Alpha Strategist – Dec’25

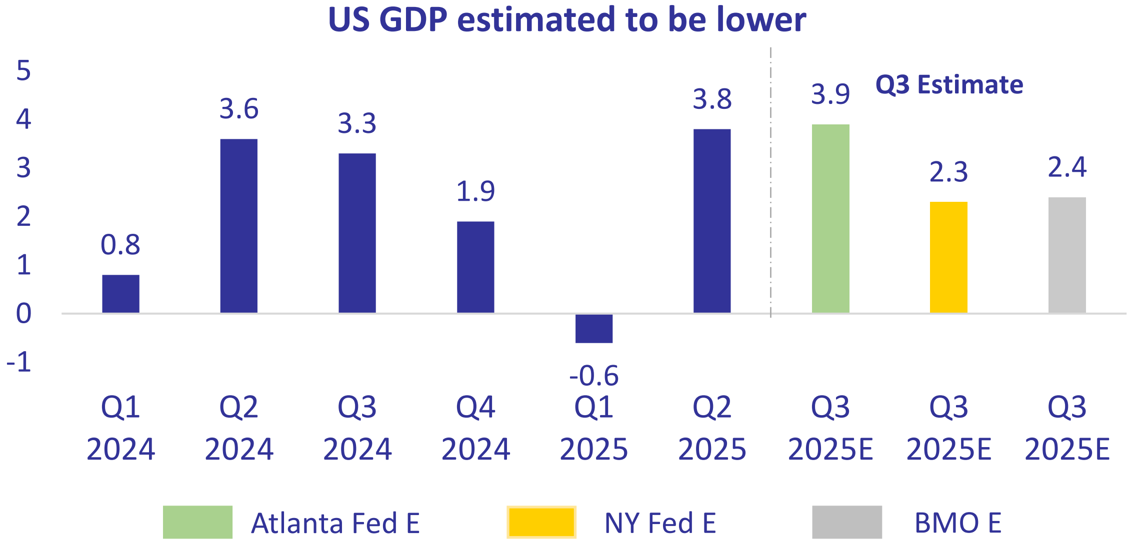
“Half Glass – More Full than Empty”

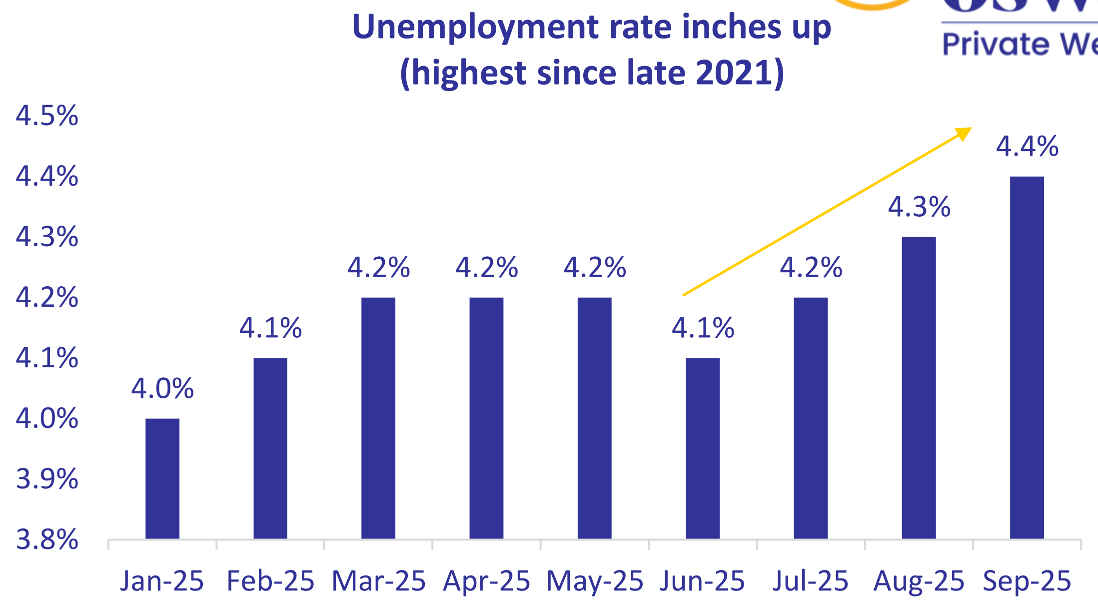
Summary

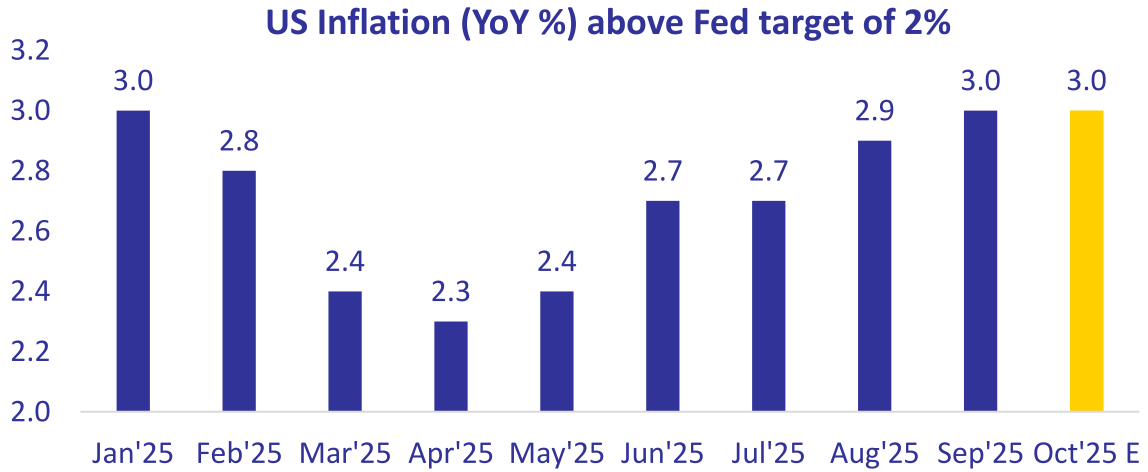
- US growth remains resilient amid stable but rising inflation. However, a divided Fed cut interest rates by 25 bps in the Dec policy meet, as concerns about the job market outweighed fears of tariff-fueled inflation. Treasury bills buying of $40bn per month announced to lower short-term rates.
- Japan's 10- and 30-year bond yields have risen by about 100 bps this year as the BoJ slowly normalises policy, which may pull capital back home, weaken the yen carry trade, and add bouts of volatility to global equity and credit markets.
- India's Q2 FY26 real GDP surprised on the upside at 8.2%, but nominal GDP grew only 8.7% as the deflator remained low, reinforcing a trend of single-digit nominal growth versus earlier low double-digit prints.
- The rupee has slipped to a record INR 90–90.5 per USD (worst-performing Asian currency this year), driven largely by FII outflows, tariff-related trade worries and positioning, even as domestic fundamentals (inflation, CAD, crude, reserves) remain relatively healthy; RBI's REER data show the rupee in a 3–5% undervalued zone, suggesting the move is more flow and sentiment driven than a macro stress signal.
- On the back of very low projected CPI (~2% for FY26), citing possible growth concerns, RBI has cut the repo rate by 25 bps to 5.25% in its Dec policy meet, while keeping future moves explicitly data-dependent. Spread between 10 Yr and repo rate is suggesting above-average term premium.
- Q2 earnings showed improvement amid lower base, upgrade to downgrade ratio continued to inch higher – suggesting recovery is in sight. From a price point of view, while Nifty is within touching distance of its ATH, broader market breadth is pointing towards weakness.
- Overall, the picture is **"Half Glass – More Full than Empty"**: many factors are supportive enough to stay invested, but not so perfect that we can afford to be complacent – it calls for being realistic with the possibility of moderate returns coupled with heightened volatility.
- Equity view remains neutral, allocation - 50% large cap, 10% Global, 40% (continued overweight by 5%) mid and small cap. Deployment strategy – lump sum in Hybrid and pure equity-oriented strategies (including global) in a staggered manner over the next 3 months.
- For Fixed Income, we continue to remain inclined towards allocation to accrual strategies across the credit spectrum and to regular income-generating real assets. The widening of the spread between policy rate and long-term yields provides scope for capital appreciation in addition to regular coupon income, positioning long duration (10Yr/30 Yr) from a tactical allocation perspective
- We continue to maintain a neutral stance on gold from an asset allocation perspective.

Highlights

US Economic Indicators – Mix Picture



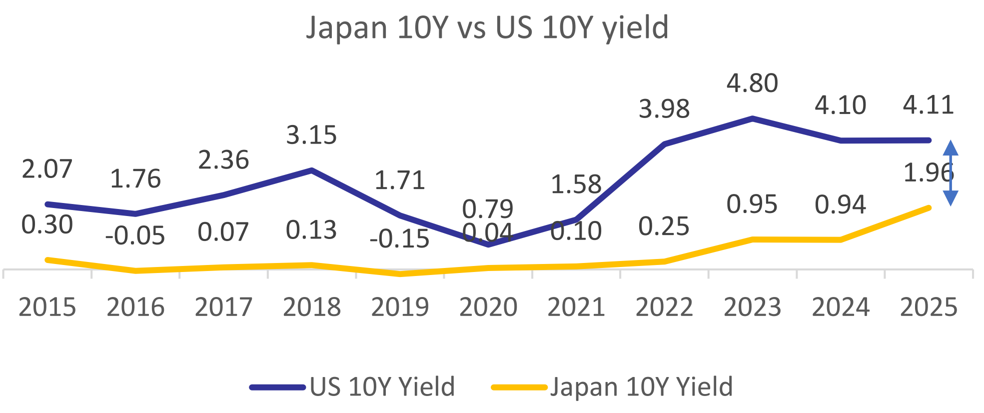




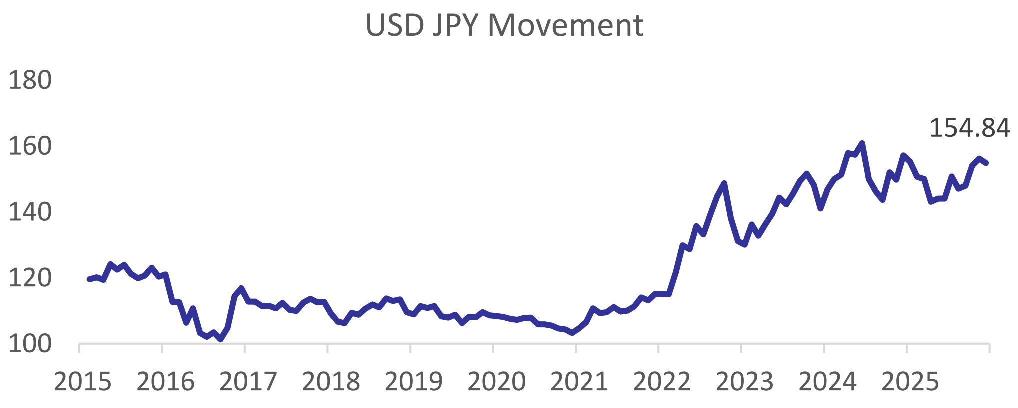
- The 43-day shutdown is likely to have only a modest impact on GDP, but unemployment rising to 4.4% led Fed to cut the rates.
- Inflation is still above target and tariff pass-through is unfolding, may limit the extent of easing by Fed.
- Fed has cut the rate by 25 bps to 3.5-3.75% and announced treasury bills buying of $40bn usd per month.

Inflation estimate: Cleveland Fed

Yen-Carry Trade and impact of rising JGB Yields

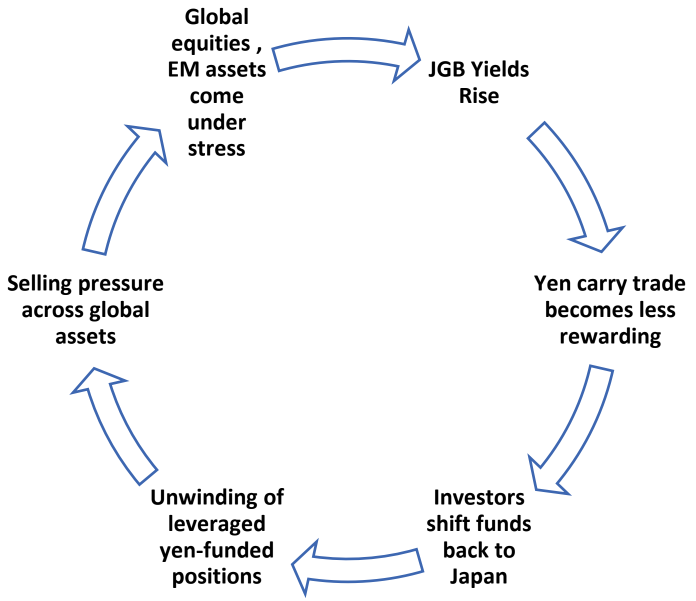


Japanese Yields are going up, differential decreasing



Yen is weakening against USD

Country	US treasuries ($ Bn)
Japan	1189
United Kingdom	865
China, Mainland	700
Canada	475
Belgium	466

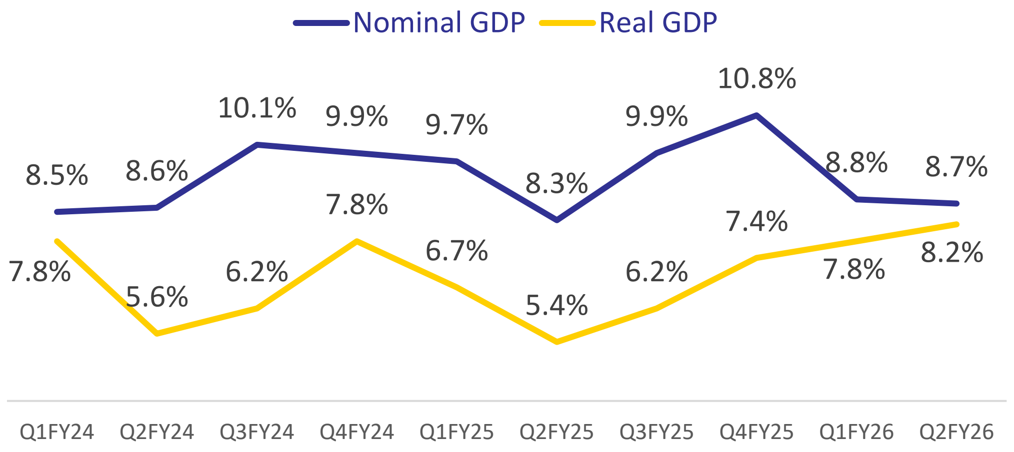


- Yen Carry Trade - investors borrow in yen to fund investments in higher-yielding assets overseas. (Many of these positions are leveraged.)
- Bank of Japan (BOJ) **abolished its yield curve control (YCC)** framework in March 2024 under which it acted as a major buyer of JGBs helping to stabilize long-term rate
- Japanese Bond Yields have been rising due to change in stance of BOJ **given rising inflation, depreciating yen and fiscal uncertainty (high debt to GDP)**
- **Japanese investors hold $1.18 Tn in US Treasuries** and total yen funded positions **estimated to be at $4 Tn**

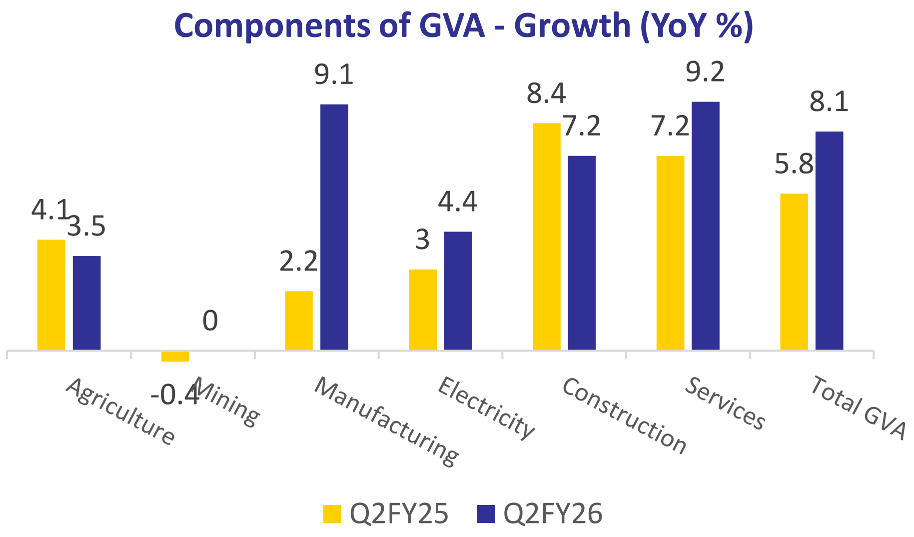
Source: FRED, IMF

Disclaimer: The above data is for informational purposes. The analysis may or may not be sustained in future.

Q2FY26 GDP – Strong Real, Soft Nominal



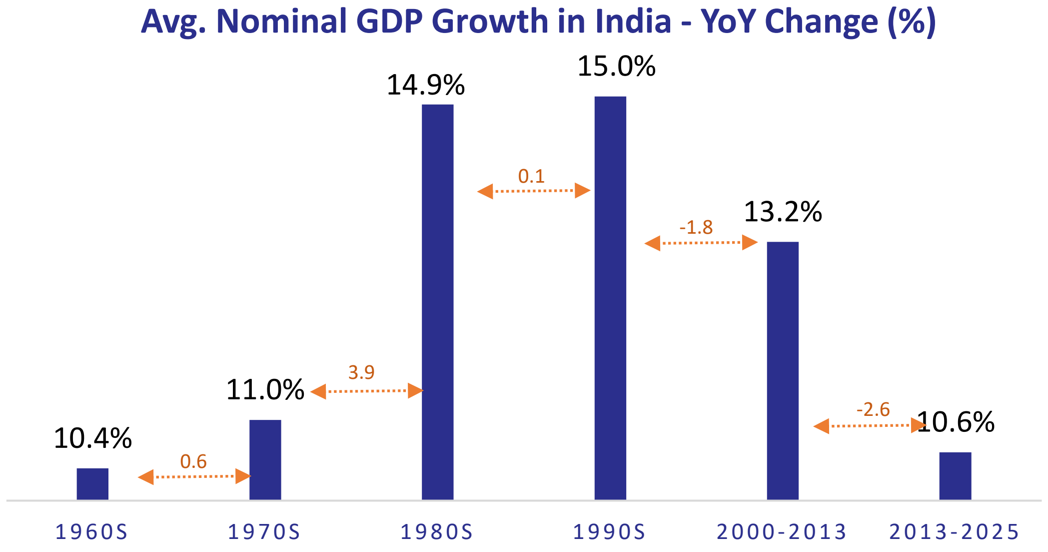
Period	Oct-25 Projections	Dec-25 Projections
FY26 (full year)	6.8%	7.3%
Q3FY26	6.4%	7.0%
Q2FY26	6.2%	6.5%
Q1FY27	6.4%	6.7%
Q2FY27	-	6.8%

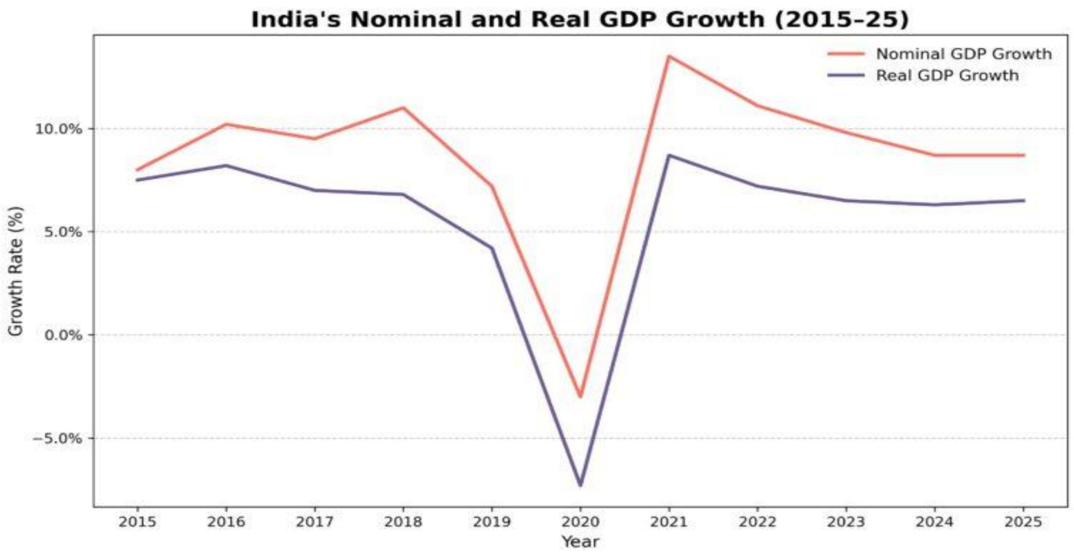


- **The Nominal and Real GDP Growth have started to converge –** due to very low inflation.
- The growth in GVA has been led by improvement in manufacturing, electricity, mining, and services.
- Private Consumption rose by 7.9%.

Source: MOSPI, MO EcoScope

Nominal GDP Growth – Slowdown Over the Years





YoY Change (%)	FY21	FY22	FY23	FY24	FY25	FY26e
Nominal GDP Growth	-1.2	18.9	14.0	12.0	9.8	8.8

- While the last few quarters show encouraging signs of growth, a broader view indicates slowdown in nominal GDP growth across the last few decades
- **Nominal GDP has slipped into single digit growth, below the Union Budget's projection of 10.1% growth rate**
- The convergence of the gap between Nominal and Real GDP growth rates is now looking as a cause for concern
- The key reason for the same is the **GDP deflator – which stands at a 24-quarter low –** impacted by the broad-based stagnation in prices across commodities, metals, chemicals, fertilizers, and agriculture

Source: DSP Netra, Policy Circle, Internal Research

Impact of Tariffs on India

a before-after comparison

Motilal Oswal Private Wealth

Share of India's Exports to the US & Trade Balances

Particulars	May-25	Oct-25	Change (USD Bn)	% Change
Total Exports of India (USD Bn)	38.73	34.38	-4.35	-11.2%
Exports to US (USD bn)	8.83	6.31	-2.52	-28.5%
Share of Exports to the US (%)	22.8%	18.4%	NA	-4.4%
Imports from US (USD bn)	3.63	4.46	0.83	22.9%
India's trade balance with US (USD bn)	+5.21 (surplus)	+1.84 (surplus)	-3.37	-35.3%

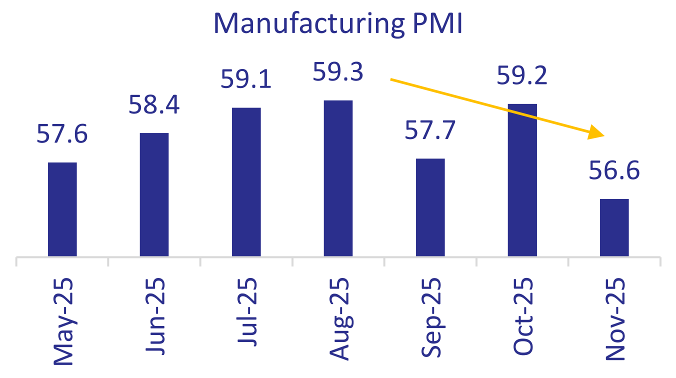
Source: Ministry of Commerce

Impact on the Exports by India to the US - Dissection

Particulars	% of Exports in Oct	Exports in May-25 (USD Bn)	Exports in Oct-25 (USD Bn)	Change (USD Bn)	% Change
Tariff free goods (smartphones, medicine and petroleum)	40.3%	3.42	2.54	-0.88	-25.7%
Goods facing the same tariff as other countries (iron, steel, copper, aluminium, auto parts)	7.6%	0.63	0.48	-0.15	-23.7%
Labour intensive goods facing 50% tariff	52.1%	4.78	3.29	-1.49	-31.2%
Total	**100.0%**	**8.83**	**6.31**	**-2.52**	**-28.5%**

Source: Times of India, GTRI Report

Impact on Indian Manufacturing and Industrial Production



Source: HSBC India

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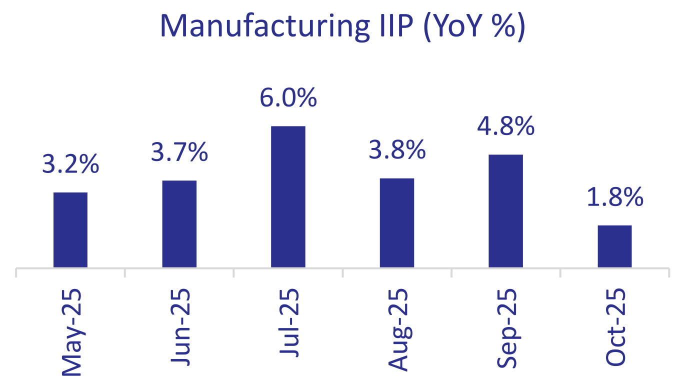


Source: DSP Tathya

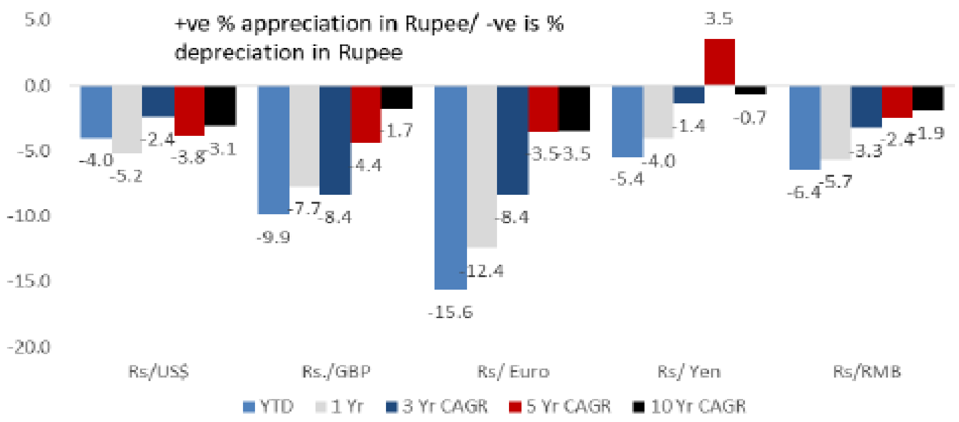
- Exports have seen some moderation.
- While tariffs have caused temporary softness, the PMI remains in expansion territory (above 50), and the slowdown in manufacturing IIP growth is also partly a function of the high base of last year.

INR depreciated to record level against USD…..

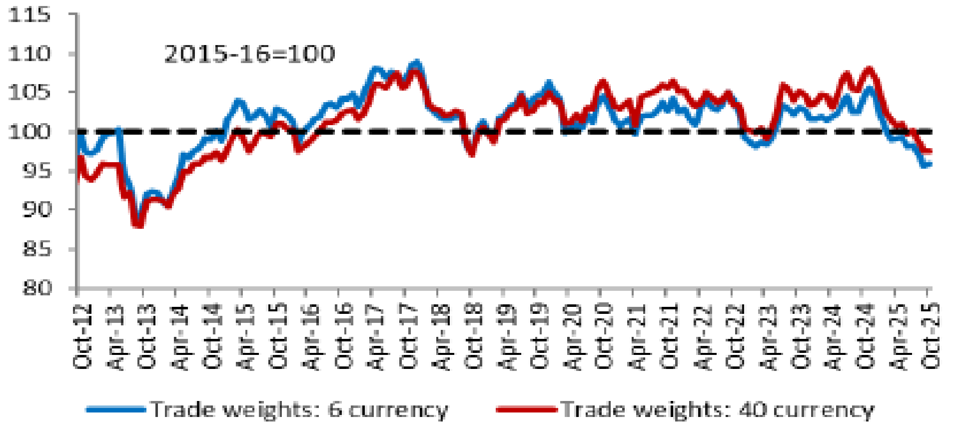
Sensitivity of FII Flows and Markets to INR/USD

Period	Depreciation	Net Equity Flows	Nifty 50 Market Movement
May'08 – Feb'09	20.7%	- $10.8 Bn	-46.2%
May'10	4.5%	- $2.0 Bn	-3.6%
Aug'11 – May'12	21.1%	+ $5.8 Bn	-10.2%
May'13 – Aug'13	18.3%	+ $0.1 Bn	-7.7%
Aug'15 – Feb'16	6.2%	- $6.7 Bn	-18.1%
Aug'18 – Oct'18	7.4%	- $5.3 Bn	-8.5%
Jul'19 – Aug'19	3.5%	- $4.1 Bn	-6.5%
Mar'20	3.7%	- $8.4 Bn	-23.2%
Oct'21 – Jun'22	6.1%	- $33.3 Bn	-10.7%
Oct'24 – Nov'25	6.5%	- $27.6 Bn	1.6%

Annual depreciation trend of INR against major currencies



Current Rupee Valuation (REER)



- With the depreciation in INR, the REER continues to be below 100, showcasing an undervalued scenario.

Source: Internal Research, Investing.com, MO Institutional Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

…..But this time it's Different (from Macro perspective)

Macro indicator	2013 episode	2024–25 episode
INR move vs USD	Rupee fell ~20–25% in 2013, hitting **a record low ₹68.85/$ on 27 Aug 2013**, and was branded part of the "Fragile Five"	Rupee has hit record lows **around 90/USD in late 2025**, worst in Asia over last 8 months.
Current Account Deficit (CAD)	Severe stress: FY12–13 CAD at a **record 4.8% of GDP** driven by oil + gold imports.	**~1% of GDP on avg, even surplus in some quarters**: FY25 CAD just 0.6% of GDP; Q4FY25 *surplus* of +1.3% of GDP; FY26 expected at 1.2%
Inflation (CPI)	**High & sticky:** CPI running **~9–10% YoY**; Sep 2013 CPI inflation **9.84%**, similar in May 2013; 2013 also saw peaks above 12%	Mostly within or below RBI band: CPI ~4.8–5.2% in 2024, easing to ~3% and even **0.25% in Oct 2025**.
Crude oil (Brent)	**$110–120/bbl** for long stretches: 2011–12 Brent mostly above $110, peaking ~125.	**$60–80/bbl range**: Brent now around **$64** with 52-week range ~$58–82, far lower energy stress.
Growth & domestic narrative	Growth slowing, "twin deficits" talk, policy paralysis + high inflation and high CAD.	Growth solid: FY24–25 real GDP ~6.5% and RBI now expects ~7.3% in FY26, with falling inflation and a fiscal glide path.
Drivers of INR fall (consensus then vs now)	**Mainly India-specific macro stress:** large CAD, high inflation, high oil, weak capital flows; rupee depreciation explicitly blamed on ~4% CAD.	**Much more flows/technical driven:** record-low rupee despite strong growth and low inflation; pressure coming from FII equity outflows (~$17bn), trade/tariff worries, and a modest CAD widening from very low levels.

Source: RBI, Internal Research
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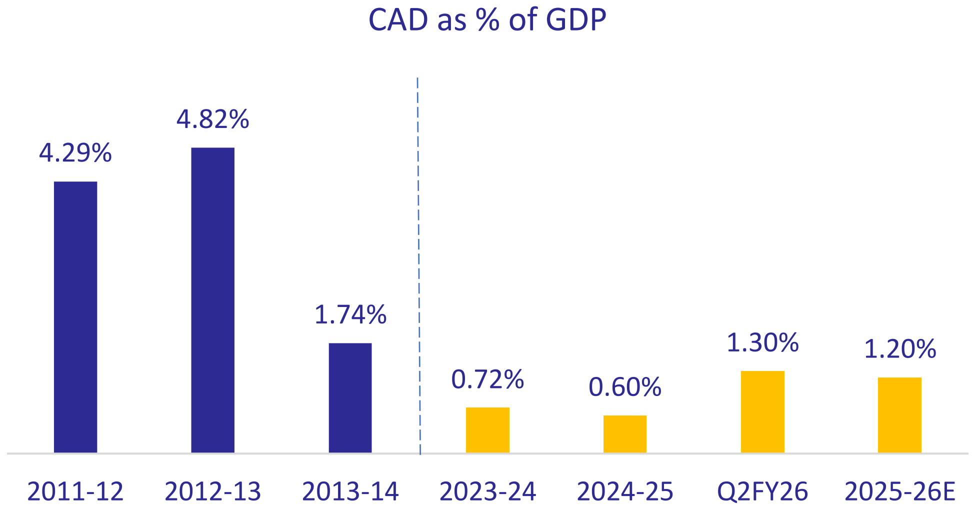
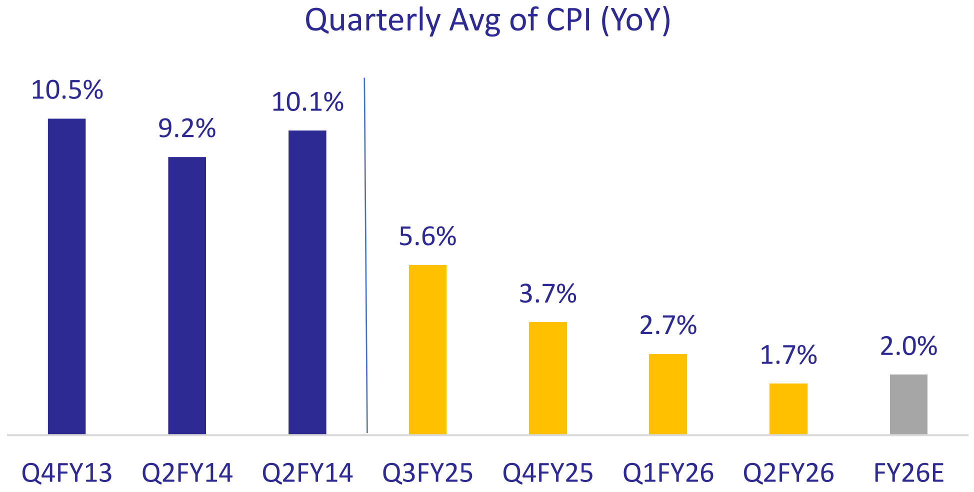
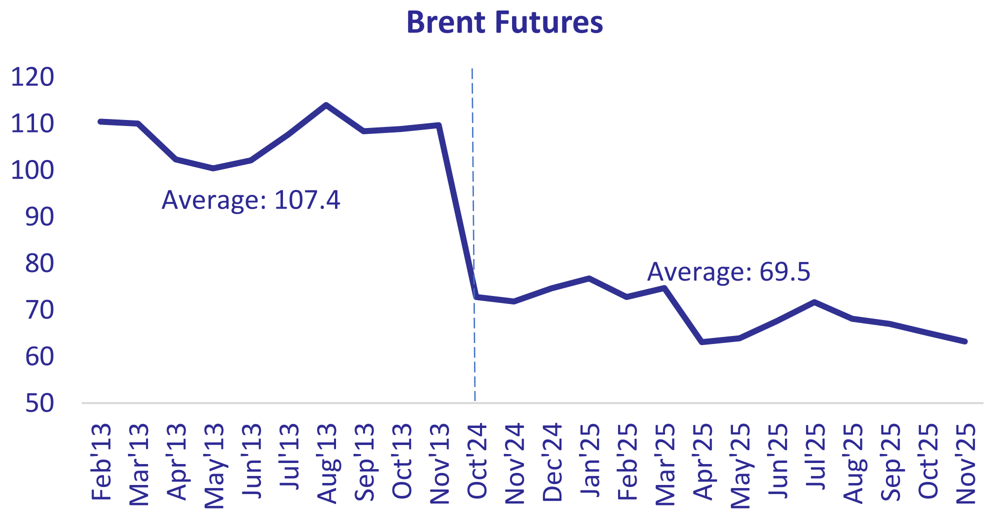
Macro comparison during INR depreciation





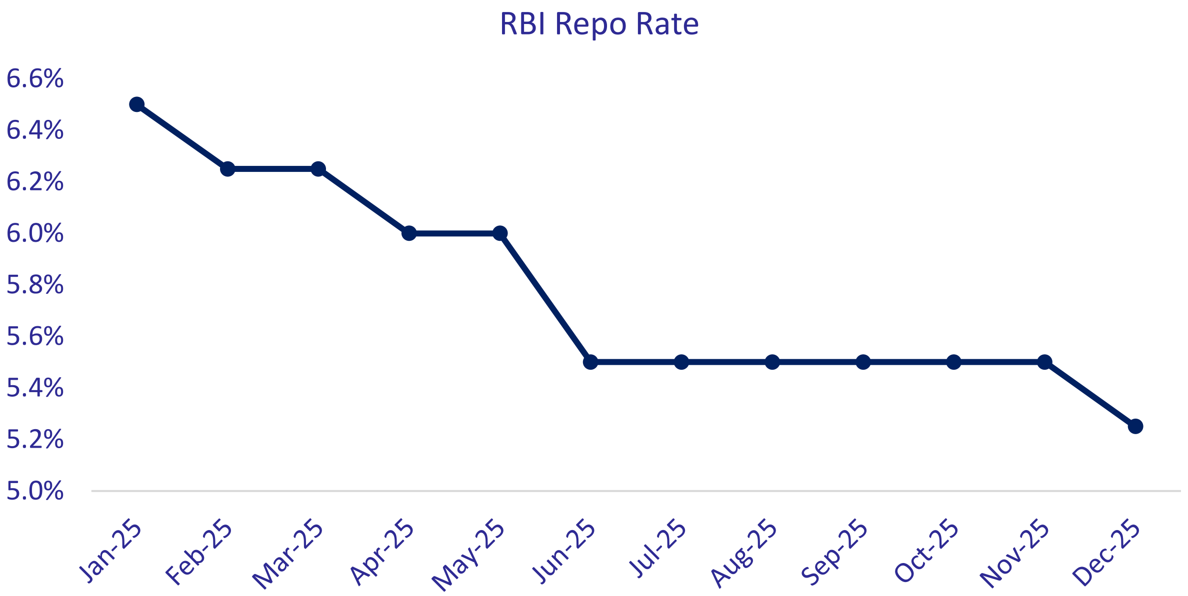


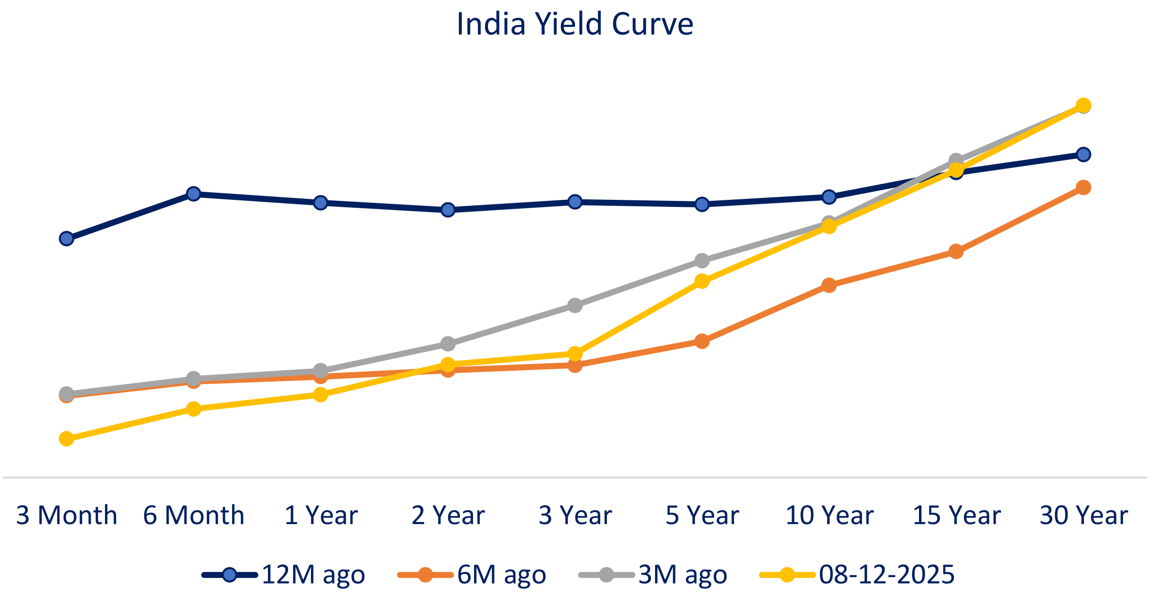
- 2013 episode: Rupee weakness came on top of record CAD (~4.8% of GDP), near double-digit inflation and $100+ oil, with India clubbed in the Fragile Five for its twin deficits.

- 2024-25 episode: CAD is ~1% of GDP, inflation is well below RBI's 4% target, and oil is nearly half 2013 levels, yet the rupee is at a record low due to tariffs, FII outflows and global risk-off

Source: RBI, Internal Research

Monetary Policy and Yield Curve

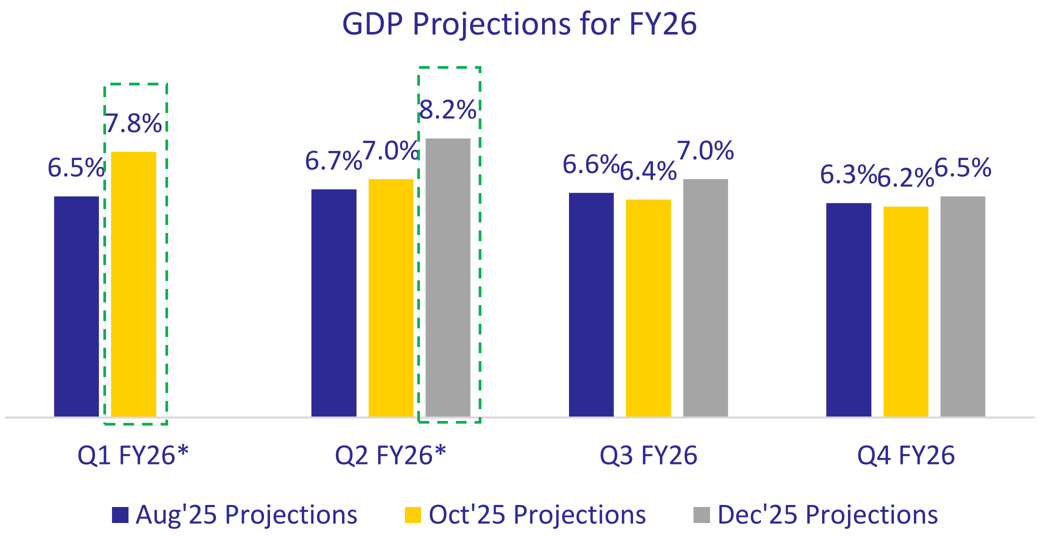


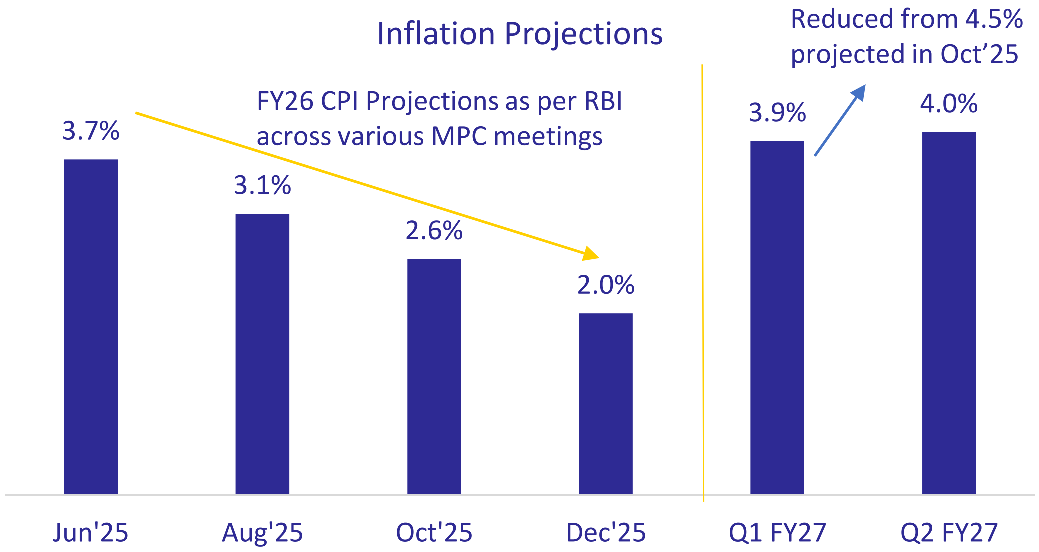


- Pre-policy the yields rose as markets priced risk that RBI might stay on hold or signal limited easing amid rupee weakness and global volatility.
- Global spill over: A rise in US and other global yields, plus BoJ hike speculation, pushed up term premia and dragged India 10Y yields higher in sympathy.
- Supply / positioning: Concerns about G-sec supply and weak auction demand led dealers to cut duration, adding upward pressure to yields before policy.
- RBI reduced its repo rate by 25 bps to 5.25% and announced large OMO (INR 1 lac crore), a more growth- and liquidity-supportive mix than many had fully priced in, pulling short-term yields down.
- Because the stance stayed neutral (not explicitly accommodative), markets didn't price an aggressive cut cycle, so yields eased, but only modestly from their highs.

Source: RBI, Investing.com, Internal Research

RBI Monetary Policy (GDP and Inflation)





- Real GDP growth for FY26 is projected at 7.3% up from 6.8% which was also revised upward from 6.5% (as per Aug'25 projections). The upward revision was supported by healthy agriculture, GST rationalisation, low inflation, strong corporate and bank balance sheets, and supportive monetary conditions

- Externally, services exports are likely to remain robust even as merchandise exports face some pressure.

- Food supply prospects remain bright on the back of higher agriculture produce and conducive environment. International commodity prices are likely to moderate going forward (baring some metals)

Source: RBI, Internal Research

Heavyweights within Large Cap Index (Nifty 50)

Banks + IT + telecom are ~50% of Nifty 50 weight. With valuations being reasonable, and expected improvement in earnings growth over FY26–27 has provided support to the index.

Sector	Weight(%)
Financial Services	36.84
Oil, Gas & Consumable Fuels	10.39
Information Technology	10.23
Automobile and Auto Components	6.81
Fast Moving Consumer Goods	6.49
Telecommunication	4.79
Healthcare	4.32
Construction	4.00
Metals & Mining	3.55
Consumer Services	2.54
Consumer Durables	2.44
Power	2.32
Construction Materials	2.03
Services	2.02
Capital Goods	1.23

Banks – Improving Margins + Credit Growth + Clean balance sheets

- After witnessing muted NII growth and some NIM compression, margins are expected to stabilize and improve going forward through rate cuts (125 bps) leading to re-pricing of liability side.
- Decent Credit growth along with low GNPA ratios to contribute to the upside

Information Tech – Valuation Edge + AI Boost + Operational Efficiency

- At Index level, it has corrected by ~12% over the last 1 year.
- IT services' share in Nifty profits has been stable at 15% for the past 4 years, whereas its weight in the benchmark index is now at a decadal low of 10% (vs. a 19% peak in Dec'21)
- AI, cloud and data spends are shifting from pilots to implementation. Lower attrition, better offshore mix and a supportive currency to improve margins

Telecom – Tariff Hike + FCF Story

- Fresh tariff hikes expected in Dec'25-Jan'26 to lead to better ARPU
- 5G rollout and major network investments are largely done; Going forward steady quarters with moderating capex and rising FCF are expected

Source: Nifty Indices, Internal Research

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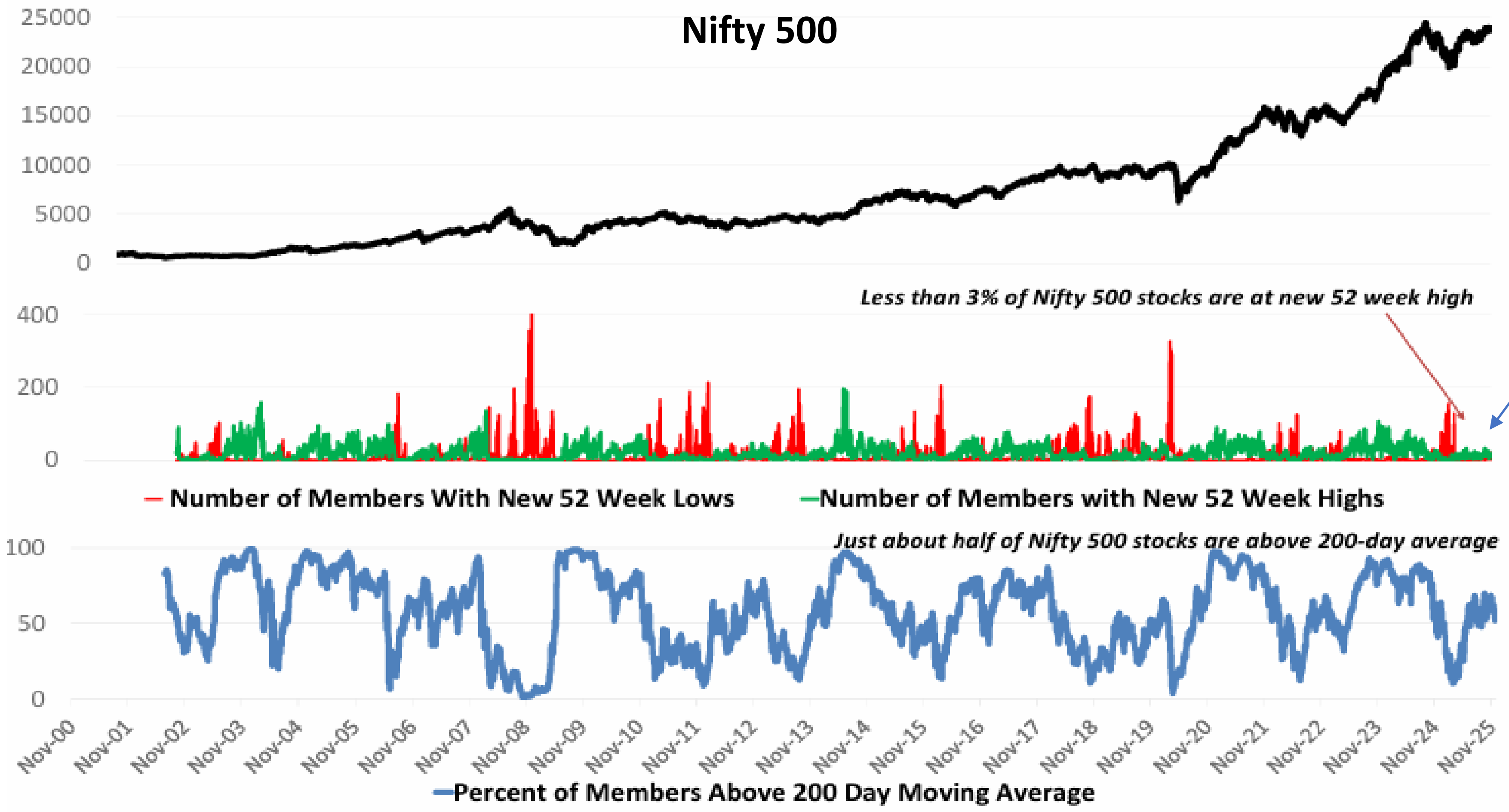
Index is at near high but breadth very weak

Broader Market index trading near all time highs, but driven by a select few stocks



Only 3% of stocks hitting new highs indicating the weak underlying breadth

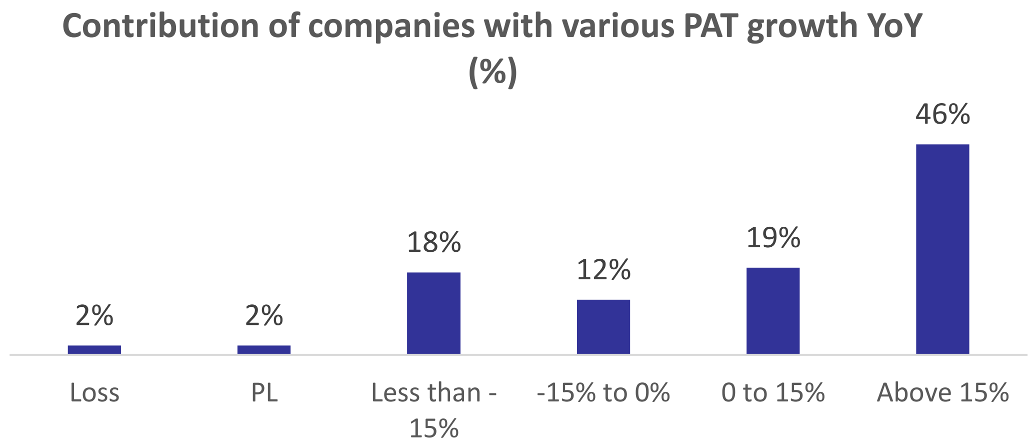
Only 50% of the stocks are trading above 200 EMA

Source: MOFSL, Internal Research, DSP

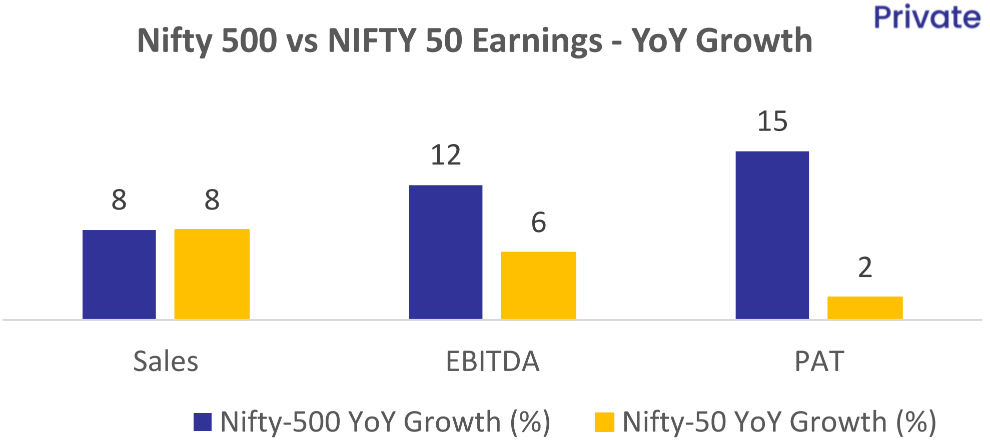
Equity

Earnings Review – NIFTY 500

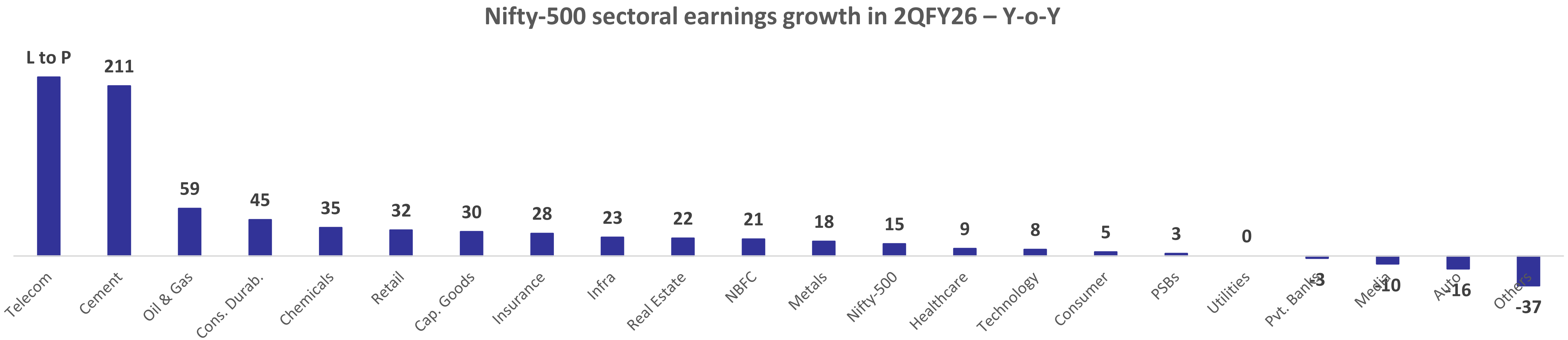
Private Wealth



About 46% of the companies clocked a PAT growth of more than 15% YoY



NIFTY 500 had better earnings growth as compared to NIFTY 50



Of the 20 key sectors, 17 reported profit growth in 2Q

 Source: MOFSL India Strategy Q2FY26

Sales & PAT Growth of Nifty-500 during 2QFY26

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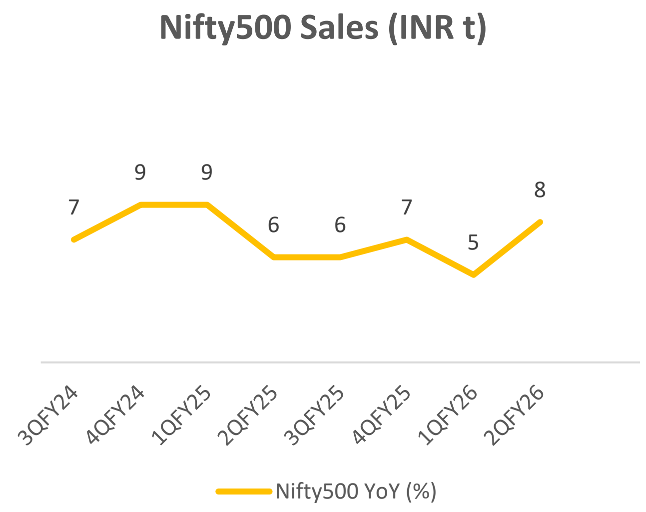
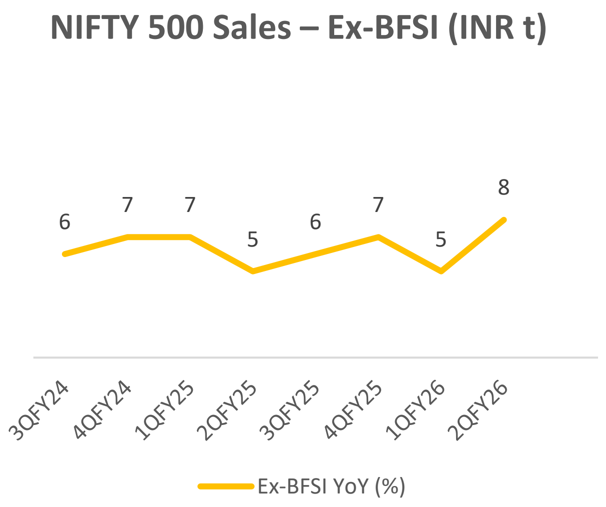
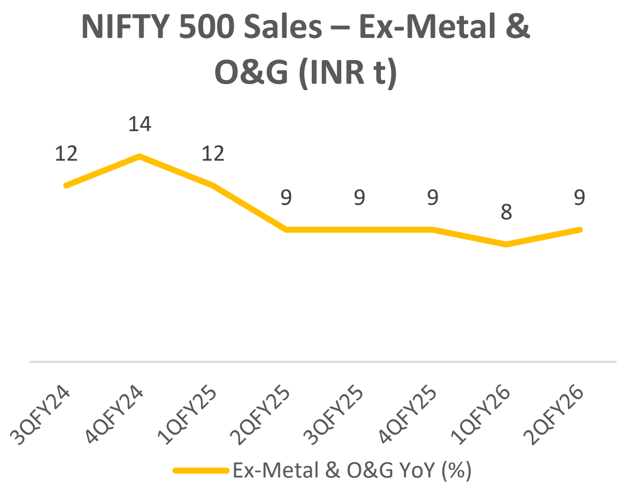
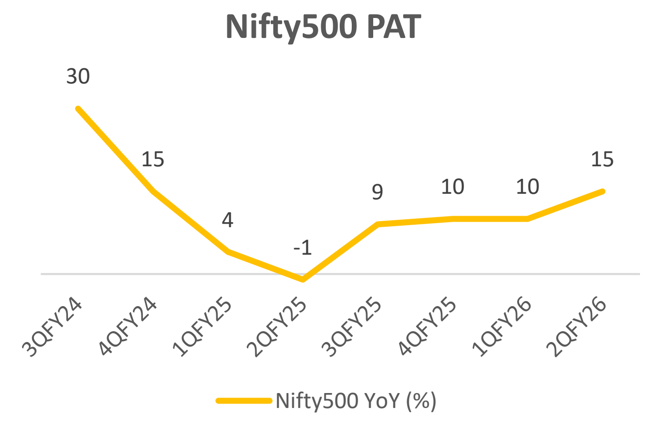
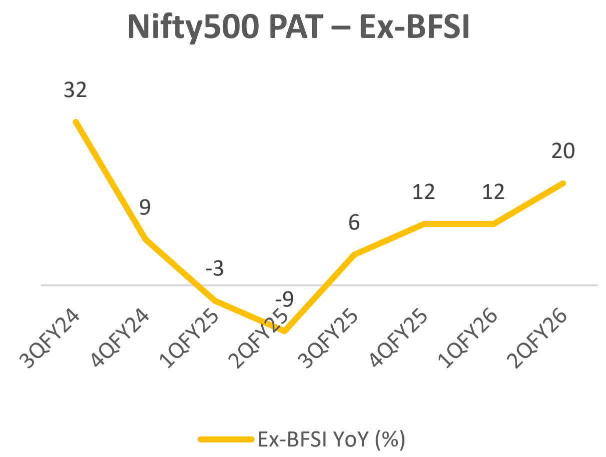
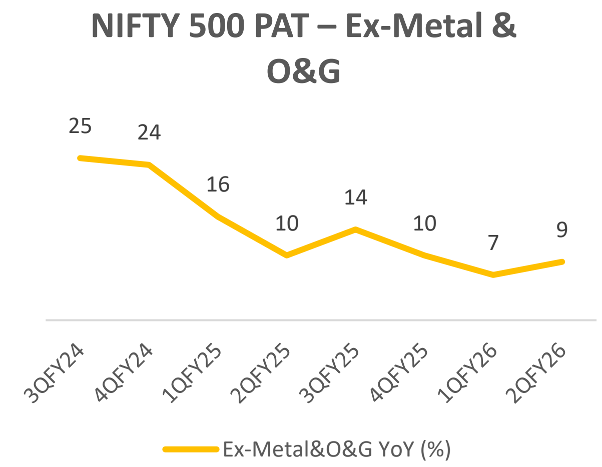












- NIFTY 500 saw sales growth of 8% YOY , Ex-Metals & O&G sales grew by 9% YOY
- PAT Growth for NIFTY 500 was 15%, Ex-BFSI grew at 20% and Ex-Metals & O&G at 9%
- Corporate earnings in 2QFY26 were reasonably driven by broad-based growth, with significant contributions from key sectors such O&G,NBFC ,Metals, Cement Capital Goods, Telecom (loss-to-profit), Retail and Real Estate
- Detractors – Automobile , Pvt Banks & Media

 Source: MOFSL India Strategy Q2FY26

2QFY26 Nifty-500 – Sectoral performance

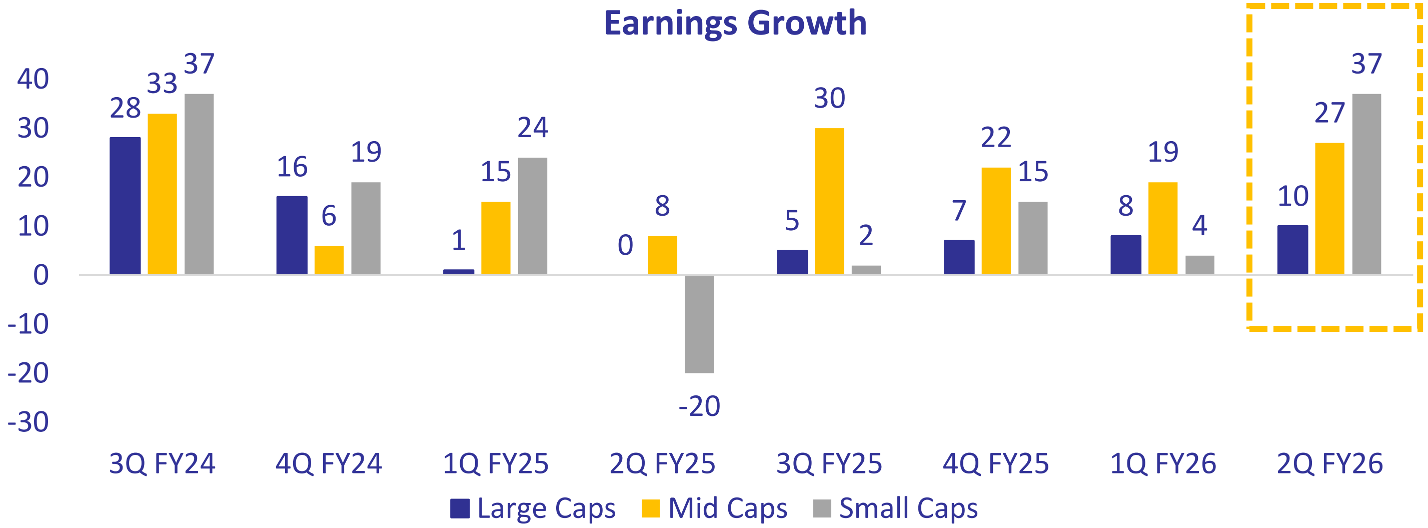
Sector	Net Sales YoY %	Net Sales QoQ %	EBITDA YoY %	EBITDA QoQ %	PAT YoY %	PAT QoQ %
Automobiles	7	0	-19	-19	-16	-26
BFSI	7	5	5	-3	7	2
Banks-Private	4	1	2	-9	-3	5
Banks-PSU	4	3	-1	3	3	7
NBFC	13	5	13	0	21	-2
Insurance	6	9	31	-10	28	-7
Capital Goods	15	12	17	20	30	31
Cement	18	-5	49	-18	211	-11
Chemicals & Fertilizers	11	15	9	6	35	15
Consumer	6	-3	6	-3	5	-6
Consumer Durables	16	-6	27	-8	45	5
Healthcare	11	5	10	7	9	3
Infrastructure	8	4	28	8	23	4
Media	11	11	13	22	-10	-11
Metals	10	3	11	-9	18	-12
Oil & Gas	4	-2	48	7	59	0
Real Estate	14	1	14	12	22	21
Retail	18	5	29	-2	32	-11
Technology	7	4	6	5	8	4
Telecom	13	5	25	5	LP	170
Utilities	6	-3	12	1	0	-9
Others	17	8	-2	-19	-37	-58
Nifty-500 Total	8	2	12	-1	15	-1
Nifty-500 Ex-Financials	8	1	16	0	20	-4
Nifty-500 Ex-Metal, OG	9	4	7	-2	9	-1
Nifty-50	8	3	6	-6	2	-6
Nifty-100	7	1	12	-3	10	-4
Midcap-150	9	3	11	4	27	7
Smallcap-250	9	7	16	6	37	6

motilal oswal
Private Wealth

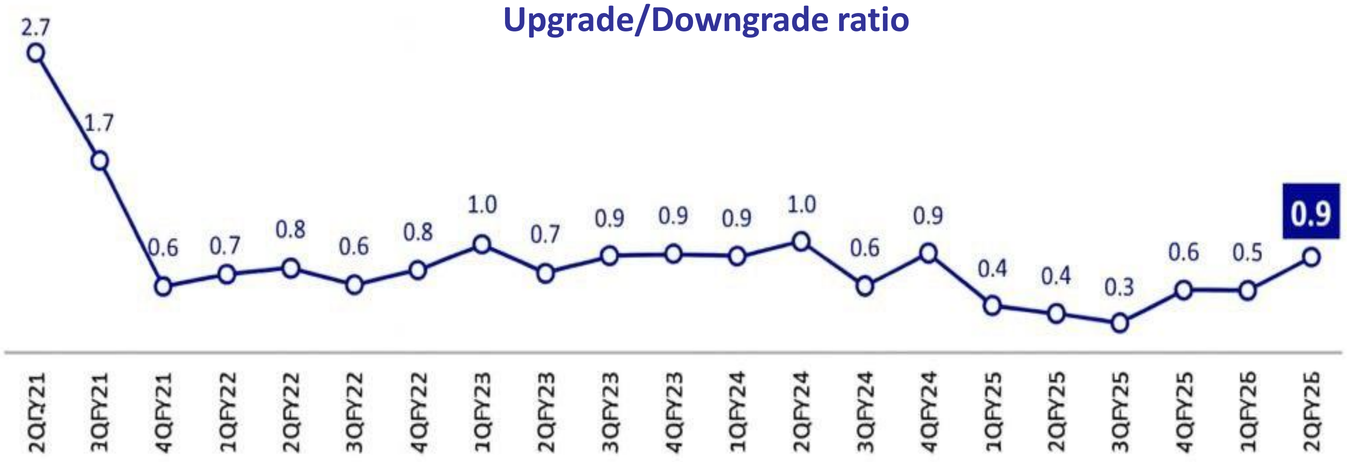
- Of the 20 key sectors, 17 reported profit growth in 2Q.OMCs dominated, accounting for 33% of the incremental YoY accretion in earnings.
- Significant contributions from key sectors such O&G (+59% YoY growth),NBFC (21% YoY), Metals (+18% YoY), Cement (+211% YoY), Capital Goods (30%YoY), Telecom (loss-to-profit), Retail (32% YoY), and Real Estate (22% YoY).

 Source: MOFSL India Strategy Q2FY26

2QFY26 Earnings – Recovery in Sight



Q2 earnings strengthened across the board large caps returned to double-digit growth, mid caps continued their healthy momentum, and small caps posted strong gains (at a low base).



Earnings sentiment is improving, with the upgrade-to-downgrade ratio rising to 0.9 the strongest reading in five months.

Source: MOFSL, Internal Research,

Sector-wise Future EPS growth & P/E

Sector	Market Cap (no of cos)	EPS Growth (Median)			P/E (x) (Median)			Remarks
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Automobiles	Large Cap (11)	9.1%	18.9%	16.8%	32.4	25.3	22.3	The earnings outlook has materially improved especially after GST Cuts, and demand continues to be healthy even beyond the festive season. Smallcap auto ancs continue to see higher growth
	Mid Cap (9)	12.0%	16.7%	11.7%	35.0	29.9	27.5	
	Small Cap (7)	9.0%	25.3%	15.5%	24.2	19.0	16.4	
Banking - Private	Large Cap (4)	1.8%	16.6%	19.6%	19.5	16.8	14.2	Advances growth coming at a healthy pace (+4% qoq), while NIMs surprised positively led by better management. Mid & Small cap banks to see higher earnings growth in FY27 led by improved margins
	Mid Cap (4)	8.4%	63.8%	38.8%	28.5	16.3	11.1	
	Small Cap (4)	-11.0%	55.6%	33.5%	16.6	9.7	6.7	
Banking - PSU	Large Cap (3)	-1.6%	11.0%	16.5%	8.7	7.2	6.2	NII for PSBs grew 2.7% QoQ, as NIMs saw expansion for banks like SBI. With slippages being well contained and GNPA ratio improving across, the outlook remains positive
	Mid Cap (3)	14.0%	6.9%	12.1%	7.1	6.6	5.9	
	Small Cap (0)	NA	NA	NA	NA	NA	NA	
NBFC	Large Cap (5)	17.4%	19.7%	17.8%	16.3	13.6	11.6	NBFCs delivered a slightly better quarter, with early signs of demand revival becoming visible across most product segments and lenders expecting a stronger recovery in asset quality in 2HFY26
	Mid Cap (6)	13.8%	25.3%	19.1%	20.7	16.9	13.9	
	Small Cap (15)	18.5%	20.8%	29.8%	16.7	12.9	10.5	
Non Lending financials	Large Cap (0)	NA	NA	NA	NA	NA	NA	Exchanges & brokers are seeing gradual recovery post the regulatory change. While MFs and wealth houses are seeing robust flows. Selective opportunities emerge where valuations are comfortable
	Mid Cap (6)	20.4%	17.9%	17.6%	38.0	32.7	28.0	
	Small Cap (10)	11.4%	23.1%	18.1%	42.9	34.8	28.2	
Insurance	Large Cap (4)	3.4%	14.3%	11.8%	76.4	66.0	56.5	Annualized premium equivalnet growth was moderate led by delays in purchase due to GST, however Oct'25 saw strong momentum with 19% growth. Small caps are expected to perform better with good growth in FY27
	Mid Cap (2)	-1.9%	56.2%	12.6%	138.1	75.9	68.1	
	Small Cap (2)	-32.2%	167.9%	68.9%	121.4	40.3	23.5	
Capital Goods	Large Cap (7)	21.9%	12.9%	18.7%	49.6	45.8	39.3	Healthy order inflow led by momentum in power T&D, renewables and defense. Prospective growth in Mid & SmallCap is much better and valuations of Smallcaps trading at a discount to large caps
	Mid Cap (6)	34.4%	30.9%	21.5%	50.5	40.4	31.6	
	Small Cap (10)	28.2%	27.6%	21.0%	27.2	19.1	14.9	
Cement	Large Cap (3)	31.4%	28.5%	20.5%	42.8	33.3	27.5	Sales volume surged to 13% led by inorganic growth (+4%). ACC & ACEM saw higher growth in the range of 19-20%. Growth looks healthy across the cap
	Mid Cap (4)	48.9%	17.8%	16.7%	34.4	29.1	25.1	
	Small Cap (5)	70.7%	23.0%	25.8%	32.8	38.4	29.6	

Source: MOFSL, Internal Research

Sector-wise Future EPS growth & P/E

Sector	Market Cap (no of cos)	EPS Growth (Median)			P/E (x) (Median)			Remarks
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Chemicals	Large Cap (0)	NA	NA	NA	NA	NA	NA	Present only in Mid & Small, the sector is expected to have good growth in FY26. Earnings upgraded for Navin Fluorine while maintaining estimates for the rest
	Mid Cap (5)	28.3%	29.1%	13.9%	32.2	25.0	24.0	
	Small Cap (11)	28.1%	19.9%	17.0%	34.3	28.0	22.5	
Consumer	Large Cap (11)	15.2%	15.7%	11.8%	54.2	47.5	43.9	Within staples, demand is expected to be steady while valuations are on the higher side, Paints are seeing better traction driven by festive demand and construction activity. While liquor continues the premiumisation trend.
	Mid Cap (5)	6.7%	12.1%	11.3%	52.8	44.0	39.5	
	Small Cap (6)	13.8%	21.6%	14.0%	27.1	24.6	22.4	
Consumer Discretionary	Large Cap (3)	11.4%	144.6%	60.4%	210.0	67.5	53.7	Discretionary consumption continues to do well across the cap, with stronger growth in the large cap category owing to quick commerce players
	Mid Cap (2)	24.2%	17.7%	8.7%	71.5	61.1	56.5	
	Small Cap (4)	38.5%	17.8%	17.5%	47.2	41.4	31.7	
Consumer Durables	Large Cap (3)	4.5%	26.0%	19.4%	56.3	44.7	37.9	The white goods segment witnessed delayed consumer purchase due to GST Cuts, Companies remained confident of a demand recovery in 2H led by the festive season & the GST rate cuts
	Mid Cap (3)	1.3%	29.8%	24.8%	60.9	45.6	36.5	
	Small Cap (5)	44.2%	14.2%	16.2%	35.0	28.1	24.2	
EMS	Large Cap (0)	NA	NA	NA	NA	NA	NA	Present only within the mid- and small-cap space, the segment continues its strong growth trajectory, driven by robust order book execution, and therefore commands premium valuations
	Mid Cap (2)	69.7%	58.3%	39.6%	73.9	46.7	33.8	
	Small Cap (5)	25.6%	65.0%	35.3%	61.5	37.3	27.5	
Health care	Large Cap (6)	3.4%	8.8%	11.9%	30.6	27.9	24.9	Within Pharma, earnings were below estimates (6% miss). The hospital space also recorded its slowest revenue growth in 8 quarters. Prospective growth is relatively better withing Smallcaps
	Mid Cap (11)	14.5%	21.4%	17.0%	42.1	30.1	26.9	
	Small Cap (11)	33.6%	31.8%	20.5%	38.4	31.0	25.8	
Infrastructure	Large Cap (0)	NA	NA	NA	NA	NA	NA	Soft quarter led by delay in awarding projects by NHAI, companies with decent order backlog are positioned to benefit in the near term
	Mid Cap (1)	92.9%	27.6%	39.7%	19.8	15.5	11.1	
	Small Cap (2)	-25.4%	52.7%	24.2%	19.0	12.2	9.8	

Source: MOFSL, Internal Research

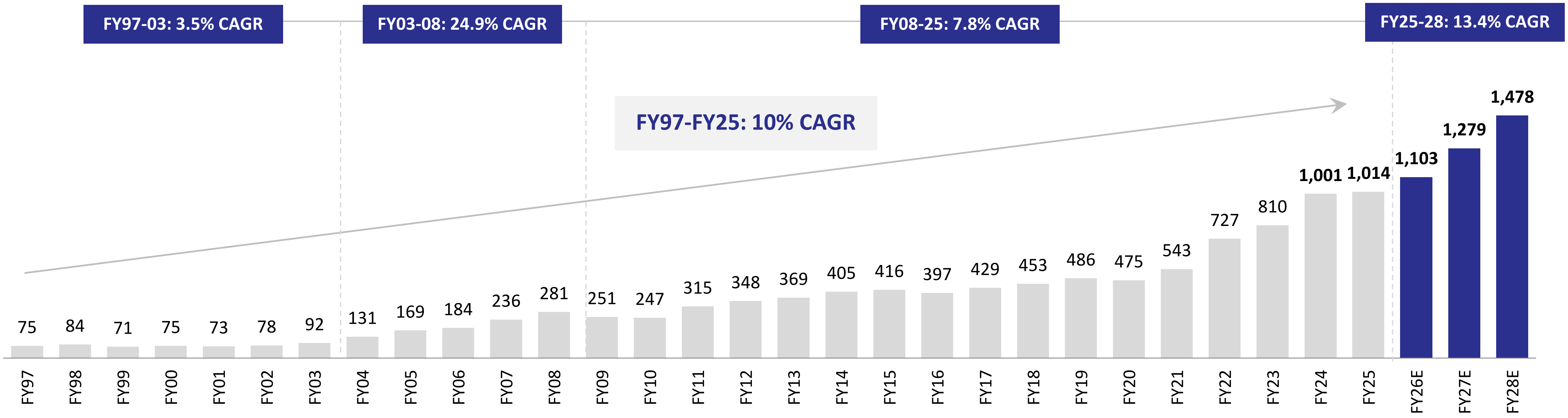
Sector-wise Future EPS growth & P/E

Sector	Market Cap (no of cos)	EPS Growth (Median)			P/E (x) (Median)			Remarks
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Logistics	Large Cap (1)	24.9%	17.0%	12.3%	24.2	20.7	18.4	Logistics sector posts steady volume growth aided by a strong festive season. Prospective growth within the smallcaps appear higher for FY26 & FY27.
	Mid Cap (2)	6.0%	21.6%	29.2%	32.3	26.7	20.6	
	Small Cap (6)	20.6%	34.3%	12.8%	31.4	18.3	16.1	
Metals	Large Cap (6)	15.6%	14.8%	9.6%	15.4	11.7	10.4	Earnings remained steady led by better realisations along with healthy volumes. Earnings outlook continue to be healthy in the double digit range for FY26 & FY27
	Mid Cap (5)	25.0%	16.8%	8.0%	15.8	11.0	10.5	
	Small Cap (1)	30.7%	30.7%	24.7%	32.1	24.6	19.7	
Oil & Gas	Large Cap (5)	9.1%	-4.8%	0.5%	8.7	10.9	11.4	Mixed performance for this sector as OMCs continue to do well, while CGDs (Gas) underperform. Earnings have been upgraded for OMCs led by improved refining margins.
	Mid Cap (5)	2.1%	6.8%	-1.0%	13.8	15.9	14.7	
	Small Cap (4)	-1.4%	2.6%	8.8%	21.1	21.1	19.4	
Real Estate	Large Cap (2)	16.0%	4.6%	5.3%	35.6	34.4	32.7	2QFY26 presales were up by 42% driven by premium-luxury demand even in a seasonally weak quarter. Small caps are poised to do well with healthy earnings outlook for the next few years
	Mid Cap (4)	72.9%	12.8%	24.8%	31.5	30.3	20.8	
	Small Cap (8)	33.2%	73.8%	45.7%	34.1	23.6	15.0	
Retail	Large Cap (3)	21.3%	18.4%	18.2%	80.7	71.8	61.1	Demand environment remained soft, led by prolonged monsoons and delays due to GST cuts, expect demand to revive in H2 FY26 as we are seeing early signs of recovery. Mid & Small caps are expected to do well with strong double digit growth
	Mid Cap (5)	37.7%	27.7%	22.7%	75.1	60.9	50.0	
	Small Cap (16)	35.7%	26.2%	22.4%	52.1	45.1	37.4	
Technology	Large Cap (6)	7.0%	10.8%	11.5%	24.0	20.7	18.7	Macro demand still remains subdued, however sentiments are improving led by US rate cuts. Mid & Small caps continue to offer better risk-reward given the growth prospects
	Mid Cap (8)	10.1%	23.5%	18.6%	41.5	33.2	27.2	
	Small Cap (2)	10.6%	17.9%	18.5%	21.2	18.2	15.5	
Telecom	Large Cap (2)	57.0%	22.0%	15.5%	27.8	22.4	18.7	Steady revenue growth with better-than-expected margin expansion. Bharti continues to outperform with 2% QoQ growth in ARPU
	Mid Cap (3)	45.6%	45.2%	26.3%	45.3	31.2	24.7	
	Small Cap (0)	NA	NA	NA	NA	NA	NA	
Utilities	Large Cap (4)	7.6%	23.9%	13.2%	22.0	18.3	16.5	Soft quarter with revenue coming in 11% below estimates largely owing to weak power demand
	Mid Cap (2)	69.0%	36.6%	13.2%	31.0	22.3	19.7	
	Small Cap (3)	13.1%	22.2%	15.9%	28.2	20.9	17.1	

Source: MOFSL, Internal Research

Nifty 50 – Earnings Growth Outlook

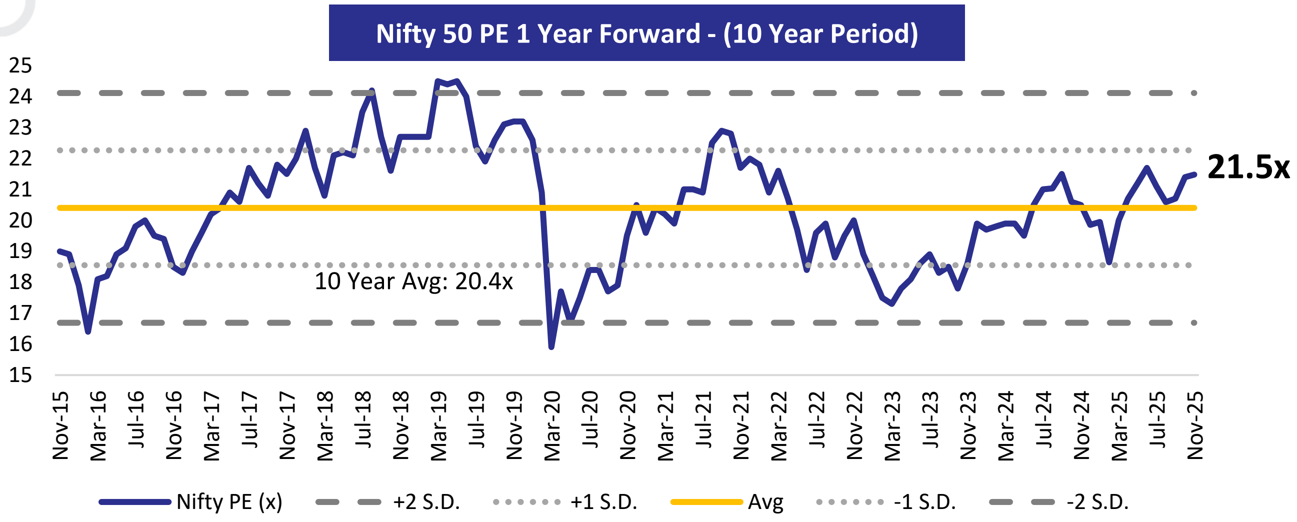
motilal oswal
Private Wealth



Nifty EPS expectations: FY26 - to grow by 8.8% to 1103 and FY27 – to grow by 15.9% to 1279.

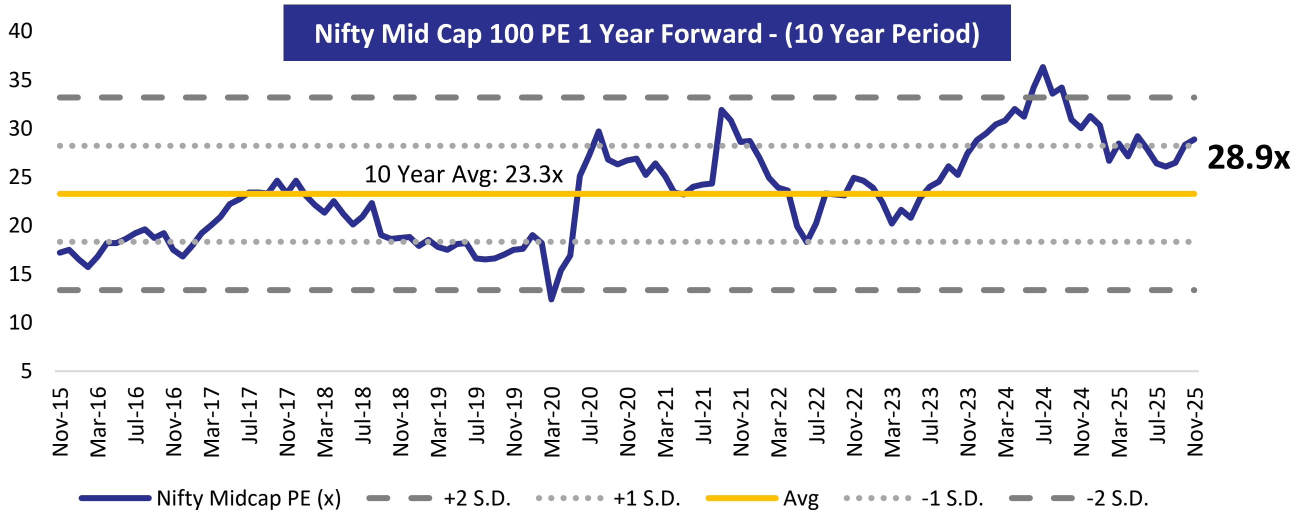
Source: MOFSL, Internal Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Market Indices Valuations – Based on Forward Earnings

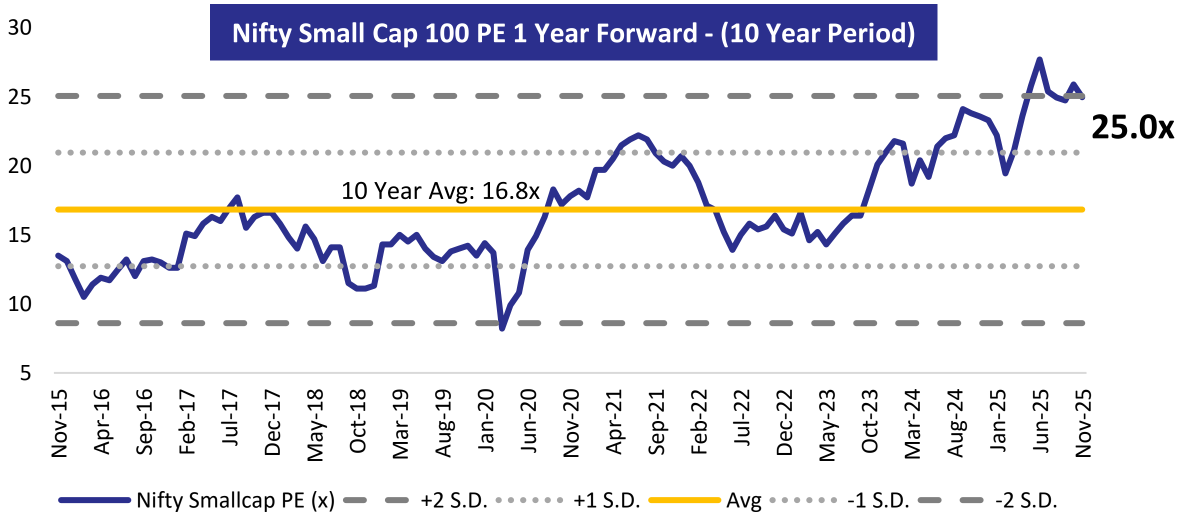


Source: Internal Research, MOFSL

Nifty 50 Forward PE is almost at its long-term average while that of Mid Cap and Small Cap 100 continues to be above its long-term averages, indicating a continued sense of expensive valuations in the market.



Source: Internal Research, MOFSL, Bloomberg



Source: Internal Research, MOFSL, Bloomberg

Extent of Correction across Indices

	Change in Index		Avg % Fall in stock		Number of Stocks with extent of fall from 52W High				
	from 52W High	Since 27th Sep High	from 52W High	Since 27th Sep High	<10%	>10% and <20%	>20% and <30%	>30% and <40%	>40%
Nifty 100 Stocks	-1.6%	-3.7%	-14.9%	-7.1%	42	30	18	6	4
Nifty Mid Cap 150 Stocks	-2.2%	-2.0%	-19.0%	-3.7%	40	41	45	17	7
Nifty Small Cap 250 Stocks	-12.0%	-12.2%	-26.3%	-9.7%	30	63	64	53	40

Data as on 9th Dec 2025. September 27 has been considering as Nifty 50 reached its all time high on that date.

Individual stock correction is more severe than what the index suggests.

01

Large Cap:

28%

of the stocks have corrected more than 20% from 52W High

02

Mid Cap:

46%

of the stocks have corrected more than 20% from 52W High

03

Small Cap:

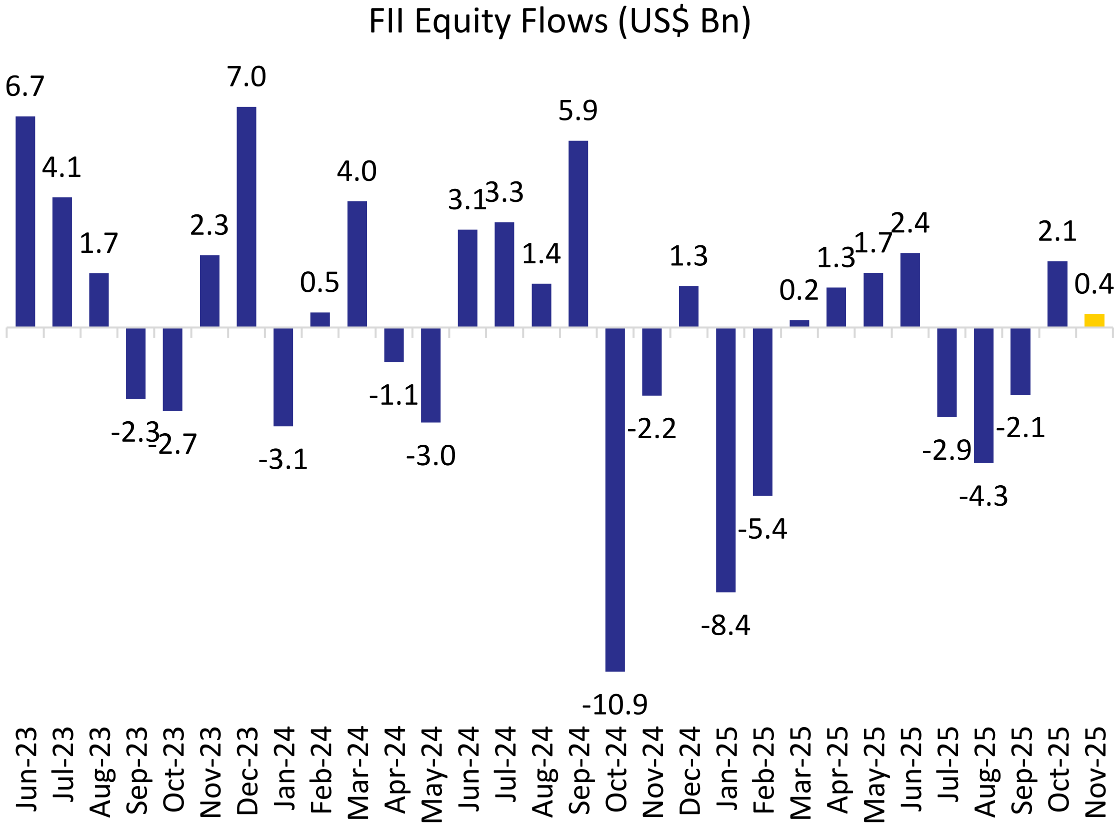
62%

of the stocks have corrected more than 20% from 52W High

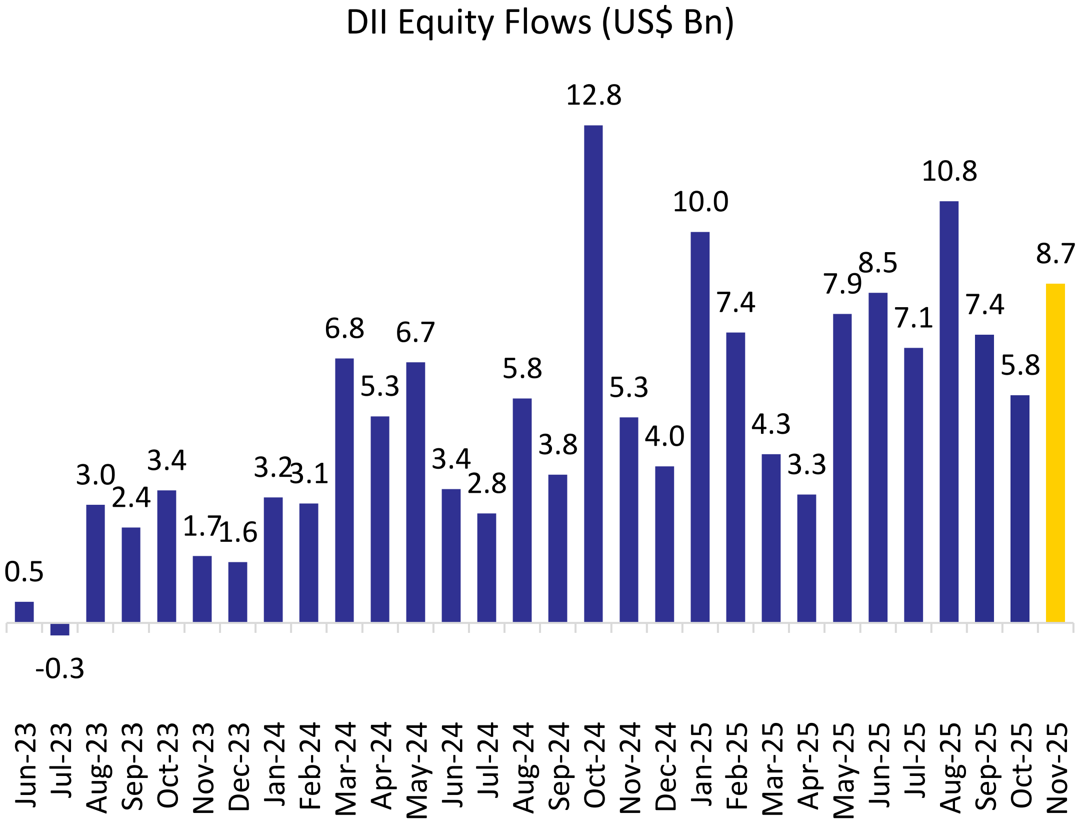
Source: ACE Equity, Internal Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

FII vs DII Flows

FIIs recorded muted flows in November

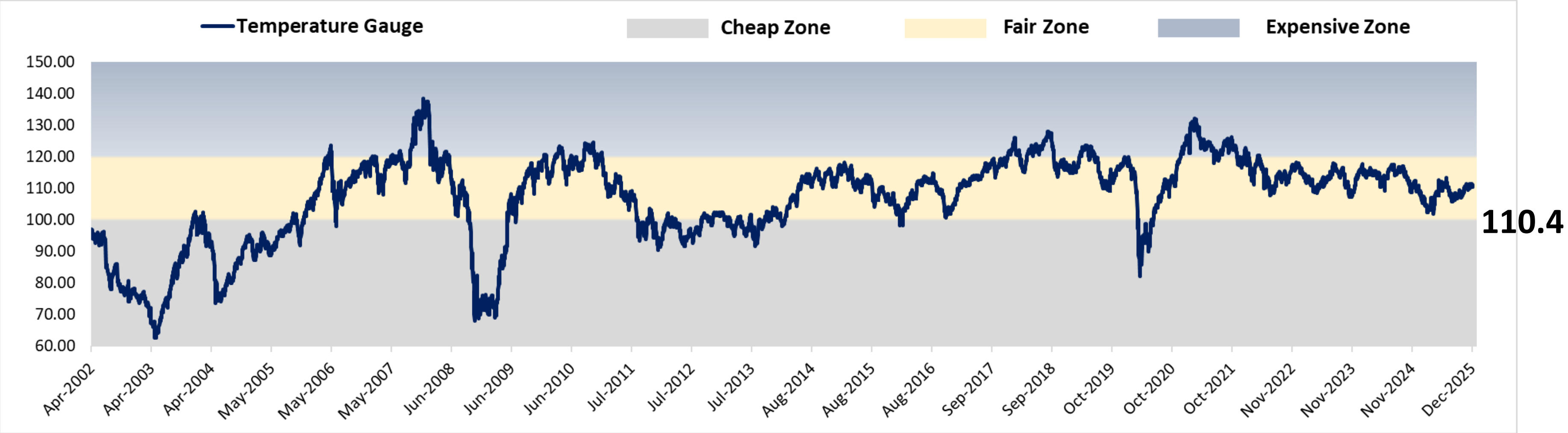


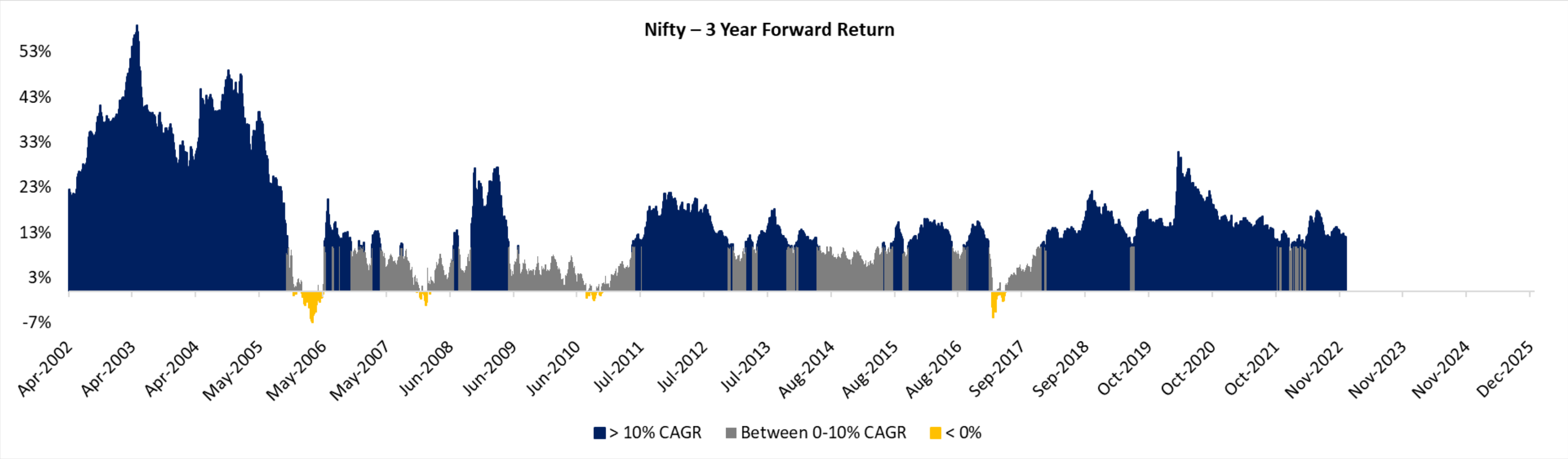
DIIs' monthly flows into equities continues to remain strong



Source: Internal Research, MO Institutional Equities
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Temperature Gauge Index





Temperature Gauge Index is an equally weighted index of EY-BY and MOVI Index

It incorporates PE Ratio, PB Ratio, Div. Yield and G-sec Yield, and hence is a useful valuation metric.

Data as on 9th December'25
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Temperature Gauge Index – Sensitivity Analysis

Temperature Gauge Index - Sensitivity Analysis					
Nifty50/10 Yr Gsec	6.13%	6.33%	6.53%	6.73%	6.93%
24590	106	107	108	109	110
24840	107	108	109	110	111
25090	107	108	109	110	111
25340	107	108	109	110	112
25590	108	109	110	111	112
25840	108	109	**110**	111	112
26090	108	109	110	112	113
26340	109	110	111	112	113
26590	109	110	111	112	113
26840	109	110	111	113	114
27090	110	111	112	113	114
27340	110	111	112	113	114
27590	110	111	112	114	115

Pink cell Indicates Current Level of Nifty 50 and 10 yr G-sec levels. Data as on 9th December'25
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

3 Yr Forward Returns Of Nifty At Different Levels Of Temperature Gauge Index

Nifty 50				36M Return CAGR			Time Positive	% Times	
Index in Range		Count in Range	% of count	Min	Max	Average	% Times Positive	6% to 10%	>10%
65	70	60	1%	24%	57%	43%	100.0%	0%	100%
70	75	202	2%	15%	51%	32%	100.0%	0%	100%
75	80	285	3%	14%	45%	37%	100.0%	0%	100%
80	85	168	2%	15%	43%	34%	100.0%	0%	100%
85	90	207	2%	12%	49%	33%	100.0%	0%	100%
90	95	539	6%	2%	47%	27%	100.0%	2%	97%
95	100	832	10%	1%	44%	18%	100.0%	8%	91%
100	105	761	9%	-2%	30%	13%	92.6%	19%	66%
105	110	1023	12%	-4%	22%	10%	68.0%	12%	46%
110	115	1961	23%	-7%	22%	9%	67.4%	26%	29%
115	120	1617	19%	-4%	21%	9%	83.4%	23%	31%
120	125	804	9%	-2%	18%	10%	93.5%	10%	61%
125	130	135	2%	0%	16%	12%	99.3%	4%	80%
130	135	84	1%	-2%	15%	6%	91.7%	0%	36%
135	140	28	0%	-3%	0%	-1%	10.7%	0%	0%

Data as on 9th December'25
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

Equity Allocation & Deployment Grid

Below grid is based on Temperature Gauge Index

Valuation / **Strategic Allocation**

Valuation	Underweight	Neutral	Overweight	
Expensive	**No Action**	**Reduce**	**Reduce**	100% Staggered
Fair	**Invest**	**Stay Invested**	**Stay Invested**	**Lumpsum in Hybrid** ***Staggered in Pure Equity Oriented Strategies***
Cheap	**Invest**	**Invest**	**Stay Invested**	100% Lump-sum

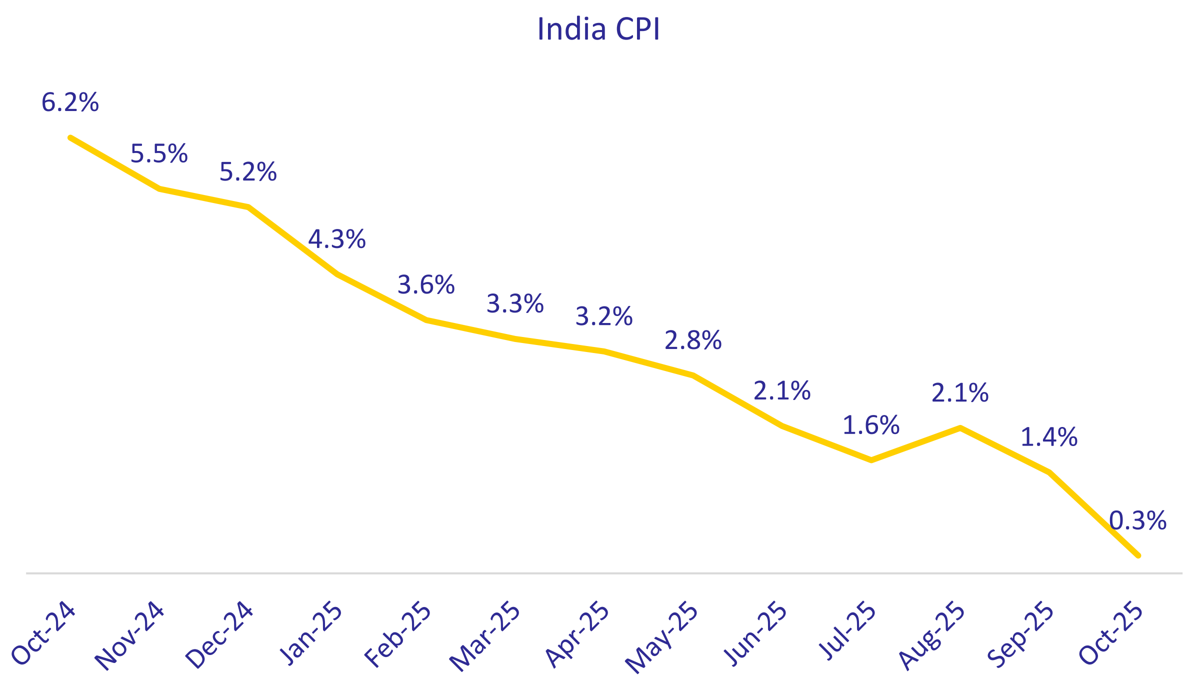
Data as on 9th December'25
Source: Capital Line, Bloomberg Internal Research
Disclaimer: The above graph is for informational purpose. Past performance may or may not be sustained in future.

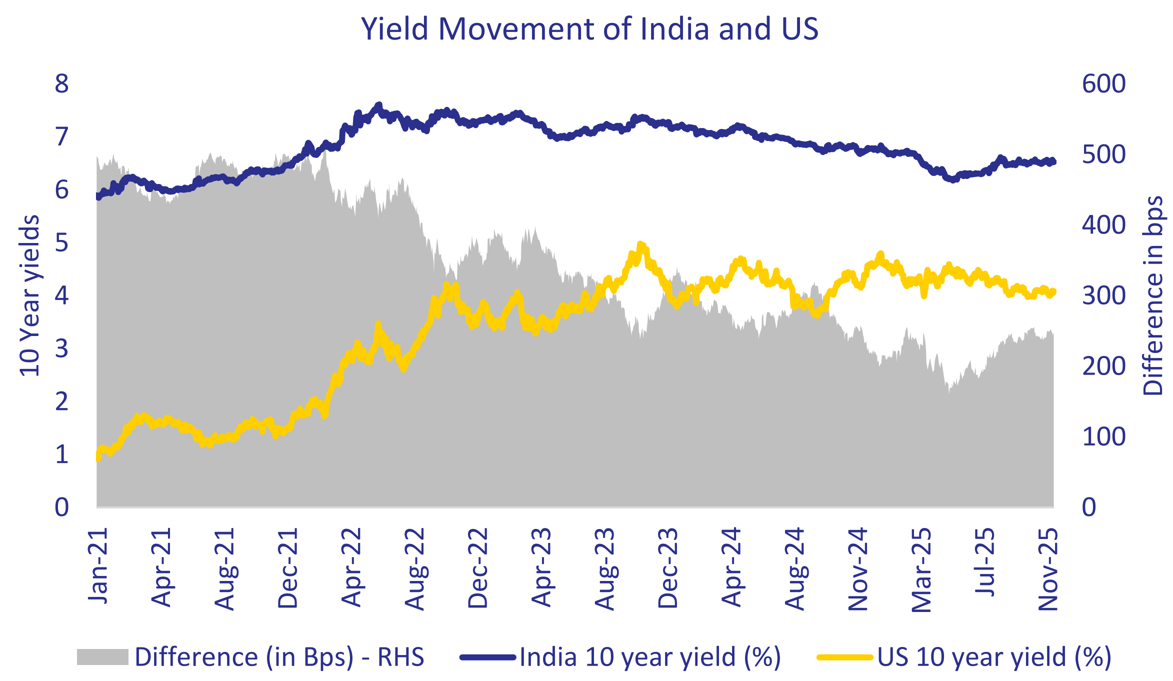
Equity Portfolio Strategy

- Over the past year, markets have undergone a grinding time correction, leading to muted portfolio returns and visible global underperformance. Pressure has been most pronounced in small caps, where many former leaders have corrected 30-40% from their peaks, testing investor patience.
- This phase is driven primarily by flows and supply, rather than any broad-based deterioration in underlying economic or corporate fundamentals. FIIs have been largely on the selling side, while muted FDI and a heavy IPO/QIP pipeline have absorbed strong domestic mutual fund inflows. Elevated valuations are the common driver of foreign profit-taking and aggressive primary issuance.
- On the other hand, fundamentals remain resilient: earnings growth has started recovering, corporate leverage is low, and bank balance sheets are also quite healthy. Macro indicators are supportive, with inflation contained, GDP growth outpacing peers, oil near USD 60–65, and CAD around 1.3–1.4%. Govt and the RBI have also taken many growth-oriented measures.
- The last quarter earnings season provided a positive picture with reduced intensity of earnings cuts. The trailing valuations across the broader market have moderated compared to one year back and froth has also subsided.
- We believe that the current phase is primarily a flow-and-valuation correction, not a collapse in fundamentals. Positives outweigh the negatives, making the equity outlook constructive.
- **Equity view – Neutral**
  Portfolio Allocation: 50% allocation to Large Caps, 10% to Global and 40% (5% overweight) allocation to Mid and Small Caps
- Investment Strategy:
  - Lump-sum investments in Hybrid funds at current levels.
  - For Pure equity-oriented strategies, a staggered SIP/STP approach over the next 3 months is prudent given elevated valuations and higher volatility. Any sharp correction should be used for aggressive deployment.

Fixed Income

Declining Inflation and Gap between India 10 Yr & US 10 Yr

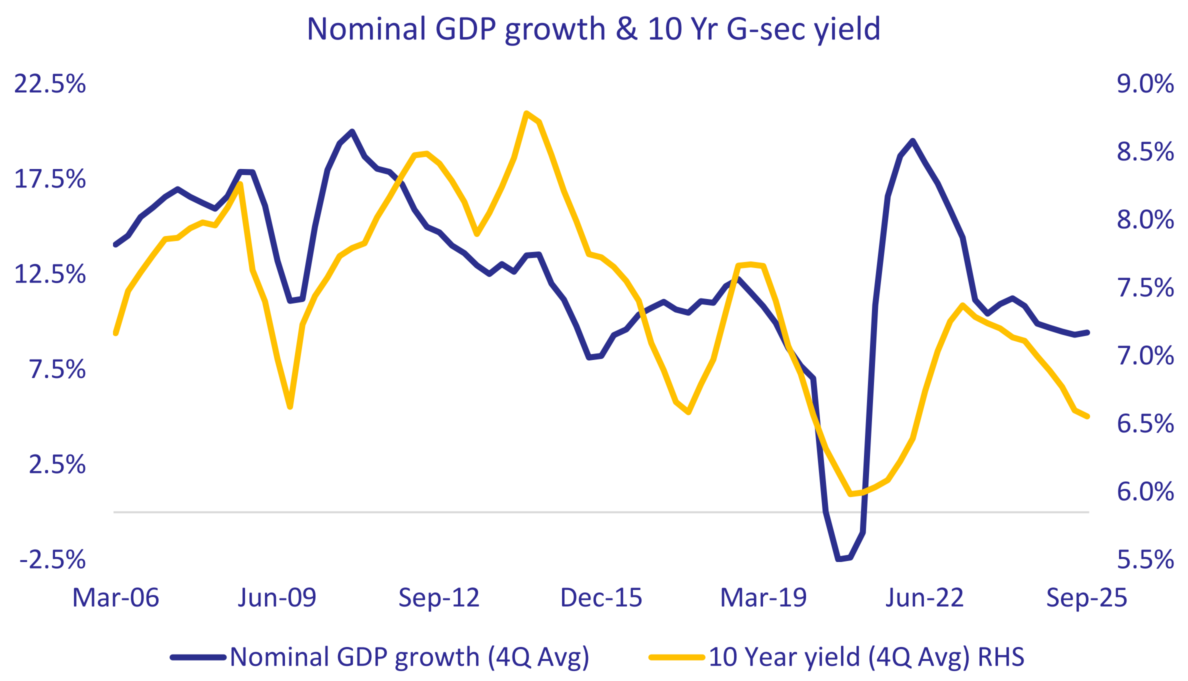


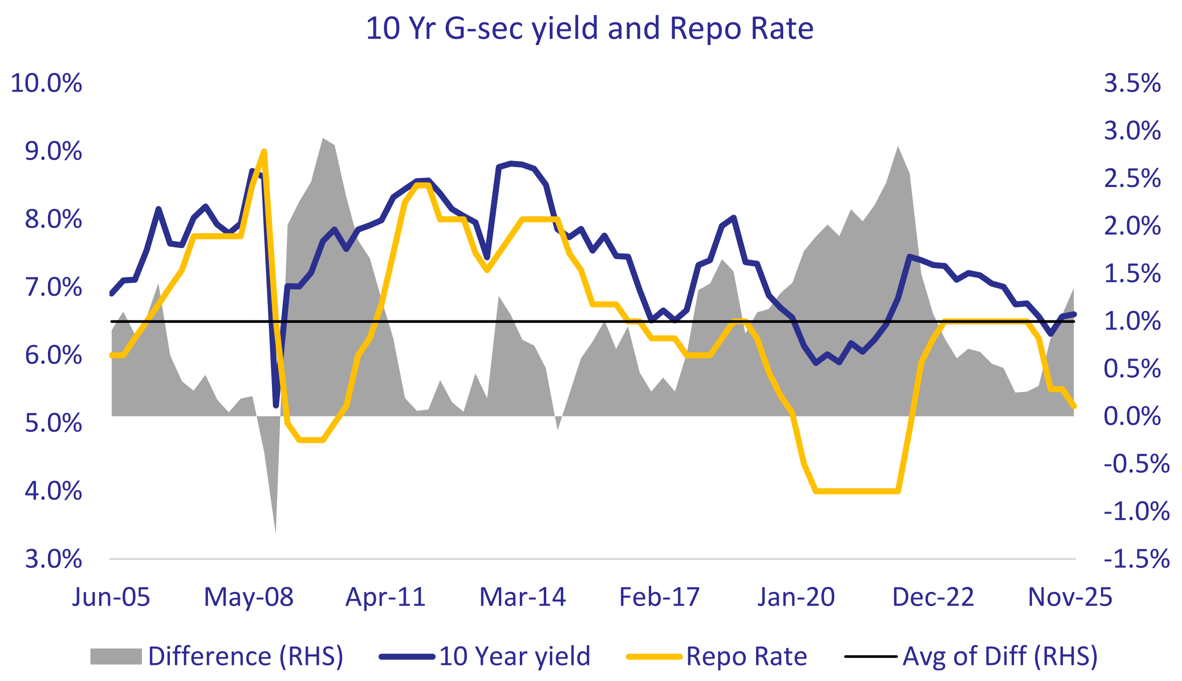


- While the growth till now has remained robust, a significant decline in retail inflation in October has created additional room for RBI to cut rates
- The gap between India 10 Year and US 10 Year which was at all time lows of 160 bps has now started to widened

Source: RBI, Investing.com, Internal Research
Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future

Narrowing Growth–Yield Gap, Widening Policy–Yield Spread





- The narrowing gap between nominal GDP growth and 10-year G-Sec yields signaling room for lower policy and term rates if growth remains uneven.
- At the same time, the wider spread between the repo rate and 10-year yields indicates a higher term premium, with markets demanding extra compensation for long-dated government paper despite an accommodative/steady policy rate.

Source: RBI, DSP, Internal Research

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future

Fixed Income View & Portfolio Strategy

- On the yields front, the curve has become further steepened wherein the yields at longer end of the curve (10 – 30 yr) remained almost at the same levels while yields at the shorter end of the curve have seen some softening after rate cut by RBI.
- Due to this widening of spread between policy rate and longer rate, valuations of long end have become attractive

Hence current scenario supports the case for maintaining accrual calls across the credit spectrum as the core strategy.

- **Accrual can be played across the credit spectrum by allocating 45% – 55% of the portfolio** to Performing Credit & Private Credit Strategies, Select InvITs/REITs/NCDs for a period of minimum 3-5 years

- **For less than 3 years holding period, one may allocate in relatively liquid fixed income alternative solutions like** Arbitrage Funds (min 3 months holding period), Hybrid SIF Funds (min 2 yr holding period), Conservative Equity Savings funds (min 3 years holding period)

- **Tactical allocation to long-duration (10-year and above) G-Secs can also be considered at current levels of ~6.7%**, as prevailing yields are compelling and provide scope for capital appreciation in addition to regular coupon income for investors comfortable with duration risk.

Source: RBI, Internal Research. Disclaimer: The Fixed Income View & Portfolio Strategy is based on our views and the above information is for reference purposes only and should not be construed to be investment advice under SEBI (Investment Advisers) Regulations, 2013. This document is not a research report as per the SEBI (Research Analysts) Regulations, 2014.

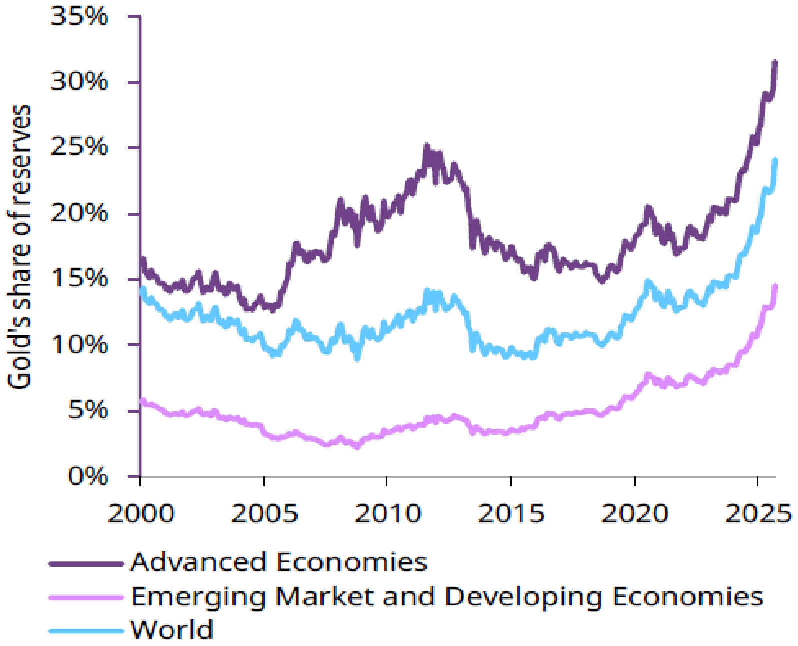
Gold / Silver

Gold – Push ahead or Pullback

Motilal Oswal Private Wealth

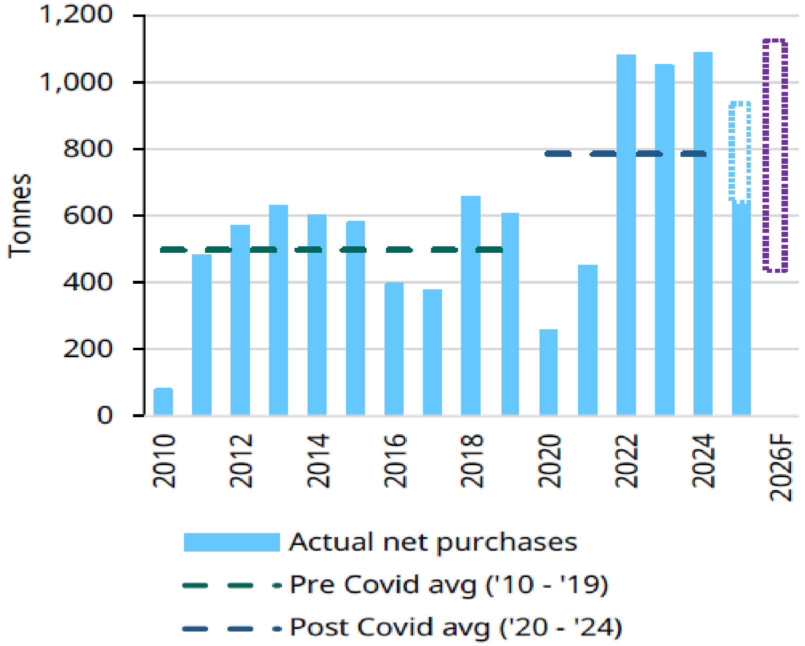
Gold reserves from emerging markets are well below those from advanced economies

Gold as a share of total foreign reserves*



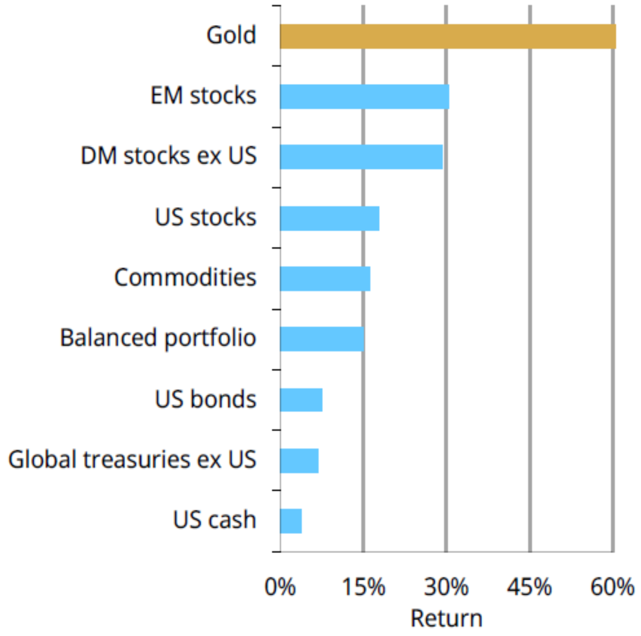
Sustained Central bank demand

Actual and estimated annual central bank demand*



Gold takes a place on the podium in 2025

Y-t-d returns for gold and key asset classes in USD*

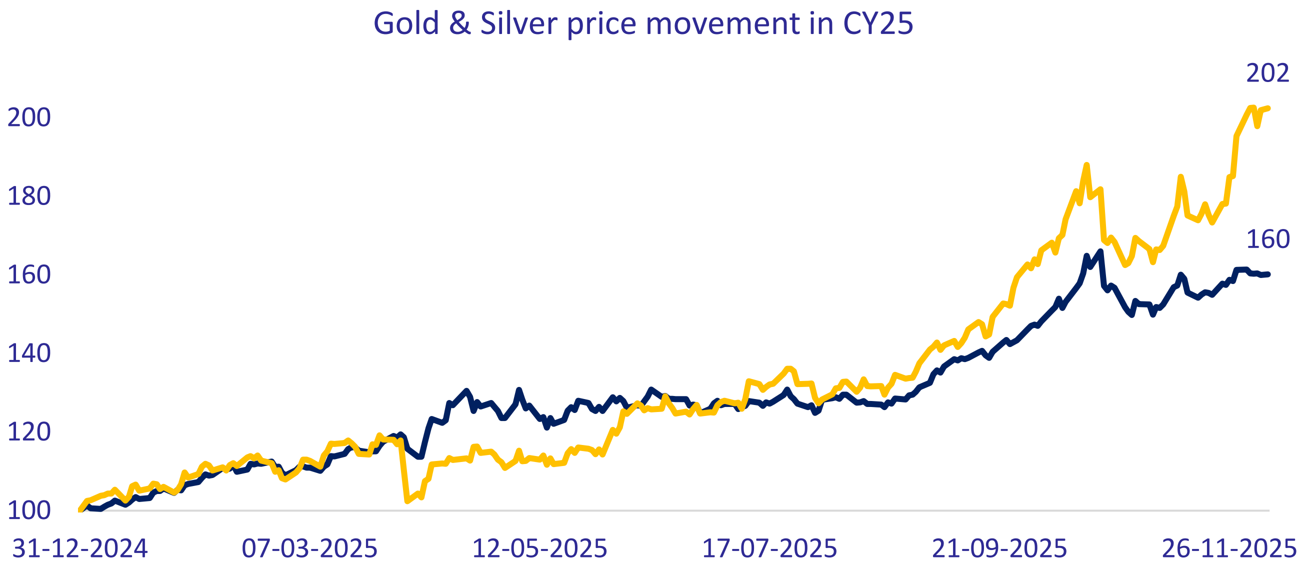


Physical demand and central bank buying slowed thru the year amid higher prices, however Strong ETF flows continue to lend support to gold prices. We continue to suggest gold from asset allocation perspective.

Source: World Gold Council

Disclaimer: The above data is for informational purpose. The analysis may or may not be sustained in future.

Silver



- Structural shortage: Silver has been in a multi-year physical deficit as record industrial demand outpaces flat mine supply, with inventories drawn down and lease rates spiking.
- Industrial super-cycle: Solar PV, EVs, electronics, 5G and AI/data-centre demand now take a much bigger share of silver use, turning it into a critical industrial metal
- ”Macro + flows: Expectations of Fed rate cuts, lower real yields, safe-haven buying amid geopolitical worries, ETF/investor inflows and (for India) rupee depreciation have all amplified the price move.
- Due to sharp rise in the prices coupled with silver’s highly volatile nature, fresh tactical allocation at these levels can be avoided.

Source: Investing.com, Internal Research

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