December 2024

2025
Global Investment Outlook

EERIMA
RISK MANAGEMENT IS UNDERRATED

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Executive Summary

Everyone is prepared for 2025 to be more of the same. And therein lay the risk arising out of complacency. Risk management may not imply being completely ready for the unforeseen but being aware of the unknowns and being mentally prepared for quick response and action. Mental preparedness of expecting the unexpected enables you to act during adverse pivots and thereby limit damage or get ahead to capitalize on opportunities.

The world's top think tanks believe that benign outcome that happened despite global upheaval during the past 24 months warrant a drop in guard and have projected more of the same in 2025.

Seemingly ordinary events and simple processes might throw up complex situations and outcomes. Just that we need to stick to basics now than ever before and not deviate from the script despite lucrative / illusory distractions.

Easier said than done.

Keep Grinding.

More of the same?

Global Big boys club (page 6 of this report) believe that 2024 spillover is expected to continue and no REAL surprises. Geopolitics is the real risk and USD strength is a given.

India chugging is real

Indian economists as well as Global institutions believe 2025 and beyond India is the top GDP growth economy. The only hope is we don't do Hara-Kiri in the slog overs.

Hold your horses

Broad equity indices have done yet another encore in 2024, so Indian equity investors certainly need to temper their expectation in 2025.

The poorer cousin

Cyclical tailwinds are favoring Indian Fixed Income. But only the smart Alecs will capitalize and trump the risk takers and make riskless (risk like) returns.

Global Setting

STATE OF THE MARKET

2024 has been a year of notable transitions for the global economy. Geopolitics took centre stage once again; with conflicts in Ukraine continuing to ripple across markets and Taiwan emerging as a focal point of tension between major powers. Despite this, most regions managed to sidestep outright crises, and global stability, though fragile, held firm.

Economically, the western world saw a measured rebound. The US continued to demonstrate its resilience with steady growth, while Europe navigated challenges without slipping into deflationary territory. Concerns around a potential hard landing for China eased, thanks to effective policy maneuvers, and commodity prices, buoyed by steady demand, provided much-needed relief for resource-dependent economies.

Risk assets enjoyed another year of relative stability, with volatility levels remaining manageable despite market jitters over speculative bubbles in certain sectors. While it is clear that the extended bull market is approaching its twilight, there appears to be enough momentum to sustain positive sentiment in the near term. Investors globally approached 2024 with caution, but optimism prevailed as opportunities continued to present themselves in select markets and sectors.

01 2024 - A year in review

The themes that shaped the year are on steroids...

- 2024 marked the completion of the recovery cycle from the pandemic, transitioning into a phase of stabilization in most developed economies.
- Prolonged conflicts in Ukraine and escalating tensions in Taiwan influenced global markets, impacting supply chains and commodity prices.
- A coordinated easing cycle by major central banks aimed at supporting growth was a defining feature, despite lingering inflation concerns.
- The rapid advancements in artificial intelligence and green technologies spurred growth in tech-heavy economies but created overvaluation risks.
- India, ASEAN, and select Latin American countries emerged as key growth drivers, attracting significant foreign investments.
- A growing emphasis on sustainable investments and climate adaptation shaped capital allocation strategies globally.

1 **Geopolitical Conflicts**
Russian/Ukraine - Israel/Hamas

2 **Sticky Inflation**
US inflation and its rub-off

3 **Trade Wars**
US / China and its spillover

4 **India - An isle of growth**
Stable Govt. Policies / inflation

GIM - A Big Daddy Summary

Global Investment Outlook from the global investment banks is summarized in a tabular format..

	GEOPOLITICAL TENSIONS	INFLATION & MONETARY POLICY	GLOBAL GROWTH FRAGMENTATION	MARKET VOLATILITY	CLIMATE & ESG RISKS	ENERGY TRANSITION CHALLENGE
INVESCO	Taiwan tensions are expected to disrupt global technology supply chains, while US-China tensions continue to simmer.	Inflation risks are likely to reemerge due to wage pressures and fiscal policies, impacting monetary policy normalization.	Asia, led by India and ASEAN, is expected to drive growth, while Europe struggles with structural challenges.	Tech sector valuations, driven by AI optimism, may face corrections as markets adjust.	The slow adoption of decarbonization policies could delay global efforts to tackle climate change.	Scarcity of critical materials and infrastructure hurdles could hamper the green energy transition.
Goldman Sachs	Trade disputes, particularly between the US and China, could intensify, alongside rising tariffs impacting global trade.	Divergent easing cycles among central banks globally may lead to uncertainty in monetary adjustments across regions.	Uneven growth recovery is expected, with the US and emerging markets outperforming Europe and Japan.	Tight credit spreads in the bond market could limit opportunities for investors amidst volatile conditions.	Greenwashing concerns may weaken investor confidence in ESG investments, despite their rising popularity.	Rising energy demand globally is creating challenges in balancing renewables with existing infrastructure.
BNP Paribas	Ongoing conflicts in Ukraine and the Middle East continue to strain energy markets and geopolitical stability.	Inflation may resurface due to expansive fiscal policies, creating challenges for central banks to sustain easing cycles.	China's recovery remains uncertain, and weak growth is anticipated in the Eurozone, especially in key economies.	USD strength could increase volatility in emerging markets, impacting asset valuations and capital flows.	Investment in climate adaptation is insufficient, increasing risks associated with global warming.	Weak infrastructure and grid connectivity are significant challenges for renewable energy projects.
UBP	Middle East instability poses a threat to oil supply and trade, while regional conflicts escalate geopolitical uncertainties.	Service sector inflation and sticky wages may slow monetary easing efforts across major economies.	Europe faces risks of stagnation, while growth in China remains fragile due to structural and policy constraints.	Fiscal imbalances may stress bond markets, leading to higher volatility in fixed-income investments.	Climate risks remain under-addressed, particularly in regions with low resilience to environmental shocks.	Delays in renewable energy adoption, especially in emerging economies, could stall transition progress.

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J.P. Morgan	Increased trade frictions under the US administration may disrupt global supply chains and regional trade relationships.	The ongoing easing cycle benefits certain economies, but fiscal pressures and potential stagflation remain concerns.	The US and Japan are likely to outperform, while emerging markets grapple with structural reforms and debt burdens.	Real estate markets show uneven recovery, with increased volatility in both developed and emerging regions.	ESG initiatives face implementation challenges, focusing on achieving measurable outcomes for investors.	Critical infrastructure investments remain essential to support the global energy transition efforts.
Colliers	Middle East conflicts and rising geopolitical tensions in Asia create instability in supply chains and inflationary pressures.	Energy shocks and regulatory uncertainties may increase inflation risks, complicating monetary policy globally.	APAC, EMEA, and the Americas exhibit uneven recoveries, with localized economic challenges in specific sectors.	High costs in real estate markets continue to create stress, particularly in commercial segments.	A growing emphasis on green credentials in real estate highlights the need for climate-friendly projects.	Data centers and renewable energy projects face constraints due to energy shortages and rising demand
Barclays	Geopolitical uncertainties in Europe, the US, and Asia could destabilize regional economic growth and trade relations.	Tariff-driven inflation and slower rate adjustments may challenge central bank efforts to stabilize economic conditions.	The Eurozone faces mild recovery challenges, while the US remains a leader among developed markets in growth recovery.	Tightening credit conditions and AI-driven speculation increase the risk of volatility in technology sectors.	Progress in ESG investments remains slow, with gaps in regulatory frameworks affecting implementation.	Trade tensions and supply chain disruptions may impede renewable sector expansion in key markets.
Fidelity	Trade frictions between the US, China, and the EU, alongside Middle East conflicts, may disrupt global economic activity.	Fiscal easing in the US is expected to push inflation higher, leading to risks of stagflation in later cycles.	Diverging growth rates are expected, with the US outperforming, while the Eurozone struggles with economic stagnation.	Volatility in tech-heavy sectors, fueled by speculative AI investments, poses risks to portfolio stability.	ESG-driven investments may face regulatory pressures, impacting their long-term credibility and growth.	Delayed renewable energy initiatives could hinder progress in achieving decarbonization targets globally.

GLOBAL ASSET DIVERSIFICAITON

Investment Diversification the need for HNI/UHNI Investors in 2025 and beyond.

In recent years, Indian HNI (High Net-Worth Individuals) and UHNI (Ultra High Net-Worth Individuals) households have experienced significant growth in wealth, driven by strong performance across various asset classes, including equities, real estate, and alternative investments. The equity market, in particular, has seen strong returns, with sectors such as technology, renewable energy, and healthcare providing promising growth opportunities. As a result, HNIs and UHNIs have accumulated substantial wealth in a relatively short period.

However, a substantial portion of this wealth remains concentrated within India, leaving investors exposed to risks tied to the Indian Rupee (INR) and the volatility of domestic economic conditions. While it is common for investors to have a high level of local currency exposure, emerging-market HNIs are increasingly looking toward global markets, particularly developed economies, to diversify their assets and reduce reliance on domestic economic cycles.

To mitigate risks and enhance stability, Indian HNI/UHNI investors should consider diversifying their portfolios across global assets and currencies. Diversifying into developed market currencies, including the US Dollar (USD) and Euro, as well as global assets such as international equities and fixed-income instruments, will help reduce domestic exposure and provide greater long-term growth opportunities.

HNI / UHNI need Investment Diversification in 2025 and beyond.

With the global economic uncertainty of 2024, including inflationary pressures, central bank policy adjustments, and geopolitical tensions, the USD is expected to remain strong in the medium term. Given the potential for further tightening by the US Federal Reserve and the resilience of the US economy, increasing USD exposure in portfolios makes sense. Indian HNI/UHNI investors can benefit from diversifying into USD-denominated assets and global equities, particularly in sectors such as technology, renewable energy, and infrastructure, where the US market remains a global leader.

Allocating to global assets, including US-based equities, fixed-income securities, and alternative investments, will allow Indian investors to capitalize on the strength of the US Dollar over the next few years while balancing domestic market risks. A gradual approach to USD exposure, starting small and scaling over time, will be a prudent strategy to build a diversified global portfolio.

Emerging Market Opportunities and Global Economic Shifts

While global diversification is essential, India remains one of the most attractive emerging markets. As the world's fifth-largest economy in 2024, India offers significant opportunities in sectors such as renewable energy, electric vehicles, technology, and healthcare. India's focus on infrastructure development, digitalization, and sustainability aligns with global investment trends, making it an attractive destination for long-term growth.

At the same time, the global economic landscape is undergoing significant shifts, with rising competition from other emerging markets like Vietnam, Brazil, and Mexico. As the global economy recovers from the impacts of the pandemic, investors will need to navigate both domestic and international opportunities carefully. Indian HNIs and UHNIs must remain agile, adjusting their portfolios to leverage both global diversification and domestic growth opportunities in sectors poised for expansion.

04

2025 - Indian Investment Outlook

Economy on a strong wicket, continued political stability but rapidly changing geopolitics puts outlook in delicate balance.

CITIUS. ALTIUS. FORTIUS

Indian Economy - Never had it better

India's economy has witnessed significant improvements in key macroeconomic indicators over the past decade. Steady GDP growth, declining consumer inflation, and improved employment metrics underscore a stable economic environment. Supporting indicators such as industrial production (IIP), PMI, and corporate balance sheets have further strengthened.

MACRO INDICATORS	2020	2021	2022	2023	2024E	2025P
GDP Growth Rate (Real)	6.1%	8.3%	7.0%	6.8%	7.2%	7.5%
Consumer Inflation	5.9%	5.1%	5.6%	5.4%	5.2%	4.9%
Unemployment Rate	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%

Source: World Economic Situation & prospects: UN

This trend of stability and growth is expected to continue, bolstered by favorable global conditions, stable monetary policies by the RBI, and the government's commitment to structural reforms.

Politics is Minesweeper. One wrong more and the knives are out.

India's political stability has been a cornerstone of its economic journey, providing a strong foundation for growth and reform. Over the past decade, the current government has solidified its power, ensuring policy continuity at both the central and state levels. This dominance has enabled the successful implementation of critical economic reforms, ranging from infrastructure development to financial inclusion initiatives.

2025 Market Commentary

Indian equities have demonstrated remarkable strength in recent years, underpinned by robust macroeconomic fundamentals and a steady trajectory of corporate earnings growth. As 2025 unfolds, this momentum is expected to continue, albeit with pockets of caution due to valuation concerns in specific sectors. High-quality companies with consistent earnings performance are likely to continue to perform, providing ample opportunities for investors.

The equity market is poised to deliver high single digits to low-teen returns, with particular strength anticipated in select financials, consumer discretionary, few pockets in infrastructure, and manufacturing sectors.

These areas are expected to benefit from ongoing reforms, increased capital expenditure, and rising consumer demand. While equity markets remain the most compelling asset class, fixed income is emerging as a viable and strong alternative in 2025.

With inflation moderating recently and interest rates stabilizing, long-duration bonds are expected to deliver peak cycle returns and exposure to medium/long duration debt is warranted.

In the real estate sector, the residential market is projected to experience moderate growth, supported by stable demand and improving affordability metrics. Commercial Real Estate (CRE), especially in tier-1 cities, is set to see robust demand, driven by the expanding services sector and increased investments in office spaces. **That makes REIT investing a compelling over residential large ticket investment going forward into 2025. We believe that over the next 3 years, current REIT players would see heightened competition, which is good for investors looking into this asset category.** There would be a variety of options in this space over the next several years.

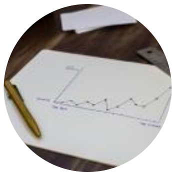
India's domestic market continues to stand out as one of the most promising investment destinations globally. The combination of resilient economic fundamentals, proactive governance, and a growing middle class ensures that the market remains a focal point for both domestic and international investors seeking sustainable growth.

Asset returns outlook 2025

We believe that broad equity returns would become tougher and micro selection is the key to higher returns. However, other assets also do offer good returns if you are willing to find value and temper expectations.

A patient investor would turn out to be a smart investor in 2025.

Easier said than done.



Indian Equities

7%-12%

Indian Fixed Income

8%-14%

Gold

5%-10%

CRE

8%-12%

Important Information

The opinions expressed are those of the author, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other EERIMA employees. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties and assumptions; there can be no assurance that actual results will not differ materially from expectations. All data as October 31 2024, unless otherwise stated. All data is USD, unless otherwise stated.

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Office 11, Venus 1
COSMOS REGENCY
THANE (W) 400 615
E-mail: client@qualscore.in
Mob: +91 80970 20044