



GLOBAL X INSIGHTS

India as a Long-Term Standalone Investment

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We believe India's compelling demographics, market friendly governance, and distinctive risk/return profile make it an attractive standalone investment.

Key Takeaways

- **Diversification Benefits:** The MSCI India Index has a low correlation to both Emerging Market (EM) and Developed Market (DM) equities.
- **Structural Growth Advantage:** India likely has an advantage over many EM peers given its market friendly governance, position as a China+1 beneficiary, young population, and growing international trade ties.
- **Historically Superior Returns:** India's three- and five-year volatility-adjusted equity returns have outpaced both broad EM and U.S. markets.

The Value of Diversification: India offers uncorrelated exposures relative to other EMs and DMs

- **Domestically Driven Market:** The MSCI India Index has a low correlation and beta of ~0.5 to the broader MSCI EM Index and a correlation of below 0.2 to U.S. equities as measured by the S&P 500 Index.¹
- **The Benefits of Gold:** Indian equities typically offer positive exposure to high gold prices, due to cultural demand and gold-backed rural wealth.
- **U.S. Dollar Impact:** India generally benefits from a weak U.S. dollar, as this trend improves capital flows, lowers import costs, and strengthens rupee-denominated assets.
- **Net Oil Importer:** India imports nearly 90% of its oil consumption, so lower oil prices ease its current account deficit and inflation.²

MSCI INDIA INDEX HAS LOW CORRELATIONS WITH OTHER ASSET CLASSES

	S&P 500 Index	Brent Crude	Gold Spot Index	US Dollar Index	MSCI Emerging Markets Index
MSCI India Index	0.19	-0.04	0.12	-0.09	0.52

Source: Global X ETFs with information derived from: Bloomberg LP. Data as of June 30, 2025.

The Best of Emerging Markets: For allocators wary of EM's macro instability or geopolitical risk, India stands apart

- **Market-friendly government:** Prime Minister Modi's Bharatiya Janata Party (BJP) continues to prioritize infrastructure, digitization, and capex-led growth.³
- **Demographics:** India recently surpassed China as the most populous nation in the world. The country now has the world's largest general and youth populations, with 65% of people below 35 years old.⁴
- **China+1 Winner:** Manufacturing FDI (foreign direct investment) inflows have been rising as firms diversify their supply chains. For example, Apple now manufactures roughly 20% of its iPhones in India.⁵
- **Strategic Global Trade Partner:** Despite finding itself at the center of the most recent trade negotiation with the Trump White House, we believe India has powerful leverage in terms of an inexpensive, talented, and educated manufacturing base



for the world. The most recent free trade agreement with the U.K. is powerful, and we are optimistic on an eventual resolution with the U.S.

Profitable Growth: India is forecast to remain the world’s fastest-growing major economy⁶

- **GDP Growth:** The International Monetary Fund projects that India’s GDP will increase at a 6.5–7.0% compound annual growth rate (CAGR) through 2027.⁷
- **Corporate Profitability:** With available data back to 2003, Indian companies have delivered an average return on equity of 17.21%, well above the market’s cost of capital and EM averages.⁸ Given India’s deepening capital market system, Central Bank rate cuts, and improving corporate governance, we believe this spread can widen.
- **Formalization & Digitization:** GST (goods and services tax) rollout, Aadhaar ID (a unique digital identity program that helps over 95% of Indians access essential services and fosters financial inclusion)⁹, and UPI (Universal Payment Infrastructure, which helps formalize the economy by creating a need for digital transactions) payments should drive up the tax base and increase productivity, all while improving fiscal balances.
- **Private Capex Cycle Rebound:** Corporate balance sheets have deleveraged, signaling space for significant bank loan growth.¹⁰

Risk Adjusted Returns: Despite historical perceptions of volatility, India has delivered superior risk ratios in recent years

- **Returns Over Volatility:** India’s three-year and five-year return/volatility ratios were above the Dow Jones, the S&P 500, and the NASDAQ in the first half of 2025.¹¹
- **Domestic Flows:** A strong mutual fund SIP (systematic investment plan) culture may help stabilize markets during global outflows.¹²

INDIA'S NIFTY 50 HAS DELIVERED SUPERIOR RISK RATIOS THAN U.S.-BASED PEERS

Return/Volatility Ratios	Year to Date	3 Year	5 Year
Nifty 50 Index	0.90	1.35	1.37
Dow Jones Industrial Average	0.53	1.00	0.85
Nasdaq-100 Index	0.69	1.14	0.74
S&P 500 Index	0.64	1.15	0.92

Source: Global X ETFs with information derived from: Bloomberg LP. Data as of July 17, 2025.

Conclusion

In our view, India is not only a standout within EM, it is a structurally distinct growth engine that warrants standalone consideration across broad equity portfolios. Its relatively low correlation with other risk assets, robust fundamentals, and reform-driven governance offer both diversification and alpha potential. While India is still an Emerging Market and subject to volatility in terms of geopolitics, trade, foreign exchange, etc., we believe the country’s benefits come without the same level of macro volatility associated with many EM peers. In summary, we see India as an attractive standalone investment opportunity.



Footnotes

1. Bloomberg LP. Data as of June 30, 2025.
2. The New Indian Express. (2025, Apr 18). Crude oil Import Up by 4.2% to 242 MT in FY25.
3. BBC News. (2019, Sep 20). India delivers surprise corporate tax cuts to boost economy.
4. The Times of India. (2023, Feb 2). Is India's Rapidly Growing Youth Population a Dividend or Disaster?
5. CNBC. (2025, Apr 3). Here's where Apple makes its products – and how Trump's tariffs could have an impact.
6. The Economic Times. (2024, Nov 14). S&P projects 6.5-7 pc annual growth for Indian economy through 2027, with the IMF forecasting growth above 6.5% through 2030.
7. Ibid.
8. Bloomberg LP. MSCI India Index data from May 1, 2003 through September 8, 2025.
9. Unique Identification Authority of India. (2024, Oct). Aadhaar Saturation Template.
10. NDTV. (2025, May 9). Corporates Start Deleveraging Amid Geopolitical Uncertainty.
11. Bloomberg LP. Data as of July 17, 2025.
12. Outlook Business. (2025, Jul 16). The Retail Investor Revolution: How 19 Crore Demat Accounts Reshape India's Market.

Information provided by Global X Management Company LLC.

Investing involves risk, including the possible loss of principal. Diversification does not ensure a profit nor guarantee against a loss.

The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, legal, political, and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation, deflation, or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative. Similarly, investors are also subject to foreign securities risks including, but not limited to, the fact that foreign investments may be subject to different and in some circumstances less stringent regulatory and disclosure standards than U.S. investments.

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