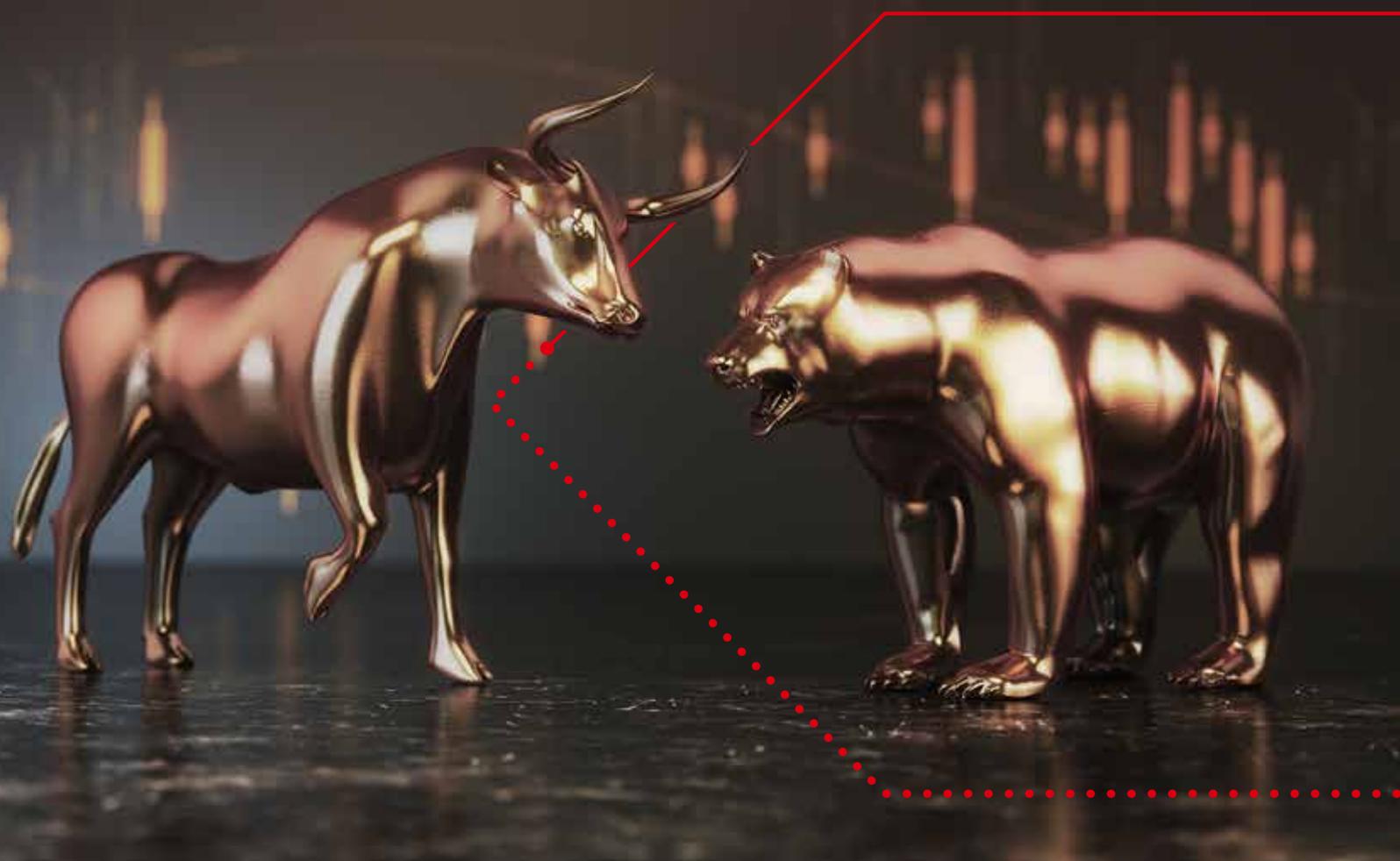


# Equity Market Review

December, 2024



- ◆ Equity indices saw a correction in December 2024. BSE Sensex and NSE Nifty declined by 2% for the month.
- ◆ Broader markets outside of large caps remained slightly positive with the BSE Small Cap index flat while the NSE Mid Cap index was up 1.1% for the month.
- ◆ Healthcare was the best performing sector for the month followed by Realty. Both delivering positive returns while IT was flattish. Auto and FMCG were in-line with the Nifty. Banks, Oil & Gas and Capital Goods underperformed the Nifty. Power followed by Metals remained the two worst performing sectors for the second consecutive month.



| Domestic Indices                  | Last Close | 1 Month (Change) | CYTD 24 (Change) |
|-----------------------------------|------------|------------------|------------------|
| BSE Sensex TR                     | 1,21,164   | -2.1%            | 9.5%             |
| Nifty 50 TR                       | 35,156     | -2.0%            | 10.1%            |
| BSE 200 TR                        | 13,964     | -1.7%            | 14.7%            |
| BSE 500 TR                        | 44,802     | -1.5%            | 15.8%            |
| NSE Midcap TR                     | 26,733     | 1.1%             | 24.5%            |
| BSE Smallcap TR                   | 68,281     | 0.0%             | 30.1%            |
| NSE Large & Midcap 250 TR         | 20,213     | -0.5%            | 18.7%            |
| BSE India Infrastructure Index TR | 864        | -3.5%            | 30.0%            |
| MSCI India USD                    | 1024       | -2.9%            | 11.1%            |
| MSCI India INR                    | 2,844      | -1.6%            | 14.3%            |
| INR - USD                         | 85.6       | 1.3%             | 2.9%             |
| Crude Oil                         | 75         | 2.3%             | -3.1%            |

| Indices               | 31-Dec 2024 | 29-Nov 2024 | % Change 1 Month | % Change 1 Year | % Change YTD |
|-----------------------|-------------|-------------|------------------|-----------------|--------------|
| BSE Auto              | 51,663      | 52,898      | -2.33            | 22.34           | 22.34        |
| BSE BANKEX            | 57,742      | 59,298      | -2.62            | 6.19            | 6.19         |
| BSE Capital Goods     | 67,780      | 70,700      | -4.13            | 21.81           | 21.81        |
| BSE Consumer durables | 64,436      | 62,469      | 3.15             | 28.87           | 28.87        |
| BSE FMCG              | 20,772      | 21,213      | -2.08            | 1.48            | 1.48         |
| BSE Healthcare        | 45,277      | 43,666      | 3.69             | 43.51           | 43.51        |
| BSE IT                | 43,188      | 42,783      | 0.94             | 19.93           | 19.93        |
| BSE Metal             | 28,892      | 30,537      | -5.39            | 7.05            | 7.05         |
| BSE Oil & Gas         | 26,065      | 26,813      | -2.79            | 13.22           | 13.22        |
| BSE Power             | 6,966       | 7,490       | -7.00            | 19.71           | 19.71        |
| BSE PSU               | 18,869      | 19,896      | -5.16            | 21.28           | 21.28        |
| BSE Realty Index      | 8,234       | 7,960       | 3.45             | 33.09           | 33.09        |

Source: NSE, BSE, Data as on 31 December 2024, Past performance may or may not be sustained in future and is not a guarantee of any future returns. Note-The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions.

## Global Market Update

MSCI World index saw a 2.7% correction in December following the sharp up move of 4.5% in November. US (S&P 500) and MSCI Europe both declined 2.5%. MSCI Japan was down 0.4%. MSCI EM was down 0.3% as MSCI China rose 2.6%. Crude oil price was up 2.3% in December.

| International Indices (in USD) | Last Close | 1 Month (Change) | CYTD 24 (Change) |
|--------------------------------|------------|------------------|------------------|
| MSCI World                     | 3,708      | -2.7%            | 17.0%            |
| Dow Jones                      | 42,544     | -5.3%            | 12.9%            |
| S&P 500                        | 5,882      | -2.5%            | 23.3%            |
| MSCI EM                        | 1,075      | -0.3%            | 5.1%             |
| MSCI Europe                    | 2,003      | -2.5%            | -0.9%            |
| MSCI UK                        | 1,217      | -2.8%            | 3.4%             |
| MSCI Japan                     | 3,931      | -0.4%            | 6.3%             |
| MSCI China                     | 64         | 2.6%             | 16.3%            |
| MSCI Brazil                    | 1,177      | -9.9%            | -34.6%           |



## Macro Economic Data

- ◆ FII's invested US\$1.3 bn in Indian equities in December. For CY24, FIIs saw an outflow of US\$0.8 bn. DIIs invested US\$4 bn during the month with MFs investing US\$1.7 bn while insurance invested US\$2.3 bn. For CY24, MFs have invested US\$50.3 bn, while Insurance invested US\$12.6 bn bringing total DII investment to US\$63 bn.
- ◆ RBI has reduced the full year GDP growth forecast for FY25 to 6.6% from 7.2% previously. RBI maintained the repo rate at 6.5% in its December policy meeting while it cut CRR by 50 bps to 4% to improve liquidity in the financial system.
- ◆ CPI softened to 5.5% (YoY) in November from 6.2% (YoY) in October due to moderation in food price inflation. Core-core inflation (i.e. core inflation ex petrol and diesel) also softened to 3.9% in November from 4.0% in October.
- ◆ Industrial production growth (IIP) grew 3.5% (YoY) in October vs 3.1% in September.
- ◆ Gross GST revenue collection was Rs 1.77 tn in December 2024, up 7.3% (YoY).
- ◆ Other key developments during the month – US Fed cut rates by another 25 bps in December.

## Valuations

Nifty consensus EPS estimates for CY24/25 have largely been maintained in Dec while the Index has corrected by 2%. Nifty therefore now trades on 19.5x 1 year forward PE in-line with its 5-year average and only 7% above its 10-year average. Valuations in Mid Cap and Small Cap space however remain more elevated.

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## Macro View

In our view, global macro environment remains challenging with heightened geo-political and economic uncertainties. US Fed rate cuts and Chinese government stimulus measures should be positive for the global economy. Policies of the incoming US administration are still awaited. For India, GDP growth has moderated to 5.4% (YoY) in Q2FY25. However, we expect growth to improve in H2FY25 as government spending accelerates now post elections. Strong monsoon and higher food prices should be supportive for rural consumption in FY25.

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## Outlook

In the near term, there is a certain level of slowdown in India's growth momentum, however we believe longer term outlook remains strong. We expect India's investment cycle to be on a medium-term uptrend supported by rising government investment in infrastructure and recovery in real estate cycle. We also expect higher private investments in renewable energy and related supply chain, localization of higher-end technology components, and India becoming a more meaningful part of global supply chains to support faster growth. Post the recent correction, Nifty valuations are now in-line with its 5/10-year average. We remain constructive on Indian equities supported by the more robust medium term growth outlook.



## Key Drivers For Future

On the headwinds, we have

**Moderating global growth** due to higher interest rates is likely to weigh on demand going forward.

**Global commodity prices:** Decline in crude oil and fertilizers has been a positive for India from inflation, fiscal deficit and corporate margins perspective in FY24. However, any significant increase would be a headwind.

**Other factors/risks:** High fiscal deficit and weak monsoon.

We see the following positives for the Indian market:

**Government infrastructure spending:** Strong government thrust on infrastructure spending is clearly supporting the economy and has been one of the big positive contributors to FY24 GDP growth.

**Recovery in real estate cycle:** Real Estate remains another strong medium term growth driver having weathered the impact of higher interest rates. Demand trends in top metro cities remain strong and inventory levels have declined.

**Recovery in private capex:** Industry capacity utilization based on RBI survey data is at a reasonably high level and indicates potential for increase in private capex going forward. Also, continued expansion of the Production Linked Incentive (PLI) scheme is likely to further increase private investments in targeted sectors. We also expect higher private capex in renewable energy.

Note: Returns mentioned in the report are the Total Return or TR variants of the respective domestic indices. USD return for global indices. Views provided above are based on information in public domain and subject to change. Investors are requested to consult their financial advisor for any investment decisions.

Source: Bloomberg, MOSL & HSBC MF estimates as on December 2024 end or as latest available.

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