

## Domestic Equity Market Update

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 4.17% and Nifty 50 ending higher by 4.26% WoW respectively. The BSE Midcap index ended higher by 7.09% and the BSE Small cap index ended higher by 7.87%.
- On the BSE sectoral front, most of the indices ended on a positive note. Realty, Health Care and Capital Goods outperformed the most.
- Domestic equity markets ended the week on a positive note with a broad-based buying across sectors following better than expected retail sales data in the US and China for February 2025. Gains were extended after the US Federal Reserve, in its Mar 2025 monetary policy meeting, maintained the interest rate and signalled the possibility of two rate cuts by the end of 2025. Moreover, the rupee's rebound from its recent record lows, coupled with inflows of FPIs, further supported the gains.

## Global Market Updates

- US equity markets ended the week on a positive note following the US Fed's monetary policy announcement. The US Fed announced its widely anticipated decision to keep interest rates unchanged, but projections indicate that the central bank is still likely to lower rates later in 2025. Additionally, the market gained momentum following the Commerce Department's report on US retail sales for February 2025.
- European markets ended on a positive note on optimism about the country's fiscal reset plan. Additionally, the market gained after Germany's Governmental Body approved a crucial fiscal package with majority votes.
- Brent oil prices rose from USD 70.58 per barrel to USD 71.61 as ongoing uncertainty regarding economic growth stemming from US tariffs imposed on several key trading partners and the potential for additional tariffs. Fresh sanctions imposed by US on Iran also supported the rally.

## Macro Data & Domestic News Released During the Week

- The OECD has revised India's economic growth forecast downwards for FY26 to 6.4% from 6.9% projected in its December 2024 outlook, amid rising global uncertainty. For FY25, OECD has pegged the growth at 6.3%. For FY27, the OECD has lowered the growth estimate to 6.6%, from the earlier 6.8%.
- In its March Global Economic Outlook report, Fitch Ratings kept India's GDP growth forecast for FY26 unchanged at 6.5% YoY and revised upwards its FY27 growth projection by 10 bps to 6.3%. It noted that while more aggressive-than-expected US trade policies pose a risk to its forecast, India is somewhat insulated due to its low reliance on external demand.
- According to S&P Global Ratings, India's limited exposure to US tariffs mitigates direct risks, but potential trade redirection could affect its steel and chemicals sectors. India's exports to the US constitute 2.3% of its GDP.
- According to Crisil Ratings, India's FMCG sector is expected to witness a mild revenue rebound of 100 to 200 bps to 6-8% YoY in FY26 on the back of a gradual recovery in urban and steady rural demand. In FY25, the sector is expected to have a modest 5-6% YoY revenue growth as volume rises 4-6% YoY.
- As per data from industry body SIAM, domestic passenger vehicle dispatches from factories to company dealers rose 1.9% YoY to 3,77,689 units in February 2025 amid slowing demand. The total passenger vehicle wholesales stood at 3,70,786 units in February 2024.
- According to the India Cellular & Electronics Association, mobile phone exports from India crossed a whopping Rs 1.75 trillion (USD 21 bn) in the first 11 months of FY25, 54% YoY higher. The figure is also higher than the projection of USD 20 bn by the Minister for Electronics and Information Technology.
- As per RBI data, the net FDI in India declined to USD 1.4 bn during April-January FY25 from USD 11.5 bn a year ago, owing to higher repatriation and outward FDI from India. However, gross FDI remained elevated, with a 12.4% YoY growth to USD 67.7 bn for the same period from USD 60.2 bn a year ago.
- As per EPFO data, In January 2025, the number of new subscribers decreased by nearly 3% MoM to 823,000 from 846,734 in December 2024.

## Outlook

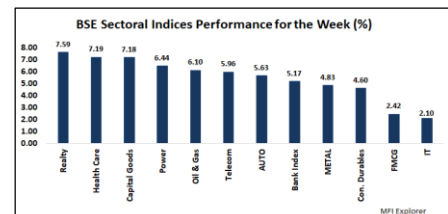
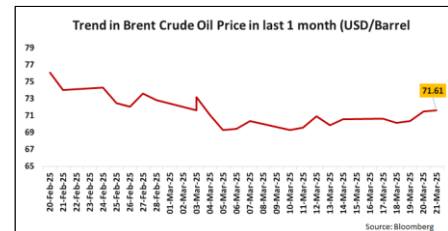
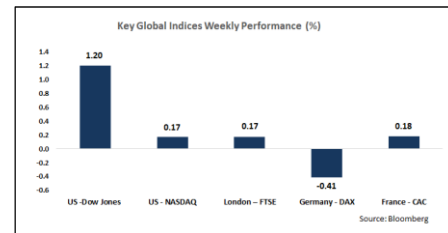
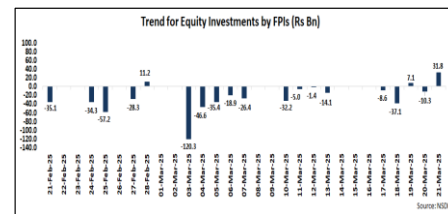
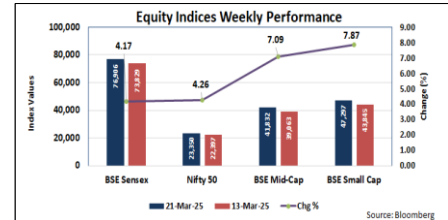
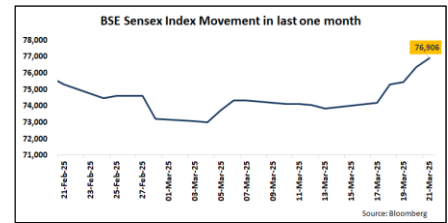
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, tariff deals between India and the US, further support by the RBI. With improvement in liquidity and incremental money in the hands of the tax payers from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

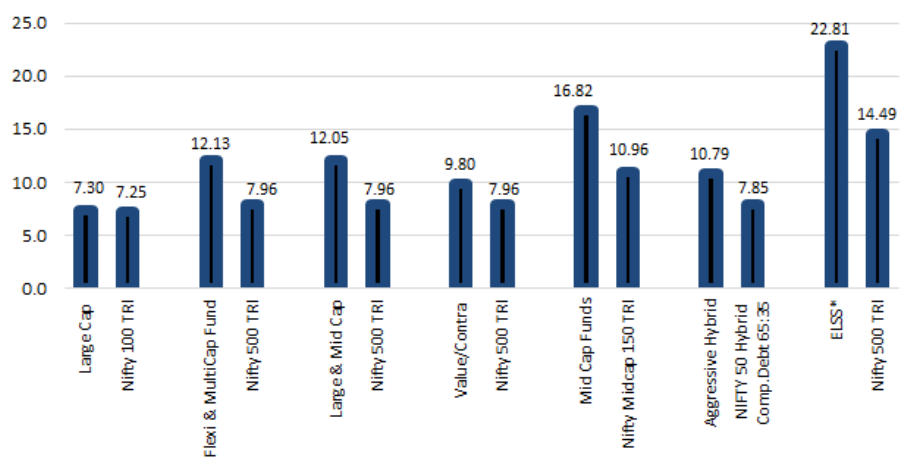
Overall, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. With fiscal consolidation remaining on track, some heavy lifting is now expected from the RBI in terms of sharply improving the liquidity in the system and moving towards a longer policy rate cut cycle. That would add to the cheer in the equity markets. Certain Macro 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.**



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



Note:\* ELSS performance is for 3 years on CAGR basis

Category Average of Recommended Funds	Returns Absolute %		Returns Compounded Annualised %			
	1 Month	6 Months	1 Year	2 Years	3 Years	5 Years
Large Cap Funds	2.57	-10.14	7.30	22.87	16.67	24.93
Flexi & MultiCap Fund	2.70	-11.64	12.13	28.92	21.13	28.55
Large & Mid Cap Funds	2.95	-11.00	12.05	27.63	20.00	29.00
Mid Cap Funds	1.21	-12.24	16.82	34.42	26.56	33.42
Small Cap Funds	2.86	-17.08	10.27	26.87	20.61	35.78
Value/Contra Funds	2.41	-10.33	9.80	26.92	20.78	32.70
Focused Funds	2.49	-9.95	11.76	26.18	19.43	29.15
Aggressive Hybrid Funds	2.22	-7.36	10.79	21.11	15.32	23.90
Dynamic Asset Allocation Funds	1.97	-3.89	8.68	18.07	14.22	20.52
Equity Linked Saving Schemes	3.00	-11.56	13.90	30.76	22.81	28.83
Infrastructure Oriented Funds	3.71	-12.30	9.53	30.63	23.61	34.48
<b>Nifty 50 Index TRI</b>	<b>2.44</b>	<b>-9.10</b>	<b>7.40</b>	<b>18.20</b>	<b>12.22</b>	<b>23.10</b>
<b>Nifty 500 TRI</b>	<b>2.83</b>	<b>-11.78</b>	<b>7.96</b>	<b>22.64</b>	<b>14.49</b>	<b>25.57</b>
<b>Nifty Infrastructure TRI</b>	<b>4.72</b>	<b>-11.02</b>	<b>4.48</b>	<b>29.28</b>	<b>21.17</b>	<b>30.06</b>

Note: Data as on March 21, 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 21 March 2025

- Domestic G-Sec prices closed the week ended 21<sup>st</sup> March 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 8 bps at 6.62% as against 6.70% on 13<sup>th</sup> March 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment declined up to 22 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 8 bps on a WoW basis.

## ● Movement in G-sec yields :-

- Indian G-sec yields fell after the US Fed decided to maintain current interest rates in its March 2025 monetary policy meeting and signaled the possibility of two quarter-point rate reductions later this year. Gains were extended due to increased demand for domestic bonds, as concerns over rupee depreciation have diminished. Furthermore, the sentiment remained buoyant as expectations for another rate cut by the RBI in April 2025 continued to rise.
- The total SDL auction was to the tune of Rs 526.20 bn, and the maturities were in the range of 3-30 years. For the 10-year SDL, the average cut off yield came in lower at 7.15%, as against 7.23% 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 2.27 trillion during the week as against a daily average deficit of -Rs 1.36 trillion during the previous week.

## ● Macro Data released during the week :-

- As per data from the Ministry of Commerce and Industry, India's wholesale price index (WPI)-based inflation in February 2025 rose to 2.38% YoY, primarily due to an increase in fuel and power prices along with higher costs in the manufacturing sector. This is higher than the WPI rate in January which stood at 2.31% YoY.
- As per RBI data, banking credit in the economy grew by 11.1% YoY in the fortnight ended March 7, 2025, while deposits grew at 10.2% YoY during the same period. Outstanding deposits stood at Rs 181.28 trillion, while outstanding credit reached Rs 225.10 trillion.
- As per data from the Ministry of Commerce and Industry, India's merchandise trade deficit for March 2025 was USD 14.05 bn, compared with economists' forecast of USD 21.65 bn. Merchandise exports stood at USD 36.91 bn in February 2025 against USD 36.43 bn in January 2025, while imports were lower at USD 50.96 bn compared with USD 59.42 bn over the same period.
- As per RBI data, India's forex reserves increased by USD 305 mn to USD 654.27 bn in the week ending March 14, 2025. Foreign currency assets (FCAs) were down by USD 96 mn to USD 557.19 bn.

## ● Other macro-economic news :-

- As per data compiled by Bloomberg, global funds are set to boost their holdings of Indian bonds in March 2025 on bets of further interest-rate cuts by the RBI, even as they exit local equities. Foreigners bought USD 1.8 bn of Rupee bonds in March 2025 so far, higher than any monthly total since September 2024.
- As per data from the Income-Tax Department, net direct tax collections rose by 13.13% YoY to Rs 21.3 trillion as of March 16 of FY25, boosted by a jump in advance tax collections. Non-corporate tax surged 17.5% YoY to Rs 11.01 trillion. Corporate tax grew at a slower pace of 7.1% YoY to Rs 9.69 trillion.
- As per data from RBI's monthly bulletin, RBI's outstanding net short position in the forward book rose to USD 77.5 bn by the end of January 2025, against USD 67.9 bn in December 2024. In the spot market, the RBI net sold USD 11.1 bn in January 2025, after a net sale of USD 15.1 bn in December 2024.

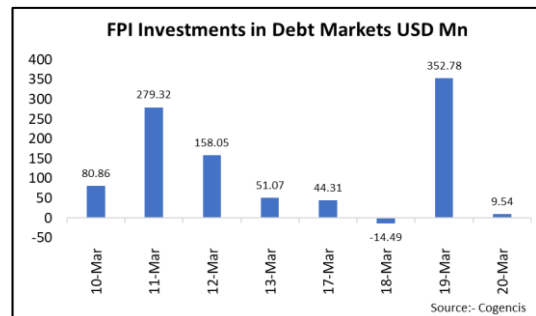
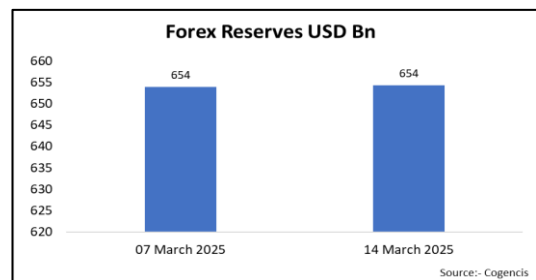
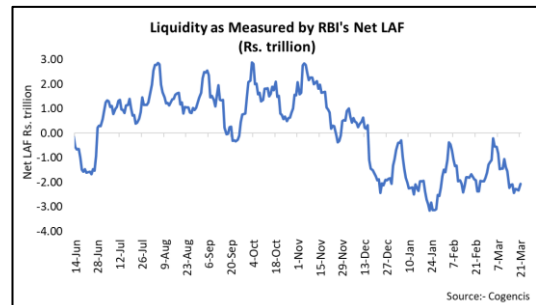
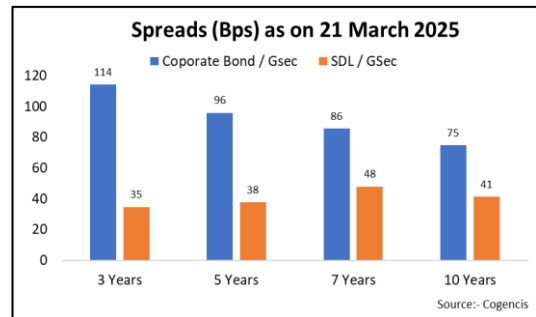
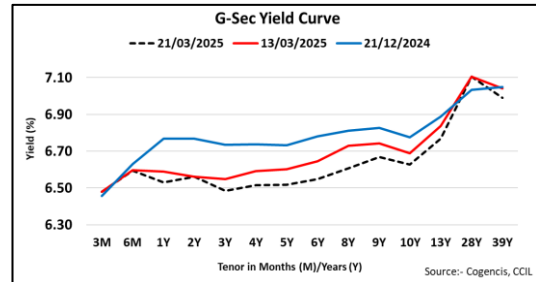
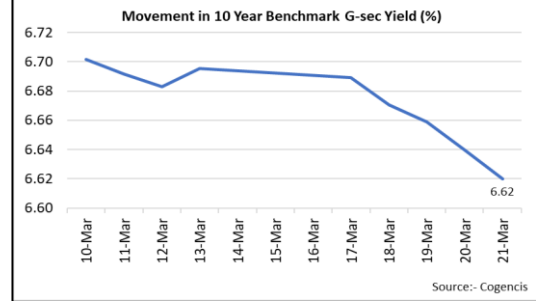
## ● Global Updates :-

- The US Federal Reserve announced its decision to once again leave interest rates unchanged, as expected, but projections signalled that the central bank is still likely to lower rates later this year. The Fed decided to maintain 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 the rate of 2% over the longer run.
- As per data from Eurostat, the Eurozone inflation decelerated to a three-month low, as the harmonized index of consumer prices rose 2.3% YoY in February 2025 as against a revised 2.5% YoY increase in January 2025. Core inflation slowed marginally to 2.6% YoY from 2.7% YoY in the previous month.
- The People's Bank of China kept its one-year loan prime rate unchanged for the fifth straight month at 3.10%. Likewise, the five-year LPR, the benchmark for mortgage rates, was retained at 3.60%.

## ● Outlook :-

The liquidity condition as measured by RBI's net LAF continued to be in deficit and deteriorated further 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 was 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 in the 4.25-4.50% range, and highlighted increased uncertainty around the outlook. 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 21 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	6.17	6.18	6.08	6.19	6.31	6.38	6.44	6.54	6.61	6.16
Liquid Funds	9.03	6.99	6.57	6.82	6.91	6.95	7.01	7.17	7.12	6.56
Floater Funds	20.96	16.30	9.31	8.03	7.65	7.29	7.97	8.11	7.91	6.88
Low Duration Funds	19.01	11.07	7.31	7.13	6.98	7.00	7.17	7.29	7.20	6.36
Money Market Funds	23.51	10.97	7.63	7.36	7.18	7.15	7.19	7.31	7.29	6.59
Ultra Short Duration Funds	15.38	8.90	6.83	6.84	6.74	6.81	6.85	7.00	6.93	6.25
Banking And PSU Funds	30.92	19.77	9.00	7.75	7.47	6.85	7.73	7.59	7.44	6.25
Corporate Bond Funds	31.69	20.06	9.47	8.15	7.68	7.10	7.99	7.87	7.61	6.28
Medium Duration Funds	26.77	19.09	10.48	9.65	8.85	7.68	8.45	8.22	7.83	6.70
Short Duration Funds	28.10	17.17	9.25	8.10	7.71	7.17	7.84	7.71	7.37	6.42
Medium To Long Duration Funds	21.52	26.80	13.74	9.03	8.32	6.24	7.79	7.86	7.71	6.36
Long Duration Funds	-16.05	38.79	23.00	11.13	9.54	5.94	7.98	8.81	9.16	7.40
Dynamic Bond Funds	8.03	29.27	15.67	9.33	8.50	6.16	7.82	7.98	7.93	6.58
Credit Risk Funds	20.89	17.83	22.56	16.37	13.17	10.05	9.75	9.27	8.87	9.70
Gilt Funds / Gilt Funds with 10 year constant duration	1.35	33.42	18.75	10.44	9.41	6.37	8.19	8.40	8.35	6.75
Conservative Hybrid Funds	105.71	66.55	17.05	5.42	1.54	0.01	5.26	8.27	10.78	8.52
Index Funds	26.10	15.17	9.62	8.39	8.02	7.19	8.19	8.22	7.99	6.11
Arbitrage Funds	2.59	2.93	5.60	6.41	6.35	6.46	6.55	7.03	7.24	6.36

\* 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	16.12	9.43	7.31	8.72	8.52	6.76
Dynamic Bond Fund	16.60	8.17	5.53	8.08	8.48	6.76
Gilt Funds & Gilt Funds with 10 year constant duration	22.10	9.30	5.89	8.61	8.89	7.10
Short Duration / Medium Duration	9.24	7.89	7.34	7.97	7.72	6.45
Banking and PSU Funds	8.98	7.20	6.72	7.75	7.62	6.41
Corporate Bond Funds	9.23	7.80	7.29	8.22	8.04	6.79
Ultra Short Duration Funds /Low Duration / Floater Funds	7.22	7.19	7.22	7.50	7.45	6.68
Money Market Funds	7.90	7.44	7.42	7.62	7.62	6.91
Liquid Funds & Overnight Funds	6.66	7.00	7.03	7.26	7.22	6.65
Arbitrage Funds	5.77	6.54	6.78	7.36	7.56	6.72

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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