



# Monthly Newsletter

VALTRUST MOMENTUM



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## Crude Realities: What Iran Means for Markets and Your Portfolio

Energy price is the key for everything. Steep rise in prices accompanied by doubts about availability can have a negative impact on the economy. Energy is a key driver of inflation. High energy costs pose risks to fragile economies especially where ability to absorb them is not feasible.

Crude above \$100 isn't a breaking point for the economy either. In 2022, on the back of Russia's invasion of Ukraine and the resulting sanctions pushed Oil above 100 where it stayed for nearly 6 months.

Nifty which was on a downtrend well before the invasion, continued to grind lower for a while before bottoming out in June 2022 well before oil started its own trend down. There are reasons why impact was lower last time and could be higher this time around, but what history suggests is that, this time won't be any different from last time around.

Oil first broke above the USD 100 mark in 2008. 100 USD in 2008 is not the same as 100 USD in 2026. The world economy is way more stable than it was during that period. While this doesn't mean that the markets may not fall off, what it does suggest is that extrapolating the past is not the best way to look at the current situation.

The United States after Project Iraq and Afghanistan has no stomach for any long conflict, especially one that harms its own economy. Oil above 100 is a killer in that sense and hence solutions would be worked out to ensure that there is no massive disruption.

It's been a tough 18 months for the markets and for our strategy as well. As the saying goes, "It is always darkest before dawn". We feel that India shall emerge stronger from this crisis and should be reflected in a stronger market going forward.

We study history not to know the future but to widen our horizons, to understand that our present situation is neither natural nor inevitable, and that we consequently have many more possibilities before us than we imagine - Yuval Noah Harari

At market bottoms, it always appears that the world is ending for everything that can go wrong is going wrong or seems to be on the way. Never at the bottom is there any indication of a better future and yet, time and again, we have seen that things get better.

Markets aren't cheap the way they were during the depths of the Corona crisis in March 2020 or the housing bubble crash that impacted the Indian markets in October 2008. Those are opportunities that are rarely available. Current fall should be seen in the context of other normal corrections where stocks become cheaper but not really cheap.

At Valtrust Momentum, we continue to be bullish on markets. We remain fully invested.