HDFC Bank – Research Presentation

June 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	◆
Income Plus Arbitrage FoF	▲

Classification - Public

Equity MF Strategy – June 2025

- As the impact of US tariffs kick in, more and more multilateral agencies are voicing concerns on global growth. IMF has cut its global growth estimates sharply and has attributed it to the tariff wars. Growth differential between Developed Markets and some large Emerging Markets (EMs), like India, suggests that the capital markets of these EMs are likely to see increased investments from FPIs.
- With high deficit burden and rising debt, Moody's too cut its credit rating for US' economy. In face of higher tariff burden for US consumers, the US bond yields rose sharply as inflation expectations rose. Such situations could make it tricky for the Fed to move forward on policy rate cuts. Interestingly, despite the jump in the bond yields, the US Dollar index weakened, reflecting rising risks in the US.
- 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. This is likely to have positive impact on the growth trajectory for 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 remained volatile on the back of expected slowdown in global economy and conciliatory trade moves between US and China. Increasing expectations of settling of the Russia – Ukraine war and expectation of higher supply, have weighed down on crude oil prices from its recent highs. Reduction of trade rhetoric by Donald Trump has also led to Gold prices consolidating.
- 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 .
- 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. Areas like IIP and Export growth continue to remain areas of concern. With weakening Dollar index, INR has seen appreciation vs USD 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 continued weakness in CPI inflation trajectory, the rural economy is likely to remain a key pillar of domestic growth. RBI's rural consumer survey also shows increased optimism within rural population. The growth in MSP support for many agri-products would further support farmers' income. This has positive readthrough for rural-driven sectors.
- Urban demand has remained mixed. Passenger vehicle sales growth has remained muted and formal hiring seems to be decelerating. 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 on infrastructure growth assessment 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. With the recent correction in valuations and steady growth momentum in many key sub-segments, Infrastructure stocks could see better performance.
- **The Q4 FY25 earnings season has ended on a steady note. The corporate earnings did see quite a few positive earnings surprises coming through. Midcap stocks delivered relatively superior growth. In aggregate, the earnings performance was better than market expectations, given that expectations were quite weak.**
- **The recent challenges and issues with the domestic macro economy and corporate earnings are expected see improvement in the next couple of quarters. 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 should likely 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, especially after the recent valuation correction. Thus, barring any large external risks, markets are expected to deliver lower volatility in the medium term.**
- **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 in Equity Mutual Fund perspective, investors could look at investing across Flexicap, Large and Midcap, Multicap, Hybrid equity, Business cycle funds and using STPs as an instrument to invest in Smallcap/Midcap funds; in line with their risk profile and product suitability from a 2-3 years' time horizon.**

Debt Mutual Fund Strategy

- The spread at the shorter end of the Corporate Bond yield curve has increased over G-secs. Based on easing liquidity, this part of the curve may steepen from hereon, making a case 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.
- 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.

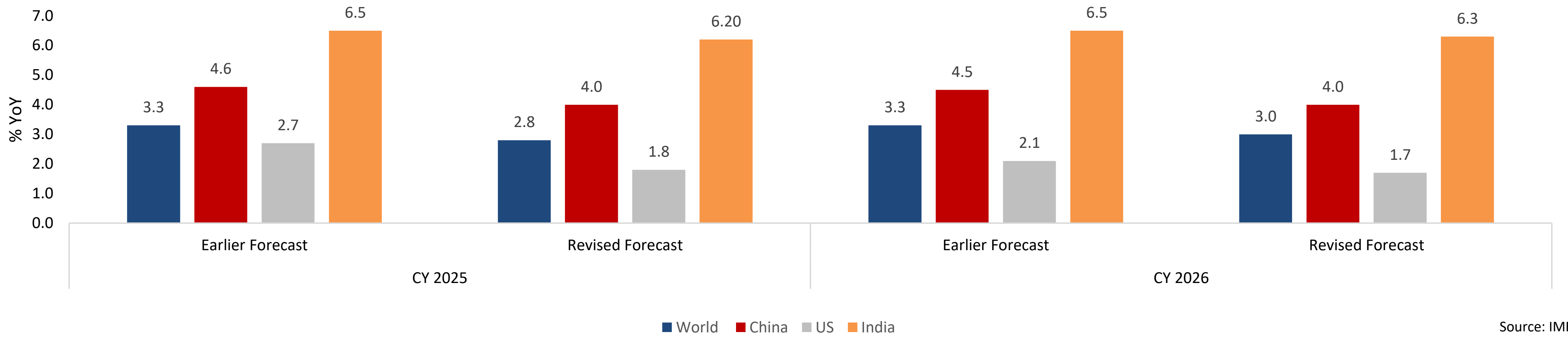
Classification - Public

Research Presentation – Content

Global growth forecast cut on trade jitters

IMF Growth Forecast

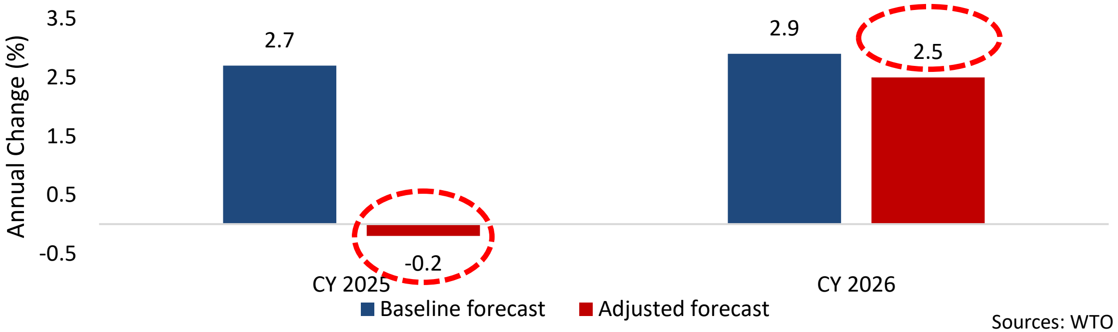
The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have negative impact on global economic activity



Source: IMF

World Trade growth

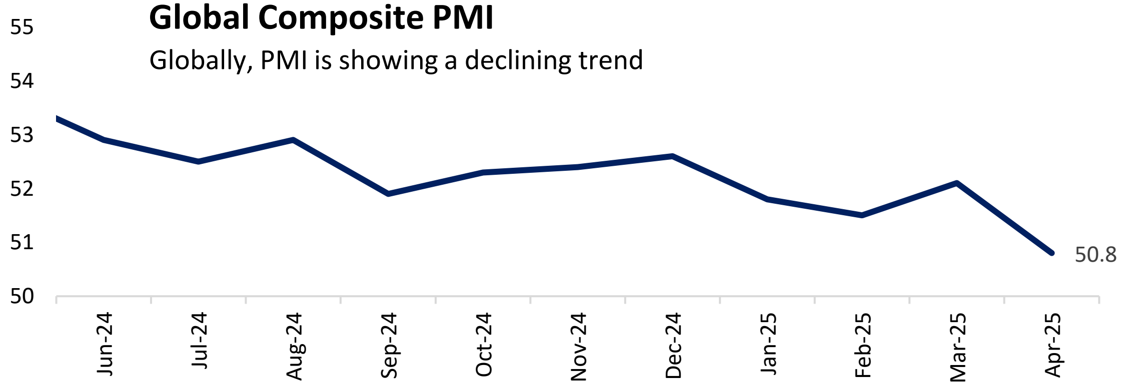
WTO forecasts sharp cut in global trade



Sources: WTO

Global Composite PMI

Globally, PMI is showing a declining trend



Sources: Bloomberg

US: Tariff pressure to weigh down on US growth

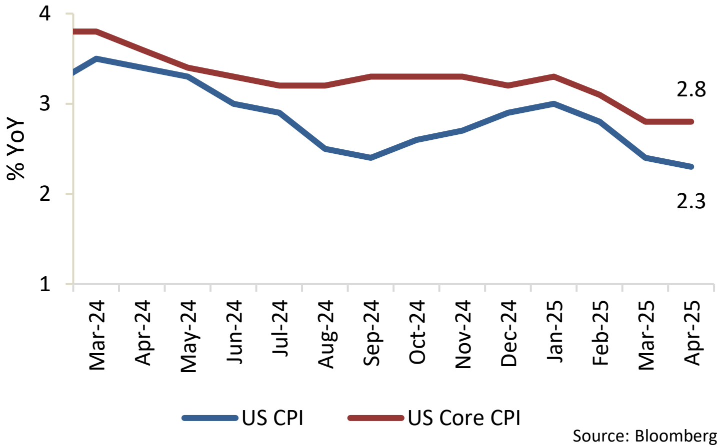
Another sovereign rating cut, this time by Moody's

- Moody's lowered America's sovereign debt rating to Aa1.
- The cut aligns Moody's with S&P Global Inc.'s (SPGI) 2011 and Fitch's 2023 downgrades.
- According to preliminary estimates, the new tax bill will add at least USD 3.8 trillion to US debt.

Source: Media Reports

US Inflation

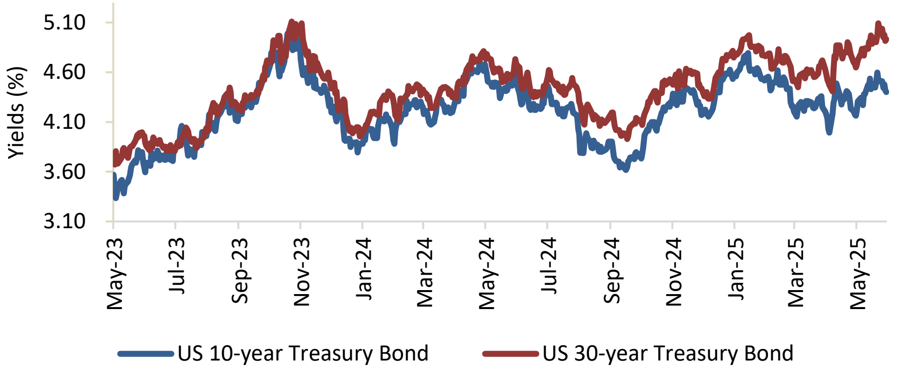
US inflation sticky, so policy rate cut unlikely



Source: Bloomberg

US Yields : Rising bond yields might lead to infusion of liquidity

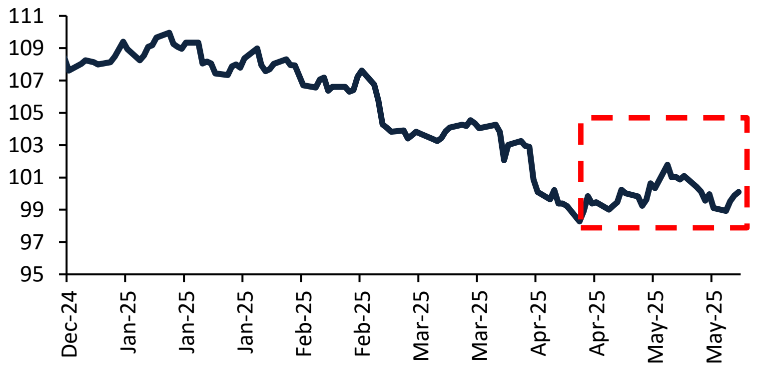
While Trump has toned down tariffs, base tariff of 10% could still be inflationary. This has driven US bond yields higher…



Source: Bloomberg

US Dollar Index

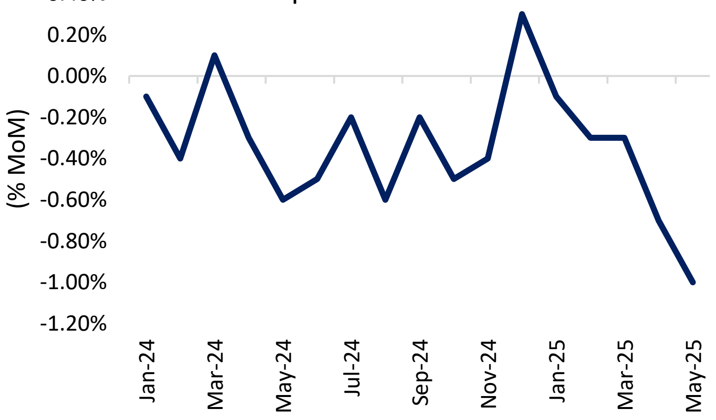
… This has also bought the Dollar index under pressure



Source: Bloomberg

US Leading Economic Index

Weakness persist



Source: Media Reports

Trade Deals in focus…

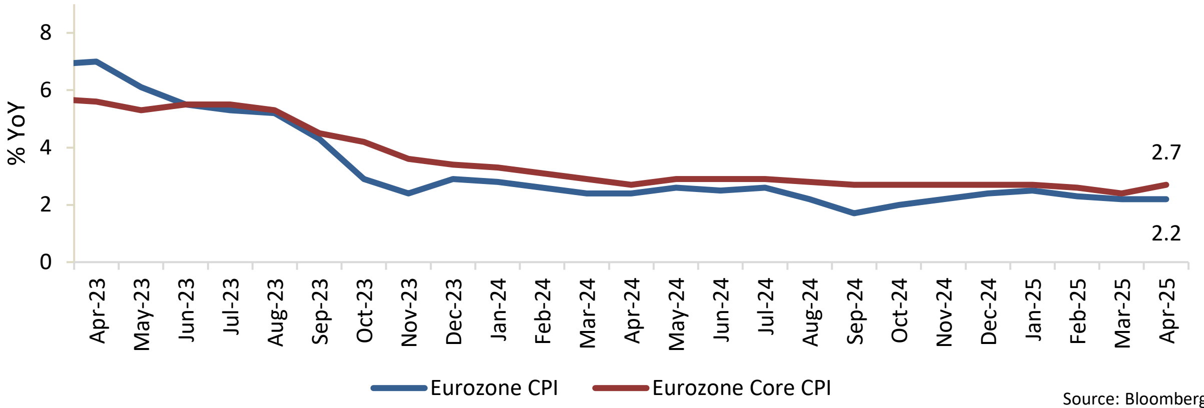
- **April 2** - Trump announced a sweeping set of reciprocal tariffs, imposing a baseline 10% tax on all imports.
- **April 9** - Trump paused most of his country-specific tariffs for 90 days.
- **April 13** - The US administration granted exclusions from steep tariffs to smartphones, computers and some other electronics imported largely from China into the United States.
- **April 29** - US automakers to get a break from Trump's tariffs.
- **May 08** - US and UK reach a trade agreement. The UK will reduce non-tariff barriers on US products.
- **May 12** - US and China announced a temporary truce, reducing reciprocal tariffs for 90 days.
- **May 30** - President Donald Trump has said it is "extremely hard" to reach a deal with his Chinese counterpart Xi Jinping, denting hopes for a call between the two leaders as trade talks stall**.**
- **June 4** - Doubling of tariffs on steel and aluminium from 25% to 50% comes into force.

Classification - Public

Eurozone: While growth remains challenging, easing liquidity conditions driving equity markets

Euro Inflation

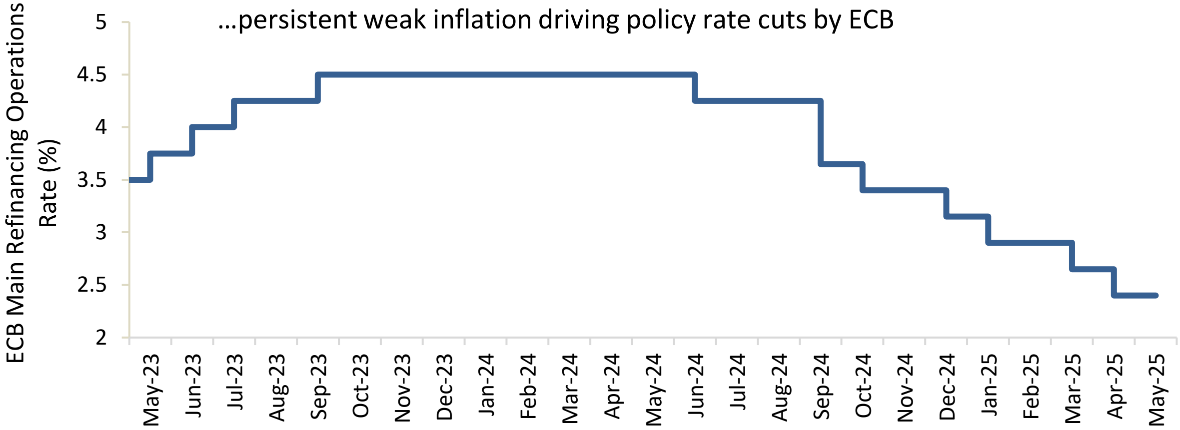
Remains well anchored, the core inflation is rising…



Source: Bloomberg

EU Policy Rates

…persistent weak inflation driving policy rate cuts by ECB



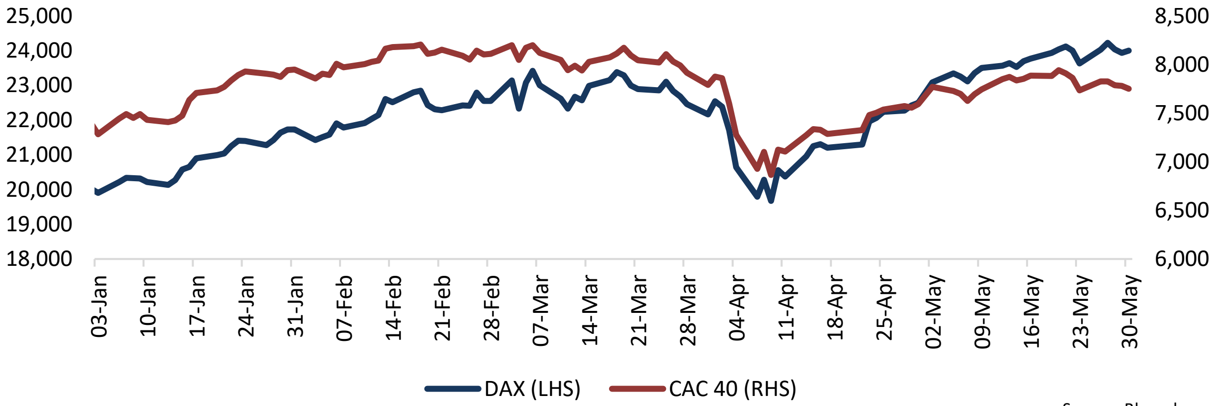
Source: Bloomberg

Rising fiscal spending by EU countries to drive corporate profitability

- European Commission's white paper: To meet the required €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 €650 billion - the remaining €150 billion 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 a €1 trillion spending package.
- The legislation includes provisions for a €500 bn investment in infrastructure over a 12 -year period, aimed at shoring up the country's flagging economy.
- 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

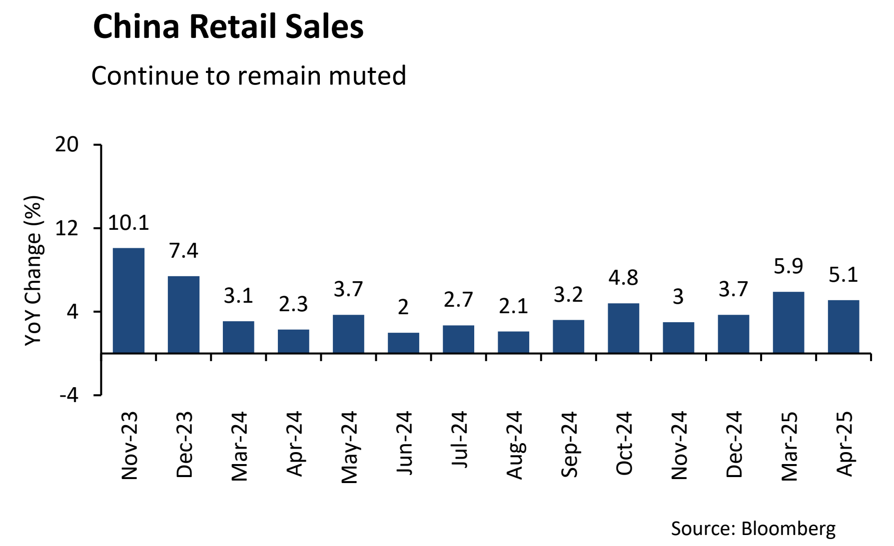
Due to strong liquidity support and expectations of easing fiscal, key European markets have rallied

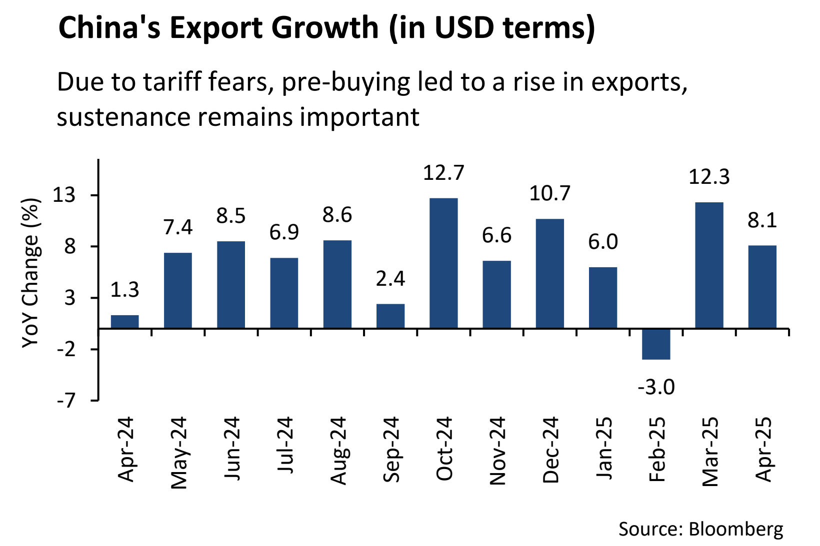


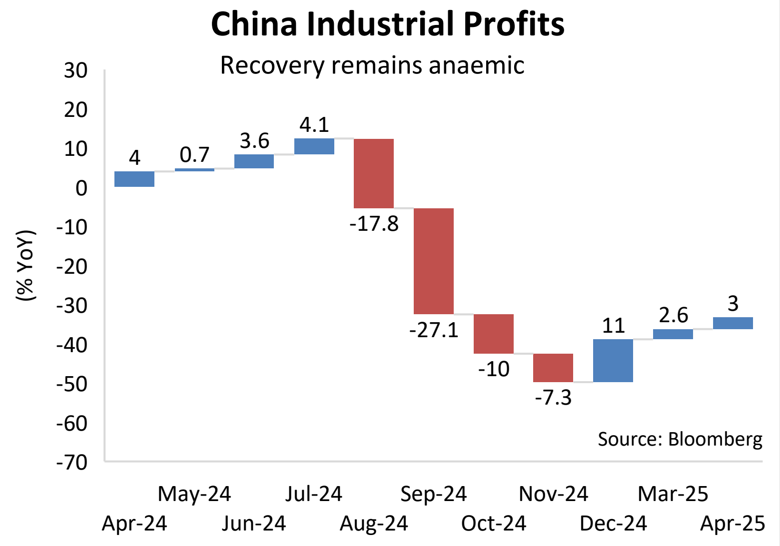
Source: Bloomberg

Classification - Public

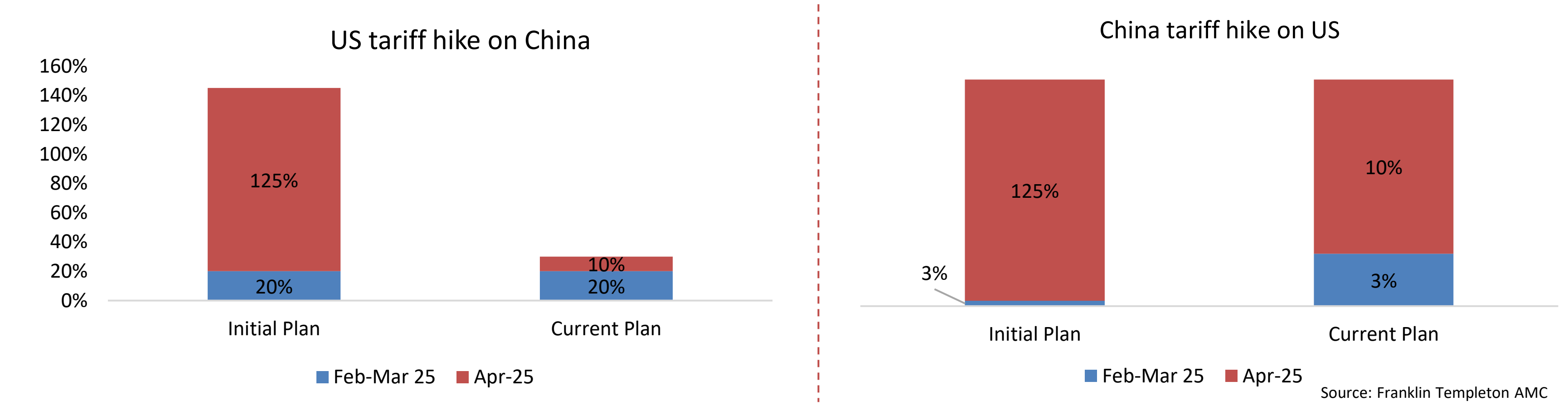
China: In the absence of domestic pickup, gains from trade negotiations become more important

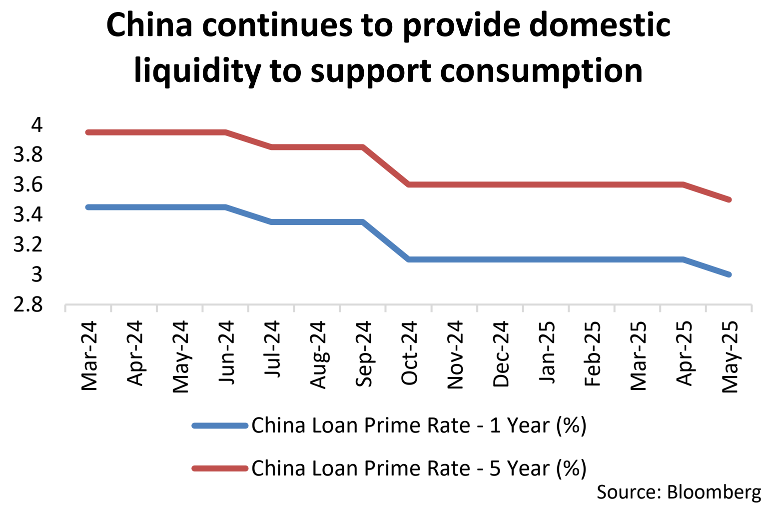






China - US cut down on trade rhetoric as negotiations begin



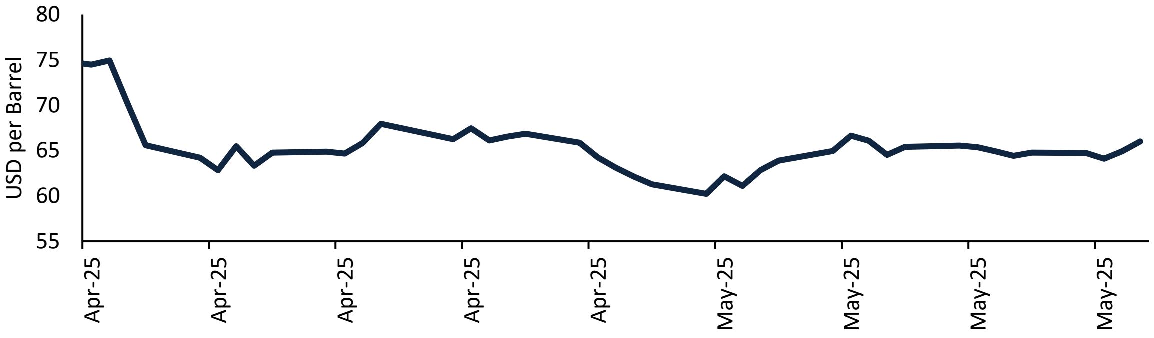


Classification - Public

Industrial commodities: Growth concerns lead to easing commodity prices… gold prices consolidate

Brent Crude

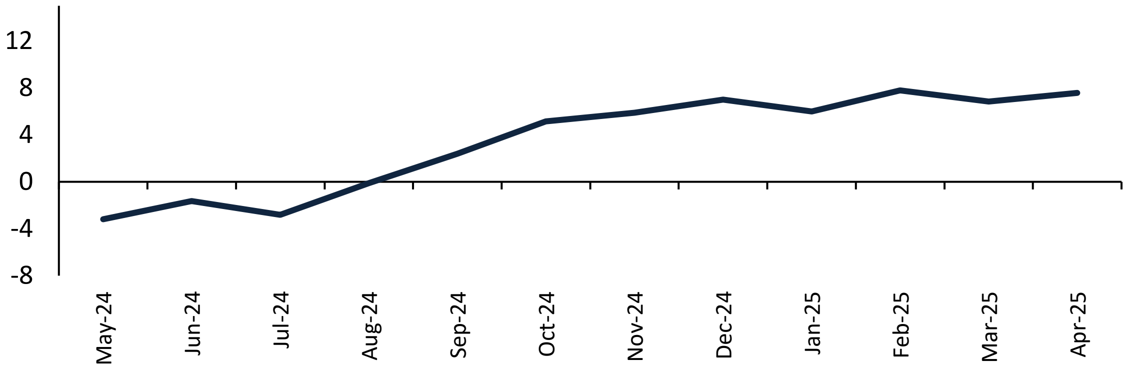
Oil prices remained subdued on the back of increasing supply from OPEC+ countries



Source: Bloomberg

UN Food & Agriculture World Food Price Index

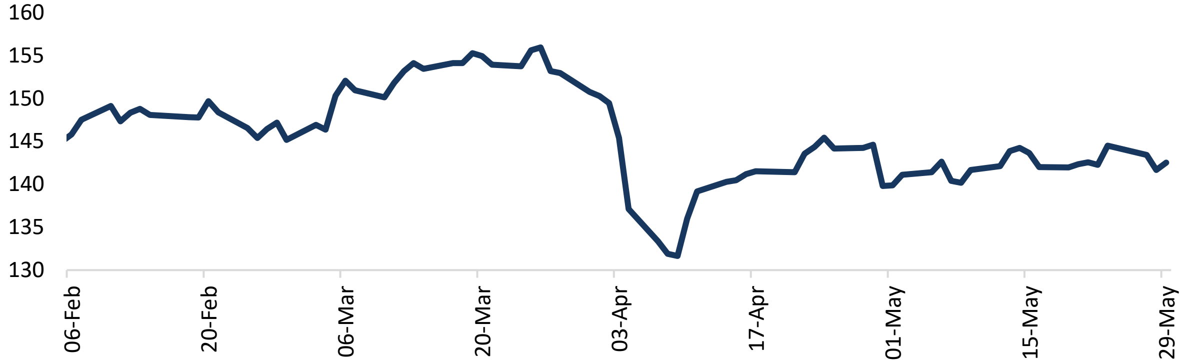
Globally, food prices are seeing an uptick due to base effect



Source: Bloomberg

Bloomberg Industrial Metals Index

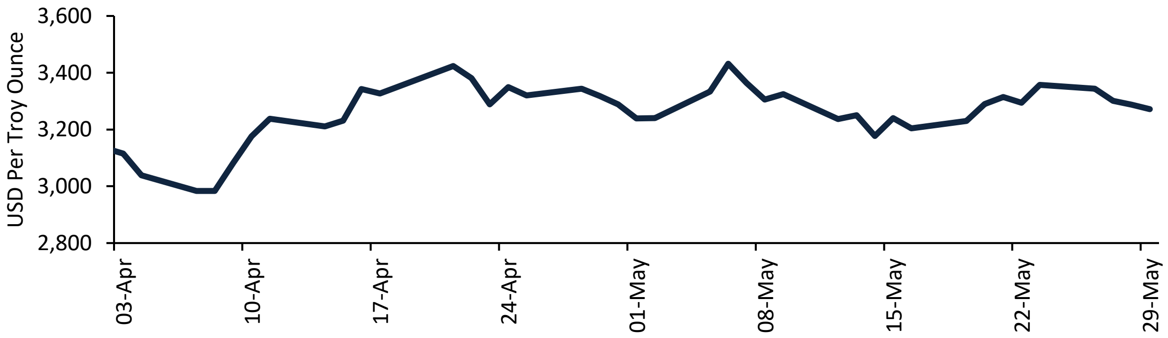
Chinese growth remains a concern, driving industrial metal prices lower



Source: Bloomberg

Gold Price

Prices in consolidation mode… as China & US trade negotiations start reducing safe haven demand



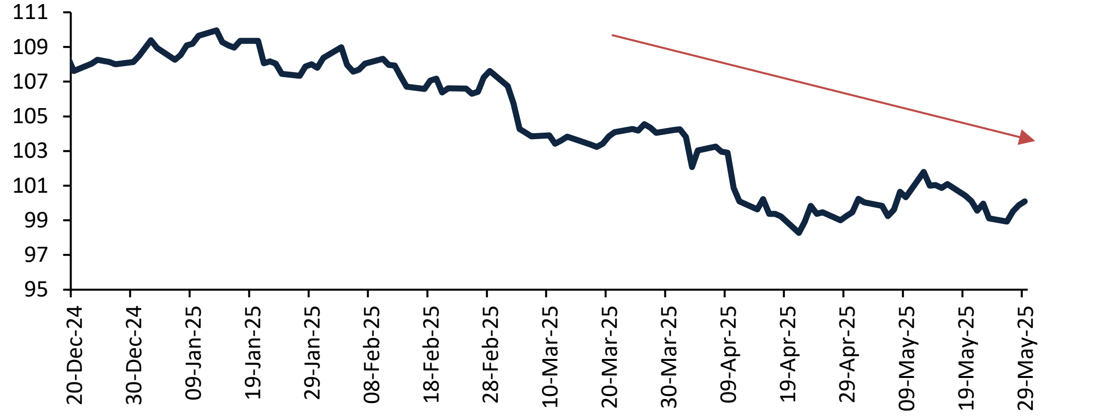
Source: Bloomberg

Classification - Public

Source: Bloomberg

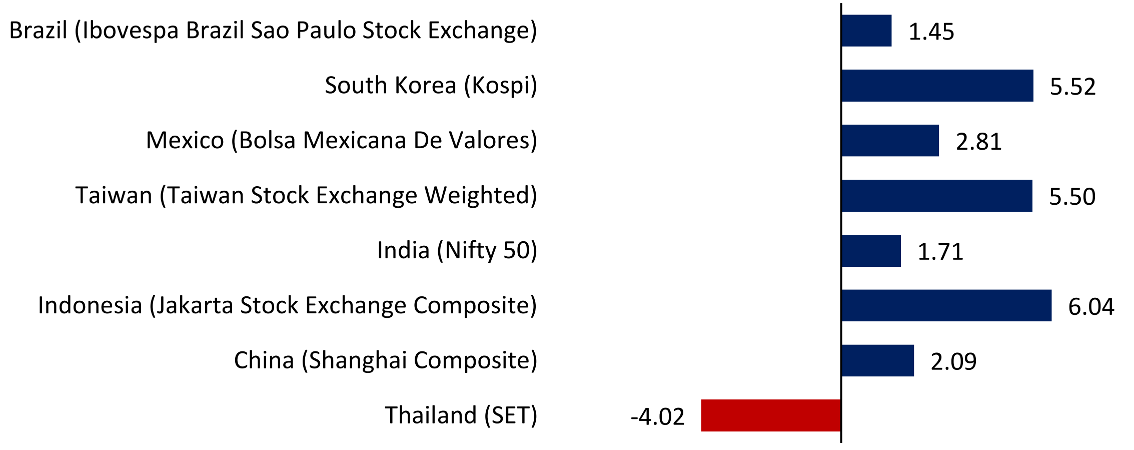
Weakening Dollar index benefits Emerging Markets' stocks… economic growth for countries enjoying trade surplus could come down post tariff negotiations

US Dollar Index



Source: Bloomberg

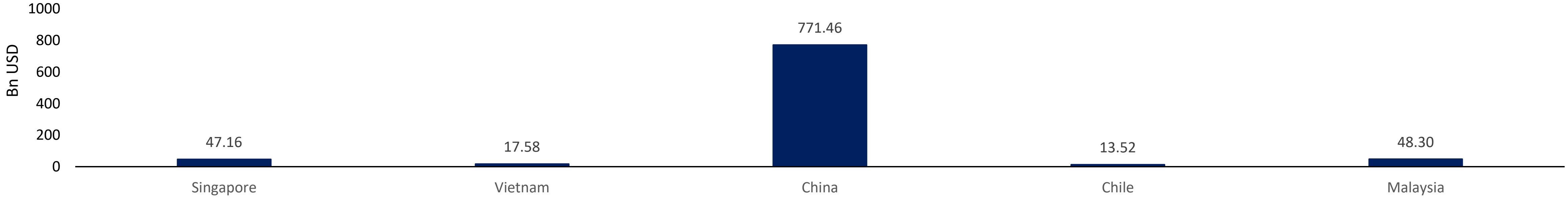
Emerging Markets - Absolute Returns of major equity indices in May 2025 (%)



Source: Bloomberg

Trade Surplus

Current Account Surplus economies are likely to be impacted more due to reciprocal tariffs and are in a more challenging situation at the moment

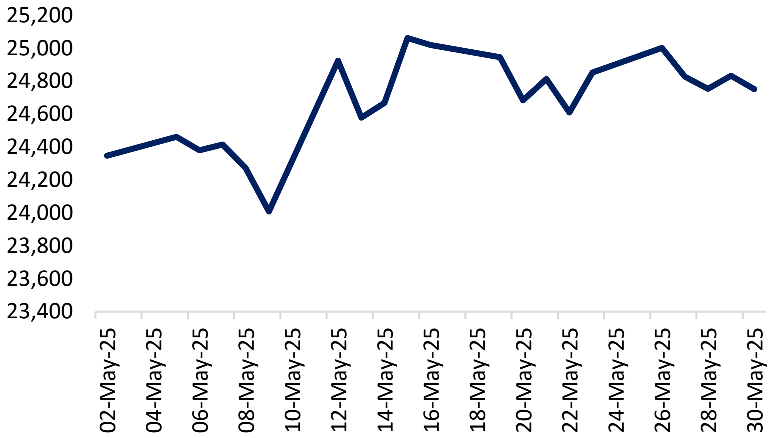


Source: Bloomberg, Data represents average of yearly surplus/deficit since CY20 till CY24

Classification - Public

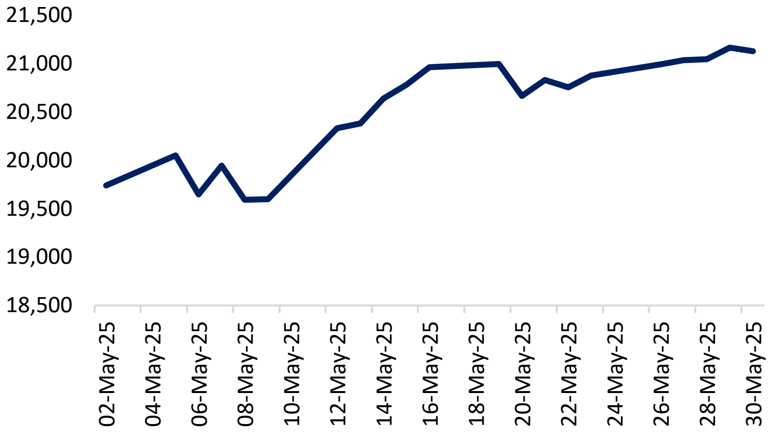
Despite cross-border conflicts, FPI flows and strong DII flows have helped Indian market's performance, along with liquidity support from RBI

Nifty 50 Index movement



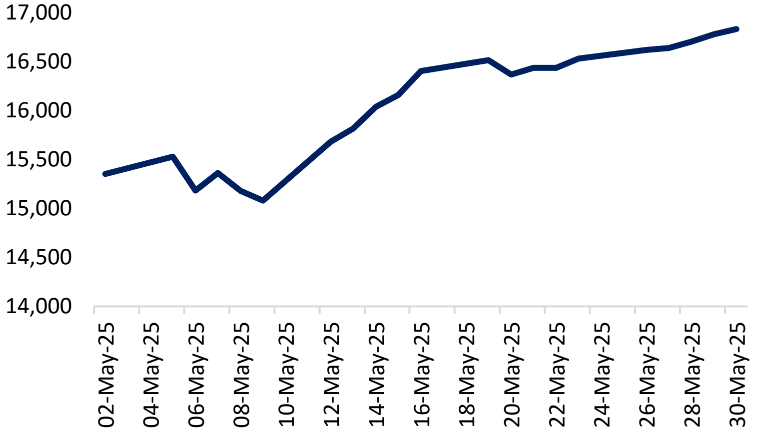
Source: Bloomberg

Nifty Mid cap 150 Index movement



Source: Bloomberg

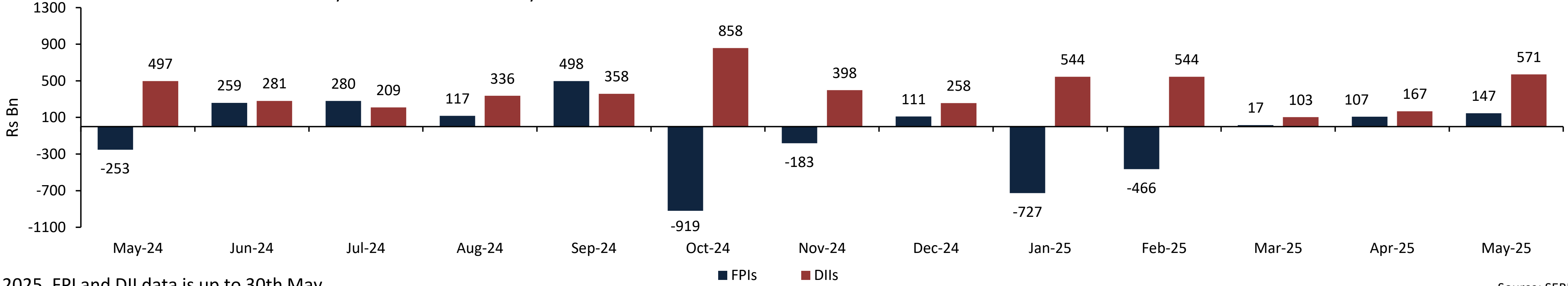
Nifty Small cap 250 Index movement



Source: Bloomberg

Net Flows In Equities

FPIs and DII's were net buyers in the month of May



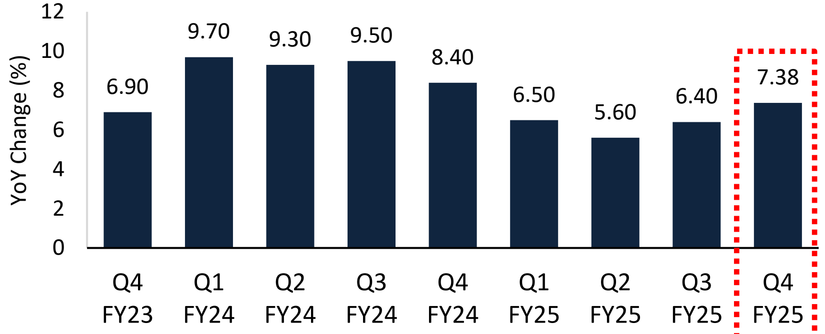
*For 2025, FPI and DII data is up to 30th May.

Source: SEBI, CDSL

Q4 FY25 GDP surprises on the upside

Real GDP Growth

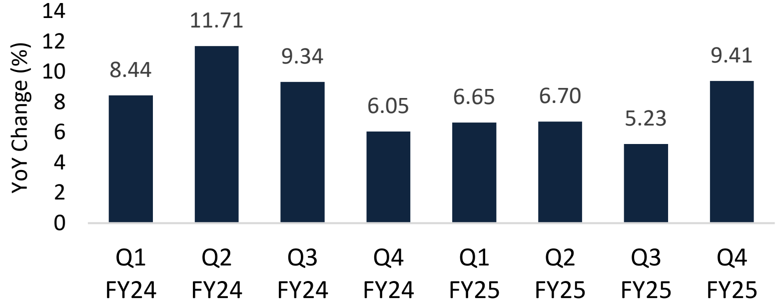
Q4 FY25 GDP number better than expectations



Source: MoSPI, Bloomberg

Gross Fixed Capital Formation

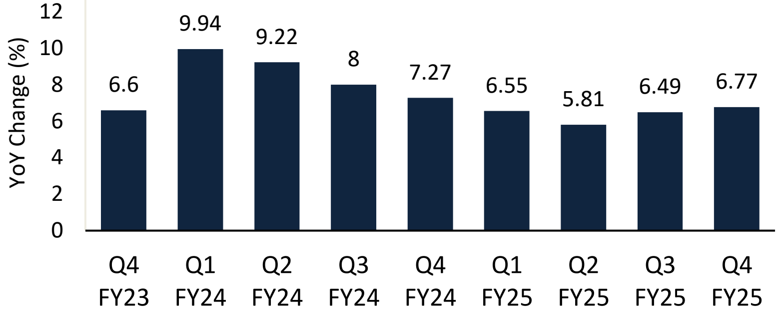
Rebounded in the last quarter on the back of renewed government spending thrust



Source: MoSPI, Bloomberg

Gross Value Added

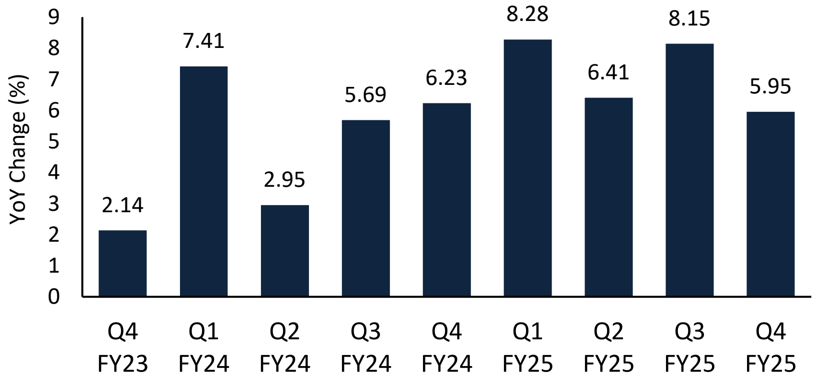
On an improving trajectory



Source: MoSPI, Bloomberg

Private Final Consumption Expenditure

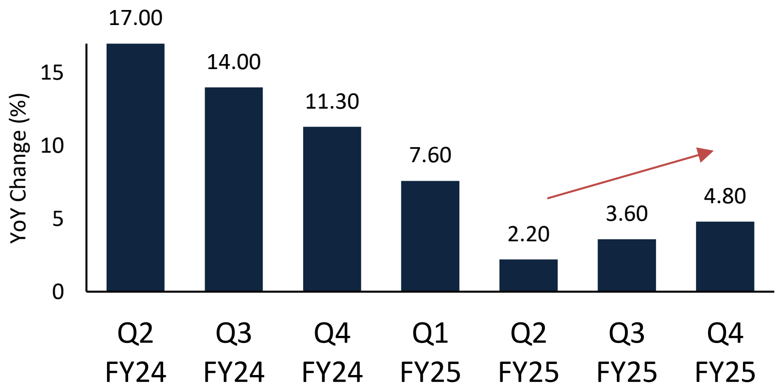
Needs to improve further



Source: MoSPI, Bloomberg

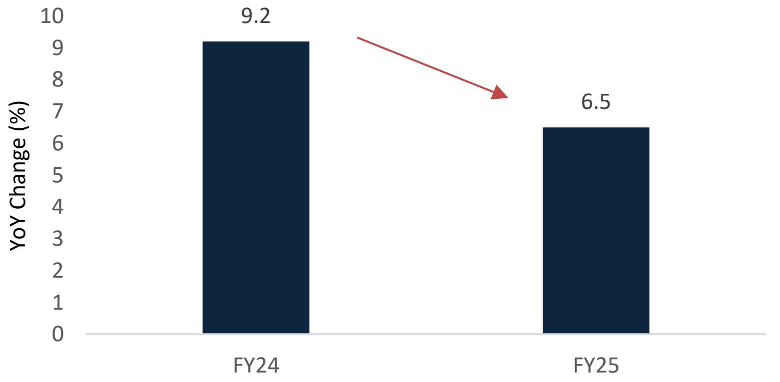
Manufacturing growth

Manufacturing activity seems to be recovering



Source: MoSPI,Bloomberg

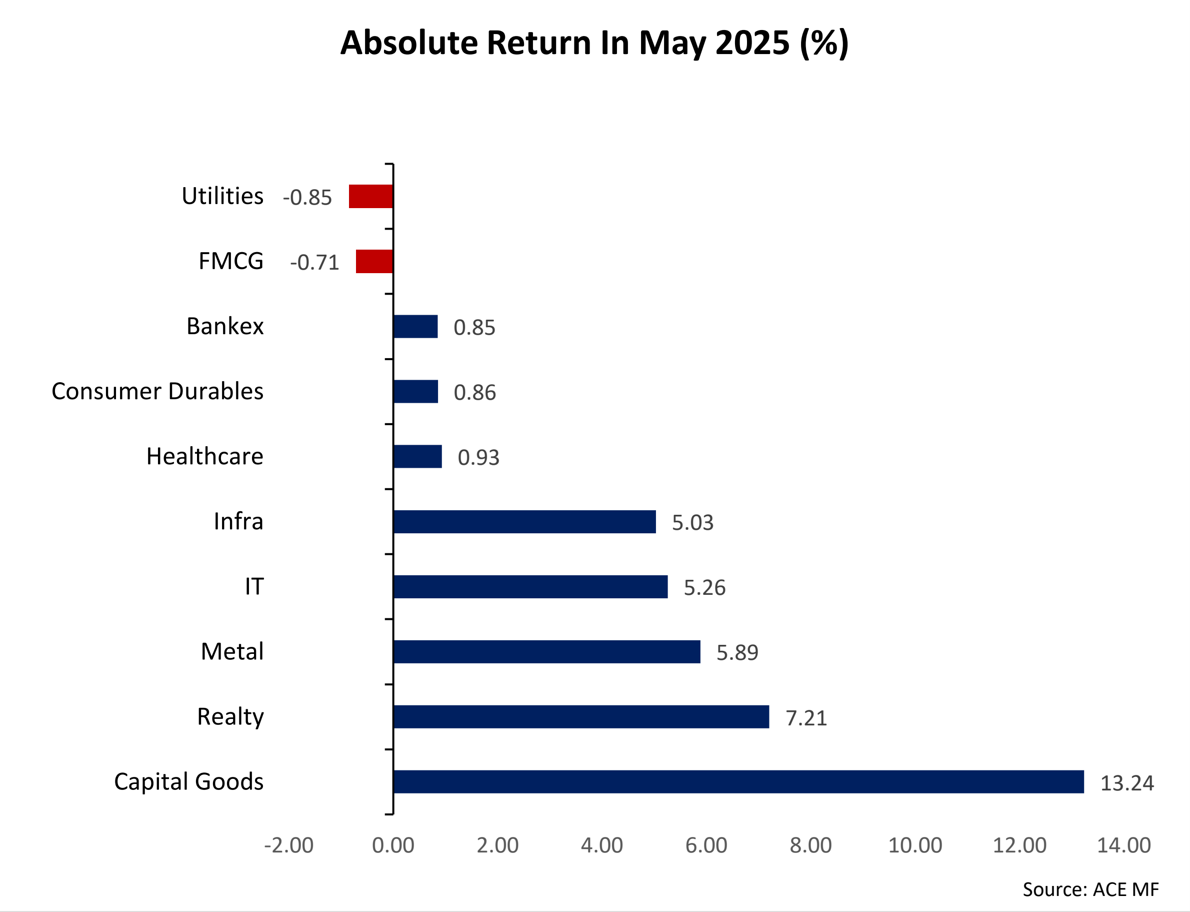
Aggregate GDP growth remains lower than previous year

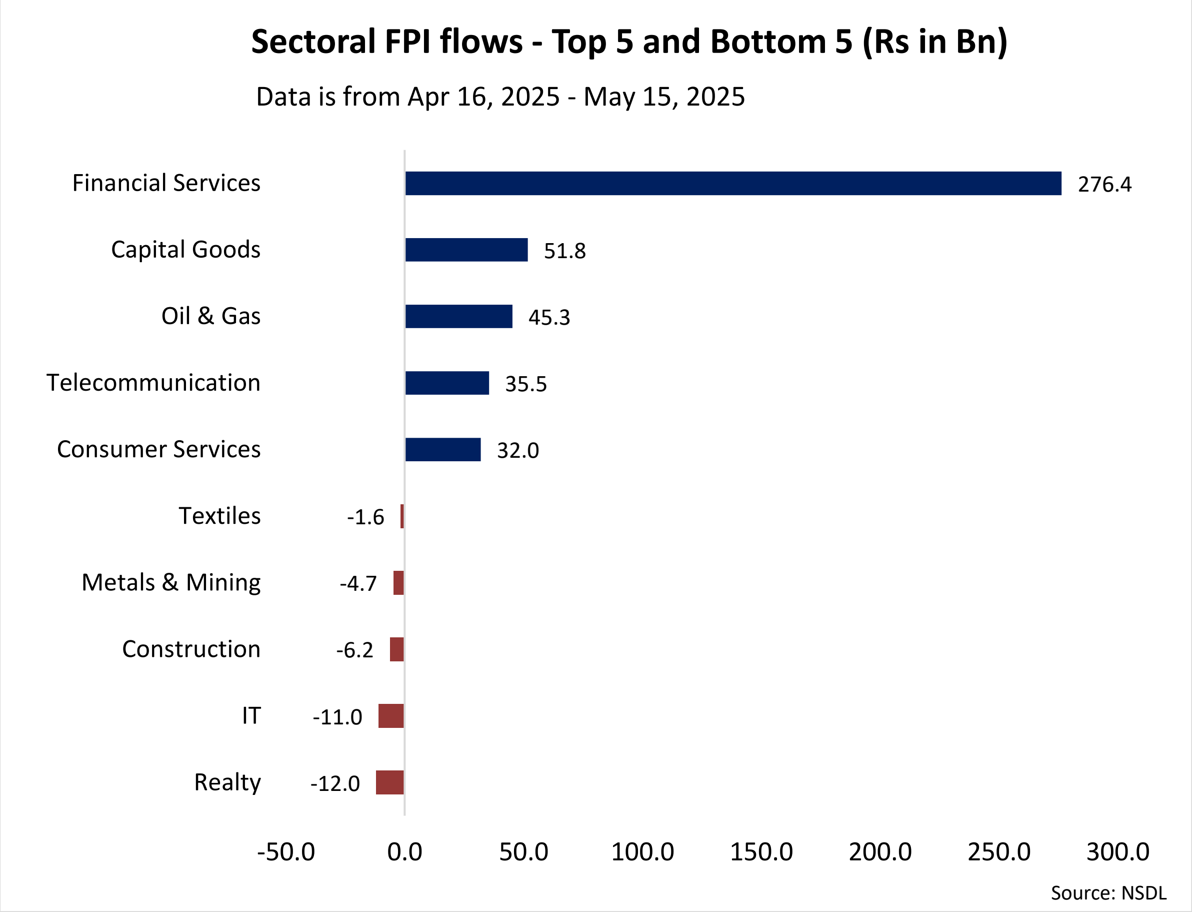


Source: MoSPI,Bloomberg

Classification - Public

Sectoral performance and FPI flows in May 2025



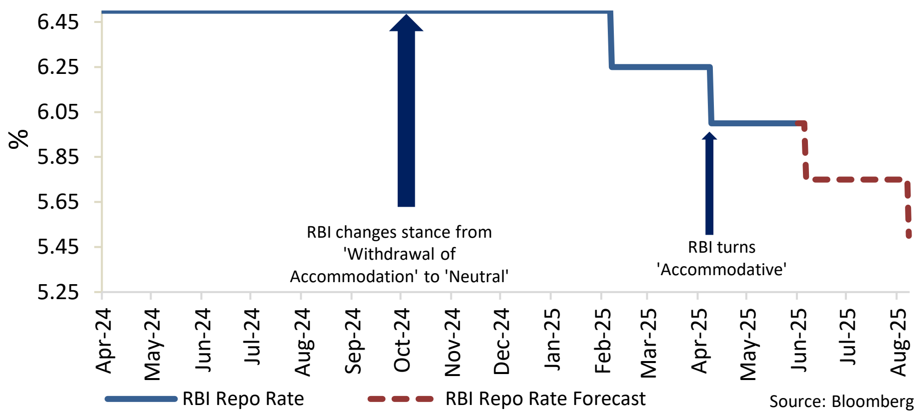


Classification - Public

India Macros: Strong support from RBI may lead to improvement in domestic macros

RBI's Repo Rates (%)

Central Bank is in a pro-growth rate cutting cycle



Source: Bloomberg

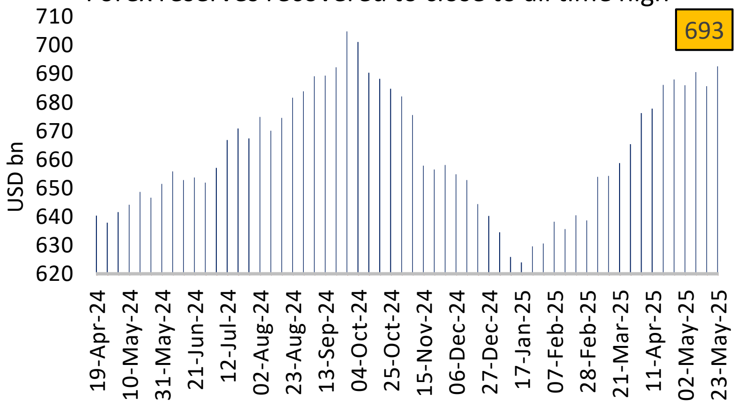
Higher than budgeted Dividend transfer provided further impetus to RBI's liquidity support

Particulars	Date	Amount Notified/ Budgeted (Rs bn)	Final Amount Allotted/ Accepted (Rs bn)
Open Market Operations	06-May-25	500	500
	09-May-25	250	250
	15-May-25	250	250
	19-May-25	250	250
RBI Dividend	23-May-25	2,560	2,686

Source: RBI

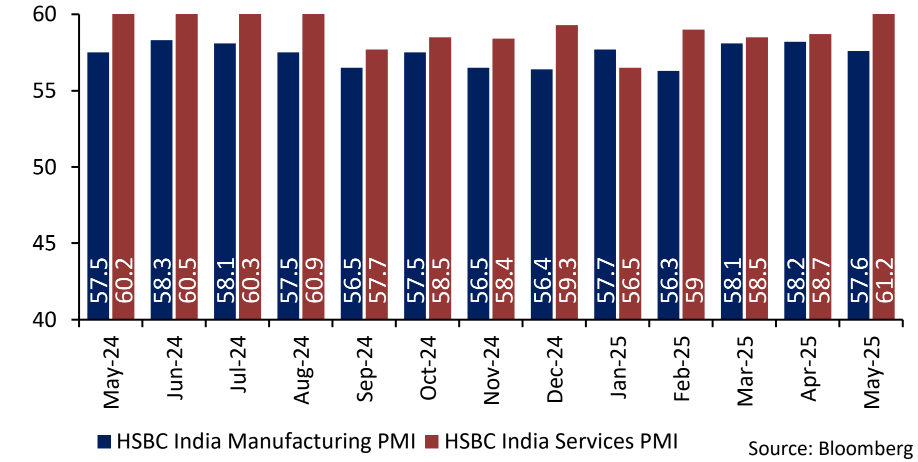
Forex reserves

Forex reserves recovered to close to all time high



Source: Bloomberg

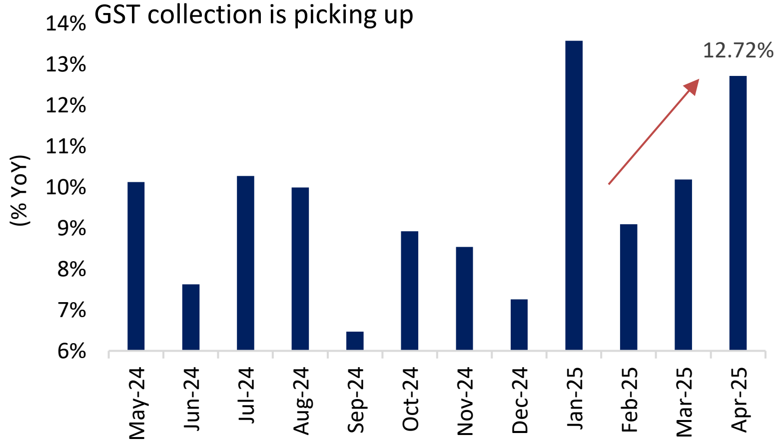
PMI continues to be strong



Source: Bloomberg

GST Collection

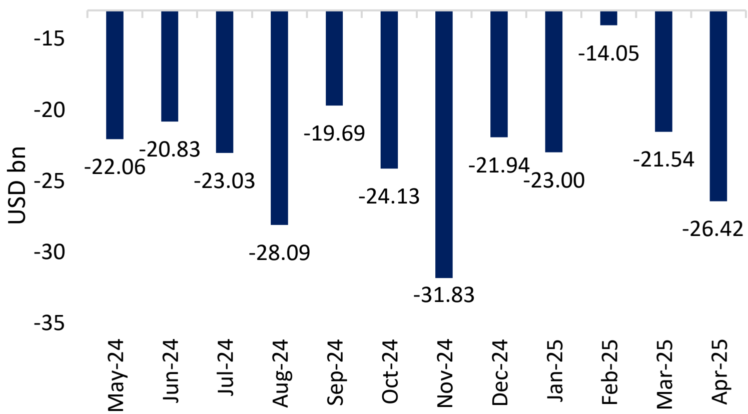
GST collection is picking up



Source: Bloomberg

India Merchandise Trade Balance

Sequentially, widening trade deficit remains a concern



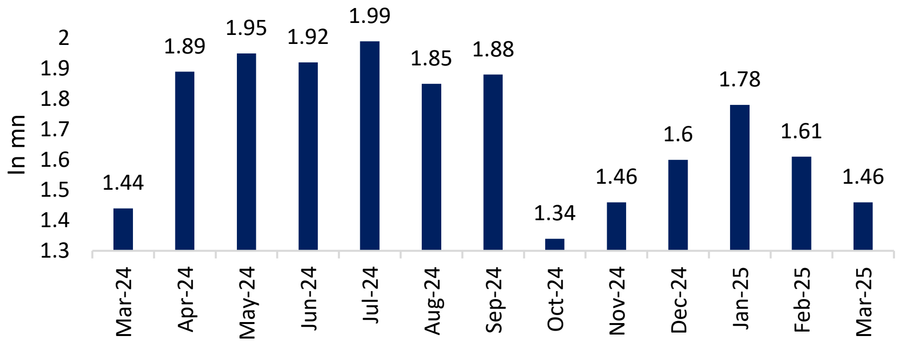
Source: Bloomberg

Classification - Public

Urban India: Improvement awaited

Formal Job Creation (EPFO Payroll net subscriber growth)

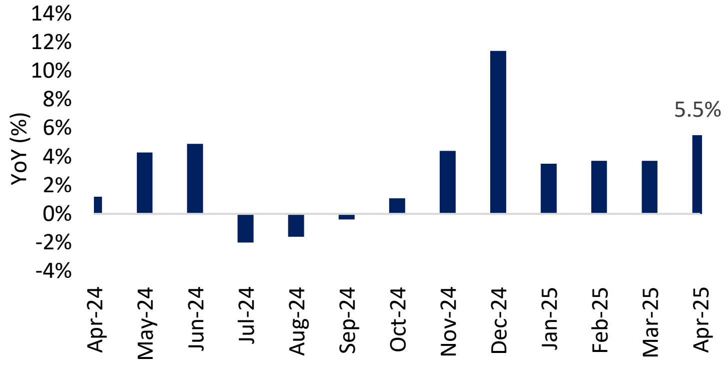
Formal hiring appears to be subdued



Source: EPFO, PIB

Passenger Vehicle Sales

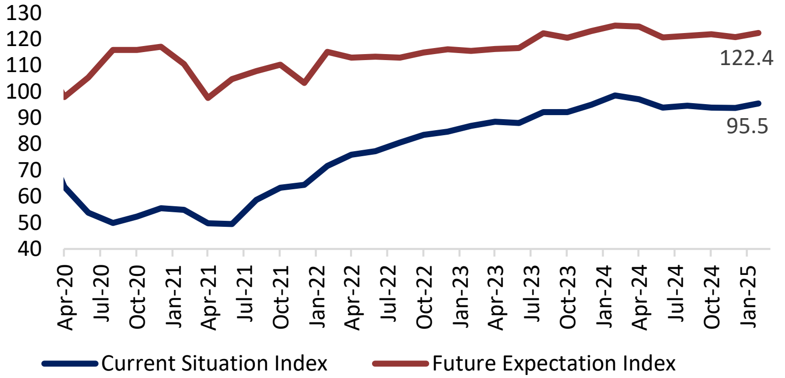
Auto sales growth remains muted



Source: SIAM, RBI

RBI's Consumer Confidence Survey

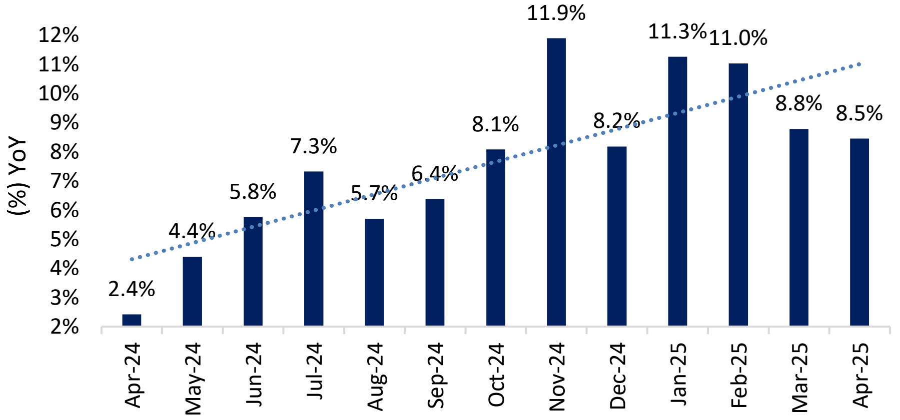
Sentiments remain positive



Source: RBI

Domestic Passengers Carried By Airlines

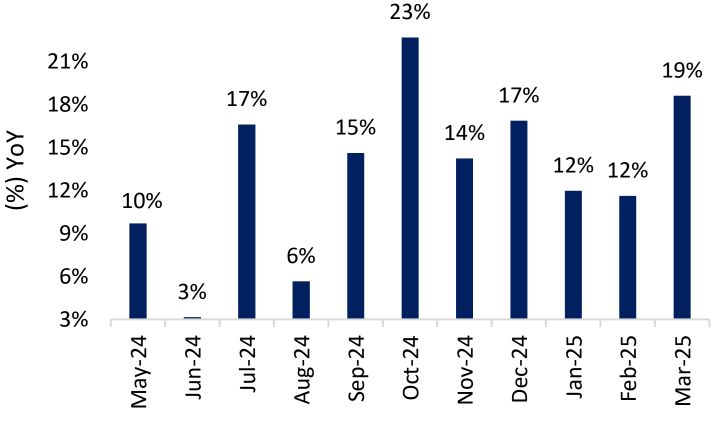
Air traffic remains robust…tourism remains a key beneficiary



Source: Bloomberg

India - Service Exports

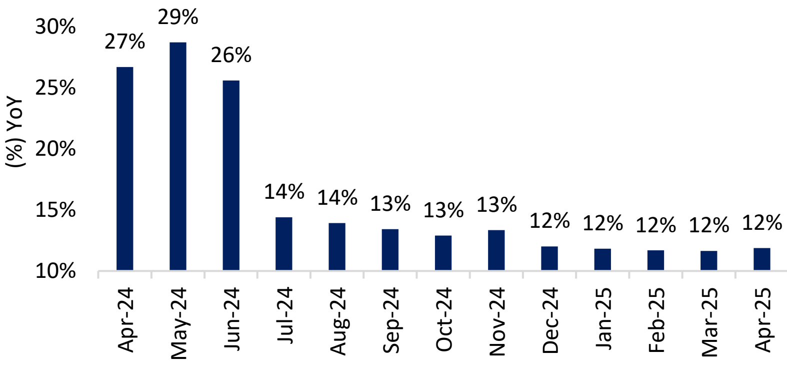
India's services exports remain strong



Source: Bloomberg

Banking Sector Personal Loan Growth

With improving liquidity conditions, personal loan demand also likely to improve

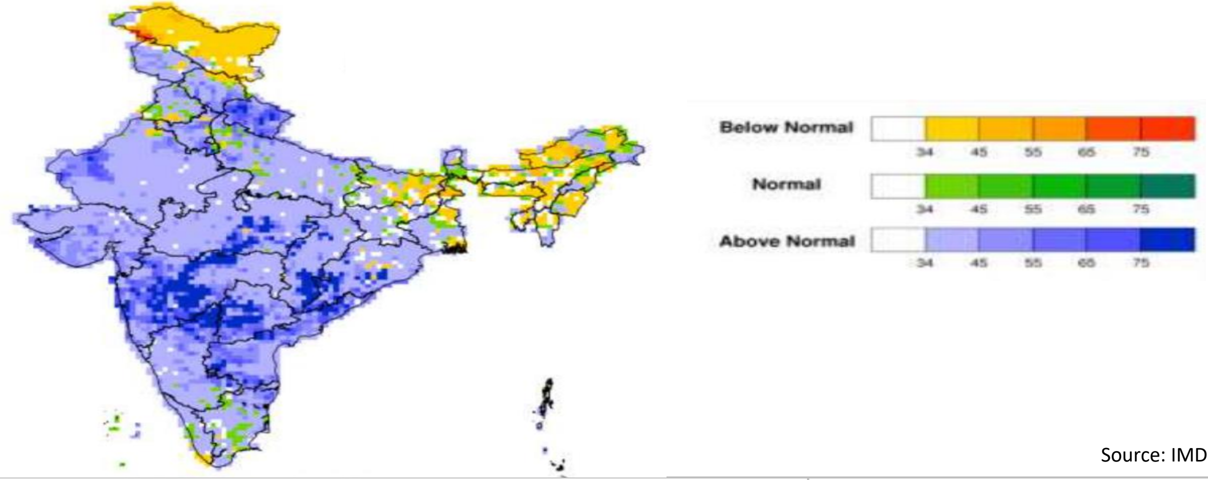


Source: Bloomberg

Rural India: Continues to strengthen

IMD Monsoon Forecast

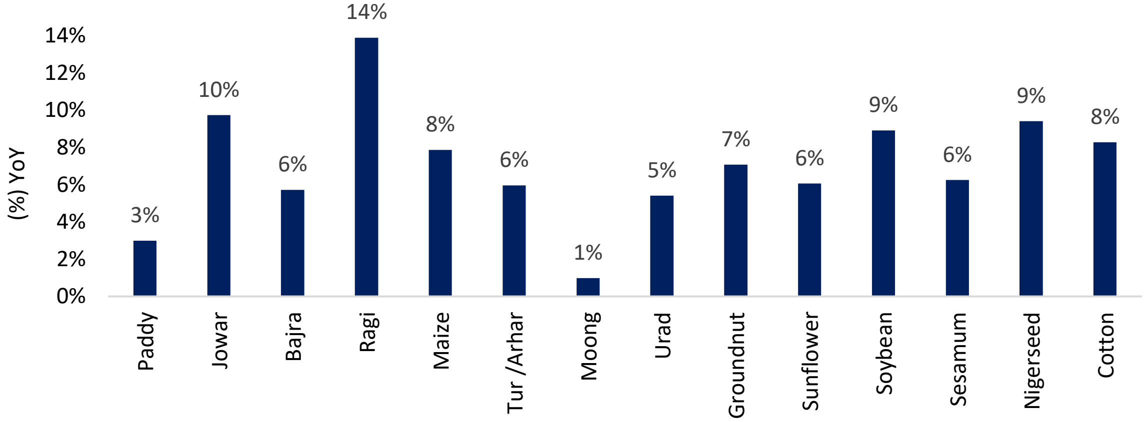
Strong rainfall to be a traction for the rural economy, as IMD forecasts 108% rainfall of LPA



Source: IMD

Kharif Crops MSP

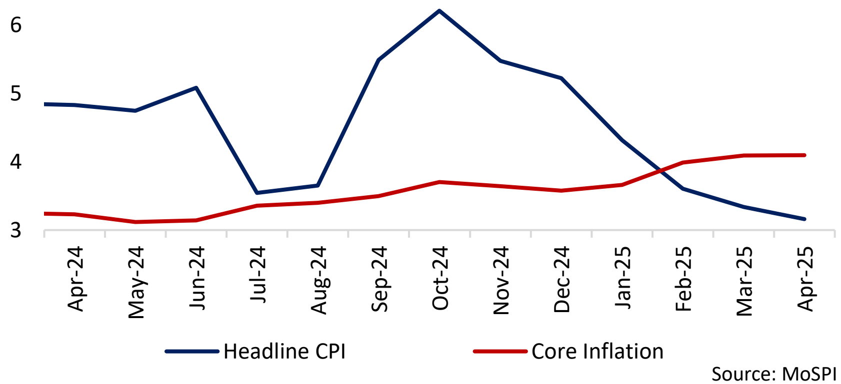
Higher pricing will lead to more disposable income for rural households



Source: MoSPI, PIB

CPI Inflation (% YoY)

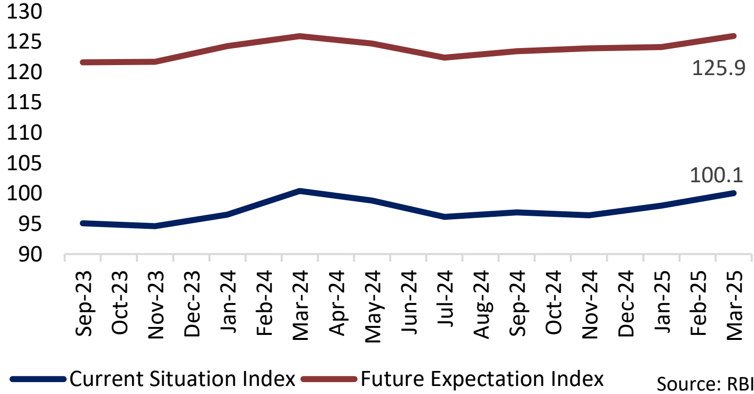
Weakening inflation impulse positive for disposable income



Source: MoSPI

RBI's Rural Consumer Confidence Index

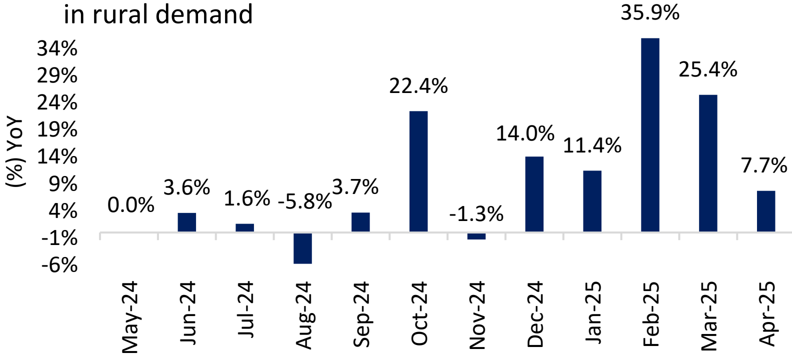
Rural confidence is upbeat



Source: RBI

India Tractor Sales

Tractor sales continue to rise, indicating good momentum in rural demand



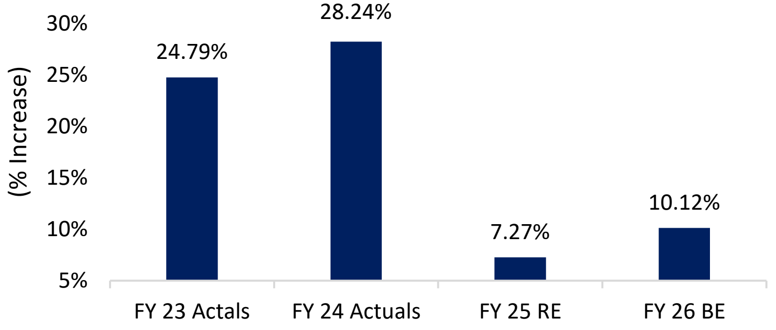
Source: SIAM,RBI

Classification - Public

Capex: Focus is likely to remain on renewable energy and electronics

Central Government Capital Expenditure Growth

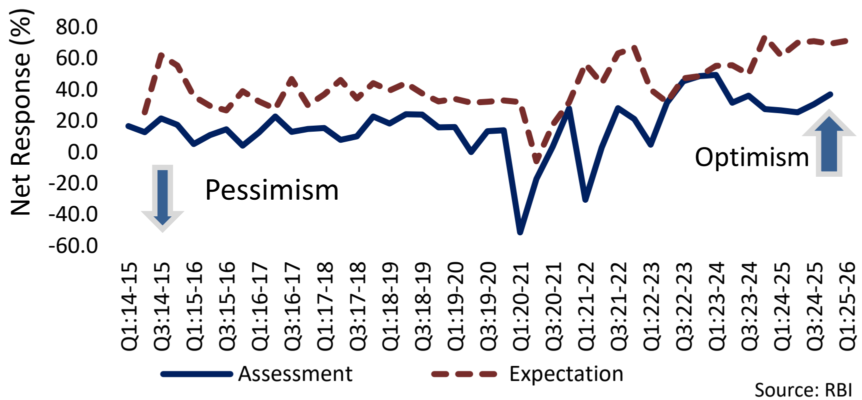
Budget allocation for capex remains moderately high for FY26, in line with Nominal GDP growth



Source: Budget Documents

RBI outlook for Turnover of Infrastructure Companies

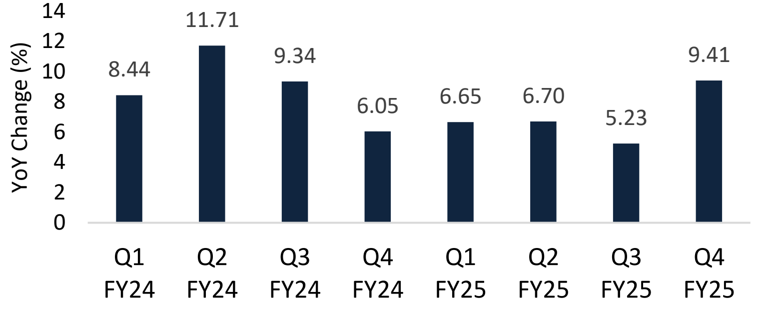
Infra companies showing positive response



Source: RBI

Gross Fixed Capital Formation

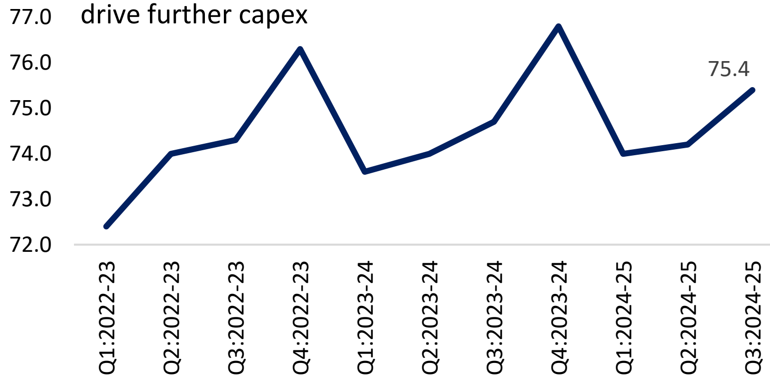
Rebounded in the last quarter on the back of renewed government spending thrust



Source: MoSPI,Bloomberg

Capacity Utilization

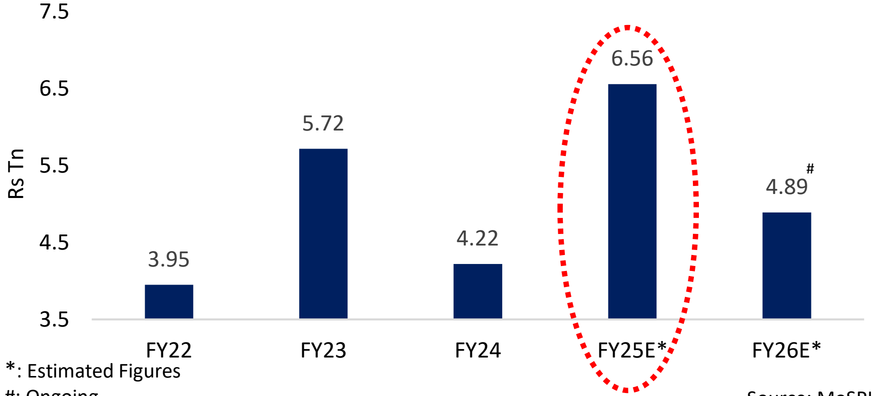
Capacity utilization continues to be high, which may drive further capex



Source: RBI

Private Sector Capital Expenditure

Private sector capex numbers are improving

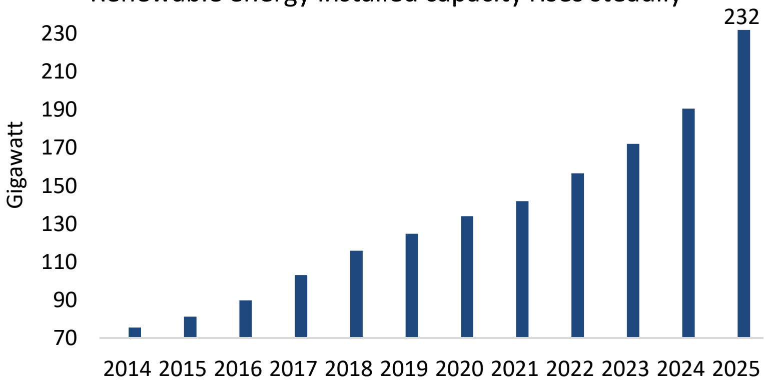


*: Estimated Figures
#: Ongoing

Source: MoSPI

Renewable Energy Installed Capacity

Renewable energy installed capacity rises steadily



Source: Ministry of New & Renewable Energy

Q4 FY25 Results Mixed, improvement visible in many sectors

Sector	Net Sales - YoY Growth (%)			EBITDA - YoY Growth (%)			PAT - YoY Growth (%)		
	Q4 FY25	Q3 FY25	Q4 FY24	Q4 FY25	Q3 FY25	Q4FY24	Q4 FY25	Q3 FY25	Q4FY24
Automobile and Auto Components	6.83	7.60	14.15	6.86	2.35	36.16	-24.94	-2.42	80.43
Capital Goods	9.54	13.01	13.22	4.26	14.12	42.05	11.89	17.14	34.05
Chemicals	9.61	10.68	-11.96	35.39	57.66	-33.61	101.35	107.84	-55.19
Construction	8.21	12.23	17.03	11.19	5.70	14.49	9.91	108.05	30.59
Construction Materials	11.73	4.97	9.60	4.03	-22.72	38.63	3.52	-0.24	39.93
Consumer Durables	23.54	23.99	15.32	15.04	1.67	-0.82	4.42	12.40	6.42
Consumer Services	23.47	17.77	19.42	10.17	6.50	47.32	9.86	9.65	226.49
Diversified	10.96	26.43	3.34	5.64	-115.72	-29.50	129.03	90.09	-73.28
Fast Moving Consumer Goods	12.59	10.50	3.67	5.13	3.73	7.28	29.00	2.58	2.61
Financial Services	7.61	8.91	23.57	44.35	12.65	1.32	7.27	20.87	34.33
Forest Materials	-42.63	-79.55	-29.20	-121.57	-123.67	92.82	-188.39	-129.47	-14.31
Healthcare	12.55	11.76	11.30	20.63	21.17	28.42	28.90	18.32	38.49
Information Technology	6.94	6.00	2.70	6.66	7.09	2.33	2.19	11.52	9.08
Media Entertainment & Publication	-26.78	-1.93	22.25	74.33	30.77	-37.67	199.27	-264.86	961.43
Metals & Mining	4.67	4.24	-2.05	25.17	10.14	-10.25	75.57	1.77	-28.81
Oil Gas & Consumable Fuels	1.12	-0.42	3.29	-0.82	-4.55	-5.32	2.34	-9.92	-1.14
Power	7.15	5.11	9.54	8.06	17.20	14.18	-0.21	19.30	-4.47
Realty	10.69	29.71	1.29	-1.89	25.68	31.17	-0.88	16.73	16.88
Services	16.42	11.03	8.43	25.24	1.87	30.88	34.60	7.33	70.18
Telecommunication	19.25	17.35	6.36	51.44	63.94	6.38	342.42	667.28	-777.24
Textiles	-0.31	0.23	1.59	1.73	2.54	27.40	60.42	-1.97	21.40
Grand Total	6.75	6.47	9.67	14.50	7.87	6.51	10.93	16.66	18.57
Ex-Financials	6.46	5.67	5.61	9.71	6.96	7.39	13.32	14.16	10.15

Data as on May 30, 2025 and pertains to 493 companies within the Nifty 500 universe

Source: Capitaline, HDFC Bank Research

- Quarterly results for NSE 500 relatively better vs. expectations as per Fund Managers.
- Many companies surprised on the upside
- Stable performance was seen by Large Banks, Chemical and Fertilizer, E-commerce, Healthcare, Telecom and Infrastructure companies. Auto and IT sector companies have seen muted to weak performance.

Sectoral Movement

Absolute Monthly Return By Sector (%)

Index	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
BSE 500	**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**
Auto	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
Bankex	-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
Basic Material	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
Capital Goods	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
Consumer Discretionary	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
Consumer Durables	-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
Energy	-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
FMCG	-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
Finance	-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
Healthcare	-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
IT	-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
Infra	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
Metal	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
Oil & Gas	-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
Power	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
Realty	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
Telecom	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
Utilities	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

Capital Goods sector sees strong bounce back as earnings hold up

The above mentioned sectoral indices pertain to the BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

Classification - Public

India Valuations: While valuations remain rich… with strong liquidity support, any improvement in earnings can lead to re-rating of Indian equity markets

Valuations remain rich

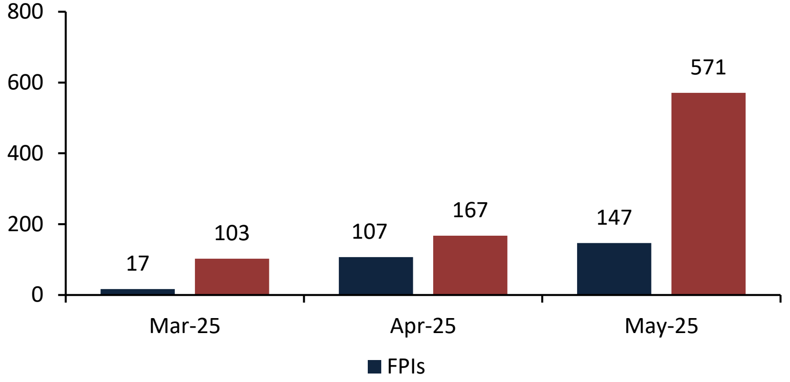
Index	EPS FY26 (Est.)	EPS FY27 (Est.)	P/E FY26 (Est.)	P/E FY27 (Est.)
Nifty 50	1152	1293	21.38	19.06
Nifty Midcap 100	1794	2213	32.22	26.13
Nifty Smallcap 250	609	750	29.85	24.23

Data as on 30th May 2025

Source: Bloomberg

Net Flows In Equities (Rs Bn)

Incrementally, both FPI and DII are turning buyers…

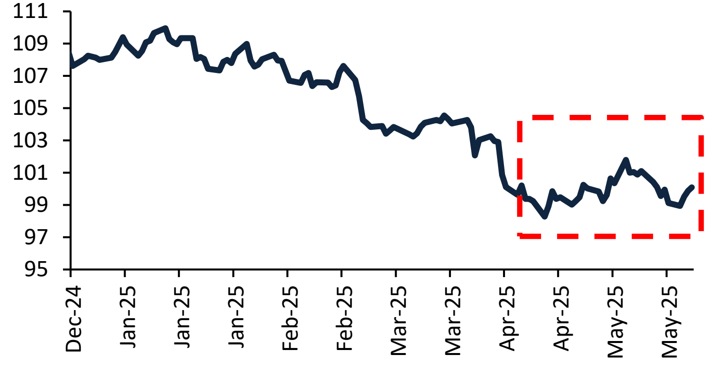


*For 2025, FPI and DII data is up to 30th May.

Source: SEBI, CDSL

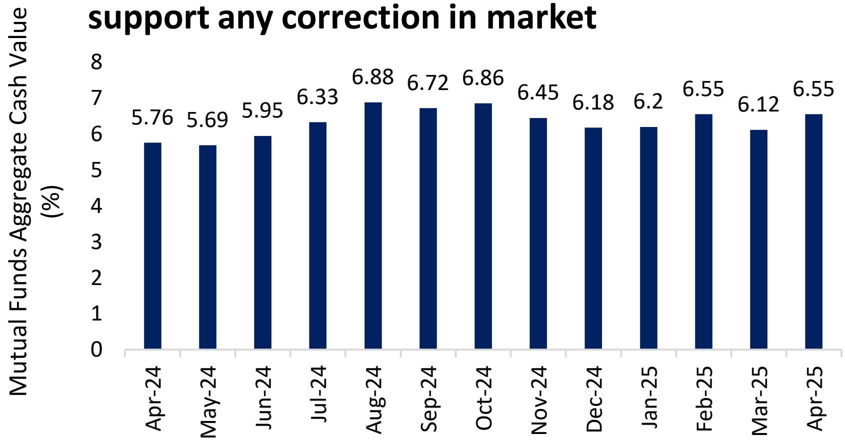
US Dollar Index

… as Dollar Index remains under pressure



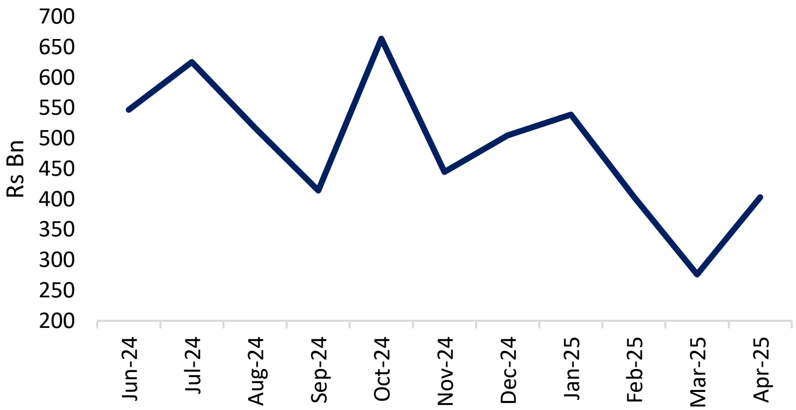
Source: Bloomberg

Cash Levels of Mutual Funds remain high to support any correction in market



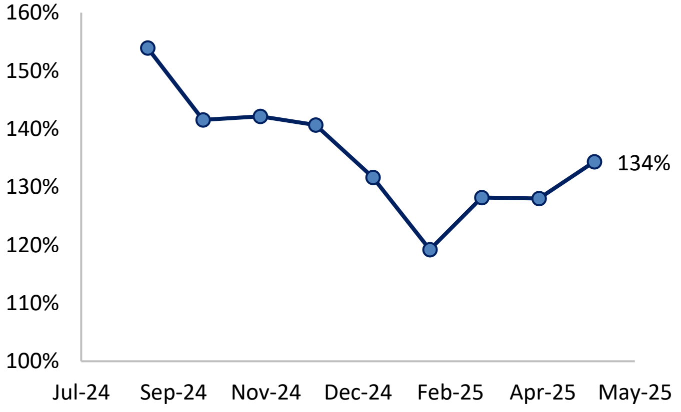
Source: ACE MF

Fresh flows in equity-oriented Mutual Funds sees initial signs of deceleration



Source: ACE MF

India's Market Cap to GDP - Off Highs

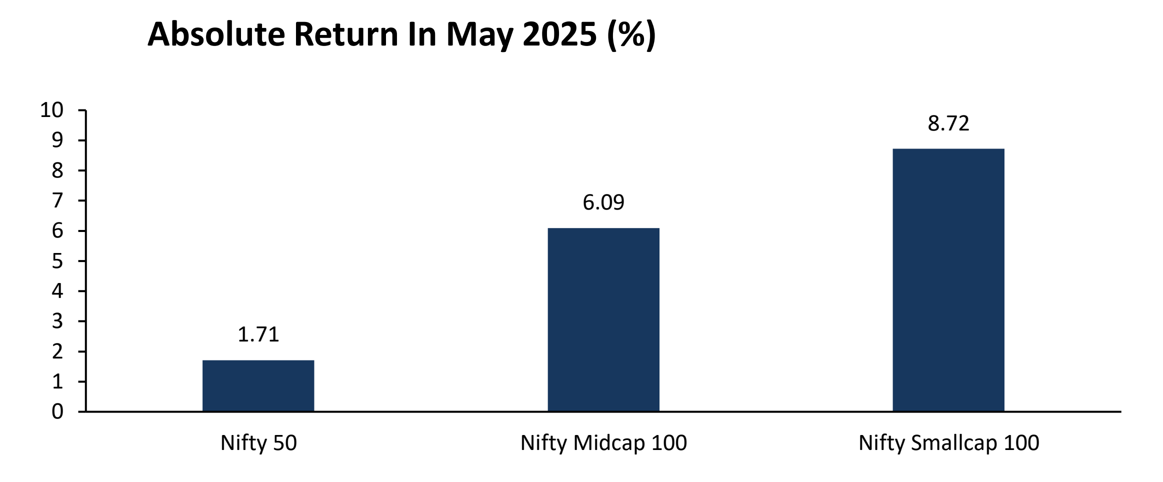


Source: Bloomberg

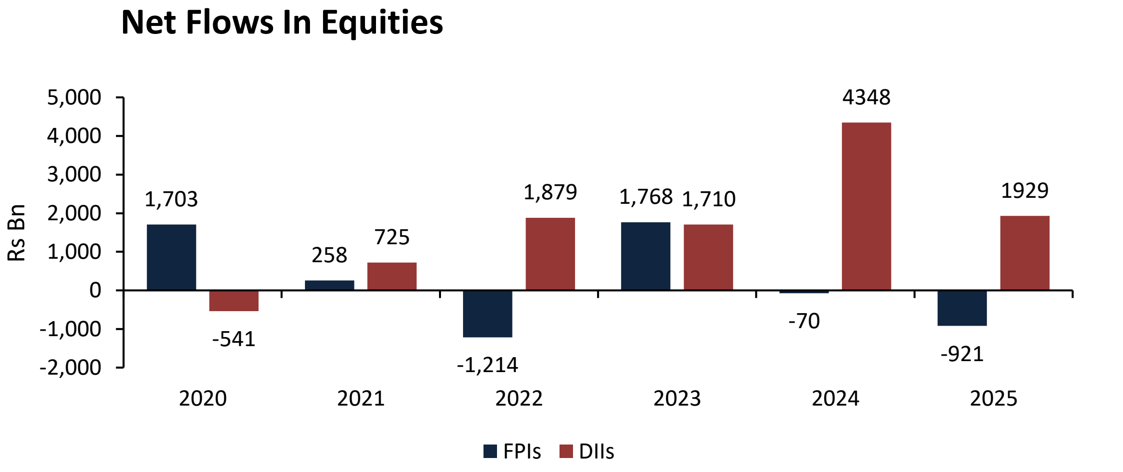
Classification - Public

Market Roundup – May 2025

- Indian equities ended the month on a positive note. Large cap-oriented BSE Sensex ended higher by 1.51% (MoM) and Nifty 50 ended higher by 1.71% (MoM).
- While the BSE Midcap index ended higher by 5.25%(MoM), BSE Small cap index ended higher by 10.58% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a positive note. Capital Goods, Realty, Metal, IT and Auto were the biggest gainers during the month.
- Domestic equity markets ended the month on a positive note supported by optimism over India's growth outlook and the RBI's record Rs. 2.69 trillion dividend to the government. Strong inflows from foreign portfolio investors, US court decision to block most of Trump's proposed tariffs, easing geopolitical tensions and softer inflation data supported the markets further.



Source: Bloomberg



*For 2025, FPI and DII data is up to 30th May.

Source: SEBI, CDSL

Key concerns for Indian equities

- Low growth in consumer demand
- Expectation of weakening in 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.

Classification - Public

Annexure…

Classification - Public

Sectoral outlook by Fund Managers – Part 1

Sector	Particulars
BFSI	**View –Neutral** • 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	**View –Neutral to negative** • 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. • Fund Managers are running underweight positions.
Pharma and Healthcare	**View – Neutral** • 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	**View – Neutral** • Union Budget was supportive for incremental consumption. • Auto sales have been muted due to low income growth. • Near term weakness could be ignored by the Fund Managers, given the strong outlook for FY26. • Strong liquidity support by RBI and falling interest rates likely to be positive for consumption demand for Autos. • Auto ancillaries may do well due to improving content per vehicle, export opportunities and EV initiatives. Valuations in select names remain reasonable.

Classification - Public

Sectoral outlook by fund managers – Part 2

Sector	Particulars
Construction & Real Estate	**View – Neutral to Positive** • 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 Cement and Home improvement plays.
Consumption	**View – Consumer Services - Neutral, Consumer Durables and FMCG- Neutral to positive** • 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. **Long-term positives** • Higher disposable income due to tax cuts. • Premiumization across categories. • Implementation of 8^{th} Pay commission.
Capital Goods, Industrials, Utilities	**View – Neutral** • 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	**View – Positive** • With Chinese Central Bank announcing big monetary stimulus and the EU nations announcing fiscal support to drive capex in key sectors; metal prices are expected to rise. With Tariff related weakness in trade and economies, metals prices could see volatility. Indian companies could get protective tariffs. Positioning could remain tactical.

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	6.59%	31.36%	5.34%	7.43%	6.87%	6.39%	3.91%	8.54%	0.16%	11.35%	0.16%	6.43%	3.43%	0.30%	1.74%
360 ONE	8.88%	30.42%	12.14%	2.79%	2.06%	7.72%	2.89%	5.91%	0.23%	1.98%	0.00%	6.79%	9.61%	0.31%	2.96%
Aditya Birla SL MF	7.92%	30.14%	5.53%	6.58%	6.31%	7.36%	3.90%	8.76%	0.09%	7.93%	0.28%	6.97%	3.32%	0.60%	1.82%
Axis MF	6.83%	25.32%	7.33%	7.58%	3.87%	10.40%	3.71%	5.96%	0.07%	4.45%	1.32%	9.90%	3.77%	0.39%	1.88%
Bajaj Finserv MF	3.72%	31.71%	5.77%	5.32%	10.16%	9.60%	1.76%	5.32%	0.11%	4.68%	0.37%	12.48%	2.80%	1.41%	0.87%
Bandhan MF	5.95%	28.99%	4.92%	6.48%	5.24%	7.74%	5.90%	5.87%	0.19%	7.15%	0.85%	8.03%	2.17%	0.97%	2.33%
Bank of India MF	5.11%	23.58%	12.14%	12.04%	5.99%	7.14%	3.48%	4.39%	0.90%	7.89%	0.63%	8.99%	2.73%	1.09%	1.42%
Baroda BNP Paribas	6.89%	23.55%	9.11%	5.08%	7.15%	7.51%	2.37%	6.07%	0.07%	11.40%	0.50%	9.61%	2.73%	1.04%	0.36%
Canara Robeco MF	8.85%	25.67%	9.30%	5.20%	6.29%	12.75%	3.20%	6.09%	0.10%	6.02%	1.02%	7.88%	2.46%	0.41%	1.33%
DSP MF	8.32%	24.97%	6.87%	8.55%	4.41%	6.22%	3.61%	5.64%	0.00%	6.62%	0.15%	12.27%	2.74%	1.19%	0.87%
Edelweiss MF	6.16%	25.51%	9.95%	7.79%	5.44%	11.09%	4.22%	8.07%	0.00%	4.27%	0.17%	9.91%	2.48%	1.36%	0.74%
Franklin Templeton MF	5.95%	25.54%	5.85%	6.18%	4.84%	9.35%	4.85%	8.22%	0.02%	7.54%	0.23%	8.13%	4.05%	0.79%	2.20%
Groww MF	8.42%	46.60%	6.60%	4.27%	1.07%	5.09%	2.78%	6.06%	0.00%	4.21%	0.00%	6.29%	3.19%	0.26%	0.54%
HDFC MF	10.37%	30.18%	5.70%	5.94%	3.14%	5.85%	2.95%	6.44%	0.40%	4.88%	0.08%	10.02%	2.96%	0.44%	3.32%
Helios MF	2.19%	47.21%	6.53%	0.17%	2.23%	8.55%	2.44%	2.35%	0.83%	7.76%	0.00%	6.67%	3.07%	0.92%	3.94%
HSBC MF	4.73%	24.01%	14.98%	5.38%	5.75%	12.06%	6.75%	6.09%	0.02%	4.39%	1.16%	7.28%	2.18%	2.07%	0.85%
ICICI Pru MF	9.28%	25.31%	4.07%	8.10%	4.18%	4.56%	4.99%	6.80%	0.39%	10.50%	0.54%	7.78%	3.34%	0.46%	1.70%
Invesco MF	5.30%	29.09%	11.08%	3.55%	2.64%	14.21%	4.41%	7.11%	0.00%	3.31%	0.87%	12.57%	2.08%	0.01%	2.18%
ITI MF	4.56%	26.17%	13.48%	9.13%	5.48%	6.18%	4.44%	5.43%	0.37%	5.98%	1.15%	11.17%	1.85%	1.18%	1.09%
JM MF	4.92%	28.48%	8.42%	7.66%	6.51%	10.29%	3.68%	6.71%	0.09%	6.01%	0.00%	9.35%	3.17%	1.99%	1.08%
Kotak MF	8.61%	19.66%	9.36%	12.19%	3.46%	8.33%	4.31%	8.92%	0.45%	7.94%	0.06%	8.39%	3.13%	0.26%	1.75%
LIC MF	7.95%	22.57%	20.48%	5.35%	6.54%	5.84%	3.34%	5.29%	0.75%	5.44%	1.42%	6.11%	1.52%	1.62%	2.09%
Mahindra Manulife MF	6.22%	25.15%	7.94%	8.26%	7.08%	8.41%	1.61%	5.95%	0.21%	8.80%	0.53%	7.94%	4.36%	1.81%	2.02%
Mirae MF	6.30%	30.94%	4.18%	7.61%	4.74%	9.48%	4.17%	8.34%	0.00%	7.07%	0.00%	10.02%	3.56%	0.05%	2.45%
Motilal Oswal MF	3.00%	8.52%	20.22%	1.97%	1.25%	16.31%	3.19%	15.11%	0.00%	0.45%	0.16%	4.31%	3.62%	0.15%	0.38%
Navi MF	8.44%	22.93%	13.41%	3.37%	6.50%	8.27%	0.37%	7.91%	1.57%	3.53%	1.05%	9.01%	2.89%	0.00%	3.44%
Nippon India MF	6.26%	27.57%	10.36%	5.12%	5.03%	12.13%	3.01%	4.31%	0.34%	8.41%	0.76%	9.35%	1.42%	0.87%	1.84%
NJ MF	14.17%	11.22%	0.73%	4.13%	15.68%	5.24%	0.00%	14.57%	0.00%	9.61%	0.00%	19.35%	0.00%	0.87%	0.00%
Old Bridge MF	7.82%	10.85%	0.00%	13.24%	9.11%	5.67%	5.41%	8.53%	0.00%	0.00%	2.14%	13.12%	6.01%	0.00%	14.69%
PGIM India MF	6.97%	21.68%	7.34%	9.15%	4.65%	14.49%	1.95%	7.03%	0.00%	3.59%	0.03%	12.30%	2.45%	1.02%	3.80%
PPFAS MF	8.20%	30.37%	0.03%	0.00%	4.84%	2.06%	0.00%	9.81%	0.00%	11.86%	0.00%	4.39%	0.00%	0.00%	2.47%
Quant MF	3.95%	15.65%	2.61%	8.06%	6.27%	5.74%	7.37%	0.35%	1.38%	23.21%	0.04%	10.89%	2.46%	1.26%	3.31%
Quantum MF	9.35%	39.27%	1.28%	4.43%	0.93%	4.60%	0.00%	14.50%	0.11%	4.31%	0.30%	4.92%	3.44%	0.00%	0.45%
Samco MF	2.78%	27.71%	5.79%	13.10%	6.44%	8.15%	0.96%	3.87%	0.00%	0.17%	0.00%	12.11%	1.82%	2.33%	2.11%
SBI MF	8.05%	26.03%	4.83%	6.85%	5.98%	6.41%	2.85%	5.86%	0.24%	9.48%	2.81%	6.97%	2.86%	1.99%	1.78%
Shriram MF	3.20%	34.77%	3.72%	12.67%	10.65%	5.22%	0.52%	1.06%	0.00%	0.48%	0.00%	18.02%	5.02%	0.48%	1.46%
Sundaram MF	6.36%	26.88%	7.16%	5.44%	5.42%	10.65%	3.46%	5.98%	0.16%	6.50%	0.14%	8.15%	4.32%	0.06%	1.90%
Tata MF	4.26%	23.40%	6.33%	7.52%	4.68%	7.57%	3.36%	15.22%	0.18%	6.76%	0.78%	7.69%	2.64%	0.63%	3.31%
Taurus MF	5.54%	23.39%	8.66%	3.01%	7.09%	5.01%	3.54%	6.16%	0.22%	13.03%	0.15%	8.35%	1.91%	1.15%	1.61%
Trust MF	3.42%	27.54%	18.48%	6.61%	3.51%	10.48%	3.08%	4.40%	0.00%	2.94%	0.00%	6.63%	2.15%	1.14%	2.24%
Union MF	6.27%	25.10%	8.72%	8.16%	4.11%	11.11%	3.36%	6.54%	0.07%	5.34%	0.00%	9.50%	2.79%	0.90%	4.09%
UTI MF	9.61%	25.74%	5.42%	5.53%	4.26%	13.77%	2.17%	9.48%	0.26%	4.89%	0.45%	9.50%	3.10%	0.64%	1.86%
WhiteOak Capital MF	4.86%	32.58%	6.88%	3.61%	4.14%	10.05%	1.75%	8.62%	0.02%	3.88%	2.09%	11.02%	4.22%	0.38%	1.59%

Data as on 30th April 2025

Classification - Public

Fixed Income Market

Classification - Public

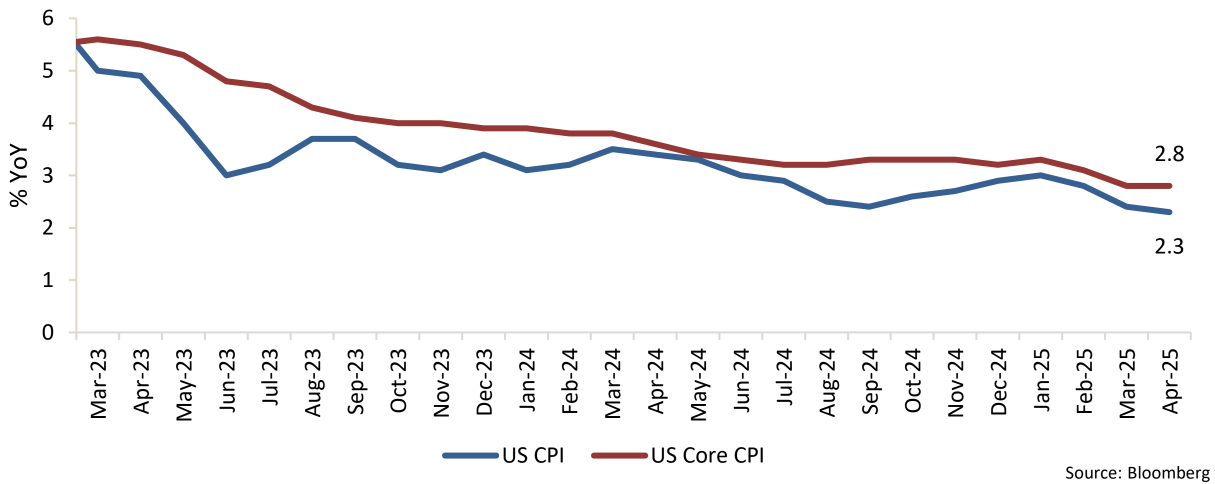
Fixed Income Outlook

- RBI has declared higher-than-budgeted dividend. System liquidity which was already in substantially surplus zone is expected to get further boost when the Government starts spending the same.
- Growth-Inflation dynamics, along with issues on the external front in terms of rising trade deficit, geopolitical uncertainties, and risk emanating from ongoing trade war, remain a key monitorable for the RBI and may affect the timing and depth of the ongoing policy rate cut cycle.
- The Consumer Price Index (CPI) inflation print continued its faster-than-expected deceleration, slowing to 3.16% YoY in April 2025 from 3.34% YoY in March 2025. Going forward, the early onset of monsoon and the above average rainfall as per IMD's forecast may lend support to food prices, keeping headline inflation benign. This, in turn, will give space to the RBI to remain growth supportive.
- Market participants are expecting a downward revision of inflation print by the central bank for FY26 and at least 2 further rate cuts from here on.
- Low Interest rate differential and weakening dollar index (DXY) is expected to keep USDINR 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. Despite the pause on implementation and ongoing negotiations, there still remains substantial uncertainty around tariffs, but a softening of tone has become more visible and further progress will be keenly monitored.
- The ECB is expected to cut rates for the 8th time on June 5, 2025 as worries surrounding trade tensions still persist.
- Globally, growth may see headwinds due to trade related issues, causing central banks to turn dovish while remaining data dependant.
- Tapered down growth expectations and developments around trade and geopolitics are expected to keep commodity prices volatile, but the same may remain at the lower range of the band.
- With pro-growth policy actions by the RBI, along with favourable demand-supply dynamics of Indian G-secs and favourable CPI inflation, we may continue to see structurally lower interest rates over the medium-term.
- G-sec yield movement has broadly factored in another 50 bps of rate cuts, hence further downside movement may remain limited unless the Central Bank provides additional policy easing. This will also determine the incremental opportunities in long duration products.
- The spread at the shorter end of the Corporate Bond yield curve has increased over G-secs. Based on easing liquidity, this part of the curve may steepen from hereon, making a case 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.
- 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.

Classification - Public

US - Continuous changes in tariff narrative from Trump administration is keeping uncertainties alive despite de-escalation in certain pockets

Inflation held steady in April, but upside risk remains high



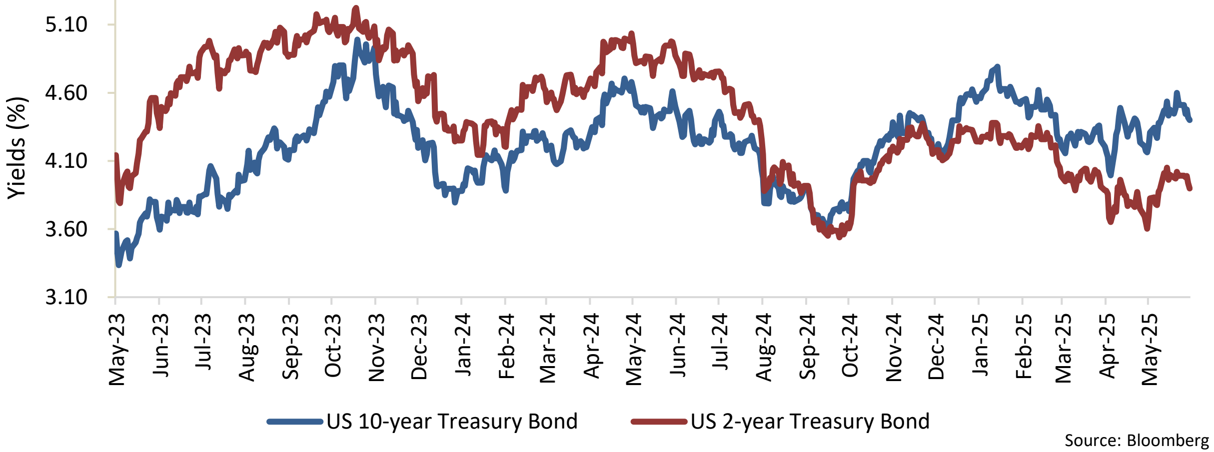
Source: Bloomberg

Trade Deals in focus…

- **April 2** - Trump announced a sweeping set of reciprocal tariffs, imposing a baseline 10% tax on all imports.
- **April 9** - Trump paused most of his country-specific tariffs for 90 days.
- **April 13** - The US administration granted exclusions from steep tariffs to smartphones, computers and some other electronics imported largely from China into the United States.
- **April 29** - US automakers to get a break from Trump's tariffs.
- **May 08 -** US and UK reach a trade agreement. The UK will reduce non-tariff barriers on US products.
- **May 12 -** US and China announced a temporary truce, reducing reciprocal tariffs for 90 days.
- **May 23** - The US President recommended 50% tariff on all goods imported from the European Union, starting June 1, 2025.
- **May 25 -** Trump Restores his 9th July deadline for negotiations with the EU.
- **May 30 -** President Donald Trump has said it is "extremely hard" to reach a deal with his Chinese counterpart Xi Jinping, denting hopes for a call between the two leaders as trade talks stall**.**
- **June 4 -** Doubling of tariffs on steel and aluminium from 25% to 50% comes into force.

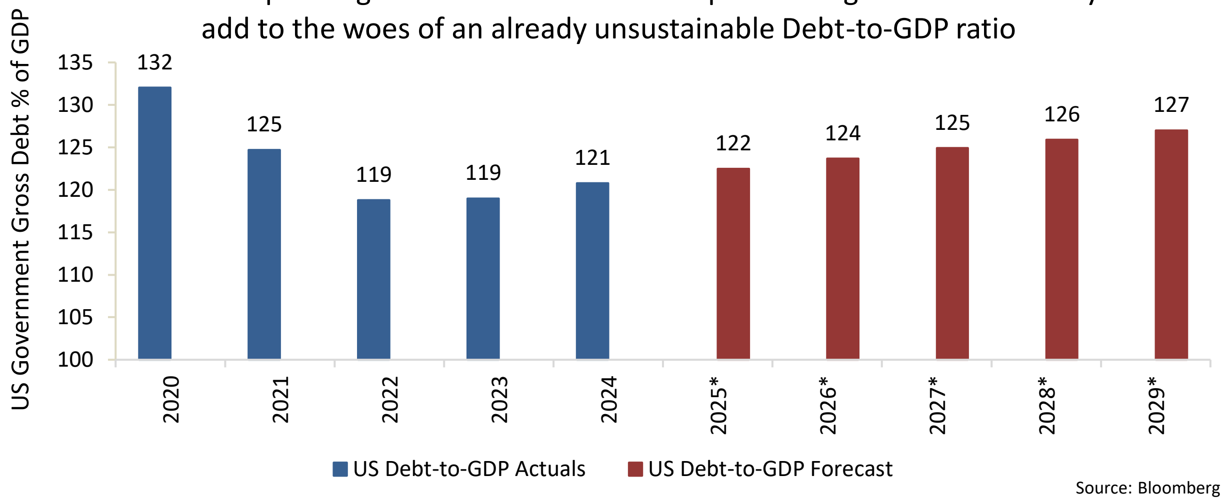
Source: Media Reports

Sell off in treasuries amidst Fiscal Deficit and Trade related jitters pushed yields higher



Source: Bloomberg

Taxes and Spending cuts basis President Trump's 'One Big Beautiful' Bill may add to the woes of an already unsustainable Debt-to-GDP ratio

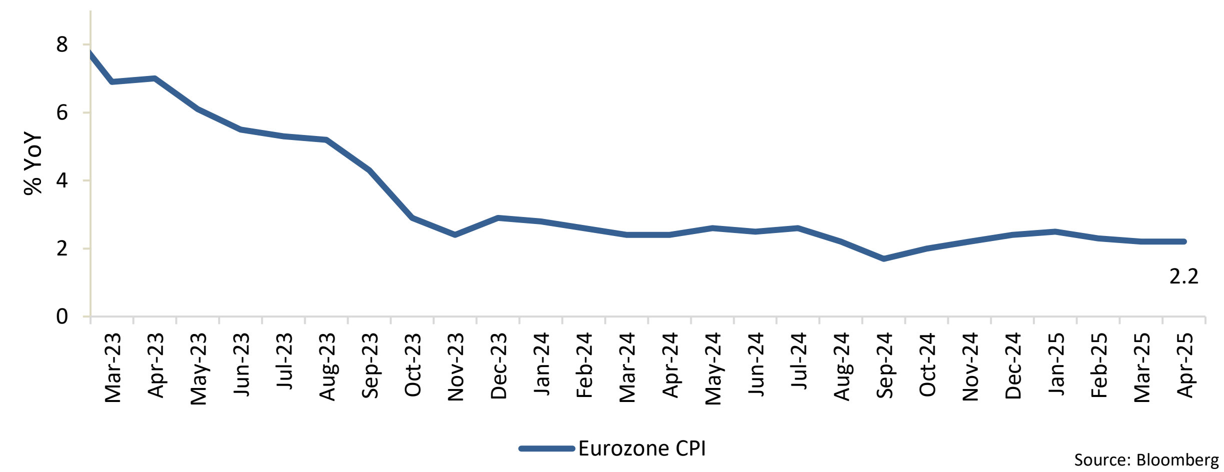


Source: Bloomberg

Classification - Public

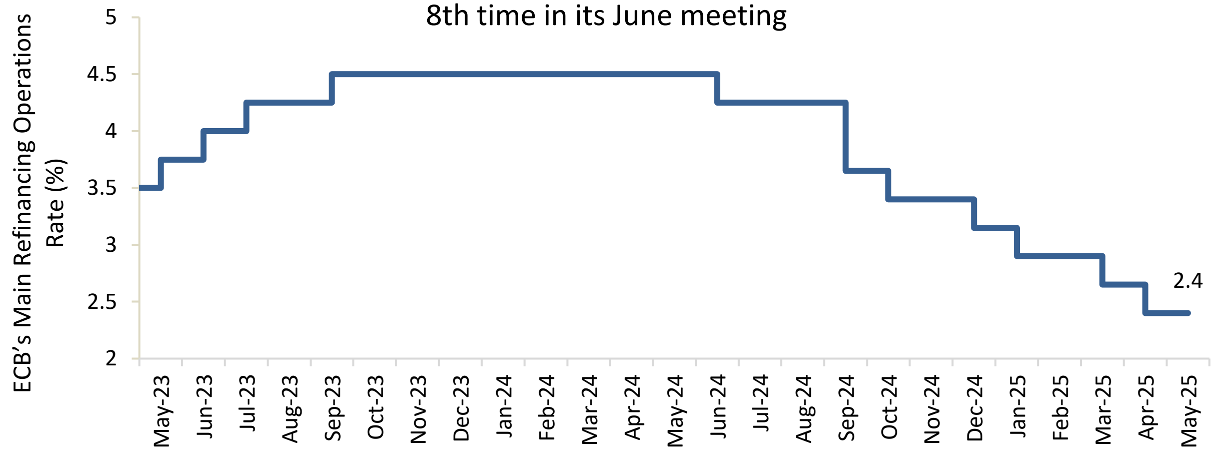
EU gets an extension on Tariff negotiations from US president Donald Trump

Eurozone headline inflation continues to remain well anchored



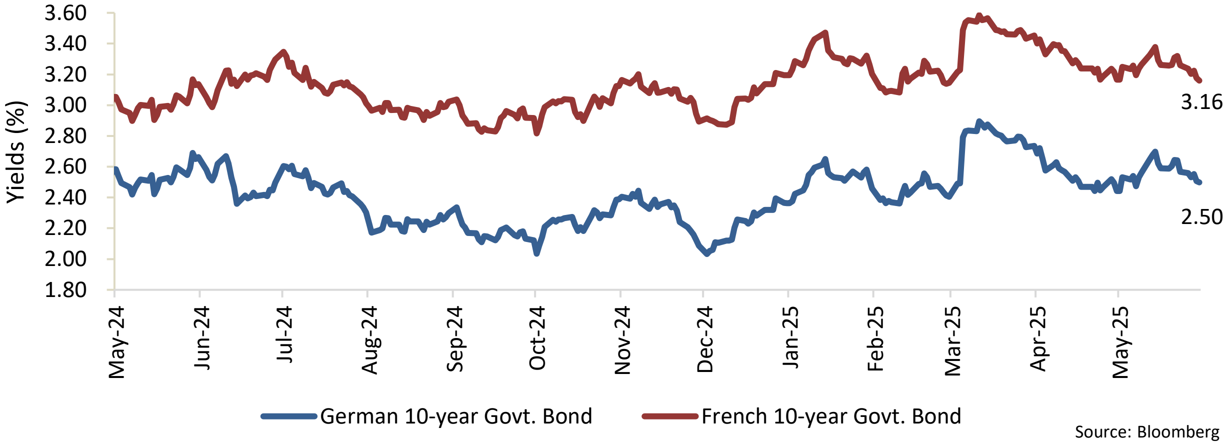
Source: Bloomberg

ECB is expected to continue on its path of policy easing, cutting rates for the 8th time in its June meeting



Source: Bloomberg

Bolstered by safe haven credentials, major European government bond yields declined towards the second half of May



Source: Bloomberg

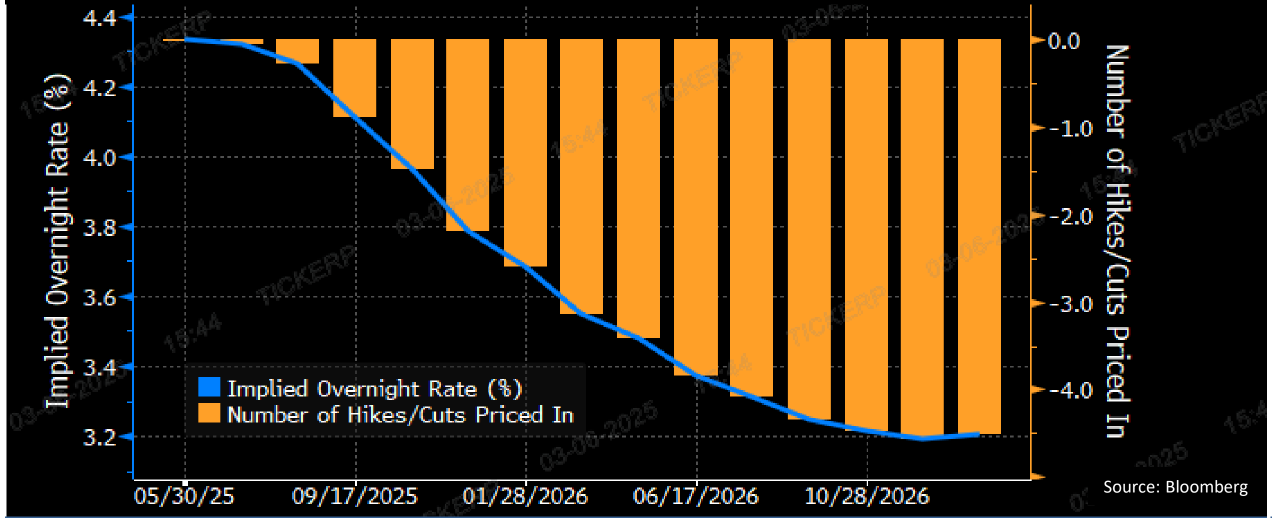
EU's substantial trade surplus with the US has driven them to seek a prompt resolution to any trade conflict

Source: Bloomberg

Classification - Public

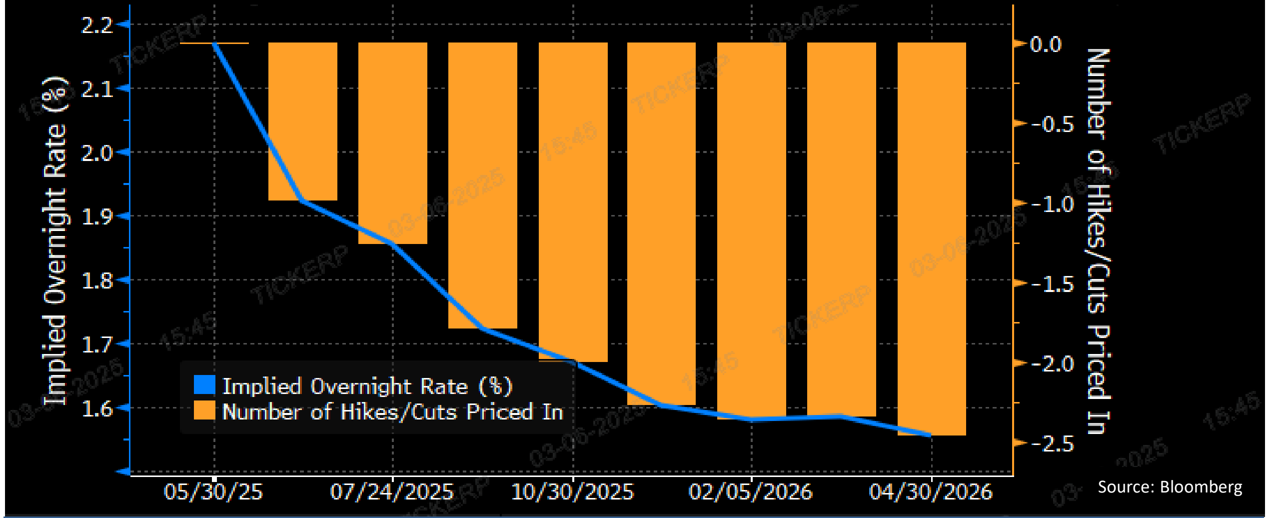
Both the Fed and ECB repeatedly highlighted the uncertainties in outlook and are expected to remain data

Fed continued highlighting higher risk to inflation and unemployment despite resilient data



Source: Bloomberg

ECB to remain data dependant “in the extreme” despite high expectations of further rate cut



Source: Bloomberg

“In discussing risk-management considerations that could bear on the outlook for monetary policy, participants agreed that the risks of higher inflation and higher unemployment had risen. Almost all participants commented on the risk that inflation could prove to be more persistent than expected. Participants emphasized the importance of ensuring that longer-term inflation expectations remained well anchored, with some noting that expectations might be particularly sensitive because inflation had been above the Committee’s target for an extended period.”

- Minutes of the Federal Open Market Committee
May 6–7, 2025

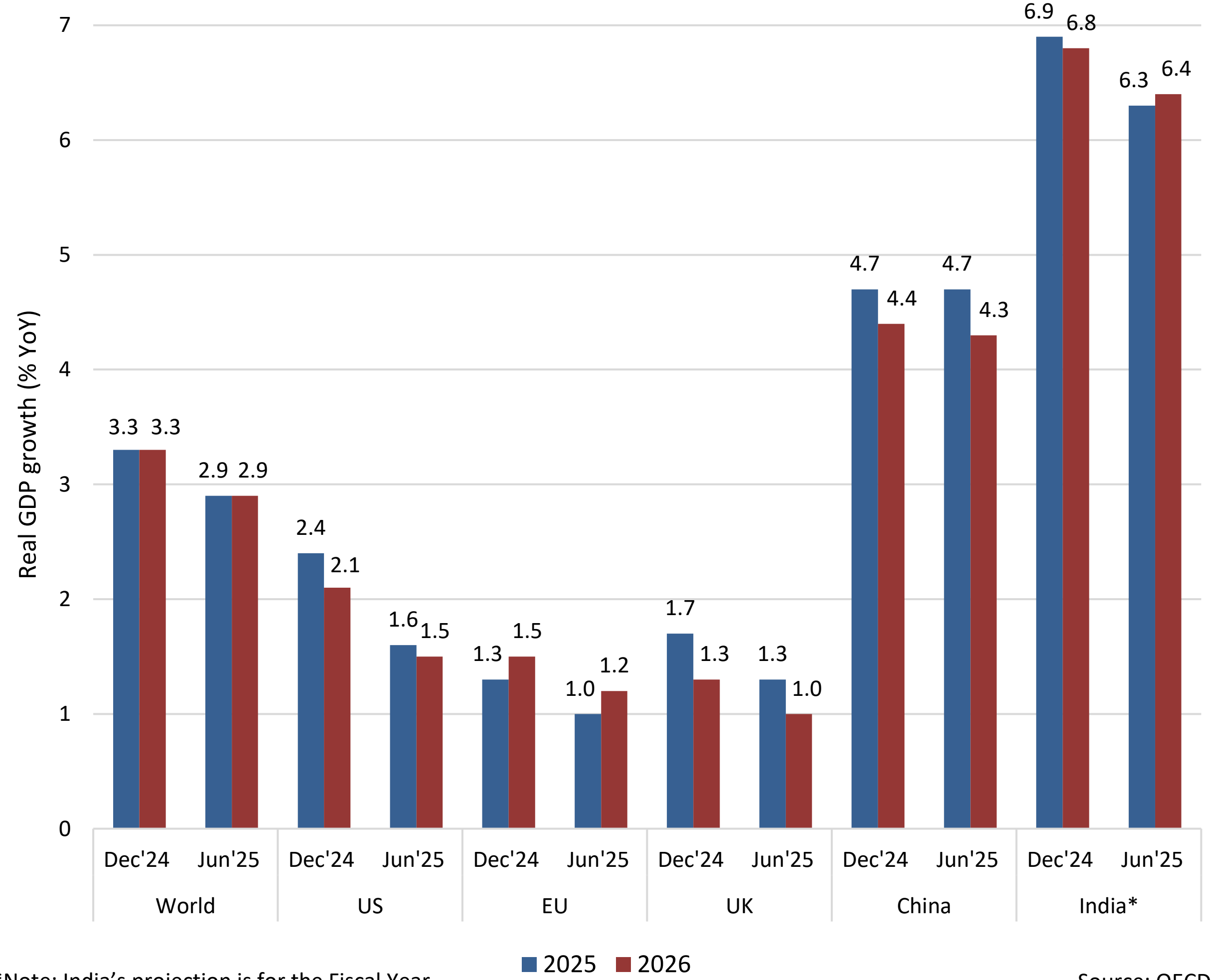
“Europe is ready to advance talks swiftly and decisively ..
…To reach a good deal, we would need the time until July 9 –after the phone conversation with Donald Trump on 25th June”

- **Ursula Von der Leyen**
President, European commission
25th June 2025, post the call with Donald Trump

Classification - Public

Global growth is expected to taper off… most global central banks are turning dovish

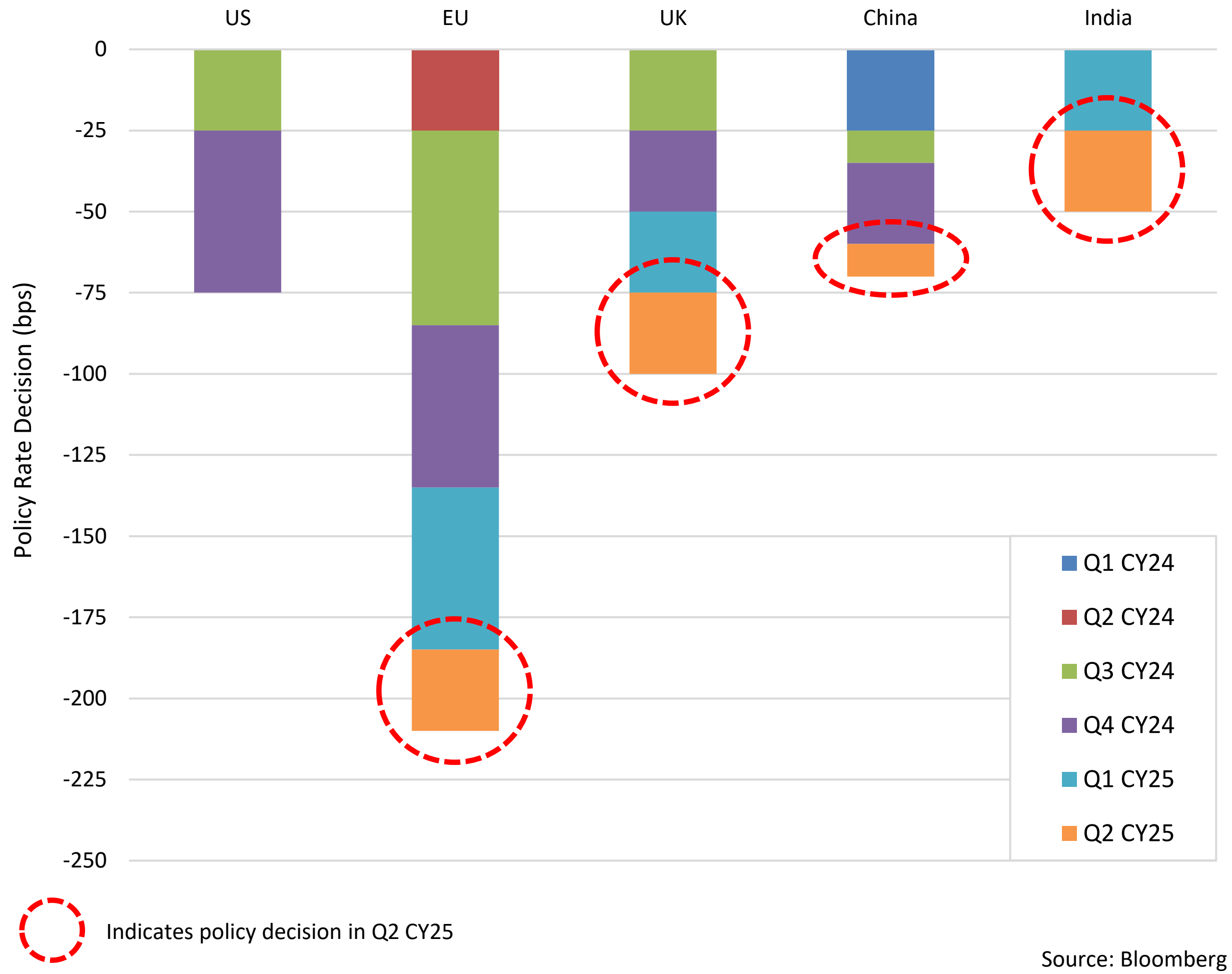
The OECD has downwardly revised its growth projections across the world in its June 2025 outlook



*Note: India's projection is for the Fiscal Year

Source: OECD

Persistently low inflation data is likely forcing global central banks to double down on monetary support



Source: Bloomberg

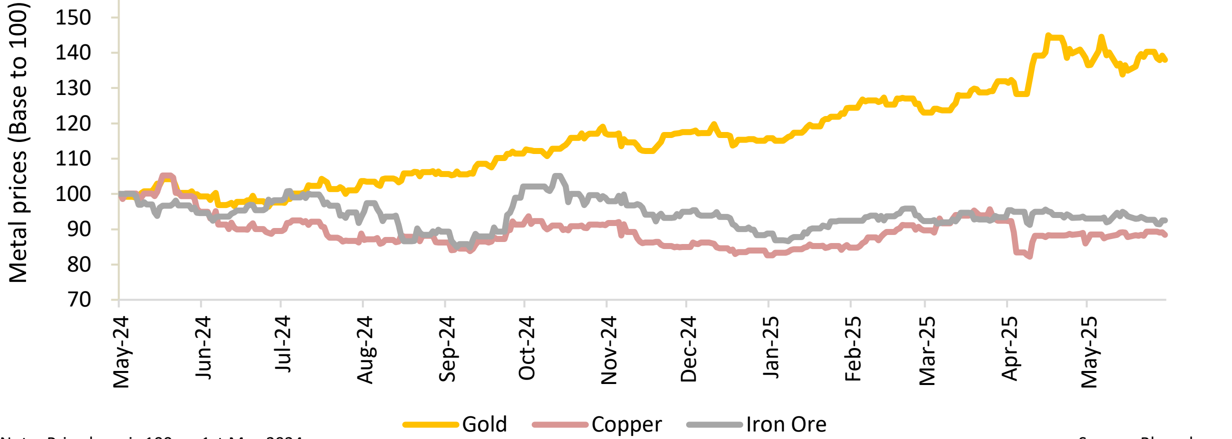
Classification - Public

Global Commodities – Developments around Tariff & De-escalation of geopolitical tensions kept prices within a range

Chinese growth remains a concern, keeping industrial metals prices range bound in May 2025

Source: Bloomberg

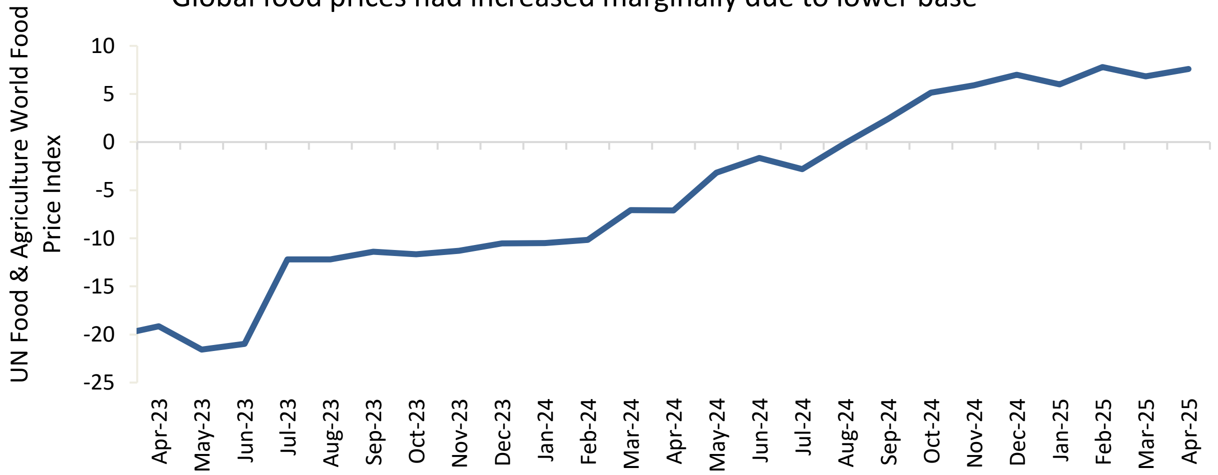
Optimism surrounding trade negotiation between US & China kept Gold prices subdued



Note: Price base is 100 on 1st May 2024

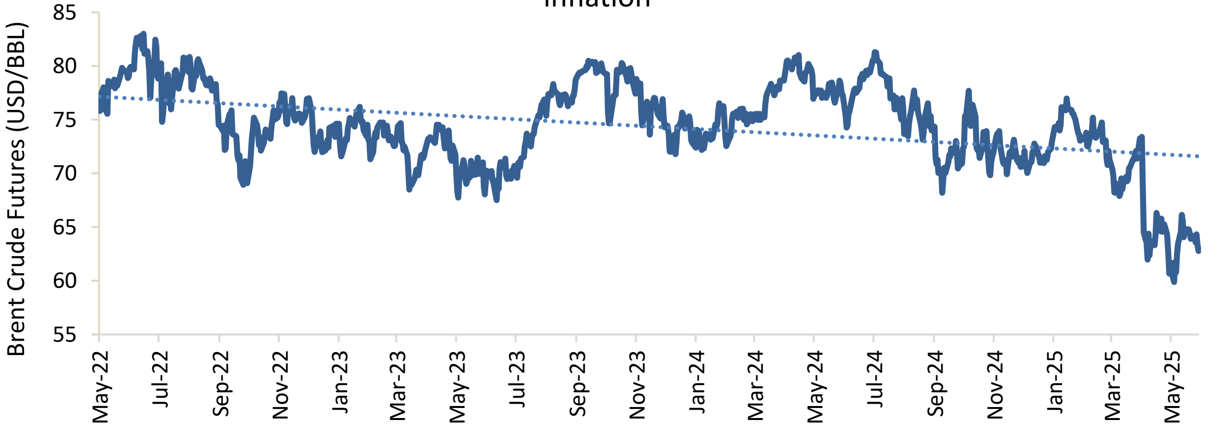
Source: Bloomberg

Global food prices had increased marginally due to lower base



Source: Bloomberg

Crude price range has kept declining, which is likely to be a positive for inflation

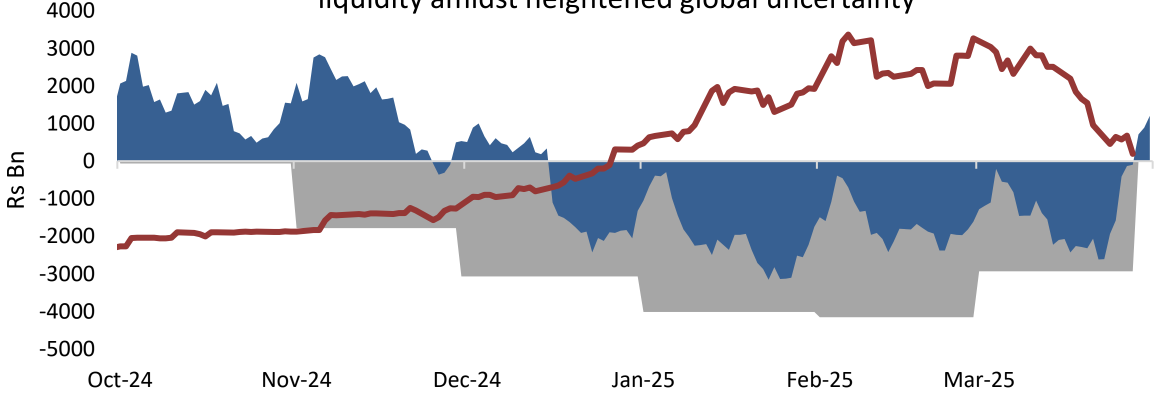


Source: Bloomberg

Classification - Public

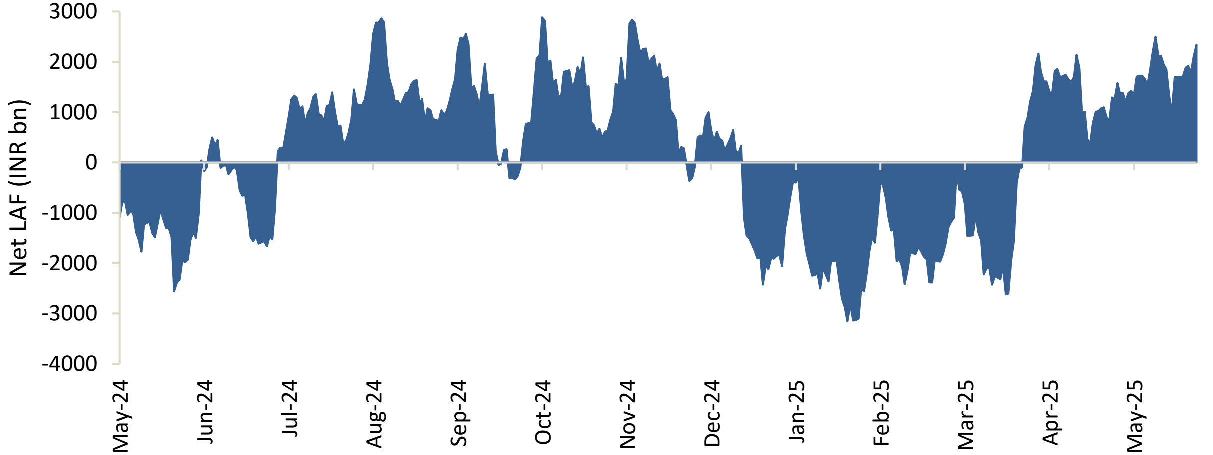
RBI measures, along with higher than budgeted dividend, expected to keep durable liquidity high

RBI kept balance between curbing Rupee volatility and maintaining system liquidity amidst heightened global uncertainty



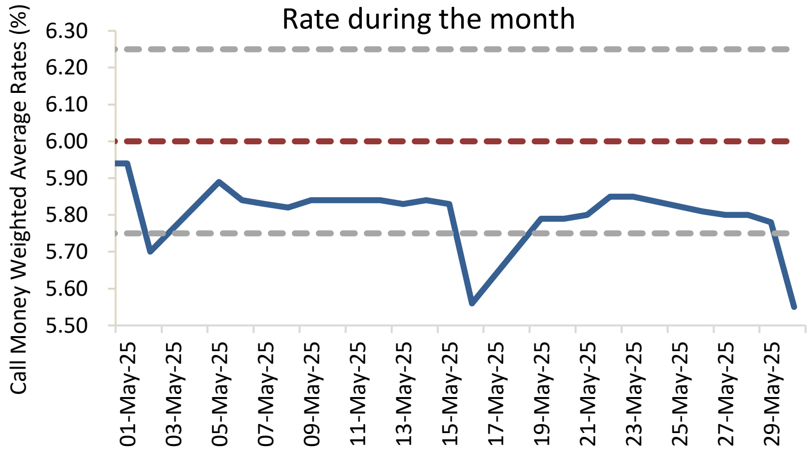
Source : RBI, Bloomberg

Banking system liquidity remains comfortably in surplus



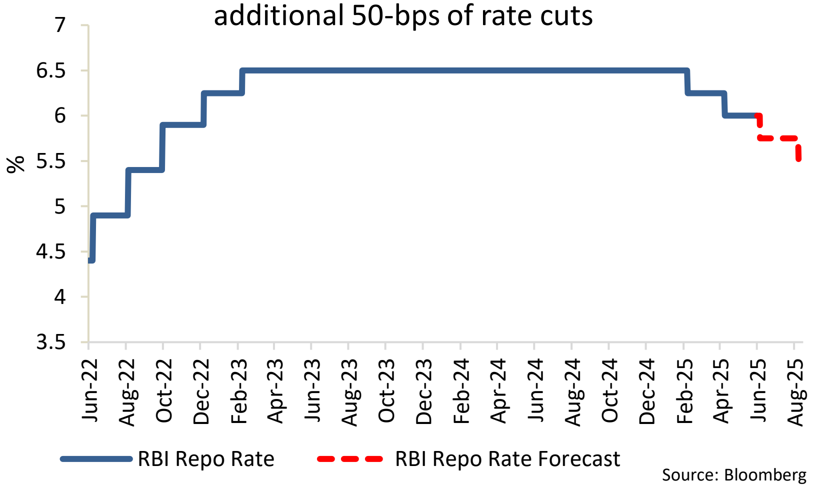
Source: Bloomberg

The Overnight rate moved well below the Repo Rate during the month



Source: Bloomberg

Majority of the Fund Managers are expecting additional 50-bps of rate cuts



Source: Bloomberg

Higher than budgeted Dividend transfer is expected to provide further impetus to RBI's liquidity support

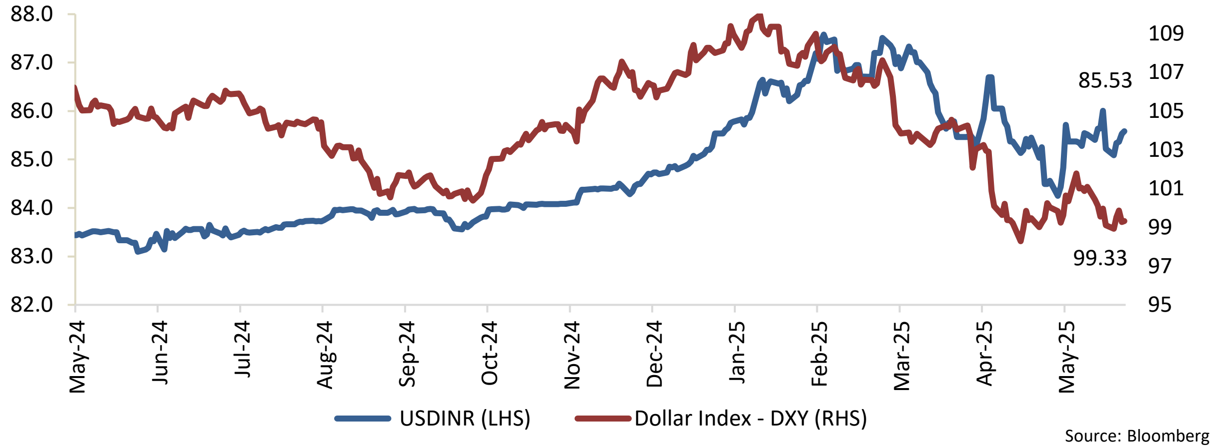
Particulars	Date	Amount Notified/ Budgeted (Rs Cr)	Final Amount Allotted/ Accepted (Rs Cr)
Open Market Operations	06-May-25	50,000	50,000
	09-May-25	25,000	25,000
	15-May-25	25,000	25,000
	19-May-25	25,000	25,000
14-Day VRR	02-May-25	25,000	149
RBI Dividend	23-May-25	2,56,000	2,68,590

Source: RBI

Classification - Public

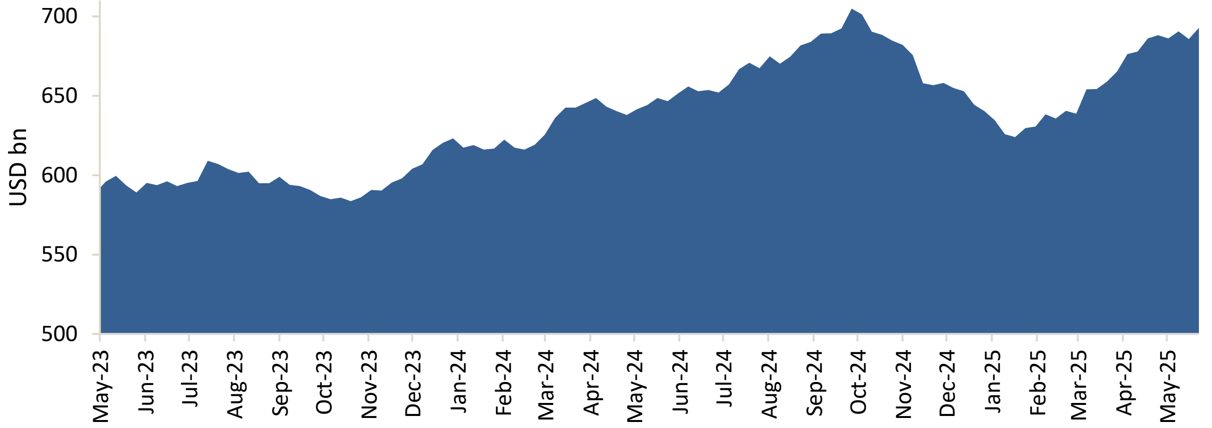
External position continues to remain strong… DXY remained under pressure... Forex reserves continue to show improvement

Fiscal worries in the US coupled with Trade policy uncertainties kept DXY under pressure, providing support to USDINR post easing of border tensions in India



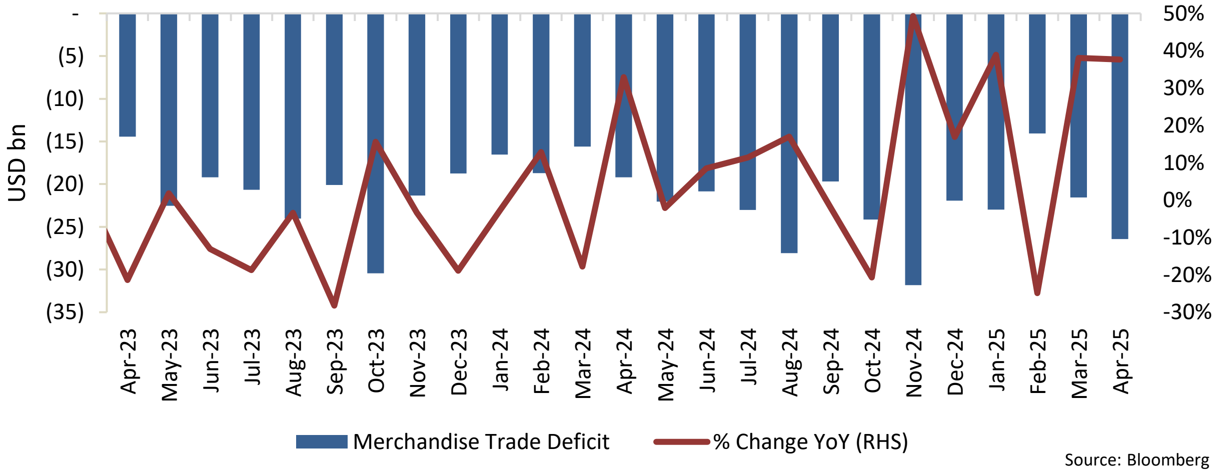
Source: Bloomberg

Forex reserves continued its upward momentum for the 4th Consecutive month



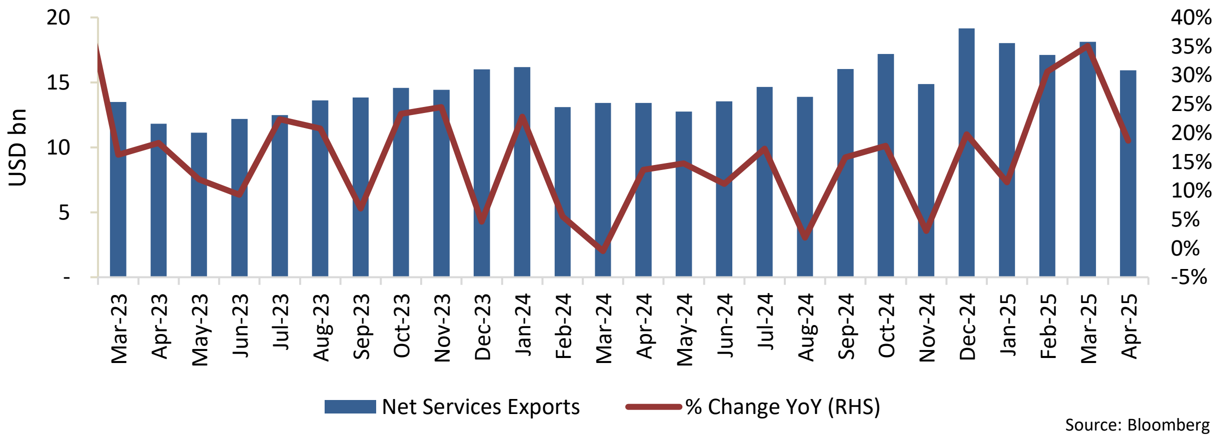
Source: Bloomberg

Higher than expected merchandise trade deficit is a cause for concern…



Source: Bloomberg

…however, healthy Services Exports growth (YoY) continues to provide cushion to the same

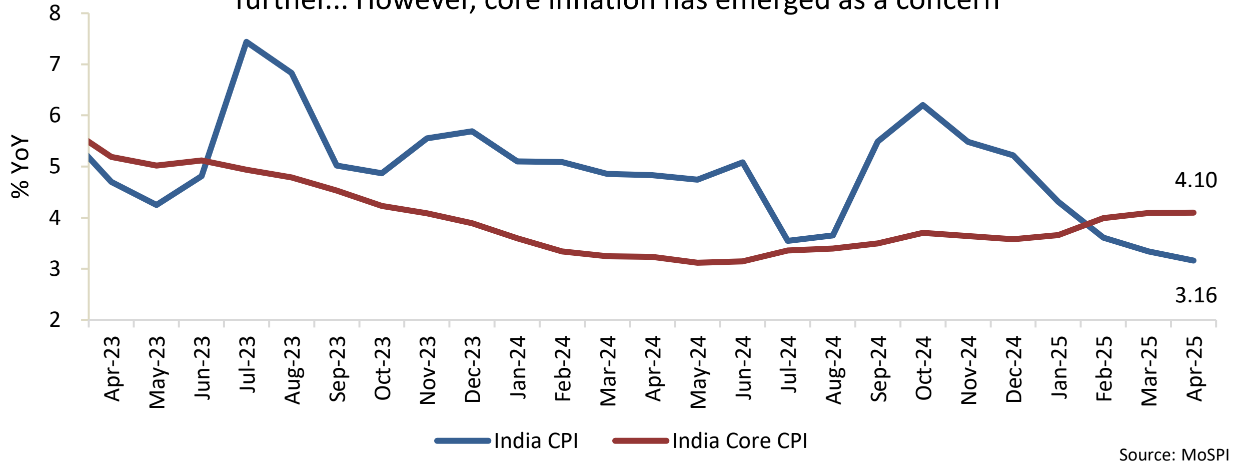


Source: Bloomberg

Classification - Public

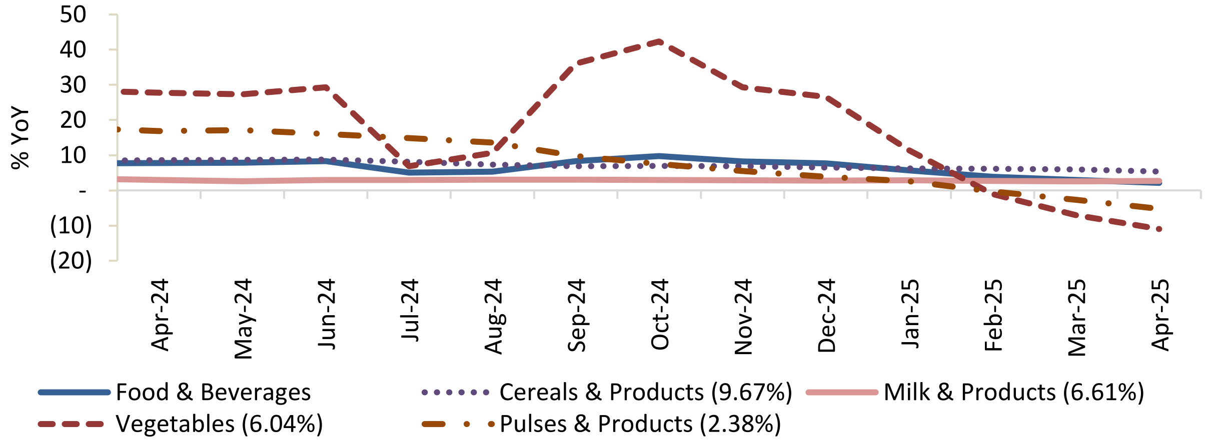
As suggested by RBI, decisive deceleration in inflation would allow RBI to continue to be growth supportive

Continuous deceleration of inflation has given RBI headroom to ease rates further... However, core inflation has emerged as a concern



Source: MoSPI

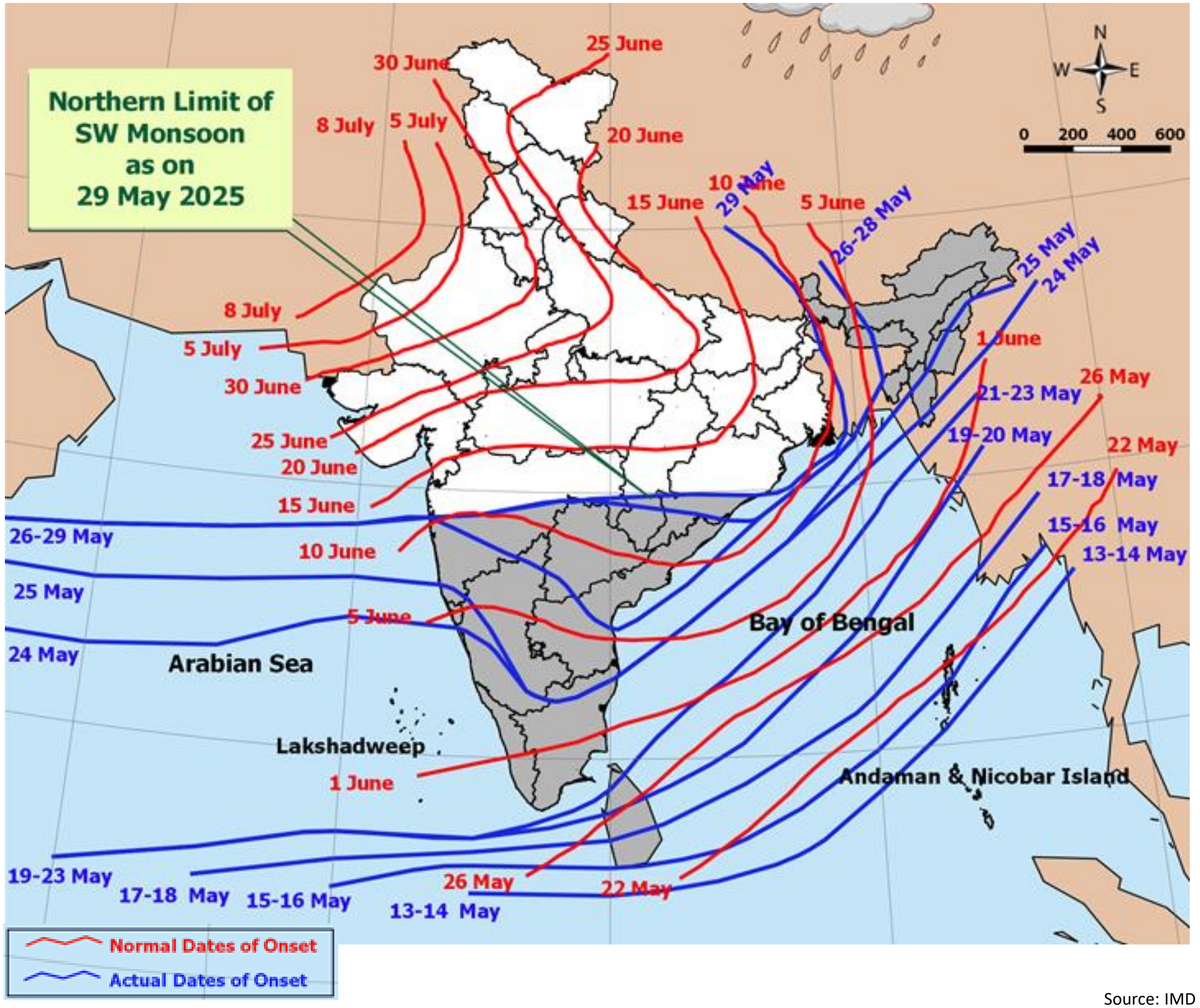
Food inflation continued its decelerating trend



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

Source: MoSPI

Early onset of monsoon and likely above average rainfall to keep the food prices benign

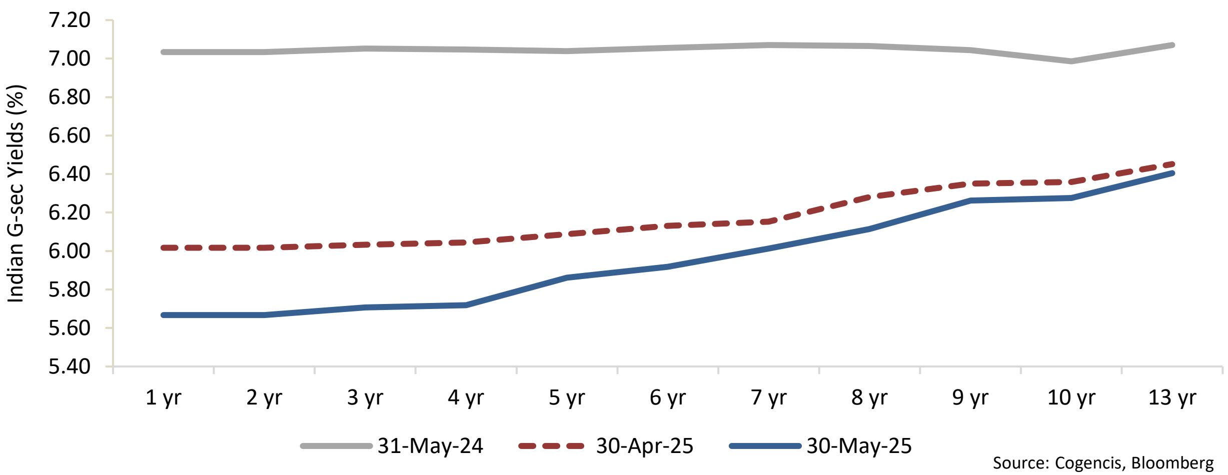


Source: IMD

Classification - Public

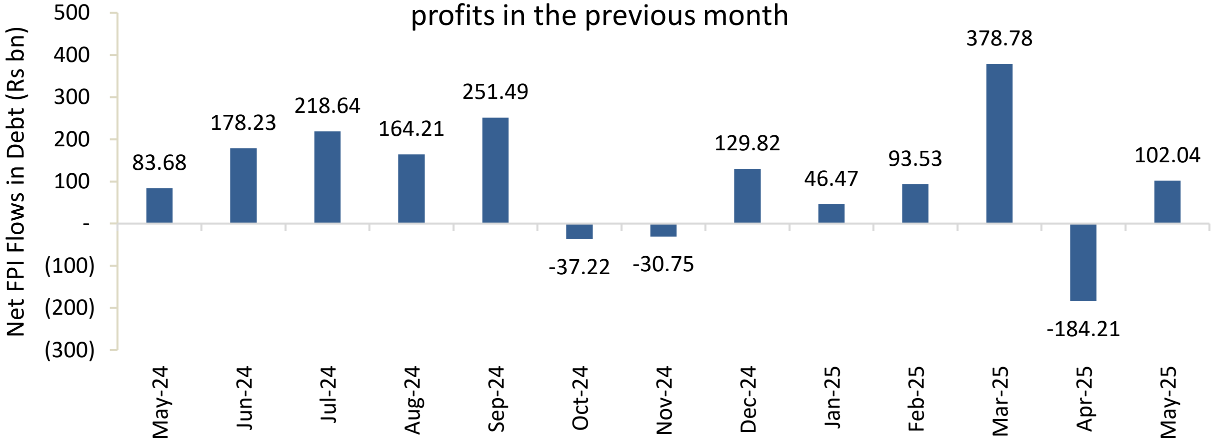
With inflation coming off and liquidity situation easing, the G-sec curve shifted downward… incremental opportunity in long duration seems limited, barring any surprise on the policy easing front

Higher demand at the shorter end has resulted in steepening of the curve



Source: Cogencis, Bloomberg

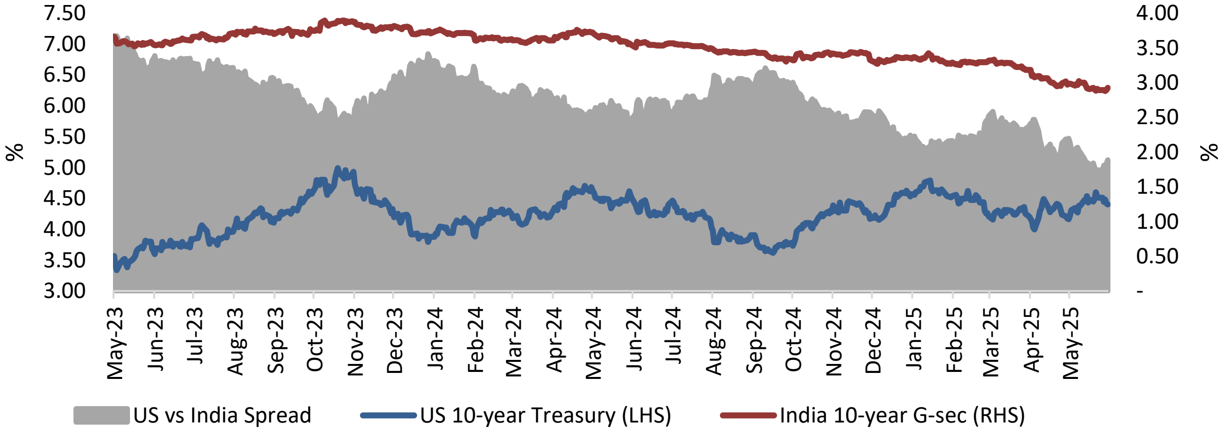
FPIs came back to the domestic bond market in May 2025 after booking profits in the previous month



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

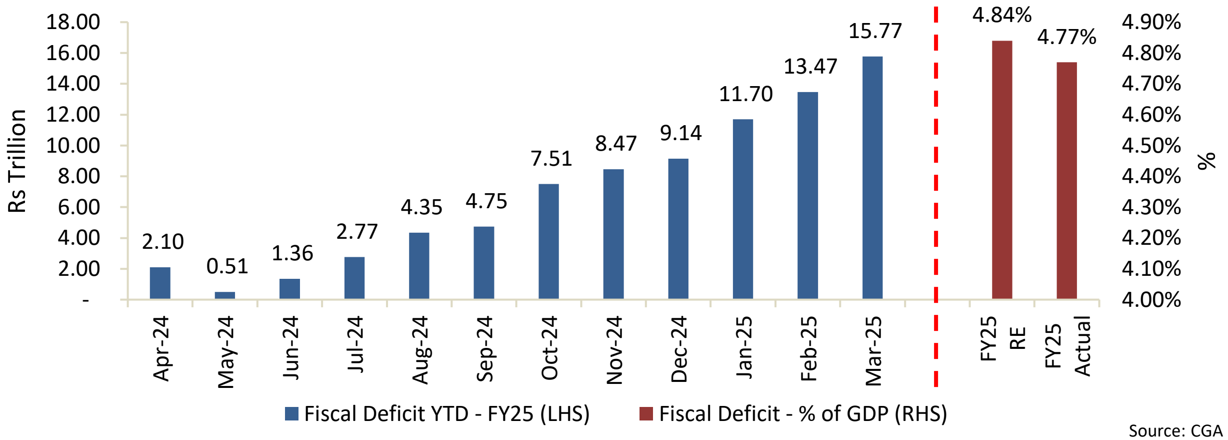
Source: NSDL

Spread between the 10-year US treasury and Indian G-sec has dropped to its lowest level in the recent past, marking a possible trend shift



Source: Bloomberg

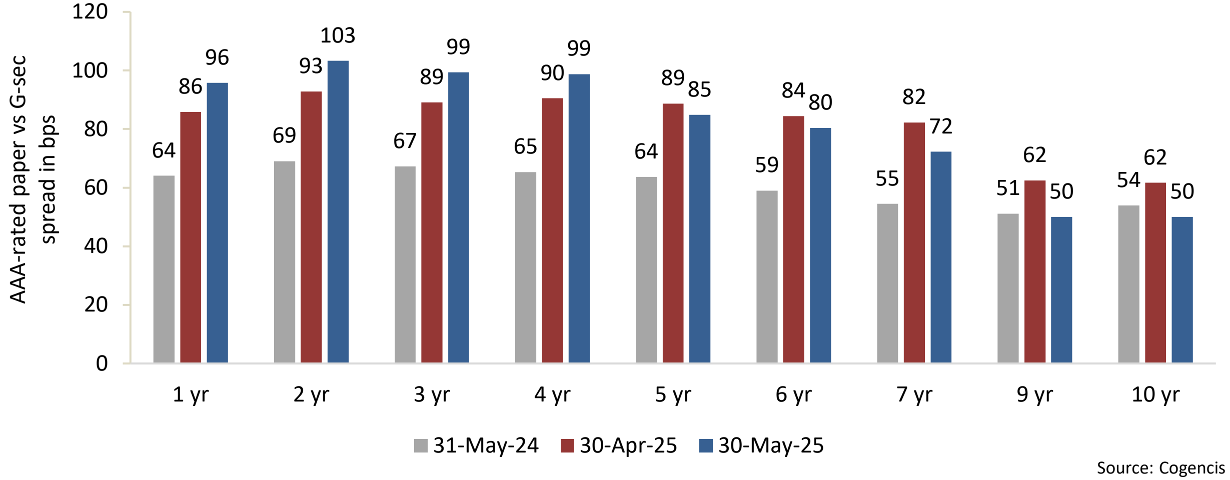
Fiscal Deficit was contained within Revised Estimates (RE) due to higher than expected GDP growth print for FY25



Source: CGA

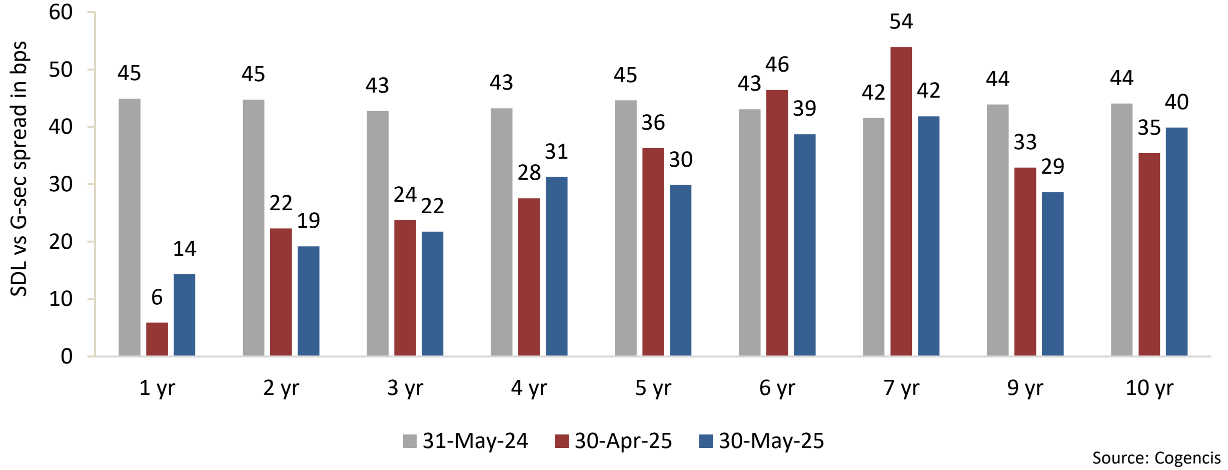
Easing liquidity conditions can further steepen the corporate bond yields at the shorter end, driving incremental returns in Corporate Bond heavy funds

Corporate bond spreads have increased at the shorter-end (1-4-years)



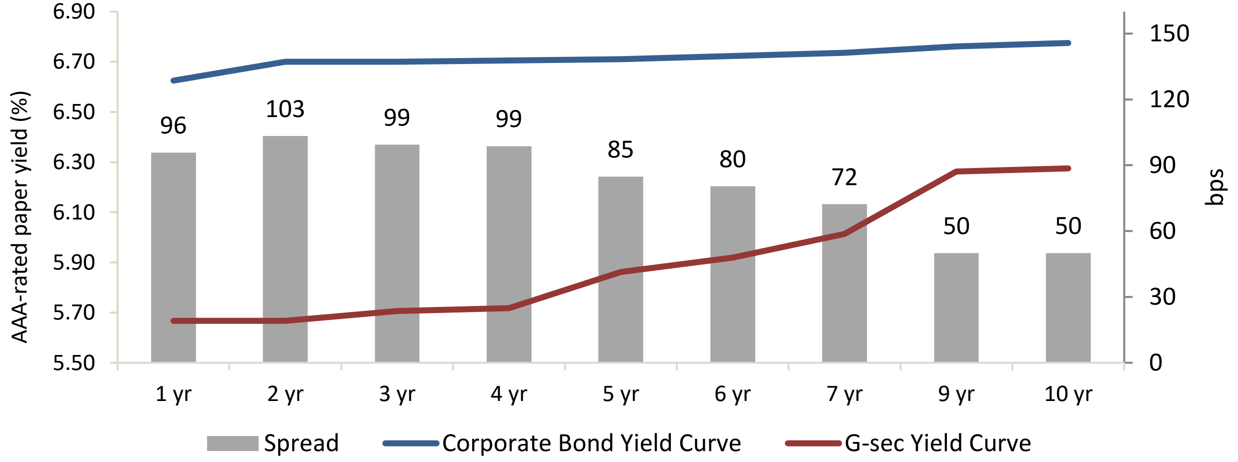
Source: Cogencis

SDL spreads have reduced on YoY basis, but have been mixed on MoM basis



Source: Cogencis

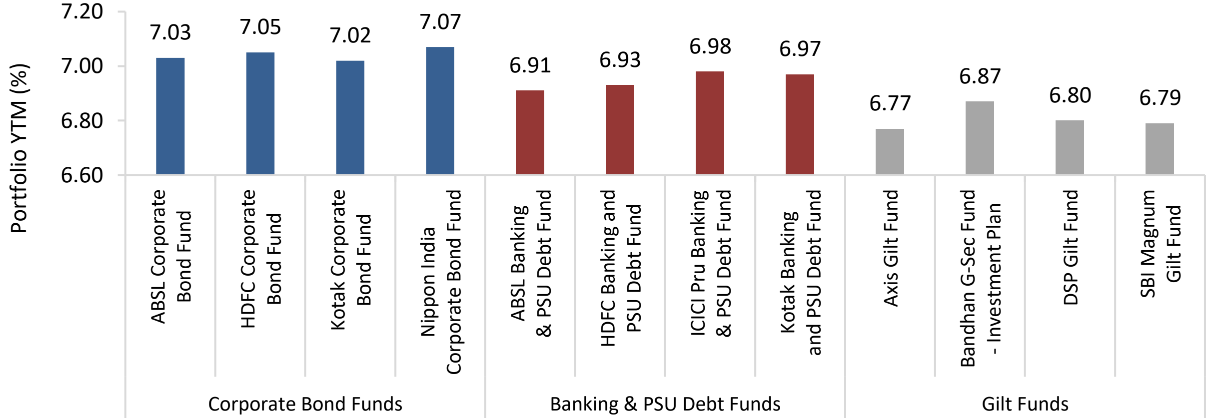
The corporate bond yield curve can steepen further from hereon…



Note: Data as on 30th May 2025

Source: Cogencis

… making the case for investments into our recommended Corporate Bond Funds which have relatively attractive YTMs



Note: Data as on 30th April 2025

Source: AceMF

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