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MONTHLY NEWSLETTER

MAY 2024

ELECTIONS, RATE SHIFTS AND UNDERSTANDING BEHAVIORAL CYCLES

MARKET SNAPSHOT

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MARKET DATA AND MACROS

BSE Sensex: 74,483 (1.13 % MoM) **Nifty 50:** 22, 605 (1.24 % MoM) **Nifty Bank:** 49,397 (4.82 % MoM) **Nifty Midcap:** 50, 868 (5.81 % MoM) **Nifty Small-Cap:** 17, 012 (11.40 % MoM) **Nifty PE Ratio:** 22.00 *" MoM" an abbreviation for "Month on Month Performance". Data as on 30th Apr	**Brent Crude:** 83.44 **USD/INR:** 83.44 **Gold (Rs/10 gms):** 71, 710 **10-year G-sec yield:** 7.20 % *Data as on 30th Apr

The dynamic interaction of economic resilience, expected policy changes, geopolitical factors, and upcoming domestic elections in April 2024 affected investment strategies that focused on carefully balancing asset classes and protecting against possible risks while seizing new opportunities. While the headline indices such as Nifty 50 and Sensex continued to tread with caution, there was notable comeback in the mid and small-cap segments, despite previously bloated valuations.

As inflation pressures began to recede, central banks across major economies signaled readiness to cut rates, which is crucial for emerging markets like India. This shift could enhance liquidity conditions and reduce borrowing costs. Additionally, the upcoming domestic elections and geopolitical risks are critical factors that investors need to watch out for, the outcomes of which could lead to volatility and impact market dynamics in the short term,

India's economic growth, coupled with the global shift towards lower interest rates, suggests a favourable environment for medium to long-duration bonds. Investors might find these attractive as they generally benefit from rate cuts due to their inverse relationship with yields. This scenario underscores the importance of prudent asset allocation, with a potential tilt towards large-cap stocks and diversifying beyond Equities into other asset classes for risk management purposes.

IN THE NEWS:

1. Growth in India's core sectors slowed to 5.2% annually in March, a decrease from the revised 7.1% in February.
2. The International Monetary Fund forecasts India's economy to grow by 6.8% this fiscal year, driven primarily by public investments.
3. India's GST revenue hit a new high in April, surpassing Rs 2 lakh crore with a year-on-year increase of 12.4%, totalling Rs 2.1 lakh crore.
4. The U.S. Federal Reserve maintained its federal funds rate at 5.25%-5.50% for the sixth consecutive session during its May meeting.
5. SEBI has made nominations optional for mutual fund accounts held jointly, enhancing ease of business practices.
6. As per IMF, the global economy is projected to grow at 3.2% annually through 2024 and 2025, consistent with 2023's rate. While advanced economies may slightly accelerate from 1.6% growth in 2023 to 1.8% by 2025, emerging markets are expected to decelerate slightly, from 4.3% to 4.2% during the same period.

FROM THE DIRECTOR'S DESK

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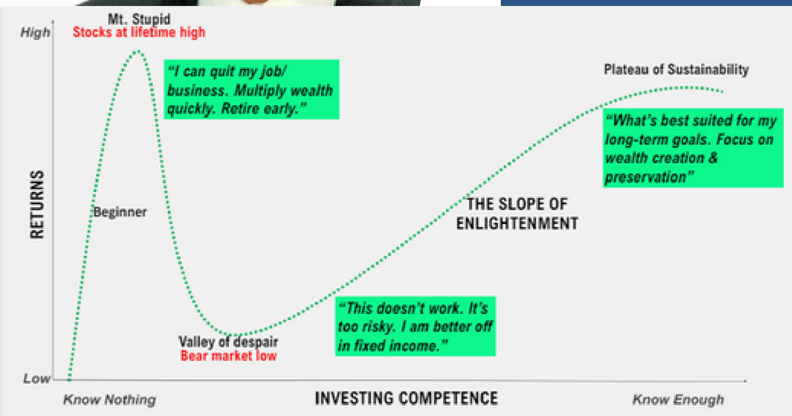
BEYOND MARKET EUPHORIA



Reference: Chart taken from DSP's PPT: Netra - Early Signals Through Charts dated Mar 2024

Legendary scientist Charles Darwin once quipped,

"Ignorance more frequently begets confidence, than does knowledge."

This truth applies with startling clarity to the world of investing.

It's tempting to get swept up in the recent market euphoria. The Indian market rallied almost 30% in FY24, with strong investor sentiment and a remarkable number of multi-bagger stocks. Yet, even in the midst of these highs, remember that markets are inherently unpredictable. As your knowledge expands, you face a stark reality: investing is intricate, markets are cyclic yet sometimes erratic, and no one possesses a crystal ball. This realisation can be humbling, even disheartening.

Investor behaviour often mirrors the boom-and-bust cycles inherent in the stock market. Take a look at the "Slope of Enlightenment" chart: Early success can breed overconfidence, leading investors to believe they've outsmarted the system. Yet, as markets inevitably shift, this hubris fades.

The current market rally is a prime example. While exhilarating, it's important to remember that markets are cyclical. What goes up often comes down.

As your experience grows, you realise that timing the market is incredibly difficult, and that no one can consistently predict the future.

True success in investing is not about outsmarting the market, but about embracing a humble mindset. Acknowledging the limits of your knowledge can be a powerful tool, empowering you to make more informed decisions and navigate the market with greater resilience.

Here is how:

Stay grounded: Resist the urge to chase hot trends or make rash decisions based on emotion.

Seek guidance: Learn from experienced investors and qualified financial advisors.

Play the long game: Understand that wealth building takes patience and discipline.

History's most successful investors are lifelong learners. They approach the market with respect, adapting their strategies as conditions change. Embrace continuous learning, and you'll become a more resilient and informed investor over time.