MONTHLY NEWSLETTER

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The Indian Market Pulse: Insights and Strategies

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Market Data & Macros

MARKET SNAPSHOT

BSE Sensex: 78,507 (-1.62 % MoM) **Nifty 50:** 23,743 (-1.61 % MoM) **Nifty Bank:** 51, 061 (-0.34 % MoM) **Nifty Midcap:** 57, 451 (1.88 % MoM) **Nifty Small-Cap:** 18, 960 (-1.66 % MoM) **Nifty PE Ratio:** 21.88 *" MoM" an abbreviation for "Month on Month Performance". Data as on 1st January, 2025	**Brent Crude:** 74.64 **USD/INR:** 85.64 **Gold (Rs/10 gms):** 76,583 **10-year G-sec yield:** 6.78 % Data as on 1st January, 2025

December 2024 witnessed an intriguing interplay of global and domestic factors influencing the Indian equity markets. Domestically, the Nifty 50 concluded the year with modest gains, recovering from October's steep corrections. However, global dynamics continued to dominate market sentiment, with Donald Trump's return to the U.S. presidency introducing new economic and geopolitical uncertainties. Trump's policies are expected to focus on trade renegotiations and fiscal stimulus, sparking concerns over potential shifts in global trade dynamics that could indirectly impact emerging markets like India.

The trend of FII selling in Indian equities continued into December, with net outflows reaching Rs 656 crore so far. However, the pace of selling slowed considerably compared to the more aggressive outflows observed in October and November. Meanwhile, China's ongoing economic challenges tempered the optimism surrounding its stimulus measures. While the fiscal push supported some recovery in industrial production, concerns over property sector defaults and declining consumer confidence dampened investor sentiment.

As we begin 2025, a diversified and cautious investment approach remains vital. Prioritizing high-quality companies with strong fundamentals, maintaining liquidity for potential market opportunities, and spreading investments across asset classes like fixed income and commodities. With the evolving market dynamics, it's important to stay informed about macroeconomic factors, sectoral shifts, and global trends, all of which will play a significant role in shaping the market outlook for the year ahead.

In The News:

- Global central banks plan to cautiously cut borrowing costs in 2025, with the possibility of slower rate reductions compared to 2024.
- India's fiscal deficit for April to November, or the first eight months of this fiscal year, was at 8.47 lakh crore rupees, equivalent to 52.5% of annual estimates, widening from the previous year's 50.7%.
- The manufacturing activity in India registered its weakest growth of 2024 in December as the PMI fell to 56.4, down from 56.5 in November, inflation pegged at 2.7%
- Chinese authorities have agreed to issue a record 3 trillion yuan ($411 billion) worth of special treasury bonds in 2025.
- Oil prices hovered at their highest since October as investors eyed the impact on global fuel demand from colder weather in the Northern Hemisphere and Beijing's economic stimulus measures.

From Director’s Desk

Portfolio, Not Predictions

Investors in the Indian financial sector have been talking a lot about the recent market volatility. From fluctuating equity indices to shifting commodity prices, these movements underscore an essential truth: while external events can influence markets, the cornerstone of sustainable investment success lies in constructing a robust portfolio.

Build a portfolio that endures, not chase predictions that fade.

In today’s fast-paced financial markets, investors are often drawn to trending sectors like artificial intelligence, green energy, or mid-cap stocks–sectors currently abuzz in India’s growth narrative. While these trends may present lucrative opportunities, they also highlight the risks of short-term decision-making driven by speculative enthusiasm. The allure of immediate gains can overshadow the importance of staying aligned with one’s long-term financial objectives.

The defence sector, for instance, has recently seen significant activity. With India's push toward self-reliance and increased defence exports, stocks in this sector have witnessed substantial highs. However, a subsequent correction has served as a reminder of the volatility that accompanies rapid growth. Investors must approach such sectors with a balanced perspective, recognising both potential and inherent risks.

Reflecting on historical market movements, we often encounter simplified lessons shaped by hindsight. For instance, the sharp recovery in Indian equities post-COVID-19 or the recent rise in IPO subscriptions were easier to appreciate in retrospect. However, these narratives seldom account for the intricate market dynamics and risk factors involved at the time. Learning from such events is vital, but relying solely on post-event insights can lead to misplaced confidence and oversimplified strategies.

A masterclass with Aashish P Somaiyaa, CEO of White Oak Capital, provided valuable insights for navigating these challenges. Key takeaways include prioritising portfolio construction over market timing, ignoring the noise of constant market commentary, focusing on long-term goals, understanding and addressing your own behavioural biases, and avoiding extreme portfolio allocations. By adhering to these principles, investors can cultivate a more robust and sustainable investment approach, allowing them to weather market storms and achieve long-term financial success.

As an investor, your financial journey should be guided by your unique goals, risk tolerance, and investment horizon. Market fluctuations are inevitable, but a well-crafted portfolio ensures resilience. By focusing on what you can control–your strategy, asset allocation, and adherence to your plan–you can navigate even the most volatile markets with confidence.