



United We Fall

Visualizing Markets
in Motion
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Visualizing Markets in Motion | United We Fall

Trade Blocs and Alliances are generally a sign of strength - but for BRICS, this may well be a liability, with the US President threatening additional tariffs for countries that align with BRICS . We believe the US is overthinking the threat - if it can even be termed as one. Neither do we see BRICS challenging Dollar's status as a reserve currency (at least not for a long while) nor do we see much meaningful progression given the disparate interests.

Tariff threats against BRICS allies may make headlines, but the true opportunity lies beneath the noise — India, set to resume its outperformance vs. HSCEI, is the key market to watch.

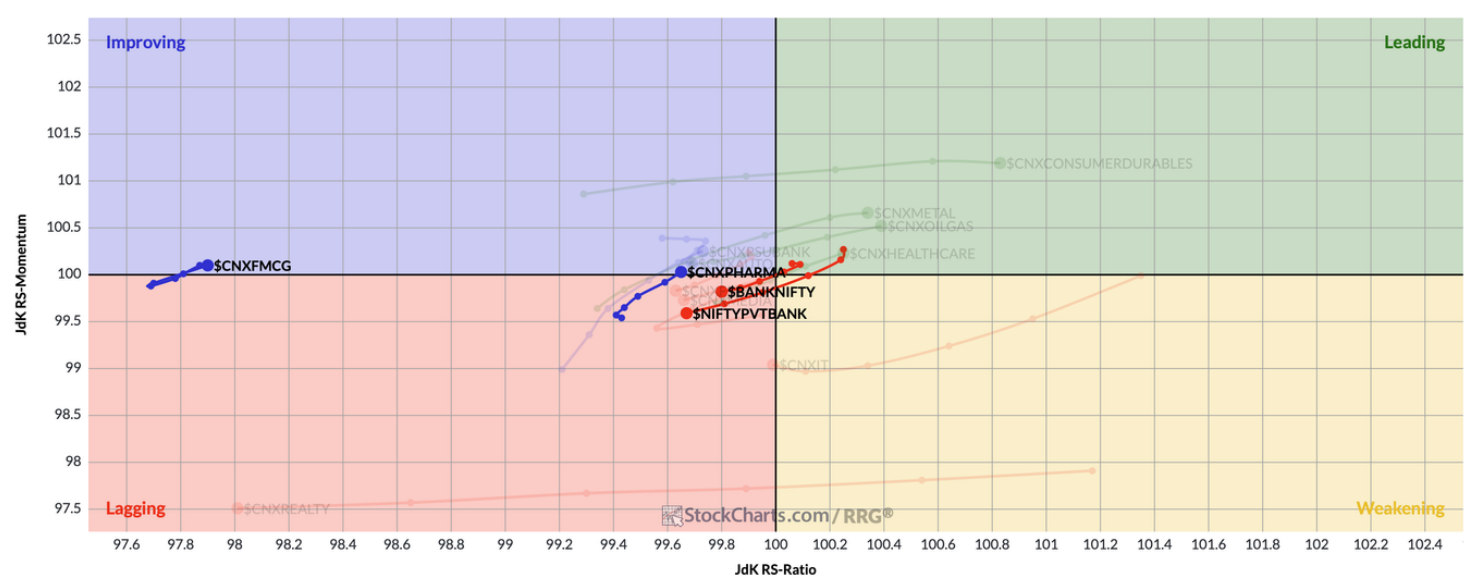
Nifty/ HSCEI - Outperformance Resuming



source: Trading View

- **How real is the BRICS Threat?.** The recent threat by the US President to impose tariffs on countries aligning with BRICS presumes a level of cohesion that simply doesn't exist. Deep strategic and political divisions — notably between India and China — limit BRICS' effectiveness as a trading bloc or geopolitical counterweight.
- **Dollar replacement is a distant dream.** While the notion of an alternative reserve currency resurfaces periodically, the path to displacing the USD is long and fractured. There is no credible, coordinated monetary or economic framework among BRICS members to support such a transition in the near term. Besides, many of these countries, especially India and China, have competing interests in promoting the Rupee and Yuan respectively.
- **India vs. China:** the real trade to watch. The Nifty has underperformed the HSCEI across 2024 and into early 2025. But between mid-March and mid-April, Nifty staged a sharp relative rally — outperforming HSCEI by over 20 percentage points — before giving back nearly half that outperformance in the last two months. This is changing.
- **Technical setup favors India.** The pullback in Nifty/HSCEI appears to have formed a textbook flag pattern — typically a bullish continuation formation. A breakout seems to be underway, with a potential upside target of 3.5 on the Nifty/HSCEI ratio (from the current ~2.95), implying further outperformance of 18–20 percentage points.
- **Sector rotation within Nifty offers further clarity** - i) Positive: FMCG and Pharma show relative strength and defensive positioning. ii) Weak: Financials, particularly banks, appear more vulnerable in the current environment.
- **The tariff narrative is likely to persist**, but investors should differentiate between real economic shifts and political theater. India's domestic growth momentum, sector leadership, and strategic alignment with Western capital make it a more investible story than the broader, disjointed BRICS narrative.

Rotational Trends in Nifty - FMCG and Pharma have Momentum; Banks Do Not



source: Stockcharts

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