



HSBC Mutual Fund

Stay invested for growth!

Plan to gain from the equity market corrections!

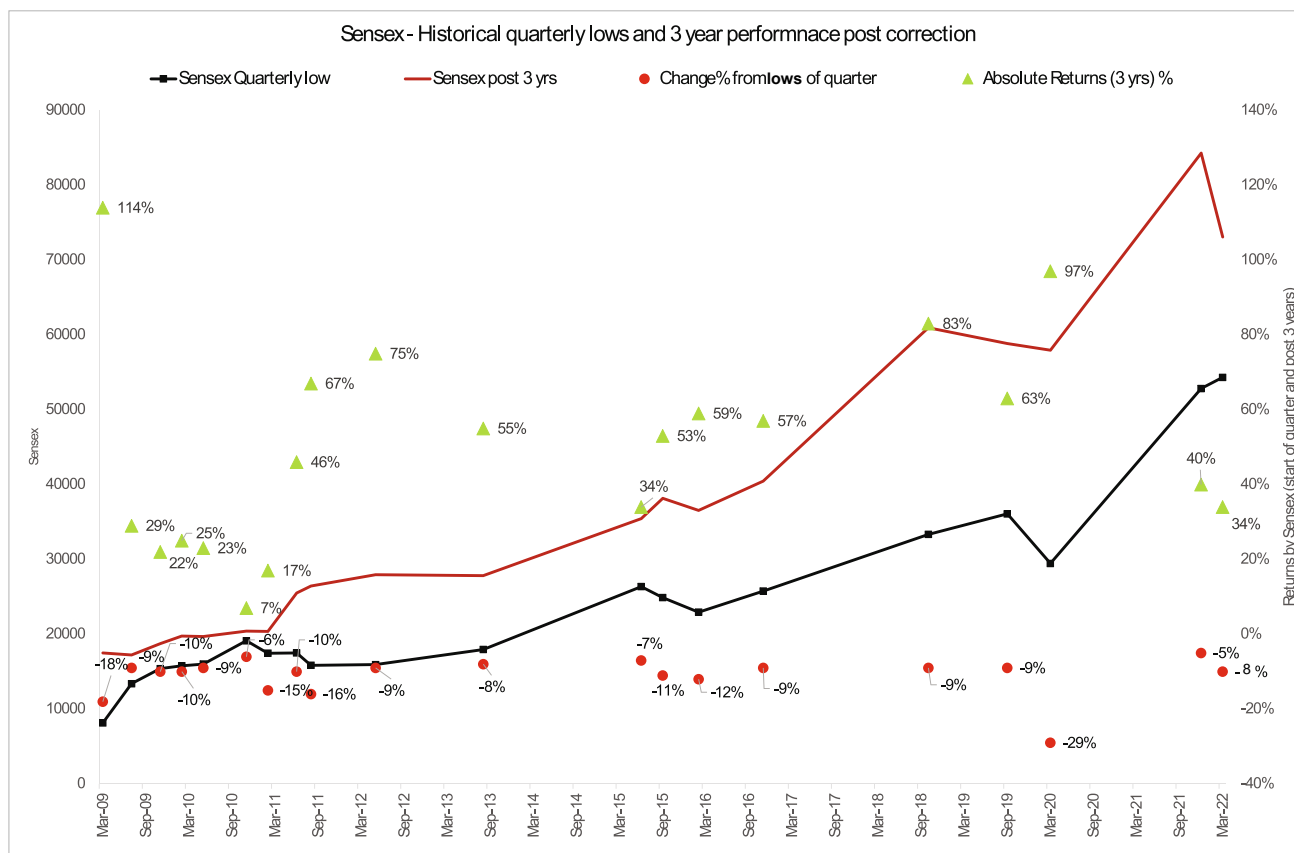
#StayInvestedforGrowth



Equity markets have corrected by about -7% YTD2025* followed by correction in the last quarter of 2024. Given the geopolitical situation lot of questions are being asked about the future course of market direction. But before getting worried by this correction, we need to understand that markets have gained 30% over the one-year period at the peak of Sensex as of 27 Sep '24 and valuations have become relatively higher. If we look at the history of market corrections and post correction trend it gives us great insights to learn from similar situations. Here is an analysis on historical data of Sensex since the year 2009 to show how investors have gained from these situations over the medium to long term period.

* Sensex YTD correction period is between 01 Jan '25 to 4 Mar '25.

We have analysed Sensex data on quarterly intervals to track equity market corrections of 5%+ since year 2009 and same is shown in the table 1. During the first quarter of 2009, Sensex has corrected by 18% which is a follow up correction due to the global financial crisis of 2008 - 09. But after experiencing 18% market correction, Sensex has delivered 114% absolute returns (29% CAGR) over the next 3 years as on 10 March 2012.



Quarterly period : Jan – March, Apr – Jun, Jul – Sep, Oct to Dec of respective year.
Lows from 1st day of quarter. 3 year returns from quarterly lows.

| Date | Sensex Quarterly low | Sensex post 3 yrs | Change% from start of quarter | Absolute Returns (3 yrs) % | Returns CAGR (3 yrs) % |
|-----------|----------------------|-------------------|-------------------------------|----------------------------|------------------------|
| 05-Mar-25 | 72989 | ? | -7% | ? | ? |

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

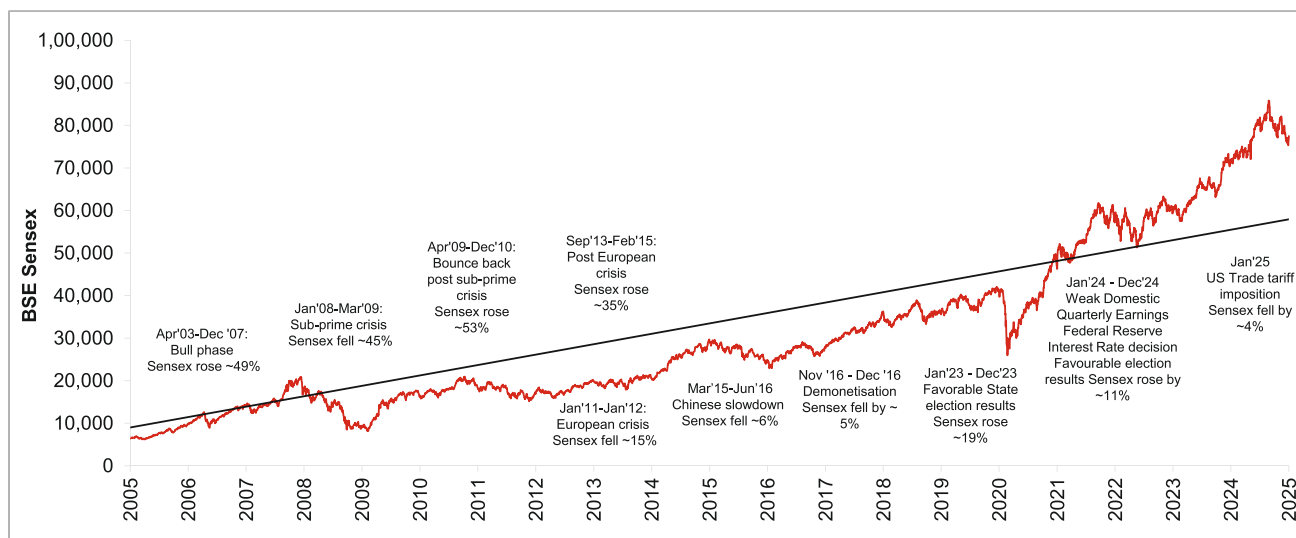
Similarly, during 1 Jan '20 to 31 Mar '20 Sensex has fallen by 29% which was triggered by Global Covid virus outbreak and lockdown. After 3 years from March '20 to March '23 Sensex has delivered 97% absolute returns (25% CAGR). From the table 1 and 2 we can see there are numerous instances of Sensex corrections ranging from - 5% to – 29% during the respective quarters. But after 3 years investors have earned significant equity market returns post such corrections.

The market ride may not be smooth, but Equities tend to head up over the long term

The chart below shows journey of Sensex over the past 20 years through various negative events and post event bounce backs. Sensex has successfully managed to cross such



walls of worries over the long term and created new peaks and helped create wealth for investors. We are going through one such event of 'US Trade Tariff changes' on the back of higher equity market valuations in India. Markets is just factoring for the impact of this scenario and valuations have started to become reasonable.



Source: BSE, CRISIL Research Data as at Feb 2025,

Returns for period less than one year are absolute; otherwise, annualised , Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Short-term volatility is an intrinsic part of equity investments - The longer you stay invested, lower can be the possibility of negative returns

| BSE Sensex | 3-year rolling returns | 5-year rolling returns | 7-year rolling returns | 10-year rolling returns | 15-year rolling returns |
|--------------------------------|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Average rolling period returns | 16.26% | 15.76% | 15.36% | 15.17% | 14.45% |
| Positive investment periods | 88% | 93% | 95% | 99% | 100% |

Notes: BSE Sensex rolling returns. Monthly rolling returns for respective holding periods since 30 June 1979. For instance, in case of 15-year monthly rolling returns, there will be 356 return periods. The first return period will be 30 June 1979- 30 June 1994 and the last return period will be 31 Jan 2007- 31 Jan 2025. Positive returns – The number of investment periods during which returns have been positive. For example, when investment returns have been computed for a 15-year rolling period, 356 months out of 356 instances offered positive returns (i.e. 100% positive investment periods). Negative returns – Number of investment periods during which returns have been negative. For example, where investment returns have been computed for a 5-year rolling period, 33 months offered negative returns (losses), the number of negative returns = 33



Currently Indian economic fundamentals are in good shape and economic outlook remains strong. Indian economy is at the cusp of a robust medium to long term growth cycle and this is well testified by the good GDP growth prints. and various economic indicators. Indian government continues to focus on structural growth enablers such as capex on infrastructure, sustained push towards manufacturing and exports. This is well supported by strong consumption trends in India across sectors.

Core growth drivers working for India

- **Macroeconomic Stability:** India's strong macroeconomic fundamentals are visible through robust GDP growth, benign inflation, progressive industrial policy, capex resurgence and a stable currency.
- **Infrastructure focus:** Infrastructure growth and modernisation remain key objectives of the government with various programs aimed at enhancing connectivity, logistics capacity, and other key areas. India to spend ~\$1.7 trn on infrastructure in 7 fiscals through 2030, more than twice the ~\$800 bn spent in the previous 7 starting fiscal 2017.
- **Manufacturing push:** India aims to increase the manufacturing sector's share in GDP with multiple reforms, such as the production linked incentive scheme and phased manufacturing program along.
- **Exports outlook:** India's export to grow at ~15% as India has set target of USD 2 trillion by 2030. Indian exports have grown 10% CAGR compared to pre-Covid era, 1.7x of nominal GDP growth (as on 30 June 2024).
- **Consumption:** Themes such as Premiumisation, Penetration, Urbanization, Nuclearisation, Digitisation and Financialisation are driving consumption in India. 30 Lakh crore+ of Consumer Discretionary spending every year. 34 mn new households (HH) likely to enter Aspirers category while 43 mn HH to enter Affluent & Elite category by 2030 which are expected to drive discretionary consumption further.
- **Corporate profitability:** The Indian economy's growth is underscored by better earnings growth led by an emerging private capex cycle, re-leveraging of corporate balance sheets and unfolding of a structural rise in discretionary consumption and a reliable source of domestic risk capital.
- **Rate cut expectations:** RBI has reduced rate recently and further rate cuts could enhance India's growth outlook.

India's growth momentum and outlook remains consistently positive. India is expected to become the third largest economy in the world with its nominal GDP expected to double by 2030. India continues to offer favorable attributes from investment perspective with consistent strong economic growth, political stability, focus on improving Infrastructure and increasing Manufacturing, upward export trend, robust banking system and supported by incremental discretionary consumption.

History shows that equity markets have delivered strong performance over the medium to long term even after market corrections. One can continue to invest gradually or systematically a part of their long-term financial savings to capture the potential opportunities emerging from an expanding economy.

As India continues to focus on growth, being invested in growing economy may potentially be beneficial in the long run, investors can choose remain invested or start new SIPs and buy on dips with an aim to create wealth over the long term.

Views are personal and based on information available in the public domain at present. Investors should not consider the same as investment advice. Please consult your financial advisor for all your investment decision. Consult your financial advisor to help you plan to invest and stay invested for growth.

Source: Bloomberg, ICRA MFI, HSBC Mutual Fund, Data as on 5 March 2025 unless otherwise given.

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