

OUTLOOK

2 0 2 6



Tariffs

- Aggressive protectionism returned, following new U.S. tariff announcements, which caused significant market volatility and forced businesses to reroute supply chains and renegotiate trade deals.
- However, the fact that many tariff impacts were delayed or less severe than initially feared aided the global stock market recovery.
- Restrictive US trade policy also pushed other countries closer together, with numerous trade deals being inked among non-US countries.

AI (Artificial Intelligence) Boom

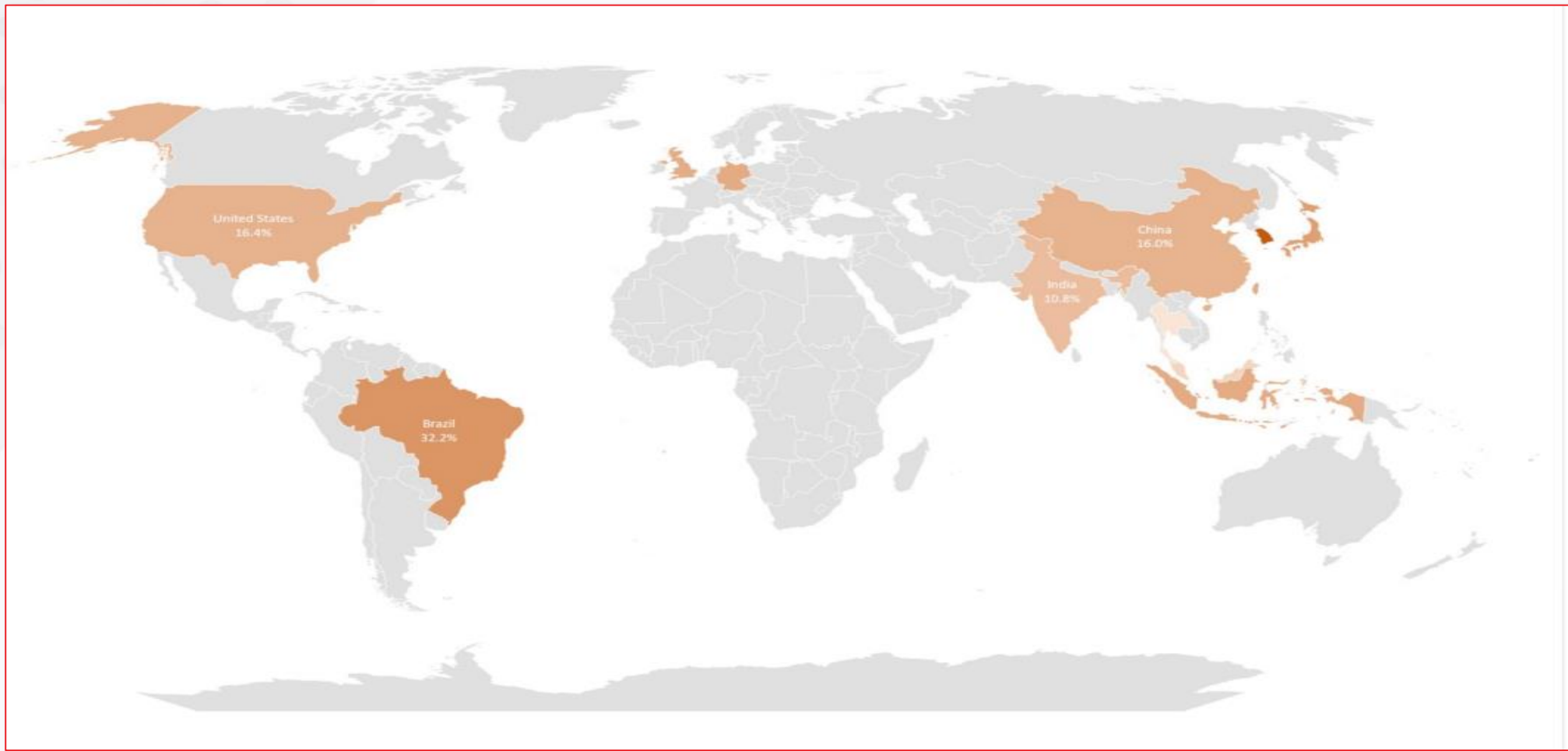
- Artificial intelligence stocks served as the primary engine of growth for global stock markets. The concentration of market gains in AI-related companies reached unprecedented levels.

Central Bank Moves

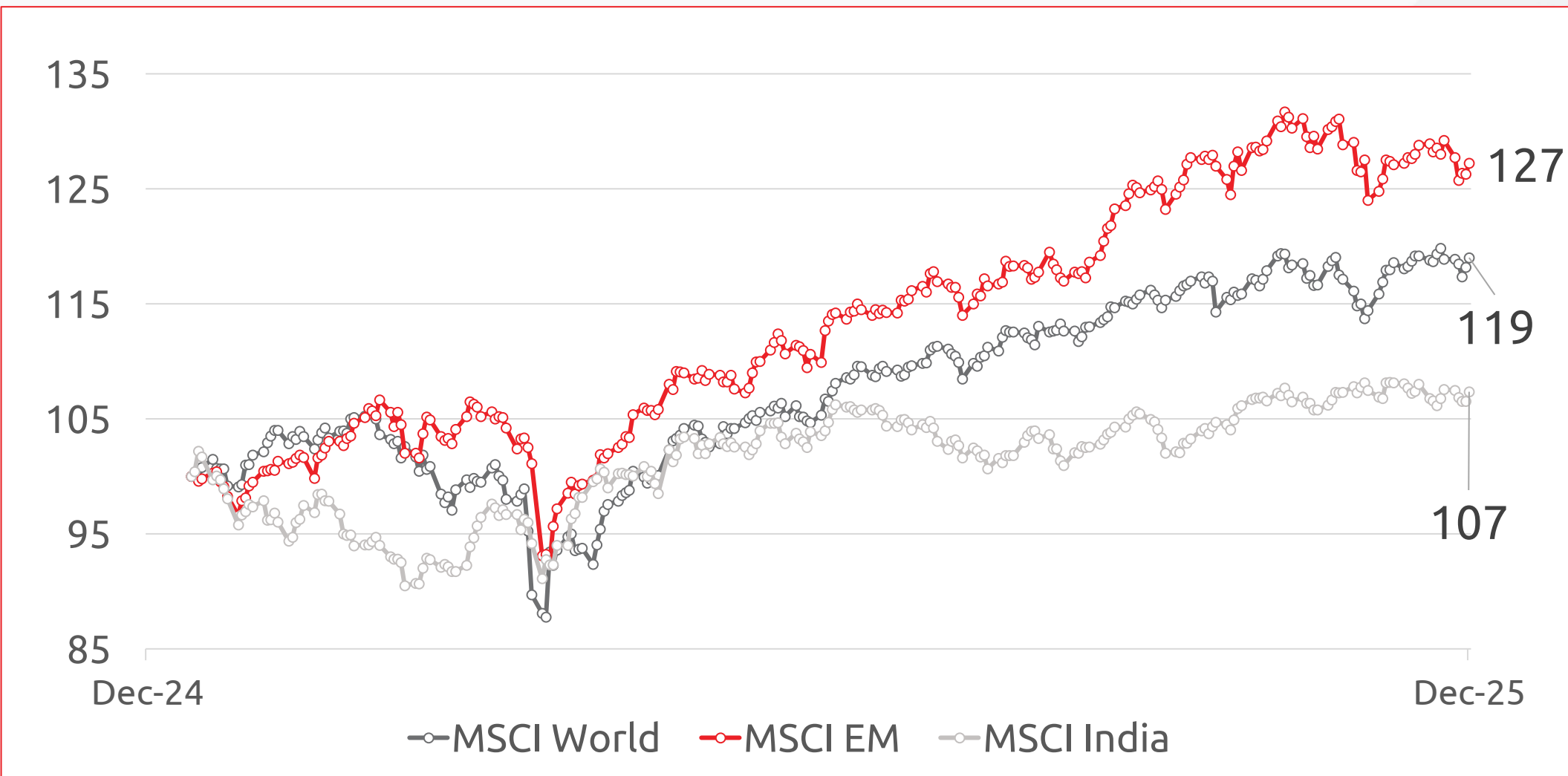
- Most central banks around the world continued cutting interest rates, though with varying degrees of conviction and at different paces.
- Key central banks led by US Fed, European Central Bank and Bank of England lowered the key rate by 75-100 bps.
- Bank of Japan raised the key rates by 0.50% to 0.75% continuing normalisation of its ultra-loose monetary policy.
- The Reserve Bank of India (RBI) lowered the key rate by 125 basis points (bps) to 5.25%, changing the stance to neutral, from accommodative, lowering CRR by 100 bps to 3% while announcing raft of liquidity easing measures.

Despite US tariffs escalating to 50%, India responded with “resilience” driven by strong domestic demand, export diversification, and strategic policy measures.

Global Equity Market Performance



MSCI Indices Performance ^ (Rebased to 100)



Source:- Bloomberg (^CY'25 YTD till 19th Dec-25)

Global Indices	CY'25^
Kospi (S Korea)	67.6%
Bovespa (Brazil)	31.7%
Hangseng (Hongkong)	28.1%
Nikkei (Japan)	24.1%
Dax (Germany)	22.0%
Jakarta (Indonesia)	21.6%
FTSE (United Kingdom)	21.1%
Strait Times (Singapore)	20.7%
Taiwan Weighted (Taiwan)	20.2%
S&P 500 (United States)	16.2%
Shanghai Composite (China)	16.1%
Nifty50 (India)	9.8%
KLSE (Malaysia)	1.4%
PSE Composite (Phillipines)	-9.3%
Set Composite (Thailand)	-10.6%

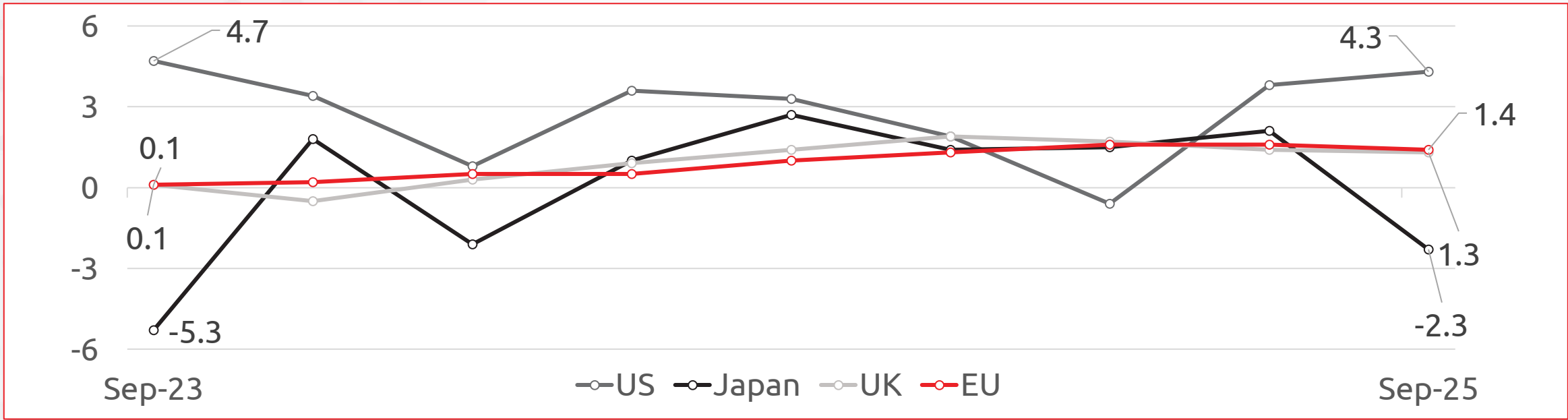
Source:- Bloomberg (CY'25 YTD till 19th Dec-25)

Global equity indices with higher AI capex linkages were the bigger gainers in CY'25

Global Fixed Income / Select Macros at a Glance



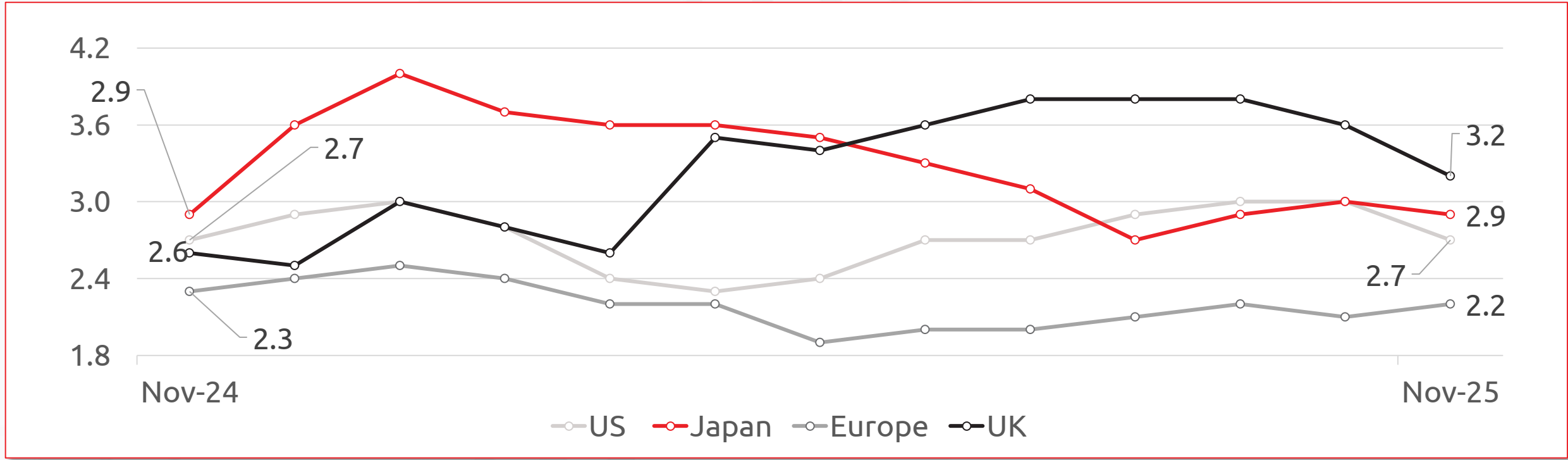
Trend in Quarterly GDP YoY (%)



Source:- Bloomberg

Global economic growth stood resilient in CY'25 notwithstanding initial fears centered around trade policy uncertainty and sweeping tariffs imposed by US on most countries.

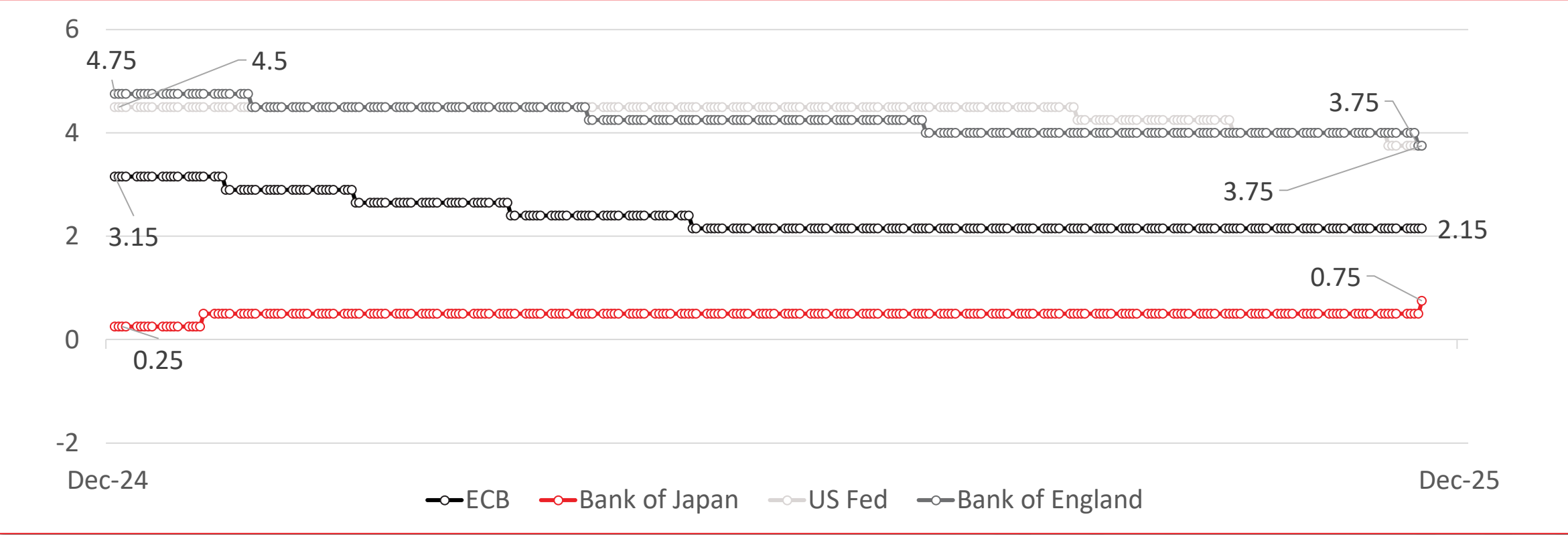
Trend in CPI YoY (%)



Source:- Bloomberg

Inflation in general have edged lower globally in CY'25, although the progress of disinflation has become uneven. Moreover, inflation stalled in major economies at a level witnessed in the same period last year.

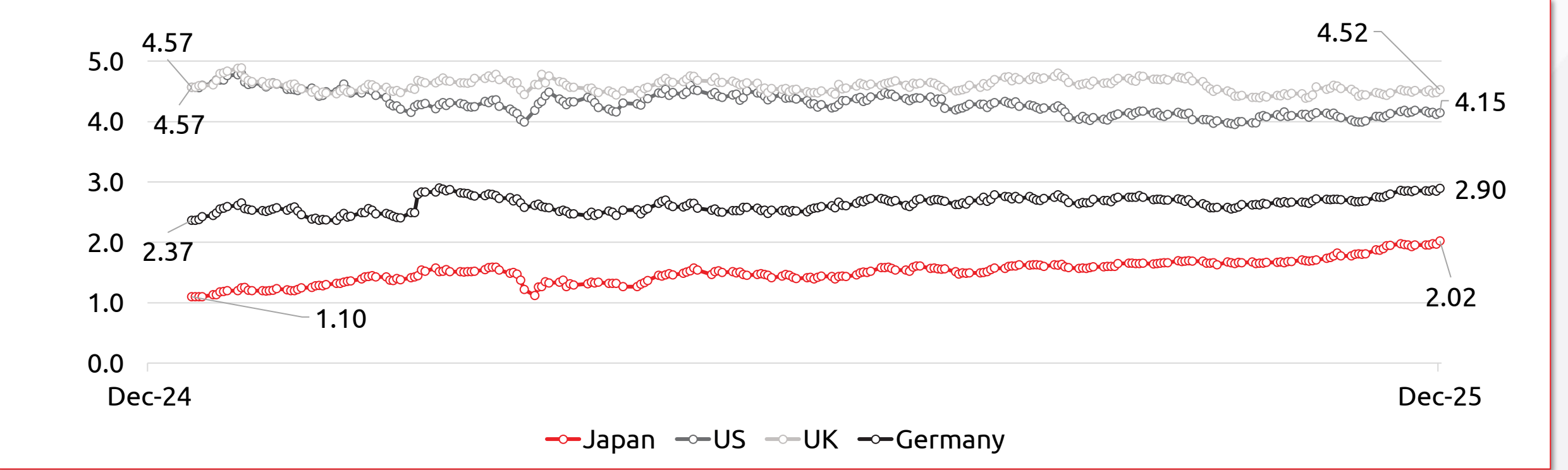
Trend in Policy Rates (%)



Source:- Bloomberg

In 2025, major global central banks continued to ease monetary policy as economic growth showed signs of easing. Several policy rates dropped to levels close to or within estimates of their respective neutral interest rates.

Sovereign 10 year Bond Yields (%)



Source:- Bloomberg (Data as on 19th Dec-25)

High debt supply amid rising fiscal deficit coupled with sticky inflation moved US treasury yields higher in CY'25. Moreover, US sovereign yields being benchmark, sovereign yields of other countries also moved higher.

Global Growth Estimates and Key Rates



Real GDP YOY %				Key Rates at the end of CY 2025		
Region	2024	2025^	2026^	Inflation (%)	Policy Rate	Real Rate
US	2.8	2.0	2.1	2.70	3.75	1.1
UK	1.1	1.3	1.3	3.2	3.75	0.6
EU	0.9	1.2	1.1	2.1	2.15	0.0
Japan	0.1	1.1	0.6	2.90	0.75	-2.2
Brazil	3.4	2.4	1.9	4.46	15.00	10.5
Russia	4.3	0.6	1.0	6.60	16.50	9.9
India	6.5	6.6	6.2	0.71	5.25	4.5
China	5.0	4.8	4.2	0.70	3.00	2.3
S Africa	0.5	1.1	1.2	3.50	6.75	3.3
Indonesia	5.0	4.9	4.9	2.72	4.75	2.0
Philippines	5.7	5.4	5.7	1.50	4.50	3.0

Source: IMF, Bloomberg ^ Projections Real Rate = Policy Rate–Inflation

2026 is likely to be characterized to be year of normalization of global interest rates, yet at diverse pace as major central banks approach the end of their easing cycles. While the Federal Reserve and Bank of England are expected to continue modest rate cuts, the European Central Bank is largely projected to remain on hold, and the Bank of Japan is anticipated to continue tightening.

Key Variables to Watch



Economy

- Economic growth is likely to remain stable driven by resilient consumption coupled with capital spending and accommodative monetary & fiscal policy. Downside risk emerges from full impact of elevated tariffs & high global debt levels.

Inflation

- The continued slowing of inflation is likely to continue in 2026 however the delayed impact of tariffs and fiscal stimulus is likely to restrict the extent of downward move.

Bonds

- Continued monetary easing by global central banks may lower the rates at short end of the curve, while increased supply of long-term treasuries amid large fiscal imbalances is likely to keep long term yields elevated. Thus, leading to steepening of the yield curve.

Equities

- Equity markets is likely to be split between AI and non-AI sectors, leading to multidimensional polarization. A softening US dollar, declining oil prices, easing inflation and more dovish global central banks led by US Fed is likely to create supportive backdrop for emerging market equities in 2026. However, risk remain in the form of current elevated valuations higher than the long-term averages and relatively lower earnings recovery.

Commodity

- Supply -demand imbalances coupled with global transition to clean energy, and electrification is likely to drive demand for industrial metals in 2026. Meanwhile growing supply glut with relatively slower demand growth is likely to keep crude oil prices muted.

US Dollar

- A reduction in interest rate differential between US & other nations amid continued monetary easing by the US Fed coupled with persistently high fiscal & current account deficit and de-dollarization is likely to put downward pressure on the US dollar.

Global Trade

- Proactive tariff mitigation strategies including supply chain adjustments and selective price increases have enabled most companies to protect margin so far. Going ahead global trade is likely to be impacted on any intensification of protectionist policies exacerbating trade tensions, reducing market efficiency, and disrupting supply chains.

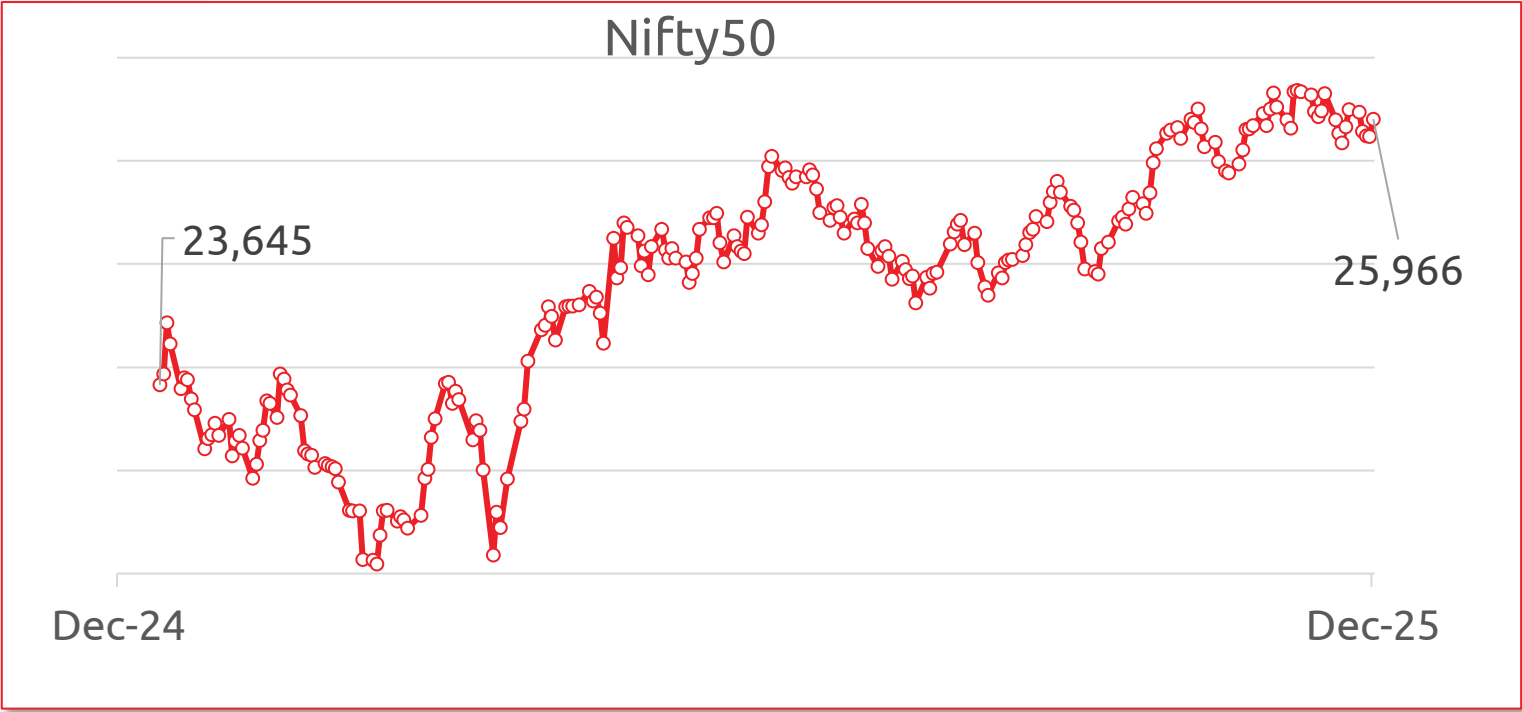
Geopolitics

- In addition to the continued war between Russia and Ukraine and the Middle East tensions, the course of China's relations with other world powers and its neighbours would be closely watched.



Key factors that influenced the market move in CY'25 include,

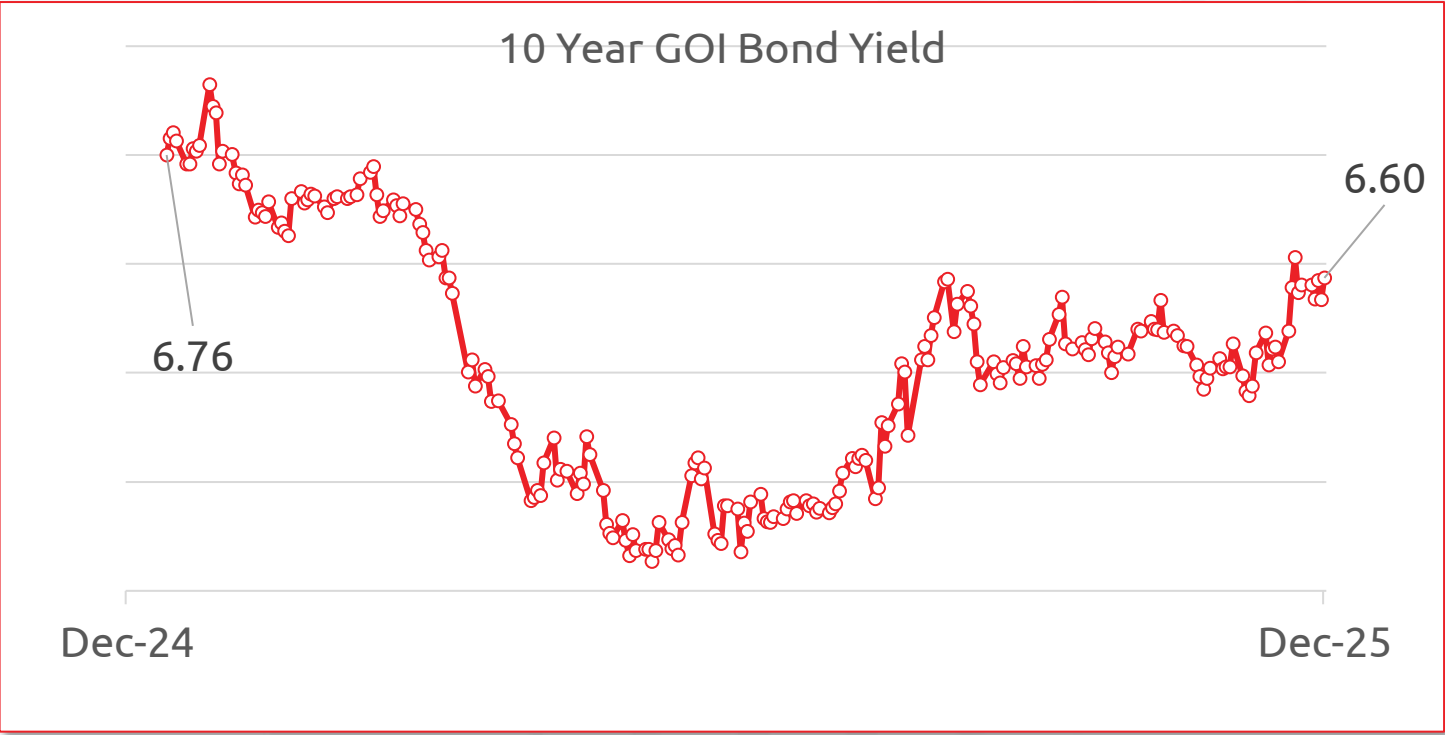
- Income tax cuts for middle income group
- GST Rationalization
- 125 bps cut in Repo rate by the RBI
- Lower earnings by Indian companies
- Divergent moves by global central banks



Source:- Bloomberg

Nifty50 index ended on a positive note for the 10th straight year in a row in CY'25, shrugging off several uncertainties both global & local.

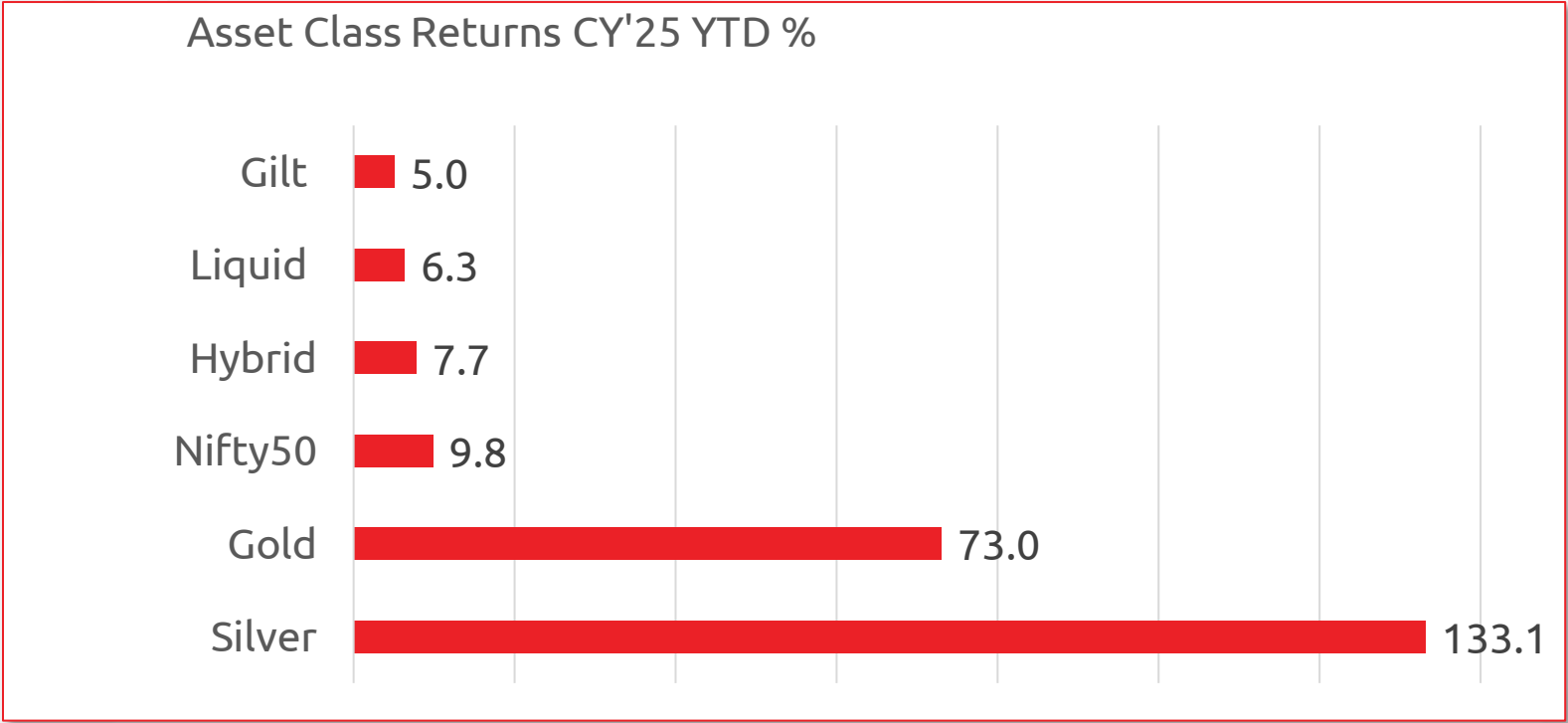
It posted gains of 9.8% YTD, driven primarily by relatively better valuations and earnings visibility.



Source:- Bloomberg

Indian bond markets endured a volatile CY'25 before ending on a steady note by registering 3rd consecutive yearly drop in the GOI bond yields.

10-year Government of India (GOI) bond yield fell 16 bps YTD to 6.60% as on 19th Dec'25.



Source:- ICRA, CRISIL, Bloomberg

Silver emerged as the best performing asset class in CY'25 with MCX silver rising 133.1% YTD.

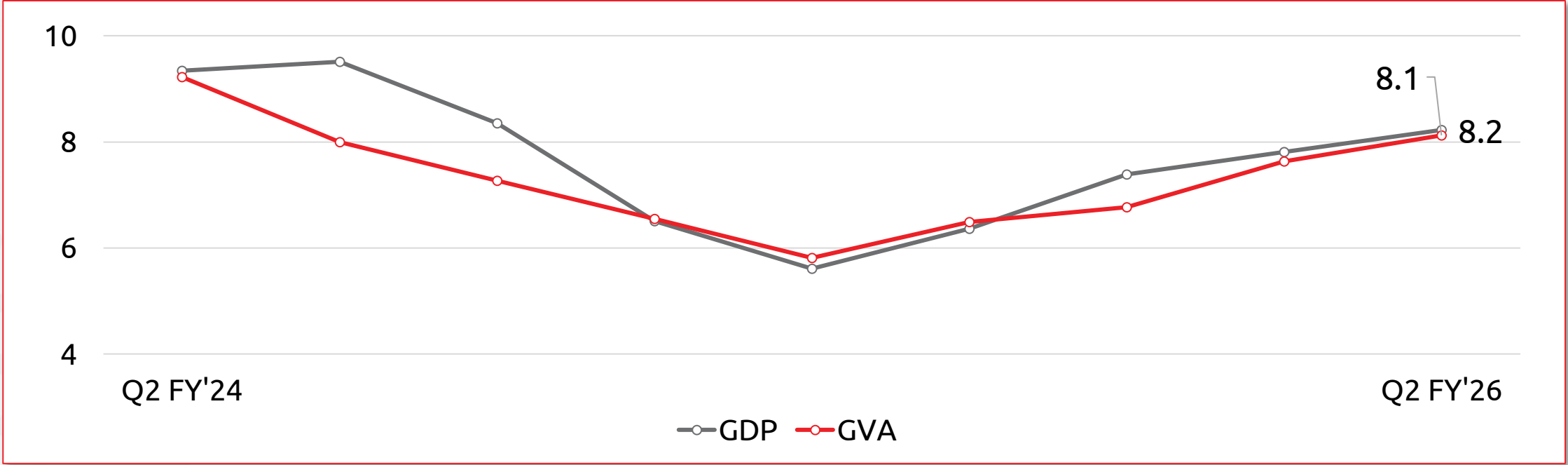
Note:- Gilt, Liquid & Hybrid represent performance of CRISIL Long Duration Fund AIII Index, NIFTY Liquid Index A-I and Crisil Hybrid 50 50 Moderate Index, respectively.

YTD Represents data till 19th Dec'25

Select Indian Macros At a Glance



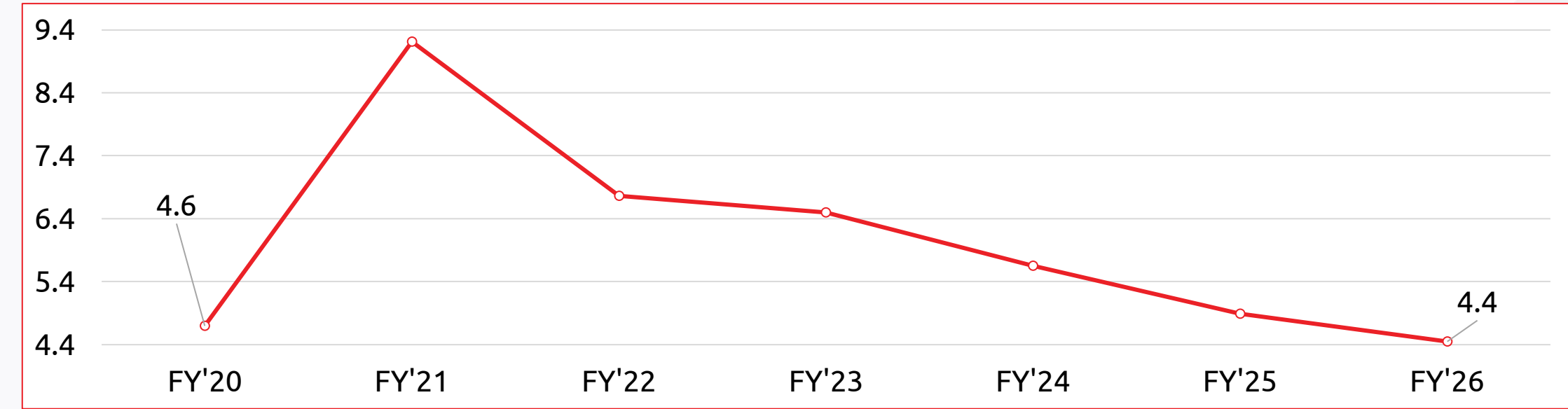
Trend in GDP Growth YoY%



Source :- Mospi (GVA stands for Gross Value Added)

India's GDP expanded at a fastest pace in 6 quarters growing at 8.20% YoY in Q2 FY'26. On the supply side strong growth in manufacturing (9.1% YoY), services (9.2% YoY) and Construction (7.2% YoY) lifted the GVA to 8.1% YoY. While, on the expenditure front, private consumption and capex lifted the headline GDP.

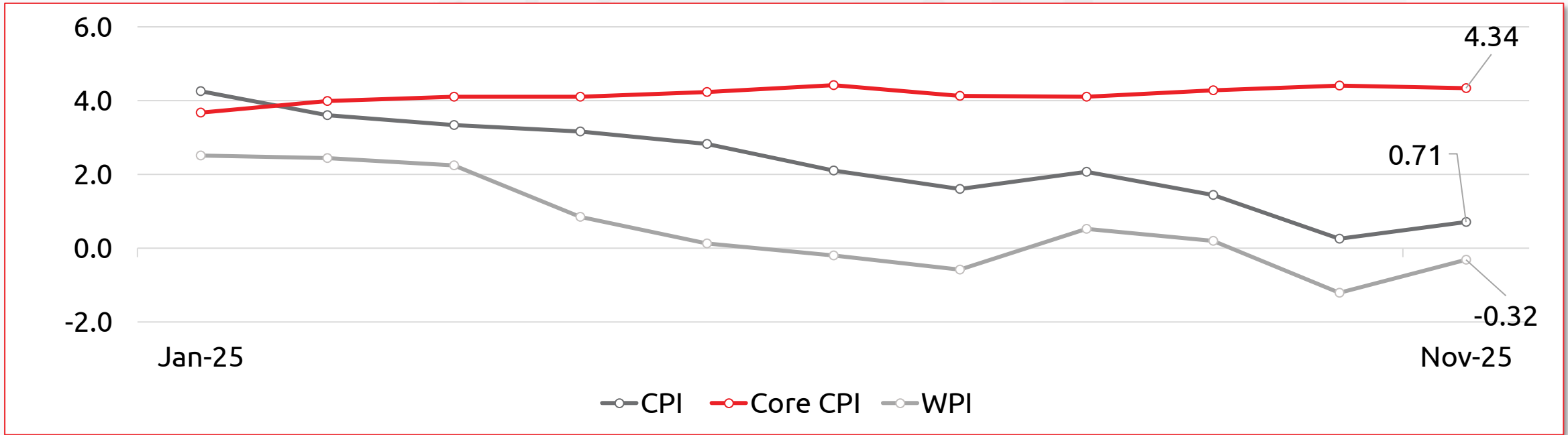
Fiscal Deficit as a % of GDP



Source :- Union Budget

Strong growth in the government's tax and non-tax revenue coupled with a rise in its capital expenditure has improved the fiscal deficit both in terms of quality and quantity. However lower nominal GDP coupled with a cut in GST rates may put strain in fiscal math in the current FY'26.

Inflation Trajectory YoY%

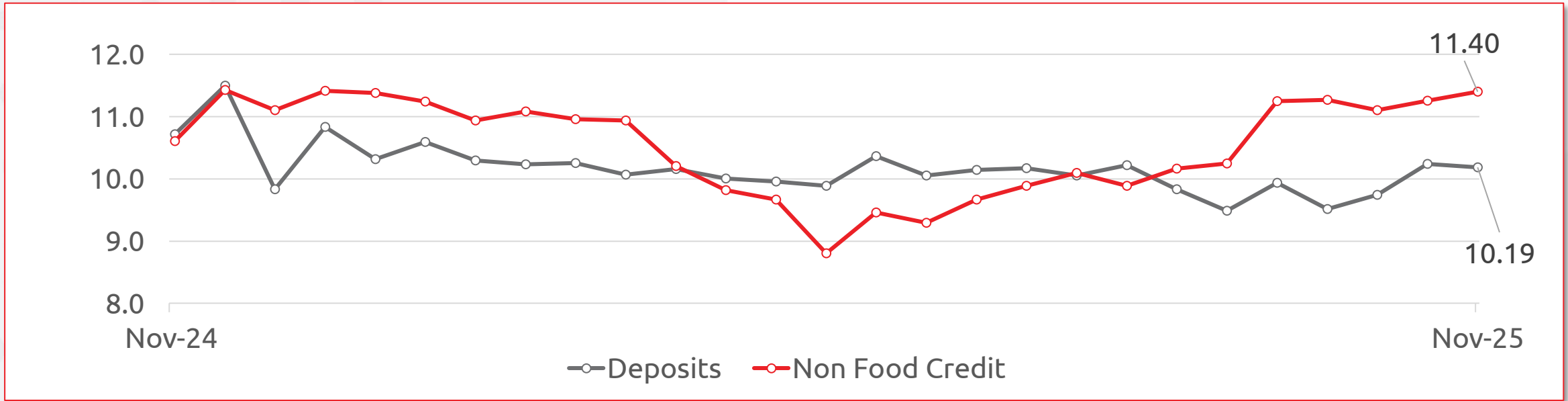


Source :- Mospi

CPI Stands for Consumer Price Index , WPI stands for Wholesale Price Index

Both CPI & WPI have been on a declining trajectory led by drop in food prices and favorable statistical base. Moreover, GST cut since Sep-25 have further aided the decline. Apr-Nov-25 average CPI stands at 1.77% YoY, below lower bound of RBI's medium-term target of 4% (+/-2%). Meanwhile core CPI have stuck to ~ 4% levels mainly driven by higher gold prices.

Deposit and Non-Food Credit Growth (YoY%)



Source:- RBI (Data as on 28th Nov'25)

A combination of measures by the RBI and the government aided a pick-up in credit growth in the current FY'26. This includes a 125-bps cut in the repo rate, 100 bps reduction in Cash Reserve Ratio (CRR), GST rate rationalisation and few developmental measures by the RBI, lifted the credit growth that touched a 3 year low of 8.8% YoY earlier this year.

India's External Situation



India's Merchandise Trade (US\$ Billion)



Source:- Ministry of Commerce and Industry

Despite global headwinds, Indian exports have remained resilient in current CY'25 supported by sustained government efforts, diversification of export markets and enhanced global competitiveness.

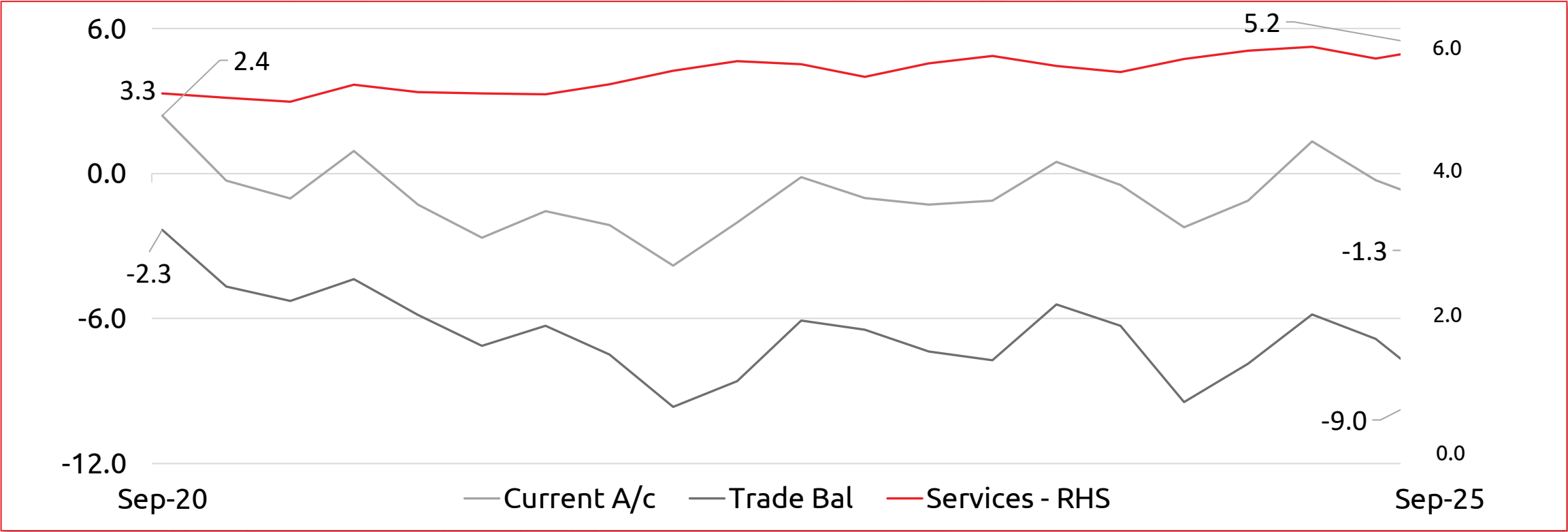
Currency Moves

Move against US Dollar as on 19th Dec'25		
Currency	CY'25	CY'24
Russian Ruble	29.1%	-26.9%
European Euro	11.6%	-6.6%
Thai Baht	7.7%	0.5%
British Pound	6.5%	-1.7%
Singapore Dollar	5.3%	-3.4%
China Yuan	3.5%	-2.8%
Hong Kong Dollar	-0.2%	0.5%
Japanese Yen	-0.3%	-11.5%
Indonesian Rupiah	-4.0%	-4.6%
Indian Rupee	-4.7%	-2.9%

Source:- Bloomberg

Indian rupee turned worst performing currency in the current CY'25 amid relatively higher tariffs on Indian goods by the US, notwithstanding RBI's intervention in the FX market.

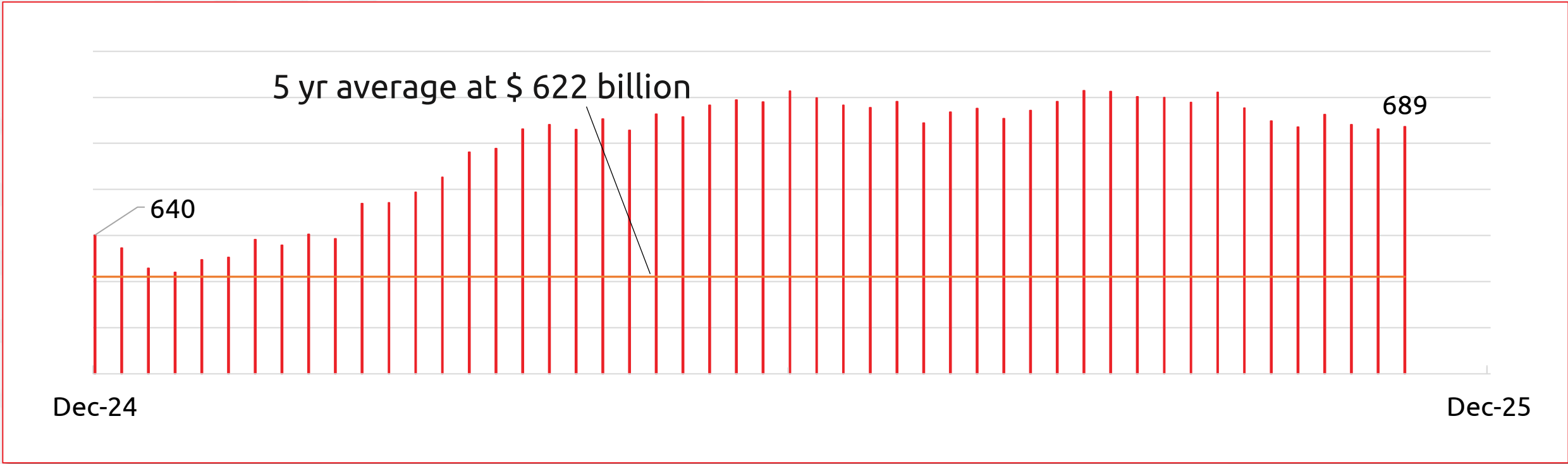
Trade, Services & Current A/c as a % of GDP (Qtrly)



Source:- RBI

A 100 bps rise in services exports post covid has more than offset rise in trade deficit, thus reducing the Current account as a percentage of GDP.

India's FX Reserves (US \$ Billion)



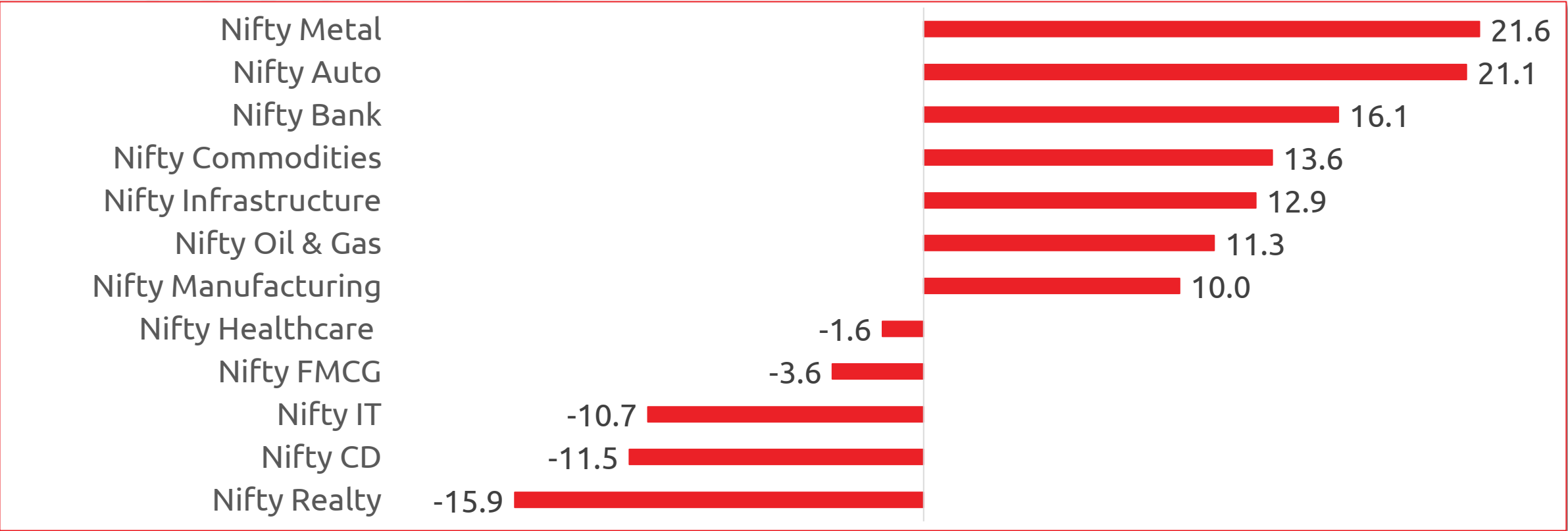
Source:- RBI

India's forex reserves rose by US\$49 billion YoY to US\$ 689 billion as on 12th Dec'25. The current level of FX reserves roughly covers 11 months of imports.

Indian Equity Market Performance, Valuation & Flows CY'25



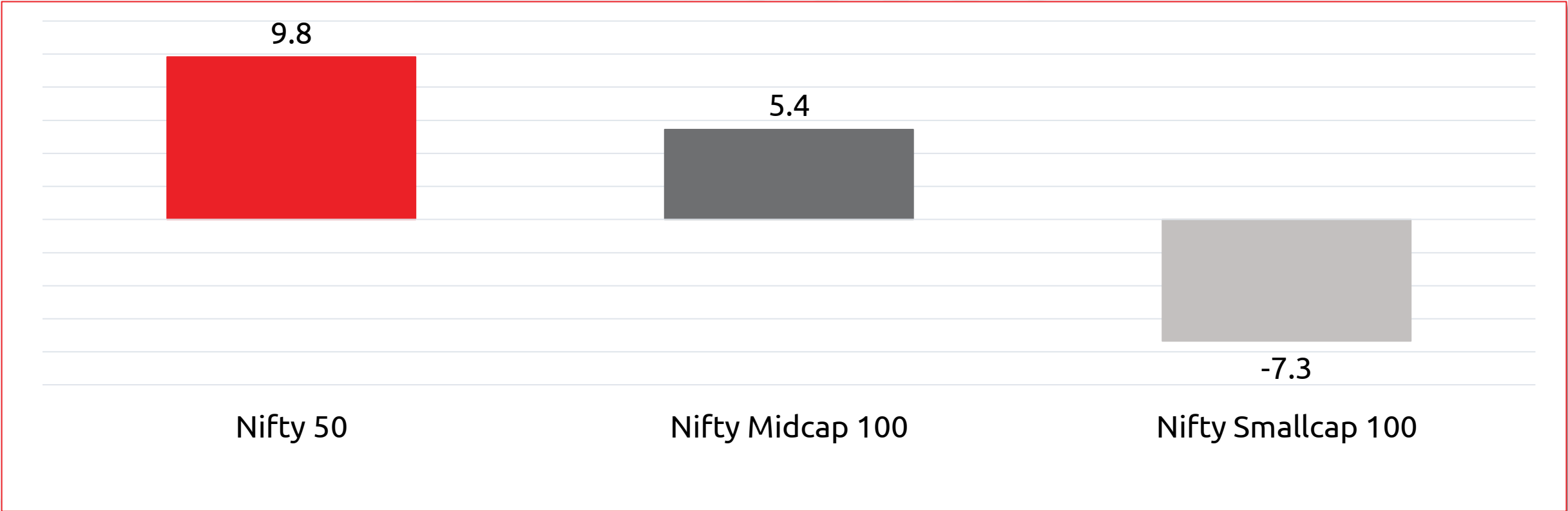
Sectoral Indices Returns (YTD %)



Source:- NSE

Auto, Metals, Banks were most preferred on better earnings while Realty, IT trailed on a relative basis

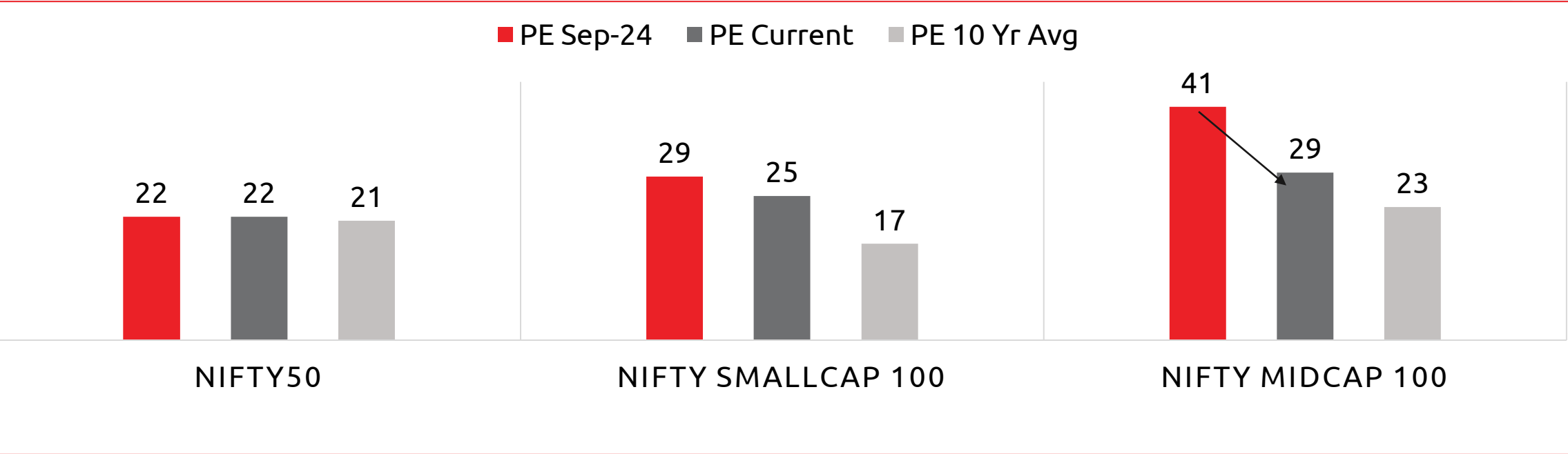
Market Cap based Performance (YTD %)



Source:- NSE

Mid & Small cap segments underperformed the large caps notwithstanding sustained flows from domestic investors.

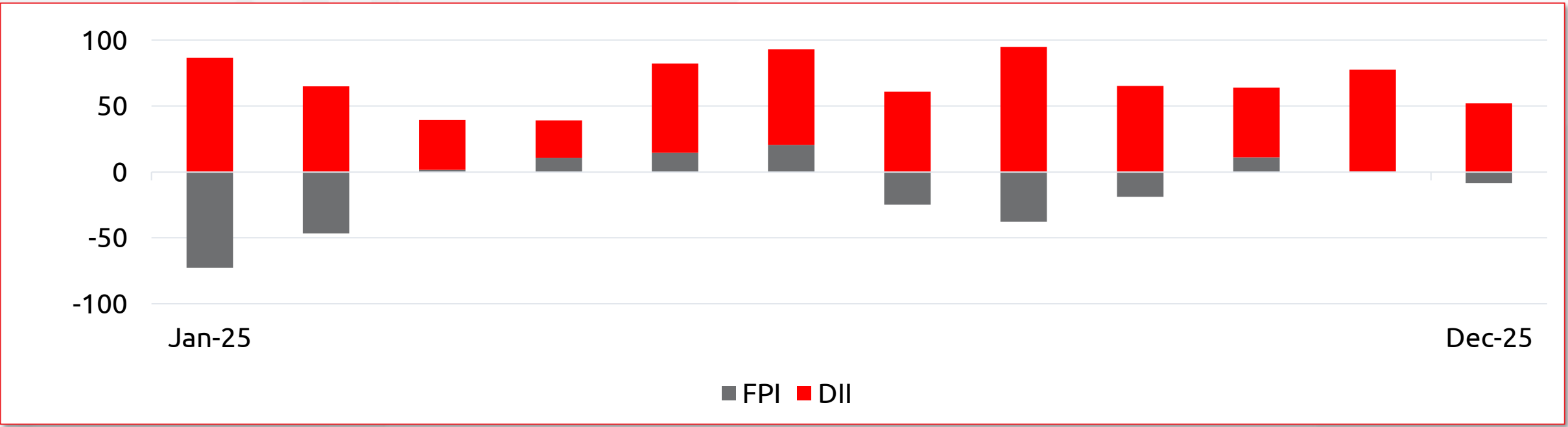
Relative Valuations based on 1 year Forward PE



Source:- MoFSL

Large cap valuations are hovering near their long period average with Nifty-50's one-year forward P/E at 21.5x, 3% above its 10 average of 20.8x. In contrast mid & small cap valuation continue to remain expensive notwithstanding recent correction. Nifty Midcap-100 & Nifty Smallcap-100 indices are trading at 29.2x and 25.1x, representing a premium of ~26% and ~49% to their respective 10-year averages.

FPI & DII Flows Net Equity in ₹'000 crores



Source:- BSE, NSDL (DII stands for Domestic, Institutional Investor, FPI stands for Foreign, Portfolio Investors)

Strong support from DIIs negated the impact of sell-off by FPIs in CY'25, limiting the downside. Meanwhile, FIIs have turned net sellers in CY'25, after remaining net buyers for 2 consecutive years, selling Indian equities worth ₹141811 crore YTD till 19th Dec-25.

YTD Represents data till 19th Dec'25



Outlook

- India fundamentals remains robust, and markets may consolidate till better clarity emerges on global/local shifts.
- 3 fold support - GST 2.0, Interest rate cuts & Lower tax burden - potential driver for demand revival/growth recovery.
- Corporate earnings may trend higher due to the domestic support and potential solution on tariffs.
- Low equity returns over last 1 year, relative underperformance of India, broader markets lagging large caps etc have created a platform for potential improvement.
- Looking ahead we expect earnings growth to be the key trigger for the markets.

Key Themes

- Policy support has created a favorable platform for potential recovery in consumption demand.
- Discretionary consumer themes like Retail, Passenger Vehicles, Leisure, Quick commerce, Hospitality appear well placed to benefit from premiumization spends.
- Power segment may witness positive tailwinds supported by strong order books in Power Transmission space and rising global play.
- Healthcare appears better on relative risk reward positioning and resilient volume growth.
- Banking space especially large banks within financials is well placed to benefit from likely credit off take.

Risks

- Global geopolitical conditions still remain uncertain despite expectations, India's tariff deal is still in progress.
- Euphoria in precious metals, AI led - narrow global equity rally leading to limited headroom to absorb any reversal and any adverse reaction may have global impact.
- Any bigger lag in domestic consumption recovery and corporate earnings may impact the market sentiment.

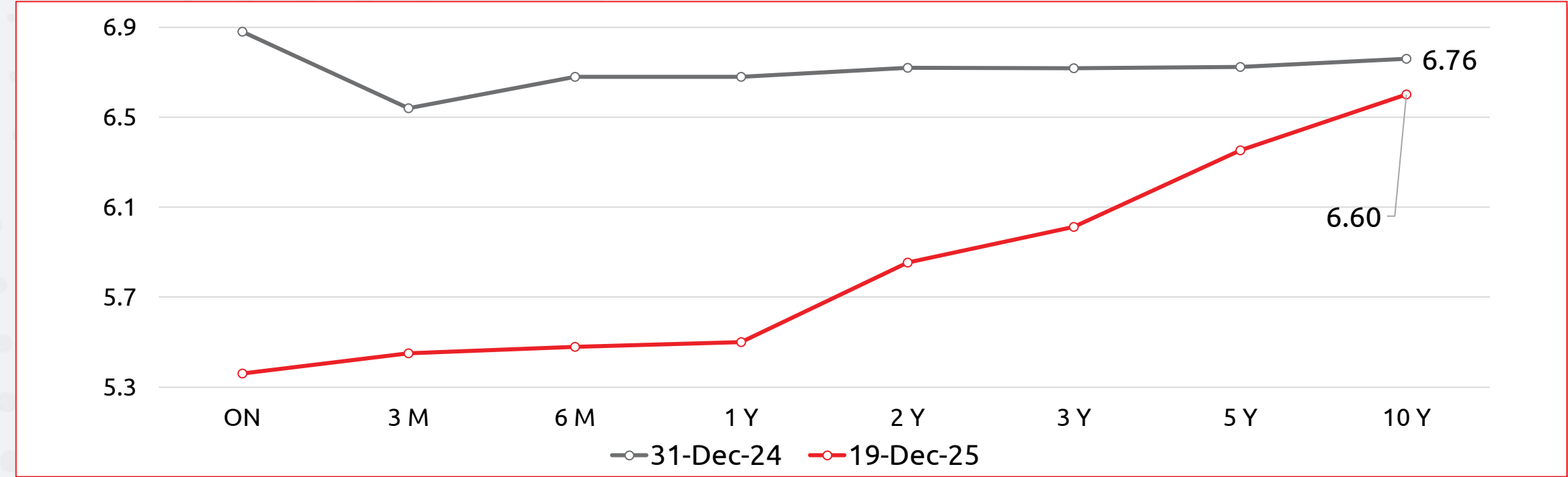
Our Recommendations

- Large Cap and diversified categories investing across market cap range can be considered from medium term perspective.
- Participation in Mid/Small cap space can be continued in a staggered manner.
- Investors seeking lower volatility along with potential growth can consider hybrid and multi asset products.

Indian Fixed Income Market At a Glance



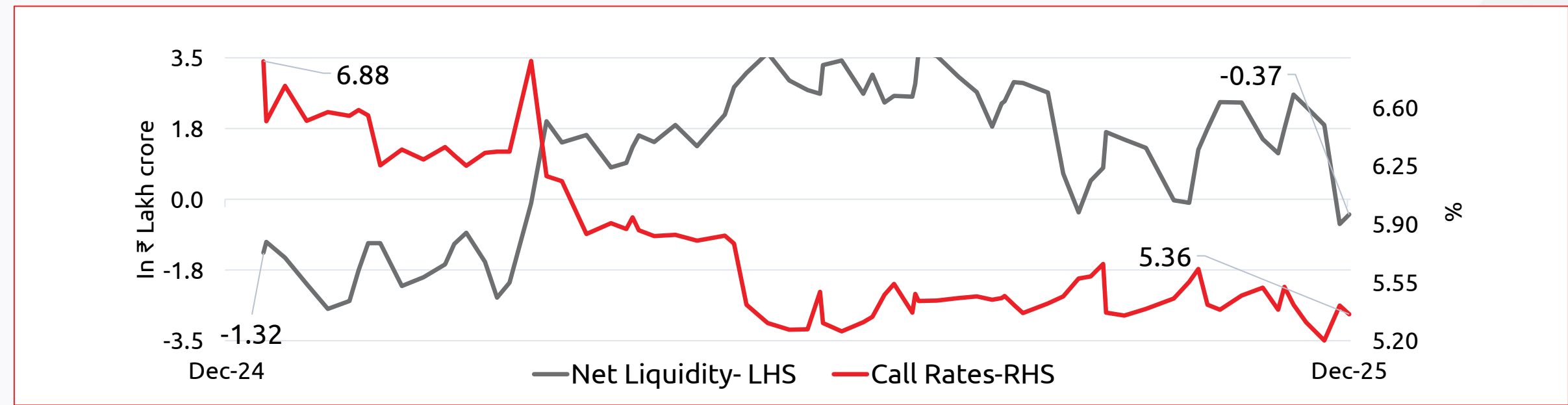
Indian Sovereign Yield Curve



Source:- Bloomberg

Indian GOI Bond Yield Curve steepened amid 125 bps cut in repo rate by the RBI to 5.25%. with the short-term rates drifting lower, while the long end rates remained range bound.

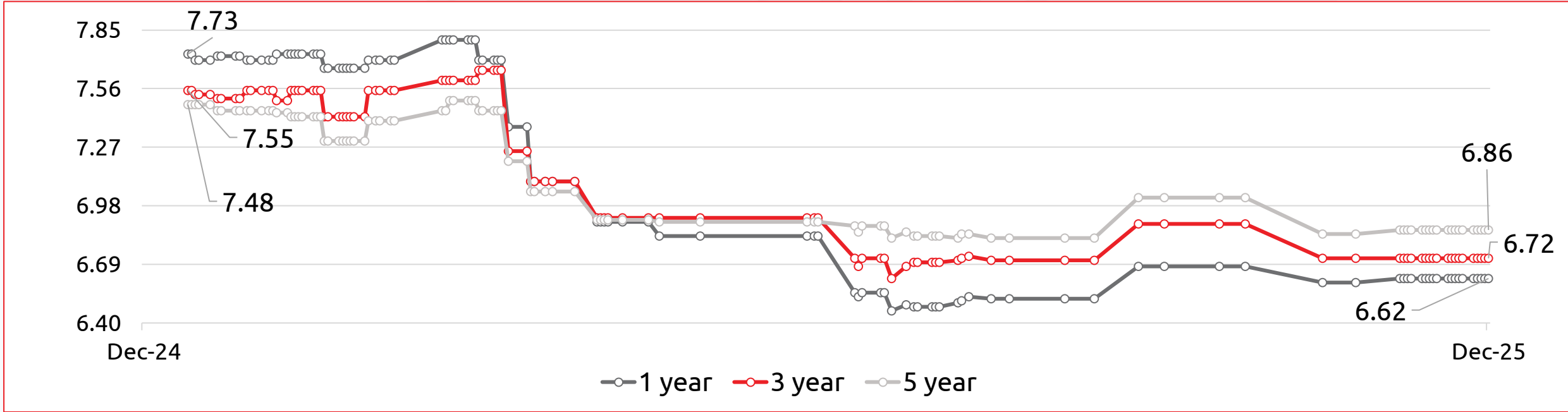
Liquidity & Call Rates



Source:- RBI (Data till 19th Dec'25)

Host of liquidity infusing measures in the form of OMO, USD/INR buy/sell swap and CRR cut turned the banking system liquidity positive post Mar-25, notwithstanding RBI's FX intervention, keeping the call rates closely aligned to the repo rate.

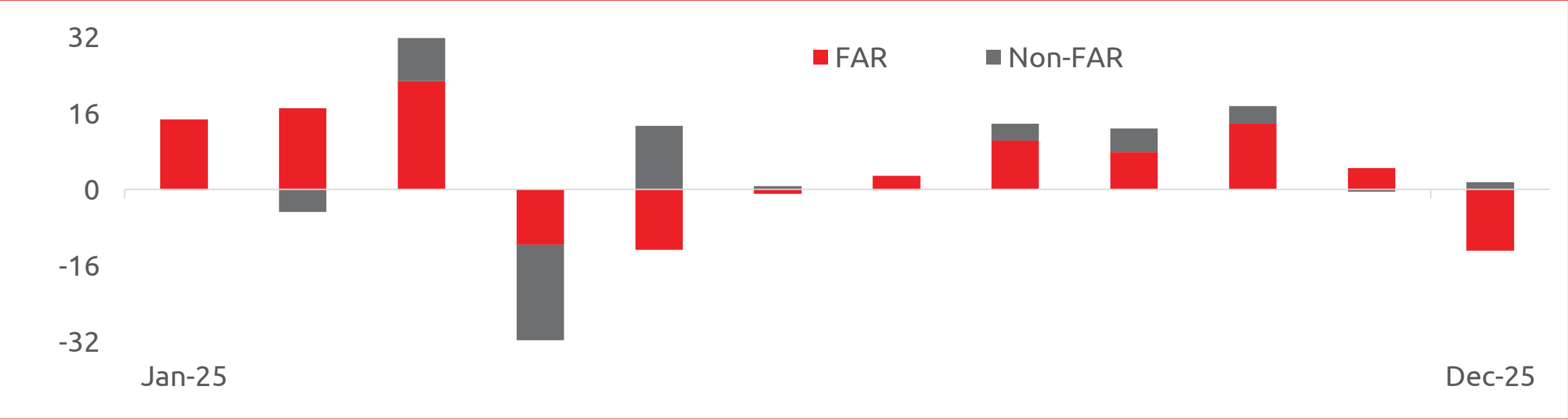
AAA Rated PSU Bond Yields



Source:- Bloomberg

From being inverted at the beginning of CY'25, Indian AAA rated corporate bond curve steepened during the course of the year.

FPI Flows Debt in ₹'000 crore



Source:- NSDL

FPIs remained net buyers for the 3rd straight year in CY'25, in the Indian debt, amid India being part of global fixed income indices & RBI initiating rate cut cycle. They bought Indian debt worth ₹78,750 crore YTD till 19th Dec-25.



Macro Outlook : Resilient Domestic Growth, Benign Inflation outlook, Comfortable fiscal and external balance

Policy Support

- Fiscal & Monetary support to growth likely to continue into FY27. Rates likely to stay lower for longer, with stable interest regime over next 12-18 months.
- *RBI : Close to end of rate cut cycle. Scope for a rate cut in coming quarters. Proactive Liquidity Management to ensure ample liquidity amid currency volatility.*

Fixed Income Market

- RBI pro-active support to liquidity to continue into FY27 (OMOs, swaps, switches) and Govt Buybacks. This is likely to keep shorter end of the curve supported.
- Likely bond inclusion in bigger Bloomberg Indices to further support markets.
- *Recommendations:* 1-5 yr AAA ; 3-10 yr G-sec/ SDLs
- Key concern: Higher gross supply (G-sec + SDLs) in FY27 driven by huge maturities. OMOs to help.

Fund Recommendation

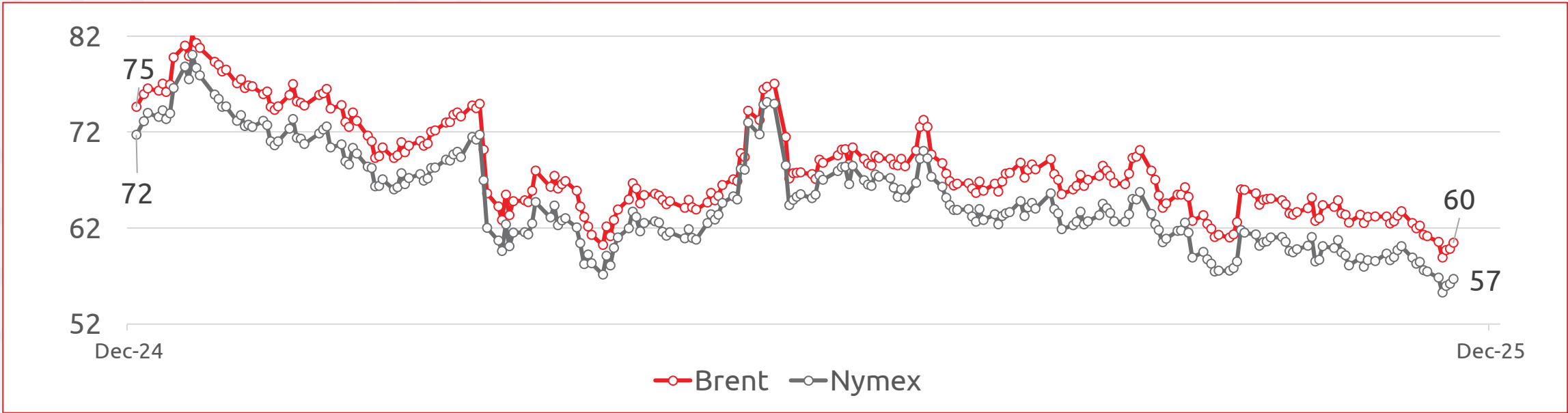
- Investment Horizon 12 months : 75:25 allocation in intermediate funds (3-year centric portfolio duration) & Long duration funds (greater than 7-year centric portfolio duration)

Risk to the View

- Further delay in US Trade deal; Global Bond Market Volatility led by US fiscal concerns, rise in geopolitical risks etc.
- Inflation significantly shooting higher than RBI's projection
- US dollar & US treasury yield movement & Currency pressure : Fallout on Liquidity & G-sec yields.



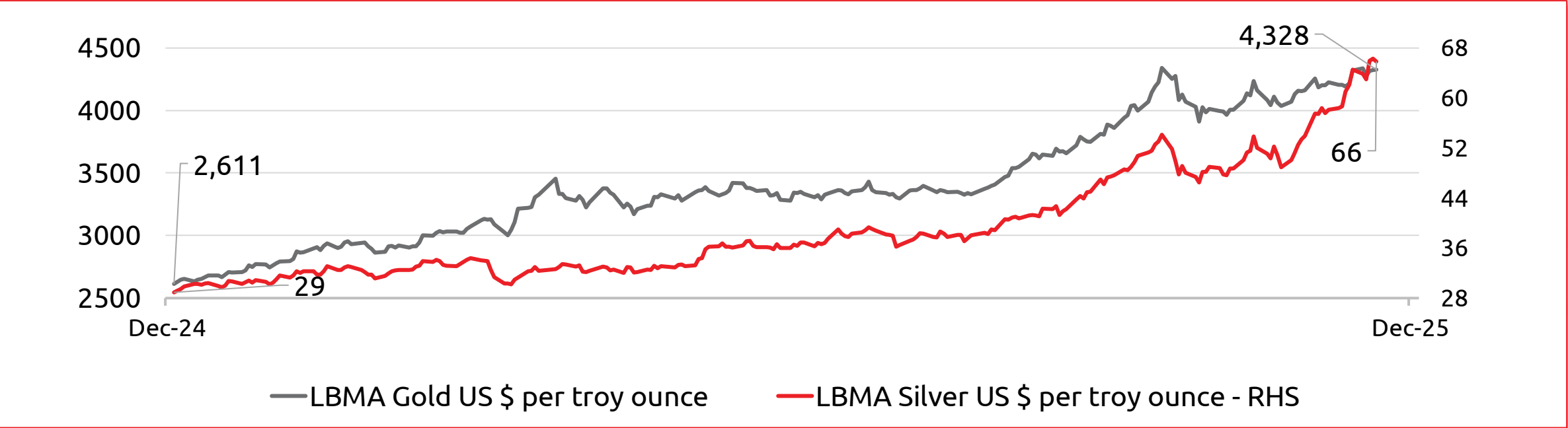
Crude Oil Prices (US\$ per Barrel)



Source:- Bloomberg

International crude oil prices ended on weak note for the 3rd consecutive year YTD in CY'25, with both Nymex and Brent registering YoY losses of 21.0% and 19.0%, respectively. This was driven by concerns over potential oversupply and slowing global demand growth.

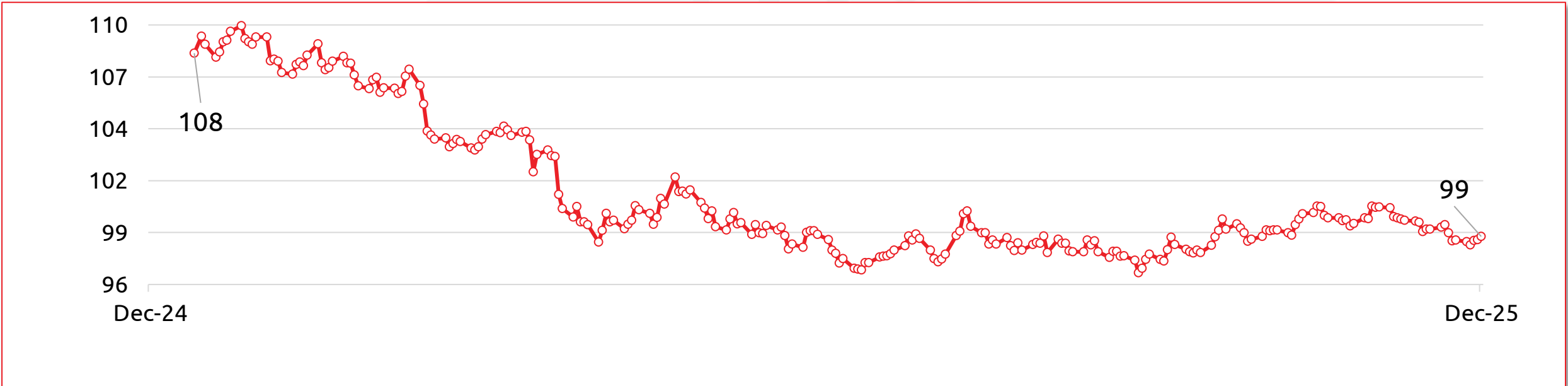
Gold & Silver Prices (US\$ per troy ounce)



Source:- Bloomberg (LBMA stands for London Bullion Market Association)

Geopolitical uncertainty, US dollar diversification trend, central bank buying, lower interest rates and a significant structural supply deficit for silver, increased demand for precious metals in CY'25. Gold and silver have delivered a CY'25 YTD returns of 65.8% & 127.6% respectively in US dollar terms.

US Dollar Index (DXY)



Source:- Bloomberg

US dollar index depreciated 9.1%YTD in CY'25, reversing a gain of 7.1% posted in CY'24. This can be attributed to monetary easing by the US Fed reducing the interest rate differential with other major currencies. Moreover, persistent concerns over tariff impact and rising fiscal deficits, pushed investors to other currencies.

Select Metal Moves			
Base Metal	19-Dec-25	31-Dec-24	CY'25 YTD
Copper	11886	8653	37%
Aluminum Alloy	2509	2255	11%
Lead	1939	1925	1%
Nickel	14615	15111	-3%
Zinc	3042	2954	3%
Tin	43216	28846	50%

Source:- Bloomberg

A combination of tight supply and structurally growing demand, particularly from technology, green energy transition and AI (Artificial Intelligence) driven infrastructure expansion (data centers) lifted the Tin & Copper prices in CY'25.

YTD Represents data till 19th Dec'25



Gold

- Lower interest rates, persistent geopolitical risks, strong dollar-diversification trends and central bank buying may support the yellow metal.
- Further, it may cement its role as a vital hedge against trade wars, tariff threats and large fiscal deficits.

Silver

- Strong industrial demand from green energy transition and technology sectors may continue to support silver despite sharp run up in CY'25.
- Structural supply deficit in the last few years which is likely to persist into 2026 can provide demand tailwind.

Crude

- Increased supply of crude from non-OPEC+ producers at a pace faster than the demand growth is likely to keep global crude oil prices under check.
- However geopolitical shocks from Middle East or in the form of sanctions on Venezuela and ongoing conflicts involving Russia could limit the downside.

Base Metals

- Structural energy-transition and strong demand from electrification, AI data center coupled with constrained supply is likely to drive the prices of few base metals like copper and aluminum higher in 2026.
- However, slower growth and property sector weakness in China could temper demand.

Common Source: RBI, CSO, FAO, CEIC, NSO, US Federal Reserve, US Treasury department, Commerce Ministry of India, Finance Ministry of India, ECB, BoJ, Bloomberg, MFI Explorer, NIMF Internal Research

Disclaimer: The information herein is meant only for general reading purposes and the views being expressed only constitute opinions and therefore cannot be considered as guidelines, recommendations or as a professional guide for the readers. The sectors mentioned are not a recommendation to buy/sell in the said sectors. The document has been prepared based on publicly available information, internally developed data and other sources believed to be reliable. The sponsor, the Investment Manager, the Trustee or any of their directors, employees, associates or representatives (“entities & their associates”) do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information. Recipients of this information are advised to rely on their own analysis, interpretations & investigations. Readers are also advised to seek independent professional advice in order to arrive at an informed investment decision. Entities & their associates including persons involved in the preparation or issuance of this material shall not be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material. Recipient alone shall be fully responsible for any decision taken based on this document.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.