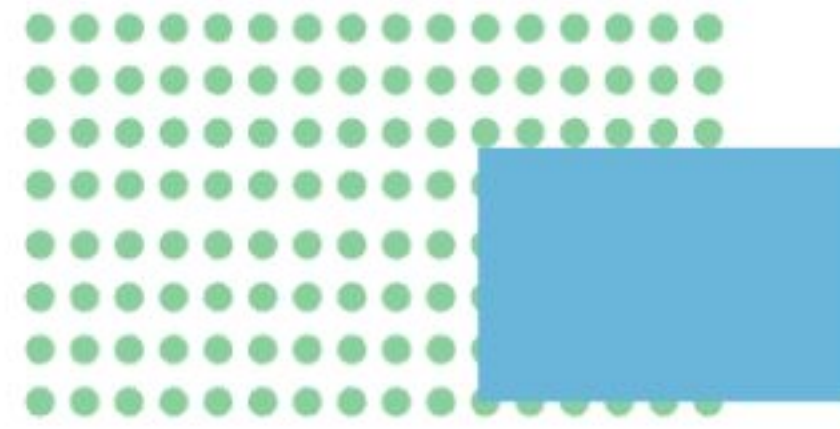


Market Outlook

December 2025



INDEX



01

Economic Outlook

- Indian Economy Overview
- Merchandise Trade Deficit Widens
- Rupee Slides to Fresh Lows
- Bank Credit Growth remains stable
- Industrial activity softens

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're pleased to share this month's Market Outlook, which covers the key trends shaping the economy and financial markets. Global events, policy changes, and ongoing geopolitical issues continue to affect investor sentiment. In this environment, our aim is to provide clear, data-backed insights to help investors navigate the shifting market landscape.

Indian equity markets have pushed to new highs, though performance beneath the surface remains uneven, with broader indices yet to fully participate. Market sentiment is being shaped by a blend of supportive domestic fundamentals and lingering global uncertainties, including trade dynamics and currency movements. Valuations have moderated from last year's peaks, but select pockets still warrant caution.

Domestic factors and international signals continue to steer bond market dynamics. A meaningful drop in inflation, helped by easing food costs, has supported yield stability.

In the coming months, yield behaviour will hinge on policy actions, the trajectory of price pressures, economic strength, and Treasury supply.

Domestic macro conditions remain broadly supportive of growth, favourable agricultural prospects and a benign inflation backdrop continue to strengthen the operating environment. Continued structural reforms should further enhance medium-term growth prospects.

We continue to closely monitor evolving global economic and market trends. In an environment shaped by multiple moving parts, staying adaptable and informed will be essential in the period ahead.



Manu Awasthy

Manu Awasthy
CEO & Founder
Centricity

Pulse check

IMF's C - Grade for India: What it Means



International Monetary Fund (IMF) reviews and rates the quality of a country's macroeconomic data to assess whether the published numbers are reliable enough for the Fund to make accurate estimates and carry out its surveillance responsibilities. This evaluation is published under the **Data Adequacy Assessment for Surveillance (DAA)**.

The IMF evaluates a country's data quality across five major statistical domains:

- 1. National Accounts-** Covers GDP, GVA, sectoral output, expenditure components, and savings–investment balances.
- 2. Price Indices-** Includes CPI, WPI/PPI, and related inflation measures. The assessment looks at coverage, frequency and sample sizes etc.
- 3. Government Finances-** Examines fiscal data such as revenues, expenditures, deficits, public debt, and contingent liabilities.
- 4. Monetary and Financial Sector Data-** Covers banking sector indicators, credit aggregates, money supply, interest rates etc.
- 5. External Sector Data-** Includes balance of payments, trade flows, foreign exchange reserves, external debt, remittances, and capital flows.

Category	Overall	GDP
India	B	C
World's Biggest Economies		
USA	A	A
China	B	C
Germany	A	A
Japan	A	A
UK	A	A
Emerging Economies		
Brazil	A	A
Vietnam	C	A
Indonesia	B	B
Thailand	A	A

Based on how countries perform across these five statistical categories, the IMF assigns one of four grades- *A (fully adequate for use, no concerns)*, *B (Broadly adequate, with some methodological gaps)*, *C (Noticeable shortcomings which hamper surveillance)*, *D (prominent shortcomings, data not suitable for macroeconomic analysis)*

For India, most categories like **Price Indices**, **Government Finances**, and **Monetary & Financial Data** received a solid **B**, indicating broadly adequate and usable datasets.

However, the one category that directly underpins **growth measurement**, which are the **National Accounts**, was rated “**C**”, reflecting methodological shortcomings.

What were the main concerns that IMF had?

1. Outdated Base Year

A fundamental issue highlighted by the IMF is India's continued use of 2011–12 as the base year for its GDP series. **When we talk about real GDP growth, we are essentially removing inflation by comparing today's economic output to the base year.** If that base year is too far in the past, the comparison becomes less meaningful because the structure of the economy has changed significantly.

2. The Deflator Issue

India uses the Wholesale Price Index (WPI) to deflate large parts of its GDP which means converting the nominal values into real growth. This creates two problems, first the WPI reflects producer prices of goods, not services. **Using it to deflate service-sector output leads to mismatches. Second, India uses a single-deflation method, unlike developed countries that use double deflation (separate input and output price indices).** Single deflation assumes input and output prices move together, but commodity cycles, policy changes and consumer behaviour often push them in different directions.

3. High Discrepancies Between Production and Expenditure Estimates

A major concern was the unusually large discrepancy between GDP measured from the production side and from the expenditure side. **In Q2, of the ₹3.7 trillion increase in real GDP, ₹1.84 trillion (nearly half) was simply recorded as discrepancies. If you exclude this mismatch, the underlying growth drops to about 4.1%.** Such large discrepancies suggest that either the production-side estimate is overstated, or the expenditure-side estimate is understated

4. Absence of Seasonal Adjustment

Most countries publish seasonally adjusted national accounts to filter out predictable patterns like festivals, monsoon effects, business cycles, and holiday-related demand. **India does not provide seasonally adjusted GDP data.** As a result, movements in quarterly indicators cannot be clearly separated into genuine growth or slowdown, and temporary spikes.

5. Insufficient Data Breakdowns

To understand what truly drives **India's growth industry, households, private investment, or government spending** statisticians need **detailed and timely data.** But key components such as private investment, gross capital formation, and the split between public and private capex are either released with long lags or rely on weak estimation methods

Now the question which comes to mind is – Are the recent 8.2% GDP growth numbers wrong?

The answer is not straightforward. While the IMF, in highlighting these issues, does not suggest that India is fabricating numbers, it does point out that the underlying methods need updating. Even the Fund's own growth assumptions continue to favour India, reflecting the economy's resilience in challenging times.

The concerns are methodological, not about window dressing. Outdated deflators, an old base year, and limited data breakdowns make it difficult to compare India's growth numbers over time or against other countries. This issue becomes even more significant now, as the gap between nominal and real GDP growth has narrowed, highlighting the need to rethink deflators.

In response, the government is set to update the base years for GDP, inflation, and industrial production by February 2026. This revision is a critical step toward improving the accuracy and reliability of India's macroeconomic data. By modernising the methodology, it is expected to provide a clearer picture of economic activity and could also pave the way for an upgraded IMF data rating, strengthening the credibility and analytical usefulness of India's statistics.

A stylized graphic illustration of a city skyline. The buildings are rendered in various shades of blue, orange, and red. Several large, upward-pointing arrows are scattered throughout the scene, symbolizing growth. In the foreground, there is a large blue dollar sign, a pie chart with one slice separated, and a line graph showing an upward trend. The background is a warm, golden-yellow color with soft, glowing circles. The overall style is modern and optimistic.

Economic Outlook

Indian Economy Overview

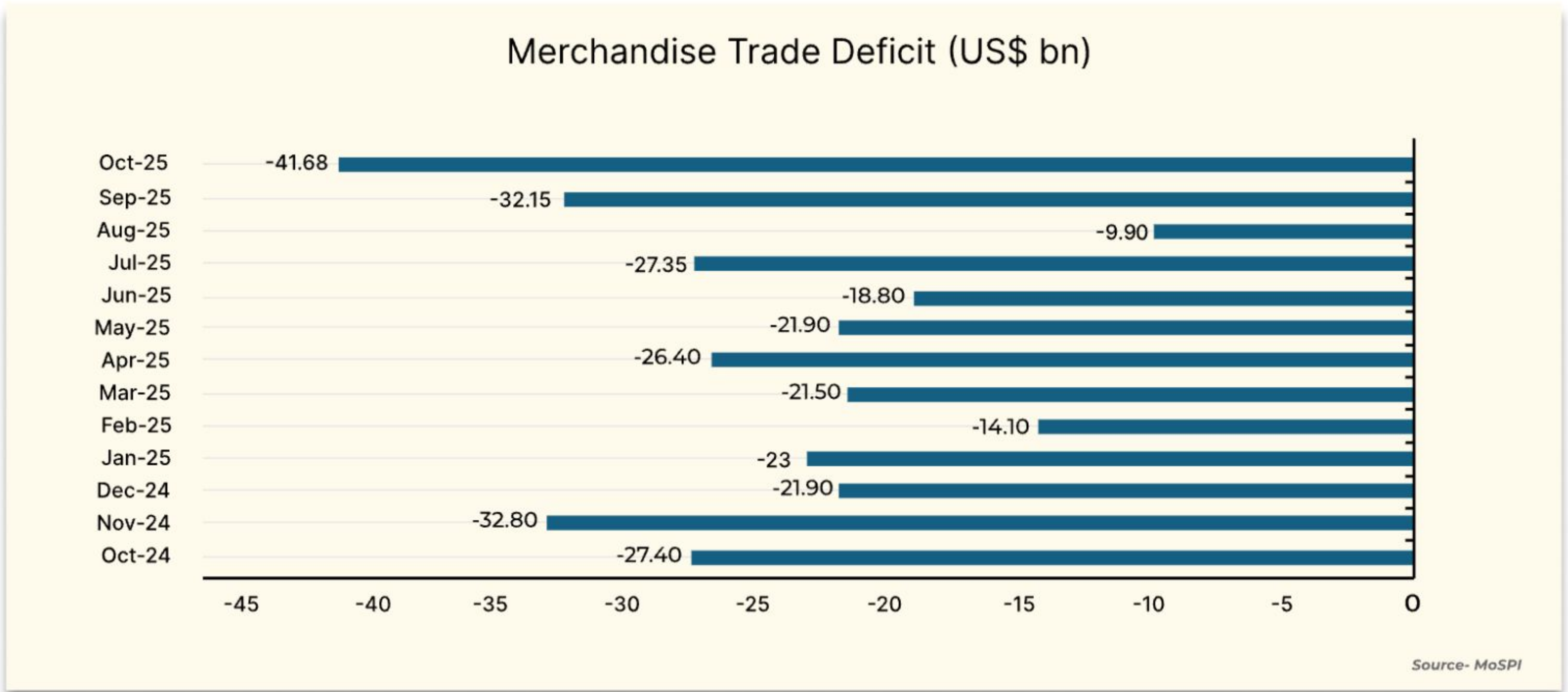
1. India's GDP grew **8.2% in Q2 FY26**, up from **5.6% in same quarter last year**.
2. **Headline Inflation cooled to 0.25% in October 2025**, making a sharp 119 bps decline from September 2025, aided by high base effects and moderating food inflation.
3. Fiscal deficit for the first 6 months of this 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 686.25 billion as on 5th 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 ₹89.8/USD through November.
7. Net direct tax collections stood at **₹12.92 lakh crore as on 10 November 2025**, registering **7.0% gain** over the same period last year.
8. Total Net GST Revenue stood at **₹1.52 lakh crore in November**, marking a **1.3% 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	0.25
Forex Reserves (USD billion)	356	370	424	413	490	579	606	579	648	676	686.2
Currency (USD-INR)	66	64	66	70	75	74	77	82	83	86	88.8
Net Direct Tax Collections	7.4	8.5	10.0	11.3	10.5	9.4	14.1	16.1	15.8	22.2	12.9
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)

India's Merchandise Trade Deficit Widens



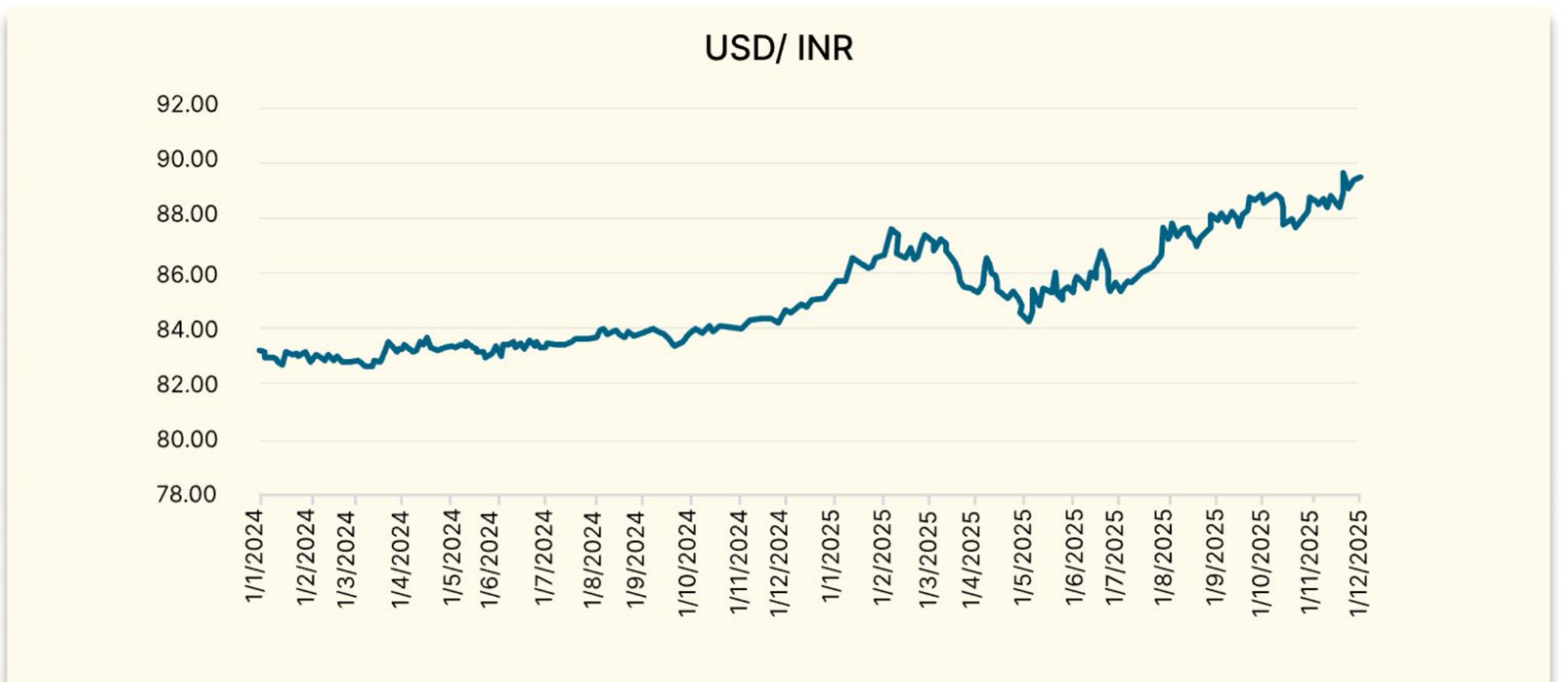
India's merchandise trade deficit widened to a **record \$41.68 billion in October**, as exports fell **11.80% to \$34.38 billion** while imports rose **16.60% to \$76.06 billion**. Gold imports surged nearly 200% to \$14.72 billion on festive-season demand and elevated prices, while silver imports jumped six-fold to **\$2.72 billion**.

Export performance weakened across major partners: shipments to the **U.S. (-8.70%), UAE (-10.20%), Netherlands (-22.75%), and UK (-27.16%) all declined**, driven partly by high base effects and tariff-related pressures on labour-intensive sectors.

On the services side, exports rose **11.90% to \$38.52 billion**, with the services surplus of **\$19.88 billion** continuing to cushion the merchandise gap though not enough to offset the record goods deficit.

Meanwhile, the widening trade deficit and the recent rupee depreciation tend to feed into each other: a larger deficit raises dollar demand, while the weaker rupee sliding from **₹87-88/USD in October to around ₹89.90/USD in late November inflates import bills**, especially for commodities, further deepening the imbalance. *The deficit is expected to moderate in the coming months as gold imports ease post-festive season and export momentum gradually improves.*

Rupee Slides to Fresh lows

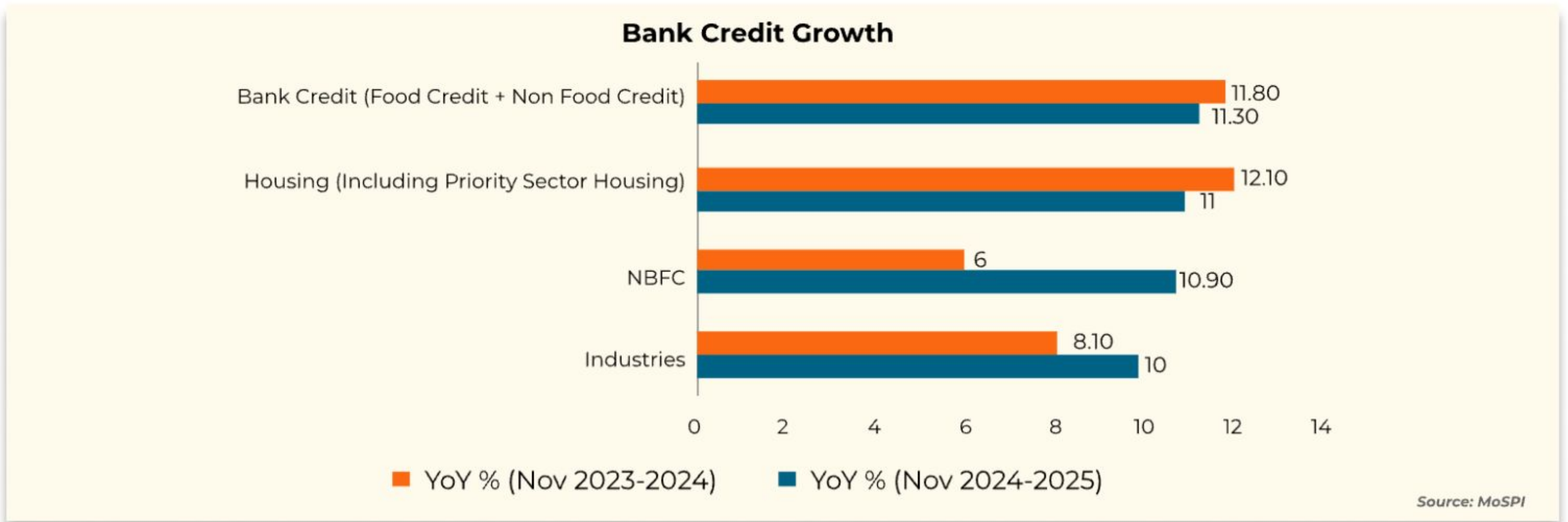


The rupee has been under pressure in recent weeks, touching new lows around ₹90.2 per dollar and emerging as one of Asia’s weaker currencies this year. **The pressure is driven by a persistently wide merchandise trade deficit that has kept dollar demand elevated, and foreign investors pulling out amid attractive U.S. yields. Recent India–U.S. trade frictions have also added to cautious sentiment.**

On the domestic front, **India’s heavy reliance on imports particularly oil, gold and electronics, which don’t respond quickly to price changes has amplified the impact of a weaker rupee on overall import bills.** The RBI has been intervening and using forward positions to manage volatility, but a more sustained improvement will likely hinge on import demand cooling, the trade gap narrowing, and greater clarity on foreign capital inflows.

The rupee is expected to remain volatile in the near term, with limited scope for sharp gains. Over the medium term, easing global dollar strength, improved export momentum, or progress on trade negotiations could support gradual stabilization.

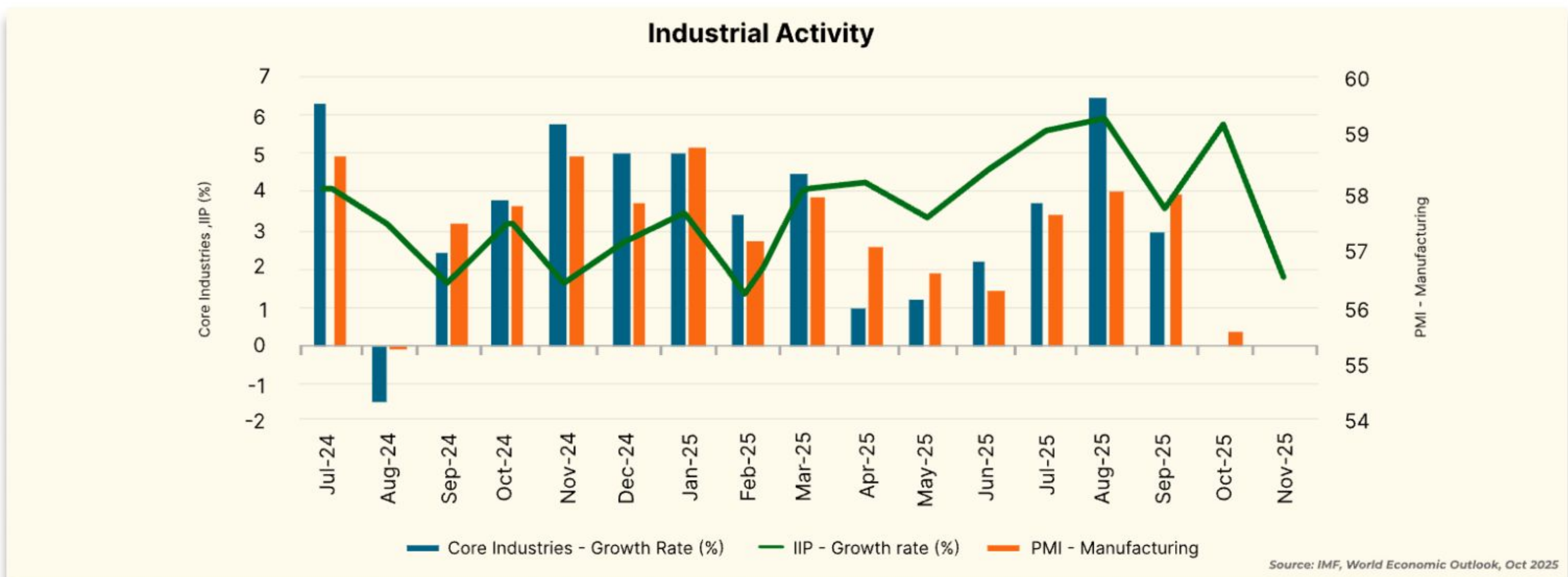
Bank Credit Growth stays strong



Bank credit continued to expand at a steady pace, rising **11.40% YoY** as of mid-November, supported by deposits growing **10.20% YoY**. Non-food credit also maintained momentum, up ~11.10%, with sectoral flows improving industry credit rising **10% (vs 8.10% last year)**. Within retail credit, category-wise trends were mixed but largely positive: **consumer durables up 1.00% YoY, credit cards up 7.70% YoY, vehicle loans up 12.50% YoY, and other personal loans up 9.90% YoY.**

The most striking rise is in loans against gold jewellery, which jumped 128.50%, sharply higher than the 65% increase seen last year, reflecting households’ growing preference for gold-backed liquidity amid a sustained surge in gold prices. Overall, the data underscores a broad-based expansion in credit, with stable deposits and diversified retail demand keeping the credit cycle firm and supportive of consumption and investment.

Industrial Activity Softens



India's industrial momentum has cooled in recent weeks, with both manufacturing and core-sector indicators signalling a moderation in activity. **The HSBC India Manufacturing PMI fell to 56.6 in November 2025 from 59.2 in October, marking the slowest expansion in factory output and new orders in nine months.** While production and new orders remained in expansion territory, growth slowed to the lowest pace so far this year, with hiring trends softening and overall business confidence easing. Input-cost pressures continued to ease, as input-price inflation fell to one of its lowest readings in recent months and firms moderated selling-price increases.

Similarly, the **Index of Eight Core Industries (ICI)**, which tracks critical sectors, **recorded 0.0% year-on-year growth in October 2025**, its weakest print in 14 months. Within the ICI basket, performance was bifurcated. Energy-related components contracted sharply coal down ~8.50% YoY, natural gas ~5.00% YoY, electricity generation ~7.60% YoY, and crude oil ~1.20% YoY.

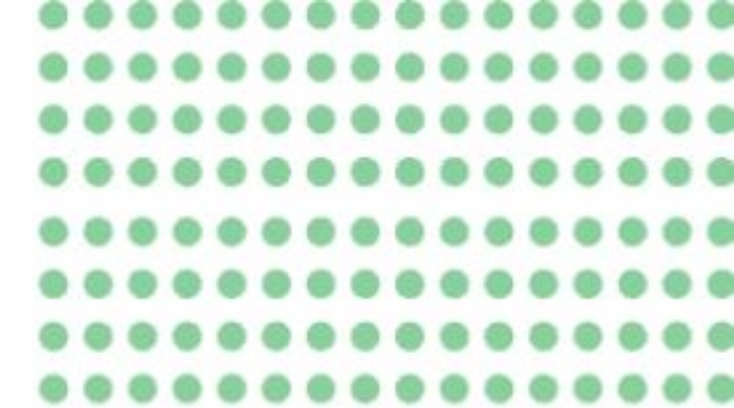
Overall **IIP growth** slowed sharply to **0.40% in October 2025 from 4.60% in September and 3.50% a year ago. Manufacturing showed modest resilience (+1.80%), while mining (-1.80%) and electricity (-6.90%) contracted. On a use-based basis, growth was driven by Infrastructure/Construction Goods (+7.10%), Capital Goods (+2.40%), and Intermediate Goods (+0.90%), offsetting declines in Primary Goods (-0.6%), Consumer Durables (-0.50%), and Consumer Non-Durables (-4.40%).** The moderation largely reflected seasonal factors, including fewer working days during Dussehra, Diwali, and Chhath, as well as lower electricity demand amid extended rainfall and comfortable temperatures.

Looking ahead, industrial activity is expected to gradually stabilise as seasonal disruptions fade, electricity demand normalises, and domestic and export demand picks up.

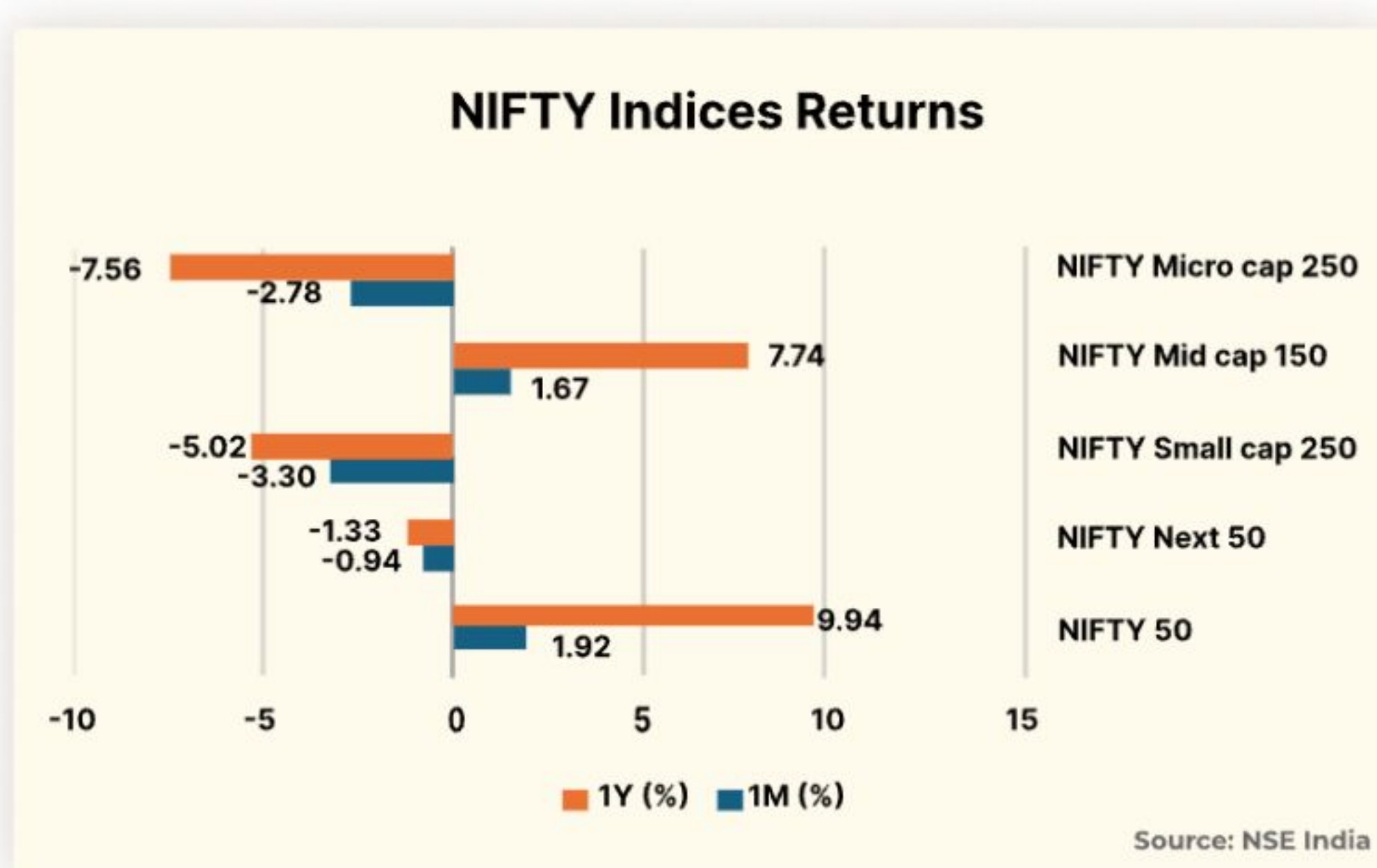




Equity Outlook



Monthly Recap :- November 2025



NIFTY Indices	Returns (%)		
	1M	3M	1Y
Auto	3.62	11.30	19.95
FMCG	-0.88	-0.76	-2.18
Media	-4.38	-8.71	-25.96
Financial Services	2.79	9.13	17.31
Metal	-2.96	12.57	14.90
Pharma	3.73	5.51	4.15
Consumer Durables	-1.90	-1.79	-5.35
Oil & Gas	0.47	11.82	9.73
Realty	-4.69	3.77	-11.18
Energy	-1.84	6.04	-3.79
Infrastructure	1.03	8.99	11.52
India Defence	-1.51	8.16	20.11
India Consumption	0.52	3.49	10.02
Commodities	-2.00	7.68	9.13
Housing	-1.05	5.51	5.16
Bank	3.42	11.36	15.70
IT	4.77	7.41	-11.18

Source: NSE India

November Slowdown: FII Outflows and Cautious Sentiment Weigh on Market

In October, most NIFTY indices recorded stronger gains, but by **November** the trend reversed, with **broad weakness visible across 1-month and even 1-year returns**, particularly in the **NIFTY Microcap 250 (-2.78% MoM)**, **Smallcap 250 (-3.30% MoM)** and **Next 50 (-0.94% MoM)**.

The decline was mainly driven by **tighter global financial conditions and stretched domestic valuations**. **Foreign investors turned net sellers**, pulling liquidity from segments that are more sensitive to flow reversals, especially mid-, small- and micro-caps. Caution around the US interest rate outlook and a firm dollar further reduced risk appetite for emerging markets, **prompting profit-taking in the more aggressively valued pockets of the market**.

Only the **NIFTY 50 (1.92% MoM)** and **Midcap 150 (1.67% MoM)** held up relatively better, supported by stable earnings from large financials and select industrial and capital-goods companies.



Sectoral Bifurcation — Leadership Narrows Amid Select Resilience

- **Auto sector delivered healthy gains**, supported by strong domestic retail demand, resilient year-end sales, and sustained consumer confidence.
- **Financial Services and Banking performed steadily**, underpinned by credit growth of around 11% YoY, improving deposits, and asset quality.
- **IT faced subdued performance** as global technology spending remained cautious, limiting growth prospects despite minor rebounds.
- **Metals underperformed** due to softening global commodity demand and ongoing uncertainty in industrial activity.
- **Realty also lagged**, with investor caution and interest-rate sensitivity weighing on the sector.



Valuation of Indian Equity Markets

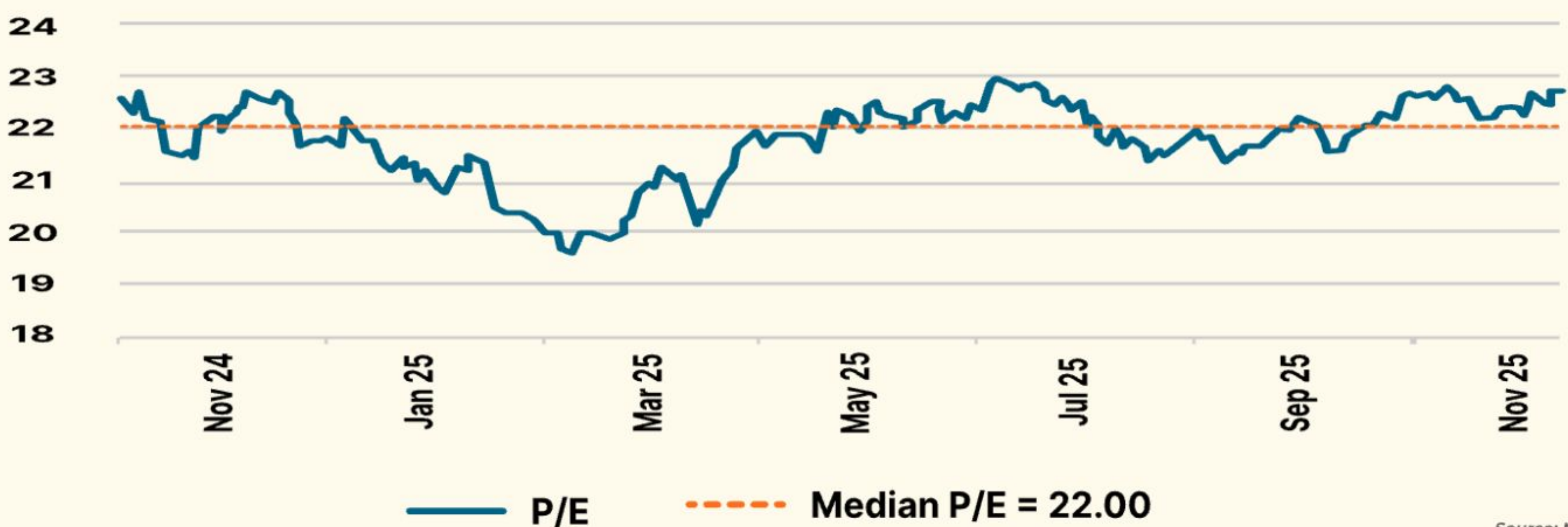
The Nifty 50's P/E has edged up to **22.81**, moving closer to its 10-year average of **23.49**, reflecting renewed strength as the index hit fresh record highs in late November. The Nifty Next 50 continues to trade at a meaningful discount to its long-term mean (20.12 vs 27.43), while the Nifty 500 also remains below its historical average at **24.45** against **26.69**. This suggests that benchmark-level valuations are still moderate despite the recent market strength.

	TTM P/E (As on 28 th Nov' 25)	Apr'15-Mar'25 (10 Yr Historical Average)
Nifty 50	22.81	23.49
Nifty Next 50	20.12	27.43
Nifty Smallcap 50	32.07	33.04
Nifty Midcap 100	33.63	30.57
Nifty 500	24.45	26.69

Source: NSE India

Mid- and small-cap segments continue to look relatively expensive, even after some cooling earlier in the year. The Nifty Smallcap 100 trades at **32.07** versus its 10-year average of **33.04**, and the Nifty Midcap 100 at **33.63** compared with **30.57**, indicating that valuations remain elevated in the broader market. With the valuation gap between diversified indices and the mid/small-cap universe still wide, these segments remain more vulnerable to profit-taking if earnings falter or liquidity cools, reinforcing the need for careful stock selection in the broader market.

Nifty 50 P/E Chart



Source: NSE India

Market Breadth Narrows as Selective Opportunities Emerge

The P/E distribution for NIFTY Total Market Index companies for November shows **some shifts in valuation clusters**. The P/E (<25x) band has expanded to **29.6%** of companies, up from **26.7%** last month, indicating that more companies are trading at lower multiples. **Banks and the wider financial sector remain heavily concentrated in this band.**

A **key shift emerged in industrial equipment, heavy engineering, and capital-intensive sectors**. Many companies that previously occupied premium valuation bands **moderated into the mid- (25–50x) or low range (<25x)**. Strong order books, government infrastructure spending, and healthy execution pipelines kept sentiment constructive, but valuations have normalized from their earlier froth.

The **mid-cap P/E band (25–50)** now houses **34.8%** of companies, a **marginal decline from 35.5% in October**, indicating selective repositioning within moderate growth sectors. Industries such as chemicals, industrial manufacturing, and diversified consumables continue to occupy this range, balancing steady growth with some exposure to cyclical.



NIFTY Total Market Index Companies P/E

P/E Range	No. of Companies	% of Total Companies	MoM Chnage in No. of Companies (%)
<25	222	29.60	9.91
25-50	261	34.80	-1.92
50-75	134	17.87	-0.75
75<	97	12.93	-13.40

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

High-growth sectors in the 50–75 and 75< bands have seen a contraction. Sectors affected include **retailing, consumer durables, healthcare services, pharmaceuticals and new-age businesses.** While these names still benefit from structural revenue growth and margin expansion, the contraction signals caution against elevated valuations, especially for IPO-heavy or speculative segments.

Cyclical and commodity-linked sectors, including mining & metals, oil & gas, construction, and industrial products, **largely remain in the lower to mid multiples (<25 and 25–50),** consistent with earnings sensitivity to macro conditions, commodity prices, and investment cycles.

Overall, market appears to be rebalancing toward earnings-backed visibility and away from extreme premium names, resulting in a more even and fundamentally aligned valuation spread heading into December.

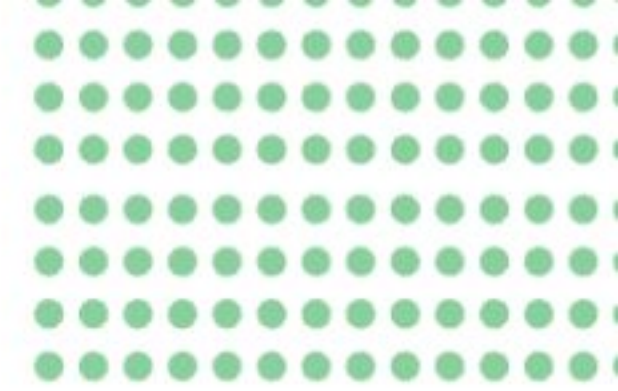


Earnings So Far

Q2 FY26 saw the Nifty 500 deliver its strongest earnings in five quarters, with **sales around ₹35 tn, EBITDA ~₹8 tn, and PAT ~₹4 tn, growing 8–15% YoY according to ICICI Market Outlook.** Mid-cap companies posted PAT growth of 27% while large caps grew just 10%.

The gains were broad-based but led by cyclical and capital-intensive sectors such as oil & gas, metals & mining, cement, NBFCs, and capital goods, benefiting from a soft base and stable volumes. Conversely, automobiles, private banks, and media lagged, weighing on large-cap performance. Overall, the quarter reflects a recovery led by mid- and small-caps, signaling a gradual rebound in corporate earnings.





Institutional Activities

FII Outflows Continue After Multi-Month Selling Phase

- **Persistent foreign selling:** Foreign investors remained net sellers in November, pulling out around ~₹17,500 crore from the cash segment. While the selling trend continues for the fifth month, the intensity has reduced compared with the sharp withdrawals seen previously.
- **Why the pressure persists:** Global risk appetite remains uneven due to firm U.S. yields, a strong dollar against the rupee, and shifting allocations toward developed-market assets. Foreign funds are also trimming exposure to emerging-market equities that are trading near highs.

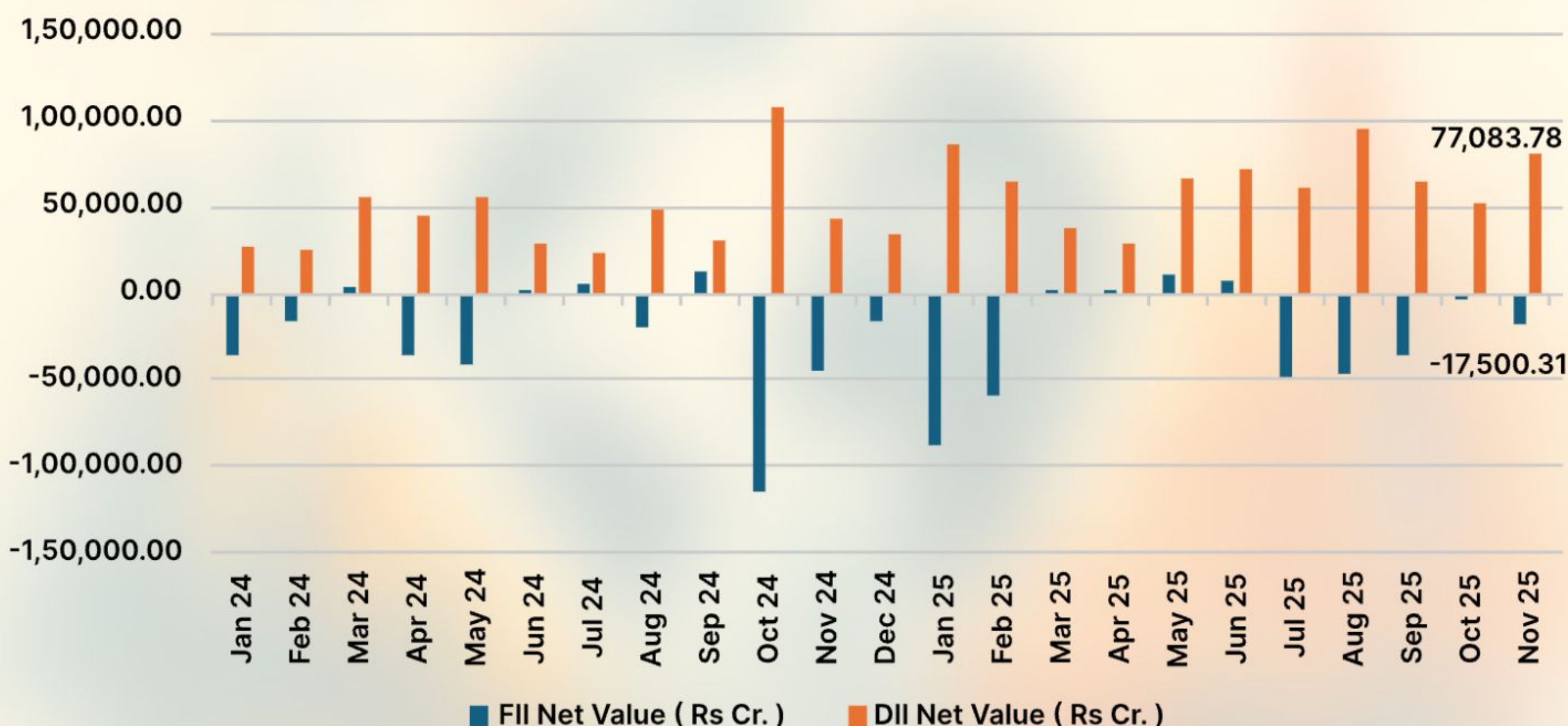
DII Continue Heavy Buying and Support Market Stability

- **Strong domestic inflows:** Domestic institutional investors absorbed foreign selling once again, recording a large ₹77,000-plus crore of net buying in November and marking an extended run of consistent support.
- **Drivers of sustained DII strength:** Robust SIP inflows and mutual-fund participation, along with steady deployment by insurance and pension funds continue to anchor domestic liquidity. This has strengthened the trend of rising domestic ownership in Indian equities.

Sectorwise FII Inflows and Outflows (Rs Crore)			
Sector	16-31 Oct	1-15 Nov	16-30 Nov
Fast Moving Consumer Goods	-1267	-2042	-2722
Automobile & Auto Components	-593	-385	-1257
Financial Services	5003	-2041	-1372
Consumer Services	-1677	-2918	-1075
Realty	1	236	-1043
Information Technology	-267	-4873	-921
Chemicals	-608	-518	-389
Metals & Mining	-90	-109	-571
Construction Materials	-1198	-369	-492
Telecommunication	2087	9413	4913
Oil, Gas & Consumable Fuels	8043	2992	4177
Capital goods	169	788	1072
Consumer Durables	-1543	-1139	1273
Healthcare	-365	-2526	743

Source: NSDL

Graph: FII-DII in Cash Segment



Source: Moneycontrol.com

Global Markets

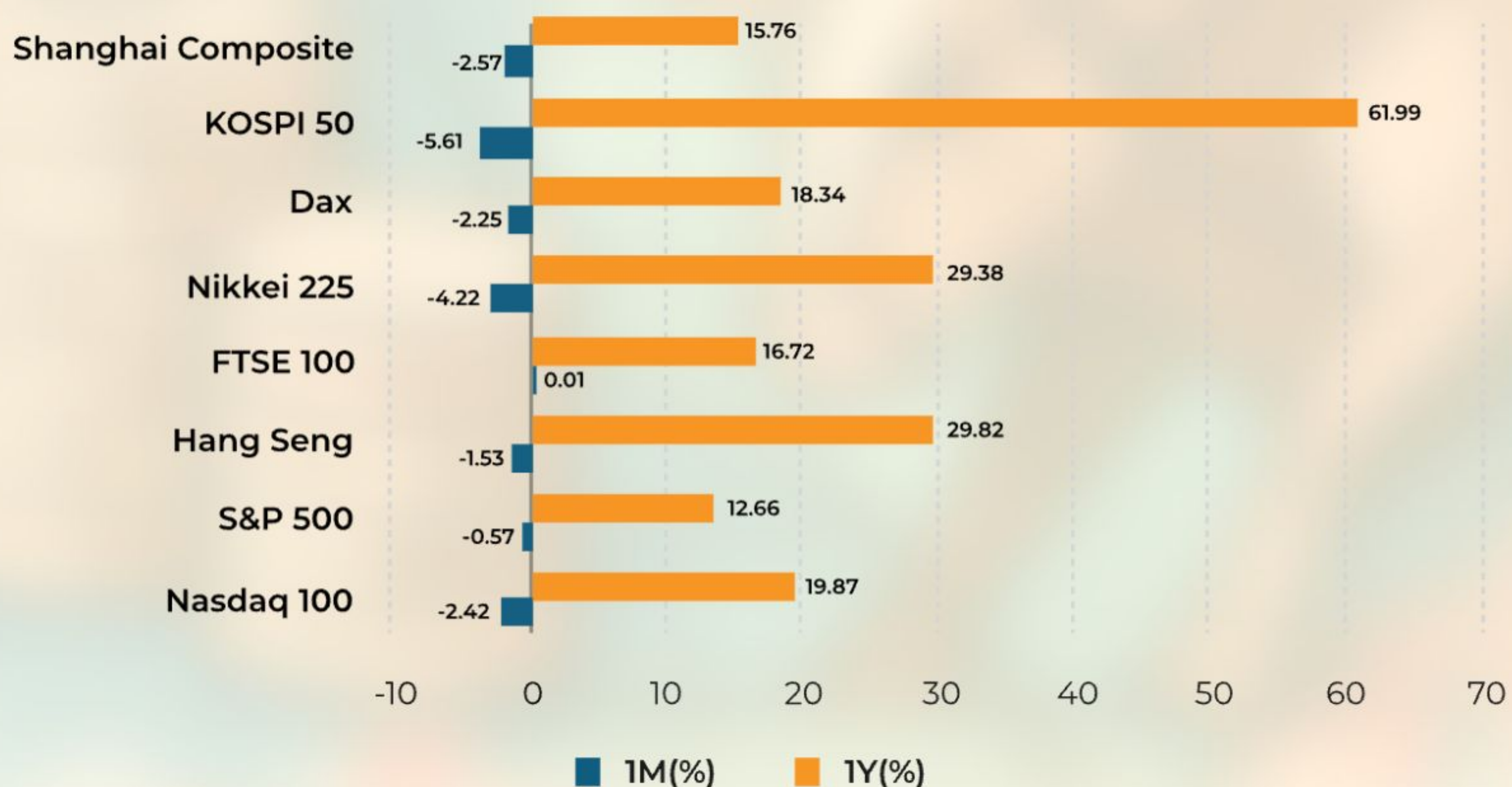
Asian markets slipped in November despite strong YoY gains. Korea cooled after a huge run as KOSPI 50 showed a sharp 1-month pullback (-5.61% MoM) even though it remains the strongest YoY performer (~62%). The short-term drop reflects profit-taking after a prolonged rally in semiconductors and tech, plus repositioning by foreign investors. A global tech and AI-stock sell-off, hitting heavily weighted Japanese tech and semiconductor firms, triggered the decline. Volatile global monetary expectations, uncertainty over U.S. rate cuts, and rising Japanese bond yields also prompted caution. Domestic policy developments, including a new stimulus package and speculation of tighter fiscal and monetary measures, further weighed on equities.

China and Hong Kong equities continued to lag. **Weak domestic demand, lingering property-sector stress, sluggish industrial activity and tepid consumer sentiment kept the Shanghai Composite (-2.57% MoM) and Hang Seng Index (-1.53% MoM)** under pressure, discouraging fresh foreign or domestic inflows.

In Europe, markets saw only modest movement. FTSE 100 in the UK held up largely flat while DAX slipped (-2.25% MoM) weighed by soft business-activity indicators and cautious corporate outlooks. U.S. equities also cooled as S&P 500 (-0.57% MoM) and Nasdaq 100 (-2.42% MoM) ended the month in negative after earlier strength. A combination of profit-taking in large-cap tech, concerns over stretched valuations, and uncertainty around the timing of further rate cuts by the Federal Reserve tempered investor enthusiasm.

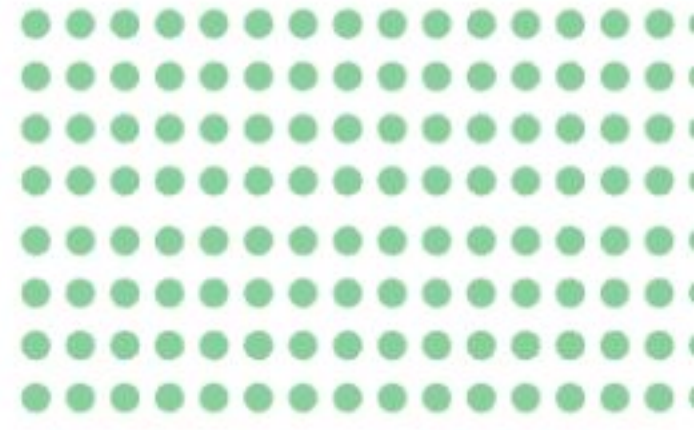
Overall, November felt like a **correction month** where markets across regions pared back some of their recent gains as investors weighed macro-economic uncertainty, profit-taking risks and shifting currency dynamics.

Global Indices Return



Note: As on 2nd Dec 2025
Source: Moneycontrol.com

Equity In-House View



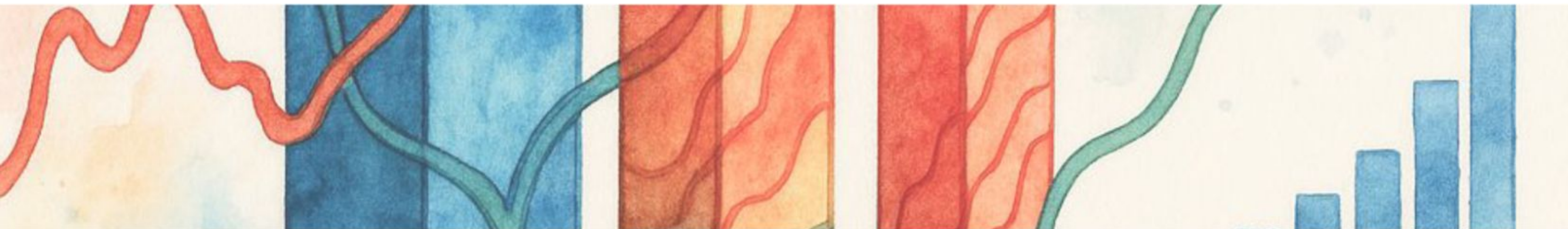
Domestic Outlook

After 14 months, **Nifty 50 finally crossed its all-time high, but the broader market hasn't caught up.** The Midcap 150 only retested its peak, while the small cap 250 is still 10% below its highs. **Market breadth is weak:** in the Nifty Total Market Index (top 750 stocks), around 250 companies are down more than 30% from their 52-week highs and nearly 500 are down more than 15%. **On a median basis, stocks are still 23% below their highs.** This is why the new high doesn't "feel" like one as the rally has been led by a handful of large private banks, Reliance, Bharti Airtel, and M&M.

Sentiment remains mixed. Positives are being overshadowed by concerns like US tariffs and rupee depreciation. While a US trade deal is extremely important and the tariff issue must be resolved for both economies, it cannot alone explain the broader market weakness. Similarly, **the rupee's fall, which seems largely driven by higher gold/silver imports and lower exports to the US, is being overstated, especially since past depreciation cycles have been far worse.**

Overall positioning is more comfortable than last year. **We remains cautiously optimistic, with caution simply meaning avoiding richly valued companies in sectors where growth is moderating.** Over time, rate cuts, GST rationalization and income-tax reductions should support stronger earnings growth. RBI rate cuts are also needed to lift inflation, which remains very low despite the strong 8.2% real GDP print. Against this backdrop, November continued to offer increasing bottom-up opportunities across financials, select consumption, autos, capital goods, building materials, hospitality, and wealth management, aided by trends in private credit, SIP flows, improving microfinance cycles and GST effects.

Valuations have cooled but pockets of exuberance remain. Keep large caps as the portfolio core, stay selective in midcaps (supported by 26% earnings growth in Q2 FY26) and approach smallcaps with caution, though selective opportunities are emerging. After more than a year of consolidation, disciplined asset allocation and staggered equity deployment remain essential. **We prefer equity strategies with a tilt towards large caps with limited exposure to selective mid & small cap strategies across MFs and Managed accounts.**

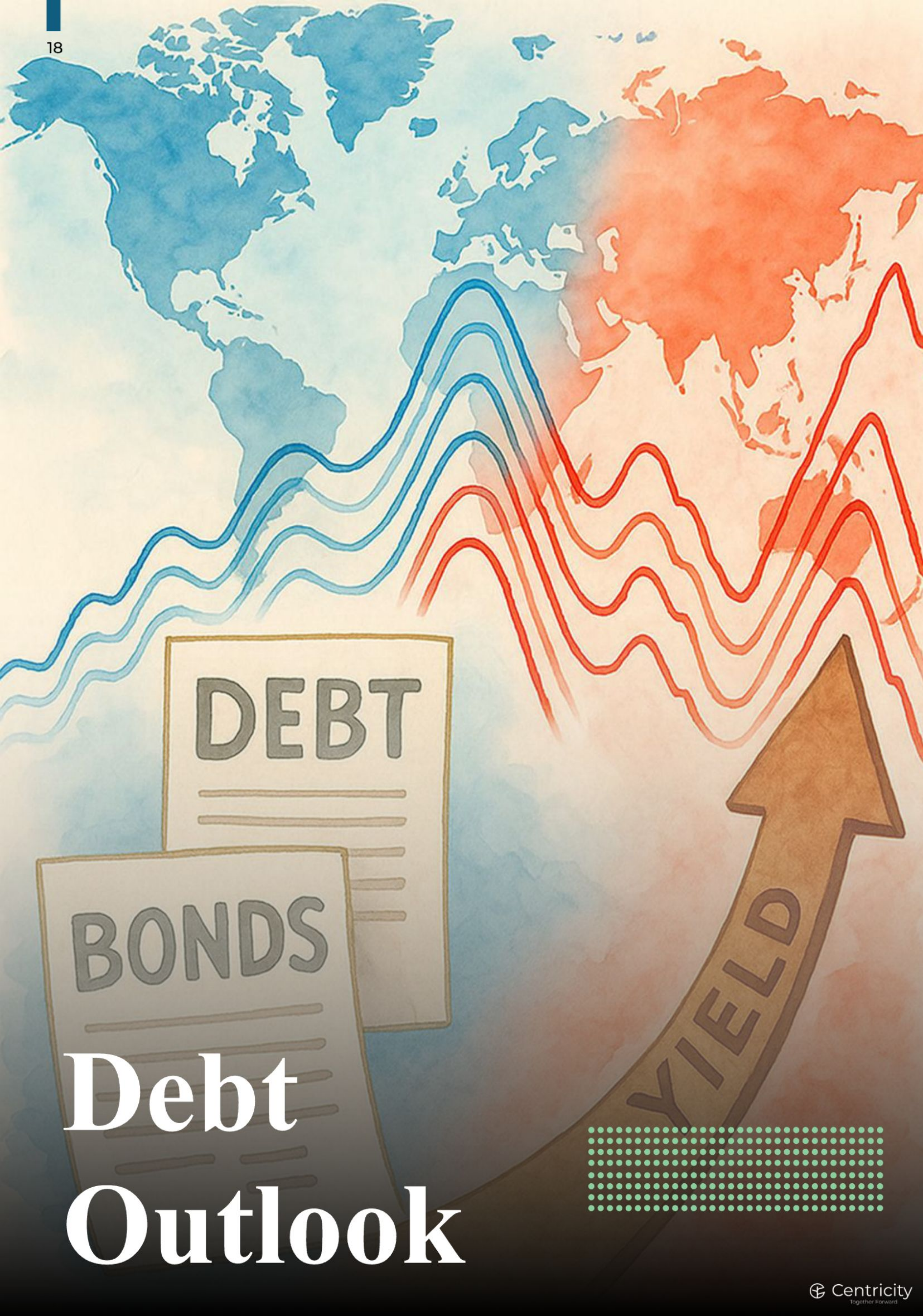


Global Outlook

We remains cautious on global markets. **Equities are performing well, but concerns are rising across major economies, especially given the narrow leadership** as new highs are increasingly dominated by semiconductors and AI-driven stocks. Geopolitical tensions, trade realignments and diverging country outlooks add to uncertainty, even as investor flows remain strong with large funds searching for relative value.

In the US, valuations are stretched: the S&P 500 trades above 30x trailing earnings and the Nasdaq 100 above 34x, yet both continue to attract inflows. **A further escalation of the yen carry-trade unwind could also pose systemic risk,** as Japan's 40-year bond yield has surged from near 0% in 2019 to above 3.75%. **Meanwhile, markets like the Shanghai Composite, KOSPI and Nikkei trade at more reasonable 15–19x multiples,** supported by strong tech and industrial sectors but their rallies too have been driven largely by semiconductors and AI, and they have already delivered strong returns this year, warranting caution.

Structural risks persist. Europe faces geopolitical pressures and sluggish growth, while China's attractive valuations are offset by deep real-estate stress and the need for more policy support, even though its technology and EV ecosystems remain promising. With global technology valuations rising rapidly and many AI-focused companies still lacking sustainable business models a disciplined approach is essential. **We stress diversification, staggered investments, and prudent asset allocation.** Strong headline index performance should not mask underlying risks; investors must stay deliberate, balanced and globally risk aware. **We remain overweight to India and EMs with some allocation to selective economies like US & China.**



DEBT

BONDS

Debt Outlook



Global Debt Outlook

USA

10Y yield:

Yields increased from 4.019 (as on 28th Nov) to 4.14 (as on 08th Dec)

Inflation:

Inflation (PCE Index) increased to 2.8% in September, from 2.7% in August

Fed stance:

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

China

10Y yield:

1.860, increased from 1.832 in the previous month

Inflation:

Inflation numbers stood at 0.2% year on year, from -0.3% in the previous month

PBOC stance:

Accommodative

Japan

10Y yield:

1.956 (as on 08th Dec), increased from 1.807 in previous month

Inflation:

3.0%, increased from 2.9% in September

BOJ stance:

Paused hikes, cautiously adjusting bond purchases

Eurozone (Germany)

10Y yield:

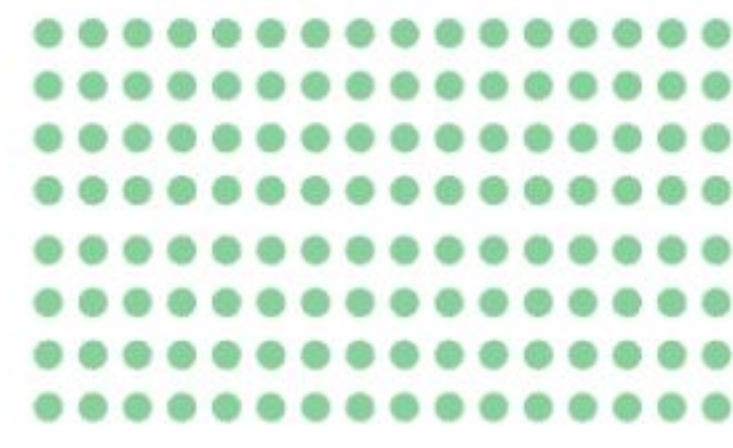
2.8001, increased from 2.69 in previous month

Inflation:

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

ECB stance:

Decisions to be based on further data dependent changes

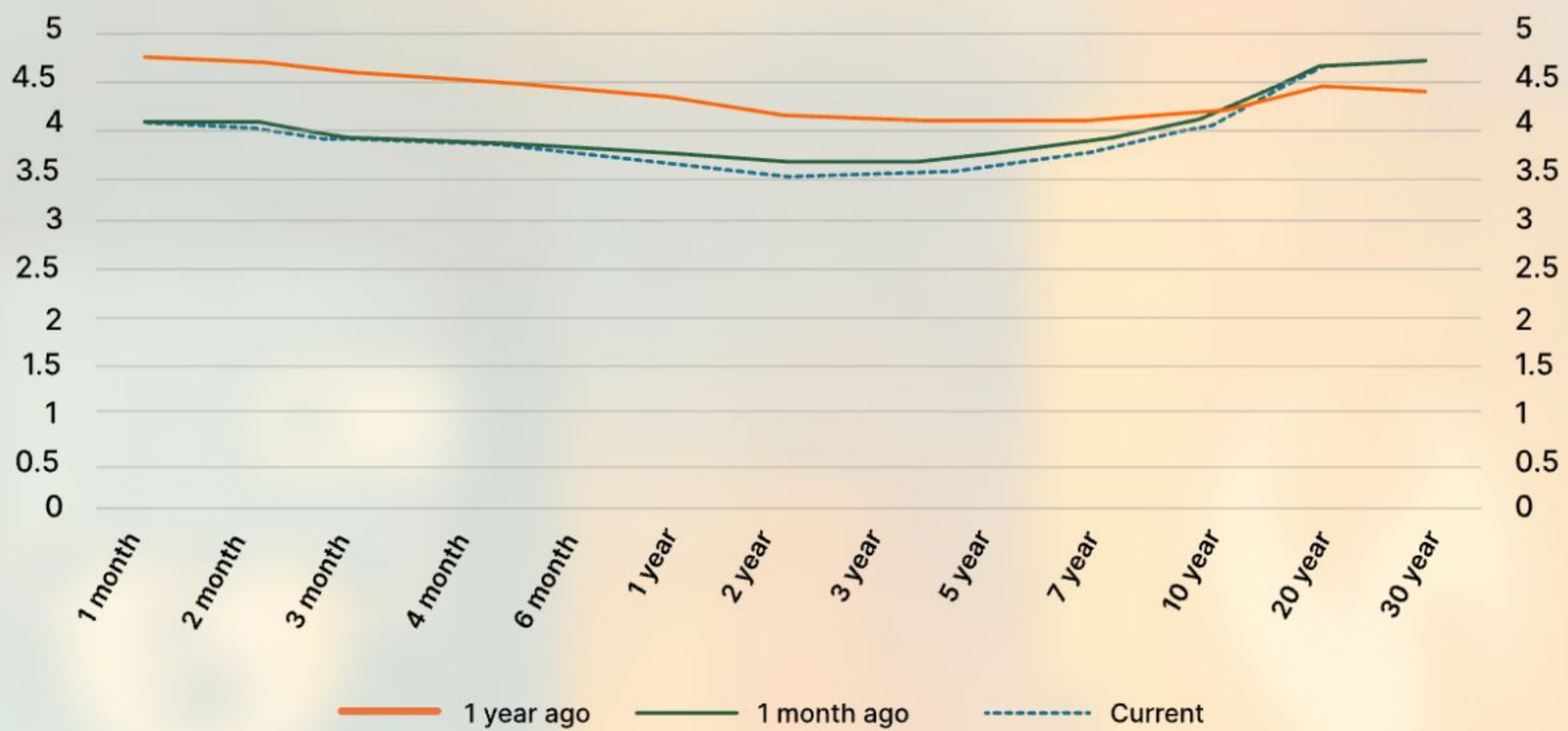


Global Debt Outlook

Short-term yields

At the front end of the curve, yields have slipped as markets price in an **89% chance of a rate cut at Fed's December meeting, reinforced by cooling labour-market signals**. The ADP report showed a **32,000 job decline**, echoed by alternative data from Revelio Labs amid the government's shutdown-related absence of official releases. These weaker proxy indicators pushed short-end yields lower. Expectations of a more dovish policy path have also strengthened as markets increasingly price in **Kevin Hassett as the likely next Fed Chair**, further weighing on short-tenor yield.

Yield Curve - USA
(as on 1st Dec 2025)



Source: US Department of the Treasury

Long-term yields

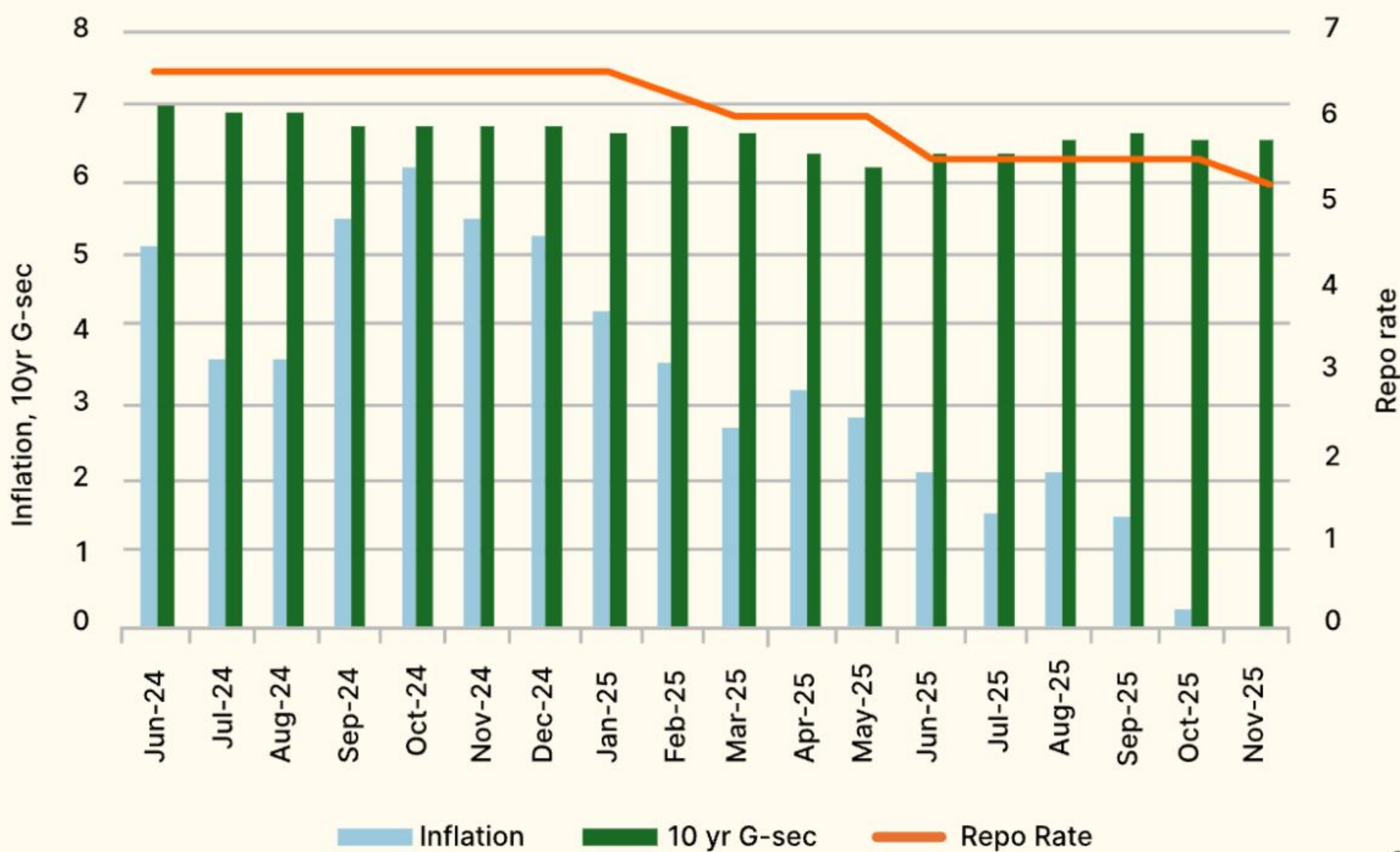
At the long end, yields have eased modestly but remain relatively elevated. **Strong GDP growth of 3.80% signals that economic momentum remains robust, while persistent inflationary pressures are preventing a sharper decline in long-term yields**. Additionally, the recent increase in Japanese government bond yields (10 yr, 20 yr and 30 yr bonds) might **narrow the yield differential between U.S. Treasuries and Japanese bonds**. This reduction in relative returns may prompt reversal of Japanese investments in U.S. Treasuries in favour of Japanese bonds, placing further upward pressure on long-end yields and keeping them elevated.



Indian Debt Outlook

Over the past year, India’s 10-year G-Sec yield has declined from around **6.85% in September 2024 to approximately 6.49% in November 2025**, largely reflecting the sharp disinflation trend. In its December policy meeting, the **RBI cut the repo rate by 25 bps to 5.25%**, citing a **softer inflation outlook and resilient domestic growth, supported by robust consumer demand**, which provided the central bank room to ease rates.

Ample banking system liquidity has further supported short-term rates and overall yield stability. The combination of policy easing and abundant liquidity is expected to accelerate credit flow, particularly to the commercial sector thereby supporting both investment and consumption.

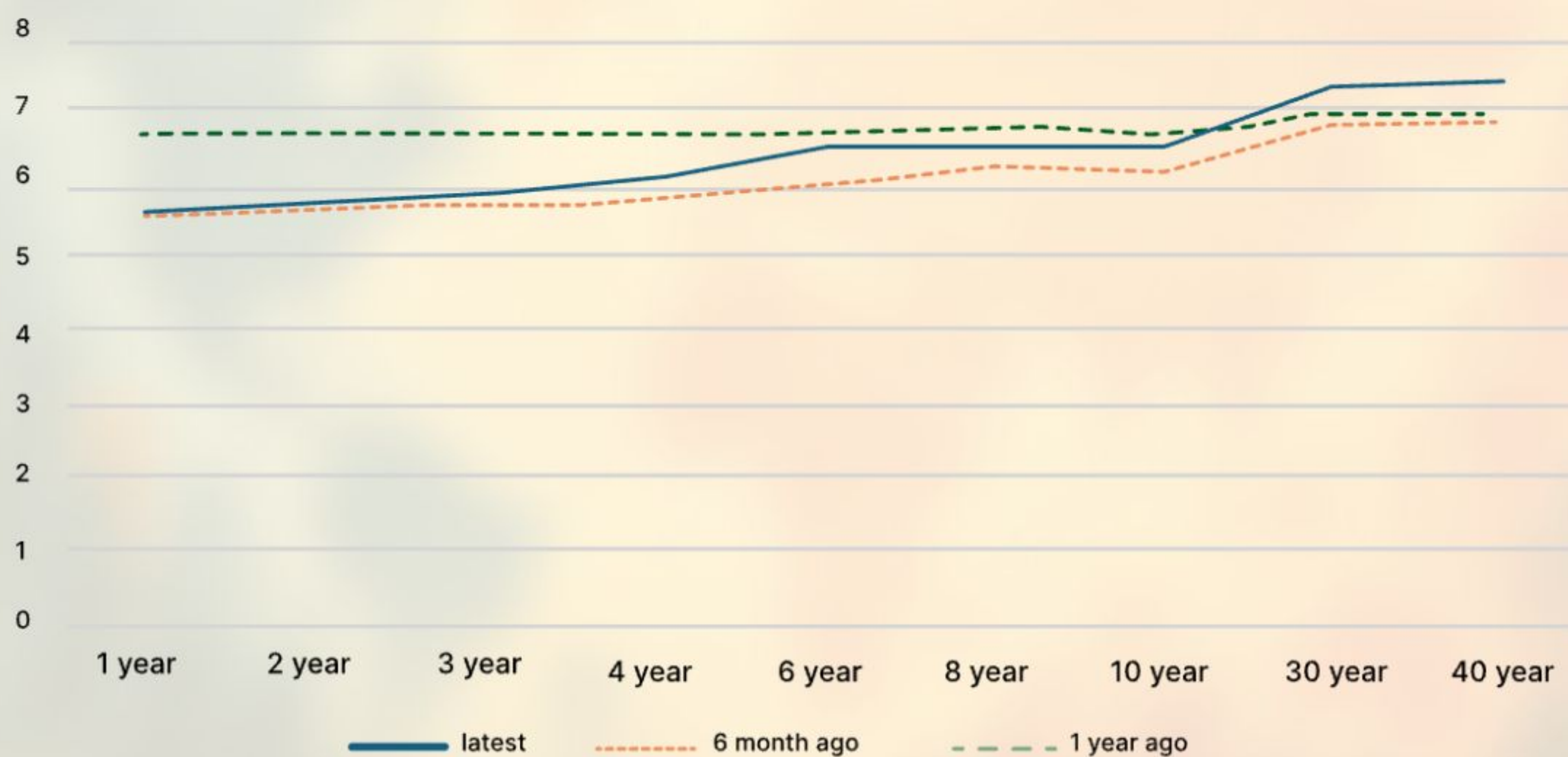


Source: RBI, Investing.com



Yield Curve - India

(as on 05th December 2025)



source: world government bonds.com

Short term yields

The front end of the yield curve saw a mild decline post RBI's policy announcement, reflecting the market's split expectations going into the meeting. While most participants anticipated a **rate cut**, many also expected the RBI to **adopt a more dovish stance**, which did not materialise as the central bank instead retained a neutral posture. Over the past six months, **short-tenor yields** have remained well-anchored due to the **disinflation trend**, with the recent **CPI print for October 2025** at 0.25%.

The central bank's recent liquidity-supportive moves, particularly the **₹1 lakh crore OMO purchase programme** are likely to **pull short-term yields lower** in the coming month, provided inflation remains benign and liquidity stays in surplus.

Long-term yields

At the long end, yields have been nudged higher by a stronger growth outlook, with better-than-expected **8.20% Q2 GDP print** and the **RBI's upward revision of growth forecasts across all quarters**. External factors have also supported yield resilience: **the recent depreciation of the rupee has revived concerns about imported inflation while tariff-related uncertainty continues to cloud the medium-term inflation path**. Together, these factors have kept long-term yields firm despite the broader disinflation trend.

Debt In-house View

In its December meeting, the RBI delivered a 25-bps rate cut, taking the repo rate to 5.25% while maintaining a neutral stance. The decision reflects continued confidence in resilience of domestic demand, supported by strong consumption and an improving investment environment.

Inflation is on record lows at 0.25% in October 2025 on the back of softening food inflation, which have helped keeping yield anchored. At the long end, pressures from a depreciating rupee and government borrowing plans are likely to keep yields sticky, while these factors may lead to adjustments at the shorter end.

Globally, front-end U.S. Treasury yields have drifted lower as markets price in a high probability of a Fed rate cut in December, supported by cooling labour-market. Meanwhile, long-end U.S. yields remain elevated: amid firm GDP growth, lingering inflation pressures, and heavy Treasury issuance.

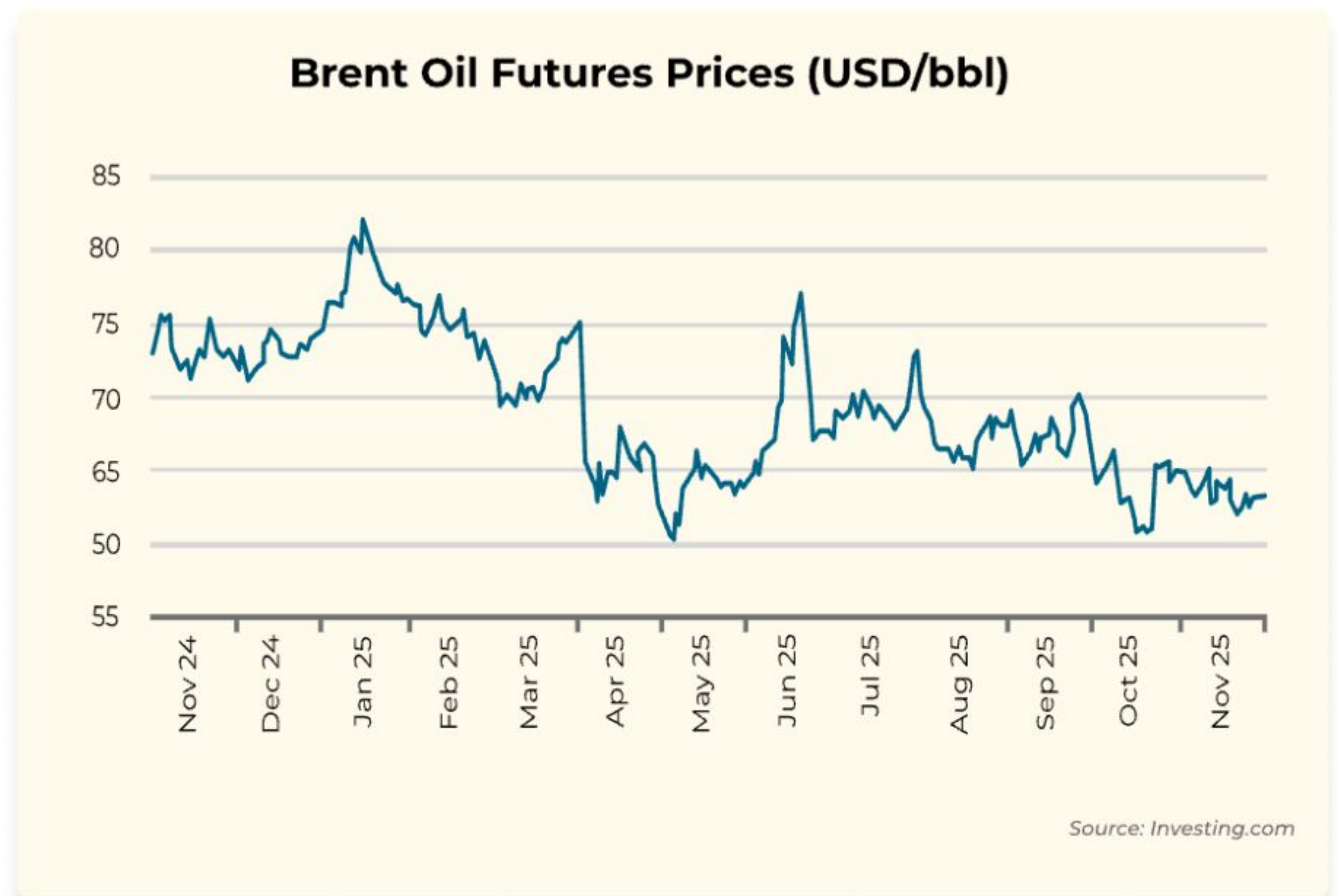
Given these evolving policy dynamics, a strategy that seeks selective opportunities in the short- to medium-end of the curve including selective credit calls, while exercising caution across long-dated exposures, remains prudent.

Commodity Outlook

Crude Oil

Global oil markets remain heavily tilted toward surplus as supply growth is expected to reach **+3.1 million barrels per day (bpd)** this year, with another **+2.5 mb/d** on the way in 2026, nudging total world supply toward **~108.7 mb/d**. Even though output dipped slightly in October (to **~108.2 mb/d**), as planned maintenance and some unplanned outages (especially in Russian downstream) temporarily trimmed production, supply still remains much higher than at the start of the year. Perhaps the most striking signal is in inventories as observed global oil stocks increased by **77.7 million barrels** (**~ 2.6 mb/d**) in September alone, which is the largest monthly build since mid-2021.

On the demand side, there was a notable rebound in Q3 2025. Global demand growth rose by about **920,000 bpd YoY**, owing in large part to strong consumption in China which was roughly double the growth seen in Q2. Still, even with this bounce, annual demand growth for 2025 and 2026 is forecast at a modest **~790,000–770,000 b/d**.



Gold

Gold stayed strong through November, rising **~6% MoM**, holding well above the **\$4,000/oz** mark after setting fresh highs in October. The market continues to be supported by two firm pillars: steady central-bank buying and strong investment inflows.

According to WGC data, **global central banks added a net 53 tonnes of gold in October 2025, the largest single-month net purchase so far this year, up 36% month-on-month.**



YTD, the National Bank of Poland (83t) continues to be largest official-sector gold buyer. This steady, broad-based official-sector buying underscores an ongoing shift toward reserve diversification, domestic custody, and reduced reliance on the US dollar.

Beyond demand-side flows, **broader macro dynamics are contributing to gold's resilience.** Persistent geopolitical risks, volatile equity markets, rising fiscal pressures, and concerns around long-term currency stability have reinforced gold's role as a hedge.

Silver

The global silver market is on track for a fifth successive annual deficit, although lower on YoY basis. Global silver demand is expected to fall about 4% year-on-year in 2025, to roughly 1.12 billion ounces as weakness is expected across industrial demand (-2%), jewellery (-4%), silverware (-11%), and bar/coin demand. Industrial consumption is estimated to drop even as global installations in solar PV hit record levels. On the supply side, global mined silver output is forecasted to remain flat in 2025 at **~813 million ounces**.

Despite weaker end-use demand in some traditional segments, investment demand has surged: holdings in silver-backed ETPs rose by around 187 million ounces YTD (until November 6, 2025), reflecting macroeconomic uncertainty with Fed rate cut expectations, inflation, currency concerns and geopolitical risk that favour silver as a safe-haven.

Commodity In-house View

Crude Oil

As the supply remains flushed and inventory builds are visible, there is downward pressure on crude prices with major benchmarks already softening in recent trading. Geopolitics also adds a layer of uncertainty. **The Russia–Ukraine war, tensions in the Middle East and the uncertain U.S.–Venezuela dynamic can add volatility to prices and worsen the impact of any future supply disruption.**

India's recent move to gradually trim its purchase of Russian crude might introduce mild reallocation pressure in global trade flows. While it diverts a portion of demand from earlier channels, the impact is limited and may create pockets of short-term price variability, but nothing structurally significant.

Refining conditions remain mixed as outages, particularly in Russia, have temporarily lifted product margins in some regions, but these gains may not sustain given uneven demand and an overall surplus of crude. **Unless there is a meaningful supply adjustment or a surprising rebound in consumption, oil prices are expected to stay under pressure through next year.**

Gold

Gold's outlook for 2026 remains constructive, underpinned by steady central-bank purchases and ongoing investor interest in safe-haven assets. Central banks are expected to continue diversifying reserves and repatriating holdings, providing a firm structural base for prices. Supportive macro conditions, including expectations of lower real interest rates, a softer US dollar, and persistent geopolitical and economic uncertainty, are likely to maintain strong investment demand through ETFs and physical gold.

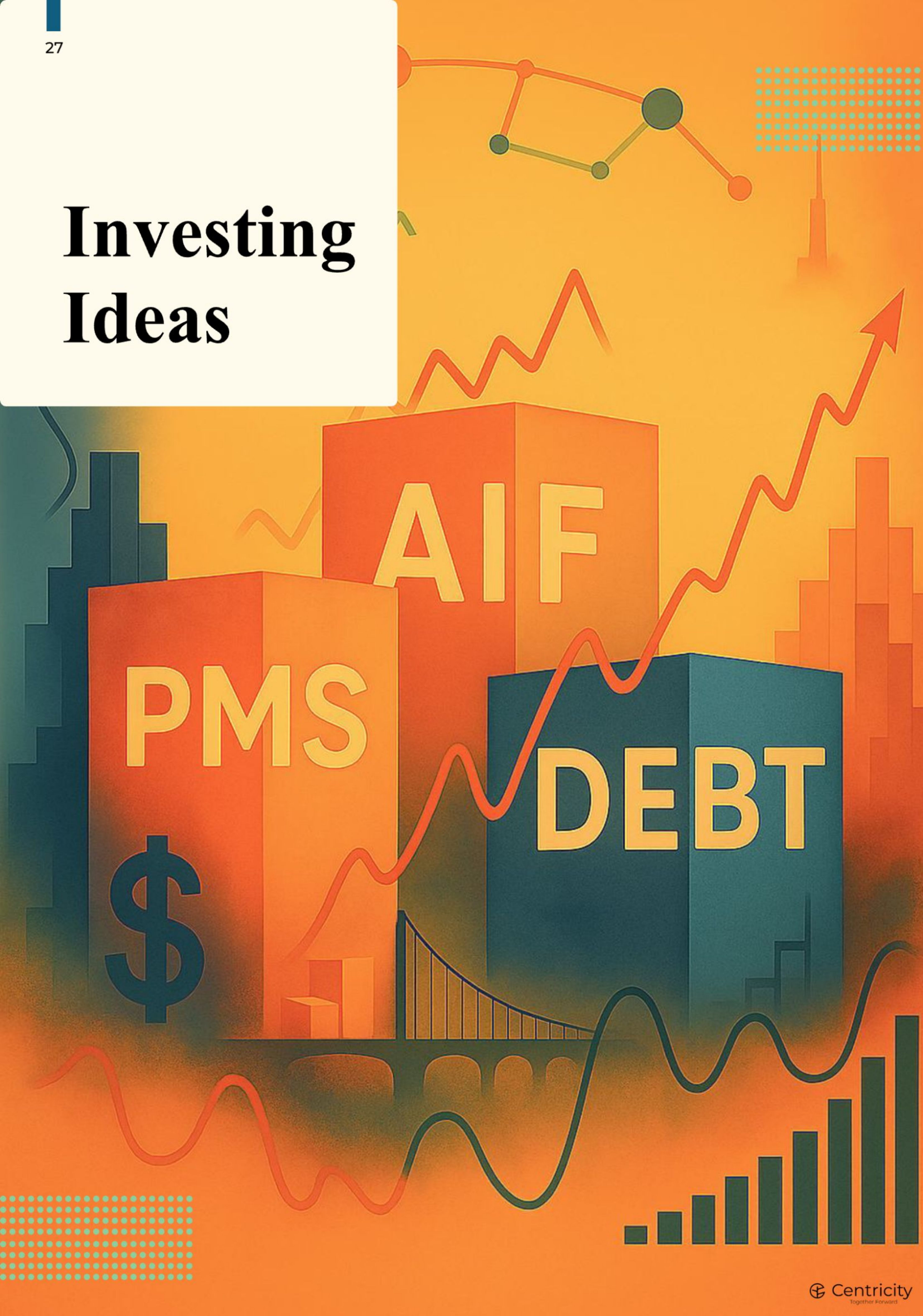
While temporary volatility may arise, the combination of disciplined supply and sustained official- and investor-driven demand points to an overall upward bias for gold over the coming year.

Silver

Silver is expected to head into 2026 with a market still defined by constrained supply and limited flexibility for substitution, which keeps the fundamental backdrop tight. While parts of industrial demand may stay uneven, core uses in solar, data centers, electronics and defence provide a steady floor. The bigger swing variable will be investment flows, as 2025 showed how quickly ETP inflows can move prices, and the broader macro setup remains supportive. Price volatility is likely to stay elevated because the market is thin relative to other metals.

If these dynamics hold, silver is positioned to trade with an upward bias in 2026, with periodic spikes driven by investment flows and liquidity shifts rather than by sustained changes in physical consumption.

Investing Ideas





Products

Considering the current market landscape marked by global volatility and emerging domestic resilience, we are curating a carefully balanced set of investment ideas across asset classes. While India's macroeconomic fundamentals remain strong with easing inflation, supportive monetary policy, and a rebound in manufacturing and capex, supportive fiscal measures, including GST rate normalization and recent income tax cuts, are bolstering consumption and corporate earnings. In the long term, these steps strengthen domestic demand and provide an added cushion against global headwinds. At the same time, global challenges like the tariff war and equity market corrections call for a more thoughtful and diversified approach. The following strategies have been selected to help investors navigate near-term volatility while positioning portfolios for long-term growth. They reflect opportunities in business cycles, selective equity exposure across market caps, performing debt and special credit opportunities all with an 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 ~37%, 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 36%, 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	Neo Special Credit Opportunities Fund II	Targeting a 22–24% IRR, the fund lends to cash-flow generating businesses in special situations — from one-time settlements to growth capital — backed by hard assets and robust collateral. With a strong track record of exits and downside protection, it offers an attractive risk-adjusted yield in India's expanding private credit landscape.	6.5 years	17-18%

Category	Sub Category	Product	Rationale	Suitable Tenure	Expected Return Range (Net of Expenses)
Debt	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%
Hybrid	SIF-Hybrid	Edelweiss Altiva Hybrid Long Short SIF	Targeting a 22–24% IRR, the fund lends to cash-flow generating businesses in special situations — from one-time settlements to growth capital — backed by hard assets and robust collateral. With a strong track record of exits and downside protection, it offers an attractive risk-adjusted yield in India's expanding private credit landscape.	> 2 years	7-8%



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