

TRADING GROUNDS

A DIVE INTO RECENT MARKETS



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Knowledge Series

April 2025

Volume 7 (Series 1)

❖ Trade Grounds - Introduction

“Government in wait and watch mode as markets continue to tumble”

“Market Cap jumps 35 Lakh Crore in March.”

“Sensex, Nifty trade flat; except IT, all other sectors in the red”

With headlines a buzz and markets riding highs and lows, Indian markets are the talk of every household and business. In 2025, the financial world is navigating volatility, tech disruption, shifting investor sentiment, and global change. From stock reactions to rate hikes and geopolitical tensions, to commodity swings driven by supply chain shifts—every trading ground is transforming.

This Knowledge Series takes a focused look at the current landscape of three key financial arenas:

1. **Recognized Stock Exchanges,**
2. **Over-the-Counter (OTC) Market and**
3. **Commodity Markets**

❖ Recognized Stock Exchange

It is the heartbeat of a nation’s financial market, where stocks and securities trade under strict regulatory oversight, ensuring fairness, transparency, and investor trust. In India, powerhouses like **BSE and NSE** serve as the financial battleground where fortunes are either made or lost.

➤ Market in Turmoil: Crash or a Correction?

Current Market Scenario:

This “story” doesn’t always make it easier to understand precisely what is happening. Because these phrases are used so often (and sometimes interchangeably). Let’s make sure we know the difference between a market crash and a market correction.

So, when you’re wondering what’s happening to the market, just be sure to ask-

How deep is the decline? Your answer will help point you in the right direction!

➤ Correction V/S Crash

Feature	Market Correction	Market Crash
Definition	A short-term decline in market prices, typically 10% or more from recent highs	A sudden and dramatic drop in market prices, usually 20% or more in a very short time
Trigger	Valuation concerns, interest rate hikes, inflation, or normal market cycles.	Panic selling, economic shock, geopolitical crisis, black swan events.
Market Sentiment	Cautious, but not panicked.	Fear, panic, and often irrational behaviour.
Recovery Time	Weeks to months.	Months to years.
Investor Behaviour	Rebalancing and sector rotation.	Panic selling, herd behaviour, liquidity crunch.

➤ Analysis - Whether a crash or correction?

The 14% decline that the market saw recently was a gradual correction, not a panic-driven crash. No mass hysteria—just profit booking and FPI adjustments. And by March 2025, recovery signs were already visible. This wasn’t a collapse; it was a market breather paving the way for the next rally.



➤ Influential Reasons Behind Market Downturn:

The recent downturn in the Indian stock market over the past few months can be attributed to several key factors:

- **Foreign Institutional Investor (FII) Outflows:** Since October, foreign investors have withdrawn around \$29 billion from Indian equities, leading to a 13% decline in major indices.
- **U.S. Economic Policies:** Strong U.S. job data has dampened hopes for Federal Reserve rate cuts, leading to a stronger dollar and prompting investors to pull funds from emerging markets like India.
- **Monetary Policy:** RBI responded by lowering interest rates by 25 basis points and is anticipated to implement further cuts to stimulate economic growth.
- **Reciprocal US Tariffs:** India faced a 26% tariff on its exports to the US, affecting key sectors such as automobiles, textiles, and fisheries.

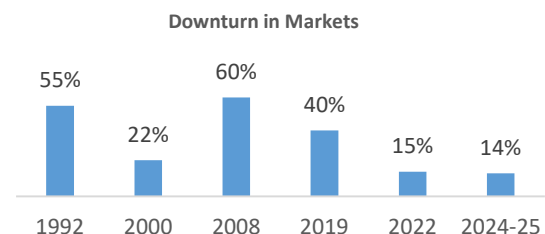
➤ What common factors led to this and previous correction?

Factor	Explanation
Geopolitical Uncertainty	Continued instability of Russia-Ukraine war.
Valuation Concerns	Markets were considered overvalued, triggering profit-taking and rebalancing.
Foreign Portfolio Outflows (FPI)	FPI pulled money out of emerging markets like India during periods of global risk-off sentiment and USD strength.
Commodity & Crude Volatility	Crude oil and industrial commodities saw price swings, affecting inflation, import bills, and investor sentiment.

➤ Current Market Downturn v/s Past Crashes and Corrections

- **Harshad Mehta Scam (1992):** Where stocks were manipulated using banking loopholes.
Decline: Fall by 55% in 12 months.
- **Dot-com Bubble (2000):** Overvaluation of tech stocks, global dot-com bubble collapse.
Decline: Fall by 22% in a year.
- **Global Financial Crisis (2008):** The US subprime mortgage crisis.
Decline: The Market dropped 60% in one year.
- **Covid-19 Market Crash (2020):** Global lockdowns, economic shutdown, and panic-driven selloffs.
Decline: The Market fell by 40% in a month.
- **2022 Correction and 2024-25 Correction:** Milder market fall.
Decline: 15% and 14%, indicating a temporary downturn rather than a crash.

*For ease of understanding, we will identify the events from their year of occurrence.



➤ Recovery Measures

When the stock market experiences a correction or crash, several measures can help stabilize and recover the market:

▪ Policy and Government Interventions

Monetary Policy Adjustments: RBI cut the repo rate/injected liquidity by 0.25% and may reduce it further to boost investor confidence.

Regulatory Interventions: SEBI may impose circuit breakers, short-selling bans, or margin relaxations to curb panic selling.

▪ Market-Specific Measures

Stock Buybacks: Companies repurchasing their own shares to restore investor confidence.

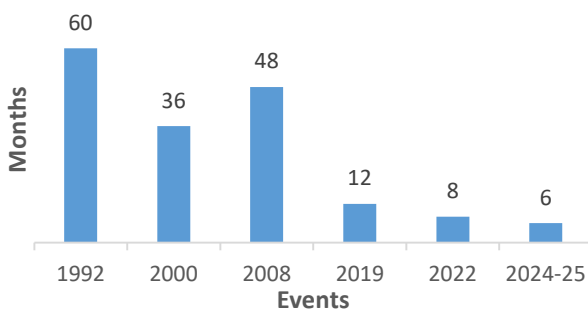
Dividend Announcements: Increased or special dividends to assure stability.

▪ Global and Domestic Sentiment Management

Positive Economic Outlook Statements: Communication from RBI, SEBI, and the Government to calm market fears.

Infrastructure & Development Projects: Government-led growth initiatives to boost employment and GDP.

➤ Stock Market Rebound Timeframes



❖ OTC Markets:

Over The Counter Markets are decentralized, with no physical location, yet account for billions of dollars in trades each day. Essentially, an OTC market refers to any trading that doesn't take place on a centralized exchange. Most of the trading takes place through networks of broker-dealers who connect buyers and sellers.

❖ Key Segments of OTC

1. Currency Derivatives
2. Interest Rate Derivatives (IRD)
3. Unlisted Equity Shares

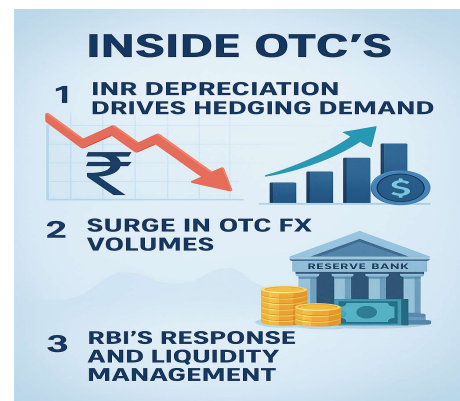
❖ Growth and Size of India's OTC Derivatives Market

- **Market Expansion:** Recent initiatives have propelled India's OTC derivatives market to a

notional value of approximately **\$9.27 trillion** in 2022, positioning it as the 20th largest globally.

- **Interest Rate Derivatives (IRD):** The notional outstanding amount for OTC IRDs in India was about **\$2.7 trillion** in 2022, reflecting a compound annual growth rate of 10% over the past five years.
- **Foreign Exchange (FX) Derivatives:** The FX derivatives segment has seen substantial activity, with corporate purchases of forward dollars with maturities over one year more than doubling from November 2024 to January 2025.

❖ Inside OTC's



1. INR Depreciation Drives Hedging Demand

When the rupee depreciates, importers, corporates with foreign debt, and investors face currency risk.

And to hedge themselves here, they enter into **OTC currency derivatives** like:

- Forward contracts
- Currency swaps
- Options

These are typically negotiated in the OTC market because of the need for **customized terms**.

2. Surge in OTC FX Volumes

Recent rupee volatility prompted Indian corporates to double their purchases of long-term forward dollars.

This spike directly reflects the growing use of OTC FX derivatives to hedge INR depreciation.

3. RBI's Response and Liquidity Management

The Reserve Bank of India conducts FX swap auctions in the OTC market to manage liquidity and control volatility.

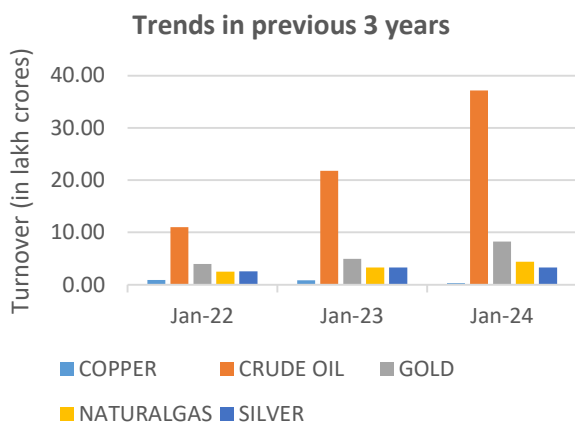
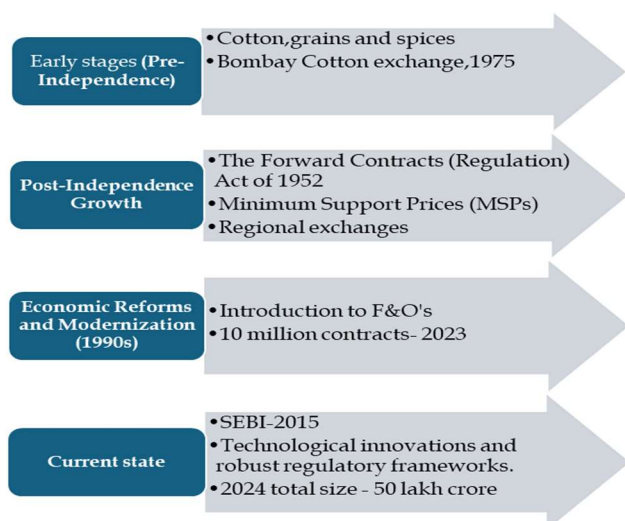
For instance, in March 2025, the RBI conducted a \$10 billion FX swap that saw strong corporate participation, because a weaker rupee made hedging more attractive.

❖ Commodity Market

➤ What is Commodity Market?

Commodity markets, like recognized stock exchanges, allow trading in assets such as metals, energy, and agriculture. They offer an alternative investment route to reduce risk and hedge against inflation.

A Brief History of the Commodity Market in India



❖ Gold- A tax haven asset

There is an increase of approximately Rs.12,000 from 2022 to 2023, which is more than 20%. And this streak is trending upwards since long- The reason for rise in prices is as follows:

❖ Substance that stays, Form that evolves:

In conventional forms, it was just buying physical gold in the forms of jewellery, coins, bullions, or artifacts. The scenario has changed today with investors having more options to invest such as gold ETF, gold mutual funds, Sovereign Gold Bonds, Digital gold, etc.

Type	Physical Gold	Gold ETF	Gold Mutual Funds	Sovereign Gold Bonds
Ownership	Direct	Indirect	Indirect	Indirect
Liquidity	Low	High	Moderate	Moderate
Returns	Upon the gold price	Tracks gold price movement	Returns from gold and fund management	Interest + gold price appreciation
Taxation	CG tax	CG tax	CG tax	Tax-exempt

❖ Why Is Gold Getting More Expensive?

- 1. Rupee Depreciation-** If the rupee weakens against the dollar, gold becomes costlier even if global prices stay flat.
- 2. Import Duty & GST-** India imposes high import duties (currently around 15%) on gold to curb the trade deficit.
- 3. Central Bank Influence-** RBI's foreign exchange reserve diversification includes gold purchases.



❖ Relationship Between Stock Market and Commodity Market

During inflation, commodity prices rise while stocks and bonds tend to fall. Higher commodity prices often push governments to raise lending rates, making borrowing costlier and stocks less attractive- leading to a drop in equity prices. Similarly, rising rates reduce demand for fixed coupon bonds, driving their prices down. In contrast, commodities like precious metals become appealing, offering better returns. This inverse relationship highlights how inflation reshapes investment dynamics.

❖ Final Takeaway:

Recent trends across stock exchanges, commodities, and OTC markets reveal recovery, volatility, and mixed signals respectively. This underscores the need for strategic diversification and continuous market monitoring. In today's uncertain climate, adaptability and timely decisions are key to financial resilience.

❖ Compliance Calendar for the month of April 2025

Sr No.	Date	Compliance
1	07-Apr-25	ECB-2 Return (Monthly)
2	11-Apr-25	GSTR-1 (Monthly)
3	13-Apr-25	GSTR-1 Quarterly Return - QRMP
4	15-Apr-25	ESIC Payment and Return (Monthly)
5	15-Apr-25	Provident Fund Payment and Return (Monthly)
6	20-Apr-25	Monthly Payment of Profession Tax (Karnataka)
7	20-Apr-25	GSTR-3B (Monthly)
8	22-Apr-25	GSTR-3B Quarterly Return - QRMP
9	30-Apr-25	Payment of TDS /TCS
10	30-Apr-25	Maharashtra PT monthly Return and Payment
11	30-Apr-25	MSME Form 1

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❖ Special Mention:

Thank you **Vanshita Mehar, Rutuja Pokarna, Sanjana Bangad, Yash Darak and Charu Somani** for the compilation of this knowledge series.

❖ RRCO Corner:

Though we believe that Womanhood should be celebrated every day, our Team took this opportunity to redefine the terms associated with them and celebrate Women's Day in its true spirit.



The team came together to celebrate the vibrant festival of colours with great enthusiasm and joy. Burst of colours filled the air as everyone embraced the spirit of togetherness and festivity.

