



2025

Quarterly Market Outlook

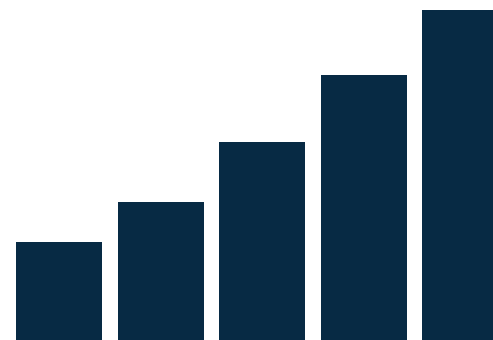
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Equity Markets between April to June 2025



The Q2 CY 2025-26 witnessed recovery and rally in equity markets post heavy correction in the first quarter. The period from Oct'24 to Mar'25 witnessed ~17% fall in Nifty 50, however, within a span of 3 months, equities rebound by ~16% inching towards it's all-time-high.

Equity markets exhibited remarkable resilience despite facing extreme volatility due to escalating geopolitical tensions, tariff uncertainties and fluctuating oil prices.

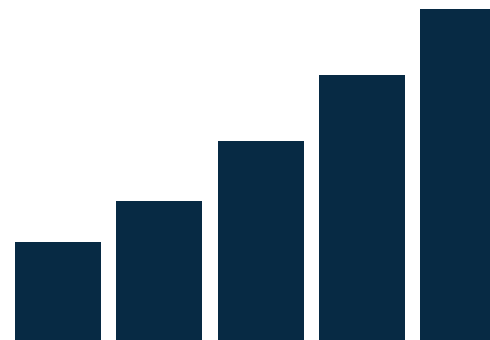
Reserve Bank of India's prioritization towards growth was visible through consecutive rate cut announcements leading to infusion of ample liquidity into the banking system. A renowned optimism shown by DIIs and FIIs post rate cut announcement led to rally in Indian Equity Markets.



Reasons for Market Rally

GLOBAL FACTORS

- **Cautious stance by US-FED** – US Federal Reserve kept interest rates steady as tariff uncertainties led to fears of possible rise in inflation and growth slowdown.
- **Outflow from US Bonds and Treasuries** – Concerns over mounting US Debt burden and fiscal sustainability amidst cautious stance by Federal Reserve led to an exodus of investors from US bonds and treasuries.
- **Higher Treasury yields and weakening of dollar** – As investors exited from US bond markets, US Treasury yields started rising leading to global investors further shifting out of the USA to emerging markets resulting in weakening of dollar.
- **Softening Crude Oil Prices** – Crude Oil prices fluctuated amidst Middle East tensions and tariff uncertainties during the quarter. An unexpected ceasefire announcement led to a sharp fall in oil prices leading to a rally in global markets.
- **Easing Geopolitical Tensions** – The quarter was marked by heightened geopolitical escalations and cross border conflicts however unexpected ceasefire announcements led to easing of tensions and stability which in turn instilled a sense of optimism amongst global investors.



Reasons for Market Rally.

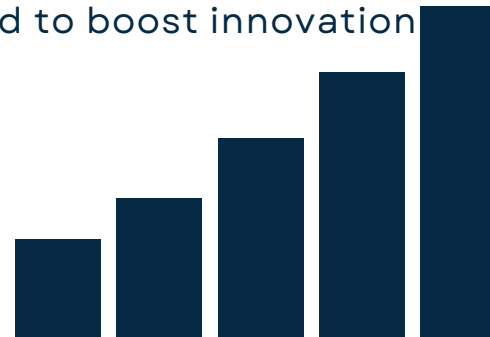
DOMESTIC FACTORS

- **RBI Monetary Easing** – Reserve Bank of India continued with their dovish stance announcing 25-bps rate cut in April followed by a surprise 50 bps cut in June and a 100-bps cut in Cash Reserve ratio (CRR), infusing liquidity of Rs. 2.5 lakh crore into the banking system.
- **Renewed FII flows** – The quarter witnessed a comeback by Foreign Institutional Investors who turned net buyers in May and June mainly due to easing geopolitical tensions, cautious approach by US-Fed, monetary easing by RBI and reasonable valuations in equity at that point in time.
- **Robust DII Participation** – Domestic Institutional Investors reinforced optimism due to easing liquidity measures leading to continuous buying streak into Indian Equities.
- **Stable Rupee** – Falling oil prices and weakening of US dollar led to Rupee being stable which further helped reinforce confidence into Indian Equities.



How is India's economy poised?

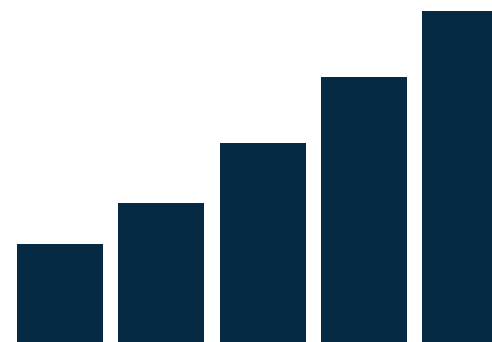
- **Consumption Boost:** Measures from RBI, lowering of income tax slabs, and handsome increase of salaries to government employees 8th pay commission should boost liquidity and could help consumption sector the most.
- **Monthly Savings in Equities:** Sense of optimism seen amongst domestic investors with respect to India's growth is reflected in increased monthly SIP inflows.
- **Easing Inflation:** India's Inflation is now under RBI's target range of 2%, this could lead to rates remaining steady for a considerable future.
- **GDP Forecast:** As per Govt's estimates, India's GDP for FY 25-26 is expected to be in excess of 6.5%, standing out as the fastest growing major economy in the world.
- **Tariff Impact:** India is expected to be relatively better placed in terms of tariffs negotiations compared to many other emerging economies.
- **China + 1 Strategy:** India stands to benefit from China + 1 strategy in industries such as Manufacturing, Textiles, Pharmaceuticals, Chemicals and Specialty Chemicals, Logistics & Infrastructure.
- **Defence Exports:** India emerged as a surprise in defence capability during Operation Sindoor. The government's push to involve the private sector alongside public firms is expected to boost innovation and drive future defence exports.





Possible Headwinds

- **Tariff deal between US and India:** A not-so positive outcome or delay in talks with the US Govt. on tariff deal may impact sentiments and export prospects in select industries.
- **US Federal Reserve Policy:** Global liquidity could tighten if US-FED delays rate cuts due to persistent inflation and other factors.
- **Geopolitical escalations:** Further escalations in ongoing conflicts will likely trigger volatility in global equity markets.
- **Oil Prices:** Oil price hikes due to geopolitical tensions or OPEC+ output cuts could lead to inflationary pressures. This may impact the rate cut story in India and other leading economies.
- **Foreign Inflows:** Strengthening of US Dollar or spike in US Bond yields could lead to some amount of pull-back from FIIs from emerging markets.



Our Strategy.

DEBT

Investing in Corporate Bonds and Short-term Debt schemes could be more favorable as the rate cut cycle seems to have played out.

Shift from Long duration to Short - Post latest round of rate cuts from the Reserve Bank of India, we prefer Mutual Fund schemes with shorter average duration, around 3-to-5-year average instead of long duration debt schemes, 7-10-year average maturity.

Corporate Bonds - We believe inclusion of high rated Corporate Bonds with maturity of 2-3-year period should help in keeping debt returns higher instead of investing in simple Fixed Deposits. However, Corporate Bonds offer limited liquidity and hence, asset allocation should be the key.

EQUITY

Initial investments through Debt Mutual Fund schemes and gradually moving to Equity through the STP route seem to be a safer bet.

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