despite diversification principles that push for a more global spread. This preference may not be entirely rational, but

it is reasonable as it provides confidence and comfort, which are crucial for maintaining long-term investments.

Investing involves more than just math; it also involves passion and faith in the team, product, or goal that is driving the investments. This emotional connection helps investors stay committed during tough times. Activities like day trading or stock picking are not always rational, with substantial data showing that most traders lose money. However, these activities can be a reasonable choice if they make up a smaller portion of your portfolio and align with personal interests, enabling you to maintain focus on a diversified investment strategy.

Embracing a balance between rationality and emotionality is essential for Indian investors. This balance leads to more resilient and effective decision-making, acknowledging that human decisions are profoundly influenced by both logic and emotion.

In conclusion, being reasonable often trumps being strictly rational in the Indian financial markets. By considering both numerical facts and emotional insights, investors can navigate the complexities of the market with greater confidence and resilience.