HDFC Bank Research

Weekly Equity Market Updates for week ended June 13, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 1.30% & and Nifty 50 ending lower by 1.14% WoW respectively. The BSE Midcap index ended lower by 0.90% and the BSE Small cap index ended lower by 0.13%.
- On the BSE sectoral front, indices ended on a mixed note. IT, Healthcare, and Oil & Gas were the biggest outperformers.
- Domestic equity markets ended the week on a negative note despite the RBI's surprise rate cut and strong US non-farm payroll data, as rising Middle East tensions and global uncertainty trigged profit-booking.

Global Market Updates

- US equity markets ended the week on a negative note amid heightened geopolitical concerns following a series of Israeli airstrikes on Iran. The attacks have raised fears of a broader regional conflict.
- European equity markets ended mostly on a negative note mainly due to escalating tension in the Middle East.
- Brent oil prices rose from USD 66.5 per barrel to USD 75.61 as renewed geopolitical tensions in the Middle East raised supply concerns. However, profit booking at higher levels capped further gains.

Macro Data & Domestic News Released During the Week

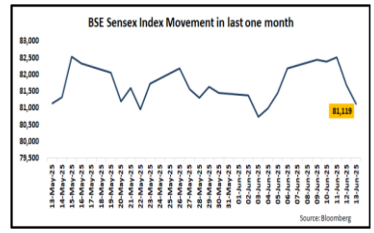
- The RBI retained its GDP growth forecast for FY26 at 6.5% YoY, despite mixed signals from the global economy and potential downside risks from geopolitical tensions.
- According to a World Bank report, India's extreme poverty rate dropped to 5.3% in FY23 from 27.1% in FY12. The decline amounts to 269 mn people moving above the international poverty threshold over an 11-year period.
- According to Crisil, investments in India's renewable energy, roads, and real estate sectors are estimated to touch Rs 17.5 trillion over FY26 / FY27, up from Rs 13.3 trillion in FY24 and FY25.
- As per data from AMFI, inflow in equity mutual funds slumped to its lowest level in 13 months to Rs 190.13 bn in May 2025, primarily triggered by profit booking by investors. Net inflow in equity funds dropped nearly 22% MoM from Rs 242.69 bn in April 2025. Despite the deceleration, May 2025 marked the 51st consecutive month of positive flows into equity-oriented schemes.
- According to BCG, the Indian AI market is expected to grow to over USD 17 bn by 2027, more than tripling its current size, driven by increased investments in enterprise technology, a flourishing digital ecosystem, and a strong pool of skilled professionals. India makes up 16% of the world's AI talent, second only to the US.
- According to real estate data analytics firm PropEquity, new housing supply in India's top 15 tier-2 cities fell by 35% YoY to 30,155 units in Q4 FY25, compared to 45,901 units in Q4 FY24. This drop coincided with a steep 54% decline in affordable housing supply — defined as units priced under Rs 5 mn.
- According to Crisil, the cost of both vegetarian and non-vegetarian home-cooked thalis saw a 6% YoY decline in May 2025, primarily due to lower vegetable prices. While vegetarian thali costs remained stable, non-vegetarian thalis became cheaper by 2% MoM.

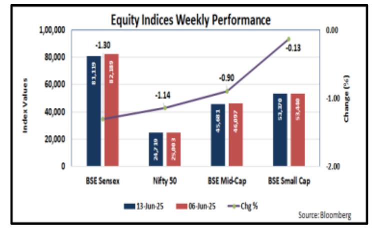
Outlook

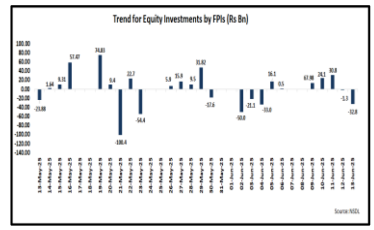
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, developments around middle east tensions, FPI/DII flows, trade negotiation between India and the US, and strong liquidity support by the RBI. Overall, the higher-than-expected 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. The market participants believe recent tensions between Israel and Iran could possibly drive-up oil prices pressuring global and Indian Equity Markets.

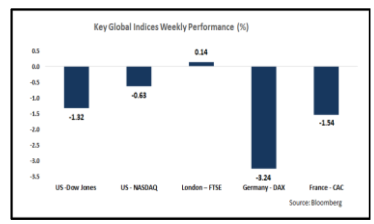
The recent challenges and issues with the domestic macro economy and corporate earnings are expected see improvement in the next couple of quarters. With the rate of change in the GDP growth showing signs of improvement, decline in inflation and budgetary support to the middle class is likely to enhance the disposable income in the FY26. Beneficial trade deals, strong monsoons is 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 get controlled due to decline in the dollar index, FPIs too could look at Indian markets more favourably, especially after the recent valuation correction. Thus, barring any large external risks, markets are expected to deliver lower volatility in the medium term. High equity valuations continue to remain a challenge for the markets. Any uptick in earnings expectation or faster than anticipated upmove in growth indicators could drive the markets higher.

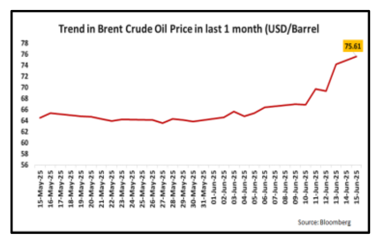
In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, due to elevated valuations. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium term. Given the improved earnings performance delivered by the Midcap and few Smallcap sub sectors in Q4FY25, exposure to pure Mid and Small cap funds could be taken through STPs. From asset allocation in Equity Mutual Fund perspective, 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.

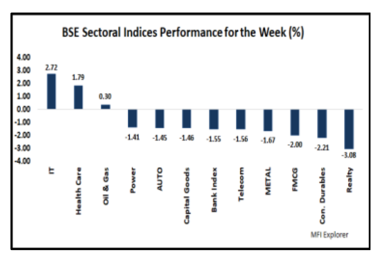


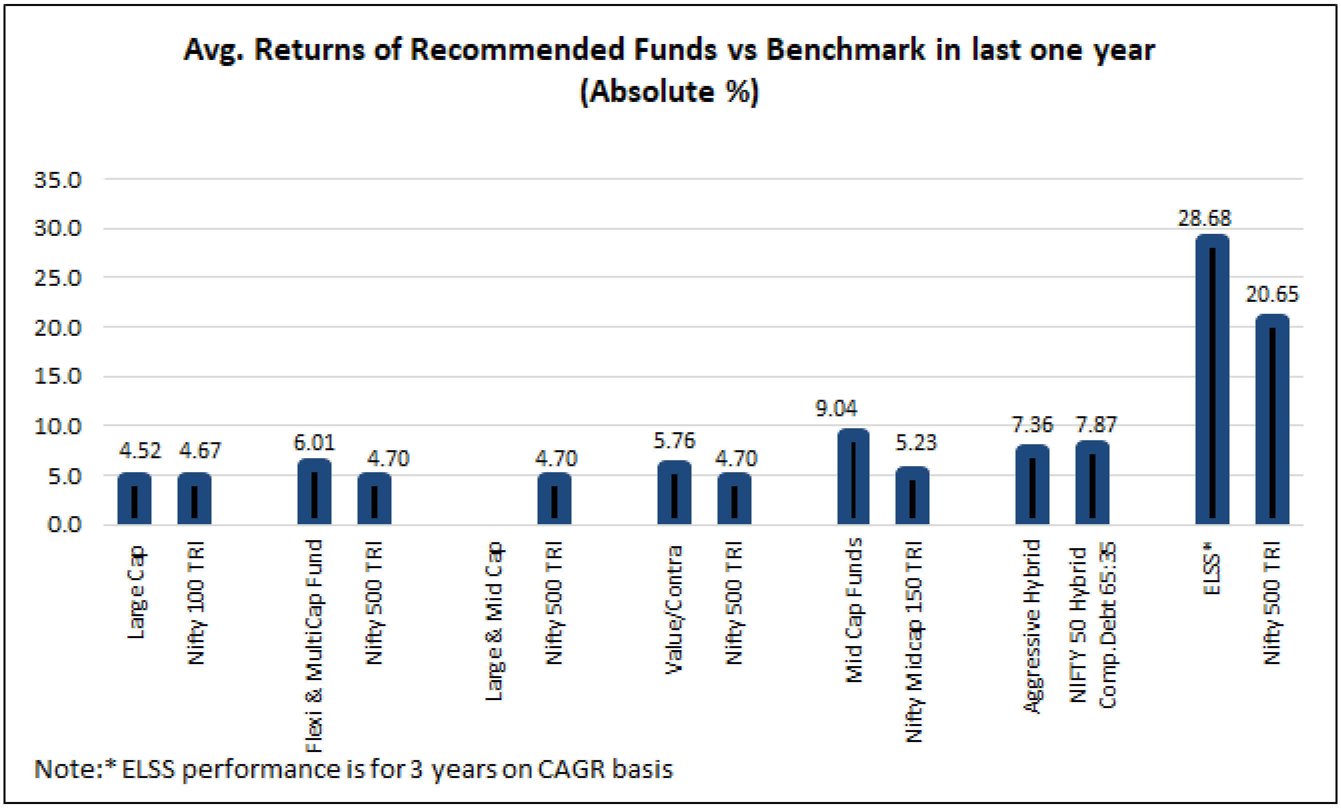












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	1.23	-1.51	4.52	20.39	21.43	23.62
Flexi & MultiCap Fund	2.57	-3.29	6.01	25.88	26.60	28.34
Large & Mid Cap Funds	3.36	-0.80	5.53	25.68	25.70	27.94
Mid Cap Funds	3.05	-7.12	9.04	30.20	33.50	34.83
Small Cap Funds	6.56	-7.85	0.81	24.52	28.08	36.06
Value/Contra Funds	2.82	-1.03	5.76	25.86	26.29	30.77
Focused Funds	1.50	-0.03	6.84	24.32	24.26	26.93
Aggressive Hybrid Funds	1.91	-0.48	7.36	19.56	19.55	22.69
Dynamic Asset Allocation Funds	1.83	1.97	7.24	17.24	17.55	19.55
Equity Linked Saving Schemes	3.60	-3.20	7.46	28.64	28.68	27.90
Infrastructure Oriented Funds	3.62	-3.08	1.37	28.24	28.23	34.75
Nifty 50 Index TRI	**0.87**	**0.36**	**6.81**	**16.22**	**17.47**	**21.30**
Nifty 500 TRI	**2.70**	**-1.52**	**4.70**	**20.56**	**20.65**	**24.05**
Nifty Infrastructure TRI	**1.21**	**0.59**	**0.88**	**27.41**	**25.38**	**26.32**

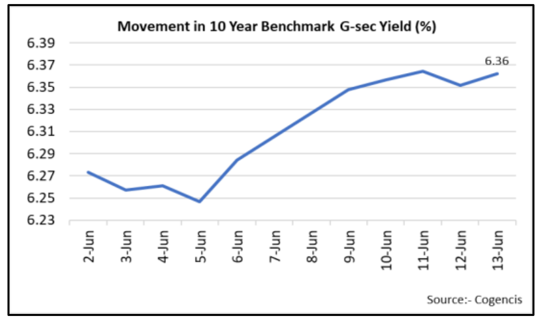
Note: Data as on June 13, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

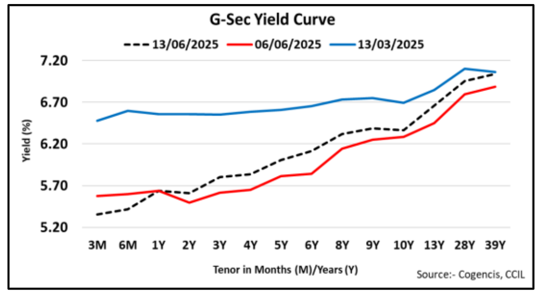
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 13 June 2025

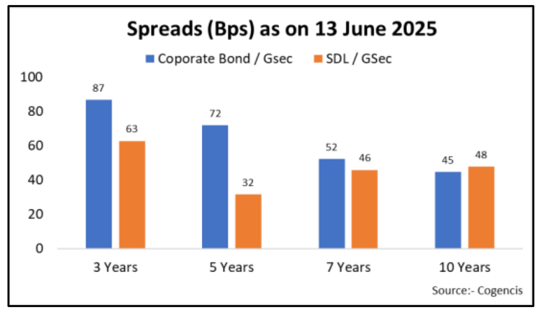
- Domestic G-Sec prices closed the week ended 13th June 2025 on a negative note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 7 bps at 6.36% as against its previous weekly close of 6.29% on 6th June 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 26 bps to 25 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 24 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields rose after the RBI unexpectedly adopted a neutral policy stance and implemented a larger-than anticipated rate cut, prompting market participants to continue unwinding their positions.
  - The total G-sec supply for the week stood at Rs 433.30 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 6-49 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 183.30 bn, and the maturities were in the range of 3-32 years. The average cut off yield for the 10-year SDL was 6.67% as against 6.64% in the previous week. The G-secs' auction was for the following: 6.79% GS 2031 and 7.09% GS 2074. All bids for 30-year sovereign green bonds were rejected by the RBI, as investors sought higher yields, according to dealers.
  - Banking system liquidity deteriorated marginally, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 2.81 trillion during the week as against a daily average surplus of ~Rs 2.96 trillion during the previous week.
- **Macro Data released during the week :-**
  - As per data from MoSPI, India's retail inflation dropped to 2.82% YoY in May 2025, down from 3.16% YoY in April 2025, mainly due to a slower increase in food prices. Core inflation accelerated to 4.17% YoY in May 2025 as against 4.10% YoY in April 2025.
  - As per RBI data, after surging in March 2025, the proposals by Indian firms to raise funds through External Commercial Borrowings (ECBs) dropped to USD 2.91 bn in April 2025 from USD 11.04 bn in March 2025. The net ECB inflows were USD 25.1 bn in FY25.
  - As per RBI data, India's forex reserves rose by USD 5.17 bn to USD 696.65 bn for the week ended June 6, 2025. Foreign currency assets rose by USD 3.47 bn to USD 587.68 bn, while gold reserves were up by USD 1.58 bn to USD 85.88 bn.
- **Other macro-economic news :-**
  - According to RBI Governor Sanjay Malhotra, the central bank is not overly concerned about short Dollar positions in the forward book. RBI's net short Dollar position in the forward book stood at USD 52.4 bn by the end of April 2025, down from a peak of USD 78 bn in February 2025.
  - According to World Bank's Global Economic Prospects Report, higher tax revenues and falling current expenditures are likely to contribute to a gradual decline in India's public Debt-to-GDP ratio and fiscal consolidation. The Bank has kept India's GDP growth forecast for FY26 unchanged at 6.3% YoY from its update in April 2025.
  - The RBI decided to discontinue conducting daily Variable Rate Repo (VRR) auctions, which injected liquidity into the banking system, from June 11, 2025. The central bank started conducting daily VRR auctions from January 16, 2025, when banks were grappling with tight liquidity conditions.
- **Global Updates :-**
  - As per data from the US Labor Department, the US Consumer Price Index growth accelerated to 2.4% YoY in May 2025 from 2.3% YoY in April 2025. It was expected to speed up to 2.5% YoY. The Core Consumer Price growth was unchanged from the previous month at 2.8% YoY in May 2025.
  - According to Eurostat, the Euro area GDP logged a growth of 0.6% QoQ in Q1 CY25 following a 0.3% QoQ rise in Q4 CY24. The economic growth improved to 1.5% YoY in Q1 CY25 from 1.2% YoY.
  - As per data from China's National Bureau of Statistics, China's overall inflation was down 0.1% YoY in May 2025. That beat forecasts for a decline of 0.2% YoY but was unchanged from the April 2025 reading.
- **Outlook :-**

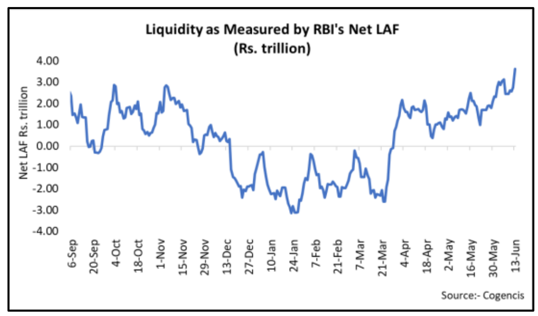
The liquidity condition, as measured by RBI's net LAF, deteriorated marginally over the previous week. Retail inflation in India had eased further as the Consumer Price Index (CPI) fell to 2.82% YoY in May 2025 from 3.16% YoY in April 2025. The GDP growth for Q4 FY25 came in at 7.4% YoY, assuaging the fear of a slowdown in the interim. The RBI decided to front load policy easing to support growth and hence cut policy rates by 50 bps and also decided to reduce the Cash Reserve Ratio by 100 bps in 4 tranches between September to December 2025. Alongside this, the central bank revised the inflation outlook downward to 3.7% for FY26 from its earlier projection of 4.0% and retained growth projection at 6.5% 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.** In the US, the Fed continued highlighting considerable uncertainty surrounding evolution of trade policies. Thus, the ongoing negotiation around trade tariffs will remain a key monitorable for capital flows and market sentiments. Also, the developments around the ongoing geopolitical escalation in the Middle East will determine any upward movement of crude prices. If it de-escalates soon, the prices can come down, thus making the impact on inflation transitory, leading regulators to look through the same. However, till such time, this will be monitored closely.

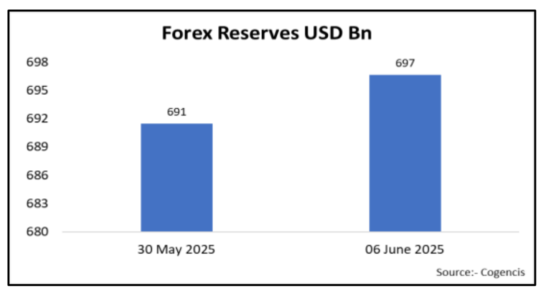
At this juncture, G-sec yields, which seemingly had priced in a total of ~50 bps of policy rate cuts, are left with limited opportunity for incremental gains unless the central bank considers further growth-supportive policy easing in future policy meetings basis their updated outlook on growth-inflation dynamics. The staggered reduction of CRR is expected to provide cushion against any reduction of liquidity and keep the system liquidity comfortable. This may result in the steepening of the corporate bond yield curve. 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. For a horizon of 3 months and above, investors can consider Arbitrage 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.

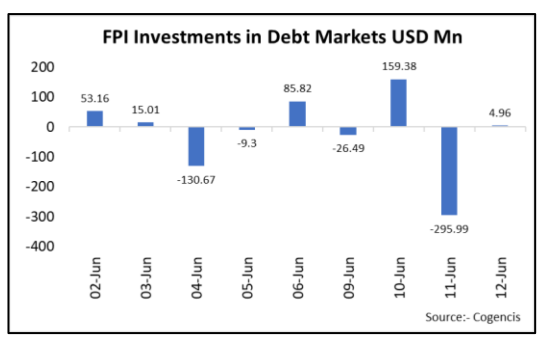












Category Average Returns as on 13 June 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.01	5.11	5.47	5.59	5.80	6.11	6.26	6.36	6.53	6.33
Liquid Funds	4.63	5.05	6.67	6.35	7.14	7.07	7.11	7.14	7.15	6.84
Floater Funds	-14.12	-13.66	7.48	8.68	12.15	9.42	8.87	9.08	8.31	7.76
Low Duration Funds	-3.60	-4.16	8.94	8.52	10.33	8.49	8.14	8.02	7.48	7.07
Money Market Funds	2.41	1.02	9.10	7.89	9.78	8.38	8.04	7.89	7.51	7.17
Ultra Short Duration Funds	3.37	1.94	8.11	7.14	8.53	7.59	7.43	7.34	7.08	6.72
Banking And PSU Funds	-33.02	-27.54	7.65	8.86	13.30	9.63	8.97	9.05	7.81	7.48
Corporate Bond Funds	-30.97	-26.30	7.57	9.41	13.70	9.89	9.26	9.38	8.02	7.65
Medium Duration Funds	-23.90	-23.68	5.97	8.58	12.63	9.93	9.29	9.47	7.98	8.20
Short Duration Funds	-23.24	-21.53	8.32	9.25	12.74	9.61	8.99	9.04	7.76	7.49
Medium To Long Duration Funds	-34.25	-34.84	-2.01	4.68	11.69	8.54	7.71	8.59	7.40	7.72
Long Duration Funds	-76.09	-61.99	-19.02	-3.02	7.93	6.09	6.06	8.01	7.86	9.63
Dynamic Bond Funds	-43.64	-41.82	-4.59	3.86	11.56	8.22	7.61	8.66	7.76	7.72
Credit Risk Funds	-10.66	-11.30	8.84	13.95	15.27	13.64	11.79	11.17	9.43	8.66
Gilt Funds / Gilt Funds with 10 year constant duration	-47.85	-48.49	-10.80	1.25	10.43	7.80	7.30	8.60	7.81	8.04
Conservative Hybrid Funds	-67.20	-31.78	6.86	15.85	18.79	5.32	4.92	7.68	10.24	10.23
Index Funds	-14.21	-14.55	8.22	9.76	12.55	9.79	9.08	9.44	8.08	8.11
Arbitrage Funds	27.86	10.72	7.29	6.48	6.76	6.88	6.74	6.80	7.23	6.64

* 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	-4.48	12.00	9.28	9.42	8.13	8.53
Dynamic Bond Fund	-9.38	10.46	7.13	8.35	7.90	7.81
Gilt Funds & Gilt Funds with 10 year constant duration	-15.96	9.30	6.51	8.24	8.11	8.18
Short Duration / Medium Duration	8.64	13.10	9.87	9.32	8.09	7.73
Banking and PSU Funds	6.53	13.57	9.51	9.23	8.03	7.61
Corporate Bond Funds	6.71	13.56	9.87	9.60	8.40	8.05
Ultra Short Duration Funds /Low Duration / Floater Funds	9.05	9.82	8.39	8.06	7.66	7.29
Money Market Funds	9.31	10.11	8.66	8.18	7.83	7.47
Liquid Funds & Overnight Funds	6.77	7.31	7.20	7.24	7.25	6.94
Arbitrage Funds	7.51	7.16	7.22	7.10	7.54	6.97

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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