

HDFC Bank – Research Presentation

September 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	
	Aug-25	Sep-25
Equity Oriented Funds		
Largecap Funds	▲	▲
Large Cap Index Funds	▲	▲
Multicap Funds	◆	◆
Flexicap / ELSS Funds	▲	▲
Large and Mid Cap Funds	▲	▲
Mid cap	◆	◆
Small cap	◆	◆
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	
	Aug-25	Sep-25
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	◆	◆
Income Plus Arbitrage FoF	▲	▲

Research Presentation – Content

- Equity MF Strategy – September 2025
- US: With Trump's Tariff kicking in...US Fed turns dovish...to protect potential job loss
- Eurozone: Showing signs of stability post series of rate cuts and stimulus announcements
- China: A constructive approach on tariffs between the US and China, reasonable valuations, and earnings growth expectations are driving the Chinese markets higher
- Industrial commodities consolidating at lower levels on the back of macro uncertainty, while crude prices remain under check
- With weak Dollar Index, Emerging Markets see strong rally as most countries conclude their US tariff deals
- FPI outflows and punitive tariffs from the US lead to a decline in market performance during the month of August, DIIs continue to support
- Sectoral performance and FPI flows in August 2025
- Q1 FY26 GDP at 7.8% YoY, beats expectations...Nominal GDP at 8.8% YoY is a cause of concern
- India Macros: Macros remain stable, growth expected to pick-up post GST rate cuts
- Urban Economy: Consumption remains a cause of worry...GST cuts may help
- Rural Economy: Strong momentum continues
- Capex activity appears to be holding up
- Q1 FY26 Earnings Snapshot: Large and Mid caps report strong operating profits while Small caps disappoint
- India Valuations: As seen above, relatively higher valuations have seen India underperform vs. other EMs as liquidity moves out of US
- FPI ownership over the years has reduced while DIIs have continued to support the market with increasing ownership across sectors
- On an aggregate basis, earnings downgrades in Large and Mid caps seem to have bottomed while Small caps expectations continue to weaken
- Market Roundup – August 2025
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by Fund Managers – Part 1
- Sectoral outlook by Fund Managers – Part 2
- Sectoral Movement
- While sectoral valuations have improved vs. long term averages, earnings growth trajectory has weakened in many cases
- AMC Sectoral Holdings
- US trade tariffs by Country...with punitive tariffs, India's position weak vs. peers
- Fixed Income Outlook – September 2025
- US – While tariffs have started pushing inflation up, it is expected to be transitory... Focus on employment and growth is leading to expectations of policy easing
- Yield spike across larger economies in Europe can unravel financial stability
- Transitioning labor market forces major central banks to take divergent views
- As global Central banks absorb incoming data, we may see more policy actions going ahead
- Global Commodities – lack of growth triggers on the upside and recession fears on the downside kept commodities rangebound
- With robust price stability, RBI focuses on growth while keeping a keen eye on transmission of rates
- Resilient economy and strong external sector despite US tariffs resulted in a Sovereign Rating Upgrade
- The deflationary trend in food prices kept headline inflation under check... GST rationalisation may drive Core inflation lower, allowing RBI more space for policy easing
- Muted demand and fiscal concerns has led to hardening of yields at the medium to longer end of G-sec curve, creating high term spreads
- Corporate bond yields has remained attractive at the shorter end... surplus liquidity may drive yields lower

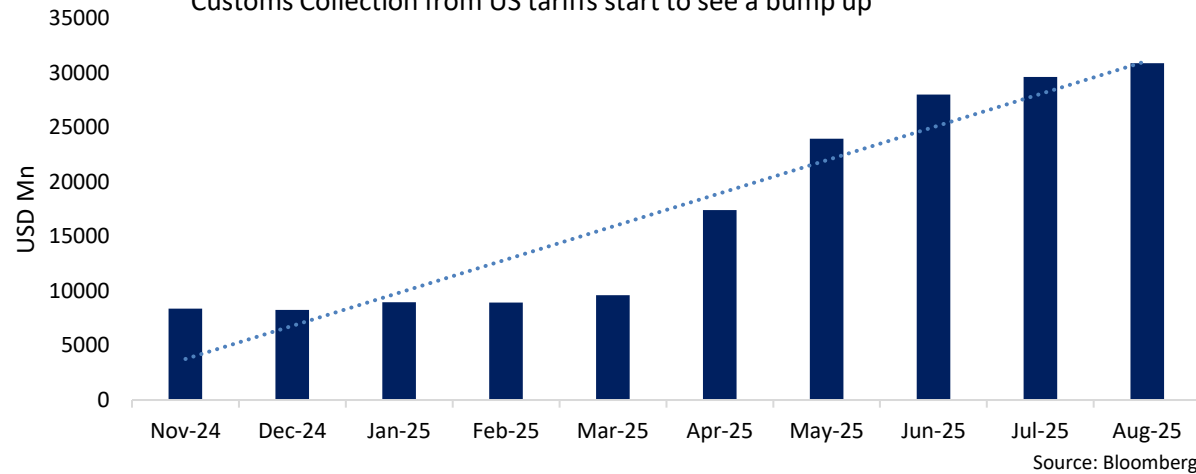
Equity MF Strategy – September 2025

- While the US growth has remained resilient, tariff related weakness in consumer spending, and therefore aggregate demand, could start to impact it in the next couple of quarters. Given the gradual weakening of the US labour market, the US Fed Chairman recently hinted towards possible policy rate cuts in the next few months. That has driven the US equity markets higher, while weakening the Dollar Index.
- With inflation under check, substantial financial easing has been seen in Europe. European countries have also announced large scale fiscal spending, which is driving their bond yields higher, while equities have done well as growth is likely to pick up. Trade deal with the US has also been worked out at a very favourable rate of ~15%, which is better than an all-out trade war.
- Amid ongoing trade negotiations between the US and China, both countries have taken conciliatory measures around tariffs. The Chinese central bank also announced liquidity-supportive measures to improve domestic consumption demand. The Chinese equity markets have seen strong rally in the recent months driven by reasonable earnings growth, low valuations and emergence of strong tech companies. However, any slowdown in the exports from China might have incremental implication on growth
- Base commodity prices seem to signal a mixed trend, reflecting ongoing macroeconomic uncertainty. Volatility in industrial metals was driven by tariff related demand concerns, soft macroeconomic data, especially from China and uneven supply-demand dynamics across metals. The precious metals upturn seems to be resuming as the Fed signalled future cuts in policy rates. Oil prices seem to be consolidating with a downward bias as OPEC+ guided towards increasing supply in the coming months.
- With the Dollar Index seeing sustained downward pressure, the rally in the equity markets of EMs has sustained, driven by fund flows and cheap valuations. India has been a relative laggard of sorts in the near-term in this regard, as the valuations and earnings growth dynamics need to improve relatively.
- The Q1 FY26 GDP growth came in at 7.8% YoY, which was way above all estimates, driven by government spending and robust services sector. However, with the nominal growth only at ~8.8%, suggests that aggregate topline growth for the economy was modest. As the GST rationalisation and income tax relief along with benefits of strong monsoons take effect, market participants expect economic growth to see further pickup in H2 FY26.
- At a macroeconomic level, strong support by the RBI is likely to translate into improved data points going forward. The RBI has been extremely supportive of growth in terms of policy rate cuts and liquidity support. Market participants expect RBI MPC to cut further as inflation remains benign.** In terms of other data points, the ratings upgrade for India by S&P, Strong PMI data, improvement in leading indicators as shown by the OECD data and rebound in IIP growth remain the key positives. However, GST collections have been decelerating, signalling moderation in consumer demand in the country, for which the Government has rationalised the GST rates to drive consumption. Additionally, indicators like rising trade deficit, weak bank credit growth and implementation of 50% tariffs by the US govt. for exports from India are key concerns which are impacting the businesses and economy.
- Rural economy** has seen reasonable uptick as indicated by rising tractor sales and as per anecdotal evidence coming from the management commentary of the FMCG companies. Monsoons remain above normal and the spatial distribution too has been good. With continued weakness in CPI inflation trajectory, better sowing and higher MSP, the rural economy is likely to remain a key pillar of domestic consumption and household capex growth.
- Urban demand** has remained mixed. Passenger vehicle sales growth has remained quite weak. **Given the rationalisation in the GST rates**, they may remain weak till the rates come into effect and then **they are likely to see a bump-up**. Bank credit growth has also remained weak, pointing towards slacking consumption demand. While the EPFO data shows incremental pickup in white collar hirings, demand conditions in key cities still needs to pickup.
- On the capex side, Government spending seems to be going strong in the initial months of FY26, which is likely to be positive for the beneficiary sectors. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics seem to be the few areas which have seen large private sector spending coming through. Interestingly, as per our analysis of listed entities, it was found that private sector capex has seen a sharp uptick in FY25. With the recent correction in valuations and steady growth momentum in few sub-segments, these stocks could see better performance as they continue to deliver on topline growth. However, the issues around tariffs by the US may stymie some exuberance on the China+1 strategy. Fund Managers have gradually reduced their capex related exposures and are looking at companies in the sector on a bottom-up basis.
- Quarterly earnings for Q1 FY26 have been mostly in line with expectations, but expectations too had been toned down. While Largecap and Midcap companies seem to have delivered reasonable growth, Smallcaps have disappointed on an aggregate.
- On expected earnings side, with a low base, any pickup in urban consumption demand, or incremental government spending support, or further meaningful support provided by the RBI, could help drive superior earnings performance which is likely to also ensure better equity market performance.
- With rich valuations, incoming US tariff related weakness and continued weakness in urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. The supply from FPIs and the Primary markets on the back of rich valuations seem to be weighing down on the market performance. The Government on its part has rationalised GST rates to improve domestic consumption. Market participants also expect further policy rate cuts by the RBI to keep growth buoyant. If further support comes about, or if tariffs get re-negotiated, or we get favourable tariffs with EU (negotiations ongoing) the markets are likely to take that positively. Currently, the markets are getting narrower and opportunities seem to be available in the set of stocks which have been able to deliver incrementally better revenue/earnings growth. Also, with no specific sector showing broad-based and continued momentum, Fund Managers who are able to be fairly nimble and identify growth ideas could generate alpha vs their peers.**
- In terms of deployment strategy, we are cautiously optimistic to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian macros still remain amongst the best in the world and any near term volatility could be used by investors to add to their exposures. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term.
- On allocations in Equity Mutual Fund perspective, investors could look at investing across Largecaps, Flexicap, Large and Midcap, Hybrid equity, Business cycle funds and using STPs as an instrument to invest in Smallcap/Midcap/Multicap funds; in line with their risk profile and product suitability from a 2-3 years' time horizon.

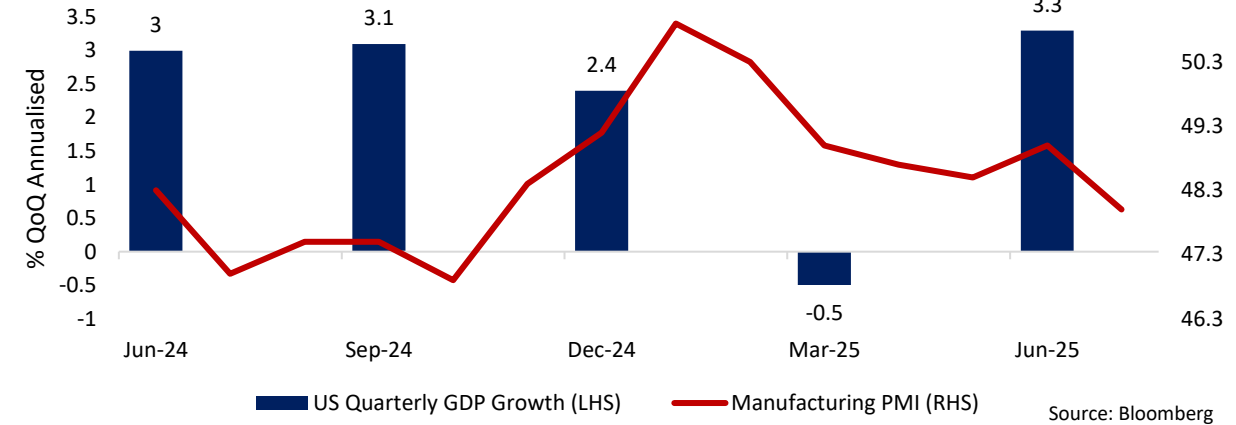
US: With Trump's Tariff kicking in...US Fed turns dovish...to protect potential job loss

US Treasury Deposits Customs & Certain Excise Taxes

Customs Collection from US tariffs start to see a bump up



US Real GDP growth showing strength, however manufacturing PMI remains weak



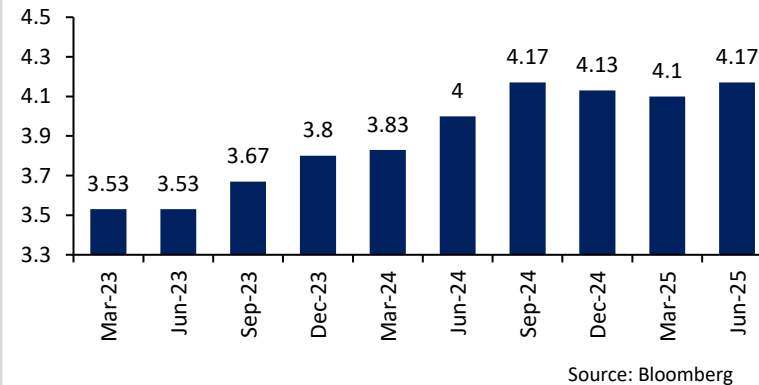
Fed Chair Jerome Powell signals path to further rate cuts at Jackson Hole

- Powell hinted at potential rate cuts, stating that “the balance of risks appears to be shifting” and the Fed’s restrictive policy stance “may warrant adjusting”.
- This represented a notable shift from the earlier hawkish stance
- He added that while the US labour market appears to be in balance, the downside risks to employment are rising and tightness in labour markets would also warrant a monetary policy response

Source: Media Reports

US Unemployment Rate (%)

Unemployment rate incrementally inching up



US Dollar Index

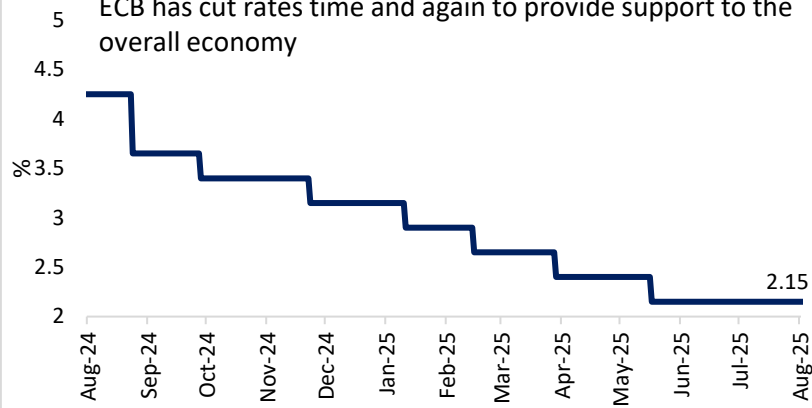
Fed's dovishness weighs down on DXY, which can be positive for Emerging Markets



Eurozone: Showing signs of stability post series of rate cuts and stimulus announcements

ECB rate cut

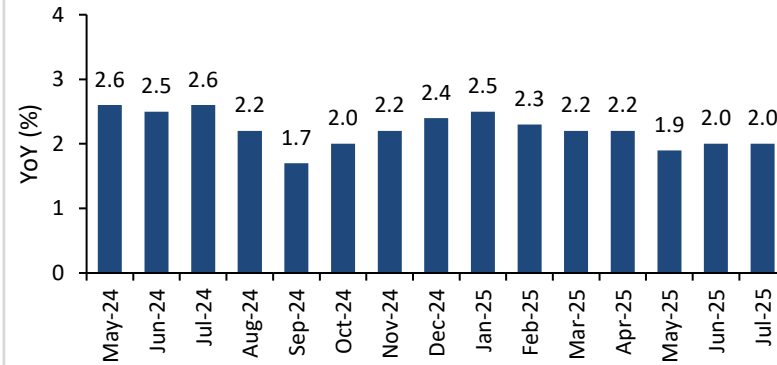
ECB has cut rates time and again to provide support to the overall economy



Source: Bloomberg

Eurozone CPI

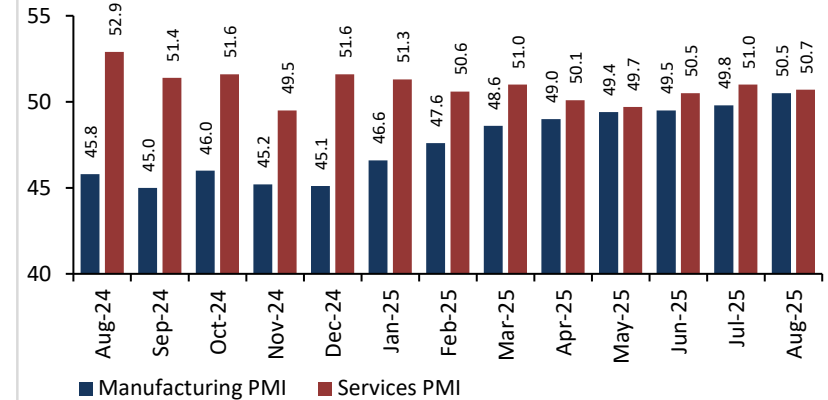
Eurozone CPI remains under control



Source: Bloomberg

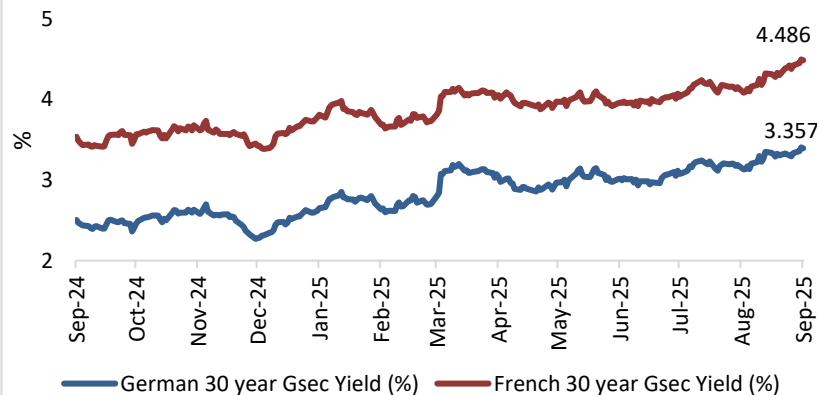
S&P Global Eurozone PMI

Manufacturing & Services under pressure



Source: Bloomberg

Recent spike at the longer-end of the yield curve of key EU countries is emerging as a concern



Source: Bloomberg

Rising fiscal spending by EU countries to drive corporate profitability

- To meet the required EUR 800 bn to finance a massive ramp-up in defence spending, each member state must spend 1.5% of its GDP on defence. That would bring combined amount to EUR 650 bn, and remaining EUR 150 bn would be provided by loans.
- The legislation includes provisions for a EUR 500 bn investment in infrastructure over a 12-year period.
- France has set an even higher target for defence spending at 3-3.5% of economic output from the current 2%.

Source: Media Reports

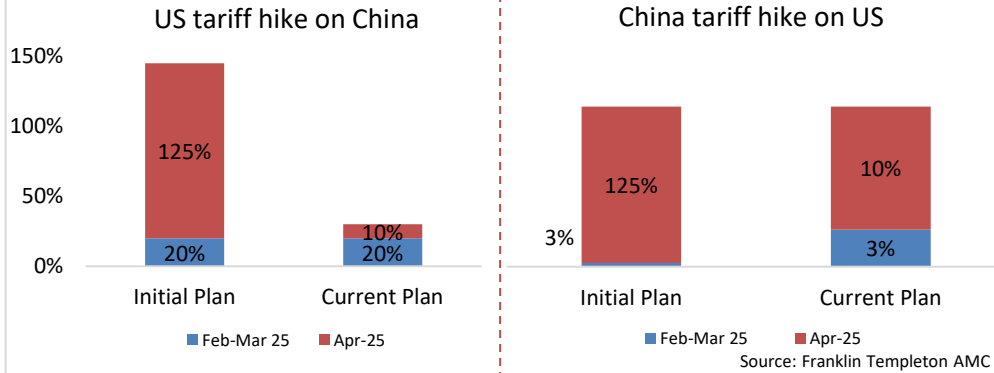
US - EU Trade Deals

- The US and EU have reached a deal on trade tariffs which sets a 15% tariff for most imports into the US.
- The White House says tariffs of 50% will remain in place for EU steel, aluminium and copper.
- EU Agreed to buy an additional USD 750 bn in US energy products and make investments worth USD 600 bn in "various sectors" in the US, by 2029.

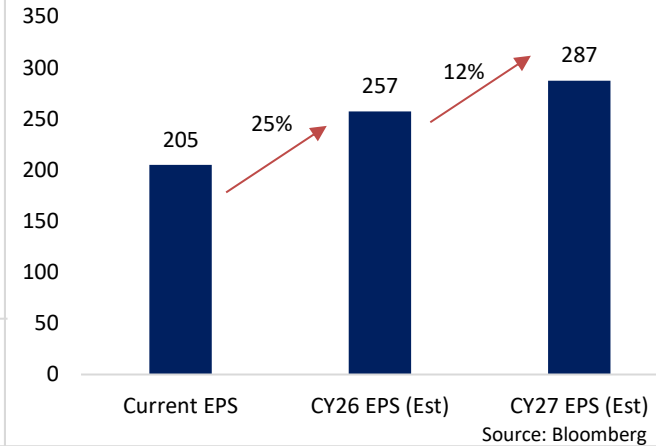
Source: Media Reports

China: A constructive approach on tariffs between the US and China, reasonable valuations, and earnings growth expectations are driving the Chinese markets higher

China - US negotiations ongoing: While an understanding has been reached to ease restrictions on exports of rare earths to the US and import of high-tech chips into China, the broader tariff agreement has been postponed.

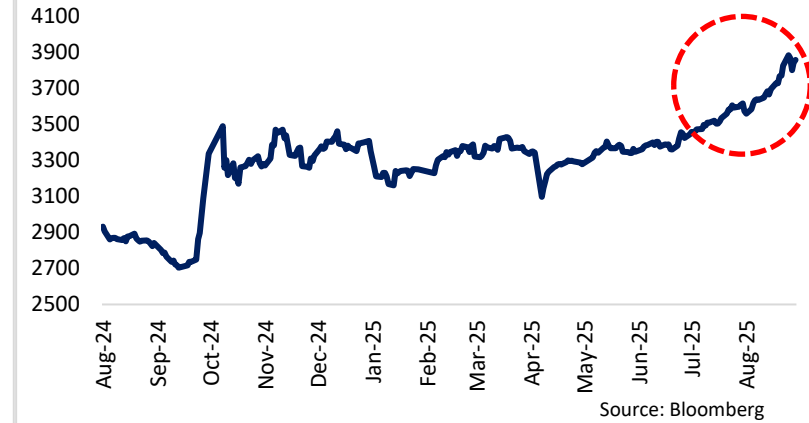


Shanghai Composite Index EPS expectations



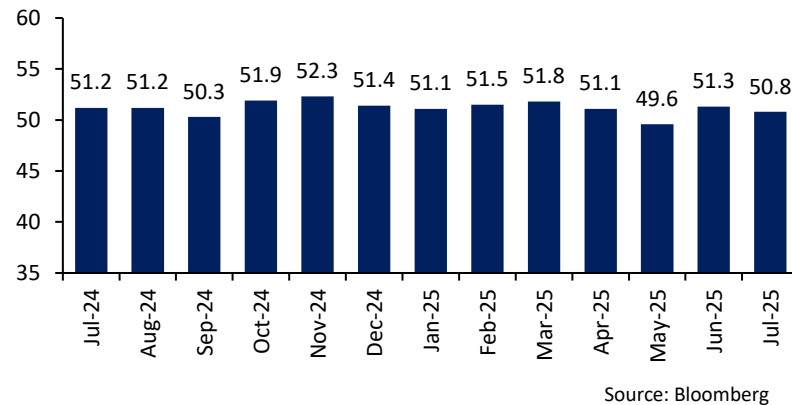
Shanghai Composite Index

The Shanghai Composite index rallies to one-year high



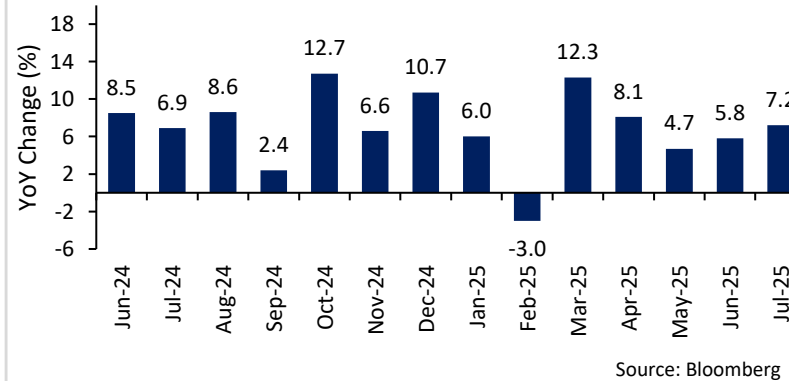
China Composite PMI

PMI continues to remain in the expansionary zone



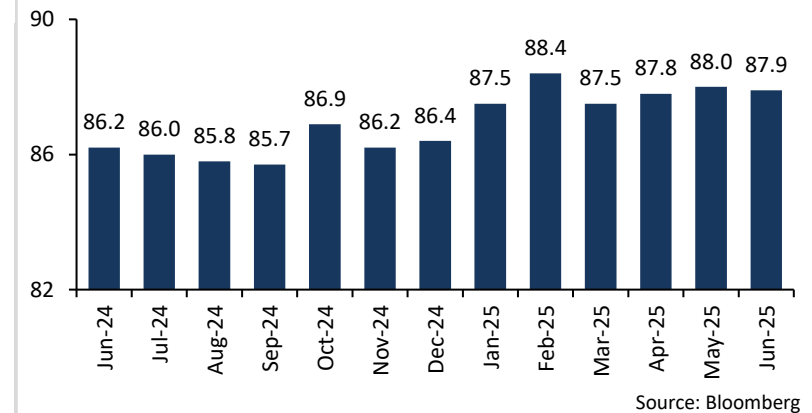
China's Export Growth (in USD Terms)

Exports remain strong, consistency remains a key monitorable



China Consumer Confidence Index

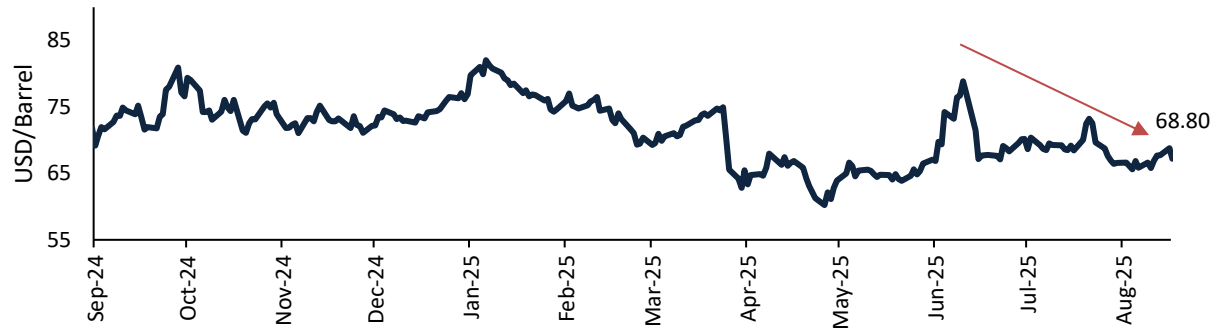
Showing improvement



Industrial commodities consolidating at lower levels on the back of macro uncertainty, while crude prices remain under check

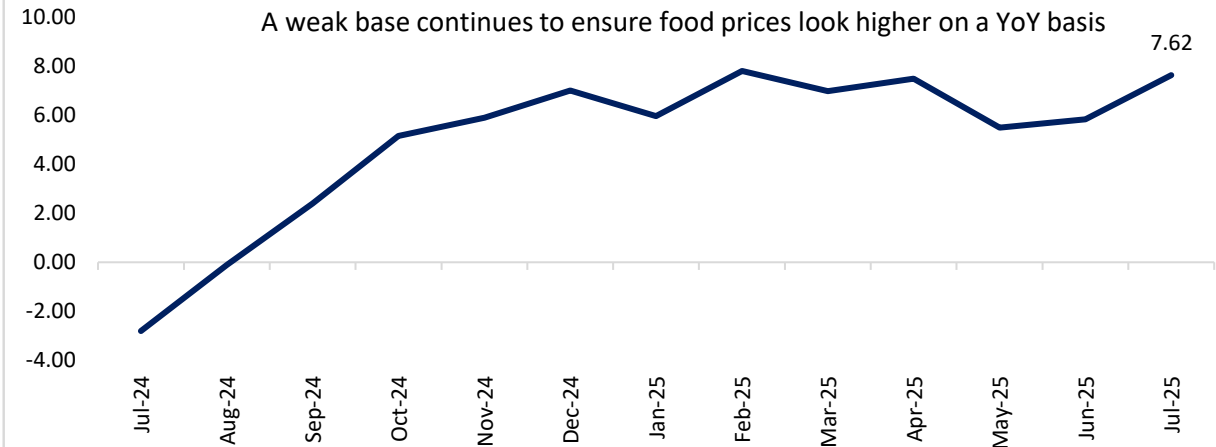
Brent Crude

Consolidating, OPEC+ supply can remain elevated, keeping prices in check



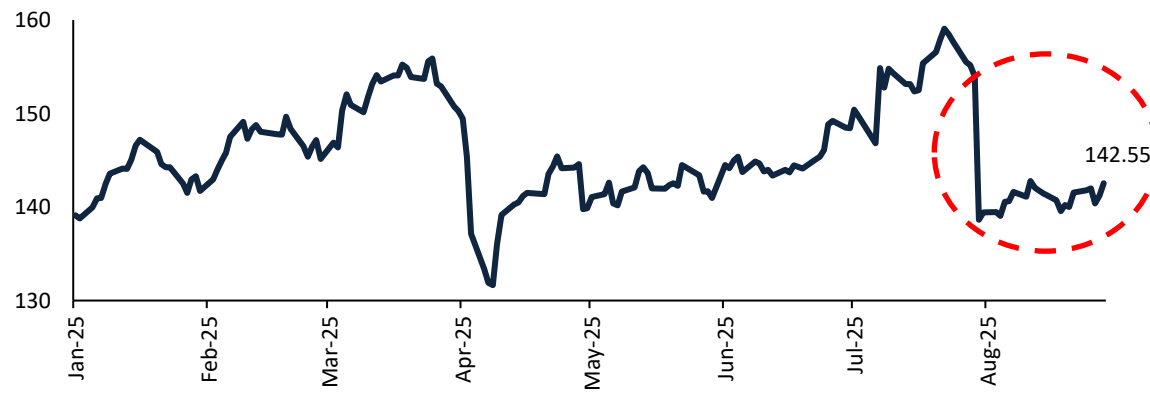
UN Food and Agriculture World Food Price Index

A weak base continues to ensure food prices look higher on a YoY basis



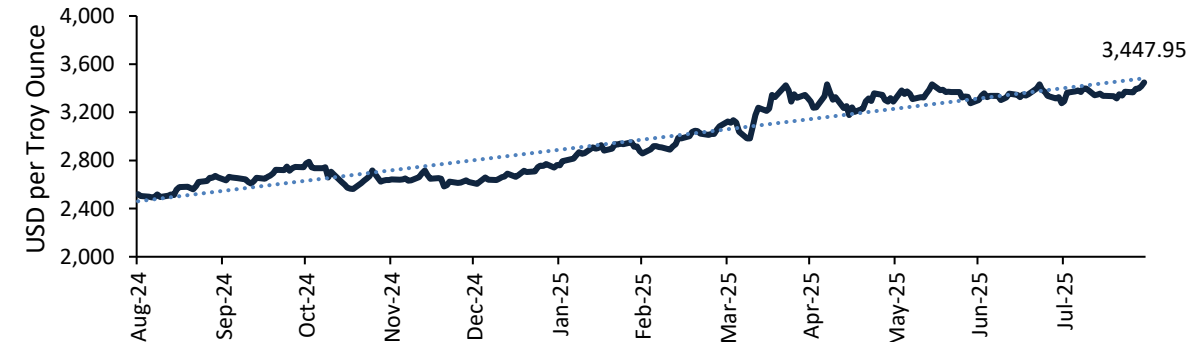
Bloomberg Industrial Metals Index

Metal prices remain volatile



Gold Price Movement

Anticipation of Fed cuts leading to rise in precious metals



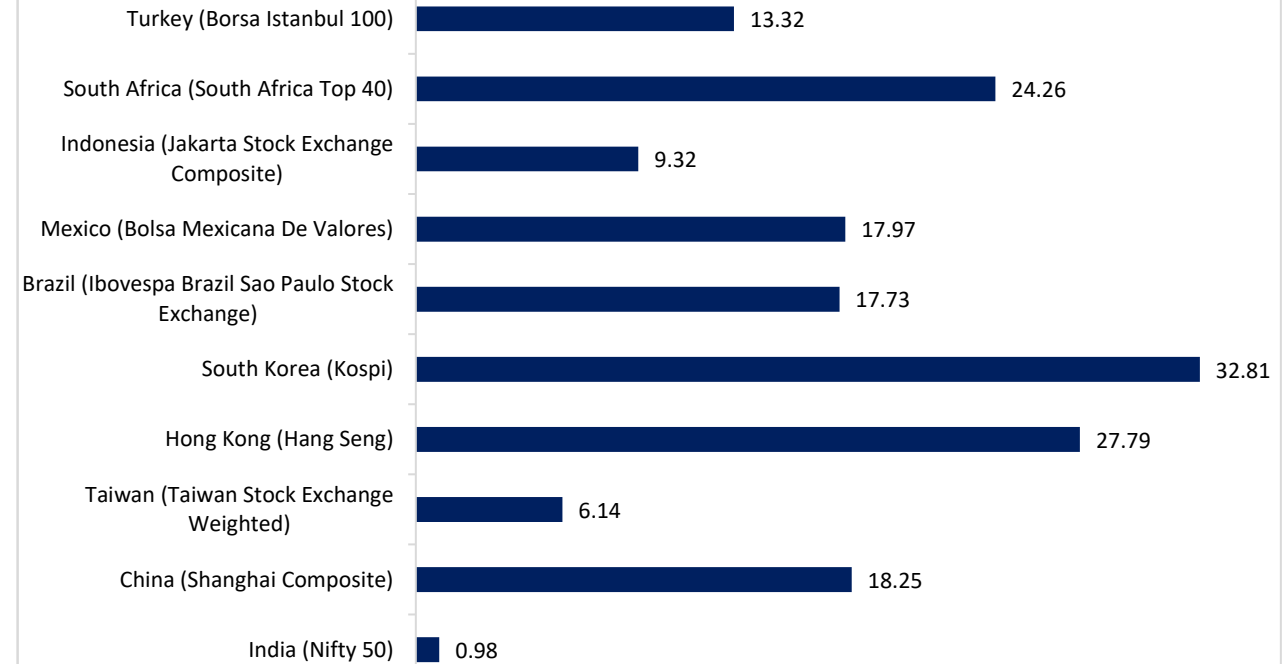
With weak Dollar Index, Emerging Markets see strong rally as most countries conclude their US tariff deals

US Dollar Index



Source: Bloomberg

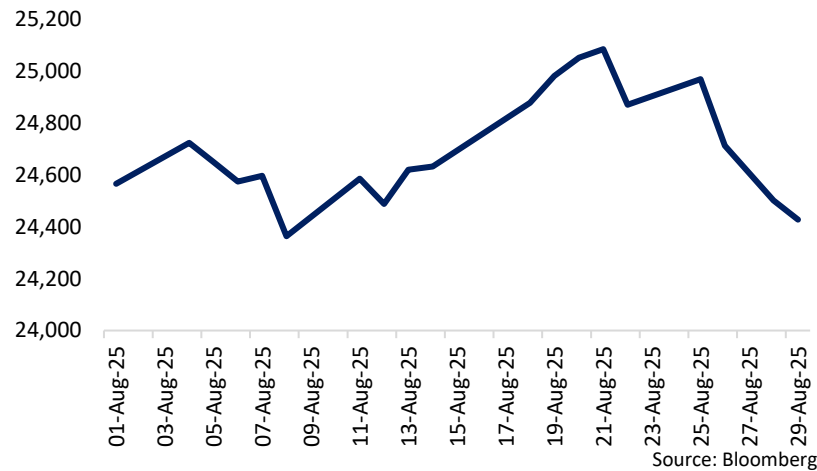
Emerging Markets (% CYTD Returns)



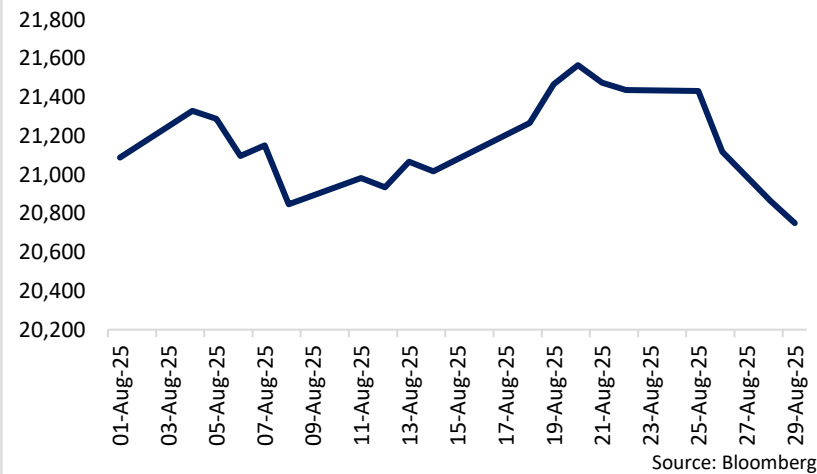
Source: Bloomberg

FPI outflows and punitive tariffs from the US lead to a decline in market performance during the month of August, DIIs continue to support

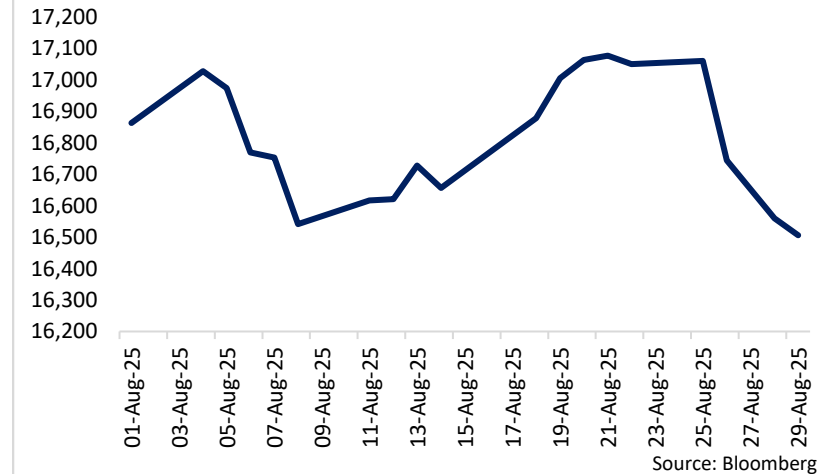
Nifty 50 Index Movement



Nifty Midcap 150 Index Movement

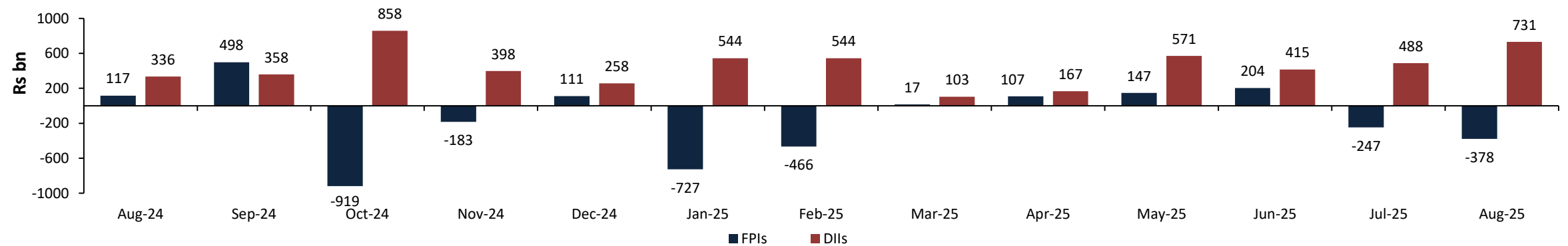


Nifty Smallcap 250 Index Movement



Net Flows In Equities (Rs bn)

FPIs were net sellers and DIIs were net buyers during the month of August

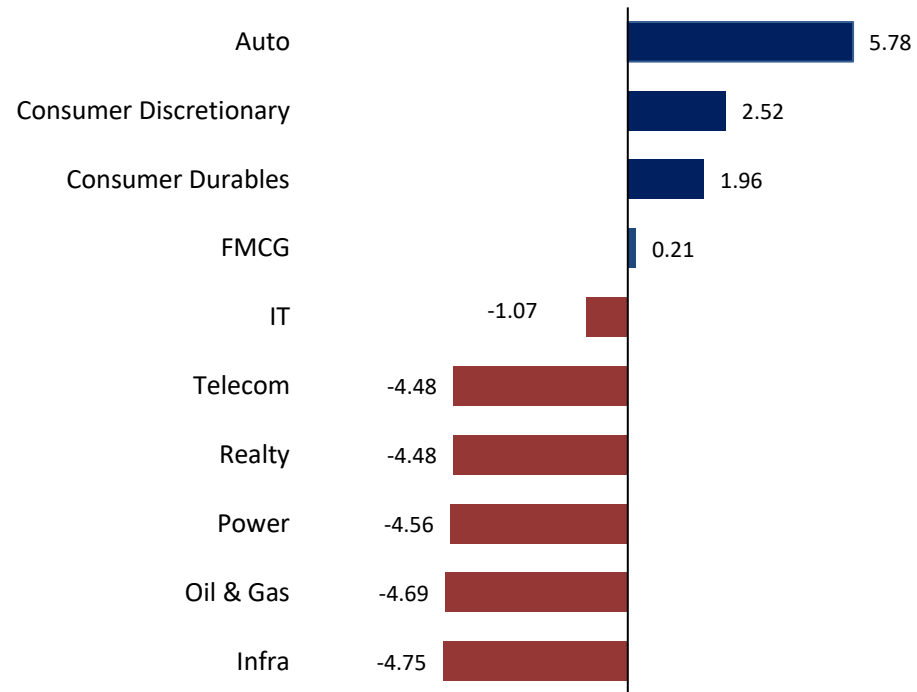


*For 2025, FPI and DII data is up to 29th August.

Source: SEBI, CDSL

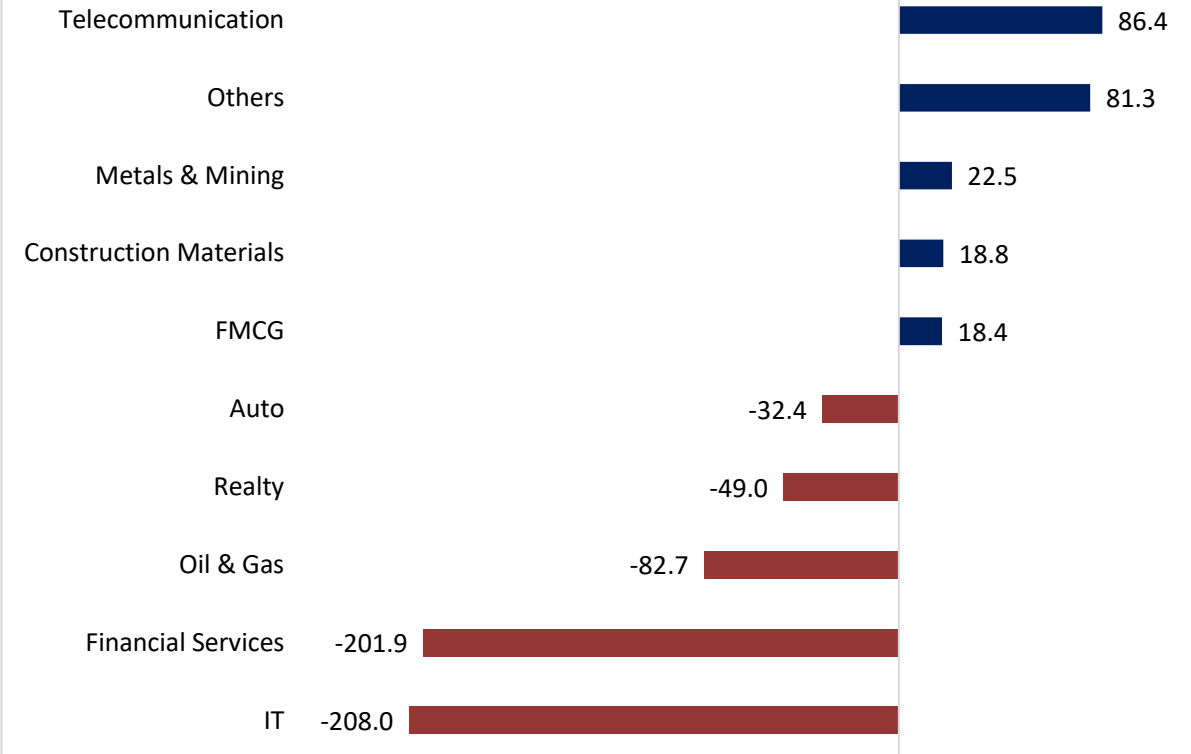
Sectoral performance and FPI flows in August 2025

S&P BSE Sectors - Absolute Return In August 2025 (%)
(Only the top and bottom 5 sectors shown)



Source: Ace MF

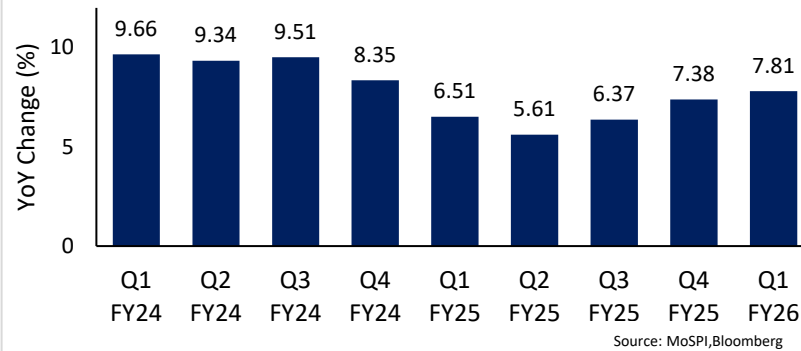
Sectoral FPI flows - Top 5 and Bottom 5 (Rs in Bn)
Data is from Jul 16, 2025 till Aug 15, 2025



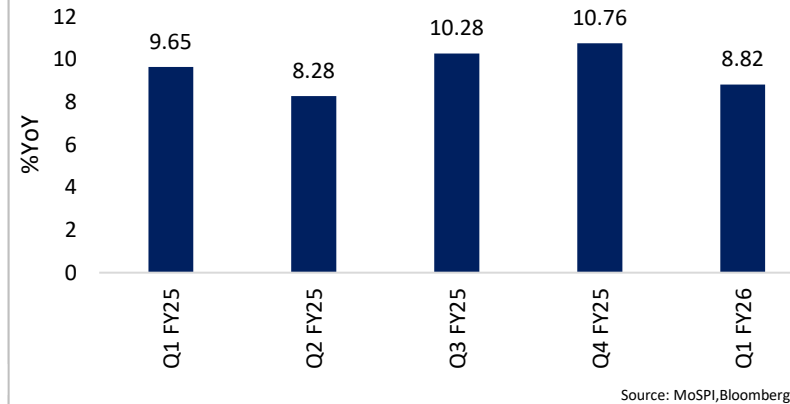
Source: NSDL

Q1 FY26 GDP at 7.8% YoY, beats expectations...Nominal GDP at 8.8% YoY is a cause of concern

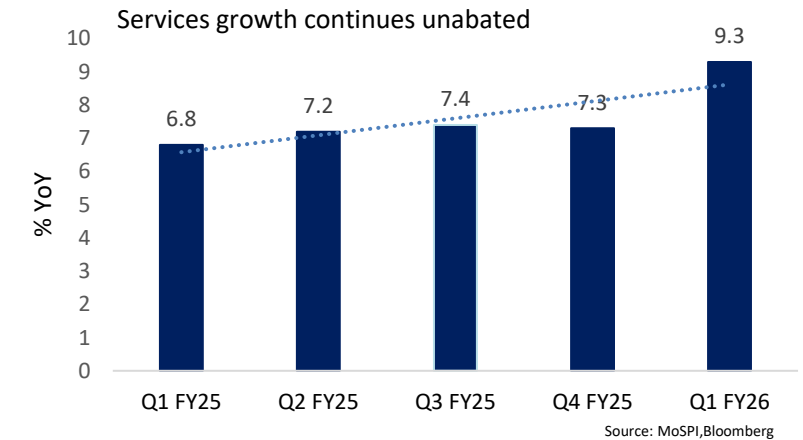
Real GDP Growth showing strength...



...While Nominal GDP Growth is concerning

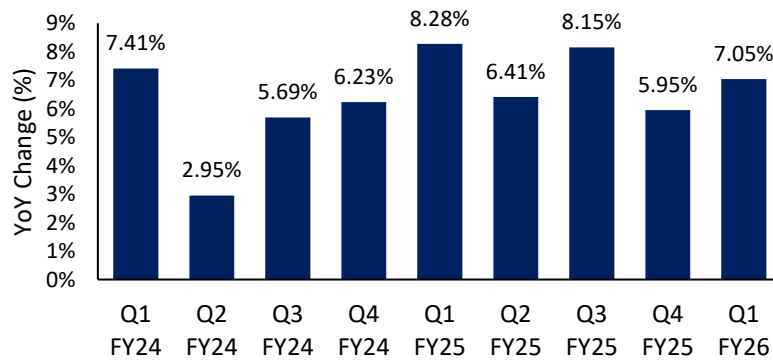


Services Growth

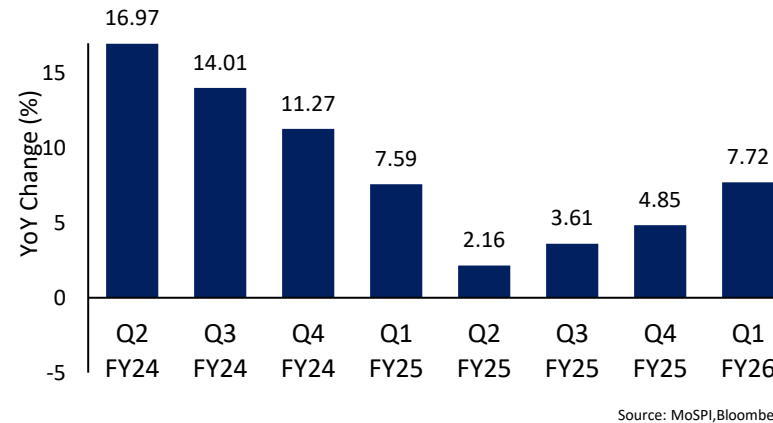


Private Final Consumption Expenditure

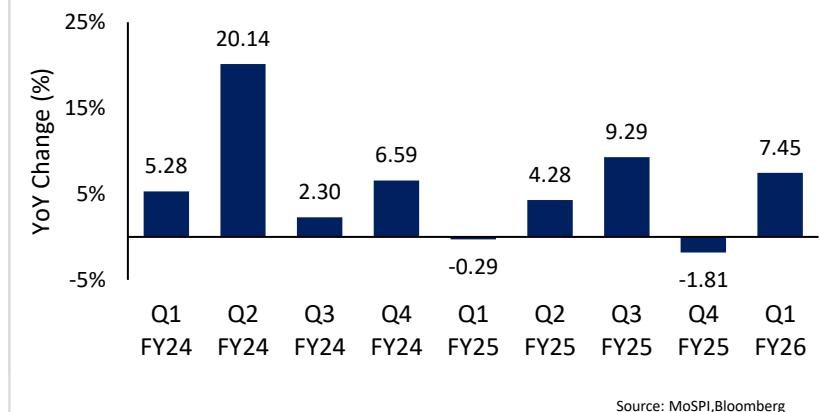
Private Consumption picking up pace, likely on the back of rural demand



Manufacturing growth improving



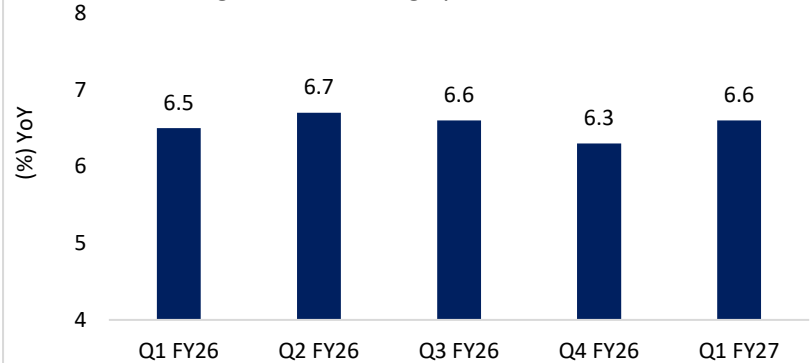
Govt. Final Consumption Expenditure has bounced back, driven by higher govt. spending



India Macros: Macros remain stable, growth expected to pick-up post GST rate cuts

RBI GDP Growth Expectations

Domestic growth is holding up



Source: Monetary Policy Statement

S&P Global India Credit Rating

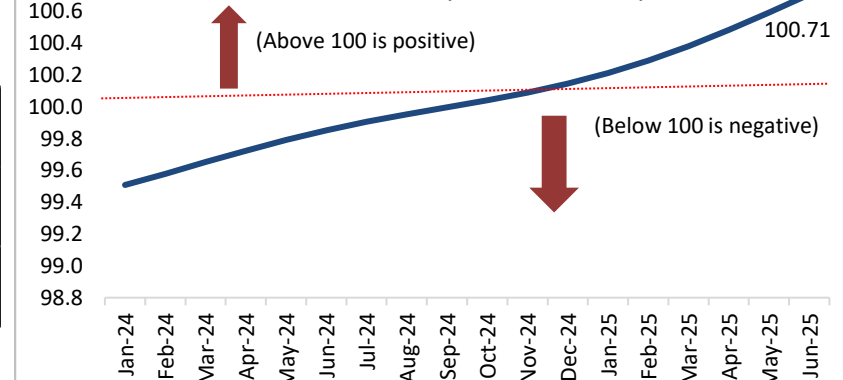
Rating upgrade turns favourable for short term as well as long term

	Previous	Updated
Long Term Credit rating	BBB-	BBB
Short Term Credit Rating	A-3	A-2

Source: PIB, S&P Global

India OECD Leading Indicators

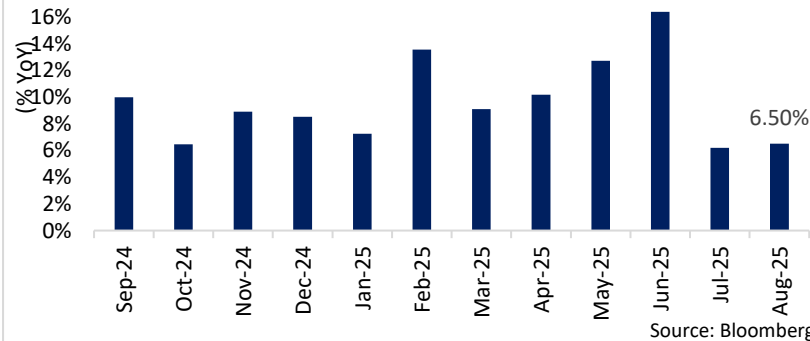
Fundamentals of the economy continue to improve



Source: Bloomberg

Gross GST Collection

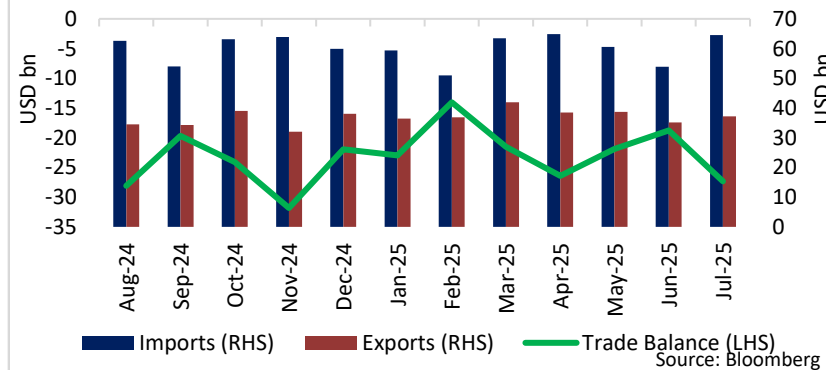
Collection remains muted, post GST cuts near term collection could get impacted, but medium to long term collections to improve on the back of increased demand



Source: Bloomberg

India Export/Import & Trade Balance

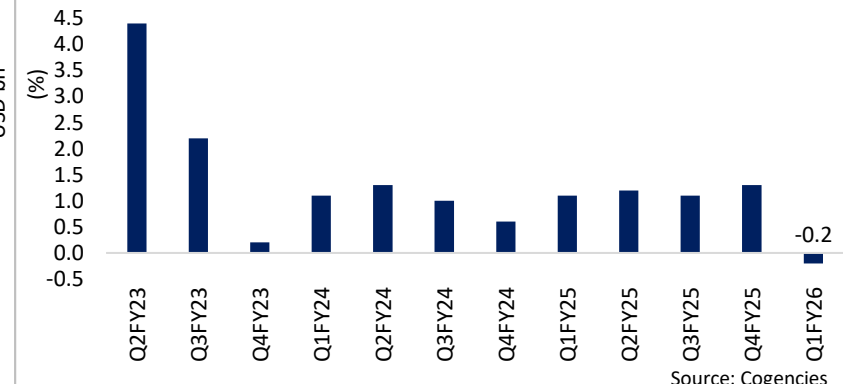
High trade deficit emerges as an incremental concern...strong export growth a positive



Source: Bloomberg

Current Account Deficit (% of GDP)

CAD also seems to be under control

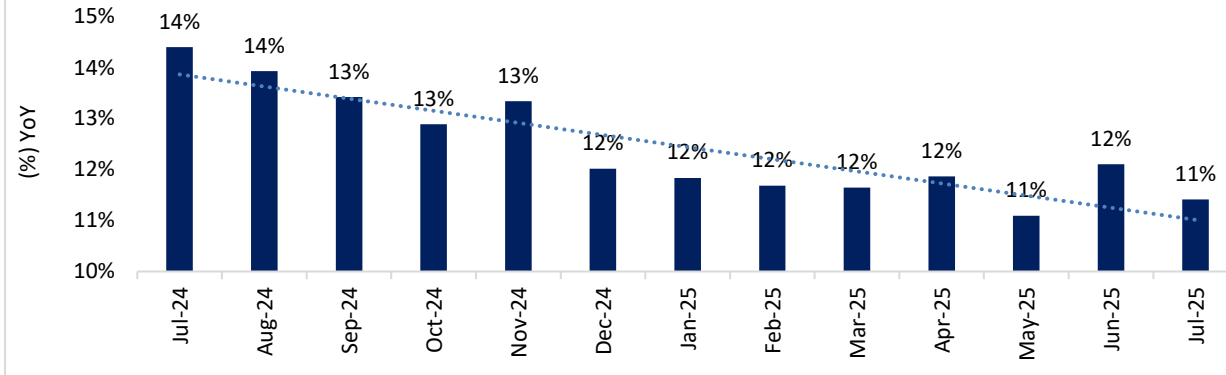


Source: Cogencies

Urban Economy: Consumption remains a cause of worry...GST cuts may help

Banking Sector Personal Loan Growth

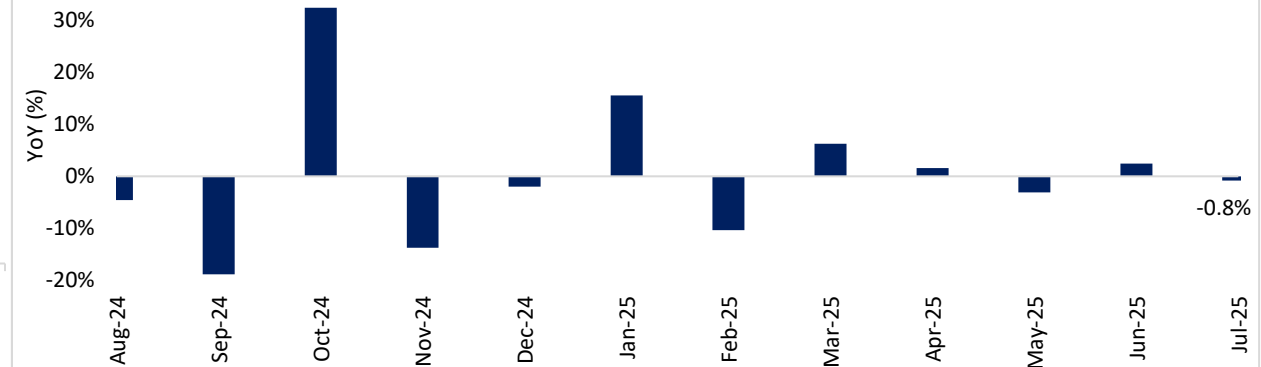
Personal loans growth remains muted



Source: Bloomberg

Passenger Vehicle Sales (% YoY)

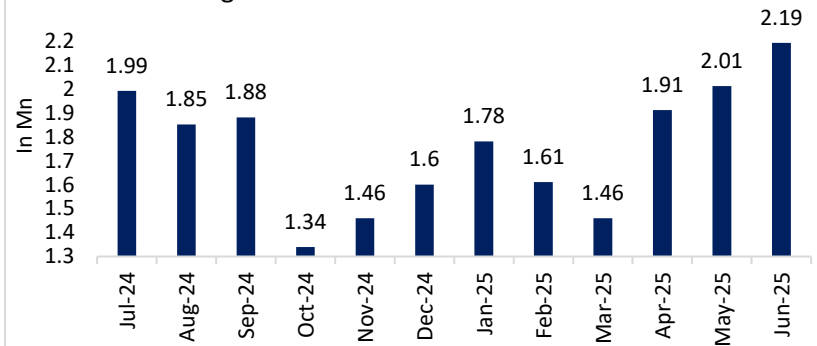
Retail passenger vehicle sales continue to remain stagnant



Source: Bloomberg

Formal Job Creation (EPFO Payroll net subscriber growth)

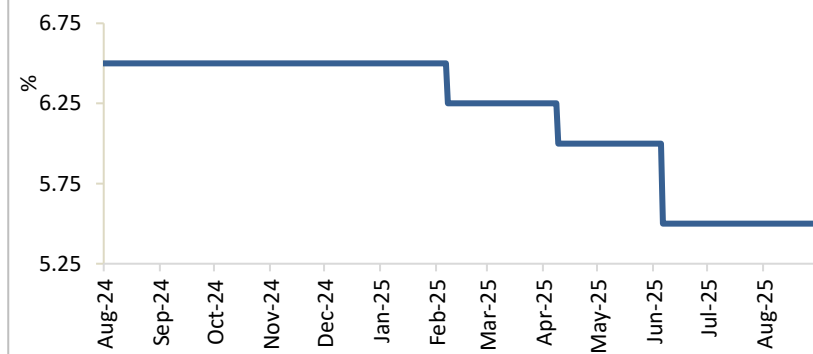
Formal hiring shows record numbers



Source: EPFO, PIB

RBI's Repo Rates (%)

RBI support to drive consumption demand



Source: Bloomberg

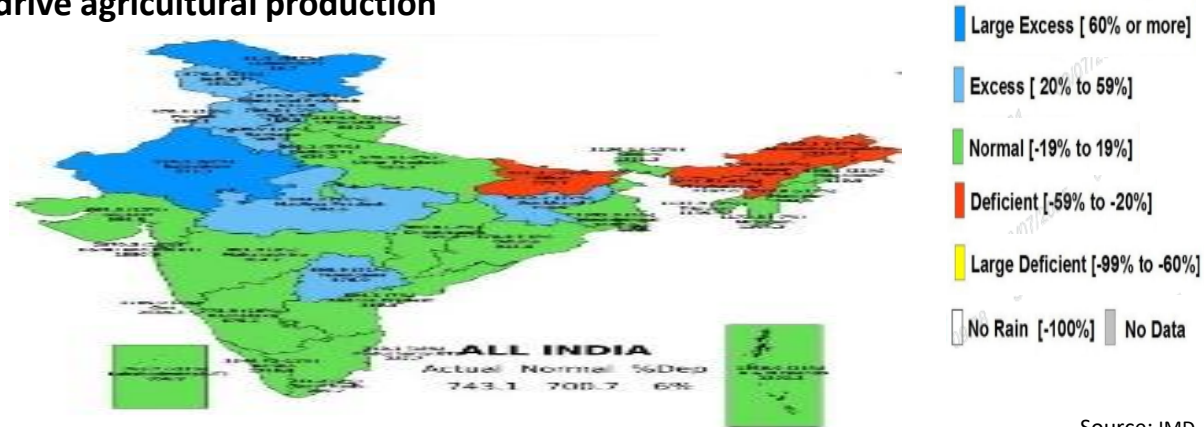
GST Rate Cuts announced...Consumption to get a fillip

Source: Media Reports

- The GST rate cut has introduced a simplified, 2-tier tax structure (5% and 18%) along with a special 40% slab for "sin goods".
- This rationalisation is estimated to cost the exchequer ~Rs 480 bn annually in Revenue outflow .
- However, it is expected that increased consumption demand will more than offset this shortfall through a buoyancy effect and economic growth stimulation.

Rural Economy: Strong momentum continues

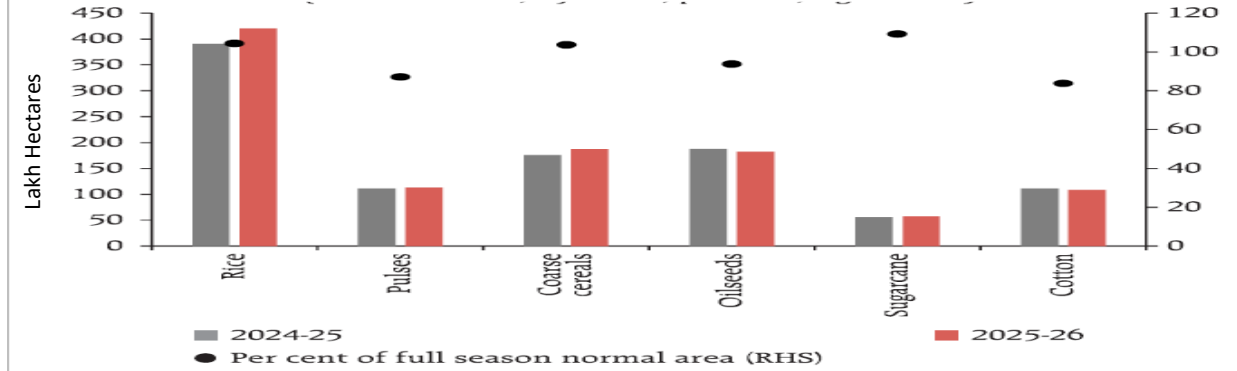
Overall above normal monsoon with reasonable spatial distribution is likely to drive agricultural production



Source: IMD

Kharif Crops Sown Area

Timely progress of the southwest monsoon has helped increase sowing

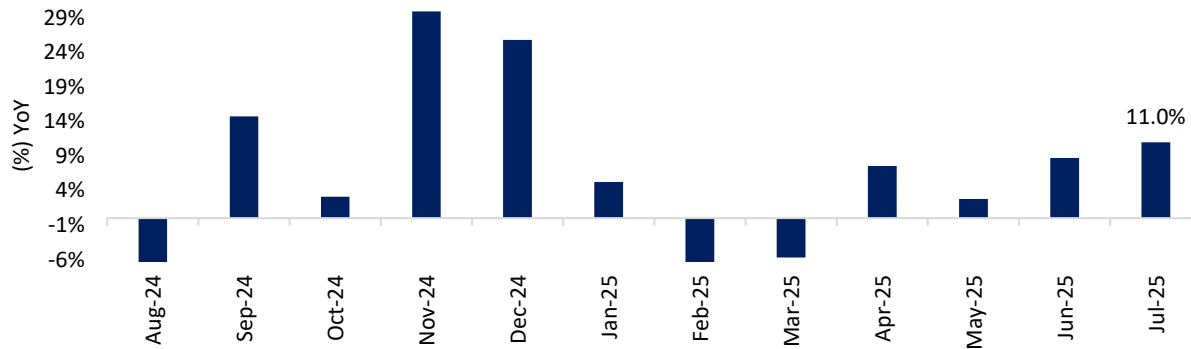


Note: Data is as on August 22, 2025

Source: Ministry of Agriculture and Farmers' Welfare.

India Tractor Sales

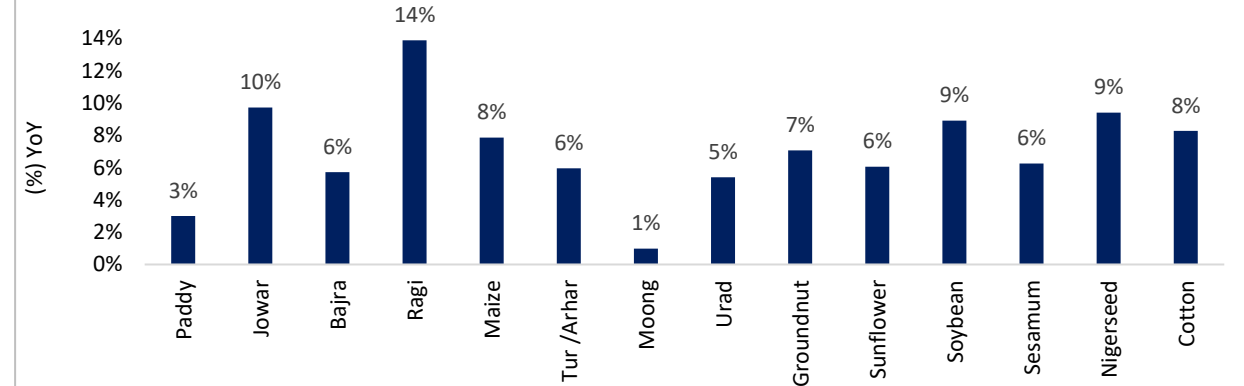
Tractor sales growth continues to remain strong



Source: Bloomberg

Kharif Crops MSP

Higher pricing will lead to more disposable income for rural households

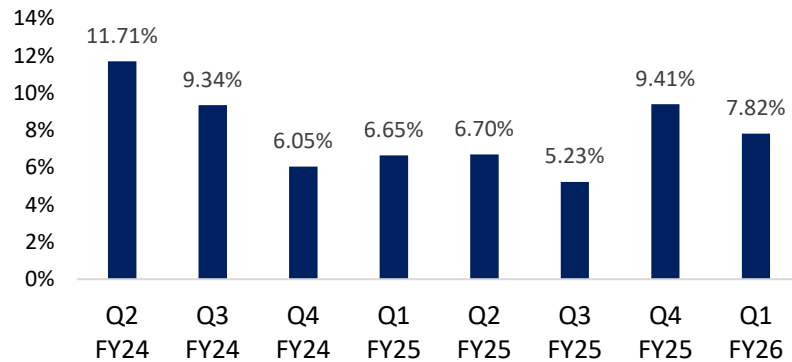


Source: MoSPI, PIB

Capex activity appears to be holding up

Gross Fixed Capital Formation - YoY Change (%)

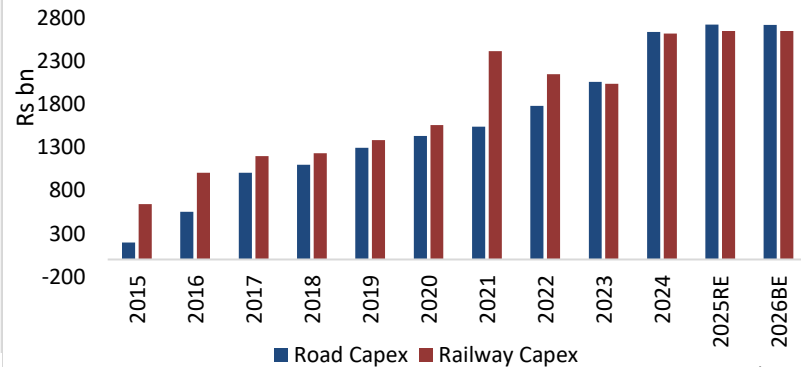
Continues to remain steady...



Source: MoSPI, Bloomberg

Road & Railway Capex

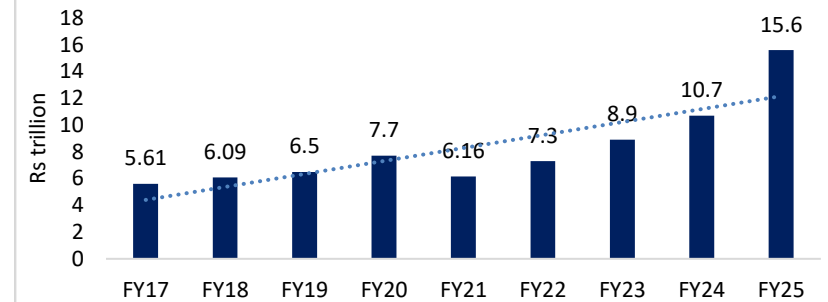
...though large sectors like road and railways have seen muted growth in capital allocation



Source: Kotak AMC

Capex by listed companies showing strength

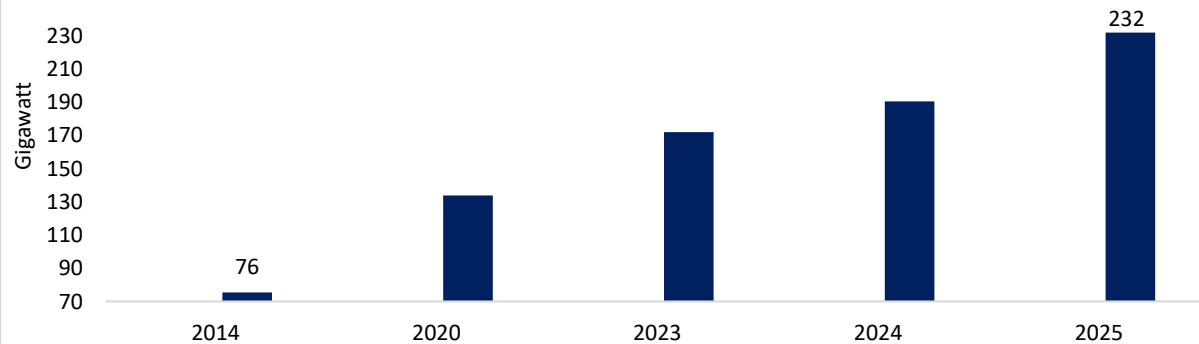
Private sector capex seems to be picking up



Source: Capitaline Database

Renewable Energy Installed Capacity

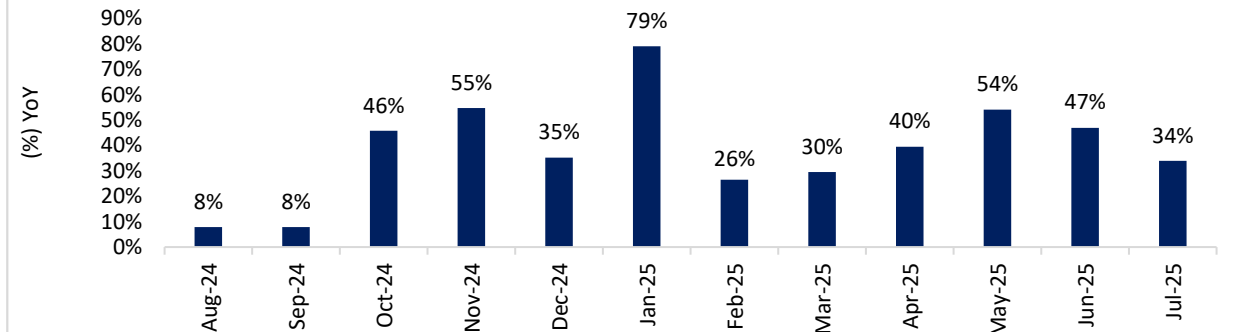
Big ticket capex is happening in the renewable energy space with a three-fold increase observed over the decade.



Source: Ministry of New & Renewable Energy

India's Exports Electronic Goods

Capex in the electronics space has remained robust which has been driving electronics exports. However, punitive tariffs by the US may impact in the near-term



Source: Bloomberg

Q1 FY26 Earnings Snapshot: Large and Mid caps report strong operating profits while Small caps disappoint

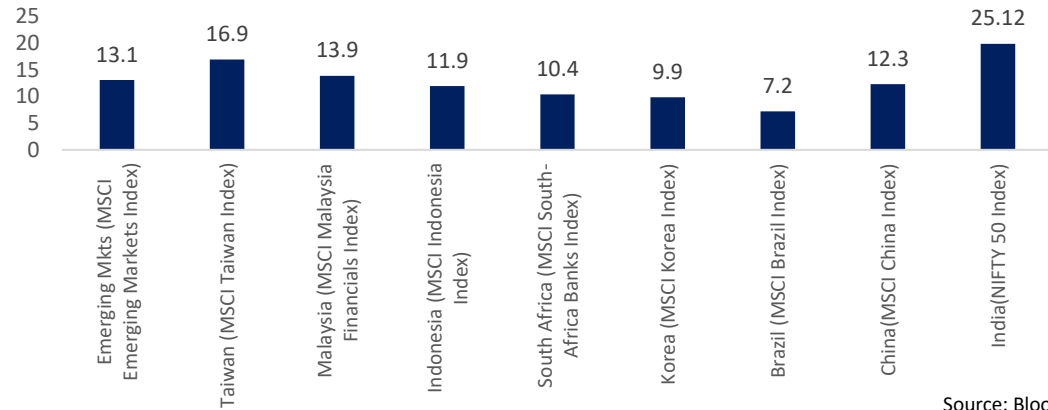
Sector	Nifty 100						Nifty Mid Cap 150						Nifty Small Cap 250					
	Net Sales - YoY Growth (%)		EBITDA - YoY Growth (%)		PAT - YoY Growth (%)		Net Sales - YoY Growth (%)		EBITDA - YoY Growth (%)		PAT - YoY Growth (%)		Net Sales - YoY Growth (%)		EBITDA - YoY Growth (%)		PAT - YoY Growth (%)	
	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25	Q1 FY26	Q4 FY25
Automobile and Auto Components	5.51	6.60	-13.34	10.11	2.72	-27.22	5.68	5.07	-8.30	-18.26	-13.30	-24.84	10.40	9.19	-7.03	-14.78	-11.19	-0.03
Capital Goods	12.87	0.79	16.11	-3.35	1.43	-2.46	13.25	15.53	11.37	9.14	11.88	24.44	2.61	8.02	-7.33	10.94	-8.64	23.12
Chemicals	10.54	8.25	15.92	15.40	18.71	40.50	11.41	13.88	21.98	69.84	58.44	113.61	6.44	6.83	11.28	2.34	26.02	137.78
Construction	15.53	10.90	15.59	15.61	25.74	22.58	1.37	-2.27	-6.42	6.35	-7.44	0.98	6.60	6.81	-15.11	3.26	1.31	-8.81
Construction Materials	15.07	14.41	44.57	2.65	42.85	1.78	12.45	7.53	43.17	23.57	58.75	4.61	-0.69	-8.16	212.12	-76.19	-144.26	-39.34
Consumer Durables	8.24	13.39	11.58	3.17	10.66	-16.21	31.49	45.27	0.74	54.80	-4.64	84.84	7.86	17.79	-3.98	16.49	-12.16	12.08
Consumer Services	26.97	26.85	3.54	8.13	-1.37	9.73	14.46	19.78	12.42	89.25	50.87	23.68	13.53	16.43	-7.94	-7.27	-8.96	-7.41
Diversified	--	--	--	--	--	--	6.82	23.25	19.94	24.46	13.16	230.49	11.38	-2.14	-63.37	2.07	-61.73	-9.71
Fast Moving Consumer Goods	9.65	8.63	-0.60	3.38	3.06	32.83	19.30	25.35	-15.80	14.65	-8.22	15.98	8.53	7.79	-0.10	11.23	12.81	24.64
Financial Services	8.45	7.19	18.29	66.06	4.30	5.98	10.39	9.06	32.65	2.21	16.81	17.90	9.40	9.89	-5.05	20.14	7.67	8.21
Forest Materials	--	--	--	--	--	--	--	--	--	--	--	--	-58.67	-42.63	-288.50	-121.57	-574.90	-188.39
Healthcare	9.63	12.43	10.14	21.63	-1.00	5.60	10.90	12.26	19.72	18.42	-5.51	78.35	8.20	15.03	-0.35	31.34	-10.80	62.06
Information Technology	4.19	5.64	3.08	6.38	5.52	1.39	17.62	17.21	9.12	8.77	10.56	14.73	10.82	12.29	0.35	8.82	6.63	-2.48
Media Entertainment & Publication	--	--	--	--	--	--	-1.77	-2.03	-15.46	-25.13	-5.44	-10.57	-40.48	-30.65	685.18	372.08	229.77	136.28
Metals & Mining	1.33	3.02	6.90	19.95	16.41	94.97	8.91	9.74	13.37	27.51	18.92	35.29	41.18	35.10	42,573.26	119.59	6,512.13	132.69
Oil Gas & Consumable Fuels	0.42	2.33	17.31	0.62	39.83	4.91	-6.39	-4.13	59.01	-4.67	58.77	-8.58	-8.56	-1.47	-30.25	-22.18	-25.64	-19.18
Power	3.23	7.37	-2.96	8.45	-4.10	-5.05	-0.70	5.66	-14.04	1.16	-5.89	116.28	0.32	5.01	15.41	59.93	3.84	14.88
Realty	47.51	19.48	40.60	26.53	29.69	38.32	-4.64	-6.35	-19.89	-28.43	-4.22	-36.47	62.64	21.04	17.37	6.56	87.04	36.80
Services	11.67	23.94	-2.64	41.18	-5.98	55.79	19.36	9.65	27.94	8.88	133.37	18.99	16.26	14.27	-8.55	-11.82	-6.98	3.96
Telecommunication	28.45	27.33	67.70	58.06	57.32	503.22	7.55	6.63	10.10	48.68	-16.82	20.37	-29.26	22.26	-100.85	-56.61	-403.24	-144.84
Textiles	--	--	--	--	--	--	6.59	6.89	8.27	14.85	12.20	14.53	-4.06	-2.62	-11.91	-9.24	-9.35	144.44
Grand Total	5.57	6.24	10.59	16.27	11.81	8.59	7.06	8.20	16.64	11.13	14.76	24.65	6.34	8.54	-2.68	10.22	2.66	16.69
Ex-Financials	4.58	5.89	9.21	9.42	16.91	10.30	5.95	7.92	12.97	13.34	13.39	29.23	5.59	8.21	-1.92	7.82	-0.22	22.33

Data as on August 18, 2025; Source: Capitaline, HDFC Bank Research

India Valuations: As seen above, relatively higher valuations have seen India underperform vs. other EMs as liquidity moves out of US

12M expected fwd. P/E of various economies

India remains at elevated valuations compared to Emerging Market peers



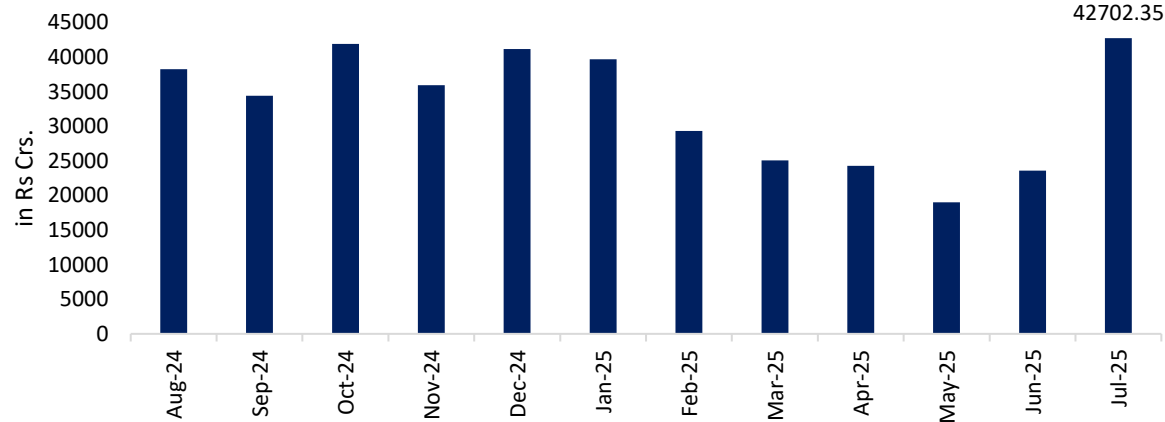
Source: Bloomberg

While Large cap valuations look relatively attractive on a P/E basis, while on a PEG basis, Mid and Small caps seem to be reasonable and companies showing incremental revenue growth can attract investors

Source: Bloomberg

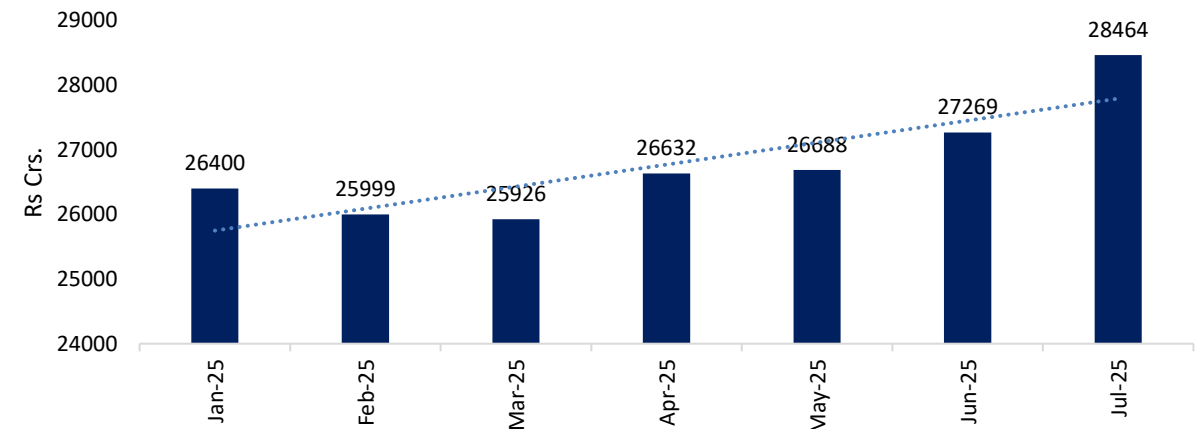
Index	P/E FY26 (Est.)	P/E FY27 (Est.)	EPS FY26 (Est.)	EPS FY27 (Est.)	PEG FY27 (Est.)
Nifty 50	25.12	21.49	977	1142	1.273
Nifty Midcap 100	30.43	24.65	1848	2282	1.052
Nifty Smallcap 250	30.51	24.55	569	707	1.012

Total flows into pure Equity schemes remain strong



Source: AMFI

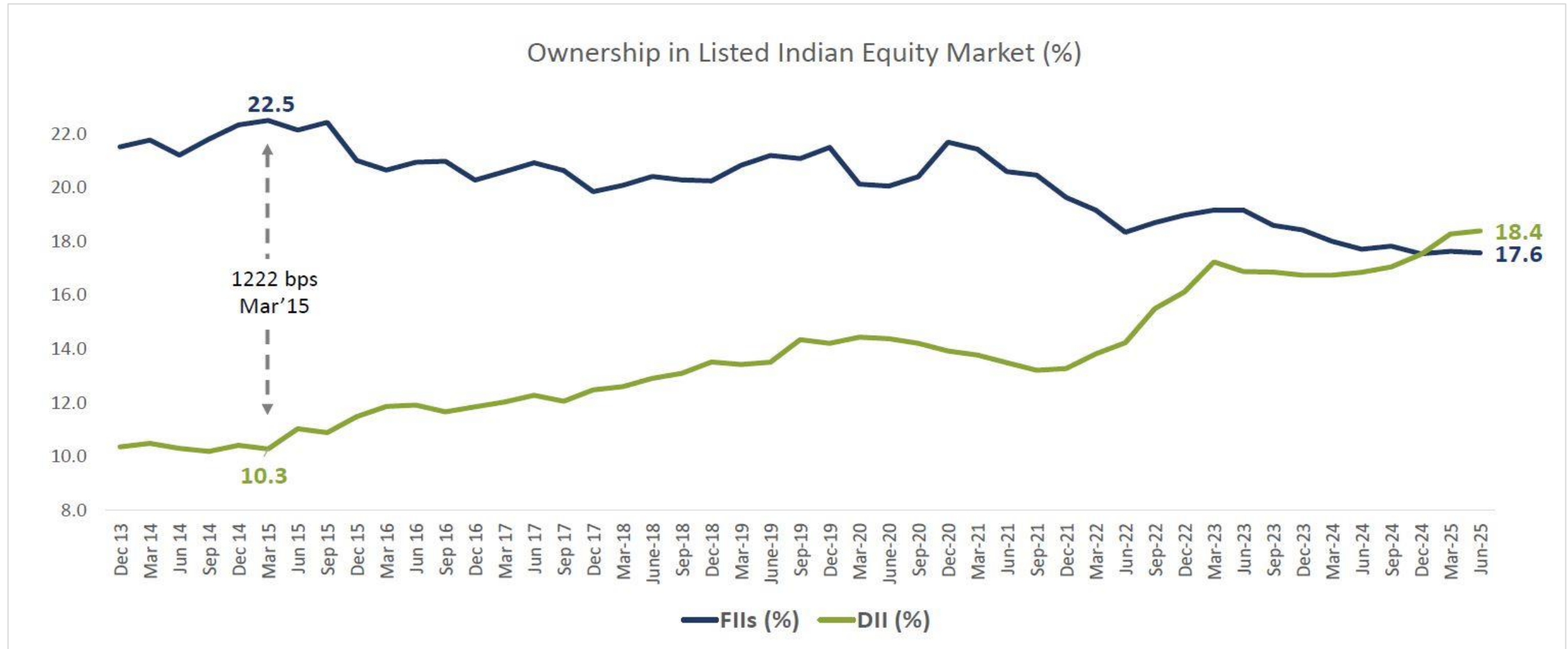
Mutual Funds SIP Flows remain strong

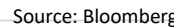


Source: AMFI

Data as on 29th August 2025

FPI ownership over the years has reduced while DIIs have continued to support the market with increasing ownership across sectors

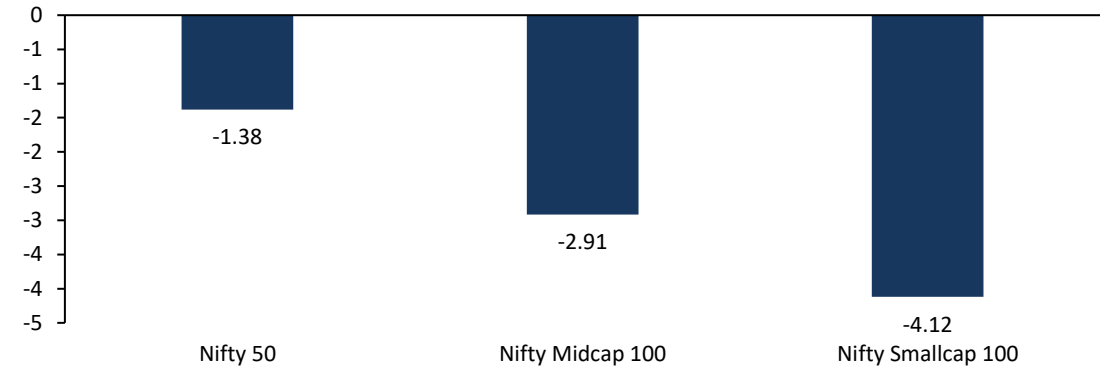
Source: WhiteOak Capital Research, Data as on 30th June 2025



Market Roundup – August 2025

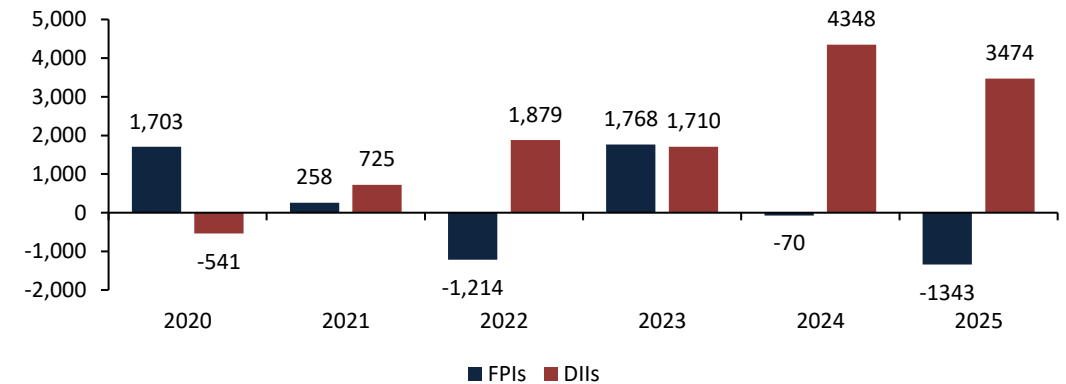
- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 1.69% (MoM) and Nifty 50 ended lower by 1.38% (MoM).
- While the BSE Midcap index ended lower by 2.49%(MoM) and BSE Small cap index ended lower by 3.70% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a negative note. Oil & Gas, Realty and Power were the laggards during the month.
- Domestic equity markets ended the month on a negative note as steep US tariffs of up to 50% on Indian goods weighed on sentiment, leading to investor caution regarding the economic fallout, sustained foreign fund outflows and lacklustre Q1 FY26 earnings.

Absolute Return In August 2025 (%)



Source: Bloomberg

Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 29th and 28th August respectively.

Source: SEBI, CDSL

Key concerns for Indian equities

- Low growth in consumer demand
- Expectations of weakening margins profile for corporates
- Any escalation in Geo-political conflict at Indian borders, Ukraine – Russia, and Middle East can impact the market sentiment strongly
- Weak spatial distribution of Monsoon
- The impact of Dollar Index and US Bond Yields on FPI flows in emerging markets
- Slowdown in Global trade due to tariffs imposed by the Trump Administration, Retaliatory tariffs from other nations
- Gradual decline of the WTO as an institution and countries doing more bilateral trade deals.

Annexure...

Sectoral outlook by Fund Managers – Part 1

Sector	Particulars
BFSI	<p>View –Neutral</p> <ul style="list-style-type: none"> Banks have rallied in the recent months, especially the Largecap Private sector banks. With CRR cut led liquidity likely to see marginal improvement in the NIMs in the next couple of quarter, some concerns also have been around the rising credit costs in the SME, MSME and the personal loans segments. Mutual funds seem to have started to take some profits or churn within their banking exposure. Selective buying in Private sector and PSU banks is likely. MFIs expected to see improvement in credit cost, post which things could improve. Capital markets plays expected to see some valuation correction. Insurance companies have also found favour with the fund managers, though, incrementally the funds maybe be trimming weights.
IT	<p>View –Neutral</p> <ul style="list-style-type: none"> Q1 FY26 results have been weak with muted guidance. Hiring in IT has not picked up meaningfully and there have been news of some attrition at mid levels. While stocks have seen correction, valuations in largecap IT seem reasonable compared to the rest of market. Some fund managers are raising weights, betting on policy rate cuts in the US, to support its economy; which can drive IT services demand. Midcap IT companies are looking richly valued and not many fund managers have a positive outlook on their price performance.
Pharma and Healthcare	<p>View – Neutral</p> <ul style="list-style-type: none"> Domestic demand holding up well, fund managers seem to be preferring domestic plays. US generic plays are likely to see underperformance due to higher valuations and no incremental growth surprises.. Tariff announcement can be a risk. Anti obesity players in India could see some interest from investors. Fund Managers are looking at very stock specific opportunities, majorly in the domestic pharma space. FY26 is expected to be weak for exporters. Funds are adding weights and have exposure to plays like hospitals and diagnostics.
Auto	<p>View – Neutral to Positive</p> <ul style="list-style-type: none"> The GST cuts are likely to drive demand for the passenger cars and two wheelers in the medium term. Given the comforting valuations in the PV segment, fund manager have taken overweight positions in select large names. Higher than expected US tariff on Indian exports to US, is likely to be negative for some auto ancillaries. Strong liquidity support by RBI and falling interest rates are likely to be positive for consumption demand for Autos.

Sectoral outlook by Fund Managers – Part 2

Sector	Particulars
Construction & Real Estate	<p>View – Neutral to Positive</p> <ul style="list-style-type: none"> Housing segment is seeing a gradual bounce back in the upper-end of the segment. The Government's focus is on infrastructure and investment cycle and has seen strong spending in the recently. This spending growth rate may gradually taper off in the next few quarters due to strong base in last quarter of FY25. Recent correction in this segment seems to be giving buying opportunities in few stocks. Fund Managers prefer investing in this space through proxy sectors such Cement and Home improvement plays.
Consumption	<p>View – Consumer Services – Neutral to Positive, Consumer Durables and FMCG- Neutral to Positive</p> <ul style="list-style-type: none"> Staples –Alcohol companies have seen traction. Expectation of GST rate cuts are also driving fund managers to add more weights in daily use FMCG product companies, except tobacco. 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 including select EMS plays. Retail and Consumer Tech: Retail valuations high, focus on Value Apparel Retailers and Jewellery companies, growth, while high, trajectory expected to decelerate. Earnings have disappointed in the QSR space and Fund Managers are not too keen to add exposure. Consumer Tech companies are again seeing fund manager interest post recent correction and with revenue growth sustaining. <p>Long-term positives</p> <ul style="list-style-type: none"> Higher disposable income due to tax cuts. Premiumization across categories. Implementation of GST Cuts and 8th Pay commission.
Capital Goods, Industrials, Utilities	<p>View – Neutral</p> <ul style="list-style-type: none"> With the Government spending growth likely to get more sharpened to fewer sectors, many stocks have corrected meaningfully. US tariffs have also been dampened for the capital goods exporters. Fund managers feel that valuations in the sector too seem to be at cyclical peak. Fund Managers may look at incremental opportunities in this segment, where earnings visibility remains strong. Power transmission, Nuclear energy and Electronics (import substitution) continues to be the positive themes for capex.
Metals	<p>View – Positive</p> <ul style="list-style-type: none"> With US tariffs getting mostly done for large economies, metals remain a tactical play. If the supply chain diversifies and expands, then metals can see pickup due to infra spends.

Sectoral Movement

Absolute Monthly Return By Sector (%)

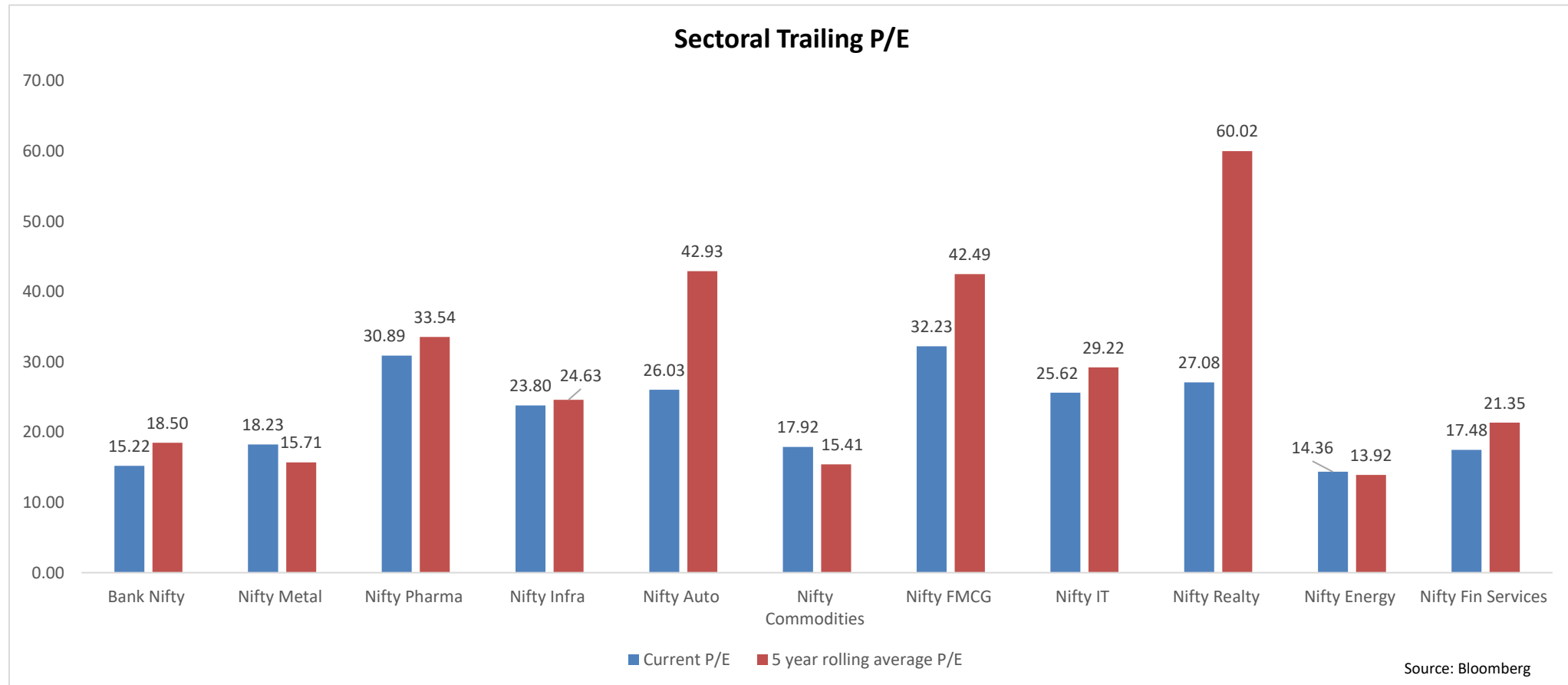
Index	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
BSE 500	0.77	2.05	-6.51	-0.03	-1.50	-3.49	-7.85	7.29	3.16	3.39	3.43	-2.87	-1.93
Auto	-1.90	3.40	-12.30	-1.20	-2.33	-0.26	-11.00	4.02	4.73	4.73	2.24	-1.11	5.78
Bankex	-0.94	2.96	-2.29	1.08	-2.62	-2.57	-2.50	8.55	5.17	0.85	1.62	-3.24	-3.34
Basic Material	-2.27	5.69	-6.66	-1.90	-3.13	-1.39	-7.22	10.70	-0.62	4.22	5.43	-1.38	-2.36
Capital Goods	-3.27	-0.09	-5.47	2.31	-4.13	-4.79	-14.39	13.55	0.09	13.24	1.75	-5.66	-4.13
Consumer Discretionary	0.99	4.01	-10.07	0.23	0.00	-7.01	-10.36	4.40	3.98	4.32	3.49	-1.47	2.52
Consumer Durables	4.37	6.40	-10.35	2.99	3.15	-10.22	-8.45	2.67	5.65	0.86	3.17	-0.52	1.96
Energy	0.88	-2.91	-12.59	-3.31	-3.96	-0.67	-9.09	9.46	5.02	1.95	3.09	-4.70	-3.87
FMCG	2.29	3.32	-8.93	-2.08	-2.08	-1.04	-10.57	5.79	5.17	-0.71	-0.33	1.61	0.21
Finance	0.75	3.03	-3.31	0.53	-1.67	-2.90	-3.02	7.97	4.61	3.08	3.43	-2.66	-3.82
Healthcare	6.56	2.45	-0.72	-0.57	3.69	-7.67	-8.59	8.40	1.91	0.93	3.88	2.51	-3.86
IT	4.27	-2.57	-4.58	5.83	0.95	-2.85	-12.58	-1.52	-2.97	5.26	3.33	-8.69	-1.07
Infra	-2.07	-3.19	-8.72	-2.57	-3.54	-3.88	-13.81	12.36	0.70	5.03	2.72	-3.81	-4.75
Metal	-0.96	6.63	-9.62	-2.38	-5.39	-1.12	-1.98	10.07	-5.76	5.89	3.04	-2.56	-1.61
Oil & Gas	1.27	-3.47	-13.75	-2.35	-2.79	-2.44	-11.23	11.34	5.40	2.03	3.10	-3.84	-4.69
Power	-2.49	5.11	-9.51	-4.34	-7.00	-5.92	-12.06	14.32	0.90	2.37	1.95	-3.45	-4.56
Realty	-3.59	4.36	-9.12	1.93	3.45	-13.16	-13.42	6.63	3.99	7.21	3.84	-7.33	-4.48
Telecom	2.36	-5.28	-8.48	1.55	-2.53	-3.32	-10.25	6.84	8.73	3.55	6.10	-7.79	-4.48
Utilities	-3.79	5.60	-8.54	-6.50	-6.57	-5.48	-10.61	15.05	1.02	-0.85	2.95	-2.20	-4.47

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

While sectoral valuations have improved vs. long term averages, earnings growth trajectory has weakened in many cases



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	6.74%	31.35%	5.75%	7.63%	6.53%	6.48%	4.01%	8.10%	0.16%	10.86%	0.15%	6.64%	3.39%	0.31%	1.89%
360 ONE	6.27%	29.72%	12.07%	2.97%	0.66%	10.50%	3.78%	5.23%	0.19%	3.27%	0.00%	6.92%	9.12%	0.54%	3.74%
Aditya Birla SL MF	7.98%	29.38%	6.11%	6.83%	6.26%	7.68%	3.94%	9.00%	0.06%	6.81%	0.44%	7.22%	3.12%	0.68%	2.00%
Axis MF	7.24%	24.42%	9.87%	8.10%	3.18%	11.21%	3.84%	5.81%	0.04%	4.01%	0.37%	10.28%	3.54%	0.48%	2.20%
Bajaj Finserv MF	4.99%	27.81%	10.17%	6.48%	9.64%	11.21%	4.25%	5.19%	0.12%	2.77%	0.79%	9.89%	0.69%	1.13%	0.87%
Bandhan MF	5.73%	29.98%	5.30%	5.85%	5.40%	8.35%	5.81%	5.91%	0.12%	6.70%	1.05%	7.78%	1.95%	0.97%	2.56%
Bank of India MF	4.82%	20.55%	15.17%	11.89%	6.86%	5.76%	3.09%	4.83%	0.80%	6.86%	0.55%	9.04%	2.04%	1.25%	2.07%
Baroda BNP Paribas	8.08%	23.64%	9.51%	5.82%	5.98%	7.34%	1.94%	6.12%	0.00%	10.11%	0.58%	12.06%	2.58%	0.75%	1.28%
Canara Robeco MF	8.63%	24.54%	9.45%	5.52%	6.06%	13.74%	3.24%	6.05%	0.07%	5.60%	1.14%	8.05%	2.32%	0.52%	1.59%
DSP MF	8.27%	25.02%	7.59%	8.94%	4.30%	6.22%	3.60%	6.67%	0.00%	6.19%	0.27%	12.46%	2.27%	1.12%	0.98%
Edelweiss MF	6.80%	25.26%	10.56%	8.73%	5.26%	9.54%	3.61%	7.88%	0.00%	4.37%	0.19%	10.46%	2.06%	1.31%	1.07%
Franklin Templeton MF	6.17%	24.95%	6.71%	6.40%	4.54%	10.43%	4.66%	7.91%	0.02%	7.43%	0.26%	8.75%	3.92%	0.65%	2.44%
Groww MF	7.51%	41.12%	6.73%	4.85%	0.70%	4.40%	4.45%	5.19%	0.00%	4.03%	0.10%	4.52%	3.06%	0.00%	2.71%
HDFC MF	11.06%	29.05%	6.20%	6.23%	2.94%	6.61%	2.61%	5.91%	0.37%	4.22%	0.16%	10.67%	2.82%	0.43%	3.57%
Helios MF	3.48%	42.22%	10.40%	0.00%	2.08%	12.08%	3.72%	2.00%	0.61%	6.14%	0.00%	5.94%	2.52%	2.22%	5.42%
HSBC MF	4.15%	25.52%	16.48%	5.58%	5.96%	11.90%	6.27%	5.45%	0.01%	3.91%	0.87%	6.45%	1.88%	1.82%	1.74%
ICICI Pru MF	9.30%	24.21%	3.95%	7.61%	4.57%	5.23%	5.50%	8.01%	0.30%	10.83%	0.75%	7.89%	3.09%	0.40%	1.70%
Invesco MF	5.15%	28.47%	10.01%	3.30%	1.91%	15.66%	5.24%	6.63%	0.00%	2.10%	0.89%	13.57%	1.69%	0.01%	3.36%
ITI MF	4.65%	26.84%	14.09%	8.21%	4.08%	7.61%	4.90%	5.35%	0.32%	5.48%	1.20%	10.93%	1.68%	0.99%	1.00%
JM MF	5.16%	29.00%	11.43%	4.95%	6.71%	11.18%	4.95%	5.65%	0.25%	4.37%	0.00%	7.32%	3.04%	1.52%	2.63%
Kotak MF	8.35%	20.05%	9.87%	12.26%	3.03%	10.23%	4.49%	8.28%	0.41%	6.92%	0.17%	8.61%	3.10%	0.25%	1.82%
LIC MF	7.52%	22.12%	20.10%	5.42%	7.58%	5.06%	4.36%	5.07%	0.27%	4.67%	1.38%	7.03%	1.43%	1.73%	2.31%
Mahindra Manulife MF	7.27%	25.77%	9.66%	7.63%	5.97%	8.26%	2.70%	6.42%	0.15%	6.96%	0.47%	9.84%	2.91%	1.30%	1.66%
Mirae MF	7.30%	28.93%	4.53%	6.40%	6.02%	9.56%	3.77%	8.84%	0.00%	6.25%	0.00%	10.68%	3.43%	0.05%	2.76%
Motilal Oswal MF	2.27%	12.39%	24.45%	1.77%	0.60%	23.69%	2.39%	13.44%	0.00%	0.48%	0.28%	3.99%	3.28%	0.47%	0.44%
Navi MF	9.42%	32.94%	9.77%	3.40%	5.84%	6.79%	0.72%	5.35%	1.18%	4.01%	1.12%	7.38%	2.90%	0.00%	3.18%
Nippon India MF	6.35%	26.51%	11.24%	5.31%	5.62%	12.52%	2.93%	3.99%	0.32%	7.87%	0.64%	9.94%	1.17%	0.88%	2.32%
NJ MF	15.18%	12.17%	0.77%	4.15%	15.31%	4.94%	0.00%	13.72%	0.00%	8.90%	0.00%	19.05%	0.00%	0.89%	0.00%
Old Bridge MF	9.16%	9.32%	0.00%	13.72%	7.12%	4.21%	5.22%	9.76%	0.00%	0.00%	2.09%	11.93%	5.40%	0.00%	12.56%
PGIM India MF	6.91%	21.61%	9.24%	9.15%	4.27%	12.80%	2.55%	6.49%	0.00%	3.23%	0.04%	12.39%	2.81%	0.99%	3.95%
PPFAS MF	7.87%	28.46%	0.03%	0.00%	5.76%	2.37%	0.00%	10.27%	0.00%	11.32%	0.00%	4.21%	3.58%	0.00%	2.74%
Quant MF	4.83%	17.80%	4.08%	7.68%	6.58%	3.56%	9.66%	0.70%	1.19%	19.44%	0.48%	12.46%	2.47%	2.66%	2.21%
Quantum MF	10.70%	38.38%	1.72%	4.98%	1.00%	4.62%	0.00%	13.88%	0.14%	4.11%	0.48%	4.79%	2.95%	0.00%	0.60%
Samco MF	3.89%	33.07%	9.39%	11.03%	5.65%	2.81%	2.86%	3.29%	0.60%	1.89%	0.18%	10.07%	1.85%	1.94%	2.47%
SBI MF	7.41%	26.09%	5.29%	7.73%	5.67%	9.25%	3.11%	5.01%	0.30%	8.49%	1.86%	6.92%	2.57%	2.00%	1.97%
Shriram MF	10.67%	37.42%	2.68%	7.85%	3.01%	1.76%	0.73%	9.21%	0.00%	3.12%	0.00%	11.68%	7.00%	0.00%	1.68%
Sundaram MF	6.29%	26.34%	7.67%	5.82%	5.18%	10.72%	3.61%	5.65%	0.20%	6.42%	0.34%	8.21%	4.07%	0.16%	2.05%
Tata MF	4.65%	21.63%	7.87%	8.10%	4.80%	7.86%	3.62%	15.25%	0.16%	6.13%	0.92%	7.59%	2.38%	0.64%	2.83%
Taurus MF	5.82%	21.40%	6.92%	4.62%	10.08%	4.96%	4.47%	7.59%	0.21%	13.69%	0.00%	8.73%	2.83%	1.14%	1.23%
Trust MF	6.01%	20.69%	11.16%	8.04%	2.23%	8.75%	2.88%	5.08%	0.00%	1.76%	0.25%	13.23%	1.40%	1.44%	4.39%
Unifi MF	4.14%	31.56%	1.48%	5.30%	4.47%	0.83%	4.52%	5.52%	0.00%	4.43%	1.56%	10.57%	5.71%	0.00%	5.61%
Union MF	8.24%	24.16%	14.00%	6.83%	3.66%	10.04%	4.15%	5.75%	0.17%	5.15%	0.00%	9.29%	2.39%	0.94%	2.24%
UTI MF	9.35%	25.18%	5.60%	5.52%	3.92%	14.71%	2.36%	9.53%	0.25%	4.28%	0.48%	9.96%	3.01%	0.68%	1.94%
WhiteOak Capital MF	4.81%	31.32%	9.21%	3.92%	3.64%	9.66%	1.92%	8.03%	0.02%	3.28%	2.15%	11.18%	4.35%	0.35%	1.56%

Data as on 31st July 2025

Source : ICRA Analytics Limited

US trade tariffs by Country...with punitive tariffs, India's position weak vs. peers

Country/Territory	Adjusted Reciprocal Tariff
India	25% + 25%
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	50%
Brunei	25%
Cambodia	19%
Cameroon	15%
Chad	15%
Costa Rica	15%
Côte d'Ivoire	15%
Democratic Republic of the Congo	15%
Ecuador	15%
Equatorial Guinea	15%
European Union	15%

Country/Territory	Adjusted Reciprocal Tariff
Falkland Islands	10%
Fiji	15%
Ghana	15%
Guyana	15%
Iceland	15%
Indonesia	19%
Iraq	35%
Israel	15%
Japan	15%
Jordan	15%
Kazakhstan	25%
Laos	40%
Lesotho	15%
Libya	30%
Liechtenstein	15%
Madagascar	15%
Malawi	15%
Malaysia	19%
Mauritius	15%
Moldova	25%
Mozambique	15%
Myanmar (Burma)	40%
Namibia	15%
Nauru	15%

Country/Territory	Adjusted Reciprocal Tariff
New Zealand	15%
Nicaragua	18%
Nigeria	15%
North Macedonia	15%
Norway	15%
Pakistan	19%
Papua New Guinea	15%
Philippines	19%
Serbia	35%
South Africa	30%
South Korea	15%
Sri Lanka	20%
Switzerland	39%
Syria	41%
Taiwan	20%
Thailand	19%
Trinidad and Tobago	15%
Tunisia	25%
Turkey	15%
Uganda	15%
United Kingdom	10%
Vanuatu	15%
Venezuela	15%
Vietnam	20%
Zambia	15%
Zimbabwe	15%

Source: White House, Media Reports

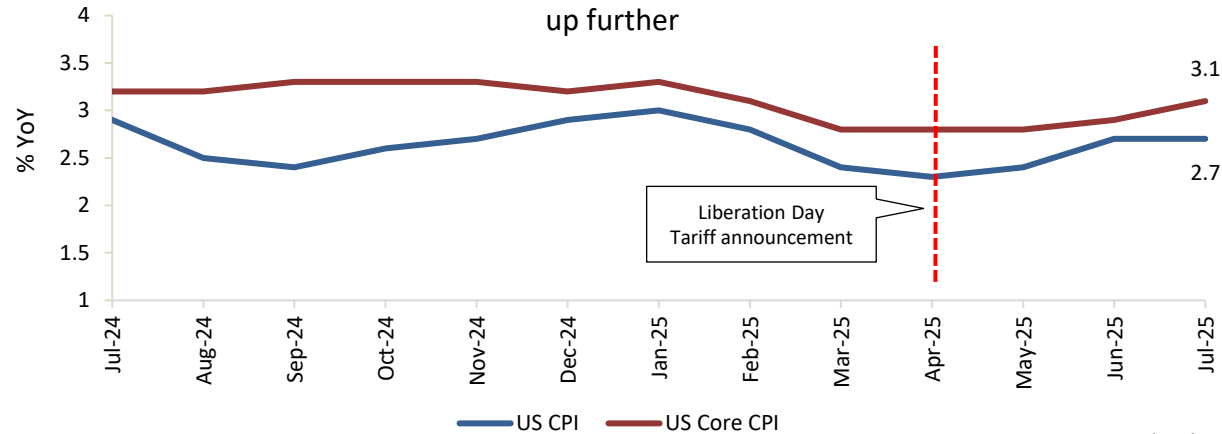
Fixed Income Market

Fixed Income Outlook – September 2025

- RBI has been keeping an eye on transmission of previous rate cuts while actively managing liquidity to align the call money rate with the Repo rate. Liquidity is going to get a boost from the proposed 4-phase CRR reduction starting 6th September 2025.
- Growth-Inflation dynamics have received a favorable boost with both data prints showing better than expected numbers. Going forward, this will provide the RBI enough space and flexibility to consider policy easing while the economy navigates through the difficult terrain of recently applicable higher US trade tariffs.
- The Consumer Price Index (CPI) inflation print continued decelerating at a faster-than-expected rate, slowing to 1.55% YoY in July 2025 from 2.16% YoY in June 2025. Core Inflation decelerated to 4.12% YoY in July 2025 from 4.43% YoY in the previous month. The above average monsoon and higher than average reservoir levels are expected to keep inflation benign, allowing RBI to remain growth supportive in case tariff induced pressure weighs down on growth going forward.
- Recently applicable higher tariffs have resulted in further weakening of the INR. In absence of positive developments around bi-lateral trade agreement with US, the INR is expected to continue moving with weakening bias against USD.
- In the US, higher tariffs have started reflecting in the macroeconomic data as inflation remains above Fed's medium term target while the economy is showing signs of weakness. Amidst this, Fed chair Jerome Powell gave hints of a rate cut. Market participants believe the policy easing may restart in the September policy meeting. Going forward, the depth of further policy easing done by Fed and forward commentary around the same will remain a key monitorable.
- The European labor market has been showing strength, but fiscal concerns have emerged on the horizon across major economies pushing the yields at the longer end higher. The ECB is expected to remain data-dependant before any further policy easing.
- Globally, as tariff effects starts unfolding, we see more Central banks are taking policy actions.
- Counterbalancing uncertainties of demand and supply have kept crude and other commodity prices within a range and close to the long term average. Incremental supply from OPEC is expected to weigh down on crude prices.
- With pro-growth policy actions by the RBI, Lower prices due to GST rationalisation and favourable CPI inflation, we may continue to see structurally lower interest rates over the medium-term.
- Fiscal concerns and higher supply of long duration G-secs led to hardening of yields at the longer end, creating high term spreads and opening up some tactical opportunity for Dynamic Bond Funds and Gilt Funds.
- The spread at the shorter end of the Corporate Bond yield curve has remained attractive over G-secs. Based on easing liquidity conditions, the yields at the shorter end of the corporate bond curve could come off further, so a case continues to exist for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds or Banking & PSU Debt Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above investors can consider Income Plus Arbitrage FoF. In the same horizon investors can also look at tactical opportunities in dynamic bond funds & gilt funds.
- For a horizon of 3 months and above, investors can consider Arbitrage 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.

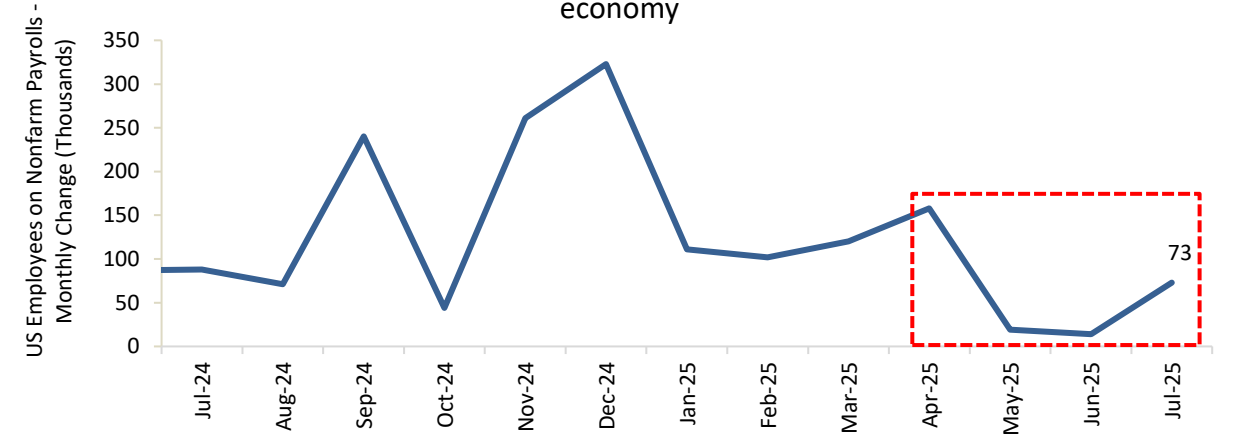
US – While tariffs have started pushing inflation up, it is expected to be transitory... Focus on employment and growth is leading to expectations of policy easing

US Headline inflation stays above the medium-term target, indicating businesses have begun passing costs on to consumers... Core inflation inches up further



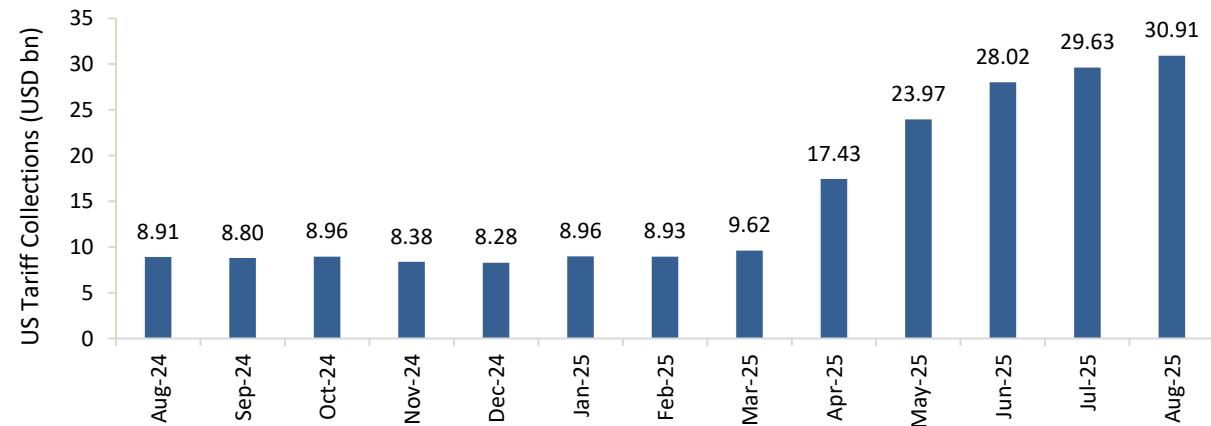
Source: Bloomberg

Weak employment data shows continued signs of softness in the US economy



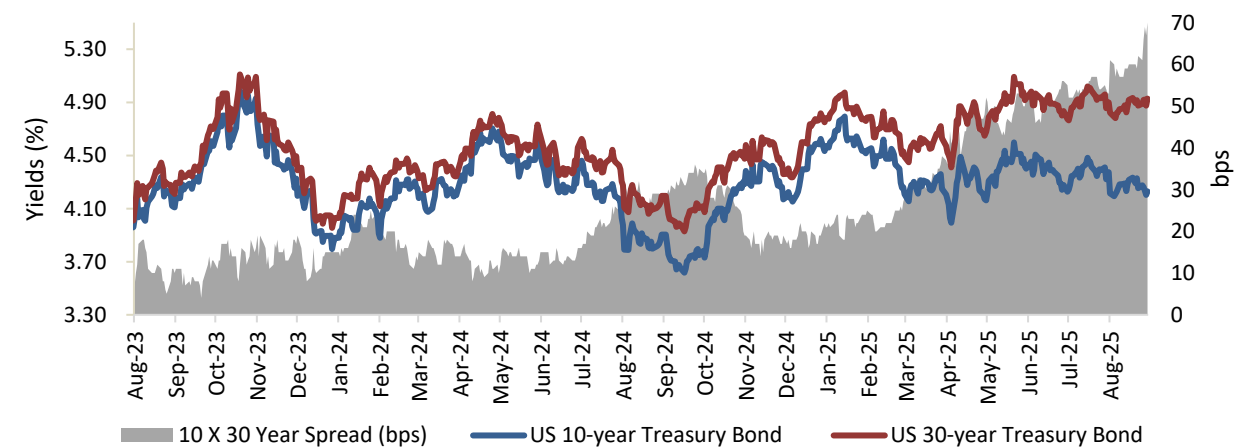
Source: Bloomberg

Tariff Revenue has received a boost since the implementation of higher rates



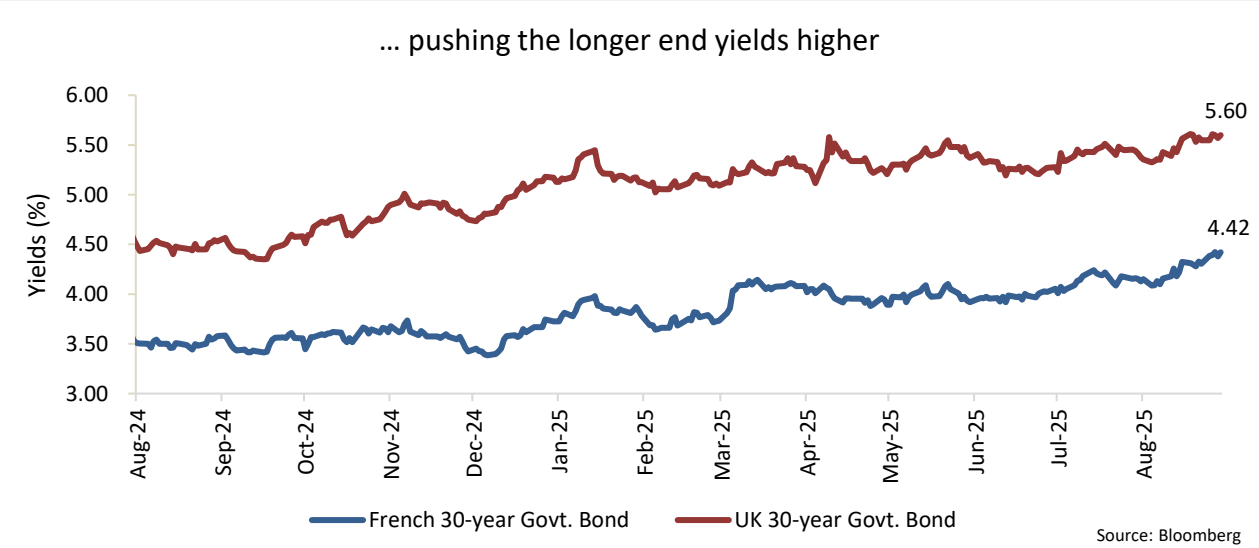
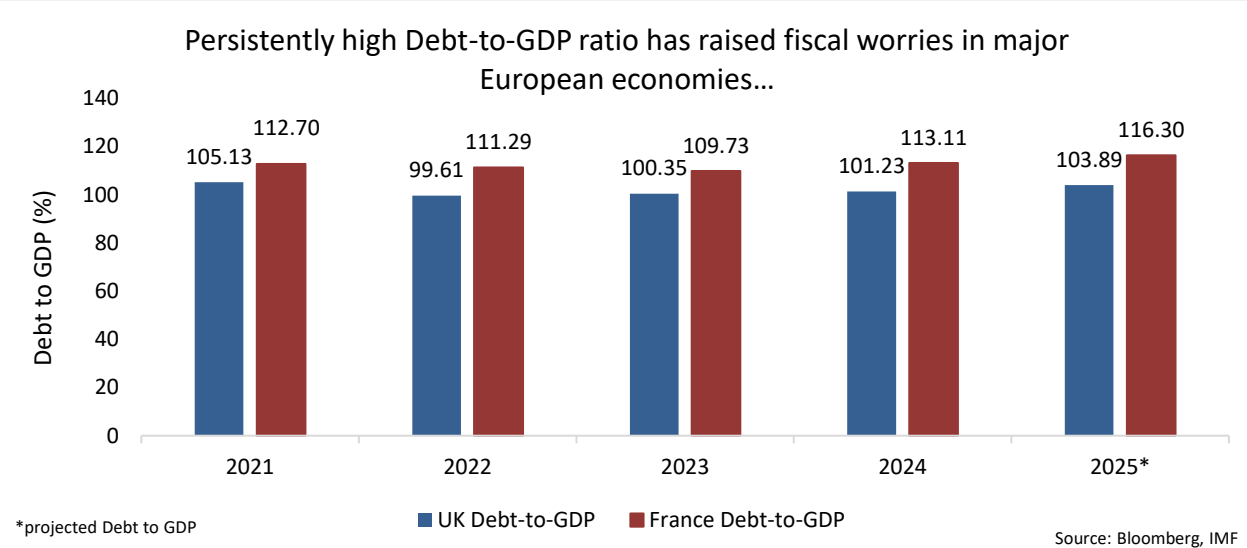
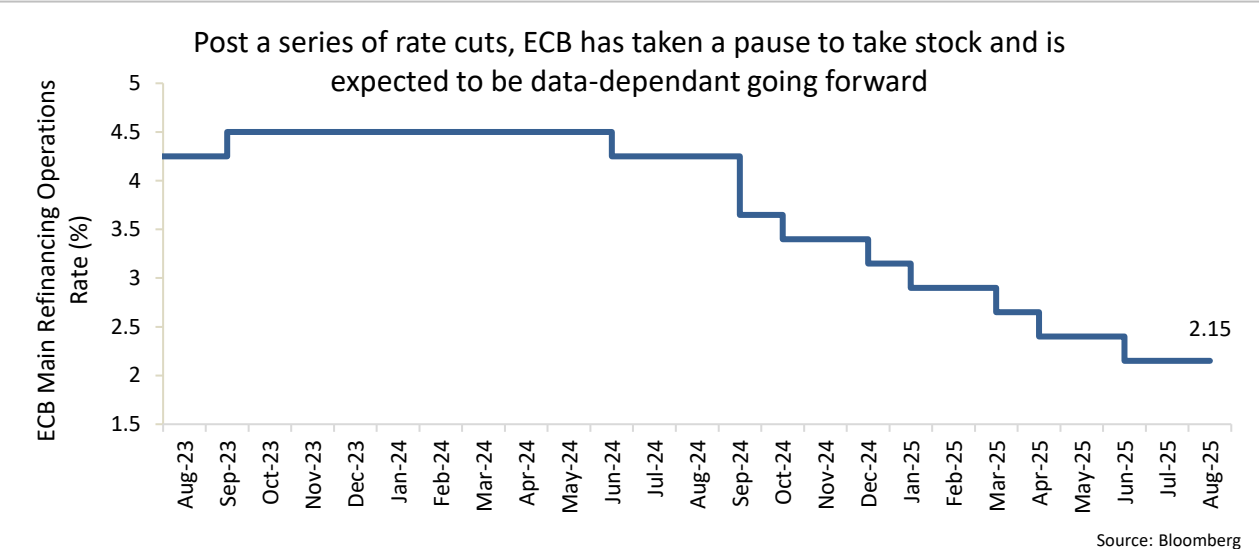
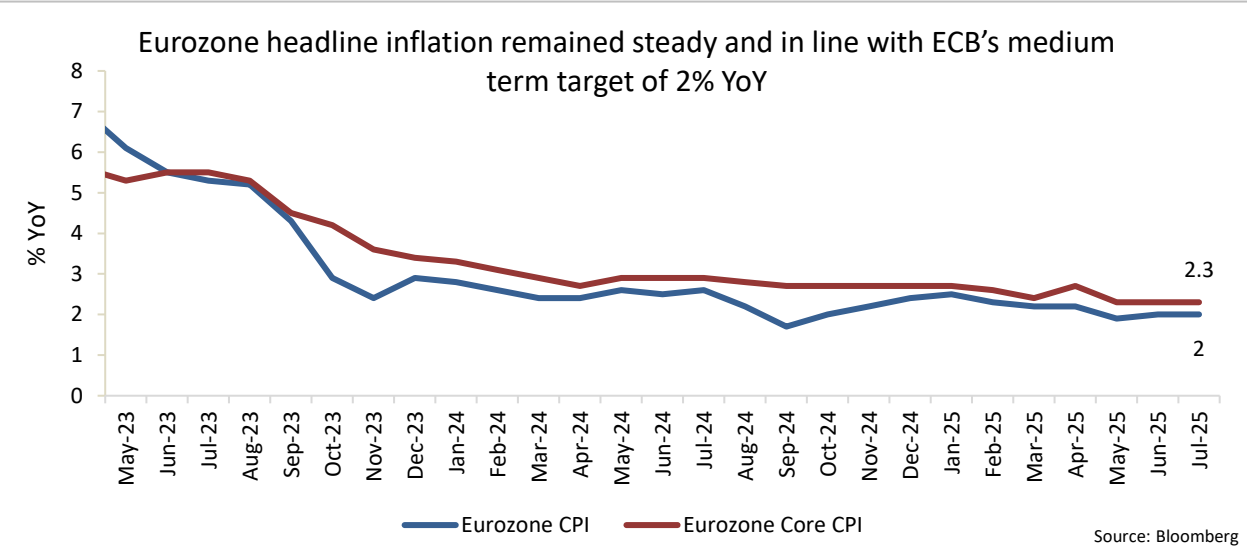
Source: Bloomberg

Rising Fiscal Deficit has led to higher term spreads at the longer end



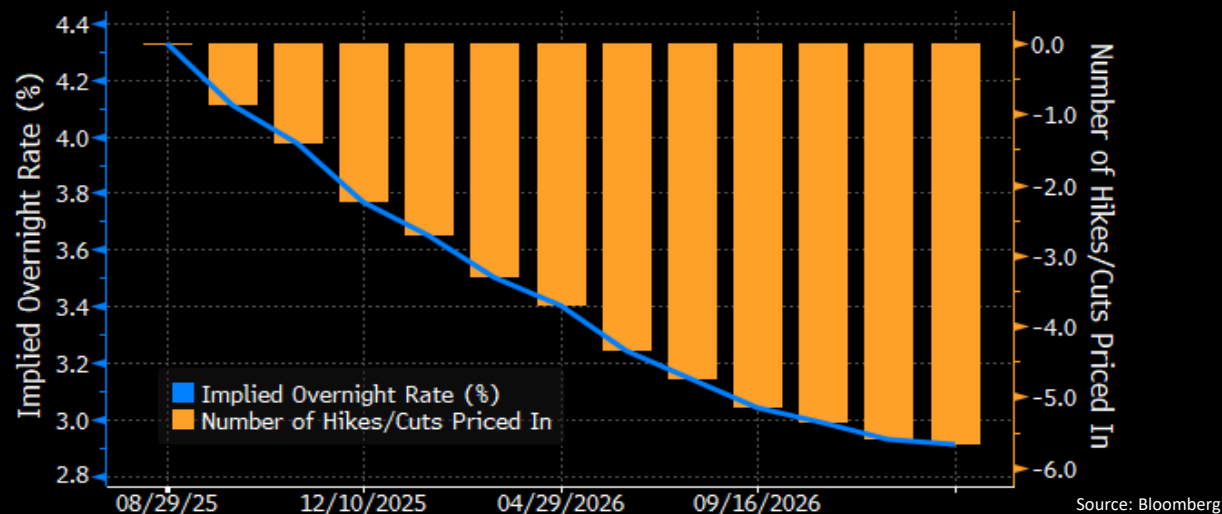
Source: Bloomberg

Yield spike across larger economies in Europe can unravel financial stability



Transitioning labor market forces major central banks to take divergent views

Weak US labor market forces Jerome Powell to consider change in stance, hinting at rate cut

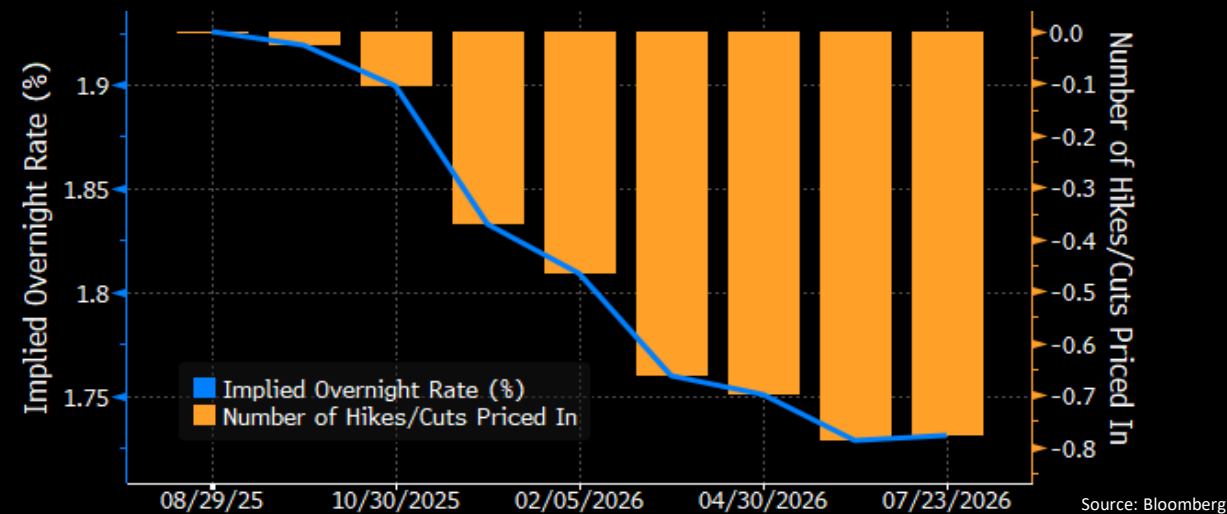


“Putting the pieces together, what are the implications for monetary policy? In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation. When our goals are in tension like this, our framework calls for us to balance both sides of our dual mandate. Our policy rate is now 100 basis points closer to neutral than it was a year ago, and the stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance. Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance.”

- Jerome Powell

Chairman, US Fed, 22nd August 2025 speech Jackson Hole, Wyoming

Resilient labor market allows Christine Lagarde to move to wait and watch mode

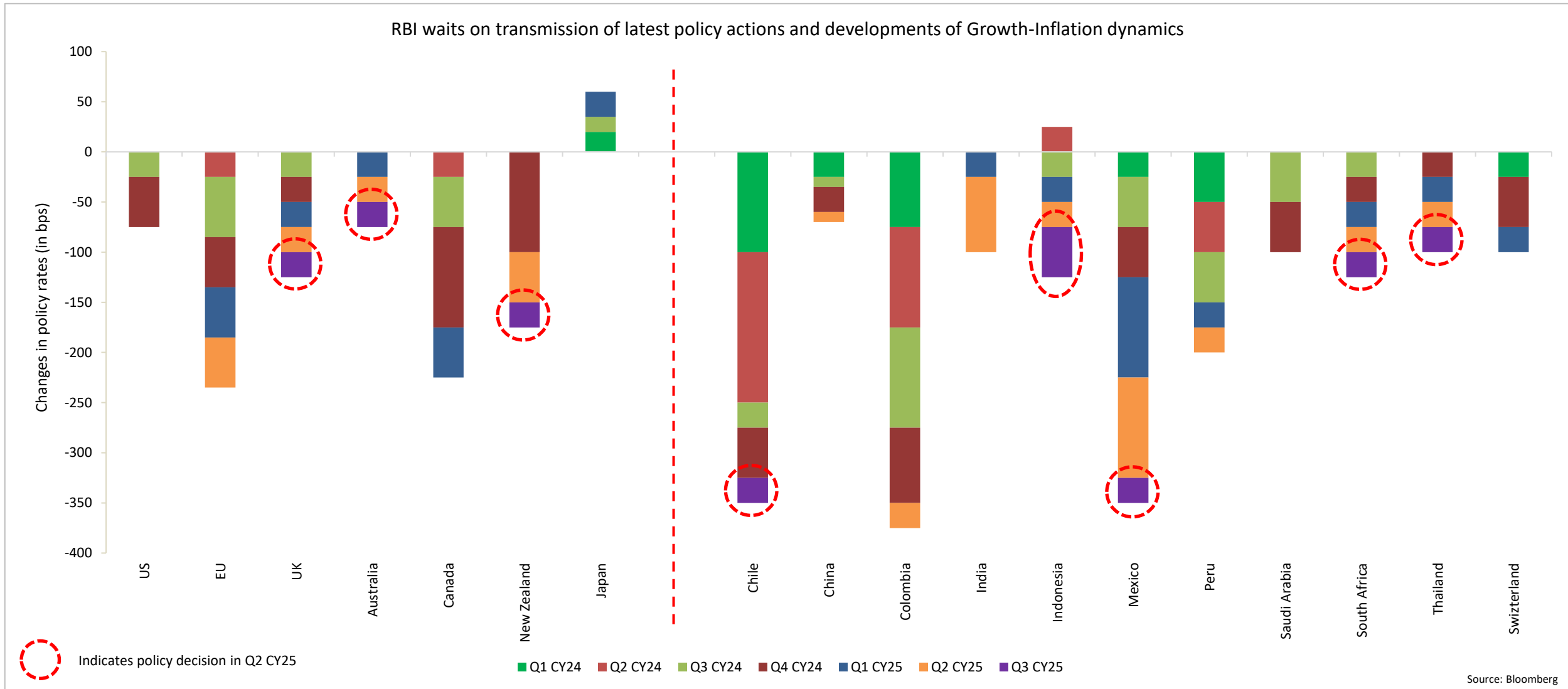


“ECB staff will factor the implications of the EU-US trade deal for the Euro area economy into the upcoming September projections, which will guide our decisions over the coming months”

- Christine Lagarde

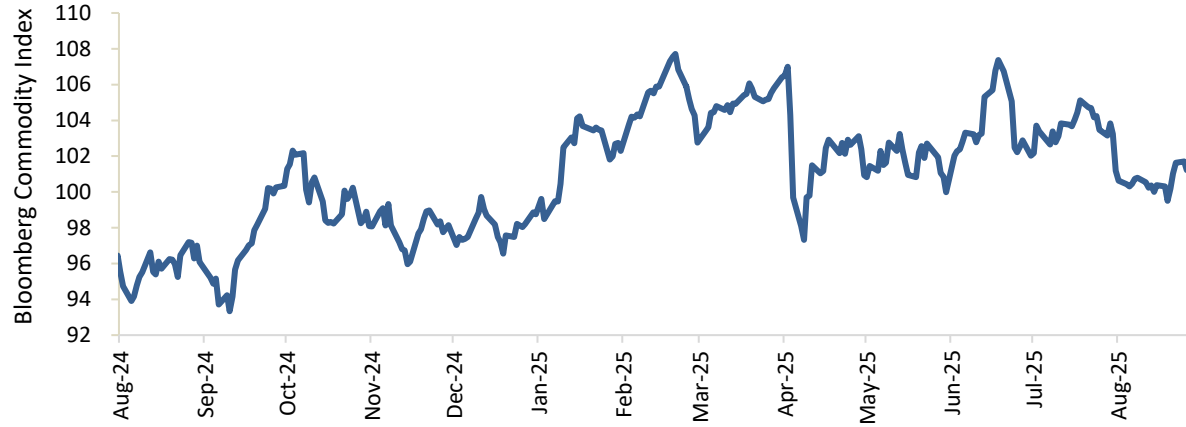
President, European Central Bank, 20th August 2025 at the International Business Council of the World Economic Forum

As global Central banks absorb incoming data, we may see more policy actions going ahead



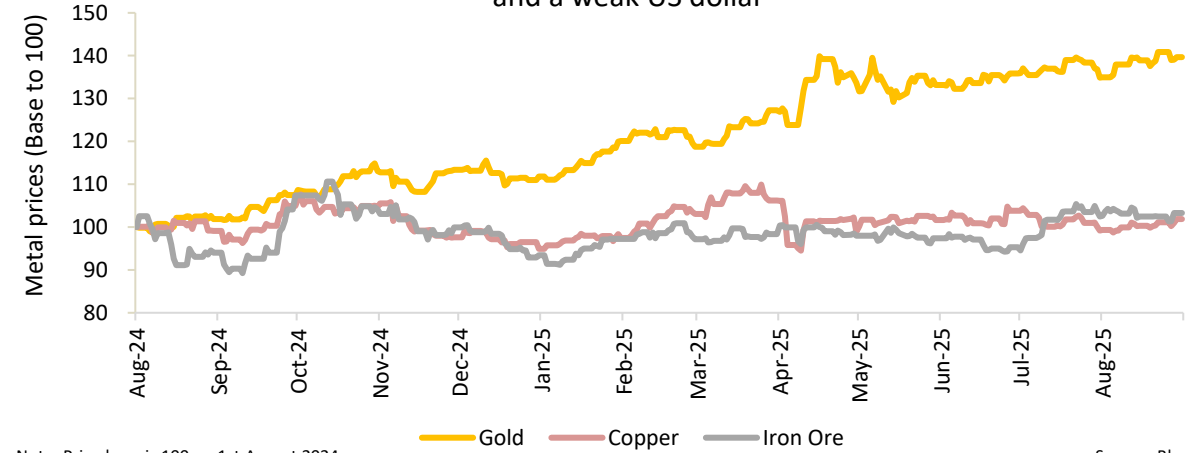
Global Commodities – lack of growth triggers on the upside and recession fears on the downside kept commodities rangebound

Global commodities continued moving sideways due to lack of fresh triggers



Source: Bloomberg

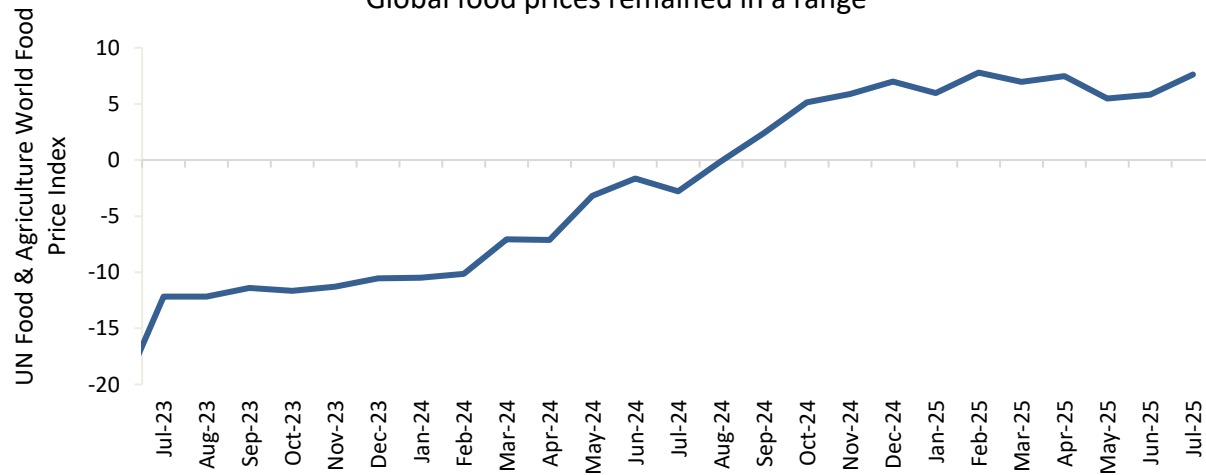
Gold prices have remained steady in August amidst hopes of Fed rate cuts and a weak US dollar



Note: Price base is 100 on 1st August 2024

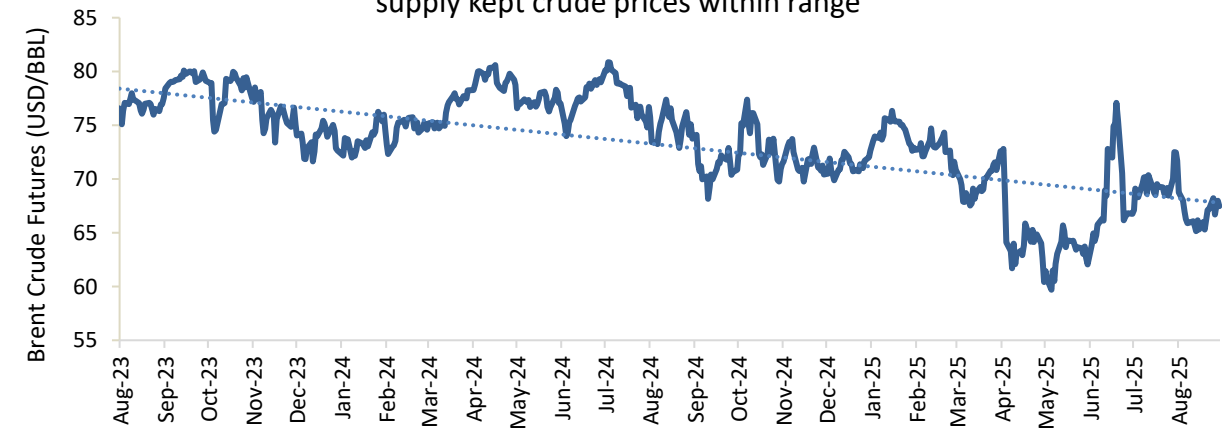
Source: Bloomberg

Global food prices remained in a range



Source: Bloomberg

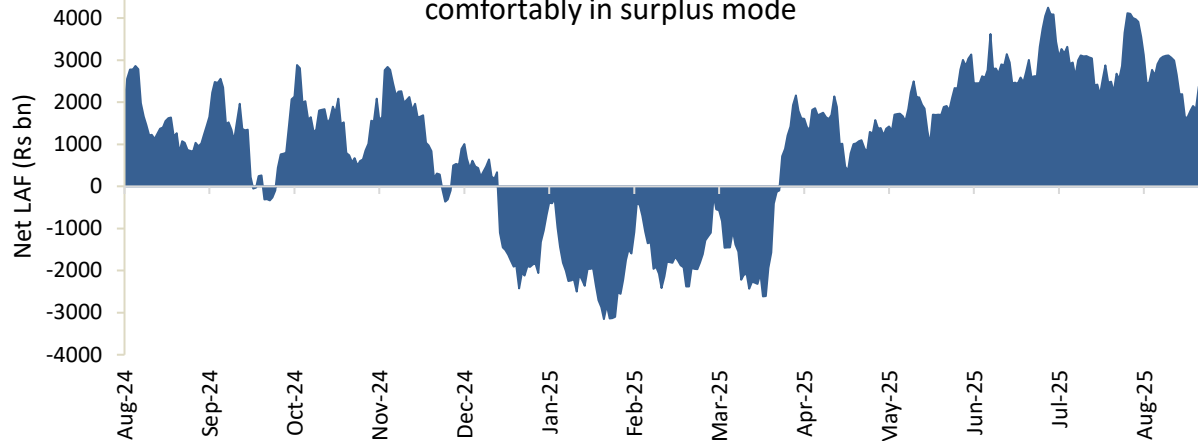
Expectation of lower demand from the US and uncertainties around Russian supply kept crude prices within range



Source: Bloomberg

With robust price stability, RBI focuses on growth while keeping a keen eye on transmission of rates

Despite recent relative weakening, system liquidity continues to remain comfortably in surplus mode



RBI's discussion paper on Flexible Inflation targeting

1. Whether headline inflation or core inflation would best guide the conduct of monetary policy, given evolving relative dynamics of food and core inflation and the continuing high weight of food in the CPI basket?
2. Whether the 4% inflation target continues to remain optimal for balancing growth with stability in a fast growing, large emerging economy like India?
3. Should the tolerance band around the target be revised in any way including whether the tolerance band be narrowed or widened or fully done away with?
4. Should the target inflation level be removed, and only a range be maintained within the overall ambit of maintaining flexibility without undermining credibility?

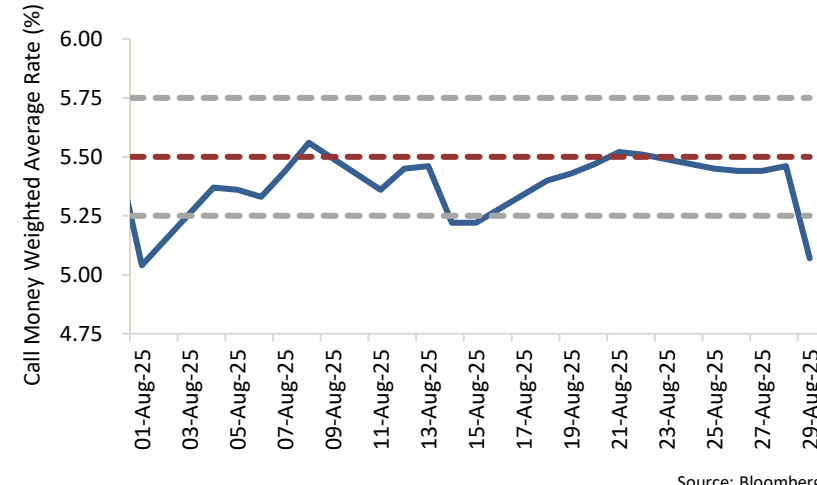
Source: RBI

RBI continued active management of liquidity...

Particulars	Date	Amount (Rs Bn)	Tenor
Variable Rate Reverse Repo (VRRR)	01-Aug-25	2000	7-Day
	06-Aug-25	1000	2-Day
	07-Aug-25	500	1-Day
	08-Aug-25	1000	3-Day
	08-Aug-25	2000	6-Day
	11-Aug-25	500	3-Day
	14-Aug-25	2000	8-Day
	18-Aug-25	250	3-Day
	22-Aug-25	1250	7-Day
	28-Aug-25	750	1-Day
	29-Aug-25	1500	6-Day
Total		12,750	

Source: RBI

... to keep call money rates close to the Repo Rate



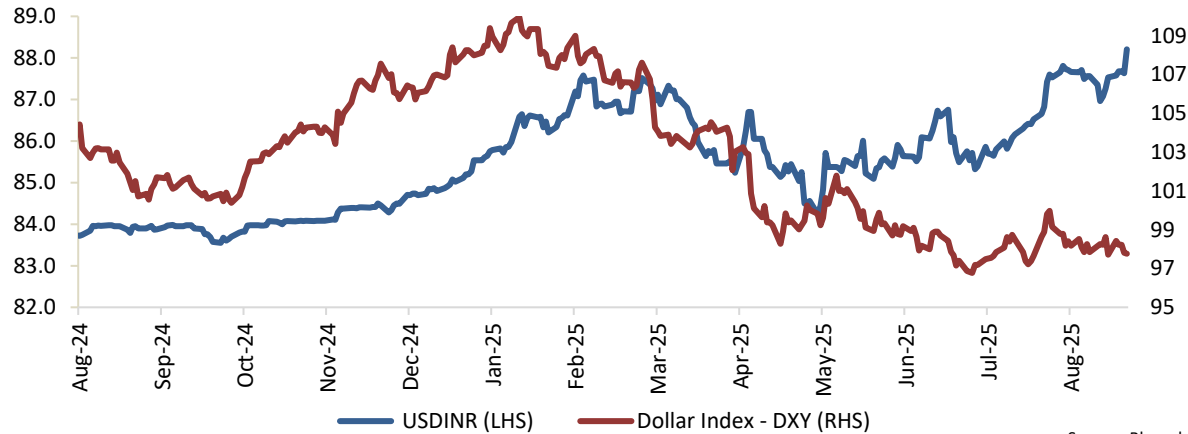
RBI is waiting on full transmission of the latest rate cuts

Transmission to Banks' Deposit and Lending Rates (Variation in basis points)		
Period	Repo Rate	WALR - Fresh Rupee Loans
Tightening Period May 2022 to January 2025	250	181
Easing Phase February 2025 to July 2025	-100	-71

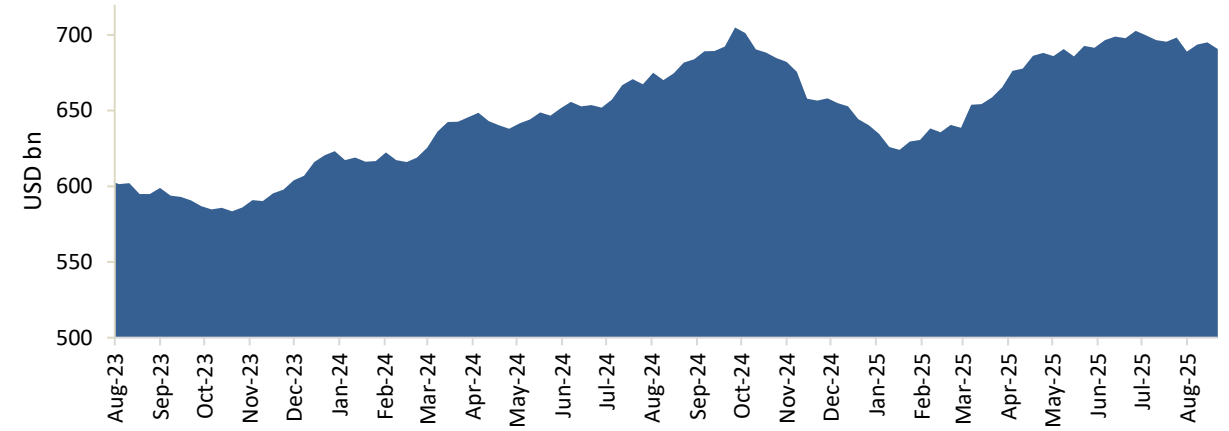
Source: RBI

Resilient economy and strong external sector despite US tariffs resulted in a Sovereign Rating Upgrade

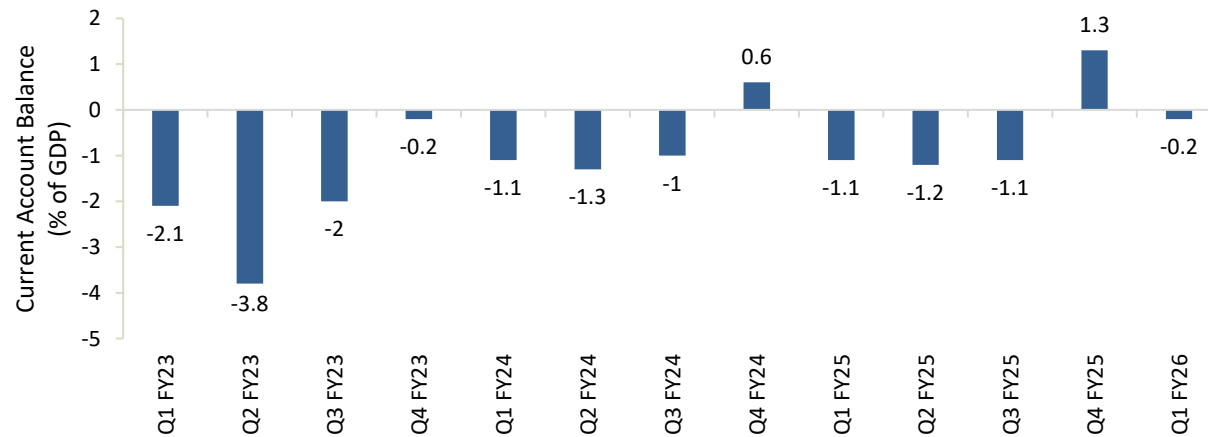
Higher than expected tariffs led to depreciation of the Rupee, but this may provide a boost to exporters and cushion the blow



Forex Reserves continue to remain robust



Improving Current Account Balance to strengthen the external sector



S&P upgraded India's sovereign rating with stable outlook

S&P's rating actions on India

Sept 30, 1990	Assigned BBB
Mar 7, 1991	▼ Lowered to BBB-
May 29, 1991	▼ Lowered to BB+
Oct 22, 1991	▼ Lowered to BB
Feb 2, 2005	▲ Raised to BB+
Jan 30, 2007	▲ Raised to BBB-
Aug 14, 2025	▲ Raised to BBB

Rating of top five economies by S&P

US	AA+
China	A+
Germany	AAA
India	BBB
Japan	A

S&P rating scale (investment grade, from lowest to highest):
BBB-, BBB, BBB+, A-, A, A+, AA-, AA, AA+, AAA

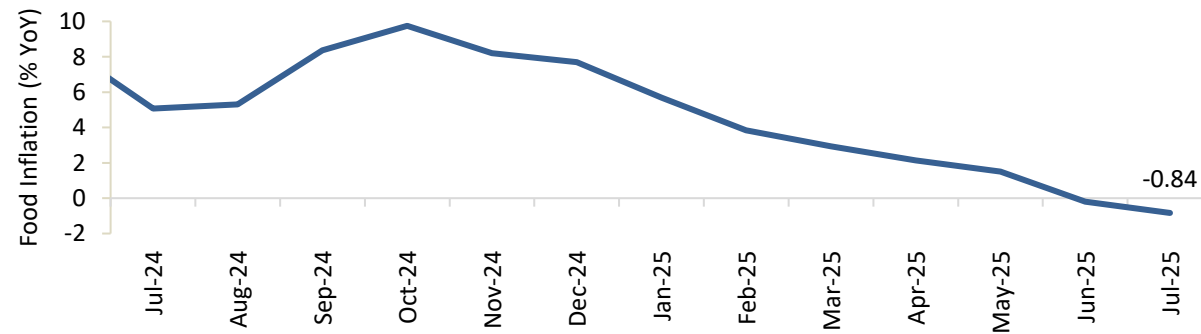
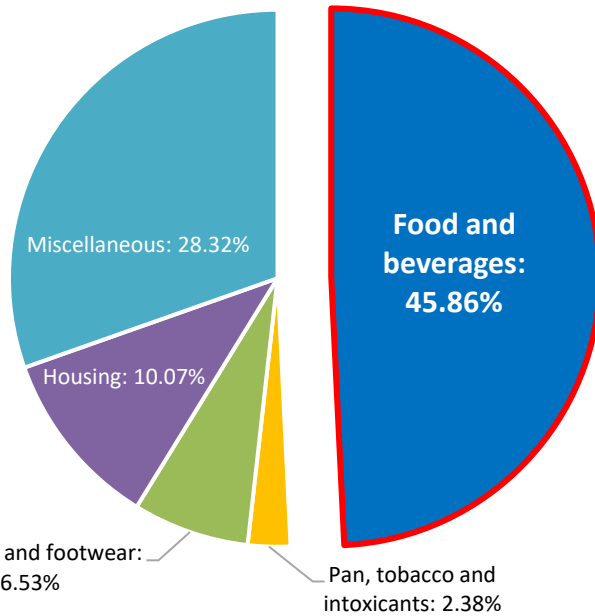
India's rating by other agencies

	Rating	Outlook
Moody's	BAA3	Stable
Fitch	BBB-	Stable

Source: Business Standard Research

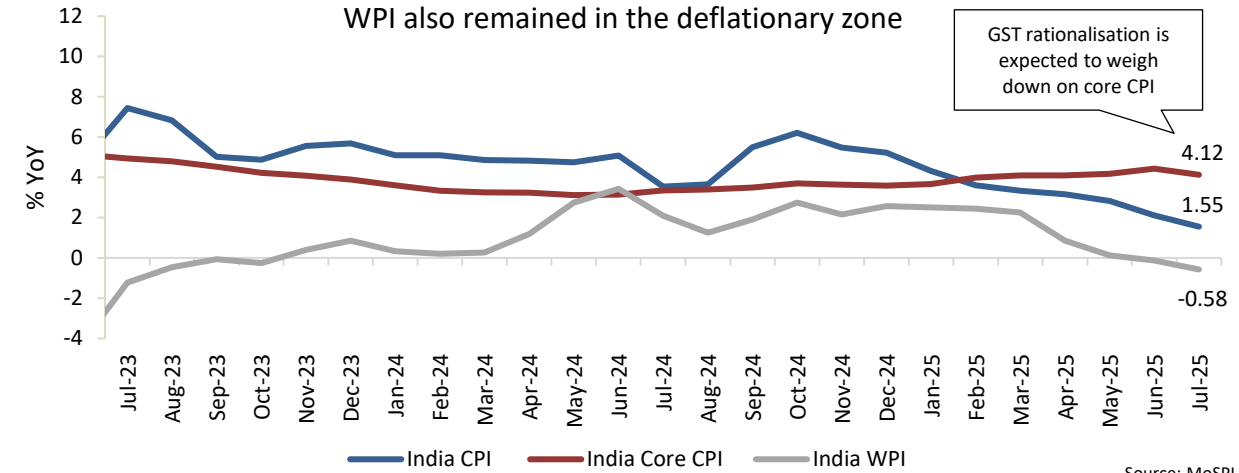
The deflationary trend in food prices kept headline inflation under check... GST rationalisation may drive Core inflation lower, allowing RBI more space for policy easing

Food, the largest contributor to the CPI basket, continued its disinflationary trend...



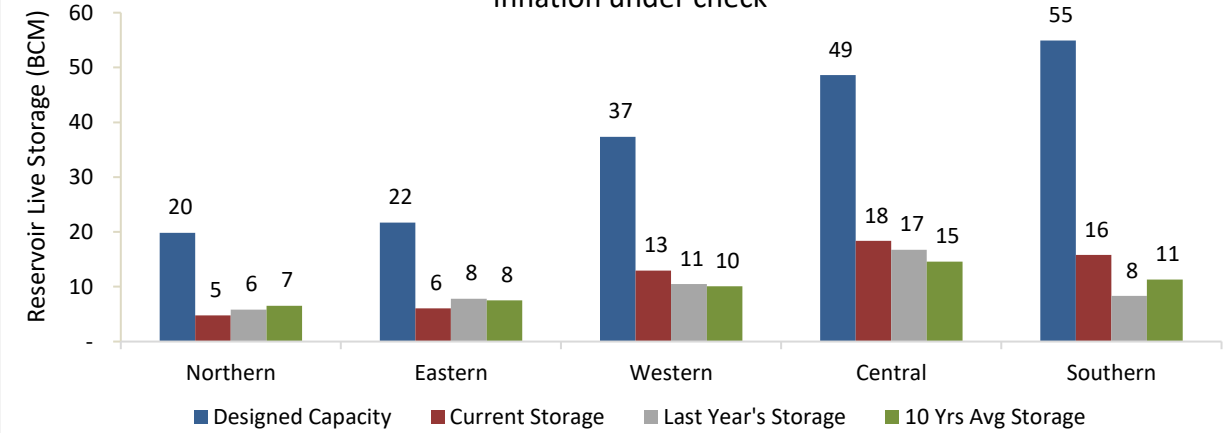
Source: MoSPI

... keeping Headline inflation benign.
WPI also remained in the deflationary zone



Source: MoSPI

Favorable monsoon and above average reservoir levels are expected to keep inflation under check

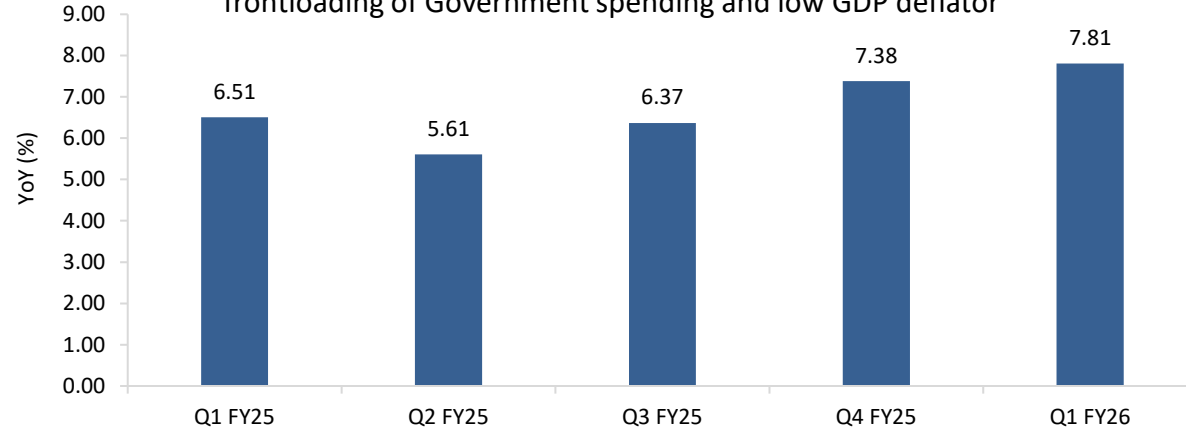


Note: Data as on 08-05-2025

Source: CWC

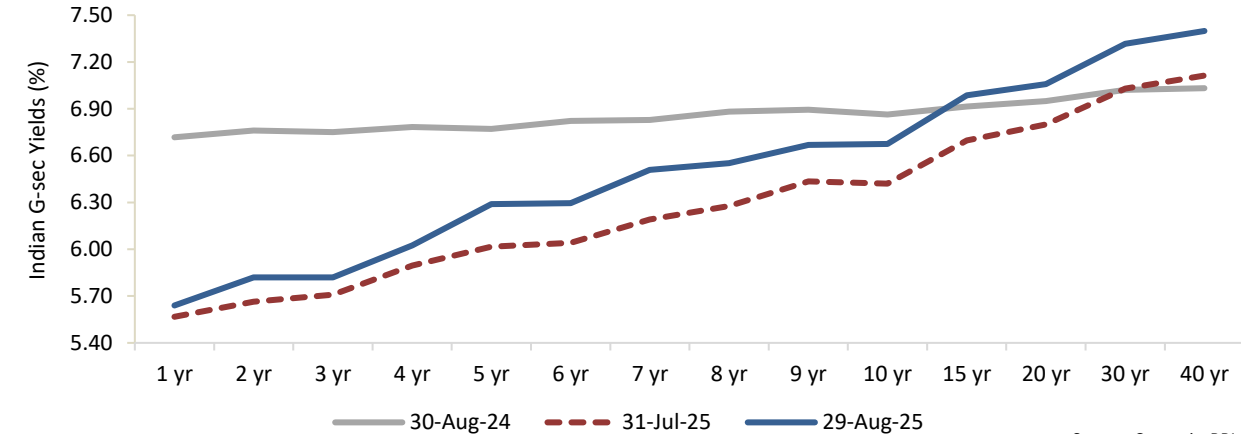
Muted demand and fiscal concerns has led to hardening of yields at the medium to longer end of G-sec curve, creating high term spreads

GDP growth rate for Q1 FY26 came in higher than expected, boosted by frontloading of Government spending and low GDP deflator



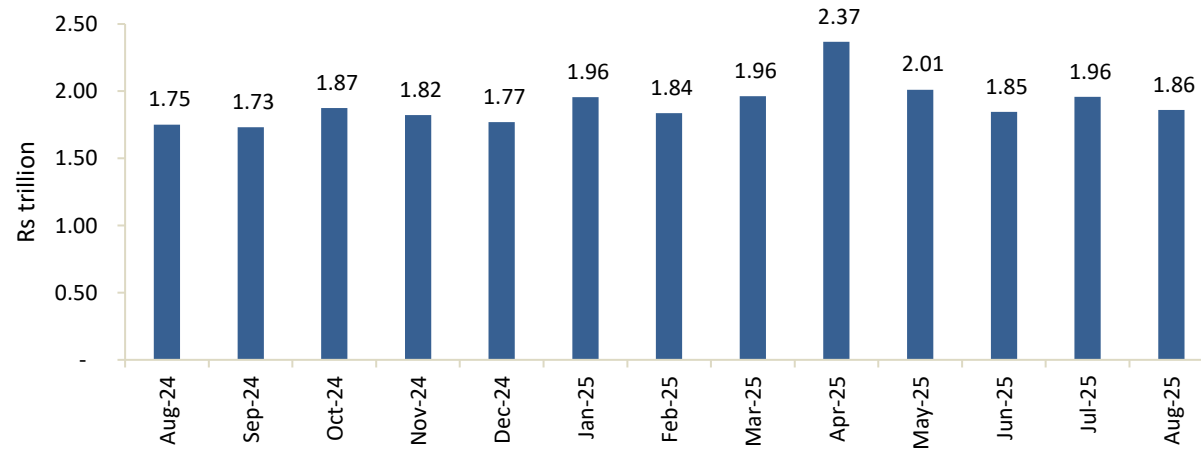
Source: MoSPI

The Recent sell off at the medium to longer end has led to a spike in yields at that part of the curve, while surplus liquidity kept the lower end anchored



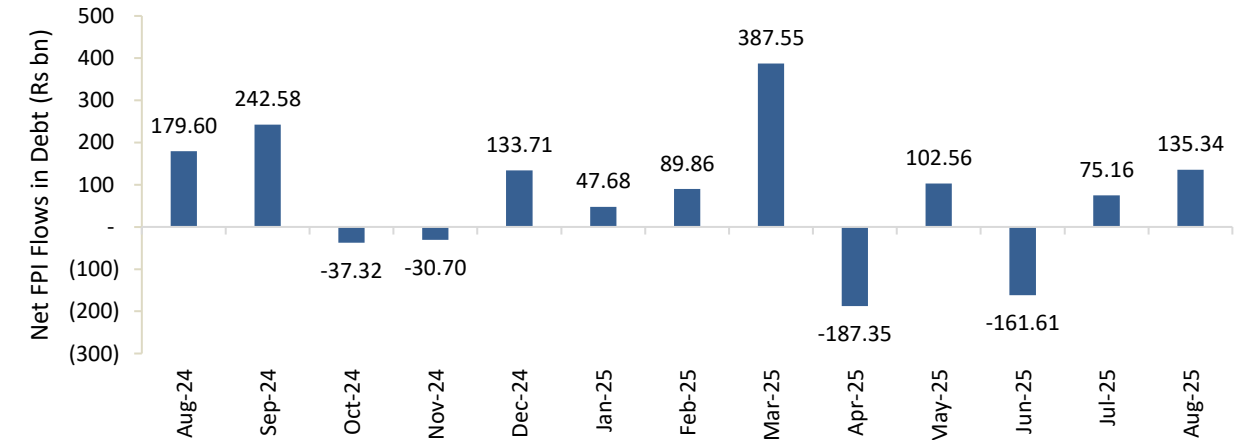
Source: Cogencis, RBI

Muted GST collection has started showing effects of US tariff pressure



Source: Bloomberg

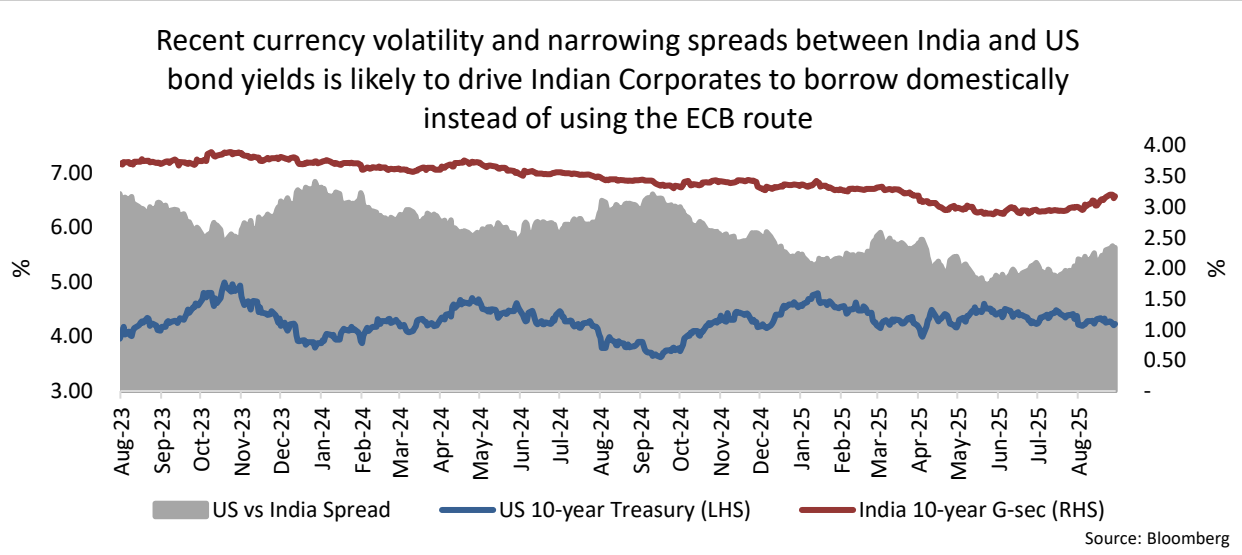
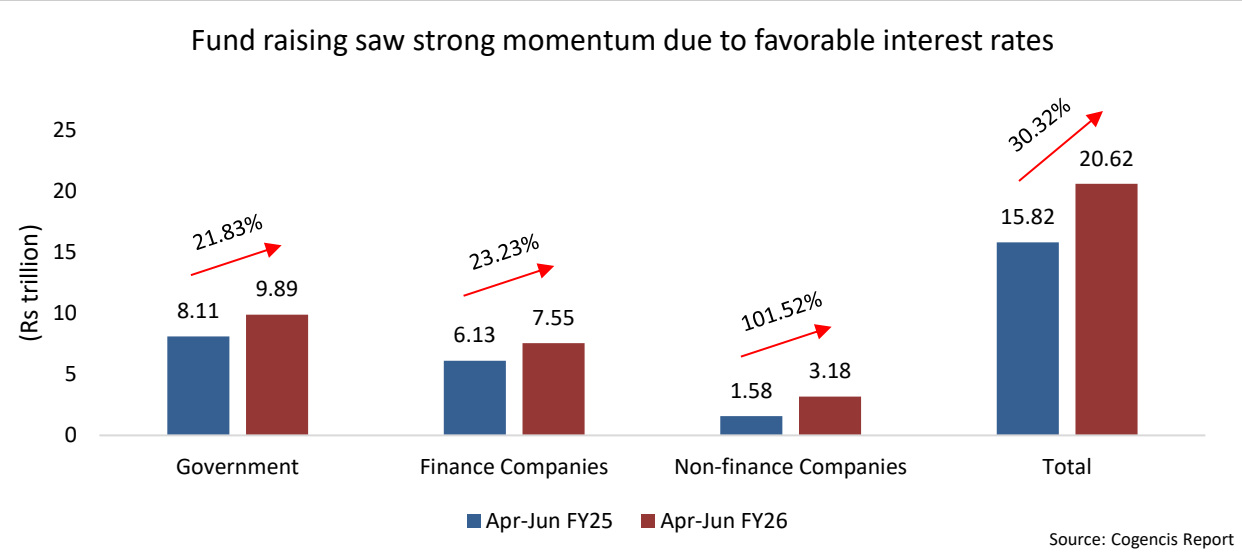
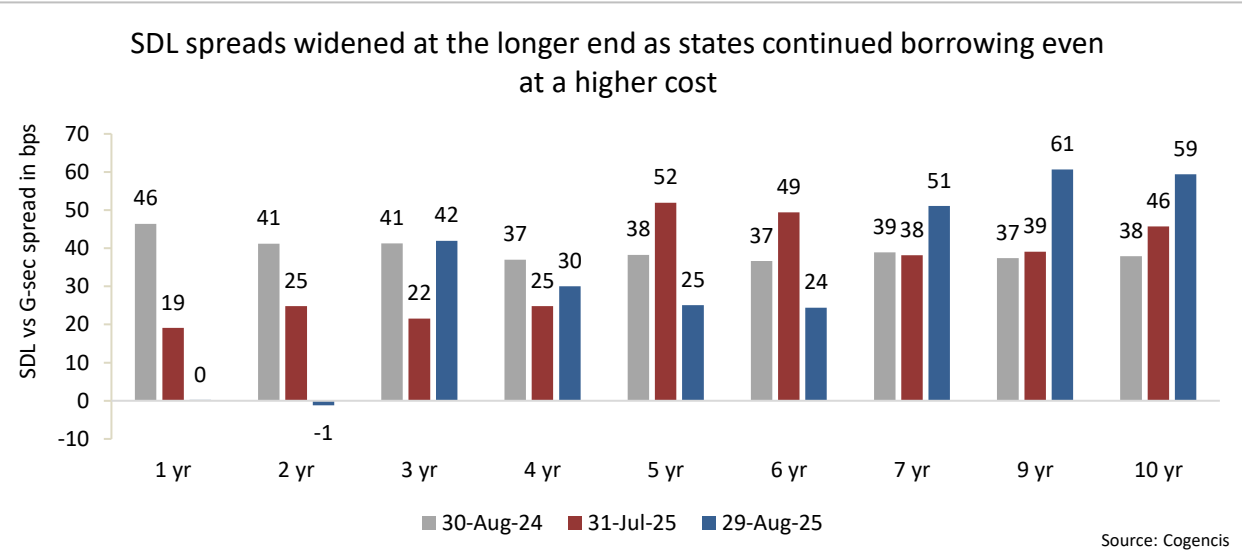
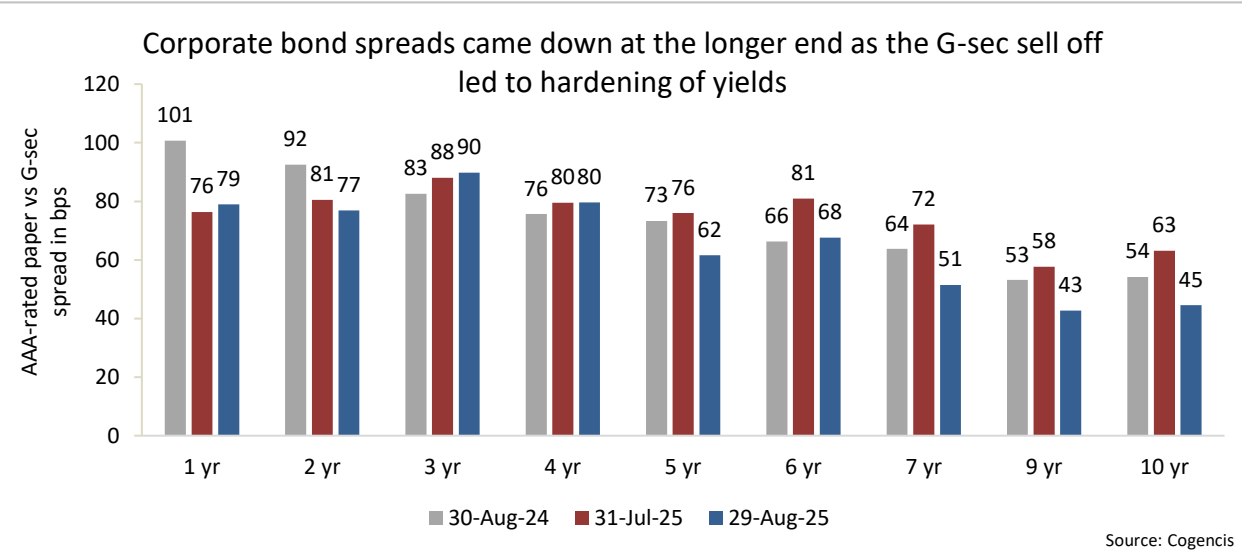
Fixed Income markets continue to see positive FPI flows



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

Source: NSDL

Corporate bond yields has remained attractive at the shorter end... surplus liquidity may drive yields lower



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