

3rd JULY 2025

June 2025 was a month of contrasts across global markets, as investor sentiment was influenced by a mix of improving macroeconomic data, central bank policy announcements, and heightened geopolitical risks. The ongoing conflict between Israel and Iran remained a key overhang, raising concerns over regional stability and potential disruptions to global oil supply.

Indian markets remained relatively range-bound for most of the month, trading between 24,500 and 25,100 before breaking out and achieving an 8-month high of 25,637. The rally was driven by favourable inflation data, a 50bps rate cut by RBI and improving domestic sentiment.

In the U.S., market, sentiment remained cautious amid a mix of policy and credit concerns. The Federal Reserve announced its decision to keep rates unchanged between 4.25% - 4.5%, where it has been since December 2024. Inflation rose slightly to 2.4% year-on-year in May, up from 2.3% in April, and unemployment remained unchanged at 4.2%. Inflation and economic uncertainty are keeping the Fed cautious in its rate decisions. Markets are pricing in a September rate-cut; however, Fed Chair Powell is committed to meeting the 2% inflation target and maintaining price stability.

EQUITIES:

INDIA: Nifty 50 rose 3.1% in June 2025, closing at 25,517, fuelled by strong performance in Services (+4.9%), IT (+4.4%) and Healthcare (+4.1%) sectors; contrarily, FMCG (-0.7%) and Realty (1.9%) performed poorly. On a quarterly basis, Nifty 50 rose by an impressive 8.5% in Q1FY2025. Top performing sectors were Infrastructure (+15.9%), Auto (12.1%) and Oil & Gas (11.9%); underperformers this quarter were FMCG (+2.4%) and Consumer Durables (+4.9%) due to muted volume growth, input cost concerns and valuation fatigue.

Midcaps and Smallcaps performed well in Q1FY26 with Midcap 150 rising 15% while Smallcap 250 rose 17.8%; additionally, both indices had a strong month rising 4.5% and 6.5% respectively due to optimism around growth potential post the rate cut, strong domestic inflows and improving market sentiment. This performance comes after both indices fell 14.3% and 18% from September 2024 to March 2025. FIIs were net buyers for the fourth month in a row despite volatile geopolitical tensions as market sentiment improved, ending the month with a net inflow of ₹20,423 Cr, recording a net inflow of ₹39,503 Cr in Q1FY26. DIIs continued to provide support, recording net inflows of ₹45,518 Cr for the month and ₹1,19,883 Cr in Q1FY26, helping stabilize the markets despite external pressures.

INDICES	CURRENT	10 YR MEDIAN	AVERAGE (SI)	COMMENT
NIFTY 50 (PE)	23.0	23.5	21.0	FAIRLY VALUED
NIFTY 50 (PB)	3.7	3.7	3.6	OVERVALUED
NIFTY 50 (DIVIDEND YIELD)	1.2	1.3	1.4	OVERVALUED
NIFTY MIDCAP 150 (PE)	35.3	33.5	31.1	OVERVALUED
MIDCAP 150 (PB)	5.4	3.4	3.0	OVERVALUED
MIDCAP 150 (DIVIDEND YIELD)	0.8	1.0	1.2	OVERVALUED
SMALLCAP 100 (PE)	33.7	33.2	44.1	UNDERVALUED
SMALLCAP 100 (PB)	4.6	3.4	3.0	OVERVALUED
SMALLCAP 100 (DIVIDEND YIELD)	0.7	1.0	1.1	OVERVALUED
S&P 500 (PE)	28.4	24.9	25.7	OVERVALUED

Data as on 30-June-2025

As of June 30th, Nifty 50 trades at 23x, above its all-time average of 21x but slightly below its 10-year median of 23.5x; Nifty Midcap 150 current PE of 35.3x is above its all-time average of 31x and above its 10-year median of 33.5x.

U.S.: U.S. equity markets extended their rising streak in June 2025, supported by lower-than-expected inflation data, optimism around global trade talks and momentum in corporate activity. Nasdaq 100 (+6.27%) and S&P 500 (5%) had an impressive month and closed June 2025 at their all-time highs of 22,679 and 6,204 respectively, while Dow Jones rose 4.32% for the month. On a quarterly basis, Nasdaq (+17.6%), S&P 500 (+10.6%) and Dow Jones (+5%) rose impressively after falling in early April due to reciprocal tariffs announcement. Despite mid-month volatility due to the middle east conflict, markets recovered, and oil prices stabilized post a ceasefire announcement. Due to their rise in June 2025, valuations rose from last months elevated levels – Nasdaq 100 currently trades at 40.4x PE compared to the 10-year average of 24.6x and S&P 500 trades at 28.4x PE compared to 10-year average of 24.9x.

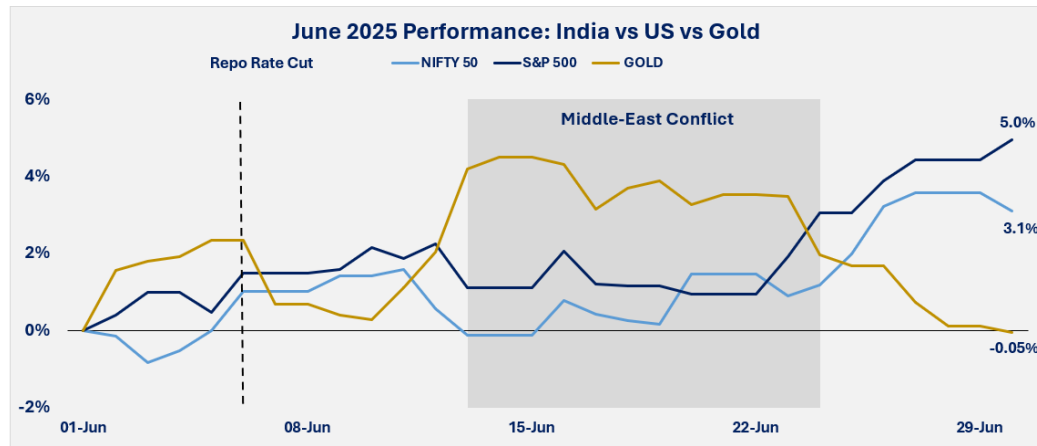
FIXED INCOME:

BOND YIELD	CURRENT	10 YR AVERAGE	AVERAGE (SI)	COMMENT
1 YEAR	5.50%	6.09%	6.60%	OVERVALUED
2 YEAR	5.79%	6.31%	6.80%	OVERVALUED
3 YEAR	5.92%	6.50%	7.00%	OVERVALUED
4 YEAR	6.02%	6.67%	7.20%	OVERVALUED
5 YEAR	6.01%	6.75%	7.30%	OVERVALUED
6 YEAR	6.24%	6.91%	7.40%	OVERVALUED
7 YEAR	6.30%	6.99%	7.40%	OVERVALUED
8 YEAR	6.41%	7.05%	7.50%	OVERVALUED
9 YEAR	6.39%	7.04%	7.50%	OVERVALUED
10 YEAR	6.32%	6.94%	7.40%	OVERVALUED

Data as on 30-June-2025

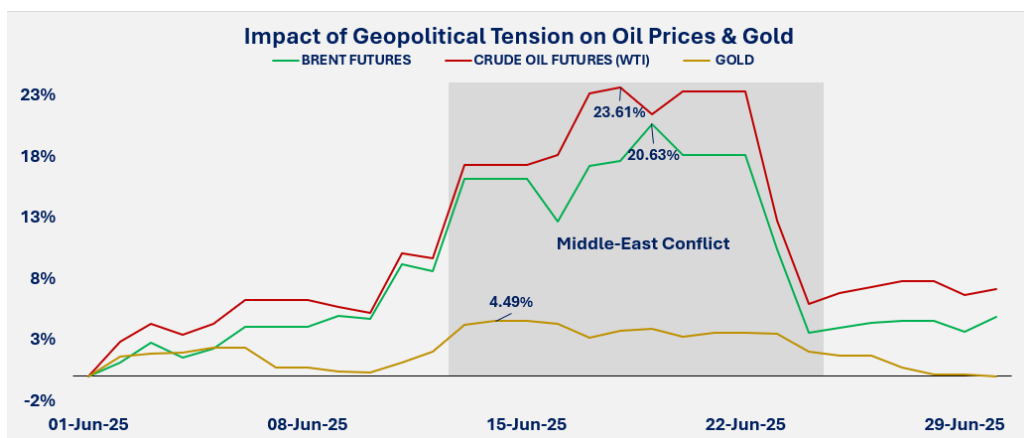
INDIA: India bond yield curve shifted upward slightly with 10-year yield rising to 6.32% from 6.21%. Yields rose slightly after RBI announced a rate cut of 50bps from 6% to 5.50% but a change of stance from 'accommodative' to 'neutral' – indicating lesser likelihood of further rate cuts.

U.S.: Long-term Treasury yields fell in June 2025 following lesser than expected inflation and a dovish rhetoric from the Fed after it announced that rates will remain unchanged. The 10-year U.S. Treasury yield fell to 4.23% from 4.4%. On 1st July, Fed Chair Jerome Powell expressed that a rate-cut isn't ruled out in the July FOMC meeting but is cautious and watching for higher inflation as the 90-day tariff pause is coming to an end.



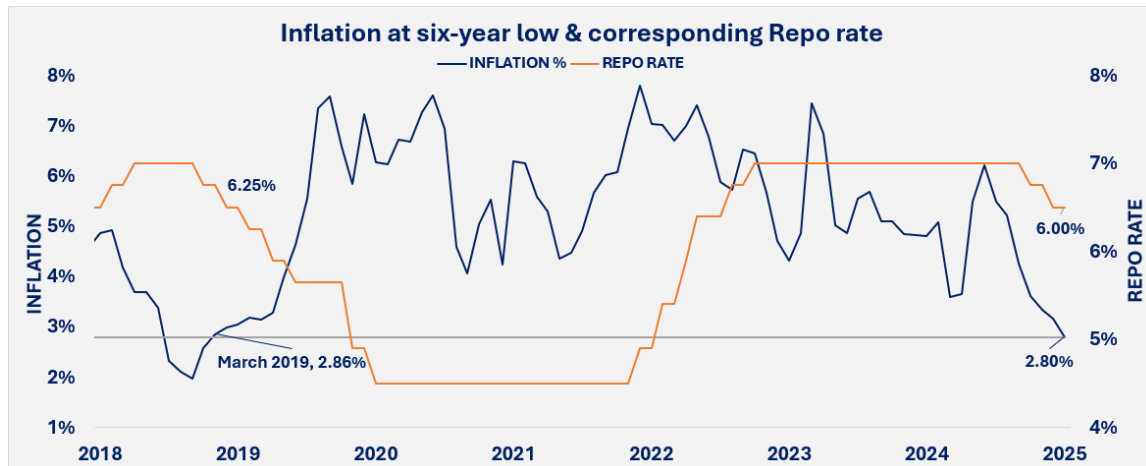
Source: Investing.com

COMMODITIES & CURRENCY: Oil prices had a volatile month with WTI Crude surging 23.6% to \$75.78 per barrel from \$60.79 before dropping 13.3% and closing the month at \$65.11. Oil prices exhibited heightened volatility due to escalating tensions in the middle east and the involvement of US before stabilizing after a ceasefire was announced on 24th June. The Indian Rupee weakened marginally against the US Dollar, closing at approximately ₹85.7 from ₹85.53. The Dollar Index continued its decline post-Moody's downgrade dropping from 99.26 to a 3-year low of level of 96.5, bringing its YTD decline to 10.9%. Gold rose 4.5% from ₹97,310/10g to ₹1,01,680/10g in the middle of the month due to rising geopolitical tensions, before closing the month flat at a level of ₹97,260/10g, bringing its Q1FY26 rise to 5.8%.



Source: Investing.com

ECONOMIC INDICATORS: India headline CPI fell for the seventh straight month from 3.16% in April to a six-year low of 2.82% in May. Therefore, the RBI announced a rate cut of 50bps from 6% to 5.50% and cut the CRR by 100bps as well. Indian Government revenue up to May 2025 was recorded at ₹7,32,963 Cr, up 28% from the same period last year. India unemployment rate rose to 5.9% in May 2025 from 5.1% in April. Net GST collection for June 2025 grew by a slower 3.3% over June 2024 at ₹1.59 Lakh Cr compared to 20.4% y-o-y growth achieved in May; gross revenue from domestic transactions saw a 4.6% increase. As GST completes 8 years, collections have doubled over the past five years to reach a record ₹22.08 lakh crore in FY25, up from ₹11.37 lakh crore in FY21.



Source: PIB & RBI

The Federal Reserve held its key interest rate unchanged in a range between 4.25% - 4.5%, where it has been since December 2024. US inflation rose to 2.4% in May from 2.3% in April however below expectations. Revised GDP data shows the U.S. economy shrank by 0.5% in Q1 2025, its first contraction in three years. This decline was largely due to a 37.9% surge in imports driven by anticipated tariffs, which significantly impacted GDP.

OUTLOOK & STRATEGY:

2025 has witnessed rate-cuts by 100bps so far; hence, we can expect Nifty 50 PE to rise as there is a negative correlation between repo rate and Nifty 50 PE. However, an increase in valuations should majorly be driven by earnings growth. Last month, it was announced that Q4FY25 GDP grew by 7.5% whereas Nifty earnings grew by just 1%. Upcoming earnings announcements are highly anticipated to see if corporates can capture this growth. At present, Nifty 50 is at 23x PE, and we recommend sticking to a dollar-cost-averaging approach at this level until there is a clear signal of increasing earnings.

U.S. equities reached all-time highs driven by strong earnings, AI-fueled tech momentum and softer than expected inflation. Markets are pricing in a September rate cut and progress in global trade talks. As the 90-day tariff pause is coming to an end, inflation may rise higher. Also awaited is the “Beautiful Bill” that has passed the U.S. Senate and awaits final approval from the U.S. House of Representatives. As valuations remain elevated, we recommend being cautious and focusing on quality and diversification in strong cash generating companies with earnings stability.

Gold may see consolidation in the near term after its strong rally rising 25%+ YTD, while returning flat in June. Our position remains unchanged, which is maintaining a modest allocation as a hedge rather than increasing exposure at this stage.

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