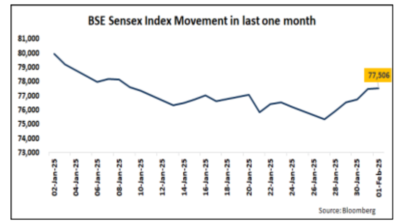
HDFC Bank Research

Weekly Equity Market Updates for week ended February 1, 2025

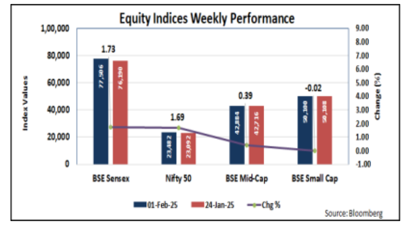
Domestic Equity Market Update

- Indian equities ended the week mostly on a positive note, with the large cap-oriented BSE Sensex ending higher by 1.73% & and Nifty 50 ending lower by 1.69% WoW respectively. The BSE Midcap index ended higher by 0.39% and the BSE Small cap index ended lower by 0.02%.
- On the BSE sectoral front, Realty was the top performer. Telecom, IT and Heathcare, underperformed the most.
- Domestic equity markets ended the week on a positive note as sentiment was boosted after the RBI announced several measures to inject over Rs. 1 trillion liquidity into the banking system, which also raised the expectations of policy easing by the RBI in its February 2025 monetary policy meeting. A consumption supportive budget further boosted the market sentiments further.



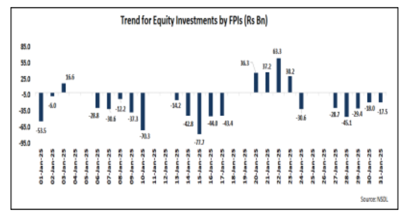
Global Market Updates

- US equity markets ended on a mixed note after the US government press secretary confirmed the US President's threatened tariffs will be levied against major US trading partners beginning on 1st February, 2025. Furthermore, the market fell after the U.S. Federal Reserve made its anticipated announcement to maintain interest rates at their current level on 29th January, 2025 after concluding its initial monetary policy meeting of 2025.
- European markets mostly ended on a positive note after the European Central Bank delivered a widely expected 25-basis point interest-rate cut on 30th January, 2025 and guided for a further reduction in March 2025 due to concerns about economic growth.
- Brent crude declined from USD 77.55 per barrel to USD 76.76 amid uncertainty about implementation of the US President's proposed tariff plans on Canada and Mexico.

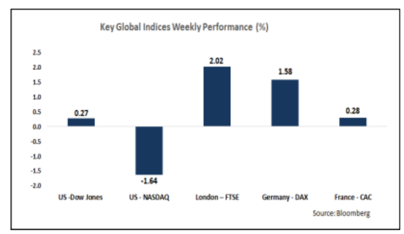


Macro Data & Domestic News Released During the Week

- According to Government data, India's exports to the US rose by 5.57% YoY to USD 59.93 bn during April-December FY25. On the other hand, imports from the US during the April-December FY25 period grew by 1.91% YoY to USD 33.4 bn.
- India's core sector output rose 4% YoY in December 2024, driven by coal and steel production activity, according to government data released.
- According to S&P Global, the HSBC flash Composite Purchasing Managers' Index (PMI) fell to 57.9 in January 2025 from December 2024's final reading of 59.2. The Manufacturing sector Flash PMI rose to 58 in January 2025 from 56.4 in December 2024. In contrast, the Services flash PMI figure declined to 56.8 in January 2025 from 59.3 in December 2024.



- According to SIAM data, automobile exports from India rose to 50,98,810 units in 2024, up 19 % YoY from 42,85,809 units exported in 2023.
- As per Ind-Ra, property prices in India to increase 5-6% YoY in FY25, then moderate to 3-4% YoY for FY26, due to base effects and new launches.
- According to a report by the India Electronics and Semiconductor Association (IESA), India's semiconductor market is expected to grow from USD 52 bn (Rs 4.5 trillion) in 2024 to USD 103.4 bn (Rs 9 trillion) by 2030.
- As per NSO, the manufacturing sector employed nearly 33.7 mn workers in FY24 period, compared to 34.9 mn workers in FY11.
- As per the Crisil Ratings, asset reconstruction companies (ARCs) are likely to see the cumulative recovery rate of security receipts (SRs) improve by up to 15% to 75-80% in FY26.
- **From Nifty 200 universe, 128 companies have announced their Q3 FY25 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 5.90%, 6.59% and 8.27% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.11%, 5.41% and 4.82% YoY respectively.**

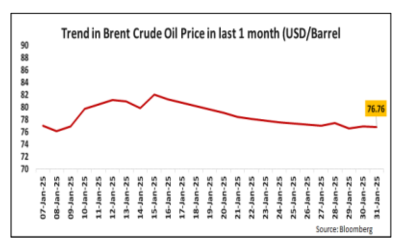


Outlook

Going forward, Indian equity market is likely to be driven by movement in the US Dollar index, Improvement in consumption demand, FPI/DII flows, Tariff announcement by Donald Trump, Improvement in liquidity conditions supported by the RBI and Q3 FY25 results. With the budget announcing about Rs 1 trillion worth of consumption supportive tax cuts, the market participants expect consumption demand to improve steadily in FY26.

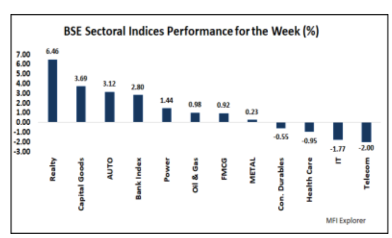
In US, the Trump Administration has levied tariffs on Canada, Mexico and China and in return Canada and Mexico too have announced tariffs on US products. This can lead to worsening of global trade dynamics. Trump is expected to raise tariffs on more countries and thus have impact on Both the US and other economies.

For the Equity market the big bonanza from the budget was on the income tax front which can revive urban consumption. The other big takeaway from the budget remained the steadfastness that the government has shown in keeping the fiscal deficit under control which can have a salutary impact on the overall interest rates in the economy. Over the long run, gradual reduction in the fiscal deficit, could lead to a ratings upgrade for India, which could structurally drive down the cost of capital for the economy and act as a booster for Indian corporates and investors.

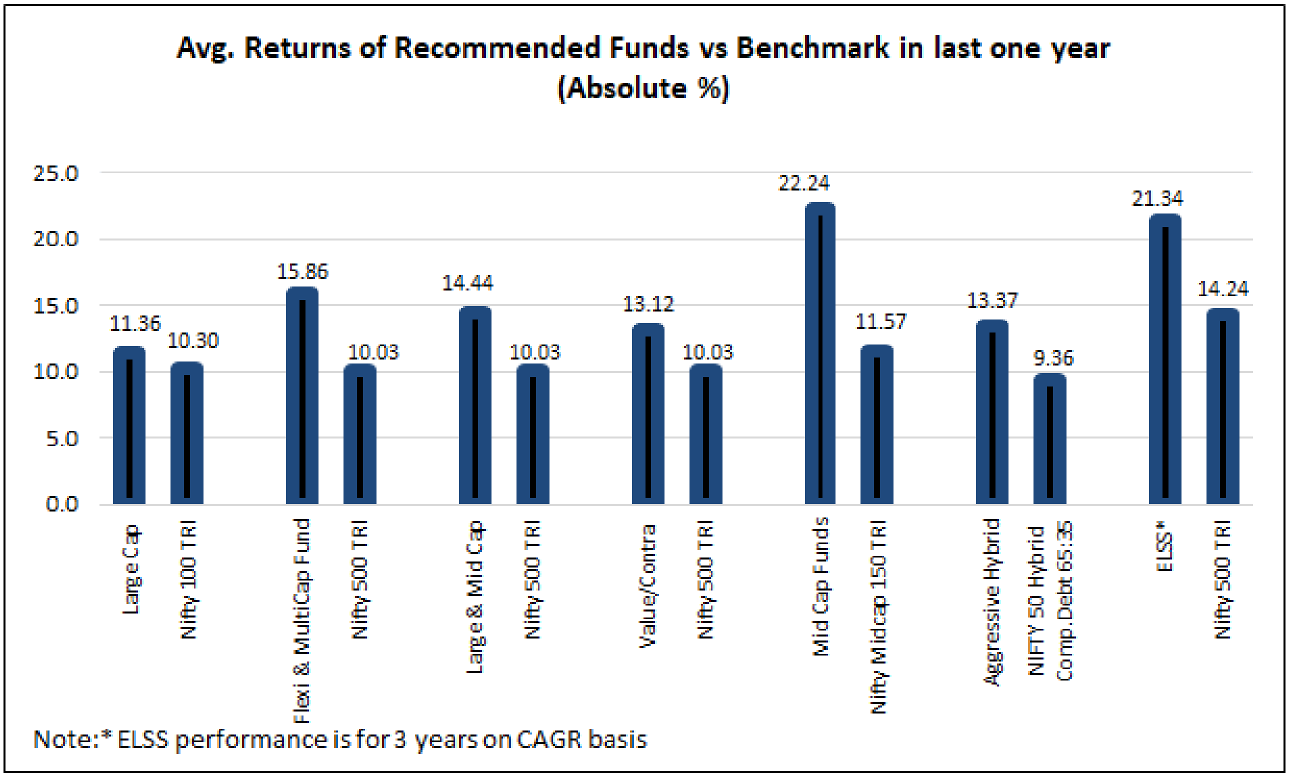


Overall, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. With fiscal consolidation remaining on track, some heavy lifting is now expected from the RBI in terms of sharply improving the liquidity conditions in the economy and moving towards a longer policy rate cut cycle. That would add to the cheer in the equity markets

The Quarterly earnings for Q3FY25 has continued on a muted note, with some IT companies reporting steady numbers, but the banking sector is suggesting rising NPA impulses. Telecom, Power and Chemical/Fertilizer have also delivered stable earnings comparatively. Numbers in Auto Anc, Healthcare and Oil & Gas remains muted. The market participants are likely to assess the performance of the corporates in the ongoing earning season to decide the future course of action. Weak earnings could see continuation of the current correction.



With the recent correction, valuations in most segments of the market have corrected, while earning growth remains stable. 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 doing SIPs 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	-2.41	-7.00	11.36	21.94	15.99	17.68
Flexi & MultiCap Fund	-6.01	-6.48	15.86	28.35	20.28	20.16
Large & Mid Cap Funds	-3.93	-7.57	14.44	26.59	18.96	21.14
Mid Cap Funds	-10.61	-5.47	22.24	35.29	26.33	26.76
Small Cap Funds	-10.31	-11.04	9.88	29.41	20.68	27.62
Value/Contra Funds	-3.09	-6.95	13.12	27.18	20.45	25.16
Focused Funds	-2.79	-6.09	15.46	24.51	18.14	21.42
Aggressive Hybrid Funds	-2.70	-3.84	13.37	20.38	14.86	16.98
Dynamic Asset Allocation Funds	-1.56	-2.26	10.19	17.68	13.98	15.71
Equity Linked Saving Schemes	-6.58	-5.56	18.19	30.88	21.34	21.08
Infrastructure Oriented Funds	-5.45	-10.52	13.71	29.97	22.35	25.49
Nifty 50 Index TRI	**-0.45**	**-5.31**	**9.55**	**16.70**	**12.01**	**15.80**
Nifty 500 TRI	**-3.47**	**-7.92**	**10.03**	**21.32**	**14.24**	**18.16**
Nifty Infrastructure TRI	**-1.29**	**-11.71**	**7.10**	**29.40**	**19.31**	**22.28**

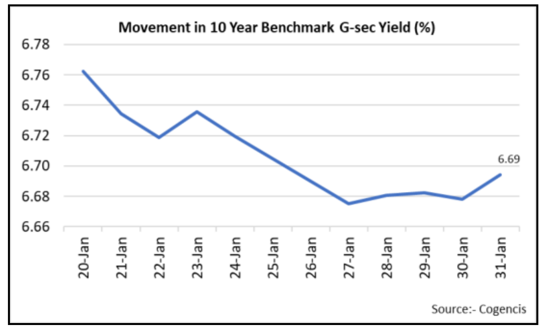
Note: Data as on January 31, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms. Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

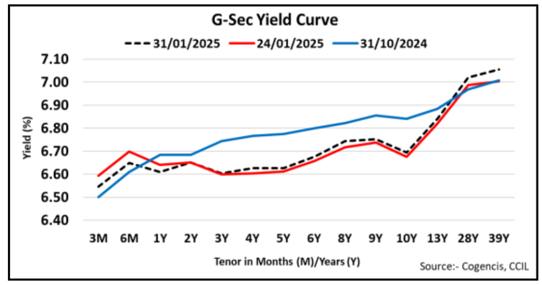
Overview - Fixed Income Markets & Mutual Funds as on 31 January 2025

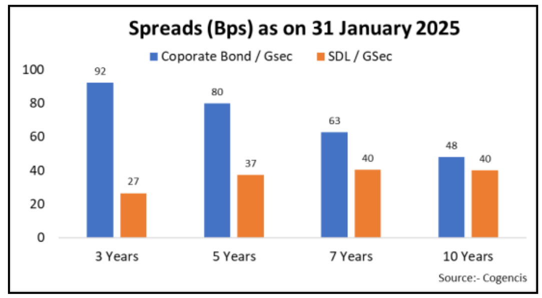
- Domestic G-Sec prices closed the week ended 31st January 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 3 bps at 6.69% as against 6.72% on 24th January 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)8 bp to 3 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 2 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields mostly remained steady as the RBI's announcement of measures to address the bank liquidity shortage was countered by profit booking by the market participants, ahead of the Union Budget. The liquidity infusion package includes the purchase of bonds worth Rs. 600 bn in three tranches of Rs. 200 bn.
  - The total G-sec supply for the week stood at Rs 580.54 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 260.54 bn against a notified amount of 300 bn and the maturities were in the range of 6-39 years. The SDLs' auction was to the tune of Rs 320 bn, and the maturities were in the range of 6-30 years. For the 10-year SDL, the average cut off yield came in flat at 7.10%, as against 7.14% in the previous week. The G-secs' auction was for the following: 6.79% GS 2031, 6.79% GOI SGrB 2034 & 7.34% GS 2064. There was devolvement of Rs 39.46 bn of 6.79% GOI SGrB 2034.
  - 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 deficit of ~Rs 2.43 trillion during the week as against a daily average deficit of ~Rs 2.78 trillion during the previous week.
- **Macro Data released during the week :-**
  - RBI announced a host of liquidity measures. It would buy government bonds worth Rs 600 bn (USD 6.96 bn) in three tranches and will conduct a 56-day VRR auction worth Rs 500 bn on February 7, 2025. It has also conducted a USD/INR buy/sell swap auction of USD 5 bn for a tenor of 6 months on January 31, 2025.
  - According to Government data, India's exports to the US rose by 5.57% YoY to USD 59.93 bn during April-December of FY25 on account of healthy demand in the American market for Indian goods. On the other hand, imports from the US during the April-December FY25 period grew by 1.91% YoY to USD 33.4 bn.
  - As per the National Statistics Office (NSO), the manufacturing sector employed nearly 33.7 mn workers in FY24 period, compared to 34.9 mn workers in FY11.
  - As per the RBI, India's foreign exchange reserves increased by USD 5.57 bn to USD 629.55 bn as of January 24, 2025. Foreign currency assets (FCAs) rose by USD 4.76 bn to USD 537.89 bn.
- **Other macro-economic news :-**
  - As per the Crisil Ratings, Asset Reconstruction Companies (ARCs) are likely to see the cumulative recovery rate of Security Receipts (SRs) improve by up to 15% to 75-80% in FY26. The improvement will be driven by factors like the healthy performance of stressed assets in key infrastructure sectors.
  - The Centre approved the Mutual Credit Guarantee Scheme to give a fillip to manufacturing by MSMEs by providing 60% guarantee coverage for loans up to Rs 1 bn, specifically for the purchase of plant and machinery or equipment.
  - According to data from the RBI's payment system report, the contribution of Unified Payments Interface (UPI) to the cumulative digital payments ecosystem more than doubled in five years, rising from 34% in 2019 to 83% in 2024. In 2024, India recorded 208.5 bn digital payment transactions.
- **Global Updates :-**
  - The US Fed decided to maintain the target range for the federal funds rate at 4.25-4.50% in support of its dual goals of maximum employment and inflation at the rate of 2% YoY over the longer run.
  - According to a report released by the US Commerce Department, US GDP shot up by 2.3% YoY in Q4 CY24 after surging by 3.1% YoY in Q3 CY24. Economists had expected GDP to jump by 2.6% YoY.
  - The ECB lowered the deposit rate by 25 bps to 2.75%. The main refinancing rate was trimmed by a similar volume to 2.90% and the lending rate to 3.15%, respectively.
  - China's manufacturing sector moved to contractionary zone in January 2025 with a PMI score of 49.1, down from 50.1 in December 2024. The Services PMI was lower at 50.2, down from 52.2 in December 2024.
- **Outlook :-**

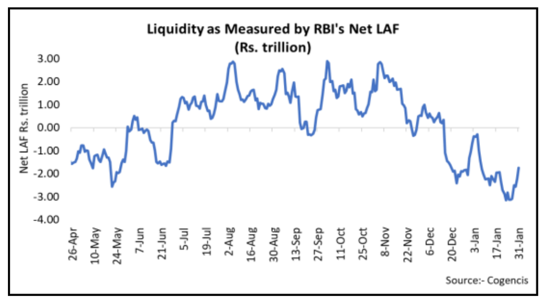
The liquidity continued to remain in deficit but showed an improvement over the past week as RBI took various measures to tackle the liquidity condition. The RBI looked at injecting durable liquidity via 56-day VRR window. The CPI inflation for December 2024 eased slightly to 5.22% YoY, below market expectations of 5.30% YoY. While the CPI inflation remains above the RBI's target of 4% YoY, the food inflation is expected to cool down further during the winter months, which could cause headline inflation to gradually trend downwards and could give room to the MPC for policy rate cuts. **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 timing of the policy rate cuts.** In the US, the Fed, in its latest policy, kept the rates unchanged and also reaffirmed their stance of slowing the pace of policy rate cuts in the light of improving growth and employment data.

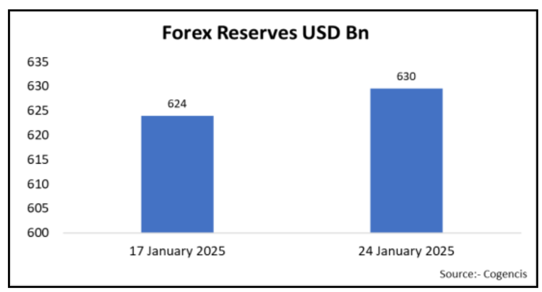
As announced in the Union Budget, the government's fiscal prudence has led to a gradual decline in fiscal deficit, so we may see structurally lower interest rates over the long term. In this scenario, space has opened up for rate cuts, making a further case for tactical duration play. Additionally, improvement in 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 can look at Dynamic Bond Funds. For a horizon of 3 months and above, investors can consider Arbitrage Funds or Money Market Funds. Whereas for a horizon of up to 3 months, investors can consider Overnight Funds and Liquid Funds. Investors can also look at Multi-asset allocation funds for a horizon of 36 months and above. Investors should invest in line with their risk profile and product suitability.

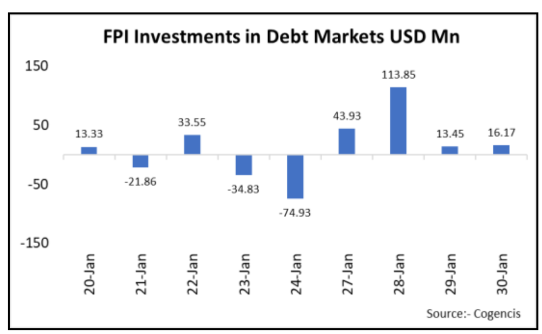












Category Average Returns as on 31 January 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.45	6.41	6.44	6.47	6.43	6.43	6.50	6.58	6.61	6.02
Liquid Funds	6.74	7.10	6.87	6.86	6.87	6.94	7.04	7.23	7.11	6.41
Floater Funds	0.65	5.88	6.92	6.47	6.55	7.46	8.08	8.14	7.82	6.59
Low Duration Funds	6.86	7.27	6.53	6.49	6.45	6.94	7.15	7.34	7.15	6.18
Money Market Funds	7.17	7.91	6.73	6.73	6.76	6.97	7.11	7.36	7.24	6.41
Ultra Short Duration Funds	7.37	7.32	6.41	6.46	6.48	6.72	6.83	7.07	6.90	6.09
Banking And PSU Funds	1.13	9.75	7.29	6.66	6.50	7.37	7.97	7.78	7.32	6.09
Corporate Bond Funds	-1.89	9.78	7.23	6.57	6.64	7.61	8.20	7.98	7.45	6.10
Medium Duration Funds	-1.41	10.16	8.44	6.92	6.99	7.91	8.57	8.13	7.54	6.47
Short Duration Funds	0.65	8.73	7.50	6.70	7.04	7.47	8.01	7.71	7.23	6.31
Medium To Long Duration Funds	-22.80	5.44	7.73	6.32	6.31	7.30	8.85	8.11	7.51	6.04
Long Duration Funds	-53.55	-6.13	6.01	6.14	4.80	7.46	10.54	9.57	9.10	7.22
Dynamic Bond Funds	-30.77	2.70	7.40	6.22	5.86	7.40	9.07	8.32	7.67	6.29
Credit Risk Funds	8.94	10.02	7.82	6.53	6.51	7.77	8.11	7.95	8.00	9.06
Gilt Funds / Gilt Funds with 10 year constant duration	-41.07	1.01	7.67	6.39	6.20	7.60	9.53	8.63	8.07	6.32
Conservative Hybrid Funds	82.79	18.76	-4.17	-1.65	0.60	2.64	8.09	8.78	10.42	8.24
Index Funds	4.61	8.78	8.84	7.45	7.12	7.69	8.72	8.28	7.78	5.79
Arbitrage Funds	27.18	5.44	7.50	7.17	6.91	6.78	6.94	7.13	7.27	6.18

* 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	7.90	6.52	8.01	9.19	8.53	6.45
Dynamic Bond Fund	6.77	4.83	7.45	8.66	8.21	6.38
Gilt Funds & Gilt Funds with 10 year constant duration	6.09	4.89	7.42	9.09	8.54	6.70
Short Duration / Medium Duration	7.83	7.11	7.69	8.02	7.58	6.27
Banking and PSU Funds	7.10	6.31	7.58	8.04	7.55	6.25
Corporate Bond Funds	7.80	6.87	7.97	8.44	7.90	6.61
Ultra Short Duration Funds /Low Duration / Floater Funds	6.78	6.74	7.19	7.58	7.43	6.48
Money Market Funds	6.98	7.02	7.24	7.69	7.58	6.75
Liquid Funds & Overnight Funds	6.96	6.93	7.02	7.33	7.21	6.50
Arbitrage Funds	7.69	7.20	7.08	7.48	7.61	6.55

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

(Please refer to the disclaimer on the next page)

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

HDFC Bank is a 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.