EBONY WEALTH

EBONY RESEARCH – MONTHLY MARKET UPDATE
APRIL 2025

Someone is sitting in the shade today because someone planted a tree a long time ago.

Warren Buffett

Global Overview

IMF - Global growth despite series of shocks in the last 5 years (since 2020) was stable yet underwhelming through 2024 and was projected to remain so in 2025. However, the landscape has changed as governments around the world reorder policy priorities. The U.S. announced multiple waves of tariffs on major trading partners and critical sectors, culminating on April 2 with a set of nearly universal tariffs. While there is lot of back and forth on the scheduled tariff increases, the combination of measures and countermeasures has hiked US and global tariff rates to centennial highs. Unlike in the previous century, the global economy is now characterized by a high degree of economic and financial integration, with supply chains and financial flows crisscrossing the world, whose potential unwinding could constitute a major source of economic upheaval.

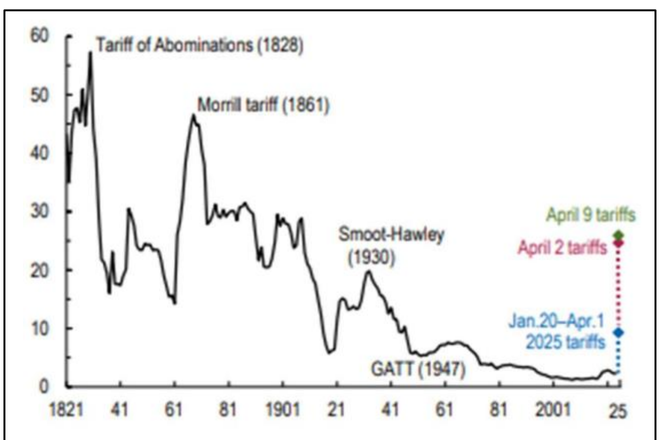
Both tariffs and uncertainties emanating from such measure will lead to a significant slowdown in global growth in the near term. These effects are magnified in the presence of modern complex global supply chains. Most traded goods are intermediate inputs that traverse countries multiple times before their transformation into final products. This has potentially large multiplier effects, just as we saw during the pandemic though it is difficult to estimate totality of such moves at this stage. Global Corporate's initial reaction will be to pause, reduce investment, and cut purchases. Likewise, financial institutions will reevaluate their credit supply to businesses, until they can assess the latter's exposure to the new environment.

The effect of tariffs on exchange rates is not straightforward. First, the US, as the tariffing economy, may see its currency appreciate, as happened in previous episodes. This reflects the reduced demand for foreign currency as the demand for imports declines, but also the likelihood that tariffed countries may ease their monetary policy stance to respond to the negative demand shock. However, greater policy uncertainty, lower growth prospects in the US, and an adjustment in the global demand for dollar assets—which has been orderly so far—can weigh on the dollar.

The swift escalation of trade tensions and extremely high levels of policy uncertainty are expected to have a significant impact on global growth. As of April, **global growth is projected to drop to 2.8% in 2025** and 3% in 2026—down from 3.3% for both years in the January 2025 WEO Update **and much below the historical 2000–19) average of 3.7%**. In the reference forecast, growth in advanced economies is projected to be 1.4% in 2025. Growth in the U.S is expected to slow to 1.8%, 0.9% point lower relative to the projection in Jan 2025. In emerging market and developing economies, growth is expected to slow down to 3.7% in 2025 and 3.9% in 2026, with significant downgrades for countries affected most by recent trade measures, such as China.

Global headline inflation is expected to decline at a slower pace that than what was expected in January, reaching 4.3% in 2025 and 3.6% in 2026, with notable upward revisions for advanced economies and slight downward revisions for emerging market and developing economies in 2025.

Chart 1: US effective tariff rate on imports



Sources: US Bureau of the Census, *Historical Statistics of the United States, 1789–1945*; and IMF staff calculations.

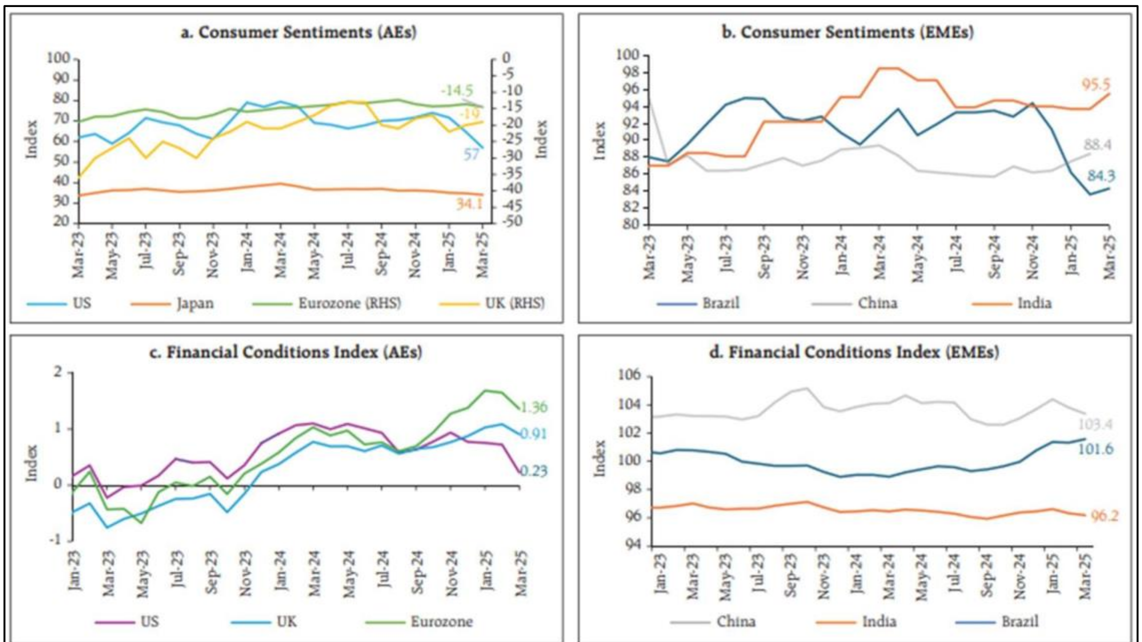
Source: IMF

Table 1: Global Central Banks Monetary Policy Meeting between Oct 24 – Mar 25

Country	Policy Meetings: October 2024 - March 2025			
	Total meetings	Meetings with full consensus	Meetings without full consensus	Variation in policy rate (basis points)
Brazil	4	4	0	350
Chile	4	4	0	-50
Colombia	4	0	4	-75
Czech Republic	4	2	2	-50
Hungary*	6	3	2	0
India	3	1	2	-25
Japan	4	2	2	25
South Africa	3	1	2	-50
Sweden	4	4	0	-100
Thailand	3	1	2	-50
UK	4	0	4	-50
US	4	3	1	-50

Note: *: Total number of meetings happened is six. However, the minutes of last meeting (March 25, 2025) is not published to date.
Sources: Central bank websites.

Chart 2: Consumer Sentiment and Financial Conditions



Notes: 1. Japan: A score above 50 indicates consumer optimism, below 50 shows a lack of consumer confidence, and 50 indicates neutrality.
2. Eurozone and UK: -100 indicates extreme lack of confidence, 0 denotes neutrality, and 100 indicates extreme confidence.
3. India and the US: The higher the index value, the higher the consumer confidence.
4. For the financial condition index (pertaining to EMEs constructed by Goldman Sachs), a reading below 100 is accommodative and *vice versa*. As for the AEs, the index constructed by Bloomberg is a z-score where a positive value indicates accommodative/easy financial conditions and *vice versa*.

Source: Bloomberg.

U.S. Markets

U.S. Equities

Chart 3: S&P 500 Index Valuation relative to last 30 years

Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	20.16x	16.93x	0.99
CAPE	Shiller's P/E	34.58x	28.16x	1.05
Div. Yield	Dividend yield	1.69%	2.05%	1.08
P/B	Price to book	4.22x	3.21x	1.18
P/CF	Price to cash flow	15.40x	11.35x	1.67
EY Spread	EY minus Baa yield	-0.40%	0.69%	0.50

Chart 4: Global Heat Map

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Apr '25
US S&P 500 13.7%	Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI Europe ex-UK 5.9%	MSCI EM 1.3%
Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI EM 4.4%	MSCI Asia ex-Japan 0.8%
MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	UK FTSE All-Share 4.2%	Japan TOPIX 0.3%
MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	MSCI Asia ex-Japan 2.7%	UK FTSE All-Share -0.2%
UK FTSE All-Share 1.2%	MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	Japan TOPIX -3.1%	MSCI Europe ex-UK -0.4%
MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 -4.9%	US S&P 500 -0.7%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars

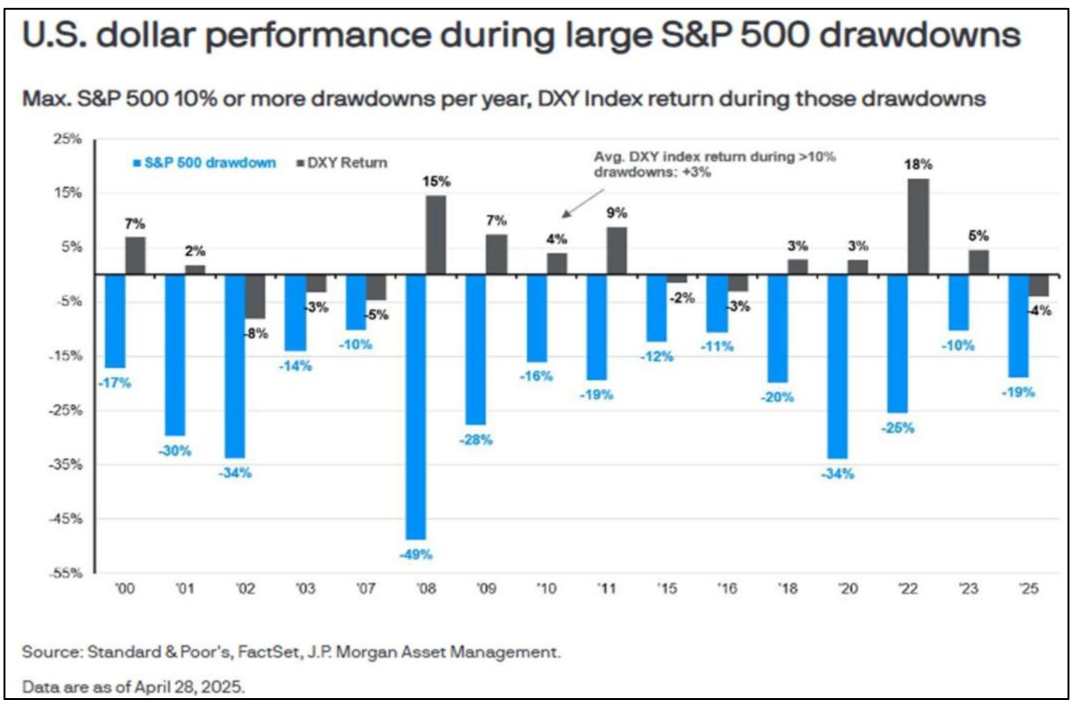
April 2025 started with President Trump's announcement of a set of tariffs that were broader and more punitive than expected. Equity markets sold off just after the announcement and the VIX measure of implied market volatility spiked to 60, the highest level since the pandemic. Stocks recovered much of their losses after President Trump softened the approach, announcing a 90-day pause in the implementation of reciprocal tariffs for countries that had not yet adopted retaliatory measures, and the removal of tariffs on a range of electronic products. US / China trade tensions also eased somewhat after the US administration softened its tone.

US data released in April showed signs of economic moderation. The flash composite Purchasing Managers' Index (PMI) fell to 51.2. The manufacturing index rose slightly to 50.7. Meanwhile, business expectations and the Michigan consumer sentiment index fell to levels last seen during the pandemic. A shock to confidence is hindering investment and spending decisions, increasing the risk of a recession by the end of the year.

USD has weakened 8% YTD as investors re-assess portfolio positioning and allocate more to markets outside U.S. Since 2008 during global financial crisis or trade war in 2018 or moments of risk aversion, USD strengthened even if the source of uncertainty was the U.S. itself. This time, the picture looks very different: U.S. equities are *down* -5% year-to-date while developed market equities ex-U.S. are *up* 10%, an outperformance of 15%, the largest margin since 1993 while the dollar has weakened significantly.

A powerful rebalancing has been underway as U.S. equities, which had reached exceptionally high valuations and accounted for a record 65% of global market capitalization, faced growing headwinds. The scale and breadth of recent U.S. tariffs have significantly downgraded the economic and earnings outlook in U.S. While the end of deflation, negative interest rates in Europe and Japan along with relative attractive equity valuation supported by dovish monetary cycle has led to an allocation shift.

Chart 5: USD Performance during period of S&P 500 Correction



Source: J.P. Morgan Asset Management, S&P, Factset

Valuations

Valuations have been much higher for U.S. stocks relative to other regions. For example, the MSCI USA Index recently had a trailing price-to-earnings (P/E) ratio of 25.1 and a forward P/E ratio of 20.5. Compare that to other major indexes

- MSCI Europe Index: Trailing P/E ratio of 15.5 and forward P/E ratio of 13.7
- MSCI UK Index: Trailing P/E ratio of 13.2 and forward P/E ratio of 11.9
- MSCI Japan Index: Trailing P/E ratio of 13.7 and forward P/E ratio of 13.5
- MSCI All-Country World Index: Trailing P/E ratio of 20.5 and forward P/E ratio of 17.2

P/E As of 31st March 2025

While U.S. equities have often traded at relatively high valuations historically, those periods generally lacked the kind of tariff-driven uncertainty we're seeing now. In times of heightened uncertainty, such as the current environment marked by geopolitical tensions and trade policy disruptions, valuation becomes more critical. Investors may be less willing to tolerate stretched multiples when visibility around earnings, supply chains, and macroeconomic stability diminishes. This "exceptional" uncertainty could prompt a sharper re-pricing of risk, making markets less forgiving of high valuations than in more stable periods.

Monetary policy support

Unlike in previous periods of economic uncertainty, the Federal Reserve has yet to provide monetary policy support in 2025. Despite rising risks—particularly from escalating tariffs—the Fed remains in a "wait and see" mode, monitoring the economic impact before considering rate cuts. In contrast, central banks in Europe have taken a more proactive stance. The European Central Bank cut rates again last week—its **seventh cut in the last eight meetings**—and signalled a willingness to ease further if conditions warrant. Similarly, the Bank of England cut rates in February and may continue to ease policy in the months ahead. This divergence in central bank action could contribute to relative weakness in U.S. markets, particularly if economic momentum slows without the cushion of monetary support.

While Chinese and European equities are racing ahead YTD due to sharp underperformance relative to US over the years, we believe nothing fundamentally has changed with regards pecking order despite tariffs. While there is hype calling for a multi-polar world, shifting focus on risk assets outside U.S. on account of stimulus coming out of Germany and China, we believe contraction in consumer spending in U.S. will have a larger effect outside U.S. and the hype may be short lived as more and more countries will find a way to negotiate a deal with U.S including Europe.

This transition period could be painful and significant volatile and may run through 2025. However, the current correction in global equities offers significant opportunity to build a well-diversified portfolio. We remain overweight U.S. While we remain positive on US equities, we advocate a "buy on dips" approach, recognizing the need for prudence given current valuations and macroeconomic uncertainties. In contrast, we are more confident about US Treasuries, where the risk-reward dynamics appear more favourable, making them an attractive option for deploying capital in the current environment.

U.S. Bonds – Vulnerable to foreign ownership and tariff led inflation

Table 2: Foreign ownership of U.S. Treasuries

Holdings at end of time period	USD Bn	USD Bn
Country	2025-02	2024-02
Japan	1126	1148
China, Mainland	784	775
United Kingdom	750	712
Cayman Islands	418	310
Luxembourg	413	356
Canada	406	365
Belgium	395	320
France	354	271
Ireland	339	341
Taiwan	295	258
Switzerland	291	281
Hong Kong	274	217

Source: U.S treasury department

It is uncertain today to assess the implications of tariffs for US debt. The market's focus on the implications of tariffs for US borrowing has shifted in recent weeks from an emphasis on how much money tariffs could raise in revenue to concerns about the prospect of a downturn, which could lead to higher government borrowing due to lower tax receipts and increased spending needs. Concerns about the path of the US economy. Growing trade tensions complicate the case for owning treasuries as a hedge against volatility, given the possibility that tariffs could drive down growth while boosting inflation.

The other big vulnerability for U.S. in the midst of the current tariff war is its relatively high level of debt and foreign ownership of it. Just last year, the US's cost to service its debt climbed so high that it exceeded its entire defence budget for the first time. Other countries know the high level of US debt is a serious vulnerability; if rates rise, it causes the US to spend significantly more servicing its debt.

Few countries are using the high ownership of U.S. treasuries as a negotiating tool in this tariff war and this has resulted in greater buying of gold, which seems to have become the preferred "safe haven". Gold was the big beneficiary of April's uncertainty, marking a new all-time high at USD 3500 on 22 April.

Given the economic fallout stemming from ongoing uncertainty and the back-and-forth surrounding tariffs, we expect the Federal Reserve to intervene at some point. U.S. Treasury markets have already started to price in this dovish shift, with yields across the curve moving lower in recent weeks. The 10-year yield has fallen notably, reflecting both lower growth and inflation expectations. This dynamic may persist, especially if the Fed signals a more accommodative stance in upcoming meetings.

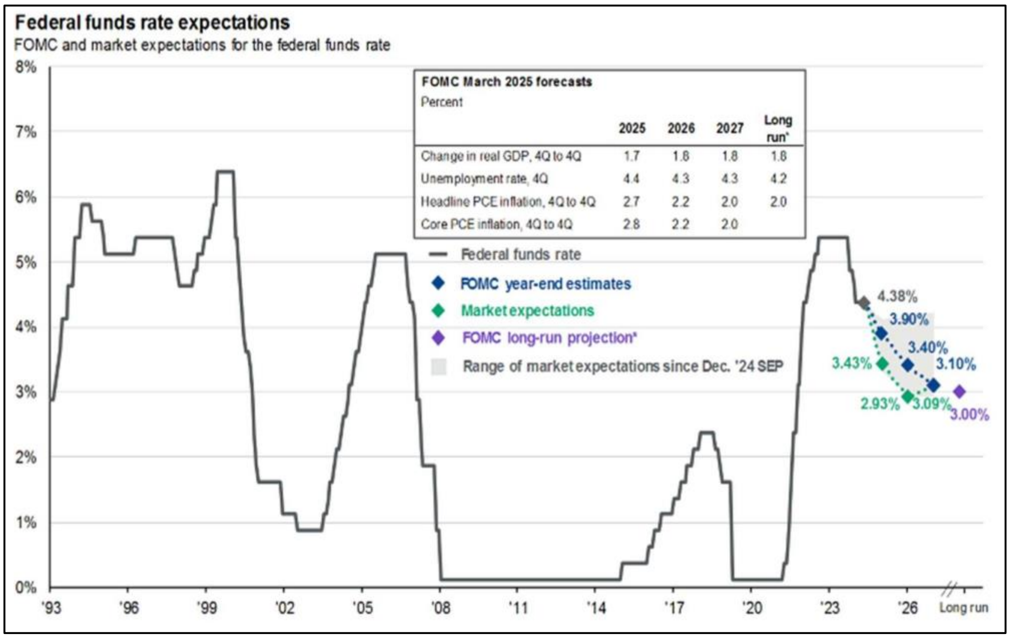
For the remainder of the year, we are pencilling in 2–3 rate cuts as policymakers may have to cushion the economy from downside risks and softening global demand. We maintain a constructive view on U.S. duration in the near term, particularly in the belly and long end of the curve, as a hedge against continued macro volatility.

Yield of U.S. treasuries as of 30 April 2025

Duration	Rate
1-Year	3.85%
5-Year	3.72%
10-Year	4.17%
30-Year	4.66%

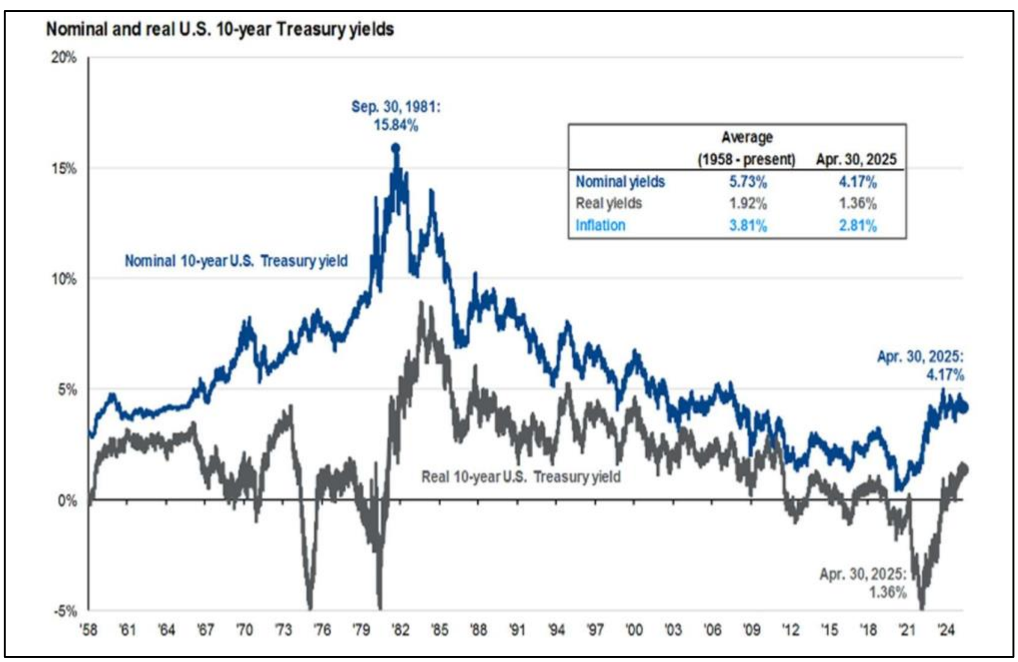
Source: StatLane Research

Chart 6: Fed Funds rate



Source: J.P.M Guide to markets

Chart 7: U.S. Real Yields



Source: J.P.M Guide to markets

India

Monetary Policy Committee (MPC) MPC met in April and has projected real GDP growth for 2025-26 at 6.5%. While the risks are evenly balanced around these baseline projections, uncertainties remain high in the wake of the evolving tariffs. The recent trade tariff related measures have exacerbated uncertainties clouding the economic outlook across regions, posing new headwinds for global growth and inflation. Amidst this turbulence, the US dollar has weakened appreciably; equity markets are correcting; and crude oil prices have fallen to their lowest in over three years. After a detailed assessment of the evolving macroeconomic and financial conditions and outlook, the MPC voted unanimously to reduce the policy repo rate by 25 basis points to 6% with immediate effect; consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.75% and the marginal standing facility (MSF) rate and the Bank Rate to 6.25%.

The MPC noted that inflation is currently below the target, supported by a sharp fall in food inflation. As per projections, there is now a greater confidence of a durable alignment of headline inflation with the target of 4% over next 12-month horizon. On the other hand, impeded by a challenging global environment, growth is still on a recovery path. In such challenging global economic conditions, the benign inflation outlook and moderate growth demand that the MPC continues to support growth

Economic backdrop The Indian economy has made steady progress towards the goals of price stability and sustained growth. In 2025-26, prospects of agriculture sector remain bright on the back of healthy reservoir levels and robust crop production while manufacturing activity is showing signs of revival with business expectations remaining robust and services sector continues to be resilient. On the demand side, bright prospects of the agriculture sector bode well for rural demand while urban consumption is gradually picking up with an uptick in discretionary spending. Investment activity has gained traction and it is expected to improve further on the back of sustained higher capacity utilisation (as per the order books, inventories, and capacity utilisation survey (OBICUS), seasonally adjusted capacity utilisation in manufacturing sector in Q3 FY25 at 75.3% was well above the long-term average), government's continued thrust on infrastructure spending, healthy balance sheets of banks and corporates, along with the easing of financial conditions.

Domestic economic activity is on a recovery path and is expected to remain resilient backed by consumption demand. It needs to be recognised that India's forte is its high growth potential and robust macroeconomic fundamentals. Government's push for consumption and capex, resilient services sector, robust outlook of agricultural sector aided by strong corporate and bank balance sheets provide impetus to the growth momentum, going forward. The measures announced in the Union Budget 2025- 26 augur well for improving domestic consumption. Moreover, the adherence to fiscal consolidation and debt path without compromising on the quality of expenditure will help in improving sovereign ratings, attracting capital inflows, easing financial conditions, and improving overall sentiment and outlook. Well-coordinated fiscal and monetary policy working in tandem could undoubtedly generate improved outcomes in terms of better growth - inflation balance. The recent tariff announcements by U.S. have heightened policy uncertainty posing new headwinds for global growth and inflation. **While India cannot remain immune to these developments, the progress achieved on the disinflation front gives headroom to monetary policy to focus on balancing the growth-inflation outcome.**

High frequency indicators suggest that aggregate demand remained broadly resilient during Q4 FY25. Indicators such as E-way bills and toll collections recorded robust y-o-y growth in double digits in March 2025, despite a sequential moderation in the latter. Automobile sector showed signs of improvement in March. Wholesale automobile sales recorded a double-digit growth in March; scooter sales contributed significantly to overall two-wheeler sales indicating strong rural demand. Tractor sales also registered a double-digit growth for the fourth consecutive month. Despite a sequential improvement, vehicle registrations recorded a y-o-y contraction in both non-transport and transport vehicles segments. In March 2025, gross GST collections (Centre plus States) rose to ₹1.96 lakh crore, the second highest monthly collection since its inception in 2017. The cumulative GST collection during 2024-25 amounted to ₹22.09 lakh crore, 9.4% higher than during 2023-24.

Table 3: High Frequency indicators

(y-o-y, per cent)

Sector	Indicator	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Urban demand	Passenger Vehicles Sales	8.9	1.2	4.3	4.9	-2.0	-1.6	-0.4	1.1	4.4	11.4	3.5	3.7	3.7
Rural demand	Two-Wheeler Sales	15.3	30.8	10.1	21.3	12.5	9.3	15.8	14.2	-1.1	-8.8	2.1	-9.0	11.4
	Three-Wheeler Sales	4.3	14.5	14.4	12.3	5.1	8.0	6.7	-0.7	-1.3	3.5	8.6	4.7	10.5
	Tractor Sales	-23.1	-3.0	0.0	3.6	1.6	-5.8	3.7	22.4	-1.3	14.0	11.4	35.9	25.4
Trade, hotels, transport, communication	Commercial Vehicles Sales	-3.8	3.5			-11.0			1.3			1.6		
	Railway Freight Traffic	8.6	1.4	3.7	10.1	4.5	0.0	-5.8	1.5	1.2				
	Port Cargo Traffic	2.7	1.3	3.8	6.8	5.9	6.7	5.8	-3.4	-4.9	3.4	7.6	3.6	13.8
	Domestic Air Cargo Traffic	8.7	0.3	10.3	10.3	8.8	0.6	14.0	8.9	0.3	4.3	6.9	-2.5	
	International Air Cargo Traffic	22.5	16.2	19.2	19.6	24.4	20.7	20.5	18.4	16.1	10.5	7.1	-6.3	
	Domestic Air Passenger Traffic*	4.7	3.8	5.9	6.9	7.6	6.7	7.4	9.6	13.8	10.8	14.1	12.1	10.1
	International Air Passenger Traffic*	15	16.8	19.6	11.3	8.8	11.1	11.2	10.3	10.7	9.0	11.1	7.7	4.7
	GST E-way Bills (Total)	13.9	14.5	17.0	16.3	19.2	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2
	GST E-way Bills (Intra State)	15.8	17.3	18.9	16.4	19.0	13.1	19.0	18.3	5.4	17.9	23.3	14.9	20.3
	GST E-way Bills (Inter State)	10.7	9.6	13.6	16.3	19.6	12.5	17.7	14.4	44.1	17.1	22.8	14.4	20.1
	Hotel occupancy	2.7	-1.4	-2.6	-3.1	3.6	0.7	2.1	-5.3	11.1	-0.2	1.2	0.6	
	Average revenue per room	6.7	4.8	1.8	2.8	7.6	5.2	3.5	4.8	10.7	8.9	8.7	14.0	
	Tourist Arrivals	8.0	7.7	0.3	9.0	-1.3	-4.2	0.4	-1.4	-0.1	-6.6	-0.2	-8.6	
Construction	Steel Consumption	11.6	9.6	15.9	19.5	14.4	10.0	11.8	8.9	9.5	5.2	10.9	10.9	-0.5
	Cement Production	10.6	0.2	-0.6	1.8	5.1	-2.5	7.6	3.1	13.1	4.6	14.6	10.5	
PMI Index#	Services	61.2	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5

<<Contraction--- Expansion>>

Note: **#:** Data in levels. ***:** March 2025 data are based on the monthly average of daily figures. The Heat-map is constructed for each indicator for the period July-2021 till date.

Sources: SIAM; Ministry of Railways; Tractor and Mechanisation Association; Indian Ports Association; Office of Economic Adviser; GSTN; Airports Authority of India; HVS Anarock; Ministry of Tourism; Joint Plant Committee; and IHS Markit.

India's merchandise exports grew by 0.7% (y-o-y) to USD 42bn in March 2025 – marking a rebound after four straight months of contraction – driven by a recovery in non-oil exports. The merchandise imports at USD 63.5bn expanded by 11.4 per cent (y-o-y) in March 2025, mainly due to increasing oil, gold and electronic imports. **During 2024-25 (April-March), India's merchandise exports expanded marginally by 0.1% to USD 437.4bn whereas imports at USD 720.2bn increased by 6.2% (y-o-y).**

Headline inflation, as measured by y-o-y changes in the all-India consumer price index (CPI)13, declined to 3.3% in March 2025 from 3.6% in February, marking the fourth consecutive monthly decline and the lowest reading since August 2019. Core CPI inflation remained steady at 4.1% in March 2025.

Table 4: Trends in Core Inflation

Period	CPI excluding food and fuel (47.3)	CPI excluding food fuel petrol diesel (45.0)	CPI excluding food fuel petrol diesel gold silver (43.8)
Jan-24	3.5	3.7	3.4
Feb-24	3.4	3.5	3.3
Mar-24	3.3	3.4	3.2
Apr-24	3.2	3.4	3.0
May-24	3.1	3.3	2.8
Jun-24	3.1	3.3	2.8
Jul-24	3.4	3.6	3.1
Aug-24	3.3	3.5	3.0
Sep-24	3.5	3.8	3.2
Oct-24	3.8	4.0	3.3
Nov-24	3.7	3.9	3.3
Dec-24	3.6	3.9	3.3
Jan-25	3.6	3.9	3.2
Feb-25	4.1	4.3	3.4

Notes: 1. Figures in parentheses indicate weights in CPI.
2. Derived as residual from headline CPI.

Sources: NSO; and RBI staff estimates.

System liquidity was in deficit in January 2025 with net injection under the liquidity adjustment facility (LAF) scaling a peak of ₹3.1 lakh crore on 23rd January 2025. However, as a result of a slew of measures injecting liquidity, the system liquidity deficit tapered during February-March 2025 and further turned into surplus since end march 2025. Coupled with government spending picking up pace during the latter half of March, system liquidity further improved and it stood at a surplus of ₹1.5 lakh crore as on 7th April, 2025.

The table below highlights the measures taken

Table 5: Liquidity measures taken by RBI

(Amount in ₹ crore)

Measures	Auction Date	Description	Bid Cover Ratio	Liquidity injected
CRR Cut	Announced on December 6, 2024	CRR cut by 50 bps in two equal tranches of 25 bps each with effect from the fortnight beginning December 14 and December 28		1,16,000*
OMO Purchase	Q4:2024-25	Through NDS-OM		38,825
OMO Purchase auctions	January 30, 2025	Notified Amount: 20,000	6.03	20,020
	February 13, 2025	Notified Amount: 40,000	4.53	40,000
	February 20, 2025	Notified Amount: 40,000	4.69	40,000
	March 12, 2025	Notified Amount: 50,000	2.51	50,000
	March 18, 2025	Notified Amount: 50,000	2.02	50,000
	March 25, 2025	Notified Amount: 50,000	1.35	44,541
Term Repo Auctions	February 07, 2025	56-day VRR auction Notified Amount: 50,000	2.17	50,010
	February 14, 2025	49-day VRR auction Notified Amount: 75,000	1.33	75,003
	February 21, 2025	45-day VRR auction Notified Amount: 75,000	0.77	57,951
USD/INR Buy/Sell swap auctions	January 31, 2025 (Settlement on Feb 4, 2025)	Tenor: 6 months Notified Amount: USD 5 billion	5.12	44,000* (USD 5.10 Billion)
	February 28, 2025 (Settlement on Mar 4, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	1.62	88,000* (USD 10.06 Billion)
	March 24, 2025 (Settlement on Mar 26, 2025)	Tenor: 3 years Notified Amount: USD 10 billion	2.23	86,000* (USD 10.04 Billion)
Total				**8,00,350***

Note: * indicates approximate value.
Source: RBI.

Foreign exchange reserves as on 4th April, 2025, India's foreign exchange reserves stood at USD 676.3bn, providing an import cover of about 11 months. Overall, India's external sector remains resilient as key indicators stay robust.

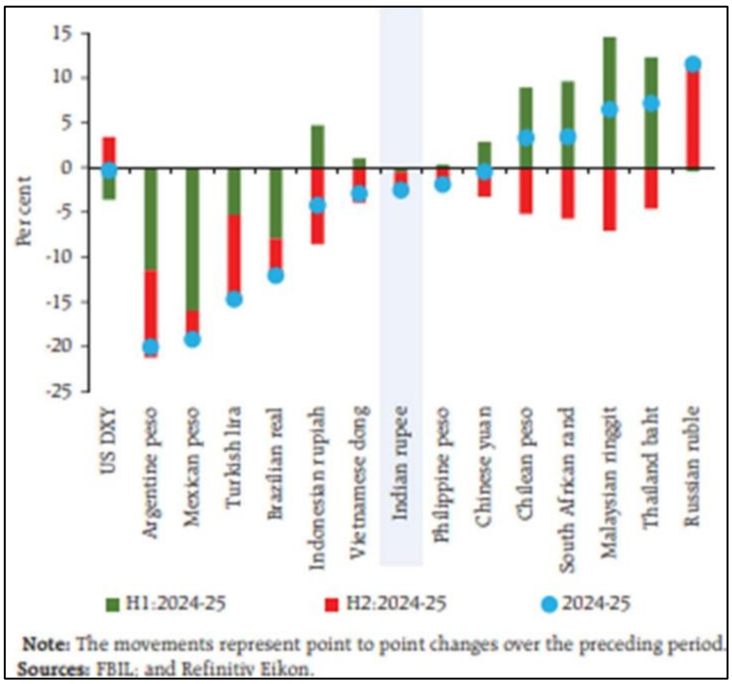
Trends in Credit and Deposit growth

Bank credit growth (y-o-y) moderated during 2024-25. The moderation was seen across bank groups except for public sector banks (PSBs). PSBs continued to be the major driver of incremental credit extended by all scheduled commercial banks (SCBs) in 2024-25, while the share for private sector banks (PVBs) declined. Non-food bank credit of scheduled commercial banks (SCBs) increased at a decelerated pace of 12.0% (y-o-y) as on March 21, 2025, compared to 16.3% a year ago

As on April 4, 2025, SCBs' deposit growth (excluding the impact of the merger) decelerated to 10.4% from 13.3% a year ago. SCBs' incremental credit-deposit ratio increased to 89.1% as on April 4, 2025 from a low of 80.7% as on October 18, 2024.

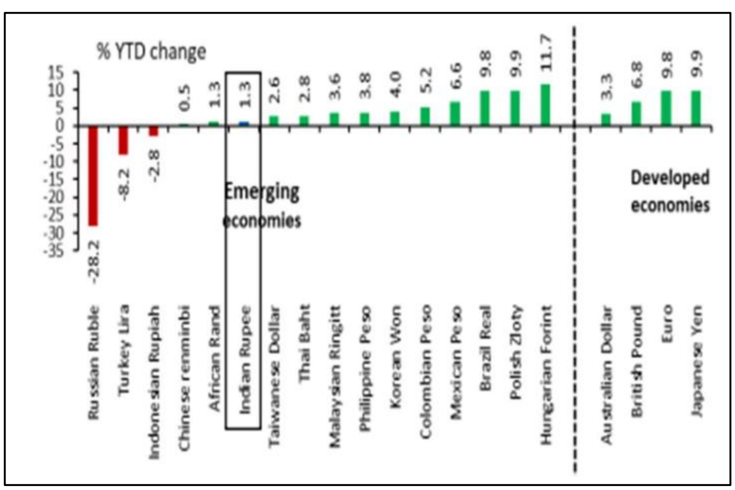
Exchange rate and volatility Global foreign exchange market experienced increased volatility during the latter part of 2024- 25, primarily due to rising geopolitical tensions and uncertainties regarding trade policies. The US dollar experienced sharp fluctuations, reaching a two-year high in mid-January 2025 due to expectations of robust US economic growth. It, however, subsequently declined, reflecting growing concerns over the sustainability of US economic expansion amidst fears of an impending trade war. Emerging market (EM) currencies initially faced depreciating pressures due to the strengthening of the US dollar but recovered as the dollar weakened. During this period, the Indian rupee (INR) faced downside pressure primarily because of US dollar appreciation. Moreover, persistent FPI outflows, increasing global economic uncertainty, and fear of widening trade deficit added to the downward pressure on the INR. However, the INR staged a recovery in March & April 2025, supported by FPI inflows and improved risk sentiments

Chart 8: Movement in Major EM currencies



Source: RBI Monthly bulletin

Chart 9: YTD change in currencies



Source: SBI AMC

India Equities

India is among the few large global economies projected to see 6%-6.5% real GDP growth over the next few years, driven by many factors, from manufacturing and infrastructure buildouts to tax reforms to growing middle class. Indian economy just had started to recover with 2 big pivots – Positives emerging out of the Union Budget (Tax reliefs and lower fiscal glide path) & RBI focus shifting from inflation to growth through regular liquidity infusion and rate cuts. In February, India's fiscal budget focused on boosting consumption while maintaining key policy targets such as fiscal consolidation and capex growth. The government also set the stage for next-generation reforms in infrastructure and technologies, such as artificial intelligence and broadband connectivity. Micro, small, and medium enterprises, which employ 75 million Indians, received support through easier access to credit, tax relief, and fewer compliance hurdles.

While India is primarily a domestically driven economy, it is not immune to major geopolitical conflicts. Prolonged geopolitical tensions could impact commodity prices and disrupt trade. However strong external balances and lower export base coupled with geopolitical neutrality may provide India with a strong economic moat in the current scenario.

Indian equities have experienced a strong rally in recent years, outperforming broader emerging market (EM) equities. The MSCI India has delivered a 16.7% p.a. return over a 5-year ending February 2025 period versus 8.8% for the MSCI EM Index, primarily led by earnings expansion. Since September 2024, domestic stocks have pulled back due to economic softness. High starting valuations and global risk-off sentiments have also driven foreign institutional outflows, keeping markets under pressure.

The ongoing trade war, along with complex global negotiations, now seems less likely to reach a quick resolution and more likely to stretch well into 2025. This prolongation isn't just noise — it's setting the tone for capital flows, sector rotation, and valuation resets across key asset classes. In such an environment, we believe accumulation in structurally sound themes and businesses — particularly those benefiting from localization, supply-chain resilience, and secular demand trends — will be critical. Investors who can see through the volatility and stay focused on the macro narrative will be best positioned to benefit when clarity returns.

Further our Constructive view on equities is on account of four key factors.

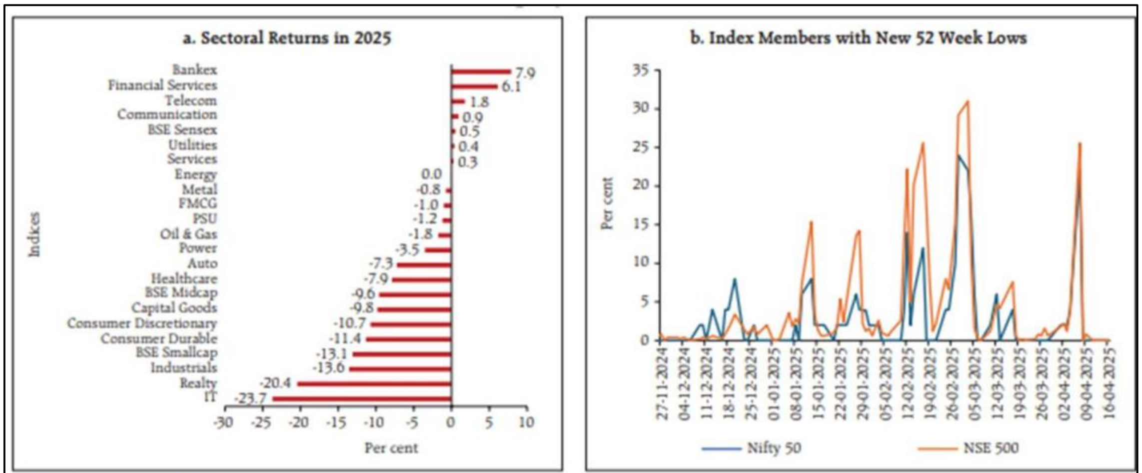
- **Consensus earnings estimates remain robust**, with FY26 and FY27 earnings likely to be around 12% + CAGR which should be supportive for markets.
- Recently announced Union budget paved the way for lower fiscal deficit, tax relief and maintaining the momentum around capex
- RBI's pivot. RBI is now fully leaning towards supporting growth as inflation remains anchored
- **WTI crude oil has declined significantly from USD 78 per barrel to USD 58 per barrel since last May.** As oil is one of India's major import commodities, this sharp fall in prices can substantially reduce the country's import bill. A lower import bill helps narrow the trade deficit, thereby improving the overall current account balance. This can also ease pressure on the Indian rupee and contribute positively to inflation control and fiscal stability.

At StatLane, we've been consistently highlighting in our monthly reports since October that 2025 is shaping up to be a year driven by *Macros and Phase of Accumulation*. The early signs are now becoming clearer — this is not a market for short-term plays but one that rewards patience, positioning, and understanding of the broader economic shifts.

We prefer accumulation in the large and midcaps space and remain selective in the small cap space. During this accumulation phase, investors may focus on stocks across sectors, with an emphasis on those driven by domestic demand. However, we believe that a prolonged correction in externally dependent sectors may present attractive opportunities, particularly in the IT, Pharma and chemicals sectors.

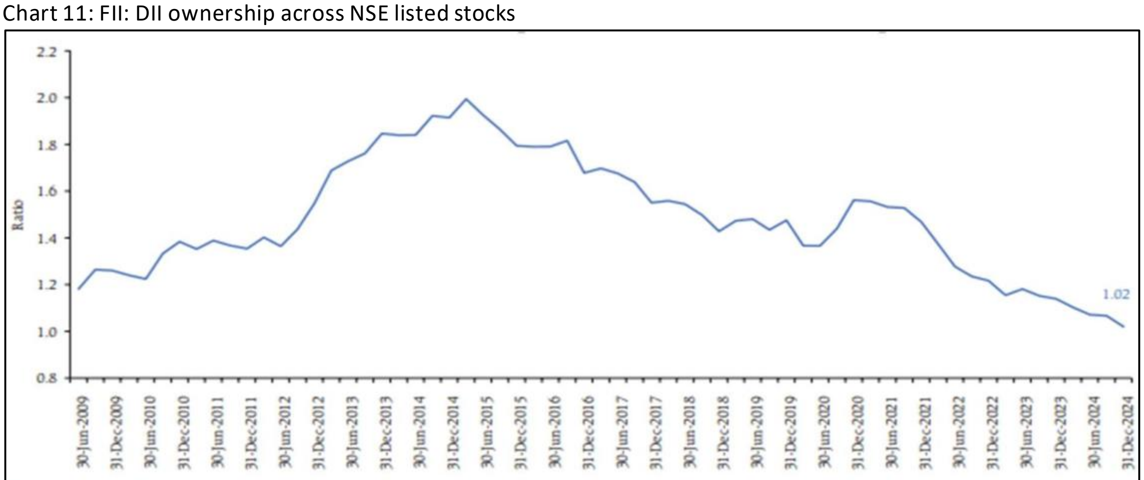
Trends in Indian Equity Market

Chart 10: Sectoral performance in 2025 and no. of stocks hitting new 52-week lows



Note: Data up to April 17, 2025.
Source: Bloomberg.

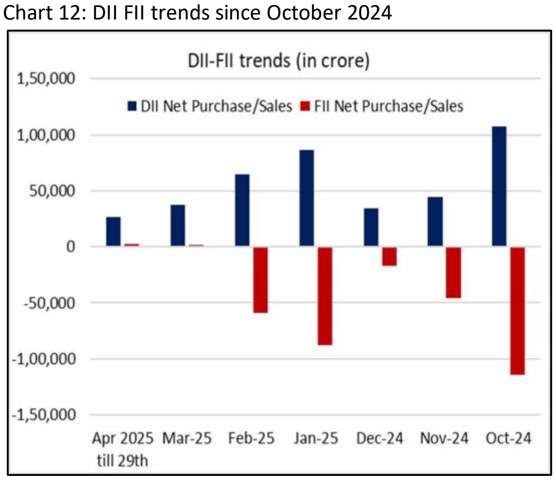
Chart 11: FII: DII ownership across NSE listed stocks



Source: Prime Database.

Source: RBI Bulletin, NSE India, Prime database

Chart 12: DII FII trends since October 2024



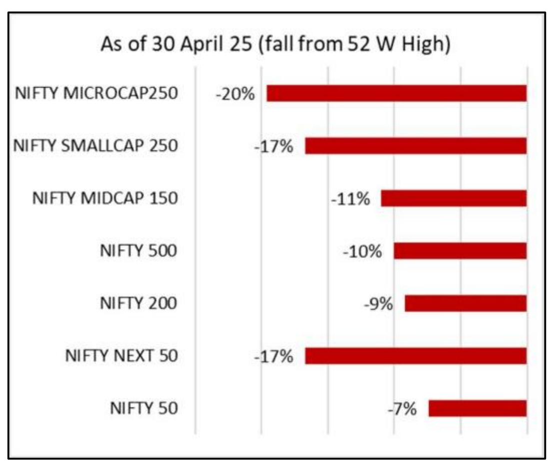


Chart 13: Nifty EPS trend

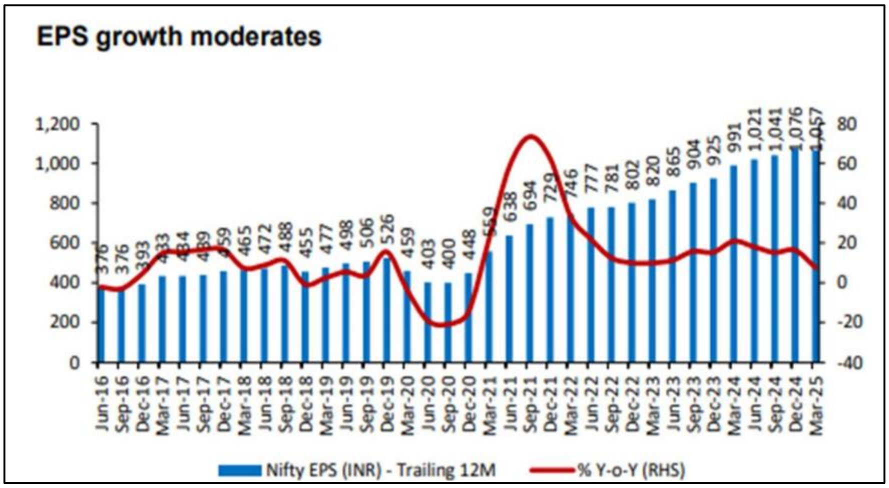


Chart 14: Nifty Q4 FY25 Sales

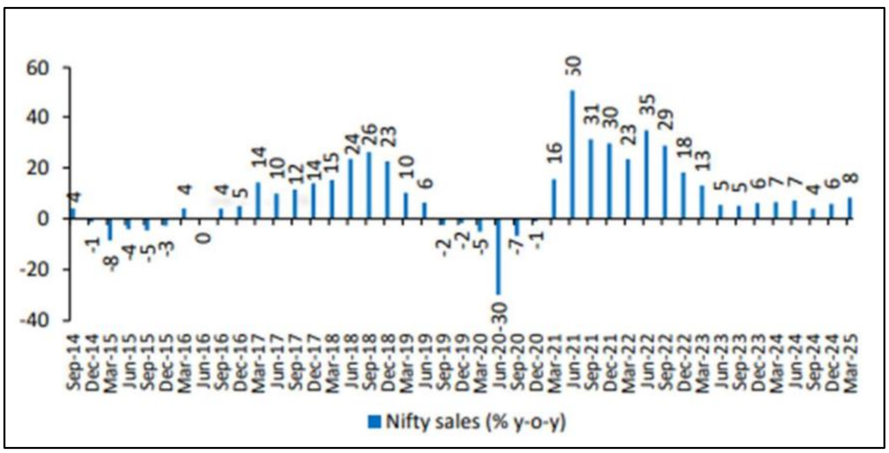
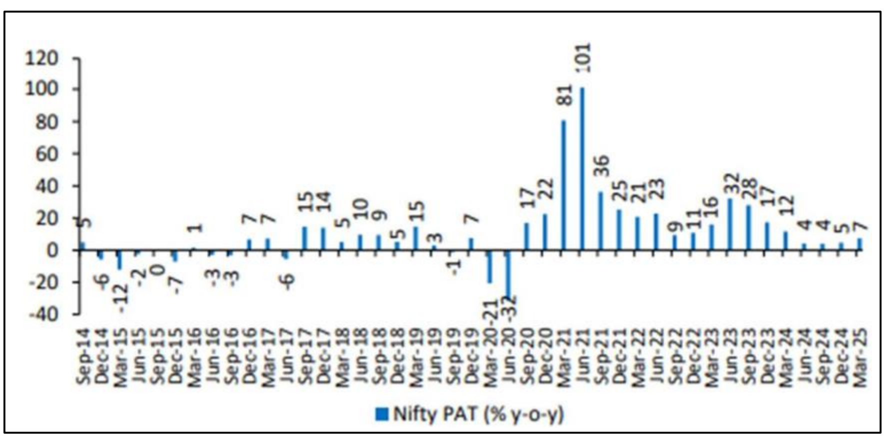


Chart 15: Nifty Q4 FY25 PAT



Source: Source: MOSL, SBIFM Research; NB: Results released for 24 NIFTY companies for March 2025 quarter, historical data is for all the NIFTY 50 companies, EPS growth is adjusted for Axis bank losses for FY23

India Bonds: Bonds have rallied well in April

The Monetary Policy Committee (MPC) met on the 7- 9th of April to deliberate and decide on the policy repo rate in the backdrop of a challenging global environment. As expected, RBI reduced the policy repo rate by 25bps to 6%; consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) stand adjusted to 5.75% and the marginal standing facility (MSF) rate and the Bank Rate to 6.25%. The rationale mentioned in the policy statement was that the inflation is well anchored and given the global uncertain economic outlook, it is necessary to provide boost to domestic economy through lower rates and liquidity.

Inline, with our assessment over many months, bonds have delivered strong returns over last 1 year in the backdrop of increased equity market volatility. Lesser correlation between bonds and equities are pivotal for investor portfolios. We continue to emphasis role of bonds in the portfolio and not just blindly chase assets irrespective of valuation. **Given the rally, we now prefer short to medium dated bonds and funds with modified duration of less than 5 years. We prefer over weight allocation to AAA, AA+ rated bonds over high-risk credits**.

Table 6: Yield movement

	2023 end	2024 end	Feb-25	Mar-25	Apr-25	m-o-m (in bps)	YTD change (in bps)
Repo rate	6.50	6.50	6.25	6.25	6.00	-25	-50
1 Yr T-Bill	7.13	6.69	6.52	6.47	5.91	-56	-77
3M T-Bill	6.93	6.55	6.33	6.52	5.90	-62	-65
3 year GSec	7.07	6.73	6.56	6.39	5.98	-42	-75
5 year GSec	7.09	6.72	6.58	6.44	6.05	-39	-67
10 year GSec	7.18	6.79	6.77	6.58	6.36	-22	-44
3 Yr Corp Bond*	7.78	7.58	7.45	7.42	6.98	-44	-60
5 Yr Corp Bond*	7.79	7.46	7.43	7.34	6.95	-39	-51
10 Yr Corp Bond*	7.76	7.24	7.31	7.20	7.07	-13	-16
1 Yr IRS	6.64	6.51	6.24	6.04	5.66	-38	-85
5 Yr IRS	6.19	6.20	5.99	5.90	5.63	-27	-57
Overnight MIBOR Rate	6.90	7.15	6.40	7.20	6.00	-120	-115
10 year SDL	7.65	7.15	7.10	7.04	6.75	-29	-40
INR/USD	83.21	85.61	87.51	85.47	84.49	1.1	1.3^
Crude oil Indian Basket**	77.43	73.34	77.33	72.30	67.99	-6.0^	-7.3^

Source: SBI AMC

Table 7: Economic data and projection from RBI and professional forecasters

(Per cent)

	2024-25	2025-26	2026-27
Reserve Bank's Baseline Projections			
Inflation	4.7*	4.0	4.3
Real GDP growth	6.5@	6.5	6.7
Median Projections of Professional Forecasters			
Inflation, Q4 (y-o-y)	3.9	4.5	-
Real GDP growth	6.4	6.5	6.6
Gross domestic saving (per cent of GNDI)	30.2	30.4	30.3
Gross capital formation (per cent of GDP)	31.0	30.7	31.1
Credit growth of scheduled commercial banks	11.5	12.3	13.5
Combined gross fiscal deficit (per cent of GDP)	7.8	7.4	7.1
Central government gross fiscal deficit (per cent of GDP)	4.8	4.4	4.3
Repo rate (end-period)	6.25	5.75	-
Yield on 91-days treasury bills (end-period)	6.5	6.0	6.4
Yield on 10-year central government securities (end-period)	6.6	6.4	6.5
Overall balance of payments (US$ billion)	4.1	17.0	24.1
Merchandise exports growth	-0.2	3.5	5.0
Merchandise imports growth	4.6	4.5	5.5
Current account balance (per cent of GDP)	-0.8	-1.0	-1.0

Notes: GNDI: Gross National Disposable Income.
@: NSO Second Advance Estimates;
*: Average CPI Inflation in 2024-25 (up to February).
Sources: RBI staff estimates; and Survey of Professional Forecasters (March 2025).

Source: RBI Monthly bulletin

Given the 50bps rate cut and expectation of more rate cuts down the year, it is important to understand how the monetary policy transmission works. In H1 FY25, higher rates coupled with liquidity tightening lead to peaking of lending rates before adjusting downwards thereafter on account of competition among banks to retain market share by reducing the spread. On the other hand, deposit rates have been increasing in the wake of tighter liquidity conditions and higher credit demand. The deposit post 2 rate cuts have also come-off.

During the recent tightening cycle, i.e., May 2022 to January 2025, in response to the cumulative 250 bps rate hike, the weighted average lending rates (WALRs) on fresh and outstanding rupee loans increased by 181 bps and 115 bps, respectively. On deposit side, the weighted average domestic term deposit rates (WADTDRs) on fresh and outstanding deposits increased by 253 bps and 199 bps, respectively.

Table 8: Monetary transmission during periods of easing and tightening.

(Basis points)

		Term Deposit Rates			**Lending Rates**			
Period	**Repo Rate**	**WADTDR-Fresh Deposits**		**WADTDR-Outstanding Deposits**	**EBLR**	**1-Yr. MCLR (Median)**	**WALR - Fresh Rupee Loans**	**WALR-Outstanding Rupee Loans**
		Retail Deposits	**Retail and Bulk Deposits**	**Retail and Bulk Deposits**				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Easing Phase Feb 2019 to Mar 2022	-250	-209	-259	-188	-250	-155	-232	-150
Tightening Period May 2022 to Jan 2025	+250	182	253	199	250	178	181	115
Easing Phase Feb 2025 - Mar* 2025	-25	-3	-8	0	-25	0	8	-7
Memo:								
Jan- 2025	0	4	-1	2	0	0	7	-1
Feb- 2025	-25	-3	-8	0	-25	0	8	-7

Note: 1. Data on EBLR pertain to 32 domestic banks.
2. Data on WALR and WADTDR pertain to February 2025.

WALR: Weighted Average Lending Rate; **WADTDR**: Weighted Average Domestic Term Deposit Rate;
MCLR: Marginal Cost of Funds-based Lending Rate; **EBLR**: External Benchmark-based Lending Rate.
Sources: MPD 06 return & RBI.

Source: RBI Bulletin, StatLane Research

Impact of U.S. tariffs on India (extract from StatLane's last monthly report)

US President Donald Trump's imposition of a blanket 26% tariff on imports from India has sent ripples across various industries. While the decision is expected to disrupt several key sectors in India, some might find advantages. India's primary exports to the US include pharmaceuticals, telecom equipment, gemstones, petroleum products, gold jewellery, and ready-made cotton garments. On the import side, key commodities include crude oil, coal, petroleum products, electric machinery, and aerospace components.

Among the worst affected by the recent tariff hike are India's electronics and gems and jewellery sectors. The US imports nearly USD 14bn worth of electronics and over USD 9bn worth of gems and jewellery from India. Meanwhile, the pharmaceutical sector, semiconductors, and critical minerals have been excluded from these tariffs.

According to a New York Times report, the White House officials explained that the tariff figures were calculated by the Council of Economic Advisers using established methods. The White House clarified how the calculations were done. Although the explanation involved some complex calculations, the report stated that the formula is derived from the US trade deficit with a country, divided by that country's exports. However, experts say that this cannot be considered as foolproof and there are many loopholes.

Deloitte has highlighted that Indian exporters are likely to face a steep ad valorem duty on exports to the United States starting from April 9, 2025. This development is expected to significantly affect several key sectors. In the **textiles and apparel** segment, India exported over USD 8bn worth of goods to the US last year. Given the industry's slim profit margins and high sensitivity to pricing, even a moderate tariff increase of 10–20% could severely impact competitiveness. However, Deloitte notes that India might still have a comparative edge over regional competitors such as Bangladesh, Sri Lanka, and Vietnam, whose apparel exports to the US already face higher tariffs.

In the **pharmaceutical** sector, which is a major area of Indian exports to the US, concerns have been raised about possible reclassification and origin tracing requirements under US customs regulations. Such changes could create compliance challenges. Additionally, former President Donald Trump has stated that tariffs on pharmaceutical imports are expected soon

Regarding **IT and electronic components**, Deloitte warns of a potential negative impact due to the new tariffs. However, it also points out that **semiconductors**, a critical export to the US, are exempt from the additional duty owing to their strategic role in global supply chains.

In the **agricultural** space, India exports around USD 5bn worth of goods such as fish, shrimps, non-basmati rice, vegetable extracts, and oils to the US. These products are also expected to come under the purview of the new tariff, thereby facing considerable pressure.

Lastly, while **automobiles and auto components** are largely exempt from the ad valorem duty, they are still affected by **Section 232 proclamations**, which will impose a 25% tariff on these goods starting March 26, 2025. Overall, these policy changes pose a serious challenge to Indian exporters across multiple sectors.

Source: Deloitte

Market Data

Table 9: India Index Performance (%) 30 April 25	1M	1Y	3Y
Nifty 50	3.5	9.0	13.8
Nifty Next 50	2.3	0.1	15.7
Nifty 200	3.5	7.1	14.9
Nifty 500	3.2	5.9	15.4
Nifty Midcap 150	3.9	5.7	21.8
Nifty Smallcap 250	1.7	-2.4	18.3
Nifty Microcap 250	1.3	0.4	26.0
Theme/Sector			
Nifty Auto	4.8	-0.02	27.3
Nifty Bank	6.8	12.5	16.1
Nifty CPSE	1.9	2.4	36.2
Nifty Defence	11.5	32.8	67.2
Nifty FMCG	5.4	6.0	15.9
Nifty Infrastructure	3.9	3.3	20.7
Nifty IT	-2.8	10.4	6.4
Nifty Manufacturing	3.1	4.8	19.7
Nifty Metals	-5.6	-5.8	11.9
Nifty Oil and Gas	5.9	-4.5	11.9
Nifty Pharma	3.0	15.5	18.3

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 10: India Smart Beta Index Performance (%) 30 April 25	1M	1Y	3Y
Nifty Alpha 50	3.7	-4.9	12.4
NIFTY Alpha Low-Volatility 30	4.4	-0.1	17.6
Nifty Low Volatility 50	4.5	11.7	17.9
Nifty100 Low Volatility 30	3.6	10.1	16.3
Nifty200 Momentum 30	3.9	-9.3	15.7
NIFTY200 Quality 30	3.2	7.3	13.4
NIFTYY200 Value 30	0.7	-0.8	32.5

Source: NSE India, StatLane Research, Index = Total Return Index, Performance over 1 year is Compounded Annualised

Table 11: India Valuation Metric	P/E 30 April 25
Nifty 50	21.9
Nifty Next 50	21.9
Nifty 500	24.0
Nifty Midcap 150	34.0
Nifty Smallcap 250	30.0
Nifty Microcap 250	21.7
Nifty Auto	21.8
Nifty CPSE	13.2
Nifty FMCG	44.9
Nifty India Defence	52.3
Nifty India Manufacturing	28.3
Nifty Infrastructure	24.3
Nifty IT	26.8
Nifty Oil & Gas	13.3
Nifty Pharma	32.8
Nifty Private Bank	16.4
Nifty PSU Bank	6.9
Nifty Realty	42.9

Table 12: India Smart Beta Valuation Metric	P/E 30 April 25
Nifty Alpha 50	43.7
NIFTY Alpha Low-Volatility 30	34.3
Nifty Low Volatility 50	34.5
Nifty100 Low Volatility 30	31.2
Nifty200 Momentum 30	40.0
NIFTY200 Quality 30	28.7
NIFTY200 Value 30	9.8

Source: NSE India, StatLane Research

Table 13: Global Index Performance (%) 30 April 25	1M	YTD	1Y
S&P 500	-0.7	-4.9	12.1
Dow Jones Industrial Average	-3.2	-4.4	7.6
S&P Developed Ex US BMI	4.4	10.3	11.9
S&P Europe 350	4.3	15.4	14.4
S&P Asia 50	-1.5	2.9	17.7
S&P EM BMI	0.4	1.3	9.3

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 14: Global Smart Beta Index Perf (%) 30 April 25	1M	YTD	1Y
S&P 500 Momentum	2.3	-0.1	25.6
S&P 500 Equal Weight	-2.3	-2.9	6.9
S&P 500 Growth	2.2	-6.4	17.5
S&P 500 Value	-3.6	-3.3	5.0
S&P 500 Low Volatility	-2.3	4.8	16.7

Note 1: Source: S&P Dow Jones Indices LLC and/or its affiliates. 2 Index performance based on total return (USD)

Table 15: India Fixed Income Yield %	30 April 2025	Month back
Repo	6.00	6.25
1 Year CD	6.73	7.15
10 Year GOI	6.35	6.62
5 Year PSU	6.91	7.33
1 Year NBFC	7.02	7.75
3 Year NBFC	7.12	7.56
US 10 Year Treasury	4.17	4.35

Source: StatLane Research

Table 16: India Fixed Income Indices			Index Return %	
As of 30 April 25	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	6.59	4.09	2.24	11.75
Nifty 10Y SDL Index	6.83	7.15	2.15	12.67
NIFTY 10 yr Benchmark G-Sec	6.46	7.13	2.05	12.58
NIFTY Corporate Bond Index	7.23	2.58	1.35	8.92
NIFTY Banking and PSU Debt Index	6.95	2.71	1.33	9.19
NIFTY Low Duration Debt Index	6.93	0.63	0.88	7.98
NIFTY Short Duration Debt Index	6.88	1.94	1.24	8.75
NIFTY Credit Risk Bond Index	8.56	1.97	1.28	9.20
NIFTY Long Duration Debt Index	6.94	9.31	1.98	11.84
NIFTY Short Duration G-Sec Index	6.12	2.15	1.42	9.43
NIFTY Long Duration G-Sec Index	6.84	12.67	2.41	14.53

Source: NSE India, StatLane Research, MD=Macaulay Duration

Table 17: Commodities	30 April 25	29 March 24
Oil (Brent)	63.59	74.97
Gold	3305	3147

Source: StatLane Research

Disclaimers

This report is prepared by research provider who holds entire copy rights reserved with them.

This Document has neither been approved nor disapproved by the Securities and Exchange Board of India ("SEBI") nor has SEBI certified the accuracy or adequacy of the contents of the document.

Any performance-related data provided herein is not verified by SEBI.

Investments in securities are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved. Such investments may not be suited for all investors.

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and may involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those express or implied in such statements.

Please read this disclaimer carefully and seek professional advice before acting upon any information presented in this document.