

**Domestic Equity Market Update**

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 2.81% and Nifty 50 ending lower by 2.94% WoW respectively. The BSE Midcap index ended lower by 4.41% and the BSE Small cap index ended lower by 6.05%.
- On the BSE sectoral front, most of the indices ended on a negative note. IT, Realty and Oil & Gas underperformed the most.
- Domestic equity markets ended the week on a negative note as investors' sentiment was negatively impacted after the US President has threatened to impose a 25% tariff on imports from the European Union, accusing the bloc of being formed to "undermine" the US.

**Global Market Updates**

- US equity markets ended the week on a mixed note following the announcement by the US President that the previously suspended 25% tariffs on imports from Mexico and Canada, as well as the 10% tariff on imports from China, will be implemented on March 04, 2025. Additionally, investors looked ahead to the release of fourth-quarter results of major AI companies, which also weighed on market sentiment.
- European markets ended on a mixed note as investors reacted to robust earnings reports and a slight alleviation of geopolitical tensions after Ukraine and the US reached an agreement on a minerals deal.
- Brent declined from USD 74.05 per barrel to USD 72.81 due to worries about global economic growth and uncertainty about the outlook for oil demand weighing on the commodity's prices. However, losses were restricted by supply concerns after the US decided to revoke an oil giant corporation's license to operate in Venezuela.

**Macro Data & Domestic News Released During the Week**

- According to data shared by MoSPI, India's real GDP growth for Q3 FY25 was 6.2% YoY. The rise comes after GDP growth fell to a seven-quarter low of 5.4% YoY in Q2 FY25. As a result, the government has revised its full-year real GDP growth projection for FY25 to 6.5% YoY.
- As per data from S&P Global, the HSBC Flash India Composite Purchasing Managers' Index (PMI) rose to 60.6 in February 2025, up from 57.7 in January 2025. The Flash Services PMI rose to 61.1 in February 2025 from 56.5 in January 2025 while the Flash Manufacturing PMI dipped to 57.1 in February 2025 from 57.7 in January 2025.
- As per RBI data, credit card spends grew by 10.8% YoY to Rs 1.84 trillion in January 2025. Per card spend in the industry stood at Rs 16,910, up 1.09% YoY.
- According to ICRA, Indian companies are likely to clock 7-8% YoY revenue growth during Q4 FY25, led by revival in rural demand and uptick in government spending. Urban demand, which has been sluggish, is expected to improve, aided by the sizeable income-tax relief in the Union Budget 2025, the monetary easing by the RBI, and a moderation in food inflation.
- SEBI has paved the way for the launch of Specialised Investment Funds (SIFs) from April 2025. The pure equity products include equity long-short funds, equity ex-top 100 long-short funds, and sector rotation long-short funds. The minimum investment size of these funds is Rs 1 mn.
- According to RBI data, the All-India House Price Index (HPI) increased 3.1% YoY in Q3 FY25 as compared to 4.3% YoY growth in Q2 FY25 and 3.8% YoY growth in Q3 FY24.
- As per data from the Finance Ministry, the number of UPI transactions in January 2025 surpassed 16.99 bn and the value exceeded Rs 23.48 trillion, marking the highest number recorded in any month.
- According to ICRA, Passenger Vehicle sales volume in India is expected to grow at a moderate pace of 4-7% in FY26 with most demand drivers remaining neutral or favourable.

**Outlook**

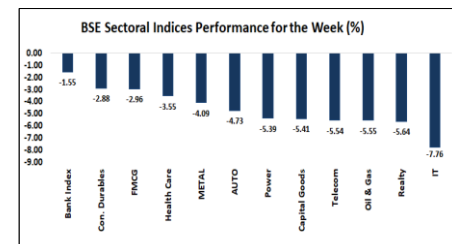
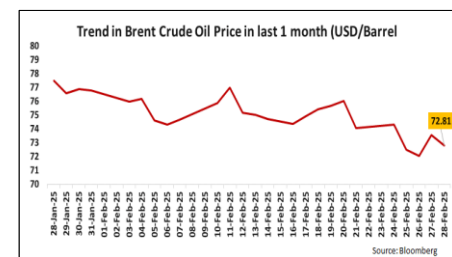
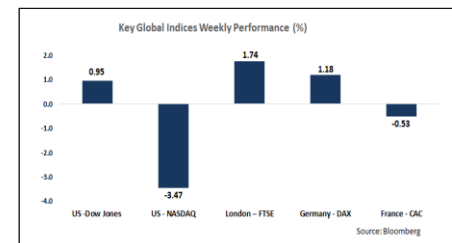
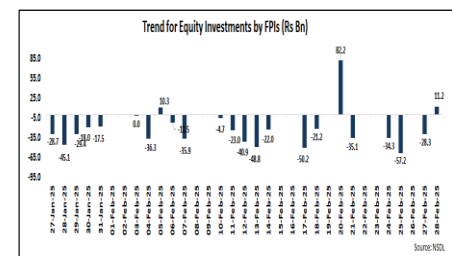
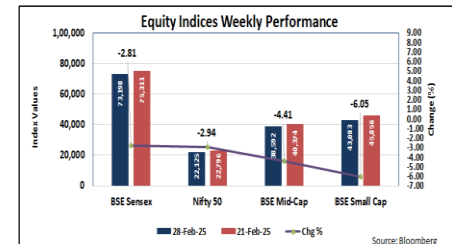
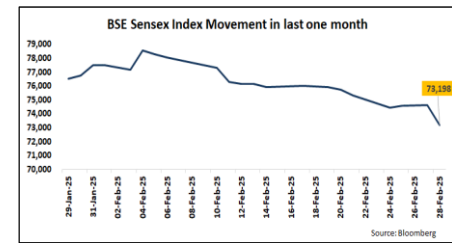
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, tariff announcement by Donald Trump, improvement in liquidity conditions supported by the RBI. With the budget announcing about Rs 1 trillion worth of consumption supportive tax cuts, the market participants expect consumption demand to improve steadily in FY26. The RBI has been coming out with measures to boost system liquidity to help aid growth. While the current liquidity deficit is large, as per market participants, continuous effort from the central bank on the liquidity support front is required. A marginally lower than expected GDP print was witnessed in Q3 FY25 on back of strong government spending and an uptick in rural recovery, while Capex and Manufacturing activities decelerated. Going forward, pick up in private/Government capex, good export performance should aid well for Q4 GDP print.

In US, the Trump Administration has levied tariffs on key partners and is threatening to levy it on more countries. Some such countries have also announced reciprocal tariffs. The actual implementation of these tariffs may lead to deterioration in global trade and global growth.

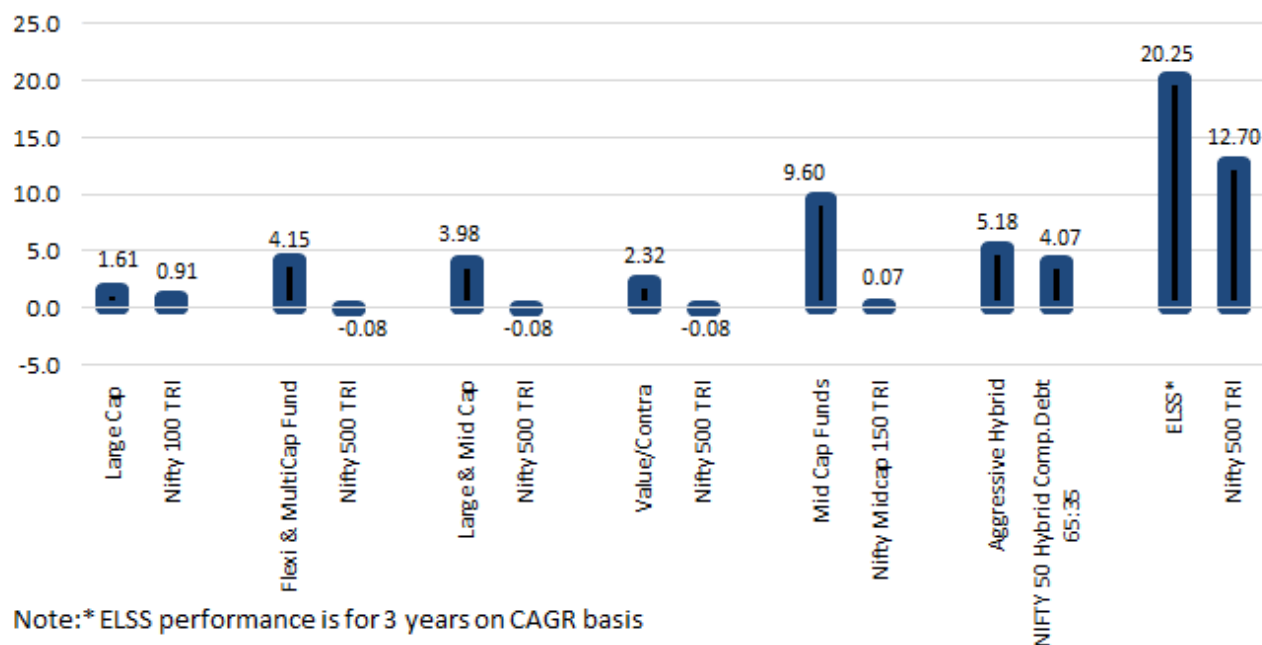
The recent macro fundamentals of the domestic economy have seen volatility. Weak external conditions have led to INR depreciating to all time lows. On the other hand, calibrated fiscal consolidation, stable private consumption and growth support coming through from the RBI should help the economic growth in the medium term.

The quarterly earnings for Q3 FY25 has ended on a mixed note, with some IT companies reporting steady numbers, but the banking sector is suggesting rising NPA impulses. Telecom, Power, Realty and Chemical/Fertilizer have also delivered stable earnings comparatively. Numbers in Auto Anc, Metal and Oil & Gas remains muted. During/post the result season, the broad indices have seen further cuts in earning estimates, which have weighed down the equity markets.

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.



### Avg. Returns of Recommended Funds vs Benchmark in last one year (Absolute %)



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	-6.30	-13.67	1.61	18.95	15.09	17.71
Flexi & MultiCap Fund	-7.78	-14.92	4.15	24.00	19.24	20.17
Large & Mid Cap Funds	-7.24	-15.28	3.98	22.88	18.14	20.82
Mid Cap Funds	-8.17	-13.53	9.60	30.07	24.94	25.45
Small Cap Funds	-12.05	-22.21	-2.82	21.44	18.53	26.11
Value/Contra Funds	-7.31	-14.60	2.32	23.13	19.24	25.09
Focused Funds	-5.53	-12.69	5.54	22.26	17.95	22.04
Aggressive Hybrid Funds	-5.45	-10.51	5.18	17.69	13.96	17.06
Dynamic Asset Allocation Funds	-3.99	-6.98	4.07	15.57	13.13	15.59
Equity Linked Saving Schemes	-8.29	-15.17	4.74	25.86	20.25	20.56
Infrastructure Oriented Funds	-8.30	-17.74	1.13	25.57	20.88	24.76
Nifty 50 Index TRI	-5.79	-11.92	1.89	14.40	10.92	15.94
Nifty 500 TRI	-7.79	-15.87	-0.08	18.12	12.70	17.78
Nifty Infrastructure TRI	-8.06	-18.31	-4.44	24.62	17.91	22.10

Note: Data as on February 28, 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 28 February 2025

- Domestic G-Sec prices closed the week ended 28<sup>th</sup> February 2025 on a negative note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 1 bp at 6.72% as against 6.71% on 21<sup>st</sup> February 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 23 bp to 2 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 4 bps on a WoW basis.
- Movement in G-sec yields :-**
  - Indian G-sec yields rose following a heavy debt supply from states, coupled with a plunge in the local currency. Losses were extended as weaker-than-expected demand for the central government's last debt sale for the financial year soured sentiment.
  - The total G-sec supply for the week stood at Rs 730.54 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 6-29 years. The SDLs' auction was to the tune of Rs 410.54 bn, and the maturities were in the range of 5-30 years. For the 10-year SDL, the average cut off yield came in higher at 7.19%, as against 7.15% in the previous week. The G-secs' auction was for the following: 6.79% GS 2031, 6.92% GS 2039 and 7.09% GS 2054.
  - 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 deficit of ~Rs 1.86 trillion during the week as against a daily average deficit of ~Rs 1.81 trillion during the previous week.

## Macro Data released during the week :-

- The RBI's USD 10 bn USD-INR buy-sell swap auction for three years received bids worth USD 16.23 bn, reflecting robust demand amid persistent liquidity deficit in the banking system. The cut-off premium was set at Rs 6.55, which was lower than market expectations.
- As per data from the Controller General of Accounts (CGA), the Centre's fiscal deficit touched 74.5% of the annual target at the end of January 2025. In actual terms, the fiscal deficit was Rs 11,695.42 bn during the April-January FY25 period. The deficit was 63.6% of Revised Estimates (RE) of FY24.
- Gross GST collections in India rose by 9.1% YoY to Rs 1.84 trillion in February 2025, boosted by domestic consumption and indicating potential economic revival.
- As per the RBI, India's foreign exchange reserves increased by USD 4.76 bn to USD 640.48 bn as of February 21, 2025. Foreign currency assets (FCAs) increased by USD 4.25 bn to USD 543.84 bn.

## Other macro-economic news :-

- According to RBI data, bank credit growth decelerated to 11.8% YoY in Q3 FY25 from 12.6% YoY in Q2 FY25, while aggregate deposits increased at a marginally lower pace at 11% YoY in Q3 FY25 as compared to 11.7% YoY growth in Q2 FY25.
- According to RBI data, the outstanding amount on Certificates of Deposit (CDs) reached an all-time high of Rs 5.19 trillion for the fortnight ending February 7, 2025, as banks continue to rely on raising funds through CDs amid tight liquidity conditions.
- As per data from the Labor Ministry, retail inflation for farm and rural workers eased slightly to 4.61% YoY and 4.73% YoY, respectively, in January 2025 from 5.01% YoY and 5.05% YoY, respectively, in December 2024.

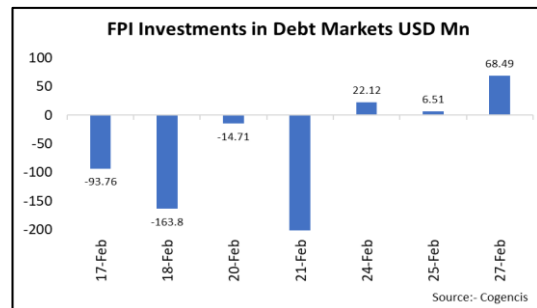
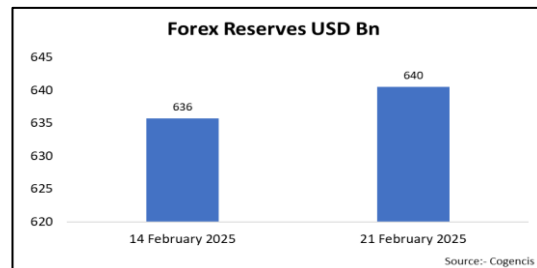
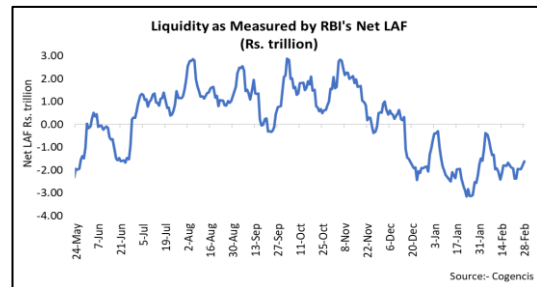
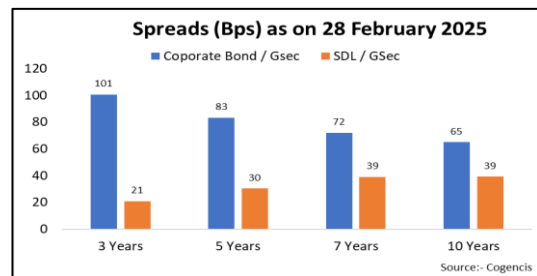
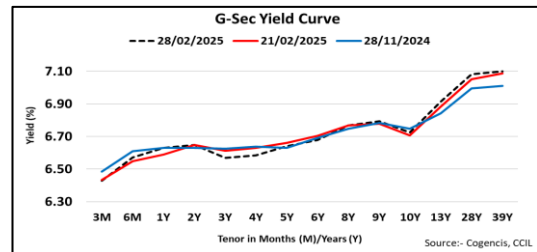
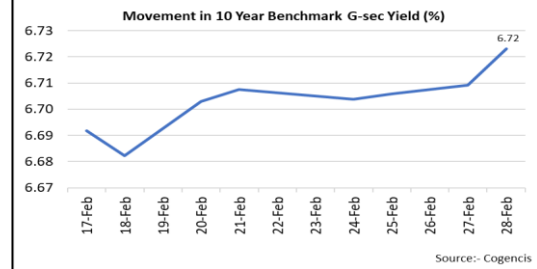
## Global Updates :-

- According to the US Commerce Department, the US GDP rose by 2.3% YoY in Q4 CY24. The Q4 CY24 GDP growth reflects a notable slowdown compared to the 3.1% YoY growth seen in the Q3 CY24.
- As per data from the US Labor Department, initial jobless claims in the US rose to 242,000 in the week ended February 22, 2025, an increase of 22,000 from the revised level of 220,000 in the week ended February 15, 2025. Economists had expected initial jobless claims to inch up to 221,000.
- According to data from Eurostat, Eurozone inflation rose slightly to 2.5% YoY in January 2025 from 2.4% YoY in December 2024, driven by higher energy prices. Core inflation, which excludes prices of energy, food, alcohol and tobacco, held steady at 2.7% in January 2025, in line with estimates.

## Outlook :-

While the liquidity continued to remain in deficit during the week, the RBI took further measures to tackle the same. As notified, the RBI conducted USD 10 bn worth of USD-INR buy-sell swap auction for three years which received bids worth USD 16.23 bn, reflecting robust demand. Retail inflation in India eased as the Consumer Price Index (CPI) fell to a five-month low of 4.31% YoY in January 2025 from 5.22% YoY in December 2024. The easing came on the back of lower food prices, supported by healthy kharif crop yields. **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 Fed kept policy rates unchanged, reiterating a "careful approach" in considering additional adjustments to the monetary policy stance. Going forward, policy measures announced by the Trump Administration would be a key factor that would drive the policy rates there. The GDP for Q3FY25 came in marginally lower than market expectations at 6.2% YoY. Lower than expected GDP growth could allow the RBI to further bring in growth supportive measures.

**With the recent cut in policy rate, along with favorable demand-supply dynamics of Indian G-Secs, and favourable CPI inflation, we may see structurally lower interest rates over the long term. 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. Further policy rate cuts may bring about tactical opportunities in the Long Duration products. 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 28 February 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	6.09	6.08	6.15	6.32	6.39	6.41	6.47	6.56	6.61	6.10
Liquid Funds	6.29	6.51	6.94	6.92	6.91	6.98	7.03	7.20	7.14	6.50
Floater Funds	0.17	3.55	6.12	6.55	6.38	7.06	7.79	7.94	7.82	6.72
Low Duration Funds	6.39	6.39	6.86	6.70	6.63	6.97	7.14	7.29	7.20	6.27
Money Market Funds	5.66	6.80	6.99	6.87	6.83	7.04	7.11	7.31	7.29	6.50
Ultra Short Duration Funds	6.06	6.48	6.76	6.60	6.58	6.78	6.84	7.02	6.94	6.18
Banking And PSU Funds	-10.91	-0.20	4.10	5.79	5.89	6.69	7.33	7.33	7.37	6.05
Corporate Bond Funds	-7.96	1.40	4.86	6.12	6.06	6.99	7.62	7.62	7.51	6.08
Medium Duration Funds	-7.96	3.39	6.90	7.68	6.92	7.61	8.12	7.92	7.79	6.48
Short Duration Funds	-1.17	4.66	5.71	6.67	6.42	7.12	7.58	7.49	7.35	6.35
Medium To Long Duration Funds	-21.48	-3.10	1.08	4.58	4.71	5.70	7.07	7.07	7.53	5.98
Long Duration Funds	-52.44	-15.06	-6.79	-0.08	2.12	4.14	6.86	7.12	8.63	6.55
Dynamic Bond Funds	-26.63	-6.01	-1.06	3.38	3.98	5.44	7.02	7.03	7.60	6.15
Credit Risk Funds	-2.88	21.53	13.87	10.73	8.83	8.55	8.59	8.37	8.42	9.29
Gilt Funds / Gilt Funds with 10 year constant duration	-36.33	-8.62	-2.67	2.76	3.59	5.25	7.04	7.15	7.96	6.18
Conservative Hybrid Funds	-154.54	-38.46	-19.03	-11.17	-6.98	-2.17	4.76	6.21	9.76	7.92
Index Funds	11.50	8.68	6.83	7.91	7.28	7.29	8.18	8.03	8.08	5.90
Arbitrage Funds	-1.15	3.02	5.80	6.71	6.77	6.63	6.84	6.88	7.16	6.19

\* 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	0.78	4.88	6.52	7.79	8.21	6.22
Dynamic Bond Fund	-3.17	2.90	4.77	7.03	8.13	6.29
Gilt Funds & Gilt Funds with 10 year constant duration	-5.65	2.10	4.31	7.04	8.36	6.48
Short Duration / Medium Duration	5.77	6.75	7.29	7.79	7.69	6.30
Banking and PSU Funds	2.92	5.51	6.59	7.42	7.51	6.20
Corporate Bond Funds	4.94	6.24	7.30	8.00	7.94	6.61
Ultra Short Duration Funds /Low Duration / Floater Funds	7.18	6.90	7.23	7.54	7.46	6.60
Money Market Funds	7.17	7.07	7.30	7.63	7.62	6.83
Liquid Funds & Overnight Funds	7.03	6.99	7.06	7.30	7.24	6.59
Arbitrage Funds	5.87	7.01	6.88	7.20	7.47	6.56

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	0.78	4.88	6.52	7.79	8.21	6.22
Dynamic Bond Fund	-3.17	2.90	4.77	7.03	8.13	6.29
Gilt Funds & Gilt Funds with 10 year constant duration	-5.65	2.10	4.31	7.04	8.36	6.48
Short Duration / Medium Duration	5.77	6.75	7.29	7.79	7.69	6.30
Banking and PSU Funds	2.92	5.51	6.59	7.42	7.51	6.20
Corporate Bond Funds	4.94	6.24	7.30	8.00	7.94	6.61
Ultra Short Duration Funds /Low Duration / Floater Funds	7.18	6.90	7.23	7.54	7.46	6.60
Money Market Funds	7.17	7.07	7.30	7.63	7.62	6.83
Liquid Funds & Overnight Funds	7.03	6.99	7.06	7.30	7.24	6.59
Arbitrage Funds	5.87	7.01	6.88	7.20	7.47	6.56

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)***

**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, 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.**