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MARKET OUTLOOK

December 2025

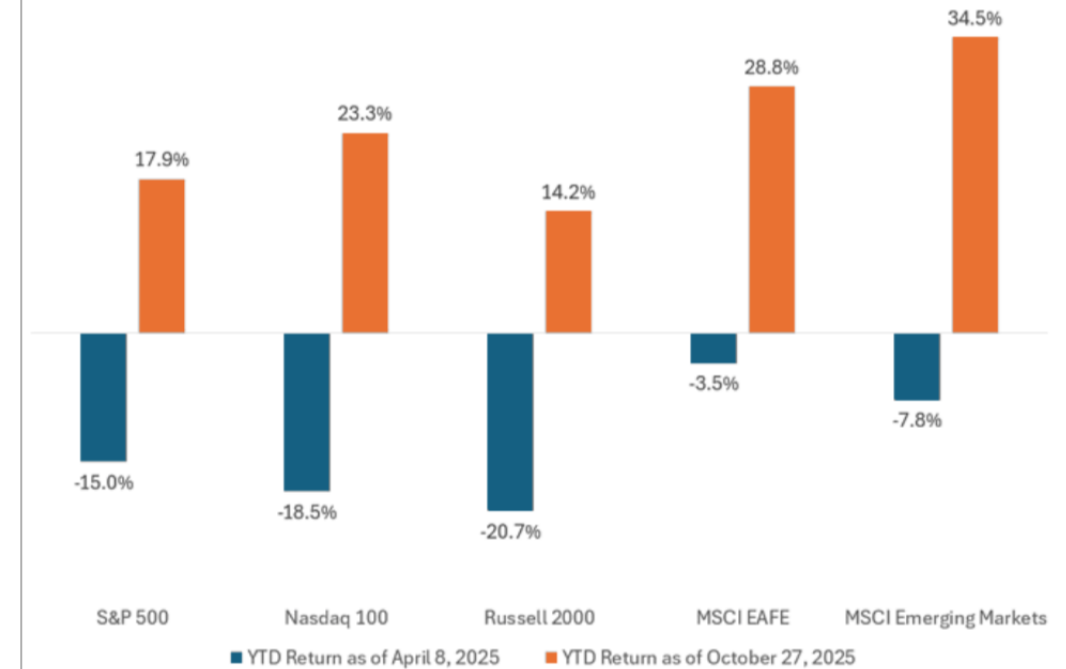


Section 1:

Global Markets

Strictly Private and Confidential. Not for Circulation

Expect the Unexpected: US and World markets make a sharp comeback from Apr'25 lows



Expect the Unexpected: S&P 500 makes new ATHs in 2025

S&P 500 Index: Number of All-Time Highs (1929 - 2025)									
Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	57
1945	0	1965	37	1985	43	2005	0	2025	36
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		

And the flip flop on tariffs and geopolitical uncertainty



.....



BBC

China to ease chip export ban in new trade deal, White House says

1 day ago

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Michael Sheils McNamee
Business reporter

US doubles down on China with additional 100% tariff, effective November 1, 2025 or earlier

ET Online • Last Updated: Oct 11, 2025, 07:17:00 AM IST

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 **MARKETS BUSINESS INVESTING TECH POLITICS VIDEO INVESTING CLUB**

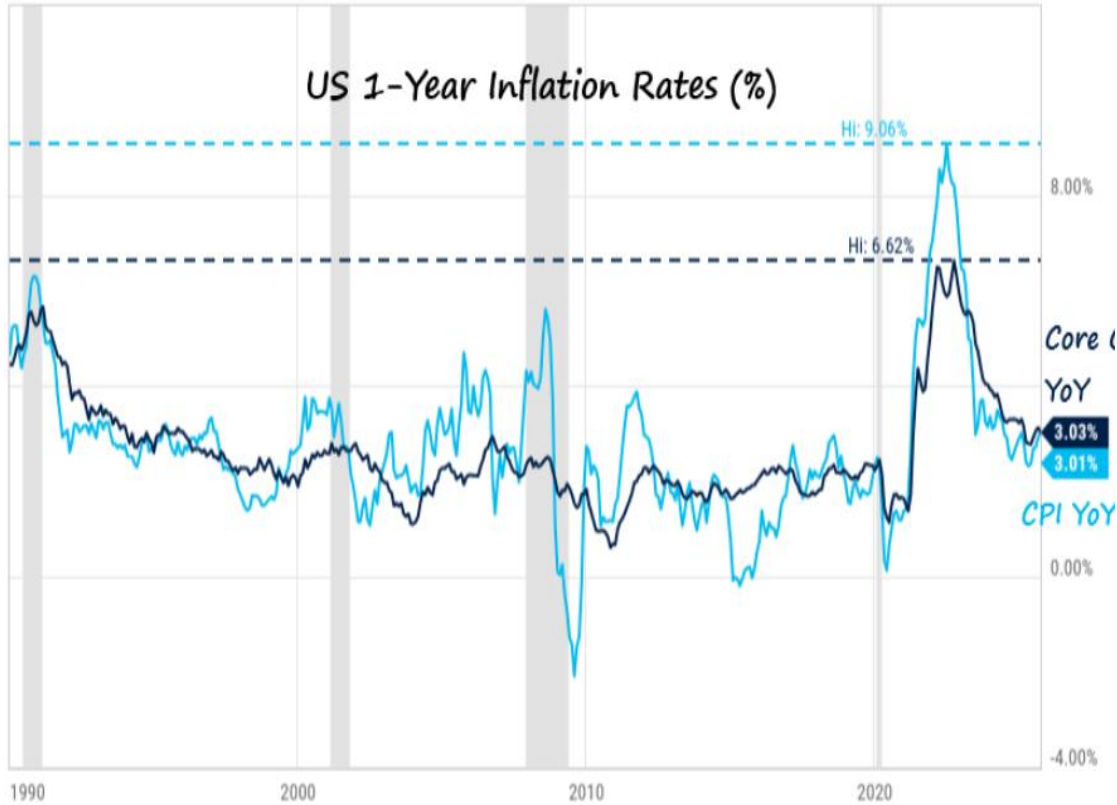
ECONOMY

Trump cuts fentanyl tariffs on China to 10% as Beijing delays latest rare earths curbs by a year

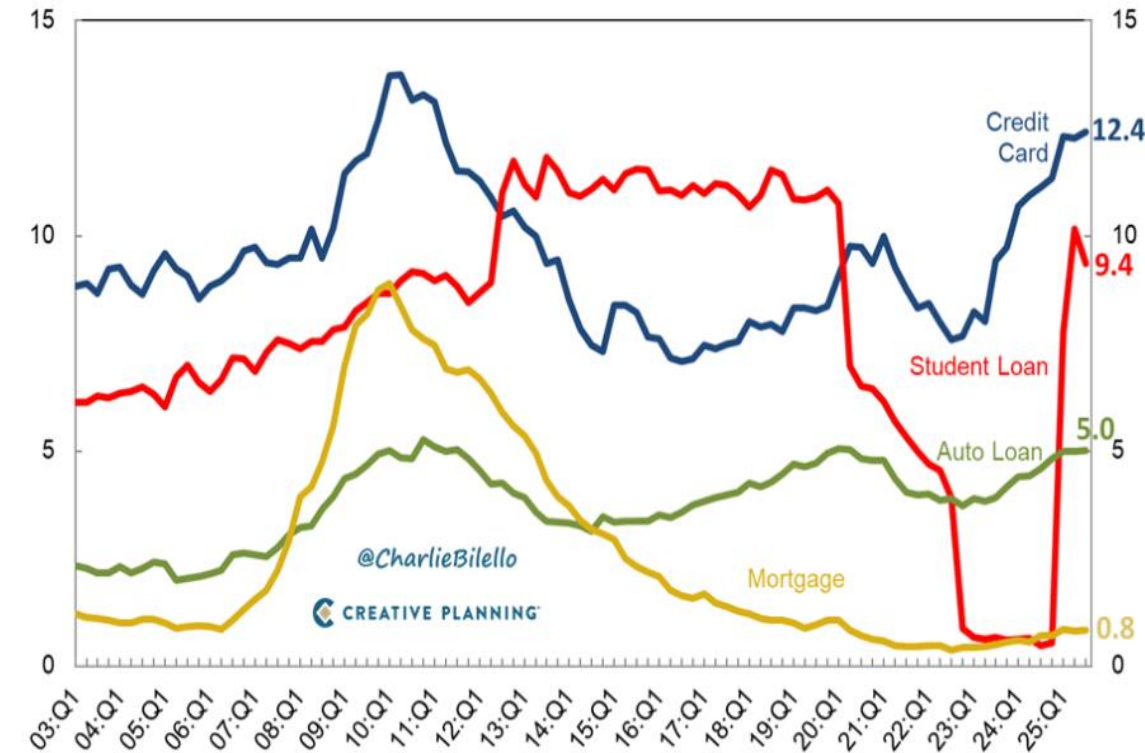
PUBLISHED THU, OCT 30 2025 • 12:53 AM EDT | UPDATED THU, OCT 30 2025 • 2:32 PM EDT

Despite inflation rising and loan delinquencies increasing

US 1-year inflation rates (%)

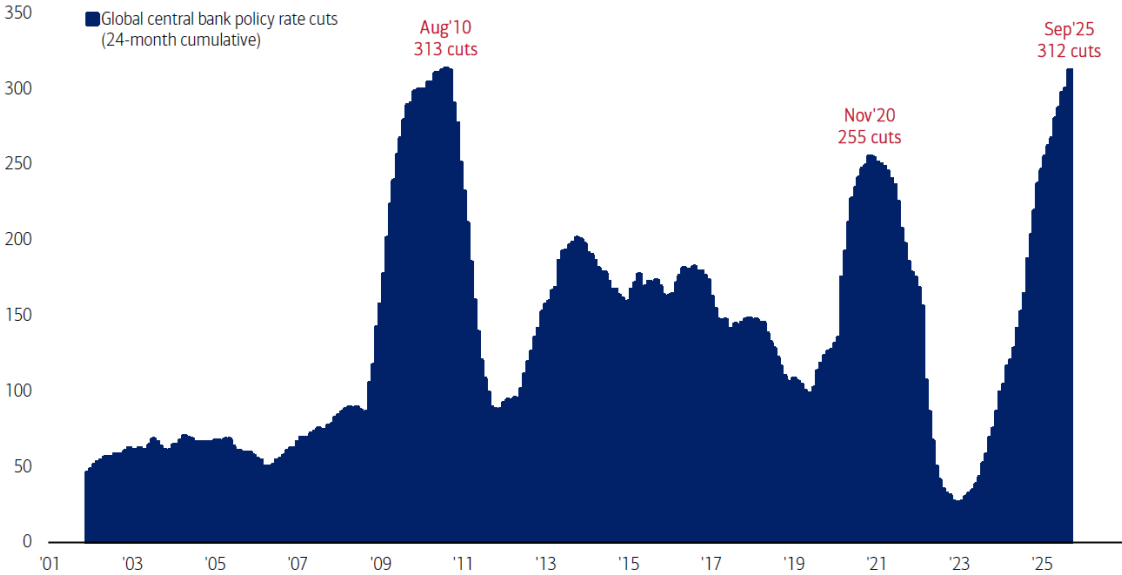


90+ dpd by loan type (%)



Global Central Banks on a rate cut spree

Global rate cuts in past 2 years match post-GFC levels

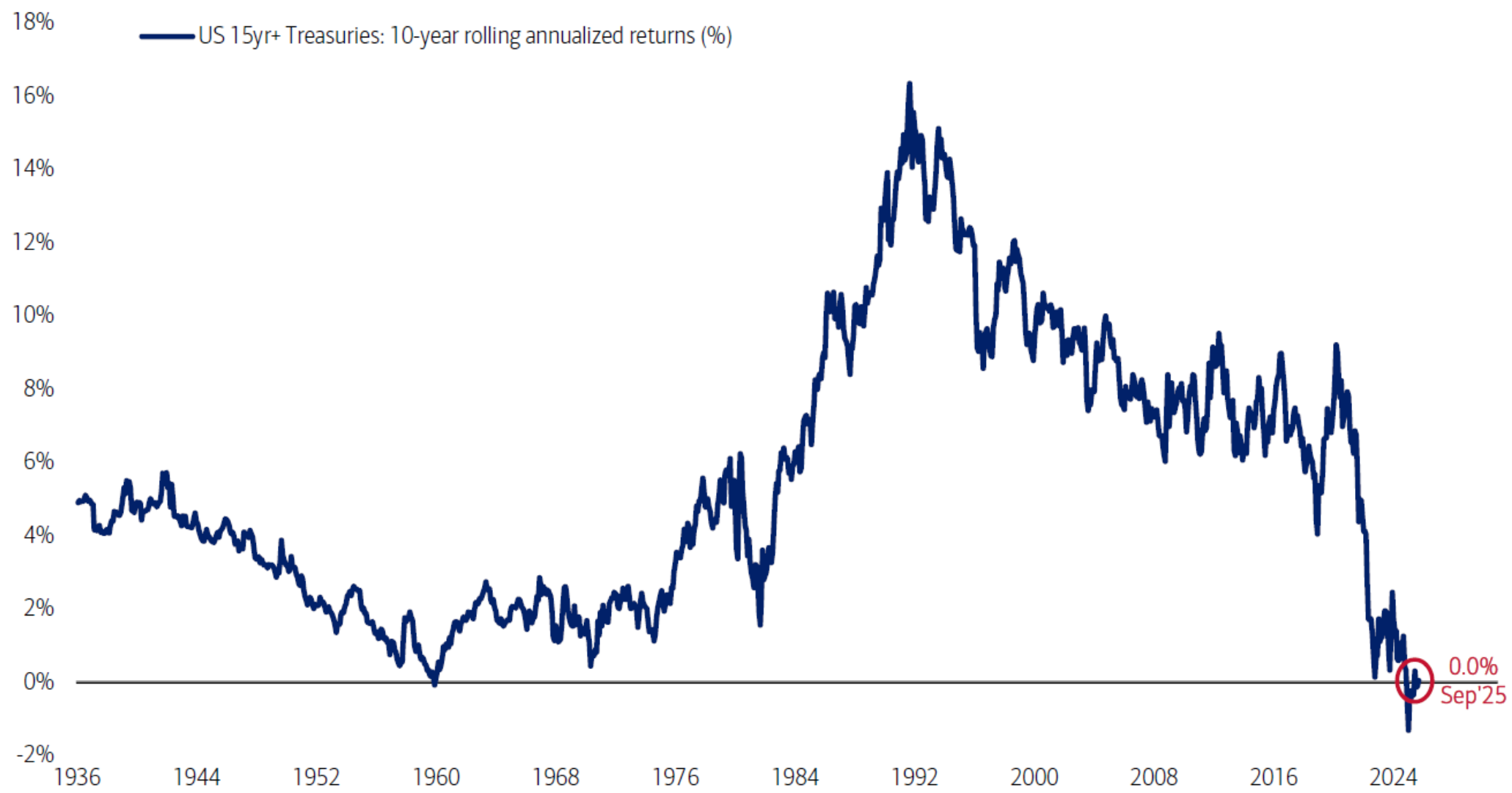


Markets expect rate cuts to continue in '26

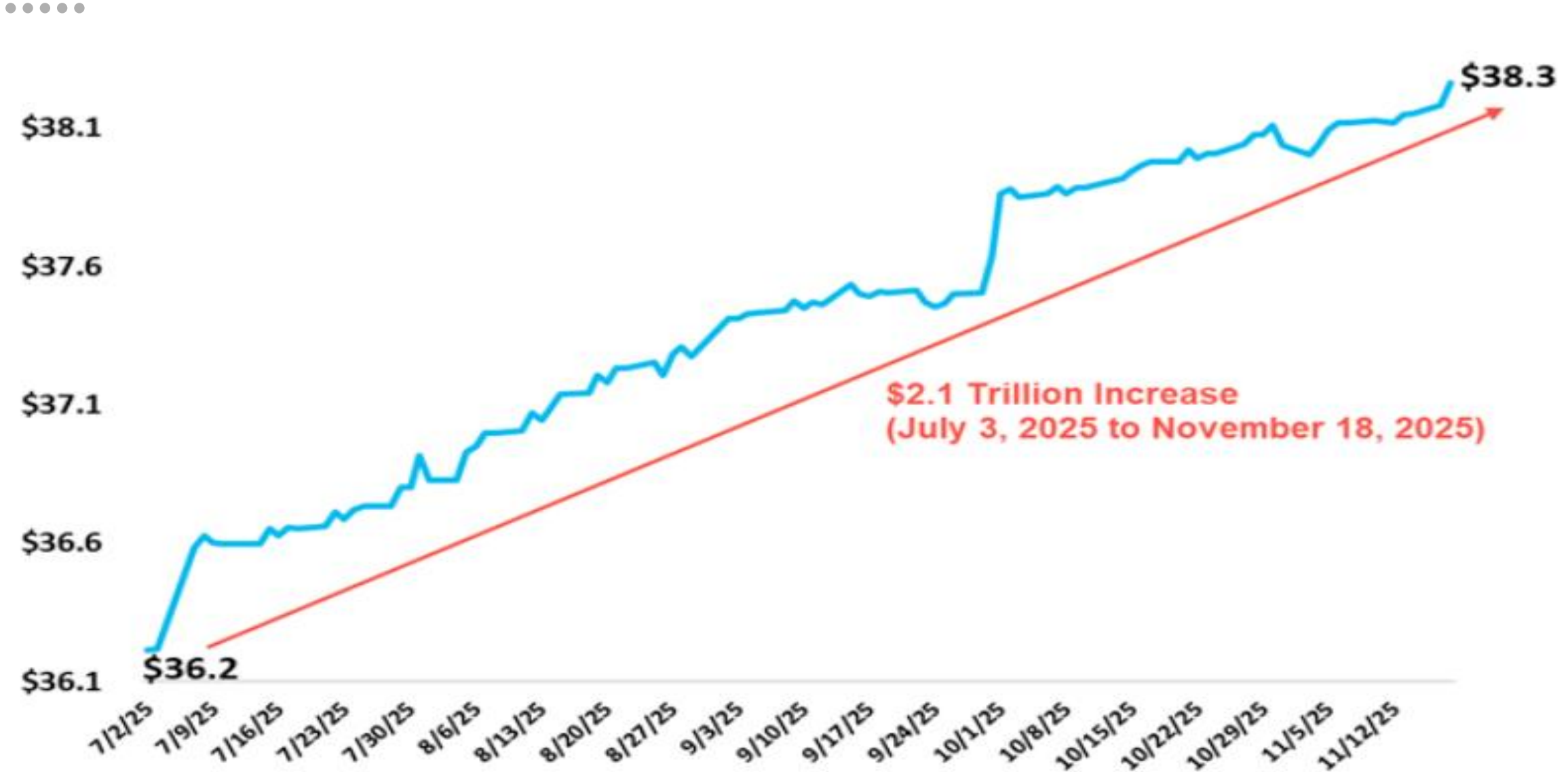
	Policy rate past 2 years (bp)	Policy rate pricing to Dec '26 (bp)
Federal Reserve	-150bp	-82bp
Bank of Japan*	+60bp	+47bp
European Central Bank	-200bp	-12bp
Bank of England	-225bp	-58bp
Bank of Canada	-275bp	-11bp
Reserve Bank of Australia	-75bp	-21bp

Despite rate cuts, bond markets are not convinced

● ● ● ● ●

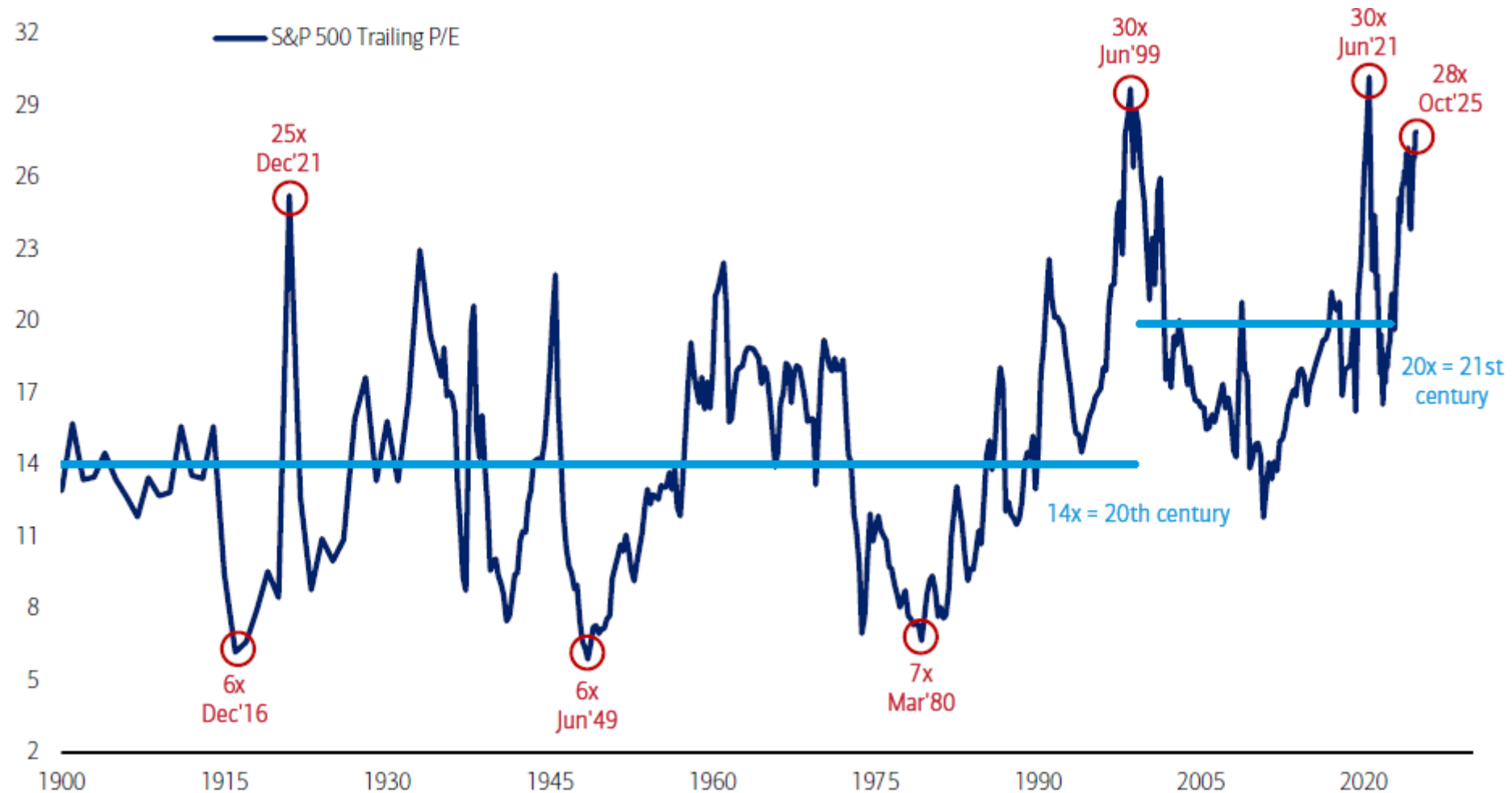


US National Debt up by \$2Tn since debt ceiling increased in July'25

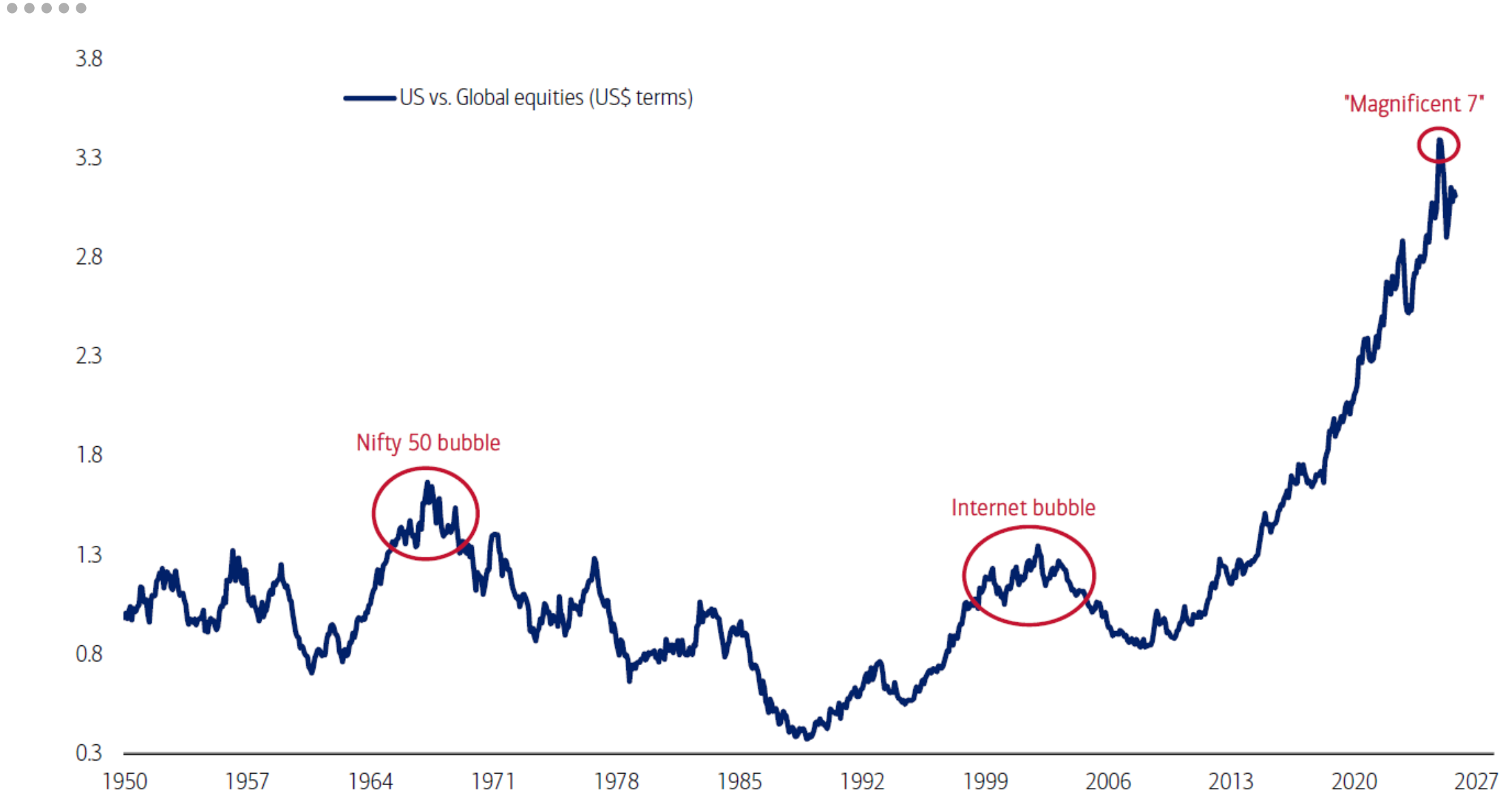


“US Exceptionalism” Exceptionally Expensive...

S&P 500 trailing P/E since 1900



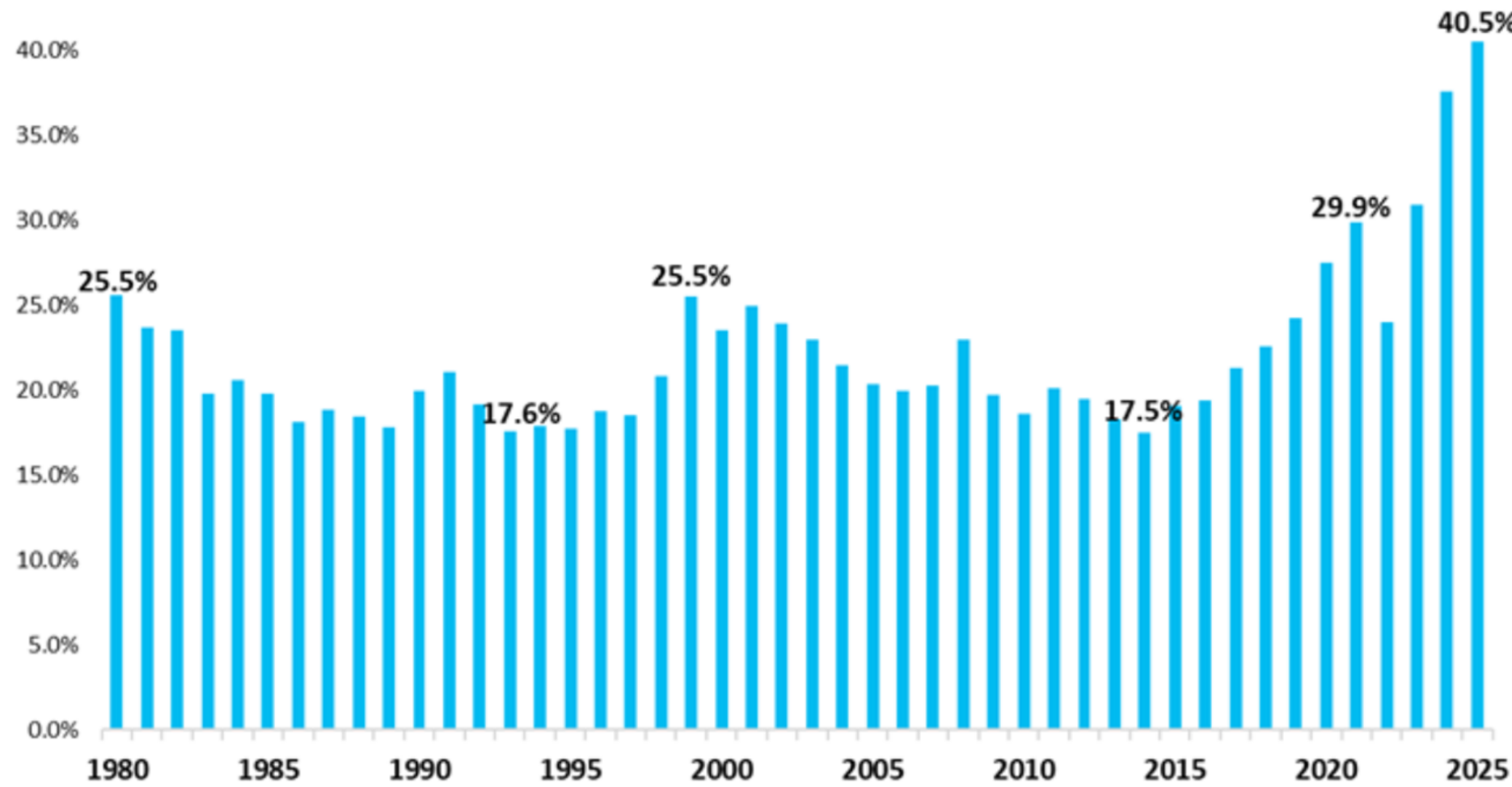
Sharp outperformance of US Equities led by Mag 7 stocks



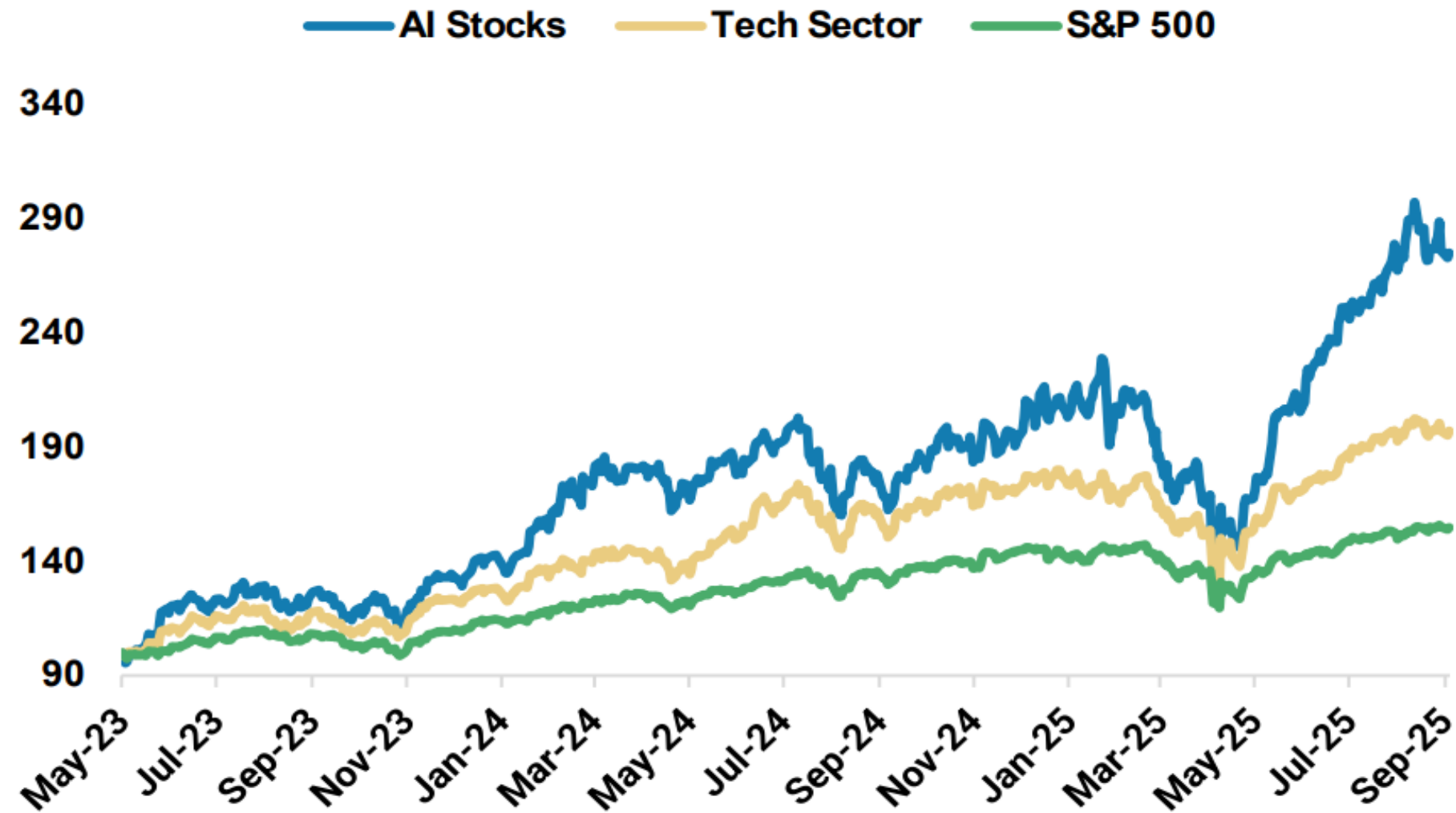
High concentration risk: Top 10 US companies are >40% of S&P 500

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S&P 500 – Weight of top 10 holdings

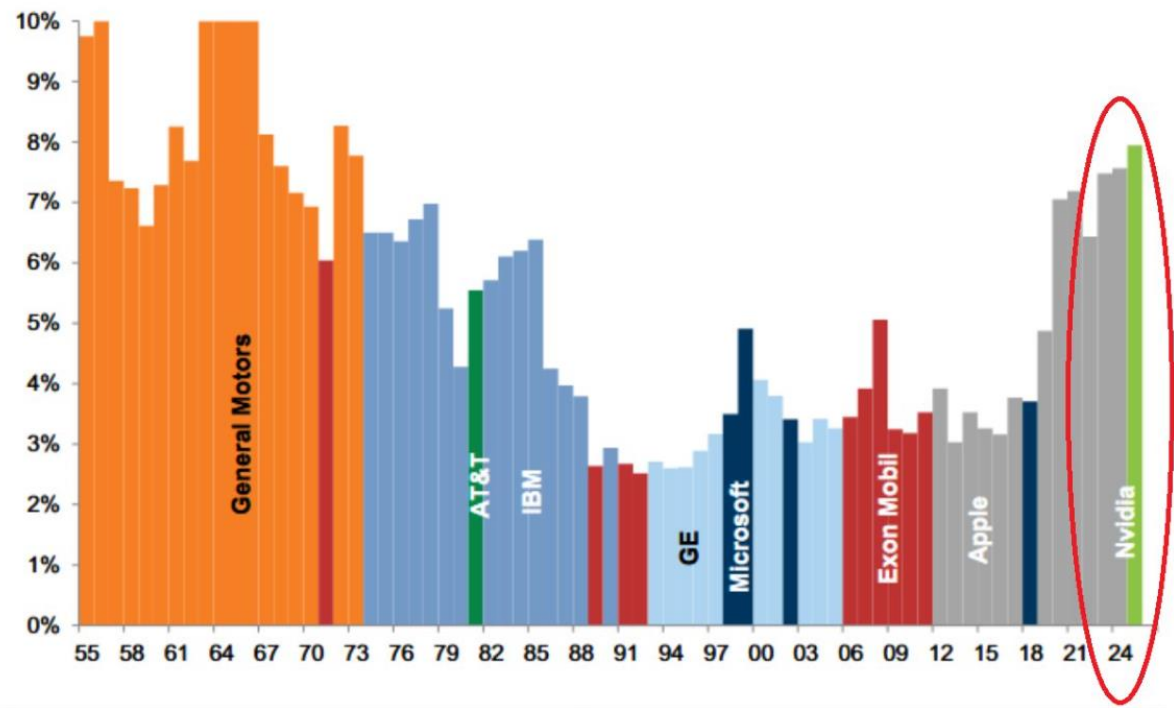


AI stocks leading the majority of gains in S&P 500



Nvidia now 8% of S&P 500 - Are we heading into AI bubble?

Largest market cap companies in each period (% of S&P 500)

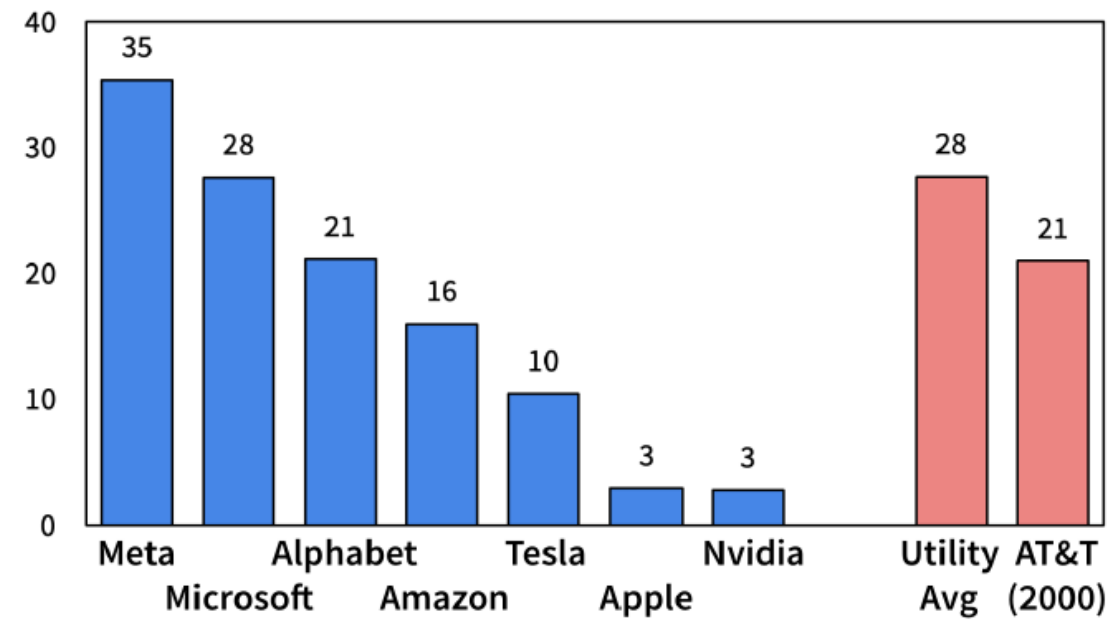


Nvidia now more valuable than some large stock markets

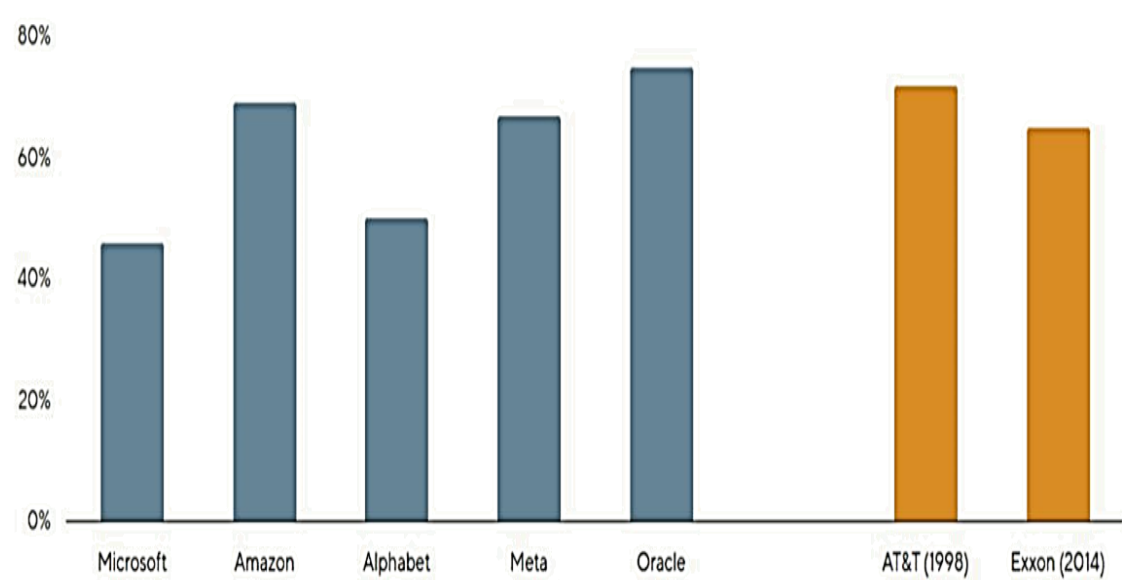


Cash flow generating tech companies becoming asset heavy utilities?

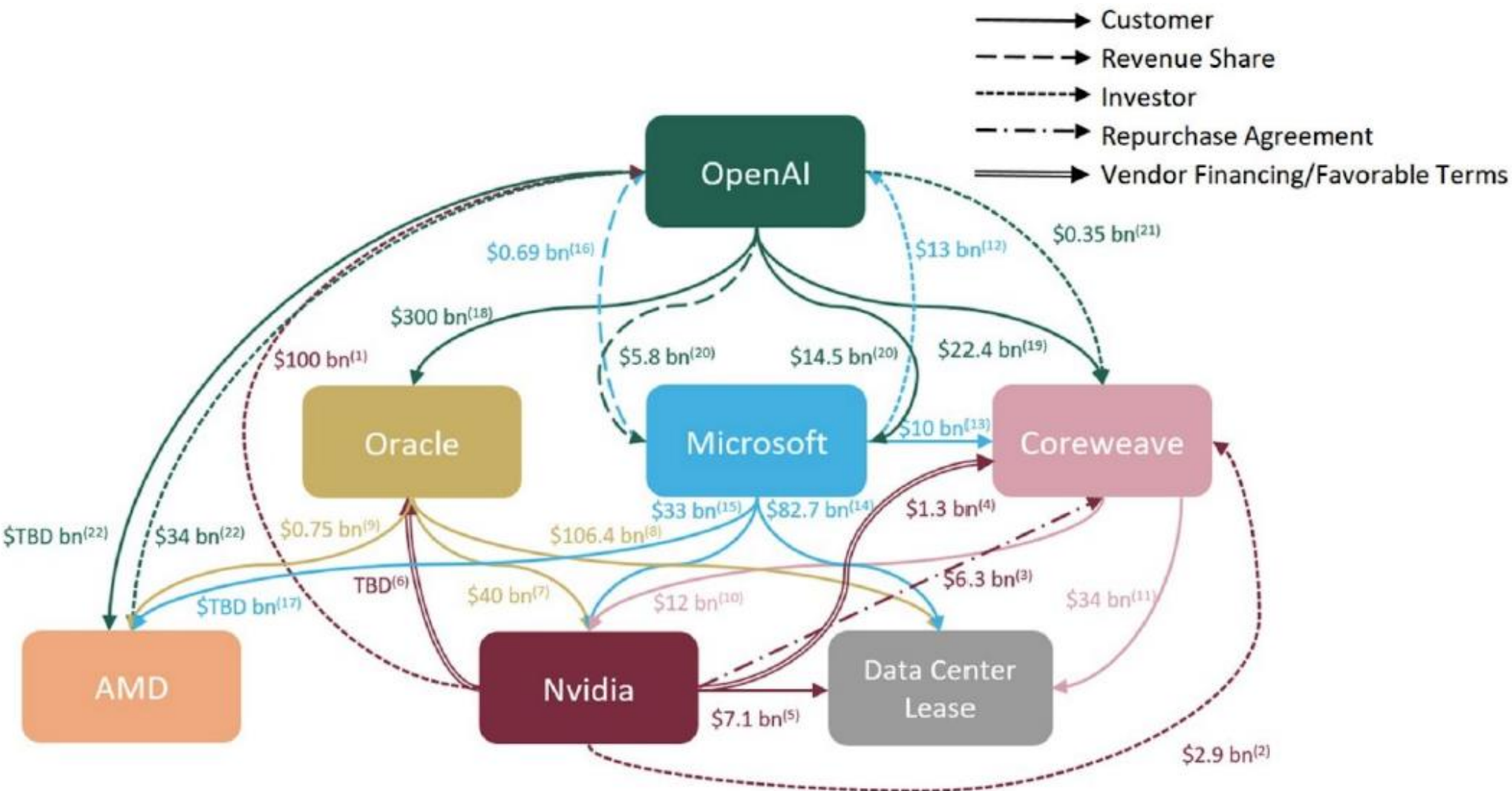
Capex to revenue %



Capex to EBITDA %



Circular economy emerging within the AI ecosystem



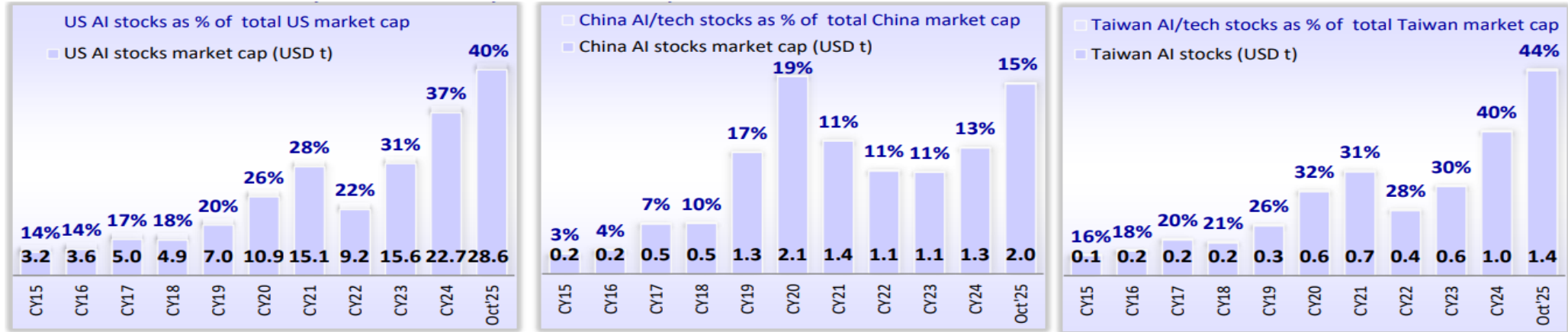
Oracle 5-year CDS highest in 2 years - Bond markets indicating something?

Oracle 5-year CDS



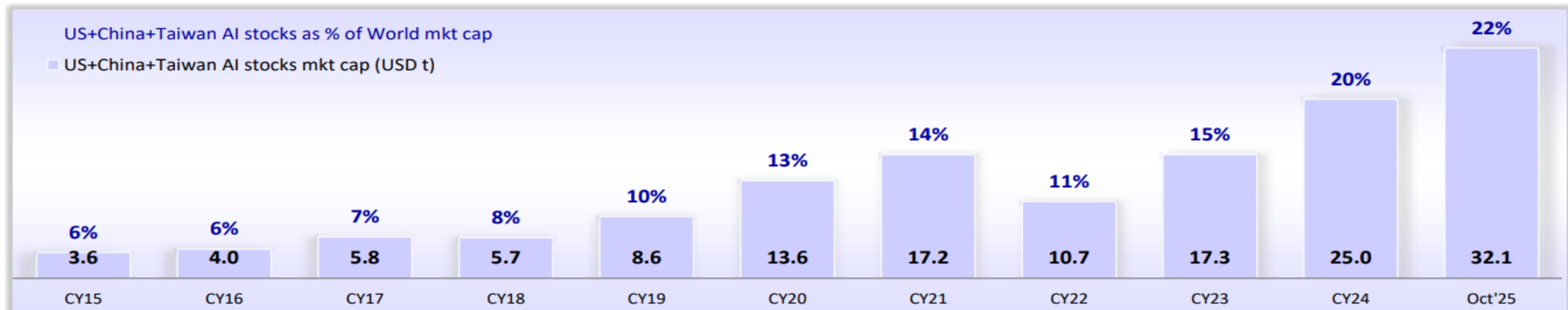
Are AI stocks globally moving in the excess territory?

US, China, and Taiwan see sharp rise in market cap of AI-linked companies



Note: We have considered key AI, big tech, semiconductor, and chip manufacturing companies from the US (41 companies), China (17 companies), and Taiwan (9 companies).

Global share of Key AI stocks in total market capitalization



Recent rally in Chinese and Korean markets driven by AI stocks

Top 25 Chinese stocks

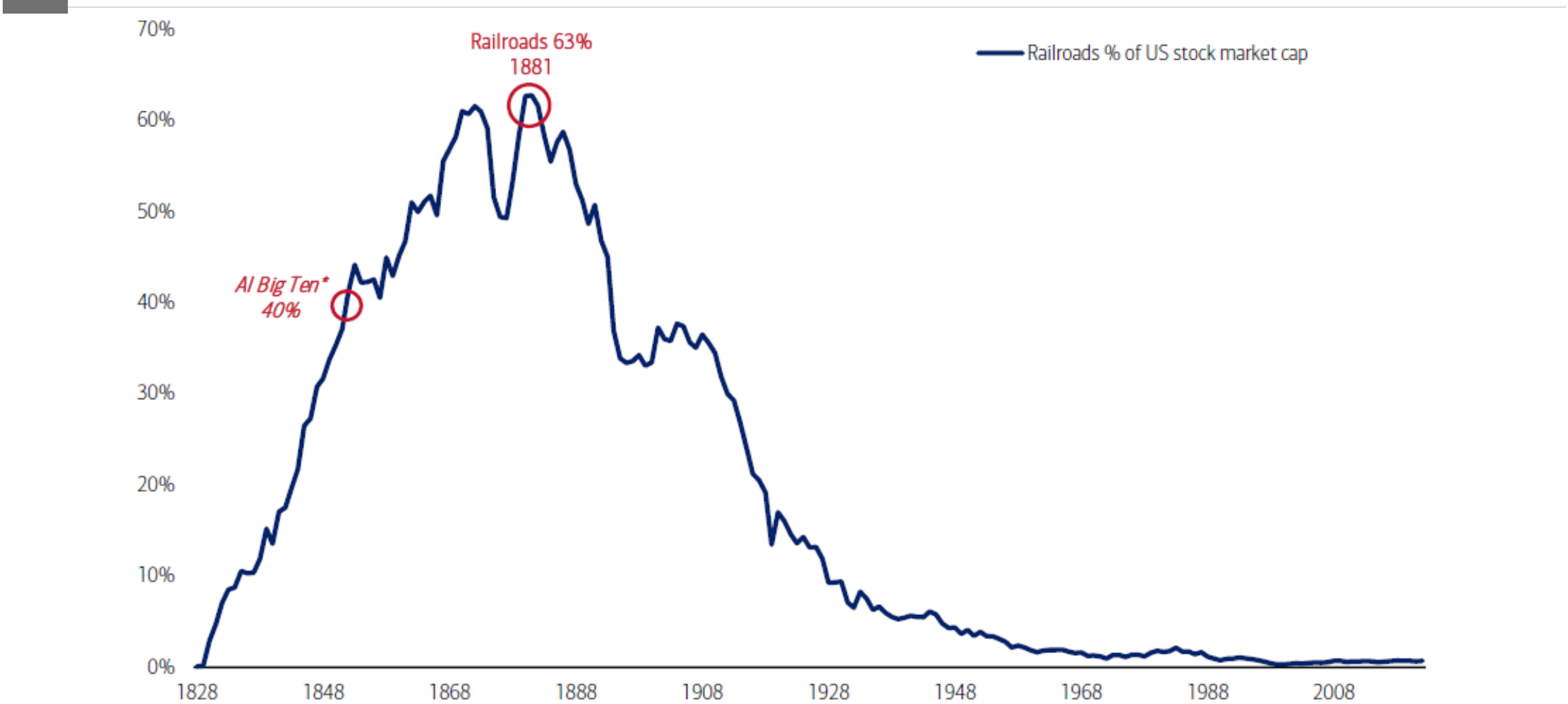
Current			1Y back		
Company	GICS Sector	Market cap. (US\$ bn)	Company	GICS Sector	Market cap. (US\$ bn)
Tencent Holdings	Communication Services	741	Tencent Holdings	Communication Services	483
Agricultural Bank of China-H	Financials	391	Ind. & Comm. Bk of China-H	Financials	281
Alibaba Group Holding	Consumer Discretionary	389	Kweichow Moutai-A	Consumer Staples	270
Ind. & Comm. Bk of China-H	Financials	378	Alibaba Group Holding	Consumer Discretionary	233
China Construction Bank-H	Financials	276	Agricultural Bank of China-H	Financials	227
Contemporary Amperex Techn-H	Industrials	251	China Mobile-H	Communication Services	202
Kweichow Moutai Co.-A	Consumer Staples	250	Petrochina-H	Energy	200
China Mobile-H	Communication Services	245	China Construction Bank-H	Financials	197
Petrochina-H	Energy	239	Bank of China-H	Financials	182
Bank of China-H	Financials	239	Contemporary Amperex Techn-A	Industrials	152
Foxconn Industrial Interne-A	Information Technology	210	Meituan-Class B	Consumer Discretionary	143
China Merchants Bank-H	Financials	154	China Life Insurance-H	Financials	138
China Life Insurance-H	Financials	149	China Merchants Bank-H	Financials	131
Xiaomi-Class B	Information Technology	145	Ping An Insurance Group-H	Financials	131
Ping An Insurance Group Co-H	Financials	141	CNOOC-H	Energy	115
CNOOC-H	Energy	128	BYD-H	Consumer Discretionary	114
China Shenhua Energy-H	Energy	119	China Shenhua Energy-H	Energy	107
BYD-H	Consumer Discretionary	118	China Petroleum & Chemical-H	Energy	98
AIA Group	Financials	108	China Yangtze Power-A	Utilities	95
Zijin Mining Group-H	Materials	107	AIA Group	Financials	86
China Yangtze Power-A	Utilities	98	Xiaomi-Class B	Information Technology	86
Postal Savings Bank of China-H	Financials	97	Wuliangye Yibin-A	Consumer Staples	80
Semiconductor Manufacturing-H	Information Technology	89	China Telecom-H	Communication Services	77
China Petroleum	Energy	89	Midea Group-H	Consumer Discretionary	76
Netease	Communication Services	89	Postal Savings Bank of China-H	Financials	69
AI companies		1,574			802
Top-25 companies market cap.		5,239			3,975
Total market cap.		12,907			10,239

Top 25 Korean stocks

Current			1Y back		
Company	GICS Sector	Market cap. (US\$ bn)	Company	GICS Sector	Market cap. (US\$ bn)
Samsung Electronics Co.	Information Technology	412	Samsung Electronics Co.	Information Technology	257
SK Hynix Inc	Information Technology	293	SK Hynix Inc	Information Technology	99
LG Energy Solution	Industrials	77	LG Energy Solution	Industrials	69
Samsung Biologics Co.	Health Care	60	Samsung Biologics Co.	Health Care	52
Hyundai Motor Co.	Consumer Discretionary	38	Hyundai Motor Co.	Consumer Discretionary	33
Doosan Enerbility Co.	Industrials	36	Celltrion Inc.	Health Care	29
Hanwha Aerospace Co.	Industrials	34	Kia Corp.	Consumer Discretionary	27
HD Hyundai Heavy Industries	Industrials	32	KB Financial Group Inc.	Financials	26
KB Financial Group Inc	Financials	32	Posco Holdings Inc.	Materials	20
Kia Corp	Consumer Discretionary	30	Naver Corp.	Communication Services	20
Naver Corp	Communication Services	30	Shinhan Financial Group	Financials	19
Celltrion Inc.	Health Care	28	Hyundai Mobis Co.	Consumer Discretionary	17
Hanwha Ocean Co.	Industrials	27	Samsung SDI Co.	Information Technology	16
Shinhan Financial Group	Financials	25	LG Chem	Materials	16
Samsung C&T Corp	Industrials	25	Samsung C&T Corp.	Industrials	15
SK Square Co.	Industrials	24	Korea Zinc Co.	Materials	15
Hd Hyundai Electric Co.	Industrials	22	Samsung Life Insurance Co.	Financials	15
Hd Korea Shipbuilding & Offs	Industrials	21	Alteogen Inc.	Health Care	15
Samsung Life Insurance Co.	Financials	21	Meritz Financial Group Inc.	Financials	14
Korea Electric Power Corp	Utilities	19	Posco Future M Co.	Industrials	13
Kakao Corp.	Communication Services	19	Hana Financial Group	Financials	12
LG Chem	Materials	19	Hanwha Aerospace Co.	Industrials	12
Hyundai Mobis Co.	Consumer Discretionary	18	Ecopro Bm Co.	Industrials	12
Samsung SDI Co.	Information Technology	18	Kakao Corp.	Communication Services	12
Samsung Heavy Industries	Industrials	17	Hd Hyundai Heavy Industries	Industrials	12
AI companies		723			372
Top-25 companies market cap.		1,379			845
Total market cap.		2,601			1,736

Can AI meet the same fate as Railroads & Dotcom for financial investors?

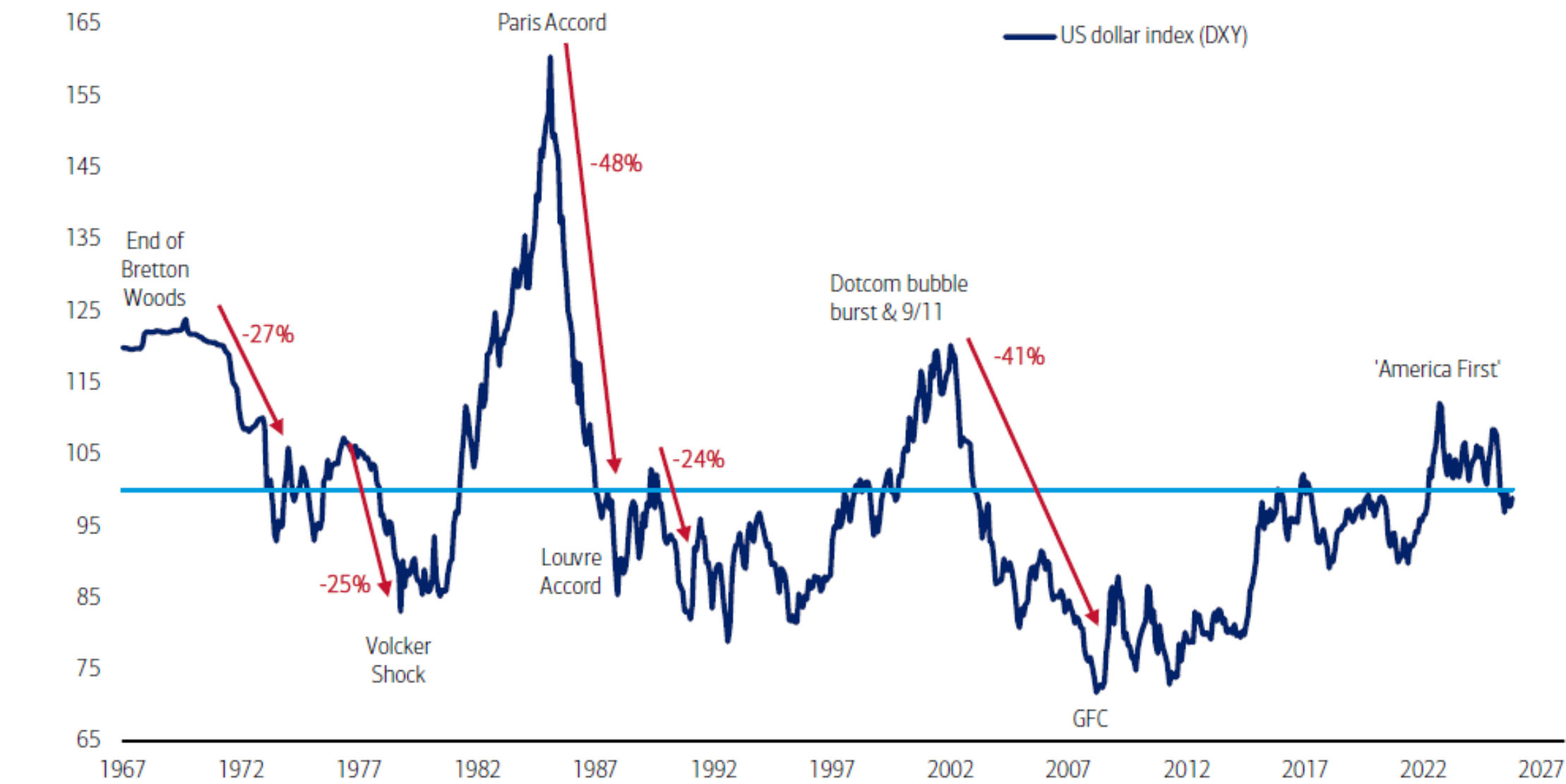
Railroads as a % of US stock market cap since 1828



Source: BofA Global Investment Strategy, Global Financial Data, Bloomberg. *AI Big Ten % of S&P 500 market cap in Aug'25 (AI BigTen = AAPL, AMZN, AVGO, GOOGL, META, MSFT, NVDA, ORCL, PLTR, TSLA)

Is Dollar depreciation the next big theme?

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Global markets ex-US rebound – Is the world shifting to non-dollar assets?

Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR	Country/Region	Ticker	2025 TR
South Korea	EWY	72.7%	Germany	EWG	32.9%	Japan	EWJ	22.5%
Vietnam	VNM	71.1%	Brazil	EWZ	32.3%	UAE	UAE	22.3%
Greece	GREK	67.2%	Sweden	EWD	30.9%	Total World	VT	18.5%
Peru	EPU	66.0%	Singapore	EWS	30.4%	Ireland	EIRL	17.6%
South Africa	EZA	62.5%	Europe	VGK	30.0%	Australia	EWA	14.8%
Spain	EWP	61.0%	Emerging Markets	IEMG	29.8%	US	SPY	13.7%
Poland	EPOL	60.1%	France	EWQ	28.7%	Qatar	QAT	9.3%
Austria	EWO	52.0%	Hong Kong	EWH	28.7%	Denmark	EDEN	6.7%
Colombia	COLO	51.8%	World ex-USA	ACWX	28.0%	Malaysia	EWM	6.5%
Mexico	EWX	45.8%	Israel	EIS	27.8%	Philippines	EPHE	2.8%
Italy	EWI	43.9%	Norway	NORW	27.7%	India	INDA	2.7%
Finland	EFNL	39.3%	EAFE	IEFA	27.5%	Saudi Arabia	KSA	1.5%
China	MCHI	36.6%	Switzerland	EWL	27.4%	New Zealand	ENZL	1.5%
Chile	ECH	36.3%	Canada	EWC	26.4%	Thailand	THD	1.2%
Eurozone	EZU	35.4%	United Kingdom	EWU	26.4%	Indonesia	EIDO	-3.5%
Belgium	EWK	33.5%	Taiwan	EWT	25.9%	Turkey	TUR	-8.4%
Netherlands	EWN	33.2%	Kuwait	KWT	25.8%	Argentina	ARGT	-12.8%

Has risk-off started in some pockets? Gold up in 2025 while bitcoin is down

ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2011-25 Cumulative	2011-25 Annualized
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	54.6%	170%	6.9%
EFA	EAFA Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	24.7%	146%	6.2%
VWO	Emerging Market Stocks	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	21.6%	65%	3.4%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	15.9%	1134%	18.4%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	14.3%	837%	16.2%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	13.4%	583%	13.8%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	13.0%	274%	9.3%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	12.8%	81%	4.1%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	11.1%	334%	10.4%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	7.8%	73%	3.8%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	7.5%	268%	9.2%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	7.2%	104%	4.9%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	7.2%	50%	2.8%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	7.0%	42%	2.4%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	6.2%	44%	2.5%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	5.4%	-6%	-0.4%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	3.7%	22%	1.3%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	3.6%	189%	7.4%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	3.1%	325%	10.2%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	2.4%	87%	4.3%
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	-8.9%	28362870%	132.6%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BTC	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	95%	95%	95%

Is the gold rally over-extended now?

Gold - Annual returns %

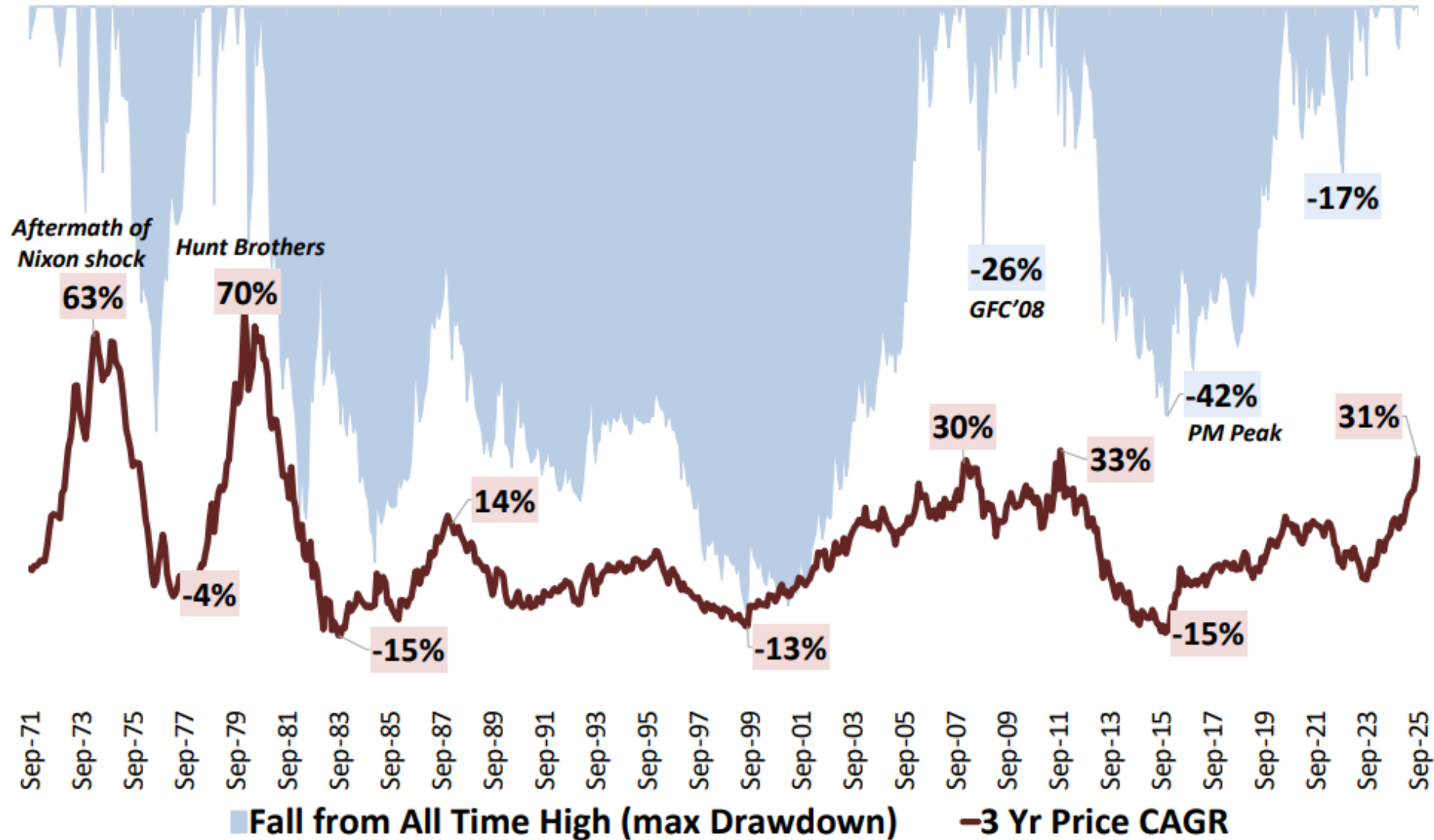
Year	Return	Year	Return	Year	Return
1971	16.7%	1990	-3.1%	2009	25.0%
1972	48.8%	1991	-8.6%	2010	29.2%
1973	73.0%	1992	-5.7%	2011	12.0%
1974	66.1%	1993	17.7%	2012	5.7%
1975	-24.8%	1994	-2.2%	2013	-27.6%
1976	-4.1%	1995	1.0%	2014	0.1%
1977	22.6%	1996	-4.6%	2015	-12.1%
1978	37.0%	1997	-21.4%	2016	8.1%
1979	126.5%	1998	-0.8%	2017	12.7%
1980	15.2%	1999	0.9%	2018	-0.9%
1981	-32.6%	2000	-5.4%	2019	19.1%
1982	15.6%	2001	0.7%	2020	24.2%
1983	-16.8%	2002	25.6%	2021	-3.8%
1984	-19.4%	2003	19.9%	2022	0.5%
1985	6.0%	2004	4.6%	2023	13.3%
1986	19.0%	2005	17.8%	2024	26.0%
1987	24.5%	2006	23.2%	2025 YTD	65.8%
1988	-15.3%	2007	31.9%		
1989	-2.8%	2008	4.3%		

Gold prices (\$/oz)



Source: Charlie Bilello, TradingView

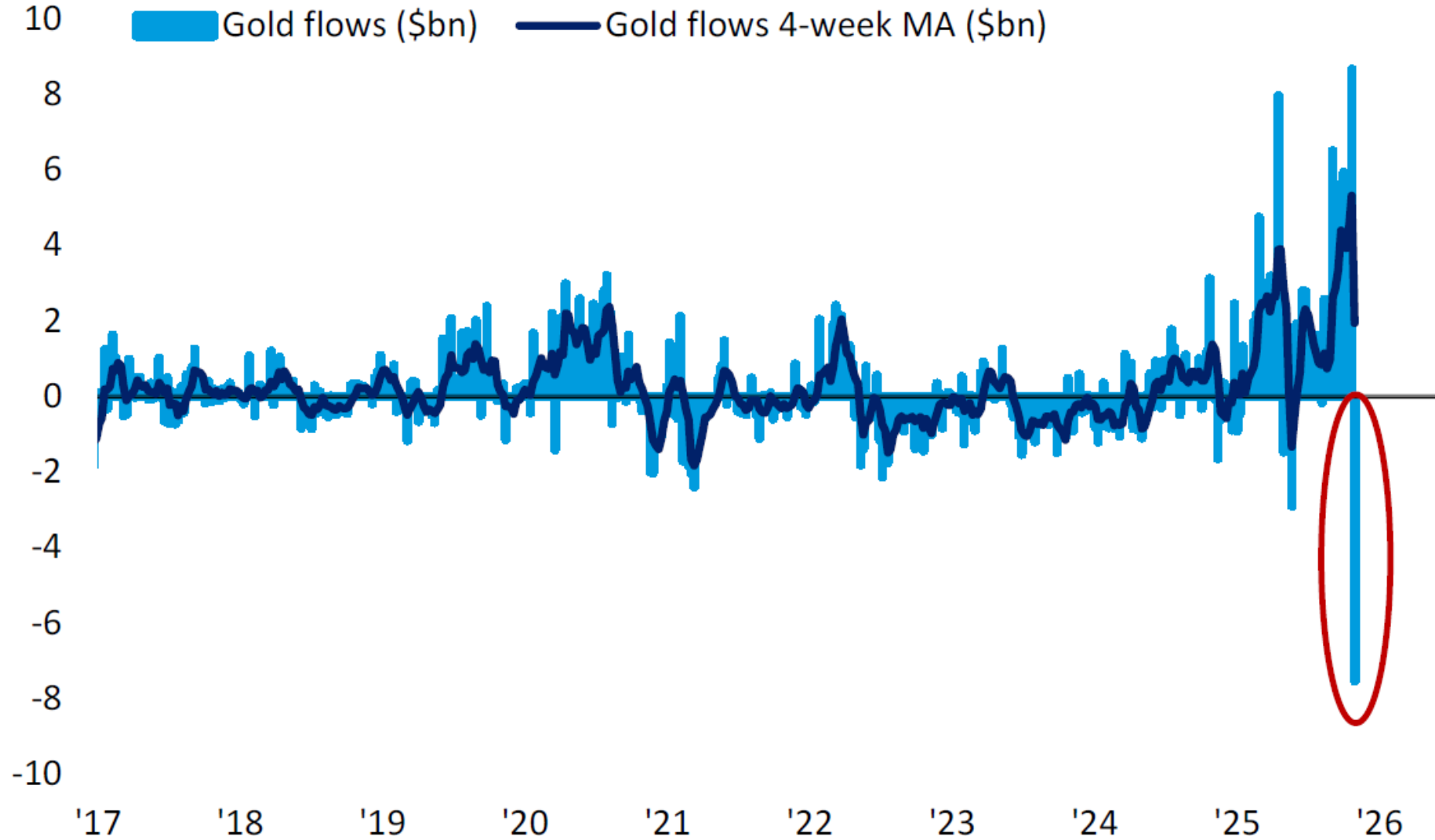
Gold has seen large drawdowns in the past



Source: World Gold Council, DSP. Data as of September 2025

Record outflow from gold after big \$59bn inflow past 4m

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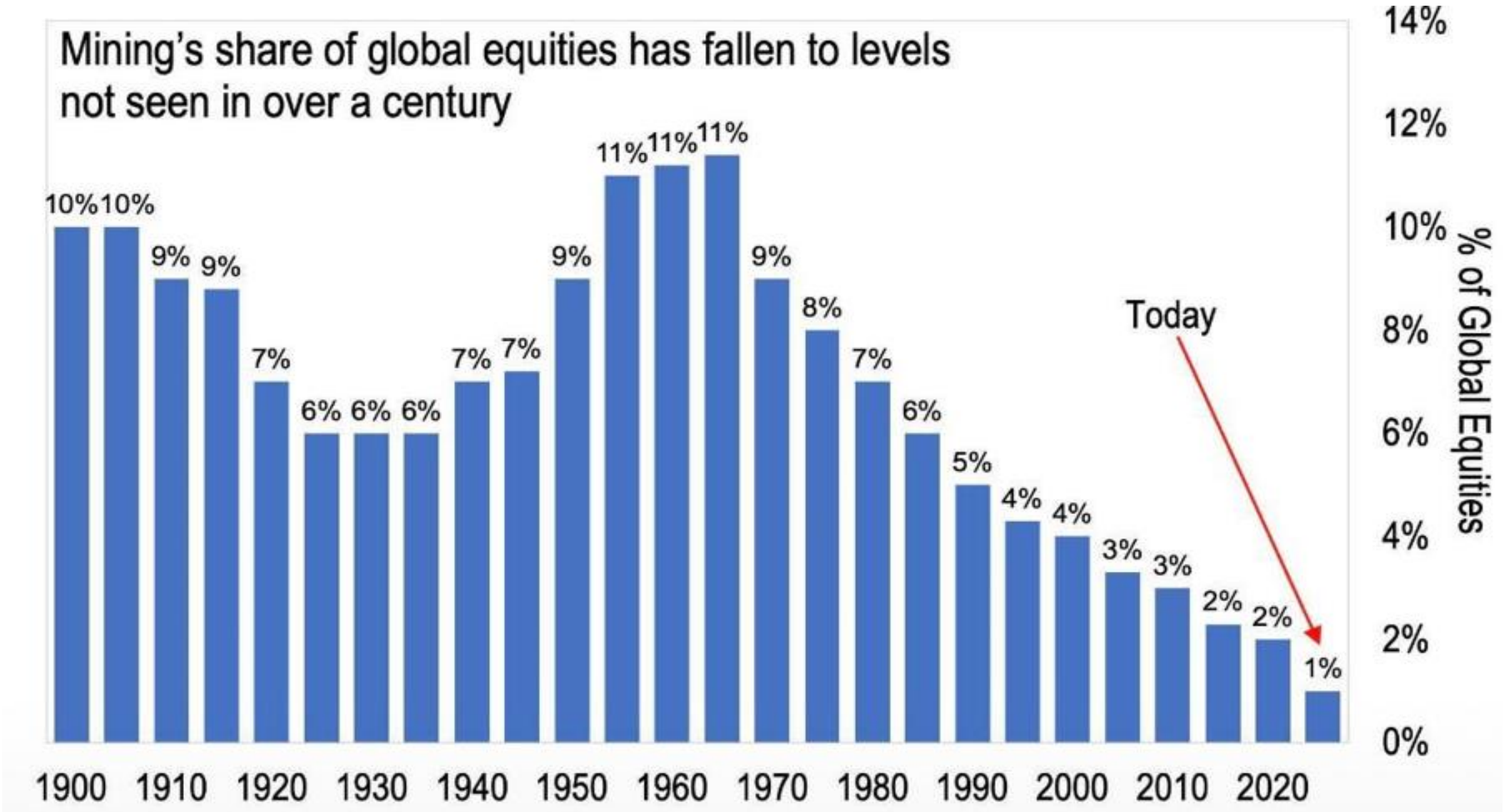


Silver continues to be volatile in recent times



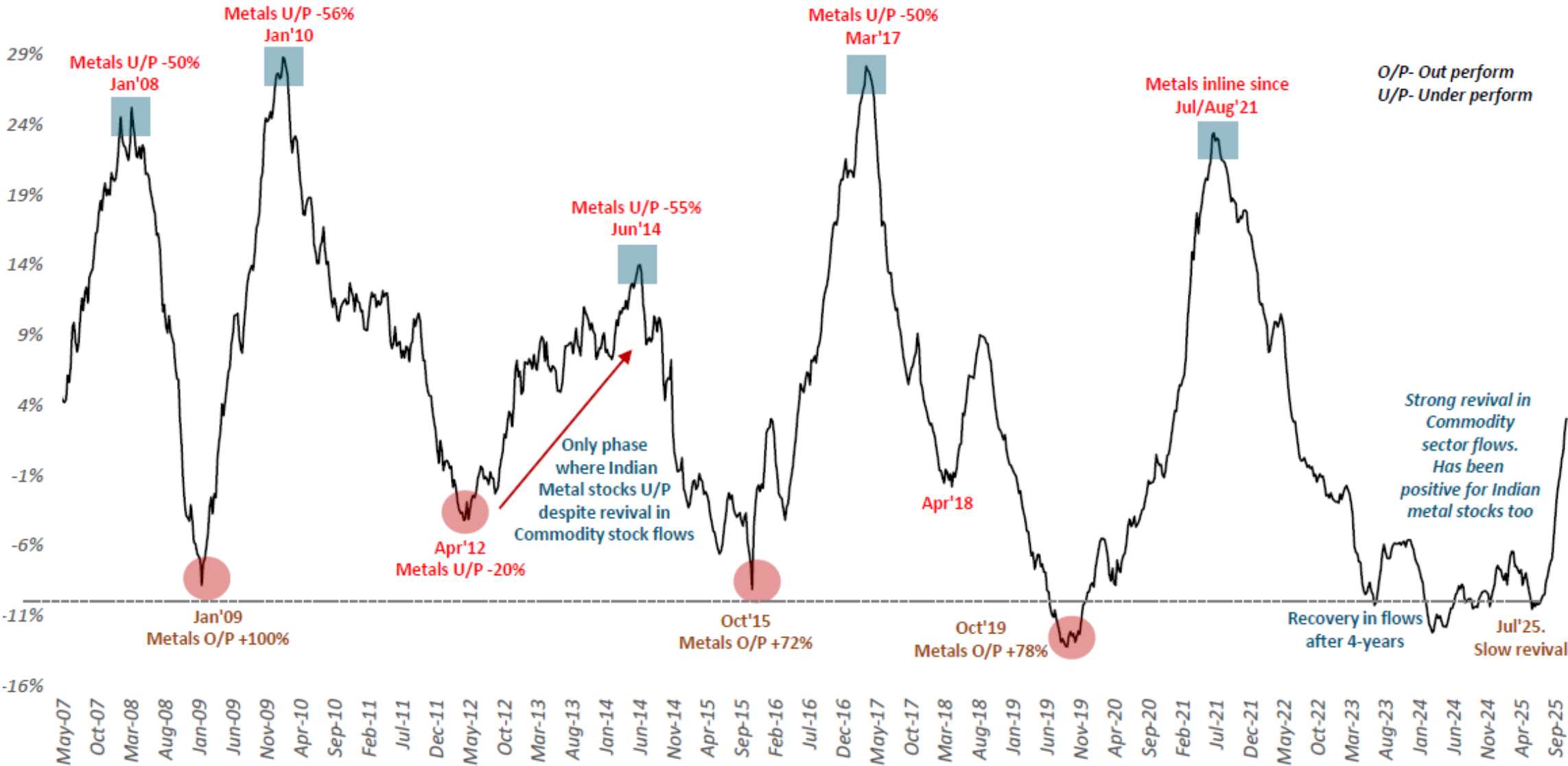
After gold and silver, can metals and mining make a comeback?

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Source: Crisis Investing, Statista, S&P Global Market Intelligence, Tavi Costa

Global Commodity ETFs showing revival in inflows after long time



Source: EPFR, Elara Securities, Research, Bloomberg, Capital Line, ACE MF

Metals & Mining begin outperforming US equities after 5-years



Section 2:

Indian Macro

Strictly Private and Confidential. Not for Circulation

Q2FY26 earnings season was better than expected

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		Q2FY26								
Rs in Trillion	No of Cos	Revenue	YoY	QoQ	Reported PAT	YoY	QoQ	Adj PAT	YoY	QoQ
NIFTY500	500	40.93	6.5%	0.8%	4.80	35.9%	18.2%	3.96	15.4%	-0.8%
BFSI	92	11.37	2.0%	-1.2%	1.59	9.2%	4.3%	1.57	7.3%	2.0%
Non-BFSI	408	29.56	8.4%	1.6%	3.20	54.8%	26.5%	2.39	21.4%	-2.6%
Non-BFSI Exc Cement, O/G, Metal/Mining	365	19.27	10.4%	3.9%	2.55	55.2%	38.4%	1.71	10.0%	-2.6%
Commodities: Cement, O/G, Metal/Mining	43	10.29	4.9%	-2.4%	0.66	53.1%	-5.1%	0.68	64.2%	-2.4%

		Last 8 Quarters Adjusted PAT Growth % YoY							
	No of Cos	2025/09	2025/06	2025/03	2024/12	2024/09	2024/06	2024/03	2023/12
BFSI	92	7.3%	6.8%	6.4%	12.7%	13.2%	18.7%	25.1%	25.8%
Non-BFSI	408	21.4%	11.8%	12.4%	6.0%	-9.3%	-3.4%	9.0%	32.0%
Non-BFSI Exc Cement, O/G, Metal/Mining	365	10.0%	8.0%	13.1%	15.1%	7.2%	12.8%	19.4%	22.1%
Commodities: Cement, O/G, Metal/Mining	43	64.2%	22.5%	10.2%	-15.8%	-42.5%	-31.4%	-12.9%	64.1%

Small and Midcaps have fared better than Largecaps

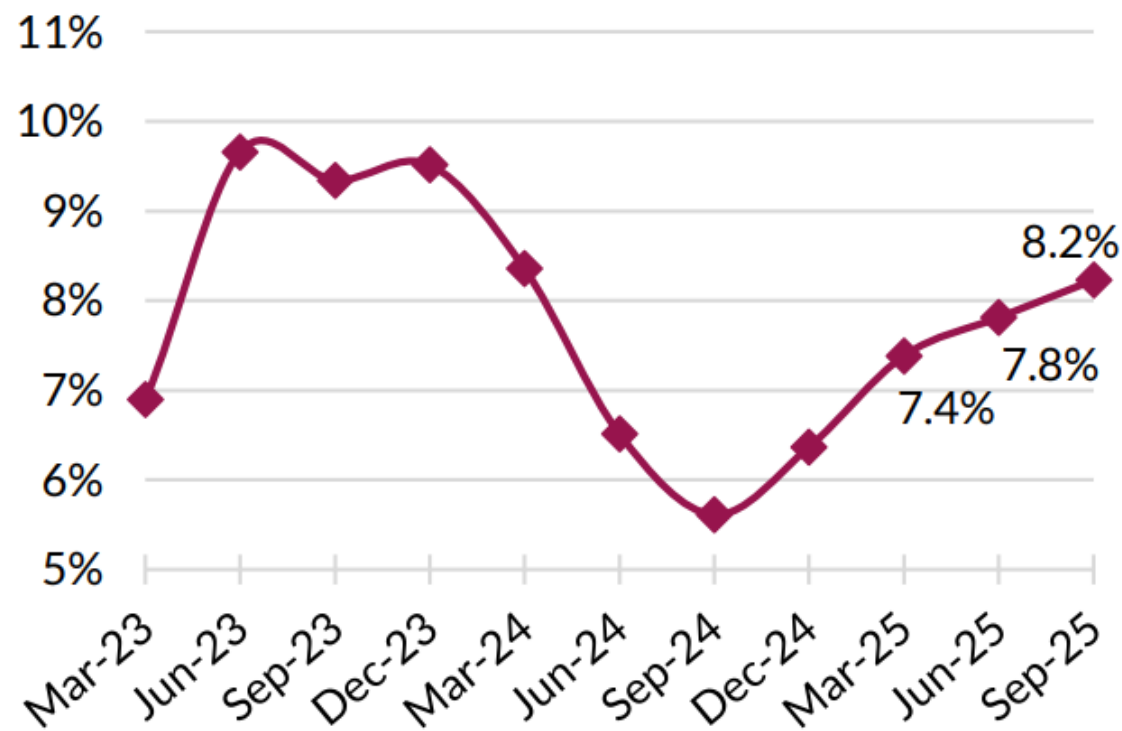
Growth Salience: Mcap Wise	No. of Cos	2025/09	2025/06	2025/03	2024/12	2024/09	2024/06	2024/03	2023/12
		Last 8 Quarters Adjusted PAT Growth % YoY							
Large Caps	100	9.8%	8.4%	7.3%	5.2%	-0.5%	0.6%	16.2%	28.1%
Midcaps	150	31.0%	19.1%	21.8%	30.0%	7.7%	14.6%	5.9%	33.4%
Small Caps	250	36.5%	4.3%	15.3%	2.1%	-20.0%	24.1%	19.5%	37.5%
Nifty 500	500	15.4%	9.8%	10.0%	8.6%	-0.9%	4.3%	14.8%	29.6%

42% of companies have delivered >15% earnings growth – breadth improving

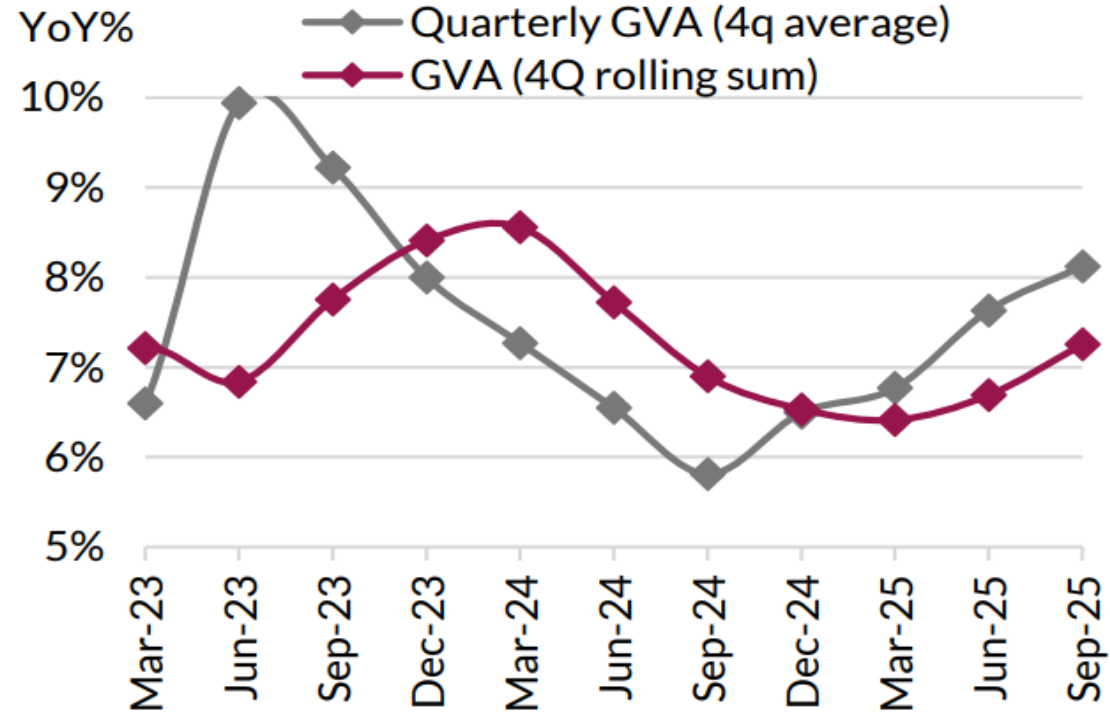
	No. of Companies	
	BFSI	Non BFSI
Total Cos	92	408
Loss Companies	2	20
Turnaround Companies	2	19
Profit Companies	90	388
Profit De-growth	28	138
Profit Growth	62	250
YoY Profit Growth %		
> 100%	1	36
50-100%	9	40
25-50%	11	58
15-25%	17	36
0-15%	24	77

Q2 FY26 GDP surprises positively

Quarterly (qtr.) GDP improved to 8.2% YoY

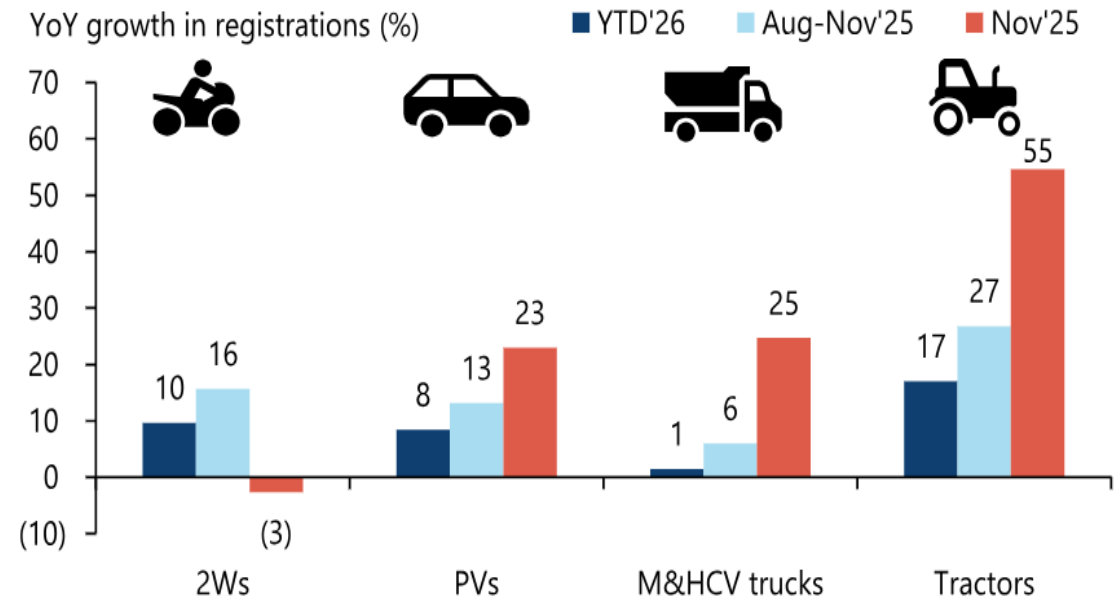


With qtr. GVA growth at 8.1% YoY

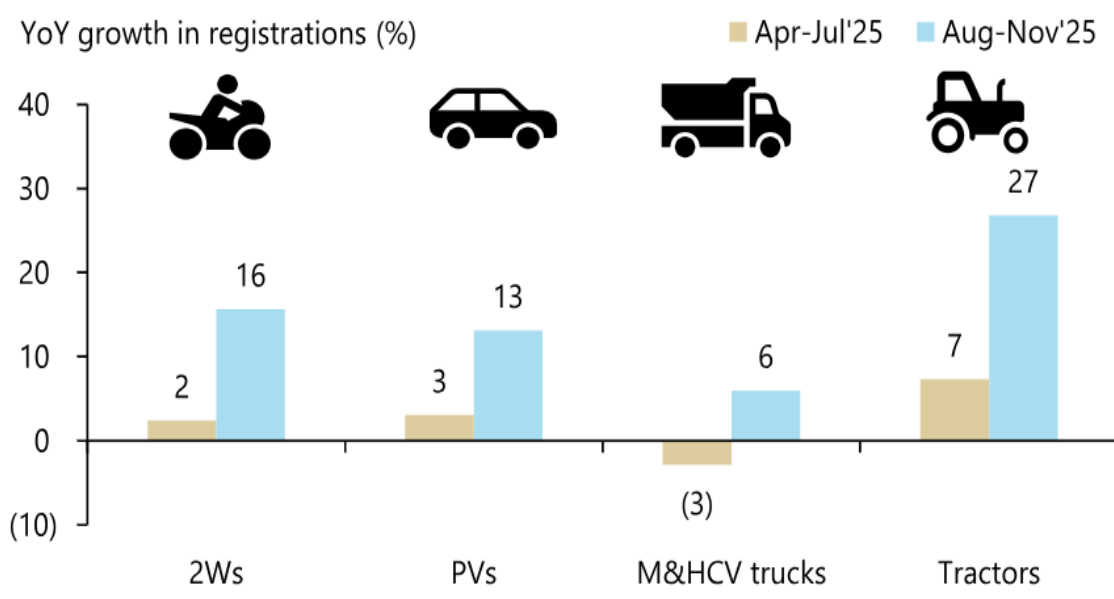


Auto sales continue to show strong momentum in Nov'25

Strong yoy growth in registrations in Nov'25



Growth rates improved across segments post GST cut



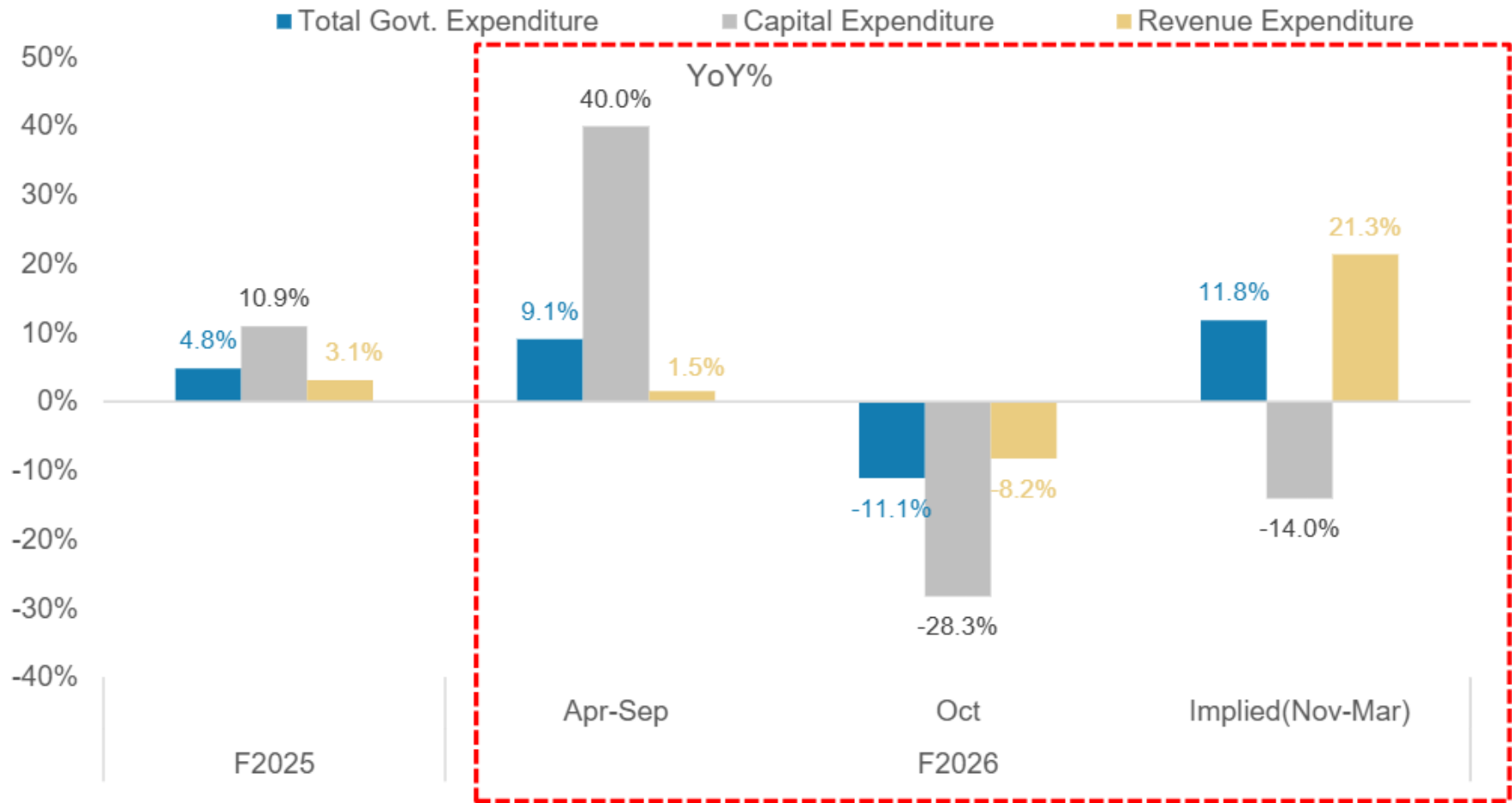
Tax collections have been growing slower than expected

In 6M FY26, direct tax collections rose 3.1% yoy, falling short of the budget target of 12.7%

	Rs. Bn					Rs. Bn		Growth (% , yoy)	
	FY26BE	6M FY25	6M FY26	Sep-24	Sep-25	Current Rate	Req. Run Rate	FY26BE	6M FY26
Net Tax Revenue	28,374	12,652	12,294	3,913	4,190	2,049	2,680	11.0%	-2.8%
Direct Tax	25,200	10,260	10,576	3,491	3,873	1,763	2,437	12.7%	3.1%
Corporate Tax	10,820	4,615	4,666	2,369	2,373	778	1,026	10.4%	1.1%
Income Tax	14380	5,645	5,910	1,122	1,500	985	1,412	14.4%	4.7%
Indirect Tax	17,351	7,578	7,788	1,269	1,298	1,298	1,594	8.3%	2.8%
Customs duty	2,400	1,130	1,071	186	240	179	222	2.1%	-5.2%
Excise Duties	3,170	1,285	1,389	245	270	232	297	3.9%	8.1%
GST	11,780	5,163	5,331	838	788	888	1,075	10.9%	3.2%
Non-tax revenue	5,830	3,572	4,661	227	257	777	195	45.1%	30.5%

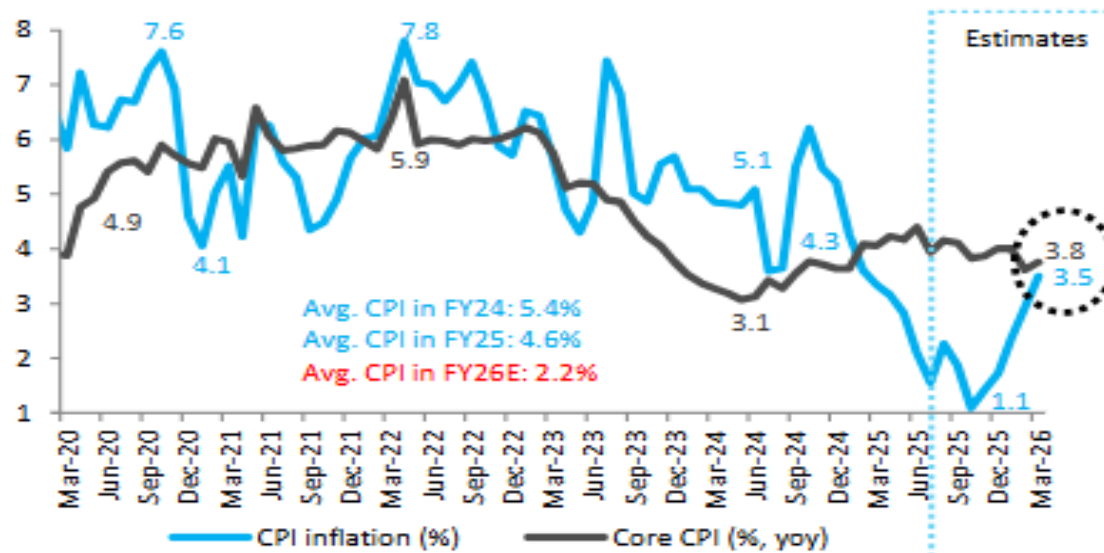
Can we see govt. capex slowing down?

Nov'25-Mar'26 capex needs to be lower than target to meet fiscal deficit targets

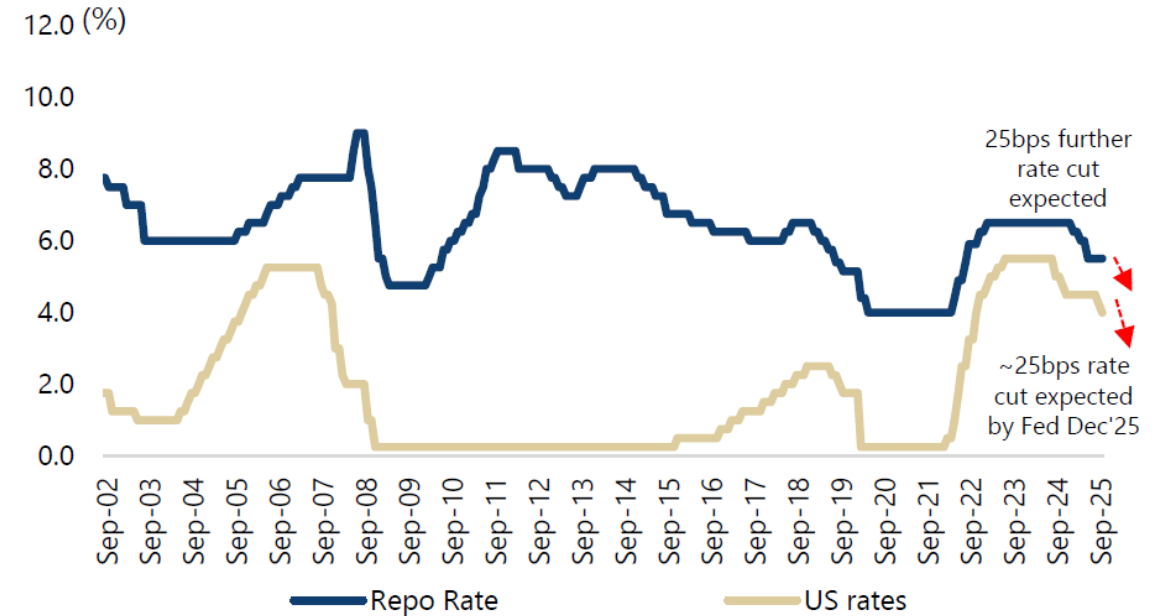


With inflation under control, RBI likely to deliver more rate cuts

CPI inflation %

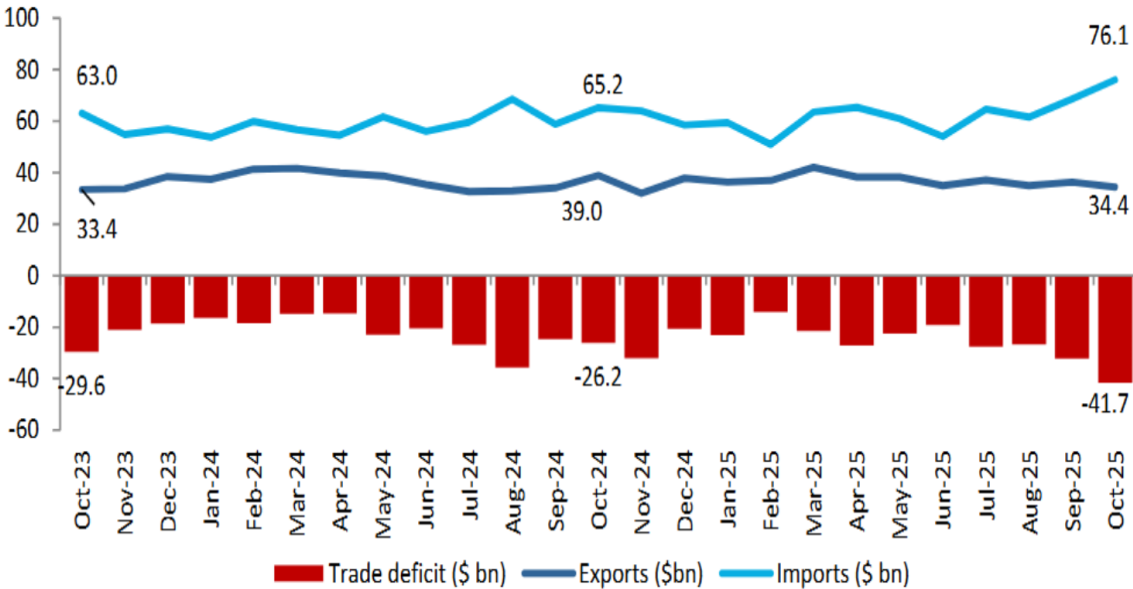


India Repo rate US Fed rate (%)



External balance under pressure – leading to rupee depreciation

Trade deficit widened to an all-time high of \$41.7bn in Oct'25

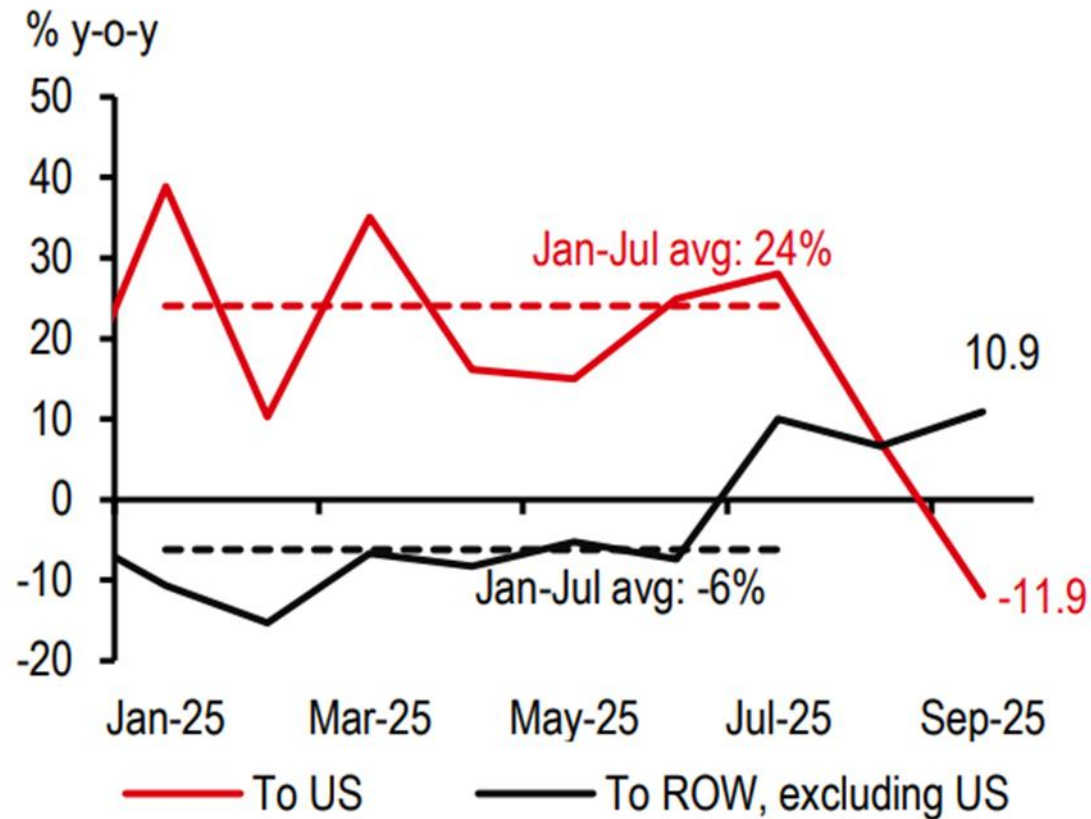


INR/USD close to 90 levels

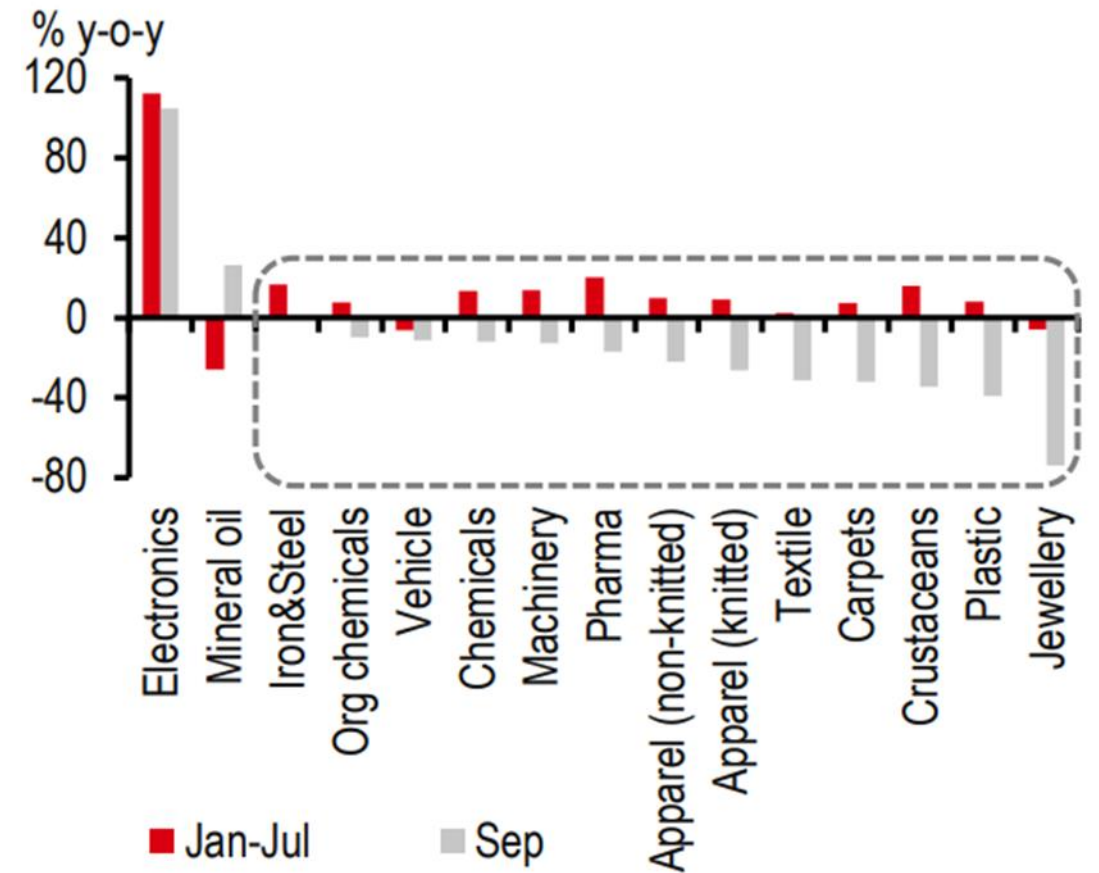


Tariff resolution is the key for exports revival

India Exports

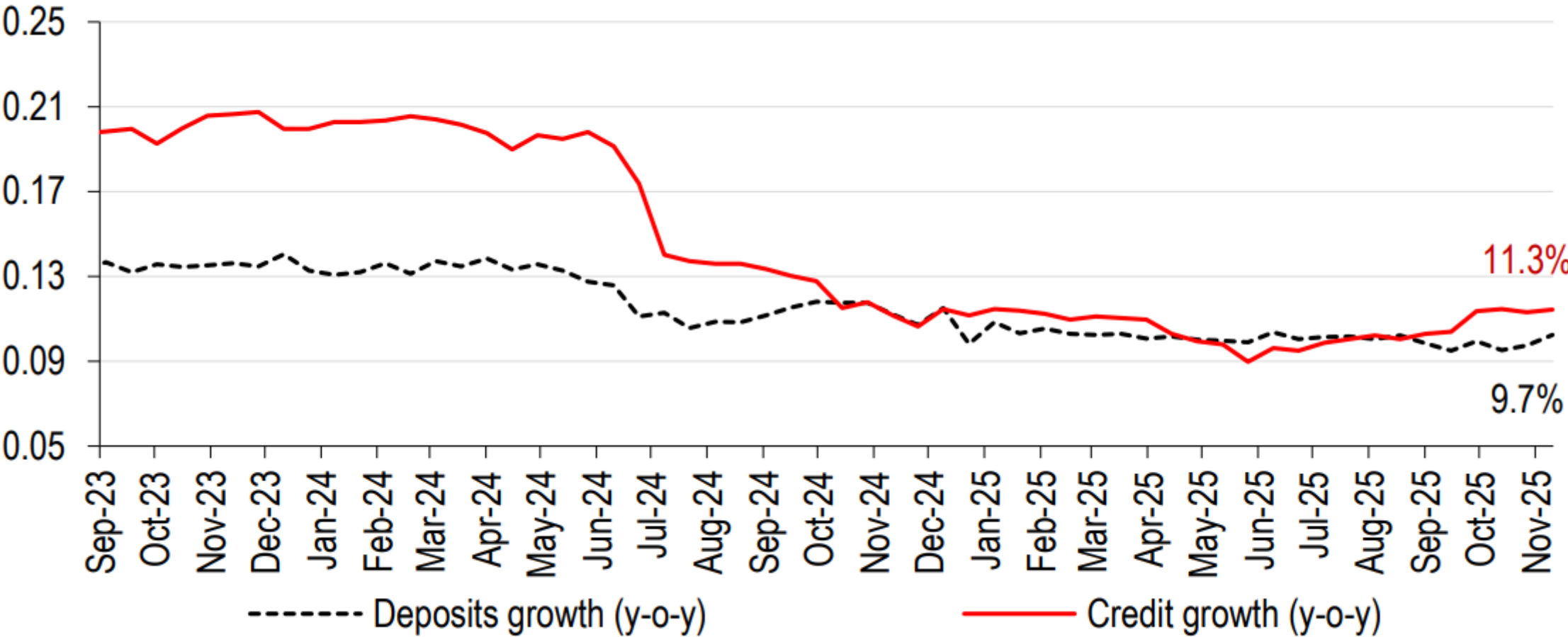


India Exports to the US (Major export categories)



Credit growth is bouncing back

●●●●●



5 yrs industrials outperformed – will consumption return?



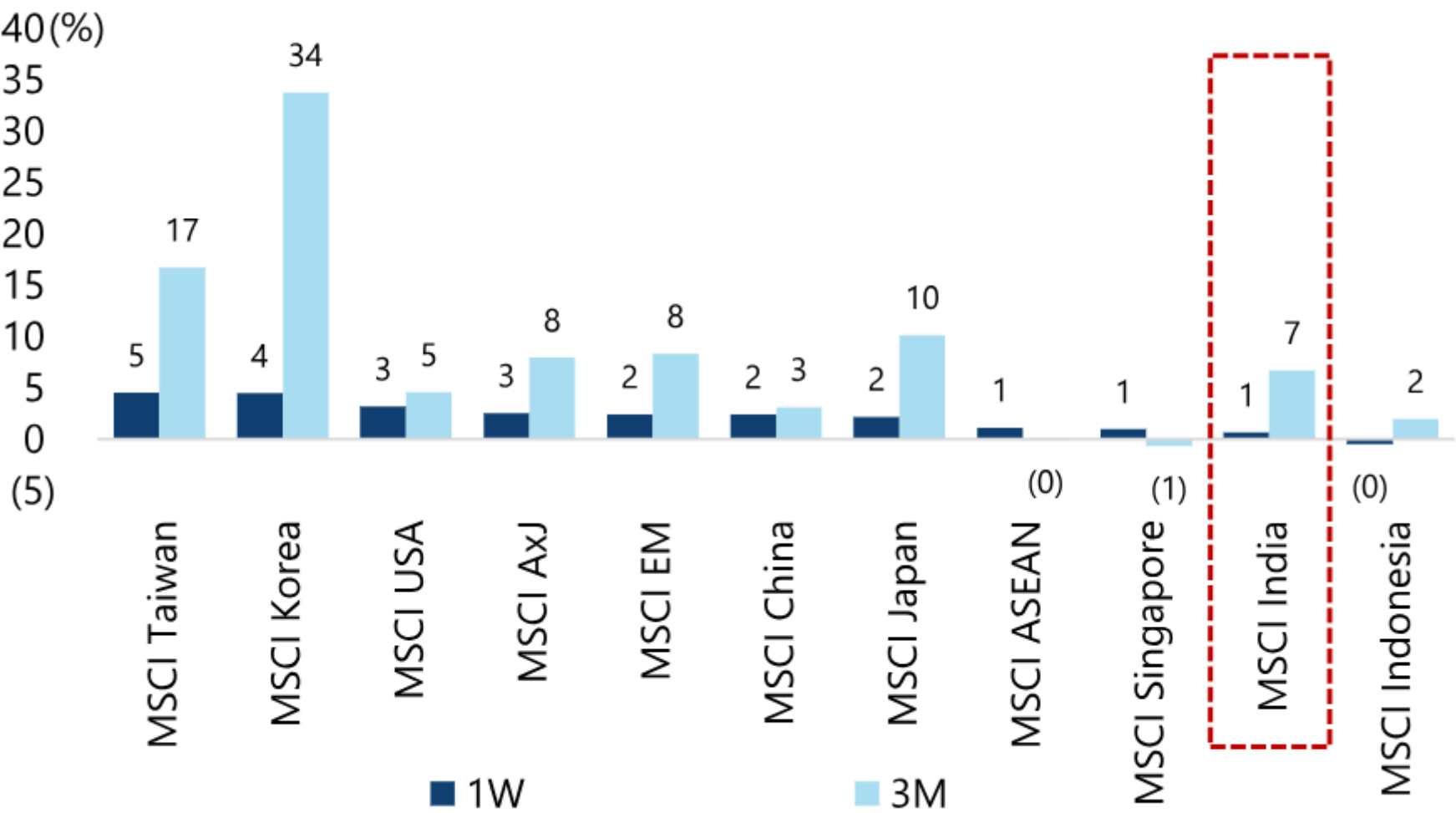


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Are Valuations and Flows Turning Supportive?

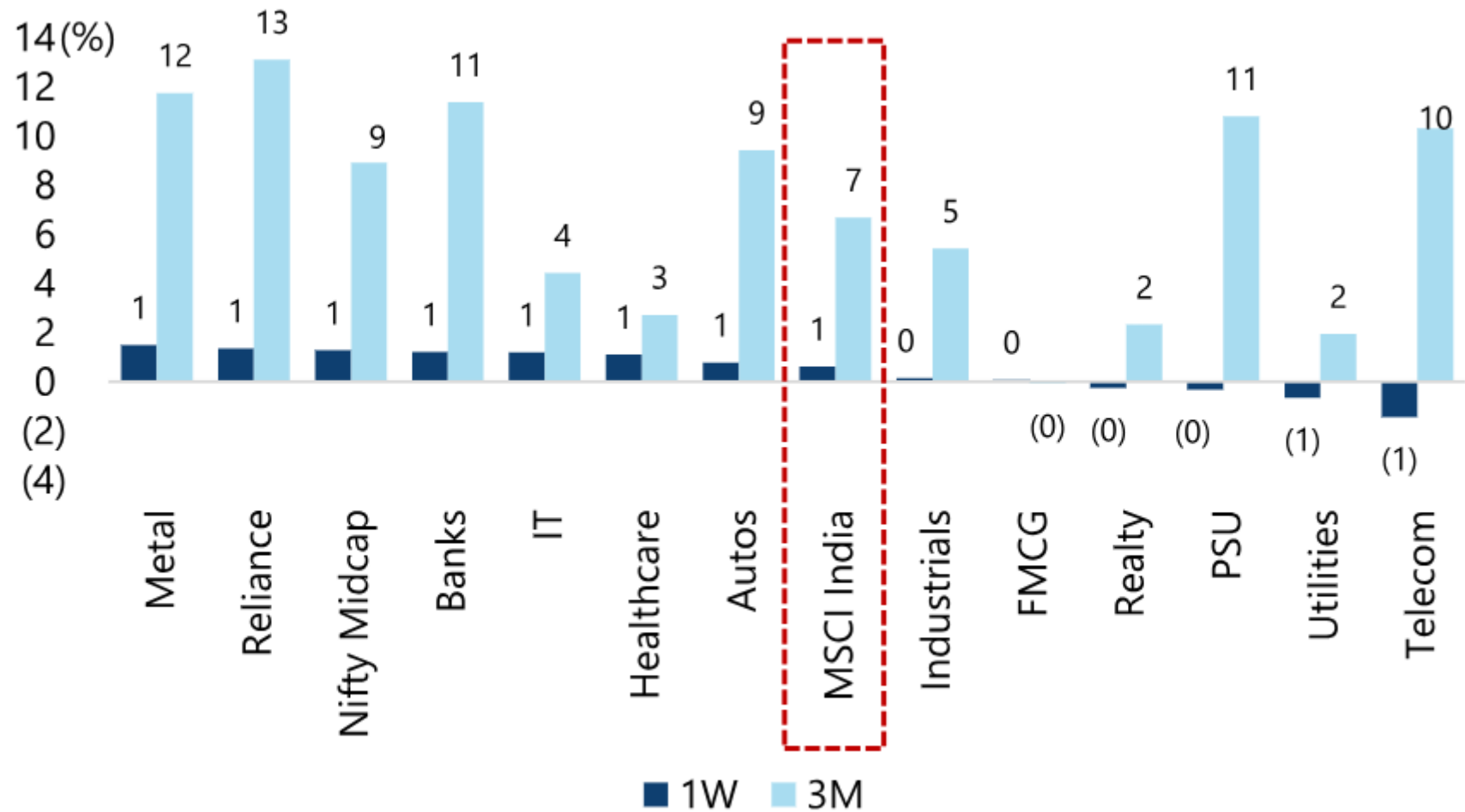
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India underperforming global markets

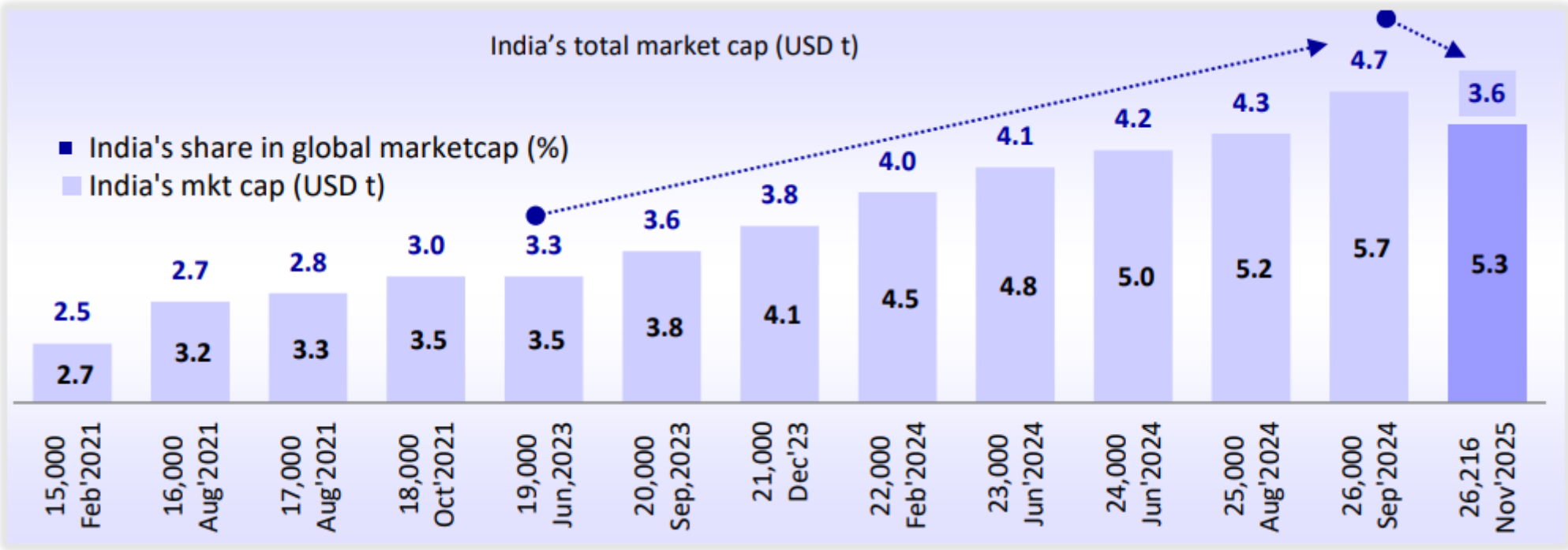


Recent months saw a rebound in Indian markets

Sectoral performance (%)



While Nifty is hitting ATHs – share in global mkt cap has reduced



Source: Bloomberg, Jefferies

Nifty-50 hits a record high but on limited breadth

● ● ● ● ●

S No.	Company Name	Market cap (INRt)	Date of 52-wk high	Change since 52-wk high (%)	All-time high price date	Change since all-time high (%)
1	Shriram Finance	1.6	28-11-2025	-2	28-11-2025	-2
2	L&T	5.6	27-11-2025	-2	27-11-2025	-2
3	SBI	9.0	26-11-2025	-2	26-11-2025	-2
4	Eicher Motors	1.9	24-11-2025	-3	24-11-2025	-3
5	SBI Life Ins.	2.0	24-11-2025	-6	24-11-2025	-6
6	Bharti Airtel	12.6	21-11-2025	-3	21-11-2025	-3
7	Titan Company	3.5	20-11-2025	-1	20-11-2025	-1
8	M & M	4.7	12-11-2025	-1	12-11-2025	-1
9	Hindalco Inds.	1.8	30-10-2025	-6	30-10-2025	-6
10	JSW Steel	2.8	29-10-2025	-5	29-10-2025	-5
11	Grasim Inds	1.9	29-10-2025	-8	29-10-2025	-8
12	Tata Steel	2.1	29-10-2025	-10	29-10-2025	-10
13	HDFC Bank	15.5	23-10-2025	-1	23-10-2025	-1
14	Maruti Suzuki	5.0	23-10-2025	-5	23-10-2025	-5
15	Bajaj Finserv	3.3	23-10-2025	-5	23-10-2025	-5
16	Bajaj Finance	6.5	23-10-2025	-6	23-10-2025	-6
17	Apollo Hospitals	1.1	23-10-2025	-9	23-10-2025	-9
18	Eternal Ltd	2.9	16-10-2025	-19	16-10-2025	-19
19	UltraTech Cem.	3.4	04-09-2025	-11	04-09-2025	-11
20	Interglobe Aviat	2.3	18-08-2025	-5	18-08-2025	-5
21	ICICI Bank	9.9	25-07-2025	-7	25-07-2025	-7
22	Max Healthcare	1.1	04-07-2025	-12	04-07-2025	-12
23	Bharat Electron	3.0	01-07-2025	-6	01-07-2025	-6
24	HDFC Life Insur.	1.6	30-06-2025	-7	30-06-2025	-7
25	Kotak Mah. Bank	4.2	22-04-2025	-8	22-04-2025	-8
26	HCL Tech.	4.4	13-01-2025	-19	13-01-2025	-19

S No.	Company Name	Market cap (INRt)	Date of 52-week high	Change since 52-week high (%)	All-time high price date	Change since all-time high (%)
27	Infosys	6.5	13-12-2024	-22	13-12-2024	-22
28	Trent	1.5	03-01-2025	-43	14-10-2024	-49
29	Cipla	1.2	23-10-2025	-8	09-10-2024	-10
30	Sun Pharma	4.4	31-12-2024	-4	30-09-2024	-7
31	NTPC	3.2	04-12-2024	-13	30-09-2024	-27
32	Nestle India	2.4	17-10-2025	-4	27-09-2024	-9
33	ITC	5.1	01-02-2025	-14	27-09-2024	-19
34	Bajaj Auto	2.5	08-09-2025	-4	27-09-2024	-29
35	Power Grid	2.5	28-11-2024	-21	25-09-2024	-26
36	HUL	5.8	04-09-2025	-10	23-09-2024	-19
37	TCS	11.4	13-12-2024	-30	30-08-2024	-32
38	Coal India	2.3	04-12-2024	-12	26-08-2024	-31
39	Dr Reddy'	1.1	08-01-2025	-10	21-08-2024	-11
40	O N G C	3.1	08-01-2025	-11	13-08-2024	-29
41	Tata Mot. PV	1.3	09-12-2024	-28	30-07-2024	-50
42	Axis Bank	4.0	27-11-2025	-2	12-07-2024	-4
43	Reliance Ind.	21.2	28-11-2025	-1	08-07-2024	-3
44	Adani Ports	3.3	28-11-2025	-1	03-06-2024	-6
45	Jio Financial	1.9	04-12-2024	-12	23-04-2024	-22
46	Tata Cons.	1.2	03-11-2025	-3	11-03-2024	-6
47	Adani Enterp.	2.9	23-09-2025	-13	21-12-2022	-44
48	Asian Paints	2.8	17-11-2025	-2	10-01-2022	-20
49	Tech Mahind.	1.5	12-12-2024	-16	30-12-2021	-17
50	Wipro	2.6	23-01-2025	-23	14-10-2021	-33
Nifty-50		209	27-11-2025	-0.4	27-11-2025	0.0

Source: MOFSL

Nifty Small Cap 250 has underperformed Nifty 50 by >15% in CY'25TD



Source: Bloomberg; As on Dec 2, 2025

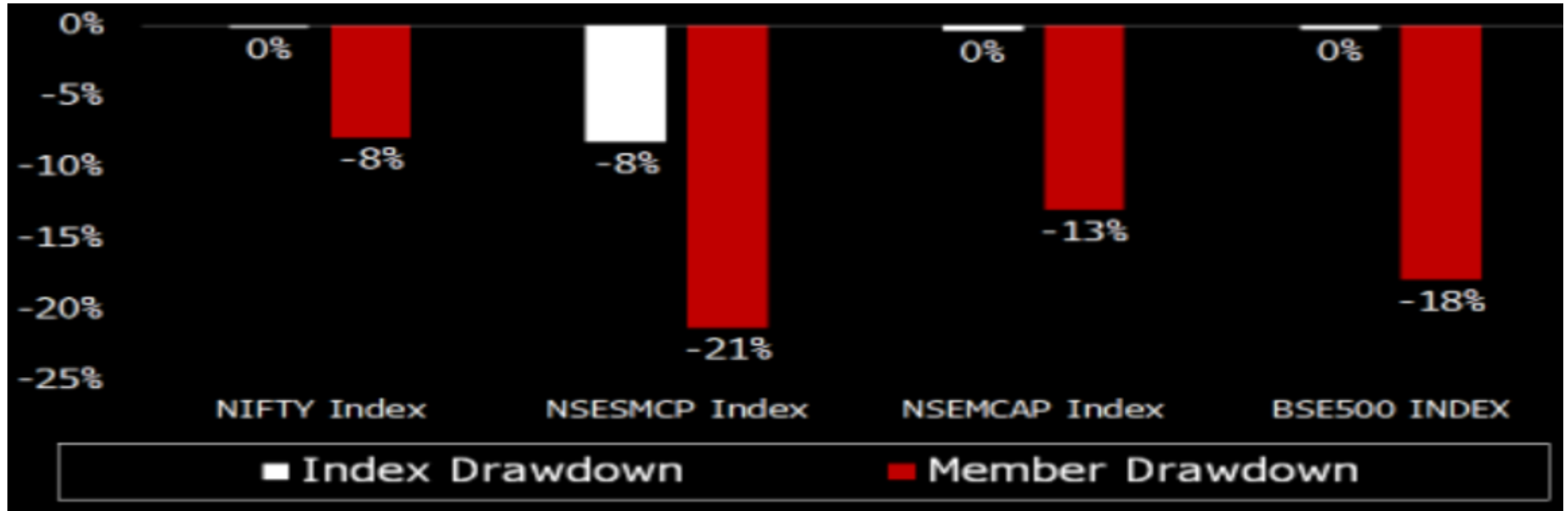
Even on a 2-year basis Small Caps have given same returns as Nifty



Source: Bloomberg; As on Nov 20, 2025

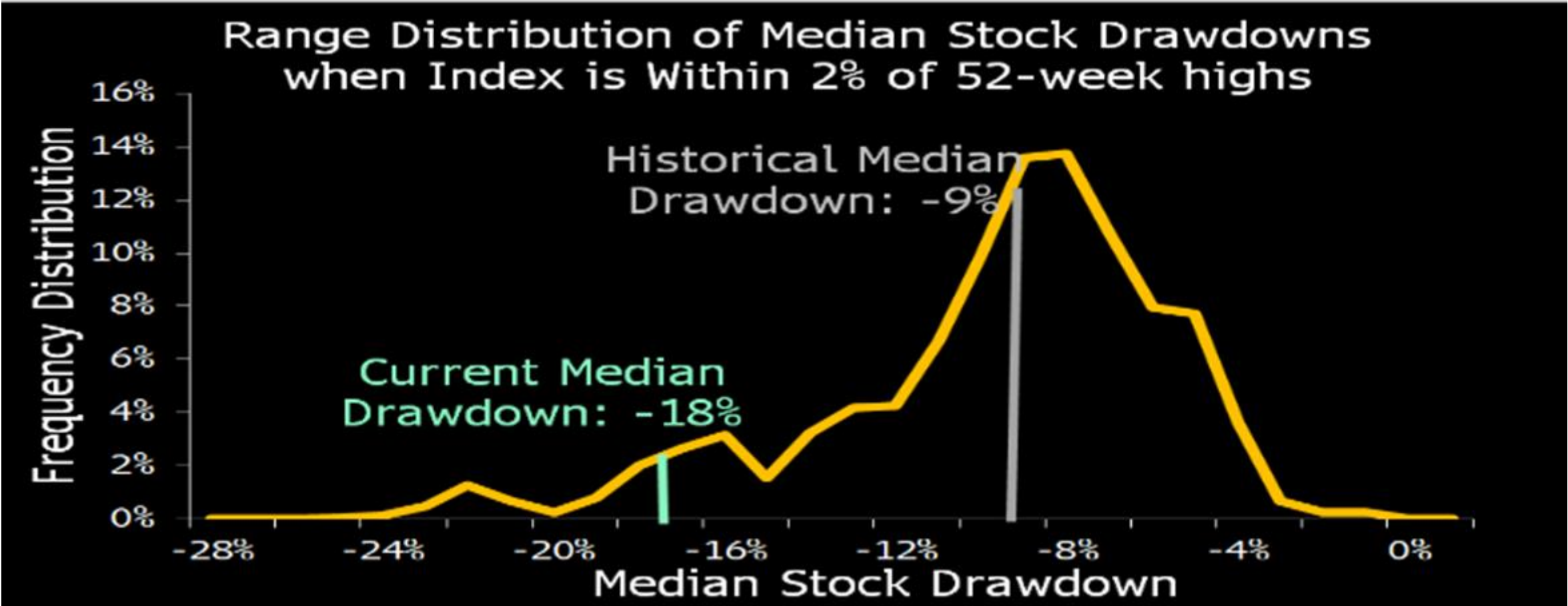
Index masks damage – broader markets extremely weak! Median drawdowns from 52w highs across market caps at ~18%

BSE 500 - Median Drawdown from 52-Week Highs (Index and it's Members)



Is this divergence a common occurrence?

.....

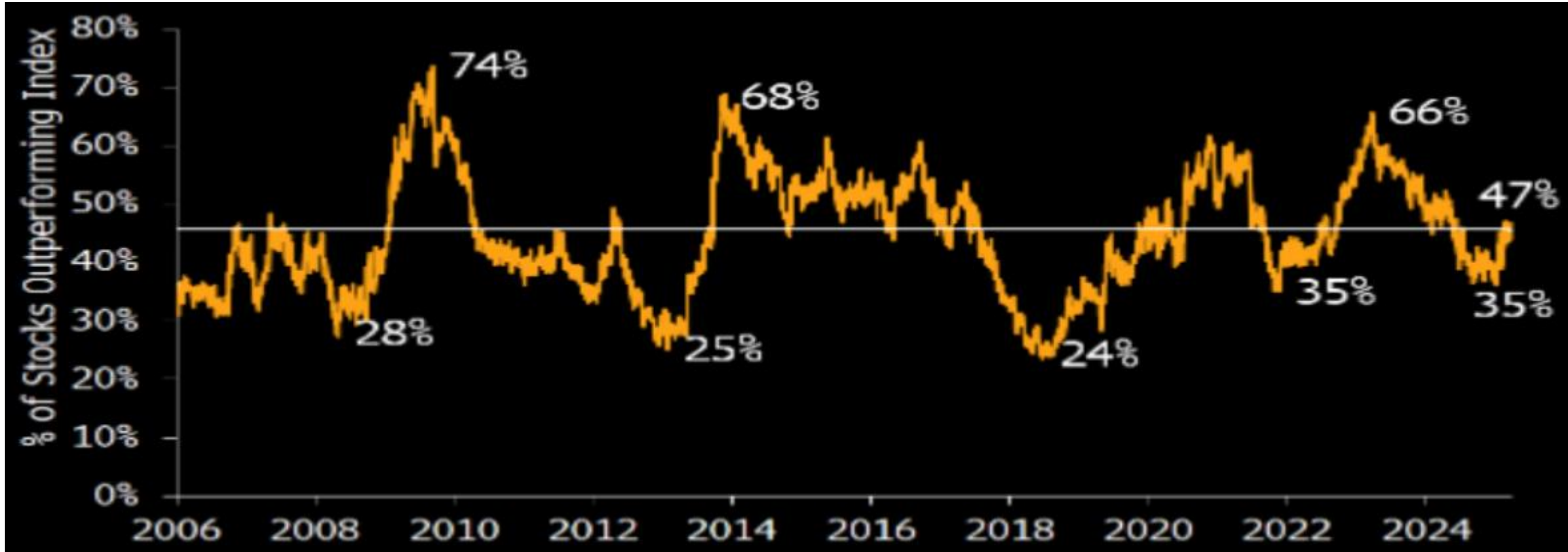


Divergence between headline index and median return

Return distribution since Oct-24			
	Nifty Midcap 150 index	Nifty smallcap 250 index	Nifty Midsmallcap 400 index
Index return	5.5%	-4.1%	2.0%
Median return	0.2%	-7.7%	-5.0%
Divergence	-5.3%	-3.6%	-6.9%

<50% of index stocks outperforming in last 12 months

% of BSE 500 Index Members delivering > index returns (Rolling 1-year basis)





We believe post consolidation/correction in the last 15 months, the risk reward looks favourable now and we explore the reasons

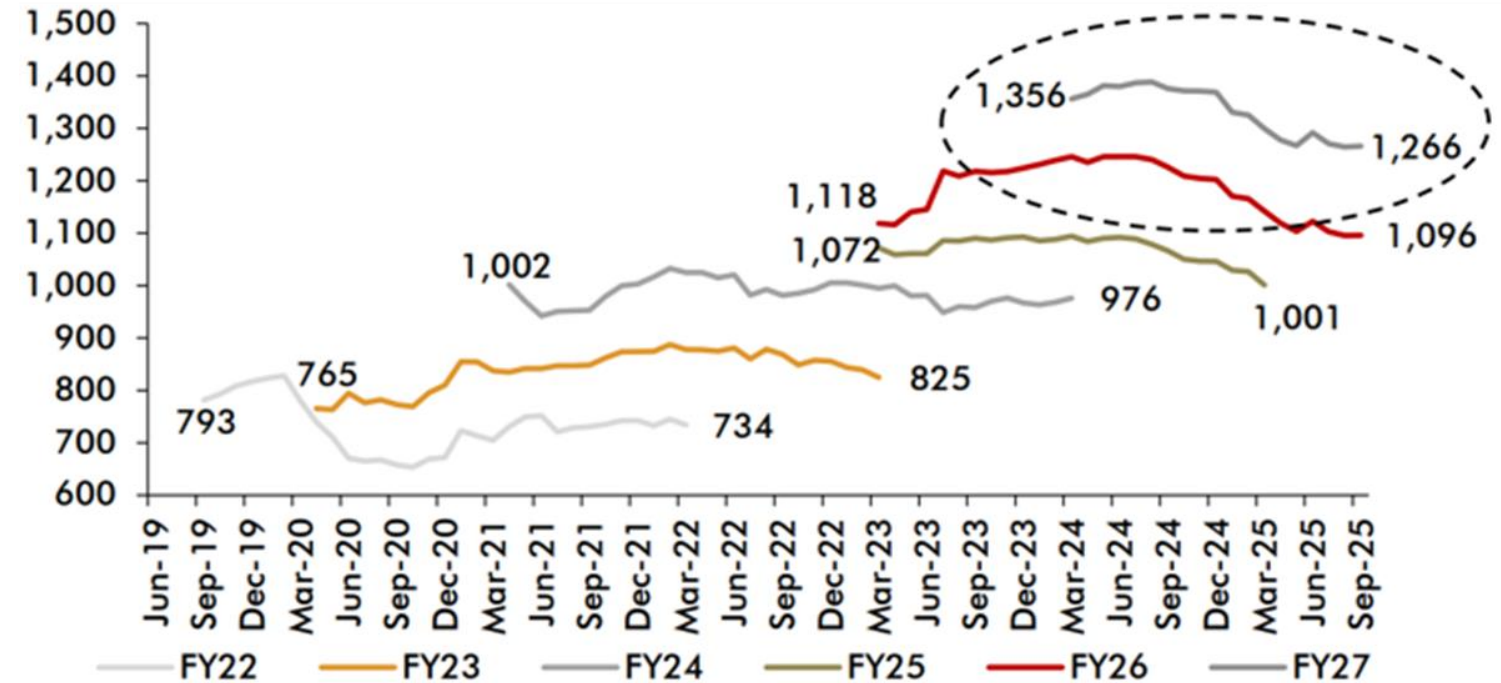


1. Earnings expectations reset and incrementally earnings growth to be better

Earning Growth

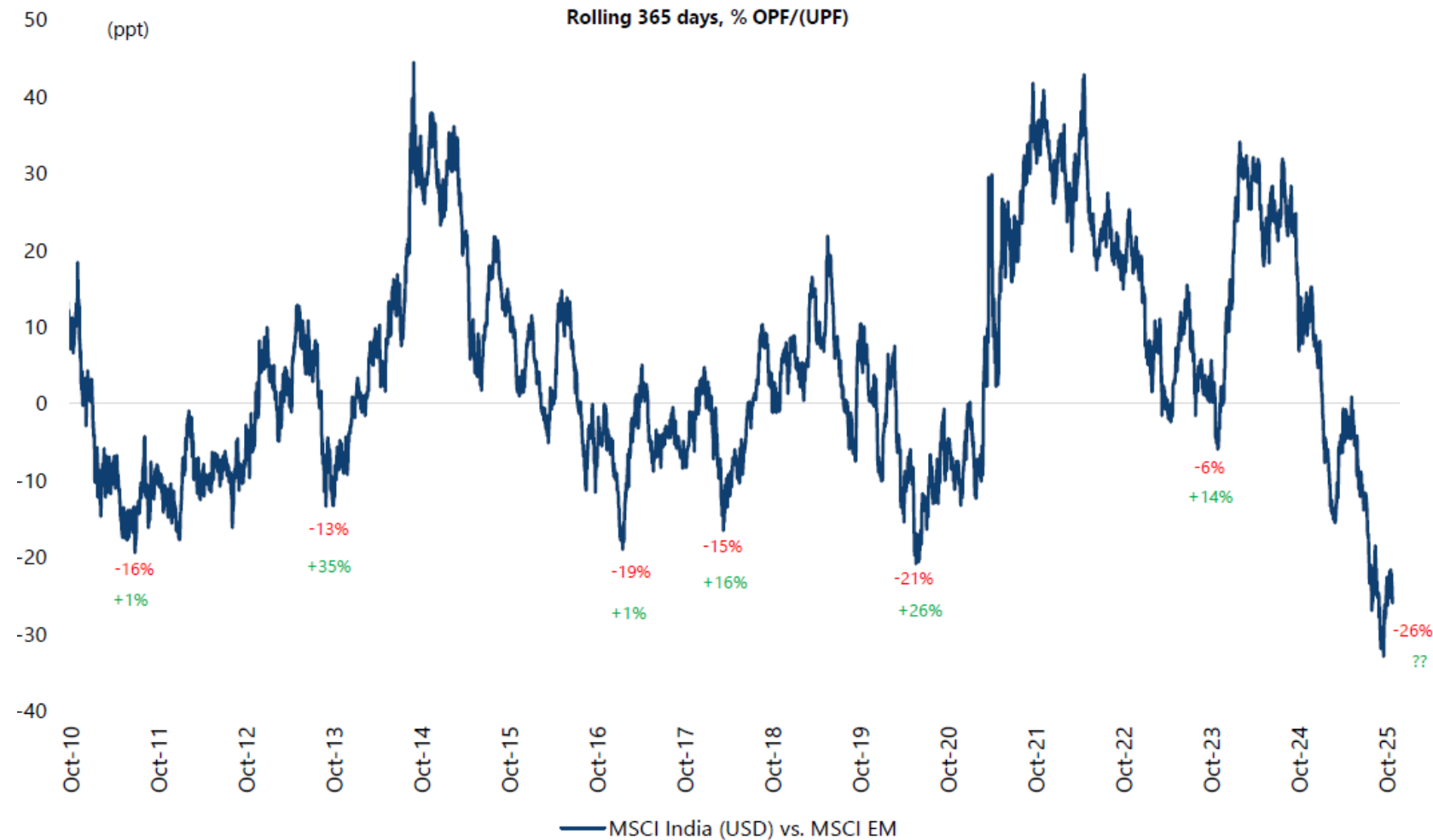
FY20	3.3
FY21	1.7
FY22	26.8
FY23	21.4
FY24	16.9
FY25	11.7
FY26E	9.5
FY27E	15.5

Nifty EPS (₹)



2. India lags EM by widest margin since pandemic

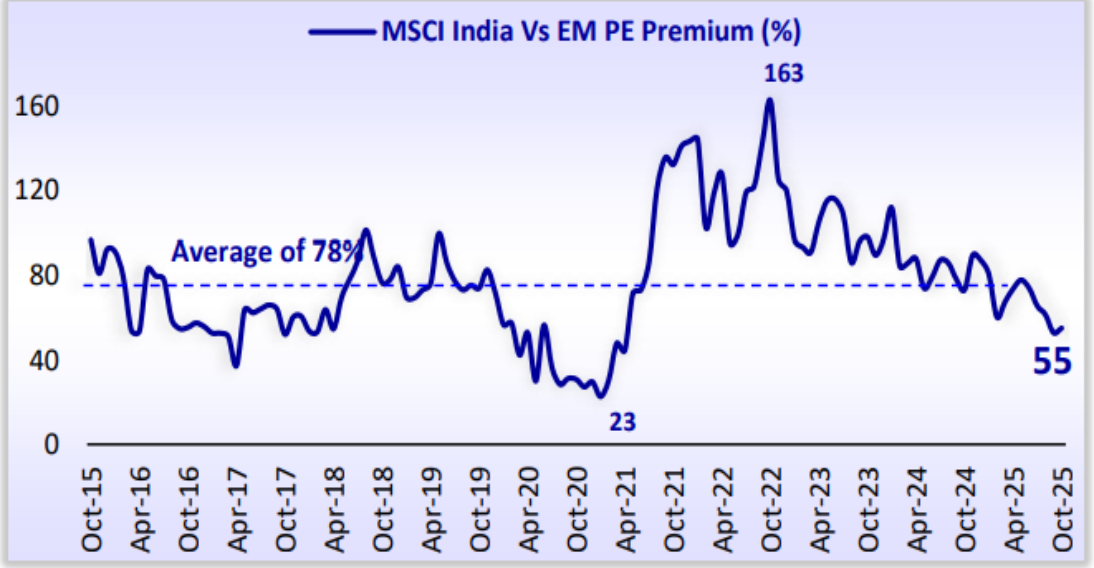
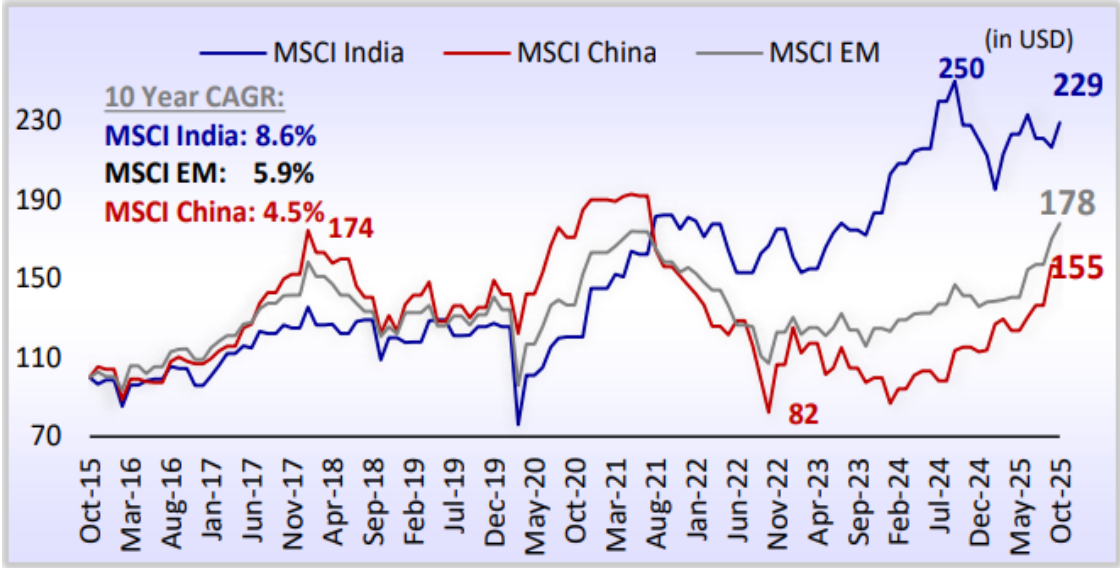
MSCI India vs MSCI Emerging Markets (USD terms)



MSCI India's PE premium vs EM is close to the 20-year average of 50%

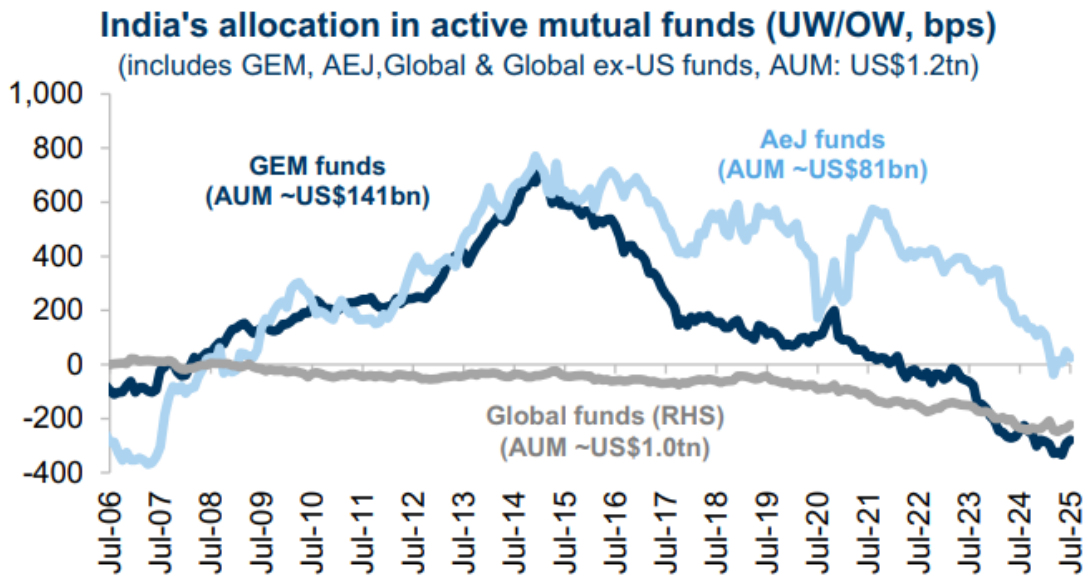
Longer term, India outperforms other EMs

MSCI India trades at premium to EM but below long-term avg.



3. FIIs light on India weightage

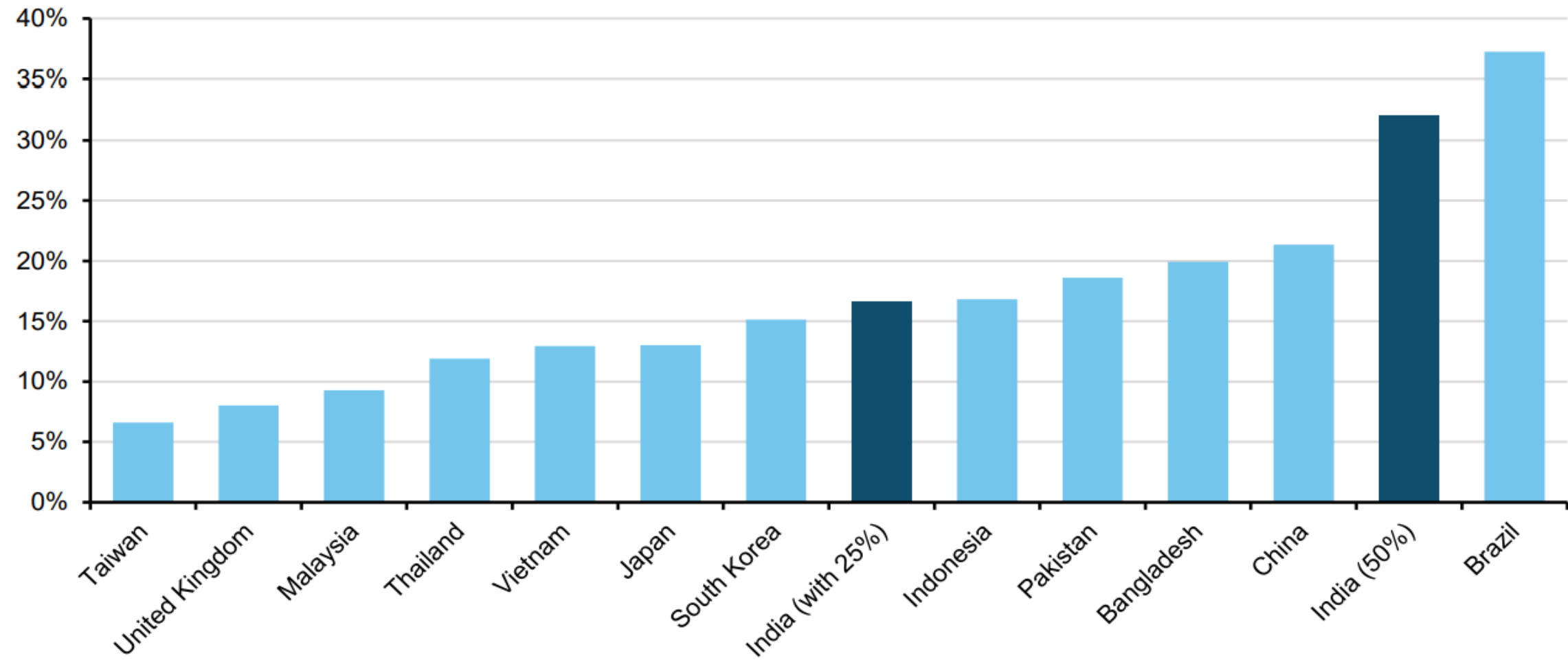
India’s allocation in active MFs globally near 2-decade low



Global funds underweight India by ~215bps

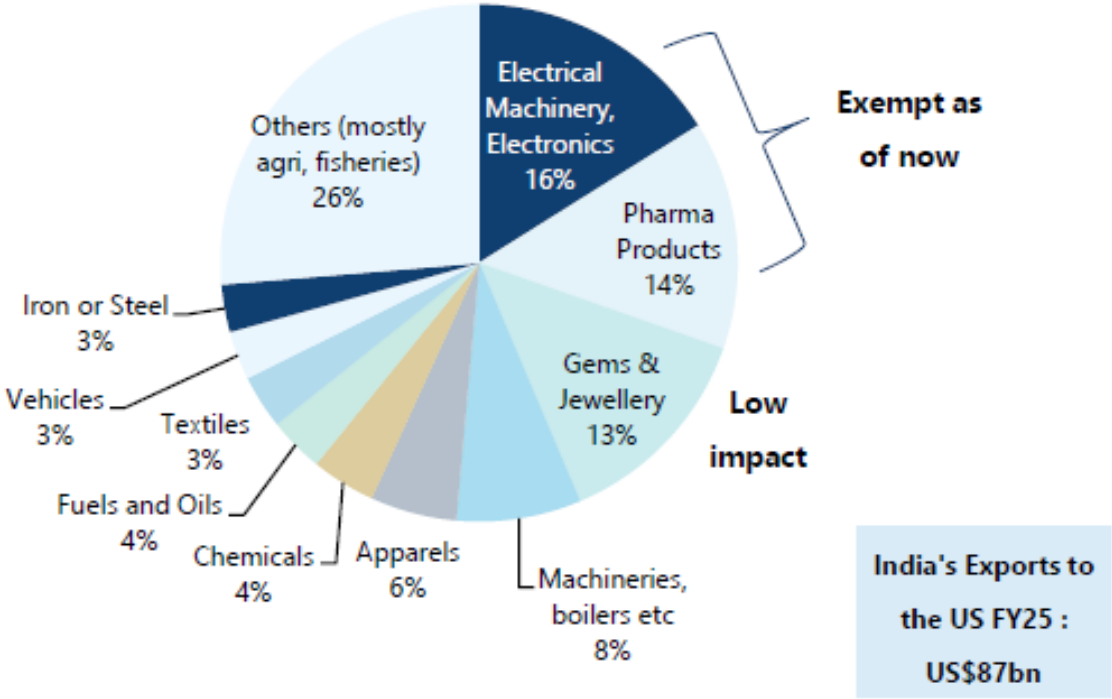
		India allocation		
Equity Mutual Funds	Total Assets (US\$ bn)	Avg. Fund allocation (%)	Benchmark (MSCI)	OW/UW (bp) vs. MSCI
Global ex-USA funds	345	1.4%	5.0%	-365 bp
EM Funds	140	14.1%	16.9%	-280 bp
Global funds	625	0.3%	1.8%	-145 bp
AEJ Regional funds	80	19.3%	19.1%	25 bp
Overall (AUM wgt.)	\$1,190 bn	3.5%	5.7%	-215 bp

4. Any resolution of trade tariffs with US is not priced in

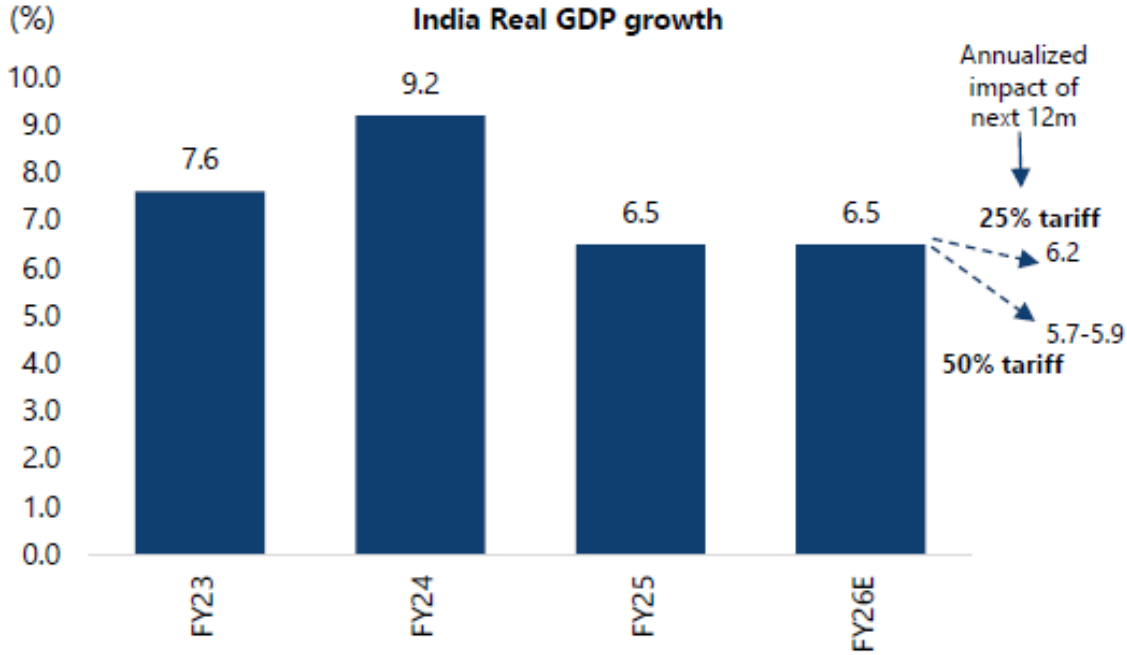


We don't build in 50% US tariffs to last long

India's exports to US by category

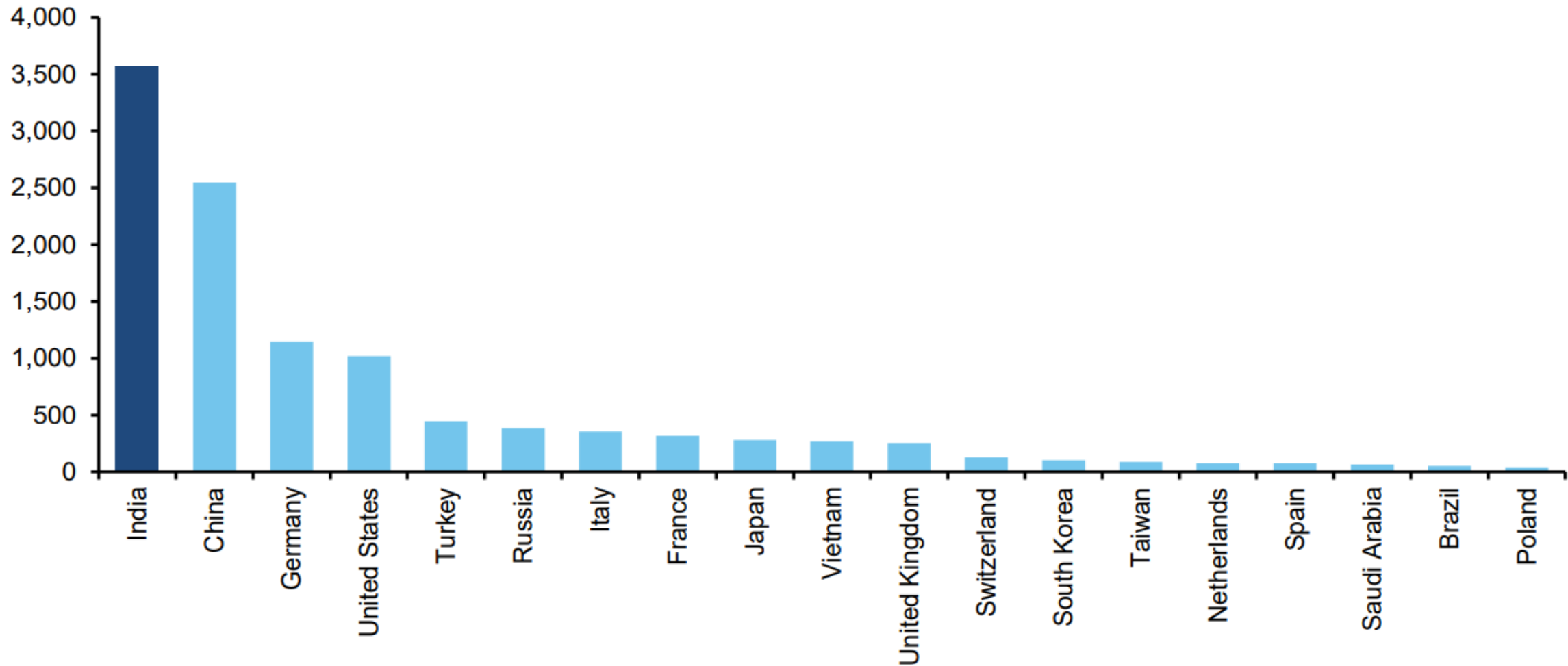


Likely impact on GDP growth of tariffs



5. Markets not factoring in the wealth effect from Gold in India

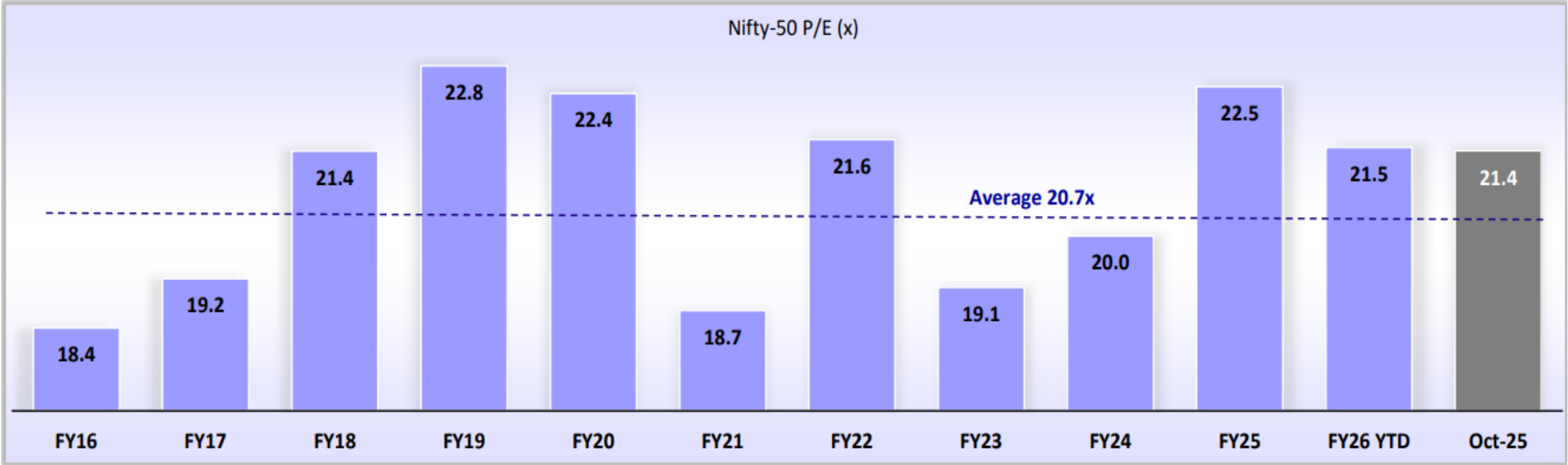
Private gold holding (\$Bn)



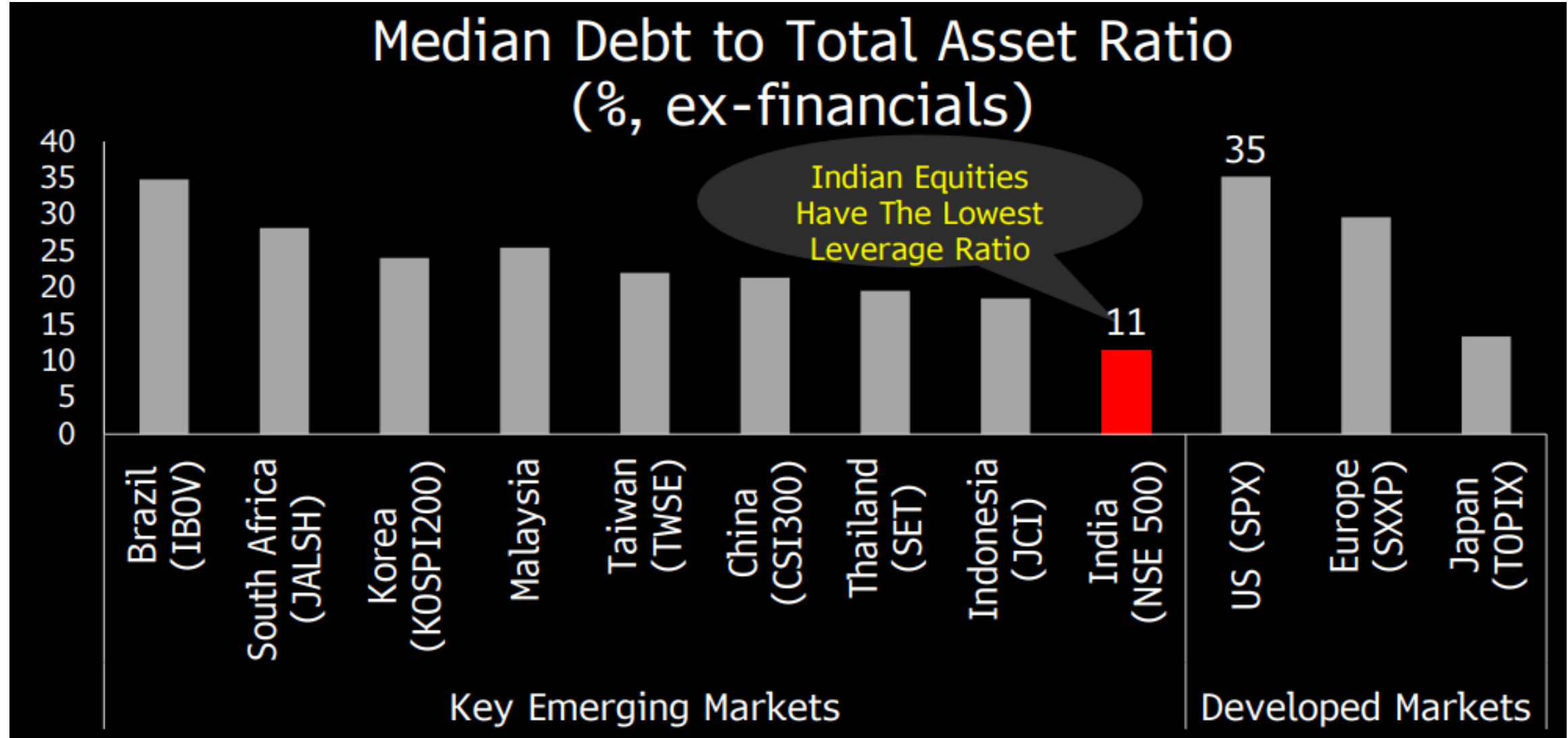
Nifty in Gold terms at attractive levels, close to Covid lows



6. Nifty 50 valuation slightly above long-term average



7. Stronger corporate Balance Sheets – less solvency risk

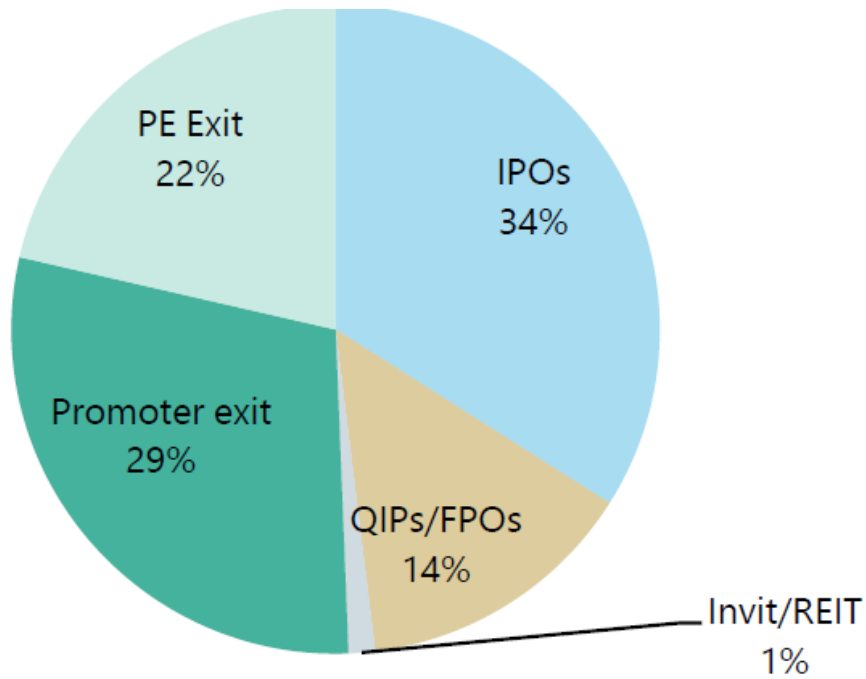
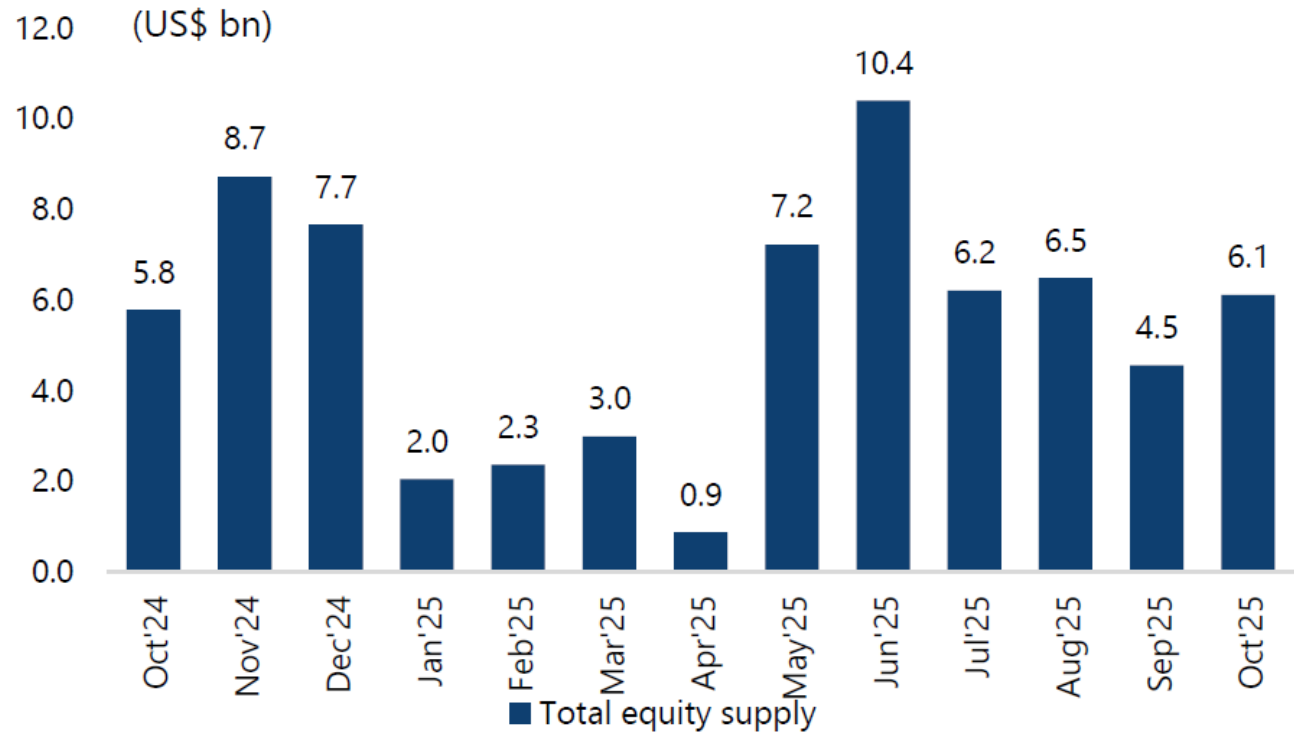


However, some risks we are seeing in the markets



Supply of paper remains elevated

Majority of supply coming from Promoters lately



Domestic inflows getting invested in few stocks

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Stock	Deployment since Jan'25	% of total MF Inflows	Cumulative deployment	No of AMCs bght the stock	No of AMCs bght >10% of total buying	
Infosys Ltd.	14,197	5%	5%	33	12	25% of inflow in top-6 stocks
Axis Bank Ltd.	11,856	4%	10%	26	12	
Eternal Ltd.	11,367	4%	14%	23	18	
State Bank Of India	10,551	4%	18%	25	13	
Swiggy Ltd.	9,595	4%	22%	27	20	
Asian Paints Ltd.	8,744	3%	25%	22	4	
HDFC Bank Ltd.	7,508	3%	28%	29	12	Next 25% of inflow in 13 stocks
Vishal Mega Mart Ltd.	7,367	3%	30%	22	17	
Reliance Industries Ltd.	7,234	3%	33%	29	12	
HDB Financial Services Ltd.	6,021	2%	35%	22	13	
Dixon Technologies (India) Ltd.	5,773	2%	37%	19	1	
Kotak Mahindra Bank Ltd.	5,568	2%	40%	37	10	
Siemens Energy India Ltd.	5,266	2%	42%	27	4	
Tata Consultancy Services Ltd.	4,808	2%	43%	23	8	
Bajaj Finserv Ltd.	4,201	2%	45%	20	4	
Kaynes Technology India Ltd.	3,935	1%	46%	19	2	
Varun Beverages Ltd.	3,923	1%	48%	25	11	Next 20% of inflow in 15 stocks. 70% of total inflows in 34 stocks
Tata Steel Ltd.	3,914	1%	49%	27	17	
Hexaware Technologies Ltd.	3,844	1%	51%	21	12	
Adani Power Ltd.	3,709	1%	52%	5	3	
Power Grid	3,597	1%	53%	17	8	
Interglobe Aviation Ltd.	3,427	1%	55%	24	4	
Bajaj Auto Ltd.	3,105	1%	56%	23	2	
ITC Ltd.	3,029	1%	57%	25	14	
Mahindra & Mahindra Ltd.	2,983	1%	58%	28	8	
PB Fintech Ltd.	2,951	1%	59%	23	8	
Tata Communications Ltd.	2,943	1%	60%	11	6	
AWL Agri Business Ltd.	2,889	1%	61%	9	7	
Biocon Ltd.	2,767	1%	62%	19	11	
NTPC Ltd.	2,765	1%	63%	18	9	
Anthem Biosciences Ltd.	2,756	1%	65%	22	10	
Cohance Lifesciences Ltd.	2,737	1%	66%	19	8	
KEI Industries Ltd.	2,691	1%	67%	17	2	
Vedanta Ltd.	2,670	1%	68%	15	6	

Certain stocks are driven by narratives rather than fundamentals. **BEWARE!**

An EMS company that is “focused” on growth. What about cash flow?

Revenue & profits are increasing

	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Sales +	368	421	706	1,126	1,805	2,722
Expenses +	325	379	611	956	1,548	2,305
Operating Profit	43	42	95	170	257	416
OPM %	12%	10%	13%	15%	14%	15%
Other Income +	1	4	4	11	56	106
Interest	25	25	27	36	56	106
Depreciation	8	10	13	19	25	45
Profit before tax	11	11	59	126	232	372
Tax %	17%	10%	29%	24%	21%	21%
Net Profit +	9	10	42	95	183	293

... and so are borrowings

	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Equity Capital	7	7	46	58	64	64
Reserves	96	131	156	901	2,423	2,776
Borrowings +	153	141	189	155	323	903
Other Liabilities +	122	141	231	304	456	898
Total Liabilities	378	419	622	1,418	3,265	4,641

While the company is generating no OCF since the past 5 years

	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
Cash from Operating Activity +	45	26	21	-42	88	-82
Cash from Investing Activity +	-10	-24	-45	-494	-1,523	-355
Cash from Financing Activity +	-35	1	27	554	1,429	465
Net Cash Flow	-0	2	4	19	-7	28

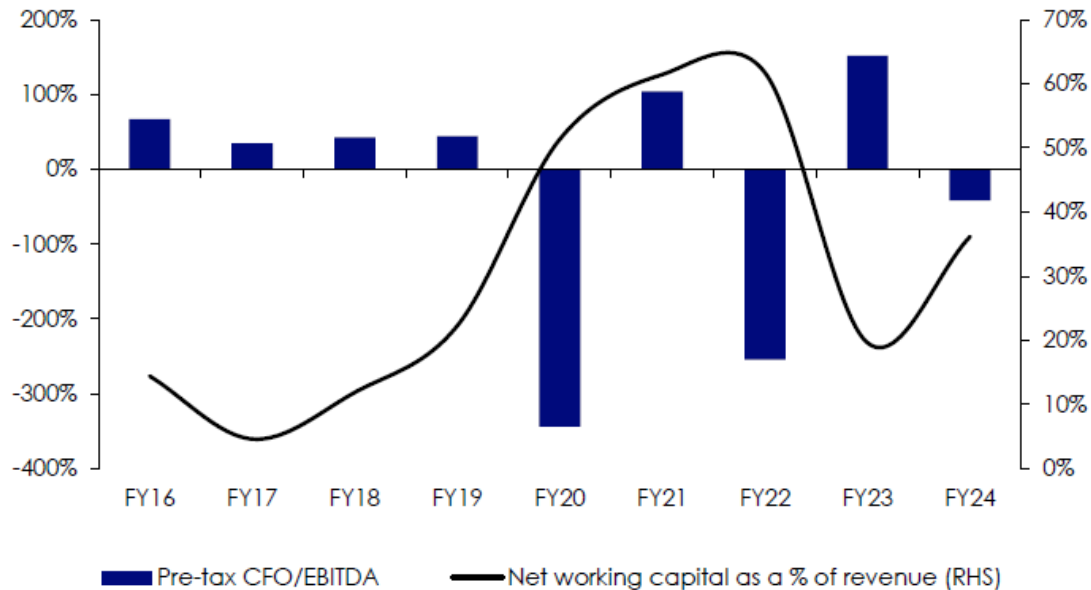
Certain stocks are driven by narratives rather than fundamentals. **BEWARE!**

A solar EPC company that wasn't bright anymore

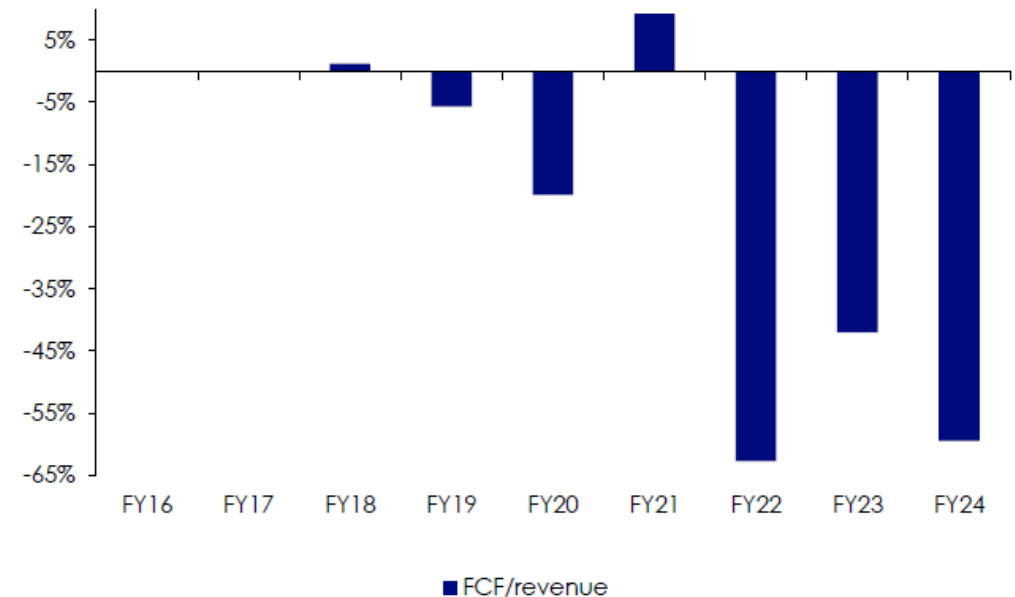
Company witnessed lower cash conversion along with increase in WC investment

Company generated positive free cash flows in only one of the last nine years

Cash conversion of solar EPC co.



FCF/revenue of Solar EPC co.



Stocks bought on margin are also on the rise

● ● ● ● ●

Date	MTF (₹ Cr)	LAS book of Banks(₹ Cr)	LAS book of NBFCs (₹ Cr)
FY05	31		
FY06	125		
FY07	139		
FY08	221	4,075	
FY09	145	2,287	
FY10	215	2,860	
FY11	134	2,880	
FY12	119	3,000	
FY13	84	3,100	
FY14	36	3,800	
FY15	65	5,434	
FY16	77	6,419	7,669
FY17	84	4,750	12,782
FY18	4,137	5,556	16,092
FY19	3,522	6,456	15,723
FY20	3,061	6,188	7,940
FY21	12,084	5,587	8,304
FY22	23,975	6,807	11,473
FY23	24,918	7,633	13,389
FY24	54,503	8,492	21,780
FY25	68,070	10,080	26,136
Sep-25	99,628	10,584	27,443
% CAGR Since FY20	101%	11%	28%

Disciplined asset allocation improves performance in the long term

20-Year CAGR Returns In Local Currency By Asset Class and For Multi Asset Allocation Strategy

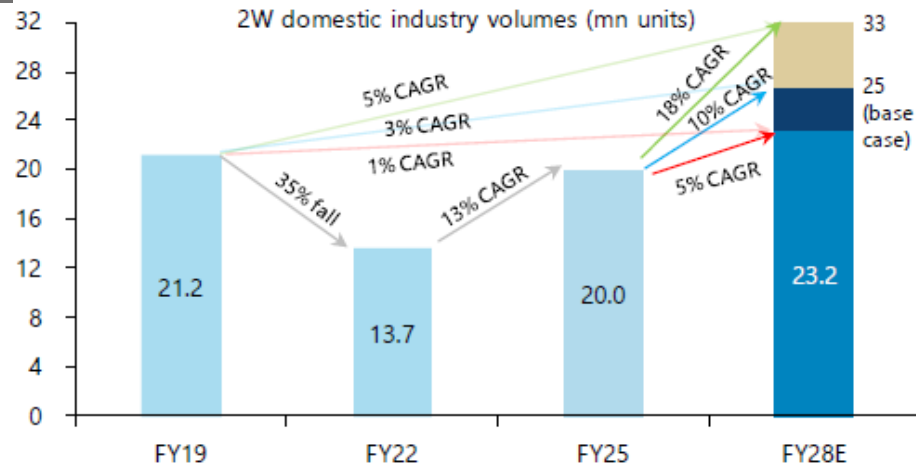
Nominal Local Currency 20-Yr CAGR	Inflation	Equity returns	Debt returns	International equity returns	Gold returns	Multi Asset returns	Standard Deviation (Domestic Equities)	Standard Deviation (Multi Asset)
Emerging Markets (USD)	6.1%	3.9%	5.5%	6.1%	10.7%	6.2%	19.4%	12.6%
India	6.5%	13.0%	7.5%	9.8%	14.5%	12.7%	21.3%	11.3%
China	2.2%	7.8%	4.1%	7.5%	9.9%	9.7%	25.3%	13.7%
Thailand	1.8%	2.4%	2.8%	4.8%	9.3%	4.8%	18.1%	10.1%
Pakistan	10.2%	15.2%	10.2%	14.7%	19.6%	16.5%	19.7%	11.5%
Japan	0.8%	4.5%	0.6%	7.5%	12.1%	5.9%	21.0%	12.5%
USA	2.5%	8.6%	2.6%	3.1%	10.7%	7.5%	19.2%	11.1%
UK	2.8%	2.7%	2.3%	7.5%	12.1%	5.0%	17.6%	10.4%



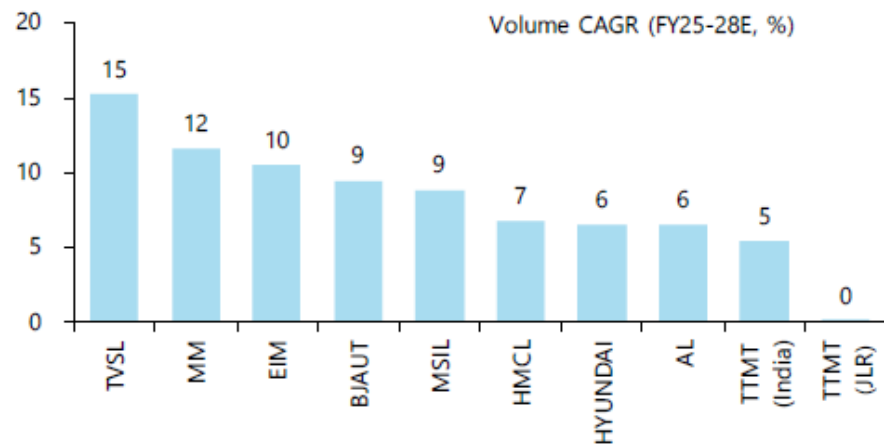
Which sectors can do well?

Auto 2W - Pent up demand & mkt share realignment

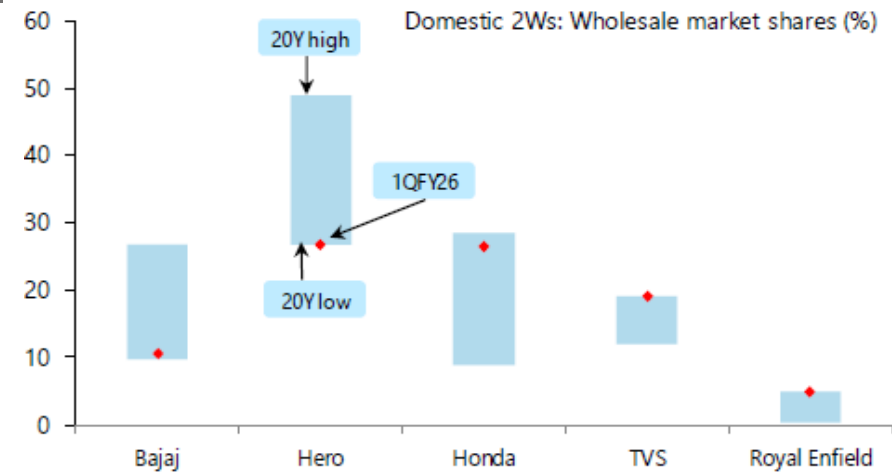
Case for double-digit CAGR ahead



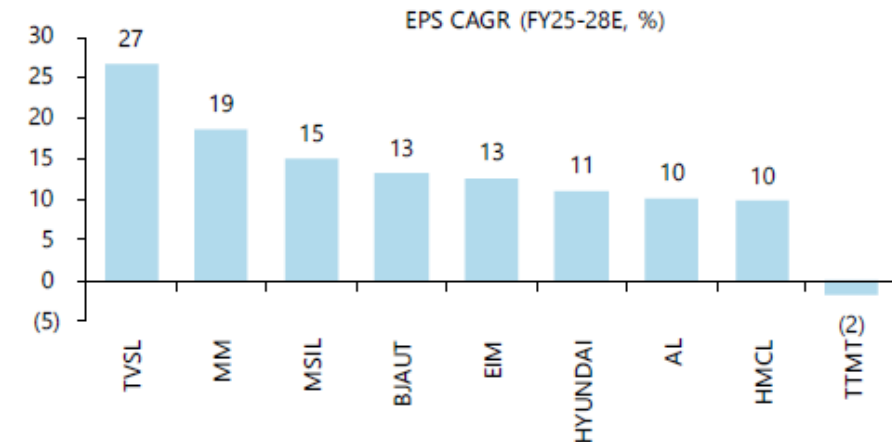
Strong Volume growth for TVSL and MM



TVS & EIM market share at 20-year high

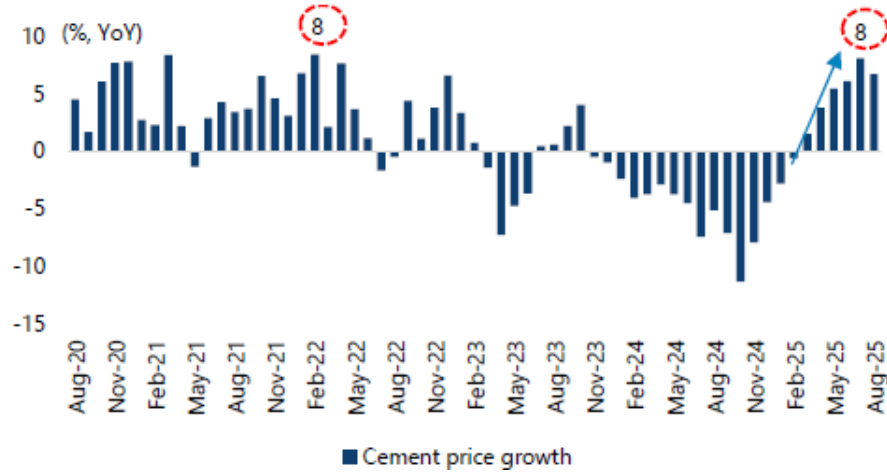


Highest earnings growth for TVSL and MM

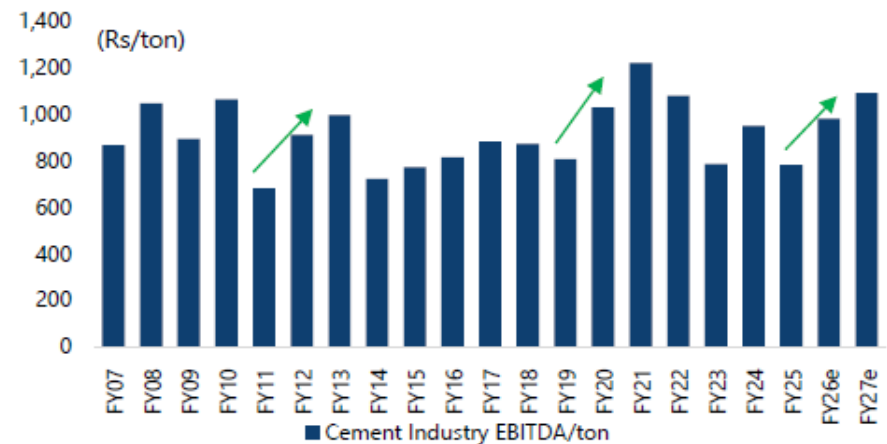


Cement: Moderating Competition as Pricing takes front seat

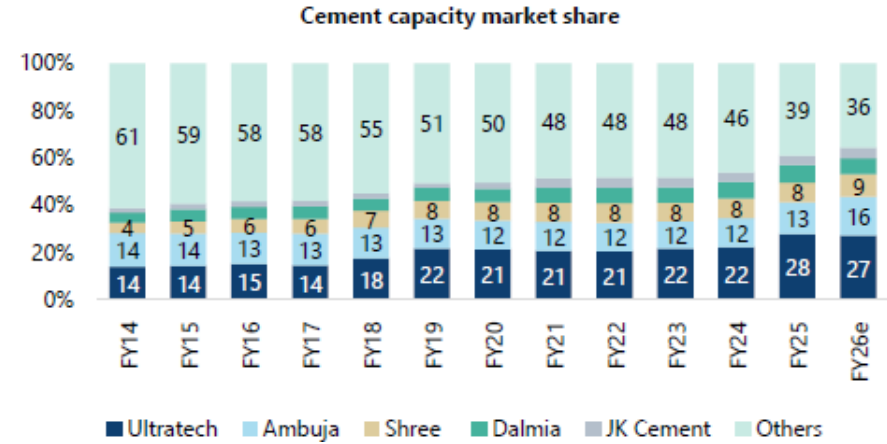
Monthly pricing growth highest in 3 years



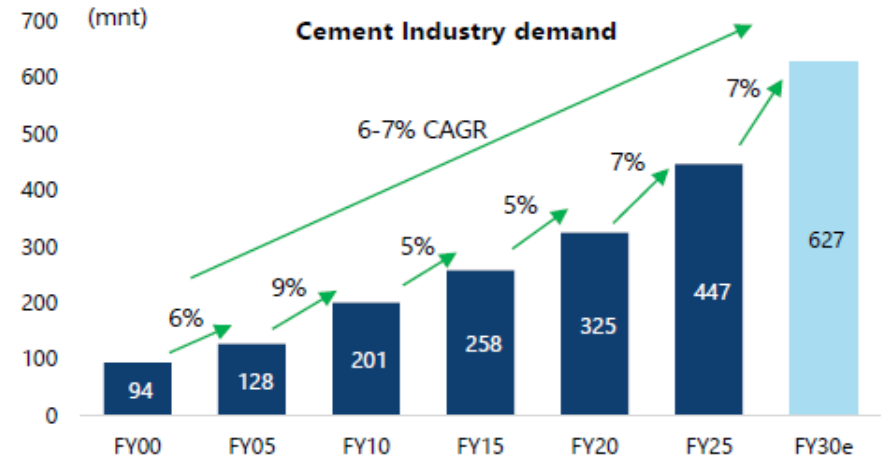
Cement industry EBITDA/T on an upward trajectory



Recent consolidations to boost discipline; top 3 hold 50%+ share

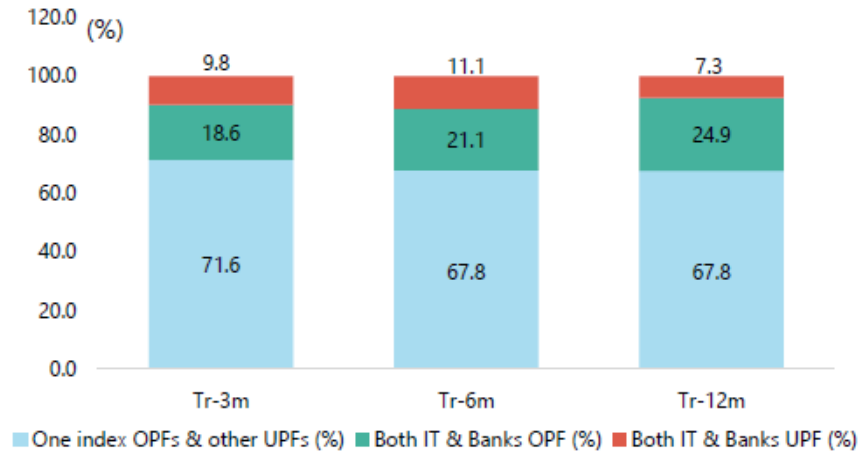


Cement demand slated to grow at 6-7% CAGR

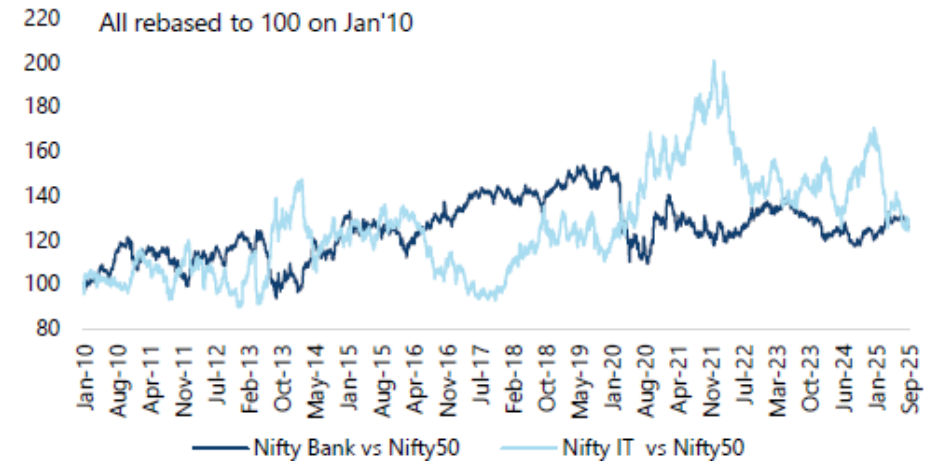


Banks and IT: Both underperforming signals bottom-up market

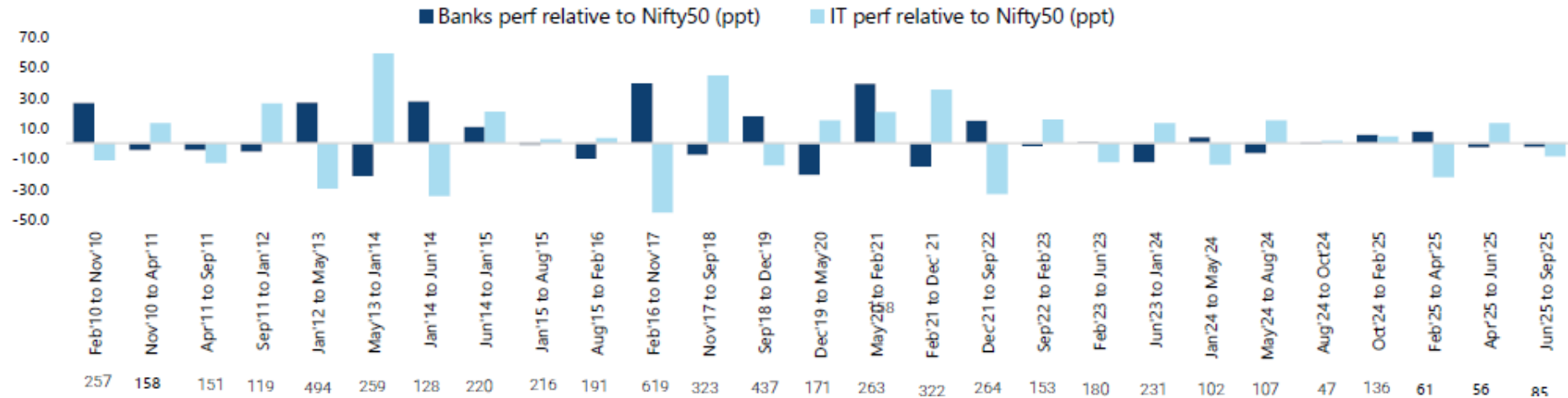
Banks and IT have jointly OPFed 20-25% times



Banks and IT trend of relative performance

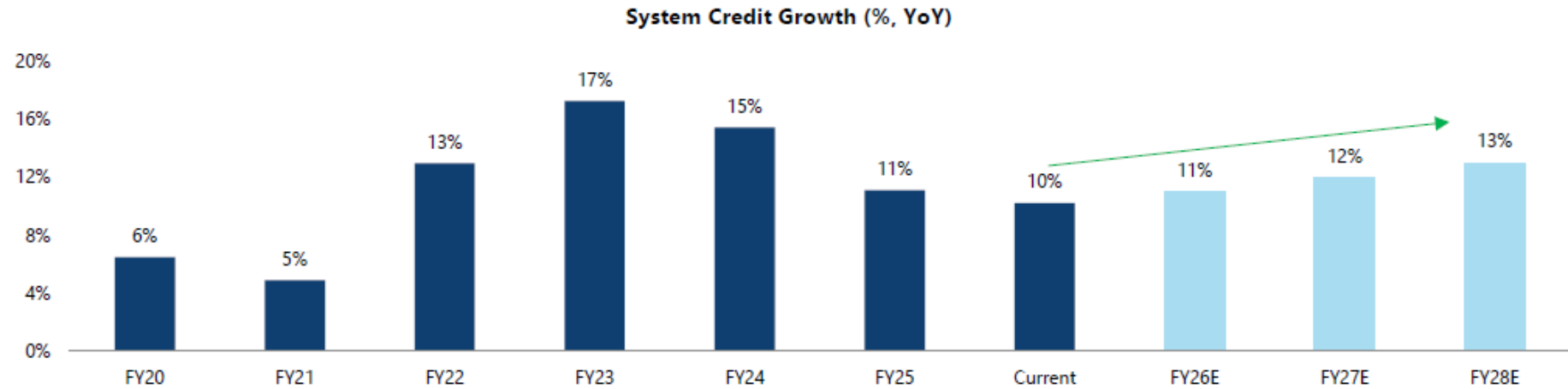


Relative performance for Banks and IT against Nifty

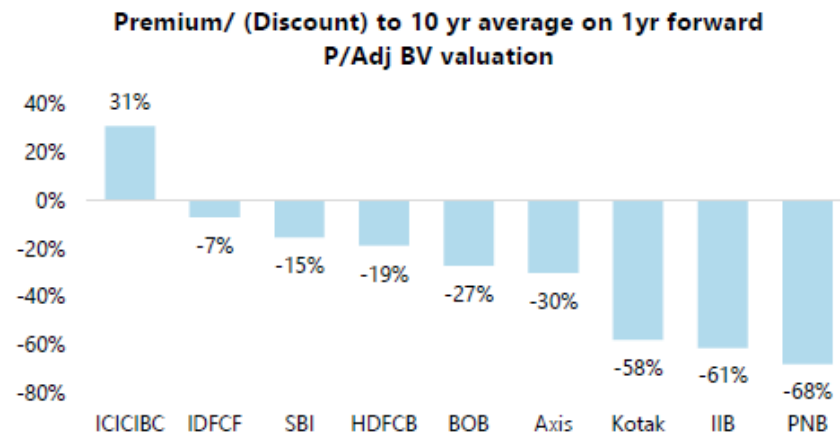


Lenders: Credit growth to improve

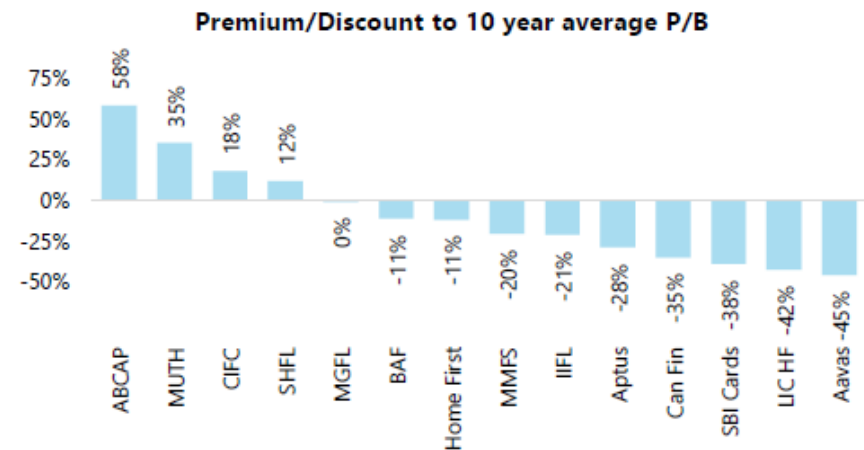
We expect credit growth for FY26 at 11% & improve towards 12-13% in FY27-28



Most bank trading below 10Y Avg.

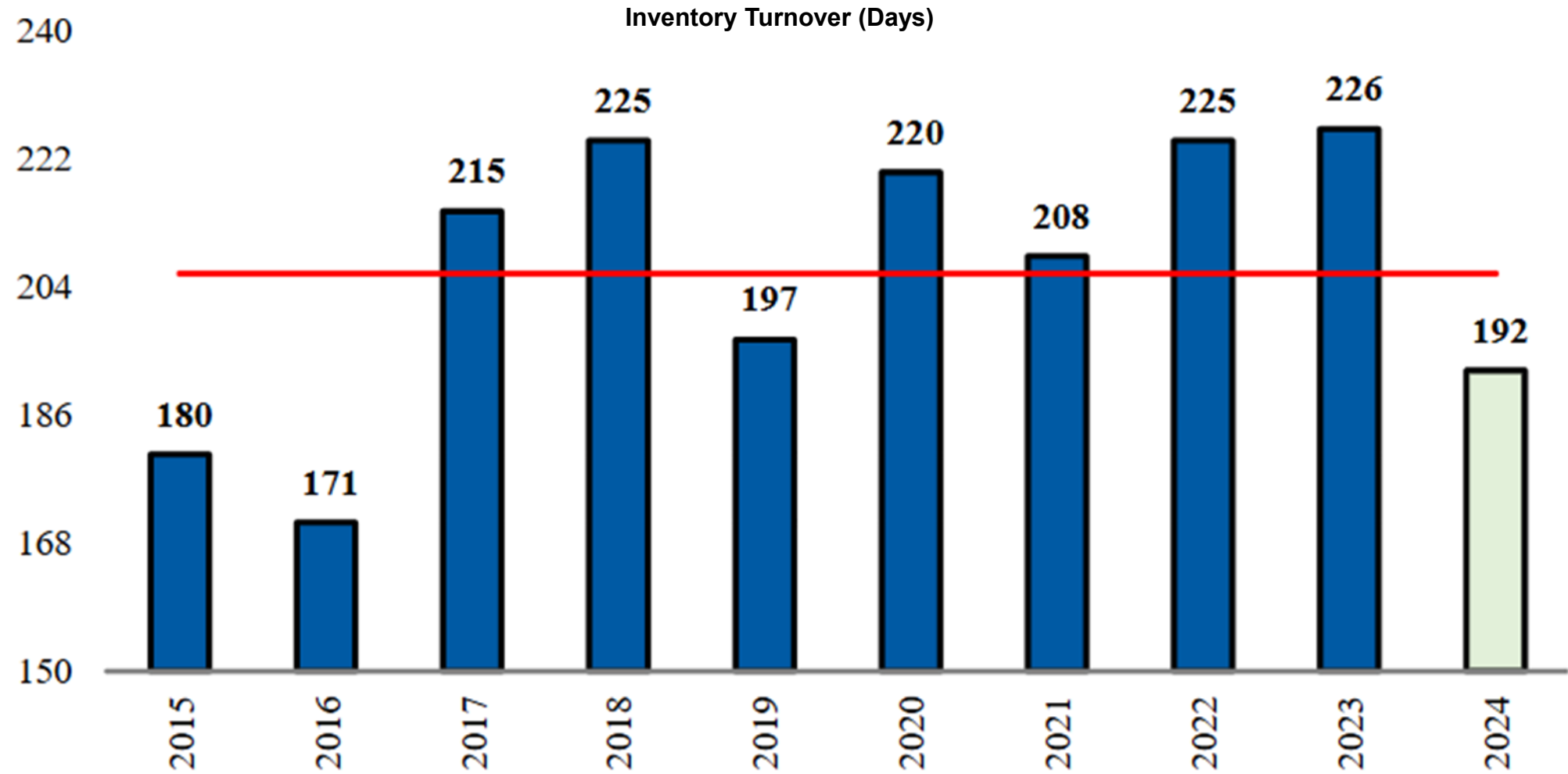


Many NBFCs also trading below 10Y Avg PEs



Chemicals – Is the global destocking cycle at an end?

Inventories across agri-majors are at 8-year lows



What should Investors do?

.....

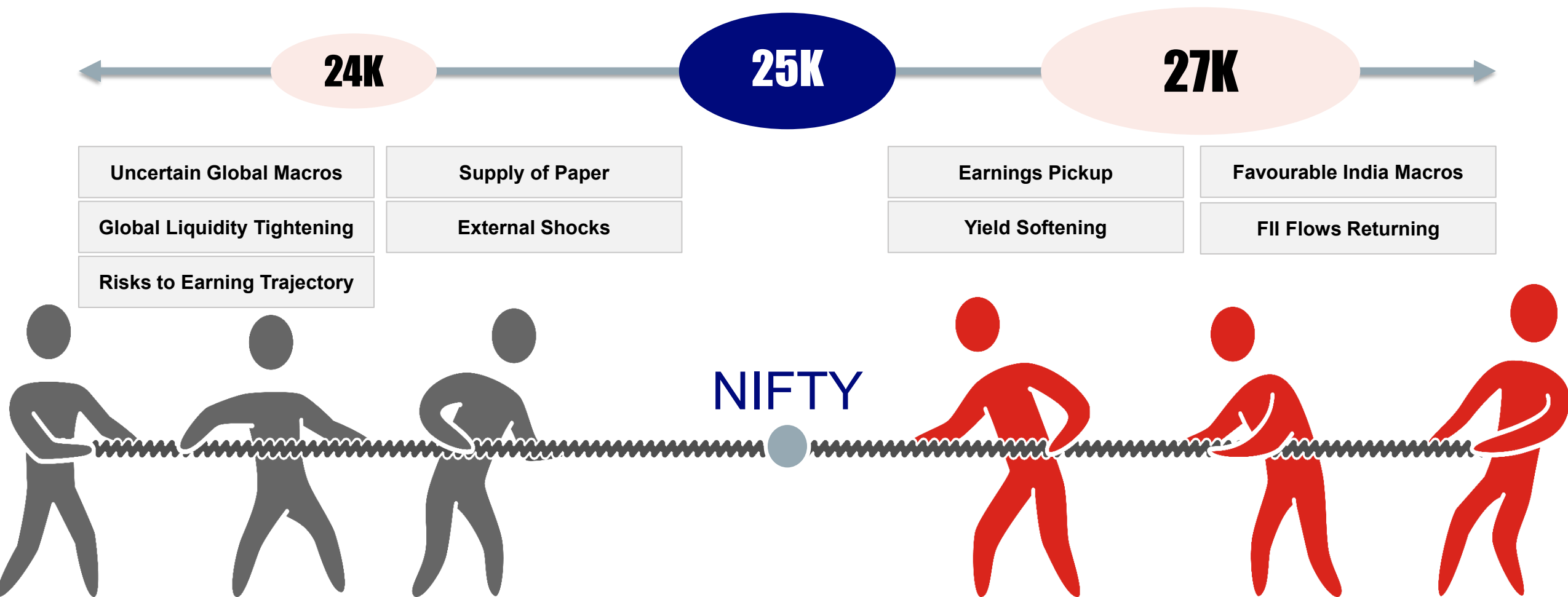


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- Shifted from a conservative/cautious to a constructive stance recently
- Would recommend to raise equity exposure in a staggered manner post last 15 months of consolidation and price correction:
 - ✓ Top up allocations/SIPs
 - ✓ Focus on staggered purchases though some front ending can be done now
 - ✓ Sectors that can do well - Metals, healthcare, chemicals, cement, private sector financials and NBFCs, consumer discretionary, auto ancillaries

Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty



Thank You

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