

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.91% & Nifty 50 ending higher by 1.02% WoW respectively. The BSE Midcap index ended higher by 2.13% and the BSE Small cap index ended higher by 1.96%.
- On the BSE sectoral front, mostly indices ended on a positive note. Realty, Metal, and Auto were the biggest outperformers.
- Domestic equity markets ended the week on a positive note after the RBI delivered a larger-than-expected rate cut. Support also came from easing global trade concerns from the United States (US)-China, steady foreign inflows and improved domestic cues.

**Global Market Updates**

- US equity markets ended the week on a positive note mainly over potential trade negotiations between the US and China and upbeat US job openings for April 2025. Furthermore, strong earnings and easing inflation concerns led to additional gains. However, a sharp decline in Tesla shares and a decline capped the gains.
- European equity markets ended on a positive note mainly due to gains in Airbus shares, automobile shares and industrial metal miners. Moreover, hawkish comments from the European Central Bank's President outweighed the impact of an anticipated rate cut.
- Brent oil prices rose from USD 63.93 per barrel to USD 66.5 driven by ongoing geopolitical tensions which intensified concerns over supply and hopes over demand following reports that the US and China agreed to more trade talks.

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

- As per data from the Finance Ministry, receipts of Goods and Services Tax (GST) after adjusting for refunds grew 20.4% YoY to Rs 1.73 trillion in May 2025.
- As per data from S&P Global, India's manufacturing sector experienced a slight slowdown, with the HSBC India Manufacturing Purchasing Managers' Index (PMI) dipping to 57.6 in May 2025 from 58.2 in April 2025.
- As per data from S&P Global, India's services sector maintained its growth, helped by strong export demand and record hiring. The HSBC India Services Purchasing Managers' Index (PMI) stood at 58.8 in May 2025, marginally up from 58.7 in April 2025.
- As per ship-tracking data from Kpler, India's imports of Russian crude oil surged to a 10-month high of 1.96 mn barrels per day in May 2025, driven by continued availability at significant discounts compared to global prices. India, the world's third largest oil importer and consumer, imported ~5.1 mn barrels of crude oil in May 2025.
- In its latest outlook, OECD lowered its FY26 growth forecast for India by 10 bps to 6.3% YoY. OECD expects that the risk of increased trade tensions, including the imposition of higher US tariffs on Indian exports, could dampen external demand and harm export-oriented sectors such as textiles, chemicals, and pharmaceuticals.
- According to ICRA, the government has scope to increase the total Capital Expenditure (Capex) by Rs 800 bn given the buffers and upward revision in FY25 Nominal GDP number, which bodes well for the deficit and Debt-to-GDP targets for FY26. Capex for April 2025 surged 61% YoY to Rs 1.6 trillion, 14.3% of the FY26 Budget Estimates.
- 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.

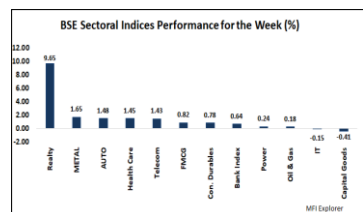
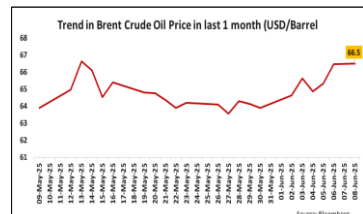
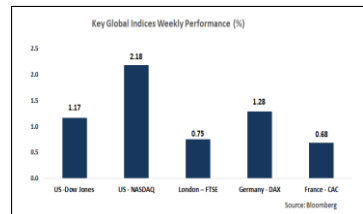
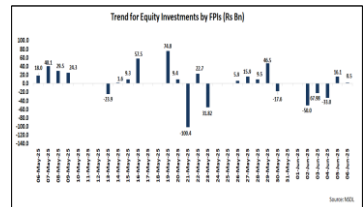
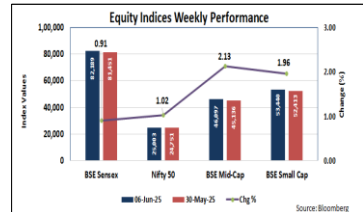
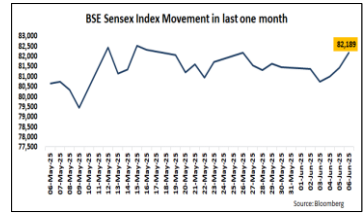
**Outlook**

Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, further negotiation on the 26% tariff imposed on India by the US, and strong liquidity support by the RBI. With improvement in liquidity and incremental money in the hands of the tax payers from the union budget, consumption and rate sensitive sectors is likely to improve. Lower oil prices have provided respite to the Indian economy by keeping the inflationary impulse low. 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. With inflation under target, RBI has room but the neutral stance suggests a pause, next moves will hinge on inflation and growth data.

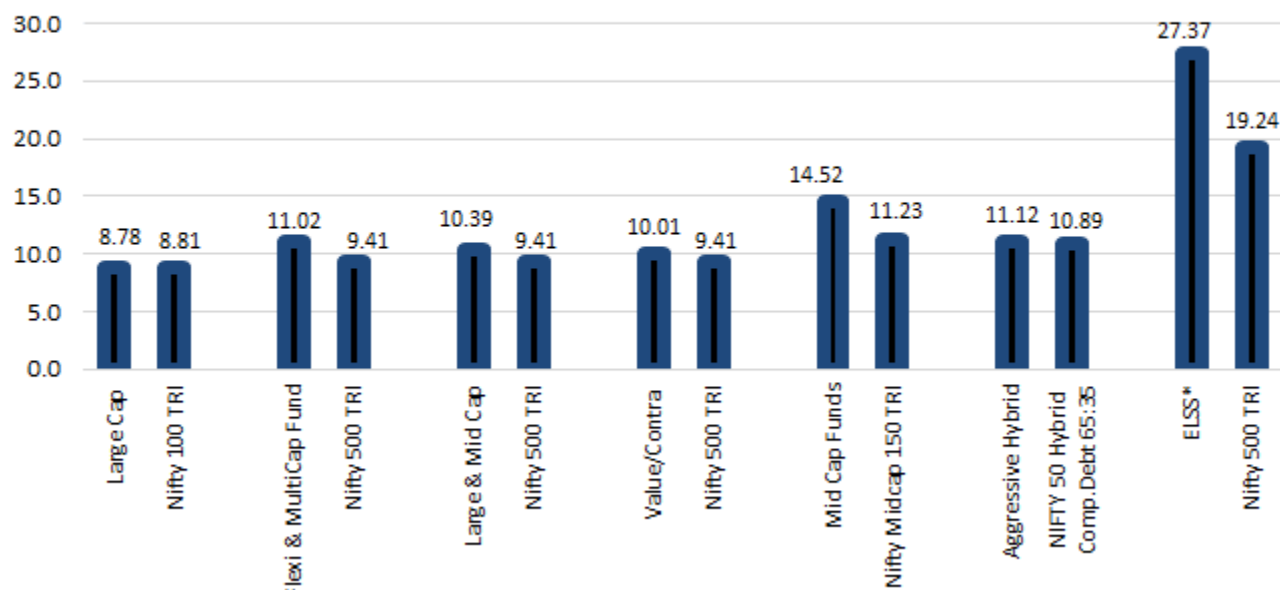
The Q4 FY25 earnings season has ended on a steady note. The corporate earnings did see quite a few positive earnings surprises coming through. Midcap stocks delivered relatively superior growth. In aggregate, the earnings performance was better than market expectations, given that expectations were quite weak.

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.

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 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.



### 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	3.53	-0.29	8.78	21.67	20.18	23.38
Flexi & MultiCap Fund	6.06	-2.05	11.02	27.31	25.28	28.11
Large & Mid Cap Funds	6.26	0.23	10.39	27.00	24.41	27.86
Mid Cap Funds	7.36	-5.38	14.52	32.25	31.45	34.99
Small Cap Funds	11.58	-7.69	6.87	25.41	26.42	35.81
Value/Contra Funds	5.15	-0.69	10.01	26.96	25.00	30.60
Focused Funds	3.64	0.79	10.89	25.49	23.14	26.87
Aggressive Hybrid Funds	3.77	0.54	11.12	20.60	18.60	22.57
Dynamic Asset Allocation Funds	3.48	2.65	10.05	18.04	16.95	19.38
Equity Linked Saving Schemes	7.72	-1.72	13.10	30.37	27.37	27.88
Infrastructure Oriented Funds	6.94	-1.86	6.93	30.20	27.38	34.74
Nifty 50 Index TRI	2.85	1.87	10.79	17.25	16.00	21.17
Nifty 500 TRI	5.71	-0.22	9.41	21.88	19.24	24.02
Nifty Infrastructure TRI	3.10	2.00	7.24	29.37	24.48	26.21

Note: Data as on June 6, 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>)

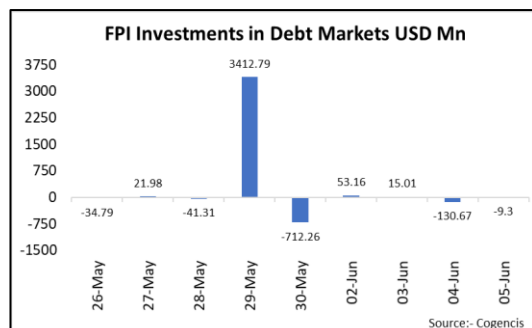
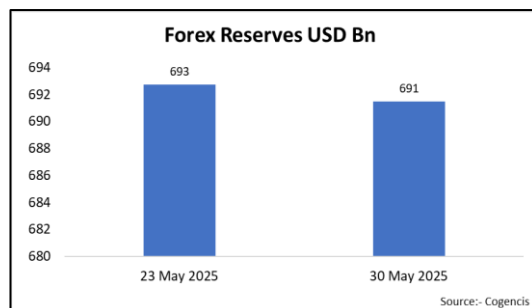
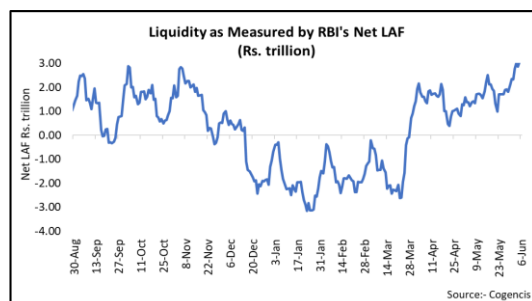
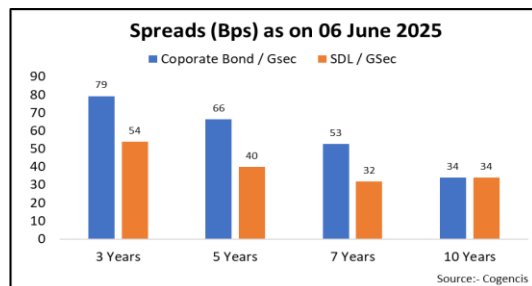
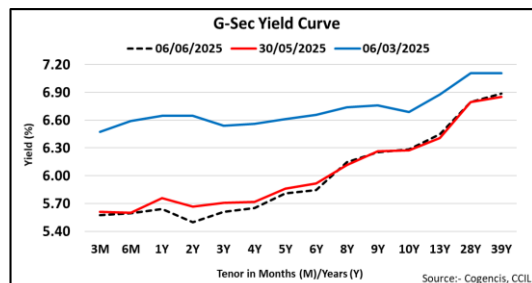
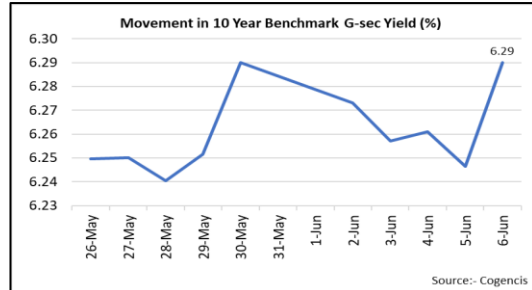
## Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 6 June 2025

- Domestic G-Sec prices closed the week ended 6<sup>th</sup> June 2025 on a neutral note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed flat at 6.29% as against its previous weekly close on 30<sup>th</sup> May 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment fell up to 35 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 14 bps on a WoW basis.
- Movement in G-sec yields :-**
  - Indian G-sec yields remained flat as the market initially positioned themselves basis expectations of a 25-bps rate cut from MPC on 6<sup>th</sup> June. However, despite higher quantum of rate easing, the change of stance by the central bank from 'accommodative' to 'neutral' and their commentary made market participants book profits which capped the gains it made initially.
  - The total G-sec supply for the week stood at Rs 601.77 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 14-40 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 281.77 bn, and the maturities were in the range of 4-37 years. The average cut off yield for the 10-year SDL was 6.64% as against 6.60% in the previous week. The G-secs' auction was for the following: 6.92% GS 2039 and 6.90% GS 2065.
  - 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 2.96 trillion during the week as against a daily average surplus of ~Rs 1.88 trillion during the previous week.
- Macro Data released during the week :-**
  - The Reserve Bank of India (RBI) cut the repo rate by 50 bps on June 6, 2025, a third consecutive reduction. They also changed the monetary policy stance to "neutral" from "accommodative" as muted inflation provided space for policymakers to focus on supporting economic growth.
  - The RBI decided to cut the Cash Reserve Ratio (CRR) by 1%, which will unlock Rs 2.5 trillion liquidity to the banking system. This will be carried out in 4 equal tranches of 25 bps each with effect from the fortnights beginning September 6, October 4, November 1 and November 29, 2025, bringing the CRR down to 3%.
  - The RBI retained its GDP growth forecast for FY26 at 6.5% YoY. The inflation projection was revised to 3.7% for FY26, down from its earlier forecast of 4%.
  - As per data from the RBI, India's forex reserves dropped by USD 1.24 bn to USD 691.49 bn during the week ended May 30, 2025. Foreign Currency Assets (FCA) fell by USD 1.95 bn to USD 584.22 bn.
- Other macro-economic news :-**
  - As per RBI data, the growth of bank deposits in India slowed down to 10.6% YoY in FY25 as compared to 13% YoY in FY24. Term deposits continued to make up the largest share of total deposits, accounting for 59.5% as of March 2025, slightly lower than the 60% recorded as of March 2024.
  - According to ICRA, the government has scope to increase the total Capital Expenditure (Capex) by Rs 800 bn given the buffers and upward revision in FY25 Nominal GDP number. Capex for April 2025 surged 61% YoY to Rs 1.6 trillion, 14.3% of the FY26 Budget Estimates.
  - In its latest outlook, OECD lowered its FY26 growth forecast for India by 10 bps to 6.3% YoY. OECD expects that the risk of increased trade tensions, including the imposition of higher US tariffs on Indian exports, could dampen external demand and harm export-oriented sectors.
- Global Updates :-**
  - According to the US Commerce Department, the size of US trade deficit decreased substantially, reflecting a sharp pullback by the value of the imports. The US trade deficit narrowed to USD 61.6 bn in April 2025 from a revised USD 138.3 bn in March 2025.
  - The European Central Bank (ECB) slashed its interest rates by 25 bps on June 5, 2025, in line with expectations. The Governing Council lowered the deposit facility rate to 2.0%. The refinancing rate was cut to 2.15% and the marginal lending rate to 2.40%.
  - As per data from Eurostat, Euro area inflation fell below 1.9% YoY in May 2025 from 2.2% YoY in April 2025, largely due to the slowdown in services inflation. Core inflation slowed to 2.3% YoY from 2.7% YoY.

### 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 3.16% YoY in April 2025 from 3.34% YoY in March 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 repo rate 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. Also, issues on the external front, in terms of rising trade deficit, geopolitics and risk related to US tariff wars continues to remain a key challenge for the RBI to negotiate with in the medium term.** In the US, the Fed continued highlighting considerable uncertainty surrounding evolution of trade policies. The ongoing negotiation around trade tariffs will remain a key monitorable for capital flows and market sentiments.

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 6 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	5.30	5.54	5.59	5.66	5.87	6.16	6.29	6.38	6.54	6.32
Liquid Funds	19.32	8.14	6.89	6.54	7.22	7.12	7.15	7.17	7.16	6.84
Floater Funds	63.74	13.73	12.18	11.88	13.91	10.16	9.53	9.58	8.49	7.87
Low Duration Funds	74.03	17.35	10.99	10.16	11.16	8.82	8.46	8.28	7.57	7.12
Money Market Funds	53.02	16.00	9.82	8.97	10.26	8.53	8.20	8.02	7.56	7.19
Ultra Short Duration Funds	45.52	13.36	8.72	7.85	8.88	7.71	7.55	7.45	7.11	6.74
Banking And PSU Funds	89.34	17.29	15.61	13.49	16.04	10.94	10.02	9.87	8.08	7.67
Corporate Bond Funds	77.87	16.44	15.24	13.93	16.29	11.18	10.33	10.17	8.30	7.83
Medium Duration Funds	40.86	12.86	13.12	12.64	15.20	11.18	10.39	10.27	8.22	8.34
Short Duration Funds	90.39	19.23	14.82	13.17	14.96	10.68	9.92	9.71	8.00	7.64
Medium To Long Duration Funds	-65.66	-6.69	6.34	9.81	15.46	10.42	9.31	9.67	7.75	7.91
Long Duration Funds	-287.09	-40.36	-7.32	4.05	15.60	9.36	8.55	9.77	8.39	9.76
Dynamic Bond Funds	-97.85	-9.76	5.11	9.43	16.33	10.50	9.45	9.90	8.18	7.99
Credit Risk Funds	51.42	14.07	13.24	16.13	19.52	14.38	12.45	11.75	9.57	8.74
Gilt Funds / Gilt Funds with 10 year constant duration	-194.62	-23.23	-0.11	7.55	16.09	10.42	9.38	9.97	8.29	8.33
Conservative Hybrid Funds	51.86	14.77	19.16	20.35	20.88	6.97	6.65	9.44	10.70	10.10
Index Funds	50.07	12.47	13.50	13.11	14.20	10.69	9.88	10.04	8.23	8.11
Arbitrage Funds	15.26	7.83	4.97	5.46	6.57	6.71	6.56	6.76	7.17	6.63

\* 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	5.81	16.84	11.37	10.65	8.53	8.72
Dynamic Bond Fund	1.32	16.17	9.79	9.83	8.37	8.15
Gilt Funds & Gilt Funds with 10 year constant duration	-5.05	16.17	9.66	9.86	8.68	8.55
Short Duration / Medium Duration	15.12	15.33	10.98	9.99	8.33	7.89
Banking and PSU Funds	15.21	16.80	11.08	10.14	8.36	7.84
Corporate Bond Funds	15.10	16.45	11.33	10.46	8.71	8.26
Ultra Short Duration Funds /Low Duration / Floater Funds	10.45	10.40	8.61	8.25	7.72	7.32
Money Market Funds	10.07	10.60	8.82	8.32	7.88	7.50
Liquid Funds & Overnight Funds	7.00	7.40	7.24	7.28	7.26	6.94
Arbitrage Funds	5.27	6.94	7.03	7.05	7.50	6.96

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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