

Market Outlook: Elections- Global and local and their Potential Impact



November 2024



Equity Outlook



A Look Back at the Month (October 2024):

The benchmark index saw a nearly 6% decline in October, marking its steepest monthly drop since March 2020. This decline was primarily driven by record Foreign Institutional Investor' (FII) outflows and underwhelming corporate earnings. Foreign investors withdrew over \$10 billion from Indian equities in October, the largest monthly exodus since the onset of the pandemic, amid concerns over a slowing economy and high market valuations.

Key Insight November 2024:

- ➔ Given the recent market correction and ongoing global uncertainties, including the U.S. presidential election and Maharashtra State election, the Indian stock market is anticipated to remain volatile in November.
- ➔ Investors are likely to monitor domestic economic data, such as Gross Domestic Product (GDP) growth rates and corporate earnings, to gauge the market's direction. Positive indicators could provide support, while any signs of economic slowdown may exert additional pressure.
- ➔ India may benefit from the U.S. election outcome via supply chain shifts, lower commodity prices, and stronger ties. While higher tariffs on sectors like IT and pharma may result from "America First" policy wherein, India could gain as U.S. companies may seek alternatives to China. Enhanced defence cooperation and support for the Quadrilateral Security Dialogue (Quad), Quad boost India's security role, while tighter H-1B policies may affect Indian professionals, but recovery in the U.S. economy can benefit Indian businesses.



Economic Outlook



A Look Back at the Month (October 2024):

The RBI maintained the policy rates unchanged and changed the stance from "withdrawal of accommodation" to "neutral". All the 6 members voted for the change in stance to neutral while 5 out of 6 members voted to keep the interest rates unchanged. The minutes from the Monetary Policy Committee (MPC) showed that members are confident about meeting the inflation target by Q4 2025 and are not in a rush to lower interest rates at this moment. The Consumer Price Index (CPI) Inflation came much higher than expected at 5.49% year on year in September 2024 due to high food prices especially vegetables and base effect. The core inflation also rose to 3.8% year on year in September from 3.6% in August 2024. The United States (US) 10 Year G-Sec has been hovering between 4.23% - 4.29% and India's 10 year around 6.80% - 6.83%.

Key Insight November 2024:

- ➔ Markets traded on a cautious note heading into the US elections and post the confirmation of a republican victory in USA, the interest rates and (FX) markets especially in the emerging markets are expected to remain under pressure.
- ➔ We expect FOMC (Federal Open Market Committee) to follow up with another 25 bps cut in the December policy. However, the guidance provided by the Fed is likely to be cautious, as the new ruling party's policy agenda, which includes expansionary fiscal policies and tax cuts, may lead to higher inflation.
- ➔ Domestically the macros may continue to remain favourable with inflation within the RBI's tolerant band, adequate monsoons and expectations of growth in the range of 7.00% for FY25 despite restrictive monetary and fiscal policies.
- ➔ Demand for Indian government securities remains strong despite the current sell-off by Foreign Portfolio Investors (FPIs). We expect the market to recover and the bullish trend to resume once the new US government is in place by early 2025.
- ➔ Geopolitical risks have eased for now, and we expect crude oil prices to stabilize around USD 70-72 per barrel as the Organization of the Petroleum Exporting Countries (OPEC) and its allies (OPEC+) may increase production after December.
- ➔ We expect Indian bonds to remain volatile in the near term, but as global political tensions ease, we anticipate 10-year bond yields may decline to around 6.50%-6.55% by March 2025.

Source: Bloomberg & Reserve Bank of India (RBI), Date: 11 November 2024



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