4th AUGUST 2025

July 2025 was marked by a mix of optimism and caution across global financial markets. Investors remained focused on macroeconomic data, corporate earnings, and policy signals to assess the trajectory of growth and inflation.

In India, equity markets came under pressure as foreign investors turned net sellers amid global uncertainty and valuation concerns, though domestic institutional flows offered some support. Bond yields in both markets remained largely range-bound, with central banks maintaining their current policy stance.

On 31st July 2025, US President Donald Trump announced new tariffs of up to 41% on goods imported from dozens of countries. He justifies this as part of his efforts to shrink the country's trade deficits with many of its trade partners. A list of the new tariffs can be found **here**. The Federal Reserve decided to maintain its target range for the federal funds rate at 4.25% - 4.5%, as a part of its commitment to support employment and returning inflation to its 2% objective.

Crude oil prices edged higher due to supply constraints, while gold remained steady. Currency markets saw modest moves, with US dollar gaining strength and the Indian rupee facing a mild depreciation. Overall, July reflected a phase of market consolidation as participants awaited clearer signals on global economic momentum and the timing of monetary policy easing.

EQUITIES:

INDIA: Nifty 50 declined by 2.9% in July 2025, closing at 24,768, with only Healthcare (+2.9%) and FMCG (+1.7%) sectors ending positive while IT (-9.4%), Infrastructure (-7.4) and Oil & Gas (-4.6%) declined the most. As on 1st August 2025, 37 of the Nifty 50 companies have reported earnings – 22 of them exhibiting positive profit growth, 3 neutral and 12 negative. Since 30th June 2025, Nifty EPS has risen by 1.7% from ₹1,111 to ₹1,129.

Pressure was visible across frontline stocks as valuations and global concerns weighed on sentiment. However, domestic institutions continued to support markets. FIIs turned net sellers for the month as trade concerns returned with the US imposing a 25% tariff on Indian imports, ending the month with a net outflow of ₹24,723 Cr. DIIs continued to provide strong support, recording net inflows of ₹45,400 Cr *(as on 31st July 2025)* for the month, helping stabilize the markets despite external pressures.

INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	21.9	23.4	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.4	3.6	3.6	UNDERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.4	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	33.8	33.7	31.1	OVERVALUED
MIDCAP 150 (PB)	4.9	3.3	3.0	OVERVALUED
MIDCAP 150 (DIVIDEND YIELD)	0.8	1.0	1.2	OVERVALUED
SMALLCAP 100 (PE)	31.7	33.2	44.0	UNDERVALUED
SMALLCAP 100 (PB)	4.1	3.3	3.0	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.7	0.9	1.1	OVERVALUED
S&P 500 (PE)	29.2	24.9	20.3	OVERVALUED

Data as on 31-July-2025

As of July 31st, Nifty 50 trades at 21.9x, above its all-time average of 21x but below its 10-year median of 23.4x; Nifty Midcap 150 current PE of 33.8x is above its all-time average of 31x and above its 10-year median of 33.7x.

U.S.: U.S. equities remained resilient, with the S&P 500, Nasdaq 100 and Dow Jones hitting record highs in July before ending slightly lower. This was due to weaker-than-expected July jobs report and the announcement of sweeping new tariffs by US President Donald Trump on 68 countries and the European Union, ranging from 10 to 41 per cent. Nasdaq 100 (+2.4%) and S&P 500 (+2.2%) had an impressive month yet again achieving all-time highs of 23,218 and 6,339 respectively, while Dow Jones (+0.08%) also achieved an all-time high of 45,010. As the indices extended their upward streak in July 2025, valuations remain stretched – Nasdaq 100 trades at 41.3x PE compared to the 10-year average of 24.8x and S&P 500 trades at 29.2x PE compared to 10-year average of 24.97x.

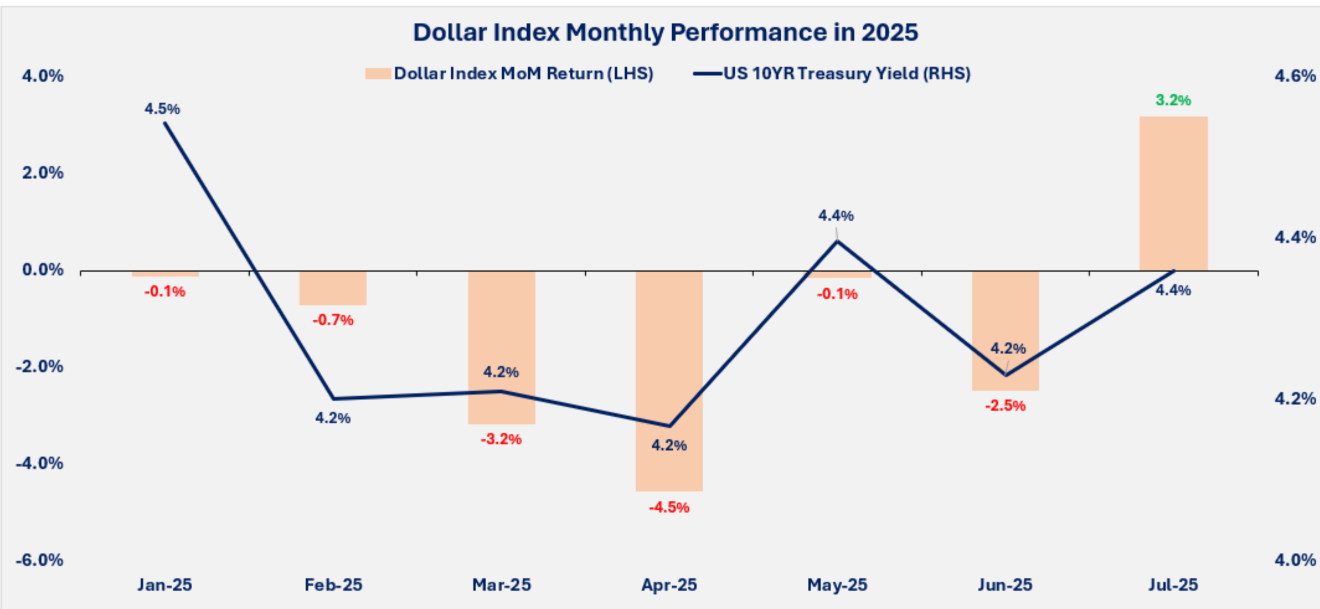
FIXED INCOME:

BOND YIELD	CURRENT	10 YR AVERAGE	AVERAGE (SI)	COMMENT
1 YEAR	5.55%	6.08%	6.60%	OVERVALUED
2 YEAR	5.74%	6.29%	6.80%	OVERVALUED
3 YEAR	5.89%	6.48%	7.00%	OVERVALUED
4 YEAR	6.01%	6.66%	7.20%	OVERVALUED
5 YEAR	6.14%	6.74%	7.20%	OVERVALUED
6 YEAR	6.23%	6.89%	7.40%	OVERVALUED
7 YEAR	6.28%	6.97%	7.40%	OVERVALUED
8 YEAR	6.44%	7.03%	7.50%	OVERVALUED
9 YEAR	6.41%	7.02%	7.50%	OVERVALUED
10 YEAR	6.38%	6.92%	7.40%	OVERVALUED

Data as on 31-July-2025

INDIA: The Indian bond market remained stable in July; the yield curve shifted upward slightly with 10-year yield rising from 6.32% to 6.37%. Yields moved in a narrow range due to low inflation and expectations of a longer pause in monetary policy. The market is awaiting cues from the upcoming August MPC meeting.

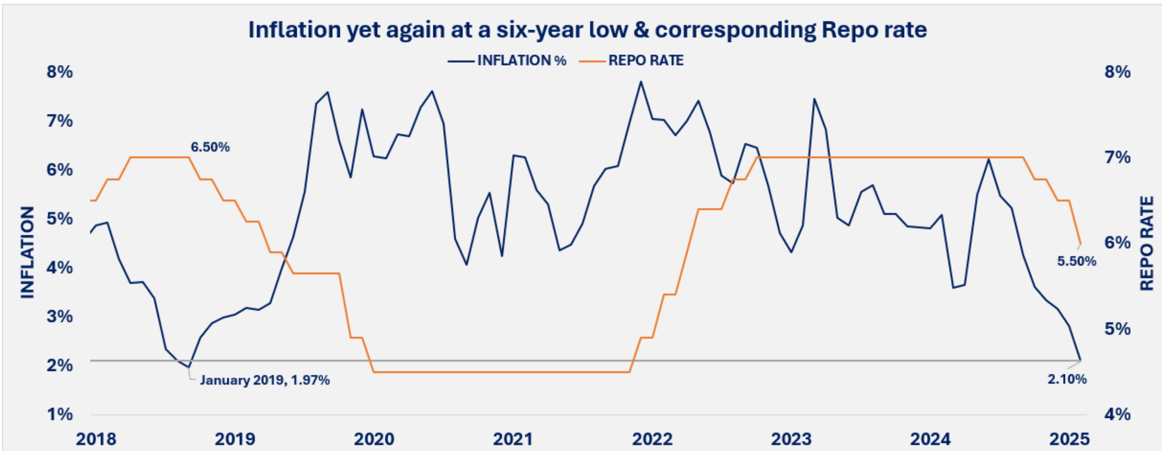
U.S.: U.S. Treasury yields edged higher during the month, as markets grew more concerned about the impact of tariffs. The Fed kept interest rates unchanged, and any immediate reduction looks unlikely due to sticky inflation. The 10-year U.S. Treasury yield rose from 4.23% to 4.36%. Fed remains on alert for tariff-related inflation and the most recent U.S. CPI data suggests some passthrough is occurring.



Source: Investing.com

COMMODITIES & CURRENCY: Oil prices rebounded moderately in July as supply-side constraints persisted with WTI Crude rising 6.4% from $60.79 to $69.26 per barrel. The Indian Rupee weakened against the US Dollar amid trade concerns post the tariff announcement by the US – 25% on Indian imports, closing at approximately ₹87.5 from ₹85.7 at the start of the month. The Dollar Index had its first positive month this calendar year rising by 3.2%, improving from 96.9 to 99.9. Gold rose 2.86% from ₹97,260/10g to ₹1,01,030/10g, achieving an all-time high of ₹1,02,330/10g in the second half of the month.

ECONOMIC INDICATORS: India headline CPI fell for the eighth month in a row from 2.82% in May to a six-year low of 2.1% in June. India unemployment rate stood at 5.6% in June 2025. Net GST collection y-o-y growth slowed in July 2025 to 1.7% over July 2024 at ₹1.68 Lakh Cr compared to 3.3% y-o-y growth achieved in June; gross revenue from domestic transactions saw a 6.7% y-o-y increase to ₹1.43 Lakh Cr. RBI's August meeting is keenly awaited, but the current stance continues to signal patience.



Source: PIB & RBI

The Federal Reserve announced its decision to hold interest rate unchanged in a range between 4.25% - 4.5%, marking the fifth consecutive time that the US central bank has decided to hold the lending rates since January 2025. Headline and core inflation remained above Fed's target, tempering rate cut hopes; US inflation rose from 2.4% in May to 2.7% in June. Unemployment rose from 4.1% in June to 4.2% in July.

OUTLOOK & STRATEGY:

In Indian markets, macroeconomic stability remains a key pillar of support, with low inflation, a strong fiscal position, and healthy tax collections. However, July's foreign outflows and the market's sensitivity to global cues highlight that external risk factors – such as tariffs, strengthening dollar, and geopolitical tensions – could weigh on sentiment in the short run. While corporate earnings for Q1FY26 have been broadly stable so far; however, growth has been in low single digits (+1.7% for Nifty 50) when excluding extra-ordinary items. Looking forward, while the domestic economic momentum and policy continuity remain strong tailwinds, markets may continue to consolidate until either earnings upgrades resume, or valuations cool off.

U.S. equities have shown remarkable resilience despite a restrictive monetary environment, with the S&P 500 and Nasdaq touching record highs in July. However, the recent rally has increasingly priced in a soft landing and eventual rate cuts, leaving the market vulnerable to negative surprises such as inflation due to tariff passthrough. Valuations – particularly in large-cap growth stocks – have reached levels that demand consistent earnings delivery. Any miss in economic or earnings data may invite sharp corrections. Considering high valuations and global trade uncertainty, we recommend holding current positions and exercising caution until valuations improve.

Gold is expected to trade range-bound in the near term supported by geopolitical risks and investor caution. Our position remains unchanged, which is maintaining a modest allocation as a hedge rather than increasing exposure at this stage.