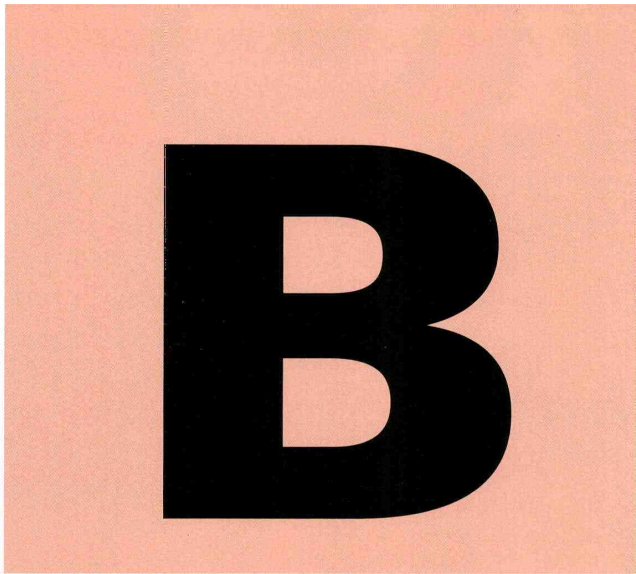


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Bulls had a great run post Covid. Now, it is time for the bears to get a piece of the action as FY26 brings more uncertainty. Though the bulls started losing steam in September 2024, the tariff war started by

54 | US President Donald Trump, slowdown in earnings growth, and heavy outflows by foreign institutional investors (FIIs) have intensified the pressure. And volatile global markets are adding to the pain.

Though the NSE Nifty rose for the second straight year in FY25, gaining over 5%, the last few months have brought a litany of bad news. The index fell 15% till April 9, from its 52-week high of 26,277 on September 27, 2024. Nifty Midcap 150 and Nifty Small-cap 250 indices plunged 19% and 23%, respectively, during the period. The Nifty50 tanked nearly 5% in the first seven trading sessions of FY26 till April 9. On April 2, Trump announced tariffs exceeding expectations in scope and severity. Since October 2024, investors on Dalal Street have lost over ₹80 lakh crore as market capitalisation of all listed Indian companies declined nearly 17% from ₹475 lakh crore on September 30, 2024, to ₹395 lakh crore on April 8, 2025. As we stepped into the new financial year, Trump’s reciprocal tariffs worsened the rout.

According to DSP Asset Managers, global growth is stagnating, trade is sluggish, and the new tariffs exceed expectations. This combination is likely to further strain global growth. “Weaker economies may struggle to avoid recession. Historically, policy-driven disruptions have led to crashes, often triggering spillover effects,” it said in a report.

Shares of around 1,200 companies have tanked 50% or more while around 2,100 have retreated between 25% and 50% from 52-week highs. Even large-cap shares are bearing the brunt. Tata Motors, Jio Financial Services, Hero MotoCorp and Bajaj Auto dipped nearly 40% from their 52-week highs in FY25. “Our current bull market started in March 2020. We are already into the fifth year. So, it is safe to say that it is over, and we are now in a bear market, which will last for several months or two-three years,” says Shankar Sharma, Founder, GQuant Investech.

The selling has been relentless. FIIs sold shares worth ₹2.16 lakh crore between October 1, 2024, and March 28, 2025, compared to an inflow of ₹90,040 crore in the first half of FY25. In April, they have sold shares worth ₹27,088 crore till April 9. One of the biggest reasons for the exit of FIIs was the relative attractiveness of Chinese equities, which became significantly cheaper after prolonged underperformance, say market experts. Another was reduction in the relative appeal of Indian assets as the US dollar strengthened against the rupee. A weaker rupee erodes FIIs’ dollar returns and increases capital outflows. Simultaneously, rising US bond yields provided FIIs an attractive fixed-income alternative, prompting a shift from emerging market equities to safer,

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THE MARKETS IN FY25

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THE NIFTY GAINED OVER 5% IN FY25 BUT IS DOWN 15% FROM ITS 52-WEEK HIGH
- 

FIIs OFFLOADED ₹2.16 LAKH CRORE BETWEEN OCTOBER 2024 AND MARCH 2025, DRIVING MARKET WEAKNESS
- 

THE US TARIFF WAR, TRUMP'S PROTECTIONIST POLICIES, AND SLOWING EARNINGS GROWTH INTENSIFIED VOLATILITY
- 

PRECIOUS METALS OUTPERFORMED EQUITIES, WITH GOLD AND SILVER RALLYING OVER 30%
- 

DEBT FUNDS GAINED OVER 9%, OUTPERFORMING EQUITIES, DRIVEN BY RATE CUT EXPECTATIONS
- 

ANALYSTS EXPECT A 50-75 BASIS POINTS REPO RATE CUT IN FY26, BOOSTING FIXED-INCOME INSTRUMENTS
- 

EXPERTS RECOMMEND A DIVERSIFIED PORTFOLIO WITH EXPOSURE TO EQUITIES, DEBT, AND GOLD FOR STABILITY

higher-yielding debt instruments.

Experts say FII flows will decide market direction for the next few quarters. “India’s markets have historically attracted FIIs due to strong growth potential. If India continues to demonstrate economic resilience, maintain stability in key policies, and provide favourable market conditions, it could see increased FII activity again,” says Vipul Bhowar, Senior Director, Listed Investments, Waterfield Advisors.

Akhil Mittal, Senior Fund Manager-Fixed Income, Tata Asset Management, shares the view. “US rates will move downwards, albeit slowly. Markets expect the Federal Reserve to cut rates by 50 basis points in 2025. US yields may move down by 25-50 basis points in 2025. While risk assets and emerging markets, including India, are facing volatility, inherent strength and stable macros will ensure that India remains among the favoured investment destinations. Beyond near-term uncertainty, Indian assets will do well and foreign flows will resume in the next couple of months,” he says.

THE ROAD AHEAD

The Indian economy grew 6.2% in the quarter ended December 2024, down from 9.5% in the same quarter a year ago. According to the CMIE Economic Outlook, it is projected to report its slowest growth in four years (5.95%) in FY25.

So, where are the markets headed, and how can an investor generate alpha? “The FY25 earnings base is relatively low with year-on-year growth expected to be under 5%. The market has corrected significantly compared to the earnings downgrade of 7-8%. As a result, it has already priced in lower earnings for FY26. We expect

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the year to be positive, though not as bullish as the strong rally from 2020 to 2024,” says Sandeep Raina, Head of Research, Nuvama Professional Clients Group.

Till October 2024, the Nifty50 had surged around 240% from the Covid lows in March 2020. The correction in the second half of FY25 took the market cap-to-GDP ratio, a valuation indicator, to 110%, from its peak of around 150% in September 2024. India’s long-term market cap-to-GDP average has been around 85% since FY07; the 10-year average is approximately 94%.

“The landscape is changing. With Indian equities having undergone a significant correction, valuations have moderated, particularly in the mid-cap and small-cap space, making the market attractive again. Historically, FII outflows during corrections have been followed by strong inflows once valuations become favourable. We anticipate a similar trend in the coming quarters,” says Anirudh Garg, Partner and Fund Manager, Invasset PMS.

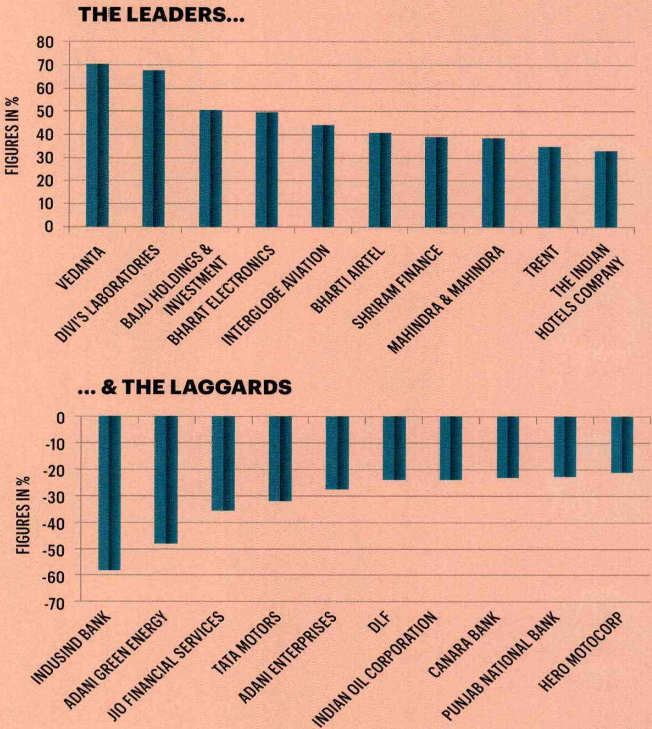
“Investors can expect volatility in the backdrop of a lot of uncertainty on the global front. One should tone down return expectations and invest keeping in mind that decent returns are likely in FY27 or FY28,” says Sunny Agrawal, DVP and Head of Fundamental Research, SBI Securities.

SECTORS TO WATCH

Though the overall return expectations are muted, several sectors and companies will outperform. Considering the impact of US tariffs, companies focusing on domestic consumption and investment will be able to better navigate the

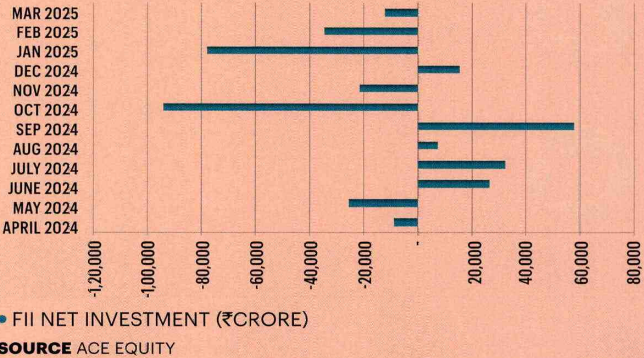
TOP NIFTY 100 GAINERS AND LOSERS OF FY25

► Nifty Pharma and Nifty Metal outperformed Nifty100 in FY25

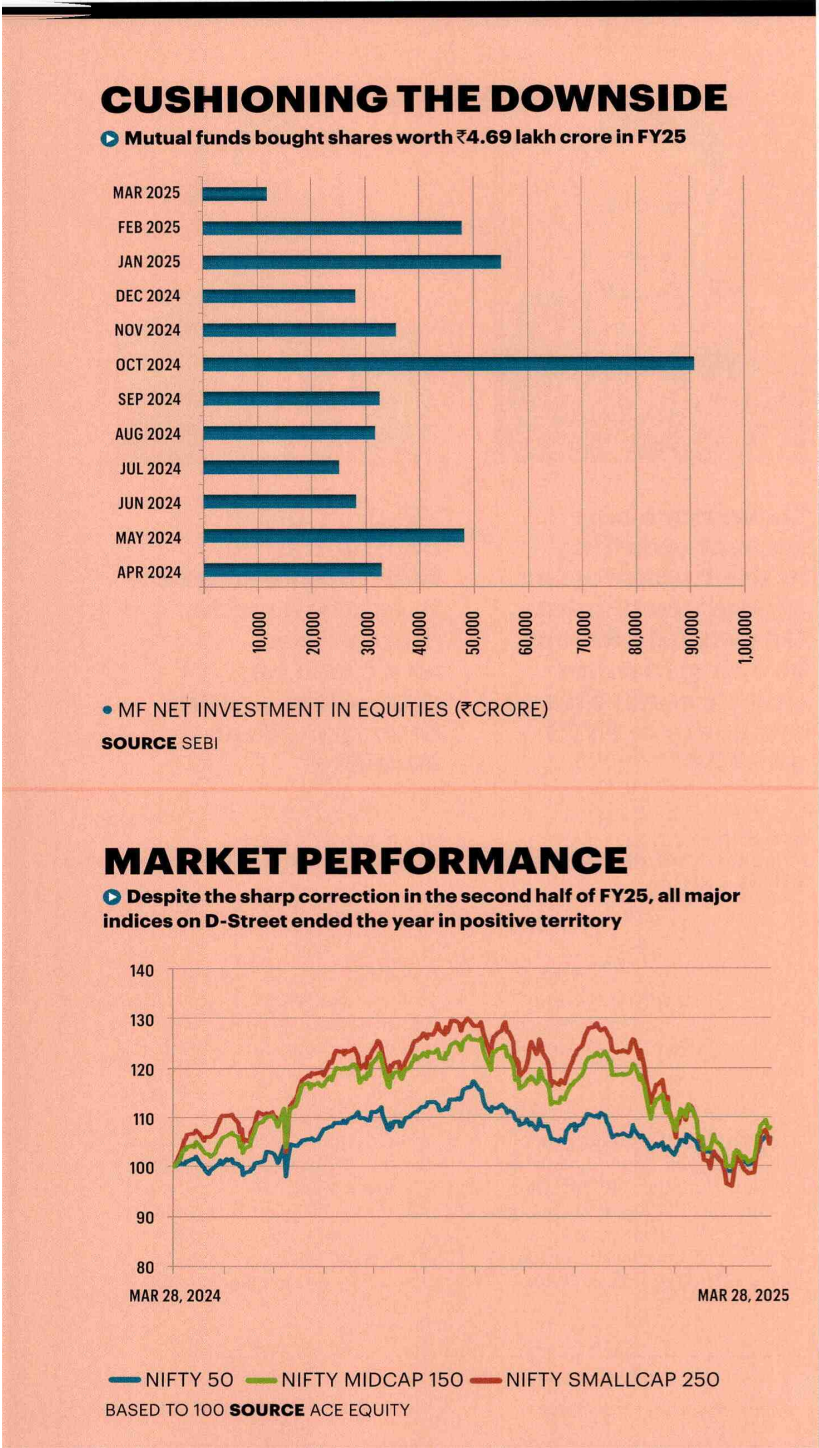


FII ACTIVITY IN FY25

► Global investors have offloaded shares worth ₹1.27 lakh crore in the past 12 months



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challenges posed by global trade disruptions and capitalise on the growing domestic market. The income tax cut in the FY26 Budget should support consumption. Shreyash Devalkar, Head-Equity, Axis Mutual Fund, says export-oriented companies may face challenges due to trade disruptions, and it will be difficult to predict their growth and stability.

Among sectoral and thematic indices, the Nifty India Defence index surged 37% in FY25. It was followed by Nifty Pharma (11%) and Nifty Metal (11%). The Nifty Bank rose 9.4%. On the other hand, Nifty Energy, Nifty Oil & Gas and Nifty Realty declined 14%, 8% and 5%, respectively.

So, which sectors will lead the next bull run? “The next sector leaders are likely to be different from those that have led the rally in the last three-five years. Private sector banks, metals and cement may lead over the next three-five years,” says Harish Krishnan, Co-CIO and Head, Equity, Aditya Birla Sun Life AMC.

Devalkar of Axis says it is crucial to concentrate on companies with strong fundamentals—solid balance sheets, consistent earnings growth and competitive advantages. Quality stocks are generally more resilient during market downturns.

The recent liquidity boost and rate cuts by the RBI will drive credit growth in both industrial and retail segments, says Achin Goel, PMS Fund Manager at Bonanza Group. He says banking sector gross NPAs are stable. Oil marketing and gas stocks are also attractive as oversupply of crude oil from the US is likely to keep prices under control, he says. “The

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government's aim to double the consumption of CNG and PNG by 2030 will boost the gas sector," says Goel. Crude oil prices have tanked to nearly \$60 per barrel from \$75 levels in a week as Trump tariffs increase the chances of a recession.

Overall, the period of easy gains in the domestic equity market seems to be over, prompting equity investors to stay company or business-specific and explore other asset classes such as precious metals (gold and silver), fixed income and real estate.

THE SHINING STARS

Gold and silver emerged as shining stars in FY25 with a 30%-plus rally triggered by escalating geopolitical tensions, strong buying by central banks, rising inflation, economic uncertainties and increasing interest in ETFs. In India, gold ETFs saw a net inflow of ₹14,929 crore in FY25 till February, as against ₹5,248 crore a year ago. In 2024, central banks purchased a record 1,180 tonnes of gold, surpassing the tally of 1,082 tonnes in 2022 and 1,037 tonnes in 2023, according to the World Gold Council. The price of the yellow metal was ₹88,691 per 10 gm on March 31, 2025, compared to ₹66,746 per 10 gm on March 28, 2024. Gold was trading around ₹90,000 per 10 gm on April 4, 2025. The white metal was at ₹1 lakh per kg on March 31, 2025, as against ₹73,867 per kg on March 28, 2024.

"The trend for the coming year is likely to be bullish. The US administration's trade policies with major partners along and the Fed's stance on interest rate for the year could be pivotal. If rate cuts continue or are paused at lower levels,



"Investors can expect volatility in the backdrop of global uncertainty. One should invest keeping in mind that decent returns are likely in FY27 or FY28"

SUNNY AGRAWAL
DVP AND HEAD OF
FUNDAMENTAL RESEARCH,
SBI SECURITIES

the reduced opportunity cost of holding gold will sustain its appeal," says Jigar Trivedi, Senior Analyst, Reliance Securities.

The other important factors that will decide gold's price are the strength of the US dollar, geopolitical developments, buying by central banks and the Fed's inflation expectations. "Silver is likely to be driven by industrial demand. The global push for renewable energy—solar panels, batteries, and elec-



"Export-oriented companies may face challenges due to (global) trade disruptions, and it will be difficult to predict their growth and stability"

SHREYASH DEVALKAR
HEAD-EQUITY, AXIS
MUTUAL FUND

tronics—will likely lead to a deficit. An acceleration in spending on green infrastructure could amplify the trend. Silver often moves in tandem with gold, but with higher volatility. If gold maintains its upward trajectory, silver could also give outsized gains," says Trivedi.

Naveen Mathur, Director, Commodities and Currencies, Anand Rathi Shares and Stock Brokers, says Trump's protectionist policies created uncertainty and encour-

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aged investors to shift to gold.

“Silver’s fundamentals remain strong primarily due to the forecast of a deficit for the fifth consecutive year,” Mathur says. According to The Silver Institute, global silver demand is expected to remain broadly stable at 1.20 billion ounces this year. The supply is forecast to grow by 3% to an 11-year high of 1.05 billion ounces.

FIXED INCOME

Debt funds also beat Indian equity markets in FY25. Long duration debt funds have returned more than 9% on an average in the past one year on expectation of rate cuts. Medium-to-long duration funds and short duration funds have delivered 8.32% and 7.83%, respectively, as per Value Research. On April 9, the Reserve Bank of India (RBI) cut the repo rate by 25 basis points, after a similar reduction in February, to counter the economic slowdown.

Market watchers expect at least 50 basis points interest rate cut in FY26, which may further boost fixed income instruments. Mittal of Tata Asset Management says “long duration bonds and longer duration debt funds are better choices in a declining [interest rate] cycle as compared to shorter duration funds. There might be some volatility during the cusp period, but if investors can withstand that and have a long horizon, they should look at longer duration debt funds.” Rahul Singh, Senior Fund Manager-Fixed Income, LIC Mutual Fund Asset Management, also foresees 50-75 basis points rate cut in the next financial year.

Anurag Mittal, Head-Fixed Income, UTI AMC, expects 50 basis points cut in this monetary cycle

as he expects FY26 growth to moderate at still resilient levels of 6-6.5%. “Investors can consider locking in yields at these levels to benefit from higher accrual and possibility of capital gains, especially in sovereign and high credit quality corporate bond portfolios,” he says.

Data from the Association of Mutual Funds in India shows debt funds saw a net inflow of ₹3.41 lakh crore in FY25 till February as against an outflow of ₹23,097 crore in FY24; equity funds received an inflow of ₹3.22 lakh crore. The core aim of debt funds is providing stability, predictability, liquidity and diversification to

aggregate equity returns exceeding that this year on a top-down basis. Precious metals also look attractive at this point of time.”

REAL ESTATE

When the stock market is unpredictable, investors usually start zeroing in on something steadier—like real estate. Unlike equities, which can swing wildly on economic trends and global events, real estate prices move more gradually, making it a lower-risk, long-term play.

However, ANAROCK data shows that housing sales dipped 11.5% QoQ during January-

DEBT FUNDS BEAT EQUITY MARKETS IN FY25. LONG DURATION DEBT FUNDS HAVE RETURNED MORE THAN 9% IN THE PAST ONE YEAR ON EXPECTATION OF RATE CUTS

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the portfolio as they usually have a negative correlation with equities.

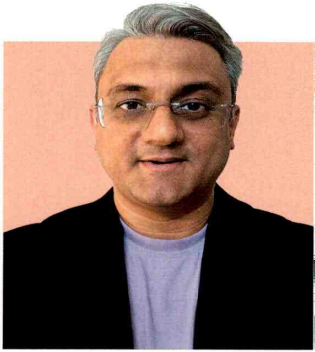
Even short-duration debt funds seem attractive given the expected slide in interest rates. “Given interest rate uncertainties, dynamic bond funds, short-duration funds and arbitrage funds can balance the risk of volatility,” says Rajul Kothari, Partner, Capital League.

Sharma of GQuant says he has moved 50% of his liquid global capital into fixed income, which gives him a guaranteed 10% return in dollar terms. “I do not see ag-

March 2025 in the top seven cities, where around 90,330 units were sold, in sharp contrast to 1,02,083 units in Q4 2024. “Investor interest has been rising in recent years with many looking at real estate as an attractive asset class. However, ongoing economic and geopolitical uncertainties have made investors adopt an optimistic-yet-cautious stance,” says Anupam Rastogi, Co-Founder and Chief Business Officer, Square Yards, a real estate consultancy.

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“If rate cuts continue or rates remain paused at lower levels, the reduced opportunity cost of holding gold will sustain its appeal. The trend for the coming year is likely to be bullish”

JIGAR TRIVEDI
SENIOR ANALYST, RELIANCE SECURITIES

Average residential property prices across the top seven cities rose 10-34% in Q1 of 2025 compared to Q1 of 2024, as per ANAROCK. NCR and Bengaluru recorded the highest jump of 34% and 20%, respectively. “Real estate is viewed as a long-term asset class and not a debt investment with linear returns of 6-7% per annum. In blue-chip markets such as South Mumbai, South



“The next sector leaders are likely to be different from those that have led the rally in the last three-five years. Private sector banks, metals and cement may lead over the next three-five years”

HARISH KRISHNAN
CO-CIO AND HEAD, EQUITY, ADITYA BIRLA SUN LIFE AMC

Delhi and Bengaluru, investors can expect an average annual return of 12-15%. High-demand pockets may yield even more,” says Ashwin Chadha, CEO-India, Sotheby’s International Realty. Chadha says investors can expect 6-8% rental yields in commercial real estate depending on the quality of the asset and its location. Additionally, a gradual annual price appreciation of 3-4%

is typical over the long term. The combination of rental income and capital growth makes commercial property a stable, wealth-building strategy for ‘high net worth’ individuals. “Going forward, residential demand is expected to grow in a range, particularly in key localities, supported by end-user and investor interest, long-term investment planning and desire for diversification,” says Rastogi.

DIVERSIFICATION IS KEY
Market analysts and industry watchers say one should not keep all their eggs in one basket. The key to survival in this volatile environment is discipline, patience, and selective deployment of capital. “An investment of ₹10 lakh can be split into 70% equities, 20% debt and 10% gold. In equities, one can invest 20% in large-caps, 30% in mid-caps and the rest 20% in small-caps. Debt (preferably 10-year gilt) can capture the upside due to anticipated rate cuts. Gold will seize the opportunity arising due to global uncertainty. This scenario is suggested keeping in mind high risk tolerance of the investor and an investment horizon of at least 10 years,” says Goel of Bonanza Group.

Agrawal of SBI Securities says the best strategy is to gradually deploy capital in quality businesses and have an investment horizon of more than two years. One should not expect super-normal returns of the FY20-24 period. One can realistically expect decent returns of 12-15% CAGR over the next three years. New investors can buy equity MFs through SIPs. **BT**

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