HDFC Bank Research

Weekly Equity Market Updates for week ended August 1, 2025

Domestic Equity Market Update

- Indian equities ended the week on a negative note, with the large cap-oriented BSE Sensex ending lower by 1.06% & and Nifty 50 ending lower by 1.09% WoW respectively. The BSE Midcap index ended lower by 1.79% and the BSE Small cap index ended lower by 2.47%.
- On the BSE sectoral front, indices ended on a mixed note. Realty, Telecom, and Metal were the biggest laggards.
- Domestic equity markets ended the week on a negative note amid foreign fund outflows and increased trade uncertainties after the US imposed a 25% tariff on imports from India effective August 1, along with an unspecified additional penalty.

Global Market Updates

- US equity markets ended the week on a negative note amid concerns over the economic impact of the US President's tariffs, following the announcement of new tariff rates on dozens of countries. Negative sentiment was further fueled by a closely watched Labor Department report showing much weaker-than-expected job.
- European equity markets ended on a on a negative note as investors weighed the implications of a framework trade agreement between the US and the EU. Additionally, a decline in banking stocks and new tariffs announced by the US kept the market under pressure.
- Brent oil prices rose from USD 68.44 per barrel to USD 69.28 on supply concerns after US intensified pressure on Russia and owing to demand hopes due to easing trade uncertainties.

Macro Data & Domestic News Released During the Week

- According to RBI Monetary Policy Committee (MPC) member, Nagesh Kumar, the Indian economy is growing at a robust pace and will not face any challenge in achieving a growth rate upwards of 6.5% YoY in FY26.
- According to National Statistical Office (NSO) data, India's Industrial Production (IIP) growth eased to a ten-month low of 1.5% YoY in June 2025, slightly better than 1.2% YoY (Quick Estimate) in the month of May 2025.
- The International Monetary Fund (IMF) has revised upwards its outlook for India's Gross Domestic Product (GDP) growth for FY26 by 20 bps to 6.4% YoY.
- According to Worldpanel by Numerator (formerly Kantar Worldpanel), in Q1 FY26, urban demand in volume grew at 4% YoY, slower than in Q4 FY25 where it grew at 4.4% YoY. Rural demand grew 3.2% YoY, which was higher than the demand seen in Q4 FY25 at 2.7% YoY.
- **From Nifty 200 universe, 123 companies have announced their Q1 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 7.49%, 5.73% and 7.34% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 6.83%, 4.15% and 13.78% YoY respectively.**
- **From Nifty 500 universe, 276 companies have announced their Q1 FY26 earnings thus far. At an aggregate level, Sales, EBITDA and PAT have grown by 7.18%, 4.89% and 6.77% YoY, respectively. Excluding Financials, Sales, EBITDA and PAT have grown by 6.28%, 3.04% and 10.63% YoY respectively.** Chemicals, Oil & Gas and Cement sector seemed to have deliver better results compared to other sectors.

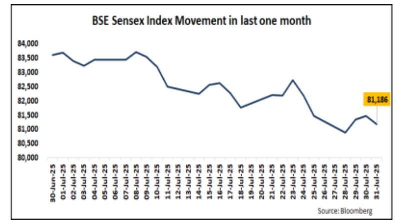
Outlook

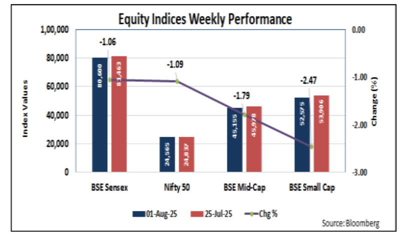
Going forward, the Indian equity market is likely to be driven by any changes in India-US tariffs deals, movement in the US Dollar index, improvement in consumption demand, FPI/DII flows, and strong liquidity support by the RBI. Overall, the higher-than-expected pick-up in GDP growth momentum in H2 FY25 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. US President Donald Trump hits India with 25% tariff, plus penalty of an unspecified quantum because of India's trade relations with Russia which can lead to volatility in sector exposed to US going forward according to market participants. There are still expectation of better trade deals that can come about in August- September

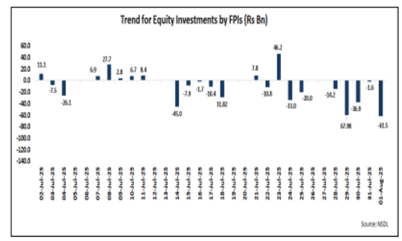
Quarterly earnings for Q1 FY26, have been mostly in line with expectations, but expectations too had been toned down. Benefits of RBI's policy measures is likely to be visible in the next couple of quarters. Companies linked to rural India have been able to deliver improved performance. As per fund managers, 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.
On expected earnings side, with a low base, any pickup in urban consumption demand, or incremental government spending support, or further meaningful support provided by the RBI could help drive superior earning performance which is likely to also ensure better equity market performance.

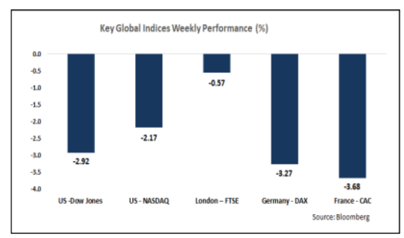
With rich valuations, incoming US tariff related weakness and continued weakness in the urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. Equity market participants are expecting more support from the government and the RBI to keep growth buoyant. If further 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.

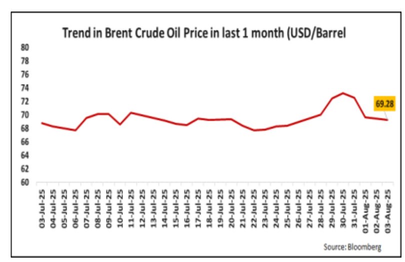
In terms of deployment strategy, we are cautiously optimistic to maintain our investment deployment strategy of 50% Lumpsum and 50% staggered over the next 5-6 months, as Indian macros still remain amongst the best in the world and any near-term volatility could be used by investors to add to their exposures. 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.

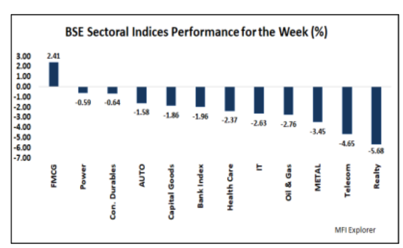


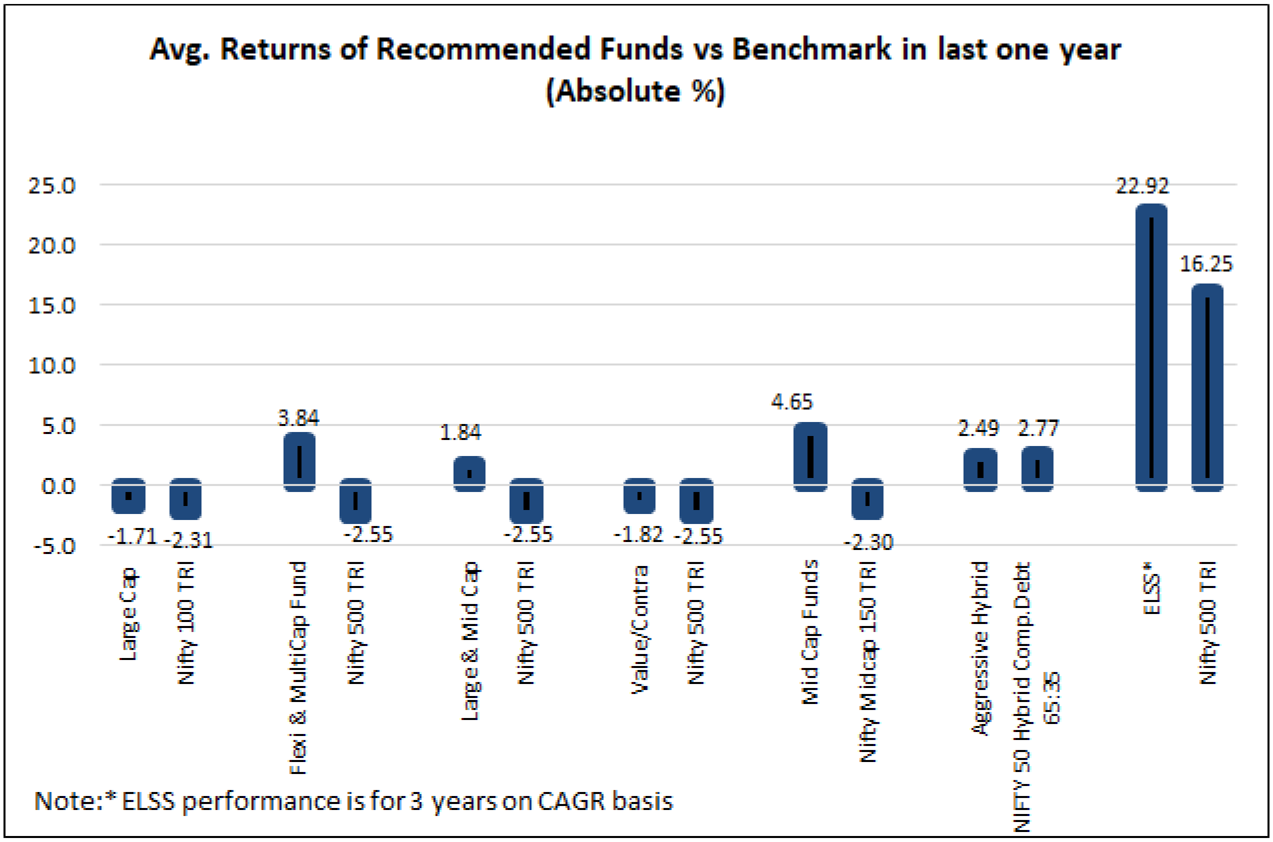












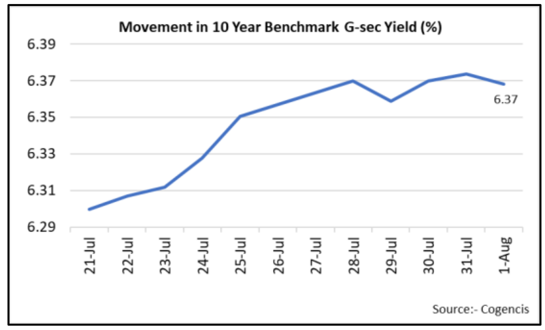
	Returns Absolute %		Returns Compounded Annualised %			
Category Average of Recommended Funds	**1 Month**	**6 Months**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
Large Cap Funds	-2.84	5.22	-1.71	16.78	17.60	21.09
Flexi Cap Funds	-2.39	7.96	3.84	23.79	21.67	24.02
Multi Cap Funds	-1.55	5.87	-3.33	20.03	22.86	31.59
Large & Mid Cap Funds	-3.03	7.41	1.84	23.85	22.82	25.95
Mid Cap Funds	-2.73	9.13	4.65	28.17	27.67	31.59
Small Cap Funds	-2.43	6.52	-2.94	23.15	25.96	33.70
Value/Contra Funds	-3.25	5.18	-1.82	20.98	22.20	27.50
Focused Funds	-2.52	6.69	0.27	20.04	20.35	25.51
Aggressive Hybrid Funds	-2.08	5.38	2.49	16.72	16.83	20.29
Dynamic Asset Allocation Funds	-2.08	4.62	2.77	14.72	14.81	17.16
Equity Linked Saving Schemes	-3.24	6.23	0.18	23.32	22.92	25.18
Business Cycle Funds	-2.11	9.79	3.57	22.30	22.19	--
Nifty 50 Index TRI	**-3.64**	**5.45**	**-0.50**	**12.96**	**13.61**	**18.68**
Nifty 500 TRI	**-3.82**	**5.73**	**-2.55**	**16.45**	**16.25**	**21.43**
Nifty Infrastructure TRI	**-4.89**	**9.23**	**-4.96**	**22.66**	**22.70**	**24.67**

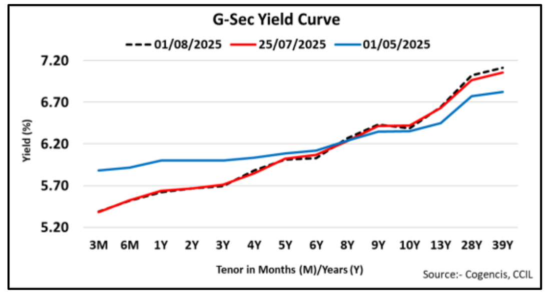
Note: Data as on August 1, 2025. Returns less than 1 year are in absolute % terms, whereas returns above 1 year are in CAGR terms.
Data has been sourced from ICRA Analytics Ltd. (For Disclaimer of ICRA Analytics Ltd, refer to https://icraanalytics.com/home/disclaimer)

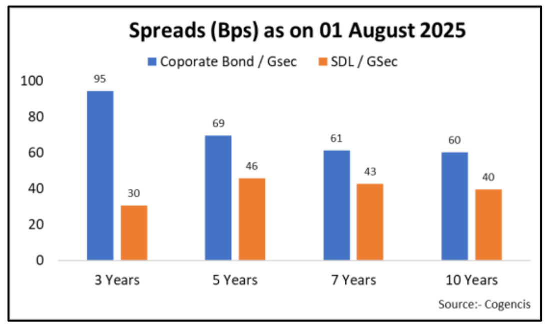
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 1 August 2025

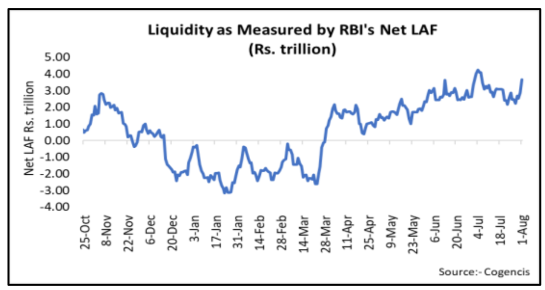
- Domestic G-Sec prices closed the week ended 1st August 2025 on a negative note wherein the yield on the 10-year benchmark, the 6.33% G-Sec 2035 bond, closed higher by 2 bps at 6.37% as against its previous weekly close of 6.35% on 25th July 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 2 bps to 5 bps on a WoW basis. In case of the greater than one-year segment, yields fell up to 2 bps on a WoW basis.
- **Movement in G-sec yields :-**
  - Indian G-sec yields rose owing to fading hopes for a rate cut by the RBI's MPC in its August policy meet after the central bank ramped up liquidity withdrawal.
  - The total G-sec supply for the week stood at Rs 597.19 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 15-40 years. There was no 10-year G-sec. The SDLs' auction was to the tune of Rs 277.19, and the maturities were in the range of 3-38 years. There average cut off for the 10-year SDL was 6.93%. The G-secs' auction was for the following: 6.68% GS 2040 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 2.79 trillion during the week as against a daily average surplus of ~Rs 2.48 trillion during the previous week.
- **Macro Data released during the week :-**
  - According to CGA, the Centre's Fiscal Deficit in Q1 FY26 was at 17.9% of the annual target, compared with 8.4% in Q1 FY25, as the capital expenditure surged 52% YoY to Rs 2.75 trn and revenue spending rose 20% YoY to Rs 9.47 trn during the quarter. Net tax revenues, however, dropped 2% YoY to Rs 5.40 trillion, non-tax revenues jumped 33% YoY to Rs 3.73 trn aided by a record Rs 2.69 trn dividend transfer by RBI.
  - As per AMFI data, AUM in debt mutual fund schemes is closing in on the Rs 20 trillion mark after growing more than 20% YoY, buoyed up by renewed inflows and mark-to-market (MTM) gains. Debt fund AUM grew at the same pace as equity funds over this one year.
  - As per RBI data, India's forex kitty increased by USD 2.7 bn to USD 698.19 bn during the week ended July 25, 2025. Foreign currency assets increased by USD 1.31 bn to USD 588.93 bn whereas Gold reserves increased by USD 1.2 bn to USD 85.7 bn.
- **Other macro-economic news :-**
  - According to RBI Governor, Sanjay Malhotra, with data showing a steep decline in price rise in June 2025, the outlook on inflation and growth will determine future rate cuts, making it clear that the current data will not influence the trajectory.
  - The International Monetary Fund (IMF) has revised upwards its outlook for India's Gross Domestic Product (GDP) growth for FY26 by 20 bps to 6.4% YoY, citing a more benign external environment than assumed in its earlier forecast in April 2025.
  - US President Donald Trump announced a 25% tariff on exports from India starting August 7, 2025 along with an unspecified penalty to be imposed for India's defence and energy procurements from Russia. This may have a significant adverse impact on India's shipments to its largest market that accounts for about a fifth of its exports.
- **Global Updates :-**
  - The US Federal Reserve announced its widely expected decision to leave interest rates unchanged for the fifth consecutive meeting. The Fed said it has decided to maintain the target range for the federal funds rate at 4.25-4.50%.
  - According to the US Commerce Department, the US Real Gross Domestic Product (GDP) surged by an annualized 3.0% QoQ in Q2 CY25 after falling by an annualized 0.5% QoQ in Q1 CY25. Economists had expected GDP to jump by 2.5% QoQ. The rebound by real GDP primarily reflected a sharp pullback by imports, which are a subtraction in the calculation of GDP.
  - As per a preliminary flash estimate from Eurostat, the Euro area GDP growth softened to 1.4% YoY in Q2 CY25 from 1.5% YoY in Q1 CY25. Nonetheless, the growth rate was better than the forecast of 1.2% YoY.
- **Outlook :-**

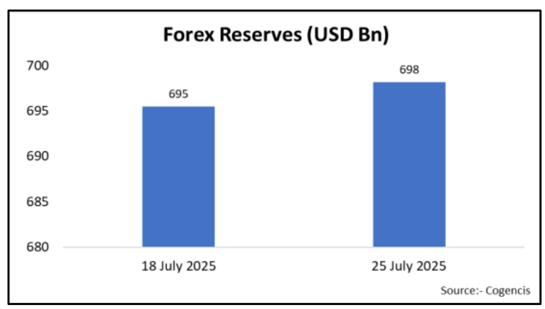
The liquidity condition, as measured by RBI's net LAF, improved over the previous week, and remained substantially in surplus. The RBI has been conducting VRRR auction to absorb excess liquidity and align call money rate with the Repo rate. Retail inflation in India had eased further as the Consumer Price Index (CPI) fell to 2.10% YoY in June 2025 from 2.82% YoY in May 2025, The RBI had front loaded policy easing in its latest MPC in June 2025 to support growth. **Going forward, the growth-inflation dynamics will continue to determine the necessity of further policy actions by the RBI. However, the latest statement from RBI governor indicated they may need to wait further before moving the needle of policy rates downward.** In the US, the Fed kept rates unchanged. US President Donald Trump announced higher than expected tariff for India starting August 7, 2025 along with an unspecified penalty to be imposed for India's defence and energy procurements from Russia. 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. **Currently, long duration bonds have limited scope 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 spread at the shorter end of the Corporate Bond yield curve continues to remain at lucrative levels against G-secs. Barring the maturity of USD 5 bn Dollar-Rupee buy-sell swap, 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 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.**

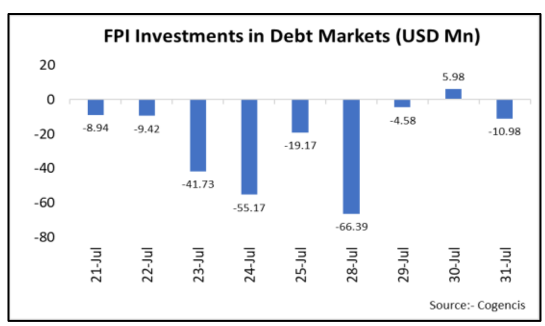












Category Average Returns as on 1 August 2025

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	5.21	5.21	5.21	5.36	5.75	6.04	6.19	6.45	6.35
Liquid Funds	5.66	5.32	5.52	5.87	6.09	6.72	6.86	6.96	7.08	6.89
Floater Funds	11.84	4.45	6.38	5.23	7.10	9.59	8.67	8.68	8.24	7.79
Low Duration Funds	11.46	5.54	6.43	6.66	7.39	8.55	7.94	7.88	7.46	7.13
Money Market Funds	7.30	5.05	6.01	6.90	7.27	8.27	7.86	7.76	7.47	7.18
Ultra Short Duration Funds	8.34	5.32	5.89	6.49	6.76	7.50	7.23	7.22	7.05	6.78
Banking And PSU Funds	19.22	4.41	6.22	3.48	6.62	9.59	8.65	8.63	7.88	7.35
Corporate Bond Funds	17.11	3.79	6.48	3.98	6.97	10.08	9.04	9.01	8.12	7.56
Medium Duration Funds	10.25	2.15	7.43	4.37	6.81	10.16	9.20	9.22	8.24	7.58
Short Duration Funds	12.51	4.00	6.26	4.66	7.13	9.61	8.86	8.70	7.88	7.41
Medium To Long Duration Funds	10.90	-3.64	3.29	-1.57	1.91	8.26	7.70	7.83	7.60	7.24
Long Duration Funds	23.97	-14.17	4.36	-8.57	-5.11	6.41	5.96	7.11	8.35	8.69
Dynamic Bond Funds	16.79	-4.73	3.84	-2.60	0.89	8.20	7.50	7.93	7.85	7.36
Credit Risk Funds	8.10	3.23	6.73	5.80	7.75	13.87	11.55	11.03	9.51	8.56
Gilt Funds / Gilt Funds with 10 year constant duration	16.08	-9.66	2.39	-5.51	-1.75	7.59	7.23	7.74	7.96	7.57
Conservative Hybrid Funds	-65.22	-12.38	-3.64	0.98	5.85	8.70	5.99	5.72	9.55	9.16
Index Funds	3.57	2.37	5.85	4.18	6.88	9.54	8.84	8.78	8.27	7.54
Arbitrage Funds	37.29	8.19	6.62	6.56	5.85	6.52	6.76	6.71	7.14	6.81

* 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	4.93	1.75	9.06	8.78	8.45	7.94
Dynamic Bond Fund	4.33	0.74	8.40	8.19	8.05	7.63
Gilt Funds & Gilt Funds with 10 year constant duration	2.30	-0.10	8.61	8.45	8.43	8.16
Short Duration / Medium Duration	6.75	7.51	9.94	8.98	8.21	7.59
Banking and PSU Funds	6.64	6.73	9.72	8.73	8.04	7.61
Corporate Bond Funds	6.74	6.77	10.05	9.19	8.43	7.94
Ultra Short Duration Funds /Low Duration / Floater Funds	6.41	7.40	8.25	7.86	7.61	7.39
Money Market Funds	6.18	7.46	8.57	8.06	7.77	7.49
Liquid Funds & Overnight Funds	5.55	6.17	6.84	7.05	7.17	6.99
Arbitrage Funds	6.93	6.24	6.89	7.04	7.45	7.19

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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