

CRYSTAL GAZE 2025

The year 2025 can be turning point for the overall world and Indian Economy as many challenges are there at the Global level which can affect the working of the Indian stock market and also put pressure on the economic growth rates.

US having new Guard:- The change in US President Mr. Donald Trump will change the equations of the world economy and USA relations with India may also change substantially as he has extensively called India a Trade Abuser in the campaign. This can hurt our \$ 250 billion IT industry as 80 % of the total billing in Indian IT sector is in dollars. This can huge repercussions in jobs in India as TCS, Infosys, wipro have significant exposure to the USA markets.

Geopolitical issues:- The Geo political issues like US Russia, Russia Ukraine war and Israel Gaza can take the crude oil prices to upwards level and this affects our balance of payment negatively. When Russia Ukraine war started our current account deficit had increased form 2.5 % to 7.9% as crude oil had touched \$ 130 per barrel. This had negatively affected the our balance of payment. Additionally it takes our inflation also on higher side which again negatively affects the market.

Tariff on Indian Products:- Trump has clearly warned BRICS nations that any attempt to disrupt dollar will make USA put 100 % tariff on the imports done by USA from BRICS nation. This is huge issue for India as USA is one the largest trading partners for Indian Economy. Issues like H1B visas where Indian quota is

65000 may get reduced, other issues like Zero import duty on Harley Davidson bike which was also a major trade issue between US and India during 2018 Trump administration time.

Fed Rate Cut:- US president is of clear view for fast Fed Rate cuts and if that happens in starting of 2025 it would make dollar more attractive and more FII money will flow back to USA leaving Indian stock markets in difficult times. This would affect the retail investors in big way whose portfolio are already in losses as the benchmark index have come down more than 10 % in the last 2 months. US Fed has already cut its rate two times 50 basis point and then 25 basis point and now the range of US Fed is 4.5 % to 4.75 % which is attracting investors globally from the earlier 5.5%.

FII selling:- The FII selling may also continue in 2025 as US may do rate cut, improve its business prospects and a strong dollar may put US into a demanding position as compared to India and rest of world. The FII have already sold Rs. 94,000 crore of shares in October 2024 and Rs. 21000 crore in November 2024. The selling in October 2024 was highest ever in one single month in the history of Indian stock market. Similar selling or even more could happen if there is Trade War between US and India or even US and China since FII usually sell the shares once they see any fear factor in the global economy.

Corporate Earning Slowdown:- The Quarter 2 of the Indian corporate world has witnessed clear slowdown in the net profit earnings. Companies like reliance had 3 % fall in net profit and Asian paints reported loss means it is quite serious situation. The

turnaround in the corporate earnings could take easily 9 months to 1 year which is where the economy GDP will see most of the pressure.

RBI stance:- RBI stand on the interest rates would be very important for the economy to see boost in demand and consumption. The Repo Rate is at 6.5 % which is now making house loan at 9.05 % and vehicle loan at around 10%. This is slowing the urban consumption and demand is lacking. US Fed, European Central Bank and Bank of England have already cut their rates making their cost of borrowing more attractive.

Budget 2025:- Indian corporate world would be waiting to see the budget 2025 as major game changer for the economy with the dynamics changing at the global level and also Indian Economy dealing with twin problems of High Inflation and Unemployment. Fiscal deficit which was at 4.9 % during July 2023 budget will be keenly watched macro data by the Foreign Institutional Investors. Rise in Fiscal deficit or not reducing by major margin could trigger major issues in stock market selling. The GDP of the country has been going through rough patch as the it is slowing reducing during last 5 years.

India's GDP Growth: A Mixed Trajectory

* FY18	6.8%
* FY19	6.5%
* FY20	3.9%
* FY21	-5.8%
* FY22	9.1%

* FY23 7.2%

* FY24 7.3%

* Q1FY25 6.7%

* Q2FY25 5.4%

RBI projection of 7.2 % GDP growth seems highly unlikely as there are major headwinds.