



MONTHLY NEWSLETTER MARCH 2024

**MARKET MUSINGS:
VOLATILITY & BEYOND**

MARKET DATA AND MACROS

BSE Sensex: 72,500 (0.78 % MoM)
Nifty 50: 21,983 (1.13 % MoM)
Nifty Bank: 46,121 (1.49 % MoM)
Nifty Midcap: 48,336 (0.74 % MoM)
Nifty Small-Cap: 15,976 (2.16 % MoM)
Nifty PE Ratio: 22.70

** MoM" an abbreviation for "Month on Month Performance". Data as on 29th Feb

Brent Crude: 81.91
USD/INR: 82.91
Gold (Rs/10 gms): 62,241
10-year G-sec yield: 7.08%

*Data as on 29th Feb



In February 2024, while the Indian stock market displayed signs of growth, it also hinted at underlying risks that could impact investor portfolios. The broader market's fluctuation suggests that investor sentiment is becoming increasingly selective, focusing on long-term, sustainable growth sectors. This selective optimism, while encouraging, also highlights the market's potential vulnerabilities to sudden shifts in investor sentiment or macroeconomic factors.

Moreover, with the anticipation of a gradual cut of interest rates and a global economic recovery, it becomes crucial to assess the impact of these macroeconomic developments on investment portfolios. These expected shifts may already be factored into current market valuations, suggesting that some segments might be overvalued, thereby increasing the risk of potential corrections.

Given these dynamics, investors are encouraged to adopt a comprehensive strategy that encompasses regular portfolio reviews for alignment with investment goals and risk tolerance, strategic rebalancing to shift from overvalued to fairly valued opportunities, and diversification across asset classes and sectors to mitigate risk. Attention to valuation metrics and sector trends is crucial for risk assessment, highlighting the need for a cautious approach towards segments with inflated valuations.



IN THE NEWS:

- Q3 Economic Growth:** India's GDP surged by 8.4% in Q3, improving from 8.2% in Q1 and 8.1% in Q2, leading to an updated FY24 growth forecast of 7.6%.
- Core Sector Slowdown:** January saw the growth of India's eight core sectors cool to 3.6%, a decrease from December's 4.9% and significantly lower than the previous January's 9.7%.
- Fiscal Deficit Increase:** The fiscal deficit expanded to Rs 11.03 lakh crore between April 2023 and January 2024, up from Rs 9.82 lakh crore in the earlier months, indicating a rise in government spending over revenue.
- Retail Inflation Dip:** In January, retail inflation for industrial workers softened, attributed to lower food prices.
- Business Activity Boost:** Business activity in India hit a 7-month high in February, driven by strong demand in manufacturing and services, as the HSBC's flash India Composite PMI climbed to 61.5.



JUST KEEP BUYING

Should Market Volatility Stop Your Investment Journey?

Market volatility is a reality, and it can make even seasoned investors uneasy. But for young investors, it can be particularly tempting to hit the pause button altogether. However, history tells a different story.

While short-term fluctuations can be unsettling, what truly matters is the long game. This is where the power of compounding kicks in. When markets dip, it presents an opportunity to buy quality investments at a discount. Consistent, disciplined investments, even during volatile periods, allow you to accumulate more shares at lower prices, setting the stage for greater returns when the market rebounds.

Why "Just Keep Buying" is a Simple Philosophy to Follow

While "Just Keep Buying" might seem like a basic strategy, it encapsulates some powerful principles:

Long-term focus: Markets go up and down, but history favors long-term investors who ride out short-term bumps for potential long-term growth.

Compounding power: Even small, consistent investments can grow significantly over time due to compounding, where your returns earn additional returns.

Emotional control: Avoid the stress of timing the market or chasing trends. "Just Keep Buying" promotes a disciplined, automated approach that removes emotions from the equation.

Earnings Surpassing Contributions: A Stepping Stone, Not the Finish Line

As your portfolio grows, the earnings from your investments (through dividends, interest, or capital gains) will eventually surpass your regular contributions. This is a significant milestone on your financial journey, but it's important to remember:

It's not a dismissal of asset allocation: While "earnings surpassing contributions" can be a motivating benchmark, it shouldn't overshadow the importance of strategic asset allocation. Diversifying your portfolio across different asset classes helps manage risk and improve your chances of achieving your financial goals.

Focus on the bigger picture: Don't get caught up in over-optimizing returns. A small percentage gain on a large portfolio can translate to significant real-world benefits, sometimes exceeding the absolute gains from a higher percentage return on a smaller portfolio.

Remember these 3 things:

- Focus on consistent contributions, regardless of the market noise.
- Don't get bogged down in trying to time the market or chase trends.
- Stick to your investment plan; over time, compounding will work its magic.

Remember, volatility is temporary, but the benefits of consistent, long-term investing are undeniable. So, stay focused, keep buying, and let compounding work its wonders.