

MONTHLY MARKET REVIEW

June 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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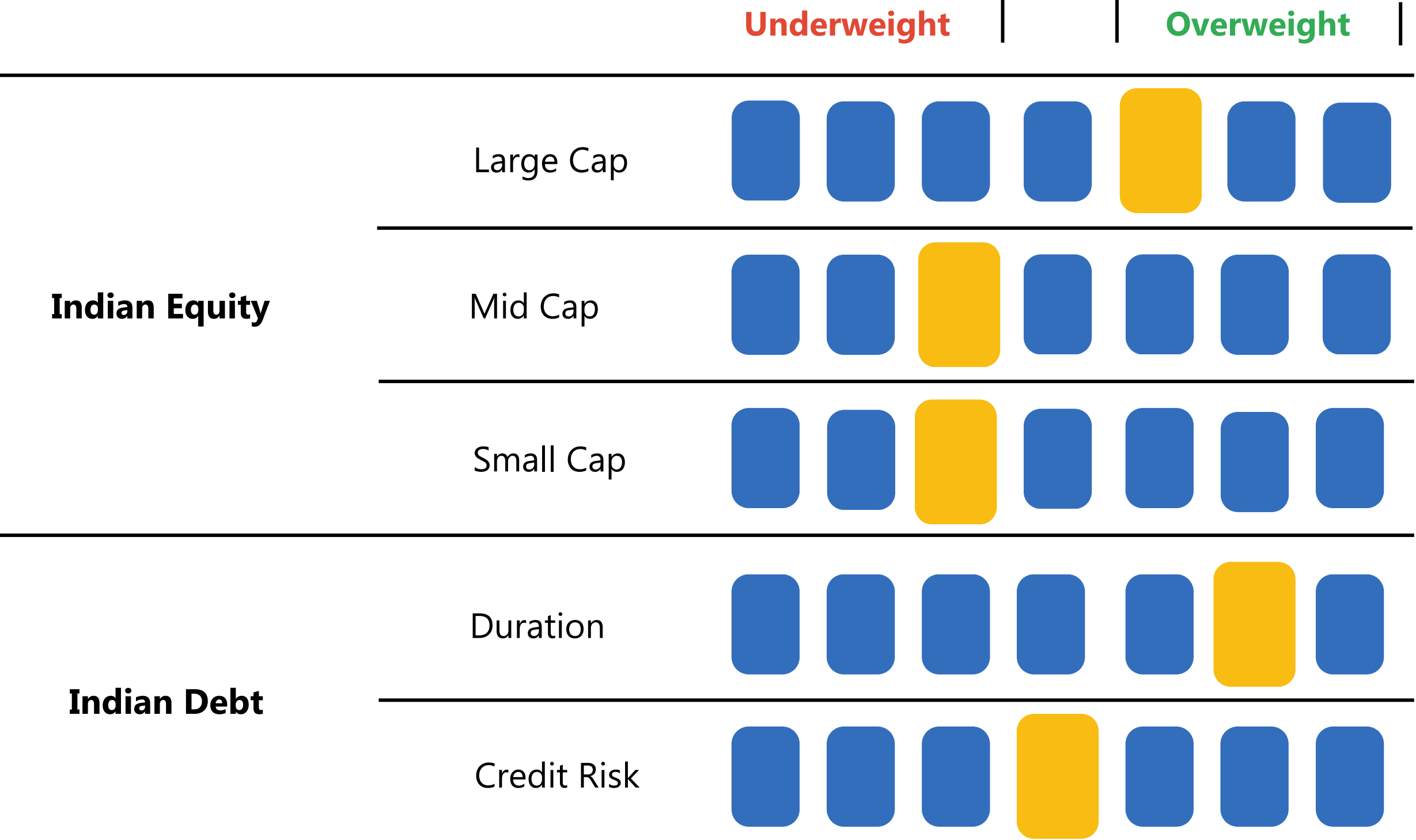


Snapshot



- **Earnings Review Q4FY25** – Earnings growth was narrow and driven by domestic cyclical sectors like auto, industrials, and capex-linked sectors; topline growth was muted and breadth weak.
- **Bank Nifty Call Update (Earnings)** – Large private banks showed mixed PAT growth; sector earnings declined YoY but asset quality remained stable, keeping the medium-term call intact.
- **Indian Equity Market** – May saw a rebound after early volatility; large caps outperformed on easing inflation and strong FPI inflows despite late-month geopolitical and tariff concerns.
- **Indian Equity Market (Sectoral)** – Rate-sensitive sectors led gains; realty, metals, and IT recovered, while PSU banks ended strong on earnings. FMCG lagged due to margin pressures.
- **Indian Equity Market (Valuation)** – Valuations remain attractive in large caps and BFSI; selective small/mid-cap picks gaining favour amid broader market earnings dispersion.
- **India Debt Markets** – Yields were volatile amid geopolitical risks; RBI's OMOs and inflation dip revived easing hopes before profit booking caused end-month steepening.
- **India Macroeconomic Data** – PMI hit 13-month high, GDP grew 7.4% in Q4; services and exports strong, with FII inflows reversing earlier trends and macro resilience supporting sentiment.
- **US Equity Market** – U.S. equities surged on tech-led rally and tariff truce optimism; May marked the strongest month in 2025 YTD for major indices.
- **US Key Macroeconomic Updates** – GDP contracted in Q1; inflation remains elevated. Labor market strong but signs of fatigue emerge, pushing recession risk higher.
- **US Debt & Global Commodities** – Treasury yields rose mid-month on macro jitters and fiscal concerns but cooled off with safe-haven buying and Fed caution; gold gained.
- **Global Equity Markets** – Europe and Asia ended mixed; early gains on earnings and policy signals were tempered by political risks, yen volatility, and tariff uncertainty.

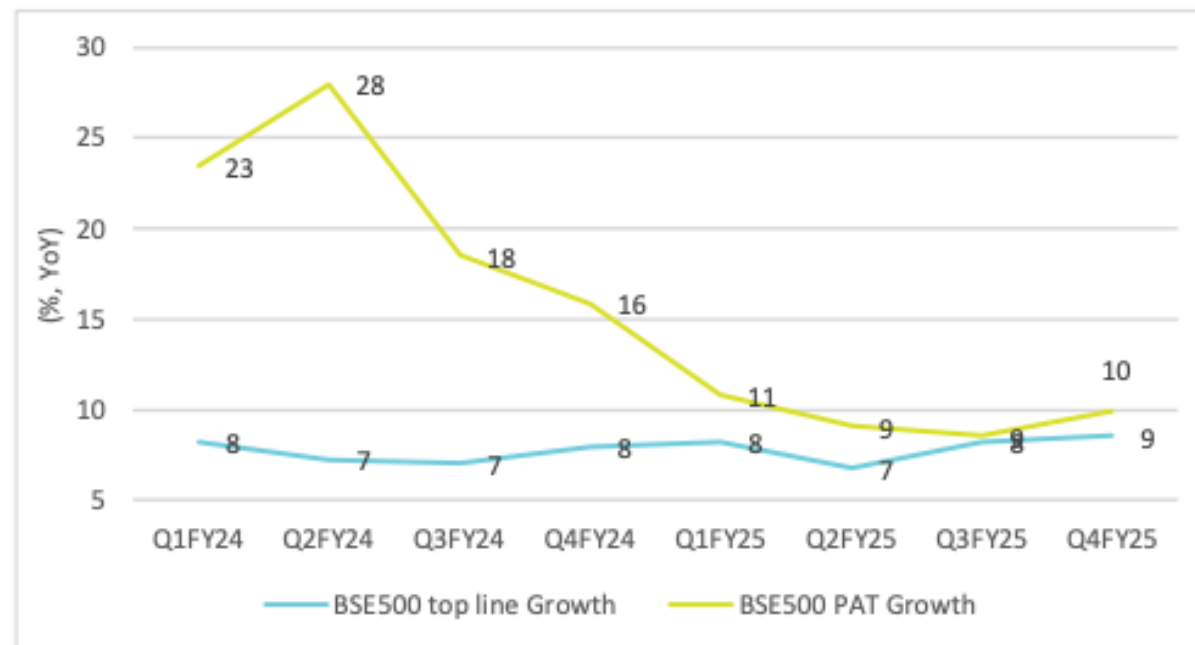
Asset Class Views



Earnings Review Q4FY25

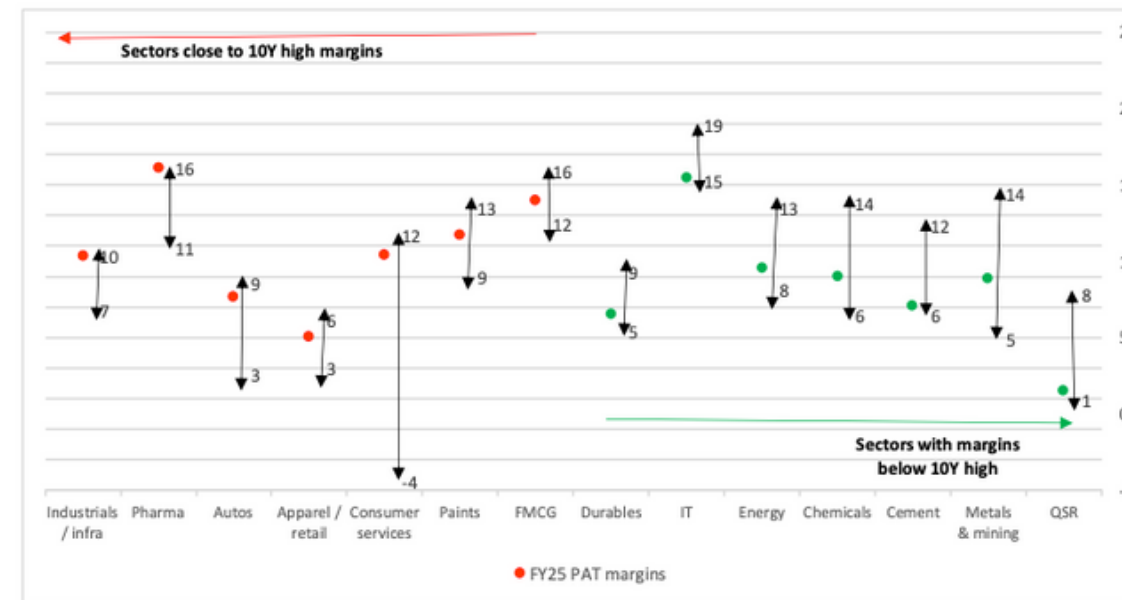


PAT Growth driving earnings as topline growth stays muted:



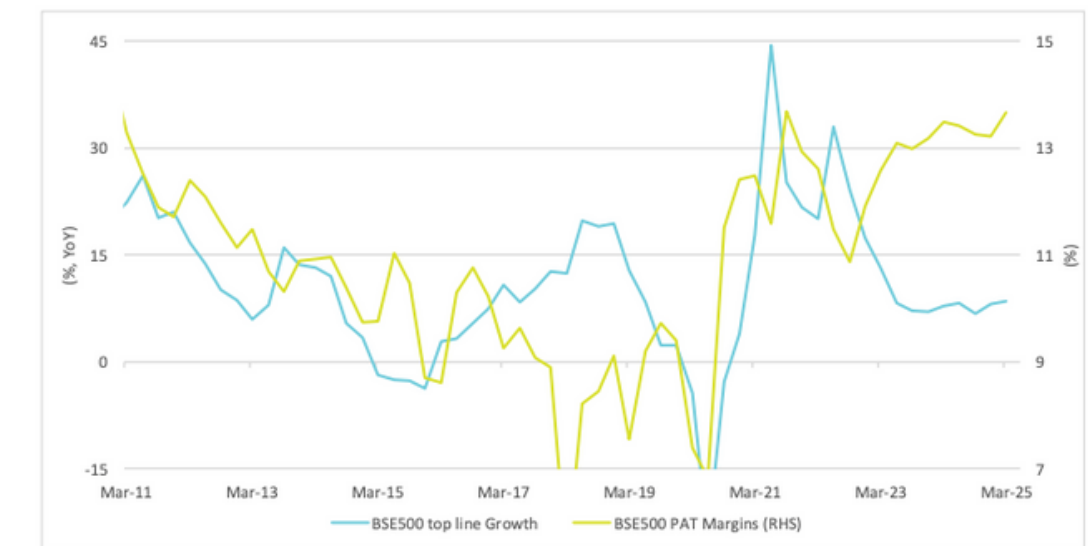
Source: Capitaline, Nuvama Research
Note: OMCs and fertilizers are excluded from BSE500 sample space

With margins in many sectors at decadal highs earnings will need topline support going forward:



Source: Bloomberg, Nuvama Research; Note: OMCs and fertilizers are excluded from BSE500 sample space; The top and bottom are last 10Y peak and bottom

Disconnect between net margins and earnings growth continues:



Source: Capitaline, Nuvama Research
Note: OMCs and fertilizers are excluded from BSE500 sample space

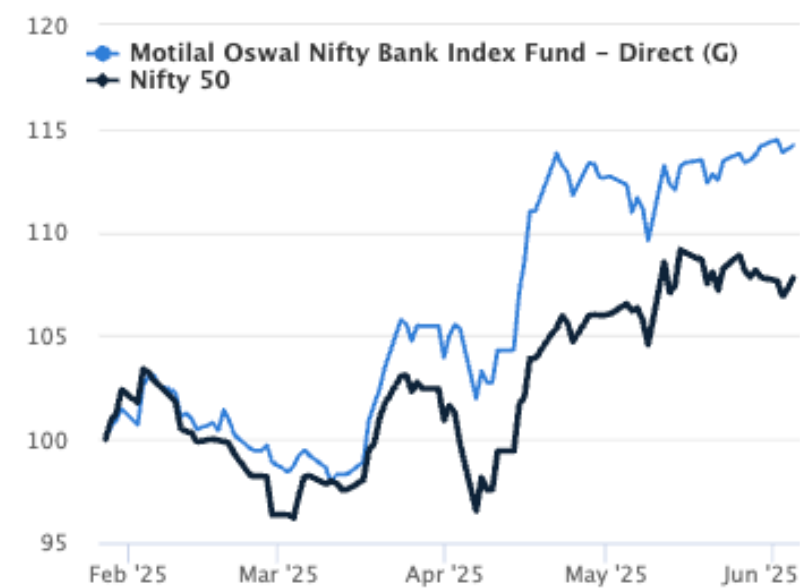
- **Q4FY25 earnings moderated, led by a narrow set of out-performers:** BSE 500 topline grew by ~9% YoY (ex-OMCs & fertilizers) and bottom line expanded by ~10% YoY, with earnings skewed towards domestic cyclicals like auto, industrials, and capital goods. Broader market breadth stayed weak with stock specific earnings driving price momentum than broader sectoral trends.
- **Significant sector divergence**—while auto, capital goods, BFSI and domestic focused sectors reported robust YoY earnings growth, global commodities, IT services, and pharma underperformed, reflecting global demand headwinds and margin pressures.
- **Private capex and domestic demand sectors outperformed:** Capex-linked industrials, power utilities, and select infra and auto names continued to deliver earnings upgrades, benefiting from domestic demand resilience and strong order books. These segments are contributing more meaningfully to index-level earnings delta.
- **Outlook cautiously optimistic, breadth needs to improve:** With earnings upgrades concentrated in fewer sectors and valuation dispersion near cyclical highs, broader market performance will require recovery from laggard sectors (IT, healthcare, mid-cap BFSI). FY26 earnings growth is expected to be front-ended in H2 as liquidity improves and rate cuts filter through. Near-term market movement will likely remain concentrated in high-quality compounders and rate-sensitive domestic cyclicals



Bank Nifty call update - Earnings



Performance of the Bank Nifty Call:



START DATE	28-Jan-2025	
END DATE	05-Jun-2025	
EXCESS RETURN	6.37%	
CORRELATION	0.88	
	FUND	BENCHMARK
RETURN	14.18%	7.81%
VOLATILITY	15.21%	15.31%

Bank Nifty statistics:

P/E	P/B	Dividend Yield
14.63	2.33	0.68

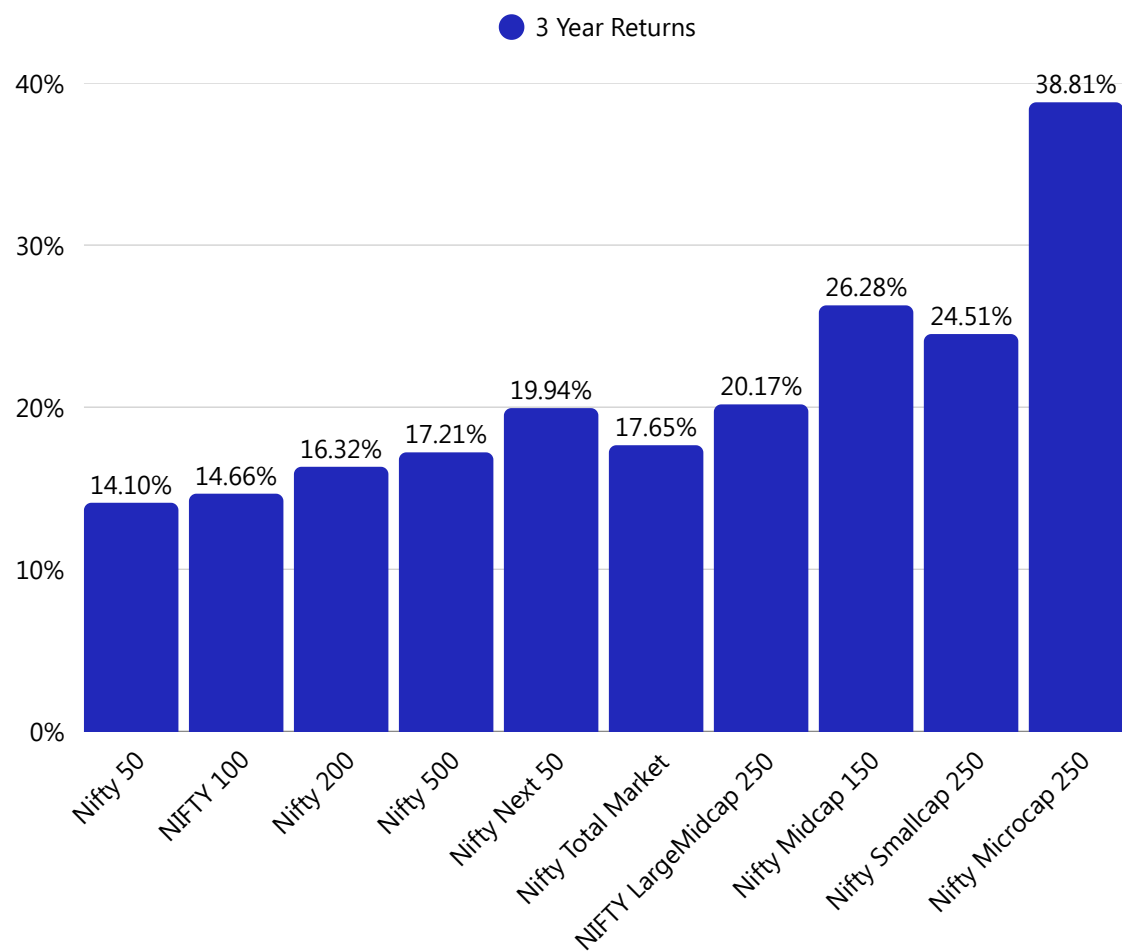
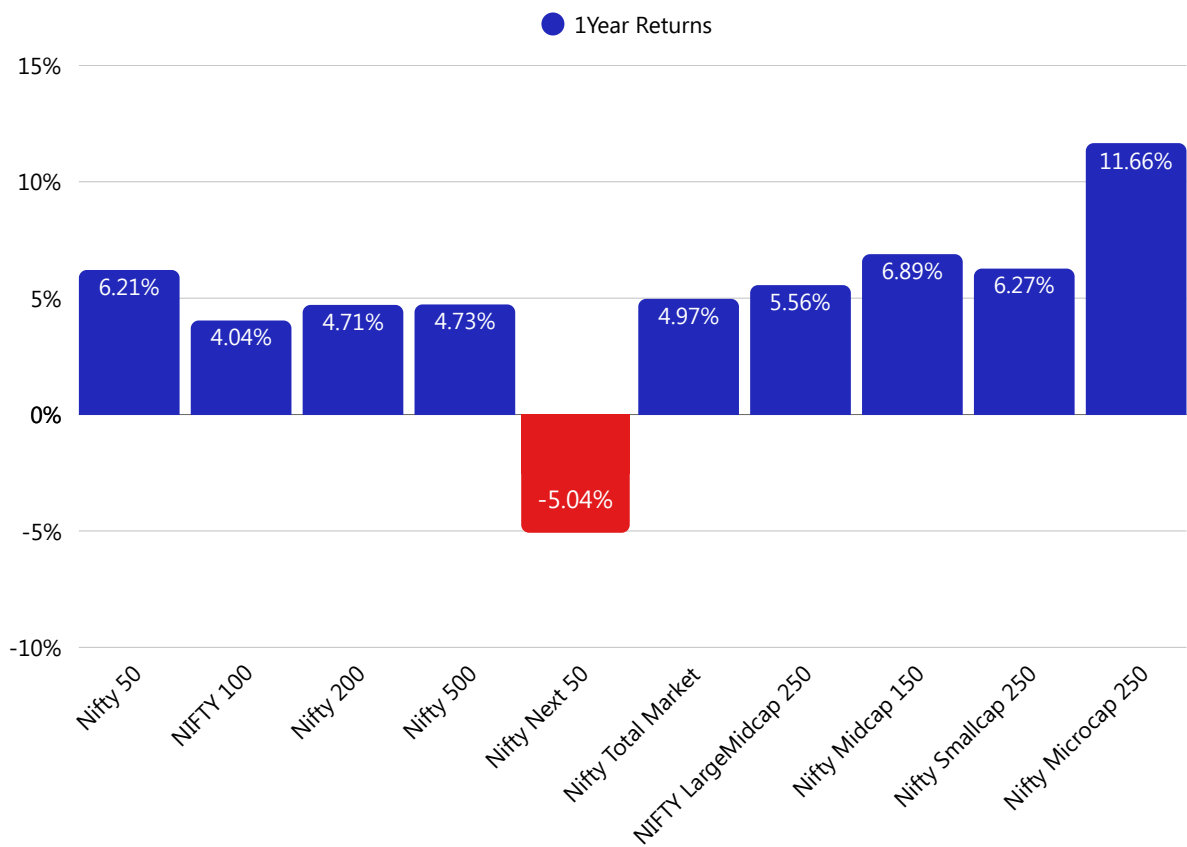
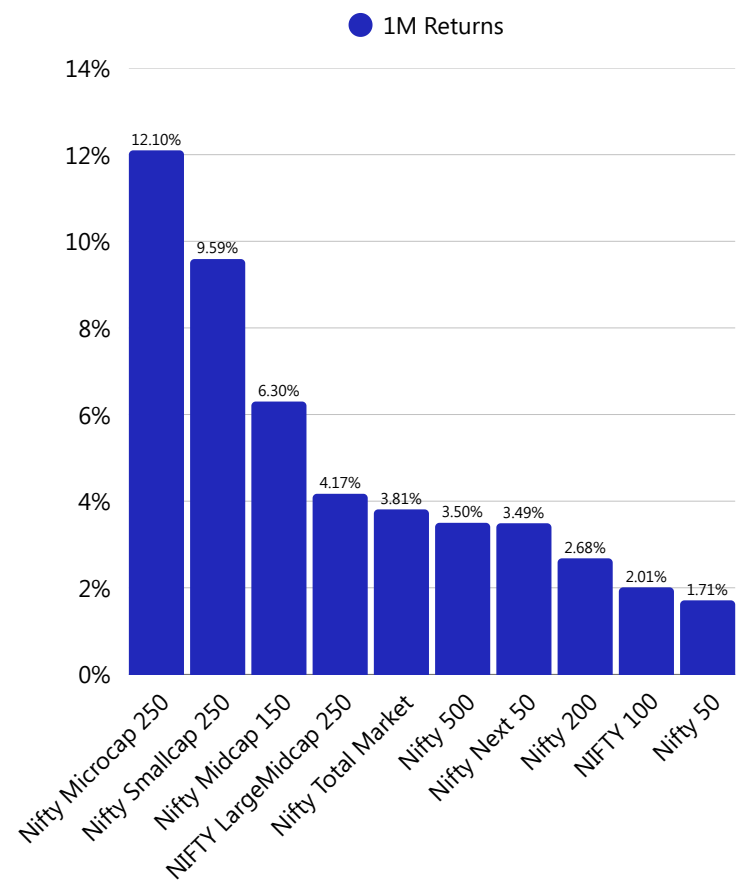
Statistics ##	1 Year	5 Years	Since Inception
Std. Deviation *	18.03	20.28	28.45
Beta (NIFTY 50)	1.02	1.18	1.09
Correlation (NIFTY 50)	0.88	0.86	0.84

Bank Nifty constituents:

Company's Name	Weight(%)
HDFC Bank Ltd.	27.82
ICICI Bank Ltd.	25.18
Axis Bank Ltd.	8.40
State Bank of India	8.29
Kotak Mahindra Bank Ltd.	7.54
IndusInd Bank Ltd.	4.01
Federal Bank Ltd.	3.69
Bank of Baroda	3.44
IDFC First Bank Ltd.	3.14
AU Small Finance Bank Ltd.	2.90

- **Earnings growth for large private banks was mixed:** with ICICI Bank and HDFC Bank continuing to lead in terms of profitability. ICICI Bank reported 18% YoY PAT growth, supported by strong loan and deposit growth (both ~13%), healthy asset quality (GNPA down to 1.67%), and a robust ROA of 2.49%, making it a standout performer in the Bank Nifty basket.
- HDFC Bank showed a 7% YoY PAT growth with stable NIMs at 3.46%, improved asset quality (GNPA at 1.33%), and strong deposit growth of 16% YoY. Its subsidiaries (HDFC Life, HDB Financial) also posted double-digit growth, contributing to overall stability despite sector-wide margin pressure.
- Axis Bank and Kotak Mahindra Bank lagged peers with flattish or declining profitability. Kotak's PAT fell 14% YoY while Axis reported a marginal 0.2% decline. Though asset quality remained healthy, margin compression (Kotak NIM at 4.97%) and slower NII growth (~5-6%) weighed on performance.
- **Sector-wide, earnings growth for private banks** moderated to -4% YoY, reflecting margin pressures and decelerating credit growth, especially in the secured retail segment. The BFSI sector overall contributed to only 3% YoY PAT growth, a sharp deceleration from previous quarters.
- Despite this softness, asset quality across large banks remained stable, with limited slippages and contained credit costs. The overall loan growth remained modest at ~11%, and NIM compression from repo rate cuts was partly offset by higher non-interest income (fees, treasury) and cost rationalisation efforts
- **Bank Nifty Call:** rationale intact, expect further contraction in NIMs and PAT as liquidity conditions improve rate cut transmission which could reduce the extent of alpha over Nifty 50.

Indian - Equity Market



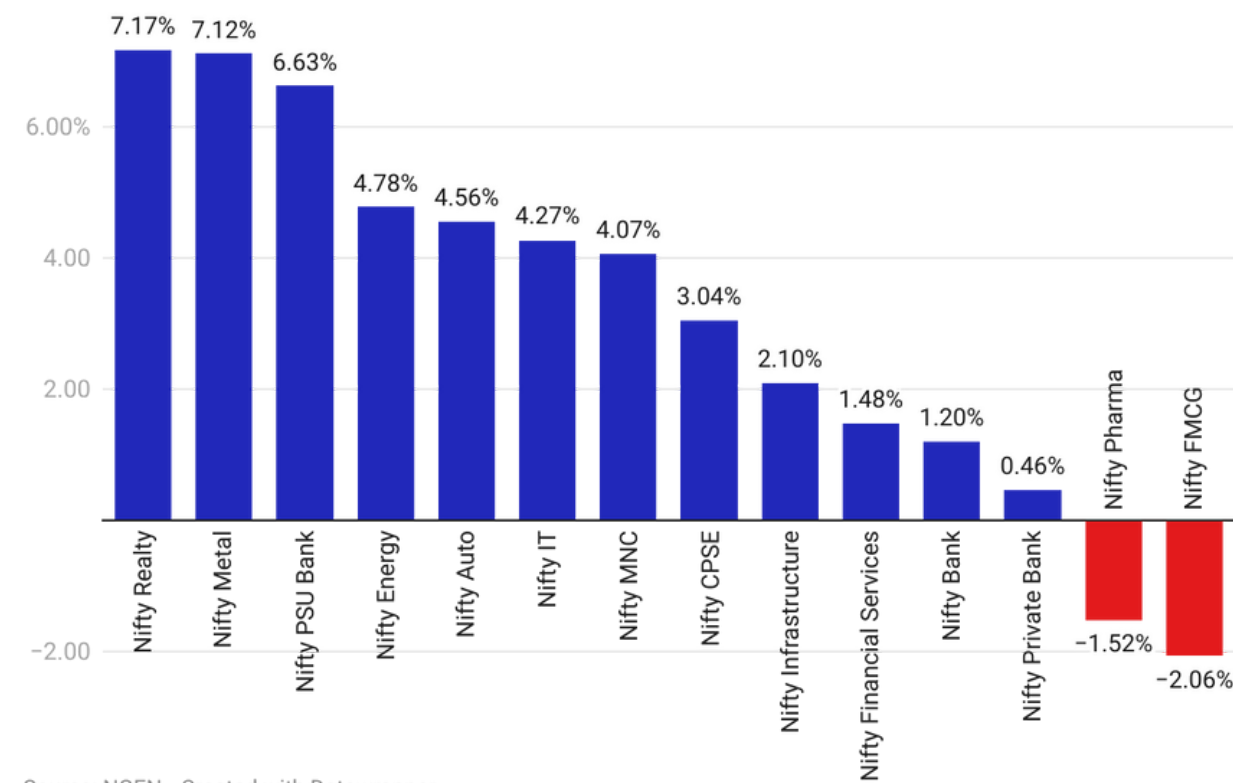
- Market sentiment in May was influenced by a mix of geopolitical tensions, inflation data, and global policy shifts.
- Early in the month, gains were supported by Indo-U.S. trade optimism, robust Q4 earnings, and sustained FPI inflows.
- Mid-month volatility was triggered by rising tensions on the India-Pakistan border and a lack of clarity from the FOMC on global tariff impacts.
- The tone reversed in the third week with a surprise ceasefire and declining retail inflation, boosting hopes of a rate cut and driving a sharp rally.
- In the final weeks, sentiment was dented by Moody's downgrade of the U.S. credit outlook, concerns over a \$4 trillion U.S. tax cut, rising bond yields, and Trump's proposed tariffs on EU imports and Apple products.
- The rupee was volatile—gaining 1% early in the month, but falling nearly 1% overall, pressured by dollar strength and geopolitical uncertainties.



Indian - Equity Market (Sectoral)

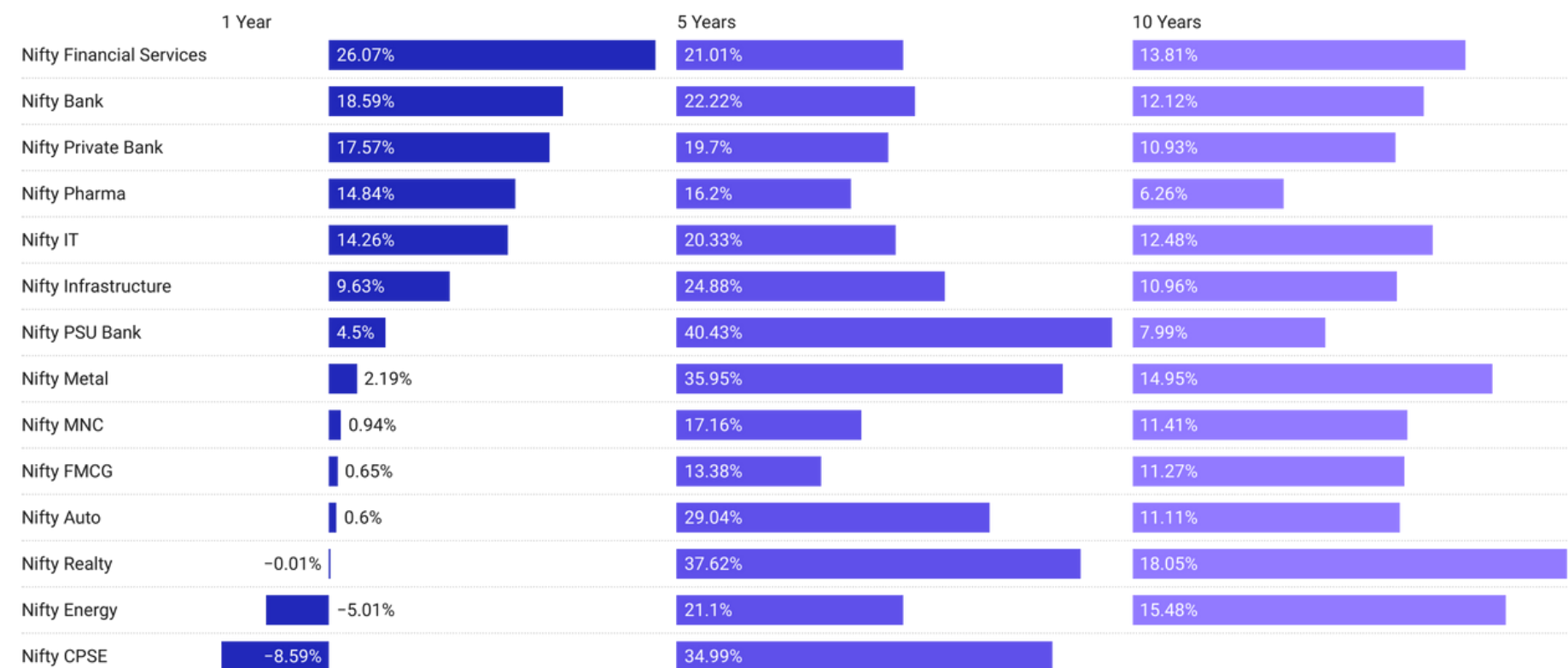


1 Month Returns



Source: NGEN • Created with Datawrapper

Sectoral Indices



Source: NGEN, 4th June • Created with Datawrapper

- Realty was the standout performer of the month, rebounding sharply after early losses to end with strong gains, supported by easing geopolitical tensions and expectations of rate cuts.
- Metals and IT also delivered impressive performances mid-month as risk appetite improved and global cues turned favorable.
- PSU Banks had a volatile month but finished strong, backed by robust earnings and institutional buying in the latter half.
- Auto showed selective strength, particularly in the first half, while FMCG lagged toward the end of the month, hurt by margin pressures and weak demand trends.
- Overall, sector performance reflected a shift toward rate-sensitive and cyclical themes, as investors positioned themselves for a potential monetary easing cycle.

Sectoral Indices (From 26th Sep 2024 to 30th May 2025)

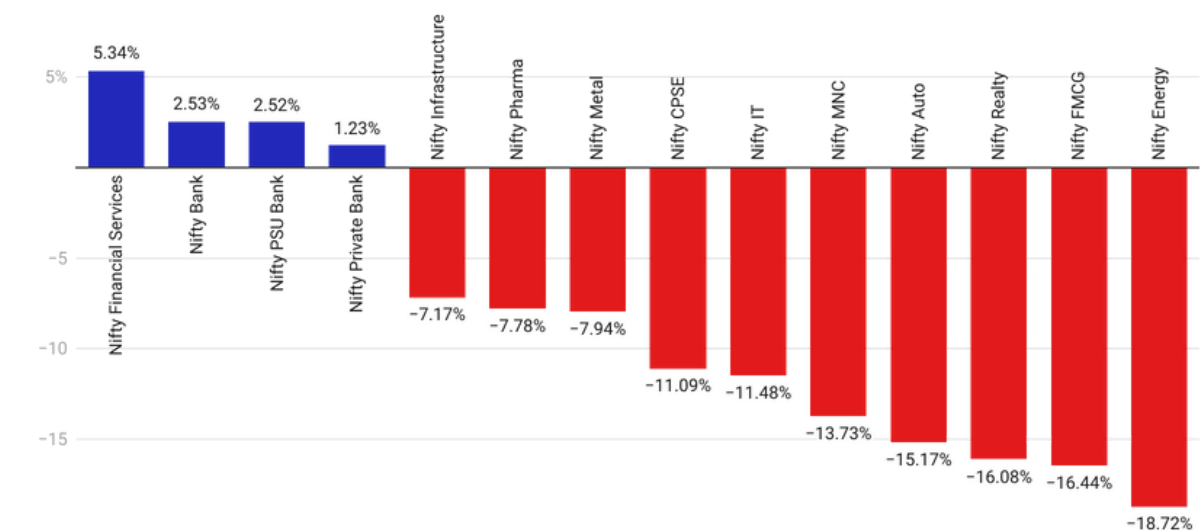
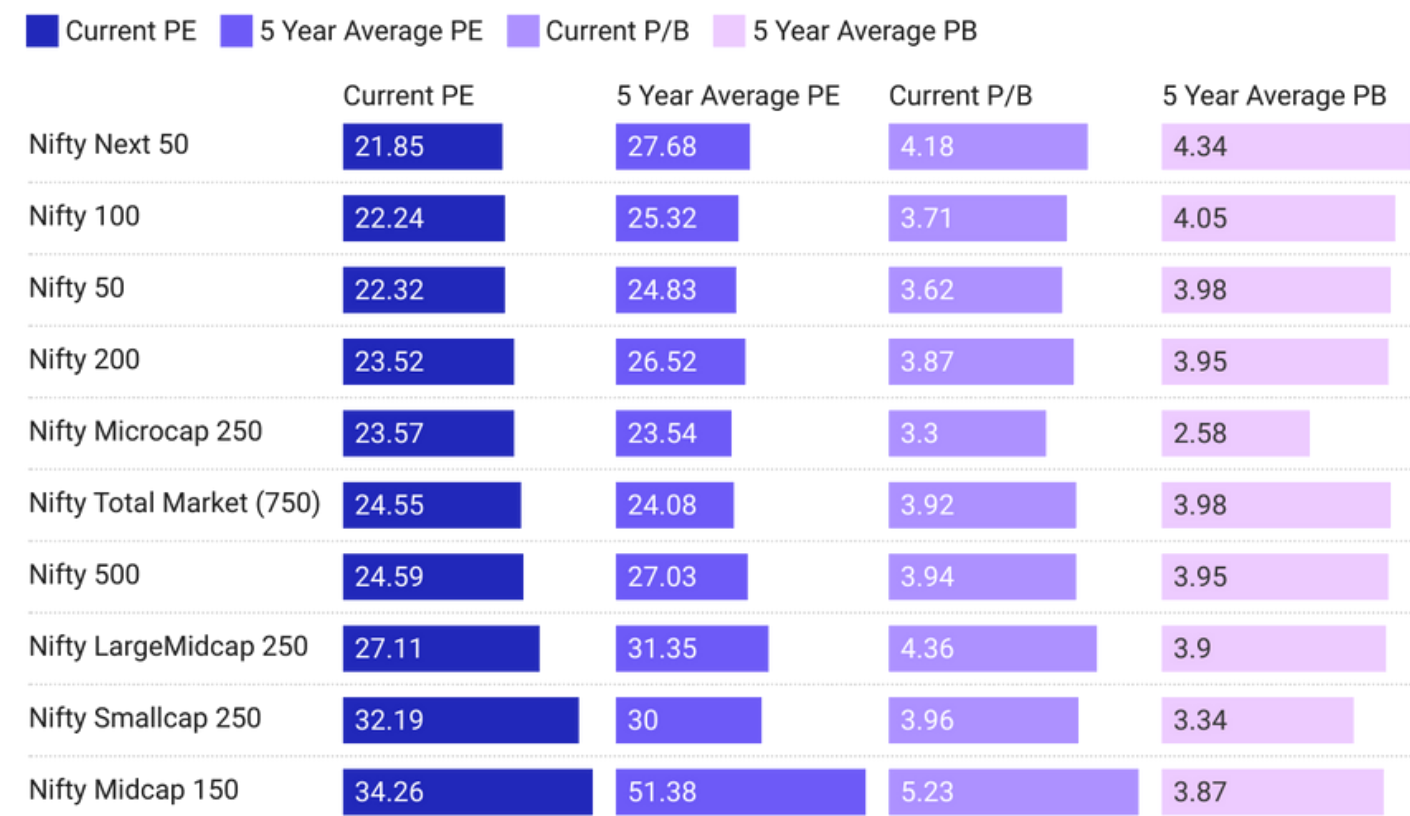


Chart: NGEN, • Created with Datawrapper

Indian Equity Market (Valuation)

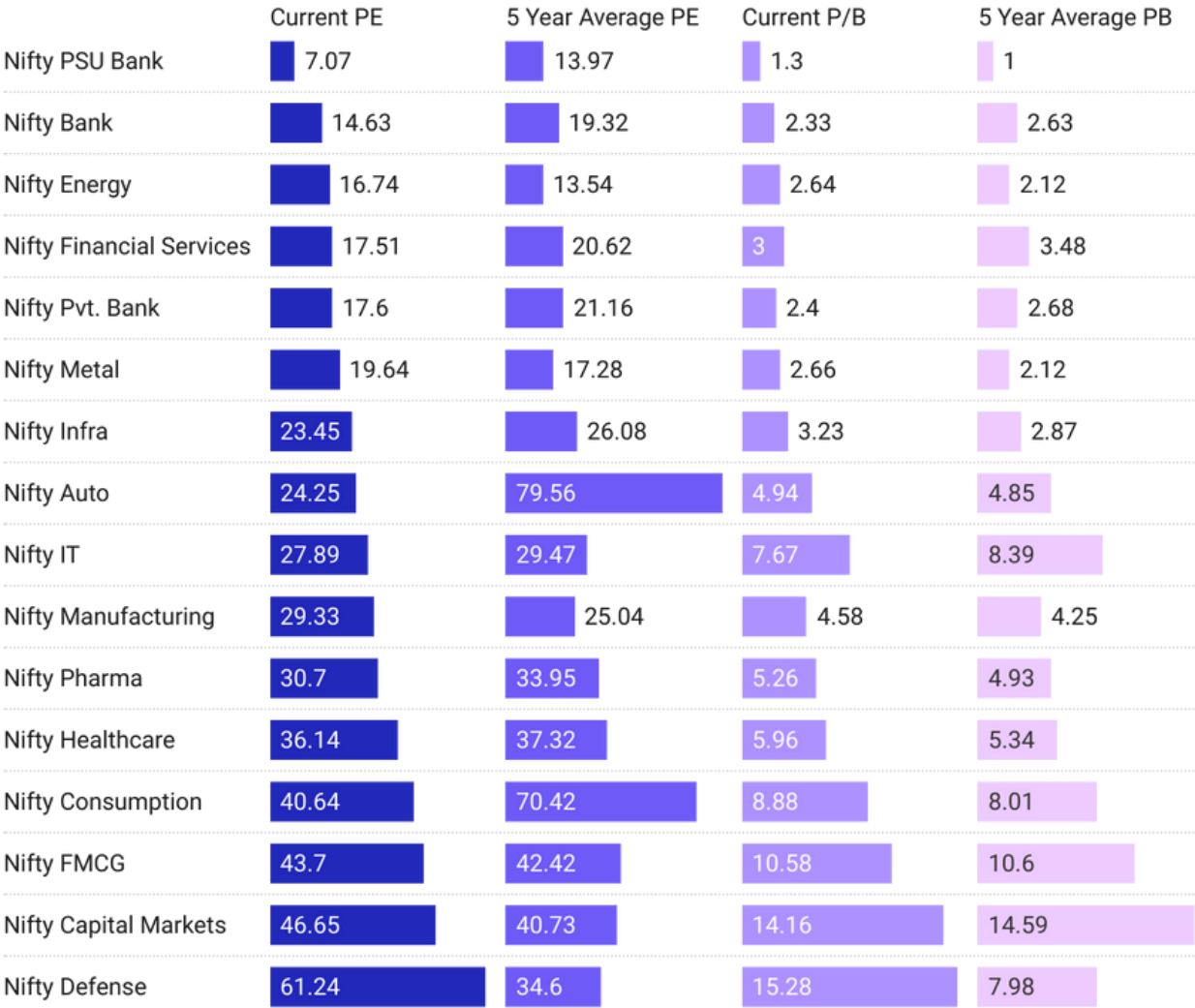


Valuation - Broader Market Indices



Average values are based on the closing data as of 3rd June. "Current" values reflect data as of the close on 30th May.
Source: <https://trendlyne.com/> • Created with Datawrapper

Valuation - Sectoral Indices



Average values are based on the closing data as of 3rd June. "Current" values reflect data as of the close on 30th May.
Source: <https://trendlyne.com/> • Created with Datawrapper

- All major indices are trading below their 5-year average P/E, offering selective buying opportunities.
- Valuation trends favor stock specific mid and small-cap allocations, especially after recent earnings upgrades.
- Banking and financial services continue to trade at a discount, supported by strong credit growth and stable asset quality.
- Energy and Metal sectors remain reasonably priced, with scope for re-rating as global demand improves.
- IT and Pharma are fairly valued, trading close to their 5-year averages and remain linked to global sentiments.
- FMCG and Defence remain richly valued, trading at significant premiums to historical levels.



India - Debt Markets

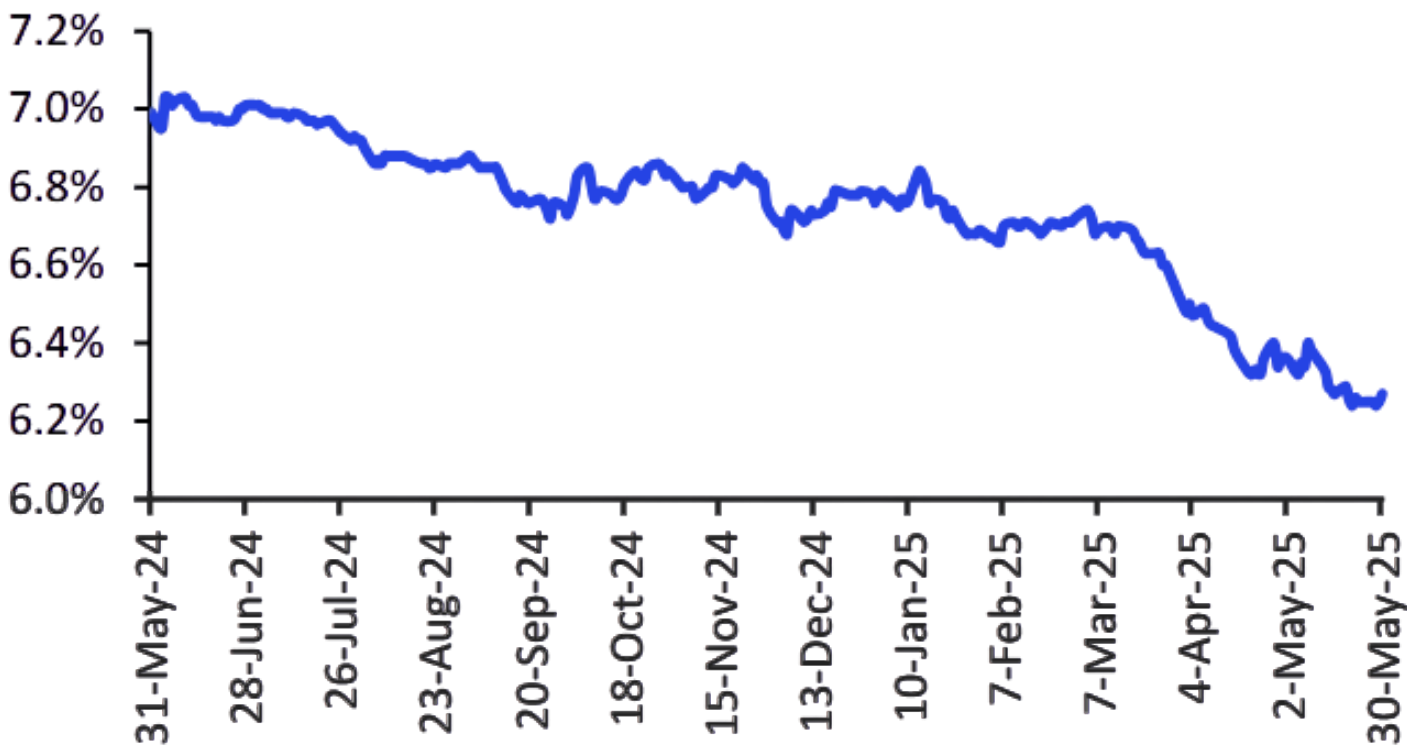


Debt Market Indicators

Debt Market	As on 30th May 2025	1 Week Ago	1 Month Ago	6 Month Ago
Repo	6.00%	6.00%	6.00%	6.50%
Call Rate	5.85%	5.80%	5.94%	6.47%
5 Year G-Sec	5.95%	5.94%	6.18%	6.82%
10 Year G-sec	6.31%	6.31%	6.46%	6.86%
1 Year AAA Corporate Bond	6.55%	6.63%	6.80%	7.65%
3 Year AAA Corporate Bond	6.55%	6.50%	6.76%	7.74%
5 Year AAA Corporate Bond	6.68%	6.69%	6.92%	7.64%

Source: Aditya Birla Mutual Fund Daily Fixed Income Tracker June 02, 2025 • Created with Datawrapper

10-year Benchmark G-sec Movement



Source: Crisil Fixed Income database

- Yields rose early in the month due to panic selling triggered by rising tensions with Pakistan, though RBI’s open market operations helped limit losses.
- The situation reversed after a ceasefire and soft April inflation data, with yields falling sharply as hopes of a rate cut gained traction.
- Mid-month, yields dipped further on expectations of continued RBI easing and optimism over a likely surplus transfer from the central bank.
- Toward month-end, yields inched up as investors booked profits ahead of the June policy meet, with the curve steepening due to strong demand for shorter-duration bonds.

India - Macroeconomic Data



Domestic Macro Indicators	Latest	Previous
CPI Inflation	3.16	3.34
Index of Industrial Production (IIP)	2.70%	3.90%
WPI Inflation	0.85%	2.05%
Manufacturing Purchasing Managers' Index	57.6	58.2
Services PMI	58.8	58.7
Composite PMI	61.2	59.7
GST Revenue(April)	Rs 2.01 lakh crore	Rs 2.37 lakh crore
Quarterly GDP Growth	7.40%	6.40%

Source: Various News Sources • Created with Datawrapper

Excerpt of consumption indicators:

Consumption/Demand (% YoY*)	FY25 Avg	FY24 Avg	Apr-25	FY25 Avg	Feb-25	April-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24
Personal Loans	16.3	27.0		11.6	11.7	11.8	12.0	13.3	12.9	13.4	13.9	13.9	25.6	28.7	26.7	27.5
Retail Payments	16.3	20.1		13.9	6.3	16.3	15.5	9.3	27.0	17.2	16.7	21.2	15.6	18.1	18.7	18.4
Consumer Sentiment Index(abs)	110.2	100.6	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	105.3
Rural Wage Growth	5.8	6.3		5.3	6.1	5.9	6.0	6.3	6.3	6.2	5.8	4.7	5.0	5.6	5.9	6.4
Non-Oil Imports	7.2	-1.0	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	-5.1
Passenger cars sales	-10.2	-10.7	-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	-6.8
POL Consumption	2.2	5.1	-0.2	-3.1	-5.2	3.0	2.0	10.6	4.1	-4.4	-3.1	10.7	2.3	1.9	7.8	1.7
Two wheelers	9.0	14.4	-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	15.3
Consumer Price Inflation	4.6	5.4	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	4.85
Core CPI(ex food and fuel)	3.5	4.4	4.13	4.12	4.01	3.71	3.61	3.65	3.65	3.48	3.38	3.37	3.16	3.12	3.25	3.27

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

Source: TATHYA by DSP Mutual Fund, May 21, 2025

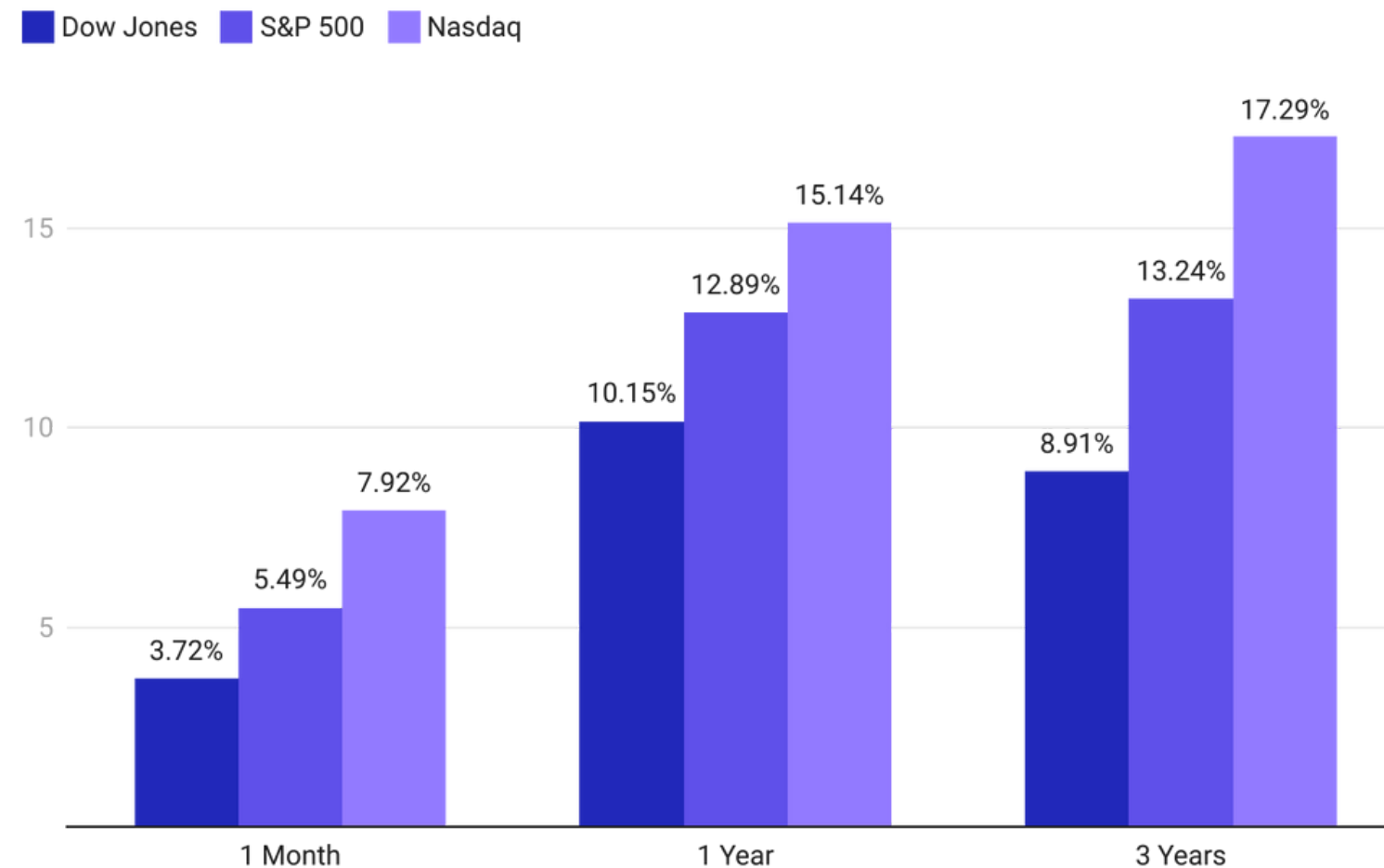
- Services sector momentum stayed strong, with the HSBC Services PMI rising to 58.8 in May, driven by record hiring and one of the sharpest spikes in export demand in nearly two decades.
- The Composite PMI climbed to 61.2, a 13-month high, reflecting robust activity across both services and manufacturing, despite temporary disruptions from India-Pakistan tensions.
- Q4 FY25 GDP growth accelerated to 7.4%, pushing the full-year GDP growth to 6.5%—moderate, but still resilient in a global slowdown.
- FII sentiment turned positive, with May seeing net equity inflows of ₹18,082 crore, following ₹4,243 crore in April—marking a reversal from early 2025 outflows.
- Amid global trade shifts, Indian exporters advanced shipments to the U.S., helping India stand out among the world’s better-performing economies.



US - Equity Market

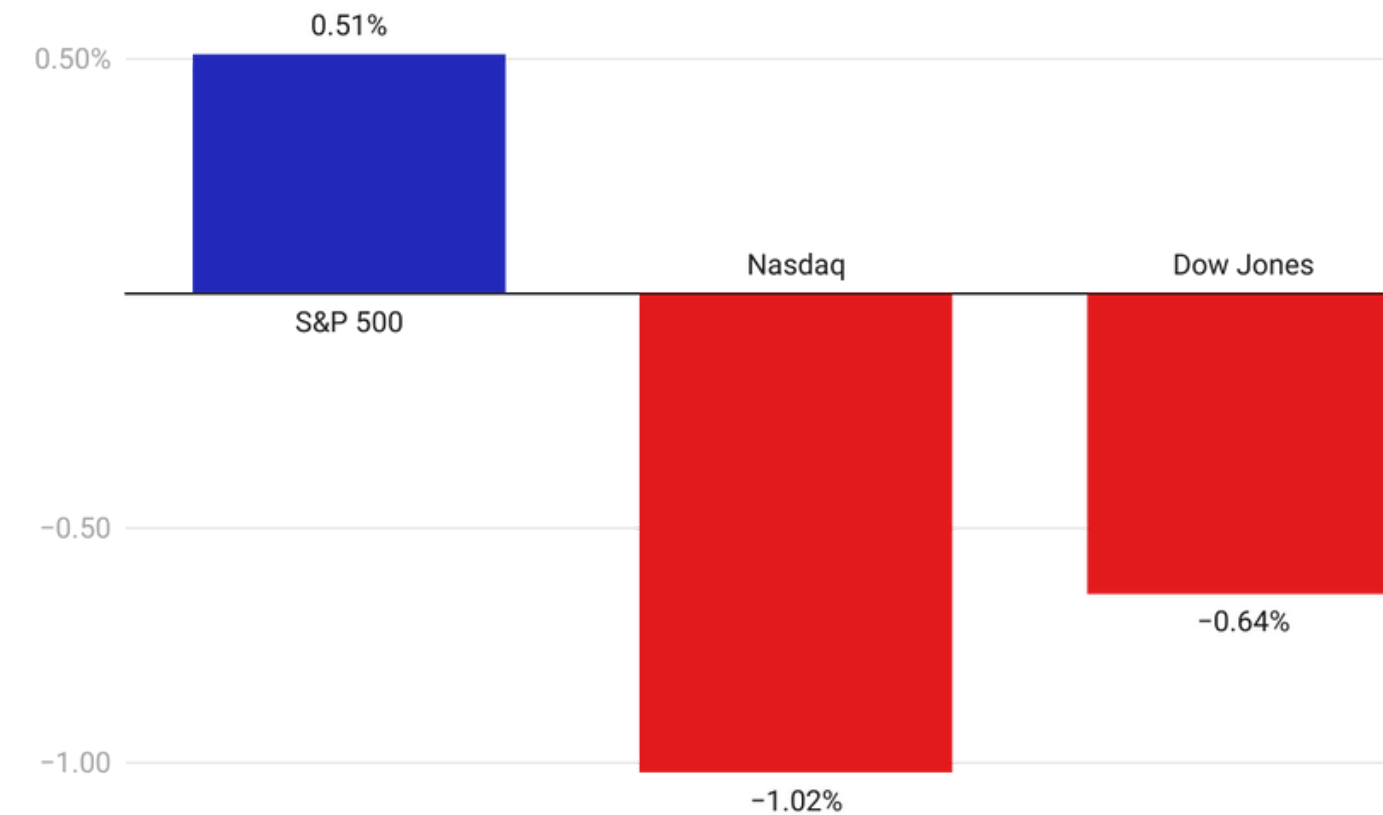


Trailing returns:



Source: NGEN, Yearly Returns as on 3rd June • Created with Datawrapper

CYTD Returns



Source: NGEN • Created with Datawrapper

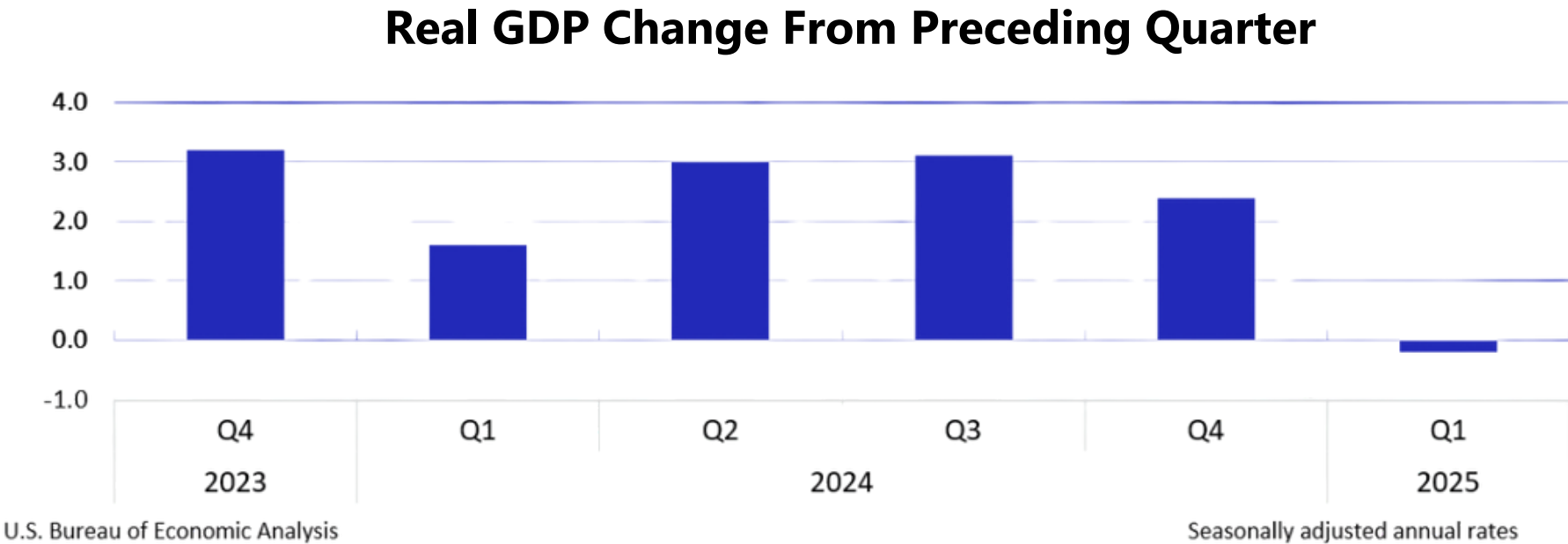
- S&P 500 rose 5.5% in May, its best month since November 2023, driven by strong gains in tech giants like Nvidia, Microsoft, Meta, and Amazon.
- Dow Jones Industrial Average increased by 3.8%, marking its best monthly performance since January.
- Nasdaq Composite returned to positive territory for 2025, buoyed by a rally in chip stocks.
- Tariff Escalations: President Trump announced a doubling of steel tariffs to 50% and extended them to aluminum, aiming to bolster domestic industries.
- Goldman Sachs analysts suggested that the S&P 500 could continue to perform well despite rising Treasury yields, citing historical data showing no significant correlation between this yield range and annual S&P 500 returns.

US - Key Macroeconomic Updates



US Macro Economic Data	
Inflation Rate (%)	2.30
Interest Rate (%)	4.50
Unemployment Rate (%)	4.20
Consumer Price Index (CPI) (Points)	320.80
Imports (USD Billion)	419.00
Exports (USD Billion)	278.46
Core Consumer Prices (Points)	326.43
Producer Prices (Points)	147.68
Unemployed Persons (Thousand)	7165.00

Source: Ngen



- The U.S. economy contracted by 0.3% in Q1 2025, primarily due to increased imports and decreased government spending. Real gross domestic product (GDP) decreased at an annual rate of 0.2 percent in the first quarter of 2025 (January, February, and March), according to the second estimate released by the U.S. Bureau of Economic Analysis. In the fourth quarter of 2024, real GDP increased 2.4 percent.
- The OECD downgraded U.S. GDP growth projections to 1.6% for 2025, citing the impact of tariffs and policy uncertainty.
- Headline inflation is projected to reach 3.9% by the end of 2025, influenced by higher import prices due to tariffs.
- The Fed expressed concerns over stagflation risks and indicated a cautious approach, with interest rates expected to remain steady in the near term.
- In April, job openings rose to 7.39 million, indicating resilience in the labor market despite economic turbulence.
- Unemployment Rate: The unemployment rate remained near historic lows at 4.2% in April, though signs of labor market cooling were observed.

US - Debt Market & Global Commodities

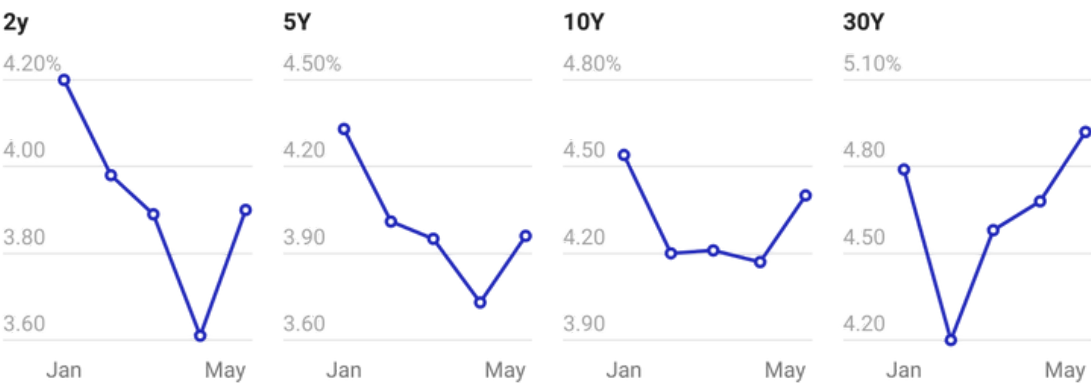


Global Commodities:

Commodity	Price (30th May 2025)	Price (30th April 2025)	1 Month Difference
Gold (INR/10 gm)	₹95,058	₹93,928	1.20%
Gold (\$/oz)	\$3,289.15	\$3,240.29	0.04%
Silver (INR/1 kg)	₹97,252	₹93,975	3.49%
Silver (\$/oz)	\$32.97	\$32.40	1.17%
Brent Crude (\$/bbl)	\$65.12	\$61.89	-0.20%
Crude Oil (INR/1 bbl)	₹5,210.00	₹5,148.00	1.20%
NYMEX Crude (\$/bbl)	\$61.26	\$60.39	3.22%
Natural Gas (INR/1 mmbtu)	₹301.10	₹288.50	4.37%
Aluminium (INR/1 kg)	₹237.50	₹234.80	1.15%
Copper (INR/1 kg)	₹867.65	₹838.85	3.43%
Nickel (INR/1 kg)	₹1,331.40	₹1,351.50	-1.49%
Lead (INR/1 kg)	₹184.15	₹181.85	1.26%
Zinc (INR/1 kg)	₹256.00	₹251.85	1.65%
Mentha Oil (INR/1 kg)	₹977.30	₹995.40	-1.82%
Baltic Dry Index	1,418	1,386	2.31%

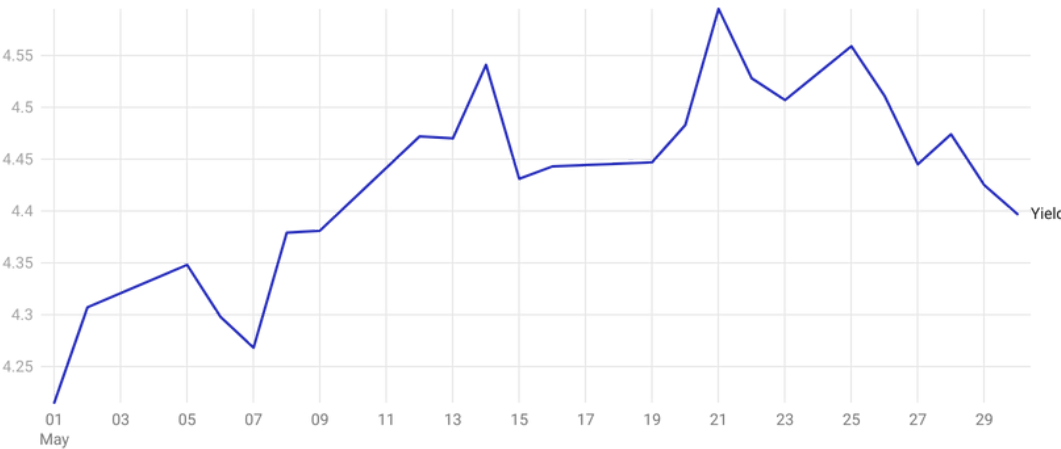
Source: Aditya Birla Mutual Fund Daily Update • Created with Datawrapper

CYTD Bond Yields Across Duration



Source: Investing.com • Created with Datawrapper

US 10 Year Bond Yield - May



Source: Investing.com • Created with Datawrapper

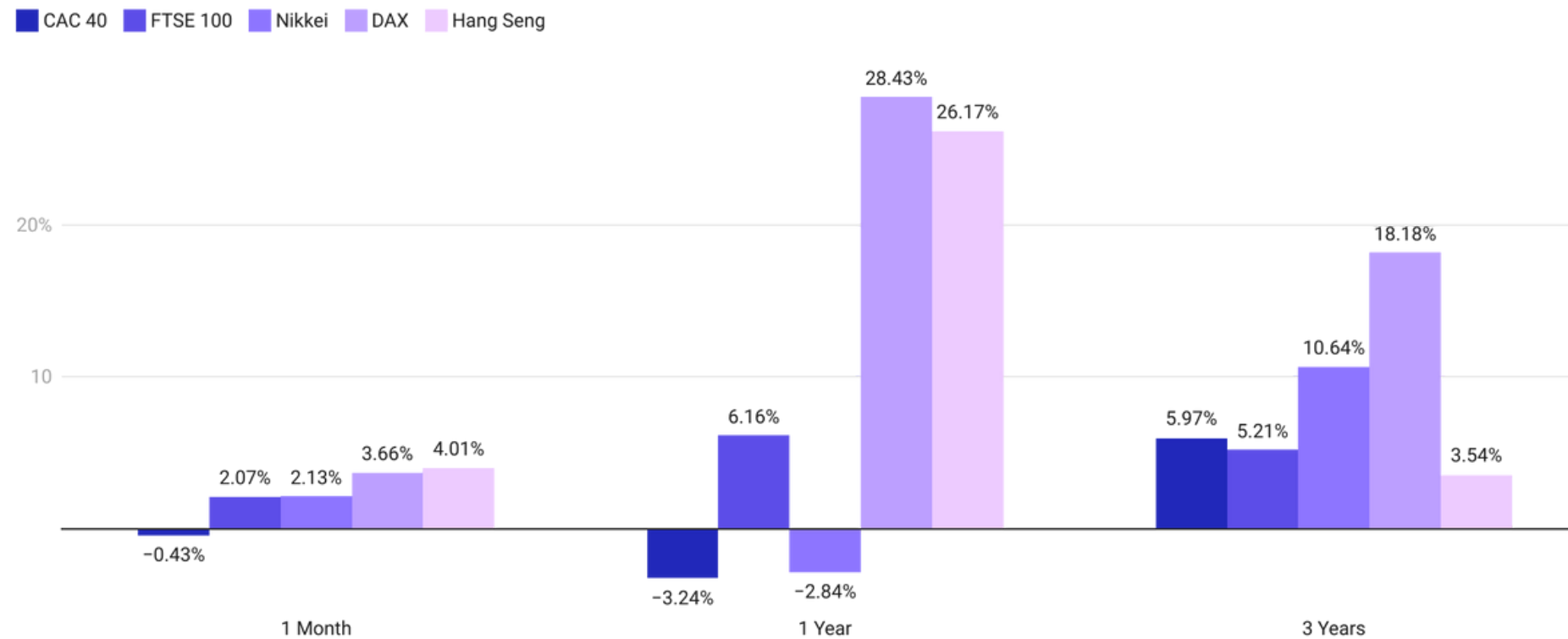
- US 10-year Treasury yields rose steadily through most of May, climbing from 4.27% to a peak of 4.51% by the week ended May 23.
- Early in the month, stronger-than-expected April jobs data and manufacturing numbers delayed Fed rate cut expectations, pressuring Treasury prices.
- Mid-month, yields spiked further after a major credit rating agency downgraded the US sovereign rating, citing worsening fiscal metrics.
- Optimism around a US-UK trade deal and a 90-day tariff truce with China also pushed investors toward riskier assets, reducing demand for Treasuries.
- Concerns over a new tax bill's impact on the national debt added to selling pressure, though attractive yield levels attracted some bargain buying.
- In the final week, yields fell to 4.42% as safe-haven demand returned—driven by soft economic data, global debt supply worries, and a court ruling that blocked most of the President's tariffs, renewing trade policy uncertainty.



Global Equity Markets



Global Indices



Source: NGEN, 3rd June • Created with Datawrapper

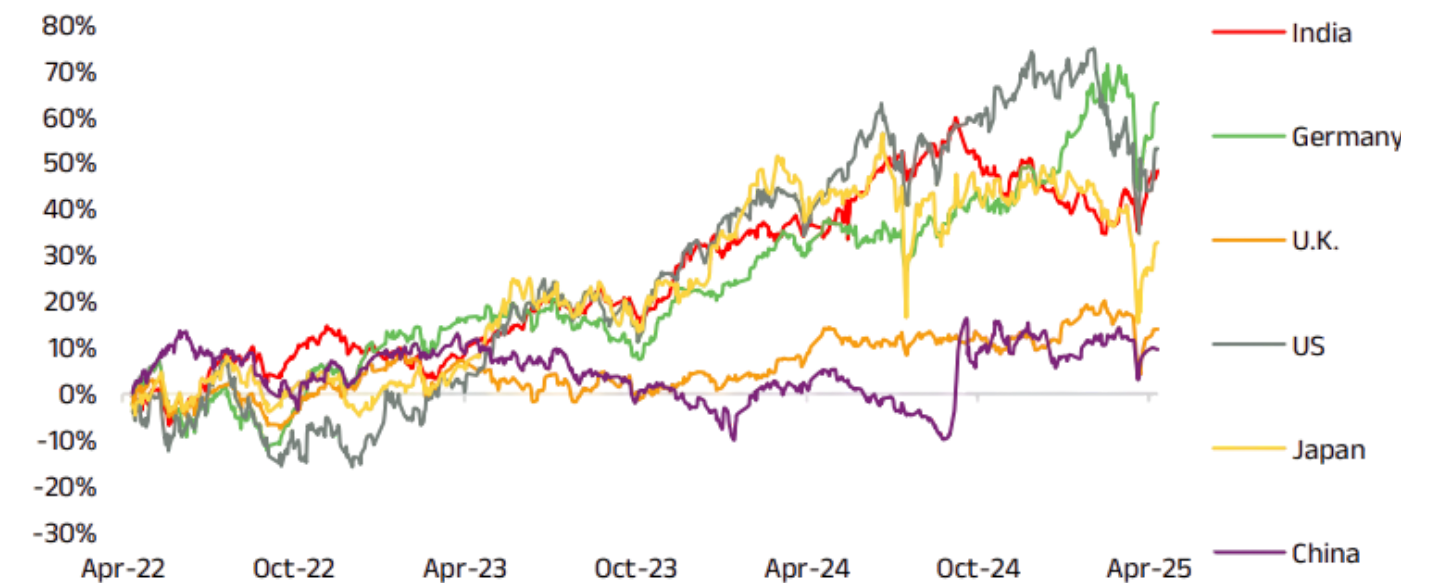
Europe:

- Markets rose early in May on strong earnings and hopes of lower U.S. auto part tariffs.
- They dipped mid-month amid political concerns, though U.S.–China trade deal optimism offered support.
- Sentiment turned mixed as ceasefire hopes and a UK–EU trade deal lifted stocks, but U.S. fiscal worries weighed.
- Toward month-end, markets gained on delayed U.S. tariffs, better German consumer confidence, and easing French inflation.

Asia:

- Early gains were driven by China’s trade data, U.S.–China talks, and news of a U.S.–U.K. trade breakthrough with potential tariff cuts.
- Markets rose further on encouraging progress in U.S.–China negotiations, especially boosting Chinese equities.
- Later in the month, sentiment turned mixed as falling U.S. yields and dovish Fed signals supported markets, but Japan lagged due to a stronger yen and rising bond yields.
- The month ended with tech-led gains after strong U.S. earnings, though uncertainty over U.S. tariff litigation and economic stability capped upside.

Comparative Absolute Performance of Global Indices



Source: Aditya Birla Mutual Fund Daily Report - 2nd June

AMFI Registered Mutual Fund Distributor

ARN No. 258099

Type of Registration- Non-Individual



THANK YOU!

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