

# 2023: A cheery finish to a volatile year

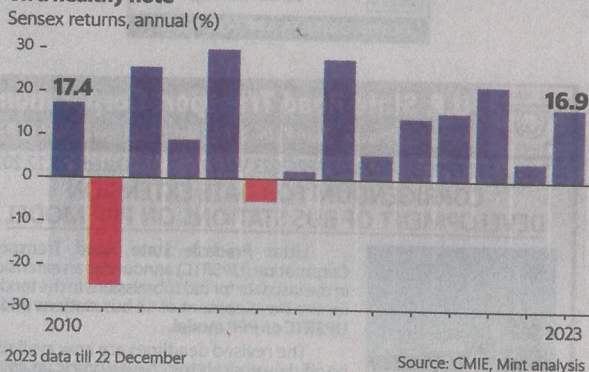
The year 2023 was a topsy-turvy one for Indian equities, with concerns over inflation, elevated interest rates, US bond yields, and geopolitics bogging down sentiment. The fag end saw a fascinating turn in attitudes, pushing indices to new highs. A strong macroeconomic backdrop makes the market outlook promising, with some anxiety likely before the general elections.

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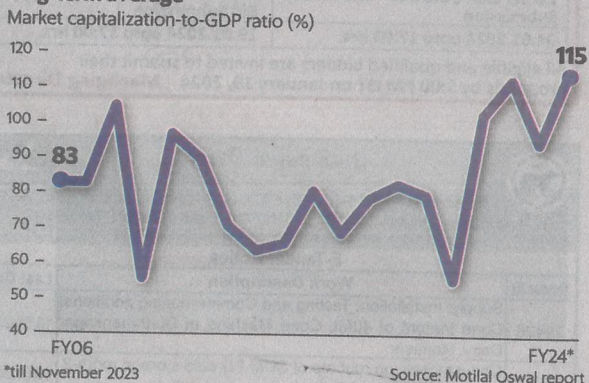
## THE REPORT CARD

The year-end rally means the stock market is set to post double-digit gains for the eighth year in a row. Towards the end, investor sentiment got a big boost from strong GDP data and a dovish US Fed. The result: India's market capitalization is now past \$4 trillion, narrowing the gap with fourth-ranked Hong Kong. However, the overvaluation is a concern.

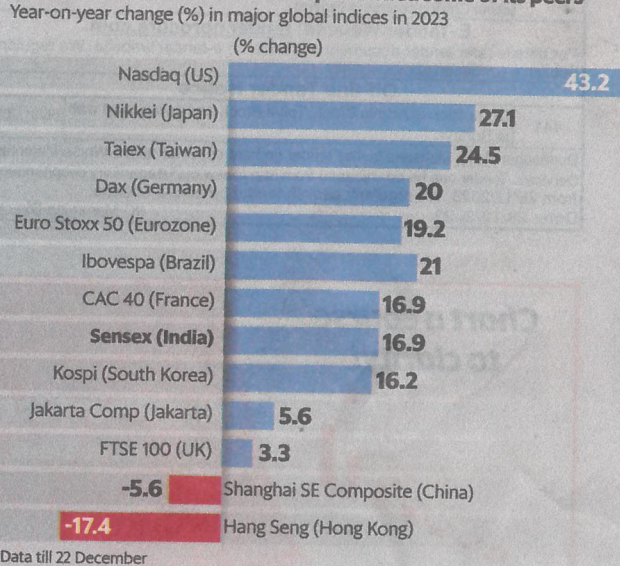
### After a consolidation in recent months, markets end on a healthy note



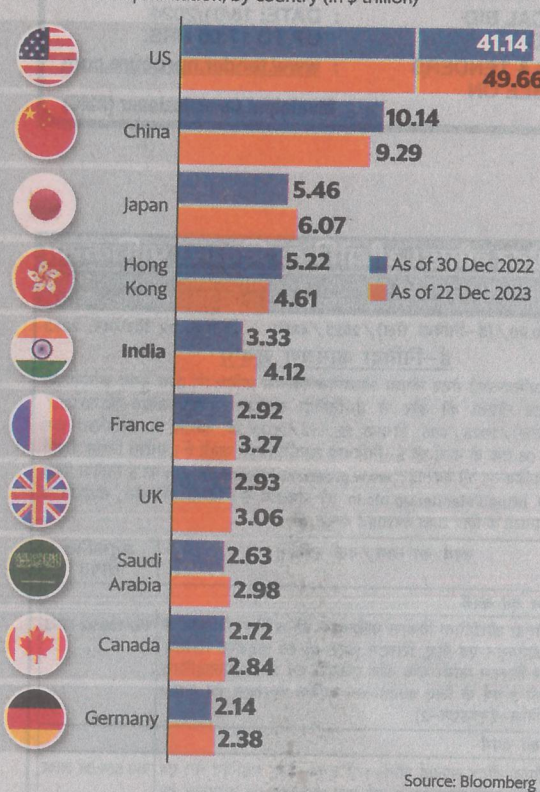
### Market cap-to-GDP ratio has raced past the long-term average



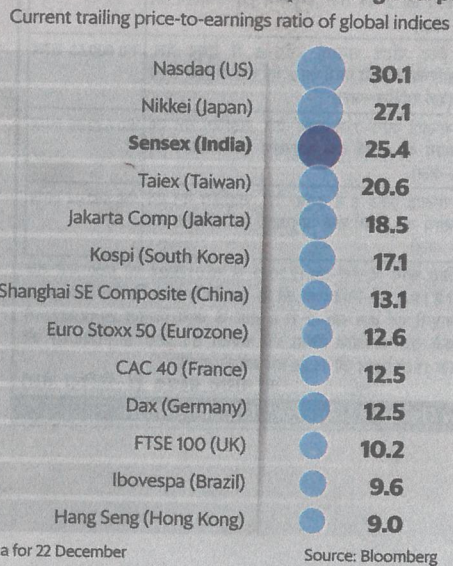
### The Indian share market has outperformed some of its peers



### With the current rally, India is fast closing in on Hong Kong



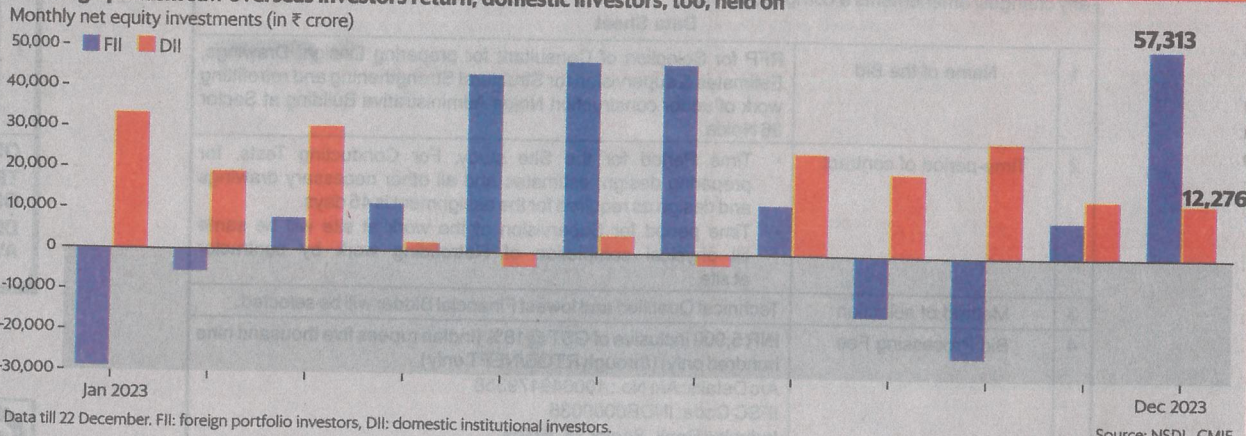
### Yet, it is more expensive compared to global peers



## THE BIG DRIVERS

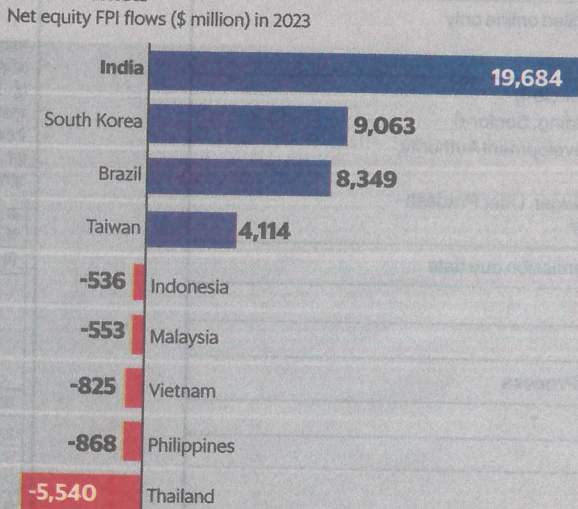
The good show in the last two months was marked by the gradual return of foreign institutional investors (FIIs). India also was one of the most favoured destinations of foreign portfolio investors (FPIs) this year, even as domestic investors continued to lend support. A key theme was the strong show of small- and mid-cap stocks, which outdid large-cap stocks by far.

### Growing optimism saw overseas investors return; domestic investors, too, held on



**31.2x**  
The P-E ratio of the small-cap index, higher than Sensex (25.4)

### Despite early jitters, foreign funds continue flock to Indian markets

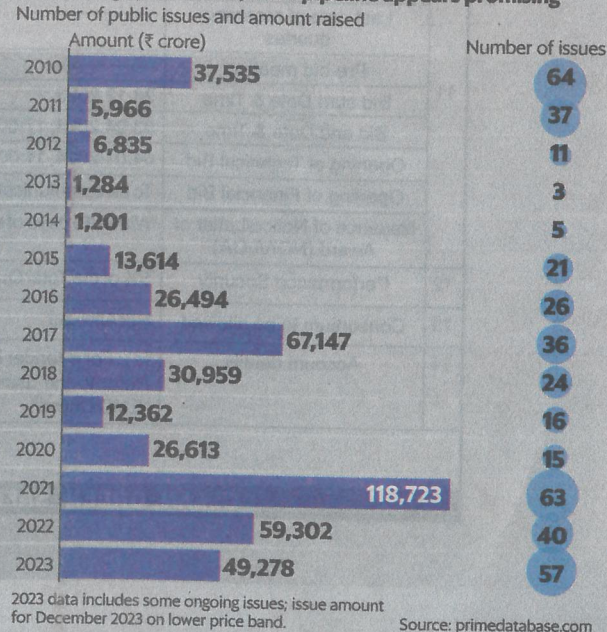


**₹28,440 cr**  
Value of planned IPOs that have received the regulator's approval

## NEW ENTRANTS

The primary markets, too, are back in action after a dull start to the year. In recent months, the number of initial public offers (IPOs) has surged remarkably and a booming IPO market is drawing investors to newly-listed stocks. The segment is expected to remain strong for now.

### IPO pulse grips D-street, issue pipeline appears promising



### Mid and small cap stocks have been on a dream run

