WALLFORT PMS
A MARATHON OF INVESTING

Is the Party Over……?

Monthly newsletter: November 2024 edition

Synopsis

No…the Party is not over…BUT definitely the Happy Hours have ended for the Investors. October month was an unusual month for the Indian Stock Market investors, as they suddenly found themselves scrambling for shelter from the FII Selling onslaught, which continued throughout the month. From 27th September till end October the FII's cumulatively were Net Sellers toa the tune of USD 14.84 Bn in the Cash market Segment.

Just a month ago, the FII's were net Buyers for September month to the tune of USD 1.42 Bn which propelled the Nifty by 1,000 points from 25,200 on 2nd September to 26,200 by 26th September. The primary reason for such a massive sell-off by FII's was Economic Stimulus package announced by the Chinese central bank on 24th September, which by far is the most aggressive monetary support measures since the COVID-19 pandemic, including interest rate cuts, a 1 trillion-yuan liquidity injection and other steps to support the property and stock markets. It is widely expected that the Chinese government will come up with more such stimulus announcements in the coming months in order to revive its sagging economy.

The FII's have thus modified their allocation with a positive bias towards China, resulting in reduced allocation for an overpriced India. Thus, India will witness some more selling by FII's in the weeks to come.

However, the India Growth Story is quite intact which is evident from the overall macro data and thus some short-term events will shake the investors' confidence but in the long-term India is expected to perform quite well and continue its march towards a strong 5 trillion-dollar economy.

Domestic & Macro

Back home October was the festival month for the country with both Dusshera and Diwali falling in the same month. Thus, the consumer buying is surely expected to show an upward trend across all consumer-focused goods right from Vehicles, Consumer Durables, Clothing, Jewellery, Electronics, Food & Beverages etc. A good show from Companies related to all the above-mentioned segments should be positive for Q3.

The Fiscal Deficit data released by the government for the first half of the financial year 2025 was extremely encouraging with the Total receipts up by 15.5% YoY to USD 194.44 Bn; the Total Expenditure marginally down to USD 250.74 Bn, and the Fiscal Deficit at 29.4% of the years target of USD 191.59 Bn. Our understanding is that the Total Expenditure has lagged in H1 FY25 due to national elections in the Q1 and monsoon seasonality impact in Q2. Thus, we should see some good uptick in the expenditure by the government, both on capital and revenue side in the H2, which should be quite positive for the overall economy.

Overall macro-economic fundamentals continue to be very strong for India and it is widely expected that India will continue along the fiscal consolidation path alogwith delivering 7% GDP growth in the near future. Thus, India is amongst very few countries in the globe who are able to deliver on both these critical parameters.

India's Forex reserves touched an all-time high of USD 704.90 bn in the month of September and were more or less stable around 700bn USD during October month. India now stands at 4th position in the list of countries with highest forex reserves. With comfortable forex reserves India has been able to curtail any wild movement in its Rupee against the Dollar, which again has been very comforting for the foreign investors

From Currency stability perspective another comforting factor is that India is the 9th largest country in the world with 855 tonnes of gold reserves as of September end. In last 20 years these reserves have more than doubled from just over 357 tonnes in June 2001. Historically the physical Gold has been majorly held in UK and partly in India; however, given the geopolitical tensions the government has moved ~214 tonnes of physical gold back to India, with total physical Gold in India now being at ~510 tonnes. Thus 60% of the physical Gold now resides within the borders of India. One very critical point to be noted is that when it comes to total gold held by domestic population, then India will most probably the largest country with over 27,000 tonnes of physical gold held by Indian households.

The Crystal Ball

November is expected to be a volatile month for the Indian stock markets due to multiple reasons;

- Outcome of US election set to be expected by 8th November and either of the parties winning is expected to have a reasonable impact on the stock markets world over due to varied reasons (not getting into the details of these for now….)
- Chinese Economic Council set to announce further stimulus measures in its meeting scheduled on 8th November; which may further result in money flowing of India and moving towards Chinese stock markets
- The Q2 results season will be over by mid-November, with majority of the Companies announcing their results by then, and as Q2 is usually a dull quarter coupled with peak volatility will result in moderate and bad performers being punished harshly and only few select good performers with good growth guidance spared from the onslaught

All-in-All we will be cautiously watching all the global and local events unfolding during the month and take a calibrated approach towards portfolio rebalancing.

News that caught our attention

October 2024 was the hottest October month for India since 1901 in terms of mean temperatures and minimum temperatures, according to the India Meteorological Department (IMD). Further, with above normal and extended monsoon season, it is expected that the winters this year will be severe and harsher in India. The perils of Global Warming is a harsh reality and should be alarming for all of us from environment conservation perspective. Such events will add further stress on the ecology as more power will be generated through thermal power plants to meet the excess demand.

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