ISSUE 01
8 February 2024

FINSPHERE

Your Monthly Guide on Global and Local markets from our Business Head's Desk.

WHAT'S INSIDE

Equities Surge Amidst Global Uncertainties:

What's Next?

Explore Beyond the Surface

Global Markets Steady Amidst Geo-Political Tensions

Dear Esteemed Clients,

What a month January 2024, panned out to be for equity asset class. Time and again re-emphasizing the fact, staying invested in valued companies is the only mantra for wealth creation. Led by technology stocks US staged a strong comeback and all its key indices are trading at time highs. India too galloped to new highs post Interim Budget roll-out. In Asia, Japan has been on roll notching new highs. Stability in currencies and bond markets augurs well for equities. Industrial commodities, majorly has been in a trading range at lower end of the band, which has been key to gradual decline in inflation trajectory.

Caution, in wind comes from Geo-political situation in Middle East. There has not been any improvement in situation of Russia-Ukraine albeit now west Asia is also marred with conflicts between militia groups and sovereigns. Though, this is saddening but brighter side is major economies of world is largely unaffected. Of, late conflicts between countries have been localized, however, movement of goods has got impacted leading to time delays and short span price volatility in traded goods and commodities.

Having, regard to growth and benign inflation monetary policy makers across the board has put interest rate hikes on hold while indicating possibility of interest rate cuts if need be or natural economic balancing parameters warrants it.

Let's recap the evolving global economic landscape. We strive to furnish you with comprehensive insights that help you construct well-studied and informed investment decisions.

US Economy Defies Downturn

Monetary policy makers in US have stayed put to hold interest rates for fourth time in a row at 5.25% to 5.50%. Interestingly, their stance now stands changed to interest rate cuts in 2024. Timing and quantum are factor of evolving macro-economic scenario which is keenly being monitored. Firm eye on bringing inflation rate below 2% while accommodating soft landing is a fine balancing act performed to perfection till now. The US economy outperformed expectations with a Q4 2023 GDP growth of 3.3%, surpassing the anticipated 2%.

This growth, fueled by robust consumer spending and resilient job market, highlights the economy's underlying strength. Healthy capacity utilization, improving consumer sentiments, pick up in construction and home sales augurs well.

The US trade deficit's contraction to $63.2 billion and the dip in the producer price index highlight are pointers to highly calibrated economic dynamics amidst stabilizing conditions. AI driven technology companies both hardware and software have delivered strong set of earnings in October-December quarter, so far. This optimism, combined with the stabilization in manufacturing and a healthy job market, outlines a cautiously optimistic outlook for the US economy. Ironically, both Dow Jones Industrial Average and S&P 500 index are trading at all-time highs while their technology index Nasdaq Composite Index is still couple of percentage points shy of all time-high.

Worldwide economic expansion remains stable

IMF in January bulletin maintained its global growth forecast at 3.1% in 2024 which is likely to improve by 10 basis points in 2025 at 3.20%. They expect inflation moderation to continue while steady growth will help major economies to soft landing. China, Russia and Brazil are expected to bottom out in 2024 while India is poised to be fastest growing meaningful economy in years to come.

Europe’s economy is a concern and is sluggish while Japan's is on path to fix back the economic juggernaut. China's persistent consumer price deflation, alongside proactive measures to bolster market confidence, signifies a strategic response to its economic challenges. The ECB and the Bank of England's steadfast interest rates reflect a unified commitment to inflation control amidst economic recovery efforts.

Interim Budget 2024

A social welfare budget aimed at fiscal consolidation

India is just doing everything right consistently over a decade now. Policy makers are sticking to reforms while the Government has demonstrated unmatched execution prowess. The interim budget 2024 highlights the same. It emphasized social welfare and path to fiscal consolidation. Continuity of existing policies and reforms are other major notables. The budget's focus on empowering key societal segments women, youth and farmers through various new initiatives gives wings to much needed inclusive development.

The budget underscores the government's unwavering commitment to fiscal discipline, revising the fiscal deficit to 5.80% for FY24, a slight improvement from the previous estimate of 5.90%. This strategic maneuver is part of a broader trajectory aiming for a fiscal deficit of 5.10% in FY25 and below 4.50% in FY26. Thrust on ramping up infrastructure development, with an 11.1% increase in capital expenditure to Rs. 11.11 Lakh Crore, accounting for 3.4% of the GDP, augurs well.

This allocation is designed to catalyze growth across sectors, as infrastructure is the backbone of India's economic expansion and modernization. Moreover, the budget's emphasis on promoting clean energy, through continued support for solar rooftops and electric vehicles (EVs), aligns with the global shift towards sustainable development.

Highlighting the focus on social empowerment, the budget aims to lay the groundwork for a more inclusive and capable India. A notable initiative is the allocation of a Rs. 1 lakh crore corpus of near interest-free loans to spur research and innovation in the private sector, particularly in sunrise sectors and defense. The budget also earmarks Rs 75,000 Crores as a 50 year interest-free loan to state governments for implementing growth & development-enabling reforms.

The Govt also plans to construct 2 Crore additional houses under the Pradhan Mantri Awas Yojana – Gramin over the next five years, building upon the near completion of the existing 3 Crore houses for unprivileged section of the society.

Additionally, the rooftop solarization scheme promises up to 300 units of free electricity monthly to 1 crore households, ensuring significant savings in the hands of households while promoting green energy. The budget allocated Rs 2.55 lakh crore for railway infrastructure, introducing new corridors for enhanced connectivity and replacing 40,000 coaches with new ones of Vande Bharat quality.

The emphasis on tourism, including spiritual tourism, through comprehensive development &infrastructure enhancement in islands & tourist spots, reflects a strategic approach to leverage India's cultural heritage for economic gain. In light of growing tax base and revenue collection while maintaining fiscal mathematics, the budget refrained from altering direct and indirect tax rates, including import duties. Direct tax collections surged by 19.41% to Rs 14.70 lakh crore so far, nearing 81% of the annual target and January's GST collections at Rs 1.72 lakh crore, marking the second-highest ever, and averaging Rs 1.67 lakh crore in 2023-24, reflect a buoyant revenue environment. Foreign portfolio investments in debt instruments have turned positive after three years, attracting Rs 68,663 crore in 2023, highlighting India's appeal to global investors.

The IMF's upward revision of India's GDP growth forecasts to 6.5% for FY25 and FY26, coupled with the finance ministry's projection of a 7% growth, underscores the economy's robust outlook. Details to path to being a developed economy by 2047, will be landscaped in Budget post general elections in May’2024.

Policy stability is loved by all, investors, businessmen, employed people and politicians. If you know the rules which doesn’t change frequently you can play the game better!

Thanks to Government of India and policy makers worldwide there has been a stable policy regime for a while.

We remain constructive on Indian equities from a medium to long term perspective. Corrections, if any will be a ‘God send’ opportunity to accumulate quality companies at lower levels. We are committed to grow your valued trust in our research & analysis; enriching your investment journey with relevant guidance.

Warm Regards,

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