Monthly Newsletter

VALTRUST MOMENTUM

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Slow and Steady: Why India May Still Win the Race

The theme that has been in the forefront of the market for the last year and more has been AI.While US and Korean markets were seen as AI plays, India was seen more as an Anti AI play. The divergence in the markets over the last two years between US Markets, KOSPI and the Indian Markets has been astonishing.

KOSPI is up 140% over the last two years, Nasdaq is up 60% while Nifty 50 is up less than 1% over the last two years. While multiple reasons exist for the continuous exit we have seen by FII's, one key driver would have been the strong returns seen in other markets.

While the AI cycle is just getting started when we compare it to the Dot com period of the late 1990's, markets can correct very easily too. KOSPI for instance just from Mid June of this year saw a fall of 40% from its peak in just under 2 months. While returns are easy to accept, this amount of volatility is not.

Indian Markets in our opinion can be seen as the Tortoise in the Tortoise and the Hare fable story. We have been slow and grinding, but when measured over longer periods, we are still grinding higher. On a two year rolling return basis, we are in the range of what we have seen a few times in the past.

The most recent was in March 2020 when markets fell due to Corona but the earlier instances were in late 2016 and late 2012. In all three cases, markets over the next two years performed brilliantly.

Trends can change from bad to good very easily. While much of the IT sector across the world was falling in July, Nifty IT Index had one of its best months in a long time moving higher by nearly 17%.The same can be true for Indian Markets too. FII's for instance in July sold the least since October of last year.

A lot of things are going in favor of India. FTA's with Europe will give India Industry a fillip. Growth comes from Credit supply and for that one requires the Banking System to be stress free. Indian Banks have now recorded the lowest Gross NPA's since we started measuring it.On the other hand, Debt to Equity of companies is also at record lows. Both when combined with the right tailwind should do wonders for the economy.

On both Year to Date and 1 year trailing returns, Valtrust Momentum has delivered stronger returns than the market. If and when the overall breadth of the markets start to improve, we should do better.