HDFC Bank Research

Weekly Equity Market Updates for week ended March 14, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 0.68% & and Nifty 50 ending lower by 0.69% WoW respectively. The BSE Midcap index ended lower by 2.07% and the BSE Small cap index ended lower by 3.86%.
- On the BSE sectoral front, most of the indices ended on a negative note. IT, Consumer Durables and Realty underperformed the most.
- Domestic equity markets ended the week on a negative note as uncertainties surrounding global trade and the fear of a US recession continue to impact the domestic equity market, despite a softer domestic retail inflation print for Feb 2025. However, losses were limited, with optimism regarding the interest rate reduction by the US Federal Reserve.

Global Market Updates

- US equity markets ended the week on a negative note following uncertainty surrounding the tariff decisions of the US President, concerns regarding a potential recession in the world's largest economy, and a pessimistic outlook for global economic growth.
- European markets ended on a negative note as increasing economic uncertainty and concerns regarding tariffs contributed to negative sentiment. Further, market sentiment was hit amid worries regarding economic growth in the US and other significant markets.
- Brent oil prices rose from USD 70.36 per barrel to USD 70.58 as the US government data revealed a sharper than expected decline in oil and fuel inventories following its sanctioned threats on Russia.

Macro Data & Domestic News Released During the Week

- According to Moody's Ratings, India's economic growth will exceed 6.5% YoY in FY26, up from 6.3% YoY in FY25, on higher government capex and consumption boost from tax cuts and interest rate reduction.
- The RBI has said with the normalisation of post-pandemic pent-up demand conditions, the growth in net sales of select FDI companies moderated to 9.3% YoY during FY24 from the high of 20.3% YoY in FY23. The data relates to the financial performance of non-government non-financial FDI companies in India.
- As per data from MoSPI, India's industrial output, measured by the Index of Industrial Production (IIP) grew by 5.0% YoY in January 2025, from 3.5% YoY in December 2024.
- As per the Coal Ministry, India's coal import dropped by 8.4% YoY to 183.42 mn tonnes (MT) in the April-December FY25 period, resulting in foreign exchange savings of around Rs 423.15 bn (~USD 5.43 bn). The country's coal import was 200.19 MT in the corresponding period of FY24.
- As per data from the Solvent Extractors' Association of India (SEA), India's palm oil imports in February 2025 rose 35.7% MoM to 373,549 metric tonnes. India, the world's biggest buyer of vegetable oils, imported an average of more than 750,000 tonnes of palm oil every month in the marketing year that ended in October 2024.
- Global Rating agency Moody’s said the asset quality of Indian banks may deteriorate moderately up to 3.0% in the next 12-18 months after substantial improvements. However, they kept the outlook for the banking system “stable”.
- According to Icra, India’s IT services industry is expected to witness moderate revenue growth of 4-6% YoY in FY26. Their projections are based on a sample set of companies that account for approximately 60% of the industry’s revenue.
- According to a study by Bain & Company, India is poised to become a global AI talent hub, but a looming skill gap threatens to hinder its progress. India's AI sector could surpass 2.3 mn job openings by 2027 while the AI talent pool is expected to grow to around 1.2 mn, presenting an opportunity to reskill more than 1 mn workers.
- According to an ACMA-BCG report, automotive component companies see a new opportunity to increase their exports manifold if India signs a bilateral agreement with the US, even after tweaking tariffs in this sector, as tariffs on other US trade partners rise. Indian auto component exports could hit USD 100 bn, nearly a fivefold increase from USD 21 bn currently.

Outlook

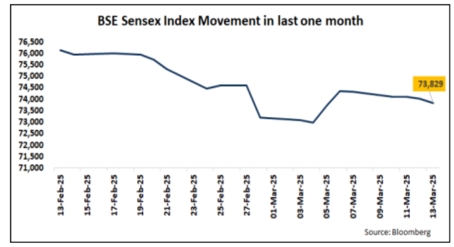
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, tariff deals between India and the US, further support by the RBI. With improvement in liquidity and incremental money in the hands of the tax payers from the union budget, consumption and rate sensitive sectors could see traction.

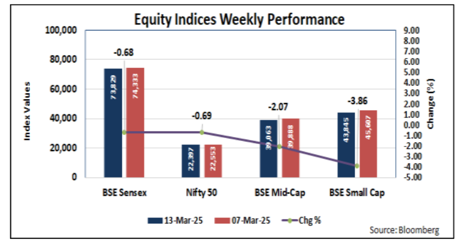
In US, the Trump Administration has levied tariffs on Canada, Mexico and China and in return Canada and Mexico too have announced tariffs on US products. This can lead to worsening of global trade dynamics. Trump is expected to raise tariffs on more countries and thus have impact on both, the US and other economies. Reciprocal tariff announcements have also created uncertainty, although Trump has given time till April. Further negotiations can dictate the trajectory in which markets move.

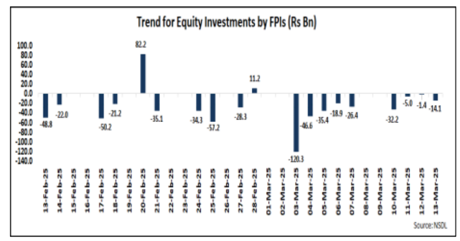
Overall, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. With fiscal consolidation remaining on track, some heavy lifting is now expected from the RBI in terms of sharply improving the liquidity in the system and moving towards a longer policy rate cut cycle. That would add to the cheer in the equity markets. Certain Marco data points released last week like GST collections, E way bills indicate positive impulses, however vehicles sales deceleration suggest a further drag on consumption.

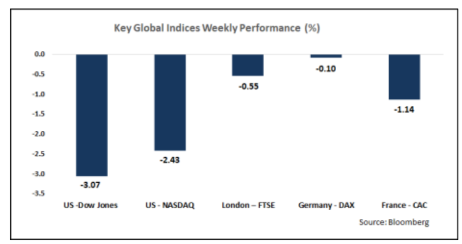
The Q4 FY25 earnings would now be in focus after continued earnings downgrades in most of the key indices post Q3 FY25 corporate earnings.

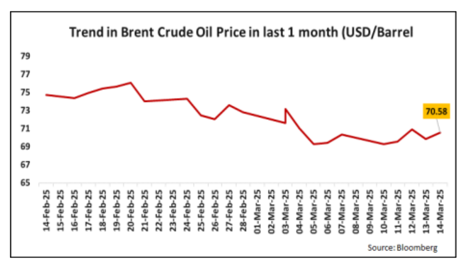
With the recent correction, valuations in most segments of the market have corrected, while earnings estimates having seen further cuts. This could keep the market volatile in the near term. Sharp decline in the market could provide investment opportunities from a 2–3-year perspective. In terms of deployment strategy, we continue to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months. From an Equity Mutual Fund perspective, investors could look at investing in Diversified funds, Hybrid equity funds, Business cycle funds and doing SIPs in Smallcap/Midcap funds in line with their risk profile and product suitability from a 2-3 years’ time horizon.

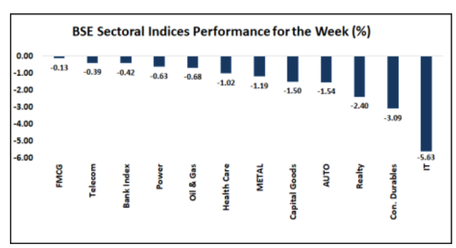


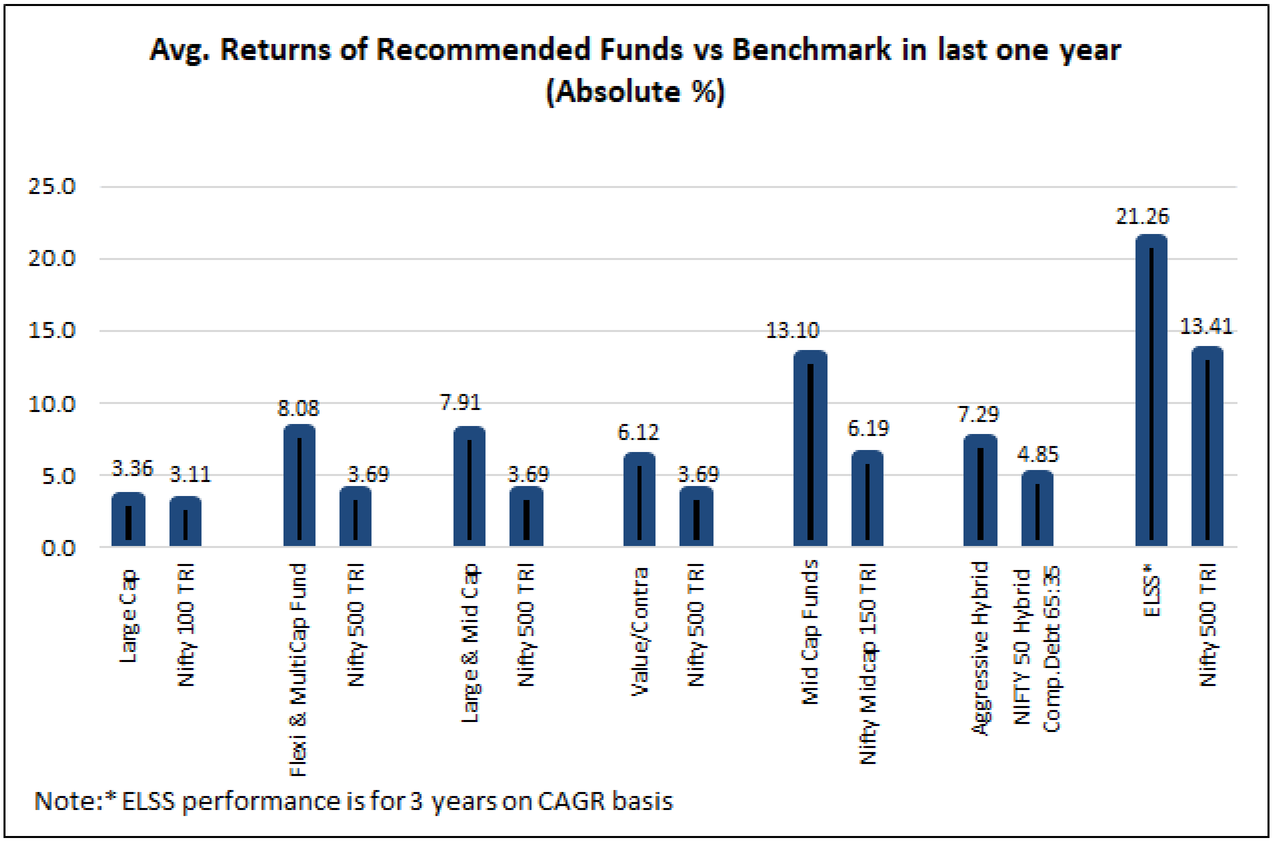












Returns Absolute %			Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	-2.85	-12.83	3.36	20.12	15.89	20.93
Flexi & MultiCap Fund	-3.96	-15.66	8.08	25.01	19.99	23.78
Large & Mid Cap Funds	-3.48	-15.52	7.91	23.93	18.86	24.16
Mid Cap Funds	-4.91	-16.48	13.10	30.36	25.13	28.33
Small Cap Funds	-5.43	-22.42	7.45	22.50	18.98	29.80
Value/Contra Funds	-3.60	-14.08	6.12	23.65	19.57	28.33
Focused Funds	-3.14	-12.85	7.88	23.14	18.60	25.00
Aggressive Hybrid Funds	-2.78	-10.17	7.29	18.53	14.53	20.39
Dynamic Asset Allocation Funds	-1.55	-6.37	6.17	16.20	13.51	17.89
Equity Linked Saving Schemes	-4.09	-15.54	9.22	27.11	21.26	23.95
Infrastructure Oriented Funds	-2.43	-16.15	6.53	27.04	22.22	28.91
Nifty 50 Index TRI	**-2.75**	**-11.32**	**3.09**	**15.61**	**11.72**	**18.99**
Nifty 500 TRI	**-3.46**	**-15.40**	**3.69**	**19.26**	**13.41**	**21.07**
Nifty Infrastructure TRI	**-0.93**	**-14.66**	**1.10**	**26.19**	**19.27**	**25.92**

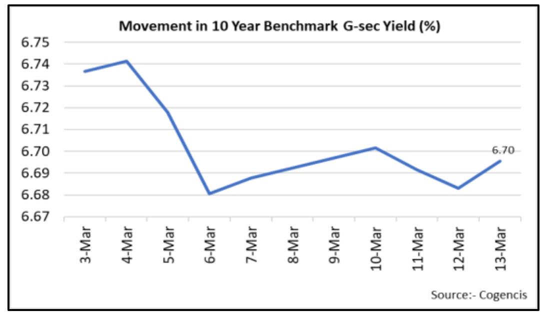
Note: Data as on March 13, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

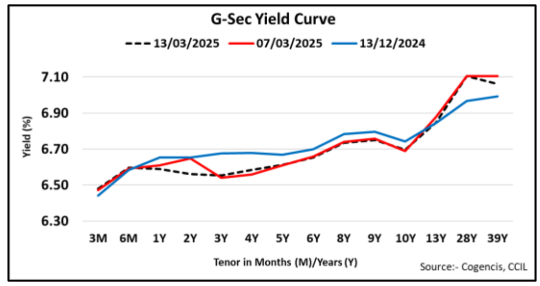
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 13 March 2025

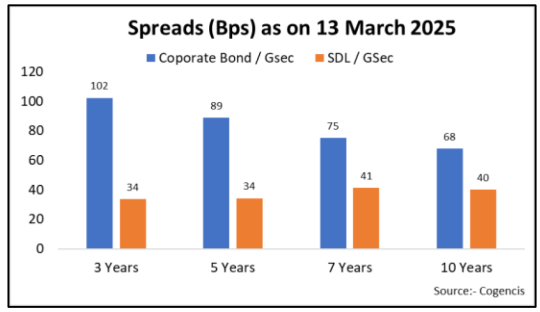
- Domestic G-Sec prices closed the week ended 13th March 2025 on a negative note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed higher by 1 bps at 6.70% as against 6.69% on 7th March 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 8 bp to 10 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 3 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields rose, driven by concerns over the inflationary effects of escalating trade tensions, which overshadowed the optimism stemming from the slower than expected US retail inflation data for February 2025. However, losses were limited following lower-than-expected domestic inflation print for February 2025, while the RBI's debt purchase eased some supply pressure.
  - The total SDL auction was to the tune of Rs 495.22 bn, and the maturities were in the range of 1-30 years. For the 10-year SDL, the average cut off yield came in higher at 7.23%, as against 7.22% in the previous week. There will be no further G-sec auction for the remainder of FY25.
  - Banking system liquidity deteriorated during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average deficit of ~Rs 1.36 trillion during the week as against a daily average deficit of ~Rs 648 bn during the previous week.
- **Macro Data released during the week :-**
  - As per data from MoSPI, India's retail inflation eased to a seven-month low of 3.61% YoY in February 2025, down from 4.31% YoY in January 2025, as food price pressures softened. Core inflation increased by 3.99% YoY in February 2025 as against 3.66% YoY in the previous month.
  - As per RBI data, credit growth continued to outpace deposit growth even as both have slowed. Outstanding bank deposits amounted to Rs 222 trillion as of February 21, 2025, up 10.3% YoY, while outstanding bank credit amounted to Rs 179.9 trillion, up 11% YoY over the same period.
  - As per the RBI, India's foreign exchange reserves increased by USD 15.27 bn to USD 653.97 bn as of March 7, 2025. Foreign currency assets (FCAs) increased by USD 13.93 bn to USD 557.28 bn.
- **Other macro-economic news :-**
  - According to Moody's Ratings, India's economic growth will exceed 6.5% YoY in FY26, up from 6.3% YoY in FY25, on higher government capex and consumption boost from tax cuts and interest rate reduction.
  - According to a report by Crisil, home-cooked meals became cheaper in February 2025. The price of a vegetarian thali declined by nearly 5% MoM to Rs 27.2 in February 2025, owing to a decline in the prices of onions, potatoes, and tomatoes. Similarly, the price of a non-vegetarian thali also declined by nearly 5% MoM to Rs 57.4 in February 2025 due to a drop in broiler prices.
  - The Union Finance Ministry sought Parliament's approval for Rs 6.78 trillion in additional spending for the FY25 through the 2nd batch of supplementary demands for grants. Of this, the net cash outgo amounts to Rs 514.63 bn, while the rest is being offset by savings and enhanced receipts across various ministries.
- **Global Updates :-**
  - As per data from the US Labor Department, consumer price growth in the US slowed to 2.8% YoY in February 2025 from 3.0% YoY in January 2025. Economists had expected it to edge down to 2.9% YoY. Core consumer price growth also slowed to 3.1% YoY in February 2025 from 3.3% YoY in January 2025. It was expected to dip to 3.2% YoY.
  - According to the US Labor Department, Initial claims for state unemployment benefits slipped 2,000 to a seasonally adjusted 220,000 for the week ended March 8.
  - According to Eurostat, the Euro area economy grew at a faster than initially estimated pace, driven by consumption and investment. Eurozone economic growth for Q4 CY24 was revised up to 1.2% YoY from 0.9% YoY. The rate was faster than the 1.0% YoY growth in Q3 CY24.
  - As per data from the Chinese customs office, China's exports grew at a slower pace of 2.3% YoY, following a 10.7% YoY rise in December 2024. Imports declined 8.4% YoY, in contrast to the 1.0% YoY increase registered in December 2024.
- **Outlook :-**

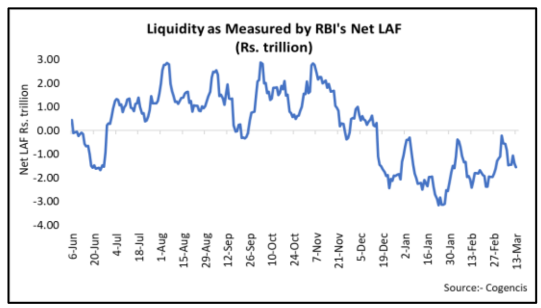
The liquidity condition as measured by RBI's net LAF continued to be in deficit and deteriorated during the week despite the host of measures taken by RBI. Retail inflation in India eased as the Consumer Price Index (CPI) fell to a seven-month low of 3.61% YoY in February 2025 from 4.31% YoY in January 2025 and below the market expectations of 3.98% YoY. The easing came on the back of further deceleration of prices of Food. Food inflation in February 2025 was the lowest since May 2023. **Issues on the external front, in terms of rising trade deficit, geopolitics and risk emanating from US tariff wars remain a key challenge for the RBI to negotiate with in the medium term and can have implication on the depth of the ongoing policy rate cut cycle.** In the US, the Fed had kept policy rates unchanged, reiterating a "careful approach" in considering additional adjustments to the monetary policy stance. Going forward, tariff negotiations with the US would be a key factor for Indian market sentiments. Weather vagaries also need to be watched out for as there are predictions of rising temperature and early summer which may pose upside risk to food inflation.

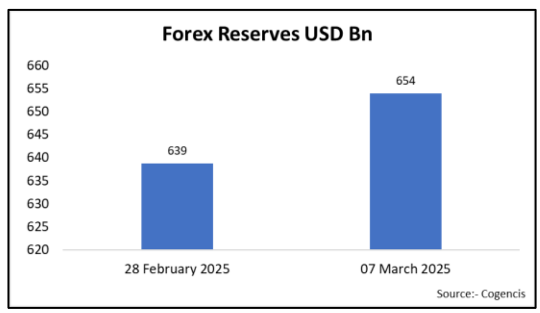
With the recent cut in policy rate, along with favorable demand-supply dynamics of Indian G-Secs, and favourable CPI inflation, we may see structurally lower interest rates over the long term. Post the latest inflation print & lower than expected Q3 FY25 growth data there's increased probability of policy rate cuts. This can bring about tactical opportunities in the Long Duration products. Improvement in liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end in the medium term. With this backdrop, the inverted corporate bond yield curve may normalize, making the case for investment into corporate bonds at the 1-4-years 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 can look at Dynamic Bond Funds. For a horizon of 3 months and above, investors can consider Arbitrage Funds or 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.

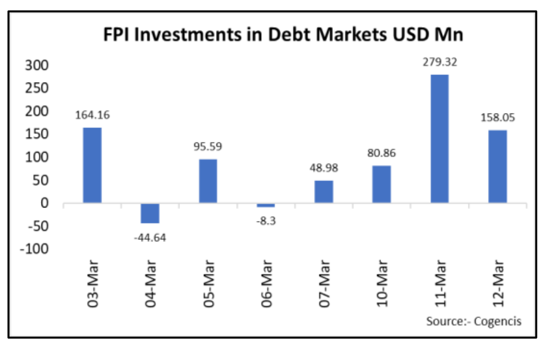












Category Average Returns as on 13 March 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	6.15	6.03	6.06	6.21	6.33	6.39	6.45	6.54	6.61	6.14
Liquid Funds	6.88	6.15	6.47	6.83	6.88	6.95	7.00	7.16	7.13	6.54
Floater Funds	8.89	8.77	6.11	7.52	6.43	6.99	7.81	7.86	7.80	6.82
Low Duration Funds	6.50	6.35	5.96	6.78	6.45	6.85	7.06	7.18	7.16	6.32
Money Market Funds	9.04	7.14	6.36	6.88	6.77	6.98	7.07	7.22	7.25	6.54
Ultra Short Duration Funds	6.64	6.46	6.09	6.59	6.50	6.73	6.79	6.95	6.91	6.21
Banking And PSU Funds	9.96	7.07	4.82	7.14	5.69	6.55	7.38	7.24	7.34	6.17
Corporate Bond Funds	6.71	6.33	5.40	7.51	5.79	6.77	7.66	7.52	7.49	6.21
Medium Duration Funds	10.14	8.94	6.71	9.70	6.95	7.35	8.14	7.89	7.73	6.65
Short Duration Funds	7.99	6.67	5.93	7.83	6.22	6.87	7.56	7.42	7.29	6.36
Medium To Long Duration Funds	12.92	12.97	6.78	9.26	5.16	5.63	7.40	7.25	7.51	6.27
Long Duration Funds	46.02	37.21	9.99	11.55	3.98	4.92	7.82	7.81	9.10	7.23
Dynamic Bond Funds	21.93	18.60	7.34	9.69	4.67	5.44	7.47	7.32	7.73	6.44
Credit Risk Funds	15.77	42.46	20.34	15.73	11.56	9.66	9.43	8.99	8.76	9.63
Gilt Funds / Gilt Funds with 10 year constant duration	21.88	22.96	8.73	10.99	4.89	5.52	7.74	7.65	8.08	6.60
Conservative Hybrid Funds	-17.48	-5.73	-4.84	-1.13	-8.04	-2.03	3.76	7.01	10.04	8.25
Index Funds	5.71	6.24	7.08	8.78	6.69	7.01	8.05	7.93	7.96	6.08
Arbitrage Funds	33.80	8.37	6.93	6.69	6.95	6.60	6.69	7.05	7.19	6.33

* 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	8.42	6.30	6.74	8.00	8.30	6.65
Dynamic Bond Fund	6.88	3.63	4.79	7.37	8.27	6.61
Gilt Funds & Gilt Funds with 10 year constant duration	9.77	3.58	4.81	7.75	8.61	6.91
Short Duration / Medium Duration	5.88	6.36	7.04	7.69	7.63	6.40
Banking and PSU Funds	4.12	5.19	6.44	7.34	7.49	6.31
Corporate Bond Funds	5.12	5.91	7.01	7.86	7.92	6.72
Ultra Short Duration Funds /Low Duration / Floater Funds	6.25	6.76	7.10	7.43	7.42	6.65
Money Market Funds	6.55	7.00	7.23	7.53	7.58	6.87
Liquid Funds & Overnight Funds	6.53	6.96	7.03	7.25	7.22	6.63
Arbitrage Funds	6.97	7.15	6.85	7.36	7.51	6.69

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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