MySIPonline
SIMPLIFYING INVESTMENTS

MONTHLY NEWSLETTER

www.mysiponline.com

January' 2025

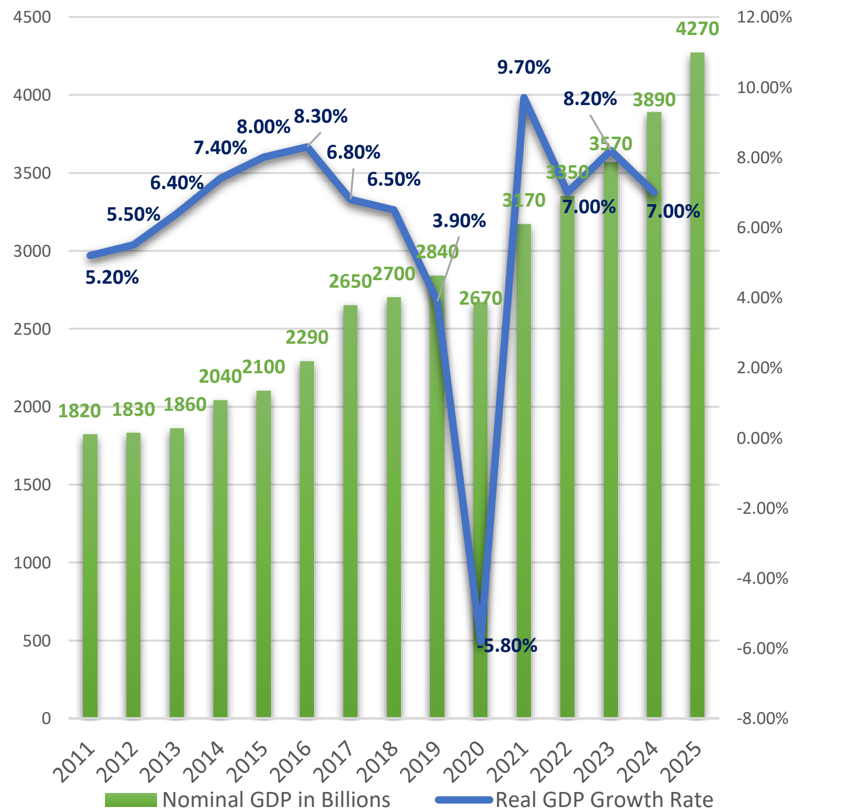
Table of Contents

Economy

Statistical Appendix

Indicators	Latest	Previous
Full Year GDP Growth	6.40%	8.20%
Nifty 50 Monthly	23249.50	23644.80
USD/INR Monthly	86.5250	85.5330
Inflation Rate Monthly	5.22%	5.48%
Interest Rate Quarterly	6.50%	6.50%
Current Account to GDP Yearly	-1.35%	-1.20%
Govt. Debt to GDP Yearly	84.295%	81.59%
Consumer Spending (INR) Quarterly	24800	24600
Global Commodities Monthly		
Crude Oil USD/Bbl.	73.302	73.11
Natural Gas USD/MMBtu	3.0675	3.6011
Gasoline USD/Gal	2.0832	2.0205
Coal USD/T	116.90	125.25
Gold USD/t.oz	2793.20	2658.92
Silver USD/t.oz	31.455	29.551

(TradingEconomics)



(TradingEconomics)

Macro Picture:

GDP Growth Slowdown: Slower growth due to muted consumption, heavy rainfall affecting infrastructure and real estate, election-related distractions, sluggish private sector spending, and shortfall in capital expenditure. Only 7.7 lakh crore of the 11.11 lakh crore infrastructure budget has been utilized.

Debt Reduction Focus: Despite the Governments emphasis on reducing Debt & improving Sovereign Rating we see a slight deterioration in the Debt/GDP.

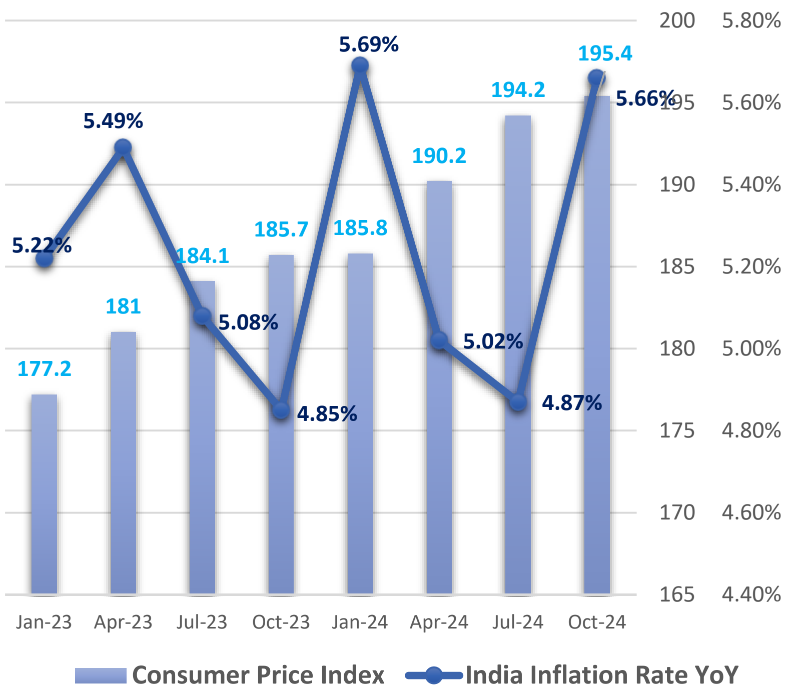
Current Account: Current account-to-GDP ratio despite a weakening rupee and higher import costs, has not shown major weakness.

Consumption Concerns: Consumption continues to decline, posing a key challenge for growth.

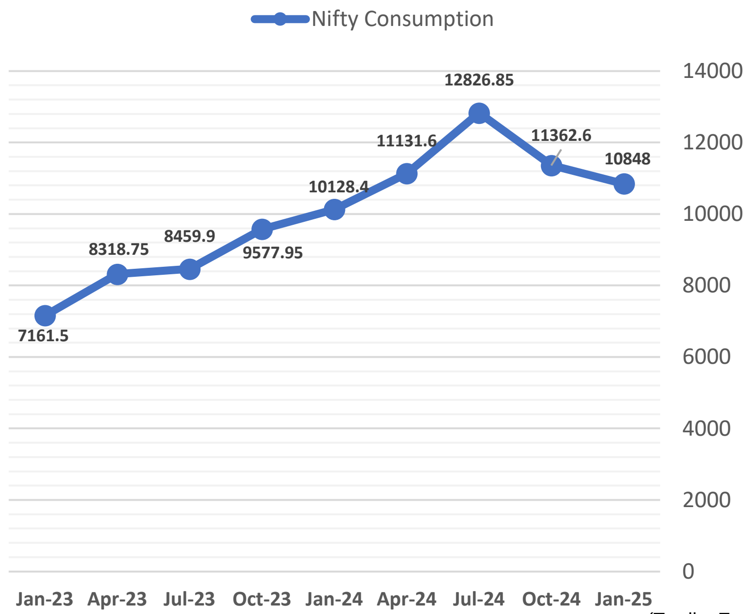
Inflation Risk: Inflation remains subdued but still a concern for the economy.

Commodity Price Trends (2025-2026):

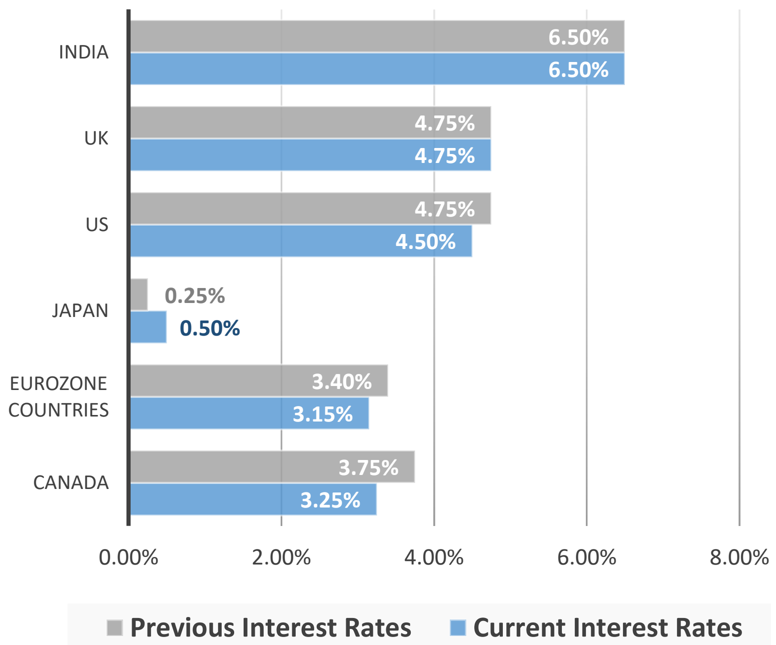
- Commodity prices are expected to decline by 5% in 2025 and 2% in 2026, following a 3% decrease in 2024.
- The **World Bank's aggregate commodity price index** is projected to reach its lowest level since 2020.
- **Energy price index**: Expected to drop by 6% in 2024, followed by a 6% decline in 2025 and a 2% drop in 2026.
- **Metal prices**: Anticipated to edge lower in 2025-2026 after a 6% rise in 2024.
- **Agricultural prices**: Expected to decline by 4% in 2025 after a slight increase in 2024.
- **Brent crude oil** averaged $75/bbl during September-October, the lowest since June 2023, with volatility driven by geopolitical risks and China's economic growth. Oil prices are expected to average **$80/bbl in 2024**, decline to **$73/bbl in 2025**, and further to **$72/bbl in 2026**.
- The **World Bank's natural gas price index** rose by 10% in Q3 2024.
- Geopolitical tensions, especially in the Middle East, remain an upside risk for commodity markets, particularly **gold prices**.
- **Downside risks** include weaker-than-expected oil demand, increasing oil production diversification, & abundant oil supply.



(cpi.mopsi)



(TradingEconomics)



(TradingEconomics)

Consumption Trends:

Inflation has been **rising**, with the rate exceeding the **RBI's 4% target**, driven primarily by **increases** in **housing, food, and clothing costs.** As the **post-pandemic euphoria fades**, the middle class has increasingly felt the burden of inflation, further aggravated by **rising unemployment, muted income growth, and a heavier tax burden.**

Consumption, which was **previously fuelled** by **lower interest rates, higher money supply, and credit growth**, has declined recently. This is due to a **liquidity crunch**, characterized by lower bank deposits relative to credit growth, falling consumer confidence, and stagnant income growth. Although rural consumption has remained favourable, urban consumption has weakened, contributing to the underperformance in the consumption sector.

The slowdown is largely driven by **sluggish urban demand.** Urban consumption continues to drop, influenced by high inflation and fewer job opportunities. In contrast, **rural demand** has **outpaced urban demand**, bolstered by favourable monsoon conditions and **improved agricultural output.** However, while rural spending has shown signs of recovery, it is not enough to offset the pullback in consumption from the nearly 500 million city dwellers.

The **middle class** continues to **trim its consumption** due to the pressures of **inflation and unemployment.** The post-pandemic consumption boom has fizzled out, **with higher interest rates, muted wage growth, and poor job prospects hurting urban demand.**

Global Bank Rates:

A **major global trend** has been **the reduction in bank rates**, with the exception of Japan, which has maintained a 0% interest rate since 2008 until the recent hike. While interest rate cuts can help accelerate economic growth, **global inflationary pressures** mean that aggressive rate cuts are unlikely. However, if the global economy picks up pace, it could benefit Indian exports. A reduction in U.S. Federal Reserve rates could also provide a **boost to India's IT sector**. Additionally, a potential decrease in the value of the U.S. dollar from rate cuts could favour India's international trade. The economies of the **U.S., Eurozone, and Japan show promising future prospects.** Keeping an eye on potential further rate reductions could help investors capitalize on opportunities in export stocks, IT, pharma, and healthcare sectors.

US Dollar & Bond Yields:

- The US Dollar has strengthened due to rising US bond yields.
- The **10-year US bond yield** is at a critical point; any further increase may slow down equity markets.
- No aggressive **Fed rate cuts** foreseeable as inflation remains a concern.
- Dow Jones in all time high zone
- Healthy earnings in US market.

MSCI India:

- **MSCI India** has outperformed significantly, surpassing the **Emerging Markets Index** in recent times.

Commodity Forecasts:

- **Crude Oil** production expected to grow more than demand indicating downward price pressure.
- **Natural Gas** forecasted to grow amidst expectations of increase in global demands.
- **Coal** prices projected to fall in 2025 & 2026 but remain above pre pandemic levels.
- **Gold** to potentially boost in value amidst a rise in gold reserves of top economies.
- **Silver** supply inadequate amid industrial & investment demand.

Key Highlights

- **Resilience in Indian Equity** as FII's selling offset by DII's & Retailer's participation.
- Private sectors investment announcement fell by 21%, signalling potential lack of confidence.
- **Declining urban consumption, lagging rural demand and muted GST collection critical issues.**
- India accounted for **highest number of IPO's globally** between Jan. 2024 & Sept. 2024 representing 30% of all global IPO's.
- Expected **decrease in interest rate** and interbank rate to **boost consumption.**
- Loan growth expected to rise.
- Healthy **15.30% growth** recorded in **Agri. & Allied activities.**
- Total Bank credit on the rise (11.80%) & healthy corporate and banking sector balance sheets
- **UPI value & volume** witnessed a significant **growth.**
- Silver expected to outperform gold in 2025.

Synopsis

For investors, the global economic landscape remains cautious, with rising U.S. bond yields strengthening the U.S. Dollar, although aggressive rate cuts are unlikely due to ongoing inflation concerns. U.S. equity markets are at all-time highs, driven by healthy earnings, while India's **MSCI** index outperforms the Emerging Markets Index. In commodities, **gold** and **silver** are expected to benefit from global economic uncertainties, while **crude oil** prices are likely to face downward pressure.

Domestically, India's **inflation** is above the RBI's target, impacting urban consumption, but rural demand is showing signs of recovery. **Private sector investments** have slowed, though sectors like **agriculture**, **banking**, and **UPI transactions** continue to show strong growth. The **2025 Budget** is expected to focus on boosting **Capex**, infrastructure, and manufacturing, with key sectors like **IT**, **pharma**, and **export stocks** potentially benefiting from global rate cuts. Investors should keep an eye on these trends for opportunities in these high-growth sectors.

Sectoral Performance

- **Resilience in IT, Banks & Auto:** Despite an overall market decline last month, the IT, Banks & Auto sectors demonstrated relative resilience, experiencing the smallest losses among all industries.
- **Real Estate, Healthcare, Energy among top losers.**

Energy Sector

- **US Sanctions on Russia Oil** to disrupt Indian imports which may lead to cessation of price discounts.

Manufacturing

- **China delaying supply of high tech machinery** impacting sectors like electronics & EV, this move aims to disrupt the Make in India initiative, especially as India emerges as a key player in iPhone production.

Banking & Insurance

- **India's insurance market to be the fastest growing among the G20 economies** over the next five years driven by macroeconomic stability, regulatory support, and digitalization.
- Bank FD rates keep rising to attract deposits due to liquidity shortage
- Lending growth outpaced deposits growth in the final fortnight of 2024 continuing a trend where credit and deposits have not been moving in sync.

Automobile

- Car makers in India will soon be required to recycle a portion of the steel used in their vehicles, according to new government regulations.
- **Automobile dispatches to dealers increased by 12%** in 2024 compared to the previous year, driven primarily by a **14.5% growth in two-wheeler sales.**
- India provides the **highest subsidies on EV's** compared to major countries.
- Despite high subsidies EV penetration in India lowest among major countries at 2%.

Power Sector

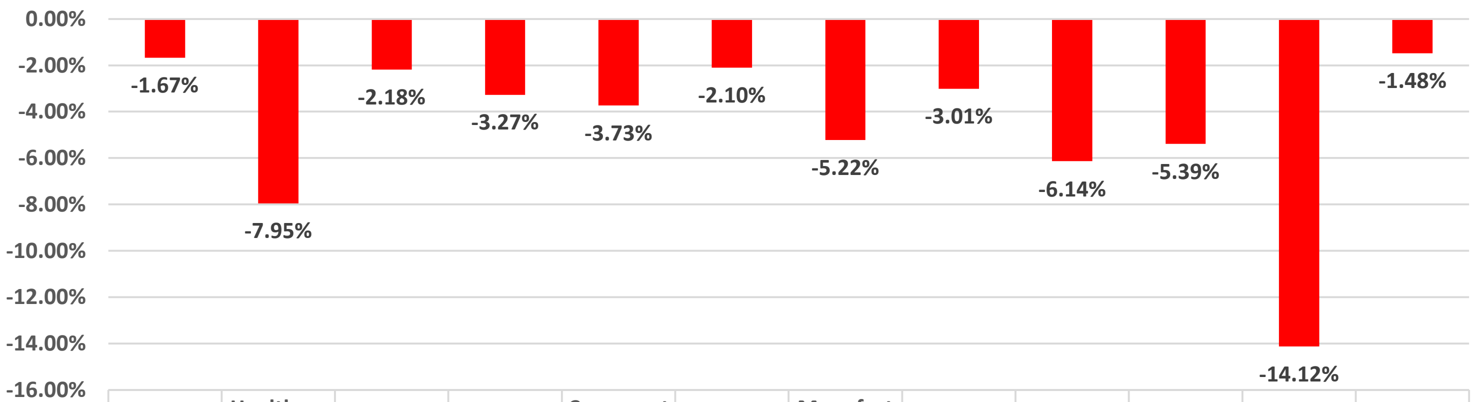
- **Push for energy storage systems**, incentivising carbon capture, helping large scale transmission projects, boosting local equipment production and expansion of green energy corridors may be some of the few things in the Budget Wish list.

Industrials

- Cheaper steel imports from China may lead to declining profits for the third consecutive quarter for steelmakers in India.
- Significant **headroom for growth in India's plastic pipe industry** due to lower per capita consumption compared to global avg. With an impressive 8% CAGR driven by housing and infrastructure investments the industry is expected to reach Rs. 500 billion by FY25.

Healthcare

- Industry experts **seek increased government spending,** focus on preventative healthcare, tax uniformity, and better insurance policies from Union Budget 2025.



	Nifty 50	Healthcare	FMCG	Oil & Gas	Consumption	IT	Manufacturing	Banks	Energy	Defence	Realty	Auto
1M	-1.67%	-7.95%	-2.18%	-3.27%	-3.73%	-2.10%	-5.22%	-3.01%	-6.14%	-5.39%	-14.12%	-1.48%

(NSE India)

Capex Update

Energy & Petrochemicals:

- Hero Future Energies to invest ₹110 bn, create 3,000 jobs in renewable energy projects in Karnataka.
- BPCL begins developing petrochemical complex in Andhra Pradesh for ₹61 bn.
- IOC to invest ₹610 bn in Odisha for naphtha cracker project.
- BPCL to invest ₹250 bn on oil production and exploration blocks in Brazil and Mozambique.

Aviation:

- Air India ups 2023 order of 470 airplanes to 570.
- This indicates a surge of air travel in India in the medium to long term.

Mining & Drilling:

- Vedanta Group to invest ₹1000 bn in zinc and oil production; generate 5 lakh jobs.

Textiles:

- Trident Group plans ₹30 bn investment in textiles, creating 3,000 new jobs.

Infrastructure:

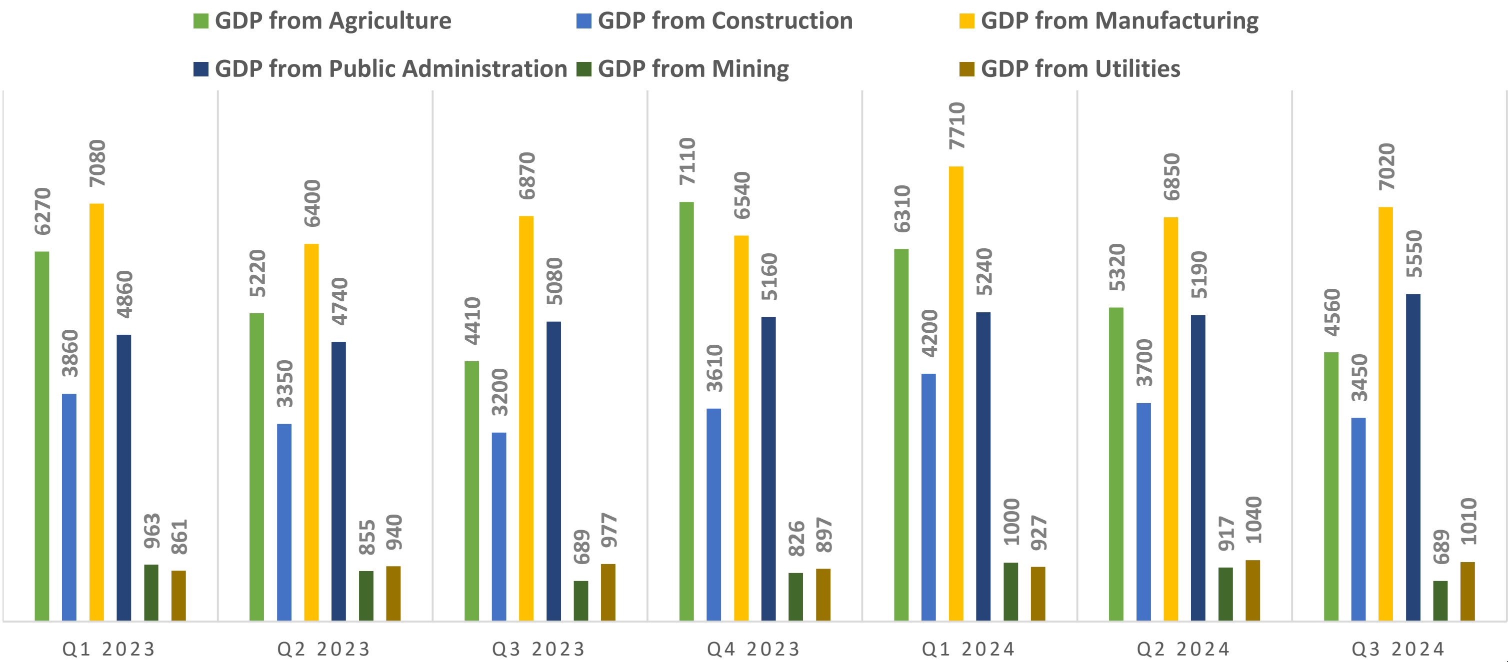
- $3.5 bn total investment, mergers, and consolidation headline concrete 2024 for cement sector.

Technology:

- Amazon purchases ₹4.5 bn 38-acre land parcel to build data centre near Mumbai.
- LG Electronics to sell 15% of Indian subsidiary to raise ₹150 bn in mega IPO.

Healthcare:

- Akums Group signs ₹17.6 bn deal to manufacture pharma goods for EU.



(TradingEconomics)

Equity Market

Valuations

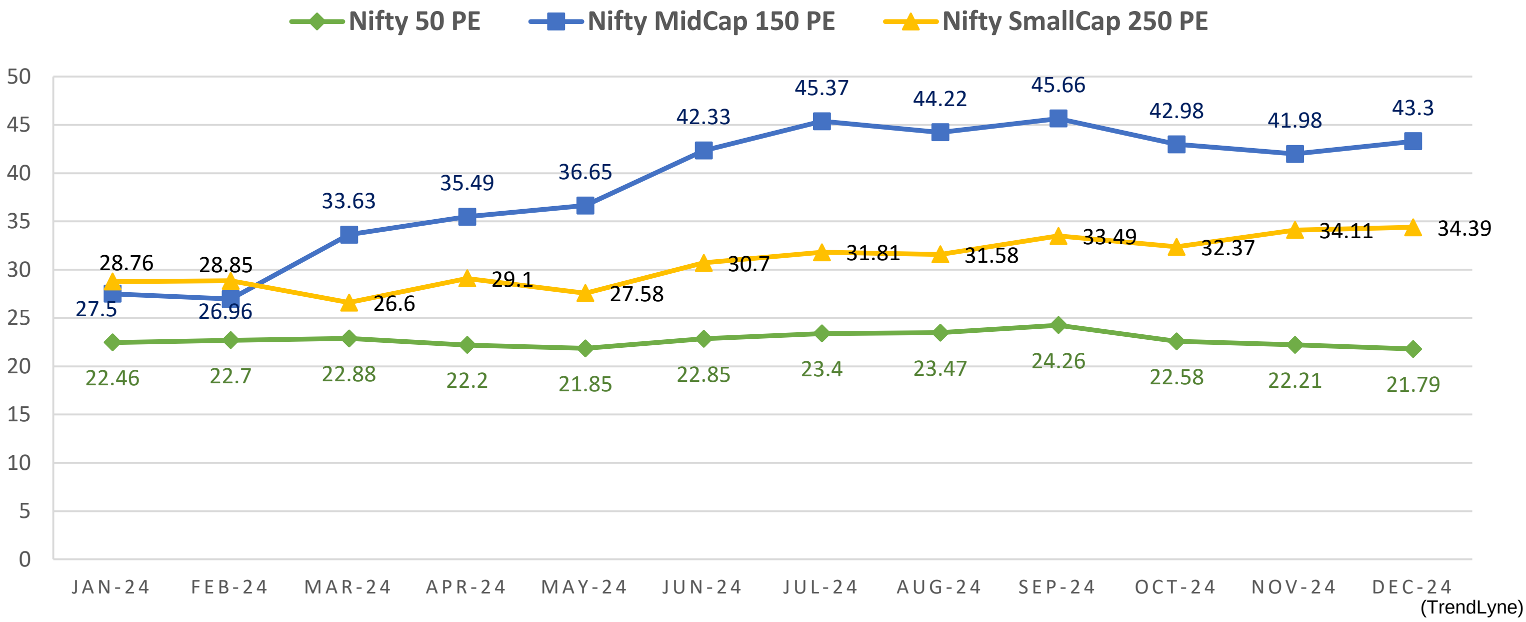
- Owing to FII's offloading in the Large Cap Segment **Nifty 50 valuations reasonably positioned** against the Midcap & Small Cap companies.
- **Small Cap and Mid Cap overheated.** Large Caps valuations close to a healthy five-year average level.

Earnings

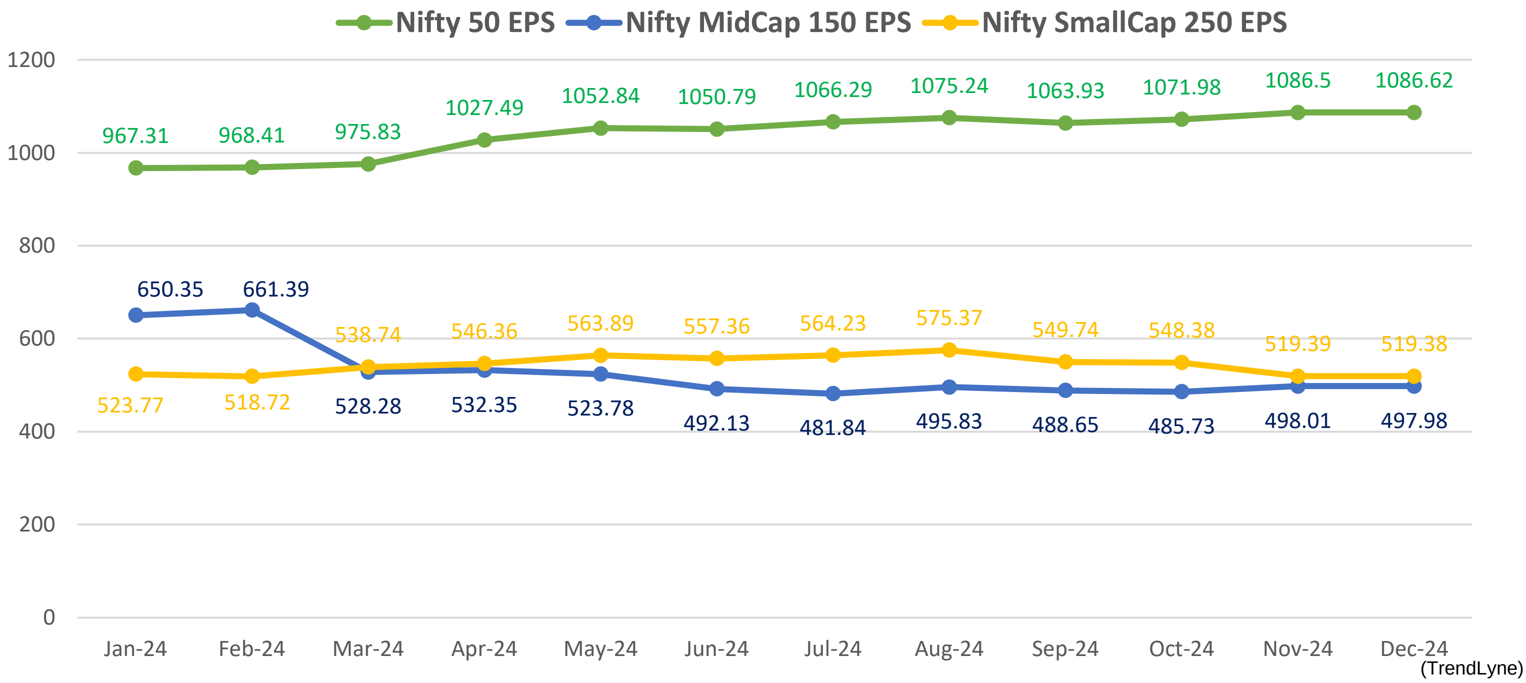
- The **earnings cycle witnessed a slight deterioration** in the recent past, especially in the Mid Cap Segment.
- **Expectations of improved earnings momentum** as the fundamentals are healthy and economy should be able to regain momentum, there is room for monetary policy intervention as well.

Growth

- **Growth metrics favourable,** especially in the large cap segments.
- **Indian equity markets rally coupled with earnings indicate a healthy picture.**
- **The market cap expected to double in the next 5-6 years.**
- **Small Caps** is an **area of concern** as **continued dilution of shares** witnessed by promoters.
- **Cement, Automobiles, Large banks and Capital goods** may see a potential **upward momentum this year**.



(TrendLyne)



(TrendLyne)

Liquidity & Market Sentiment Analysis

FII:

- **FII's net seller** in the recent few months' reason being rising US Bonds Yields, strengthening dollar and rising global uncertainty.
- Largely the Foreign Institutions have been offloading in the Large Cap Segment which has led to a **moderation in the Large Cap valuations.**
- Possibility of FII's selling in the Mid Cap and Small Cap Segment this year.

DII:

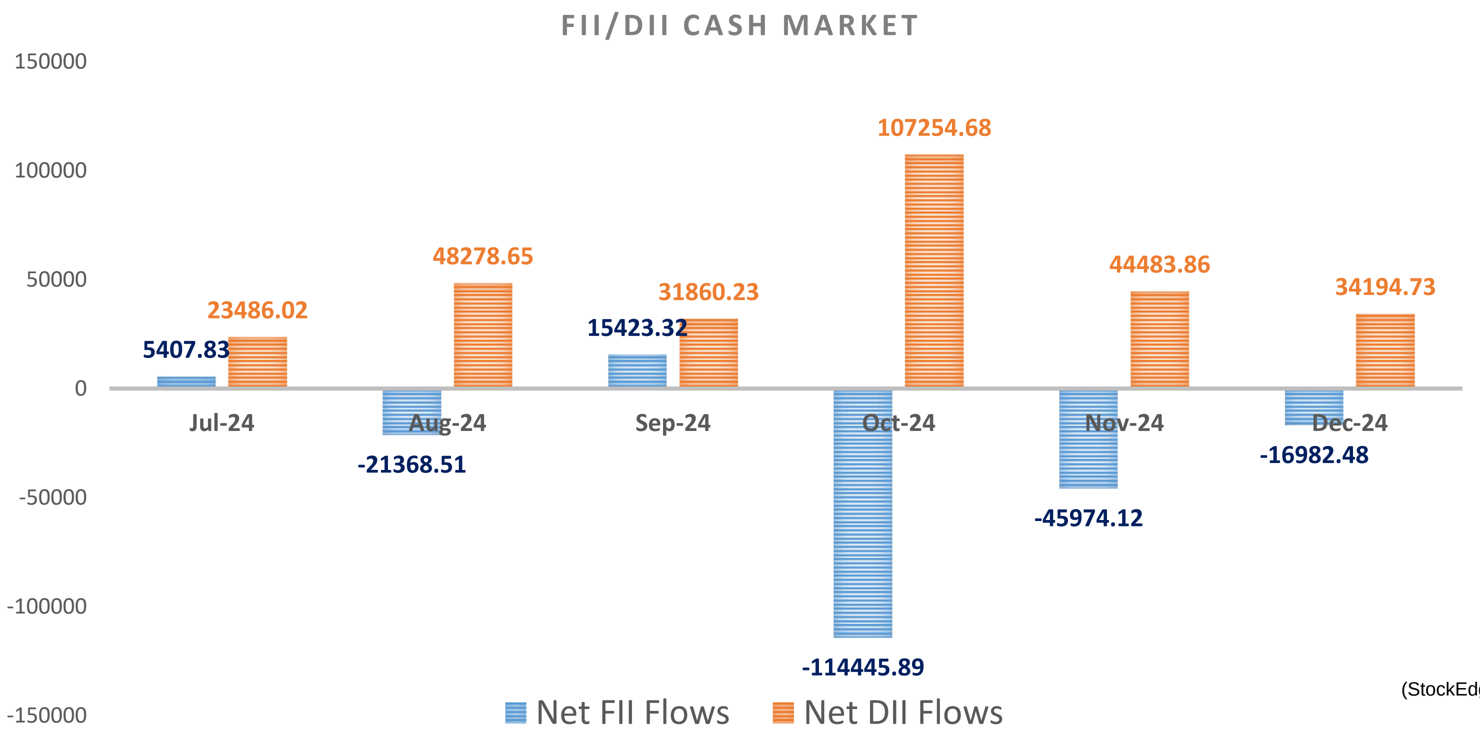
- Ever **rising DII's inflow** majorly due to retailer's participation in the Mutual Funds universe.
- In the month of December itself the Equity Mutual segment saw an **increase of 15% in its inflow** valued at Rs. 41,000 Crores.
- Increased resilience in the Indian Equity has been primarily due to the DII's offsetting the FII's selling in the recent past.
- If the DII's inflow and retailer's participation in the managed funds sector continues in a similar manner, we can expect the markets to regain momentum.

Market Sentiments:

- The market sentiments showcased a **slight deterioration** translating to the increase in the volatility the past few weeks.
- Despite that the **retailers and DII's inflow** has continued the **upward trend.**
- A budgetary policy which takes into account the weakening consumption trend and the key concerns faced by the investors may be instrumental in overall improvement in market sentiments.

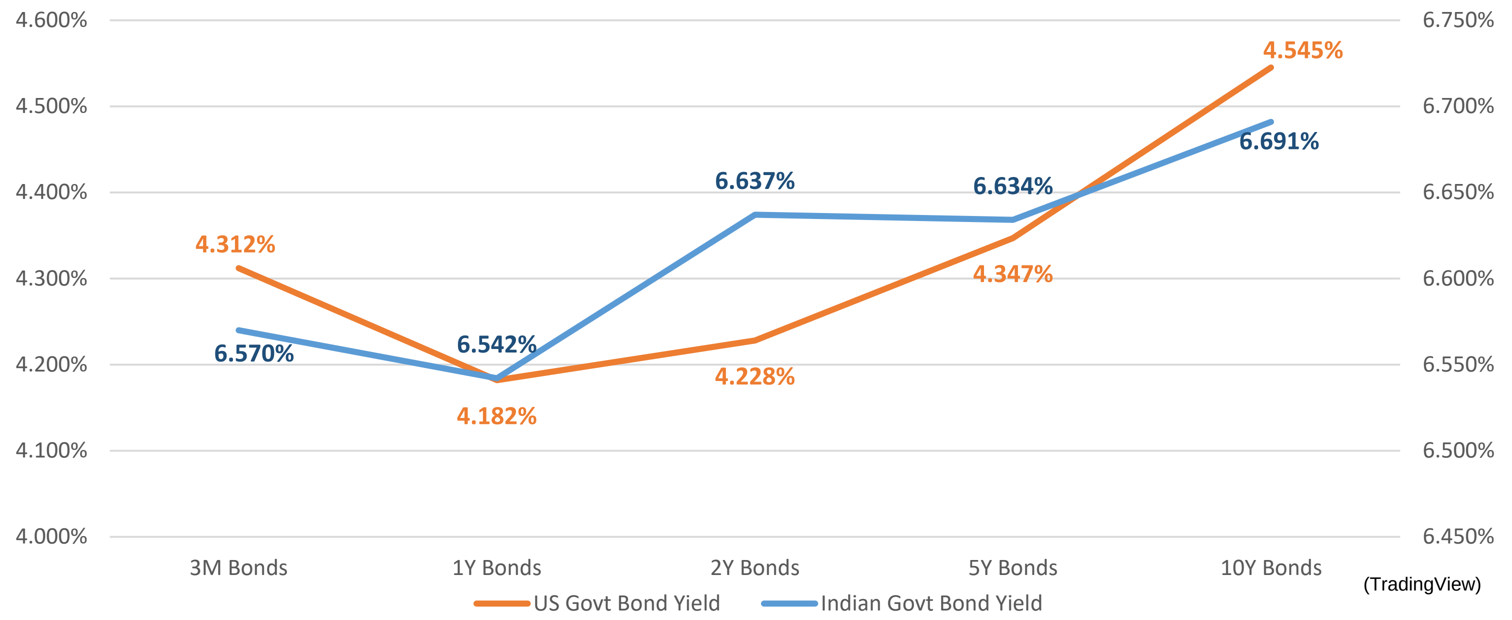
Key Highlights:

- The **fundamentals** being **healthy** hint a **possible regain in the market momentum.**
- **Cements, Capital goods, Automobiles, Large banks** among the sectors which may potentially **outperform the market.**
- **Quality companies** especially in the large cap segment look to be **more promising.**



(StockEdge)

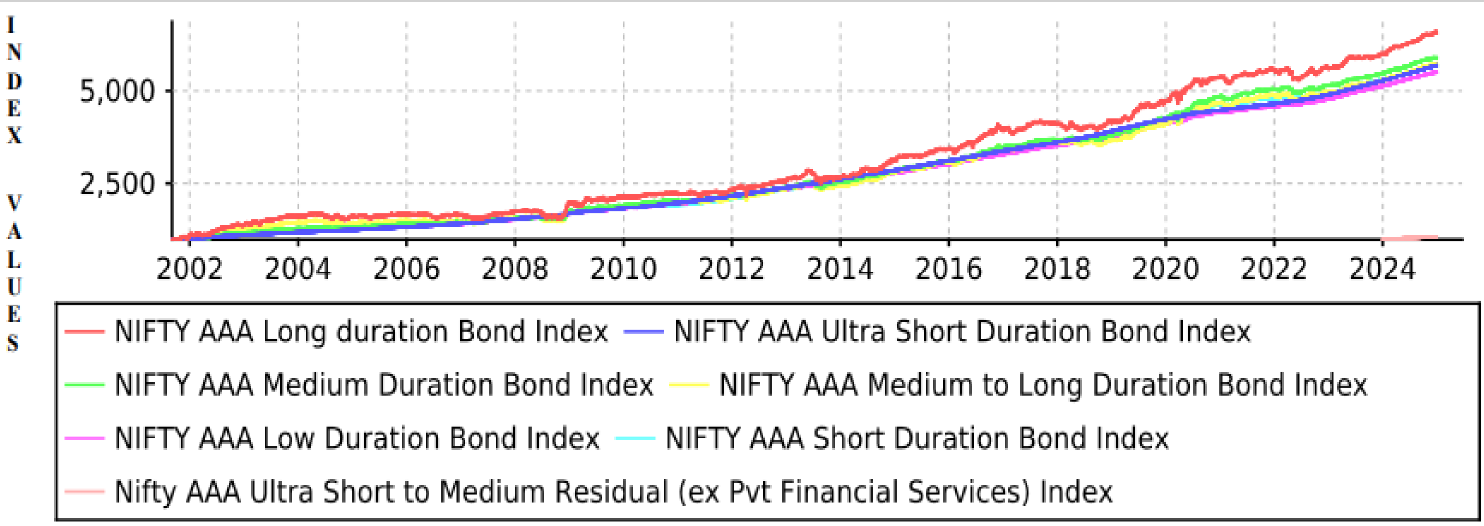
Bonds



(TradingView)

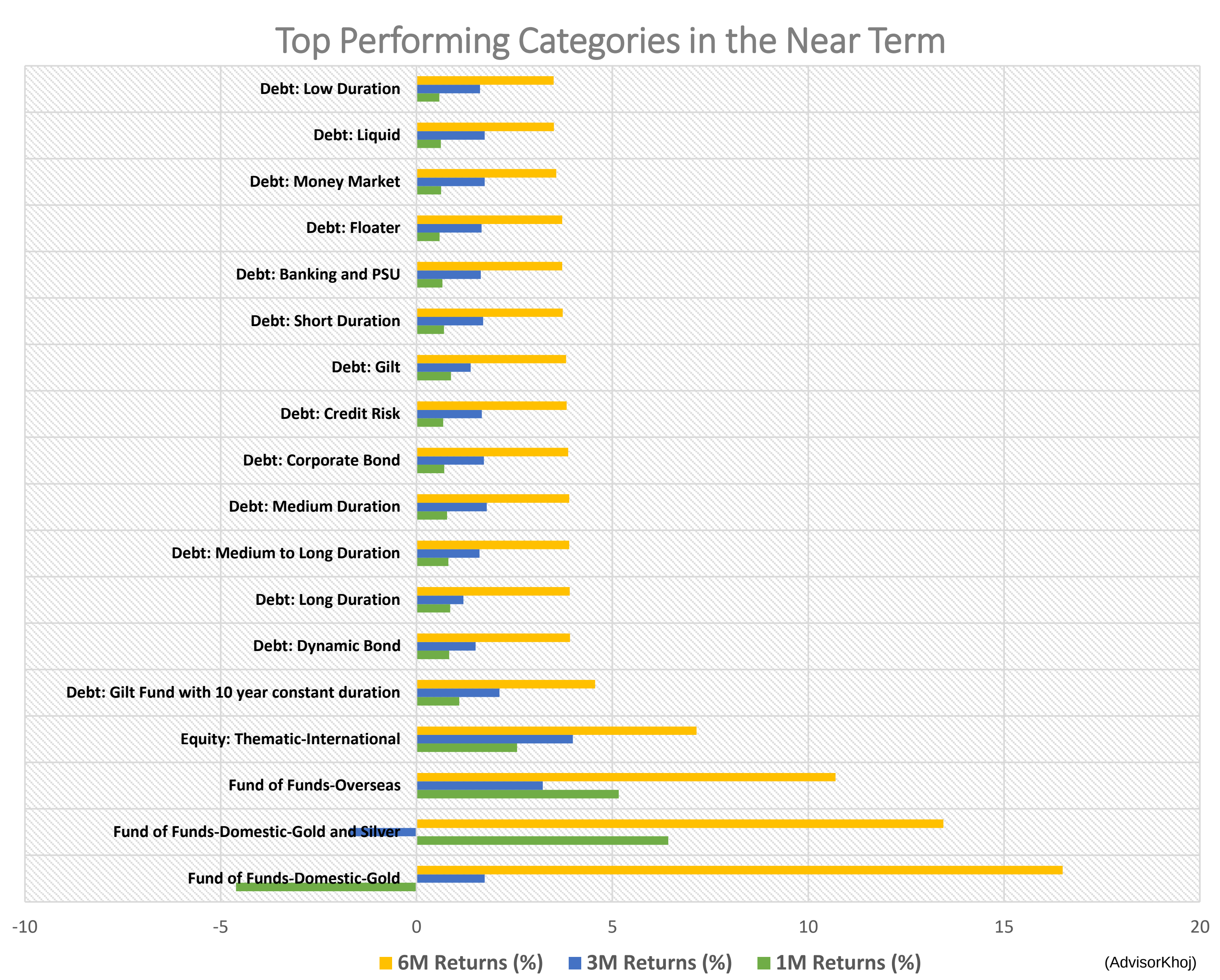
- Hybrid and debt funds have outperformed equity funds due to higher bond yields in both government and corporate sectors.
- Commodities, especially gold, have given phenomenal returns, contributing to the outperformance in the hybrid category.
- Current bond rates and equity market volatility explain why debt and hybrid categories have been an outlier in recent weeks.
- Stagnant Repo Rate and expectations of a rise in bond yields may contribute to debt and hybrid sector outperformance in the short term.
- Mutual fund categories not restricted to only the equity universe are better positioned for the upcoming market scenario.
- The fundamentals of the macro economy and listed companies suggest a favourable long-term outcome, with India expected to become the third-largest economy and continue offering significant opportunities in the equity segment.
- As long-term bond yields in the US market are higher than the GDP growth rate, there is an expectation for bond rates to lower, potentially attracting FII back to Indian equity markets with the undervalued Chinese markets being an attractive alternative.
- Fed rates are not expected to reduce significantly, which could also lead to a reduction in US bond yields.
- The rise in corporate bond yields makes hybrid and debt mutual fund segments increasingly attractive for investment.

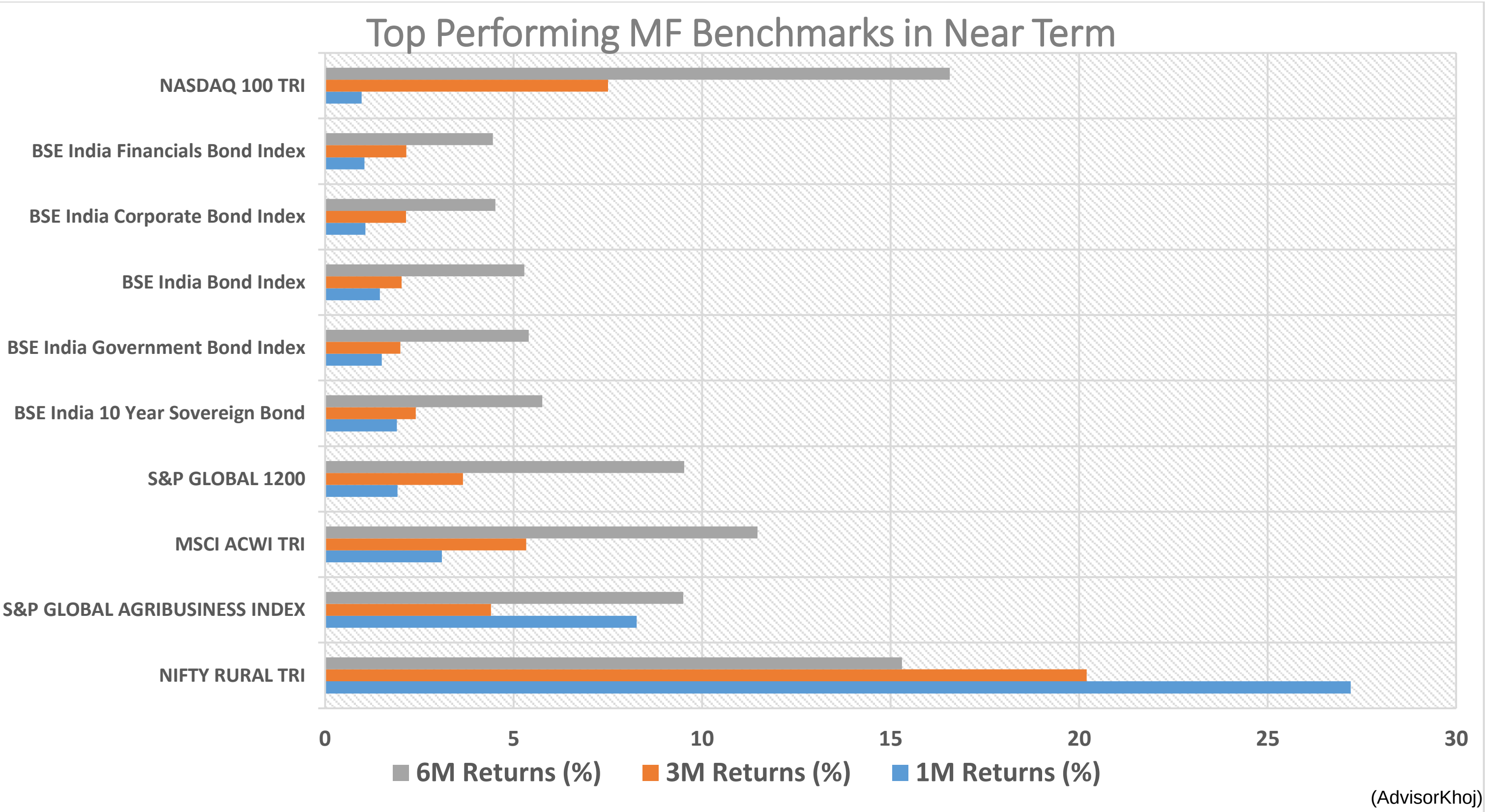
NIFTY AAA Corporate Bond Indices



(NSE India)

Mutual Funds





Performance Insights:

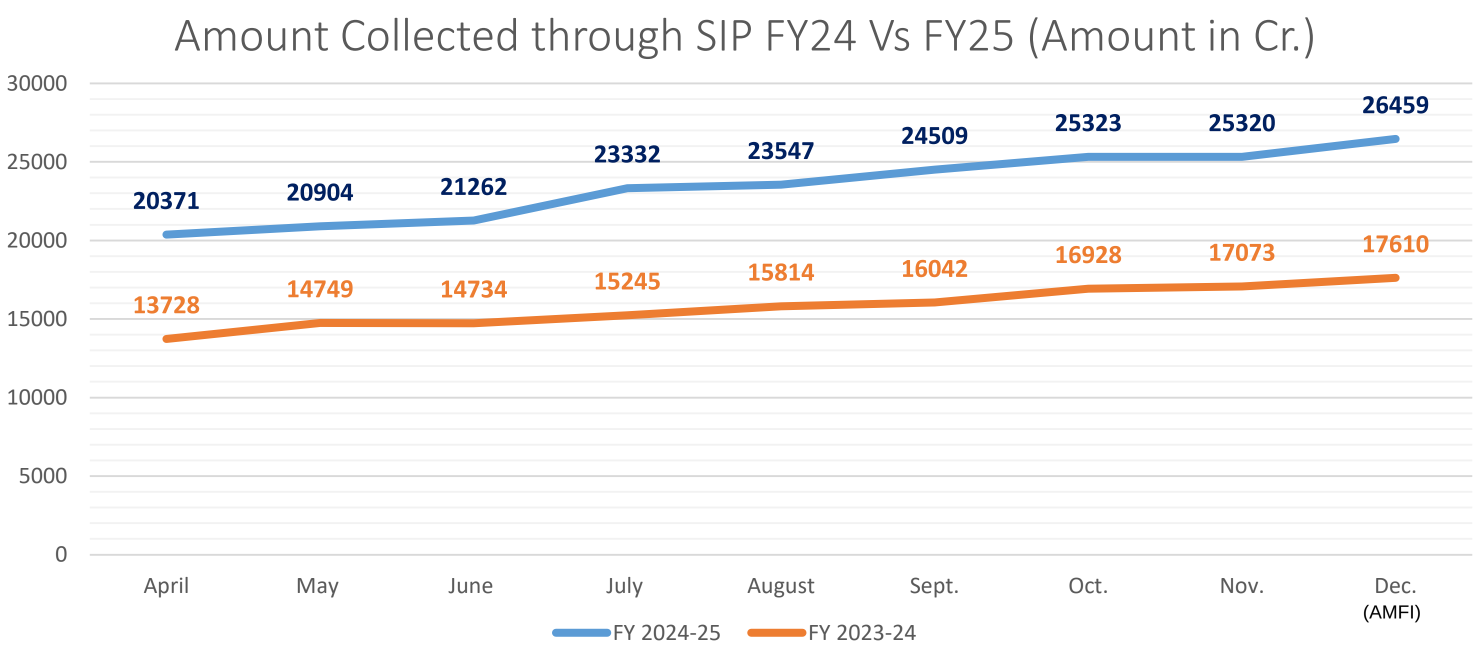
- From a yearly view, the Defence, Rural, Pharma & Healthcare, Manufacturing, and IT benchmarks have been at the top with higher and higher allocations of the government's budget in these sectors, along with a favourable government and private sector outlook on these sectors.
- Although in the near term the equity class has not been impressive in its performance, the long-term sentiments are positive, the reason being the macroeconomic health, the fundamentals of listed companies, the government push towards infrastructure, capex, manufacturing, etc., and the increasing retail participation.
- A fortunate insight into the markets is that the performance is primarily backed by earnings, and the positive earnings expectations indicate further upward momentum, although it may not be as strong as it was post-COVID up until 2024.
- Valuations worries have been subdued to a good extent in the large-cap segment, while the mid and small caps, which offered exponential returns in the recent past, are currently looking overvalued. It is advisable to keep this in mind when investing in the mid and small-cap segments.

Investment Opportunities

- The alternative investment classes including commodities, debt, real estate are offering increasing opportunities that an investor should definitely include in their portfolio.
- Manufacturing, IT, Consumption, Energy, Banking and Pharma are some of the themes which continue to offer opportunities to investors looking to participate for the long term horizon.
- In the Equity Category Quality companies look to be more promising in the short term view.
- Hybrid Multi Asset Allocation, Hybrid Aggressive, and Hybrid Balanced Advantage funds are among the core categories which should be in an investors radar.

Surge in SIP Contributions:

- As the conviction on India's growth potential is strengthening and the returns in the equity segments are solidifying, more and more retailer participation is being witnessed in the MF universe be it in lump sum or SIP form. The growth in retailer participation will contribute to the growth in Mutual funds returns and one should not miss out.

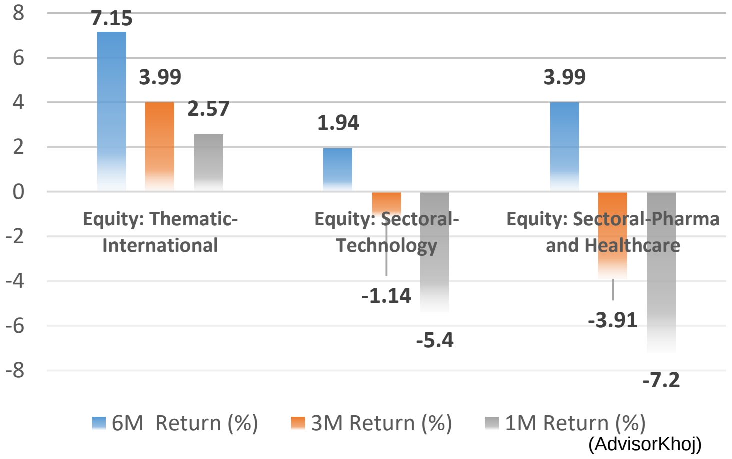


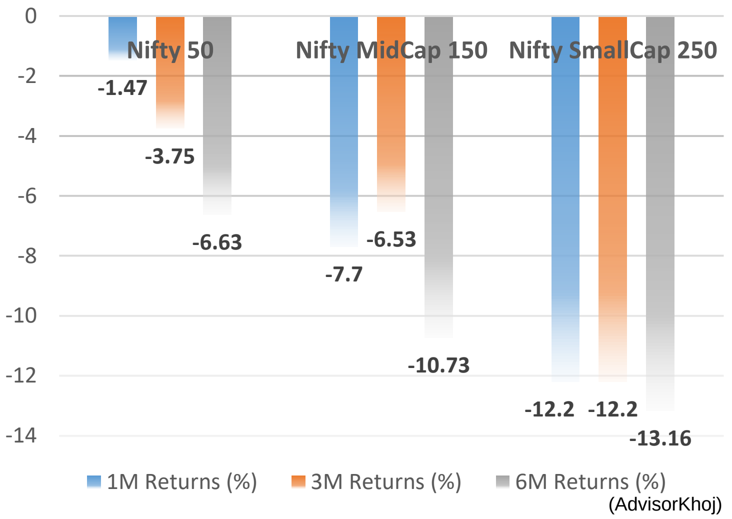
Equity Funds:

The equity side of the mutual fund universe has experienced a pullback. The post-pandemic euphoria has fizzled out, with high valuations, weak earnings, rising US bond yields, and a strengthening dollar being some of the reasons behind this pullback, especially from Foreign Institutional Investors (FII). However, Pharma and IT funds have shown relative resilience.

Investors need not worry, as the volatility is not expected to be long-term. The macroeconomic outlook remains healthy, company balance sheets are strong, and valuations in the large-cap segment have subdued to a reasonable extent. Earnings are expected to recover in the upcoming quarters, and sentiments are likely to improve after key events such as the budget presentation, monetary policy decisions, and Delhi elections.

On the equity side, we recommend new investments in funds with a quality selection of companies in their portfolios. For investors who are already invested in equity and experiencing negative returns, it's important to remain patient and wait out the short-term volatility. The long-term outlook remains positive, and volatility is a natural part of equity markets. Make necessary corrections if needed, but avoid making drastic changes





Investors can refer to https://www.mysiponline.com/ to explore analyst recommendations and discover top funds across all categories. They can also request portfolio creation or a portfolio check-up to ensure their investments are aligned with their financial goals.

Debt Funds:

Investors should be aware of the inverse relationship between the equity and debt segments. The rising bond yields in both government and corporate sectors have led to debt funds outperforming equity funds. This highlights the importance of diversifying across asset classes. Including debt funds in the current market scenario is a smart move, and investors looking to deploy lump sum investments should consider parking their funds in the debt category until market volatility eases. Hybrid funds, which combine debt, equity, commodities, and real estate, are also an excellent option, helping investors remain well-positioned across various market conditions.

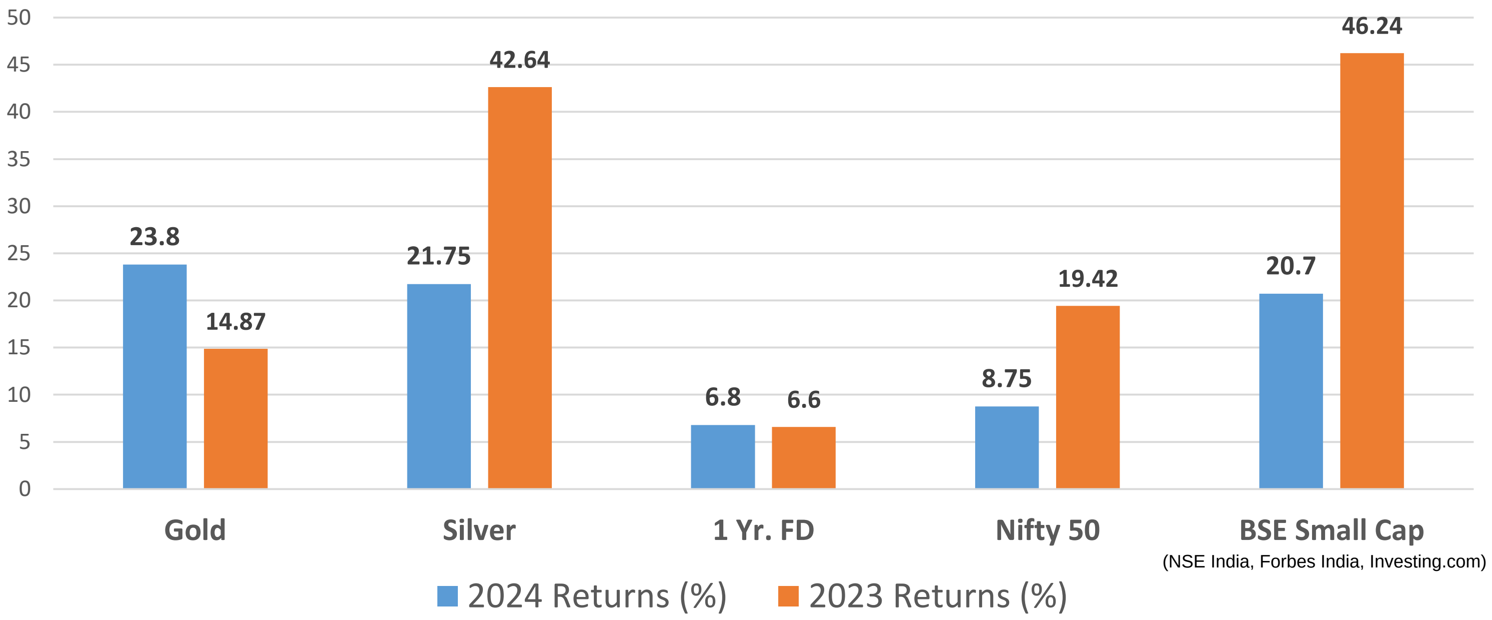
For our recommendations in the debt and hybrid categories, as well as expert consultation, investors can refer to https://www.mysiponline.com/

Hybrid Funds:

Mutual fund categories that go beyond just the equity universe are better positioned for the upcoming market scenario. Commodities, particularly gold, have delivered phenomenal returns, contributing significantly to the outperformance of the hybrid category. Additionally, alternative investment classes such as commodities, debt, and real estate are providing increasing opportunities that investors should definitely consider adding to their portfolios.

Hybrid funds, which balance allocations across equity, debt, commodities, and real estate, are a must-have category for any investor. These funds offer dynamic allocation strategies based on market conditions, enabling investors to stay well-positioned across different market scenarios. This approach also adds a layer of stability to the portfolio.

Investors looking to diversify their portfolios and explore opportunities across multiple asset classes should seriously consider hybrid funds. Core categories to keep on an investor's radar include Hybrid Multi Asset Allocation, Hybrid Aggressive, and Hybrid Balanced Advantage funds, which offer solid diversification and growth potential.



Disclaimer: The above content is for knowledge purpose only and under no circumstances is the information therein to be used or considered as constituting an offer to buy or sell, or solicitation of any offer to buy or offer or recommendation to acquire or dispose of any security, commodity or investment or to engage in any other transaction. This document is provided for assistance only and is not intended to be used for taking investment decisions or otherwise. This document is not investment, legal, tax, or accounting advice. The recipients should also inform themselves, and should take appropriate advice, on the legal requirements and shall not rely on this document for any subscription, purchase, holding, exchange, redemption or disposal of any investments. The opinions expressed herein are the personal opinions of the author. Past Performance is not an indicator/guarantee of future returns. Investment in securities are subject to market risk. Whilst every care has been taken in preparing this document, Cognus Technology and its affiliates and agents to the fullest extent permitted by applicable law disclaim any liability or responsibility for any error or omission or inaccuracy or mistake of any nature or any consequences of the use of the material/ information displayed on this document. Notwithstanding the aforesaid, nothing set out above shall exclude liability for any undertaking, representation, warranty or other assurance made fraudulently. The information given in this document is not exhaustive and is subject to change without notice.