



September 17th 2024

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Global equities are going into the crucial FED week extremely overbought and overextended. Equities have already enjoyed tailwinds from falling bond yields and falling Dollar Index over the last few weeks and any reversal in any of them post the FED decision can cause a sharp correction in global equities. We expect the FED to err on the side of hawkishness by delivering a 25 bps cut instead of 50. However, even if the FED goes for a 50 bps cut, we believe an equities correction is a high probability. The correction can last for 3-4 weeks and may take S&P and Nasdaq down by 4-5% before they bottom out. We see a correction in precious metals and a rise in Dollar Index post the FED decision. Indian equities remain extremely overstretched and could correct too over the next few weeks.

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