HDFC Bank Research

Weekly Equity Market Updates for week ended April 17, 2025

Domestic Equity Market Update

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 4.52% & and Nifty 50 ending higher by 4.48% WoW respectively. The BSE Midcap index ended higher by 4.24% and the BSE Small cap index ended higher by 4.69%.
- On the BSE sectoral front, most of the indices ended on a positive note. Realty, Telecom and Bank Index outperformed the most.
- Domestic equity markets ended the week on a positive note following the US President's announcement of tariff exemptions for smartphones and computers, along with a suggestion of a potential halt on auto tariffs. Investors welcomed the progress in the US-China trade negotiations and remained optimistic about potential interest rate cuts by both the RBI and the US Fed. The positive sentiment was bolstered by foreign institutional investors being net buyers during the week.

Global Market Updates

- US equity markets ended the week on a negative note as persisting concerns over global trade tensions weighed on the market sentiment. The US Federal Reserve Chief too highlighted the uncertainty regarding the trade tariffs to be adopted by the new US Administration which kept markets under pressure.
- European markets ended on a positive note as concerns over global trade tensions eased to some extent after the US President indicated temporary exemption of tariffs on auto and auto parts imports in order to give time to car manufacturers to adjust their supply chains. Gains were extended after the European Central bank cut interest rates by 25 bps to 2.25%.
- Brent oil prices rose from USD 64.88 per barrel to USD 67.96 amid concerns over Iranian oil exports. Concerns arose on growing possibility that the US will continue to apply pressure on Iran after the US issued new sanctions targeting Chinese importers of Iranian oil.

Macro Data & Domestic News Released During the Week

- According to Anarock data, lack of supply in the affordable housing segment has helped in reducing of unsold stock to 113,000 units by Q4 FY25, 19% YoY down.
- As per Moody's Ratings, Indian economy could grow in the band of 5.5% to 6.5% YoY during the CY25, as the ratings agency factored in the "unpredictable" US tariffs which it said will hit business planning, stall investment and "raise the risk of a global economic recession".
- As per data released by the commerce department, India's trade deficit with China neared USD 100 bn in FY25, amid escalating concerns of dumping. Chinese imports rose by 11.5% YoY to USD 113.45 bn, while outbound shipments to the neighbouring country saw 14.5% YoY contraction to USD 14.2 bn. As a result, the trade deficit with China widened to USD 99.2 bn in FY25 from USD 85 bn a year ago.
- As per CRISIL, after a lull spanning seven years, India's commercial vehicle (CV) industry is set to reclaim its pre-pandemic peak, with domestic sales expected to touch the 1 mn mark in FY26. Driving this resurgence will be light commercial vehicles (LCVs), which are projected to account for nearly 62% of total volumes. This resurgence marks a recovery to levels last seen in the pre-pandemic peak of FY19.
- According to the RBI, India's outward foreign direct investment (FDI) commitments rose about 20% YoY to USD 5.81 bn in March 2025, up from USD 4.84 bn the same month last year. Sequentially, they rose marginally from USD 5.57 bn in February 2025.

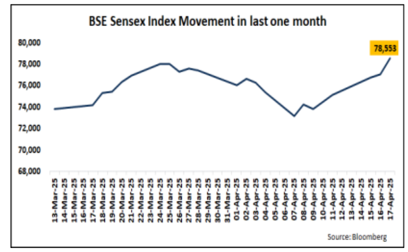
Outlook

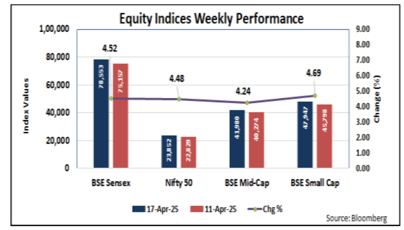
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, further negotiation on the 26% tariff imposed on India by the US, and support by the RBI. With improvement in liquidity and incremental money in the hands of the tax payers from the union budget, consumption and rate sensitive sectors could see traction. Anticipation of further rates cut on back of moderating inflation can further improve market sentiments.

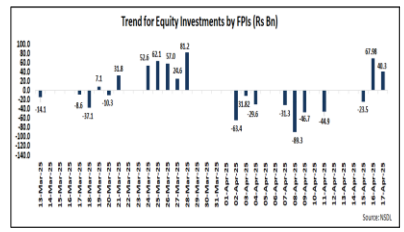
The US president has slapped as high as 245% tariffs on certain Chinese goods, while hitting pause on higher duties for most other countries for the next 90 days to allow negotiations which could further decide the trajectory of global trade. Retaliatory tariffs could further create volatility in global trade and further negotiations between US and China on the tariff front would remain a key monitorable.

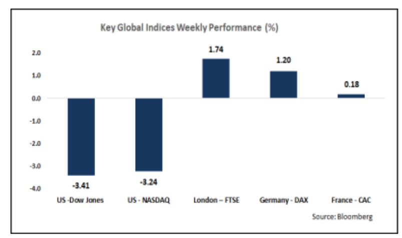
The recent challenges and issues with the macro economy and corporate earnings are expected to trough out in the next couple of quarters. With the rate of change in the GDP growth showing signs of improvement, decline in inflation and budgetary support to the middle class is likely to enhance the disposable 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.

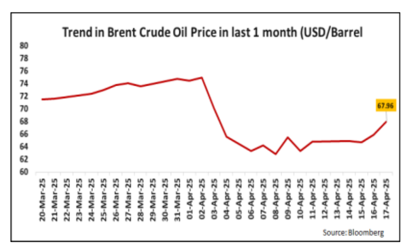
Market volatility in the near to medium term could be driven by the risk of Donald Trump's trade policies hurting the economy and weaker than expected Q4 FY25 results (possibly in Small and Midcap segments). Within the Marketcap segments, we continue to prefer Largecaps as they are generally well researched and have lesser scope for 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.**

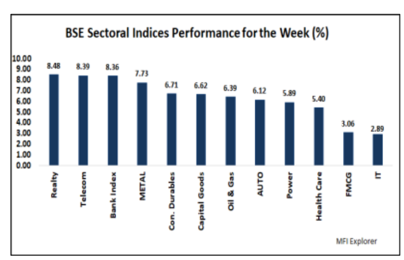


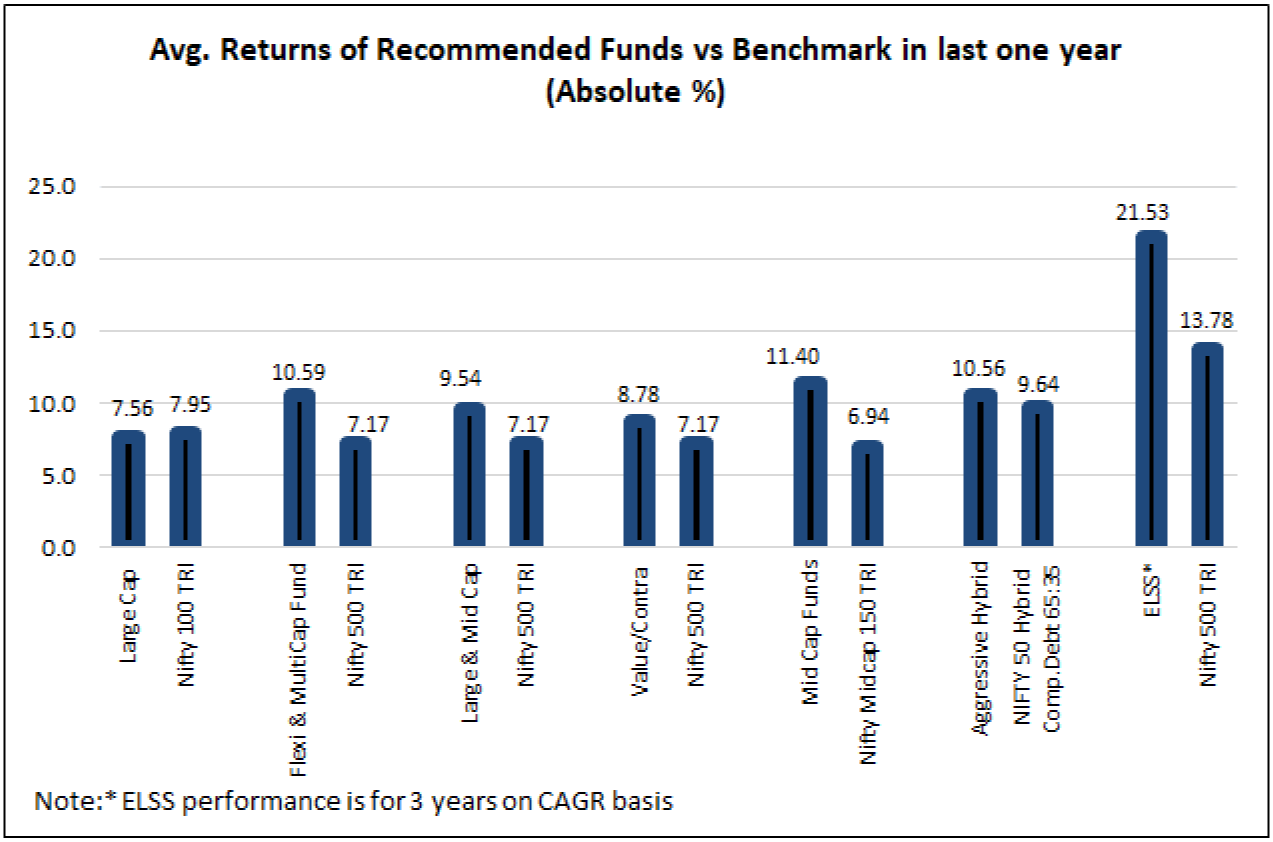












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	5.98	-5.35	7.56	22.31	16.12	23.86
Flexi & MultiCap Fund	6.78	-8.13	10.59	28.09	20.01	27.63
Large & Mid Cap Funds	6.86	-6.74	9.54	27.08	18.80	27.97
Mid Cap Funds	4.22	-12.11	11.40	32.19	23.61	33.72
Small Cap Funds	7.62	-16.20	4.08	25.34	18.92	34.97
Value/Contra Funds	6.41	-6.55	8.78	26.55	19.70	31.45
Focused Funds	6.76	-4.15	11.91	26.26	18.84	27.61
Aggressive Hybrid Funds	5.60	-3.89	10.56	20.70	14.88	22.89
Dynamic Asset Allocation Funds	4.53	-1.34	8.40	17.77	13.95	19.58
Equity Linked Saving Schemes	6.53	-8.62	10.73	30.01	21.53	27.32
Infrastructure Oriented Funds	7.23	-9.21	6.75	30.36	22.22	33.56
Nifty 50 Index TRI	**5.97**	**-3.24**	**9.01**	**17.42**	**12.19**	**22.18**
Nifty 500 TRI	**6.88**	**-6.94**	**7.17**	**21.74**	**13.78**	**24.50**
Nifty Infrastructure TRI	**8.59**	**-5.18**	**4.49**	**29.77**	**19.75**	**28.33**

Note: Data as on April 17, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 17 April 2025

- Domestic G-Sec prices closed the week ended 17th April 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 7 bps at 6.37% as against 6.44% on 11th April 2025.

- In case of AAA rated corporate bonds, yields in the less than one-year segment declined up to 40 bps on a WoW basis. In case of the greater than one-year segment, yields declined up to 10 bps on a WoW basis.

- **Movement in G-sec yields :-**
  - Indian G-sec yields declined as the RBI sustained its efforts to inject liquidity into the banking sector, facilitating the transmission of monetary policy. Gains were extended following an ease in domestic retail inflation rate in March 2025.
  - The total G-sec supply for the week stood at Rs 330 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 300 bn and the maturities were in the range of 6-49 years. The SDLs' auction was to the tune of Rs 30 bn, and the maturities were in the range of 3-31 years. The average cut off yield for the 10-year SDL was 6.71%, there were no 10 years SDL in the previous week. The G-secs' auction was for the following: 6.79% GS 2031, 6.98% GOI SGrB 2054 and 7.09% GS 2074.
  - Banking system liquidity improved during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 1.77 trillion during the week as against a daily average surplus of ~Rs 1.62 trillion during the previous week.

- **Macro Data released during the week :-**
  - As per the Ministry of Statistics & Programme Implementation, India's retail inflation further eased to 3.34% YoY in March 2025 from a seven-month low of 3.61% YoY in February 2025. This is the lowest YoY inflation reading since August 2019. The sharp fall was mainly due to a steep drop in food prices.
  - According to the Ministry of Commerce and Industry, India's WPI-based inflation cooled to a six-month low of 2.05% YoY in March 2025 from 2.38% YoY in February 2025 on the back of falling food prices.
  - According to the Department of Commerce, India exported goods worth USD 41.97 bn during March, up 0.67% YoY, despite geopolitical uncertainties. Imports witnessed 11% YoY at USD 63.51 bn. The trade deficit widened to USD 21.54 bn in March 2025, as compared to USD 15.31 bn a year earlier.
  - As per RBI data, India's forex reserves increased by USD 1.57 bn to USD 677.83 bn in the week ending April 11, 2025. Foreign currency assets (FCAs) were up by USD 892 mn to USD 575.98 bn.

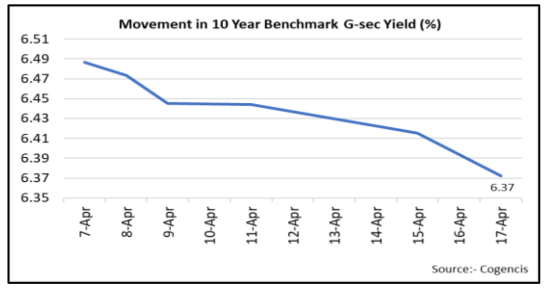
- **Other macro-economic news :-**
  - According to Crisil Ratings, bank credit in India is likely to grow 12-13% YoY in FY26, a tad higher the 11.0-11.5% YoY estimated for FY25. The loan offtake will be supported by three tailwinds, the recent supportive regulatory measures, a boost to consumption from tax cuts and softer interest rates.
  - According to data released by the Department of Commerce, India exported goods worth USD 41.97 bn during March, up 0.67% YoY. Imports witnessed 11% YoY at USD 63.51 bn. The trade deficit widened to USD 21.54 bn in March 2025, as compared to USD 15.31 bn a year earlier.
  - As per data released by the commerce department Chinese imports rose by 11.5% YoY to USD 113.45 bn, while export to China saw 14.5% YoY contraction to USD 14.2 bn. As a result, the trade deficit with China widened to USD 99.2 bn in FY25 from USD 85 bn a year ago.

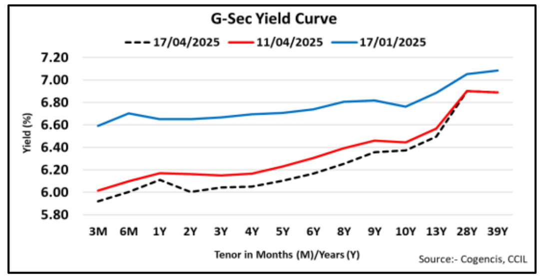
- **Global Updates :-**
  - US now levied a whopping 245% tariff on Chinese goods, Beijing replied with readiness to join the negotiation table in order to calm the trade war. China remarked US should 'stop exerting extreme pressure, stop threatening and blackmailing', if they wish to open trade talks.
  - Final data from Eurostat showed that the harmonized index of consumer prices of Eurozone climbed 2.2% YoY in March 2025, slightly slower than the 2.3% YoY rise in February 2025.
  - According to data released by the China's National Bureau of Statistics, China's economy expanded by a better-than-expected 5.4% YoY in Q1 CY26, maintaining a strong momentum, even as US tariff threats prompt major investment banks to slash the country annual growth outlook.
  - The ECB slashed its key interest rates by 25 bps for the sixth policy session in a row, cutting the deposit rate to 2.25%. The main refinancing rate was lowered to 2.40% and the marginal lending rate to 2.65%.

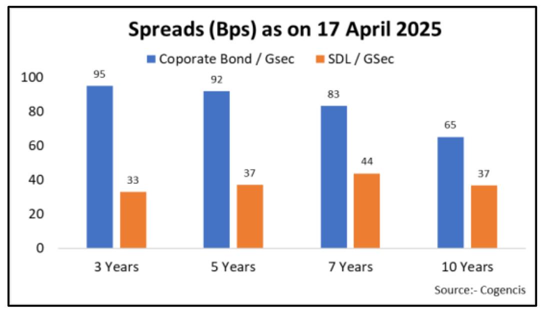
- **Outlook :-**

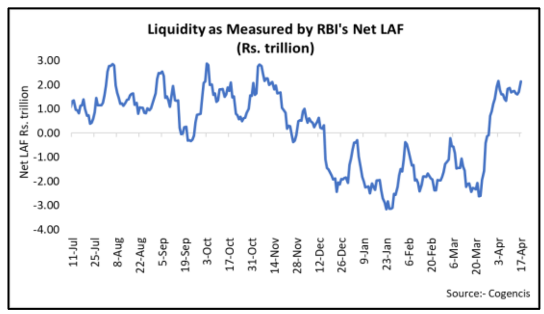
The liquidity condition as measured by RBI's net LAF improved and continued to remain in surplus. The liquidity is expected to remain comfortable in April on the back of higher government spending and lower currency leakage. Retail inflation in India has eased further as the Consumer Price Index (CPI) has fallen to 3.34% YoY in March 2025 from 3.61% YoY in February 2025, the lowest number since September 2019. The easing came on the back of further deceleration of prices of Food. **Issues on the external front, in terms of rising trade deficit, geopolitics and risk related to US tariff wars remain a key challenge for the RBI to negotiate with in the medium term and can have implication on the depth of the ongoing policy rate cut cycle.** In the US, the Trump administration had announced pause on reciprocal tariffs for 90 days until 9th July 2025. Fed's latest minutes of the meeting re-iterated their 'cautious approach' to monetary policy on the back of the high uncertainty in economic outlook. Going forward, further development on tariff front would be a key factor for global capital flows and market sentiments. Though IMD has predicted above normal monsoon, weather vagaries need to be watched out for as there are predictions of rising temperature along with the onset of early summer which may pose upside risk to food inflation.

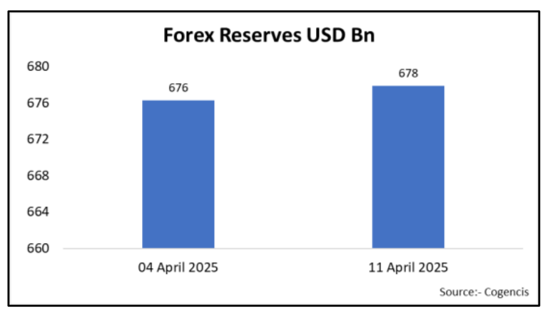
RBI's MPC has taken a pro-growth approach by cutting the policy rates for a second time in succession. This was already factored in by the bond market, thus, incremental opportunity in long duration seems limited at this juncture. Easing liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end in the medium term. With this backdrop, the inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years segment of the curve. Hence, investors can look at Corporate Bond Funds for a horizon of 15 months and above. For a horizon of 24 months and above, investors may 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.

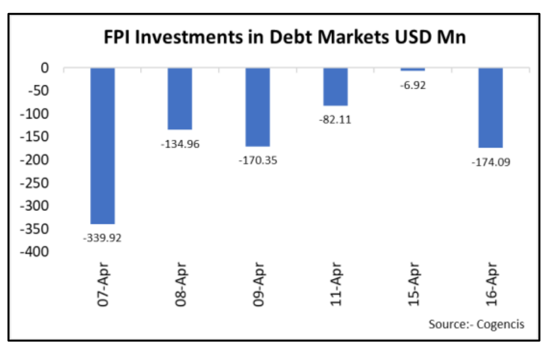












Category Average Returns as on 17 April 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.52	5.62	6.09	6.09	6.18	6.35	6.41	6.50	6.59	6.23
Liquid Funds	5.77	6.19	8.52	7.58	7.41	7.19	7.19	7.21	7.17	6.70
Floater Funds	20.40	19.07	20.72	13.97	11.87	9.01	9.18	9.15	8.31	7.34
Low Duration Funds	13.62	10.54	14.20	10.39	9.26	7.86	7.83	7.73	7.37	6.65
Money Market Funds	10.58	8.63	13.40	10.16	9.13	7.98	7.78	7.64	7.43	6.84
Ultra Short Duration Funds	8.62	7.38	11.18	8.83	8.17	7.36	7.27	7.21	7.03	6.44
Banking And PSU Funds	37.92	19.84	23.92	15.00	12.45	9.06	9.19	9.08	7.85	6.96
Corporate Bond Funds	38.58	20.05	24.16	15.34	12.83	9.27	9.48	9.36	8.04	6.99
Medium Duration Funds	39.74	20.68	23.14	15.46	13.63	9.66	9.93	9.81	8.16	7.49
Short Duration Funds	37.50	19.45	21.62	14.28	12.13	9.15	9.16	9.03	7.74	6.88
Medium To Long Duration Funds	33.14	22.11	28.23	18.30	14.99	9.49	9.75	10.18	8.19	7.38
Long Duration Funds	20.99	21.01	31.26	21.97	17.82	9.24	10.29	11.85	9.76	8.81
Dynamic Bond Funds	37.32	22.69	29.52	19.33	15.78	9.40	9.96	10.49	8.49	7.49
Credit Risk Funds	23.02	13.80	18.54	19.54	16.32	11.26	10.75	10.26	8.88	7.72
Gilt Funds / Gilt Funds with 10 year constant duration	28.25	23.04	31.33	21.19	17.22	9.99	10.50	11.14	8.92	7.80
Conservative Hybrid Funds	132.71	74.81	34.28	18.34	9.71	3.65	5.55	9.31	10.87	8.60
Index Funds	26.08	21.64	20.31	14.02	12.17	9.06	9.40	9.57	8.20	6.91
Arbitrage Funds	21.21	9.92	10.27	8.06	7.30	7.16	6.96	7.05	7.32	6.49

* Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year

Recommended Funds' Average Returns (% Annualised Returns)	1 Months	3 Months	6 Months	1 Year	2 Year	3 Year
Medium to Long Duration Funds & Long Duration Funds	30.21	16.37	10.67	11.12	9.14	7.94
Dynamic Bond Fund	30.12	15.91	9.00	10.69	8.97	7.53
Gilt Funds & Gilt Funds with 10 year constant duration	31.83	17.79	9.30	11.59	9.40	8.09
Short Duration / Medium Duration	22.17	12.37	9.32	9.30	8.08	7.10
Banking and PSU Funds	24.34	12.67	9.35	9.24	8.10	7.17
Corporate Bond Funds	25.21	13.25	9.58	9.80	8.52	7.48
Ultra Short Duration Funds /Low Duration / Floater Funds	12.80	8.98	7.92	7.83	7.61	6.98
Money Market Funds	13.87	9.45	8.28	7.95	7.76	7.15
Liquid Funds & Overnight Funds	8.85	7.58	7.30	7.30	7.27	6.79
Arbitrage Funds	10.82	7.63	7.48	7.36	7.64	6.85

Please Note that all the Dividend options factor in the taxation applicable for corporates
Return figures for all schemes are Annualised for < 1 year and Compounded Annualised for >= 1 year
Returns shown in the chart above are for growth options.
Source for entire data stated above is Accord Fintech Pvt Ltd

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

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