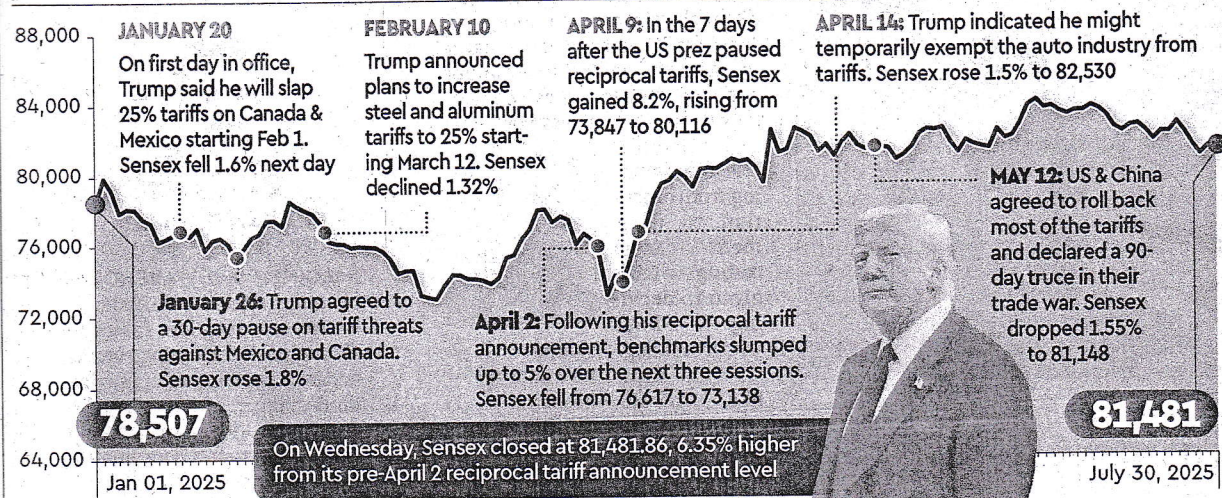


WITH NO DEAL YET, INVESTORS LIKELY TO BE ON EDGE, SAY EXPERTS

Benchmarks brace for Trump tariff turbulence

HOW SENSEX REACTED TO US PRESIDENT'S ANNOUNCEMENTS



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Mumbai, July 30

US PRESIDENT DONALD TRUMP'S decision to slap India with a 25% tariff on exports, with an additional penalty, is expected to cause a sharp fall of 0.5% to over 1% in the equity markets on Thursday. Though market experts believe there are chances of a renegotiation similar to what has happened with other countries, investors are likely to be on the tenterhooks till things settle down.

According to Nilesh Shah, MD, Kotak Mahindra AMC, the markets will react negatively. "Despite the unpredictable policymaking of the US, the market was expecting a tariff deal to work out as longer-term US India strategic interests are aligned," he said.

A Balasubramanian, MD & CEO, Aditya Birla SunLife Mutual Fund, said: "The final tariff set out for India is little higher than what was expected. Having said that, since there is no special dispensation for India, there could be some uncertainty before things settle down overtime."

Some like Arun Kejriwal, founder of Kejriwal Research and Investment Services, expect the markets to fall over 1% on Thursday, given it is also the expiry day. "It'll be a cascading effect across sectors and we will have to watch who panics first," he said.

At 8.30 pm, the GIFT Nifty—the indicative benchmark to gauge Nifty's opening level—traded 0.61% lower.

Reacting to the tariffs, Indian American depository receipts (ADRs) fell up to 4%,

with Dr Reddy's Lab falling the most while Infosys dropping the least at 0.96%. In case of global depository receipts (GDRs), Tata Steel fell by 15.75%, Mahindra & Mahindra fell 6.72% and Reliance Industries was down 1.71%.

However, most believe that the impact of tariffs may not be too much in terms of GDP, and the negative market reaction will mostly be due to weak sentiment at a time when corporate results have also been subdued. However, there also seems to be a fatigue factor amid market players due to Trump's regular flip-flops since he took over as the US President on January 20.

Saurabh Mukherjea, founder and CIO of Marcellus Investment Managers, says there need not be any overreaction immediately. "In the past four months, the markets have

become familiar with the negotiation tactic of the US president," he said. According to Mukherjea, if the 25% tariff is implemented, he sees a 100-bps hit to India's GDP. Among Asian peers, he said, India has the lowest dependence on exports and of the total exports, US is only 10%, which contributes 0.5% to our economy.

Kejriwal also expects more negotiations to happen. Looking at it holistically, the US team is planning to visit India on August 25, he said, adding: "A lot of hectic negotiation is going to happen because they want relief in agriculture and dairy."

Shah added that he hopes that this unilateral imposition should accelerate Indian policymaking to be growth supportive. "Our biggest deterrence continues to remain GDP size and competitiveness," he said.