Modi Meets Trump - India needs to look at this relationship from a global trade lens

It has been a largely fruitful meeting in between Trump and Modi. Two of the largest democracies in the world have agreed to work closely and that is good. However, it will be all about economics.

What is the Trump-Modi deal?

Even as we await the contours of the full deal, some early indications are out. India and the US will nearly double the total trade to $500 billion by 2030. Also, the trade deal talks about the US giving F-35 fighter jets to India and will count on India as a major market for US oil. In response to allowing India to expand the exports, to the US, Trump expects steep rates of import duties reduced on key high-end items. Rate has been cut on key items, including bourbon whisky.

Defence deals will hold the key

The Indian armed forces, in the recent past, have underlined that if India has to be able to stand up to China, it needs a major boost to its air power. That can only be achieved if the US sells its high-end F-35 fighter aircraft to India. That is something that is finally likely to happen by the year 2026, giving the Indian Air Force a major shot in the arm. Even as a strategic defence, it will substantially improve India's bargaining power with the Chinese. While in-sourcing defence has worked in low-end products, India still needs the irrefutable defence tech that only the US can provide. That, and, support for nuclear energy will be key.

Handling the oil googly

Trump has underlined that he wants India to buy more of US oil. Currently, the US is among the top-5 suppliers of crude to India, but accounts for only 4.4% of the oil import basket, while the share of Russia is nearly 38%. Russia offers discounts and importing from the Middle East is cost effective. However, Trump is keen that India buys oil from the US and also expands its share, so that the trade surplus that India enjoys will be cut. The other contentious issue will be retaining the dollar as the central currency. That means; India will not be party to any BRICS plan for alternate payment system to the current SWIFT, which is largely dominated by the West.

How should India play along?

For Trump and for Modi, the Indo-US cooperation deal will be measured in terms of economics. However, there is also some accommodation that India may have to show towards the US. By importing more oil from Russia and the Middle East, India only adds to her trade deficit. On the other hand, cooperation with the US can eventually help expand the trade surplus. India has to also look at strategic considerations especially in the light of Russia becoming extremely dependent on China, economically. That will cloud their decision, so the only way for India is to rebuild bridges with the US. The process has started on a right note, but now comes the tough part!

Gold and Sensex - Despite a similar journey, they have different roles to play

In the last 20 years, gold and Sensex have almost moved in tandem. Does it mean that investors can be indifferent to investing in gold or equities? The real story, probably, lies in the correlations.

Returns on Gold and Sensex

There appears to be an interesting sort of parallel between the performance of gold and the BSE Sensex in India. Back in 2005, the price of gold was around ₹7,000 per 10 grams and today it is at around ₹87,000 per 10 grams. Sensex is also up from 7,500 levels to September 2024 peak of 85,000. In short, both the assets are up around 11 times in last 20 years. Of course, the Sensex also has a 1.2% dividend yield, but broadly, the CAGR returns on gold and Sensex would be roughly equal in the last 20 years.

Was grandma right after all?

When we talk of wealth creation, the reference is normally to stocks, and the Sensex is the best representation. But, can one also look at gold considering it has also risen 11 times in the last 20 years. There is a small difference here. Firstly, if you look at the Sensex over the last 45 years, consistently given out returns of 16% CAGR. More important, the drawdowns may have been sharp in size, but they have not been too long. On the other hand, if you look at gold, it had a 19-year drawdown from 1980 to 1999 and the consistent rally in gold has only started since the GFC of year 2008.

Real story lies in correlations

Scratch the surface, and you will find some more subtle differences between the story of equities and gold. We have seen about the drawdowns being much longer in gold. Secondly, gold tends to outperform equities by a big margin in times of economic uncertainty, political strife, and geopolitical risk. That is why the sharpest gold rallies were seen after the GFC in 2008, after the European crisis in 2010, COVID pandemic in 2019, and now after the Trump tariffs in 2025. In short, it is in times of such strife that gold outperforms equities, while stocks tend to do better in normal phases of economic growth. If you look at gold over the last 100 years, it has probably just about covered the cost of inflation.

How to include gold, then?

The good old argument still holds. For wealth creation, it is still equities. When it comes to equities, it is not just one index price, but you also have stock selection. Gold is just a commodity. The answer lies in mandatorily including gold as part of your portfolio as a hedge. As a hedge, an exposure of 10-15% would be good enough. Gold may have done well in the last 20 years, but that may or may not be repeated. However, adding gold to your investment portfolio, gives you that much needed cushion in tough times. The risk-adjusted returns of a portfolio with the gold hedge will make it a better performer in the long run!

Infosys Layoffs - This is just the start, and IT employees have to be practical about it

In the last few months, Infosys has been in the news for all the wrong reasons. It was first the 70-hour week suggested by Narayanamurthy, which resulted in a deluge of memes. Then, of course, there was the more serious issue of big layoffs.

Why Infosys laid off trainees?

There has been a big hue and cry over Infosys laying off close to 700 trainees from its Mysuru facility. The background, in itself, is quite interesting. The trainees were, apparently, made the offer more than 2 years ago, but due to internal shift in priorities, they were never taken on board. Eventually they were only taken on board in late 2024 and were going through the relatively rigorous Mysuru training program. According to Infosys, the contract with the trainees had laid out clearly that the employment was subject to these trainees clearing the evaluation examination within 3 trials.

That was the key problem. Out of over 2,500 trainees, over 700 trainees did not make the cut, as they could not clear the evaluation examination even after three attempts. That is when the 700 trainees were asked to leave the company and the camps with immediate effect. There are some concerns raised on humanitarian grounds, as people were asked to leave the campus at short notice. Also, the key labour bodies are planning to take up the matter seriously. However, that has been done, is largely as per the letter of the contract, and really cannot be faulted.

Surplus manpower is history

There was a time when most of the IT companies used to run with a full bench. The bench refers to employees who were on the rolls, but did not have projects. That idea, is already losing relevance. IT companies are now becoming a lot more economical about how they add and how they retain manpower. They need to run a tight ship and any spending leakages are totally ruled out. That explains the decision why Infosys did it in a hurry!

AI is changing the goalpost

This is not just an Indian phenomenon, but even globally AI and ML are taking a toll on jobs. If automation reduced the routine jobs, AI and ML are also reducing the smart jobs. The challenge is clear and the onus is on the employees to always be open to new ideas and retrain and to re-equip themselves. Unless they do that on a consistent basis, AI and ML will take away their roles. There is no choice!

No point blaming Infosys

The trend of AI and ML taking your job may be just about visible, but it is likely to become a deluge in the next few years as the use of AI spreads with more test cases and much better technology, cloud computing skills and storage. As AI takes on scale, the impact on most jobs is only going to get magnified. Infosys has just sounded the siren. This will be the one big career challenge for professionals!