HDFC Bank – Research Presentation

March 2025

Risk profile-based asset allocation

Asset Class	Overall View	Asset Allocation		
		Aggressive	Moderate	Conservative
Equity Funds	◆	75%	55%	25%
Debt Funds	▲	20%	40%	70%
Gold	◆	5%	5%	5%

Note:		
	Optimistic	▲
	Cautiously Optimistic	◆
	Cautious	▼

Category-wise view

MF Categories	View
Equity Oriented Funds	
Largecap Funds	▲
Large Cap Index Funds	▲
Multi/Flexicap Funds	▲
Large and Mid Cap Funds	◆
Mid cap	◆
Small cap	◆
ELSS	◆
Value / Contra / Dividend Yield Funds	◆
Focused Funds	◆
Aggressive Hybrid Funds / Dynamic Asset Allocation / Balanced Advantage Funds	▲
Equity Savings Funds	▲
Business Cycle	▲
Sector/Thematic Funds	▼
Multi Asset Allocation Funds	▲

MF Categories	View
Debt Oriented Funds	
Short Duration Funds/Medium Duration Funds	▲
Banking & PSU Funds	◆
Corporate Bond Funds	▲
Target Maturity Index Funds	◆
Medium to Long / Long Duration Funds	▲
Dynamic Bond Funds	▲
Gilt Funds	◆
Ultra Short Duration/Low Duration/Money Market Funds	▲
Arbitrage Funds	◆
Liquid/Overnight Funds	◆
Conservative Hybrid Funds	◆
Credit Risk Funds	◆

Classification - Public

Equity MF Strategy – March 2025

- Global growth is likely to remain stable but subdued, over the next couple of years, while the US is expected to see improvement in growth in CY25 as per multilateral agencies. Global business momentum seems to be waning.
- While the US growth remains stable, it seems to be on account of high fiscal spending, which is a long-term concern for the US economy. Tariffs on its trading partners by the US can heighten inflationary impulses in US and may push the US Fed to delay its cuts. As per a calculation by the IMF, rising tariffs, tighter immigration, and rising policy uncertainty across key economies can have a severe negative impact on global growth prospects in the medium-term.
- With substantial financial easing seen in Europe, the equity markets in the region have responded strongly, while the GDP growth remains lacklustre. Initial green shoots seem to be visible in the form of improving consumer sentiment.
- The Chinese equity market has rallied on the back of strong investor interest in the Chinese tech stocks post the launch of Deepseek, which surprised the world. Chinese consumer demand continued to remain weak with market participants expecting more stimulus measures from the Chinese government.
- The base commodity prices have been range bound but have moved to the higher end of the range. The shipping rates have come down across the board and should be positive for margins for exporters. With news reports suggesting increasing efforts for settling the Russia – Ukraine war, crude oil prices have moved lower.
- With the Dollar index coming off its recent highs, the emerging market equity indices have seen an up move, led by Chinese markets.
- The Union Budget has put Rs 1 trillion additional disposable income in the hands of the middle-class taxpayers, which is likely to support consumption in FY26. With the expected implementation of 8th Pay Commission from CY26, consumption could emerge as a strong theme going forward.
- For Q3 FY25, the GDP growth came marginally lower than the market expectation at 6.2% YoY (expectations 6.3% YoY). The growth was driven by improved government expenditure, strong private consumption demand, and robust services growth, while capex and manufacturing growth remained muted.
- At a macro level, we continue to see incremental weakness in key data points. While the PMI data suggests steady momentum in Manufacturing and Services activity; areas like credit growth, high trade deficit, weakening currency vs USD, and moderation in the forex levels have emerged as incremental concerns. **RBI, however, has started taking strong measures to improve the liquidity conditions in the economy, which should be positive in the medium-term and support growth in rate sensitives.**
- As a bright spot, Rural economy is continuing to hold up, after weakness seen in the past few years. Strong monsoons, higher crop acreage and higher agri-prices bode well for rural economy. Another key reason for the rural uptick has been the increased handouts that are now being given by many state governments for the lower income households and farming community. Deceleration in the CPI inflation also seem to have improved the disposable income at margin.
- Urban demand has remained patchy. Passenger vehicle sales growth has been moderating, indicators like personal loan growth, hotel occupancy rates, consumer confidence etc. are decelerating. In the Q3 FY25 result season, many FMCG companies have suggested muted demand momentum in the urban segment.
- GFCF has seen continued moderation in Q3 FY25. Consequently, the aggregate central capex spend in FY26 is likely to be moderate. The Corporate and Banking sector balance sheets in India have shown strong improvement. As per data from the RBI, the capex intentions of the Private sector seems to be on an upswing. However, these intentions need to convert into actual spends in order to keep the capex cycle growing at above average rate. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics seem to be the few areas which have seen large private sector spending coming through.
- The key concern for the current capex led upcycle for the economy seems to be the deceleration in government capex, as suggested by the budget. While the amount allocated in the Budget are relatively healthy, they are focussed on key sub-segments like Water, PMAY and Defence. It may not be enough to sustain the broad-based growth expectations that the current valuations of the capex driven sector are factoring in. Thus, many sectors/stocks in this segment are seeing de-rating.
- Q3 FY25 results have been a mixed bag, but far better than Q2 FY25. The earnings growth has not been broad-based, but has been driven by few sectors and sub-sectors. However, the earnings downgrades have continued for broad-based indices even during/post the Q3 FY25 result season, along with continued FPI outflows. This has led the equity market in India to see continued correction. Market participants feel that once the earning downgrades stop, the equity markets could see next round of up move.
- In the current correction, the valuations across market caps have seen improvement. While the absolute valuations for Mid and Small caps have declined, Large caps continue to trade at a discount to Mid and Small caps in terms of consensus estimates. Some fund managers are of the view that the earnings estimates in the Midcap and Smallcap segments could see further moderation.
- In the long-term, favourable demographics, rising per capita income and strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets.
- **In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. From an Equity Mutual Fund perspective, investors could look at investing in Diversified funds, Hybrid equity funds, Business cycle funds and using SIP as an instrument to invest in Smallcap/Midcap funds; in line with their risk profile and product suitability from a 2-3 years' time horizon.**

Classification - Public

Debt Mutual Fund Strategy

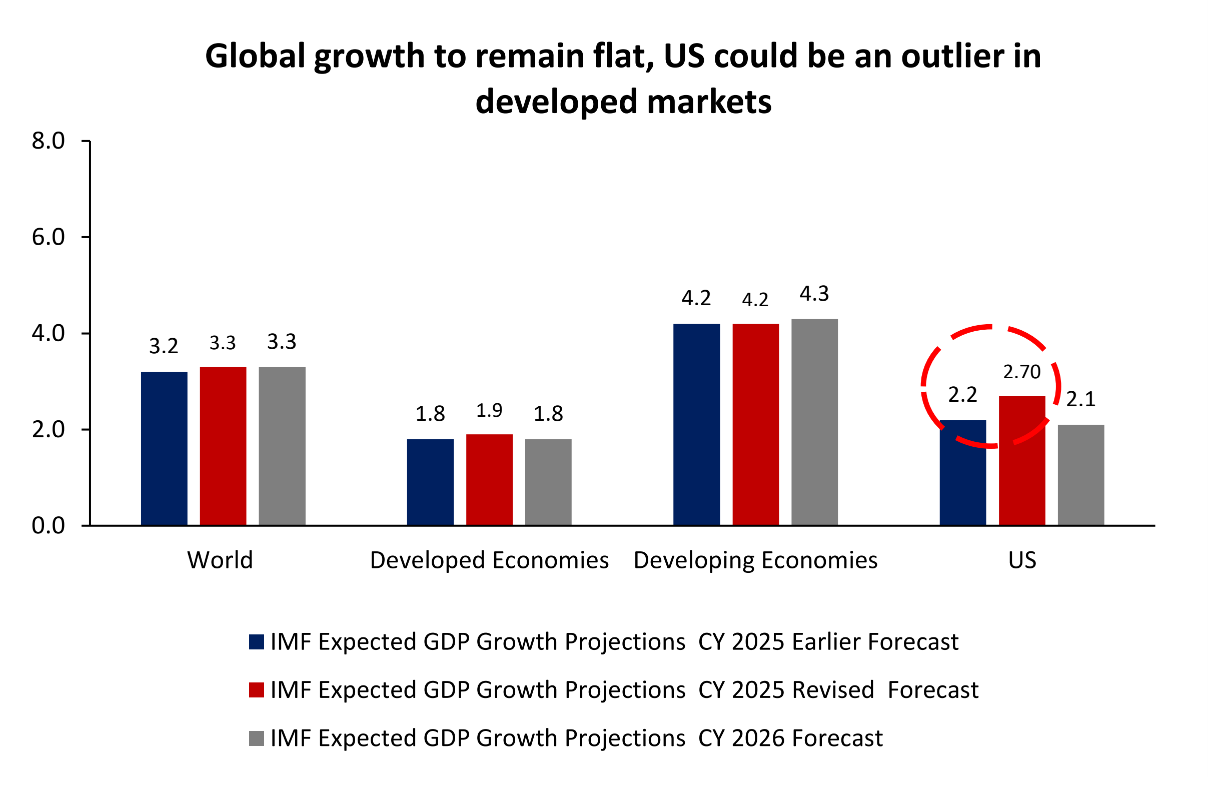
- The inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years segment of the curve.
- Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors can look at Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

Classification - Public

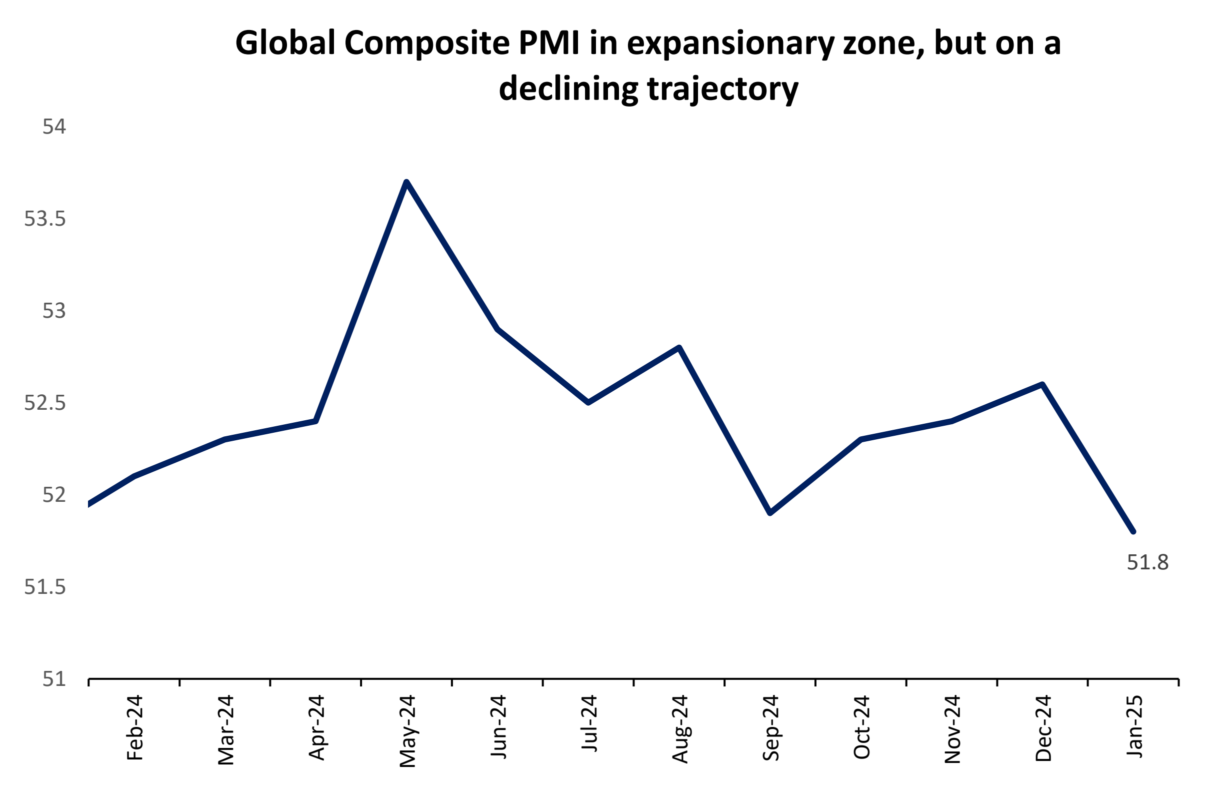
Research Presentation – Content

- Global growth to remain largely flat, US may lead
- US: Growth momentum strong, Trump policies may support further growth
- Eurozone: Are green shoots visible?
- China: Chinese tech surprises world with launch of DeepSeek… Strength in China tech drives equity markets higher
- Industrial commodities: Risen in anticipation of US growth and further stimulus from Chinese government
- Weak DXY and reasonable valuations drive the EM performance
- Strong FPI outflows and muted earnings season lead to fresh correction, domestic flows remain steady
- Mutual Fund: Retail investors continue to pour money, despite correction
- India Q3 FY25 GDP led by Central Government and Rural spending
- Sectoral performance and FPI flows in February 2025
- India: Macro data deteriorates at margin
- Urban India: Data remains on a mixed note
- Rural India: Rural economy is showing strength with pick up in consumption
- Capex: Intensity likely to moderate…unless private capex picks up…
- Q3 FY25 Earnings: Moderate despite weak base… various sectors showed mixed growth
- India Valuations: Given moderate Q3 earnings growth, estimates have seen further cuts… Although growth expectations for FY26 and FY27 for Mid and Small cap remain higher, it remains reasonable for Large caps… If growth materializes, then Mid and Small cap SIP can deliver superior returns in the next couple of years
- Market Roundup – February 2025
- Key concerns for Indian equities
- Annexure…
- Sectoral outlook by fund managers – Part 1
- Sectoral outlook by fund managers – Part 2
- Monthly Sectoral Movement
- AMC Sectoral Holdings
- Fixed Income Outlook
- While the US remains watchful about internal data… the world remains watchful about US policies
- Due to rising inflation and geopolitical uncertainty, the ECB is expected to take a data-dependent approach to further rate cuts
- Probable outcome of Trump Tariffs keeping major Central Banks on their toes..
- After a long period of policy easing, global central banks are taking a divergent view on policy stance
- Global Commodities - Industrial commodities and Crude oil prices remain volatile, but within a range
- Improving the system liquidity conditions has become RBI's top priority
- External position weakens… USD/INR touches an all time low
- Inflation decelerating faster than expected, creating legroom for growth-supportive policy action
- With inflation coming off and liquidity support from the RBI, the G-sec curve shifted downward marginally, predominantly driven by the shorter end… tactical opportunities can be seen at the longer end
- Improving liquidity might drive corporate bond yields lower at the short end, creating opportunities for corporate bond funds
- Disclaimer

Global growth to remain largely flat, US may lead



Sources: IMF



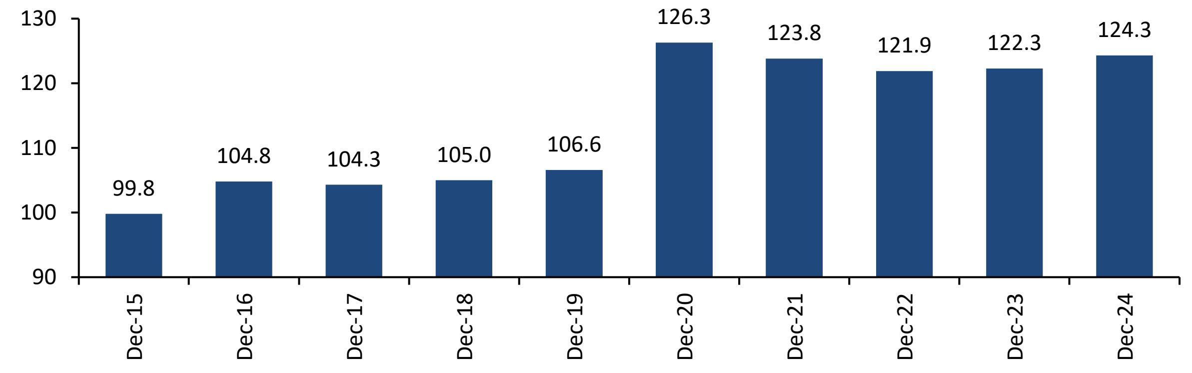
Sources: Bloomberg

Classification - Public

US: Growth momentum strong, Trump policies may support further growth

US Debt To GDP Ratio (%)

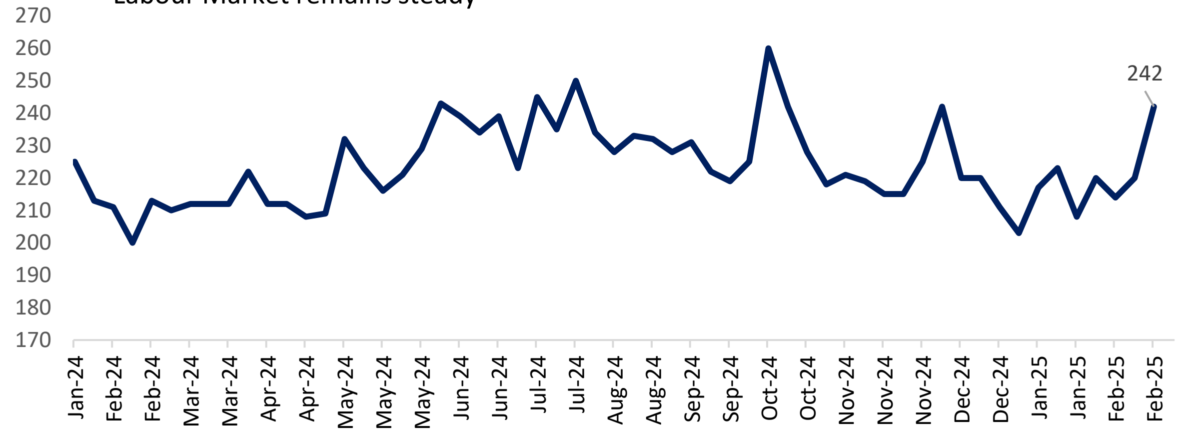
Rising government debt levels remains a challenge for the economy



Source: Bloomberg

US Initial Jobless Claims (In Thousands)

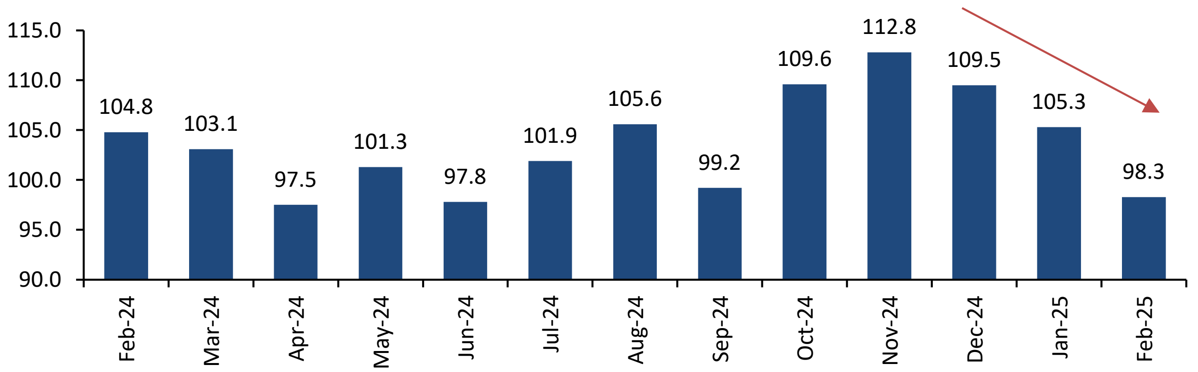
Labour Market remains steady



Source: Bloomberg

US Consumer Confidence Index

Consumer confidence remains weak



Source: Bloomberg

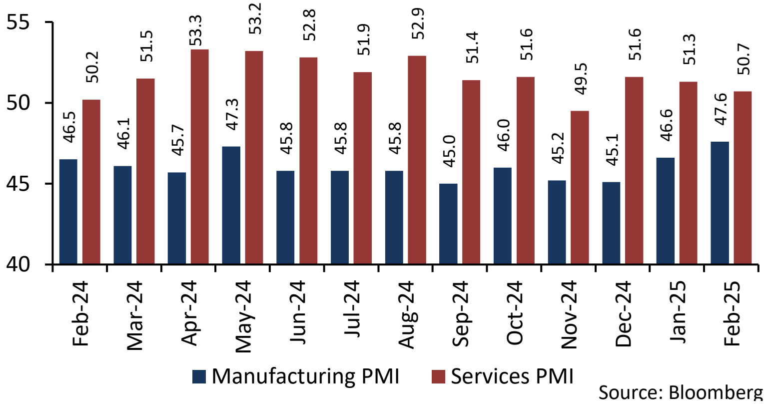
Donald Trump tariffs policy in focus:

- Trump unveiled new tariffs on imports from Mexico and Canada, signalling a tougher stance on trade with the two North American nations. The tariffs will impose a 25% tax on a range of goods, effective March 4. The tariffs are set to take effect, with no negotiations or deals on the table to prevent their implementation, he affirmed.
- Trump also confirmed a 10% increase in tariffs on Chinese imports, raising the levies to a new rate of 20%. This decision is part of Trump's continued effort to address the trade imbalance between the US and China.
- Donald Trump has confirmed that reciprocal tariffs will take effect on April 2. The new tariffs are set to target imports from countries that have levied high duties on US goods, aiming to level the playing field and protect American industries and bring in overall economic growth. However, Tariffs on its trading partners by the US can push up inflationary impulses in US.

Eurozone: Are green shoots visible?

S&P Global Eurozone PMI

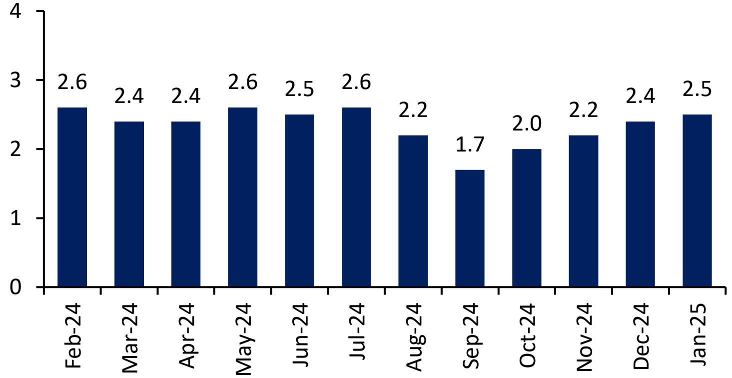
Manufacturing under pressure while Services holding up



Source: Bloomberg

Eurozone CPI YoY (%)

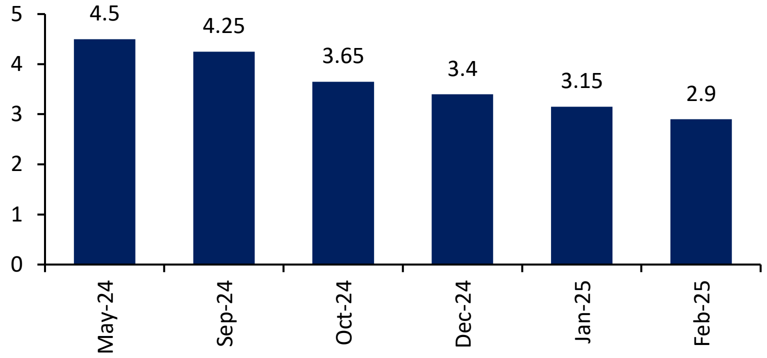
Eurozone CPI (YoY %) inched up higher



Source: Bloomberg

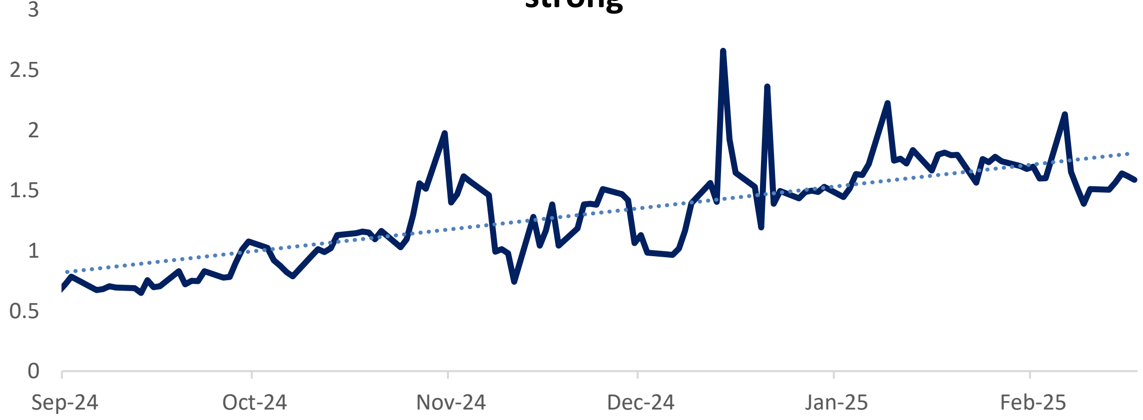
ECB Main Refinancing Rate (%)

The European Central Bank cut interest rates in a bid to boost the eurozone economy



Source: Bloomberg

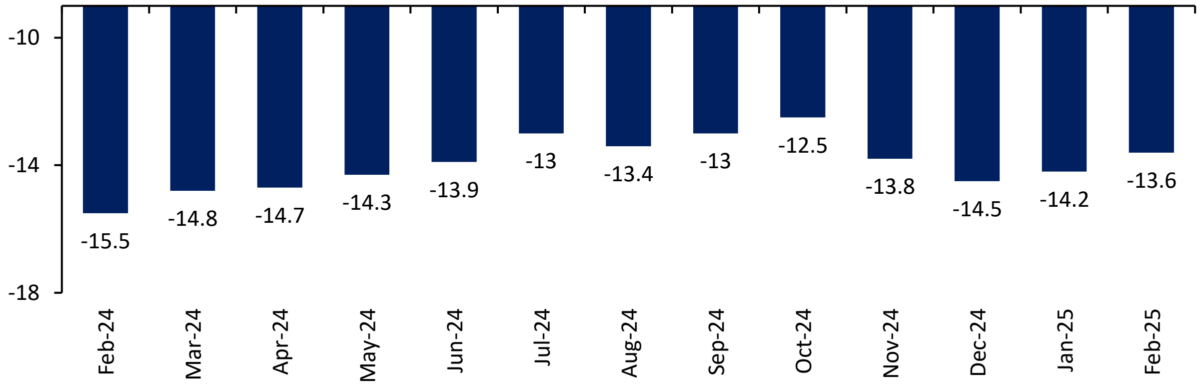
Bloomberg Euro area Financial Conditions Index has been strong



Source: Bloomberg

Eurozone Consumer Confidence Indicator

In the negative territory, but improving

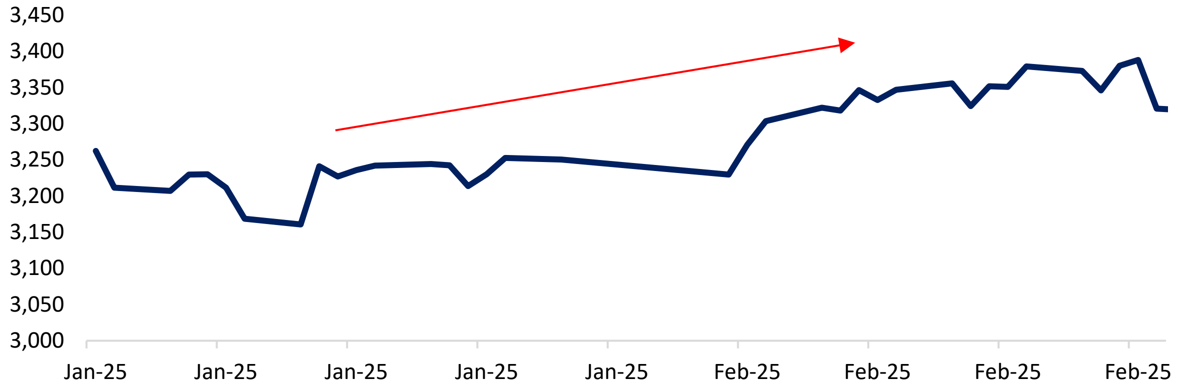


Source: Bloomberg

China: Chinese tech surprises world with launch of DeepSeek… Strength in China tech drives equity markets higher

Shanghai Composite price movement

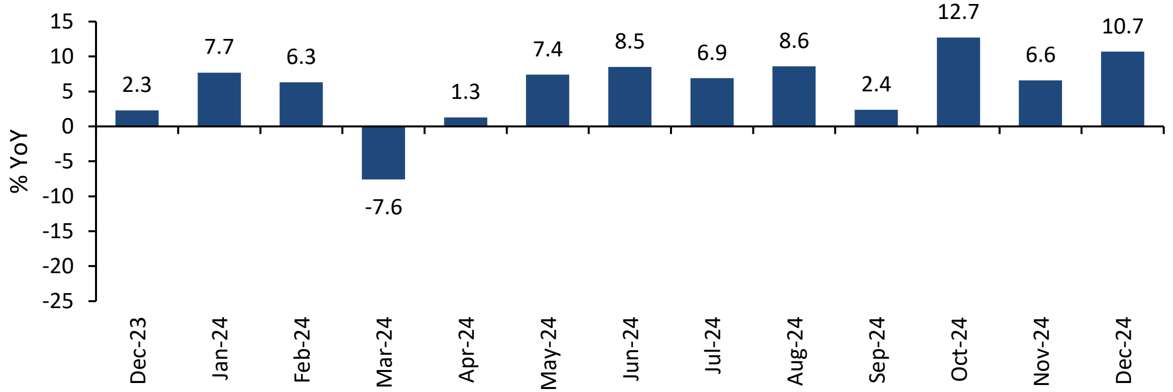
DeepSeek brought China back into the AI race and caused a seismic shift in the world stock market



Source: Bloomberg

China's Export Growth

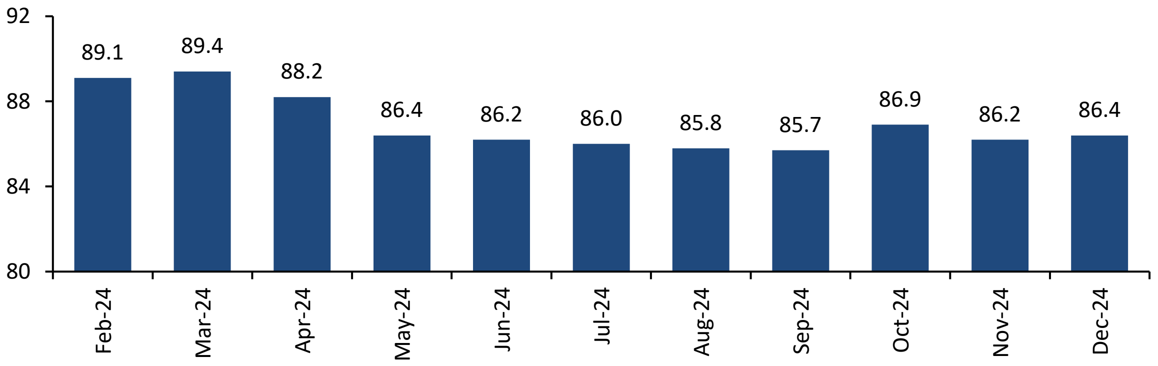
Remains robust, deficit with US to be a key variable to track



Source: Bloomberg

China Consumer Confidence Index

Weakness continues to persist



Source: Bloomberg

Further Chinese Stimulus expected:

- Authorities will lift this year's official budget deficit target to around 4% of GDP from 3% in 2024, according to the median projection in the Bloomberg survey of economists. The augmented deficit - a broad measure of the fiscal gap - will reach around 12 trillion yuan (US$1.65 billion), it showed. That should be just enough to achieve GDP growth of around 5%, which most analysts estimate requires an increase of 3-4 trillion yuan in broad deficit.
- The package envisaged by economists polled by Bloomberg will feature a two trillion-yuan (US$0.27 trillion) quota for new special sovereign bonds - double last year's volume - and up to 4 trillion yuan (US$0.55 trillion) worth of new special local government bonds. These estimates exclude borrowing to pay back hidden debt.
- The success of AI chatbot DeepSeek is among the recent tech feats that may ensure the focus of officials stays on a push toward self-sufficiency and a growth model centred around high-tech manufacturing.

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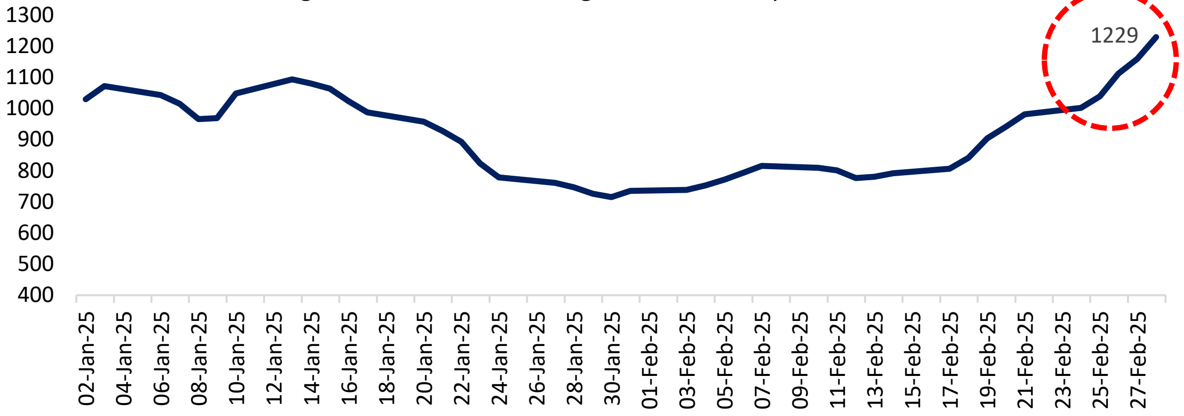
Industrial commodities: Risen in anticipation of US growth and further stimulus from Chinese government

Baltic Dry Index

Soared to its highest level due to strong demand for capesize vessels.

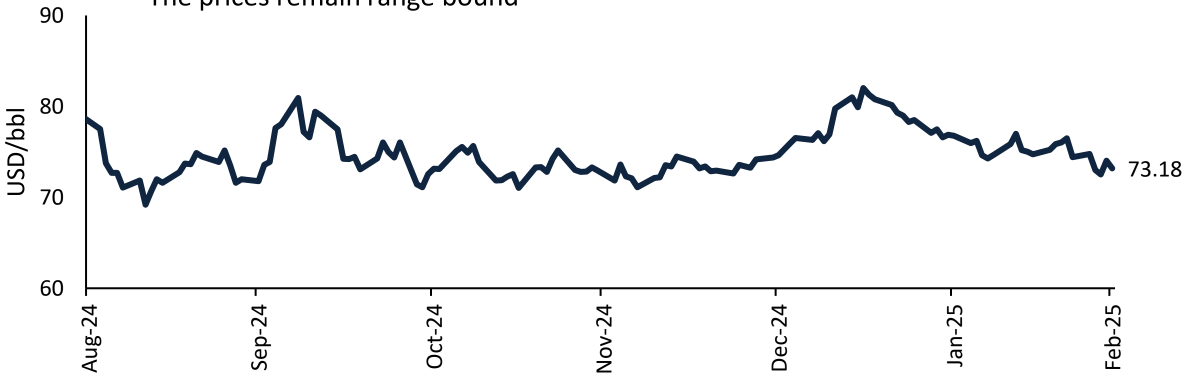


Drewry World Container Index (USD/40 ft)

The Shipping rates have come down across the board, which should be positive for margins for exporters

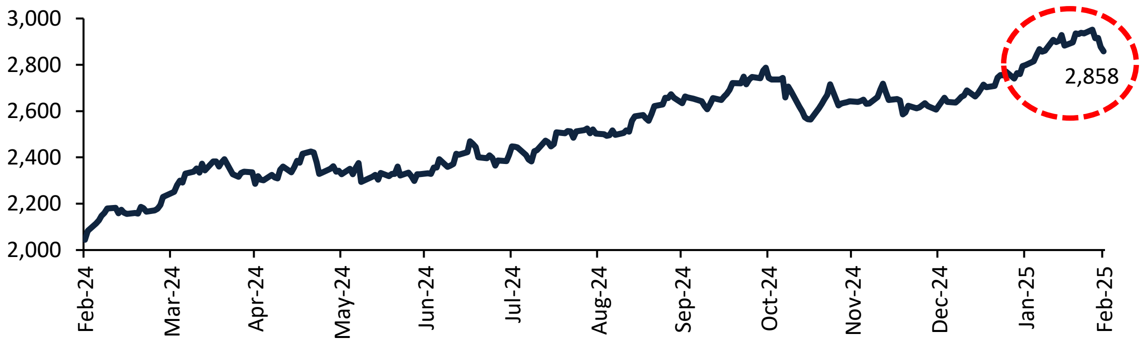
Brent Crude (USD Per Barrel)

The prices remain range bound



Gold Price (USD Per Troy Ounce)

Safe haven demand keeps the gold prices up

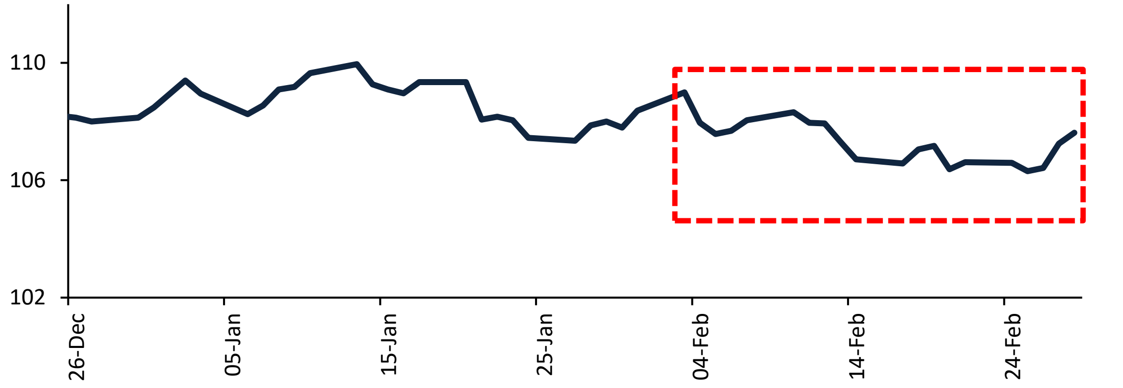


Classification - Public

Weak DXY and reasonable valuations drive the EM performance

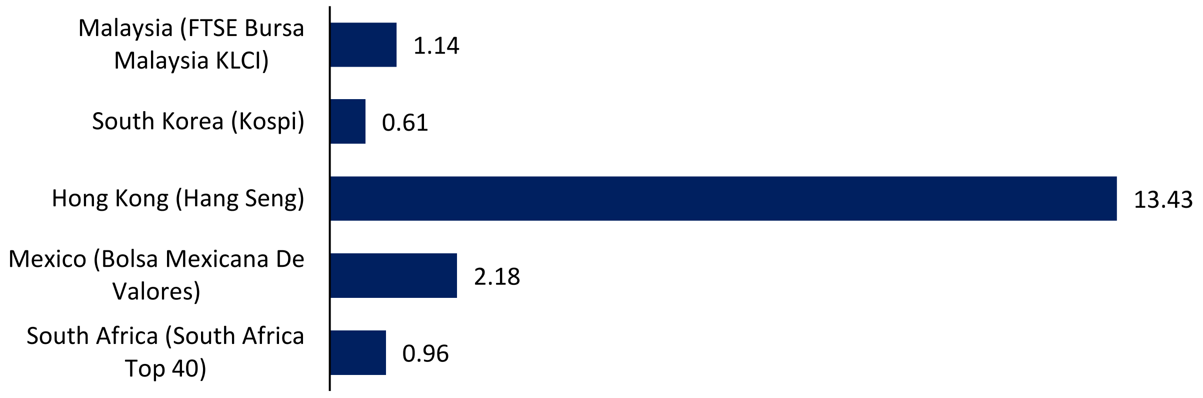
US Dollar Index

The Dollar index has came off from its recent highs



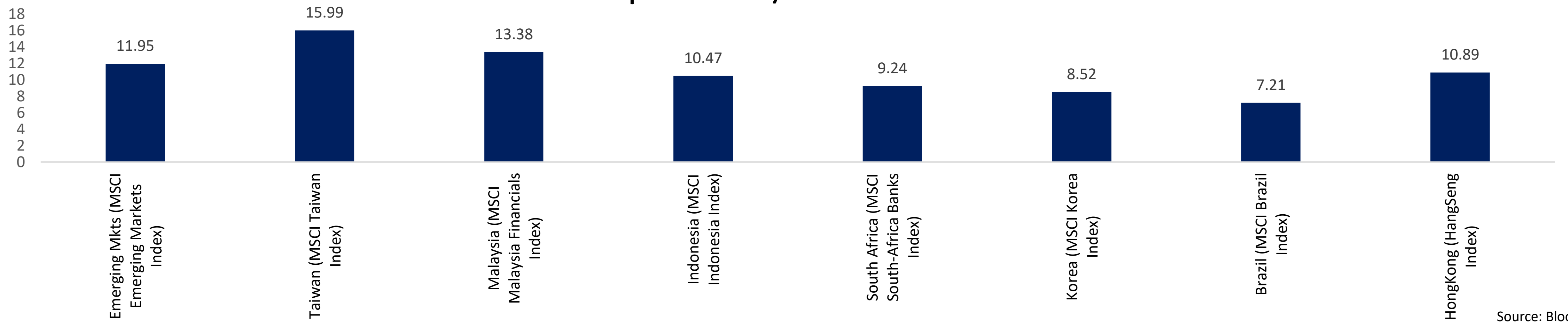
Source: Bloomberg

Emerging Markets - Absolute Returns of major Emerging Market equity indices in February 2025 (%)



Source: Bloomberg

12M Expected Fwd P/E of Various Economies

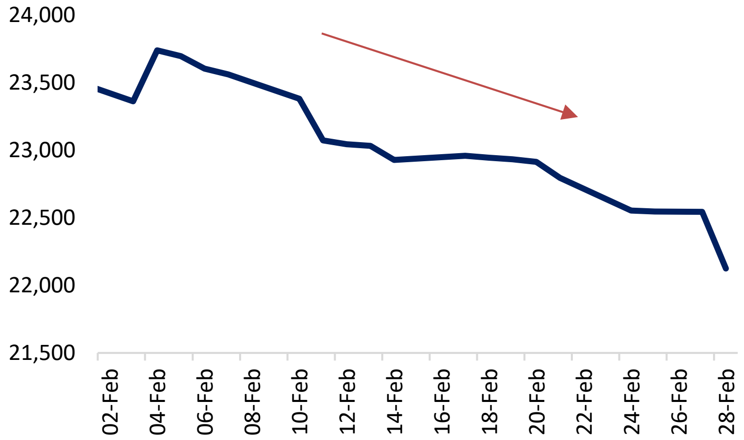


Source: Bloomberg

Classification - Public

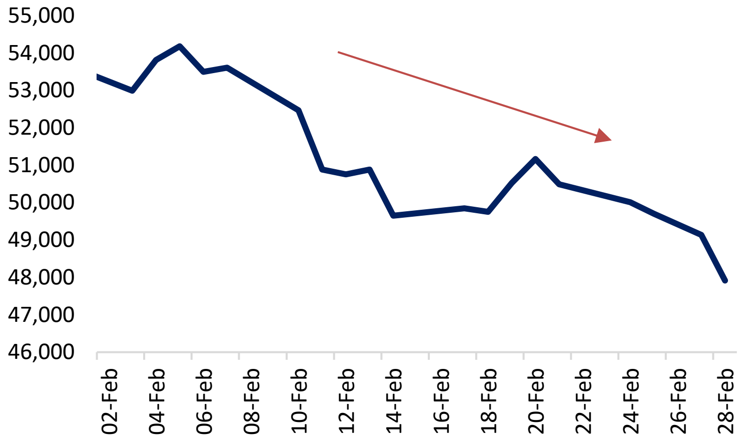
Strong FPI outflows and muted earnings season lead to fresh correction, domestic flows remain steady

Nifty 50 Price Movement



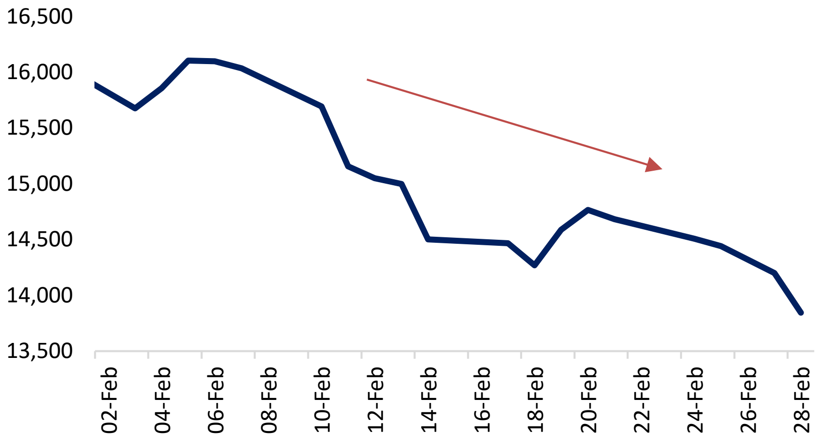
Source: Bloomberg

Nifty Midcap 100 Price Movement



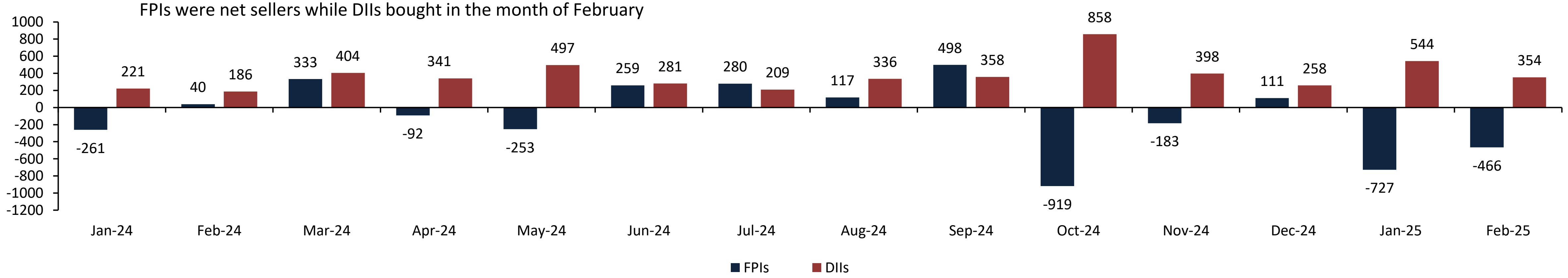
Source: Bloomberg

Nifty Smallcap 250 Price Movement



Source: Bloomberg

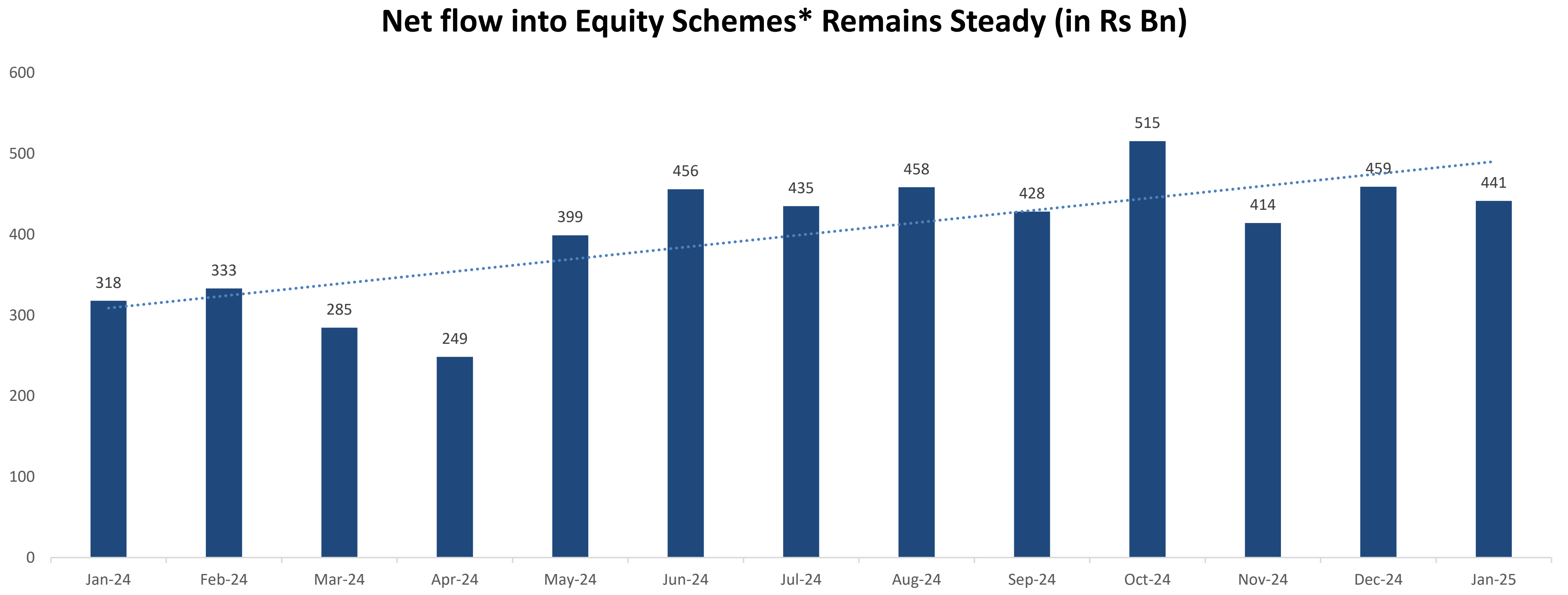
Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 28th and 24th February 2025 respectively.

Source: SEBI, CDSL

Mutual Fund: Retail investors continue to pour money, despite correction



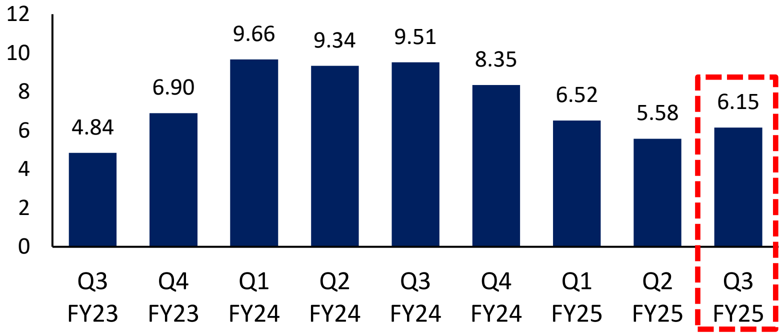
*Net flows into Equity Scheme = Equity + Hybrid – Arbitrage Schemes flows

Source: AMFI

India Q3 FY25 GDP led by Central Government and Rural spending

Real GDP Growth - YoY Change (%)

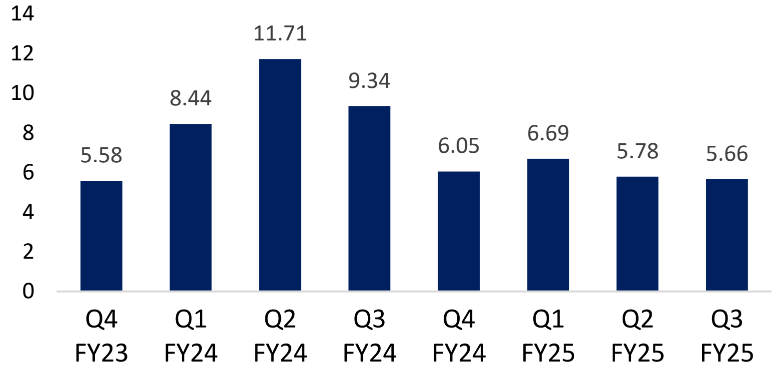
Growth seems to be picking up, however missing the estimates



Source: Bloomberg

Gross Fixed Capital Formation - YoY Change (%)

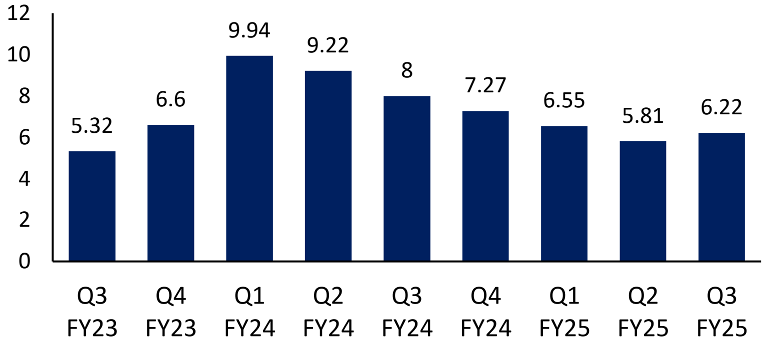
Momentum decelerating



Source: Bloomberg

Gross Value Added - YoY Change (%)

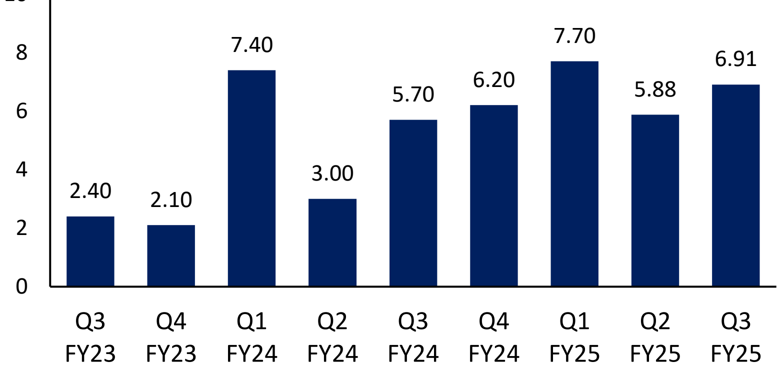
Continues to remain steady



Source: Bloomberg

Private Final Consumption Expenditure - YoY Change (%)

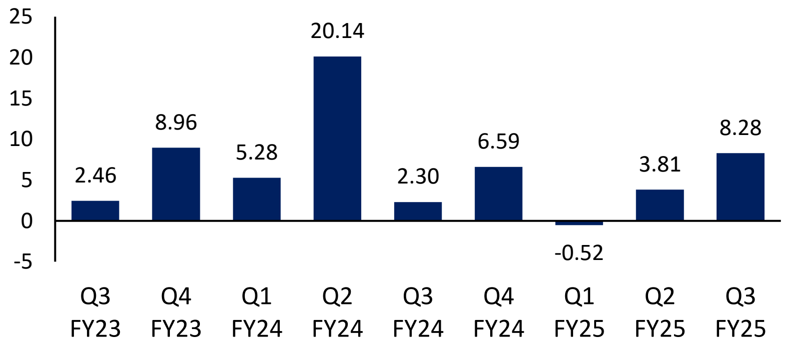
Seems to be improving



Source: Bloomberg

Govt Final Consumption Expenditure - YoY Change (%)

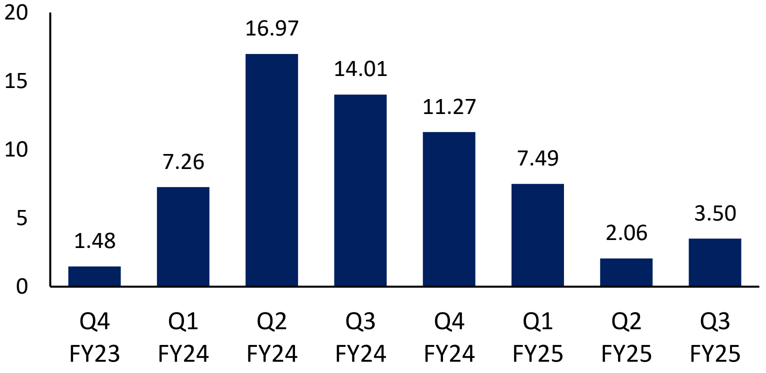
Strong government capex has been a key GDP growth driver



Source: Bloomberg

Manufacturing growth YoY Change (YoY)

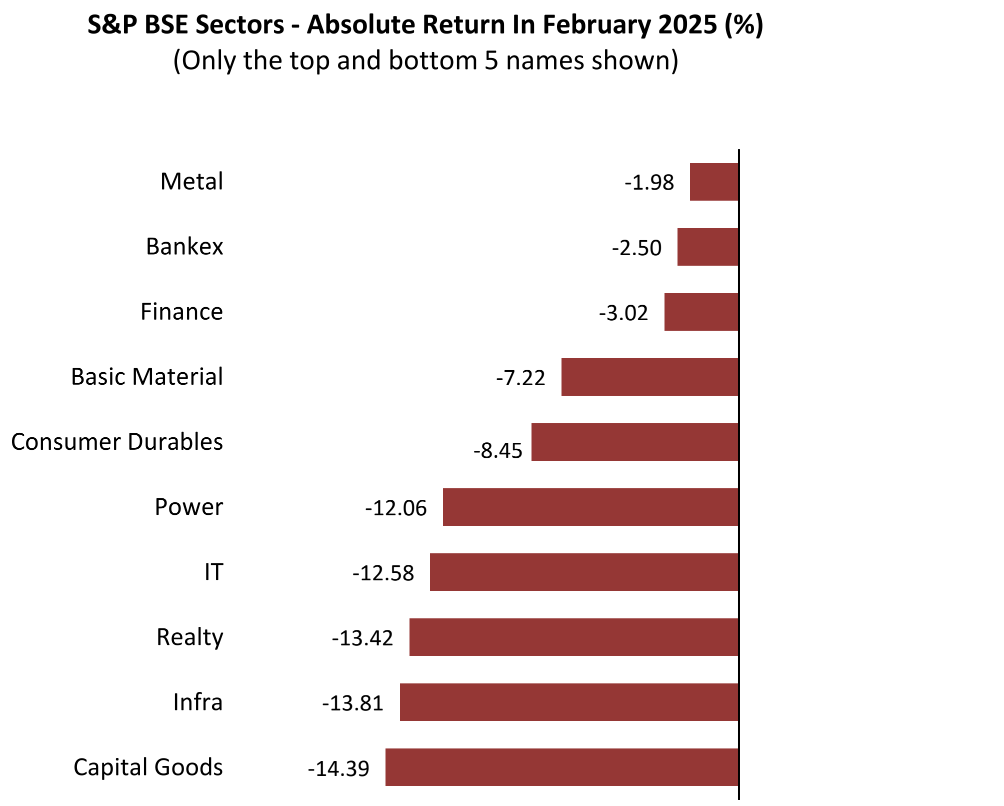
Manufacturing activity is recovering from slowdown



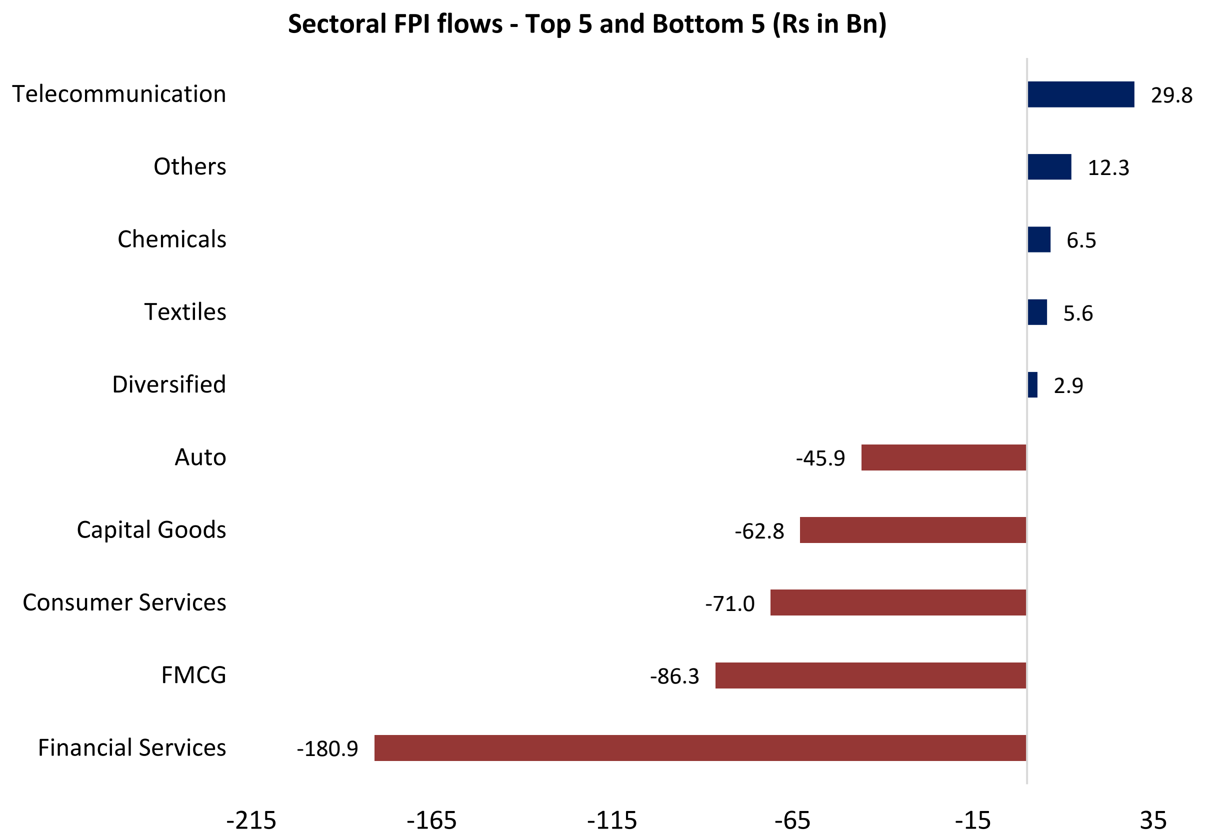
Source: Bloomberg

Classification - Public

Sectoral performance and FPI flows in February 2025



Source: AceMF

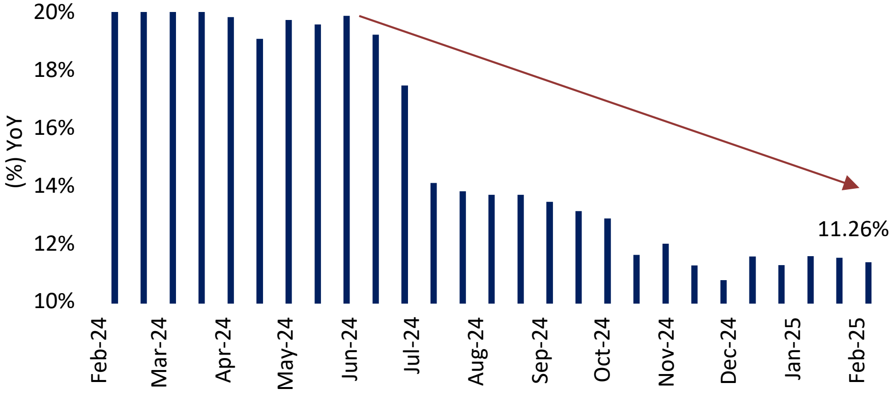


Source: NSDL, Data is from Jan 16, 2025 - Feb 15, 2025

India: Macro data deteriorates at margin

Total Commercial Credit Growth

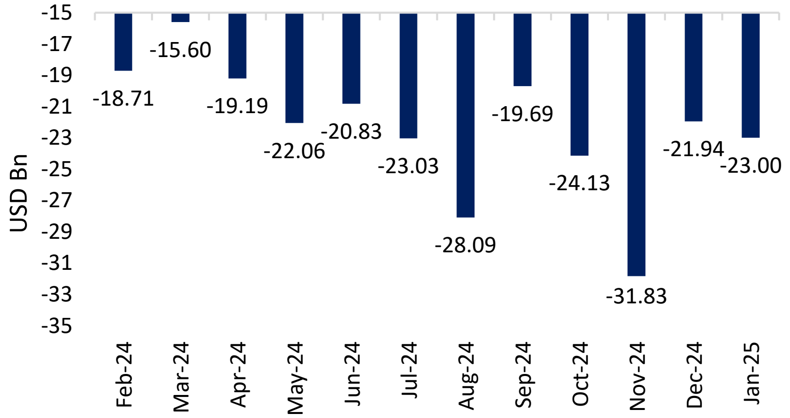
Credit growth remains muted



Source: Bloomberg

India Merchandise Trade Balance

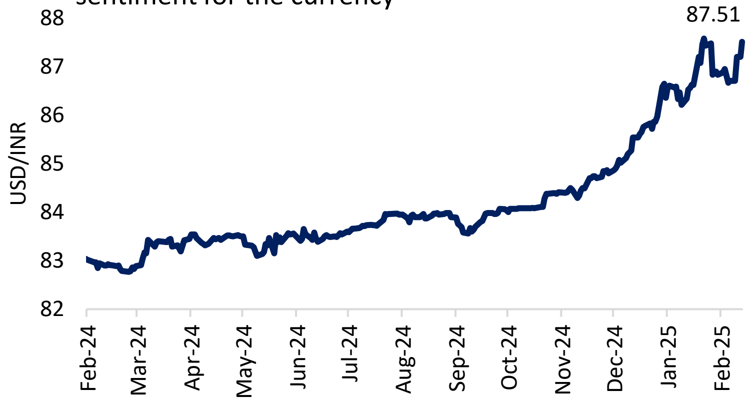
Trade deficit remains high



Source: Bloomberg

US Dollar vs. Indian Rupee

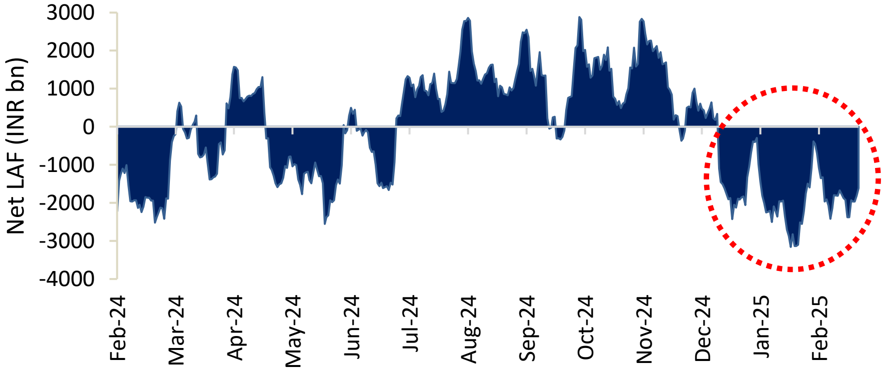
Rupee hit record low on back of weak market sentiment for the currency



Source: Bloomberg

Liquidity Adjustment Facility

Liquidity continues to be in deficit…



Source: Bloomberg

RBI Measures

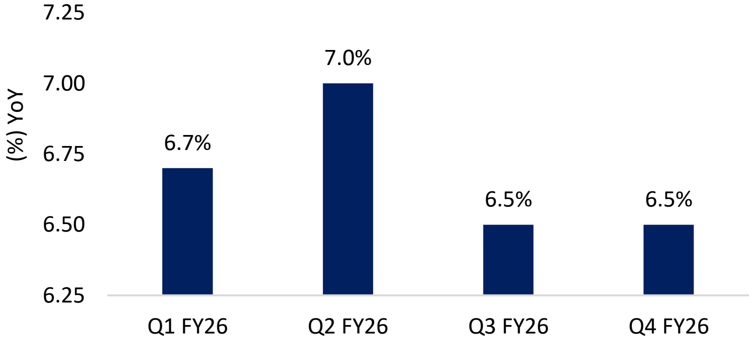
…However, RBI has announced a host of measures to inject durable liquidity into the banking system

Particulars	Tenure	Date	Amount Notified	Final Amount of Auction Done
OMO	5 Different tenure	13-Feb-25	Rs 200 bn	Rs 400 bn
	6 Different tenure	20-Feb-25	Rs 200 bn	Rs 400 bn
VRR Auction	56-Day	07-Feb-25	Rs 500 bn	Same as declared
	49-Day	14-Feb-25	Rs 750 bn	Same as declared
	4-Day	17-Feb-25	Rs 750 bn	Same as declared
	14-Day	21-Feb-25	Rs 750 bn	Same as declared
	45-Day	21-Feb-25	Rs 750 bn	Same as declared
USD/INR Buy/ Sell Swap	3 years	28-Feb-25	USD 10 bn (~Rs 875 bn)	Same as declared

Source: RBI

RBI GDP Growth Expectations

RBI expects the growth to improve, which is a positive for the equity market



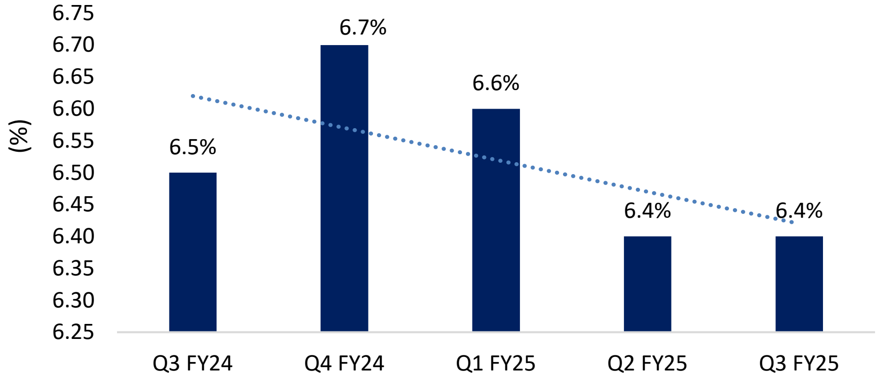
Source: Monetary Policy Statement

Classification - Public

Urban India: Data remains on a mixed note

Urban Unemployment Rate

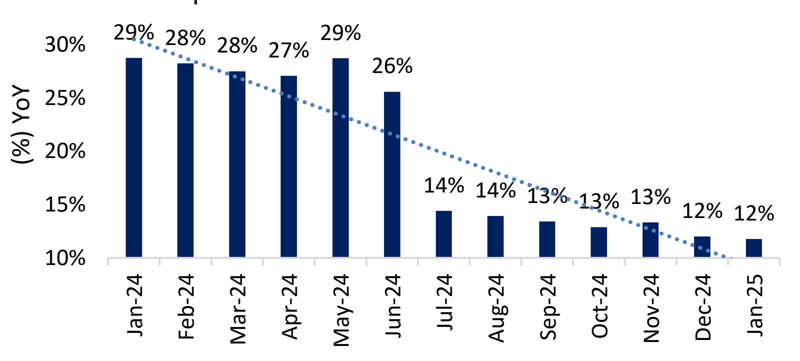
Employment remains weak



Source: PLFS

Banking Sector Personal Loan Growth

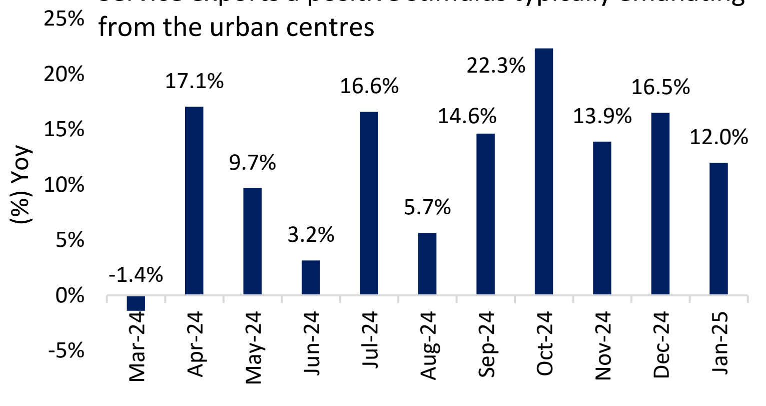
Degrowth in personal loans indicating weakness in consumption



Source: Bloomberg

India Service Exports

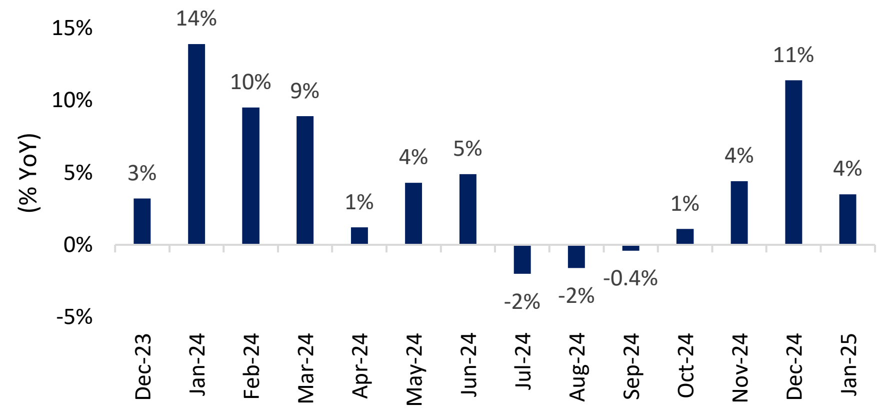
Service exports a positive stimulus typically emanating from the urban centres



Source: Bloomberg

Passenger Vehicle Sales (% YoY)

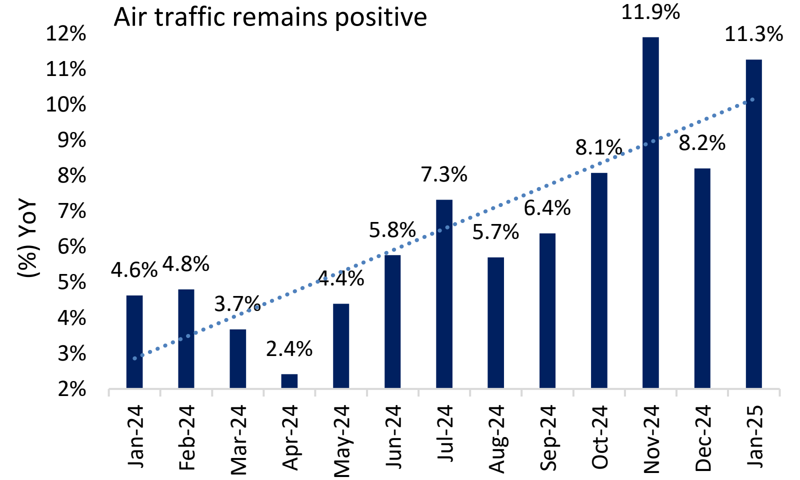
Four wheeler sales growth seems to be moderating



Source: RBI, SIAM

Domestic Passengers Carried By Airlines

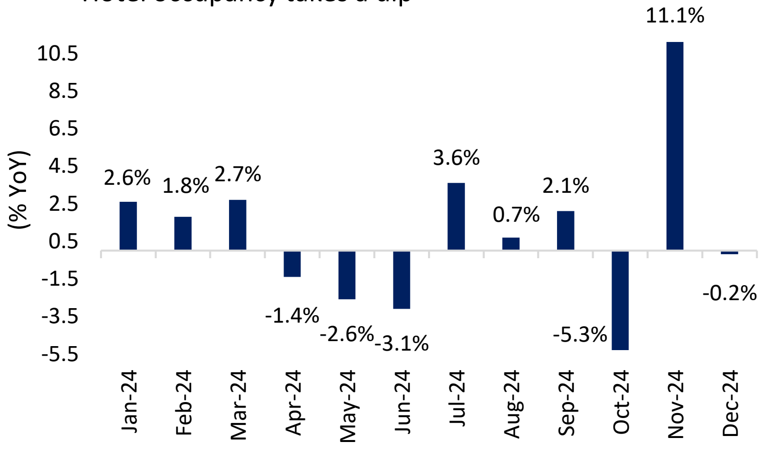
Air traffic remains positive



Source: Bloomberg

Hotel Occupancy Rate

Hotel occupancy takes a dip



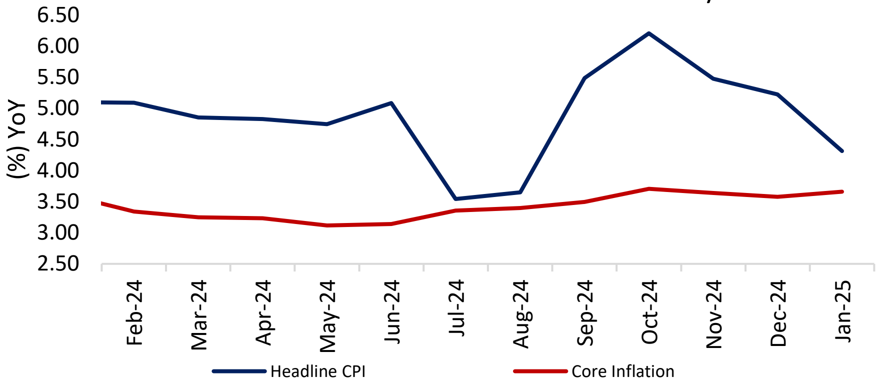
Source: RBI

Classification - Public

Rural India: Rural economy is showing strength with pick up in consumption

CPI Inflation (% YoY)

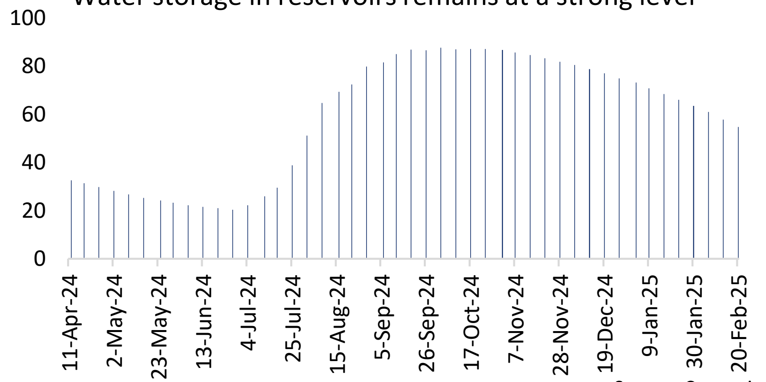
Lower inflation level bodes well for the economy



Source:-Ministry of Statistics and Program Implementation

Total 133 Reservoirs - % Of Current Live Storage

Water storage in reservoirs remains at a strong level



Source: Cogencis

State Wise Roll-Out Of Schemes

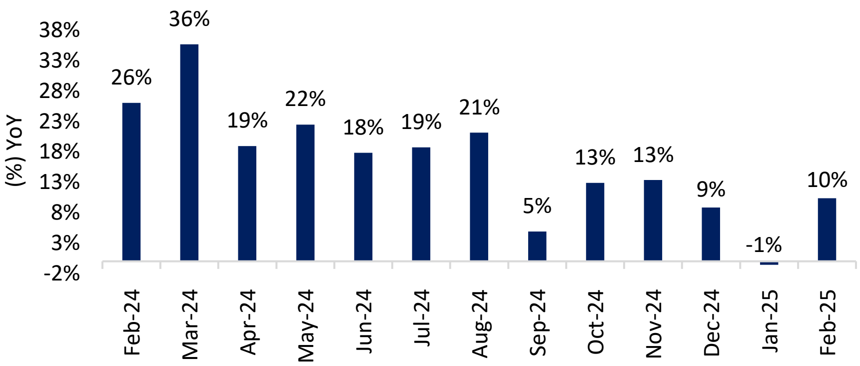
Strong subsidy outflow to boost rural spending

States	Name of the schemes	Annual Estimated Outlay (Rs. Crore)
Maharashtra	Mukhya Mantri Yuva Karyaprashikshan Yojana	5,500
	Mukhyamantri Majhi Ladki Bahin Yojana	46,000
	Majha Ladka Bhau Yojana	Stipend of Rs 6,000 – Rs 10,000 per month
West Bengal	Educational Support	970
	'Jai Johar' Old Age Pension Scheme	366
Uttar Pradesh	Mukhya mantri samuhik vivah yojana	600
	Mukhyamantri Shikshuta Protsahan Yojana	100
Tamil Nadu	Chief Minister's Thayumanavar Thittam	27,922
	Loan-Waiver Schemes	3,100
Odisha	Subhadra Yojana	55,825
	DBT to wage earners	3,651
Madhya Pradesh	Mukhyamantri Ladli Behna Yojana	18,984
Karnataka	Gruha Lakshmi	28,608
	Yuvanidhi	2,500
Gujarat	Namo Laxmi Yojana	1,250
	Namo Shree Yojana	750
Andhra Pradesh	YSR RythuBharosa	6,534
	Sunna Vaddi Panta Runalu	Interest free crop loans to all the farmers who availed crop loans up to Rs 1 lakh

Source: Media Documents

Two-Wheeler Vehicles Production

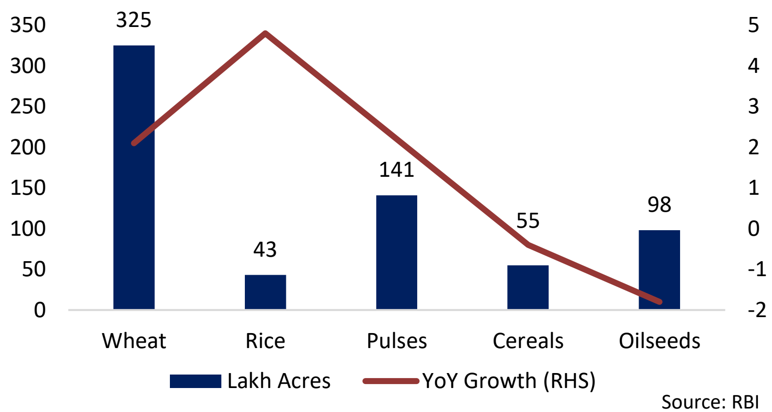
Two-wheeler production remains stable



Source: Cogencis

Rabi Sowing Status

Acreage growth appearing mixed



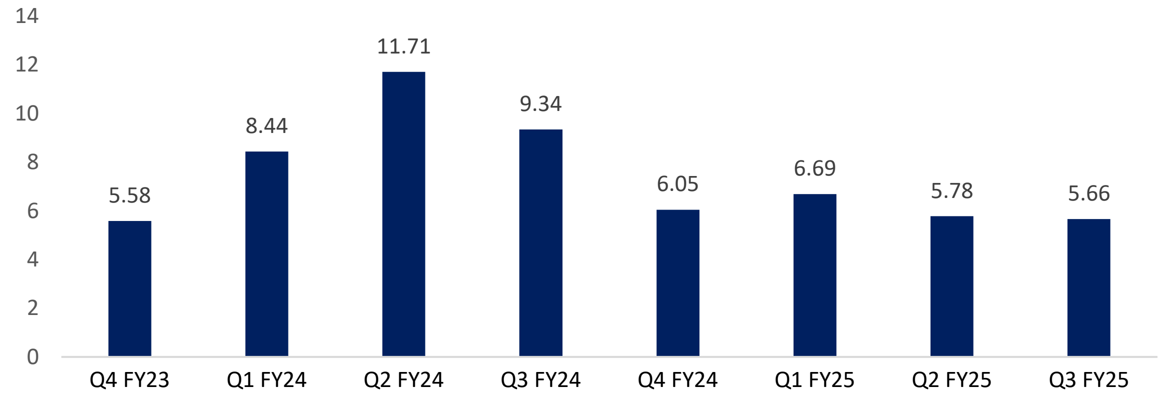
Source: RBI

Classification - Public

Capex: Intensity likely to moderate…unless private capex picks up…

Gross Fixed Capital Formation - YoY Change (%)

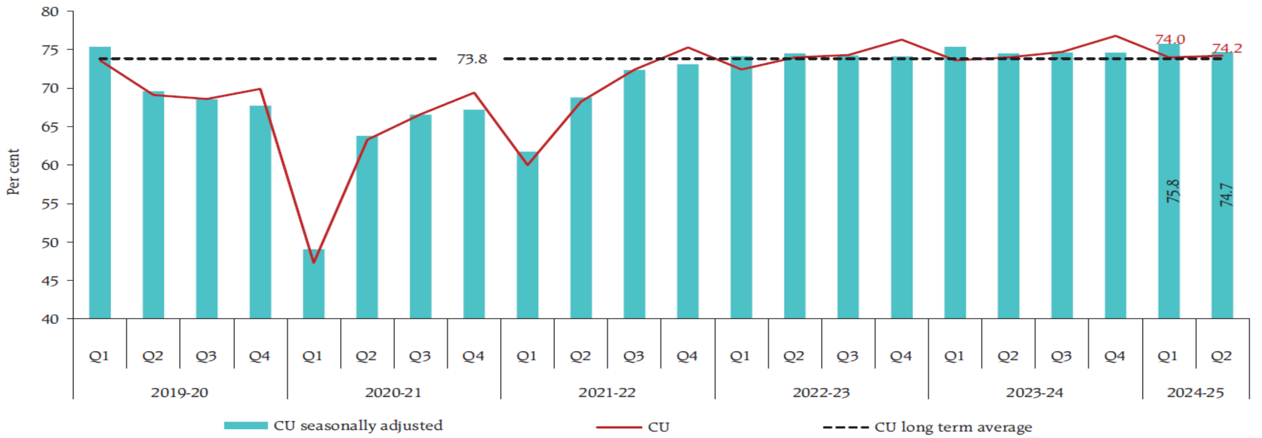
Momentum decelerating



Source: Bloomberg

Capacity Utilization in Manufacturing Sector

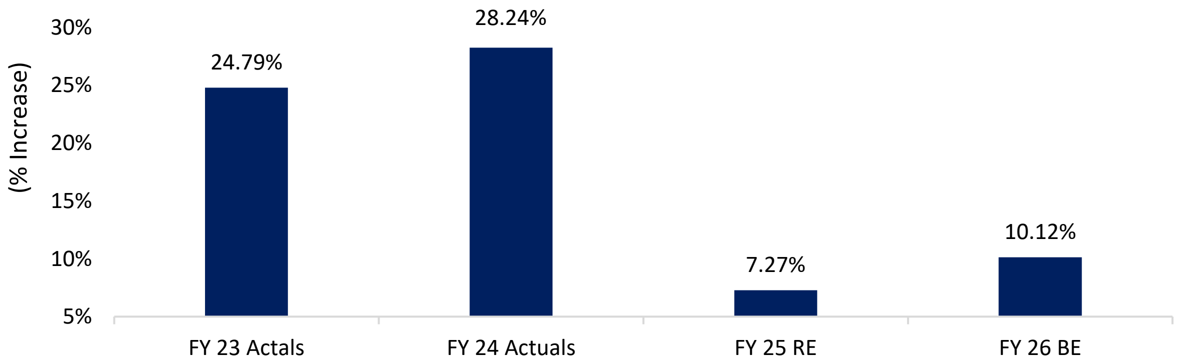
High capacity utilization suggestive of need for private capex



Source: Order Books, Inventories and Capacity Utilisation Survey, RBI.

Central Government Capital Expenditure

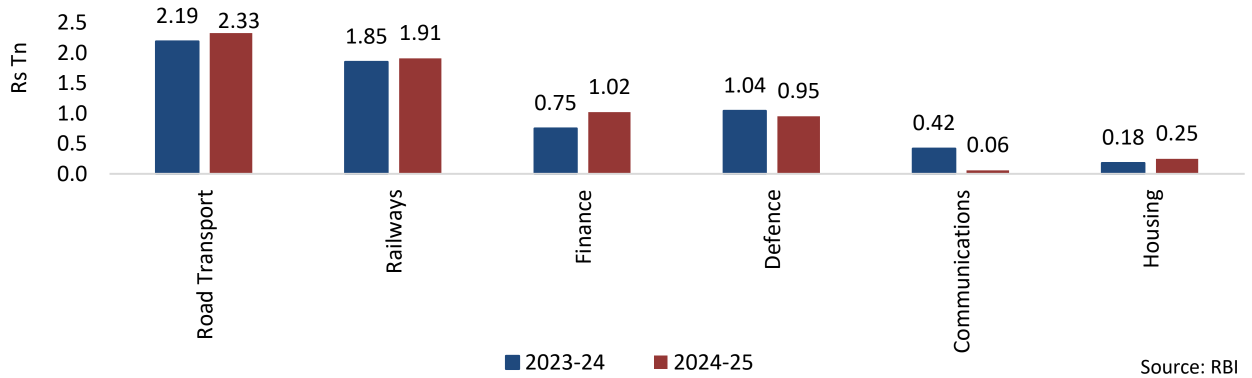
Budget allocation for capex remains moderately high for FY26, in line with the nominal GDP growth



Source: Budget Documents

Ministry-wise Capital Expenditure

Government trying to push ministries to use allocated capex budget in FY25 which should support overall growth & meet government capex target



Source: RBI

Classification - Public

Q3 FY25 Earnings: Moderate despite weak base… various sectors showed mixed growth

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q3 FY25	Q2 FY25	Q3 FY24	Q3 FY25	Q2 FY25	Q3 FY24	Q3 FY25	Q2 FY25	Q3 FY24
Automobile and Auto Components	7.91	4.30	19.84	4.33	2.03	50.23	-2.07	-3.51	56.50
Capital Goods	12.97	7.82	11.69	14.06	14.37	38.51	17.08	5.47	37.59
Chemicals	10.67	4.65	-21.55	57.51	2.00	-53.97	107.84	-8.85	-64.32
Construction	12.26	13.97	17.33	5.70	12.62	11.08	108.05	12.24	18.53
Construction Materials	4.66	0.92	9.18	-21.64	-30.96	76.44	2.65	-56.86	12.44
Consumer Durables	23.90	26.32	19.28	2.18	-11.48	16.14	12.68	-10.58	22.77
Consumer Services	23.15	23.45	23.30	10.47	11.99	52.42	11.91	6.17	52.07
Diversified	26.43	12.06	25.34	-115.72	24.36	37.80	90.09	44.85	5.92
Fast Moving Consumer Goods	10.54	7.51	1.15	3.63	4.32	2.72	2.57	6.57	2.19
Financial Services	8.93	14.43	23.20	11.95	6.05	42.35	20.58	15.01	15.23
Forest Materials	-3.65	31.53	-14.60	-129.83	829.66	380.26	-136.05	218.85	1,414.18
Healthcare	11.88	10.87	7.27	21.52	21.95	17.82	18.35	22.01	27.13
Information Technology	6.03	6.56	3.25	7.08	9.63	2.15	11.53	10.72	-1.12
Media Entertainment & Publication	-1.93	-11.96	8.79	30.77	-42.12	-34.17	-264.86	-27.59	-16.00
Metals & Mining	4.24	-0.58	0.07	10.14	4.53	53.79	1.77	325.19	99.82
Oil Gas & Consumable Fuels	-0.43	1.16	-0.31	-4.51	-49.26	33.09	-9.88	-45.78	37.07
Power	5.12	4.17	5.91	16.00	0.80	-1.88	19.30	-23.73	2.38
Realty	33.75	34.72	-8.75	28.84	12.12	31.62	19.45	-7.97	77.08
Services	13.14	12.57	14.53	2.22	-2.93	53.30	7.96	-8.11	38.11
Telecommunication	17.40	14.72	6.81	63.94	32.55	39.11	667.28	96.90	56.59
Textiles	0.23	-0.12	0.75	2.54	8.31	41.55	-1.97	2.82	63.69
Grand Total	6.62	7.18	8.38	7.96	-9.13	25.35	16.70	0.37	21.86
Ex-Financials	5.87	4.84	4.27	7.20	-11.67	22.55	14.38	-8.44	26.20

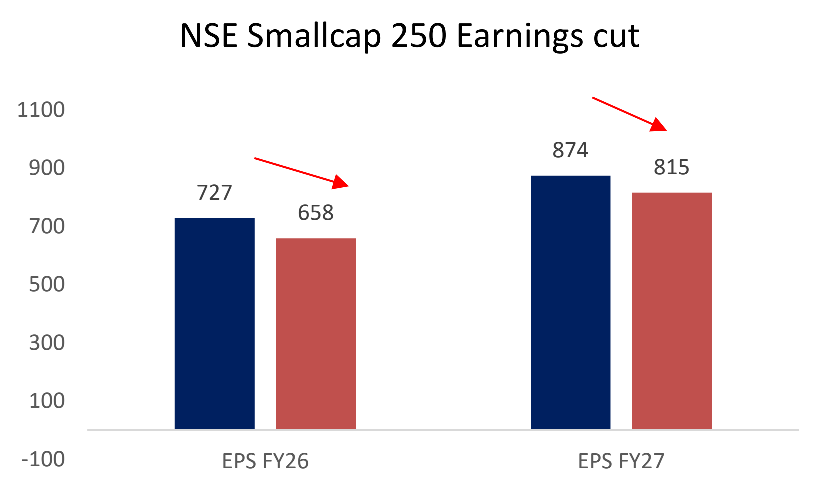
Data as on February 25, 2025 and pertains to 490 companies within the Nifty 500 universe

Source: Capitaline, HDFC Bank Research

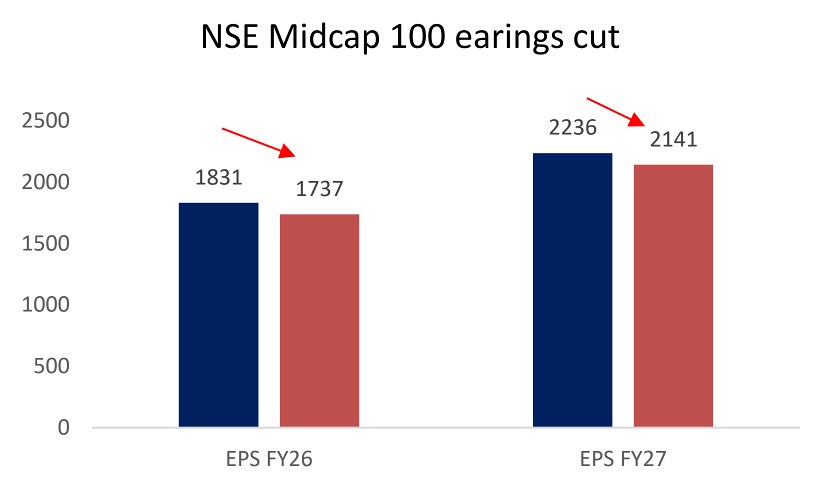
- The combined net sales of listed companies grew in single digit.
- Banks and Non-Banking Financial Companies (NBFCs) saw margin compression due to rising interest expenses, outpacing gross interest income.
- Among key sectors, Telecom, Capital Goods & Construction, Pharmaceuticals, Power, and IT services delivered double-digit earnings growth in Q3 FY25.
- Meanwhile, Oil & Gas, Cement, FMCG, Mining & Metals, and Automobiles lagged, posting little to no earnings growth.
- In short, despite modest expectations, the Q3 earnings season was underwhelming, hurt by weak urban consumption and fading benefits from lower input costs. Consequently, earnings downgrades continued.

Classification - Public

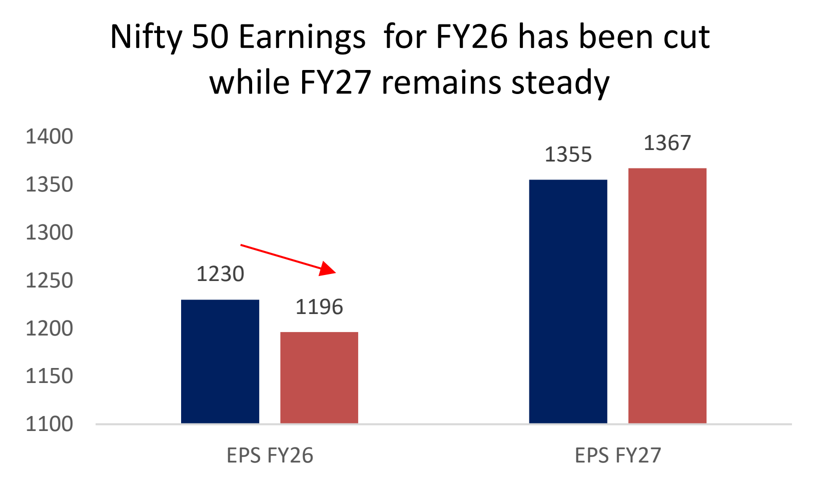
India Valuations: Given moderate Q3 earnings growth, estimates have seen further cuts… Although growth expectations for FY26 and FY27 for Mid and Small cap remain higher, it remains reasonable for Large caps… If growth materializes, then Mid and Small cap SIP can deliver superior returns in the next couple of years



Source: Bloomberg



Source: Bloomberg



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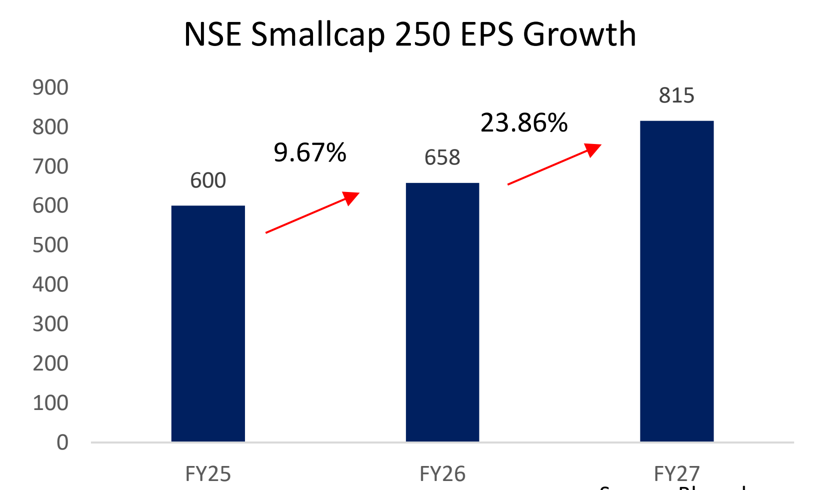

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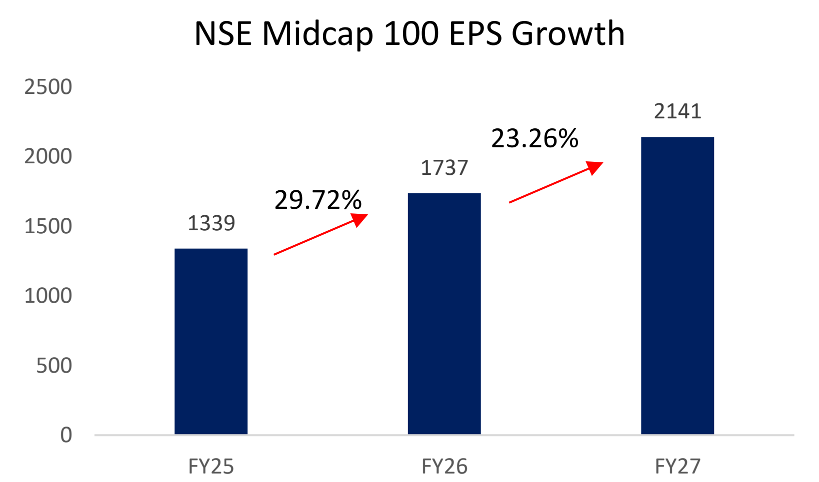

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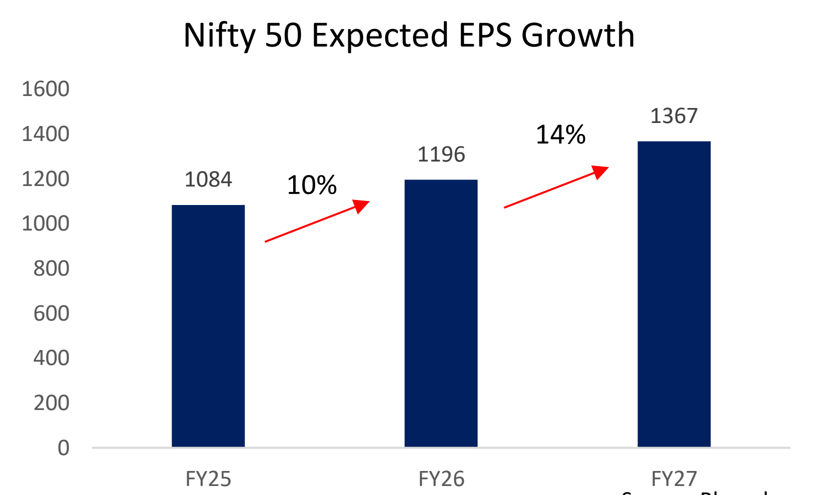
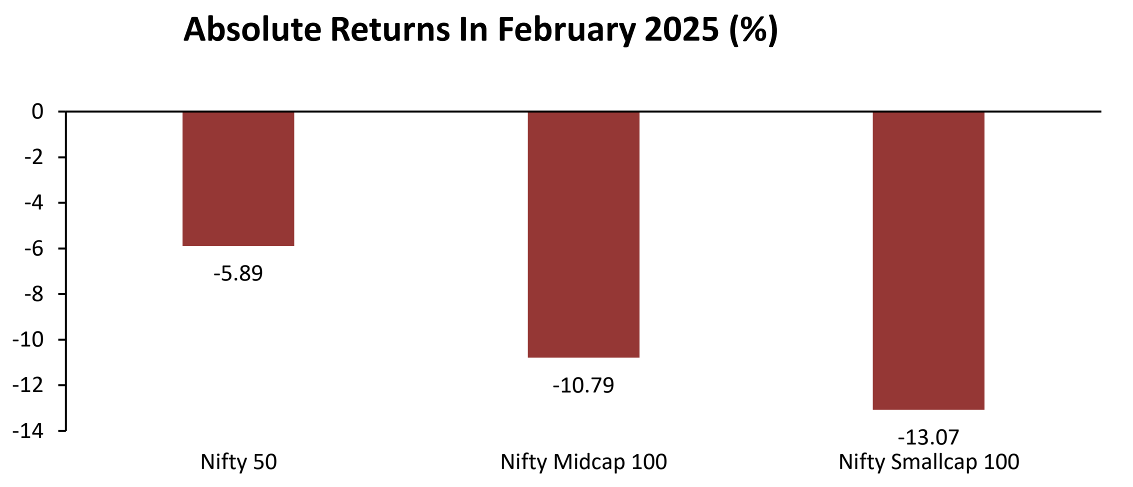


Source: Bloomberg

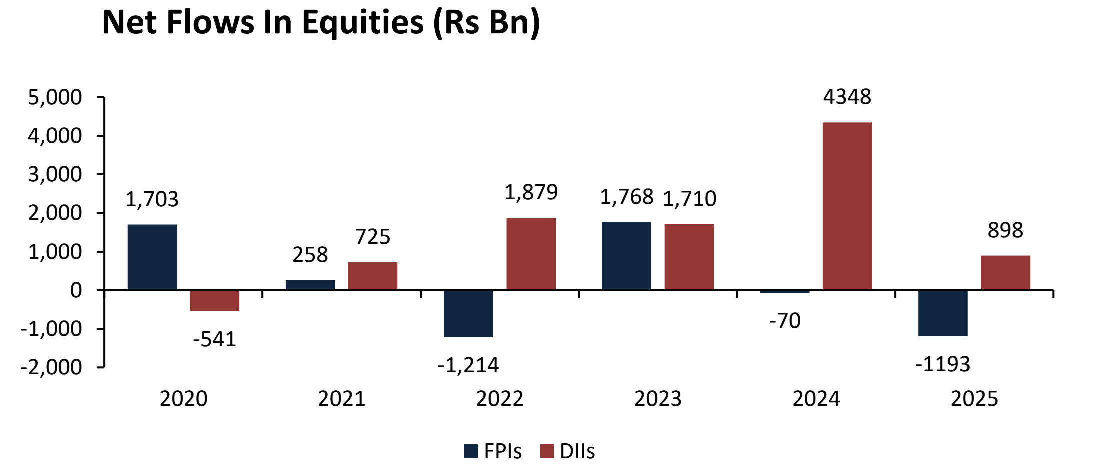
Data as on 28th February 2025

Market Roundup – February 2025

- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 5.55% (MoM) and Nifty 50 ended lower by 5.89% (MoM).
- While the BSE Midcap index ended lower by 10.45%(MoM), BSE Small cap index ended lower by 13.76% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a negative note. Capital Goods, Infrastructure, Realty, IT and Power were the laggards during the month
- Domestic equity markets ended the month on a negative note as investors' sentiment was negatively impacted after the US President has threatened to impose a 25% tariff on imports from the European Union, accusing the bloc of being formed to "undermine" the US. Sentiment was also dampened by the US Fed's statement that it is "not in a hurry to lower interest rates" and intends to "pause rate cuts to assess further progress in inflation". Weak corporate earnings, global trade uncertainties and a continuous selloff by the foreign institutional investors, further widened the losses.



Source: Bloomberg



*For 2025, FPI and DII data is up to 28th and 24th February 2025

Source: SEBI, CDSL

Classification - Public

Key concerns for Indian equities

- Low growth in consumer demand
- Expectation of weakening in margins profile for corporates
- Large IPO/FPO/promoter stock sale
- Slowdown in Global trade due to tariffs imposed by the Trump Administration
- Upward pressure on food inflation (El Nino, export restrictions by some nations)
- The impact of Dollar Index and US Bond Yields on FPI flows in emerging markets

Classification - Public

Annexure…

Classification - Public

Sectoral outlook by fund managers – Part 1

Sector	Particulars
BFSI	**View –Positive** • Valuations in most of the Banks are reasonable, especially the Largecap Private sector banks. Earnings for Q3 FY25 have been mixed across the banking sector. • NIMs could continue to remain under pressure for banks in the early part of the interest rate cut cycle. • Credit costs (provisioning) have continued to show weakness for most of the smaller players, especially MFI, SFB and some large banks. Larger Private banks are expected to see more stable asset quality. • RBI actions in the recent months have been quite positive for the BFSI segment, from a medium-term perspective. • With additional disposable income in the form of income tax cut, expectations are that asset quality pain could be over in couple of quarters.
IT	**View –Neutral** • Order book growth of Indian companies holding up, execution cycle seeing pickup. • Q3 FY25 results have been stable but the future guidance have been toned down. • Market expects that potential corporate tax cuts in the US could be a big booster for Indian IT services companies in the medium term. • Largecap IT services stocks could be used as a defensive play, Midcap IT continues to see some profit booking due to higher valuations. • Sector can act as defensive in case of further market correction.
Pharma	**View – Neutral** • Domestic demand holding up well, stocks have rallied, valuations have risen considerably. • US is seeing abatement of price erosion in the generic space, which should be positive for Indian pharma stocks. • Fund Managers expect the sector to now be market performers and are looking at very stock specific opportunities. • Funds are cutting weights at margin from the sector due to high valuations.
Auto	**View – Neutral** • With the Union Budget supportive for incremental consumption, fund managers have started to get positive on the Auto sector. • Near term weakness could be ignored by the fund managers, given the strong outlook for FY26. • 2-Wheeler stocks have seen strong outperformance and are going though a correction cycle. Premium players to see higher investor interest. • Auto ancillaries may do well due to improving domestic demand, PLI, export opportunities and EV initiatives. Valuations in select names remain reasonable.

Classification - Public

Sectoral outlook by fund managers – Part 2

<table>
<tr><th>Sector</th><th>Particulars</th></tr>
<tr><td>Construction & Real Estate</td><td>View – Neutral to negative
• Housing segment is seeing initial signs of plateauing, Fund Managers not looking to add exposure in the sector.
• While the Government’s focus is on infrastructure and investment cycle, the Govt. spending seems to be sluggish and is emerging as key risk.
• Approach followed by most AMCs for Real estate sector - Prefer investing in this space through proxy sectors such as housing finance companies and housing consumption stocks among others. However such plays are yet to fire.</td></tr>
<tr><td>Consumption</td><td>View – Consumer Services - Positive, Consumer Durables and FMCG- Neutral to positive
• Staples – With expectations of improvement in consumption in FY26, Fund Managers are looking to raise exposure. Alcohol companies have seen strong buying by AMCs.
• Hotels/Travel – Valuations rich, no incremental weights being added. Fund Managers not looking to cut current exposure.
• Consumer Durables – Fund Managers are looking at players who are gaining market share and adding exposure.
• Retail and Quick Service Restaurant: Retail valuations high, focus on Value Apparel Retailers and Jewellery companies. Earnings have disappointed in the QSR space and Fund Managers are not too keen to add exposure, they prefer Consumer Tech plays.
Long-term positives
• Higher disposable income due to tax cuts.
• Premiumization across categories.
• Implementation of 8th Pay commission.</td></tr>
<tr><td>Capital Goods, Industrials, Utilities</td><td>View – Negative
• With the Government spending growth decelerating, Fund Managers may be gradually cutting their overweight exposure in this sector, as incremental earnings growth in many sub-segments may disappoint.
• While current order books are robust, visibility is weakening, sustainability of margin remains a key question.
• Power transmission, Nuclear energy and Electronics continues to be the positive themes for capex.
• Valuations are still high and are likely to see further cuts.</td></tr>
<tr><td>Metals</td><td>View – Neutral
• Post recent consolidation, managers yet remain mostly underweight. Demand conditions globally consolidating, prices of base metals volatile. With Chinese Central Bank announcing big monetary stimulus, metals prices are expected to rise. Nevertheless, the strength of demand conditions would drive the stock price movement in the longer run, else this move could be more tactical.</td></tr>
</table>

Classification - Public

Monthly Sectoral Movement

Index	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
BSE 500	**1.93**	**0.84**	**3.43**	**0.61**	**6.87**	**4.32**	**0.77**	**2.05**	**-6.51**	**-0.03**	**-1.50**	**-3.49**	**-7.85**
Auto	8.12	4.96	3.92	3.84	8.05	5.05	-1.90	3.40	-12.30	-1.20	-2.33	-0.26	-11.00
Bankex	1.92	2.02	4.64	-0.40	6.94	-1.30	-0.94	2.96	-2.29	1.08	-2.62	-2.57	-2.50
Basic Material	-0.42	1.06	7.86	0.73	6.63	2.06	-2.27	5.69	-6.66	-1.90	-3.13	-1.39	-7.22
Capital Goods	-1.21	6.15	3.42	11.16	3.24	4.58	-3.27	-0.09	-5.47	2.31	-4.13	-4.79	-14.39
Consumer Discretionary	4.89	1.69	5.05	0.77	8.99	4.93	0.99	4.01	-10.07	0.23	0.00	-7.01	-10.36
Consumer Durables	0.00	2.05	5.59	-0.51	7.12	3.57	4.37	6.40	-10.35	2.99	3.15	-10.22	-8.45
Energy	6.18	-0.19	3.33	-0.78	4.42	7.34	0.88	-2.91	-12.59	-3.31	-3.96	-0.67	-9.09
FMCG	-2.33	-0.67	1.52	-0.42	5.23	9.53	2.29	3.32	-8.93	-2.08	-2.08	-1.04	-10.57
Finance	0.47	1.35	4.93	-1.49	7.10	0.48	0.75	3.03	-3.31	0.53	-1.67	-2.90	-3.02
Healthcare	5.94	-0.08	1.01	-1.46	6.37	9.19	6.56	2.45	-0.72	-0.57	3.69	-7.67	-8.59
IT	3.38	-7.20	-4.35	-2.63	11.30	12.87	4.27	-2.57	-4.58	5.83	0.95	-2.85	-12.58
Infra	1.23	0.48	7.03	5.62	2.83	13.17	-2.07	-3.19	-8.72	-2.57	-3.54	-3.88	-13.81
Metal	1.15	4.95	10.83	4.68	1.03	-0.85	-0.96	6.63	-9.62	-2.38	-5.39	-1.12	-1.98
Oil & Gas	6.86	-0.07	4.83	-1.18	2.91	10.48	1.27	-3.47	-13.75	-2.35	-2.79	-2.44	-11.23
Power	4.33	1.70	7.73	6.64	3.31	6.13	-2.49	5.11	-9.51	-4.34	-7.00	-5.92	-12.06
Realty	9.16	-1.21	7.52	4.40	8.21	-1.10	-3.59	4.36	-9.12	1.93	3.45	-13.16	-13.42
Telecom	1.44	1.81	8.36	3.29	10.90	4.69	2.36	-5.28	-8.48	1.55	-2.53	-3.32	-10.25
Utilities	3.61	0.25	8.84	2.80	2.40	6.87	-3.79	5.60	-8.54	-6.50	-6.57	-5.48	-10.61

The abovementioned sectoral indices pertain to the S&P BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

Classification - Public

AMC Sectoral Holdings

	Auto & Auto Ancillaries	Banks & Finance	Capital Goods	Commodities	FMCG	Consumer Durables and Consumer Services	Housing & Construction	IT	Media	Oil & Gas, Energy	Other Equities	Pharma	Telecom	Textiles	Transport & Shipping , Logistics & Services
Nifty 500	6.92%	29.29%	5.49%	7.48%	7.00%	6.47%	4.35%	10.46%	0.17%	10.79%	0.18%	6.29%	3.15%	0.29%	1.65%
360 ONE	10.36%	30.10%	9.40%	3.28%	2.40%	6.21%	4.40%	8.76%	0.22%	1.88%	0.00%	6.38%	8.63%	0.32%	3.75%
Aditya Birla SL MF	9.17%	25.89%	5.87%	5.88%	6.26%	7.37%	4.79%	10.72%	0.10%	8.16%	0.30%	7.70%	3.14%	0.63%	1.64%
Axis MF	8.01%	22.83%	8.09%	6.83%	3.33%	10.35%	4.25%	8.14%	0.07%	3.60%	0.67%	10.29%	3.39%	0.32%	1.66%
Bajaj Finserv MF	5.35%	19.56%	6.04%	4.27%	11.01%	10.86%	2.27%	8.88%	0.14%	5.23%	0.35%	15.06%	2.89%	1.08%	1.18%
Bandhan MF	6.18%	26.46%	6.18%	6.75%	5.93%	7.17%	5.81%	7.47%	0.12%	6.93%	1.20%	8.56%	1.97%	0.95%	2.40%
Bank of India MF	5.03%	21.44%	10.88%	9.87%	5.36%	6.25%	5.80%	8.54%	0.76%	7.66%	0.72%	9.51%	2.71%	1.31%	0.98%
Baroda BNP Paribas	7.88%	21.80%	10.15%	4.86%	7.25%	8.70%	2.42%	8.16%	0.14%	10.11%	0.41%	9.44%	2.40%	0.77%	0.48%
Canara Robeco MF	9.54%	24.98%	9.74%	5.29%	5.92%	12.07%	3.39%	7.33%	0.11%	5.91%	1.09%	7.32%	2.23%	0.36%	1.65%
DSP MF	8.92%	22.93%	9.00%	9.09%	4.53%	6.63%	3.69%	6.54%	0.00%	6.17%	0.37%	12.01%	2.47%	1.26%	1.07%
Edelweiss MF	6.66%	23.01%	12.51%	5.40%	4.75%	12.38%	4.50%	10.29%	0.00%	3.26%	0.14%	10.75%	1.96%	0.89%	0.79%
Franklin Templeton MF	6.22%	23.84%	6.98%	7.01%	4.83%	9.47%	5.98%	10.19%	0.03%	6.78%	0.05%	7.76%	3.77%	0.95%	1.72%
Groww MF	7.85%	39.39%	4.84%	4.91%	1.31%	3.04%	2.40%	11.16%	0.00%	1.65%	5.58%	6.75%	2.16%	0.34%	3.02%
HDFC MF	10.32%	28.66%	6.47%	5.58%	3.29%	5.67%	3.37%	7.35%	0.46%	4.43%	0.02%	10.68%	3.18%	0.60%	3.12%
Helios MF	0.00%	37.90%	4.06%	0.00%	2.57%	13.16%	2.20%	15.31%	0.57%	7.74%	0.00%	8.37%	2.76%	1.47%	2.00%
HSBC MF	4.11%	21.33%	17.60%	5.28%	4.23%	11.35%	7.60%	9.28%	0.02%	4.68%	1.42%	6.26%	1.53%	2.13%	0.93%
ICICI Pru MF	9.58%	24.72%	3.80%	8.73%	4.93%	4.64%	4.67%	7.91%	0.44%	9.84%	0.74%	7.58%	3.64%	0.57%	1.88%
Invesco MF	5.12%	26.27%	11.46%	4.01%	2.80%	14.60%	4.49%	8.30%	0.00%	3.56%	1.02%	11.90%	1.76%	0.01%	2.18%
ITI MF	4.57%	22.59%	15.73%	7.90%	4.59%	7.39%	5.13%	7.80%	0.34%	5.33%	1.35%	11.04%	1.47%	1.09%	1.02%
JM MF	7.72%	25.63%	5.51%	8.00%	5.68%	9.94%	3.78%	9.33%	0.00%	2.99%	0.00%	14.52%	2.99%	2.02%	0.28%
Kotak MF	9.61%	17.72%	10.58%	11.66%	3.55%	8.73%	4.65%	10.53%	0.53%	6.98%	0.07%	7.88%	2.69%	0.27%	1.59%
LIC MF	9.76%	20.53%	20.75%	6.56%	5.82%	6.56%	3.86%	5.74%	0.62%	6.10%	1.39%	5.16%	1.26%	1.40%	2.00%
Mahindra Manulife MF	7.04%	23.25%	9.14%	8.13%	7.79%	8.13%	2.86%	5.38%	0.16%	8.77%	1.87%	6.93%	3.36%	1.90%	1.81%
Mirae MF	6.17%	30.96%	4.13%	8.30%	4.10%	9.11%	3.96%	9.02%	0.00%	6.85%	0.00%	9.21%	3.56%	0.40%	2.84%
Motilal Oswal MF	5.37%	9.17%	17.15%	1.47%	0.58%	21.13%	2.73%	15.52%	0.00%	1.16%	0.03%	3.81%	4.76%	0.17%	0.62%
Navi MF	6.20%	21.59%	13.21%	3.65%	5.74%	8.90%	0.83%	9.25%	1.57%	3.66%	0.40%	8.73%	2.59%	1.60%	3.60%
Nippon India MF	6.62%	26.04%	11.21%	5.00%	4.64%	11.75%	3.27%	5.79%	0.41%	7.73%	0.67%	9.71%	1.55%	1.05%	1.69%
NJ MF	15.49%	10.56%	0.33%	3.70%	11.81%	3.94%	0.00%	17.39%	0.00%	10.00%	0.00%	25.72%	0.00%	0.43%	0.00%
Old Bridge MF	1.50%	11.18%	0.00%	6.17%	7.58%	1.37%	6.96%	8.48%	0.00%	3.61%	2.78%	17.17%	6.49%	0.00%	15.30%
PGIM India MF	7.02%	20.26%	8.37%	7.78%	4.66%	14.62%	2.48%	9.68%	0.00%	3.08%	0.05%	12.14%	2.11%	1.03%	3.47%
PPFAS MF	8.56%	30.20%	0.03%	0.21%	4.96%	3.17%	0.00%	12.49%	0.00%	12.40%	0.00%	3.66%	0.00%	0.00%	3.56%
Quant MF	4.25%	15.31%	2.59%	10.05%	11.25%	4.89%	8.80%	0.05%	1.39%	19.76%	0.04%	10.86%	2.50%	1.00%	2.10%
Quantum MF	9.27%	37.39%	1.07%	4.45%	0.98%	4.24%	0.00%	15.94%	0.11%	3.45%	0.10%	4.42%	3.72%	0.00%	0.42%
Samco MF	0.81%	13.67%	6.17%	1.24%	2.23%	3.88%	5.05%	8.32%	0.19%	0.60%	0.00%	9.24%	-0.01%	1.57%	1.22%
SBI MF	8.37%	22.83%	5.69%	6.59%	6.12%	7.53%	3.27%	7.33%	0.33%	8.15%	2.20%	7.67%	2.84%	2.14%	2.10%
Shriram MF	2.07%	18.46%	1.61%	1.23%	9.33%	22.79%	0.84%	3.92%	0.00%	0.00%	1.78%	28.64%	1.73%	0.00%	1.59%
Sundaram MF	7.69%	26.14%	7.84%	5.46%	4.56%	11.49%	4.29%	7.02%	0.19%	6.03%	0.00%	8.17%	3.82%	0.14%	2.10%
Tata MF	4.25%	22.16%	7.38%	6.64%	4.54%	7.62%	3.89%	17.60%	0.27%	6.07%	0.81%	7.63%	2.31%	0.93%	3.07%
Taurus MF	7.39%	21.41%	6.51%	3.56%	6.17%	3.79%	3.68%	15.12%	0.00%	11.88%	0.19%	8.51%	2.98%	1.41%	1.59%
Trust MF	5.34%	22.07%	12.88%	3.07%	4.25%	8.32%	3.01%	10.70%	0.00%	2.18%	0.65%	14.83%	1.80%	1.17%	1.69%
Union MF	6.07%	20.52%	12.12%	5.94%	2.81%	13.45%	4.22%	9.98%	0.07%	4.73%	0.00%	9.18%	2.26%	0.99%	3.75%
UTI MF	9.88%	24.12%	5.28%	6.33%	4.41%	13.18%	2.37%	10.96%	0.24%	4.15%	0.43%	9.76%	3.03%	0.72%	1.61%
WhiteOak Capital MF	4.05%	30.81%	8.13%	3.75%	4.11%	11.22%	2.24%	10.11%	0.02%	3.92%	1.75%	11.11%	3.19%	0.41%	1.78%

Source: ACE MF

Data as on 31st January 2025

Classification - Public

Fixed Income Market

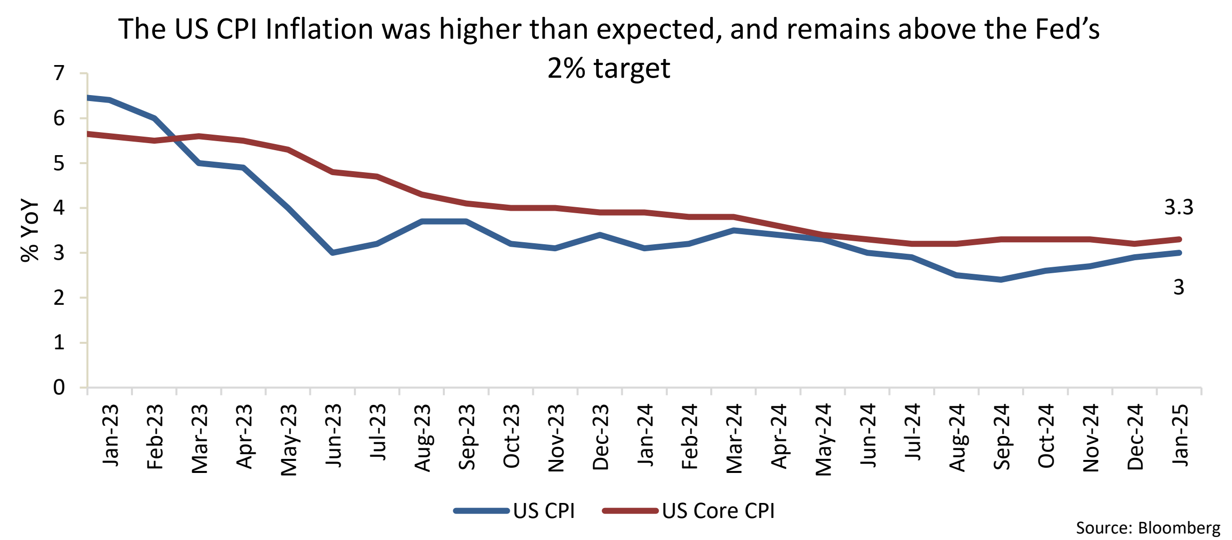
Classification - Public

Fixed Income Outlook

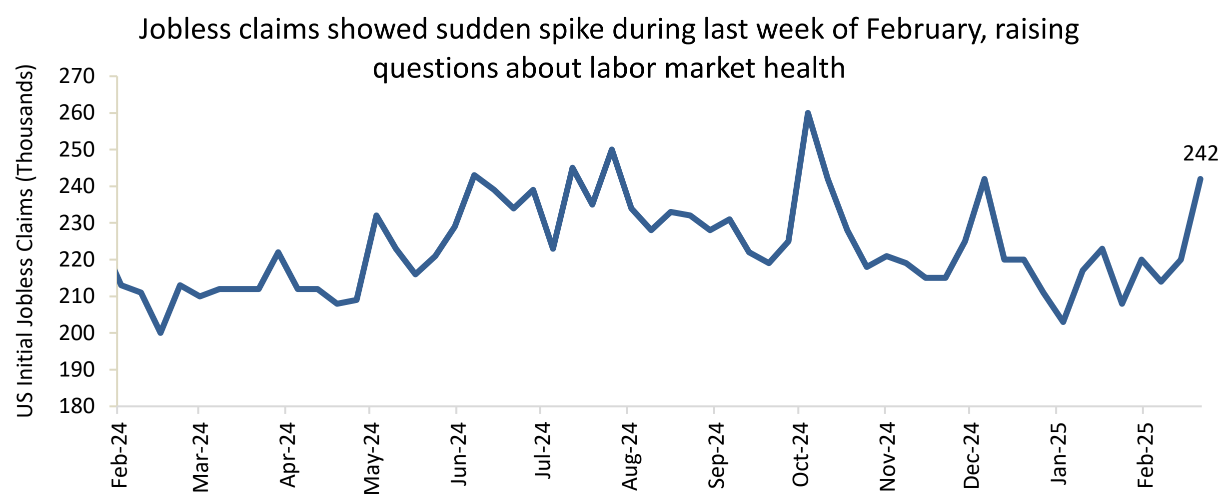
- The liquidity continued to remain in deficit, but showed a downward trajectory as the RBI took a host of measures and tried injecting durable liquidity into the system to handle the ongoing situation.
- The Consumer Price Index (CPI) fell to a five-month low of 4.31% YoY in January 2025 from 5.22% YoY in December 2024. Going forward, the RBI is expected to follow Flexible Inflation Targeting (FIT) framework as was mentioned by the new Governor during the MPC outcome announcement.
- Issues on the external front, in terms of rising trade deficit, geopolitical uncertainties, and risk emanating from US tariff wars, remain a key challenge for the RBI to negotiate with in the medium term and can have implications on the depth of the ongoing policy rate cut cycle.
- The Monetary Policy Committee unanimously decided to reduce the policy repo rate by 25 bps to 6.25%. Also, it has unanimously decided to continue with the ‘neutral’ stance. Going forward, the RBI is likely to support growth while aligning the inflation to its FIT framework, so future policy actions are expected to be data-dependent.
- The RBI will continue to monitor the evolving liquidity and financial market conditions and proactively take appropriate measures to ensure adequate liquidity in the banking system.
- The GDP for Q3 FY25 came in marginally lower than market expectations at 6.2% YoY. The lower than expected GDP growth could allow the RBI to bring in further growth supportive measures.
- In the US, the Fed kept policy rates unchanged, reiterating a "careful approach" in considering additional adjustments to the monetary policy stance. Going forward, policy measures announced by the Trump Administration would be a key factor that would drive the policy rates there.
- The European Central Bank (ECB) continued on its path of policy rate cuts. However, they are expected to turn data-dependant going forward, mainly due to inflation uncertainties caused by global trade friction, among other datapoints.
- Globally, after a long period of policy easing, major central banks are taking a divergent view on policy stance. Implications of US tariffs and countermeasures taken by other countries may prove inflationary, and could impact global monetary policy decisions.
- Indian G-sec yields closed higher in February 2025. Yields rose as market participants were disappointed that the RBI's first rate cut in nearly five years was not accompanied with any additional steps to boost banking system liquidity. Further, following a heavy debt supply from states, a plunge in the INR, and the weaker-than-expected demand for the Central Government's last debt sale for FY25. However, losses were restricted as the RBI moved to double the amount of its OMO purchases. Sentiment was boosted further following the domestic retail inflation print of January 2025 which was marginally below estimates.
- With the recent cut in the policy rate, along with favourable demand-supply dynamics of Indian G-Secs and favourable CPI inflation, we may see structurally lower interest rates over the long term. Further policy rate cuts may bring about tactical opportunities in the Long Duration products.
- Additionally, improvement in liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end in the medium term.
- With this backdrop, the inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors can look at Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

Classification - Public

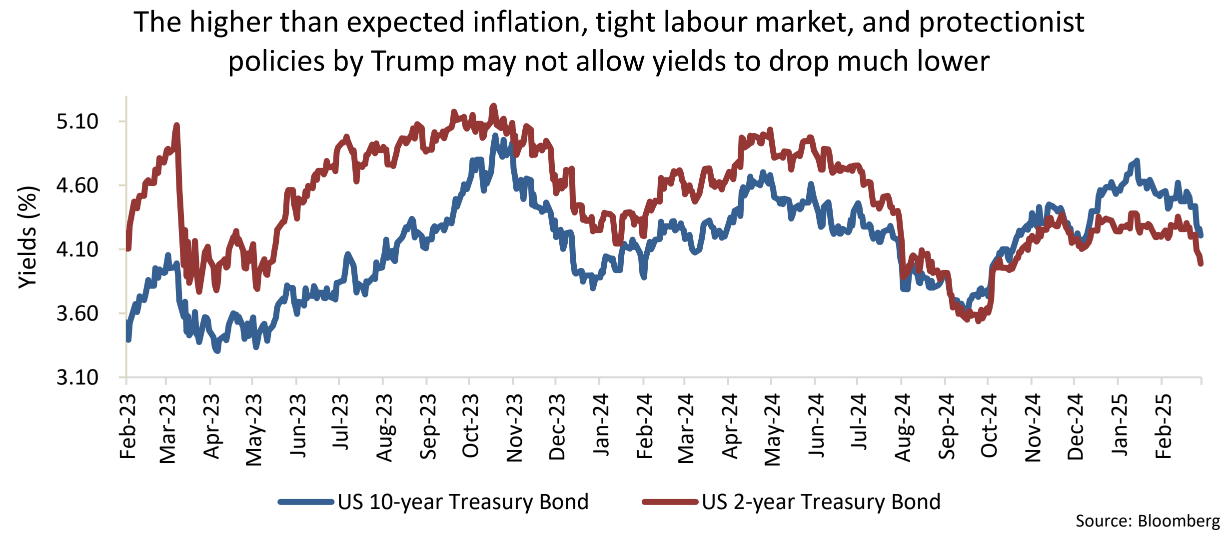
While the US remains watchful about internal data… the world remains watchful about US policies



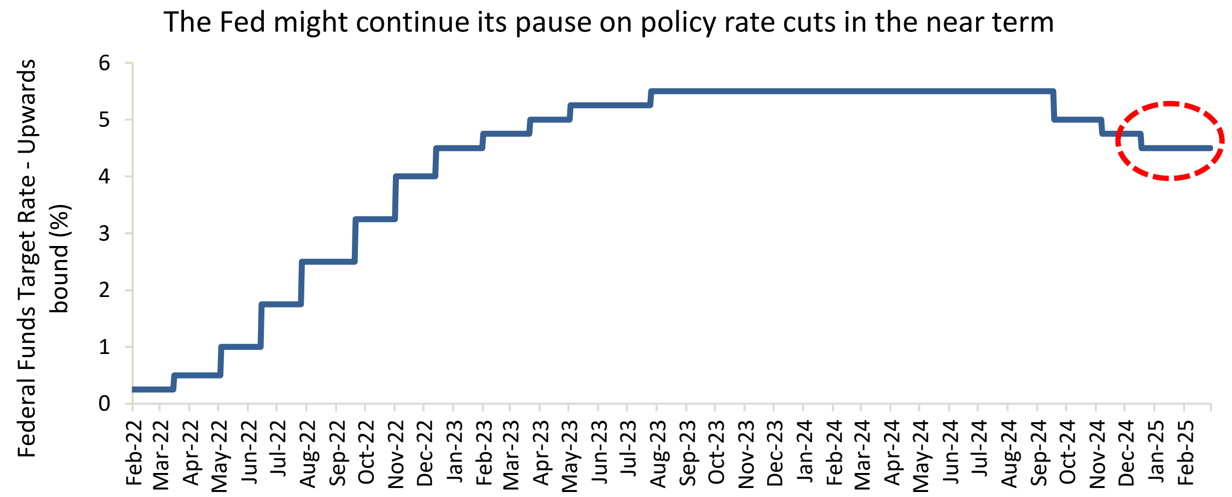
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

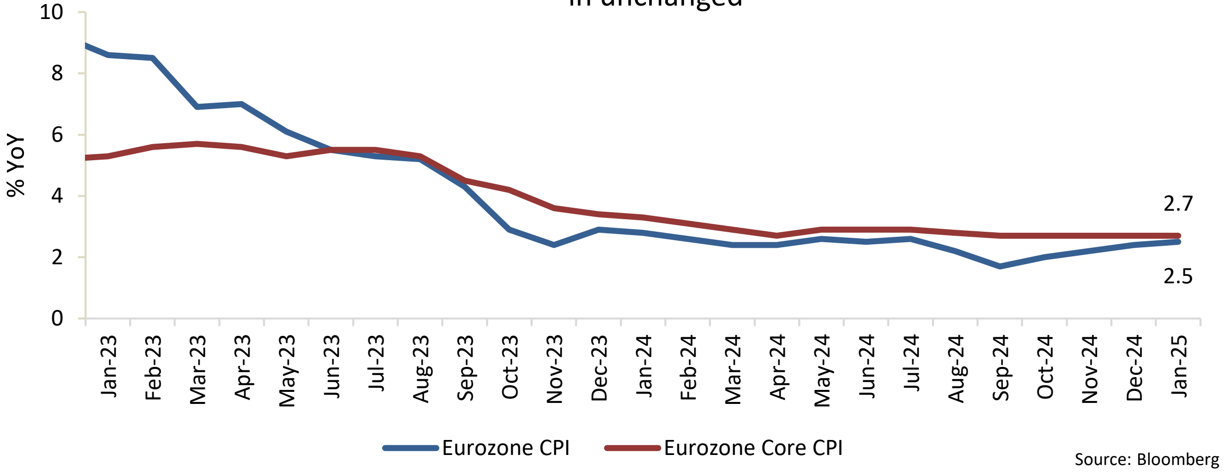


Source: Bloomberg

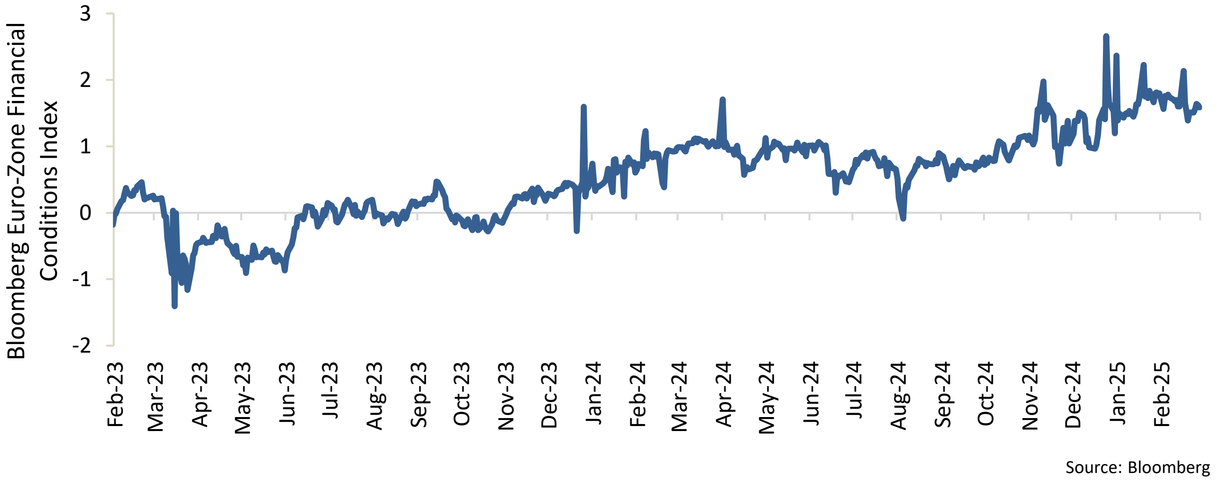
Classification - Public

Due to rising inflation and geopolitical uncertainty, the ECB is expected to take a data-dependent approach to further rate cuts

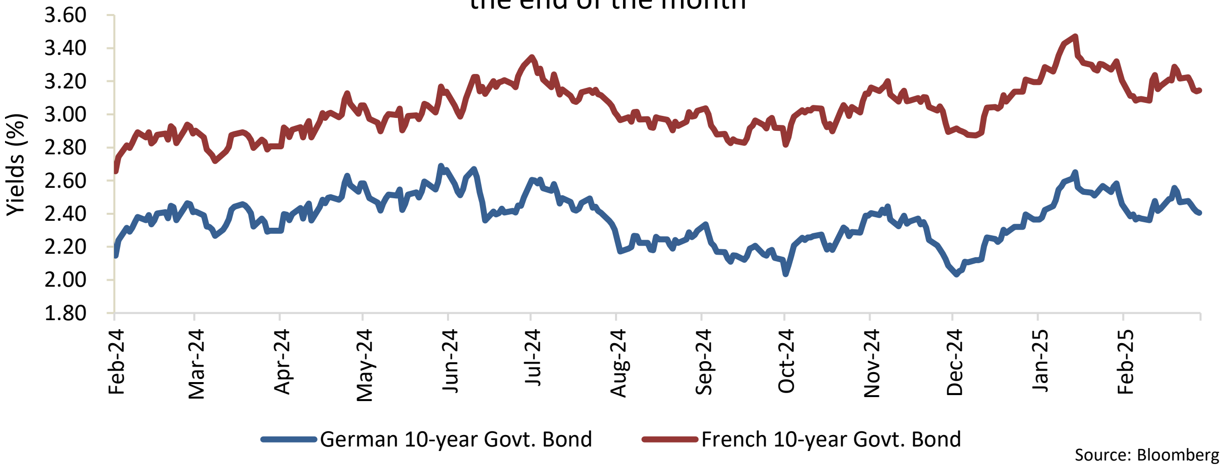
European headline inflation increased marginally, while core inflation comes in unchanged



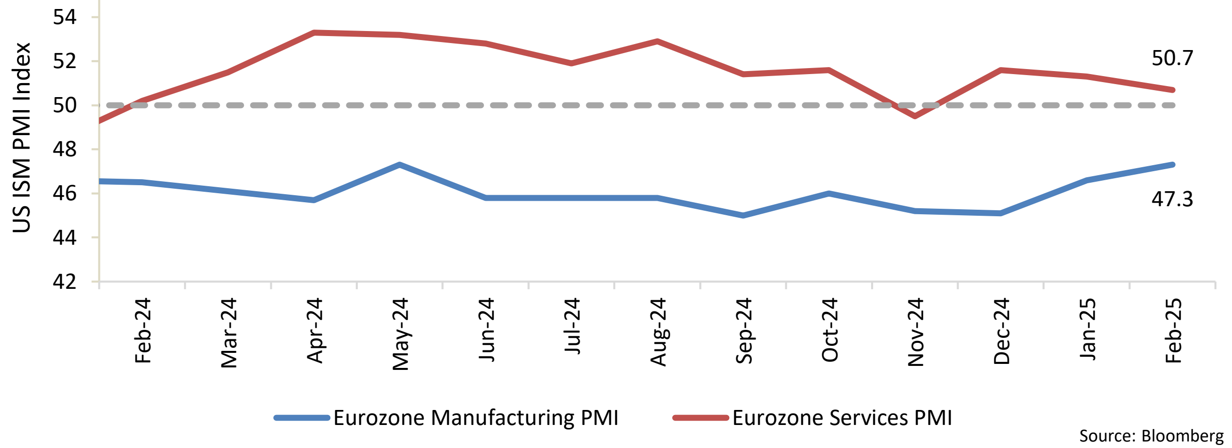
Financial conditions in the Eurozone remain steady



Yields of major European economies rose initially, but recovered towards the end of the month



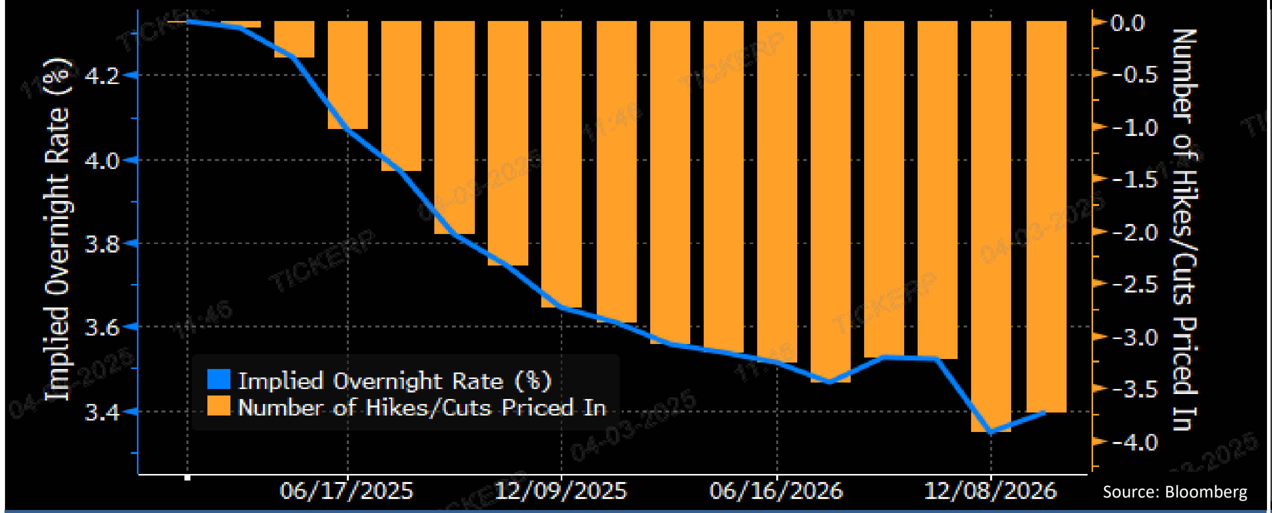
While Manufacturing PMI is showing signs of improvement, it remains in the contraction zone.. Services PMI, though expansionary, is on a decline



Classification - Public

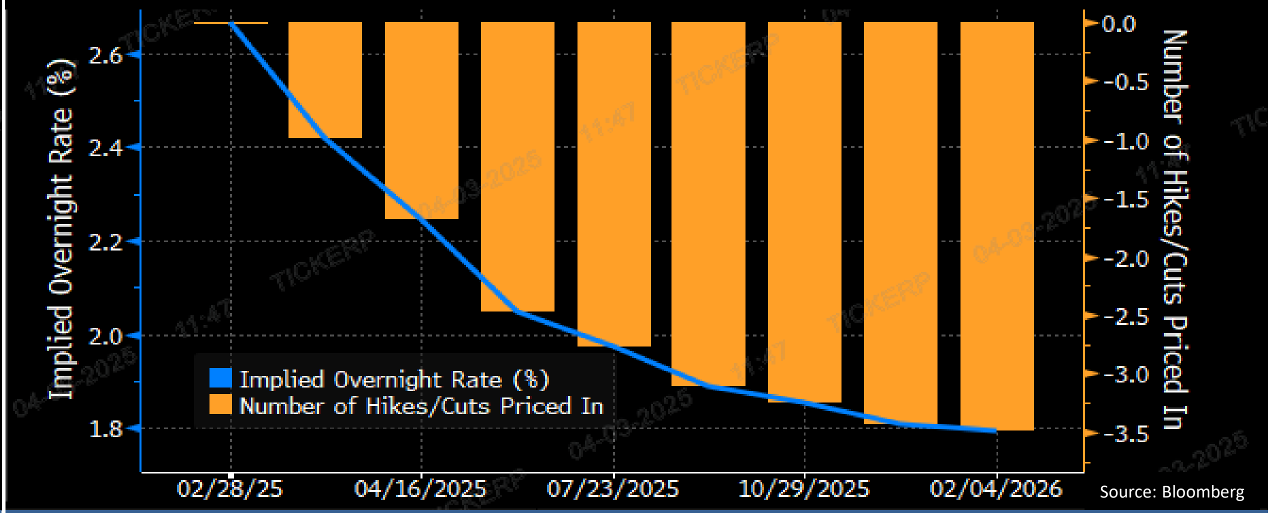
Probable outcome of Trump Tariffs keeping major Central Banks on their toes..

The Fed is keenly monitoring incoming data before resuming the rate cuts cycle



Source: Bloomberg

ECB is expected to take a data-dependent approach to further policy easing



Source: Bloomberg

"In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks."

- Monetary Policy Report
7th February 2025

"Most measures suggest that inflation is converging towards our target on a sustained basis…
…We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance…
…Greater friction in global trade would make the Euro area inflation outlook more uncertain."

- Christine Lagarde on easing inflation scenario and cautious approach due global uncertainty

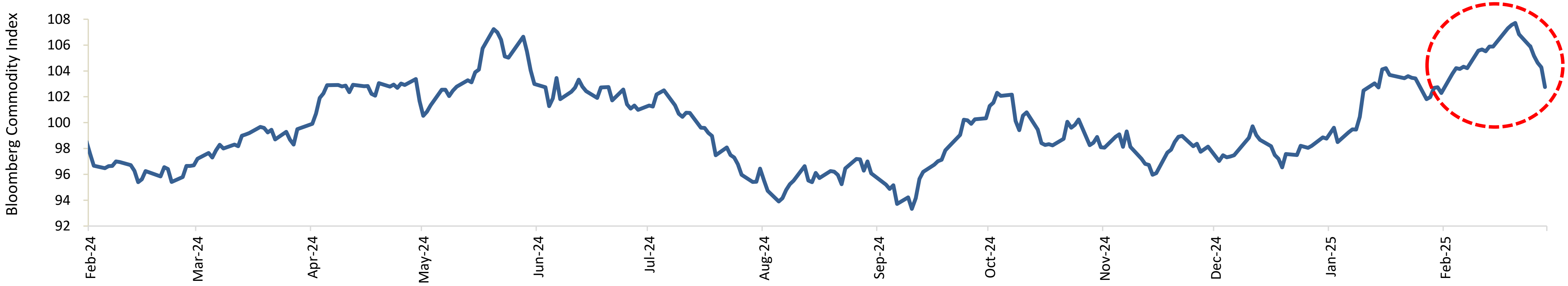
After a long period of policy easing, global central banks are taking a divergent view on policy stance

Source: Bloomberg

Classification - Public

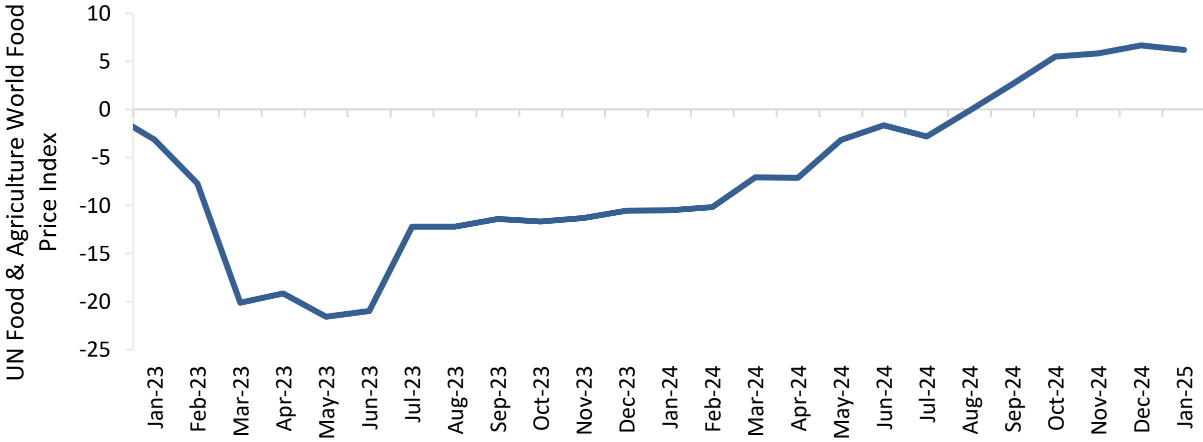
Global Commodities - Industrial commodities and Crude oil prices remain volatile, but within a range

Global commodity prices are showing increased volatility, but remain range bound



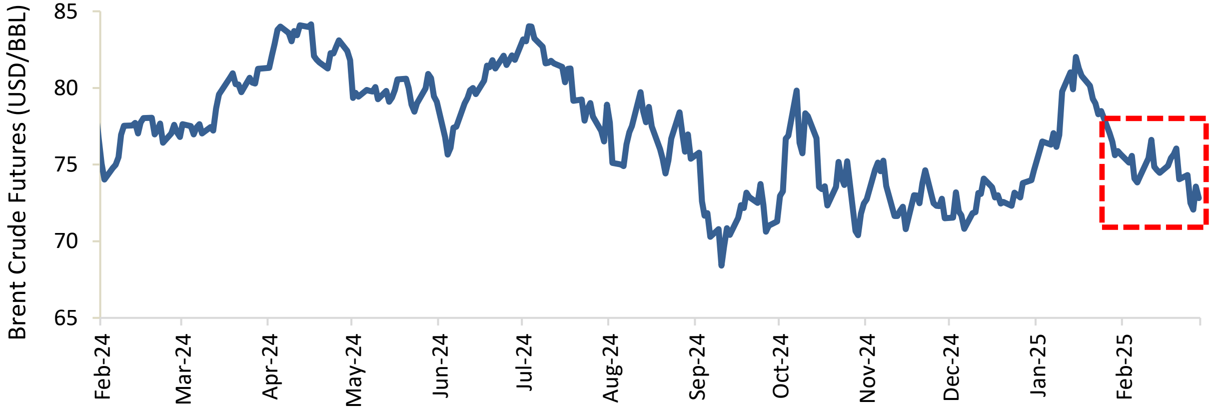
Source: Bloomberg

Food prices stabilized during the month, but remain elevated



Source: Bloomberg

Crude prices remained withing a range, pressured by rising inventory and improved Chinese demand, supported by sanctions on Russia

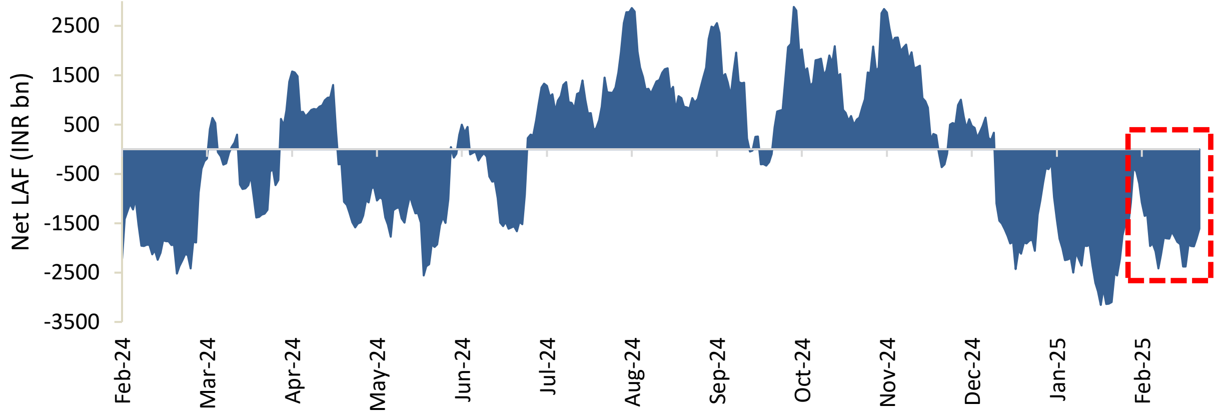


Source: Bloomberg

Classification - Public

Improving the system liquidity conditions has become RBI's top priority

Banking system liquidity continues to remain in deficit but has improved marginally …



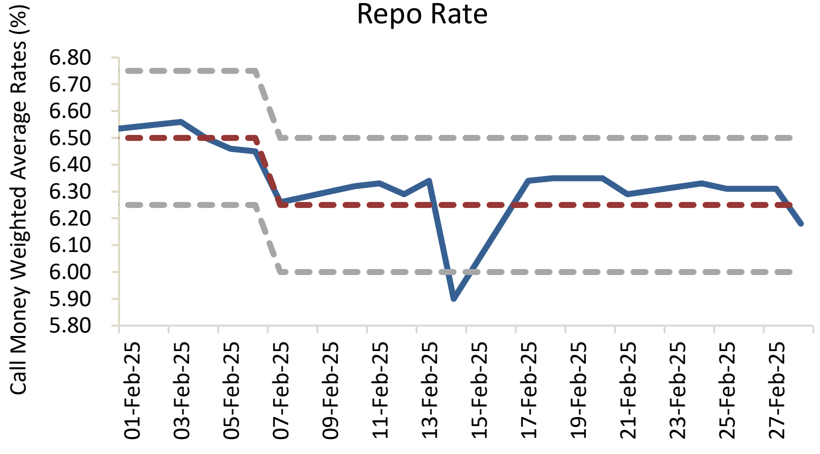
Source: Bloomberg

RBI taking further measures to inject durable liquidity into the system basis continuous assessment of the situation

Particulars	Tenure	Date	Amount Notified	Final Amount Accepted
OMO	5 different tenures	13-Feb-25	Rs 200 bn	Rs 400 bn
	6 different tenures	20-Feb-25	Rs 200 bn	Rs 400 bn
VRR Auction	56-Day	07-Feb-25	Rs 500 bn	Same as declared
	49-Day	14-Feb-25	Rs 750 bn	Same as declared
	4-Day	17-Feb-25	Rs 750 bn	Same as declared
	14-Day	21-Feb-25	Rs 750 bn	Same as declared
	45-Day	21-Feb-25	Rs 750 bn	Same as declared
USD/INR Buy/Sell Swap	3 years	28-Feb-25	USD 10 bn (~Rs 875 bn)	Same as declared

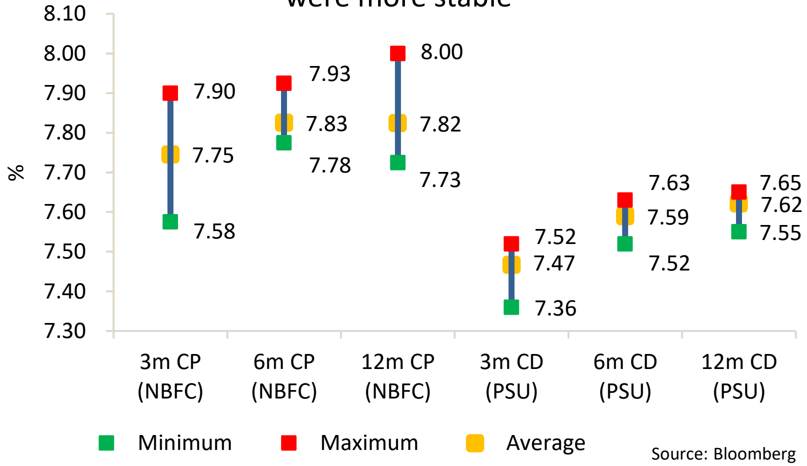
Source: RBI

The Overnight Rate largely remained around the Repo Rate



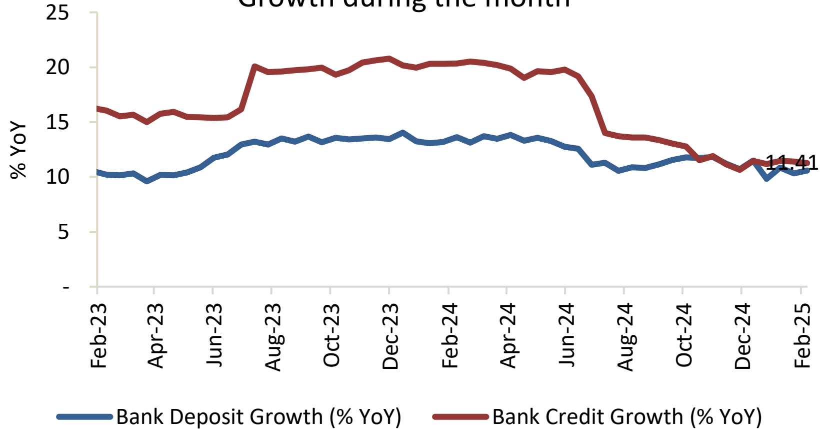
Source: Bloomberg

Yields of CPs saw some volatility, while CD yields were more stable



Source: Bloomberg

Bank Deposit Growth stayed below the Credit Growth during the month

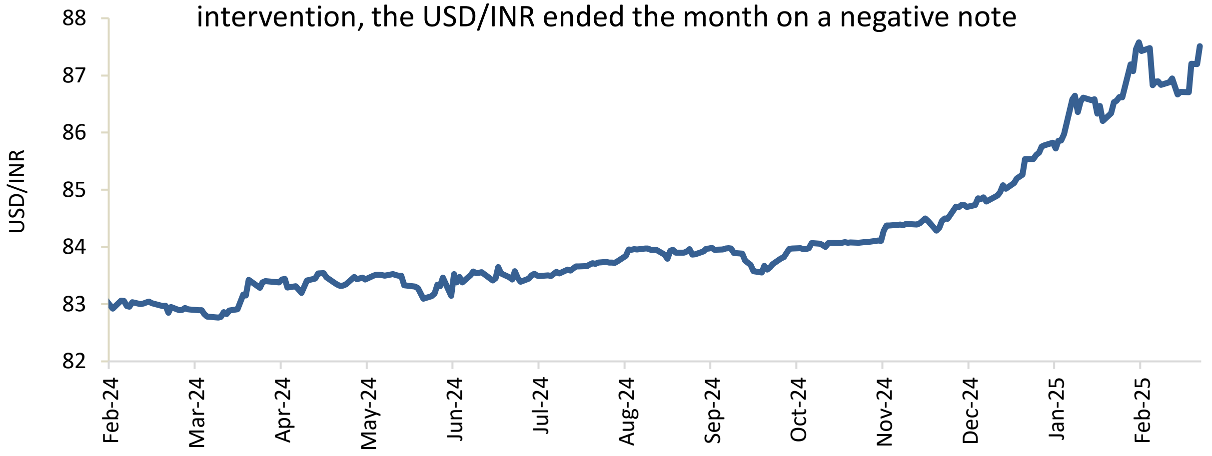


Source: Bloomberg

Classification - Public

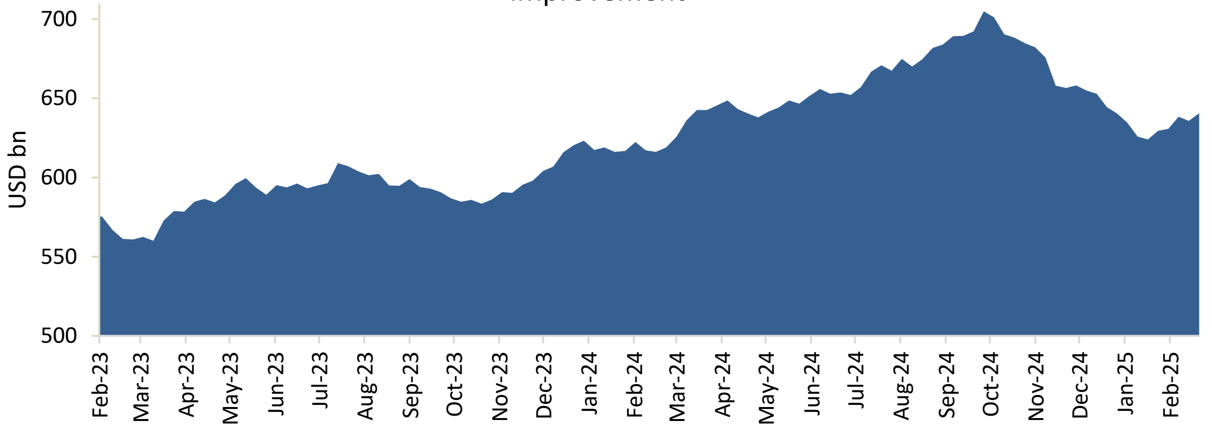
External position weakens… USD/INR touches an all time low

After initially recovering from the all-time low post RBI's likely forex intervention, the USD/INR ended the month on a negative note



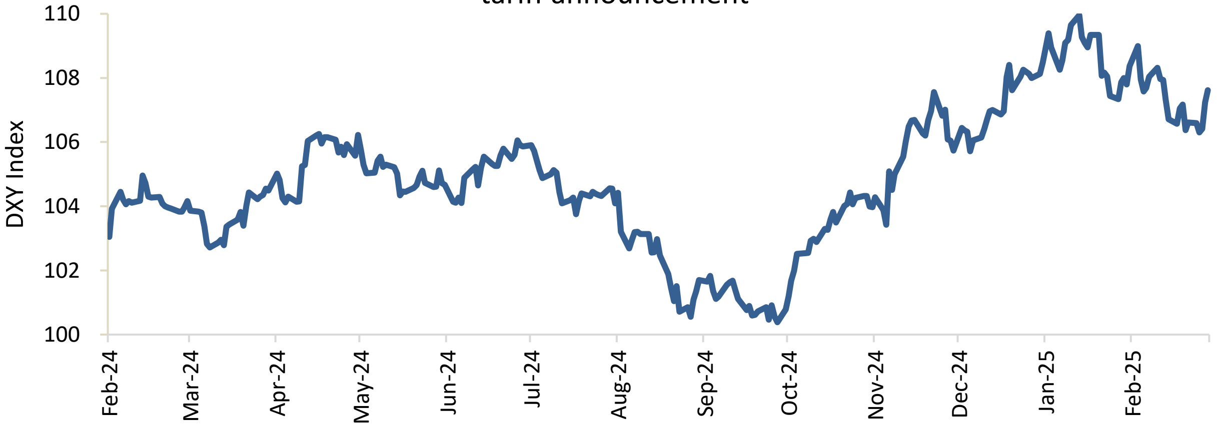
Source: Bloomberg

Forex Reserves arrested its declining trend and showed signs of improvement



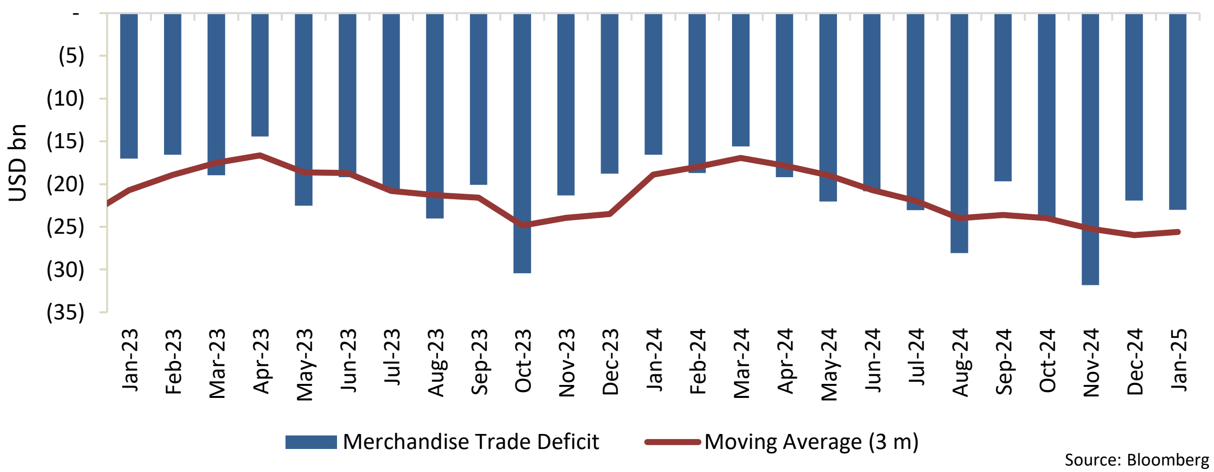
Source: Bloomberg

The Dollar Index surged at the end of the month on the back of Trump's tariff announcement



Source: Bloomberg

Trade Deficit widened on the back of fall in exports

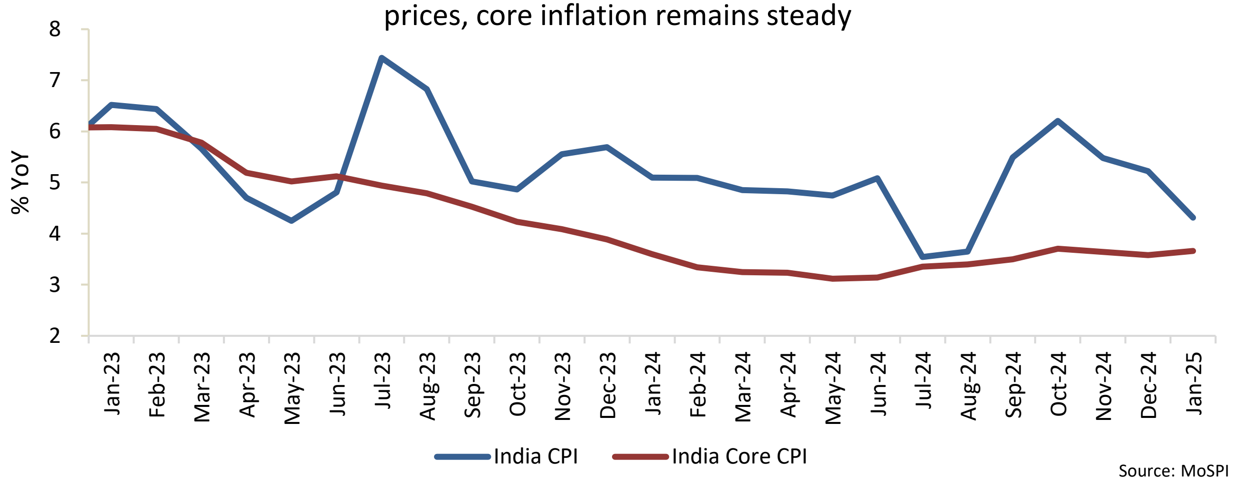


Source: Bloomberg

Classification - Public

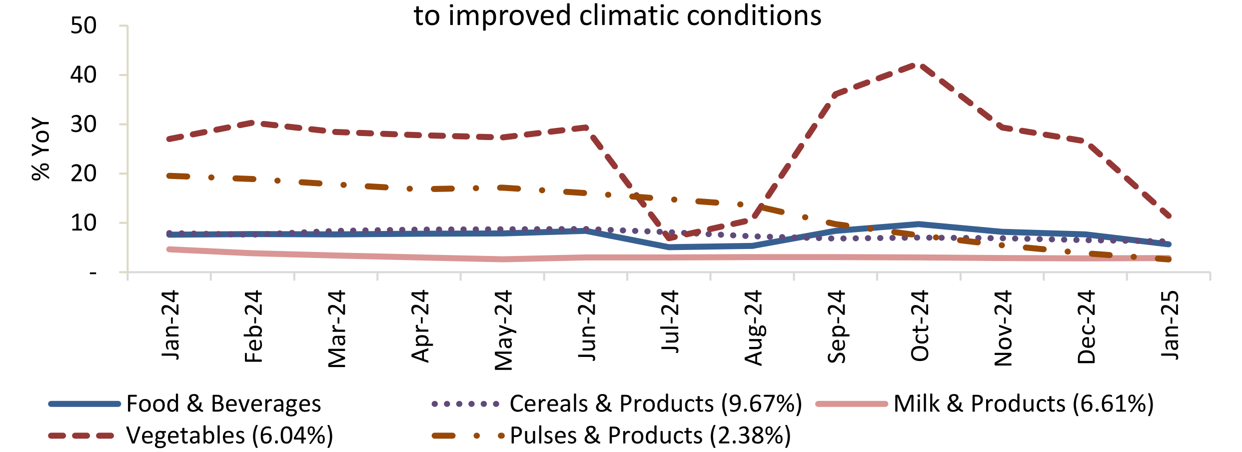
Inflation decelerating faster than expected, creating legroom for growth-supportive policy action

The headline inflation came in lower due to base effect and lower food prices, core inflation remains steady



Source: MoSPI

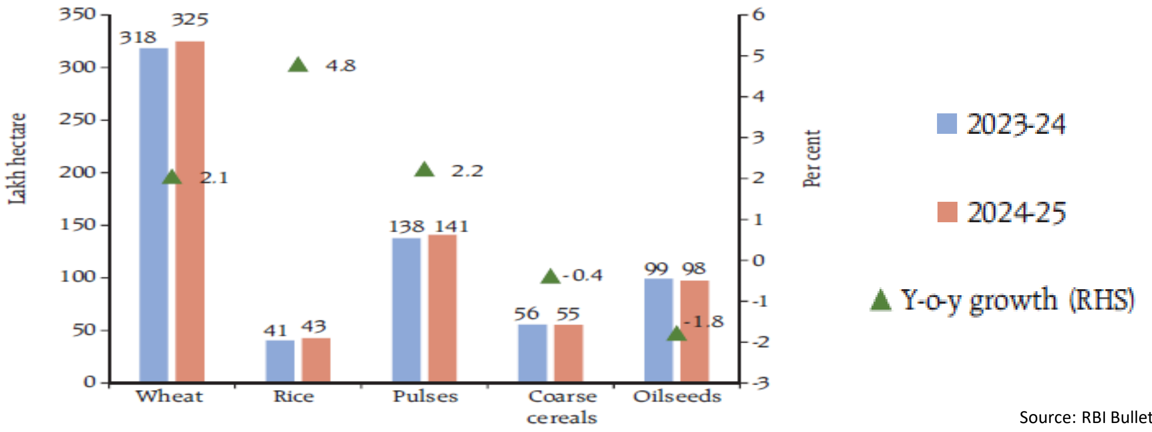
Food Inflation came down on the back of a sharp fall in vegetable prices due to improved climatic conditions



Note: Data in parenthesis denotes weight of category in CPI basket

Source: MoSPI

Arrival of Rabi crops could weigh down on food prices going forward, supporting lower inflation



Source: RBI Bulletin

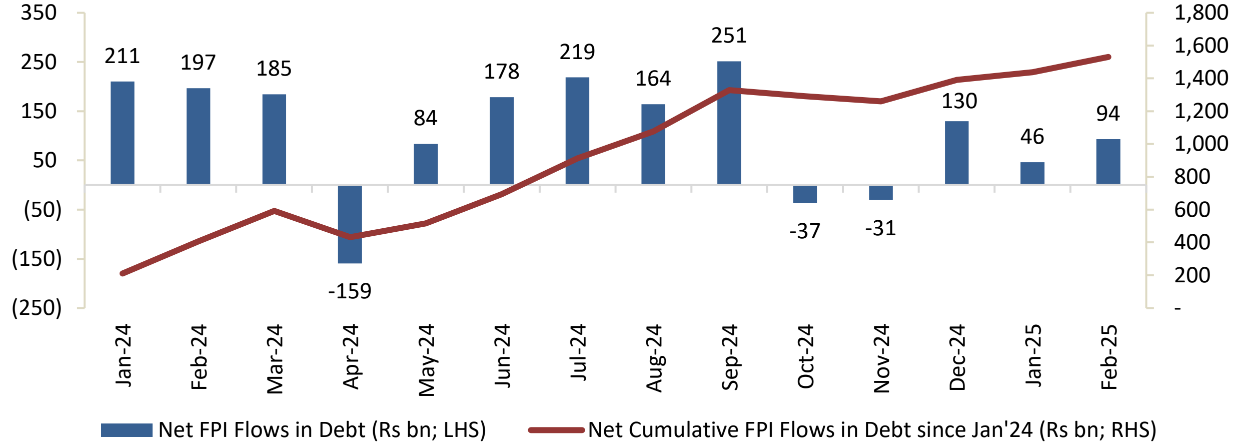
"We will continue to improve the macroeconomic outcomes in the best interest of the economy using the flexibility embedded in the framework while responding to the evolving growth-inflation dynamics. Moreover, we will strive to further refine the building blocks of this framework by making advances in the use of new data, improving nowcasting and forecasting of key macroeconomic variables and developing more robust models."

- RBI Governor Sanjay Malhotra's Statement on flexible inflation targeting (FIT) framework
7th February

Classification - Public

With inflation coming off and liquidity support from the RBI, the G-sec curve shifted downward marginally, predominantly driven by the shorter end… tactical opportunities can be seen at the longer end

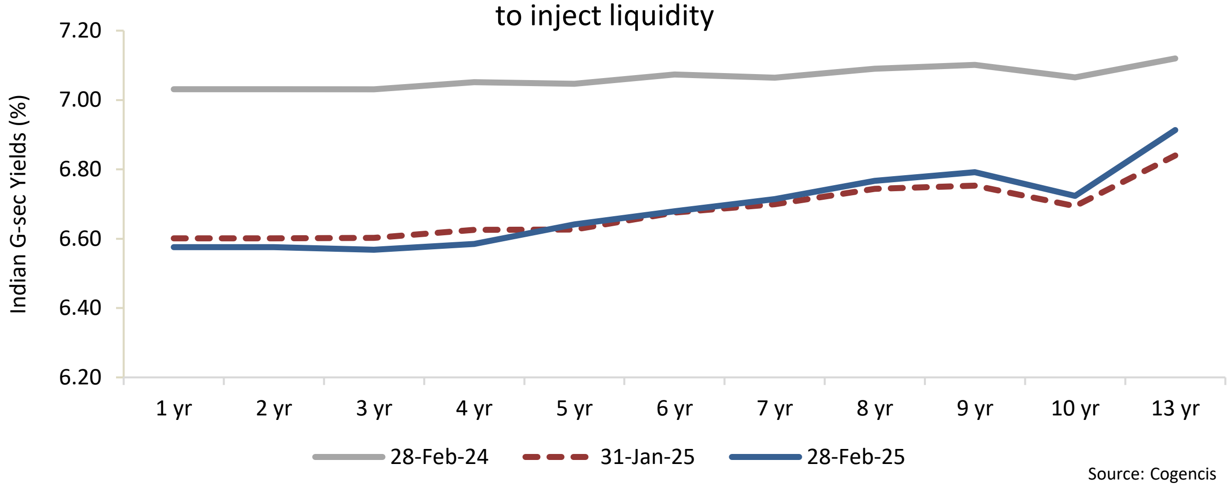
FPIs continued to remain net buyers in the domestic Debt market



Note: Debt FPI includes flows to/from - Debt General Limit, FAR, and Debt Mutual Funds

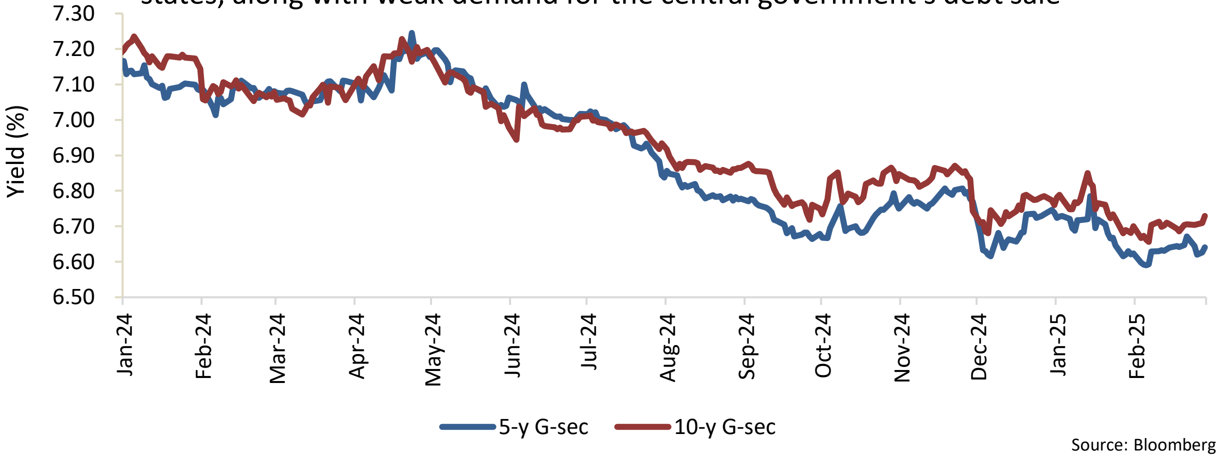
Source: Bloomberg, NSDL

The G-sec Yield curve marginally steepened, after RBI announced measures to inject liquidity



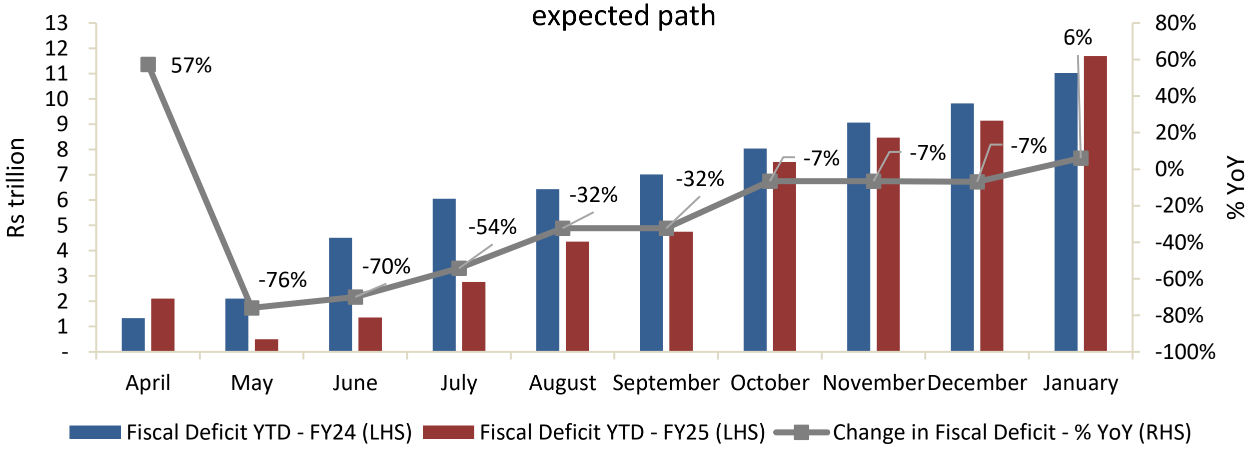
Source: Cogencis

G-sec yields ended higher in the absence of CRR cut, heavy debt supply from states, along with weak demand for the central government's debt sale



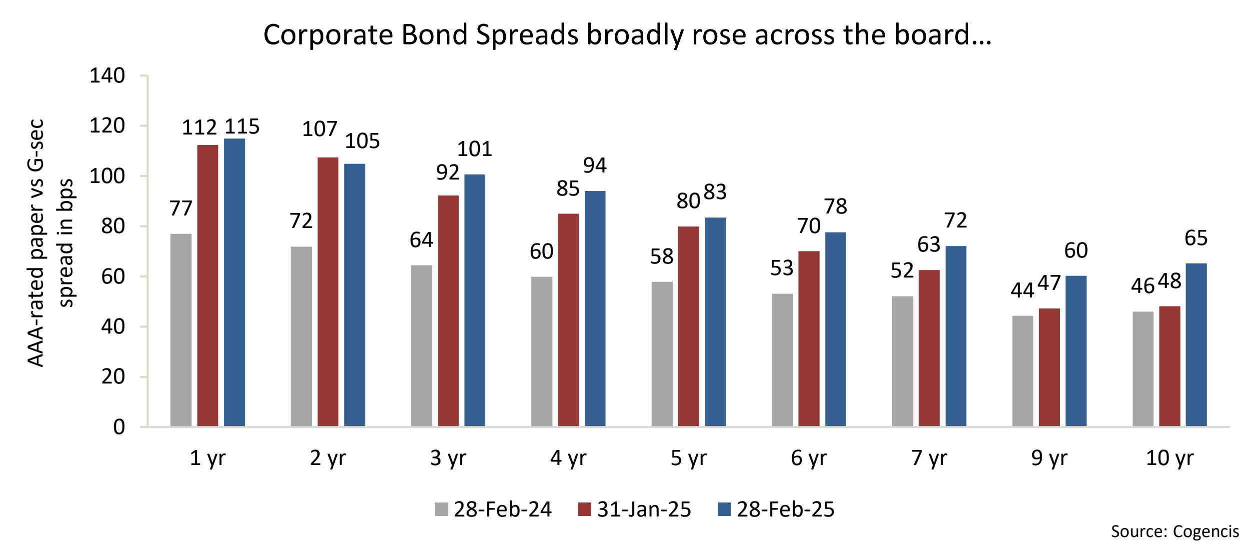
Source: Bloomberg

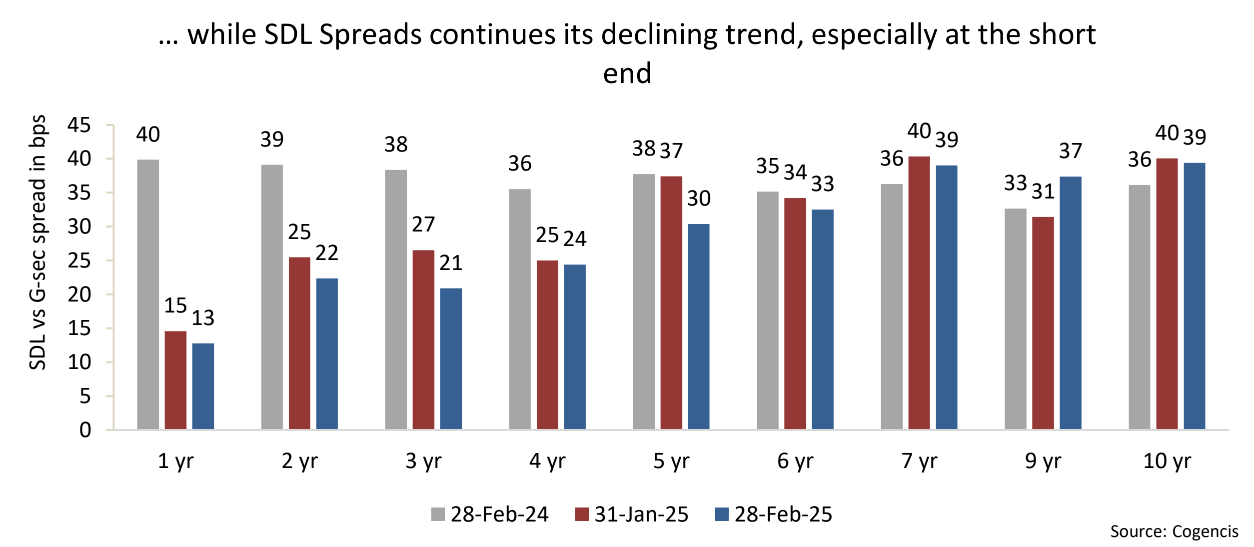
With rising government spending, Fiscal Deficit Is converging to the expected path

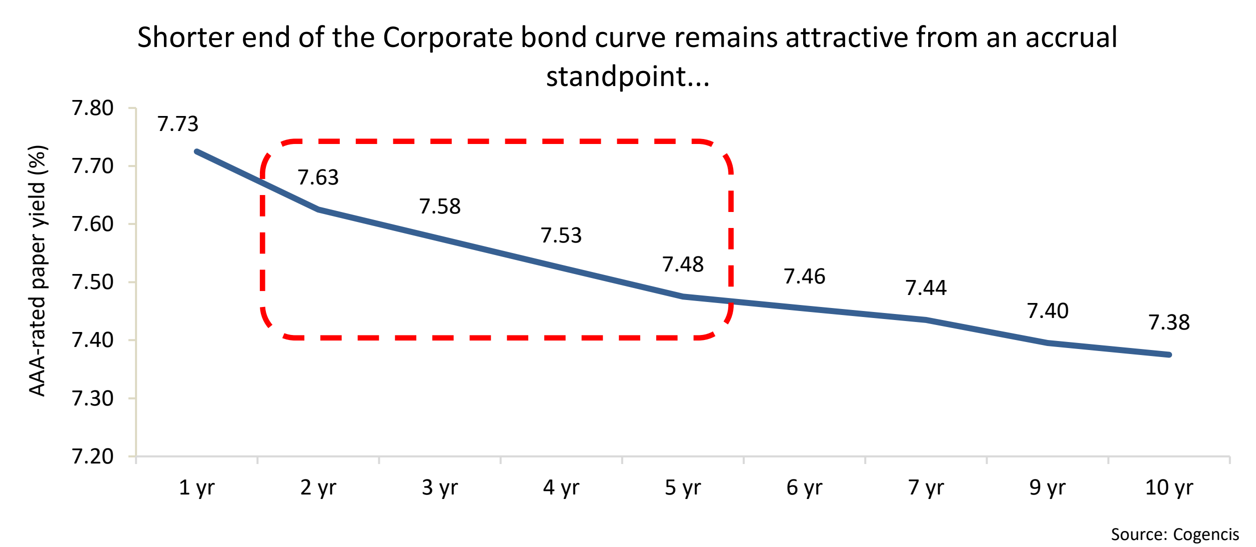


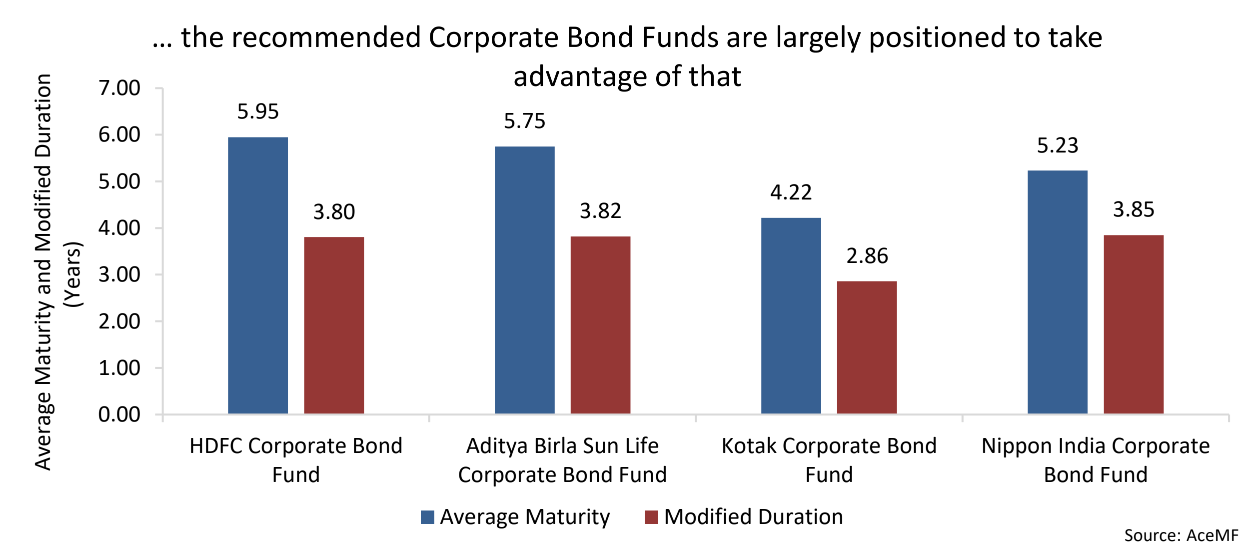
Source: CGA

Improving liquidity might drive corporate bond yields lower at the short end, creating opportunities for corporate bond funds









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