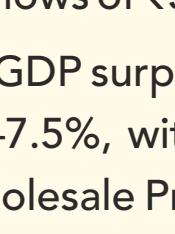


Monthly Market Outlook

December 2025
Equity & Debt Insights



Equity Market Outlook



Look back at the month (November 2025)

- Indian equities posted modest gains in November 2025, supported by favorable inflation data, optimism over a potential India-US trade agreement, and expectations of a rate cut, with the Nifty 50 index rising 1.9%, Nifty Midcap 150 index gaining 1.6%, while Nifty Smallcap 250 index declined 3.4%.
- Domestic institutional investors were strong net buyers, investing ₹77,084 crore. Foreign institutional investors were net sellers with outflows of ₹3,765 crore.
- Q2 GDP surprised on the upside at 8.2% versus market expectations of 7.3–7.5%, with nominal GDP at 8.7% aided by a low deflator as WPI (Wholesale Price Index) and CPI (Consumer Price Index) trended down, driven by strong growth in manufacturing and services sectors.

December 2025 Outlook

- The FY26 growth forecast has been revised upward to 7.3% from 6.8%, with H2 FY26 upgraded by 45 bps to 6.8%, driven by stronger-than-expected growth in the first half, GST rationalization, subdued inflation, and accommodative monetary conditions.
- Recent Rupee depreciation reflects strong dollar demand from importers, limited foreign inflows, concerns over trade deficit, and uncertainty around the India-US trade agreement.
- The final estimates of agricultural production for 2024-25 indicate record foodgrain output, supported by higher yields in rice, wheat, maize, and moong, along with gains in oilseeds. Excess post-monsoon rainfall and historic reservoir storage levels bode well for rabi sowing, reinforcing rural growth and keeping inflation in check.



Economic Market Outlook



Look back at the month (November 2025)

- FOMC (Federal Open Market Committee) minutes maintained a hawkish tone, signalling a high bar for a December 2025 rate cut amid labour market uncertainty and persistent inflation.

- System liquidity stayed in surplus through November 2025, supported by a large G-sec maturity and the third tranche of CRR cut at the start of the month.

- Headline CPI inflation eased to 0.25% in October 2025 (September: 1.44%), remaining below 2% for the second consecutive month, driven by lower food prices and GST rationalization.

December 2025 Outlook

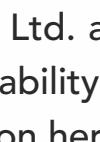
- The 25-bps rate cut was in line with expectations, with the policy stance turning moderately dovish as the MPC shifted focus to sustaining growth amid benign food inflation and contained core inflation, though geopolitical uncertainties and subdued external demand remain downside risks.

- RBI had front-loaded liquidity easing through a staggered 100 bps CRR cut, but core liquidity may tighten in coming months due to statutory outflows, forex operations, and robust credit demand.

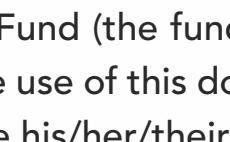
- To maintain systemic liquidity in surplus and ensure effective transmission of earlier rate cuts, RBI has begun on-screen OMO (Open Market Operations) purchases.

Source: Bloomberg, Ministry of Statistics and Programme Implementation (MOSPI), Reserve Bank of India (RBI), LIC MF Internal Research.

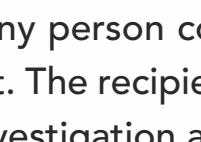
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