

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.93% & Nifty 50 ending higher by 1.10% WoW respectively. The BSE Midcap index ended higher by 0.92% and the BSE Small cap index ended higher by 0.37%.
- On the BSE sectoral front, indices ended on a mixed note. Healthcare, Auto, and IT were the biggest outperformers.
- Domestic equity markets ended the week on a positive as retail inflation in July 2025 eased more than expected to 1.55% YoY, marking its lowest level in over eight years. Gains were extended following a dovish outlook from the US Fed, with the Vice Chair for Supervision indicating expectations of three interest rate cuts this year.
- Global Market Updates**
- US equity markets ended the week on a positive note after July's CPI rose by 0.2% in line with expectations, easing inflation concerns and fuelling optimism over a potential Federal Reserve rate cut, which supported investor sentiment.
- European equity markets ended on a positive note, supported by growing expectations of a US Federal Reserve rate cut and easing trade tensions.
- Brent oil prices declined from USD 66.24 per barrel to USD 65.59 as concerns over a potential OPEC+ output increase and the US President's comments on talks with Russia have raised doubts over new sanctions.

Macro Data & Domestic News Released During the Week

- According to Moody's Ratings, India's GDP growth is likely to slow down by about 30 bps to 6% YoY in FY26 if the US implements 50% tariffs from August 27, 2025.
- As per Boston Consulting Group (BCG) India, India's proposed Free Trade Agreement (FTA) with the European Union could unlock access to a USD 875 bn market and bring tariff parity with ASEAN peers as the country navigates a critical juncture in the evolving global trade landscape.
- The Centre has proposed a two-tier GST with 5% and 18% slabs, along with a 40% slab for a few items in the sin goods category. The removal of the Compensation Cess will coincide with the rationalised and reduced rates.
- As per AMFI data, net inflows into Equity Mutual Fund (MF) schemes scaled a record high in July 2025 as active equity schemes raked in a net Rs 427.02 bn during the month.
- From Nifty 200 universe, 199 companies have announced their Q1 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 5.72%, 11.85% and 12.60% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.78%, 10.87% and 18.70% YoY respectively.**
- From Nifty 500 universe, 486 companies have announced their Q1 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 5.94%, 10.24% and 11.39% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 4.96%, 8.79% and 14.66% YoY respectively. Chemicals, Oil & Gas, Telecom and Cement sector seemed to have deliver better results compared to other sectors.**

Outlook

Going forward, the Indian equity market is likely to be driven by any changes in India-US tariffs deals, movement in the US Dollar index, improvement in consumption demand post the proposed GST cut, FPI/DII flows, and strong liquidity support by the RBI. The US President Donald Trump has imposed about 50% tariff on India, including penalty due to India's trade relations with Russia which has led to volatility in sector exposed to US going forward according to market participants. There is still expectation of better trade deals that can come about in due course. S&P Global Ratings has upgraded India's sovereign rating to 'BBB' from 'BBB-' which bodes well for economy as it can lead to lower cost of borrowing for Indian corporates. Further, likely GST rate rationalisation can boost sectors that could be impacted due to tariffs and act as a tailwind to the overall domestic consumption going ahead.

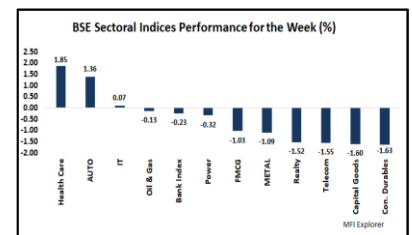
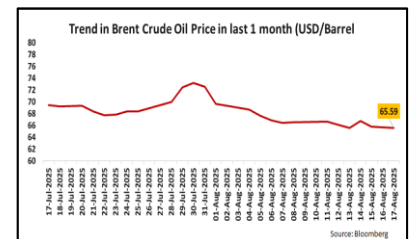
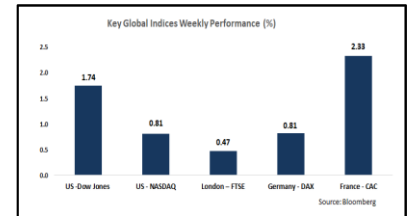
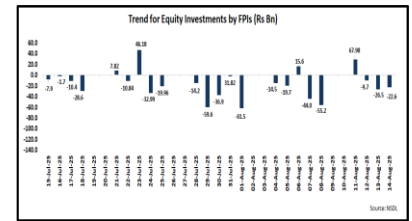
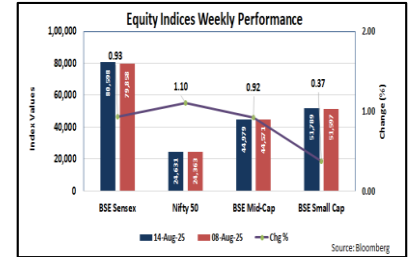
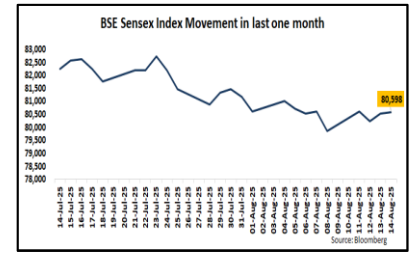
Quarterly earnings for Q1 FY26, have been mostly in line with expectations, but expectations too had been toned down. Benefits of RBI's policy measures is likely to be visible in the next couple of quarters. Companies linked to rural India have been able to deliver improved performance. As per fund managers, Luxury and Consumer Tech Platform companies have been able to deliver on topline growth, but urban middle-class driven segments and roads and railways driven sectors have/are likely to see weakness. For Banks, after a very strong performance on the credit costs front over last few quarters, the credit costs seem to be rising/normalising especially in MSME, SME and personal loans space.

With a low base, any pickup in consumption demand due to GST rationalisation, or further meaningful support provided by the RBI could help drive superior earning performance which is likely to also ensure better equity market performance.

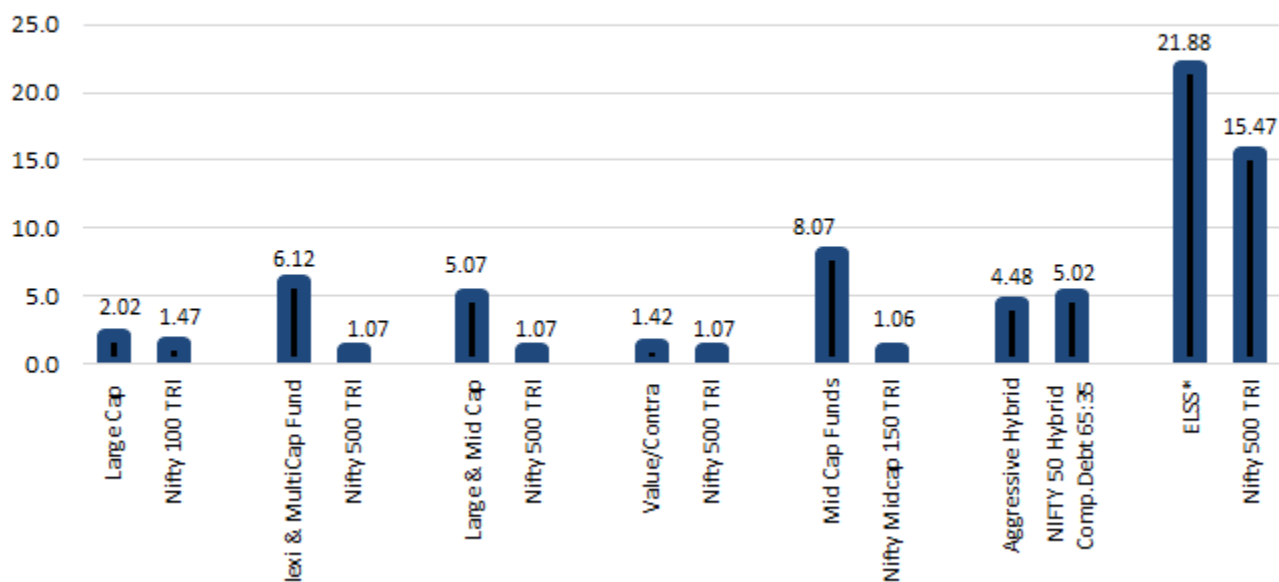
With rich valuations, incoming US tariff related weakness and continued weakness in the urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. Consumption which forms the largest part of the GDP, is likely to get boost once the new GST slabs come about. Strong monsoons and continued support from the RBI should keep growth buoyant. If further support comes about, or if tariffs get renegotiated, or we get favourable tariffs with EU (negotiations ongoing) the markets are likely to take that positively. Currently, the markets are getting narrower and opportunities seem to be available in the set of stocks which have been able to deliver incrementally better revenue/earnings growth. Also, with no specific sector showing broad-based and continued momentum, fund managers who are able to be fairly nimble and identify growth ideas could generate alpha vs their peers.

In terms of deployment strategy, we are cautiously optimistic to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian macros still remain amongst the best in the world and any near-term volatility could be used by investors to add to their exposures. Fund managers who can pick out companies with superior growth prospects are likely to outperform vs pure value pickers in the medium-term.

On allocations 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	-1.36	8.85	2.02	17.69	16.95	20.76
Flexi Cap Funds	-1.18	12.05	6.12	24.46	20.95	23.47
Multi Cap Funds	0.26	12.83	0.75	20.88	22.26	29.90
Large & Mid Cap Funds	-1.77	12.82	5.07	24.63	22.33	25.32
Mid Cap Funds	-1.65	16.06	8.07	28.82	27.09	30.72
Small Cap Funds	-4.96	12.99	-1.81	22.08	24.56	31.61
Value/Contra Funds	-2.43	9.51	1.42	21.48	21.54	26.72
Focused Funds	-1.29	10.06	3.62	21.02	19.75	25.24
Aggressive Hybrid Funds	-1.46	7.79	4.48	17.18	16.23	19.87
Dynamic Asset Allocation Funds	-1.04	6.71	4.57	15.26	14.50	16.83
Equity Linked Saving Schemes	-2.99	10.43	1.94	23.60	21.88	24.60
Business Cycle Funds	-0.65	13.66	7.76	23.51	21.70	--
Nifty 50 Index TRI	-1.52	8.30	3.33	13.95	12.92	18.53
Nifty 500 TRI	-2.46	10.64	1.07	17.22	15.47	20.98
Nifty Infrastructure TRI	-2.51	14.05	0.58	23.49	22.37	24.47

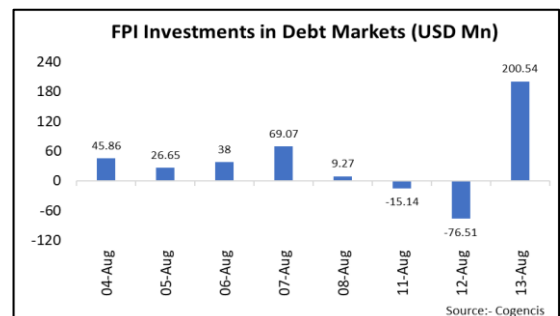
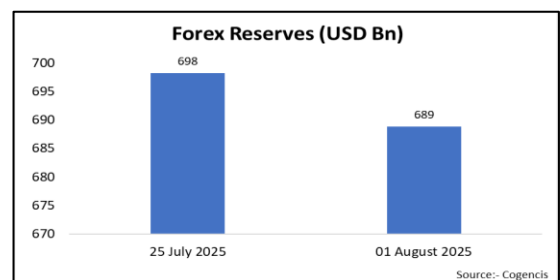
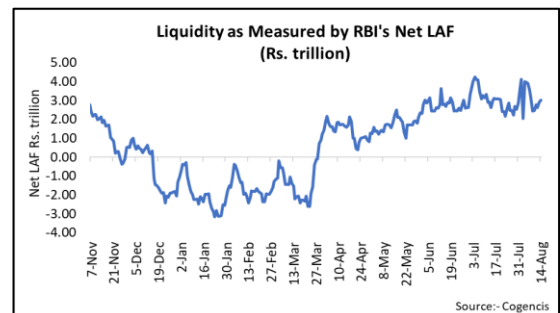
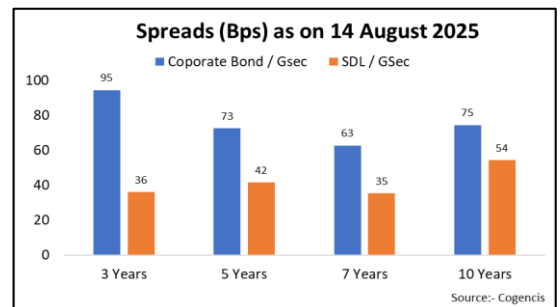
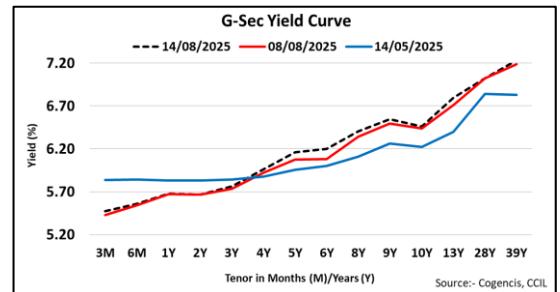
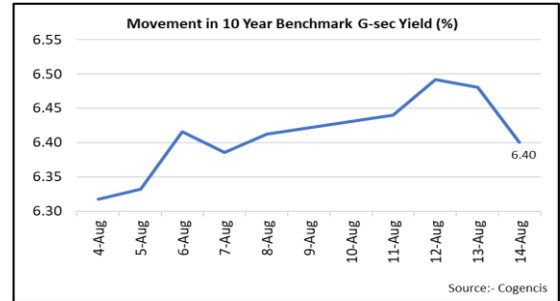
Note: Data as on August 14, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms. Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to <https://icraanalytics.com/home/disclaimer>)

Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 14 August 2025

- Domestic G-Sec prices closed the week ended 14th August 2025 on a positive note wherein the yield on the 10-year benchmark, the 6.33% G-Sec 2035 bond, closed lower by 1 bps at 6.40% as against its previous weekly close of 6.41% on 8th August 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 6 bps to 21 bps on a WoW basis. In case of the greater than one-year segment, yields were mixed in the range of (-) 4 bps to 12 bps on a WoW basis.
- Movement in G-sec yields :-**
 - Indian G-sec yields started the week on a negative note on the back of fears of increase in central government borrowing and Mutual Fund's continued selling. However, prices recovered sharply and ended on a positive note post S&P upgrading India's sovereign credit rating to 'BBB' from 'BBB-'.
 - The total G-sec supply for the week stood at Rs 364.50 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 280 bn and the maturities were in the range of 5-30 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 84.50 bn and the maturities were in the range of 11-35 years. There was no 10-year SDL. The G-secs' auction was for the following: 6.01% GS 2030 and New GS 2055.
 - Banking system liquidity deteriorated, wherein liquidity, as measured by the RBI's net Liquidity Adjustment Facility (LAF), stood at a daily average surplus of ~Rs 2.79 trillion during the week as against a daily average surplus of ~Rs 3.71 trillion during the previous week.
- Macro Data released during the week :-**
 - According to MoSPI data, India's retail inflation cooled to an eight-year low as the Consumer Price Index (CPI) rose by 1.55% YoY in July 2025 from 2.1% YoY in June 2025. Core CPI inflation (ex-Food and Fuel) decelerated to 4.12% YoY in July 2025 as against 4.43% YoY in June 2025.
 - According to RBI data, the banking system credit growth in the fortnight ended 25 July, 2025 inched up to 10% YoY, while deposits during this period continued to outpace credit growth, rising 10.2% YoY.
 - According to RBI data, India's foreign exchange reserves rose USD 4.7 bn to USD 693.62 bn in the week ended August 8, 2025. Foreign Currency Assets (FCA) increased by USD 2.3 bn.
- Other macro-economic news :-**
 - S&P Global Ratings raised India's long-term sovereign credit rating by one notch to "BBB" from the lowest investment grade of "BBB-", with a stable outlook.
 - As per the Ministry of Commerce and Industry, India's merchandise trade deficit widened to USD 27.35 bn as imports picked up 8.6% YoY to USD 64.6 bn. Goods exports rose 7.3% YoY to USD 37.24 bn.
 - As per data from the Ministry of Commerce and Industry, India's Wholesale Price Index (WPI) fell 0.6% YoY in July 2025, compared with a 0.1% YoY fall in June 2025, driven by a decline in food and fuel prices.
 - As per data released by the CBDT, Net Direct Tax collection contracted nearly 4% YoY to about Rs 6.63 trillion as on August 11, 2025, due to a 21.2% YoY surge in corporation tax refunds.
- Global Updates :-**
 - As per the US Labor Department, In July, the Consumer Price Index for All Urban Consumers rose 0.2%, seasonally adjusted (SA), and rose 2.7% over the last 12 months, not seasonally adjusted (NSA). The Core CPI increased by 0.3% in July (SA); up 3.1% over the year (NSA).
 - According to Eurostat data, the Euro area Gross Domestic Product (GDP) grew 0.1% QoQ during Q2 CY25, after rising 0.6% QoQ in Q1 CY25. The figures matched the estimate released on July 30, 2025. Economic growth slowed to 1.4% YoY during Q2 CY25, in line with estimates, from 1.5% YoY in Q1 CY25.
 - According to Eurostat data, the Euro area Gross Domestic Product (GDP) grew 0.1% QoQ during Q2 CY25, after rising 0.6% QoQ in Q1 CY25.
- Outlook :-**

The liquidity condition, as measured by RBI's net LAF, continued to weaken over the previous week, but remained substantially in surplus. Hence, the RBI conducted further Variable Rate Reverse Repo (VRRR) auctions cumulatively worth Rs 2.5 trillion to absorb excess liquidity and align call money rate with the Repo rate. The RBI kept policy rates unchanged in its latest MPC on 6th August 2025, moving to a 'wait-and-watch' approach while continuing with neutral stance. The central bank also revised their inflation outlook for FY26 downward to 3.1% from 3.7% projected earlier on the back of benign inflation outlook while keeping growth projection same as earlier at 6.5%. However, retail inflation in India eased further as the Consumer Price Index (CPI) fell to 2.10% YoY in June 2025 from 2.82% YoY in May 2025, giving more space to RBI to look at easing policy rates. S&P Global Ratings raised India's long-term sovereign credit rating by one notch giving a potential fillip to Indian debt market as borrowing costs may go down and it will also strengthen India's case for inclusion to global debt index. **Going forward, the growth-inflation dynamics will continue to determine the necessity of further policy actions by the RBI. However, the RBI governor indicated they may need to wait further before moving the needle of policy rates downward.** The announcement by the Prime Minister on GST cut will be watched in terms of the fiscal impact it creates, which may drive near term volatility in the bond market. Once the details are out, the bond market is likely to take a more nuanced position. In the US, the Fed kept rates unchanged. US President Donald Trump announced higher than expected tariff for India. Going forward, developments around Bi-lateral Trade Agreement (BTA) with US is expected to remain a key driving factor for the market sentiments and capital flows.

The lucrative term spreads at the longer end have created tactical opportunities in Dynamic bond funds and Gilt funds which have positioned their portfolio to take advantage of the same. The spread at the shorter end of the Corporate Bond yield curve continues to remain at lucrative levels against G-secs. Liquidity is expected to remain comfortable, and the curve may steepen further. 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. Also, as a tactical opportunity Dynamic Bond Funds and Gilt Funds can be considered. For a horizon of 3 months and above, investors can consider Arbitrage Funds and 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 14 August 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	5.20	5.27	5.24	5.20	5.30	5.68	6.00	6.15	6.43	6.35
Liquid Funds	6.06	5.51	5.37	5.63	5.99	6.59	6.78	6.91	7.07	6.89
Floater Funds	41.02	-0.51	2.99	5.30	5.65	9.01	8.32	8.34	8.11	7.71
Low Duration Funds	12.83	3.14	4.81	6.03	6.81	8.30	7.79	7.78	7.43	7.10
Money Market Funds	6.46	4.24	5.09	6.08	6.93	8.09	7.74	7.71	7.46	7.17
Ultra Short Duration Funds	8.07	4.34	5.03	5.84	6.49	7.32	7.13	7.17	7.03	6.77
Banking And PSU Funds	43.64	-4.70	1.90	4.14	4.90	8.96	8.29	8.21	7.80	7.23
Corporate Bond Funds	46.94	-4.53	2.06	4.60	5.16	9.42	8.65	8.55	8.02	7.43
Medium Duration Funds	63.54	-2.50	1.56	5.20	4.95	9.29	8.92	8.72	8.16	7.46
Short Duration Funds	36.78	-2.90	2.62	4.77	5.58	9.08	8.46	8.31	7.80	7.32
Medium To Long Duration Funds	103.92	-12.20	-5.53	0.41	-1.23	7.11	7.02	6.78	7.37	6.99
Long Duration Funds	195.23	-28.49	-15.63	-3.61	-10.02	4.23	4.79	5.18	7.85	8.26
Dynamic Bond Funds	115.57	-11.57	-5.76	0.36	-2.29	7.11	6.92	6.81	7.57	7.10
Credit Risk Funds	40.34	1.40	3.77	5.89	6.52	13.11	11.43	10.69	9.44	8.48
Gilt Funds / Gilt Funds with 10 year constant duration	184.43	-16.05	-11.34	-1.74	-6.15	6.04	6.42	6.31	7.57	7.22
Conservative Hybrid Funds	57.67	-4.18	-5.87	1.90	2.61	9.95	6.49	5.85	9.58	8.86
Index Funds	31.38	-1.45	2.57	4.39	5.36	9.05	8.56	8.31	8.21	7.45
Arbitrage Funds	43.57	10.73	6.39	5.30	6.04	6.29	6.41	6.55	7.02	6.78

* 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	-7.20	-2.13	7.62	7.54	8.12	7.64
Dynamic Bond Fund	-8.00	-3.17	7.05	6.78	7.69	7.29
Gilt Funds & Gilt Funds with 10 year constant duration	-8.46	-3.70	7.27	7.19	8.12	7.87
Short Duration / Medium Duration	2.54	5.77	9.29	8.54	8.11	7.48
Banking and PSU Funds	1.58	4.86	8.90	8.26	7.89	7.48
Corporate Bond Funds	1.46	4.69	9.22	8.62	8.28	7.78
Ultra Short Duration Funds /Low Duration / Floater Funds	5.27	7.00	8.03	7.79	7.58	7.37
Money Market Funds	5.27	7.11	8.40	8.00	7.76	7.48
Liquid Funds & Overnight Funds	5.39	6.06	6.70	7.00	7.16	6.99
Arbitrage Funds	6.72	6.37	6.68	6.88	7.32	7.16

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

Disclaimer: This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. HDFC Bank Limited ("HDFC Bank") does not warrant its completeness and accuracy. This information is not intended as an offer or solicitation for the purchase or sale of any financial instrument / units of Mutual Fund. Recipients of this information should rely on their own investigations and take their own professional advice. Neither HDFC Bank nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. HDFC Bank and its affiliates, officers, directors, key managerial persons and employees, including persons involved in the preparation or issuance of this material may, from time to time, have investments / positions in Mutual Funds / schemes referred in the document. HDFC Bank may at any time solicit or provide commercial banking, credit or other services to the Mutual Funds / AMCs referred to herein.

Accordingly, information may be available to HDFC Bank, which is not reflected in this material, and HDFC Bank may have acted upon or used the information prior to, or immediately following its publication. HDFC Bank neither guarantees nor makes any representations or warranties, express or implied, with respect to the fairness, correctness, accuracy, adequacy, reasonableness, viability for any particular purpose or completeness of the information and views. Further, HDFC Bank disclaims all liability in relation to use of data or information used in this report which is sourced from third parties.

HDFC Bank House, 1 st Floor, C.S. No. 6 \ 242, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Phone: (91)-22-66527100, ext 7111, Fax: (91)-22-24900983 \ 24900858

HDFC Bank is a AMFI-registered Mutual Fund Distributor & a Corporate agent for Insurance products

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.