



INVESTMENT OUTLOOK DECEMBER 2025

Foreword



Nov'25 extended the festive cheer of the Diwali period into the equity markets, with the Nifty sustaining its positive momentum even as the pace of gains moderated after October's sharp 4.5% rally. The month reflected a phase where stability and measured volatility coexisted, supported by a steady domestic backdrop and improving sentiment. The Market Review highlights a clear message that, despite global uncertainties, India continues to advance firmly along its growth trajectory.

Steady Market Performance

Markets opened Nov'25 on a softer note as sentiment turned cautious after the U.S. Federal Reserve signalled that its October move might mark the final rate cut of the year, dampening expectations of further monetary easing and triggering FII outflows. However, robust domestic fundamentals—supported by healthy festive-season demand, stable macro indicators, and constructive Q2FY'26 corporate commentary helped restore confidence. By month-end, the Nifty50 had recouped initial losses to deliver a 1.9% gain, alongside a 2.1% rise in the Sensex. Performance further down the market-capitalisation curve was more mixed: the Nifty Midcap100 posted a modest 2% advance, while the broader segments softened, with the Nifty Next50 declining 0.98% and the Nifty Smallcap250 falling 3.4%. Overall, the month reflected sustained strength in large caps even as broader market momentum moderated.

India's growth trajectory continues to signal resilience even amid global and domestic transitions. Real GDP expanded strongly at 7.8% in Q1FY'26 and 8.2% in Q2, though nominal growth below 8.7% YoY reflects softer pricing power and near-term pressure on tax collections and corporate revenues. Policy transmission, reduced personal taxes, GST rationalisation and easing regulatory conditions should support momentum.

RBI Rate Cut

On the policy front, the RBI's Monetary Policy Committee cut the repo rate by 25 bps to 5.25% on 05th Dec'25, while maintaining a neutral stance — signaling support for growth without compromising inflation stability. System liquidity remains in comfortable surplus, supported by announced OMO purchases and USD swap operations, and FX reserves of USD 686.2 bn continue to underpin external resilience. Bond yields have softened gradually, though market direction remains anchored to supply dynamics and the pace of fiscal consolidation. While nominal growth softness may temporarily weigh on revenues and create supply-demand imbalances in government securities, a disciplined policy trajectory and easing cost of capital provide a supportive backdrop for long-tenor fixed income and a well-balanced asset allocation framework.

Precious Metals continue to shine

Gold and silver have delivered exceptional returns for investors, with Gold up 5.91% MoM and 60.4% YoY and silver up 16% MoM and 85% YoY, driven by geopolitical risk, central banks buying, a weakening U.S. Dollar Index and Silver's demand pick-up from industries. But the rupee's steady depreciation toward 90 per USD has amplified domestic gains, pushing local gold and silver prices to record highs. This has significantly boosted portfolios that already held a strategic allocation to

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precious metals. Strong YoY returns validate their role as stabilizers in multi-asset portfolios, though the sharp MoM swings call for disciplined, staggered allocation rather than aggressive chasing

Softer Crude Prices and Weak Rupee

Key OPEC+ members led by Saudi Arabia and Russia decided last month to pause further output hikes during the first quarter of 2026, when they anticipate a seasonal slowdown in demand. With Brent crude prices down 11.42% YoY, India's import bill is likely to ease, supporting an improvement in the current account balance.

The recent weakness in INR has been largely attributed to emerging worries on the trade account and delay in closing the trade deal with the US. RBI clarified it doesn't target a specific rupee level but aims to ensure smooth credit flow and policy transmission. USD/INR Buy/Sell Swap auction of USD 5 billion for a tenor of three years is to be held on December 16, 2025 as a decisive effort to restore rupee liquidity (around ₹45,000 crore).

Strategic Discipline

As we head into the close of the year, the evolving macro and market landscape calls for strategic discipline rather than reactive shifts. The strength in precious metals, supportive domestic policy actions, and potential easing global pressures present opportunities for thoughtful portfolio rebalancing, helping investors lock in gains and remain aligned with long-term objectives. Softer crude prices offer welcome relief for inflation-sensitive segments, while the recent weakness in the INR underscores the importance of maintaining prudent hedging and diversification across asset classes.

In this environment, maintaining a balanced yet selective approach becomes essential. Equity allocations should continue to anchor long-term wealth creation, with a deliberate tilt toward large-cap and flexi-cap strategies that provide stability as broader market momentum moderates. Mid- and small-cap exposures may be calibrated where valuations appear demanding. On the fixed income side, short to medium strategies remain well positioned as policy easing progresses and liquidity stays supportive. Hybrid categories such as Balanced Advantage and Equity Savings funds can further enhance risk-adjusted participation across cycles.

Systematic investment flows remain a powerful force, enabling investors to navigate volatility through disciplined cost averaging. As India approaches year-end with continued resilience—backed by pragmatic policy direction, strong domestic flows, and deepening investor participation—the country's long-term growth narrative remains firmly intact. For long-horizon investors, this is not a time to shy away from uncertainty, but to stay systematic, balanced, and confidently invested in India's ongoing growth journey.

As we draw towards the end of 2025, I would like to take this opportunity to wish everyone a Merry Christmas and a prosperous New Year 2026. As always, we at SBI Wealth remain committed to deliver our best for our customers.

Vattipalli Sivakumar

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