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BUILDING WEALTH FOR GENERATIONS

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Multi - Asset

Weekly Newsletter

Global Developments & Global Equities

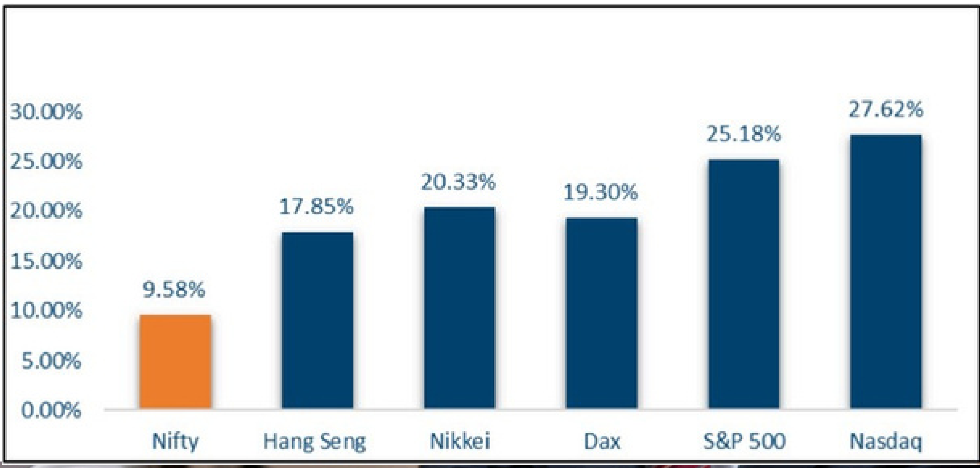
'CAUTIOUS OPTIMISM' THE THEME FOR 2025 AFTER A STELLAR 2024 FOR GLOBAL EQUITIES

2024 has been a remarkable year indeed. We have had a cocktail of geopolitical uncertainty, political uncertainty, ecomomic uncertainty and despite that equities have had a stellar year globally. Bonds on the other hand have sold off in Developed markets despite central banks turning dovish and getting started with rate cut cycles.

FX had a relatively quiet year until November. Trump's win has fuelled Dollar strength thereafter. Base metals and Brent have had a steady year while precious metals, (especially Gold) have had a phenomenal year on Reserves diversification driven demand from central banks, as the DeDollarization theme plays on in the background.

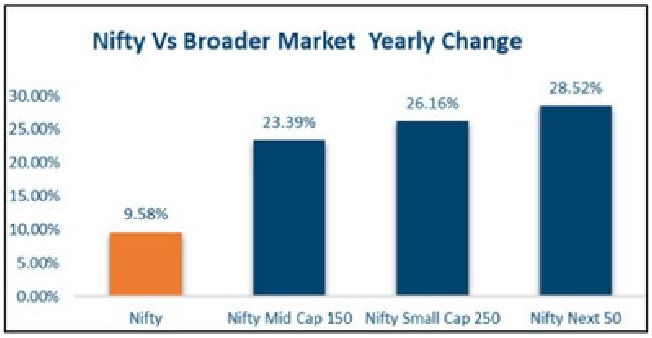
NIFTY V/S GLOBAL MARKETS

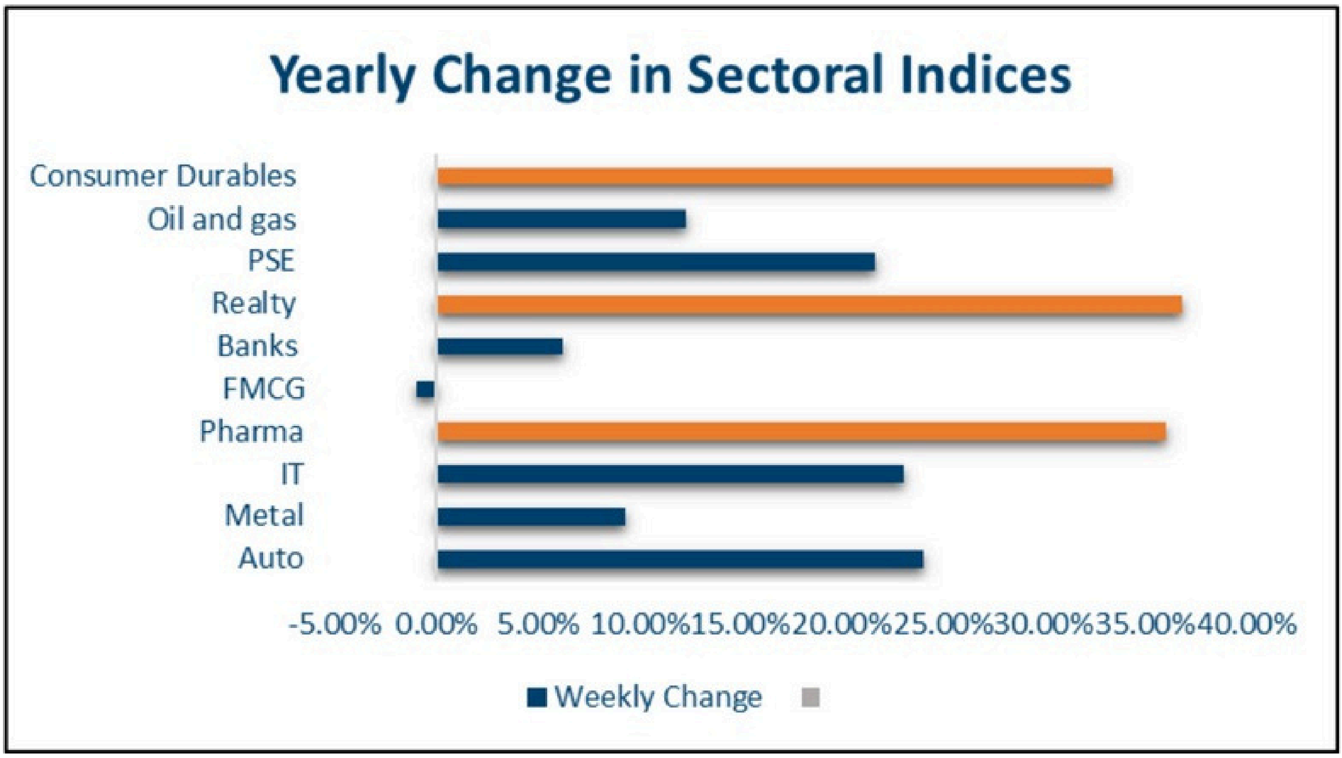
Equities globally have had a stellar 2024 causing some to have Acrophobia (fear of heights) stepping into 2025, given the overstretched valuations. In local currency terms Nifty (+9.6%) has underperformed other major indices such as S&P500 (+25.2), Nikkei(+20.4%) and Shanghai Composite (+14.3%). It has performed better than a broad index of European stocks I.e. STOXX600 (+5.9%) and MSCI EM index (+5.8) In Dollar terms, the performance of other indices pales out in comparison to the S&P500. Nifty's Dollar return for the year so far is 6.8%. STOXX600 is just flat on a currency adjusted basis.



Domestic Equities

Broader markets outperformed the Nifty by a considerable margin. Midcap100 is up 23.4% and Smallcap250 index has gained 26.2%. Nifty next 50 has performed even better, gaining 28.5% There was a wide dispersion among sectoral indices. Realty (+36.8%), Auto (+24.1%), Pharma(+36.7%), Consumer Durables (+28.2%), IT(+23.1%) indices were the outperformers FMCG (-1%), Energy(+4.7%) and Bank Nifty (+6.2%) were the laggards. FPI flow into equities is almost flat for the calendar year. September was the best month, seeing an inflow of USD 6.8bn and October was the worst month ever with net outflow of USD 11.1bn





Fixed Income, IPO, and Institutional Deals

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INITIAL PUBLIC OFFERING (IPO):

Dealmakers expect the momentum for new share sales in India, now the world's busiest market for initial public offerings, and Australia in 2025 will cushion the impact of sluggish Chinese deals in the Asia Pacific. The Mumbai-based National Stock Exchange outranked the bigger U.S. exchanges in the amounts raised by IPOs for the first time, driven by India's robust economic growth and increasingly active domestic investors, following the rush of IPOs in 2024. There was a 149% increase in the value of IPOs in India in the past year to $18.4 bilion, according to LSEG data, which contributed to total equity capital market activity almost doubling.

REAL ESTATE:

Private equity inflows into India's real estate sector rose by 10% in 2024, with warehousing and logistics assets receiving the largest share, according to a new report. Total PE investment in India's property market reached $4.3 billion this year, driven by strong macroeconomic factors boosting investor confidence. This marks the third consecutive year of growth after a low of $3.4 billion in 2021. In 2024, over half of the PE inflows, approximately $2.3 billion, were directed towards the warehousing and logistics segment. This reflects India's growing role as a supply chain hub, positioning industrial and logistics sectors at the forefront of PE investments. While the commercial office segment continues to draw steady interest, the rising demand for premium housing has made the residential sector a key investment opportunity.

PRIVATE EQUITY AND VENTURE CAPITAL:

The overall funding activity, particularly in the VC space, for the calendar year 2024 was notably strong, with over $16.7 billion raised across 888 deals. This represents a 14% increase in value and a 21.5% rise in deal volume compared to 2023. Technology sector fundraising surged by over 50%, reaching $6.5 billion, while consumer discretionary saw a 32% increase, raising $2.3 billion. The largest deal was $1.3 billion raised by the fast-growing quick commerce company Zepto, followed by $500 million raised by Poolside AI SAS. Both 2023 and 2024 were challenging years, as global VC investments declined, with limited partners showing reduced interest in the asset class. The potential impact of the US market, particularly under the incoming Trump administration, continues to be a significant factor influencing global capital flows.

FIXED INCOME:

Bond traders globally had a difficult year, coming to grips with a sell-off despite monetary policies turning dovish in most major economies Below is the performance of 10y yields across developed markets; US +74bps UK +110bps France +65bps Germany +37bps Japan +48bps On the other hand, the story was a bit different in Asia with China 10y yield slumping 87bps, Korea 29bps, India 40bps. While China and Korea bond yields fell on worries around the state of the economy, India bond yields fell on bond index inclusion related flows helping tilt the demandsupply balance. FPIs have poured in net USD 20bn in domestic debt in 2024.

FX and Commodities

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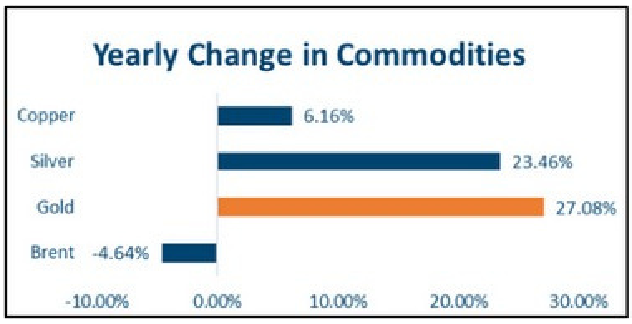
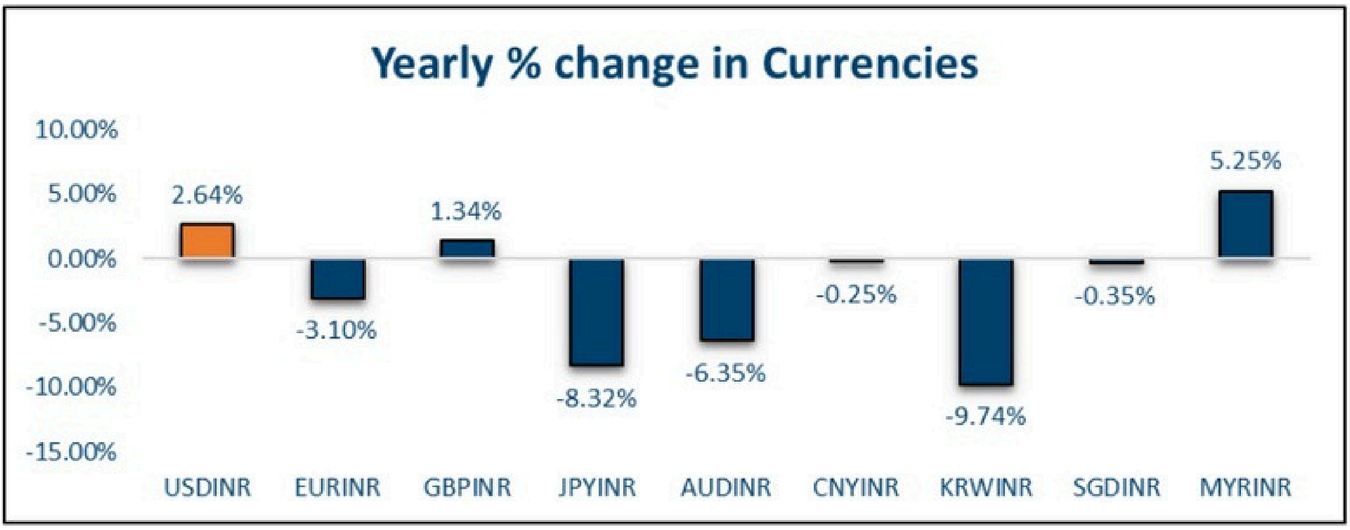
FOREIGN EXCHANGE:

Rupee weakened 1% in December and with that is 2.7% down YTD against the Dollar. While the recent move in Rupee has caught many by surprise, given the low volatility environment we were in for a long period, Rupee is still in the middle of the pack in its peer group as far as YTD performance is concerned. Among Asian currencies, MYR(+2.8%) has been the best performing currency while KRW(-12.4%) has been the worst performer. CNH (-2.7%) has weakened almost as much as the Rupee. PHP (-4.2%) and IDR (-5.2%) have performed worse than the Rupee. All G10 currencies have weakened against the Dollar in 2024 with GBP(-1.2%) and EUR(-5.6%) being the two best performers. JPY (-10.7%) and NZD(-10.8%) have been the worst performers.

COMMODITIES:

Brent is down 3.7% of the year, having traded a USD 68.6-92.2 per barrel despite all the geopolitical risk that has been around. Production outside the OPEC+ continues to remain elevated and under the Trump regime US output may rise even further. US and European natural gas prices have risen 40% and 50% respectively this year. Precious metals had a stellar year with Gold and Silver rising 27% and 23.5% respectively. Diversification of Reserves amid concerns around De-Dollarization could be a theme that could gain even more prominence going forward. Base metals had a good year despite weak China demand. Copper is up 5% while Aluminum is up 7.3% for the year





Looking forward to 2025

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The dominant themes would be:

1) How aggressively Trump pursues the America first policies in terms of trade, immigration, corporate taxation, defense, climate change

2) How does the Chinese economy recover. How does China respond to Trump's policies?

As mentioned earlier, there are valuation concerns in US equities. However we believe instead of an outright across the board sell-off, 2025 is likely to be a year of consolidation, rotation to value from growth, rotation into infra, Manufacturing from AI, cloud, Semicon digital themes
Domestically, the biggest focal point would be how the balance between fiscal and monetary policy is struck. We expect monetary policy to do the heavy lifting to support growth as the center looks to consolidate fiscal position, as it pursues the elusive sovereign rating upgrade. However monetary policy will be influenced by external factors such as what the Fed does.
Base case view is for the equities to have a year of consolidation with Nifty50 probably returning 5-10%. We may see the ouperformance between broader markets and benchmark narrow considerably in 2025 compared to what we saw in 2024. Banks and Energy stocks are likely to make a comeback.
Bonds are likely to trade with a slight bullish bias. Levels of 6.50% on the 10y could be seen in 2025.
Rupee is likely to remain on a steady depreciation trajectory. We may see a conscious, deliberate, controlled correction of overvaluation to support growth. We do not expect a blowout in volatility to pre Shaktikant Das era' levels unless we see simultaneous strain on both current and capital account.

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