HDFC Bank Research

Weekly Equity Market Updates for week ended March 07, 2025

Domestic Equity Market Update

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 1.55% & and Nifty 50 ending higher by 1.93% WoW respectively. The BSE Midcap index ended higher by 3.36% and the BSE Small cap index ended higher by 5.86%.
- On the BSE sectoral front, Metals outperformed other indices. Bank Index, IT, and Consumer Durables delivered positive return though relatively lower when compared to other indices.
- Domestic equity markets bounced after a sharp selloff after liquidity boosting measures announced by the RBI and with reports emerging that the US President will "probably" announce a deal to reduce tariffs on Canada and Mexico. Optimism increased as German authorities decided to ease the nation's fiscal constraints, commonly referred to as the 'debt brake,' while China intensified its economic stimulus measures to protect its economy from unprecedented changes. Additionally, a drop in the US dollar index further extended the gains.

Global Market Updates

- US equity markets ended the week on a negative due to persistent worries regarding the economic repercussions of the new tariffs imposed by the US President on Canada, Mexico, and China. Negative sentiment was also elicited in response to a report from payroll processor ADP, which indicated that private sector job growth in February 2025 was significantly lower than anticipated.
- European markets ended on a positive note as investors responded to quarterly earnings reports and the European Central Bank's decision to lower interest rates. Additionally, the market rose after the US President's choice to postpone the enforcement of tariffs on cars imported from Canada and Mexico.
- Brent declined from USD 73.57 per barrel to USD 70.36 amid growth concerns and expectations of excess supply in the market. However, losses were limited as upbeat manufacturing data from China, the world's biggest crude importer, led to renewed optimism for fuel demand.

Macro Data & Domestic News Released During the Week

- According to data shared by MoSPI, India's real GDP growth for Q3 FY25 was 6.2% YoY. As a result, the government has revised its full-year real GDP growth projection for FY25 to 6.5% YoY from 6.4% YoY.
- According to official data, the output of eight key infrastructure sectors rose by 4.6% YoY in January 2025 against a 4.2% YoY expansion in January 2024.
- As per data from S&P Global, India's Manufacturing PMI fell to 56.3 in February 2025 from 57.7 in January 2025, marking the slowest expansion since December 2023.
- As per data from the World Bank Worldwide Bureaucracy Indicators, India spends 5.5% of its GDP on wages of workers in the public sector, as against 9.5% in the US and 9.8% globally.
- As per data compiled by S&P Global, India's services sector witnessed a strong rebound, with the HSBC India Services PMI rising to 59.0 in February 2025, up from 56.5 in January 2025, which had been its lowest reading in over two years.
- According to India Ratings, the investments in the private sector are likely to plummet to below 11% of the GDP in FY25, based on the trends from the latest national accounts data and company fillings.
- According to ratings agency Crisil, India Inc's revenue growth is set to accelerate to up to 8% YoY in FY26, from the 6% YoY estimated in FY25.
- As per data from the GSTN portal, the growth in e-way bills generated by businesses for transporting goods within and across states, slowed down to 14.7% YoY in February 2025.
- As per data from FADA, automobile retail sales across categories, including passenger vehicles and two-wheelers, witnessed a drop of 7% YoY in February 2025 amid declining demand.

Outlook

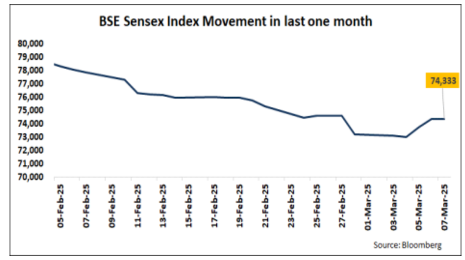
Going forward, the Indian equity market is likely to be driven by movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, tariff deals between India and the US, further support by the RBI. With improvement in liquidity and incremental money in the hands of the tax payers from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

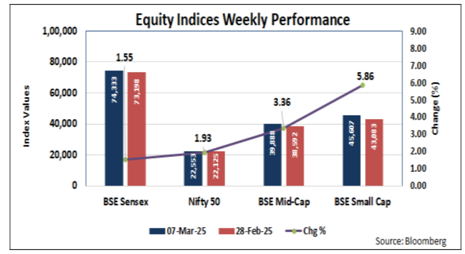
In US, the Trump Administration has levied tariffs on Canada, Mexico and China and in return Canada and Mexico too have announced tariffs on US products. This can lead to worsening of global trade dynamics. Trump is expected to raise tariffs on more countries and thus have impact on both, the US and 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.

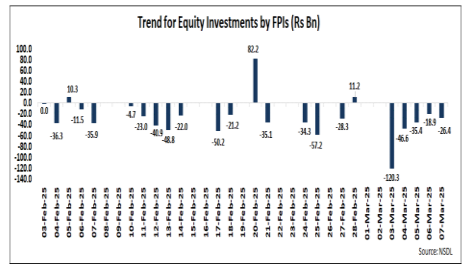
Overall, the fundamentals of the domestic economy remain robust, with a strong external account, calibrated fiscal consolidation and stable private consumption. With fiscal consolidation remaining on track, some heavy lifting is now expected from the RBI in terms of sharply improving the liquidity in 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.

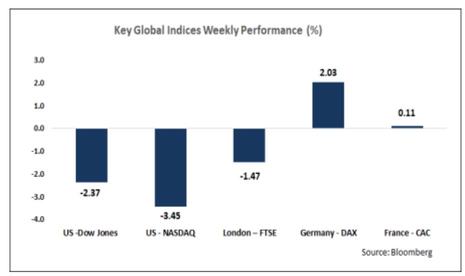
The Q4FY25 earnings would now be in focus after continued earnings downgrades in most of the key indices post Q3FY25 corporate earnings.

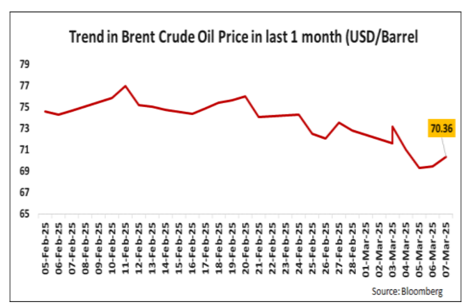
With the recent correction, valuations in most segments of the market have corrected, while earnings estimates having seen further cuts. This could keep the market volatile in the near term. Sharp decline in the market could provide investment opportunities from a 2–3-year perspective. In terms of deployment 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.

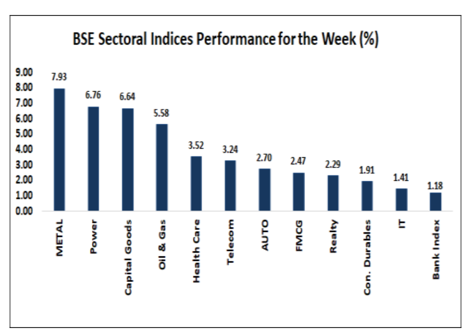


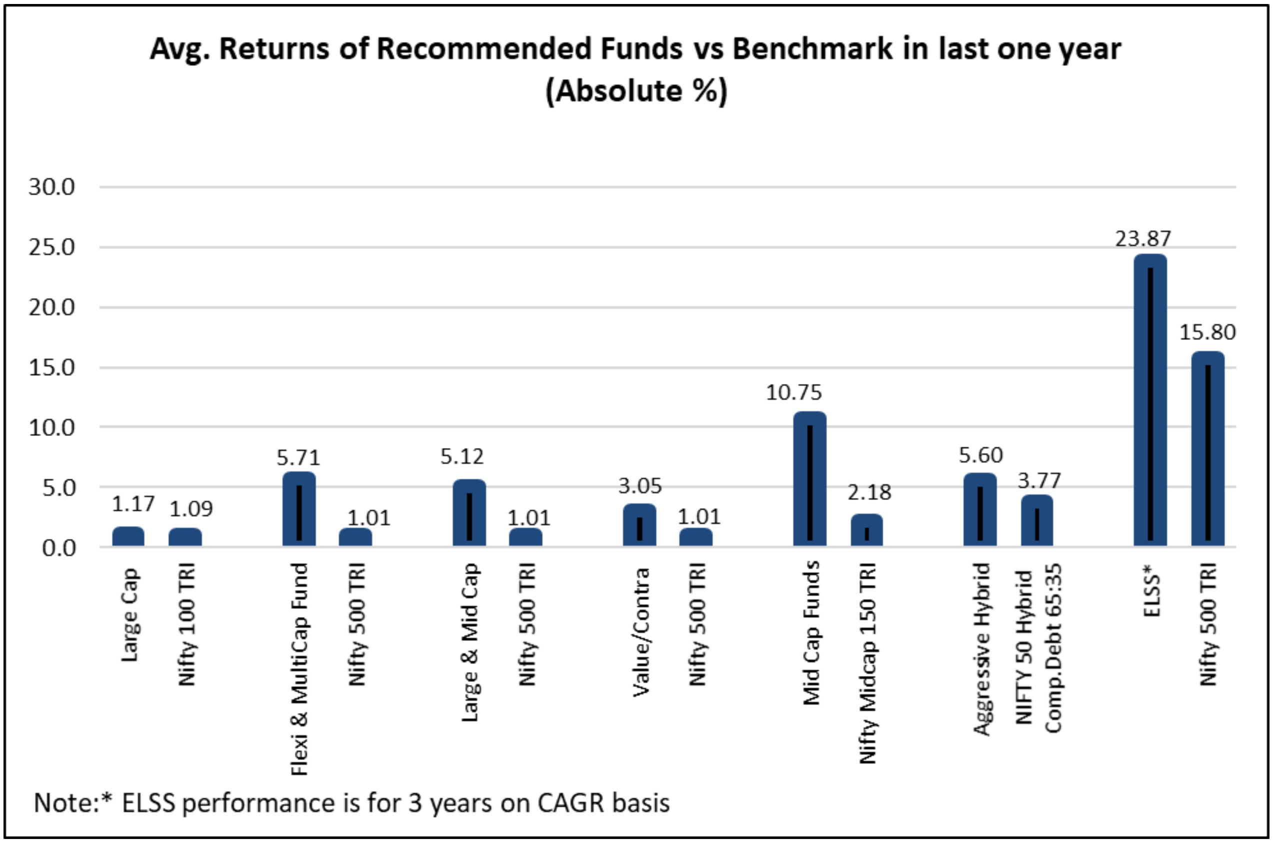












	Returns Absolute %		Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	-4.47	-10.47	1.17	19.00	18.01	18.81
Flexi & MultiCap Fund	-5.92	-12.28	5.71	24.44	22.57	21.50
Large & Mid Cap Funds	-5.11	-12.50	5.12	23.35	21.56	22.15
Mid Cap Funds	-7.31	-12.54	10.75	30.25	28.15	26.57
Small Cap Funds	-8.26	-18.80	3.06	22.96	22.17	27.85
Value/Contra Funds	-5.24	-11.57	3.05	23.11	21.69	26.21
Focused Funds	-4.49	-10.18	5.54	22.22	20.98	23.05
Aggressive Hybrid Funds	-4.11	-8.08	5.60	17.89	16.12	18.61
Dynamic Asset Allocation Funds	-2.71	-5.02	4.47	15.70	14.63	16.36
Equity Linked Saving Schemes	-5.93	-12.05	6.42	26.39	23.87	21.80
Infrastructure Oriented Funds	-4.69	-14.05	2.81	26.43	24.43	26.72
Nifty 50 Index TRI	**-4.22**	**-8.89**	**1.51**	**14.15**	**13.77**	**16.81**
Nifty 500 TRI	**-5.50**	**-12.64**	**1.01**	**18.29**	**15.80**	**18.88**
Nifty Infrastructure TRI	**-3.00**	**-12.60**	**-3.18**	**25.46**	**21.49**	**23.66**

Note: Data as on February 28, 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 7 March 2025

- Domestic G-Sec prices closed the week ended 7th March 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.79% G-Sec 2034 bond, closed lower by 3 bps at 6.69% as against 6.72% on 28th February 2025.

- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 1 bp to 15 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 9 bps on a WoW basis.

- **Movement in G-sec yields :-**
  - Indian G-sec yields declined as the RBI's latest liquidity measures boosted sentiment. The central bank is set to buy government securities through Open Market Operation worth Rs. 500 bn each on Mar 12 & 18, 2025, followed by a USD 10 bn 3-year Dollar/Rupee swap on Mar 24, 2025. However, gains were limited due to heavy debt supply from states.
  - The total G-sec supply for the week stood at Rs 505 bn (only SDLs). There will be no further G-sec auction for the remainder of FY25. The SDLs' auction was to the tune of Rs 505 bn, and the maturities were in the range of 5-30 years. For the 10-year SDL, the average cut off yield came in higher at 7.22%, as against 7.19% in the previous week.
  - Banking system liquidity improved during the week, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average deficit of ~Rs 648 bn during the week as against a daily average deficit of ~Rs 1.86 trillion during the previous week.

- **Macro Data released during the week :-**
  - The RBI announced OMO purchase auctions of G-secs for an aggregate amount of Rs 1 trillion in two tranches of Rs 500 bn each to be held on March 12, 2025, and March 18, 2025. They further announced USD/INR Buy/Sell Swap auction of USD 10 bn for a tenor of 36 months to be held on March 24, 2025.
  - As per MoSPI, India's real GDP growth for Q3 FY25 was 6.2% YoY against 5.4% YoY in Q2 FY25. The government has revised its full-year real GDP growth projection for FY25 to 6.5% YoY from 6.4% YoY.
  - As per RBI data, its net short dollar position in forwards and futures hit a record high of USD 77.5 bn in January 2025. The record short US dollar forward position, built over months to support the rupee amid equity outflows and US trade policy worries.
  - As per the RBI, India's foreign exchange reserves decreased by USD 1.78 bn to USD 638.70 bn as of February 28, 2025. Foreign currency assets (FCAs) decreased by USD 493 mn to USD 543.35 bn.

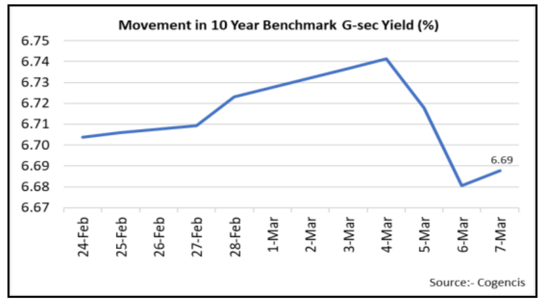
- **Other macro-economic news :-**
  - As per RBI data, Indian banks' loan growth moderated for a seventh straight month due to a drop in personal and credit card loans following tighter rules by the RBI. Banks' credit increased by 12.5% YoY in January 2025, slower than the 16.1% YoY rise in January 2024 and flat vs 12.4% YoY in December 2024.
  - As per data compiled from the World Bank Worldwide Bureaucracy Indicators, India spends 5.5% of its GDP on wages of workers in the public sector, as against 9.5% in the US and 9.8% globally.
  - According to DPIIT data, FDI in India dipped by 5.6% YoY to USD 10.9 bn in Q3 FY25 due to global economic uncertainties. FDI inflows during Q3 FY24 stood at USD 11.55 bn. In the Q2 FY25, the inflows were up by about 43% YoY to USD 13.6 bn and had increased 47.8% YoY to USD 16.17 bn in Q1 FY25.

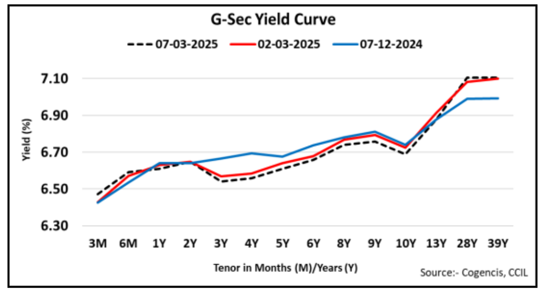
- **Global Updates :-**
  - As per the US Commerce Department, the US trade deficit widened by more than expected, reflecting a spike by the value of imports. The trade deficit surged to a record high of USD 131.4 bn in January 2025 from a revised USD 98.1 bn in December 2024. Economists had expected it to jump to USD 123.0 bn.
  - According to the US Labor Department, first-time claims for US unemployment benefits fell by more than expected. Initial jobless claims dipped to 221,000 in the week ended March 1, 2025, a decrease of 21,000 from the previous week's unrevised level of 242,000. Economists had expected it to edge down to 235,000.
  - The ECB cut its key interest rates for the fifth policy session in a row. The ECB Governing Council cut the deposit rate by 25 bps to 2.50%, which is the lowest level since February 2023. The main refinancing rate was also lowered to 2.65% and the lending rate to 2.90%, respectively.
  - China's Commerce Ministry China announced retaliatory tariffs on US goods, imposing up to 15% on key farm products starting March 10, 2025. It added 15 US entities to an export control list and added 10 US firms to a list of unreliable entities.

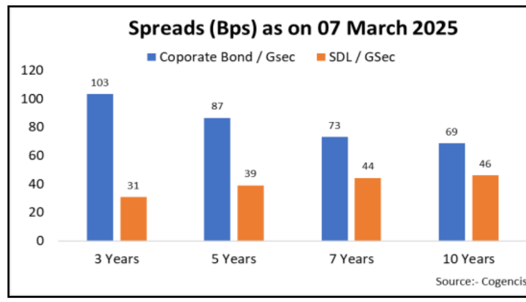
- **Outlook :-**

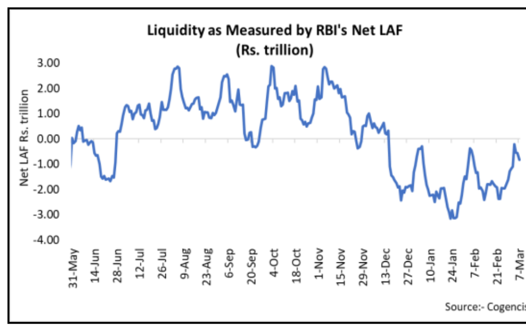
The liquidity condition as measured by RBI's net LAF continued to be in deficit but improved drastically on the back of the host of measures taken by RBI including the recently announced OMO that will take place during the month. Retail inflation in India eased as the Consumer Price Index (CPI) fell to a five-month low of 4.31% YoY in January 2025 from 5.22% YoY in December 2024. The easing came on the back of lower food prices, supported by healthy kharif crop yields. **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 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. Lower than expected GDP growth for Q3 FY25 at 6.2% YoY could allow the RBI to further bring in growth supportive measures.

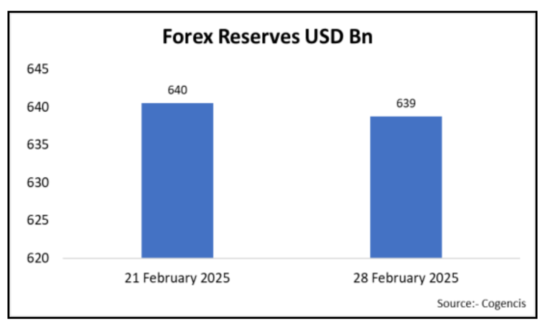
With the recent cut in policy rate, along with favorable demand-supply dynamics of Indian G-Secs, and favourable CPI inflation, we may see structurally lower interest rates over the long term. Improvement in liquidity conditions basis RBI measures could compress corporate bond yields at the shorter end 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. Further policy rate cuts may bring about tactical opportunities in the Long Duration products. 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.

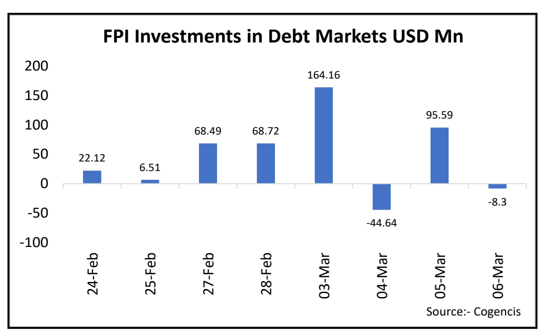












Category Average Returns as on 7 March 2025

Annualised Returns *	1 Day	1 Week	1 Month	2 Month	3 Months	6 Months	9 Months	1 Year	2 Year	3 Year
Overnight Funds	5.92	5.94	6.07	6.26	6.36	6.40	6.46	6.55	6.61	6.12
Liquid Funds	4.26	6.20	6.59	6.79	6.85	6.96	7.01	7.18	7.14	6.52
Floater Funds	10.95	7.76	5.52	6.54	6.16	7.08	7.85	7.92	7.81	6.80
Low Duration Funds	5.40	4.56	5.68	6.43	6.26	6.88	7.09	7.22	7.18	6.31
Money Market Funds	5.64	4.80	6.11	6.62	6.59	6.97	7.08	7.23	7.28	6.52
Ultra Short Duration Funds	7.34	5.19	6.06	6.43	6.37	6.73	6.82	6.97	6.94	6.20
Banking And PSU Funds	6.42	7.39	3.26	5.71	5.51	6.69	7.46	7.28	7.37	6.16
Corporate Bond Funds	6.09	8.00	4.13	6.09	5.74	7.01	7.76	7.56	7.52	6.19
Medium Duration Funds	14.02	9.68	7.62	7.60	6.89	7.69	8.31	7.86	7.79	6.64
Short Duration Funds	6.98	6.96	5.02	6.50	6.11	7.10	7.64	7.43	7.34	6.35
Medium To Long Duration Funds	6.85	15.26	3.85	5.28	5.09	5.98	7.43	7.07	7.56	6.24
Long Duration Funds	39.46	30.81	0.87	2.39	3.23	4.88	7.56	7.19	8.84	7.15
Dynamic Bond Funds	16.18	18.74	2.82	4.36	4.49	5.77	7.45	7.05	7.69	6.38
Credit Risk Funds	241.86	38.94	21.95	14.32	11.34	9.79	9.62	8.97	8.76	9.61
Gilt Funds / Gilt Funds with 10 year constant duration	20.24	25.08	3.21	4.52	4.60	5.81	7.64	7.27	8.06	6.51
Conservative Hybrid Funds	12.21	38.52	-12.31	-7.74	-6.66	-0.47	4.75	6.42	9.85	8.67
Index Funds	3.87	6.70	6.49	7.45	6.72	7.27	8.18	7.95	8.04	6.08
Arbitrage Funds	1.72	7.86	5.98	6.32	6.75	6.39	6.58	6.94	7.17	6.25

* 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	4.88	5.63	6.92	7.77	8.26	6.61
Dynamic Bond Fund	0.70	3.32	5.07	7.00	8.20	6.52
Gilt Funds & Gilt Funds with 10 year constant duration	1.43	3.22	5.01	7.16	8.52	6.79
Short Duration / Medium Duration	5.09	6.31	7.28	7.71	7.69	6.40
Banking and PSU Funds	2.26	5.07	6.56	7.34	7.51	6.29
Corporate Bond Funds	4.07	5.88	7.26	7.91	7.94	6.71
Ultra Short Duration Funds /Low Duration / Floater Funds	6.12	6.60	7.11	7.46	7.44	6.64
Money Market Funds	6.30	6.82	7.22	7.54	7.61	6.85
Liquid Funds & Overnight Funds	6.65	6.92	7.03	7.27	7.24	6.61
Arbitrage Funds	6.08	6.96	6.67	7.26	7.49	6.62

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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