

HDFC Bank – Research Presentation

August 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	
	Jul-25	Aug-25
Equity Oriented Funds		
Largecap Funds	▲	▲
Large Cap Index Funds	▲	▲
Multicap Funds	▲	◆
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	
	Jul-25	Aug-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	▲	▲

Equity MF Strategy – August 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. The Big Beautiful bill, which is likely to help the US bring additional stimulus to the economy could act as a cushion at that time. While the US Fed currently is sounding hawkish, appointment of the next Fed chair could be the positive sign that the US equity markets are expecting.
- With inflation under check, substantial financial easing has been seen in Europe. European countries like Germany have also announced large scale fiscal spending, while others like Denmark and Netherlands are also debating on increasing fiscal spending. With the NATO countries raising their defence budget, it would also push up the fledgeling growth in the EU. 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 fresh liquidity-supportive measures to improve domestic consumption demand. As aggregate demand continues to slow in China, market participants are expecting additional fiscal support announcements in CY25.
- Base commodity prices seem to signal 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 bull run in precious metals shows signs of consolidation but safe haven flow may keep gold prices elevated if macro and geopolitical risks persists. Trump's threat to impose sanction on nations buying Russian oil led to a rise in crude prices, even as OPEC+ guided towards increasing supply in the coming months..
- While the dollar index has seen some bounce back post the spree of deals that US has concluded with large economies, the rally in the equity markets of EMs has been quite strong, driven by fund flows and cheap valuations. India has been a relative laggard of sorts in the near-term in this regard.
- 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 and growth challenges persist.** In terms of other data points, PMI continues to show good momentum in Manufacturing and Services activity. However, GST collections have seen weakness, signalling moderation in consumer demand in the country. Additionally, indicators like IIP, weakening export growth, and higher than expected tariffs by the Trump regime in the US are also concerns which are impacting the business.
- Rural economy has seen reasonable uptick as indicated by rising tractor sales. Monsoons remains 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 growth. RBI's rural consumer survey also shows increased optimism within rural population.
- Urban demand has remained mixed. Passenger vehicle sales growth has remained quite weak. Bank credit growth has also remained weak, pointing towards a slack in aggregate consumption demand. While the EPFO data shows incremental pickup in white collar hirings, anecdotal evidence also suggests weakness in IT hiring which may have implications for demand conditions in key cities.
- Recent surveys by the RBI on infrastructure growth assessment and manufacturing demand shows optimism. New order growth for manufacturing sector seems to be improving. Government too seems to be going strong in terms of capex spending 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 few sub-segments, these stocks could see better performance as they continue to deliver on topline growth.
- Quarterly earnings for Q1 FY26, have been mostly in line with expectations, but expectations too had been toned down. Benefits of RBI's policy measures is likely to be visible in the next couple of quarters. Companies linked to rural India have been able to deliver improved performance. As per fund managers, Luxury and Consumer Tech Platform companies have been able to deliver on topline growth, but urban middle-class driven segments and roads and railways driven sectors have/are likely to see weakness. For Banks, after a very strong performance on the credit costs front over last few quarters, the credit costs seem to be rising/normalising especially in MSME, SME and personal loans space.
- 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 earning performance which is likely to also ensure better equity market performance.
- With rich valuations, incoming US tariff related weakness and continued weakness in the urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. Equity market participants are expecting more support from the government and the RBI to keep growth buoyant. If further support comes about, or if tariffs get renegotiated, 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 Flexicap, Large and Midcap, Multicap, Hybrid equity, Business cycle funds and using STPs 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.

Debt Mutual Fund Strategy

- 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. Investors can also look at tactical opportunities in Dynamic Bond Funds and 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.

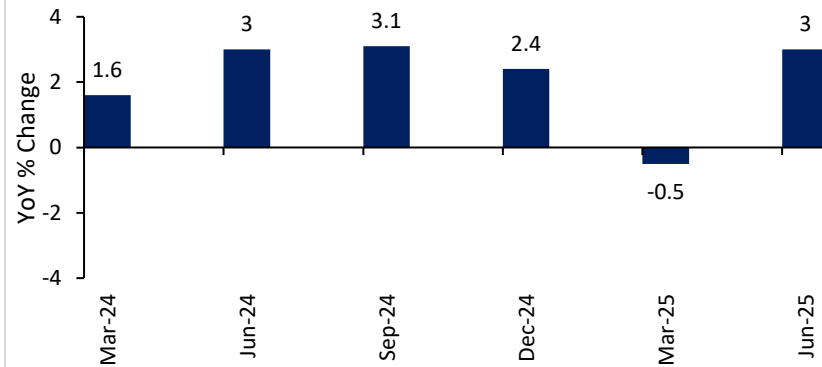
Research Presentation – Content

- US: Economy currently holding up... Fed on pause... Tariffs related slowdown remains a key overhang
- Eurozone: Post the strong policy rate cuts, some green shoots visible... as US - EU strike a trade deal
- China: Exports drive growth...further stimulus expected to boost domestic consumption in case of unfavourable tariff outcomes with US
- Industrial commodities showing mixed sign on back of macro uncertainty
- Despite rising dollar index, favourable trade deal with US vs. expectations kept key markets in Emerging economies buoyant... Indian markets lagged
- FPI outflows and Tariff uncertainty lead to decline in market performance during the month of July
- Sectoral performance and FPI flows in July 2025
- India Macros: Data showing signs of topping out, further revival in consumption holds the key
- India-US Trade Deal: No deal as of now, but 25% tariff imposed, which was higher than expectations
- Urban Economy: Continues to lag
- Rural Economy: Optimism persists
- Capex: Continues to remain resilient
- Sectoral Movement: While no sector have consistently delivered on a MoM basis, number of sectors outperforming Nifty 500 have been limited to a select few
- India Valuations: Remain rich, markets narrowing, bottom-up opportunities across market cap to drive alpha
- Market Roundup – July 2025
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by Fund Managers – Part 1
- Sectoral outlook by fund managers – Part 2
- AMC Sectoral Holdings
- Tariffs rates by Country: Full list under Trump's executive order
- Fixed Income Outlook
- US – Increased collections from tariff revenue to support Fiscal position, but may drive inflation higher
- The US-EU trade deal brings some certainty in uncertain times... ECB holds rates after a series of rate cuts
- Implied overnight rate projections still suggest that the Fed is likely to cut rates in CY26... While ECB seems to have front-loaded most of the cuts
- Post a series of rate cuts, Global Central Banks have taken a pause to absorb updates on trade deals
- Global Commodities – As trade deals fructify, safe haven demand for gold has come down
- Post strong liquidity and policy support by RBI, the governor signals a wait-and-watch approach
- Weakness of Rupee against the USD and Euro may bode well for exporters but can be inflationary
- Inflation continues on downward trajectory... Strong monsoon could continue weighing down on inflation
- Easing liquidity kept lower end of the yield curve anchored while higher than expected tariffs by US and weakening INR ensured higher term spreads
- Easing liquidity conditions and attractive spreads makes a case for investment in Corporate bond funds with portfolios positioned at the shorter end
- Disclaimer

US: Economy currently holding up... Fed on pause... Tariffs related slowdown remains a key overhang

US Quarterly GDP Growth

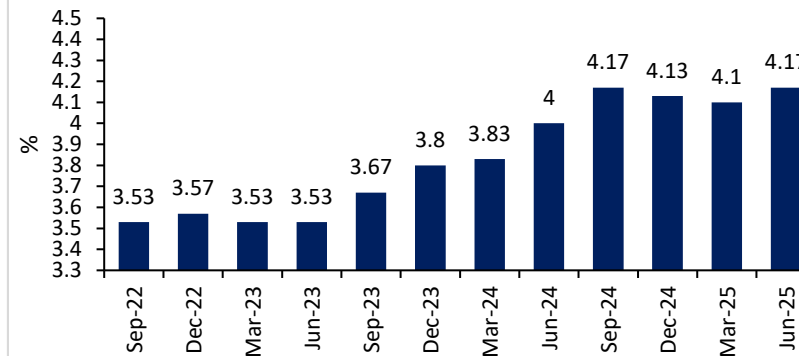
Economic growth holding up



Source: Bloomberg

US Unemployment Rate

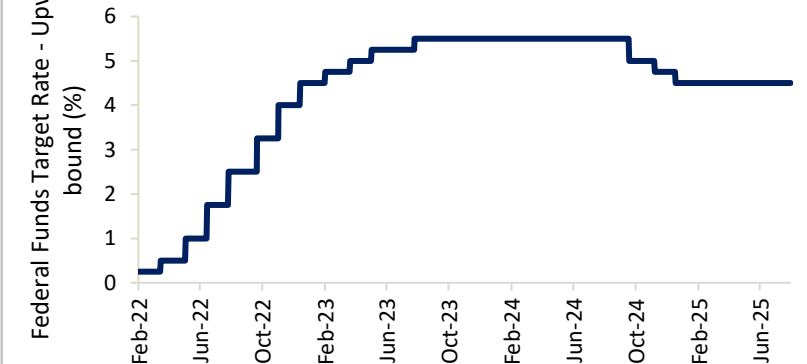
Labor market data remains a concern



Source: Bloomberg

US Policy Rates (%)

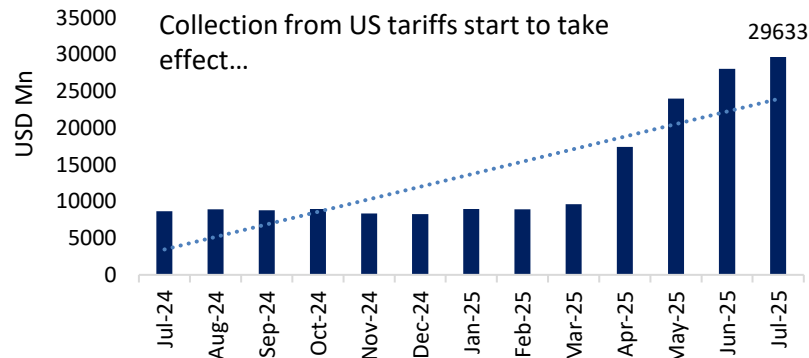
Fed seems to be taking a pause based on tariff uncertainty



Source: Bloomberg

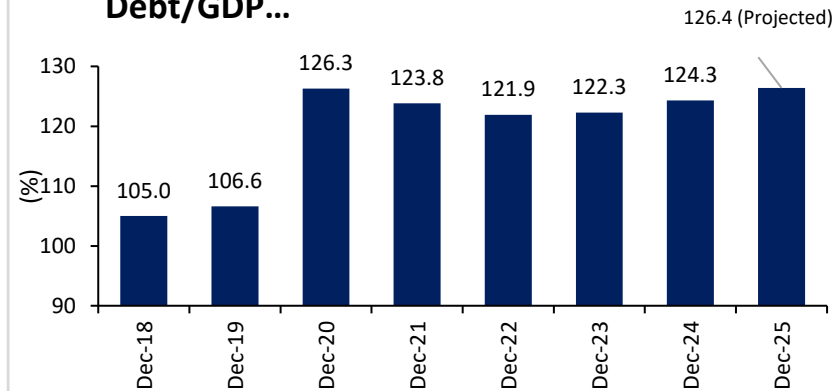
US Treasury Deposits Customs & Certain Excise Taxes (USD Mn)

Collection from US tariffs start to take effect...



Source: Bloomberg

... Higher collection can lead to lower Debt/GDP...



Debt to GDP remains elevated

Source: Bloomberg

...However Trump's "One Big Beautiful bill" can add to increase in deficit

- The package also includes an increase to the cap on the state and local tax deduction, raising it from USD 10,000 to USD 40,000.
- The bill would allow individuals to deduct up to USD 25,000 for tip wages and USD 12,500 for overtime.
- The USD 3.3 trillion package aims to extend tax cuts, add new tax breaks, boost immigration enforcement, begin building Trump's "Golden Dome" missile defence program, and more.

Source: Media Reports

Eurozone: Post the strong policy rate cuts, some green shoots visible... as US - EU strike a trade deal

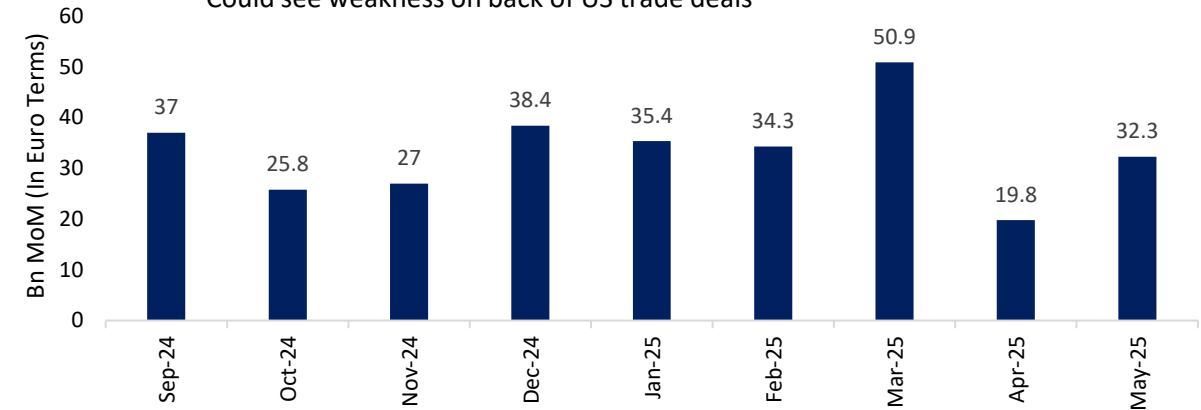
US - EU Trade Deals

- The US and EU have reached a deal on trade tariffs which sets a 15% tariff for most exports into the US.
- It also applies to cars and car parts, and to "any potential future tariffs" on pharmaceuticals and semiconductors.
- The White House says tariffs of 50% will remain in place for EU steel, aluminium and copper
- The EU has also agreed to buy an additional USD 750 bn in US energy products over the next three years and make investments worth USD 600 bn in "various sectors" in the US by 2029.

Source: Media Reports

Eurozone Current Account Surplus

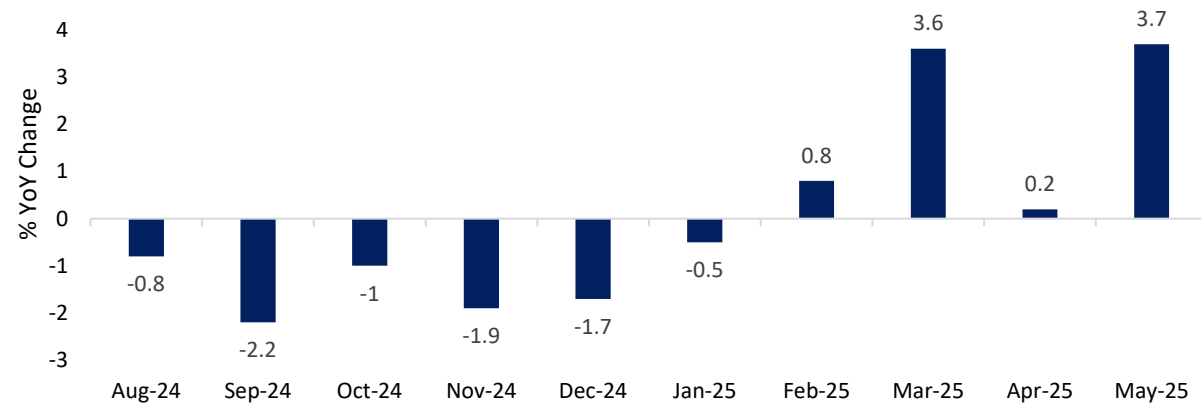
Could see weakness on back of US trade deals



Source: Bloomberg

Eurozone Industrial Production

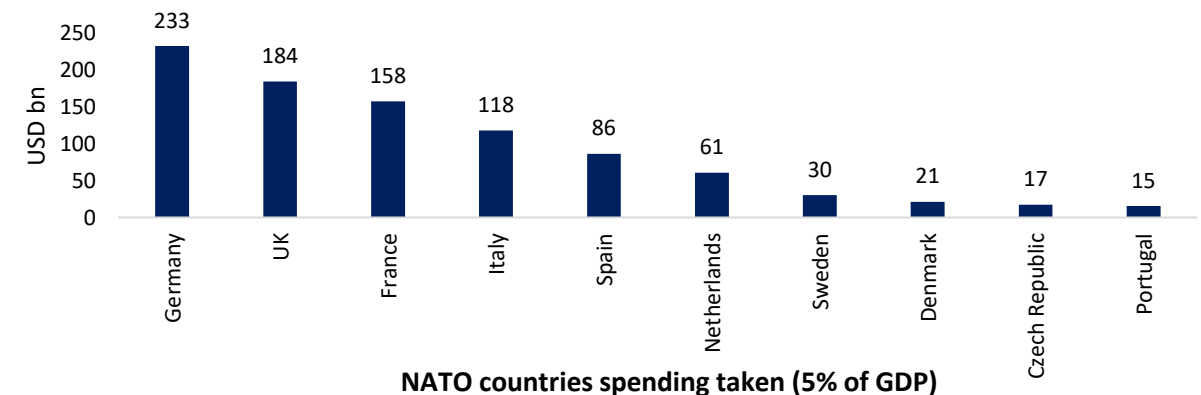
Industrial Production demonstrating resilience despite US tariff concerns



Source: Bloomberg

NATO Countries target higher Defence Spending (5% of GDP)

Aggregate amount for Defence spending by the major NATO countries, ex-USA, could amount to USD 923 bn. This is apart from other stimulus measures announced by Germany and France.

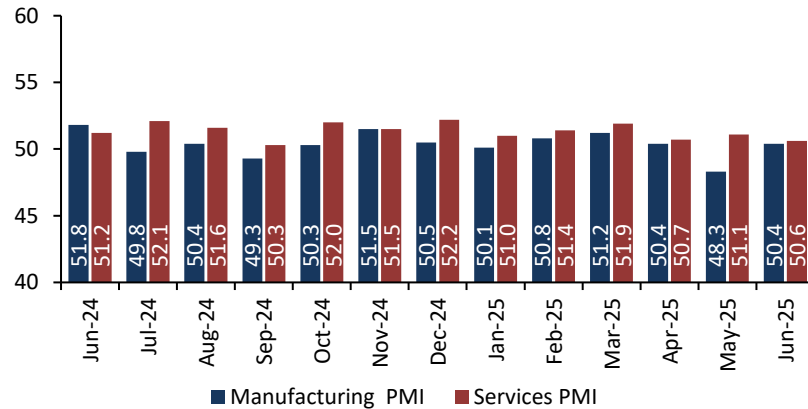


Source: Bloomberg

China: Exports drive growth...further stimulus expected to boost domestic consumption in case of unfavorable tariff outcomes with US

China Manufacturing & Services PMI

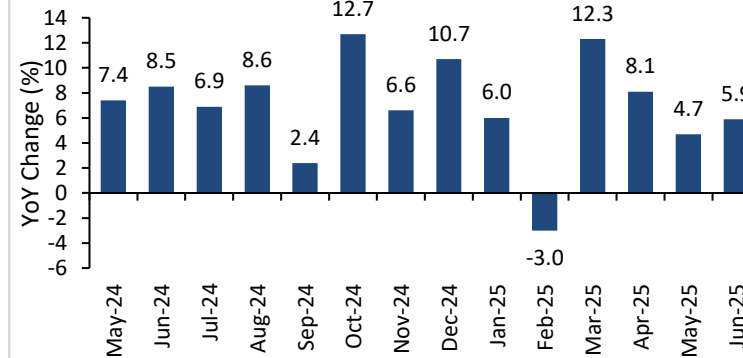
Numbers continue to remain muted



Source: Bloomberg

China's Export Growth (In USD Terms)

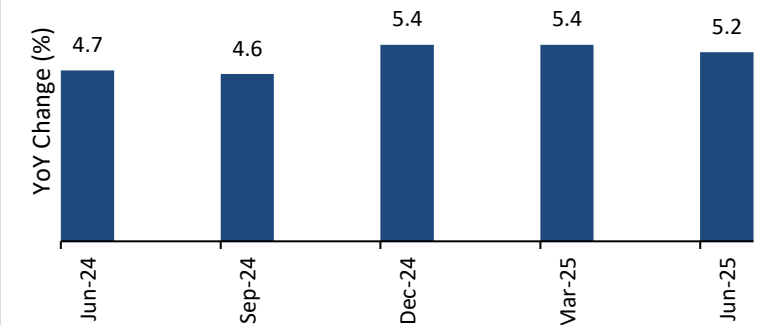
As domestic demand remains uncertain, exports continue to remain a beacon of hope...



Source: Bloomberg

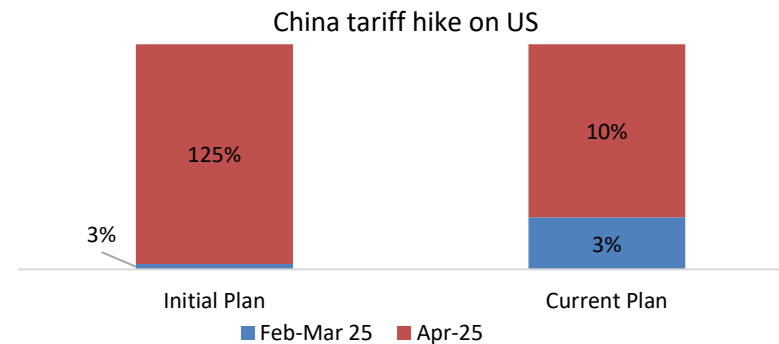
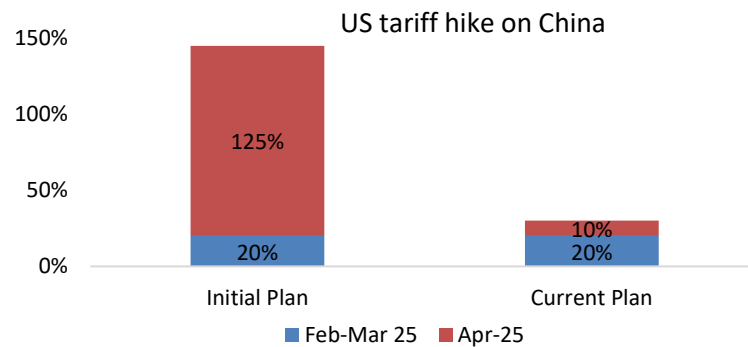
China Quarterly GDP

...ensuring GDP growth holds up



Source: Bloomberg

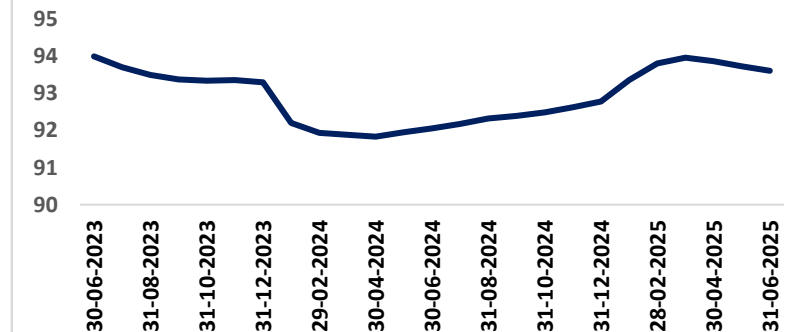
China - US negotiations ongoing: While there has been small deal negotiations on exports of rare earth metals and import of high-tech chips in China, the broader tariff agreement are not yet confirmed



Source: Franklin Templeton AMC

China Real Estate Climate indicator

Real Estate indicator topping out

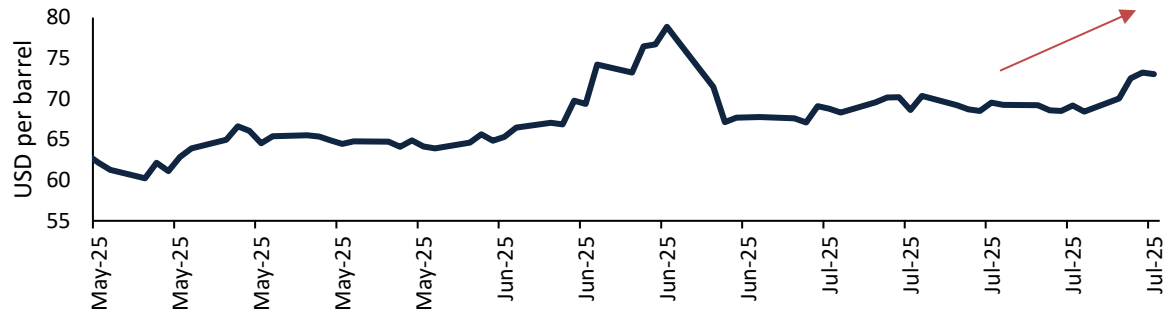


Source: Bloomberg

Industrial commodities showing mixed sign on back of macro uncertainty

Brent Crude Price

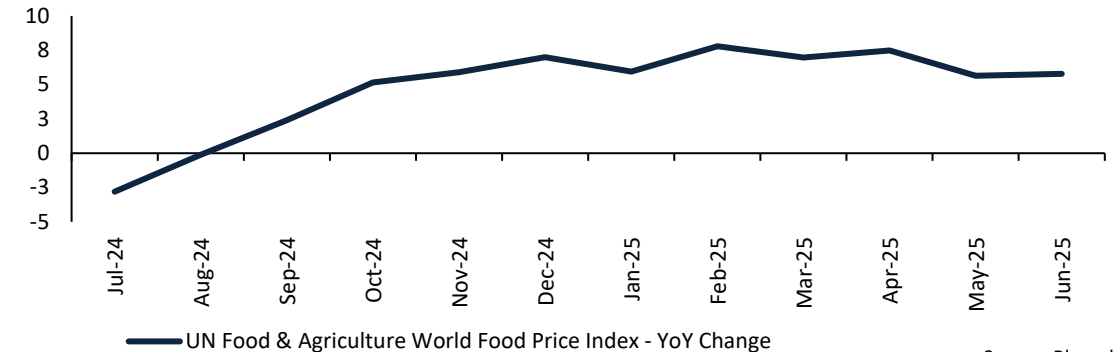
Crude price rose on back of possibility of sanctions on countries importing Russian oil



Source: Bloomberg

UN Food & Agriculture World Food Price Index

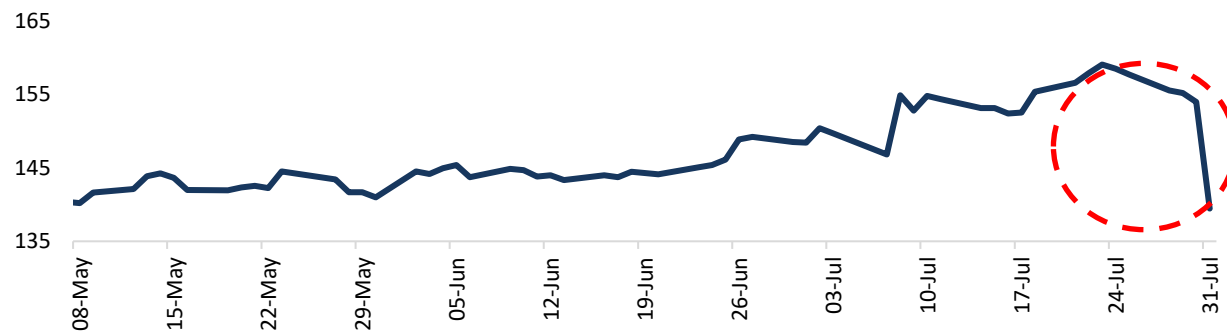
A weak base continues to ensure food prices look higher on a YoY basis, inflection point starts from August



Source: Bloomberg

Bloomberg Industrial Metals Index

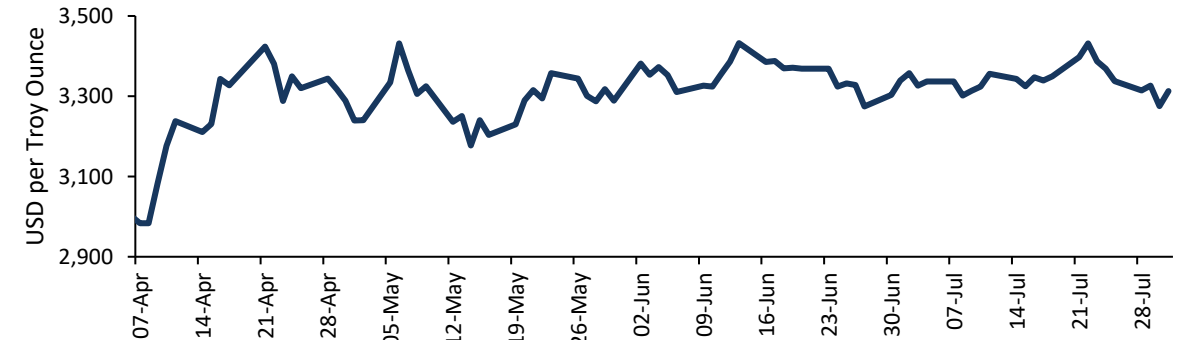
Tariff uncertainty especially from China led to decline in prices



Source: Bloomberg

Gold Price

Remains in a consolidation phase as US tariff deals continue to progress



Source: Bloomberg

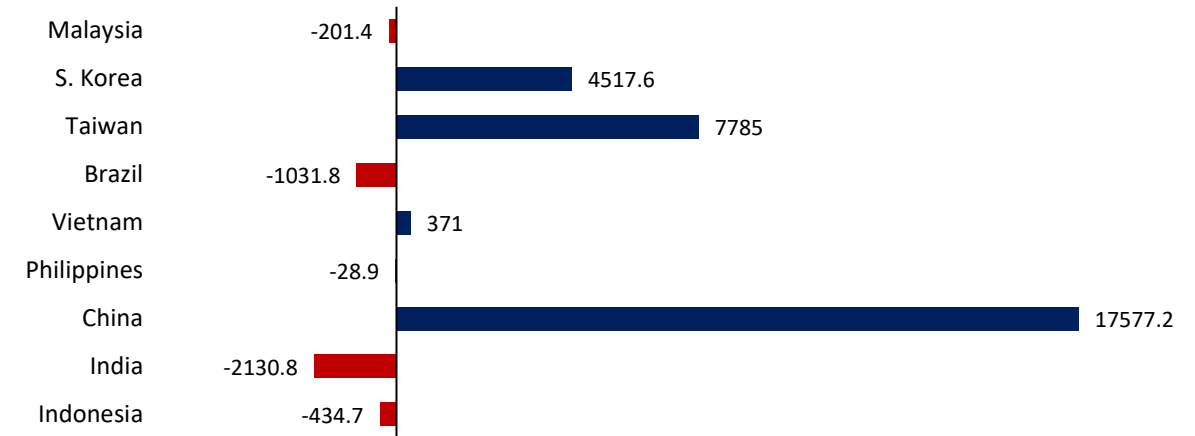
Despite rising dollar index, favourable trade deal with US vs. expectations kept key markets in Emerging economies buoyant... Indian markets lagged

US Dollar Index



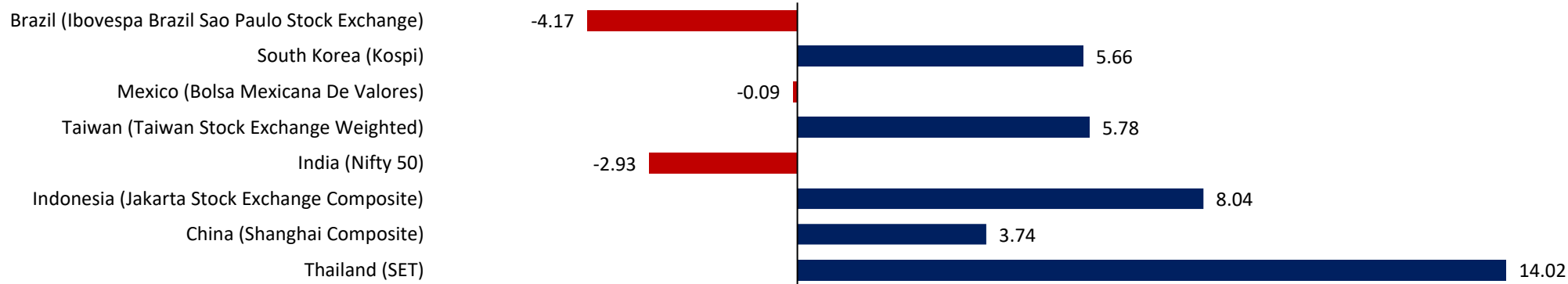
Source: Bloomberg

Emerging Markets - Net Flows In July 2025 (USD mn)



Source: Bloomberg

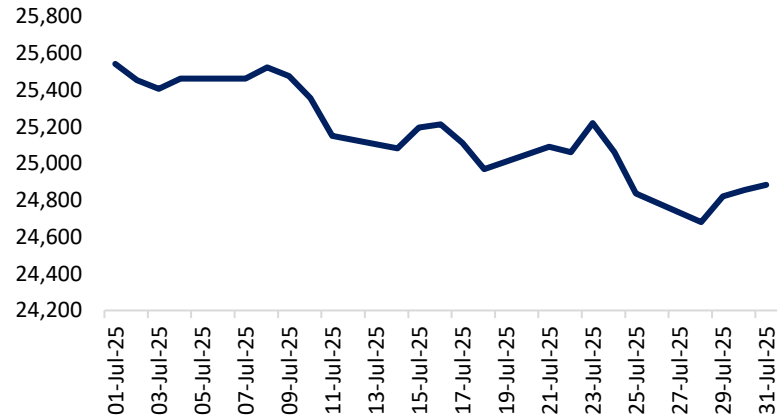
Emerging Markets - Absolute returns of major equity indices in July 2025 (%)



Source: Bloomberg

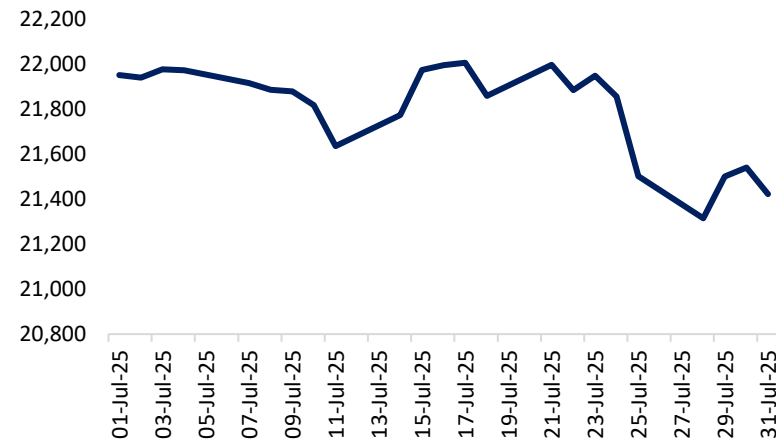
FPI outflows and Tariff uncertainty lead to decline in market performance during the month of July

Nifty 50 Index movement



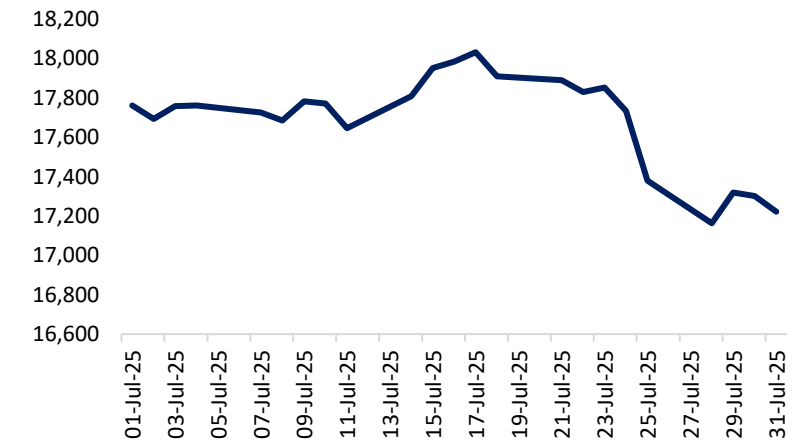
Source: Bloomberg

Nifty Midcap 150 Index movement



Source: Bloomberg

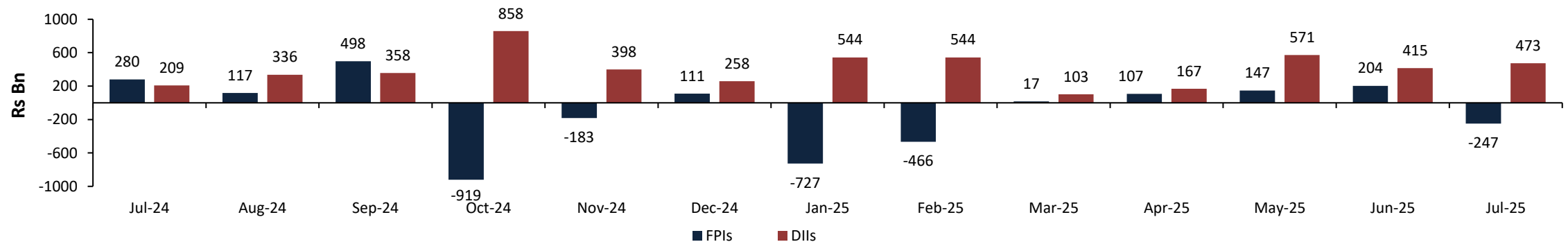
Nifty Smallcap 250 Index movement



Source: Bloomberg

Net Flows In Equities (Rs Bn)

FPIs were net sellers and DIIs were net buyers in the month of July

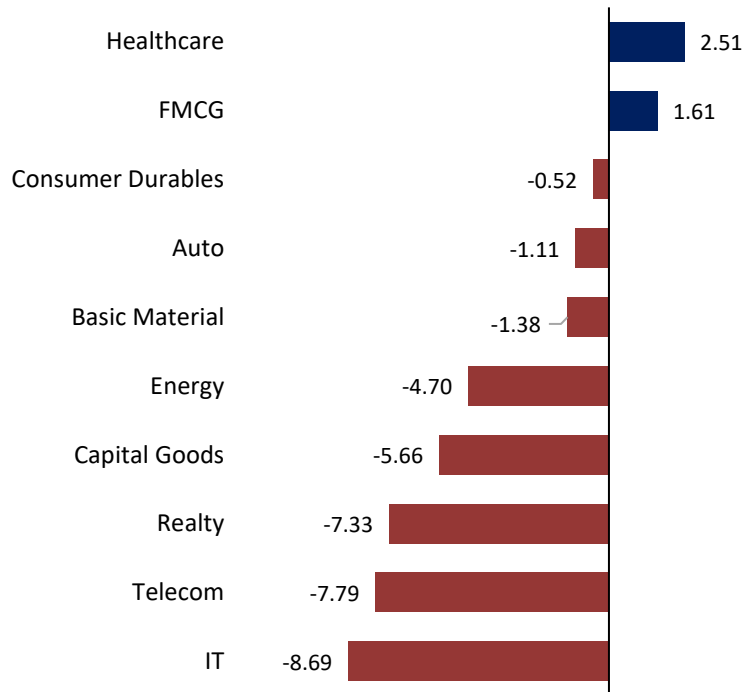


*For 2025, FPI and DII data is up to 31st and 30th July respectively.

Source: SEBI, CDSL

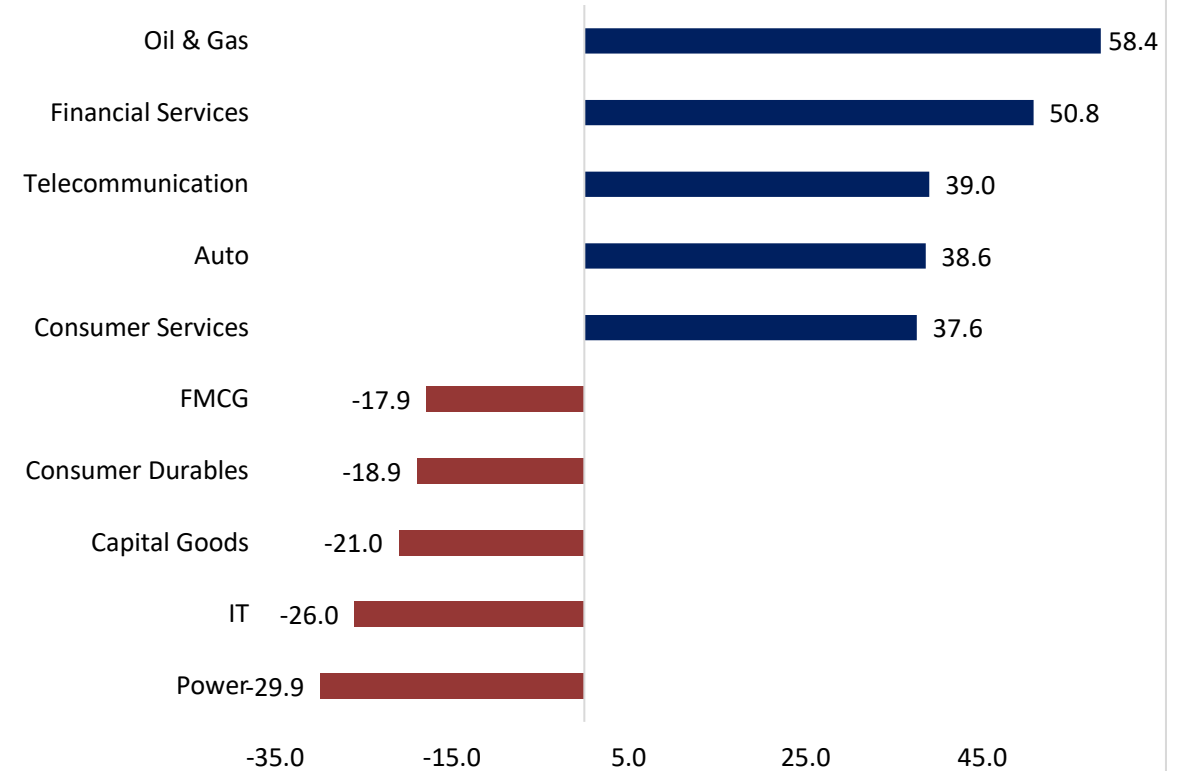
Sectoral performance and FPI flows in July 2025

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



Source: Ace MF

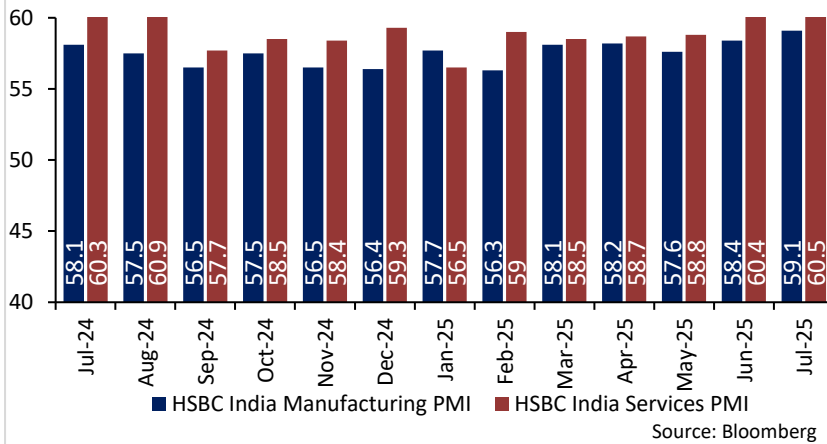
Sectoral FPI flows - Top 5 and Bottom 5 (Rs in Bn)
Data is from Jun 16, 2025 till Jul 15, 2025



Source: NSDL

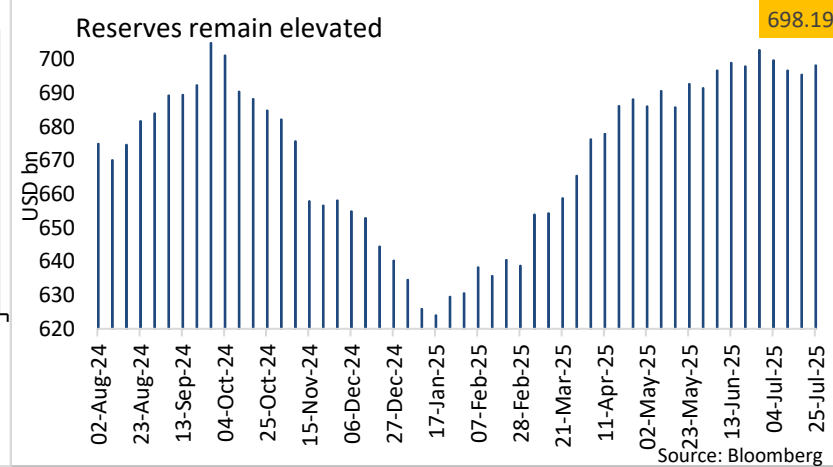
India Macros: Data showing signs of topping out, further revival in consumption holds the key

PMI continues to be in expansionary zone



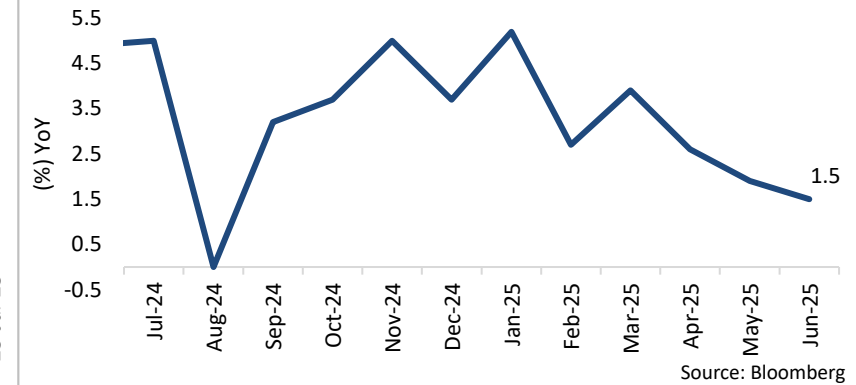
Forex Reserves

Reserves remain elevated



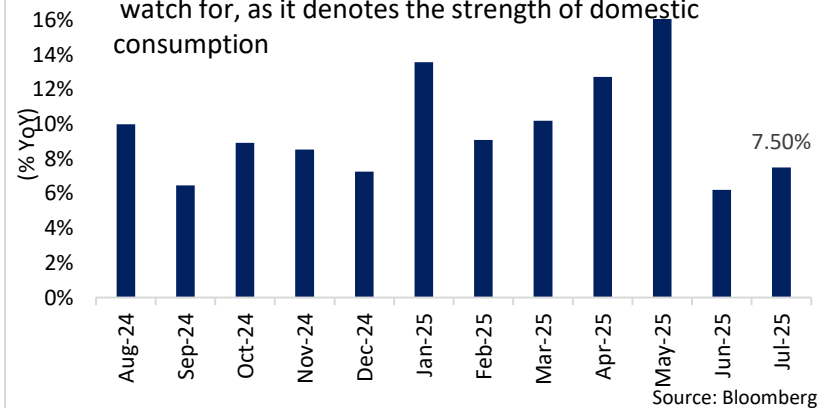
Index of Industrial Production

IIP growth slowdown attributed to weakness in manufacturing, mining and electricity sectors



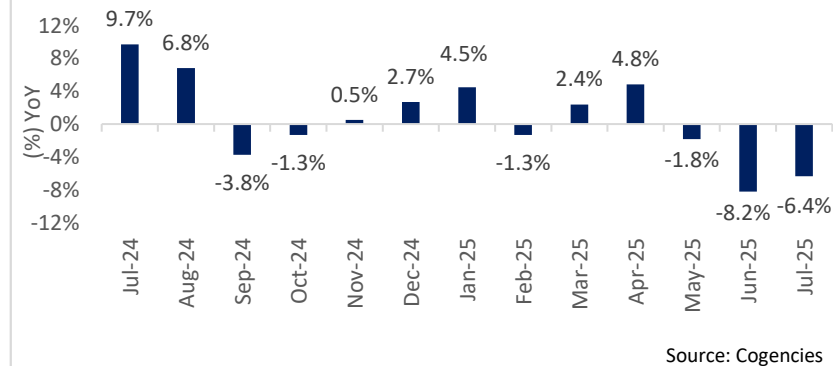
Gross GST Collection

Deceleration in GST collection is a very important variable to watch for, as it denotes the strength of domestic consumption



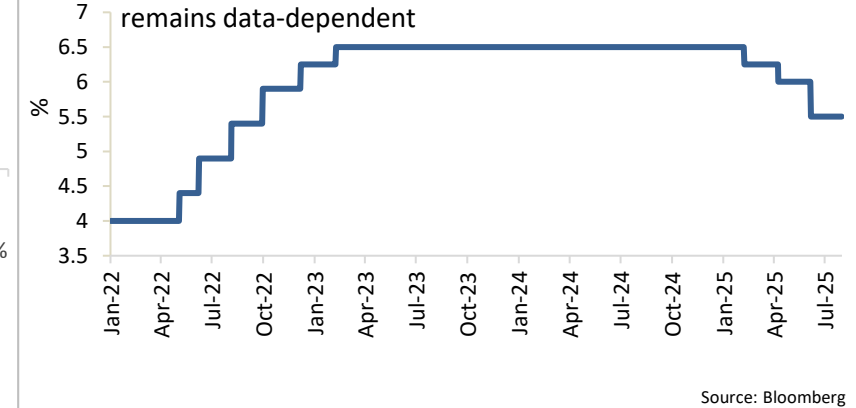
India Power Consumption

Strong monsoon ensures weakness in power demand



RBI's Repo Rates

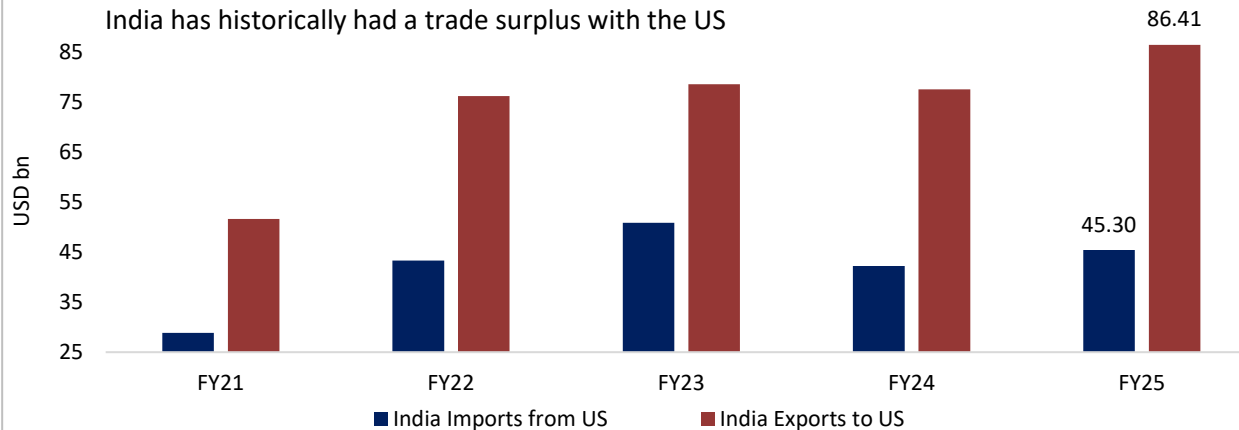
RBI has given full support to growth, further action remains data-dependent



India-US Trade Deal: No deal as of now, but 25% tariff imposed, which was higher than expectations

India's Imports/Exports with US

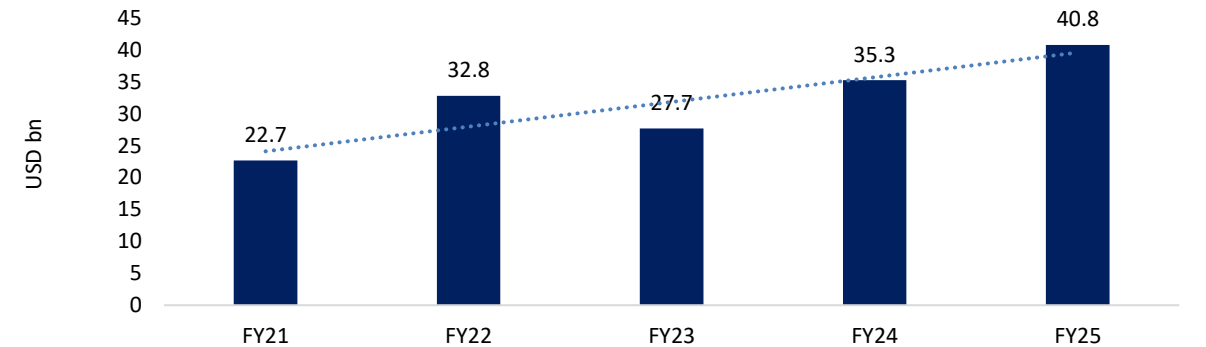
India has historically had a trade surplus with the US



Source: Bloomberg

India's trade surplus with US

India's surplus with the US has risen steadily over the years



Source: Commerce Department

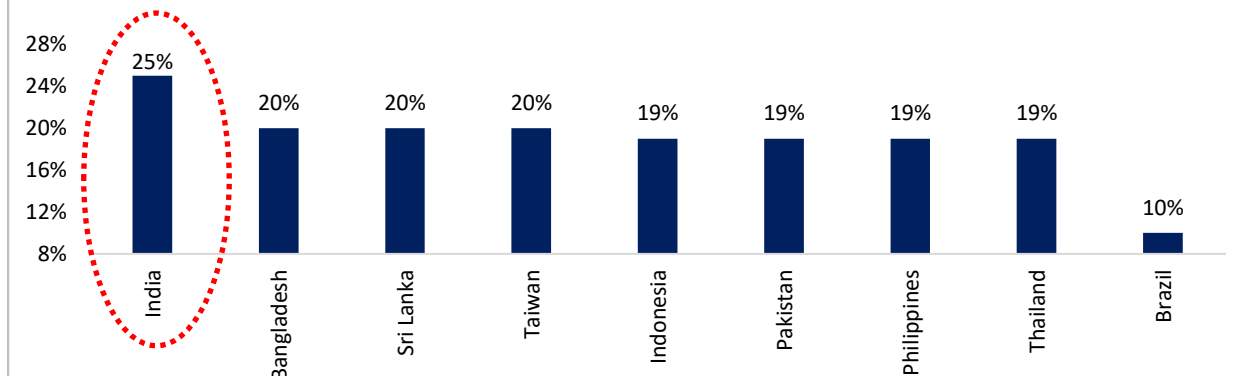
US President Donald Trump hits India with 25% tariff, plus penalty

- Imports from India will face additional 25% tariffs.
- In 2024–25, trade between the two nations stands at USD 186 billion, with India exporting goods worth USD 86.5 billion and importing goods worth USD 45.3 billion, resulting in a USD 41 billion trade surplus.
- According to exporters, Indian labour-intensive goods such as garments, leather and non-leather footwear, gems and jewellery, carpets and handicrafts may get impacted due to this duty.
- In addition to above, there also will be a penalty of an unspecified quantum because of India's trade relations with Russia.

Source: White House, Media Reports

US Tariffs on Emerging Economies

India hit hardest amongst the peers

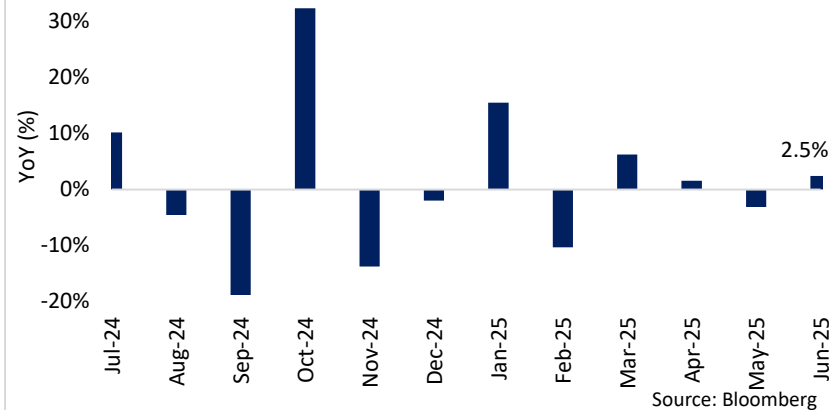


Source: White House, Media Reports

Urban Economy: Continues to lag

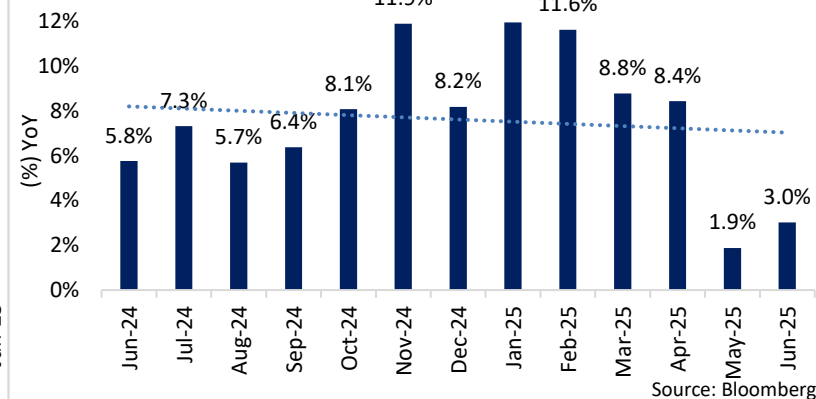
Passenger Vehicle Sales

Retail passenger vehicle sales growth remains muted



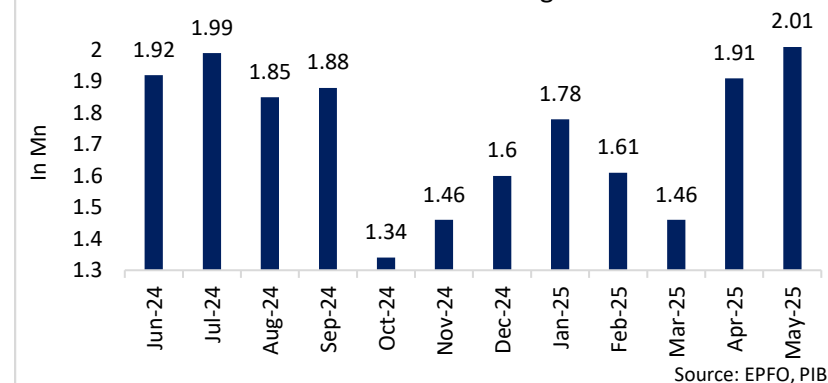
Domestic Passengers Carried By Airlines

Air travel slows down



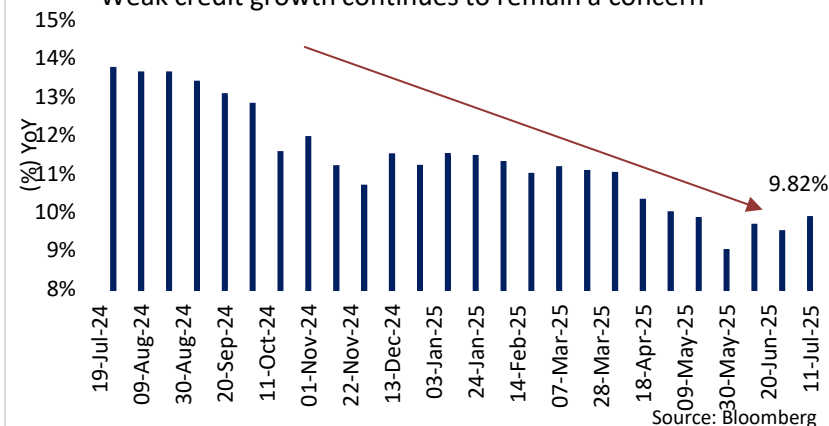
Formal Job Creation (EPFO Payroll net subscriber growth)

Green shoots visible in formal hiring



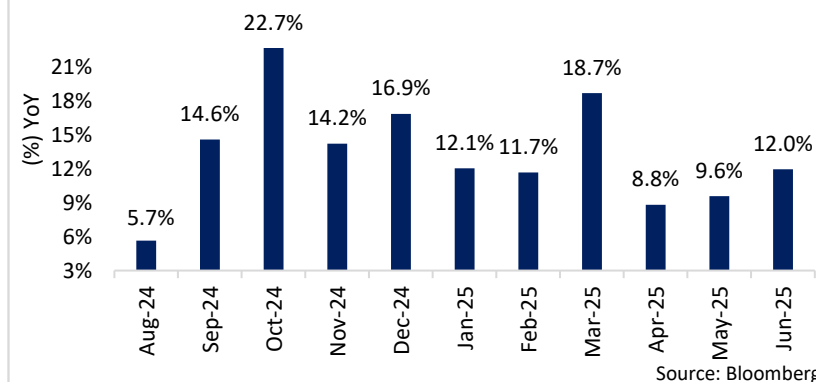
Total Commercial Credit Growth

Weak credit growth continues to remain a concern



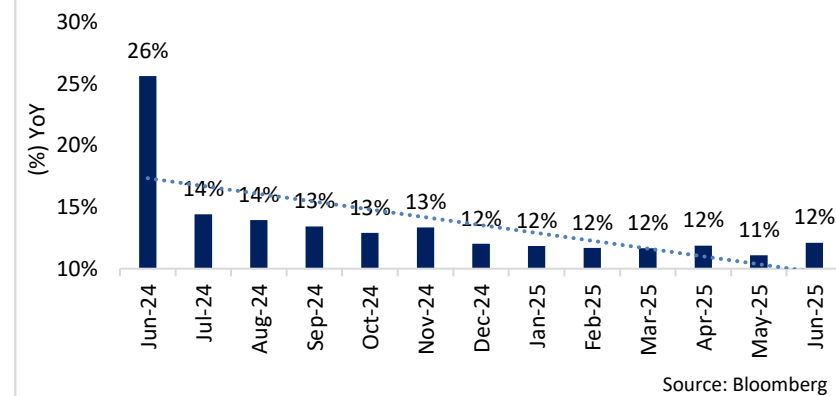
India Service Exports

Service exports remain steady, acting as a key support for urban centres, largely unaffected from US tariffs...



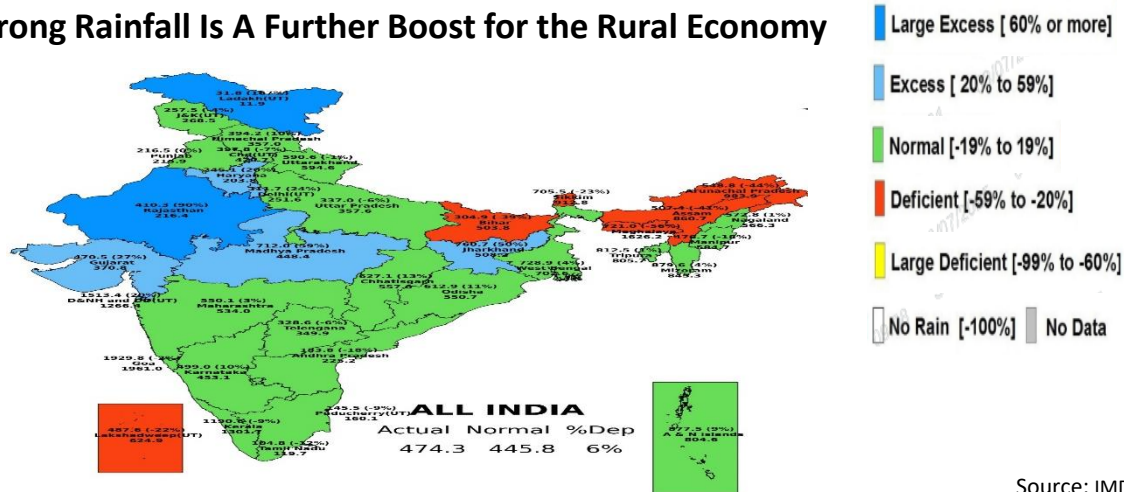
Banking Sector Personal Loan Growth

Personal loan growth remains stagnant



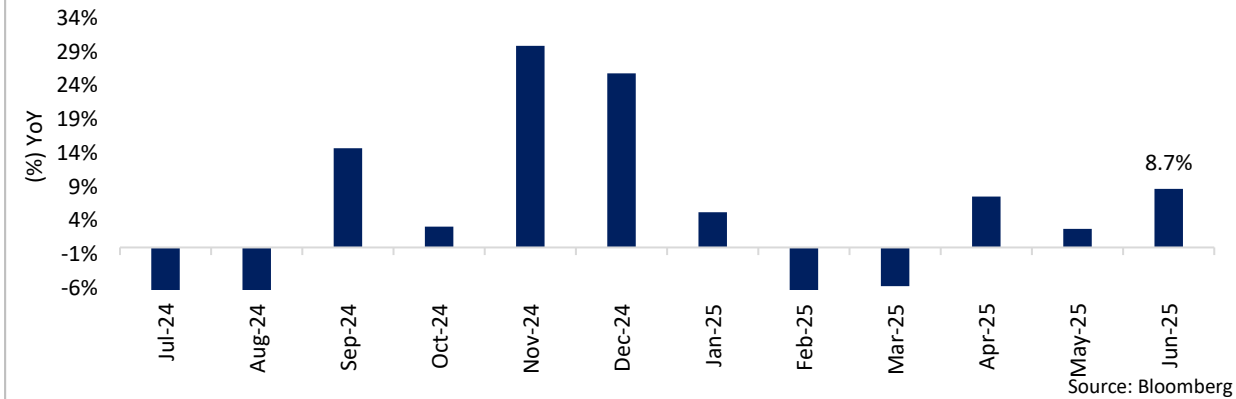
Rural Economy: Optimism persists

Strong Rainfall Is A Further Boost for the Rural Economy

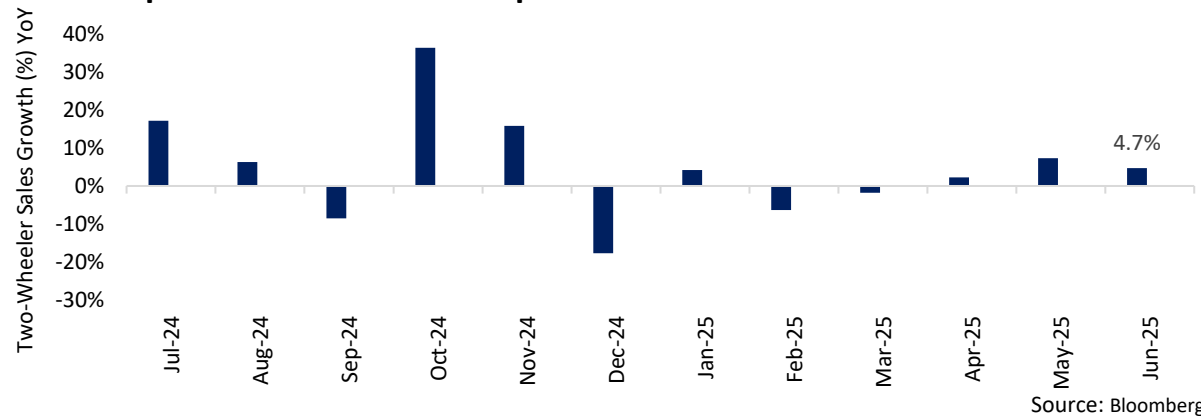


India Tractor Sales

Tractor sales reading gives further positive reading

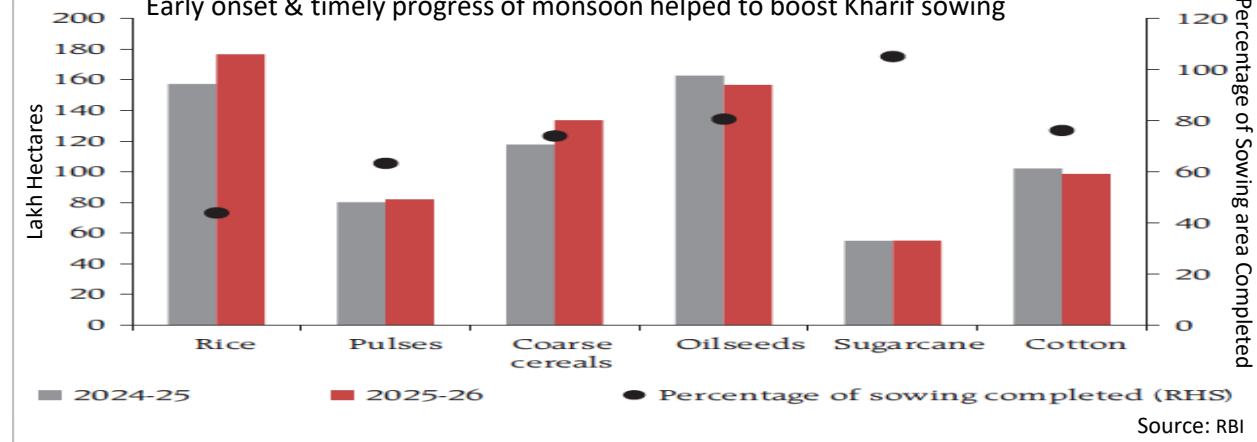


Two-wheeler sales remains steady...anecdotal evidence suggests pick-up in rural FMCG consumption also



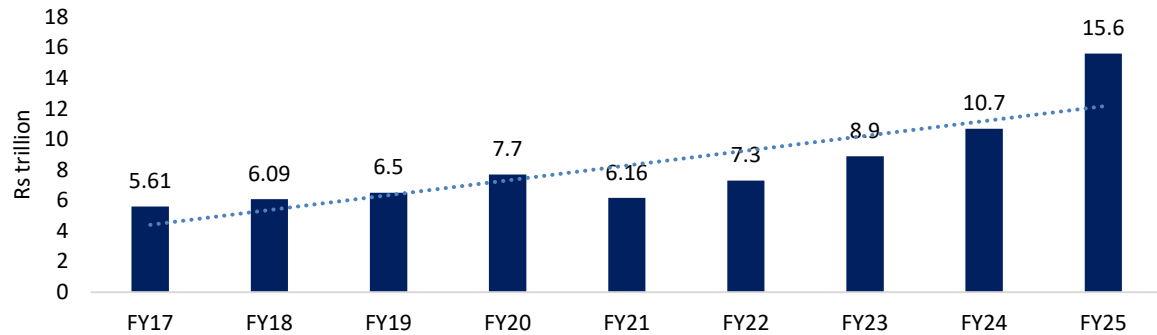
Kharif Crop Sowing

Early onset & timely progress of monsoon helped to boost Kharif sowing



Capex: Continues to remain resilient

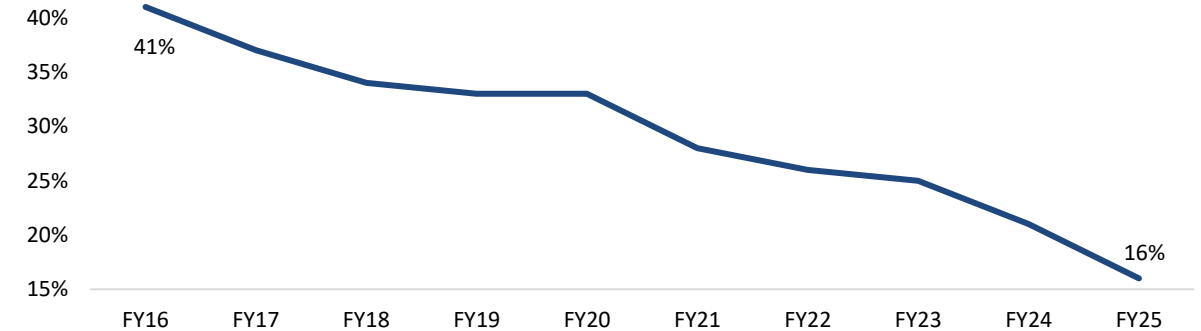
Capex by listed companies showing strength



Source: Capitaline Database

Debt To Asset Ratio (Median of BSE All Cap Companies)

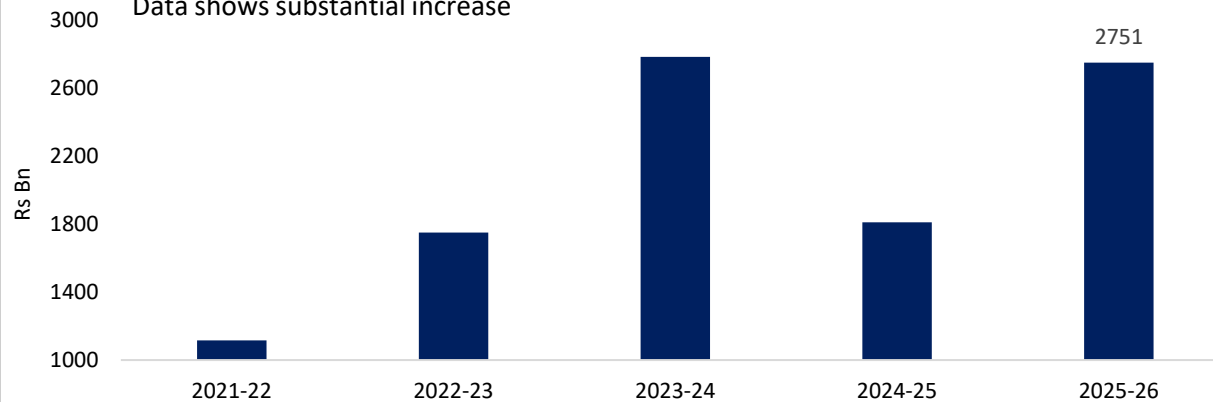
Corporate debt standing at recent lows... offering enough headroom for private capex to rise higher



Source: DSP AMC

Central Government Capital Expenditure

Data shows substantial increase

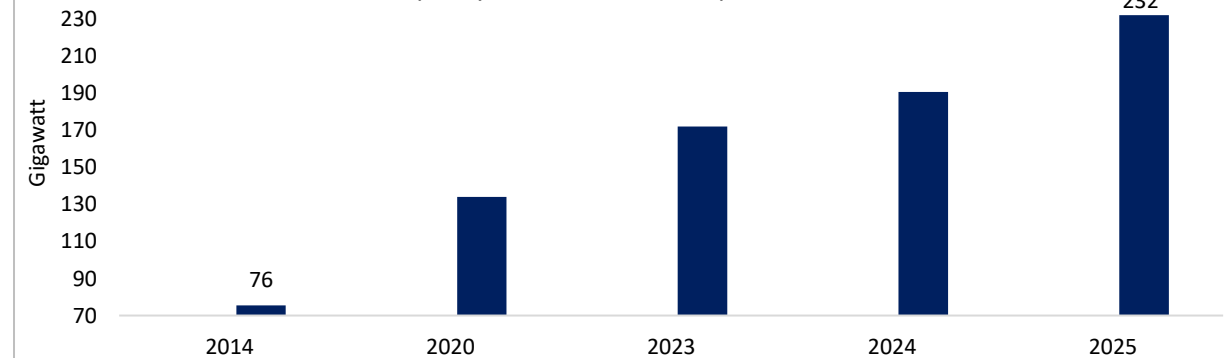


(Data is up to the month of June in each financial year)

Source: CGA

Renewable Energy Installed Capacity

Three-fold increase in capacity observed over the past decade



Source: Ministry of New & Renewable Energy

Sectoral Movement: While no sector have consistently delivered on a MoM basis, number of sectors outperforming Nifty 500 have been limited to a select few

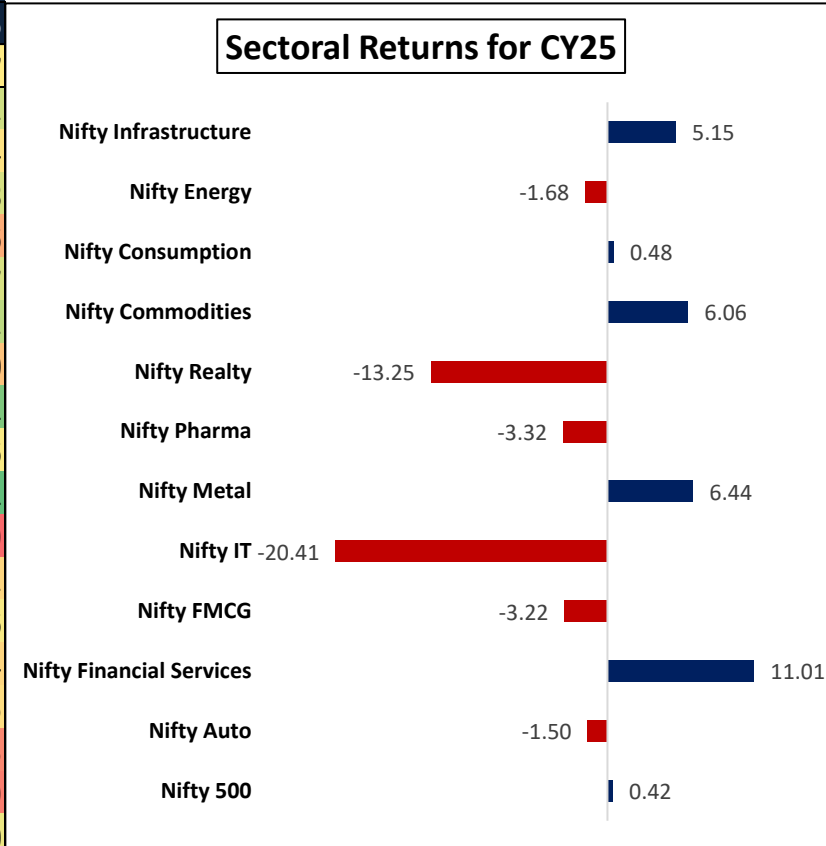
Absolute Monthly Return By Sector (%)

Index	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
BSE 500	4.32	0.77	2.05	-6.51	-0.03	-1.50	-3.49	-7.85	7.29	3.16	3.39	3.43	-2.87
Auto	5.05	-1.90	3.40	-12.30	-1.20	-2.33	-0.26	-11.00	4.02	4.73	4.73	2.24	-1.11
Bankex	-1.30	-0.94	2.96	-2.29	1.08	-2.62	-2.57	-2.50	8.55	5.17	0.85	1.62	-3.24
Basic Material	2.06	-2.27	5.69	-6.66	-1.90	-3.13	-1.39	-7.22	10.70	-0.62	4.22	5.43	-1.38
Capital Goods	4.58	-3.27	-0.09	-5.47	2.31	-4.13	-4.79	-14.39	13.55	0.09	13.24	1.75	-5.66
Consumer Discretionary	4.93	0.99	4.01	-10.07	0.23	0.00	-7.01	-10.36	4.40	3.98	4.32	3.49	-1.47
Consumer Durables	3.57	4.37	6.40	-10.35	2.99	3.15	-10.22	-8.45	2.67	5.65	0.86	3.17	-0.52
Energy	7.34	0.88	-2.91	-12.59	-3.31	-3.96	-0.67	-9.09	9.46	5.02	1.95	3.09	-4.70
FMCG	9.53	2.29	3.32	-8.93	-2.08	-2.08	-1.04	-10.57	5.79	5.17	-0.71	-0.33	1.61
Finance	0.48	0.75	3.03	-3.31	0.53	-1.67	-2.90	-3.02	7.97	4.61	3.08	3.43	-2.66
Healthcare	9.19	6.56	2.45	-0.72	-0.57	3.69	-7.67	-8.59	8.40	1.91	0.93	3.88	2.51
IT	12.87	4.27	-2.57	-4.58	5.83	0.95	-2.85	-12.58	-1.52	-2.97	5.26	3.33	-8.69
Infra	13.17	-2.07	-3.19	-8.72	-2.57	-3.54	-3.88	-13.81	12.36	0.70	5.03	2.72	-3.81
Metal	-0.85	-0.96	6.63	-9.62	-2.38	-5.39	-1.12	-1.98	10.07	-5.76	5.89	3.04	-2.56
Oil & Gas	10.48	1.27	-3.47	-13.75	-2.35	-2.79	-2.44	-11.23	11.34	5.40	2.03	3.10	-3.84
Power	6.13	-2.49	5.11	-9.51	-4.34	-7.00	-5.92	-12.06	14.32	0.90	2.37	1.95	-3.45
Realty	-1.10	-3.59	4.36	-9.12	1.93	3.45	-13.16	-13.42	6.63	3.99	7.21	3.84	-7.33
Telecom	4.69	2.36	-5.28	-8.48	1.55	-2.53	-3.32	-10.25	6.84	8.73	3.55	6.10	-7.79
Utilities	6.87	-3.79	5.60	-8.54	-6.50	-6.57	-5.48	-10.61	15.05	1.02	-0.85	2.95	-2.20

The abovementioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

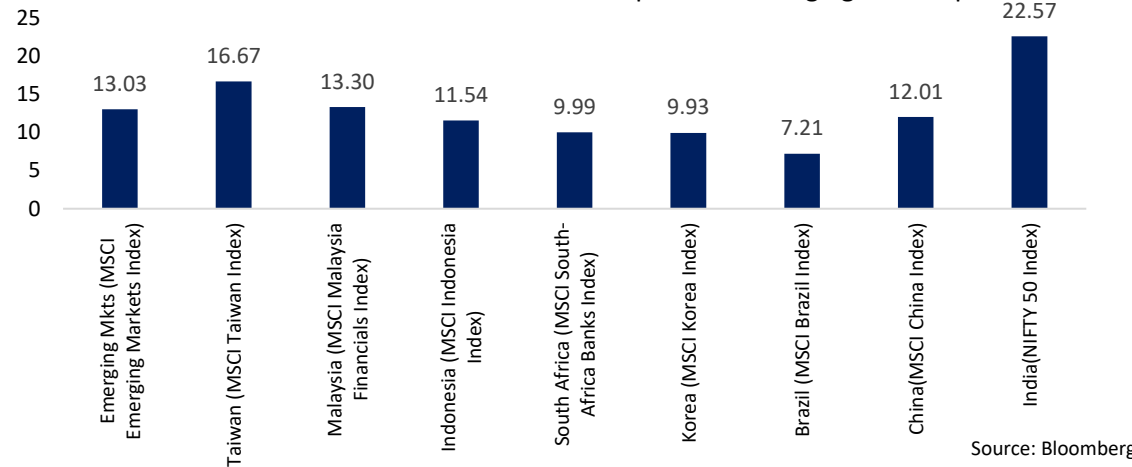
Source: Ace MF, HDFC Bank Research



India Valuations: Remain rich, markets narrowing, bottom-up opportunities across market cap to drive alpha

12M Expected Fwd P/E of Various Economies

India remains at an elevated valuation compared to Emerging Market peers



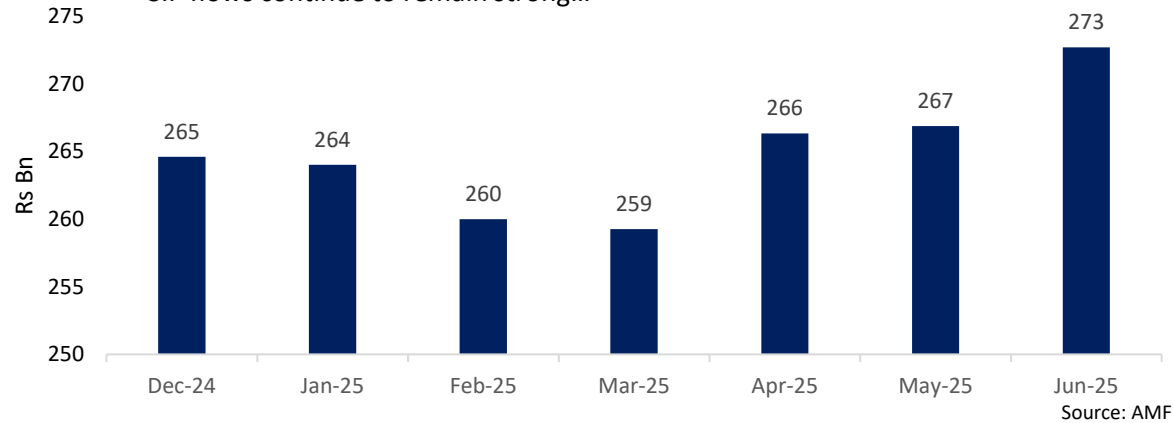
While Large cap valuations look relatively attractive on a P/E basis, on a PEG basis, Mid and Small caps seem to be reasonable and companies showing incremental revenue growth can attract investors

Source: Bloomberg

Index	FY26 (Est)	FY27 (Est)	EPS FY26 (Est)	EPS FY27 (Est)	PEG FY27 (Est)
Nifty 50	22.57	19.08	1102	1304	1.043
Nifty Midcap 100	30.33	24.43	1898	2356	1.011
Nifty Smallcap 250	30.83	24.88	586	726	1.040

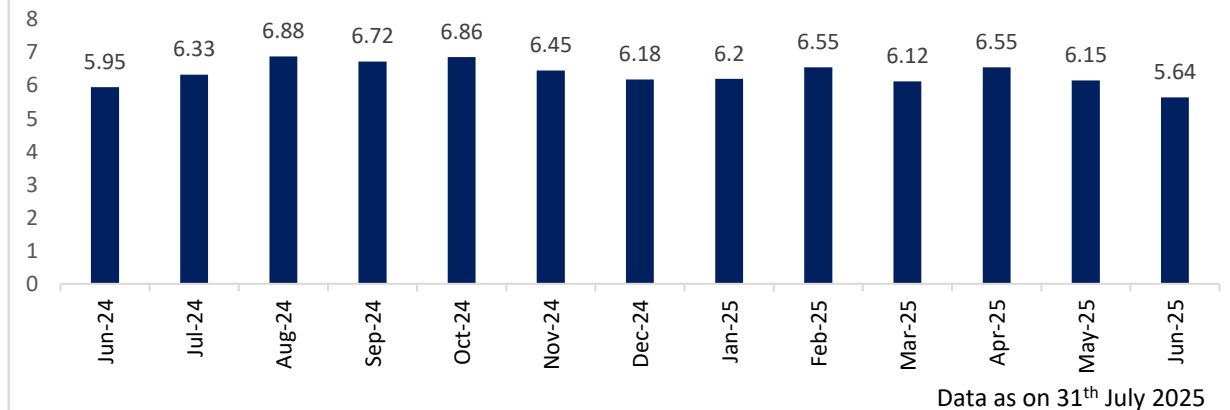
SIP Contribution MoM

SIP flows continue to remain strong...



Mutual Funds Aggregate Cash Value (%)

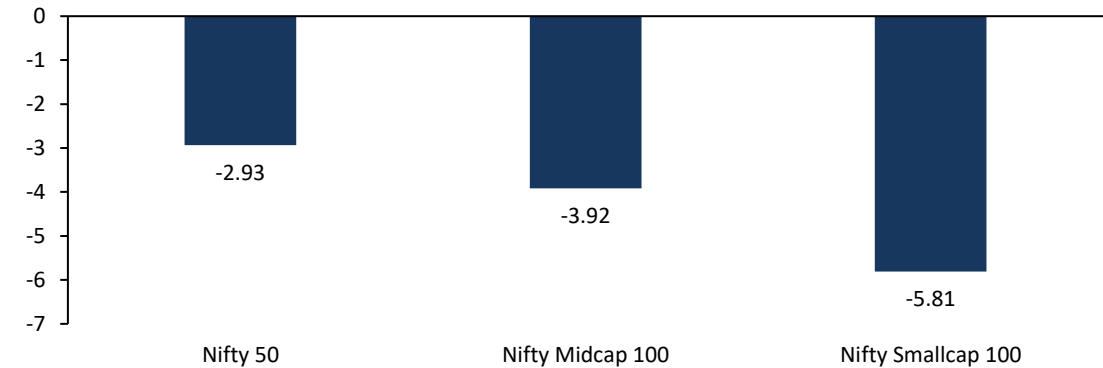
... as cash get deployed by the Mutual Funds



Market Roundup – July 2025

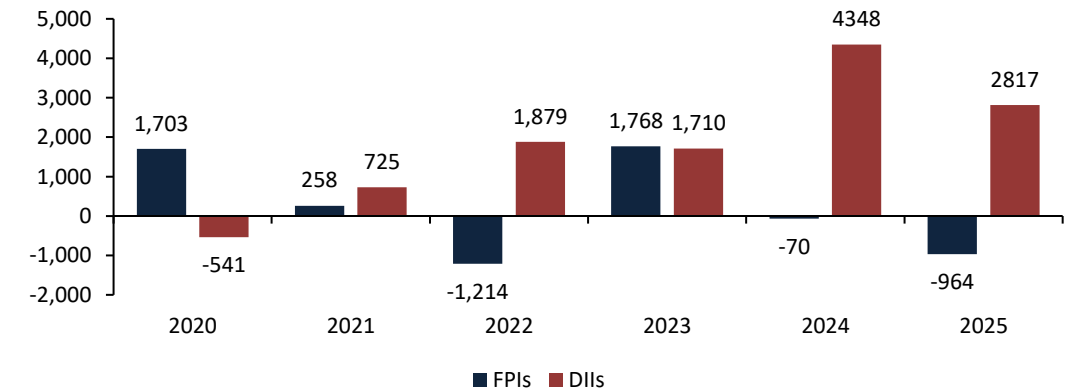
- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 2.90% (MoM) and Nifty 50 ended lower by 2.93% (MoM).
- While the BSE Midcap index ended lower by 2.29 %(MoM) and BSE Small cap index ended lower by 2.31 % (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a negative note. IT, Realty and Capital Goods were the laggards during the month.
- Domestic equity markets ended the month on a negative note as US President Donald Trump imposed a 25% tariff on India along with an additional unspecified penalty for buying oil and defense equipment from Russia. The markets also got impacted by weak earnings, persistent foreign fund outflows, global slowdown and raising fears of inflation.

Absolute Return In July 2025 (%)



Source: Bloomberg

Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 31st and 30th July respectively.

Source: SEBI, CDSL

Key concerns for Indian equities

- Low growth in consumer demand
- Expectation 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. Earnings for Q1 FY26 have been mixed for most large banks, with margins seemingly under pressure and earnings growth decelerating. Concerns also have been around the rising credit costs in the SME, MSME and the personal loans segments which can keep uptrends in the banks selective to the ones who can manage the risks better. Mutual funds seem to have started to restrict incremental exposures in this space. Markets expect that going forward, as the liquidity eases due to CRR cuts, the liquidity in system would improve further, loan growth would rise and NIMs would improve in the next 2-3 quarters. 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 are finding favour with the Fund Managers
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. Tariff-led weakness in the US economy could impact the business of customers of IT companies. While Fund Managers are running underweight positions, they are open to taking tactical calls in largecap IT stocks on an ongoing basis.
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. 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 Negative</p> <ul style="list-style-type: none"> Union Budget was supportive for incremental consumption. PV sales have been muted due to low income growth and continues to remain weak Higher than expected US tariff on Indian autos can 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. While the Government's focus is on infrastructure and investment cycle, the Govt. spending seems to be sluggish. 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 – Funds have started to take exposure as rural economy picks. Alcohol companies have seen traction. 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 8th Pay commission.
Capital Goods, Industrials, Utilities	<p>View – Neutral</p> <ul style="list-style-type: none"> With the Government spending growth decelerating, stocks have corrected meaningfully. Fund Managers may start to look at incremental opportunities in this segment, where earnings traction remains strong. While current order books are robust, sustainability of margin remains a key question. Power transmission, Nuclear energy and Electronics 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.

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	6.60%	31.38%	5.82%	7.54%	6.24%	6.35%	4.07%	8.62%	0.17%	11.09%	0.16%	6.27%	3.49%	0.32%	1.88%
360 ONE	6.51%	30.83%	12.25%	2.69%	1.55%	8.81%	2.68%	5.56%	0.20%	3.26%	0.00%	6.80%	9.64%	0.54%	3.70%
Aditya Birla SL MF	8.00%	29.50%	6.08%	6.68%	5.86%	7.47%	3.92%	9.25%	0.07%	7.50%	0.49%	6.91%	3.24%	0.72%	2.04%
Axis MF	7.44%	25.25%	9.45%	8.03%	3.27%	10.79%	4.01%	6.36%	0.07%	4.45%	0.92%	9.59%	3.75%	0.49%	2.03%
Bajaj Finserv MF	3.68%	31.80%	9.23%	6.02%	9.05%	8.69%	4.39%	6.01%	0.09%	3.96%	0.77%	10.37%	1.70%	1.12%	0.84%
Bandhan MF	5.50%	29.41%	5.49%	6.21%	4.64%	7.76%	6.07%	6.09%	0.20%	7.26%	1.17%	7.58%	2.04%	0.93%	2.43%
Bank of India MF	5.30%	21.68%	14.75%	11.70%	5.85%	6.27%	3.50%	5.33%	0.90%	7.04%	0.71%	7.89%	2.20%	1.02%	1.97%
Baroda BNP Paribas	7.60%	23.82%	9.05%	5.30%	6.51%	6.63%	1.97%	5.99%	0.00%	11.12%	0.59%	9.71%	2.67%	0.77%	0.98%
Canara Robeco MF	8.65%	24.87%	9.70%	5.43%	5.64%	13.00%	3.31%	6.19%	0.11%	5.73%	1.29%	7.44%	2.42%	0.59%	1.55%
DSP MF	8.38%	25.49%	7.40%	8.65%	4.23%	6.27%	3.70%	6.79%	0.00%	5.99%	0.27%	11.70%	2.44%	1.17%	0.95%
Edelweiss MF	6.16%	25.96%	10.40%	8.36%	5.25%	9.75%	4.04%	8.48%	0.00%	4.37%	0.19%	9.62%	2.26%	1.39%	0.98%
Franklin Templeton MF	6.20%	24.60%	6.70%	6.47%	4.48%	9.92%	4.94%	8.34%	0.02%	7.68%	0.28%	8.18%	4.06%	0.64%	2.43%
Groww MF	8.87%	43.14%	8.02%	4.25%	0.20%	5.17%	3.49%	6.81%	0.00%	3.41%	0.11%	4.73%	2.85%	0.13%	1.75%
HDFC MF	10.58%	29.86%	6.08%	6.28%	2.72%	6.34%	2.87%	6.29%	0.39%	4.46%	0.17%	9.70%	2.93%	0.47%	3.68%
Helios MF	2.24%	45.37%	9.13%	0.00%	1.91%	9.58%	3.57%	2.20%	0.67%	6.85%	0.00%	6.21%	2.82%	2.25%	5.81%
HSBC MF	4.22%	25.91%	16.15%	5.14%	5.31%	12.22%	6.69%	5.73%	0.01%	3.93%	1.30%	6.12%	1.96%	1.89%	1.19%
ICICI Pru MF	9.18%	24.44%	4.21%	7.90%	4.50%	4.97%	5.27%	7.60%	0.40%	10.53%	0.73%	7.90%	3.18%	0.40%	2.07%
Invesco MF	5.21%	28.71%	10.64%	3.38%	2.13%	14.56%	4.79%	7.06%	0.00%	2.98%	1.13%	12.64%	2.00%	0.01%	3.03%
ITI MF	4.64%	26.26%	14.17%	9.05%	4.10%	6.35%	5.09%	5.57%	0.31%	6.07%	1.25%	10.68%	1.75%	1.18%	1.12%
JM MF	4.66%	29.29%	10.96%	4.73%	6.12%	10.32%	5.07%	6.30%	0.26%	5.97%	0.00%	6.67%	3.43%	1.69%	2.61%
Kotak MF	8.37%	19.85%	9.99%	12.07%	2.89%	9.70%	4.75%	8.93%	0.41%	7.15%	0.17%	7.96%	3.15%	0.25%	1.87%
LIC MF	7.32%	22.13%	20.74%	5.30%	7.08%	5.14%	4.51%	5.19%	0.28%	5.03%	1.50%	6.34%	1.54%	1.78%	2.30%
Mahindra Manulife MF	6.95%	25.62%	9.69%	8.16%	5.99%	8.42%	2.61%	6.68%	0.16%	7.47%	0.61%	8.19%	3.36%	1.41%	1.63%
Mirae MF	7.07%	28.73%	4.70%	7.30%	5.55%	9.38%	3.92%	8.35%	0.00%	6.67%	0.00%	10.22%	3.54%	0.05%	2.82%
Motilal Oswal MF	2.62%	11.07%	24.36%	1.43%	0.59%	22.53%	2.66%	15.23%	0.00%	0.50%	0.26%	4.20%	3.47%	0.28%	0.42%
Navi MF	9.21%	31.49%	12.55%	3.08%	5.50%	6.62%	0.33%	5.15%	1.55%	3.40%	1.21%	8.39%	2.72%	0.00%	3.57%
Nippon India MF	6.42%	26.81%	11.46%	5.22%	5.10%	11.85%	3.06%	4.29%	0.31%	8.13%	0.69%	9.52%	1.33%	0.92%	2.32%
NJ MF	14.26%	12.27%	0.77%	4.23%	15.45%	4.93%	0.00%	15.19%	0.00%	9.26%	0.00%	18.00%	0.00%	0.89%	0.00%
Old Bridge MF	8.12%	9.67%	0.00%	13.28%	7.12%	4.40%	5.24%	8.58%	0.00%	0.00%	2.28%	13.88%	5.58%	0.00%	13.99%
PGIM India MF	6.35%	22.57%	8.49%	9.39%	3.93%	12.17%	2.61%	6.87%	0.00%	3.42%	0.04%	11.67%	2.56%	0.99%	3.78%
PPFAS MF	7.89%	29.22%	0.03%	0.00%	5.65%	2.23%	0.00%	10.57%	0.00%	11.84%	0.00%	4.29%	3.81%	0.00%	2.53%
Quant MF	4.94%	17.25%	3.82%	8.78%	6.53%	4.66%	9.38%	0.34%	1.23%	21.03%	0.69%	11.39%	2.43%	2.77%	2.23%
Quantum MF	10.49%	38.48%	1.67%	4.32%	0.96%	4.77%	0.00%	14.70%	0.10%	4.25%	0.39%	4.62%	3.04%	0.00%	0.49%
Samco MF	5.07%	27.10%	15.29%	10.60%	6.25%	3.14%	1.78%	5.18%	0.62%	1.05%	0.22%	14.40%	1.45%	2.22%	2.48%
SBI MF	7.70%	26.13%	5.22%	7.31%	5.65%	8.61%	3.14%	5.34%	0.28%	9.03%	2.39%	6.81%	2.77%	2.00%	1.89%
Shriram MF	4.25%	35.32%	7.13%	15.32%	7.46%	0.66%	0.76%	2.50%	0.00%	3.12%	0.00%	16.10%	2.52%	0.00%	1.64%
Sundaram MF	6.27%	27.81%	7.96%	5.71%	5.04%	10.87%	3.69%	6.07%	0.16%	6.52%	0.37%	7.93%	4.35%	0.15%	2.08%
Tata MF	4.60%	22.74%	7.66%	7.80%	4.41%	7.54%	3.50%	16.05%	0.16%	6.26%	0.97%	7.21%	2.49%	0.73%	2.89%
Taurus MF	5.77%	21.42%	7.16%	4.39%	9.30%	4.64%	4.30%	7.88%	0.20%	14.01%	0.05%	9.40%	2.84%	1.42%	1.71%
Trust MF	4.79%	31.14%	17.72%	6.53%	1.63%	6.15%	3.22%	7.54%	0.00%	1.91%	0.53%	7.64%	2.19%	1.59%	3.35%
Unifi MF	3.94%	28.98%	0.89%	2.80%	4.61%	0.93%	4.56%	4.82%	0.00%	4.71%	1.71%	7.58%	4.90%	0.00%	4.10%
Union MF	7.37%	25.32%	13.85%	7.04%	3.70%	9.05%	4.20%	6.32%	0.17%	5.28%	0.00%	8.38%	2.61%	1.08%	2.56%
UTI MF	9.37%	25.49%	5.83%	5.59%	3.86%	13.98%	2.29%	10.00%	0.26%	4.57%	0.44%	9.23%	3.14%	0.69%	1.92%
WhiteOak Capital MF	5.03%	31.94%	9.31%	3.51%	3.66%	9.69%	1.65%	8.96%	0.02%	3.54%	1.35%	10.53%	4.52%	0.37%	1.09%

Data as on 30th June 2025

Source : ICRA Analytics Limited

Tariffs rates by Country: Full list under Trump's executive order

Country/Territory	Adjusted Reciprocal Tariff
India	25%
Afghanistan	15%
Algeria	30%
Angola	15%
Bangladesh	20%
Bolivia	15%
Bosnia and Herzegovina	30%
Botswana	15%
Brazil	10%
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 (Goods >15%)	0%
European Union (Goods <15%)	15% minus Column 1 duty

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

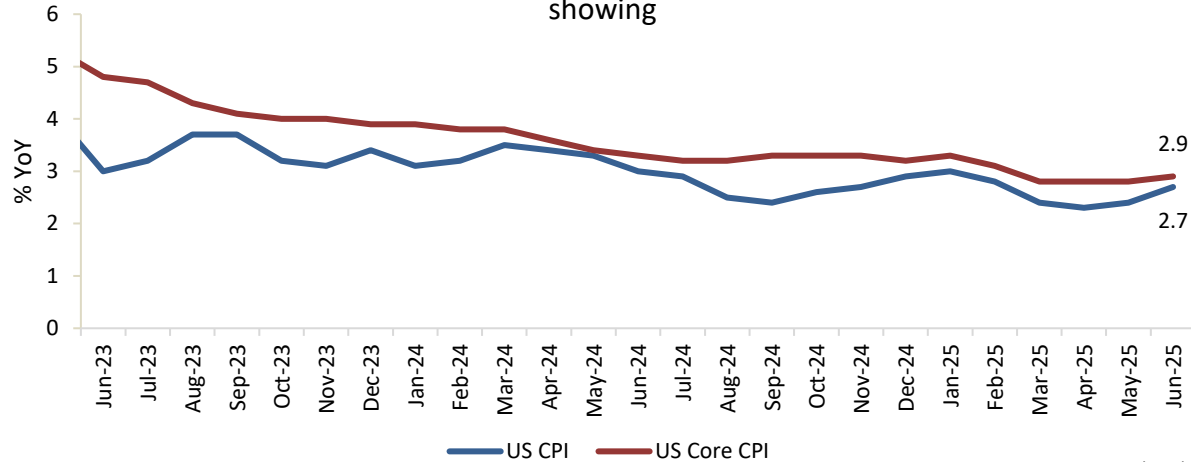
Fixed Income Market

Fixed Income Outlook

- RBI has conducted multiple Variable Rate Reverse Repo auction to absorb excess liquidity from the system. However, system liquidity is expected to remain comfortable till December, aiding in faster transmission of rates in the system which in turn can provide support to credit offtake and growth revival.
- Growth-Inflation dynamics, along with issues on the external front in terms of rising trade deficit, geopolitical uncertainties, and development around the negotiations on bi-lateral trade agreement with US post higher than estimated baseline tariffs imposed by them on India, remain a key monitorable. This will also impact the Central bank's future policy decisions.
- The Consumer Price Index (CPI) inflation print decelerated further at a faster-than-expected rate, slowing to 2.16% YoY in June 2025 from 2.82% YoY in May 2025. Core Inflation remained a concern on the back of high gold prices. We expect above average monsoon to continue weighing down on vegetable prices, keeping headline inflation benign and giving space to the RBI to manoeuvre policy rates basis their outlook on growth-inflation dynamics.
- Recent tariff negotiations by the US have resulted in strengthening of the DXY. In absence of further changes to the higher-than-estimated tariffs imposed on India, the INR is expected to move with weakening bias against USD.
- In the US, the Fed kept rates unchanged and continued closely monitoring incoming data for further clarity as tariff effects have started showing. As the FOMC led by Jerome Powell remains on pause mode despite serious challenge from US President, the announcement of the next Fed chairman could give further direction to the US bond market. In the interim, rising tariff is taking a toll on US demand and growth. This may lead the current FOMC to cut rates.
- The ECB has taken a pause after having frontloaded the policy easing. Going forward, as their economy absorbs the effect of latest tariff policies, they are expected to remain data-dependant and not committed to a particular rate path.
- Globally, growth headwinds and tariff led adjustments have forced major Central banks to take a pause after a series of rate cuts. They are expected to remain data dependant for further policy actions.
- US's threat of punitive measures on Russian oil importers has pushed Crude prices higher. The same still remains close to long term averages. Higher supply from OPEC+ may provide cushion.
- With pro-growth policy actions by the RBI and continuous and favourable deceleration of CPI inflation, we may continue to see structurally lower interest rates over the medium-term.
- G-sec yield hardened at the longer end, creating lucrative 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. 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.

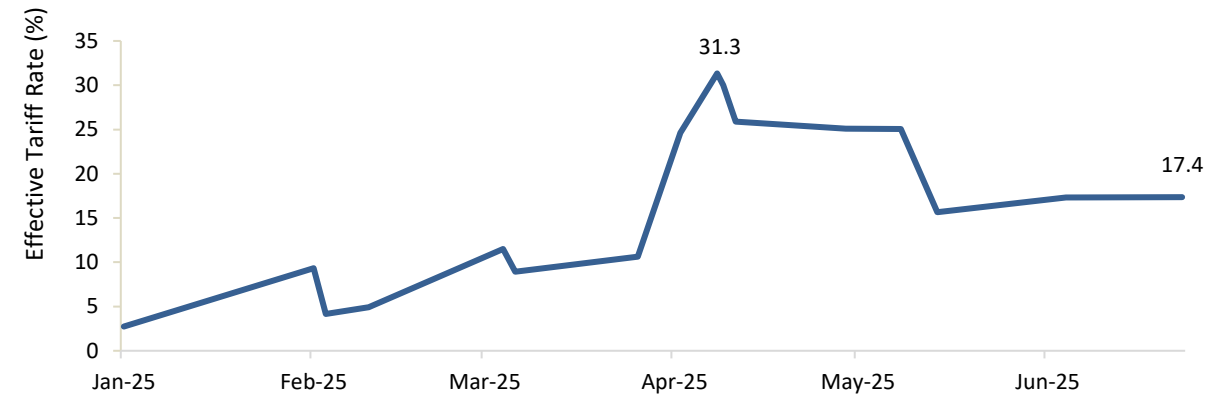
US – Increased collections from tariff revenue to support Fiscal position, but may drive inflation higher

US inflation picks up in June, suggesting early tariff effects have started showing



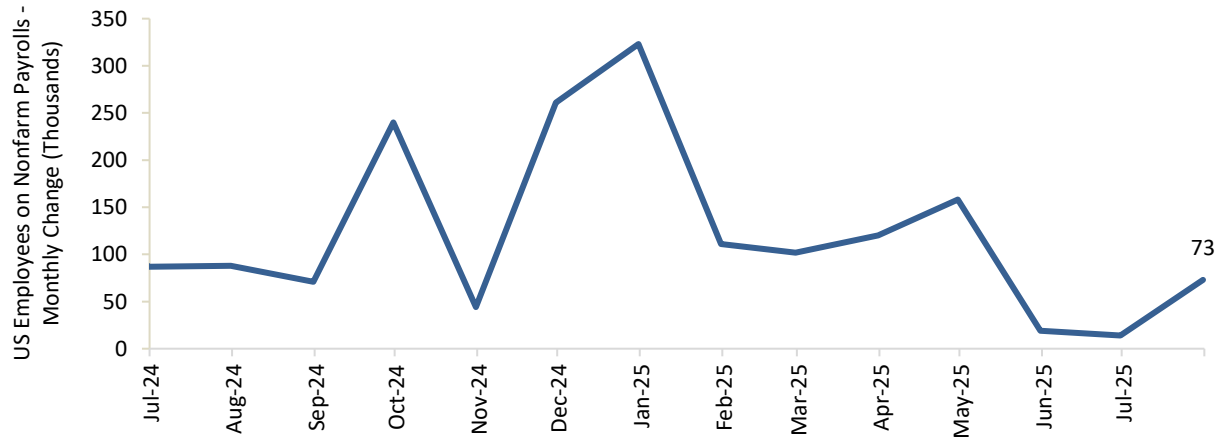
Source: Bloomberg

Despite average tariff being lower than that announced on liberation day, it remains significantly higher than the pre-Trump era



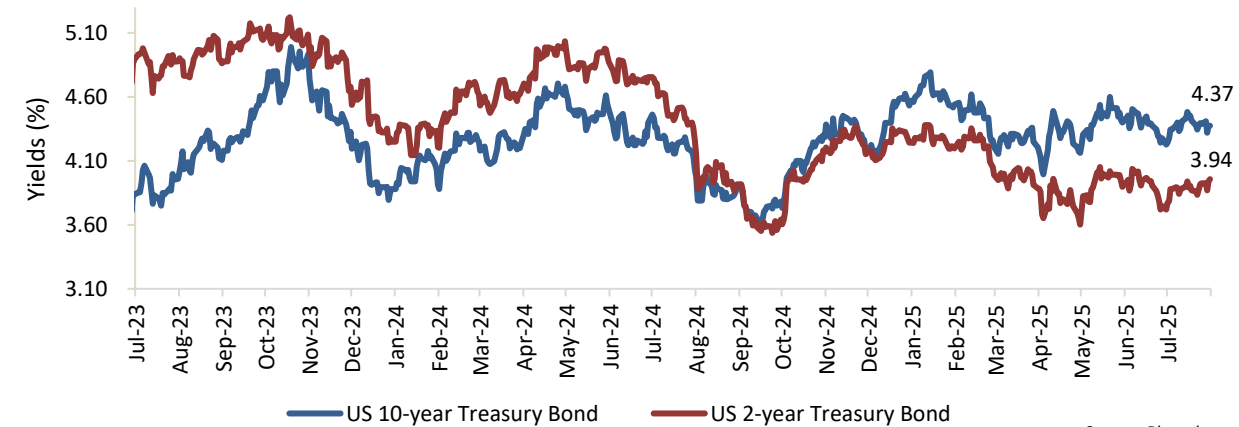
Source: IMF WEO

Nonfarm Payroll data shows early signs of trouble for US labour market



Source: Bloomberg

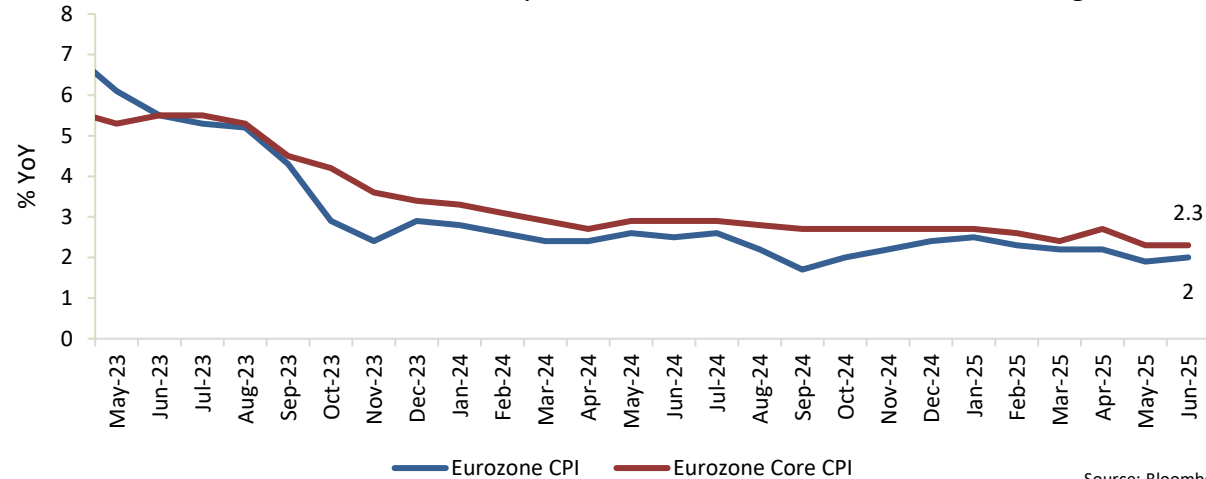
Yields remained in range as fiscal weakness and trade uncertainties were counter-balanced by hopes of rate cut later during the year



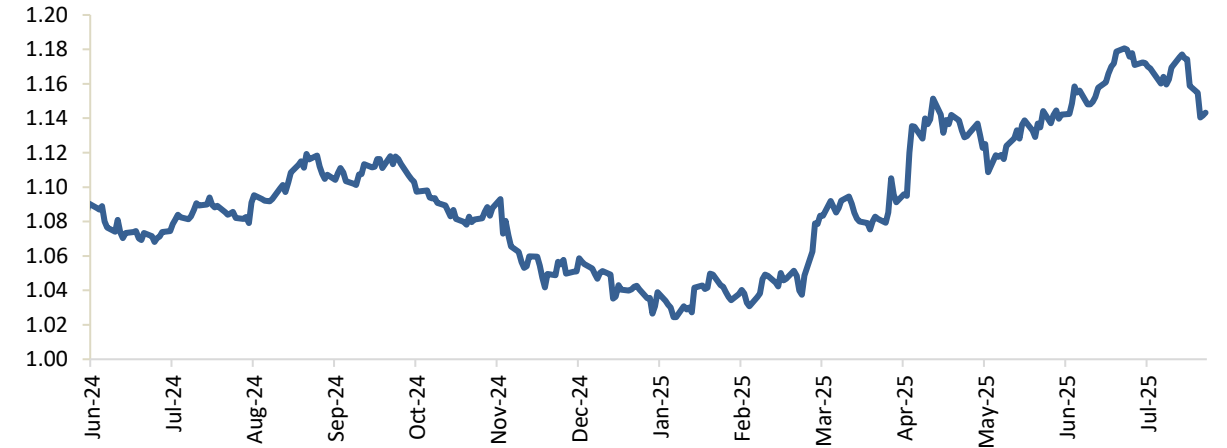
Source: Bloomberg

The US-EU trade deal brings some certainty in uncertain times... ECB holds rates after a series of rate cuts

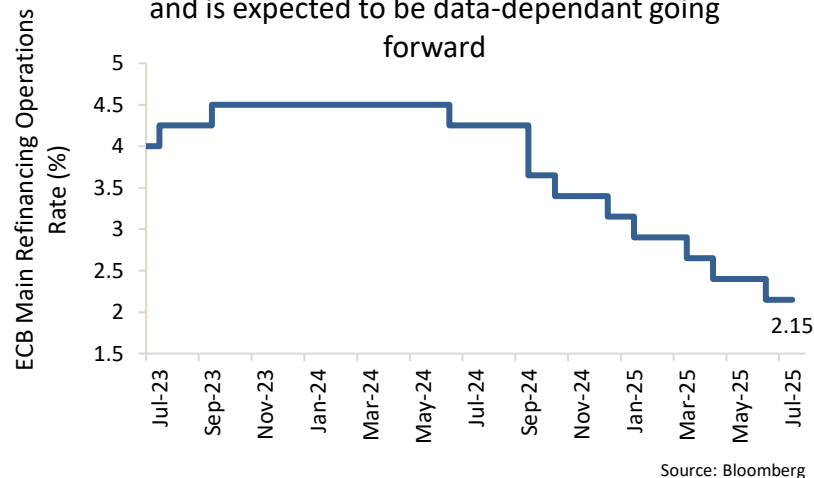
Eurozone headline inflation stayed in line with ECB's medium term 2% target



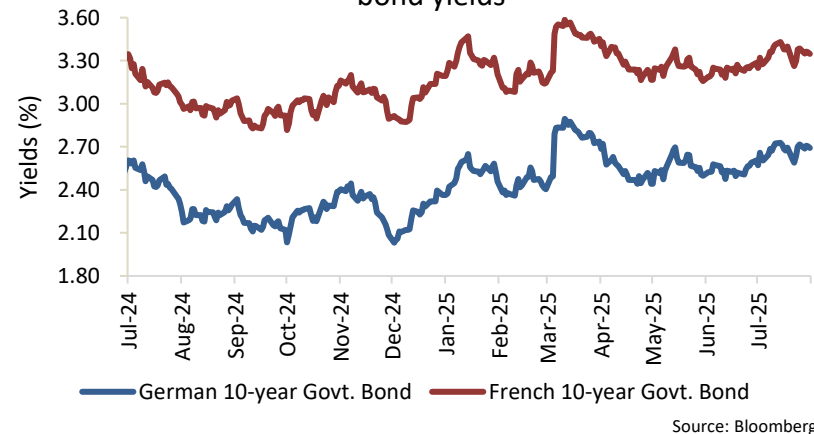
Interim deal favoring US weighs down on EUR/USD



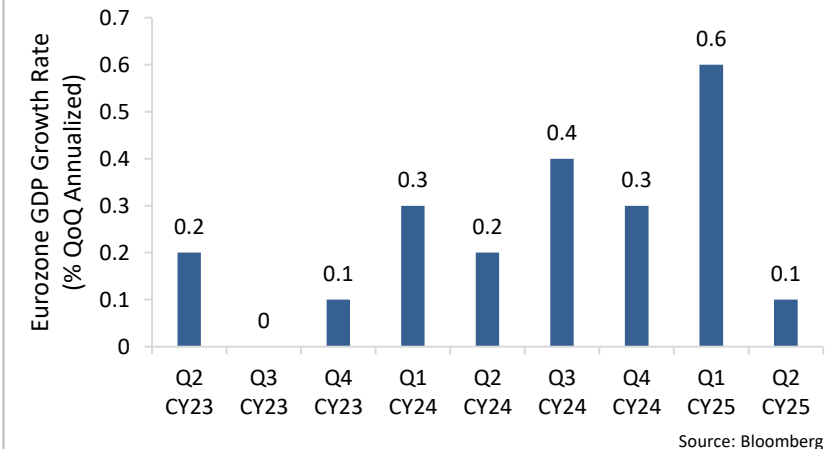
Post series of rate cuts, ECB pauses to take stock and is expected to be data-dependant going forward



The overhang of trade related uncertainty led to hardening of German and French government bond yields

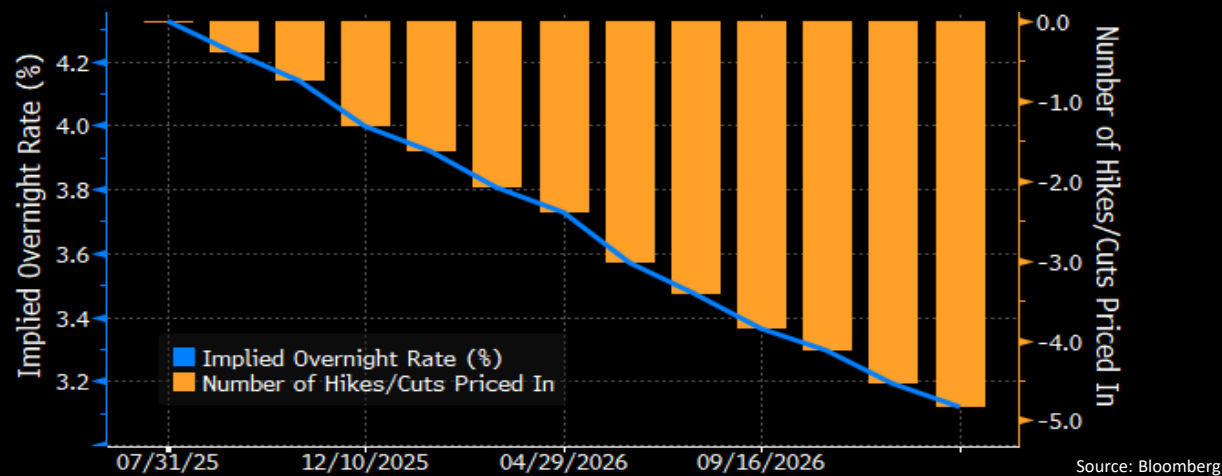


Eurozone growth remains sluggish as larger economies continue to struggle



Implied overnight rate projections still suggest that the Fed is likely to cut rates in CY26... While ECB seems to have front-loaded most of the cuts

As President Trump's push for a rate cut faces resistance from Jerome Powell, market may look at appointment of next Fed Chair more keenly

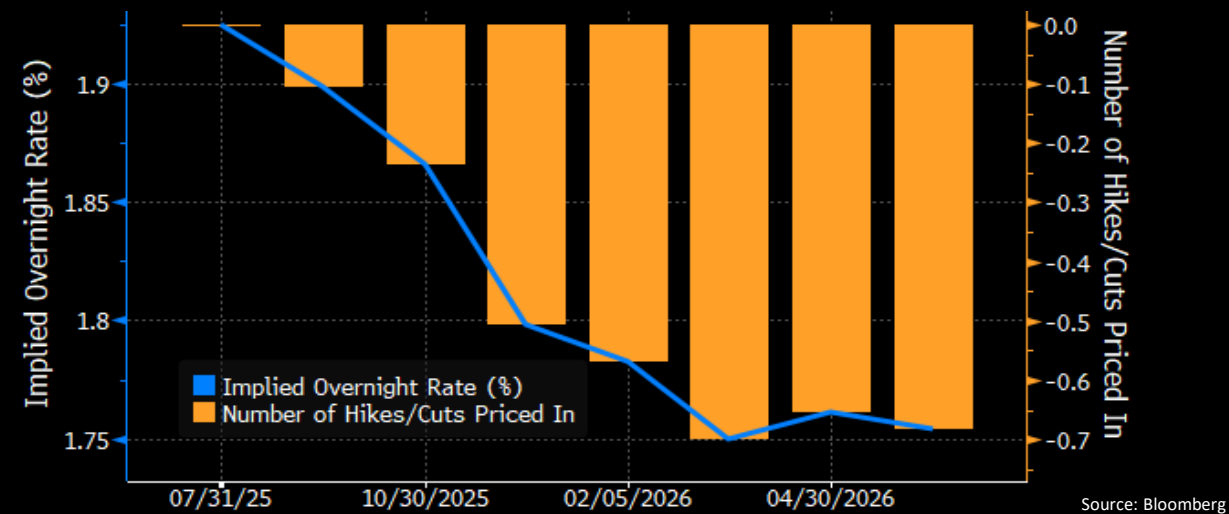


"Higher tariffs have begun to show through more clearly to prices of some goods, but their overall effects on economic activity and inflation remain to be seen. A reasonable base case is that the effects on inflation could be short-lived, reflecting a one-time shift on the price level.. it is also possible that the inflationary effects could instead be more persistent. And that is a risk to be assessed and managed."

- Jerome Powell

Chairman, US Fed, 30th July 2025 Press conference following the issuance of the Federal Open Market

ECB decides against committing to a particular rate path

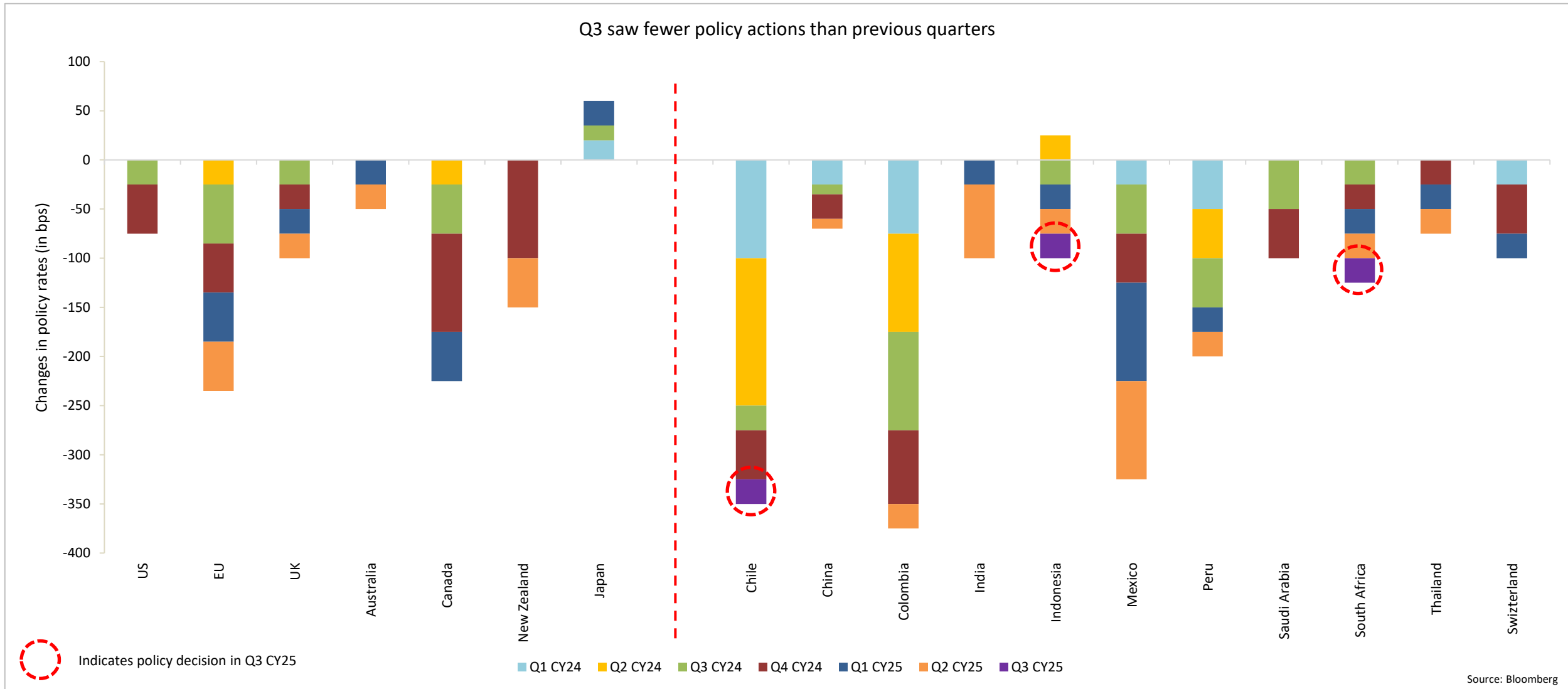


".. the environment remains exceptionally uncertain, especially because of trade disputes... We will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, our interest rate decisions will be based on our assessment of the inflation outlook and the risks surrounding it, in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. We are not pre-committing to a particular rate path."

- Christine Lagarde

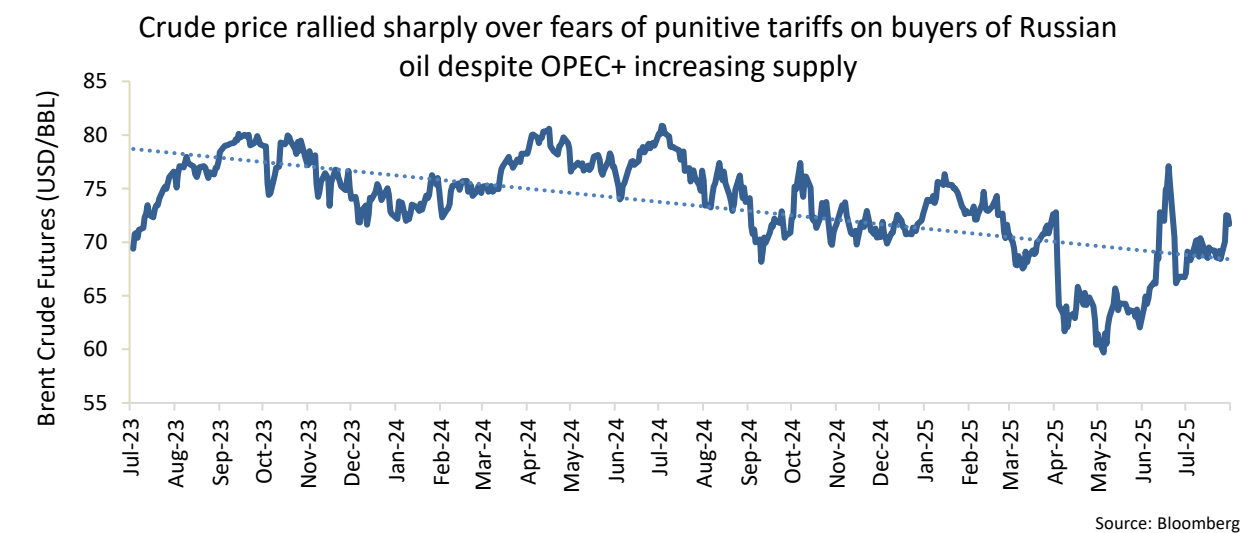
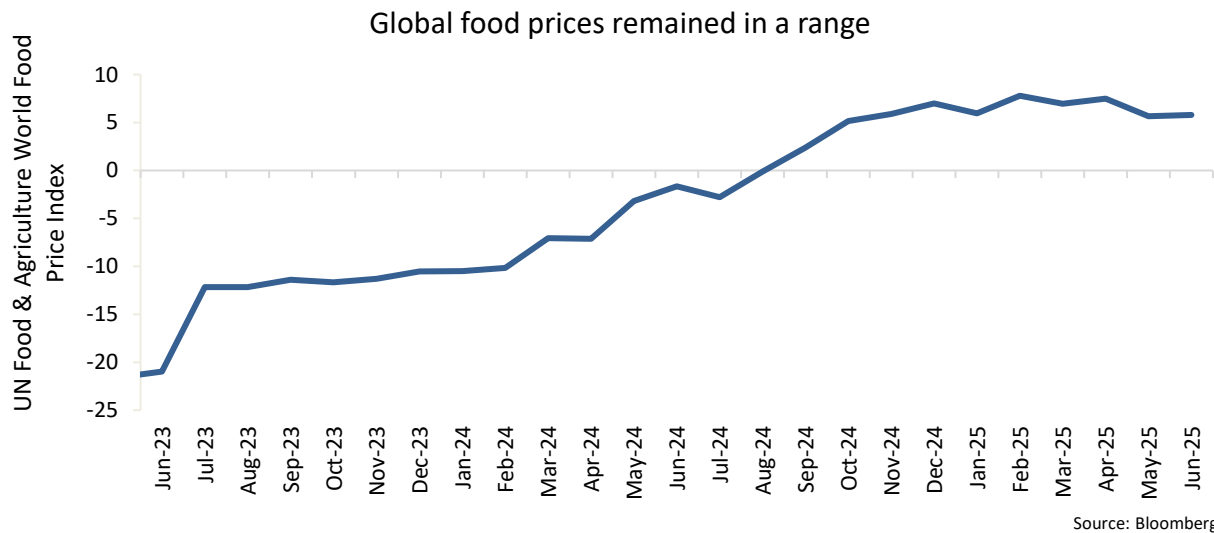
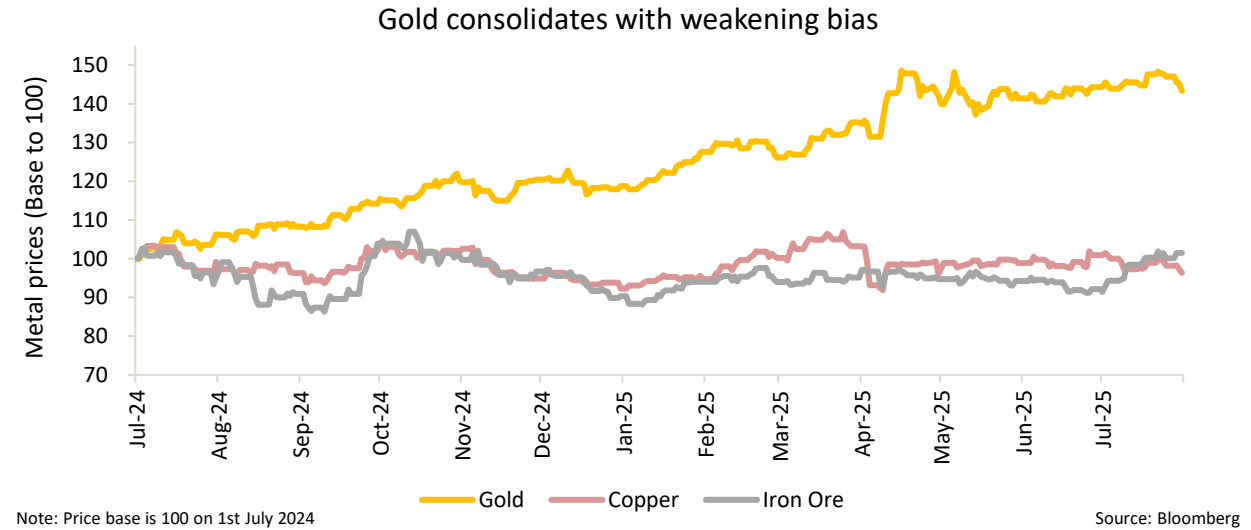
President, European Central Bank, 24th July 2025 MPC Press Conference

Post a series of rate cuts, Global Central Banks have taken a pause to absorb updates on trade deals



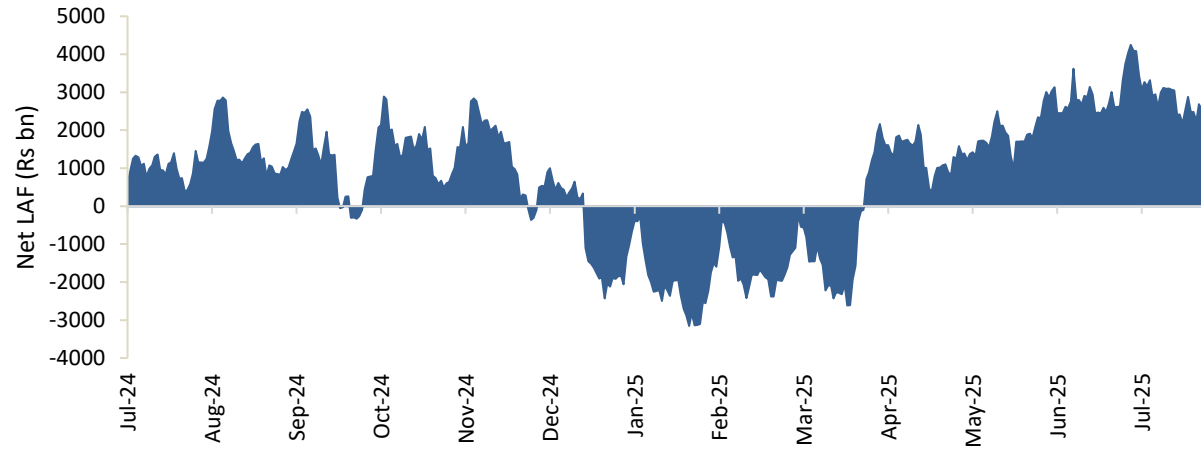
Source: Bloomberg

Global Commodities – As trade deals fructify, safe haven demand for gold has come down



Post strong liquidity and policy support by RBI, the governor signals a wait-and-watch approach

Banking system liquidity continues to remain in comfortably surplus territory

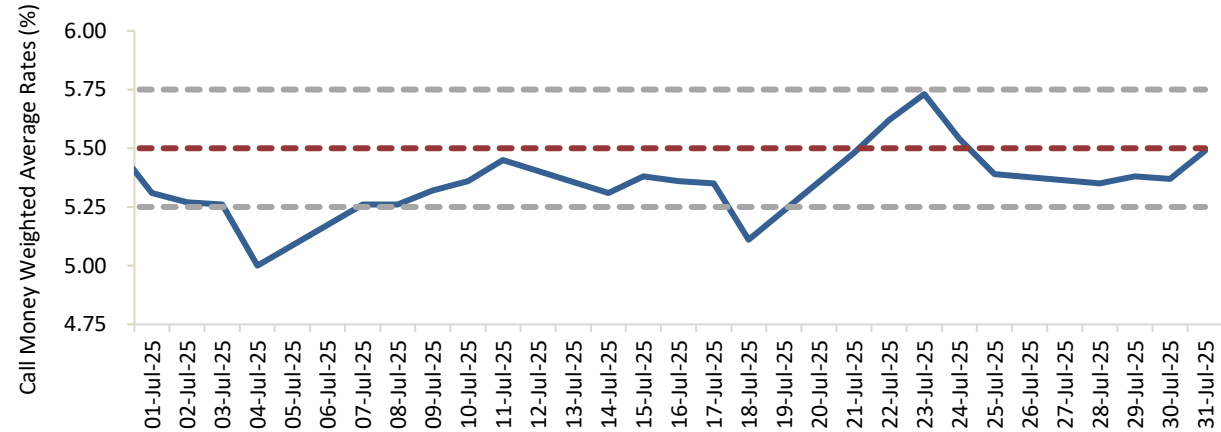


RBI continues to absorb excess liquidity via VRRR...

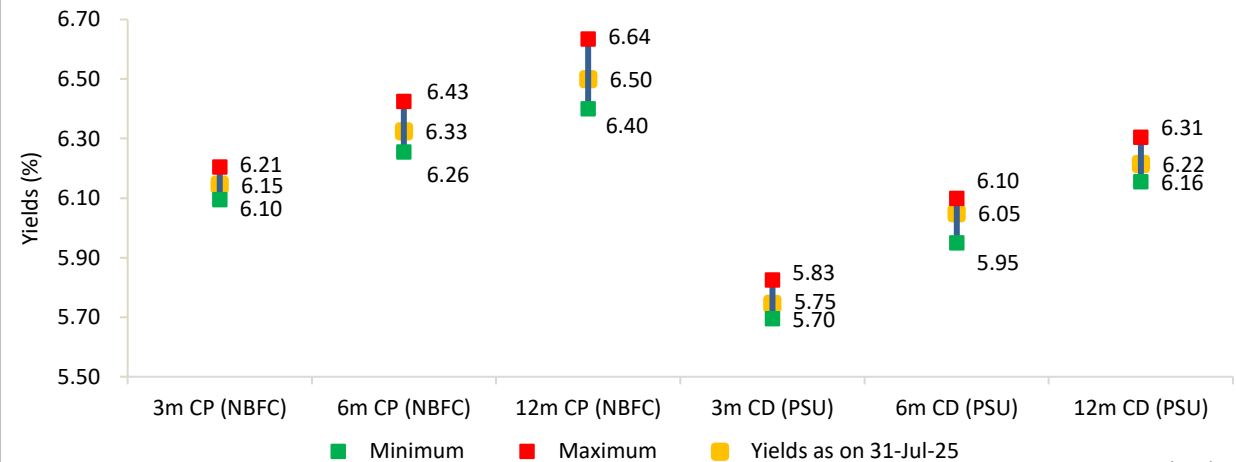
Particulars	Date	Amount (Bn)	Tenor
Variable Rate Reverse Repo (VRRR)	04-Jul-25	1000	7-Day
	09-Jul-25	1000	2-Day
	11-Jul-25	2500	7-Day
	15-Jul-25	1000	3-Day
	18-Jul-25	2000	7-Day
	23-Jul-25	500	2-Day
	24-Jul-25	500	1-Day
	25-Jul-25	1250	7-Day
	29-Jul-25	500	3-Day
	31-Jul-25	500	1-Day
Total		10,750	

Source: RBI

... to align the call money rate with Repo rate

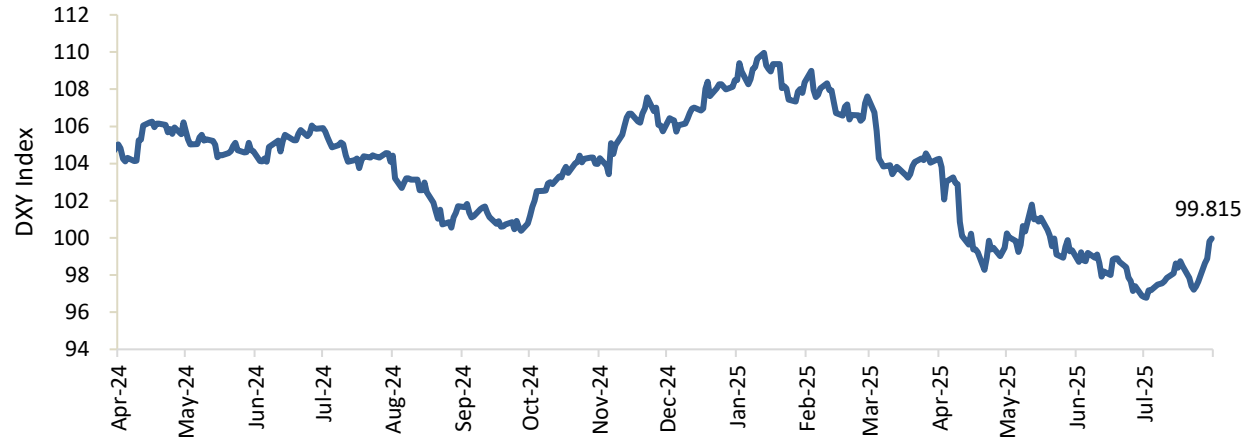


CD/CP yields traded in a narrow range during the month



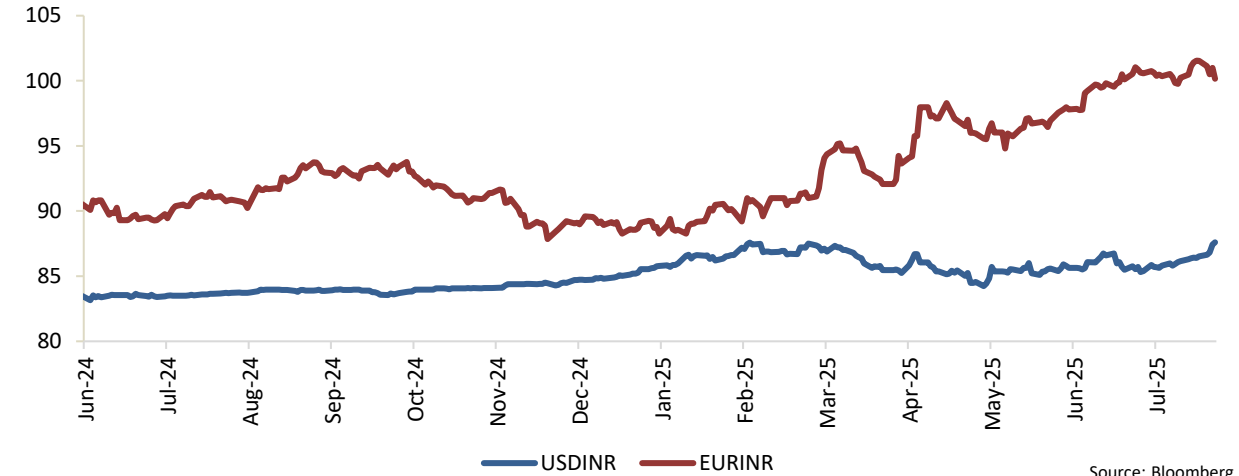
Weakness of Rupee against the USD and Euro may bode well for exporters but can be inflationary

DXY strengthened, leading to FPI outflows...



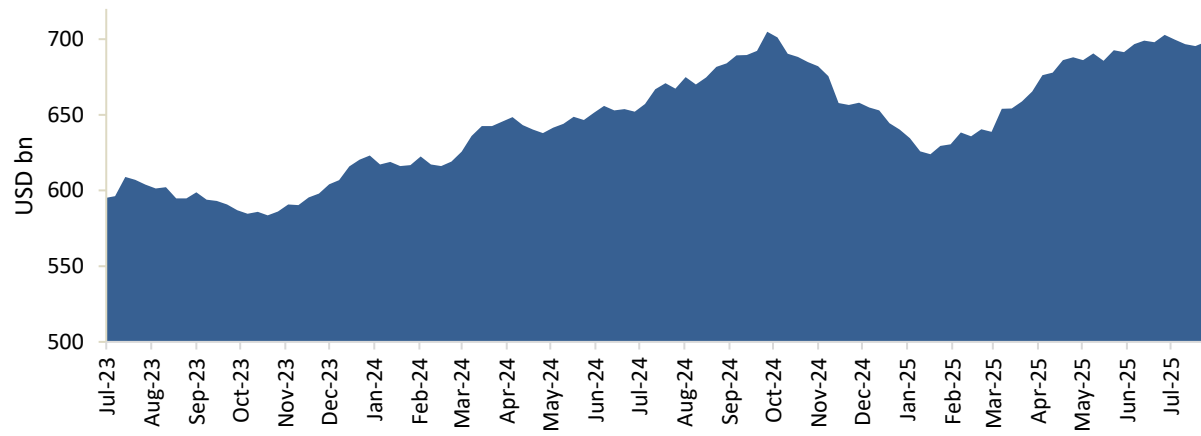
Source: Bloomberg

... coupled with tariff related uncertainties, which weighed down on the INR



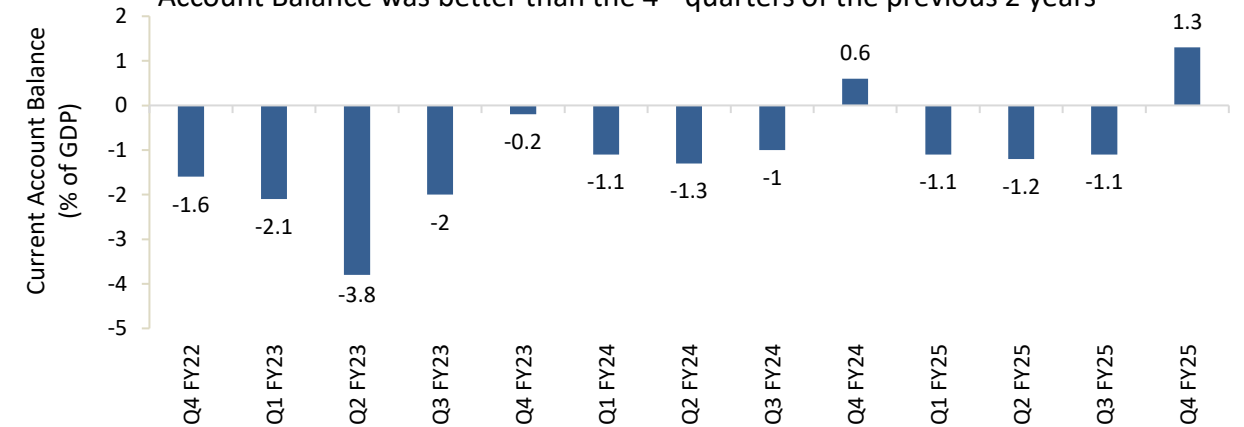
Source: Bloomberg

Forex Reserves continue to remain robust



Source: Bloomberg

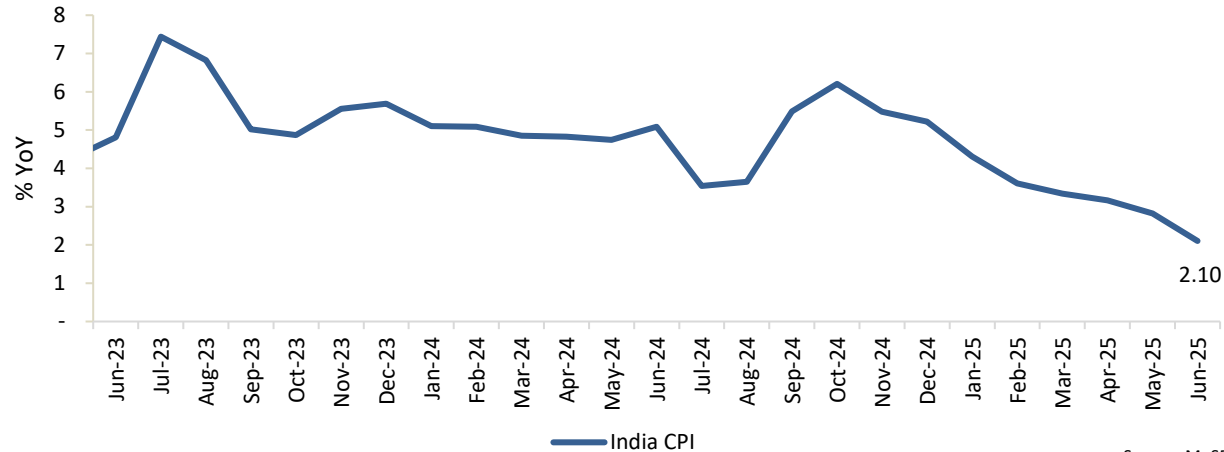
India's external sector continues to show robust trend as Q4 FY25 Current Account Balance was better than the 4th quarters of the previous 2 years



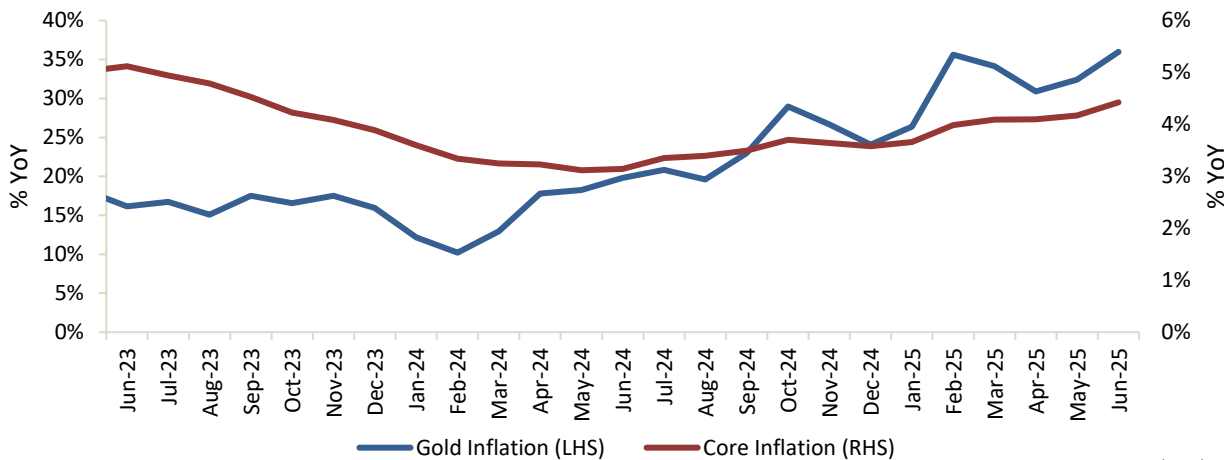
Source: Cogencis; RBI

Inflation continues on downward trajectory... Strong monsoon could continue weighing down on inflation

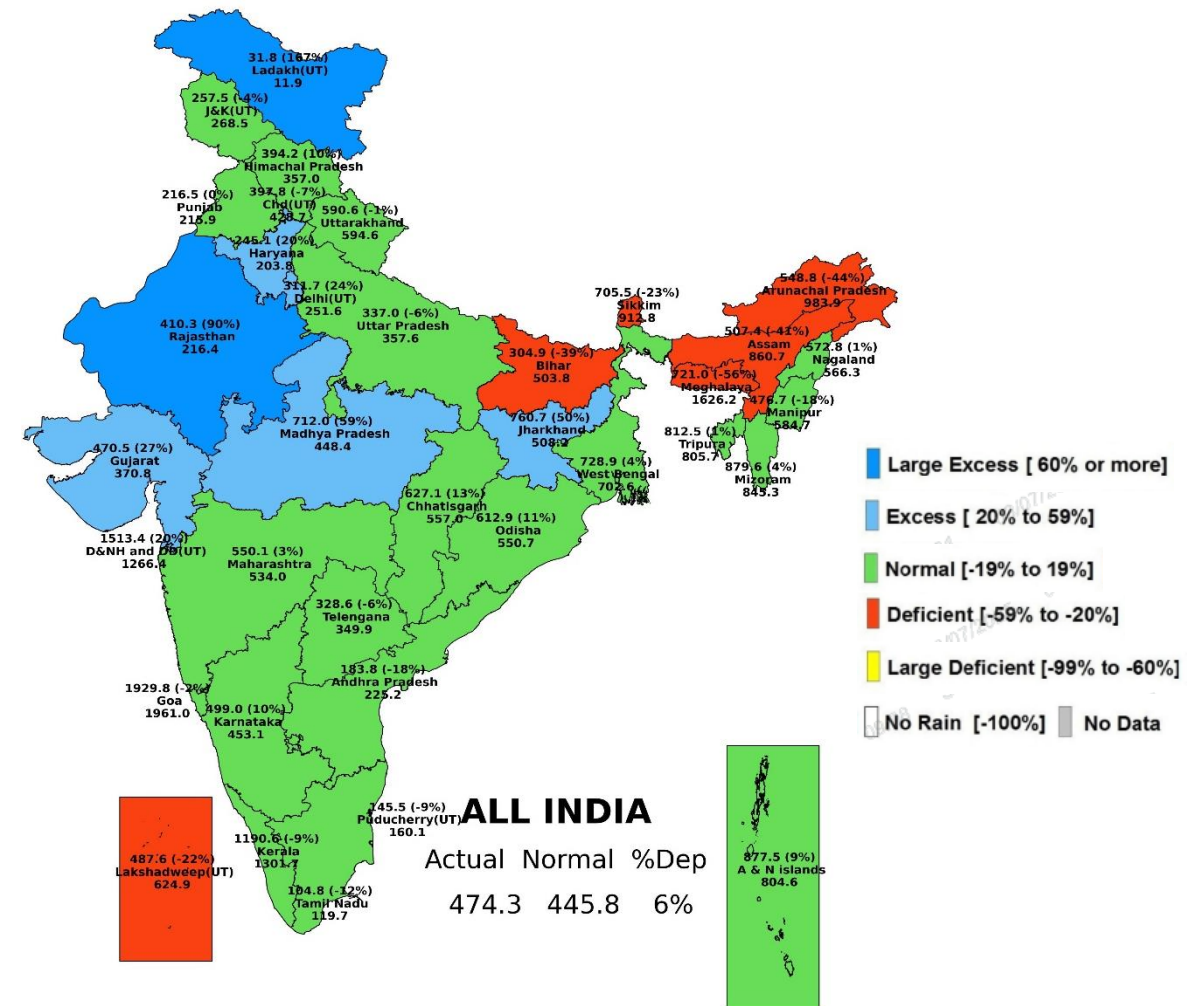
Headline inflation continued to stay benign



Core inflation remains stubborn due to a surge in Gold prices

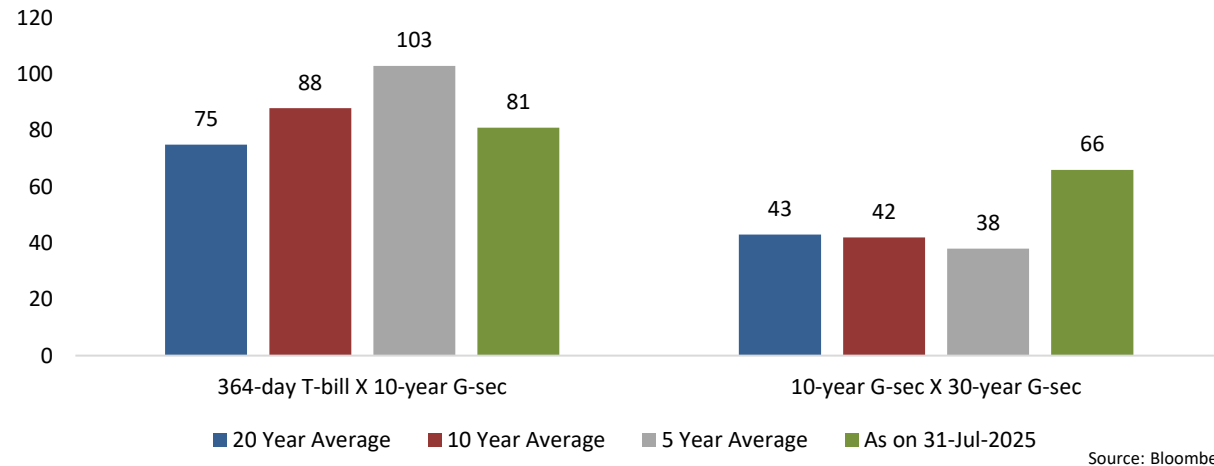


Monsoon remains above average, providing continuous support to vegetable prices

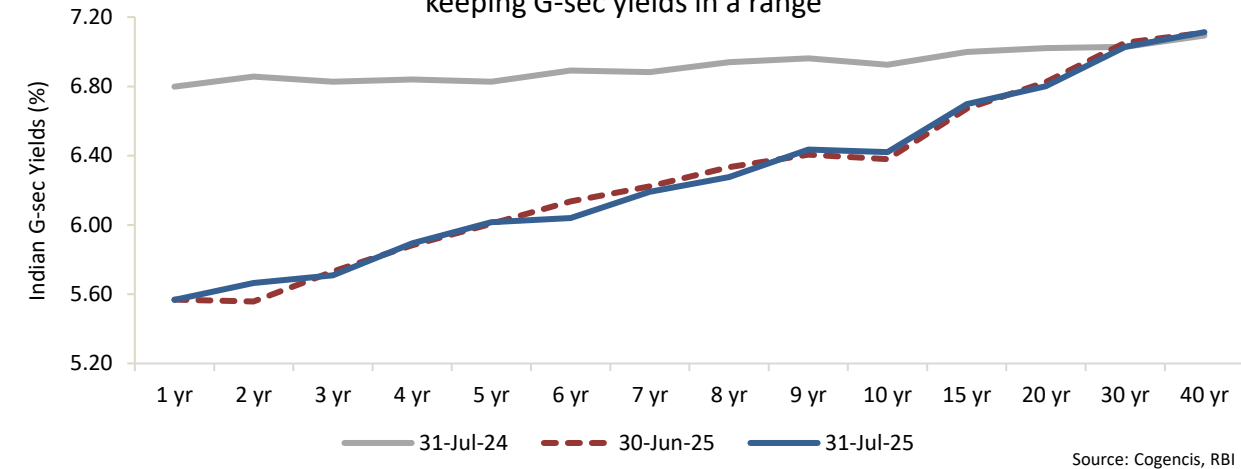


Easing liquidity kept lower end of the G-sec yield curve anchored while higher than expected tariffs by US and weakening INR ensured higher term spreads

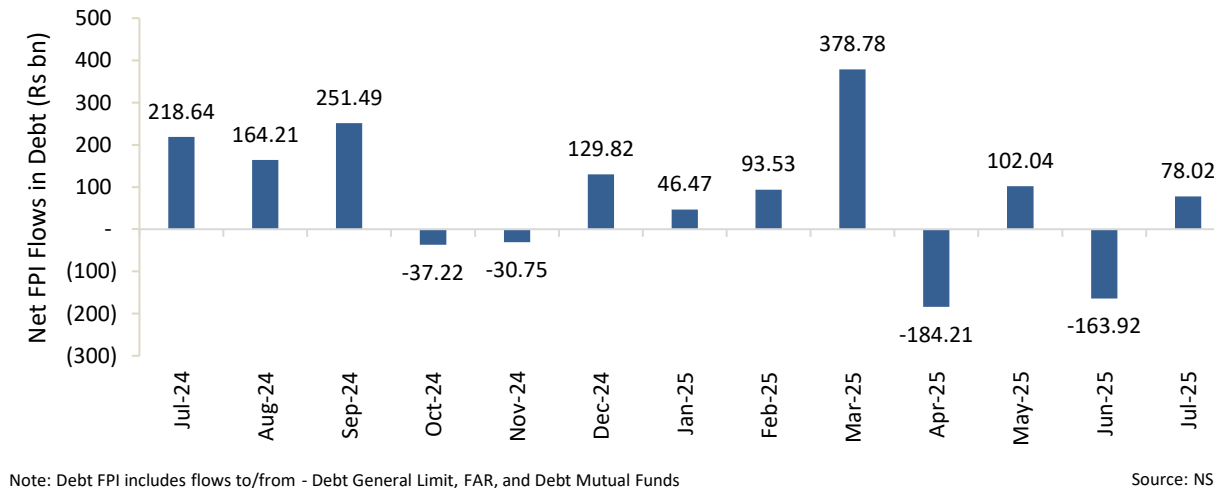
Higher term spreads at the longer-end provide a tactical opportunity



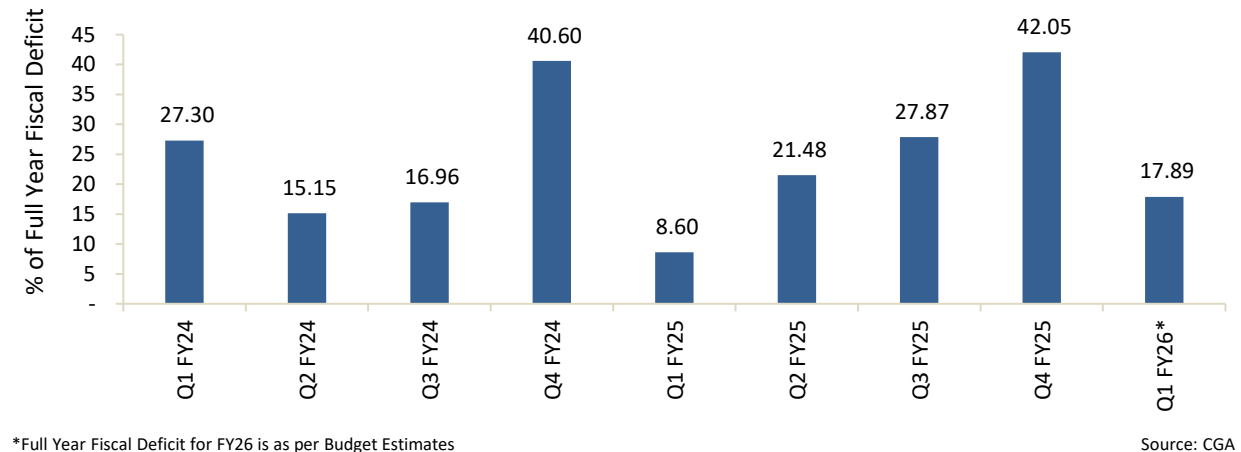
Low inflation data was counterbalanced by US treasury yield movement, keeping G-sec yields in a range



FPIs turned net buyers in the bond market

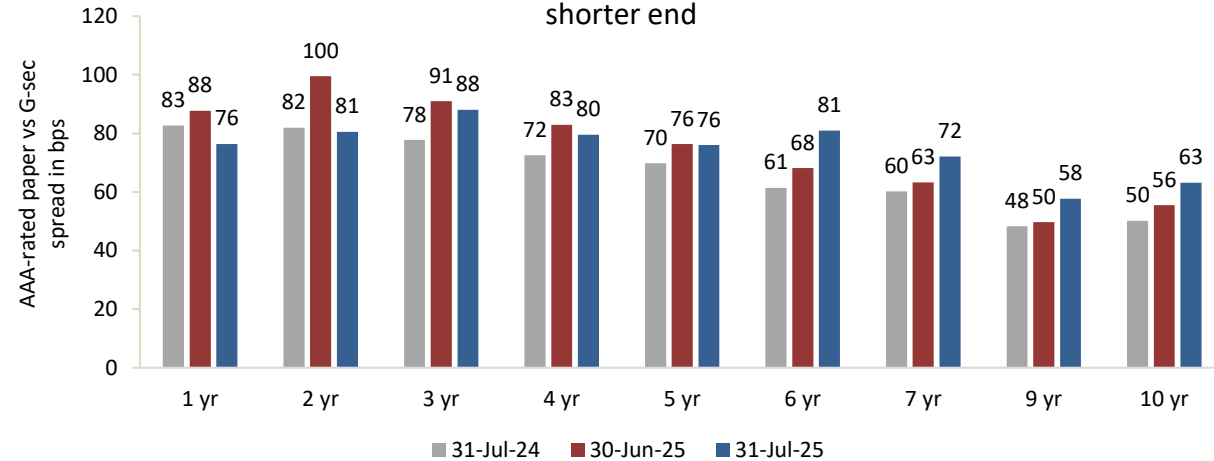


While Fiscal Deficit looks optically high compared to Q1 FY25, which was an election quarter, it continues to remain comfortable

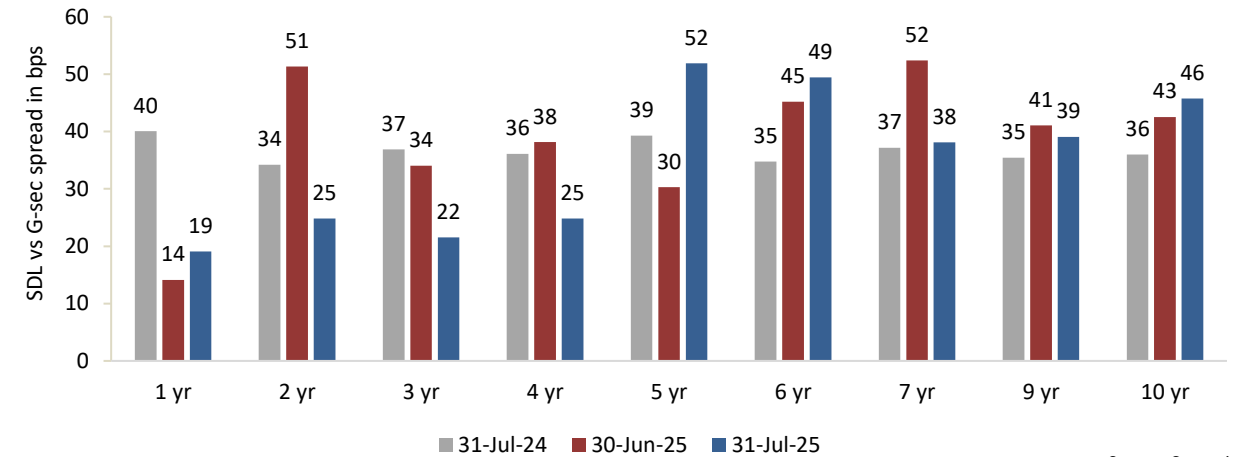


Easing liquidity conditions and attractive spreads makes a case for investment in Corporate bond funds with portfolios positioned at the shorter end

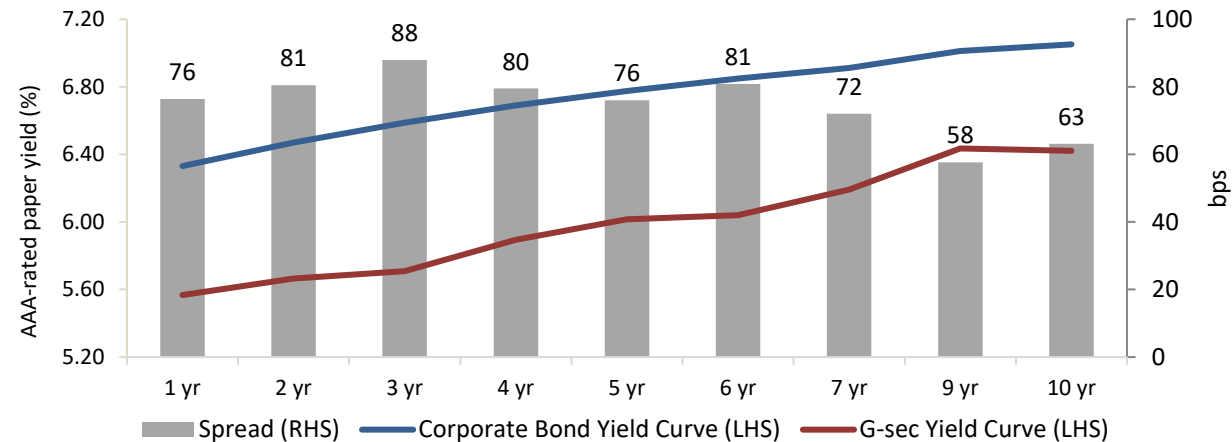
Spreads between Corporate Bonds and G-secs remained lucrative at the shorter end



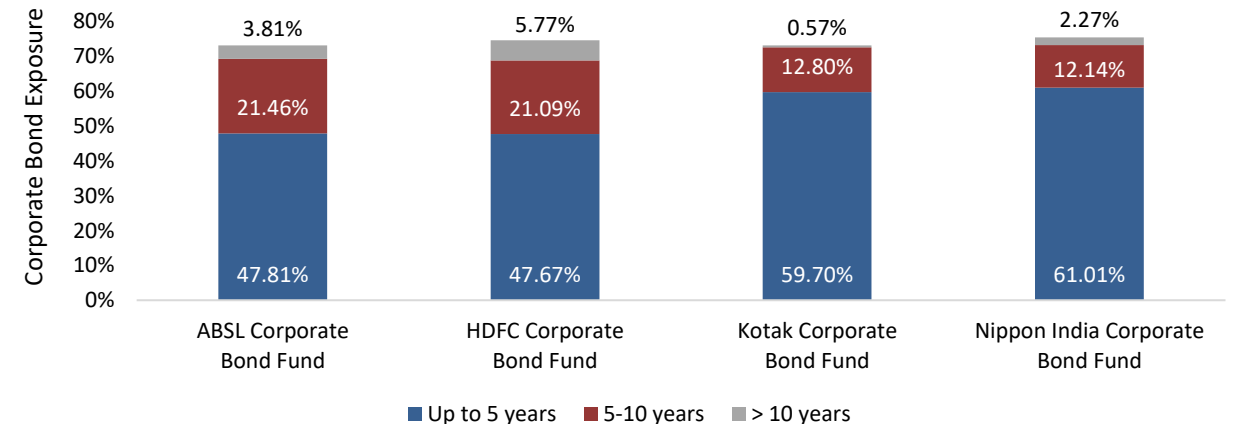
SDL spreads were mixed



Corporate Bond Spreads are elevated at the shorter-end...



... thus our recommended Corporate Bond Funds, which have higher allocation at that end, are well positioned



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