

**Domestic Equity Market Update**

- Indian equities ended the week on a positive note, with the large cap-oriented BSE Sensex ending higher by 0.88% & Nifty 50 ending higher by 0.97% WoW respectively. The BSE Midcap index ended higher by 2.03% and the BSE Small cap index ended higher by 2.34%.
- On the BSE sectoral front, indices ended on a mixed note. Auto, Telecom and Realty were the biggest outperformers.
- Domestic equity markets ended the week on a positive on optimism over GST reforms, easing oil concerns, progress in peace talks in Europe, and the S&P rating upgrade. However, some investors were cautious ahead of US Federal Reserve Chair Jerome Powell's speech, new US tariff deadlines and persistent foreign fund outflows.

Global Market Updates

- US equity markets ended the week on a mixed note, led by a sharp sell-off in technology stocks. However, losses were limited following Federal Reserve Chair's highly anticipated speech at the Jackson Hole Economic Symposium. While Fed Chair only briefly addressed the outlook for monetary policy, his remarks boosted investor confidence that the Fed may lower
- European equity markets ended on a positive note amid optimism over a potential peace deal between Russia and Ukraine. The positive sentiment was driven by diplomatic progress involving leaders from the U.S. and Europe. Gains were broad-based across Germany, France, Switzerland, and the U.K., with notable strength in the technology, industrial, and consumer sectors
- Brent oil prices rose from USD 65.59 per barrel to USD 67.27 due to a fall in US crude oil inventories and as investors awaited the progress of the peace talks in Europe.

Macro Data & Domestic News Released During the Week

- Flash survey results from S&P Global showed that the HSBC flash composite output index rose to 65.2 in August 2025 from 61.1 in July 2025. India's private sector activity expanded at the fastest pace on record amid sharp growth in new orders.
- As per quick estimates released by the Ministry of Commerce and Industry, India's merchandise trade deficit widened to an eight-month high of USD 27.35 bn as imports picked up 8.6% YoY.
- According to NSO data, India's unemployment rate in Q1 FY26 stood at 5.4%, showed the first ever quarterly Periodic Labour Force Survey (PLFS).
- According to the latest CAG report, the Central Government's Debt-to-Gross Domestic Product (GDP) ratio eased between FY22 and FY24 but its interest payments increased during this period.
- As per RBI's annual survey of foreign assets and liabilities of mutual funds, Indian mutual funds' overseas assets dropped 5.6% YoY to USD 8.3 bn in FY25.
- According to ICRA, the Indian economy is expected to grow at 6.7% YoY in Q1 FY26, higher than 6.5% YoY growth registered in Q1 FY25.
- As per data released by the Ministry of Commerce and Industry, output growth in India's eight core infrastructure industries fell to a two-month low of 2% YoY in July 2025
- According to a Deloitte-FICCI report, the Indian retail sector is projected to nearly double to USD 1.93 trillion by 2030 from USD 1.06 trillion in 2024, growing at a CAGR of 10%.

Outlook

Going forward, the Indian equity market is likely to be driven by any moves around India-US trade deals, movement in the US Dollar index, improvement in consumption demand post the proposed GST slab rationalisation, 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. There is still expectation of better trade deals that can come about in due course. The proposed GST rate rationalisation may support sectors that could be adversely impacted due to tariffs and act as a tailwind to the overall domestic consumption going ahead. The Fed Chair's remarks at the Jackson Hole Symposium hinted at the possibility of a softening in their stance which could improve liquidity in the US markets, bring the dollar index down, which, in turn, could direct flows towards Emerging Markets.

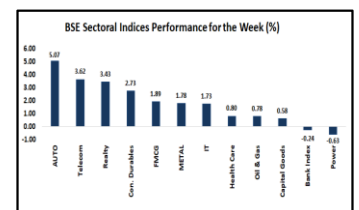
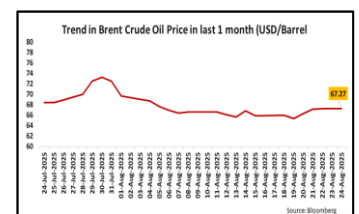
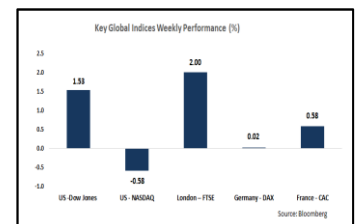
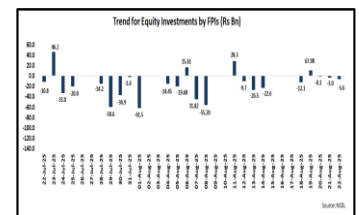
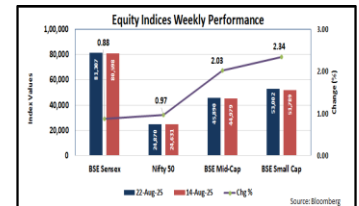
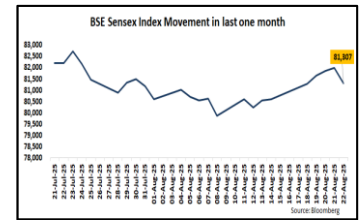
Quarterly earnings for Q1 FY26, have been mostly in line with expectations, but expectations too had been toned down. Notably, small caps have been a laggard. There is a possibility that consumers could postpone their spending in anticipation of lower prices due to GST cuts, which could dent the Q2 FY26 earnings. 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.

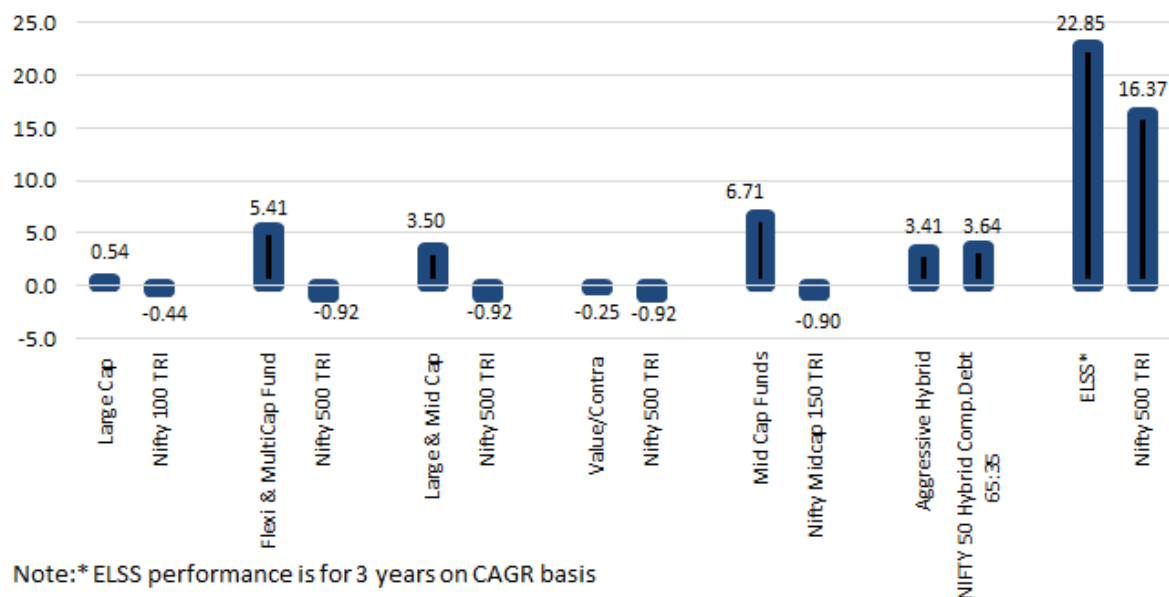
With rich valuations, incoming US tariff related weakness and continued weakness in the urban demand, the Indian equity markets seem to be in consolidation mode post the recent up-move. Consumption which forms the largest part of the GDP, is likely to get boost once the new GST slabs come about. Strong 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 %)



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	-0.35	10.09	0.54	18.22	17.80	20.49
Flexi Cap Funds	0.24	14.43	5.41	25.64	22.28	23.35
Multi Cap Funds	1.88	14.32	-0.84	20.87	23.47	29.14
Large & Mid Cap Funds	-0.54	14.48	3.50	25.39	23.66	24.96
Mid Cap Funds	-0.39	17.58	6.71	29.47	28.27	30.11
Small Cap Funds	-3.82	14.24	-4.69	22.33	25.65	30.71
Value/Contra Funds	-1.22	11.04	-0.25	21.76	22.59	26.38
Focused Funds	0.04	11.69	2.18	21.75	20.76	24.94
Aggressive Hybrid Funds	-0.51	8.82	3.41	17.45	16.97	19.54
Dynamic Asset Allocation Funds	-0.13	7.55	3.86	15.51	15.02	16.61
Equity Linked Saving Schemes	-1.96	11.59	0.25	23.87	22.85	24.26
Business Cycle Funds	0.78	15.16	7.02	24.65	22.60	--
Nifty 50 Index TRI	-0.53	10.01	1.48	14.59	13.73	18.35
Nifty 500 TRI	-1.20	11.86	-0.92	17.73	16.37	20.76
Nifty Infrastructure TRI	-0.20	14.29	-0.87	23.92	22.94	24.18

Note: Data as on August 22, 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>)

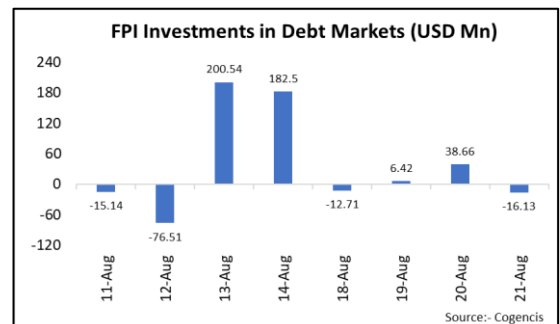
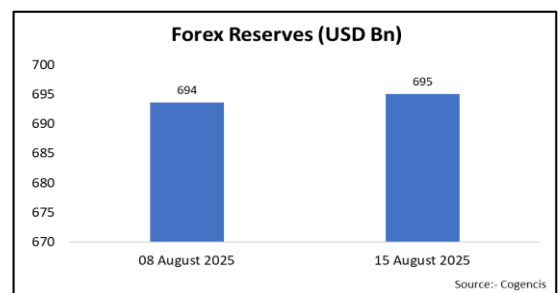
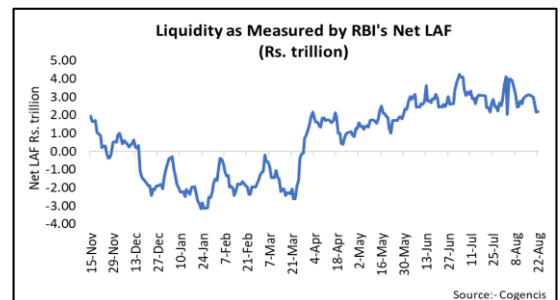
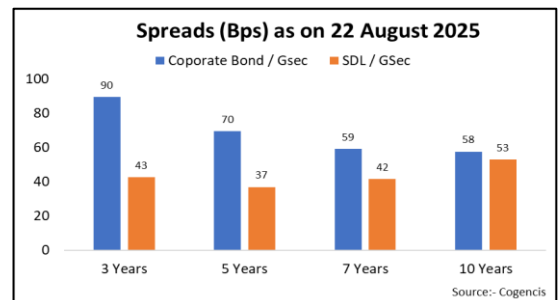
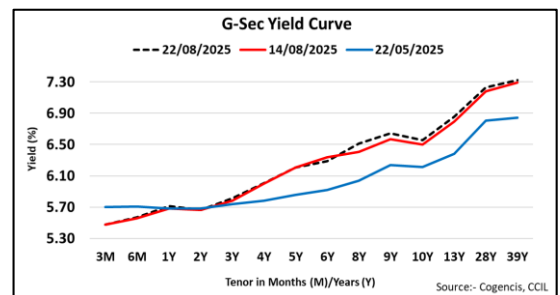
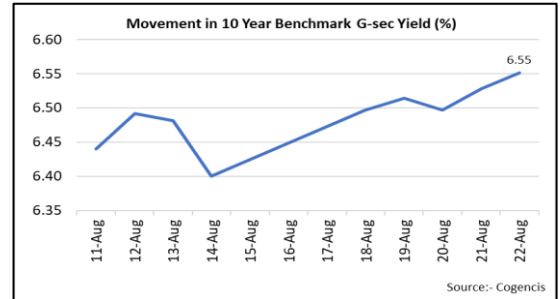
Weekly Overview - Fixed Income Markets & Mutual Funds for week ended 22 August 2025

- Domestic G-Sec prices closed the week ended 22nd August 2025 on a negative note wherein the yield on the 10-year benchmark, the 6.33% G-Sec 2035 bond, closed higher by 15 bps at 6.55% as against its previous weekly close of 6.40% on 14th August 2025.
- In case of AAA rated corporate bonds, yields in the less than one-year segment were mixed in the range of (-) 21 bps to 7 bps on a WoW basis. In case of the greater than one-year segment, yields rose up to 22 bps on a WoW basis.
- Movement in G-sec yields :-**
 - Indian G-sec yields rose after the Indian Prime Minister announced sweeping changes to the Goods and Services Tax (GST) regime, reigniting fiscal concerns and heightening fears of increased debt supply.
 - The total G-sec supply for the week stood at Rs 536 bn (SDLs + G-secs). In this, the G-secs' auction was to the tune of Rs 360 bn and the maturities were in the range of 3-10 years. The yield for 10-year G-sec came in at 6.56%. The SDLs' auction was to the tune of Rs 176 bn and the maturities were in the range of 6-31 years. The average cut off yield for 10-year SDL was 7.13% there were no 10 year SDL last week. The G-secs' auction was for the following: 5.91% GS 2028 and 6.33% GS 2035.
 - 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 2.61 trillion during the week as against a daily average surplus of ~Rs 2.83 trillion during the previous week.
- Macro Data released during the week :-**
 - According to the latest CAG report, the Central Government's interest outgo, as percentage of its revenue receipts, increased to 35.72% in FY24 from 35.35% in FY23 and 33.99% in FY22.
 - According to NSO data, India's unemployment rate in Q1 FY26 stood at 5.4%, showed the first ever quarterly Periodic Labour Force Survey (PLFS). Unemployment rate dropped to 5.2% in July 2025 from 5.6% in June 2025.
 - According to RBI data, India's forex reserves rose by USD 1.48 bn to USD 695.10 bn for the week ending August 15, 2025. Foreign Currency Assets, a major component of the reserves, increased by USD 1.92 bn to USD 585.90 bn and gold reserves were down by USD 2.16 bn to USD 86.16 bn.
- Other macro-economic news :-**
 - According to ICRA, the Indian economy is expected to grow at 6.7% YoY in Q1 FY26, higher than 6.5% YoY growth registered in Q1 FY25, on the back of higher government capex and exports. This projection outpaces the RBI's Monetary Policy Committee's (MPC's) forecast of 6.5% YoY growth in Q1 FY26.
 - As per RBI data, the Real Effective Exchange Rate (REER) of the Rupee continued to ease, dropping to 100.36 in June 2025 from 101.12 in May 2025, indicating that the rupee has weakened in value relative to a basket of trading partner currencies.
 - A meeting of the Group of Ministers (GoM) on GST rate rationalisation agreed to the Centre's proposal to restructure the indirect tax system to replace the current four-rate structure of 5%, 12%, 18%, and 28% with two rates — 5% and 18%. A higher 40% levy will remain on a small list of sin goods.
- Global Updates :-**
 - S&P Global maintained its 'AA+' credit rating for the US as the increase in revenue from higher tariffs is expected to offset weaker fiscal outcomes. The outlook on the ratings remained stable.
 - As per final data from Eurostat, Eurozone inflation remained unchanged in July 2025, in line with the European Central Bank's 2% target, as the Harmonized Index of Consumer Prices rose 2.0% YoY in July 2025, the same as seen in June 2025. Core inflation also remained stable at 2.3% YoY in July 2025.
 - The People's Bank of China left its one-year loan prime rate unchanged at 3.0%. Similarly, the five-year LPR, the benchmark for mortgage rates, was retained at 3.50%.

Outlook :-

The liquidity condition, as measured by RBI's net LAF, continued to weaken over the previous week, but remained substantially in surplus. RBI conducted further Variable Rate Reverse Repo (VRRR) auctions cumulatively worth Rs 1.5 trillion to absorb excess liquidity and align call money rate with the Repo rate. The RBI had 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%. Retail inflation in India eased further as the Consumer Price Index (CPI) fell to 1.55% YoY in July 2025 from 2.10% YoY in June 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 the Indian debt market as borrowing costs may go down, and it will also strengthen India's case for inclusion in more global debt indices. **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 development around changes in 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, Fed Chair Jerome Powell gave subtle hints towards rate cuts in his Jackson Hole Speech.** Going forward, developments around Bi-lateral Trade Agreement with the US and US policy decisions are expected to remain key driving factors for market sentiments and capital flows.

The high 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 or consider Dynamic Bond Funds and Gilt Funds for tactical opportunity. 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 22 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	5.26	5.26	5.25	5.22	5.28	5.64	5.97	6.12	6.41	6.35
Liquid Funds	5.36	5.58	5.44	5.63	5.86	6.54	6.74	6.88	7.06	6.90
Floater Funds	-3.50	-0.29	0.95	4.41	4.00	8.73	8.18	8.07	8.02	7.65
Low Duration Funds	1.43	5.15	4.56	5.85	6.11	8.22	7.76	7.73	7.42	7.09
Money Market Funds	5.49	5.96	5.24	6.04	6.65	8.05	7.73	7.67	7.45	7.18
Ultra Short Duration Funds	4.66	5.79	5.15	5.83	6.23	7.29	7.12	7.13	7.03	6.78
Banking And PSU Funds	-0.75	-0.93	-0.69	3.38	2.46	8.67	8.13	7.99	7.75	7.14
Corporate Bond Funds	-3.77	-2.39	-1.09	3.55	2.65	9.04	8.42	8.29	7.95	7.35
Medium Duration Funds	-4.43	-4.44	-2.19	4.11	2.69	8.81	8.66	8.44	8.07	7.37
Short Duration Funds	-4.19	-0.02	0.32	4.09	3.53	8.80	8.28	8.14	7.76	7.26
Medium To Long Duration Funds	-14.89	-17.87	-12.78	-2.05	-4.23	6.20	6.43	6.09	7.12	6.76
Long Duration Funds	-25.61	-38.43	-31.41	-7.67	-13.55	2.84	3.73	3.74	7.29	7.73
Dynamic Bond Funds	-13.33	-18.44	-14.15	-1.92	-5.07	6.29	6.35	6.08	7.32	6.89
Credit Risk Funds	7.30	4.35	2.55	5.79	5.41	12.79	11.43	10.65	9.45	8.46
Gilt Funds / Gilt Funds with 10 year constant duration	-23.35	-34.02	-24.31	-5.82	-9.63	4.60	5.36	5.16	7.12	6.87
Conservative Hybrid Funds	-45.62	6.03	-7.12	1.41	1.56	10.15	6.18	5.14	9.57	8.96
Index Funds	-3.79	-4.28	-0.53	3.16	3.17	8.52	8.28	7.95	8.10	7.35
Arbitrage Funds	6.75	4.18	5.57	5.24	5.99	6.17	6.33	6.53	6.99	6.77

* 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	-18.36	-5.85	6.17	6.62	7.77	7.30
Dynamic Bond Fund	-16.11	-5.74	6.38	5.98	7.49	7.07
Gilt Funds & Gilt Funds with 10 year constant duration	-20.02	-7.24	5.84	6.12	7.67	7.53
Short Duration / Medium Duration	-0.03	3.63	8.99	8.36	8.06	7.42
Banking and PSU Funds	-0.94	2.30	8.63	8.03	7.85	7.40
Corporate Bond Funds	-2.33	1.88	8.74	8.31	8.18	7.68
Ultra Short Duration Funds /Low Duration / Floater Funds	5.21	6.55	7.98	7.74	7.58	7.36
Money Market Funds	5.41	6.83	8.35	7.96	7.75	7.49
Liquid Funds & Overnight Funds	5.46	5.94	6.65	6.97	7.15	6.99
Arbitrage Funds	5.81	6.30	6.55	6.86	7.31	7.14

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.