



21st August, 2024



US equities have been on a roll for the last couple of weeks and have led the world in this latest Risk-on rally that started post 5th August. We believe that the markets are overstretched again at present and should probably have a mildly negative bias for the next few days. The transition from an extreme overbought to extreme panic and then back to extreme overbought, all in less than a month, has no precedents in recent history. Precious metals have also rebounded sharply in the last 2 weeks and need to consolidate for some time to wash off the recent excesses. We believe the dollar index is in the process of bottoming out after a sharp fall of the last few days and weeks. We see the US economy slowing down even further in the months ahead, and we expect a US recession to start unfolding over the coming 6-8 months.

We expect a global bear market in equities to kick off very soon, though we may have to wait for February-April 2025 for a more serious downside. Unlike the previous downturns Indian equities will have a very different trajectory from the world markets this time around. Because of the huge domestic inflows, dips are going to be shallower in the first half of the global bear market. As time passes 6 corrections will become deeper in Indian equities, as the enthusiasm to buy the dips wanes over time. Both these phases will offer very unique opportunities to surf these alternate waves of buying and selling. We are gearing up across our strategies to derive maximum advantage from the unprecedented trajectory of what will truly be a historic bear market.



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