

Monthly Communication

August 2025

Market Outlook

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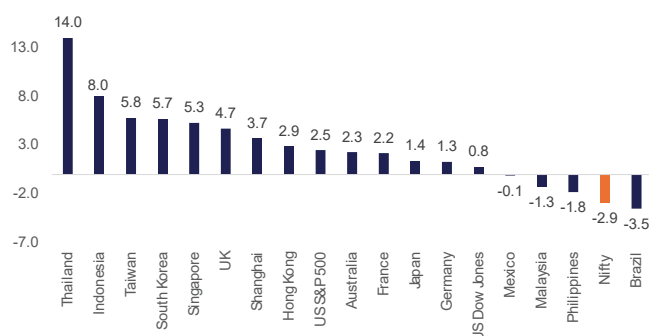
Market Update

Global developments continued to shape investor sentiment through July, with caution prevailing amid ongoing uncertainty surrounding India-US trade talks and a subdued Q1 earnings season marked by cautious management commentary. The month began with optimism around a potential interim trade agreement between India and the US, which ultimately failed to materialize. Trade policy ambiguity persisted globally leading to volatility, further intensified by geopolitical tensions such as the Thailand-Cambodia conflict. India signed Free Trade Agreement (FTA) with the UK with hopes of boosting bilateral trade, as the US announced a 25% tariff and penalties on Indian toward the end of the month, further raising tariffs by another 25% to reach 50% duty.

In the month of July, Indian equities ended their four-month winning streak, with the Nifty declining by 2.9%. Mid-cap and Small-cap indices underperformed, falling 4% and 6%, respectively. Most sectors closed in the red, except for Healthcare (+2.5%) and FMCG (+1.6%). IT (-8.7%), Real Estate (-7.3%), and Capital Goods (-5.7%) were the worst-hit sectors. Globally, India ranked among the top underperformers alongside Brazil (-3.5%) and the Philippines (-1.8%), while Thailand (+14.0%), Indonesia (+8.0%), and Taiwan (+5.8%) emerged as the best-performing markets. Foreign Portfolio Investors (FPIs) offloaded \$3.7 billion worth of Indian equities (as of July 29), while Domestic Institutional Investors (DIIs) remained net buyers, investing \$6.3 billion (as of July 30) in the secondary market.

Other Key International Developments include US Fed kept the rates unchanged for the 5th straight time and US- Japan finalising a trade agreement.

Global and regional indices 1 Month performance (%)



Source: Bloomberg, Kotak Institutional Equities (Data as on 31st July 2025 in local currency)

Macro Update

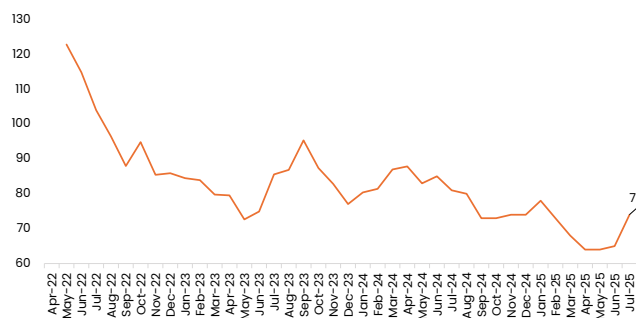
IMF raised India's FY2026 GDP forecast by 20 basis points to 6.40%. Inflationary pressure continued to ease with the Consumer Price Index (CPI) falling to 2.10% in June 2025 from 2.82% in May, the lowest YoY inflation since January 2019. The Wholesale Price Index (WPI) in June 2025 was -0.13% YoY from 0.39% in the previous month. Industrial production (IIP) registered a 1.5% growth in the month of June, in comparison to 1.2% growth in May. India's total exports grew by 5.9% during Apr-Jun'25 vs Apr-Jun'24 exports, while total imports rose by 4.4%, leading to a trade deficit of \$20.3 billion during the period as against \$22.4 billion deficit for

the same period, a year ago.

The country's 10-year government bond yield ended July at 6.38%, while the USD/INR exchange rate was 87.6. Brent crude oil prices rose in July closing at \$74 per barrel. Gross GST collections amounted to ₹1.96 lakh crore in July 2025, reflecting a 7.5% rise compared to July 2024 whereas the Net Collections (amount after adjusting refunds) stood at ₹1.69 lakh crore, growing 1.7% YoY.

Key Domestic Developments include SEBI banning Jane Street from Indian securities market due to alleged manipulation; India and UK signing Comprehensive Economic and Trade Agreement (CETA); timid corporate India QIFY26 earnings.

Brent Crude



Source: Bloomberg, Kotak Institutional Equities

Market Outlook

The uncertainty with respect to trade tariffs continues right since the start of 2025. In a fresh and surprising move, US President Trump announced a 25% tariff on Indian exports to US which were later on increased to 50%. More than the rate of tariffs, the uncertainty that has been created over the past seven months is what has caused anguish among all stakeholders. While it is difficult to hazard a guess when someone as unpredictable as Trump is concerned, we do believe and hope that sanity will prevail soon, with both countries and many others in the world coming to a reasonable understanding.

Apart from this, most factors are stabilizing. The impact of liquidity infusion by India's central bank - RBI - is slowly starting to be felt on the ground. With good monsoons all over the country and the start of the festive and busy season soon, we expect H2FY26 to start seeing much better growth. Equity markets globally have been quite good, ignoring the repeated announcements from Trump, though Indian equity markets have underperformed in 2025.

Corporate results have been muted but in line so far for QIFY26. We expect the Q2FY26 corporate results also to be muted though improving. However, H2FY26 should be much better. Our view is that the concerns witnessed over the last one year, both fundamental as well as news flow based, are almost 70/80% behind us. We are getting constructive as we believe that the tariff issue sorting is in the last phase and both economic growth as well as corporate profit picks up from here on. Time to start investing. Supply of paper continues to be a headwind.

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For PMS, IA and AIF related queries and complaints - service@abakkusinvest.com and complianceteam@abakkusinvest.com (both) Alternatively, the Investor may call on +91 22 6884 6601/02/85

Alternative Investment Fund

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:

You may refer the Disclosure Document available at <https://abakkusinvest.com/investor/disclosures> for detailed disclosures. As per SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022, the comparison of the relative performance of the investment approach with other portfolio managers is available at <https://www.apmiindia.org/apmi/IACompare.htm?action=iacomaprepage>

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:

You may refer the Disclosure Document available at <https://abakkusinvest.com/investor/disclosures>

Principal Officer and Compliance Officer Details under IA:

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