**Disclaimer :- This was originally published on 6th October 2023 and is part of our Q2FY24 letter. Link to the letter here**

**Given the worsening macro situation in China and high interest rates in the US, at what point does such a development become a serious concern for the Indian economy and stock markets?**
One can never completely ignore the macro. For example, interest rates affect growth and Cost of Capital. Hence, some calibration of stance always takes place on appropriate entry valuations. However, the challenge is that change in macro variables may not correlate with stock price performance as new ones could emerge which have more influence.

We came across an excellent blog written by Ian Cassel recently. The blog argues that you could knowmany macro variables for certainty and positioned your portfolios ahead of them, yet you would still have been wrong on outcomes.

The blog can be read here. https://microcapclub.com/2023/09/even-if-you-knew-the-future/. An excerpt from the blog is enclosed.

*"What if you knew in early 2022 that the 30-year fixed mortgage rate was going to rise from 2.8% to 7.3%? …What if you knew in early 2022 that Russia was going to invade Ukraine and disrupt energy and fertilizer markets. How would you position yourself? (Perhaps) Short builders, short tech, short consumer discretionary, long energy, long fertilizer. What would have happened? The largest residential home builder in the United States, D.R. Horton, is up 5% in 18 months. Nasdaq down 12%. Consumer discretionary down 15%. Oil is down 18%. Fertilizer prices are down 25%.*

*You got two out of the five right. Even if you knew the future, you would still be mostly wrong."*

Stock prices are affected by multiple variables in the short term. Even if you could forecast some variables with perfect insight, new ones can impact the outcomes. The NASDAQ has powered higher in 2023 on the back of a few companies who are seen as big beneficiaries of developments in ArtificialIntelligence which has emerged as a new theme.

Borrowing once again from the blog, *"the way you handle the macro is to handle the micro. Find companies that can grow, earn more money, and not dilute you. Buy them at good prices and wait. Thereturns will come to you. Don't get distracted by macro conversation or trying to pivot your portfolio based on where you think things are going. Even if you knew the future, it wouldn't help you."*

The rewards of playing the long game are significant. But to reap those gains, we need to ignore shortterm noise and over-come the fear of 15-20% drawdowns that can happen any time.