

FOCUS



NAG MUNAGAPATI WEALTH ADVISORS

SEBI REGISTERED INVESTMENT ADVISOR

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Hi All,

The budget doesn't bring tax savings for taxpayers with no changes in tax slabs. The government, confident about returning to power, prioritizes fiscal prudence while balancing growth through increased capital expenditure (capex). Noteworthy themes include tourism and energy, featuring interest-free loans for state tourism development and free electricity for 10 million houses through a rooftop solar program, aligning with future economic potential.

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WHAT IS FISCAL PRUDENCE?

Fiscal prudence involves responsibly managing government finances by maintaining a balanced budget, optimizing spending, and avoiding excessive debt. Fair taxation, contingency planning, and sustainability considerations are crucial for economic stability, investor confidence, and sustainable growth amidst challenges and crises.



GDP AND MARKET CAP (A BUFFET INDICATOR)

Analyzing the GDP and market capitalizations relationship, high GDP growth propels Indian equities. The goal of a USD 5 trillion GDP by 2028 supports expectations of increased corporate profitability and higher market capitalization. Despite uncertainties, the Indian stock market shows resilience, reaching record highs ahead of general elections.

The Buffett Indicator, also known as the market capitalization-to-GDP ratio suggests that when the total market capitalization of all publicly traded stocks in a country exceeds the country's GDP significantly, it may indicate that the market is overvalued.

The basic idea is that a high ratio of market cap to GDP suggests that the stock market is relatively expensive compared to the overall economic output of the country. On the other hand, a low ratio might indicate that stocks are undervalued.

Buffett has mentioned this metric as a rough guide to assess whether the market is in an overvalued or undervalued territory. However, he also cautioned that it's not a precise timing indicator for market movements, and other factors should be considered when making investment decisions. Investors and analysts use the Buffett Indicator as one of many tools to evaluate market conditions.

However, caution arises from the market capitalization-to-GDP ratio, currently at 115%, below the historically worrying 128%. Historical data indicates market corrections when the ratio exceeds 128%, with fluctuations between 58% and 120% over the past 15 years.

Anyways future will unfold everything irrespective of what we judge!



MACRO TALK



Inflation is still hovering around 5.5% and RBI is ready to act if any excesses are stemmed in. Outlook for inflation is looking soft and this will have to improve margins much better for certain interest intense corporates.

The first important test is passed with the budget, and we have general elections coming in. We may see the continuity of volatility till the completion of elections and any change in the anticipated mandate will topple the base for a while.

Inflation in the west and slowdown in China are two things to watch out for. Any softening in the inflation and less recessionary vibe in the west will make things much positive for the valuations.



OUR FOCUS



We are focused to make the wealth creation a no-nonsense affair. We believe in investing for long to grab a multi – bagger rather than shuffling here and there with a sensitive risk reward equation. End of the day, any position you take here is a risky thing. So, our reward shall be 10 times the risk we take, and the probability of success shall be more than 75%. With this risk-reward framework in place, our long-term success is guaranteed but the magnitude of success depends on the performance of markets. So, let's stay greedy but long-term greedy tagged to the more realistic logic that can work as the time passes.

So, Let's stay long term greedy!!

Happy Investing



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"We serve our clients alike with the passion we have for the markets".

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Visit us at **www.nagmunagapati.com**

Cheers
Nag Munagapati

Investments in securities are subject to market risk