

MARKET OUTLOOK

January 2026

MONTH GONE BY: VIEW ON ECONOMY & MARKETS

Indian equity markets remained indecisive through Dec'25, with sharp divergence noted in sector-wise performance. Supportive domestic factors like domestic demand and earnings resilience, including easing RBI policy and steady inflows, helped consolidate market gains. However, global uncertainties, FPI selling, and weakness in Rupee limited upward movement.

In Dec'25, the Nifty 50 index experienced a decline of 0.28%, the Nifty Midcap 150 index saw a reduction of 0.53%, and the Nifty Smallcap 250 index was down by 0.29%. At one end, the BSE Metals index outperformed in Dec'25, achieving a gain of 7.9% due to government tariff support and improved global steel prices. Additionally, the BSE Telecommunication and BSE Oil & Gas sectors were among the top gainers, with MoM returns of 1.9% and 1.8%, respectively. In contrast, the top laggards were the BSE Capital Goods, BSE Consumer Durables, and BSE Realty, each registering a decline of 3.0%.



ANAND SHAH
CIO – PMS & AIF

BSE Indices	1M	3M	6M	1Y
Metal	7.9%	10.7%	16.1%	27.4%
Telecommunication	1.9%	11.8%	-1.0%	9.6%
Oil & Gas	1.8%	6.7%	3.0%	10.1%
Energy	1.8%	7.2%	2.4%	11.7%
Auto	1.3%	5.6%	16.9%	21.1%
IT	1.2%	10.7%	-3.6%	-14.9%
Bankex	-0.3%	8.5%	4.0%	15.6%
FMCG	-0.3%	1.2%	0.5%	-2.1%
Power Index	-1.7%	-3.2%	-6.3%	-6.6%
Healthcare	-2.4%	1.7%	-1.0%	-3.3%
Realty	-3.0%	1.0%	-10.9%	-17.3%
Consumer Durables	-3.0%	4.0%	0.4%	-6.9%
Capital Goods	-3.0%	-1.7%	-7.2%	-1.0%
BSE 500	-0.2%	4.8%	1.1%	6.4%

BSE index data – www.bseindia.com as on December 31, 2025 | FMCG – Fast Moving Capital Goods

Foreign Portfolio Investors (FPI) remained net sellers in Dec'25, with a total outflow of USD 1.7 bn for the month, continuing a trend observed in most part of the year. This outflow was primarily driven by global lending rate uncertainty and depreciation of the Indian Rupee against the USD. In contrast, DII's provided a crucial support with inflows of USD 8 bn.

Despite the consolidation in the secondary market, IPO activity remained robust in Dec'25 recording INR 218.5 bn of issuances, reflecting sustained investor interest in primary market offerings.

DII – Domestic Institutional Investors, IPO – Initial Public Offering

Source – Motilal Oswal – India Strategy Dec'25 – Fundraising'24-25: Bigger, broader, and still accelerating, Kotak Monthly wrap.

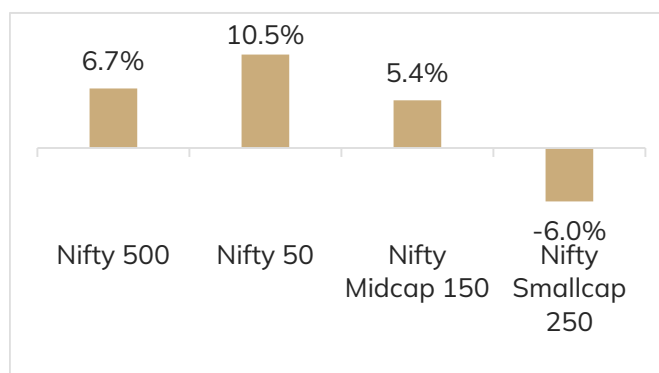
The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s). Past performance may or may not sustain in future.

On the policy front, the Reserve Bank of India (RBI) implemented a 25 basis points rate cut in Dec'25 and maintained a neutral stance, signaling confidence in targeting inflation control and commitment to growth. India's manufacturing Purchasing Managers' Index (PMI) moderated to 55.7 in Dec'25, indicating continued expansion, albeit at a slower pace compared to previous months.

Indian Equity Markets in The Year Gone By...

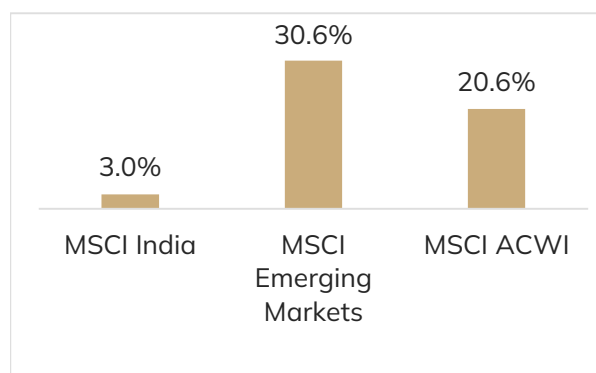
In local currency terms, the Nifty 50 index and Nifty 500 index closed CY2025 with moderate returns, up by 10.5% and 6.7% respectively. This was in line with our estimation at the start of the year ([Annual Outlook 2025](#)), of a ~10% earnings growth for India Inc., broadly in-line with nominal GDP growth. Broader market returns were dragged down by smallcaps, with the Nifty Smallcap 250 index down by 6.0% over the year (**Exhibit 1**).

Exhibit 1: India Equity Market – Led by Largecaps



Source – www.nseindia.com. Data as on 31 Dec, 2025

Exhibit 2: Global Markets



Source – MSCI indices. Data as on 31 Dec, 2025

In our **Annual Outlook 2026** ([Read here](#)), we highlighted that Indian Equity markets underperformed vis-à-vis global emerging market indices in USD terms (**Exhibit 2**) in 2025 with its worst relative performance vs. EM, since 1994. Relative valuations corrected meaningfully and may have troughed in Oct'25. However, we believe the broader macro environment for Indian equities appears stable. Corporate balance sheets are healthier, and early signs of an earnings recovery are becoming more visible across sectors. However, after an extended market cycle and a rerating across many parts of the market, much of this macro and earnings optimism is already reflected in valuations. In this context, broad-based, index-led returns are likely to be more measured going ahead.

Micro over Macro from here on...

As Indian equities transition into a more mature phase of the market cycle, the opportunity set remains attractive, but outcomes are likely to be driven by informed stock selection rather than narratives. Going forward, we believe that sector shifts, trend changes, or large themes may not be the primary drivers of portfolio decisions. Instead, a bottom-up approach focused on individual company fundamentals is expected to dominate investment strategy.

In constructing portfolios, our investment framework—**Business-Management-Valuation (BMV)**—remains the guiding principle for stock selection.

Please note that BMV framework mentioned above is developed in house and only indicative in nature. The strategies offered by the Portfolio Manager may or may not follow the above framework at all times. The framework is developed in order to select the right companies through a filtration process and endeavor the strategy to attain their investment objective. These models are based on various broad market parameters prevalent in the market and are dynamic in nature.

Source – Motilal Oswal – India Strategy Dec'25 - Fundraising'24-25: Bigger, broader, and still accelerating, Kotak Monthly wrap.

The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s). Past performance may or may not sustain in future.

Portfolio Positioning – The Outcome of our Bottom-up Selection Process

The overweight or underweight positions vs the benchmark, in the portfolio reflects the aggregate result of our stock selection framework. That said, we aim for companies positioned to compound earnings through execution, and with potential to gain market share, while avoiding names where valuation outruns visible earnings trajectory.

In practice, this often results in exposure to companies within financial services space, particularly private banks, capital market players such as asset management companies (AMCs), stock exchanges, wealth management and distribution services. Further, select consumption services names, and names in building materials, metals & mining, telecommunications and energy-related sectors become a part of our portfolios, where individual companies demonstrate disciplined execution and resilient cash flows.¹

Read our [Annual Outlook 2026 – Beyond Narratives](#), to get a detailed perspective on the year ahead.

The Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/Scheme may or may not have any future positions in these Stock(s)/Sector(s). Past performance may or may not sustain in future.

Risk Factors & Disclaimers

All data/information used in the preparation of this material is dated and may or may not be relevant any time after the issuance of this material. ICICI Prudential Asset Management Company Limited, (Investment Manager/ AMC/Portfolio Manager) takes no responsibility of updating any data/information in this material from time to time. The recipient of this material is solely responsible for any action taken based on this material. The information contained herein is meant solely for the benefit of the addressee and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of the AMC. Past performance may or may not sustain in future. Further, the information contained herein should not be construed as forecast or promise. The recipient of this material is urged to read the offer documents and is advised to consult their own legal and tax consultants/advisors before making any investment in the products offered by the AMC. Investing in securities including equities, debt and derivatives involves certain risks and considerations associated generally with making investments in securities. The value of the investments may be affected generally by factors affecting financial markets, such as price and volume, volatility in interest rates, currency exchange rates, changes in regulatory and administrative policies of the Government or any other appropriate authority (including tax laws) or other political and economic developments. Consequently, there can be no assurance that the objective of the portfolio would be achieved. The value of the portfolio may fluctuate and can go up or down. Investors could lose some or all of their investment. The Company(s)/Stock(s)/Sector(s) mentioned in this material do not constitute any recommendation of the same and the portfolios/schemes may or may not have any future positions in these Company(s)/Stock(s)/Sector(s). All recipients of this material must before dealing and or transacting in any of the products referred to in this material must make their own investigation, seek appropriate professional advice and carefully read the offer documents. Actual results may differ materially from those suggested in this note due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, inflation, etc. The investors are not being offered any guaranteed or assured returns. There is no guarantee or assurance that such deals/investments will be executed by the AMC. In the preparation of the material contained in this document, the AMC has used information that is provided by its internal research and/or have been obtained from published sources and/or prepared by other parties. The AMC does not warrant the accuracy, reasonableness and/or completeness of any information. We have included statements/opinions/recommendations in this document, which contain words, or phrases such as "MAY", "WILL", "SHOULD", "EXPECT", "ANTICIPATE", "ESTIMATE", "INTEND", "CONTINUE" OR "BELIEVE" and similar expressions or variations of such expressions, that are "forward looking statements". By their nature, all forward-looking statements involve risk and uncertainty. Any forward-looking statements contained in this document speak only as of the date on which they are made. The AMC (including its affiliates) and any of its directors, officers, employees and any other persons associated with this shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner whatsoever and shall not be liable for updating the document. In case of any inconsistency between this material and the offer documents/client agreement, the client agreement shall prevail.

¹Views are personal and subject to change at the fund manager's discretion.