HDFC Bank – Research Presentation

February 2025

Classification - Public

Risk profile-based asset allocation

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

Note:		
	Optimistic	▲
	Cautiously Optimistic	◆
	Cautious	▼

Category-wise view

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

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

Classification - Public

Equity MF Strategy – February 2025

- Global growth is likely to remain stable but subdued over the next couple of years, while global trade is gradually showing signs of weakness.
- While the US growth remains stable, it seems to be on the back of high fiscal spending. Donald trump has begun raising tariffs on key trading partners which can have implications for US inflation and may push the US Fed to delay its cuts. Policy volatility in the US can negatively impact global growth.
- As per a calculation by the IMF, rising tariffs, controlling immigration and rising policy uncertainty across key economies can have a severe negative impact on global growth prospects in the medium term. This negative impact is also likely to reflect on the equity markets globally.
- In China, inflation data has continued to weaken, despite strong export data. This suggests of sustained weakness in the consumer demand in China. Such weakness has opened up space for further large stimulus by the Chinese Govt.
- The base commodity prices have been range bound with a weakening bias on the back of rise in the Dollar Index and weak global growth impulses. Food Inflation globally continues to rise due to base effect and weather issues, putting upward pressure on global inflation. The crude oil prices have moved up closer to USD 76-78/ bbl due to incremental sanctions on Russian crude exports. Rising crude oil prices may have negative implication on corporate margins
- With the US fed giving signals of slowing the rate cut process and announcements of tariffs by the Trump administration, the US Dollar Index has seen an high volatility, which has also led to rising volatility in the Emerging market flows.
- **The Union Budget has continued to lay down a path for long term growth in India, by supporting Job Creation, MSME, Ease of Doing Business, while reducing the fiscal deficit. The Budget has also put Rs 1 trillion additional disposable income in the hands of the middleclass taxpayers, which is likely to support consumption in FY26. With the expected implementation of 8th Pay commission from CY26, consumption could emerge as a strong theme going forward.**
- At a macro level, we continue to see incremental weakness in key data points. While the PMI data suggests steady momentum in Manufacturing and Services activity; areas like credit growth, weakening currency vs USD, Decelerating GST growth and tight liquidity conditions remain key concerns for future growth momentum in the economy.
- As a bright spot, Rural economy is continuing to hold up, after weakness seen in the past few years. Strong monsoons, higher crop acreage and higher agri-prices bode well for rural economy. Another key reason for the rural uptick has been the increased handouts that are now being given by many state governments for the lower income households and farming community. The Two-Wheeler sales and improving volume growth commentaries (which are divergent from their commentary on urban demand) from FMCG companies are suggestive of improving consumption impulse in this segment. Rural facing stocks/sectors are likely to outperform in the medium term.
- Urban demand continues to show signs of deceleration, despite the premiumisation trend continuing. While recently the Passenger vehicle sales growth has seen a spike, other indicators like personal loan growth, Credit card loans, vehicle loans, hotel occupancy rates, consumer confidence are decelerating. In the Q3FY25 result season, many FMCG companies have continue to suggest muted demand momentum in the urban segment.
- Corporate and Banking sector balance sheets in India have shown strong improvement. India's Corporate debt to GDP has come off consistently, which has created room for India Inc. to raise further borrowing for capex requirements. As per data from the RBI, the capex intentions of the Private sector seems to be on an upswing. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics are likely to undertake new capacity creations.
- The key concern for the current capex led upcycle for the economy seems to be the deceleration in government capex, as suggested by the budget. While the amount allocated in the Budget are relatively healthy, they are focussed at key subsegments like water, PMAY and Defence. It may not be enough to sustain the broad based growth expectations that the current valuations that the capex driven stocks are factoring in. Thus many sectors/stocks in this segment could de-rate.
- Tight liquidity condition seem to be among the key reasons for growth deceleration. While the RBI has announced strong moves to improve the banking system liquidity, market is expecting further moves from the RBI on the liquidity front. The expectation of policy rate cut has also risen post the budget announcement of further fiscal consolidation. Improvement in liquidity conditions could be positive for demand conditions and consequently for the equity markets.
- Q3FY25 results have been a mixed bag so far, but far better than Q2FY25. The earnings growth has not been broad based, but has been driven by few sectors and subsectors. This seem to be one of the reasons for gradual narrowing of the equity market performers.
- **In the current correction, the valuations across market cap has seen sharp improvement. While Large caps are trading at discount Mid and Small caps in terms of consensus estimates, a case for gradual exposure to Small and midcaps has arisen as growth in these segments could be higher and further corrections could be used for incremental investments**.
- In the long term, improving domestic macro conditions, favourable demographics, rising per capita income and strong consumption demand could keep driving the Indian corporate earnings higher and support the equity markets.
- **In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. From an Equity Mutual Fund perspective, investors could look at investing in Diversified funds, Hybrid equity funds, Business cycle funds and doing SIP/ longer STPs in Smallcap/Midcap funds in line with their risk profile and product suitability from a 2-3 years' time horizon.**

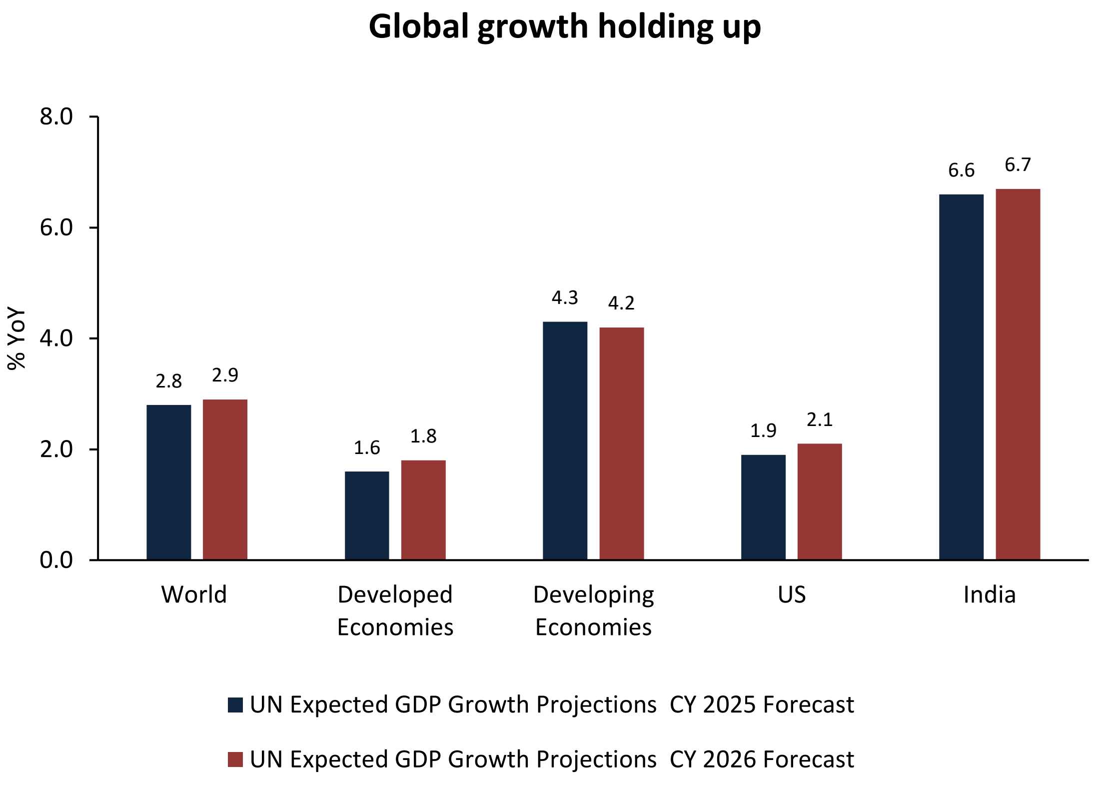
Debt Mutual Fund Strategy

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

Classification - Public

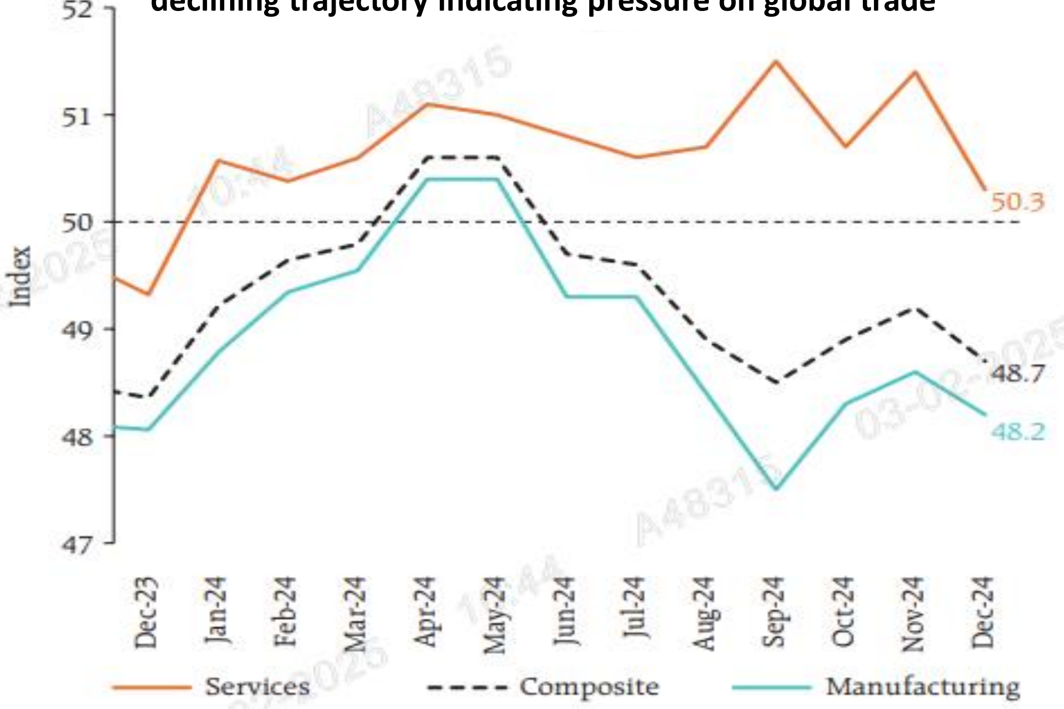
Research presentation – Content

Global growth to be stable… downside risk present



Sources: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Global PMI Export Orders: Manufacturing and Services on declining trajectory indicating pressure on global trade

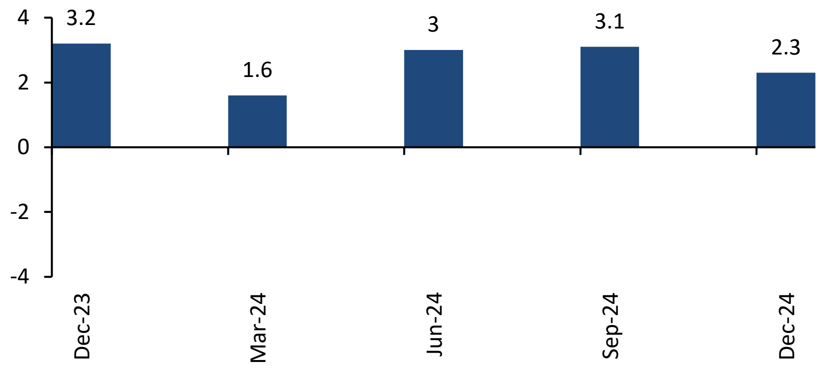


Note: A level of 50 corresponds to no change in activity and a reading above 50 denotes expansion and *vice versa*.
Source: S&P Global.

US: Growth holding up, liquidity tightening, Trump policy announcement to drive US markets

US Quarterly GDP Growth - YoY % Change

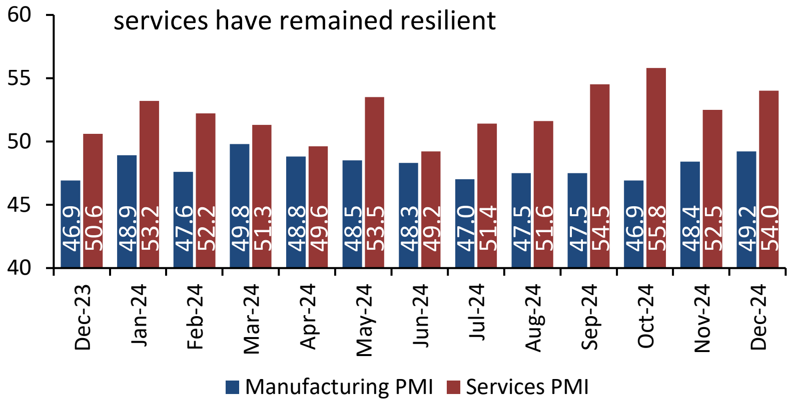
Economy seems to be slowing down



Source: Bloomberg

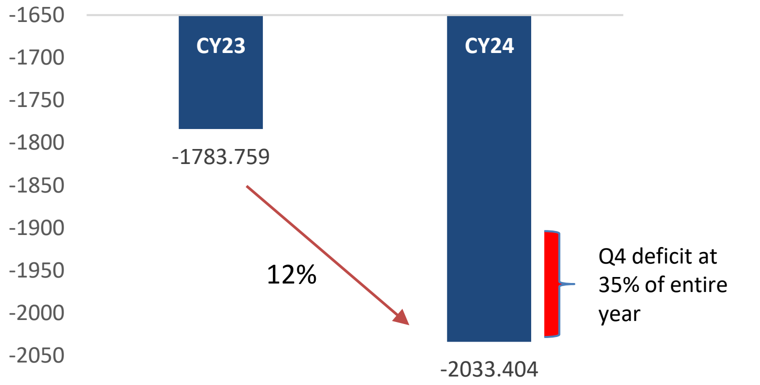
US Manufacturing & Services PMI

While manufacturing PMI continues to struggle, services have remained resilient



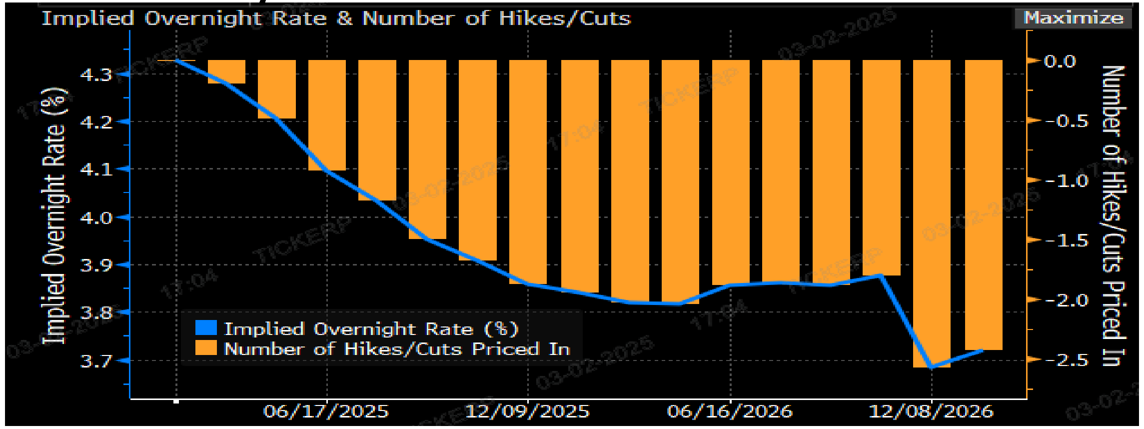
Source: Bloomberg

Rise in the deficit in US budget seems to be supporting the current growth



Source: Bloomberg

Fed rate cut expectations slowing down as last mile inflation remains sticky



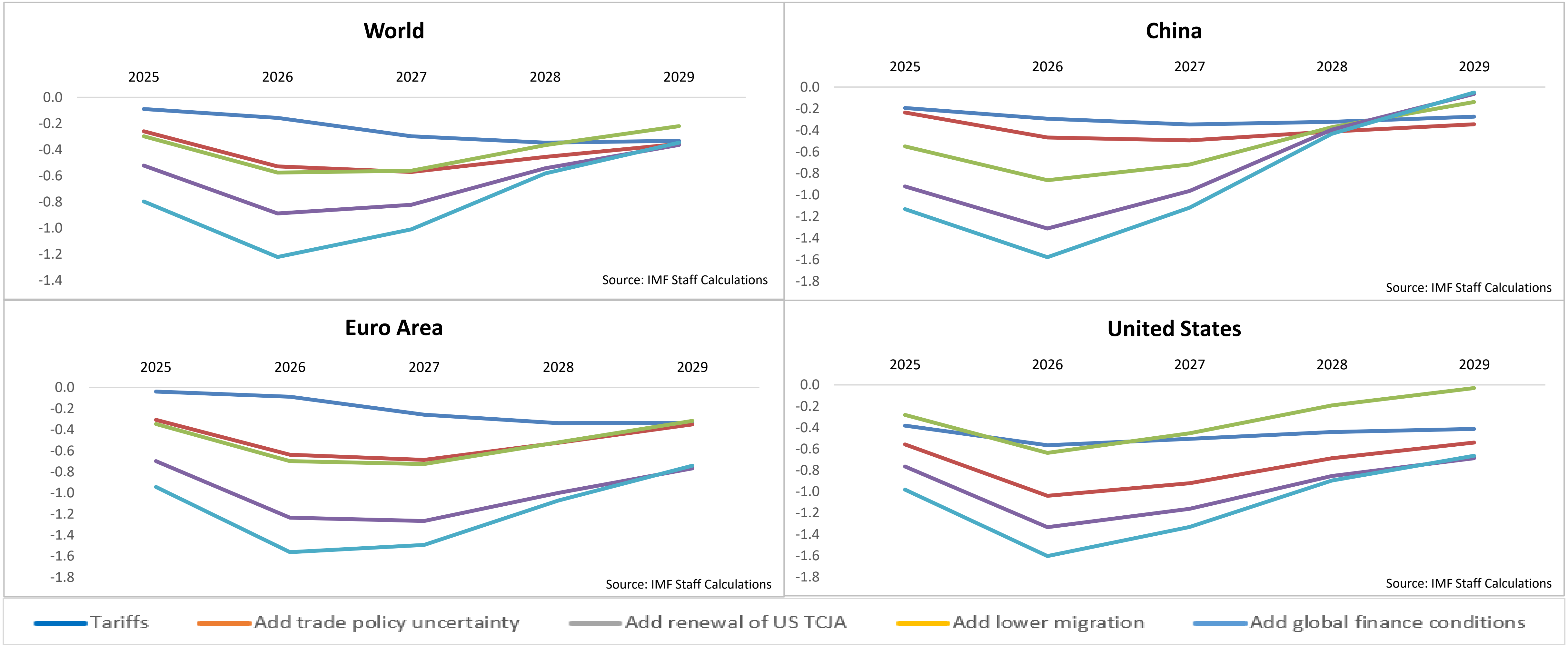
Source: Bloomberg

Donald Trump policies in focus:

- **Trade** : Canadian and Mexican exports to the US to face a 25% tariff, with Canadian energy exports subject to a lower 10% rate. China, which already faces varying duties, to see an additional 10% tariff.
- **Tax cut**: Promised to cut taxes for domestic manufacturers and working class families to ensure more money in their 'pockets'.
- **Oil Price Diplomacy:** Focus on pushing Oil supply to bring prices down.

Classification - Public

Key Risk: Higher mutual tariffs, policy uncertainty and changes on immigration policies can weigh down on global growth incrementally… as per IMF

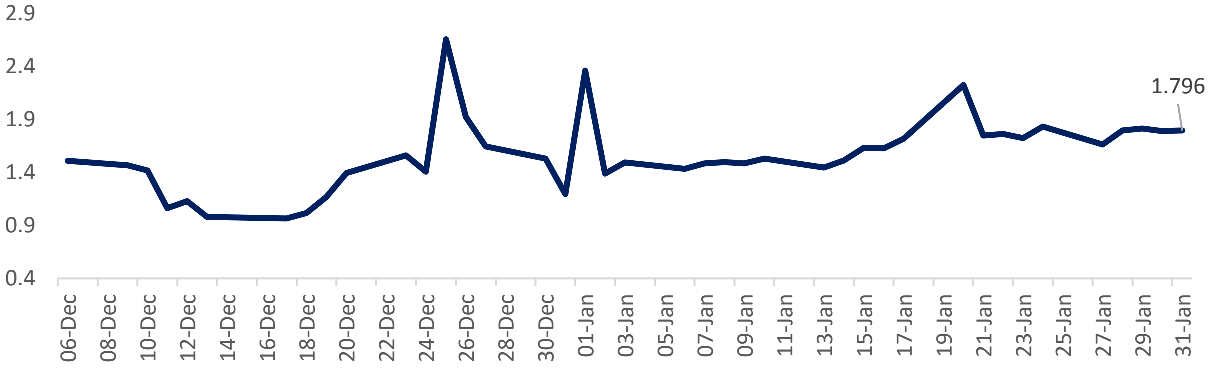


Assumptions taken by IMF: The United States, the euro area, and China impose a 10% tariff on trade flows among the three regions; a 10% tariff is also levied on trade flows (in both directions) between the United States and the rest of the world. The increase in tariffs directly affects about one-quarter of all goods trade, representing close to 6% of global GDP. The revenue generated by the tariffs is transferred back to households.

Classification - Public

Eurozone: Economic conditions continue to remain weak… despite sustained improvements in monetary conditions

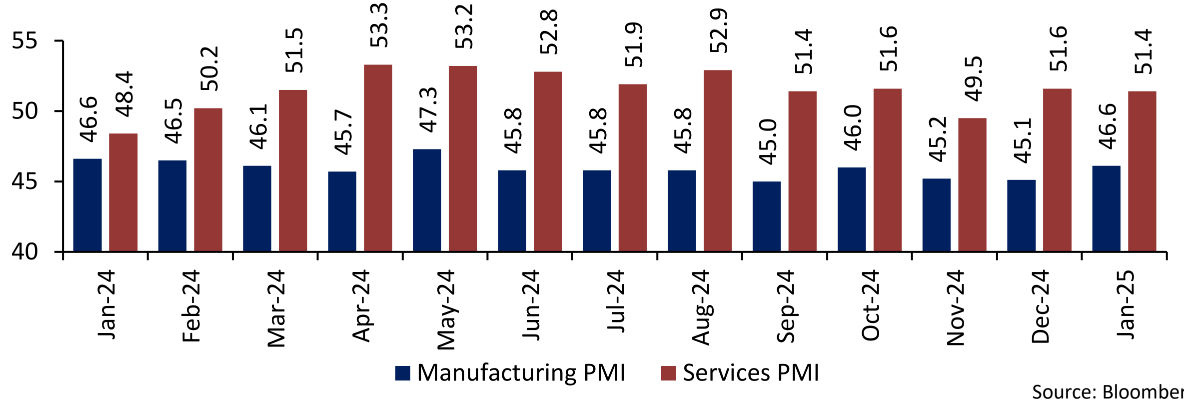
Bloomberg Euro area Financial Conditions Index remains stable



Source: Bloomberg

S&P Global Eurozone PMI

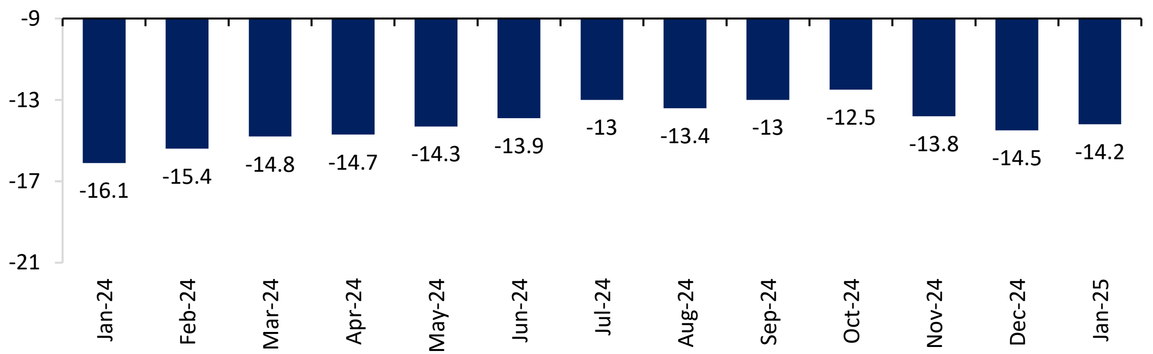
Services continue to hold up while Manufacturing showing signs of improvement, however still weak



Source: Bloomberg

Eurozone Consumer Confidence Indicator

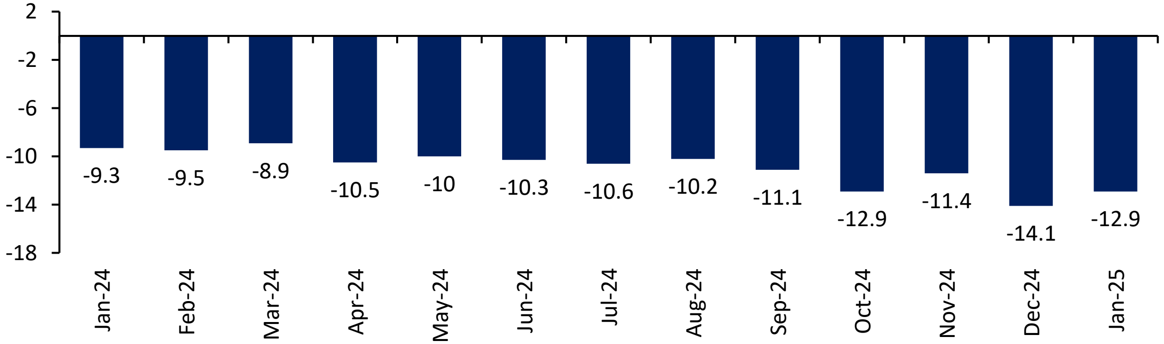
Earlier signs of gradual improvement seems to be reversing for the worse.



Source: Bloomberg

Eurozone Industrial Confidence Indicator

Weakness continues to persist.



Source: Bloomberg

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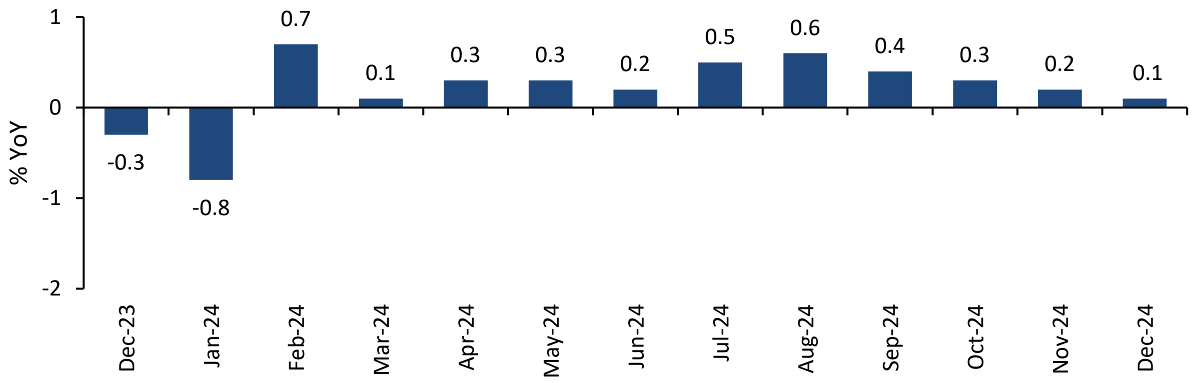
China: Weakening inflation impulses open up space for further stimulus

China CPI

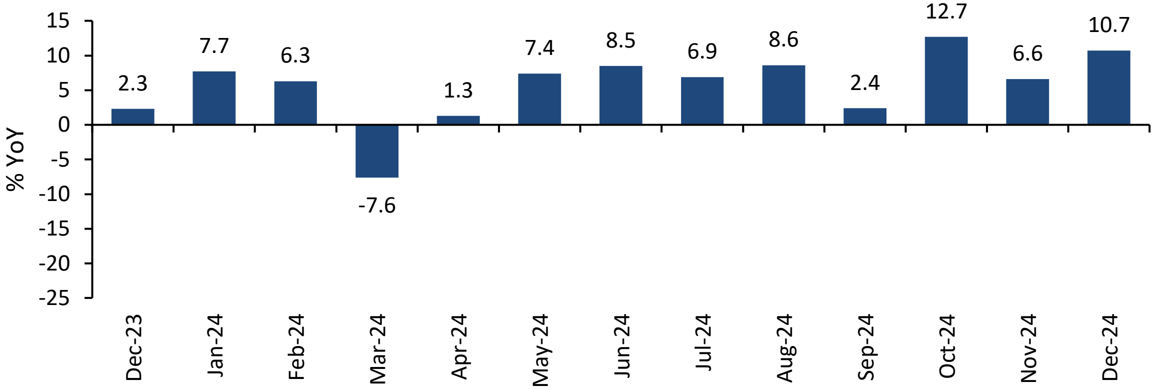
Sharp decline in inflation symptomatic of weak consumer demand



Source: Bloomberg

China's Export Growth (In USD Terms)

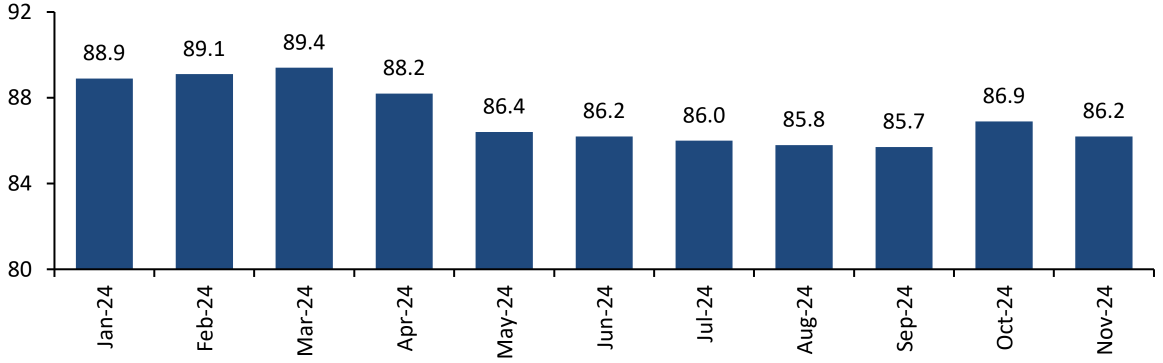
On back of struggling economy, exports show a sign of hope



Source: Bloomberg

China Consumer Confidence Index

Weakness continues to persist



Source: Bloomberg

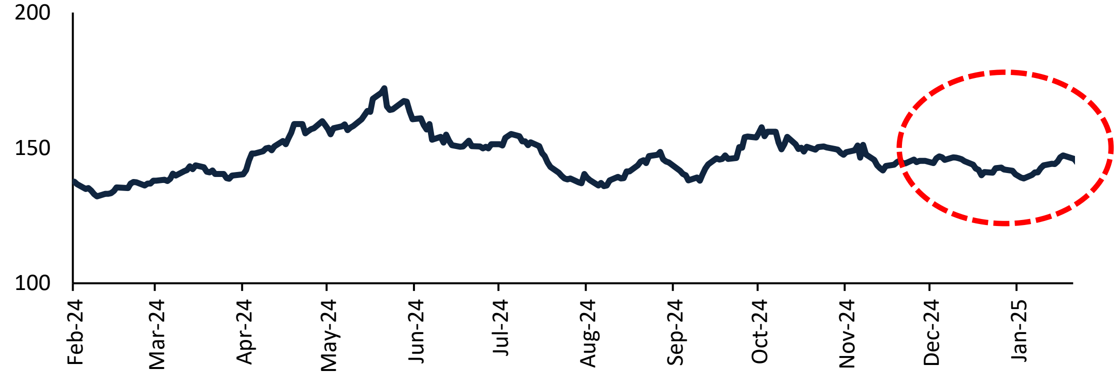
- As China has expanded the scope of a consumer goods trade-in scheme it will give more subsidies for digital purchases this year, in an effort to revive sluggish domestic demand.
- Millions of government workers across China are given surprise wage increases. The immediate pay-out would amount to a one-time shot to the economy of between about $12 billion and $20 billion.
- Authorities had agreed to issue 3 trillion yuan ($409.19 billion) worth of special treasury bonds in 2025, the highest annual amount on record.
- China's top leaders are considering allowing the yuan to weaken in 2025 as they brace for higher U.S. trade tariffs.

Classification - Public

Industrial commodities: Reman in a range in absence of significant demand from China… any stimulus from China can raise expectations

Bloomberg Industrial Metals Index

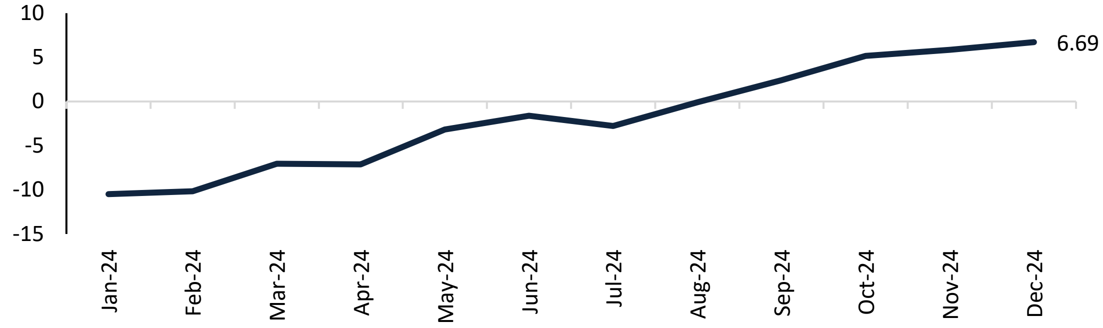
Metals prices moving in a range, China recovery remains a key monitorable



Source: Bloomberg

UN Food & Agriculture World Food Price Index

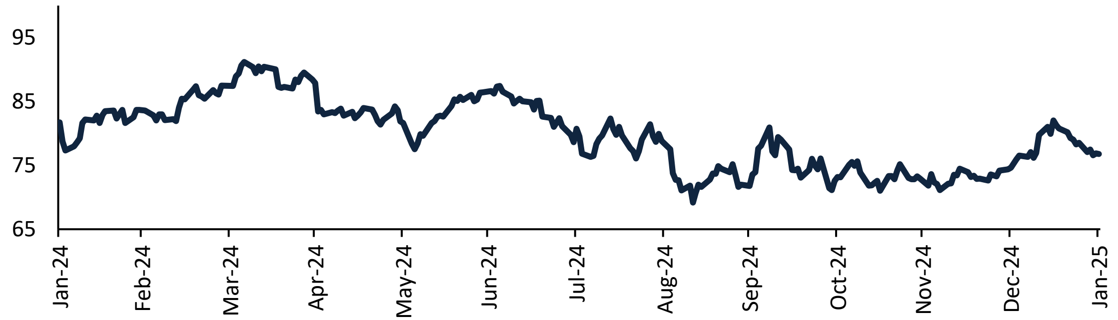
Low base and extreme weather conditions exerting upwards pressure on food inflation



Source: Bloomberg

Brent Crude (USD Per Barrel)

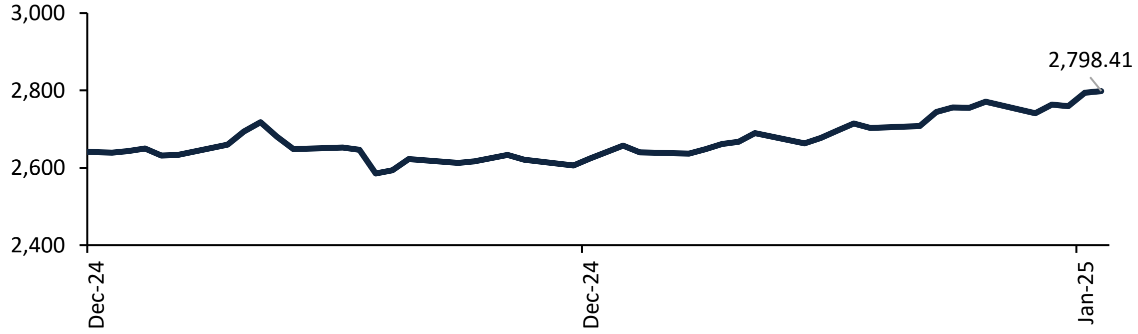
Range bound but on a higher side due sanctions on Russia by US



Source: Bloomberg

Gold Price (USD Per Troy Ounce)

Safe haven demand keep gold prices upwards



Source: Bloomberg

Classification - Public

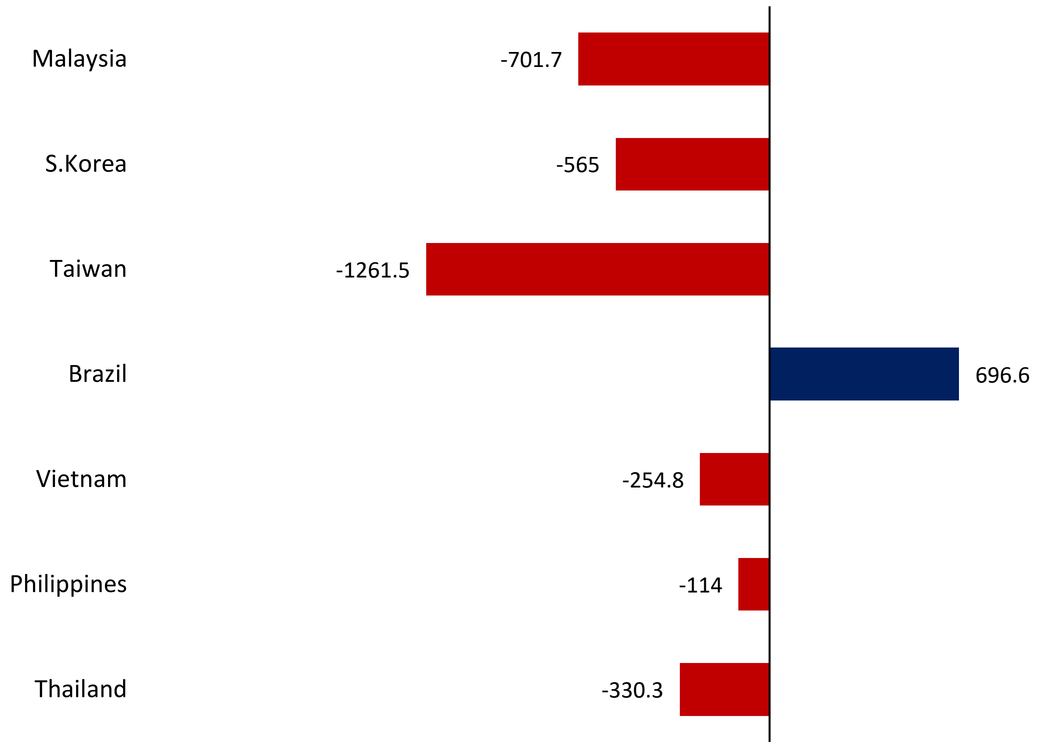
Volatility in Dollar Index led to further outflows from Emerging markets

US Dollar Index

Trumps tariff policy has led to strengthening of US Dollar index

Source: Bloomberg

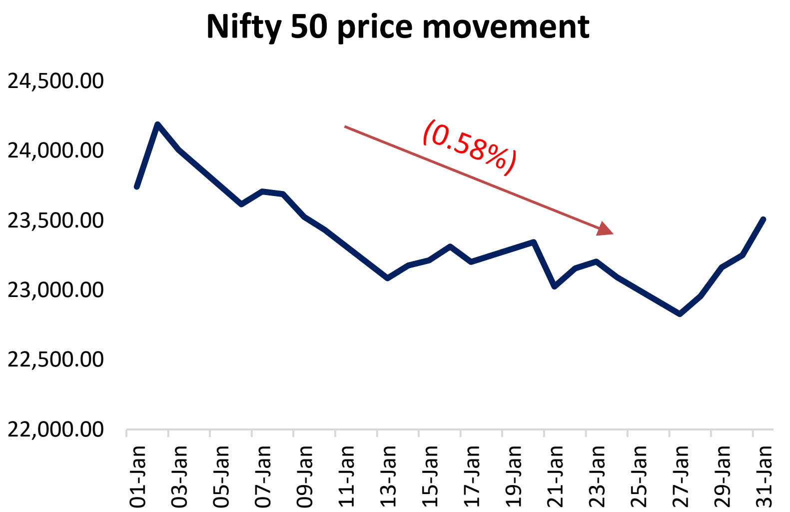
Emerging Markets - Net Flows In January 2025 (USD Million)



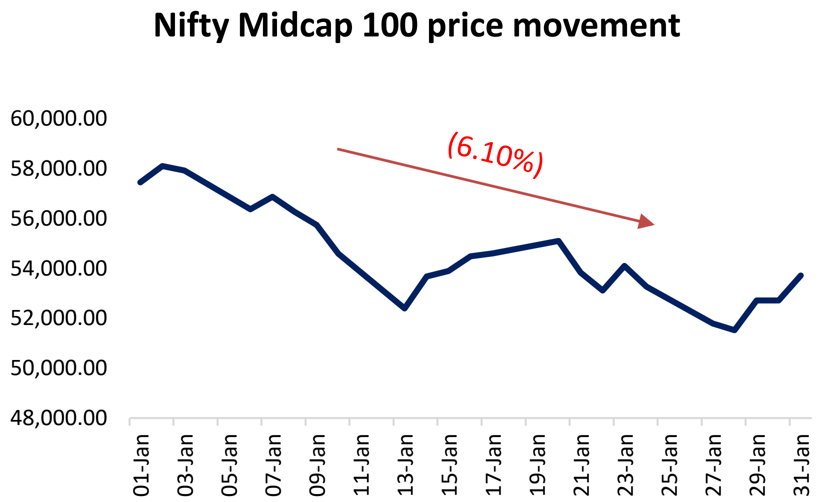
Source: Bloomberg

Classification - Public

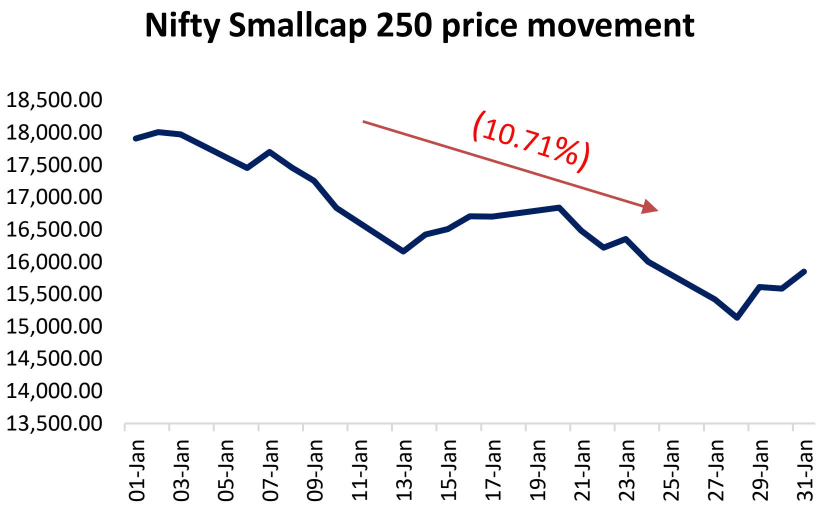
Sharp FPI outflows led to weakening Indian equity markets, Mid and Small cap underperformed more in comparison to Large caps



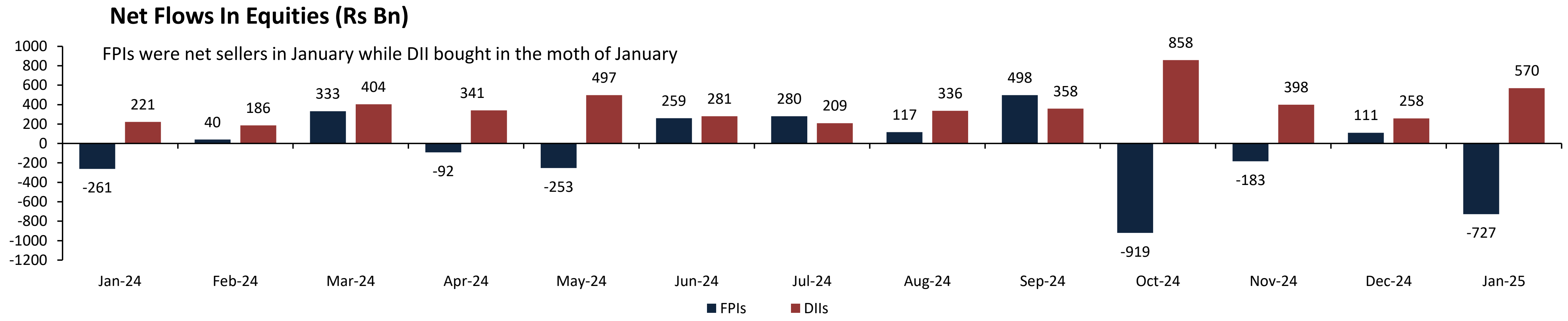
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



*For 2025, FPI and DII data is up to 31st January

Source: SEBI, CDSL

Union Budget focus is on fiscal consolidation and boosting consumption and having a stable infra spend

Major Budget takeaways on key focus areas:

Finance Minister Nirmala Sitharaman outlined the core priorities of Budget 2025, emphasizing five key objectives:

a) Driving economic growth
b) Ensuring inclusive development
c) Boosting private sector investment
d) Strengthening household consumption
e) Enhancing the spending power of India's expanding middle class

In this Budget, the proposed development measures span ten broad areas focusing on Garib, Youth, Annadata and Nari:

1) Spurring Agricultural Growth and Productivity;
2) Building Rural Prosperity and Resilience;
3) Taking Everyone Together on an Inclusive Growth path;
4) Boosting Manufacturing and Furthering Make in India;
5) Supporting MSMEs;
6) Enabling Employment-led Development;
7) Investing in people, economy and innovation;
8) Securing Energy Supplies;
9) Promoting Exports; and
10) Nurturing Innovation.

Key Receipts

Sl No.	Particulars	FY25BE (Rs. Bn)	FY25RE (Rs. Bn)	FY26BE (Rs. Bn.)	FY26BE vs FY25RE
1	*Direct Tax Revenue from:*				
	~ Corporation Tax (a)	10200	9800	10820	10.41%
	~ Income Tax (b)	11870	12570	14380	14.40%
	Total (a+b)	22070	22370	25200	12.65%
2	*Overall GST*	10618.99	10618.99	11780	10.93%
3	License Fee from telecom operators and Spectrum Usage Charges	1,202.67	1,233.57	824.43	-33.17%
4	Dividends from PSEs and other Investments (c)	562.6	5.5	6.9	25.45%
	Dividend/Surplus from RBI, Nationalised Banks and financial Institutions (d)	2328.74	2342.846	2560	9.27%
	Total Dividends and Profits (c+d)	2891.34	2348.35	2566.90	9.31%
5	Disinvestments	500	330	470	42.42%

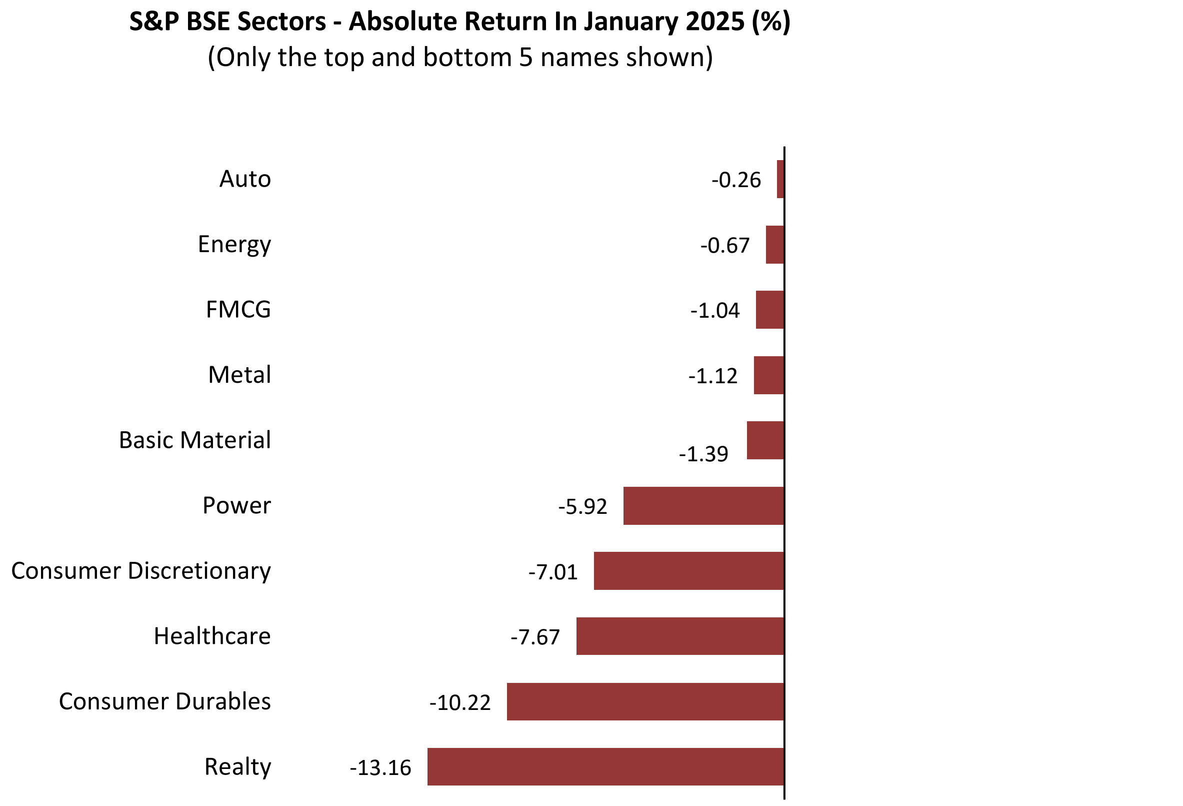
Key Expenditure Areas:

Sl No.	Particulars	FY25BE (Rs. Bn)	FY25RE (Rs. Bn)	FY26BE (Rs. Bn.)	FY26BE vs FY25RE
1	Central Sector schemes/projects	15161.76	15128.2	16218.99	7.21%
2	Pension	2432.96	2751.03	2766.18	0.55%
3	Defence	4547.73	4567.22	4917.32	7.67%
4	*Subsidy:*				
	~ Fertiliser	1640	1712.99	1678.87	-1.99%
	~ Food	2052.5	1974.2	2034.2	3.04%
	~ Petroleum	119.25	147	121	-17.69%
5	Agriculture and Allied Activities	1518.51	1408.59	1714.37	21.71%
6	Education	1256.38	1140.54	1286.5	12.80%
7	Energy	687.69	634.03	811.74	28.03%
8	Health	892.87	880.32	983.11	11.68%
9	Rural Development	2658.08	1906.75	2668.17	39.93%
10	Urban Development	825.77	636.7	967.77	52.00%
11	*Centrally Sponsored Schemes:*				
	~ National AYUSH Mission	12	10.46	12.75	21.89%
	~ PM POSHAN	124.67	100	125	25.00%
	~PMAY (Rural)	545	324.26	548.32	69.10%
	~PMAY (Urban)	301.71	136.7	197.94	44.80%
	~ PMAY (Urban 2.0)	-	15	35	133.33%
	~ AMRUT	80	60	100	66.67%
	~ Jal Jeevan Mission	701.63	226.94	670	195.23%
	~ MGNREGP	860	860	860	0.00%
	~ PM Gram Sadak Yojna	190	145	190	31.03%
	~ PM Garib Kalyan Anna Yojana	2052.5	1970	2030	3.05%
	~ Solar Power (Grid)	100	13	15	15.38%
	~ PLI (Auto and Auto components)	35	3.47	28.19	712.39%
	~ PLI (MEITY)	62	57.77	90	55.79%
12	Ministry of Railways:				
	~ Capital Expenditure (a)	2520	2520	2520	0.00%
	~ Revenue Expenditure (b)	33.93	33.4781	34.4518	2.91%
	Total (a+b)	2553.93	2553.48	2554.45	0.04%
13	Ministry of Road Transport and Highways	2780	2805.188	2873.3316	2.43%

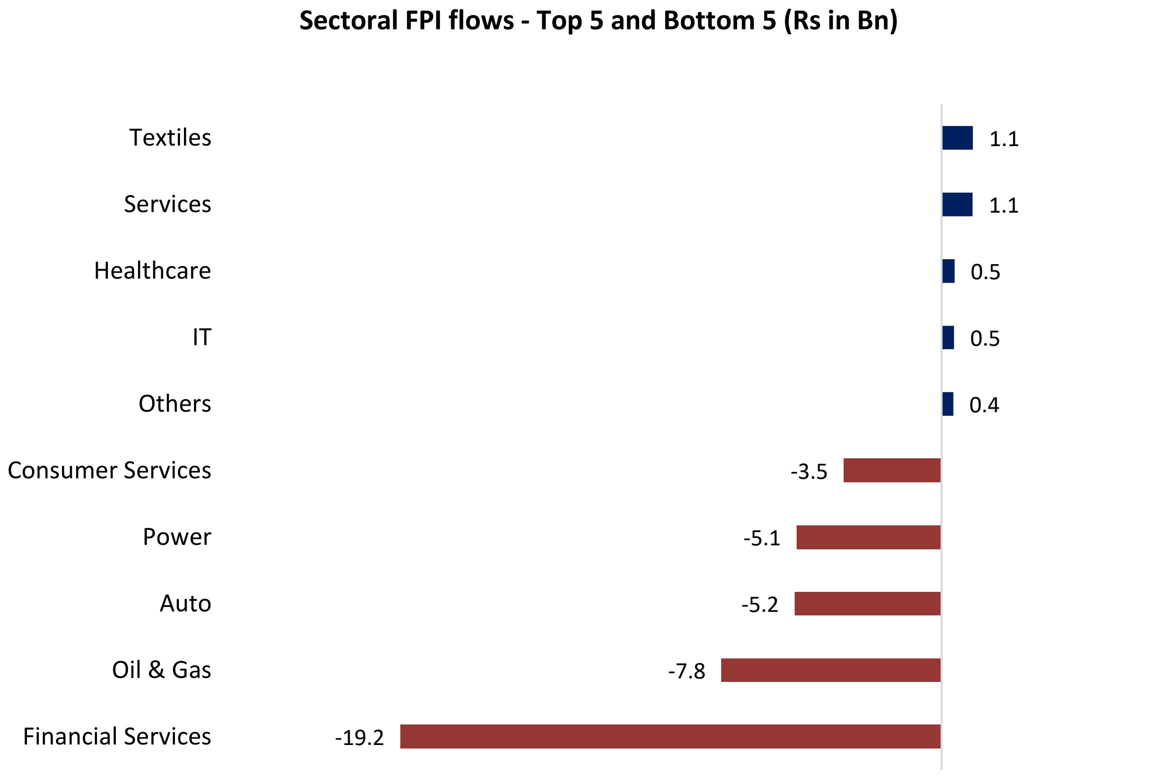
Source: www.indiabudget.gov.in

Classification - Public

Sectoral performance and FPI flows in January 2025



Source: Ace MF



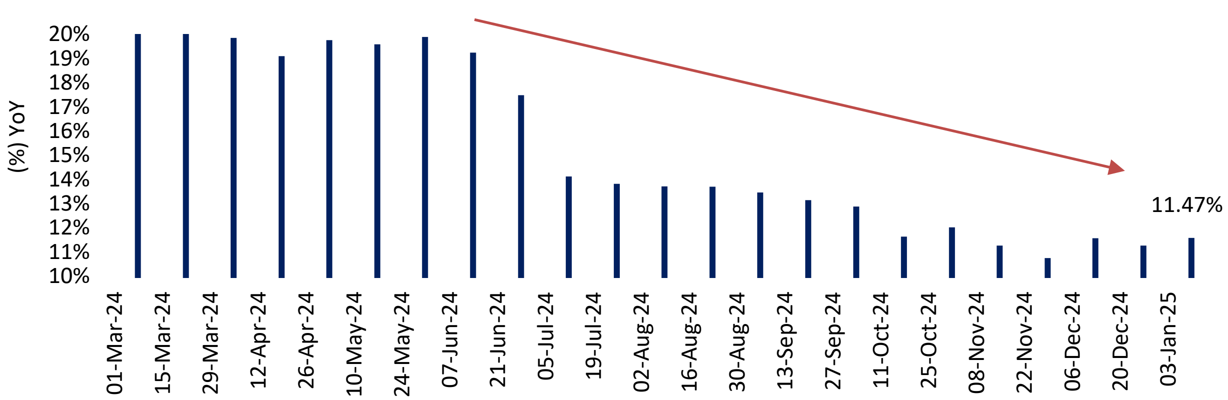
Source: NSDL, Data is from Dec 16, 2024 - Jan 15, 2025

Classification - Public

India – Macros continue to show signs of deceleration

Total Commercial Credit Growth

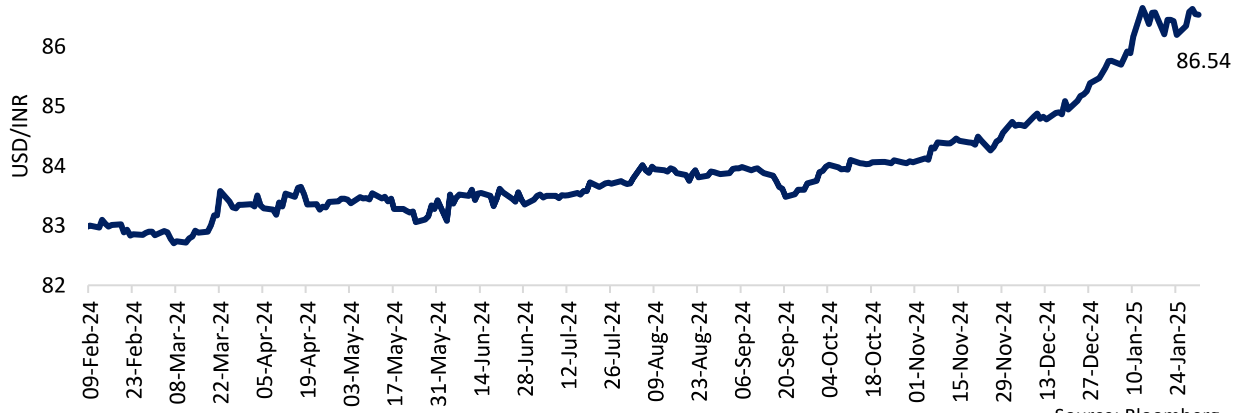
Declining Banking credit growth indicating weakness in economy



Source: Bloomberg

US Dollar vs Indian Rupee

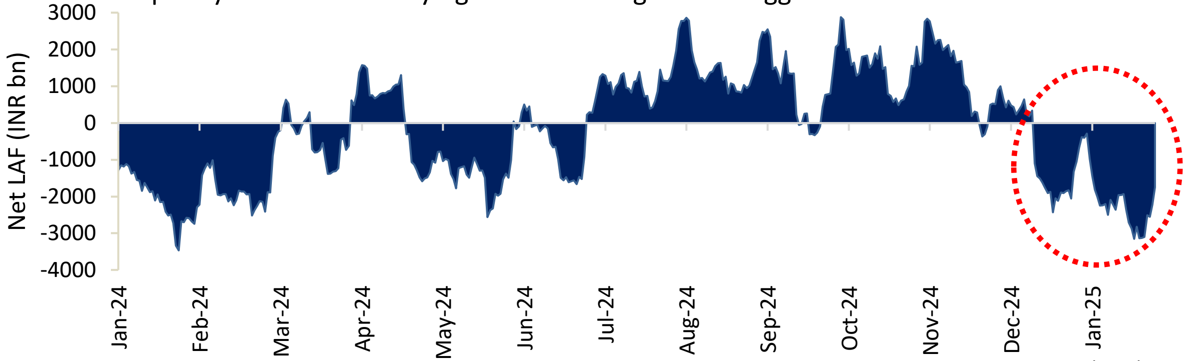
Domestic currency weakened significantly on back of fear of tariffs from US



Source: Bloomberg

Liquidity Adustment Facility

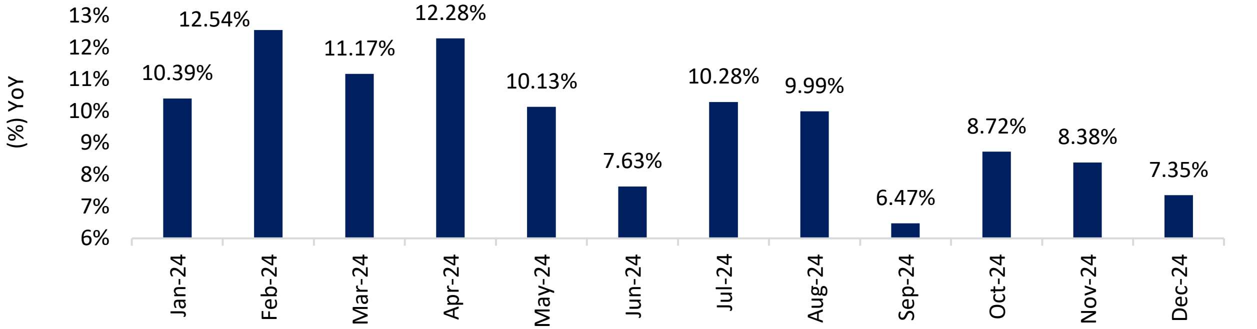
Liquidity remained mostly tight contributing to the sluggishness



Source: Bloomberg

GST Collection (% YoY)

Moderating collection suggestive of nominal GDP growth to be lower



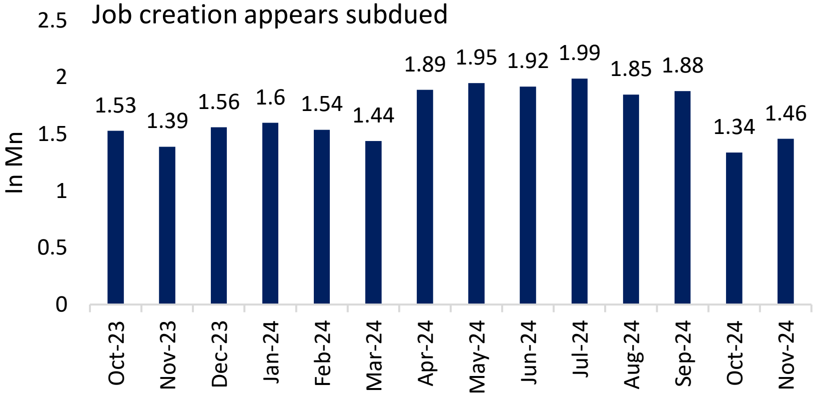
Source: Bloomberg

Classification - Public

Urban India – Data showing mixed signals…Budget's boost to consumption likely to improve demand conditions in FY26

Formal Job Creation (EPFO Payroll net subscriber growth)

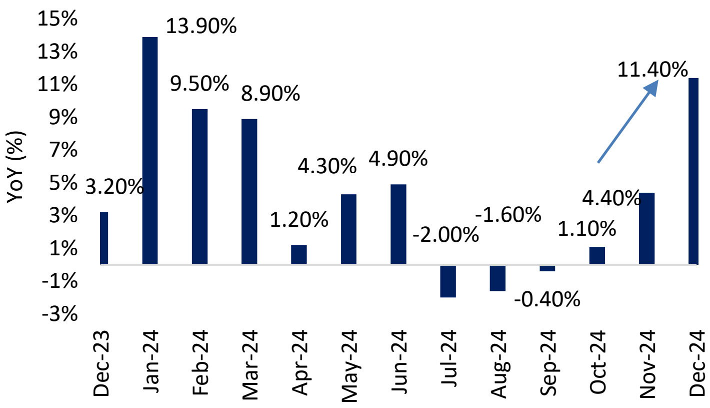
Job creation appears subdued



Source: EPFO, PIB

Passenger Vehicle Sales (% YoY)

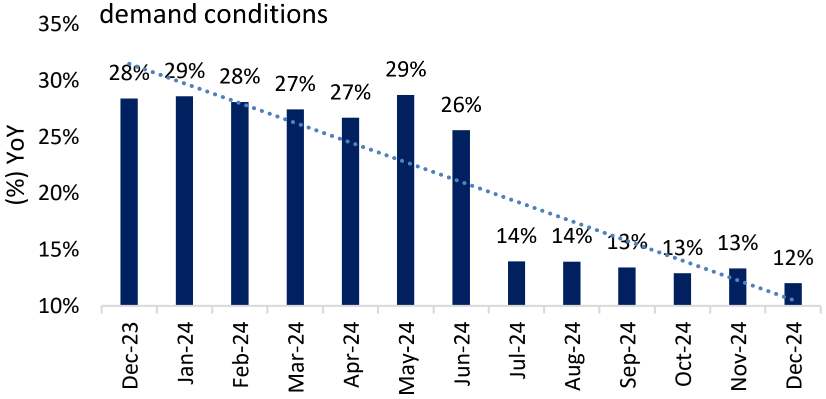
Passenger vehicle sales delivers a sudden spike



Source: RBI

Banking Sector Personal Loan Growth

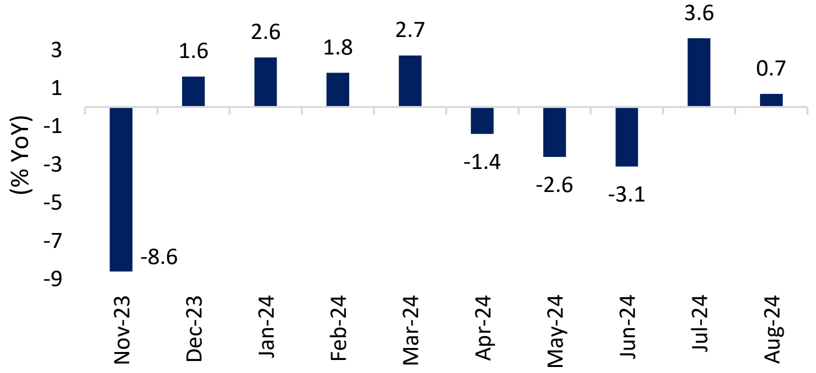
Decelerating personal loan growth suggestive of weak demand conditions



Source: Bloomberg

Hotel Occupancy Rate

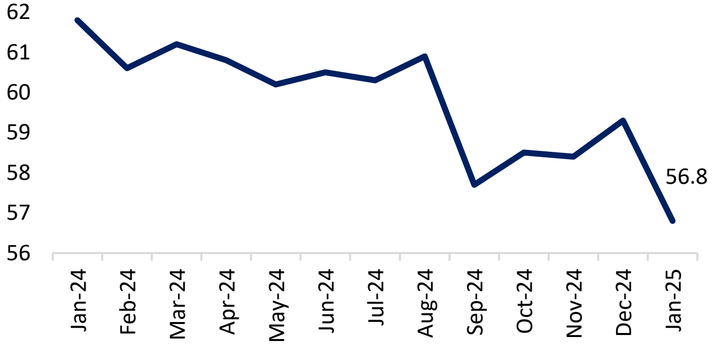
Hotel occupancy decelerating



Source: RBI

HSBC India Services PMI

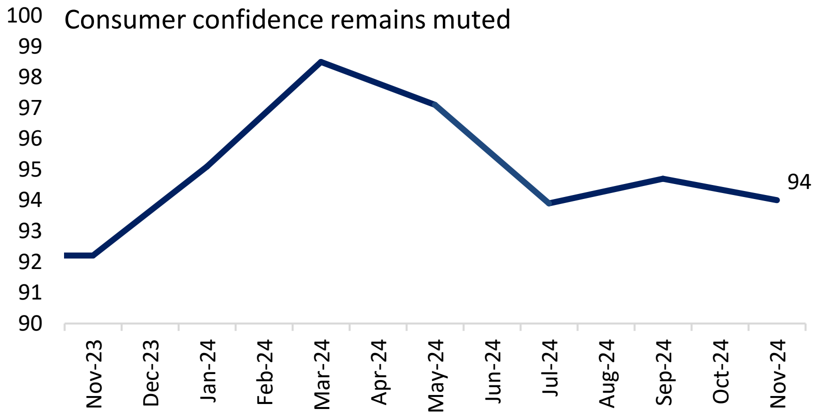
Service PMI though expanding, has seen incremental deceleration



Source: Bloomberg

Consumer Confidence Index

Consumer confidence remains muted



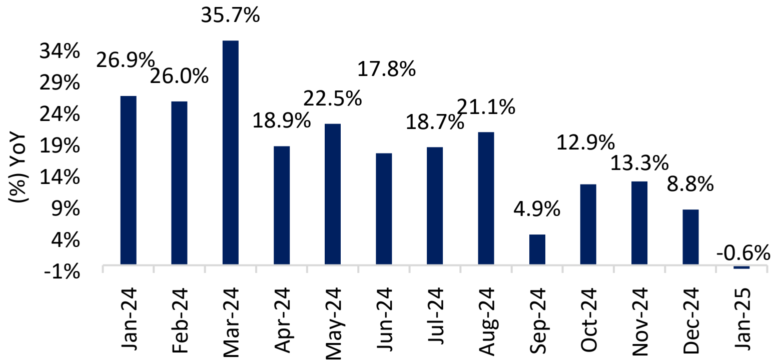
Source: Bloomberg

Classification - Public

Rural India: Rural economy expected to show incremental strength

Two Wheeler Vehicles Production

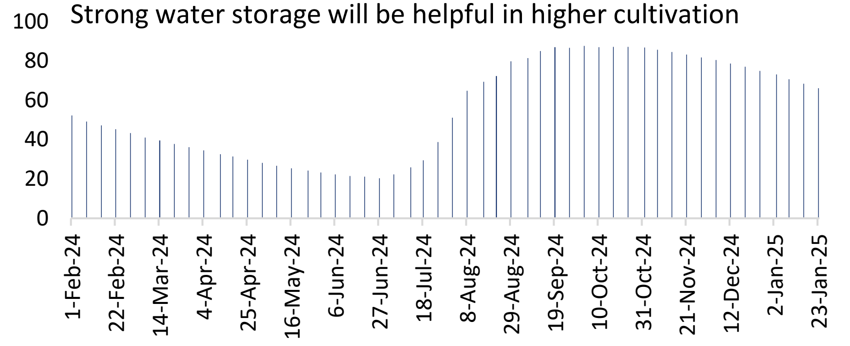
Production activity moderating



Source: Cogencies

Total 133 Reservoirs - % Of Current Live Storage

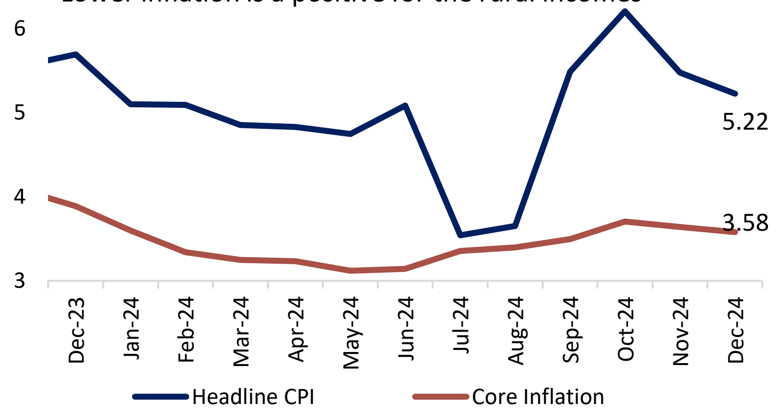
Strong water storage will be helpful in higher cultivation



Source: Cogencies

CPI Inflation (% YoY)

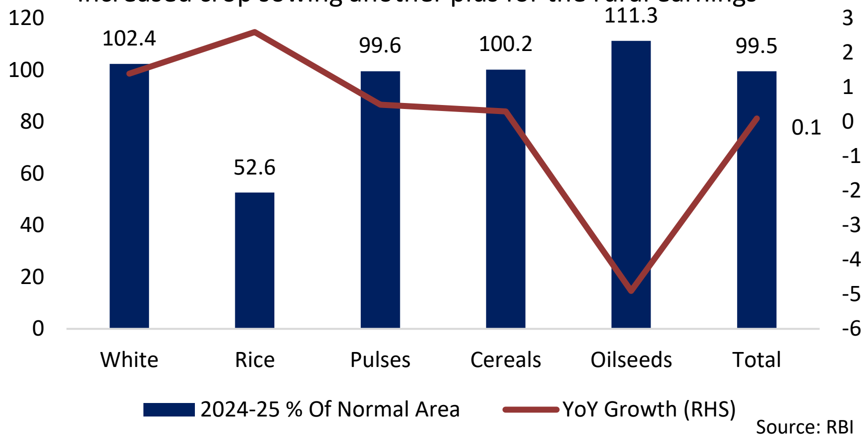
Lower inflation is a positive for the rural incomes



Source:-Ministry of Statistics and Program Implementation

Rabi Sowing Status

Increased crop sowing another plus for the rural earnings



Source: RBI

State Wise Roll-Out Of Schemes

Strong subsidy outflow to boost rural spending

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

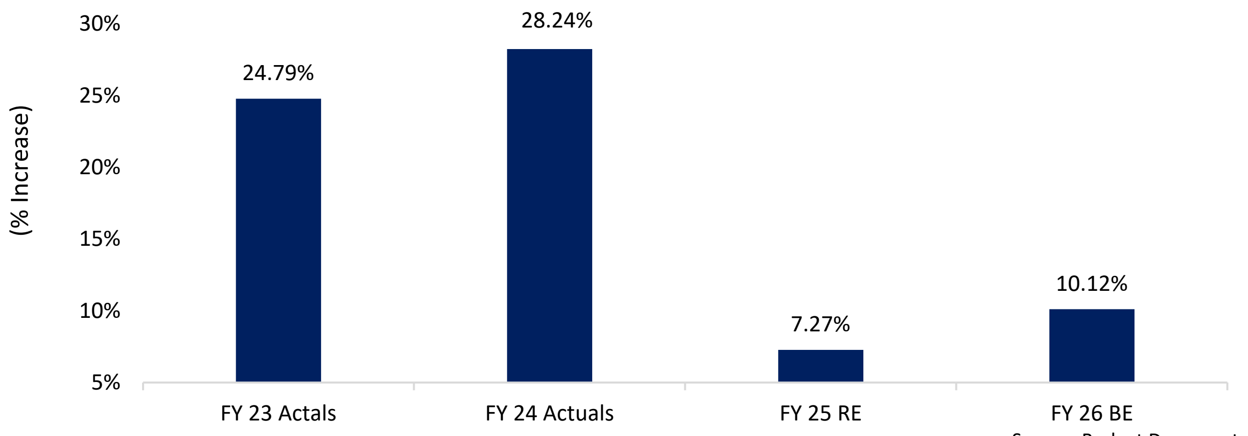
Source: Media Documents

Classification - Public

Capex – Government capex estimates for FY26 remains healthy… but decelerating; Private capex needs to step up

Central Government Capital Expenditure

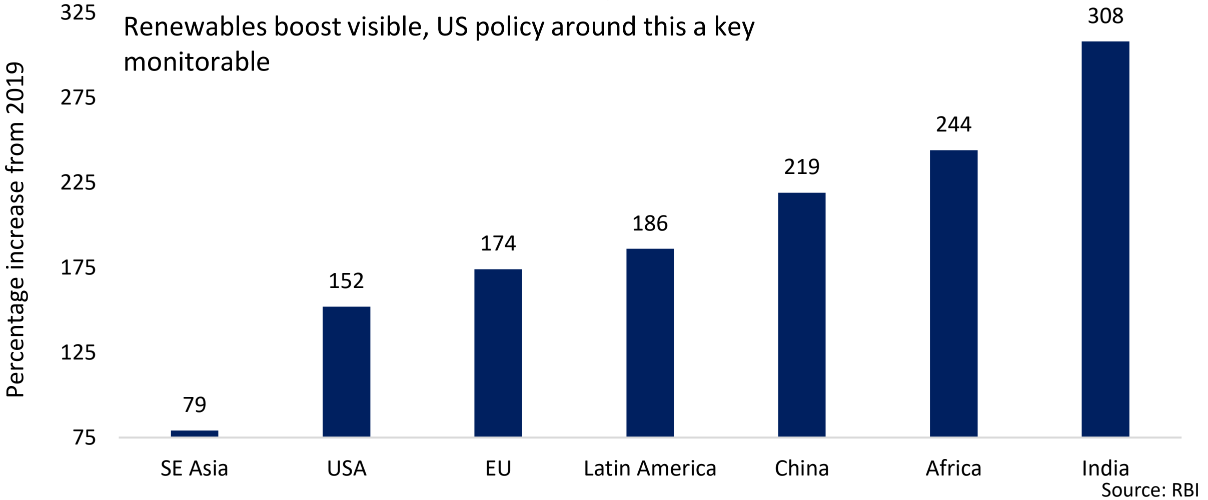
Government capex seems to be healthy… growth decelerating



Source: Budget Documents

Investment In Renewable Energies

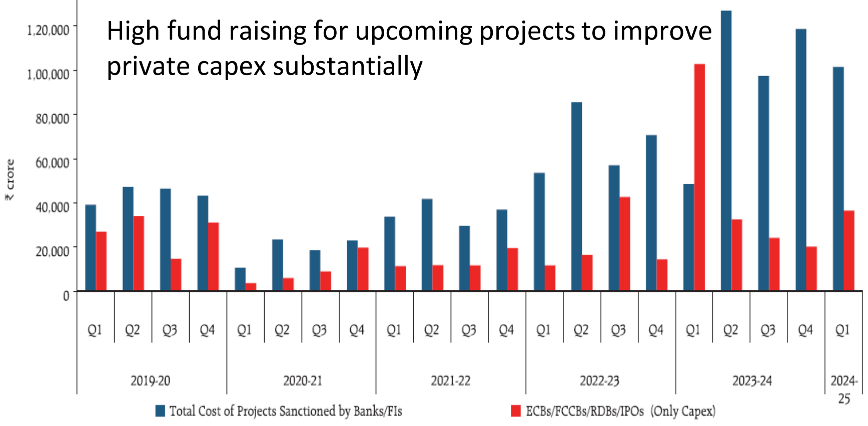
Renewables boost visible, US policy around this a key monitorable



Source: RBI

Private Corporate Investment Intentions

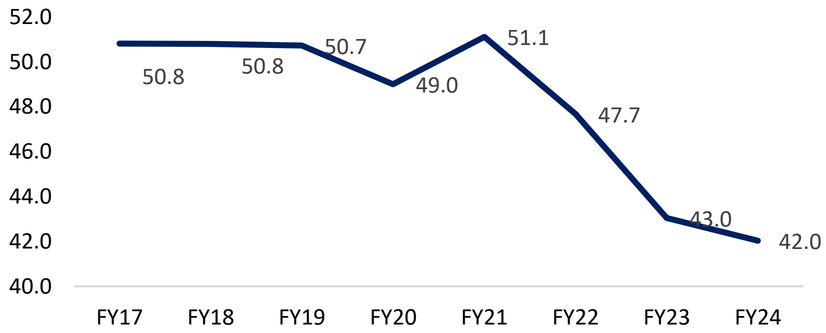
High fund raising for upcoming projects to improve private capex substantially



Sources: RBI; Banks/FIs; and RBI staff calculations.

Corporate Debt as % of GDP

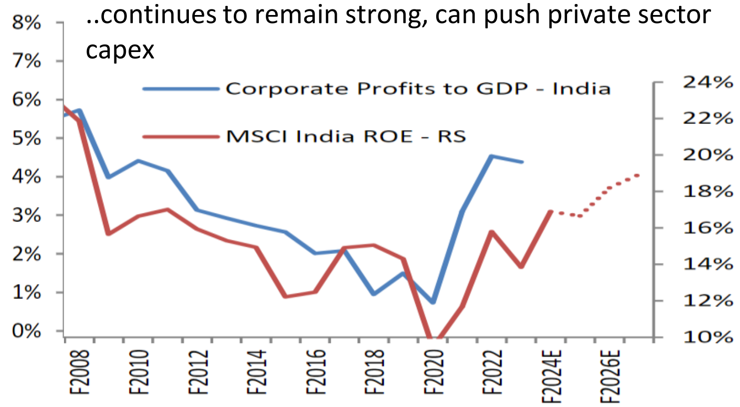
Lower Leverage position gives Corporates cushion for further expansion



Source: Motilal Oswal AMC

Corporate Profits (%) To GDP

..continues to remain strong, can push private sector capex



Source: Sundaram AMC

Classification - Public

Q3 FY25 Results seem mixed, asset quality issue rising, margin impact seen across, broad based strength missing

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q3 FY25	Q2 FY25	Q3 FY24	Q3 FY25	Q2 FY25	Q3 FY24	Q3 FY25	Q2 FY25	Q3 FY24
Auto & Auto Anc	6.11	0.18	22.73	0.96	-2.68	63.79	-4.93	-17.11	80.90
BFSI	12.68	14.58	29.32	18.42	16.74	27.33	14.51	16.33	33.90
Capital Goods	25.18	28.39	19.75	20.15	23.57	10.45	23.68	21.46	22.80
Cement & Products	4.21	-2.49	8.31	-26.36	-49.32	83.03	24.57	-49.68	102.41
Chem & Fert	16.05	8.03	-27.21	984.86	-9.62	-94.00	280.87	-55.08	-138.05
Ecomm	21.38	23.18	50.14	14.70	28.59	61.62	21.48	722.96	104.97
FMCG & Retail	13.16	8.00	1.07	2.90	6.10	9.98	9.68	8.38	9.72
Healthcare	11.31	9.86	9.34	12.55	14.17	15.79	4.85	9.03	31.80
Infrastructure	15.08	6.33	44.59	11.00	17.50	82.47	14.05	36.95	65.22
IT	5.74	6.33	2.49	7.58	10.21	0.64	11.65	10.94	-2.06
Media & Ent	-3.27	-17.93	-2.99	91.80	-2.15	-53.87	206.94	61.28	-6.54
Metal & Mine	1.18	-5.41	0.65	-2.90	-12.50	36.86	-10.34	149.10	75.33
Oil & Gas	0.52	1.45	-0.42	-0.77	-49.38	38.62	-5.50	-48.16	39.45
Others	-5.79	14.06	-3.11	-6.50	50.74	80.12	-66.25	221.48	100.40
Power	6.64	5.60	0.12	21.97	-6.36	-19.15	49.05	-13.99	-37.93
Realty	5.12	16.62	-19.68	17.63	14.79	-24.27	21.04	8.65	-22.43
Telecom	4.55	10.13	13.02	128.92	61.07	529.48	201.02	77.63	317.40
Transport	12.26	12.36	27.90	-13.26	-103.90	85.78	-16.08	-211.55	94.28
Grand Total	5.90	5.68	7.74	6.59	-16.39	23.90	8.27	-2.44	30.67
Ex-Financials	4.11	3.32	3.19	5.41	-19.15	23.57	4.82	-12.47	28.96

Data as on 01 Feb 2025 and pertains to 128 companies within the Nifty 200 universe

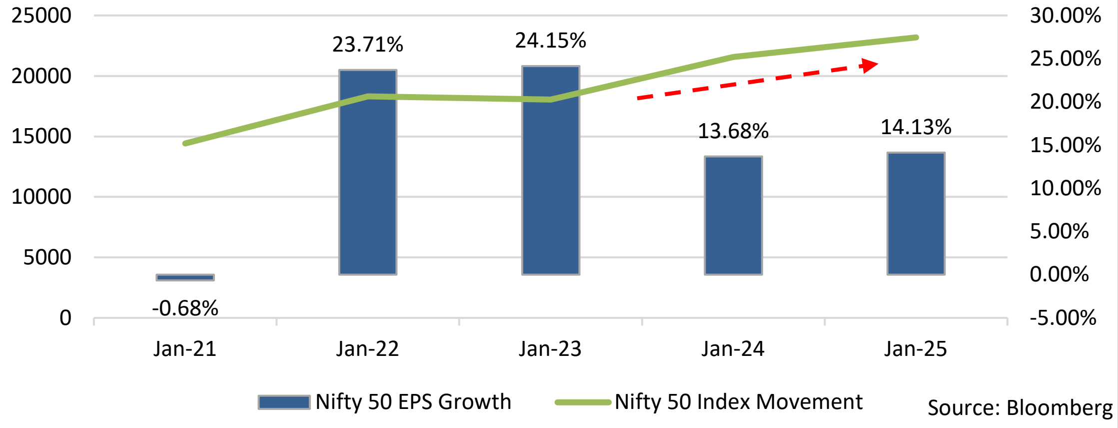
Source: Capitaline, HDFC Bank Research

- The corporate earnings scorecard for Q3 FY25 seems to be Mixed.
- Sectors like Telecom, Power, Chemical/Fertilizer reported better earnings comparatively
- Sector like Auto Anc, Oil & Gas and Healthcare have seen muted earnings.
- Many other sectors have also delivered growth, but were below market expectations.
- As budget concluded, Consumption as a theme could get a boost and earnings could improve for stocks in those category

Classification - Public

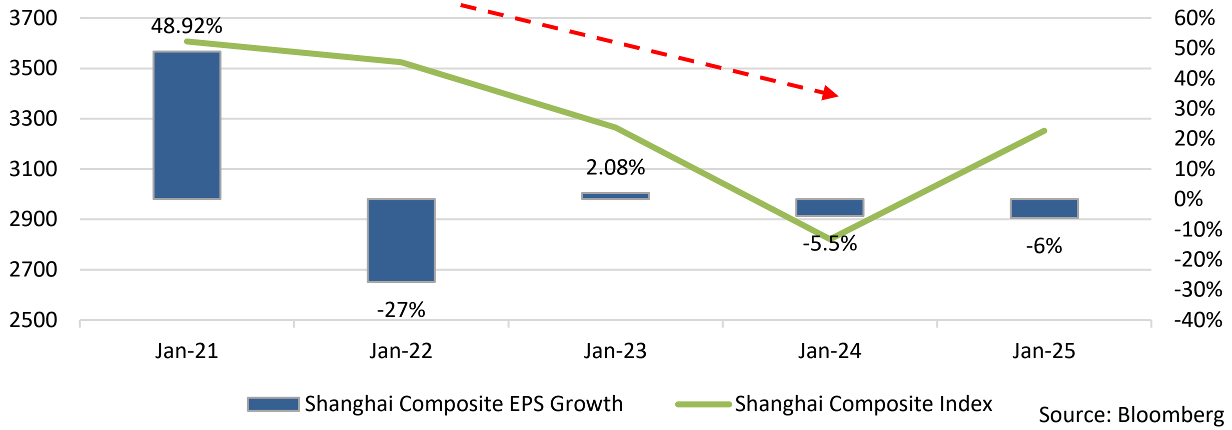
EPS growth and movement of key equity indices of India vs. Emerging Markets

India has been able to deliver better earnings and index seem to reflect that compared to other EM markets



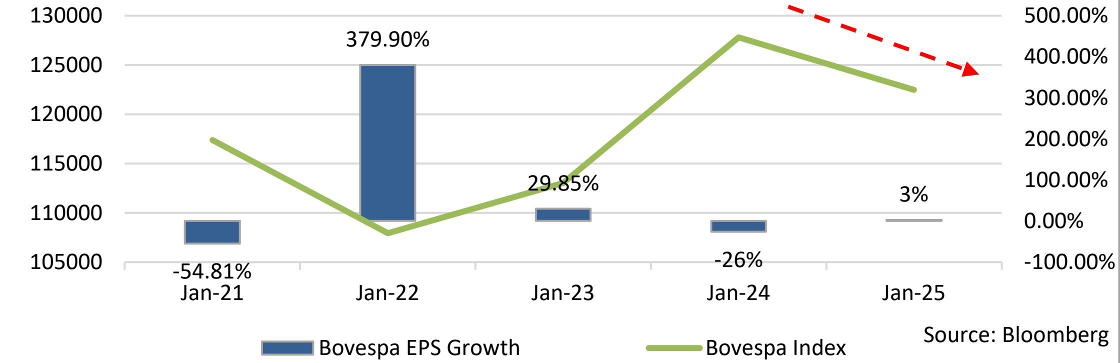
Source: Bloomberg

With volatile earnings, Chinese markets return have been extremely volatile



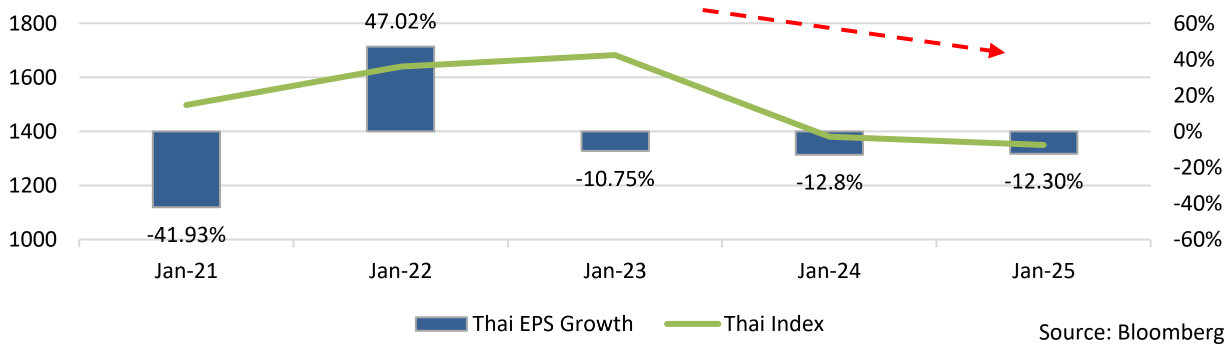
Source: Bloomberg

Brazil like other emerging markets has seen weak earnings growth and volatility in the market



Source: Bloomberg

Thailand on back of earning slowdown has seen market slowdown



Source: Bloomberg

Data as on 20 January 2025

Classification - Public

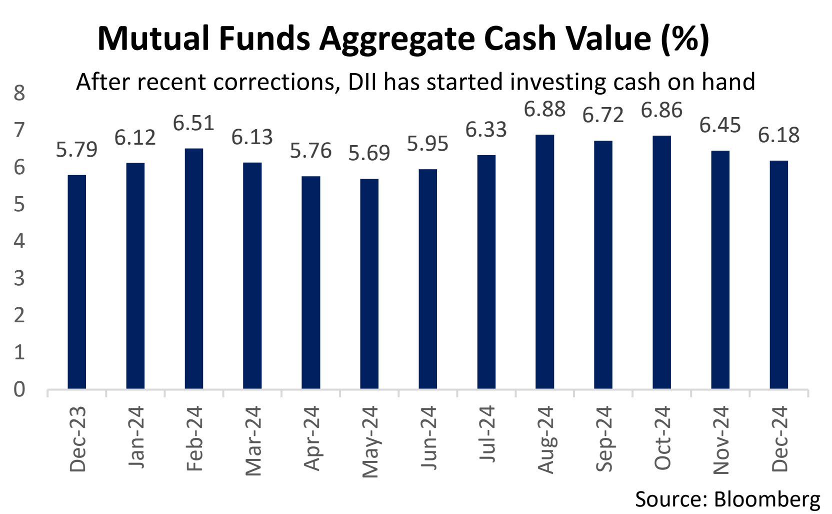
Indian Valuations: Recent correction has led to improvement in valuations… Mid cap and Small cap remain at premium to Large caps. With improved disposable income, earnings momentum expected to pick up

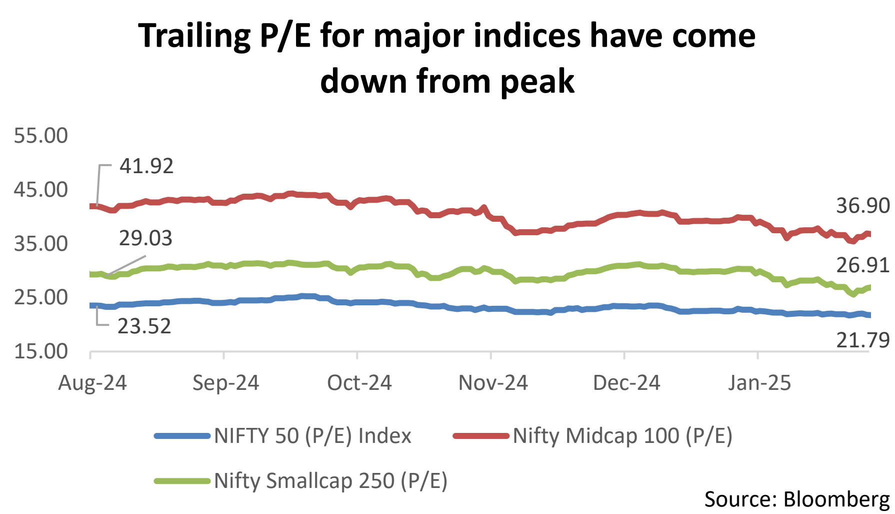
With the recent correction, Valuations have improved, in Large cap and Small caps vs Mid caps.

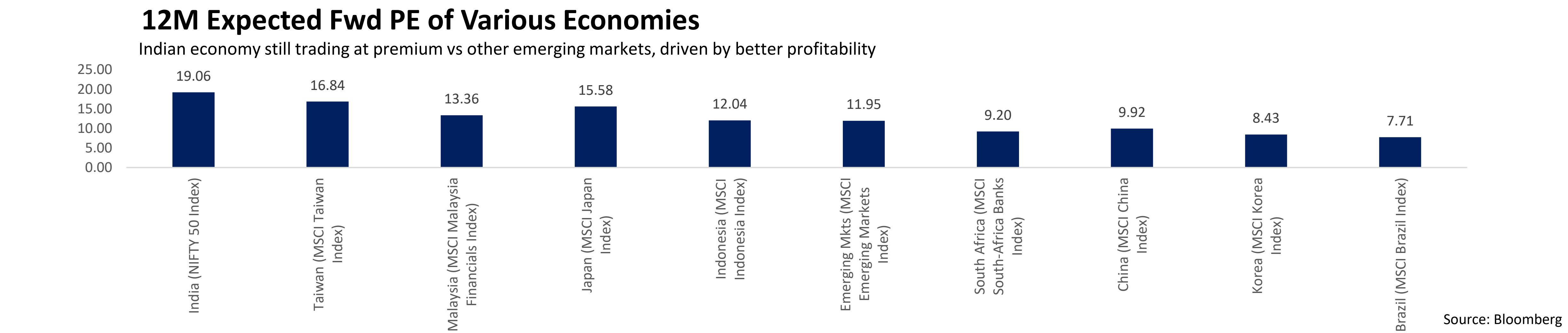
12M expected Fwd P/E

Source: Bloomberg

Index	FY25 (Est)	FY26 (Est)
Nifty 50	21.41	19.06
Nifty Midcap 100	36.21	31.17
Nifty Smallcap 250	26.87	23.55





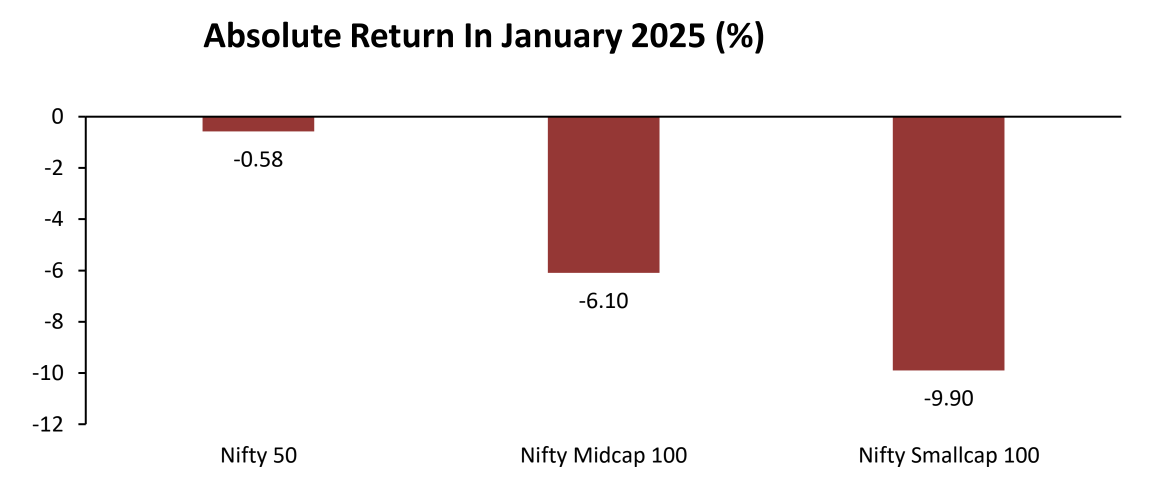


Data as on 31st January 2025

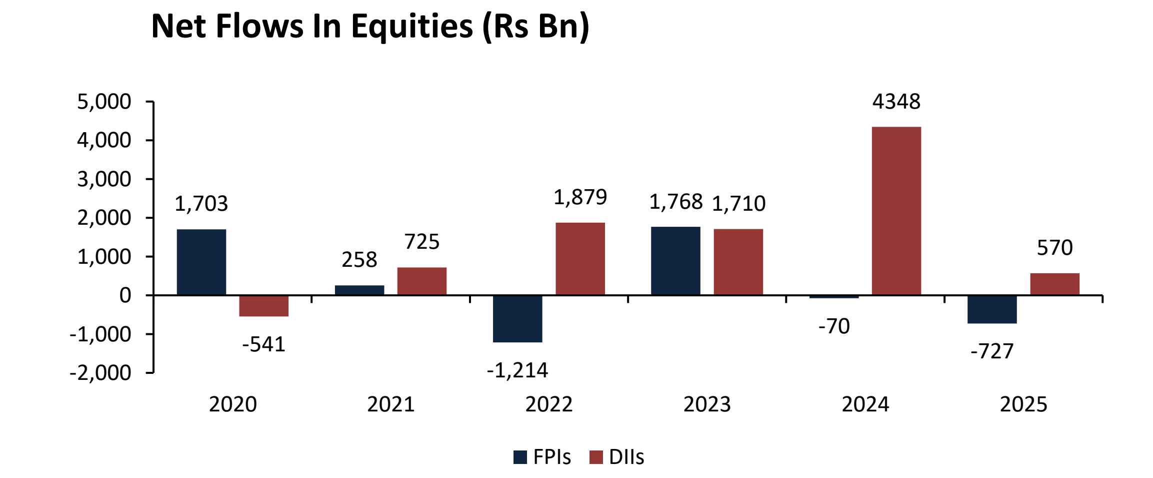
Classification - Public

Market Roundup – January 2025

- Indian equities ended the month on a negative note. Large cap-oriented BSE Sensex ended lower by 0.82% (MoM) and Nifty 50 ended lower by 0.58% (MoM).
- While the BSE Midcap index ended lower by 7.21%(MoM), BSE Small cap index ended lower by 9.46% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a negative note. Realty, Consumer Durables and Healthcare were the laggards during the month.
- Domestic equity markets ended the month on a negative note on concerns over a weakening rupee, rising crude oil prices and continued outflows by the foreign institutional investors. Losses were extended on concerns over a potential delay in the U.S. Fed's rate cut in 2025 following strong US service sector activity in December 2024, the positive US employment figures and fears of the new US administration's policies causing potential disruptions to global trade. Concerns over a potential moderation in earnings growth in Q3 FY25, further widened the losses.



Source: Bloomberg



*For 2025, FPI and DII data is up to 31st January 2025

Source: SEBI, CDSL

Classification - Public

Key concerns for Indian equities

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

Classification - Public

Annexure…

Classification - Public

Sectoral outlook by fund managers – Part 1

Sector	Particulars
BFSI	**View –Neutral to Positive** • Valuations in most of the Banks are reasonable, especially the Largecap Private sector banks. Earnings for Q3FY25 has been mixed across banking sector. • NIM could continue to remain under pressure for the banks in the early part of the interest rate cut cycle. • Credit costs (provisioning) have continued to show weakness in most of the smaller players, especially MFI, SFB and some large banks. Larger Private banks expected to see more stable asset quality. • Most fund managers are continuing to add weight in the Pvt sector banks and Capital market companies. • With additional disposable income in the form of income tax cut, expectations are that asset quality pain could be over in couple of quarter.
IT	**View –Neutral** • Order book growth of Indian companies holding up, execution cycle seeing pickup. • Q3FY25 results have been stable and guidance has been robust. • Market expects that potential corporate tax cuts in the US could be a big booster for Indian IT services companies in the medium term. • Funds are now adding exposure to IT stock at margin , midcap IT now seeing some profit booking. • Sector can act as defensive in case of further market correction.
Pharma	**View – Neutral to positive** • Domestic demand holding up well, stocks have rallied, valuations have risen considerably • US is seeing abatement of price erosion in the generic space, which should be positive for Indian pharma stocks. • Fund Managers expect the sector to now be market performers and are looking at very stock specific opportunities. • Contract development and manufacturing organization (CDMO) companies' stocks are seeing traction due tailwinds expected from the US. • Funds running overweight as they expect this sector to be a defensive bet.
Auto	**View – Neutral** • With the Union Budget supportive of incremental consumption, fund managers have started to get positive on the Auto sector. • Near term weakness could be ignored by the fund managers, given the strong outlook for FY26. • 2-Wheeler stocks have seen strong outperformance and are going though a correction cycle. Premium players to see higher investor interest. • Auto ancillaries may do well due to improving domestic demand, PLI, export opportunities and EV initiatives. Valuations is select names remain reasonable.

Classification - Public

Sectoral outlook by fund managers – Part 2

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

Classification - Public

Monthly Sectoral Movement

Absolute Monthly Return By Sector (%)

Index	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
BSE 500	**1.90**	**1.93**	**0.84**	**3.43**	**0.61**	**6.87**	**4.32**	**0.77**	**2.05**	**-6.51**	**-0.03**	**-1.50**	**-3.49**
Auto	4.18	8.12	4.96	3.92	3.84	8.05	5.05	-1.90	3.40	-12.30	-1.20	-2.33	-0.26
Bankex	-4.38	1.92	2.02	4.64	-0.40	6.94	-1.30	-0.94	2.96	-2.29	1.08	-2.62	-2.57
Basic Material	0.33	-0.42	1.06	7.86	0.73	6.63	2.06	-2.27	5.69	-6.66	-1.90	-3.13	-1.39
Capital Goods	1.88	-1.21	6.15	3.42	11.16	3.24	4.58	-3.27	-0.09	-5.47	2.31	-4.13	-4.79
Consumer Discretionary	2.35	4.89	1.69	5.05	0.77	8.99	4.93	0.99	4.01	-10.07	0.23	0.00	-7.01
Consumer Durables	0.70	0.00	2.05	5.59	-0.51	7.12	3.57	4.37	6.40	-10.35	2.99	3.15	-10.22
Energy	12.18	6.18	-0.19	3.33	-0.78	4.42	7.34	0.88	-2.91	-12.59	-3.31	-3.96	-0.67
FMCG	-2.81	-2.33	-0.67	1.52	-0.42	5.23	9.53	2.29	3.32	-8.93	-2.08	-2.08	-1.04
Finance	-2.40	0.47	1.35	4.93	-1.49	7.10	0.48	0.75	3.03	-3.31	0.53	-1.67	-2.90
Healthcare	7.18	5.94	-0.08	1.01	-1.46	6.37	9.19	6.56	2.45	-0.72	-0.57	3.69	-7.67
IT	3.74	3.38	-7.20	-4.35	-2.63	11.30	12.87	4.27	-2.57	-4.58	5.83	0.95	-2.85
Infra	18.15	1.23	0.48	7.03	5.62	2.83	13.17	-2.07	-3.19	-8.72	-2.57	-3.54	-3.88
Metal	-0.85	1.15	4.95	10.83	4.68	1.03	-0.85	-0.96	6.63	-9.62	-2.38	-5.39	-1.12
Oil & Gas	12.57	6.86	-0.07	4.83	-1.18	2.91	10.48	1.27	-3.47	-13.75	-2.35	-2.79	-2.44
Power	8.57	4.33	1.70	7.73	6.64	3.31	6.13	-2.49	5.11	-9.51	-4.34	-7.00	-5.92
Realty	9.37	9.16	-1.21	7.52	4.40	8.21	-1.10	-3.59	4.36	-9.12	1.93	3.45	-13.16
Telecom	6.94	1.44	1.81	8.36	3.29	10.90	4.69	2.36	-5.28	-8.48	1.55	-2.53	-3.32
Utilities	9.71	3.61	0.25	8.84	2.80	2.40	6.87	-3.79	5.60	-8.54	-6.50	-6.57	-5.48

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

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

Classification - Public

AMC Sectoral Holdings

	Auto & Auto Ancillaries	Banks & Finance	Capital Goods	Commodities	FMCG	Consumer Durables and Consumer Services	Housing & Construction	IT	Media	Oil & Gas, Energy	Other Equities	Pharma	Telecom	Textiles	Transport & Shipping , Logistics & Services
Nifty 500	6.76%	29.06%	5.77%	7.27%	6.89%	6.91%	4.48%	10.38%	0.19%	10.47%	0.21%	6.60%	3.00%	0.30%	1.72%
360 ONE	11.26%	29.87%	9.21%	3.28%	1.77%	6.77%	4.35%	9.04%	0.20%	1.99%	0.00%	6.62%	8.33%	0.29%	3.95%
Aditya Birla SL MF	9.06%	25.06%	6.36%	5.73%	6.13%	7.97%	4.99%	10.47%	0.15%	7.76%	0.32%	8.13%	2.90%	0.60%	1.53%
Axis MF	8.04%	21.46%	9.06%	6.62%	3.29%	11.72%	4.49%	8.01%	0.08%	3.72%	0.55%	10.08%	3.17%	0.33%	1.98%
Bajaj Finserv MF	5.58%	19.20%	6.56%	3.88%	10.20%	11.86%	2.43%	8.87%	0.16%	3.84%	0.53%	14.13%	2.71%	1.14%	0.91%
Bandhan MF	5.86%	24.37%	6.97%	6.51%	5.68%	7.69%	6.03%	7.98%	0.11%	6.27%	0.90%	8.80%	1.78%	0.97%	2.66%
Bank of India MF	4.02%	20.15%	11.26%	10.08%	4.63%	5.34%	6.18%	9.21%	0.66%	7.17%	0.60%	7.94%	2.11%	1.60%	1.00%
Baroda BNP Paribas	7.65%	22.33%	10.64%	4.57%	6.67%	9.96%	2.26%	8.35%	0.15%	10.08%	0.40%	8.92%	1.95%	0.55%	0.60%
Canara Robeco MF	9.16%	23.97%	10.48%	5.18%	5.74%	12.92%	3.38%	7.28%	0.19%	5.56%	1.10%	7.56%	2.22%	0.38%	1.61%
DSP MF	8.96%	21.91%	10.19%	8.98%	4.41%	7.14%	3.85%	6.64%	0.00%	5.98%	0.42%	12.05%	1.58%	1.29%	1.06%
Edelweiss MF	6.50%	21.52%	13.50%	5.12%	4.48%	13.62%	4.59%	10.50%	0.00%	3.76%	0.14%	10.41%	1.77%	0.79%	0.77%
Franklin Templeton MF	6.32%	23.80%	7.22%	6.38%	4.44%	10.48%	6.33%	9.64%	0.05%	6.13%	0.04%	8.34%	3.51%	0.97%	1.64%
Groww MF	6.16%	36.84%	3.22%	4.78%	0.16%	2.72%	4.41%	9.80%	0.00%	2.28%	0.00%	4.90%	1.74%	0.61%	3.82%
HDFC MF	9.48%	27.66%	6.84%	5.46%	3.16%	5.94%	3.60%	7.40%	0.50%	4.27%	0.02%	11.53%	3.03%	0.67%	2.92%
Helios MF	0.00%	41.93%	4.49%	0.00%	3.79%	13.29%	2.14%	13.84%	0.55%	4.02%	0.00%	7.88%	2.09%	1.60%	2.21%
HSBC MF	3.89%	20.49%	19.92%	4.94%	4.12%	12.61%	8.50%	7.45%	0.02%	4.45%	1.51%	5.69%	1.31%	2.14%	0.89%
ICICI Pru MF	9.06%	24.80%	3.91%	8.02%	4.67%	4.80%	4.71%	7.94%	0.52%	9.56%	0.46%	8.22%	3.56%	0.65%	1.91%
Invesco MF	4.78%	25.05%	11.85%	3.38%	2.65%	16.22%	4.33%	8.17%	0.00%	3.61%	1.07%	11.74%	1.48%	0.01%	2.10%
ITI MF	4.43%	21.90%	16.76%	7.84%	3.92%	7.36%	5.98%	7.57%	0.30%	5.86%	1.44%	10.96%	1.39%	1.15%	1.39%
JM MF	5.52%	20.00%	7.41%	7.07%	4.15%	12.83%	4.61%	10.38%	0.00%	5.78%	0.00%	14.34%	2.51%	1.92%	0.38%
Kotak MF	9.51%	17.22%	10.81%	11.24%	3.24%	9.61%	4.98%	10.50%	0.58%	6.93%	0.03%	7.92%	2.52%	0.42%	1.57%
LIC MF	9.67%	20.14%	21.17%	5.41%	6.35%	7.01%	4.21%	5.53%	0.55%	5.65%	1.37%	5.16%	1.11%	1.41%	2.17%
Mahindra Manulife MF	5.82%	22.27%	10.00%	8.54%	7.27%	7.74%	3.46%	6.47%	0.21%	8.39%	2.13%	7.09%	2.28%	2.00%	1.77%
Mirae MF	6.49%	30.99%	4.14%	8.06%	2.93%	9.31%	4.08%	9.35%	0.00%	6.92%	0.00%	9.53%	3.63%	0.50%	2.88%
Motilal Oswal MF	7.19%	12.14%	18.28%	1.83%	0.51%	24.37%	2.74%	16.58%	0.00%	0.99%	0.07%	3.37%	3.80%	0.17%	0.64%
Navi MF	5.42%	24.14%	9.92%	3.39%	7.19%	10.55%	0.70%	9.41%	1.50%	2.98%	0.40%	8.41%	2.56%	1.73%	3.54%
Nippon India MF	6.49%	25.00%	12.16%	4.54%	5.09%	12.11%	3.45%	5.81%	0.57%	6.87%	0.67%	10.17%	1.62%	1.11%	1.65%
NJ MF	15.13%	11.19%	0.31%	3.61%	11.15%	3.99%	0.00%	17.66%	0.00%	9.50%	0.00%	26.47%	0.00%	0.44%	0.00%
Old Bridge MF	0.00%	10.28%	0.00%	6.74%	6.66%	1.28%	8.08%	7.91%	0.00%	3.98%	2.49%	19.55%	5.40%	0.00%	15.20%
PGIM India MF	7.39%	20.57%	8.69%	7.24%	5.02%	15.86%	2.44%	9.45%	0.00%	2.69%	0.05%	11.73%	1.87%	0.95%	3.11%
PPFAS MF	7.17%	31.00%	0.03%	0.23%	5.50%	2.80%	0.00%	12.60%	0.00%	12.32%	0.00%	3.85%	0.00%	0.00%	3.35%
Quant MF	4.38%	18.18%	2.77%	10.82%	10.83%	4.17%	8.54%	0.16%	1.47%	17.66%	0.04%	11.03%	2.58%	1.12%	2.41%
Quantum MF	8.32%	37.47%	0.77%	4.39%	0.79%	4.56%	0.00%	15.50%	0.09%	3.05%	0.13%	4.52%	3.59%	0.00%	0.48%
Samco MF	1.64%	19.93%	7.13%	1.79%	2.04%	16.14%	5.78%	13.37%	0.24%	0.91%	0.00%	15.13%	1.10%	1.59%	1.01%
SBI MF	8.11%	22.09%	5.82%	6.64%	5.83%	8.61%	3.49%	7.01%	0.37%	8.41%	1.95%	8.05%	2.85%	2.27%	2.44%
Shriram MF	2.05%	4.68%	2.53%	2.28%	9.35%	27.67%	1.71%	12.01%	0.00%	0.65%	0.00%	23.46%	1.74%	0.00%	0.85%
Sundaram MF	7.23%	25.69%	7.60%	4.89%	4.64%	12.67%	4.37%	7.07%	0.22%	5.55%	0.00%	8.54%	3.60%	0.18%	2.21%
Tata MF	4.25%	21.42%	7.96%	5.81%	4.73%	8.06%	4.15%	16.79%	0.33%	5.93%	0.97%	7.52%	2.08%	1.05%	3.20%
Taurus MF	5.95%	23.98%	4.89%	4.83%	5.53%	4.42%	3.84%	15.73%	0.00%	10.53%	0.26%	7.98%	2.63%	1.57%	1.58%
Trust MF	4.74%	21.30%	13.65%	0.56%	5.69%	11.66%	4.19%	11.81%	0.00%	0.00%	0.85%	14.70%	1.39%	0.41%	1.42%
Union MF	4.88%	19.63%	12.46%	5.19%	2.90%	16.81%	4.46%	10.69%	0.06%	4.33%	0.00%	7.95%	1.79%	1.12%	3.34%
UTI MF	9.53%	23.69%	5.37%	6.10%	4.13%	14.35%	2.35%	10.87%	0.24%	3.99%	0.43%	10.33%	2.95%	0.87%	1.69%
WhiteOak Capital MF	3.91%	30.92%	8.35%	3.64%	3.57%	12.11%	2.12%	10.28%	0.03%	3.49%	1.69%	10.87%	3.04%	0.46%	1.95%

Source: ACE MF

Data as on 31[th] December 2024

Classification - Public

Fixed Income Market

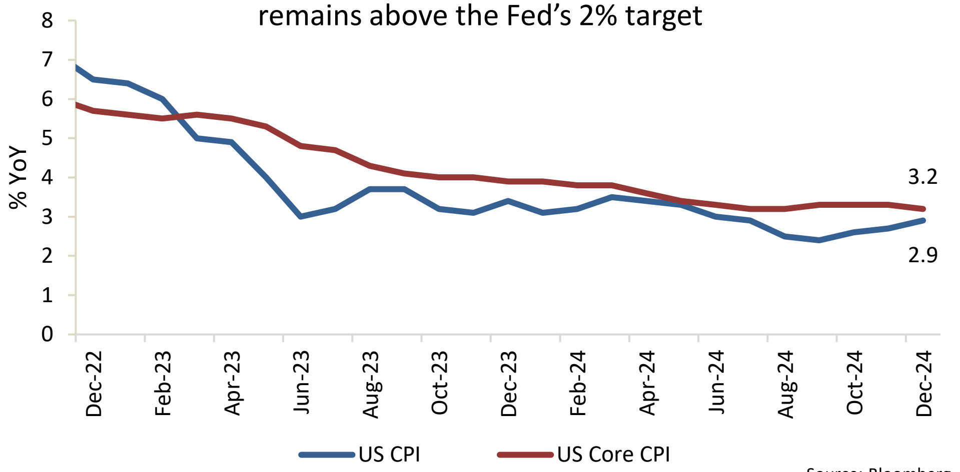
Classification - Public

Fixed Income Outlook

- The liquidity continued to remain in deficit but showed a downward trajectory as RBI took host of measures and tried injecting durable liquidity into the system to handle the ongoing situation.
- The CPI inflation for December 2024 eased slightly to 5.22% YoY, below market expectations of 5.30% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down further, which could cause headline inflation to gradually trend downwards and could give room to the MPC for policy rate cuts.
- Issues on the external front, in terms of rising trade deficit, geopolitics and risk emanating from US tariff wars remain a key challenge for the RBI to negotiate with in the medium term and can have implication on the timing of the policy rate cuts.
- The government continues to remain on its fiscal consolidation path and has estimated the FY26 fiscal deficit to be at 4.4% of GDP which reaffirmed their earlier target to reach a fiscal deficit of below 4.5% of GDP by FY26 in previous budget.
- In the Union Budget Govt also did not back out from it's capex drive however in the economic survey it was noted that they are expecting further private sector support to aid the Capex drive. With Rs 1 trillion revenue foregone via personal tax restructuring they tried providing consumption boost.
- Going forward, the RBI's is likely to continue to move on the path of easing liquidity and possibly reduce the policy rates as the inflation trajectory is declining and the Fiscal deficit (demand/supply of Gsecs) remain under control.
- In the US, the Fed in its latest policy kept the rates unchanged and also reaffirmed their stance of slowing the pace of policy rate cuts in the light of improving growth and employment data. They will also keep a keen eye on inflation data as mentioned by US Fed Chairman Jerome Powell. Going forward, policy measures announced by the Trump Administration would be a key factor that would drive the policy rates there.
- The European Central Bank (ECB) has continued to pursue the path of policy rate cuts and is likely to remain dovish to lift EU out of growth slump.
- Globally, most Central Banks have cut rates this quarter on the back of global disinflation. Implications of US tariffs and countermeasures taken by other countries may prove inflationary, and could impact global monetary policy stance.
- Indian G-sec yields closed lower in January 2025, aided by value buying in local bonds and strong demand from FPIs. Sentiment was boosted further following RBI's announcement of measures to address the bank liquidity shortage. However, the fall was limited following a selloff in US Treasuries after data indicated a healthy labour market and an acceleration in services activity in the US, reinforcing the Fed's decision to move cautiously on rate cuts.
- With the fiscal deficit expected to remain firmly under control, the supply-demand dynamics are expected to remain favourable to support lower yields at the longer end.
- With the government's fiscal prudence leading to a decline in fiscal deficit, we may see structurally lower interest rates over the long term. In this scenario space has opened up for rate cuts, making a further case for tactical duration play.
- Additionally, improvement in liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end in the medium term.
- With this backdrop, the inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above, investors can look at Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

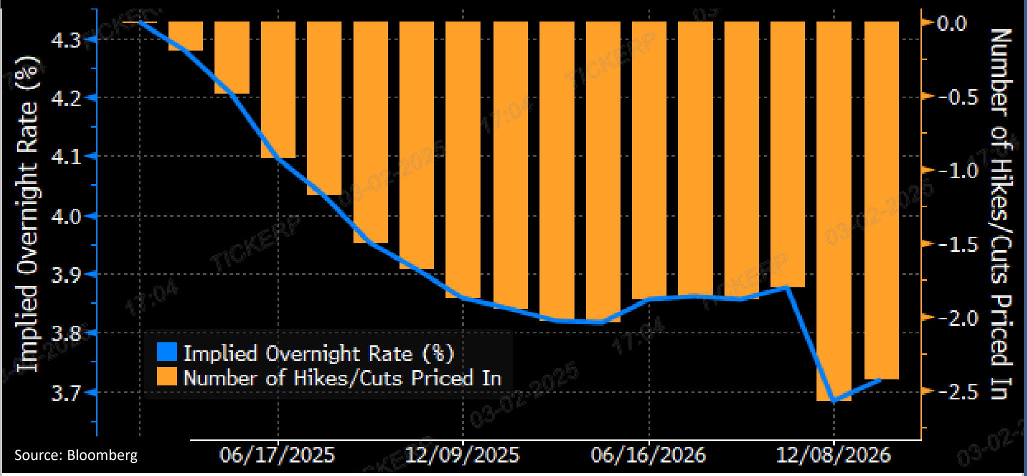
While extant data remains stable, future policy rate moves in the US will be dependent on implications of announcements from Trump's administration

The US CPI Inflation was in line with expectations, but still remains above the Fed's 2% target



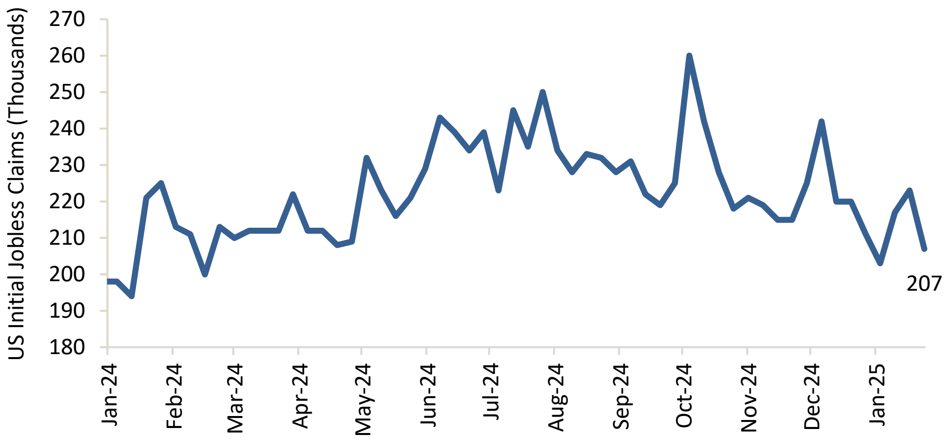
Source: Bloomberg

The Fed has been guiding for fewer rate cuts going forward due to favourable inflation and employment data



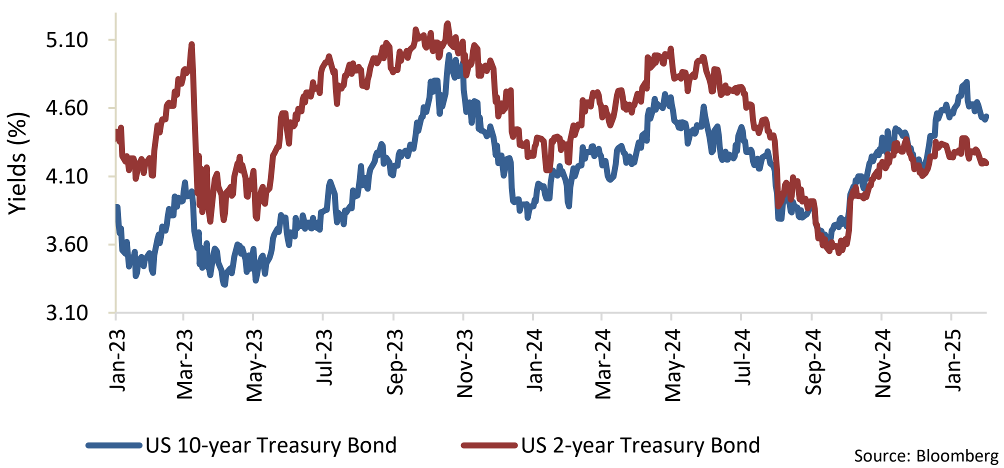
Source: Bloomberg

Strong employment data may push rate cuts back



Source: Bloomberg

Policy uncertainty has caused a spike in 10-year yields



Source: Bloomberg

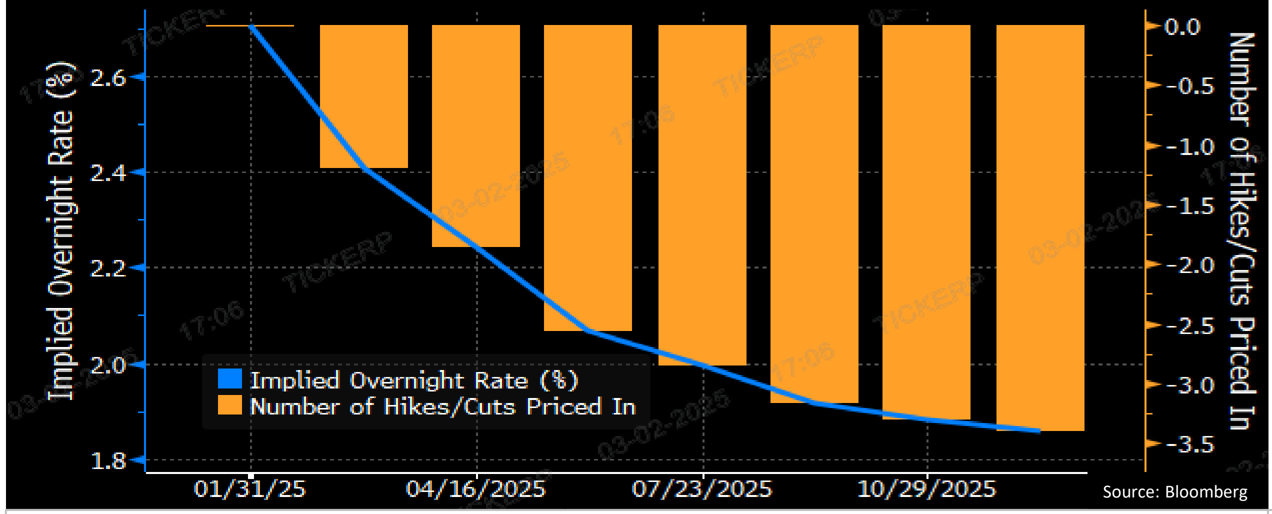
Donald Trump policies in focus:

Trade : Canadian and Mexican exports to the US to face a 25% tariff, with Canadian energy exports subject to a lower 10% rate. China, which already faces varying duties, to see an additional 10% tariff.

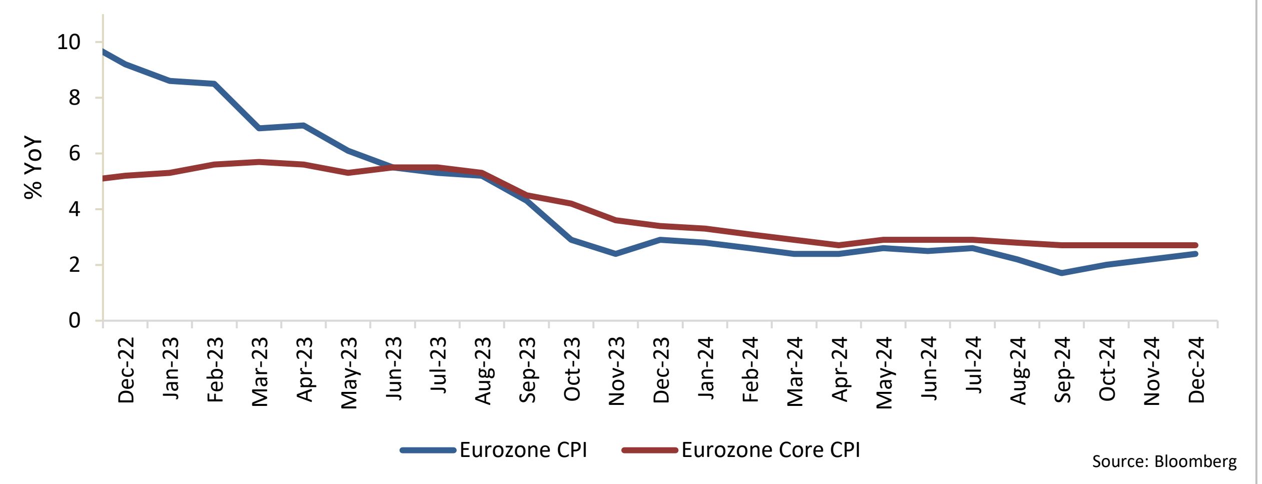
Classification - Public

Improving monetary conditions expected to pull Europe out of growth slump

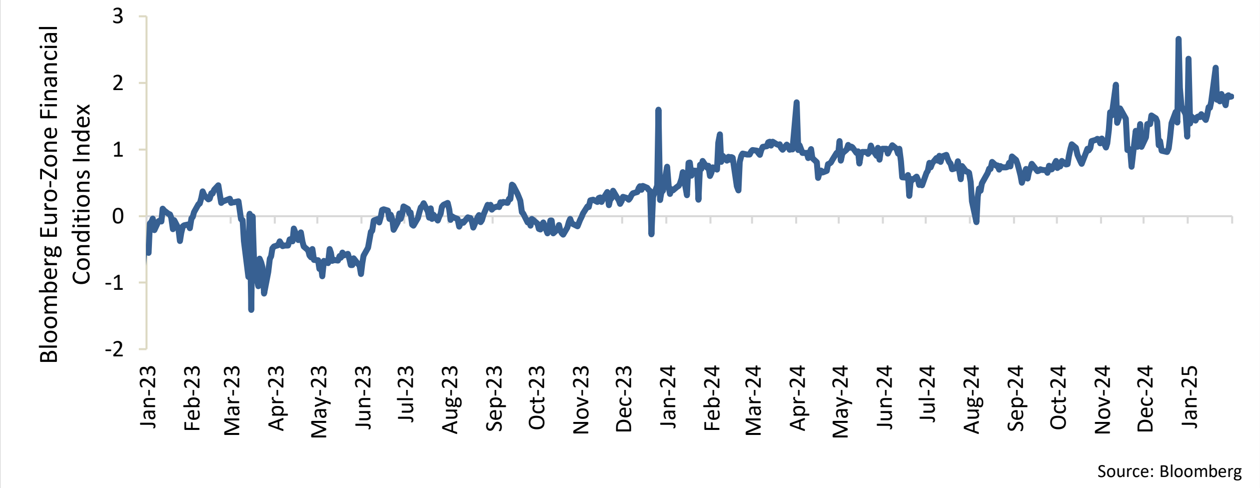
ECB is expected to continue on its policy easing path



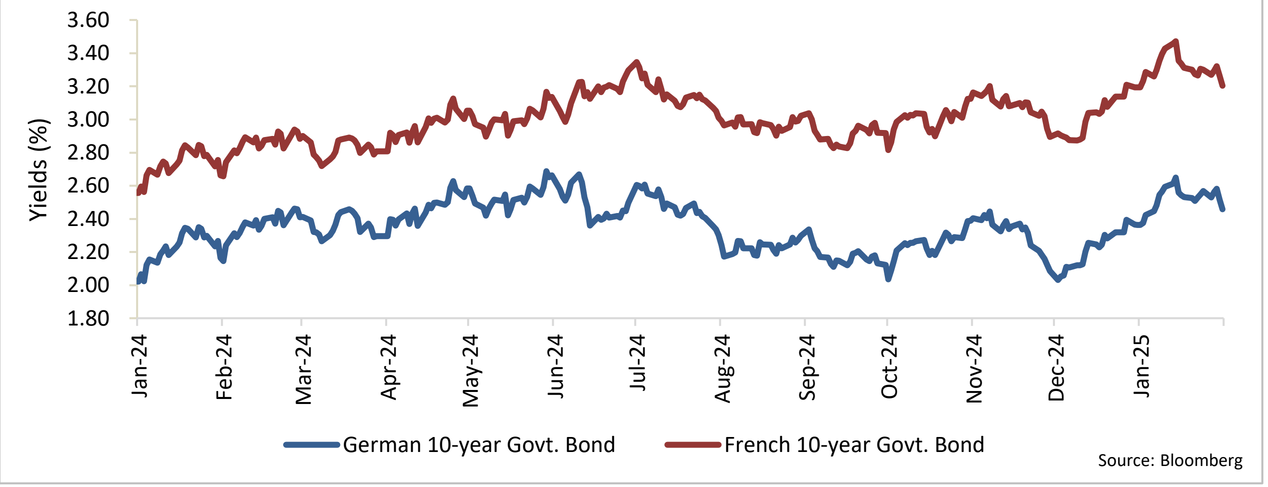
European Inflation remains steady, which is supportive of further rate cuts



Eurozone Financial Conditions Index continues to improve

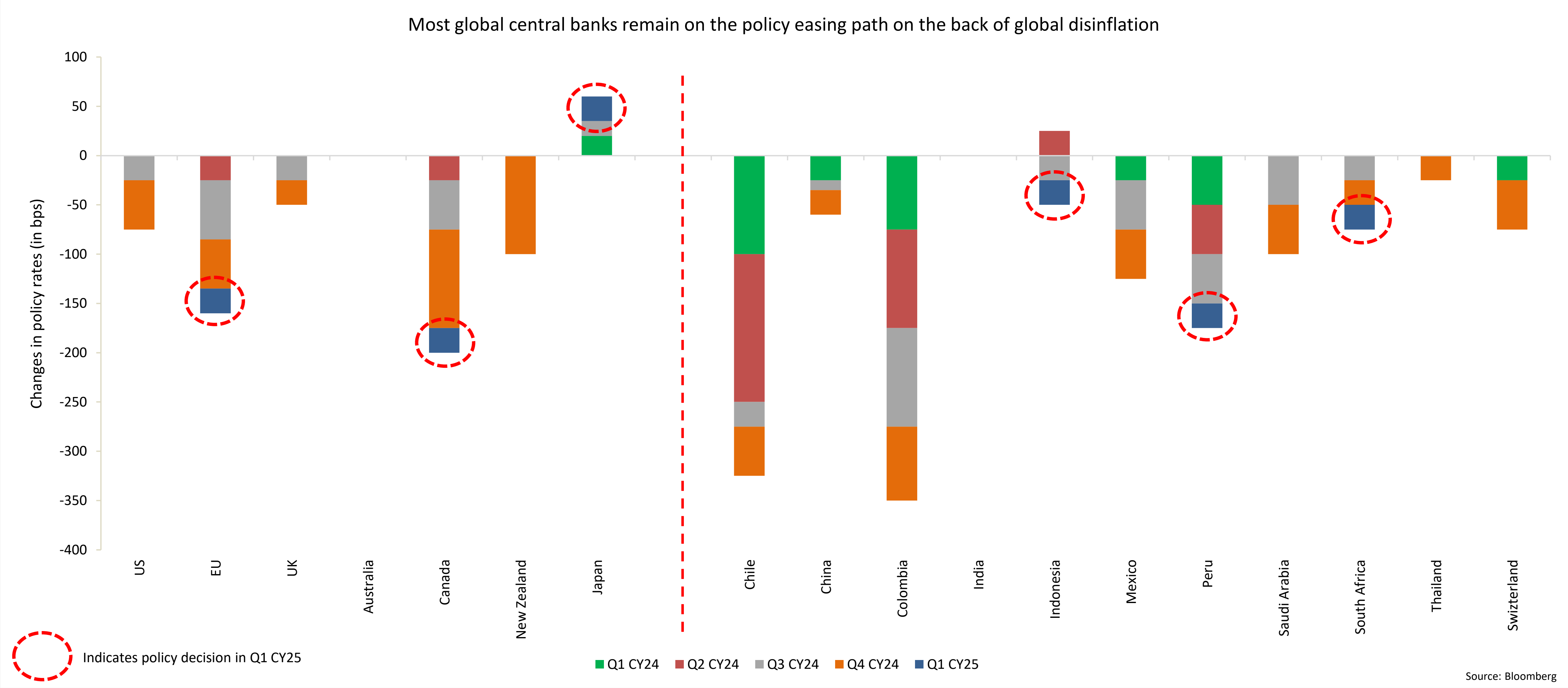


German and French 10-year yields are coming off their recent highs



Classification - Public

Implications of US tariffs and countermeasures taken by other countries may prove inflationary, and could impact global monetary policy stance

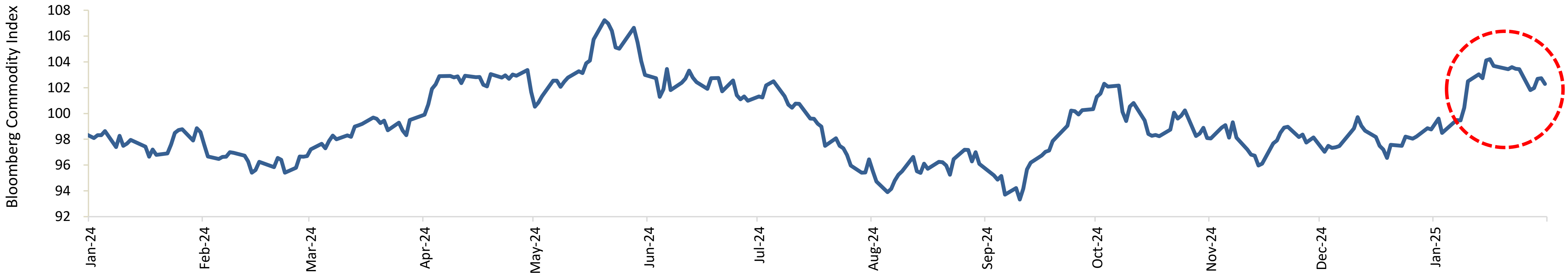


Source: Bloomberg

Classification - Public

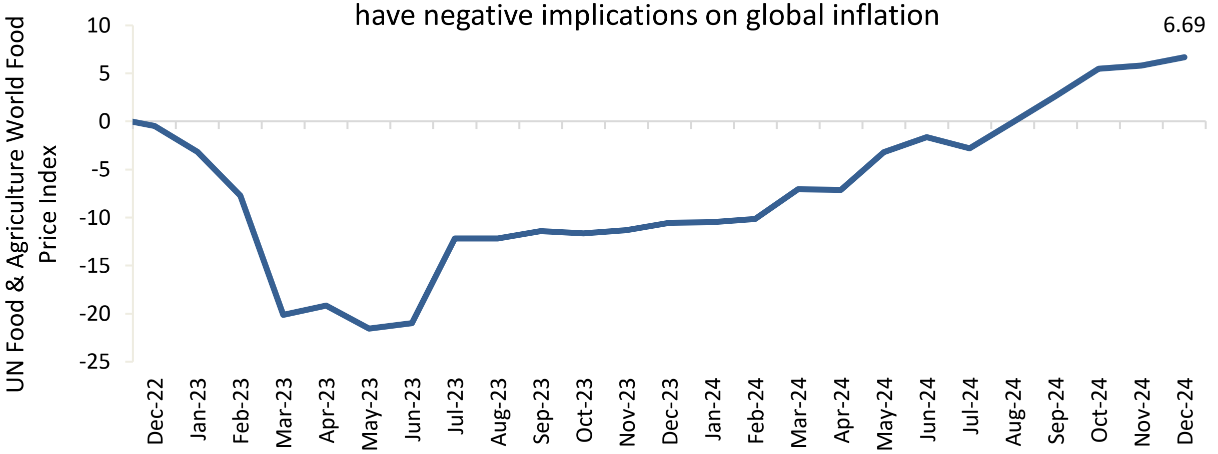
Global Commodities - Industrial commodities and Crude oil prices in a range, food prices rise

Global commodity prices remain volatile, but range bound. A thaw in the Russia-Ukraine war could drive commodity prices lower



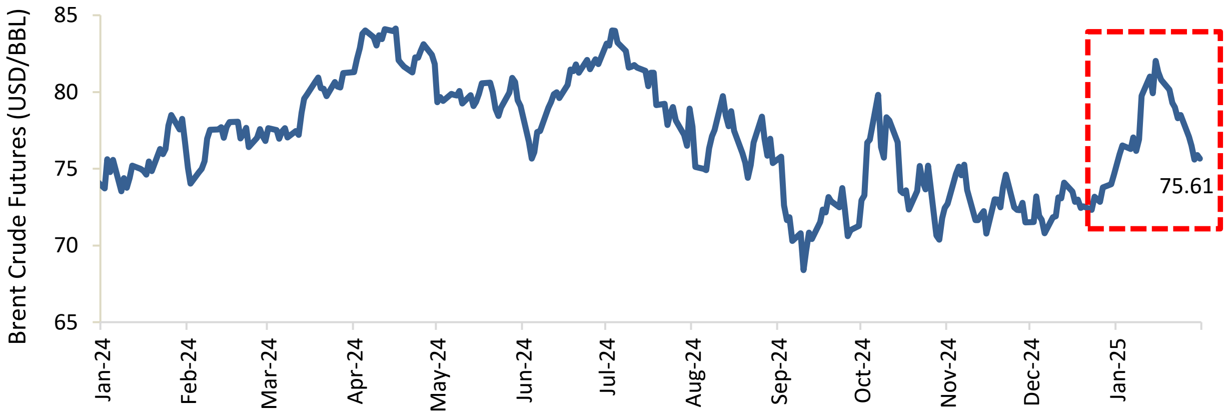
Source: Bloomberg

Rising food prices due to weather vagaries and lower base are expected to have negative implications on global inflation



Source: Bloomberg

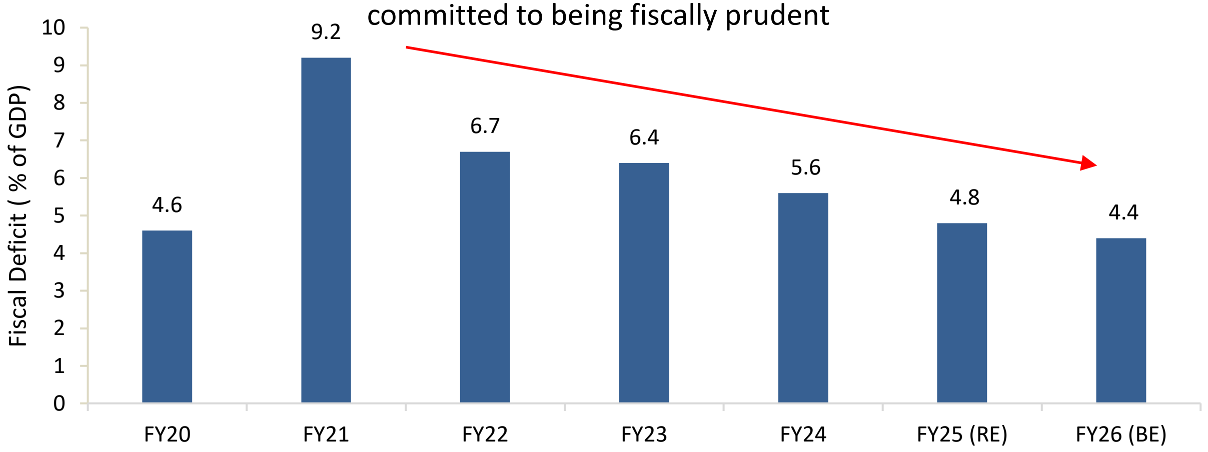
Fresh sanctions on Russian crude pushed prices higher, but incremental production in the US could bring them down further



Source: Bloomberg

Union Budget: Government continues to focus on fiscal consolidation, while balancing both growth and welfare needs… to weigh down on bond yields (1/2)

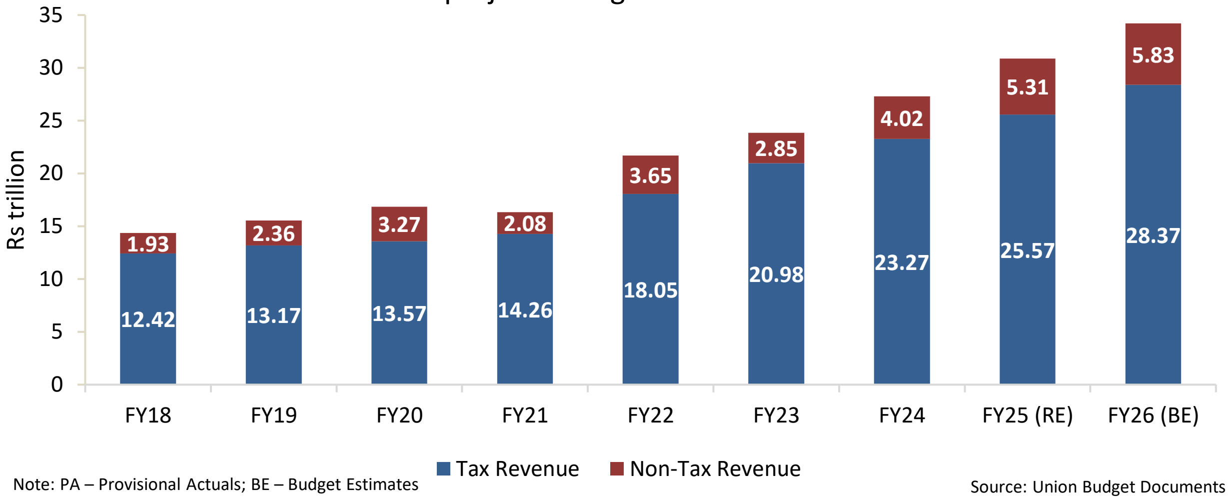
With fiscal deficit target of 4.4% of GDP for FY26, government remains committed to being fiscally prudent



Note: PA – Provisional Actuals; BE – Budget Estimates

Source: Union Budget Documents

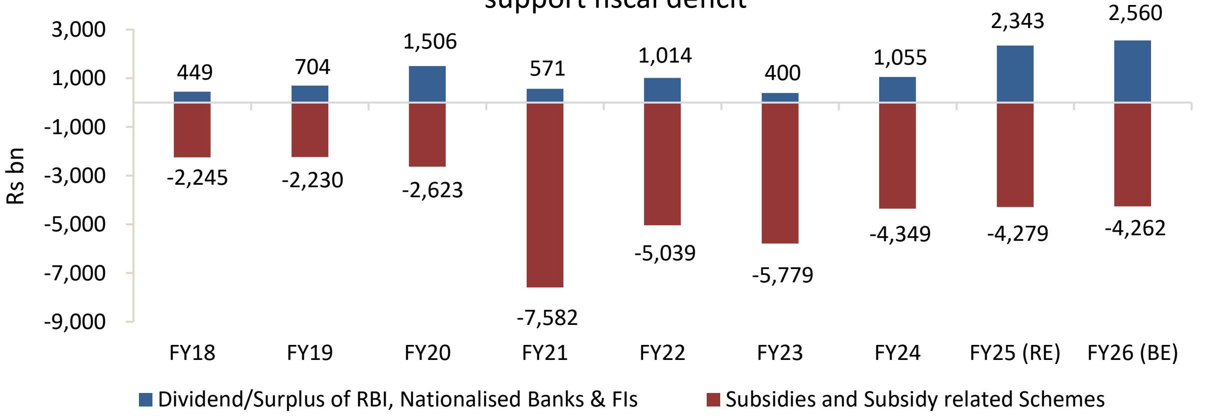
Tax revenue is projected to grow at ~11% YoY in FY26BE



Note: PA – Provisional Actuals; BE – Budget Estimates

Source: Union Budget Documents

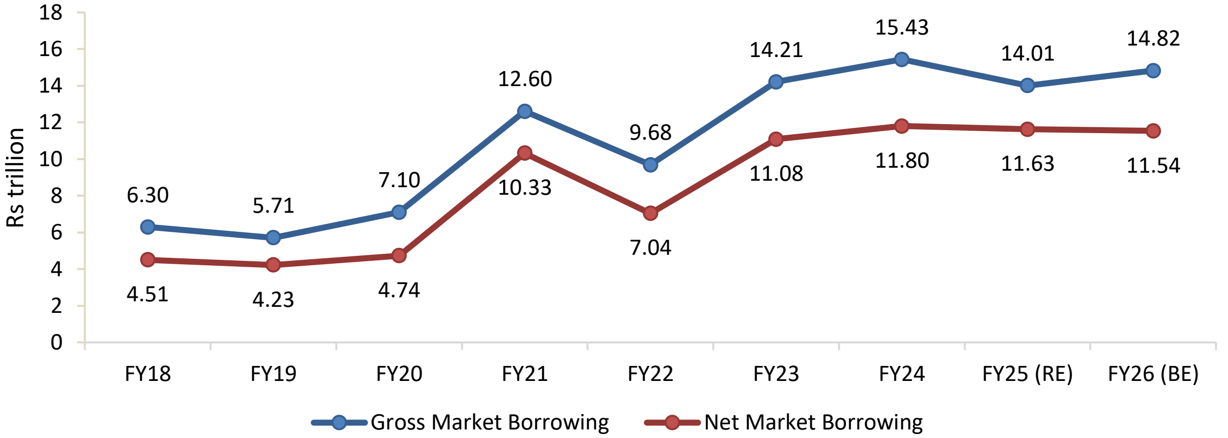
Higher dividend transfer by the RBI and control on subsidy expenditure to support fiscal deficit



Note: RE – Revised Estimates; BE – Budget Estimates
Subsidies are represented as negative

Source: Union Budget Documents

Gross borrowing increases, While net borrowing declines in FY26 vs. FY25



Note: RE – Revised Estimates; BE – Budget Estimates

Source: Union Budget Documents

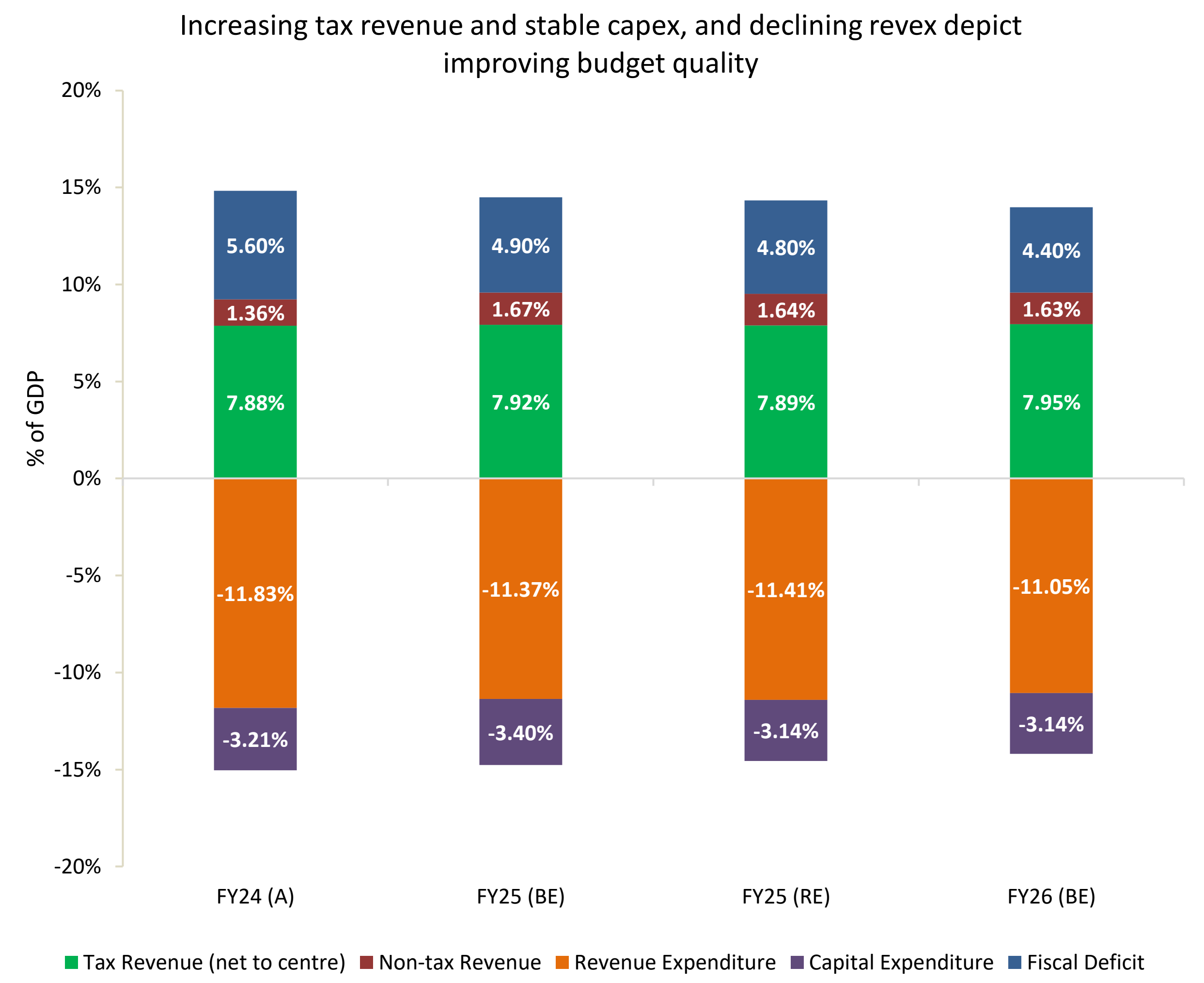
Classification - Public

Union Budget: Government continues to focus on fiscal consolidation, while balancing both growth and welfare needs… to weigh down on bond yields (2/2)

Particulars (Rs. Bn)	2023-2024 Actual	2024-2025 BE	2024-2025 RE	2025-2026 BE	% Change*
A. Revenue Receipts	27,290.36	31,292.00	30,879.60	34,204.09	10.77%
Tax Revenue (net to centre)	23,272.51	25,834.99	25,569.60	28,374.09	10.97%
Non-tax Revenue	4,017.85	5,457.01	5,310.00	5,830.00	9.79%
B. Capital Receipts	17,144.10	16,913.12	16,285.27	16,449.36	1.01%
Total Receipts (A+B)	**44,434.46**	**48,205.12**	**47,164.87**	**50,653.45**	**7.40%**
Total Expenditure	**44,434.47**	**48,205.12**	**47,164.86**	**50,653.45**	**7.40%**
Revenue Expenditure	34,942.52	37,094.01	36,980.57	39,442.55	6.66%
Capital Expenditure	9,491.95	11,111.11	10,184.29	11,210.90	10.08%
Revenue Deficit	**7,652.16**	**5,802.01**	**6,100.98**	**5,238.46**	**(-)14.14%**
as a % of GDP	**2.6%**	**1.8%**	**1.9%**	**1.5%**	
Fiscal Deficit	**16,546.43**	**16,133.12**	**15,695.27**	**15,689.36**	**(-)0.04%**
as a % of GDP	**5.6%**	**4.9%**	**4.8%**	**4.4%**	
GDP	**2,95,471.96#**	**3,26,369.12**	**3,24,114.06**	**3,56,979.23**	**10.14%**

Note: Note: All figures in Rs. trillion, except the YoY % figures.
^ % Change is FY25BE over FY24RE.
1 Provisional Actuals (PA) for FY24 are unaudited and subject to change
Calculated basis fiscal deficit numbers

Source: Union Budget Documents



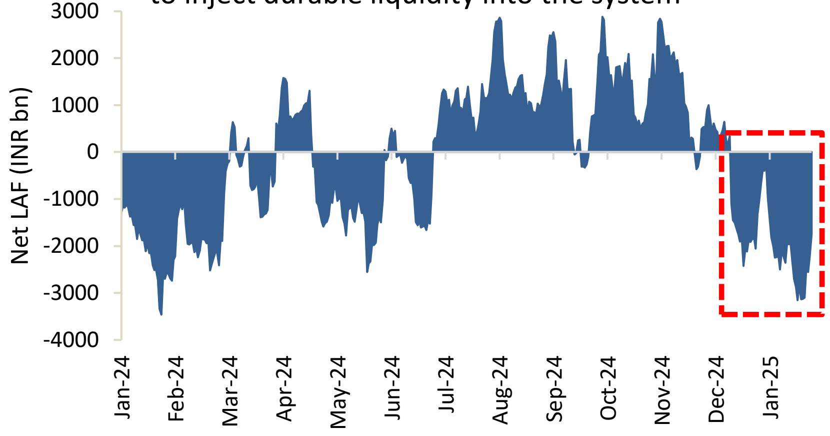
Note: A – Actuals; RE – Revised Estimates; BE – Budget Estimates
Expenditure is represented as negative

Source: Union Budget Documents

Classification - Public

Liquidity tightens further despite RBI's actions to improve the same… market expects more supportive actions…

Liquidity remains in deficit despite RBI's measures to inject durable liquidity into the system



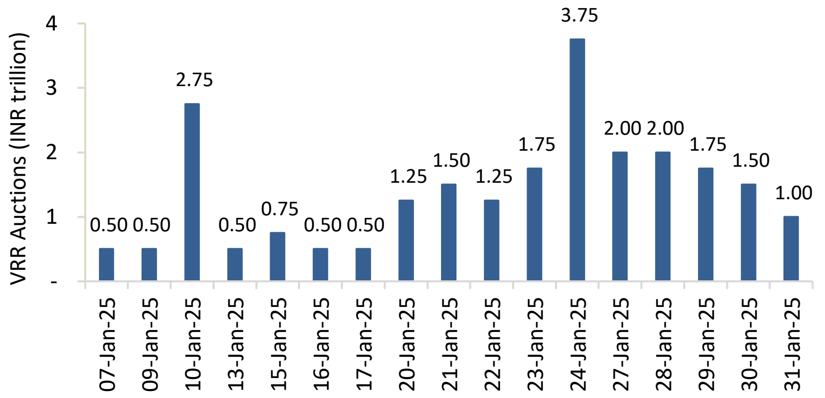
Source: Bloomberg

The RBI has announced a host of measures to inject durable liquidity in to the banking system

Particulars	Date	Amount
OMO Purchases	30-Jan-25	Rs 200 bn
	13-Feb-25	Rs 200 bn
	20-Feb-25	Rs 200 bn
56-day VRR Auction	07-Feb-25	Rs 500 bn
USD/INR Buy/Sell Swap	31-Jan-25	USD 5 bn (~Rs 435 bn)

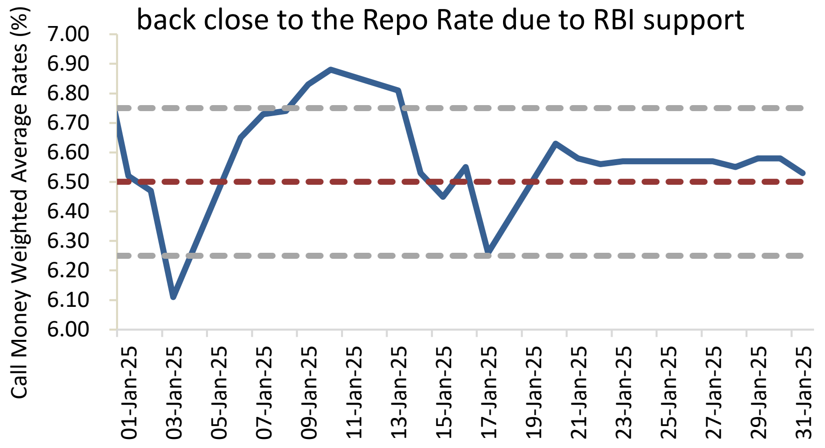
Source: RBI

The RBI actively managed liquidity throughout the month through VRR auctions



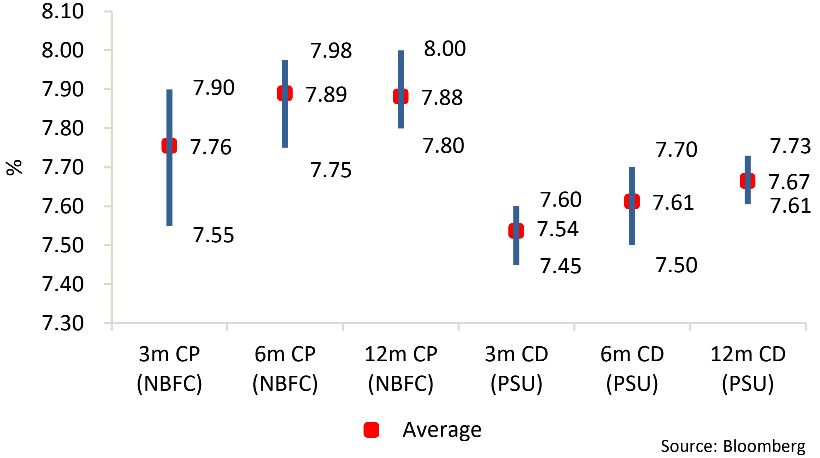
Source: RBI

Despite initial volatility, the Overnight Rate came back close to the Repo Rate due to RBI support



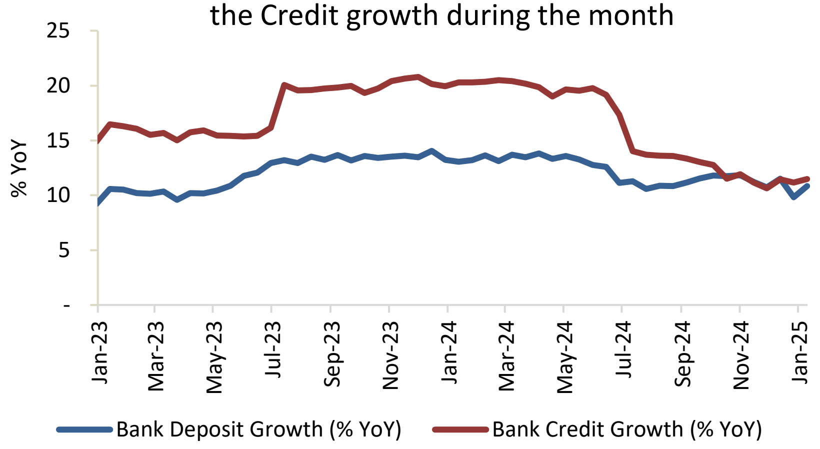
Source: Bloomberg

Yields of CPs/CDs saw some volatility



Source: Bloomberg

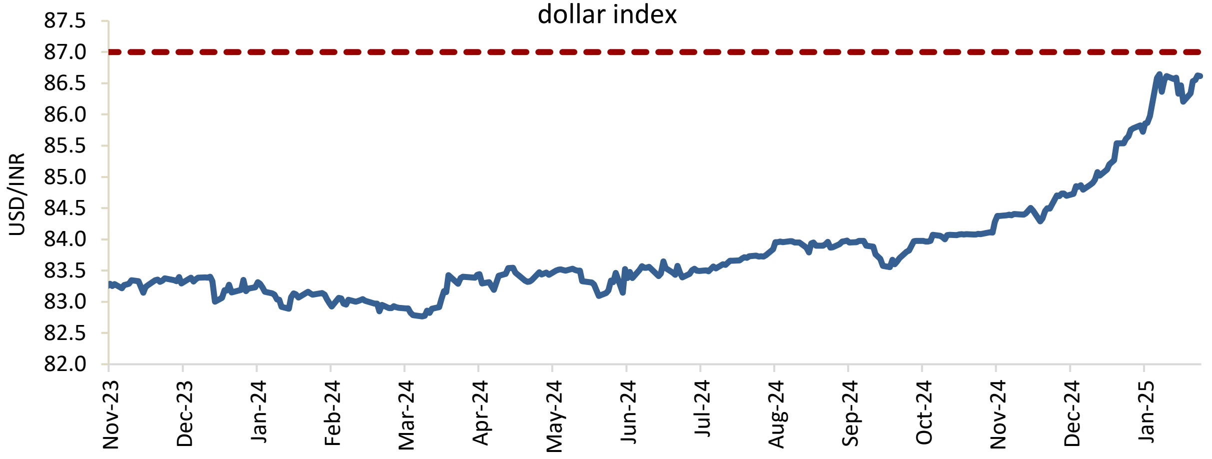
Bank Deposit Growth came in marginally below the Credit growth during the month



Source: Bloomberg

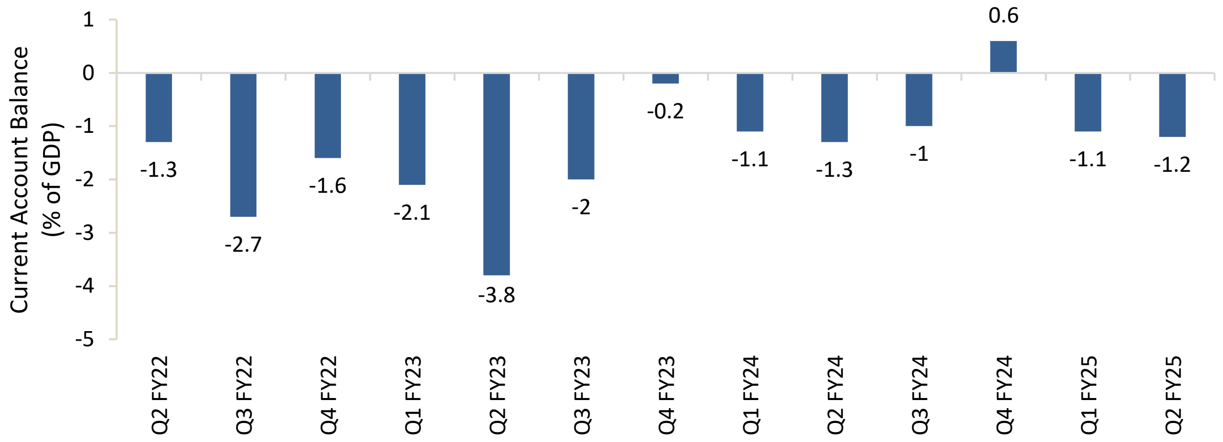
External position weakens… USDINR reaches an all time low

USDINR is approaching 87 levels despite RBI's forex intervention, driven by rising dollar index



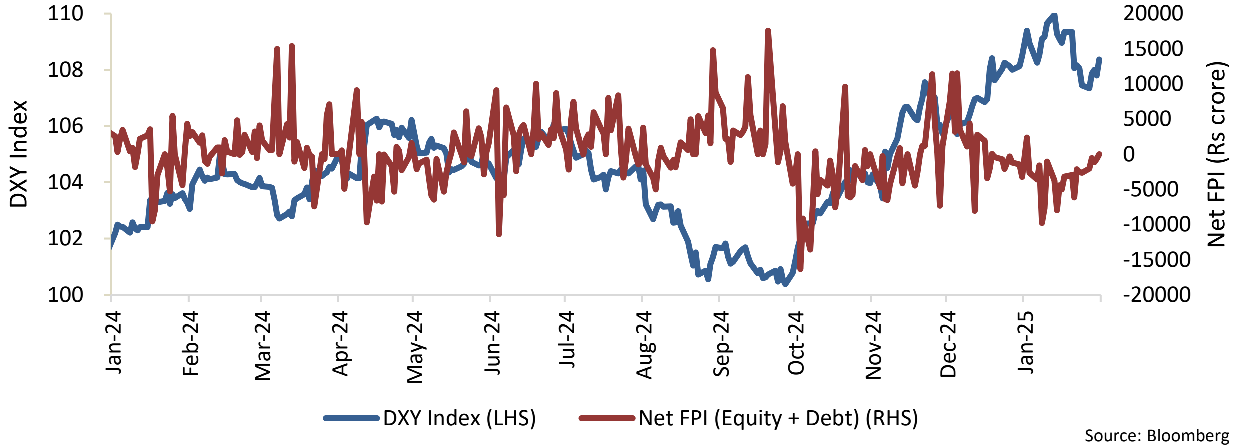
Source: Bloomberg

The current account remains stable… but in deficit



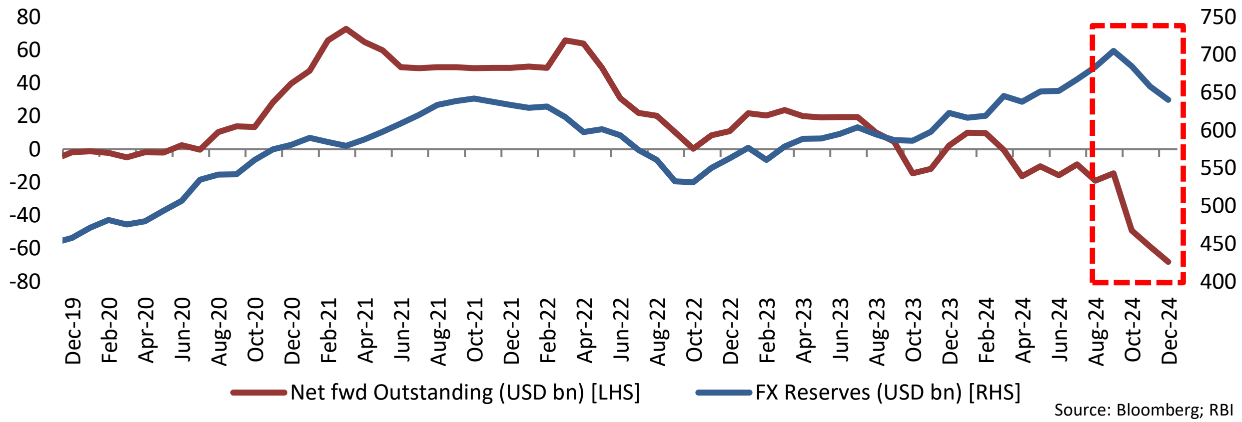
Source: Cogencis; RBI

The volatility in Dollar Index impacted FPI flows in the Indian market..
..Equity markets saw net outflows while Debt markets saw net inflows



Source: Bloomberg

The RBI has been taking a short position in the forex market, which has had implications for the forex reserves.

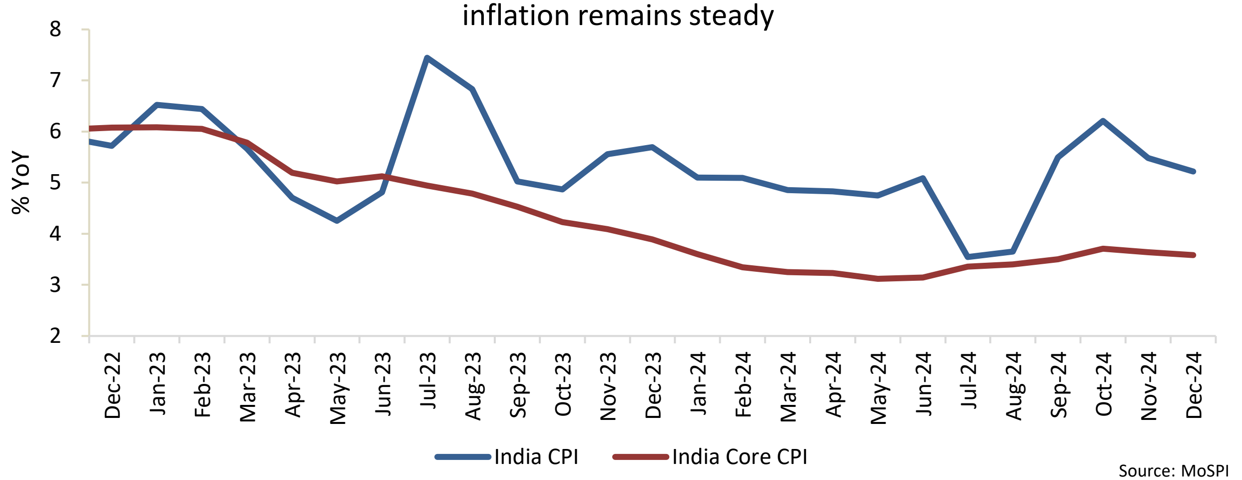


Source: Bloomberg; RBI

Classification - Public

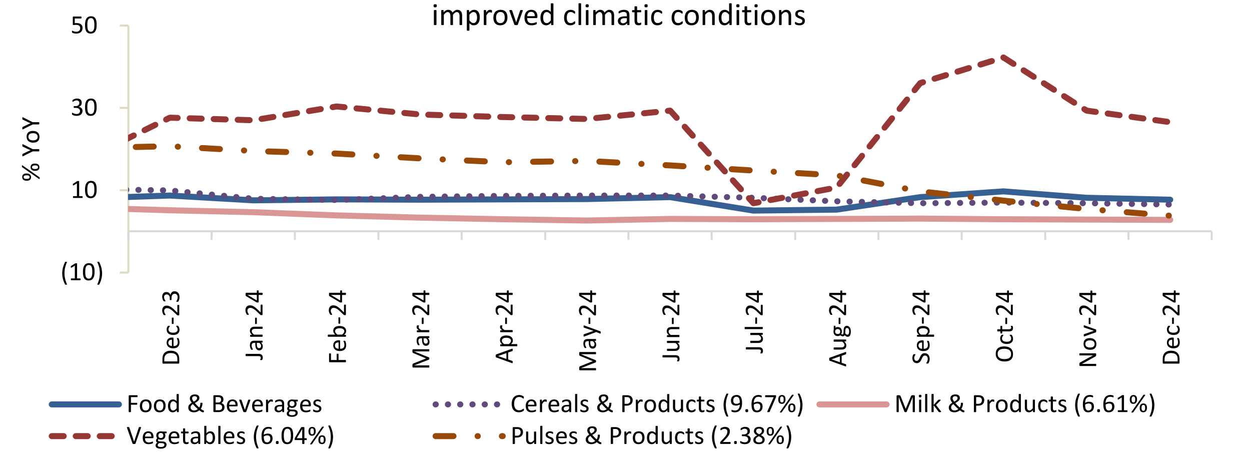
Inflation trending lower on the back of deceleration in food prices

Base effect and lower food prices driving headline inflation lower, core inflation remains steady



Source: MoSPI

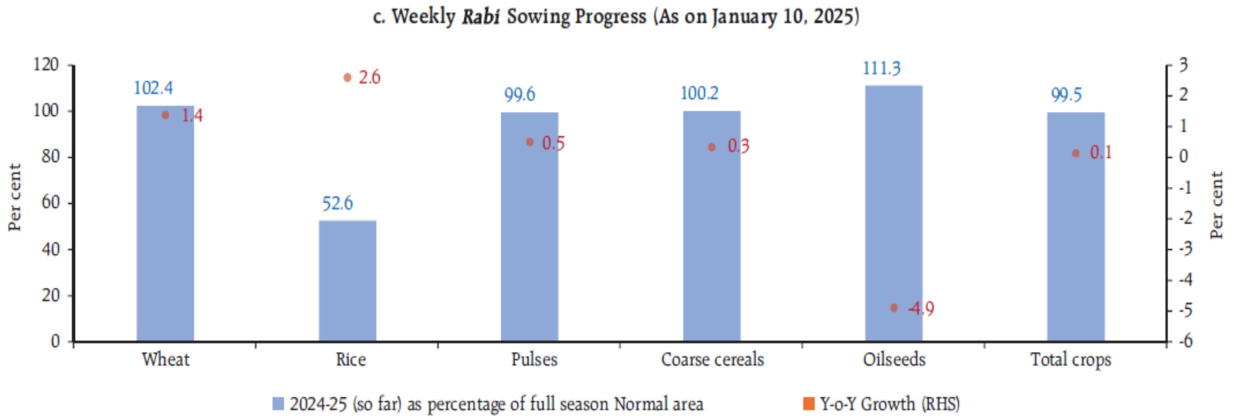
Food Inflation came down on the back of lower vegetable prices due to improved climatic conditions



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

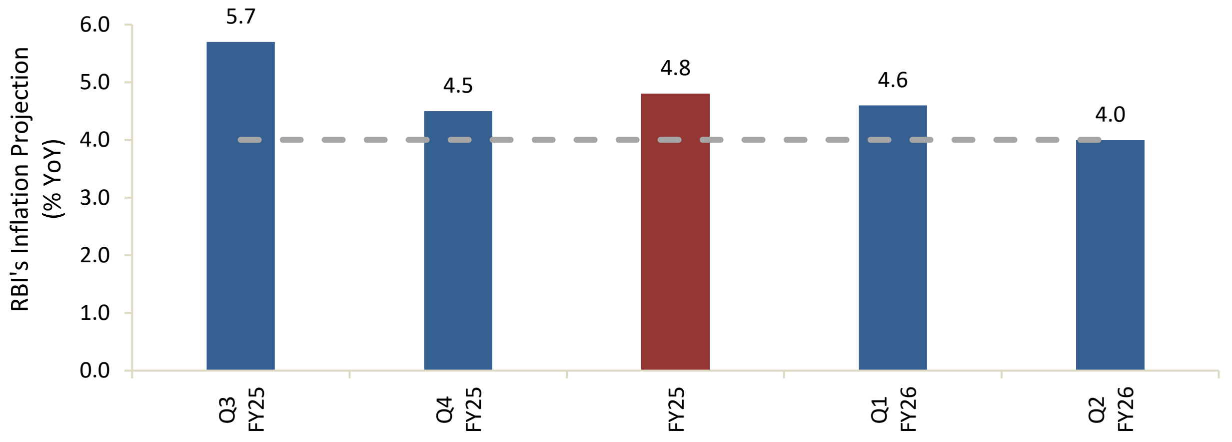
Source: MoSPI

Strong Rabi sowing is likely to weigh down on food prices going forward, supporting inflation



Source: RBI Bulletin

RBI continues to project inflation moving steadily towards its 4% target

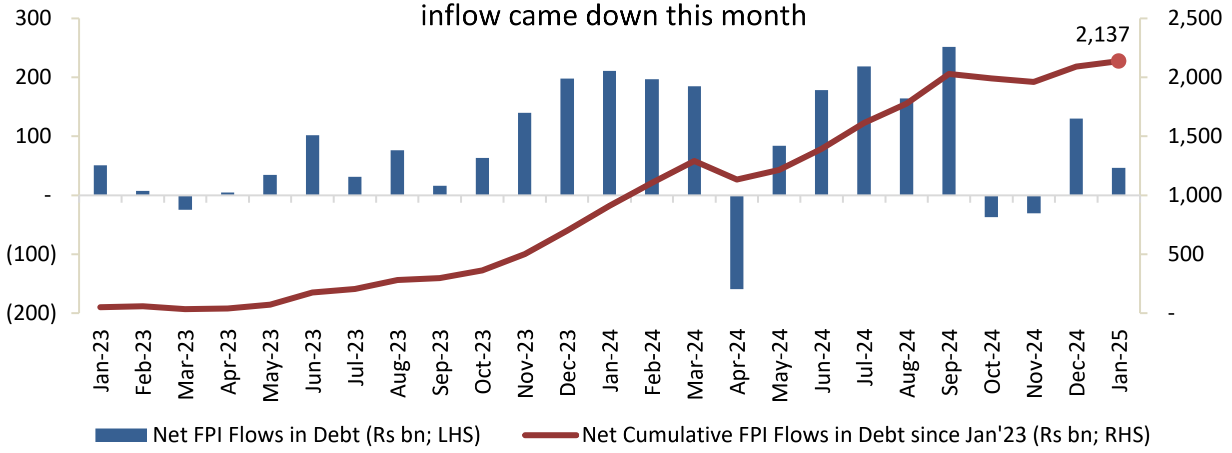


Source: RBI

Classification - Public

G-secs trading at the lower band of the range

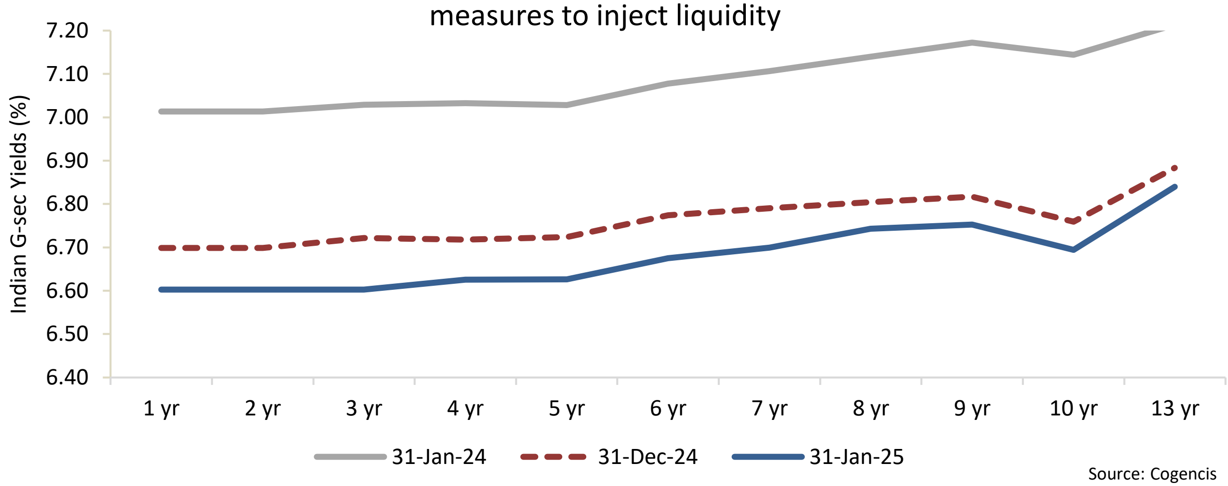
FPIs continued to be net buyers in the Debt markets, but the quantum of inflow came down this month



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

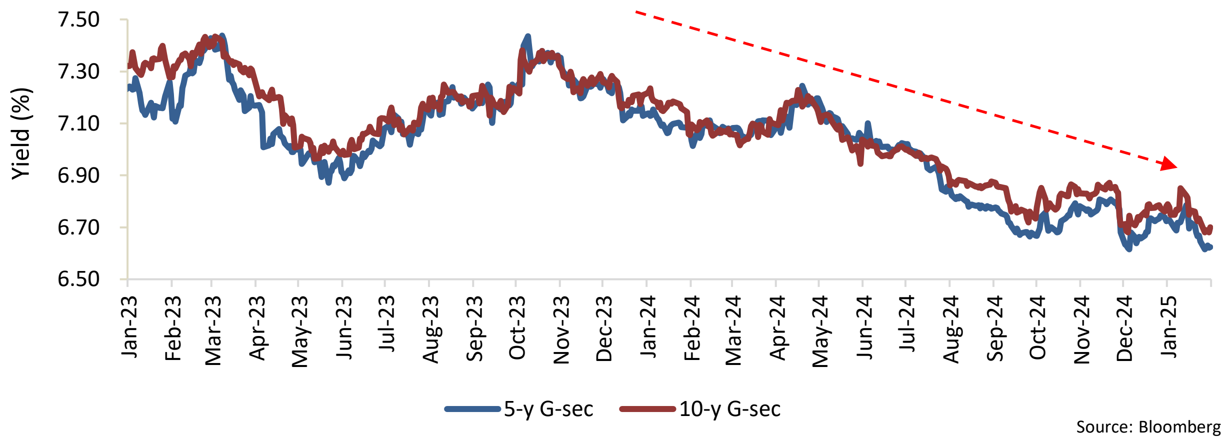
Source: Bloomberg, NSDL

The G-sec Yield curve has shifted parallelly downwards, as RBI announced measures to inject liquidity



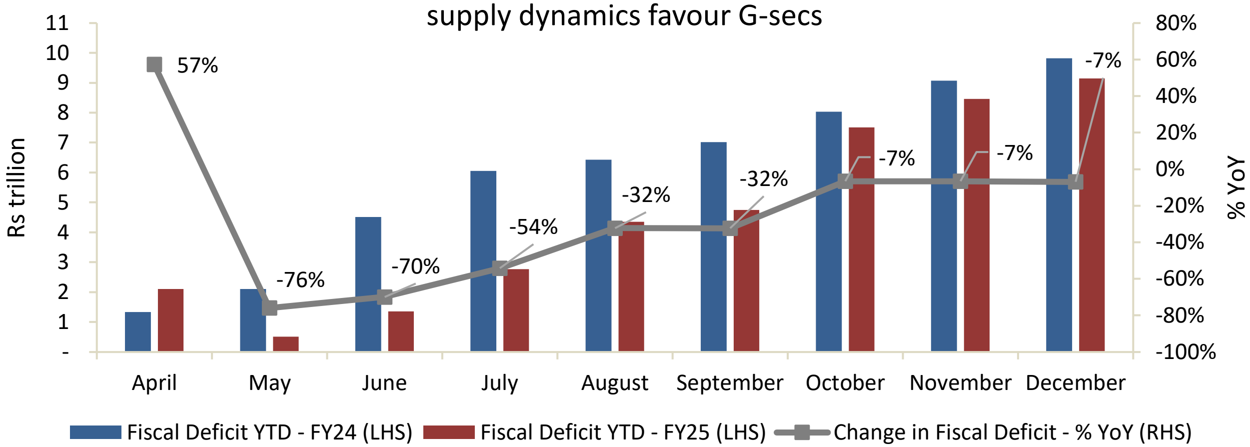
Source: Cogencis

Domestic G-sec yields were volatile, but recovered towards the end of the month, post RBI's announcements to boost liquidity



Source: Bloomberg

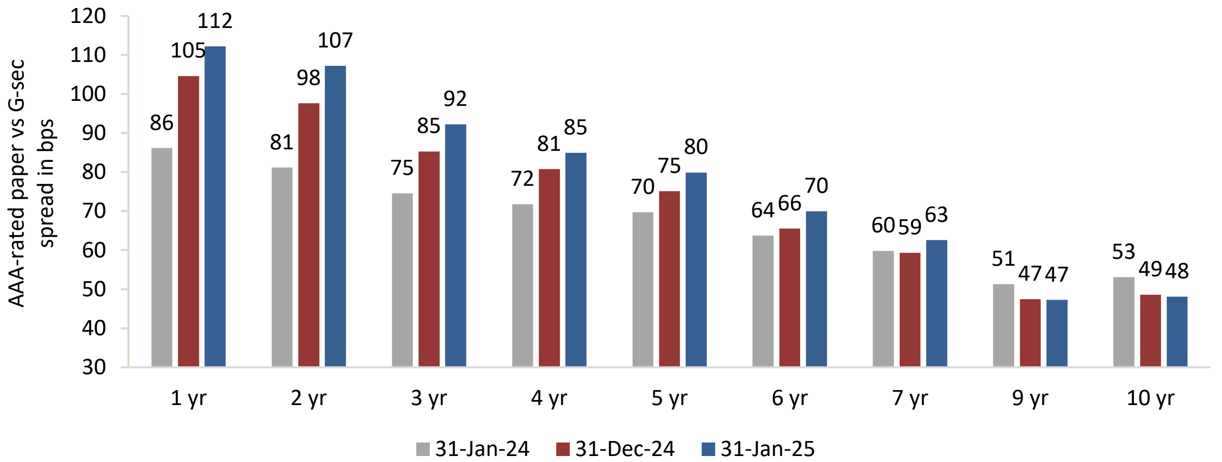
Government has managed the Fiscal Deficit well, ensuring that demand-supply dynamics favour G-secs



Source: CGA

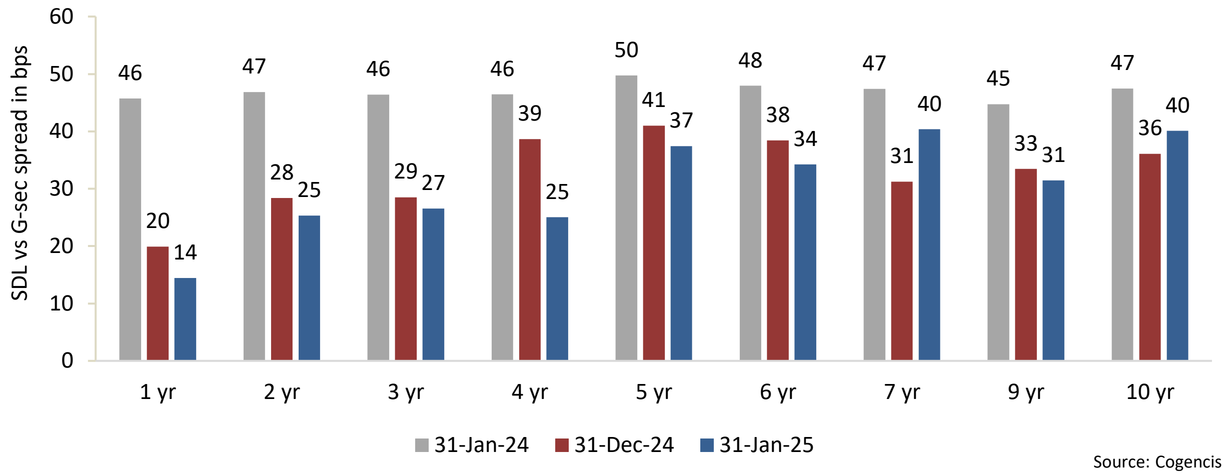
Deteriorating liquidity conditions has resulted in higher corporate bond spreads… making corporate bond funds attractive

Corporate Bond Spreads rise across the board…



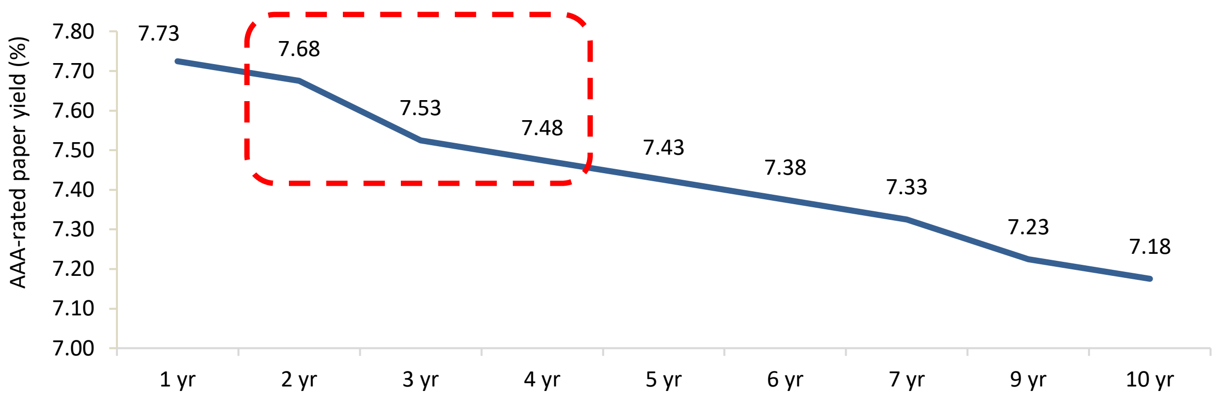
Source: Cogencis

… while SDL Spreads seem to be declining, especially at the short end



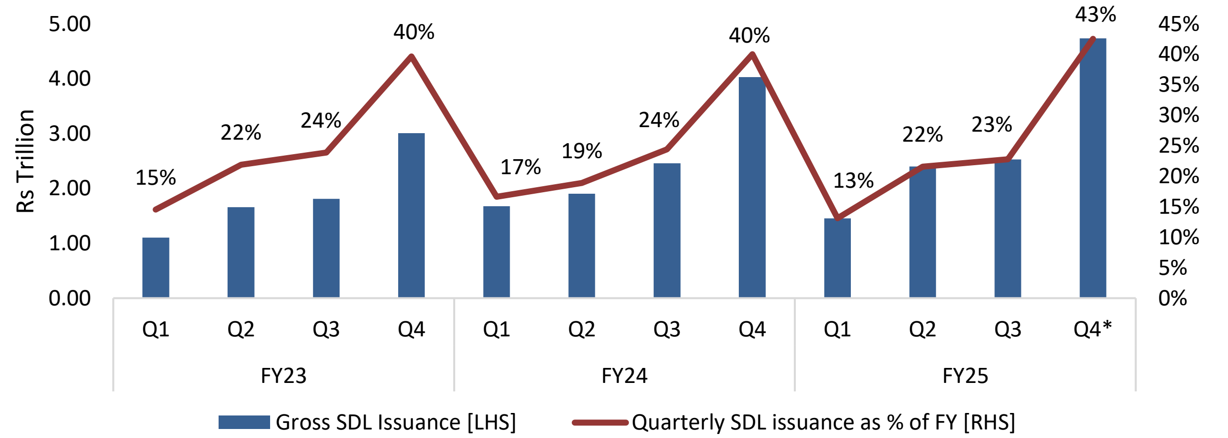
Source: Cogencis

Shorter end of the Corporate bond curve remains attractive from an accrual standpoint, where most of the Corporate bond funds seem to be positioned



Source: Cogencis

Year end SDL demand could lead to rise in SDL spreads



*Note:Q4 FY25 data is as per RBI's borrowing calendar

Source: Bandhan AMC

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