



S.P. HINDUJA

BANQUE PRIVÉE

India House View

July 2025



Thoughts of the CEO

“From Regulation to Resilience: India’s Dual Signals”

These lines are written at a time when market developments across geographies offer both challenge and clarity. Two stories from India, a leading frontier for global capital flows, highlight the duality of risk and resilience in today’s investment landscape.

On July 3, 2025, India’s securities regulator, SEBI, issued a sweeping interim order against Jane Street, the prominent US proprietary trading firm. The allegations center on sophisticated intraday activity in India’s equity derivatives market, specifically the Bank Nifty index, where SEBI claims Jane Street employed a two-stage strategy to artificially influence index levels and profit from option asymmetries. With over USD 567 million in alleged unlawful gains impounded, and options trading volumes flagged at unprecedented levels, this case has raised concern through market participants, particularly those active in high-frequency and systematic strategies.

Jane Street has strongly denied any wrongdoing, describing its trades as legitimate index arbitrage. Legal proceedings are ongoing. However, the broader message from SEBI is clear: India is prepared to enforce accountability, even at the risk of friction with international capital. With India accounting for over 60 per cent of global equity derivatives volumes, this represents a defining moment for all non-bank and algorithmic market participants. Regulatory agility will be essential going forward.

In contrast, we also observe a reaffirmation of a timeless investment pillar: gold. India remains one of the world’s largest and most culturally connected gold markets, with annual demand exceeding 780 tonnes. Gold’s role as an inflation hedge, a store of value, and a collateralized asset class is only strengthening in the face of currency volatility and geopolitical uncertainty.

From July 2024 to June 2025, gold appreciated nearly 18

per cent in USD terms and over 13 per cent in INR, reflecting both global dynamics and the rupee’s relative softness. Meanwhile, India’s recent reduction in gold import duties (from 15 per cent to 6 per cent), has redirected demand toward official channels, enhancing market transparency. Demand remains robust across retail jewelry, investment bars, and the fast-growing gold loan segment, which now exceeds USD 65 billion in value. Central banks, including the Reserve Bank of India, continue to accumulate gold reserves at record pace, underlining the shift toward real assets amid growing fiat currency skepticism.

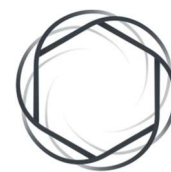
At SP Hinduja Banque Privée, we believe these two developments illustrate the evolving terrain global investors must now navigate: a world of rising opportunity, but also rising scrutiny. Whether managing exposure to dynamic markets like India or allocating capital into enduring stores of value such as gold, the need for rigorous risk assessment, local insight, and structural alignment has never been greater.

As your trusted partner, we are committed to offering strategic clarity, tailored advice, and robust access across both traditional and emerging asset classes.

Yours sincerely,

Fabrice d’Erm



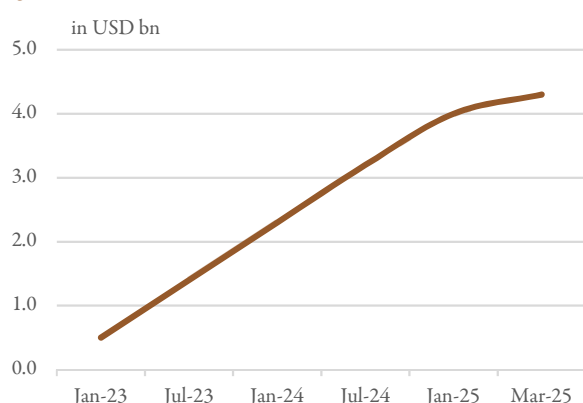


Jane Street vs SEBI

On July 3, 2025, the Securities and Exchange Board of India (SEBI) issued an interim order barring Jane Street, an American high-frequency proprietary trading firm and its affiliates, from all securities market activity in India and ordered the impoundment of USD 567 mn in alleged 'unlawful gains'.

Between January 2023 and March 2025, the hedge fund registered approximately USD 4.3 bn in net profits from its operations in India's equity derivatives market.

Fig 1: Jane Street's Estimated Cumulative Profits 2023-25



Source: SPH, Interpolation of points between reported start and end dates

SEBI's central allegation revolves around what it deems a sophisticated, two-stage intra-day manipulation of the Bank Nifty index, employing both cash/futures and derivative positions. According to SEBI, Jane Street orchestrated substantial purchases in the morning to inflate the index, enticing bullish retail bets on call options, then executed aggressive selling later in the day to push the index back down before options expiry, thus profiting via put options. Notably, SEBI flagged one day where Jane Street's options trading reached USD 1.2 trillion, an astonishing 353x the volume of the underlying Bank Nifty stocks.

In its interim order, SEBI asserted that these trades created 'a false or misleading appearance of market activity' that disadvantaged retail investors. It mandated that Jane Street place the impounded funds in an escrow account and facilitated a controlled exit of existing positions, pending a final order upon conclusion of investigations.

Jane Street's Rebuttal & Defense

Jane Street has forcefully denied any wrongdoing, characterizing its strategy as basic index arbitrage, a legitimate and widely practiced technique across global markets. In a memo circulated to employees, the firm described SEBI's allegations as 'extremely inflammatory' and

expressed disappointment that regulatory dialogue had not yielded constructive outcomes despite attempts to engage since February 2025. They maintain that they adjusted their trading behavior when concerns were voiced and are now seeking to contest SEBI's interim order through the Securities Appellate Tribunal (SAT).

Despite mounting pressure, Jane Street remains financially robust. Its global revenues reportedly reached USD 20.5 billion in the previous year, and its relationships with prime brokers and counterparties remain undamaged.

Legally, Jane Street has 21 days from July 3, 2025, to respond or appeal. Legal observers suggest that while the Securities Appellate Tribunal may direct SEBI to produce a final order within a defined period, complete dismissal of interim relief is unlikely due to SEBI's investigative powers in cases with broad market consequences.

Could Jane Street prevail by demonstrating legitimate arbitrage intent and absence of manipulative intent? Analysts suggest the case will center on intent (arbitrage vs market distortion) and whether SEBI's circumstantial evidence (time, volume, profit asymmetry) crosses the legal threshold. Ultimately, the SAT (or potentially higher judiciary) must determine if these were strategic trades typical of HFT (High Frequency Trading)/market makers, or manipulative conduct under Indian law.

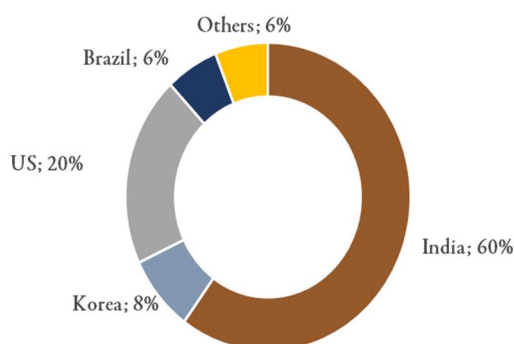
Market Impact & Broader Ramifications

The interim order reverberated through India's financial markets. Indian brokerage and intermediary stocks, such as Angel One, BSE, and Nuvama Wealth, fell by 6–9 per cent after the announcement, driven by concerns over a potential drop in derivatives trading volumes. Given that India processes around 60 per cent of global equity derivative volume (~7.3 billion contracts in April 2025), with retail investors accounting for the lion's share, any contraction in activity can have systemic impacts.





Fig 2: Equity Derivatives Share of Global Volume



Source: Global Share of Equity Derivatives Volumes – April 2025

Despite SEBI's ban, sources believe that broader market liquidity will remain resilient. Funds from the impoundment were ordered into escrow to facilitate seamless unwinding, and surveillance protocols have been strengthened. The incident has sparked fresh regulatory dialogue concerning disclosure obligations, registration, and leverage limits for non-bank players in India's HFT ecosystem.

At the same time, SEBI clarified that there is no plan to prematurely link option position limits with underlying cash positions, stressing the importance of preserving market integrity without stifling growth with overreach.

This incident marks a watershed for global proprietary trading operations. India's decisive action sends a clear signal that regulators will not hesitate to police perceived unfair market practices, even at the expense of alienating foreign capital. As emerging markets grow in significance, firms like Citadel, Optiver, and IMC, including their risk models, will be scrutinized more closely.

Fig 3: Retail Trader Losses in Indian Equity Derivatives



Source: SEBI study

Conclusion

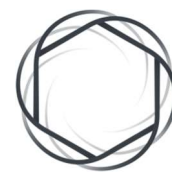
The Jane Street episode serves as a powerful reminder that while India offers immense opportunities as one of the world's largest and fastest-growing equity derivatives markets, it also presents complex regulatory and operational risks for foreign investors. Participating in such a dynamic landscape requires an acceptance of, not only market volatility, but also the evolving and assertive stance of domestic regulators like SEBI. Foreign institutional players must remain vigilant and prepared to navigate jurisdiction-specific frameworks, including the potential for abrupt regulatory interventions.

At the same time, investors should recognize and positively value SEBI's proactive approach as a cornerstone of long-term market resilience. The regulator's emphasis on transparency, equitable access, and stronger control methodologies reinforces India's credibility and helps protect the ecosystem from undue distortion. Rather than deterring investment, these actions, when viewed through a strategic lens, can enhance investor confidence by ensuring a level playing field, particularly for retail participants.

For global investors, this incident underscores the importance of diversifying exposure, rigorously evaluating jurisdictional risks, and partnering with counterparties that offer both global perspective and deep local insight. As an Indian-rooted Swiss bank, we are well-positioned to help clients navigate this evolving landscape, combining our understanding of India's regulatory environment with the prudence and stability of Swiss banking standards. Through tailored advice, robust risk frameworks, and enhanced due diligence on diverse strategies and disclosure norms, we aim to support investors in protecting their capital and capturing opportunities across India and other emerging markets.

Ultimately, the Jane Street case is not just a regulatory dispute. It is a defining inflection point that may reshape how proprietary and high-frequency trading firms engage with markets like India. Investors who adapt to these realities, embracing transparency and regulatory evolution as integral parts of their strategy, will be best positioned to preserve wealth and capitalize on the opportunities within this shifting landscape.





The Timeless Lure of Gold in India

Gold occupies a unique and enduring position in India's economy, society, and psychology. For centuries, it has served not only as a symbol of wealth and prosperity but also as a medium of exchange, a store of value, and an article of adornment. India is one of the largest consumers of gold globally, second only to China, with annual demand regularly crossing 700–800 tonnes. Historically, gold has been considered auspicious, particularly in Hindu culture.

A key reason for this cultural reverence is the association of gold with Goddess Lakshmi, the deity of wealth. Families consider gold not just a luxury but an investment and a form of financial security for women. In rural India, it often substitutes formal banking systems as a medium of savings.

Supply and Demand Drivers

India's gold demand can be broadly categorized into three segments: Jewelry (60 per cent), Investment bars and coins (35 per cent), and industrial uses (~5 per cent).

Jewelry remains the cornerstone, especially due to the deeply ingrained tradition of gifting gold during weddings and festivals. In terms of supply, India meets nearly all its gold demand through imports, as domestic production is negligible (less than 2 tonnes annually). Most of the imported gold comes from Switzerland, the UAE, and South Africa.

Unlike most other assets, which depreciate rapidly and have high exit costs, gold jewelry can be re-sold or pledged with minimal loss. Typically, the resale loss is limited to making charges (7–10 per cent), while the gold content retains intrinsic value. In contrast, vehicles lose 40–50 per cent of their value within 3 years and are illiquid assets. This makes gold jewelry a unique hybrid of consumption and investment, wearable wealth that holds value across generations.

1. Weddings, Festive Season, and Consumption Patterns

India sees roughly 10–12 million marriages every year, and the wedding season accounts for over 50 per cent of the country's annual gold consumption. Families, especially in northern and southern India, purchase gold jewelry for bridal gifts. In southern states like Tamil Nadu and Kerala, it's common to measure wedding expenditure by the weight of gold purchased. This seasonal spike typically occurs in two cycles: post-harvest (October–December) and post-Makar Sankranti (February–April).

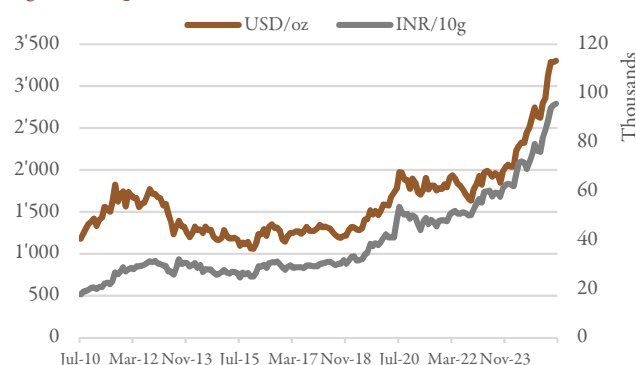
Dhanteras and Akshaya Tritiya are considered the most auspicious days for buying gold. Retailers and e-commerce platforms often report record sales during these times, further amplifying seasonal volatility in demand.

2. Inflation and Currency Hedge

Gold in India is widely regarded as a hedge against inflation and currency depreciation. When inflation rises or when the Indian rupee weakens against the US dollar, households tend to increase gold purchases as a form of protection. Over the years, this belief has held true - gold has often outperformed traditional financial assets during economic uncertainty or rising prices.

From July 2024 to June 2025, gold prices in USD rose from \$1,950 to \$2,300 per ounce, a gain of nearly 18 per cent. In INR terms, the price moved from 59,000 to 67,000 per 10 grams, reflecting not just global price strength but also a mildly depreciating rupee. These movements reaffirm gold's dual role as a safe haven and a currency hedge.

Fig 4: Gold prices



Source: Bloomberg

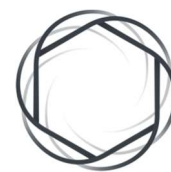
3. Central Bank Holdings

The Reserve Bank of India (RBI) also holds gold as part of its foreign exchange reserves. As of mid-2025, India's central bank holds over 820 tonnes of gold, valued at more than \$50 billion. This is both a strategic reserve and a stabilizer during currency stress periods. The RBI has steadily increased its gold reserves over the past five years in line with other global central banks.

Gold Loans, Hallmarking, and Informal Economy

Another unique feature of India's gold market is the prevalence of gold loans. Households and small businesses often pledge gold jewelry to access short-term liquidity. NBFCs like Muthoot Finance and Manappuram Finance dominate this segment. As of 2024, the Indian gold loan market was valued at over USD 65 bn, growing at over 15 per cent CAGR.





This financialization of gold is helping to mobilize idle household gold—estimated at over 25,000 tonnes into the formal economy. The push for Gold Monetization Schemes (GMS), Sovereign Gold Bonds (SGB), and digital gold has also increased in recent years.

Hallmarking, or the certification of gold purity, became mandatory across India in 2022, increasing consumer trust but also leading to short-term disruption for local jewelers.

Additionally, gold plays a large role in the informal economy: it is often used to store unaccounted wealth and is a vehicle for smuggling and tax avoidance. This makes it a politically sensitive commodity.

Import Duty and Impact on Global Prices

India imposes duties to manage the current account deficit, given gold's large share in total imports after crude oil and electronics. Consequently, any change in India's import duty directly affects international gold prices. A reduction in duties typically boosts official imports, thereby increasing global demand and prices. Conversely, hikes dampen legal imports, reduce global demand marginally, and may push volumes into the grey market. Given India's ~25 per cent share in global gold demand, such policy shifts are closely tracked by bullion traders worldwide.

In the 2024–25 Union Budget, India sharply cut import duties on gold bars and coins from 15 per cent to 6 per cent, and on gold *doré* from 14.35 per cent to 5.35 per cent. This marks the lowest duty rates in over a decade. As a result, official gold imports increased by ~8 per cent in FY2025, though total demand remained stable (~782 vs. 774 tonnes in FY2024), indicating a shift from unofficial to official trade channels.

SPH Gold Outlook

We expect gold prices to maintain an upward trajectory in the coming quarters, supported by a combination of factors.

One of the primary drivers underpinning this outlook is the persistence of geopolitical tensions. Conflicts such as the ongoing Russia–Ukraine war and continued instability in the Middle East have heightened investor demand for safe-haven assets like gold. In all, we believe gold's role as a strategic hedge instrument has intensified over the past couple of years.

Gold also stands to benefit significantly from an environment of falling interest rates as the opportunity cost of holding non-yielding assets like gold, decreases. This is particularly relevant because bonds, one of gold's primary competing asset classes, become less attractive when yields fall. Looking ahead, most global central banks—including the U.S. Federal Reserve, European Central Bank, and several in Asia—are expected to initiate or accelerate rate cuts over the next 12 to 18 months.

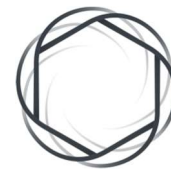
Another structural factor of higher gold price is the increasing accumulation of gold reserves by central banks. Monetary authorities across the world have been actively diversifying away from U.S. dollar holdings. This trend has accelerated amid concerns about dollar weaponization, economic sanctions, and the erosion of trust in fiat-based systems.

Table 1 - How to play the theme

<i>Stock/ Fund/ Bond</i>	<i>why It benefits from rising Gold prices</i>
<i>Titan Company (TITAN)</i>	Revenue directly tied to gold volume and pricing
<i>Kalyan Jewellers (KALYANKJ)</i>	Broad consumer reach and strong inventory turnover
<i>Senco Gold (SENCO)</i>	Regional dominance, responsive to gold price uptick
<i>Muthoot Finance (MUTH)</i>	Loan growth and collateral value linked to gold price
<i>Manappuram Finance (MGFL)</i>	High LTV lending on gold, scale of operations benefits price rise
<i>Nippon Gold ETF (GOLDBEES)</i>	Tracks gold price closely, low cost, liquid, no custody hassle
<i>Sovereign Gold Bonds (SGBs)</i>	Tax-efficient, indexed returns + fixed coupon, gold-linked exit

Source: SP Hinduja Banque Privée

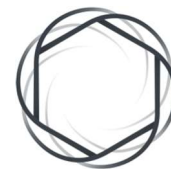




India Asset Allocation

Asset Class	Strategic Opinion	Tactical Opinion	Constituents	Most Preferred	Least Preferred	Commentary
Cash	-	=				Liquidity and stability in portfolios. Cash to offset exposure to rich valuations in risk assets, preserving capital in case of a correction.
Fixed Income	=	+	Segments	Core fixed income. Sovereigns and PSU issuers. Credit in the upperscale of IG rating. Infrastructure bonds and Tax-free bonds.	Sub-investment grade issuers	India's favourable inflation trajectory, improved fiscal discipline, and stable currency, position local debt markets favorably compared to global peers. The RBI has lowered the repo rate by 100 basis points in 2025 and this is ripe for investors to capitalise on bond investments - particularly medium to long-duration government securities - to benefit from the capital gains when the prices move up and the yields go down.
			Duration	Medium-term		We advocate a diversified approach allocating between government bonds, investment rated corporate bonds and some opportunistic high yield securities, that provides a balance of liquidity, capital appreciation, and yield stability. We recommended dynamic bond funds and target maturity funds as ideal investment vehicles for investors who may not want to actively manage interest rate risks. Despite a moderation in food inflation recently, inflationary risks remain: Trump's policies, volatile energy prices, and adverse weather to name a few. These threats support the benefits of fixed income diversification.
Equities	++	+	Sectors	Private Banks Consumer Discretionary Interest Rate Sensitives Infrastructure - Capital Goods, Industrials	Staples Tech Energy & Materials	Our positioning in Indian equities remains constructive despite the recent recovery in stock prices and elevated valuations. We believe the medium- to long-term fundamentals continue to support a positive outlook, driven by strong population dynamics, structural reforms, and resilient corporate earnings. Recent rate cut by the RBI constitute a tailwind for growth and risk assets. We continue to maintain a defensive bias and prefer large caps over mid & small. We remain selective, favoring high-quality companies with strong balance sheets and pricing power, while maintaining flexibility to adjust exposure should market dynamics shift.
			Styles	Well Diversified Mid & Small cap Funds Thematic Plays	Momentum driven strategies such as defensives	Capex should grow faster than gross domestic product after an election-related period of delay. To this effect, infrastructure and industrials remain promising, though there is need to differentiate between companies with lasting competitive advantages. We prefer consumer on early signs of recovery in rural demand and government policy shifts, such as tax relief measures, rather than urban discretionary consumption. A rebound in consumption and investment led by recent rate cuts make us prefer private sector banks within financials. We believe there are opportunities in the insurance sector given the low level of penetration and improving regulatory environment. We do not favor IT considering high relative valuations and a weakening US outlook. Sectors like auto ancillaries and pharma could face challenges due to potential hikes in US import tariffs. However, some of this risk may already be reflected in stock prices. India's limited metal exports and the risk of becoming a dumping ground due to global trade shifts make this space less attractive.
Alternatives	+	+		Growth Capital & Late Stage Pre-IPO Precious Metals	High Yield Private Credit	India's Private Markets have undergone a significant transformation over the past years - with a robust startup ecosystem they are essential to the investment strategy of long-term investors. Alternative Investment Funds (AIFs) have played a central role in the maturation of the Indian private equity landscape. Despite a fundraising dip, investor confidence remains high, driven by policy reforms and rising liquidity, positioning the asset class for sustained growth in 2025. Bank lending becoming more competitive after rate cuts makes private credit less attractive now. Our outlook for precious metals remains positive. The demand for silver is anticipated to experience substantial growth as the focus shifts towards sustainable energy, particularly in the development of electric vehicle (EV) infrastructure.
Opinion	++ + = - --		very attractive attractive neutral unattractive very			





India macro data and projections *

	2021/22	2022/23	2023/24	2024/25	2025/26E
Real GDP (percent growth) Fiscal Year	9.7	7.0	8.2	6.5	6.5
CPI (percent growth) Fiscal Year	5.5	6.7	5.4	4.6	4.3
Industrial Production (percent growth)	-8.4	11.4	5.2	4.0	4.0
Interest Rates (percent) Fiscal Year	4.00	6.25	6.50	6.50	6.00
Fiscal Deficit (percent of GDP)	-6.7	-6.5	-5.6	-4.8	-4.4
Trade Balance (percent of GDP)	-3.8	-6.0	-7.9	-6.8	-7.1
Current Account Balance (percent of GDP)	-1.2	-2.0	-0.7	-0.6	-1.3
Public Debt (percent of GDP)	83.5	82.0	82.7	82.7	81.4
FX reserves (USD bn)	607	578	646	659	674

Sources: IMF

* Data are for Apr-Mar fiscal years

MSCI India (USD) 1Y Performance



Source: Bloomberg

Nifty50 (INR) 1Y Performance



Source: Bloomberg

Sector Performances	Index Market Cap (USD Bn)	CY 2024	June 2025	% YTD	Fwd PE (x)
Nifty Realty	27.6	33.8%	1.6%	-6.7%	32.4
Nifty Pharma	93.4	38.9%	3.0%	-3.3%	27.9
Nifty IT	170.0	21.4%	5.1%	-13.7%	23.0
Nifty Financial Services	533.3	9.6%	2.7%	14.4%	16.1
Nifty Auto	129.1	22.8%	2.3%	4.6%	20.2
Nifty Metal	78.7	8.1%	4.5%	8.6%	12.9
Nifty Energy	274.4	4.9%	1.8%	3.0%	13.8
Nifty FMCG	134.5	-0.9%	-1.5%	-0.7%	35.8
Nifty India Consumption	374.5	19.0%	3.5%	3.3%	33.3
Nifty Media	5.2	-25.2%	2.2%	-4.5%	18.3
INR/USD		-2.9%	-0.4%	-0.2%	

Source: Bloomberg



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Figure of the Month

945

This is the the number of USD million losses, Jane Street incurred in across cash and futures trades over the period 2023 to 2025. This figure is central to Jane Street's defense, which frames the strategy as complex arbitrage rather than market manipulation. The losses add nuance to the narrative, suggesting real market risk was borne, raising the legal debate over whether intent or outcome should define market abuse in algorithmic trading.

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Founded in Geneva in 1994 by Srichand Parmanand Hinduja with a vision to provide clients with a bridge between East and West, our institution remains the only Indian-owned Swiss bank in history. With an active presence in Switzerland, S.P. Hinduja Banque Privée offers its clients the reliability of Swiss regulatory oversight, while providing specialized access to high-growth markets.

We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

The future of banking is emerging at the intersection of profit and purpose.

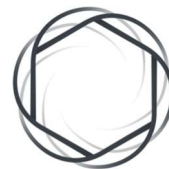
Contact :

S.P. Hinduja Banque Privée S.A.
Place de la Fusterie 3bis
1204 Geneva Switzerland

Phone: +41 58 906 08 08
Fax: +41 58 906 08 00
Email: info@sphinduja.com
Website: www.sphinduja.com



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