



6th January, 2025



We believe EM markets, which have been traumatized by the rising Dollar Index and the prospects for higher tariffs in the US, are now getting set up for a powerful reversion to the mean rally over the next 1-3 months. We believe India could be one of the top-performing EMs over this period with a potential rally of 7-8% in core indices. In fact, the MSCI India/ S&P 500 ratio is very close to its post-COVID low and should also bounce back smartly. Our analysis of such instances over the last 15 years since the GFC points to a very high probability of this upcoming rally. Apart from the past statistics, even the global macros and high-frequency indicators are supporting one such rally.



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We believe the US dollar index has more or less topped out and is headed for a revision to the mean correction. Even EM currencies that have been clobbered recently should see a healthy bounce back. We believe US bond yields are very close to topping out and should witness a reversal very soon. US equities in the meanwhile should continue to do well even though EMs like India are very likely to outperform the US S&P 500 over the next 5-6 weeks.

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