HDFC Bank Research

Weekly Equity Market Updates for week ended February 7, 2025

Domestic Equity Market Update

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.46% & and Nifty 50 ending higher by 0.33% WoW respectively. The BSE Midcap index ended higher by 0.39% and the BSE Small cap index ended higher by 0.13%.
- On the BSE sectoral front, Healthcare was the top performer. Capital Goods, Power and FMCG, underperformed the most.
- Domestic equity markets ended the week on a positive note after the US President delayed tariffs on Mexico and Canada for a month but gave China no such relief. However, a rate cut by the RBI failed to lift market mood as the central bank's monetary policy lacked additional liquidity-easing measures.

Global Market Updates

- US equity markets ended the week on a negative note. The market fell after the University of Michigan released a report showing consumer sentiment had unexpectedly deteriorated in February 2025 amid a surge by year-ahead inflation expectations.
- European markets ended on a positive as investors indulged in some hectic buying at several counters, reacting to quarterly earnings updates, and the Bank of England's decision to lower interest rates. Additionally, the market rose following the US President's decision to pause tariffs on Canada and Mexico for a month.
- Brent crude declined from USD 76.76 per barrel to USD 74.66 after data showed a sharp jump in US crude inventories in the week ended 31st Jan, 2025. Prices fell further amid uncertainty over the impact of the US President's tariff policies on global growth and fuel demand.

Macro Data & Domestic News Released During the Week

- As per data from the Union Budget 2025-26, Capital Expenditure has been pegged at Rs 11.21 trillion in FY26, a growth of around 10% YoY over the FY25 revised estimates (RE) of Rs 10.18 trillion.
- As per S&P Global, Indian goods producers kicked off 2025 on a robust note as Purchasing Managers' Index (PMI) rose to 57.7 in January 2025, recovering sharply from 12-month low of 56.4 in the previous month.
- As per PWC, India's economic growth is projected to moderate to 6.4% YoY in FY25 due to weak urban consumption, high food inflation, and global uncertainties.
- According to Nomura, India's passenger vehicle (PV) industry is expected to witness lower growth in FY25, with forecasts indicating a 1.5% YoY growth due to subdued demand.
- The HSBC final India Services Purchasing Managers' (PMI) Index, compiled by S&P Global, fell to 56.5 in January 2025 from 59.3 in December 2024, lower than a preliminary estimate of 56.8.
- According to the Finance Ministry, public sector banks (PSBs) have posted highest-ever net profit of Rs 1.29 trillion in the April-December period of FY25, marking an increase of 31.3% YoY.
- As per data from FADA, vehicle registrations, a proxy for retail sales, increased by 6.6% YoY to 2.29 mn units in January 2025.
- **From Nifty 200 universe, 169 companies have announced their Q3 FY25 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 5.76%, 7.33% and 14.61% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.84%, 6.07% and 11.08% YoY respectively.**

Outlook

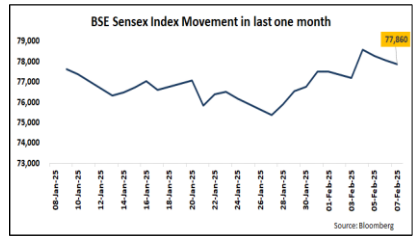
Going forward, Indian equity market is likely to be driven by movement in the US Dollar index, Improvement in consumption demand, FPI/DII flows, Tariff announcement by Donald Trump, Improvement in liquidity conditions supported by the RBI and Q3 FY25 results. With the budget announcing about Rs 1 trillion worth of consumption supportive tax cuts, the market participants expect consumption demand to improve steadily in FY26. In a unanimous decision, the RBI MPC lowered the repo rate to stimulate economic activity by making borrowing cheaper, thereby encouraging spending and investment. Markets participants expected an accommodative stance however RBI remained neutral which overall dented the sentiments.

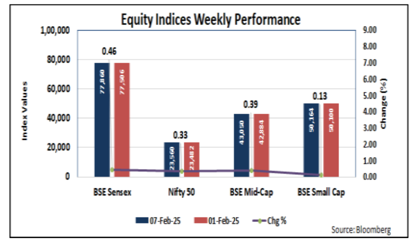
In US, the Trump Administration has levied tariffs on Canada, Mexico and China and in return Canada and Mexico too have announced tariffs on US products. This can lead to worsening of global trade dynamics. Trump is expected to raise tariffs on more countries and thus have impact on Both the US and other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

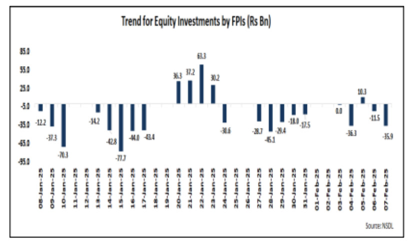
For the Equity market the big bonanza from the budget was on the income tax front which can revive urban consumption. Overall, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. With fiscal consolidation 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.

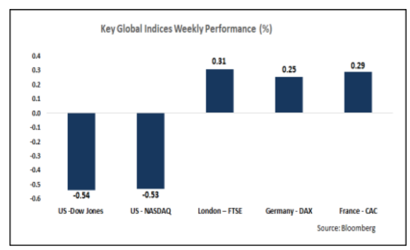
The Quarterly earnings for Q3FY25 has continued on a mixed note, with some IT companies reporting steady numbers, but the banking sector is suggesting rising NPA impulses. Telecom, Power, Realty and Chemical/Fertilizer have also delivered stable earnings comparatively. Numbers in Auto Anc, Metal and Oil & Gas remains muted. Weak earnings has led to continuation of volatility in the equity markets.

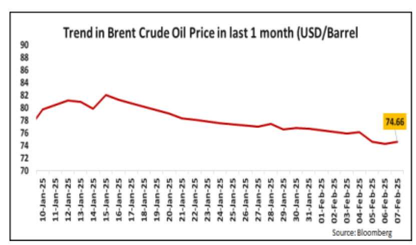
With the recent correction, valuations in most segments of the market have corrected, while earning growth remains stable. In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. From an Equity Mutual Fund 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.

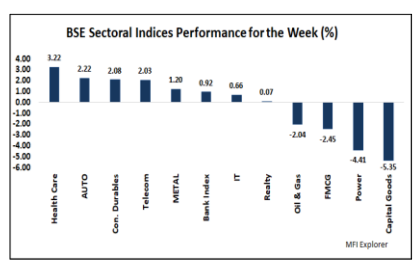


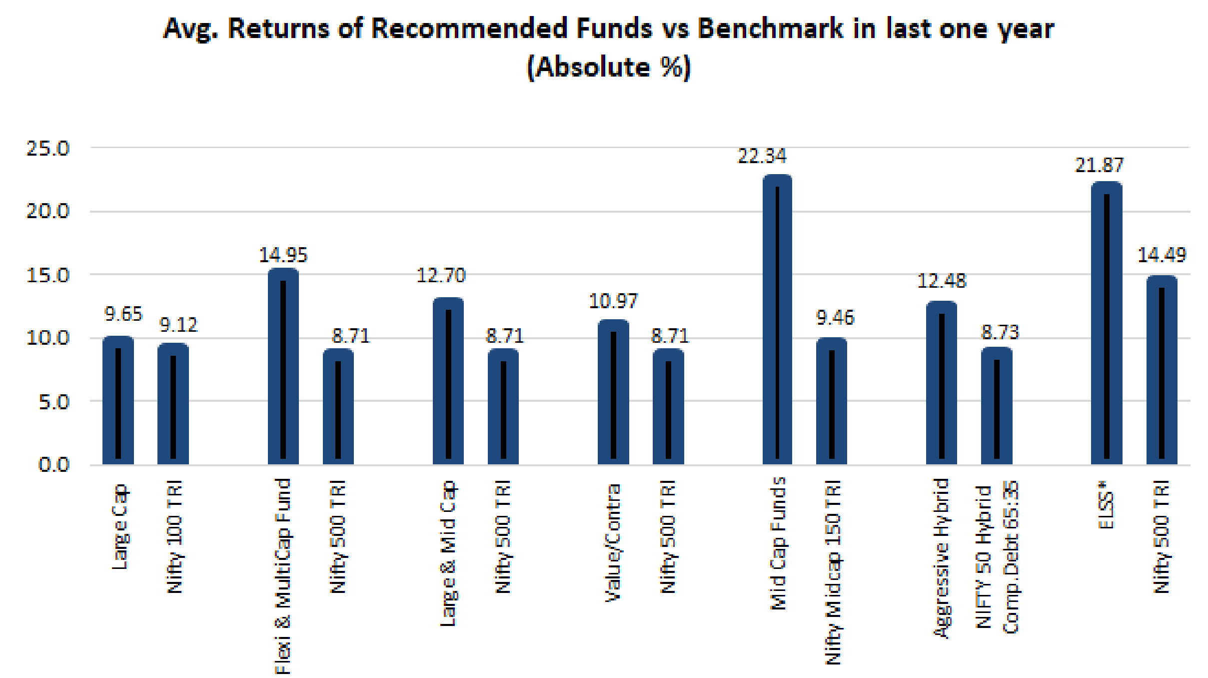












Note:* ELSS performance is for 3 years on CAGR basis

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	-2.19	-4.46	9.65	21.78	16.36	17.42
Flexi & MultiCap Fund	-5.03	-3.14	14.95	28.64	20.87	20.06
Large & Mid Cap Funds	-3.57	-4.44	12.70	26.77	19.45	20.98
Mid Cap Funds	-8.64	-2.07	22.34	35.73	26.65	26.64
Small Cap Funds	-9.39	-7.49	9.83	29.56	20.67	27.62
Value/Contra Funds	-2.66	-3.95	10.97	27.43	20.54	25.04
Focused Funds	-1.66	-3.15	14.66	24.95	18.75	21.43
Aggressive Hybrid Funds	-2.35	-1.34	12.48	20.53	15.21	16.89
Dynamic Asset Allocation Funds	-1.21	-0.98	9.21	17.61	14.20	15.56
Equity Linked Saving Schemes	-5.93	-2.74	16.37	30.83	21.87	20.91
Infrastructure Oriented Funds	-5.58	-8.24	11.40	29.75	22.40	24.96
Nifty 50 Index TRI	**-0.45**	**-2.58**	**8.81**	**16.66**	**12.38**	**15.60**
Nifty 500 TRI	**-3.00**	**-4.90**	**8.71**	**21.66**	**14.49**	**17.91**
Nifty Infrastructure TRI	**-2.31**	**-10.00**	**4.13**	**28.78**	**19.32**	**21.72**

Note: Data as on February 07, 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)

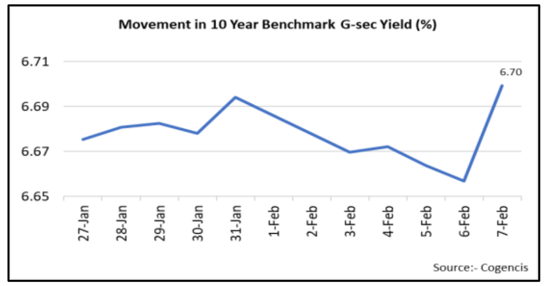
Overview - Fixed Income Markets & Mutual Funds as on 7 February 2025

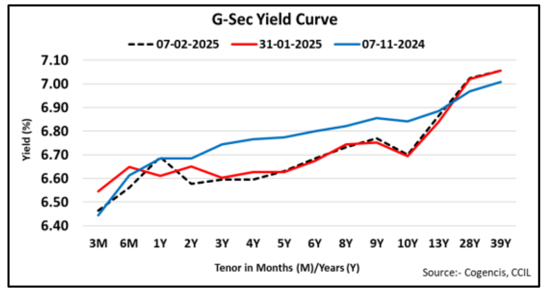
- Domestic G-Sec prices closed the week ended 7th February 2025 on a neutral note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed flat at 6.70% as against 6.70% on 31st January 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)1 bp to 18 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 6 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields fell initially amid expectations of an interest rate cut at the RBI's February 2025 monetary policy meeting. However, yields rose as market participants were disappointed that the RBI's first rate cut in nearly five years was not accompanied with any additional steps to boost banking system liquidity along with the rate cut by 25 bps to 6.25%.
  - The total G-sec supply for the week stood at Rs 554.2 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 220 bn against a notified amount of 220 bn and the maturities were in the range of 14-29 years. The SDLs' auction was to the tune of Rs 334.20 bn, and the maturities were in the range of 2-30 years. For the 10-year SDL, the average cut off yield came in lower at 7.08%, as against 7.10% in the previous week. The G-secs' auction was for the following: 6.92% GS 2039 and 7.09% GS 2054.
  - 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 738 bn during the week as against a daily average deficit of ~Rs 2.43 trillion during the previous week.
- **Macro Data released during the week :-**
  - RBI's Monetary Policy Committee decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 bps to 6.25% with immediate effect. Consequently, the Standing Deposit Facility (SDF) rate was adjusted to 6.00% and the Marginal Standing Facility (MSF) rate and the Bank Rate to 6.50%.
  - The MPC also decided to continue with the '**neutral**' monetary policy stance and remain unambiguously focused on a durable alignment of inflation with the target, while supporting growth.
  - The Goods and Services Tax (GST) collections for the month of January 2025 came in at Rs 1.96 trillion (Rs 1,95,506 crore), an increase of 12.3% YoY, supported by higher domestic economic activity.
  - As per the RBI, India's foreign exchange reserves increased by USD 1.05 bn to USD 630.6 bn as of January 31, 2025. Foreign currency assets (FCAs) declined by USD 207 mn to USD 537.684 bn.
- **Other macro-economic news :-**
  - As per RBI, bank lending growth surpassed deposit growth at the start of Q4 FY25, pressuring banks to increase deposit rates. Lending rose 11.4% YoY as of 24th January 2025, while deposits grew 10.3% YoY.
  - According to Crisil, the cost of a homemade meal rose in January 2025. The cost of a vegetarian meal increased to Rs 28.7 per plate from Rs 28 per plate in January 2024. In the case of non-veg thali, the cost of preparing a plate went up to Rs 60.6 each from Rs 52 over the same period.
  - According to NPCI data, Unified Payments Interface (UPI) transactions saw a marginal 1.6% MoM increase in volume to 16.99 bn in January 2025, up from 16.73 bn in December 2024.
- **Global Updates :-**
  - According to the US Commerce Department, the US Personal Consumption Expenditures (PCE) Price Index rose by 0.3% MoM in December 2024, in line with expectations.
  - The US Commerce Department said that the US trade deficit spiked to USD 98.4 bn in December 2024 from a revised USD 78.9 bn in November 2024, higher than the expectation from the economists.
  - The Bank of England lowered its key interest rate by 25 bps. The Monetary Policy Committee voted 7-2 to reduce the benchmark bank rate to 4.50% from 4.75%.
  - As per the US Labor Department, job openings in the US tumbled to 7.6 mn in December 2024 after climbing to an upwardly revised 8.2 mn in November 2024. Economists had expected job openings to dip to 8.0 mn from the 8.1 mn originally reported for the previous month.
- **Outlook :-**

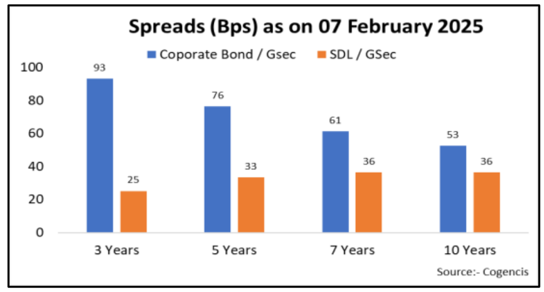
The liquidity continued to remain in deficit but showed a marked improvement as RBI continued to take measures to tackle the liquidity condition. The CPI inflation for December 2024 eased slightly to 5.22% YoY, below market expectations of 5.30% YoY. While the CPI inflation remains above the RBI's target 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**. 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 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. They will also keep a keen eye on inflation data as mentioned by US Fed Chairman Jerome Powell. Going forward, policy measures announced by the Trump Administration would be a key factor that would drive the policy rates there.

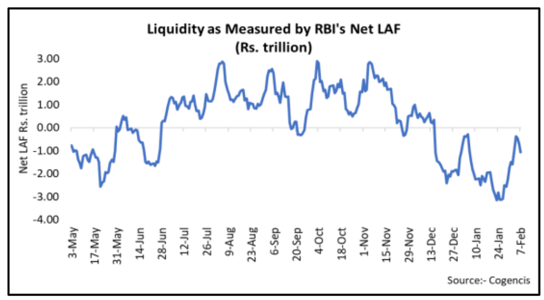
The RBI MPC seems to have taken cognizance of tight liquidity and high rate environment in India and has moved with 25 bps policy rate cut announcement along with earlier measures to improve system liquidity.

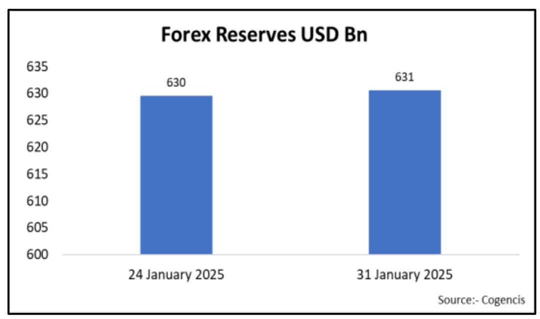
The policy rate cut in India added with favorable demand-supply dynamics of Indian G-Secs, and strong FPI flows into the bond market we may see structurally lower interest rates over the long term, starting with the cut in policy rate regime started on 7th February. This has made a case for tactical duration play. Additionally, improvement in liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end in the medium term. In 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.

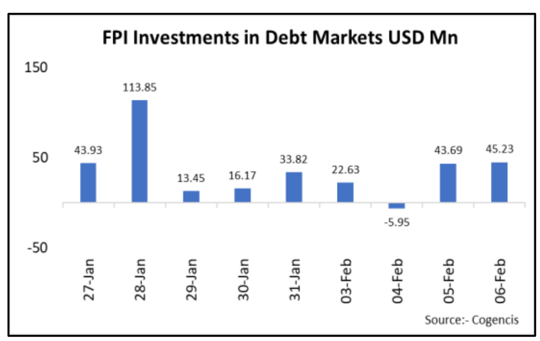












Category Average Returns as on 7 February 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.08	6.25	6.41	6.46	6.44	6.43	6.50	6.58	6.62	6.04
Liquid Funds	6.85	7.60	6.93	6.94	6.90	6.98	7.06	7.24	7.12	6.44
Floater Funds	-9.97	10.12	7.44	6.42	6.75	7.43	8.10	8.15	7.82	6.70
Low Duration Funds	0.21	9.25	7.08	6.48	6.65	7.03	7.19	7.37	7.16	6.24
Money Market Funds	1.55	8.30	7.05	6.77	6.83	7.03	7.11	7.38	7.25	6.45
Ultra Short Duration Funds	2.45	7.99	6.72	6.48	6.56	6.78	6.86	7.09	6.90	6.13
Banking And PSU Funds	-22.78	10.76	7.90	6.50	6.90	7.35	7.89	7.67	7.31	6.24
Corporate Bond Funds	-25.45	10.91	7.84	6.43	7.02	7.55	8.13	7.89	7.45	6.24
Medium Duration Funds	-36.78	6.82	7.54	6.53	7.02	7.63	8.38	7.89	7.50	6.72
Short Duration Funds	-22.21	9.74	7.80	6.57	7.02	7.40	7.92	7.64	7.22	6.43
Medium To Long Duration Funds	-70.31	4.16	6.55	5.63	6.20	6.59	8.31	7.44	7.35	6.30
Long Duration Funds	-132.73	-0.01	3.76	4.28	4.55	6.32	9.50	7.95	8.74	7.72
Dynamic Bond Funds	-90.22	3.17	5.74	5.22	5.73	6.62	8.48	7.56	7.57	6.47
Credit Risk Funds	-22.65	8.07	7.31	6.51	6.66	7.58	8.06	7.89	7.99	9.16
Gilt Funds / Gilt Funds with 10 year constant duration	-105.58	1.48	5.68	5.20	5.86	6.62	8.78	7.74	7.90	6.59
Conservative Hybrid Funds	-47.23	11.13	-3.66	-4.19	0.68	3.71	8.56	8.38	10.40	8.30
Index Funds	-15.23	8.06	8.27	6.78	7.31	7.38	8.48	8.04	7.72	6.05
Arbitrage Funds	8.64	7.16	6.59	7.05	6.69	6.76	6.93	7.15	7.19	6.20

* 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	7.04	6.74	7.33	8.29	8.04	6.84
Dynamic Bond Fund	4.74	4.89	6.55	7.80	8.15	6.60
Gilt Funds & Gilt Funds with 10 year constant duration	3.83	4.75	6.36	7.81	8.37	6.92
Short Duration / Medium Duration	7.87	7.37	7.60	7.92	7.56	6.40
Banking and PSU Funds	7.43	6.64	7.47	7.82	7.53	6.37
Corporate Bond Funds	8.14	7.17	7.85	8.29	7.89	6.74
Ultra Short Duration Funds /Low Duration / Floater Funds	7.22	6.90	7.26	7.61	7.44	6.55
Money Market Funds	7.32	7.08	7.30	7.71	7.59	6.79
Liquid Funds & Overnight Funds	7.01	6.97	7.06	7.34	7.22	6.53
Arbitrage Funds	6.69	6.98	7.06	7.48	7.52	6.57

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)

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