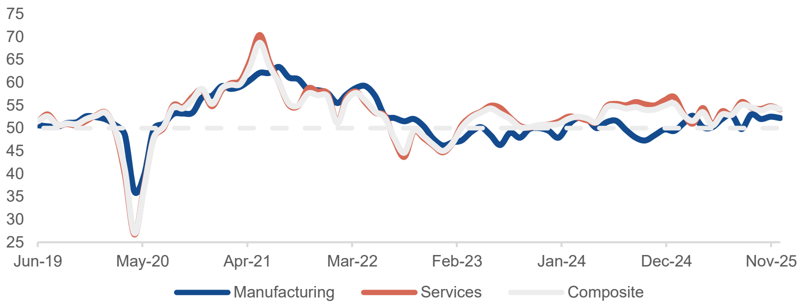
MONTHLY INVESTMENT PERSPECTIVES
December-25

LGT Wealth India

GLOBAL MACRO: RECALIBRATING THE MACRO LANDSCAPE

As 2025 draws to a close, the global economy—particularly advanced economies—has regained stability after tariff-related shocks earlier in the year. According to the latest IMF projections, global GDP growth is expected to be 3.2% in 2025 and 3.1% in 2026. In 2025, advanced economies are forecasted to grow around 1.6%, while emerging markets are expected to expand by 4.2%. The U.S. economy is predicted to grow by 2.0% in 2025 and 2.1% in 2026, supported by lower policy rates after the Fed cuts, which have already reduced rates by about 100 basis points since late 2024. China's growth is projected to slow to 4.8% in 2025 from 5% in 2025 and to 4.2% in 2026, while Europe and Japan maintain modest momentum under loose fiscal policies. Inflation continues to decline globally, though it remains slightly above target in the U.S. With central banks largely keeping rates, steady and fiscal spending rising across major economies, recession risks remain low as we approach 2026. A softer dollar environment, driven by Fed cuts and easing geopolitical uncertainty, further supports market and trade resilience. Overall, these factors set the stage for steady, though subdued, global growth in the year ahead.

US PMI

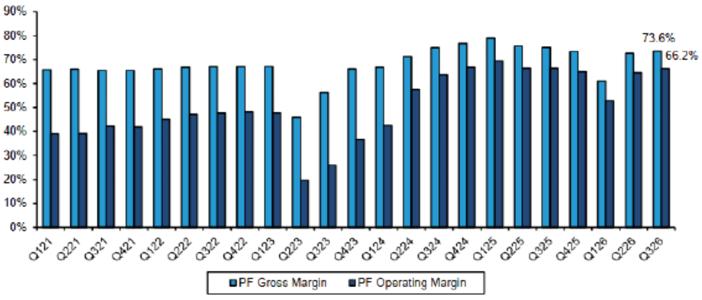


Source: Bloomberg (as of 06 Dec, 25)

GLOBAL EQUITIES: SELECTIVE RISK TAKING AMID MACRO DISPERSION

In November 2025, global stock markets took a breather following prior advances, as developed markets eked out a roughly 0.3% increase amid stumbles in the AI frenzy, sell-offs in giant tech names such as Nvidia (down 12.6%), and shifts toward defensive sectors that spurred swings, offset somewhat by stellar US corporate results (peak $618B in operating earnings) and optimism over potential rate reductions. The MSCI World Index climbed about 0.31% for the month (through Nov 28), halting a seven-month run while posting YTD returns in the 7.71-16.49% range; US gauges reflected S&P 500 +0.13% monthly (16.45% YTD), Dow +0.32%, and small-caps +2.51%, with Asia dominating year-to-date via Hang Seng +28.91%, Nikkei +25.97%, and Shanghai Composite +16.02% thanks to policy boosts. Early December trading stayed choppy yet tilted positive (S&P 500 +0.54% weekly, Nasdaq +0.65%), propelled by 85-90% chances of a 25bps Fed cut on Dec 10, despite ongoing tech fatigue and hopes for a year-end rally driven by seasonal patterns and compelling valuations (US 3% below fair value), spotlighting value stocks, small-caps, property, and energy.

NVDA non-GAAP Gross and Operating Margins

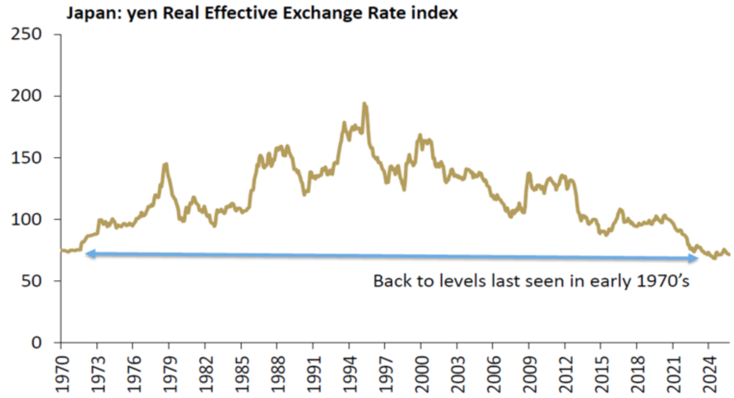


Source: LGT, Bernstein (November)

GLOBAL FIXED INCOME: DIVERGING MONETARY POLICIES

In November 2025, global bond markets strengthened as central banks signaled a more dovish stance, driven by sluggish job growth and cautious consumer spending that reinforced expectations of rate cuts and moderating inflation. Investors favored longer-term government securities in regions like North America and the Eurozone, steepening yield curves as short-term rates held steady while long-term yields declined on optimism about sustained price stability and fiscal measures reducing risk premiums. Entering December, markets remained focused on the upcoming Federal Reserve meeting on December 10, with softer labor data bolstering the case for easing. Meanwhile, Japanese government bond yields climbed to near multi-decade highs as persistent inflation above target and growing prospects of a Bank of Japan rate hike at its December 18–19 meeting signaled a shift away from ultra-loose policy. Overall, both the U.S. and Japan faced upward yield pressures, though for contrasting reasons: the U.S. from recalibrated expectations on the pace of Fed cuts, and Japan from domestic inflation and policy normalization.

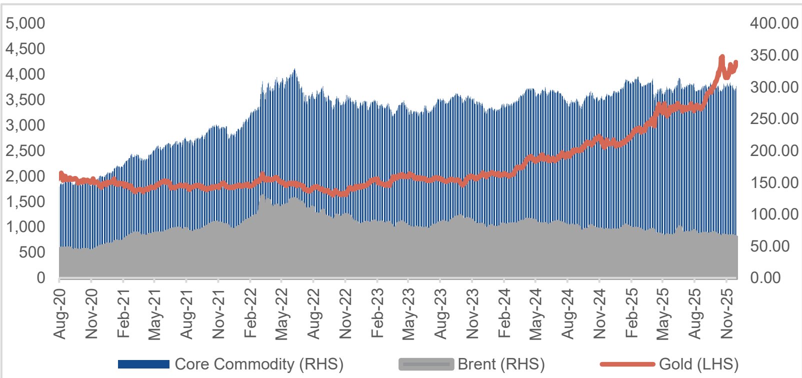
Japan: yen Real Effective Exchange Rate index



Source: LGT, Macrobond (November)

GLOBAL COMMODITIES: STRUCTURAL PERSPECTIVE ON TACTICAL DRIVERS

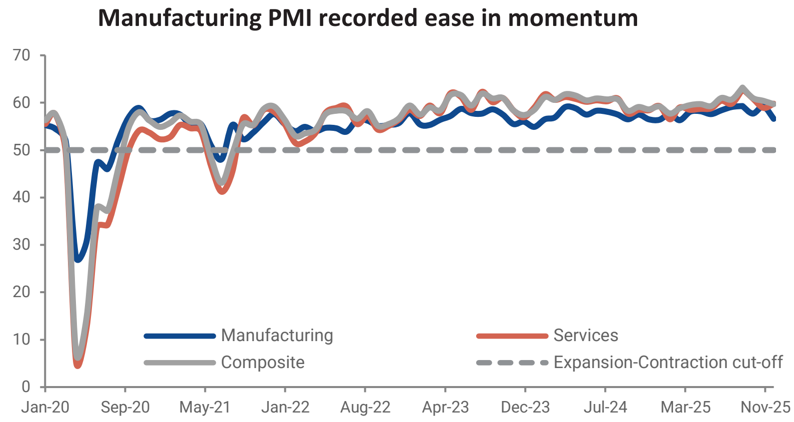
Gold prices commenced the year 2025 robustly, establishing themselves as a prominent investment option due to a combination of structural and tactical factors. Currently trading within the range of $4,200 to $4,260 per ounce, gold is approaching record-high levels following a 60% increase this year. This surge has been supported by anticipated Federal Reserve rate reductions, ongoing geopolitical tensions, and increased purchases by central banks. In the short term, gold may stabilize between $4,200 and $4,300, with the potential to ascend to $4,450 to $4,500 if monetary easing accelerates. Conversely, hawkish signals could exert downward pressure, reducing prices to between $3,700 and $3,900. Major macroeconomic factors affecting gold include global interest rates, inflation trends, the strength of the US dollar, prospects for economic growth, and geopolitical risks—all of which influence safe-haven demand and investor confidence. Projections for 2026 generally range from $4,400 to $4,800, with some bullish forecasts approaching nearly $5,000.



Source: Bloomberg (as of 07 Dec, 25)

INDIA MACRO: INDIA-US TARIFF IMPACT: GROWTH AND POLICY OUTLOOK

India's economy demonstrated strong resilience in November 2025, with Q3 GDP (Jul-Sep) rising by 8.2% year-over-year, exceeding the forecast of 7.3%. This expansion was driven by an 8.6% increase in non-agricultural GVA and projections for FY26 remaining above 7%, despite global challenges. In November, economic activity stayed robust, supported by festive demand, GST rate cuts that boosted spending, and high-frequency indicators like record auto sales (around 4.2 lakh passenger vehicles, up 21% year-on-year, led by Maruti at 2.29 lakh units), rising registrations of two-wheelers and passenger vehicles, and strong PMI data—services PMI increased to 59.8 from 58.9, manufacturing slowed to 56.6 but remained in expansion, and the composite index reached 59.7. Challenges included weak export growth (the lowest in eight months amid global competition), softer manufacturing new orders, and external pressures such as high U.S. tariffs on Indian exports. Despite these issues, the RBI is comfortable with the rupee's stability and forex reserves. The medium-term outlook remains positive, bolstered by structural reforms, ongoing infrastructure investments, possible bilateral trade agreements, the impressive Q3 GDP growth, and an upgraded FY26 growth forecast of 7.3%.



Source: Bloomberg (as of 07 Dec, 25)

INDIA EQUITIES: SECTOR UPDATE AND GST REFORMS

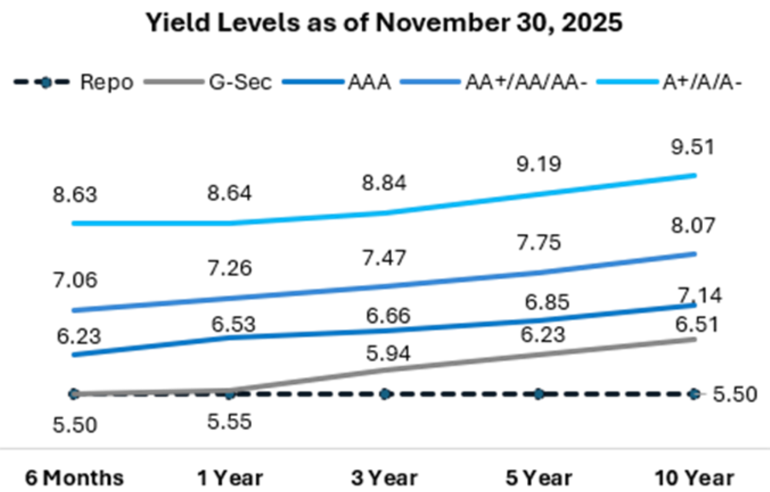
India's equity markets, despite hitting record highs after 14 months, have had muted performance across sectors and market capitalisation. The shift from defensive to growth sectors is underpinned by strong domestic liquidity and robust macro fundamentals, including Q3 GDP growth of 8.2%. The IT sector's rerating depends on the start of a new AI services cycle, which is currently on hold. That pause seems to be coming to an end. Also, while festive-driven cyclicals and infrastructure themes benefit from resilient consumption and sustained government capex post-elections. FIIs are still net sellers, but DII inflows support mid- and small-caps, which offer better value than large caps. A cautious strategy blends quality large-caps with selective mid-caps and sector themes in tech, infra, and consumer sectors. Multi-factor methods—using earnings yield, financial strength, and low-beta diversification—along with disciplined dips and hedging, can enhance risk-adjusted returns over 6–12 months. Large caps should stay stable as foreign outflows lessen and the rally expands to smaller caps. Until clearer global trade and policy signals emerge, a balanced approach—focusing on quality large-caps, adding resilient mid-caps, and holding cash or defensive assets—seems best for navigating this phase and capturing future growth.

Source: Bloomberg (as of 07 Dec, 25)

INDIA FIXED INCOME: 2025 – REMAINING YEAR DURATION WITH DISCIPLINE

Fixed-income markets for November 2025 have been on edge ahead of the December 2025 RBI policy meeting. The combination of record-low inflation and strong GDP growth has led to mixed expectations about further monetary easing. Throughout the month, the yield curve reflects this uncertainty: the 30-year G-sec hovers around 7.5%, while the ultra-short end trades just above the 5.5% repo rate, suggesting that once growth stabilises, the curve could flatten. With inflation declining sharply and growth remaining resilient, the Reserve Bank of India's December policy has subtly shifted the interest-rate and liquidity framework, cutting policy rates by 25 bps and announcing open market purchases of ₹1 lakh crore, along with a USD 5 billion buy–sell swap, both designed to inject stable liquidity. For fixed income investors, this environment is more favorable than recent quarters, offering opportunities to reposition portfolios for both carry and potential capital gains. A measured duration approach remains optimal, especially within the 5–10-year segment, which provides a good mix of carry, roll-down benefits, and sensitivity to easing. Additionally, a barbell strategy—covering short-term exposure to benefit from declining money-market yields and allocating selectively to the 12–15-year segment with attractive term premiums—can improve flexibility and returns. This dual approach helps investors navigate policy changes while maintaining resilience against volatility, which aligns well with the next phase of the rate cycle.

Debt Market Snapshot

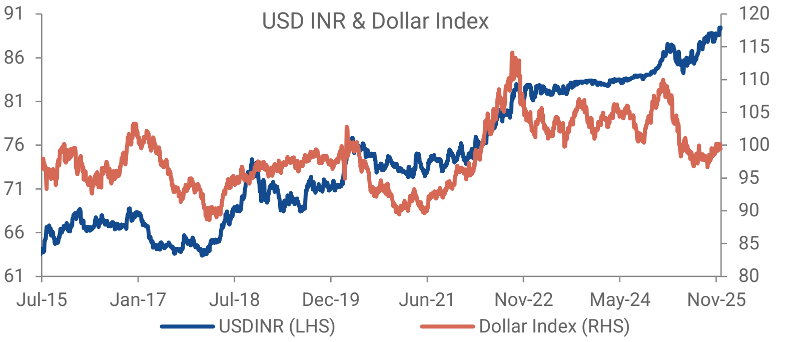


Source: Bloomberg

CURRENCY: RANGEBOUND, NOT DIRECTIONLESS

Since the start of 2025, the INR has weakened by roughly 5.5%, trading mainly in the 89.30–90.30 range since December, reflecting sustained macroeconomic and structural pressures. Persistent $28B FPI outflows since Oct 2024, driven by tepid corporate earnings, dollar strength, and global risk-off sentiment, remain a key drag. The balance of payments remains vulnerable, with the Q2 FY26 current account deficit at 1.3% of GDP, narrower than before but still pressured by elevated oil imports and trade imbalances. Adding to headwinds, US tariffs under President Trump—up to 50% on Indian exports such as textiles, pharmaceuticals, and petroleum (worth $29B to the US in FY24)—have eroded competitiveness, shaved 60–80 bps off GDP growth, and dampened investor confidence amid the absence of a trade deal. On the policy front, the RBI's dovish stance—including a 25-bps repo cut to 5.25%, $5B USD/INR swaps, and ₹1 lakh crore OMOs—aims to support 7.3% FY26 growth amid benign inflation but widens the Fed-RBI policy gap (Fed expected to ease to 3.50–3.75%), accelerating capital outflows even as interventions cap volatility. Meanwhile, high US rates, geopolitical fragmentation, and rising gold/metal imports continue to amplify USD demand from corporates and oil firms. Outlook: While RBI's measures should limit sharp swings, USD/INR is likely to remain within a broad range, with modest volatility, underpinned by a cautious macro backdrop and global uncertainties.

INR vs USD



Source: Bloomberg (as of 07 Dec, 25)

TACTICAL ASSET ALLOCATION (TAA) VIEWS & PERFORMANCE

Asset Class Pairs	View	Favouring	Start Date	End Date / Open	Call Status	Alpha Return
Equities Vs Bonds	Positive	Equities	31-Dec-18	30-Apr-19	Close	5.90%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-18	31-Jan-20	Close	-8.00%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-6.00%
USD / INR	Positive	USD	30-Nov-18	31-Jan-19	Close	2.20%
USD / INR	Positive	USD	31-Mar-19	30-Apr-19	Close	0.60%
USD / INR	Positive	USD	31-Jul-19	31-Dec-19	Close	3.70%
Gold Vs Cash	Negative	Cash	30-Nov-18	28-Feb-19	Close	-7.60%
Gold Vs Cash	Positive	Gold	31-Mar-19	30-Jun-21	Close	32.00%
Equities Vs Bonds	Positive	Equities	30-Nov-20	30-Apr-21	Close	11.80%
USD / INR	Negative	INR	31-Dec-20	31-Jan-21	Close	0.20%
USD / INR	Positive	USD	28-Feb-21	31-May-21	Close	-1.20%
USD / INR	Negative	INR	31-Aug-21	30-Sep-21	Close	-1.70%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Oct-20	30-Nov-21	Close	26.70%
Equities Vs Bonds	Positive	Equities	31-May-21	30-Nov-21	Close	8.90%
Short Term Vs Long Term	Positive	Short Term	30-Nov-18	31-Dec-21	Close	-5.90%
USD / INR	Positive	USD	31-Oct-21	31-Dec-21	Close	-0.70%
Gold Vs Cash	Positive	Gold	31-Jul-21	31-Jan-22	Close	-2.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Dec-21	30-Apr-22	Close	0.90%
Gold Vs Cash	Positive	Gold	28-Feb-22	31-May-22	Close	-1.80%
Short Term Vs Long Term	Positive	Short Term	28-Feb-22	30-Jun-22	Close	2.20%
USD / INR	Positive	USD	31-Jan-22	31-Jul-22	Close	6.20%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Jun-22	31-Jul-22	Close	-2.80%
Equities Vs Bonds	Positive	Equities	31-Dec-21	30-Sep-22	Close	0.80%
USD / INR	Negative	INR	31-Jul-22	30-Sep-22	Close	-2.60%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-22	30-Nov-22	Close	-0.60%
USD / INR	Positive	USD	30-Sep-22	30-Nov-22	Close	0.10%
Gold Vs Cash	Negative	Cash	30-Jun-22	30-Sep-22	Close	6.50%
Equities Vs Bonds	Positive	Equities	31-Oct-22	31-Dec-22	Close	-2.00%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Nov-22	31-Dec-22	Close	-1.80%
USD / INR	Negative	INR	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Dec-22	31-Jan-23	Close	1.00%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Jan-23	28-Feb-23	Close	-1.10%
USD / INR	Positive	USD	28-Feb-23	31-Mar-23	Close	-0.60%
Large Cap Vs Mid Cap	Positive	Large Cap	31-Mar-23	30-Apr-23	Close	1.70%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Nov-18	30-Jun-23	Close	7.80%
Short Term Vs Long Term	Positive	Short Term	30-Nov-22	30-Jun-23	Close	-0.97%
Equities Vs Bonds	Positive	Equities	31-Mar-23	30-Jun-23	Close	8.10%
Gold Vs Cash	Positive	Gold	30-Nov-22	31-Jul-23	Close	8.80%
USD / INR	Negative	INR	30-Apr-23	31-Aug-23	Close	-1.20%
Large Cap Vs Mid Cap	Negative	Mid Cap	31-Jul-23	31-Jul-23	Close	6.10%
Gold Vs Cash	Negative	Cash	30-Sep-23	31-Oct-23	Close	-6.32%
USD / INR	Positive	USD	30-Sep-23	31-Dec-23	Close	0.20%
Gold Vs Cash	Positive	Gold	31-Dec-23	30-Jun-24	Close	10.14%
USD / INR	Negative	INR	31-Dec-23	30-Sep-24	Close	-0.71%
Gold Vs Cash	Negative	Cash	30-Jun-24	30-Sep-24	Close	-12.32%
Corp Bonds Vs G-Secs	Positive	Corp Bonds	30-Jun-25	30-Sep-25	Close	4.44%
Short Term Vs Long Term	Negative	Long Term	30-Jun-23	31-July-25	Close	-1.16%
Large Cap Vs Mid Cap	Positive	Large Cap	30-Sep-23	30-June-25	Close	-13.85%
Equities Vs Bonds	Positive	Equities	30-Nov-24	30-Nov-25	Open	5.31%
Corp Bonds Vs G-Secs	Negative	G-Sec	30-Sep-25	30-Nov-25	Open	-0.25%
Short Term Vs Long Term	Negative	Long Term	30-Sep-23	30-Nov-25	Open	0.60%

M-o-m Summary	Equity vs. Bonds	Large vs. Mid	Corp. Bond vs. G-Secs	ST vs. LT	USD vs. INR	Gold vs. Cash
% of Months calls issued	50.6%	83.5%	94.9%	91.1%	59.5%	75.9%
Success Ratio (%)	58.5%	43.9%	57.9%	51.4%	55.3%	56.7%
Avg. positive alpha	3.9%	2.4%	0.6%	0.6%	1.0%	3.8%
Avg. negative alpha	-2.6%	-2.2%	-0.6%	-0.9%	-0.7%	-3.3%
Avg. alpha	1.2%	-0.2%	0.1%	-0.1%	0.2%	0.7%

Source: Bloomberg. Assuming a 6% annualized yield for cash. Note: Returns as of 30th Nov 2025.

GLOBAL ASSET PERFORMANCE SNAPSHOT

	Asset	Current	1m	3m	6m	1y		Current	1m	3m	6m	1y
	Equities						Commodities					
Global	S&P 500 INDEX	6,849	0.1%	6.0%	15.9%	13.5%	TR Commodity CRB Index	301.5	-0.3%	-0.3%	3.8%	5.1%
Global	EURO STOXX 50 Price EUR	5,668	0.1%	5.9%	5.6%	18.0%	Indian Crude Oil Basket	64.2	-4.4%	-8.2%	0.6%	-11.8%
Global	FTSE 100 Index	9,721	0.0%	5.8%	10.8%	17.3%	Brent	63.2	-2.9%	-7.2%	-1.1%	-13.4%
Global	Nikkei 225	50,254	-4.1%	17.6%	32.4%	31.5%	Gold	4,239.4	5.9%	23.0%	28.9%	60.4%
India	NSE Nifty 50 Index	26,203	1.9%	7.3%	5.9%	8.6%	Aluminium	2,852.8	-0.9%	9.0%	17.0%	10.3%
India	NIFTY Midcap 100	61,043	2.0%	9.5%	6.3%	8.2%	Copper	518.6	1.9%	14.8%	10.9%	27.1%
India	NIFTY Smallcap 100	17,829	-3.0%	3.5%	-0.3%	-4.4%	Corn	435.5	0.9%	9.4%	-1.9%	3.0%
India	NSE Nifty 500 Index	23,933	0.9%	6.5%	5.0%	5.5%	Soyabean	1,137.8	2.0%	6.1%	9.3%	11.4%
	Fixed Income						Currencies					
Global	US Generic Govt 10 Yr	4.01%	4.08%	4.23%	4.40%	4.17%	Dollar Index	99.46	-0.3%	1.7%	0.1%	-5.9%
Global	German Bunds	2.69%	2.63%	2.72%	2.50%	2.09%	EUR/USD	1.16	0.5%	-0.8%	2.2%	9.7%
Global	JGB 10Yr Comp Yield	1.81%	1.67%	1.61%	1.52%	1.06%	USD/JPY	156.18	1.4%	6.2%	8.4%	4.3%
Global	UK Gilts 10 Yr	4.44%	4.41%	4.72%	4.65%	4.24%	GBP/USD	1.32	0.6%	-2.0%	-1.7%	3.9%
Global	China 10Y	1.83%	1.80%	1.79%	1.71%	2.03%	USD/CHF	0.80	-0.1%	0.4%	-2.2%	-8.7%
India	India 10Y	6.51%	6.53%	6.57%	6.29%	6.74%	USD/CNY	7.07	-0.6%	-0.8%	-1.7%	-2.4%
India	FBIL FBTB12M	5.51%	5.58%	5.59%	5.60%	6.60%	USD/HKD	7.79	0.2%	-0.1%	-0.7%	0.0%
India	India 10Y AAA	7.22%	7.25%	7.39%	7.03%	7.28%	USD/INR	89.46	0.8%	1.4%	4.5%	5.9%
India	India 1Y AAA	6.60%	6.65%	6.60%	6.63%	7.63%	USD/CAD	1.40	-0.2%	1.7%	1.7%	-0.2%

Source: Bloomberg Equity/Fixed Income Returns/Yields in local currencies. Commodities in USD. Numbers for Fixed Income are Yields as of Nov 30, 2025.

Glossary:

US: United States, GDP: Gross Domestic Product, EU: European Union, SD: Standard Deviation, CAGR: Compounded Annual Growth Rate, RBI: Reserve Bank of India, G-Sec: Government Securities, bps: Basis Points, REER: Real effective exchange rate, PE: Price to Earnings Ratio, UK: United Kingdom, AI: Artificial Intelligence, ETFs: Exchange Traded Funds, GST: Goods and Services Tax, IT: Information Technology, FMCG: Fast moving consumer goods, EPS: Earnings Per Share, RBI: Reserve Bank of India, CASA: Current Account and Savings Account, CD Ratio: Credit Deposit Ratio, INR: Indian Rupee; PMI: Purchasing Managers' Index; FY: Fiscal Year; CRR: Cash Reserve Ratio; YTD: Year to date

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