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DIGITIAN CAPITAL

Future focus

DIGITIAN VIEW

GENERATIVE AI

A monthly Investment outlook

FUTURE FOCUS

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The Markets in 2024 : How to navigate

DIGITIAN VIEW!

In the first half of the year 2025, the markets will be range bound. S&P500 is already at all time high and NASDAQ dropped from its all time highest peak. It is mainly due to the Tariff policy of the Donald Trump's new Government and many other fiscal actions Trump plans to initiate. The market discounts these plans as inflationary in nature.

We project a cut of only 75 basis points during 2025- making the fed rate to *4%-4.25% - due to the inflationary policy of President Trump*, Fed may hold the benchmark rate for 6 months and after reviewing the inflation situation it may cut Fed rate in the second half. The interest rate environment - all over the globe will also remain high for the time.

The **World GDP growth rate** is expected to be **3.4%** (2024: 3.2%). It is also expected that global inflation would also fall to **4.5%** (2024: 5.8%).

USA

It is expected that till July the policies of President Trump will create more upheaval in the economy in terms of inflation and unemployment. Market needs clear direction and the same may not be available during the first six months and will gradually stabilize.

Overvaluation of the market

In a BofA survey it came out that nearly **90% of the** market **Fund managers** believe that the market is **overvalued.** **Market Capitalization is at 2.1 times GDP which shows the overheat in the ma**

The current price/earning ratio of S&P 500 is at **27.87x** and it is improving further. This is more than the 3 Deviation higher than its historical mean. However, the **S&P 500 Earnings Yield Forward Estimate** is at **4.75%** (Previous Year it was 4.06%).

due to the fact that China would yield a

MARKET WATCH

Equity Indices	Monthly Close	Monthly Change %	2024%	2023%
S & P	5955	1.2%	24.0%	23.5%
Nasdaq	19627	1.6%	30.8%	41.1%
FTSE 100	8675	6.1%	9.1%	0.5%
Shanghai Compsite	3321	-0.9%	13.4%	-4.3%
NIFTY	23508	-1.1%	10.1%	18.9%
Nairobi SE 20	2163	7.6%	33.3%	-10.0%
Egypt SE 30	30010.6	0.9%	16.8%	73.9%
Tanzania All Shares	2219	3.7%	2.3%	11.2%
Nigeria SE 30	3874	1.6%	34.3%	54.1%
Morrocco All Shares	16248	10.0%	21.7%	12.1%
Bangladesh DSE 30	1904	-1.9%	-7.3%	-4.7%

Commodity	Monthly Close	Monthly Change %	2024%	2023%
Gold	2845	7.8%	27.4%	13.2%
Crude Oil	76.76	3.1%	-4.8%	-12.4%
WTI Oil	72.73	1.4%	5.9%	-12.3%
Copper	4.31	7.1%	4.0%	1.0%
Irone Ore	101.6	-1.9%	-24.0%	22.6%
Aluminium	2595	1.5%	10.5%	-2.8%

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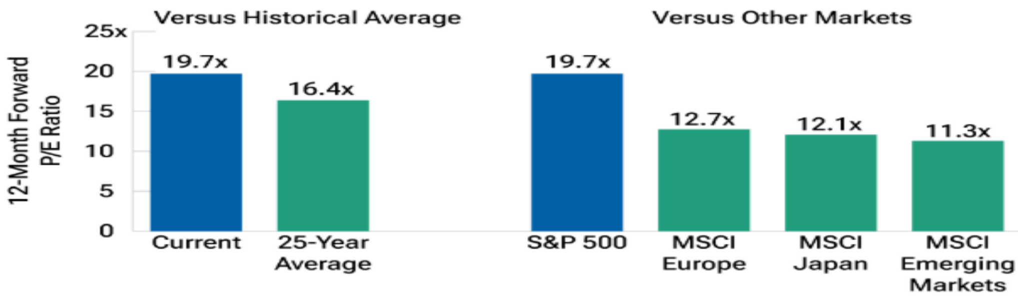

Due to AI related revenue growth the forward PE of S&P500 is an important measure to understand the overvaluation**.** **12 month S&P FWPE is 19.7x** which is **higher than average forward P/E of 16.4x.**

It can be seen that S&P500 Forward PE **19.7x** is much **higher than the Other Global markets(between 12.7x to 11.3x).**

However, the overvaluation is not across sectors or market capitalisation. It is more seen in the Growth stocks across cap. Due to AI growth effect Large stocks in the core and growth styles are overvalued.

		Value	Core	Growth
	US Mkt 1.04	0.92	1.03	1.24
Large	1.06	0.95	1.04	1.28
Mid	0.98	0.86	0.99	1.15
Small	0.86	0.73	0.92	1.08

Thus it can be seen that **value stocks are** well below their fair value especially **Small and Mid caps. Basic Material, Healthcare , Real estate, and Utilities are in undervaluation zone.**
Consumer cyclicals, Communication Services, Financial Services and technology are overvalued. Thus, we expect that in the first 9 months there will be correction in the valuation. By **last quarter of 2025, S&P500 indices will grow by a single digit.**

Indian Market : As per estimation India market will also see volatility but may clock less than 5 % GDP. Please read my article whether Indian Stock Market may face bear market. **(Click Link).** Read Debashish's Column on as well.

China Market : China is coming back **slowly but steadily with Low inflation** and modest GDP growth even if USA is making noise over **tariff.** This is not going to hurt China much as they have already created a world market that relies upon them. They controlled their capital market so tightly that most of the sbluechip hares are undervalued. **We expect a good double digit growth.**

Africa Market :

Given the continuing high double digit inflation in **Egypt and Nigeria** - local currency depreciation will be there. These economies will see la single/low double digit growth. Interestingly, East Africa Market - Tanzania and Kenya are doing well in GDP growth and inflation - which will see a double digit growth in these stock markets.

Commodity

Gold - may see a **double digit growth** due to continuous inflation worry.

Iron Ore price may decline to $90/tn in 2025 due to over supply in the market;

Aluminum price may grow in 2025 consequently by double digit growth;

Crude/ WTI price will see a single digit growth in demand and pricing

Copper - price may see a **single digit growth due to supply constraint.**

Happy Investing

COUNTRY DATA

Countries	GDP (USD Bn)	Market Cap (USD Bn)	GDP Growth 2024p %	Inflation 2024p %
USA	29297	62204	1.8%	3.00%
China	18530	11513	4.6%	1.66%
India	3940	5140	6.5%	4.8%
Egypt	361	44	4.0%	21.19%
Kenya	1094	15.9	5.2%	5.5%
Tanzania	89.04	7	6.0%	3.1%
Morocco	151	64	3.6%	2.30%
Nigeria	390	36	4.25%	19.0%
Bangladesh	355	114	4.1%	9.90%

Forex	Monthly Close	Monthly Change %	2024%	2023%
EUR USD	1.036	-0.05%	-4.9%	2.0%
GBP USD	1.239	-1.04%	-0.9%	4.9%
USD INR	86.53	-0.86%	-3.0%	-0.7%
USD KES	129.00	0.08%	17.9%	-21.6%
USD EG POUND	50.18	1.32%	-64.4%	-19.9%
USD TZS	2530.00	-3.36%	2.8%	-7.5%
USD NAIRA	1480.00	3.99%	-73.7%	-49.5%
USD TAKA	121.90	-2.03%	-8.6%	-6.1%

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Debashish

Saugata

Recommendation by	Name of the Company	Date of Purchase	Entry Price	Actual Gain Published in Dec 2023	Actual Gain Published in July 2024	Actual Gain Published in Dec 2024
Debashish	NGL Fine Chem	13-Mar-20	302	631%	730%	581%
Debashish	Tata Elxsi	27-Apr-20	790	1024%	831%	841%
Debashish	RACL Geartech	4-Aug-20	65	1817%	1805%	1298%
Debashish	Arman Financial	8-Feb-17	243	952%	840%	475%
Saugata	Shivalik Bimetal	5-Feb-21	69	770%	901%	809%
Saugata	Newgen Software	7-Apr-20	116	1279%	898%	1374%
Saugata	Indian Bank	11-Jan-21	87	422%	586%	595%
Saugata	Glenmark Pharma	31-Jan-23	371	Not in Top 4	Not in Top 4	347%

Trident sold (Saugata)

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VALUE INVESTING

Debashish Neogi

"A 100x Multi bagger will be generally in the small cap, sector agnostic, multiplies in a short time span but may be over 10 years, - a right to win is a must but you require a megatrend as tail wind"

Indian Stock Market in 2025: A Comprehensive Analysis

The Indian stock market has experienced a significant correction over the past **four to five months**, with benchmark indices such as the Nifty 50 and BSE Sensex declining by **12–13%** from their all-time highs in September **2024.** This downturn has been marked by widespread selling pressure across **large-, mid-, and small-cap stocks,** driven by a confluence of domestic and global factors. Key contributors include relentless **foreign institutional investor (FII)** outflows, **subdued corporate earnings growth**, **escalating global trade tensions under U.S. President Donald Trump**, and **heightened valuations in mid- and small-cap segments**. This report examines the structural and cyclical drivers of the decline, contextualizing their interplay and implications for India's macroeconomic stability.

Foreign Institutional Investor (FII) Exodus and Capital Flight

- ***Persistent Selling by Foreign Investors :***

Foreign institutional investors have been net sellers of Indian equities since October 2024, **offloading ₹2.94 trillion** worth of shares by February 2025. This selling spree, the longest in over a decade, has been driven by India's elevated valuations relative to other emerging markets, particularly China, which announced stimulus measures to revive its economy. The MSCI China Index's out-performance since late 2024 further incentivized FIIs to reallocate capital away from India

- ***Impact of the Strong U.S. Dollar and Bond Yields***

The U.S. dollar index (DXY) strengthened to 108.98 in January 2025, buoyed by expectations of prolonged high interest rates from the Federal Reserve. Concurrently, the 10-year U.S. Treasury yield rose to 4.495%, making dollar-denominated assets more attractive compared to riskier emerging market equities. This "risk-off" shift exacerbated capital outflows from India.

Earnings Slowdown and Valuation Concerns

Corporate Earnings Downgrades
India's corporate earnings growth slumped to 5–7% year-on-year (YoY) in Q3 FY25, down from a 20% compound annual growth rate (CAGR) between FY20 and FY24. Key sectors such as banking, metals, and automobiles reported significant earnings misses, with 137 Nifty companies witnessing downgrades exceeding 3% in Q3. This slowdown rendered India's premium valuations—24x FY25 earnings—unsustainable, triggering a market-wide correction.

Mid- and Small-Cap Overvaluation
Mid- and small-cap indices faced sharper corrections, with the Nifty Midcap 100 and Smallcap 100 declining by 20% and 21%, respectively, from their December 2024 peaks. Retail investor exuberance, fueled by systematic investment plans (SIPs) and speculative trading, had driven these segments to unsustainable price-to-earnings (P/E) ratios of 35–40x. The subsequent sell-off reflected a reversion to mean valuations, particularly in sectors like real estate and consumer discretionary.

Global Trade Tensions and U.S. Policy Shifts

- ***Trump's Tariff Policies and Reciprocal Trade Measures***

The Trump administration's imposition of a 25% tariff on steel and aluminum imports in February 2025 reignited fears of a global trade war. This protectionist stance, coupled with threats of reciprocal tariffs on countries like India, heightened uncertainty for export-oriented sectors such as **IT and pharmaceuticals**. Analysts noted that ***India's tariffs on U.S. goods, among the highest in Asia***, made it vulnerable to retaliatory measures, further deterring foreign investment.

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- **Strengthening U.S. Protectionism and its Ripple Effects**

President Trump's **"America First"** policies, including tax cuts and restrictions on immigration, bolstered the U.S. economy but diverted capital flows from emerging markets. The resultant dollar strength and inflationary pressures from tariffs complicated the Reserve Bank of India's (RBI) monetary policy, forcing it to maintain higher interest rates despite slowing GDP growth.

Domestic Macroeconomic Challenges:

- **Slowing GDP Growth and Inflationary Pressures**

India's GDP growth decelerated to **5.4% in Q2 FY25,** a seven-quarter low, amid weakening consumer demand and stagnant rural recovery. High-frequency indicators such as **GST collections (-2.97% MoM in December 2024**) and rail freight volumes signaled a broader economic slowdown. Concurrently, **food inflation** remained stubbornly high at **6.8%**, limiting the RBI's ability to stimulate growth through rate cuts.

- **Fiscal Constraints and Government Spending**

The central government's fiscal deficit reached **6.2% of GDP** in FY25, constraining public expenditure on infrastructure and welfare programs. A shift from capital expenditure to consumption-driven stimulus in the 2025 Union Budget further dampened investor sentiment toward industrials and capital goods sectors.

Geopolitical and Systemic Risks

- **China's Economic Recovery and Commodity Price Volatility**

China's stimulus-driven rebound in early 2025 increased demand for commodities, pushing crude oil prices to $95/barreland raising input costs for Indian manufacturers. Sectors like **fertilizers, chemicals, and plastics** faced margin compression, exacerbating earnings downgrades.

- **Retail Investor Fragility and Leverage Unwind**

Retail participation, which surged to 11 crore demat accounts in 2024, began to wane as novice investors faced steep losses in mid- and small-cap stocks. Margin calls and leveraged positions magnified the sell-off, with the India VIX volatility index spiking to 28, its highest since 2020.

Conclusion and Outlook

The Indian stock market's correction reflects a necessary recalibration after years of out-performance driven by liquidity and optimism. While structural strengths such as demographic dividends and digital infrastructure remain intact, near-term headwinds ***will likely prolong consolidation***. A recovery hinges on three factors:

1. **Earnings Revival:** A pickup in government capex and rural demand in H2 FY25 could revive corporate profitability, particularly in cyclicals like banking and industrials.

2. **Global Policy Clarity:** Resolution of U.S.-China trade tensions and a dovish pivot by the Fed would stabilize foreign flows.

3. Valuation Rationalization: Large caps, trading at a 15% discount to mid-caps, offer relative safety, while selective mid- and small-caps may rebound post Q1 earnings.

Investors are advised **to adopt a barbell strategy**—overweighting defensives like **IT and healthcare** while selectively accumulating **quality cyclicals on dips.** The RBI's anticipated 50 bps rate cut in Q1 FY25, coupled with monsoon resilience, could provide tailwinds for a second-half recovery.

Nevertheless, volatility will persist as markets digest global trade realignments and domestic political developments.

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