HDFC Bank Research

Weekly Equity Market Updates for week ended April 11, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 0.28% & and Nifty 50 ending lower by 0.33% WoW respectively. The BSE Midcap index ended lower by 0.58% and the BSE Small cap index ended lower by 0.15%.
- On the BSE sectoral front, indices ended on a mixed note. Realty, Capital Goods and Metal underperformed the most.
- Domestic equity markets ended the week on a negative note as escalating global trade tensions and fears of a recession from steep US tariffs overshadowed the RBI's rate cut and tariff relief from the US for India.

Global Market Updates

- US equity markets ended the week on a positive note mainly due to the US President's announcement of a 90-day pause on reciprocal tariff implementation for most nations, except China, easing global trade war fears.
- European markets ended mostly on a mixed note owing to global trade war concerns. However, a few gains were seen later during the week as the US announced the 90-day tariff pause.
- Brent oil prices rose from USD 63.34 per barrel to USD 64.88 as concerns about rising trade tensions between the US and China were partly offset by comments from White House press secretary Karoline Leavitt saying President Donald Trump is "optimistic" about reaching a trade deal with China.

Macro Data & Domestic News Released During the Week

- As per data from the Ministry of Statistics and Programme Implementation, Industrial Production rose 2.9% YoY in February 2025, much slower than the 5.2% YoY growth in January 2025.
- S&P Global showed that the HSBC final services Purchasing Managers' Index dropped to 58.5 in March 2025 from 59.0 in the previous month. India's service sector activity continued to expand strongly in March amid strong demand conditions.
- Railways and Information and Broadcasting Minister Ashwini Vaishnaw said that the Union Cabinet Committee on Economic Affairs (CCEA) has approved four railway projects across Maharashtra, Odisha, and Chhattisgarh worth Rs186.58 bn.
- As per FADA, automobile retail sales grew 6.5% YoY in FY25, driven primarily by a 5% YoY rise in passenger vehicle (PV) sales, an 8% YoY increase in two-wheeler numbers, and a 5% YoY uptick in commercial vehicle (CV) sales.
- According to a report by Anarock, Private Equity (PE) investments in the Indian real estate sector continued to soften in FY25 amid shifting investor preferences against the backdrop of global economic headwinds.
- India Ratings penciled a 13% YoY growth in gross written premium of the general insurance segment in FY26 compared to 8.5% YoY in FY25.
- The Ministry of Electronics and Information Technology notified the Rs 229.19 bn scheme to promote domestic manufacturing of electronics components, display and camera modules, non-surface mount devices, multi-layer printed circuit boards and lithium-ion cells for digital applications, among others. The scheme is likely to be operationalised in the next 2-3 weeks.
- The US has announced the suspension of additional tariffs on India for 90 days until July 9, 2025. On April 2, 2025, US President Donald Trump slapped universal duties on about 60 countries exporting goods to America and additional steep levies on countries like India, potentially impacting sales of products in the world's biggest economy.
- Moody's Analytics revised its India Gross Domestic Product (GDP) forecast for CY25 downward by 30 bps to 6.1% YoY due to tariff threats from the US hitting gems and jewellery, medical devices, and textile industries.

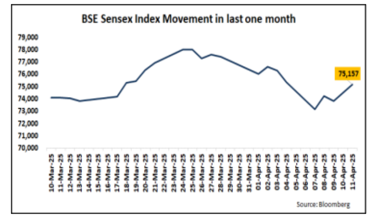
Outlook

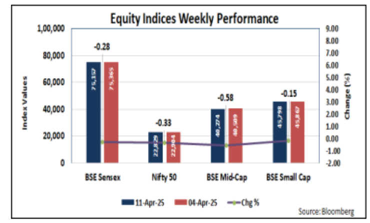
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, further negotiation on the 26% tariff imposed on India by the US, and support by the RBI. With improvement in liquidity and incremental money in the hands 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.

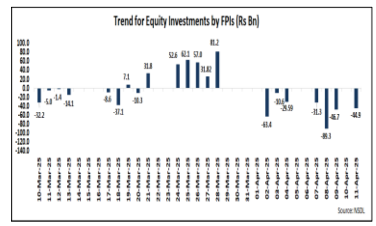
The US president has slapped 145% tariffs on China, while hitting pause on higher duties for most other countries for the next 90 days to allow negotiations which could further decide the trajectory of global trade. Market participants believe that the impact of tariff increases will be significantly larger than expected and the same is likely to be true of the economic effects, which will include higher inflation and slower growth. Retaliatory tariffs could further create volatility in global trade.

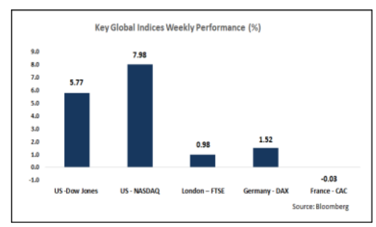
The recent challenges and issues with the macro economy and corporate earnings are expected to trough out in the next couple of quarters. With the rate of change in the GDP growth showing signs of improvement, decline in inflation and budgetary support to the middle class is likely to enhance the disposable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

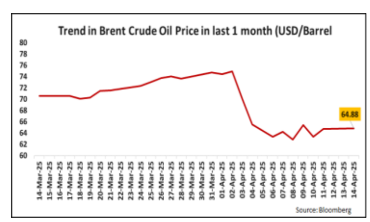
Market volatility in the near to medium term could be driven by the risk of Donald Trump's trade policies hurting the economy and weaker than expected Q4 FY25 results (possibly in Small and Midcap segments). Within the Marketcap segments, we continue to prefer Largecaps as they are generally well researched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

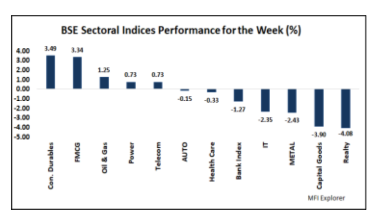


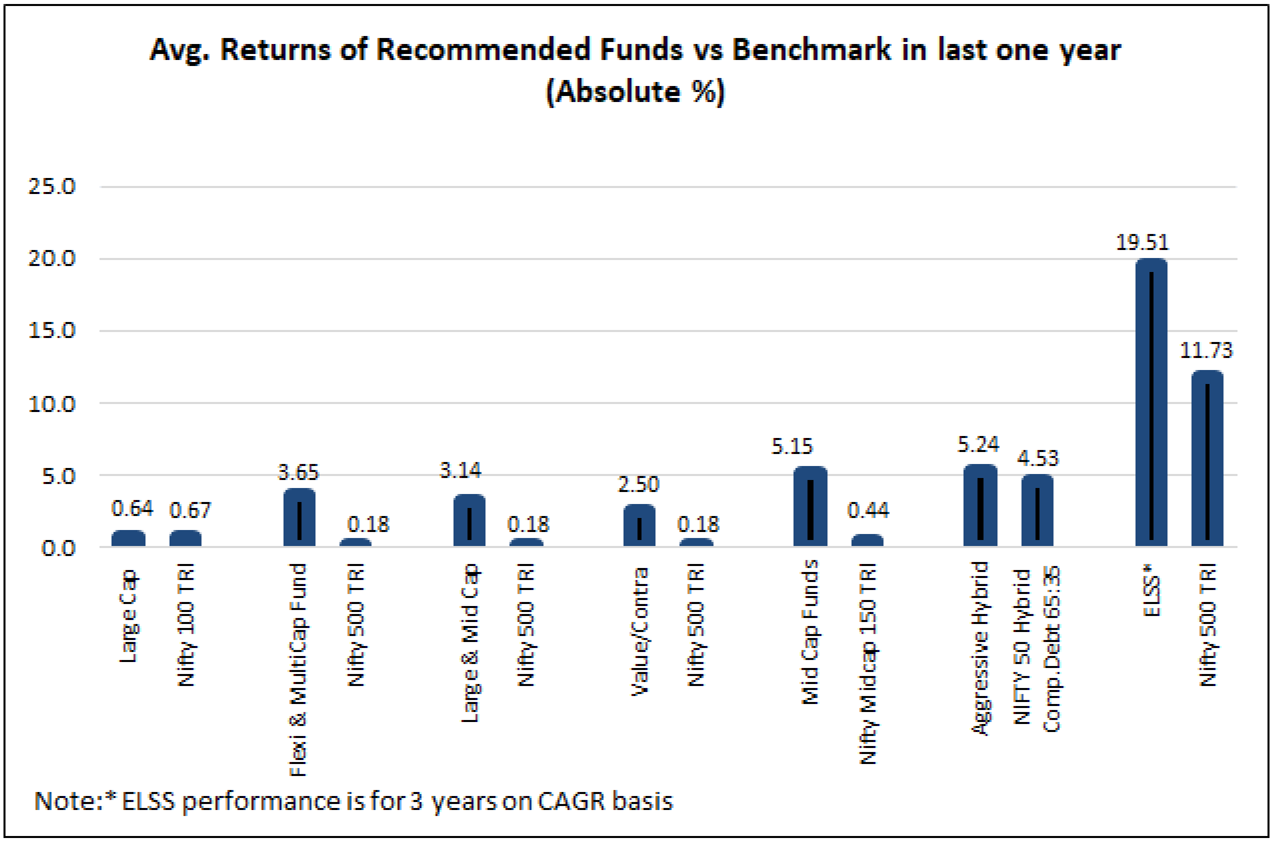












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	1.76	-10.02	0.64	19.57	14.18	23.49
Flexi & MultiCap Fund	2.25	-12.63	3.65	25.66	18.01	27.52
Large & Mid Cap Funds	2.49	-11.32	3.14	24.49	16.85	27.87
Mid Cap Funds	-0.15	-15.78	5.15	30.58	21.84	33.40
Small Cap Funds	2.60	-19.17	-0.76	23.30	17.06	34.92
Value/Contra Funds	2.13	-10.53	2.50	23.92	17.93	31.02
Focused Funds	2.35	-9.06	4.77	23.33	16.87	27.48
Aggressive Hybrid Funds	2.15	-7.38	5.24	18.59	13.46	22.87
Dynamic Asset Allocation Funds	1.76	-4.13	4.32	16.18	12.76	19.57
Equity Linked Saving Schemes	1.80	-13.20	3.86	27.27	19.51	27.07
Infrastructure Oriented Funds	3.20	-13.25	1.55	27.98	20.38	34.28
Nifty 50 Index TRI	**1.47**	**-8.19**	**1.57**	**14.83**	**10.19**	**21.50**
Nifty 500 TRI	**2.23**	**-11.81**	**0.18**	**19.26**	**11.73**	**23.95**
Nifty Infrastructure TRI	**3.27**	**-9.69**	**-2.12**	**26.69**	**17.49**	**28.18**

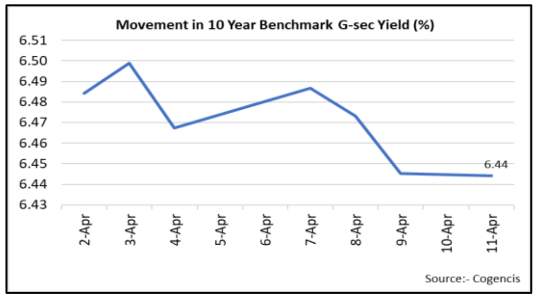
Note: Data as on April 11, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

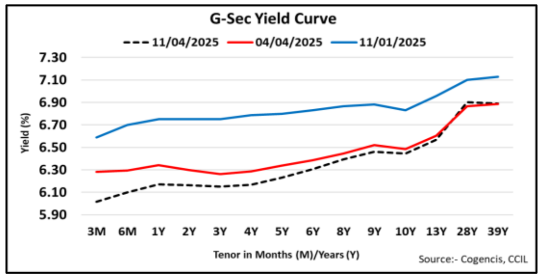
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 11 April 2025

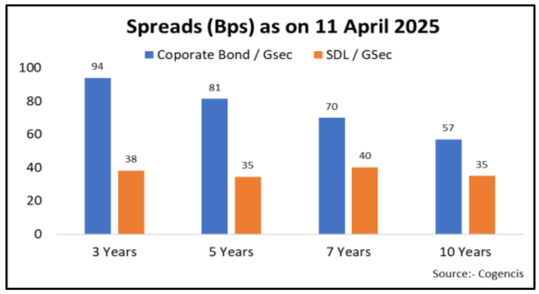
- Domestic G-Sec prices closed the week ended 11th April 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 2 bps at 6.44% as against 6.46% on 4th April 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment declined up to 31 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 3 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields fell after RBI cut the key policy rates and changed its monetary policy stance to ‘accommodative’ from ‘neutral’, raising hopes for further rate cuts. However, the gains in bond prices were capped due to profit booking following selling across the asset classes amid rising global trade war concerns. A spike in US Treasury yield also kept the bond prices under pressure.
  - The total G-sec supply for the week stood at Rs 355 bn (SDLs + G-secs). In this, the G-secs’ auction was to the tune of Rs 320 bn and the maturities were in the range of 14-40 years. The SDLs’ auction was to the tune of Rs 35 bn, and the maturities were in the range of 14-30 years. There were no 10-year SDLs, the average cut off yield was at 6.86%, in the previous week. The G-secs’ auction was for the following: 6.92% GS 2039 and New GS 2065.
  - Banking system liquidity deteriorated marginally during the week, wherein liquidity, as measured by the RBI’s net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 1.62 trillion during the week as against a daily average deficit of ~Rs 1.70 trillion during the previous week.
- **Macro Data released during the week :-**
  - The RBI MPC unanimously lowered the policy repo rate by 25 bps to 6%, marking a second consecutive cut. It also changed its policy stance to “accommodative”, signalling the likelihood of further easing in the coming months. The central bank lowered its GDP growth forecast for FY26 to 6.5% YoY from the 6.7% YoY projected in February 2025. The inflation forecast for FY26 was also revised downwards to 4% YoY from 4.2% YoY earlier.
  - The RBI has announced an additional OMO purchase worth Rs 400 bn to be conducted on 17th April 2025. This auction will be in addition to the auctions announced by the Reserve Bank on 1st April, 2025.
  - As per RBI data, India's forex reserves increased by USD 10.87 bn to USD 676.26 bn in the week ending April 04, 2025. Foreign currency assets (FCAs) were up by USD 9 bn to USD 575.08 bn.
- **Other macro-economic news :-**
  - Moody’s Analytics revised its India Gross Domestic Product (GDP) forecast for CY25 downward by 30 bps to 6.1% YoY due to tariff threats from the US hitting gems and jewelry, medical devices, and textile industries.
  - According to rating agency ICRA, the incremental credit is likely to rise 10.8% to Rs 19-20.5 trillion in FY26 compared to Rs 18 trillion or a 10.9% growth in FY25.
  - The latest Reuters poll of 40 economists taken on April 3-8 showed inflation, as measured by the change in the Consumer Price Index, was 3.60% YoY in March 2025, roughly unchanged from 3.61% YoY in February 2025.
- **Global Updates :-**
  - The US has announced the suspension of additional tariffs on India for 90 days until July 9, 2025. On April 2, 2025, US President Donald Trump slapped universal duties on about 60 countries exporting goods to America and additional steep levies on countries like India, potentially impacting sales of products in the world's biggest economy.
  - Due to high uncertainty about the net effect of an array of government policies on the economic outlook, the minutes of the Federal Reserve's latest monetary policy revealed officials believe it remains appropriate to take a "cautious approach" to future interest rate decisions. The minutes also reiterated recent comments from Fed Chair Jerome Powell calling the central bank "well positioned" to wait for more clarity on the outlook for inflation and economic activity.
  - As per the US Labor Department, the consumer price index of US edged down by 0.1% MoM in March 2025 after rising by 0.2% MoM in February 2025.
- **Outlook :-**

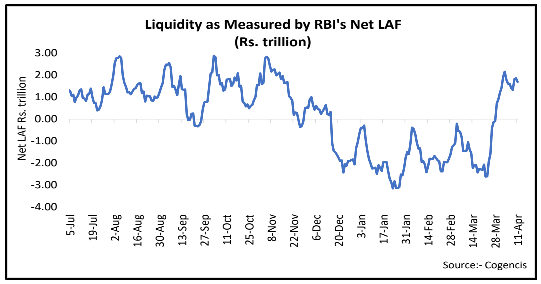
The liquidity condition as measured by RBI’s net LAF deteriorated marginally but remained in surplus. The liquidity is expected to remain in surplus in April on the back of higher government spending and lower currency leakage. Retail inflation in India had eased as the Consumer Price Index (CPI) had fallen to a seven-month low of 3.61% YoY in February 2025 from 4.31% YoY in January 2025. The easing came on the back of further deceleration of prices of Food. Food inflation in February 2025 was the lowest since May 2023. **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 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. Weather vagaries also need to be watched out for as there are predictions of rising temperature and early summer which may pose upside risk to food inflation.

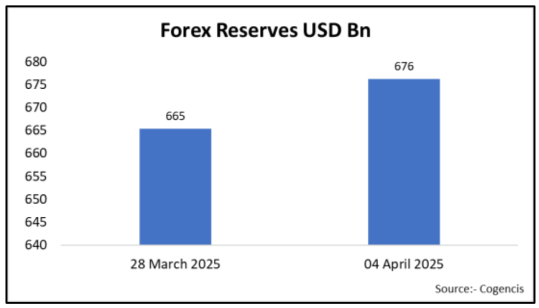
With favorable demand-supply dynamics of Indian G-Secs, decisive improvement in CPI inflation, and weakening growth dynamics, RBI’s MPC has taken a pro-growth approach by cutting the policy rates for a second time in succession. This was already factored in by the bond market, thus, incremental opportunity 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

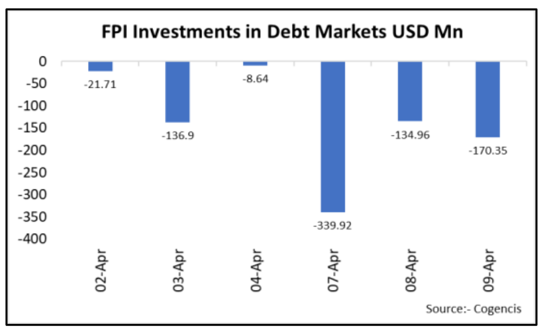












Category Average Returns as on 11 April 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.58	5.87	6.19	6.15	6.24	6.37	6.42	6.51	6.60	6.22
Liquid Funds	6.50	6.65	8.63	7.65	7.50	7.20	7.20	7.22	7.18	6.68
Floater Funds	21.20	14.70	18.93	12.65	10.92	8.62	8.98	8.85	8.21	7.23
Low Duration Funds	12.74	10.43	13.59	10.02	9.03	7.73	7.78	7.67	7.35	6.61
Money Market Funds	11.32	10.67	13.34	10.07	9.07	7.92	7.76	7.63	7.44	6.82
Ultra Short Duration Funds	8.62	8.27	11.09	8.79	8.14	7.33	7.27	7.21	7.03	6.42
Banking And PSU Funds	23.33	13.30	21.81	13.33	11.45	8.63	9.01	8.66	7.74	6.82
Corporate Bond Funds	22.06	13.48	21.83	13.65	11.61	8.84	9.28	8.93	7.93	6.83
Medium Duration Funds	17.19	12.22	20.69	14.63	12.32	9.41	9.66	9.28	8.02	7.30
Short Duration Funds	19.40	13.07	19.29	12.74	11.10	8.70	8.95	8.62	7.63	6.74
Medium To Long Duration Funds	17.87	10.65	26.51	16.12	13.20	8.88	9.47	9.39	8.00	7.15
Long Duration Funds	23.47	1.29	33.67	19.94	15.01	8.74	10.09	10.89	9.55	8.56
Dynamic Bond Funds	17.84	7.64	28.46	17.05	13.52	8.79	9.70	9.66	8.31	7.29
Credit Risk Funds	11.60	7.75	17.55	20.06	15.53	11.42	10.63	9.97	8.83	7.63
Gilt Funds / Gilt Funds with 10 year constant duration	16.43	7.63	30.98	18.72	14.79	9.34	10.21	10.25	8.70	7.58
Conservative Hybrid Funds	91.67	7.41	22.22	9.43	4.28	1.37	4.45	7.43	10.30	8.10
Index Funds	20.20	14.76	17.61	12.33	11.11	8.53	9.07	9.03	8.00	6.65
Arbitrage Funds	0.74	1.66	8.25	7.17	6.67	6.88	6.83	6.93	7.24	6.46

* 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	29.32	14.71	10.06	10.32	8.93	7.69
Dynamic Bond Fund	30.68	13.46	8.49	9.86	8.80	7.34
Gilt Funds & Gilt Funds with 10 year constant duration	33.83	15.04	8.92	10.72	9.25	7.90
Short Duration / Medium Duration	19.85	11.31	8.87	8.87	7.97	6.94
Banking and PSU Funds	22.19	11.64	8.87	8.81	7.97	7.05
Corporate Bond Funds	22.90	12.11	9.16	9.35	8.41	7.32
Ultra Short Duration Funds /Low Duration / Floater Funds	12.50	8.86	7.85	7.79	7.61	6.95
Money Market Funds	13.86	9.41	8.23	7.94	7.77	7.13
Liquid Funds & Overnight Funds	8.95	7.66	7.31	7.32	7.27	6.78
Arbitrage Funds	8.77	7.01	7.18	7.26	7.56	6.82

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

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