

IMPACT ON THE INDIAN FINANCIAL MARKETS WITH THE CURRENT GLOBAL SCENARIO AND AMERICAN ACTIVITY

The world is undergoing uncertainty on multiple fronts with no stability in sight. The current situation is as below:

- Global geopolitical risks and instability with world at war. Economic chaos with consistent trade and tariff uncertainty, high US debt with rising interest rates and increasing deficit.
- Foreign investors are selling US treasuries to US banks and institutions who now have a asset book of well rated but illiquid treasury bonds.
- The US market cap to GDP is above 220 % – Market cap is \$69T with GDP at \$31T.
- Dollar index, the global reserve currency, has declined more than 10% in less than a year but the US market Valuations are close to all-time highs.
- The domestic and global confidence in US leadership has declined.

The Indian markets also have given negligible returns over last one year. The market sentiment and situation is:

- Foreign investor are consistent sellers with outflow of FII funds.
- High valuations above the long-term average with limited upside.
- Large IPO's in form of OFS by promoters or existing institutional investors with negligible private capital formation showing lack of confidence in economy.
- Current Market Cap to GDP is @ 130 % closer to peaks before any major correction.
- Rupee weakness irrespective of the deep correction in Dollar index.
- Heightened activity of SME IPO's which has earlier been a forerunner to sharp market correction and bearish phases.

Along with the above market scenarios, multiple announcements and activities at the global and domestic front keep changing the market perspective and outlook frequently. Each episode has a different theme but the outcomes keep wavering.

With the global scenario getting murkier, trust amongst the developed economies is declining. Further, erratic abrupt US action is disrupting normalcy on multiple fronts. Changing stance of such decisions creates chaos and confusion, which covers up the pain points and does not address the real shortcomings.

Multiple such action and there narratives cannot be taken on face value. Such activities only trigger disturbances, unrest and ensure continuity of wars. Some recent actions are like:

- Greenland acquisition
- Iran nuclear restriction
- No settlement of Russia Ukraine
- Seizing Venezuela Oil and forcing consumer to buy this as preferred source

America's leadership is based on fundamentals of capitalism wherein efficiencies get priority over restrictions, leading to recognizing and rewarding innovation & growth. Now, US itself is moving towards protectionism by tariffs etc.

Also, they seek to acquire other territories with underlying assets to justify Dollar valuation. This will create tensions and unrest, which could also extend to other regions as well. With security concerns and other multiple factors, Europe is breaking away from NATO.

Inaction from global institutions created post WWII like UN, WHO, IMF etc. and other reasons could lead to change in the current global system.

All the foreign holders of US treasury are selling and have reduced their holdings. The new treasury issuances continue to fund maturities, fiscal deficit and the interest payment. Domestic institutions, investors and Federal Reserve do this subscription as per the media reports.

CONCLUSION

We are entering a structurally different global environment defined by fragmentation, elevated geopolitical risk, and reinforcing uncertainties with no single resolution mechanism in sight. In this multipolar world, investor strategy must shift from chasing higher returns to capital protection. The current high valuation, with extreme concentration risk in US market have an adverse risk-reward potential. The upside from here is limited but a deeper decline is more likely. Positioning portfolio with higher liquidity or a conservative outlook by investing in Gold, Silver and commodity or defense sector operation, debt or arbitrage funds will be preferred. Exits at current levels will provide attractive opportunities to invest with liquidity in hand patiently. The portfolio allocation has to be done with the investor's risk-return profile and investment duration. If you are a long-term investor and choose not to exit now, do not panic with a deep decline and stay invested through the cycle.

- **Risk - Reward structure is not positive. Capital preservation**, increasing allocation to gold and maintaining higher liquidity to leverage on sharp market corrections.
- **Position defensively amid geopolitical and supply-side risks**, prioritizing resilience over aggressive growth.
- **Adopt tactical re-positioning** — exit during peak uncertainty and re-enter quality assets at corrected valuations.
- **Stay structurally positive on India**, leveraging volatility to build long-term exposure to its reform-led growth story.

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