EBONY RESEARCH – MONTHLY MARKET UPDATE
JUNE 2025

An old saying is that in a bull market, your time horizons grow longer and longer. In a bear market, they grow shorter and shorter.

Global Overview

Global economic prospects remained fragile even as economic and financial uncertainty receded from their heightened levels in April buoyed by optimism emanating from the US tariff freeze and bilateral trade deals. Since June 13, however, uncertainty once again loomed large over the macroeconomic landscape in the wake of renewed geopolitical turbulence in the Middle East.

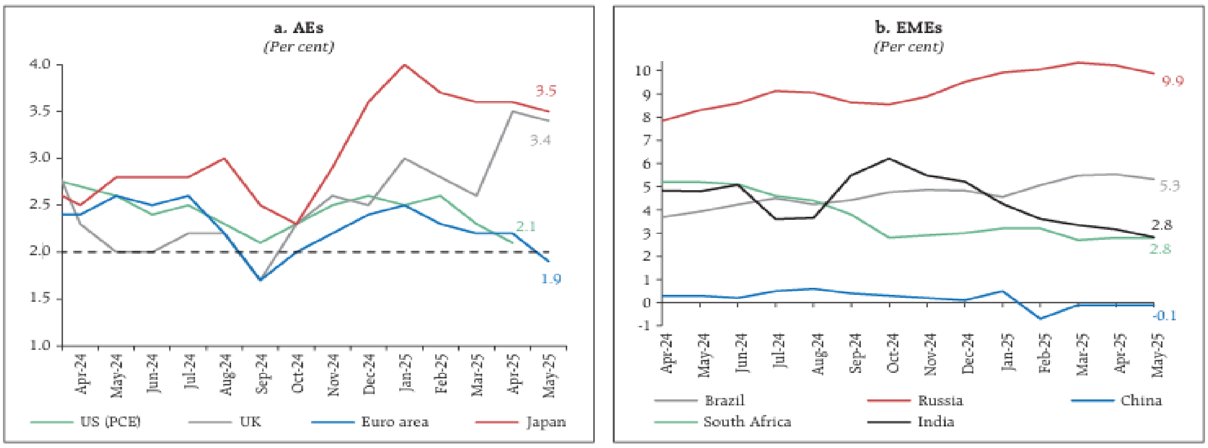
The OECD's Economic Outlook released in June 2025 revised the global GDP growth forecast to 2.9% for both 2025 and 2026. The growth forecasts are lower from their March release by 20 bps for 2025 and 10 bps for 2026. Moreover, the World Bank in its latest Global Economic Prospects, projected global GDP growth (using PPP weights) to decelerate to 2.9 % in 2025 but recover marginally to 3.0 % in 2026. The cumulative decline of 50 bps in projections [30 bps in 2025 and 20 bps in 2026] has been primarily attributed to increased trade tensions and heightened policy uncertainty.

Table 1: Global GDP Projection

Organisation	OECD				World Bank			
Projection for	2025		2026		2025		2026	
Month of Projection	March	June	March	June	January	June	January	June
*World**	*3.1*	*2.9*	*3.0*	*2.9*	*3.2*	*2.9*	*3.2*	*3.0*
Advanced Economies					*1.7*	*1.2*	*1.8*	*1.4*
US	2.2	1.6	1.6	1.5	2.3	1.4	2.0	1.6
UK	1.4	1.3	1.2	1.0				
Euro Area	1.0	1.0	1.2	1.2	1.0	0.7	1.2	0.8
Japan	1.1	0.7	0.2	0.4	1.2	0.7	0.9	0.8
Emerging Market and Developing Economies					*4.1*	*3.8*	*4.0*	*3.8*
Russia	1.3	1.0	0.9	0.7	1.6	1.4	1.1	1.2
Emerging and Developing Asia								
India#	6.4	6.3	6.6	6.4	6.7	6.3	6.7	6.5
China	4.8	4.7	4.4	4.3	4.5	4.5	4.0	4.0
Latin America and the Caribbean					*2.5*	*2.3*	*2.6*	*2.4*
Mexico	-1.3	0.4	-0.6	1.1	1.5	0.2	1.6	1.1
Brazil	2.1	2.1	1.4	1.6	2.2	2.4	2.3	2.2
Middle East and North Africa					*3.4*	*2.7*	*4.1*	*3.7*
Saudi Arabia	3.8	1.8	3.6	2.5	3.4	2.8	5.4	4.5
Sub-Saharan Africa					*4.1*	*3.7*	*4.3*	*4.1*
South Africa	1.6	1.3	1.7	1.4	1.8	0.7	1.9	1.1

Source: IMF, RBI Monthly bulletin. Notes: 1. *: Projections by the World Bank are PPP weighted. 2. #: India's data is on a fiscal year basis (April-March), while for all other countries it is for calendar years. Sources: OECD Economic Outlook, June 2025; and Global Economic Prospects, World Bank, June 2025.

Chart 1: Global Inflation Scenario



Sources: Bloomberg; and OECD.

Table 2: Global PMIs

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
PMI Composite	53.7	52.9	52.5	52.9	51.9	52.3	52.4	52.6	51.8	51.5	52.1	50.8	51.2
PMI Manufacturing	51	50.8	49.7	49.6	48.7	49.4	50.1	49.6	50.1	50.6	50.3	49.8	49.6
PMI Services	54	53.1	53.3	53.9	52.9	53.1	53.1	53.8	52.2	51.5	52.7	50.8	52.0
PMI Export Orders	50.6	49.7	49.6	49.0	48.5	48.9	49.3	48.7	49.6	49.7	50.1	47.5	48.0
PMI Export Orders: Manufacturing	50.4	49.3	49.4	48.4	47.5	48.3	48.6	48.2	49.4	49.6	50.1	47.3	48.0
PMI Export Orders: Services	51.0	50.7	50.6	50.8	51.6	50.7	51.4	50.4	50.2	50.2	50.1	48.3	47.9

50

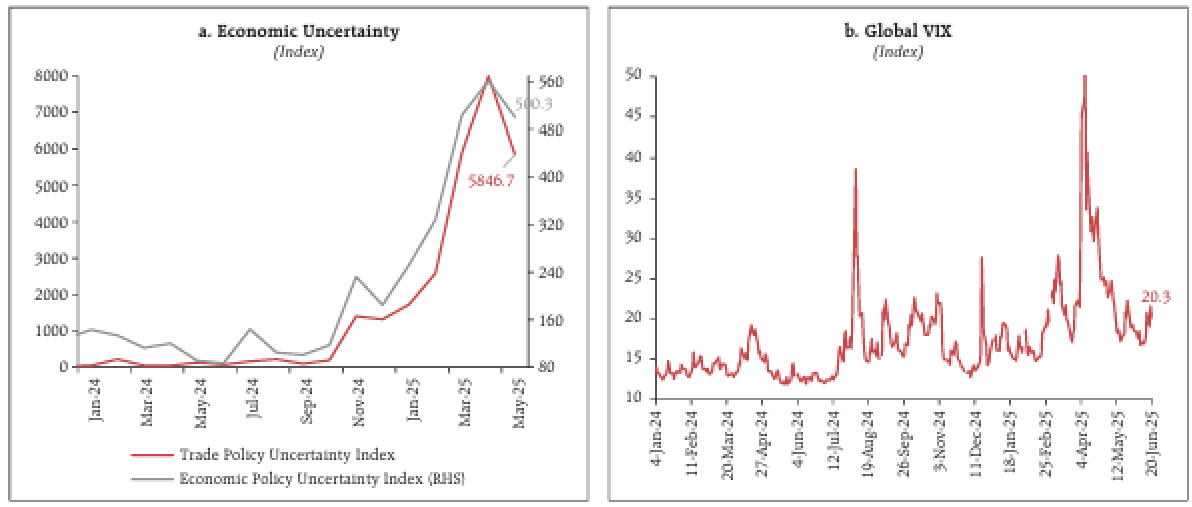
<<<<<<Contraction--Expansion>>>>>>

Notes:

1. The Purchasing Managers' Index (PMI), a diffusion index, captures the change in each variable compared to the prior month, noting whether each has risen/improved, fallen/deteriorated or remained unchanged. A PMI value >50 denote expansion; <50 denote contraction; and =50 denote 'no change'.

2. Heat map is applied on data from April 2023 till May 2025. The map is colour coded–red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series. Source: S&P Global

Chart 2: Global Economic Uncertainty and VIX



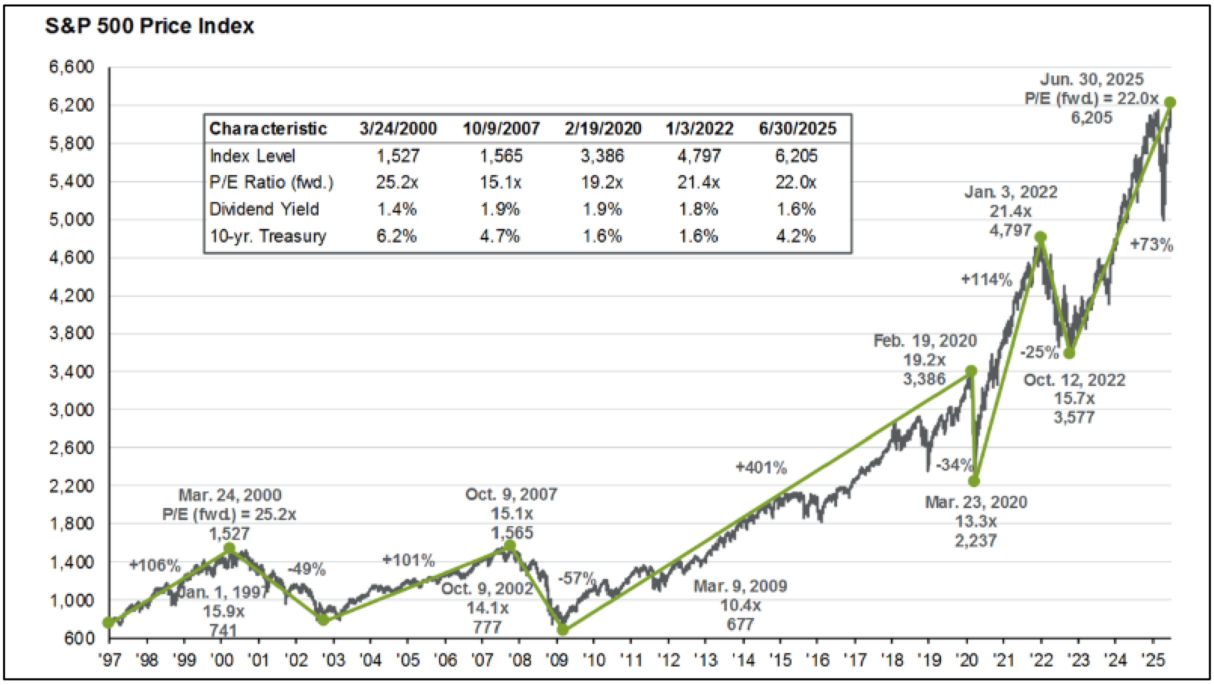
Sources: Chicago Board Options Exchange; and www.PolicyUncertainty.com.

Global economic prospects remained fragile even as economic and financial uncertainty receded from their heightened levels in April buoyed by optimism emanating from the US tariff freeze and bilateral trade deals. Since June 13, however, uncertainty once again loomed large over the macroeconomic landscape in the wake of renewed geopolitical turbulence in the Middle East.

U.S. Markets

U.S. Equities

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



Source: JP Morgan

Chart 4: Global Heat Map

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Q2 '25
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 EM 15.6%	MSCI Asia ex-Japan 12.7%
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 Asia ex-Japan 14.8%	MSCI EM 12.2%
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%	MSCI Europe ex-UK 10.2%	US S&P 500 10.9%
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%	UK FTSE All-Share 9.1%	Japan TOPIX 7.5%
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%	US S&P 500 6.2%	UK FTSE All-Share 4.4%
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%	Japan TOPIX 3.8%	MSCI Europe ex-UK 3.6%

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

Mounting concerns over large US fiscal deficits, along with consumers' inflation expectations and the escalating conflict in the Middle East, have started moving the markets. The issues around U.S. fiscal sustainability were further aggravated by President Trump's Big Beautiful Bill. Barring an escalation of the Israel-Iran conflict, markets will now focus on fiscal risks and tariffs. The big question is whether the allure of US assets is diminished by the fiscal issues, the challenge to the status quo by the US administration's policies, and how that could affect US assets. We could very well see these old patterns changing in the future, but it is a long-term trend, not something that will happen within a short time frame. For now, trust in US institutions and their credibility remains intact – it may be questioned at various stages though.

The liberation day tariff announcement on 2 April caused a sharp selloff across markets. The reciprocal tariff package was larger than expected and both stock and bond markets reacted quickly. The S&P 500 fell 12% over the following week, while US 10-year Treasury yields rose 50 basis points between the 4 and 11 April. The US administration responded to market volatility and moved to soften its trade policy, pausing reciprocal tariffs for 90 days and agreeing the principles of a trade deal with China. This mollified investors and risk assets quickly recovered, with developed market equities delivering total returns of 11.6% over the quarter.

A combination of renewed investor confidence, and a strong earnings season helped boost mega-cap tech stocks. After underperforming in the first quarter of 2025, the 'Magnificent 7' delivered price returns of 18.6% over the second, outperforming the remainder of the S&P 500 by 14 %.

While US stocks and bonds recovered from April's volatility, the US dollar saw continued weakness, with the DXY dollar index ending the quarter down 7.1%. This boosted the returns of international indices for dollar investors as the value of returns generated in other currencies increased over the quarter. Easing trade tensions between the US and China and a falling dollar were a particular tailwind for emerging market equities which generated a total return of 12.2% in dollar terms over the quarter.

The war between Iran and Israel caused significant geopolitical volatility, but its impact on markets was muted. The announcement of increased OPEC production dragged on oil prices. Despite some short-term volatility prior to the US intervention on 22 June, which temporarily pushed Brent crude to an intra-day high of $80 a barrel, oil prices ultimately ended the quarter back down at $68 a barrel and, despite positive returns from precious metals, broad commodities underperformed other risk assets with returns of -3.1% over the quarter.

The rebound in investor sentiment helped all major equity markets deliver positive returns. In local currency terms, the S&P 500 was the top performing index with returns of 10.9%. However, the depreciation of the US dollar was a tailwind to emerging markets, and Asia in particular. The easing of trade tensions meant Asian equities delivered strong local currency returns of 8.7%

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.

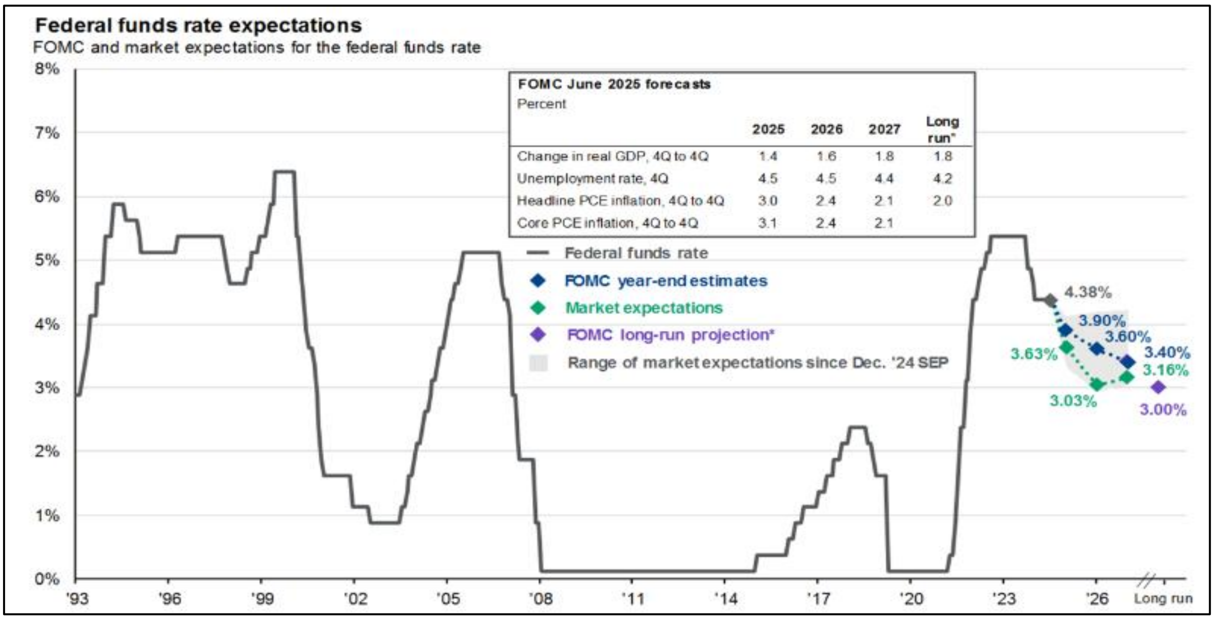
U.S. Bonds – Fed on wait and see mode, Same Old Story. We expect 2-3 rate cuts in 2025.

Table 3: Yield of U.S. treasuries as of 30 June 2025

Duration	Rate
1-Year	3.96%
5-Year	3.79%
10-Year	4.24%
30-Year	4.78%

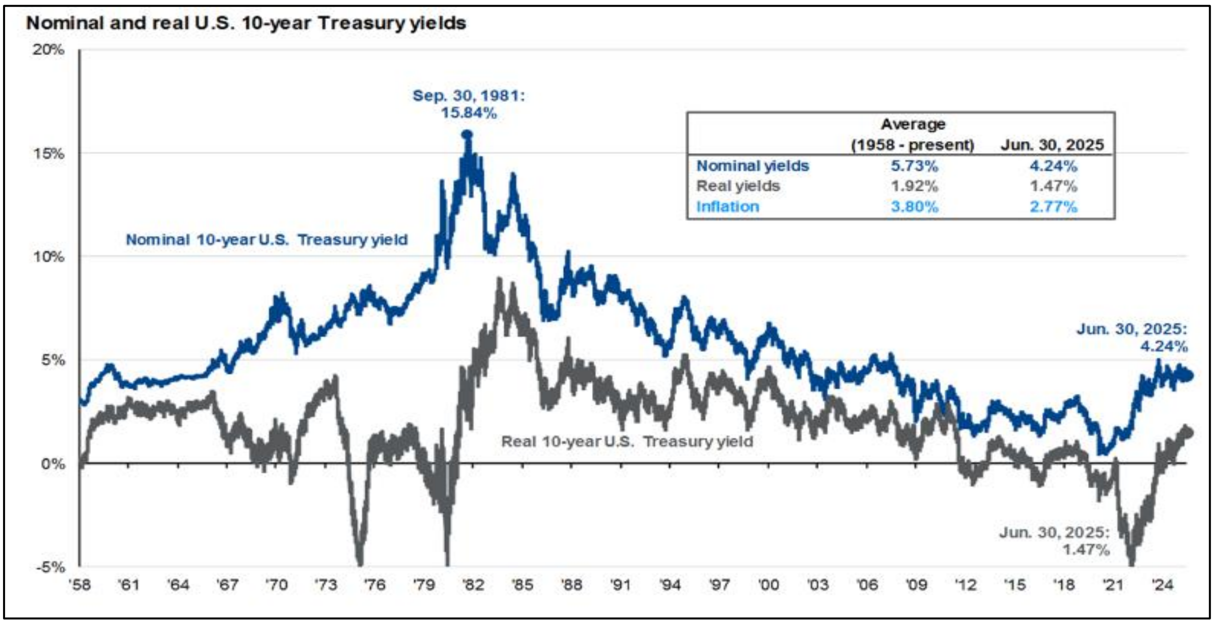
Source: StatLane Research

Chart 5: Fed Funds rate



Source: J.P.M Guide to markets

Chart 6: U.S. Real Yields



Source: J.P.M Guide to markets

India

Economic backdrop

Table 4: High Frequency indicator – Industry Growth

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
IIP-Headline	6.3	4.9	5.0	0.0	3.2	3.7	5.0	3.7	5.2	2.7	3.9	2.7	
IIP Manufacturing	5.1	3.5	4.7	1.2	4.0	4.4	5.5	3.7	5.8	2.8	4.0	3.4	
IIP Capital Goods	2.6	3.6	11.7	0.0	3.5	2.9	8.9	10.5	10.2	8.2	3.6	20.3	
PMI Manufacturing	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6
PMI Export Order	57.3	56.2	57.2	54.4	52.9	53.6	54.6	54.7	58.6	56.3	54.9	57.6	56.9
PMI Manufacturing: Future Output	67.4	64.0	64.1	62.1	61.6	62.1	65.5	62.5	65.1	64.9	64.4	64.6	63.1
Eight Core Index	6.9	5.0	6.3	-1.5	2.4	3.8	5.8	5.1	5.1	3.4	4.5	1.0	0.7
Electricity Generation: Conventional	14.5	9.7	6.8	-3.8	-1.3	0.5	2.7	4.5	-1.3	2.4	4.8	-1.9	-8.2
Electricity Generation: Renewable	8.6	2.0	14.2	-3.7	12.5	14.9	19.0	17.9	31.9	12.2	25.2	28.0	
Automobile Production	15.6	15.4	16.8	4.4	10.1	10.0	8.0	1.3	9.4	2.3	6.5	-1.7	5.2
Passenger Vehicle Production	7.0	0.8	1.2	0.7	-3.4	-4.0	6.5	9.2	3.7	4.5	11.2	10.8	5.4
Tractor Production	11.5	3.0	8.1	-1.0	2.7	0.4	24.7	20.9	23.7	-7.8	18.5	20.5	9.1
Two-wheelers Production	17.8	18.7	21.1	4.9	12.9	13.3	8.8	-0.6	10.3	1.6	5.6	-4.1	4.7
Three-wheelers Production	4.5	7.8	6.0	9.0	3.9	-6.7	-5.5	7.6	16.2	6.5	6.0	4.1	16.9
Crude Steel Production	4.6	3.4	5.8	2.6	0.3	4.2	4.5	8.3	7.4	6.0	8.5	5.6	9.5
Finished Steel Production	10.1	4.4	6.0	2.7	0.7	4.0	2.8	5.3	6.7	6.7	10.0	5.1	5.5
Import of Capital Goods	8.3	15.1	11.8	12.3	10.9	7.0	4.7	6.1	15.5	-0.5	8.6	21.5	14.3

<<Contraction -- Expansion>>

Notes: 1. The y-o-y growth (in per cent) has been calculated for all indicators (except for PMI). 2. The heat map translates the data range for each indicator into a colour gradient scheme with red denoting the lowest values and green corresponding to the highest values of the respective data series. 3. Heat map is applied on data from April 2023 till May 2025 other than for IIP, and Electricity Generation: Renewable, where the data is till April 2025. 4. All PMI values are reported in index form. A PMI value >50 denote expansion; <50 denote contraction; and =50 denote 'no change'. In the PMI heat maps, red denotes the lowest value, yellow denotes 50 (or the no change value), and green denotes the highest value in each of the PMI series. Sources: Ministry of Statistics and Programme Implementation (MoSPI); S&P Global; Central Electricity Authority (CEA), Ministry of Power; Society of Indian Automobile Manufacturers (SIAM); Tractor and Mechanisation Association; Office of Economic Adviser, GoI; Joint Plant Committee; Directorate General of Commercial Intelligence & Statistics; and Ministry of Commerce and Industry.

Table 5: High Frequency indicator – Services Growth

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
PMI Services	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8
International Air Passenger Traffic	19.6	11.3	8.8	11.1	11.2	10.3	10.7	9.0	11.1	7.7	6.8	13.0	4.8
Domestic Air Cargo	10.3	10.3	8.8	0.6	14.0	8.9	0.3	4.3	6.9	-2.5	4.9	16.6	
International Air Cargo	19.2	19.6	24.4	20.7	20.5	18.4	16.1	10.5	7.1	-6.3	3.3	8.6	
Port Cargo Traffic	3.8	6.8	5.9	6.7	5.8	-3.4	-4.9	3.4	7.6	3.6	13.3	7.0	4.3
Retail Commercial Vehicle Sales	-1.6	-4.7	5.9	-6.0	-10.4	6.4	-6.1	-5.2	8.2	-8.6	2.7	-1.0	-3.7
Hotel Occupancy	-2.6	-3.1	3.6	0.7	2.1	-5.3	11.1	-0.2	1.2	0.6	1.9	7.2	
Tourist Arrivals	-2.8	5.7	-1.3	-4.2	0.4	-1.4	-0.1	-6.6	-0.2	-8.6			
Steel Consumption	14.1	18.8	14.4	10.0	11.8	8.9	9.5	5.2	10.9	10.9	13.6	6.0	7.8
Cement Production	-0.6	1.8	5.1	-2.5	7.6	3.1	13.1	10.3	14.3	10.7	12.2	6.3	9.2

<<Contraction -- Expansion>>

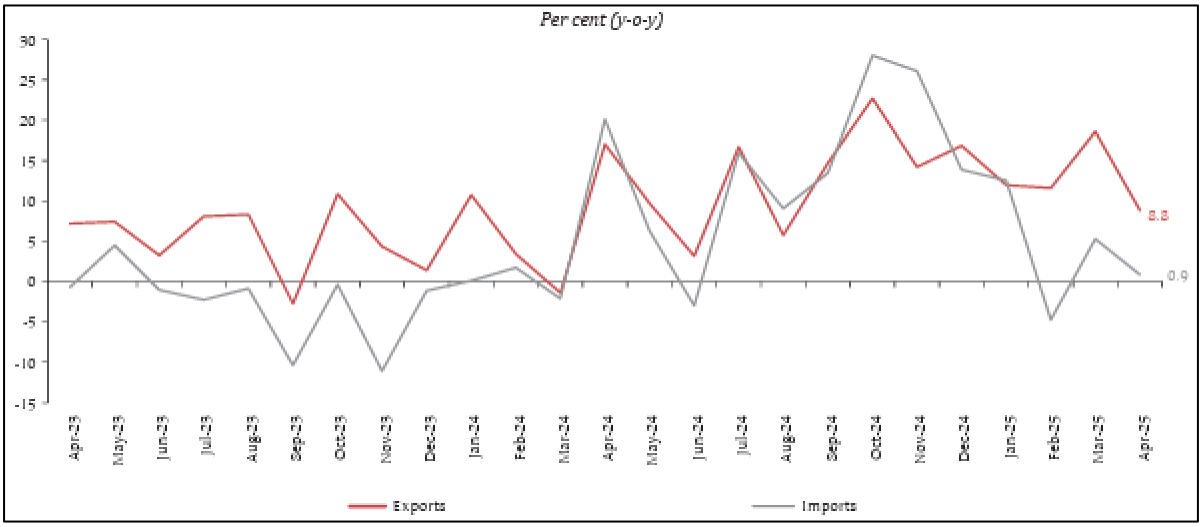
Sources: Federation of Automobile Dealers Associations (FADA); Indian Ports Association; Airports Authority of India; HVS Anarock; Ministry of Tourism, GoI; Joint Plant Committee; Office of Economic Adviser; and S&P Global

Table 6: High Frequency indicator – Other indicators

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
GST E-way Bills	17	16.3	19.2	12.9	18.5	16.9	16.3	17.6	23.1	14.7	20.2	23.4	18.9
GST Revenue	10	7.6	10.3	10	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4
Toll Collection	3.6	5.8	9.4	6.8	6.5	7.9	11.9	9.8	14.8	18.7	11.9	16.6	16.4
Electricity Demand	13.6	8	4	-5	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.4
Petroleum Consumption	1.9	2.3	10.7	-3.1	-4.4	4.1	10.6	2	3	-5.2	-3.1	0	1.1
Of which: Petrol	3.4	4.6	10.5	8.6	3	8.7	9.6	11.1	6.7	5	5.7	5	9.2
Diesel	2.4	1	4.5	-2.5	-1.9	0.1	8.5	5.9	4.2	-1.3	0.9	4.3	2.2
Aviation Turbine Fuel	10.9	10.1	9.6	8.1	10.4	9.4	8.5	8.7	9.4	4.2	5.7	3.9	4.3
Digital Payments – Volume	40.1	40.6	36.7	34.9	36.3	40.3	30.1	33.1	33.0	26.7	30.8	30.0	27.5
Digital Payments – Value	18.6	13.5	22.1	16.7	21.5	27.5	9.5	19.6	18.6	9.5	17.3	18.4	12.9

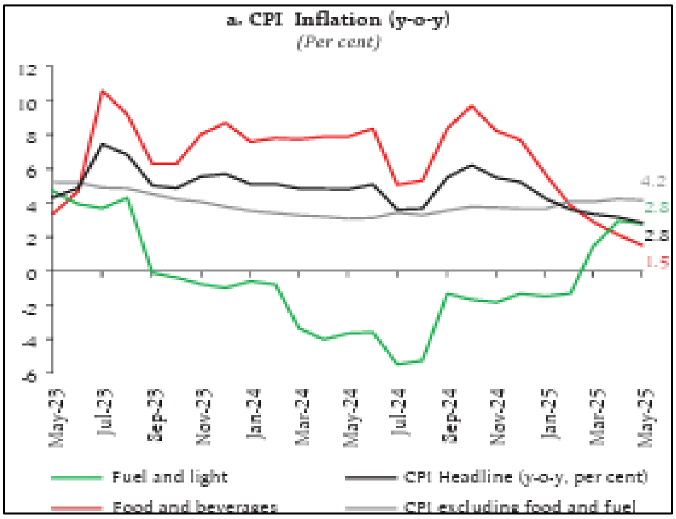
<<Contraction -- Expansion>>

Chart 7: Import, Export growth



Source: RBI monthly bulletin

Chart 8: Inflation



Headline inflation, as measured by y-o-y changes in the all-India consumer price index (CPI),11 moderated to 2.8% in May 2025 (the lowest since February 2019) from 3.2% in April. The decline in headline inflation by 34 bps came from a negative base effect of 54 bps, which more than offset a positive price momentum of 20 bps.

Core CPI inflation remained steady at 4.2% in May, same as in April.

Source: National Statistical Office, RBI

Monetary Policy Statement, June 4 to 6, 2025

The Monetary Policy Committee (MPC) met on the 4th, 5th and 6th of June to deliberate and decide on the policy repo rate. After a detailed assessment of the evolving macroeconomic and financial developments and the outlook, the MPC decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 50bps to 5.50% with immediate effect; consequently, the standing deposit facility (SDF) rate shall stand adjusted to 5.25% and the marginal standing facility (MSF) rate and the Bank Rate to 5.75 per cent.

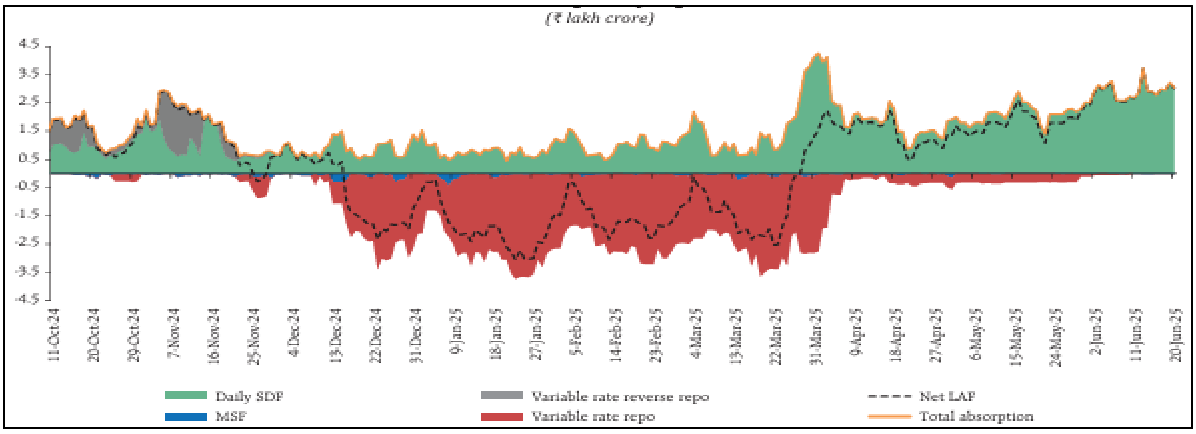
The MPC noted that economic activity continues to maintain the momentum in 2025-26, supported by private consumption and traction in fixed capital formation. The sustained rural economic activity bodes well for rural demand, while continued expansion in services sector is expected to support the revival in urban demand. Investment activity is expected to improve in light of higher capacity utilization, improving balance sheets of financial and non-financial corporates, and government's capital expenditure push. Taking all these factors into account, real GDP growth for 2025-26 is projected at 6.5%.

Rationale for Monetary Policy Decisions

Inflation has softened significantly over the last six months from above the tolerance band in October 2024 to well below the target with signs of a broad-based moderation. The near-term and medium-term outlook now gives us the confidence of not only a durable alignment of headline inflation with the target of 4 %, as exuded in the last meeting but also the belief that during the year, it is likely to undershoot the target at the margin. While food inflation outlook remains soft, core inflation is expected to remain benign with easing of international commodity prices in line with the anticipated global growth slowdown. The inflation outlook for the year is being revised downwards from the earlier forecast of 4.0 % to 3.7 %. Growth, on the other hand, remains lower than our aspirations amidst challenging global environment and heightened uncertainty. Thus, it is imperative to continue to stimulate domestic private consumption and investment through policy levers to step up the growth.

The MPC further stated that a total amount of ₹9.5 lakh crore of durable liquidity was injected into the banking system since January. As a result, after remaining in deficit since mid-December, liquidity conditions transitioned to surplus at the end of March. This is also evident from the tepid response to daily VRR auctions and high SDF balances – the average daily balance during April-May amounted to ₹2.0 lakh crore. To further provide durable liquidity, it has been decided to reduce the cash reserve ratio (CRR) by 100 bps to 3% of net demand and time liabilities (NDTL) in a staggered manner during the course of the year. This reduction will be carried out in four equal tranches of 25bps each with effect from the fortnights beginning September 6, October 4, November 1 and November 29, 2025. The cut in CRR would release primary liquidity of about ₹2.5 lakh crore to the banking system by December 2025. Besides providing durable liquidity, it will reduce the cost of funding of the banks, thereby helping in monetary policy transmission to the credit market.

Chart 9: Liquidity Operations



Source: RBI Bulletin

Foreign exchange reserves As on June 13, 2025, India's foreign exchange reserves stood at US$699bn, providing a cover for more than 11 months of goods imports, and for 97of external debt outstanding

Trends in Credit and Deposit growth

Scheduled commercial banks (SCB) credit growth moderated to 9.9% as on May 30, 2025 (16.6% a year ago) due to weaker momentum effect and unfavourable base effect. SCBs' deposit growth (excluding the impact of the merger) decelerated from 10.6% as on March 21, 2025 to 10.1% as on May 30, 2025, with the base and momentum effect offsetting each other. SCBs' incremental credit-deposit ratio declined during the previous two months to 82.3% as on May 2, 2025, with deposit accretion outpacing that of credit during this period.

Average bank credit growth to various sectors of the economy softened significantly during the period April 2024 to April 2025.15 Growth in non-food bank credit declined to 11.2% during the fortnight ending April 18, 2025, from 15.3% during the corresponding fortnight of the previous year.

Table 7: Transmission to Banks' Deposit and Lending Rates (variation in bps)

		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
Tightening Period May 2022 to Jan 2025	+250	253	199	250	178	181	115
Easing Phase Feb 2025 to May* 2025	-50	-27	-1	-50	-20	-6	-17

Source: RBI monthly bulletin

Notes: Data on EBLR pertain to 32 domestic banks. *: Data on WADTDR and WALR pertain to April 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. Source: RBI.

The 50-bps cut in the policy repo rate during February-April 2025 reflected in banks' repo-linked external benchmark-based lending rates (EBLRs) and marginal cost of funds-based lending rate (MCLR). Consequently, the weighted average lending rate (WALR) on fresh and outstanding rupee loans of SCBs. declined by 6 bps and 17bps, respectively, during the period February-April 2025. On the deposit side, the weighted average domestic term deposit rates (WADTDRs) on fresh and outstanding deposits moderated by 27bps and 1 bp, respectively, during the same period. During the current easing cycle (February-April 2025), the decline in the WALR on fresh rupee loans was marginally higher for public sector banks (PSBs) as compared to private sector banks (PVBs). For outstanding loans, the transmission was higher for PVBs (Chart IV.6a). In case of deposits, PSBs reduced their fresh term deposit rates by a higher magnitude as compared to PVBs.

India Equities: Valuation demand strong earning and that seems far. Expect moderation in returns

Over the last 12 months, the Indian equity market has largely traded within a range, once short-term fluctuations are set aside. The Nifty 50 was around 22,400 in May 2024, rose to about 26,300 by September, declined to nearly 22,000 in March 2025, and has since recovered to the 25,000 mark. The recent rally from March onward has been driven more by price expansion than earnings growth, resulting in elevated P/E multiples across large, mid, and small-cap segments— and also relative to developed and other emerging markets. While current valuations suggest a need for caution, India's strong macroeconomic fundamentals continue to make it an increasingly compelling destination for global investors.

In this phase of global uncertainty, the Indian economy presents a picture of strength, stability, and opportunity. First, strength comes from the strong balance sheets of the five major sectors - corporates, banks, households, government, and the external sector. Second, there is stability on all three fronts – price, financial, and political – providing policy and economic certainty in this dynamically evolving global economic order. Third, the Indian economy offers immense opportunities to investors through 3Ds – demography, digitalisation and domestic demand. This 5x3x3 matrix of fundamentals provides the necessary core strength to cushion the Indian economy against global spillovers and propel it to grow at a faster pace.

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.

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.

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.

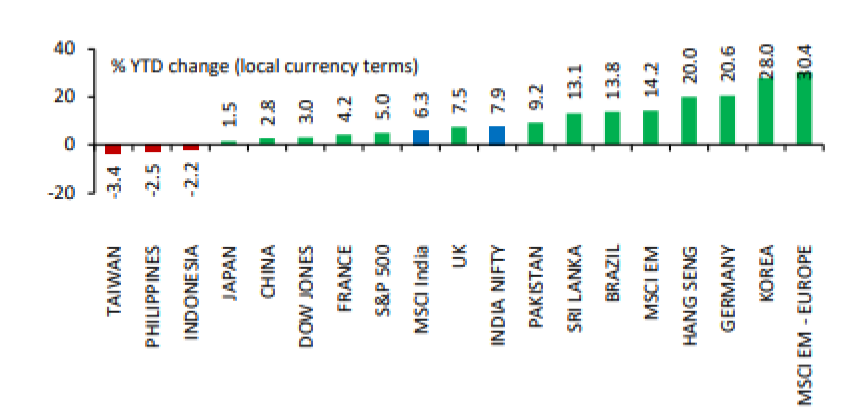
- **Consensus earnings estimates remain robust**, with FY26 and FY27 earnings likely to be around 12% + CAGR which should be supportive for markets.
- Recently announced Union budget paved the way for lower fiscal deficit, tax relief and maintaining the momentum around capex
- RBI’s pivot. RBI is now fully leaning towards supporting growth as inflation remains anchored
- **WTI crude oil has declined significantly from USD 78 per barrel to USD 66 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.

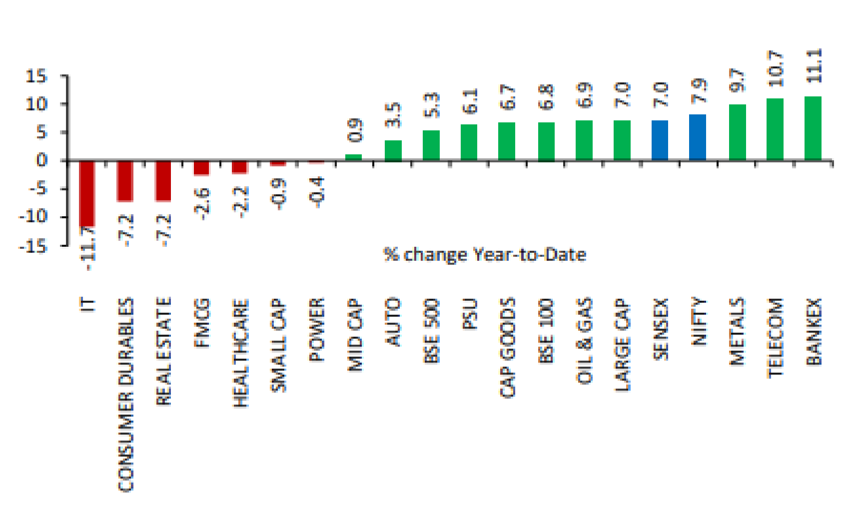
Trends in Indian Equity Market

Charts 9-10-11: Global and Domestic markets, domestic sectors performance and domestic SIP flows

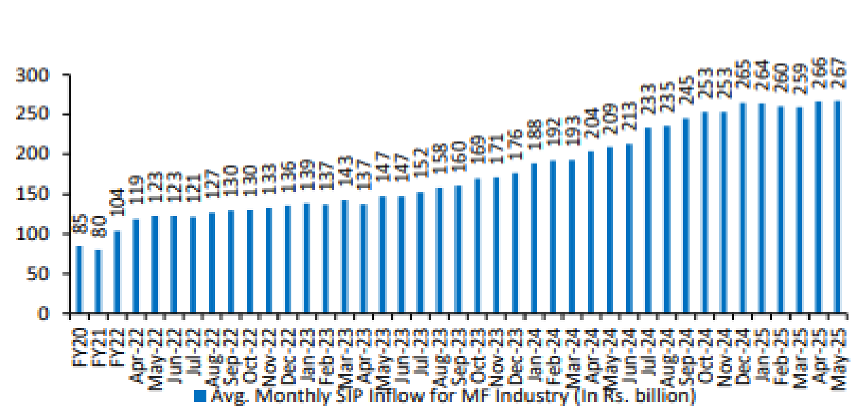
YTD performance (local currency returns)



YTD performance (local currency returns)



Monthly SIP inflow improved marginally m-o-m in May



Source: AMFI, NSE India, SBI MF, BSE

Chart 12: Nifty EPS trend

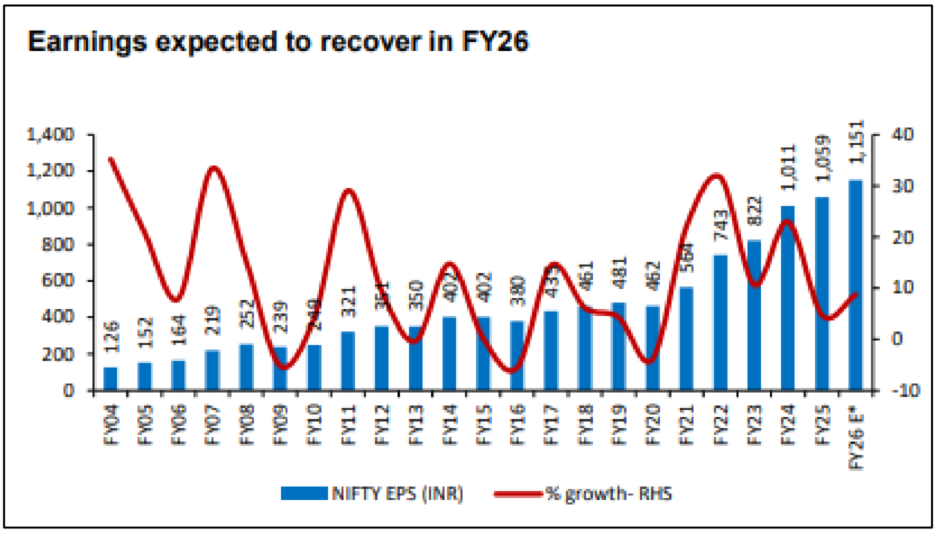


Chart 13: Nifty Q4 FY25 Sales

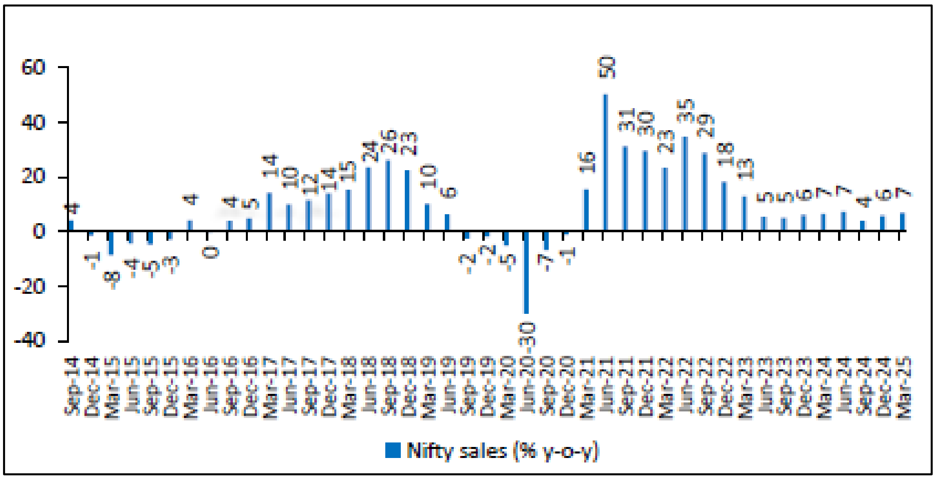
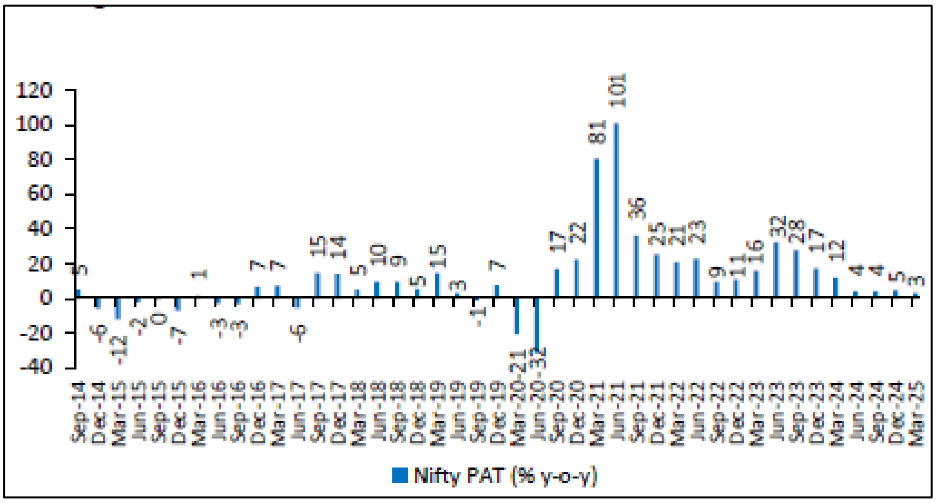


Chart 14: Nifty Q4 FY25 PAT



Source of charts on this page: MOSL, SBIFM Research; NB: Results released for 50 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

Chart 15: FII trends

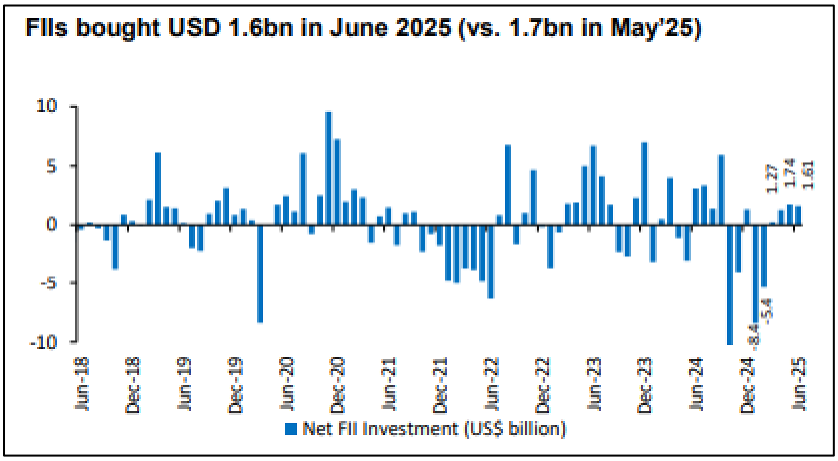


Chart 16: DII trends

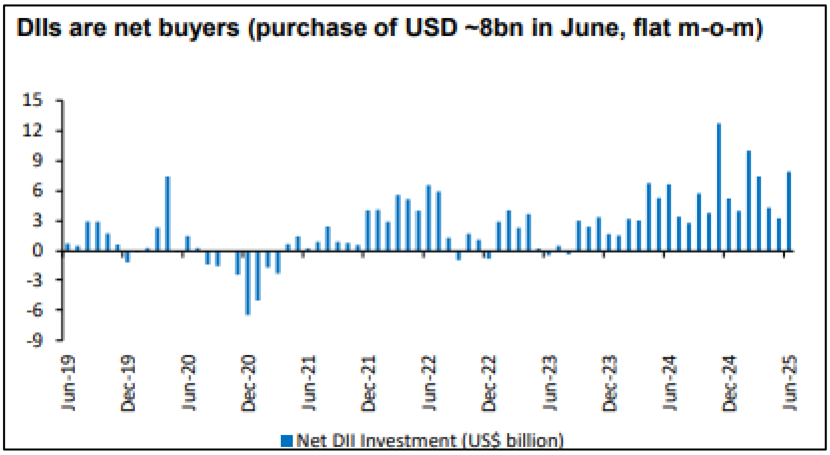
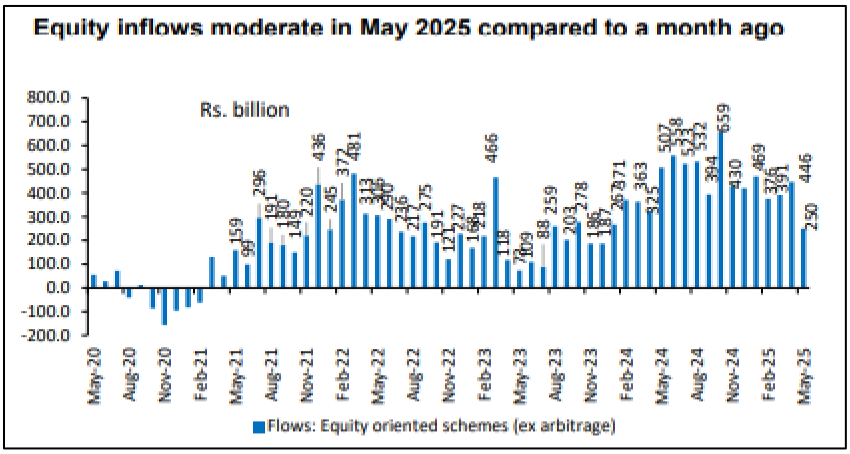


Chart 17: Domestic Equity MF flows



Source of charts on this page: Bloomberg, SBIMF, AMFI

India Bonds: Larger part of interest rate reduction is behind us

The Monetary Policy Committee (MPC) meet that took place in June 2025 has reduced the policy repo rate by 50 bps to 5.5%after assessing the current and evolving macroeconomic situation. Consequently, the standing deposit facility (SDF) rate under the liquidity adjustment facility (LAF) shall stand adjusted to 5.25% and the marginal standing facility (MSF) rate and the Bank Rate to 5.75%. This decision is in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.

The MPC noted that economic activity continues to maintain the momentum in 2025-26, supported by private consumption and traction in fixed capital formation. The sustained rural economic activity bodes well for rural demand, while continued expansion in services sector is expected to support the revival in urban demand. Investment activity is expected to improve in light of higher capacity utilization, improving balance sheets of financial and non-financial corporates, and government's capital expenditure push. Taking all these factors into account, real GDP growth for 2025-26 is projected at 6.5%.

CPI headline inflation continued its declining trajectory in March and April, with headline CPI inflation moderating to a nearly six-year low of 3.2% (y-o-y) in April 2025. This was led mainly by decline in food inflation. The outlook for inflation points towards benign prices across major constituents. The record wheat production and higher production of key pulses in the Rabi crop season should ensure adequate supply of key food items. Going forward, the likely above normal monsoon along with its early onset augurs well for Kharif crop prospects as well. CPI inflation for the financial year 2025-26 is now projected at 3.7%.

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. **Given the rally, we now prefer short dated bonds and funds with modified duration of less than 3 years. We prefer over weight allocation to AAA, AA+ rated bonds over high-risk credits**.

Post the Monetary policy outcome (June 2025), it is important for investors to expect lower fixed income returns going ahead as yields have rallied a lot over the last 1 year and large part of the rate cut cycle is behind us. We re-iterate to reduce duration of the bond portfolio and consider adding hybrid products offered by mutual funds over pure fixed income play to take advantage of tax benefits offered by such products. Investors are advised to consider their risk profile and appetite before considering such hybrid products.

Table 8: Yield movement

	2023 end	2024 end	Apr-25	May-25	Jun-25	m-o-m (in bps)	YTD change (in bps)
Repo rate	6.50	6.50	6.00	6.00	5.50	-50	-100
1 Yr T-Bill	7.13	6.69	5.91	5.63	5.57	-6	-112
3M T-Bill	6.93	6.55	5.90	5.62	5.41	-21	-114
3 year GSec	7.07	6.73	5.98	5.77	5.69	-8	-103
5 year GSec	7.09	6.72	6.05	5.72	5.90	18	-82
10 year GSec	7.18	6.79	6.36	6.26	6.32	6	-47
3 Yr Corp Bond*	7.78	7.58	6.97	6.72	6.80	8	-77
5 Yr Corp Bond*	7.79	7.46	6.96	6.79	6.83	4	-63
10 Yr Corp Bond*	7.76	7.24	7.08	7.03	7.10	7	-14
1 Yr IRS	6.64	6.51	5.66	5.59	5.54	-5	-97
5 Yr IRS	6.19	6.20	5.63	5.63	5.72	8	-49
Overnight MIBOR Rate	6.90	7.15	6.00	5.86	5.52	-34	-163
10 year SDL	7.65	7.15	6.75	6.74	6.95	21	-20
INR/USD	83.21	85.61	84.49	85.58	85.77	-0.2^	-0.2^
Crude oil Indian Basket**	77.43	73.34	67.73	64.04	69.82	9.0^	-4.8^

Source: SBI MF

Market Data

Table 9: India Index Performance (%) 30 June 25	1M	1Y	3Y
Nifty 50	3.3	7.5	18.7
Nifty Next 50	3.4	-2.7	24.5
Nifty 200	3.5	6.0	21.0
Nifty 500	3.7	5.6	21.9
Nifty Midcap 150	4.1	6.1	30.6
Nifty Smallcap 250	5.7	4.6	30.9
Nifty Microcap 250	3.0	5.5	38.6
Theme/Sector			
Nifty Auto	2.4	-4.5	27.8
Nifty Bank	3.1	10.2	20.6
Nifty CPSE	2.8	-0.2	42.2
Nifty Defence	2.1	22.5	82.8
Nifty FMCG	-0.5	-1.4	15.2
Nifty Infrastructure	5.0	3.8	27.8
Nifty IT	4.5	9.9	14.2
Nifty Manufacturing	2.9	0.1	26.8
Nifty Metals	3.9	-1.9	27.8
Nifty Oil and Gas	3.6	-2.5	16.8
Nifty Pharma	2.9	12.5	22.8

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

Table 10: India Smart Beta Index Performance (%) 30 June 25	1M	1Y	3Y
Nifty Alpha 50	5.3	-3.6	28.0
NIFTY Alpha Low-Volatility 30	2.9	-2.1	23.4
Nifty Low Volatility 50	2.9	8.0	21.9
Nifty100 Low Volatility 30	2.8	6.8	20.3
Nifty200 Momentum 30	4.6	-8.8	26.0
NIFTY200 Quality 30	2.5	3.2	18.9
NIFTYY200 Value 30	3.9	0.4	40.5

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

Table 11: India Valuation Metric	P/E 30 June 25
Nifty 50	22.9
Nifty Next 50	22.1
Nifty 500	24.1
Nifty Midcap 150	35.2
Nifty Smallcap 250	33.8
Nifty Microcap 250	24.4
Nifty Auto	24.9
Nifty CPSE	13.9
Nifty FMCG	41.4
Nifty India Defence	61.6
Nifty India Manufacturing	29.2
Nifty Infrastructure	24.4
Nifty IT	28.8
Nifty Oil & Gas	14.0
Nifty Pharma	31.6
Nifty Private Bank	18.0
Nifty PSU Bank	7.3
Nifty Metal	19.3
Nifty Realty	49.0

Table 12: India Smart Beta Valuation Metric	P/E 30 June 25
Nifty Alpha 50	51.5
NIFTY Alpha Low-Volatility 30	34.7
Nifty Low Volatility 50	35.0
Nifty100 Low Volatility 30	31.8
Nifty200 Momentum 30	42.0
NIFTY200 Quality 30	29.5
NIFTY200 Value 30	9.9

Source: NSE India, StatLane Research

Table 13: Global Index Performance (%) 30 June 25	**1M**	**QTD**	**YTD**
S&P 500	5.0	10.9	6.2
Dow Jones Industrial Average	4.3	4.9	3.6
S&P Developed Ex US BMI	3.0	13.5	20.0
S&P Europe 350	2.3	11.9	23.8
S&P Asia 50	7.5	13.6	18.6
S&P EM BMI	5.2	10.8	11.8

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 June 25	**1M**	**QTD**	**YTD**
S&P 500 Momentum	6.9	21.8	18.9
S&P 500 Equal Weight	3.4	5.4	4.8
S&P 500 Growth	6.3	18.9	8.8
S&P 500 Value	3.6	3.0	3.2
S&P 500 Low Volatility	-0.7	-1.9	5.1

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 June 2025	Month back
Repo	5.50	6.00
1 Year CD	6.31	6.43
10 Year GOI	6.42	6.27
5 Year PSU	6.72	6.74
1 Year NBFC	6.93	6.86
3 Year NBFC	7.07	6.90
US 10 Year Treasury	4.29	4.42

Source: StatLane Research

Table 16: India Fixed Income Indices			Index Return %	
As of 30 June 25	Yield (%)	MD (Yrs)	1M	1Y
Nifty 5Y SDL Index	6.62	4.50	-0.53	10.62
Nifty 10Y SDL Index	6.96	7.09	-0.96	10.36
NIFTY 10 yr Benchmark G-Sec	6.42	7.40	-0.21	11.28
NIFTY Corporate Bond Index	7.17	2.54	0.09	8.81
NIFTY Banking and PSU Debt Index	6.71	2.73	0.06	9.03
NIFTY Low Duration Debt Index	6.53	0.67	0.59	8.03
NIFTY Short Duration Debt Index	6.65	1.87	0.30	8.73
NIFTY Credit Risk Bond Index	8.76	2.00	0.09	8.81
NIFTY Long Duration Debt Index	7.05	8.77	-1.63	8.12
NIFTY Short Duration G-Sec Index	5.88	2.01	0.24	9.17
NIFTY Long Duration G-Sec Index	7.11	12.09	-2.39	7.95

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

Table 17: Commodities	30 June 25	31 May 25
Oil (Brent)	67.62	63.95
Gold	3280	3293

Source: StatLane Research

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