HDFC Bank Research

Weekly Equity Market Updates for week ended July 11, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 1.12% & and Nifty 50 ending lower by 1.22% WoW respectively. The BSE Midcap index ended lower by 1.12% and the BSE Small cap index ended lower by 0.63%.
- On the BSE sectoral front, indices ended on a mixed note. Telecom, IT, and Consumer Durables were the biggest laggards.
- Domestic equity markets ended the week on a negative note as escalating tariff tensions and fresh threats from the US President dampened hopes for a swift trade resolution, raising fears of inflation and a global slowdown. Sentiment was further weighed down by a disappointing start to the earnings season, with a major Indian IT firm reporting weaker-than-expected Q1 FY26 results.

Global Market Updates

- US equity markets ended the week on a negative note amid renewed concerns over the U.S. President’s escalating trade disputes. The downturn was further driven by profit taking and persistent tariff-related anxieties. Fresh selling pressure emerged following the announcement of new US tariffs targeting imports from Japan, South Korea, and other countries, intensifying risks to global trade and dampening investor sentiment.
- European equity markets mostly rose amid growing expectations that the EU and the US will reach a trade deal before the newly announced deadline of Aug 01, 2025. Sentiment was further boosted by the US President’s remarks indicating that discussions with the EU are progressing well.
- Brent oil prices rose from USD 67.78 per barrel to USD 70.44 supported by EIA data indicating strong gasoline demand. Additionally, prices rose further, buoyed by robust seasonal demand and persistent geopolitical risks in the Middle East.

Macro Data & Domestic News Released During the Week

- As per Sehul Bhatt, director, Crisil Intelligence, improvements in cement prices and demand on a low base are likely to aid the profitability of major cement companies in Q1 FY26, even as seasonal weakness has been observed, particularly due to the monsoon in June 2025.
- As per the Petroleum Planning and Analysis Cell's, fuel demand in June 2025 was up 1.9% YoY from 19.94 mn tons in 2025, but was down 4.7% MoM.
- The PwC report, Navigating the Value Shift, estimated that Indian businesses can unlock USD 9.82 trillion in GVA by 2035 by tapping into about nine growth domains. As per the report, total GVA of India can grow from USD 3.39 trillion in 2023 to 9.82 trillion in 2035, that is a CAGR of 9.27%.
- According to FADA, India’s Electric Vehicle (EV) market registered a 28.60% YoY increase in total sales in June 2025. FADA President CS Vigneshwar credited the growth to government schemes, especially the PM e-Drive Scheme, and increased investments in domestic EV innovation.
- According to a study released by SEBI, the total number of unique traders in the F&O segment has declined by 20% YoY to 6.7 mn in the period between December 2024 and May 2025. Meanwhile, individual investors’ turnover in equity derivatives has dropped by 11% YoY to Rs 560 bn, compared to Rs 627 bn.
- As per AMFI, the net inflow into equity mutual funds surged 24% MoM to Rs 235.87 bn in June 2025, reversing the declining trend of the last five months. Whereas, debt funds registered a net outflow of Rs 17.11 bn in the month under review compared to a Rs 159.08 bn outflow in May.
- According to Crisil Intelligence, the Indian two-wheeler industry is witnessing a ride towards the premium segment, like other consumer sectors in the country, with the market share of premium motorcycles increasing to 19% in FY25 and expected to touch 22% by 2030.

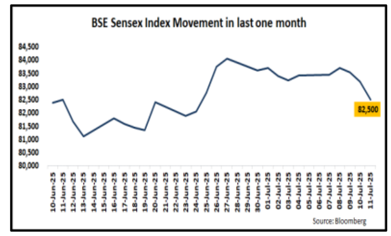
Outlook

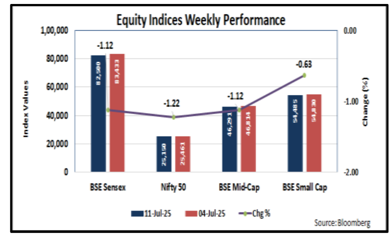
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, geo politics, FPI/DII flows, trade negotiation between India and the US, and strong liquidity support by the RBI. Overall, the higher-than-expected pick-up in GDP growth momentum in H2 FY25 bodes well for the outlook for FY26 as well. Growth in the second half was supported by a rise in government capex and construction activity, healthy agriculture performance, and continued momentum in the service sector. Receding tensions in the Middle East and a sharp correction in global crude oil prices have provided respite to the Indian Markets. Focus will now shift to the upcoming earnings season as the week progresses.

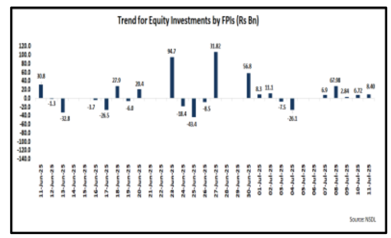
The recent challenges and issues with the domestic macro economy and corporate earnings are already starting to see improvement and are expected improve further in the next couple of quarters. With a favourable base, the earnings are likely to see steady growth in FY26. With the rate of change in the GDP growth showing signs of improvement, decline in inflation, and budgetary support to the middle class, disposable incomes are likely to improve in FY26. Beneficial trade deals and strong monsoons are likely to shore up sentiments going forward. 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 stabilize due to decline in the Dollar index, FPIs too could look at Indian markets more favourably. Thus, barring any large external risks, markets are expected to deliver lower volatility in the medium-term.

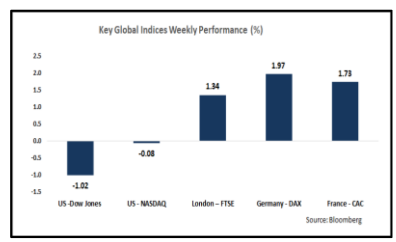
Though the valuations continue to remain rich, the equity markets may choose to ignore them if the earnings growth remains reasonable and liquidity remains abundant, thus creating opportunities in stocks which can demonstrate strong earnings growth. We are already seeing gradual narrowing of the markets, so fund managers who are able to be fairly nimble and identify growth ideas can generate alpha vs their peers.

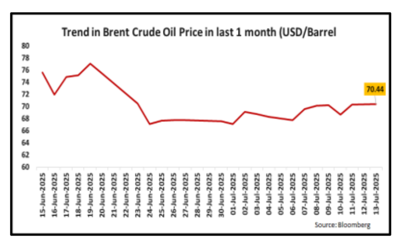
In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term. Given the improved earnings performance delivered by the Midcap and few Smallcap sub-sectors, exposure to pure Mid and Small cap funds could be taken through STPs. From an asset allocation perspective in Equity Mutual Funds, investors could look at investing across Flexicap, Large and Midcap, Multicap, Hybrid equity, Business cycle funds and using STPs 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.

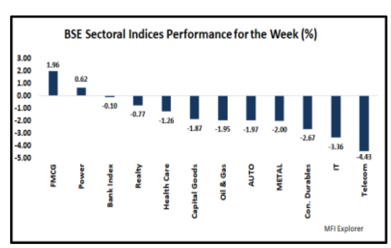


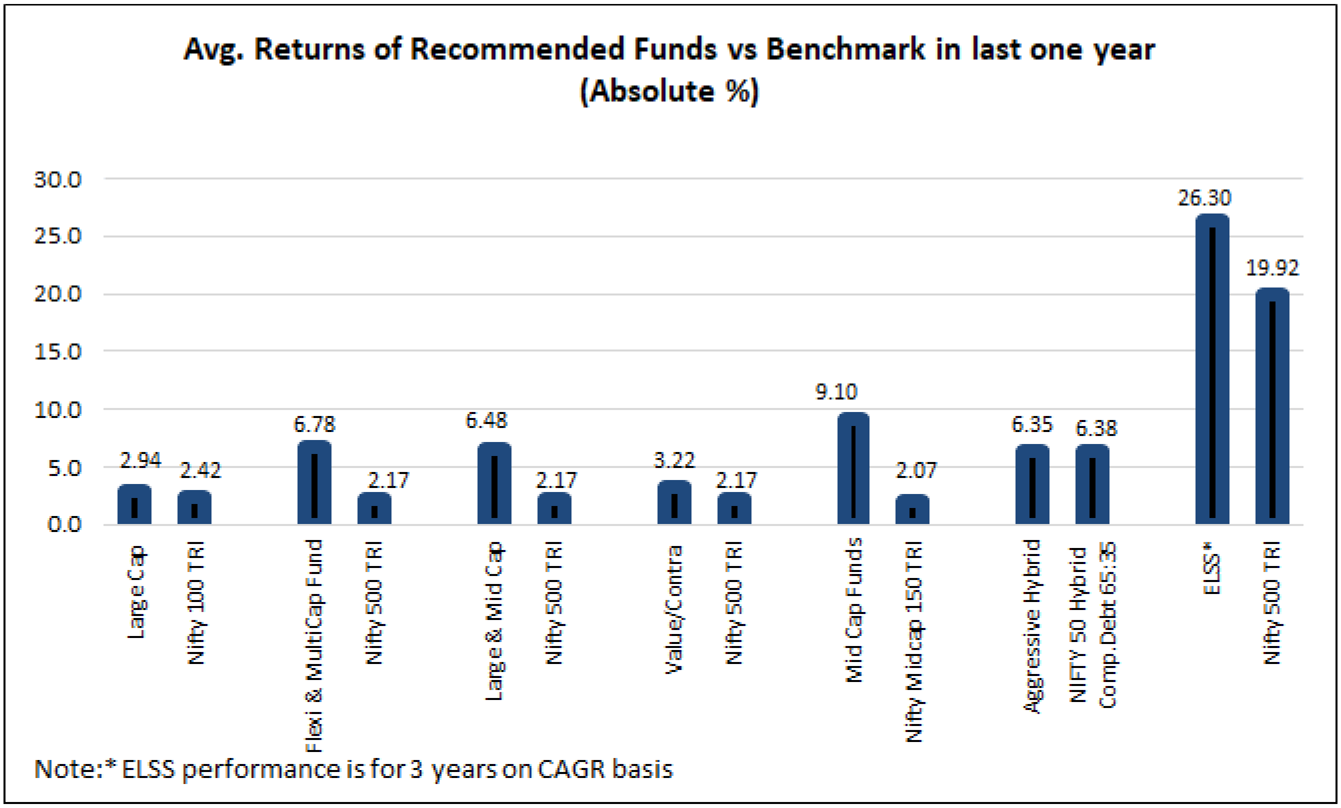












	Returns Absolute %		Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	-0.02	6.72	2.94	19.67	20.69	22.08
FlexiCap Fund	0.81	4.95	6.78	26.04	24.52	24.93
MultiCap Fund	-0.80	5.42	0.99	24.31	26.62	31.60
Large & Mid Cap Funds	0.02	7.53	6.48	27.26	25.98	27.18
Mid Cap Funds	1.32	4.29	9.10	31.04	31.10	32.56
Small Cap Funds	0.78	3.97	1.52	27.34	29.09	35.18
Value/Contra Funds	0.15	6.79	3.22	24.84	25.71	29.15
Focused Funds	0.20	8.52	4.04	23.13	23.37	26.14
Aggressive Hybrid Funds	0.15	6.40	6.35	19.33	19.25	21.02
Dynamic Asset Allocation Funds	0.07	6.02	5.96	16.70	16.68	17.69
Equity Linked Saving Schemes	0.15	5.56	5.02	26.74	26.30	26.38
Nifty 50 Index TRI	**0.26**	**8.17**	**4.68**	**15.11**	**17.08**	**19.88**
Nifty 500 TRI	**-0.07**	**7.43**	**2.17**	**19.38**	**19.92**	**22.66**
Nifty Infrastructure TRI	**1.07**	**12.50**	**0.76**	**26.48**	**26.82**	**25.99**

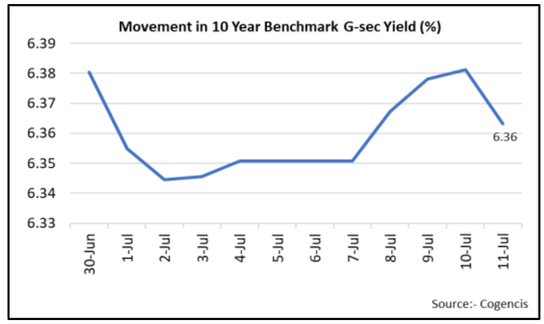
Note: Data as on July 11, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

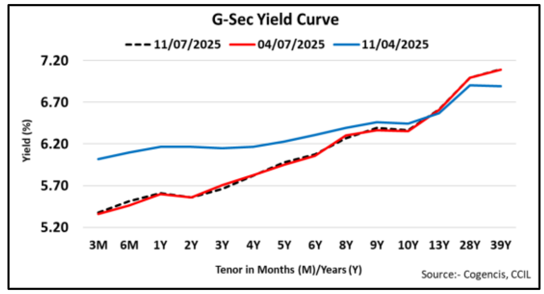
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 11 July 2025

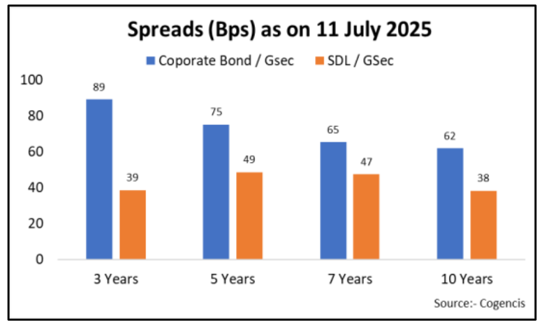
- Domestic G-Sec prices closed the week ended 11th July 2025 on a negative note wherein the yield on the most traded 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 1 bps at 6.36% as against its previous weekly close of 6.35% on 4th July 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 23 bps to 5 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 1 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields saw very marginal losses as market participants awaited signals from global trade policy and further guidance from the RBI on liquidity measures.
  - The total G-sec supply for the week stood at Rs 383 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 250 bn and the maturities were in the range of 7-49 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 133 bn, and the maturities were in the range of 10-30 years. The average cut off yield for the 10-year SDL was 6.88% as against 6.82% in the previous week. The G-secs' auction was for the following: New GS 2032 and 7.09% GS 2074.
  - Banking system liquidity deteriorated, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 3.25 trillion during the week as against a daily average surplus of ~Rs 3.59 trillion during the previous week.
- **Macro Data released during the week :-**
  - According to the RBI, the government has announced buyback of three government securities worth Rs 250 bn. The buyback auction of three government bonds-yielding 7.27%, 5.63% and 6.99%, all maturing in April 2026, will be held on July 17, 2025.
  - According to government data released, net direct tax collection fell 1.34% YoY to about Rs 5.63 trillion till July 10 of FY26, mainly on account on higher refunds. Net corporate tax collection stood around Rs 2 trillion, while non-corporate tax (which includes individuals, HUFs and firms) was at Rs 3.45 trillion.
  - As per RBI data, India's forex reserves dropped by USD 3.05 bn to USD 699.74 bn in the week ended July 4, 2025. In the previous reporting week, the overall reserves had jumped by USD 4.85 bn to USD 702.78 bn. Foreign Currency Assets (FCA) dropped by USD 3.54 bn to USD 591.29 bn.
- **Other macro-economic news :-**
  - As per Mint poll of 20 economists, India's retail inflation is likely to decline further to 2.3% YoY in June 2025 from 2.8% YoY in May 2025. The continued moderation in food inflation drove retail inflation to a new low in over six years.
  - The head of India's negotiating team, Rajesh Agrawal, said that both sides are still in talks to seal an interim deal, ahead of the new August 1, 2025 kickoff date for US' reciprocal tariffs regime, as well as a comprehensive Bilateral Trade Agreement (BTA).
  - As per CRISIL, the average cost of a vegetarian thali declined by 8% YoY in June 2025, primarily due to a sharp fall in the prices of tomato (down 24% YoY), potato (20% YoY), and onion (27% YoY). Non-vegetarian thalis fell around 6% YoY in June 2025. This was largely driven by an estimated 3% YoY drop in broiler chicken prices, which typically makes up half the cost of a non-veg thali.
- **Global Updates :-**
  - The US Federal Reserve released the minutes of its June 2025 monetary policy meeting, which revealed most participants generally agree that the central bank is well positioned to wait for more clarity on the outlook for inflation and the economy before adjusting interest rates. The participants said economic growth and the labor market remain solid and described monetary policy as moderately or modestly restrictive.
  - The NY Fed's Survey of Consumer Expectations revealed that median US Inflation expectations decreased by 0.2% to 3.0% YoY at the one-year-ahead horizon. Expectations were unchanged at 3.0% YoY for the three-year ahead horizon and at 2.6% YoY for the five-year-ahead period.
  - Data from Eurostat showed that producers prices in Eurozone decreased 0.6% MoM in May 2025, slower than the 2.2% MoM decline posted in April 2025. Eurozone producer prices declined for the third straight month in May 2025, largely due to the sharp fall in energy prices.
- **Outlook :-**

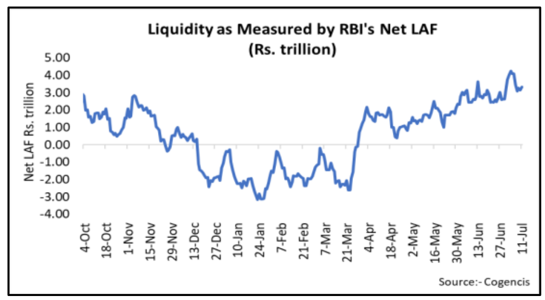
The liquidity condition, as measured by RBI's net LAF, deteriorated over the previous week, but is still substantially in surplus. Hence, the RBI, on 11th July 2025, conducted another VRRR auction to align call money rate with the Repo rate. Retail inflation in India had eased further as the Consumer Price Index (CPI) fell to 2.82% YoY in May 2025 from 3.16% YoY in April 2025. The RBI decided to front load policy easing to support growth and hence cut policy rates by 50 bps and decided to reduce the Cash Reserve Ratio by 100 bps in 4 tranches between September to November 2025. Alongside this, the central bank revised the inflation guidance downward to 3.7% YoY for FY26 from its earlier projection of 4.0% YoY and retained growth projection at 6.5% YoY for FY26. They also decided to change the stance from 'accommodative' to 'neutral', citing limited scope for future policy action. **Going forward, the growth-inflation dynamics will determine the necessity of further policy actions by the RBI.** The US has delayed its reimposition of tariffs till 1st August, 2025. Developments of interim negotiations between the US and its key trading partners is expected to continue driving the market sentiments and capital flows.

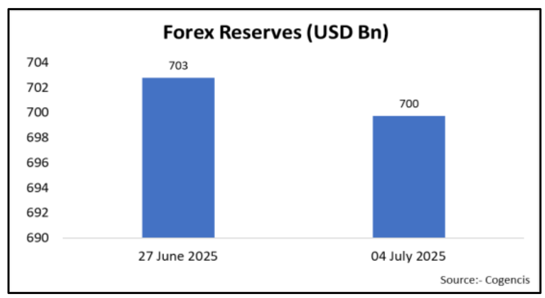
At this juncture, long duration bonds have limited scope for incremental gains unless the central bank considers further growth-supportive policy easing in future policy meetings basis their updated outlook on growth-inflation dynamics. The spread at the shorter end of the Corporate Bond yield curve has narrowed marginally over G-secs during the last month. Based on easing liquidity, the curve may steepen further, thus, a case continues to exist for investment into corporate bond funds that are at the 1-4-year 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. Also, as a tactical opportunity Dynamic Bond Funds can be considered. For a horizon of 3 months and above, investors can consider Arbitrage Funds and 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.

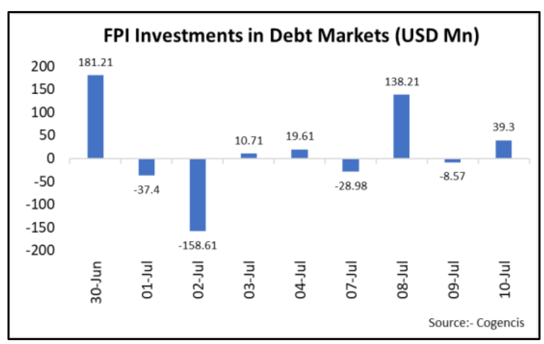












Category Average Returns as on 11 July 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.16	5.10	5.12	5.33	5.46	5.89	6.13	6.25	6.48	6.34
Liquid Funds	4.41	5.20	5.78	6.36	6.22	6.92	6.95	7.05	7.12	6.87
Floater Funds	12.57	6.15	6.18	8.62	8.44	9.80	8.68	8.98	8.35	7.83
Low Duration Funds	4.60	5.17	6.38	8.51	8.12	8.68	7.98	7.99	7.51	7.11
Money Market Funds	2.76	4.80	6.76	8.25	7.65	8.45	7.93	7.84	7.51	7.20
Ultra Short Duration Funds	3.59	5.09	6.38	7.53	7.01	7.64	7.31	7.29	7.08	6.75
Banking And PSU Funds	3.91	2.91	4.10	8.57	8.16	9.92	8.59	8.94	7.93	7.41
Corporate Bond Funds	7.78	3.85	5.08	9.00	8.82	10.34	8.96	9.32	8.17	7.61
Medium Duration Funds	16.23	13.06	7.77	8.79	8.87	10.73	9.37	9.63	8.26	8.15
Short Duration Funds	4.50	3.86	5.18	8.92	8.64	9.98	8.79	9.01	7.90	7.47
Medium To Long Duration Funds	54.86	7.08	4.02	3.89	5.15	9.27	7.72	8.45	7.66	7.55
Long Duration Funds	169.44	13.51	2.71	-3.05	-0.03	7.49	5.89	7.62	8.38	9.04
Dynamic Bond Funds	58.97	6.79	3.68	2.72	4.54	9.11	7.44	8.50	7.95	7.61
Credit Risk Funds	10.16	5.26	6.94	9.27	12.23	14.12	11.92	11.27	9.54	8.67
Gilt Funds / Gilt Funds with 10 year constant duration	100.47	7.28	4.00	-0.14	2.85	8.90	7.24	8.45	8.05	7.92
Conservative Hybrid Funds	-26.68	-4.43	4.24	13.02	14.25	9.34	5.69	7.01	10.19	9.95
Index Funds	13.93	6.48	5.09	8.23	8.69	10.14	8.77	9.21	8.27	7.75
Arbitrage Funds	7.17	5.55	6.75	5.91	6.11	6.43	6.69	6.72	7.13	6.70

* 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	5.19	5.25	10.07	9.39	8.46	8.28
Dynamic Bond Fund	3.80	4.67	9.15	8.69	8.23	7.79
Gilt Funds & Gilt Funds with 10 year constant duration	4.08	4.43	9.94	9.25	8.58	8.47
Short Duration / Medium Duration	5.55	8.93	10.24	9.28	8.22	7.69
Banking and PSU Funds	4.18	8.10	9.99	9.00	8.09	7.66
Corporate Bond Funds	5.24	8.38	10.37	9.52	8.50	8.00
Ultra Short Duration Funds /Low Duration / Floater Funds	6.65	7.74	8.39	7.95	7.66	7.38
Money Market Funds	6.93	7.87	8.76	8.15	7.81	7.47
Liquid Funds & Overnight Funds	5.83	6.31	7.04	7.14	7.21	6.97
Arbitrage Funds	7.08	6.43	6.81	7.05	7.45	7.07

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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