

# PAISA VASOOL

December 2024 Newsletter

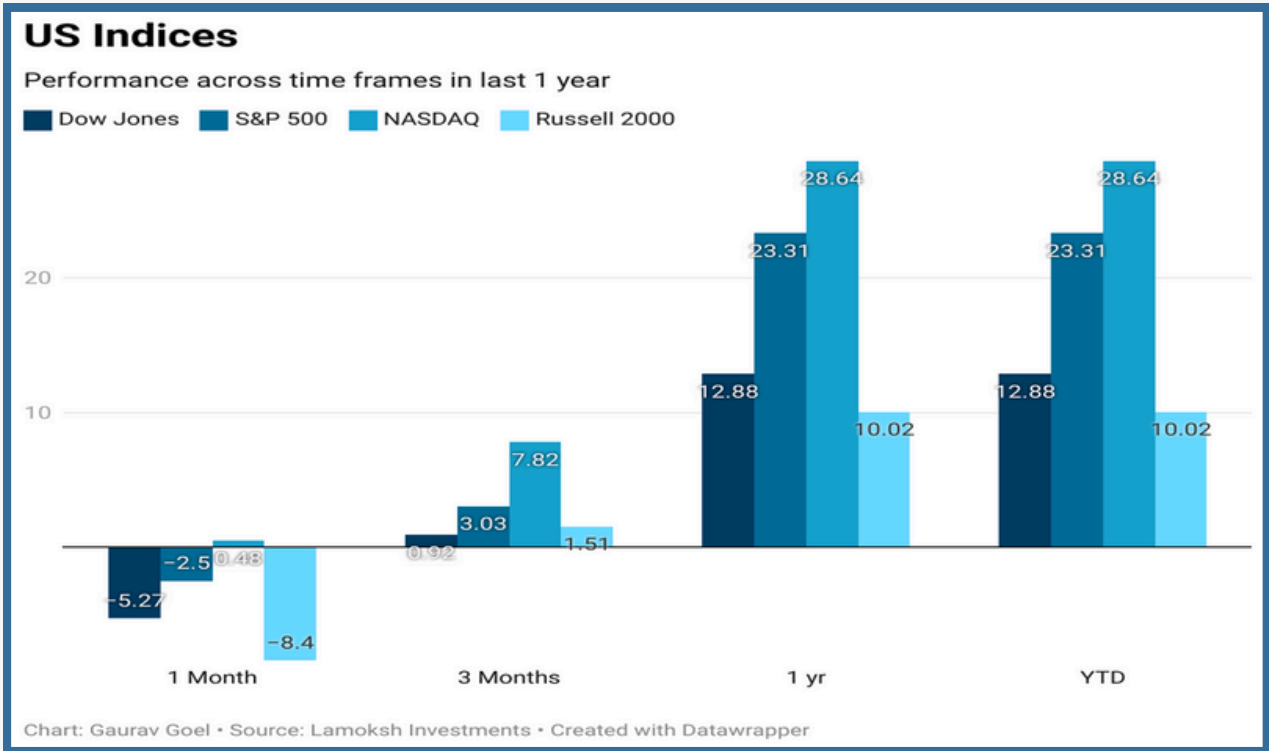
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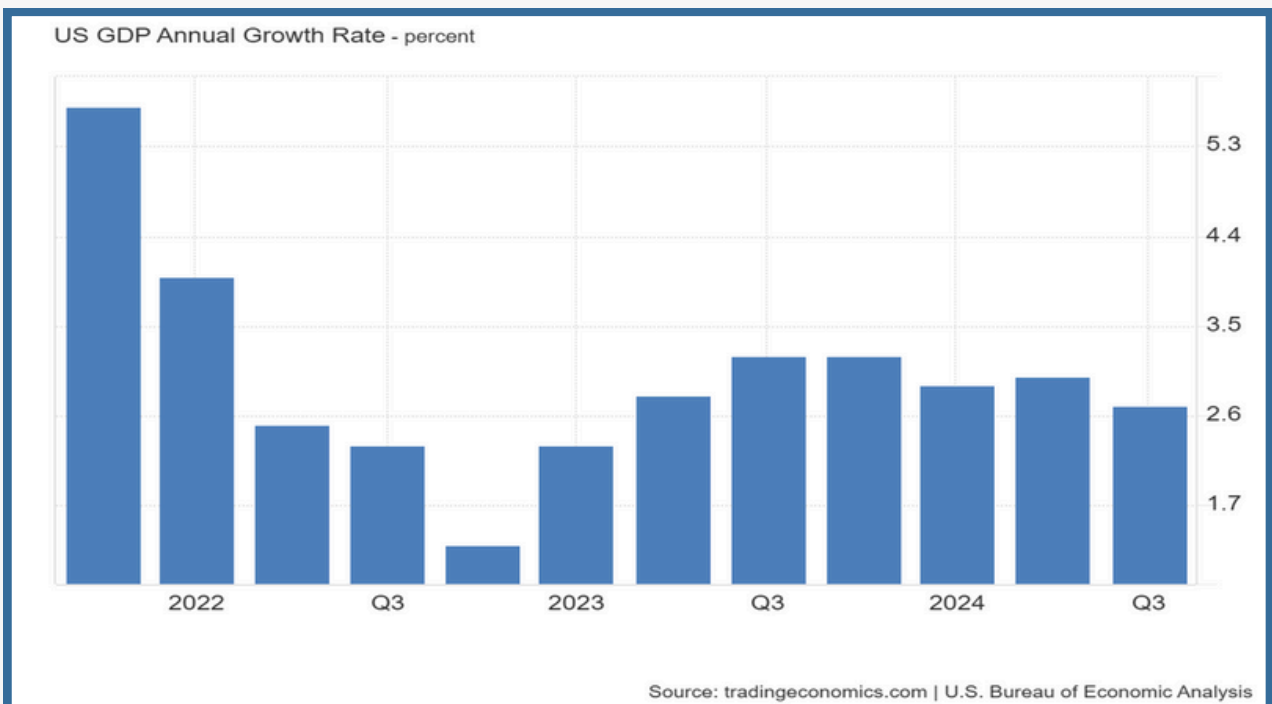
# USA IN 2024

- 1 US equities and its economy triumphed in 2024. Fed corrected its course by first raising the interest rates and then cut them sharply to evade recession and allowing engines of economy to gallop nicely. S&P 500 and NASDAQ led the march of equities in the year after a lukewarm previous year.
- 2 Former President Donald Trump achieved a historic political comeback by defeating Democratic candidate Kamala Harris, marking his return to the White House. Trump survived two assassination attempts during the year, underscoring heightened political tensions.
- 3 In 2024, the U.S. economy demonstrated robust growth and resilience across various sectors. The U.S. economy expanded by approximately 2.7% year-over-year in 2024, indicating steady economic performance. Employment levels reached record highs, with 159.3 million individuals employed in November, about 7 million above the pre-pandemic peak. The unemployment rate increased slightly from 3.7% in January to 4.2% in November.
- 4 Inflation rates declined throughout the year, reaching 2.9% in July, the lowest since March 2021, alleviating some cost-of-living concerns. Real hourly wages for production and non-supervisory workers reached among the highest levels since 1964, enhancing purchasing power despite prior inflationary pressures.
- 5 The tech industry, with figures like Elon Musk, significantly increased investments in artificial intelligence and cryptocurrency. Bitcoin's value surpassed \$100,000, and Trump pledged to make America the "crypto capital."

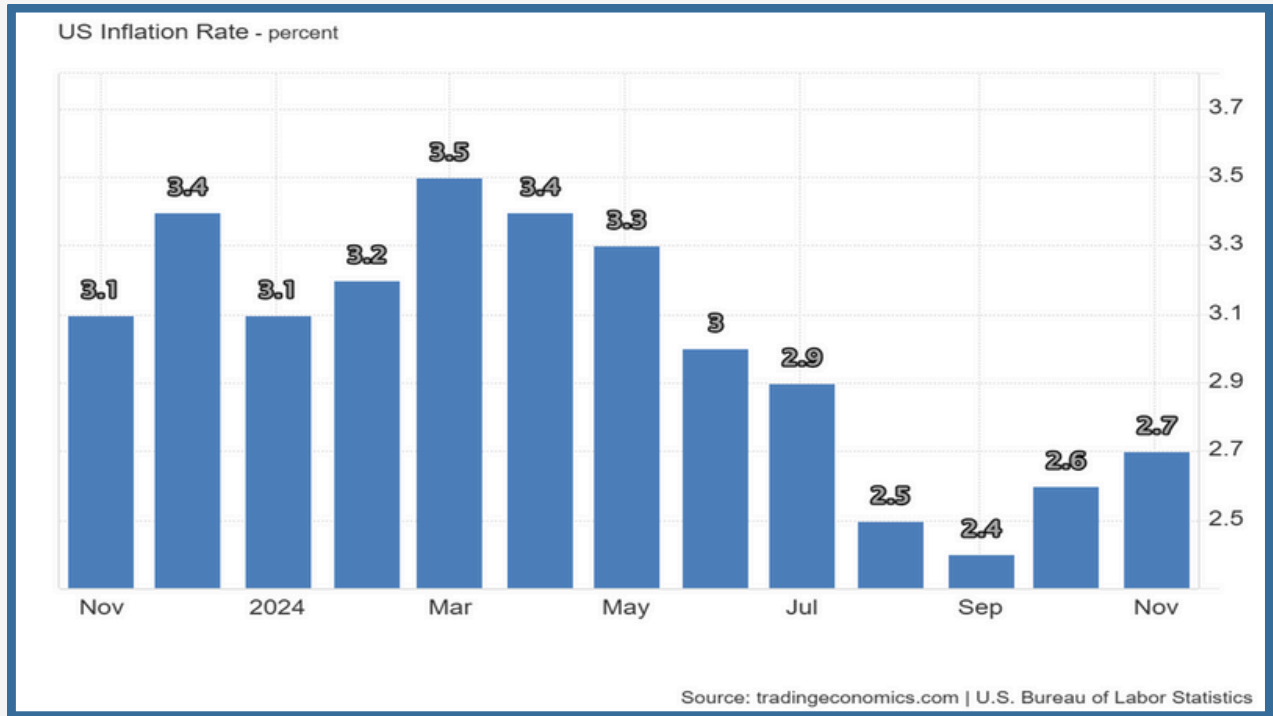
# NASDAQ Shines In 2024



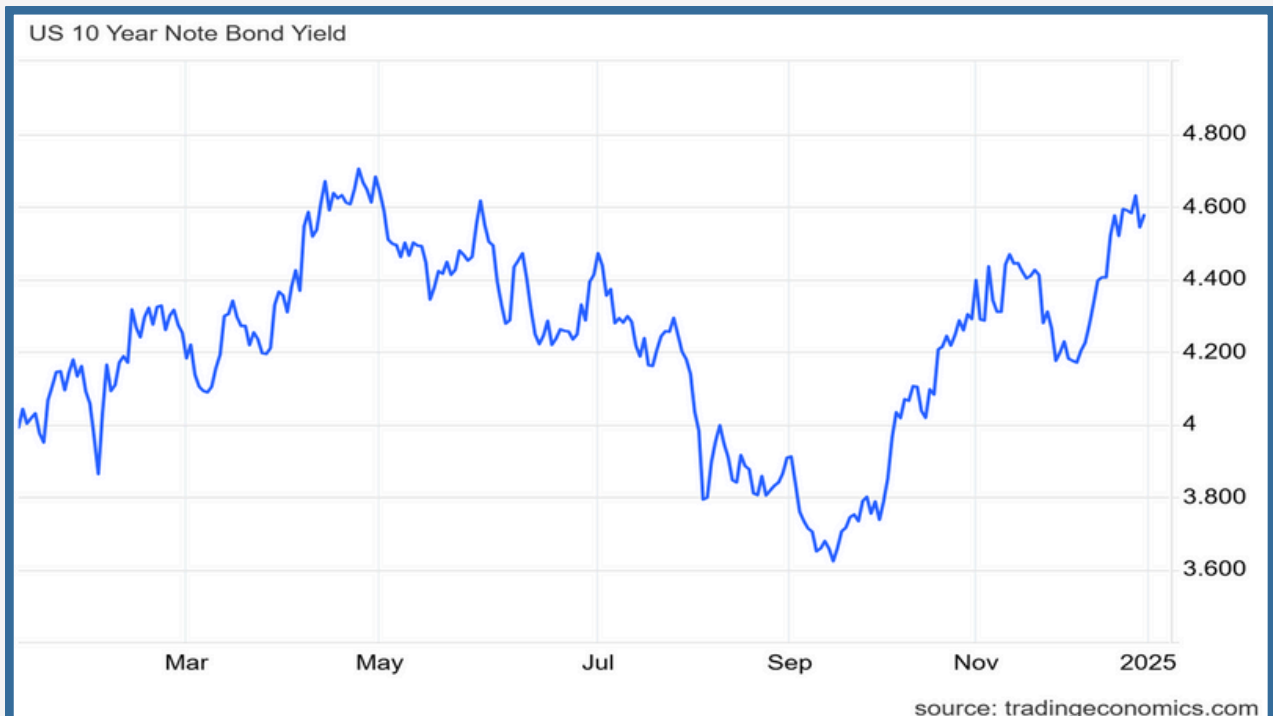
# US GDP: Annual Growth Rate



# US Inflation: Stable



# US 10 Yr Bond Yield: Rising



# Global Economies: Struggling To Match

1 In 2024, **China** faced several economic challenges despite policy measures aimed at maintaining growth and stability. Domestic consumption recovery remained weaker than anticipated, even with government incentives.

2 The ongoing crisis in the property market, exacerbated by defaults among major developers like Country Garden, led to stagnant property sales and declining prices. Trade and technology disputes with the U.S. added pressure, with tariffs and restrictions targeting Chinese technology sectors. Weak demand from key trading partners, including the U.S. and Europe, led to declining exports.

3 **The Producer Price Index (PPI)** remained in negative territory for much of the year, reflecting weak industrial demand. Policy measures, including rate cuts and subsidies, had a muted effect on boosting confidence or stimulating robust growth.

4 The **European economy** experienced modest growth in 2024, amid a challenging environment characterized by high inflation, elevated interest rates, and subdued domestic demand. Inflation remained a significant concern, with the European Central Bank (ECB) implementing rate cuts to stimulate the economy.

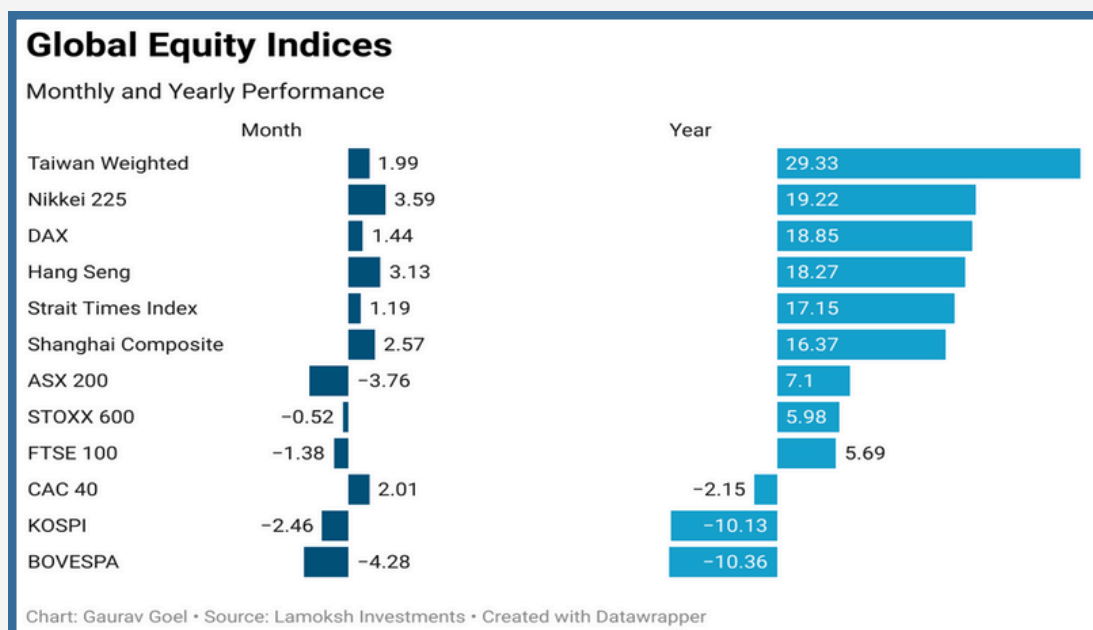
5 The EU economy is expected to grow by 0.9% in 2024, with an anticipated increase to 1.3% in 2025. However, this represents a 0.4 percentage point downward revision for 2024 compared to earlier forecasts, reflecting ongoing challenges and the need for policy measures to stimulate growth.

6 Asia maintained its role as a significant contributor to global economic growth in 2024. The International Monetary Fund (IMF) projected a growth rate of 4.6% for the Asia-Pacific region in 2024, slightly up from 4.5% in April forecasts. The World Bank anticipated a growth rate of 4.8% for East Asia and the Pacific in 2024, with a slight deceleration to 4.4% in 2025.

7 Central banks in the region remained cautious, balancing the need to control inflation with measures to support economic growth. The IMF noted that while Asia-Pacific remains a key driver of global growth, the region faces headwinds from changing global demand patterns and tighter monetary policies.

8 In 2024, Japan's economy exhibited signs of moderate expansion, driven by increased domestic demand, wage growth, and accommodative fiscal policies. For the first time in seven years, Japan anticipated a positive output gap of +0.4% for the fiscal year starting April 2024, indicating actual economic output surpassing potential output due to strong demand.

9 The Bank of Japan (BOJ) projected that the economy would continue growing above its potential growth rate, supported by moderate global economic expansion and a virtuous cycle from income to spending. While the BOJ ended negative rates in March and raised the short-term policy target to 0.25% in July, further rate hikes were approached prudently.



# Commodities & Currencies

- ▶ Precious metals, particularly gold, experienced significant appreciation. Gold prices rose by 27% to \$2,617.20 per troy ounce, marking the best year since 2010. Agricultural prices eased in 2024 due to improved supply conditions and robust crop forecasts, contributing to a stabilization of food prices globally.
- ▶ The US Dollar exhibited strength throughout 2024, appreciating broadly against both advanced economy and emerging market currencies. This appreciation was influenced by mixed developments regarding inflation, the likelihood of a soft landing for the global economy, and the expected path of monetary policy in the United States and other major economies. The yen hovered near five-month lows against the US dollar, trading at approximately 157.765 per dollar.
- ▶ This depreciation was attributed to the contrast between the US Federal Reserve's hawkish stance and the Bank of Japan's cautious approach to policy tightening. The euro and British pound remained relatively weak against the US dollar, influenced by differing economic indicators and monetary policy expectations within their respective regions.
- ▶ Bitcoin, the world's largest cryptocurrency, shattered records in 2024 by surpassing the much-anticipated \$100,000 threshold, solidifying its dominance as the flagship cryptocurrency. Bitcoin's rally was further fueled by renewed investor confidence following Donald Trump's election victory, during which the cryptocurrency saw a 47% increase since Election Day.

Commodity	Month	Year	Currency Pair	Description	Month	Year
Coffee	7.63%	68.74%	BTCUSD	BITCOIN	-2.97%	105.84%
Palm Oil	-10.37%	21.42%	USDBRL	Brazilian Real	3.53%	27.42%
Cotton	-3.68%	-14.46%	USD RUB	Russian Ruble	6.57%	27.17%
Soybean	1.32%	-21.61%	USDJPY	Japanese Yen	5.06%	11.69%
Brent	3.91%	-1.65%	DX	Dollar Index	2.52%	6.98%
Aluminium	-1.94%	9.46%	USDSGD	Singapore Dollar	1.86%	3.35%
Iranium	-6.17%	-19.78%	USDINR	Indian Rupee	1.29%	2.90%
Coal	-7.90%	-14.45%	USDCNY	Chinese Yuan	0.78%	2.81%
Gold	-0.67%	27.47%	GBPUSD	British Pound	-1.71%	-1.62%
Copper	-2.29%	2.92%	EURUSD	EURO	-2.15%	-6.30%
Sugar	-8.63%	-7.71%	AUDUSD	Australian Dollar	-4.98%	-9.16%
Silver	-5.61%	22.14%				
Steel	-0.90%	-16.18%				



# INDIA: Challenges Emerging

- ▶ **GDP Growth:** India's economy demonstrated resilience amid global uncertainties, with GDP growth estimated at approximately 7% for the fiscal year 2024-2025. This positions India as one of the fastest-growing major economies globally.
- ▶ **Sectoral Contributions:** The services sector continued to be a major growth driver, complemented by robust performance in manufacturing and agriculture. Notably, the expansion in Rabi crop sowing bolstered agricultural output, enhancing rural consumption prospects.
- ▶ **Inflation and Monetary Policy:** The Reserve Bank of India (RBI) maintained a cautious stance on interest rates, balancing the need to support growth while addressing inflationary pressures. Recent signs, including easing food prices, have contributed to a more favorable inflation outlook.
- ▶ **Stock Market Trends:** Indian equities experienced substantial growth, with the MSCI India index averaging a 21.8% annual gain since March 2000. However, concerns over high valuations and potential market corrections emerged, particularly in sectors like cement and low-quality banks.
- ▶ **IPO Market Leadership:** India surpassed China to become Asia's leading market for initial public offerings (IPOs) in 2024, with companies like Swiggy and Hyundai Motor contributing to this surge. This achievement positioned India as the world's second-largest equity fundraising market after the US.
- ▶ **PMI:** The Purchasing Managers' Index (PMI) for manufacturing and services consistently indicated expansion, with averages above 55 throughout the year. This underscored sustained industrial activity and robust service sector growth, key contributors to India's economic momentum.

- ▶ **Government Capex:** The government's focus on infrastructure development continued to yield results. Massive investments in highways, railways, and urban development projects were announced with the aim to create more jobs and enhance long-term productivity.
- ▶ **Foreign Direct Investment (FDI):** FDI inflows reached a record high of over \$1 trillion since 2000, with significant investments in manufacturing, technology, and renewable energy sectors. The achievement is underscored by a 26% rise in FDI during the first half of FY 2024-25, reaching \$42.1 billion.
- ▶ **GST:** Monthly GST collections averaged around Rs 1.7 lakh crore, setting new benchmarks for tax compliance and efficiency. India's trade performance showed encouraging signs. While exports of electronics, pharmaceuticals and engineering goods grew, imports of crude oil were better managed due to global price moderation.
- ▶ **Current Account Deficit (CAD):** The current account deficit was contained at 1.1% of GDP in the June quarter, a healthy level compared to 1% in the same period last year.
- ▶ **General Elections:** India conducted its general elections between April and May 2024, marking a significant event in the world's largest democracy. Over 968 million registered voters participated in electing representatives to the Lok Sabha, India's lower house of Parliament.
- ▶ **Election Outcomes:** The elections were marked by high voter turnout and the successful implementation of electoral processes across diverse regions. The Election Commission of India reported a voter turnout of 65.79% and dedicated the violence-free polls to the Father of the Nation.

# Not The Best Year

## Indian Benchmark Indices

Performance Chart Across Multiple Tenors

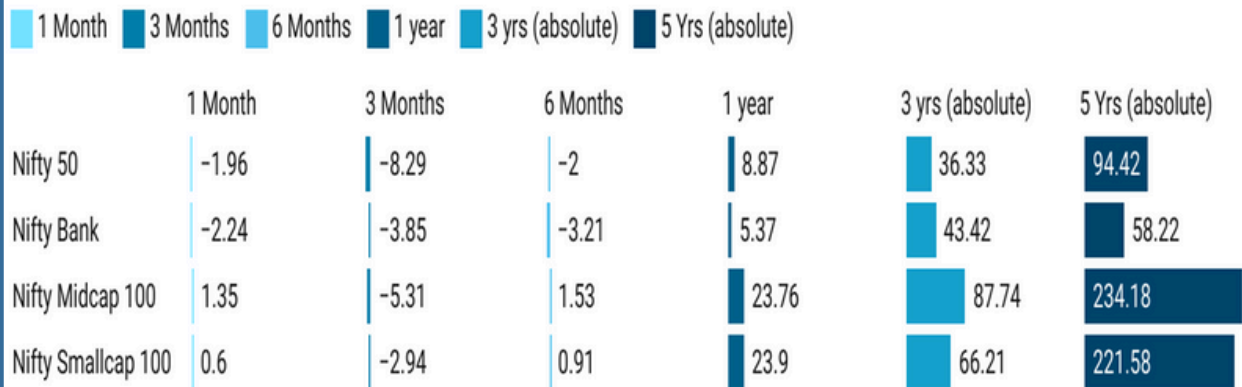


Chart: LaMoksh Investments • Source: Gaurav Goel • Created with Datawrapper

# Pharma, Realty, Consumer Durables Shine

## Indian Equity: Sectoral Indices

Performance across Tenors

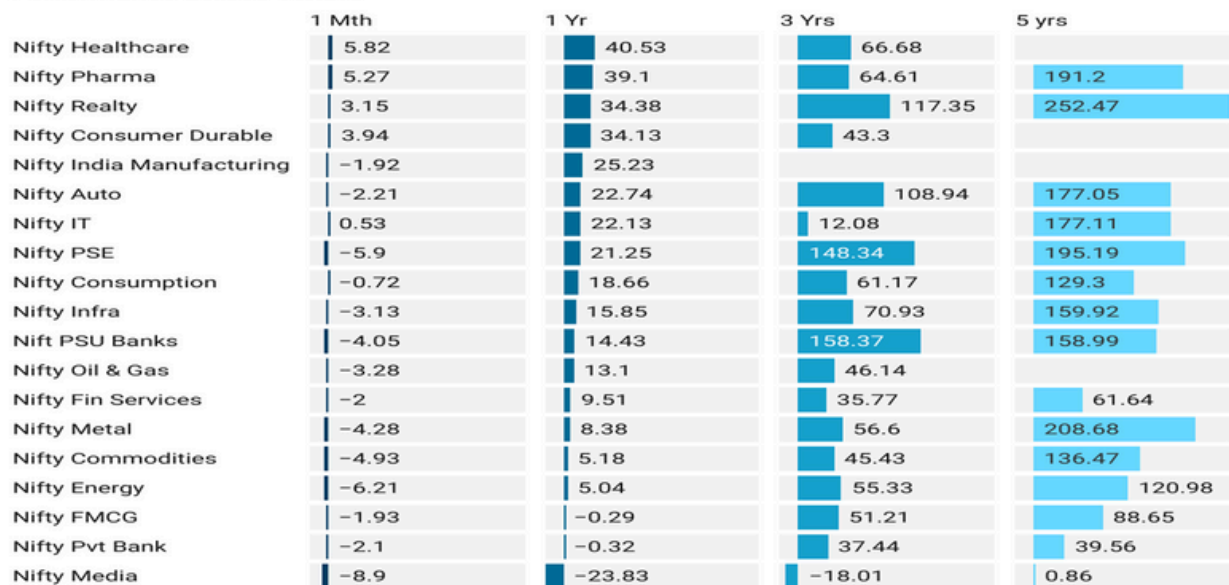


Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

# Index Valuations

Index	Fall from 52 Wk Peak	EPS	PE	PB	Valuation Verdict
<b>Nifty 50</b>	-9.97%	1086.60	21.77	3.50	Neutral
<b>Nifty Bank</b>	-6.57%	3664.30	13.89	2.30	Cheap
<b>Nifty Midcap 100</b>	-6.19%	1365.50	41.86	5.20	Very Expensive
<b>Nifty Smallcap 100</b>	-4.83%	543.70	34.51	4.10	Expensive

# Index Forward Valuations

Index	1 Yr Fwd EPS	1 Yr Fwd PE	2 Yr Fwd EPS	2Yr Fwd PE	Valuation Verdict
<b>Nifty 50</b>	1249.6	18.9	1437.0	16.5	Neutral
<b>Nifty Bank</b>	4213.9	12.1	4846.0	10.5	Cheap
<b>Nifty Midcap 100</b>	1570.3	36.4	1805.9	31.6	Expensive
<b>Nifty Smallcap 100</b>	625.3	30.0	719.0	26.1	Slightly Expensive

# USA Dominating

## US Vs India

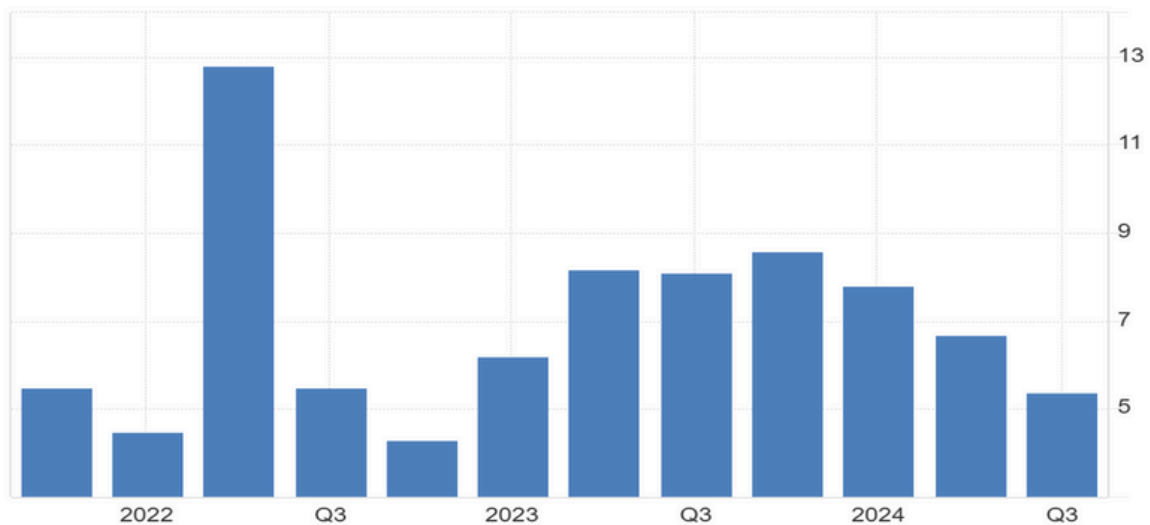
Benchmark Equity Indices Comparison



Chart: Gaurav Goel • Source: Lamoksh Investments • Created with Datawrapper

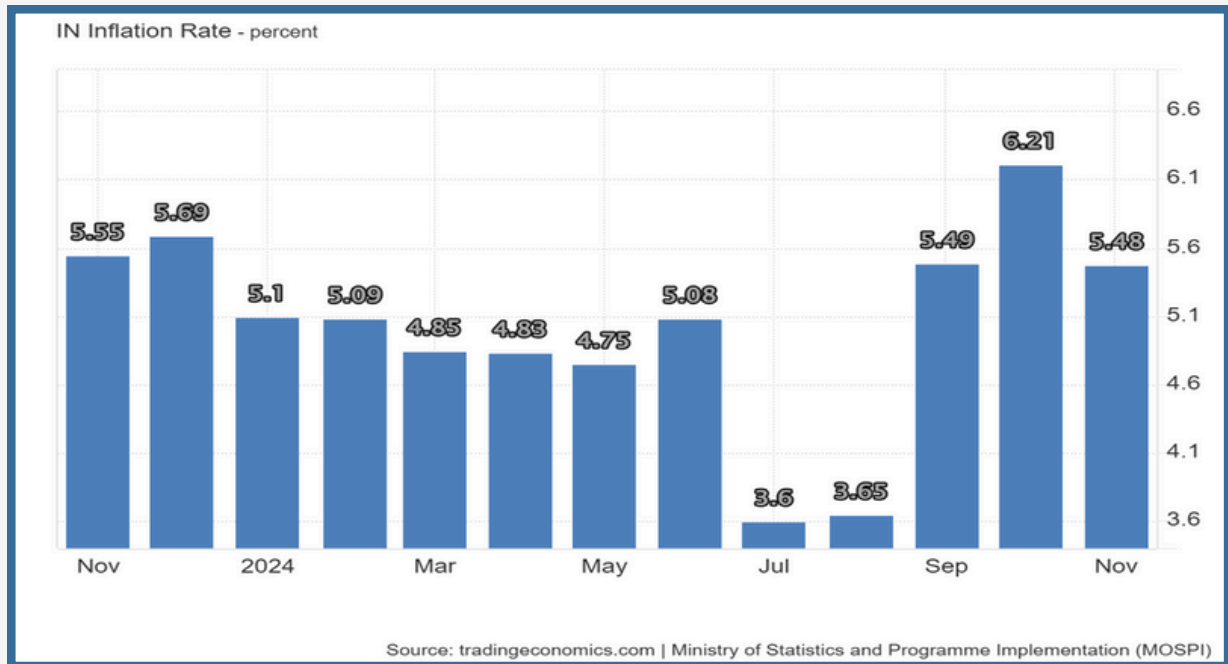
## Indian GDP: Slowing a bit

IN GDP Annual Growth Rate - percent

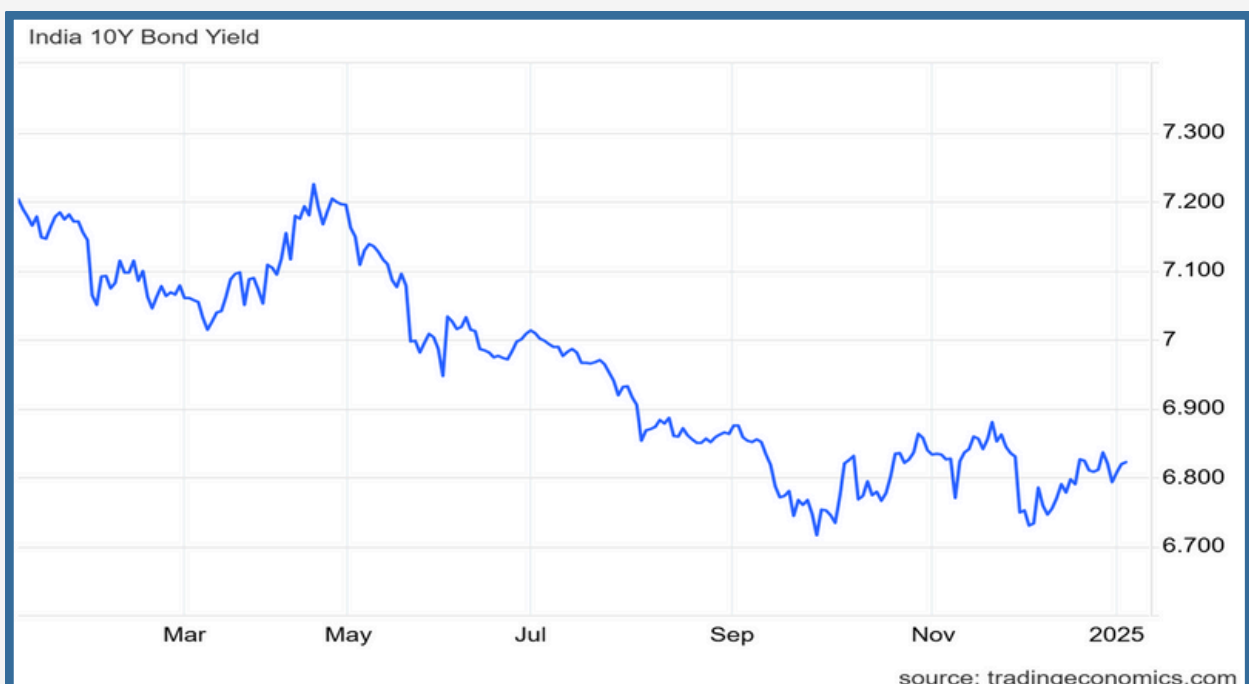


Source: tradingeconomics.com | Ministry of Statistics and Programme Implementation (MOSPI)

# Indian Inflation: Rangebound



# India: 10 Yr G Sec Yield



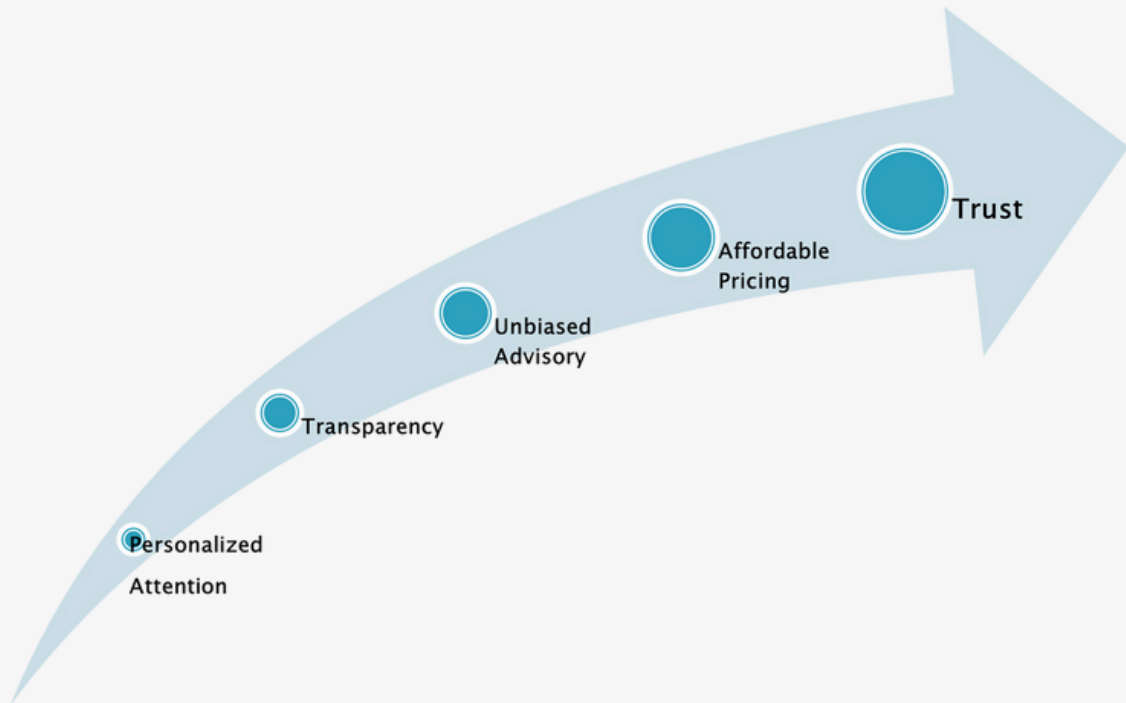
# Crystal Ball: 2025

- ▶ **US:** Donald Trump will find going tough after initial few months. Advisors and officials will find it difficult to deal with his autocratic style of functioning. He would be more receptive to the world leaders in comparison to the previous term but this would taper off later. Vice President elect JD Vance will emerge as the real star in the administration and emerge as a big leader in future.
- ▶ **US economy** will continue to perform exceptionally well. Artificial Intelligence (AI) will gain further momentum and US will lead the way followed by China. It will evolve further and world will witness the glimpse of its game changing prowess.
- ▶ **Fed's** relations with US Government will deteriorate as Donald Trump takes charge. Trump will try to dominate Fed on rate cuts and this would produce friction.
- ▶ **Economies Worldwide** would have a turbulent time with tariff wars, protectionism & muscle flexing. Europe will face further turmoil economically. British, French and Italian economies will slow down putting pressure everywhere in Europe. Germany will be better off but wont entirely be spared.
- ▶ **Global Economies:** It would be tough for both Russian president Vladimir Putin and Chinese premier Xi Jinping negotiating difficulties on domestic as well global, economic and political pressures. Change in leadership cant entirely be ruled out.
- ▶ **Emerging Economies** will do much better. India, Indonesia, Brazil and Africa will perform well.
- ▶ **Commodities** will struggle as China will dump them everywhere as higher tariffs from US and Europe will kick in.

- ▶ **Gold and Silver** will do well as central banks will diversify beyond US treasuries. Gold will cross USD 3500 per ounce while Silver will outperform and touch USD 50 per ounce.
- ▶ **US Dollar** will dominate in 2025 as well. USD Euro parity levels will be breached. GBP will do a little better than Euro and still underperform against USD. Indian rupee will slide below 90 mark.
- ▶ **Cryptocurrencies** will be more volatile than ever before. However they will not have it as fantastic a year as 2024. Bitcoin investors will have to deal with nightmarish volatility with a possible upward bias on lack of supply.
- ▶ **India:** India will remain a bright star in the global geopolitical as well as economic landscape. The pace of GDP growth will be good in global context at around 7% in real term. Millions of Indians will be out of poverty and demographic dividend will play out nicely.
- ▶ **Inflation:** Food inflation would be troublesome but its impact in the inflation basket would come down and hence inflation would be more restrained.
- ▶ **Narendra Modi** will dominate Indian political headlines. He would lead India's charge politically and economically at the world stage as well. He will be a problem solver globally and play a crucial role in ending at least one of the two wars currently going on. He may get Nobel peace prize in coming years.
- ▶ **Politics in India** would continue to be acrimonious. While the ruling BJP party will remain strong, Congress party will find going tough electorally. Regionally parties will be force to reckon with.
- ▶ **RBI** will continue to juggle nicely between growth and inflation. The new RBI governor Sanjay Mehrotra will do a good job and cut interest rates 4 times in 2025 to spur growth.



# Our Commitment



## Philosophies & Quotes

**Someone's sitting in the shade today because someone planted a tree a long time ago.**  
- Warren Buffet

**The four most famous words in investing are: this time it's different.**  
- Sir John Templeton

**The big money is not in the buying & the selling....but in the waiting.**  
- Charlie Munger

**It's only when the tide goes out that you discover who's been swimming naked.**  
- Warren Buffet

# Yours Truly



- Around 2 decades of domestic and international experience in the financial sector.  
Worked with Barclays Wealth, IIFL Wealth and ICICI Bank
- Private Banking.  
Post Graduate Degree in International Business from IIFT, New Delhi.
- Certified NISM Series X-A and X-B Investment Adviser Examination.  
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