HDFC Bank Research

Weekly Equity Market Updates for week ended January 24, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 0.56% & and Nifty 50 ending lower by 0.48% WoW respectively. The BSE Midcap index ended lower by 2.39% and the BSE Small cap index ended lower by 4.21%.
- On the BSE sectoral front, IT was the top performer. Realty, Capital Goods and Consumer Durables, underperformed the most.
- Domestic equity markets ended the week on a negative note over fears of the new US administration’s policies causing potential disruptions to global trade and owing to weaker-than-expected services PMI data.

Global Market Updates

- US equity markets ended on a positive note after Trump’s speech at the World Economic Forum in Davos, where he said the US is working to reverse inflation, lower taxes and boost fossil fuel production.
- European markets mostly ended on a positive note driven by gains from banking, technology and healthcare stocks following upbeat quarterly earnings reports from major companies.
- Brent crude declined from USD 81.09 per barrel to USD 77.55 after Trump urged Saudi Arabia and OPEC to bring down cost.

Macro Data & Domestic News Released During the Week

- The International Monetary Fund (IMF) retained its growth projection for India at 6.5% YoY for FY26 and FY27, holding that it is “in line with potential”.
- As per CBRE, office space supply reduced 9.35% YoY in 2024, while the demand increased by 21.9 % YoY.
- According to World Data Lab, a McKinsey Global Institute analysis, India is projected to account for 16% of global consumption at Purchasing Power Parity (PPP) by 2050, up from 4% in 1997.
- Deloitte India projected India's GDP to grow at 6.5-6.8% YoY in FY25 and said India will have to adapt to the evolving global landscape and harness its domestic strengths.
- India Ratings and Research (Ind-Ra) said that the share of renewables including large hydro in India’s overall energy mix is expected to remain stable at nearly 21% in FY25.
- As per data from Fintech firm Kiwi, the number of transactions made with UPI enabled credit cards is growing at a rate of 20% MoM, accompanied by a 5% rise in average monthly spending.
- As per foundit insights tracker (fit), India’s hiring activity rose 12% over the past six months, with a 31% YoY increase in recruitment in December 2024.
- According to PropEquity, housing sales across nine major cities dropped by 9% YoY to nearly 4.71 lakh units in 2024 versus 5.14 lakh units in 2023 on lower demand.
- India Ratings and Research (Ind-Ra) has maintained a neutral outlook for the auto ancillary sector for FY26, projecting revenue growth of 8-10% YoY.
- **From Nifty 200 universe, 65 companies have announced their Q3 FY25 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 6.98%, 15% and 15.10% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.98%, 13.88% and 15.83% YoY respectively.**

Outlook

Going forward, Indian equity market is likely to be driven by incoming macro data points, upcoming union budget, FPI/DII flows, geopolitical developments, monetary policy moves from the RBI, Q3 FY25 results and announcement of policy changes by the Incoming US Administration. A robust US economy along with rising dollar index has led to FPI outflows from emerging markets which has impacted the market negatively and also has raised doubts over possibility of delay in rate cuts. Despite the 50-bps CRR cut by the RBI to infuse durable liquidity in the system, the system liquidity continued to remain in deficit, resulting in weaker credit growth. Improvement in the liquidity condition remains a key to improved growth conditions in the economy.

In US, Market participants are keenly awaiting the policy that Trump pursues to drive growth in the US. It is expected to be positive for corporations and the US economy, although there are some concerns about the effect the planned tariff increases will have on its trading partners including India.

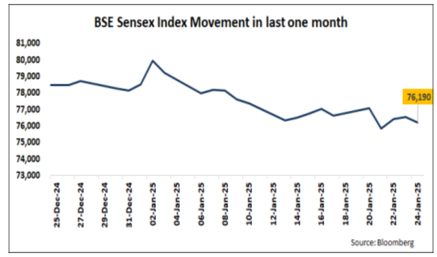
While India’s overall GDP growth remained strong in CY24, gradual weakness was starting to build into urban consumption and Government capex towards the end of the year. Tight monetary policy by the RBI to control inflation and currency, and a slowdown in government spending during and immediately post the general elections seem to be the key reasons that could be ascribed to the gradual growth deceleration. Certain macro data points like the PMI activity also seem to be decelerating indicating weakening of economy.

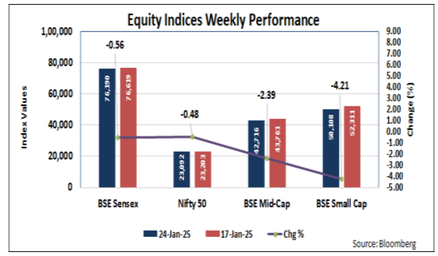
Strong improvement in Government spending, improved rural demand, steps taken by the RBI to add liquidity and possibly lower policy rates are likely to drive GDP growth going forward.

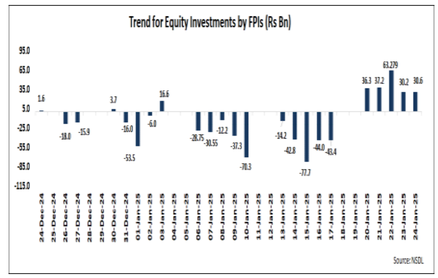
The Quarterly earnings for Q3FY25 has begun on a mixed note, with some IT companies reporting steady numbers, but the banking sector is suggesting rising NPA impulses. Telecom, Power and Realty have also delivered stable earnings comparatively. The market participants are likely to assess the performance of the corporates in the ongoing earning season to decide the future course of action. Weak earnings could see continuation of the current correction.

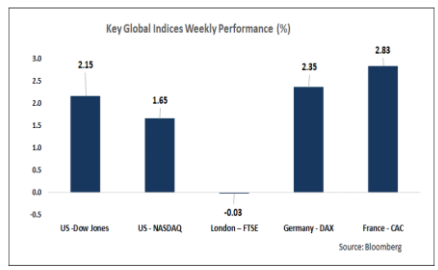
On the valuations front, Large caps look better than Small caps which look better than Mid caps. In the absence of any policy stimulus, CY25 could see fewer number of stocks getting re-rated and bottom-up stock selection would become an important parameter to generate portfolio alpha.

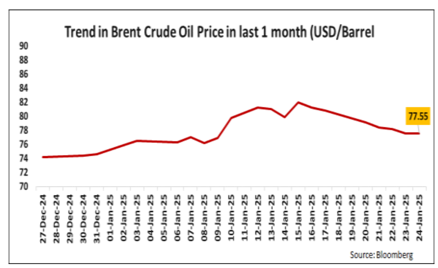
Investment deployment strategy could remain at 50% lumpsum and rest 50% to be staggered over the next 5-6 months. All allocations should be done in line with the risk profile and product suitability of the investor. Mutual Fund investors can look to focus on categories like Diversified equity, Equity, Hybrid and Multi-asset funds. Aggressive investors may also look at Business Cycle Funds for allocation. All allocations should be done in line with the risk profile and product suitability of the investor.

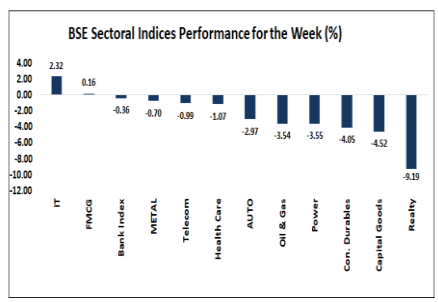


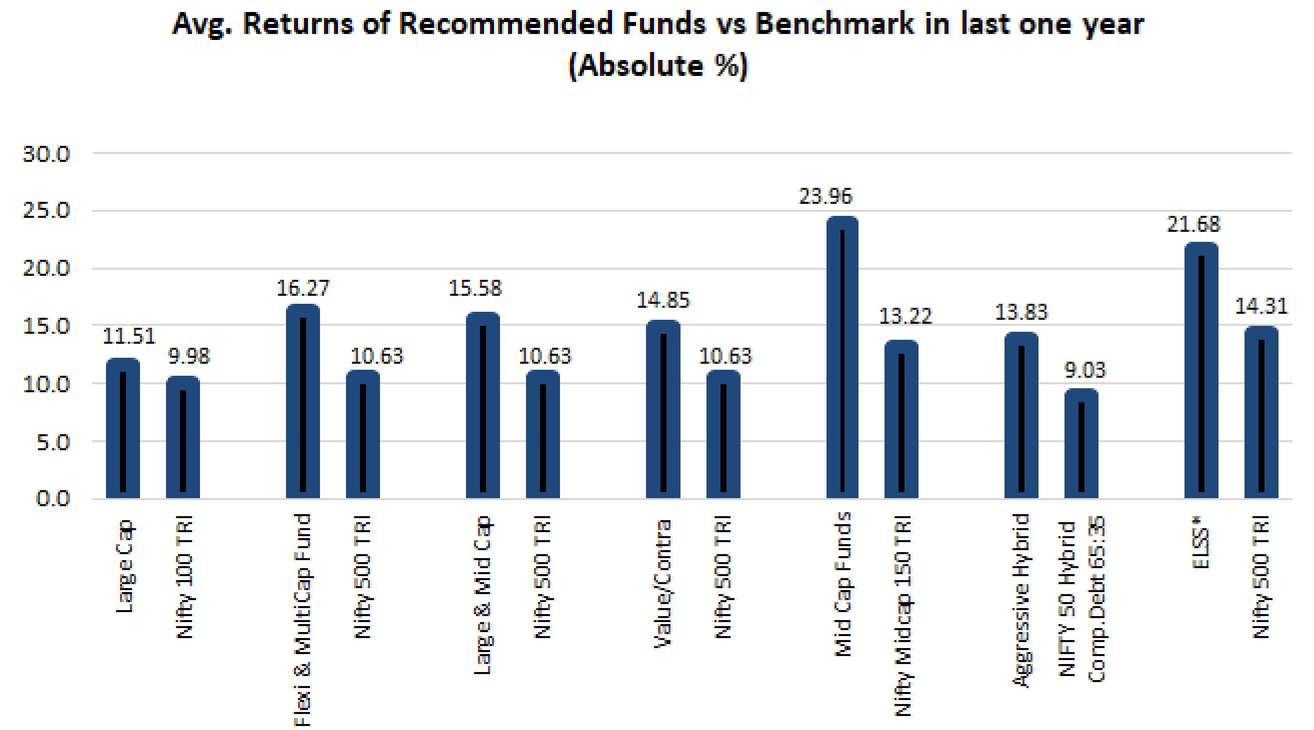












Note:* ELSS performance is for 3 years on CAGR basis

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	-4.07	-5.94	11.51	19.72	16.21	16.79
Flexi & MultiCap Fund	-6.79	-5.32	16.27	26.55	20.78	19.52
Large & Mid Cap Funds	-4.95	-5.82	15.58	24.94	19.58	20.38
Mid Cap Funds	-9.12	-2.90	23.96	35.22	27.45	26.73
Small Cap Funds	-10.00	-8.64	13.23	29.50	21.53	27.39
Value/Contra Funds	-4.31	-5.61	14.85	25.64	21.11	24.32
Focused Funds	-4.62	-5.93	15.39	22.19	18.45	20.34
Aggressive Hybrid Funds	-3.52	-2.71	13.83	19.14	15.24	16.36
Dynamic Asset Allocation Funds	-2.36	-1.53	10.68	16.52	14.18	15.27
Equity Linked Saving Schemes	-7.55	-3.92	19.46	29.02	21.68	20.38
Infrastructure Oriented Funds	-6.92	-8.49	15.47	28.41	22.81	24.93
Nifty 50 Index TRI	**-2.59**	**-4.96**	**8.93**	**14.18**	**11.75**	**14.84**
Nifty 500 TRI	**-4.78**	**-6.63**	**10.63**	**18.79**	**14.31**	**17.34**
Nifty Infrastructure TRI	**-3.07**	**-9.19**	**8.58**	**26.76**	**19.61**	**20.98**

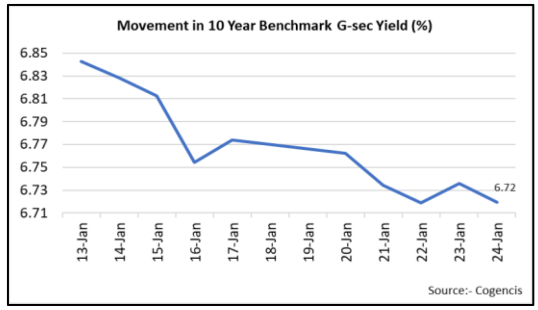
Note: Data as on January 24, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

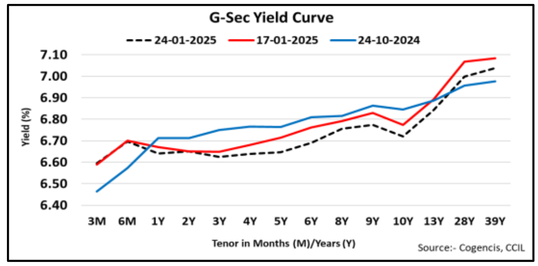
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 24 January 2025

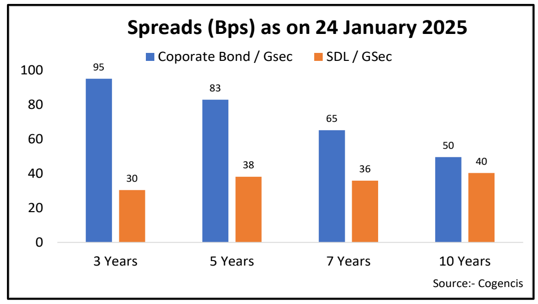
- Domestic G-Sec prices closed the week ended 24th January 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 5 bps at 6.72% as against 6.77% on 17th January 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-)13 bp to 5 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 7 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields declined, driven by strong buying by the investors as sentiment remained positive ahead of the union budget announcement. Sentiment was boosted after the US President did not impose major tariffs on his first day in office.
  - The total G-sec supply for the week stood at Rs 495 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 9-49 years. The SDLs' auction was to the tune of Rs 175 bn, and the maturities were in the range of 10-30 years. For the 10-year SDL, the average cut off yield came in flat at 7.14%, as against 7.22% in the previous week. The G-secs' auction was for the following: 6.79% GS 2034 and 7.09% GS 2074.
  - Banking system liquidity deteriorated during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average deficit of ~Rs 2.78 trillion during the week as against a daily average deficit of ~Rs 2.23 trillion during the previous week.
- **Macro Data released during the week :-**
  - As per RBI data, banks borrowed Rs 880 bn from the debt market in the last fortnight of 2024 amid a slowdown in deposit growth to fund loan demand.
  - As per the Ministry of Labour and Employment, EPFO has made a net addition of 1.46 mn members during November 2024 resulting in a 9.07% MoM increase in registered net members.
  - As per a labour ministry statement, Retail Inflation for farm and rural workers eased to 5.01% YoY and 5.05% YoY in December 2024 from 5.35% YoY and 5.47% YoY, respectively, in November 2024.
  - As per the RBI, India's foreign exchange reserves fell by USD 1.88 bn to USD 623.98 bn as of January 17, 2025. Foreign currency assets (FCAs) fell by USD 2.88 bn to USD 533.13 bn.
- **Other macro-economic news :-**
  - The Commerce Secretary said that the India's target of USD 1 trillion export includes USD 250 bn from the engineering sector. The government has set a target to achieve USD 1 trillion export from India by 2030.
  - As per CareEdge Ratings, the Union Budget FY26 is expected to focus on fiscal consolidation with a projected fiscal deficit of 4.5% of GDP. Key areas include boosting manufacturing, agriculture reforms, EV incentives, and healthcare budget increase.
  - According to Fitch, the Gross Non-Performing Assets (NPAs) of Indian banks may decline by 40 bps to 2.4% by March 2025 and a further 20 bps in FY26. Stress in retail loans is rising, particularly in unsecured credit, but robust growth, recoveries and write-offs are expected to offset the increase in fresh bad loans.
- **Global Updates :-**
  - US president Donald Trump laid out an "America First Trade Policy", which includes imposing global "supplemental tariffs" to address what he termed "unfair and unbalanced trade". He also threatened a 100% tariff on Brics nations, if the bloc attempts to reduce its reliance on the dollar for foreign trade.
  - According to the US Energy Information Administration, US crude oil inventories dipped by 1.0 mn barrels in the week ended January 17th, 2025 after falling by 2.0 mn barrels in the previous week.
  - As per the preliminary data from the European Commission, the flash consumer confidence index for Eurozone rose to -14.2 in January 2025 from -14.5 in December 2024, in line with economists' forecasts.
  - The PBoC left its one-year loan prime rate at 3.10%. Similarly, the five-year LPR, the benchmark for mortgage rates, was held at 3.60%. The People's Bank of China maintained its interest rates for the third straight session as policymakers await the stance of new US administration.
- **Outlook :-**

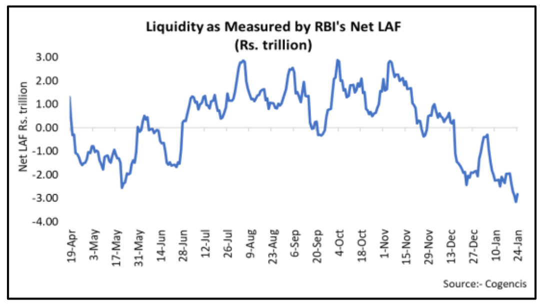
The liquidity continued to remain in deficit owing to RBI forex management. It is expected to improve with a rise in government spending, and with market participants expecting the RBI to inject further durable liquidity in the system in due course. The CPI inflation for December 2024 eased slightly 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 and weakening currency, 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 Federal Reserve is guiding to slowing the pace of policy rate cuts in the light of improving growth and employment data. The employment data in the US continues to remain strong. Going forward, policy measures announced by the Trump Administration would be a key factor that would drive the policy rates there.

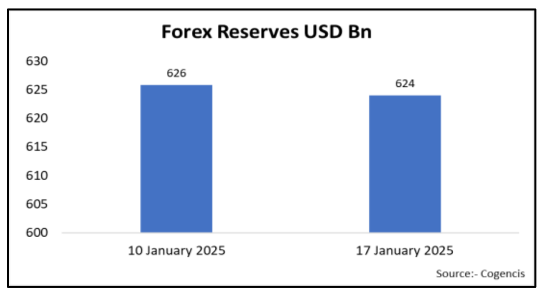
Domestically, incremental play on duration will be driven by sharper rate cuts. With the growth decelerating, inflation moderating, and expectations of policy rate cuts on the rise, only the timing of the same seems to be getting delayed. Additionally, improvement liquidity conditions could compress 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.

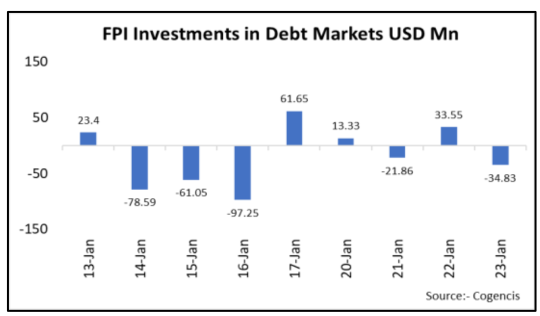












Category Average Returns as on 24 January 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.43	6.40	6.46	6.47	6.42	6.42	6.50	6.59	6.61	6.00
Liquid Funds	6.02	6.51	7.15	6.81	6.84	6.93	7.01	7.22	7.10	6.39
Floater Funds	4.22	9.78	7.33	6.78	6.45	7.74	8.09	8.16	7.78	6.58
Low Duration Funds	5.24	6.58	6.85	6.33	6.44	6.97	7.10	7.32	7.12	6.15
Money Market Funds	6.32	6.08	6.95	6.57	6.69	6.92	7.03	7.33	7.22	6.38
Ultra Short Duration Funds	6.30	6.07	6.68	6.32	6.45	6.68	6.77	7.05	6.88	6.06
Banking And PSU Funds	7.18	9.22	7.01	6.78	6.13	7.46	7.85	7.79	7.22	6.05
Corporate Bond Funds	10.16	10.11	6.78	6.80	6.24	7.71	8.09	7.98	7.36	6.05
Medium Duration Funds	21.95	13.08	7.54	7.78	6.53	8.00	8.42	8.14	7.42	6.43
Short Duration Funds	12.27	10.47	7.39	7.02	6.73	7.60	7.91	7.71	7.15	6.27
Medium To Long Duration Funds	33.37	22.80	8.17	8.19	5.91	7.56	8.80	8.36	7.42	6.03
Long Duration Funds	50.37	48.57	10.89	9.82	4.87	7.79	10.68	10.56	8.99	7.16
Dynamic Bond Funds	39.87	29.76	8.92	8.56	5.57	7.66	9.07	8.67	7.63	6.29
Credit Risk Funds	16.24	7.88	6.60	6.85	6.39	7.72	7.96	7.89	7.90	9.20
Gilt Funds / Gilt Funds with 10 year constant duration	48.57	35.96	10.05	9.63	5.90	7.96	9.57	9.08	8.04	6.34
Conservative Hybrid Funds	-60.20	-8.70	-7.83	-0.25	-0.70	3.24	8.09	8.91	9.98	8.27
Index Funds	16.96	12.34	8.06	7.78	6.69	7.84	8.65	8.35	7.66	5.79
Arbitrage Funds	37.02	7.94	7.70	6.33	6.94	6.63	6.92	7.25	7.18	6.15

* 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	8.92	6.15	8.19	9.67	8.40	6.38
Dynamic Bond Fund	8.32	4.60	7.61	9.09	8.16	6.41
Gilt Funds & Gilt Funds with 10 year constant duration	10.22	4.80	7.70	9.87	8.54	6.77
Short Duration / Medium Duration	7.50	6.81	7.84	8.02	7.50	6.24
Banking and PSU Funds	6.73	6.02	7.70	8.07	7.47	6.21
Corporate Bond Funds	7.34	6.55	8.16	8.46	7.82	6.57
Ultra Short Duration Funds /Low Duration / Floater Funds	7.15	6.73	7.19	7.57	7.41	6.45
Money Market Funds	7.21	6.93	7.17	7.66	7.56	6.72
Liquid Funds & Overnight Funds	7.28	6.90	7.01	7.32	7.20	6.47
Arbitrage Funds	7.86	7.31	6.93	7.59	7.52	6.53

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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