WEALTH FIRST

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“More money has been lost trying to anticipate corrections than in the corrections themselves.” – Peter Lynch

Global Equities (in USD terms)

- United States: The S&P 500 experienced a 1.4% decline in February, while the Dow Jones Industrial Average decreased by 1.6%. The tech-heavy Nasdaq Composite saw a more pronounced drop of 2.7%, influenced by the emergence of China's Deepseek, a cost-effective AI model that challenges openai. Notably, DeepSeek triggered a $1 trillion sell-off in U.S. and European technology stocks in a single day.
- United Kingdom: The FTSE 100 index recorded a gain of 2.2% over the month, showcasing resilience despite global trade tensions.
- Hong Kong: The Hang Seng Index surged by 13.4%, driven by a rally in Chinese tech stocks and optimism surrounding China's economic recovery.
- Japan: The Nikkei 225 declined by 4.4%, affected by concerns over global trade tensions and their potential impact on Japan's export-driven economy.

Global Equities		
	1M	1Y
Nasdaq	-4.0%	22.7%
S&P 500	-1.4%	21.4%
MSCI Europe	3.5%	10.6%
MSCI Emerging Equities	0.4%	11.7%
Nifty 50	-6.9%	-3.2%

Domestic Equities (in INR Terms)

Domestic Equity Returns		
	1M	1Y
Nifty 50	-5.9%	2.0%
Nifty Next 50	-9.6%	2.8%
Midcap 150	-10.6%	-0.2%
Smallcap 250	-12.7%	-8.2%
Capital Goods	-14.4%	-1.5%
Real Estate	-13.4%	-5.9%
PSE	-13.1%	-7.4%
Metals	-2.1%	4.2%
Financials	-2.5%	5.0%
Pharma	-7.6%	11.1%
IPO	-11.0%	-4.9%

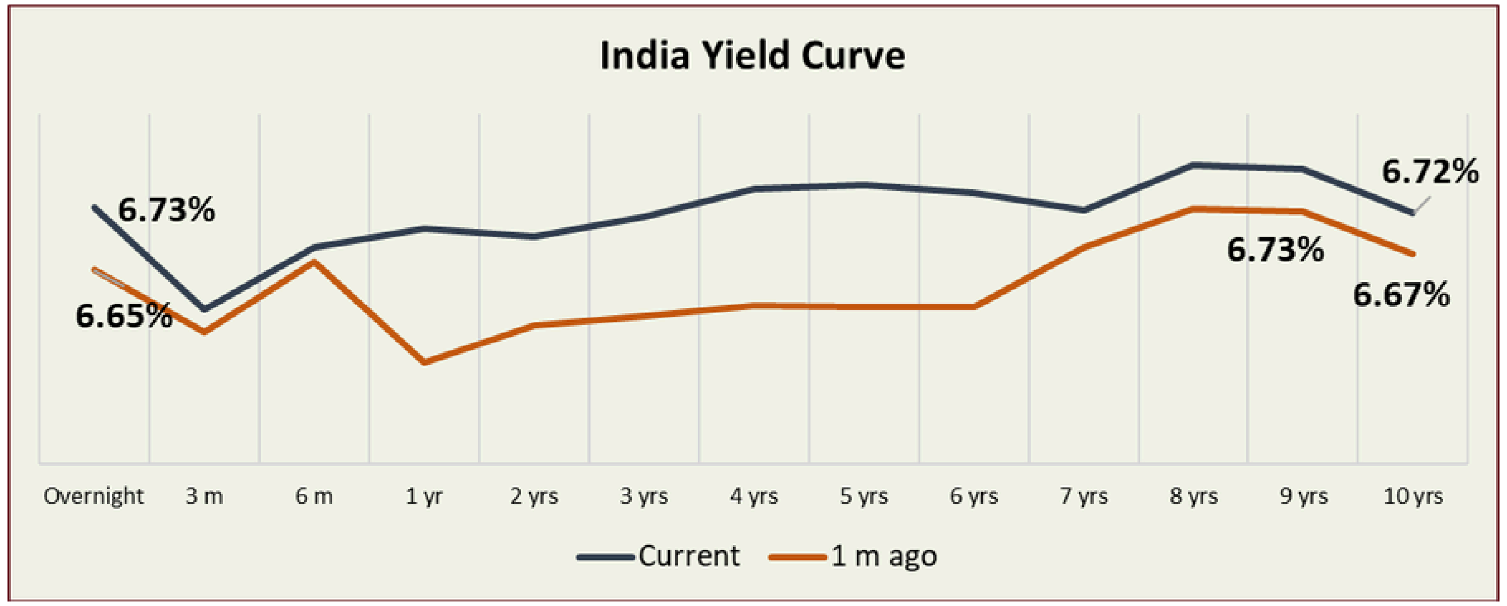
- Indian equity markets saw a significant downturn in February 2025, with the BSE Sensex falling 5.6% to close at 73,198.10 and the NSE Nifty 50 declining 5.9% to 22,124.70. Mid-cap and small-cap indices were also hit hard, dropping 10% and 13%, respectively.
- Sector-wise, Capital Goods was the worst performer, plummeting 14%, followed by PSUs, realty and IT, while most other sectors declined by around 10%.
- The market sell-off was driven by multiple factors, including foreign investor exits totaling $48 billion, concerns over high inflation and stagnant incomes, and global trade tensions. The announcement of 25% U.S. tariffs on imports from Canada and Mexico, effective March 4, weighed heavily on investor sentiment.
- Additionally, the Indian rupee continued its downward trend, depreciating for the fifth consecutive month to close at 87.4950 per USD, influenced by FII outflows and increased hedging demand.

Global Yields

- In the U.S., the 10-year Treasury yield fell from 4.80% to 4.25%, as investors rushed to safe-haven assets amid concerns that new 25% tariffs on Mexico and Canada and a 10% duty on Chinese goods could slow economic growth and disrupt global trade. Markets also reacted to the failed Trump-Zelenskyy talks on ending the Ukraine war and awaited the U.S. jobs report for labor market insights.
- In the UK, the 10-year gilt yield initially rose to 4.6% before easing to 4.48%, reflecting economic uncertainties and fiscal policy concerns.
- In Japan, the 10-year bond yield dropped 4 bps to 1.36% after BOJ Deputy Governor Uchida reaffirmed bond purchase tapering and rate hike plans. Tokyo’s core inflation slowed to 2.2% from 2.5%, but remained above target for the fourth straight month.
- In China, the 10-year bond yield stayed at 1.78%, supported by strong PMI data (50.8 in Feb, up from 50.1). However, U.S. tariffs pressured manufacturers, prompting firms to expedite exports ahead of trade restrictions. Investors awaited China’s National People's Congress for potential stimulus and trade countermeasures

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
1 Y ago	0.72%	2.36%	4.25%	4.12%	7.05%
6 M ago	0.89%	2.18%	3.91%	4.01%	6.86%
3 M ago	0.94%	2.13%	4.28%	4.44%	6.84%
1 M ago	1.24%	1.64%	4.54%	4.53%	6.69%
Feb-25	1.36%	1.78%	4.20%	4.48%	6.72%

Domestic Yields



- The 10-year Indian G-Sec yield remained stable around 6.75% throughout February, hovering near three-year lows as expectations of continued RBI liquidity support amplified the impact of rate cuts.
- The RBI cut rates for the first time in over four years, lowering the repo premium to 6.25%, following a series of liquidity injections to counter rupee defense-driven reserve depletion. Bond prices rose as liquidity conditions tightened.
- The CPI fell to a five-month low, reinforcing the case for further easing. However, a sharper decline in yields was prevented as the RBI delayed new liquidity regulations, which could have slowed credit growth and forced banks to buy INR 4 trillion in G-Secs

India Macro Trends

Macro Trends	Feb	Jan
FII flows (in crs)	-41,478	-78,027
DII flows (in crs)	64853	86,592
FII flows - Debt (in crs)	-5,437	-3,424
New Corporate Bond Issuances (in crs)	49,591	30,444
Surplus Liquidity (in crs)	-1,973	-40,102
GST Collection (in crs)	1,83,646	1,96,000
CPI	4.31	5.20
Manufacturing PMI	56.30	58.00
Services PMI	61.10	56.80
Forex Reserves (in billion dollar)	640.48	629.60

- GDP Growth: The economy expanded by 6.2% in the October-December quarter of 2024, driven by increased government and consumer spending
- Manufacturing Activity: The Manufacturing PMI declined to 56.3 in February from 57.7 in January, marking a 14-month low due to cooling demand.
- Inflation: Retail inflation eased to a five-month low of 4.31%, supporting the case for potential further rate cuts by the RBI. The rise in food prices has decelerated for the third successive month to 6%, from 8.4% in the preceding month, but the prices of edible oils and fruits has flared up sharply.
- Foreign Exchange Reserves rose to a two-month high of $640.48 billion as of February 21. Foreign currency assets, a major component of forex reserves, grew by $4.25 billion to $543.84 billion. Gold reserves increased by $426 million to $74.576 billion during the reporting week, the RBI said.
- Fiscal Deficit: The fiscal deficit for April-January stood at ₹11.70 lakh crore, covering 74.5% of the revised FY25 target.
- Trade Balance: Trade dynamics were influenced by global factors, including U.S. tariffs and geopolitical developments, affecting exports and imports.
- FIIs & Capital Flows: Foreign Institutional Investors (FIIs) withdrew ₹41,748 crore in February, bringing total outflows in 2025 to ₹1.1 lakh crore. This starkly contrasts with ₹2,08,212 crore of inflows in FY24, highlighting the shift in investment trends as FIIs reallocated funds to other emerging markets.

Commodities & Currencies

- In February 2025, commodity markets saw significant price movements, especially in gold and silver, driven by geopolitical tensions and inflation concerns.
- Gold hit a record $2,956/oz, with domestic prices at ₹87,880 per 10g (24-carat). Silver peaked at $32.96/oz before settling at $31.15/oz, while in India, it reached ₹1,01,100/kg.
- Brent Crude fell nearly 5% as U.S. tariffs on key trade partners came into effect, while OPEC+ signaled plans to revive halted production. LNG imports in Asia dropped to a 22-month low (20.7 million MT), while Europe increased imports to offset reduced Russian pipeline supplies.
- Among base metals, copper remained volatile amid potential U.S. 25% tariffs, zinc rose 1.8% MoM to $2826 per MT. Aluminum faced headwinds from rising U.S. tariffs aimed at boosting domestic production, but high energy costs and competition from China limited recovery.

Commodities	Returns	
	1M	1Y
Brent Crude	-4.7%	-12.5%
Precious Metals		
Gold	2.1%	39.9%
Silver	-0.3%	37.4%
Industrial Metals		
Steel	-0.7%	-14.8%
Iron Ore	5.2%	-16.8%
Aluminium	0.5%	17.1%
Copper	4.7%	15.4%
Zinc	1.8%	15.4%
Nickel	2.3%	-2.4%
Lead	2.1%	-7.2%

Performance of US Dollar against currencies		
Country	1M	1Y
India	-1.1%	-5.4%
AUD	-0.7%	4.4%
Japan	3.0%	-2.9%
Canada	-0.4%	-1.4%
Euro	0.1%	-4.8%
Pound	1.5%	-1.3%

- The US dollar strengthened, with the dollar index reaching 107.32, its highest in over two months, as new 25% tariffs on Mexico and Canada and 10% on Chinese goods fueled inflation concerns. The euro and British pound edged up 0.11%, while the Japanese yen weakened 0.38% against the dollar.
- The Indian rupee depreciated by 1%, marking its fifth consecutive monthly decline, closing at ₹87.4668/USD, after hitting a record low of ₹87.5825.
- The RBI intervened with a $10 billion dollar-rupee swap auction, following a $5 billion swap in January, to stabilize liquidity. Increased hedging demand and global trade uncertainty put pressure on the rupee, making it 2025’s worst-performing Asian currency so far

Gold vs Silver: Time to Rebalance?

Our previous blog Precious Rebound highlighted how, historically, both Gold and Silver have acted as reliable hedges against inflation—with Gold often taking the lead.
However, recent market dynamics suggest that Silver is quietly turning the tables. Today, we delve exclusively into the Gold-Silver ratio, a critical metric that gauges the relative value between these two precious metals.

Highlights

The gold-silver ratio, simply put, is the number of units of silver that can be bought with one unit of gold. Currently the ratio is at 90.
This ratio almost always converges to its long-term average of 67.5.
In almost 50% of the cases (since 1980s) where the ratio is above average, the convergence happened with Silver outperforming Gold.
Additionally, the outperformance of Silver over Gold on average under such instances is nearly 11%.
If we consider the instances where ratio is above 90, the outperformance is significantly higher at ~27% on average.

Market Implications & Investment Opportunities

·Now that the Gold-Silver ratio is again at 90, the market may be signaling that Silver is at a deep value and may outperform gold significantly to reach convergence.

External Factors Enhancing Silver's Appeal

Amid geopolitical and economic uncertainties, investors are turning to safe-haven currencies. Meanwhile, a supply deficit for the 5th consecutive year and 3% industrial demand growth in 2025 may bolster Silver's appeal.
Source: Silver Institute

Conclusion

For portfolio diversification, Gold can offer stability, while Silver's upside potential may justify a larger allocation—making now a key time to reassess precious metals holdings.

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The House Money Effect

The House Money Effect, a concept in behavioral finance, was introduced by Richard Thaler and Eric Johnson in 1990. It describes how people are more likely to take greater risks with money they perceive as "free" or unearned gains, like how gamblers treat winnings in a casino.

The 2020-2021 Stock Market & Crypto Boom

Phase 1: Huge Gains in the Market (2020-2021)

- In 2020-21, fueled by pandemic stimulus, low interest rates, and retail investor participation, stocks and cryptocurrencies surged.
- Many investors, especially new entrants, saw quick, significant gains in meme stocks (like GameStop, AMC) and cryptocurrencies (Bitcoin, Dogecoin).
- The S&P 500 gained 27% in 2021, and Bitcoin surged to an all-time high of $69,000 in November 2021.

Phase 2: Risk-Taking Increased

- Investors who made profits from these rallies felt less cautious and poured money into riskier assets, believing they were playing with "free money."
- Many retail investors leveraged their portfolios, buying more crypto, meme stocks, and speculative tech stocks.
- Platforms like Robinhood saw record options trading volume, as traders aggressively speculated using profits.

Phase 3: The Crash (2022-2023)

- The Federal Reserve started hiking interest rates in 2022, leading to market corrections.
- Crypto collapsed: Bitcoin fell from $69,000 to below $20,000 within months, wiping out over $2 trillion in market value.
- Tech & growth stocks crashed: Many retail investors who doubled down with "house money" ended up losing their entire portfolios.

During the rally, people felt less risk-averse because they saw their early profits as “free money” and made increasingly riskier bets. After the crash, those same investors experienced regret and loss aversion, often exiting the market completely instead of adapting their strategies. Market bubbles often arise from this behavior, as widespread overconfidence leads to excessive speculation.

Market Watch

Snippets

- The US imposed 25% tariffs on Mexico and Canada and 10% on Chinese goods, raising inflation fears and delaying potential Fed rate cuts.
- rump-Zelenskyy talks failed, prolonging the Ukraine war, while global markets remained volatile due to ongoing conflicts.
- Rupee Under Pressure – The rupee depreciated for the fifth straight month, hitting a record low, as $25 billion in FII outflows weighed on markets, prompting RBI intervention with dollar-rupee swaps.
- Gold hit an all-time high, silver surged, and crude oil rebounded, while base metals, especially copper and aluminum, were impacted by US trade policies.
- India’s 10-year G-Sec remained steady at 6.75%, supported by RBI liquidity measures while US yields declined.

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Takeaways

- Cautious but Opportunistic Approach – With Indian markets facing heavy corrections, investors may consider staggered investing, as valuations suggest a potential bottoming-out phase.

- Gold and Silver as Safe Havens – Precious metals have performed strongly amid global uncertainties, and their role as hedges against inflation and market volatility remains prominent.

- With persistent depreciation, investors with global exposure may assess currency risk, while domestic markets await RBI's next steps on liquidity and rate cuts

Blogs

Key Events

Effect of Trade Tariffs on Countries

March 19th: Fed Rate Decision

April 7th: RBI MPC Meeting

Book a Consultation

THANK YOU

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