BULL-E-TIN

August 2025

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THE WISE OUTLOOK

EQUITY MARKET OUTLOOK:

Indian equity markets are navigating a challenging environment marked by global uncertainties and fresh trade disruptions. The recent imposition of a 25% tariff by the US on Indian exports, affecting goods worth nearly $87 billion, has heightened risk-off sentiment. This move, linked to trade imbalances and India's increased ties with Russia, has pressured sectors such as pharmaceuticals and electronics, which are key export drivers. This triggered FII outflows and pushed indices such as the Nifty 50 near the critical support levels of around ~24,600; however, the DIIs provided a degree of support through selective buying, preventing a deeper correction.

Despite these external shocks, domestic economic signals remain firm. July's GST collections rose 7.5% year-on-year to ₹1.96 lakh crore, and India's PMI for manufacturing and services continues to reflect robust business activity well above the 50 expansion threshold. Easing inflation, declining to around 2.1% in June, the lowest in years, has bolstered consumer confidence and supports the RBI's cautious monetary easing stance. Though the RBI has already cut rates by 100 basis points this year, further policy decisions hinge on global uncertainties and the evolving inflation landscape.

Growth projections remain upbeat with projected GDP expansion in the 6.4%–6.7% range for FY2025-26, underpinned by resilient domestic consumption, improving infrastructure, and policy focus on high-growth sectors such as technology, artificial intelligence, and renewable energy. India's active pursuit of trade agreements with the US, UK, and EU could help mitigate recent tariff setbacks while opening new avenues for employment, capital investment, and exports in higher-value segments.

Given the current scenario of external headwinds combined with strong internal fundamentals, investors are advised to adopt a cautiously balanced approach. Maintaining diversified portfolios with a tilt towards quality large-cap stocks and defensives is prudent. Active risk management and close monitoring of policy developments, global trade dynamics, and earnings delivery will be key. Volatility may persist in the short term, but disciplined, long-term investment aligned with India's stable growth trajectory can offer rewarding prospects.

DEBT MARKET OUTLOOK:

India's debt market reflects a phase of cautious optimism amid steady macro fundamentals and evolving policy signals. The RBI is expected to hold its policy rate steady at 5.50% in the August monetary policy meet amid tame inflation and lingering global uncertainties, especially US tariffs and geopolitical tensions.

Government bond yields have remained largely stable, with the 10-year Gsec yield trading in a narrow range of 6.35%–6.40%. This range-bound movement reflects market confidence in the RBI's consistent monetary policy stance and contained inflation outlook. Liquidity remains comfortable, aided by the RBI's active operations like Variable Rate Reverse Repo (VRRR) auctions. Demand for government securities continues to be robust, driven by strong participation from banks, mutual funds, insurance companies, and foreign portfolio investors. Looking forward, the debt market outlook is positive but cautious. The RBI's neutral policy stance leaves scope for further rate easing if domestic growth slows or inflation stays within comfort levels.

However, global uncertainties and geopolitical tensions may continue to induce intermittent volatility. Investors should focus on short to medium-duration debt instruments with strong credit quality, balancing yield generation with prudent risk management. Government securities offer a stable core, while selective exposure to high-quality corporate bonds can help enhance portfolio returns. Staying nimble and aligned with evolving domestic and global macro developments will be key in navigating the current environment.

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GLOBAL ECONOMY & MARKETS

GLOBAL ECONOMY

The global economy remains resilient, with GDP projected to grow by 3.0% in 2025 and 3.1% in 2026. While the US benefits from consumer strength and robust tech performance, growth across Europe and Japan remains subdued. India stands out as one of the fastest-growing major economies, while China faces ongoing structural and external pressures.

Inflation is gradually declining toward target levels in major economies, though the US faces persistent price pressures above 2%. Most major economies—including the US, UK, China, and Japan left rates unchanged in response to cooling inflation, supporting financial stability while 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 61.1, signaling robust momentum. The US and the UK indicate steady but moderate expansion, while the Euro Area & China hover 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 a 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	5.50%	2.10%	5.60%	61.10	1.36	0.82	3.78	Fairly valued
USA	4.50%	2.70%	4.20%	54.60	2.19	1.24	29.52	Overvalued
China	3.00%	0.10%	5.00%	50.80	0.70	0.88	18.93	Undervalued but watch structural risks
Euro Area	2.15%	2.00%	6.20%	50.90	1.03	0.87	17.59	Fairly valued
Japan	0.50%	3.30%	2.50%	51.50	1.69	2.37	4.18	Overvalued
UK	4.25%	3.60%	4.70%	51.00	0.85	0.96	3.80	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

The global equity rally that began in mid-April extended into July, supported by improved macro clarity following key trade agreements announced by the Trump administration and the passage of the One Big Beautiful Bill Act (OBBBA). These developments boosted investor confidence, particularly in developed markets and select Asian economies.

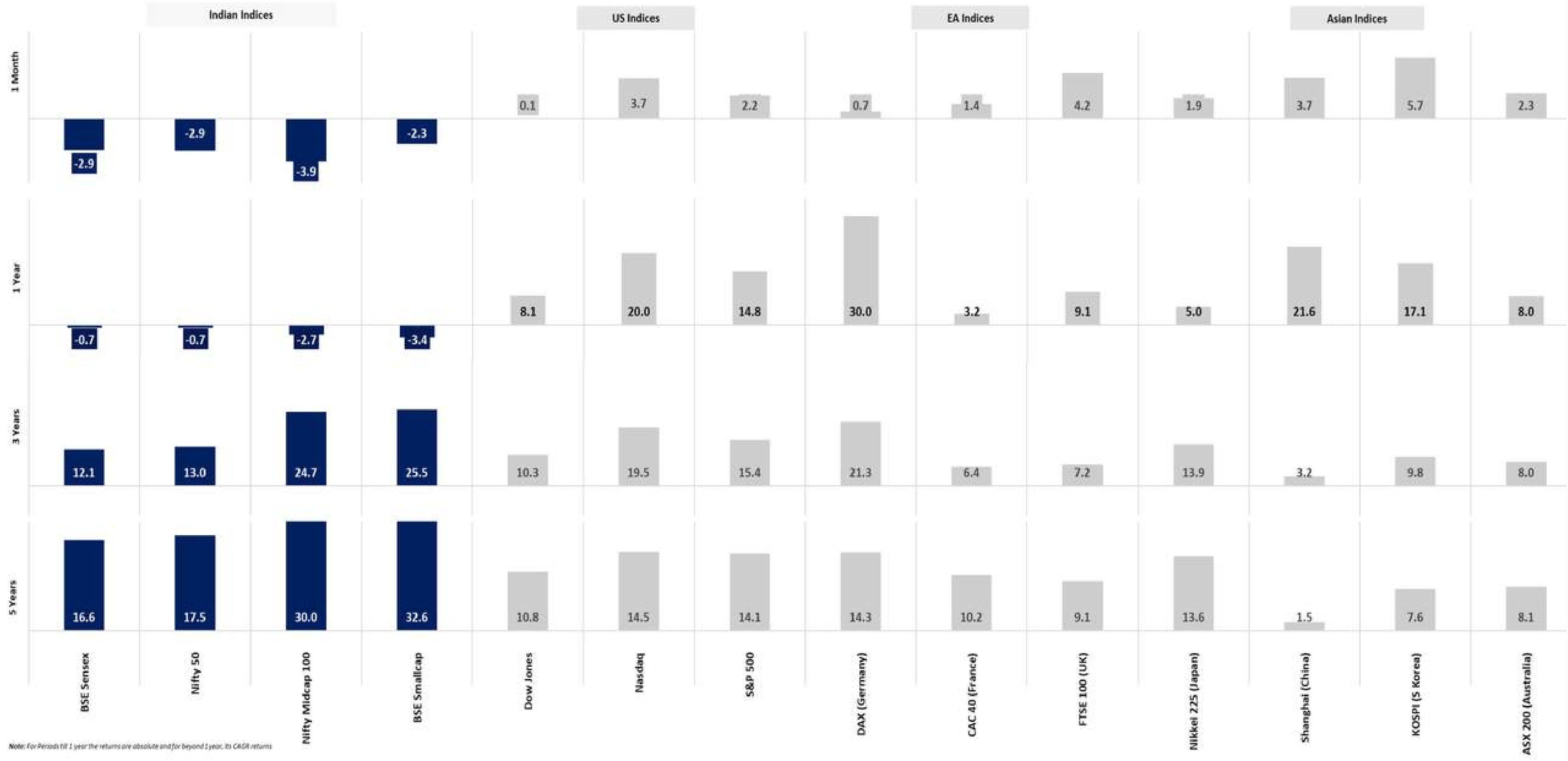
In the US, the S&P 500 climbed 2.2%, supported by robust earnings (over 80% of companies beat estimates) and easing trade tensions. The Nasdaq surged 3.7%, led by mega-cap tech amid ongoing optimism in the AI ecosystem, and the Dow Jones posted a modest 0.1%, reflecting sectoral rotation.

In the UK, the FTSE 100 gained 4.2% in July, outperforming most developed markets. The rally was driven by strong performance in energy and financials, continued rotation into value and dividend-yielding stocks, and resilient domestic demand.

In Europe, Germany's DAX and France's CAC 40 rose by 0.7% and 1.4% in July 2025. Easing inflation pressures, export optimism, and policy stability supported sentiment despite weak manufacturing data in Germany.

Japan's Nikkei 225 rose 1.9%, aided by a weaker yen, resilient corporate earnings, a new trade deal with the US capping tariffs at 15%, and easing inflation.

In June 2025, China's Shanghai Composite rose by 3.7%, as the economy showed signs of resilience, with improving investor sentiment and recovering liquidity conditions. The rise in monetary aggregates and credit impulse supported market confidence, while better-than-expected macro data—such as 5.3% GDP growth in H1 and 6.8% industrial production in June—further bolstered the outlook.



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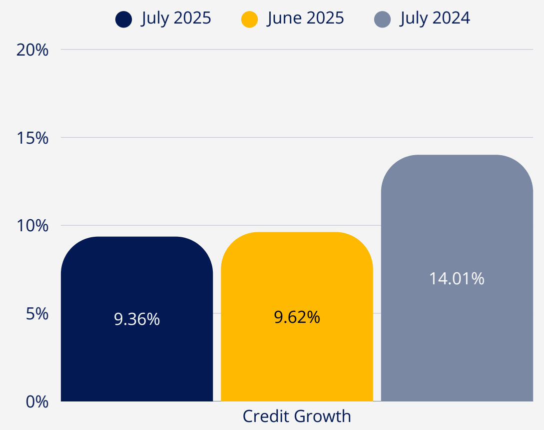
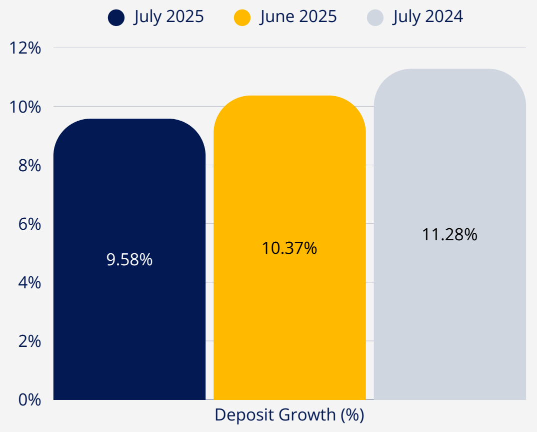
INDIAN ECONOMY & MARKETS

INDIAN ECONOMY

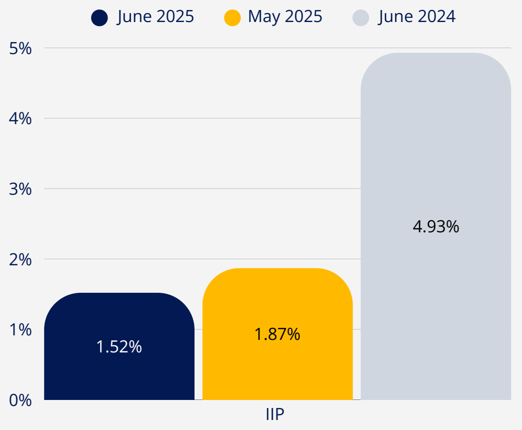
Goods and Services Tax (GST) collection rose by 7.5% year-on-year to Rs. 1.96 lakh crore in July 2025, driven by strong domestic revenues and increased imports.



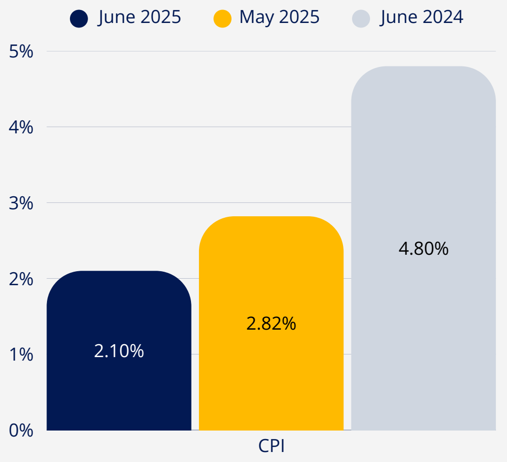
India's banking sector credit growth declined slightly to 9.36% year-on-year as of July 11, 2025, as corporates are using other avenues of funding in a low-interest rate regime.



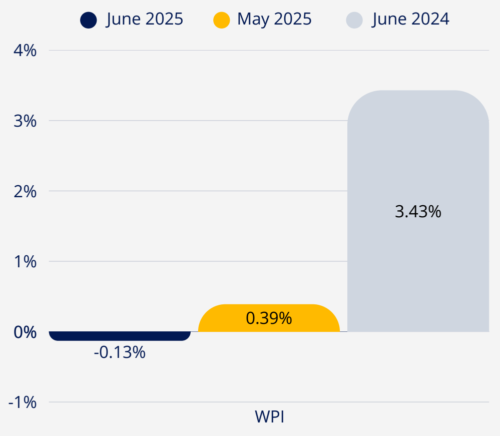
Bank deposits continued to grow faster than credit, rising 9.6% year-on-year to ₹233.3 lakh crore. Despite the annual increase, deposits declined by 0.78% fortnightly, indicating some near-term liquidity adjustments.



India's IIP expanded by just 1.52% in June, as manufacturing activity grew by 3.9%, while both mining and electricity sectors declined by 8.7% and 2.6%, respectively.



India's consumer price index (CPI) inflation hit a 6-year low of 2.1% in June 2025 compared to 2.82% in May 2025, marking the lowest reading since January 2019 as growth in food prices continued to decline.



India's wholesale price index (WPI) inflation dipped to a 20-month low of -0.13% in June 2025 compared to 0.39% in May 2025. Falling prices in the food, fuel & power segments drove the sharp decline in inflation.

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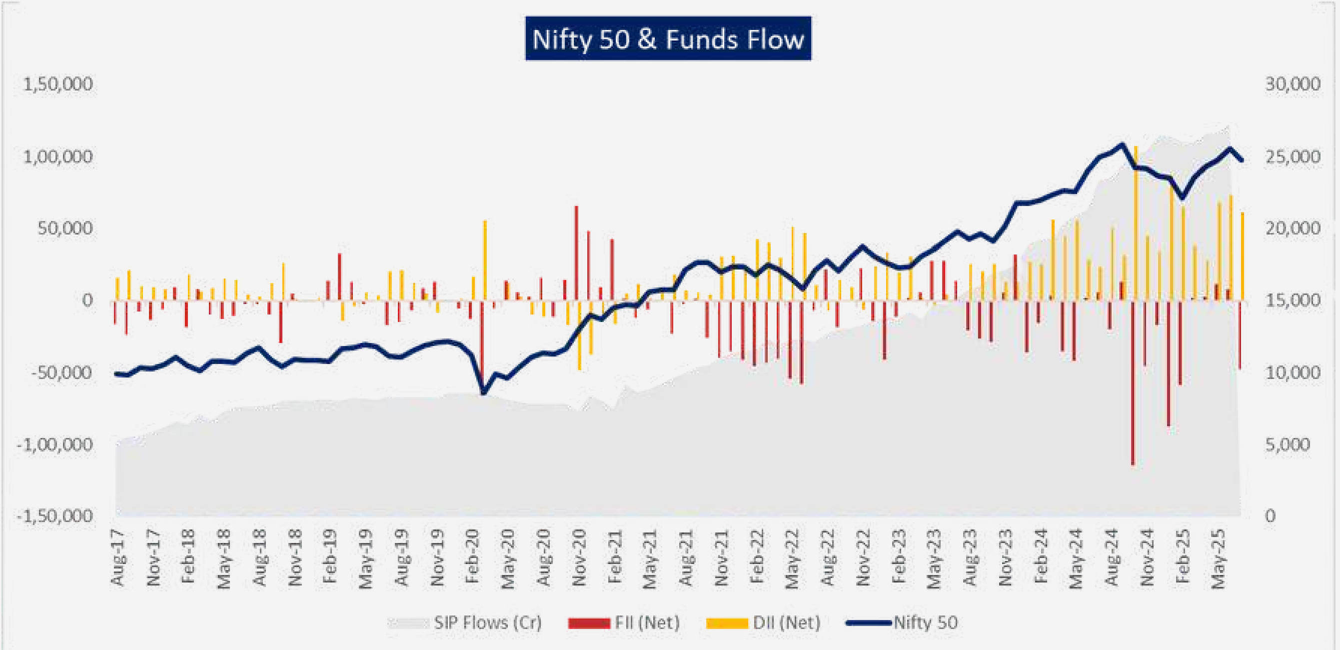
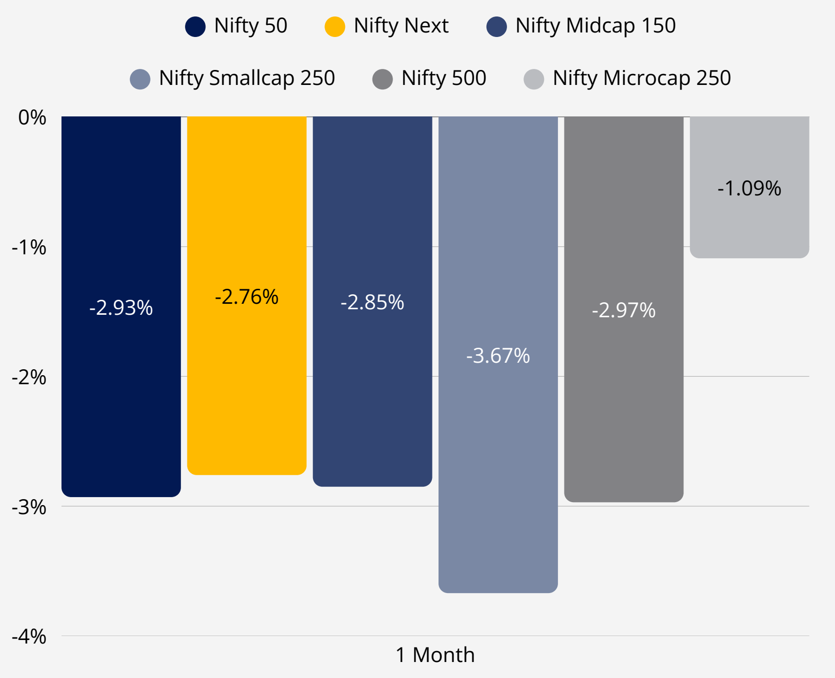
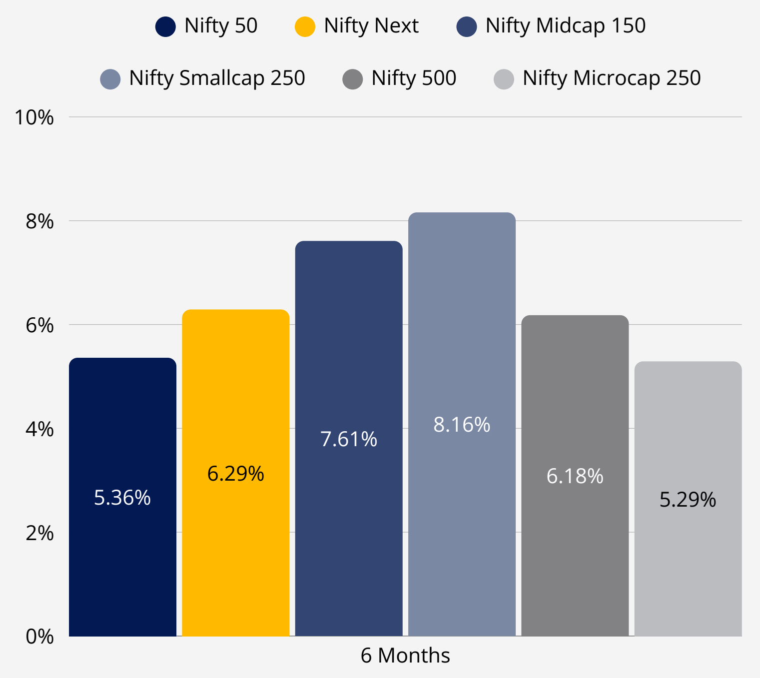
EQUITY & FUND FLOWS

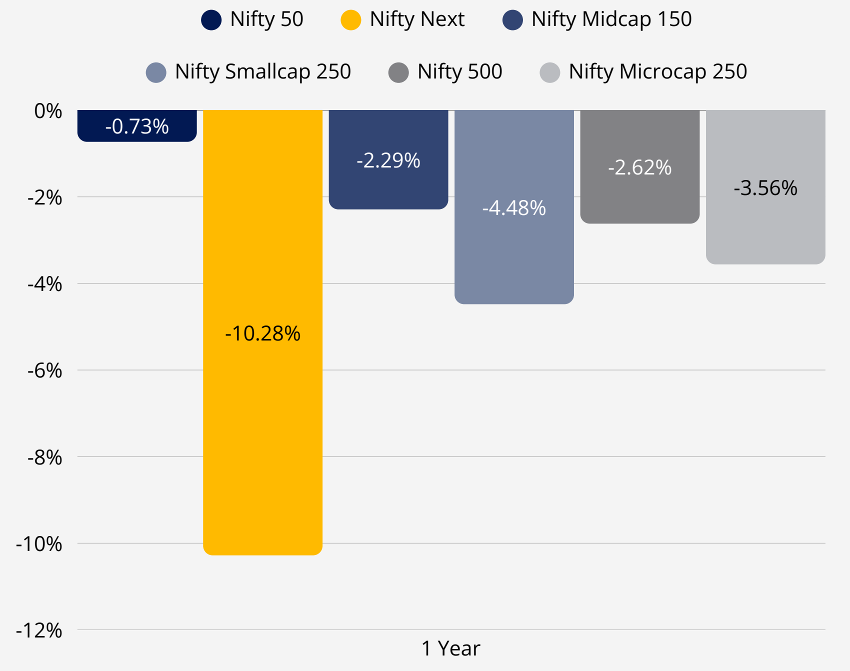
Indian equities market declined in July 2025, driven by profit booking, concerns over stretched valuations in mid and small caps, and FIIs outflows amid global risk-on sentiment favoring developed and select emerging markets. As a result, the Nifty 50 declined by 2.9% while other broader indices, the Nifty Midcap 150, the Nifty Smallcap 250 and the Nifty Microcap 250, declined by 2.85%, 3.67% and 1.09%, respectively, in July 2025.

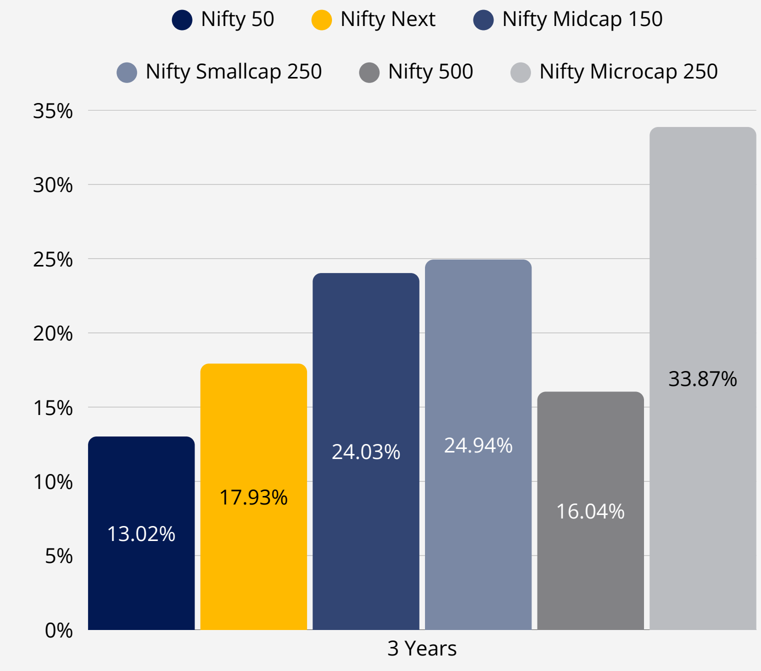


During June 2025, the FIIs turned negative and sold Rs. 47,667 Cr worth of shares in the Indian equities market, while the DIIs purchased Rs. 60,939 Cr during the same period.





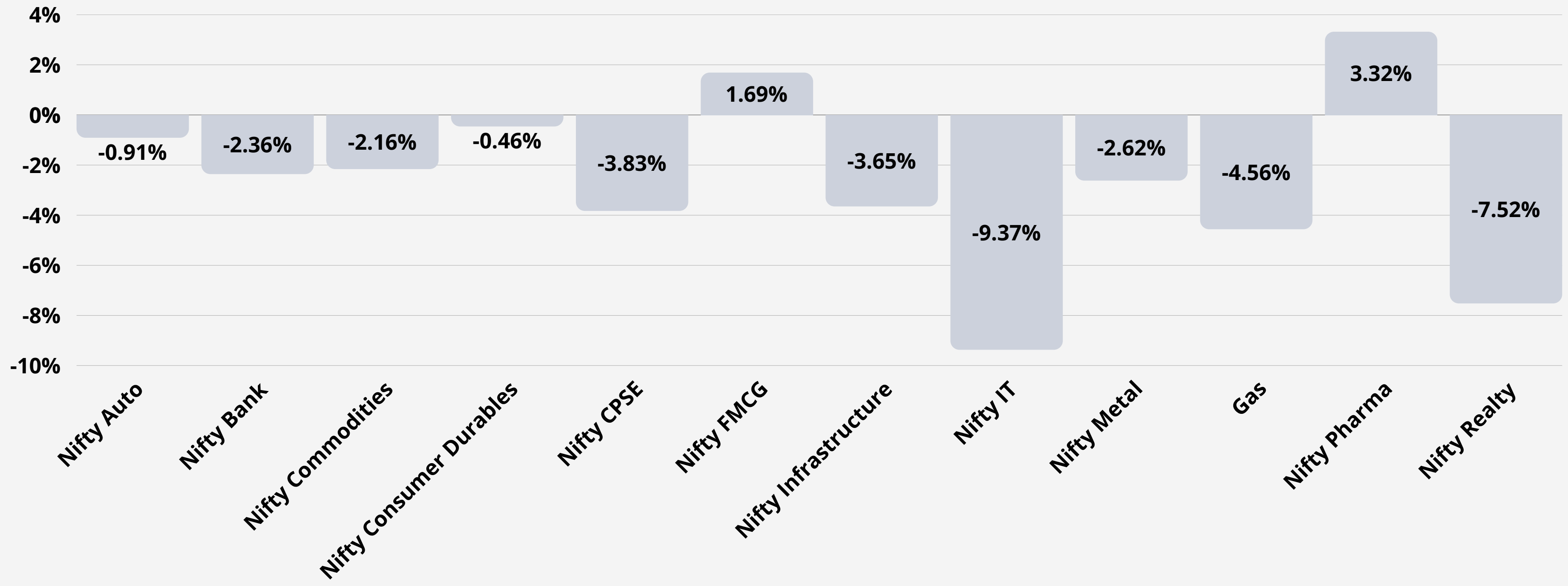




NIFTY 50 VALUATION & RETURNS

Indian equities declined in July 2025, with broad-based weakness across sectors. Except for FMCG and Pharma, all sectors posted negative returns with IT, Realty, and Oil & Gas seeing the steepest declines, correcting by 9.37%, 7.52%, and 4.56%, respectively.

Nifty average PE for July 2025 was **22.51**. 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)	21.00
2015-YTD (10 Yr)	24.65
2020-YTD (5 Yr)	24.65
Current	**21.93**

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	22.51					

EARNINGS SNAPSHOT

Overall Earnings - Q1 FY'26

Universe	Companies Reported	Positive Growth	Negative Growth	Revenue QoQ	Revenue YoY	PAT QoQ	PAT YoY
All Companies	1103/4713	612	491	-1.4%	+7.2%	-11.5%	+5.8%

Out of a total of 4713 listed companies, 1103 have reported their Q1 FY26 results so far. While year-on-year revenue growth remains healthy, quarterly profits dipped as rising costs and slower sales growth weighed on performance.

Market Cap-Wise Earnings Performance

Segment/Index	Companies Reported	Revenue YoY	PAT YoY	Revenue QoQ	PAT QoQ
Large Cap (Top 100)	69	+7.2%	+7.8%	-1.5%	-10.4%
Mid Cap (N150)	116	+8.2%	+2.6%	-0.2%	-1.4%
Small Cap (N250)	138	+3.7%	-14.5%	-3.1%	-27.3%

Large caps have posted steady YoY performance, with 7–10% profit growth, though there was some sequential softness — i.e., a dip in earnings vs the previous quarter. Mid caps delivered healthy revenue growth (+8.2% YoY) but limited profit growth (+2.6%), pointing to margin pressure. Small caps were hit hardest, with profits down 14.5% YoY and 27.3% QoQ, largely due to operating de-leverage — where higher fixed costs amplify the impact of revenue declines on profits.

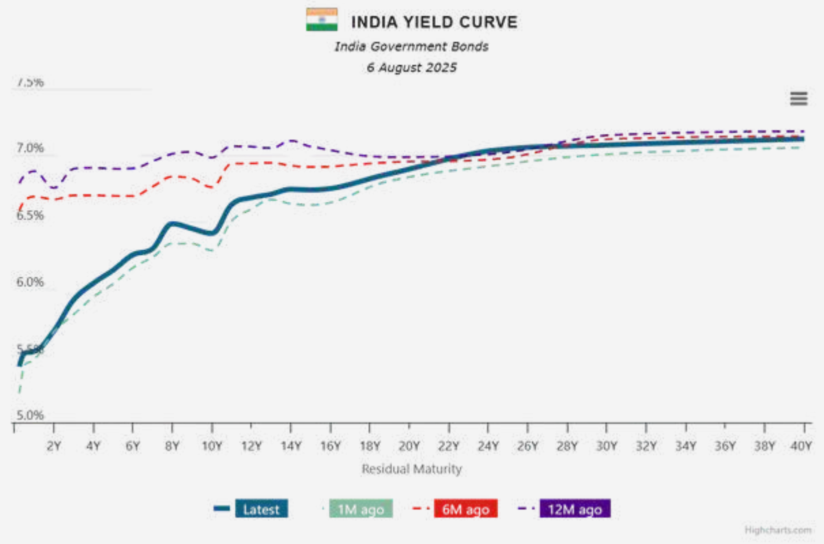
Valuation Snapshot by Market Cap

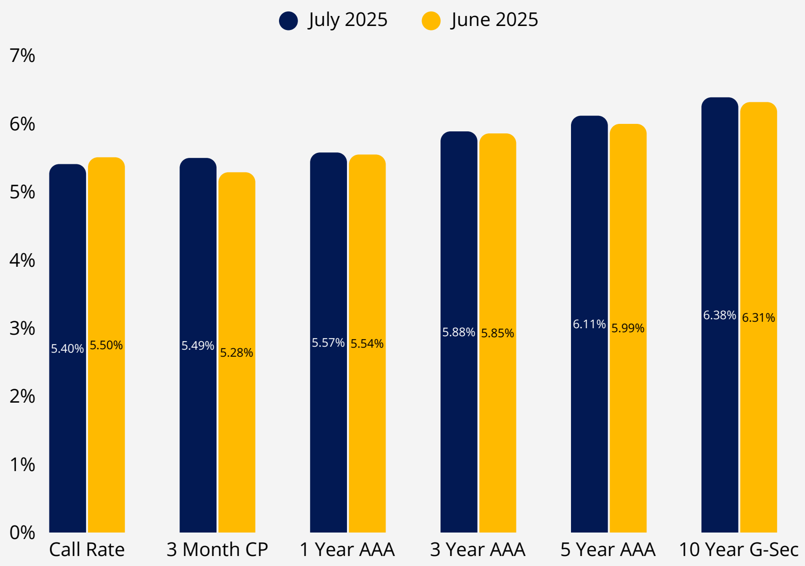
Index	5Y Average PE	Present PE	Earnings Summary (Q1 FY26)	View
Nifty 100 (Large Cap)	25.11	21.84	Revenue +7.2% YoY, PAT +7.8%	Large caps continue to demonstrate relatively strong earnings performance. With valuations now below their five-year average, this segment presents a relatively safer avenue for incremental deployment, supporting the case for sustained allocation to high-quality large-cap stocks at reasonable valuations.
Nifty MidCap 150	50.53	33.78	Revenue +8.2% YoY, PAT +2.6%	Midcaps have seen valuation correction and offer pockets of opportunity. However, with muted profit growth, investors should be selective and focus on quality names with GARP (Growth at Reasonable Price) characteristics.
Nifty SmallCap 250	29.30	32.37	Revenue +3.7% YoY, PAT -14.5%	Small caps are underperforming on earnings while trading at a premium to their 5Y average. Allocation should be cautious and bottom-up, favouring companies with earnings visibility and sound fundamentals under GARP lens.

DEBT & OTHERS

Indian yields exhibited a mildly upward bias in July 2025. While the interbank call rate softened marginally to 5.49% from 5.5% in June 2025, indicating stable overnight liquidity conditions, yields across the curve moved higher. The 10-year G-Sec yield rose by 7 bps to 6.38%, reflecting firming term premiums amid persistent global rate uncertainty. Medium-tenor corporate bonds also saw modest upticks, indicating cautious optimism about growth prospects.

Yield Curve Steepening: Lagged Pain, Forward Promise
The 10Y-2Y yield spread, which had compressed to just 3.5 bps in December 2024, has steadily widened—rising to 9.8 bps in February, 16.6 in March, 36.4 in May, 50.3 in June, and now standing at 73.1 bps in August 2025. While still below the reflationary highs of December 2020, this broad-based steepening indicates a market reassessment toward improving growth prospects and economic normalization.





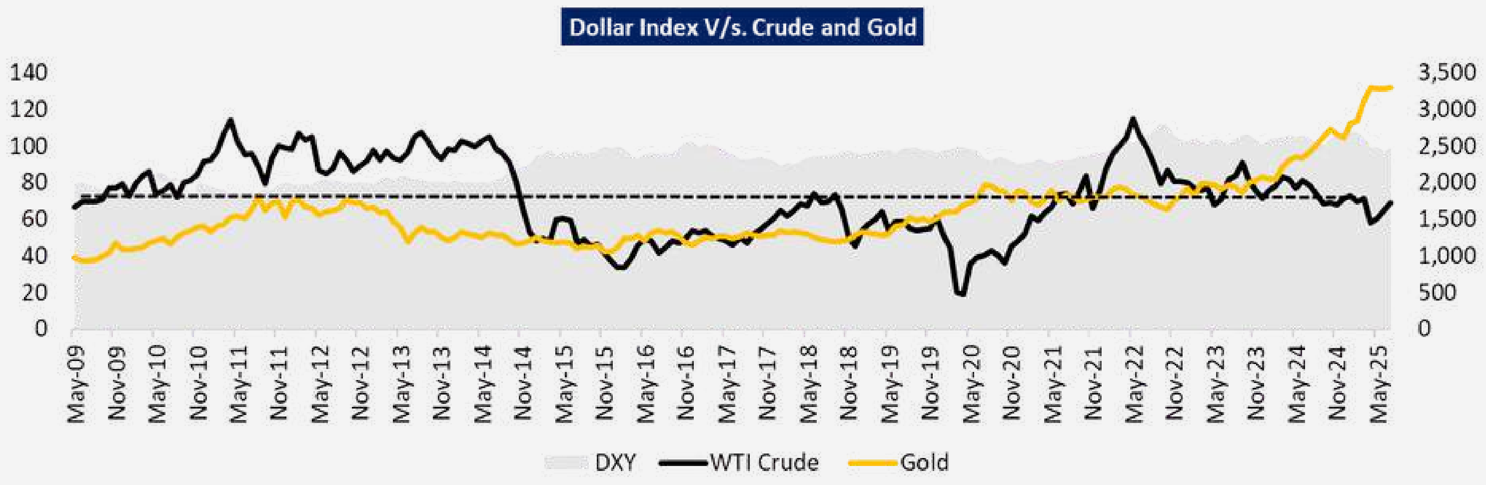
That said, the subdued tone of the current earnings season likely mirrors the after-effects of last year's flat or near-inverted yield curve—when financial conditions were tighter and business sentiment more cautious. In contrast, the ongoing steepening reflects growing confidence in macro fundamentals, and historically, such a shift tends to precede better corporate performance. In essence, the yield curve is signaling a more supportive environment for earnings recovery over the coming quarters.

In July 2025, WTI crude oil prices ended the month at $69.26 per barrel, up 6.37% from the end of June at $65.11 per barrel. The price remained relatively stable throughout the month, fluctuating mostly in the $66 to $70 range amid ongoing geopolitical and supply concerns.

Major Currencies				
Duration	**US Dollar**	**GBP**	**Euro**	**YEN**
June 2025	87.55	116.24	100.25	0.59
3 months ago	85.05	113.88	96.74	0.60
6 months ago	86.64	107.62	90.01	0.56
1 year ago	83.74	107.55	90.62	0.55

In July 2025, **gold prices** remained steady, closing at $3,298.85 per ounce—just slightly higher than June's closing price of $3,287.45. Throughout the month, gold maintained a modest upward trajectory, supported by ongoing geopolitical uncertainties and persistent safe-haven demand among investors.

The **US Dollar Index (DXY)** strengthened 3.19% in July, rising from 96.88 to 99.97, as renewed investor demand was driven by strong US economic data, global uncertainties, and expectations of upcoming Fed policy actions. The DXY traded in a broad range, eventually breaking above the key 99 level by month-end.



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