

Valtrust Momentum May 2023:

"How did you go bankrupt?" Bill asked. "Two ways," Mike said. "Gradually and then suddenly." wrote Ernest Hemingway, in his novel, *The Sun Also Rises*.

In the stock markets, we often see the reverse in action. Markets seem to be doing nothing for months before suddenly delivering great returns in a short span of time. Unfortunately, since we can never know when the good times are bound to come, the only path is to be fully invested all the time.

The last three months have been one such period where those who were fully invested have benefitted massively. What is interesting is that there has been no real driver or catalyst for the up move that has taken place. Karnataka elections being won by the Congress in theory should have been seen as negative but one that the markets effortlessly ignored.

In October of 2021, after rallying from the Corona lows, Nifty made a peak that hasn't been conclusively broken. In between, we have seen Corporate Earnings for nearly 7 quarterly results most of which have been decent.

Bull markets climb a wall of worry; bear markets slide down a river of hope.

Right now, there is a lot of worry. From the Ukraine-Russia war which seems to be never ending to rising unemployment in India. There is always something to worry about.

On the other hand, Foreign Institutional Investors seem to be back with a bang. In May, they bought from the secondary markets alone 28 thousand crores. With the risk of conflict between China and the United States, are funds overweighting India vs China. We shall know only in time.

Foreign Institutional Investors have been sellers in India equities save for a month or two right from May of 2021. Is the tide turning?

One of the advantages of Momentum is that regardless of which segment of the markets start to move, we are most of the times well positioned. Currently for example, the best returns are being seen in the Mid and Small Cap stocks and one where majority of our portfolio is positioned.

While markets haven't gone anywhere for nearly 18 months. markets did not see a deep correction either. Even post the time correction, markets aren't as cheap as we have seen in many instances of the past. What this suggests is that we may not have a runaway rally.

June is a month of results which should provide us with good pointers on the state of the economy and the expectations management have of the future. Overall, sentiments are positive, and this alone could mean better days ahead.