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# Weekly Market Overview


15.12.2025



## CY2025 Recap

- » The Nifty is currently trading around **25,964**, with markets down about **0.3%**, broadly in line with weak Asian markets and US futures.
- » CY 2025 has been a year of consolidation, with markets rising nearly **20%** from April 2025 lows, but remaining flat to marginally lower compared to September 2024 peaks.
- » Market sentiment has been impacted by tariff shocks, geopolitical tensions, and changing global rate expectations.
- » Foreign Institutional Investors (FIIs) have withdrawn approximately **USD 17.5 billion**, while Domestic Institutional Investors (DIIs) and retail investors have provided strong support.
- » Emerging markets have outperformed India over the last year, delivering **~26%** returns, compared to **~8%** for India, creating a performance gap of nearly **8–19%**.

## Core Theme and Return Expectations for 2026

- » The central theme for 2026 is a transition from valuation-led market performance to an earnings-driven cycle.
  - » Earnings expansion is expected to support mid-teen returns of **14–16%** for Indian equities.
  - » India is entering a phase of progression, moving from market consolidation to economic and earnings expansion.
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## Macroeconomic Tailwinds in India

- » Headline CPI inflation has eased sharply to around **0.7%**, driven by declines in food and fuel prices.
  - » Core inflation remains stable in the **4–4.5%** range, excluding volatile components such as gold.
  - » The RBI has adopted a strongly accommodative stance, delivering **125 basis** points of cumulative rate cuts and maintaining high liquidity.
  - » Credit growth peaked near **18%** in September, slowed to about **9–10%**, and is expected to recover with lower interest rates and improved liquidity.
  - » GST collections have stabilized at a healthy level of approximately **₹2 lakh crore per month**, supported by rate rationalization and festive demand.
  - » Real GDP growth has rebounded to around **8.2%**, following a period of slowdown during late 2024 and early 2025.
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## Equity Valuations and Earnings Outlook

- » The Nifty is trading at **20.5–21x** one-year forward earnings, which is close to its long-term average and indicates valuation normalization.
- » Consensus earnings growth for the Nifty over the next two years is estimated at approximately **13% CAGR**.
- » Mid-cap and small-cap indices are expected to deliver **18–20%** earnings growth, which is higher than large-cap earnings growth.
- » Small-cap valuations remain at a **40–50%** premium to long-term averages, while mid-caps trade at about a **20%** premium, although both have corrected meaningfully from last year's peaks.

## Market Performance

NIFTY

~-0.22%



S&P 500

~-1.07%



NASDAQ

~-1.69%



Hang Seng Index

~-1.18%



## Index Targets and Market Scenarios

### Nifty's Upside Potential with Defined Floors

- » The base-case target for the Nifty is ~**30,000** by December 2026 implying an upside of **14–15%** from current levels.
- » In a downside scenario involving delayed earnings recovery or trade-related setbacks, the Nifty is expected to be around **27,400–27,500**, which still represents a marginal upside.
- » In a bull-case scenario, where earnings recovery and trade catalysts materialize faster than expected, markets could deliver **20%** or higher returns.



## Fixed Income Strategy

### Balanced Fixed-Income Allocation Strategy

- » The rate-cut cycle is largely priced in, and mark-to-market gains in fixed income are considered mostly mature.
- » A balanced fixed-income allocation is recommended, with **~45%** in 2–5 year AAA bonds or funds, **~35%** in high-yield or credit strategies and **~20%** in tactical duration or bond funds.



## Gold and Alternative Investments

### Gold and Private Markets Gain Core Status

- » Gold continues to be viewed as a credible macro hedge, supported by sustained central bank buying and diversification away from US dollar assets.
- » Gold ETF inflows have begun to revive globally, despite elevated price levels.
- » Private markets, including private equity and private credit, are increasingly seen as a core portfolio allocation rather than a niche exposure.
- » Internal alternative investment funds have collectively raised over **₹570 crore**, indicating strong investor participation.



## Flows, Liquidity, and Investor Behavior

### SIPs Fuel MFs, Cash Levels Remain High

- » SIP inflows remain robust at approximately **₹30,000 crore** per month, translating into retail inflows of over **₹3.6 lakh crore**.
- » Mutual funds are holding elevated cash levels of around **5–6%**, largely due to continuous inflows and selective deployment strategies.
- » Most AIFs maintain relatively low cash allocations of **2–3%**, except for a few managers with more defensive positioning.
- » Offshore funds remain largely constrained by benchmark allocations, and incremental emerging market inflows have yet to meaningful return.



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