



# **Monthly Newsletter**

---

**February 2025**

India's benchmark Nifty index is on track to close lower in January, marking its fourth consecutive monthly decline and the longest losing streak since 2001. With growth slowing, the Sensex and Nifty have dropped over 11 percent since their peak in September 2024. Foreign Institutional Investors (FIIs) have sold more than \$20 billion in local equities since September, citing weakening earnings momentum and concerns over Indian stocks' valuation premium relative to emerging markets. In January alone, FIIs have offloaded over \$8 billion in Indian equities. Both Sensex and Nifty are trading at approximately 19 times their estimated forward earnings, compared to a multiple of 12 times for the MSCI Emerging Markets Index, as per Bloomberg. In late September, both indices were trading above 20 times earnings. This correction is primarily attributed to a slowdown in economic and corporate earnings growth, compounded by elevated valuations. Global factors have also played a major role.

Domestic institutional and retail investors have continued investing, citing expectations of economic recovery and India's long-term potential. Domestic Institutional Investors (DIIs) have purchased over Rs 84,000 crore in local equities, while retail investors have invested over Rs 10,000 crore so far in January.

## Losing Streak

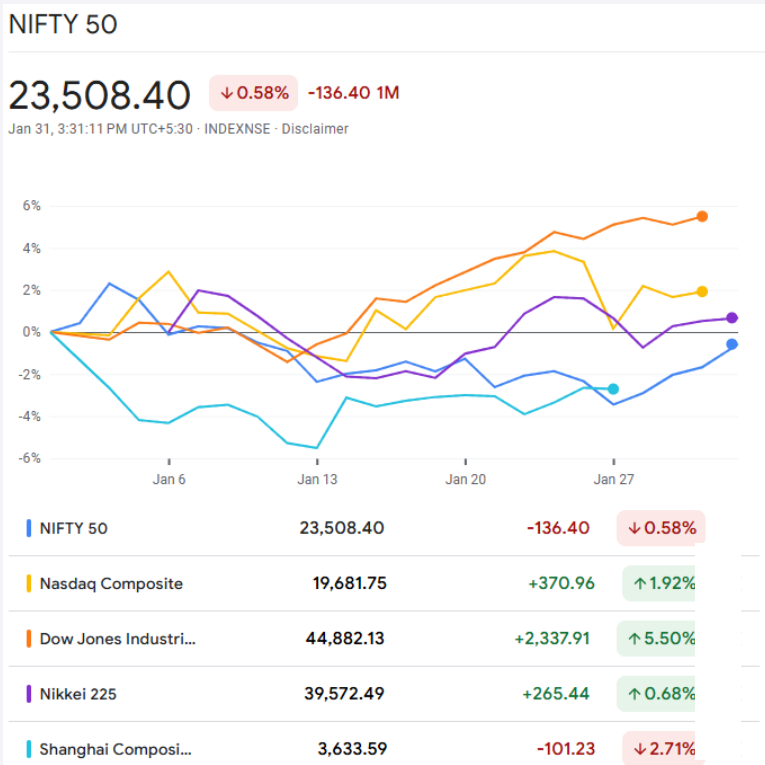
Nifty has declined for four or more months only on five occasions previously

No. of months	Start	Nifty 50	End	Nifty 50	Change
4	Sep 30, 1990	440	Jan 31, 1991	314	-28.5%
8	Aug 31, 1994	1,373	Apr 30, 1995	942	-34.4%
5	Jan 30, 1996	1,122	Nov 30, 1996	830	-26.0%
5	Apr 30, 1998	1,159	Aug 31, 1998	853	-26.4%
4	May 31, 2001	1,168	Sep 30, 2001	914	-21.8%
4	Sep 30, 2024	25,811	Jan 30, 2025	23,250	-9.9%

The Sensex rallied 740.76 points, or 0.97%, to close at 77,500.57, while the Nifty 50 settled 258.90 points, or 1.11%, higher at 23,508. on Jan 31, 2025.

Source: BS

## Global Market Outlook: Growth, Valuation Risks, and Diversification Opportunities



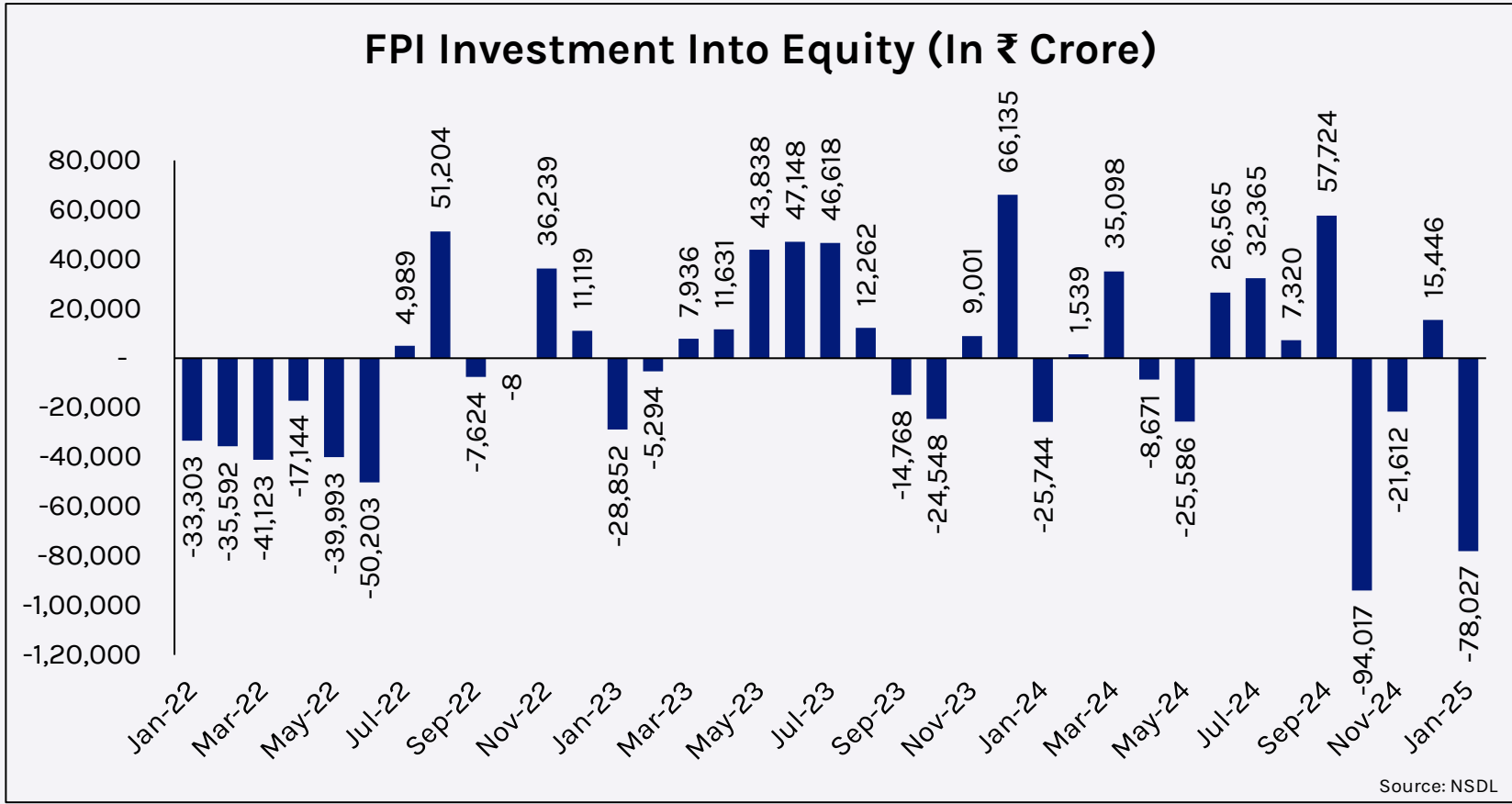
The US Fed paused interest rate cuts, maintaining rates at 4.25% to 4.5%, despite inflation remaining elevated. The European Central Bank cut deposits rates by 25 bps to 2.75%, with policymakers predicting further reductions in March 25 due to lacklustre economic growth and persistent inflation concerns.

US economy in 4Q slows to 2.3% vs 2.6% of estimates: GDP increased at a 2.3% annualized rate in 4QCY24 after accelerating at a 3.1% pace in 3QCY24. Economists polled by Reuters had forecast GDP rising at a 2.6% pace.

### The Case for Geographic Diversification

With US markets potentially facing valuation headwinds, Goldman Sachs Research underscores the importance of geographic diversification in portfolio strategy. Global markets, particularly in emerging economies and select European sectors, offer compelling valuation discounts. The surging US dollar has benefited multinational companies that derive a significant share of their revenue from international markets, but it has also made US stocks more expensive relative to global peers.

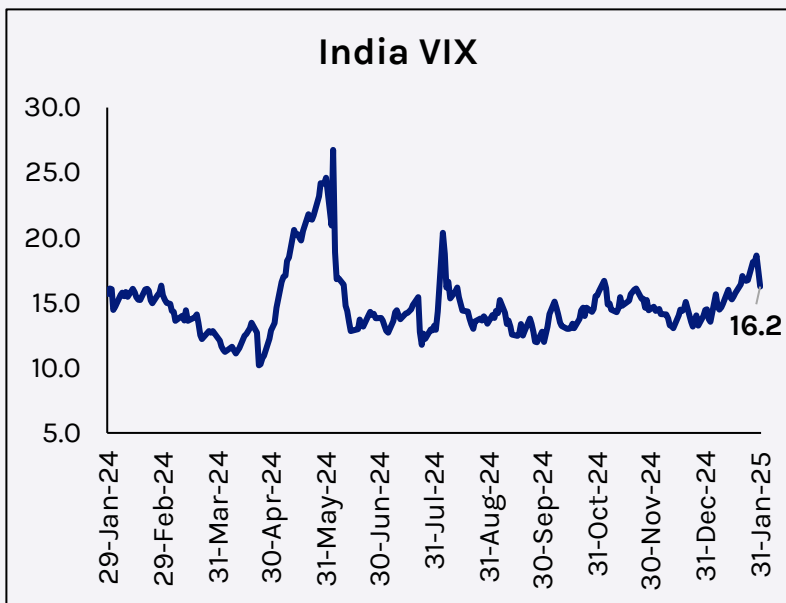
Source: Goldman Sachs



January 2025 has emerged as the worst opening month ever in terms of flows from foreign institutional investors (FIIs) as net sales are nearing the \$8 billion mark. Till date, FIIs have been net sellers at \$7.8 billion, which is the highest-ever recorded in January.

More importantly, given the heightened selling by FIIs, January could well end up among the worst in terms of monthly outflows. The highest monthly outflows were witnessed in October 2024 (\$11.2 billion) and March 2020 (8.4 billion).

In the first two weeks of January, FIIs were the most aggressive sellers in financial stocks, offloading over \$1.41 billion. This was followed by significant selling in consumer services (\$405 million), power (\$360 million), and capital goods (\$303 million). Other sectors, including metals & mining, IT, automobiles, and construction, also faced heavy FII outflows, with each witnessing sell-offs exceeding \$200 million.



India's volatility index, India VIX, surged 12% to 16.2, reflecting heightened market uncertainty. Broad-based selling across sectors dragged the Indian markets lower, driven by weak earnings and fragile global sentiment. Mid and small-cap stocks extended their decline, pressured by expensive valuations.

FIIs continued their selling spree, reacting to slower economic growth and INR depreciation. Adding to global volatility, US President Trump's policies in 2025 could shorten the US rate cut cycle, amplify financial market fluctuations, and exacerbate currency pressures on emerging markets. A key risk to our outlook arises from potential turbulence in the currency markets, which may force central banks to adopt a hawkish stance to stabilize their economies.

Source: NSE

## DeepSeek AI: A Rising Challenger to Global Tech Dominance

China-based artificial intelligence startup DeepSeek's V3 and R1 large language models have sent information technology stocks spiraling across the globe. The market sentiment on AI and big tech has turned negative following the initial success DeepSeek, which are reportedly trained at significantly lower training costs with deep discounts on inference.

### ➤ Introduction: DeepSeek Takes the Lead

DeepSeek, an AI platform developed by a Hangzhou-based startup, has overtaken ChatGPT to become the top-rated free app on Apple's App Store in the US.

### ➤ Founding and Launch

Founded in May 2023 by Liang Wenfeng.

Launched in the US on January 10, 2024.

### ➤ Rapid Rise in Popularity

Achieved top App Store ranking within 17 days of launch.

Powered by the DeepSeek-V3 model, which rivals top global AI models.

### ➤ Market Impact and Challenges

**Challenging Giants:** Positions DeepSeek as a competitor to OpenAI, Google, and Microsoft.

**Pricing Power Concerns:** Raises questions about the pricing strategies of US tech giants.

**Global Competition:** Highlights the growing role of Chinese startups in the AI industry.

➤ Global AI Race: DeepSeek's success highlights the intensifying competition in the global AI industry, with Chinese startups increasingly challenging US dominance.

In India, where startups and research institutions often operate with limited resources, adopting DeepSeek's lean methodologies could significantly accelerate AI development, reducing dependence on government or corporate funding. The cost of AI compute and data center power consumption in India would also decline. Even with a rise in AI research volume, a 20-50x increase in efficiency would lower energy costs, making AI research more sustainable and financially viable.

Several Indian firms are working on smaller, cost-effective language models, including AI4Bharat's Airawat series, Sarvam AI's OpenHathi series, CoRover.ai's BharatGPT, Tech Mahindra's Indus project, Krutrim by Ola's Bhavish Aggarwal, the Sutra series by Two Platforms, and SML India's Hanooman LLM series.

The DeepSeek impact on the US & Indian stock market, especially tech stocks, is a reality check for the overvalued market.

## Pharma Stocks Slide Amid Halt in US AIDS Relief Funding

Indian pharmaceutical stocks took a significant hit after the US government halted foreign aid funding, including its AIDS relief program, impacting the supply of antiretroviral (ARV) medicines to African countries.

**Laurus Labs** shares fell nearly 15% on Monday, January 27, reaching a two-month low, despite reporting better-than-expected Q3 results last week. ARV sales contribute approximately 46% of Laurus Labs' total revenue, with 20% of these sales—around ₹500 crore—relying on PEPFAR (President's Emergency Plan for AIDS Relief) funding. This accounts for 9% of the company's consolidated revenue.

Shares of other Indian pharma companies with ARV sales in the region, such as **Strides Pharma, Aurobindo Pharma, and Cipla**, also declined. The Nifty Pharma index closed 2.65% lower.

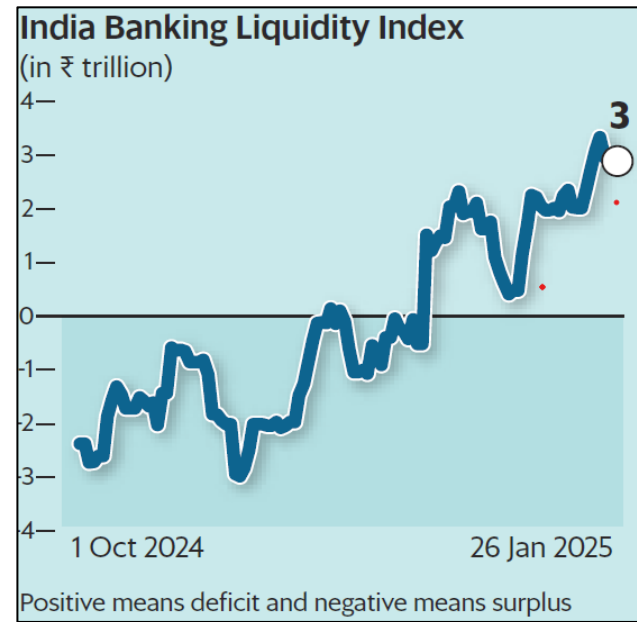
The global ARV market is valued at approximately \$1.5 billion annually, representing 10% of the total HIV financing budget.

## RBI's Measures to Tackle Liquidity Deficit

The Reserve Bank of India (RBI) has announced a series of liquidity-boosting measures to address the growing liquidity deficit, which recently crossed ₹3 trillion due to GST outflows.

These measures include purchasing ₹60,000 crore worth of government securities (G-Secs) through Open Market Operations (OMOs) in three tranches, conducting a ₹50,000 crore Variable Rate Repo (VRR) auction on 7 February, and a \$5 billion dollar-rupee swap auction on 31 January. While the OMOs aim to inject liquidity into the system, the VRR ensures banks' funding needs are met until 31 March. Additionally, the swap auction will release rupees into the market, providing short-term stability.

These proactive steps come amid a challenging environment of rupee depreciation and heavy foreign portfolio investor (FPI) outflows since September.



**Average liquidity deficit in the banking system crossed ₹3 trillion, and has remained above ₹1 trillion since December**

<b>Open Market Operations (OMOs)</b>	<p>✓ <b>₹60,000 crore G-Secs Purchase:</b></p> <ul style="list-style-type: none"> <li>• In 3 tranches of ₹20,000 crore each.</li> <li>• Auction Dates: 30 Jan, 13 Feb, 20 Feb.</li> <li>• Purpose: Inject liquidity into the system.</li> </ul>
<b>Variable Rate Repo (VRR)</b>	<p>✓ <b>₹50,000 crore Auction:</b></p> <ul style="list-style-type: none"> <li>• Date: 7 Feb.</li> <li>• Tenor: 56 days.</li> <li>• Objective: Meet banks' liquidity needs till 31 Mar.</li> </ul>
<b>Dollar-Rupee Swap Auction</b>	<p>✓ <b>\$5 Billion (6-month tenor):</b></p> <ul style="list-style-type: none"> <li>• Date: 31 Jan.</li> <li>• RBI will release rupees into the system by buying dollars.</li> </ul>

The Reserve Bank of India (RBI) made net purchases of ₹10,175 crore in government bonds in the secondary market during the week ending January 17, marking its first such operation in three years. This move aims to address liquidity constraints in the banking system.

As a result, the 10-year bond yield dropped by seven basis points to 6.65%, a level last seen in February 2022, while the five-year yield declined by four basis points.

According to RBI's Weekly Statistical Supplement (WSS), the central bank conducted these purchases over three sessions: ₹2,570 crore on January 15, ₹4,480 crore on January 16, and ₹3,125 crore on January 17. Despite a 50-basis point reduction in the Cash Reserve Ratio (CRR), which infused ₹1.16 lakh crore into the system, the banking system has remained in liquidity deficit since mid-December, peaking at ₹3 trillion.

Source: Mint

Script Name	Current Rate	30 D % Change	Index	Current Rate	30 D % Change
<b>Top 5 NIFTY Gainer</b>			NIFTY AUTO	22,867.6	0.2
BAJFINANCE	7,898.7	15.8	NIFTY FMCG	56,692.0	-0.2
BAJAJFINSV	1,742.3	11.2	NIFTY FINANCIAL SERVICES	23,220.6	-1.2
MARUTI	12,308.2	10.5	NIFTY INFRASTRUCTURE	8,348.5	-1.4
ONGC	262.8	7.3	NIFTY OIL & GAS	10,588.1	-1.5
EICHERMOT	5,198.2	7.1	NIFTY IT	42,662.8	-1.6
BRITANNIA	5,129.0	6.5	NIFTY PRIVATE BANK	24,386.0	-1.6
<b>Top 5 NIFTY Losers</b>			NIFTY BANK	49,587.2	-2.5
TRENT	5,765.0	-22.6	NIFTY METAL	8,399.7	-2.9
DRREDDY	1,215.4	-13.9	NIFTY PSU BANK	6,317.3	-3.4
ADANI PORTS	1,099.0	-12.5	NIFTY ENERGY	33,895.6	-3.7
BPCL	261.5	-12.0	NIFTY HEALTHCARE INDEX	13,788.1	-7.8
ADANI ENT	2,297.0	-10.9	NIFTY PHARMA	21,438.6	-8.4
			NIFTY CONSUMER DURABLES	37,591.1	-10.1
			NIFTY REALTY	921.4	-12.5
			NIFTY MEDIA	1,580.3	-13.1

Particular	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
<b>Nifty 50</b>	-0.01%	0.93%	1.26%	0.67%	-0.16%	2.88%	3.99%	0.82%	1.88%	-6.14%	-0.71%	-2.05%	-0.55%
<b>Nifty Midcap 50</b>	3.30%	0.54%	-1.98%	3.82%	1.59%	5.08%	5.82%	-0.70%	1.15%	-8.16%	0.35%	1.70%	-6.49%
<b>Nifty Smallcap 50</b>	3.93%	-1.76%	-4.97%	10.75%	-2.15%	6.86%	3.95%	2.02%	-0.08%	-2.70%	-0.96%	-0.61%	-9.97%
<b>Nifty 500</b>	1.80%	1.11%	0.41%	2.97%	0.44%	2.89%	4.21%	0.53%	1.72%	-6.43%	-0.53%	-1.41%	-3.55%

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 Disclaimer: Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Past performance should not be considered as a guarantee of future returns. Detailed Disclaimer: <https://orim.in/sebi-disclosures/> SEBI Office address: SEBI BHAVAN 2, PN-C/7, G Block BKC, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051

Source: NSE