

# Monthly Communication

July 2025

# Market Outlook

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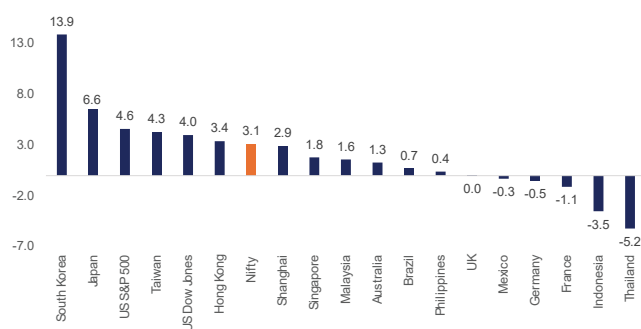
## Market Update

The month of June continued with the trend of global uncertainties and events dictating sentiments. The Israel Iran conflict escalated mid-month, with even the US participating by bombing some sites of Iran. Crude oil jumped to almost \$80 per barrel as the conflict looked like going out of hand. The US-led tariff news flow also continued to be a topic of tracking. Just as the markets were getting increasingly nervous, the news of ceasefire between Israel and Iran came in, leading to a sharp rally in global equity indices and an equally sharp fall in crude prices.

Indian equities in June also firmed up on positive geopolitical news and lower crude prices. Sentiments were further boosted by India's central bank, RBI, announcing a sharp 50 bps rate cut. Infusion of further liquidity in the system by way of a CRR (Cash Reserve Ratio) cut by a full 100bps, further buoyed sentiments. Indian equities led by benchmark Nifty rose 3.1% during June, its fourth straight month of gains. Broader markets outperformed with midcap and small cap indices up 4% and 6.7%, respectively. All the sectors were positive for the month, except for FMCG which was down 0.3%. IT, Healthcare and Real Estate were the top performers with 4.7%, 3.9% and 3.8% returns respectively. Global markets ended mixed with South Korea (+13.9%), Japan (+6.6%) and US S&P 500 (+4.6%) being the top gainers. Thailand (-5.2%), Indonesia (-3.5%) and France (-1.1%) were the biggest losers. Liquidity was strong with FPI's buying equities worth \$2.4 billion, while Domestic Institutional Investors (DIIs) continued their positive stance with a significant \$8.5 billion inflow.

Other Key International Developments include tariff hike on steel and aluminium imports from 25% to 50% by US, US Fed kept policy rate unchanged at 4.25-4.5%.

### Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 30th June 2025 in local currency)

## Macro Update

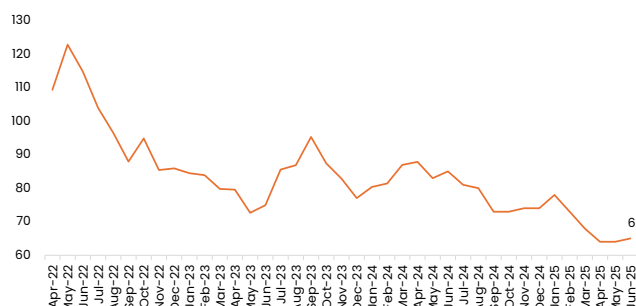
S&P Global Ratings revised India's GDP growth forecast for FY2026 to 6.5% from 6.3% earlier. Inflationary pressure continued to ease with the Consumer Price Index (CPI) falling to 2.82% in May 2025 from 3.16% in April, the lowest YoY inflation since February 2019. The Wholesale Price Index (WPI) also fell to 0.39% in May 2.25 YoY from 0.85% in the previous month. Industrial production (IIP) registered a 1.2% growth in the month of May, in comparison to 2.7% growth in April. India's exports grew by 5.8% Apr-May'25

vs Apr-May'24 exports, while imports rose by 6.5%, leading to a trade deficit of \$17.14 billion during the period.

The country's 10-year government bond yield ended June at 6.38%, while the USD/INR exchange rate was 85.8. Brent crude oil prices closed at \$65 per barrel in June, which had reached \$75 during the month due to heightened Israel- Iran tensions. Gross GST collections amounted to ₹1.85 lakh crore in June 2025, reflecting a 6.2% rise compared to June 2024 whereas the Net Collections (amount after adjusting refunds) stood at ₹1.59 lakh crore, growing 3.3% YoY.

Key Domestic Developments include RBI's larger-than-expected 50 bps repo rate cut to 5.50%, shifting the stance to neutral, along with a 100bps reduction in CRR (Cash Reserve Ratio) to 3.0%, in 4 equal tranches between September and November. RBI also relaxed project finance norms, primarily by reducing provisioning requirements for banks and NBFCs lending to infrastructure and real estate projects.

### Brent Crude



Source: Bloomberg, Kotak Institutional Equities

## Market Outlook

The last three months have been one of the most eventful ones. Each of the events created panic like situations in global equity markets. The US-led tariff announcements, India-Pakistan conflict that was the most intense since 1971, the full fledged war like situation of Israel and Iran, with US participating too for the first time; were all major negative events. However, surprisingly most look like reasonably resolved in double quick time, leading to one of the best quarters for major equity markets. The one thing that the markets wait for is clarity on the Trump tariff proposals. The 90-day extension ends on July 9th, which has now been pushed to August 1st. This would be the most important event to track in the coming month.

Domestically, we are entering 1QFY26 results season, which we feel will be a mixed bag. Export-focussed companies have seen tariff related demand headwinds while domestic companies will see gradual recovery. The early trends of monsoon are very encouraging and along with the interest rate cuts and infusion of liquidity, should bode well for a pick-up in demand. At the current juncture we feel markets will remain very stock specific where any earnings surprise will get rewarded. IPO along with secondary market offerings continue to absorb liquidity flows and are a headwind for any liquidity driven upmove. We believe the markets are headed for a near-term phase of consolidation.

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As per SEBI Circular No. SEBI/HO/IMD/DF6/CIR/P/2020/24 dated February 05, 2020, details of industry benchmark and AIF level performance versus Benchmark Reports are available at <https://www.nseindia.com/products-services/aif-benchmark-report> and <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html>

#### Compliance Officer details under AIF:

Mr. Biharilal Deora, Tel: 022-68846600

#### Portfolio Management Services:

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#### Principal Officer and Compliance Officer Details under PMS:

Principal Officer: Mr. Aman Chowhan, Tel: 022-68846600

Compliance Officer: Mr. Biharilal Deora, Tel: 022-68846600

#### Investment Advisory Services:

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#### Principal Officer and Compliance Officer Details under IA:

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Compliance Officer: Mr. Shivam Pandey, Tel: 022-68846600

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