

1) Persistent FII selling - FIIs have sold over USD 30 bn in the past 14 months. YTD they have sold around USD 25 bn in 2025 as compared to USD 15 bn in 2024. FIIs now hold only 16.71% of the NSE listed equities, which is at a 13 year low.

2) INR has drastically depreciated to USD following the FII outflows & no clarity on the US-India Trade Deal outcome yet. The recent trade deficit of USD 42 bn & record high Gold imports has added a further pressure to the currency. INR is clearly now undervalued to USD as per REER (Real Effective Exchange Rate), a strong recovery is expected in INR from hereon.

3) FIIs investment cycles have become erratic, short as well as unpredictable, which is further putting pressure on the INR.

4) December is rarely a good month from a FII inflow perspective as it being a Christmas month; makes it a lazy activity month.

5) Fed Meeting likely outcome this week is also keeping the markets in a jitter, one can expect a 25 basis FED cut with a probability of around 60%.

6) Too many IPOs are creating a liquidity shortage and constant supply of paper is there as well.

Way Forward from here

- The evens are much stronger than the odds, and any fresh positive trigger can make markets rally to a good upmove.

- Recent move by RBI to inject INR 1 Lac crore through OMO's and a USD/INR 5 Billion Swap will provide enough liquidity within the banking system. Aided by a 25 basis Repo Cut which will further help the lending rates to go lower and it should spur the demand.

- With the 8th Pay commission coming in, recent GST rate rationalisation & tax slab changes made in the last budget, the consumption demand / story will continue to have a big boost. This will also aid to drive double digit Corporate earnings growth. Indian consumption accounts for over 65% of our economic activity.

- GDP base year change from 2011-12 to 2022-23 will help reflect the actual GDP growth for India in Q3, as we continue to evolve dynamically as an economy. It's important to reset the expectations, the previous months/quarters high base numbers will impact the percentage growth to be lower quarter by quarter, but not in value & volume terms, which matters the most. So, we still continue to grow as the fastest economy in the world with very low inflation / inflation at its lowest level.

Final word

- It's a good time to accumulate equities with a 3 - 5 year horizon.

- Build portfolios though Flexi Cap MFs & selective small & mid cap AIFs