HDFC Bank Research

Weekly Equity Market Updates for week ended April 4, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 2.65% & and Nifty 50 ending lower by 2.61% WoW respectively. The BSE Midcap index ended lower by 2.46% and the BSE Small cap index ended lower by 1.65%.
- On the BSE sectoral front, mostly the indices ended on a negative note. IT, Metal and Capital Goods underperformed the most.
- Domestic equity markets ended the week on a negative note following the reciprocal tariffs imposed by the US government on over 180 countries (26% on India), fuelling fears of a global trade war and recession.

Global Market Updates

- US equity markets ended the week on a negative note as the tariff announcement stoked recession concerns and worries over weak economic growth and rising inflation.
- European markets ended mostly on a negative note on after the US tariff announcement on key trading partners escalated global trade conflicts.
- Brent oil prices declined from USD 74.74 per barrel to USD 63.34 as OPEC+ unexpectedly increased output following the US tariff announcement. However, there were some gains during the week owing to demand uncertainty.

Macro Data & Domestic News Released During the Week

- As per Moody's, India's growth, despite slowing to 6.5% YoY in FY 26 from 6.7% YoY in FY25, will remain highest amongst the advanced and emerging G-20 countries due to support from the tax measures and continued monetary easing.
- India Ratings & Research, a Fitch Group company, said that it expects the Indian economy to grow at 6.6% YoY in FY26, but warned that rating actions could moderate during the fiscal year. Rating actions encompass all changes made by a credit rating agency, including initial assignments, revisions, outlook changes, suspensions, and withdrawals.
- Government data showed that Gross GST collection grew 9.9% YoY in March 2025 to over Rs 1.96 trillion, the second-highest mop-up ever. GST revenue from domestic transactions rose 8.8% YoY to ₹1.49 trillion, while revenue from imported goods was higher 13.56% YoY to Rs 46,9.19 bn.
- US President Donald Trump announced reciprocal tariffs on all imports from India and other nations. Trump said that he imposed 26% tariffs on all imports from India half of what India imposed on US products.
- As per S&P Global, the HSBC final manufacturing Purchasing Managers' Index climbed to 58.1 in March 2025 from 56.3 in February 2025. The flash reading was 58.6.
- EY Chief Policy Advisor D K Srivastava said that the maximum adverse impact of reciprocal tariff announced by the Trump administration on India's GDP growth will not be higher than 50 bps. As per the earlier projection, the GDP growth estimate for FY26 was 6.5% YoY, which may go down to 6% YoY without retaliation.
- According to Knight Frank, housing sales in Q4 FY25 rose 2% YoY to 88,274 units across eight major cities as consumer demand for residential properties continues to be strong.
- As per Colliers India, Institutional investments in Indian real estate witnessed a robust start to 2025, with total inflows reaching USD 1.3 bn in Q1 CY25, representing a 31% YoY increase. The growth was largely propelled by domestic investors, who contributed 60% of the total inflows, marking a 75% annual growth.

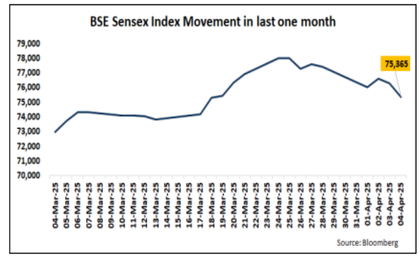
Outlook

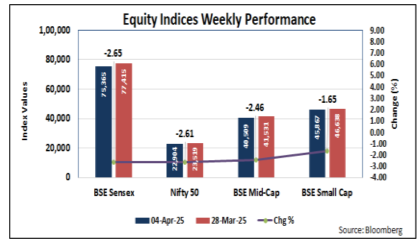
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, further negotiation on the 26% tariff imposed on India by the US, and support by the RBI. With improvement in liquidity and incremental money in the hands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

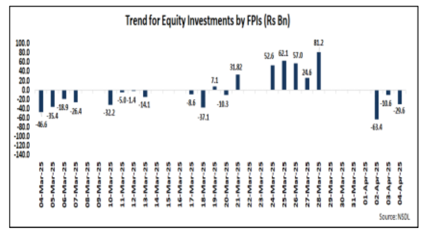
In US, Trump's plan to impose sweeping tariffs on US trade partners calls for a baseline 10% tariff to be imposed on all US imports along with different tariffs for different countries based on the deficit. Market participants believe that the impact of tariff increases will be significantly larger than 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.

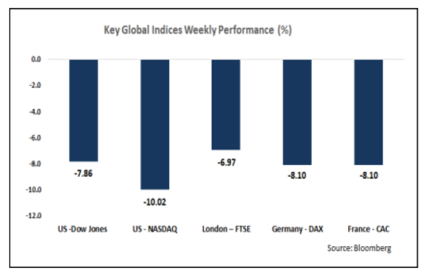
The recent challenges and issues with the macro economy and corporate earnings are expected to trough out in the next couple of quarters. With the rate of change in the GDP growth showing signs of improvement, decline in inflation and budgetary support to the middle class is likely to enhance the disposable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

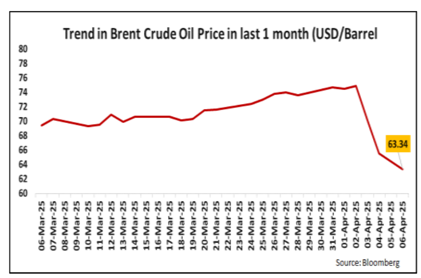
Market volatility in the near to medium term could be driven by the risk of Donald Trump's trade policies hurting the economy and weaker than expected Q4 FY25 results (possibly in Small and Midcap segments). Within the Marketcap segments, we continue to prefer Largecaps as they are generally well researched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

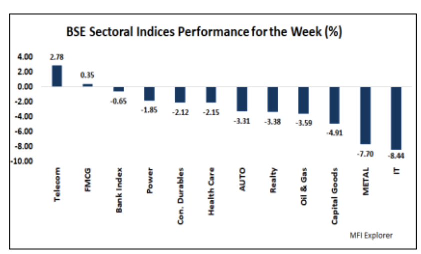


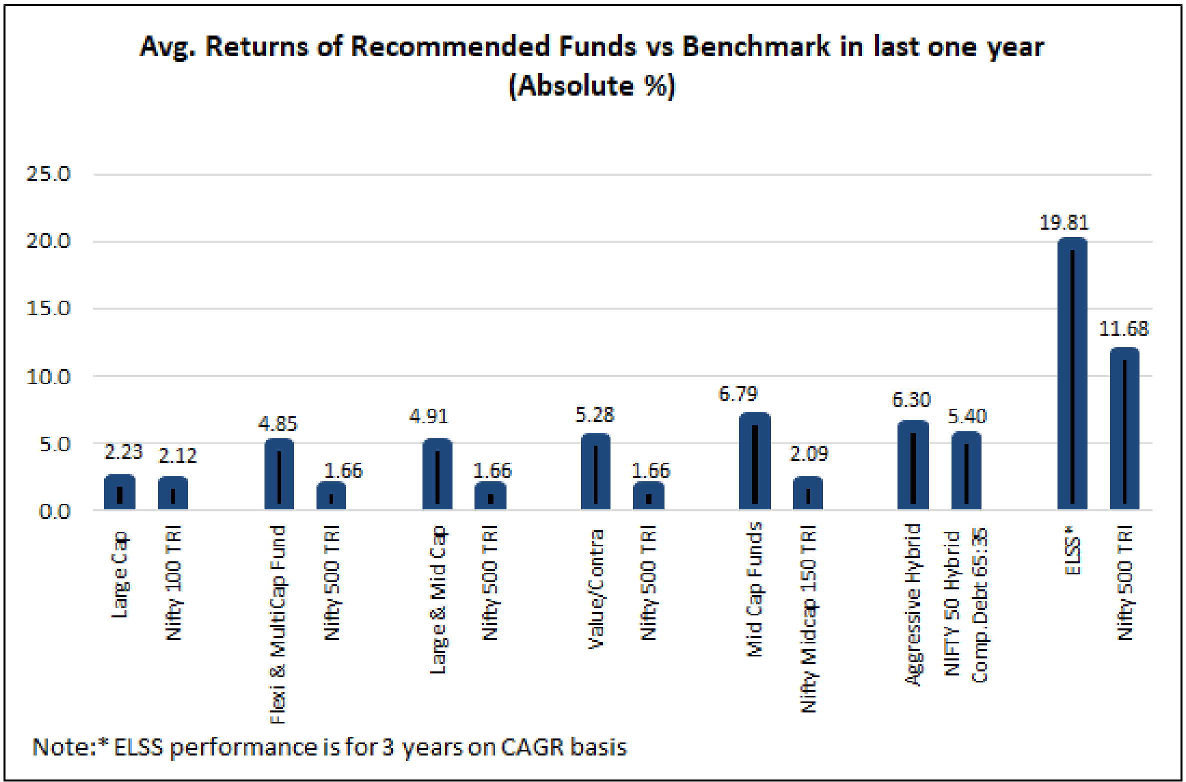












	Returns Absolute %		Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	3.82	-9.55	2.23	20.70	13.87	26.33
Flexi & MultiCap Fund	4.03	-11.65	4.85	26.56	18.20	30.45
Large & Mid Cap Funds	4.10	-11.02	4.91	25.42	17.12	30.63
Mid Cap Funds	1.84	-13.62	6.79	32.08	23.69	36.12
Small Cap Funds	4.95	-17.86	0.45	24.24	17.97	37.25
Value/Contra Funds	5.69	-9.18	5.28	24.93	18.42	34.16
Focused Funds	4.16	-8.70	6.55	24.29	16.94	30.26
Aggressive Hybrid Funds	3.54	-7.02	6.30	19.41	13.38	24.99
Dynamic Asset Allocation Funds	3.01	-3.90	5.06	16.85	12.84	21.53
Equity Linked Saving Schemes	4.29	-11.46	5.86	28.21	19.81	30.02
Infrastructure Oriented Funds	6.63	-12.01	3.52	28.73	20.98	36.77
Nifty 50 Index TRI	**3.73**	**-8.07**	**3.00**	**16.06**	**9.54**	**24.54**
Nifty 500 TRI	**4.47**	**-11.30**	**1.66**	**20.46**	**11.68**	**26.89**
Nifty Infrastructure TRI	**6.95**	**-9.78**	**-1.16**	**27.97**	**17.87**	**30.72**

Note: Data as on April 4, 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)

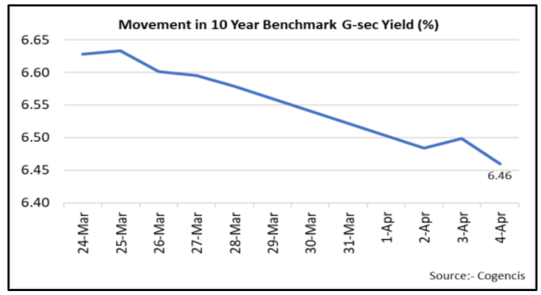
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 4 April 2025

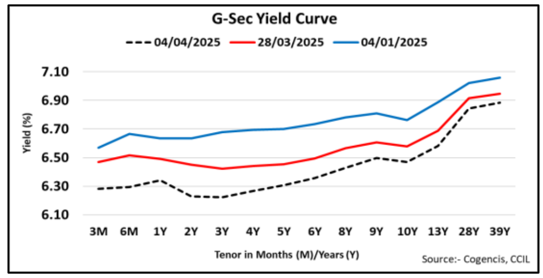
- Domestic G-Sec prices closed the week ended 4th April 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 12 bps at 6.46% as against 6.58% on 28th March 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment declined up to 68 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 43 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields fell sharply after the RBI said it would buy bonds worth Rs 800 bn in four tranches during the month. Gains were extended as extensive tariffs imposed by the U.S. heightened anticipations of monetary easing by global central banks, driven by fears of an impending recession.
  - The total G-sec supply for the week stood at Rs 478 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 360 bn and the maturities were in the range of 2-9 years. The SDLs' auction was to the tune of Rs 118 bn, and the maturities were in the range of 6-21 years. For the 10-year SDL, the average cut off yield came in lower at 6.86%, as against 7.06% in the previous week. The G-secs' auction was for the following: 6.64% GS 2027 and 6.79% GS 2034.
  - Banking system liquidity improved drastically during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 1.70 trillion during the week as against a daily average deficit of ~Rs 828 Bn during the previous week.
- **Macro Data released during the week :-**
  - The RBI has announced an OMO purchase worth Rs 800 bn in April 2025. The purchases will be conducted in four tranches of Rs 200 bn each on April 3, April 8, April 22, and April 29, 2025.
  - Government data showed that Gross GST collection grew 9.9% YoY in March 2025 to over Rs 1.96 trillion, the second-highest mop-up ever. Net GST collections in March was at Rs. 1.76 lakh crore, up 7.3% YoY while gross GST collections for FY25 stood at Rs 22.08 lakh crore, up 9.4%, YoY.
  - As per RBI data, India's forex reserves increased by USD 6.6 bn to USD 665.4 bn in the week ending March 28, 2025. Foreign currency assets (FCAs) were up by USD 6.158 bn to USD 565.014 bn.
- **Other macro-economic news :-**
  - As per Moody's, India's growth, despite slowing to 6.5% YoY in FY26 from 6.7% YoY in FY25, will remain highest amongst the advanced and emerging G-20 countries due to support from the tax measures and continued monetary easing. On the inflation front, the report projected India's inflation to average 4.5% YoY in FY26 from 4.9% YoY in FY 2025.
  - EY Chief Policy Advisor D K Srivastava said that **the maximum adverse impact of reciprocal tariff announced by the Trump administration on India's GDP growth will not be higher than 50 bps**. As per the earlier projection, the GDP growth estimate for FY26 was 6.5% YoY, which may go down to 6% YoY without retaliation.
  - According to the Global Venture Debt Report 2025 released by Stride Ventures, India's venture debt market grew at a rate of 58% CAGR during 2018 to 2024 to reach USD 1.23 bn last year. The venture debt (VD) market was around USD 80 mn in 2018.
- **Global Updates :-**
  - US Initial claims for state unemployment benefits dropped 6,000 to a seasonally adjusted 219,000 for the week ended March 29, the Labor Department said on Thursday. Economists polled by Reuters had forecast 225,000 claims for the latest week.
  - As per the US Commerce Department, the trade deficit of US decreased to USD 122.7 bn in February 2025 after spiking to a revised USD 130.7 bn in January 2025.Economists had expected the trade deficit to fall to USD 123.5 bn from the USD 131.4 bn originally reported for the previous month
  - US President Donald Trump announced reciprocal tariffs on all imports from India and other nations. **Trump said that he imposed 26% tariffs on all imports from India half of what India imposed on US products.**
  - Flash data from Eurostat showed that **the harmonized index of consumer prices in Eurozone rose 2.2% YoY in March 2025, which was slightly slower than the 2.3% YoY rise in February 2025.**
- **Outlook :-**

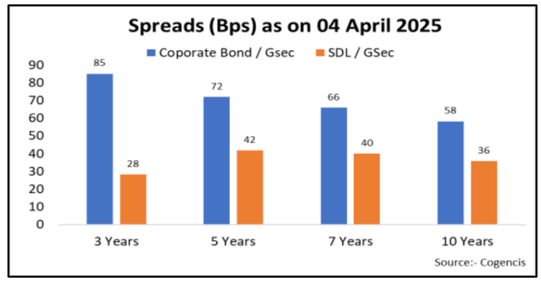
The liquidity condition as measured by RBI's net LAF improved substantially and moved to surplus. The liquidity is expected to remain in surplus in April on the back of higher government spending and lower currency leakage. Retail inflation in India eased as the Consumer Price Index (CPI) fell to a seven-month low of 3.61% YoY in February 2025 from 4.31% YoY in January 2025 and below the market expectations of 3.98% YoY. 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 emanating from 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 reciprocal tariffs. Going forward, further de

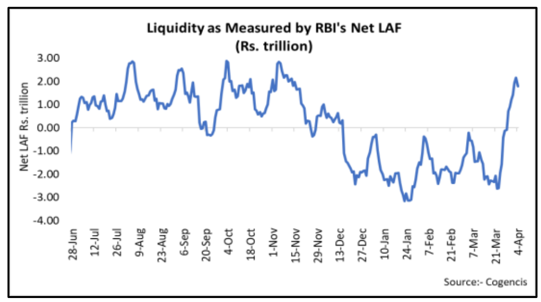
velopment on tariff front basis any retaliatory tariffs declared by US's trading partners including India would be a key factor for global capital flows. Weather vagaries also need to be watched out for as there are predictions of rising temperature and early summer which may pose upside risk to food inflation.

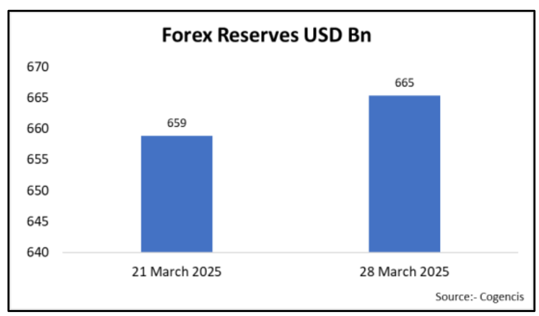
With favorable demand-supply dynamics of Indian G-Secs, and favourable CPI inflation, and weakening growth dynamics may drive the MPC to cut the policy rates further. This is also being factored in by the bond market and thus, Incremental opportunity in long duration seems limited at this juncture. Easing 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.

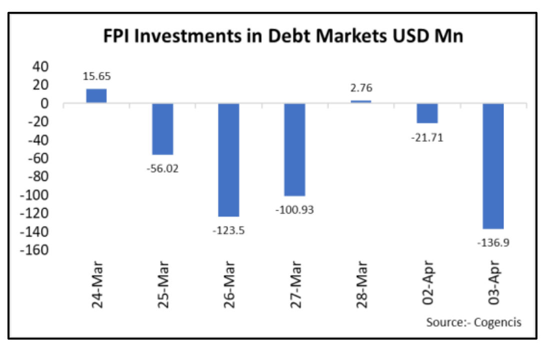












Category Average Returns as on 4 April 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.96	6.44	6.21	6.17	6.29	6.38	6.43	6.52	6.60	6.20
Liquid Funds	7.05	10.13	8.51	7.74	7.45	7.21	7.20	7.25	7.19	6.66
Floater Funds	19.69	25.04	17.99	11.92	10.38	8.61	8.84	8.69	8.19	7.11
Low Duration Funds	8.14	17.60	12.58	9.60	8.61	7.73	7.70	7.61	7.36	6.52
Money Market Funds	9.68	16.10	12.26	9.63	8.64	7.81	7.65	7.59	7.44	6.74
Ultra Short Duration Funds	8.05	13.84	10.56	8.63	7.88	7.31	7.22	7.21	7.04	6.37
Banking And PSU Funds	22.26	28.75	20.88	12.44	10.85	8.67	8.89	8.45	7.80	6.58
Corporate Bond Funds	25.22	30.30	20.83	12.76	11.10	8.87	9.18	8.72	7.99	6.60
Medium Duration Funds	38.96	29.66	20.71	13.47	11.95	9.46	9.58	9.08	8.12	7.02
Short Duration Funds	26.35	26.96	18.32	11.73	10.56	8.69	8.84	8.43	7.68	6.55
Medium To Long Duration Funds	52.73	37.72	29.23	14.94	12.89	9.10	9.45	9.16	8.16	6.82
Long Duration Funds	59.38	47.37	44.54	20.00	15.48	9.37	10.22	10.67	9.82	8.02
Dynamic Bond Funds	59.46	41.46	33.05	16.24	13.52	9.14	9.72	9.46	8.46	7.06
Credit Risk Funds	26.20	25.92	25.26	19.45	15.49	11.52	10.65	9.89	8.96	7.48
Gilt Funds / Gilt Funds with 10 year constant duration	73.36	43.79	37.94	17.88	14.77	9.75	10.23	10.03	8.91	7.31
Conservative Hybrid Funds	-117.10	-4.98	28.18	4.21	0.97	1.50	4.51	7.62	10.55	7.89
Index Funds	28.07	24.72	16.29	11.06	10.53	8.43	8.95	8.80	8.11	6.25
Arbitrage Funds	34.86	10.87	9.34	7.51	7.16	7.14	6.92	7.08	7.29	6.47

* 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	32.94	14.51	10.25	10.08	9.03	7.31
Dynamic Bond Fund	36.29	13.46	8.67	9.63	9.03	7.26
Gilt Funds & Gilt Funds with 10 year constant duration	43.75	15.21	9.53	10.50	9.50	7.69
Short Duration / Medium Duration	18.84	10.78	8.86	8.69	8.03	6.74
Banking and PSU Funds	23.41	11.23	8.80	8.74	8.07	6.77
Corporate Bond Funds	21.89	11.63	9.19	9.15	8.46	7.11
Ultra Short Duration Funds /Low Duration / Floater Funds	12.01	8.61	7.86	7.78	7.60	6.82
Money Market Funds	12.77	8.97	8.10	7.90	7.77	7.07
Liquid Funds & Overnight Funds	8.80	7.60	7.32	7.35	7.28	6.75
Arbitrage Funds	9.86	7.47	7.44	7.41	7.61	6.83

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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