



WEALTH FIRST

MONTHLY NEWSLETTER - SEP'25

"In investing, what is comfortable is rarely profitable."
Robert Arnott

Global Equities (in USD terms)

- The S&P 500 gained 2.0%, lifted by upbeat PMI data, better earnings or sentiment boost because of Nvidia result.
- The MSCI World Index rose 2.5% in August, supported by strong Q2 earnings where ~75% of S&P 500 firms beat forecasts, even as AI revenue doubts lingered.
- The MSCI Emerging Markets Index recorded a positive gain of +1.5% in August 2025, extending a monthly gain streak that began in January.
- MSCI Europe ex-UK advanced 1.2%, though the CAC 40 slipped 0.9% after a no-confidence vote announcement rattled French markets while the UK's FTSE All-Share rose 0.9%, weighed by hot inflation and a hawkish BoE despite a rate cut.
- Global small caps and REITs outperformed as Fed cut hopes lifted sentiment, while value stocks beat growth by 1.9pp on tech caution.

Global Equities (in USD)		
	1m	1y
Nasdaq	0.8%	19.6%
S&P 500	1.9%	14.4%
MSCI Europe	3.2%	10.4%
MSCI Emerging Equities	1.2%	14.4%
Nifty 50	-2.2%	-7.9%

Domestic Equities (in INR Terms)

Domestic Equities (in INR)		
	1M	1Y
Nifty 50	-1.4%	-3.2%
Nifty Next 50	-2.0%	-12.7%
Midcap 150	-2.9%	-5.4%
Smallcap 250	-3.7%	-9.2%
Auto	5.5%	-4.6%
Consumer Durables	2.0%	-4.6%
FMCG	0.6%	-11.0%
Real Estate	-4.6%	-17.3%
Pharma	-4.2%	-6.1%
Capital Goods	-4.1%	-10.6%
IPO	3.9%	-2.6%

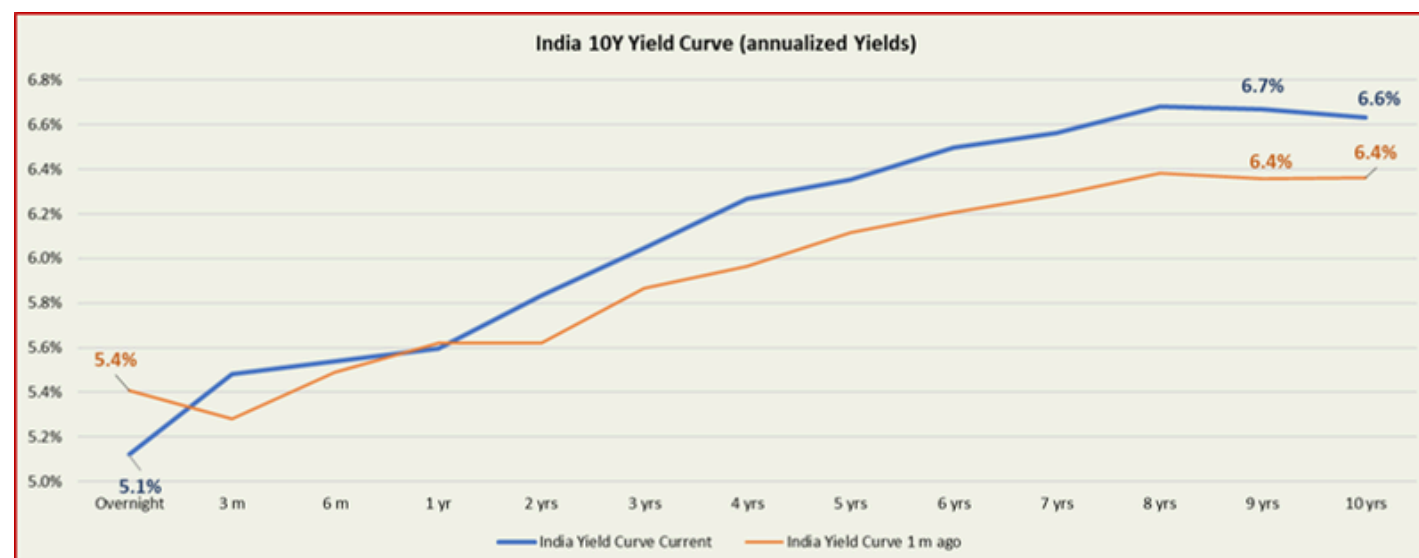
- Indian equities weakened in August, dragged down by PSU, infrastructure, and energy sectors, while autos, consumer discretionary, and durables showed relative strength amid optimism over GST reforms (stocks like KIOCL, Maruti, and Godfrey Phillips surged up to 28%).
- Markets also slipped after the US imposed 50% tariffs on Indian goods, prompting broad sectoral declines—and triggering foreign investor outflows of ~₹35k crore even as domestic institutions injected ~₹95k crore to stabilize indices; mid-caps and small-caps similarly tumbled ~3% and ~4%, with export-linked sectors like textiles, chemicals, and shrimp especially pressured.
- Meanwhile, India's GDP growth clocked in at 7.8% YoY in Q2 (April–June 2025)—a 5-quarter high—driven by robust services and manufacturing sectors alongside resilient agriculture output; GVA growth was strong across manufacturing (7.7%), construction (7.6%), and especially services (9.3%).
- At the Shanghai Cooperation Organisation (SCO) summit, Prime Minister Modi, President Putin, and President Xi met for the first time in seven years, signaling tentative cooperation under mounting pressure from US trade actions.

Global Yields

- US Treasuries gained 0.9%, with the curve steepening as front-end yields fell on cut bets while long-end yields rose on Fed independence concerns.
- Eurozone yields inched higher on resilient growth and in-line inflation, while French bonds underperformed due to a 6% deficit and political uncertainty.
- UK Gilts sold off, with 30-year yields hitting 5.6% (highest since 1998) as inflation surprised on the upside.
- Japanese yields climbed after inflation stayed hot at 3.1% headline, 3.4% core-core, and the BoJ hinted at further hikes.

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
1 Y ago	0.9%	2.1%	3.8%	4.0%	6.8%
6 M ago	1.3%	1.6%	4.2%	4.2%	6.4%
3 M ago	1.5%	1.7%	4.4%	4.6%	6.2%
1 M ago	1.6%	1.7%	4.2%	4.5%	6.3%
Sep-25	1.6%	1.8%	4.2%	4.7%	6.6%

Domestic Yields



- The yield on the 10-year G-Sec rose to 6.6% by end-August, hovering near a five-month high as traders weighed fiscal risks against upbeat growth data.
- Markets expect yields to stay in the 6.52–6.65% band this week, with sentiment cautious ahead of the GST Council meeting where sweeping reforms—including the reduction to two slabs of 5% and 18%—are to be finalized. These norms will have impact on Government revenue in terms of lower tax collection and which in turn means higher borrowing from the market
- Concerns of fiscal slippage intensified after Prime Minister Modi announced the scrapping of the 12% and 28% GST tiers, which raised doubts about revenue adequacy.

India Macro Trends

Macro Trends	Aug-25	Jul-25
FII flows (in crs)	-34,993	-17,740
DII flows (in crs)	94,829	60,939
FII flows - Debt (in crs)	6,766	-234
New Corporate Bond Issuances (in crs)	16,045	27,385
Surplus Liquidity (in crs)	4,98,055	5,38,578
GST Collection (in crs)	1,86,315	1,95,735
CPI	1.6%	2.7%
Manufacturing PMI	59.3	59.1
Services PMI	65.6	59.8
Forex Reserves (in billion dollar)	690.7	698.2

- India's economy grew 7.8% YoY in Q2 2025, a five-quarter high supported by robust manufacturing (7.7%), construction (7.6%), and services (9.3%), though economists cautioned momentum could cool due to tariff spillovers.
- FIIs withdrew nearly ₹35k crore in August, pressured by US tariffs, rupee depreciation, and rising global yields, while DIIs injected about ₹95k crore, cushioning equity markets.
- Banking system liquidity remained in surplus, aided by robust DII inflows and restrained RBI intervention in currency markets, though expectations of higher government borrowing loom over money markets.
- GST collections rose 10% YoY to ₹1.86 trillion in August, but after refunds, net revenues fell 20% YoY to ₹1.67 trillion, highlighting fiscal strain even amid strong activity.
- Retail inflation eased to 1.55% in July, its lowest since 2017, largely due to falling food prices, giving the RBI room to remain accommodative despite currency weakness.
- The HSBC Manufacturing PMI surged to 59.3 in August, a 17-year high, reflecting strong demand, output expansion, and steady job creation for the 18th straight month.
- India's foreign exchange reserves declined \$4.38bn to \$690.7bn as the RBI balanced intervention with diversification, reducing US T-bill holdings to \$227bn while raising gold reserves to 880 tonnes.
- Markets interpreted the SCO summit as a mild de-dollarisation signal, consistent with India's move to cut US T-bill holdings to \$227bn while boosting gold reserves to 880 tonnes, mirroring similar diversification trends by Russia and China.
- Analysts noted that the trilateral optics mark a potential realignment in global forces, with emerging economies exploring supply-chain cooperation to hedge against dollar dominance and tariff shocks.

Commodities

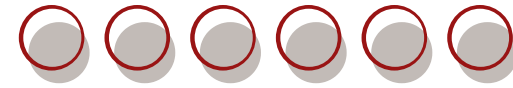
- Oil and Gas prices weakened through August as trade tensions with Brent slipping nearly 6%, softer global growth signals, and higher US tariffs dented demand outlook, tempering inflationary pressures for energy importers.
- Gold extended gains as investors rotated into safe-haven assets amid geopolitical friction, tariffs on India, and expectations of US Fed rate cuts, reinforcing its role as a hedge against dollar weakness.
- Silver surged 25% YTD to \$39.9/oz, propelled by structural demand from solar panels and EVs (+51% since 2016), ETF holdings rising to 806mn oz, and supply disruptions in Mexico and China, pushing it above a 14-year high of \$40.
- Steel rebar futures held around CNY 3,050 per tonne, hovering at an eight-week low as rising inventories and weak margins pressured the market in China. Stocks of major steel products have been building since mid-August, reflecting sluggish demand amid prolonged property sector weakness. Softer consumption has further squeezed steel margins, reducing appetite for raw materials.
- Broader agri and soft commodities traded with volatility as dollar swings and shifting trade policies distorted short-term supply-demand balances

Commodities	Returns	
	1M	1Y
Brent Crude	-5.9%	-12.3%
Precious Metals		
Gold	4.8%	37.8%
Silver	8.2%	37.5%
Industrial Metals		
Steel	-2.9%	-2.8%
Iron Ore	2.7%	3.2%
Aluminium	2.1%	7.1%
Copper	1.2%	7.9%
Zinc	3.4%	-2.4%
Nickel	2.6%	-8.1%
Lead	1.2%	-2.7%

Performance of Currencies against USD

Currencies against USD			
		1m	1 yr
India	USD/INR	-0.7%	-4.8%
AUD	USD/AUD	1.8%	-3.3%
Japan	USD/JPY	2.4%	-0.7%
China	USD/CNY	1.0%	-0.6%
Euro	USD/EUR	2.4%	5.8%
Pound	USD/GBP	2.3%	2.8%
Dollar Index	DXY	-2.2%	-4.4%

- The US Dollar Index (DXY) swung sharply in August, strengthening early to 99.8 on robust US data and hawkish Fed rhetoric before reversing to 97.4 after a weak payrolls report and dovish Jackson Hole guidance from Powell.
- The Euro, GBP, and AUD initially lost ground to the dollar but rebounded strongly once Fed cut expectations dominated, underscoring their inverse relationship with US currency momentum.
- The Indian Rupee breached the ₹88/USD level for the first time, ending August at 88.20, down 0.7% MoM and marking its fourth straight monthly depreciation against the USD, as punitive US tariffs and heavy FII outflows triggered speculative pressure.
- The RBI's limited intervention allowed market forces to test new lows, while traders noted opportunistic dollar demand exaggerated the fall, even as DIIs remained strong buyers in domestic equities.
- Broader emerging market currencies mirrored this volatility, benefiting from dollar softness late in the month but remaining vulnerable to tariff shocks and Fed policy uncertainty



US – India Tariffs: Loud Headlines, Modest Reality

The Headline Noise

On August 27, Washington doubled tariffs on Indian goods, raising duties to ~50%. Headlines screamed of a looming trade war and up to 0.5% GDP loss for India. But those numbers mostly likely came from stress-test scenarios, not base cases. The truth: not all \$87 billion of India's exports to the U.S. are hit — IT services and pharma, India's largest categories, have been exempt.

The Numbers That Actually Matter

- India's exports to the U.S. (goods): ~\$87B (2024).
- Sectors hit: textiles, gems, jewellery, footwear, chemicals, seafood, furniture.
- Realistic share impacted: likely closer to 30–40% of goods exports.

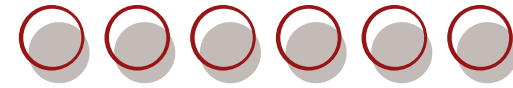
Once you adjust for:

- Diversion: India can re-route ~40–60% of goods to other markets (EU, UAE, UK).
- Domestic value-added: ~65% of export value feeds directly into India's GDP.
 - Not every dollar of exports equals a dollar of GDP. Since many goods use imported inputs (gold in jewellery, chemicals in textiles), only the part that is truly "Made in India" appears to feed GDP directly.
- Policy cushions: Government support is expected to cushion the blow. Tax cuts, subsidies, and a weaker rupee are likely to soften pressures for exporters.

...the real GDP impact appears closer to ~0.12–0.18%. That's a far cry from the alarmist 0.5% loss.

Sector vs. Macro Impact

- Sector pain is real: MSMEs in Tiruppur (textiles), Surat (diamonds), Moradabad (handicrafts) will likely feel the squeeze. Up to 2 million jobs appear exposed in these clusters.
- Macro impact is muted: India's economy is \$4.2 trillion. Even if \$40 billion in trade struggles, most of it is expected to be absorbed through rerouting and domestic buffers.



Contd...

By contrast, the U.S. faces bigger risks:

- Households could end up paying \$2,000+ extra annually.
- GDP growth may take a -0.4 to -0.5 percentage point hit.

Why It Sounds Dramatic

- “50% tariff” makes for eye-catching headlines.
- Without context, it looks like an embargo — in reality, it’s sector-specific.
- Brent crude steady at \$67–68 → no sign yet of an energy shock.

The Bottom Line: Chess, Not War

The U.S.–India tariff clash is louder in headlines than in numbers.

- India’s real GDP impact is likely modest, around 0.18%.
- U.S. impact may be sharper, through household costs and political risk.
- For investors: no need for panic. It seems wiser to watch company-level exposure, hedge currency risks, and lean on India’s domestic-demand story.

This doesn’t look like a body blow to India — more like another move in a longer game of economic chess.

At the same time, U.S.–India friction may be nudging India closer to BRICS partners, with China and India appearing more aligned. This could mark the beginning of a wider realignment in global trade dynamics.

BEHAVIOURAL FINANCE

Neuro-Financial Fatigue (NFF): When the Brain Taps Out Before the Portfolio

Neuro-Financial Fatigue (NFF) is an emerging behavioural finance concept that explores how mental exhaustion from prolonged market exposure, especially in volatile or euphoric phases, leads investors to make poor, impulsive, or avoidant financial decisions.

It combines neuroscience with market psychology:

High emotional-cognitive load → fatigue → reduced decision quality → financial underperformance

Real-Life Example: Mid- & Small-Cap Rally Fatigue (India, 2024)

- Between Jan–June 2024, Indian mid- and small-cap indices rallied over 35–40%, drawing in lakhs of new investors chasing momentum trades.
- Retail participants tracked charts, F&O data, YouTube tips, and social media buzz daily — an information overload scenario.
- By July 2024, markets corrected 8–10% in pockets, and many investors:
 - Panic-sold good stocks at the first sign of red
 - Switched from SIPs to direct trades without strategy
 - Became indecisive or avoided looking at portfolios altogether

This is a classic case of Neuro-Financial Fatigue:

- Initially euphoric → Overstimulated by constant decisions → Mental fatigue → Poor reaction to volatility

Even sophisticated investors displayed burnout symptoms:

- Avoided rebalancing, skipped advisor calls, or took emotional shortcuts (“I’ll exit everything and wait”).

Why It Matters Now

In a post-rally environment like mid-2024, many investors expect 30–40% returns to continue, but Indian equity markets average ~12% annually over the long term. Without emotional resilience and mental pacing, investors risk making fatigue-driven decisions that damage long-term wealth creation.



Snippets

- Global equities rose, with MSCI ACWI +2.5% and S&P 500 +2.0% on earnings strength.
- Indian equities came under pressure from US tariffs, with FIIs selling ₹35k cr and DIIs buying ₹95k cr.
- US Treasuries gained 0.9% on Fed cut hopes, while UK Gilts hit 27-year yield highs.
- INR hit a record low at ₹88/USD, down 0.68% in August.
- Silver rallied 9% YTD to \$39.9/oz on EV/solar demand and tight supply.
- India's GDP grew 7.8% with PMI at 59.3, but fiscal concerns rose on GST reforms.
- Russia reaffirmed its commitment to discounted oil exports to India, bypassing Western sanctions, while China pledged to triple chip supply by 2026, offering India a potential technology partnership despite lingering mistrust.

Takeaways

- Domestic equities remain vulnerable to tariff shocks and rupee weakness, though strong DII inflows show resilience.
- Indian 10-year G-Sec yields hardened to 6.6%, with fiscal concerns and GST reform risks keeping yields elevated in the 6.52–6.65% range, suggesting caution in long-duration debt.
- Rupee weakness favors exporters but raises risks for importers which can warrant hedging.
- Gold and silver remain attractive as diversifiers, with silver offering structural green-energy exposure.
- India's growth momentum is strong, yet fiscal pressures and external risks limit near-term upside.
- Prospective Fed easing could support EM flows, partially offsetting global trade headwinds.

Key Events

September 4th - GST 56th Council Meeting
Sep 17th - Fed Interest Rate Decision
Ongoing US tariff Impact

Market Watch





THANK YOU



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