

The background of the page is a dark blue grid with a faint world map on the right side. Overlaid on this is a financial chart consisting of a line graph and a candlestick chart. The candlesticks are primarily blue and cyan, with a bright white and yellow light flare emanating from one of the central candles. The line graph shows a fluctuating upward trend.

# Monthly Newsletter

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**December 24**

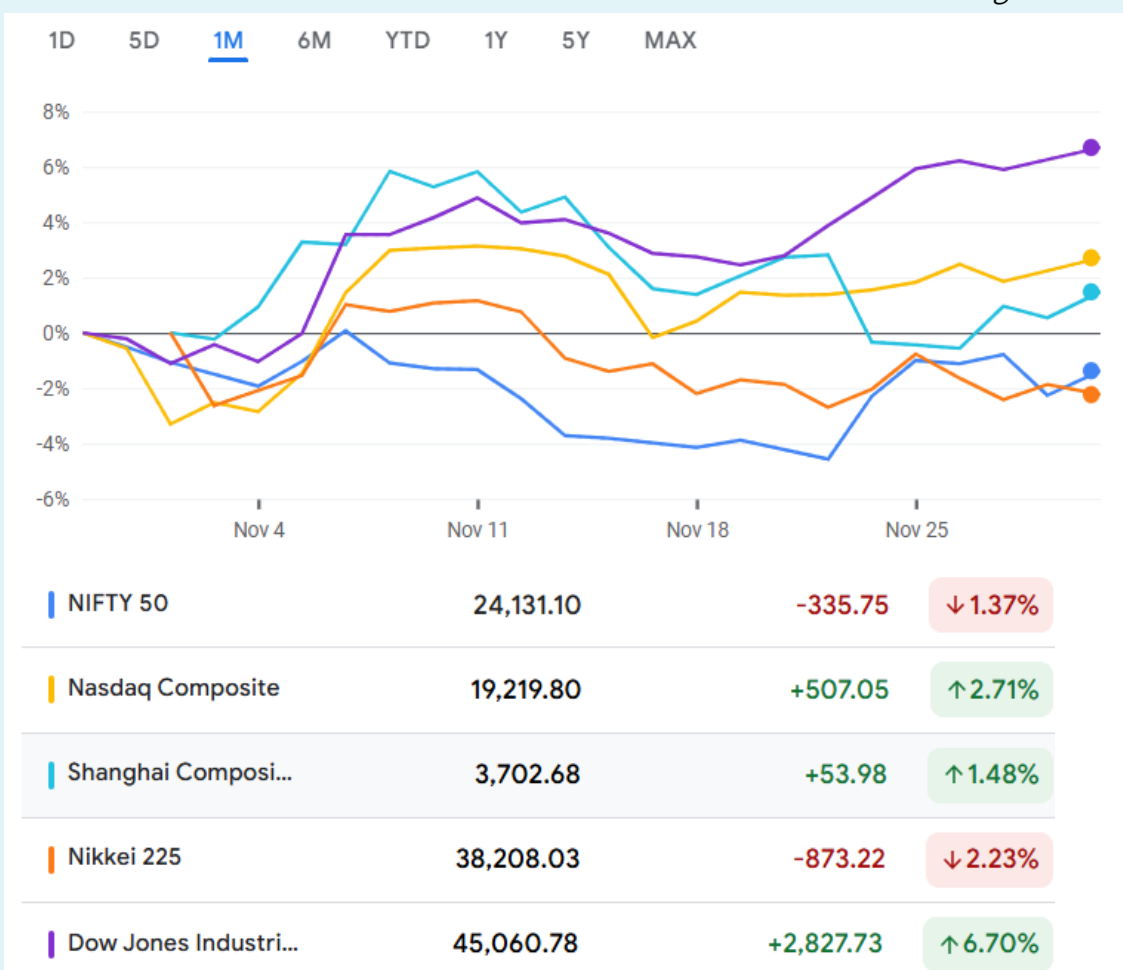
## Market Overview

The Indian market witnessed a strong rebound during the month, offsetting earlier losses as investors accumulated beaten-down stocks. However, the sustainability of this recovery remains uncertain amidst ongoing concerns. State election results may provide some stability, while blue-chip stocks trading below historical valuations and corrections in mid- and small-cap indices create potential for selective momentum. Gains in realty, FMCG, auto, banking, and IT sectors, supported by favourable U.S. job data and a stronger dollar, highlighted the market's focus on key segments.

Volatility during the month was influenced by state elections, sustained FII outflows, a rise in crude oil prices (~2.5% to \$74.8 per barrel), and higher U.S. Treasury yields. Consumption demand could see seasonal support from festive and marriage activity, while government spending to meet FY25 capex targets may aid private investments. Investors remain watchful of upcoming economic data, including PMI, IIP, and inflation, to gauge the trajectory of corporate earnings growth in the coming months.

## Global Overview

Source: Google Finance



### The US Economy Under Trump: What to Expect

The US presidential election has sparked a wave of uncertainty, with Donald Trump's potential return as the President causing significant impacts on global markets, particularly for countries like India. Trump's "America First" approach could redefine international trade, alter geopolitical alliances, and reshape economic landscapes worldwide. His pledge to reduce imports from China, Mexico, and Canada could spark trade tensions, impacting key export sectors like agriculture and technology. India, a key export market, could face challenges from Trump's tariff-heavy rhetoric, particularly in sectors like IT services, pharmaceuticals, and textiles. Despite these challenges, Trump's economic policies could open new

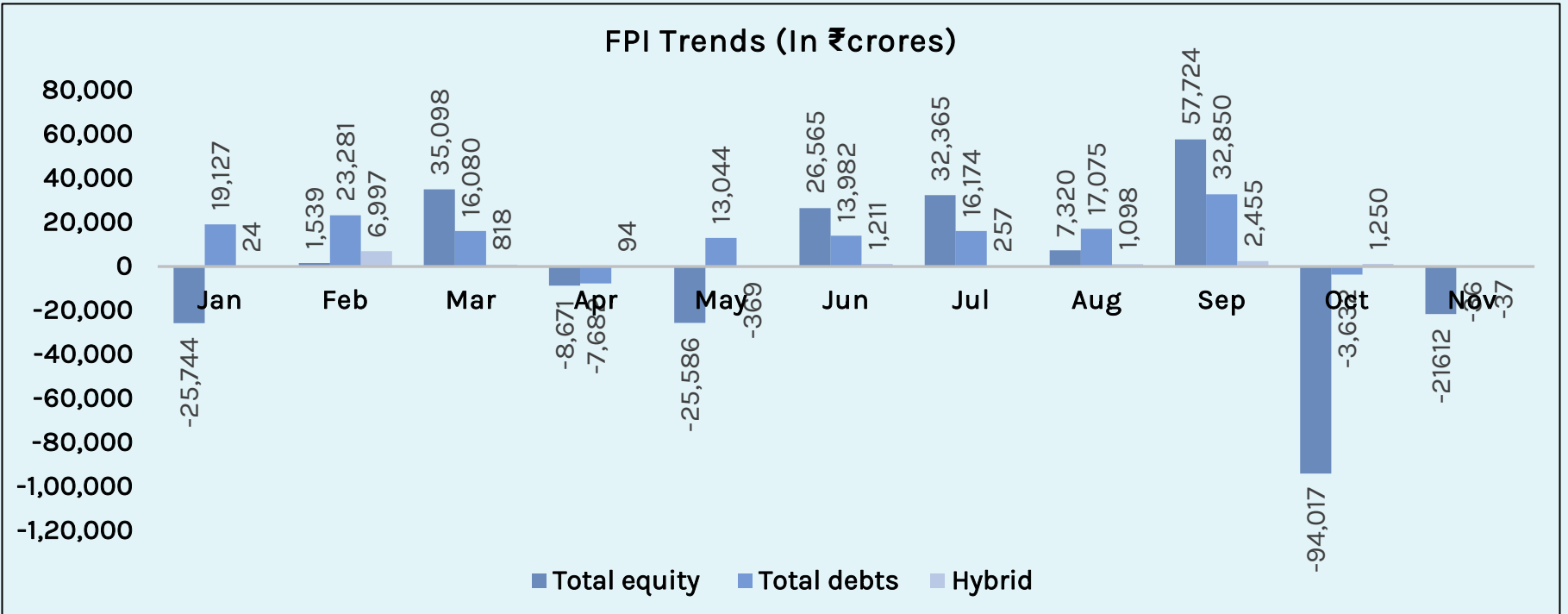
doors for India, such as corporate tax cuts and strategic push in global supply chains. However, Trump's fiscal policies could also strengthen the dollar, straining Indian exporters and causing economic ripples across emerging markets. India, a significant trade partner with the US, must navigate carefully under Trump's policies, leveraging strengths in technology and pharmaceuticals while addressing trade dynamics vulnerabilities. A second Trump presidency could bring economic growth and global trade tensions, driving strategic realignments across nations.

## US-China Tensions: Trade Shifts and India's Position

The US imposing tariffs on Chinese products, including solar panels, electric vehicles, lithium-ion batteries, syringes, and steel, could significantly alter global trade flows. As the US market becomes less accessible to China, concerns are growing that Chinese exports could be redirected to other markets, including India. The interdependence between the US and China, particularly in soybeans and crude oil, could be disrupted, creating ripple effects for other nations. The tariffs could create both challenges and opportunities for India. On one hand, Chinese manufacturers might redirect surplus goods to India, raising concerns about dumping in sectors like solar panels and steel. On the other hand, India could position itself as an alternative supplier in the U.S.-China trade conflict, particularly in sectors like pharmaceuticals and technology. Balancing the benefits of cheaper imports with market saturation risks is crucial.

## Foreign Portfolio Investor (FPI) Trends

Source: NSDL



Foreign Portfolio Investors (FPIs) have pulled out ₹21,612 crore from the Indian equity market this month, influenced by increased allocations to China, the strengthening US dollar, rising Treasury yields, and elevated domestic stock valuations. Persistently high inflation, which could delay potential rate cuts, has further fuelled concerns about an economic slowdown.

As liquidity conditions tighten, FPI inflows are expected to remain subdued in the short term. The ongoing FPI sell-off since October reflects shifting global dynamics and cautious investor sentiment amid uncertain market conditions.

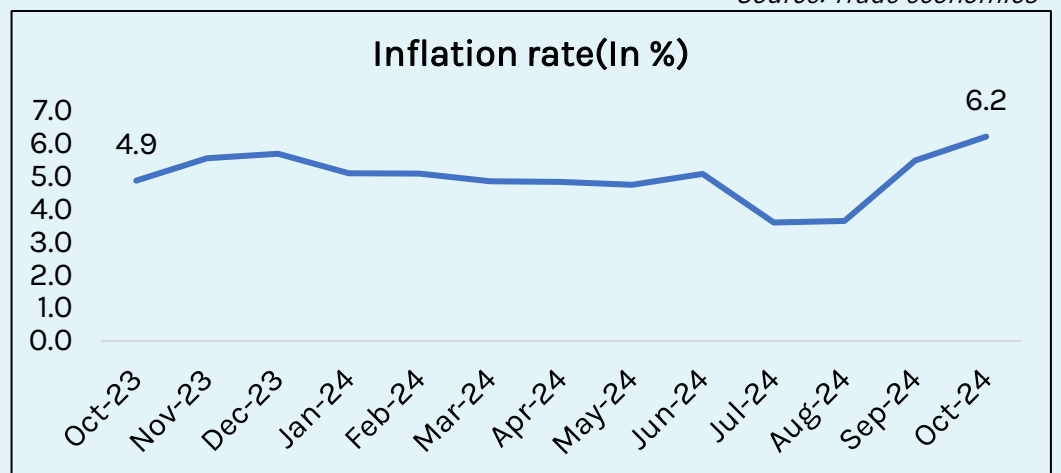
## Signs of Economic Deceleration in 2024

The following data underscores signs of economic deceleration in India for 2024, with rising inflation, slowing GDP growth, and sectoral challenges signaling potential headwinds for the economy

### ◆ India's Inflation Spike

Source: Trade economics

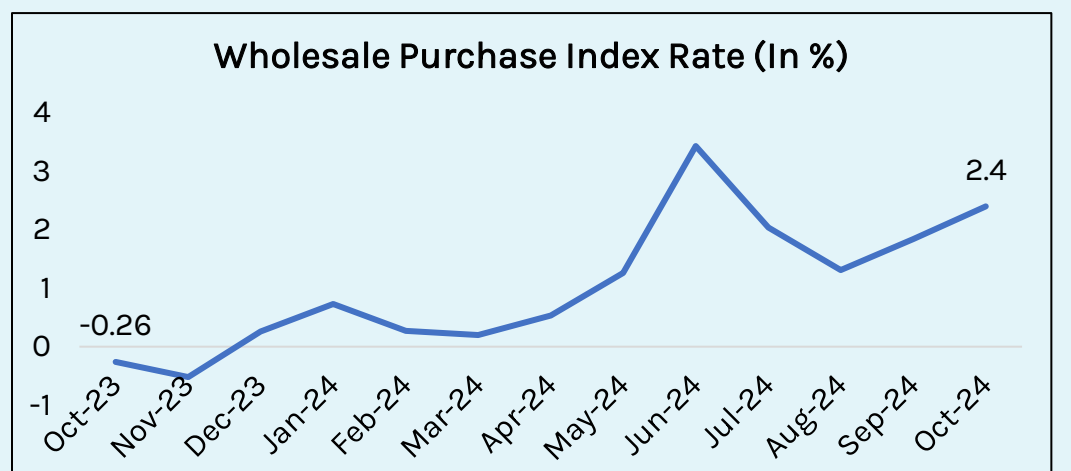
India's retail inflation reached 6.21% in October, posing a significant economic challenge. Rising prices limit purchasing power, cool consumer spending, and burden businesses with higher costs. Policymakers may need to prioritize inflation control over rate cuts, risking further slowdown. Persistent inflation raises concerns of stagflation, requiring immediate intervention for economic resilience.



### ◆ WPI (Wholesale Price Index)

Source: Forbes

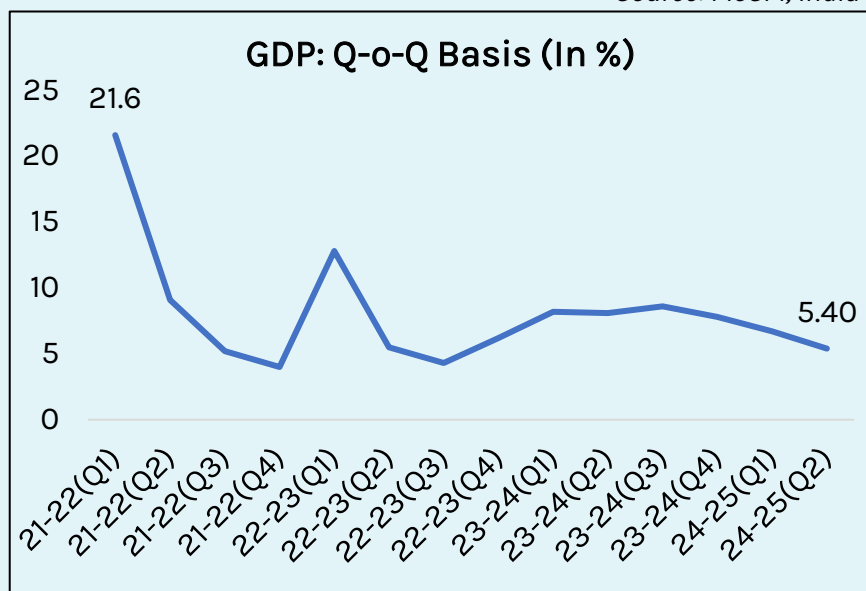
India's wholesale inflation reached 2.36% in October, primarily due to food price hikes. This raises production costs, straining household budgets and businesses. If inflation persists, it could hinder economic recovery by slowing down consumption and limiting investment, making it harder for the economy to gain momentum amid a slowing growth outlook.



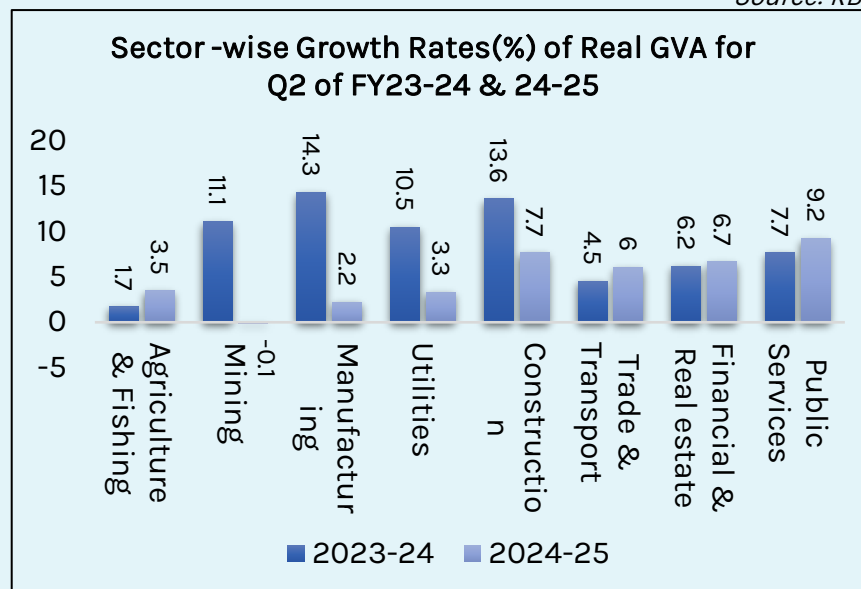
◆ GDP Growth

India's GDP growth slowed to 5.4% in Q2 FY25, marking a near two-year low compared to 8.1% in the same quarter last year. The slowdown was driven by sluggish performance in manufacturing, which grew by only 2.2%, and a contraction of 0.1% in the mining and quarrying sector, reflecting weakened industrial activity. While the services sector posted robust growth of 7.1%, key segments like trade, hotels, and transport expanded at a moderate 6.0%, indicating an uneven recovery. The agriculture sector rebounded to 3.5% growth but remained below its long-term potential. Private Final Consumption Expenditure grew to 6.0%, showing signs of improvement but still reflecting cautious consumer spending. These factors underscore the sectoral imbalances and structural challenges contributing to the GDP slowdown.

Source: MoSPI, India



Source: RBI



The slowdown in GDP growth, coupled with rising WPI, inflationary pressures, and softened consumption, paints a mixed picture of India's economic outlook in 2024. While the economy continues to grow, these indicators suggest a more cautious environment, with both businesses and consumers exercising restraint. Policymakers will need to strike a delicate balance between fostering growth and controlling inflation to maintain stability and resilience in the face of global headwinds.

■ Subdued Enthusiasm in IPO Market

The once-thriving IPO market appears to be losing steam, with recent offerings reflecting a clear sense of fatigue among investors. Several issues have faced muted listings, adding to the subdued sentiment.

**What's Causing the Slowdown?**

Weak overall market conditions as the primary culprit. Turbulence in the secondary market—driven by factors like disappointing Q2 earnings and sustained selling pressure from foreign institutional investors (FIIs)—has spilled over into the primary market. The secondary market, a crucial source of liquidity for IPO investors, has been grappling with a downtrend,

creating a ripple effect on IPO demand and valuations. Lower-than-expected subscriptions highlight cautious investor sentiment, with participants hesitant to commit amid uncertain market conditions. Poor listing performance further compounds this hesitancy, as the downtrend in the secondary market dampens appetite for new offerings.

The IPO market, once a hotbed of excitement, is now experiencing a "fever" of sluggish demand and subdued enthusiasm. While global and domestic factors continue to challenge investor confidence, a rebound in the secondary market may be the key to reigniting the IPO pipeline. For now, market fatigue remains a stark reality in the primary market.

**Notable IPOs**

Listed Company	Subscription (x)
Afcons Infrastructure	2.6
Sagility India	3.2
Swiggy	3.6
ACME Solar Holdings	2.8
Niva Bupa Health Insurance	1.8

## India's Economic Rebound: Export Growth and Resilience

Country	Composite index score, Oct 2024	Real GDP growth (y-o-y, in %)	PMI manufacturing	Export growth (y-o-y, in %)	CPI inflation (y-o-y, in %)	Import cover (no. of months)	Exchange rate movement** (m-o-m, in %)	Stock market capitalization* (m-o-m, in %)
CHINA	81	4.6	50.1	12.7	0.3	15.2	-0.1	21.2
INDIA	<b>79</b>	6.7	57.5	17.2	6.2	11.7	-0.3	-6.8
THAILAND	54	3.0	50.0	1.1	0.8	9.2	-0.2	2.1
BRAZIL	53	3.3	52.9	-0.7	4.8	16.5	-1.5	-3.8
INDONESIA	50	5.0	49.2	10.4	1.7	7.8	-1.5	-5.2
MALAYSIA	48	5.3	49.5	-0.3	1.8	4.5	-0.9	-1.2
PHILIPPINES	46	5.2	52.9	-7.6	2.3	10.5	-2.4	2.4
MEXICO	38	1.5	48.4	0.0	4.8	4.4	-0.4	-0.8
TÜRKİYE	18	2.5	45.8	-1.9	48.6	3.3	-0.6	-8.5

India's economic performance has shown significant improvement among emerging markets, driven by a notable rebound in exports. In October, exports grew 17% year-on-year, marking a sharp recovery after months of sluggish performance. Despite a tumultuous stock market and rupee depreciation, India's growth momentum remained strong, driven by robust GDP and Purchasing Managers' Index (PMI) numbers. Notably, the rupee's performance was better than most emerging market peers, helping India secure

the second rank among emerging markets in October, up from sixth in August.

## MSCI Rebalancing Boosts India's Global Market Presence

In November, the MSCI rebalancing took effect, bringing a significant influx of \$1.9 billion into Indian stocks. Leading the charge was HDFC Bank, which attracted \$1.9 billion in Foreign Institutional Investor (FII) inflows due to its increased weightage in the MSCI Emerging Markets (EM) Index. Along with HDFC Bank, Voltas, BSE, Kalyan Jewellers, Oberoi Realty, and Alkem Laboratories saw substantial inflows, further cementing India's position in global markets.

India's representation in the MSCI Standard/EM Index grew to 156 stocks, with its weight increasing from 19.3% to 19.8%, marking the largest increase among emerging markets in this revision. This shift reflected India's rising prominence on the global stage and signaled strong foreign investment interest. Additionally, 13 stocks joined the MSCI Smallcap Index, contributing approximately \$71 million in inflows, broadening the market's reach and visibility.

These MSCI adjustments highlighted India's strengthening market dynamics, driven by robust retail and mutual fund participation. The rebalancing positioned India for continued growth, attracting more passive foreign investments, and reinforcing its role as a key player in emerging markets.

## Record QIP Fundraising in India Capitalizes on Market Highs

Indian companies have raised a record ₹97,000 crore through qualified institutional placements (QIPs) in 2024, driven by strong domestic liquidity and robust mutual fund SIP inflows. This historic fundraising, set to cross ₹1 lakh crore, highlights promoters leveraging high market valuations to favor equity-based funding over debt.

Funds are being utilized for expansion, acquisitions, and debt reduction, reflecting a strategic focus on strengthening balance sheets. Despite ₹1.2 lakh crore outflows from foreign investors since October, domestic SIP inflows of ₹25,000 crore monthly have sustained the QIP momentum, enabling companies to capitalize on favorable market conditions.

Company	(₹ crores)
Zomato	8,500
V3	7,500
Motherson	6,438
Goorej	6,000
Adani	4,200
Sona BLW	2,400
36 One wealth	2,250
KEI	2,000

## Nifty 50 Market Performance

Index Name	Open	Close	% Change
NIFTY	24,304	24,131	-0.7%
Midcap	15,649.3	15,923.6	0.3%
SmallCap	9,087.5	9,090.6	-1.1%

Top 5 NIFTY Performers	% Change
TCS	7.2%
TECHM	6.8%
BEL	6.7%
INFY	5.5%
M&M	5.3%

Top 5 NIFTY Losers	% Change
ADANIENT	-16.5%
ASIANPAINT	-15.7%
ADANI PORTS	-14.7%
BRITANNIA	-13.2%
SBILIFE	-11.7%

Index Name	Open	Close	% Change
NIFTY IT	40,433.60	43,547.0	6.7%
NIFTY INDIA TOURISM	8,151.60	8,713.8	6.4%
NIFTY INDIA DIGITAL	9,023.20	9,640.7	5.7%
NIFTY INDIA DEFENCE	6,422.20	6,720.1	4.4%
NIFTY CONSUMER DURABLES	39,555.0	41,006.5	1.6%
NIFTY REALTY	1,009.1	1,051.2	1.1%
NIFTY SERVICES SECTOR	31,657.1	32,132.0	1.0%
NIFTY CAPITAL MARKETS	3,738.1	3,804.3	1.0%
NIFTY BANK	51,673.9	52,109.0	0.7%
NIFTY PSU BANK	6,778.5	6,800.4	0.5%
NIFTY FINANCIAL SERVICES	23,947.6	24,072.6	0.3%
NIFTY PSE	10,266.6	10,101.1	-1.4%
NIFTY MEDIA	2,027.2	2,017.2	-1.5%
NIFTY INFRASTRUCTURE	8,869.1	8,803.8	-1.5%

The current phase of market consolidation offers an excellent opportunity for long-term investors to accumulate quality large-cap and mid-cap stocks at attractive valuations. Sectors such as banking, IT, defense, and real estate are poised for outperformance, while oil & gas, auto, and FMCG sectors may continue to face pressure.

In the large-cap space, stocks like Bharti Airtel, L&T, and HDFC Bank are worth considering on dips. Among mid-caps, companies such as Polycab, LIC, Ramco Cement, BEML, HUDCO, and BEL are expected to deliver strong performance in the coming month.

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In November, the Dollar Index climbed to 107, exerting downward pressure on commodities and emerging markets. However, it has now entered a resistance zone and is showing signs of a pullback, which bodes well for Indian markets. Technical charts suggest a potential trend reversal, providing a favorable outlook ahead.

## Economic calendar

December 06<sup>th</sup>: RBI policy (Repo rate)

December 18<sup>th</sup>: US Central Policy Rate

December 12<sup>th</sup>: CPI Inflation

December 16<sup>th</sup>: WPI Inflation

## Debunking the "Inevitable Decline" Myth: Stocks Aren't Bound by Gravity

Unlike the laws of physics, the stock market is not governed by gravity. There's no invisible force pulling a soaring stock back to its previous levels. While it's true that stock prices can correct due to market cycles or temporary setbacks, a stock's performance is ultimately tied to the strength of the company it represents.

If a firm has strong fundamentals, innovative strategies, and visionary leadership, there's no inherent rule saying its stock can't continue to climb. Just as great companies grow over time, their stocks can rise persistently, defying the myth of inevitable decline. So, instead of assuming every high-flying stock will crash, focus on the quality and potential of the underlying business—it may just keep reaching for the skies.

## Tech Corner: Elevate Your Investment Strategy with Advanced Tools

**Risk Profiler:** Discover your unique risk profile with our cutting-edge psychometric questionnaire. This innovative tool assesses key factors like risk tolerance and return expectations, providing personalized risk scores (out of 100). Make informed decisions and align your portfolio with your preferences.

**Portfolio Analyzer:** a cutting-edge tool that elevates your investment strategy by combining advanced statistics and fundamental insights. This powerful solution helps you optimize portfolio performance, master risk management, and enhance factor scores. With features like diversification analysis, personalized optimization, scenario planning, risk analytics, and factor scoring, you'll be able to identify areas for improvement, maximize returns, and minimize risk. By leveraging our Portfolio Analyzer, you'll be empowered to achieve your long-term financial goals. Unlock your investment potential and transform your portfolio today. To learn more, [click here](#)

**SEBI Registered Investment Advisor:-** Company Name: ORIM ADVISORS PRIVATE LIMITED SEBI Registration Number: INA000018294 CIN: U74999MH2021PTC373405

Address: 13/C, Mini Land, Tank Road, Bhandup West, Mumbai, Maharashtra 400078.

Principal Officer & Compliance Officer: Vedant Sanjive Kumar Pathella  
Contact no: +91- 7977016006 Email: [connect@orim.in](mailto:connect@orim.in)

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SEBI Office address: SEBI BHAVAN 2, PN-C/7, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051