

HDFC Bank – Research Presentation

July 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	
	Jun-25	Jul-25
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	
	Jun-25	Jul-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 – July 2025

- With high deficit burden and rising debt, Moody's cut its credit rating for US's economy. The US economy is also showing signs of weakening, while the US Fed maintains its pause on policy actions. With the Trump tariff deadline approaching in July, more trade deals are likely to be concluded that should be mutually beneficial. Increased fiscal spending (due to the "Big Beautiful Bill") and appointment of the next Fed chair would be the positive signs that US equity markets could expect.
- 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 growth in the EU. However, tariff related concerns with the US still persist for EU.
- 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 fiscal support also to be announced in CY25.
- The base commodity prices have seen an upward bias in the previous month, driven by the news of fiscal spends across EU and conciliatory trade moves between US and China. With the Iran-Israel conflict coming to an end and expectation of higher supply, crude oil prices have come down from its recent highs. The announcement of a deal between US and China on rare earth metals also ensured consolidation of safe haven assets like gold.
- Weakening Dollar index has helped the up-move in EM equities. Questions persist on the ability of economies with Current Account Surplus to sustain their growth in the face of new trade equations in favour of consuming countries. Fund managers feel that the Dollar index is likely to decline further and that should improve the attractiveness of the emerging markets for large FPIs.
- In India, the Q4 FY25 GDP growth at ~7.4% YoY, was higher than expected. Growth was driven by strong capital expenditure and stable consumption demand. In terms of GVA, growth in Construction, Government spending, Financials and Agriculture supported the growth at 6.77% YoY. For FY25, the GDP growth estimated stood at 6.5% YoY.
- 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. In terms of other data points, PMI continues to show good momentum in Manufacturing and Services activity, GST growth has also seen improvement. Indicators like IIP and Export growth continue to remain areas of concern. With weakening Dollar index, INR bounced back vs the USD after showing weakness during the month, and forex reserves too have seen a substantial jump.
- Rural economy has seen reasonable uptick as seen by rising tractor sales. With IMD projecting above normal monsoons and with continued deceleration in CPI inflation, the rural economy is likely to remain a key pillar of domestic growth. RBI's rural consumer survey also shows increased optimism within the rural population. The growth in MSP support prices for many agri-products would further support farmers' income. This has positive readthrough for rural-driven sectors.
- Urban demand has remained mixed. Anecdotal evidence also suggests weakness in IT hirings which may have implications for demand conditions in key cities. Uptick in consumer confidence in the recent RBI survey could be a green shoot to watch out for.
- Recent surveys by the RBI assessing infrastructure growth and manufacturing demand shows optimism. New order growth for manufacturing sector too seems to be improving. Q4 FY25 Gross Fixed Capital Formation (GFCF) growth also suggested improving momentum in the capex and construction 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 sharp uptick in FY25. With the recent correction in valuations and steady growth momentum in many key sub-segments, Infrastructure stocks could see better performance.
- **The recent challenges and issues with the domestic macro economy and corporate earnings are already starting to see improvement and are expected improve further in the next couple of quarters. With a favourable base, the earnings are likely to see steady growth in FY26. With the rate of change in the GDP growth showing signs of improvement, decline in inflation, and budgetary support to the middle class, disposable incomes are likely to improve in FY26. Beneficial trade deals and strong monsoons are likely to shore up sentiments going forward. With RBI going all out to support growth, through a mix of policy rate cuts and liquidity improvement measures, the wheels of the economy are likely to move faster in the medium-term. With the currency volatility also expected to stabilize due to decline in the Dollar index, FPIs too could look at Indian markets more favourably. Thus, barring any large external risks, markets are expected to deliver lower volatility in the medium-term.**
- Though the valuations continue to remain rich, the equity markets may choose to ignore them if the earnings growth remains reasonable and liquidity remains abundant, thus creating opportunities in stocks which can demonstrate strong earnings growth. We are already seeing gradual narrowing of the markets, so fund managers who are able to be fairly nimble and identify growth ideas can generate alpha vs their peers.
- 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. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term. Given the improved earnings performance delivered by the Midcap and few Smallcap sub-sectors, exposure to pure Mid and Small cap funds could be taken through STPs. From an asset allocation perspective in Equity Mutual Funds, 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 narrowed marginally over G-secs. Based on easing liquidity, the curve may steepen 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 take a tactical call on dynamic bond funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds and 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.

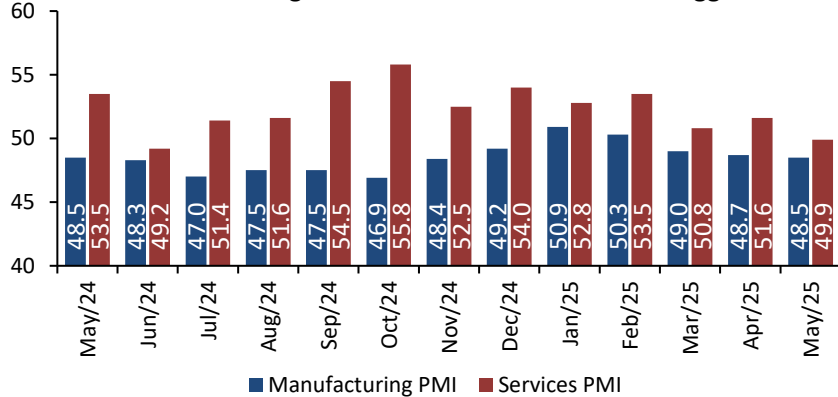
Research Presentation – Content

- US: Growth seems to be muted, expected to weaken post tariffs while Trump's "One Big Beautiful Bill" could aid growth
- Eurozone: Despite substantial policy rate cuts and easing financial conditions, growth concerns persist... Increased spends by NATO countries may drive investments
- China: Exports continue to remain key for growth as domestic weakness persists, recent tariff breakthrough with US looks positive
- Industrial commodities seeing gradual uptick on the back of reducing trade tensions between China and US, while crude oil came off after a spike seen during the Iran - Israel Conflict
- Weakening Dollar Index benefits Emerging Markets' stocks... Asian EMs delivered better vs. other EMs
- FPI flows and strong DII flows have helped Indian market's performance, along with liquidity support from RBI and on the back of easing geopolitical situation in Middle East
- Sectoral performance and FPI flows in June 2025
- India Macros: Conditions gradually improving... Some concerns persist
- Urban Economy: Continues to remain a mixed bag, but low interest rates and tax cuts can lead to growth revival
- Rural Economy: Optimism persists
- Capex: Private sector participation to be important going ahead
- Sectoral Movement: The upside in equity markets continues to be rotational and no clear leadership seen
- India Valuations: Remain rich, markets narrowing, bottom-up opportunities to drive alpha
- Market Roundup – June 2025
- Key concerns for Indian equities
- Annexure...
- Sectoral outlook by Fund Managers – Part 1
- Sectoral outlook by fund managers – Part 2
- AMC Sectoral Holdings
- Fixed Income Outlook
- US – As the tariff discussion nears it's first deadline, softening of economic activity starts to weigh in as Fed dwells on the Growth-Inflation conundrum
- After sustained policy rate cuts, ECB pauses its monetary easing... Incremental fiscal spends can be inflationary
- Fed continues its wait and watch policy... ECB eases rates further but hints at a pause
- Global growth facing multiple headwinds, keeping the major central banks dovish
- Global Commodities – Escalation in the Middle East had led to an interim spike in Crude prices
- RBI frontloads growth supportive policy measures and remains committed to liquidity, but changes stance
- India's external sector shows strength, opening up space for further policy easing
- Faster deceleration of inflation gave RBI enough space to frontload... Probability of a strong monsoon may continue to keep food prices benign, maintaining headline inflation in line with RBI's forward guidance
- Easing liquidity has brought down the shorter end faster, leading to steepening of the G-sec yield curve
- Sustained surplus liquidity in the system can steepen the corporate bond yields further at the shorter end, while accrual still remains lucrative basis available spreads
- Disclaimer

US: Growth seems to be muted, expected to weaken post tariffs while Trump's "One Big Beautiful Bill" could aid growth

US Manufacturing & Services PMI

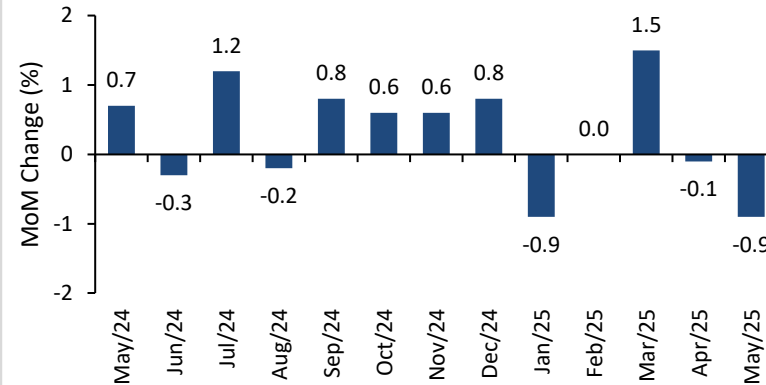
Manufacturing & Services PMI continues to struggle



Source: Bloomberg

US Retail Sales

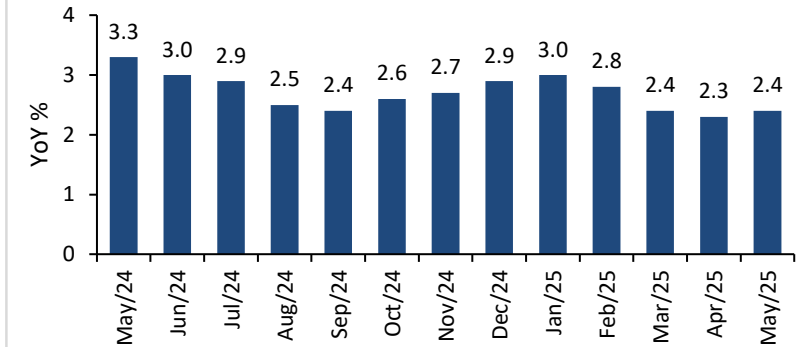
Trend remains weak



Source: Bloomberg

US CPI remains sticky

Fed seems to be cautious on providing monetary support on back of tariffs and the higher fiscal spending that has been proposed



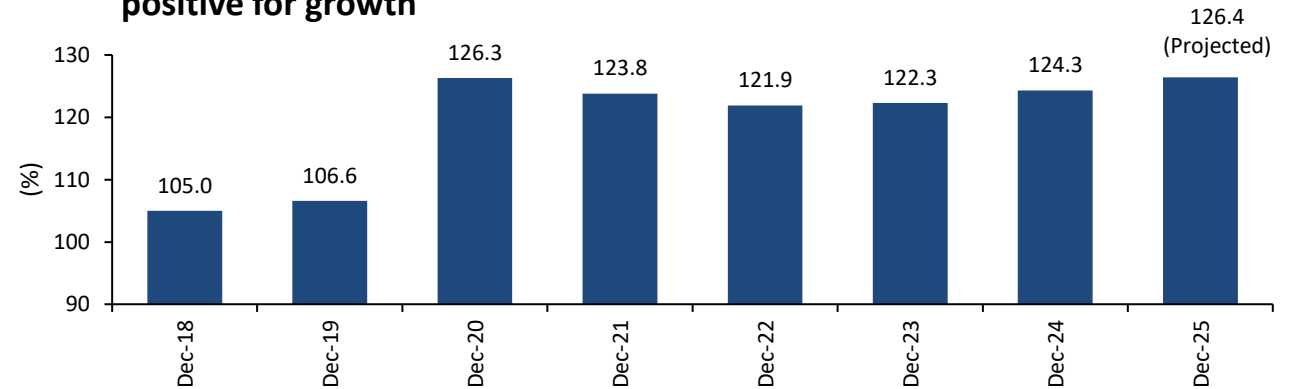
Source: Bloomberg

Trump's "One Big Beautiful bill"...

- Proposed steeper cuts to Medicaid funding, in part by incrementally lowering provider taxes from 6% to 3.5% by 2032.
- 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

... to have negative impact on US Debt-to-GDP, but is likely to be positive for growth

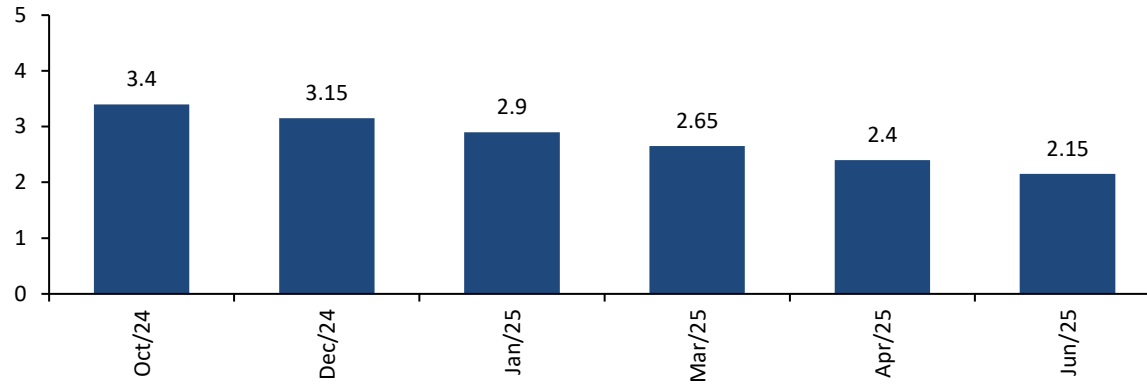


Debt to GDP remains elevated

Source: Bloomberg

Eurozone: Despite substantial policy rate cuts and easing financial conditions, growth concerns persist... Increased spends by NATO countries may drive investments

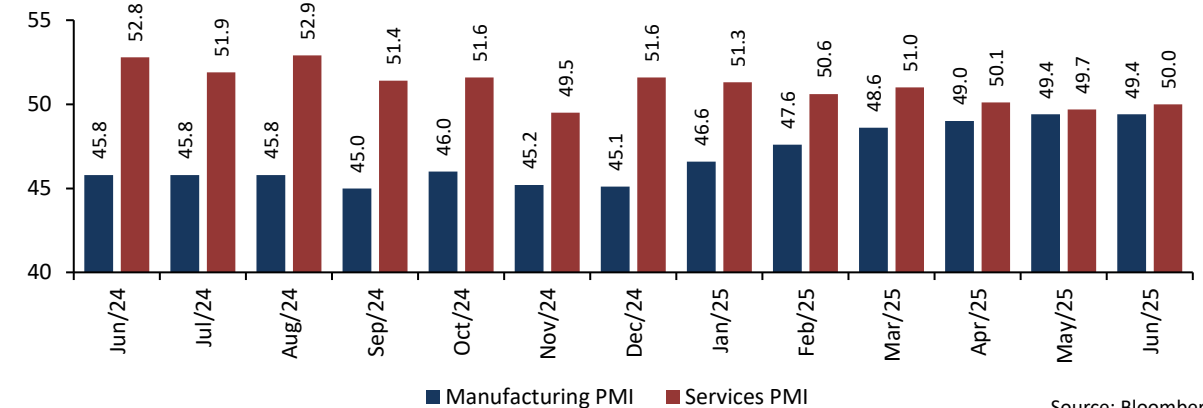
ECB Main Refinancing Rate (%) remains supportive



Source: Bloomberg

S&P Global Eurozone PMI

Manufacturing & Services under pressure



Source: Bloomberg

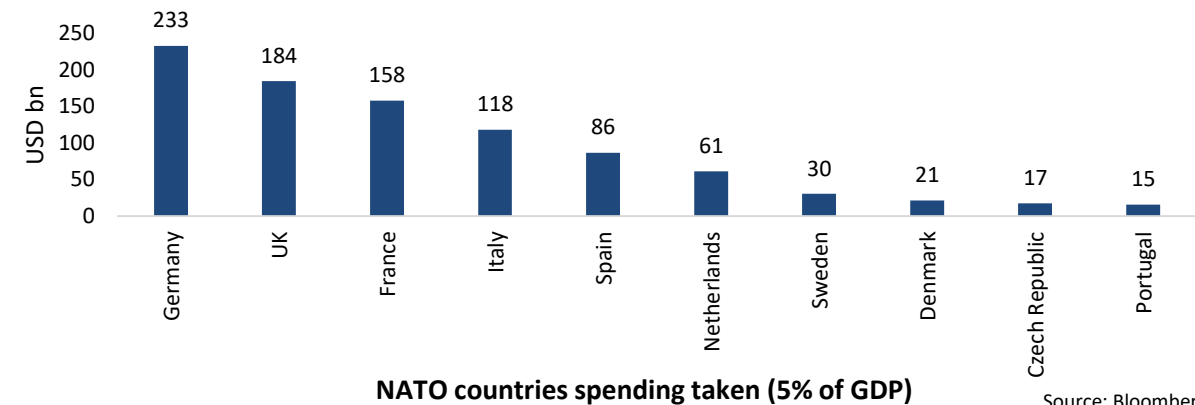
Rising fiscal spending by EU countries to drive corporate profitability

- European Commission's white paper: To meet the required EUR 800 bn to finance a massive ramp-up in defence spending, it is calculated that each member state must spend 1.5% of its GDP on defence. That would bring the combined amount to EUR 650 bn - the remaining EUR 150 bn would be provided by loans.
- Germany is set to embark on its most ambitious defence spending initiative since World War II.
- The Bundesrat, the upper house of Germany's parliament, approved an EUR 1 trillion spending package.
- The legislation includes provisions for a EUR 500 bn investment in infrastructure over a 12-year period, aimed at shoring up the Germany's flagging economy.
- French President Emmanuel Macron has recently set an even higher target for defence spending at 3-3.5% of economic output from the current 2%.

Source: Media Reports

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

Aggregate amount for Defence spending by the major NATO countries, ex-USA, could amount to USD 923 bn

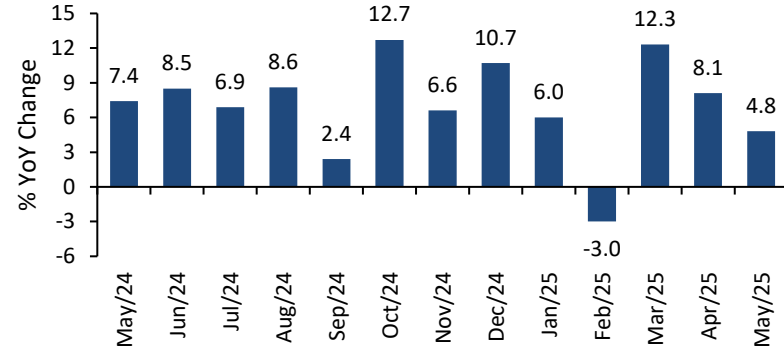


Source: Bloomberg

China: Exports continue to remain key for growth as domestic weakness persists, recent tariff breakthrough with US looks positive

China's Export Growth

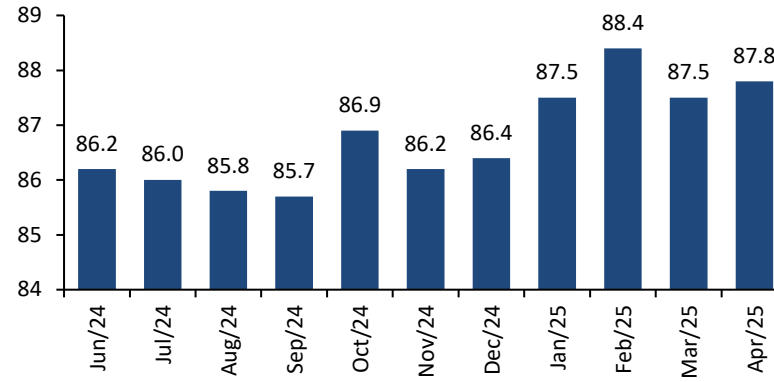
Exports on a declining trajectory, pre-buying had led to spike in previous months on the back of tariff fears



Source: Bloomberg

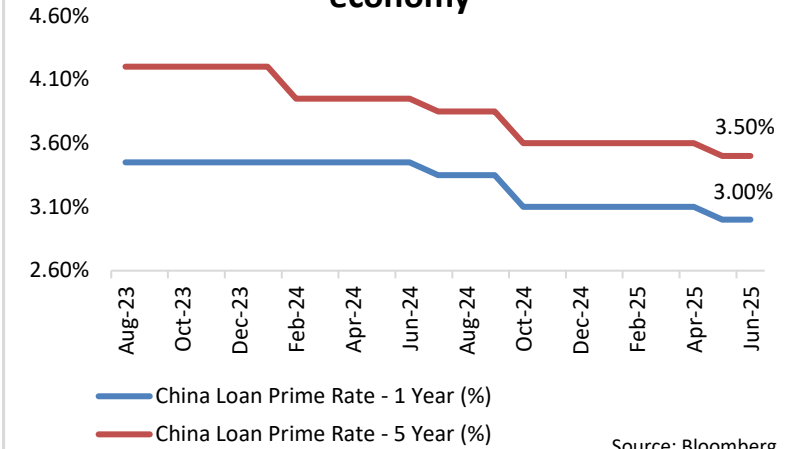
China Consumer Confidence Index

Consumption trends yet to improve



Source: Bloomberg

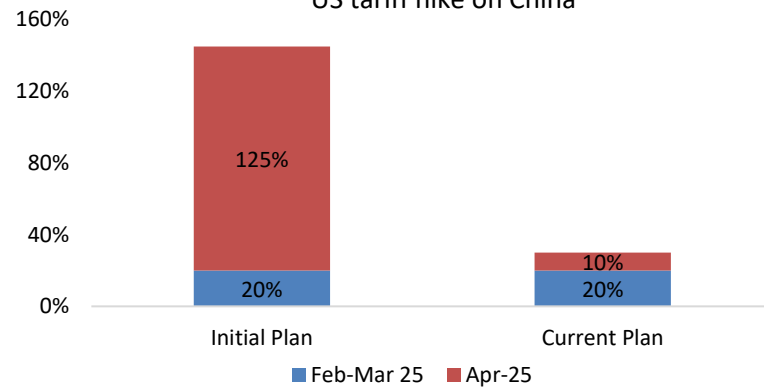
Policy cuts in place to stimulate the economy



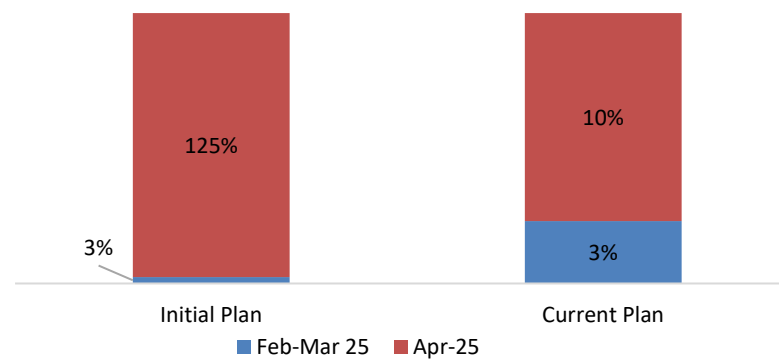
Source: Bloomberg

China - US negotiations begin: Rare earth mineral deal already in place and more is expected

US tariff hike on China



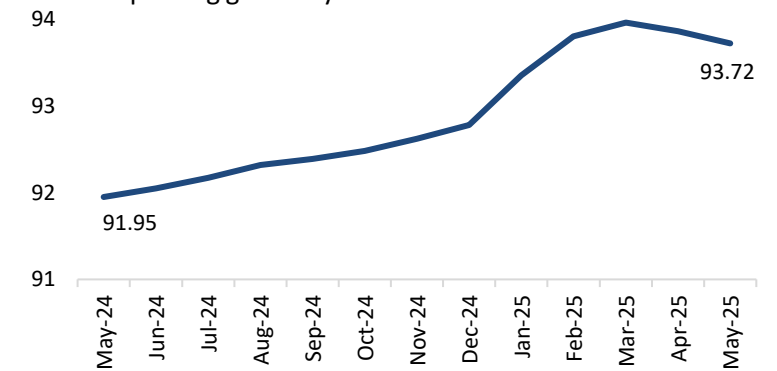
China tariff hike on US



Source: Franklin Templeton AMC

China Real Estate Climate Indicator

Improving gradually

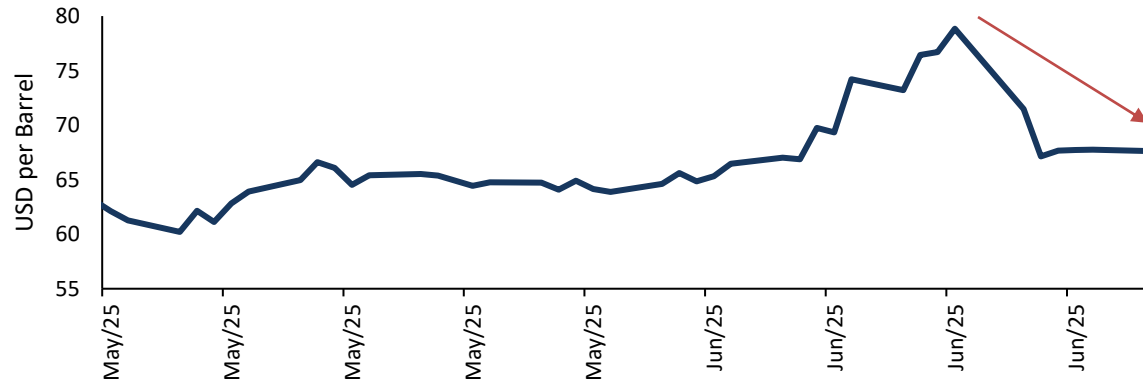


Source: Bloomberg

Industrial commodities seeing gradual uptick on the back of reducing trade tensions between China and US, while crude oil came off after a spike seen during the Iran - Israel Conflict

Brent Crude Price

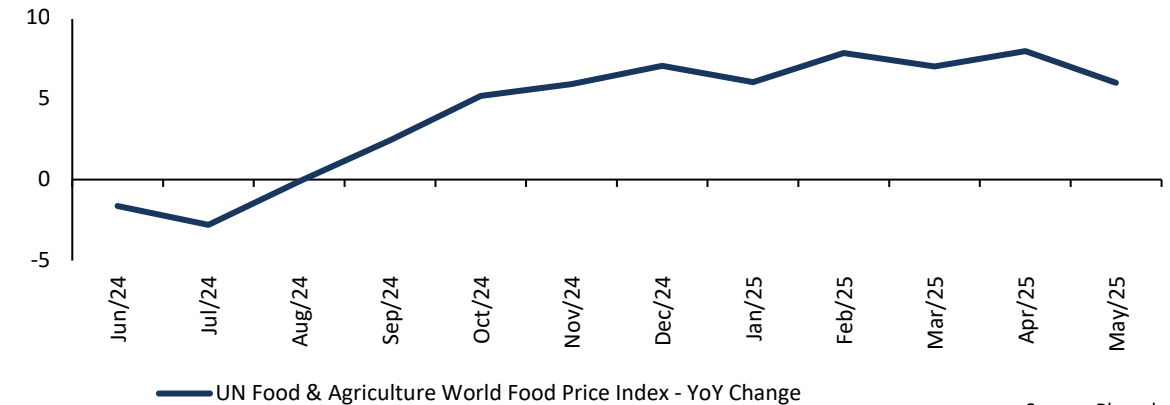
Easing geopolitics, ceasefire between Iran and Israel leads to decline in crude oil prices



Source: Bloomberg

UN Food & Agriculture World Food Price Index

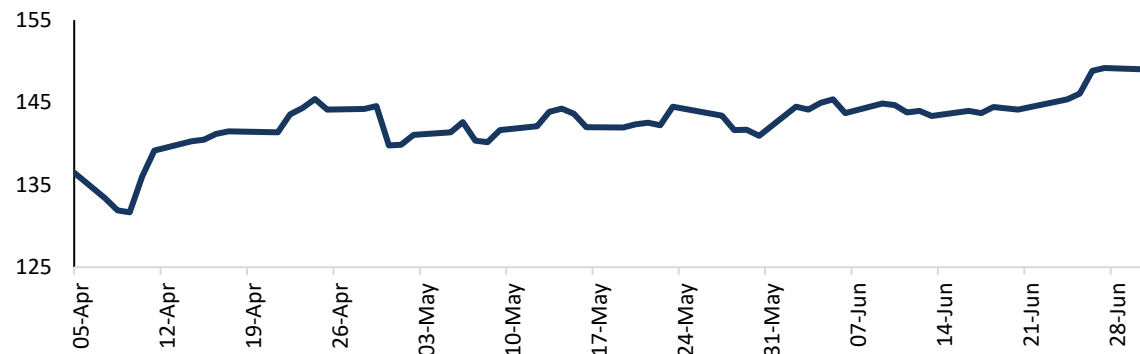
Remains high due to unfavourable base



Source: Bloomberg

Bloomberg Industrial Metals Index

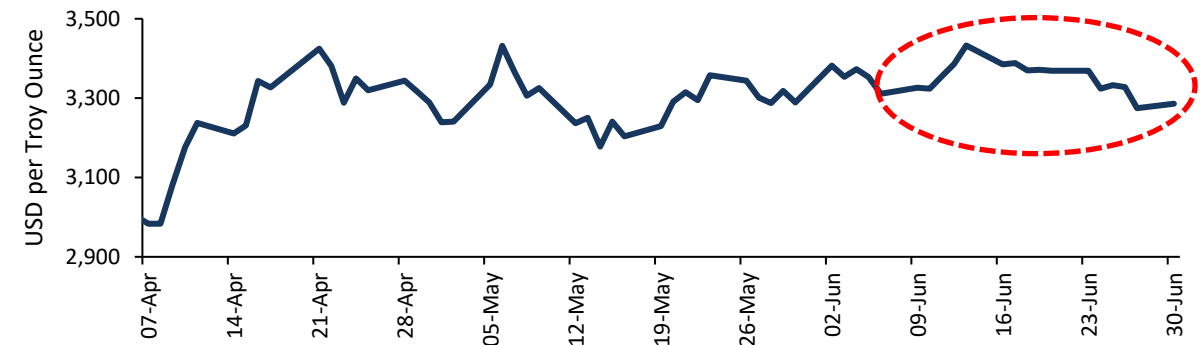
Trend improving



Source: Bloomberg

Gold Price

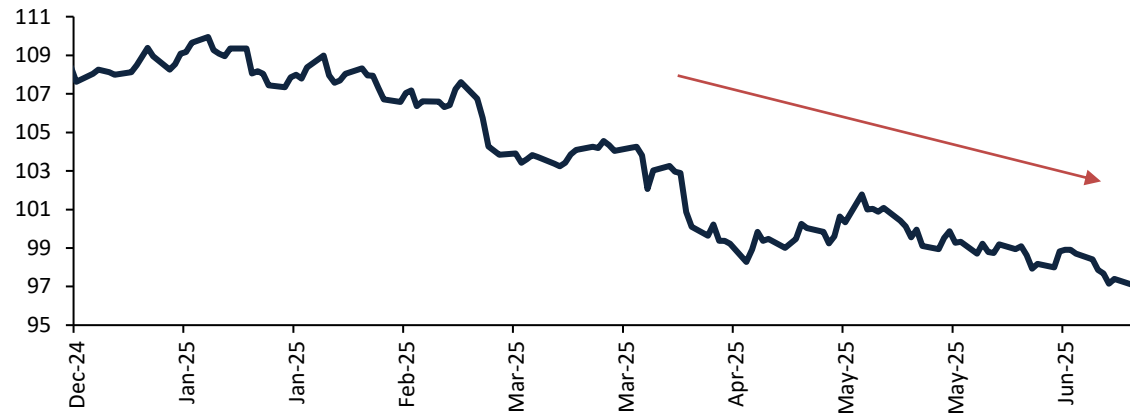
The announcement of a deal between US and China on rare earth metals ensured consolidation of gold prices



Source: Bloomberg

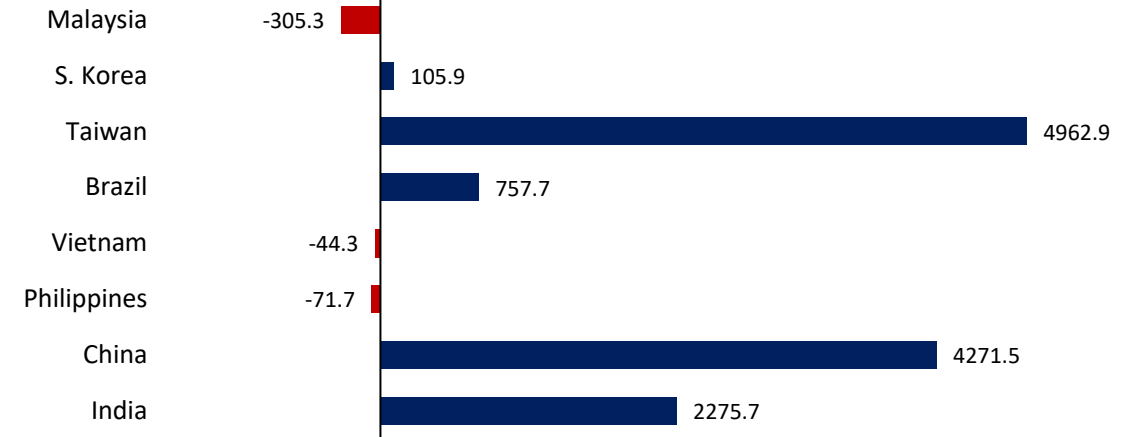
Weakening Dollar Index benefits Emerging Markets' stocks... Asian EMs delivered better vs. other EMs

US Dollar Index



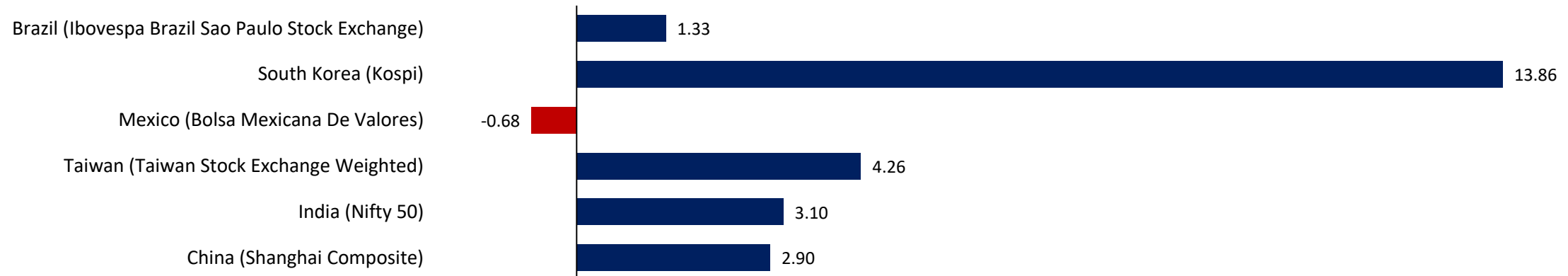
Source: Bloomberg

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



Source: Bloomberg

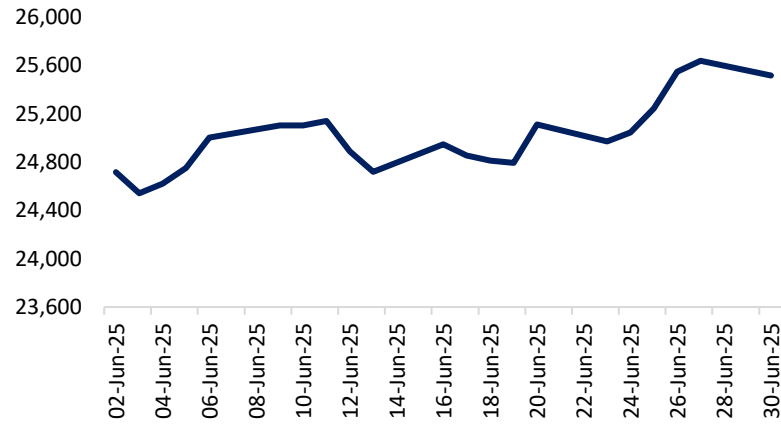
Emerging Markets - Absolute Returns of major equity indices in June 2025 (%)



Source: Bloomberg

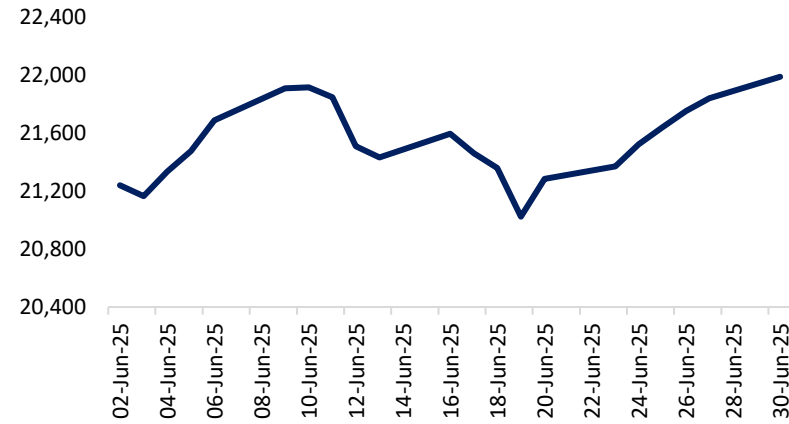
FPI flows and strong DII flows have helped Indian market's performance, along with liquidity support from RBI and on the back of easing geopolitical situation in Middle East

Nifty 50 Index movement



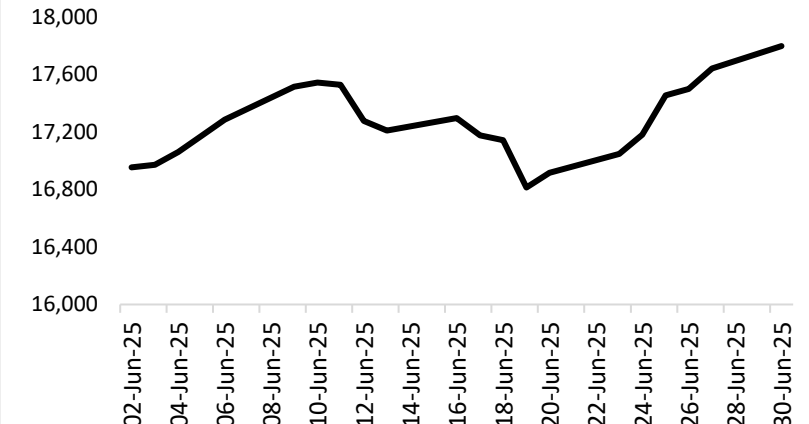
Source: Bloomberg

Nifty Midcap 150 Index movement



Source: Bloomberg

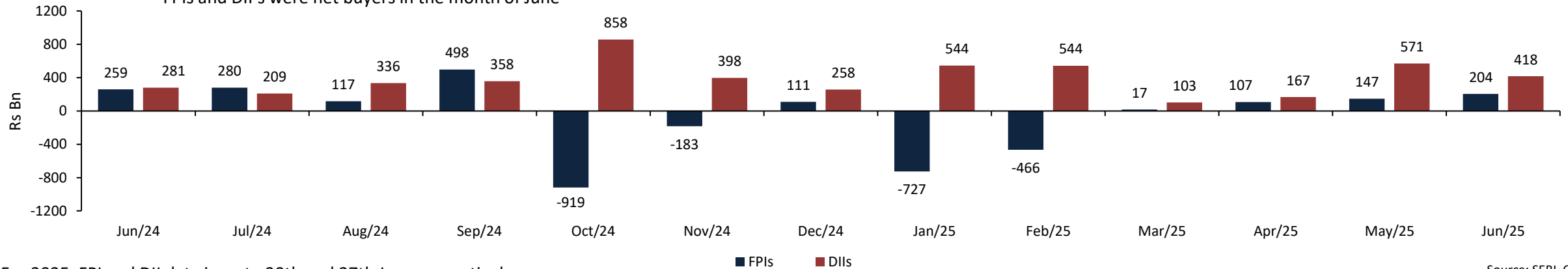
Nifty Smallcap 250 Index movement



Source: Bloomberg

Net Flows In Equities (Rs Bn)

FPIs and DIIs were net buyers in the month of June

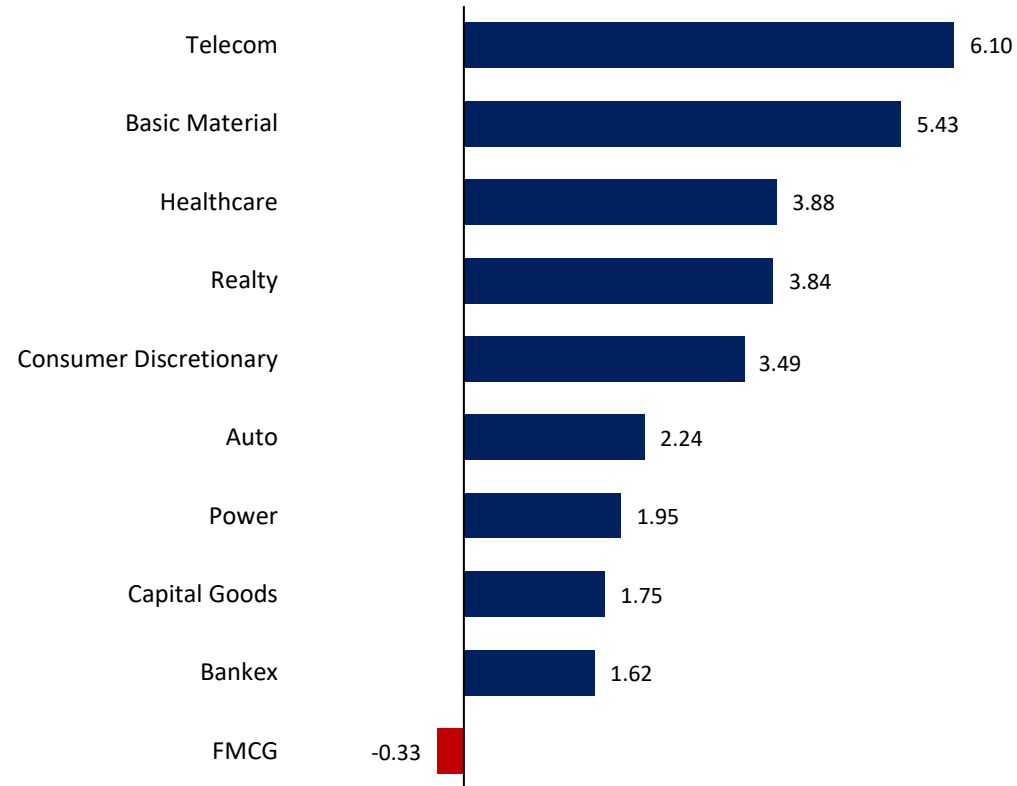


*For 2025, FPI and DII data is up to 30th and 27th June respectively.

Source: SEBI, CDSL

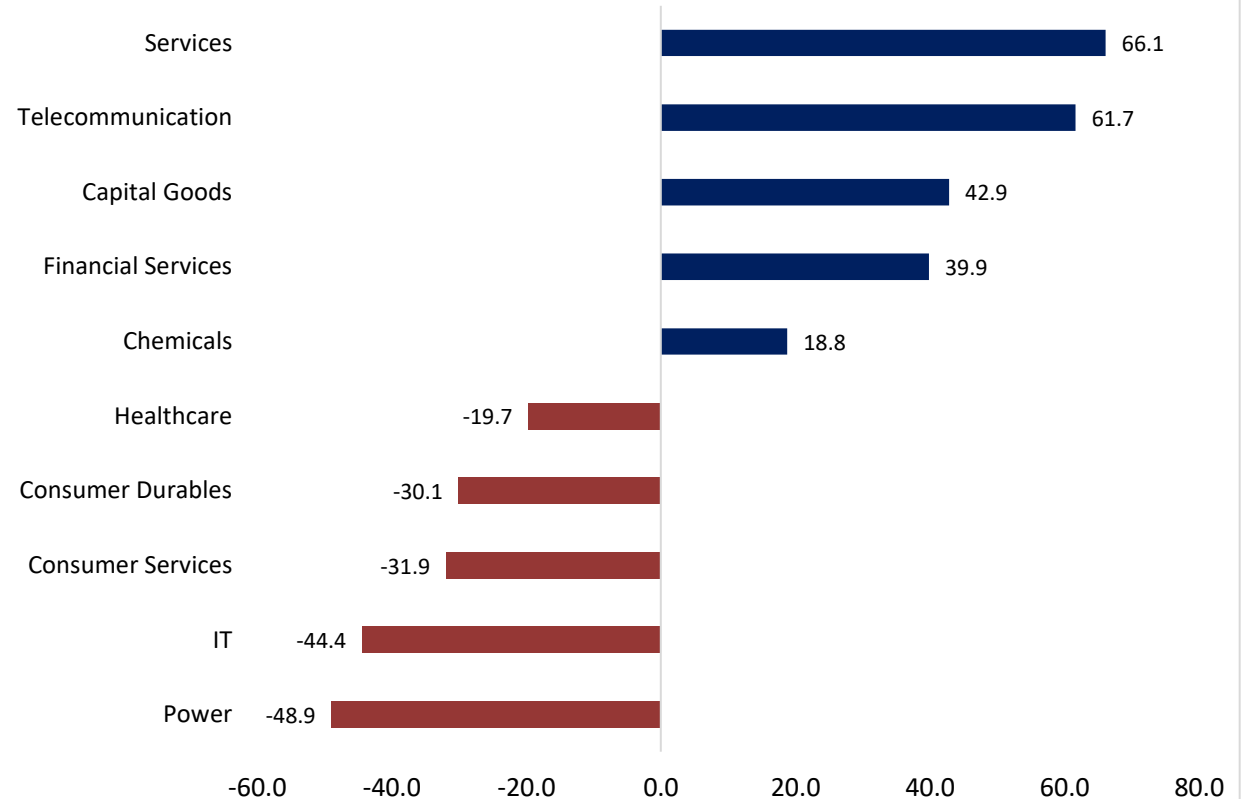
Sectoral performance and FPI flows in June 2025

S&P BSE Sectors - Absolute Return In June 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 May 16, 2025 till Jun 15, 2025



Source: NSDL

India Macros: Conditions gradually improving... Some concerns persist

Staggered CRR Cut to keep liquidity comfortable till Dec'25

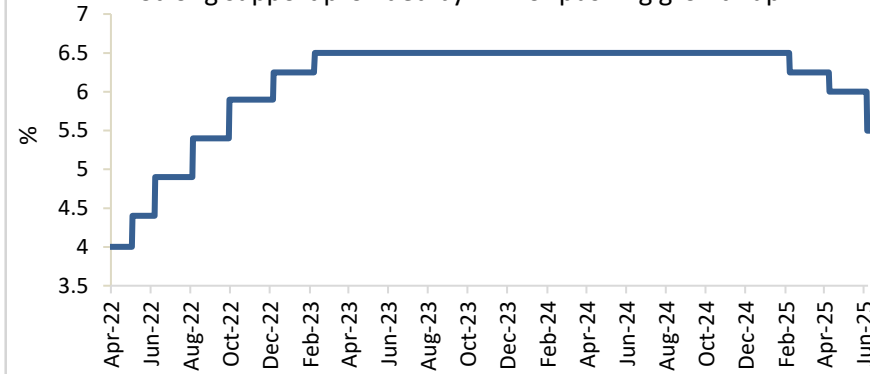
Particulars	Date	Amount Notified/Budgeted (Rs Bn)
OMO	Q1 FY26	2,450
VRR Auction (barring daily and 14-day main operation)	Q1 FY26	1,500
VRRR Auction	Q1 FY26	-1,000*
CRR Cut	06-Sep-25	625
	04-Oct-25	625
	01-Nov-25	625
	29-Nov-25	625

*Negative value indicates liquidity absorption

Source: RBI

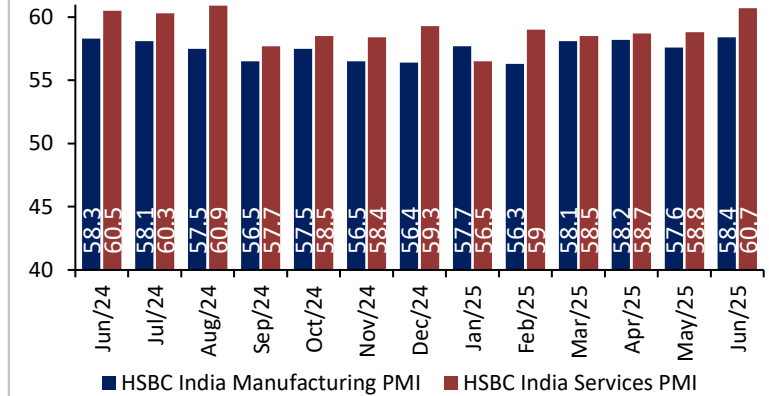
RBI's Repo Rate

Strong support provided by RBI for pushing growth up



Source: Bloomberg

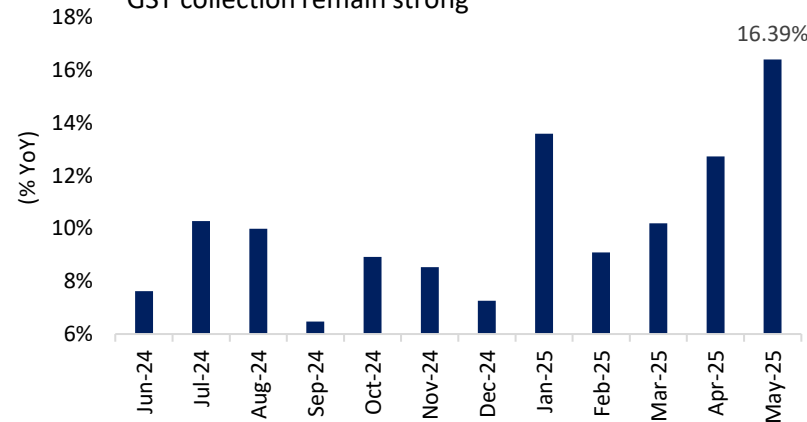
PMI continues to be strong



Source: Bloomberg

GST Collection (% YoY)

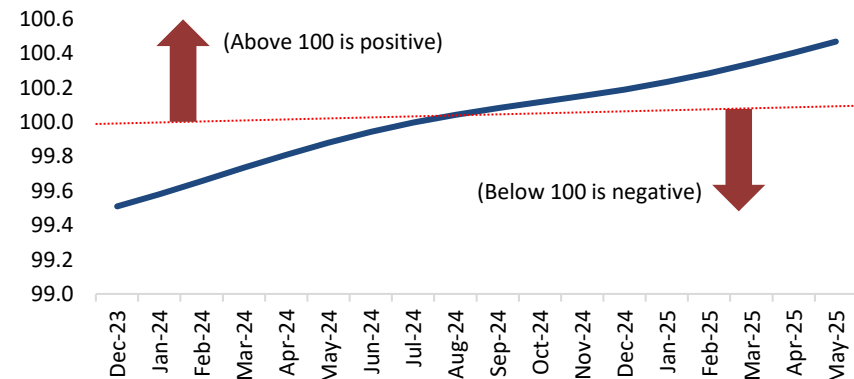
GST collection remain strong



Source: Bloomberg

India OECD Leading Indicators

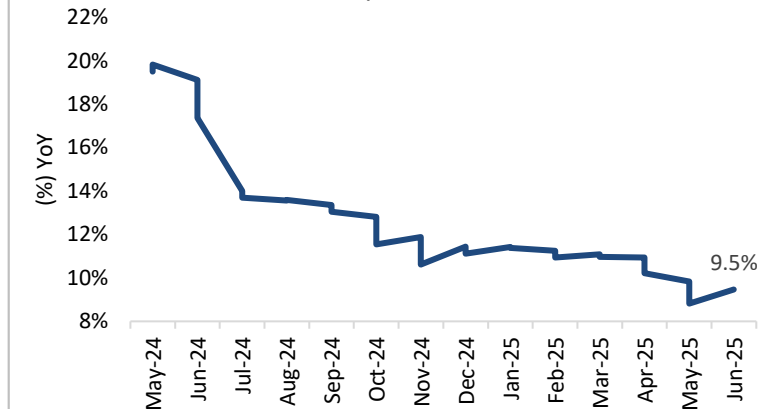
Fundamentals of the economy showing sequential uptick



Source: Bloomberg

Non Food Credit

Growth stands at 3 year low

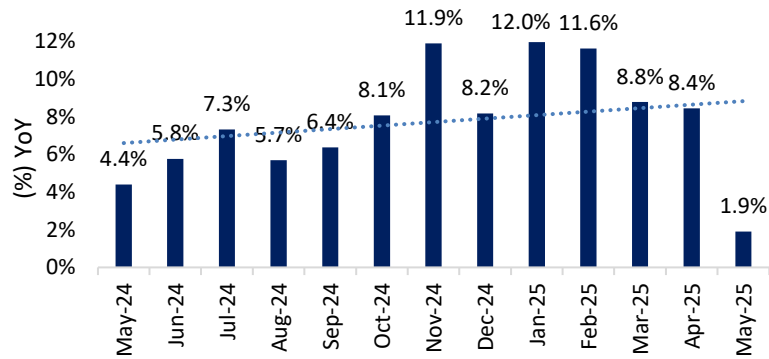


Source: Bloomberg

Urban Economy: Continues to remain a mixed bag, but low interest rates and tax cuts can lead to growth revival

Domestic Passengers Carried By Airlines

Air travel growth holds up except for the last month



Source: Bloomberg

Income Tax Rate Cut Stimulus

Changes in tax slabs to provide **Rs. 1 trillion** more in hand of consumers as disposable income which will be a bonanza to support demand

For individual Tax Payers (New Regime)
Budget Financial Year 2024-2025

Tax Slabs	(For AY 2025-26)
Income (Rs)	Tax Rate (%)
0 mn – 0.3 mn	0%
0.30 mn – 0.70 mn	5%
0.70 mn – 1.00 mn	10%
1.00 mn – 1.20 mn	15%
1.20 mn – 1.50 mn	20%
Above 1.5 mn	30%

For individual Tax Payers (New Regime)
Budget Financial Year 2025-2026

Tax Slabs	(From AY 2026-27)
Income (Rs)	Tax Rate (%)
0.00 mn – 0.40 mn	0%
0.40 mn – 0.80 mn	5%
0.80 mn – 1.20 mn	10%
1.20 mn – 1.60 mn	15%
1.60 mn – 2.00 mn	20%
2.00 mn – 2.40 mn	25%
Above 2.40 mn	30%

Source: Budget Documents

Passenger Vehicle Sales (% YoY)

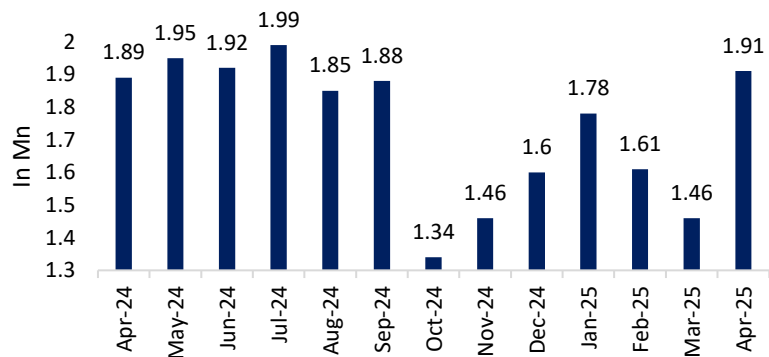
Retail passenger vehicle sales remain weak



Source: Bloomberg

Formal Job Creation (EPFO Payroll net subscriber growth)

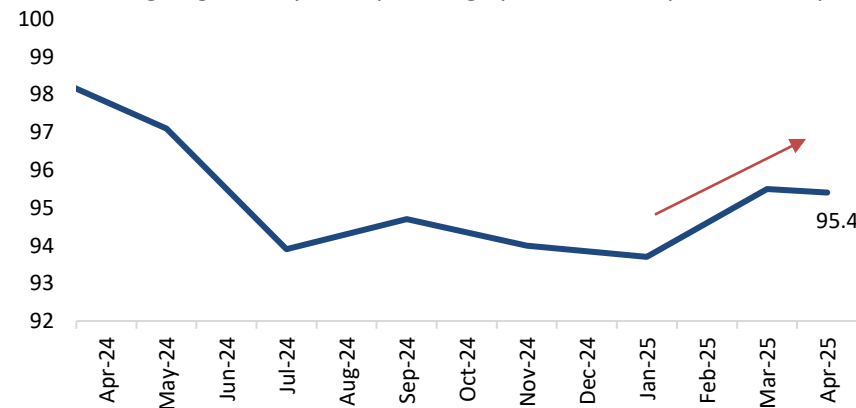
Formal hiring remains positive



Source: EPFO, PIB

Consumer Confidence Index

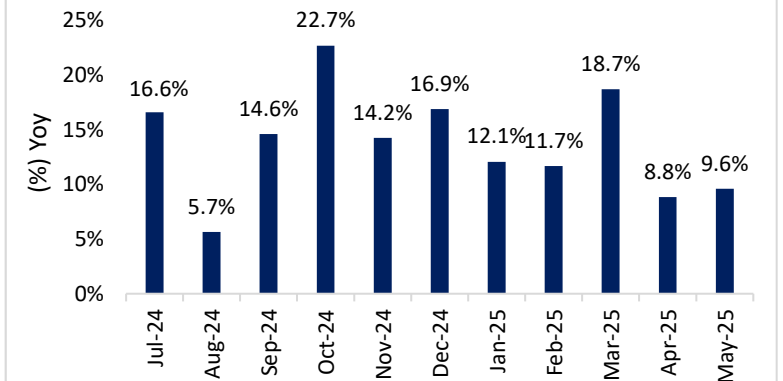
Starting to gradually tick up, taking up sustainability remains key



Source: Bloomberg

India Service Exports

Service exports continue to expand

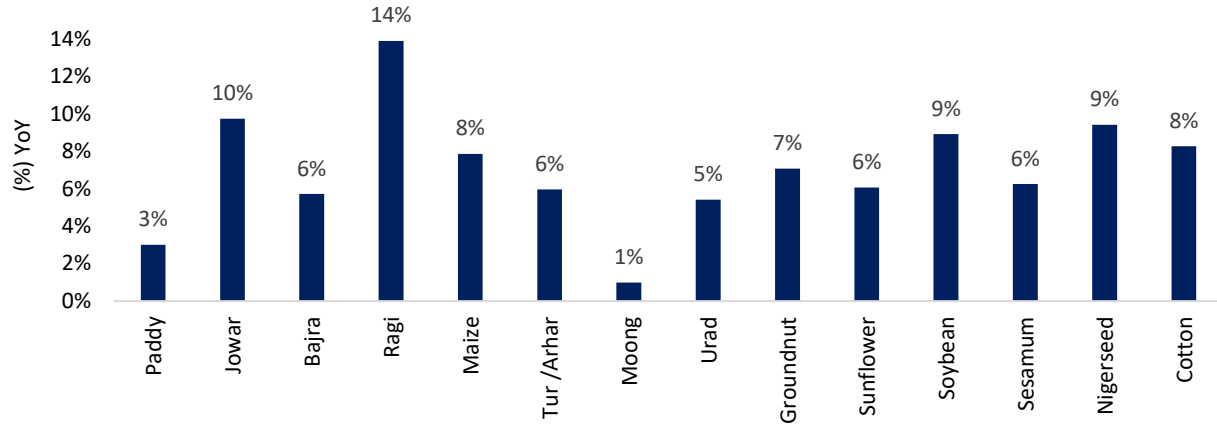


Source: Bloomberg

Rural Economy: Optimism persists

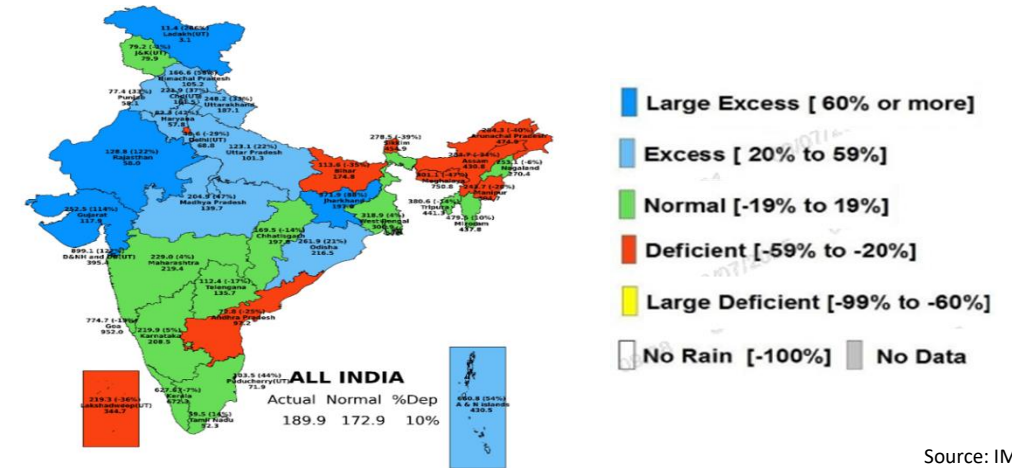
Kharif Crops MSP growth

Higher pricing will lead to more disposable income for rural households



Source: MoSPI, PIB

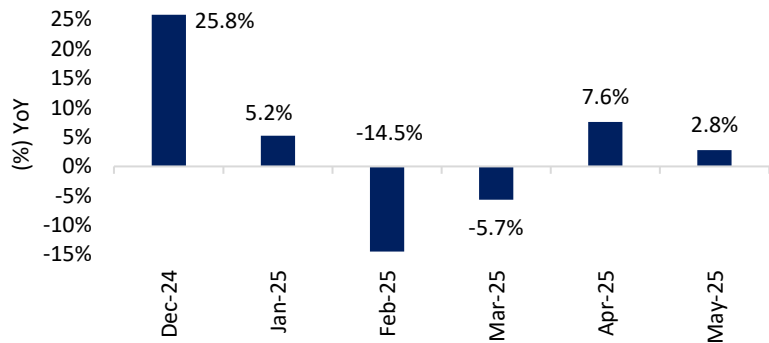
Above average rainfall provides support to food prices



Source: IMD

India Tractor Sales

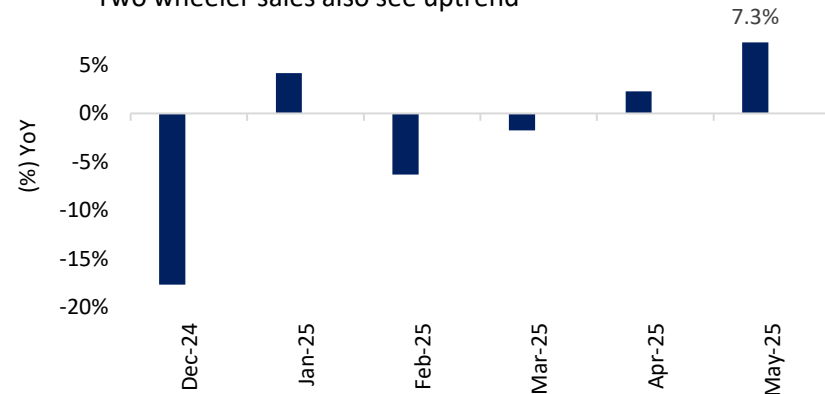
Tractor sales reading stands positive



Source: Bloomberg

Two Wheeler Sales

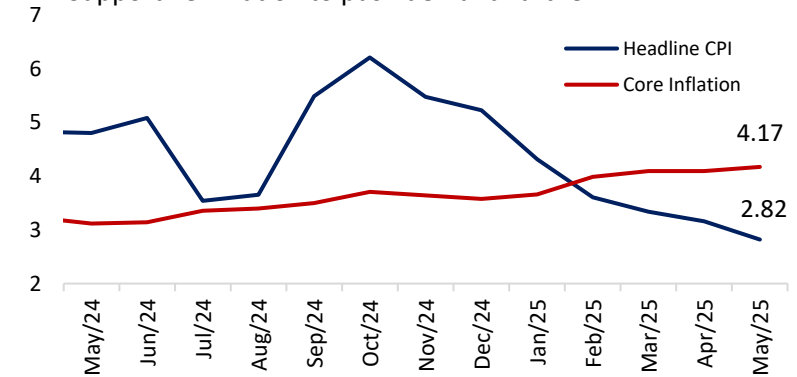
Two wheeler sales also see uptrend



Source: Bloomberg

CPI Inflation (% YoY)

Supportive inflation to push demand further

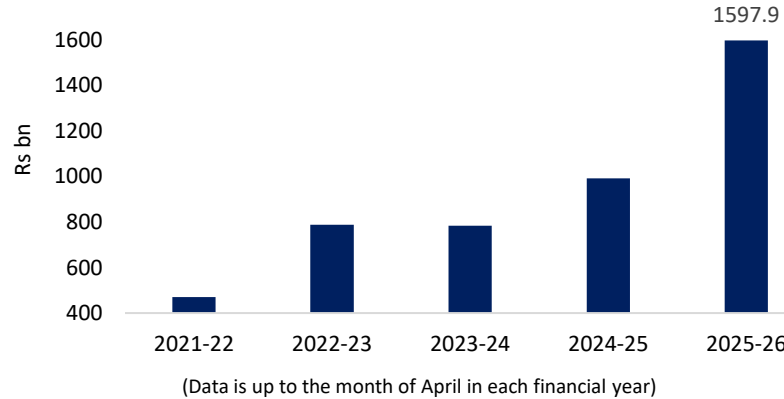


Source: Ministry of Statistics and Program Implementation

Capex: Private sector participation to be important going ahead

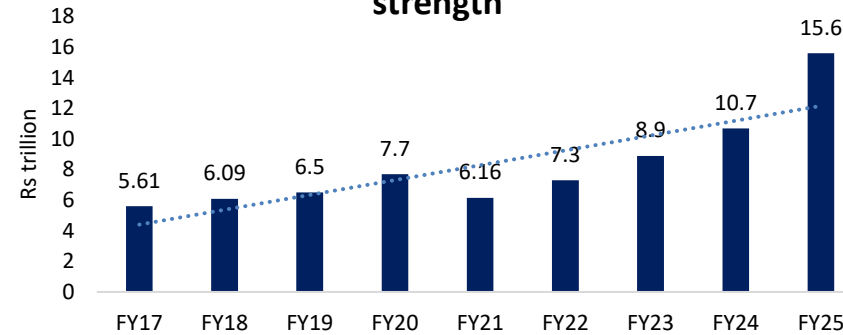
Central Government Capital Expenditure

Government capex picking up



Source: CGA

Capex* by Listed Companies showing strength

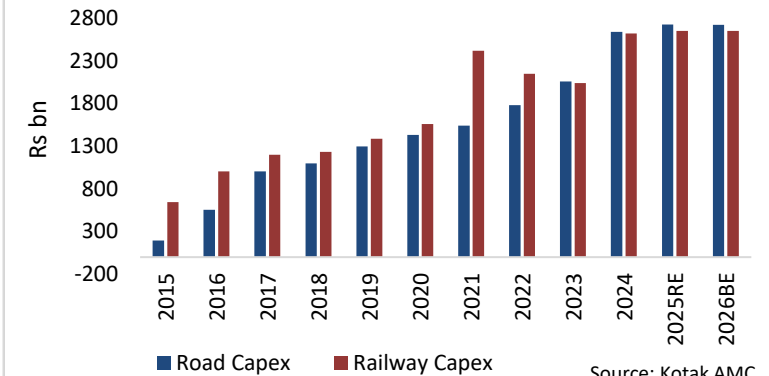


*Capex includes: Capital Expenditure + Purchase of Fixed Assets + Acquisition of Companies + Investments in Group Companies

Source: Capitaline Database

Road & Railway Capex

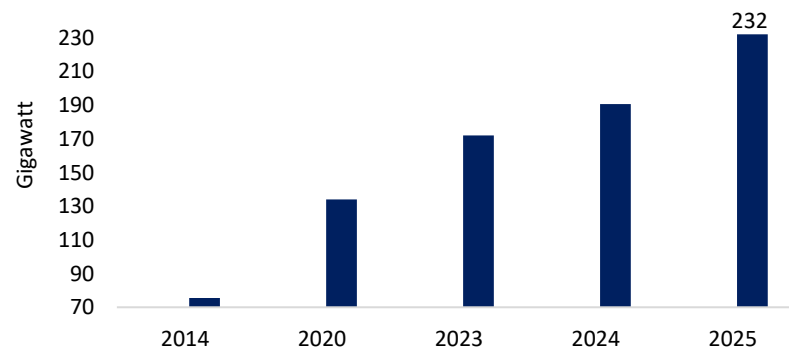
Muted support observed from government to logistics sector



Source: Kotak AMC

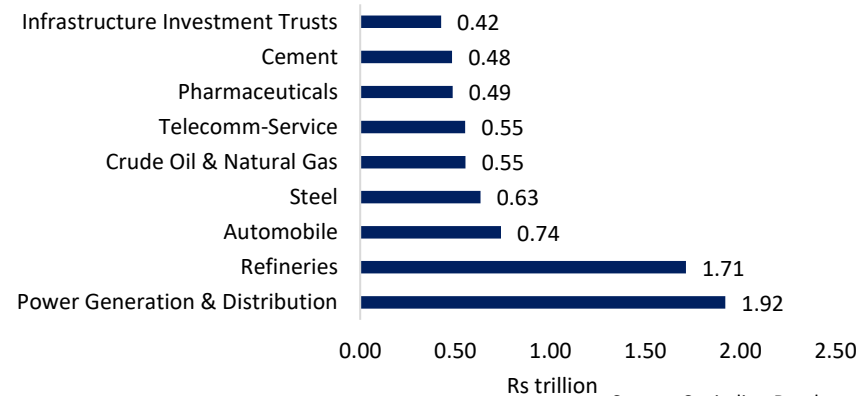
Renewable Energy Installed Capacity

Three times increase observed in the capacity over the past decade



Source: Ministry of New & Renewable Energy

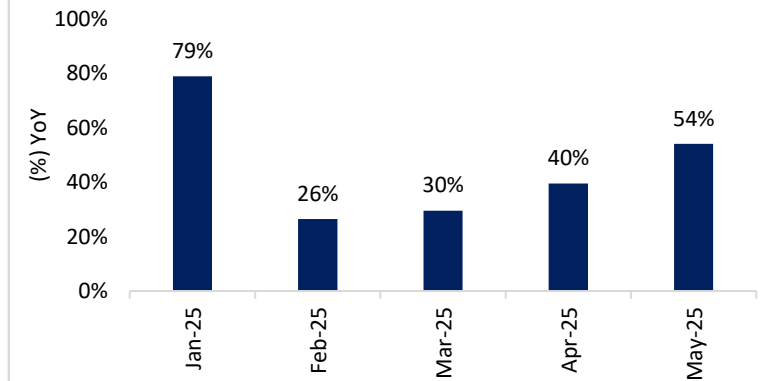
Capital-intensive sectors drive FY25 capex in listed space



Source: Capitaline Database

India's Exports Electronic Goods

Electronic exports continue to be in momentum



Source: Bloomberg

Sectoral Movement: The upside in equity markets continues to be rotational and no clear leadership seen

Absolute Monthly Return By Sector (%)

Index	Nov-23	Dec-23	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	Feb-25	Mar-25	Apr-25	May-25	Jun-25
BSE 500	6.75	8.53	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	-7.85	7.29	3.16	3.39	3.43
Auto	10.08	5.95	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	-11.00	4.02	4.73	4.73	2.24
Bankex	3.47	8.06	-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	-2.50	8.55	5.17	0.85	1.62
Basic Material	7.25	11.97	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	-7.22	10.70	-0.62	4.22	5.43
Capital Goods	8.88	12.86	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	-14.39	13.55	0.09	13.24	1.75
Consumer Discretionary	9.36	6.72	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	-10.36	4.40	3.98	4.32	3.49
Consumer Durables	7.42	7.82	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	-8.45	2.67	5.65	0.86	3.17
Energy	9.17	11.62	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	-9.09	9.46	5.02	1.95	3.09
FMCG	3.58	7.33	-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	-10.57	5.79	5.17	-0.71	-0.33
Finance	4.82	7.21	-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	-3.02	7.97	4.61	3.08	3.43
Healthcare	10.92	5.59	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	-8.59	8.40	1.91	0.93	3.88
IT	6.77	8.39	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	-12.58	-1.52	-2.97	5.26	3.33
Infra	10.38	15.67	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	-13.81	12.36	0.70	5.03	2.72
Metal	8.74	11.76	-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	-1.98	10.07	-5.76	5.89	3.04
Oil & Gas	12.51	13.27	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	-11.23	11.34	5.40	2.03	3.10
Power	11.16	18.45	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	-12.06	14.32	0.90	2.37	1.95
Realty	19.99	11.03	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	-13.42	6.63	3.99	7.21	3.84
Telecom	7.21	6.61	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	-10.25	6.84	8.73	3.55	6.10
Utilities	11.85	19.70	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	-10.61	15.05	1.02	-0.85	2.95

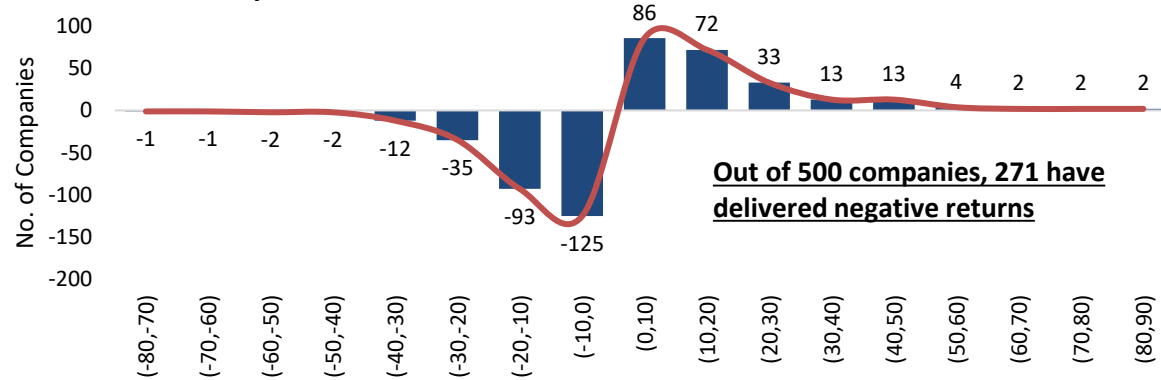
The above mentioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

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

Since January, while NSE 500 is up 5.55%, no. of companies that have delivered positive returns are fewer



Note: Negative count indicates negative returns, data taken till 30th June

Source: Capitaline Database

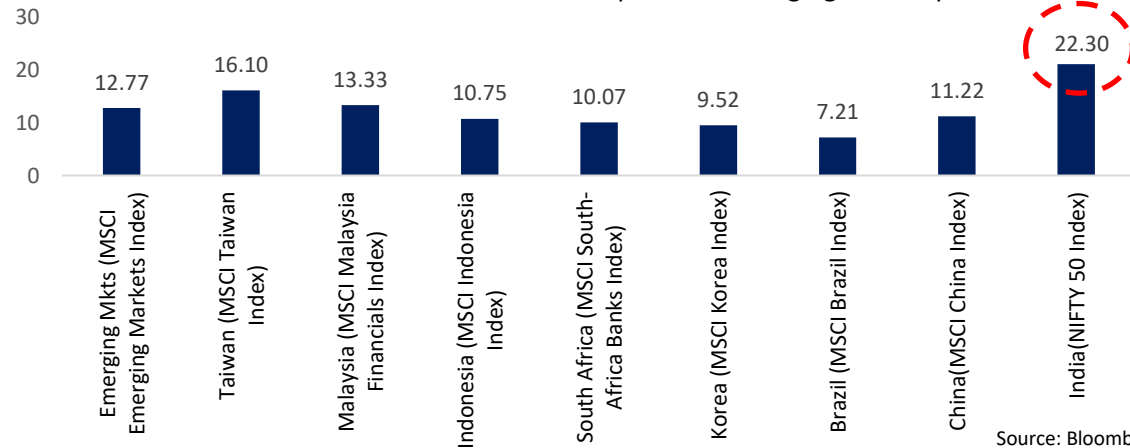
While Large cap valuations looks relatively attractive on a PE basis, On a PEG basis which is adjusted for growth Mid and Small caps seems to fare better

Source: Bloomberg

Index	P/E FY26 (Est)	P/E FY27 (Est)	EPS FY26 (Est)	EPS FY27 (Est)	PEG FY27 (Est)
Nifty 50	22.3	19.8	1149	1289	1.65
Nifty Midcap 100	30.8	25.0	1933	2380	1.09
Nifty Smallcap 250	32.4	26.1	588	730	1.09

12M Expected Fwd PE of Various Economies

India remains at an elevated valuation compared to emerging market peers



Source: Bloomberg

Mutual Funds Aggregate Cash Value (%)

Cash level with Mutual Fund remains high which can provide cushion for any decline in market



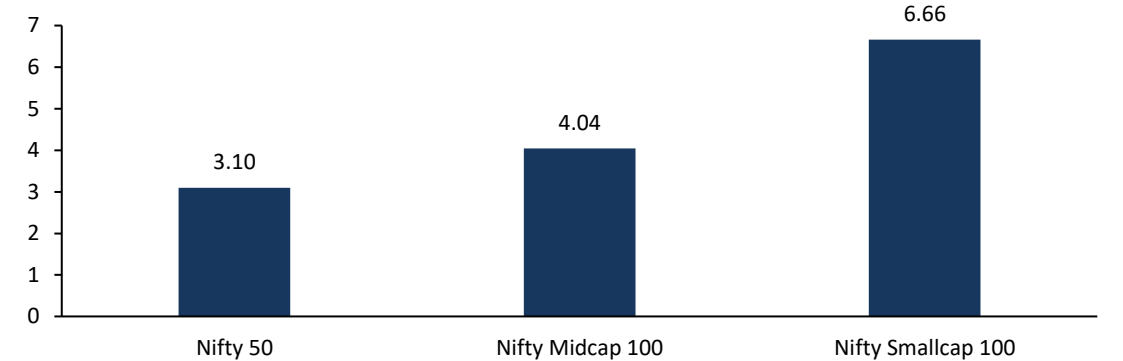
Source: ACE MF

Data as on 30th June 2025

Market Roundup – June 2025

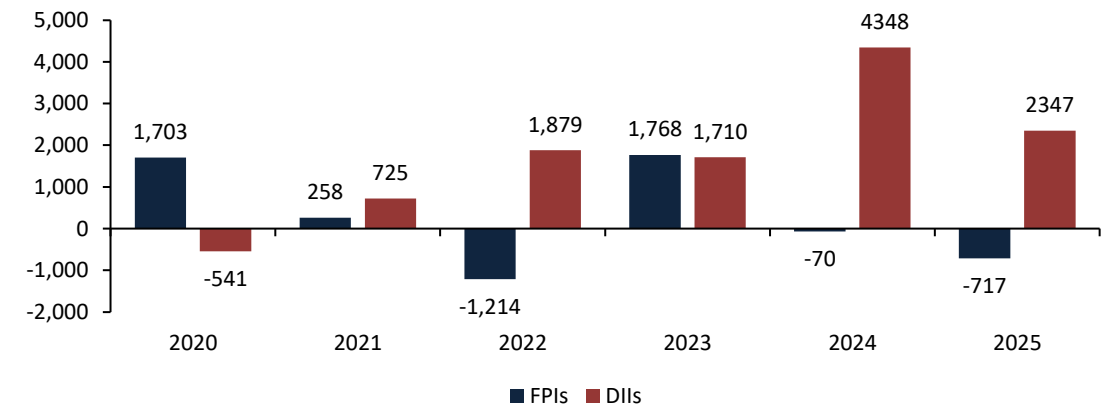
- Indian equities ended the month on a positive note. Large cap-oriented BSE Sensex ended higher by 2.65% (MoM) and Nifty 50 ended higher by 3.10% (MoM).
- While the BSE Midcap index ended higher by 3.81%(MoM) and BSE Small cap index ended higher by 4.35% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a positive note. Telecom, Healthcare, and Realty were the top gainers during the month.
- Domestic equity markets ended the month on a positive note after the RBI delivered a larger-than-expected rate cut, easing global trade concerns from the United States - China, steady foreign inflows and easing domestic inflation data. The market sentiment was also boosted by falling oil prices following a ceasefire between Israel and Iran and optimism around US-India trade talks.

Absolute Return In June 2025 (%)



Source: Bloomberg

Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 30th and 27th June 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 Q4 FY25 have been strong for Private sector banks. Mutual funds seem to have started to restrict incremental exposures in this space. NIMs could continue to remain under pressure for banks in the early part of the interest rate cut cycle. Credit costs (provisioning) have seem stability. MFIs expected to see peak credit cost in Q4, post which things could improve. RBI liquidity and policy rate actions in the recent months have been quite positive for the BFSI segment, from a medium-term perspective. Insurance companies are finding favour with the Fund managers, while valuations in the capital market plays seem quite rich.
IT	<p>View –Neutral</p> <ul style="list-style-type: none"> Q4 FY25 results have been weak with muted guidance. Hiring in IT has not picked up meaningfully and there have been news of some attrition at lower 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 take tactical calls in largecap IT stocks as valuations have come off.
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. Funds are adding weights and have exposure to plays like hospitals and diagnostics.
Auto	<p>View – Neutral</p> <ul style="list-style-type: none"> Union Budget was supportive for incremental consumption. PV sales have been muted due to low income growth. 2 wheelers, SUV and tractors are doing well and these stocks are attracting investor interest. Strong liquidity support by RBI and falling interest rates likely to be positive for consumption demand for Autos. Select Auto ancillaries may do well due to improving content per vehicle, export opportunities and EV initiatives.

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 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 as Cement and Home improvement plays.
Consumption	<p>View – Consumer Services - Neutral, Consumer Durables and FMCG- Neutral to positive</p> <ul style="list-style-type: none"> Staples – Funds remain underweight as volume growth in this segment remains illusive. 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. Earnings have disappointed in the QSR space and Fund Managers are not too keen to add exposure, consumer tech likely to see heightened competition, few funds overweight, not expecting incremental additions in positioning. <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 opportunity 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 Chinese Central Bank announcing big monetary stimulus and the EU nations announcing fiscal support to drive capex in key sectors; metal prices have seen uptick. Once the tariff related uncertainty subsides, the fund managers expect this sector to outperform. Indian companies could get protective tariffs. Positioning could remain tactical.

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	6.71%	31.25%	5.99%	7.42%	6.55%	6.23%	4.16%	8.63%	0.17%	11.05%	0.17%	6.21%	3.31%	0.31%	1.84%
360 ONE	9.04%	29.33%	13.39%	2.61%	1.83%	7.63%	2.78%	6.17%	0.22%	2.53%	0.00%	6.72%	8.97%	0.63%	3.37%
Aditya Birla SL MF	8.10%	29.75%	6.21%	6.55%	6.08%	7.16%	4.02%	8.99%	0.08%	7.47%	0.46%	6.76%	3.09%	0.73%	2.13%
Axis MF	7.26%	25.08%	9.05%	7.83%	3.71%	10.09%	3.95%	6.26%	0.07%	4.39%	1.34%	9.40%	3.61%	0.49%	1.88%
Bajaj Finserv MF	3.63%	32.17%	8.57%	5.86%	9.54%	8.96%	3.33%	5.26%	0.10%	4.00%	0.71%	11.39%	2.03%	1.12%	0.88%
Bandhan MF	5.80%	29.39%	5.73%	6.09%	4.90%	7.89%	6.26%	5.93%	0.19%	6.71%	1.05%	7.62%	1.97%	0.92%	2.39%
Bank of India MF	5.36%	21.72%	14.06%	11.60%	5.72%	6.17%	3.37%	5.07%	0.85%	7.32%	0.67%	8.10%	1.98%	1.00%	1.68%
Baroda BNP Paribas	7.70%	23.15%	9.85%	5.44%	7.01%	6.79%	2.23%	6.19%	0.04%	11.96%	0.49%	9.46%	2.46%	1.06%	0.70%
Canara Robeco MF	8.88%	24.87%	9.94%	5.30%	5.81%	12.54%	3.39%	6.18%	0.11%	5.72%	1.30%	7.46%	2.30%	0.50%	1.34%
DSP MF	8.34%	24.41%	7.50%	8.44%	4.34%	6.00%	3.83%	6.31%	0.00%	6.13%	0.26%	11.88%	2.46%	1.20%	0.99%
Edelweiss MF	6.44%	25.18%	10.58%	8.09%	5.48%	9.59%	4.14%	8.37%	0.00%	4.43%	0.20%	9.80%	2.32%	1.41%	0.93%
Franklin Templeton MF	6.06%	24.99%	6.63%	6.10%	4.74%	9.30%	4.99%	8.44%	0.02%	7.46%	0.28%	7.88%	3.88%	0.67%	2.26%
Groww MF	9.02%	42.74%	8.99%	4.07%	0.66%	4.22%	3.04%	7.19%	0.00%	4.00%	0.11%	6.34%	2.81%	0.27%	0.83%
HDFC MF	10.53%	29.68%	6.13%	6.08%	2.91%	5.99%	2.98%	6.39%	0.40%	4.62%	0.17%	9.59%	2.91%	0.48%	3.60%
Helios MF	2.40%	47.11%	7.92%	0.00%	2.12%	8.74%	2.97%	2.54%	0.79%	7.15%	0.00%	6.37%	2.83%	2.52%	5.56%
HSBC MF	4.63%	24.61%	15.92%	5.29%	5.70%	12.13%	6.63%	5.68%	0.02%	4.08%	1.24%	6.54%	1.93%	2.03%	1.07%
ICICI Pru MF	9.49%	25.01%	4.28%	7.76%	4.45%	4.57%	5.32%	7.25%	0.45%	10.41%	0.54%	7.76%	3.48%	0.45%	2.03%
Invesco MF	5.29%	28.91%	11.28%	3.72%	2.38%	13.95%	4.74%	7.27%	0.00%	3.18%	1.08%	12.01%	1.98%	0.01%	2.85%
ITI MF	4.74%	25.52%	14.66%	9.37%	4.61%	5.56%	5.85%	5.29%	0.36%	6.24%	1.29%	10.61%	1.72%	1.26%	1.11%
JM MF	4.97%	26.35%	11.44%	6.70%	6.07%	9.40%	5.42%	7.87%	0.09%	3.50%	0.00%	7.86%	3.75%	1.87%	1.92%
Kotak MF	8.85%	19.47%	10.25%	11.63%	3.09%	8.68%	4.65%	8.74%	0.45%	7.40%	0.18%	8.00%	3.08%	0.24%	1.73%
LIC MF	7.73%	21.87%	20.55%	5.11%	6.78%	5.51%	4.11%	5.36%	0.36%	5.02%	1.63%	5.84%	1.52%	1.82%	2.13%
Mahindra Manulife MF	7.30%	25.74%	9.61%	8.02%	6.68%	8.24%	1.87%	5.87%	0.19%	8.11%	0.58%	7.40%	3.78%	1.81%	1.67%
Mirae MF	6.74%	29.47%	4.72%	7.53%	5.47%	9.24%	4.20%	8.56%	0.00%	6.88%	0.00%	9.75%	3.50%	0.04%	2.69%
Motilal Oswal MF	2.96%	8.67%	21.60%	1.80%	0.76%	16.93%	3.01%	14.83%	0.00%	0.52%	0.24%	4.12%	4.00%	0.26%	0.41%
Navi MF	9.57%	23.32%	12.87%	3.02%	5.68%	7.54%	0.27%	8.09%	1.56%	3.15%	1.10%	8.08%	2.64%	0.00%	3.20%
Nippon India MF	6.60%	26.96%	11.45%	5.30%	5.17%	11.79%	3.11%	4.29%	0.33%	8.06%	0.72%	9.06%	1.32%	0.96%	2.08%
NJ MF	14.63%	11.96%	0.76%	4.20%	15.38%	4.97%	0.00%	14.92%	0.00%	9.42%	0.00%	18.28%	0.00%	0.86%	0.00%
Old Bridge MF	7.70%	9.79%	0.00%	12.11%	8.49%	4.57%	4.86%	7.86%	0.00%	0.00%	2.30%	12.14%	5.41%	0.00%	12.98%
PGIM India MF	7.35%	21.56%	8.27%	9.61%	4.46%	13.92%	2.02%	7.15%	0.00%	3.40%	0.04%	11.73%	2.42%	1.01%	3.86%
PPFAS MF	8.10%	29.67%	0.03%	0.00%	4.74%	2.21%	0.00%	10.34%	0.00%	11.79%	0.00%	4.34%	2.08%	0.00%	2.59%
Quant MF	5.39%	16.27%	2.17%	8.39%	6.86%	4.42%	9.45%	0.20%	1.33%	21.21%	0.04%	11.37%	2.50%	2.83%	2.43%
Quantum MF	9.89%	38.59%	1.59%	4.83%	0.98%	4.70%	0.00%	14.49%	0.11%	4.25%	0.37%	4.63%	2.88%	0.00%	0.46%
Samco MF	4.71%	25.27%	15.09%	11.77%	6.19%	4.04%	1.49%	5.47%	0.68%	0.65%	0.06%	13.84%	1.29%	2.83%	2.00%
SBI MF	8.23%	25.82%	5.33%	7.41%	6.04%	6.82%	3.23%	5.82%	0.28%	9.00%	2.41%	6.81%	2.71%	2.03%	1.87%
Shriram MF	4.49%	17.00%	8.88%	21.18%	15.31%	0.70%	0.33%	2.00%	0.00%	2.97%	0.00%	17.27%	2.45%	0.49%	1.70%
Sundaram MF	6.39%	26.96%	7.82%	5.62%	5.07%	10.61%	3.69%	6.18%	0.16%	6.28%	0.37%	7.86%	4.16%	0.07%	2.03%
Tata MF	4.74%	23.01%	7.19%	7.60%	4.43%	7.19%	3.50%	15.39%	0.18%	6.39%	0.97%	7.24%	2.47%	0.76%	3.15%
Taurus MF	5.65%	21.99%	8.05%	3.96%	9.46%	3.95%	3.56%	7.53%	0.22%	13.51%	0.16%	8.67%	2.77%	1.43%	1.70%
Trust MF	4.04%	29.47%	20.45%	6.88%	1.95%	6.94%	2.35%	7.07%	0.00%	3.35%	0.00%	6.84%	1.72%	2.12%	2.86%
Union MF	7.13%	25.05%	12.75%	7.52%	3.93%	9.33%	3.70%	6.49%	0.13%	5.11%	0.00%	8.57%	2.48%	1.25%	3.39%
UTI MF	9.58%	25.26%	5.88%	5.68%	4.03%	13.65%	2.23%	9.79%	0.27%	4.78%	0.45%	9.19%	3.02%	0.68%	1.94%
WhiteOak Capital MF	5.23%	31.79%	8.47%	3.61%	3.83%	9.83%	1.77%	9.18%	0.02%	3.67%	2.05%	10.53%	4.38%	0.36%	1.13%

Data as on 30th May 2025

Source : ICRA Analytics Limited

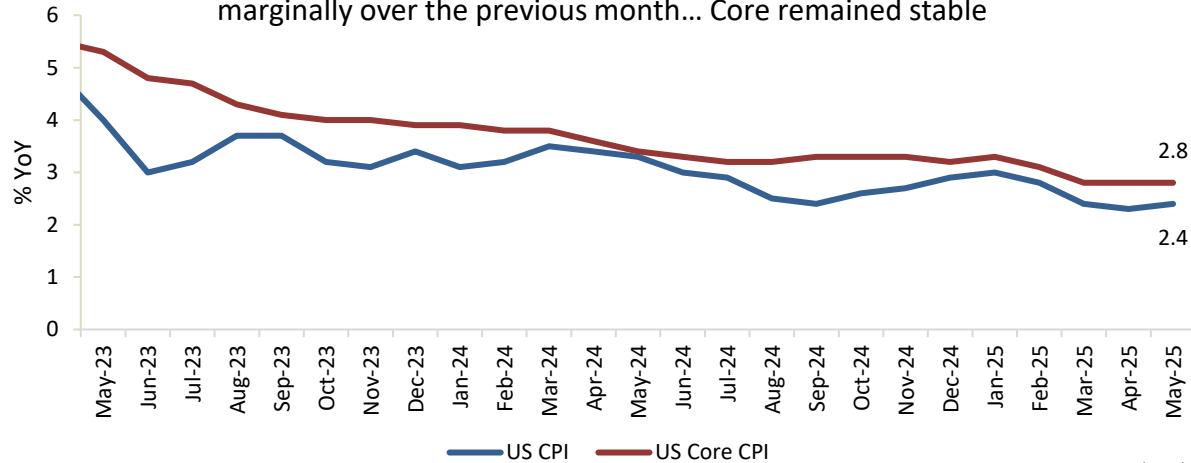
Fixed Income Market

Fixed Income Outlook

- RBI has front loaded policy and liquidity measures. System liquidity is expected to remain comfortable till December 2025, aiding in faster transmission of rates in the system which in turn can lead 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 risk emanating from interim final leg of trade war, remain key monitorables for the RBI and may have a bearing on their future policy actions.
- The Consumer Price Index (CPI) inflation print continued its faster-than-expected deceleration, slowing to 2.82% YoY in May 2025 from 3.16% YoY in April 2025. The early onset of monsoon has been supportive of lower food price inflation. Going forward, the above average rainfall as per IMD's forecast may continue keeping food prices benign, leading to headline inflation remaining in line with RBI's forward guidance. This, in turn, will give space to the RBI to consider further policy easing if growth falls meaningfully below their projection.
- Market participants are expecting the central bank to closely monitor the growth-inflation dynamics for any future policy action.
- Fiscal worries continue to keep the Dollar Index (DXY) at the lower end of the range and is expected to keep USD/INR anchored within a close band.
- In the US, the Fed kept rates unchanged and continued highlighting higher uncertainty in their outlook on inflation and unemployment. Fed's dot plot highlighted two further rate cuts for the calendar year. Going forward, appointment of the next Fed governor may direct the policy guidance and bond market.
- The ECB hinted at a pause in rate cuts post the latest policy. Going forward, as their economy continues to grapple with slow growth, NATO's higher budget for defence spending may push growth at the cost of strain on fiscal health.
- Globally, growth headwinds are causing major central banks to turn dovish.
- Tapered down growth expectations geopolitical tensions, and developments around trade tariffs before the first deadline of 9th July 2025 are expected to keep commodity prices volatile, but the same may continue to remain at the lower end of the band.
- With pro-growth policy actions by the RBI and favourable CPI inflation, we may continue to see structurally lower interest rates over the medium-term.
- G-sec yield hardened due to a lower probability of immediate and further policy easing following the stance change, opening up some tactical opportunity for dynamic bond funds. For long duration products, incremental opportunities will depend on how the growth-inflation dynamics unfold.
- The spread at the shorter end of the Corporate Bond yield curve has narrowed marginally over G-secs. Based on easing liquidity, the curve may steepen 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 take a tactical call on Dynamic Bond Funds.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds and 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.

US – As the tariff discussion nears it's first deadline, softening of economic activity starts to weigh in as Fed dwells on the Growth-Inflation conundrum

Headline inflation was lower than expectations, but has inched up marginally over the previous month... Core remained stable



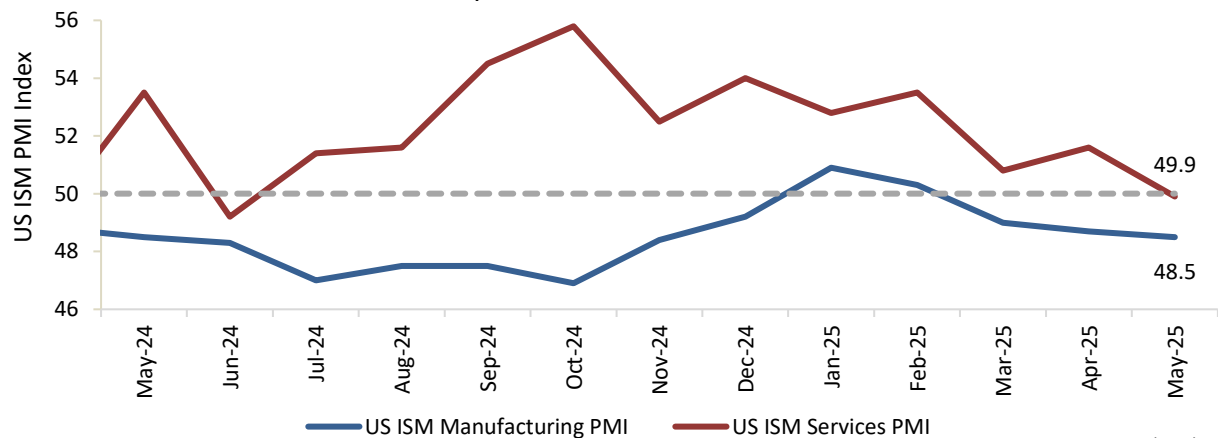
As the deadline approaches, tariff discussions show signs of progress in pockets

- **China** – 'China will approve the export application of controlled items that meet the conditions in accordance with the law. The United States will cancel a series of restrictive measures taken against China accordingly' - **China's Ministry of Commerce (27th June 2025)**
- **EU** - 'Our message today is clear. We are ready for a deal. At the same time, we are preparing for the possibility that no satisfactory agreement is reached.' - **European Commission President Ursula von der Leyen (27th June 2025)**
- **India** – '...We are not going to make deals with everybody... But we're having some great deals. We have one coming up, maybe with India, very big one, where we're going to open up India.' - **US president Donald Trump (27th June 2025)**
- **Canada** – 'Based on this egregious Tax, we are hereby terminating ALL discussions on Trade with Canada, effective immediately' – **US president Donald Trump (27th June 2025)**

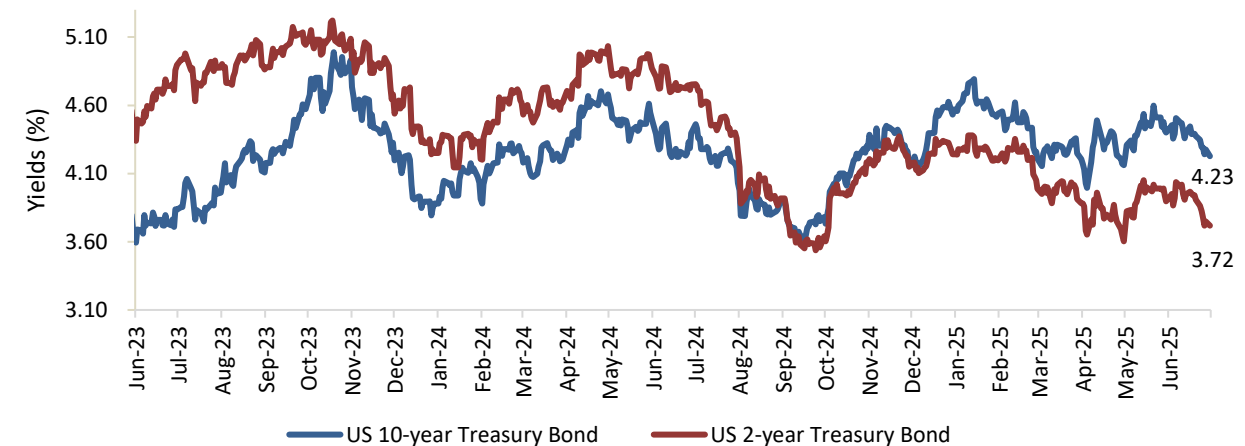
Baseline 10% tariffs on all trading partners are likely to remain. This could lead to a short term spike in inflation.

Source: Media Reports

Declining trajectory of PMI indicates softening of economic activity, raising expectations of rate cuts...

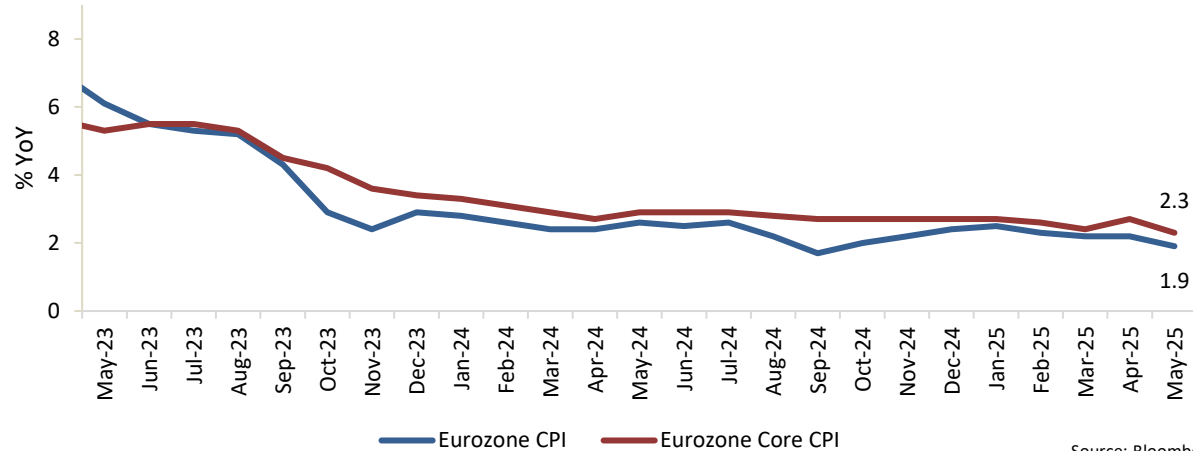


... causing bond yields to move lower

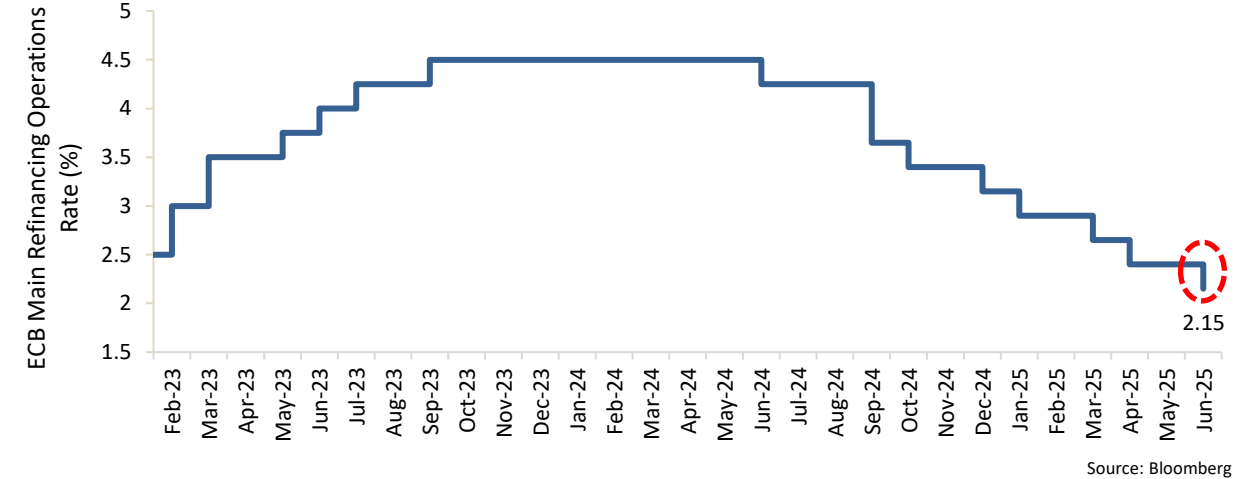


After sustained policy rate cuts, ECB pauses its monetary easing... Incremental fiscal spends can be inflationary

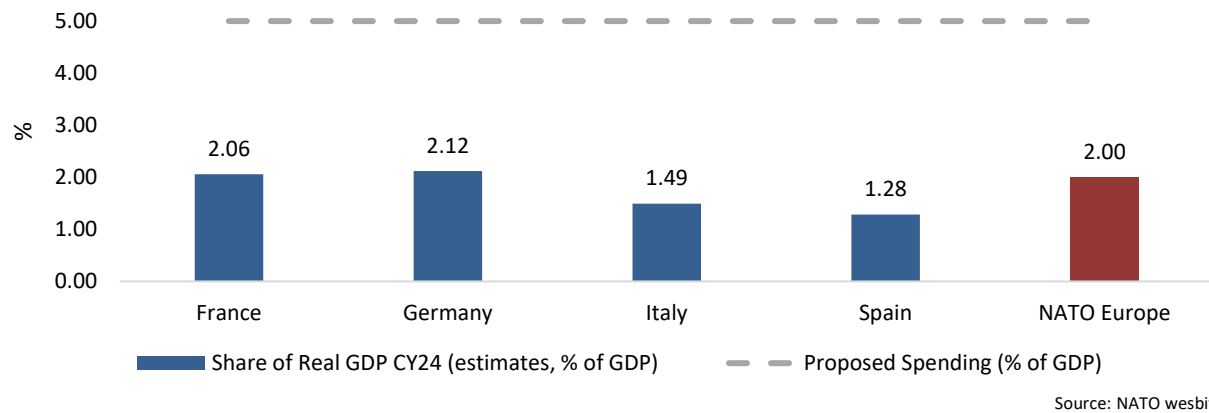
Eurozone headline inflation fell below ECB's medium term 2% YoY target



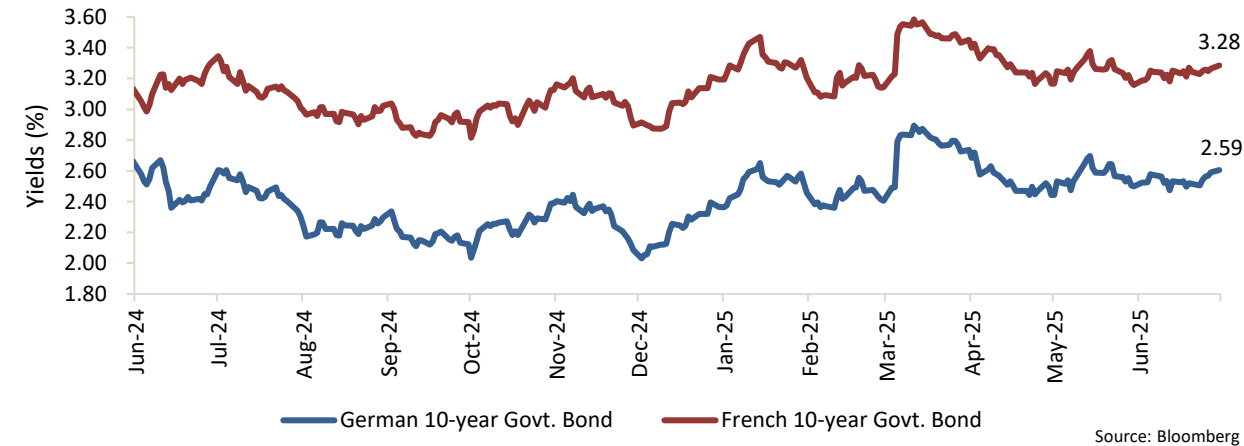
ECB cut policy rates for the 8th time in this cycle, but hinted at a pause



NATO's new era of defence spending can push GDP growth, but may put a strain on fiscal health

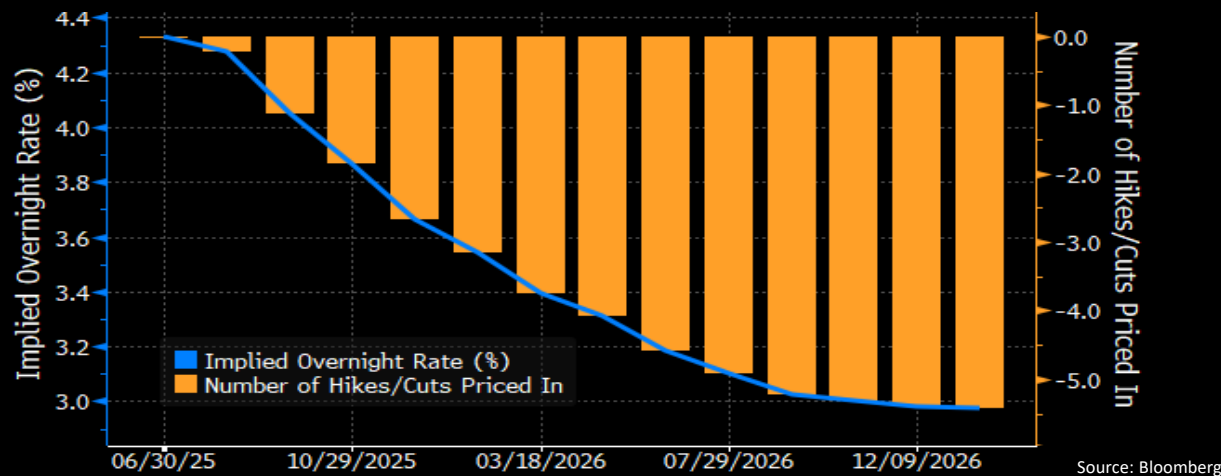


Sluggish growth and increasing fiscal spending led to German bond yields hardening... France faces election uncertainties



Fed continues its wait and watch policy... ECB eases rates further but hints at a pause

While the economy has remained solid, the Fed has highlighted risks to both inflation and employment



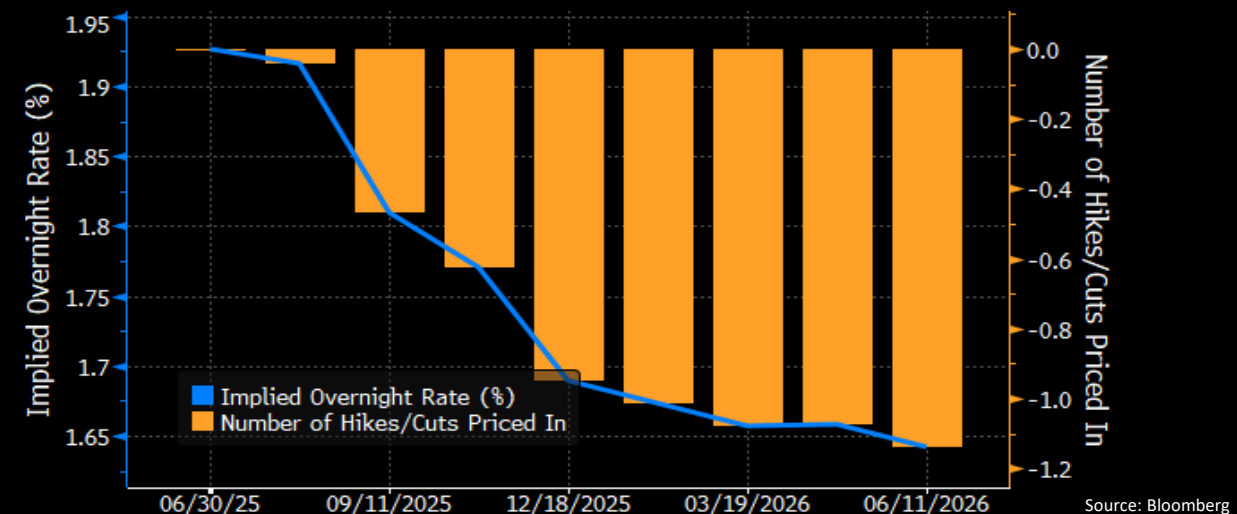
“In effect we went on hold when we saw the size of the tariffs. Essentially all inflation forecasts for the United States went up materially as a consequence of the tariffs. We didn’t overreact, in fact we didn’t react at all. We’re simply taking some time.”

- **Fed chair Jerome Powell**

Speaking at an ECB conference in Sintra, Portugal, on Tuesday 1st July 2025

At this juncture, the Fed is unwilling to cut policy rates, adopting a wait and watch approach on the back of concerns over inflation and employment. President Trump’s choice of the next Fed chief-elect may lead the markets to follow his/her views.

ECB is expected to take a pause on rate cuts, but will remain data dependent

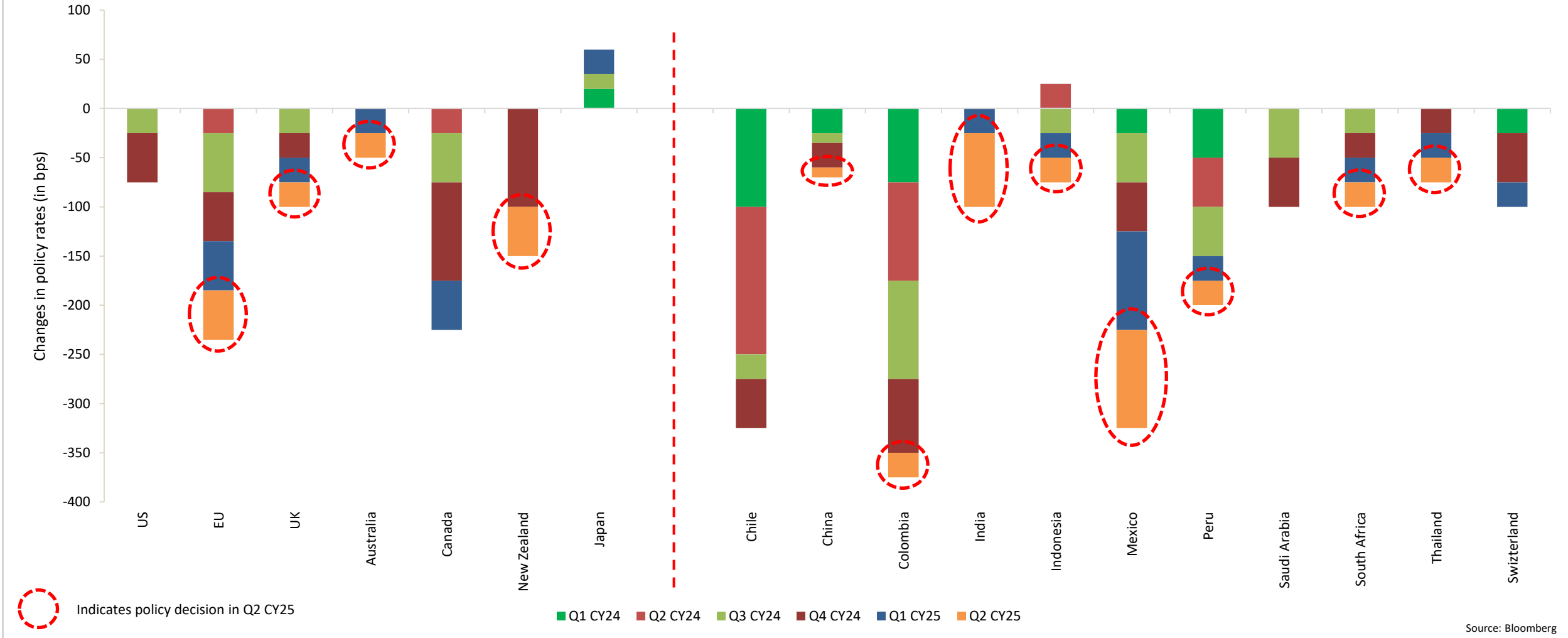


“Much of the policy challenge over the last few years has involved stabilising inflation while facing fundamental uncertainty about the economy.. “It will take time for us to gather sufficient data to be certain that the risks of above-target inflation have passed,” she said. “Our work is not done, and we need to remain vigilant.”

- **Christine Lagarde, ECB President**

Global growth facing multiple headwinds, keeping the major central banks dovish

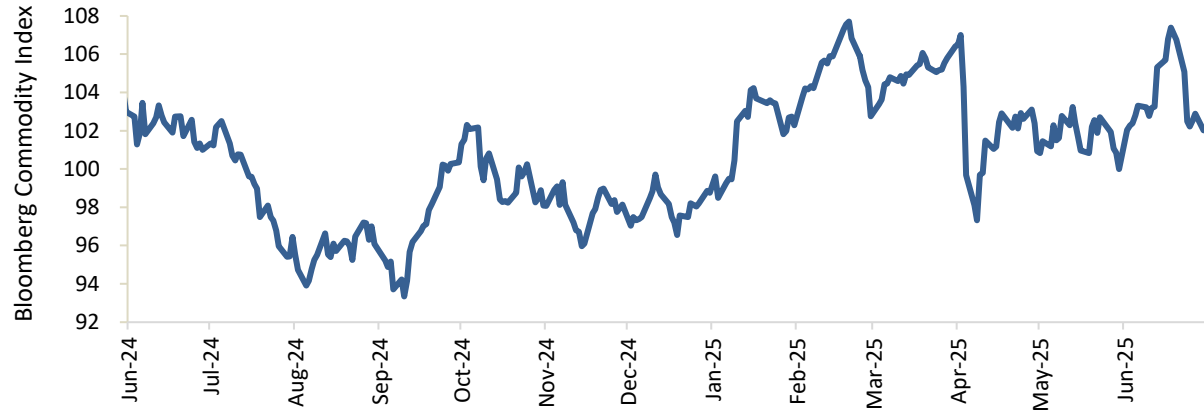
RBI frontloaded its rate cuts and highlighted lack of incremental opportunity to ease rates further



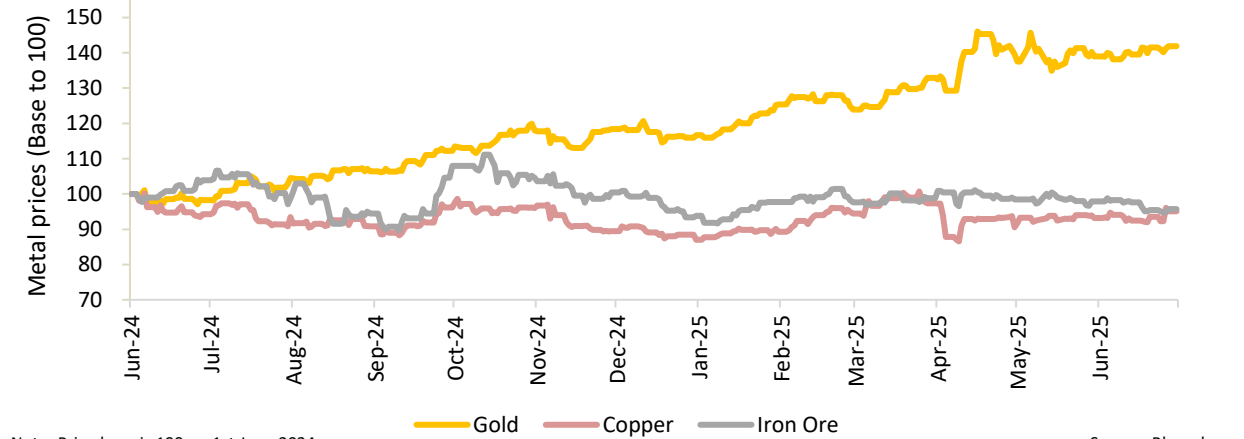
Source: Bloomberg

Global Commodities – Escalation in the Middle East had led to an interim spike in Crude prices

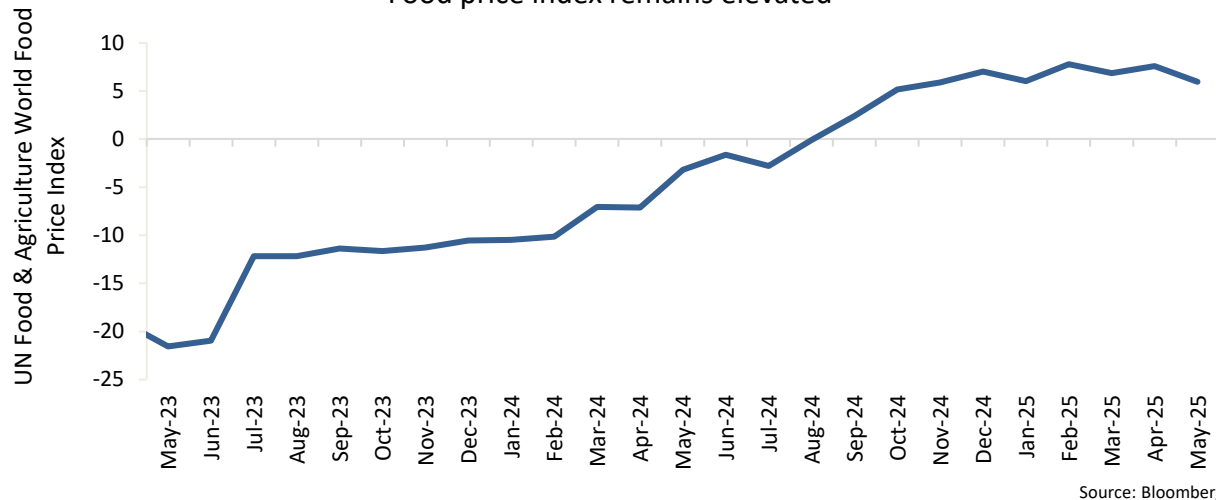
Base commodity prices touched a 3-month high during the month, but came down on the back of falling crude prices



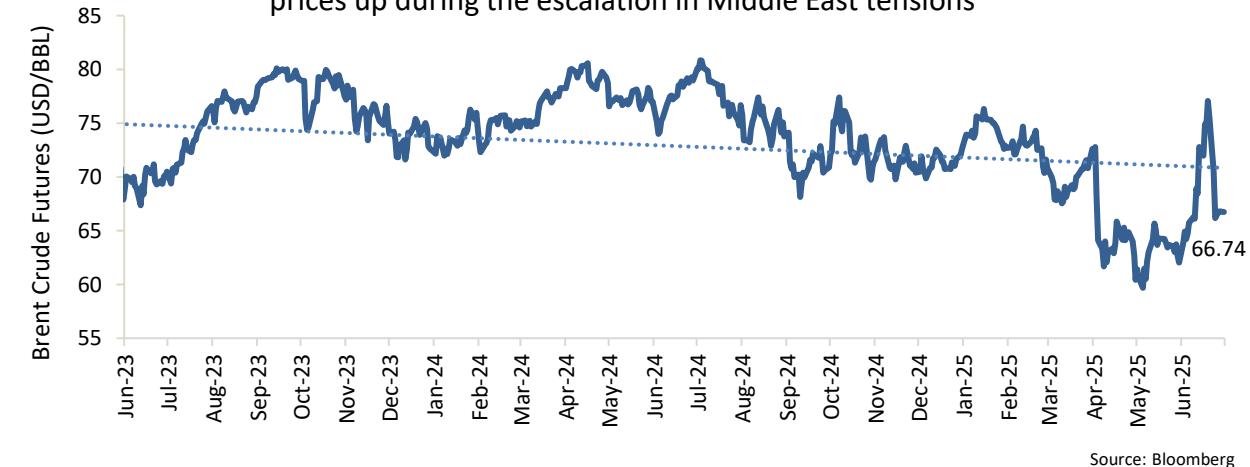
Safe haven demand for Gold continues due to geopolitical uncertainties, prices may consolidate with weakening bias



Food price index remains elevated

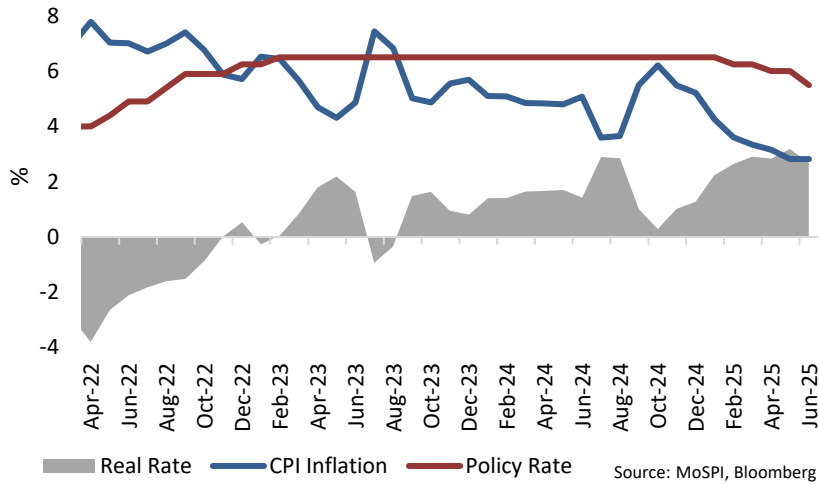


Uncertainties around blockage of the Strait of Hormuz had pushed up crude prices up during the escalation in Middle East tensions

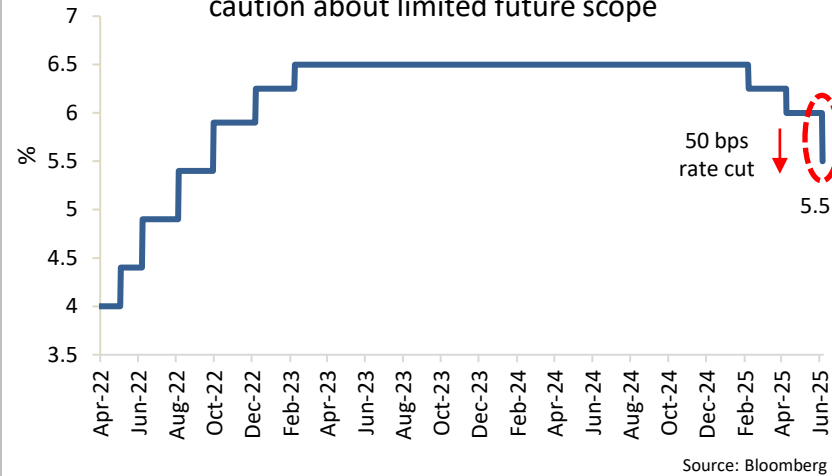


RBI frontloads growth supportive policy measures and remains committed to liquidity, but changes stance

Real Rate remains comfortable



RBI's frontloading of policy rate cuts came with caution about limited future scope



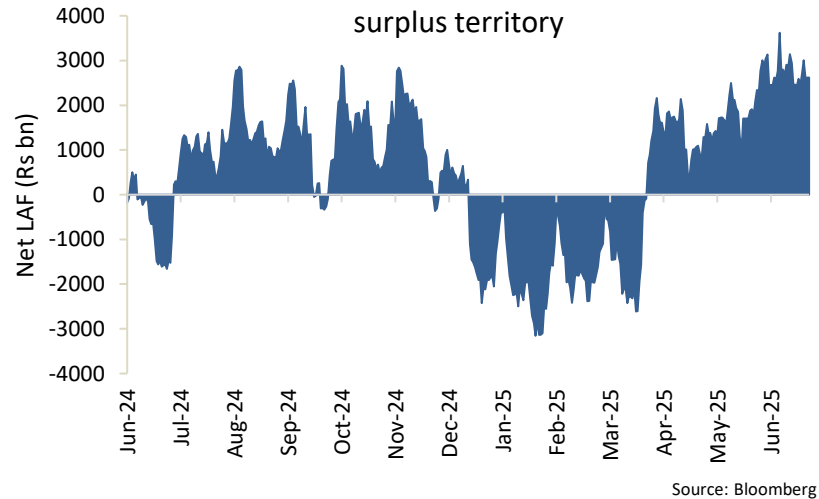
Staggered CRR Cut to keep liquidity comfortable till December

Particulars	Date	Amount Notified/Budgeted (Rs Bn)
OMO	Q1 FY26	2,450
VRR Auction (barring daily and 14-day main operation)	Q1 FY26	1,500
VRRR Auction	Q1 FY26	-1,000*
CRR Cut	06-Sep-25	625
	04-Oct-25	625
	01-Nov-25	625
	29-Nov-25	625

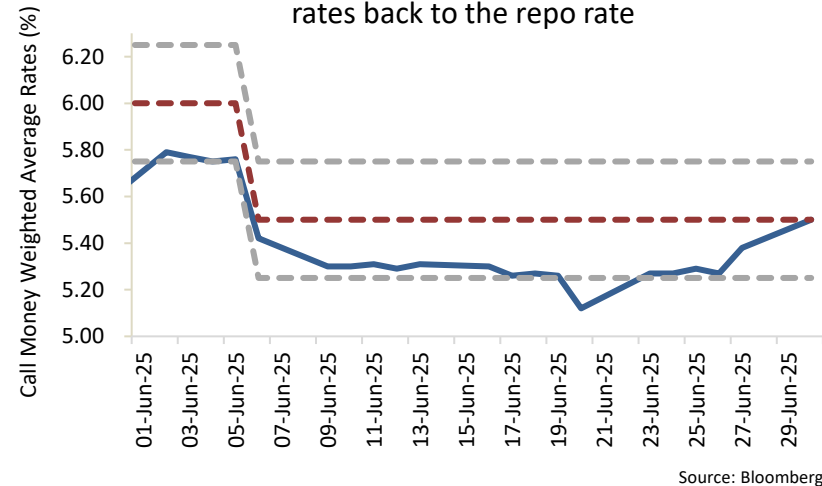
*Negative value indicates liquidity absorption

Source: RBI

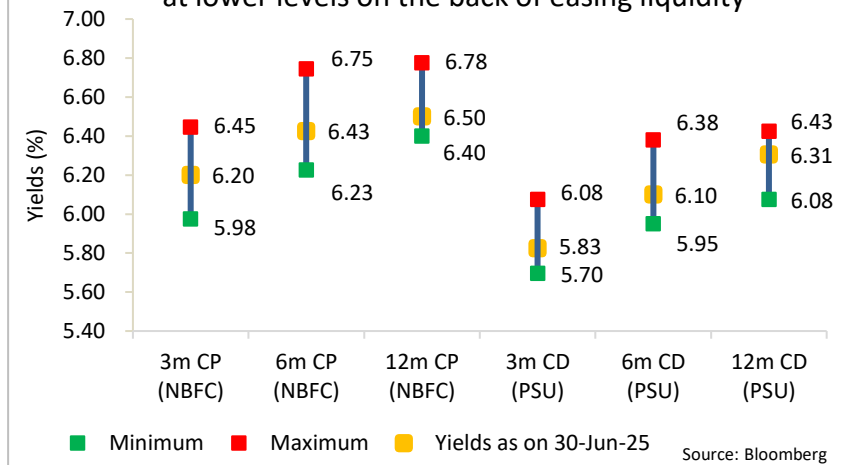
Banking system liquidity remains comfortably in surplus territory



RBI conducted a VRRR auction to align call money rates back to the repo rate

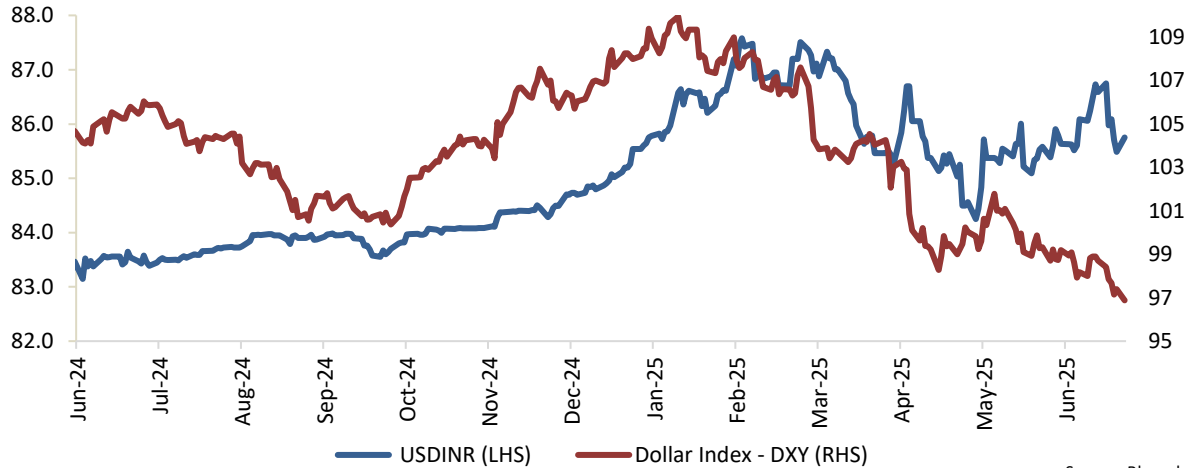


Corporate short term yields have started settling at lower levels on the back of easing liquidity

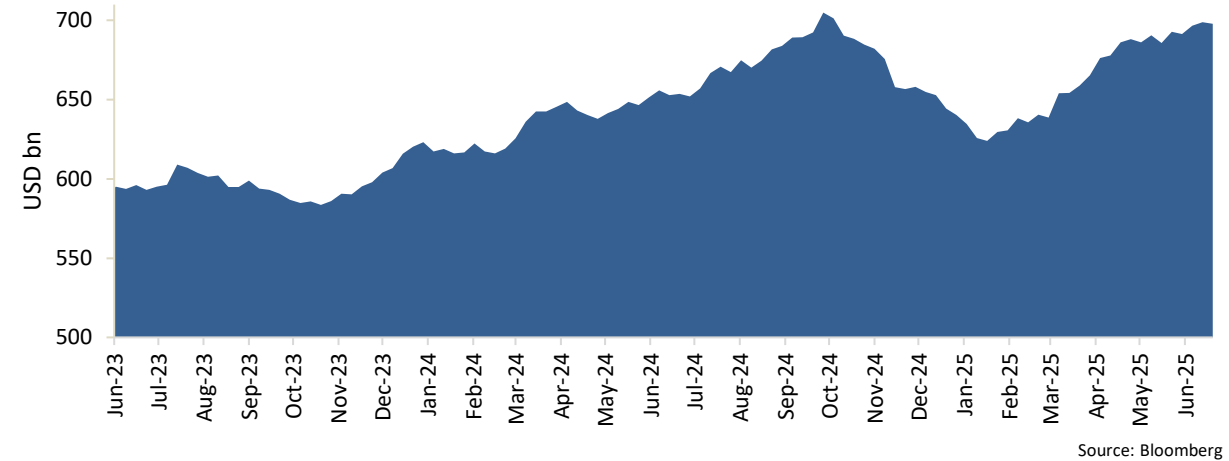


India's external sector shows strength, opening up space for further policy easing

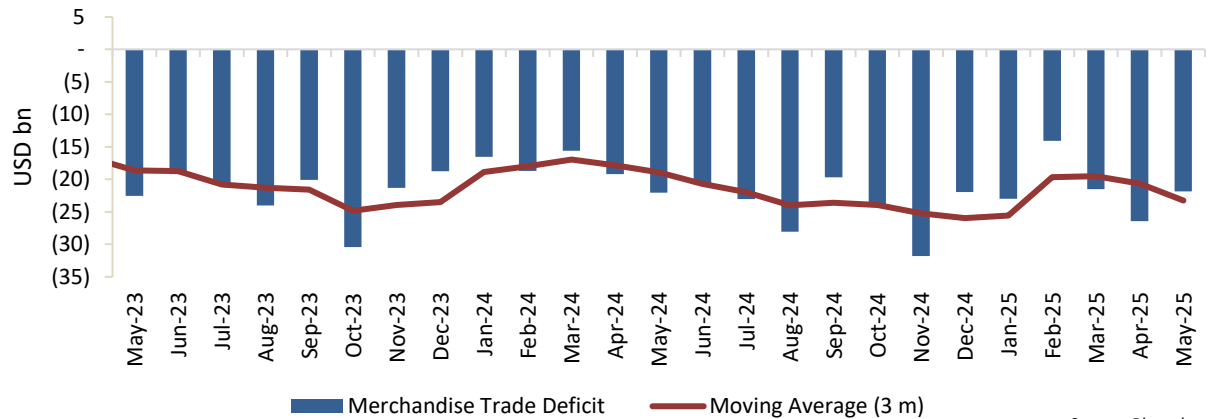
Fiscal worries continue to weigh down on DXY, providing support to INR



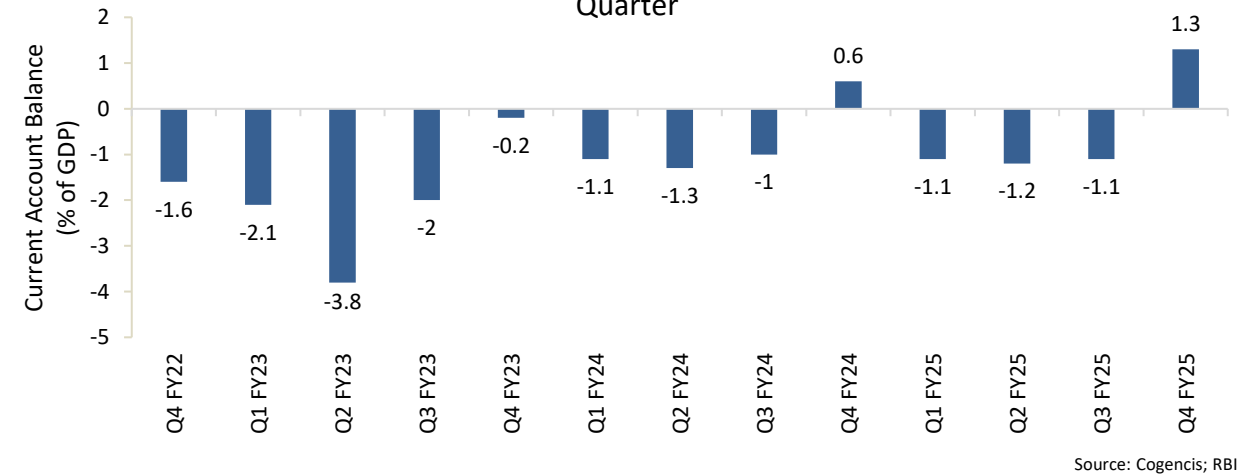
Forex reserves closing in on the all time high level



Merchandise trade deficit narrowed as falling crude prices pushed down overall import costs

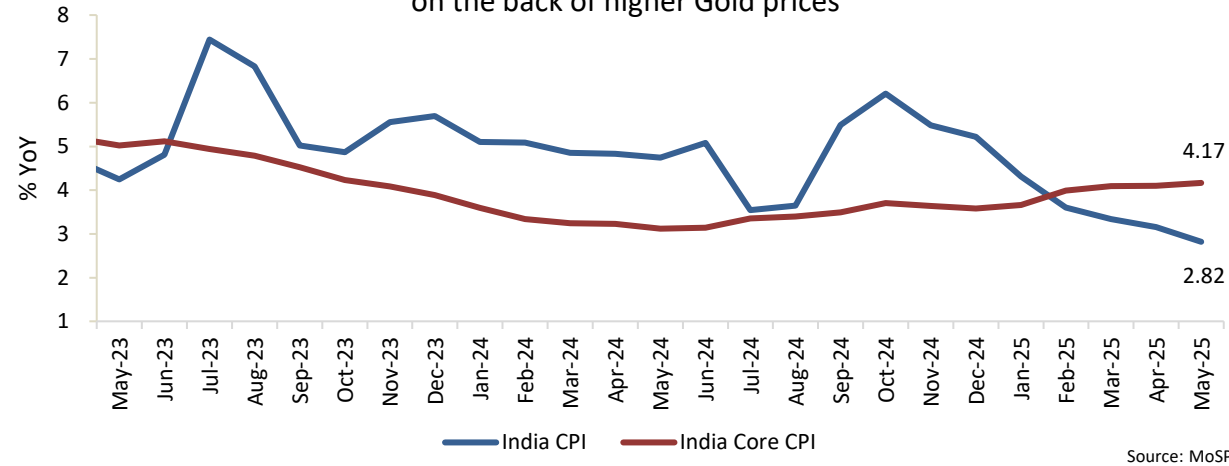


Improved services exports moved Current Account to surplus for the March Quarter

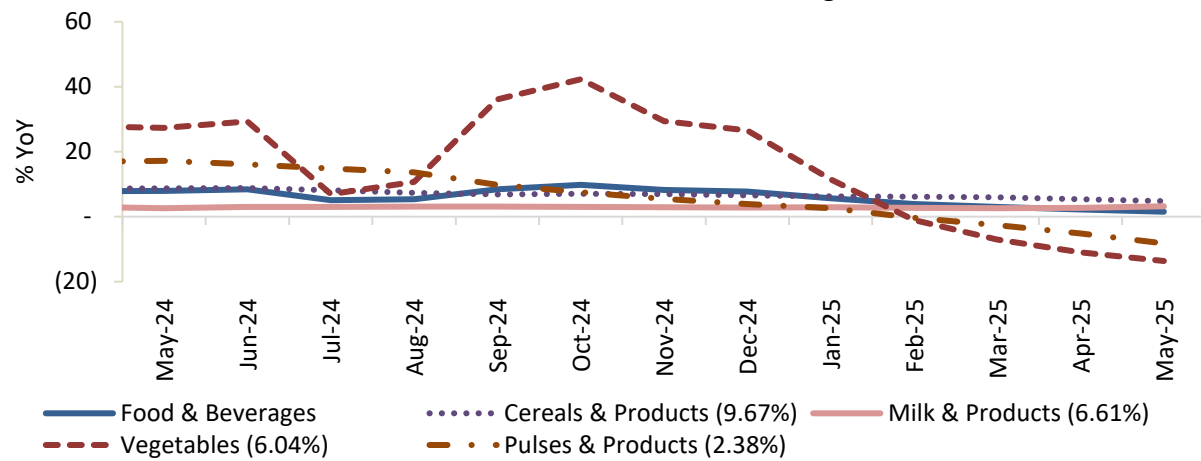


Faster deceleration of inflation gave RBI enough space to frontload... Probability of a strong monsoon may continue to keep food prices benign, maintaining headline inflation in line with RBI's forward guidance

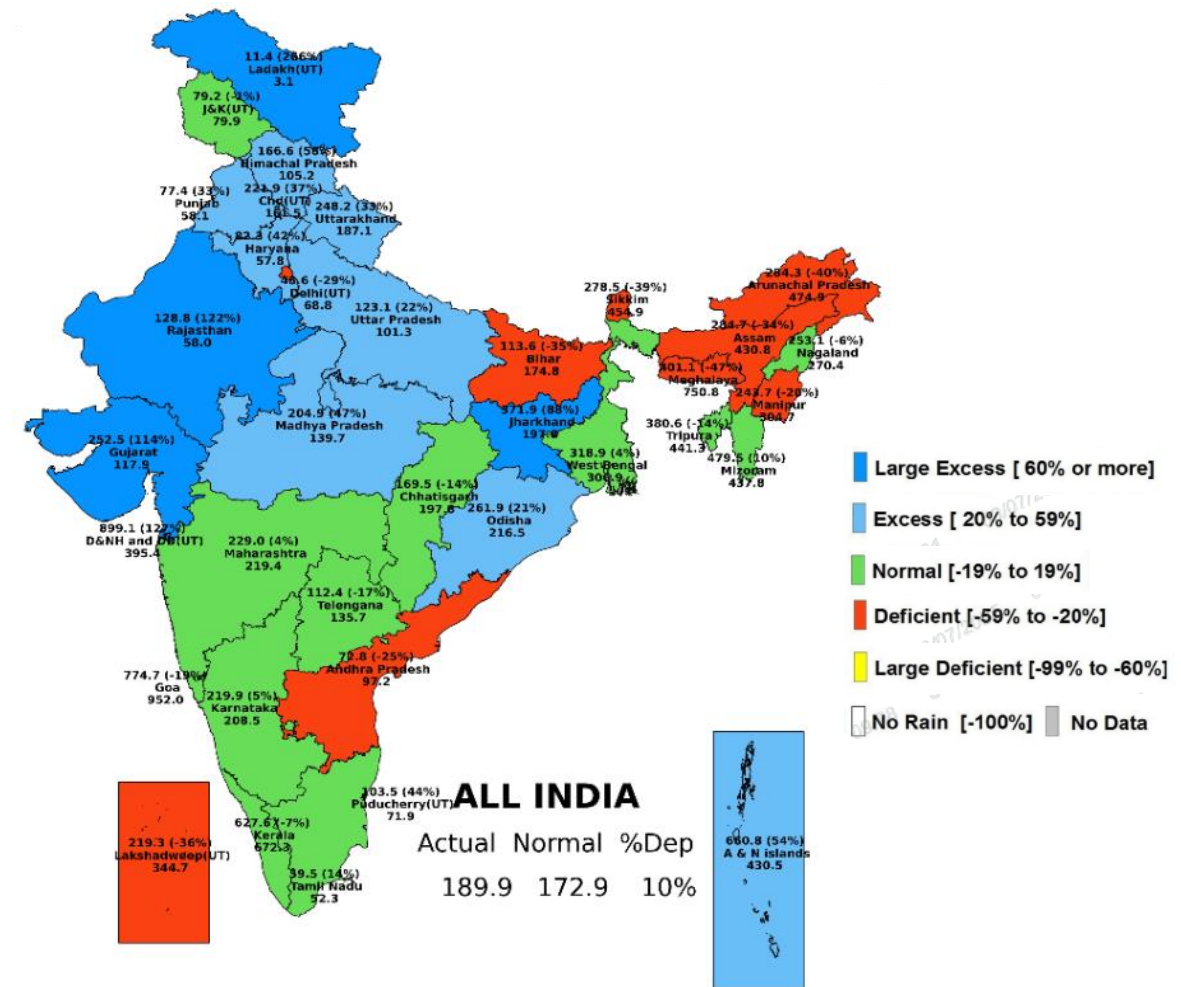
Inflation is on course to meet RBI's Q1 FY26 projection... Core stays elevated on the back of higher Gold prices



Food inflation continued its decelerating trend

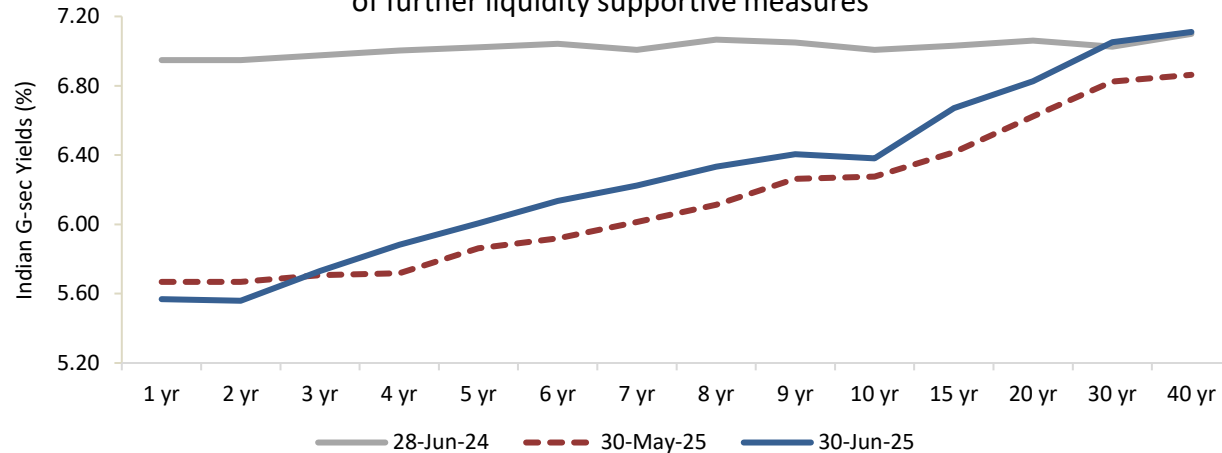


Monsoon thus far has seen above average rainfall, providing support to food prices

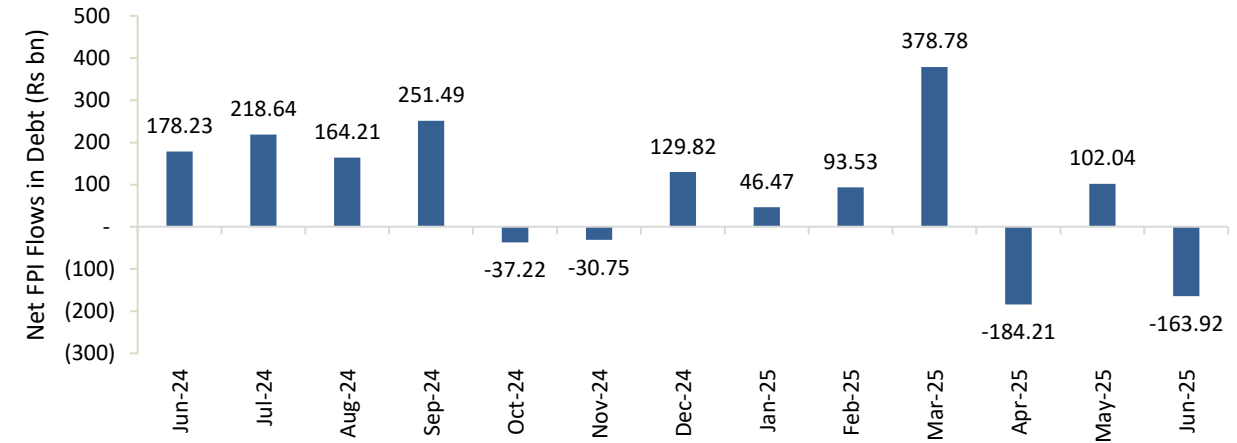


Easing liquidity has brought down the shorter end faster, leading to steepening of the G-sec yield curve

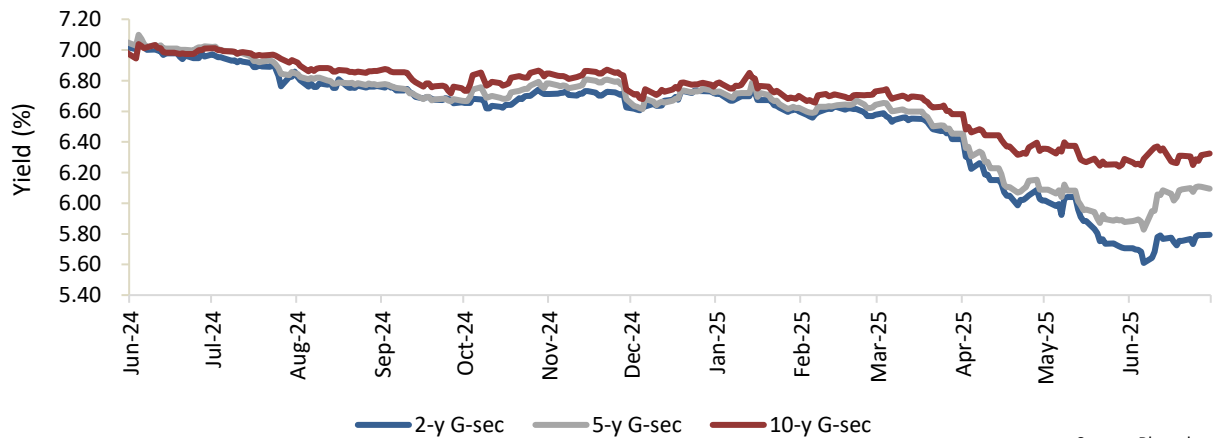
Yield curve steepened on the back of sharp policy easing and announcement of further liquidity supportive measures



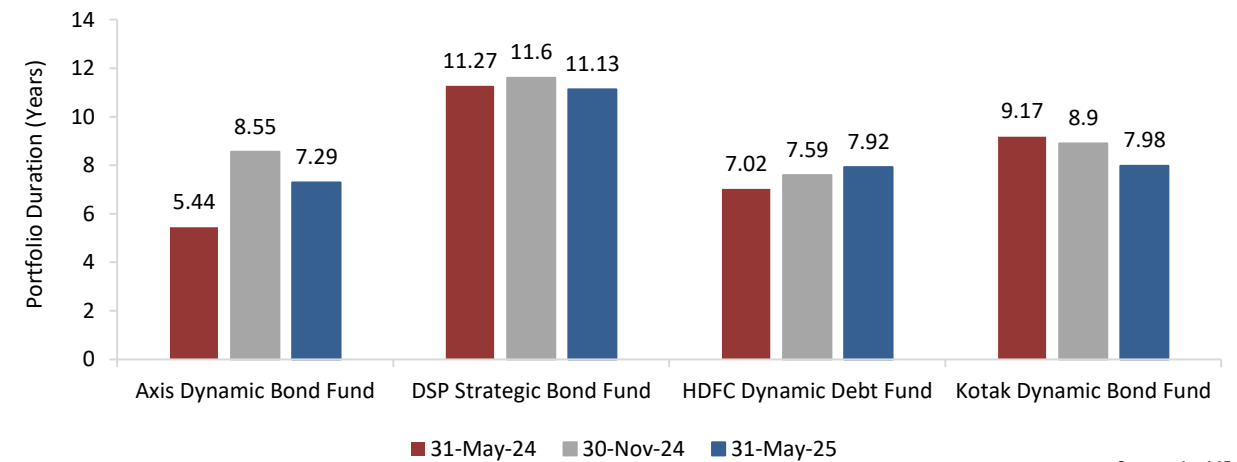
FPIs booked profits post policy announcement



G-sec yields saw some hardening post policy as the RBI highlighted limited scope of further easing...

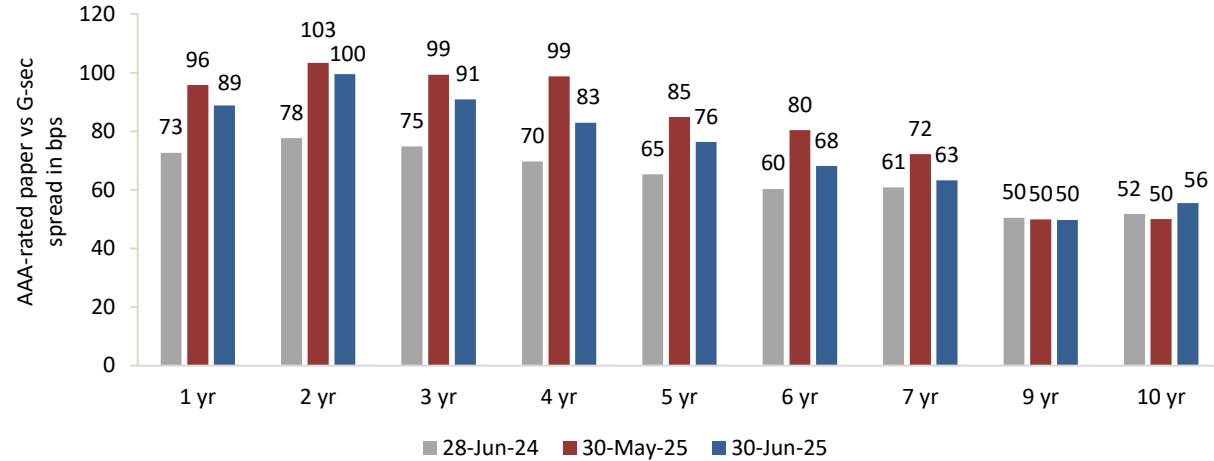


... opening up a tactical opportunity in dynamic bond funds

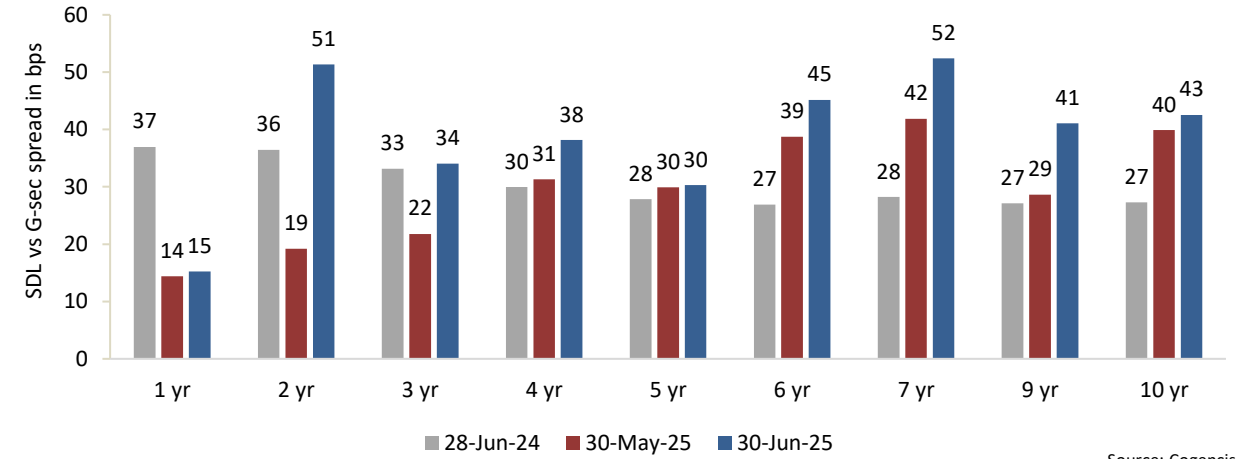


Sustained surplus liquidity in the system can steepen the corporate bond yields further at the shorter end, while accrual still remains lucrative basis available spreads

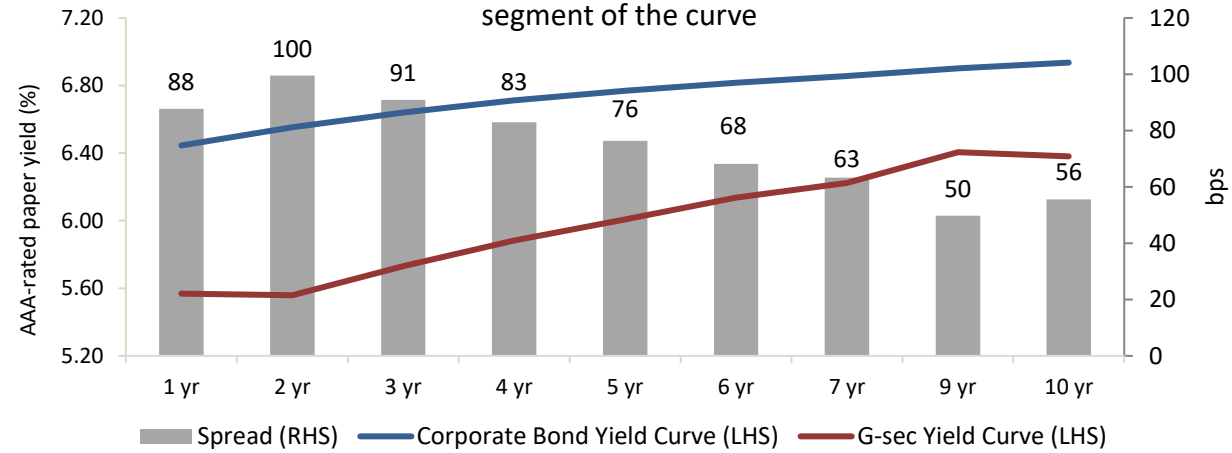
Corporate bond spreads have narrowed marginally over a majority of tenors



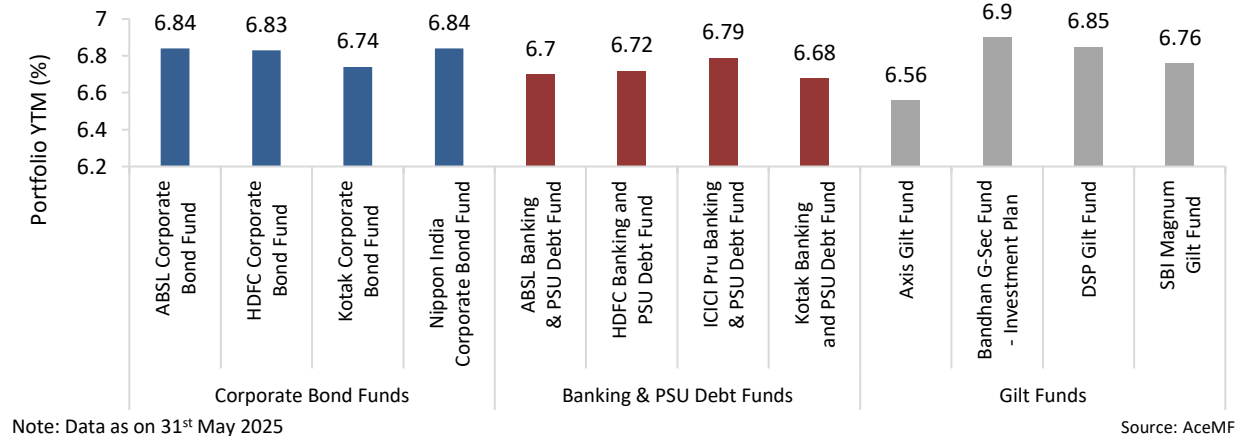
SDL Spreads have also widened



Corporate bond spreads over G-secs remain lucrative at the 1-4-year segment of the curve



Our recommended Corporate Bond heavy Funds still have attractive accrual opportunities with probability of mark-to-market gains as well



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