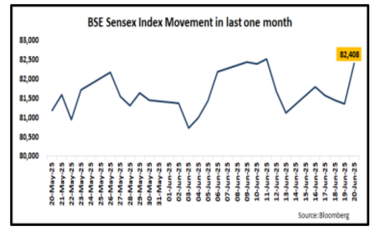
HDFC Bank Research

Weekly Equity Market Updates for week ended June 20, 2025

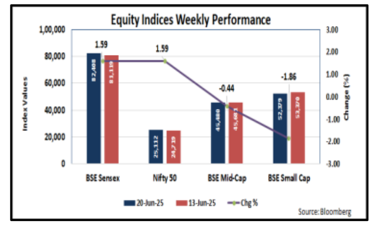
Domestic Equity Market Update

- Indian equities ended the week on a mixed note, with the large cap-oriented BSE Sensex ending higher by 1.59% & and Nifty 50 ending higher by 1.59% WoW respectively. The BSE Midcap index ended lower by 0.44% and the BSE Small cap index ended lower by 1.86%.
- On the BSE sectoral front, indices ended on a mixed note. Telecom, Bank Index, and Auto, were the biggest outperformers.
- Domestic equity markets ended the week on a mixed note supported by improved sentiment after the RBI relaxed project finance norms and easing inflation data. However, gains were capped by rising oil prices and a hawkish tone from the US Federal Reserve.



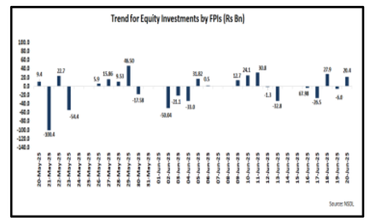
Global Market Updates

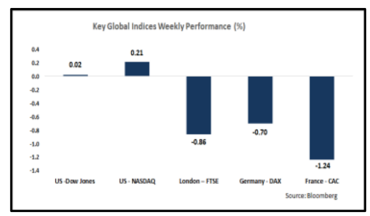
- US equity markets ended the week on a mixed note. Nasdaq gained after the Federal Reserve decided to keep interest rates unchanged. Renewed concerns over the ongoing conflict between Israel and Iran impacted the markets negatively. Market sentiment was further dampened by a Commerce Department report showing that US retail sales fell more than expected in May 2025. Meanwhile, investors continued to assess the potential trajectory of future interest.
- European equity markets ended mostly on a negative note amid rising speculation over potential US involvement in the Israel-Iran conflict.
- Brent oil prices rose from USD 75.61 per barrel to USD 77.1 amid growing speculation about potential US involvement in the Israel-Iran conflict. Additionally, prices increased due to fears of possible disruptions to crude oil supply.



Macro Data & Domestic News Released During the Week

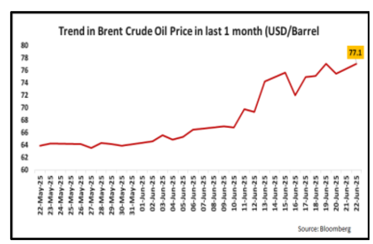
- According to CareEdge Ratings, India's household savings continued to decline for the third straight year, slipping to 18.1% of GDP in FY24. Gross domestic savings declined to 30.7% of GDP in FY24 from 32.2% in FY15.
- As per RBI data, systemic credit growth declined to 8.97% YoY in the fortnight ended May 30, 2025, the lowest in three years, as lenders prioritized asset quality over growth amid stress in the microfinance and unsecured segments. Meanwhile, deposit growth in the system at 9.9% YoY outpaced credit growth by 100 bps. Total deposits stood at Rs 231.7 trillion, while total credit was at Rs 182.8 trillion.
- As per data from the Society of Indian Automobile Manufacturers (SIAM), domestic passenger vehicle sales remained largely unchanged in May 2025, rising just 0.8% YoY to 3,03,099 units from 3,00,795 units in May 2024, as a decline in car sales offset strong growth in the utility vehicle segment. Car sales dropped 12.2% to 93,951 units, while utility vehicles (UVs) rose 7.6% to 1,96,821 units.
- According to the International Energy Agency (IEA), India is projected to contribute the most to global oil demand growth by 2030, adding 1 mn barrels per day (bpd). Global oil demand is expected to increase by 2.5 mn bpd by 2030, reaching around 105.5 mn bpd.
- According to rating agency ICRA, India's Real Gross Domestic Product (GDP) growth for FY26 will be 6.2% YoY, down from 6.5% YoY in FY25. Real Gross Value Added (GVA) growth is also expected to ease to 6.0% YoY in FY26 from 6.4% YoY in FY25. Inflation is expected to be above 3.5% YoY, the fiscal deficit to be 4.4% of GDP and the current account deficit at 1.2-1.3% of GDP during the same period.
- As per data from Anarock, listed Real Estate Investment Trusts (REITs) in the office space segment have significant scope for consolidation in India, with room for more listed entities. Only 117.2 mn sq. ft. is held by the country's three listed REITs out of the total 520 mn sq. ft. of office space considered suitable for REITs.



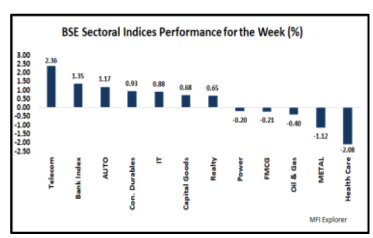


Outlook

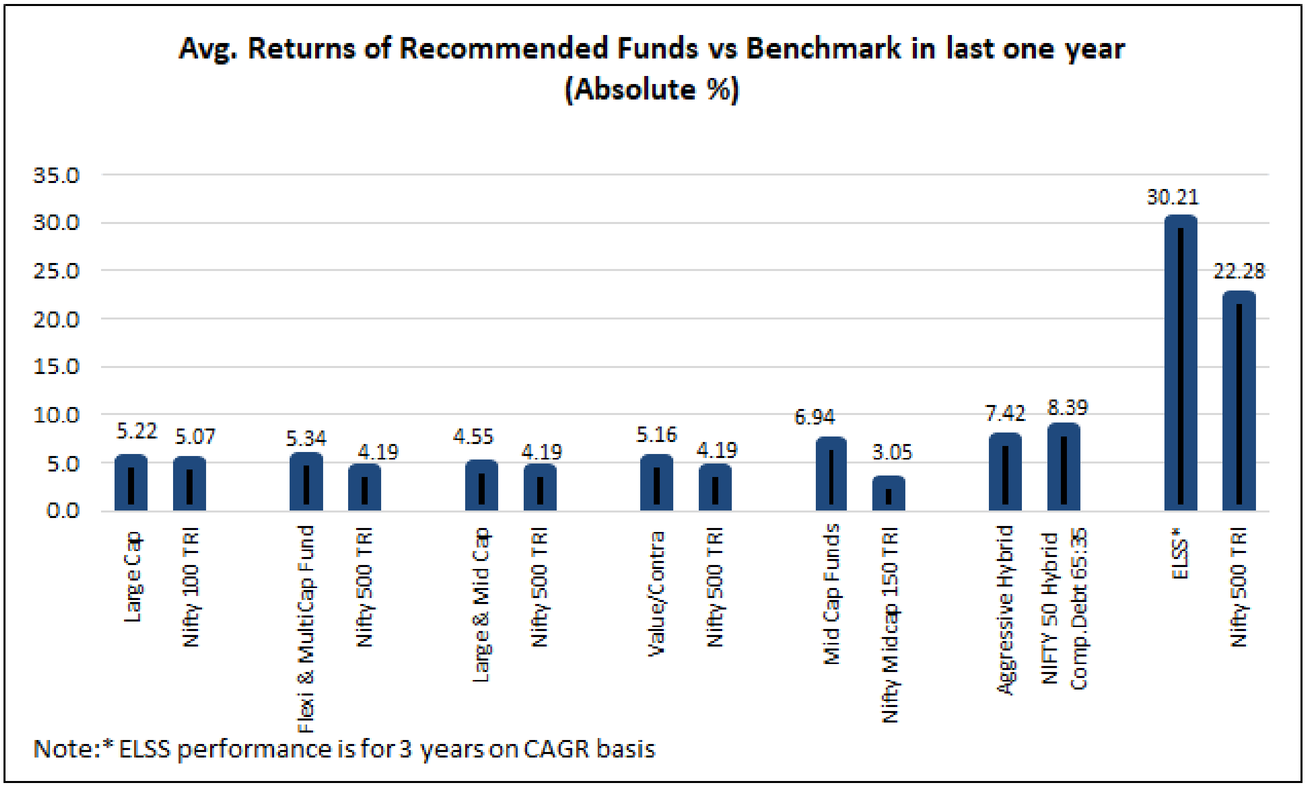
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, developments around middle east tensions, FPI/DII flows, trade negotiation between India and the US, and strong liquidity support by the RBI. Overall, the higher-than-expected 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 threat to block the Strait of Hormuz, a vital oil transit route, has grown more credible and have heightened tensions in West Asia and increased volatility in global energy markets which needs to be monitored.



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 up move 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	1.78	3.97	5.22	20.75	23.09	23.39
Flexi & MultiCap Fund	2.13	0.90	5.34	25.62	28.35	27.99
Large & Mid Cap Funds	2.07	3.08	4.55	25.11	27.13	27.49
Mid Cap Funds	2.70	-3.69	6.94	29.64	34.63	34.38
Small Cap Funds	2.14	-6.58	-2.05	22.67	29.49	34.76
Value/Contra Funds	1.92	3.21	5.16	25.53	28.16	30.39
Focused Funds	1.90	4.96	6.90	24.49	26.07	26.81
Aggressive Hybrid Funds	1.68	3.44	7.42	19.66	20.87	22.38
Dynamic Asset Allocation Funds	1.65	4.72	7.44	17.17	18.47	19.24
Equity Linked Saving Schemes	1.96	0.60	6.27	28.15	30.21	27.46
Infrastructure Oriented Funds	2.12	1.79	1.81	27.86	30.37	33.94
Nifty 50 Index TRI	**1.98**	**7.06**	**7.67**	**16.80**	**19.13**	**21.03**
Nifty 500 TRI	**2.19**	**3.68**	**4.19**	**20.33**	**22.28**	**23.57**
Nifty Infrastructure TRI	**2.20**	**8.43**	**3.11**	**27.91**	**28.22**	**26.05**

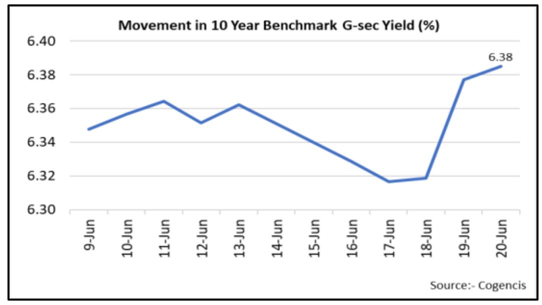
Note: Data as on June 20, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms. Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

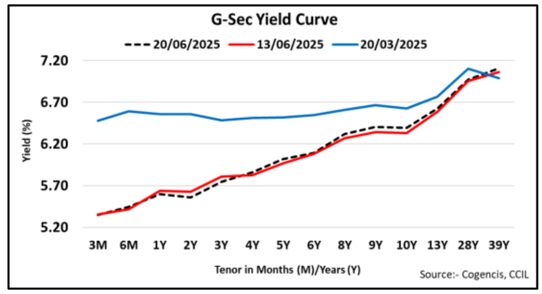
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 20 June 2025

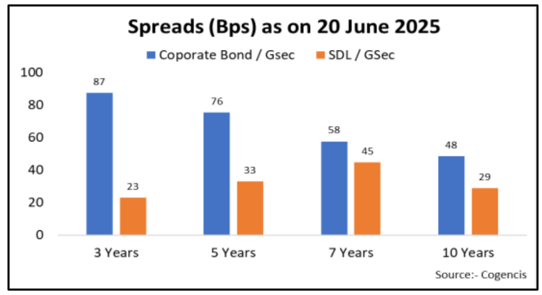
- Domestic G-Sec prices closed the week ended 20th June 2025 on a negative note wherein the yield on the most traded 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 2 bps at 6.38% as against its previous weekly close of 6.36% on 13th June 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 5 bps to 13 bps on a WoW basis. In case of the greater than one-year segment, yields mixed in the range of (-) 11 to 2 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields rose as investor sentiment weakened amid a sharp rise in crude oil prices, fuelled by escalating geopolitical tensions stemming from the ongoing conflict between Israel and Iran. Persistent uncertainty regarding potential US involvement in the conflict kept market participants on edge.
  - The total G-sec supply for the week stood at Rs 355 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 270 bn and the maturities were in the range of 4-29 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 85 bn, and the maturities were in the range of 6-36 years. The average cut off yield for the 10-year SDL was 6.68% as against 6.67% in the previous week. The G-secs' auction was for the following: 6.75% GS 2029 and 7.09% GS 2054.
  - Banking system liquidity improved, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 2.91 trillion during the week as against a daily average surplus of ~Rs 2.81 trillion during the previous week.
- **Macro Data released during the week :-**
  - As per data from the Commerce Ministry, India's Wholesale Price Index (WPI)-based inflation dropped to a 14-month low of 0.39% YoY in May 2025, down from 0.85% YoY recorded in April 2025. The decline was driven by easing prices across key categories, including food, fuel, and primary articles
  - As per provisional data from the Commerce Ministry, India's merchandise trade deficit narrowed to USD 21.88 bn in May 2025, down from USD 26.42 bn in April 2025 and USD 22.09 bn in May 2024. Merchandise exports stood at USD 38.73 bn in May 2025, while imports contracted to USD 60.61 bn.
  - According to RBI data, India's forex reserves rose by USD 2.294 bn to USD 698.95 bn for the week ended June 13, 2025. Foreign Currency Assets, a major component of the reserves, rose by USD 1.74 bn to USD 589.426 bn and gold reserves were up by USD 428 mn and reached USD 86.32 bn during the week.
- **Other macro-economic news :-**
  - As per RBI data, systemic credit growth declined to 8.97% YoY in the fortnight ended May 30, 2025, the lowest in three years. Meanwhile, deposit growth in the system at 9.9% YoY outpaced credit growth by 100 bps. Total deposits stood at Rs 231.7 trillion, while total credit was at Rs 182.8 trillion.
  - According to RBI Governor Sanjay Malhotra, the RBI may have room for further interest rate cuts if inflation turns out to be lower than expected, adding that the central bank would continue to monitor incoming data to maintain the right balance between growth and inflation. The shift to a neutral stance was intended to provide flexibility in supporting growth, not to signal an immediate reversal of policy.
  - According to Crisil, rise in gold prices due to global uncertainty has pushed core consumer price index (CPI) inflation upward for four months in a row, even as the headline retail inflation fell to a 75-month low in May 2025.
- **Global Updates :-**
  - The US Federal Reserve announced its widely expected decision to leave interest rates unchanged. The Fed maintained the target range for the Federal Funds Rate at 4.25-4.50% in support of its dual goals of maximum employment and inflation at 2% YoY over the long run.
  - According to Eurostat, Eurozone inflation slowed, on falling energy prices. Inflation softened to 1.9% YoY in May 2025 from 2.2% YoY in April 2025. It fell below ECB's 2% YoY target for the first time since September 2024. Core inflation slowed to 2.3% YoY from 2.7% YoY over the same period.
  - The People's Bank of China left its benchmark rate unchanged after de-escalation in the US-China tariff exchange lessened the need for more immediate stimulus. The PBOC left its one-year Loan Prime Rate (LPR) at 3%, while the five-year LPR, which is used to set mortgage rates, was kept unchanged at 3.5%.
- **Outlook :-**

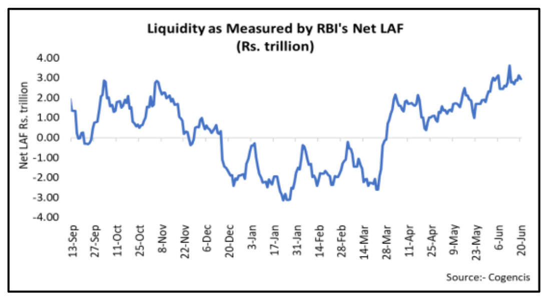
The liquidity condition, as measured by RBI's net LAF, improved over the previous week. Retail inflation in India had eased further as the Consumer Price Index (CPI) fell to 2.82% YoY in May 2025 from 3.16% YoY in April 2025. The RBI decided to front load policy easing to support growth and hence cut 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% 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 kept the rates unchanged and highlighted that uncertainty about the economic outlook has diminished but remains elevated. The ongoing negotiations around trade tariffs will remain a key monitorable for capital flows and market sentiments. Also, the geopolitical escalation in the Middle East has pushed crude prices higher. Going forward, if the tensions persists and crude prices move up substantially from hereon, it may negatively impact inflation and current account deficit domestically, leading the RBI to rethink their overall policy stance.

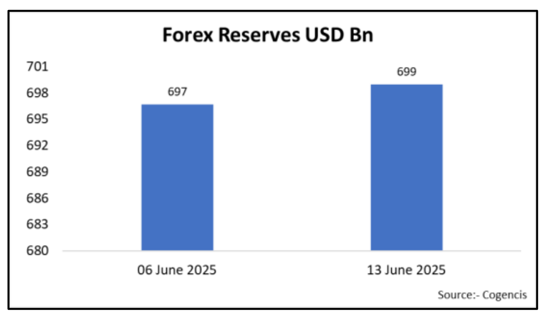
At this juncture, G-sec yields, which seemingly had priced in a total of ~50 bps of policy rate cuts, are left with limited opportunity for incremental gains unless the central bank considers further growth-supportive policy easing in future policy meetings basis their updated outlook on growth-inflation dynamics. The staggered reduction of CRR is expected to 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.

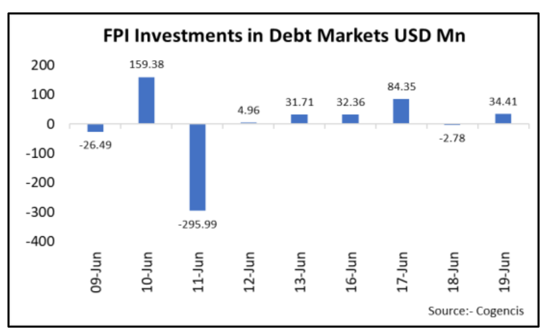












Category Average Returns as on 20 June 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.03	5.06	5.36	5.52	5.72	6.05	6.22	6.33	6.52	6.33
Liquid Funds	5.83	5.54	6.43	6.29	7.05	7.03	7.06	7.11	7.14	6.85
Floater Funds	-1.03	6.86	3.62	7.56	11.46	9.61	8.78	9.00	8.30	7.82
Low Duration Funds	1.45	6.36	6.87	8.16	10.06	8.55	8.10	8.00	7.47	7.10
Money Market Funds	6.07	6.34	7.90	7.73	9.56	8.38	8.02	7.87	7.50	7.19
Ultra Short Duration Funds	6.22	5.87	7.11	7.02	8.37	7.59	7.39	7.31	7.07	6.74
Banking And PSU Funds	-7.93	5.15	2.23	7.52	12.28	9.88	8.73	8.99	7.82	7.47
Corporate Bond Funds	-7.11	6.01	2.44	8.09	12.73	10.22	9.05	9.33	8.05	7.66
Medium Duration Funds	-10.75	3.92	0.80	6.81	11.53	10.23	9.05	9.38	8.02	8.14
Short Duration Funds	-12.38	5.35	3.63	7.85	11.94	9.83	8.83	9.00	7.78	7.48
Medium To Long Duration Funds	14.83	1.65	-7.83	2.58	9.67	9.03	7.34	8.35	7.47	7.56
Long Duration Funds	85.20	-6.68	-26.44	-5.58	3.87	6.88	5.38	7.24	7.99	9.16
Dynamic Bond Funds	15.10	-0.56	-11.21	1.45	9.01	8.85	7.20	8.33	7.77	7.62
Credit Risk Funds	-5.09	5.03	5.11	12.90	14.27	13.92	11.67	11.13	9.43	8.67
Gilt Funds / Gilt Funds with 10 year constant duration	34.97	-1.80	-17.59	-1.33	7.32	8.55	6.83	8.23	7.84	7.86
Conservative Hybrid Funds	87.50	11.05	2.66	10.27	14.87	7.71	4.62	7.51	10.26	10.46
Index Funds	-0.93	5.66	4.65	8.11	11.93	10.02	8.90	9.33	8.14	7.98
Arbitrage Funds	19.66	4.38	7.97	5.64	6.86	6.65	6.71	6.78	7.22	6.65

* 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	-9.83	10.06	9.81	9.32	8.27	8.32
Dynamic Bond Fund	-16.36	7.63	8.01	7.85	7.91	7.75
Gilt Funds & Gilt Funds with 10 year constant duration	-23.07	5.52	7.56	7.59	8.10	7.99
Short Duration / Medium Duration	4.04	12.34	10.12	9.27	8.11	7.71
Banking and PSU Funds	0.59	12.39	9.79	9.09	8.03	7.60
Corporate Bond Funds	1.35	12.52	10.19	9.52	8.40	8.07
Ultra Short Duration Funds /Low Duration / Floater Funds	7.42	9.61	8.44	8.03	7.65	7.33
Money Market Funds	8.13	9.88	8.67	8.16	7.82	7.49
Liquid Funds & Overnight Funds	6.54	7.22	7.16	7.21	7.23	6.95
Arbitrage Funds	8.17	7.21	6.96	7.08	7.53	6.98

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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