BULL-E-TIN

July 2025

THE WISE OUTLOOK

EQUITY MARKET OUTLOOK:

India's equity markets are entering the second half of 2025 on a strong footing, supported by solid macroeconomic fundamentals and accommodative policy measures. S&P Global Ratings has recently raised India's GDP growth forecast to 6.5%, citing expectations of a normal monsoon, lower crude oil prices, and monetary easing. Inflation has moderated to ~2.8%, well within the RBI's comfort zone, enabling 100 basis points of repo rate cuts and a phased 100 bps CRR reduction in the first half of the year. These moves have boosted liquidity and set the stage for sustained credit growth. Equity benchmarks such as the Sensex and Nifty have already delivered healthy gains in H1, with prospects for continued momentum in domestic consumption, real estate, and select mid- and small-cap segments.

That said, Nifty 50 P/E valuations remain at 23, which is slightly higher than its historical average and is fairly valued, potentially limiting further immediate upside, and the market may consolidate until further earnings guidance is provided. Geopolitical tensions in the Middle East, fluctuations in crude prices, and uncertainty around US trade policy following the end of the 90-day tariff pause are likely to keep investor sentiment cautious. The upcoming Q1 FY26 earnings season and management commentaries will be crucial in assessing the demand outlook ahead of the festive season. Meanwhile, export-oriented sectors could face headwinds from a fragile global economic backdrop and unresolved trade disputes.

Over the medium term, the outlook remains constructive, underpinned by cyclical recovery, strong nominal GDP growth, and improving corporate earnings. However, investors should be prepared for bouts of volatility from external shocks and sudden shifts in global risk appetite. In this environment, maintaining a well-diversified portfolio with a higher allocation to large-cap and flexi-cap strategies can help navigate overvalued areas of the market and manage risk more effectively over the long term.

DEBT MARKET OUTLOOK:

India's debt markets are expected to remain broadly supportive in the second half of 2025, anchored by healthy macro fundamentals and the substantial liquidity infused earlier this year. Inflation has eased to around 2.8%, while GDP growth projections have been revised higher to 6.5%, creating a favourable environment for bonds, particularly in the short- to medium-term segment. The RBI's cumulative 100 bps repo rate cuts will lower the borrowing costs, and the CRR reduction to 3% would inject approximately ₹2.5 trillion of liquidity into the market.

With the RBI shifting its stance from accommodative to neutral and inflation now at multi-year lows, further rate cuts appear unlikely in the near term. Given this policy transition, the scope for additional duration gains has diminished. Accordingly, investors may be better served by focusing on accrual-oriented strategies rather than taking aggressive duration calls, as the market adjusts to a more balanced policy environment in the quarters ahead.

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GLOBAL ECONOMY & MARKETS

GLOBAL ECONOMY

June saw selective easing as India cut its policy rate by 0.50% (from 6.0% to 5.5%) to support growth, and the Euro Area lowered rates by 0.25% (from 2.4% to 2.15%) amid subdued inflation. The US, UK, China, and Japan left rates unchanged, maintaining a cautious stance in the face of mixed economic signals.

Business activity continued to expand across major economies. India remains the strongest performer with a Composite PMI of 59.3, signalling robust momentum. The US and the UK indicate steady but moderate expansion, while the Euro Area hovers just above the contraction threshold, reflecting fragile recovery dynamics.

Equity valuations are elevated across many regions, with the US and Japan appearing particularly expensive compared to their underlying economic output. In contrast, China and the UK trade at more attractive levels, offering potential value if corporate earnings strengthen. India, despite its rapid growth as the fastest-expanding major economy, continues to trade at valuations that appear relatively fair.

Debt-to-GDP levels remain elevated in the US and Japan, underscoring their vulnerability to potential increase in funding cost, while in the other major economies, it remains within the range.

Country	Interest Rate	Inflation	Unemployment	Composite PMI	Market Cap/GDP	Debt/GDP	GDP ($ Tn)	Valuation Summary
India	6.00%	3.16%	6.90%	59.30	1.38	0.82	3.87	Fairly valued
USA	4.50%	2.30%	4.20%	53.00	2.07	1.24	29.18	Overvalued
China	3.00%	-0.10%	5.10%	49.60	0.64	0.88	18.89	Undervalued but watch structural risks
Euro Area	2.40%	2.20%	6.20%	50.20	1.06	0.87	17.12	Fairly valued
Japan	0.50%	3.60%	2.50%	49.80	1.64	2.37	4.20	Overvalued
UK	4.25%	3.50%	4.50%	50.30	0.85	0.96	3.85	Fairly valued to undevalued

(red)	Rate Hike/ Peak	High/Low	Increase	Contraction (<50)	Expensive (1>)	High (>1)
(green)	Rate Cut /Bottom	Moderate	Decrease/ Stable	Expansion (50>)	Inexpensive (<1)	Low (<1)

GLOBAL EQUITY MARKET

Global equity markets extended their rally for the second consecutive month in June 2025, except for UK and Europe, supported by easing inflation prints, resilient economic data in the US, and continued optimism around AI and tech earnings

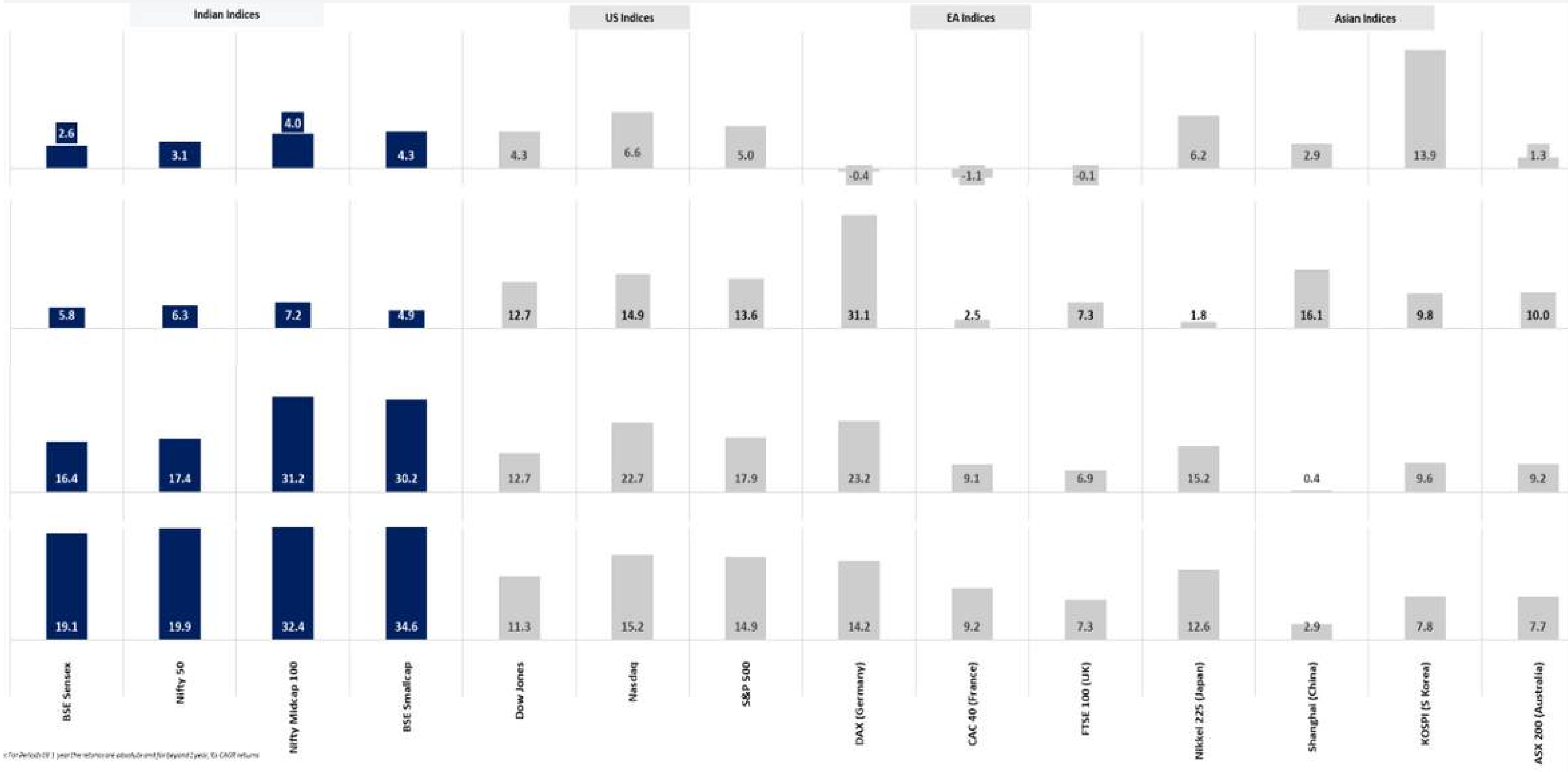
The rally was led by the US, where the Dow Jones Industrial Average, S&P 500, and the tech-heavy Nasdaq rose by 4.3%, 5% and 6.6%, respectively, mainly due to improving economic data and robust tech earnings, and continued capital flows into the AI-related stocks.

In June 2025, the UK’s FTSE declined slightly by 0.1%, underperforming global peers mainly due to lingering worries around the Middle East tensions and a fall in exporters’ stocks following a stronger pound.

In Europe, Germany’s DAX and France’s CAC 40 declined by 0.4% and 1.1% in June 2025, as persistent manufacturing weakness, with PMIs stuck below 50, and geopolitical tensions weighed on sentiment. A cautious ECB stance further pressured both indices despite occasional signs of stabilising orders.

Japan’s Nikkei 225 jumped 6.6%, driven by the first expansion in factory activity in over a year, with the manufacturing PMI rising to 50.1. A weaker yen boosted exporters, while the BoJ’s Tankan survey showed improving business sentiment and higher capex plans, reinforcing optimism around Japan’s economic recovery.

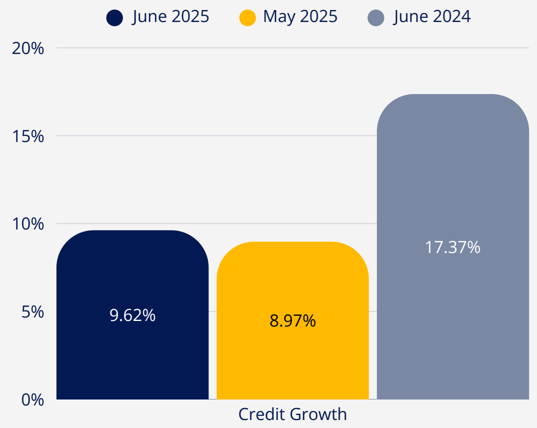
China’s Shanghai Composite rose by 2.9%, lifted by the ceasefire between Israel and Iran, which eased geopolitical risks, and growing expectations of an earlier-than-expected Fed rate cut that supported global risk appetite. Meanwhile, Hong Kong’s Hang Seng gained 3.4%, helped by falling crude oil prices after the ceasefire, which improved investor sentiment and benefited local equities.



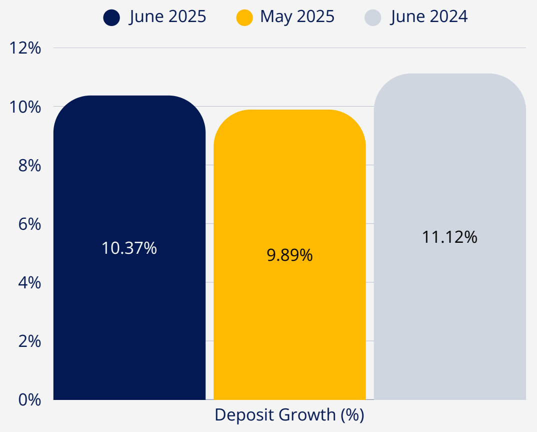
INDIAN ECONOMY & MARKETS

INDIAN ECONOMY

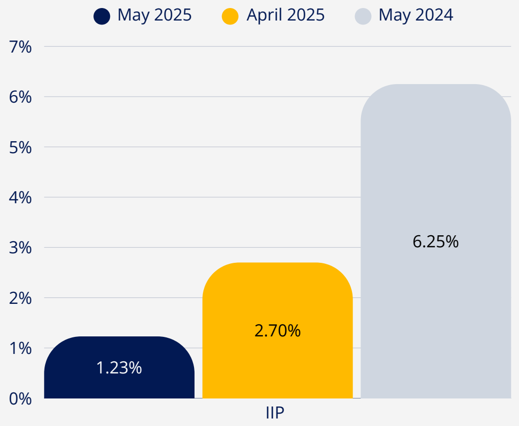
Goods and Services Tax (GST) collection rose by just 6.2% year-on-year to Rs. 1.85 trillion in June 2025, primarily due to low mop-up from domestic transactions, indicating moderation in economic activities.



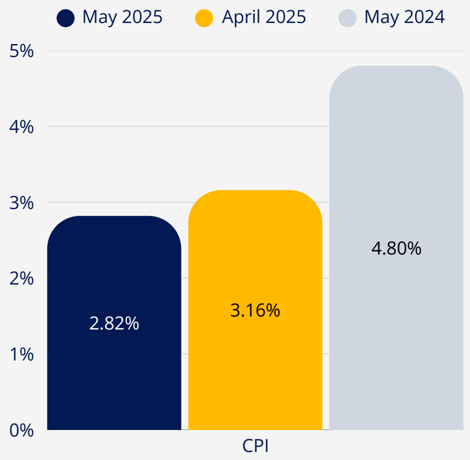
India's banking sector credit growth recovered to 9.62% year-on-year as of June 13, 2025, rebounding from a three-year low of 8.97% at the end of May. Analysts expect this uptrend to continue, projecting credit growth of 12–13% in FY26 as lending momentum picks up.



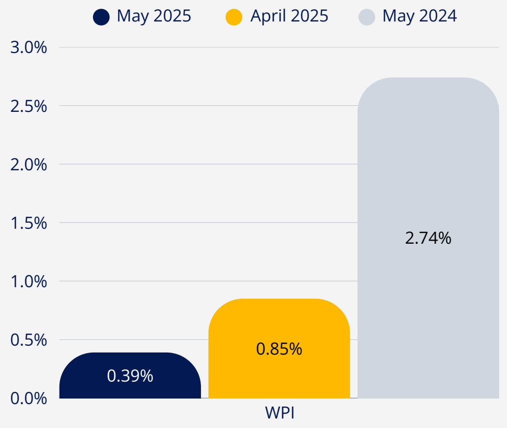
Bank deposits continued to grow faster than credit, rising 10.3% year-on-year to ₹230.7 lakh crore. Despite the annual increase, deposits declined by 0.44% fortnightly, indicating some near-term liquidity adjustments.



India's IIP expanded by just 1.2% in May, the slowest growth rate in nine months, as manufacturing activity lost traction and both mining and electricity sectors slipped into contraction. This marks a sharp decline from the 6.3% growth seen a year earlier, highlighting continued pressures in core sectors.



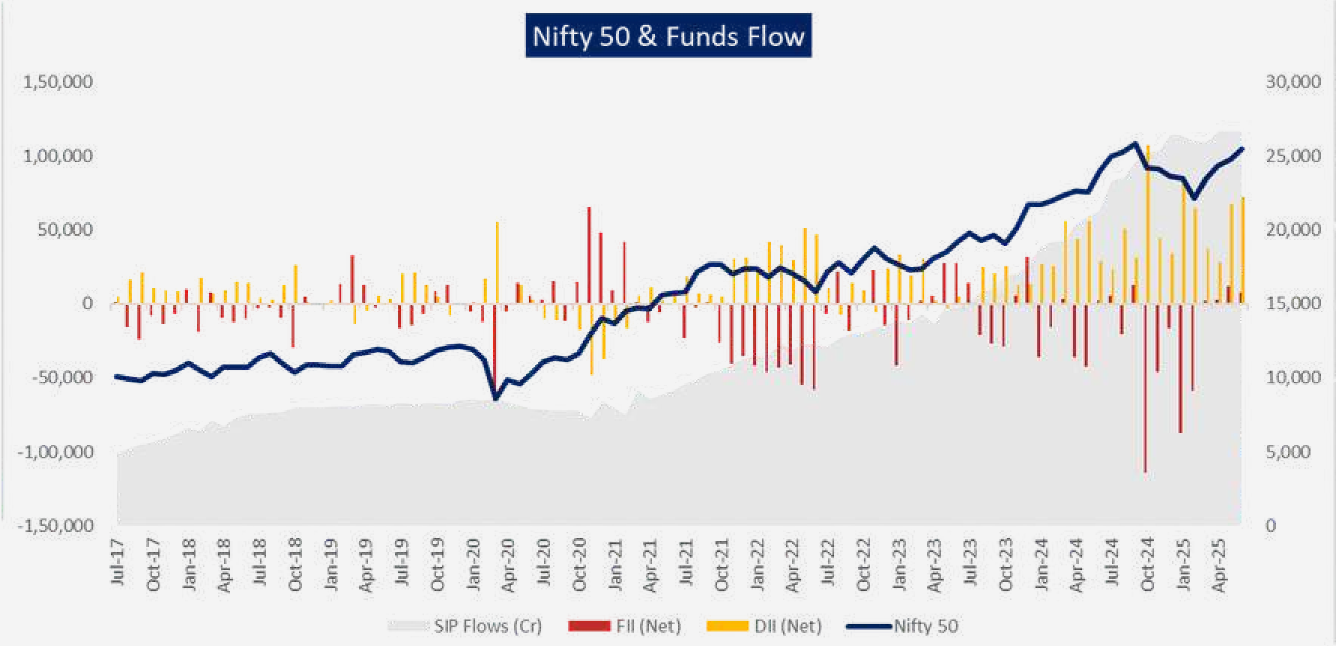
India's consumer price index (CPI) inflation eased further to 2.82% in May 2025 compared to 3.16% in April 2025, marking the lowest reading since February 2019. The moderation in prices for vegetables, pulses, fruits, meat and fish, and cereals contributed significantly to this decline.



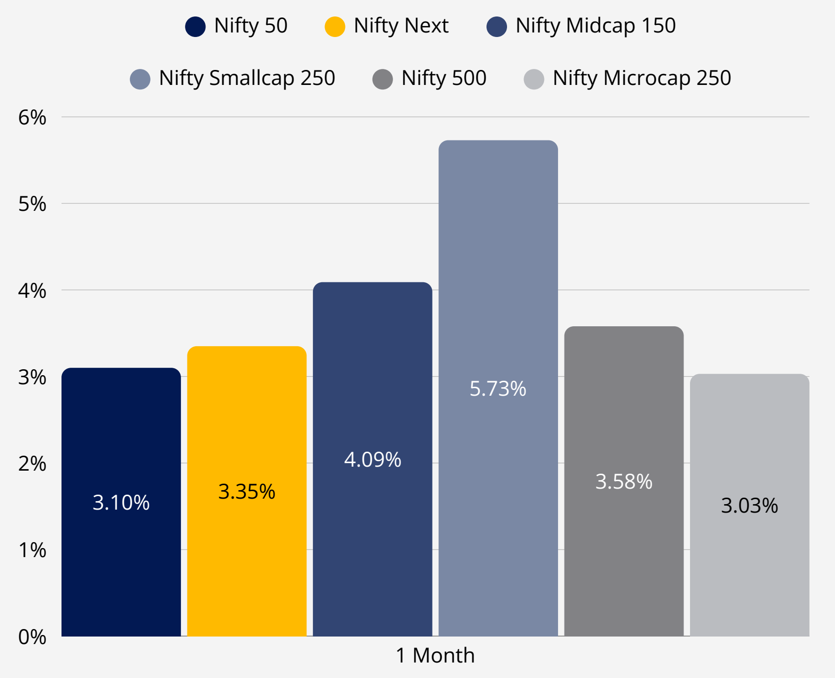
India's wholesale price index (WPI) inflation moderated to a 14-month low of 0.39% in May 2025, down from 0.85% in April 2025. Falling prices in the food, fuel & power segments drove the sharp decline in inflation.

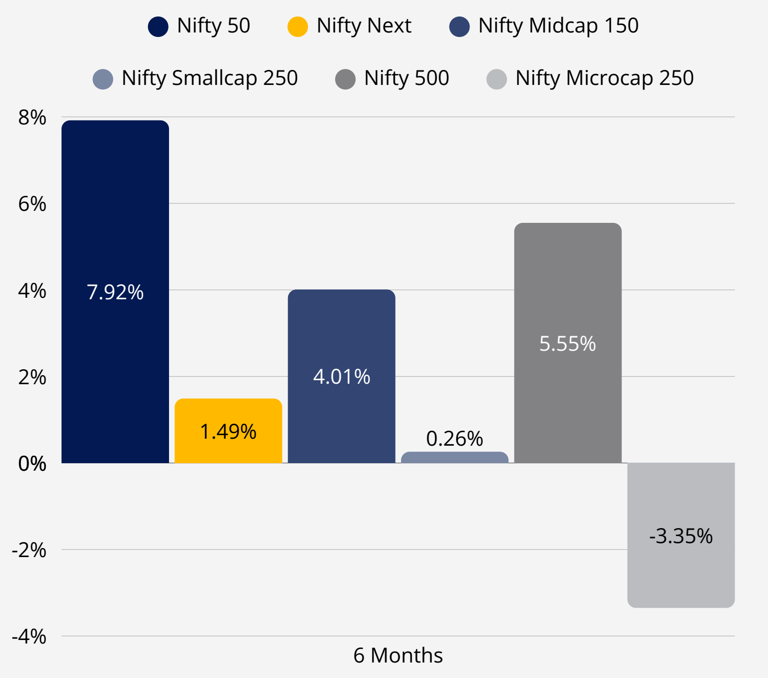
EQUITY & FUND FLOWS

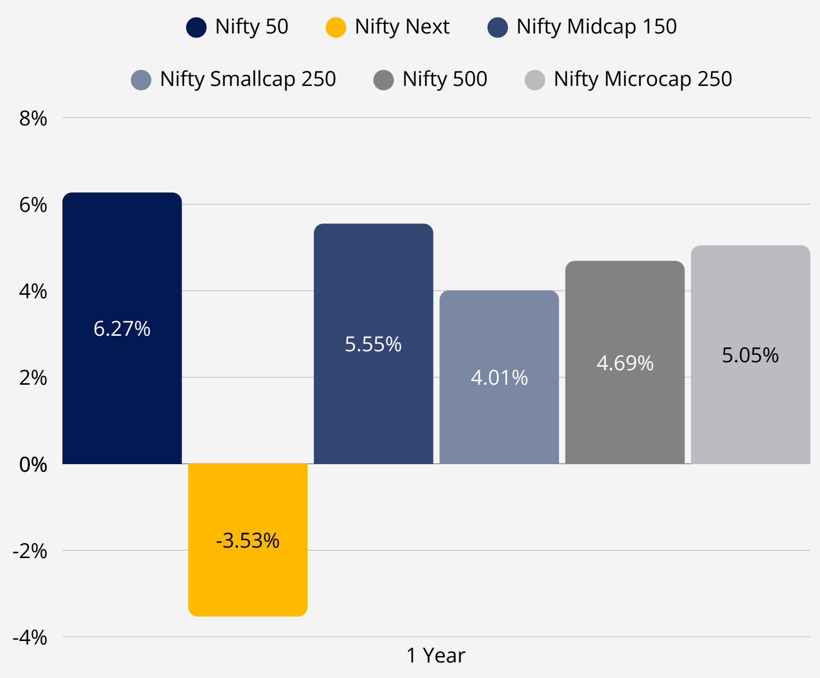
Indian equities posted strong gains in June, supported by robust domestic economic indicators and renewed policy support. As a result, the Nifty 50 rose by 3.1% while other broader indices, the Nifty Midcap 150, the Nifty Smallcap 250, and the Nifty Microcap 250, rose by 4.09%, 5.73% and 3.03%, respectively, in June 2025.

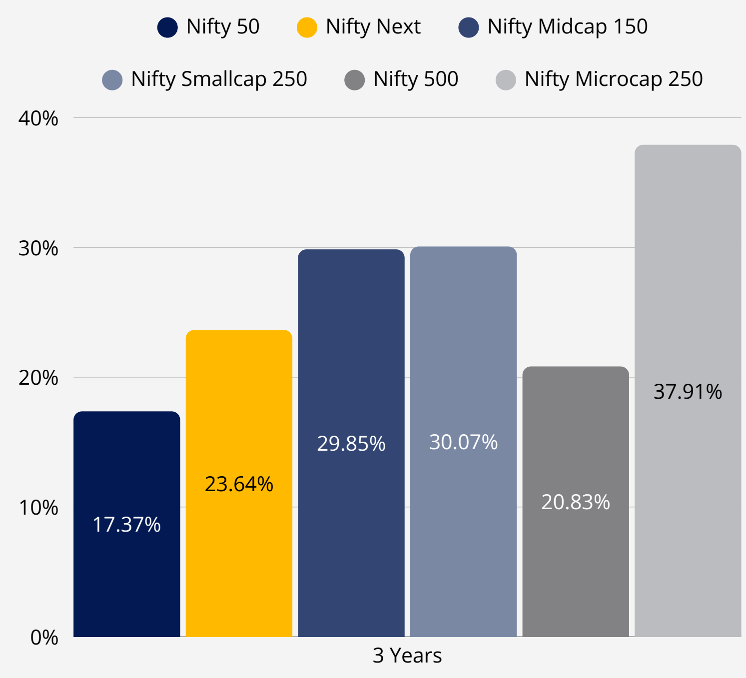


During June 2025, the FIIs remained positive and bought Rs. 7,489 Cr worth of shares in the Indian equities market, and the DIIs purchased Rs. 72,674 Cr during the same period.









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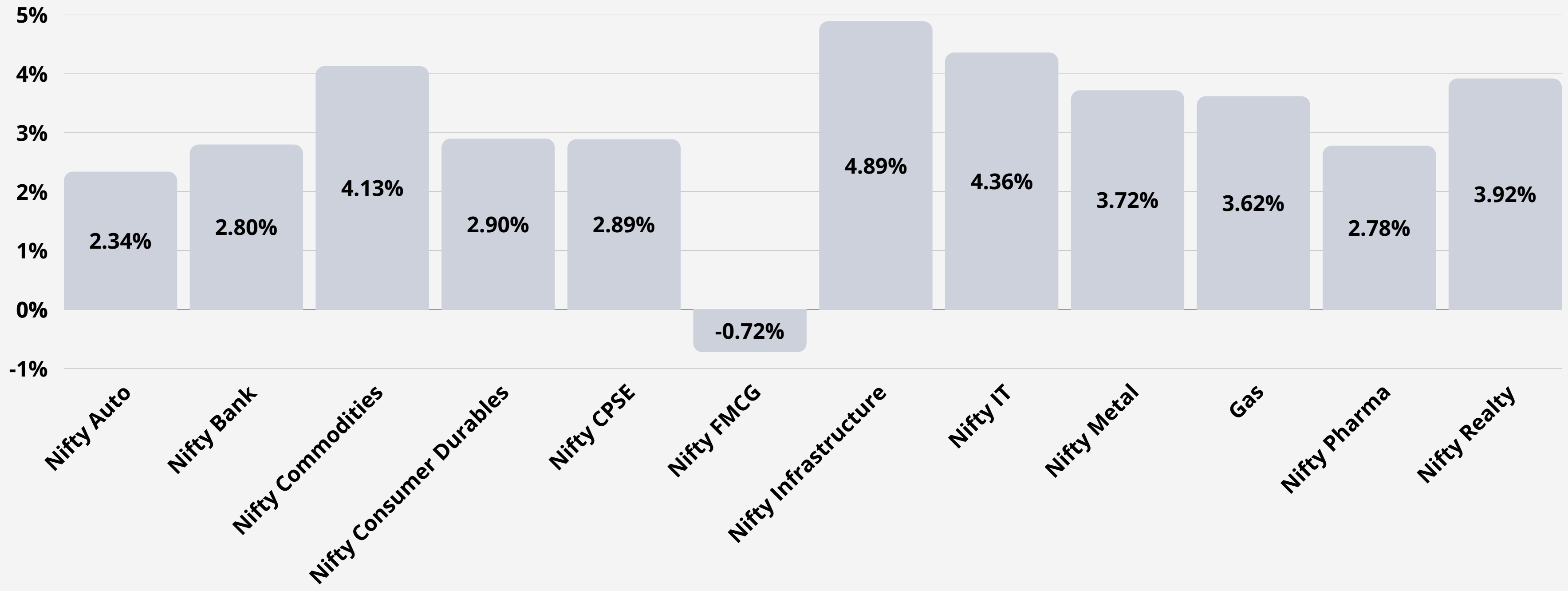
NIFTY 50 VALUATION & RETURNS

Indian markets continued their upward momentum in June 2025, led by sectors such as Infra, IT, and Realty, which ended the month with gains of 4.89%, 4.36%, and 3.92%, respectively. FMCG was an outlier which ended in the negative territory by 0.72%.

Nifty average PE for the month of June 2025 was 22.48. Historically, entry into the market at these levels has yielded an average return of 14% over the subsequent three years.



PE Range	3 Yr Avg CAGR
10-15	8.07%
15-18	14.72%
18-20	16.54%
20-22	16.92%
22-25	**14.34%**
25-30	12.91%
30+	8.75%
Grand Total	**14.22%**

Years	Average PE
2000-2009	17.80
2010-2019	22.16
2000-YTD (25 Yr)	20.99
2015-YTD (10 Yr)	24.66
2020-YTD (5 Yr)	24.69
Current	**22.97**

Nifty 50 - Average PE

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	26.16	27.12	25.69	22.81	20.33	23.68	22.33	20.53	20.84	18.22	18.77	19.59
2001	20.75	21.32	18.20	16.08	15.74	15.37	15.32	15.23	13.65	13.76	14.86	15.59
2002	16.42	18.32	18.59	18.02	17.44	16.28	15.39	14.54	14.69	14.25	14.55	14.57
2003	14.56	14.32	13.85	13.20	11.15	12.20	12.50	13.89	15.09	16.60	17.42	19.19
2004	21.02	20.32	20.78	19.91	14.86	12.18	13.08	13.50	14.14	15.00	15.67	16.04
2005	14.41	14.40	14.98	14.16	13.77	14.01	14.31	14.61	15.58	15.26	15.47	16.72
2006	17.27	17.97	19.25	20.59	19.53	16.65	17.95	18.55	20.09	20.92	20.72	20.95
2007	21.24	19.64	17.95	19.28	19.74	20.08	21.30	19.47	21.05	24.59	25.15	26.55
2008	25.33	22.19	20.58	21.26	21.46	19.04	17.56	18.63	17.98	13.77	12.42	12.69
2009	12.73	13.38	13.30	15.89	18.67	20.16	19.83	20.50	21.86	22.34	21.91	22.70
2010	22.84	20.72	22.03	22.76	21.20	21.73	22.42	22.95	24.51	25.23	24.39	23.82
2011	22.84	20.67	21.16	22.02	20.37	20.20	20.49	18.29	18.11	18.15	18.11	17.32
2012	17.71	19.09	18.74	18.46	16.97	16.89	17.22	17.67	18.42	18.95	18.14	18.63
2013	18.87	18.26	17.89	17.40	18.13	17.49	17.88	16.12	16.83	17.72	17.80	18.56
2014	18.29	17.37	18.33	18.99	19.62	20.57	20.66	20.42	21.20	20.65	21.50	21.23
2015	21.73	23.09	23.21	22.88	22.40	22.70	23.49	22.99	21.69	22.48	21.36	21.10
2016	20.34	19.34	20.39	21.29	21.51	22.52	23.33	23.65	24.08	23.35	21.99	21.49
2017	22.44	23.23	23.47	23.37	24.25	24.31	25.10	25.37	25.99	26.26	26.35	26.42
2018	27.24	25.61	24.97	26.00	26.58	26.77	27.19	28.22	27.46	25.05	25.59	26.07
2019	26.08	26.66	27.76	29.12	28.88	29.25	28.28	27.12	26.93	26.51	27.67	28.18
2020	27.96	26.92	21.38	20.38	21.24	24.70	28.60	31.59	32.55	33.99	34.34	37.26
2021	38.91	40.82	40.10	32.73	29.98	29.08	28.12	26.11	26.82	27.31	25.05	23.70
2022	24.51	22.52	21.70	22.73	20.33	19.71	20.05	21.05	20.96	20.91	21.94	22.10
2023	21.46	20.87	20.30	20.72	21.57	21.81	23.34	22.43	22.39	21.75	21.05	22.61
2024	22.88	22.66	22.90	22.78	21.56	22.22	23.23	22.90	23.70	23.25	22.13	22.30
2025	21.43	20.65	20.34	21.34	22.18	22.48						

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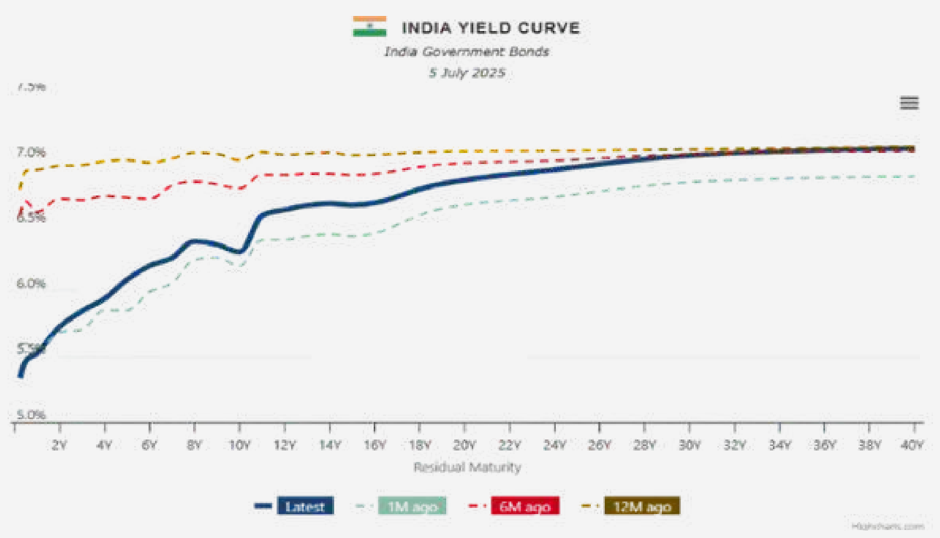
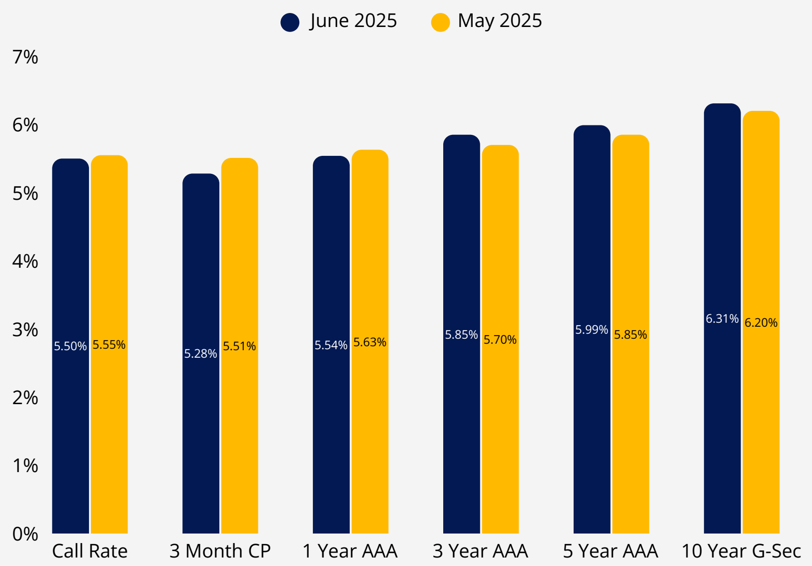
DEBT & OTHERS

Indian yields showed a mixed trend in June 2025. Short-term rates softened further, with the interbank call rate edging down to 5.50% from 5.52% in May, reflecting abundant liquidity post the RBI's rate cut. However, longer-term yields firmed up as markets priced in higher term premiums, with the 10-year G-Sec yield rising by 11 bps to 6.31%. Medium-tenor corporate bonds also saw modest upticks, indicating cautious optimism about growth prospects.

Yield Curve Steepening: A Signal of Growth Normalization

The 10Y-2Y yield spread, which had narrowed to just 3.5 bps in December 2024, has steadily widened, reaching 9.8 bps in February, 16.6 in March, 36.4 in May, 50.3 bps in June and now 57 bps in July 2025.





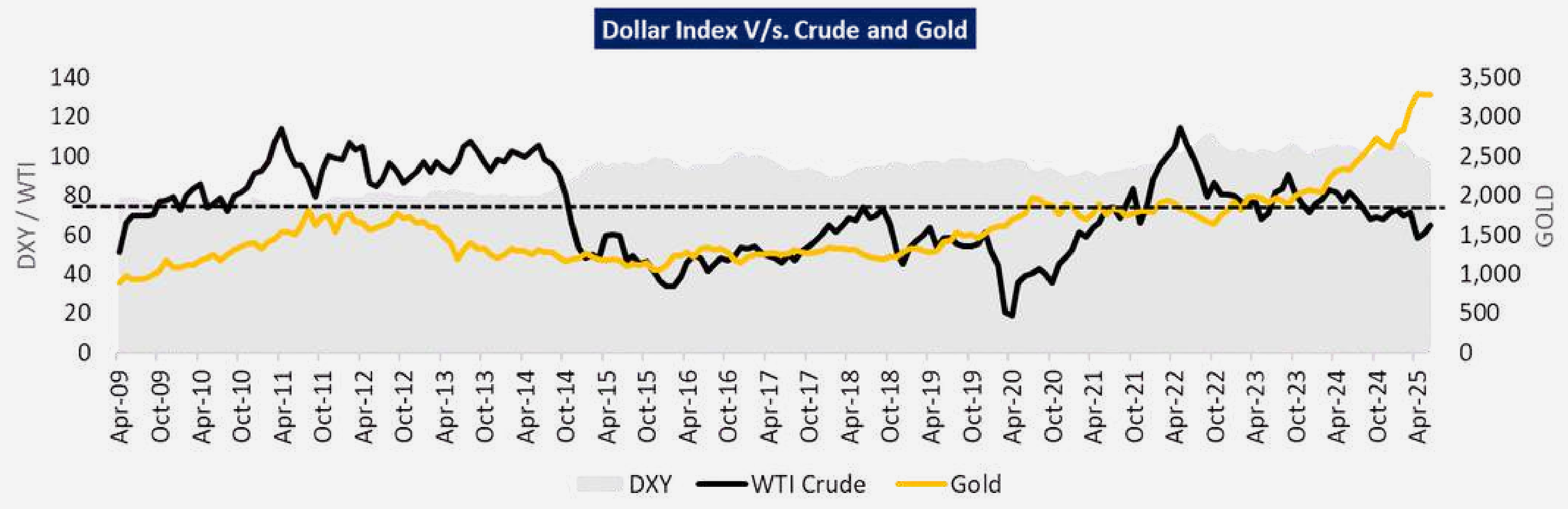
This steepening, though still below the reflationary highs of December 2020, reflects improving growth expectations and a potential normalization in the economic cycle. The shift from a near inversion to a more positive curve suggests markets are increasingly discounting stronger macro fundamentals ahead.

In the month of June the WTI crude climbed from $60.79 to a peak of $75 per barrel before retreating to $65.11 as Middle East tensions eased following a ceasefire. While analysts have marginally increased their 2025 price forecasts, ample OPEC+ supply and tepid demand are likely to keep crude prices largely rangebound.

Major Currencies				
Duration	**US Dollar**	**GBP**	**Euro**	**YEN**
June 2025	85.54	117.47	100.45	0.59
3 months ago	85.58	110.74	92.32	0.57
6 months ago	85.62	107.46	89.09	0.55
1 year ago	83.45	105.46	89.25	0.52

Gold prices remained steady in June, closing at $3,287.45/oz, just slightly higher than $3,277.55 by the end of May, as receding geopolitical tensions offset safe-haven buying. In contrast, silver, which had been trading at a relative discount to gold, surged 9.43%, rising from $33.00 to $36.11 by month-end.

The **US Dollar Index (DXY)** remained below the key psychological and technical level of 100 for the third straight month and ended the month of June 2025 at 96.8, reflecting broader dollar weakness in 2025.



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