








Monthly Market Review February 2025



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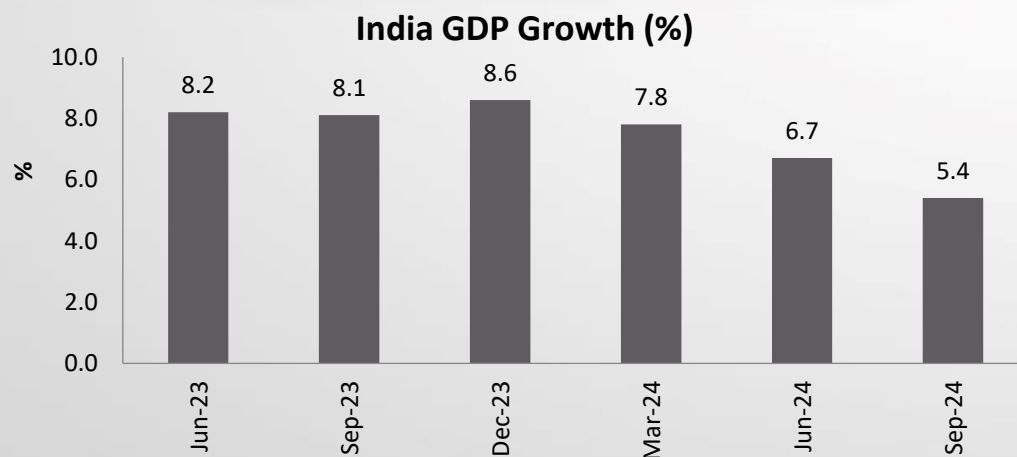
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MACRO ECONOMIC INDICATORS

GDP and Current Account Deficit Trend



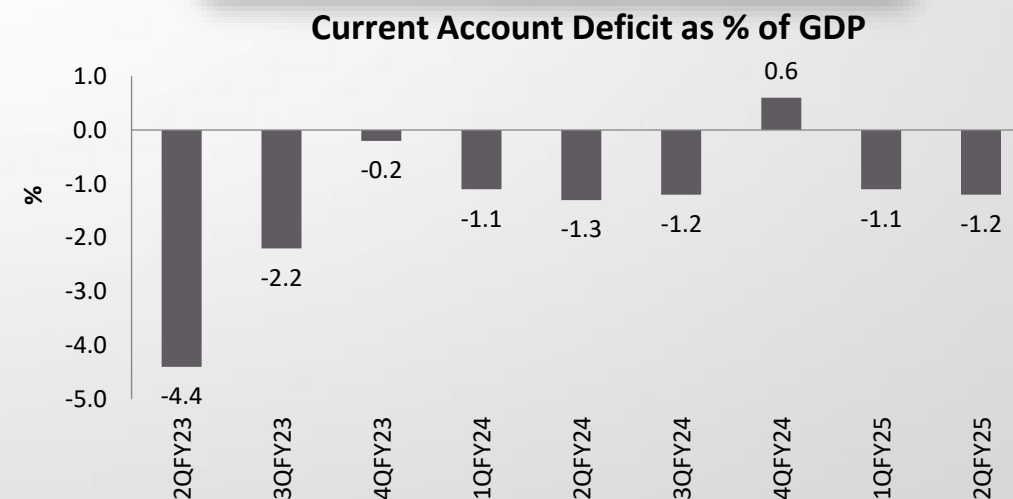
GDP growth slowed YoY in 2QFY25



Source: Refinitiv

GDP of the Indian economy at constant (2011-12) prices witnessed a growth of 5.4% YoY in the second quarter of FY25. In the Jul-Sep quarter of last year, the GDP growth rate was 8.1%.

Current a/c deficit moderated marginally in 2QFY25



Source: Refinitiv

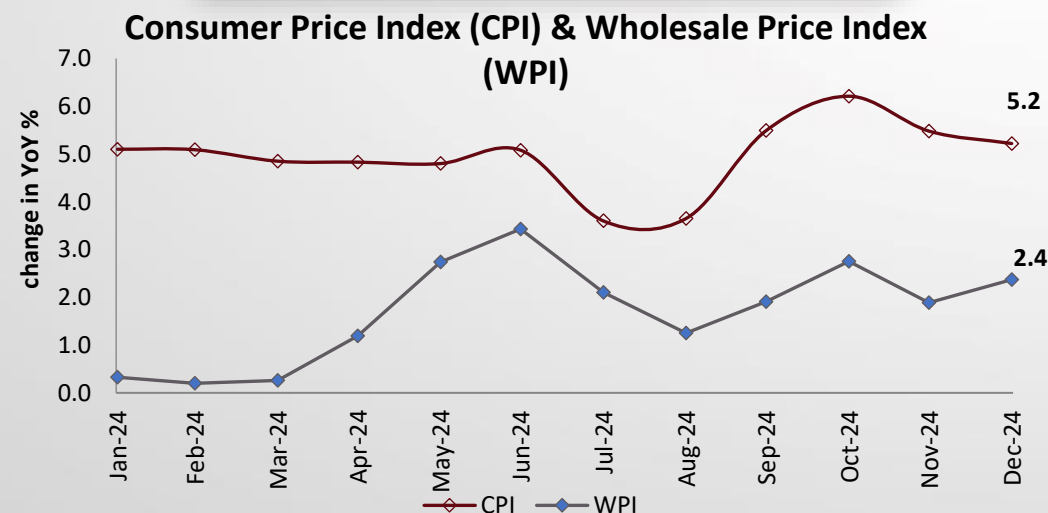
Current account deficit moderated marginally to US\$ 11.2 billion (1.2% of GDP) in Q2 FY25 from US\$ 11.3 billion (1.3% of GDP) in Q2 FY24.

MACRO ECONOMIC INDICATORS

Inflation and Trade Data Trend

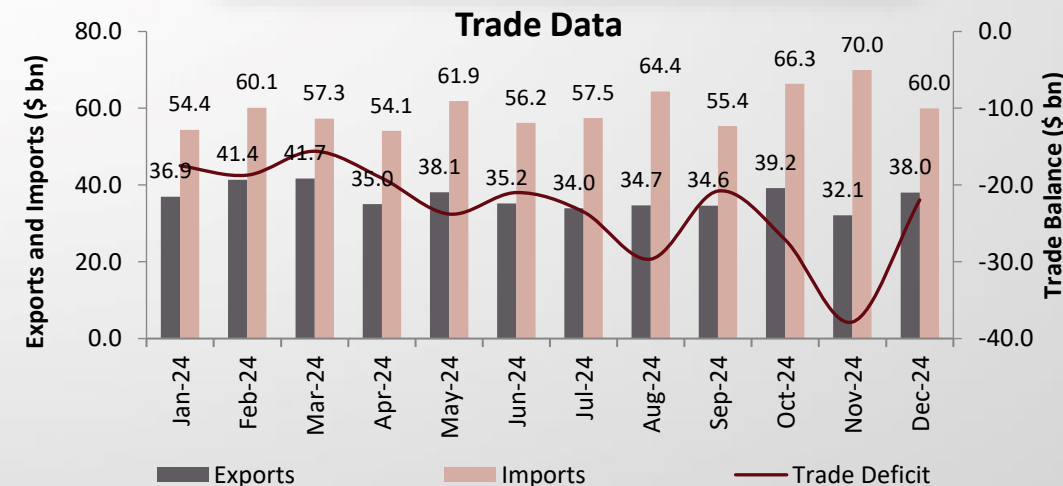


CPI inflation eased in Dec 2024



CPI-based inflation eased to 5.22% YoY in Dec 2024 compared to 5.48% in Nov 2024, driven by a moderation in food prices. WPI-based inflation increased to 2.37% YoY in Dec 2024.

Trade deficit widened YoY in Dec 2024



Merchandise trade deficit widened annually to \$21.94 billion in Dec 2024 compared to \$18.76 billion in Dec 2023. Exports fell marginally by 0.99% YoY and imports increased 4.90% YoY in Dec 2024.

MACRO ECONOMIC INDICATORS

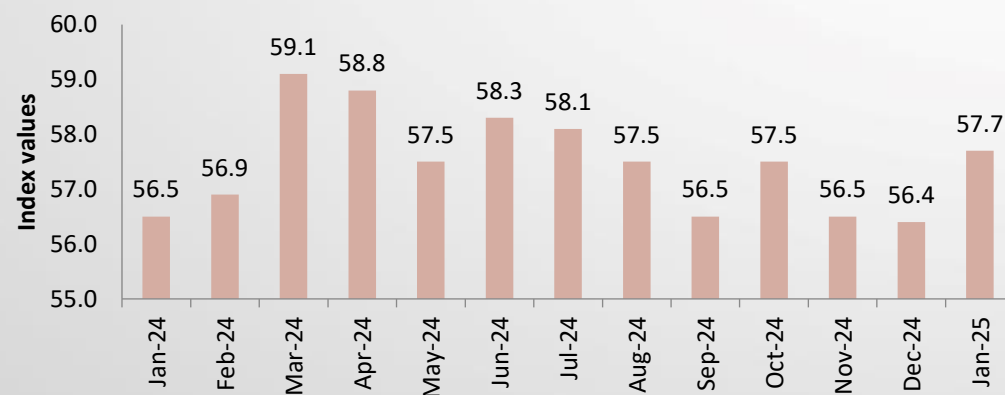
Manufacturing and Services PMI Trend



Manufacturing PMI rose in Jan 2025

Services PMI fell in Jan 2025

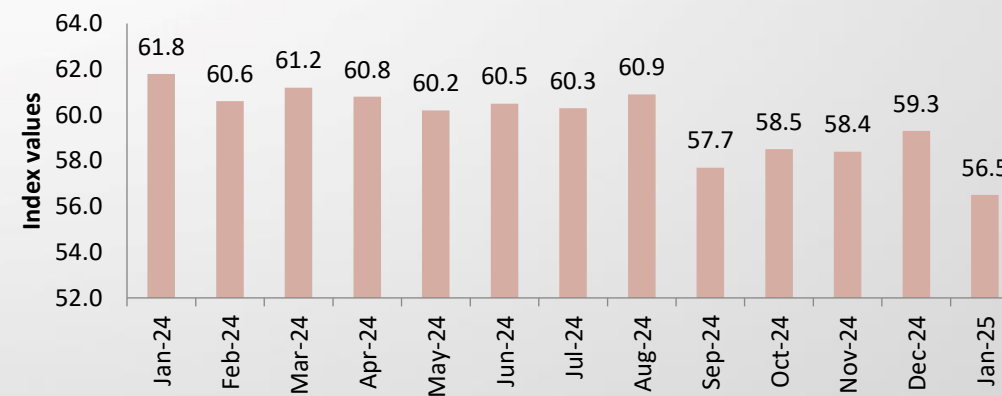
India Manufacturing PMI



Source: Refinitiv; PMI >50 denotes expansion and <50 is contraction

Manufacturing PMI rose to 57.7 in Jan 2025 compared to 56.4 in Dec 2024. This data indicated that new orders rose at the sharpest pace in six months, driven by the steepest increase in exports.

India Service PMI



Source: Refinitiv; PMI >50 denotes expansion and <50 is contraction

Services PMI fell to 56.5 in Jan 2025 from 59.3 in Dec 2024. Services sector growth slowed to a two-year low in Jan 2025 due to decreasing demand yet remained above 50.

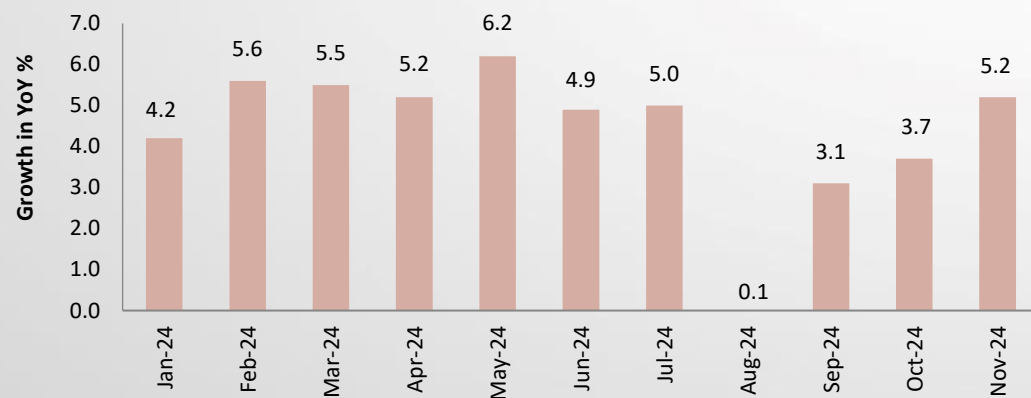
MACRO ECONOMIC INDICATORS

IIP and GST Trend



Industrial output rose YoY in Nov 2024

Index of Industrial production (IIP)

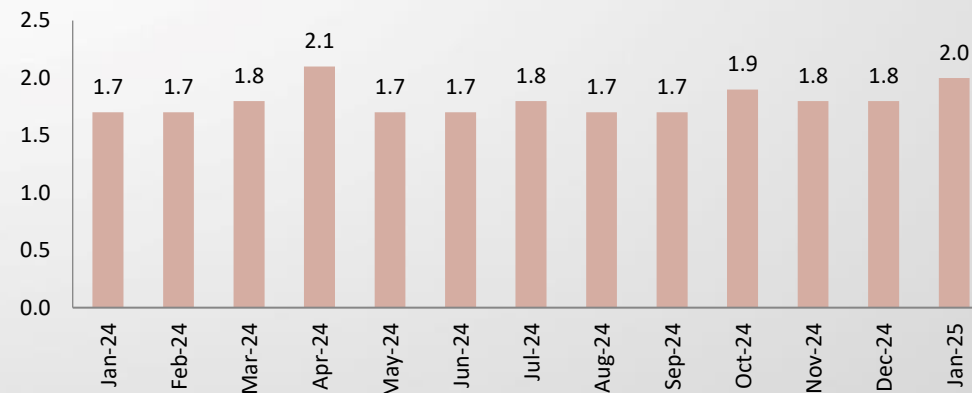


Source: Refinitiv

Industrial production rose 5.2% YoY in Nov 2024, as compared to 3.7% rise in Oct 2024. Production in mining, manufacturing and electricity witnessed a growth of 1.9%, 5.8% and 4.4%, respectively.

GST collections rose MoM in Jan 2025

GST Collections (Rs. Lakh Crore)



Source: PIB

The total gross goods and services tax (GST) revenue grew 12.3% YoY to Rs. 1.96 lakh crore in Jan 2025 as compared to Rs. 1.74 lakh crore in Jan 2024.

MACRO ECONOMIC INDICATORS

International Gold and U.S. 10 Year Treasury Trend



Gold prices rose MoM in Jan 2025

U.S. Treasury yields fell MoM in Jan 2025



Source: Refinitiv

Gold prices rose after data showed drop in U.S. producer price inflation for the month of Dec 2024. Further, prices rose in response to the U.S. President's tariff threats.



Source: Refinitiv

U.S. Treasury prices rose as investors sought the safety of government bonds, declining in technology stocks following the introduction of an artificial intelligence model from China.

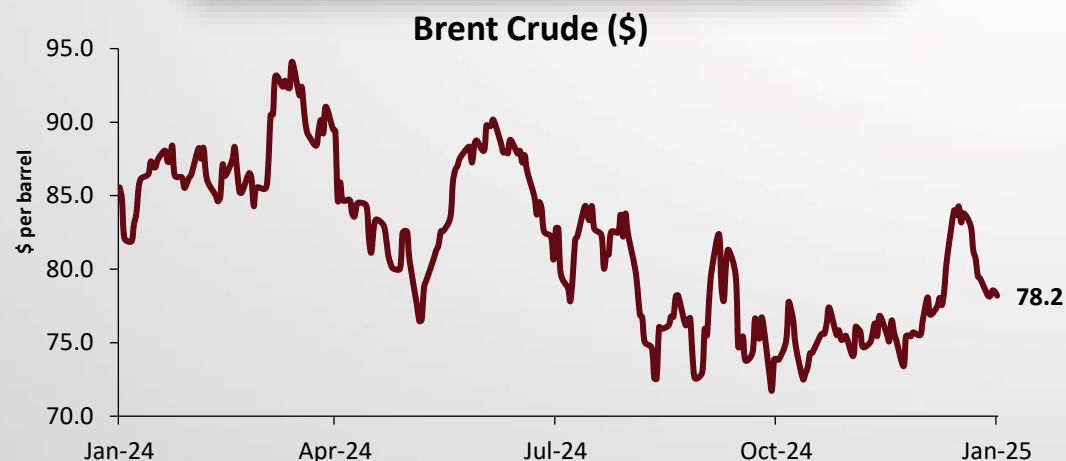
Gold data as on 31st Jan 2025; U.S. 10 Year Treasury Yield data as on 31st Jan 2025

MACRO ECONOMIC INDICATORS

Crude and USD/INR Currency Trend



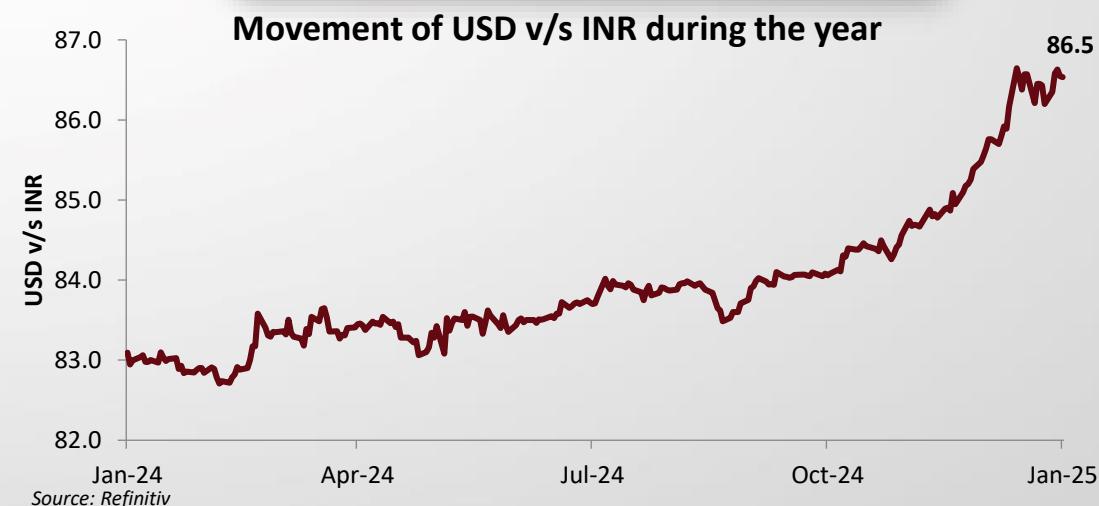
Crude oil prices rose MoM in Jan 2025



Source: Refinitiv

Brent crude oil prices rose amid potential supply risks after the U.S. imposed sweeping sanctions on Russia's oil exports. Further, prices rose amid optimism about the outlook for global oil demand.

Rupee fell against U.S. dollar on MoM in Jan 2025



Source: Refinitiv

Rupee fell against the U.S. dollar due to foreign fund outflows. Further, prices fell on concerns about global economic events and weakness in other Asian peers.

EVENT UPDATE

RBI MPC reduced key policy repo rate by 25 bps to 6.25%



MACRO

Key Highlights

- MPC reduced key policy repo rate by 25 bps to 6.25% with immediate effect
- Standing deposit facility (SDF) rate reduced to 6.00%
- The MPC decided to continue with the neutral monetary policy stance
- For FY25, retail inflation is projected at 4.8%
- For FY26, real GDP growth is projected at 6.7%

Policy Rates / Reserve Ratio	06-Dec-24	07-Feb-25	Status
CRR	4.00%	4.00%	↔
SLR (Statutory Liquidity Ratio)	18.00%	18.00%	↔
SDF (Standing Deposit Facility Rate)	6.25%	6.00%	↓
Repo Rate	6.50%	6.25%	↓
MSF (Marginal Standing Facility Rate)	6.75%	6.50%	↓
Bank rate	6.75%	6.50%	↓
Fixed Reverse Repo Rate	3.35%	3.35%	↔

Growth Outlook

- Looking ahead, healthy rabi prospects and an expected recovery in industrial activity are likely to support economic growth in FY26. Among the key drivers on the demand side, **household consumption is expected to remain robust aided by the tax relief in the Union Budget 2025-26.**
- On the other hand, the outlook remains vulnerable to negative risks due to geopolitical tensions, protectionist trade policies, fluctuations in global commodity prices, and uncertainties in the financial markets.

Inflation Outlook

- Going forward, **food inflation pressures should significantly soften with good kharif production, winter-easing vegetable prices, and favorable rabi crop prospects** barring any supply-side shock. Core inflation is expected to rise but remain moderate.
- The inflation trajectory is at **risk from rising energy prices, unfavorable weather, and ongoing uncertainty in the world's financial markets.**

EVENT UPDATE

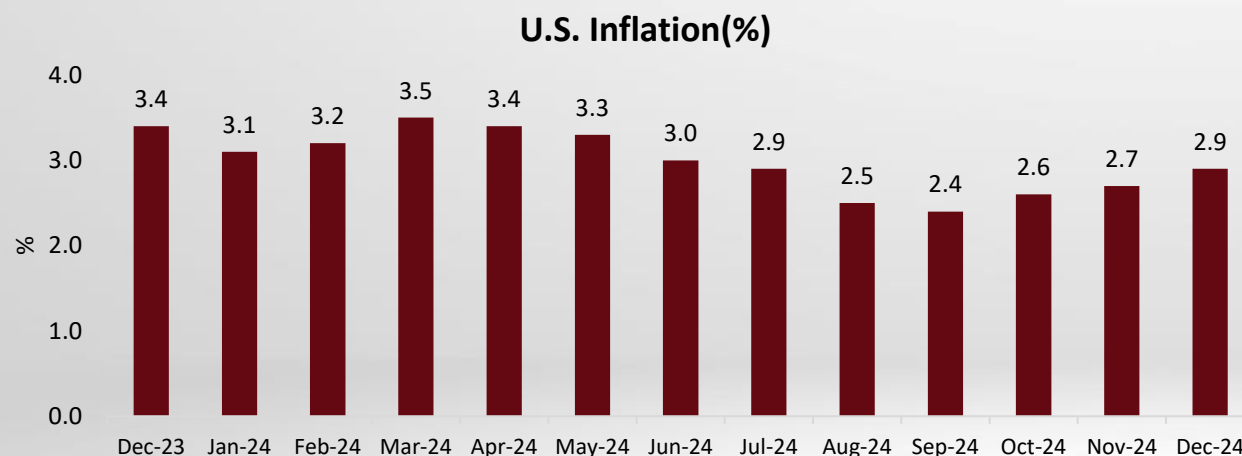
U.S. Federal Reserve kept the interest rate unchanged in Jan 2025



MACRO

Key Highlights

- The U.S. Fed left **interest rates unchanged** on Jan 29, 2025, following its first monetary policy meeting of 2025.
- The U.S. Fed decided to maintain the target range for the **federal funds rate at 4.25 to 4.50% in support of its dual goals of maximum employment and inflation at the rate of 2% over the longer run.**



Source: Refinitiv

U.S inflation Peaking

- According to the Labor Department, U.S. **consumer price index climbed by 0.4% in Dec 2024** after rising by 0.3% in Nov 2024.
- The report also said the **annual rate of growth in consumer prices accelerated to 2.9% in Dec 2024** from 2.7% in Nov 2024.
- The Labor Department said **core consumer prices in Dec 2024 jumped by 3.2% YoY** compared to 3.3% in Nov 2024.

To Conclude

- Recent data indicates that **economic activity has persisted in its robust expansion**. The unemployment rate has remained steady at a low level in recent months, and the conditions within the labor market continue to be strong. **Inflation remains somewhat elevated. The Federal Open Market Committee (FOMC) aims to attain the highest possible level of employment while maintaining an inflation rate of 2% over the long term.** In evaluating the suitable position of monetary policy, the Committee will persist in observing the effects of new information on the economic forecast.

DOMESTIC & GLOBAL

Equity Market Update

INDIAN EQUITY MARKET DASHBOARD

January 2025



DOMESTIC

Index Name (Broader Market Indices)	Absolute (%)				CAGR(%)		
	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
BSE Sensex	-0.78	-2.30	-4.81	9.34	11.55	15.11	11.64
Nifty 50	-0.45	-2.71	-5.31	9.58	12.01	15.80	11.66
Nifty 100	-1.70	-3.85	-7.15	10.33	12.34	16.02	11.92
Nifty 500	-3.47	-4.74	-7.92	10.06	14.24	18.16	12.89
Nifty Midcap 150	-6.09	-4.84	-9.01	11.60	21.09	25.37	17.46
Nifty Smallcap 250	-10.69	-10.62	-11.41	5.89	18.22	26.01	14.83
Nifty Microcap 250	-9.19	-8.49	-8.21	11.35	29.97	39.47	20.98
Sectoral Indices							
Nifty Auto	0.15	-2.72	-14.06	19.84	26.09	24.37	10.94
Nifty FMCG	-0.19	-3.98	-8.33	4.88	17.92	14.95	12.08
Nifty IT	-0.99	6.19	5.64	19.08	9.25	23.88	15.96
Nifty Infrastructure	-1.29	-5.24	-11.71	7.12	19.31	22.28	11.31
Nifty Oil & Gas	-1.29	-6.49	-19.67	-0.41	12.11	18.61	15.49
Nifty Bank	-2.50	-3.67	-3.60	8.77	10.22	10.60	10.26
Nifty Metal	-2.89	-9.68	-11.83	6.16	16.89	28.69	15.32
Nifty PSU Bank	-3.42	-6.07	-14.60	1.45	30.02	22.67	5.28
Nifty Energy	-3.45	-13.41	-22.36	-6.36	12.30	20.48	16.63
Nifty Healthcare	-7.76	-4.40	0.47	21.44	19.58	23.33	9.05
Nifty Pharma	-8.40	-5.65	-1.32	20.35	18.51	22.26	6.94
Nifty Realty	-12.44	-7.80	-15.68	7.92	24.64	23.12	15.08

- Domestic equity markets fell during the month on uncertainty over the U.S. trade policies under the new U.S. President's regime. The U.S. President gave a mixed set of signals, as he delayed tariff plans on Chinese goods but threatened to impose tariffs on Canada and Mexico. Losses were extended on concerns over a weakening rupee and continued outflows by the foreign institutional investors.

BROADER MARKET INDICES PERFORMANCE

Calendar Year wise



DOMESTIC

2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	CYTD (%)
Nifty Midcap 150 6.5	Nifty Smallcap 250 58.5	BSE Sensex 7.2	BSE Sensex 15.7	Nifty Smallcap 250 26.5	Nifty Smallcap 250 63.3	BSE Sensex 5.8	Nifty Smallcap 250 49.1	Nifty Smallcap 250 27.2	Nifty 50 -0.4
Nifty 500 5.1	Nifty Midcap 150 55.7	Nifty 50 4.6	Nifty 50 13.5	Nifty Midcap 150 25.6	Nifty Midcap 150 48.2	Nifty 50 5.7	Nifty Midcap 150 44.6	Nifty Midcap 150 24.5	BSE Sensex -0.8
Nifty 100 5.0	Nifty 500 37.7	Nifty 100 2.6	Nifty 100 11.8	Nifty 500 17.9	Nifty 500 31.6	Nifty 100 4.9	Nifty 500 26.9	Nifty 500 16.2	Nifty 100 -1.7
Nifty 50 4.4	Nifty 100 32.9	Nifty 500 -2.1	Nifty 500 9.0	BSE Sensex 17.2	Nifty 100 26.4	Nifty 500 4.2	Nifty 50 21.3	Nifty 100 13.0	Nifty 500 -3.5
BSE Sensex 3.5	Nifty 50 30.3	Nifty Midcap 150 -12.6	Nifty Midcap 150 0.6	Nifty 50 16.1	Nifty 50 25.6	Nifty Midcap 150 3.9	Nifty 100 21.2	Nifty 50 10.1	Nifty Midcap 150 -6.1
Nifty Smallcap 250 1.4	BSE Sensex 29.6	Nifty Smallcap 250 -26.1	Nifty Smallcap 250 -7.3	Nifty 100 16.1	BSE Sensex 23.2	Nifty Smallcap 250 -2.6	BSE Sensex 20.3	BSE Sensex 9.5	Nifty Smallcap 250 -10.7

- On CYTD basis, Nifty 50 witnessed lesser fall than Nifty Smallcap 250 and Nifty Midcap 150.

RELATIVE TRAILING VALUATIONS (P/E)

Large Cap vs Mid Cap vs Small Cap

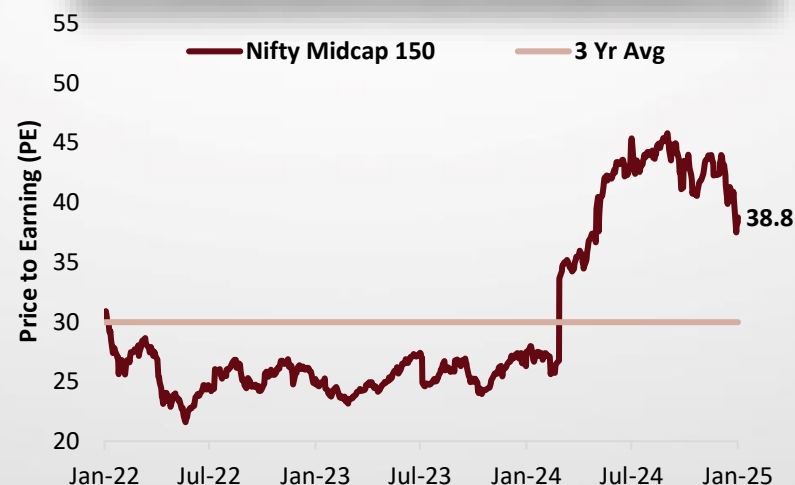


DOMESTIC

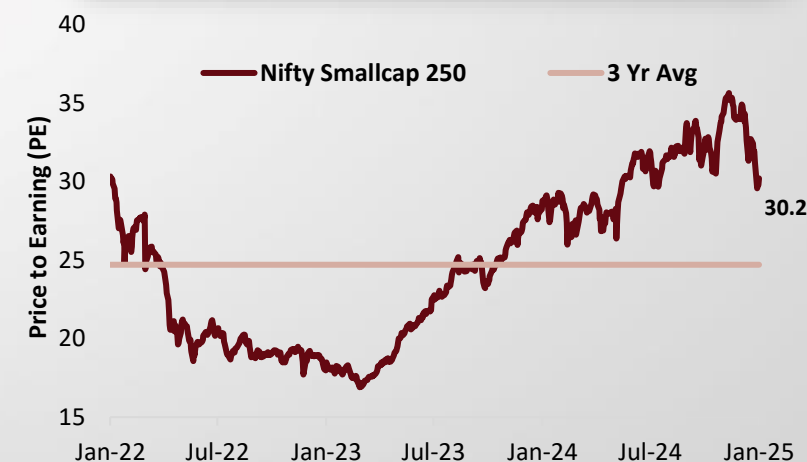
Nifty 50 trailing PE remained below the 3-year average mark



Nifty Midcap 150 trailing PE continued to remain above 3-year average level



Nifty Smallcap 250 trailing PE continued to remain above 3-year average level



- Despite market corrections, midcap and small-cap valuations remain expensive compared to large caps.
- Large cap valuations are trading below its 3-year average level, while midcap and small cap are well above their 3-year average level.

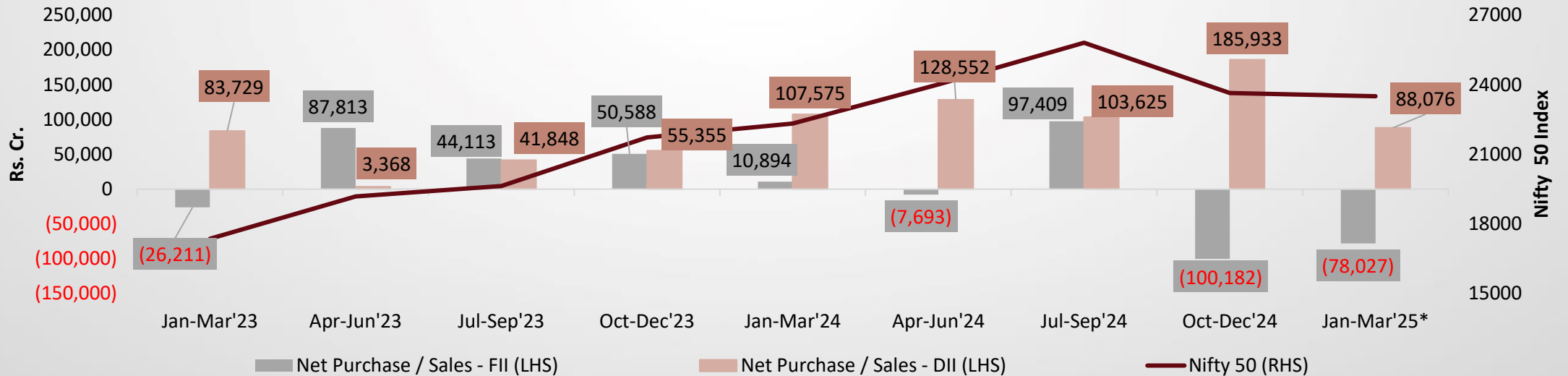
EQUITY FLOWS

Quarterly FII & DII Flows



DOMESTIC

Quarterly Net FII & DII Flow (Cash) in Rs. Cr. V/S Nifty 50



- FII's were net sellers in equity segment in January 2025 after remaining net buyers in previous month. Nonetheless, cumulative outflows for past four months has been Rs. 1,78,209 Cr since Oct 2024.
- Mutual funds have been net buyers in equity segment in the last 47 months till January 2025, except April 2023 and August 2022. Cumulative inflows stand at Rs. 9,54,375 Cr from March 2021 till date.

GLOBAL EQUITY MARKET DASHBOARD

January 2025



GLOBAL

Emerging Markets	Index	Absolute (%)					CAGR(%)		
		1 Month	3 Months	YTD	6 Months	1 Year	2 Years	3 Years	5 Years
South Korea	Kospi	4.91	-1.52	4.91	-9.14	0.81	1.88	-1.85	3.50
Brazil	Brazil Ibovespa	4.86	-2.76	4.86	-1.19	-1.26	5.44	3.99	2.08
Taiwan	Taiwan TAIEX	2.13	3.09	2.13	5.97	32.31	24.44	10.03	15.46
Indonesia	Jakarta Composite	0.41	-6.14	0.41	-2.02	-1.37	1.95	2.35	3.65
India	Nifty 50	-0.58	-2.88	-0.58	-5.78	8.18	15.35	10.67	14.45
China	Shanghai Composite	-3.02	-0.89	-3.02	10.61	16.72	-0.08	-1.11	1.77
Developed Markets									
Germany	DAX	9.16	13.91	9.16	17.42	28.48	19.83	11.98	10.84
Europe	Euro Stoxx 50 Pr	7.98	9.51	7.98	8.49	13.70	12.67	8.18	7.74
France	CAC 40	7.72	8.16	7.72	5.56	3.82	5.94	4.33	6.48
UK	FTSE 100	6.13	6.95	6.13	3.66	13.63	5.64	5.13	3.54
US	Russell 3000	2.00	9.24	2.00	13.82	31.25	31.60	13.19	17.25
Japan	Nikkei 225	-0.81	1.26	-0.81	1.20	9.03	20.31	13.57	11.25

- European equity markets rose after the European Central Bank delivered a widely expected 25-basis point interest-rate cut on 30th Jan, 2025 and guided for a further reduction in Mar 2025 due to concerns about economic growth.
- Indian markets remained volatile in Jan due to foreign investor outflows, a stronger U.S. dollar, and weak global sentiment kept markets under pressure.
- Chinese market fell amid concerns about the country's slowing growth and deflation fears.

GLOBAL MARKET INDICES PERFORMANCE

Calendar Year wise



GLOBAL

2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	CYTD (%)
U.K. 14.4	Hong Kong 36.0	India 3.2	U.S. 34.2	U.S. 36.9	U.S. 25.0	India 4.3	U.S. 40.0	U.S. 31.6	Germany 9.2
Germany 6.9	India 28.7	U.S. -3.3	Germany 25.5	Japan 16.0	India 24.1	U.K. 0.9	Japan 28.2	Japan 19.2	U.K. 6.1
U.S. 5.7	U.S. 27.8	Japan -12.1	China 22.3	India 14.9	Germany 15.8	Japan -9.4	Germany 20.3	Germany 18.9	U.S. 2.0
India 3.0	Japan 19.1	U.K. -12.5	Japan 18.2	China 13.9	U.K. 14.3	Germany -12.4	India 20.0	Hong Kong 17.7	Hong Kong 0.8
Japan 0.4	Germany 12.5	Hong Kong -13.6	U.K. 12.1	Germany 3.6	Japan 4.9	China -15.1	U.K. 3.8	China 12.7	India -0.6
Hong Kong 0.4	U.K. 7.6	Germany -18.3	India 12.0	Hong Kong -3.4	China 4.8	Hong Kong -15.5	China -3.7	India 8.8	Japan -0.8
China -12.3	China 6.6	China -24.6	Hong Kong 9.1	U.K. -14.3	Hong Kong -14.1	U.S. -29.6	Hong Kong -13.8	U.K. 5.7	China -3.0

- U.S. equity markets rose, encouraged by news that the U.S. President is set to declare private sector investments amounting to \$500 billion for the development of artificial intelligence infrastructure.
- The Japanese markets fell as technology shares were adversely affected by apprehensions surrounding a newly introduced Chinese artificial intelligence model.

ASSET CLASS PERFORMANCE

Calendar Year wise



ASSET CLASS

2016 (%)	2017 (%)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024 (%)	CYTD (%)
G-Sec 14.3	Indian Equity 37.7	G-Sec 8.0	Intl 34.2	Intl 36.9	Indian Equity 31.6	Gold 13.9	Intl 40.0	Intl 31.6	Gold 7.8
Bonds 13.1	Intl 27.8	Gold 7.9	Gold 23.8	Gold 28.0	Intl 25.0	Cash 5.2	Indian Equity 26.9	Gold 20.6	Real Estate 2.7
Gold 11.3	Real Estate 7.2	Cash 7.3	Bonds 12.2	Indian Equity 17.9	Bonds 4.2	Indian Equity 4.2	Gold 15.4	Indian Equity 16.2	Intl 2.0
Real Estate 8.3	Cash 6.6	Bonds 6.0	G-Sec 11.3	Bonds 13.5	Cash 3.6	Real Estate 2.8	G-Sec 7.7	G-Sec 10.1	G-Sec 0.8
Cash 7.5	Bonds 5.5	Real Estate 5.1	Indian Equity 9.0	G-Sec 13.2	G-Sec 3.1	Bonds 2.7	Cash 7.3	Bonds 9.6	Bonds 0.7
Intl 5.7	Gold 5.1	Indian Equity -2.1	Cash 6.7	Cash 4.4	Real Estate 3.1	G-Sec 2.3	Bonds 7.2	Cash 7.7	Cash 0.6
Indian Equity 5.1	G-Sec 3.5	Intl -3.3	Real Estate 3.0	Real Estate 2.2	Gold -4.2	Intl -29.6	Real Estate 3.8	Real Estate 2.7	Indian Equity -3.6

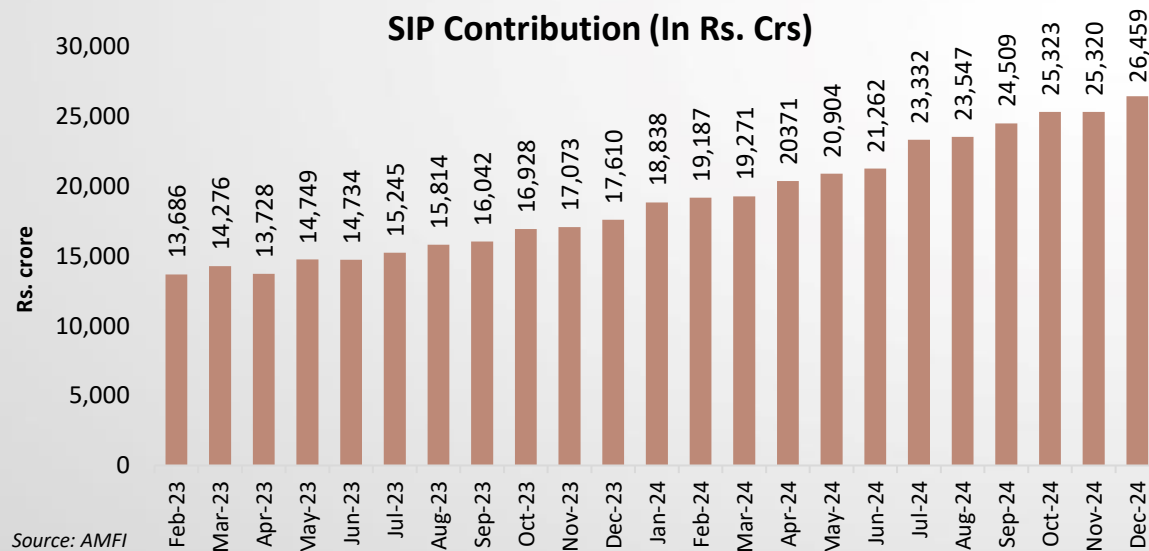
- On CYTD basis, gold remained at the top followed by real estate and international equity.
- Till 2024, Indian equities has been among the top three gainers for the past five calendar years, while gold remained in the the top two performing asset classes for five times in last seven years.

MUTUAL FUNDS

SIP Flows and SIP Returns Data



DOMESTIC



- According to AMFI, monthly SIP contribution crossed Rs. 26,000 crore mark for the first time in Dec 2024 and stood at Rs. 26,459 crore.
- SIP AUM increased to Rs. 13.63 lakh crore in Dec 2024, with 1,032.03 lakh outstanding SIP accounts.

Equity Broad MF category	Category average SIP returns (%)		
	3-year	5-year	10-year
Large cap	14.6	16.3	13.5
Large & Mid cap	18.8	20.6	16.2
Flexi cap	16.9	18.3	15.4
Multi cap	19.9	22.1	17.5
Mid cap	21.9	24.1	18.4
Small cap	21.0	26.7	19.7
Focused	16.2	17.3	14.7
Value	20.1	22.3	17.0

- Small cap category remained top performer in 5- & 10- year periods, while Mid cap category remained top performer in 3- year period.
- Large cap category has been the bottom performer across periods.

Performance is of regular plan growth option for SIP returns.
SIP performance as on 31st Jan 2025. Source: AMFI India, MFI 360 Explorer
<http://www.icraanalytics.com/legal/standard-disclaimer.html>

CATEGORY PERFORMANCE

Equity Mutual Funds



CATEGORY PERFORMANCE

Category	Absolute Returns (%)			CAGR (%)			
	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Large Cap	-2.91	-4.01	-6.88	10.24	12.27	15.21	11.04
Large & Mid Cap	-5.95	-5.34	-7.31	13.42	15.54	19.03	13.48
Flexi Cap	-5.74	-5.59	-7.41	11.37	13.88	17.29	12.63
Multi Cap	-6.44	-5.80	-7.08	12.08	17.25	20.74	14.17
Mid Cap	-7.94	-6.35	-8.64	15.19	18.70	22.87	15.35
Small Cap	-9.25	-8.97	-8.39	10.49	18.08	26.64	16.55
Focused	-4.61	-5.29	-6.79	12.11	13.32	16.47	12.30
Value	-4.94	-6.34	-9.02	10.31	17.54	20.60	13.80
Index:							
Nifty 100	-1.70	-3.85	-7.15	10.30	12.34	16.02	11.92
Nifty 500	-3.47	-4.74	-7.92	10.03	14.24	18.16	12.89
Nifty Midcap 150	-6.09	-4.84	-9.01	11.57	21.09	25.37	17.46
Nifty Smallcap 250	-10.69	-10.62	-11.41	5.87	18.22	26.01	14.83

- In the last one-month, Large Cap category followed by Focused & Value categories fell the least.
- Since past six month, all equity categories have generated negative returns.

EQUITY MARKET ROUNDUP

Key Takeaways & Outlook



DOMESTIC

Domestic & Global factors that played out for the Indian markets:

- Domestic equity markets fell during the month on uncertainty over the U.S. trade policies under the new U.S. President's regime. The U.S. President gave a mixed set of signals, as he delayed tariff plans on Chinese goods but threatened to impose tariffs on Canada and Mexico. Losses were extended on concerns over a weakening rupee, rising crude oil prices and continued outflows by the foreign institutional investors from domestic equity markets.
- However, losses were restricted as sentiment was boosted after the RBI announced several measures to inject over Rs. 1 lakh crore liquidity into the banking system.

Outlook:

- The Union Budget 2025, by giving a Rs. 1 lakh crore stimulus to the middle-class in the form of tax breaks has provided some key catalysts for growth, particularly in consumption-related sectors like consumer durables, auto, jewellery, and e-commerce. The medium-term market outlook will depend on corporate earnings along with economic growth. Globally, investors will watch the impact of U.S. President's tariff decisions on Mexico, Canada, and China. Apart from that, global crude oil prices, Indian rupees movement against U.S. dollar along with foreign institutional investors' flow will be the other factors that will provide shape for the domestic equity markets.
- **Given market volatility, one may consider staggered lump-sum investments or SIPs instead of deploying all investible surplus at once. As large caps currently appear attractive on valuations side - diversified categories such as Large-cap oriented and Flexicap funds may be considered.**
- **Conservative investors may consider - Hybrid funds, given their flexibility in asset allocation can be made part of core portfolio - Balanced Advantage, Multi Asset Allocation, Balanced Hybrid and Equity Savings Funds.**

DOMESTIC & GLOBAL

Debt Market Update

DEBT MARKET

Indian Government Bond and Policy Rate Trend



INDIAN DEBT

10-year benchmark G-sec yield fell by 6 bps MoM in Jan 2025

10-Yr Benchmark Bond

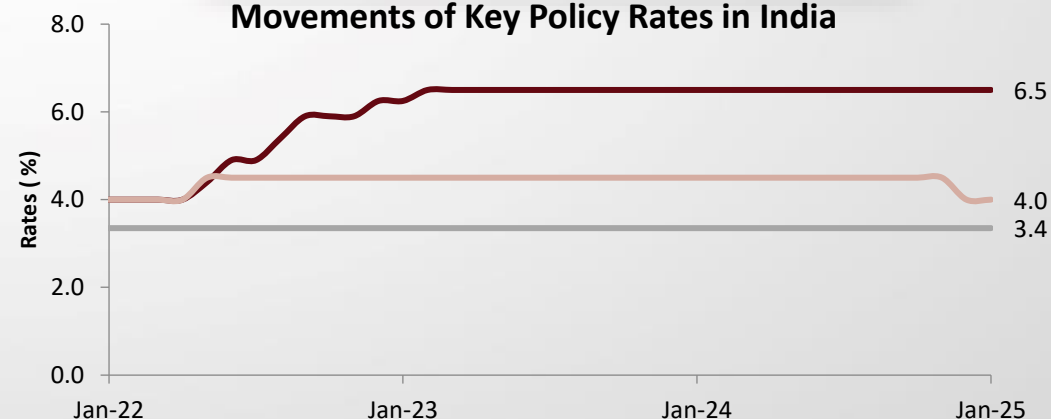


Source: Refinitiv

Bond yields fell following an ease in domestic retail inflation in Dec 2024. Gains were extended following the RBI's announcement of measures to address the bank liquidity shortage.

RBI reduced repo rate by 25 bps in Feb 2025 monetary policy meeting

Movements of Key Policy Rates in India



Source: RBI

The Monetary Policy Committee (MPC) in its sixth bi-monthly monetary policy review of FY25 reduced key policy repo rate by 25 bps to 6.25% with immediate effect.

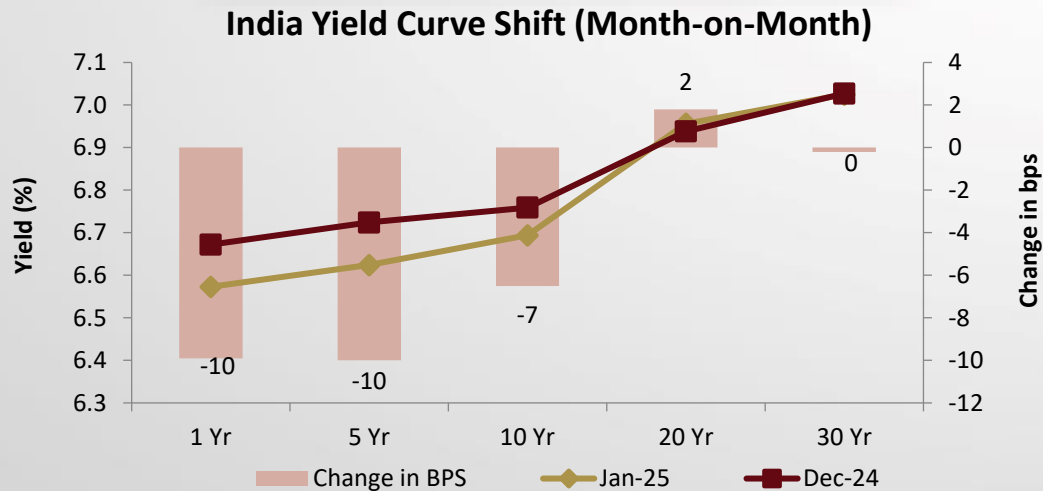
DEBT MARKET

Government Bond & Corporate Bond Yield Trend



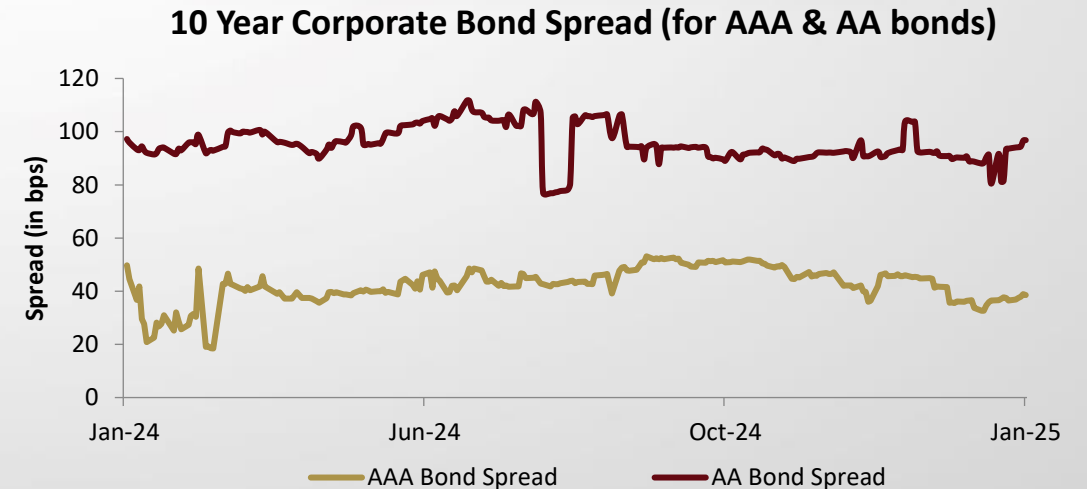
INDIAN DEBT

G-sec yields mostly fell during the month



Yield on gilt securities fell between 2 to 10 bps across the maturities, barring 30 year paper that rose by 1 bps.

Corporate bond yields mostly fell during the month



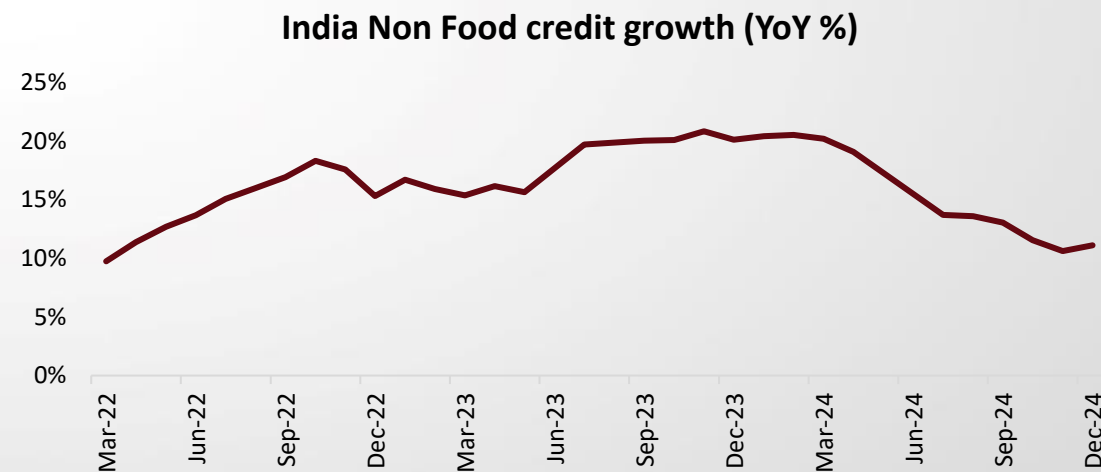
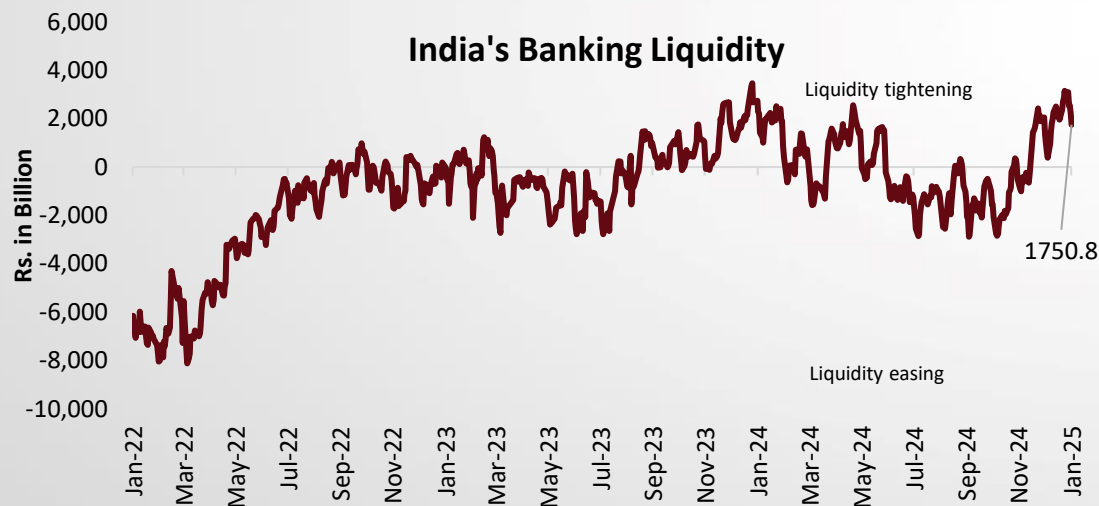
Yield on corporate bonds fell between 4 to 14 bps across the curve, barring 1 year paper that increased by 12 bps, while 2 year paper was unchanged.

DEBT MARKET

System Liquidity



INDIAN DEBT



- Banking system's liquidity remained in deficit mode during the month due to various factors, such as tax outflows and the RBI's intervention in the forex market to stabilize the rupee. The RBI has initiated liquidity infusion measures, including daily variable rate repo operations and significant dollar-rupee buy-sell swaps, to address a notable liquidity deficit in the banking system and align call rates closer to the policy repo rate. The central bank has announced a plan to inject an additional Rs. 1.1 lakh crore into the banking system through various measures, including open market purchase auctions of Government securities and a variable rate repo auction.

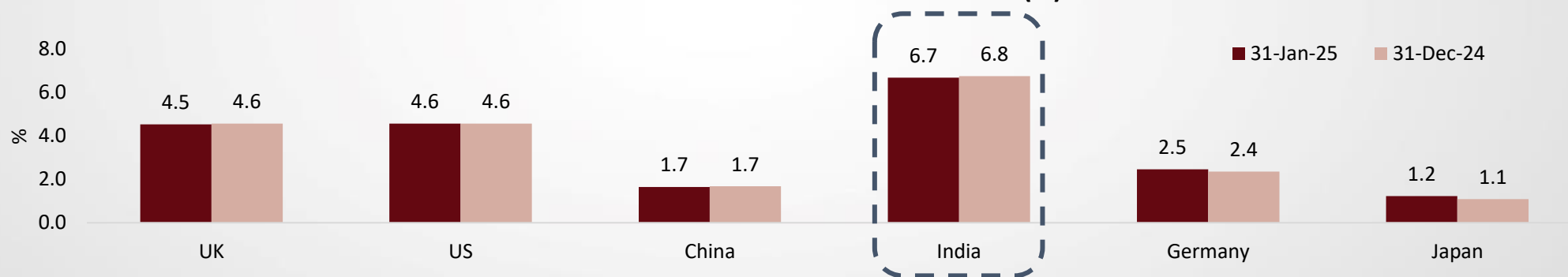
DEBT MARKET

Global



GLOBAL DEBT

Yield of 10 Year Government Bonds across countries (%)



Current Yield (%)	4.5	4.6	1.7	6.7	2.5	1.2
Inflation (%)	2.5	2.9	0.1	5.2	2.6	3.4
Real Yields (%): 31-Jan-25	2.0	1.7	1.6	1.5	-0.1	-2.2

- Globally, 10-year Sovereign yields remained mixed during the month. All above economies witnessed positive inflation adjusted returns/yields except Japan & Germany with U.K. being the highest followed by U.S. and China.

CATEGORY PERFORMANCE

Debt Mutual Funds



CATEGORY PERFORMANCE

Category	Absolute Returns (%)			CAGR (%)		
	1 month	3 months	6 months	1 year	3 years	5 years
Overnight Fund	0.55	1.62	3.24	6.58	6.02	4.87
Liquid Fund	0.58	1.73	3.50	7.24	6.42	5.26
Ultra Short Term Fund	0.54	1.63	3.39	7.07	6.09	5.36
Low Duration Fund	0.55	1.63	3.50	7.34	6.18	5.98
Money Market Fund	0.57	1.70	3.51	7.35	6.41	5.69
Arbitrage Fund	0.62	1.74	3.41	7.12	6.17	5.16
ICRA Liquid Index	0.62	1.82	3.69	7.62	6.84	5.67
Short Term Bond Fund	0.64	1.77	3.76	7.71	6.31	6.16
Medium Duration Fund	0.71	1.76	3.99	8.12	6.47	6.08
Banking and PSU Fund	0.62	1.64	3.72	7.78	6.09	6.23
Corporate Bond Fund	0.61	1.67	3.83	7.98	6.10	6.32
Credit Risk Fund	0.66	1.64	3.92	7.95	9.06	6.72
Nifty Short Duration Debt Index	0.64	1.74	3.72	7.65	6.30	6.51
Dynamic Bond Fund	0.63	1.48	3.74	8.30	6.26	6.24
Medium to Long Duration Fund	0.66	1.59	3.68	8.10	6.04	6.07
ICRA Composite Bond Fund Index	0.68	1.89	4.41	9.42	6.84	7.35
Gilt Fund	0.60	1.42	3.69	8.48	6.29	6.32
ICRA Composite Gilt Index	0.84	2.03	4.50	9.66	7.15	7.24

- Gilt Funds, Dynamic Bond Funds and Medium to Long Duration Funds are the top performing categories over the past year, generating around 8% return.

DEBT MARKET

Sensitivity Analysis



INDIAN DEBT

Sensitivity Analysis				Interest Rate Scenario's					
				Increases			Decreases		
Category	Avg YTM (%)	Avg Maturity (Years)	Avg Mod duration (Years)	0.25%	0.50%	1.00%	0.25%	0.50%	1.00%
Overnight Fund	6.66	0.00 Years	0.01 Years	6.66%	6.65%	6.65%	6.66%	6.66%	6.67%
Liquid Fund	7.22	0.05 Years	0.12 Years	7.19%	7.16%	7.10%	7.25%	7.28%	7.34%
Ultra Short Term Fund	7.56	0.26 Years	0.43 Years	7.45%	7.34%	7.13%	7.66%	7.77%	7.99%
Money Market Fund	7.15	0.16 Years	0.45 Years	7.03%	6.92%	6.70%	7.26%	7.37%	7.60%
Low Duration Fund	7.69	0.76 Years	0.87 Years	7.47%	7.26%	6.82%	7.91%	8.13%	8.56%
Short Term Bond Fund	7.16	3.32 Years	2.52 Years	6.53%	5.90%	4.64%	7.79%	8.42%	9.68%
Corporate Bond Fund	7.41	4.85 Years	3.36 Years	6.57%	5.73%	4.05%	8.25%	9.09%	10.77%
Banking and PSU Fund	7.33	4.37 Years	3.10 Years	6.56%	5.78%	4.23%	8.11%	8.88%	10.43%
Credit Risk Fund	7.68	2.79 Years	2.03 Years	7.17%	6.66%	5.65%	8.18%	8.69%	9.71%
Medium Duration Fund	7.63	4.93 Years	3.59 Years	6.73%	5.83%	4.04%	8.52%	9.42%	11.22%
Dynamic Bond Fund	7.10	15.08 Years	7.00 Years	5.35%	3.60%	0.10%	8.85%	10.60%	14.10%
Medium to Long Duration Fund	7.17	10.92 Years	6.05 Years	5.66%	4.14%	1.12%	8.68%	10.19%	13.22%
Gilt Fund	6.68	19.35 Years	8.51 Years	4.55%	2.43%	-1.83%	8.81%	10.94%	15.19%

- Low Duration funds, Credit Risk funds and Medium Duration funds offer higher YTM's.

Note: Modified Duration indicates the sensitivity of a fund/bond with a change in interest rate scenario. It helps help investors predict how the bond's price will be affected by the fluctuations in interest rates.

For eg: If a fund with a modified duration of 8 years and YTM of 8% sees a 50-bps interest rate fall in a year, then the estimated return will be 12% [Average YTM - (Modified Duration x Change in Interest Rate)].

DEBT MARKET ROUNDUP

Key Takeaways & Outlook



INDIAN DEBT

Domestic & Global factors that played out for the Indian markets:

- Bond yields fell after data showed India's retail inflation for Dec 2024 eased to a four-month low of 5.22% from 5.48% in Nov 2024, raising hopes of the RBI's rate cut cycle kicking off as early as Feb 2025. Gains were extended following the RBI's announcement of measures to address the bank liquidity shortage. The liquidity infusion package, which includes the purchase of bonds worth Rs. 60,000 crore in three tranches of Rs. 20,000 each.
- Sentiment was boosted following the RBI's announcement to conduct variable rate repo auctions on daily basis to infuse liquidity. The MPC unanimously voted to reduce the policy repo rate by 25 bps to 6.25% and continued to maintain a neutral stance.

Outlook:

- Moving ahead, the Union Budget 2025 targets a fiscal deficit of 4.4% for FY26, which aligns with market expectations. This conservative approach is expected to support economic growth and stabilize the bond market. However, the narrowing yield spread between Indian and U.S. bonds has made Indian debt less attractive to foreign investors.
- Moreover, global volatility remains elevated given tariff headlines on an everyday basis. However, it is expected that the RBI has adequate space to focus primarily on domestic growth and inflation conditions and further rate cuts will hinge on incoming growth data
- **For Core portfolio 60-70% of the entire debt portfolio), investors may consider Short Duration funds, Banking PSU, Corporate Bond and Target Maturity funds (matching with the average maturity of the funds and investment horizon). Along with MFs, good quality Corporate FDs and Bonds can be looked at allocation in the debt portfolio**
- **For Satellite portfolio (30-40% of the entire debt portfolio), investors may consider MF categories such as Medium to Long duration, Gilt and Dynamic Bond Funds as they may generate capital gains with the RBI beginning its interest rate cut cycle.**

ECONOMIC CALENDAR

Upcoming Key Events for the Month



DOMESTIC

Events for February 2025	
Event	Date
Industrial Production YoY Dec 2024	12-Feb-25
CPI Inflation Rate YoY Jan 2025	12-Feb-25
WPI Inflation YoY Jan 2025	14-Feb-25
Passenger Vehicles Sales YoY Jan 2025	14-Feb-25
Balance of Trade Jan 2025	14-Feb-25
Infrastructure Output YoY Jan 2025	28-Feb-25
GDP Growth Rate YoY Q3 FY25	28-Feb-25
Fiscal deficit (as a % of budget estimates) Jan 2025	28-Feb-25



GLOBAL

Events for February 2025	
Event	Date
China CPI YY Jan 2025	09-Feb-25
U.S. CPI YY, NSA Jan 2025	12-Feb-25
U.K. GDP Estimate YY Dec 2024	13-Feb-25
Germany HICP Final YY Jan 2025	13-Feb-25
U.S. Industrial Production MM Jan 2025	14-Feb-25
U.K. ILO Unemployment Rate Dec 2024	18-Feb-25
U.K. CPI YY Jan 2025	19-Feb-25
Japan CPI, Overall Nationwide Jan 2025	20-Feb-25

MUTUAL FUND DASHBOARD

Category Performance

MUTUAL FUND DASHBOARD

Category Performance



CATEGORY PERFORMANCE

Equity Category:	1 Yr	3 Yr	5 Yr	10 Yr
Large Cap	10.24	12.27	15.21	11.04
Large & Mid Cap	13.42	15.54	19.03	13.48
Multi Cap	12.08	17.25	20.74	14.17
Flexi Cap	11.37	13.88	17.29	12.63
Mid Cap	15.19	18.70	22.87	15.35
Small Cap	10.49	18.08	26.64	16.55
Focused	12.11	13.32	16.47	12.30
Value	10.31	17.54	20.60	13.80
Hybrid Category:				
Conservative Hybrid	8.78	8.24	8.73	7.41
Balanced Hybrid	11.77	--	--	--
Balanced Advantage	8.28	10.61	11.42	9.10
Multi Asset Allocation	11.16	12.94	16.93	11.64
Aggressive Hybrid	11.09	12.26	15.14	10.68

Debt Category	3 Mths	6 Mths	1 Yr	3 Yr
Money Market:				
Overnight	1.62	3.24	6.58	6.02
Liquid	1.73	3.50	7.24	6.42
Ultra Short Duration	1.63	3.39	7.07	6.09
Low Duration	1.63	3.50	7.34	6.18
Money Market	1.70	3.51	7.35	6.41
Accrual:				
Short Duration	1.77	3.76	7.71	6.31
Medium Duration	1.76	3.99	8.12	6.47
Banking & PSU Debt	1.64	3.72	7.78	6.09
Corporate Bond	1.67	3.83	7.98	6.10
Floating Rate	1.65	3.76	8.14	6.59
Credit Risk	1.64	3.92	7.95	9.06
Duration:				
Medium to Long Duration	1.59	3.68	8.10	6.04
Long Duration	1.21	3.76	9.57	7.22
Dynamic Bond	1.48	3.74	8.30	6.26
Gilt	1.42	3.69	8.48	6.29
Gilt Fund with 10 Year Constant Duration	2.17	4.41	9.28	6.46

Note: <1 year return are absolute and ≥ 1 year returns are CAGR

Performance is of regular plan growth option. MF Category average performance as on 31st Jan 2025.

Source: MFI 360 Explorer <http://www.icraanalytics.com/legal/standard-disclaimer.html>

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