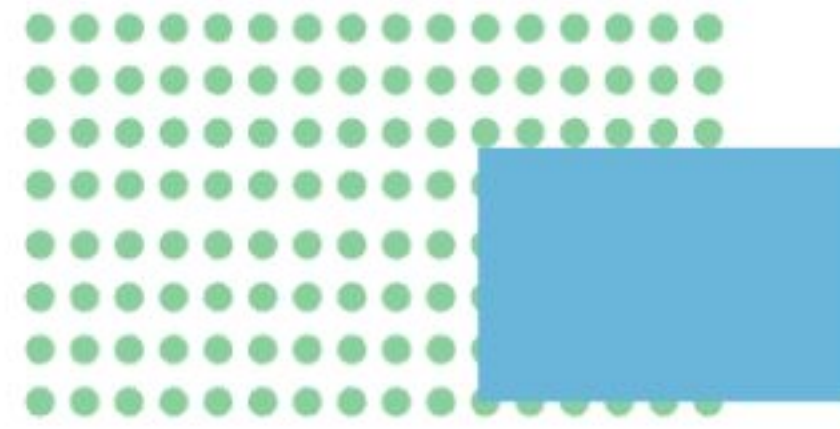


Market Outlook

January 2026



INDEX



01

Economic Outlook

- Indian Economy Overview
- Inflation Trajectory Throughout 2025
- Current Account Deficits Hold Strong
- Industrial Activity Shows Mixed Signals
- Monetary Policy Committee Actions - 2025

02

Equity Outlook

- Preview of the Month
- Valuation of India Equity Markets
- Earnings
- Institutional Activities
- Global Equity Outlook
- In-House View

03

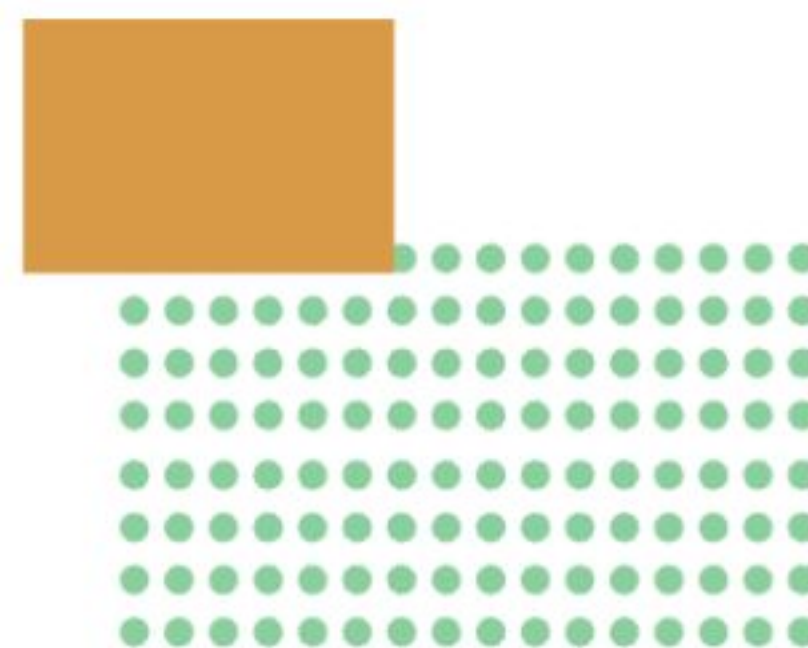
Debt Outlook

- Global Debt Outlook
- Indian Debt Outlook
- In-House View
- Commodity Outlook

04

Investing Ideas

- Products



CEO's desk

We present this month's Market Outlook highlighting the major developments influencing financial markets. Investor sentiment continues to be shaped by a combination of global developments, policy actions, and geopolitical uncertainties. Amid this evolving backdrop, our focus remains on offering data-driven perspectives to support informed decision-making.

Indian Equity benchmarks have moved to new highs, though broader participation remains uneven across segments. Ongoing foreign outflows have been mostly cushioned by domestic demand, policy support, and improving investment activity. Valuations appear more balanced compared to last year, though select areas remain elevated. A disciplined, diversified approach with gradual deployment continues to be important in the current environment.

Bond markets, on the other hand, have remained influenced by a mix of growth expectations, inflation dynamics, and fiscal supply pressures. In India, elevated borrowing and liquidity operations by the RBI have resulted in phases of support and pressure on long-term yields. Globally, yield curves reflect a similar divergence, with short-term rates responding to monetary easing while longer-term yields remain sensitive to growth and fiscal considerations. Against this backdrop, market conditions continue to evolve, underscoring the importance of monitoring policy actions, liquidity trends, and yield curve movements in the period ahead.



We will continue to monitor developments across global economies and financial markets. As conditions remain fluid, staying informed and adaptable will be important in the period ahead.

Manu Awasthy

Manu Awasthy
CEO & Founder
Centricity

Pulse check

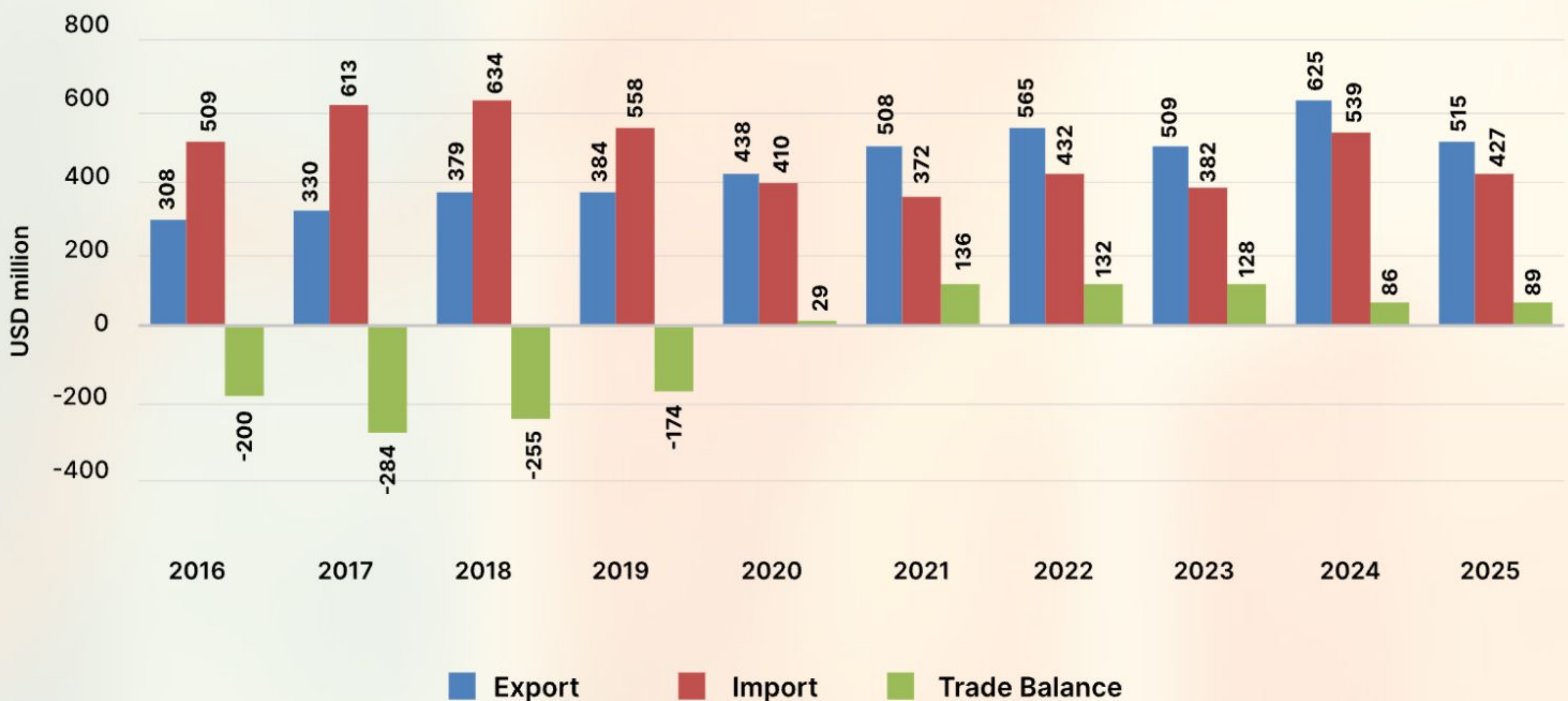
India - New Zealand: The Growing Trade Relations

India and New Zealand share a steady trade and economic relationship, underpinned by complementary economies, growing people-to-people ties, and expanding services engagement. New Zealand ranks as **India's 76th largest export destination and 72nd largest import source**, indicating a modest yet scalable position in India's overall trade framework.

In 2024, New Zealand's total overseas investments amount to **USD 422.6 billion (March 2025)** nearly **8% of GDP invested abroad annually**, making the country an important source of long-term capital. Around **300,000 people of Indian origin and NRIs** reside in New Zealand, constituting **5% of its population**. This strong diaspora acts as a cultural and economic bridge.

India–New Zealand trade has witnessed a sharp acceleration in recent years. **Merchandise trade** rose from **USD 873 million (2023–24)** to **USD 1.3 billion (2024–25)** a **~49%** year-on-year increase. India's exports to New Zealand increased by 130% over 10 years whereas imports grew by only **7.21%**, resulting in a **sustained positive trade balance** for India.

India's Merchandise Trade With New Zealand



Source: DGICS

India- New Zealand FTA: Key Provisions

- The FTA **eliminates tariffs on 100% of New Zealand exports to India immediately**, while India will provide market access on **70% of tariff lines**, with the remaining lines phased in over time.
- **Sensitive products** such as dairy, sugar, select nuts, and certain animal products are excluded. About **30% of Indian lines** will have immediate duty elimination (wood, wool, leather), **36% phased over 3–10 years** (petroleum, machinery), and a small fraction will face **tariff reductions or quotas**.
- New Zealand will extend **Most-Favoured Nation (MFN) treatment across 139 sectors**, covering **118 key services sectors**.
- India's **AYUSH systems** (Ayurveda, Yoga, Naturopathy, Siddha, etc.) will gain global recognition through a dedicated annex, promoting **wellness services and medical value travel**.
- Indian students will be able to access **post-study work visas: up to 4 years for doctoral students and 3 years for STEM master's and bachelor's programs**.
- A quota of **5,000 skilled Indian professionals annually** will be able to work in sectors including IT, engineering, healthcare, education, and other priority areas.
- New Zealand will invest **USD 20 billion over 15 years**, strengthening **long-term economic and strategic ties**.
- Both countries will cooperate in **AYUSH, tourism, audiovisual industries, sports, and traditional knowledge systems**, fostering innovation, skill development, and international outreach.

The announcement of the **India–New Zealand FTA** highlights India's **commitment to strengthening bilateral trade** with diverse partners. In 2025 alone, India has successfully concluded landmark agreements, including the **Comprehensive Economic Partnership Agreement (CEPA) with Oman**, which expands duty-free access to key Indian exports, and a **Comprehensive Economic and Trade Agreement with the United Kingdom** aimed at significantly boosting bilateral trade and services cooperation. India has also progressed its **Trade and Economic Partnership with the European Free Trade Association (EFTA)**. Beyond these, negotiations are advancing with the **European Union, Canada, and the United States**, reflecting a strategic push to diversify market access and integrate Indian businesses more deeply into global value chains.



A stylized illustration of a city skyline with various buildings, a bridge, and a power tower. The scene is overlaid with several red and blue arrows pointing upwards, a large blue dollar sign, a pie chart, and a line graph showing an upward trend. The background is a warm, orange-to-yellow gradient with soft bokeh light effects. The text 'Economic Outlook' is written in a large, white, serif font at the bottom left.

Economic Outlook

Indian Economy Overview

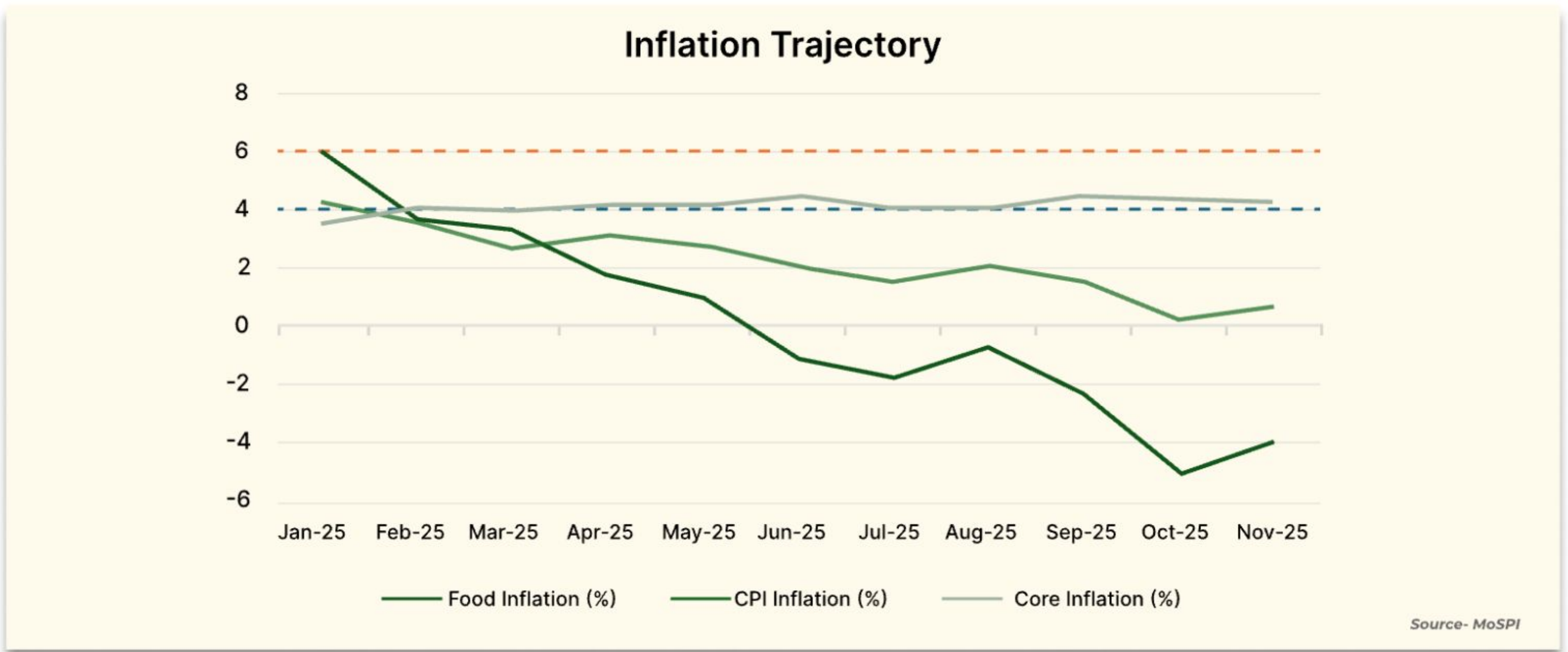
1. India's GDP grew **8.2% in Q2 FY26**, up from **5.6% in same quarter last year**.
2. **CPI Inflation is 0.71% in November 2025**, an increase of 46 basis points from October 2025, aided by base effects and moderating food inflation.
3. Fiscal deficit for the first 6 months of this fiscal year through September stood at **₹ 5.73 lakh crore or 36.5% of the annual estimate**.
4. Current account deficit eased to **1.3% of GDP** for Q2 FY26.
5. India's forex reserves rose to **USD 693.32 billion as on 26th December 2025**, after brief volatility in mid-FY due to capital outflows.
6. The rupee depreciated to fresh record lows, breaching the **₹90/USD** mark and averaging **₹90.01/USD** through December.
7. Net direct tax collections stood at **₹17.05 lakh crore as on 17 December 2025**, registering 8.00% gain over the same period last year.
8. Total Net GST Revenue stood at **₹1.46 lakh crore in November**, marking a **6.8% annual increase**.



Domestic Macro Indicators

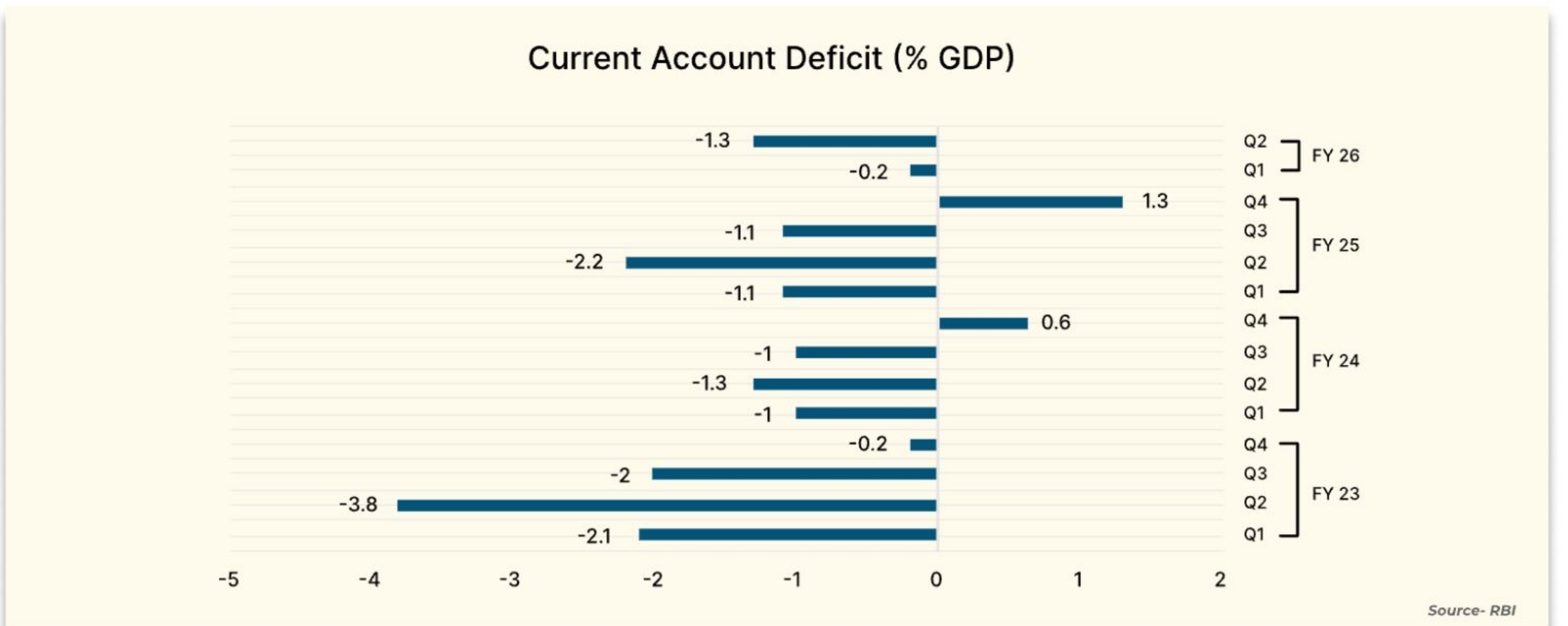
FY	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Current
Real GDP Growth (%)	8.0	8.3	6.8	6.5	3.9	-5.8	9.7	7.6	9.2	6.5	8.2
Average CPI Inflation (YoY%)	4.9	4.5	3.5	3.4	4.7	6.1	5.5	6.6	5.6	4.6	0.7
Forex Reserves (USD billion)	356	370	424	413	490	579	606	579	648	676	693.3
Currency (USD-INR)	66	64	66	70	75	74	77	82	83	86	89.9
Net Direct Tax Collections	7.4	8.5	10.0	11.3	10.5	9.4	14.1	16.1	15.8	22.2	17.0
Current Account (%GDP)	-1.1	-0.6	-1.9	-2.4	0.1	-0.2	-1.5	-2.2	0.7	-1.1	1.3
Fiscal Deficit (%GDP)	3.9	3.5	3.5	3.4	4.6	9.3	6.7	6.4	5.6	4.8	4.4 (Target)

Inflation Trajectory Throughout 2025



Inflation remained benign through most of CY2025, with headline inflation (CPI) staying below the **RBI’s flexible inflation targeting (FIT)** band, driven primarily by moderation in food prices. Food inflation turned disinflationary in the second half of the year, supported by healthy buffer stocks, favorable monsoon and strong base effects. **Core inflation, however, remained sticky, hovering around 4% despite the broader CPI moderation**, largely due to a sharp surge in precious metal prices. Gold and silver prices rose by approximately 72% and 171% year-to-date (YTD), respectively, keeping core inflation elevated. However, excluding precious metals, core inflation hovered around 2% for most of the period.

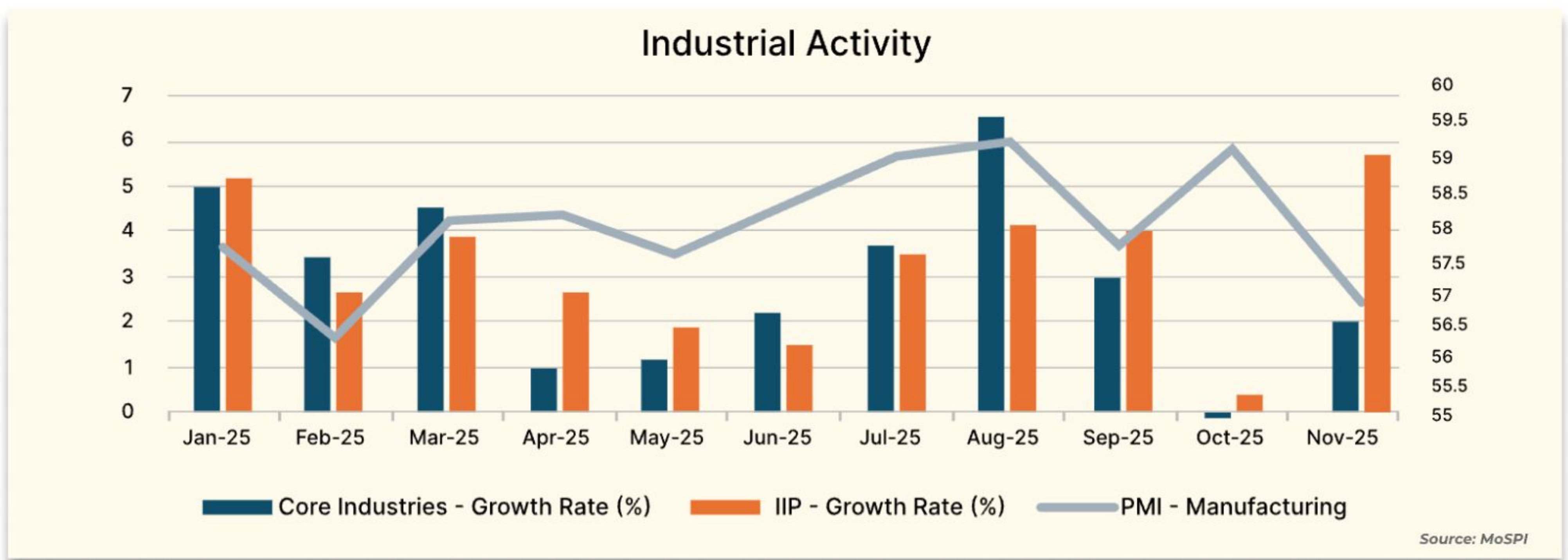
Current Account Deficits Hold Strong



India’s current account position remained manageable through CY2025, despite quarterly volatility. The current account swung into a surplus of **~1.3% of GDP (\$13.5 bn)** in the March 2025 quarter, supported by strong services exports, aided by front-loading of exports ahead of anticipated tariff actions.

In Q2 FY26, the current account deficit moderated to \$12.3 bn (-1.3% of GDP), reflecting a narrower merchandise trade deficit. Tariff pressures weighed on the external balance, with labour-intensive exports showing stress: gems and jewelry fell 15.6%, textiles 9.5%, and readymade garments remained weak in the past 2 months. This decline was partially offset by increased shipments to UAE, Hong Kong and China. The impact on the current account was further cushioned by the resilience of the services sector, with services exports growing 8.2% during the first seven months of FY26. However, policy headwinds particularly higher H-1B visa fees and the proposed HIRE Act pose a risk to services exports.

Industrial Activity Shows Mixed Signals



India's manufacturing momentum showed signs of moderation in December, with the *HSBC India Manufacturing PMI* easing to **55 from 56.5 in November, marking a 38-month low**. While new business continued to expand at a healthy pace, the rate of **growth slowed to its weakest since December 2023**. Export demand also lost some momentum, with **international orders rising at the slowest rate in 14 months**, with resilient demand from **Asia, Europe, and the Middle East**.

In contrast, IIP growth remained robust. India's **industrial output rose 6.7% year-on-year in November, the strongest reading in 25 months and the highest so far in FY26**, driven by a sharp acceleration in manufacturing and a rebound in consumer demand, even as electricity generation contracted for the second consecutive month. Manufacturing output, which accounts for nearly **78% of the IIP basket**, expanded **8% YoY, a 25-month high**, compared with **2% in October and 4.4% over April–November**.

Monitory Policy Committee Actions - 2025

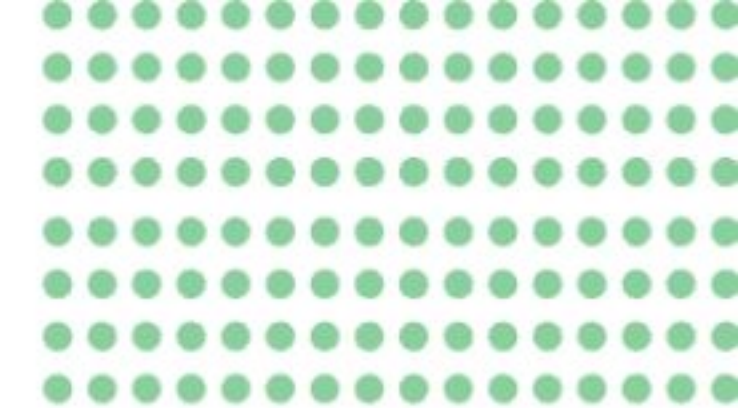
RBI's Meeting Schedule (CY 2025)		
Meeting Dates	Action	Stance
February 5-7	Rate cut by 25 bps	Neutral
April 7-9	Rate cut by 25 bps	Accommodative
June 4-6	Rate cut by 50 bps	Neutral
August 4-6	Hold	Neutral
September 29 - October 1	Hold	Neutral
December 3-5	Rate cut by 25 bps	Neutral

Throughout CY2025, the Reserve Bank of India's MPC eased monetary policy in response to subdued inflation and evolving growth dynamics. The year began with a **25-bps repo rate cut in February, lowering it to 6.25%** as inflation moderated and growth recovery remained tentative. In June 2025, the MPC delivered a larger **50 bps reduction**, bringing the repo rate to **5.50%** and **shifting its policy stance from accommodative to neutral to balance growth support and provide the economy with the required cushion to face the upcoming tariff pressures**. After holding the easing the cycles for two consecutive meetings the central bank in **December 2025**, amid exceptionally low inflation and strong growth indicators, **the central bank cut the repo rate by another 25 bps to 5.25% while retaining a neutral policy stance**, citing the need to support demand even as price pressures remained benign. Over the year, **cumulative cuts amounted to 125 bps**, reflects a clear pivot toward growth support while keeping a watchful eye on inflation.

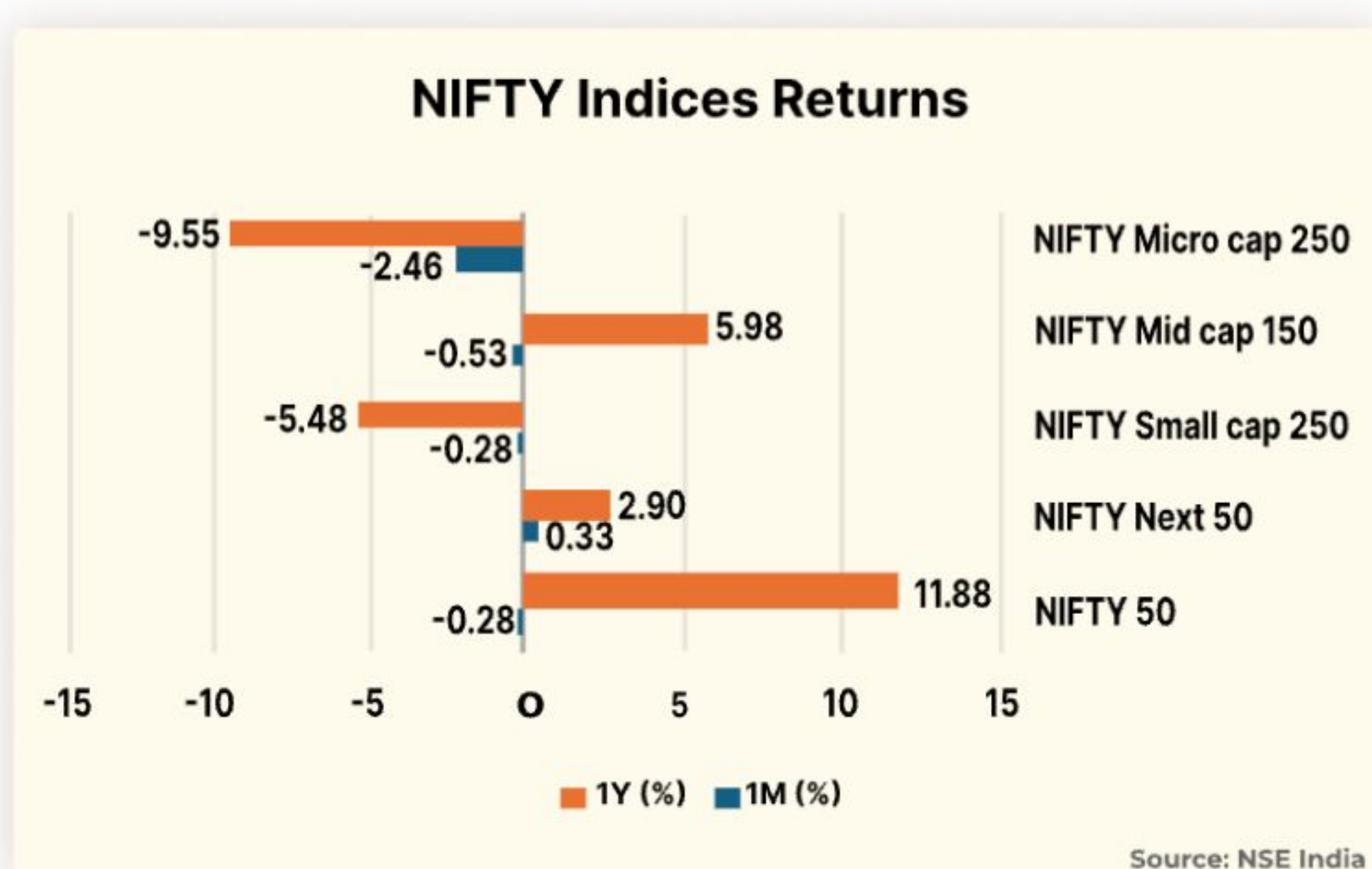
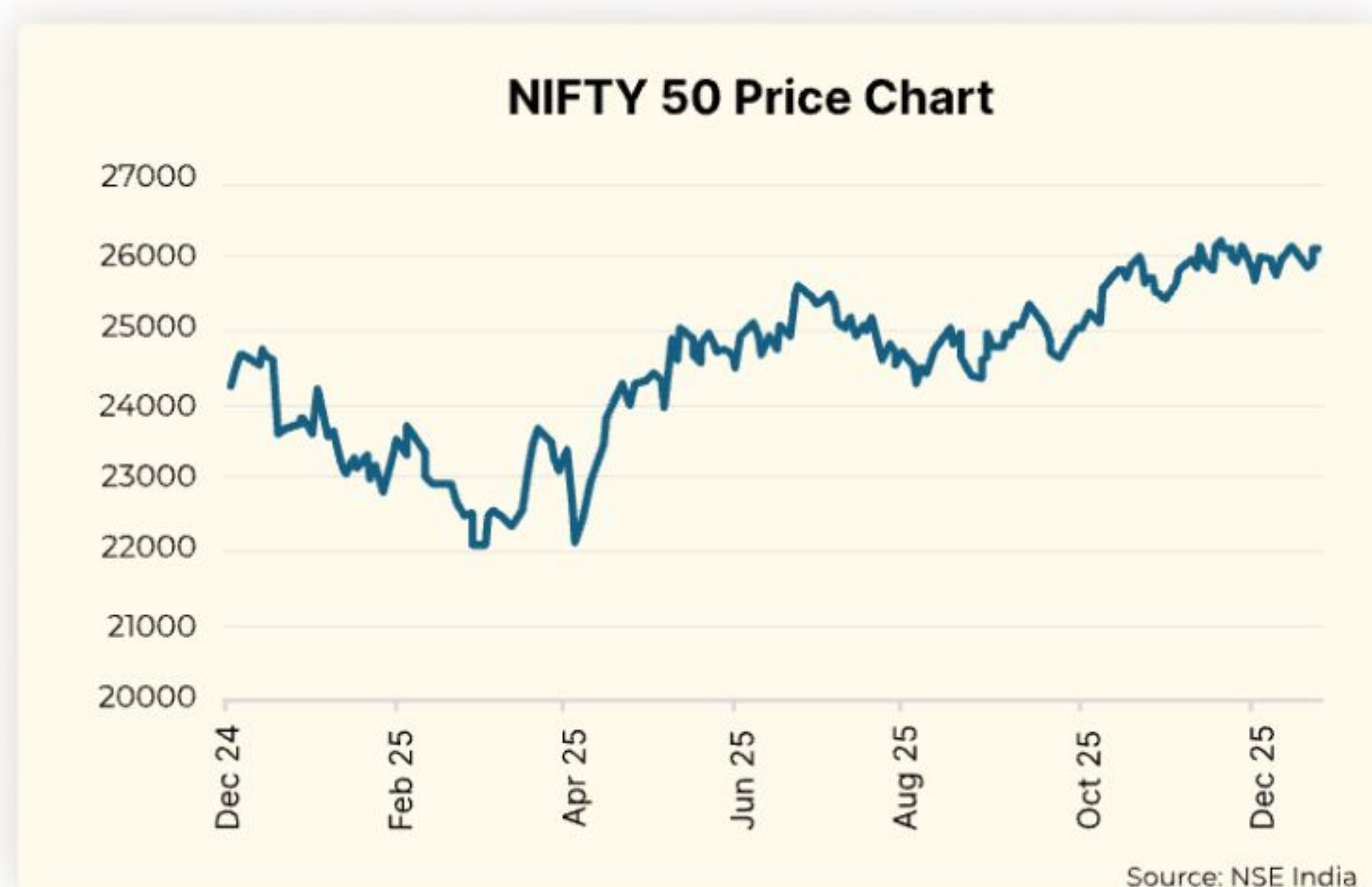




Equity Outlook



Monthly Recap : December 2025



NIFTY Indices	Returns (%)		
	1M	3M	1Y
Auto	1.49	6.23	24.59
FMCG	-0.22	1.62	-0.43
Media	-1.60	-6.15	-19.98
Financial Services	-0.99	6.16	18.60
Metal	8.50	11.31	29.90
Pharma	-1.19	5.94	-2.25
Consumer Durables	-2.97	-0.95	-11.75
Oil & Gas	1.64	8.54	15.25
Realty	-2.79	1.20	-16.30
Energy	-0.63	1.10	1.84
Infrastructure	-0.39	6.88	14.64
India Defence	-3.28	-1.28	19.98
India Consumption	-1.47	1.94	9.22
Commodities	3.31	6.00	18.42
Housing	-0.21	3.03	7.46
Bank	-0.29	9.05	18.08
IT	1.28	13.43	-10.44

Source: NSE India

December Market Dynamics: Consolidation Amid Foreign Selling & Mixed Breadth

In December, **NIFTY 50 consolidated near 26,000, fell a modest ~0.3% for the month while delivering a strong ~11.9% return over the past year**, highlighting the resilience of large-cap stocks. Foreign outflows weighed on broader market sentiment, keeping mid- and small-cap indices under pressure.

The smaller indices painted a contrasting picture: **NIFTY Microcap 250 fell 2.46% MoM and ~9.5% over the year, while NIFTY Smallcap 250 dropped 0.28% for the month and 5.48% for the year, reflecting ongoing caution among risk-sensitive investors.** Overall, selective buying in metals and cyclical stocks supported pockets of the market, but consolidation in large caps amid foreign selling and year-end liquidity shifts defined December's trend.



Sectoral Performance

- **Metals staged relative strength**, especially toward month-end, with tariff news supporting domestic steel firms and driving sector gains. Large-cap metal names helped underpin broader index stability.
- **Consumer Durables underperformed in December**, showing weaker momentum compared to other cyclicals. Post-festive normalization in demand, coupled with high interest rates and year-end portfolio rebalancing, led investors to rotate away from the sector, resulting in relative underperformance rather than a sharp sell-off.
- **Financials & Banking remained steady**, anchored by domestic credit growth and improving asset quality, which continued to attract allocations from institutional investors.
- **IT sector lagged**, drag persisted as global tech demand softness and regulatory headwinds capped gains, keeping returns muted relative to cyclical peers.



Valuation of Indian Equity Markets

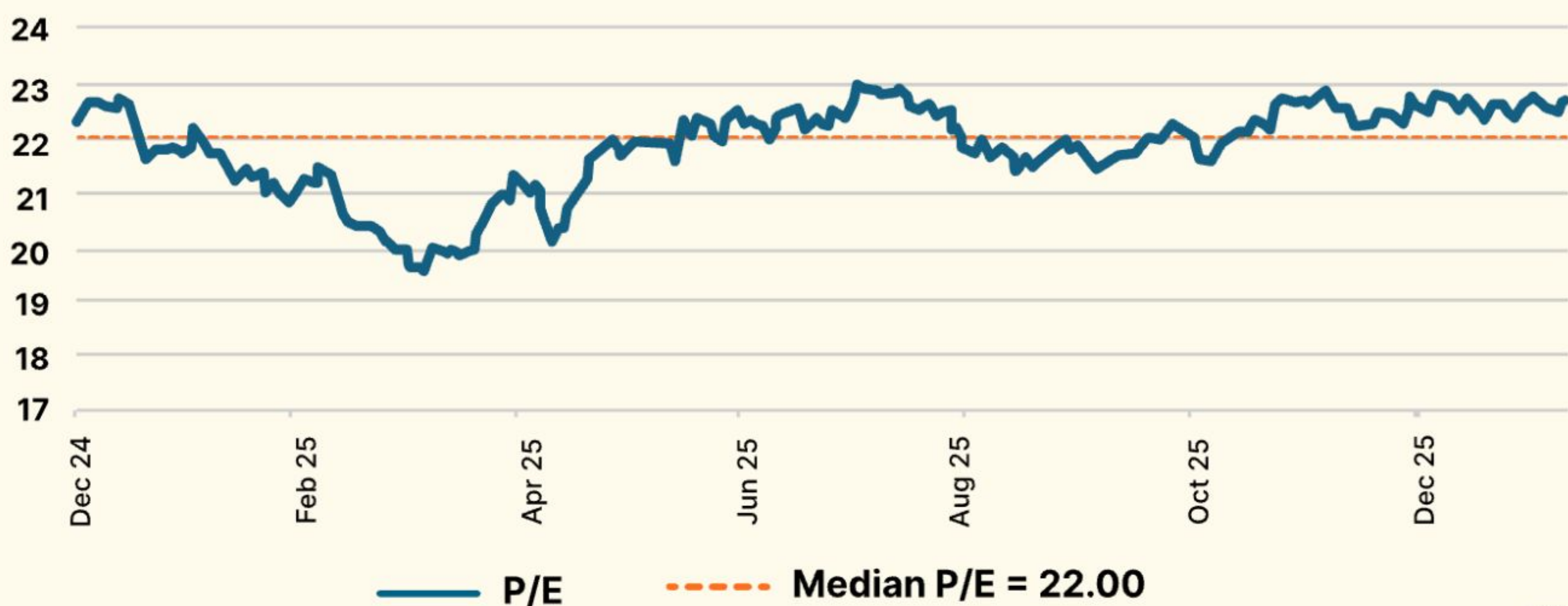
Valuations across Indian equities have moderated meaningfully over the past year. Though Nifty 50 now trades at a P/E of 22.75, up modestly from 21.79 since last year, but still below its 10-year average of 23.49. This signals that this segment might still offer selective value. This positions the benchmark in a neutral valuation zone, where markets seemed to be neither deeply overheated nor significantly undervalued.

	TTM P/E (As on 31 st Dec' 24)	TTM P/E (As on 31 st Dec' 25)	Apr'15-Mar'25 (10 Yr Historical Average)
Nifty 50	21.75	22.75	23.49
Nifty Next 50	24.90	20.18	27.43
Nifty Smallcap 50	34.68	32.18	33.04
Nifty Midcap 100	42.90	33.84	30.57
Nifty 500	25.56	24.45	26.69

Source: NSE India

Across the broader market, the cooling is more evident. The Nifty 500's P/E has declined from 25.56 last year to 24.45, now trading at a discount to its long-term average of 26.69, indicating a gradual normalization from prior valuation multiples. While mid- and small-cap valuations have corrected sharply against Dec-2024 valuations, midcap remains elevated in historical terms. Valuations have not stretched to extremes and no longer seem to be at the highs that once triggered caution.

NIFTY 50 P/E Chart



Source: NSE India

Market Breadth Tightens Further as Valuation Discipline Deepens

The December P/E distribution for NIFTY Total Market Index companies reflects a clearer shift toward valuation discipline and earnings visibility. **The <25x P/E band now accounts for 29.33% of companies, broadly stable on a MoM basis.** Financials, especially banks, continue to dominate this band, reinforced by steady earnings delivery, improving asset quality, and expanding credit growth. **Select industrials and capital goods names remain anchored here.**

A more meaningful change is visible in the 25–50x P/E range, which expanded to 36.13% of companies in December. This suggests a migration of stocks from both higher and lower valuation buckets into a more “fair value” zone. Sectors such as IT, auto components, consumer durables and pharmaceuticals saw incremental additions here, reflecting stable order flows and reasonable earnings outlooks. This band increasingly represents the market’s comfort zone.

NIFTY Total Market Index Companies P/E

P/E Range	No. of Companies	% of Total Companies	MoM Change in No. of Companies (%)
<25	220	29.33	-0.91
25-50	271	36.13	3.69
50-75	130	17.33	-3.08
75<	93	12.40	-4.30

Source: Screener.com
Note: Total adds up to 714 as P/E for 36 companies was not available.

Higher valuation clusters continued to contract. **The 50–75x band declined to 17.33%, while the >75x segment narrowed further to 12.40% of companies, marking a month-on-month compression.** Consumer-facing growth sectors, particularly consumer durables, retailing, healthcare services, and select pharma and new-age businesses, saw downgrades across these high valuation bands. **While long-term structural narratives remain intact, investors are possibly reassessing how much growth certainty is truly defensible at premium multiples.**

Cyclical and commodity-linked sectors such as metals & mining, oil & gas, construction materials, and industrial products **continue to cluster in the lower to mid P/E ranges (<25x and 25–50x).** This positioning reflects ongoing sensitivity to global growth signals, commodity price volatility, and capex cycles.



Earnings So Far

As the market moves into the Q3FY26 earnings season, expectations are for steady but moderate growth rather than a sharp jump. This caution stems from a mix of factors; global growth remains uneven, commodity prices have been volatile, and some sectors are still working through margin pressures. At the same time, domestic demand has held up, preventing a broader slowdown.

Financials, capital goods, defence, healthcare, and select consumption sectors are expected to lead growth, supported by steady credit demand, government capex, and healthy order books. IT services may see gradual improvement, aided by stabilising deal pipelines, though global tech spending remains uncertain. In contrast, commodity-linked and oil-related sectors face a more volatile backdrop. Metals, oil & gas, and related industries are exposed to swings in global prices, geopolitics, and supply decisions, which could lead to uneven margins and earnings visibility.

Overall, **earnings strength is expected to be selective in Q3 FY26.** With multiple factors at play, especially in IT and commodity-heavy sectors, the market is likely to reward earnings certainty over optimism.





Institutional Activities

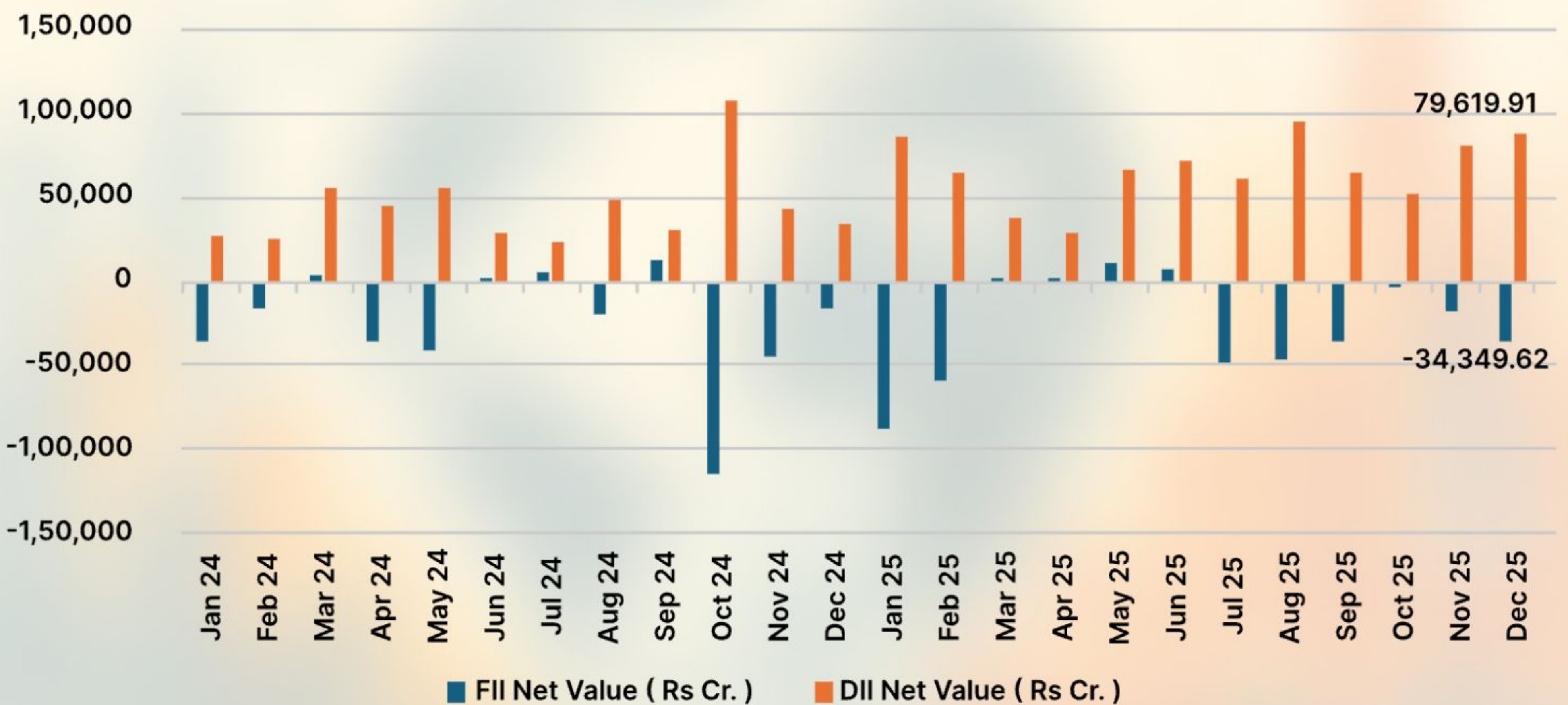
FII Outflows Continue as Foreign Caution Persists

- **Foreign investors stay net sellers:** FIIs continued to sell Indian equities in December, with net outflows of around ₹34,350 crore. While selling persisted, it was not as extreme as some of the sharper liquidation phases seen earlier in the year, indicating more controlled risk reduction rather than panic exits.
- **Why pressure remains:** Elevated U.S. bond yields, a firm dollar, and global portfolio rebalancing towards developed markets and commodities run continued to weigh on FII sentiment. Valuations near cycle highs also kept foreign investors cautious, especially in large-cap stocks.

DII Maintain Strong Buying and Cushion the Market

- **Strong domestic support:** Domestic institutional investors remained aggressive buyers in December, deploying close to ₹79,620 crore, once again offsetting foreign selling and providing stability to the market.
- **What’s driving DII strength:** Consistent SIP inflows, sustained mutual fund participation, and steady buying by insurance and pension funds continued to anchor domestic liquidity. This trend has reinforced the growing role of domestic capital in absorbing volatility and supporting market structure.

Graph: FII-DII in Cash Segment



Source: Moneycontrol.com

Global Markets

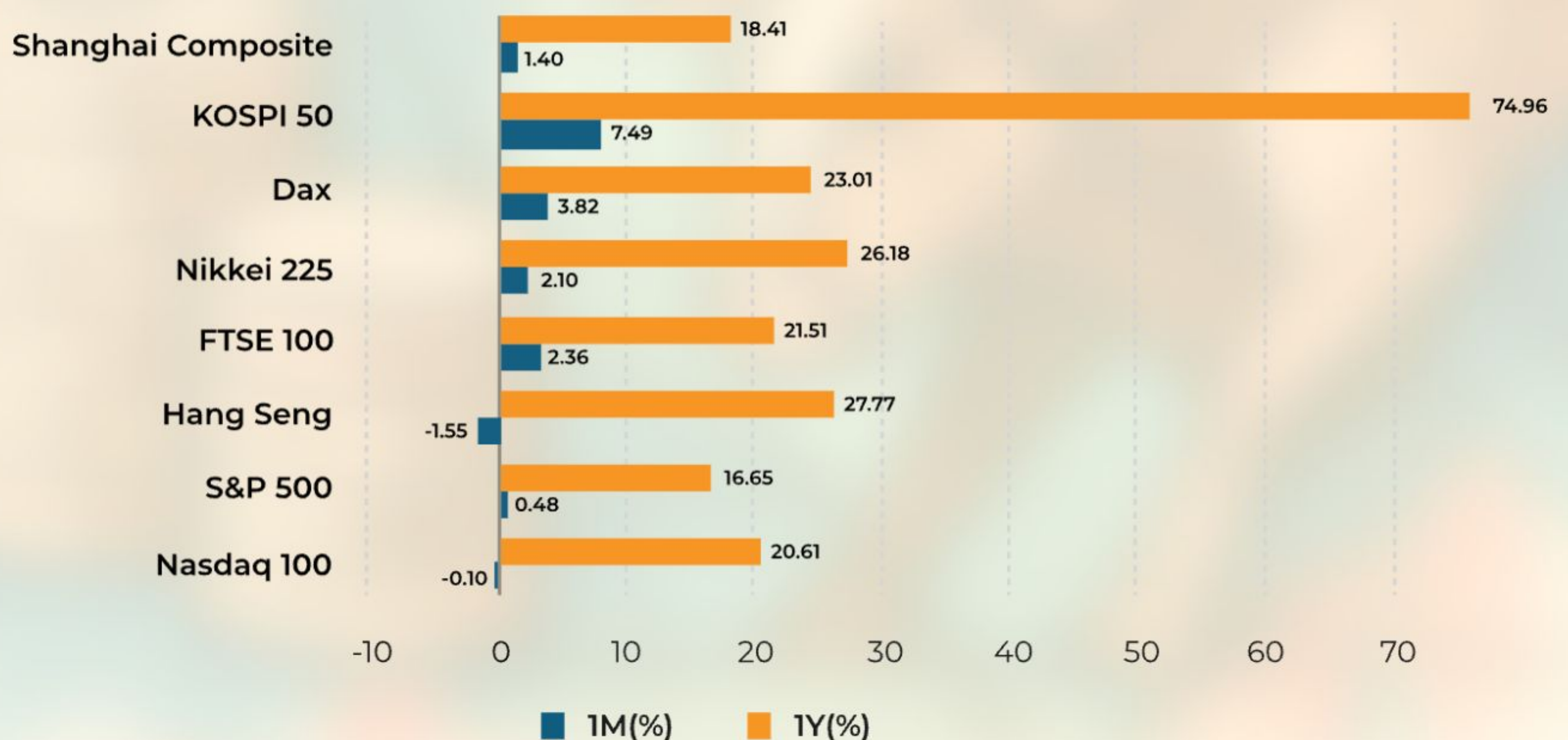
Asian markets were mostly positive in December. **Korea stood out again, delivering an exceptional 74.96% YoY and ~7.50% MoM gain**, the strongest among major global indices. The strong annual performance continues to **reflect optimism around semiconductors, memory chips, and AI-linked exports**.

Japan's Nikkei 225 also ended December with gains of 2.10% MoM and over 26% YoY. Support came from a weaker yen, steady foreign inflows, and improving corporate governance. However, rising bond yields and uncertainty around policy normalization limited sharper upside. **Shanghai Composite posted a modest 1.40% MoM gain, while the Hang Seng slipped about 1.55% during the month.** Despite stronger YoY numbers, weak domestic demand, property-sector stress, and cautious consumer sentiment continued to weigh on confidence and fresh inflows.

European markets were steady with FTSE 100 rising around 2.36% MoM and over 21% YoY, supported by defensive and dividend-heavy stocks. **Germany's DAX gained 3.82% MoM and 23.01% YoY**, helped by easing inflation, though weak manufacturing data kept investors cautious. U.S. equities, on the hand, cooled towards the year-end. **S&P 500 was largely flat in December but remained up about 17% YoY, while the Nasdaq 100 edged slightly lower** despite strong annual gains. Profit-taking in large-cap tech, high valuations, and uncertainty around the timing of Fed rate cuts capped further upside.

Overall, December felt like a pause after a strong year, with markets consolidating gains as investors focused more on earnings stability, valuations, and policy clarity going into the new year.

Global Indices Return



Note: As on 31st Dec 2025
Source: Moneycontrol.com

Equity In-House View

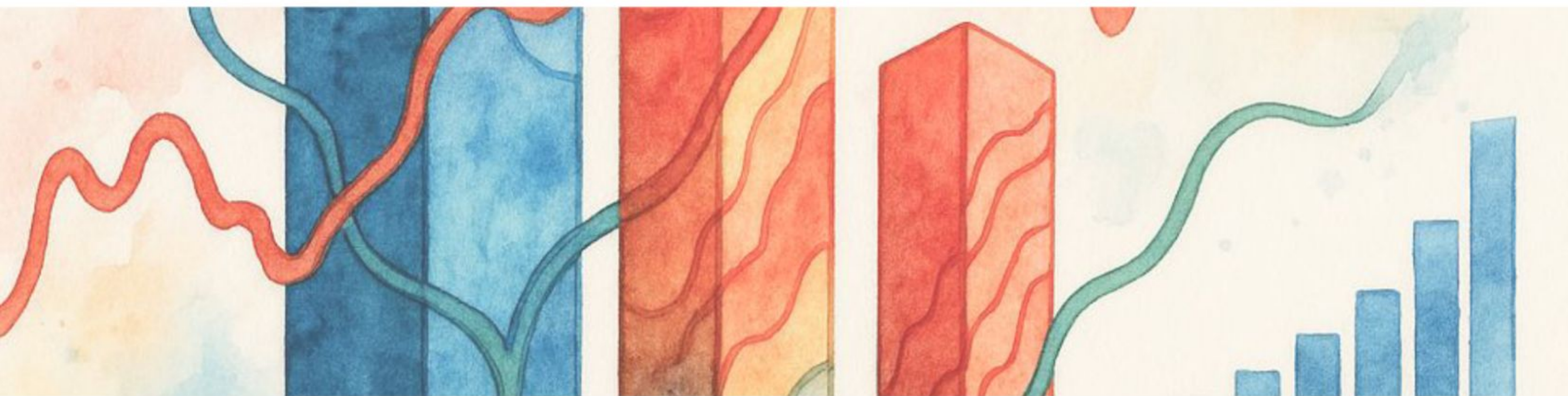


Domestic Outlook

While the benchmark indices have reached an all-time high, the portfolios still resist as small-cap and mid-cap stocks trade lower than the previous peaks. More than 75% of the stocks in the listed space stand 20% lower from their 52-week high, 55% of the stocks trade 30% lower from the high and 34% trade lower by more than 40%.

Despite persistent FII outflows, the setup ahead appears more constructive. A combination of supportive fiscal and monetary policy measures such as lower interest rates, CRR cuts, GST rationalization, and steady government capital expenditure, has improved the domestic backdrop. **Any positive development on tariff negotiations with the US or a shift in global capital flows away from crowded AI-led trades could act as a trigger for the next leg of market recovery.**

Compared with last year, positioning seems more comforting. We believe valuations have moderated but pockets of exuberance remain. Keep large caps as the portfolio core, be selective in midcaps (around 26% earnings growth in Q2FY26), and treat small caps with caution as valuation comfort persists in highly selective pockets. After more than a year of consolidation, disciplined asset allocation and staggered equity deployment are essential; our stance is cautiously optimistic with increasing tilt towards mid & small caps for aggressive clients.



Global Outlook

Centricity continues to hold a cautious but positive outlook on global markets. Equities are performing well but rising commodity prices point to growing risk, largely driven by U.S. policy actions: from tariffs to conflicts around Venezuela, Iran, Russia-Ukraine, and Israel. A reduced 10% tariff on China, rare-earth mineral export ban lift, and the first military action of U.S. on Venezuela remains as key verticals to gauge due to commodity action, especially gold and crude oil. **Geopolitical tensions, potential trade realignment, and divergent country outlooks have created uncertainty, yet investor flows stay strong as large funds search for relative value.**

This explains valuation gaps: **the S&P 500 actively trades above 28x-30x trailing earnings and the Nasdaq 100 above 39x-40x**, while indices such as **Shanghai Composite, Kospi and Nikkei trade around 16–21x despite substantial tech and industrial strengths.** Investors are balancing growth with safety, favoring lower valued markets with improving fundamentals. Structural risks remain a concern. Europe is burdened by geopolitical tensions and slower economic growth, while China's appealing valuation multiples are tempered by significant real estate stress and the necessity for further policy support.

Additionally, there is increased caution regarding the global technology trend: many artificial intelligence companies currently lack clear business models, cash flows, and significant improvements are necessary. However, much of the potential upside seems to be already factored into the prices. **Reducing allocation from US & moving to other emerging/low priced economies looks prudent.** In this context, a disciplined global strategy emphasizing diversification, staggered investments, and prudent asset allocation is essential.



DEBT

BONDS

Debt Outlook

Global Debt Outlook

USA

10Y yield:

Yields increased from 4.002 to 4.119

Inflation:

Inflation (PCE Index) stood at 2.7%, well above the Fed's target of 2%

Fed stance:

Cautious and data dependent, balancing between inflation uptick and weak job market data

China

10Y yield:

1.83, decreased from 1.86 in the previous month

Inflation:

Inflation numbers stood at 0.7% year on year

PBOC stance:

Accommodative

Japan

10Y yield:

2.077 (as on 30th Dec), increased from 1.807 in previous month

Inflation:

2.9%, decreased from 3.0% in October

BOJ stance:

Paused hikes, cautiously adjusting bond purchases

Eurozone (Germany)

10Y yield:

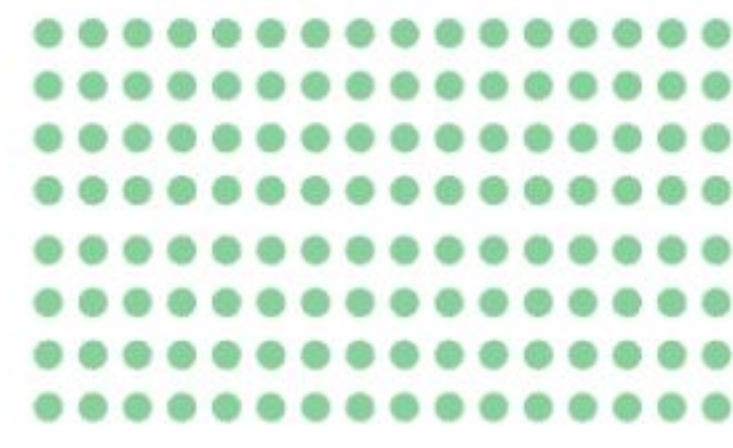
2.82, increased from 2.69 in previous month

Inflation:

2.1%, slight uptick from the long term target of 2%

ECB stance:

Decisions to be based on further data dependent changes



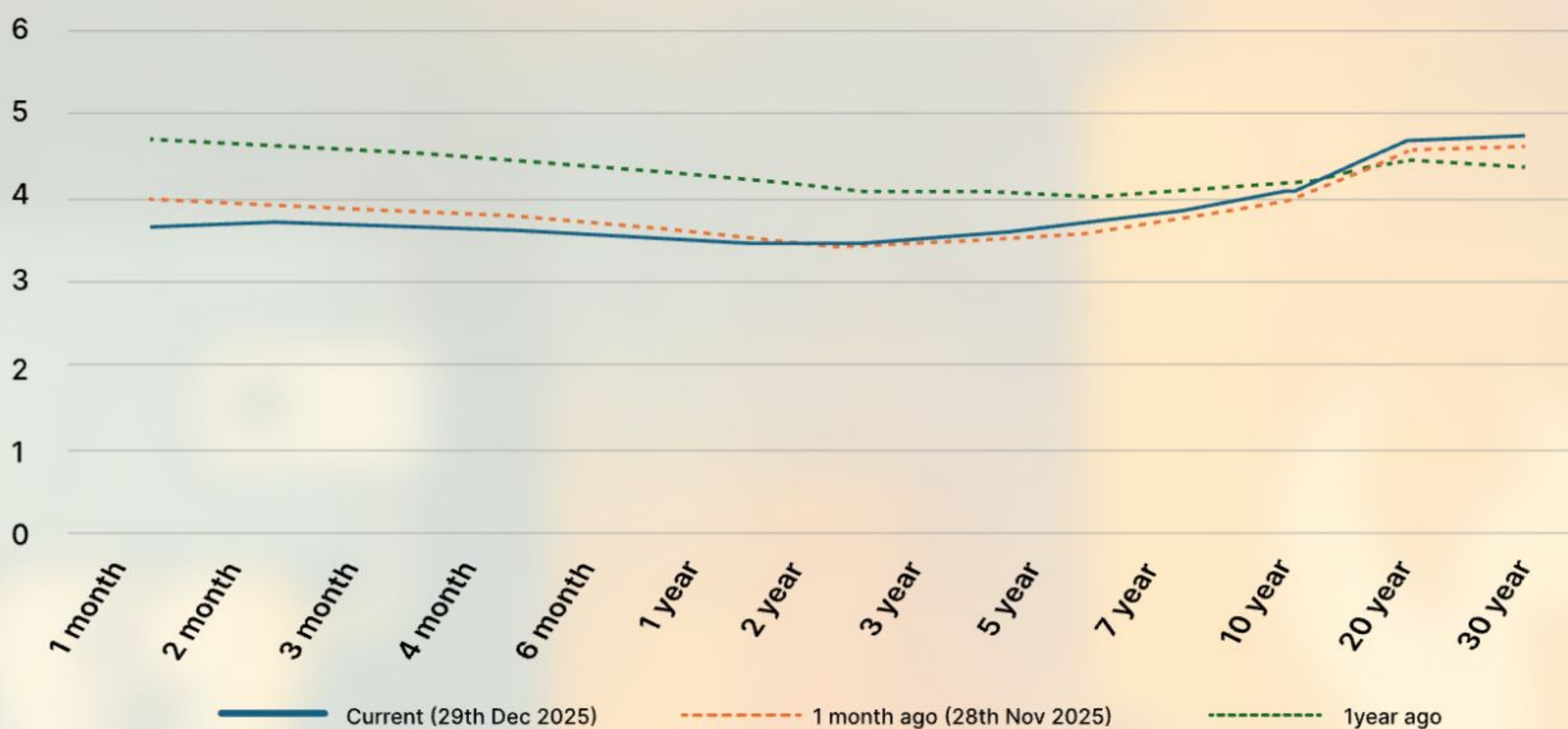
Global Debt Outlook

Short-term yields

At the front end, yields softened following the Fed's December rate cut; however, the decline was moderated by Chair Powell's neutral stance on further easing, with policy guidance emphasising that subsequent decisions will remain data dependent. Persistently firm inflation, reflected in the recent 2.8% PCE print, alongside a gradual softening in labour market conditions, has kept front-end yields anchored.

Yield Curve - USA

(as on 29th Dec 2025)



Source- U.S. Department of Treasury

Long-term yields

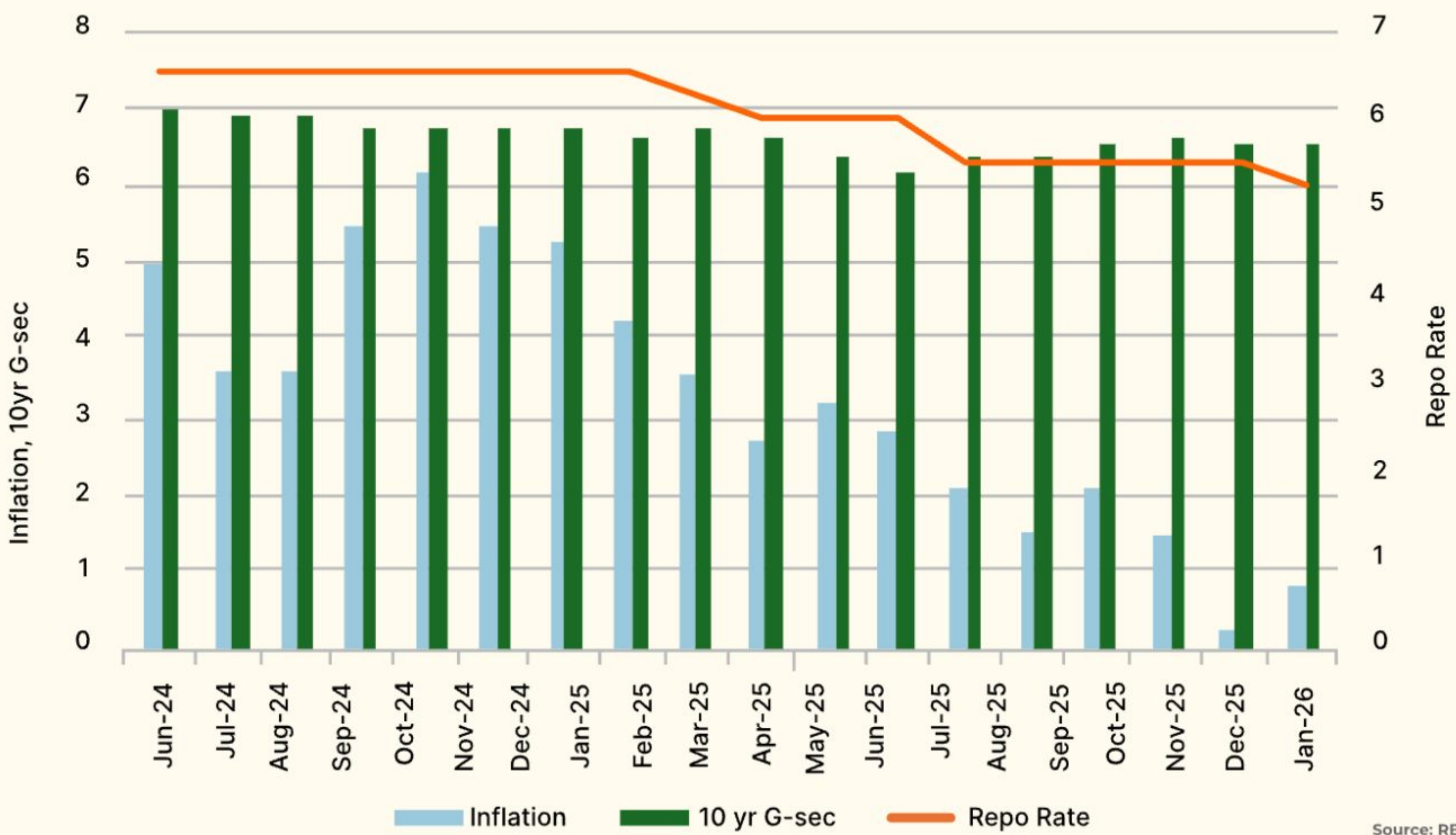
At the long end of the curve, yields have remained elevated, underpinned by **strong growth data, rising term premia, and ongoing fiscal and market uncertainties**. The U.S. economy expanded at a robust 4.3% annualised pace in Q3, supported by solid consumer spending, underscoring persistent economic momentum despite headwinds. Markets remain reluctant to price in further easing until clearer signals emerge, with long-end yields anchored by **strong growth, inflation concerns, and uncertainty around elevated government debt levels**.



Indian Debt Outlook

Over the past year, India’s 10-year G-Sec yield has moved within a narrow range and currently sits around 6.6%, reflecting declining inflation expectations . Yields have not fallen sharply despite policy easing by the RBI, as global interest rate pressures and supply dynamics have kept the long-end relatively stable.

In its December 2025 policy meeting, the RBI reduced the repo rate by 25 bps to 5.25%, citing a softer inflation outlook and resilient domestic growth, while also maintaining ample system liquidity through open market operations and other measures. Recent central bank measures to ensure durable liquidity and improve funding conditions are expected to support credit growth, with banks positioned to extend more loans as funding costs ease.

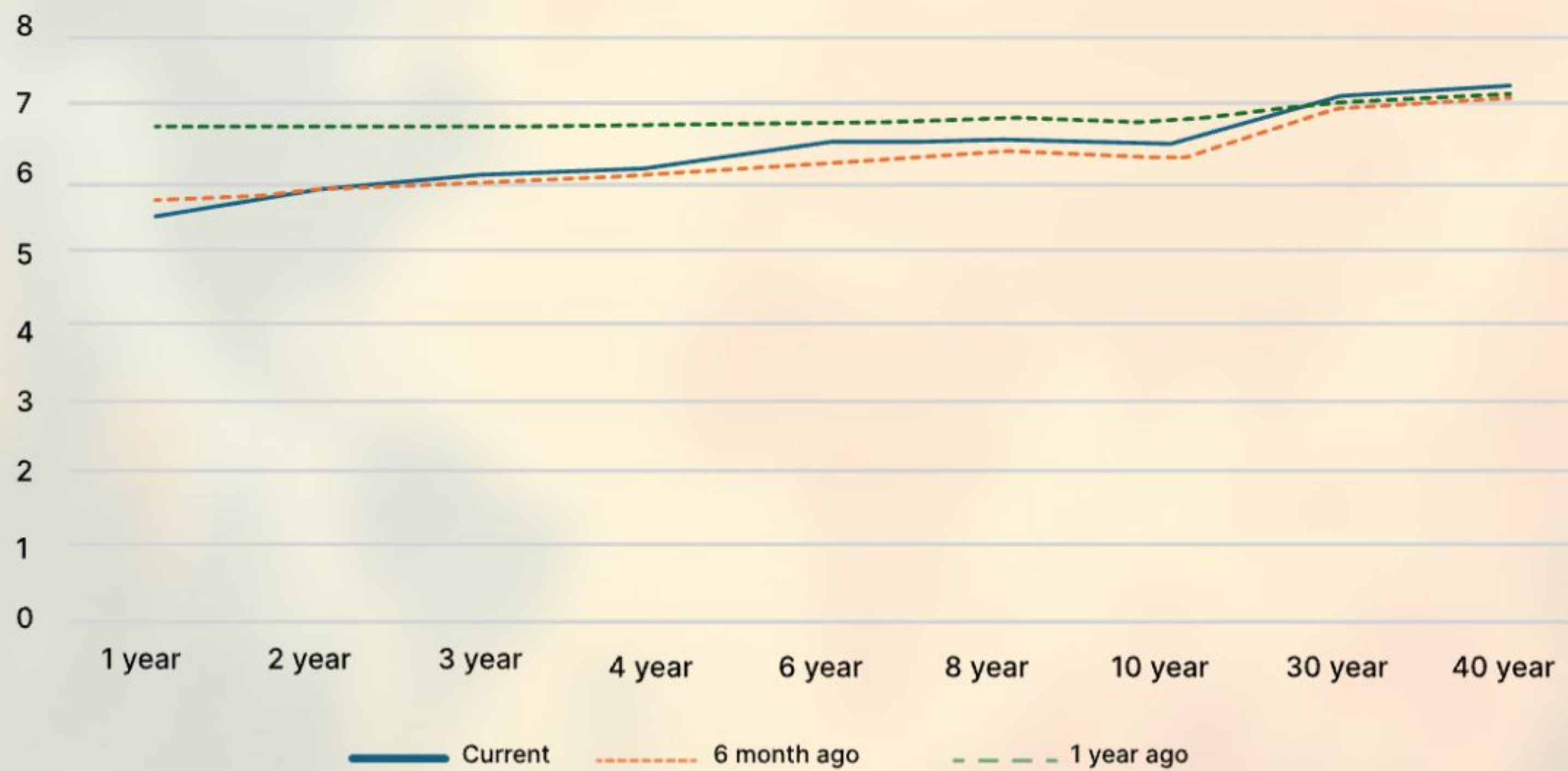


Source: RBI, Investing.com



Yield Curve - India

(as on 29th December 2025)



source: world government bonds.com

Short term yields

The short end of the yield curve remained relatively stable with a mild downward bias, supported by expectations of improved liquidity conditions. While markets largely anticipated a rate cut in December, the **RBI's decision to retain a neutral stance tempered bullish positioning at the front end**. Short-tenor yields have stayed well anchored over recent months, aided by a clear disinflation trend and contained near-term inflation expectations.

The RBI's liquidity-infusion measures, including bond purchases of around **₹1 trillion in December and the announcement of OMO purchases worth ₹500 billion, along with a \$5 billion forex swap have helped alleviate systemic liquidity tightness**. These actions are expected to keep short-term yields biased lower in the near term, provided inflation remains benign and surplus liquidity persists.

Long-term yields

The long end of the yield curve has remained under upward pressure, driven largely by **supply-side concerns**. Elevated fiscal borrowing particularly by state governments has raised fears of **bond issuance outpacing demand**, with states set to raise around **₹354.5 billion through bond sales**. This supply overhang has weighed on the long end of the yield curve and constrained the transmission of anticipated rate cuts to longer maturities. In addition, **stronger macroeconomic signals**, including resilient growth momentum, have reinforced yield resilience at the long end, keeping term premia elevated despite a broadly disinflationary backdrop.

Debt In-house View

In India, the long end of the yield curve has remained elevated, supported by an optimistic growth outlook, lingering inflation concerns, and substantial fiscal borrowing particularly by state governments. In December, the RBI purchased approximately ₹1 trillion worth of government bonds and conducted a US\$5 billion currency swap to inject liquidity.

While these liquidity infusions were significant, they were partially offset by foreign exchange interventions and bond redemptions during the month. As a result, the market has witnessed a seesaw between supply-side pressures from elevated bond issuance and RBI-led liquidity injections, with each alternately dominating yield dynamics at the long end.

Globally, front-end U.S. Treasury yields have drifted lower following the Federal Reserve's rate cut in December, aided by signs of cooling in the labour market. In contrast, long-end U.S. yields remain elevated amid firm GDP growth, persistent inflation pressures, and elevated fiscal borrowing.

Given these evolving policy dynamics, a prudent approach is to focus on selective opportunities in the short- to medium-end of the yield curve, including targeted credit calls, while remaining cautious on long-dated exposures. In this context, exposure to standalone NCDs and Credit AIFs appears attractive from a pure debt investment perspective

Commodity Outlook

Crude Oil

The oil market continues with its trajectory towards surplus. After several months near record levels, **global oil supply fell by about 610,000 barrels per day (kb/d) compared with October**, as OPEC+ cuts and outages in places like Russia and Venezuela reduced output. Even with this decline, **production in November stayed high compared with earlier in the year**.

Brent Oil Futures Prices (USD/bbl)



Source: Investing.com

Global oil stocks remained elevated through November, building on large stock increases seen in recent months. High inventories in OECD and non-OECD regions showed that **supply was still outpacing consumption, even though the rate of builds eased slightly**. Demand did improve slightly. **Consumption picked up in parts of Asia, especially China, supported by transport fuels and petrochemical use**. But this improvement was not strong enough to tighten the market. Demand in developed economies remained mostly flat, keeping overall growth modest.

Gold

Gold stayed strong through December, extending its remarkable run in 2025 and **holding comfortably above the \$4,000/oz mark for most of the month**. Prices moved up in the first half of December, briefly touching fresh record highs, before easing slightly toward the end as investors booked profits amid thin year-end trading.

The key pillars supporting the market remained intact: **steady central-bank accumulation, continued investment inflows, and a macro backdrop marked by geopolitical uncertainty** with an additional layer of support coming from the evolving situation in Venezuela and growing concerns around fiscal sustainability and long-term currency stability. In addition, **expectations of easier monetary policy in 2026 and periods of US dollar weakness further strengthened gold's appeal as a hedge**.





Silver

Silver had a strong finish to December, **climbing more than 20% over the month to new high of ~\$79 before running into some sharp volatility in the final days.** The sharp intraday volatility, contributing to silver falling 8–11% intraday, was driven by the CME Group’s decision to raise margin requirements on precious-metal futures, prompting profit-taking and the forced liquidation of leveraged positions.

Industrial demand continues to support silver prices. Electronics, solar panels, and electric vehicles are steadily consuming more of the metal, and investment demand adds another layer of pressure. Historically, **some mines sat idle due to low profitability, but higher prices now make previously unviable operations feasible.** Production can increase, yet the pace of bringing these mines online is gradual.

Meanwhile, **major banks namely Citi and Bank of America have been active on the short side, betting that silver’s rally will falter.** Reports indicate that BofA is short around 1 billion ounces, while Citi approximately 3.4 billion ounces, bringing their combined exposure to a staggering 4.4 billion ounces which more than five times the world’s annual silver production of roughly 800 million ounces. Such massive positions mean that if the market tightens or industrial and investment demand picks up, these banks may be forced to buy back silver quickly to cover their shorts, potentially triggering a sharp price spike and creating volatility.

Commodity In-house View

Crude Oil

Looking ahead into 2026, **global oil markets are likely to remain comfortably supplied**, with demand growth continuing but not strong enough to fully absorb the excess capacity built up over the last two years. **Even as OPEC+ maintains production discipline and supply growth slows at the margin, inventories are expected to stay elevated.**

Ongoing conflicts in the Middle East, supply risks around Russia, U.S. strikes elevating geopolitical tension in Venezuela, all carry the potential to create short-term tightness and price spikes. However, **unless these risks translate into sustained and material supply losses, the broader market structure remains surplus-oriented.** As a result, oil prices are likely to trade in a relatively range-bound manner, with fundamentals anchoring prices lower while geopolitics intermittently injects volatility.

Gold

Outlook for gold in 2026 is broadly expected to remain well supported, even if the pace of gains slows compared to the extraordinary rally of 2025. **The focus might shift from momentum-driven upside to how long the structural drivers stay in place.** Central-bank demand is expected to stay resilient rather than fade, providing a steady base to prices, even as investment flows become more selective at higher levels. **Geopolitical risks are unlikely to disappear and are seen as a persistent background support rather than a one-off trigger.**

While elevated price levels may lead to periods of consolidation and volatility, **the overall balance of factors continues to point toward an upward trend over time.**

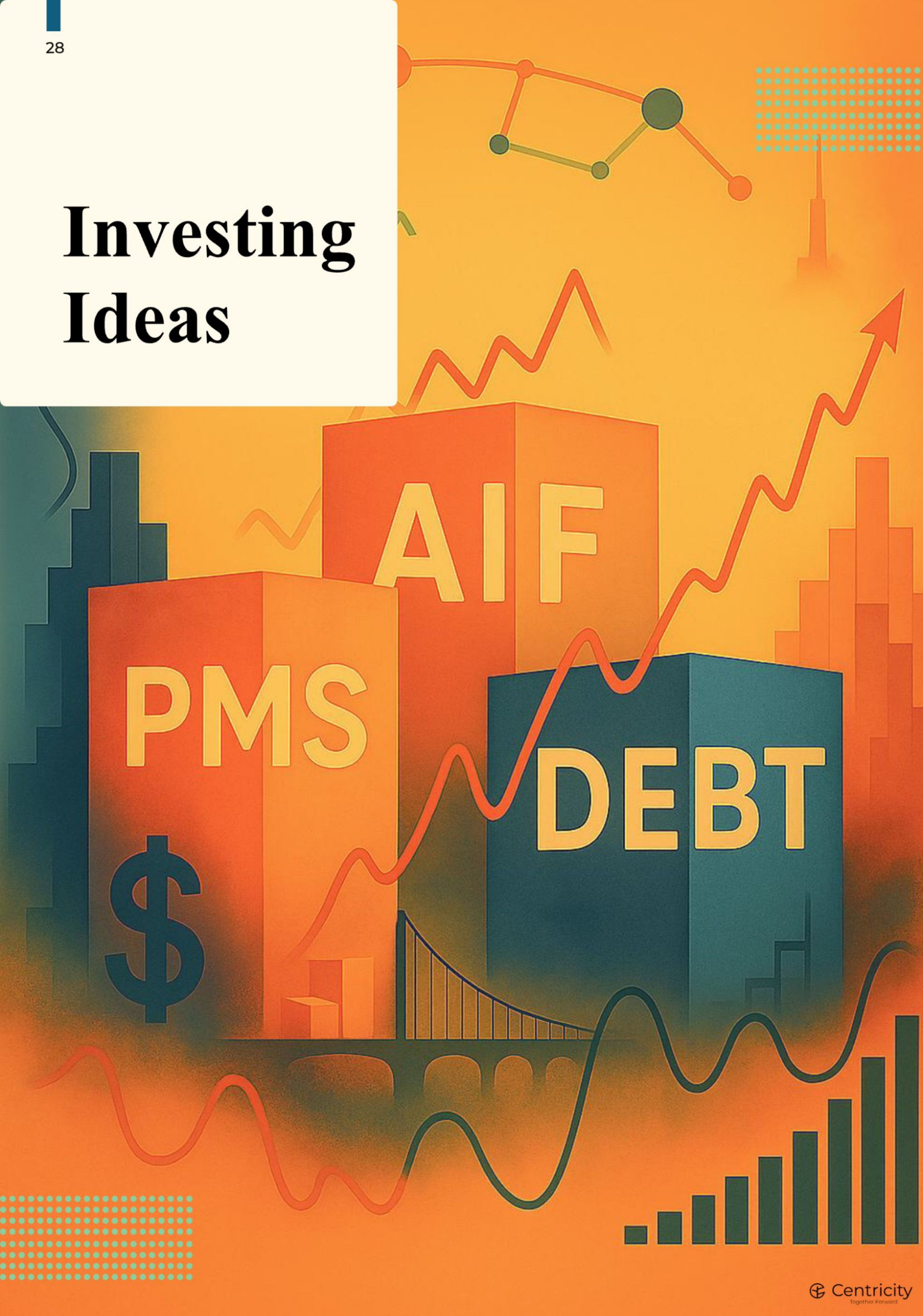
Silver

The outlook for silver remains cautiously constructive. While the metal has the potential to maintain gains over the medium term, the path is expected to be unpredictable, with short-term swings capable of erasing recent gains. **Volatility is likely to remain the defining feature of the market, making timing and risk management crucial.**

Measured positioning and careful monitoring are more prudent than aggressive bets, as rapid price swings can amplify both gains and losses. The focus should be on flexibility, awareness of near-term catalysts, and a willingness to navigate sudden reversals, rather than assuming a smooth upward trajectory.



Investing Ideas





Products

India continues to exhibit relative macro strength. Easing inflation, a supportive policy environment, and targeted fiscal measures are reinforcing domestic demand and earnings visibility, providing resilience against external headwinds.

At the same time, global uncertainties, ranging from geopolitical tensions to trade disruptions, call for a more measured and diversified investment approach. Accordingly, the strategies presented reflect opportunities across business cycles, selective equity exposure across market capitalisations, and performing debt and special credit solutions, with a clear emphasis on risk-adjusted returns and portfolio resilience in uncertain times.

Category	Sub-Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	Mutual Fund	Motilal Business Cycle Fund	Motilal Oswal Business Cycle Fund, managed by Niket Shah with a strong mid-cap track record, offers flexibility to move across market caps.	>3 years	14-17%
	PMS- Multi Cap	Buoyant Capital-Opportunities Strategy	Since inception, the fund has delivered a 22% IRR across market cycles, supported by its investment approach of balancing core and satellite portfolios. By actively shifting between defensive and aggressive positions based on market phases, it is well-positioned for today's dynamic environment.	>3 years	15-17%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	PMS- Multi Cap	Negen Capital-Special Situation & Technology Fund	With a 5-year TWRR of ~33%, the fund leverages rare value-unlocking opportunities like demergers, promoter changes, and delistings to capture alpha. Its focus on special situations and technology themes allows investors to access high-quality businesses at compelling valuations making it a powerful contrarian play in today's market.	>3 years	17-19%
	PMS- Mid & Small Cap	Carnelian Shift Strategy PMS	A concentrated portfolio of ~25 high-conviction ideas, pruned rigorously to retain only the best performers. It has delivered strong returns, with a 3-year CAGR of 30% and since-inception CAGR of 35%, far ahead of the BSE 500 TRI. The fund is led by founder Vikas Khemani, a veteran with 27+ years in capital markets and a proven track record in building market-leading businesses.	>3 years	17-19%
	PMS- Mid & Small Cap	Abakkus Emerging Cap Approach	With over three decades of experience, Sunil Singhanian brings deep market insight and a proven ability to generate long-term alpha in the mid and small cap space. His strong vintage and consistent performance across cycles make the fund well-equipped to navigate current market complexities.	>3 years	17-19%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Equity	AIF-Private Equity	Incred Growth Partners Fund II	A fit for investors seeking exposure to best-in-class, late-stage and high-growth private companies across consumer, financial services, enterprise and emerging national-priority themes, enabled by proprietary deal sourcing, active portfolio value-creation, and a disciplined SUPER-based selection framework—targeting a balanced mix of stability, liquidity, growth, and disruption over a focused 6-year fund tenure.	6 years	27-32%
Debt	AIF	Vivriti Short Term Debt Fund	Fund is a professionally managed, open-ended debt AIF targeting double-digit pre-tax returns with low volatility and quarterly liquidity, ideal for investors seeking stable, short-term income from a diversified, 100% investment-grade portfolio of short-maturity NCDs, PTCs, and commercial paper.	>1.5 years	12-13%
	AIF	Mosaic Multiyield Fund Series I	Targeting a 14-16% gross IRR, the fund builds a granular, fully secured credit portfolio across 25–35 profitable and bankable firms. With multi-manager, multi-strategy diversification and a strong risk framework, it offers high-yielding, collateral-backed exposure in performing credit, without venturing into distressed or venture-style debt.	~5 years	13-14%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Hybrid	SIF-Hybrid	Edelweiss Altiva Hybrid Long Short SIF	Targeting a 9–10% gross return, the strategy blends multiple low-volatility strategies to generate consistent arbitrage-plus yield. The portfolio is constructed with 20–40% in arbitrage, 40–60% in fixed income, 0–10% in special situations, and 10–20% in derivative strategies. It is a balanced, low-volatility, multi-strategy approach designed for stable returns.	> 2 years	7-8% (Post Tax)
	SIF-Hybrid	Tata Titanium Hybrid Long Short Fund	The strategy aims to deliver Balanced Advantage plus 2 percent returns with lower volatility than broader markets through a diversified allocation of 50 percent cash equities, 25 percent debt, and 25 percent derivative strategies. Managed by Suraj Nanda, who earlier generated 2 to 3 percent alpha over the Nifty 50 with significantly lower volatility in his previous fund, ICICI Enhanced Dynamic, the fund suits investors seeking equity like returns with moderated risk.	> 2 years	9-11% (Post Tax)



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