

TOP 10 ISSUES FOR 2025



Rewind of 2024



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Global Indices v/s Indian Indices

Indian Market

Benchmark	Country	Index Level	1 Month	3 Months	6 Months	1 Year
NIFTY 50	India	23645	-2.02	-8.39	-1.52	8.80
BSE SENSEX	India	78139	-2.08	-7.31	-1.13	8.17

Developed Market

Benchmark	Country	Index Level	1 Month	3 Months	6 Months	1 Year
Nasdaq	USA	19487	1.40	7.13	9.89	29.81
S&P 500	USA	5907	-2.08	2.51	8.18	23.84
Nikkei 225	Japan	39895	4.41	5.21	0.79	19.22
DAX	Germany	19909	1.44	3.02	9.18	18.85
Madrid General	Spain	1131	-0.52	-2.80	4.70	13.40
NYSE	USA	19078	-5.89	-2.25	5.83	13.20
Dow Jones	USA	42574	-5.20	0.58	8.83	12.96
ATX	Greece	3663	3.50	0.22	1.48	6.64
FTSE 100	UK	8121	-2.01	-1.41	-0.53	5.01
Swiss Market	Swiss	11601	-1.39	-4.67	-3.28	4.16
CAC 40	France	7314	1.08	-4.22	-2.22	-3.04
RTS Index	Russia	893	18.50	-7.50	-22.92	-17.56

Emerging Market

Benchmark	Country	Index Level	1 Month	3 Months	6 Months	1 Year
MerVal	Argentina	2533635	12.19	49.27	57.24	172.52
Hang Seng	Hongkong	20041	3.18	-5.17	13.11	17.56
Straits Times	Singapore	3796	1.51	5.87	13.89	17.14
Shanghai Composite	China	3407	2.43	2.12	14.83	14.53
KLSE Composite	Malaysia	1638	2.72	-0.68	2.99	12.58
Jakarta Composite	Indonesia	7080	-0.48	-5.95	0.23	-2.65
Seoul Composite	South Korea	2399	-2.30	-7.47	-14.24	-9.63
Bovespa	Brazil	120283	-4.29	-8.75	-2.92	-10.36
IPC	Mexico	48838	-1.96	-6.94	-6.87	-14.90

Sectoral Indices

Benchmark	Theme	Index Level	1 Month	3 Months	6 Months	1 Year
Nifty Microcap 250	Index	25037	-0.31	-2.64	8.68	34.20
Nifty Smallcap 250	Index	17752	0.20	-3.58	3.75	26.43
Nifty Midcap 150	Index	21141	1.12	-5.25	1.48	23.80
NIFTY 50	Index	23645	-2.02	-8.39	-1.52	8.80
BSE SENSEX	Index	78139	-2.08	-7.31	-1.13	8.17
Nifty India Defence	Industrial	6494	-3.17	-2.47	-10.84	55.52
NIFTY SME EMERGE	Index	16606	3.21	1.96	16.16	53.96
NIFTY PHARMA	Exports	23412	5.27	0.56	18.65	39.10
NIFTY REALTY	Consumer	1052	3.16	-4.24	-4.74	34.39
Nifty CPSE	Industrial	6088	-6.71	-16.12	-10.56	25.26
Nifty India Manufacturing	Industrial	13823	-1.92	-11.46	-5.47	25.23
NIFTY AUTO	Consumer	22834	-2.29	-15.51	-9.39	22.64
NIFTY IT	Exports	43338	0.44	3.32	19.86	22.03
NIFTY PSE	Industrial	9532	-5.82	-15.54	-10.79	21.35
Nifty Infrastructure	Industrial	8464	-3.10	-11.61	-7.34	15.88
NIFTY PSU BANK	Finance	6541	-4.01	-3.19	-11.20	14.48
NIFTY METAL	Industrial	8650	-4.25	-15.18	-11.86	8.42
NIFTY BANK	Finance	50860	-2.30	-4.00	-2.83	5.32
NIFTY ENERGY	Industrial	35188	-6.12	-20.06	-15.80	5.14
NIFTY FMCG	Consumer	56800	-1.97	-13.34	0.08	-0.33
NIFTY PRIVATE BANK	Finance	24780	-2.16	-6.50	-4.97	-0.38

The Year in Charts

Nifty50- Performance in 2024



Midcap 150- Performance in 2024



Smallcap 250- Performance in 2024



Fund Flows in Indian Markets

Fund Flows : Month wise (Equity)			
Month	FII Secondary market	DII Flows	MF Flows
December'24	409	34,194	10,971
November'24	-42,315	44,484	35,633
October'24	-1,04,252	1,07,255	90,771
September'24	35,574	31,860	32,264
August'24	-1,319	48,279	31,685
July'24	21,374	23,486	25,089
June'24	24,145	28,633	28,226
May'24	-30,397	55,733	48,234
April'24	-21,523	44,186	32,824
March'24	24,970	56,311	44,237
Feb'24	-735	25,379	14,295
Jan'24	-28,462	26,743	23,740
Fund Flows (cumulative basis) (Equity)			
	FII Secondary market	DII Flows	MF Flows
3M	-1,46,158	1,85,933	1,37,375
6M	-90,529	2,89,558	2,26,413
1Y	-1,22,531	5,26,543	4,17,969

* Data till 31st dec 24, MF data till 18th Dec 2024

- ❖ During the year FII selling was averaging close 10000 crs per month
- ❖ DII flows in the secondary market were stronger with an average of over Rs 43,000 crs per month in the during the year
- ❖ DIIs pumped in more than Rs 5 trillion in the markets

What we said:- Top Ten Issues 2024

Issues Outlined	Actual Outcome
1) Politics will rule the world in 2024 and NDA to form the government in India	NDA government won 293 and formed the government. However, the ride wasn't easy with BJP alone winning 240 seats(vs. 303 in 2019 elections)
2) FII inflows to continue in CY 2024 post strong inflows in CY2023	We saw FII outflows to the tune of ~88k crs in CY24 in secondary market.
3) Onset of rate reduction cycle	The US central bank cut the key policy rates cumulatively by 100bps in CY2024. While RBI has not started the rate cut cycle, the 10 year G Sec yields have fallen from 7.29% to 6.89%
4) Strong Energy demand with a thrust on Renewable sources of Power	Peak Energy demand in 2024 reached 250 gigawatts (GW), up 6% yoy. Total installed capacity for Renewables reached 46% of total installed capacity in 2024 and crossed 200 GW.
5) Retail participation to continue to be strong in 2024	MF Flows were close to 4 lakh crs YTD CY24 (as of Nov'24), while DII flows for CY24 were > Rs. 5 lakh crs. SIP inflows in Nov'24 were ~Rs. 25,300 crs vs. Rs. 17,600 crs in Dec'23

What we said:- Top Ten Issues 2024

Issues Outlined	Actual Outcome
6) Weakness in commodity prices to reverse in H2 of CY24 once we have see an enduring recovery in Global economy and China stabilising	Ferrous Metals were weak in H1 and till August before seeing some recovery. Similar was the case with Iron ore. Non ferrous metals were strong in H1 and saw some weakness in later half.
7) Possibility of resurgence in China	We saw some recovery in Chinese markets in CY24 on the back of Government's stimulus measures (interest rate cuts, reduced downpayments for property prices, etc.)
8) Need to brace for Volatility	We saw a period of very high volatility and V-Shaped recoveries fuelled by domestic and global events – Elections, Union budget, FII outflows, strong domestic buying, weak quarterly results in some sectors.
9) Real estate to stay robust in 2024	We saw strong sales in Residential Real Estate and improving tenancy in Commercial Real Estate. The Realty index was up 33% for the year outperforming the benchmark significantly
10) Emerging Themes that looked attractive a) Capital Goods b) PSU c) Wealth Management d) New Age e) EMS f) Healthcare g) Tourism h) EV players	Atleast 6 of these 8 themes delivered strong performance and created Alpha vis-à-vis the benchmark. Even by keeping it simple and picking just a leader in each of these themes would have delivered performance superior to the broader markets and the benchmark (Nifty/Sensex).

Major Events of 2024

General Elections in India

The Union Budget with focus on
Infrastructure and Healthcare

Tax Reforms on Equity Investments as tax rates were revised
upwards for Short-Term and Long-Term Capital gains

Strong surge in IPOs (including SME)

Rate cuts by the US Fed and many
central banks of Developed economies

Top 10 Events of 2024contd

Volatility and Softness in Crude Oil prices impacted by geopolitical tensions and weak global demand

Slowdown in Corporate Earnings

FII Outflows which was countered by strong Domestic inflows

Controversies around Adani Group that picked up again in H2

India's inclusion in Global Bond Indices that attracted foreign capital flows in Debt markets

Top 10 Issues for 2025



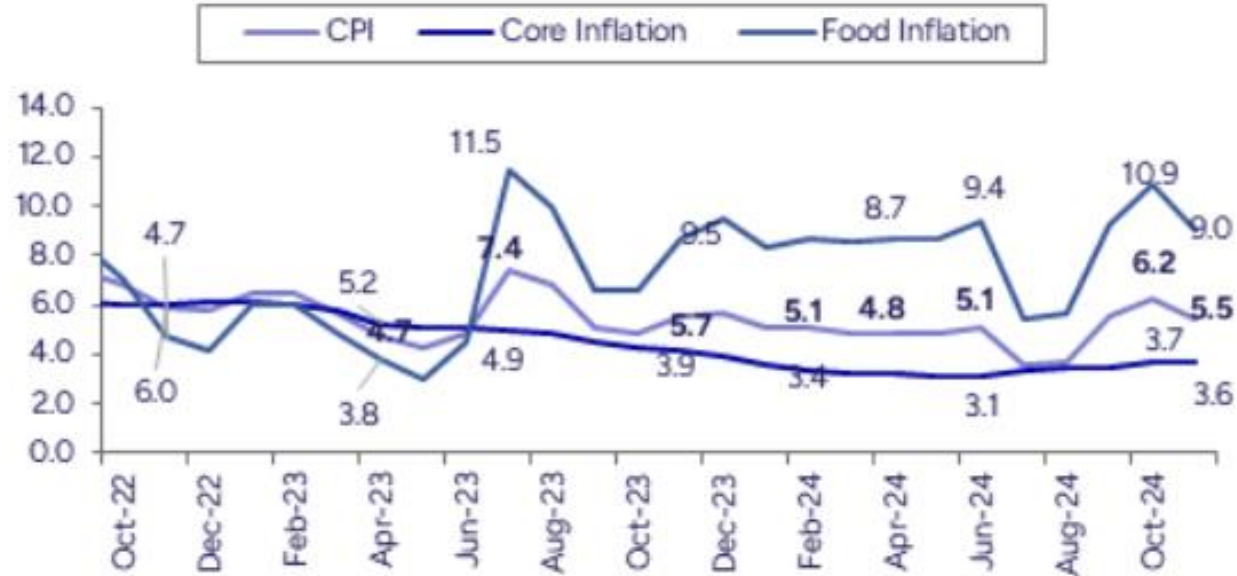
Top 10 issues for 2025

1. Inflation and rate cuts
2. Will consumption revive?
3. Government Policies and Politics
4. USA
5. China
6. The World at War
7. Commodity Prices
8. Domestic Retail Investors hold the key
9. 5 Themes for 2025
10. Market Outlook

1. Inflation and Rate Cut

- Inflation trajectory in India
- Inflation trajectory in the USA
- Impact of US Tariff hikes on inflation
- RBI Actions
- US Fed Actions
- Actions by other Central Banks

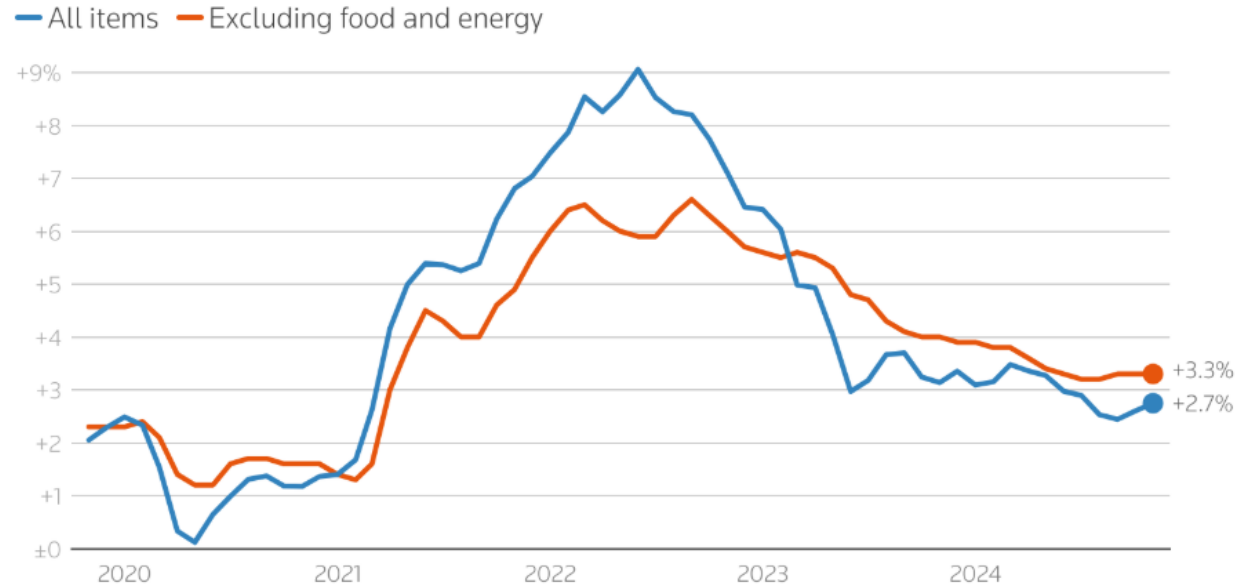
Inflation Trajectory in India



Source: PL, Trading economics

- Headline numbers close to RBI's upper end of tolerance (of 2-6%). Core Inflation is benign and has softened
- Food Inflation is sticky. Street expects food price pressures to ease over the next 2-3 quarters on the back of strong rabi sowing.

Inflation Trajectory in USA



Source: trading economics, reuters

- Inflation has declined steadily over the last 24 months. However, we saw an uptick in inflation on month-on-month basis (CPI inflation up 0.3% MoM), largest gain since April'24.
- Consumer spending growth more robust than expected.

US Tariff hikes pose inflation risk

- As per Fitch Ratings – “We assume the US effective tariff rate rises by more than 5pp to 8%, explained mostly by an assumed jump of 25pp in the effective rate on China”
- Tariffs is expected to further put upward pressure on inflation. Any changes to immigration could further impact labor supply growth leading to higher inflationary risks
- President-elect Donald Trump said he plans to impose them on Mexico, Canada and China in an effort to stop the flow of drugs entering the country and illegal border crossings.
- Trump has proposed tariffs of between 60% and 100% on Chinese goods, and a tax of between 10% and 20% on every product imported from all U.S. trading partners.
- Trump's tariffs would cost the average U.S. household about \$2,600 per year, as per an estimate from the Peterson Institute for International Economics.

Actions by RBI

Downward revision in Growth forecasts and upward revision in Inflation

MPC Projections (%)	Q3Y25	Q4FY25	FY25	Q1FY26	Q2FY26
MPC (Dec'24)					
CPI inflation	5.7	4.5	4.8	4.6	4.0
GDP growth(RHS)	6.8	7.2	6.6	6.9	7.3
MPC (Oct'24)					
CPI inflation	4.8	4.2	4.5	4.3	4.3
GDP growth(RHS)	7.4	7.4	7.2	7.3	7.3

Source: JMF, RBI

- RBI's Monetary Policy committee kept Repo rate unchanged with 4:2 ratio, i.e. 2 members in favor of rate cuts.
- CRR was cut by 50 bps, that is estimated to release liquidity to the tune of Rs. 1.16 lakh crs in the system
- Street expects a possibility of a 25bps rate cut in Feb'25
- Inflation expectation for H2FY25 were revised upwards and GDP growth ests from FY25 cut by ~60bps

Actions by the US Fed

Projections by US Fed in the recent FOMC Meeting

	2024	2025	2026	2027	Long run
Fed Funds Rate	4.4	3.9	3.4	3.1	3.0
Sep estimate	4.4	3.4	2.9	2.9	2.9
GDP Growth	2.5	2.1	2.0	1.9	1.8
Sep estimate	2.0	2.0	2.0	2.0	1.8
Unemployment Rate	4.2	4.3	4.3	4.3	4.2
Sep estimate	4.4	4.4	4.3	4.2	4.2
PCE Inflation	2.4	2.5	2.1	2.0	2.0
Sep estimate	2.3	2.1	2.0	2.0	2.0
Core PCE Inflation	2.8	2.5	2.2	2.0	
Sep estimate	2.6	2.2	2.0	2.0	

Source: JMF, US FOMC

- The US Fed cut key benchmark rate by 25 bps to 4.25-4.5%
- Going forward, Fed's projection on future rate cuts points to cautiousness and sees just 2 rate cuts in CY25 vs. earlier expectations of 4 cuts. The Fed Funds rate as per the Dot plot stands at 3.9% vs. 3.4% in September.

Actions by Other Central Banks

ECB:

- The ECB cuts key rate (Deposit Facility rate) by 25 bps to 3% – this was the 4th cut this CY
- It also hinted at further rate cuts if inflation eases to its 2% target (Inflation was 2.4%)

Japan:

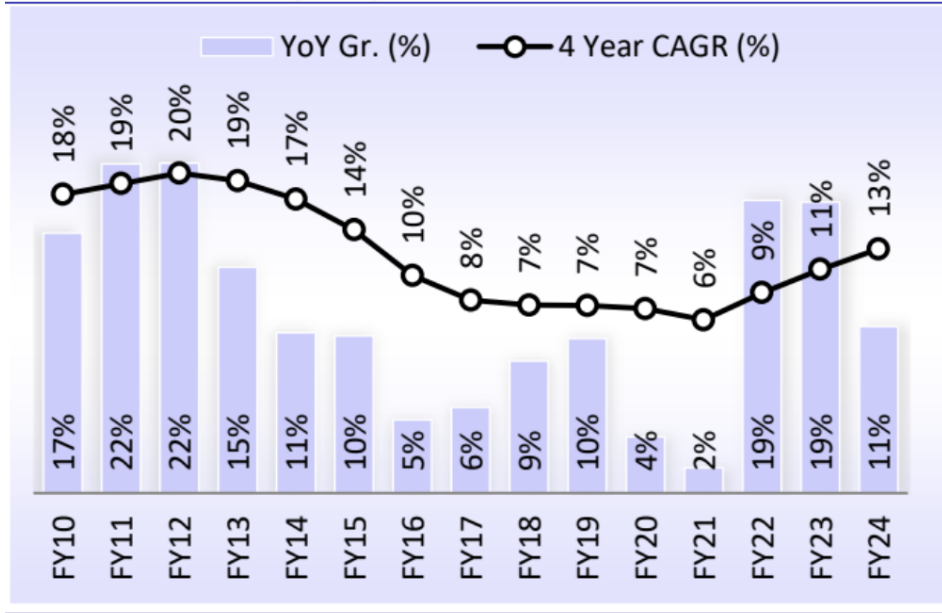
- As of December 2024, the Bank of Japan (BOJ) has maintained its short-term policy interest rate at 0.25%, following a series of rate hikes earlier in the year.
- In March 2024, the BOJ ended its negative interest rate policy, raising the short-term rate from -0.1% to a range between 0% and 0.1%, marking its first rate hike in 17 years. Subsequently, in July 2024, the BOJ increased the rate to 0.25%.

2. Will consumption revive?

- Consumption trends
- What do we expect about urban demand
- What do we expect about rural demand
- Move towards premiumisation
- Mahakumbh – a boost to consumption

Consumption Trends

Consumer Index – yearly trend

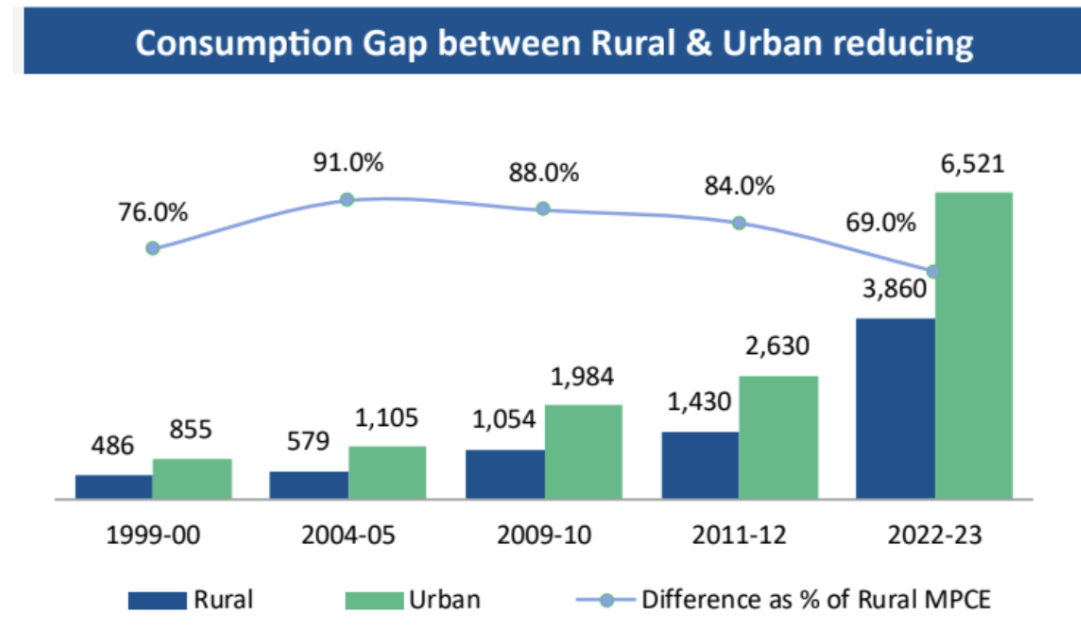
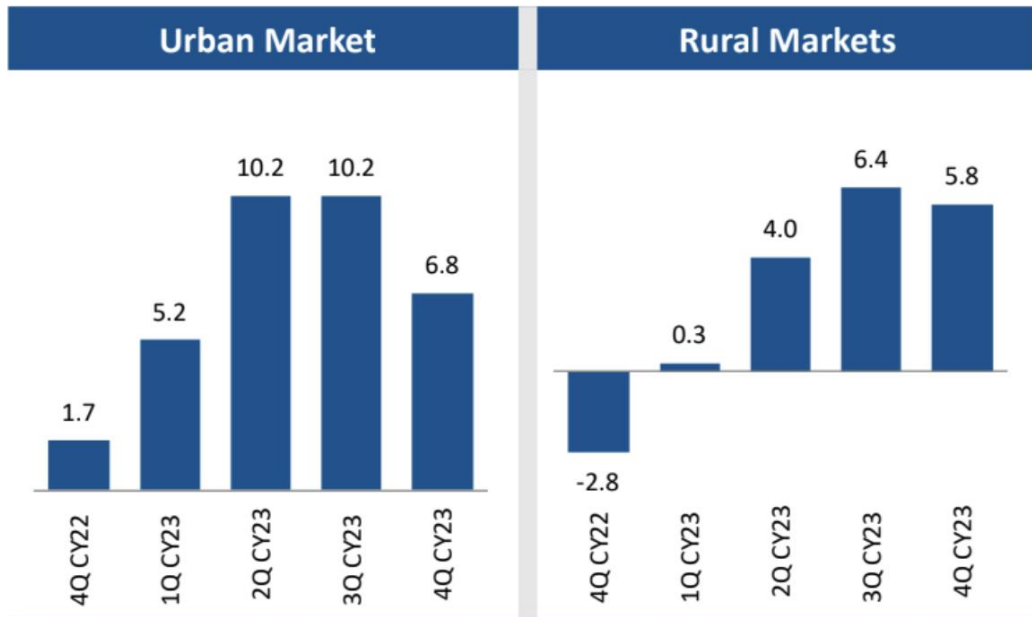


Source: Companies, MOFSL

Month	Rural Inflation Rate (%)	Urban Inflation Rate (%)	Combined Inflation Rate (%)
January	5.51	5.89	5.66
February	5.34	4.78	5.09
March	5.45	4.14	4.85
April	5.34	4.78	5.09
May	5.28	4.15	4.75
June	5.66	4.39	5.08
July	3.54	3.39	3.54
August	3.6	3.65	3.65
September	5.87	5.05	5.49
October	6.68	5.62	6.21
November	5.95	4.83	5.48

- Rising inflation, particularly in essential goods and services, is contributing to a decline in consumer purchasing power, constraining discretionary spending.
- As the global tensions continue rise in the ongoing disruption in supply chain have have led to shortages and increased prices for various goods leading to lower demand in markets.

Urban & Rural Demand



Source: Industry:

- The narrowing gap in consumption between rural & urban markets. This can be attributed to multiple factors, including government initiatives aimed at improving rural livelihoods, better agricultural output, and the success of regional marketing strategies.
- Additionally, an increase in disposable income, driven by wage increases in the agricultural sector, has contributed to this rise in consumption.

Premiumization

RETAIL SALES

OEM-wise figures (in units)

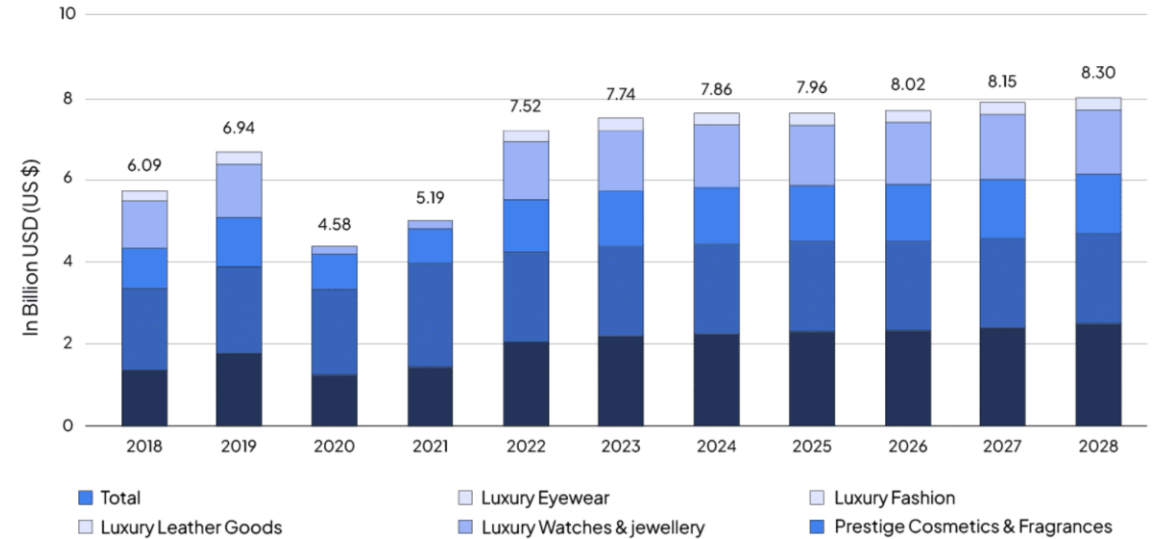
■ Jan–Nov 2023 ■ Jan–Nov 2024

Mercedes	14,975	█
	16,203	█
BMW	11,436	█
	12,933	█
Audi	6,651	█
	4,971	█
JLR	3,138	█
	4,234	█
Volvo	1,999	█
	1,715	█
Lexus	1,187	█
	1,238	█

Note: Telangana data is included

Source: JATO Dynamics India

Revenue Growth of India's Luxury Goods Market



Source: Statista

- The premiumization trend in India reflects a growing consumer preference for higher-quality and premium products across various industries, driven by rising disposable incomes, evolving lifestyles, and an increasing focus on quality and brand image.
- This trend is particularly notable in sectors such as food and beverages, consumer electronics, and fashion, where consumers are willing to pay a premium for enhanced experiences and superior products.

Rural demand: what do we expect?

- Most FMCG companies have stated that they are seeing green shoots of demand recovery in rural areas
- Sale of 2 Wheelers has also picked up in H1FY25
- Monsoon was by and large normal with only 6% variation from its long term average and minimum support prices of cane has been favorable in states such as UP which did not receive adequate rains
- Centre has extended the free ration scheme by another 2 years which largely benefits the rural population
- During the Budget 2024 the Government allocated Rs 2.66 lakh crore for rural development, including rural infrastructure
- We expect rural demand to pick up significantly by the 1st quarter of 2025

Urban demand: what do we expect?

- As inflation eases and wage growth stabilizes, urban consumers are expected to experience an increase in disposable incomes, driving a recovery in consumption for both discretionary and essential goods.
- Revival of discretionary spending in categories such as travel, dining, electronics, apparel, and premium FMCG products are likely to witness renewed demand as economic conditions improve and consumer confidence returns.
- Digital innovation, including AI-driven personalized marketing, smart homes, and IoT-based products, will redefine urban consumption patterns, creating demand for tech-enabled solutions.
- Urban consumption in 2025 is expected to rebound on the back of policy support, rising incomes, infrastructure development, and evolving consumer preferences, particularly in technology, health, and discretionary spending

Mahakumbh 2025



One of the most awaited events in 2025 the kumbh mela is expected to start from 13th Jan to 26th Feb 2025 in Prayagraj with likelihood of attracting ~40crs pilgrims. This is likely to give an impetus to consumption

Mahakumbh Implications

- The event's estimated budget stands at Rs 6,382 crore, with Rs 5,600 crore already allocated for event management and infrastructure development & is expected to generate more than Rs 25000 crs revenue for the state.
- The Mahakumbh is likely to create economic impact beyond Prayagraj, benefiting nearby religious hubs like Varanasi, Ayodhya, Mathura, and Vindhyavasini Dham, creating thousands of new jobs. The Uttar Pradesh Tourism Department reports that preparations for the event have already provided employment to 45,000 families.
- The UP government is also conducting training service programs for tour guides, street vendors, and drivers to serve the customers better. This step is done to drive the tourism sector.
- Moreover, the govt has focused on creating strong infrastructure with major projects completed include a six-lane bridge over the Ganga and a Rs 275-crore four-lane railway overbridge, aimed at improving connectivity and easing traffic flow.
- The growing tourism during the Mahakumbh festival the hotels & restaurants sectors are likely to benefit with marquee(Taj , Radisson) names having heritages stays near the event.

3. Government Policy and Politics

- Budget Expectations
- Infrastructure spending
- Ambitious growth targets
- Production linked incentive (PLI)
- Elections

Budget Expectations

TAXATION

- **Personal Income Tax Reforms:**
- **Tax Rate Reductions:** The government is considering lowering income tax rates for individuals earning up to ₹1.5 million annually to alleviate the financial burden on the middle class and stimulate consumption amid economic slowdown.
- **Continuation of the Old Tax Regime:** Experts advocate for the continuation of the old tax regime alongside the new one, providing taxpayers with flexibility and the ability to choose the system that best suits their financial situation.
- **National Pension Scheme:** Proposals suggest enhancing the appeal of NPS as a retirement planning vehicle by offering additional tax benefits and incentives to encourage greater participation

INFRASTRUCTURE

- The budget is expected to continue focusing on infrastructure development, with increased funding for projects under the National Infrastructure Pipeline (NIP), smart cities, and the expansion of rail, road, and renewable energy infrastructure.
- The Union Budget 2024-25 allocated ₹11,11,111 crore for infrastructure, which is 3.4% of the GDP. Experts are advocating a 30% increase over this.
- The National Infrastructure Pipeline (NIP) has been allocated ₹100 trillion for the period up to 2030, with a focus on sectors such as transport, power, and logistics. The progress till now and way forward will be keenly watched

Budget

MANUFACTURING

- Anticipated incentives aim to bolster manufacturing sectors, including electronics, semiconductors, and renewable energy, through the continuation and expansion of production-linked incentive (PLI) schemes.
- The government had allocated ₹2.5 lakh crore for the expansion and continuation of the PLI scheme across various sectors, including electronics, auto components, textiles, and chemicals.
- Other areas which received attention was enhancing industrial infrastructure, set up of large industrial parks, tax benefits, support to MSME, skill development and support to Green manufacturing . Progress so far and way ahead will be watched in the Budget.

FISCAL CONSOLIDATION

- The Reserve Bank of India emphasizes the need for state governments to establish clear, time-bound paths for fiscal consolidation, addressing elevated debt levels and ensuring sustainable economic growth.
- The Government set a fiscal deficit target for FY 2024-25 as 4.9% of GDP. The government has also set a medium-term target of 4.5% of GDP by FY 2025-26. Adherence to both these numbers will be keenly watched
- The government plans to stabilize public debt at sustainable levels, with a clear roadmap for reducing its debt-to-GDP ratio. The debt-to-GDP ratio was targeted to be reduced to 55% by FY 2029-30.

Policy Pipeline

- **India-U.S. Trade Relations:** With the inauguration of President Donald Trump, India is preparing to negotiate a comprehensive trade and investment agreement with the United States. Proposed measures include reducing tariffs on select U.S. agricultural products, such as pork, medical devices, and luxury motorcycles, to facilitate a broader trade arrangement. Additionally, India plans to increase imports of liquefied natural gas (LNG) and defense equipment from the U.S. by \$5-10 billion annually, aiming to address trade imbalances and strengthen economic ties.
- **National Policy on Electronics (NPE):** The NPE aims to position India as a global leader in electronics manufacturing by promoting the development of core components, including chipsets and creating an enabling environment for the industry to compete globally. The policy includes incentives for setting up semiconductor fabrication facilities and provides preferential market access to domestically manufactured electronic products.
- **Semiconductor Manufacturing Initiatives:** Recognizing the strategic importance of semiconductors, the government has announced plans to establish India's first national security semiconductor fabrication plant in collaboration with the United States. This facility, to be located in Kolkata, will produce advanced semiconductors for use in military hardware and critical telecommunications networks

Infrastructure Spending

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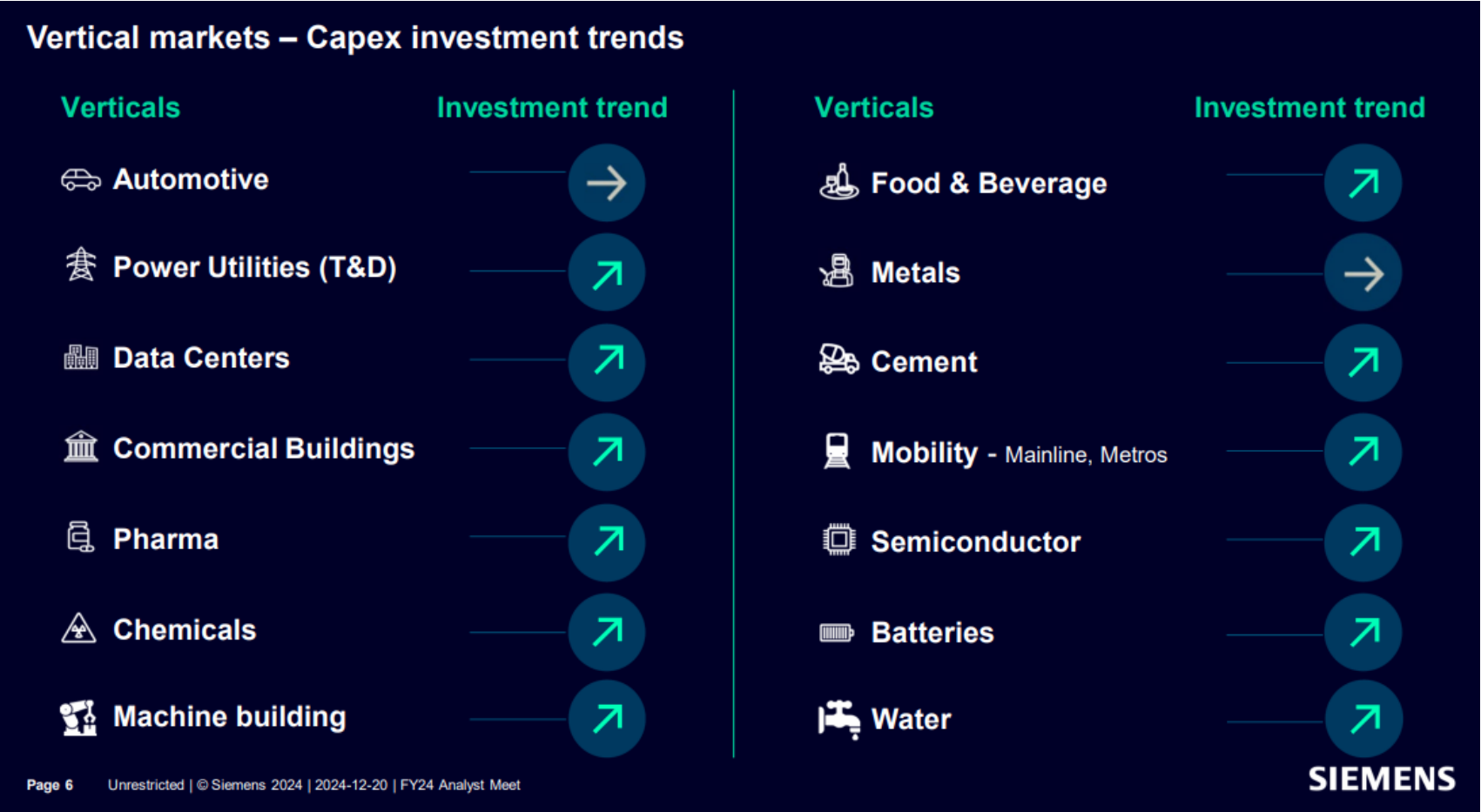
THE ROAD AHEAD

Capital expenditure (budgetary allocation in ₹ cr)

Ministry	2023-24 BE	2023-24 RE	2024-25 BE(I)	2024-25 BE
Railways	240,000	240,000	252,000	252,000
MoRTH	258,605	264,525	272,241	272,241
MoPSW	1,068	1,166	1,077	1,077
MoHUA	25,997	26,533	28,626	28,628
Defence*	162,600	157,228	172,000	172,000

*Capital outlay on Defence Services; I: Interim; BE: Budget Estimate; RE: Revised Estimate

Growth Drivers in India



Data Centers
3 GW by 2030



Commercial Buildings
1.2 Bn Sq. ft. by 2030



Industrial Infrastructure
Steel: 300 MTPA by 2030;
Cement: 600 MTPA by 2030



Power Utilities
Power for all
Revamped Distribution Scheme
(INR 3.00 outlay)

Growth Drivers in India

Electrification of Railways

100% Electrification by 2025



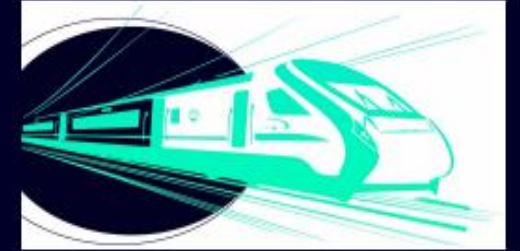
Signaling

>3000 stations, TCAS²⁾



Modernized transport

800 Vande Bharat till 2030



Electronics

~26% CAGR
2023-30



Chemicals

~15 MT Petrochemical
capacity by 2030



Pharma

~10% CAGR
2023-30



Food & Beverage

~11% CAGR
2024-30

1) Source: MMR Report; BCG, Ministry of Petroleum and Natural Gas, Motilal Oswal Wealth Management

Steam Turbines



Growth Drivers³⁾: 600GW RE by 2032



AC transmission

433 GVA
2023-30



Grid Stability



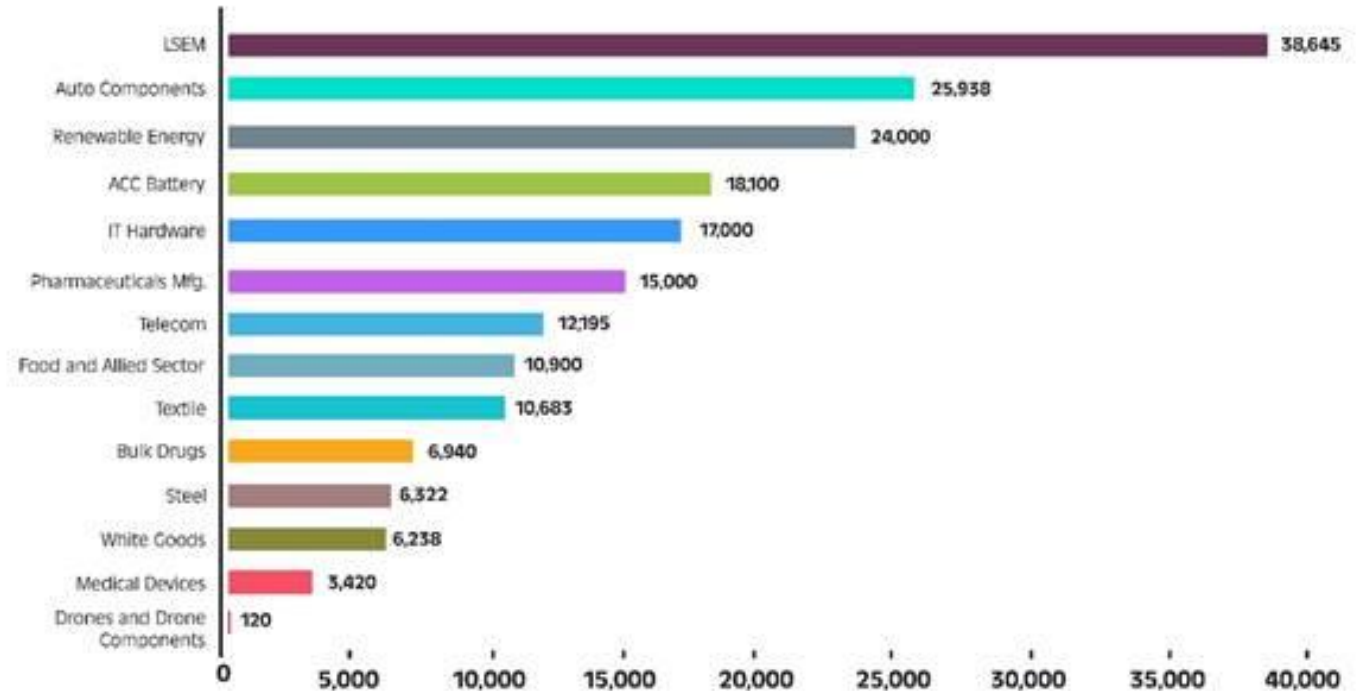
HVDC

Direct current
Transmission

PLI Schemes – a key driver for growth in Manufacturing



Approved PLI Outlay (In Rs. Crores)



Source: ibeff

* LSEM: Large Scale Electronic Manufacturing

Upcoming Elections

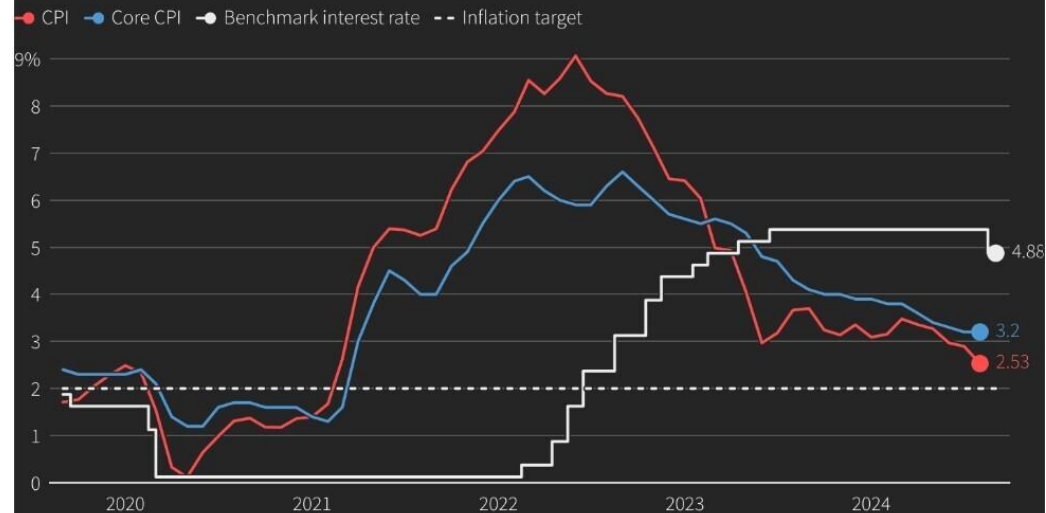
State	Scheduled Date	Seats	Current Context
Delhi	On or before February 2025	70	The 7th Assembly's tenure ends on 15 February 2025. Aam Aadmi Party formed the government in 2020.
Bihar	October–November 2025	243	The 17th Assembly's tenure ends in November 2025. JD(U)-led coalition won in 2020 elections.

- The previous assembly elections were held in February 2020, resulting in the Aam Aadmi Party forming the government with Arvind Kejriwal as Chief Minister. The tenure of the 7th Delhi Assembly is scheduled to end on 15 February 2025.
- The previous assembly elections were held in October–November 2020. The upcoming elections will determine the composition of the 18th Legislative Assembly of Bihar.
- Both these states occupy a lot of attention on the national political stage and may influence populist policies given the success of populism in the recent elections.
- The outcome may also be seen as referendum on the Central Government

4. USA

US inflation and interest rates

Benchmark interest rate and year-on-year change in CPI inflation



The benchmark interest rate is the midpoint of the federal funds target rate. Published September 18, 2024 at 6:06 PM GMT
Sources: Bureau of Labor Statistics, LSEG

STATE OF THE ECONOMY

- As of 2024, the **United States' GDP** is estimated to be approximately **\$29.35 trillion USD**, maintaining its position as the **largest economy in the world**. This accounts for around **25% of the global GDP**
- In terms of **Purchasing Power Parity (PPP)**, the U.S. remains second to China, but its nominal GDP continues to dominate due to higher productivity, technological innovation, and strong consumer spending.
- The U.S. economy is projected to grow by **2.7% in 2024**, driven by robust consumer spending and productivity gains. Growth is expected to moderate to approximately **2.5% in 2025**, with forecasts ranging from 1.8% to 2.5%, reflecting factors such as monetary policy adjustments and global economic conditions.
- Inflation has moderated, with the Personal Consumption Expenditures (PCE) price index rising by **1.5%** in the third quarter of 2024, below the Federal Reserve's 2% target.

POLICY ACTION EXPECTED

- **Monetary Policy:** The Federal Reserve is anticipated to continue reducing interest rates, potentially lowering the federal funds rate to 3.5%-3.75% by September 2025, contingent on inflation trends and economic performance.
- **Fiscal Policy:** The incoming administration's proposed tariffs and tax policies may influence economic growth and inflation, necessitating careful monitoring of their implementation and effects

USA

IMPLICATIONS FOR INDIA

1. Trade Dynamics: U.S. economic policies, particularly those affecting tariffs and trade agreements, could alter bilateral trade dynamics, presenting both opportunities and challenges for Indian exporters and policymakers.

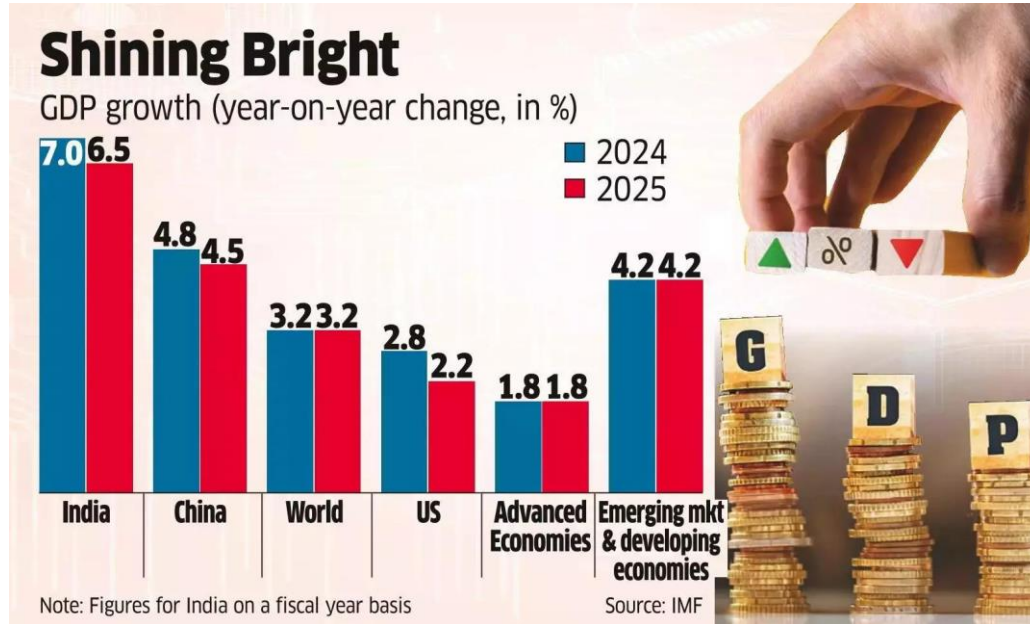
IMPLICATIONS FOR INDIA

2. Investment Flows: Shifts in U.S. monetary policy may influence global capital flows, affecting investment in emerging markets like India. Lower U.S. interest rates could lead to increased foreign investment in India, while higher rates might have the opposite effect.

IMPLICATIONS FOR INDIA

3. Global Economic Environment: As a major driver of global growth, U.S. economic performance can impact global demand, commodity prices, and financial markets, all of which are pertinent to India's economic prospects.

5. CHINA



STATE OF THE ECONOMY

- As of 2024, **China's GDP** is estimated to be approximately **\$18.6 trillion USD**, making it the second-largest economy in the world, after the United States. This accounts for around **18% of global GDP**.
- In **Purchasing Power Parity (PPP)** terms, China is the largest economy, with a GDP of approximately **\$33 trillion USD**, reflecting its lower cost of living compared to developed economies
- China's GDP is projected to grow by 5% in 2024, aligning with the government's target. However, forecasts indicate a slowdown to 4.5% in 2025, influenced by structural factors such as an aging population and productivity constraints.
- As of November 2024, China's annual inflation rate stands at **0.2%**, a decrease from 0.3% in October, indicating persistent deflationary pressures despite recent stimulus efforts.

POLICY ACTION EXPECTED

- **Monetary Policy:** Transitioning to a "moderately loose" monetary stance, including potential interest rate cuts and reductions in bank reserve requirements, to stimulate economic activity. This is the first tweak to Monetary Policy in 14 years.
- **Fiscal Policy:** Increasing government borrowing and expanding the budget deficit to finance infrastructure projects and support local governments facing fiscal strains.
- **Trade Measures:** Implementing strategies to mitigate potential external shocks, particularly from anticipated U.S. tariff hikes, by diversifying trade partnerships and bolstering domestic consumption.

CHINA

IMPLICATIONS FOR INDIA

1. Trade Dynamics: India may experience an influx of cheaper Chinese goods, particularly in sectors like steel, potentially challenging domestic producers. Notably, Indian steel mills have reported operational pressures due to increased imports of low-priced Chinese steel.

IMPLICATIONS FOR INDIA

2. Investment Flows: As China seeks to navigate trade tensions and economic slowdowns, there may be opportunities for India to attract investments diverted from China, especially in manufacturing and technology sectors.

IMPLICATIONS FOR INDIA

3. Regional Economic Strategies: China's emphasis on strengthening economic ties in Asia could lead to increased competition and necessitate strategic adjustments in India's trade and foreign policies.

6. The World at War



The World at War

USSR - Ukraine

The ongoing war shows no signs of resolution. Both sides remain entrenched, with continuous international involvement fueling the conflict..

China and neighbours

China has been flexing muscles with Taiwan with regular military exercises. It also has conflicts with Philippines and other neighbouring countries

Middle East

The Israel - Hamas Conflict has now spread to Lebanon. There is simmering tension with Iran also. The recent uprising and overthrow of the Assad regime in Syria has also created a wider ambit of conflict

Korean Peninsula

The internal political disturbances and arrival of Trump on the global stage brings North Korea once again as a potential conflict zone

Other Zones of Conflict

- A. Sahel Region in Africa: Jihadist insurgencies and fragile governments create a highly unstable environment. External military interventions may exacerbate the situation.
- B. Ethiopia-Sudan Relations: Border tensions and disputes over the Nile's resources pose risks but remain confined to localized confrontations.
- C. Venezuela: While domestic instability remains high, the risk of large-scale conflict spilling beyond borders is relatively contained.

Implications for India

- India now plays a major role on the world stage
 - In many cases it is on friendly terms with both sides e.g. Israel and Iran
 - If forced to take a side, India may lose valuable trade ties which can affect its export market
- Some regions pose a potential threat to vital supply chains
 - Tension between China and Taiwan can severely disrupt supplies of semiconductors and important electronic components
- Some conflict zones are very critical especially the Middle East where the war can spiral into a wider theater of conflict and cause major disruptions to world trade
 - This will hit India hard which is trying to project India as a major export hub
- There may be windows of opportunity also:
 - such as the one that came about due to China+1 and
 - Likely shift of some textile manufacturing from Bangladesh

7. Commodity Prices

- Performance in CY24 and Outlook for CY25
 - Agricultural Commodities
 - Energy
 - Precious Commodities
 - Ferrous metal
 - Non Ferrous Metals

Performance in CY24 and Outlook for CY25

- In calendar year 2024, India's commodity markets experienced notable fluctuations across various sectors:

1. Agricultural Commodities:

Wheat: Prices surged to record highs, reaching approximately ₹30,000 per metric ton in November, driven by robust demand and limited supplies. Delays in government stock releases further exacerbated the situation.

Outlook for CY25: The Indian government has increased the minimum support price (MSP) for wheat by 6.6% to ₹2,425 per 100 kg for the 2025 procurement season. This move aims to encourage farmers to expand wheat acreage, potentially boosting domestic production and stabilizing prices.

Sugar: Production is projected to rebound to a record level in the upcoming marketing year starting October, due to expanded sugarcane cultivation and favorable water conditions.

Outlook for CY25: India is projected to achieve a record sugar production in the next marketing year starting October 2025, due to expanded sugarcane cultivation and favorable water conditions. This may enable India to resume exports in 2025/26 after a two-year hiatus, potentially impacting global sugar prices.

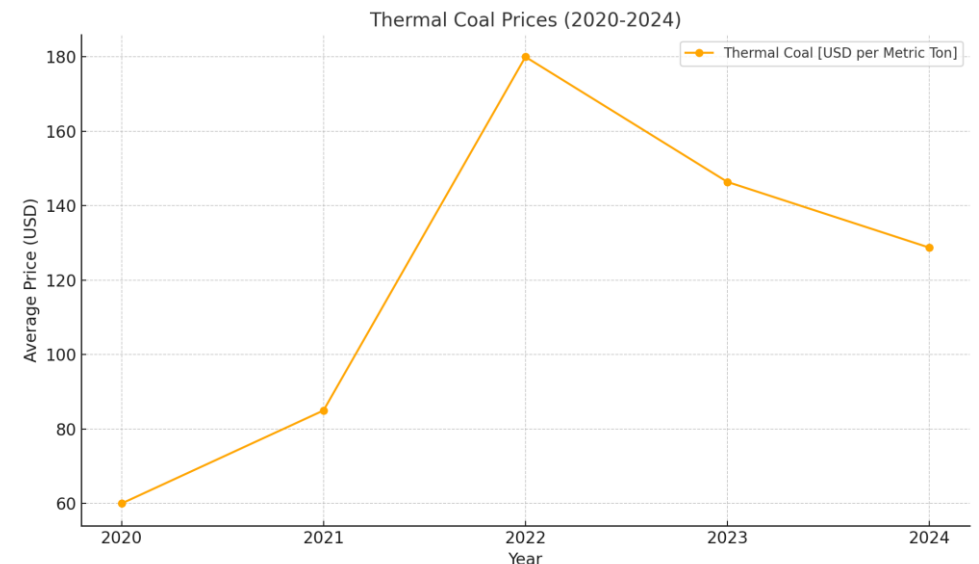
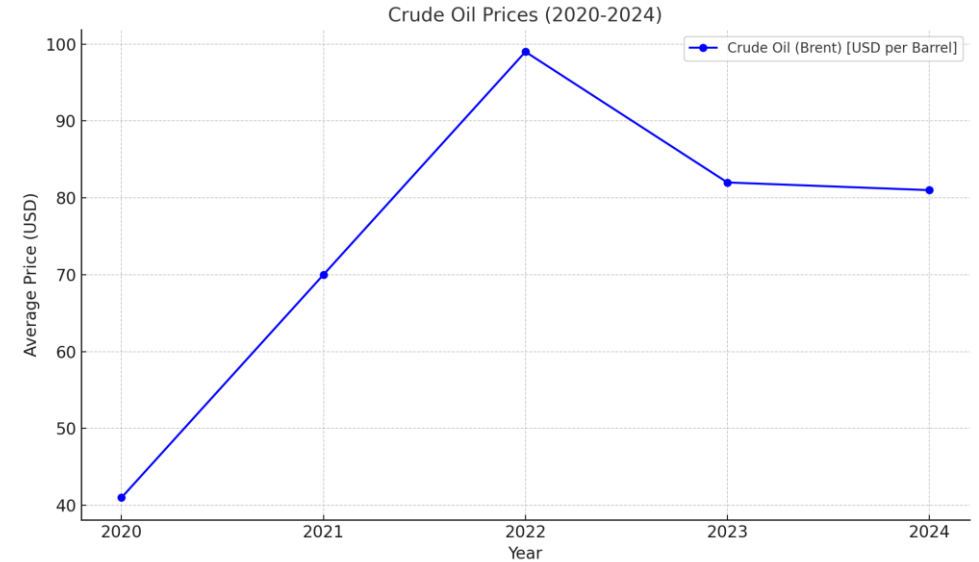
Performance in CY24 and Outlook for CY25

2. Energy Commodities:

Crude Oil: Prices exhibited volatility, influenced by global supply dynamics and geopolitical tensions. The World Bank projected a nearly 5% decline in energy prices for 2024, with expectations of stability in 2025.

Thermal Coal: India's coal demand stood at 1,233.86 MMT in the FY24. Domestic coal production rose by 11.65% to 997.26 MT during the same period, reducing reliance on imports. Global consumption and exports of thermal coal reached record highs in 2024, driven by increased coal-fired electricity generation, which rose by 2% compared to 2023.

Outlook for CY25: Global oil markets are expected to face challenges in 2025, with modest demand growth and strong non-OPEC supply. For Coal, Strong domestic production and weak industrial output in major consuming markets like India and China are expected to pressure Asian thermal coal prices in 2025.



Performance in CY24 and Outlook for CY25

3. Metals:

i) Precious Metals: Prices of key industrial metals dipped in Q2 2024, with similar trends expected to prevail by Q4 2024. Sustained demand weakness in China and lack of broader stimulus measures for the economy largely contributed to the declining metal prices

a) Gold: Domestic gold prices rose by 26% in 2024, reaching ₹79,700 per 10 grams in October. This price hike led to a projected decline in annual demand to a four-year low of 700-750 metric tons.

b) Silver: Silver's performance in India during 2024 was characterized by significant price fluctuations, influenced by global economic conditions, industrial demand, and investment trends. Prices show a rising trend with rates moving above ₹ 92,000/kg in December 2024.

Outlook for CY25: While the outlook appears positive, precious metals markets can be volatile

Gold Price Performance (2020-2024):

Year	Average Price (₹/10g)	Annual Change (%)
2020	50,151	+28.2%
2021	48,099	-4.1%
2022	55,017	+14.4%
2023	63,203	+14.9%
2024	80,330	+27.1%

*2024 Prices till Oct'24

Silver Price Performance (2020-2024):

Year	Average Price (₹/kg)	Annual Change (%)
2020	63,100	+38.0%
2021	67,200	+6.5%
2022	60,000	-10.7%
2023	74,370	+23.9%
2024	91,080	+22.5%

*2024 Prices till Oct'24

Performance in CY24 and Outlook for CY25

ii) Ferrous Metals

a) Steel: Prices exhibited a steady increase from 2020 to 2023, peaking in 2023, followed by a slight decline in 2024. As of November 2024, world crude steel production for the 71 countries reporting to world steel was ~1700 million tonnes.

b) Iron Ore: It mirrored the trend in steel prices, with a peak in 2023 and a subsequent decrease in 2024. The global iron ore market in 2024 was characterized by a balance between moderate supply growth and subdued demand, particularly influenced by economic conditions in China

Outlook for CY25: India's steel and iron ore sectors are poised for significant developments in 2025, driven by robust domestic demand, capacity expansions, and evolving market dynamics.

Ferrous Metals:

Year	Steel (₹/tonne)	Iron Ore (₹/tonne)
2020	40,000	3,500
2021	50,000	4,500
2022	55,000	5,000
2023	60,000	5,500
2024	58,000	5,000

*Note: Above prices are approximate averages

Performance in CY24 and Outlook for CY25

iii) Non Ferrous Metals

a) Aluminum: Experienced consistent growth until 2023, with a marginal decline in 2024. India maintained its position as the 2nd largest aluminum producer globally, with production capacity of approximately 4.1 MT annually.

b) Copper: Saw significant price increases, especially between 2020 and 2021, stabilizing in subsequent years. India's copper demand surged by 13% year-on-year. The building construction and infrastructure sectors were primary drivers, accounting for 43% of copper consumption.

c) Zinc and Lead: In last few years, both metals followed an upward trajectory, with slight corrections in 2024. The International Lead and Zinc Study Group (ILZSG) forecasts a global surplus in the zinc market for 2025, with supply expected to exceed demand.

Outlook for CY25: The demand for non-ferrous metals in India is projected to increase by 10% in the fiscal year 2025, significantly outpacing the global growth rate of around 2%. While domestic demand is strong, global market conditions, including trade conflicts and economic fluctuations, may impact the non-ferrous metals sector.

Non-Ferrous Metals:

Year	Aluminum (₹/kg)	Copper (₹/kg)	Zinc (₹/kg)	Lead (₹/kg)
2020	140	450	180	150
2021	160	700	220	170
2022	200	750	250	180
2023	220	800	270	190
2024	210	780	260	185

Performance in CY24 and Outlook for CY25

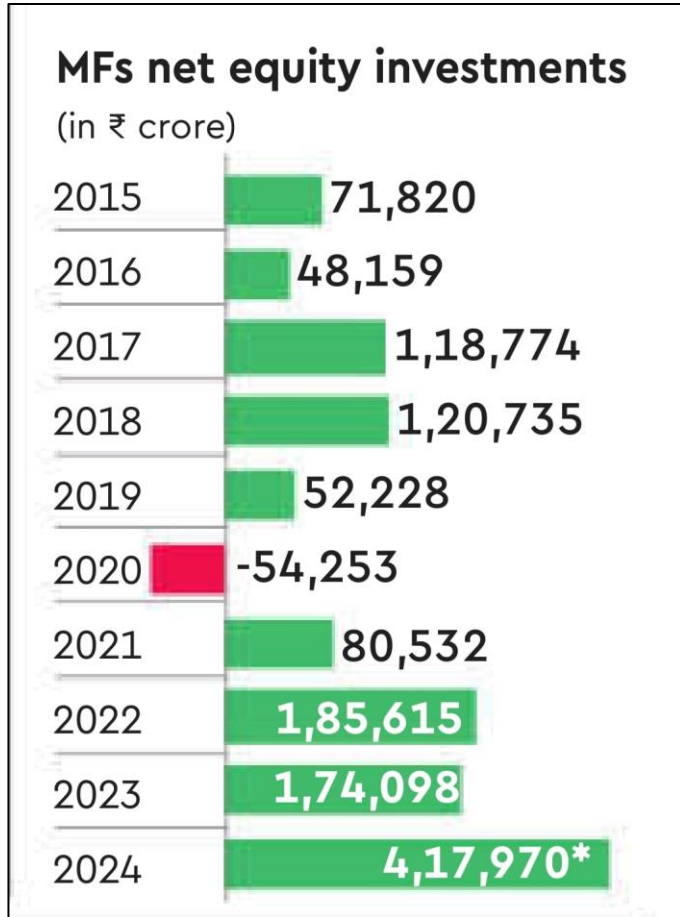
Overall Outlook of Commodity Market:

- The World Bank projects that global commodity prices will decline by 5% in 2025, following a 3% decrease in 2024.
- The International Copper Association India anticipates that copper demand will continue to grow at a double-digit rate, with an expected increase of 10-13% in the second half of FY2025.
- The commodity price outlook for 2025 in India suggests a mixed scenario, with agricultural commodities like wheat and sugar potentially stabilizing or declining due to increased production, while energy and industrial commodities may experience price pressures from global market dynamics.
- Overall, 2024 was marked by significant price movements in India's commodity markets, influenced by domestic factors such as production levels and government policies, as well as global economic conditions and geopolitical events.
- The Indian commodities market is projected to reach a nominal value of approximately \$839.40 billion in 2024, with an expected annual growth rate of 2.05% through 2029, indicating steady expansion and increasing market sophistication.

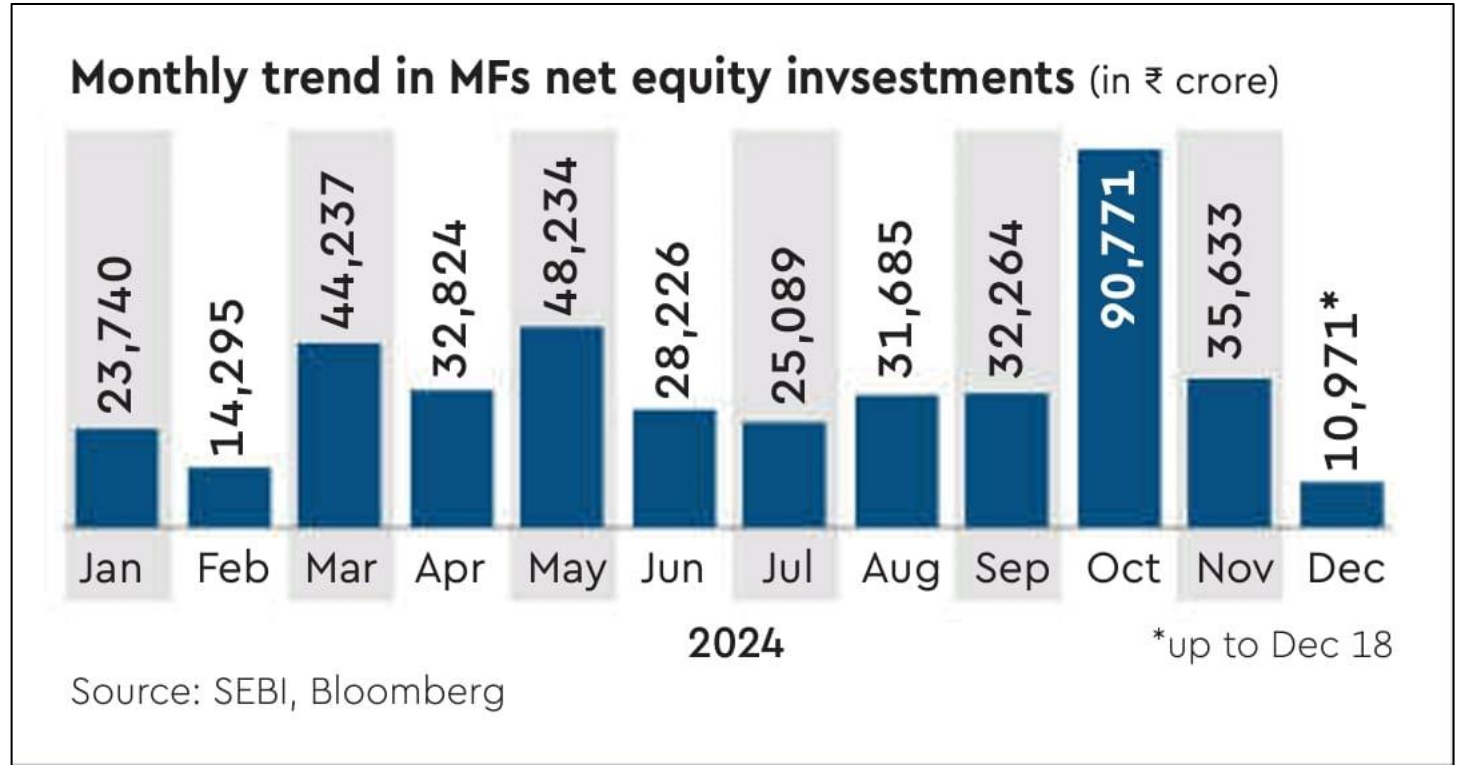
8. Domestic Retail Investors hold the key

- Trends of domestic flows in 2024
- Promoter selling gathers pace
- IPOs
- SEBI and way forward with Retail Investors

MF Flows



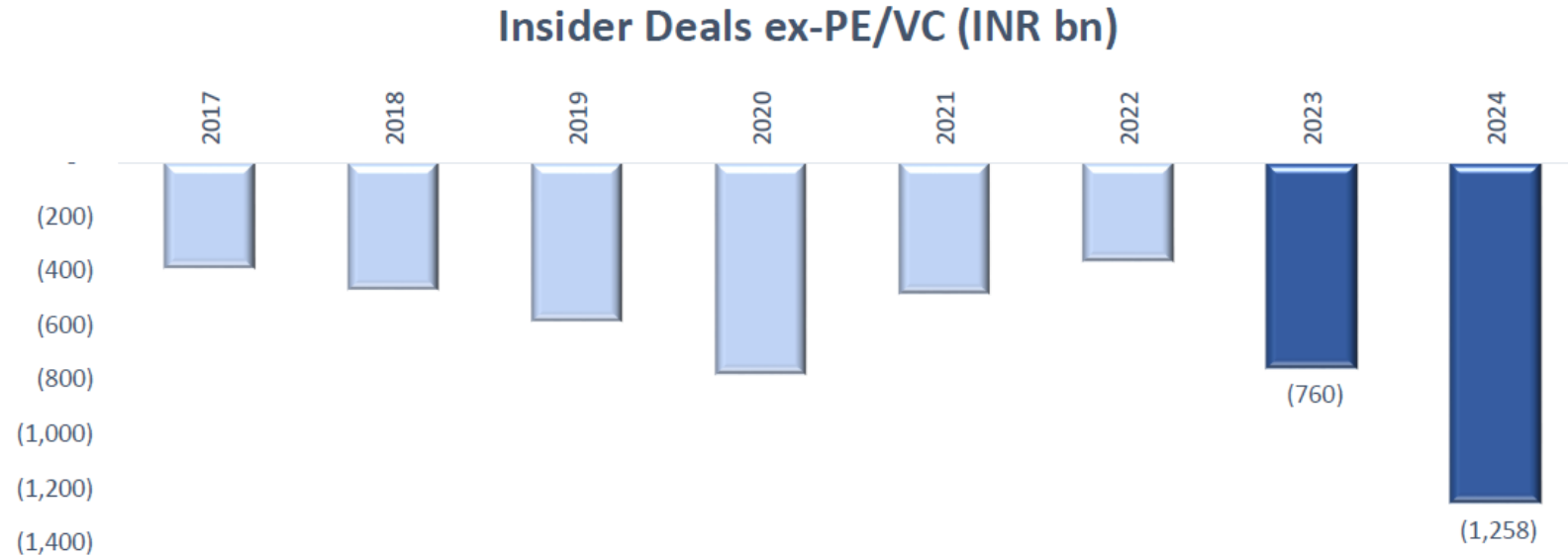
* Data till 18th dec 24



Source: Sebi, Bloomberg

- ❖ Domestic flows via mutual funds was able to absorb easily the selling of around Rs 1.2 lakh crores by FIIs
- ❖ This rush was also able to absorb a large part of the IPO and promoter selling

Promoter Selling gathers pace and we see this trend in the coming years



Source: Nuvama Alternative and Quantitative research; Venture Intelligence; NSE; BSE

- As per ETMarkets and Prime Database, as of August 2024, promoters of over 250 companies have sold stakes worth around Rs 97,000 crore via bulk and block deals.
- Insiders (ex- PE/VC) have sold Equity worth ~Rs. 1.26 lakh crs in CY24 (as of Dec 19th 2024) as per Nuvama
- While selling by promoters used to be taken negatively earlier, the rising institutional participation and promoters trimming their holdings for various reasons (personal finance, repaying debt at group level, funding new ventures, etc..) is not considered a taboo anymore and supports rising participation from Retail via Domestic Mutual Funds.

Promoter Selling and IPOs

IPO fundraising hits record high in 2024



SOURCE PRIMEDATABASE

fortuneindia.com

IPOs

- ~1.6 lakh crores raised via IPOs in Calendar Year 2024 (+223% yoy) via main board IPOs while the SME segment saw 240 companies garnering Rs. 8,753 crs.
- Amongst the large companies, we saw IPOs from Hyundai Motors (issue size: ~27,800crs), Swiggy (issue size: 11,300 crs), NTPC Green (10k crs).
- As per street, IPO fund raising to cross Rs. 2 lakh crores in CY25

Detailed Fund Raising Trend over the years (Rs bn)

CY	IPO - Main board		IPO - SME		FPO		OFS		QIP		Rights		Total	
	Issue Size	No. of Issue	Issue Size	No. of Issue	Issue Size	No. of Issue	Issue Size	No. of Issue	Issue Size	No. of Issue	Issue Size	No. of Issue	Issue Size	No. of Issue
2005	69	46	-	-	92	15	-	-	-	-	41	36	203	97
2006	199	73	-	-	48	19	-	-	50	25	37	38	333	155
2007	342	100	-	-	110	6	-	-	258	38	325	30	1,034	174
2008	169	37	-	-	0	1	-	-	2	2	126	23	297	63
2009	195	20	-	-	0	1	-	-	420	67	83	29	699	117
2010	375	64	-	-	316	8	-	-	246	47	96	24	1,033	143
2011	60	37	-	-	81	2	-	-	17	11	24	16	181	66
2012	68	11	1	14	-	-	238	23	108	14	89	16	505	78
2013	13	3	3	35	70	1	240	84	94	6	46	13	465	142
2014	12	5	3	40	5	1	50	33	284	44	67	14	421	137
2015	136	21	3	43	-	-	356	18	194	20	92	12	780	114
2016	265	26	5	67	-	-	131	27	137	22	33	12	571	154
2017	671	36	17	133	-	-	181	38	625	52	214	20	1,708	279
2018	310	24	23	141	-	-	107	23	105	13	20	8	564	209
2019	124	16	6	52	-	-	260	32	512	13	560	13	1,462	126
2020	266	15	2	27	150	1	209	28	817	31	643	20	2,087	122
2021	1,187	63	7	59	-	-	229	34	285	29	253	10	1,962	195
2022	593	40	19	109	43	1	113	17	90	11	58	12	915	190
2023	494	57	46	180	-	-	193	26	693	64	140	13	1,566	340
2024	1,628	91	86	235	180	1	317	26	1,131	71	86	14	3,429	438

IPOs Data Updated till 19 Dec 2024, rest updated till 17 Dec 2024

Source: Nuvama Alternative & Quantitative Research; Prime Database; Bloomberg

- IPOs and QIPs in the Indian Equity markets surged to ATH
- Saw 26 QIPs raising Rs. 1,131 crs (+63% yoy), OFS of ~31,700crs (+46% yoy).

SEBI and the Way forward for Retail Investors

ACTIONS BY SEBI



KEY DECISIONS

- > Taming speculation in the derivatives market
- > Strengthening SME listing norms with stricter checks and balances
- > Renewed push for same-day stock settlement
- > UPI-based fund blocking and direct securities payout for secondary market
- > Debut of 'Investment Strategies' bridging MF and PMS
- > Targeting misinformation from financial influencers

WAY FORWARD

- ❖ The strongest factor in support of the domestic market is the steady SIP numbers
- ❖ SIPs now have a run rate of over Rs 3 lakh crs per annum
- ❖ In addition to this the number of demat accounts is now over 17 crores
- ❖ Recent SEBI measures to limit the participation in the Derivative markets may have caused a short term decline in the F&O Volumes but it is a long term positive in terms of retaining investor interest in the equity markets
- ❖ It has been a bountiful year for New Fund Offers (NFOs) from mutual funds in India
- ❖ Passive investing is also gaining ground with alarge number of ETFs and Index Funds being launched

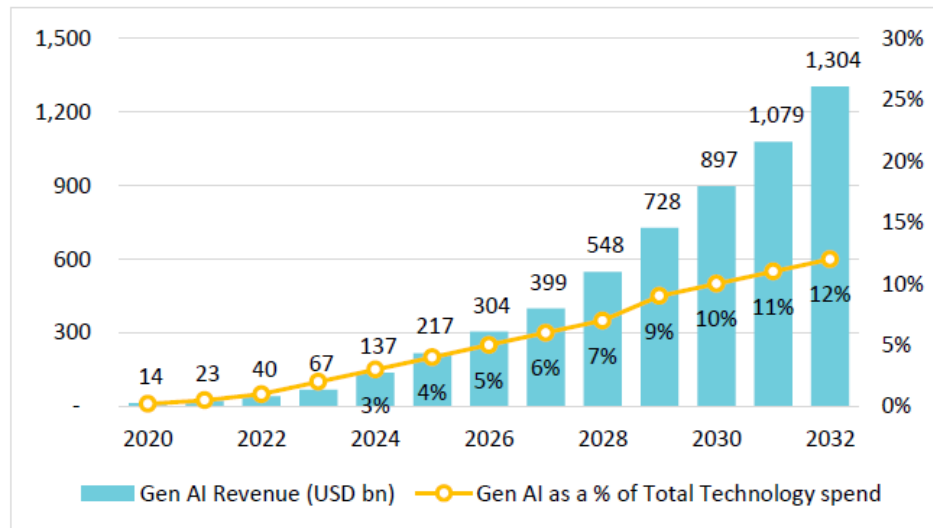


9. Five Themes for 2025

- AI and Disruption
- Manufacturing
- Renewable
- Data Centres
- Healthcare

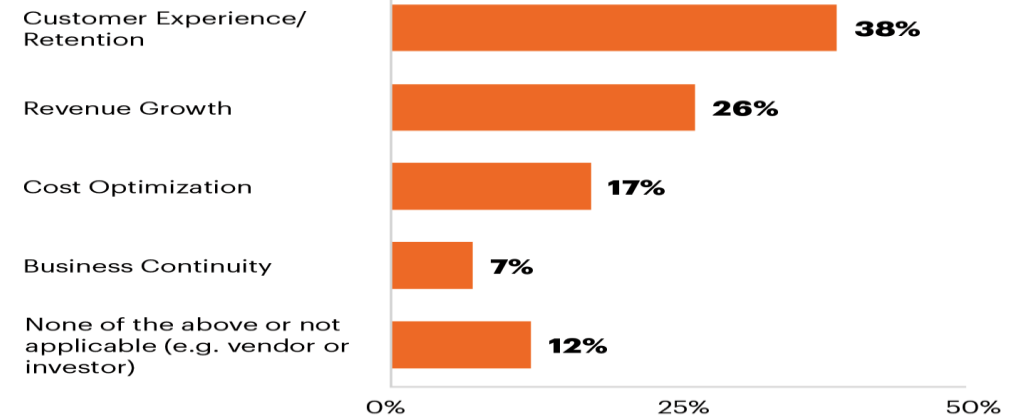
Gen AI – Long Term Opportunity

- See use cases around different end-markets – Healthcare, Banking, Retail,. Hi-Tech for Gen AI and we expect a strong demand from the Industry in the coming year.
- While automation of repetitive tasks could impact low margin BPO services, the recent Tech Based investments and transformation by many Indian IT companies could lead to incremental business from their clients.
- See a USD 1.3trn opportunity from Gen AI large scale adoption with 50% towards Hardware (benefiting the like of Nvidia, IBM, Intel) and the rest for Software which provides a mammoth opportunity for Indian IT Services companies.



Source: Bloomberg, IDC

Primary Focus of Generative AI Initiatives



gartner.com

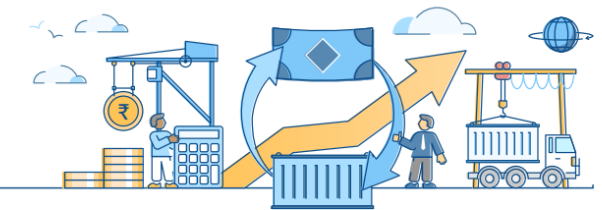
Source: Gartner
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Manufacturing

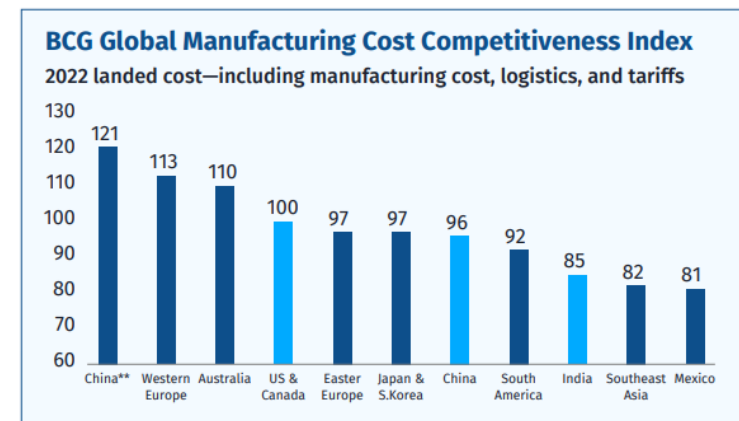
- Manufacturing sector is expected to bring overall economic growth in India.
- In December, the Purchasing Manager's Index (PMI) stood at 60.7, marking the fastest private sector output growth in four months, driven by robust demand in both manufacturing and services sectors.
- Foreign Direct Investment (FDI) in the manufacturing sector increased by 69%, reaching \$165.1 billion between 2014 and 2024, underscoring India's appeal as a manufacturing hub.
- The government's Production Linked Incentive (PLI) scheme attracted over \$17 billion in investments, generating nearly a million jobs and bolstering manufacturing output.

	FY23		FY30E
Nominal GDP	3,353	2X	7,000
Manufacturing GVA	453	2.8X	1,281
Overall exports	778	2X	1,552
Merchandise exports	453	2.6X	1,198
Overall capex, GCF	1,080	2X	2,112

All figures in USD bn
 Source: PIB, UBS, Morgan Stanley Research
 GDP - Gross Domestic Product
 GVA - Gross value added
 GCF - Gross Capital Formation









Manufacturing a product in India is on an average 15% cheaper relative to US, and should lead to increasing exports over time



Source: [BCG Analysis, Sep 2023](#)

Manufacturing- Future Outlook

- The manufacturing market in India is expected to grow from \$310 billion in 2024 to \$524 billion by 2029, reflecting a compound annual growth rate (CAGR) of 9.11%.
- India's textile industry is poised to become a global leader by 2025, driven by increasing global demand and innovations in sustainable and efficient production methods.
- Significant investments are being made to establish semiconductor plants, with facilities expected to become operational by 2025, aiming to reduce dependence on imports and strengthen domestic manufacturing capabilities.
- India's focus on becoming a global manufacturing hub aligns with its export ambitions. The "**Make in India**" and "**Atmanirbhar Bharat**" initiatives are expected to solidify the country's position in global trade.

	FY28 Projected exports (US\$ bn)	Projected exports CAGR (FY22-28)
 Chemical	~\$110 - \$130	19% - 23%
 Pharma	~\$45 - \$50	16% - 18%
 Industrial machinery	~\$70 - \$75	18% - 20%
 Electrical & electronics	~\$120 - \$145	35% - 40%
 Automotive	~\$45 - \$55	15% - 18%
 Textile & apparel	~\$95 - \$110	13% - 16%

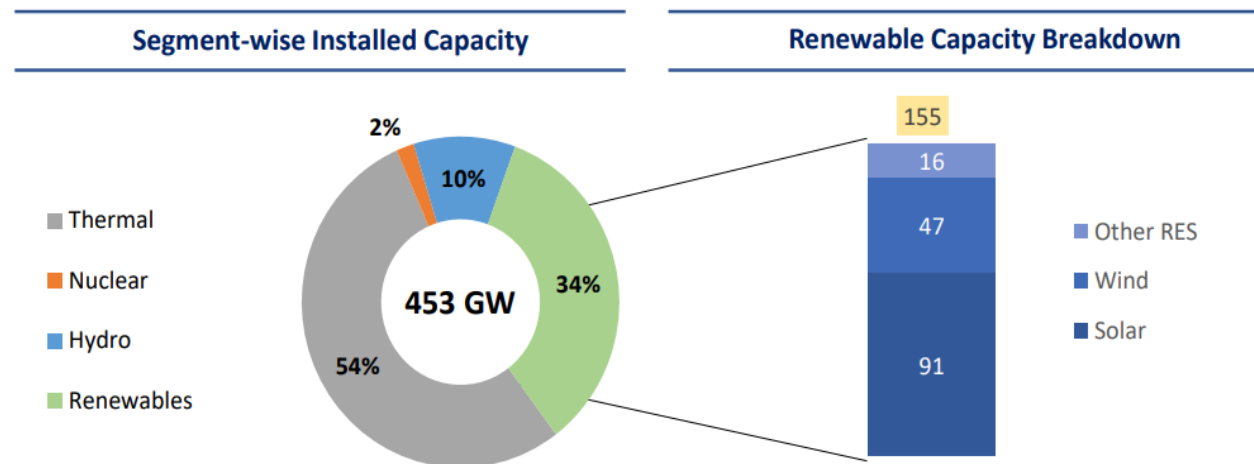
Source: Bain analysis



Source: Morgan Stanley

Renewable Energy

- India's renewable energy capacity reached 210 GW including both Hydro & Nuclear by October 2024, accounting for 46.3% of the nation's total installed electricity generation capacity of 453 GW

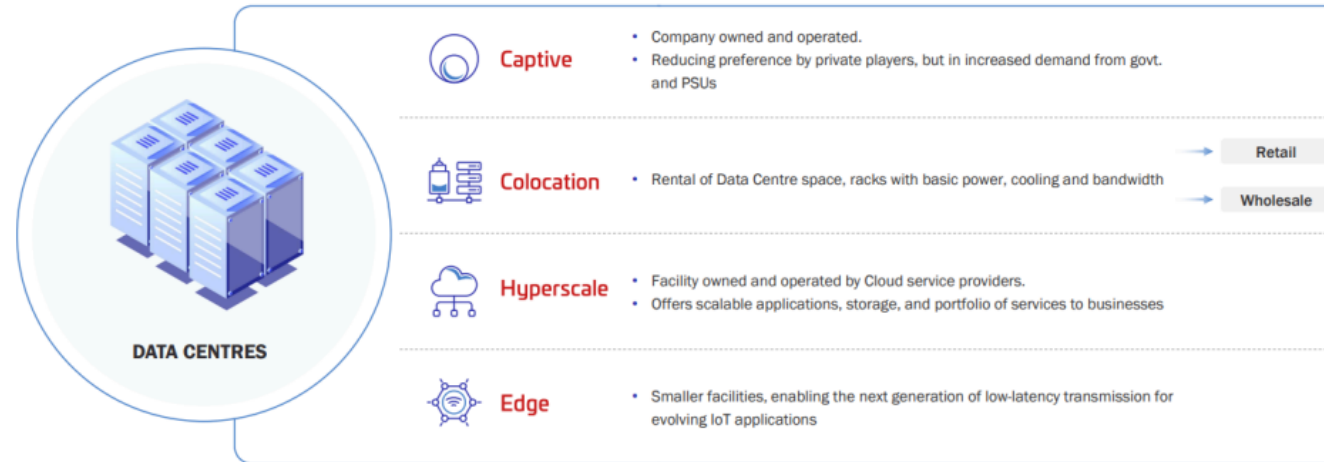


- Generation from Renewables increased by 5.2% YoY in Q2 FY25, strongly supported by solar generation with an increase of generation by 15.4% YoY in Q2 FY25 and Hydro generation grew by 6.1% YoY.
- Outlook for 2025: ~25 GW of renewable energy capacity addition in 2025, with investments estimated at around \$16.5 billion

Data Centre

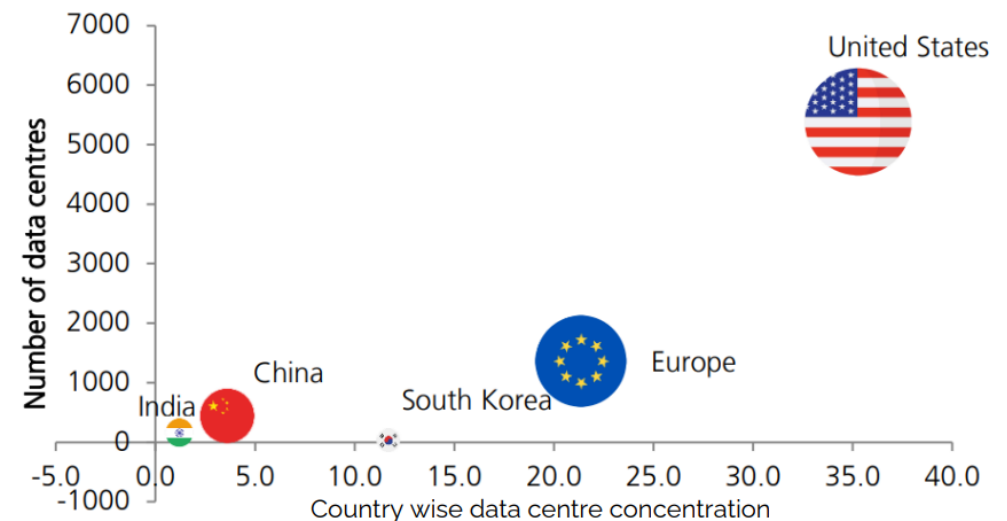
- Data Centres are specialized facilities used to house information, technology and communications equipment, including servers, storage devices, routers, and switches.
- The main function of a data centre is to provide secure and connected accommodation for data racks that have access to power and are adequately cooled to decrease excess heat.
- India has the one of the lowest data centre concentration, 1.2 (3.6 for China) which is likely to grow around 3.0 in 2026 and may exceed 6-7 by 2030 driven by low cost data, higher adoption of 5G, and others.
- While India is generating 20% of the global data, its share of Data Center is just 3%, which indicates a vast potential for growth. The adoption of technologies like AI and the further expansion of 5G and IOT will drive increased consumption in India.

As Per Tenancy

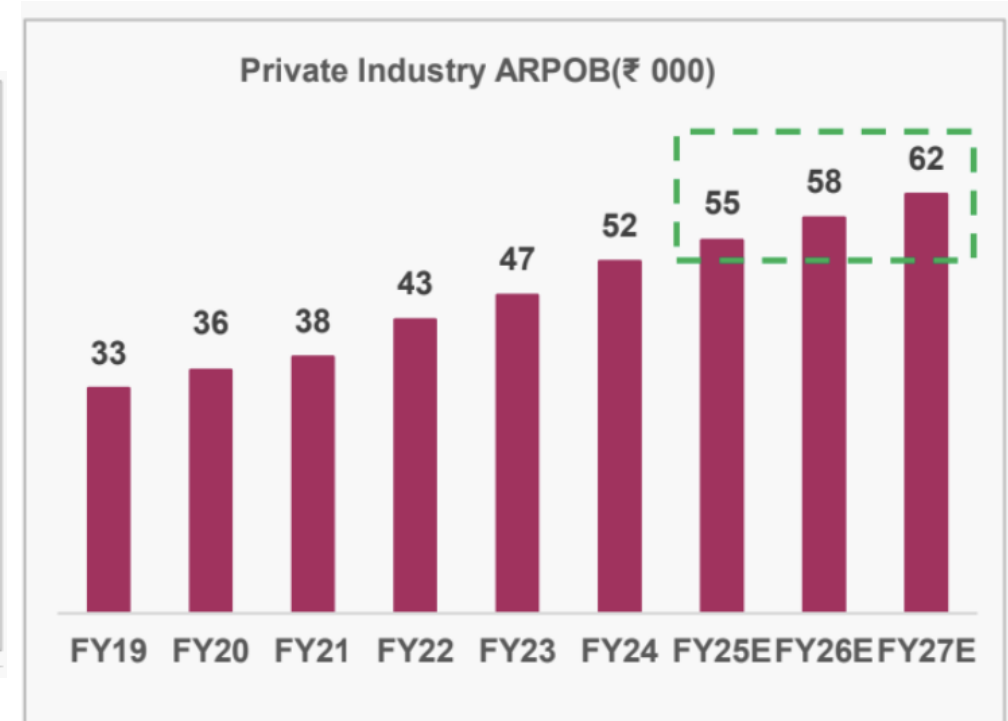
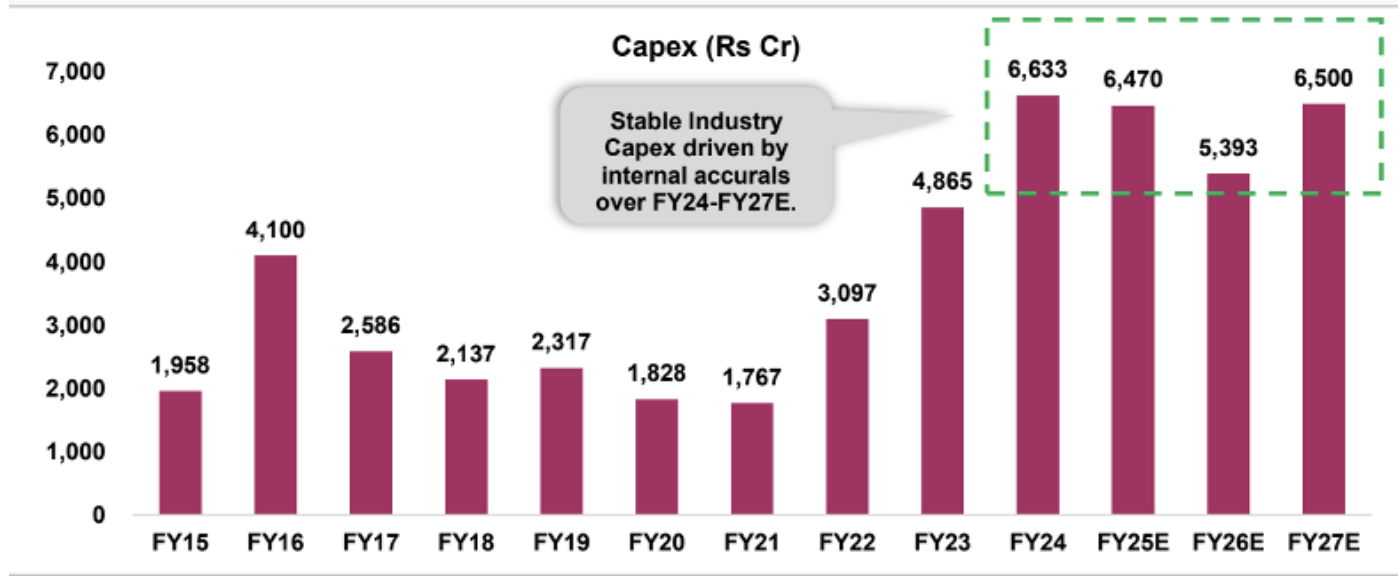


While Edge DCs may take couple of years to flourish, next 2-3 years will witness a shift from mid-sized Colocation Data Centres to large-sized Hyperscale Data Centres

Source:Avendus



Healthcare



- Sector has witnessed rapid growth, driven by increasing demand for quality healthcare, a growing population, and rising health awareness. Hospitals account for 70% of healthcare spending, and is structured into primary, secondary, tertiary, and quaternary care levels.
- The private healthcare Industry in India currently has an industry size of ~Rs 38,000 Cr. The industry is projected to experience a CAGR of 13-14% over the next three financial years..

Healthcare Theme

- As fundamentals improve, private hospital players are benefiting from strong operating leverage due to increases in ARPOB (average operating revenue per operating bed) and occupancy driven by strong operating leverage, limited bed supply, and growing health insurance penetration.
- The private healthcare industry in India is poised for significant growth, with plans to add 15,000 beds over the next 3–4 years.
- An effective payor mix plays a pivotal role in hospital growth by streamlining revenue sources, increasing patient volumes, and enabling investments in advanced services and technologies. By diversifying revenue sources, hospitals can strengthen financial performance, better meet community needs, and adapt to evolving market dynamics, fostering sustained growth and development.
- Overall, the healthcare industry is expected to be poised for strong growth given the structural tailwinds in the industry.

10. Market Outlook

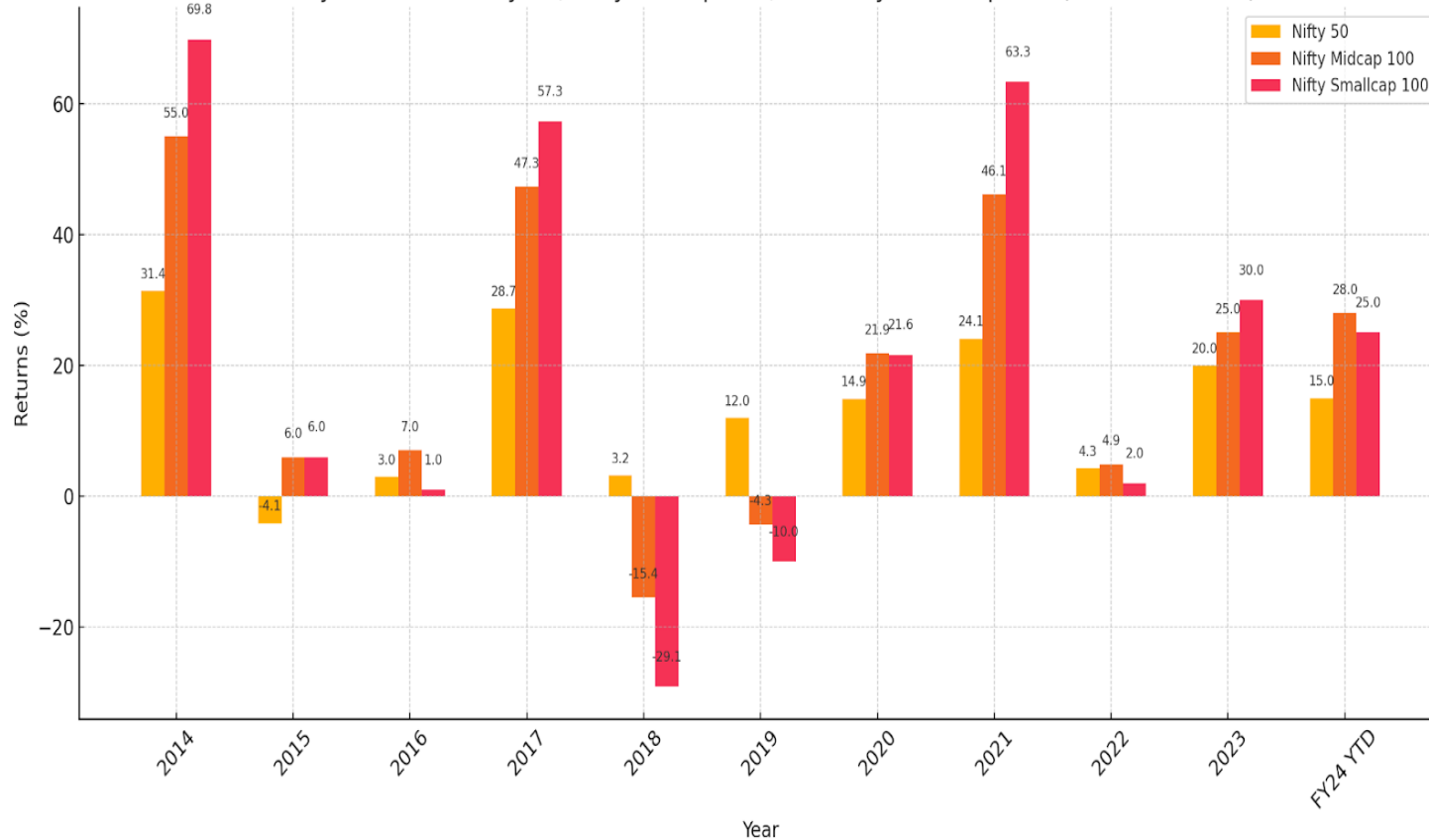
Month wise returns in the last 10 years of Nifty 50, Midcap 100 and Small Cap 100

Year ▾	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2024	-0.03%	1.18%	1.57%	1.24%	-0.52%	6.57%	3.92%	1.14%	2.28%	-6.22%	-0.31%	-2.02%	8.80%
2023	-2.45%	-2.03%	0.32%	4.06%	2.60%	3.53%	2.94%	-2.53%	2.00%	-2.84%	5.52%	7.94%	19.42%
2022	-0.09%	-3.46%	4.33%	-2.07%	-3.03%	-4.85%	8.73%	3.50%	-3.75%	5.37%	4.14%	-3.48%	4.32%
2021	-2.48%	6.56%	1.11%	-0.41%	6.50%	0.89%	0.26%	8.69%	2.77%	0.37%	-3.89%	2.18%	24.12%
2020	-1.70%	-6.36%	-23.25%	14.68%	-2.84%	7.53%	7.49%	2.84%	-1.23%	3.51%	11.39%	7.81%	14.90%
2019	-0.29%	-0.36%	7.70%	1.07%	1.49%	-1.12%	-5.69%	-0.85%	4.09%	3.51%	1.50%	0.93%	12.02%
2018	4.72%	-4.85%	-3.61%	6.19%	-0.03%	-0.20%	5.99%	2.85%	-6.42%	-4.98%	4.72%	-0.13%	3.15%
2017	4.59%	3.72%	3.31%	1.42%	3.41%	-1.04%	5.84%	-1.58%	-1.30%	5.59%	-1.05%	2.97%	28.65%
2016	-4.82%	-7.62%	10.75%	1.44%	3.95%	1.56%	4.23%	1.71%	-1.99%	0.17%	-4.65%	-0.47%	3.01%
2015	6.35%	1.06%	-4.62%	-3.65%	3.08%	-0.77%	1.96%	-6.58%	-0.28%	1.47%	-1.62%	0.14%	-4.06%
2014	-3.40%	3.08%	6.81%	-0.12%	7.97%	5.28%	1.44%	3.02%	0.13%	4.49%	3.20%	-3.56%	31.39%

- The above table is Nifty 50's Month-wise and Annual Returns Representation for the last decade.
- The **Nifty 50** has demonstrated consistent growth, reflecting its composition of blue-chip, market-leading companies. **2014 and 2017** were exceptional years, with **31.4%** and **28.7%** returns respectively, driven by robust economic reforms, global liquidity, and bullish sentiments. Recovery was visible post-pandemic, with **24.1% (2021)** and a sustained upward trajectory through **CY23** and **CY24** as India's growth prospects remained intact.

Year wise returns in the last 10 years of Nifty 50, Midcap 100 and Small Cap 100

Yearly Returns of Nifty 50, Nifty Midcap 100, and Nifty Smallcap 100 (2014-FY24 YTD)



*FY24 YTD- Data till Sept '24

- The bar graph represents Nifty 50 v/s Midcap 100 v/s Small cap 100 Yearly Returns for the last decade.
- **Nifty 50** offered consistent and stable returns with relatively lower risk.
- The **Midcap 100** segment showcased periods of exceptional growth interspersed with corrections, emphasizing the need for a longer-term investment horizon to capture its potential.
- The **Small cap 100** space experienced a rollercoaster ride, offering significant rewards during bullish phases but also exposing investors to sharp declines during corrections. It requires disciplined investing and a higher risk tolerance.

Nifty EPS Growth estimates

Nifty EPS Growth estimates – FY25E/FY26E



Source: Jefferies ests

Street forecasts FY26E EPS of Rs. 1,262 with 9.6%/14.7% growth in FY25E/FY26E



Figuring out what happened in the markets in 2024

- We analysed the price performance of appx 1100 companies in 2024
- We broke them into respective sectors and aggregated them into 4 Themes namely: Consumption oriented, Export oriented, Financials and Industrials
- Our primary observation was that a top down analysis did not necessarily result in identifying the winning sectors
- It was a year of too many variables such as:
 - General Elections and therefore slowdown in Govt spending,
 - Severity of weather (both summer and monsoon) affecting consumption as well as execution. This threw up unlikely winners such as air conditioners and losers such as FMCG
 - And last but not the least a time correction for stocks which had run up sharply e.g. defence and railways

Theme: Consumption

CONSUMPTION	Best performing sectors	No of Companies	Average returns in 1 year	COMMENTS
	Consumer Durables - Electronics	19	173.69	
	IT - Networking & E Commerce	7	96.67	
	Medical Accessories	1	75.05	
	Retailing	12	59.31	
	Real Estate	27	48.62	
	Worst performing sectors	No of Companies	Average returns in 1 year	
	D2H and Internet Service provider	4	-43.54	
	Tea/Coffee	3	-27.83	
	Paints	6	-10.57	
Footwear	5	-9.73		
Household & Personal Products	18	-4.43		

Theme: Exports

	Sectors	No of Companies	Average returns in 1 year	COMMENTS
EXPORTS	Pharmaceuticals & Drugs	69	46.41	IT: While results were muted, street expects strong demand post rate cuts by US Fed. Strong Order book and Deal wins over the last one year also provide visibility. Gen AI is a long term driver. Pharma: See pricing pressure come down in US generics. Pharma continues to see good growth and an improving margins. Also a play as a defensive sector.
	BPO/ITeS	10	36.97	
	IT - Software	46	15.70	

Theme: Finance

FINANCE	Best performing sectors	No of Companies	Average returns in 1 year	COMMENTS
	Exchange	1	94.93	1. Wealth management, Asset management companies seeing strong inflows, strong growth in recurring income. This looks like a structurally strong decadal story. 2. Exchanges have seen higher volumes primarily driven by F&O volumes. 3. NBFCs have fared much better than banks but the story has been stock specific. NBFCs with higher mix of unsecured lending has seen their asset quality weaken through balance sheet continues stay strong. 4. Public Sector Banks have fared better than what was expected mid-year despite a pressure on NIMs from high cost deposits. Q2FY25 earnings were better than street expectations. 5. While private sector banks have seen NIM related pressures and higher Credit/Deposit ratio, we have seen this improving in Q2. We expect strong performance in CY25 from the lage private sector banks.
	Diversified	7	65.48	
	Asset Management	4	56.78	
	Ratings	3	37.05	
	NBFC	29	28.57	
	Term Lending	7	27.06	
	Housing	9	13.43	
	Insurance	8	12.17	
Worst performing sectors	No of Companies	Average returns in 1 year		
Bank - Public	8	11.93		
Bank - Private	20	-10.18		

Theme: Industrials

INDUSTRIAL	Best performing sectors	No of Companies	Average returns in 1 year	COMMENTS
	Compressors / Pumps	8	110.58	
	Ship Building	3	102.66	
	Transmission Towers / Equipments	3	94.48	
	Electric Equipment	22	89.34	
	Metal - Non Ferrous	8	68.90	
	Defence	5	41.43	
	Worst performing sectors	No of Companies	Average returns in 1 year	
	Refractories	4	-13.86	
	Mining & Minerals	3	-6.04	
Cement & Construction Materials	21	-2.92		
Logistics	12	0.94		
Chemicals	62	9.02		
Cable	7	9.74		

It has been a good year for Debt also

Category	1 Month	6 Months	3 Months	1 Year
Long Duration	0.33	3.75	0.16	10.61
Gilt Fund with 10 year constant duration	0.37	4.54	1.03	9.30
Dynamic Bond	0.32	3.86	0.67	8.50
Short & Mid Term	0.43	4.01	1.13	8.38
Medium to Long Duration	0.32	3.82	0.83	8.14
Floating Rate	0.47	4.00	1.57	8.12
Medium Duration	0.39	4.07	1.42	8.01
Credit Risk Fund	0.41	3.94	1.67	7.94
Corporate Bond	0.50	3.94	1.55	7.89
Banking and PSU Fund	0.47	3.91	1.45	7.76
Money Market	0.53	3.54	1.67	7.35
Low Duration	0.51	3.59	1.67	7.34
Short Duration	0.43	3.76	1.46	7.31
Ultra Short Duration	0.51	3.41	1.63	7.07
Liquid	0.52	3.38	1.64	7.05
Overnight Fund	0.53	3.21	1.59	6.62



Conclusion

- The time for easy money in the market is over
- It is quite possible that we may see some time correction in the market this year
- Unless we have an unexpected event, we do not see a major fall in any of the indices
- It is quite possible that by the end of the year micro, small and mid caps will end up outperforming the large caps
- One will need to be smart and think ahead of others in picking up the right sectors in 2025
- Within sectors it will be another year of bottom up stock picking
- Debt did reasonably well in 2024 and may see more interest in 2025

Introduction to Citrus Advisors

- Citrus Advisors was Founded by **Mr. Sanjay Sinha** in 2012 and he is the Fund Manager as well as Co-Promoter. He has an **experience of almost 35 years** in the Fund Management industry. He has had the privilege of managing multiple strategies as a Fund Manager and Chief Investment Officer. In his previous assignments managed assets in excess of **Rs 36,000 crs (>USD 4.25 billion)**. He is ably supported by two Advisors and an in- house Team of 4 Analysts whose cumulative experience is more than 100 years.
- Citrus currently provides portfolio management and investment advisory under respective licenses from SEBI
- Between 2005 and 2008 Sanjay and his Team picked up **34 awards** for their performance. These awards were from illustrious institutions such as Standard and Poors, Moody's and Lipper. His career and achievements are in the public domain
- Over the last 3 years our relative performance has been on par or better than the top Portfolio Managers in India. We have seen the ups and downs of the market and delivered superior performance **across various markets cycles**.
- Our investment philosophy is designed to strike a harmonious balance between proactive sectoral strategies and disciplined stock selection, enabling us to navigate complex market dynamics with precision. By leveraging in-depth macroeconomic insights and market trends, we construct diversified portfolios that prioritize quality, adaptability, and long-term value creation.
- Please visit <http://citrusadvisors.com/Static/Knowledgesharing.aspx> to see our market related insights.

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