

Macroeconomic Sensitivity, Sectoral Rotation and Investment Potential in the Indian Equity Market: Evidence from NSE Sectoral Indices

Arjit Uppal, Monika Chaudhary*

Department of Commerce, JVVU, Jaipur, India

uppal.arjit@gmail.com

*Corresponding Author: Dr. **Monika Chaudhary**, Associate Professor, Department of Commerce, JVVU, Jaipur, India

Article Received on: 13/05/25; Revised on: 22/05/25; Approved for publication: 17/06/25

Keywords:

Sectoral performance;
Indian stock market;
Sectoral rotation;
Investment strategy;
Macroeconomic variables; NSE indices; BSE

How to Cite this Article:

Uppal and Chaudhary
Macroeconomic Sensitivity, Sectoral Rotation and Investment Potential in the Indian Equity Market: Evidence from NSE Sectoral Indices Int. J. Sci. Info. 2025; 3(3): 130-141

Abstract

Purpose: This paper examines how sector-specific performance in the Indian equity market changes with macroeconomic conditions and how such changes can guide sectoral rotation and portfolio allocation. The study extends the earlier comparative sectoral analysis by giving sharper attention to macroeconomic sensitivity, policy-linked opportunities, and defensive versus cyclical investment behaviour. **Design/methodology/approach:** The paper is based on secondary data drawn from NSE and BSE sectoral indices, RBI and Ministry of Finance macroeconomic releases, World Bank indicators, SEBI reports, and sectoral policy documents. Six representative sectors - information technology, pharmaceuticals, fast-moving consumer goods, financial services, energy, and infrastructure - are analysed using annualized return, price-to-earnings ratio, market capitalization, beta, and correlation with GDP growth, inflation, repo rate and exchange rate movement. **Findings:** The results indicate that IT produced the highest long-period average return, while financial services and infrastructure showed the strongest linkage with GDP growth. FMCG and pharmaceuticals behaved as relatively defensive sectors, whereas energy and infrastructure remained policy-sensitive and cyclical. Exchange-rate movement was especially relevant for export-oriented IT and pharmaceutical companies. **Originality/value:** The paper contributes an integrated rotation framework for Indian investors by combining risk-return analysis with macroeconomic triggers. It argues that portfolio construction in emerging markets should not rely only on historical returns but should also incorporate inflation, interest-rate cycle, currency movement, fiscal expenditure and sector-specific policy direction.

1. Introduction

The Indian equity market has moved from a narrow savings channel to a large, diversified and internationally visible capital market. It performs three linked functions: it mobilizes long-term capital for companies, offers households and institutions a route for wealth creation, and reflects expectations about the future direction of the economy. In a market such as India, where growth is driven by services, consumption, manufacturing, infrastructure and digital finance together, aggregate index movement often hides important sectoral differences. A broad index may rise because a few sectors are performing strongly, while other industries may be correcting because

of regulatory pressure, weak demand, high input costs or changes in interest rates. For this reason, sectoral analysis has become an essential tool for investors, fund managers and policy researchers.

The research problem of this paper is rooted in the fact that sectoral performance is not random. Each sector has its own earnings cycle and macroeconomic exposure. Information technology and pharmaceuticals earn a large share of revenues from international markets and therefore react to global demand and exchange-rate movements. FMCG depends heavily on household consumption, rural income and input cost inflation. Financial services are connected with credit growth, liquidity, banking regulation and interest-rate direction. Energy responds to global commodity prices, subsidy policy, renewable transition and geopolitical uncertainty. Infrastructure depends on public capital expenditure, project execution, credit availability and private investment appetite. Thus, a useful investment study must explain not only which sector performed better, but also why it performed better and under which macroeconomic condition it may continue to outperform.

The Indian context is particularly important because the economy has shown resilience despite pandemic disruption, global inflation, monetary tightening and supply-chain uncertainty. The Economic Survey 2024-25 estimated real GDP growth at 6.4 per cent for FY25 and projected FY26 growth in a 6.3 to 6.8 per cent range, while noting softening inflation and continued emphasis on infrastructure investment (Ministry of Finance, 2025). The Reserve Bank of India later projected stronger FY2025-26 growth at 6.8 per cent with a relatively stable policy stance (RBI, 2025). These macro conditions create a useful background for examining sectoral rotation. When growth is strong and interest rates are stable or falling, financials, infrastructure and discretionary sectors generally gain. When inflation or global uncertainty rises, defensive sectors such as FMCG and pharmaceuticals become more relevant. When the rupee weakens, exporters such as IT and pharmaceuticals may receive margin support.

This paper is designed as the second research paper under the broader topic of sectoral performance and investment opportunities in Indian share markets. The first paper provided a comparative overview of major sectors and presented descriptive results. The present paper builds on that foundation by developing a macroeconomic sensitivity and sectoral rotation framework. The central argument is that investors in the Indian market should not treat sectoral indices as static return categories. Instead, they should evaluate them as dynamic assets whose attractiveness changes with growth, inflation, interest rates, currency movement, public expenditure and sectoral policy reforms.

The study has four objectives. First, it evaluates the relative performance of six key sectors in the Indian equity market. Second, it examines how macroeconomic variables influence sectoral returns and risk. Third, it identifies investment opportunities in both traditional and emerging segments linked with digitalization, renewable energy, healthcare and infrastructure. Fourth, it proposes practical portfolio implications for investors seeking diversification in an emerging market environment. The contribution of the paper lies in connecting empirical sectoral patterns with actionable investment interpretation. It therefore addresses the gap between academic sectoral return studies and applied portfolio decision-making.

2. Literature Review and Theoretical Background

The literature on equity market performance can be grouped into four broad streams relevant to this study: portfolio theory, market efficiency, macroeconomic determinants of stock returns, and

sectoral rotation. Classical portfolio theory argues that investors should evaluate expected return in relation to risk and should diversify across assets whose returns are not perfectly correlated (Markowitz, 1952). The capital asset pricing model further explains that systematic risk, measured through beta, is central to expected return (Sharpe, 1964). These ideas are directly applicable to sectoral allocation because each sector carries a different level of market risk. A high-beta sector such as financial services may provide stronger returns during expansion but may also fall faster during stress. A low-beta sector such as FMCG may not always lead the market, but it can protect portfolio value during downturns.

A second theoretical stream comes from the efficient market hypothesis, which suggests that stock prices incorporate available information (Fama, 1970). In practice, emerging markets display periods of inefficiency because of information gaps, behavioural biases, liquidity constraints and regulatory changes. Sectoral mispricing can therefore occur when investors underreact to policy reforms, overreact to short-term shocks, or ignore macroeconomic linkages. For example, a market correction in energy companies may not fully reflect the long-term benefits of renewable capacity expansion. Similarly, a high valuation in FMCG may be justified by stable earnings, but it may also signal limited future upside if demand growth slows.

The third stream studies the macroeconomic determinants of stock returns. Chen, Roll and Ross (1986) showed that macroeconomic variables can explain equity returns through risk factors such as production growth, inflation, interest rates and risk premiums. In the Indian market, GDP growth, CPI inflation, repo rate and exchange rate are especially relevant. GDP growth affects revenue and credit demand. Inflation affects input costs and consumer demand. Repo-rate changes influence borrowing costs, bank margins and discounted valuations. Exchange-rate movement changes export earnings and import costs. Therefore, sectoral returns should be interpreted through a macroeconomic lens, not as isolated market outcomes.

The fourth stream is sectoral rotation. Sectoral rotation refers to shifting investment from one sector to another according to economic cycles. During early recovery, financials, infrastructure and industrials may outperform because credit demand and capital expenditure rise. During mature expansion, consumer sectors and technology may remain strong. During slowdowns, defensive sectors such as FMCG and healthcare may provide stability. In emerging markets, government policy can intensify these rotations. India's infrastructure push, digital payments expansion, production-linked incentive schemes, renewable energy targets and capital market reforms are not merely policy announcements; they influence earnings expectations and market valuations.

Prior Indian studies and the preliminary paper on sectoral dynamics have generally highlighted that IT, pharmaceuticals and FMCG show resilience, while financials, energy and infrastructure are more cyclical. However, the gap is that many studies present sectoral performance descriptively without converting the findings into a macro-triggered investment framework. This study addresses that gap by classifying sectors according to return, valuation, beta and macroeconomic sensitivity. It also brings recent official and market developments into the interpretation. NSE maintains multiple sectoral indices, including Nifty Financial Services, Nifty FMCG, Nifty IT, Nifty Pharma and Nifty Oil and Gas, which provide a transparent basis for sectoral tracking (NSE India, 2026). SEBI's continued reporting on capital market development and investor protection further underlines the institutional maturity of the Indian securities market (SEBI, 2025).

Based on this review, the study proposes the following hypotheses. H1: GDP growth has a stronger positive association with financial services and infrastructure than with defensive sectors. H2: Exchange-rate depreciation is more favourable for IT and pharmaceuticals than for domestic consumption-oriented sectors. H3: Higher inflation has mixed effects, supporting pricing-power sectors such as FMCG and energy but pressuring sectors with weak cost pass-through ability. H4: A diversified sectoral rotation strategy can provide a better risk-return balance than concentration in a single high-performing sector.

3. Research Methodology

The study follows a quantitative, descriptive and analytical research design. Quantitative design is appropriate because the purpose is to evaluate sectoral return, valuation, market capitalization, beta and correlation with macroeconomic indicators. The analysis is not based on primary survey responses; rather, it uses secondary financial and macroeconomic information. The selected sectors are information technology, pharmaceuticals, FMCG, financial services, energy and infrastructure. These sectors were selected because they represent different economic functions and investment profiles in the Indian market. IT and pharmaceuticals are export-linked sectors; FMCG is a consumption and defensive sector; financial services represent credit and liquidity conditions; energy reflects commodity and transition risk; infrastructure captures public capital expenditure and long-term growth.

The study period is primarily FY2014 to FY2024, with interpretive extension to 2025 and 2026 where updated official or market information is relevant. Sectoral indicators include average annual return, price-to-earnings ratio, market capitalization and beta. Returns are interpreted as average annualized returns from sectoral indices. The P/E ratio is used as a valuation indicator, while market capitalization indicates the relative size and systemic importance of each sector. Beta is used as a risk indicator. Macroeconomic indicators include GDP growth, inflation, repo rate and USD/INR exchange-rate movement. These variables were selected because they are consistently reported by public authorities and are commonly used in financial market studies.

The analytical techniques are descriptive statistics, comparative ranking, correlation interpretation and sectoral classification. Descriptive analysis summarizes return, valuation and market size. Comparative ranking identifies relative outperformance or underperformance. Correlation interpretation evaluates the direction and intensity of macroeconomic sensitivity. Sectoral classification then converts the statistical findings into an applied investment framework. This approach is suitable for a Scopus-style applied finance paper because it combines financial data, macroeconomic interpretation and investor implications.

The data sources include NSE and BSE sectoral indices, RBI monetary policy and macroeconomic publications, Ministry of Finance Economic Survey documents, World Bank macroeconomic data, SEBI market reports, NASSCOM industry review, MNRE renewable energy updates and NPCI digital payment statistics. The paper also uses the initial sectoral dataset developed in the earlier comparative research paper as a baseline for return, P/E ratio, market capitalization and correlation interpretation. To maintain academic caution, the findings are presented as sector-level patterns rather than company-specific buy or sell recommendations.

There are certain methodological limitations. First, sectoral indices are proxies and may not fully capture the diversity of firms within a sector. Second, correlation does not prove causation; a sector may respond to a macroeconomic factor indirectly through earnings expectations or investor

sentiment. Third, the analysis does not isolate firm-level management quality, leverage, corporate governance or valuation anomalies. Fourth, global shocks such as wars, oil price spikes and sudden capital outflows can temporarily override domestic macroeconomic patterns. Despite these limitations, the methodology is appropriate for identifying broad sectoral behaviour and investment opportunities in the Indian equity market.

4. Results and Analysis

The descriptive results show a clear difference in sectoral return and risk. IT recorded the highest average annual return at 17.5 per cent during 2014-2024. Financial services followed with 14.6 per cent, while pharmaceuticals returned 13.8 per cent and FMCG 12.2 per cent. Energy and infrastructure produced comparatively lower average returns of 9.8 per cent and 10.4 per cent, respectively. This ranking suggests that export-driven technology and credit-linked financial services have been important wealth creators, while policy-linked physical sectors have offered more cyclical and uneven returns.

Figure 1. Average Annual Sectoral Returns, 2014-2024

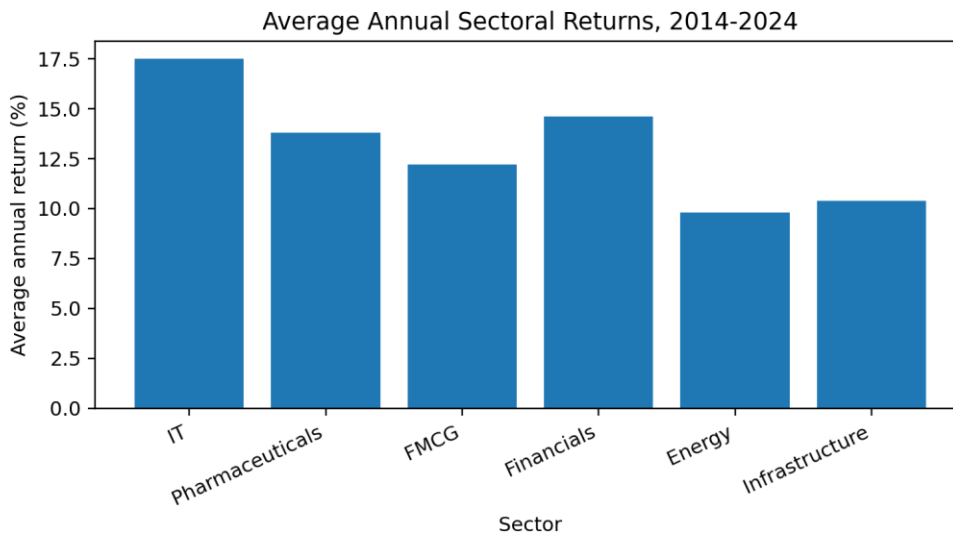


Table 1. Sectoral performance profile, 2014-2024

Sector	Avg. annual return (%)	Avg. P/E ratio	Market cap (Rs. crore)	Interpretation
Information Technology	17.5	28.2	25,00,000	High-growth, export-oriented
Pharmaceuticals	13.8	24.1	9,00,000	Defensive growth
FMCG	12.2	35.6	12,00,000	Low-volatility consumption
Financial Services	14.6	22.4	30,00,000	High-beta cyclical
Energy	9.8	18.7	18,00,000	Commodity and policy-linked

Infrastructure	10.4	19.3	15,00,000	Long-term capex theme
----------------	------	------	-----------	-----------------------

Valuation patterns show a different picture. FMCG recorded the highest average P/E ratio, reflecting the premium investors assign to stable cash flows, strong brands and low volatility. IT also traded at a premium because of high profitability, global client relationships and digital transformation demand. Energy and infrastructure had lower valuations, reflecting execution risk, policy uncertainty, capital intensity and cyclical earnings. Lower valuation does not automatically mean poor opportunity; rather, it can indicate value potential when macroeconomic and policy triggers turn favourable.

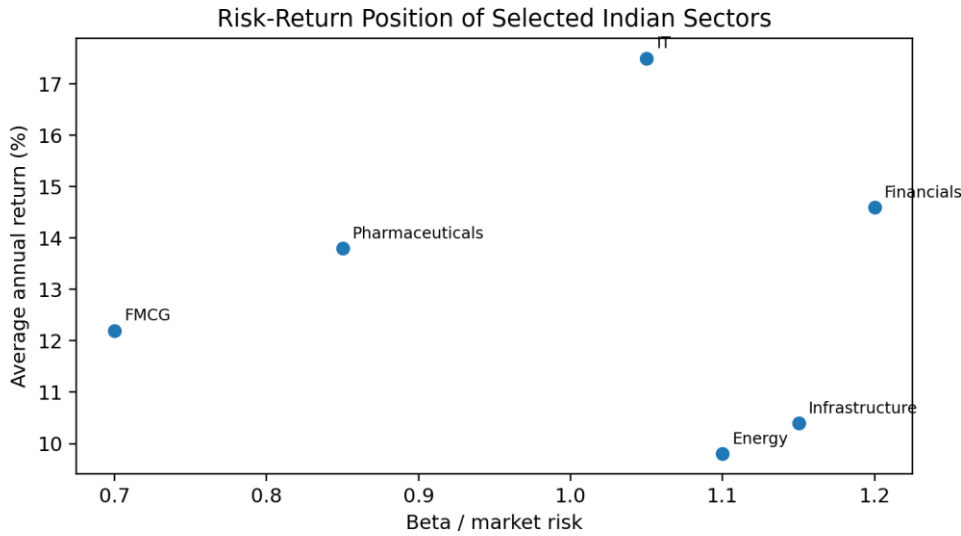
The risk profile confirms that defensive sectors are not necessarily low-return sectors. FMCG recorded the lowest beta at 0.70, followed by pharmaceuticals at 0.85. These sectors may not always produce the highest returns in bull markets, but they reduce portfolio volatility. Financial services recorded the highest beta at 1.20, followed by infrastructure and energy. Investors seeking aggressive growth may prefer these sectors during economic expansion, but they must be prepared for sharper drawdowns during liquidity stress or policy uncertainty.

Correlation patterns provide deeper insight. Financial services and infrastructure show the strongest positive linkage with GDP growth. This is logical because economic expansion increases credit demand, investment, construction, consumption and project execution. IT and pharmaceuticals show stronger positive correlation with exchange-rate movement, indicating export sensitivity. Energy has a positive relationship with inflation because energy prices can rise with global commodity costs, although regulated pricing may weaken the pass-through. FMCG shows moderate inflation sensitivity because strong consumer brands can pass part of the cost increase to consumers, but excessive inflation may weaken volume growth.

Table 2. Correlation interpretation: sectoral returns and macroeconomic variables

Sector	GDP growth	Inflation	Repo rate	USD/INR exchange rate
IT	+0.60	-0.20	-0.45	+0.75
Pharmaceuticals	+0.45	+0.10	-0.10	+0.62
FMCG	+0.30	+0.40	-0.25	-0.20
Financial Services	+0.72	-0.35	-0.60	-0.15
Energy	+0.40	+0.55	+0.20	+0.10
Infrastructure	+0.65	-0.10	-0.30	+0.05

Figure 2. Risk-Return Position of Selected Indian Sectors



The results also suggest three broad sectoral groups. The first group is growth-export sectors, represented by IT and pharmaceuticals. These sectors benefit from global demand, currency depreciation, innovation and export competitiveness. The second group is domestic-defensive sectors, represented by FMCG and parts of healthcare. These sectors benefit from stable consumption and pricing power. The third group is cyclical-policy sectors, represented by financial services, infrastructure and energy. These sectors benefit from GDP expansion, fiscal spending, credit growth, renewable policy and stable regulation, but they are more vulnerable to shocks.

Recent macroeconomic developments strengthen the investment relevance of these findings. The Economic Survey highlighted the importance of infrastructure investment and reported the BSE stock market capitalization-to-GDP ratio at 136 per cent at the end of December 2024, indicating deepening equity market participation (Ministry of Finance, 2025). NASSCOM estimated India's technology sector revenue at approximately USD 283 billion in FY25, supporting the long-term earnings base of the IT sector (NASSCOM, 2025). MNRE reported a sharp increase in renewable energy capacity during 2025, which supports the long-term case for green energy and power-transition companies (MNRE, 2025). NPCI data on UPI transaction growth indicates that financial digitization remains a structural driver for banks, fintech-linked firms and payment infrastructure (NPCI, 2026).

Table 3. Sectoral risk-return classification

Sector	Beta	Risk category	Investor suitability
IT	1.05	Moderate	Growth-oriented investors
Pharmaceuticals	0.85	Low	Risk-aware defensive investors
FMCG	0.70	Very low	Conservative and income-seeking investors
Financial Services	1.20	High	Aggressive and cyclical investors

Energy	1.10	High	Commodity and transition-theme investors
Infrastructure	1.15	Moderate-high	Long-horizon thematic investors

Table 4. Sectoral rotation framework for Indian equity investors

Macro signal	Likely beneficiaries	Risk warning	Suggested response
Acceleration in GDP growth	Financials, infrastructure, capital goods	Over-optimistic valuation	Increase cyclical exposure gradually
High but manageable inflation	FMCG, energy	Volume slowdown and margin pressure	Prefer pricing-power leaders
Falling or stable interest rates	Financials, infrastructure, real estate-linked sectors	Credit-quality deterioration	Select quality balance sheets
Rupee depreciation	IT, pharmaceuticals	Weak global demand may offset currency benefit	Combine export exposure with earnings quality
Higher public capex	Infrastructure, energy transition, logistics	Execution delay and leverage	Use long-term staggered allocation

The investment opportunity matrix developed from these results suggests that IT remains suitable for long-term growth investors, especially when global digital spending and currency conditions are favourable. Pharmaceuticals remain suitable for defensive growth investors who prefer lower volatility and export-linked demand. FMCG remains suitable for conservative investors, but high valuation requires careful entry timing. Financial services are suitable for investors willing to accept cyclical risk in exchange for credit-growth participation. Energy is suitable for investors who can tolerate commodity and regulatory volatility but want exposure to renewable transition. Infrastructure is suitable for long-horizon investors because returns depend on public expenditure, project execution and financing conditions.

5. Discussion

The findings confirm that sectoral performance in India cannot be interpreted through a single-market narrative. The Indian market is simultaneously a consumption story, a digital services story, a financial inclusion story, an infrastructure story and an energy-transition story. The relative attractiveness of each story changes as macroeconomic conditions shift. This is why a sectoral rotation approach is more useful than a fixed allocation approach.

The outperformance of IT reflects the global competitiveness of Indian technology companies. Their business models are asset-light, export-oriented and supported by skilled human capital. However, the sector's high valuation means that future returns depend on continued earnings growth. If global clients reduce discretionary technology spending, or if wage costs rise faster than billing rates, IT valuations may compress. Therefore, IT is attractive but not risk-free.

Pharmaceuticals provide a different form of opportunity. Their defensive character comes from the non-discretionary nature of healthcare demand. India's strengths in generics, vaccines and specialty medicines support export potential, while rising domestic healthcare expenditure creates

internal demand. Yet the sector faces regulatory risk, especially in relation to foreign inspections, pricing controls, patent disputes and R&D productivity. For investors, pharmaceuticals are best treated as defensive growth rather than pure momentum plays.

FMCG shows the importance of quality and pricing power. Its high P/E ratio indicates that investors value earnings predictability. The sector benefits from rural consumption, urbanization, brand loyalty and distribution networks. However, the same premium valuation can reduce future return potential if volume growth slows. A rational strategy is therefore to accumulate FMCG during market corrections rather than chase it during periods of valuation expansion.

Financial services remain the most macro-sensitive sector in the sample. Strong GDP growth, stable inflation and manageable interest rates create a favourable environment for credit expansion, deposit mobilization, insurance growth, asset management and digital payments. The rise of UPI and fintech adoption has created new growth channels. However, financials are exposed to asset-quality deterioration, liquidity shocks, regulatory tightening and interest-rate volatility. Their high beta makes them powerful return drivers in expansion but vulnerable during stress.

Energy and infrastructure require a policy-linked interpretation. Energy is changing from a fossil-fuel dominated sector to a mixed conventional-renewable platform. India's renewable capacity expansion gives long-term support to power, solar, wind, transmission and green-energy companies. At the same time, oil price volatility and regulatory intervention create uncertainty. Infrastructure benefits from PM Gati Shakti, the National Infrastructure Pipeline, logistics modernization and urban development, but execution delay and financing cost remain key risks. These sectors are suitable for patient investors who can tolerate uneven return patterns.

The larger implication is that investors should combine strategic and tactical allocation. Strategic allocation means maintaining exposure to sectors with long-term structural growth, such as IT, financial services, infrastructure, healthcare and renewable energy. Tactical allocation means increasing or reducing sector weights according to macro signals. For example, if GDP growth accelerates and interest rates soften, financials and infrastructure may deserve higher allocation. If inflation rises sharply or global uncertainty increases, FMCG and pharmaceuticals may become relatively safer. If the rupee depreciates while global demand remains healthy, IT and pharmaceuticals may gain. If renewable policy incentives expand, energy-transition stocks may become attractive.

6. Practical Investment Framework

The practical framework emerging from the results can be expressed through three allocation layers. The first layer is a core defensive layer, which should include FMCG and pharmaceuticals. These sectors are useful when inflation is elevated, global uncertainty is high or equity valuations are volatile. Their role is not to maximize short-term return but to protect portfolio stability and maintain exposure to essential demand. The second layer is a growth layer, which should include IT and financial services. IT provides access to global digital transformation, cloud, cybersecurity and artificial intelligence spending, while financial services provide exposure to credit growth, insurance penetration, asset management and digital payments. The third layer is a thematic policy layer, which should include energy transition and infrastructure. These sectors are aligned with public capital expenditure, renewable capacity expansion, logistics efficiency and long-term industrial development.

The framework also requires trigger-based decision rules. When GDP growth expectations improve and repo rates are stable or declining, the portfolio can move overweight on financials and infrastructure. When currency depreciation occurs alongside stable global demand, IT and pharmaceutical exposure can be increased. When food or fuel inflation becomes persistent, FMCG and energy should be reviewed carefully because pricing power may support earnings, but excessive inflation can reduce consumer volume or increase subsidy intervention. When public capital expenditure rises in the Union Budget, infrastructure, cement, capital goods, logistics and power transmission become more attractive. These triggers help investors avoid emotional timing and convert macroeconomic information into disciplined allocation decisions.

Risk control is equally important. Sectoral investing can become dangerous when investors chase recent winners without checking valuation. High P/E sectors should be entered in a staggered manner. High-beta sectors should be balanced with low-beta sectors. Policy-linked sectors should be reviewed for execution quality, debt levels and regulatory clarity. Export-linked sectors should be assessed not only on rupee movement but also on global demand, client budgets and margin pressure. This means that sectoral rotation should be combined with fundamental screening.

For retail investors, the most practical route is through diversified mutual funds, sector ETFs or carefully selected large-cap leaders rather than concentrated speculation in small companies. For institutional investors, factor models can be integrated with sectoral macro signals to rebalance portfolios quarterly. For policymakers, transparent sectoral data, stable taxation and faster project approvals can improve capital allocation.

7. Conclusion and Implications

This paper examined the macroeconomic sensitivity, sectoral rotation potential and investment opportunities in the Indian equity market. The analysis of six major sectors shows that IT has been the strongest long-period return generator, financial services have high growth sensitivity, pharmaceuticals and FMCG provide defensive stability, and energy and infrastructure provide policy-linked long-term opportunities. The results support the view that sectoral performance is shaped by both sector-specific fundamentals and macroeconomic variables.

The main academic implication is that sectoral studies in emerging markets should move beyond return comparison and incorporate macroeconomic interpretation. A sector that looks weak in a simple return table may become attractive when policy support, capex growth or valuation comfort is considered. Similarly, a sector that looks strong may become risky if valuations are stretched and earnings growth slows. This paper therefore recommends an integrated approach combining returns, valuations, beta, macro sensitivity and policy direction.

The investor implication is straightforward: diversification should be dynamic. Conservative investors can use FMCG and pharmaceuticals as portfolio stabilizers. Growth investors can maintain exposure to IT and financial services but should monitor valuation and macro risk. Long-term thematic investors can use infrastructure and renewable energy as structural allocation themes, provided they accept execution and policy risks. Institutional investors can improve portfolio construction by assigning sector weights according to growth, inflation, interest-rate and exchange-rate outlooks.

The policy implication is that stable regulation, transparent data, deep liquidity and continued capital market reforms can improve the efficiency of sectoral allocation. India's growing investor

base and broader availability of sectoral indices provide the foundation for more sophisticated investment products such as sector ETFs, factor-based funds and thematic strategies. However, investor education is necessary because sectoral investing can be risky when driven by short-term hype rather than fundamentals.

The study has limitations. It focuses on sector-level indicators and does not conduct firm-level valuation. It uses correlation interpretation rather than advanced causal econometrics. It also does not fully capture behavioural factors, geopolitical shocks or sudden regulatory changes. Future research can extend the study through panel regression, event-study analysis around policy announcements, comparison of large-cap and mid-cap sectoral indices, and testing of sectoral rotation strategies using back-tested portfolios.

In conclusion, the Indian equity market offers meaningful investment opportunities, but these opportunities are unevenly distributed across sectors and time periods. The strongest portfolio approach is not to chase the previous year's winner, but to understand the economic conditions that create sectoral outperformance. A disciplined sectoral rotation framework can help investors participate in India's growth while managing volatility, valuation risk and macroeconomic uncertainty.

Data Availability Statement

The paper is based on publicly available secondary data sources, including exchange indices, macroeconomic releases and policy reports. The numerical tables are compiled for academic interpretation and should not be treated as personal financial advice.

Conflict of Interest

The author declares no conflict of interest.

References

- Bekaert, G., & Harvey, C. R. (1997). Emerging equity market volatility. *Journal of Financial Economics*, 43(1), 29-77.
- BSE India. (2024). Market statistics and capitalization data. Bombay Stock Exchange.
- Chen, N. F., Roll, R., & Ross, S. A. (1986). Economic forces and the stock market. *Journal of Business*, 59(3), 383-403.
- Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *Journal of Finance*, 25(2), 383-417.
- Fama, E. F., & French, K. R. (1993). Common risk factors in the returns on stocks and bonds. *Journal of Financial Economics*, 33(1), 3-56.
- International Energy Agency. (2024). World Energy Outlook 2024. IEA.
- Markowitz, H. (1952). Portfolio selection. *Journal of Finance*, 7(1), 77-91.
- Ministry of Finance, Government of India. (2025). Economic Survey 2024-25. Government of India.
- Ministry of New and Renewable Energy. (2025). 2025 marks highest-ever renewable energy expansion. Government of India.
- NASSCOM. (2025). Technology Sector in India: Strategic Review 2025. National Association of Software and Service Companies.

- National Payments Corporation of India. (2026). UPI product statistics. NPCI.
- NSE India. (2026). Sectoral indices: Nifty Financial Services, Nifty FMCG, Nifty IT, Nifty Pharma and related indices. National Stock Exchange of India.
- Reserve Bank of India. (2025). Monetary Policy Report and macroeconomic outlook. RBI.
- Securities and Exchange Board of India. (2025). Annual Report 2024-25. SEBI.
- Sharpe, W. F. (1964). Capital asset prices: A theory of market equilibrium under conditions of risk. *Journal of Finance*, 19(3), 425-442.
- World Bank. (2024). World Development Indicators: India macroeconomic data. World Bank Open Data.