

Monthly Communication

May 2025

Market Outlook

May 2025

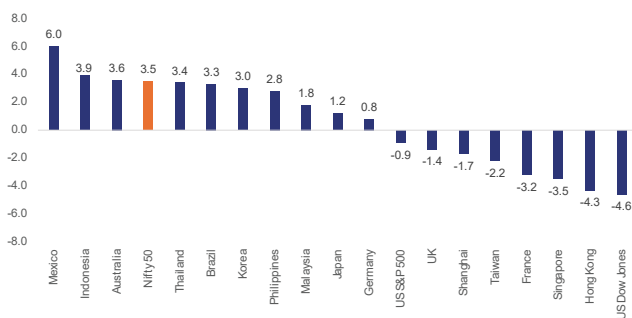
Market Update

Month of April globally saw a kind of relief rally once President Trump announced a 90-day deferment of its tariff for all countries except China. This move was looked as a step back vs the aggressive stance USA had on its tariff proposals and reassured the world that based on mutual negotiations, the final tariff is going to be much lower than the headline announcements. Indian equities continued their rise for the second consecutive month with benchmark Nifty index rising 3.5% for the month. Broader markets also joined the rally with midcap and small cap indices gaining 4.7% and 2.2% respectively. All the sectors ended the month in green except for Metals and IT which fell by 5.8% and 3%, respectively. Consumer Durables, Oil & Gas and FMCG were the top performing sectors with performance of 5.7%, 5.4% and 5.2%, respectively. Meanwhile, global markets saw mixed results with Mexico (+6.0%), Indonesia (+3.9%) and Australia (+3.6%) being the best performing markets. On the negative side, US Dow Jones, Hong Kong and Singapore recovered from their lows but ended the month falling 4.6%, 4.3% and 3.5%, respectively.

Key Domestic Developments include another 25bps repo rate cut by RBI to 6% and more importantly the shift in stance to accommodative. This is of significance as in the backdrop of global tariff uncertainty RBI is signalling that it is prepared to act aggressively if required. Parallely RBI also announced Open Market Operations (OMO) purchase to inject liquidity. RBI had also relaxed liquidity coverage ratio (LCR) guidelines to enhance credit availability and support growth in BFSI sector.

On the market liquidity front, FI's continued with their investments and bought \$936 million (until April 28) of Indian Equities in the secondary market. Domestic Institutional Investors (DIIs) buying continued with significant \$3.1 billion (until April 29) inflow.

Global and regional indices 1 Month performance (%)



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

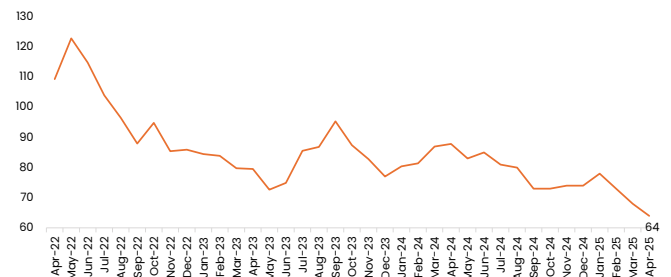
Macro Update

Inflationary pressures continued to decline, with the Consumer Price Index (CPI) falling to 3.3% in March 2025 from 3.6% in February, the lowest YoY inflation since Aug'19. The Wholesale Price Index (WPI) also fell to 2.1% in March YoY, from 2.4% in the previous month. Industrial production was patchy, registering

a 2.9% growth in the month of February, in comparison to 5.0% growth in January. India's exports grew by 5.5% in FY2025 in comparison with FY2024 exports, while imports rose by 6.9%, leading to a trade deficit of \$94.3 billion in FY2025. The country's 10-year government bond yield ended April at 6.4%, while the USD/INR exchange rate was 85.05. Brent crude oil prices fell to \$64 per barrel in April and continued with its slide.

Gross GST collections reached an all-time high of ₹2.36 lakh crore in April 2025, reflecting a 12.6% rise compared to April 2024 whereas the Net Collections (amount after adjusting refunds) stood at ₹2.09 lakh crore, growing 9.1% YoY.

Brent Crude

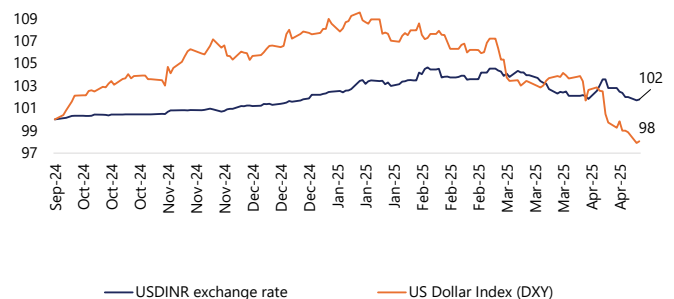


Source: Bloomberg

Market Outlook

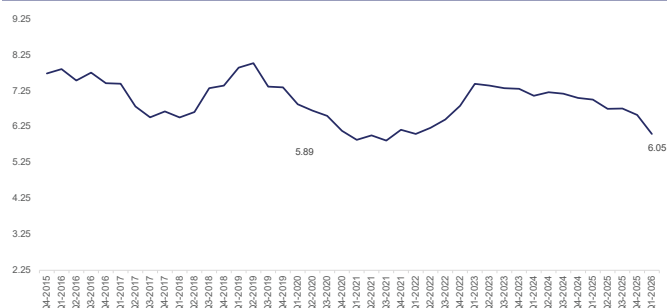
While India markets have done well vs the global trend and have stood on their own thanks to the continued liquidity inflows by both domestic and foreign investors. The fact that India has amongst the least impact of tariff and its GDP being mostly local demand-led has found takers amidst the global uncertainty. While Trump has deferred the tariff by 90 days, fact is there is a 10% blanket tariff on most countries/products, and this is bound to have some impact especially when Dollar has been weak. DXY index has lost significantly from its recent highs of ~112 levels and trades below 100 now. This to us remains as a major global uncertainty.

Rupee Depreciation Vs Dollar Appreciation (Rebased)



Source: Bloomberg, Abakkus Asset Manager Pvt. Ltd. Internal Research, Jefferies

India Ten Yr Bond Yield



Source: Bloomberg, Abakkus Asset Manager Pvt. Ltd. Internal Research, Jefferies

This has prevented us from being aggressive in the markets to take advantage of the recent upmove. Also, there is a geopolitical escalation in the region on account of the brutal terrorist attack in Kashmir on 22nd April. Positively markets seem to have accepted the fact that there could be some targeted action and that it will not snowball into a major event. However, as we have seen recently in the case of Russia and Isreal, these issues take longer than expected to resolve and hence we just cannot completely ignore this risk.

On the economic front, things are getting better for India. Crude has fallen below \$60; INR is back to 84-85 levels and domestic yields have softened. Domestic demand too seems to be gradually recovering.

On this backdrop we continue to remain positive on Indian economy and markets. However, there is a global risk to Indian equities and this prevents us from being aggressive in the markets. Over the next 2-3 months we expect final outcome of the tariff war and clarity will emerge over what could be the possible demand impact of the same and who will emerge as the net beneficiaries. India is likely to emerge relatively better positioned.

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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:

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

Investment Advisory Services:

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