

# Market Outlook

January 2025

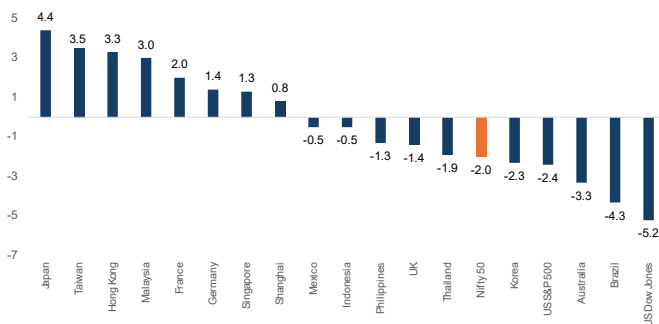
## Market Update

December began well for global markets amidst hope of the usual "Santa" rally. Indian equities too had a good start to the month. However, in line with the global trends, Indian markets also reacted, with the Nifty index declining by 2% for the month. Sector performance was mixed, as Healthcare led the gains with a 3.7% rise, followed by Realty (+3.4%) and Consumer Durables (+3.1%). In contrast, sectors such as Power, Metals, and PSUs faced sharp declines, losing 7%, 5.4%, and 5.2%, respectively, during the month. Key domestic developments included the Reserve Bank of India (RBI) holding the repo rate steady at 6.5% while reducing the Cash Reserve Ratio (CRR) by 50 basis points. Additionally, SEBI proposed new regulations aimed at enhancing retail participation in algorithmic trading.

On the investment front, Foreign Portfolio Investors (FPIs) were net buyers, purchasing \$59 million in Indian equities by December 30. Domestic Institutional Investors (DIIs) were also active, acquiring \$4 billion worth of stocks by the end of the year. This suggests continued confidence in the Indian market, despite the overall market volatility. Meanwhile, global markets saw mixed results: the US Dow Jones recorded a significant loss of 5.2%, while Brazil (-4.3%) and Australia (-3.3%) also experienced declines. On the positive side, markets in Japan (+4.4%), Taiwan (+3.5%), and Hong Kong (+3.3%) saw gains.

International economic developments included the US Federal Reserve cutting interest rates by 25 basis points, signalling a shift in its monetary policy stance. Meanwhile, Japan's government approved a record fiscal budget of \$732 billion, highlighting its commitment to economic stimulus. These global moves, along with domestic factors such as the RBI's policy adjustments, contributed to shaping the investment landscape at the close of 2024.

### Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st December 2024 in local currency)

## Macro Update

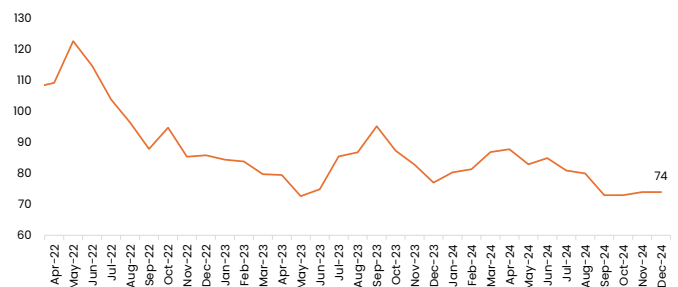
In December 2024, the Asian Development Bank revised India's GDP growth forecast for FY2025 down to 6.5%, from an earlier estimate of 7%. Inflationary pressures showed signs of easing, with the Consumer Price Index (CPI) falling to 5.5% in November, down from 6.2% in October. Similarly,

the Wholesale Price Index (WPI) also declined, dropping to 1.9% in November from 2.4% the previous month. Industrial production continued its recovery, registering a 3.5% growth in October, up from 3.1% in September.

India's exports grew by 7.6% during the April-November 2024 period compared to the same months in 2023, while imports rose by 9.6%, leading to a trade deficit of \$83 billion for the first eight months of FY2025. The country's 10-year government bond yield ended December at 6.78%, while the USD/INR exchange rate reached an all-time low of 85.6. Despite this, Brent crude oil prices remained stable, closing at around \$74 per barrel in December.

Gross GST collections was ₹1.77 lakh crore in December, reflecting a 7.3% rise compared to December 2023, but fell by 3.0% month-on-month.

### Brent Crude



Source: Bloomberg

## Market Outlook

As we enter 2025, India's economic outlook presents both opportunities and challenges amidst a complex global backdrop. While the U.S. Federal Reserve's interest rate cuts have failed to curb the rise in U.S. 10-year yields, the strength of the U.S. dollar—at a two-year high—poses a challenge for emerging markets, including India. The Indian Rupee, which has depreciated to a record low of 85.60 against the dollar, could face further pressure if China devalues its currency. However, potential U.S. tariffs on China could offer India an opportunity to capture a larger share of global trade.

India's economic growth slowed in the first half of FY25, impacted by election-related delays and extended monsoons that hurt consumer demand and project execution. However, growth is expected to rebound in the second half, with GDP projected to return to 6.5%-7%. The agriculture sector, buoyed by a strong monsoon, has improved rural income and consumption, supporting economic recovery. Corporate profitability, subdued earlier in the year, is also expected to recover as demand conditions stabilize.

In the equity markets, moderate returns are anticipated in 2025, with the NIFTY50 rising by 8.8% in 2024 despite caution from global investors over India's high valuations. While mid and small-cap stocks outperformed large caps last

year, this trend may slow in the coming months. Investors should be cautious of speculative sectors and overhyped IPOs, which may underperform. Instead, a focus on high-quality companies with visible growth prospects and strong fundamentals will likely generate better long-term returns. For investors, the key strategy in 2025 will be to adopt a fundamental-driven approach, avoiding momentum-

based investments. India's strong domestic consumption story and favorable structural trends provide an attractive long-term investment opportunity, though volatility from global economic developments should be expected. A disciplined, quality-focused investment approach will be crucial to navigating this evolving landscape.

**[Click here to view video on Market Outlook 2025](#)**



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#### Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600

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

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