

HDFC Bank – Research Presentation

May 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 |
|---|------|
| 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 | ▲ |

Equity MF Strategy – May 2025

- As the impact of US tariffs kicks in more and more multilateral agencies are voicing concerns of 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 like India, suggests these markets are likely to be the key drivers of growth. Such growth differential may drive global investors interest back to such economies.
- US has seen decline in its GDP growth rate for Q1CY25, with inflation risks remaining elevated. Such situations would be tricky for the Fed to move forward on policy rate cuts. Further weakness in the US economy isn't ruled out due to the tariff transitions taking place in the economy, despite Trump cutting down on his rhetoric.
- With substantial financial easing seen in Europe, some European countries like Germany have also announced large scale fiscal impulses, that can improve their growth and corporate earnings. Tariff related concerns still persists with the EU area.
- The Chinese equity markets saw volatility on the expectations that US tariffs are likely to hit China the hardest. Chinese consumer demand continued to remain weak with market participants expecting more stimulus measures from the Chinese government.
- The base commodity prices have been volatile on the back of expected slowdown in global economy. News flow around sharp slowdown in container shipping from China and US could be concerning for logistics industry and positive for exporters. Increasing expectations of settling of the Russia – Ukraine war and expectation of higher supply, have led to sharp decline in crude oil prices. Gold's demand as safe haven continues, with volatility.
- Weakening Dollar index drove the steady rise in Emerging market equity indices, in April. Questions have arisen on the ability of Current account surplus economies to sustain their growth.
- At a macro economy level, India continues to see mixed performance in key data points. While the PMI data suggests steady momentum in Manufacturing and Services activity; areas like credit growth, IIP growth, and Export growth have emerged as concerns. With weakening dollar index, INR has seen appreciation vs USD and forex reserves too have seen substantial jump. **The RBI has continued taking strong measures to improve the liquidity conditions and lower policy rates, which should drive consumption, support growth in rate sensitives and has led to improvement in equity market sentiments.**
- **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 key pillar of domestic growth. RBI's rural consumer survey also shows increased optimism with rural population. Another key reason for the rural uptick has been the increased handouts that are now being given by many state governments which seem to have improved the disposable income at margin. This has positive read through for rural driven sectors.**
- Urban demand has remained patchy. Passenger vehicle sales growth has been moderating, indicators like personal loan growth, 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. Improvement 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. However, the growth in government capex spending for FY26 is only in line with the nominal GDP growth rate, which implies that expectations of disproportionate broad-based growth in the Infra and Capex related sectors needs to be toned down. Sunrise sectors like Semiconductors, New Energy, Defence and Electronics seem to be the few areas which have seen large private sector spending coming through. Even in those segments, high valuations remain hurdle for further rerating.
- **The Q4FY25 earnings season has begun with steady performance by large Banks and Insurance companies. Capital market sector and IT sector companies have seen muted to weak performance. The earnings expectations have continued to get revised downwards across key indices.**
- **The recent challenges and issues with the domestic macro economy and corporate earnings are expected to trough out 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 is likely to enhance the disposable income in the FY26. 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 get controlled due to decline in the dollar index, FPIs too could look at Indian markets more favourably, especially after the recent valuation correction.**
- **The risks continue to arise externally with Donald Trump's trade policies hurting the global economy and possibly changing the entire global trade paradigm. In India, valuations of Midcap and Smallcaps indices remain rich, which may drive consolidation in these segments.** Within the Marketcap segments, we continue to prefer Largecaps as they are generally well researched and have lesser scope for large negative earnings surprise, while Mid and Small caps may see volatility in earnings selectively (at a stock or sector level). Hence exposure to pure Mid and Small cap funds should be taken through SIPs and Longer STPs. **In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. From an Equity Mutual Fund perspective, investors could look at investing in Diversified funds, Hybrid equity funds, Business cycle funds and using SIPs 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 corporate bond fund curve still remains marginally inverted. Further liquidity easing, post the RBI dividend kicking in, could lead to decline at the shorter end of the corporate bond yield curve, making the case for investment into corporate bonds at the 1-4-years segment of the curve.
- Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above investors can consider Income Plus Arbitrage FoF.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

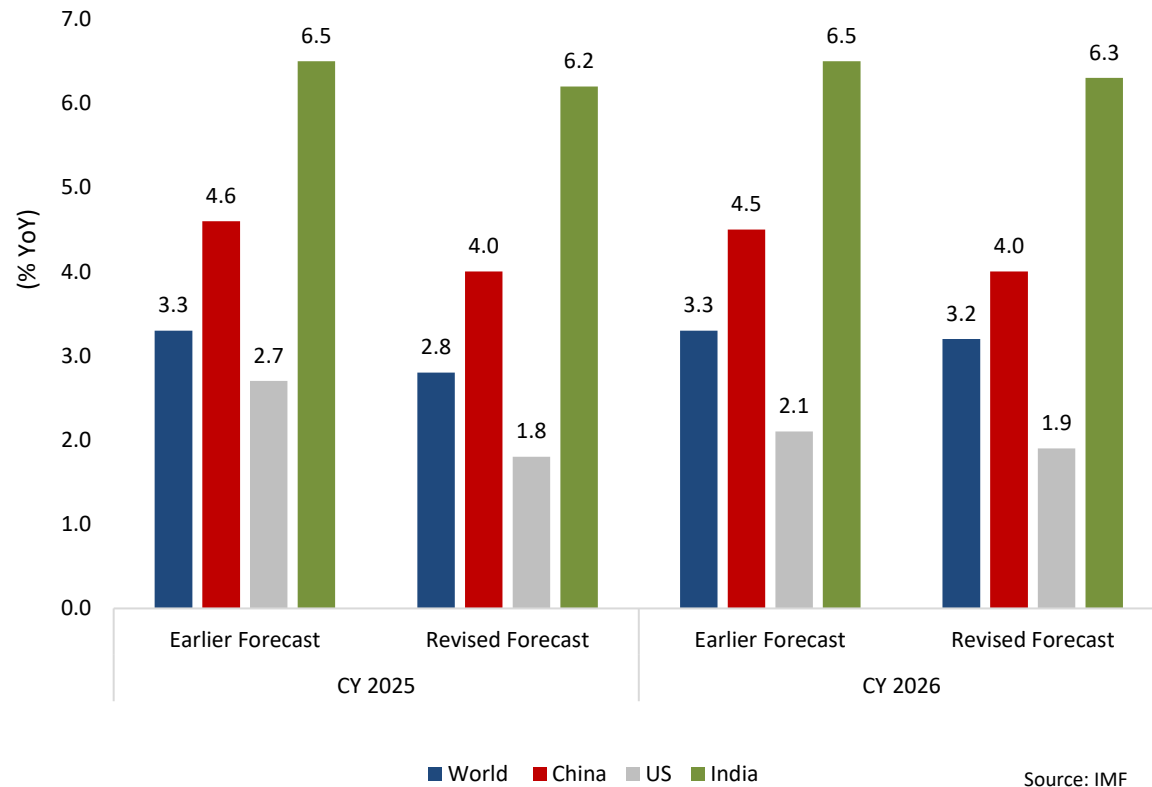
Research Presentation – Content

- Global growth forecast cut on trade jitters
- US: Tariffs announcement in the US to have negative implication on growth rates and Fed's policy measure
- Eurozone: Policy rate cuts and fiscal stimulus to drive EU growth
- China: Chinese economy to face brunt of US tariffs, favorable deal and domestic stimulus key monitorable
- Industrial commodities: Growth concerns lead to easing commodity prices... gold prices surge due to safe haven demand
- Despite decline in Dollar Index, global trade uncertainty led to volatility in the emerging markets
- Despite Trump's tariff, FPI flows and Strong DII flows have helped Indian markets performance, along with support of liquidity from RBI
- Sectoral performance and FPI flows in April 2025
- India Macros: RBI goes all out to support growth, other macro variables still catching up
- Urban India: Economy still showing mixed picture, expected to improve
- Rural India: Positive monsoons, lower inflation to drive rural demand growth
- Capex: While government capex expectations remain muted, private sector capex gradually improving
- In the last 4 months while the markets have been volatile, new sectors have emerged as winners
- India Valuations: Despite the recent correction, markets not cheap...High liquidity and declining DXY, can have positive impact on valuation rerating.
- Market Roundup – April 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 - full tariff or reduced tariff - uncertainty prevails
- Despite looming trade uncertainties, better inflation alignment to medium term target allowed ECB to lower rates and support struggling economy
- While ECB continued cutting rates both Fed and ECB has sounded off caution due to escalating trade tensions
- Protectionist policies from US forcing Global central banks to remain watchful...
- Global Commodities – Falling on the back of weakening growth impulses
- RBI measures shores up substantially on durable liquidity
- External position continues to strengthen... DXY declined further... Forex reserves continue to show improvement
- Decisive deceleration in Inflation would allow RBI to continue to be growth supportive
- With inflation coming off and liquidity situation easing, the G-sec curve shifted downward faster than anticipated... incremental opportunity in long duration seems limited
- Improving liquidity conditions drove corporate bond yields lower, resulting in strong performance by Corporate Bond Funds
- Annexure...
- Income Plus Arbitrage FoF Vs Debt Mutual Funds
- Disclaimer

Global growth forecast cut on trade jitters

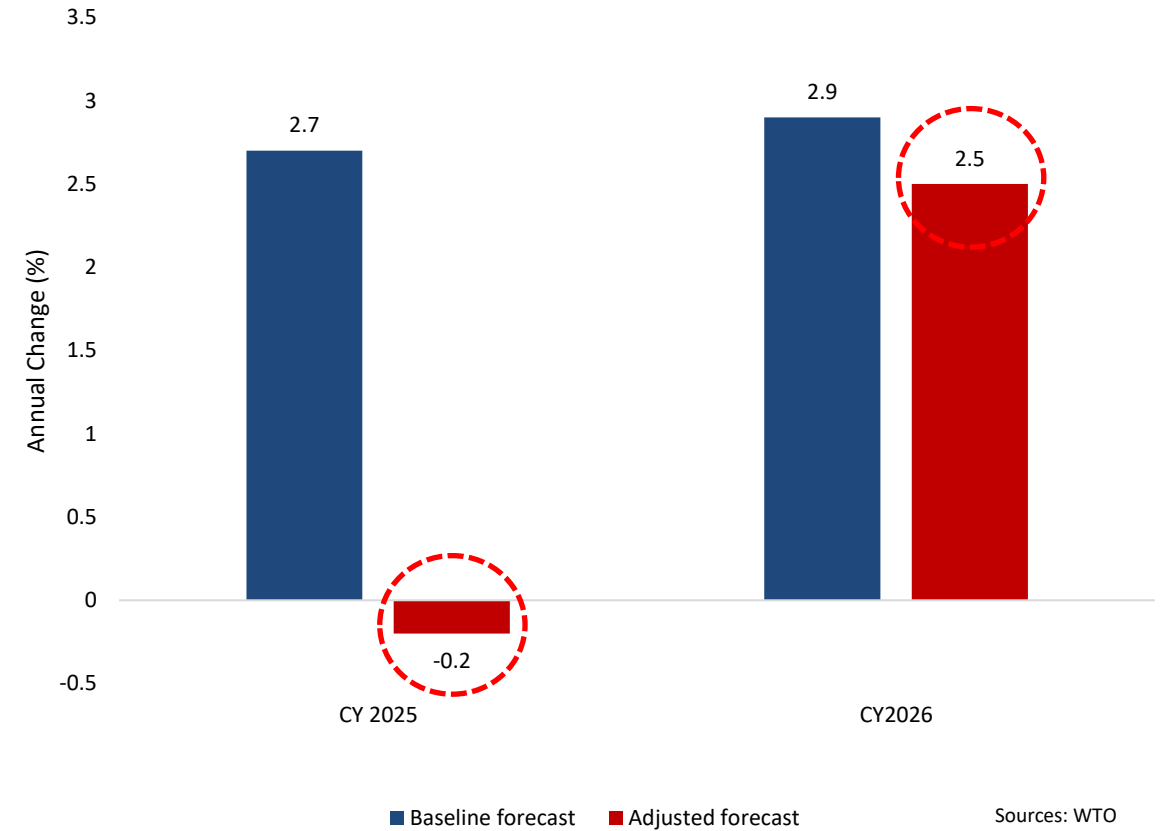
IMF Cuts Growth Forecast

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



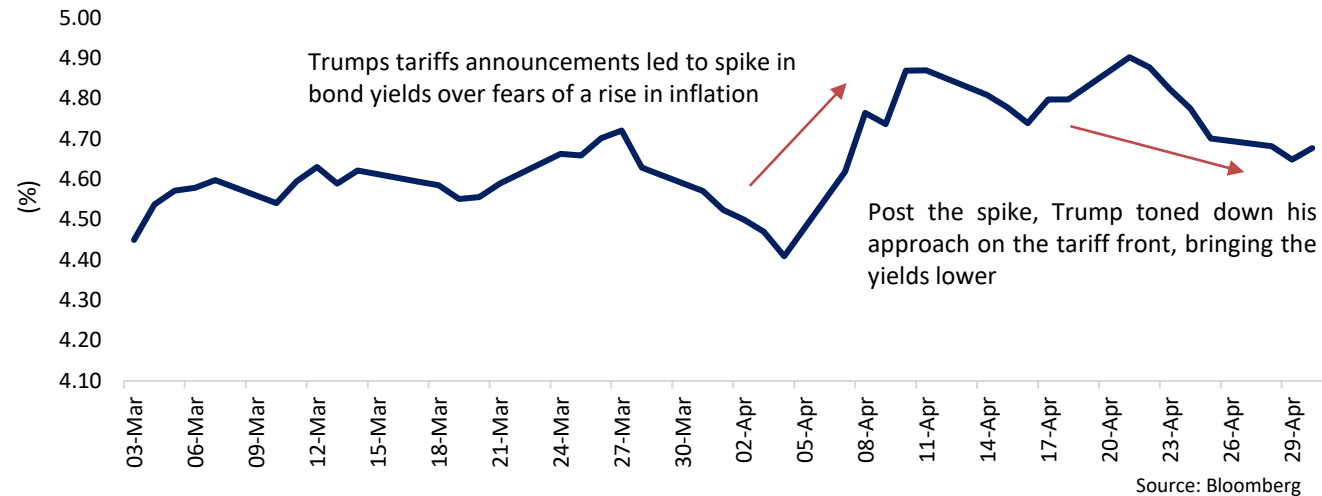
World Trade growth

WTO forecasts sharp cut in global trade.



US: Tariffs announcement in the US to have negative implication on growth rates and Fed's policy measures

United States 30-Year Bond Yield



Initial Stance

- 26th March** - Trump introduced a 25% tariff on auto imports, aiming to encourage domestic manufacturing
- April 2** - Trump announced a sweeping set of reciprocal tariffs, imposing a baseline 10 per cent tax on all imports and significantly higher rates on dozens of countries with which the US runs trade deficits. Trump also announced a 27% "discounted reciprocal tariff" on imports from India.

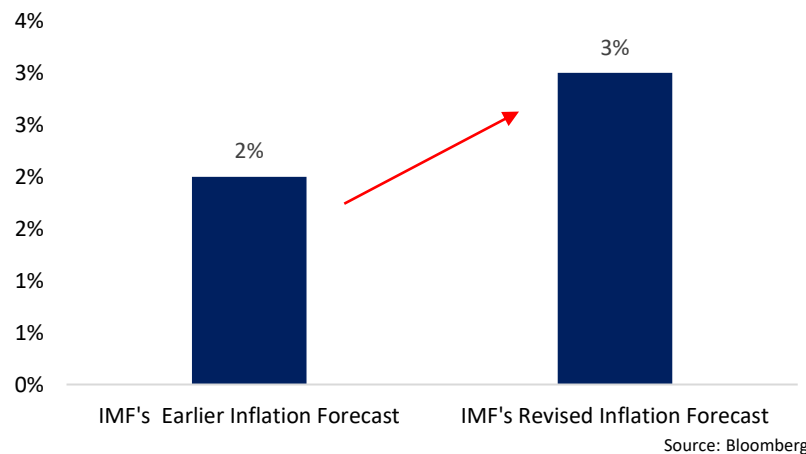
Trump cuts down on Rhetoric

Post Liberation Day Stance

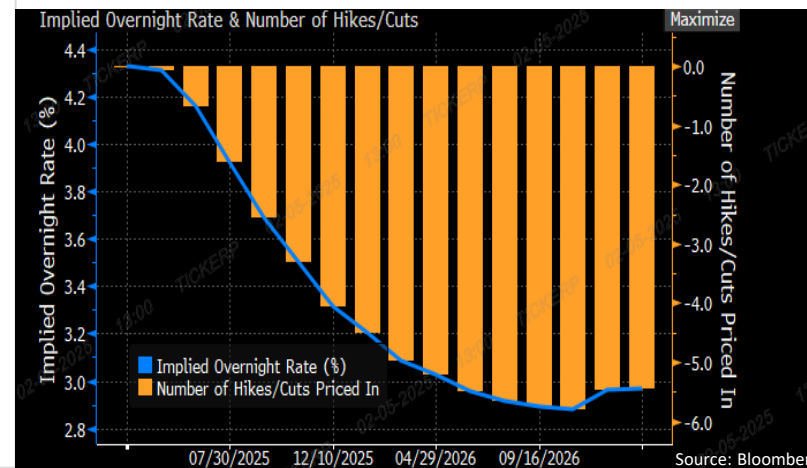
- April 9** - Trump announced that he was pausing the worst of his tariffs on most countries for 90 days, though he would continue a baseline 10% tariff rate and raise his tariffs on most Chinese goods by 145%.
- April 11** - Trump decided to exempt semiconductors, chips, smartphones and computers from reciprocal tariffs.
- April 14** - Trump told reporters he would consider pausing his tariffs on automobiles as he noted some automakers moved production to the US
- April 22** - Trump told reporters he won't play "hard ball" with China in their tariff negotiations and floated that he could lower his punishing 145% tariff rate on Chinese imports

Source: Media Reports

Tariffs to drive inflation in the USA...



... driving hints of policy rate cut pause from US Fed



While Trump wants manufacturing in the US, a shift away from services can hurt the economy significantly

| Manufacturing big in US, Services is even bigger | | |
|--|--|-----|
| | USD (000s) | US |
| | GDP per capita | |
| | | 83 |
| 1 | Agriculture, forestry and fishing | 0.8 |
| 2 | Industry | 15 |
| | Mining (including oil & gas) | 1.2 |
| | Manufacturing | 8.5 |
| | Others (includes utilities and construction) | 5 |
| 3 | Services | 67 |

1 Boeing 747 = ~ 40 m shirts

Source: ICICI AMC

Eurozone: Policy rate cuts and fiscal stimulus to drive EU growth

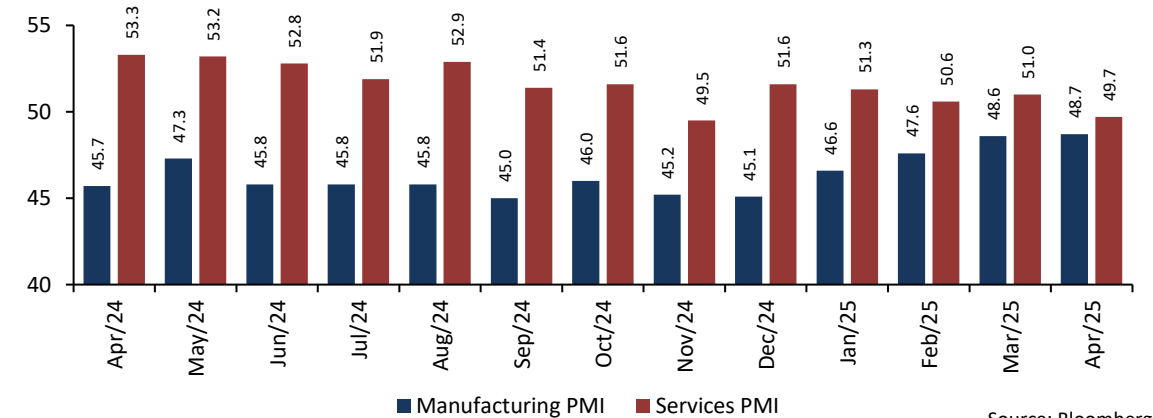
Rising fiscal spending by EU countries to drive corporate profitability

- European Commission's white paper: To meet the €800 billion (\$700 billion) required to finance a massive ramp-up of 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 euro spending package.
- The legislation includes provisions for a 500 billion euro investment in infrastructure over a 12 year period, aimed at shoring up both 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

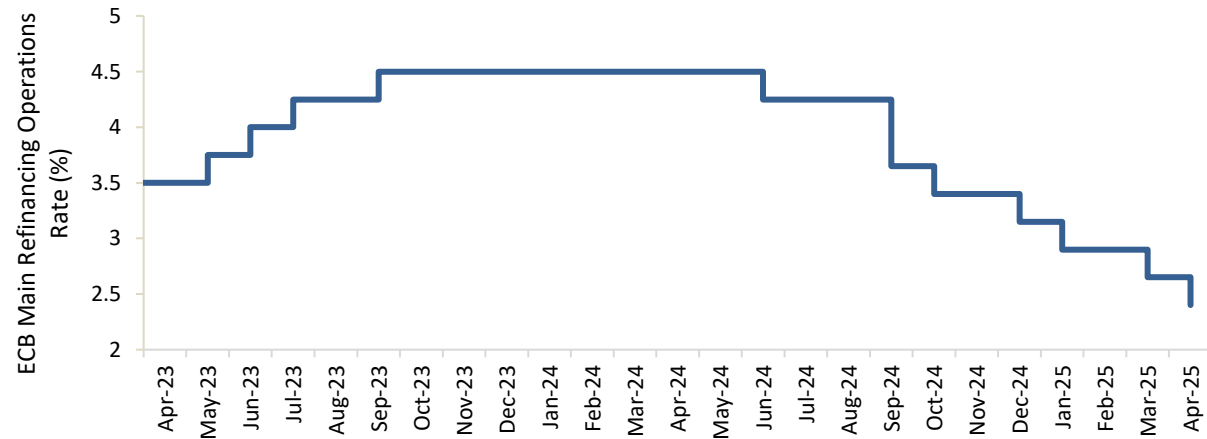
S&P Global Eurozone PMI

Manufacturing & Services under pressure



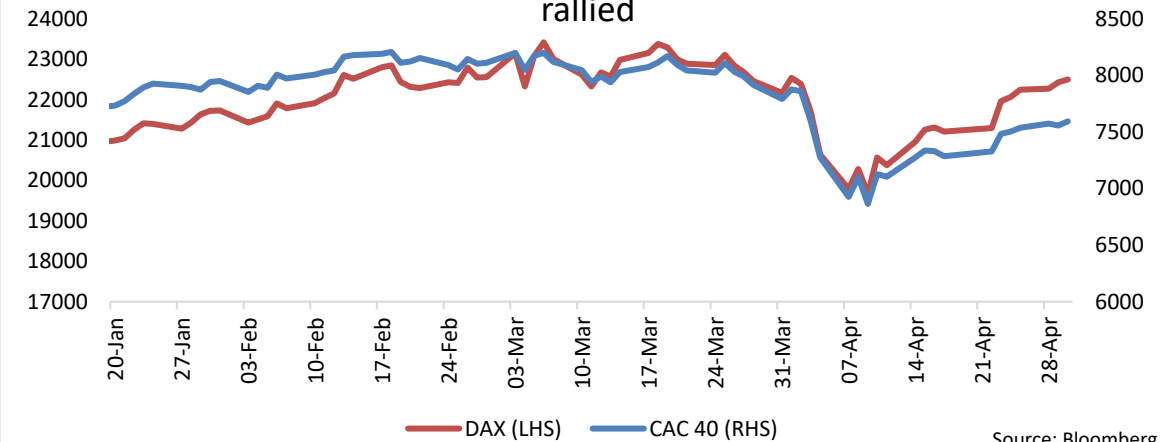
Source: Bloomberg

EU Policy Rates (%)



Source: Bloomberg

Due to strong liquidity support, key European markets have rallied

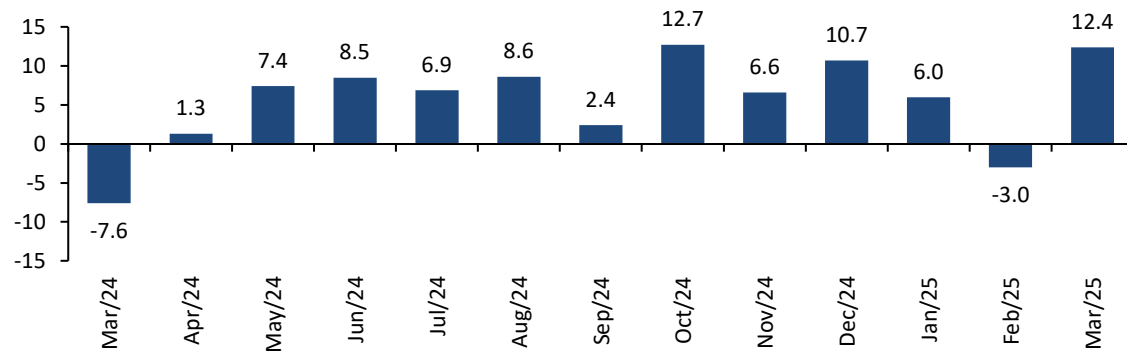


Source: Bloomberg

China: Chinese economy to face brunt of US tariffs, favorable deal and domestic stimulus key monitorable

China's Export Growth (In USD Terms) - YoY Change (%)

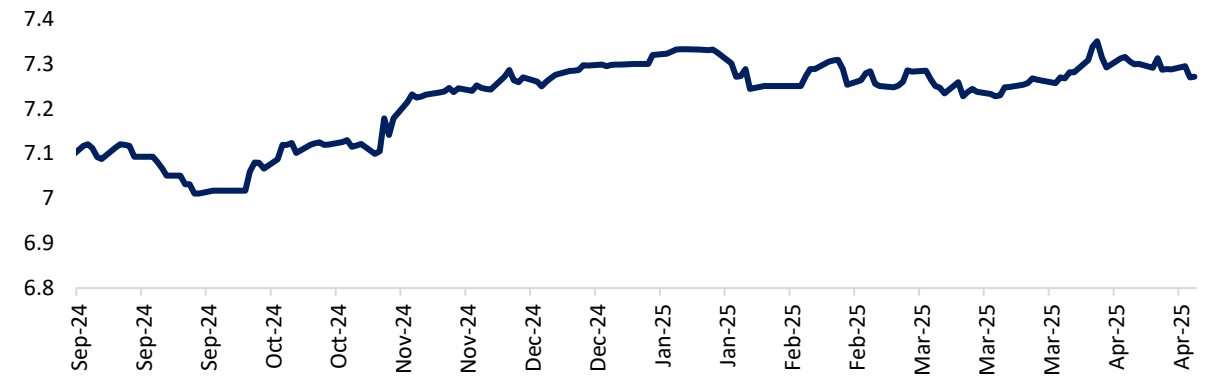
Exports growth rises as buyers look to stock up before the tariffs announcements



Source: Bloomberg

USD/CNY

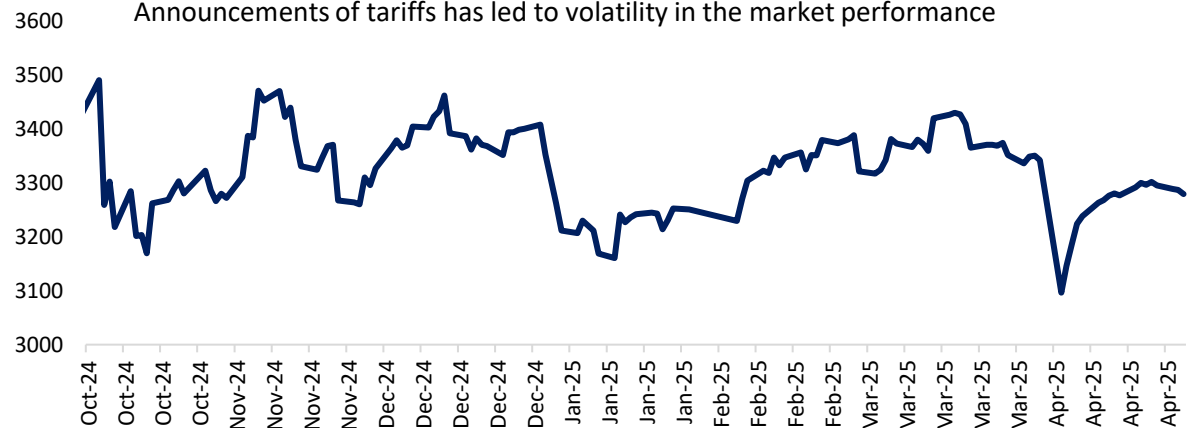
The Chinese Yuan faced pressure after Trump's unexpected tariff announcement.



Source: Bloomberg

Shanghai Composite Index

Announcements of tariffs has led to volatility in the market performance



Source: Bloomberg

Authorities have shared path to increased spending and consumption support:

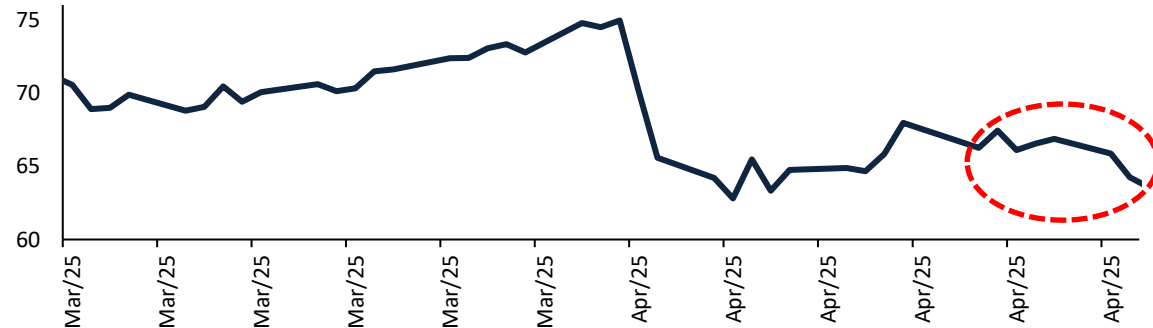
- China unlocked more fiscal stimulus, promising greater efforts to support consumption and cushion the impact of an escalating trade war with the United States on an economy that Beijing is determined to grow by another 5%-or-so this year.
- Measures include an expanded consumer goods trade-in scheme to spur domestic demand and increased government debt issuance to address housing market and deflationary concerns.
- China has raised its budget deficit target to around 4% of GDP for 2025, up from 3% last year, signalling a commitment to greater fiscal support.
- Beijing plans to issue 1.3 trillion yuan (\$179 billion) in ultra-long special treasury bonds this year, up from 1 trillion yuan in 2024. Local governments will be allowed to issue 4.4 trillion yuan in special debt, up from 3.9 trillion yuan.
- Separately, Beijing plans to raise 500 billion yuan to re-capitalise major state banks.
- Millions of government workers across China are given surprise wage increases. The immediate pay-out would amount to a one-time shot to the economy of between about \$12 billion and \$20 billion.

Source: Media Reports

Industrial commodities: Growth concerns lead to easing commodity prices... gold prices surge due to safe haven demand

Brent Crude (USD Per Barrel)

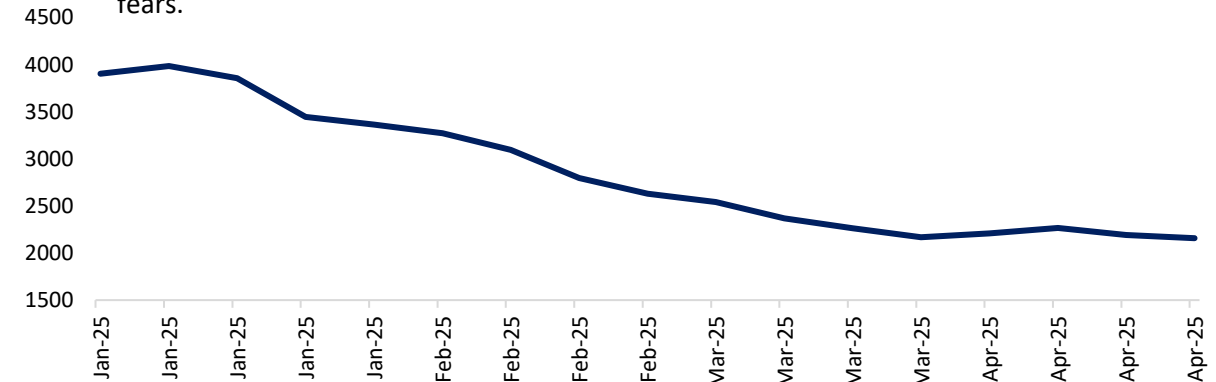
Decline triggered by signs that OPEC could increase output and weak global growth expectations



Source: Bloomberg

Drewry World Container Index USD/40 ft

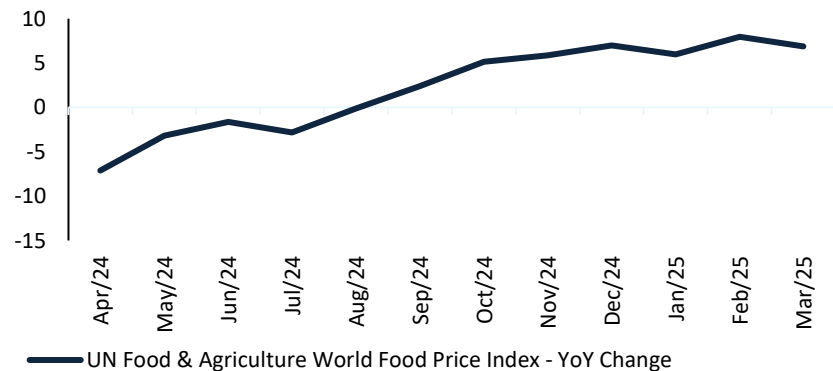
Declined, as rates dropped across most key routes due to weak demand and Tariff fears.



Source: Bloomberg

UN Food & Agriculture World Food Price Index

Food prices increased in April, driven by higher quotations for major cereals, meat and dairy products



Source: Bloomberg

Bloomberg Industrial Metals Index

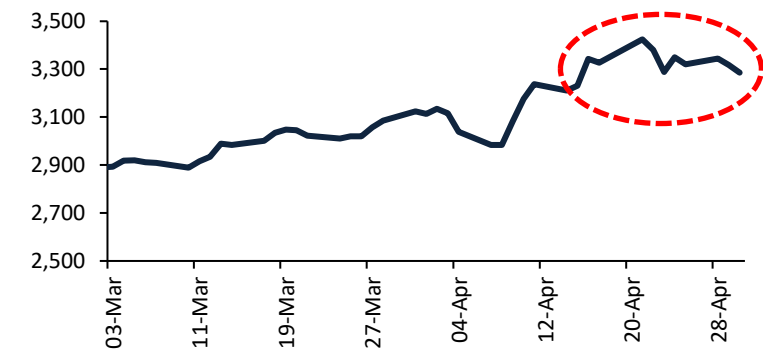
Subdued global demand has led to decline in prices



Source: Bloomberg

Gold Price (USD Per Troy Ounce)

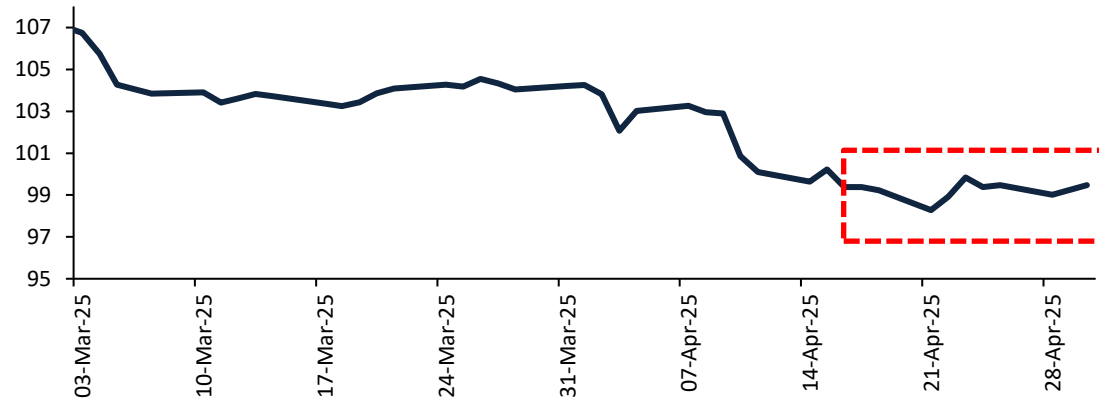
Prices remain high on back of safe haven demand



Source: Bloomberg

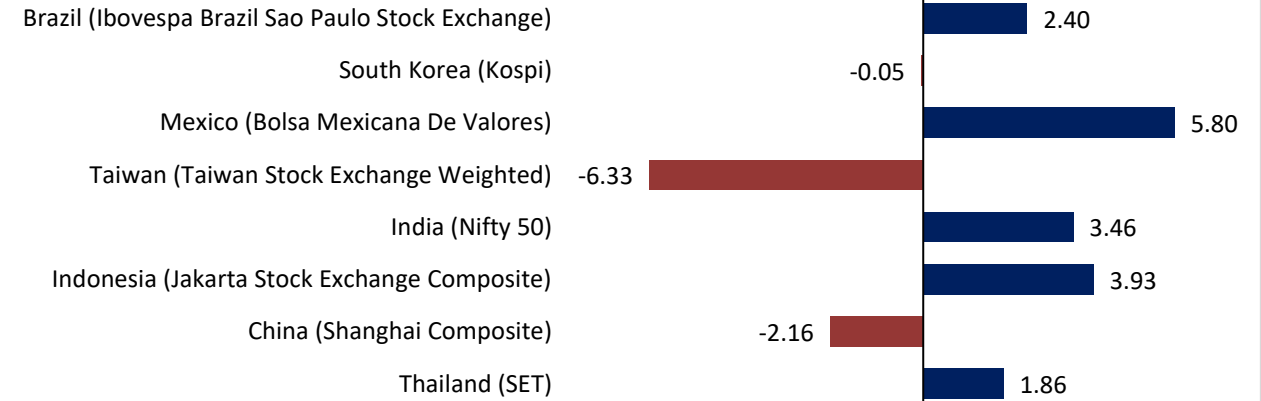
Despite decline in Dollar Index, global trade uncertainty led to volatility in the emerging markets

US Dollar Index



Source: Bloomberg

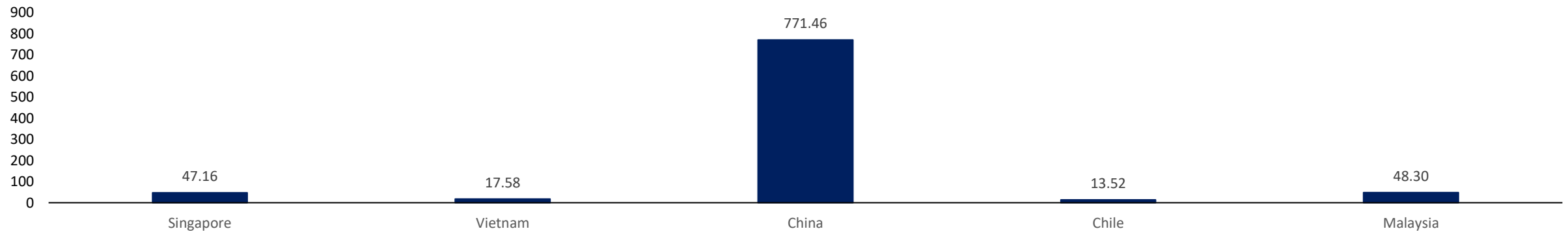
Emerging Markets - Absolute Returns of major equity indices in April 2025 (%)



Source: Bloomberg

Trade Surplus (in Bn \$)

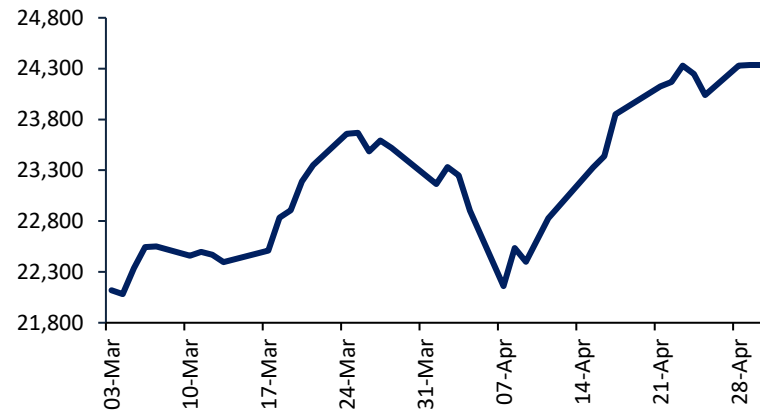
Current Account Surplus economies are likely to be impacted more due to reciprocal tariffs and are in a more challenging situations at the moment



Source: Bloomberg, Data taken as average of yearly surplus/deficit since 2020

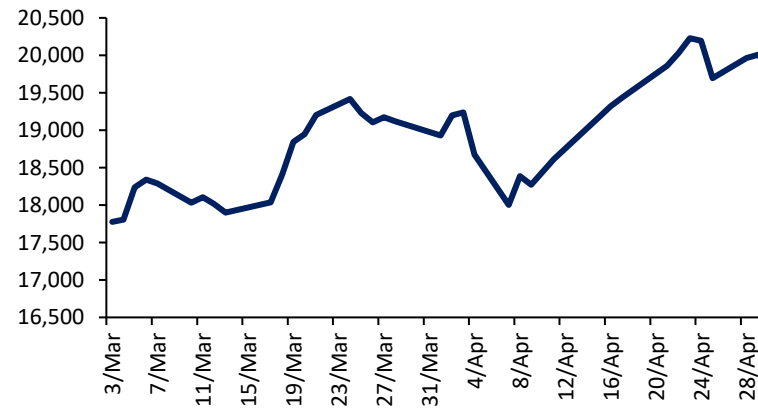
Despite Trump's tariff, FPI flows and strong DII flows have helped Indian market's performance, along with support of liquidity from RBI

NIFTY 50 price movement



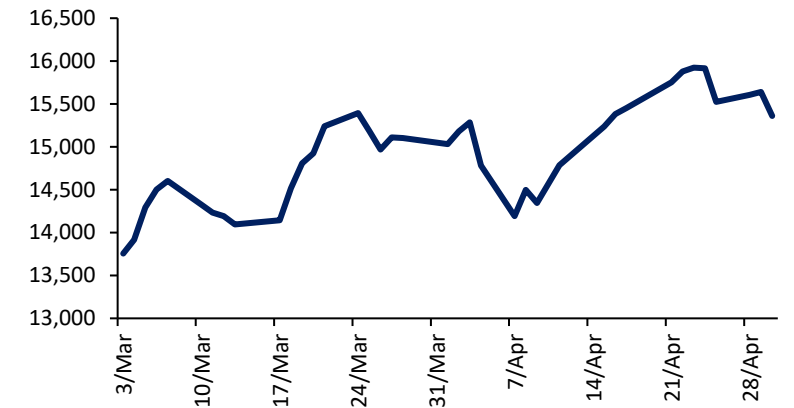
Source: Bloomberg

NIFTY Midcap 150 price movement



Source: Bloomberg

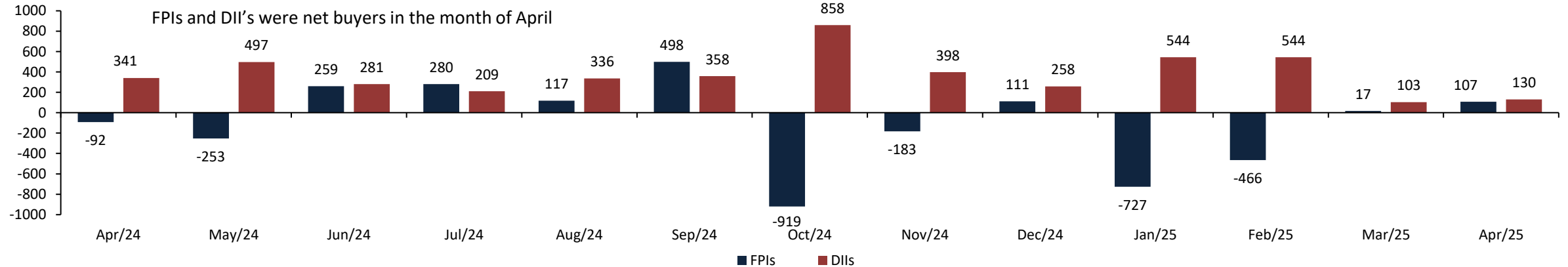
NIFTY Smallcap 250 price movement



Source: Bloomberg

Net Flows In Equities (Rs Bn)

FPIs and DIIs were net buyers in the month of April

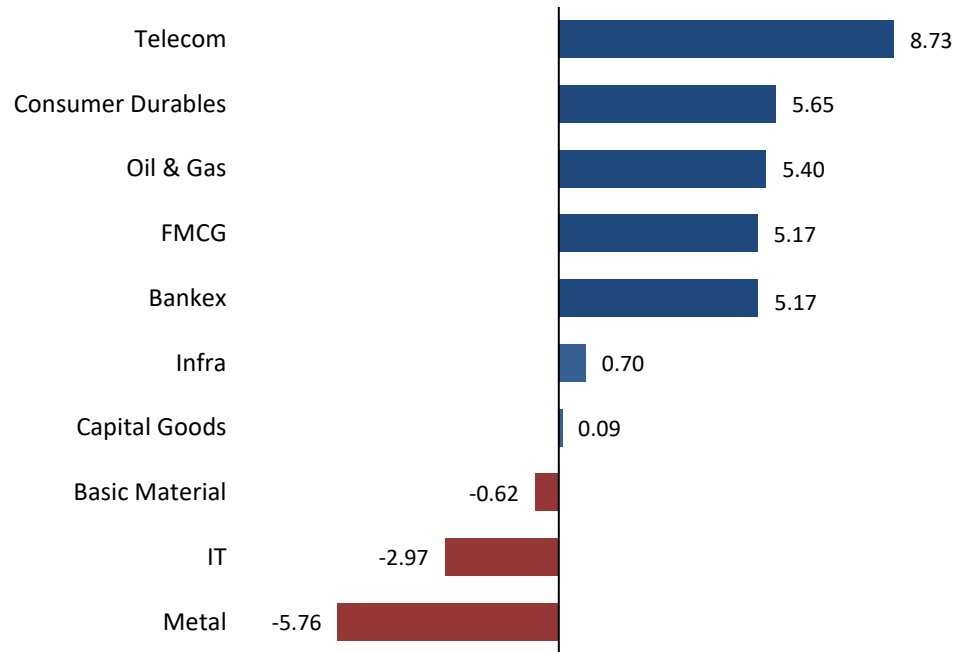


*For 2025, FPI and DII data is up to 30th and 29th April respectively.

Source: SEBI, CDSL

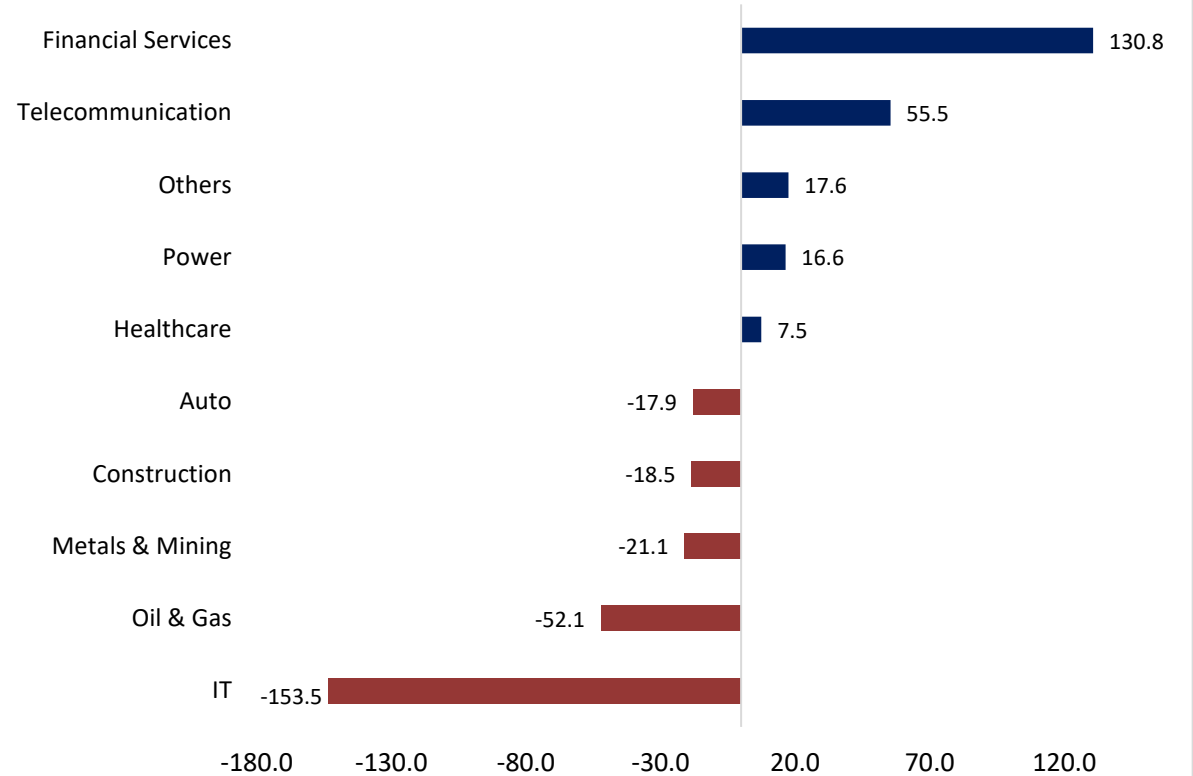
Sectoral performance and FPI flows in April 2025

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



Source: Ace MF

Sectoral FPI flows - Top 5 and Bottom 5 (Rs in Bn)

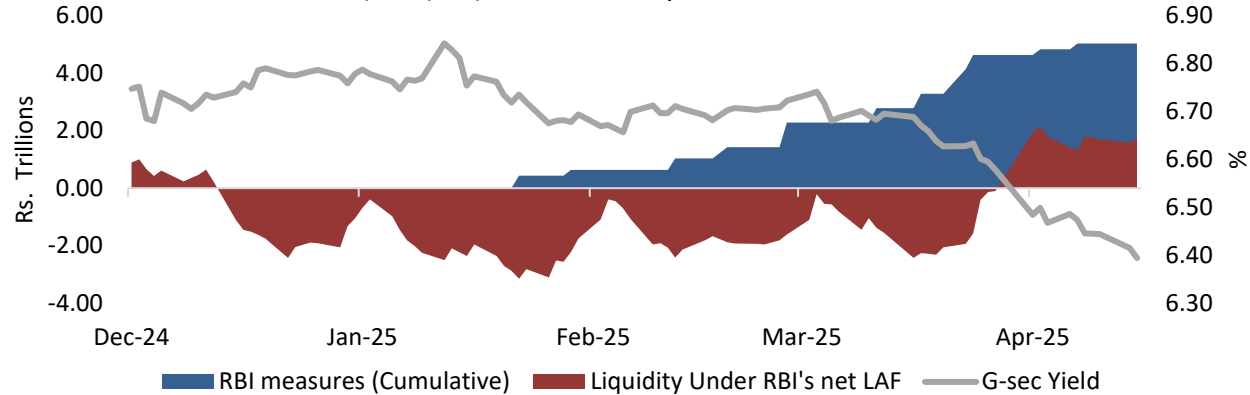


Source: NSDL, Data is from Mar 16, 2025 - Apr 15, 2025

India Macros: RBI goes all out to support growth, other macro variables still catching up

RBI Growth Support

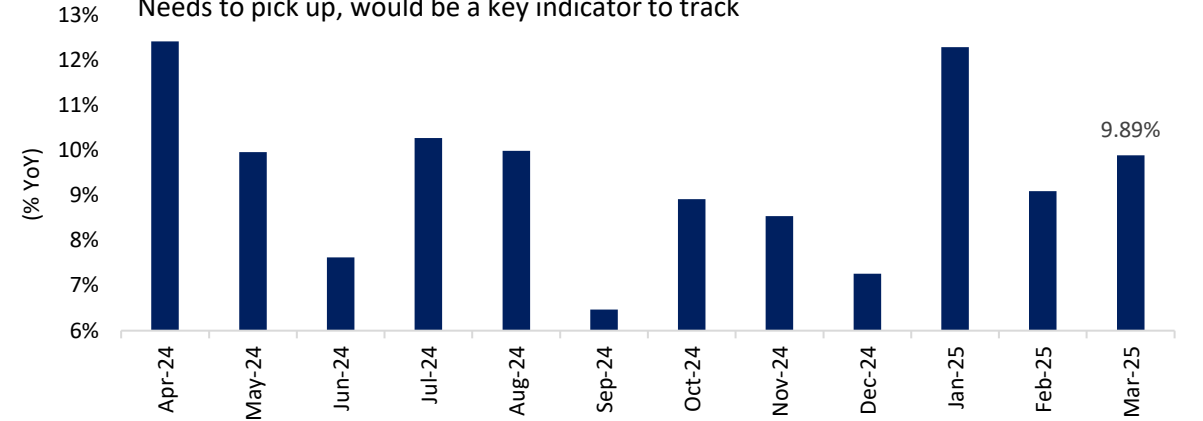
With RBI measures, liquidity improved & G-sec yields fell



Source : Cogencis & RBI Press release

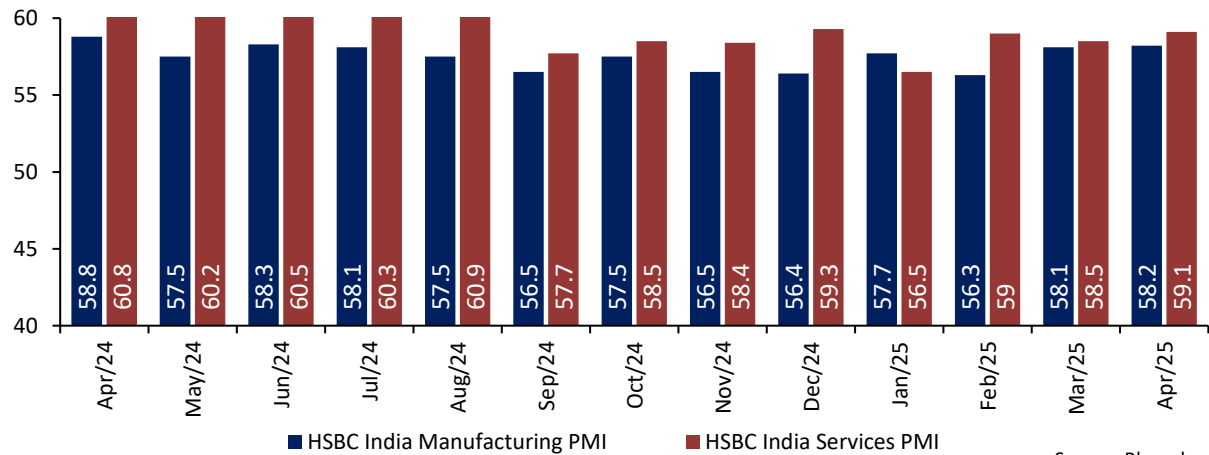
GST Collection (% YoY)

Needs to pick up, would be a key indicator to track



Source: Cogencis

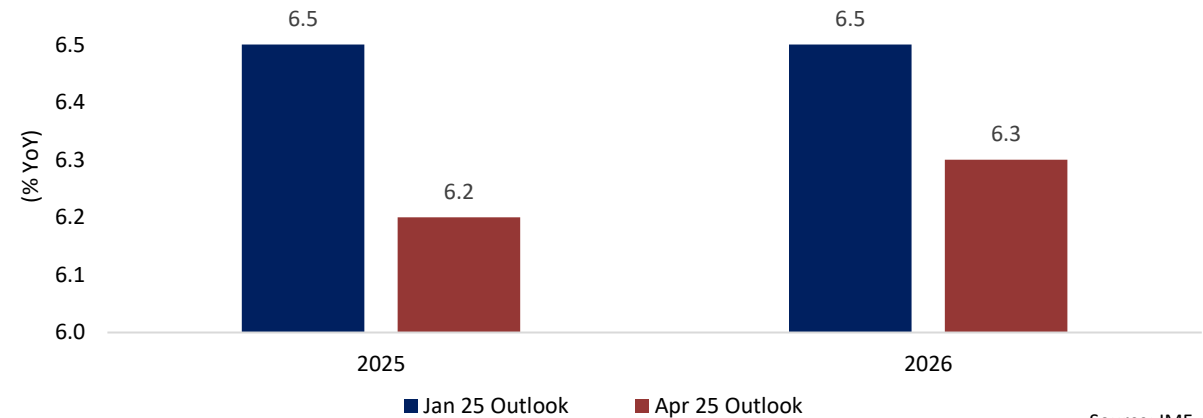
PMI has remained stable



Source: Bloomberg

IMF's India GDP Growth Projection

Cut down in growth expectations due to tariff related volatility

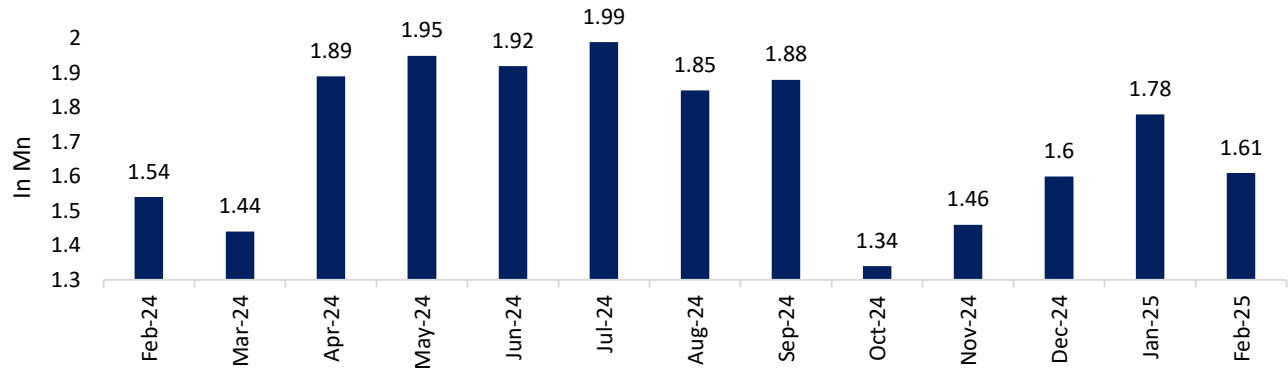


Source: IMF

Urban India: Economy still showing mixed picture, expected to improve

Formal Job Creation (EPFO Payroll net subscriber growth)

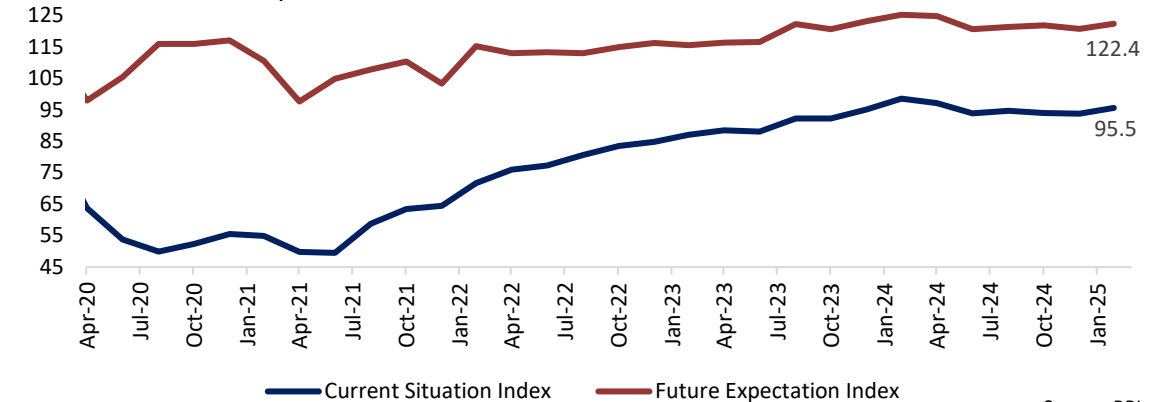
Formal hiring is weak, needs to pick up



Source: EPFO, PIB

RBI's Consumer Confidence Survey

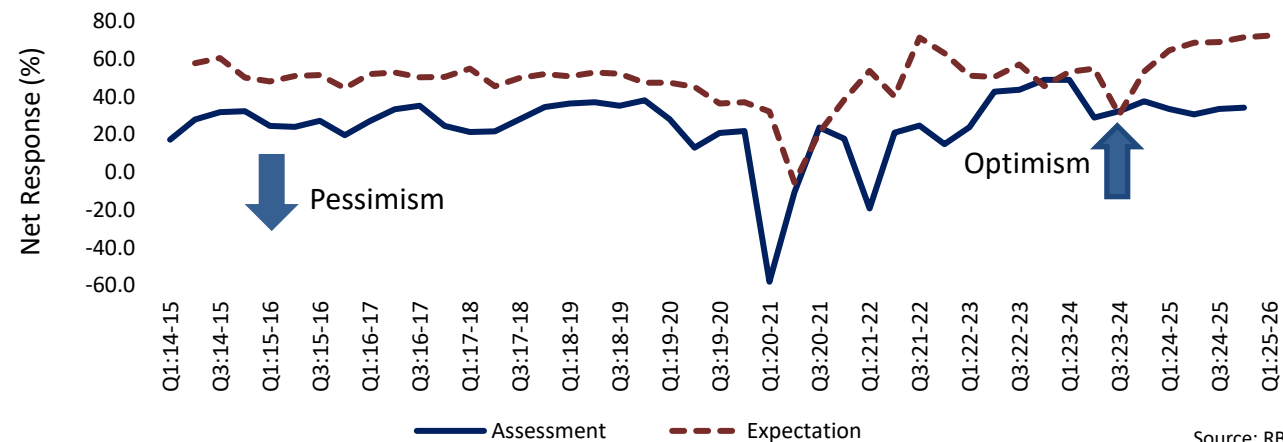
Sentiments are positive



Source: RBI

RBI outlook for Turnover of Services Companies

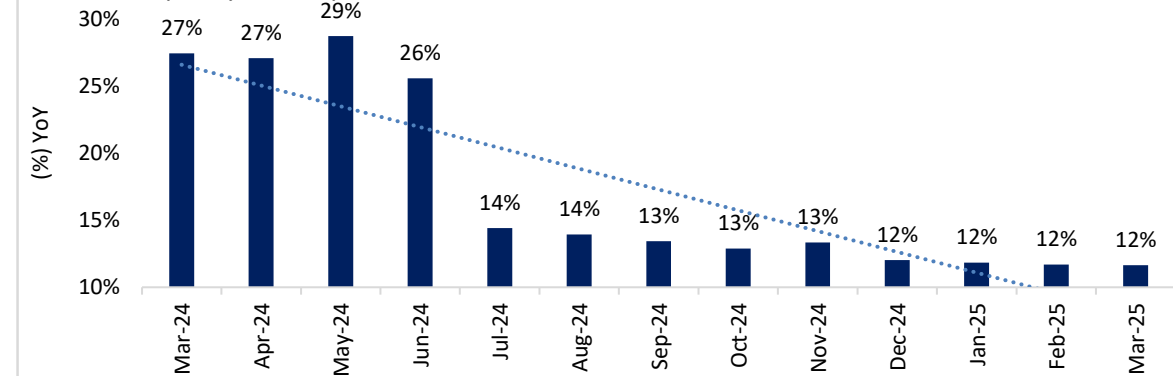
Corporates' response remains optimistic



Source: RBI

Banking Sector Personal Loan Growth

While personal loan growth has continued to see deceleration, recent RBI actions on liquidity can help the tide

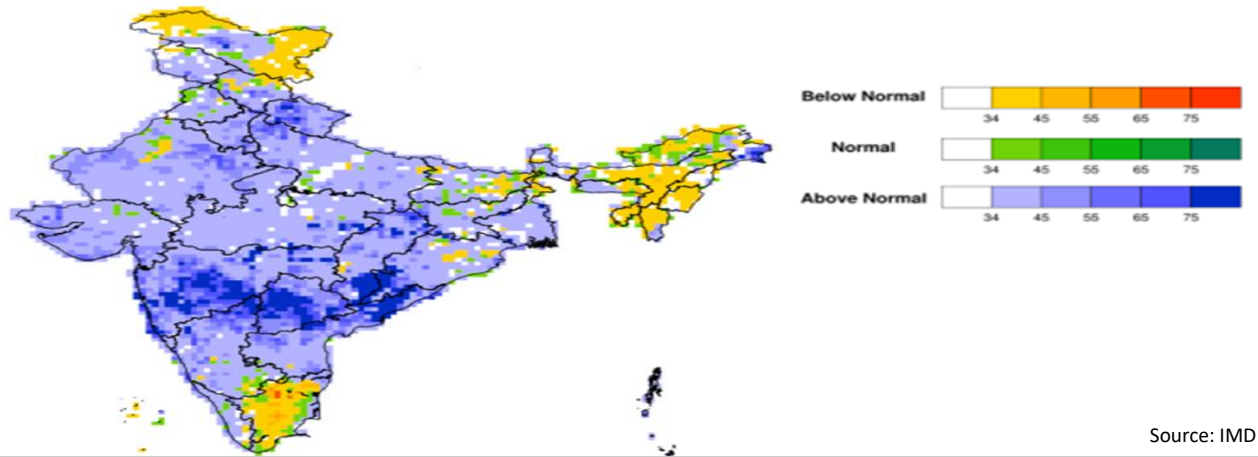


Source: Bloomberg

Rural India: Positive monsoons, lower inflation to drive rural demand growth

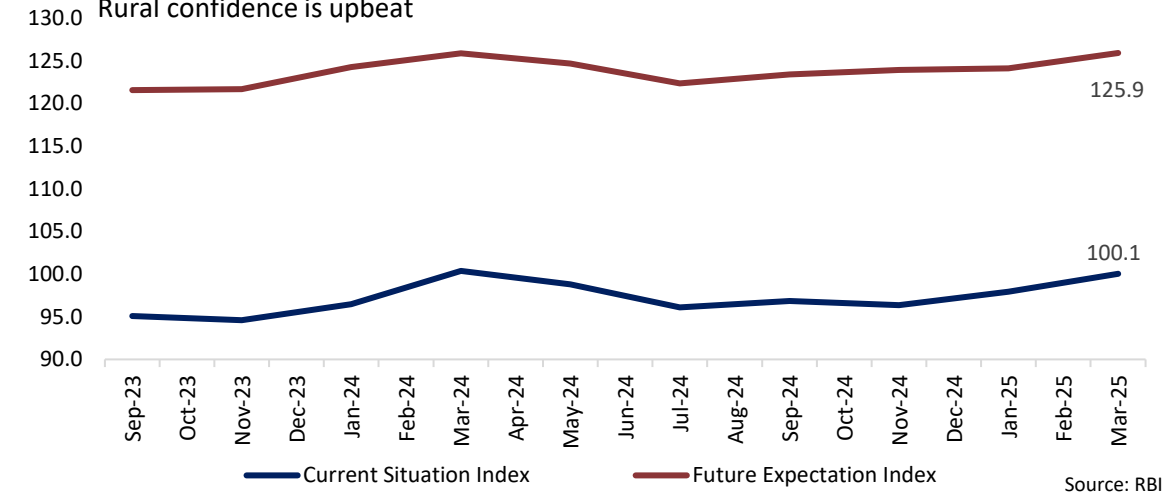
Monsoon Rainfall to be strong

IMD has predicted above normal monsoon this season



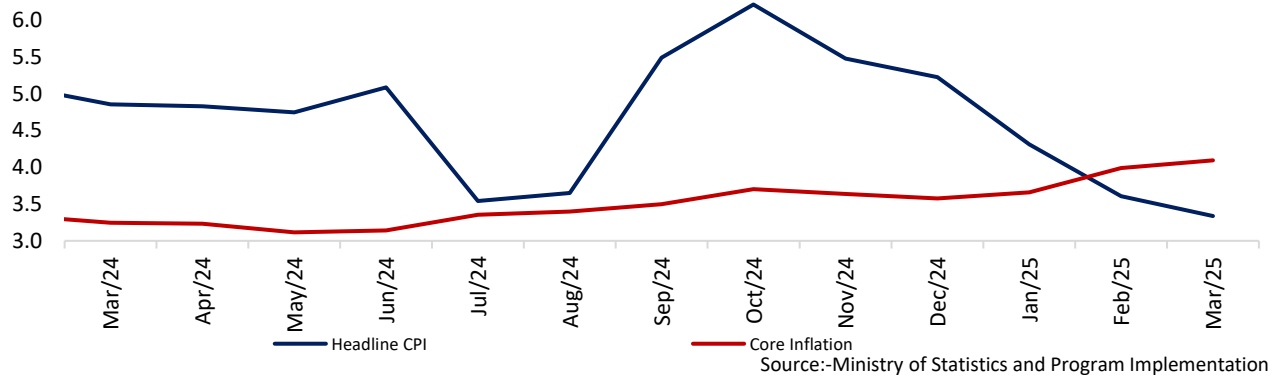
Rural Consumer Confidence Index

Rural confidence is upbeat



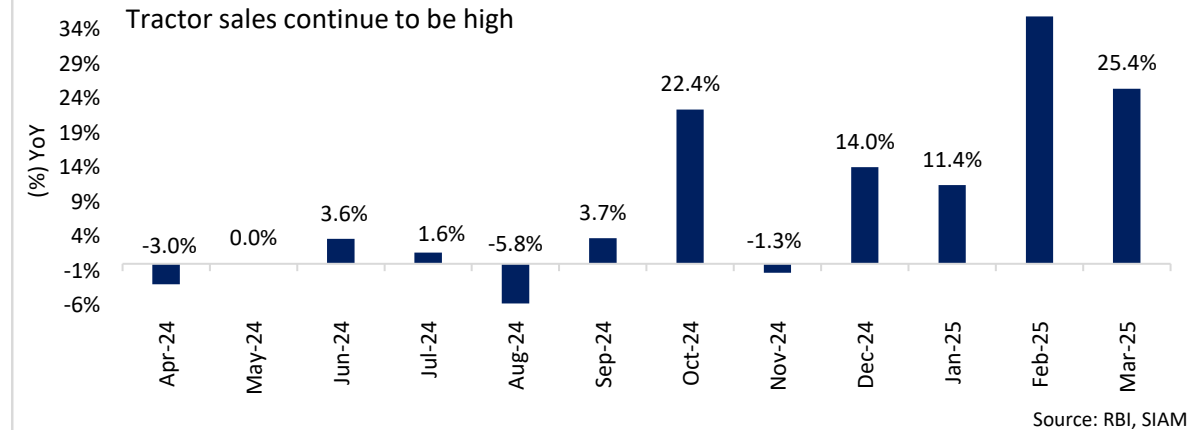
CPI Inflation (% YoY)

Lower inflation to continue providing support to rural India



India Tractor Sales

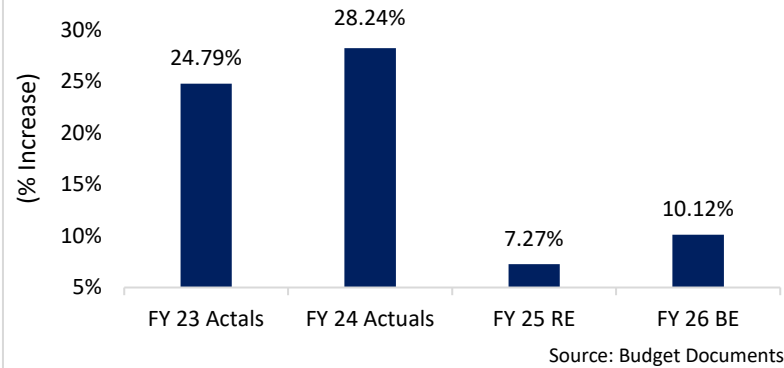
Tractor sales continue to be high



Capex: While government capex expectations remain muted, private sector capex gradually improving

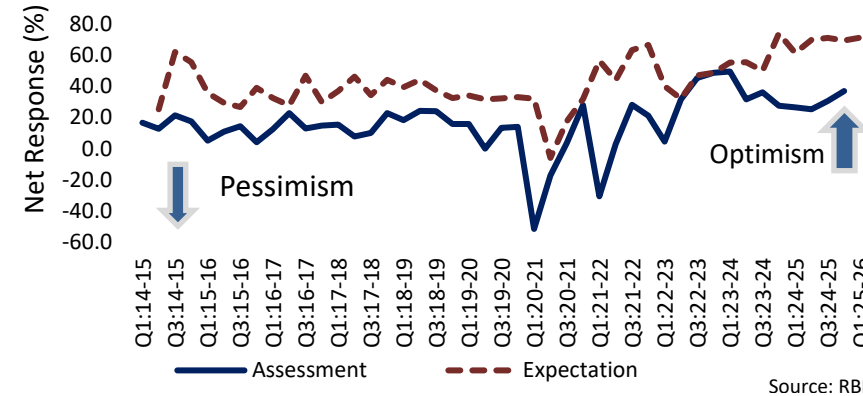
Central Government Capital Expenditure Growth

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



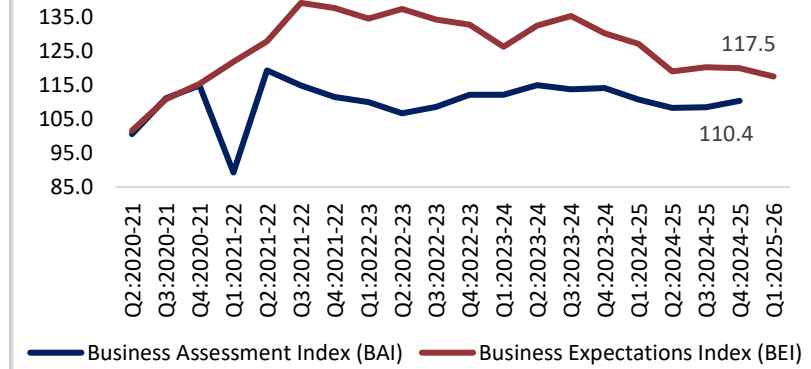
RBI outlook for Turnover of Infrastructure Companies

Infra companies showing positive response



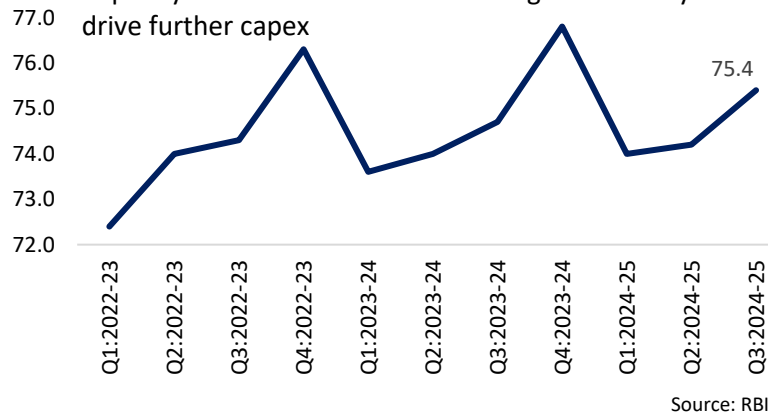
RBI Industrial Outlook Survey for Manufacturing Sector

Manufacturing companies remained optimistic on demand conditions



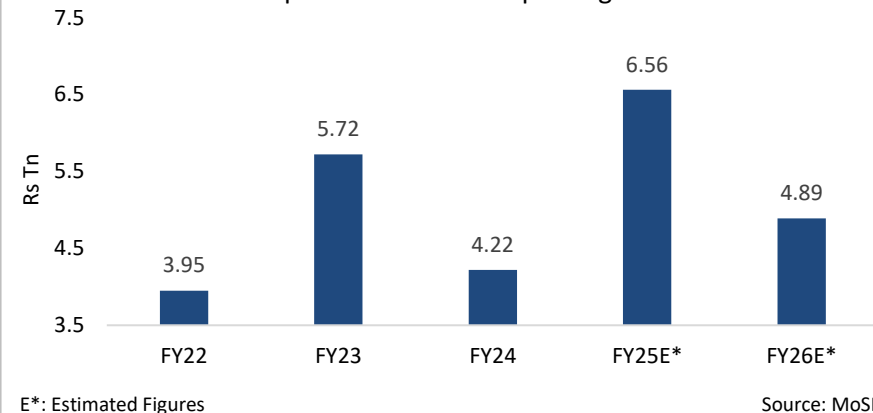
Capacity Utilization

Capacity utilization continues to be high which may drive further capex



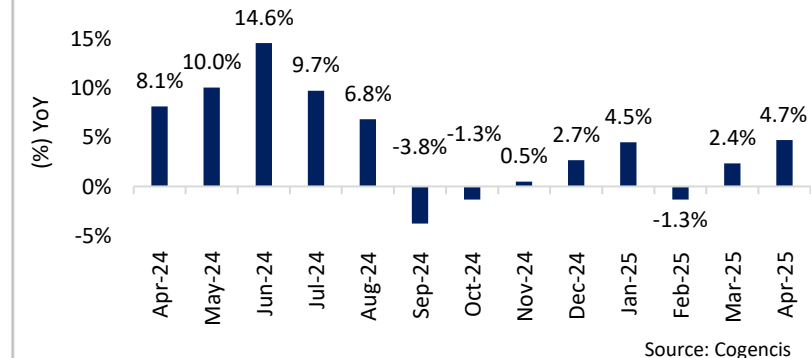
Private Sector Capital Expenditure

Private sector capex numbers are improving



India Power Consumption

Improvement in power demand will drive power capex, which can be substantially high



In the last 4 months while the markets have been volatile, new sectors have emerged as winners

Absolute Monthly Return By Sector (%)

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

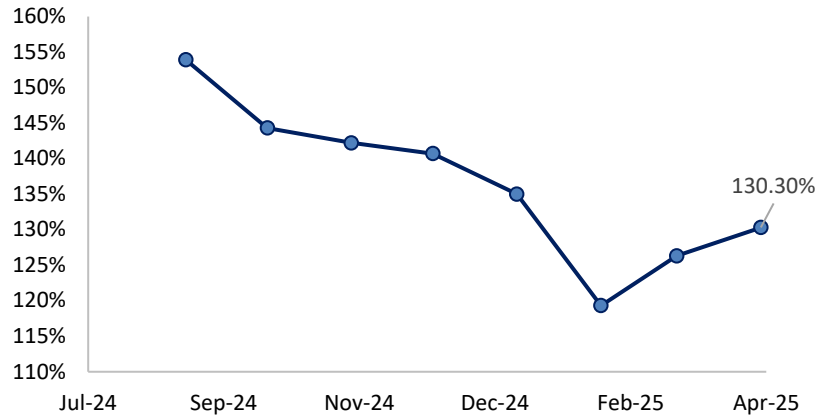
The above mentioned sectoral indices pertain to the S&P BSE universe

Colour scales assigned vertically

Source: Ace MF, HDFC Bank Research

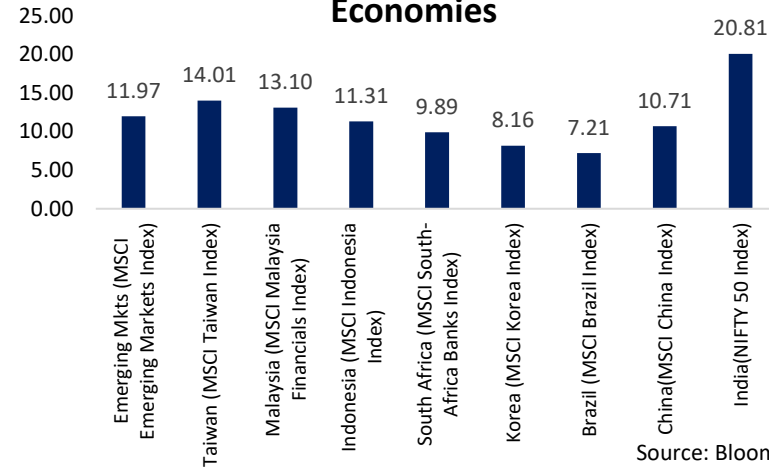
India Valuations: Despite the recent correction, markets not cheap...High liquidity and declining DXY, can have positive impact on valuation rerating

India's Market Cap to GDP - Off Highs



Source: Bloomberg

12M Expected Fwd PE of Various Economies



Source: Bloomberg

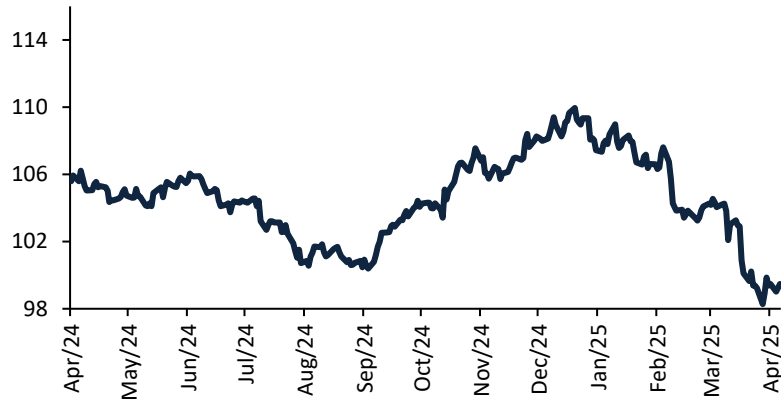
On a 12M fwd P/E of Nifty 50 seems to be at a reasonable level comparatively

| Index | FY26 (Est) | FY27 (Est) |
|--------------------|------------|------------|
| Nifty 50 | 20.81 | 18.77 |
| Nifty Midcap 100 | 29.08 | 23.37 |
| Nifty Smallcap 250 | 26.86 | 22.13 |

Source: Bloomberg

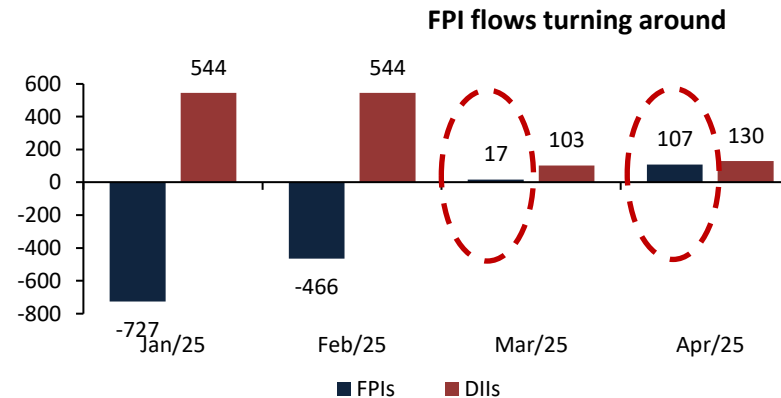
US Dollar Index

On a declining trajectory...



Source: Bloomberg

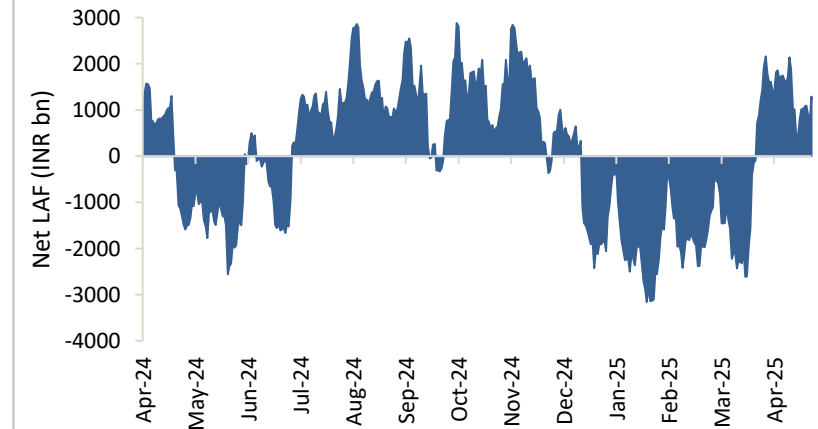
... Driving FPI flows back in Indian equity markets



*For 2025, FPI and DII data is up to 30th and 29th

Source:

RBI's liquidity infusion was a positive for markets

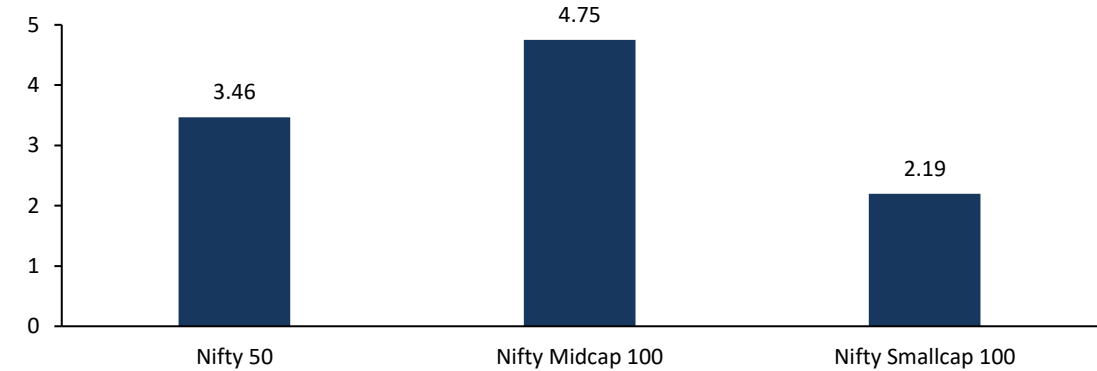


Source: Bloomberg

Market Roundup – April 2025

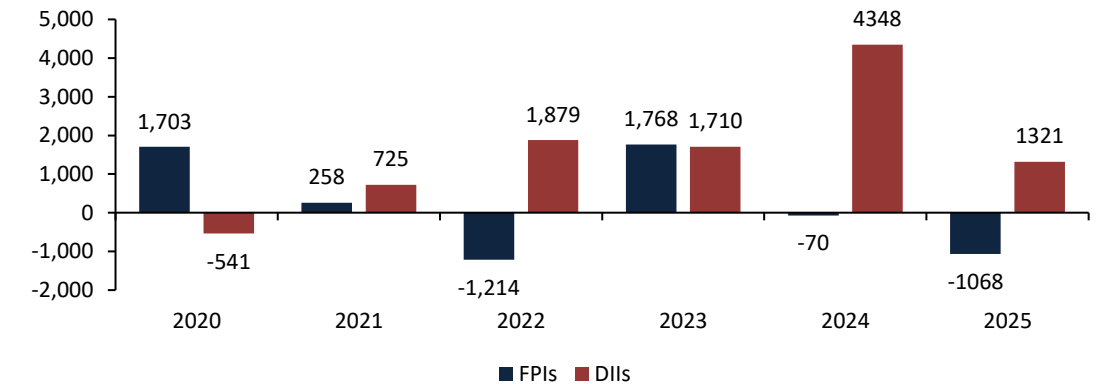
- Indian equities ended the month on a positive note. Large cap-oriented BSE Sensex ended higher by 3.65% (MoM) and Nifty 50 ended higher by 3.46% (MoM).
- While the BSE Midcap index ended higher by 3.26%(MoM), BSE Small cap index ended higher by 1.63% (MoM). While the BSE Midcap index ended higher by 7.62%(MoM), BSE Small cap index ended higher by 8.25% (MoM).
- In terms of BSE sectoral indices, most of the sectors ended on a positive note. Consumer Durable, Oil & Gas, Bankex and FMCG were the gainers during the month.
- Domestic equity markets ended the month on a positive note driven by strong earnings, banking sector reforms, easing US-China trade tensions and consistent foreign fund inflows, the US President's announcement of tariff exemptions for smartphones and computers, along with a suggestion of a potential halt on auto tariffs. Investors also remained optimistic about potential interest rate cuts by both the RBI and the US Fed. However, some losses were seen due to heightening geopolitical tensions between India and Pakistan.

Absolute Return In April 2025 (%)



Source: Bloomberg

Net Flows In Equities (Rs Bn)



*For 2025, FPI and DII data is up to 30th and 29th April respectively.

Source: SEBI, CDSL

Key concerns for Indian equities

- Low growth in consumer demand
- Expectation of weakening in margins profile for corporates
- Upward pressure on food inflation (weak monsoons, export restrictions by some nations)
- Any escalation in Geo-political conflict at Indian borders.
- 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 –Positive</p> <ul style="list-style-type: none"> Valuations in most of the Banks are reasonable, especially the Largecap Private sector banks. Earnings for Q4 FY25 have been strong for Private sector banks. Mutual funda have continually raised their holdings in this segment. 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. Larger Private banks are expected to see more stable asset quality. RBI liquidity and policy rate actions in the recent months have been quite positive for the BFSI segment, from a medium-term perspective. With additional disposable income in the form of income tax cut, expectations are that asset quality pain could be over in a couple of quarters. |
| IT | <p>View –Neutral to negative</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. Fund Managers are running underweight positions |
| Pharma and Healthcare | <p>View – Neutral</p> <ul style="list-style-type: none"> Domestic demand holding up well, stocks have rallied, valuations have risen considerably. US is seeing abatement of price erosion in the generic space, which should be positive for Indian pharma stocks. Tariff announcement can be a risk. Fund Managers are looking at very stock specific opportunities, majorly in the domestic pharma space. Funds are cutting 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. 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. Auto ancillaries may do well due to improving content per vehicle, export opportunities and EV initiatives. Valuations in select names remain reasonable. |

Sectoral outlook by fund managers – Part 2

| Sector | Particulars |
|---------------------------------------|---|
| Construction & Real Estate | <p>View – Neutral to negative</p> <ul style="list-style-type: none"> Housing segment is seeing initial signs of plateauing, Fund Managers are not looking to add exposure in the sector. While the Government's focus is on infrastructure and investment cycle, the Govt. spending seems to be sluggish and is emerging as a key risk. Approach followed by most AMCs for Real estate sector - Prefer investing in this space through proxy sectors such as housing finance companies and housing ancillary stocks among others. The Fund managers expect these sectors to start firing going forward. |
| Consumption | <p>View – Consumer Services - Neutral, Consumer Durables and FMCG- Neutral to positive</p> <ul style="list-style-type: none"> Staples – With expectations of improvement in consumption in FY26, Fund Managers are deep diving. 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 – Negative</p> <ul style="list-style-type: none"> With the Government spending growth decelerating, Fund Managers may be gradually cutting their overweight exposure in this sector, as incremental earnings growth in many sub-segments may disappoint. While current order books are robust, visibility is weakening, sustainability of margin remains a key question. Power transmission, Nuclear energy and Electronics continues to be the positive themes for capex. Valuations are still high and are likely to see further cuts. |
| 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 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. |

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 | 6.48% | 30.87% | 5.39% | 7.74% | 6.74% | 6.32% | 4.09% | 9.09% | 0.16% | 11.11% | 0.18% | 6.50% | 3.27% | 0.29% | 1.77% |
| 360 ONE | 9.97% | 31.89% | 11.61% | 3.60% | 1.96% | 6.04% | 3.08% | 7.58% | 0.23% | 1.60% | 0.00% | 6.71% | 8.75% | 0.31% | 3.72% |
| Aditya Birla SL MF | 8.14% | 28.73% | 5.72% | 7.09% | 6.08% | 7.31% | 4.29% | 9.06% | 0.08% | 7.85% | 0.31% | 7.15% | 3.30% | 0.59% | 1.94% |
| Axis MF | 6.95% | 24.78% | 7.26% | 7.37% | 3.49% | 10.22% | 3.91% | 6.66% | 0.07% | 3.94% | 1.12% | 10.47% | 3.60% | 0.37% | 1.93% |
| Bajaj Finserv MF | 4.00% | 24.50% | 5.49% | 5.43% | 10.86% | 9.78% | 1.99% | 6.27% | 0.09% | 5.64% | 0.31% | 14.94% | 2.82% | 1.22% | 1.42% |
| Bandhan MF | 5.87% | 27.97% | 5.18% | 6.85% | 5.55% | 7.59% | 5.76% | 6.09% | 0.17% | 7.23% | 0.52% | 8.15% | 2.14% | 0.96% | 2.58% |
| Bank of India MF | 5.12% | 22.94% | 11.53% | 12.58% | 5.82% | 6.14% | 3.57% | 6.24% | 0.85% | 7.98% | 0.65% | 9.19% | 2.47% | 1.06% | 0.88% |
| Baroda BNP Paribas | 7.23% | 22.73% | 9.93% | 5.50% | 6.75% | 8.04% | 2.49% | 6.54% | 0.08% | 11.47% | 0.57% | 9.66% | 2.48% | 0.90% | 0.22% |
| Canara Robeco MF | 8.75% | 25.47% | 9.46% | 5.10% | 6.20% | 12.22% | 3.38% | 6.47% | 0.10% | 6.04% | 1.05% | 7.98% | 2.51% | 0.39% | 1.36% |
| DSP MF | 8.48% | 24.03% | 7.33% | 8.83% | 4.55% | 6.35% | 3.87% | 5.98% | 0.00% | 6.52% | 0.12% | 12.54% | 2.65% | 1.13% | 0.93% |
| Edelweiss MF | 6.11% | 24.68% | 9.80% | 7.91% | 5.39% | 11.54% | 4.44% | 8.84% | 0.00% | 3.87% | 0.16% | 10.22% | 2.24% | 1.20% | 0.72% |
| Franklin Templeton MF | 5.94% | 25.09% | 6.33% | 6.53% | 4.50% | 9.82% | 5.21% | 8.01% | 0.02% | 7.20% | 0.22% | 8.00% | 3.74% | 0.87% | 1.81% |
| Groww MF | 8.73% | 44.00% | 4.74% | 3.64% | 1.55% | 3.55% | 2.74% | 8.00% | 0.00% | 1.62% | 2.27% | 5.48% | 2.75% | 0.25% | 1.05% |
| HDFC MF | 10.06% | 29.56% | 5.82% | 5.95% | 3.16% | 5.68% | 3.47% | 6.80% | 0.40% | 4.81% | 0.08% | 10.76% | 2.99% | 0.44% | 3.19% |
| Helios MF | 1.61% | 44.78% | 6.62% | 0.00% | 2.61% | 8.35% | 2.61% | 2.61% | 0.86% | 11.53% | 0.00% | 7.09% | 3.05% | 0.86% | 4.10% |
| HSBC MF | 4.35% | 22.63% | 15.13% | 5.12% | 5.44% | 12.13% | 7.16% | 7.08% | 0.02% | 4.35% | 1.20% | 7.43% | 2.06% | 2.05% | 0.90% |
| ICICI Pru MF | 9.04% | 25.65% | 3.88% | 8.76% | 4.60% | 4.71% | 4.99% | 6.76% | 0.42% | 10.31% | 0.82% | 7.49% | 3.60% | 0.45% | 1.71% |
| Invesco MF | 5.15% | 28.44% | 11.41% | 4.08% | 2.83% | 13.43% | 4.33% | 7.25% | 0.00% | 3.16% | 0.95% | 12.63% | 1.96% | 0.01% | 2.31% |
| ITI MF | 4.55% | 24.85% | 13.87% | 8.85% | 5.19% | 6.55% | 4.74% | 5.91% | 0.37% | 5.55% | 1.28% | 11.52% | 1.78% | 1.04% | 1.21% |
| JM MF | 4.77% | 30.31% | 6.11% | 6.15% | 6.13% | 10.00% | 2.47% | 6.14% | 0.00% | 6.81% | 0.00% | 10.74% | 2.59% | 1.80% | 1.92% |
| Kotak MF | 8.71% | 19.23% | 9.74% | 12.25% | 3.50% | 8.76% | 4.55% | 9.20% | 0.47% | 7.27% | 0.07% | 8.83% | 2.99% | 0.27% | 1.71% |
| LIC MF | 8.28% | 21.61% | 20.87% | 5.59% | 6.33% | 6.09% | 3.39% | 4.99% | 0.73% | 5.99% | 1.50% | 5.95% | 1.37% | 1.47% | 2.05% |
| Mahindra Manulife MF | 6.60% | 24.11% | 8.22% | 8.52% | 7.67% | 7.72% | 1.90% | 5.43% | 0.19% | 8.78% | 0.58% | 8.16% | 4.06% | 1.72% | 2.18% |
| Mirae MF | 5.99% | 31.37% | 4.24% | 7.67% | 4.53% | 9.96% | 4.17% | 7.68% | 0.00% | 6.83% | 0.00% | 9.94% | 3.68% | 0.05% | 2.63% |
| Motilal Oswal MF | 3.04% | 8.25% | 19.41% | 2.00% | 1.23% | 16.24% | 3.32% | 15.11% | 0.00% | 0.65% | 0.10% | 4.54% | 3.31% | 0.15% | 0.46% |
| Navi MF | 8.47% | 22.77% | 13.56% | 3.48% | 6.70% | 7.76% | 0.35% | 8.57% | 1.60% | 3.35% | 1.02% | 8.88% | 2.73% | 0.00% | 3.16% |
| Nippon India MF | 6.18% | 27.14% | 10.51% | 5.37% | 4.71% | 12.04% | 3.23% | 4.62% | 0.34% | 8.34% | 0.76% | 9.57% | 1.39% | 0.84% | 1.83% |
| NJ MF | 14.71% | 10.93% | 0.30% | 3.77% | 14.07% | 5.25% | 0.00% | 15.58% | 0.00% | 9.98% | 0.00% | 24.41% | 0.00% | 0.42% | 0.00% |
| Old Bridge MF | 7.53% | 11.36% | 0.00% | 12.02% | 8.49% | 3.49% | 4.01% | 7.03% | 0.00% | 0.00% | 2.09% | 13.35% | 6.00% | 0.00% | 15.95% |
| PGIM India MF | 6.87% | 21.35% | 7.65% | 8.79% | 4.67% | 14.19% | 2.37% | 7.66% | 0.00% | 3.41% | 0.04% | 12.61% | 2.26% | 0.99% | 3.57% |
| PPFAS MF | 7.85% | 31.18% | 0.03% | 0.00% | 4.70% | 2.48% | 0.00% | 10.50% | 0.00% | 12.01% | 0.00% | 4.38% | 0.00% | 0.00% | 2.57% |
| Quant MF | 4.14% | 15.37% | 2.32% | 9.18% | 8.42% | 6.33% | 7.78% | 0.55% | 1.50% | 21.88% | 0.04% | 10.53% | 2.33% | 1.05% | 2.14% |
| Quantum MF | 9.61% | 39.49% | 1.18% | 4.45% | 0.99% | 4.80% | 0.00% | 15.00% | 0.11% | 4.40% | 0.21% | 4.40% | 3.76% | 0.00% | 0.46% |
| Samco MF | 3.13% | 24.70% | 5.12% | 12.73% | 5.39% | 7.54% | 1.00% | 5.39% | 0.00% | 0.11% | 0.00% | 15.14% | 1.66% | 2.35% | 3.17% |
| SBI MF | 7.96% | 24.96% | 5.11% | 6.85% | 5.87% | 6.43% | 2.94% | 6.37% | 0.24% | 8.65% | 3.09% | 7.36% | 2.85% | 1.95% | 1.76% |
| Shriram MF | 3.78% | 33.27% | 3.24% | 9.79% | 8.03% | 9.48% | 0.66% | 1.85% | 0.00% | 0.00% | 1.06% | 17.77% | 4.28% | 0.46% | 2.53% |
| Sundaram MF | 6.87% | 26.98% | 7.59% | 5.47% | 5.04% | 10.91% | 6.18% | 6.38% | 0.16% | 6.18% | 0.14% | 8.07% | 4.08% | 0.11% | 1.89% |
| Tata MF | 4.27% | 23.25% | 6.70% | 7.22% | 4.62% | 7.26% | 3.75% | 15.77% | 0.19% | 6.62% | 0.85% | 7.76% | 2.47% | 0.67% | 3.26% |
| Taurus MF | 7.95% | 23.45% | 6.76% | 3.52% | 6.58% | 5.02% | 3.54% | 12.47% | 0.22% | 13.00% | 0.17% | 9.19% | 2.83% | 1.12% | 1.65% |
| Trust MF | 3.59% | 26.32% | 18.39% | 6.14% | 3.71% | 11.02% | 3.47% | 6.10% | 0.00% | 2.36% | 0.00% | 9.37% | 1.15% | 1.75% | 2.68% |
| Union MF | 6.79% | 24.23% | 8.99% | 8.24% | 3.29% | 12.22% | 4.65% | 7.06% | 0.07% | 4.89% | 0.07% | 9.22% | 2.61% | 0.93% | 3.84% |
| UTI MF | 9.32% | 25.43% | 5.32% | 6.16% | 4.37% | 13.42% | 2.36% | 9.79% | 0.25% | 4.43% | 0.44% | 9.77% | 3.05% | 0.65% | 1.72% |
| WhiteOak Capital MF | 4.45% | 32.30% | 7.23% | 3.67% | 3.99% | 10.03% | 1.89% | 9.02% | 0.02% | 3.62% | 1.66% | 10.86% | 4.04% | 0.39% | 1.78% |

Source: ACE MF

Data as on 30th March 2025

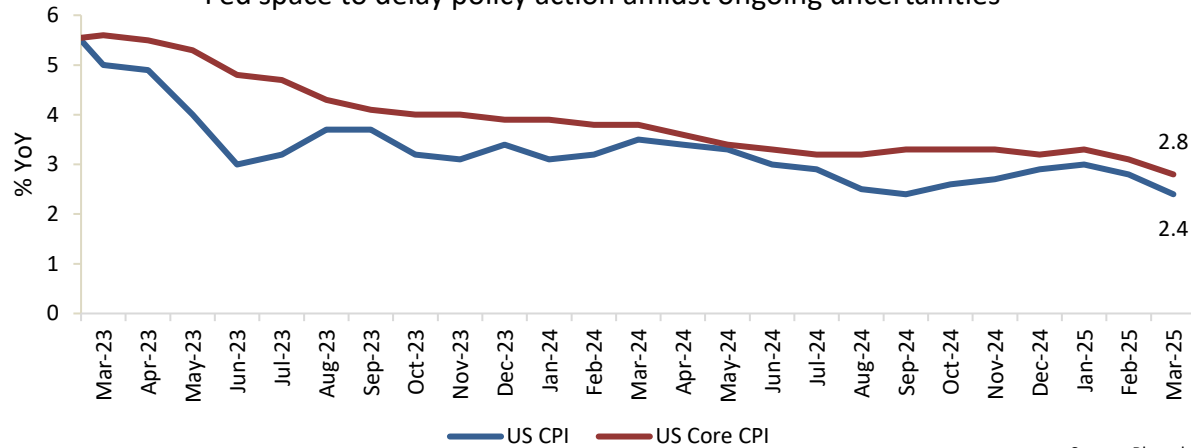
Fixed Income Market

Fixed Income Outlook

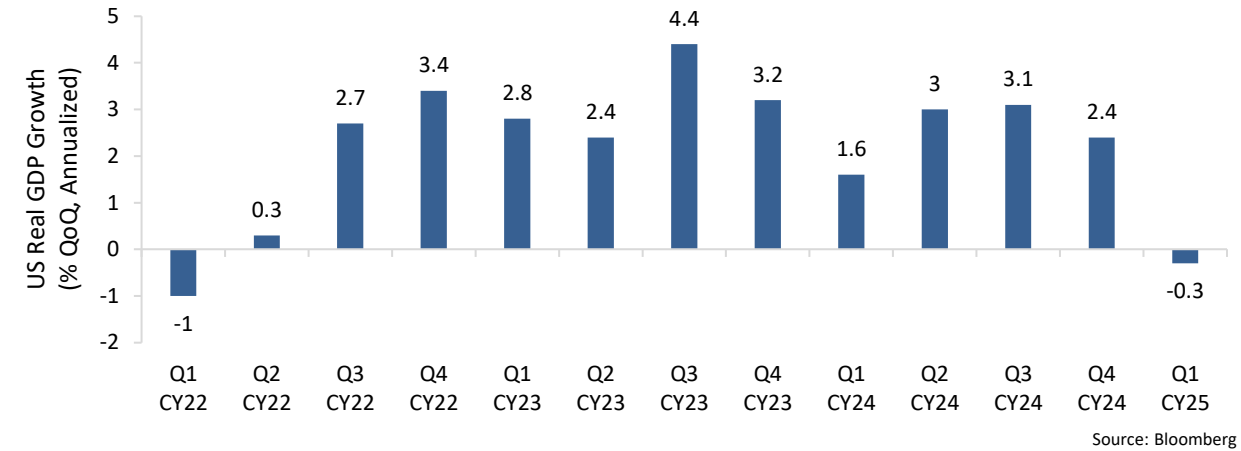
- Liquidity conditions eased substantially and remained in surplus throughout the month on the back of seasonality wearing off, higher government spending and lower currency leakage. The RBI, on its part, continued its active liquidity monitoring and took measures accordingly. Liquidity is expected to get further boost in May 2025 once the RBI dividend comes in.
- The Consumer Price Index (CPI) decelerated further to 3.34% YoY in March 2025 from 3.61% YoY in February 2025. This continued deceleration has allowed RBI to turn pro-growth. While above average rainfall as forecasted by the IMD can support food inflation, weather vagaries will still need to be watched out for as rising temperatures and an early summer may pose upside risk to the same.
- Issues on the external front, in terms of rising trade deficit, geopolitical uncertainties, and risk emanating from the recently announced US tariffs, remain a key challenge for the RBI to negotiate with in the medium term and can affect the depth of the ongoing policy rate cut cycle.
- The Monetary Policy Committee cut rates for the second time in succession and changed their stance from 'neutral' to 'accommodative' in their April 2025 meeting. The RBI seems to have shifted its focus from inflation to growth, hence there is an increased likelihood of further growth-supportive policy actions being taken by them.
- Expectation of a favorable bilateral trade deal with US may drive USD/INR going forward.
- In the US, the tariff announcement took centre stage. The US Federal Reserve (Fed) continued highlighting higher uncertainty in their outlook. Going forward, developments around tariff negotiations and their likely impact will be a key monitorable. The US economy has started showing signs of stress as it de-grew during Q1 CY25 for the first time in 3 years.
- The European Central Bank (ECB) cut rates for the 7th time. However, under the present uncertainties around inflation caused by global trade friction, they are expected to take a data-dependent and meeting-by-meeting approach to determine appropriate policy stance going forward.
- Globally, major central banks continued to remain divergent in their policy stance and have become data dependant for future guidance to navigate through the uncertainties posed by the trade war.
- Concerns surrounding weakening growth pushed commodity prices down. This, coupled with OPEC's decision to increase production, continues to weigh down on crude prices.
- Indian G-sec yields closed sharply lower in April 2025. Yields fell after RBI's policy actions in its latest MPC meeting. The fall in yields was further supported by the easing liquidity conditions.
- 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 long-term. Post the substantial drop in long term bond yields, incremental opportunity in long duration seems limited at this juncture.
- Additionally, improvement in liquidity conditions basis RBI measures has normalised the corporate bond yields at the shorter end, resulting in strong performance of Corporate bond funds. The corporate bond fund curve still remains marginally inverted.
- Further liquidity easing, post the RBI dividend kicking in, could lead to decline at the shorter end of the corporate bond yield curve, making the case for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above.
- For a horizon of 24 months and above investors can consider Income Plus Arbitrage FoF.
- For a horizon of 3 months and above, investors can consider Arbitrage Funds.
- Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds.
- Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above.
- Investors should invest in line with their risk profile and product suitability.

US - full tariff or reduced tariff - uncertainty prevails

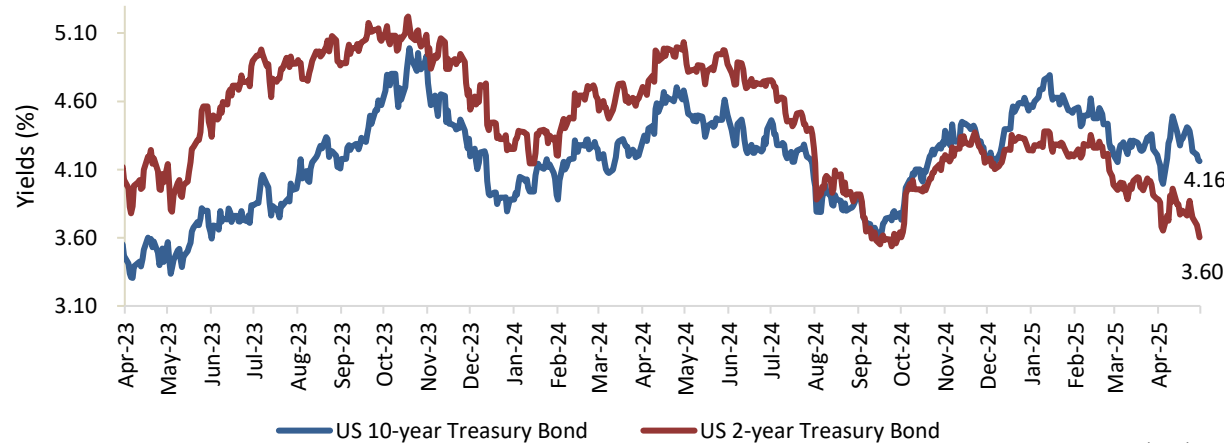
Both headline and core inflation decelerated faster than expected, giving Fed space to delay policy action amidst ongoing uncertainties



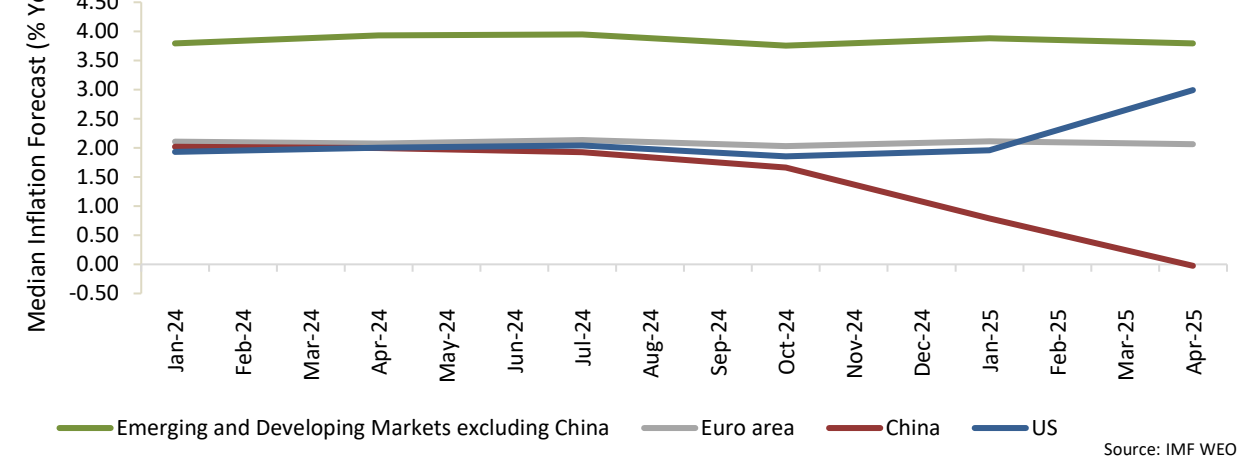
US GDP de-grew for the first time in 3 years raising concerns about impact of tariffs



Effect of high tariff on bond market pushes Trump to change quantum of tariffs.

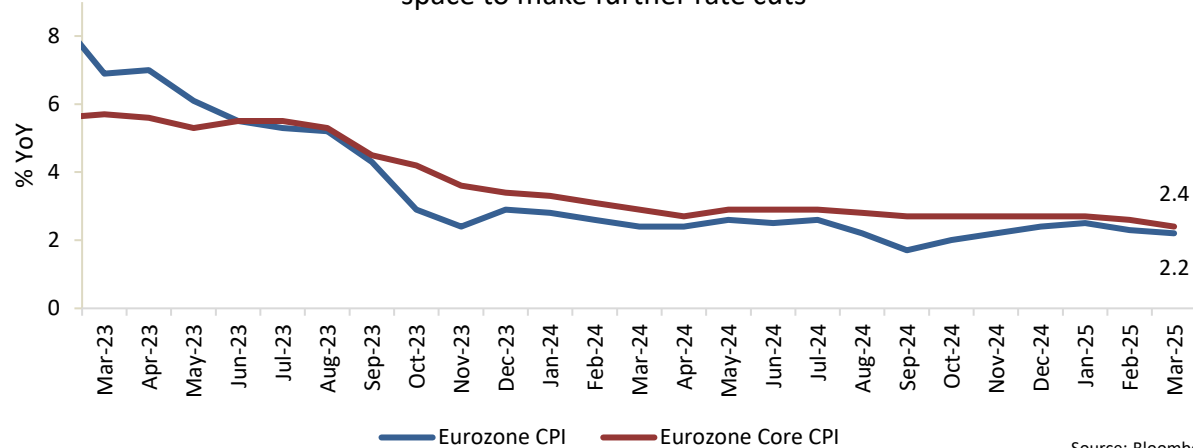


Tariff changes may lead to higher inflation in US while China may see disinflation

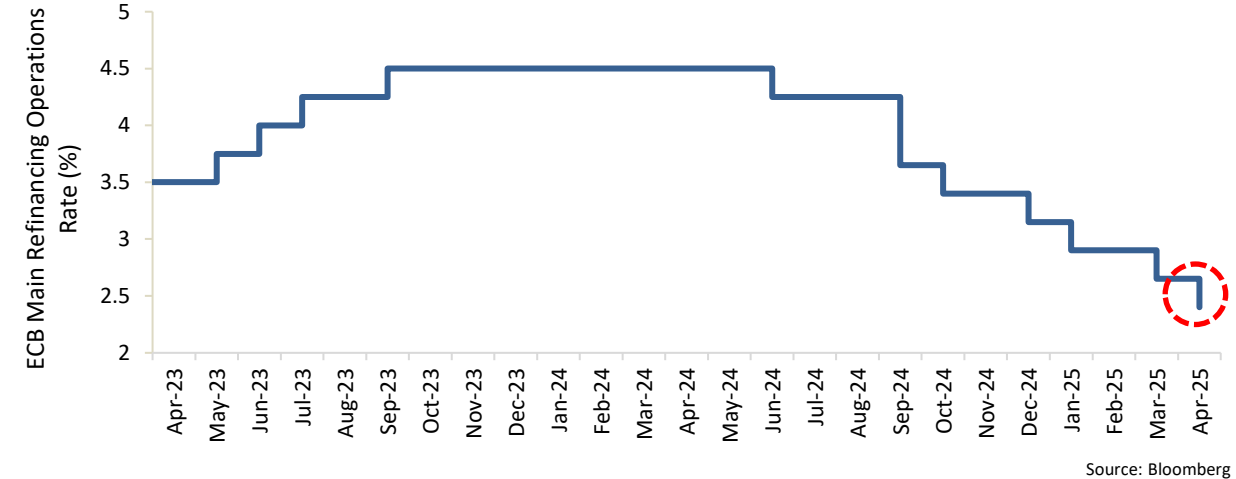


Despite looming trade uncertainties, better inflation alignment to medium term target allowed ECB to lower rates and support struggling economy

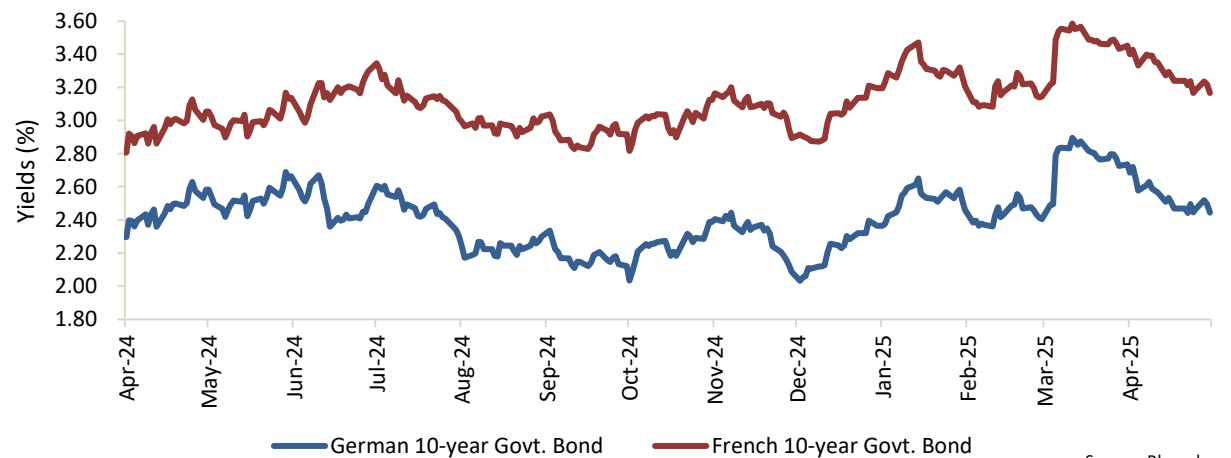
Both headline and core inflation in Europe eased further, providing ECB space to make further rate cuts



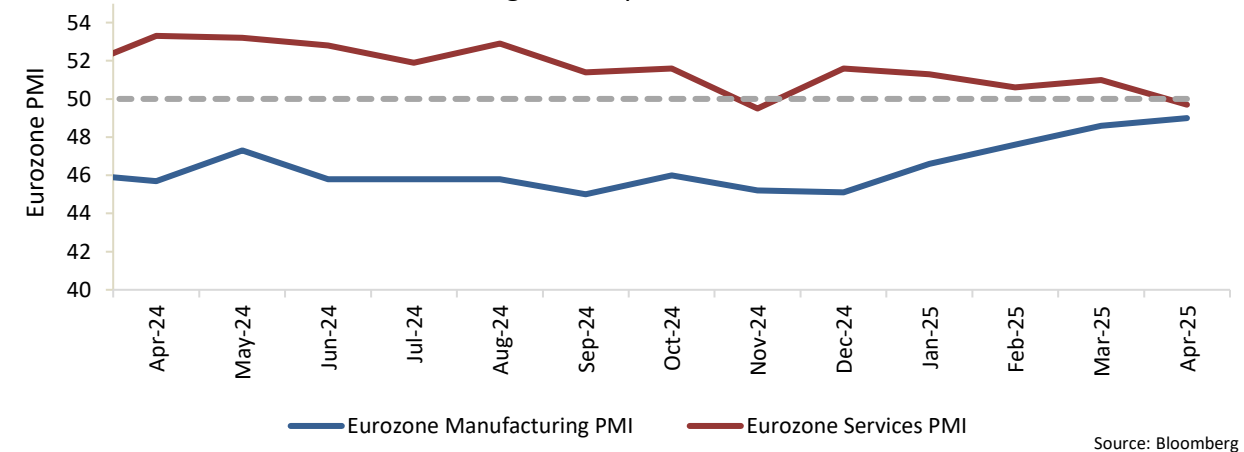
The ECB cut its policy rates for the 7th time



Bond yields rally due to safe haven demand amidst uncertainty in the US

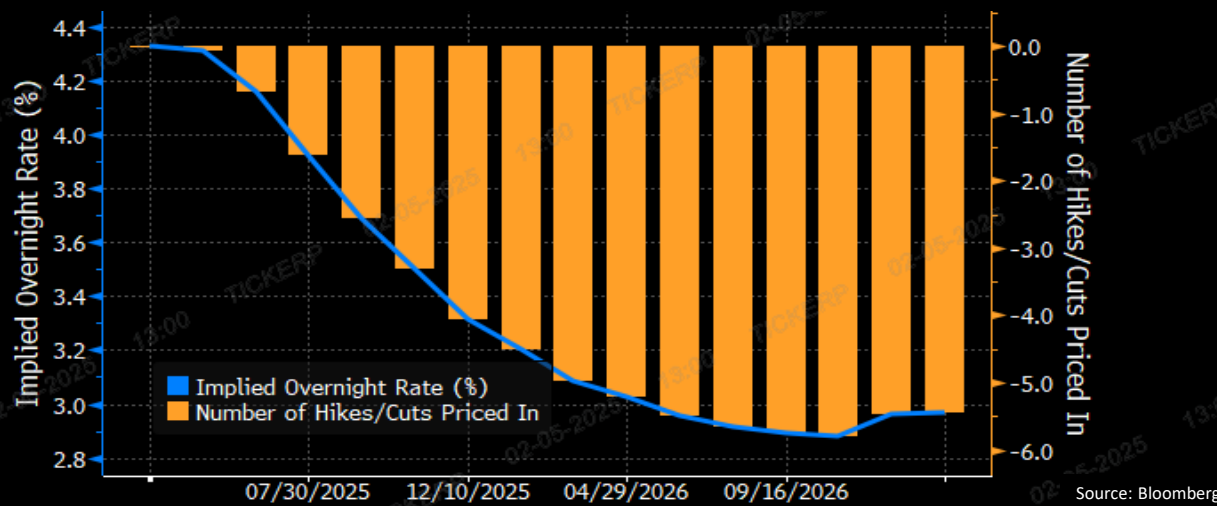


Services activity in the EU contracts while Manufacturing activity is showing signs of improvement



While ECB continued cutting rates both Fed and ECB has sounded off caution due to escalating trade tensions

The Fed is keenly monitoring incoming data due to higher uncertainty in outlook

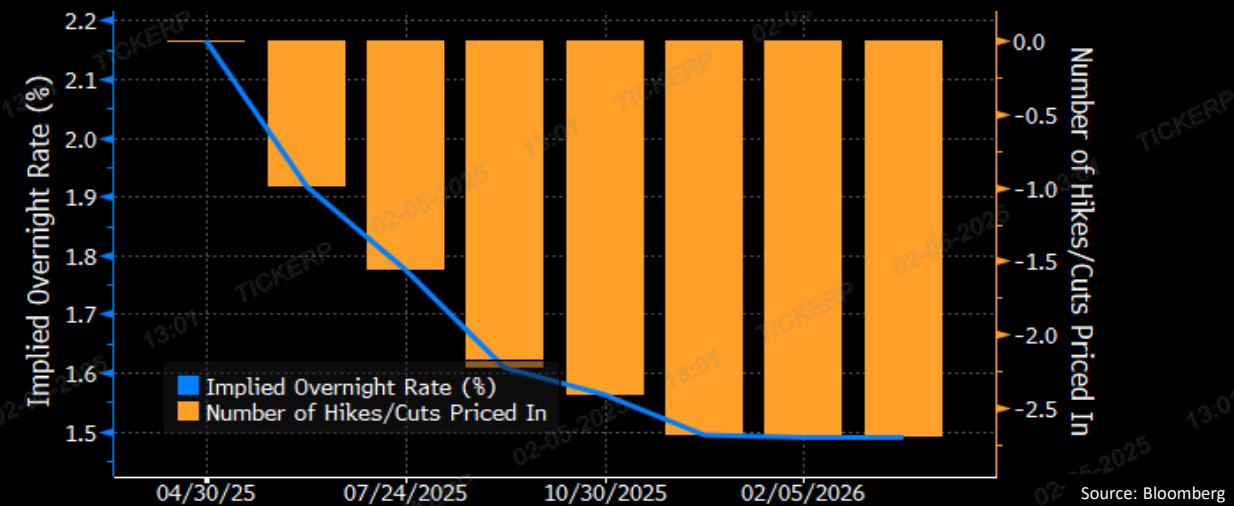


“These are very fundamental policy changes, there isn’t a modern experience of how to think about this...the level of the tariff increases announced so far is significantly larger than anticipated... We may find ourselves in the challenging scenario in which our dual-mandate goals are in tension.”

- **Jerome Powell**

At an event hosted by the Economic Club of Chicago

ECB Continues to remain data dependant despite cutting rates for the 7th time



“The economic outlook is clouded by exceptional uncertainty. Euro area exporters face new barriers to trade, although their scope remains unclear. Disruptions to international commerce, financial market tensions and geopolitical uncertainty are weighing on business investment. As consumers become more cautious about the future, they may hold back from spending as well... A strong labour market, higher real incomes and the impact of our monetary policy should underpin spending.”

- **Christine Lagarde, President of the ECB**
MPC Press Conference, 17th April 2025

Protectionist policies from US forcing Global central banks to remain watchful...

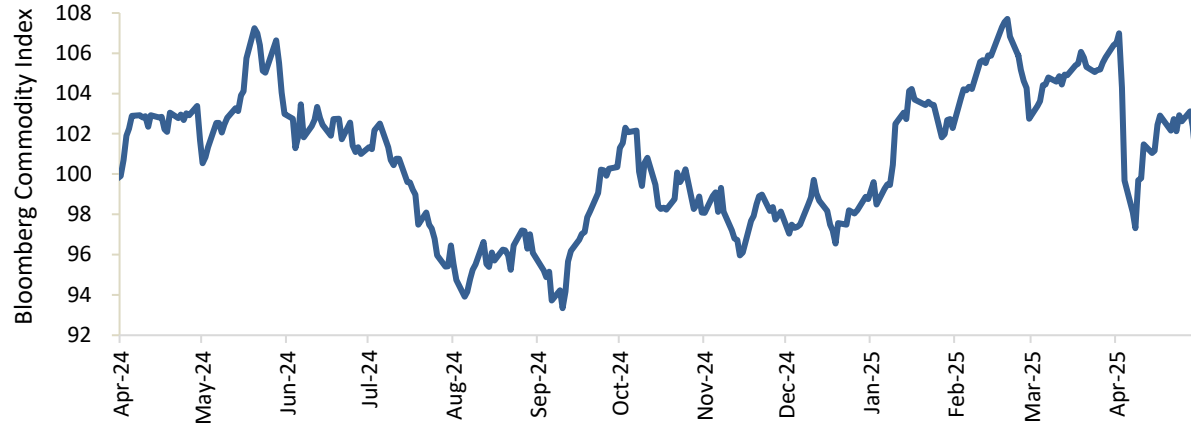
...While RBI turns growth supportive and cuts rate for the second time in succession



Source: Bloomberg

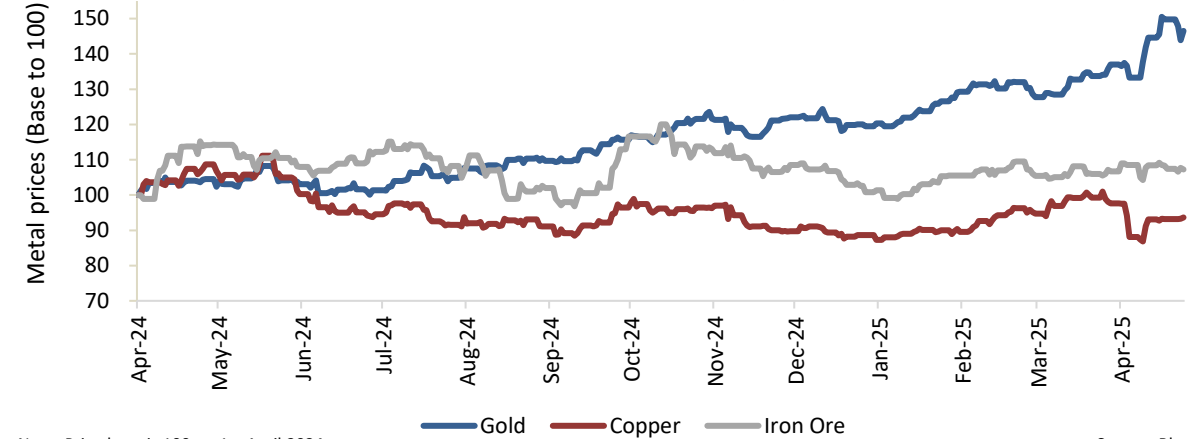
Global Commodities – Falling on the back of weakening growth impulses

Bloomberg's Commodity Index started cooling off towards the end of April



Source: Bloomberg

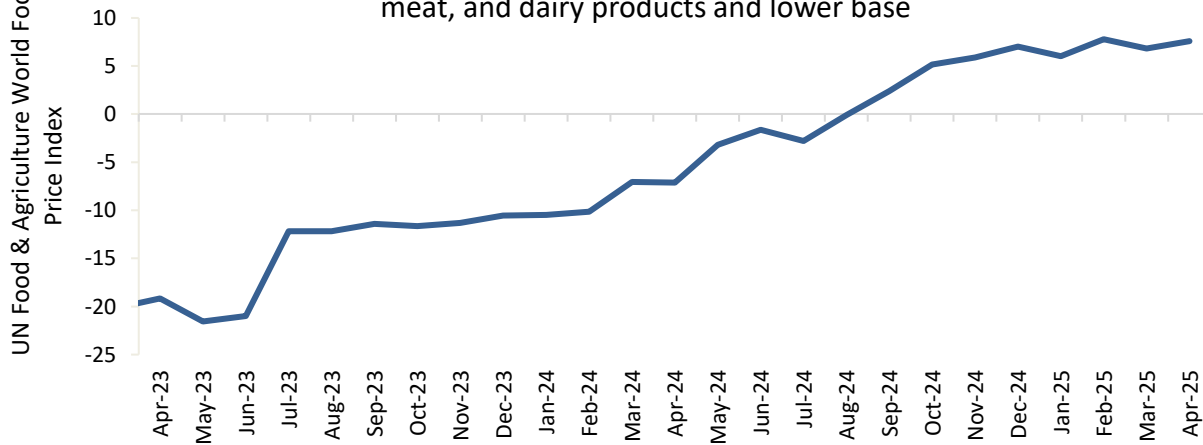
While other metals remained range bound over the past year, Gold rallied due to safe haven buying



Note: Price base is 100 on 1st April 2024

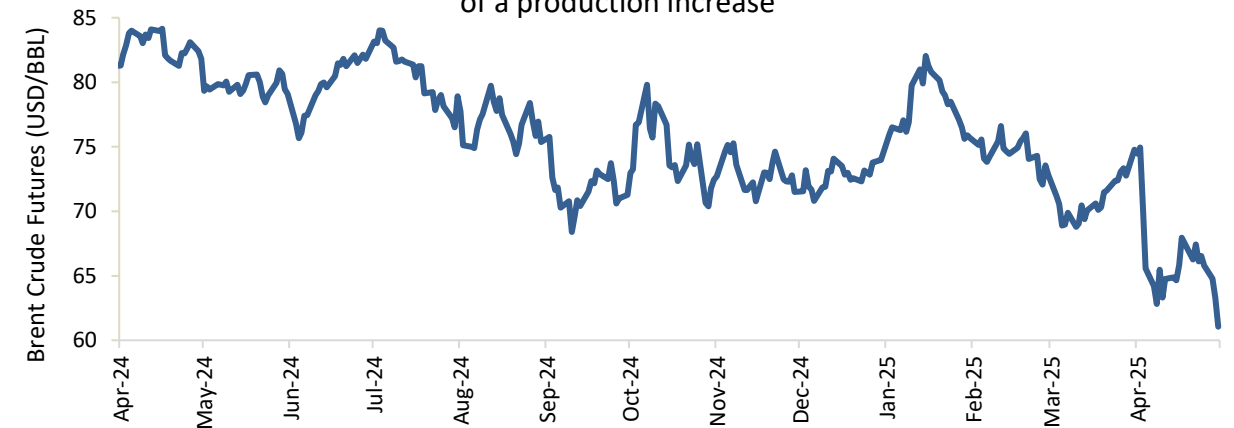
Source: Bloomberg

Global food prices increased marginally, driven by higher prices of cereal, meat, and dairy products and lower base



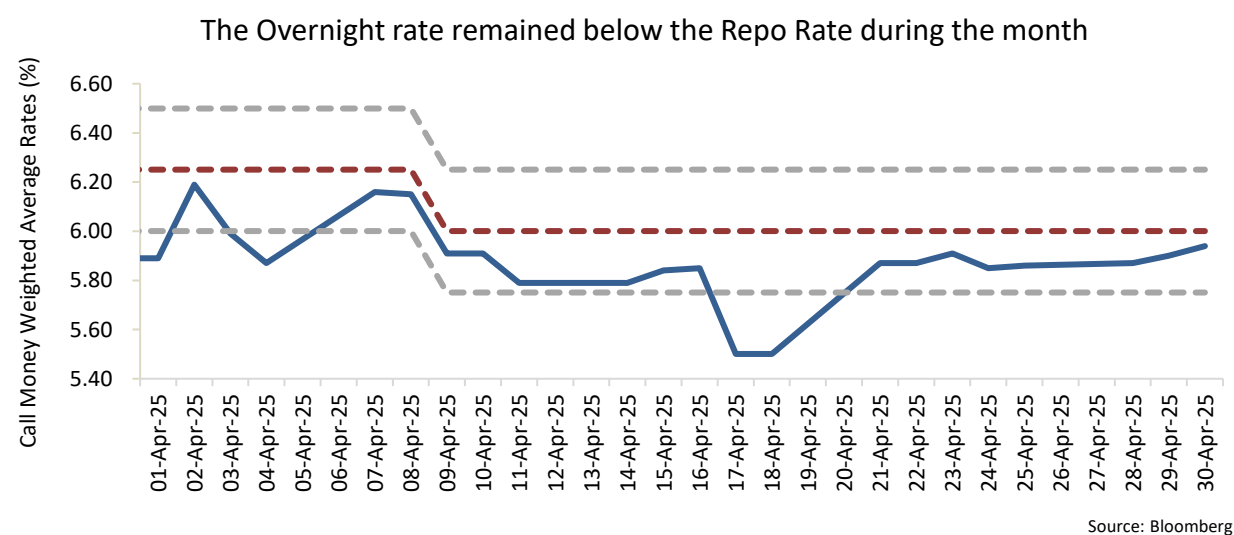
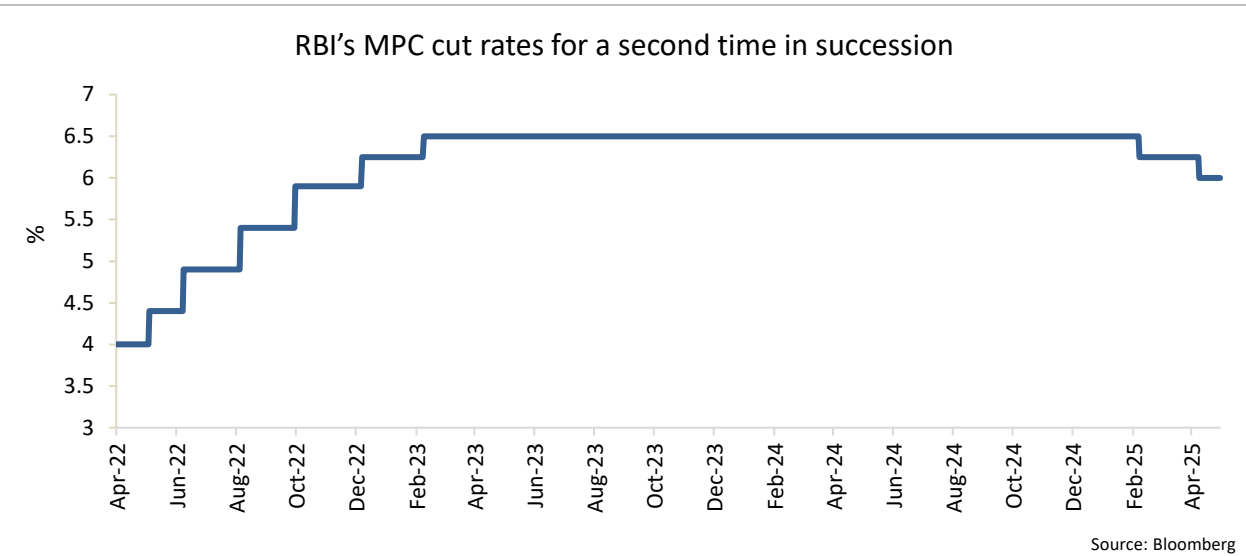
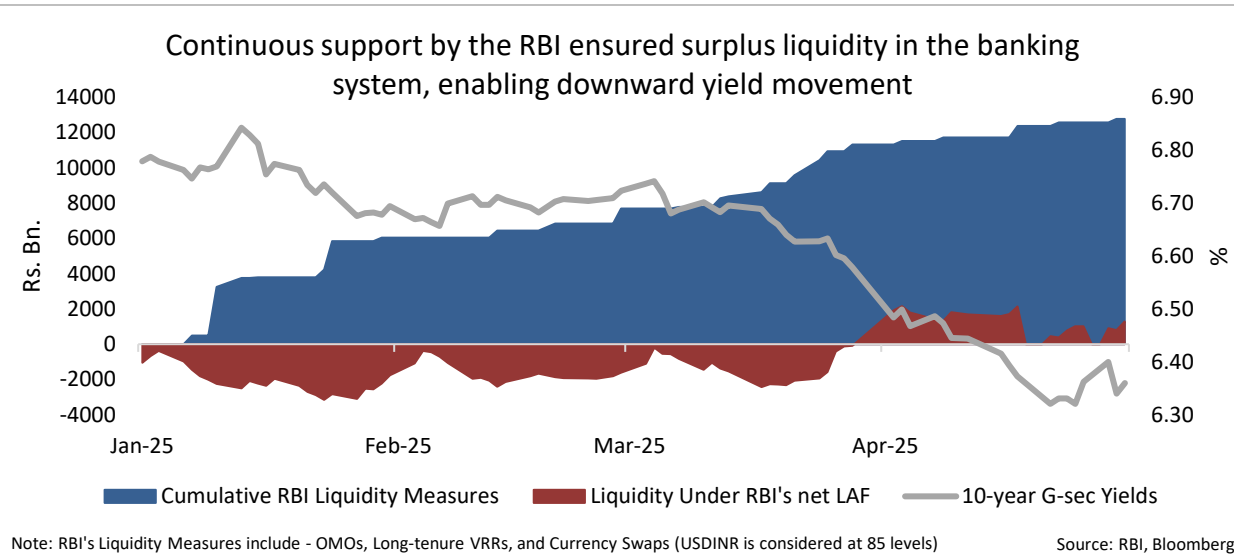
Source: Bloomberg

Crude prices fell due to global growth concerns and OPEC's announcement of a production increase



Source: Bloomberg

RBI measures shores up substantially on durable liquidity



RBI pulls out all stops to shore up liquidity and to support growth, changes stance

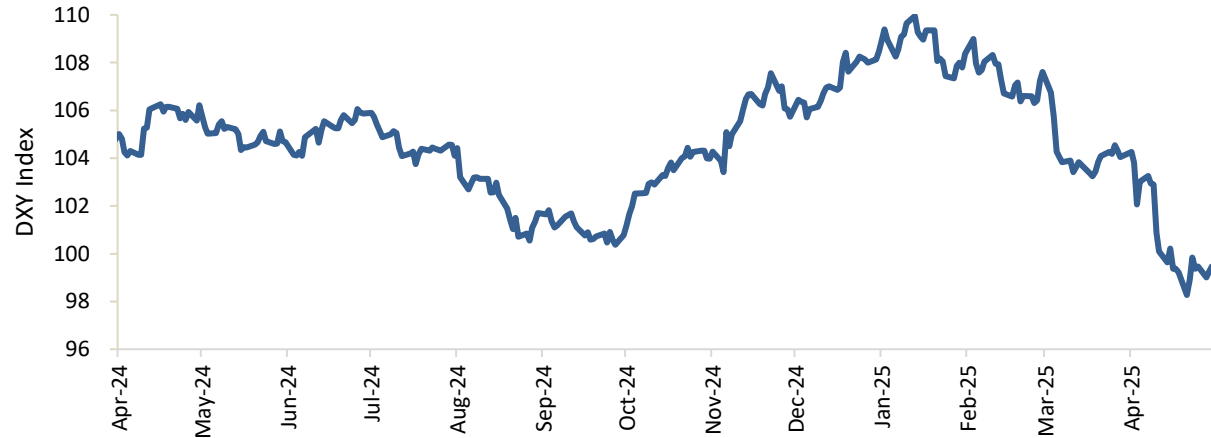
| Particulars | Total Amount (Rs. Bn.) | | |
|------------------------|------------------------|------------|----------------|
| | March 2025 | April 2025 | May 2025 |
| OMO | 1,500 | 1,200 | 1,250 |
| VRR | 10,572 | 2,240 | To be declared |
| UNSD/INR Buy/Sell swap | 853 | 0 | 0 |

Note: USDINR is considered at 85 levels

Source: RBI

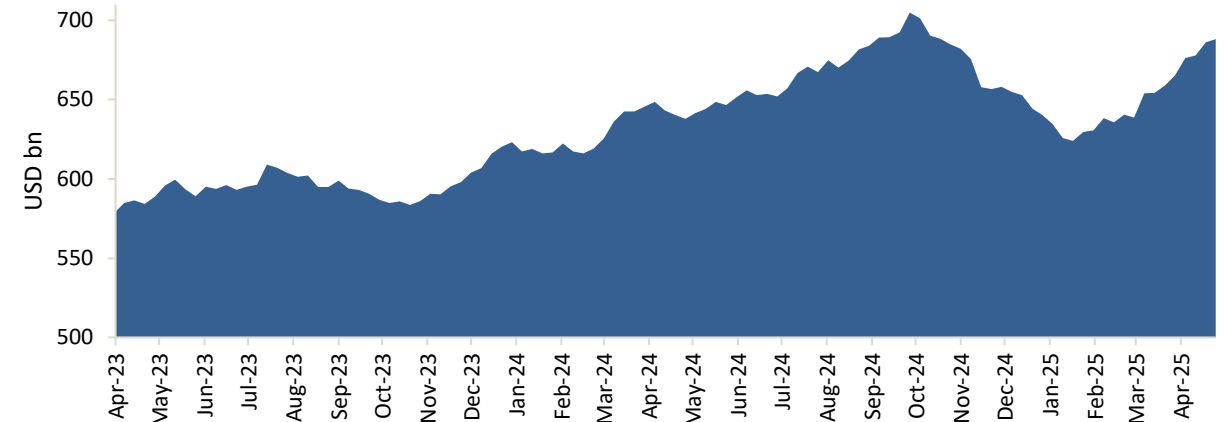
External position continues to strengthen... DXY declined further... Forex reserves continue to show improvement

Declining DXY is supporting USD/INR exchange rate



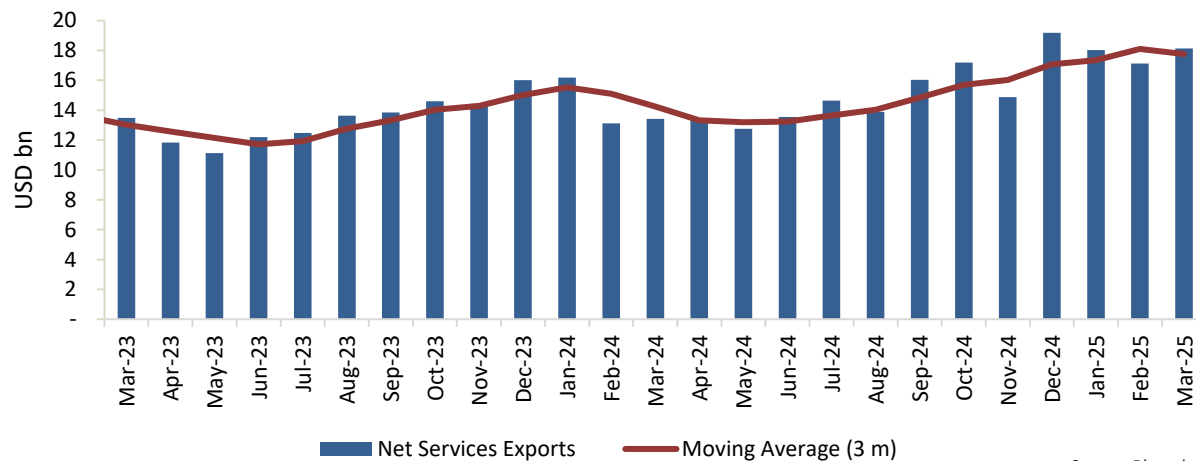
Source: Bloomberg

Forex Reserves continued its upward trend for the 8th consecutive week



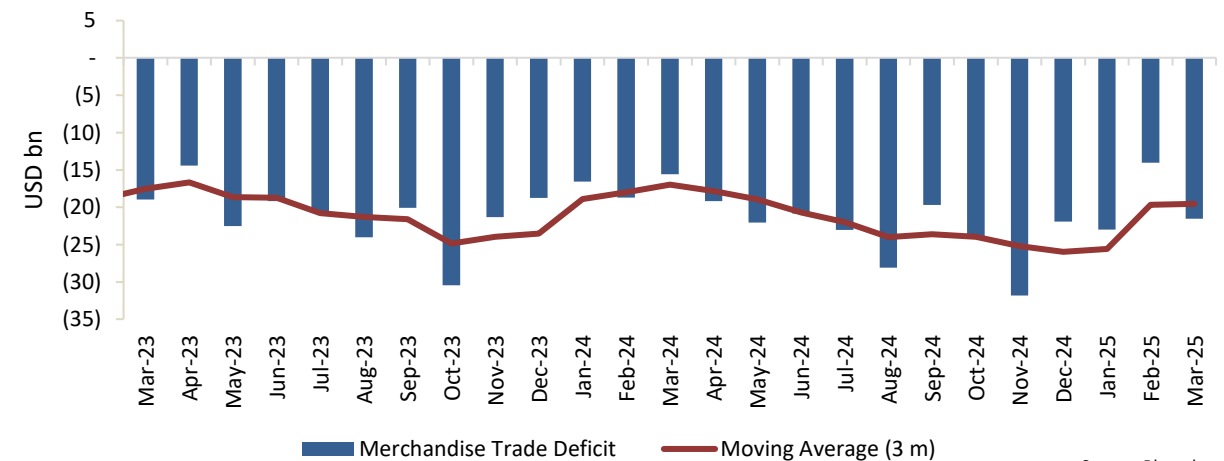
Source: Bloomberg

Since net services exports are substantially positive...



Source: Bloomberg

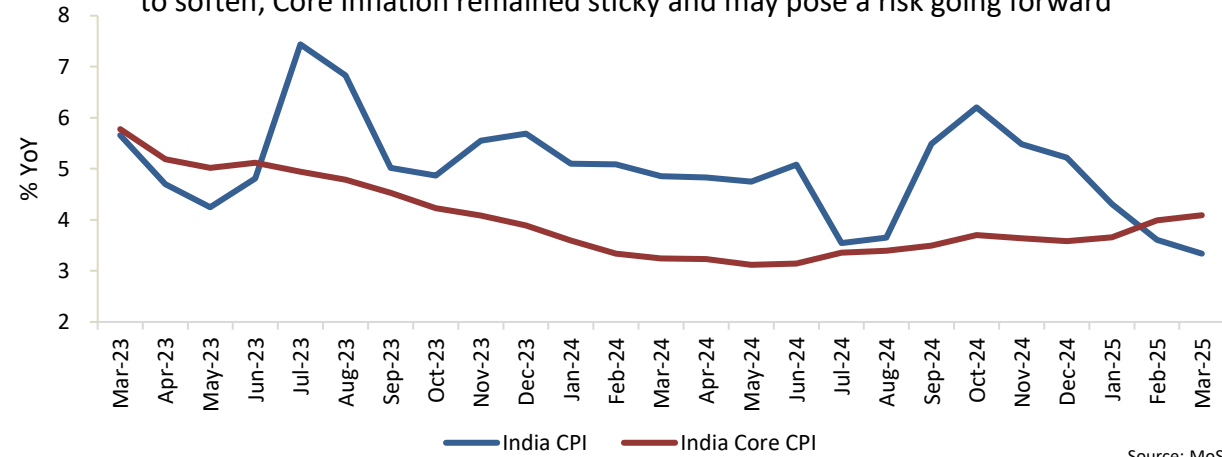
... it is likely to provide a cushion to the increasing trade deficit



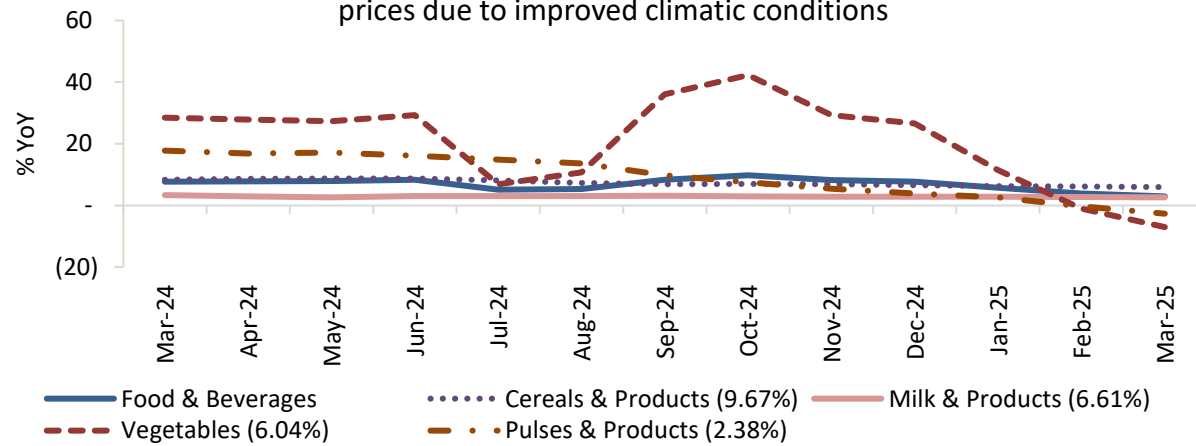
Source: Bloomberg

Decisive deceleration in Inflation would allow RBI to continue to be growth supportive

CPI Inflation decelerated further during the month as food prices continued to soften; Core Inflation remained sticky and may pose a risk going forward



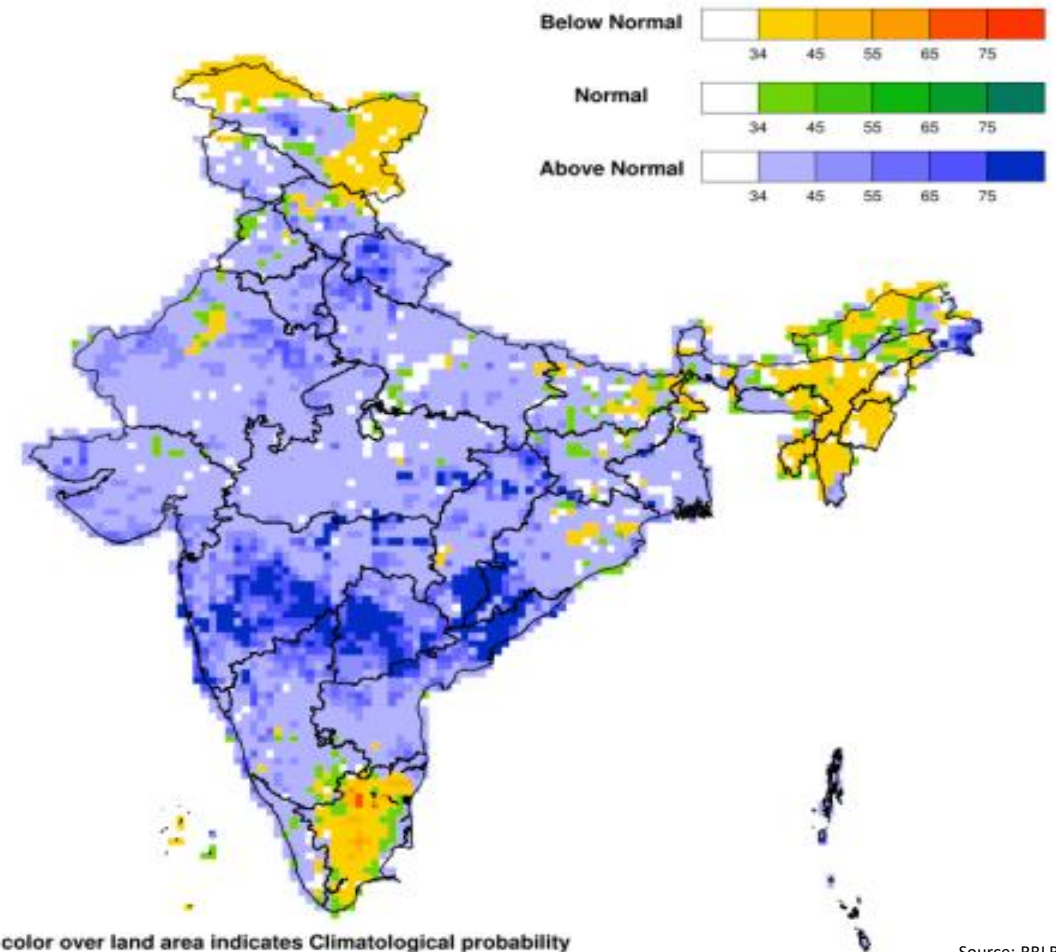
Food Inflation continued softening on the back of a sharp fall in vegetable prices due to improved climatic conditions



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

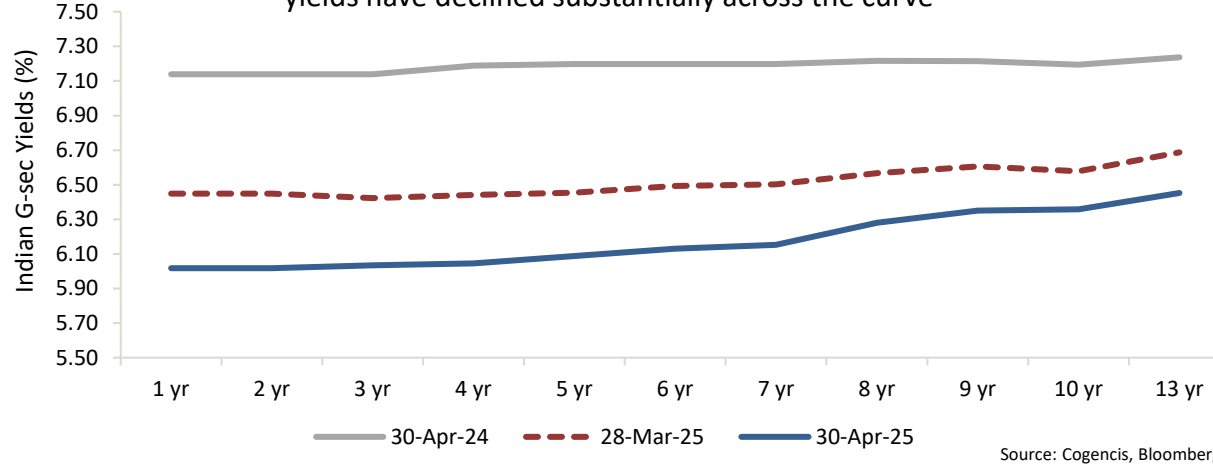
IMD forecasted above average monsoon... Likely to be a positive for food grain output

Tercile probability rainfall forecast for 2025 southwest monsoon season

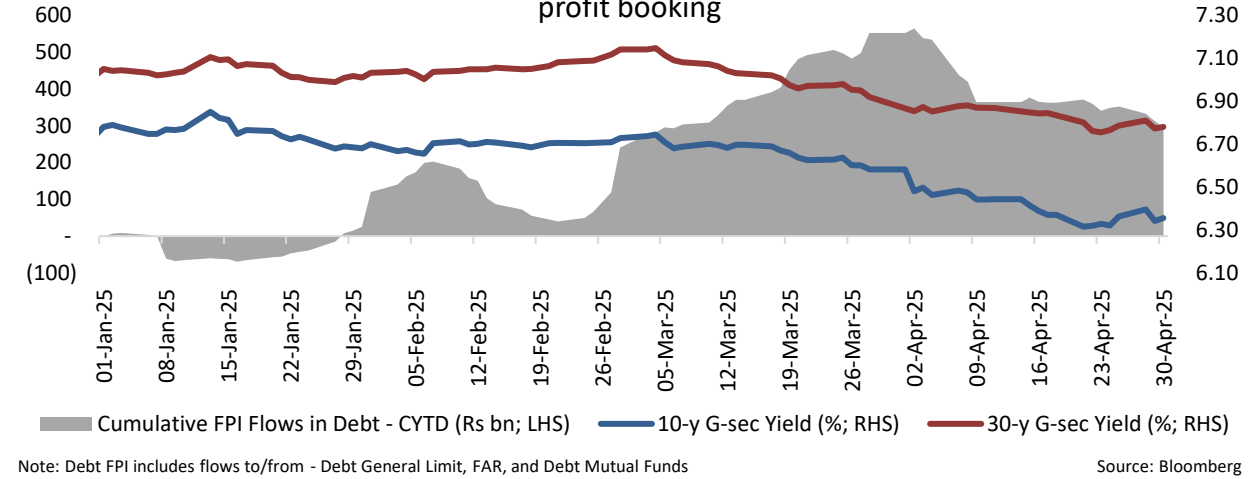


With inflation coming off and liquidity situation easing, the G-sec curve shifted downward faster than anticipated... incremental opportunity in long duration seems limited

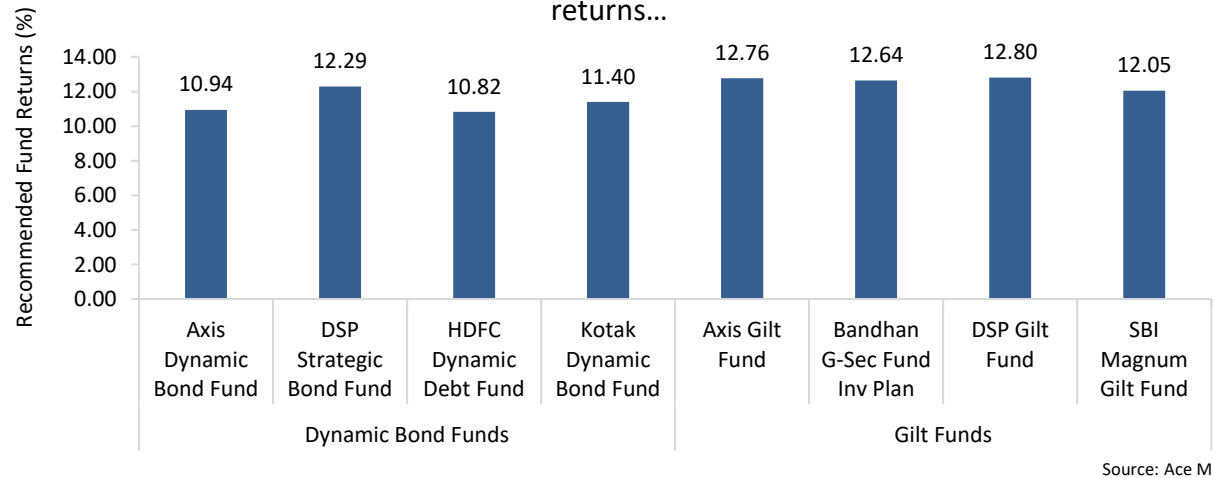
Due to strong liquidity support by RBI and weakening inflation impulses, G-sec yields have declined substantially across the curve



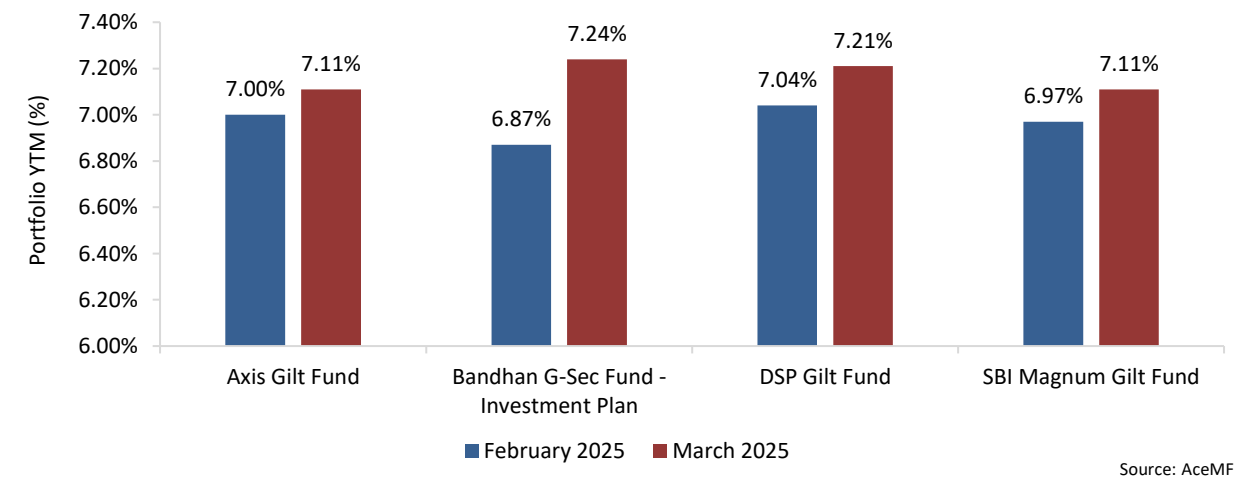
While FPIs have been net buyers on a CYTD basis, last month has seen some profit booking



Our Recommended Gilt and Dynamic Bond Funds generated strong returns...

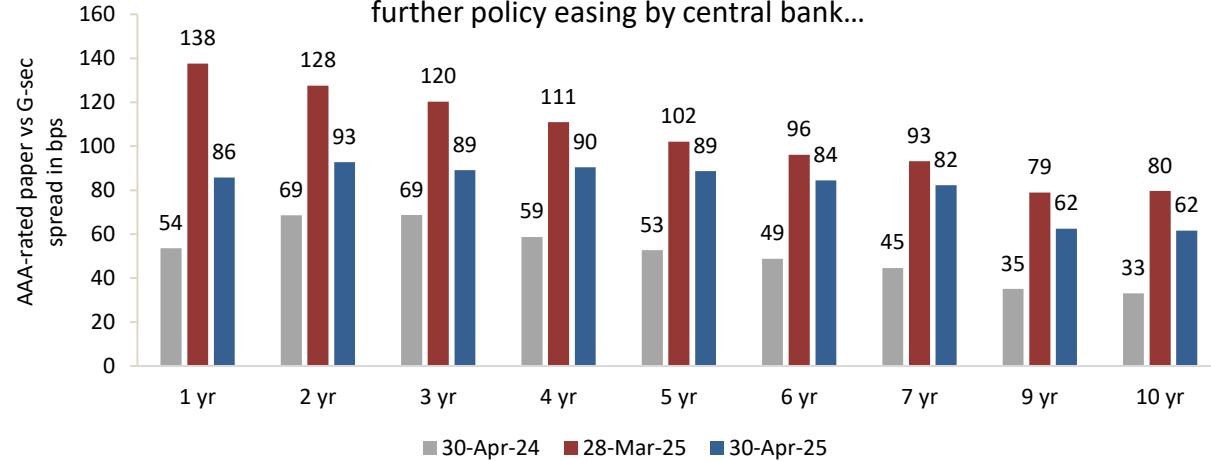


... there is reduced potential for incremental gains from here



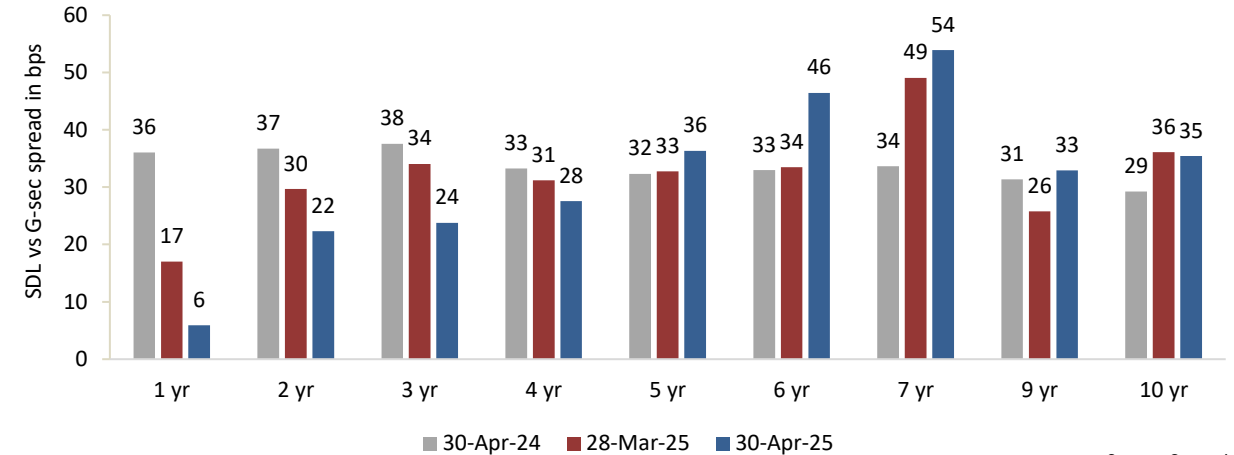
Improving liquidity conditions drove corporate bond yields lower, resulting in strong performance by Corporate Bond Funds

Corporate Bond Spreads fell across the board due to easing liquidity and further policy easing by central bank...



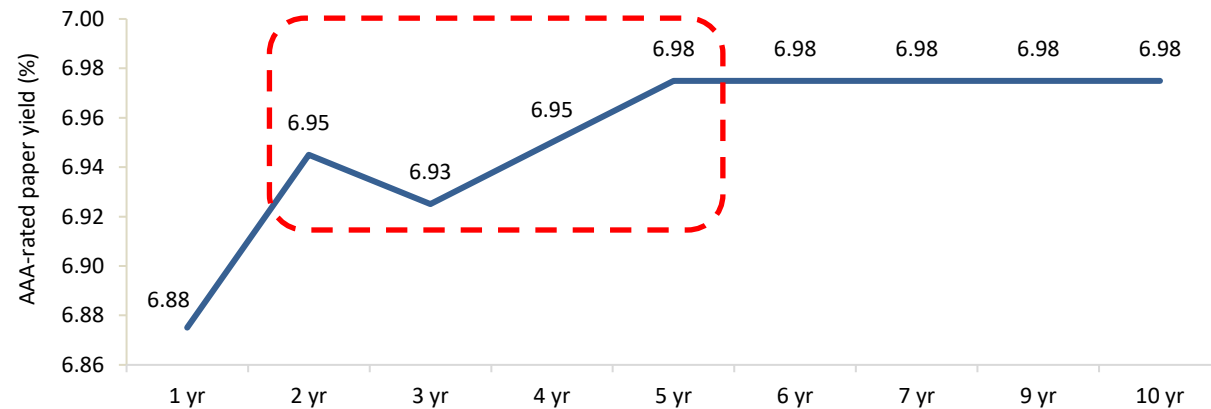
Source: Cogencis

... while SDL Spreads showed mixed data across different tenors



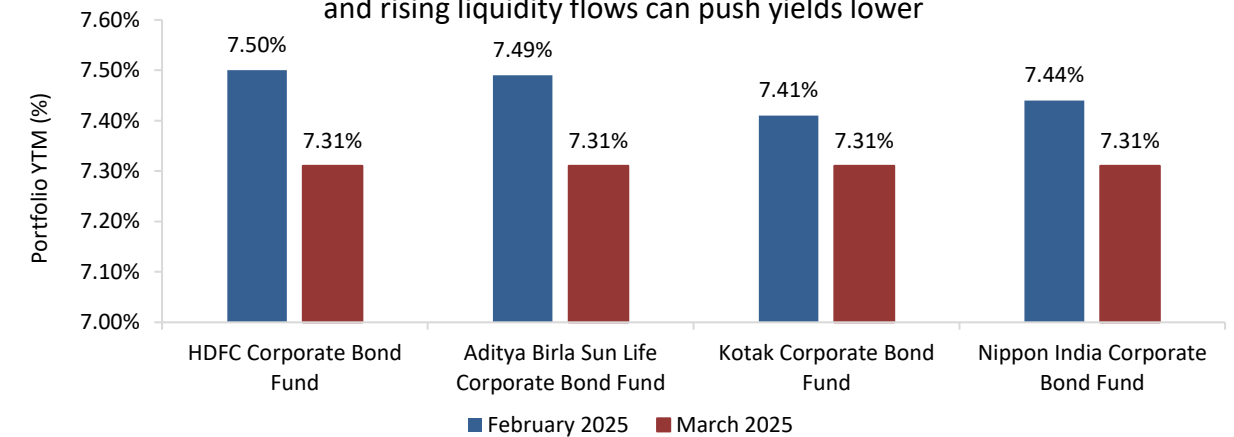
Source: Cogencis

Shorter end of the Corporate bond curve has started normalizing...

Note: Data as on 30th April 2025

Source: Cogencis

... but the YTM of recommended Corporate Bond Funds are still attractive and rising liquidity flows can push yields lower

Note: Data as on 28th February 2025 and 28th March 2025

Source: ICRA, AceMF

Annexure...

Income Plus Arbitrage FoF Vs Debt Mutual Funds

| Features | Debt Mutual Funds | Income Plus Arbitrage FoF |
|--|---|---|
| Flexibility In Asset Allocation | Limited To Debt Allocation Only | Invests In Mix Of Debt Oriented Mutual Fund Schemes & Equity Arbitrage Mutual Fund Scheme Of the AMC. |
| Operational Convenience | Single Transaction, Single Scheme | Single Transaction, Multiple Schemes |
| Key Factors In Fund Selection | Investor takes the call | (Expert Professional) Fund Manager Takes the Call |
| Taxation On Switch | Strategy changes result in tax on switches every time | No tax liability when changing investment positioning |
| Tax Rate | 25% Corporate Tax / Individual Marginal Tax Rate | Positioning offers favorable tax treatment over traditional debt funds. 12.5% Tax rate post 24 months |

Note : HDFC Bank does not do tax advisory, investors should consult their own tax consultant.

Source: Kotak AMC

Disclaimer: This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. HDFC Bank Limited ("HDFC Bank") does not warrant its completeness and accuracy. This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument / units of Mutual Fund. Recipients of this information should rely on their own investigations and take their own professional advice. Neither HDFC Bank nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. HDFC Bank and its affiliates, officers, directors, key managerial persons and employees, including persons involved in the preparation or issuance of this material may, from time to time, have investments / positions in Mutual Funds / schemes referred in the document. HDFC Bank may at any time solicit or provide commercial banking, credit or other services to the Mutual Funds / AMCs referred to herein.

Accordingly, information may be available to HDFC Bank, which is not reflected in this material, and HDFC Bank may have acted upon or used the information prior to, or immediately following its publication. HDFC Bank neither guarantees nor makes any representations or warranties, express or implied, with respect to the fairness, correctness, accuracy, adequacy, reasonableness, viability for any particular purpose or completeness of the information and views. Further, HDFC Bank disclaims all liability in relation to use of data or information used in this report which is sourced from third parties.

HDFC Bank House, 1 st Floor, C.S. No. 6 \ 242, SenapatiBapatMarg, Lower Parel, Mumbai 400 013. Phone: (91)-22-66527100, ext 7111, Fax: (91)-22-24900983 \ 24900858

HDFC BANK is an AMFI-registered Mutual Fund Distributor & a Corporate Agent for insurance products.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.