



Monthly Newsletter

VALTRUST MOMENTUM



Markets Look Ahead, Not Around

Markets dislike uncertainty. One of the reasons for large companies to come out with guidance for the coming quarters is to provide a bit of certainty for their investors. But certainty is limited to the extent of what can be influenced by the company. When outside events take control, there is no way to be certain about anything.

One of the recent bouts of uncertainty for the markets came from the trade tariffs proposed to be implemented by the United States. The tariffs were so large that it made it tough to be sure about the direct and in-direct impacts it will have on industries & business.

Just when that uncertainty got over, the new one began. India and Pakistan were on the brink of an all out war. Fortunately this uncertainty has passed.

Jeremy Siegel writing in the book, Stocks for the long run looks at the impact of wars on the US stock market and concludes

War, political campaigns and even recessions which seem so all-consuming when they occur, prove to be minor factors against a backdrop of

economic growth and political stability that has proved to be the major theme of the past century.

Full-fledged wars can cause immense damage. The one that we have of recent experience is one between Russia and Ukraine. When Russia attacked Ukraine, The Moscow stock exchange crashed 33% on that day. The war has now been in action for 3 years, the Russian economy hard pressed by sanctions. The Russian Stock Exchange index on the other hand has recovered from its lows rising about fifty percent. Markets are forward looking, not looking at either the past or the present.

Indian Economy as a whole is doing pretty well. The recent fall in oil prices internationally ensures a strong cushion for the government. With FII's seemingly coming back to the markets, the current lows should hold for now.

At Valtrust, our models don't try to predict. The objective of using models is to eliminate human bias. Price action hence becomes the key to deciphering the markets. As we write this post, the war between India and Pakistan seems to have come to an end. The models all the while continued to stay in the Buy mode.