

Monday Chronicles - April 2025 Edition

Global Volatility, Local Resilience: Why India Is Still On The Rise

Dear Investors,

The recent global market volatility triggered by the U.S. administration's tariff actions has naturally caused anxiety among investors. While India's Nifty corrected sharply, and broader indices dipped into bear territory, we believe this is not a sign of structural weakness, but rather a temporary reaction to short-term policy shocks.

Short-Term Shock, Long-Term Opportunity

The imposition of a 26% flat tariff on Indian goods by the U.S. might seem alarming on the surface. However, India now holds a competitive edge over major exporting peers:

- **China:** 54%
- **Vietnam:** 46%
- **Bangladesh:** 37%
- **India:** 26%

This differential is a strategic advantage. A product costing Rs.100 to manufacture in both India and China would now sell in the U.S. at Rs.126 (India) versus Rs.154 (China). This 22% pricing edge creates enormous room for Indian exporters to expand their market share in electronics, pharma, auto parts, and specialty chemicals.

Strategic Diplomacy in Motion

India is playing the long game with tactful diplomacy. Active trade discussions are ongoing with Vietnam, Japan, and the European Union. A bilateral trade deal with the U.S. is anticipated by late 2025. Unlike China, which has retaliated with a 34% tariff, India has opted for strategic cooperation—increasing U.S. imports of crude, defense, and aviation equipment to balance trade. India's rising soft power on the global stage is being effectively leveraged to build stronger alliances.



Global Macro Tailwinds Emerging

Amid **geopolitical friction**, **macro indicators** are turning increasingly **favorable** for India:

- **Brent crude** is below \$70/barrel, improving India's trade balance.
- **The Dollar Index** has slipped below 103, indicating softening dollar strength.
- **U.S. 10-year bond yields** have dropped from 4.9% to 4.1%.
- **Gold and silver** corrections are easing inflationary pressure globally.

These shifts open the door for a capital rotation toward emerging markets like India, particularly as **FIs reevaluate exposure to China**.

RBI's Policy Cushion

The Reserve Bank of India is in a strong position to provide **monetary support**:

- **Liquidity** has been infused into the banking system through targeted operations.
- **Inflation** is well-managed at around 4.3%, giving the RBI room to cut rates if needed.

This flexibility allows India to respond proactively to global shocks without destabilizing domestic markets.

Strengthening Fiscal Foundations

India's fiscal health continues to improve: - Fiscal deficit targeted at 4.4% by FY26.

- Government CAPEX expected to grow by over 10% in FY26.
- Falling oil prices offer windfall savings that can fund further stimulus.
- Proposed tax reliefs could boost middle-class consumption.

This sets a robust platform for sustained domestic growth, backed by policy prudence.

Portfolio Strategy: Disciplined Accumulation Market corrections often present the best opportunities. Our focus remains on long-term structural plays:



- Contract Manufacturing & CDMO - Healthcare Services (Hospitals, Diagnostics) -
Financial Market Infrastructure - Domestic Consumption: Staples and Discretionary
- Sector Leaders Available at Value

We are actively rebalancing into these themes where valuations have turned attractive while maintaining our quality-first framework.

Final Thoughts

Yes, the world is noisy. But India's signal is stronger than ever.

We are navigating through volatility with strategic patience, not panic. India's macro resilience, demographic tailwinds, and global repositioning make it a standout in today's uncertain landscape.

While current indicators remain favorable, we are mindful of the evolving nature of global trade tensions. Should volatility intensify or escalate beyond expectation, please know that as a quant-based PMS, we have the flexibility and tools to act swiftly. One of the advantages of PMS over mutual funds is the ability to move 100% into cash when needed. This is not a strategy we take lightly, but it remains available to us and will be deployed decisively if the situation demands. Your portfolio is being continuously monitored, and we are committed to managing both risk and opportunity with discipline — as we have successfully done this twice before — both instances in the last five years, where we proactively moved to cash to protect capital and preserve returns.

We remain available for any queries or portfolio discussions.

Warm regards,
The Investment Team
INVasset PMS

