VALTRUST PARTNERS
PORTFOLIO MANAGEMENT SERVICES
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Monthly Newsletter

VALTRUST MOMENTUM

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Reading the Markets Through Global Uncertainty

When an individual errs, the family bears the consequences. When governance falters, citizens feel the impact. When the United States acts, repercussions are felt across the world.

The Russia - Ukraine war has been raging for 4 years now and oil, a key output from Russia, saw prices rise in the early stage of the war. But even as war continued, International Oil prices got driven down by a combination of factors including countries such as India and China buying larger quantities from Russia which depressed prices.

In March, we once again saw Global Mayhem, this time because of the US -Israel -Iran conflict. While Iranian Oil has been mostly out of the market for a while owing to sanctions, the war has led to disruptions in both oil and Gas transportation given the ability of Iran to control movement in Strait of Hormuz.

With the War expanding across the Middle East, Markets grinded lower with Nifty closing with losses greater than 10% for the month. The last time we saw a 10%+ swing lower in a month was in March 2020 and previous to that being one we saw in January 2011. In other words, months such as March are extremely rare.

While historically a month like March has been a medium to long term bottom, one can never be sure. History suggests that one can get good news or good prices but never both at the same time.

The fall in markets has made India bit cheaper and given the growth prospects, markets have been up, up and away since the start of this month. Retail is mostly a passive buyer and not a mover of price which means some strong hands are buying and willing to pay higher prices too (relative to the previous days prices). To us, this means that the worst is over at the moment. Not that it cannot happen like it happened in the second leg of the fall in 2008 but, the next leg of fall would require a disruption of a nature that is worse than the worst we have seen currently.

In the recent past, sharp pull backs have been followed up by sharp rallies. Credit linked crashes such as the one we saw in 2008 took a longer time for markets to recover. On the other hand, market crashes due to extrageneous factors where supply is impacted but not demand such as Covid and the 2022 markets fall due to Russian sanctions tend to see a faster recovery.

The result season has begun and should provide us with guidance of how much disruption the companies have seen and its impact. This financial year has seen one of the heaviest selling by FIIs. Continued selling has resulted in their holdings falling below Domestic Institutions holdings. Their aggregate holding is now at 13 year lows.

At Valtrust, we don't predict how the future shall pan out, something that is a foolhardy enterprise. Instead, we monitor the markets closely and react. Our models continue to remain bullish on the markets.