

Market Outlook

December 2024

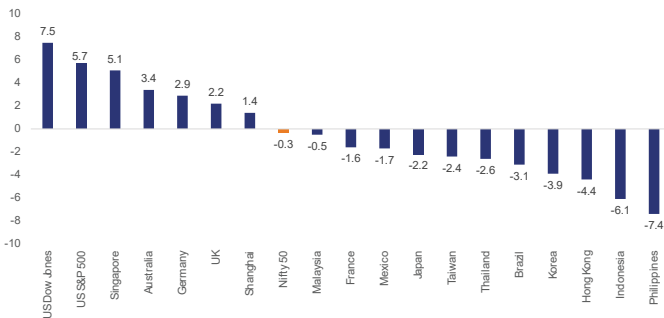
Market Update

Indian equity markets remained volatile through November, with the Nifty ending the month marginally lower by 0.3%. Sector performance was uneven: Information Technology (IT) emerged as the top performer (+6%), followed by consumer durables (+3%) and capital goods (+2.3%). On the downside, sectors like power, metals, and oil & gas faced declines, with losses of 4.3%, 2.4%, and 2.3%, respectively. Major global and domestic developments included Donald Trump's win in the US Presidential election, BJP's victory in Maharashtra's assembly elections, and rising geopolitical tensions, which collectively influenced investor sentiment. Despite a weaker-than-expected 2QFY25 corporate earnings season, the decisive victory of the BJP-led Mahayuti alliance in Maharashtra offered some positive momentum to the market.

In terms of investment activity, Foreign Portfolio Investors (FPIs) offloaded US\$4.7 billion of Indian equities in the secondary market (until November 28), whereas Domestic Institutional Investors (DIIs) bought US\$5.3 billion worth of stocks by (November 29).

Internationally, markets showed a mixed trend: Philippines (-7.4%), Indonesia (-6.1%), and Hong Kong (-4.4%) recorded significant losses, while US SPX (+7.5%), Singapore (+5.1%), and Australia (+3.4%) saw positive gains.

Global and regional indices 1 Month performance (%)



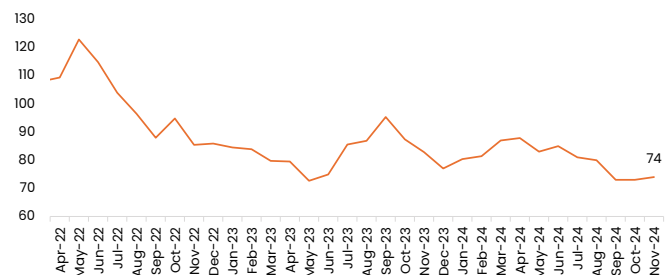
Source: Bloomberg, Kotak Institutional Equities (Data as on 30th November 2024 in local currency)

Macro Update

In November, S&P Global Ratings revised India's GDP growth projections downward by 20 basis points, now forecasting growth of 6.7% for FY2026 and 6.8% for FY2027. The country's 2QFY25 GDP growth decelerated to just 5.4%, marking its slowest pace in seven quarters. Inflationary pressures continued to rise, with the Consumer Price Index (CPI) increasing to 6.2% in October, up from 5.5% the previous month. Similarly, the Wholesale Price Index (WPI) climbed to 2.4% in October, up from 1.8% in September. On a positive note, Industrial Production (IIP) showed a recovery, growing 3.1% in September after contracting by 0.1% in August. The gross GST collection, which is the number before adjusting refunds, stood at Rs 1.82 trillion in November. On a month-on-month basis, India's GST collections fall by 2.71% per cent in November 2024. It was 8.5 per cent higher than in

November 2023, when it stood at Rs 1.67 lakh crore. In global monetary policy, the US Federal Reserve opted for a 25-basis point interest rate cut, a move that could have broader implications for global liquidity and market sentiment. India 10-year G-sec yield ended the month at 6.75%. The USD/INR for the month was stable and closed at ~84.5. Brent crude price was stable and closed at ~74 barrel in the month of November '24.

Brent Crude



Source: Bloomberg

Earnings Review – 2QFY25:

The 2QFY25 corporate earnings scorecard was somewhat subdued, but excluding the commodity sector, overall earnings growth was in line with expectations. While consumption emerged as a relative weak spot and some BFSI (Banking, Financial Services, and Insurance) segments faced asset-quality pressures, these challenges were largely temporary. The subdued government spending (flat YoY in 1HFY25) and excess rainfall had a dampening effect on demand, but we expect these factors to correct themselves in the second half of FY25, leading to a recovery in earnings growth.

On a positive note, Nifty delivered a 4% YoY PAT growth for the quarter. This marks the second consecutive quarter of single-digit PAT growth since June 2020, highlighting a steady recovery. The earnings performance was impacted by global cyclical sectors, with Oil & Gas (OMC's profit dropped by 92% YoY), Cement (-46% YoY), Chemicals (-4% YoY), and Consumer (flat YoY) facing headwinds due to external factors like commodity price fluctuations and supply-side constraints. However, these sectors are expected to stabilize, and as the broader economic conditions improve, we anticipate strong earnings rebound in the second half of FY25.

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Alternative Investment Fund

As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html> and <https://www.nseindia.com/products-services/aif-benchmark-report>.

Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600

Portfolio Management Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/> for detailed disclosures. As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepag>

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Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

Investment Advisory Services:

You may refer the Disclosure Document available at <https://abakkusinvest.com/regulatory-disclosure/>

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