equirus CREDENCE
A LEGACY OF PROSPERITY

India to Outpace G7

Can Domestic Resilience Outpace Global Volatility?

Decoding Wealth, Asset Allocation, and Market Strategy in 2025

June 2025

How are Global Macros stacking up?

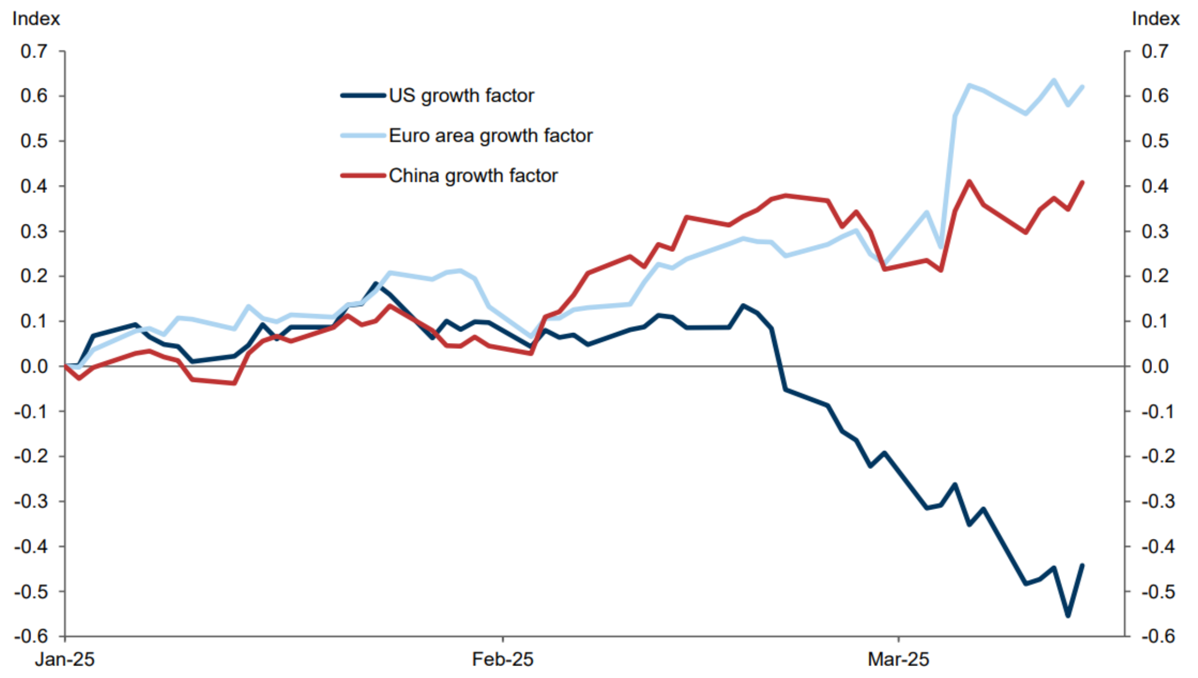
Double Trouble for US

Two stark shifts in macro markets - The past month has seen two important shifts across global markets -

- *Sharp re-rating lower of US growth in US stocks, rates, and the Dollar, on the back of tariff volatility and the environment of broader policy uncertainty created by the new Administration.*
- *Sharp re-rating higher in the fiscal impulse in Germany, with an associated uplift to Euro area growth views and more modestly in China.*

Together, these two shifts pose a significant challenge to the narrative of US exceptionalism which has been a dominant market theme. At the same time, they create the potential for a more balanced global growth and asset return to mean case.

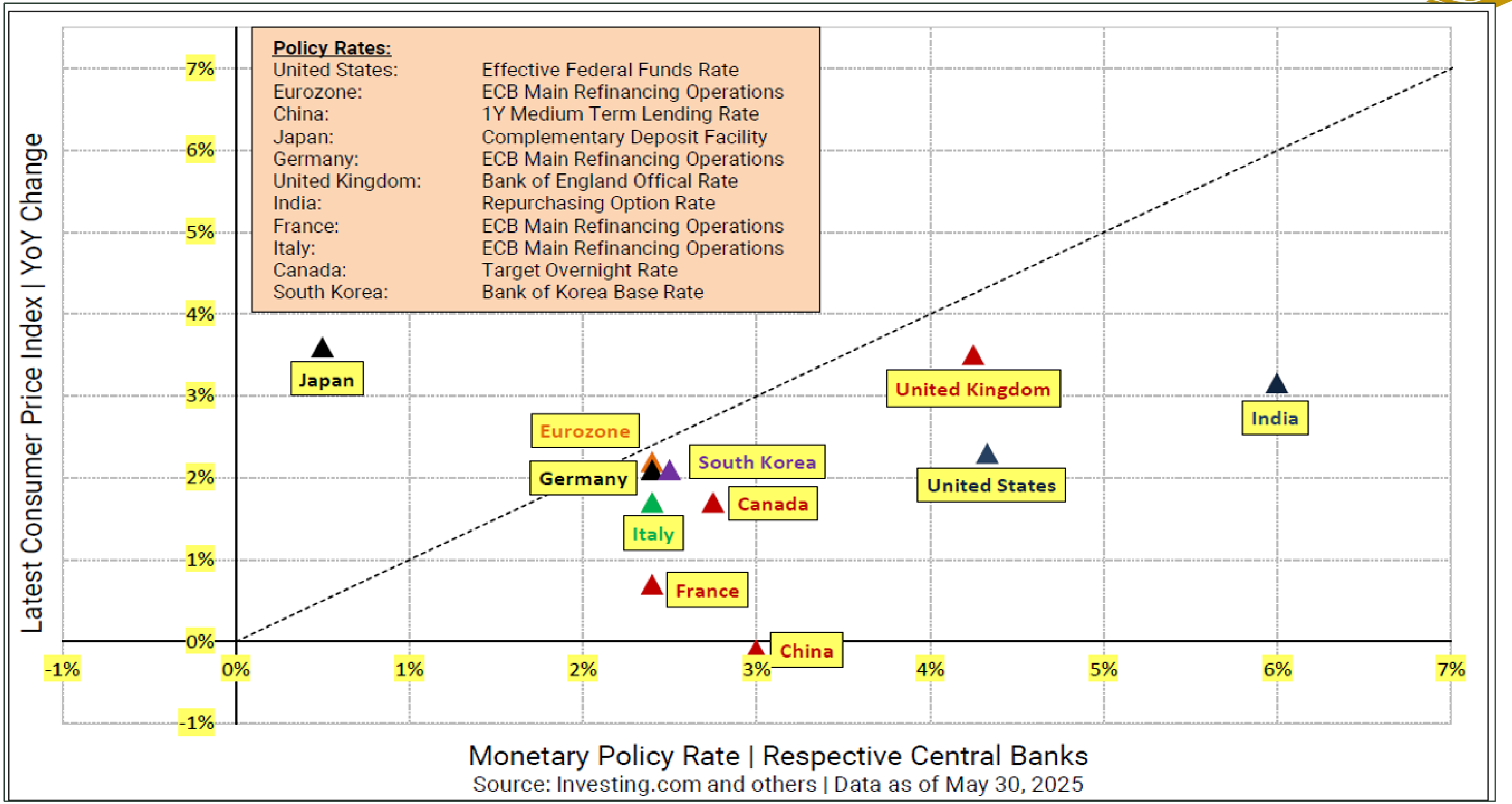
Exhibit 7: Upgrades to Europe (and China) as US exceptionalism reverses



Source: Goldman Sachs Global Investment Research

Way Forward - A more balanced global growth profile with softer US growth and subdued US equity performance can coexist with stronger growth and equity returns outside the US, especially with better-starting valuations and earnings revisions.

Inflation and Monetary Policy Watch: “US vs. the World”



Will USD/INR pair trade differently this decade?

The chart demonstrates an inverse relationship between the dollar's value and the trade balance; a stronger dollar often corresponds with a larger trade deficit.

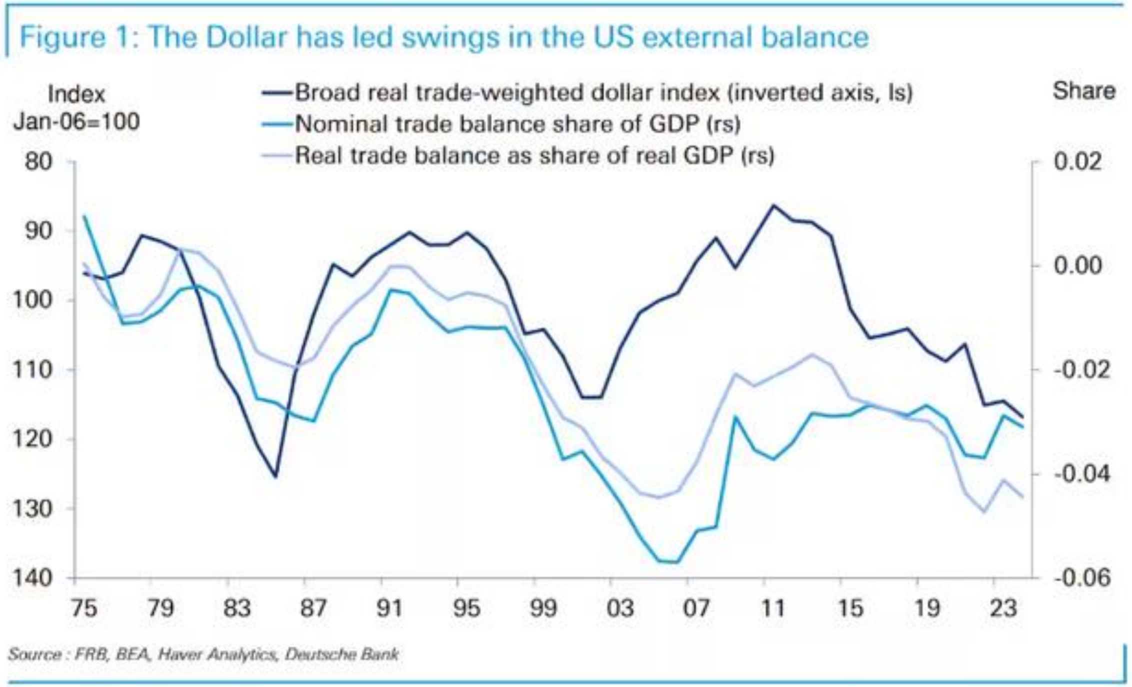
A new report from Deutsche Bank suggests that reversing the dollar’s 40% real appreciation could eliminate the U.S. trade deficit.

While we are unsure of the $ depreciation way forward; however, we are fairly confident that DXY has topped out here.

Weaker dollar and Low crude are a win-win for Indian companies. Assuming both will remain range-bound, companies could see a margin expansion. Multiples to that extent could continue to remain high.

Here's how much the dollar would need to depreciate to wipe out the U.S. trade deficit

By Joseph Adinolfi



(DEUTSCHE BANK)

With the Trump administration increasingly focused on striking deals to help weaken the dollar, a team of analysts at Deutsche Bank crunched the numbers and determined just how much the greenback would need to weaken to eliminate the U.S. trade deficit.

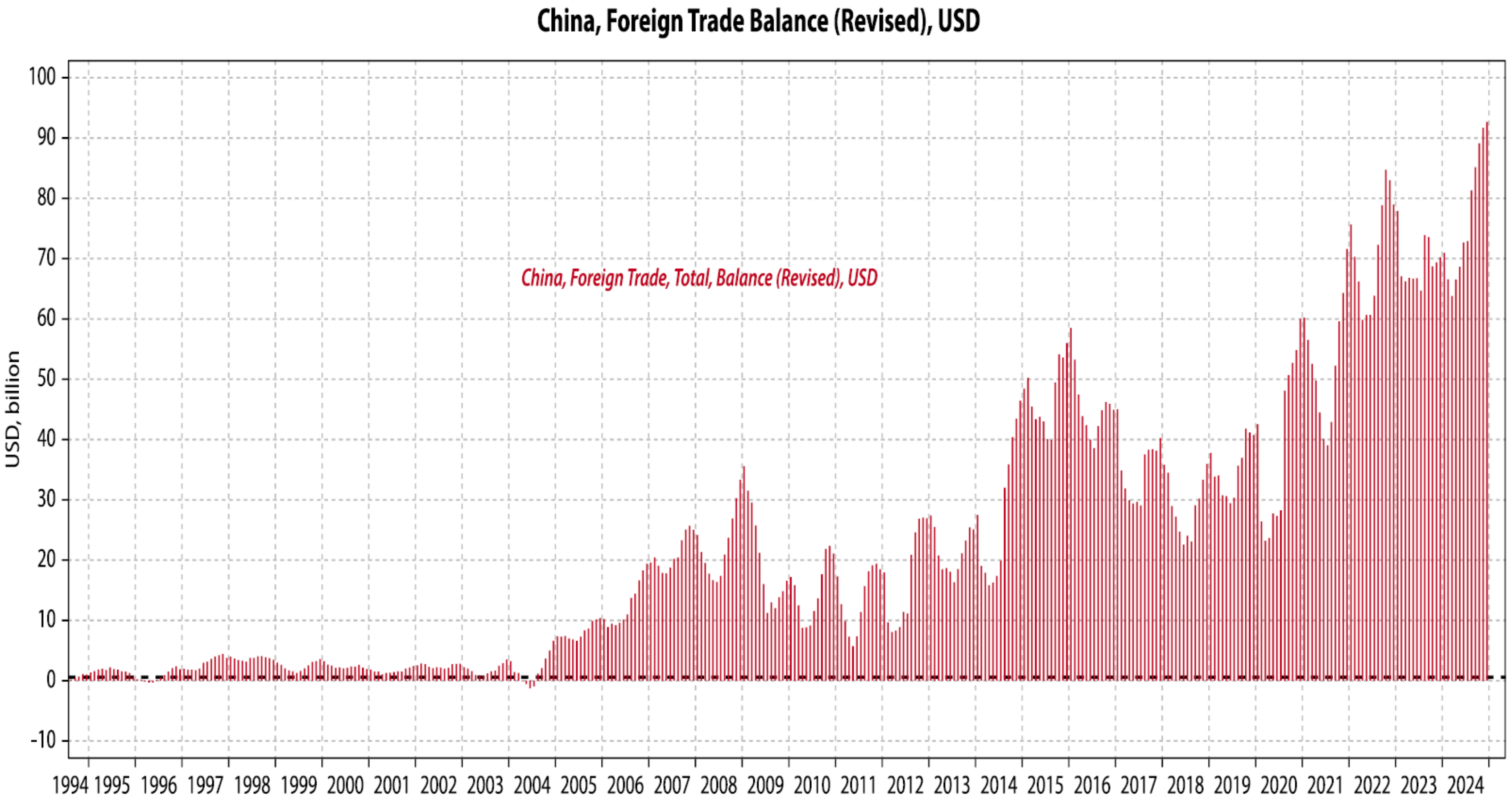
The answer? About 40%.

China+1 : 'Reality' or 'Fiction'

The widely discussed "China+1" strategy, aiming to diversify supply chains and reduce reliance on China post-COVID, has seemingly not translated into a significant shift in global trade dynamics.

Despite efforts by various companies and nations to establish alternative manufacturing hubs in countries like Vietnam, India, and Mexico, China's trade surplus has surprisingly doubled in the last five years.

This resilience stems from China's established manufacturing scale, efficient supply chains, and growing technological capabilities, making it difficult for other nations to quickly replace its dominance in global trade despite ongoing diversification efforts in some sectors.



Gavekal Research/Macrobond

How is India placed?

India, not the G7, Is the Future of Global Growth

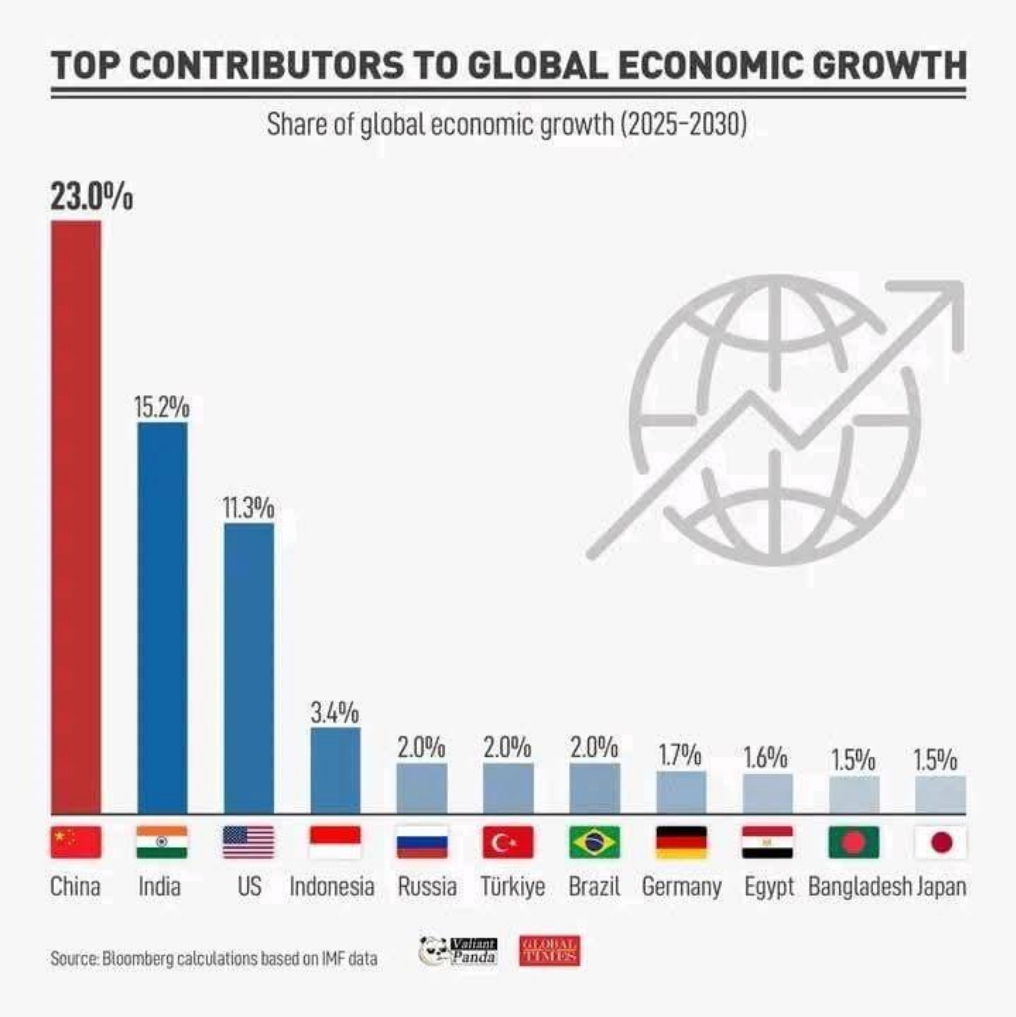
With the exception of the United States, the G7 bloc is no longer a meaningful engine of global economic expansion.

Today, China's economy is so large that even at a moderate 4–5% growth rate, it contributes over 25% of incremental global GDP. The scale effect is unmatched.

To put this in perspective:

- Bangladesh is projected to add more to global GDP between 2025–2030 than Japan.
- **India alone will outpace the entire G7 (ex-US) in terms of contribution to global growth.**

The implications are clear. **For global corporates**, lacking exposure to **India or China** is not just a strategic gap—it's a risk to long-term shareholder value. **M&A, JVs, or greenfield investments** in these markets are no longer optional—they are imperative.



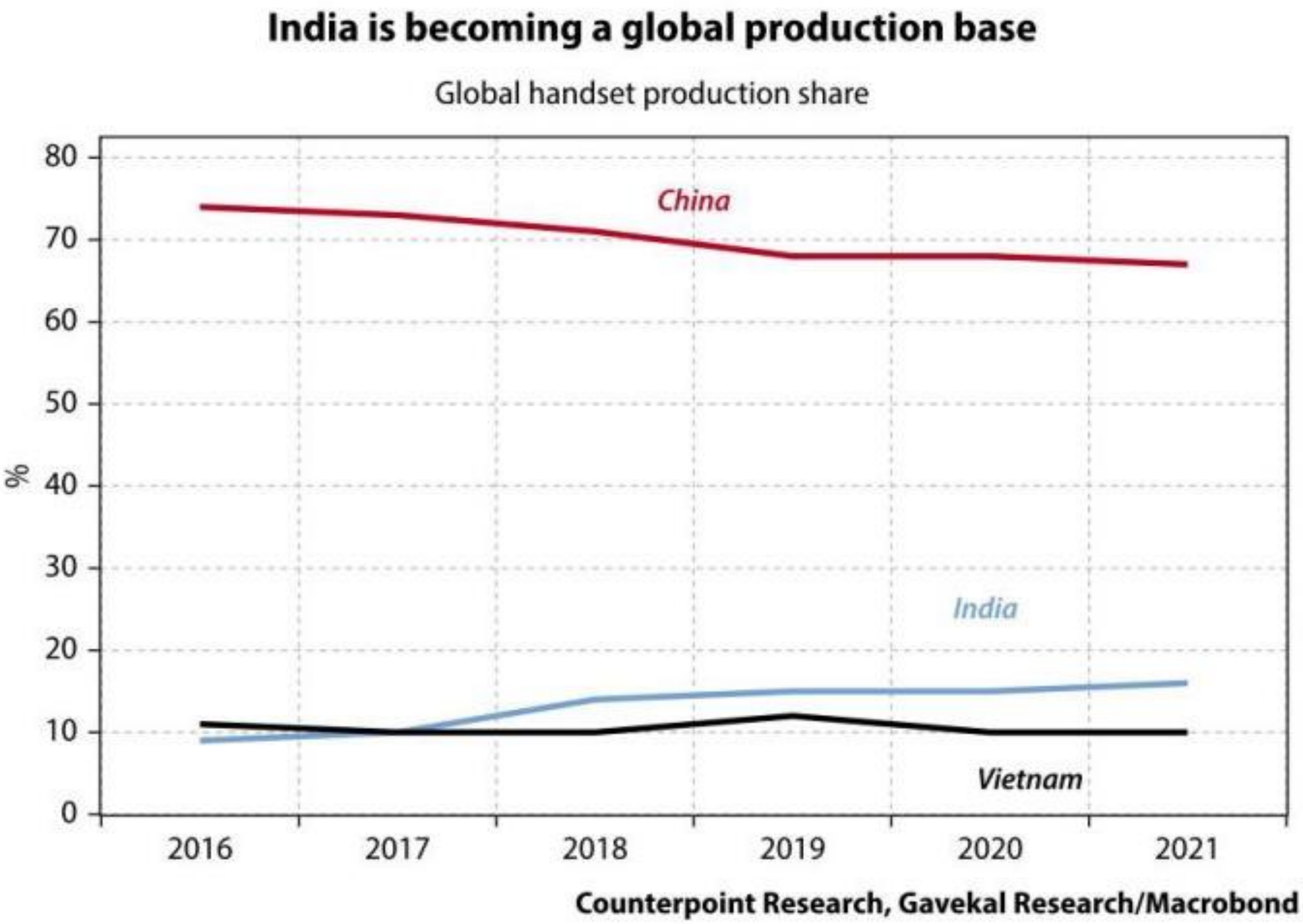
India: Emerging new low-cost producer?

"Apple plans to shift the assembly of all iPhones destined for the U.S. from China to India by the end of 2026."

The first reason is a shortage of affordable labor. Young Chinese are less and less willing to do repetitive factory work, and employers must pay bigger bonuses to keep them. Indian workers cost half as much as their Chinese counterparts, and are less likely to jump ship.

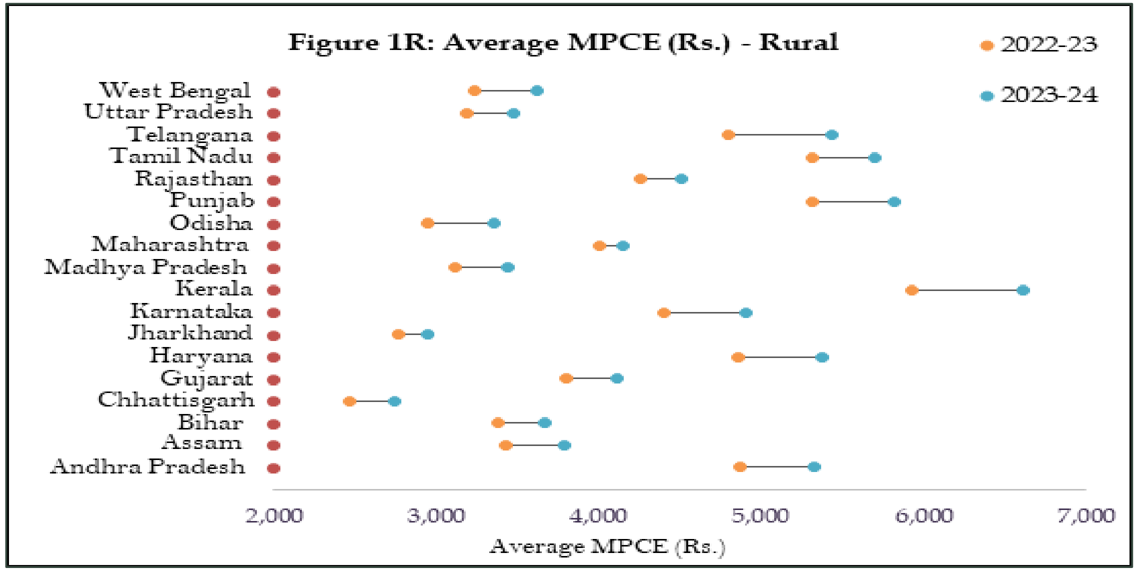
The second factor is geopolitics. Apple knows it must reduce its dependence on Chinese factories after last year's lockdowns and Covid-induced supply shortages

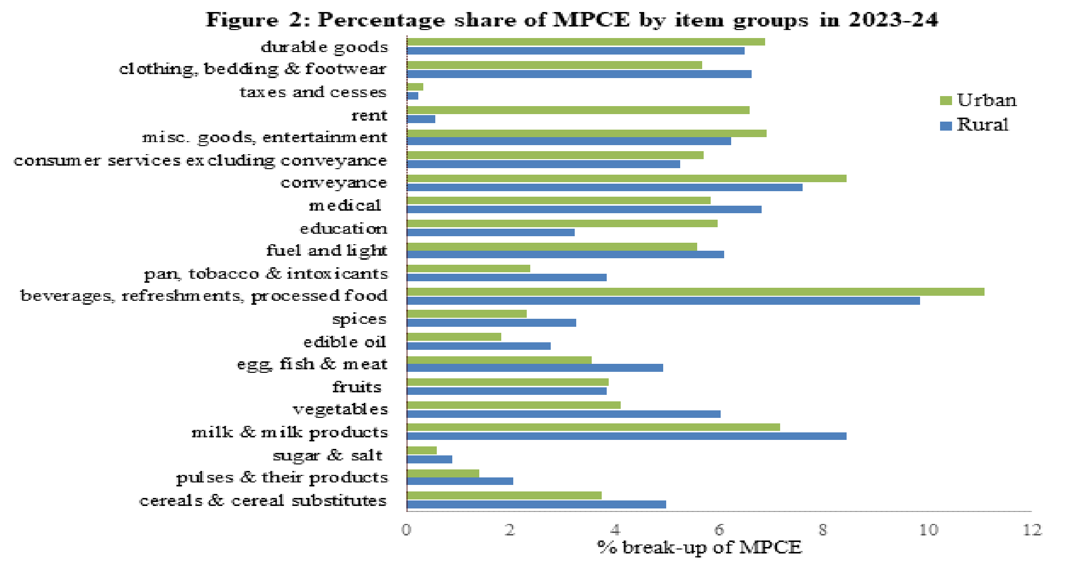
This is probably one of the biggest win for India in recent times.

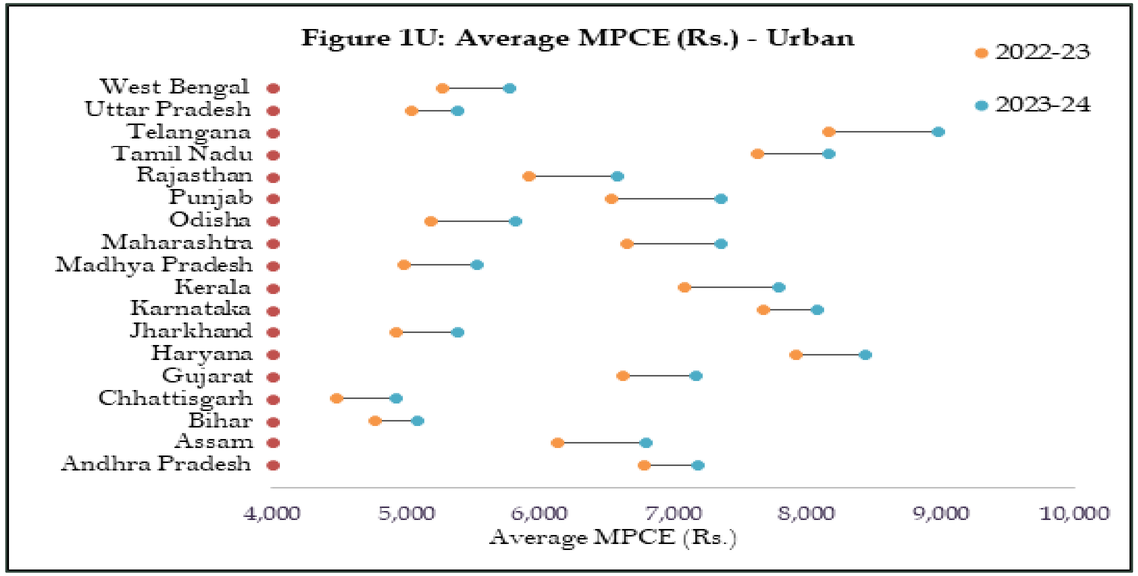


India's Growth Story Is Turning Rural

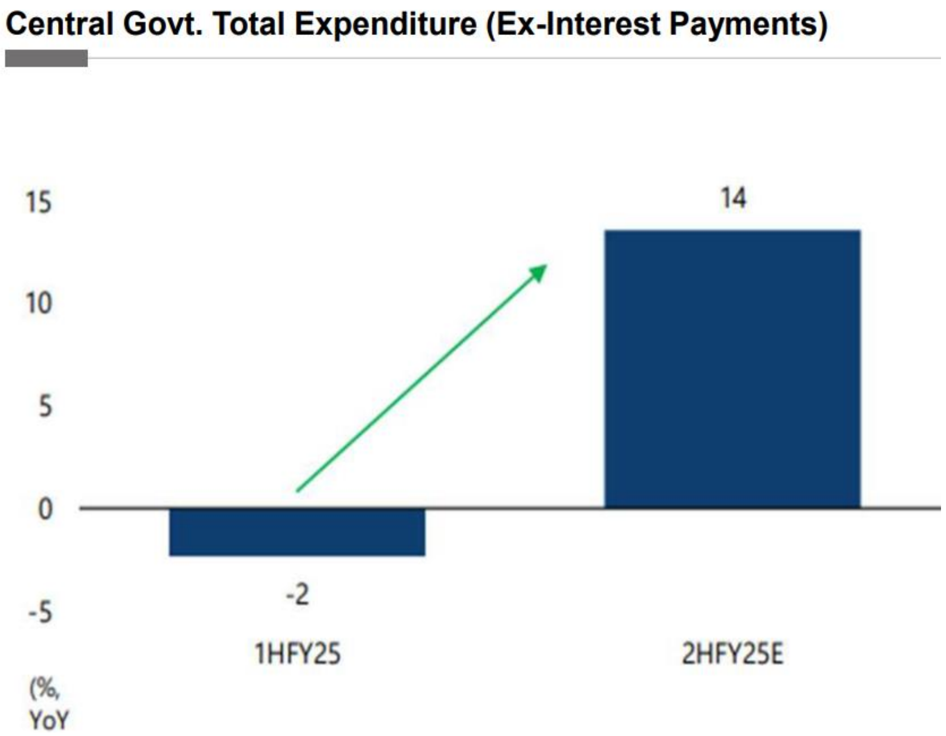
- The common belief is that India's growth is city-driven, but rural consumption is now outpacing urban. Recent data shows rural FMCG demand rising ~6%, compared to ~2.8% in urban areas. The urban-rural gap in average monthly per capita expenditure (MPCE) has narrowed to 70% in 2023–24 from 84% in 2011–12. All 18 major states have seen a decline in this gap.
- Consumption inequality is also falling. The Gini coefficient for rural areas dropped to 0.237 in 2023–24 (from 0.266), and for urban areas to 0.284 (from 0.314), signaling more inclusive growth.

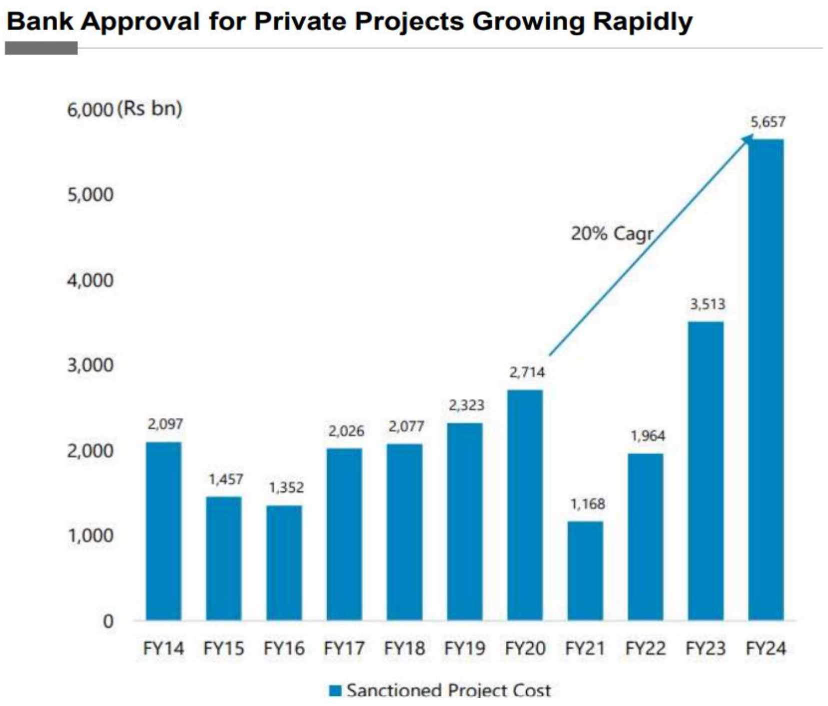






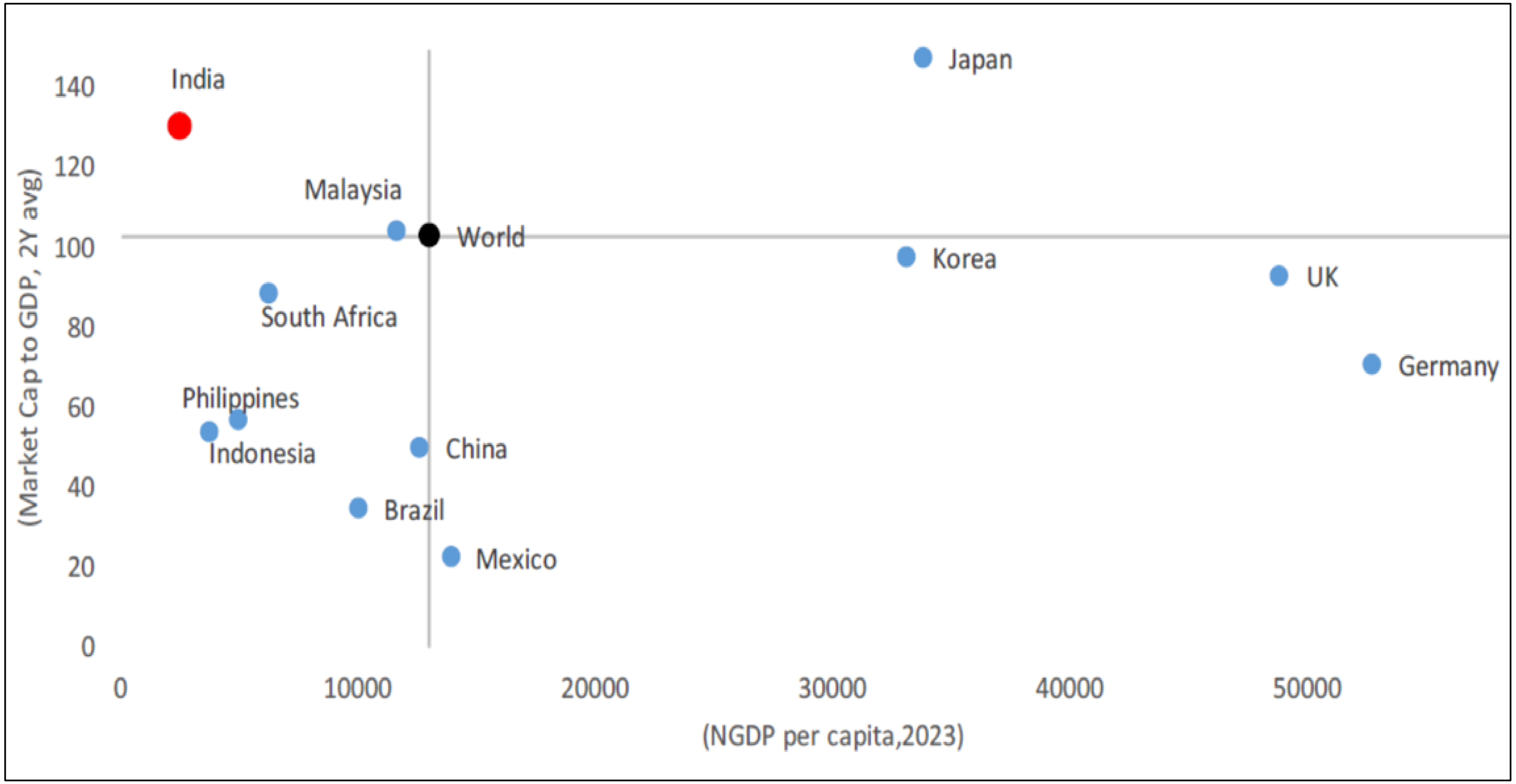
Government takes the lead again on Capex





- Positive for India is that the reversal of unwarranted tightening of monetary and fiscal policies will help drive the recovery. In India's case, fiscal and monetary policy were tightened and caused a growth slowdown even though macro stability indicators were not flashing red (rising inflation, widening of current account deficit, or significant increases in private debt to GDP).
- Government spending, which accounts for 28% of GDP, contracted by 6% YoY from a trough in Jul-24 on a three-month trailing basis amid elections, and then recovered at a slower-than-expected pace post-elections, especially on the capital expenditure front.
- In fact, monetary easing is hitting full throttle across 3 fronts – rates, liquidity injection, and regulatory easing. Green shoots have started to emerge - GST revenue grew by close to 12.6% in Jan-Feb 2025. Central government capital expenditure growth has accelerated markedly in December and January, including grant allocation to state governments, and total capex is estimated to rise by 17.4%

India vs the World: India has deep equity markets at low per-capita



- India scores quite high on the quality of capital markets
- India's equity markets are quite deep and diversified, with reasonably good corporate governance standards and high-quality regulatory architecture.
- This is well reflected in the M-cap/GDP vis-à-vis per-capita income metric, wherein India stands out.
- Despite low per capita income, the quality of institutions of governance in India has been much better than what would be the case in countries with similar income levels.

Thoughts on Asset Allocation

Asset Allocation in times of changing geopolitics

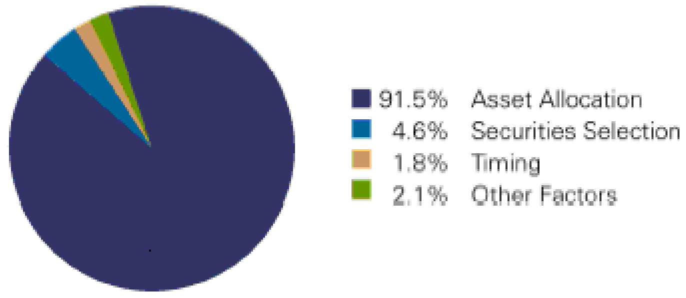
The zeal and zest with which the American administration is asking to ‘take the pain’ for some ‘greater gain’ is a bit of a rerun of Volker moment. Nothing of this sort has happened in last 50 years.

- ✓ *“Wall Street done great… but we have a focus on small biz and consumers. We have to rebalance the economy” Bessent.*
- ✓ *“Stock market isn’t driving decisions of this admin” Lutnick.*
- ✓ *“I am not concerned about market reactions to Tariffs….There will be a little disturbance, but we will be okay. Trump*

History is replete with examples of low returns for investments made in euphoric market conditions. For example,

- ✓ *investing in extremely bullish markets in 1992 yielded a mere 2% return over bonds in Indian equities over 30 years.*
- ✓ *Long bonds purchased in 2003 or 2009 would produce zero real returns till date. During 2000-13, 1973-84, and 1929-47, US equity markets also provided zero real returns.*
- ✓ *In the 18th and 19th centuries, US stocks barely delivered risk premiums over bonds.*

DETERMINANTS OF PORTFOLIO PERFORMANCE

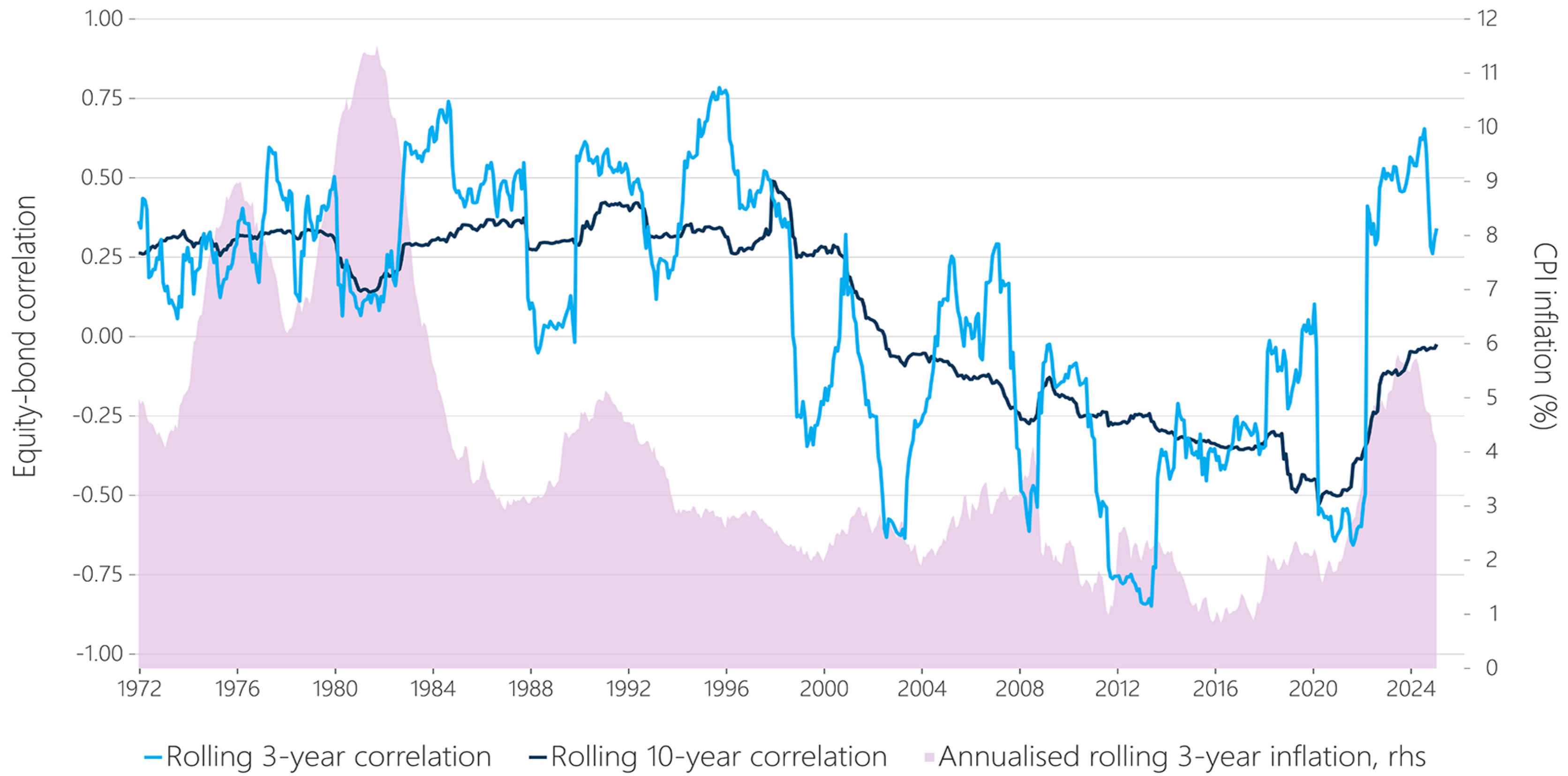


** Source: Brinson, Hood & Beebower, Financial Analysts Journal, 1986 Brinson, Singer & Beebower, Financial Analysts Journal, 1991.*

If you are a policy watcher, a monumental change is underway in the way policy is constructed. Policy thinking is increasingly recognizing that optimizing for ‘stock markets’ primarily benefits incumbent businesses, but this doesn’t necessarily translate into broader national interest.

Correlation moved to 'Positive' Zone – *Will '60/40' diversification still hold good?*

- The "60/40" portfolio myth assumes a **low to negative correlation** between stocks and bonds. In reality, this correlation is highly variable.
- For most of the past century, stocks and bonds actually moved together (positive correlation), and only in the 2000s–2020s did they diverge/low to negative.
- Today's rising inflation and uncertainty have driven stock–bond correlation to multi-decade highs, eroding traditional diversification benefits.



▲ In 2022, both stocks and bonds crashed: **S&P 500:** –18.1% **U.S. Bonds:** –13.0% → **Worst 60/40 performance since 1937**

Why?

A surge in inflation drove both asset classes down together, pushing correlation to multi-decade highs. Rising uncertainty has since kept this relationship positively skewed, undercutting diversification. The playbook of the past 20 years is broken. A new regime demands a new strategy.

For any other queries write to us at
contact@equirus.com

Corporate Office :

Equirus Capital Private Limited

12th Floor, C Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai - 400 013

Equirus Securities Private Limited

21st Floor, A Wing, A-2102, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai - 400013

3rd floor, House No. 9, Magnet Corporate Park, Near Zydus Hospital, B/H Intas, Sola Bridge, S.G. Highway, Ahmedabad - 380 054

Equirus Family Office Private Limited

Multi-Family Office

13th Floor, A Wing, A-2102, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai - 400013

Equirus Insurance Broking Private Limited

21st Floor, A Wing, A-2102, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai - 400013