MARKET MEETER

Narnolia®

Nifty & Global Markets Near All Time High - Way Forward

Narnolia Market Meeter - Dec 2025

Key MSCI Indexes

	All Time High	Recent Value
MSCI Index	4438	4398
MSCI World Index (Developed-markets global)	1445	1367
MSCI India Index	3161	3075
MSCI EAFE Index	2868	2810
SPX	6920	6849

Equity Markets across the World represented by MSCI indexes including India are currently trading at or near all-time highs.

Data As on 30th Nov, 2025

What's inside 2025?

MSCI Index	CYTD%	KEY TAKEAWAY
MSCI EM Index	27.1%	Leading Performance driven by strong tech and specific regional rallies.
MSCI Europe Index	27.0%	Strong Europe - European developed markets are also having a very strong year, outpacing the US and global benchmark.
MSCI EAFE Index	24.2%	Excellent returns demonstrating strong performance from developed markets outside North America (Japan being a major contributor).
MSCI World Index	18.6%	A solid double-digit return, representing the robust growth in major developed economies.
MSCI USA Index	16.40	Still a healthy return, but it is lagging the broad global benchmarks (World, ACWI, EM) in USD terms this year.
MSCI India	**8.1%**	
GOLD	60.7%	

All indexes gave high returns despite India's index. Gold has served as an effective hedge as Indian equities didn't performed well

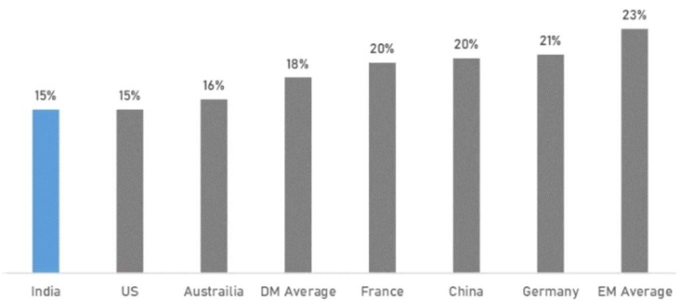
Data As on 30th Nov, 2025

India CAGR 2025 highest with lowest volatility

India Out- performance is significant in the long run

Index Name	Country/ Region	CAGR (2000–2025)
Nifty 50	India	10.1%
KOSPI	South Korea	7.0%
DAX	Germany	6.4%
S&P 500	United States	6.4%
IMOEX	Russia	6.4%
SMI	Switzerland	5.2%
S&P/ASX 200	Australia	5.1%
S&P/TSX	Canada	5.0%
Bovespa	Brazil	4.9%
MSCI World	Global	4.5%
OMXS30	Sweden	3.6%
Nikkei 225	Japan	3.5%
Shanghai Comp	China	3.4%
IBEX 35	Spain	2.9%
AEX	Netherlands	2.6%
CAC 40	France	2.2%
Euro Stoxx 50	Eurozone	1.7%
FTSE 100	United Kingdom	1.3%
FTSE MIB	Italy	0.8%
BIST 100	Turkey	0.7%

India is replacing US as the least volatile market of the world



Superior performance has been achieved with volatility comparable to developed markets.

Amidst geo-political instability in 2025, US volatility is 24% while India's is at 18%

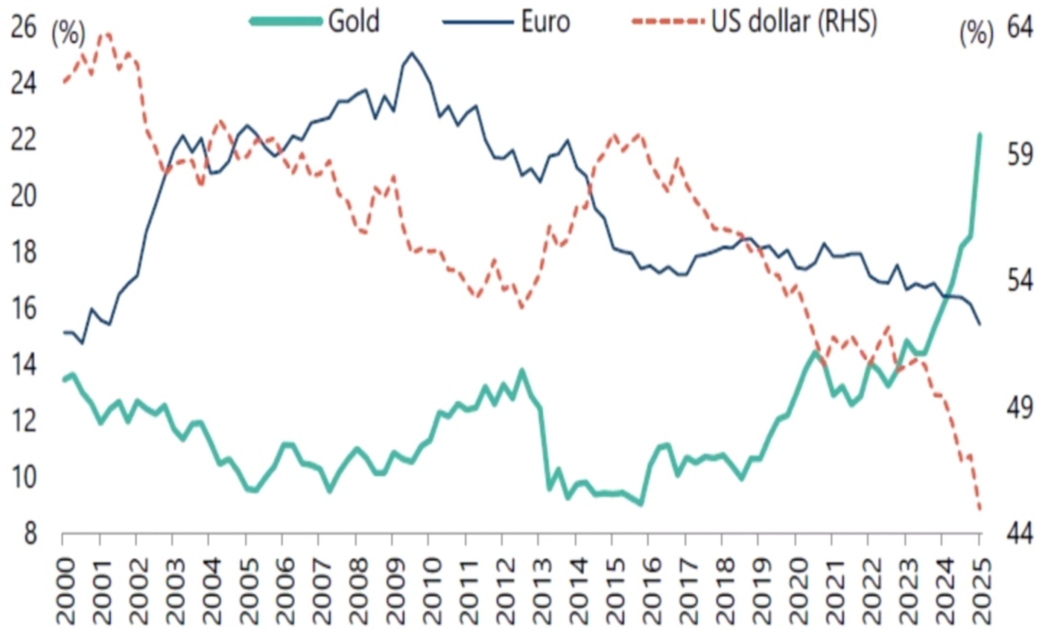
Over the last 15-20 years, India has shown significant and consistent growth, making it a structurally strong market.

Despite global geopolitical tensions such as tariff conflicts, India-Pakistan issues, and the Russia-Ukraine war, India remains a lowest-risk markets.

India has shown major upside outperforming every country (10%) in the long run as shown below alongside it's the least volatile market in the world (15%).

What's driving Gold?
Gold's share of foreign reserve is rising

Share of world official foreign reserves including Gold



Source: World Gold Council, IMF, Jefferies

Gold Drivers

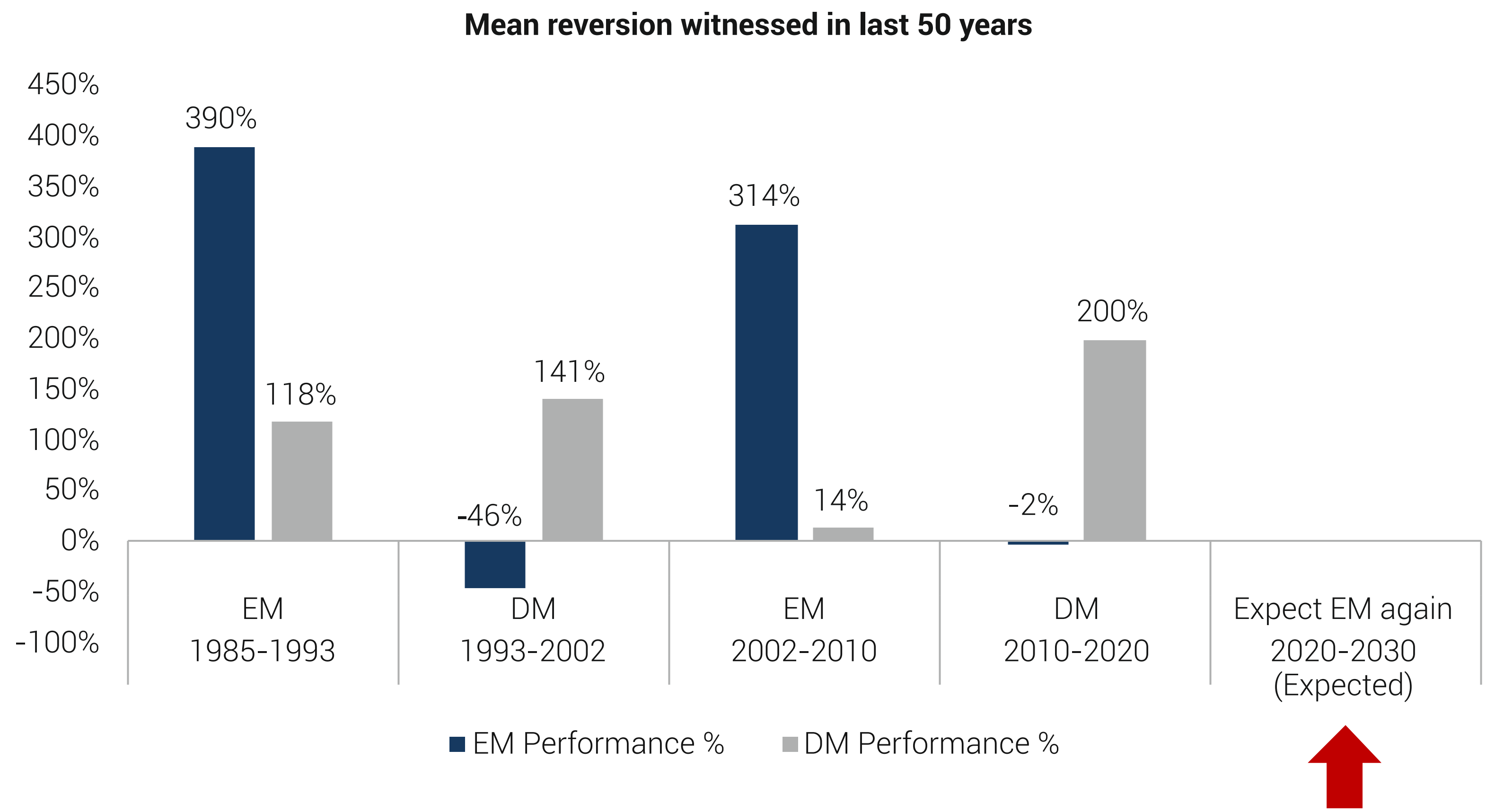
Inflation Differential

Assuming USD 591/Oz of 1980
Implies USD 6000/Oz

Money Supply (M2) Equivalence
Global M2:- USD 142 trillion
Equivalence requires 18,000 USD/Oz

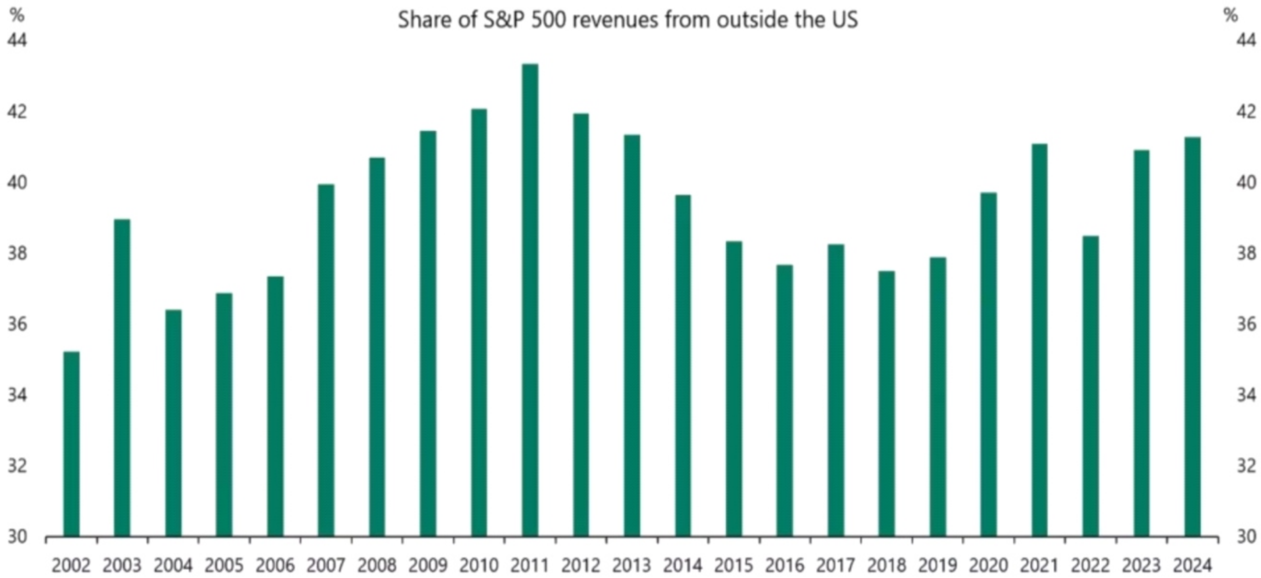
The average inflation across countries provides an indication of how gold prices should ideally move. Based on global inflationary trends, gold still has potential to rise further in the future.

What does History suggest?



What History is getting defied?

41% of revenues in S&P 500 companies from abroad



The strong performance of the US equity market is largely driven by a handful of companies, commonly referred to as the Mag 7 (such as Microsoft, Nvidia, Apple etc.).

Mag 7 companies record earnings not only in US but more than 50% of their revenue outside US.

The Magnificent Seven companies are delivering record earnings driven not only by the U.S. market, but also by the fact that more than 50% of their revenues are generated outside the United States.

Meta 62%	Apple 57%	Nvidia 53%	Alphabet 51%	Tesla 51%	Microsoft 49%	Amazon 31%

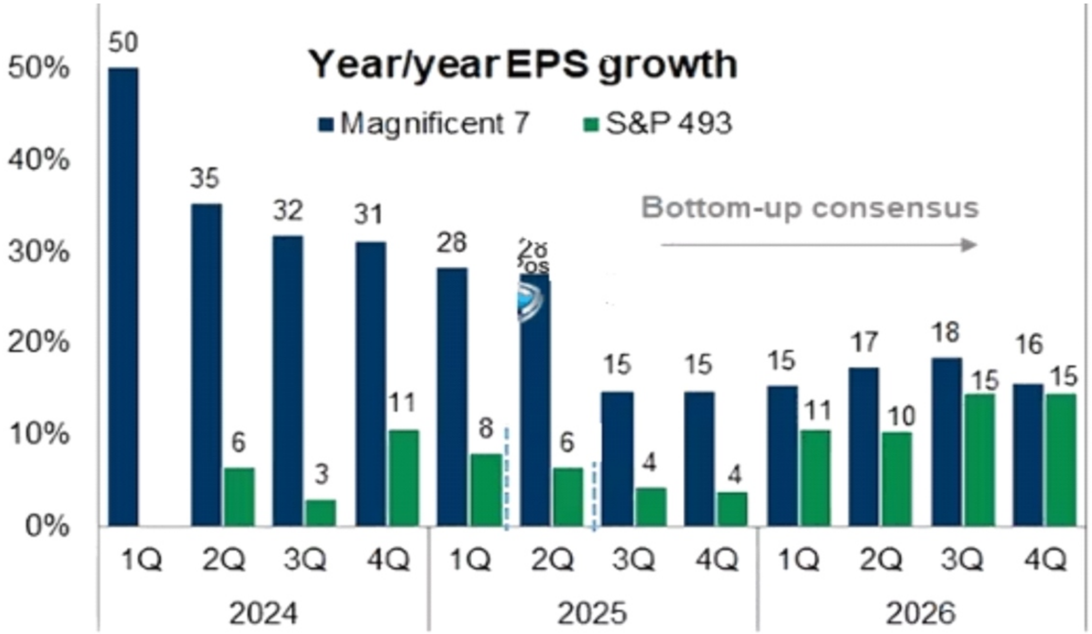
Pure US companies are struggling

40% of companies in Russell 2000 have negative earnings

Even though the Magnificent 7 make up a large share of the US market, about 40% of US companies are currently unprofitable or reporting losses.

Magnificent 7 are driving the US market

Gap between Mag7 and S&P 493 earnings growth



Source: FactSet, Goldman Sachs Global Investment Research

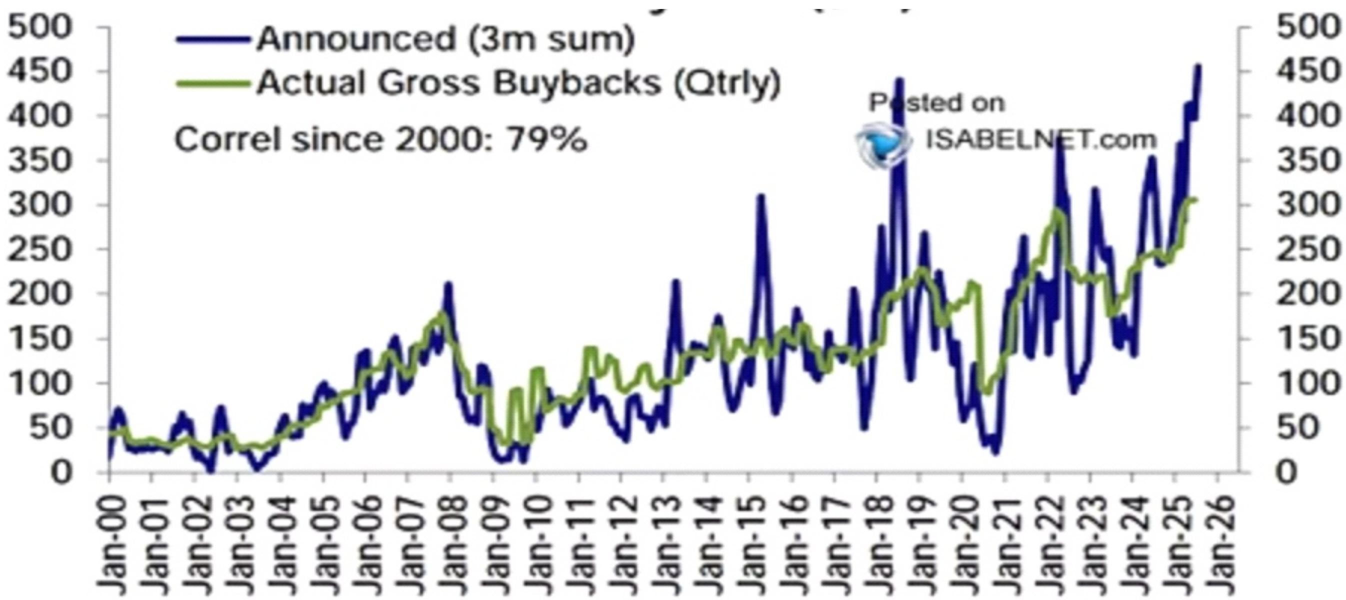
40% of US GDP growth is due to AI related Investments

80% of Stock market rally is due to AI related stocks

Equity market performance appears heavily concentrated in the Magnificent 7, with AI-related optimism masking weakness across the broader market. The market's rally is narrowly concentrated in the Magnificent 7, driven by AI enthusiasm rather than broad-based growth.

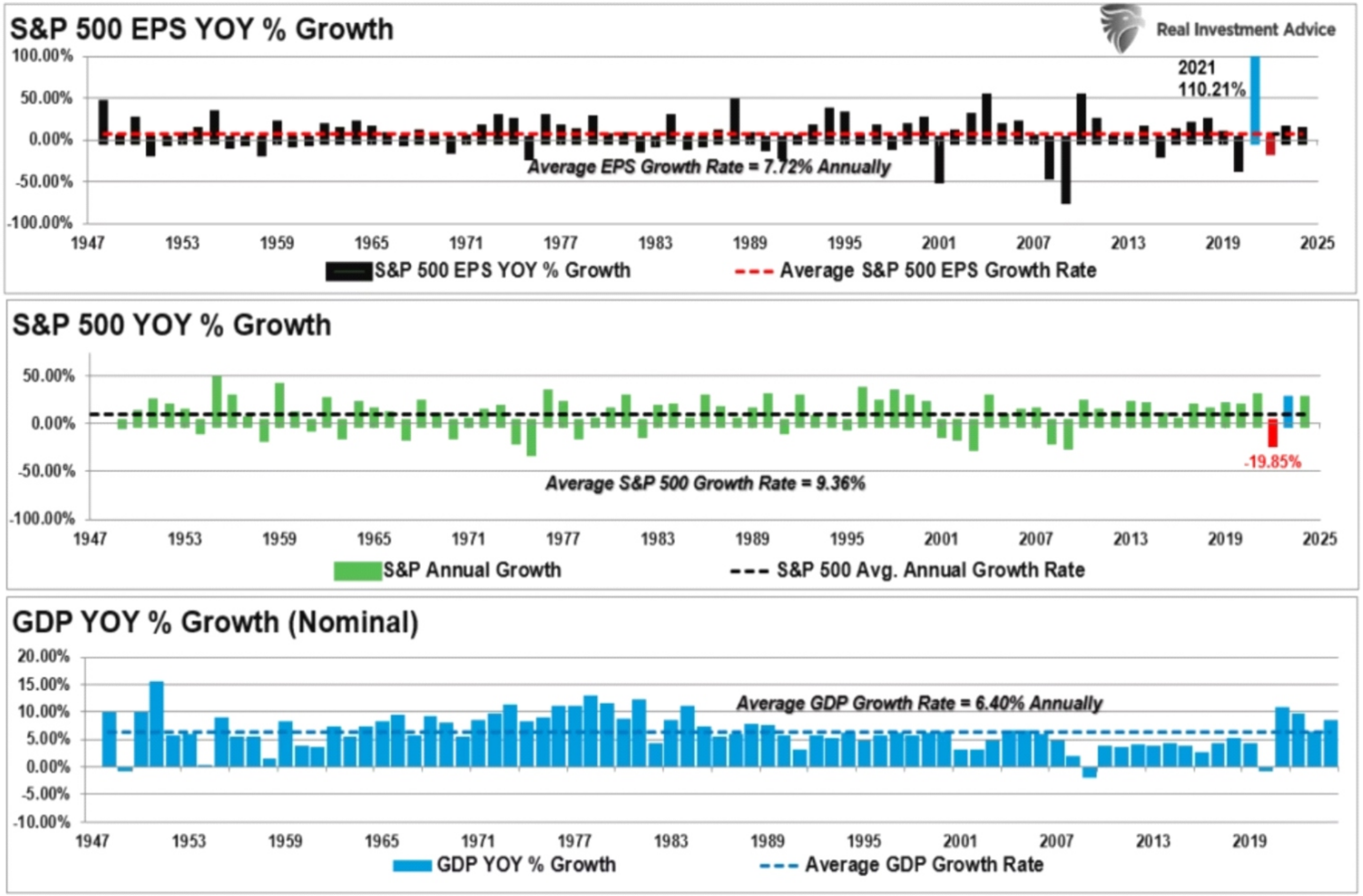
BUY BACK is also driving the US earnings growth

S&P 500- Buybacks ($b)



Source : Bloomberg Finance LP, Deutsche Bank Asset Allocation

What is Inside?



Since 1947

US GDP growth ~ 6.4% (Nominal)

SP500 EPS Growth ~ 7.2% annual

SP Index Growth ~ 9.36%

Last 5 Years

US GDP growth ~ 6.7% (Nominal)

SP500 EPS Growth ~ 11% annual

SP Index Growth ~ 13.3%

The pace of U.S. GDP growth in recent years stands above historical benchmarks, pointing to potential overvaluation.

Is Bubble?

Sept 2024

	% of U.S. Market Cap	Cash as % of Market Cap	2-month Fwd P/E	Net Profit Margin (LTM, %)
Microsoft	7.5%	2.0%	28.0×	36%
Apple	7.0%	1.5%	27.0×	25%
Nvidia	6.8%	3.5%	35.0×	55%
Amazon	4.5%	6.0%	24.0×	9%
Alphabet (GOOGL)	4.2%	3.8%	18.5×	27%
Meta	2.6%	4.5%	21.0×	35%
Tesla	1.2%	3.5%	50.0×	9%
Aggregate	33.8%	3.7%	26.5×	29%

With the forward P/E hovering near 27x, valuations are elevated but not excessive relative to the tech bubble of 2000, when multiples peaked around 52x. While this rules out a classic bubble scenario for now though valuation trends indicate a gradual move toward stretched conditions

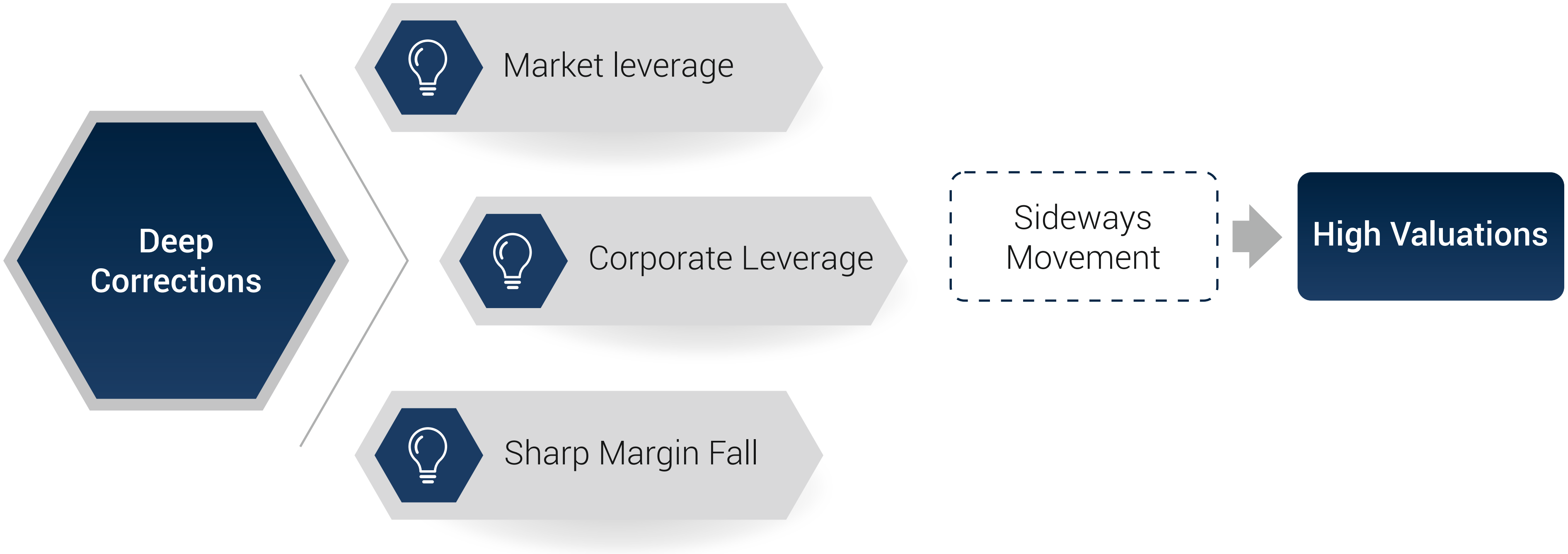
Tech Bubble Leaders (March 2000)

	% of U.S. Market Cap	Cash as % of Market Cap	24-month Fwd P/E	Net Profit Margin
Microsoft	4.5	3.0	53.2	39
Cisco Systems	4.2	0.4	101.7	17
Intel	3.6	2.5	42.1	25
Oracle	1.9	1.0	84.6	15
IBM	1.7	2.7	23.5	9
Lucent	1.6	0.9	37.9	9
Nortel	1.5	1.1	86.4	-1
Aggregate	19	1.7	52	16

Importantly, margins for the Magnificent Seven today are about double their levels during the 2000 tech bubble, highlighting improved profitability

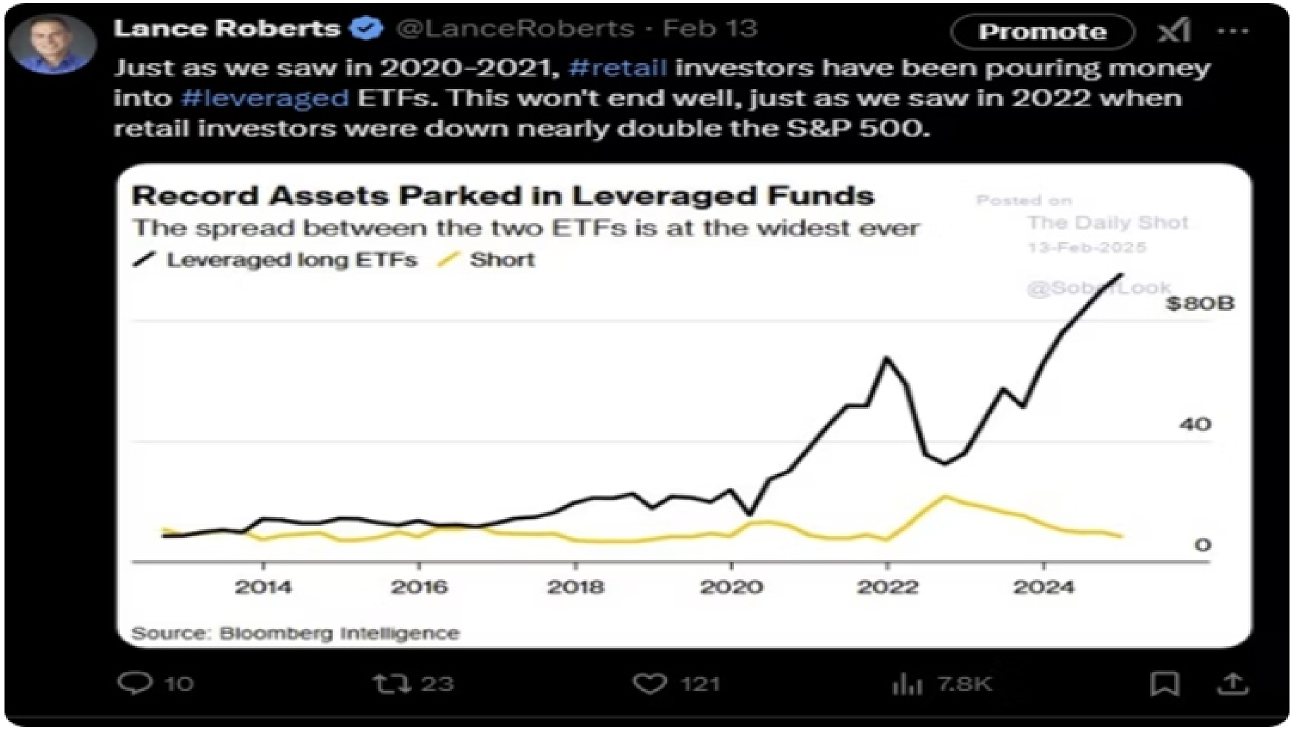
We can say that we are moving towards an AI bubble, but we are not in an AI bubble yet as margins are justified and valuations are also at a decent levels.

Market Corrections - What history tells us



Major market crises are typically driven by excessive leverage or sharp margin compression. While the U.S. faces higher risk due to elevated market leverage, India remains relatively resilient with healthier corporate balance sheets, limited leverage, and stable margins, positioning it as a lower-risk equity market.

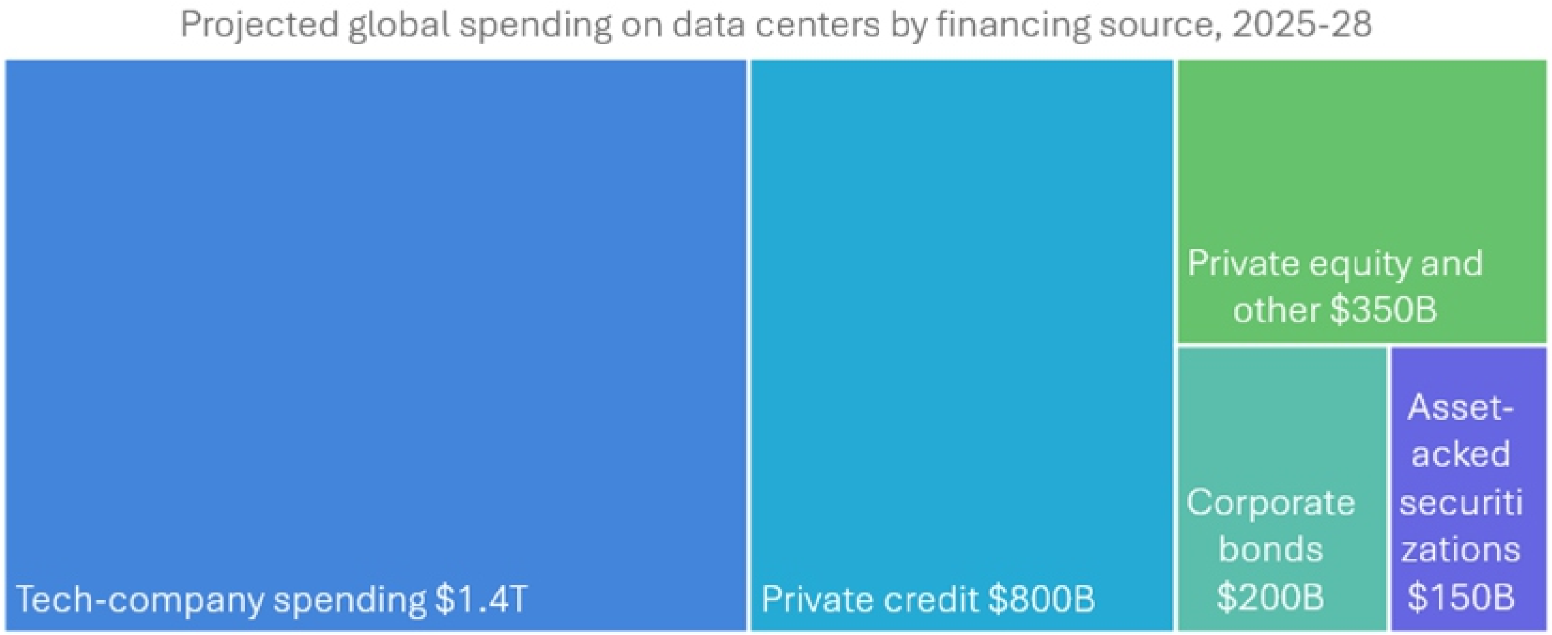
Investors' Leverage is Rising



In contrast, the Indian equity market does not exhibit similar levels of market leverage. Over the past five years, average margin trading activity in India has remained relatively low, indicating more conservative investor positioning and reducing the likelihood of leverage-driven market disruptions.

The U.S. equity market is characterized by elevated market leverage, driven largely by the widespread use of leveraged ETFs and aggressive investor positioning. As a result, this heightened leverage could act as a key catalyst for a sharp market downturn.

Corporate Leverage rising but not alarming

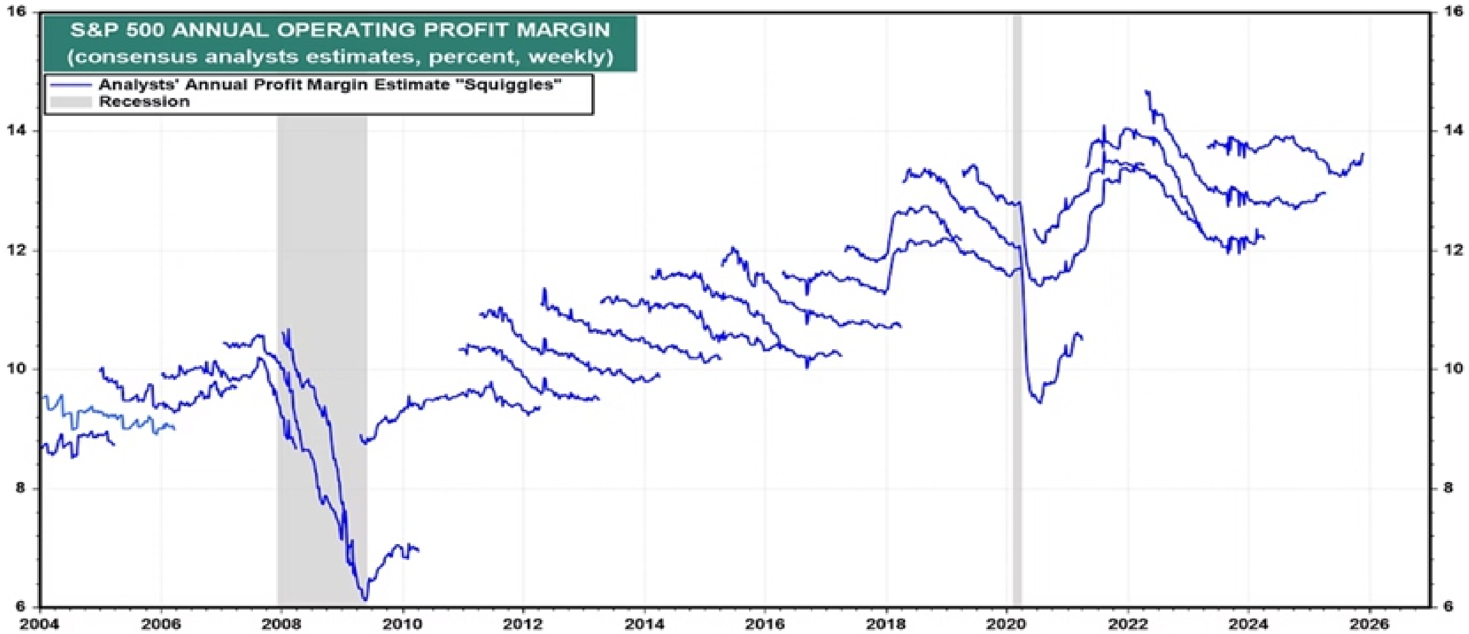


Source: Morgan Stanley Research

Investor leverage is significantly higher in the U.S. market, while it remains very low in India. On the corporate side, leverage is not a major concern in either country. In fact, India's corporate debt-to-equity ratio is at a 22-year low, indicating strong balance-sheet health.

Overall, the absence of excessive corporate leverage in both the U.S. and India suggests that corporate debt is unlikely to be a trigger for market stress in either market.

Operating Margins stay Inflated



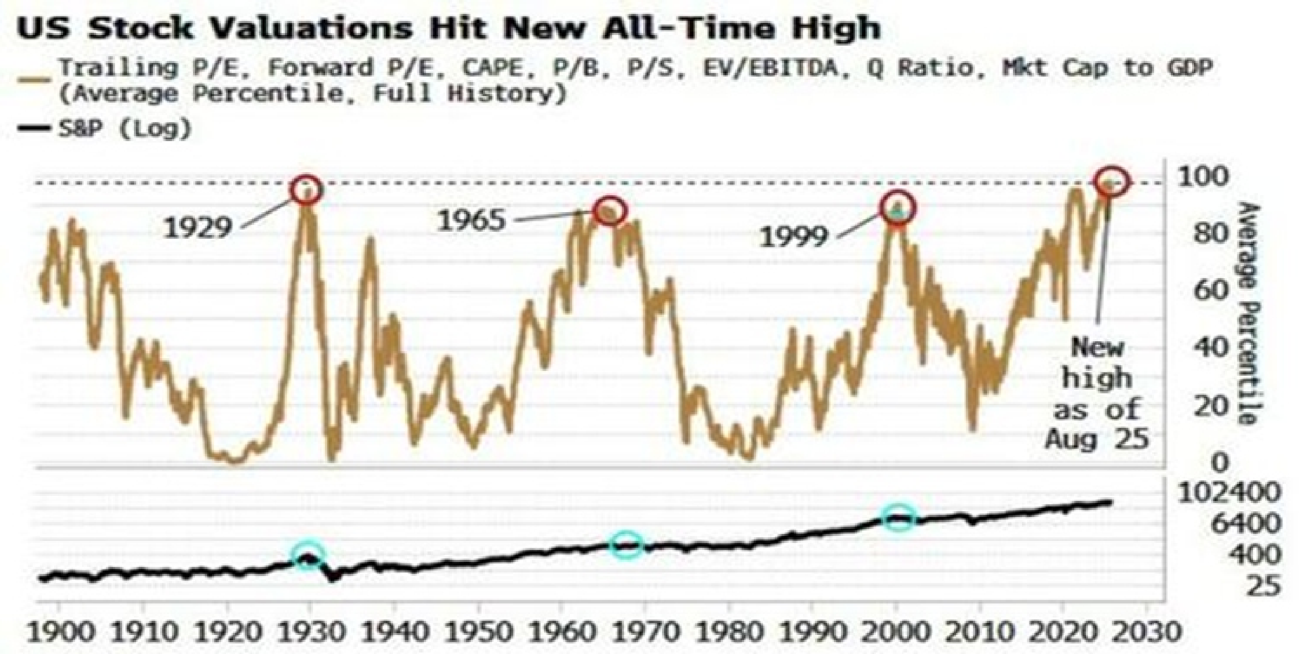
Source: LSEG Datastream and © Yardeni Research.

Since 2008, corporate margins have shown a sustained upward trend, reaching all-time highs. A similar margin expansion is visible in India as well.

Given the absence of excessive corporate leverage and no signs of margin compression, the probability of a major market correction in India appears low.

That said, minor pullbacks of 5–10% are a natural feature of equity markets and should be expected as part of normal market behavior.

US Valuations touch highs



Source: Bloomberg

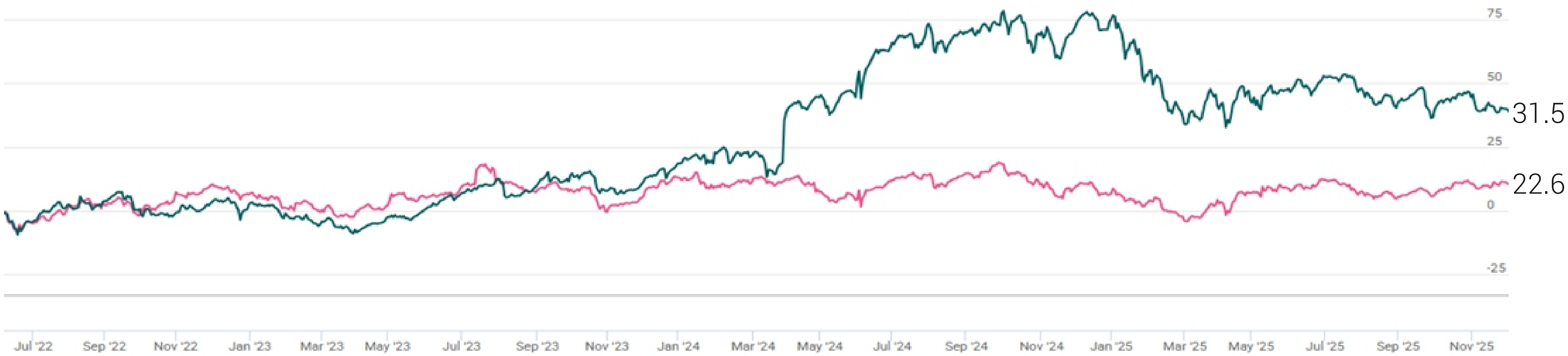
The graph indicates that U.S. equity valuations are approaching all-time highs based on key market valuation metrics.

Valuation multiples are significantly above long-term historical averages.

Overall, the U.S. market appears richly valued, leaving limited room for upside driven purely by valuation expansion

Indian Valuations

Nifty 50 PE Vs Nifty Midsmall 400 PE



2 Quarters with Current growth will get valuation fully cooled for Mid and Small Cap space as well. Large Cap has already gone through

As of today, Nifty's P/E stands at 22.6, which is not in the overvalued zone. Last year, valuations had moved slightly above the historical comfort range, but currently, the index is trading well within a reasonable valuation range..

Small-cap valuations remain elevated, with the P/E around 31.5. However, this does not suggest a deep downside. A moderate correction of around 10–12% would be sufficient to normalize valuations, rather than any sharp decline.

Post this phase of consolidation, Indian equities are well-positioned for a strong and sustained rally, supported by stable valuations and healthy fundamentals.

Data As on 30th Nov, 2025

MSCI Market Valuations

Nifty 50 PE Vs Nifty Midsmall 400 PE

	Div Yield(%)	PE Ratio (TTM)	PE Ratio (Forward)	P/B Ratio
MSCI World	1.5	24.7	20.6	3.9
MSCI ACWI	1.6	23.6	19.6	3.6
MSCI USA	1.4	27.8	22.7	4.6
MSCI Europe	2.9	16.9	14.7	2.3
MSCI Emerging Markets (EM)	2.2	17.1	14.2	2.2
MSCI AC Asia Pacific	2.1	18.7	16.1	2.1
MSCI India	1.1	26.9	22.1	3.8
MSCI China	2.3	12.4	10.6	1.3

MSCI India

Forward P/E Range in 2024: 20× to 24×

MSCI EM

Forward P/E Range in 2024: 10× to 14×

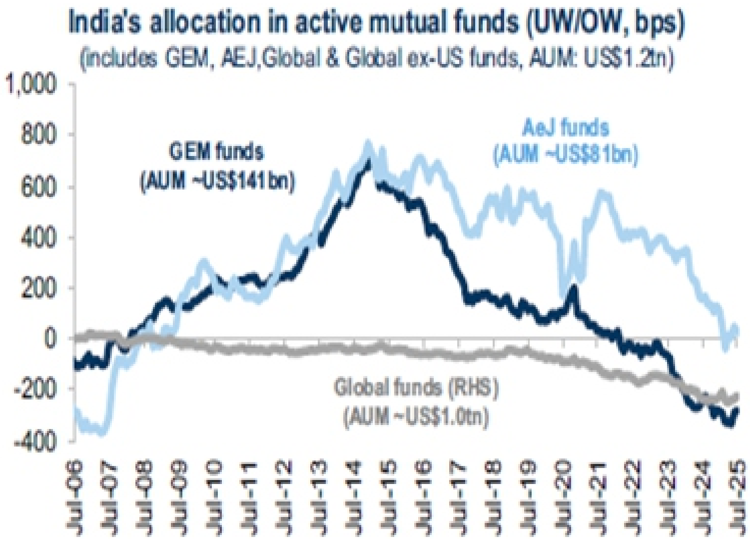
India's Premium

Peaked near 90%; Ended near 45%

Now at 56%

Underweight FPIs - Blessings in Disguise

India's allocation in active mutual funds globally is near 2 decade low



Source: EPFR, FactSet, MSCI, Goldman Sachs Global Investment Research

Global funds across EM/Asia/Global mandates are underweight India by c.215bp on aggregate

Equity Mutual Funds	Total Assets (US$ bn)	India allocation: Avg. Fund allocation (%)	India allocation: Benchmark (MSCI)	India allocation: OW/UW (bp) vs. MSCI
Global ex-USA funds	345	1.4%	5.0%	-365 bp
EM Funds	140	14.1%	16.9%	-280 bp
Global funds	625	0.3%	1.8%	-145 bp
AEJ Regional funds	80	19.3%	19.1%	25 bp
Overall (AUM wgt.)	**$1,190 bn**	**3.5%**	**5.7%**	**-215 bp**

Note: As of Jul-end, 2025

Source: EPFR, FactSet, MSCI, Goldman Sachs Global Investment Research

What is Inside?

IIFL CAPITAL

India - Strategy

Figure 6: Trends in Shareholding Pattern of Large Caps – NSE100 Index

Shareholding Pattern (%)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	49.0	48.9	49.7	48.7	47.5	47.5	47.9	47.3	47.5	47.4	47.5	47.3	47.2
FIIs	21.5	21.4	20.8	21.7	22.5	22.6	22.3	22.3	22.2	21.5	21.0	21.0	20.6
MFs	9.0	9.1	9.1	9.1	9.4	9.4	9.7	10.1	10.2	10.7	11.0	11.3	11.7
Individuals	7.6	7.5	7.5	7.5	7.6	7.5	7.5	7.7	7.5	7.6	7.5	7.4	7.4
Others	12.9	13.2	13.0	13.1	13.1	13.0	12.6	12.8	12.6	12.8	12.9	12.9	13.0

Source: Prowess CMIE, IIFL Research

Figure 7: Trends in Shareholding Pattern of Mid Caps – NSE Midcap 150 Index

Shareholding Pattern (%)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	57.7	57.6	57.3	57.2	56.4	56.5	56.2	56.0	56.4	55.2	55.1	54.6	54.5
FIIs	12.4	12.4	11.5	12.8	13.2	13.2	12.8	13.7	13.5	13.4	13.1	13.3	13.4
MFs	7.6	7.9	7.7	8.6	8.8	9.3	9.0	9.6	9.6	9.8	10.1	10.5	10.8
Individuals	10.4	10.2	10.4	9.4	9.7	9.6	9.9	9.6	9.5	9.7	9.6	9.4	9.3
Others	11.9	11.9	13.2	12.0	11.9	11.5	12.1	11.1	11.0	11.9	12.1	12.2	12.0

Source: Prowess CMIE, IIFL Research

Figure 8: Trends in Shareholding Pattern of Small Caps – NSE Smallcap 250 Index

Shareholding Pattern (%)	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	53.9	53.5	54.7	53.4	52.8	52.7	53.3	51.9	51.8	51.9	52.0	51.9	51.5
FIIs	10.0	10.1	9.0	10.5	11.0	11.0	10.6	11.6	11.6	11.6	11.4	11.4	11.2
MFs	7.7	7.9	7.2	8.4	8.8	9.1	8.7	9.8	10.1	10.2	10.2	10.6	11.1
Individuals	15.2	15.3	14.6	14.9	14.8	14.7	14.0	14.5	14.3	14.3	14.1	14.1	14.2
Others	13.2	13.2	14.5	12.8	12.6	12.5	13.4	12.1	12.3	12.1	12.3	12.0	12.0

Source: Prowess CMIE, IIFL Research

Countries with highest number of IPOs

Rank 2024	Country	Number of IPOs	IPO Proceeds (US$ billions)
1	**India**	**327**	**$19.9B**
2	United States	183	$32.8B
3	Europe (ex. UK)	115	$18.2B
4	China	98	$8.9B
5	Japan	84	$6.2B
6	South Korea	75	$2.9B
7	Hong Kong	64	$10.7B
8	Malaysia	49	$1.7B
9	Saudi Arabia	42	$4.3B
10	UK	10	$0.9B

India lost that title in 2025

Rank 2025	Exchange/Market	Number of IPOs	Proceeds Raised (US$ Billion)	Key Trend
1	United States	176 - 194	30.0–36.4	Strongest US performance since 2021; led by large deals
2	Greater China	150 - 180	20.7–28.4	Proceeds surged due to larger listings; rebound in Hong Kong
3	India	150–155	4.6–7.2	World leader by volume (deal count); strong domestic market
4	Middle East	50 - 70	5.1–9.5	Continued resilience and growth driven by state-backed IPOs
5	Japan	27	3.7	Highest first-half proceeds in 11 years (H1 data).

The narrative of an IPO bubble in India is overstated. After leading the world in IPOs and capital raised in 2024, India has moved to third place this year, indicating normalization rather than excess.

Tide is already turning

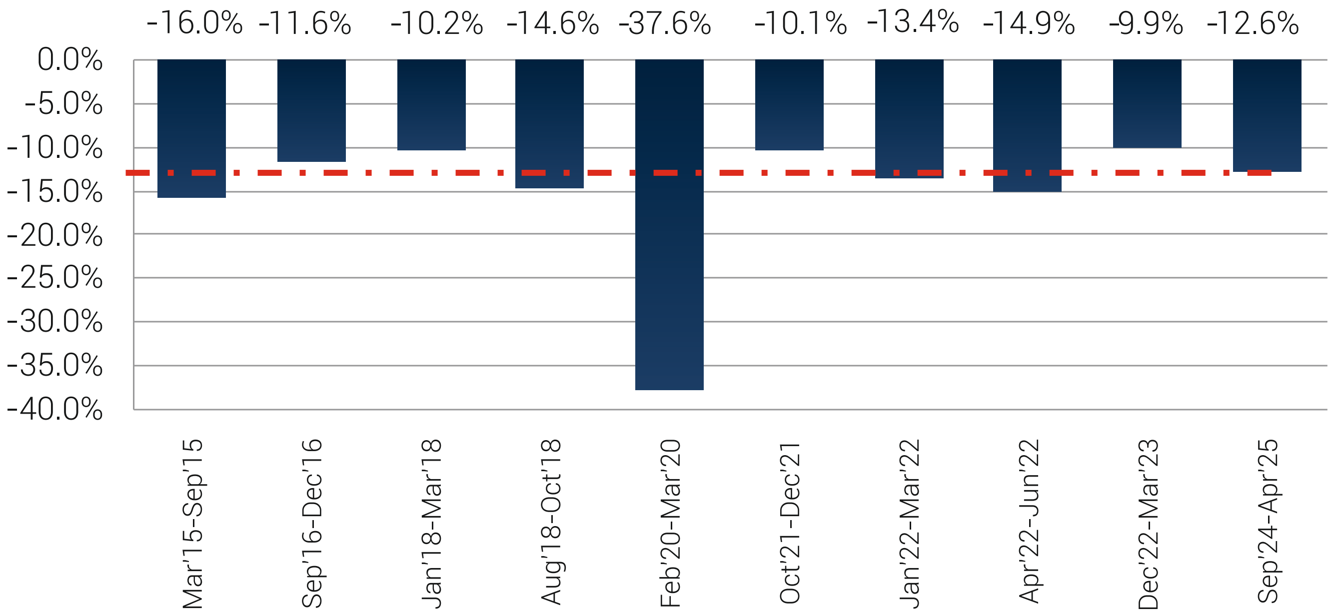
MSCI Indexes	Quarter till date performance (30th Nov 2025)
MSCI World Index	2.1%
MSCI EEM	1.6%
MSCI EAFE	1.6%
MSCI US	2.2%
MSCI India	**5.9%**

The belief that India will deliver strong returns in 2026 is already visible in the markets. Despite earlier underperformance over the full year, India has clearly outpaced global markets in the last 2–3 months. While MSCI World is up around 2.1% this quarter, India has gained nearly 5.9%, showing that the market is beginning to recognize India as a future outperformer.

So not only India is the lowest risky market but also, they are the best performing market in recent quarter.

Strategy Ahead

Nifty Returns in past 10 corrections



Any fall of 10%+ even in Mid & Small cap will be a Good Buying Opportunity

Any near-term correction over the next two to three months should be viewed as an opportunity to accumulate quality Indian equities. With the conclusion of the March-quarter results, earnings visibility is expected to improve meaningfully, setting the stage for sustained earnings and price growth. Q4 is likely to mark the inflection point for the next leg of the market uptrend.

THANK YOU!

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