



MONTHLY NEWSLETTER

SEPTEMBER 2024

**NAVIGATING VOLATILE
MARKETS WITH QUIET
COMPOUNDING**

MARKET DATA AND MACROS

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| <p>BSE Sensex: 82,366 (1.12 % MoM)</p> <p>Nifty 50: 25,236 (1.52 % MoM)</p> <p>Nifty Bank: 51,351 (-0.29 % MoM)</p> <p>Nifty Midcap: 59,287 (1.13 % MoM)</p> <p>Nifty Small-Cap: 19,307 (0.52 % MoM)</p> <p>Nifty PE Ratio: 23.47</p> <p><small>** MoM" an abbreviation for "Month on Month Performance". Data as on 30th August</small></p> | <p>Brent Crude: 78.80</p> <p>USD/INR: 83.86</p> <p>Gold (Rs/10 gms): 71,958</p> <p>10-year G-sec yield: 6.86 %</p> <p><small>*Data as on 30th August</small></p> |
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In August, Indian equity markets demonstrated moderate gains, with the BSE Sensex surpassing the 82,000 mark and the Nifty 50 edging above 25,000, both achieving new all-time highs. However, the pace of growth was more subdued compared to July.

On the macroeconomic front, India's GDP growth slowed to 6.7% in the first quarter of FY25, down from 7.8% in the previous quarter, indicating a slight deceleration in economic momentum. Inflation data presented a mixed picture: CPI eased to 3.54% in July, providing some relief, while WPI inflation inched higher to 2.04%, signalling ongoing inflationary pressures. These indicators point to a more challenging economic environment, though one that remains within manageable limits.

Globally, an early August drawdown in U.S. markets introduced volatility across major indices, negatively impacting investor sentiment worldwide. While overall market sentiment remains positive, event risks are likely to resurface with expectations of a Fed rate cut and the upcoming U.S. elections. From a valuation perspective, markets continue to trade above their long-term averages, particularly in the mid and small-cap segments. Although strong domestic flows continue to support the markets, the risks associated with high valuations cannot be ignored. In this context, asset allocation becomes increasingly important. Within the mid and small-cap segments, careful stock selection and a strong focus on fundamentals will be crucial for navigating potential market corrections and mitigating downside risks.



IN THE NEWS:

- India's eight core sectors saw output growth rise to 6.1% in July, marking an improvement from the revised 5.1% growth in June.
- Q1FY25 GDP growth moderated to 6.7%, down from 8.2% in the same period last year, reflecting a gradual easing in economic momentum.
- The fiscal deficit for the first four months of FY25 reached 17.2% of the annual target, a significant improvement compared to 33.9% in the previous year.
- August's GST collections increased by 10% YoY, totalling ₹1.74 lakh crore, indicating strong consumption demand.
- Internationally, the U.S. Personal Consumption Expenditure (PCE) Price Index remained steady at 2.50% YoY in July, while the Eurozone's inflation rate eased to 2.2% in August. However, China's Manufacturing PMI fell to 49.1 in August, indicating continued contraction in the sector.



PATIENT GROWTH PLAN

Let's delve into a common challenge many of us encounter: social comparison in financial matters. It's easy to be influenced by the financial successes of others, whether it's a friend excelling in a particular stock or someone making waves in the crypto market. The temptation to follow their lead can be strong. However, it's essential to recognise that everyone's financial journey is distinct. What works for one person may not necessarily be the best choice for you.

Financial missteps often stem from mimicking others who may not share your financial circumstances. Their risk tolerance, financial goals, and investment timelines might be vastly different from yours. It's crucial to focus on your unique financial path and not get swept up in the excitement of someone else's success.

Many people aspire to be long-term investors, but this requires discipline and patience. A significant barrier to this is the tendency to compare our portfolios to those of friends, family, or even strangers online. This comparison can lead to impulsive decisions and emotionally driven investing, which can be detrimental.

Here I would like to quote Morgan Housel's wise words:

“Once you do things quietly, you become selfish in the best way—using money to improve your life more than you try to influence other people’s perception of your life.”

This is the concept of ‘quiet compounding’. It is not the goal of this strategy to chase quick wealth or spectacular returns or to measure your wealth and growth against societal norms. Instead, it emphasises steady, consistent growth over the long term in a way that suits your goals and lifestyle. When pursuing long-term wealth building, it's crucial to maintain a focus on the bigger picture, prioritising solid financial health while avoiding the euphoria or stress that can arise from short-term market volatility. These characteristics lay the groundwork for consistent growth and are more likely to lead to sustainable wealth accumulation that aligns with your personal financial journey, ensuring peace of mind and financial stability over time.

The objective of quiet compounding isn't to outperform the market daily. Instead, it's about building wealth gradually and sustainably over time. Stay committed to your long-term goals, tune out the distractions, and allow the power of compounding to work in your favour.