

**Domestic Equity Market Update**

- Indian equities ended the week on a mixed note, with the large cap-oriented BSE Sensex ending lower by 0.74% & Nifty 50 ending lower by 0.69% WoW respectively. The BSE Midcap index ended higher by 0.59% and the BSE Small cap index ended higher by 1.07%.
- On the BSE sectoral front, indices ended on a mixed note. Consumer Durables, Healthcare and Oil & Gas, were the biggest outperformers.
- Domestic equity markets ended the week on a mixed note amid global uncertainties and cautious sentiment ahead of the July 9 deadline for US tariffs in India. However, later in the week the positive sentiments sparked by the US President's comments on a potential trade deal with India limited the losses.

**Global Market Updates**

- US equity markets ended the week on a positive note driven by strong earnings results from major tech firms, renewed confidence around artificial intelligence and latest PCE inflation data that boosted Fed rate cut hopes. Additionally, a trade deal between the US and Vietnam, and stronger-than-expected jobs data for June led to gains.
- European equity markets ended on a mixed note. France's CAC rose mainly owing to a rise in renewable energy stocks after a revised budget bill in the US passed a crucial vote and as investors took a stronger-than-expected US jobs report in stride. Germany's DAX declined as investors' focus remained on a potential trade deal between the European Union and the US, which kept the market under pressure.
- Brent oil prices rose from USD 66.2 per barrel to USD 67.78 on demand optimism over US trade deals and Iran's nuclear halt.

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

- According to economists polled by Reuters, the Indian economy was forecast to expand 6.4% YoY in FY26, the June 2025 poll of 51 economists found. Growth was forecast to pick up modestly to 6.7% YoY in FY27.
- According to CII President Rajiv Memani, the Indian economy is expected to grow by 6.4-6.7% YoY during FY26 driven by strong domestic demand, even as geopolitical uncertainty poses downside risks.
- As per the CGA, the government's capex witnessed an increase of 54% YoY in the April-May 2025. Revenue-wise, the government has seen a growth of 10% YoY in tax and 41.8% YoY in non-tax revenues due to RBI dividends.
- According to data released by the MoSPI, India registered subdued industrial activity with the Index of Industrial Production (IIP) growing 1.2% YoY in May 2025, dipping lower than the 2.7% YoY recorded in April 2025.
- The HSBC India Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 58.4 in June 2025 from 57.6 in May 2025.
- According to government data, the Goods and Services Tax (GST) collection in June 2025 amounted to Rs 1.85 trillion, reflecting a 6.2% YoY rise.
- According to official data, power consumption in India dipped slightly by 1.5% YoY to 150.04 bn units (BU) in June 2025, mainly due to reduced usage of cooling appliances amid early onset of monsoon.
- As per S&P Global, the seasonally adjusted HSBC India Services PMI rose to 60.4 in June 2025 from 58.8 in May 2025.

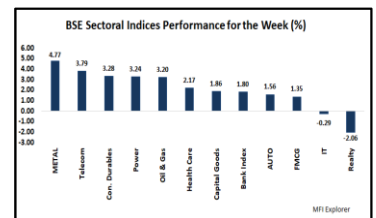
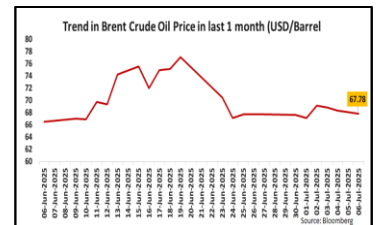
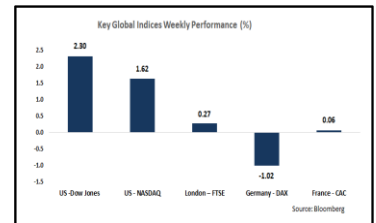
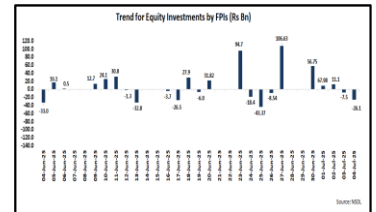
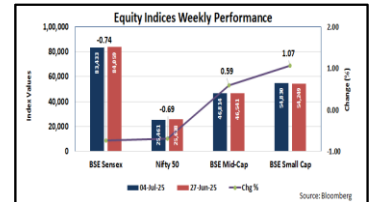
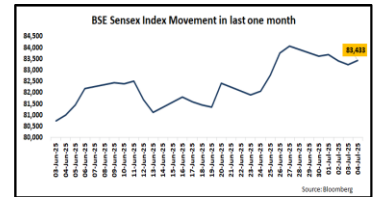
**Outlook**

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.

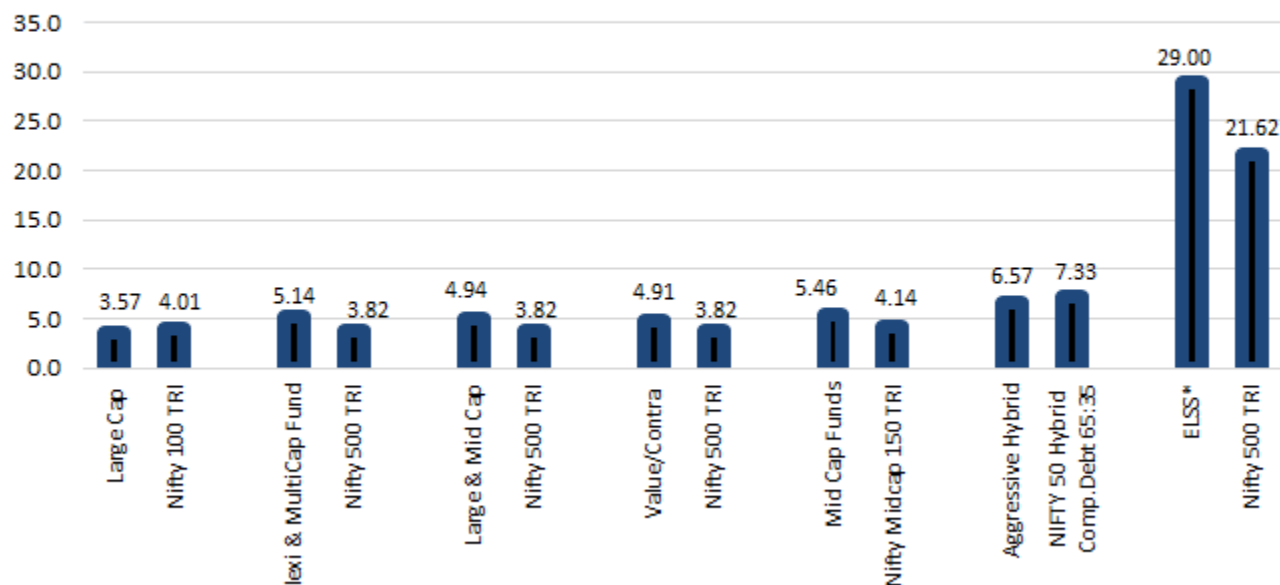
The recent challenges and issues with the domestic macro economy and corporate earnings are already starting to see improvement and are expected improve further in the next couple of quarters. With a favourable base, the earnings are likely to see steady growth in FY26. With the rate of change in the 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.



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



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	2.98	3.94	3.57	20.20	22.00	23.02
Flexi & MultiCap Fund	3.32	1.21	5.14	25.91	27.07	27.73
Large & Mid Cap Funds	3.13	3.60	4.94	25.33	26.10	27.36
Mid Cap Funds	4.11	-2.46	5.46	28.96	30.42	32.45
Small Cap Funds	3.60	-3.63	-1.49	24.29	28.66	35.26
Value/Contra Funds	3.44	4.18	4.91	25.65	27.34	30.08
Focused Funds	3.14	5.19	5.17	24.10	24.79	26.47
Aggressive Hybrid Funds	2.57	3.66	6.57	19.54	20.12	22.14
Dynamic Asset Allocation Funds	2.13	5.21	7.55	17.21	18.04	19.03
Equity Linked Saving Schemes	2.83	1.39	6.09	28.35	29.00	27.21
Infrastructure Oriented Funds	3.50	3.87	1.38	29.07	29.78	34.13
Nifty 50 Index TRI	3.64	6.87	6.04	15.97	18.50	20.55
Nifty 500 TRI	3.47	4.35	3.82	20.43	21.62	23.30
Nifty Infrastructure TRI	5.24	10.17	4.12	29.20	28.50	26.29

Note: Data as on July 4, 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>)

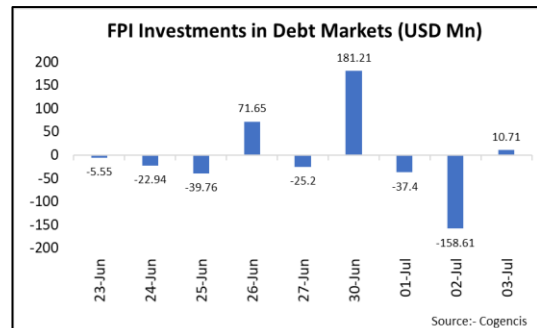
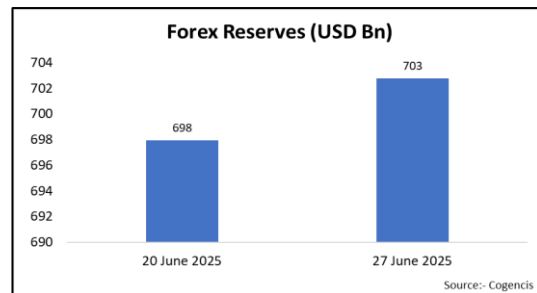
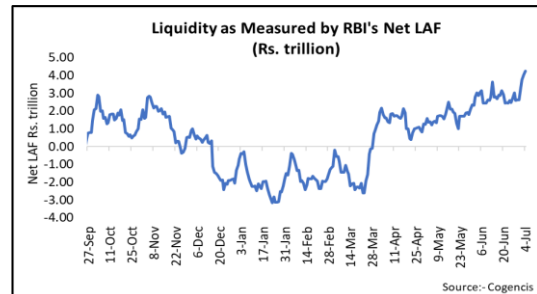
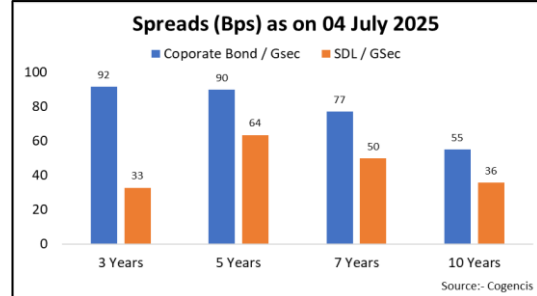
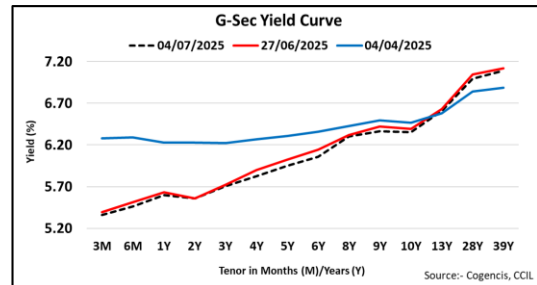
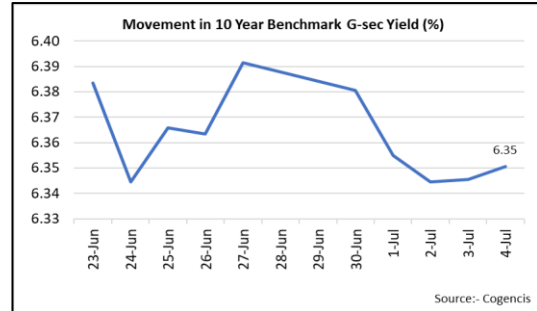
## Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 4 July 2025

- Domestic G-Sec prices closed the week ended 4<sup>th</sup> July 2025 on a positive note wherein the yield on the most traded 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 5 bps at 6.35% as against its previous weekly close of 6.40% on 27<sup>th</sup> June 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 14 bps to 2 bps on a WoW basis. In case of the greater than one-year segment, yields were mixed in the range of (-) 9 bps to 3 bps on a WoW basis.
- Movement in G-sec yields :-**
  - Indian G-sec yields fell during the week as the growing liquidity surplus in the banking system continued to support the market. However, gains were limited due to a rise in US Treasury yields.
  - The total G-sec supply for the week stood at Rs 501 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 15-40 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 181 bn, and the maturities were in the range of 8-33 years. The average cut off yield for the 10-year SDL was 6.82% as against 6.74% in the previous week. The G-secs' auction was for the following: New GS 2040 and 6.90% GS 2065.
  - Banking system liquidity improved substantially, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 3.59 trillion during the week as against a daily average surplus of ~Rs 2.64 trillion during the previous week.
- Macro Data released during the week :-**
  - As per government data, India's fiscal deficit for April-May 2025 came in at Rs 131.60 bn (USD 1.5 bn) or 0.8% of the estimate for the FY25. Net tax receipts were at Rs 3.5 trillion compared with Rs 3.2 trillion a year earlier. Non-tax revenue was at Rs 3.6 trillion compared with Rs 2.5 trillion a year ago.
  - According to government data, the Goods and Services Tax (GST) collection in June 2025 amounted to Rs 1.85 trillion, reflecting a 6.2% YoY rise. However, June 2025 collections declined compared to May 2025, when the Centre collected Rs 2.01 trillion.
  - As per RBI, India's forex reserves increased USD 4.8 bn to USD 702.78 bn for the week ending June 27, 2025. It stood at USD 697.93 bn as of June 20, 2025, down by USD 1.02 bn from the previous week. Foreign currency assets surged by USD 5.75 bn to USD 594.82 bn.
- Other macro-economic news :-**
  - According to economists polled by Reuters, the Indian economy will grow at a mostly steady pace in FY26 and FY27. The Gross Domestic Product (GDP) was forecast to expand 6.4% YoY in FY26, the June 2025 poll of 51 economists found. That is weaker than 6.5% YoY reported for FY25, which was the slowest since FY21. Growth was forecast to pick up modestly to 6.7% YoY in FY27.
  - According to government data, India's Gross Goods and Services Tax (GST) collections have doubled over the past five years to reach a record Rs 22.08 trillion in FY25, up from Rs 11.37 trillion in FY21. The collections in FY25 represent a 9.4% YoY growth compared to Rs 20.18 trillion collected in FY24.
  - According to exclusive shipping and customs data, India increased imports of all products from the United States by 27% in value terms during the first two months of FY26, driven largely by a 38% surge in crude oil purchases led by state-run Indian Oil Corporation. The spike comes ahead of the 9 July 2025 deadline to conclude the first phase of a bilateral trade agreement.
- Global Updates :-**
  - US President Donald Trump announced the signing celebration of the 'One Big Beautiful Bill' at the White House, hours after the House of Representatives cleared it. The USD 3.4 trillion fiscal package aims to cut taxes, limit spending on safety-net programs, and reverse much of Trump's predecessor Joe Biden's attempts to move the country to a clean-energy economy.
  - The US Commerce Department said that the US trade deficit climbed to USD 71.5 bn in May 2025 from a revised USD 60.3 bn in April 2025. Trade deficit widened in the month of May 2025 amid a steep drop by the value of exports. Economists had expected the trade deficit to increase to USD 71.0 bn.
  - Flash estimate from Eurostat showed that the inflation in Eurozone climbed to 2% YoY in June 2025 from 1.9% YoY in May 2025. The rate reached the inflation target and also matched economists' expectations.

### Outlook :-

The liquidity condition, as measured by RBI's net LAF, improved substantially over the previous week. The RBI, on 4<sup>th</sup> July 2025, conducted another VRRR auction to align call money rate at or above 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 progress on trade deals till 9<sup>th</sup> July 2025, which is its interim deadline, is expected to drive market sentiments and capital flows. De-escalation in the Middle East has pushed crude prices down, supporting overall macros in India.

At this juncture, G-sec yields, which seemingly had priced in a total of ~50 bps of policy rate cuts, are left with limited opportunity 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. Given the rise in yields at the longer end, tactical opportunities have also emerged in Dynamic Bond Funds. 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 4 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	5.27	5.22	5.15	5.39	5.52	5.95	6.15	6.27	6.49	6.34
Liquid Funds	5.71	7.54	6.30	6.40	6.33	6.95	7.00	7.07	7.13	6.87
Floater Funds	6.17	13.14	5.18	7.72	9.11	9.86	8.91	9.06	8.36	7.84
Low Duration Funds	5.88	11.80	7.36	8.12	8.57	8.68	8.12	8.04	7.52	7.13
Money Market Funds	5.21	11.21	7.85	8.06	8.12	8.47	8.02	7.89	7.54	7.22
Ultra Short Duration Funds	4.47	9.90	7.23	7.34	7.26	7.64	7.38	7.32	7.09	6.76
Banking And PSU Funds	1.25	16.49	2.05	7.48	8.98	10.04	8.90	9.06	7.96	7.45
Corporate Bond Funds	1.31	16.35	2.73	7.79	9.58	10.47	9.25	9.44	8.19	7.65
Medium Duration Funds	5.58	15.64	2.13	6.92	8.81	10.51	9.38	9.55	8.21	8.11
Short Duration Funds	6.07	15.62	4.14	8.07	9.36	10.07	9.04	9.12	7.93	7.49
Medium To Long Duration Funds	-2.29	16.44	-5.95	1.53	5.43	9.25	7.96	8.51	7.69	7.50
Long Duration Funds	8.85	26.59	-20.08	-9.11	-0.96	7.24	5.98	7.47	8.43	8.92
Dynamic Bond Funds	8.06	18.19	-8.39	-0.16	4.61	9.14	7.70	8.53	7.96	7.60
Credit Risk Funds	14.69	15.21	6.06	8.72	12.43	14.21	12.07	11.35	9.58	8.69
Gilt Funds / Gilt Funds with 10 year constant duration	8.54	22.57	-12.64	-3.39	2.90	8.94	7.55	8.49	8.10	7.84
Conservative Hybrid Funds	24.83	8.71	6.70	10.70	15.19	8.09	6.10	7.30	10.36	10.24
Index Funds	-0.16	11.06	3.12	7.60	9.43	10.16	8.93	9.28	8.27	7.80
Arbitrage Funds	16.18	7.77	7.01	5.56	5.79	6.53	6.76	6.71	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	-7.63	5.38	10.04	9.40	8.50	8.21
Dynamic Bond Fund	-11.95	3.11	8.34	8.09	8.08	7.76
Gilt Funds & Gilt Funds with 10 year constant duration	-16.47	0.52	7.80	7.78	8.44	7.94
Short Duration / Medium Duration	4.01	9.63	10.34	9.37	8.25	7.71
Banking and PSU Funds	0.40	8.54	10.01	9.15	8.15	7.60
Corporate Bond Funds	1.71	9.11	10.50	9.62	8.52	8.04
Ultra Short Duration Funds /Low Duration / Floater Funds	7.68	8.23	8.51	8.06	7.68	7.35
Money Market Funds	8.11	8.36	8.75	8.17	7.85	7.52
Liquid Funds & Overnight Funds	6.41	6.43	7.07	7.17	7.23	6.96
Arbitrage Funds	7.21	6.01	6.80	7.00	7.44	7.03

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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