MONTHLY MARKET REVIEW

July 2025

“In the short run, the market is a voting machine. In the long run, it is a weighing machine.”
- Benjamin Graham

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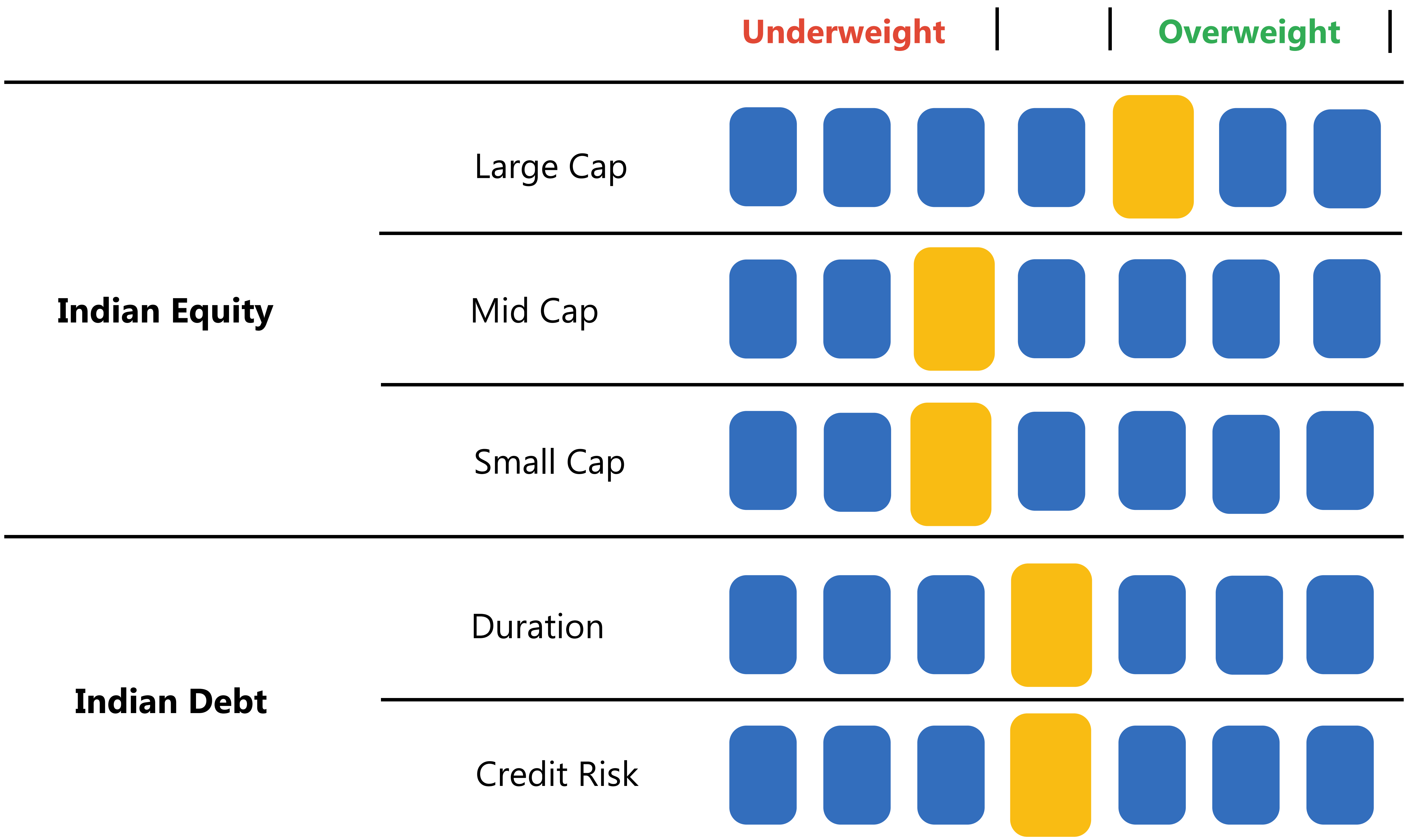
Snapshot

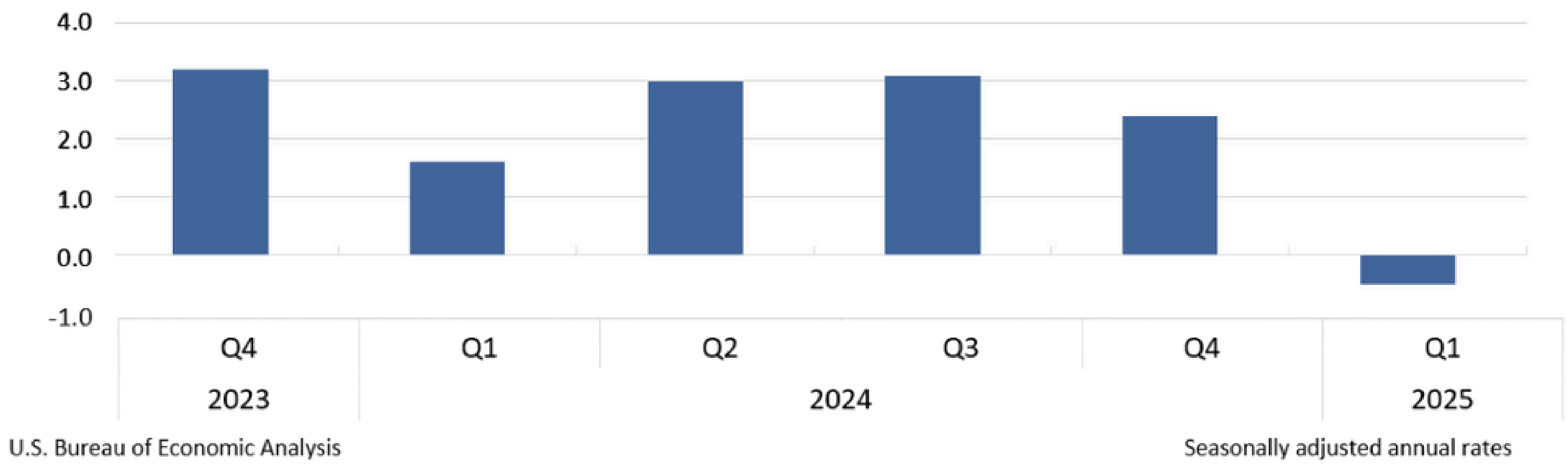
- **Asset Class Views:** Large cap equity overweight maintained and duration call adjusted to nuetral in debt.
- **Indian Equities:** Nifty ended the month with gains, RBI liqudity measures supported buoyancy but global volatility like Iran x Isreal and Air India flight crash added to downside volatility.
- **Indian Equity Market (Sectoral):** Infra, IT, and realty led supported by RBI liquidity measures; FMCG lagged on weak demand and raw material cost pressure.
- **Indian Equity Market (Valuation):** Broader markets trade below long-term averages, with pockets of valuation comfort in private banks and financial services.
- **Indian Debt Markets:** RBI's rate cut spurs volatility; yield curve steepens amid geopolitical risk and liquidity shifts.
- **India Macro:** Inflation at 6-year low, services PMI hits 10-month high; but industrial growth slows and FY26 GDP outlook trimmed.
- **US Equities:** AI-led tech rally pushes Nasdaq higher; markets digest mixed macro signals and Middle East tensions.
- **US Macro:** GDP contracts in Q1; inflation sticky, trade gap widens, policy uncertainty weighs.
- **US Debt & Commodities:** Yields fall on dovish Fed signals; gold tracks risk sentiment, oil reacts to geopolitical swings.
- **Global Equities:** Ceasefire lifts late-month sentiment; ECB easing and Asia tariff reprieves aid recovery across regions.

Asset Class Views



Silence of the markets

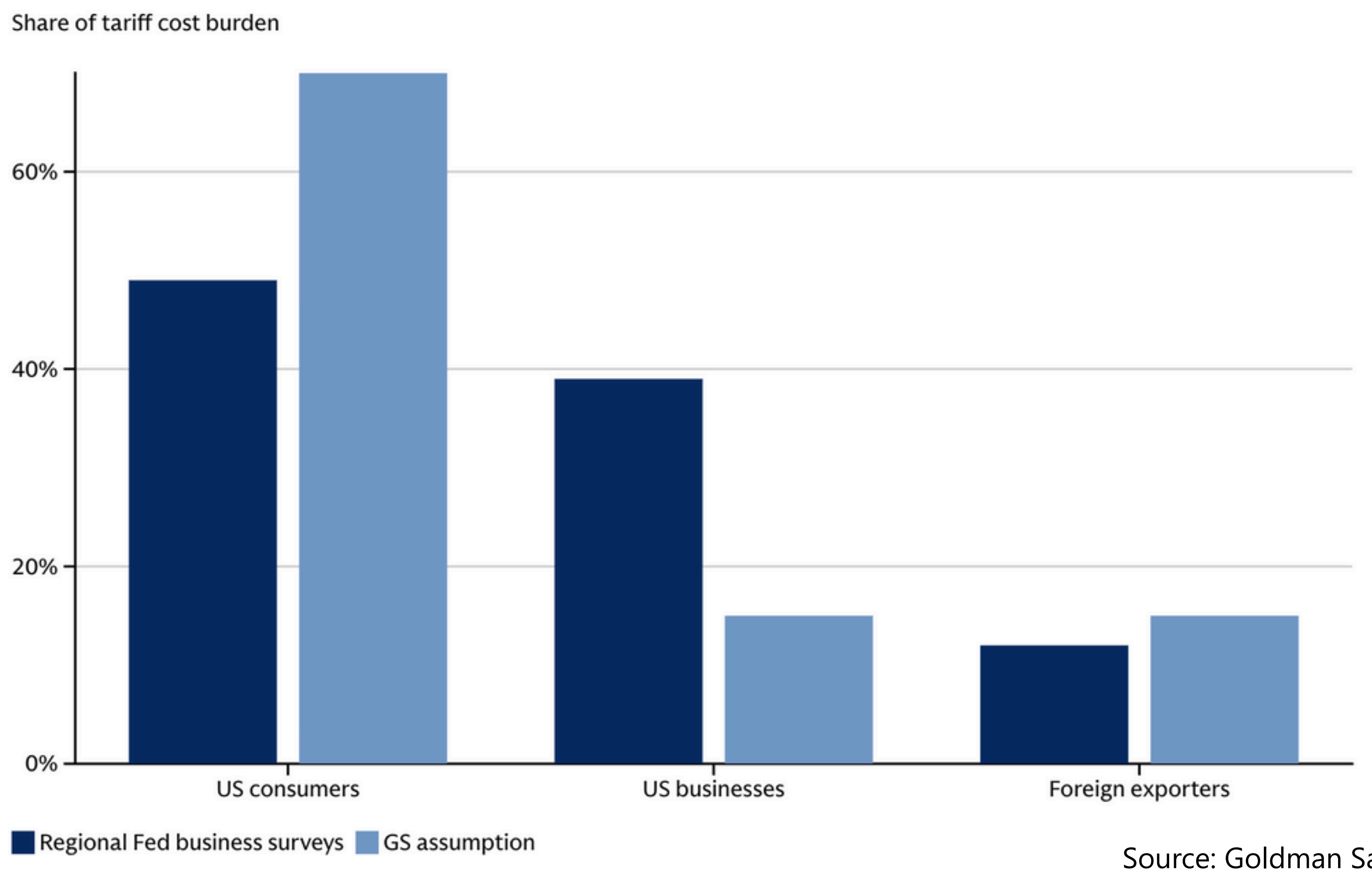
US Real GDP Change From Preceding Quarter



Observations on the markets:

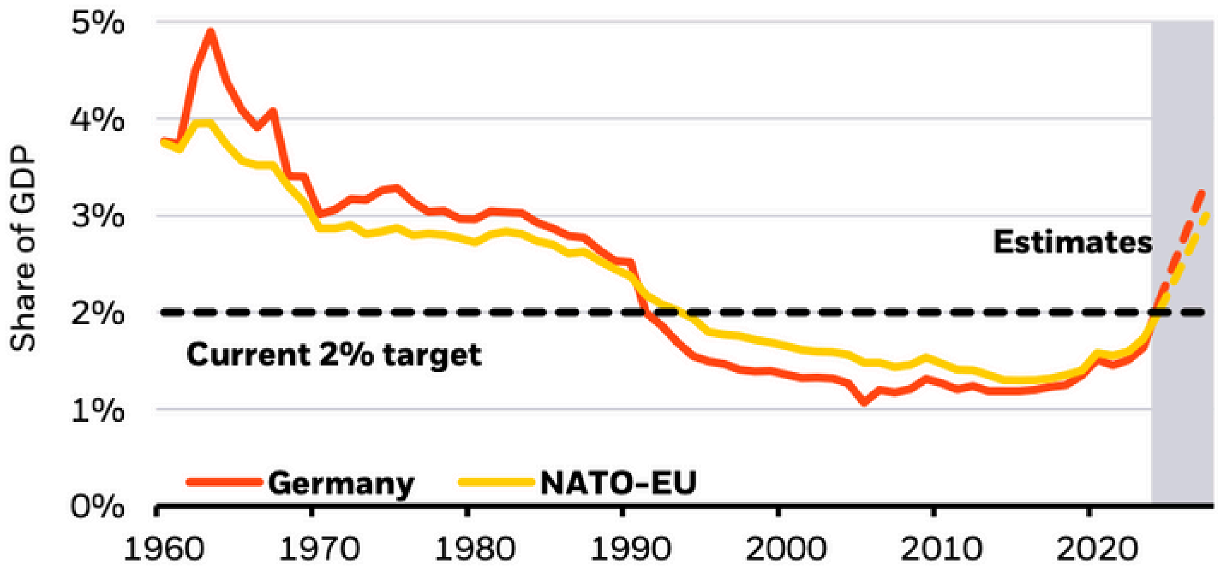
- Slowing US growth hasn't shaken equities, which remain near highs despite softening GDP and higher inflation.
- Tariff risks are resurfacing, yet markets seem unbothered by the potential global trade disruption.
- Europe's rising defence spend signals long-term geopolitical adjustment, with fiscal consequences down the line.
- Policy impacts are delayed, masking near-term market reactions while risks quietly build under the surface.
- No single shock dominates, but multiple unresolved threats are stacking up across trade, war, and policy.
- Investors appear numb or overwhelmed, showing little urgency despite clear signs of macro deterioration.
- Asset classes are sending mixed messages, with equities staying upbeat and bonds quietly pricing in risk.

Tarrif Burden split estimates



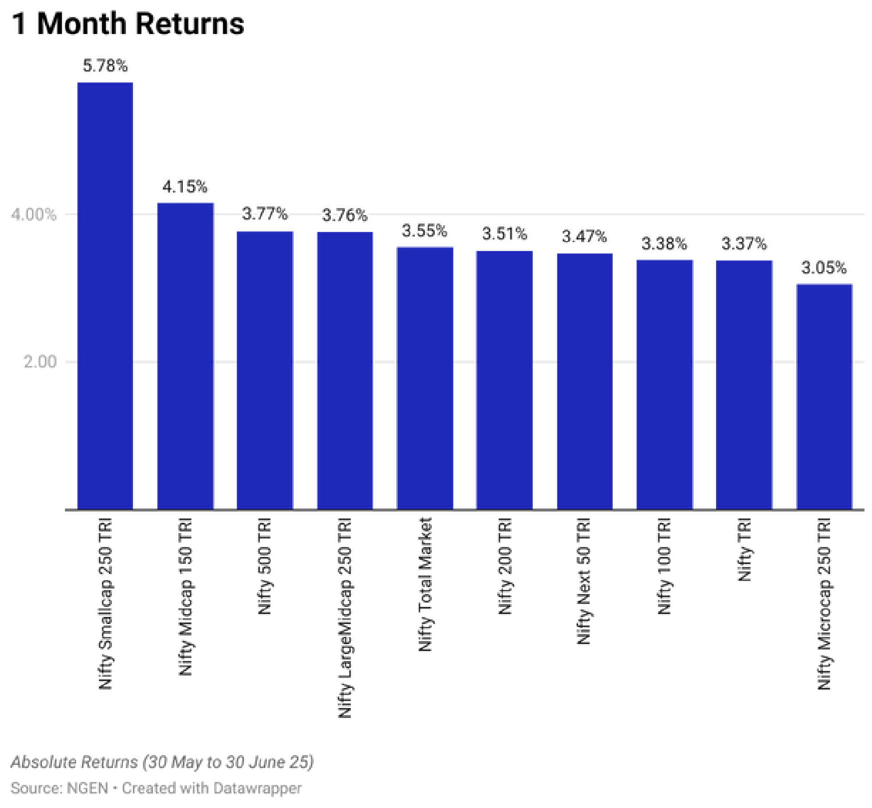
Source: Goldman Sachs

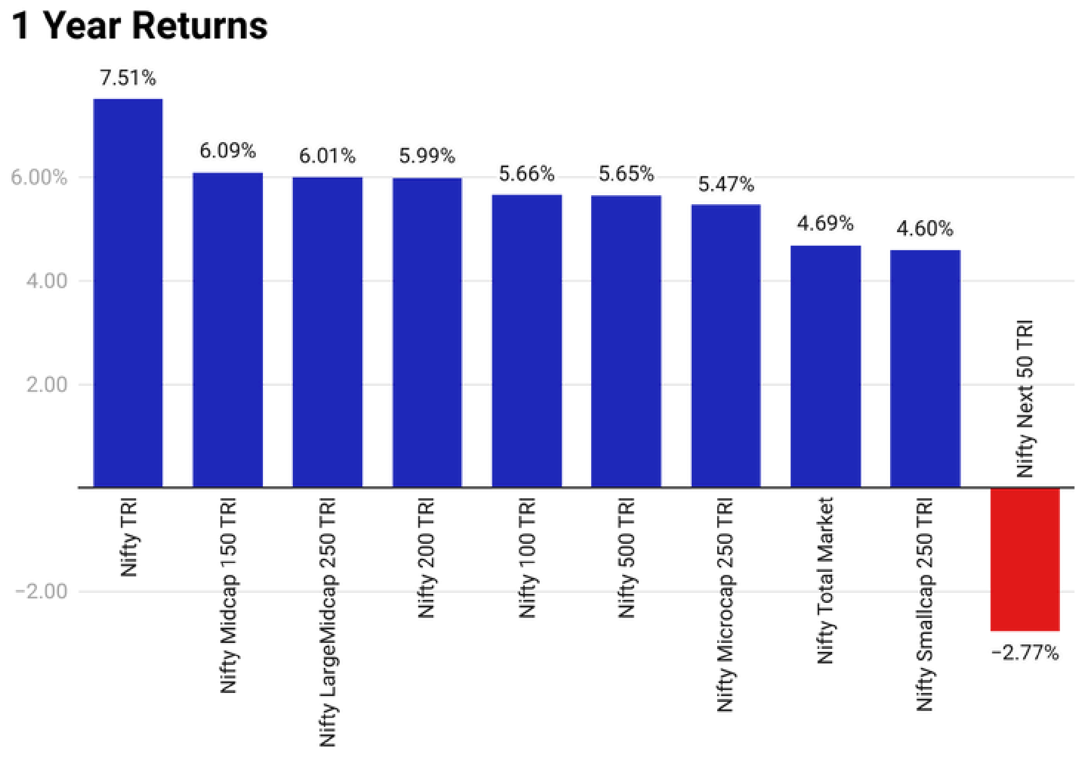
Spending on defence as a share of GDP (EU)

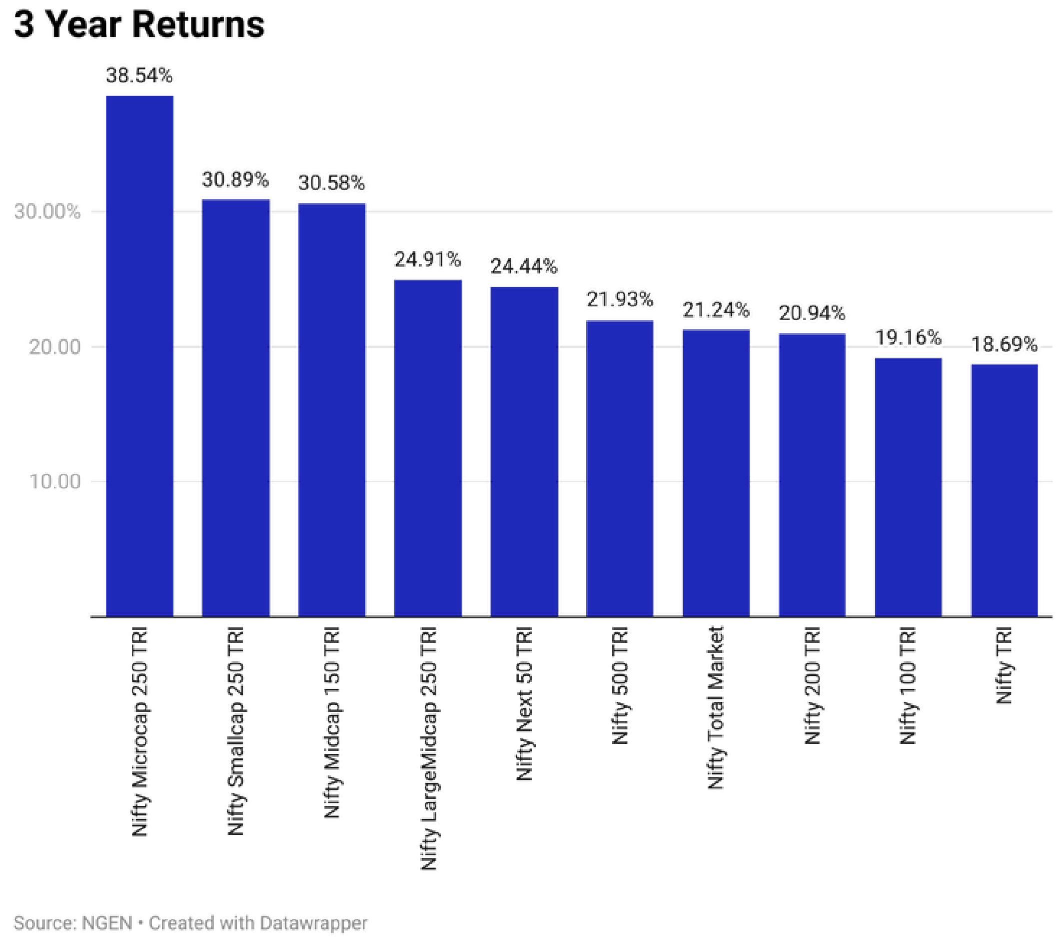


Source: Blackstone

Indian - Equity Market



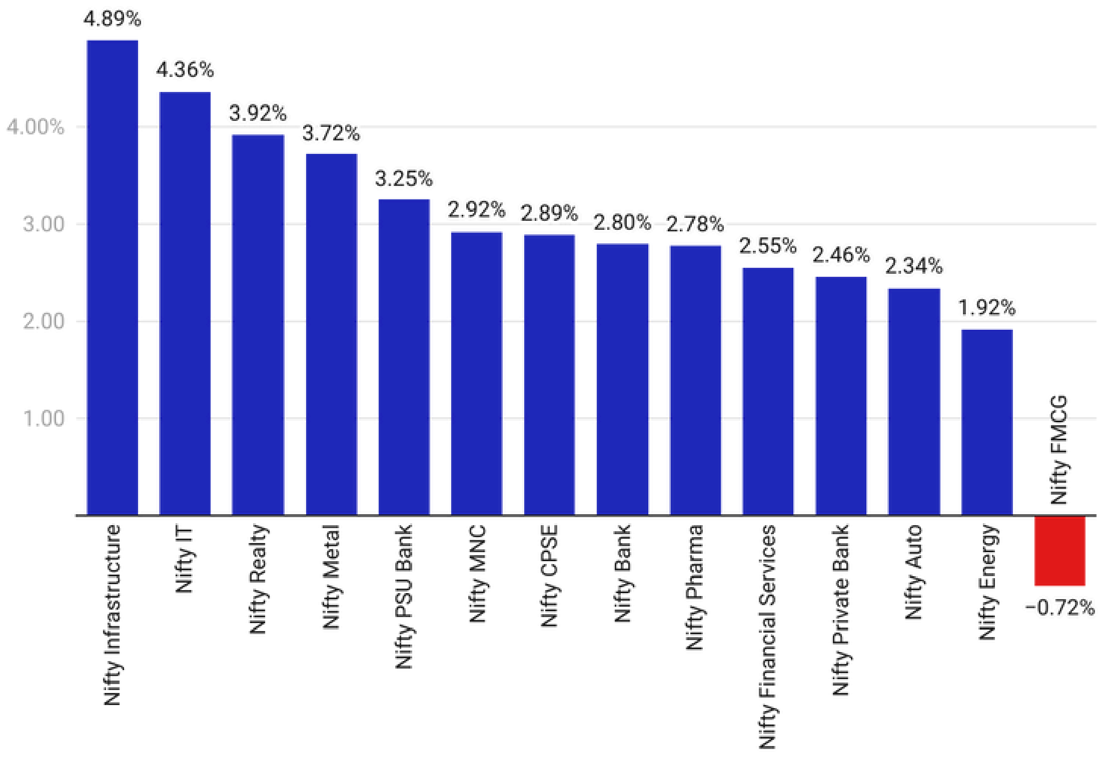




- Despite global volatility, Indian markets ended strong with Nifty 50 posting solid gains, while Smallcaps led the charge.
- The RBI surprised with a sharp rate and CRR cut, injecting fresh liquidity and signaling a more balanced stance.
- Mid-month turbulence emerged as the Iran-Israel conflict shook global sentiment. Fears over trade routes and input costs weighed on markets.
- Inflation hit a six-year low, but external shocks overshadowed domestic positives. A plane crash in Ahmedabad added to investor caution.
- FIIs returned mid-month, reviving sentiment and driving recovery.
- Markets rallied after the ceasefire, rupee strengthened, and crude prices eased. Some profit booking was seen on June 30.

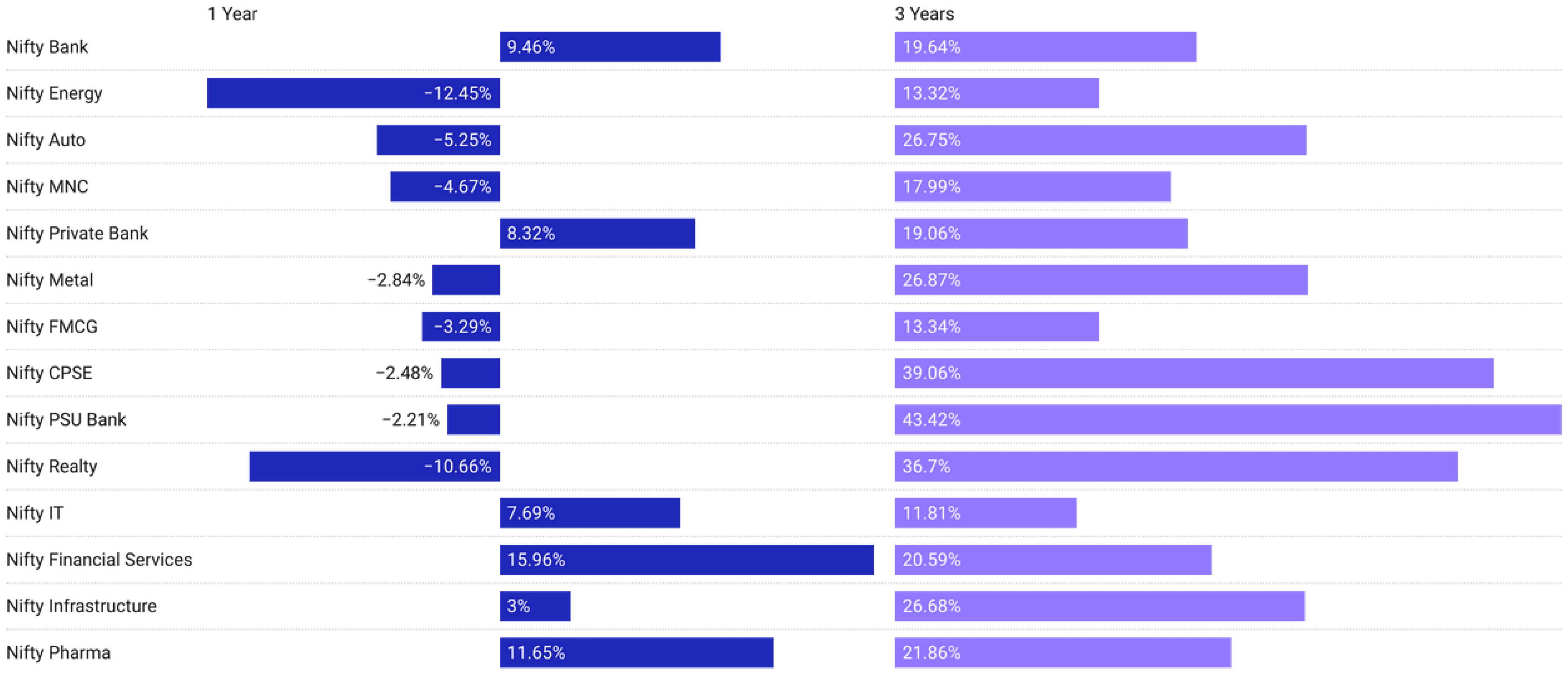
Indian - Equity Market (Sectoral)

1 Month Returns



Source: NGEN • Created with Datawrapper

Sectoral Indices



Source: NGEN, • Created with Datawrapper

- Infrastructure: Led gains early, fueled by the RBI's liquidity boost (rate & CRR cuts) and government efforts to ease lending norms for under-construction projects.
- IT / Tech: Surged on positive global cues: US–China trade hopes, a stable US dollar, and renewed FII interest.
- Realty: Gained sharply, benefiting from lower interest rates and abundant liquidity from RBI’s surprising policy easing.
- Metals & PSU Banks: Metals rallied on a weak dollar and supportive company commentary; PSU Banks saw inflows as FPIs favored financials amid attractive valuations and RBI stimulus.
- Financial Services & Private Banks: Strong FII interest in financials eased sector valuations; private banks benefited from revival in credit growth outlook.
- Energy & Auto: The Energy sector responded positively to the post-ceasefire crude price decline, while Auto saw modest gains on improving domestic demand.
- FMCG: The only sector to close lower. Under pressure from margin erosion (raw material inflation in palm oil, milk), weak urban demand aggravated by early monsoon, and significant FII sell-offs.

Indian Equity Market (Valuation)

Valuation - Broader Market Indices

	Current PE	5 Year Average PE	Current P/B	5 Year Average PB
Nifty Next 50	22.03	26.85	3.95	4.35
Nifty 100	22.76	25.23	3.73	4.07
Nifty 50	22.91	24.79	3.99	3.69
Nifty 200	24.09	26.45	3.9	3.97
Nifty Microcap 250	24.46	32.71	3.41	2.6
Nifty Total Market (750)	25.23	24.1	3.97	3.98
Nifty 500	25.26	26.96	4	3.97
Nifty LargeMidcap 250	27.65	31.32	4.39	3.94
Nifty Smallcap 250	33.67	29.15	4.2	3.39
Nifty Midcap 150	35.19	51.38	5.33	3.92

Data taken on 3rd July

Source: https://trendlyne.com/ • Created with Datawrapper

Valuation - Sectoral Indices

	Current PE	5 Year Average PE	Current P/B	5 Year Average PB
Nifty PSU Bank	7.3	13.84	1.19	1.01
Nifty Bank	15.11	19.18	2.35	2.63
Nifty Energy	16.16	13.61	2.56	2.14
Nifty Financial Services	17.79	20.55	3.05	3.48
Nifty Pvt. Bank	17.96	21.09	2.51	2.69
Nifty Metal	19.71	17.37	2.71	2.15
Nifty Infra	24.52	25.99	3.37	2.89
Nifty Auto	24.94	79.46	4.72	4.89
Nifty IT	28.76	29.65	7.59	8.43
Nifty Manufacturing	29.3	25.14	4.52	4.25
Nifty Pharma	31.72	33.96	5.38	4.95
Nifty Healthcare	37.68	37.31	6.18	5.36
Nifty FMCG	41.09	42.53	10.14	10.61
Nifty Consumption	41.52	69.93	8.94	8.07
Nifty Capital Markets	47.55	41.64	14.49	13.44
Nifty Defense	61.6	36.52	15.47	8.49

Data taken on 3rd July

Source: https://trendlyne.com/ • Created with Datawrapper

- Most major indices are trading below their 5-year average P/E, offering selective buying opportunities.
- Small-cap valuations are still elevated due to strong flows and performance.
- Private Banks & Financial Services appear reasonably priced, benefitting from strong liquidity injected by RBI rate & CRR cuts, yet not yet at inflated valuation levels.
- Infrastructure valuations remain balanced due to supportive policy dynamics: RBI liquidity and Moody's-noted lending guidelines aimed to revitalize sector credit.
- FMCG is among the most richly valued sectors but analysts remain upbeat: rural demand is rebounding, input costs have moderated, and margin outlook is improving.
- IT and Healthcare are richly valued but supported by solid global demand, export-led earnings, and stable diversification value .

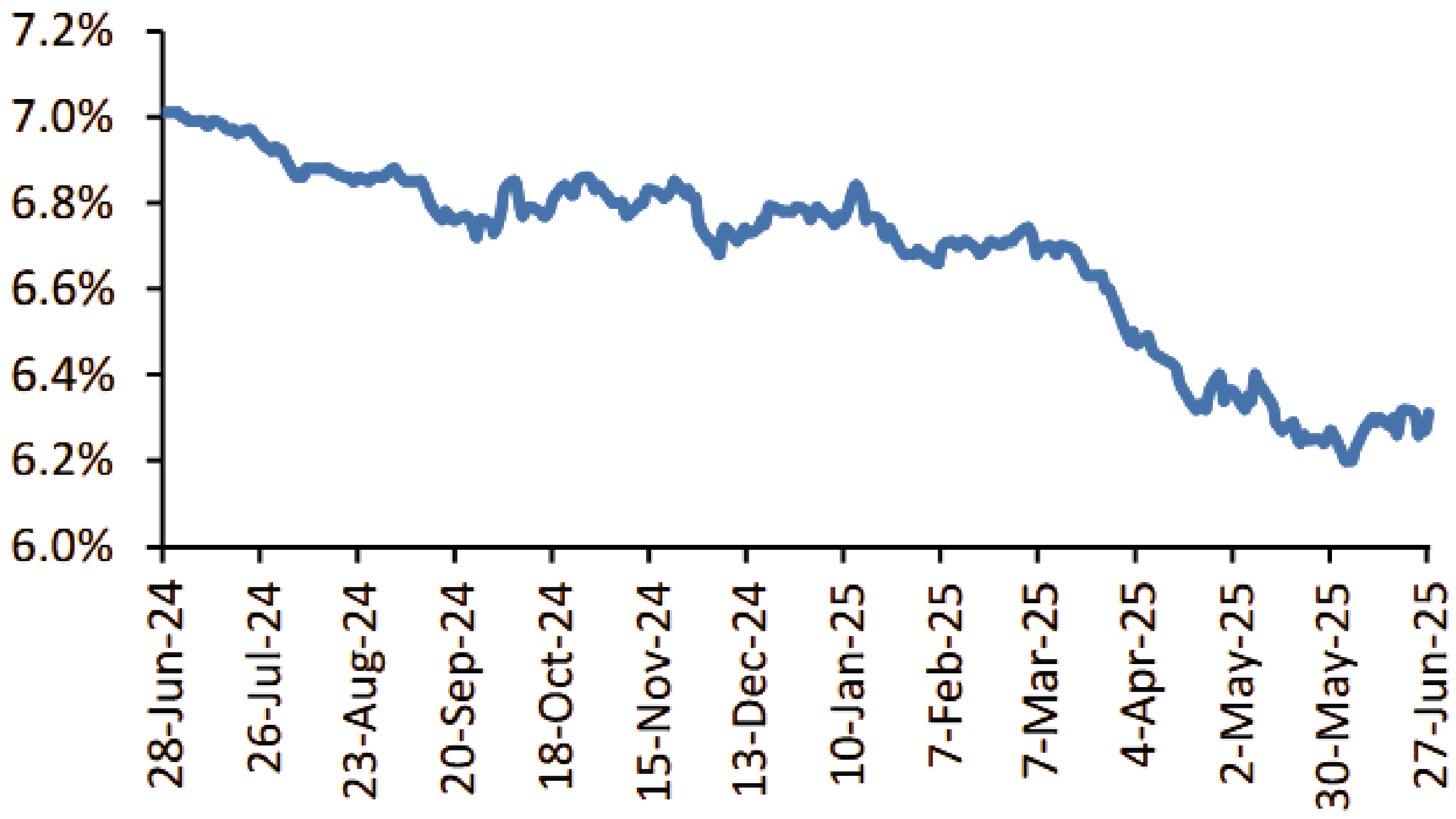
India - Debt Markets

Debt Market Indicators

Debt Market	As on 30th June 2025	1 Week Ago	1 Month Ago	6 Month Ago
Repo	5.38%	5.09%	5.74%	6.52%
Call Rate	5.50%	5.27%	5.85%	6.50%
5 Year G-Sec	6.10%	6.13%	5.95%	6.85%
10 Year G-sec	6.42%	6.41%	6.31%	6.89%
1 Year AAA Corporate Bond	6.41%	6.39%	6.55%	7.61%
3 Year AAA Corporate Bond	6.60%	6.59%	6.55%	7.38%
5 Year AAA Corporate Bond	6.79%	6.77%	6.68%	7.51%

Source: Aditya Birla Mutual Daily Fixed Income Tracker. July 01, 2025

10-year Benchmark G-sec Movement



Source: Franklin Templeton Weekly Market Review - June 27, 2025

- Bond yields remained volatile through June as the RBI delivered a surprise 50 bps rate cut but shifted its stance to neutral, reducing hopes of further easing.
- Market sentiment was impacted by global geopolitical tensions, particularly the Israel–Iran conflict, which led to a surge in crude oil prices and triggered risk-off reactions.
- The discontinuation of daily VRR auctions and RBI's liquidity absorption measures signalled ample system liquidity, influencing short-term rate expectations.
- Dovish commentary from the RBI governor and the eventual ceasefire helped calm markets toward the end of the month.

India - Macroeconomic Data

Domestic Macro Indicators	Latest	Previous
CPI Inflation	2.82%	3.16%
Index of Industrial Production (IIP)	1.20%	2.70%
WPI Inflation	0.39%	0.85%
Manufacturing Purchasing Managers' Index	58.4	57.6
Services PMI	60.4	58.8
Composite PMI	61	61.2
GST Revenue	Rs 1.85 lakh crore	Rs 2.01 lakh crore
Quarterly GDP Growth	7.40%	7.40%

Source: Various News Sources • Created with Datawrapper

Excerpt of consumption indicators:

Consumption/Demand (%, YoY*)	FY25 Avg	FY24 Avg	April-25	Apr-25	Mar-25	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24
Personal Loans	16.3	27.0		11.9	11.6	11.7	11.8	12.0	13.3	12.9	13.4	13.9	13.9	25.6	28.7	26.7
Retail Payments	16.3	20.1		19.2	13.9	6.3	16.3	15.5	9.3	27.0	17.2	16.7	21.2	15.6	18.1	18.7
Consumer Sentiment Ind(abs)	110.2	100.6	112.8	111.2	111.9	110.1	110.5	109.2	111.0	108.5	108.2	108.5	111.9	110.3	111.4	110.5
Rural Wage Growth	5.8	6.3		5.3	5.9	6.1	5.9	6.0	6.3	6.3	6.2	5.8	4.7	5.0	5.6	5.9
Non-Oil Imports	7.2	-1.0	10.0	16.3	9.4	-11.2	19.9	6.3	19.7	-3.2	8.3	22.6	7.9	0.0	-0.5	7.5
Passenger cars sales	-10.2	-10.7	-10.4	-5.1	-3.7	-4.6	0.6	14.3	-5.5	-16.2	-16.6	-23.9	-16.9	-17.0	-11.3	-21.5
POL Consumption	2.2	5.1	1.1	0.0	-3.1	-5.2	3.0	2.0	10.6	4.1	-4.4	-3.1	10.7	2.3	1.9	7.8
Two wheelers	9.0	14.4	2.2	-16.7	11.4	-9.0	2.1	-8.8	-1.1	14.2	15.8	9.3	12.5	21.3	10.1	30.8
Consumer Price Inflation	4.6	5.4	2.82	3.16	3.34	3.61	4.26	5.22	5.48	6.21	5.49	3.65	3.60	5.08	4.80	4.83
Core CPI(ex food and fuel)	3.5	4.4	4.20	4.15	4.12	4.01	3.71	3.61	3.65	3.65	3.48	3.38	3.37	3.16	3.12	3.25

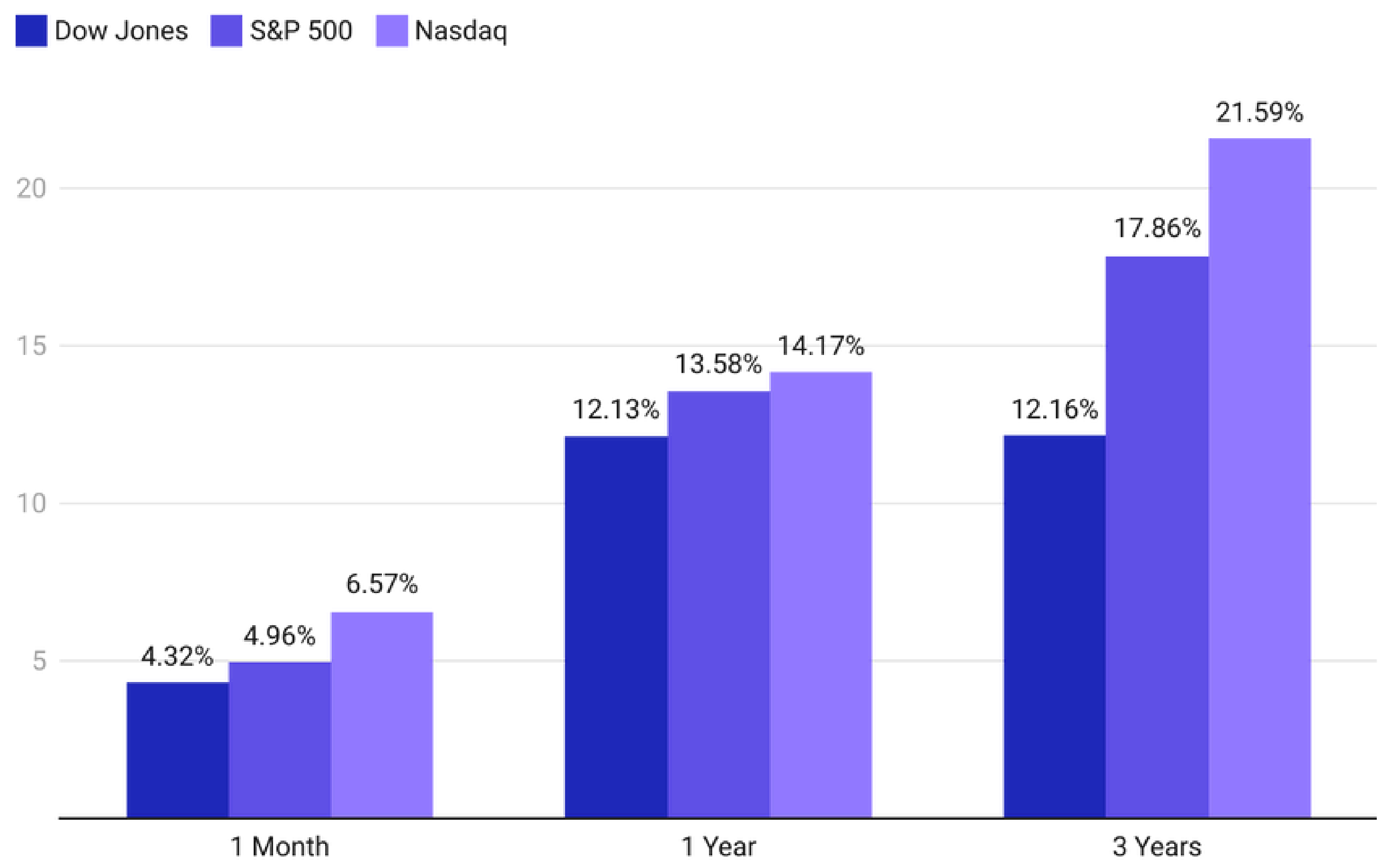
Source: TATHYA by DSP Mutual Fund, June 23, 2025

YTDA= Year to Date Average, Avg= Average
FY24 Avg: Average considered for the same period in FY24 as for FY25

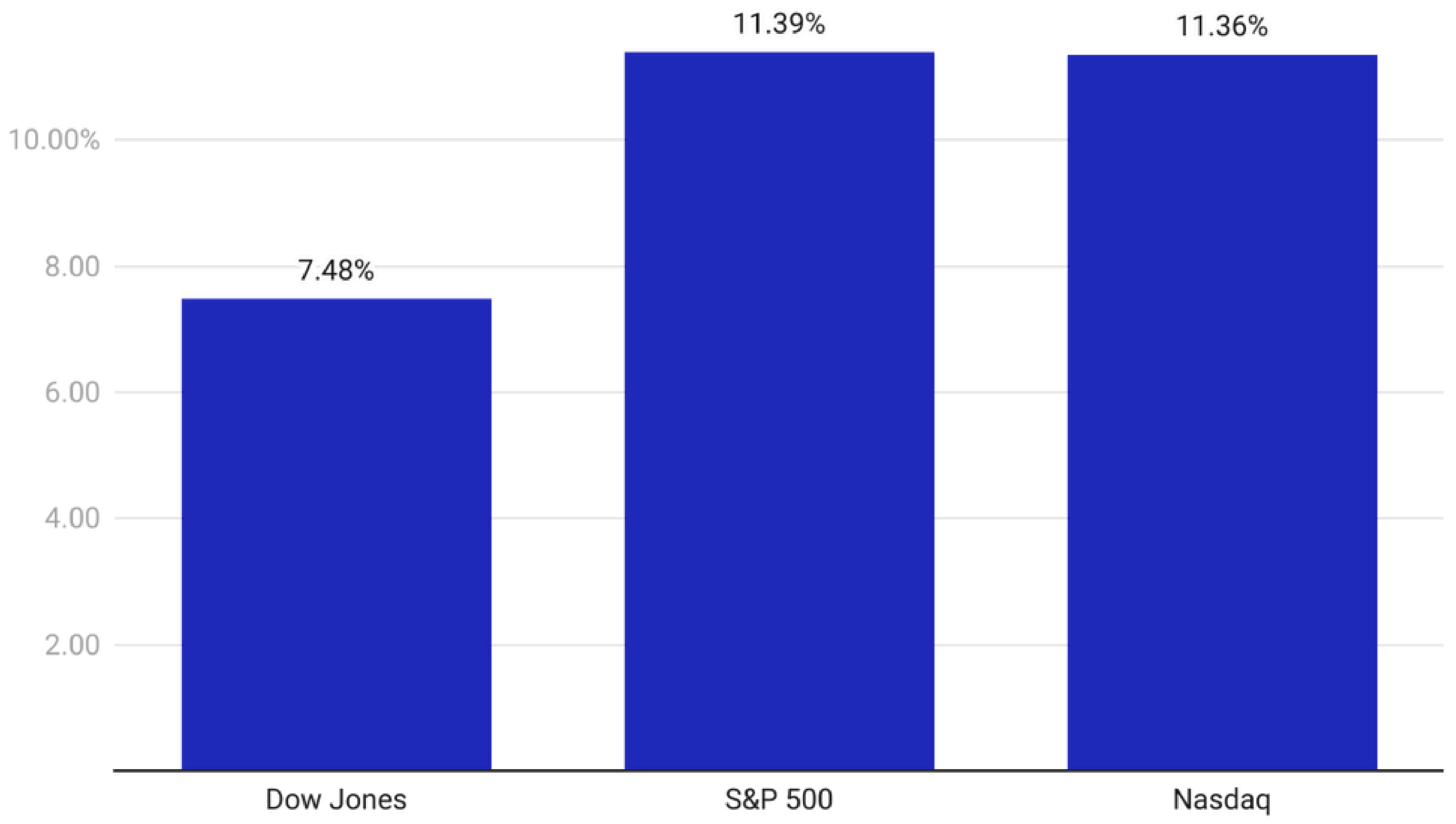
- CPI inflation eased to a six-year low of 2.82% in May 2025, driven by soft food prices, with the RBI projecting FY26 inflation at 3.7% supported by good crop output and favorable weather.
- Index of Industrial Production (IIP) rose just 1.2% YoY in May which is the slowest pace in nine months. It was due to contractions in the electricity (-5.8%) and mining (-0.1%) sectors, as early monsoon rains dampened activity.
- HSBC India Services PMI climbed from 58.8 in May to 60.4 in June, reflecting strong growth in new business orders and marking a 10-month high for service sector activity.
- The HSBC India Composite PMI reached 61.0 in June, the fastest pace in 14 months, indicating substantial expansion across both manufacturing and services.
- The World Bank trimmed India's FY26 growth forecast to 6.3%, citing weaker export outlook amid global uncertainties.
- June 2025 GST: Gross collections totaled ₹1.85 lakh crore (~US $21.6 billion), up 6.2% YoY but slightly lower than the ₹2.01 lakh crore recorded in May.
- FY25 milestone: Total gross GST collections reached a record ₹22.08 lakh crore, doubling in just five years, with an average monthly run rate of ₹1.84 lakh crore.

US - Equity Market

Trailing returns:



CYTD Returns



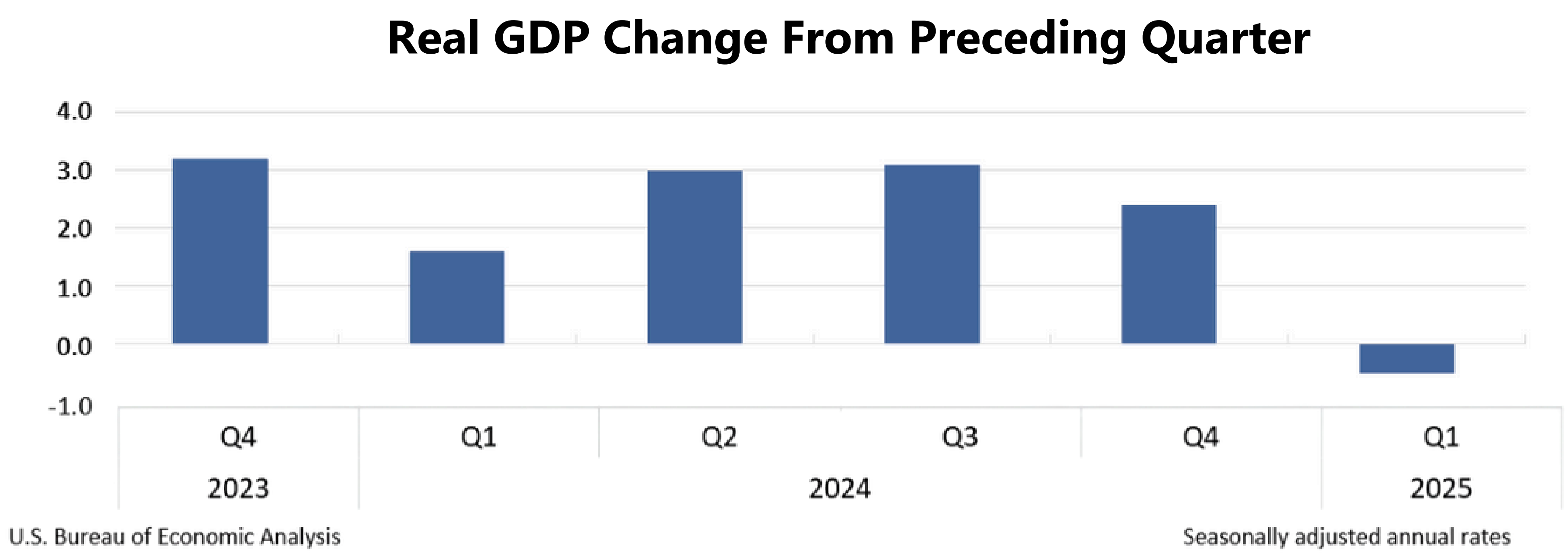
Source: NGEN • Created with Datawrapper

- Early gains driven by strong May jobs data and steady hiring trends, despite ongoing U.S.–China trade tensions.
- Markets dipped as geopolitical tensions flared after Israeli airstrikes on Iran, pushing oil prices higher and triggering investor caution.
- Sentiment weakened further with fears of deeper Middle East conflict and disappointing retail sales, raising concerns over consumer demand.
- Late-month rebound fueled by a ceasefire and strong economic data, durable goods orders surged and jobless claims fell, lifting investor confidence.
- The Nasdaq Composite hit record highs, up roughly 18% in Q2, driven by a powerful rally in AI-led tech giants (Nvidia, AMD, Broadcom) and easing tariff fears.

US - Key Macroeconomic Updates

US Macro Economic Data	
Inflation Rate (%)	2.40
Interest Rate (%)	4.50
Unemployment Rate (%)	4.10
Consumer Price Index (CPI) (Points)	321.47
Imports (USD Billion)	350.52
Exports (USD Billion)	279.00
Core Consumer Prices (Points)	326.85
Producer Prices (Points)	148.07
Unemployed Persons (Thousand)	7015.00

Source: Ngen



- Q1 2025 GDP contraction: The U.S. economy shrank at a −0.5% annual rate in Q1, the first contraction in three years, driven largely by a surge in imports ahead of tariffs and a decline in government spending.
- The decrease in real GDP in the first quarter primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment and consumer spending.
- Real GDP was revised down 0.3 percentage point from the second estimate, primarily reflecting downward revisions to consumer spending and exports that were partly offset by a downward revision to imports.
- Trade deficit impact: In May, the U.S. goods trade gap widened to a record $71.5 billion which is a sign that trade dynamics could influence GDP volatility in both directions.
- .The OECD references slower U.S. GDP growth (~1.6% in 2025) with elevated inflation which is the highest since WWII due to tariff effects.

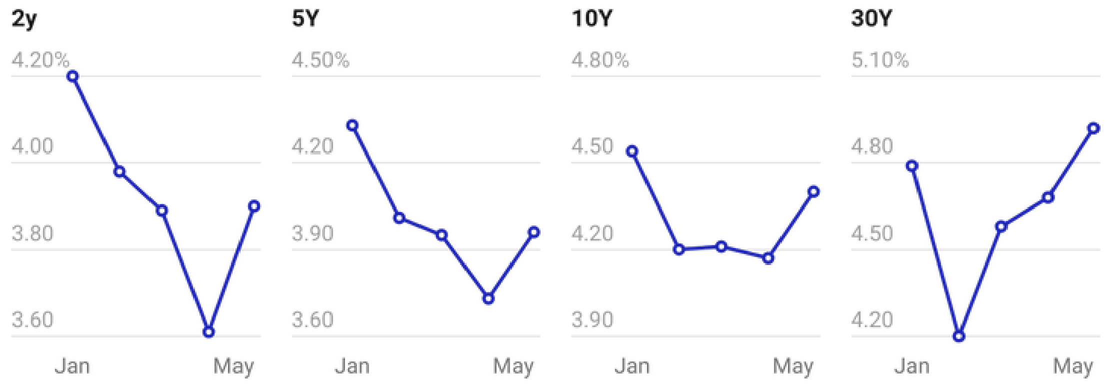
US - Debt Market & Global Commodities

Global Commodities:

Commodity	Price (30th June 2025)	Price (30th May 2025)	1 Month Difference
Gold (INR/10 gm)	95676.00	95058.00	0.65%
Gold ($/oz)	3303.31	3289.15	0.43%
Silver (INR/1 kg)	105720.00	97252.00	8.71%
Silver ($/oz)	36.08	32.97	9.43%
Brent Crude ($/bbl)	71.14	65.12	9.24%
Crude Oil (INR/1 bbl)	5606.00	5210.00	7.60%
NYMEX Crude ($/bbl)	66.20	61.26	8.06%
Natural Gas (INR/1 mmbtu)	319.90	301.10	6.24%
Aluminium (INR/1 kg)	249.40	237.50	5.01%
Copper (INR/1 kg)	892.65	867.65	2.88%
Nickel (INR/1 kg)	1320.10	1331.40	-0.85%
Lead (INR/1 kg)	186.50	184.15	1.28%
Zinc (INR/1 kg)	263.15	256.00	2.79%
Mentha Oil (INR/1 kg)	932.10	977.30	-4.62%
Baltic Dry Index	1489.00	1418.00	5.01%

Source: Aditya Birla Mutual Fund Daily Update • Created with Datawrapper

CYTD Bond Yields Across Duration



Source: Investing.com • Created with Datawrapper

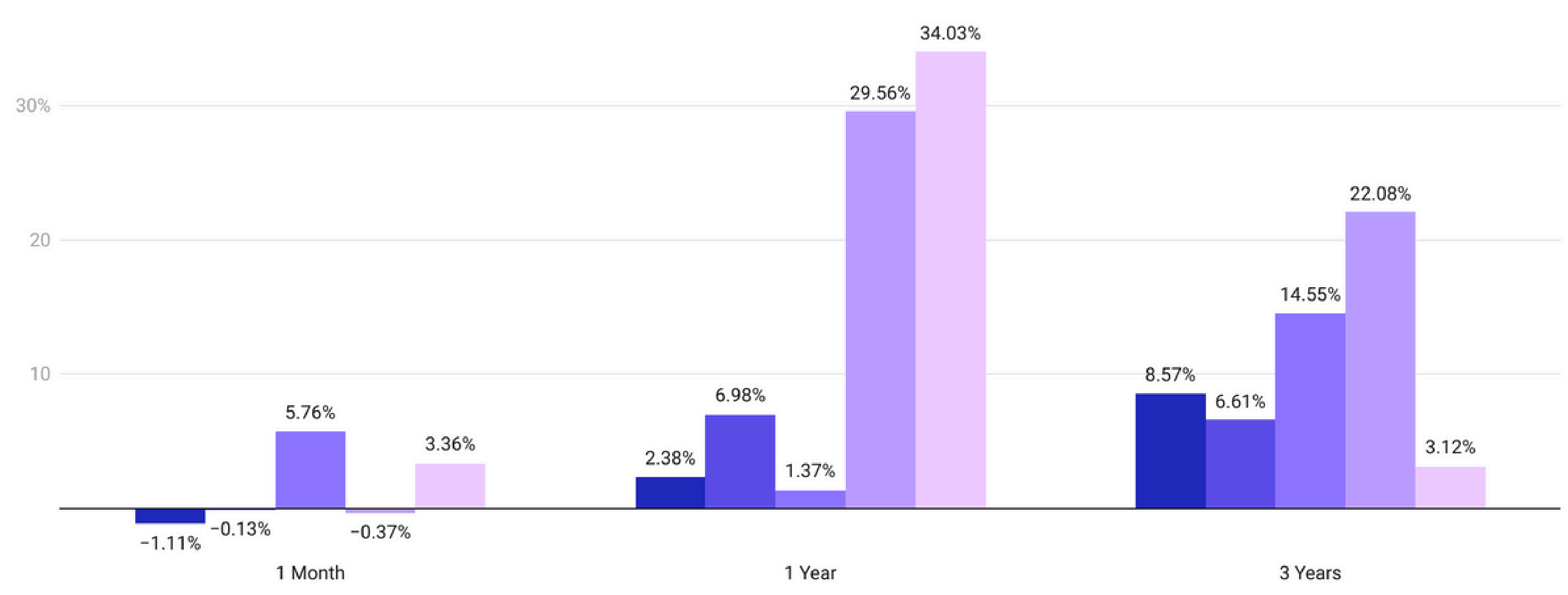
US 10 Year Bond Yield - May

Source: Investing.com • Created with Datawrapper

- U.S. 10-year Treasury yields declined steadily through June, falling from 4.51% in early June to 4.28% by the week ended June 27.
- Early in the month, stronger-than-expected May jobs data and a surprise hike in tariffs on steel and aluminum lifted yields, as markets pushed back expectations of near-term Fed rate cuts.
- Mid-month, yields reversed course following signs of labor market weakness and muted wholesale inflation. Treasury prices rose as investors sought safety amid escalating tensions between Israel and Iran.
- The downward trend continued into late June, driven by market speculation over a possible early replacement of the Fed Chair and dovish remarks from the Fed Vice Chair, who signaled a potential rate cut as soon as July 2025.
- Despite easing geopolitical tensions and a rebound in equities, safe-haven demand for Treasuries remained firm as investors weighed shifting Fed guidance and uncertain global growth prospects.
- Gold prices mirrored these shifts, rising early in the month on geopolitical risk, but falling in the second half as tensions eased and investors moved back toward risk assets following the announcement of a ceasefire between Israel and Iran.

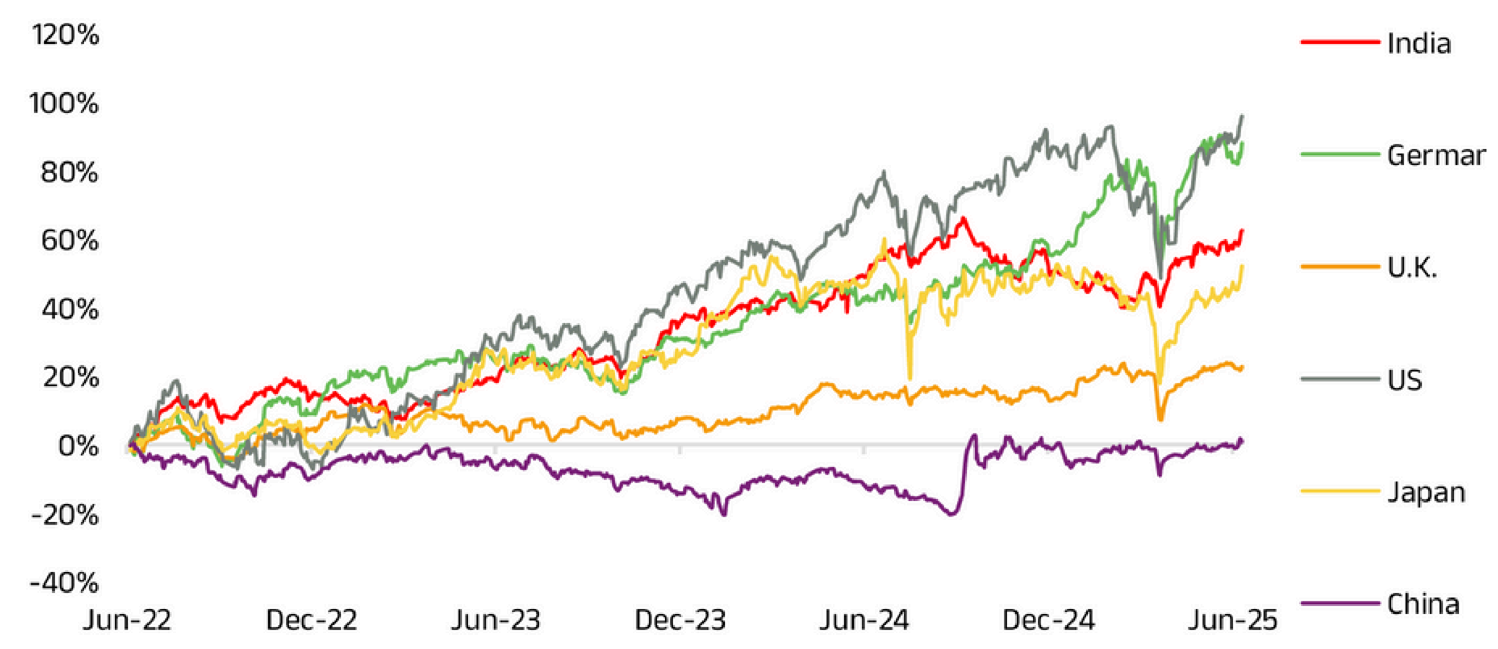
Global Equity Markets

Global Indices



Source: NGEN, 1st July

Comparative Absolute Performance of Global Indices



Source: Aditya Birla Mutual Fund Daily Report - 1st July

Europe:

- Markets rose early in June as a surprise ECB rate cut and strong eurozone GDP revisions boosted sentiment.
- Mid-month, equities dipped amid escalating Middle East tensions and fears of wider conflict following Israeli strikes on Iran.
- Sentiment remained fragile as investor caution deepened over possible U.S. involvement and global trade uncertainty.
- Toward month-end, optimism returned after a ceasefire was confirmed and rare earth trade developments eased supply concerns.

Asia:

- Markets began June on a mixed note as U.S.–China trade talk progress offset concerns over rising U.S. tariffs on metals.
- Geopolitical tensions in the Middle East triggered cautious trading mid-month, with investors weighing risks of further escalation.
- Sentiment remained subdued due to hawkish global central bank signals and regional trade pressures.
- The month closed with modest gains as easing conflict fears and potential tariff delays lifted Japanese and Chinese equities.

THANK YOU!