SAMVAAD
Monthly Newsletter
January 2026

2025 : THE YEAR THAT TAUGHT US
2026 : THE ROAD AHEAD

2025: THE YEAR THAT TAUGHT US

- The year 2025 commenced with a sense of optimism amongst the investors. Following five years of an unrelenting post-COVID rally, investors anticipated that the bull market had further room to run. Microcaps emerged as crowd favourites, leverage became the strategy of choice, and confidence soared. However, markets, as they often do, charted a different course. 2025 proved to be a year of lessons rather than windfalls. Large-cap stocks quietly outperformed, while small and microcaps bore the brunt of valuation excesses. More than half of NSE500 companies ended the year in negative territory—a stark reminder that fundamentals ultimately prevail.
- Beyond equities, the debt market unfolded its own narrative of paradox and persistence. Despite aggressive rate cuts by central banks worldwide, long-term yields defied expectations, rising instead of falling. The traditional playbook of monetary easing appeared to lose its effectiveness, overshadowed by fiscal dominance and inflationary concerns. In India, short-term rates softened—1-year CD rates declined by nearly 100 bps—yet the 10-year benchmark remained largely unchanged, closing around 6.6%. State government securities widened spreads against sovereign bonds, while globally, 30-year yields surged to multi-decade highs. Meanwhile, the dollar index recorded its steepest decline in two decades, prompting investors to flock to safe-haven assets. Precious metals shone brightly: silver surged 147%, gold advanced 65%, and platinum doubled, underscoring that every asset class enjoys its moment in the spotlight.
- Amid this global turbulence, India achieved a significant milestone—surpassing Japan to become the world's fourth-largest economy, driven by resilient domestic demand and structural reforms. Fiscal measures spurred consumption through tax cuts, while the RBI infused liquidity and reduced rates by 125 bps. Yet, the year concluded with a tone of recalibration rather than euphoria.

2026: THE ROAD AHEAD

- If 2025 was about learning, 2026 might be about positioning. With India would be standing tall as a structural growth story, the outlook seems cautiously optimistic. Growth-supportive policies could remain in place, GST collections and IIP data signal resilience, and equity valuations might be/get corrected to more attractive levels. FPIs the swing factor could turn favourable, especially if trade negotiations with the U.S. conclude and global capital seeks refuge from AI-driven valuation excesses elsewhere. In debt, we expect a gradual rise in 10-year yields before attractive entry points emerge, while spreads between state and sovereign bonds may narrow. Precious metals, after a parabolic rise, may cool, and the rupee could stage a relative comeback.

For investors, discipline may be the differentiator:

Near-term: in our view, Large-cap equity, hybrid, or multi-asset funds.

Long-term: In our view, stay invested; fresh allocations to mid & small caps for patient investors.

Debt: Accrual strategies may remain attractive.

In our view, 2026 could promise opportunity but only for those who balance optimism with prudence.

Source: Internal Research

EQUITY MARKET OUTLOOK

Moment of the Month:

- **India Enters Top 4:** India has officially overtaken Japan to become the world's **4th-largest economy**, with a nominal GDP of approximately **US$4.18trillion**, according to end of year estimates and the Indian government's economic review. This ascent highlights India's rapid growth driven by strong domestic demand, ongoing reforms, and consistent real GDP expansion positioning it behind only the US, China, and Germany. Indian Economy is Rock solid and grew at 8.2% real GDP growth in Q2FY26.
- **Long bond yields rise despite substantial cuts in policy rates:** Globally, quite a few Central banks have slashed rates aggressively to spur growth, but long-term bond yields actually increased. This disconnect can be attributed mainly to concern over future inflation expectations, high fiscal deficits across countries (higher supply of bonds). The table highlights the difference rate cut cycles

	Date	Repo rate	10yr Bond yield
USGG10yr	18-09-2024	cut from 5.5% to 5%	3.70%
USGG10yr	31-12-2025	3.75%	4.10%
USGG10yr		-1.75%	0.40%
German 10yr	07-06-2024	cut from 4.5% to 4.25%	2.61%
German 10yr	31-12-2025	2.15%	2.86%
German 10yr		-2.35%	0.25%
UK 10yr	01-08-2024	cut from 5.25% to 5%	3.82%
UK 10yr	31-12-2025	3.75%	4.49%
UK 10yr		-1.50%	0.67%

- **Global geopolitics makes gold/silver an investor favourite:** India's household favourite gold shines nearly up 70% YTD and Silver nearly triples. Global geopolitics and Russia USD embargo has led to global central banks and investors rush to gold standard to protect their reserves. A trend that had started two years back reached astronomical levels this year and it's difficult to ascertain till when the rush could continue.

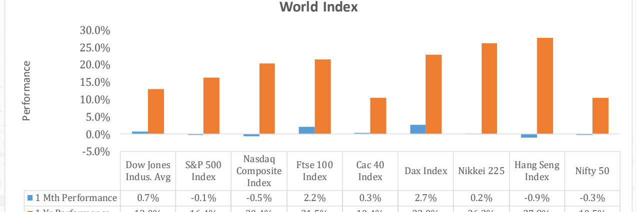
Source: Bloomberg

WHO MOVED MARKETS

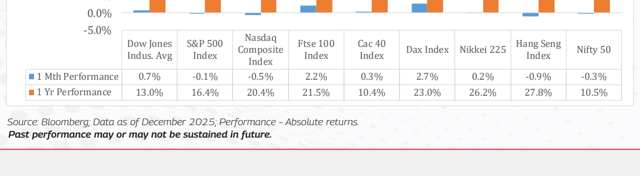
FPIs sold $2.6bn for the month of December and continue to participate in primary market through IPOs. As India's economic data and earnings outlook improves we need to see if the FPIs turn favourable towards Indian equities post a reasonable time correction of 14 months.

Source: Bloomberg

MOVERS AND SHAKERS



Source: Bloomberg; Data as of December 2025; Performance - Absolute returns.
Past performance may or may not be sustained in future.



Source: Bloomberg; Data as of December 2025; Performance - Absolute returns.
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PERFORMANCE SNAPSHOT OF SECTORAL INDICES - MoM

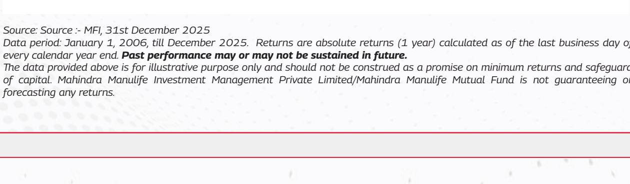
Indices	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Nifty 50	-2.0	-0.6	5.9	6.3	3.5	1.7	3.1	-2.9	-1.4	0.8	4.5	1.9	-0.3
Nifty Midcap 100	1.4	-6.1	-10.8	7.8	4.7	6.1	4.0	-3.9	-2.9	1.4	5.8	2.0	-0.9
Nifty Small Cap 100	0.6	-9.9	-13.1	9.5	2.2	8.7	6.7	-5.8	-4.1	1.9	4.7	-3.0	-0.6

Note - Green highlighted cells represent highest returns amongst the 3 indices provided above; Orange highlighted cells represent lowest returns amongst the 3 indices for the respective month end periods. Performance - Absolute returns. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns ***Past performance may or may not be sustained in future.***
Source: Bloomberg Data as of December 2025
Data during the period of December 2024 to December 2025.

Indices	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Nifty Auto	-2.3	0.1	-10.4	3.9	4.8	4.6	2.3	-0.9	5.5	6.3	1.0	3.6	1.5
Nifty Bank	-2.3	-2.5	-2.5	6.7	6.8	1.2	2.8	-2.4	-4.1	1.8	5.7	3.4	-0.3
Nifty Financial Services	-2.1	-1.2	-0.8	8.9	4.1	1.5	2.5	-1.9	-4.1	1.8	4.3	2.8	-1.0
Nifty FMCG	-2.0	-0.2	-10.6	5.7	5.3	-2.1	-0.7	1.7	0.6	-2.5	2.7	-1.1	-0.2
Nifty IT	0.4	-1.6	-12.5	-1.2	-3.0	4.3	4.4	-9.4	-0.3	-4.3	6.1	4.7	1.3
Nifty Metal	-4.3	-2.9	-2.1	10.6	-5.6	7.1	3.7	-2.6	-1.4	9.6	5.7	-3.0	8.5
Nifty Realty	3.2	-12.4	-13.4	6.7	4.1	7.2	3.9	-7.5	-4.6	-0.4	9.2	-4.7	-2.8
Nifty Pharma	5.3	-8.4	-7.6	6.7	3.0	-1.5	2.8	3.3	-4.2	-1.6	3.4	3.7	-1.2
Nifty Energy	-6.1	-3.7	-11.4	11.8	2.0	4.8	1.9	-4.0	-4.2	4.0	3.6	-2.0	-0.6

Note - Cells highlighted in green colour represents top 2 performers and the orange highlighted cells represent bottom 2 performers amongst the indices covered above for the respective months.
Source: Bloomberg.
Returns have been calculated on Absolute basis for respective month end periods beginning December 2024 until December 2025. The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns. ***Past performance may or may not be sustained in future.***
Data during the period of December 2024 to December 2025.

MARKET CAPITALIZATION- PERFORMANCE SNAPSHOT



Source: Source :- MFI, 31st December 2025
Data period: January 1, 2006, till December 2025. Returns are absolute returns (1 year) calculated as of the last business day of every calendar year end. ***Past performance may or may not be sustained in future.***
The data provided above is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Mahindra Manulife Investment Management Private Limited/Mahindra Manulife Mutual Fund is not guaranteeing or forecasting any returns.

FIXED INCOME OUTLOOK

BOND AND MONEY MARKET

Parameters	31-Dec-25	30-Nov-25	31-Dec-24
RBI Repo Rate %	5.25	5.50	6.50
5Y AAA PSU %	7.03	6.84	7.48
1 year CD %	6.71	6.53	7.63
10Y Gsec %	6.59	6.51	6.76
CPI (%)	0.71	0.25	5.22
IIP (Year-on-year) %	6.70	4.00	3.70
US 10Y %	4.17	4.01	4.57
Dollar Rupee	89.88	89.46	85.61

Source: Bloomberg; Data as on December 31, 2025

THE FIXED INCOME GLANCE

Argentum is a Latin phrase for "White "or "Shining ". The shortened version of Argentum, AG, finds its way in the periodic table of elements at Atomic Number of 47, what is popularly known as Silver. And if there was one commodity that kept" shining "through the year it was Silver. With a price rise of around 150% through the year, it truly shone throughout the year.

But first we discuss the world of fixed income, where some interesting threads emerged globally:

a) Monetary policy losing sheen?

Well, we do not have a perfect answer! But what we do observe that despite Central bankers cutting rates, the benchmark 10-year rates of those countries either stayed flat or increased. US, UK, Australia, India all these countries had their central bankers cutting rates, yet the benchmark 10 year did not reflect these rate cuts. In fact, as the year ended most of these rates ended at their highs. A large reason attributed to the inefficacy of the monetary policy tools to a possible fiscal dominance or persistent fiscal deficit in the markets.

b) The rise of the extreme long end of the yield curve

A common recurring theme was the rise in term premiums of the yield curve, ie the 30-year rates of many geographies were almost at a two-decade high. Japan, U.S, UK, Germany saw a large rise in their 30 year sovereign gilt rates.

Such continued large rise in 30-year rates is rather uncommon.

c) The drop in the dollar index

The dollar index (DXY) lost around 9.40% last calendar year, the second highest calendar year decreases in the last two decades. It sparked an entire conversation of the dollar losing its hegemony and its subsequent debasement as a reserve currency. The movement of dollar index in the next year will be an interesting look out

d) Metals ..precious et al

It was the year of precious metals. While the news was all about the rise in Silver, all other hard commodities too rose through the year

Metal (Usd)	31/12/2024	31/12/2025	% change
Silver	28.90	71.66	+147%
Gold	2624	4319	+65%
Platinum	894	1893	+127%
Copper	402.65	562	+41%
Aluminium	2536	2978	+17.44%

e) India Fixed Income

While the India bond markets too had repo rate cuts, the bulk of the transmission happened in the shorter end of the yield curve with 1 year CD rates falling about 100 basis points(bps) and also aided by large surplus liquidity. The benchmark 10 year fell by around 15 basis points(bps) to close around 6.60 %. However, what stood as an outlier were the state government securities (sgs) as yields rose by around 30 bps through the year, which lead to a spread widening compared to the 10-year sovereign.

Source: RBI

WHAT NEXT?

ECONOMY CHECK

INDIA ECONOMY

- GST collections for December stood at ₹1.75 trillion, a 6.1% YoY increase due to sweeping tax cuts. Net GST collections came at ₹1.45 trillion a 2% YoY increase.
- IIP growth in November surged to 6.7% versus October of 0.5% growth. Manufacturing sector grew at 8%, Mining grew 5.4% while Electricity contracted by 1.5%. On a use basis capital goods surged 10.4%, infrastructure/construction goods 12.1%, consumer durables 10.3%, and non-durables 7.3%.
- India's CPI inflation was 0.71% year-on-year for November 2025, up from a historic low in October.
- India-US tariff negotiations continue with expectations for early closure.
- Indian rupee made a new low at 90.83 against USD but ended flat for the month.
- Fiscal deficit for Apr-Nov FY26 reached ₹9.76 trillion, ~62.3% of the full-year target versus 52.5% last year. The widening is due to higher capex and lower-than-expected tax collections. Non-tax revenues remained strong, led by RBI dividend and telecom spectrum receipts.

Source: Internal Research

MARKETS

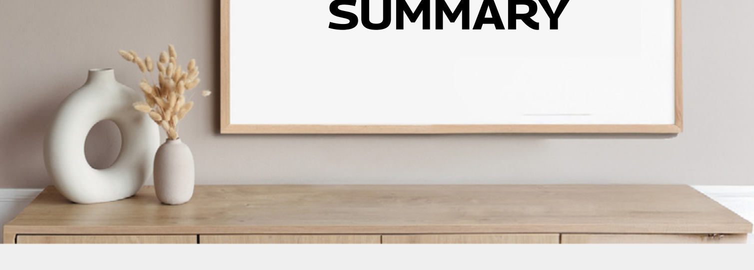
- Nifty remains in a range in the month with wider markets seeing a slightly sharper correction. Nifty ends CY25 with 10.5% return, Sensex rises 9.1%, Midcap index up 5.7% while small cap index declined 5.6%.
- Global markets too were volatile and saw a substantial change in leadership. US indices while ended the year with positive returns, turned underperformers vis a vis other developed markets as well as many emerging markets. In a way, this is quite similar to Indian markets. A sharp contrast to previous 2-3 years.
- Among the Nifty sectoral indices there was a wide divergence in performance for the year. Nifty Metals, Auto and Financials rallied and outperformed Nifty while NSE Realty, IT and FMCG declined.
- Domestic Flows: For the month of November 2025 active equity funds flows was strong at ₹29,900 up from ₹24,700 Crore. Gross SIP flows in November 2025 were steady at ₹29,400 Crores. Mid & Small-Cap inflows were steady at ₹4500Crs each for CY25

Source: Bloomberg Data as of December 2025

OUTLOOK

- From economics and policy environment, Indian government and RBI both are on growth supportive path and that helps. Sectorally, any sector that gets incremental attention from policy makers could be the winner as for many of the sector & companies favourable policy (PLI, anti-dumping or safeguard duties, capital subsidies etc) can drive narratives and earnings.
- From equity market environment (demand supply dynamics), Indian retail investors are a core buyer of equities as economy keeps generating nominal savings assets that has to be channelled into domestic asset classes (except Gold where investors do get international exposure). Indian corporates looking from growth capital have emerged as a core supplier of equities along with the promoters (local & foreign) who seek to monetise their asset values. So, with core participant on supply and demand in place, the swing participant, FPIs action is the key monitorable. If they sell, we have two seller and one buyer while if they buy Indian equities gain, we will have two buyers and one seller. Market direction typically goes with majority.
- Overall, Indian markets might look a better investment opportunity post time and price correction in absolute terms as well as a sharp relative correction vis a vis the global equity markets more, so the Emerging market peers like China, South Korea, Taiwan etc. Global capital that tracks and trades relative valuations is likely to find India attractive. Perhaps a resolution of trade tariff agreement with USA could be the catalyst or valuation excesses of AI related stocks in other markets could be the catalyst.
- Investors with near-term objectives or low risk appetite may opt to prefer large cap oriented pure equity schemes, Equity Hybrid Funds or multi-asset allocation funds. Investors with a longer-term horizon could continue to remain invested with fresh equity allocation towards mid & small caps.

Source: Internal Research



SUMMARIZING OUR THOUGHTS

Crystal grazing is a difficult act; yet we attempt one:

a) We remain on a close lookout for the US ten-year gilt and the risk on trade in US. A very critical element remains a normal US economy (AI led infrastructure growth) and the US risk markets, should that morph into a drop in the risk markets, there remains a potential for US rates to drop and subsequent drop in India rates

b) Assuming a normal year, we expect 10-year rates to move up gradually before it becomes a good entry point

c) We also expect spreads between SGS and sovereigns to narrow and a gradual flattening of the term structure between the 10 year and 30-year bonds

d) Precious metals have moved up sharply, almost a parabolic rise. We expect a lower return from this asset class

e) The Rupee has had a terrible year. While it seems, the RBI may defend the currency, we think the Rupee might outperform other currencies vis a vis the USD.

f) Investors may invest in accrual strategies in debt schemes.

Source: Internal Research

LEARNINGS IN 2025

- An old saying "Markets at times make us earn and at times makes us learn" is quite apt to describe CY2025. Coming on back of nearly 5 years of rally post covid, the general market expectations were quite high at beginning of the year on a sustained bull run. This was more demonstrated by stock selection being towards micro caps, small caps and mid-caps at cost of large caps and high use of leverage (derivatives as well as margin financing). The year end reflections somehow suggest CY2025 as the year to Learn rather than earn. Large caps ended us as best performing market cap category followed by mid-caps while small caps and micro caps delivered negative returns.
- Yes, CY2025 was definitely marked by elevated uncertainties led more by geo-political issues. Headline wise, Indian markets ended the year on a resilient note, but pain was felt across the market breath with nearly 55% of NSE500 companies posting declines, a sharp contrast to previous 2 years.
- The year saw a significant policy pivot on both fiscal & monetary front. Fiscally, towards domestic consumption with increase in affordability vis income tax cuts creating higher surplus with people as well as product price reduction vis GST cuts. Monetary policy wise, supportive RBI & benign inflation led to a 125-bps cut in policy rates as well as liquidity infusion to spur economic activity by reducing cost and increasing availability of capital.
- On investment front, markets remained volatile throughout the year with short cycles of sector rotations mainly caused by excessive investor leverage in a news flow driven swings. Markets bottomed in early April on the news of tariff imposition by US President and staged a rally on news of a pause on tariff on 9th April, to record a sharp rebound.
- For global investors, narrative on India ranged from high valuations (FPI selling as well as listing of MNC subsidiaries to take advantage of rich valuations) to impact of AI on Indian economy in terms of employment generation to lack of any significant advantage in global supply chain.
- We reflect on some of the learnings in 2025

ECONOMICS MATTERS

- "Supply rises to meet Demand", the basic law of economics was observed in full of CY2025. The primary fund raises by Indian corporates (IPO's & QIP) & secondary stake sell by Promoters (including Private Equity / Venture Capital firms) more than off-set the domestic investor's demand for equities. The year saw huge supply effectively adding 100+ companies to list of investible names. The Indian market is being segregated by market capitalization, with top 100 companies being Large Cap, next 150 companies being midcap and rest all companies as small cap. This ensures that every IPO adds to list of small cap companies either as fresh listing as small cap or displacing an existing large cap &/or mid cap to small cap. Plenty of new options to choose from in small caps meant a higher supply in small caps and underperformance especially with high valuations that prevailed at beginning of the year.

GEO-POLITICS MATTERS.

- The news flows for the year were dominated by tariff related action by USA. From Tariff imposition to temporary relaxation to deal with individual countries to retracting tariffs on selective products, markets witnessed it all and reacted too. While the early reaction to tariff imposition on April 2nd was that China stands to lose in global trade, China's actions on rare-earth exports demonstrated their control over global supply chain and led to series of concessions by USA. China has perhaps emerged as the least tariffed country. For India too, the base tariff of 25% (as part of USA's trade rebalancing agenda) was topped by another 25% linked to India's import of crude oil from Russia. China however was spared from a similar tariff despite being a bigger importer of energy from Russia. The tariff saga has exposed/revealed India's limited integration in global manufacturing supply chains and caused a quicker policy response to attract FDI by Labour law reforms.

ASSET ALLOCATION MATTERS

- The year witnessed a phenomenal rally in precious metals led by Silver and Gold. The last 4-5 years of gains in equities had made precious metals as an ignored asset class by investors across the world. While markets have their own methods of identifying the reasons on a post-facto basis, the reality is that every asset class gets their own MoJo. At times, led by valuations, at times by geo-politics and at times by demand surge. A disciplined approach to asset allocation (including re-balancing on set norms) does help diversify asset class as well as add more during times of underperformance to benefit eventually when the outperformance starts. Globally the equities markets too had a sharp change of leadership in both developed markets & emerging markets. After a stellar 2023 & 2024 for USA & India, pecking order changed. In developed markets, USA markets turned a stark underperformer to Japan, Germany, France etc while in Emerging markets India gave way to China, Taiwan, South Korea, Brazil etc.

VALUATION MATTERS

- The sharp rally in CY2023 & 2024 led to super-normal returns for Mid Cap and Small Cap segments. NIFTY Small cap 250 Index was up nearly 100% returns in 2 years - Dec 22 to Dec 24 while Nifty Midcap 150 Index was up over the same period. Substantial returns in shorter timeframe usually means valuations running ahead of fundamentals. A re-set usually follows when any asset class is over-loved, over-owned and hence over-valued. The same happened in CY2025.

LONG TERM RETURNS CONVERGE WITH ECONOMY

- Growth in nominal economy matters for corporate earnings and gets reflected in market returns. The inter-linkage of corporate world creates its own cycles of profit pool participation (one corporate's expense creates another's profits) whether across sectors or across market caps.

EXTERNAL CAPITAL FLOW MATTERS

- In any economy, the domestic pool of investible money has its own share of claimants (asset class as well as asset providers). Thus, while money may shift from one pocket to another, it may not create wealth in aggregate when only the domestic investors participate. For the overall size of the market cap pool to grow, markets need external investors. CY25 saw another year of FPI outflows that were partly aided by foreign promoters too selling their shares. This led to not much of overall growth in markets. Optically, India's market cap did go up but that was more on account of new 100+ IPOs that got listed and added to market cap.