TBNG

MONTHLY NEWSLETTER

JULY 2024

CAPITAL MARKETS & INVESTMENT INSIGHTS

MARKET SNAPSHOT

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MARKET DATA AND MACROS

BSE Sensex: 79,033 (5.14 % MoM) **Nifty 50:** 24,011 (4.90 % MoM) **Nifty Bank:** 52,342 (6.51 % MoM) **Nifty Midcap:** 55,737 (6.58 % MoM) **Nifty Small-Cap:** 18,318 (8.55 % MoM) **Nifty PE Ratio:** 22.85 *" MoM" an abbreviation for "Month on Month Performance". Data as on June 28th	**Brent Crude:** 86.33 **USD/INR:** 83.38 **Gold (Rs/10 gms):** 71, 835 **10-year G-sec yield:** 7.01 % *Data as on June 28th

In the past month, the Indian capital markets have experienced notable volatility and recovery. Following a sharp decline on the day election results were announced, with the Sensex dropping over 4,000 points and the Nifty going below 22,000, the markets quickly rebounded and reached new all-time highs. This rapid recovery highlights the resilience of the market and strong investor confidence in India's macros.

However, the valuations continue to remain a concern especially on the mid and small cap front. Given the recent market volatility and rally, considering some profit booking in mid and small caps as part of tactical rebalancing could be prudent. While mid and small caps offer high growth potential, they also come with higher volatility and valuation concerns with their earnings at times demonstrating a cyclical element to it.

It is crucial to avoid the temptation to perfectly time the market, both when entering and exiting. Attempting to predict the exact moments to buy or sell often leads to missed opportunities and increased risk. Instead, adopting a disciplined, long-term investment strategy that focuses on diversification and regular portfolio rebalancing can yield more consistent results.
Overall, the recent market movements underscore the importance of staying informed with the facts and not getting swayed with the narratives while having an extremely sound planning mindset and well-thought-out asset allocations. Event risks will keep coming with some of them actually materializing, but a well-structured yet agile portfolio will help weather most of them over the longer-term

IN THE NEWS:

- India's fiscal deficit for April-May reached approximately 3% of the annual target for FY25, amounting to Rs. 50,615 crore.
- India's infrastructure output saw an annual growth of 6.3% in May, slightly lower than the revised growth rate of 6.7% in April.
- The World Bank sanctioned a $1.5 billion loan to aid India in boosting low-carbon energy development by fostering a market for green hydrogen, electrolysers, and increasing renewable energy use.
- The annual PCE inflation rate in the US decreased to 2.6% in May from 2.7% in April, while core PCE inflation dropped to 2.6% from 2.8%.
- Eurozone consumer inflation expectations slightly declined to 2.8% in May 2024 from 2.9% in April.
- The UK's GDP grew by 0.30% annually in Q1 2024, recovering from a 0.2% contraction in the previous quarter.

MASTERCLASS WITH RAUNAK ONKAR: KEY LEARNINGS & TAKEAWAYS

We recently hosted a masterclass with Raunak Onkar, co-fund manager of Parag Parikh Mutual Fund. The session was incredibly enriching, and I wanted to share some of the key takeaways and learnings with you.

The importance of having a basic financial plan, a map or framework, was highlighted, including understanding how much money to allocate to different asset classes and the purpose of each investment. A well-thought-out plan acts as a roadmap for your financial decisions. The session emphasized the crucial role professional wealth managers and fund managers play in handling financial planning and money management, especially for those who may not have the interest or expertise to manage finances daily.

One of the most enlightening parts of the session was the sharing of insights from Rajeev Thakkar's talk on "What to Do Once You Are Rich." A long-term perspective of at least five years in investment decisions to weather market fluctuations and achieve consistent growth was stressed as a prerequisite.

The importance of diversification and risk management was also emphasized. Additionally, planning for the future involves more than just accumulating wealth. Creating legal documents and frameworks ensures your wealth is distributed according to your wishes, reducing the burden on your heirs.

Learning from the wealthy was another fascinating topic covered. Books like "Wise Wealth" were discussed, which chronicle how billionaires manage their wealth thoughtfully, offering lessons in philanthropy, legacy planning, and purposeful use of wealth beyond just accumulation. A compelling example was the story of the Vanderbilt family, once the wealthiest in America. Cornelius Vanderbilt, known as "The Commodore," amassed a vast fortune, but within just a few generations, much of this wealth was squandered due to poor financial management and extravagant spending. This serves as a cautionary tale about the importance of disciplined wealth management and the risks of complacency. Investment decisions based on the Fear of Missing Out (FOMO) were advised against. Instead, making informed choices based on a thorough understanding of the investment and its risks was recommended. Continuous learning was another key takeaway. Staying updated with the latest developments in various sectors and financial planning through continuous learning is essential. Expanding your knowledge base helps in making informed investment decisions.

Confidence in a business model determines the size of the stock in the portfolio. High-confidence ideas may get larger allocations if the downside risk is limited. The session also warned against investing in exotic products unless fully understood, and recommended compartmentalizing wealth into safety, stability, and aspiration buckets for better decision-making. Exotic products are not always efficient. Data shows that many private equity funds have had sub-standard returns, and sometimes a simple product can achieve the same results. The mindset is more important than the product. Equity as an asset class requires a minimum five-year time horizon, especially given current valuations.

This masterclass was a reminder of the intricate balance required in financial planning and investment management. It reinforced the importance of having a well-thought-out plan, diversifying investments, continuous learning, and being mindful of long-term financial goals.