

Global Economic Concerns

Market Reactions: Over the last week

- **US:** Nasdaq fell 3.83%, and S&P 500 fell 2.37%.
- **Asia:** Tokyo's Nikkei 225 dropped 7%, with significant declines in Taipei and Seoul. Nifty 50 is down by 3.14% and Sensex fell by 3.27%.
- **Europe:** FTSE100 lost over 120 points; European tech stocks hit a six-month low.

The BoJ unexpectedly raised the policy rate by 15 basis points to 0.25%, causing a significant market correction. Additionally, the BoJ plans to reduce monthly Japanese Government Bond (JGB) purchases from ¥5.7 trillion to approximately ¥3 trillion by early 2026.

US job creation fell short at 114,000, with the unemployment rate rising to 4.3% and manufacturing activity reaching an eight-month low. Oil prices dropped significantly, with Brent crude falling from nearly \$88 to below \$78 per barrel. Meanwhile, gold reached a new high, and the weakening US dollar led to gains for both the pound and euro.

Outlook:

- **Resilience of Indian Markets:** Likely to withstand global turmoil due to strong domestic flows.
- **Impact of US Rate Cuts on Emerging Markets:** Potential rate cuts could benefit Asian and emerging markets by providing room for monetary easing.
- **BoJ's Policy Divergence:** The BoJ's tightening contrasts with potential Fed easing, creating a complex global monetary landscape.
- **Japan's Economic Challenges:** The weakening yen and low domestic consumption may constrain growth, with BoJ's tightening adding pressure.

Our Stance:

Our Sentiment Indicator predicted increased market volatility, prompting us to reduce our equity exposure to market trends reliant on strong directional movements. This strategy aims to mitigate impact on our portfolio from potential market downturns.

In our Equity portfolios, we increased our investments in defensive sectors like pharmaceuticals and FMCG, which are resilient during economic downturns and reduced exposure to cyclical sectors, which are more vulnerable to economic slowdowns. We maintain an underweight position in banks due to potential sector-specific challenges and uncertainties.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Source: Internal Analysis and Bloomberg; Data as of 05 August 2024