Outlook 2025

Review 2024

Index	31/12/24 CMP	52 Week High	52 Week Low	CY 2024 Return	CY 2023 Return	CY 2022 Return	CY 2021 Return	CY 2020 Return	CY 2019 Return	CY 2018 Return	CY 2017 Return	Index at All Time High	Index at All Time Low	Change from All Time High	Return from its 5 yr Low
Nifty50	23645	26277	21137	9%	20%	3%	24%	15%	12%	3%	29%	26277	7511	-10%	215%
S&P BSE Sensex	78139	85978	70002	8%	19%	3%	22%	16%	14%	5%	28%	85978	25639	-9%	205%
S&P BSE Midcap	46445	49701	36576	26%	46%	0.28%	39%	20%	-3%	-14%	47%	49701	9555	-7%	386%
S&P BSE Smallcap	55180	57828	40097	29%	48%	-3%	62%	31%	-7%	-24%	59%	57828	8622	-5%	540%

Exhibit 1: Domestic Market Indices Source: Investing.com, MSL

India's benchmark indices, S&P BSE Sensex and Nifty 50 closed 2024 with decent performances, recording annual gains of 8% and 9% respectively. This marks the ninth straight year of positive returns, underscoring the sustained momentum in the Indian equity markets. The Broader market indices S&P BSE Midcap and S&P BSE Small cap Indices has performed robust with the gain of 26% and 29% respectively than its Benchmark Indices. This marks the fifth consecutive year of gains for the BSE Midcap and the second for the BSE SmallCap, showcasing the strong momentum and growth potential of mid- and small-cap stocks.

The Nifty 50 and Sensex surged 10.5% in early 2024, reflecting strong momentum amid robust economic activity, corporate earnings, and the formation of a stable government third consecutive time, but global and domestic challenges in the latter half, especially the December quarter, reversed much of these gains by heightened volatility amid a record sell-off by foreign institutional investors (FIIs).

Year 2024 is a Mixed Bag for Indian Stock Markets. The Indian stock market experienced a volatile year in 2024, characterized by strong gains in the first half but significant headwinds in the second half.

Factors Contributing to the Slowdown and Heavy Selling in H2 2024:

- Heavy Selling by Foreign Portfolio Investors (FPIs)- FPIs aggressively sold Indian equities in the second half of 2024, driven by global risk aversion, rising U.S. interest rates, and a strengthening dollar.
- Concerns Over High Valuations- After a strong rally in the first half of 2024, Indian equities were trading at premium valuations compared to global peers.
- Decelerating Indian Economy- India's GDP growth slowed in the second half due to weaker industrial output, subdued private investment as well as government spending, and external trade challenges. This raised concerns about the sustainability of corporate earnings and overall market growth.
- Weak Urban Consumption- Urban demand, a key driver of sectors like consumer goods, retail, and automobiles, slowed due to higher interest rates, inflationary pressures, and stagnant wage growth, affecting corporate revenues and investor confidence.
- Escalating Tensions in the Middle East- Rising geopolitical tensions in the Middle East led to volatility in global oil prices, increasing India's import costs and putting pressure on the rupee. This amplified inflationary concerns and reduced market optimism.
- Ongoing Russia-Ukraine Conflict- The prolonged conflict disrupted global supply chains, contributing to commodity price fluctuations and economic uncertainty.

Sectoral Performance

- Among sectoral indices, Real estate, pharma, Defence and healthcare led the rally by gaining between 33% and 58%.
- The defence sector flourished in 2024, benefiting from domestic focus, export success, and technological advancements, positioning it as a key growth area in the Indian economy.
- The pharma index was the top sectoral performer, jumping 39 per cent, aided by steady sales growth in domestic and US markets and stable pricing in the US.
- some of the usual market leaders had a quieter year. FMCG (Fast-Moving Consumer Goods) companies and private banks struggled to pick up pace, with their indices ending the year almost flat.
- Nifty Media struggled the most and fell -25% in 2024.

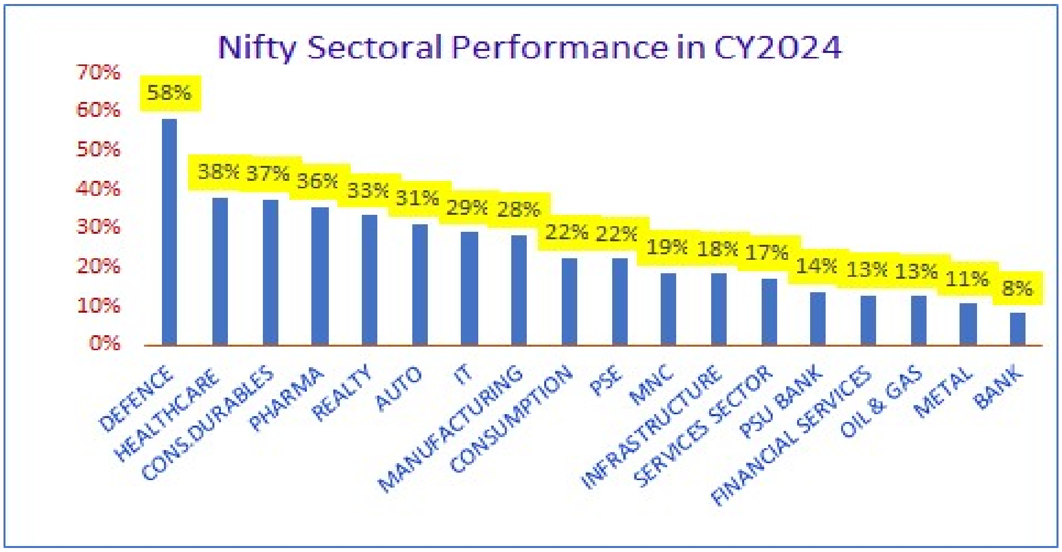


Exhibit 2: Nifty Sectoral Performance   Source: NSE India, MSL

Fund flow in CY2024

Fund Flows(Rs.In Crs)	FII	DII
Equity	-304,217	422,545
Debt	527,438	-334,532
Total	**223,221**	**88,012**

Exhibit 3: Fund Flows   Source: Moneycontrol.com, MSL

FII's were Net Buyers to the tune of Rs 2,23,221 crores in CY2024 (against an inflow of Rs 2,46,821 crores in CY2023) also DIIs invested Rs.88,012 crores in CY2024 (against an inflow of Rs. 71,611 crores in CY2023).

- FIIs were net sellers in equities, recording a total outflow of ₹304,217 crore for 2024 and net buyers in debt, recording a total inflow of ₹527,438 crore that results into Net inflow of funds of Rs.2,23,221(-3,04,217+5,27,438=2,23,221) indicating strong demand for Indian fixed-income securities.
- During the year, FPIs were net sellers (Equity+Debt) in just 3 months and buyers in the remaining 9 month.
- October'24 saw the largest equity outflow of ₹114,446 crore, likely driven by global uncertainties, profit-booking, and concerns over valuations where as same month marked the highest inflow into debt markets at ₹107,255 crore, possibly due to attractive yields and a flight to safety amid equity market volatility.

- ❖ Robust inflows into debt markets underscore foreign investors' preference for stable returns, supported by attractive yields and macroeconomic stability in India.

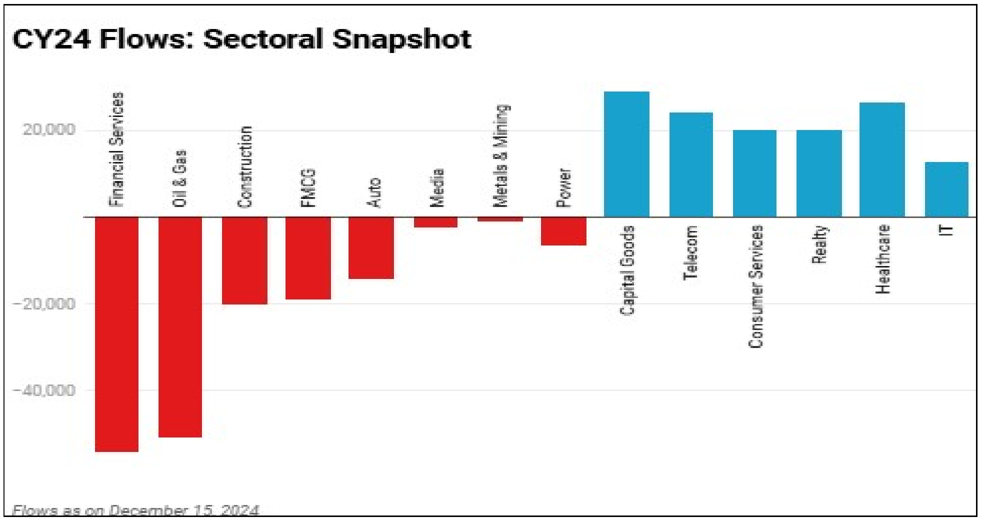


Exhibit 4: Sectoral Snapshot   Source: Economic Times

- ❖ In 2024, FIIs heavily sold in financials (₹53,942 crore) with the highest selling in financials during January (₹30,013 crore) and October (₹26,139 crore) and October and November accounted for oil & gas outflow of ₹50,851 crore.
- ❖ Other sectors with outflows included FMCG (₹19,057 crore), automobiles (₹14,148 crore), construction (₹20,163 crore), and media (₹2,244 crore).
- ❖ On the positive side, inflows were recorded in capital goods (₹29,011 crore), healthcare (₹26,506 crore), telecommunications (₹23,992 crore), realty (₹20,181 crore), and IT (₹12,618 crore), reflecting selective sectoral optimism.
- ❖ DII investments in 2024 have been around Rs 4.22 lakh crore in Equity. The recent DII data indicates a structural shift toward equities driven by growing retail participation through mutual funds.

Fund Flows ($ Bn)	2020	2021	2022	2023	2024
Net FDI	65	51	52	41	53.5E
FII Debt	-14	-1	-2	9	62
FII Equity	23	4	-17	21	-36
Total	73	53	34	70	80
DII Equity (Rs.in Crs)	-52,692	44,780	167,932	168,555	422,545
DII Debt (Rs.in Crs)	2,17,099	131,211	-35,576	-96,944	-334,532
Total	164,407	175,991	132,356	71,611	88,012
Nifty CY Return	15%	24%	3%	20%	8%

Exhibit 5: Fund Flows in Bn $ Source: NSDL, tradingeconomics.com, Moneycontrol.com   E= Expected

- ❖ Domestic flows into Indian equities remained resilient in 2024 helping the benchmark indices to provide decent return in this year.
- ❖ India has received foreign investments worth USD 42.2billion during January-September 2024. It stood at USD 29.8 billion in 2023 with growth of 42% YoY.
- ❖ FDI equity inflows into India is more than doubled during the April-September period this fiscal.
- ❖ Among sectors two-thirds of the gross FDI inflows were directed towards manufacturing, financial services, communication services, and electricity and other energy sectors. About three-fourths of the flows were sourced from Singapore, Mauritius, the UAE, the Netherlands, and the US.

Return on various Asset classes

Asset Class	Sensex	BSE Small Cap	BSE Mid Cap	GOLD	OIL	Currency INR/$
CY 2023 RETURN	19%	48%	46%	13%	-10%	1%
CY 2024 RETURN	8%	29%	26%	26%	-2%	3%

Exhibit 6: Returns on Various Asset Classes Source: Investing.com

- Indian **Stock Market** had a roller coaster ride in 2024 from shattering record after record to facing heavy correction off-late but equity markets still rewarded investors with positive returns, driven by a surge in domestic fund flows and a resilient macro landscape.
- **Gold** enjoyed a year-long rally and was the best-performing asset in 2024, despite strong performance by risk assets, a stronger US dollar and elevated bond yields. The precious yellow metal gained a stellar 26% absolute return during the year 2024.
- The **Indian rupee** tumbled 3% in 2024, weighed down by concerns over slower economic growth and the strength of the U.S. dollar. Despite this, it was one of the least volatile currencies globally. Global factors, including measures by major central banks, not only affected the rupee-dollar dynamics but also disrupted exchange rates of other emerging-market currencies.
- International **crude oil** prices fell around 2% cent in 2024, slipping for a second straight year, as the post-pandemic demand recovery stalled, China's economy struggled, and the US and other producers pumped more crude into a well-supplied global market.

Major World Indices Returns

The following table shows the return given by major world capital markets-

INDEX	NIKKEI 225	NASDAQ	S&P 500	FTSE	SHANGHAI COMP	CNX NIFTY
CY 2023 RETURN	28%	43%	24%	4%	-4%	20%
CY 2024 RETURN	20%	32%	25%	5%	14%	8%

Exhibit 7: Major World Indices Returns Source: Investing.com, MSL

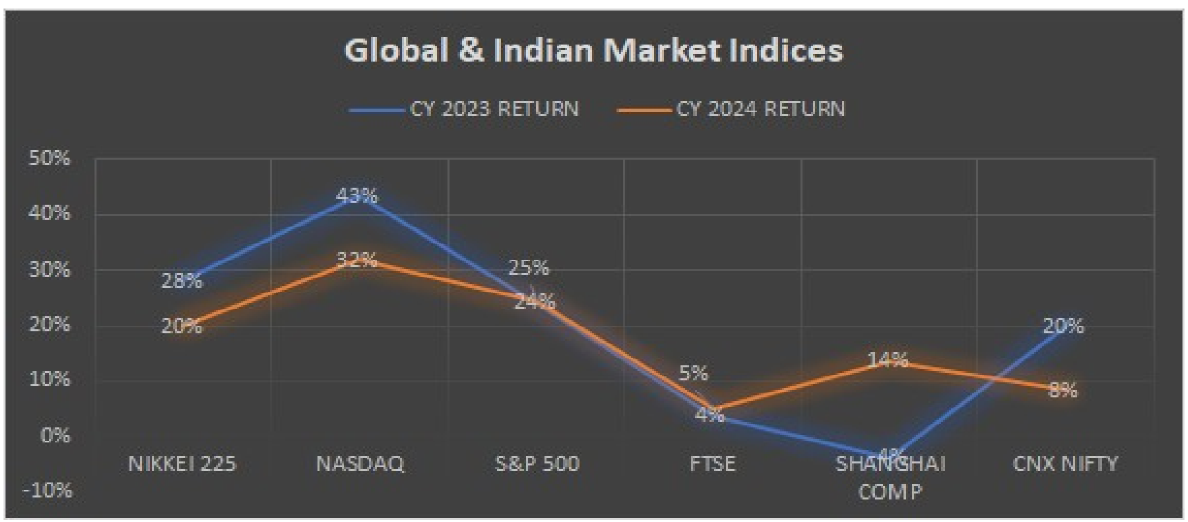


Exhibit 8: Global & Indian Market Indices Source: Investing.com, MSL

- Global equity markets have ended the year 2024 on a high note. US, Japan, and China benchmark indices have given double-digit returns.

- The U.S. NASDAQ and S&P 500 finished the year in the top spot with an annual gain of 32% and 24% respectively. Tokyo's Nikkei 225 finished in second with an annual gain of 20% Hong Kong's while Hang Seng finished in Third with an annual gain of 14%.

Macro Indicators

Domestic Macro Indicators												
Months	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
CPI	5.10%	5.09%	4.85%	4.83%	4.75%	5.08%	3.54%	3.65%	5.49%	6.21%	5.48%	
WPI	0.27%	0.20%	0.53%	1.26%	2.61%	3.36%	2.04%	1.31%	1.84%	2.36%	1.89%	
IIP	3.80%	5.70%	4.90%	5.00%	5.90%	4.20%	4.80%	-0.10%	3.10%	3.50%		
	Q123	Q223	Q323	Q423	Q124	Q224	Q324	Q424	Q125	Q225	Q325	Q425
GDP	13.50%	6.30%	4.40%	6.10%	7.80%	7.60%	8.40%	7.80%	6.70%	5.40%		

Exhibit 9: Domestic Macro Indicators Source: Investing.com, Tradingeconomics.com MSL

10-Year Bond Yield '2024												
Months	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
10 yr G sec	7.14	7.07	7.05	7.19	6.98	7.00	6.92	6.86	6.75	6.84	6.75	6.75

Exhibit 10: 10- Year Bond Yield Source: Investing.com, Tradingeconomics.com MSL

Our View

- Year 2024 has ended with positive returns for investors. But it was a roller-coaster ride for investors. Nifty 50 made a lifetime high in September but corrected significantly on multiple occasions amid concerns over slow economic growth and foreign capital outflows.

- In 2024, despite Foreign Institutional Investors (FIIs) being net sellers in eight months and recording a historic outflow of ₹3.04 lakh crore (with ₹1.14 lakh crore sold in October alone), the Indian market demonstrated resilience, marking a shift from past trends where FII exits led to significant market declines.

- Retail investors played a crucial role in stabilizing the market in 2024, as the Nifty50 rose 9% despite heavy FII selling. Systematic Investment Plan (SIP) inflows hit record highs ₹25,000 crore in October and November. Between January and November, total SIP inflows reached ₹2.42 lakh crore, significantly surpassing previous years.

- India's domestic market capitalization surged by 18.4% in 2024, reaching an impressive $5.18 trillion and adding $806 billion in value. This remarkable growth positioned India third globally among the top 15 major markets.

- During the year over 300 IPOs raised a record ₹1.8 lakh crore, surpassing the previous high of ₹1.3 lakh crore in 2021 and far exceeding ₹57,600 crore in 2023. This included 78 mainboard IPOs, with the rest being SME IPOs.

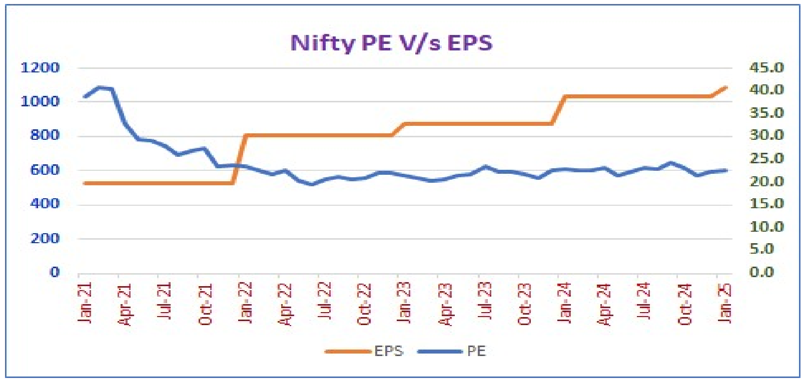
- India's investor base continued to expand in 2024, with over 10.7 crore unique investors registered with NSE by November. Notably, 1.5 crore new investors joined in the first nine months of FY2025, reflecting robust growth in market participation.

- India's GDP growth slowed to 5.4% in the September quarter of 2024, the lowest in seven quarters and below the RBI's forecast of 6.7%. The slowdown was driven by weak performance in agriculture and manufacturing, along with reduced government spending on infrastructure projects, highlighting significant economic challenges.

Contraction in PE

Summarry of Nifty PE & EPS:		
Year	EPS	PE
Jan'21	524	31
Jan'25	1084	22
Growth in the EPS 107%		Fall in PE - 28%

Exhibit 10: Nifty PE & EPS Source: MSL



As per from the Nifty 50 PE table & chart PE has fallen up to 22 in FY24 as EPS has got increased. Due to corporate earning visibility PE got contracted currently at 22 level.

Our Forecast 2025

- Year 2024 has seen significant shift in foreign flows in 2024 can largely be attributed to concerns over the valuation of Indian stocks, below-than-expected domestic GDP growth in the second quarter of fiscal year 2025, weak corporate earnings, and higher US bond yields.

- In 2025, the Indian equity market is expected to remain volatile, influenced by developments around the Union Budget, RBI's potential rate cuts, depending on inflation and growth trends and corporate earnings performance trends.

- On the global front the market will closely monitor the developments around the following events: 1) Policies in the US government during the Trump presidency, 2) Trade policy, 3) Further rate cut by the US FED in 2025, and 4) The direction of Currency and Oil prices in 2025.

- The Market PE is fairly valued at this level but due to lack of growth of earning visibility and geopolitical tension market hovers around in the near term and in around mid-year it is expected to begin climbing back to close at higher level at the end of the year.

- We are expecting the Nifty50 in CY 2025 to close at around 4% upside at 24590 level.

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