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February 2025 Newsletter

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# Global:Tariff War Escalates

1 President Trump has unleashed a global tariff war. He is bullying partners, friends and foes alike, into submission. His policy actions are aimed at reducing trade imbalances and asserting US supremacy.

2 There is a possibility of war ending in Israel and Ukraine. The propose deal was however not acceptable to the president of Ukraine and he ended up having an acrimonious public spat with Trump in US.

3 Trump has imposed a 25% tariff on its two neighbors Mexico and Canada and a total of 20% on China. A fresh set of reciprocal tariffs on other countries will come into effect from 2nd April 2025.

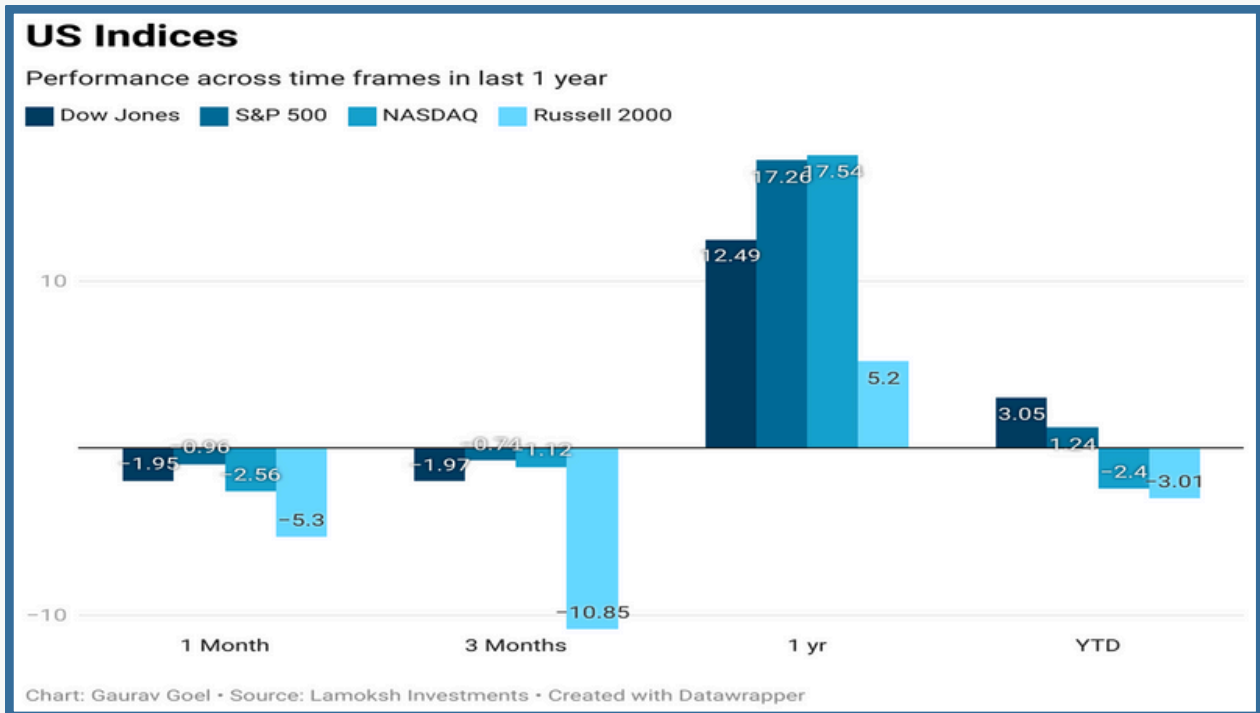
4 US stock markets have witnessed a big surge in last one year. They are off their record highs now realizing that tariff war can hurt American economy as well. Russell 2000, the broader market in US in particular has seen a fall of more than 6% in last 6 months. There is a fear of stagflation hitting US as rising costs will force Fed to raise interest rates slowing down the growth in US economy.

5 China General Manufacturing PMI rose to 50.8 in February from 50.1 in the previous month, surpassing market expectations of 50.3. this marked the highest reading since last November with output and new orders growing the most in 3 months.

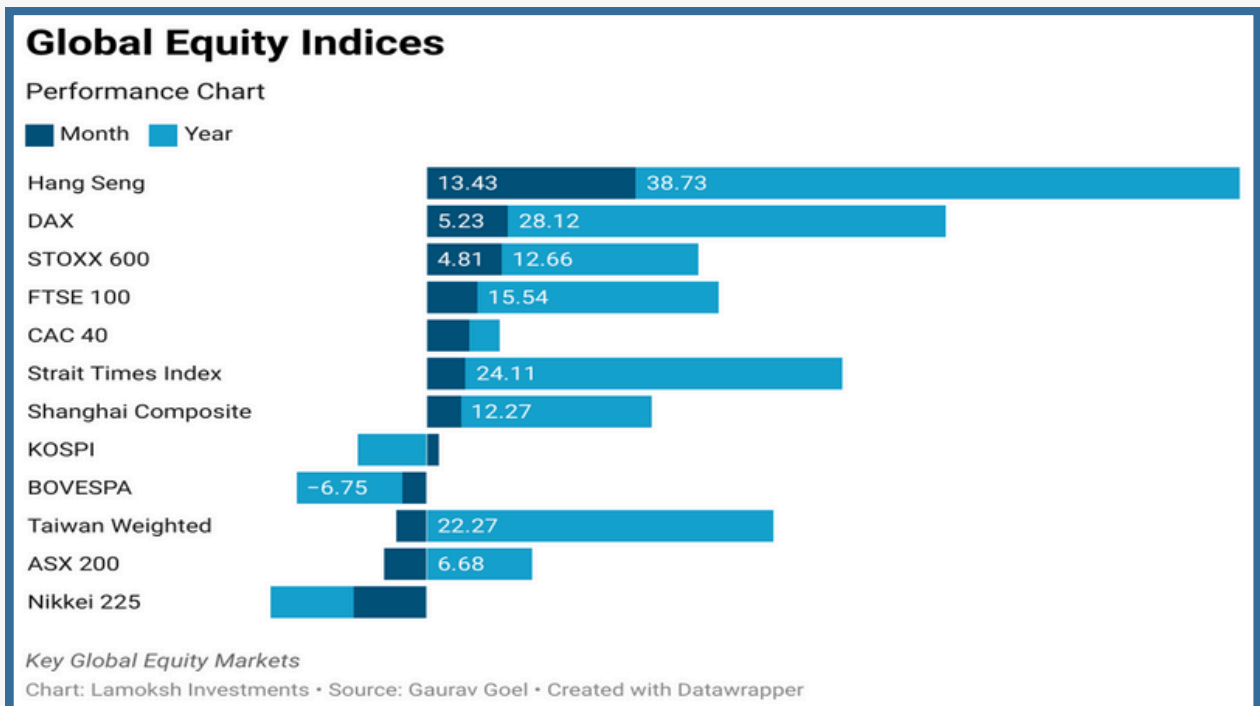
6 Japanese economy grew by 2.8% % on an annualized basis aligning with market estimates and accelerating from a revised 1.7% increase in Q3.

7 Commodities, other than precious metals and key metals, continued their fall amidst demand concerns. Bitcoin fumbled despite Trump's pledge to make America, as the crypto capital of the world.

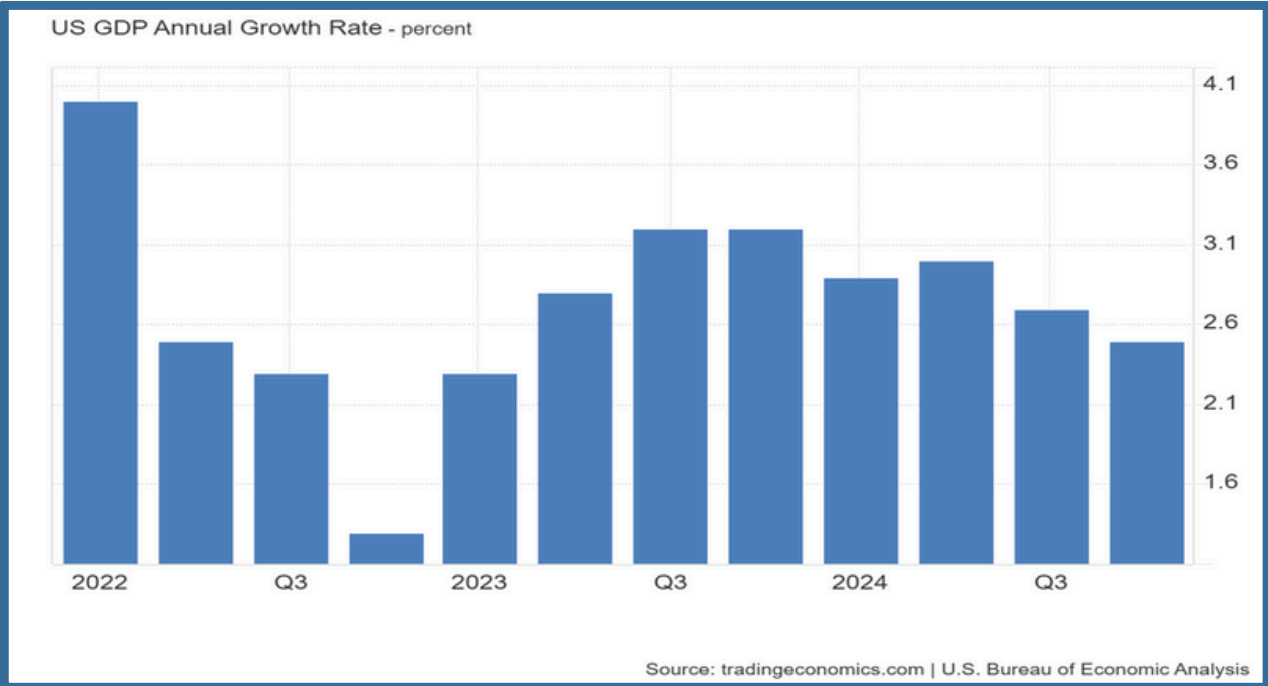
# US: Worries of Stagflation



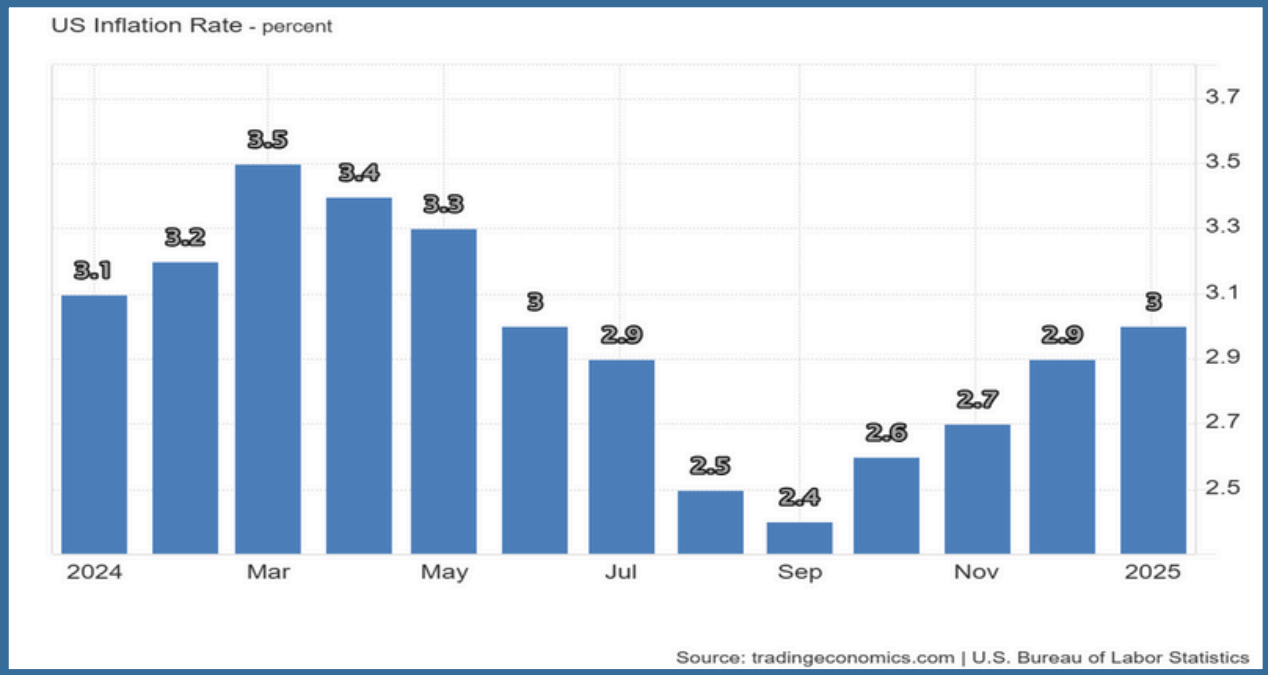
# China Rebounds



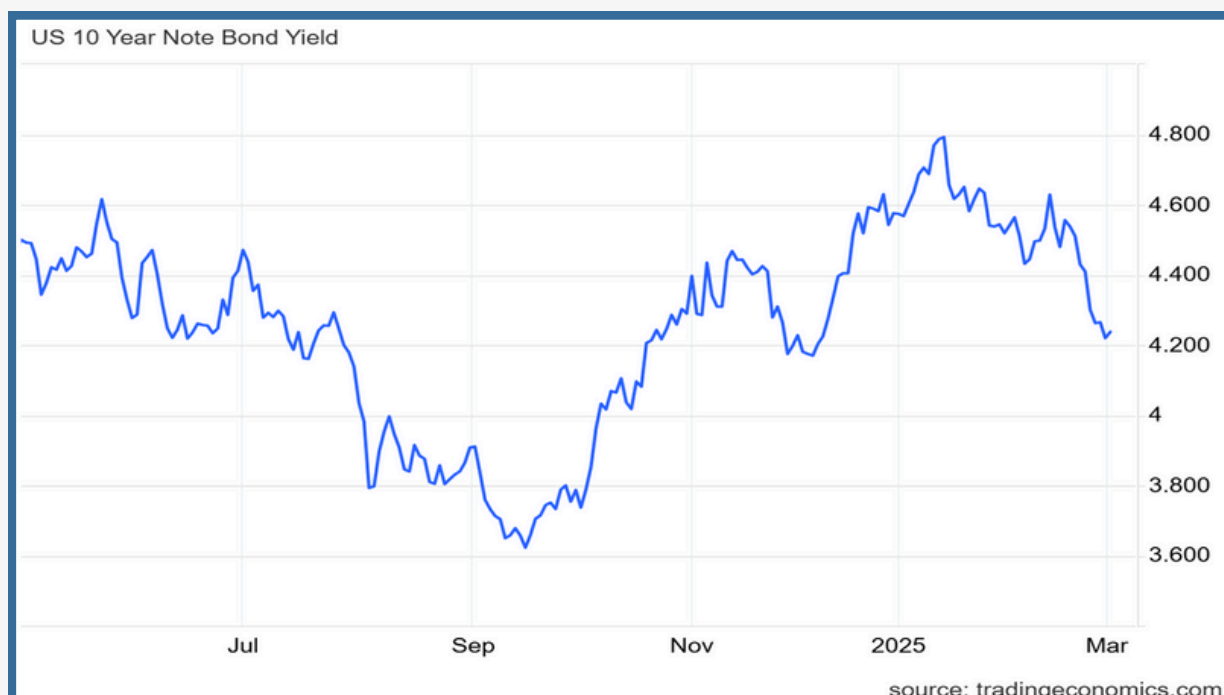
# US GDP Annual Growth Rate



# US Inflation Inched Up



# US 10 Year Bond Yield-Volatile



## Currencies & Commodities

Commodity	Month	Year	Currency Pair	Description	Month	Year
Palm Oil	6.33%	14.69%	BTCUSD	BITCOIN	-17.27%	39.77%
Copper	6.31%	17.93%	USDBRL	Brazilian Real	0.49%	18.40%
Coffee	3.88%	93.27%	USDRUB	Russian Ruble	-9.95%	-2.32%
Gold	3.50%	39.82%	USDJPY	Japanese Yen	-3.01%	0.40%
Silver	0.85%	37.33%	DXY	Dollar Index	-0.40%	3.28%
Steel	0.77%	-12.83%	USDSGD	Singapore Dollar	0.15%	0.42%
Aluminium	-0.53%	17.06%	USDINR	Indian Rupee	1.01%	5.51%
Brent	-3.70%	-10.31%	USDCNY	Chinese Yuan	0.37%	1.21%
Cotton	-4.23%	-37.15%	GBPUSD	British Pound	1.03%	-0.36%
Soybean	-4.62%	-11.33%	EURUSD	EURO	-0.42%	-3.94%
Sugar	-4.70%	-18.08%	AUDUSD	Australian Dollar	-0.43%	-4.50%
Uranium	-5.27%	-29.89%				
Coal	-12.99%	-23.59%				

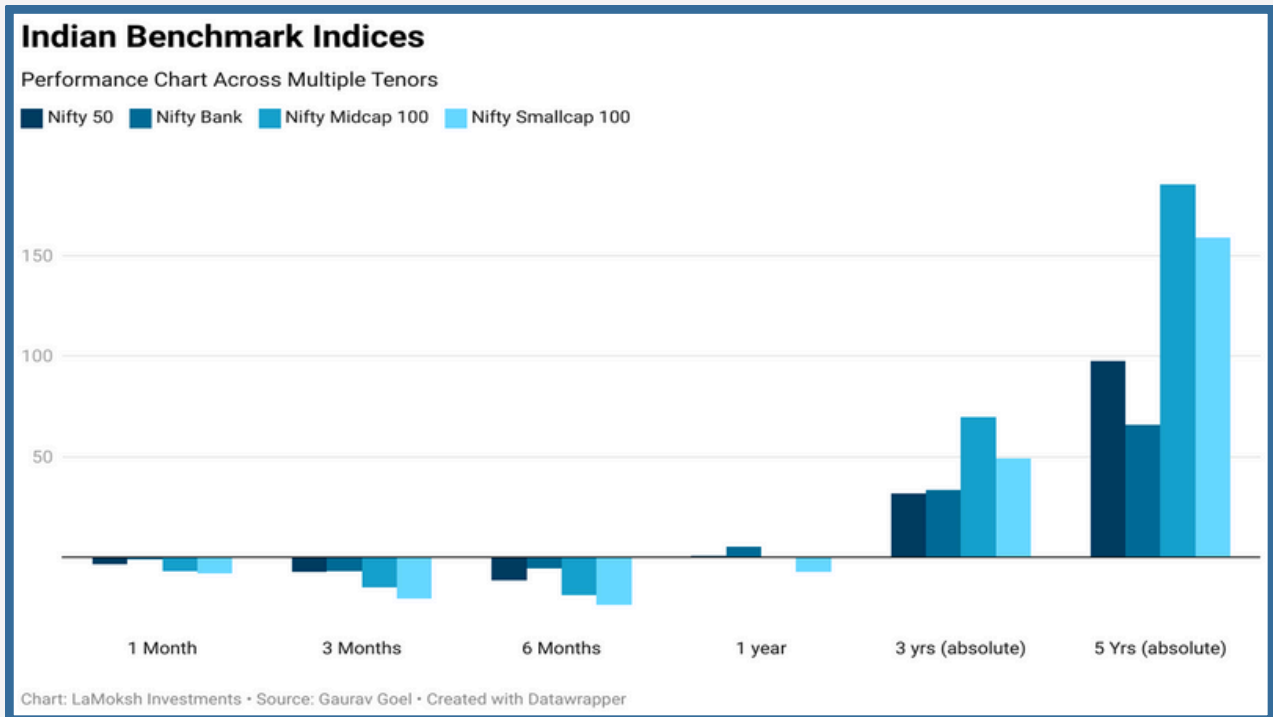
Commodities

Currencies

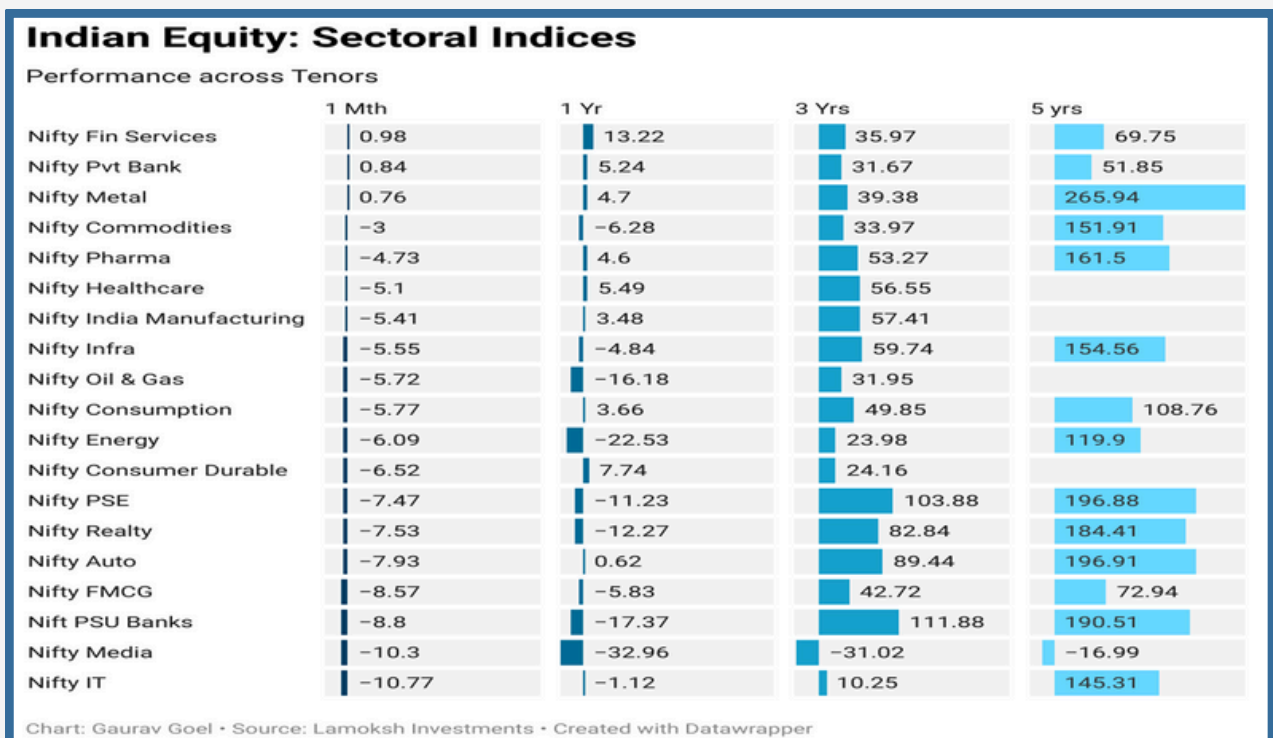
# INDIA: Feeling FII Heat

- ▶ Indian equities were at the receiving end of FII selling as they moved to the greener pastures in US and China. FIIs have sold more than 3 trillion rupees in last 5 months resulting in the longest stretch of 5 months of continuous MOM decline in NIFTY, longest period since 1996.
- ▶ The worst declines were seen in the expensive broader markets. Nifty Smallcap 100 has corrected by more than 25% and Nifty Midcap 100 by more than 21% from its highs seen not too far ago. In contrast Nifty 50 has corrected by less than 16% and bank Nifty by less than 12%.
- ▶ Indian GDP expanded 6.2% from the previous year in the December quarter of 2024, picking up from the upwardly revised 5.6% expansion in the earlier period but slightly below market expectations of a 6.3% growth rate. India's core industries grew 4.6% YOY in January 2025.
- ▶ India's fiscal deficit widened to INR 11.7 trillion in the current FY so far, up from INR 11 trillion in the same period last year reaching 74.5% of the full year target. Total expenditure was at INR 35.70 trillion and receipts at INR 24 trillion during the same period.
- ▶ February GST collections were up 9.1% YOY at INR 1.84 trillion. Total forex reserves were up USD 4.76 billion at USD 640.48 billion.
- ▶ Equity valuations of Indian equity markets have now become far more reasonable. Nifty 50 is now trading at a multiple of less than 20 and forward multiples are in line with long term averages. Bank Nifty remains most attractive while midcaps are still expensive.

# Fleeing FIIs



# Sectoral performance





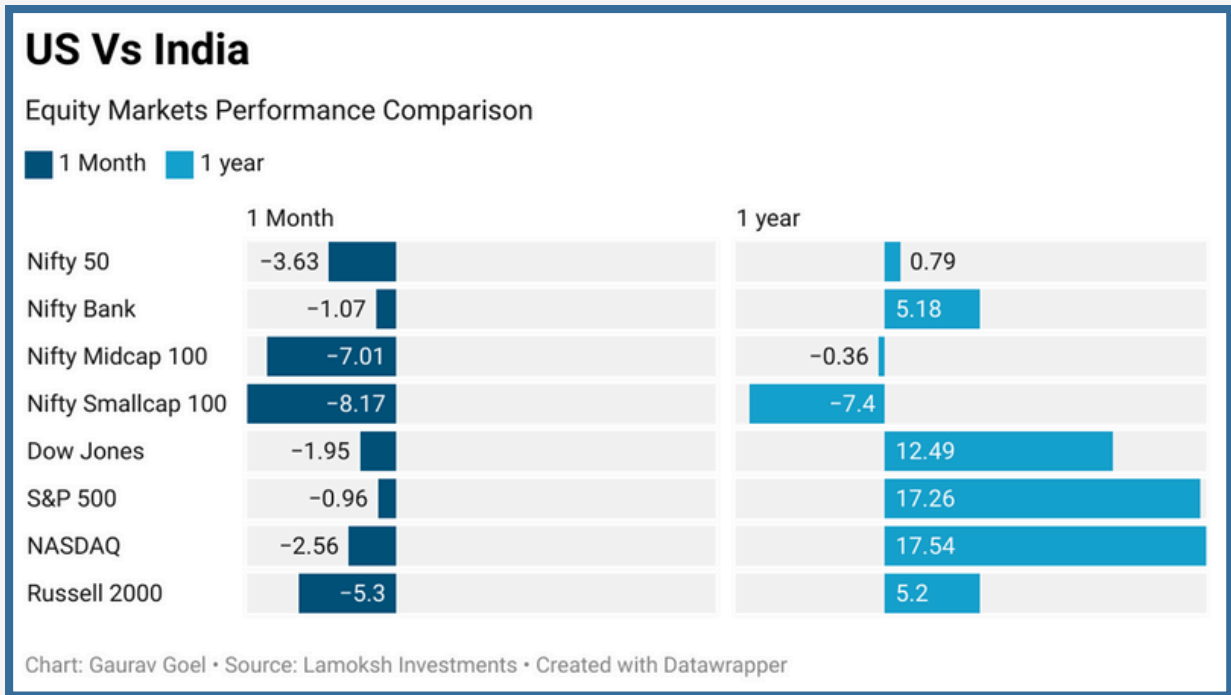
# Index Valuations

Index	Fall from 52 Wk Peak	EPS	PE	PB	Valuation Verdict
<b>Nifty 50</b>	-15.80%	1125.00	19.67	3.30	Neutral
<b>Nifty Bank</b>	-11.24%	3812.70	12.68	2.10	Undervalued
<b>Nifty Midcap 100</b>	-21.36%	1474.30	32.50	4.40	Overvalued
<b>Nifty Smallcap 100</b>	-25.44%	583.60	25.19	3.30	Overvalued

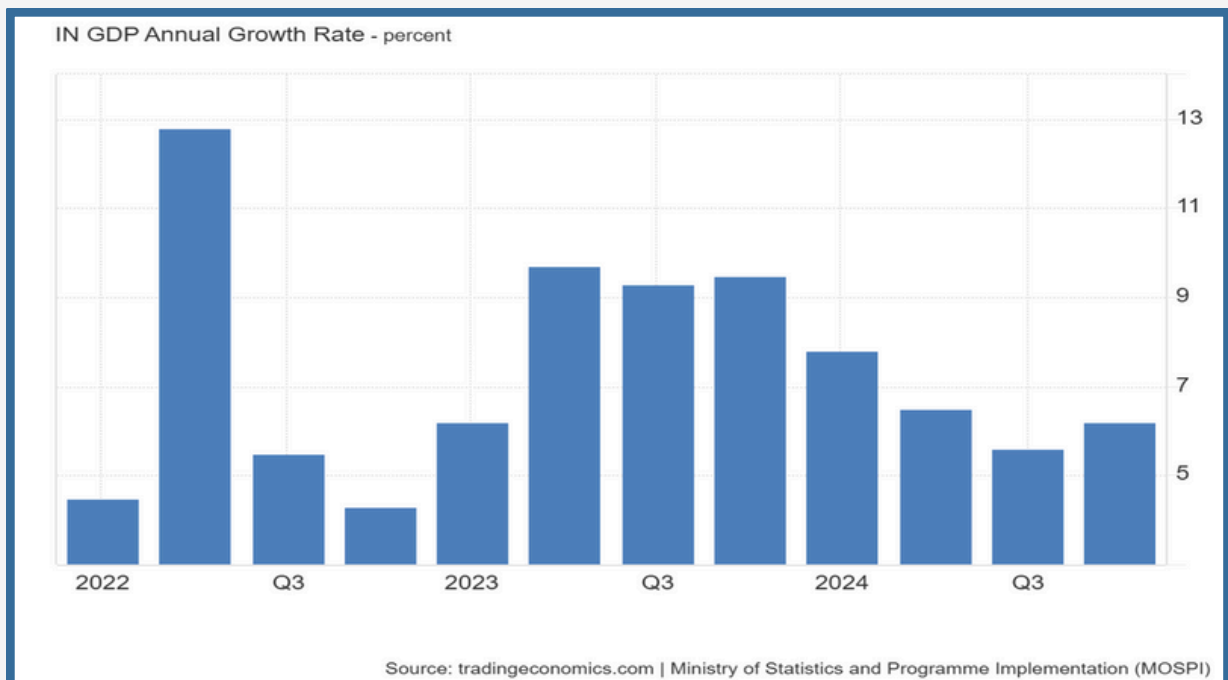
# Index Forward Valuations

Index	1 Yr Fwd EPS	1 Yr Fwd PE	2 Yr Fwd EPS	2Yr Fwd PE	Valuation Verdict
<b>Nifty 50</b>	1237.5	17.9	1361.3	16.3	Undervalued
<b>Nifty Bank</b>	4194.0	11.5	4613.4	10.5	Strongly Undervalued
<b>Nifty Midcap 100</b>	1621.7	29.5	1783.9	26.9	Overvalued
<b>Nifty Smallcap 100</b>	642.0	22.9	706.2	20.8	Neutral

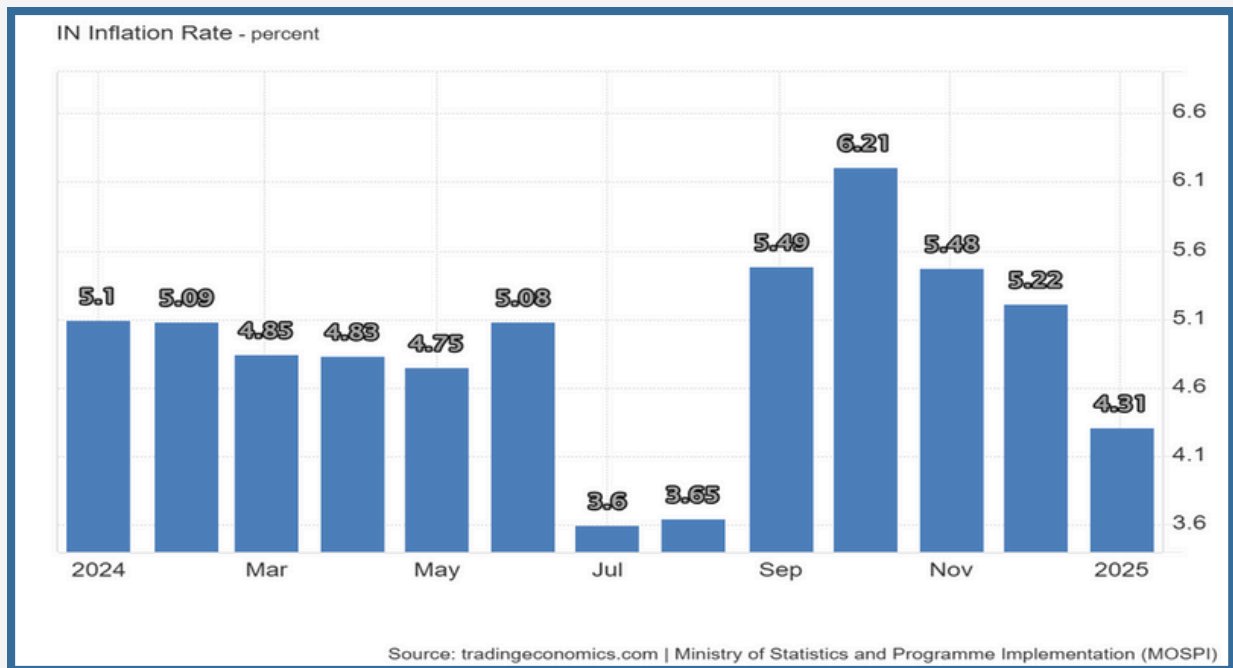
# USA Soaring High



# Indian GDP: Surprising Slowdown



# Indian Inflation: Jump Up



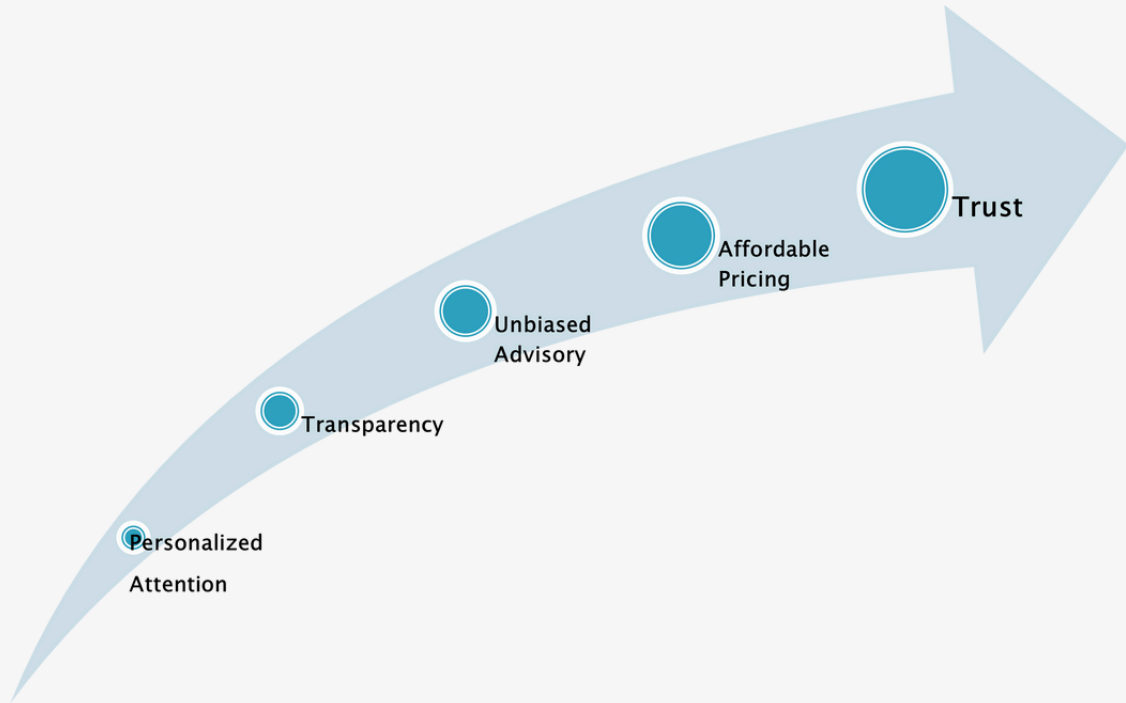
# India: 10 Yr G Sec Yield Falling



# Crystal Ball

- ▶ The first few days of Trump's president has thrown cat among the pigeons not just for the domestic audience in US but also for their traditional global allies. He has been particularly scathing on the European counterparts, Canada and Mexico while being relatively soft on China and Russia. He is bullying countries like Ukraine into submission. The trend is likely to accelerate and US global relations with Europe will deteriorate.
- ▶ We expect a ceasefire agreement to be in place in Ukraine soon. President Zelensky will find hard to survive and may have to resign despite support from European countries. Israel-Hamas war will also peter down and Israel will be able to gain significant advantage with the help United States.
- ▶ Indian Prime Minister Narendra Modi had a good meeting with President Trump in February. Despite threats of reciprocal tariffs. India is likely to come with a reasonable trade pact with minimum negative impact on Indian economic prospects.
- ▶ Indian equities have seen a sharp cut in last few months. We believe that valuations of Indian equities in Large Cap, Banking and select Mid and Small companies have become attractive from an investment standpoint. Time to buy in tranches from a long term perspective.
- ▶ American equities are near record highs and their valuations are expensive. US equities may correct in coming months as euphoria around Trump's policies fades and economic realism sets in.
- ▶ FII's who have sold massively in Indian equities will come back in the second half of 2025 as valuations become attractive and Indian economy continues to drive global 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.
- SEBI RIA Registration Number:INA100014426

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