



Monthly Newsletter

VALTRUST MOMENTUM

January 2026



2025 Year in a Review

2025 turned out to be a year where, on the surface, markets appeared to perform well, with most broad indices closing in positive territory. However, a closer look revealed a very different picture. Nearly three out of every four stocks ended the year in negative territory.

At the end of 2024, almost 30% of stocks listed on the National Stock Exchange had delivered gains of more than 50%. By the end of 2025, this figure had dropped sharply to just around 5%, clearly indicating that the velocity in stocks has largely disappeared.

On the global stage, among the top 45 stock markets, Indian markets were among the weakest performers. While real GDP growth remained robust, nominal GDP growth slowed due to lower inflation. At the same time, 2025 turned out to be a record year for capital raising, with over ₹2 lakh crore mobilised through Initial Public Offerings.

Selling by Foreign Institutional Investors (FIIs) continued through the year. Net foreign outflows of US\$19 billion marked the largest annual sell-off since 2001. The last time we witnessed such heavy FII selling was in 2022, which coincidentally was also another dull year for momentum strategies.

In Asia, the best-performing market was South Korea's KOSPI. However, it is worth noting that the KOSPI began 2025 at roughly the same levels where it stood in late 2017 / early 2018. In comparison, Indian markets have delivered significantly better long-term performance since 2018. Mark Twain famously said, "History doesn't repeat itself, but it does rhyme."

What we witnessed in 2025 bears a strong resemblance to 2018–2019, when broader indices held their ground even as small-cap stocks faced severe declines.

One of the biggest continuing overhangs for global markets remains Donald Trump's trade policies. Although India's direct export dependence on the US is lower, high tariffs have adversely impacted sectors such as textiles and seafood, where the US remains the largest market.

Despite the muted market environment, 2025 has been a productive year from a reform perspective. The year began with a landmark Union Budget in which salaried individuals were exempted from income tax up to ₹12 lakh. The government also advanced discussions on labour reforms, and most notably, the GST structure underwent a major overhaul, with the elimination of two slabs and rate reductions on several items of mass consumption. Indian equity valuations have moderated meaningfully compared to where they began the year. While valuations are not yet in the deep value zone, this moderation does help reduce the risk of a sharp market correction. No one can predict the future, but we remain hopeful that 2026 will prove to be a stronger year than the one just concluded.

This month marks the completion of three years for the strategy, and based on long-term performance, we expect our returns to remain competitively placed within the top quartile of comparable strategies.

Thank you for your continued trust and for being part of the Valtrust journey.