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at a glance

JANUARY 2025

ISSUE 275

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From Tariffs to Taxes:

Global Markets Brace for Trump Impact



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*Based on Retail Loan book size (excluding mortgages). Source: Annual Reports FY 19-20 and No.1 on market capitalisation based on BSE data as on 31st Dec, 2021

T&C apply.

Talk to your Wealth Relationship Manager today!



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EQUITY MARKET OVERVIEW

DECEMBER 12, 2024 TO JANUARY 13, 2025

Domestic Equity Market Update

Indian equity indices, i.e., BSE Sensex and Nifty 50, ended the period on a negative note to the tune of 6.1% and 6.0% MoM, respectively. Broader market indices such as BSE Midcap delivered a negative return of 11.3% MoM and BSE Smallcap delivered a negative return of 11.5% MoM.

On the BSE sectoral front, most of the sectors ended on a negative note. Power, Realty and Metal were the biggest laggards. In December 2024, Foreign Portfolio Investors (FPIs) were net buyers in equities to the tune of ₹111bn.

Indian equity indices ended the period on a negative note on concerns over a weakening rupee, rising crude oil prices and continued outflows by the foreign institutional investors. Losses were extended on concerns over a potential delay in the US Fed's rate cut in 2025 following strong US service sector activity in December 2024 and job openings data of November 2024. Concerns over a potential moderation in earnings growth in Q3 FY25, further widened the losses.

Domestic Macroeconomic Updates

- As per S&P Global, India's Services Purchasing Managers' Index (PMI) for December 2024 rose to 59.3 points, an increase from 58.4 points recorded in November 2024.
- As per S&P Global, the manufacturing activity in India registered its weakest growth of 2024 in December 2024 as the Manufacturing Purchasing Managers' Index (PMI) fell to 56.4, down from 56.5 in November 2024.
- As per the United Nations (UN) flagship report, World Economic Situation and Prospects 2025, the Indian economy is expected to grow by 6.6% YoY in 2025 and 6.7% YoY in 2026.
- As per the Ministry of Statistics, the Gross Domestic Product (GDP) estimates for FY25 have been maintained at 6.4% YoY. This is significantly lower than the 8.2% YoY GDP growth witnessed in FY24.
- As per the Ministry of Statistics and Programme Implementation, Industrial production rose 5.2% YoY in November 2024, faster than the 3.7% YoY gain in October 2024.
- According to official data, the output of eight key infrastructure sectors slowed down to 4.3% YoY in November 2024 against 7.9% YoY growth registered a year ago.
- The Current Account Deficit (CAD), the difference between total imports and exports, reached USD 11.2 bn or 1.2% of GDP in July-September quarter of this year, compared with a revised deficit of USD 11.3 bn or 1.3% of GDP in the same quarter a year ago, the Reserve Bank of India (RBI) said in a release.
- According to a survey by the Retailers Association of India (RAI), retailers in India reported a modest 7% YoY growth in sales during the 2024 festive season, falling short of the anticipated 10% YoY rise, reflecting subdued consumption throughout the year.
- NSO data shows that the share of Gross Fixed Capital Formation (GFCF), a proxy for infrastructure investment in the economy, is expected to fall to 30.1% of GDP in FY25.
- According to ICRA, revenue of the Indian construction companies for FY25 is estimated to grow at 8-10% YoY, slower in comparison to a growth of 12-15% YoY during previous years.
- Oil ministry data showed that India's fuel consumption in December 2024 rose 2.1% YoY to 20.67 mn metric tons, its highest level since last May 2024.
- As per the GSTN portal, the E-way bills, touched their second-highest level in December 2024 in 24 months, growing 17.6% YoY to reach 112 mn.
- As per AMFI data, inflows into India's equity mutual funds rose about 15% MoM in December 2024. Inflows into equity mutual funds rose to ₹411.56 bn in December 2024.

Global Market Updates

US equities (S&P 500, Dow Jones Industrial Average) ended the period on a negative note as strong economic data dimmed hopes for the Federal Reserve (Fed) rate cuts. Additionally, increasing bond yields contributed to the adverse impact.

European equities ended the period on a negative note as investors were concerned over slowing economic growth and a potential trade war.

Brent crude price rose from USD 73.41 per barrel to USD 80.65 per barrel amid optimism about the outlook for global oil demand and the possibility of a supply shortage resulting from the sanctions imposed on crude oil exports from Iran and Russia.

Fund Managers' Corner

As per the fund managers, interest rate movements, global slowdown concerns, potentially weak Q3 FY25 earnings, volatility in US bond yields, policy direction of new administration in the US, Foreign Portfolio Investor's (FPI's) outflows, decelerating urban demand and promoters selling could continue to pose risks to Indian equities in the near to medium term. Nevertheless, strong domestic macros and high-frequency indicators, government-led capex traction, improvement in private capex, positive management commentaries on future prospects, revival of rural economy and positive Domestic Institutional Investors (DII) flows may provide some respite.

Incremental exposure to defensive sectors like Private Banks, Pharma and IT can be seen across portfolios by the Fund Managers. Increasing cash level across schemes indicate fewer opportunities as the markets are getting narrower.

With the valuations rising across the board, the fund managers' ability to identify better bottom-up ideas and adjust their portfolios periodically could be drivers of relative outperformers vs their peers, irrespective of their investing style. Given that return volatility

Domestic Indices	Close	Absolute Change	% Change
BSE Sensex	76330	-4960	-6.1
Nifty 50	23086	-1463	-6.0
Nifty Next 50	61482	-11601	-15.9
Nifty 500	21243	-2013	-8.7
BSE 200	10450	-925	-8.1
BSE 100	24132	-1954	-7.5
Nifty Midcap 100	52390	-6631	-11.2
Nifty Smallcap 100	16922	-2544	-13.1
BSE Bankex	54619	-5888	-9.7
BSE IT	43526	-1903	-4.2
BSE Auto	50487	-3128	-5.8
BSE FMCG Sector	20452	-191	-0.9
BSE Oil&Gas	25116	-1903	-7.0
BSE Healthcare	42562	-1615	-3.7
BSE Cap Goods	61931	-11002	-15.1
BSE Metal	26806	-5178	-16.2
BSE Power	6149	-1426	-18.8
BSE Cons Durable	59877	-6208	-9.4
BSE Infra.	546	-100	-15.5
BSE Realty	7089	-1394	-16.4

Overseas Indices	Close	Absolute Change	% Change
S&P 500	5836	-215	-3.6
Dow Jones Ind Avg	42297	-1617	-3.7
Dax (Germany)	20133	-293	-1.4
FTSE (UK)	8224	-88	-1.1
Hang Seng	18874	-1523	-7.5
Nikkei	39190	-659	-1.7
Shanghai Composite	3161	-301	-8.7

Source: Bloomberg

Note: Closing prices of all the above indices are as on January 13, 2025

continues in the market, actively managed equity funds assume importance in an investor's portfolio.

Outlook & Investment Strategy

Going forward, Indian equity market is likely to be driven by incoming macro data points, upcoming union budget, FPI/DII flows, monetary policy moves from the RBI, Q3 FY25 results and announcement of policy changes by the Incoming US Administration. A robust US economy along with rising dollar index has led to FPI outflows from emerging markets which has impacted the market negatively and also has raised doubts over possibility of delay in rate cuts. Despite the 50-bps CRR cut by the RBI to infuse durable liquidity in the system, the system liquidity continued to remain in deficit, resulting in weaker credit growth. Improvement in the liquidity condition remains a key to improved growth conditions in the economy.

In the US, Market participants are keenly awaiting the policy that Trump pursues to drive growth in the US. It is expected to be positive for corporations and the US economy, although there are some concerns about the effect planned tariff increases will have on its trading partners, including India.

While India's overall GDP growth remained strong in CY24, gradual weakness was starting to build into urban consumption and Government capex towards the end of the year. Tight monetary policy by the RBI to control inflation and currency, and a slowdown in government spending during and immediately post the general elections seem to be the key reasons that could be ascribed to the gradual growth deceleration.

Strong improvement in Government spending, improved rural demand, steps taken by the RBI to add liquidity and possibly lower policy rates are likely to drive GDP growth going forward.

The Quarterly earnings for Q3 FY25 have begun on a mixed note, with some IT companies reporting steady numbers, but the banking sector is suggesting weakening growth impulses. The market participants are likely to assess the performance of the corporates in the ongoing earning season to decide the further course of action. Weak earnings could see continuation of the current correction.

On the valuations front, Large caps look better than Small caps which look better than Mid caps. In the absence of any policy stimulus, CY25 could see fewer number of stocks getting re-rated and bottom-up stock selection would become an important parameter to generate portfolio alpha.

Investment deployment strategy could remain at 50% lumpsum and rest 50% to be staggered over the next 5-6 months. All allocations should be done in line with the risk profile and product suitability of the investor. Mutual Fund investors can look to focus on categories like Diversified equity, Equity, Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

Highlights

Key highlights from the report include... (The text is mostly illegible due to low resolution and blurring.)

Investment & Risk Profile

Investment and risk profile details... (The text is mostly illegible due to low resolution and blurring.)

Market Outlook: Overall Market

Market outlook and overall market analysis... (The text is mostly illegible due to low resolution and blurring.)

Global Markets

Global markets overview... (The text is mostly illegible due to low resolution and blurring.)

India

India market analysis... (The text is mostly illegible due to low resolution and blurring.)

Fixed Income Market

Fixed income market analysis... (The text is mostly illegible due to low resolution and blurring.)

Fixed Income Market: Government Securities

Fixed income market: Government securities analysis... (The text is mostly illegible due to low resolution and blurring.)

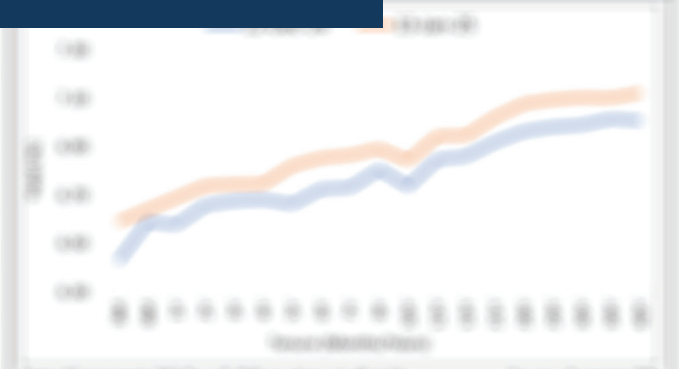
Debt Market Overview

10Y YTM	6.50%
3M YTM	5.50%

Period	Interest Rate (Yield)
11 Days - 11 Days	5.50%
11 Days - 20 Days	5.50%
21 Days - 30 Days	5.50%
31 Days - 40 Days	5.50%
41 Days - 50 Days	5.50%
51 Days - 60 Days	5.50%
61 Days - 70 Days	5.50%
71 Days - 80 Days	5.50%
81 Days - 90 Days	5.50%
91 Days - 100 Days	5.50%
101 Days - 110 Days	5.50%
111 Days - 120 Days	5.50%
121 Days - 130 Days	5.50%
131 Days - 140 Days	5.50%
141 Days - 150 Days	5.50%
151 Days - 160 Days	5.50%
161 Days - 170 Days	5.50%
171 Days - 180 Days	5.50%
181 Days - 190 Days	5.50%
191 Days - 200 Days	5.50%

10Y YTM	6.50%
3M YTM	5.50%
1Y YTM	5.50%
2Y YTM	5.50%
3Y YTM	5.50%
4Y YTM	5.50%
5Y YTM	5.50%
6Y YTM	5.50%
7Y YTM	5.50%
8Y YTM	5.50%
9Y YTM	5.50%
10Y YTM	5.50%

Debt Market Outlook



Debt market outlook and analysis... (The text is mostly illegible due to low resolution and blurring.)

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