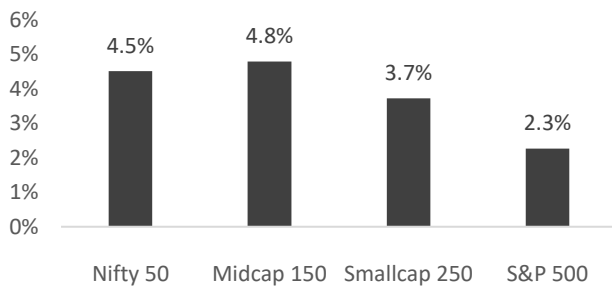


Turn in the Tide: FIIs, IPOs, and the Next Leg of Growth

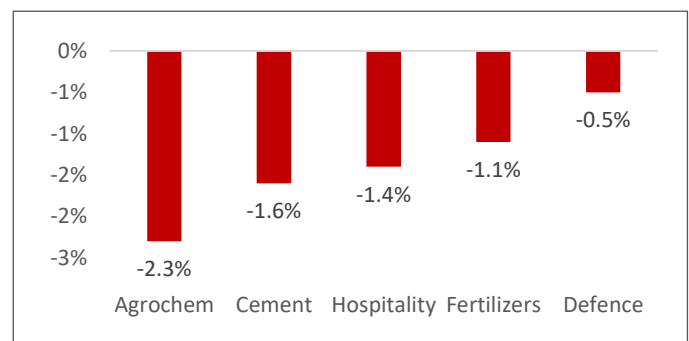
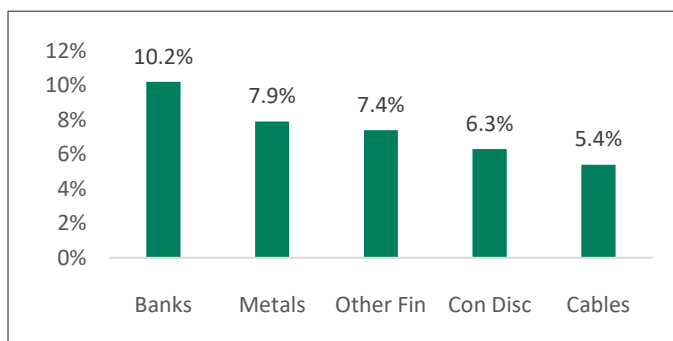
Oct'25

October marked a strong rebound for Indian equities. After months of persistent selling, foreign investors turned net buyers with inflows of around US \$1 billion, led largely by primary market participation. The IPO pipeline regained momentum with notable issues such as LG Electronics India and Tata Capital, signaling renewed investor appetite. Market optimism is supported by expectations of an earnings revival in the coming quarters, aided by recent tax cuts and a softer interest rate regime. Meanwhile, the impact of U.S. tariffs appears largely priced in; any constructive development on that front would be a tailwind.



- Strong up move in Indian markets this month; Nifty 50 now near its previous high
- Midcap 150 in step with Nifty 50; smallcap and microcap indices yet to catch up
- US markets continue to move up given good earnings and soft inflation numbers; some analysts have started talking of a bubble
- Huge volatility in Silver and Gold; Aluminum and Copper prices were up

Sectoral trends this month: Leaders and Laggards



Charts depict the monthly average return for a stock in respective sectors

- The market displayed better breadth than in the previous few months; there were positive price moves across various sectors
- Improved credit growth, expected NIM improvement and speculation on flexible FDI ownership were some reasons behind the strong investor interest in banks and other financials
- Rising metal prices reflected in stock price movements
- Revival in consumer demand showed up in the sectoral price movement as well

Chart of the month

S&P 500 forward P/E multiple



- As per Goldman Sachs, the five largest US stocks trade at a valuation of 29x; this is below tech bubble (40x) and 2021 (50x) levels
- There are pockets of froth but on the other hand earnings for many of these companies have shown robust growth
- In case of major technological changes in the past, massive investment cycles have occurred for many years
- The consensus seems to be that even if US tech is in a bubble, it is in its early stages