TOUGH TIMES AHEAD FOR INDIAN ECONOMY

The Indian Economy though has registered a decent growth rate of 6.7 % in Q 2 seems to be heading for some tough time as the number of odds are more than the number of evens at the global level.

Several headwinds have been weighing on market sentiment—disappointing Q2 earnings, relentless selling by Foreign Institutional Investors (FIIs), escalating geopolitical tensions in the Middle East, uncertainty over the pace of US interest rate cuts, the looming US election, and surging US bond yields.

Weak Govt Spending:- Government has spent only 27 percent of its **budget** in the first five months, compared to 37 percent last year. This leaves a substantial amount of spending to be done in the remaining seven months, which should support growth in sectors reliant on government funds."

In the first half of the year, we witnessed a slowdown in various parts of the economy, largely due to reduced government spending, disruptions from elections, and weather-related issues like the heatwave and heavy rains.

FII selling continues:- The October 2024 has been very bad for the market as the FII have sold shares worth Rs. 72000 crores which is very significant amount. The markets have corrected close to 5000 points and if this continues further we may market going down more rapidly. It is only due to our Mutual funds that the market is finding its support as in October our Mutual funds have bought Rs. 63000 crore worth of shares. So far in 2024 our

Mutual funds have totally invested Rs. 3,40,000 crore which would be the highest amount invested since the mutual funds industry started in 1964.

Rise in inflation:- The CPI inflation has gone up from 3.65% to 5.49% which is close to the 6 % mark for the RBI comfort zone. Now this has happened due to food inflation rising to 9.2%. The food inflation is due to supply side constrains which are going to remain and frankly RBI does not have any remedy for that at this point of time. This means that if RBI still focuses on only inflation and does not reduce interest rates, it will surely create problem in the domestic demand and consumption.

Middle East:- The ongoing middle east problem can become full fledged war between US and IRAN and this would really cause huge danger to world peace and stability. This is huge risk for our stock markets as any such incident would make our markets go for free fall and FII moving out even more dollars from our economy.

US elections:- The upcoming US elections are also very critical as they would mean change in GUARD in white house and if Donald Trump comes in then obviously world will have to see many unprecedented decisions like US China trade war, US India Trade Issues, US Russia problem rising. This may also affect the interest rate cuts of US Fed Reserve which are widely anticipated by the global stock markets.

Policy Response to China:- China had announced stimulus and took away our Rs. 58,000 crores from our stock market to their markets which gave return of 30 % in 2 weeks time. Our market participants are worried that why our government or RBI is not taking our Rate cut seriously. The question on street is that when US Fed Reserve, Bank of England and European Central Bank all have started rate cuts then what is the so important about our inflation that still RBI has not started rate cuts.

Risk of Momentum loss:- There is high risk of economy losing momentum after the Diwali as the festive moods cools down and the dealers, distributors are busy clearing their inventory. The urban demand which has been seen weak may continue its trend or worst may get strong after the Diwali is over.

Rising violence in country:- In October 9 civilians were killed in Jammu, the new government formation and Mr. Omar Abdullah taking as CM has not been much appreciated by the market participants as they see resurge in violence in various states. Events like attack on Salman khan, West Bengal Rape case no major success yet though everything in light, Manipur violence are rising questions that is this all because now BJP has only 240 seats in parliament and not full majority.