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MARKET OUTLOOK

July 2025

Section 2:

Global Markets

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2025 – A year of geopolitical conflicts?

V/S

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Iran Israel war: Will Qatar, UAE, Saudi Arabia, Arab league, Gulf countries now join US, Tel Aviv against Tehran?

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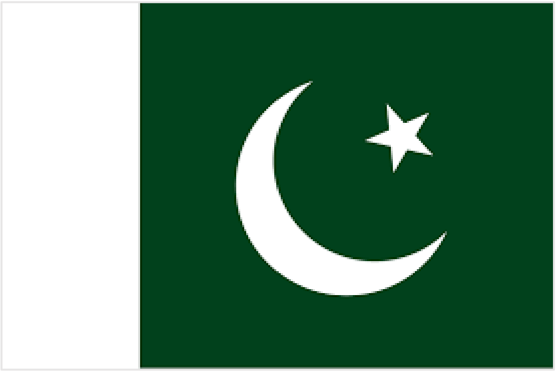
NEWS › DEFENSE

India ready to strike 'deep into Pakistan' if provoked, New Delhi warns amid shaky ceasefire

The nuclear-armed countries fought a short but intense war in April that caused concern around the world.

V/S



Source: Media articles

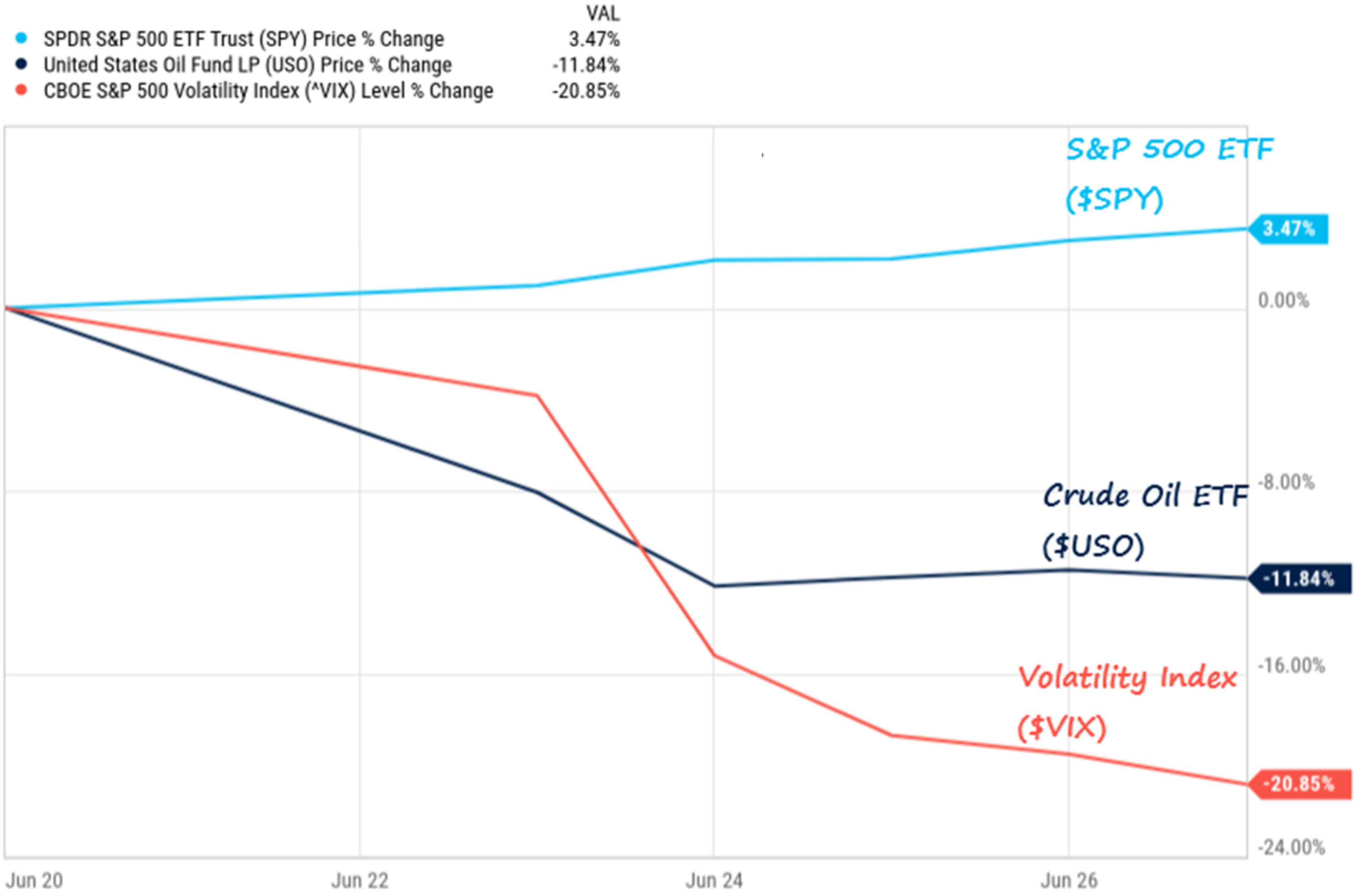
Expect the unexpected – Despite the war, Israeli markets at All Time Highs

MSCI Israel ETF ($EIS)

Source: Charlie Bilello

S&P at ATH, VIX & Brent crash post Israel attack – unexpected!

Price Returns: June 23 – June 27, 2025



Source: Charlie Bilello

Expect the unexpected – S&P was -15% YTD in April, now +6% YTD, roaring back!

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S&P 500: Worst Performance through First 66 Trading Days (1928 - 2025)				
Rank	Year	Price Return: First 66 Trading Days	Price Return: Day 67 to Year-End	Price Return: Full Calendar Year
1	1932	-20.4%	7.1%	-14.8%
2	1939	-18.9%	16.9%	-5.2%
3	2020	-17.6%	41.0%	16.3%
4	**2025**	**-15.3%**		
5	2001	-12.8%	-0.3%	-13.0%
6	1938	-10.1%	38.6%	24.5%
7	2009	-9.7%	36.7%	23.5%
8	1977	-8.8%	-3.0%	-11.5%
9	1973	-8.1%	-10.1%	-17.4%
10	1935	-7.6%	53.0%	41.4%
11	1960	-6.7%	4.0%	-3.0%
12	1942	-6.6%	20.3%	12.4%
13	2008	-6.5%	-35.1%	-39.3%
14	1953	-6.2%	-0.5%	-6.6%
15	2022	-6.0%	-14.3%	-19.4%
16	1982	-5.9%	21.6%	14.5%
17	1978	-5.6%	7.0%	1.1%
18	1980	-5.4%	32.5%	25.4%
19	1957	-4.8%	-10.0%	-14.3%
20	1984	-4.5%	5.5%	0.8%

Biggest 12-Week S&P 500 % Gains and Forward S&P 500 Total Returns (1989 - 2025)										
Biggest 12-Week S&P 500 Total Return Gains					Forward S&P 500 Total Returns					
Start Date	End Date	Start S&P TR	End S&P TR	% Change	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
3/6/2009	5/29/2009	1106	1496	35.3%	20.0%	21.0%	50.8%	52.5%	95.3%	129.8%
3/20/2020	6/12/2020	4697	6227	32.6%	21.4%	41.8%	32.1%	48.2%	87.1%	112.8%
10/9/1998	1/1/1999	1333	1670	25.3%	13.9%	21.0%	10.0%	-2.0%	-24.9%	-4.3%
3/13/2009	6/5/2009	1225	1531	24.9%	18.9%	15.6%	44.0%	44.7%	88.8%	127.3%
4/11/1997	7/4/1997	975	1217	24.8%	7.2%	27.0%	56.3%	65.4%	40.9%	15.5%
3/20/2009	6/12/2009	1245	1542	23.8%	18.2%	17.7%	39.8%	49.0%	89.0%	128.9%
9/4/1998	11/27/1998	1317	1618	22.9%	9.9%	20.3%	15.3%	0.1%	-17.7%	-6.8%
10/2/1998	12/25/1998	1357	1665	22.7%	8.0%	20.5%	9.1%	-3.1%	-22.9%	-4.6%
3/27/2020	6/19/2020	5180	6345	22.5%	20.7%	36.6%	22.3%	49.2%	86.6%	108.1%
4/4/2025	**6/27/2025**	**11178**	**13641**	**22.0%**						
4/3/2020	6/26/2020	5075	6164	21.4%	24.1%	44.5%	34.0%	51.5%	93.3%	113.9%
1/9/1998	4/3/1998	1242	1508	21.4%	-10.0%	16.9%	37.1%	7.4%	7.6%	-17.6%
2/27/2009	5/22/2009	1189	1443	21.4%	24.4%	25.1%	56.5%	55.4%	104.6%	135.3%
10/16/1998	1/8/1999	1431	1733	21.1%	10.8%	14.5%	4.3%	-4.6%	-24.8%	-6.6%
4/18/1997	7/11/1997	1013	1217	20.2%	2.0%	29.0%	57.7%	68.2%	37.0%	15.4%
4/25/1997	7/18/1997	1012	1216	20.2%	5.9%	31.7%	59.7%	72.0%	40.1%	7.7%
1/11/1991	4/5/1991	351	422	20.0%	3.2%	10.3%	24.9%	29.7%	49.9%	98.0%
3/14/2003	6/6/2003	1200	1427	19.0%	8.4%	15.6%	25.4%	37.6%	67.2%	55.4%
3/13/2020	6/5/2020	5523	6537	18.4%	16.8%	34.6%	32.6%	40.6%	75.9%	99.6%
11/23/1990	2/15/1991	349	413	18.1%	6.2%	15.3%	28.0%	39.2%	46.6%	104.9%
Average (20 Biggest 12-Week % Gains)					**12.1%**	**24.2%**	**33.7%**	**36.9%**	**48.4%**	**63.8%**
Average All Other Periods					5.7%	11.8%	25.1%	39.3%	56.0%	74.2%
Differential					**6.4%**	**12.4%**	**8.5%**	**-2.4%**	**-7.6%**	**-10.4%**

Source: Charlie Bilello

Expect the unexpected – The VIX witnesses one of the biggest 12-week decline!

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Biggest 12-Week $VIX % Declines and Forward S&P 500 Total Returns (1990 - 2025)

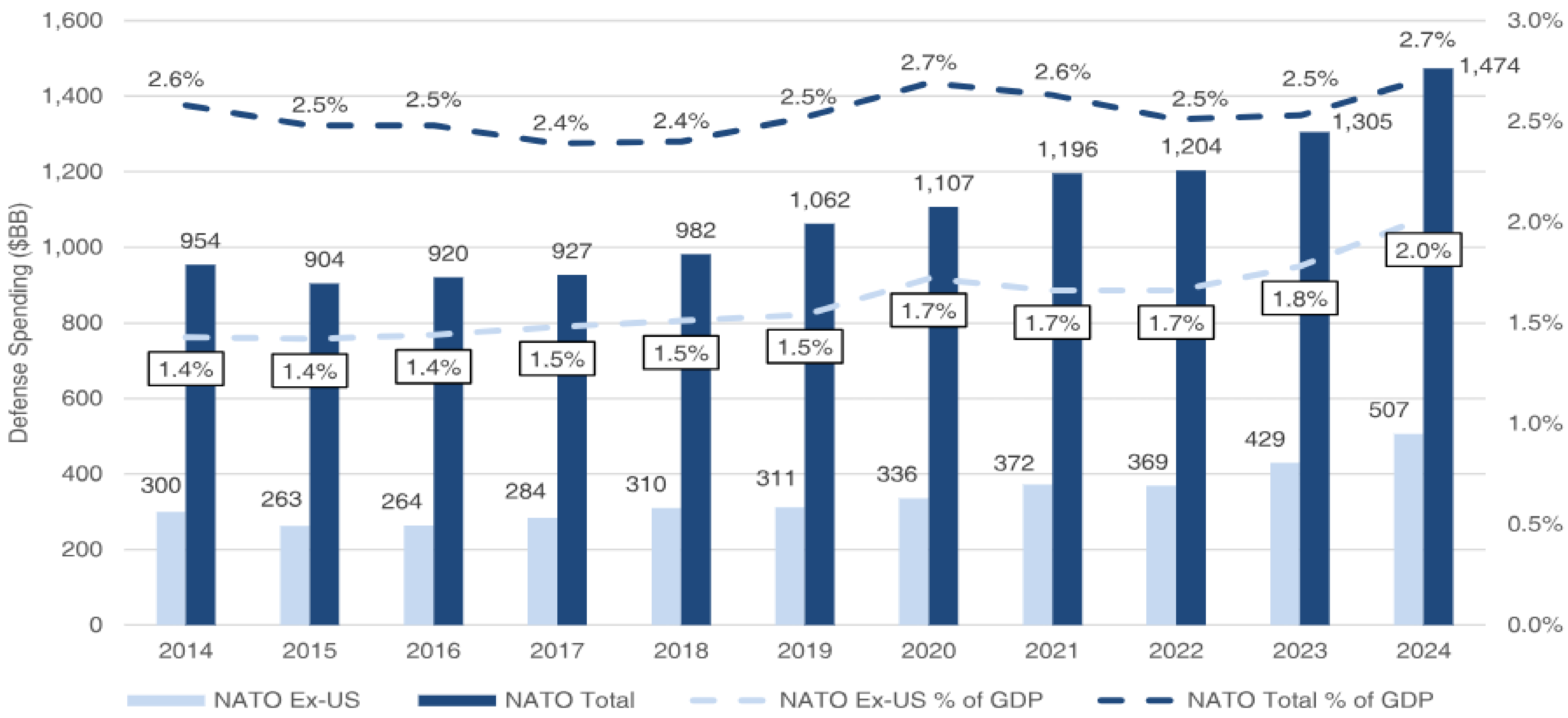
Biggest 12-Week $VIX Declines					Forward S&P 500 Total Returns					
Start Date	End Date	Start $VIX	End $VIX	$VIX Decline	6-Month	1-Year	2-Year	3-Year	4-Year	5-Year
4/4/2025	6/27/2025	45.31	16.32	-64.0%						
3/13/2020	6/5/2020	57.83	24.52	-57.6%	16.8%	34.6%	32.6%	40.6%	75.9%	99.6%
12/21/2018	3/15/2019	30.11	12.88	-57.2%	7.6%	-2.0%	45.0%	56.7%	46.4%	97.3%
11/4/2016	1/27/2017	22.51	10.58	-53.0%	8.8%	27.7%	20.8%	52.4%	80.9%	110.1%
3/23/2018	6/15/2018	24.87	11.98	-51.8%	-5.6%	6.0%	13.9%	61.5%	50.5%	68.7%
9/30/2011	12/23/2011	42.96	20.73	-51.7%	6.6%	15.6%	50.1%	74.5%	72.6%	98.6%
1/8/2016	4/1/2016	27.01	13.10	-51.5%	5.7%	16.4%	32.7%	45.3%	32.9%	111.4%
2/9/2018	5/4/2018	29.06	14.77	-49.2%	3.2%	12.8%	10.6%	66.1%	66.5%	70.9%
9/4/1998	11/27/1998	43.31	22.09	-49.0%	9.9%	20.3%	15.3%	0.1%	-17.7%	-6.8%
11/25/2011	2/17/2012	34.47	17.78	-48.4%	5.3%	14.2%	41.1%	64.2%	49.2%	89.3%
1/29/2021	4/23/2021	33.09	17.33	-47.6%	9.5%	3.6%	2.0%	24.5%	34.2%	
10/2/1998	12/25/1998	40.47	21.48	-46.9%	8.0%	20.5%	9.1%	-3.1%	-22.9%	-4.6%
3/27/2020	6/19/2020	65.54	35.12	-46.4%	20.7%	36.6%	22.3%	49.2%	86.6%	108.1%
1/11/1991	4/5/1991	32.63	17.63	-46.0%	3.2%	10.3%	24.9%	29.7%	49.9%	98.0%
3/17/2023	6/9/2023	25.51	13.83	-45.8%	8.0%	26.3%	43.6%			
9/4/2015	11/27/2015	27.80	15.12	-45.6%	1.6%	8.2%	29.8%	33.9%	61.4%	88.1%
3/20/2020	6/12/2020	66.04	36.09	-45.4%	21.4%	41.8%	32.1%	48.2%	87.1%	112.8%
10/10/2008	1/2/2009	69.95	39.19	-44.0%	-2.5%	22.6%	41.0%	44.0%	64.3%	120.3%
8/28/1998	11/20/1998	39.60	22.47	-43.3%	15.1%	23.8%	20.4%	1.6%	-17.6%	-3.1%
1/15/2016	4/8/2016	27.02	15.36	-43.2%	6.3%	17.5%	32.5%	50.1%	31.7%	116.4%
Average (20 Biggest 12-Week % Declines)					7.9%	18.8%	27.4%	41.1%	46.2%	80.9%
Average All Other Periods					5.7%	12.0%	25.3%	39.3%	56.1%	74.2%
Differential					2.2%	6.7%	2.1%	1.8%	-9.9%	6.6%

Source: Charlie Bilello

Expect the unexpected – Dollar Index continues to fall

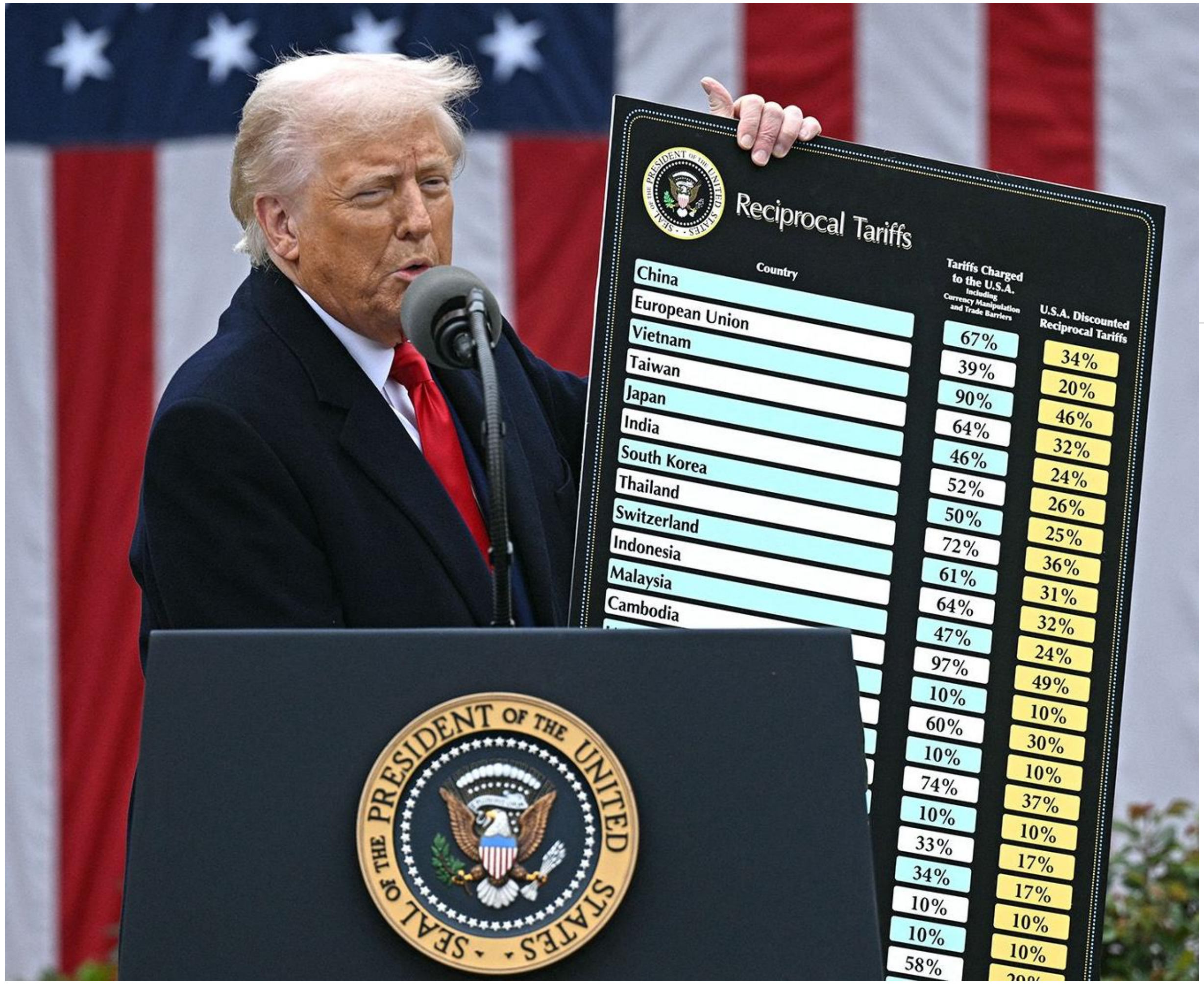
Source: TradingView

NATO agrees to hike defense spending – targets 3.5% of GDP by 2032



Source: Jefferies

US’ tariffs deadline extended to August 1



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Trump says US nears trade deals as tariff deadline delayed

By **Andrea Shalal** and **Nathan Howard**

July 7, 2025 9:17 AM GMT+5:30 · Updated 36 mins ago

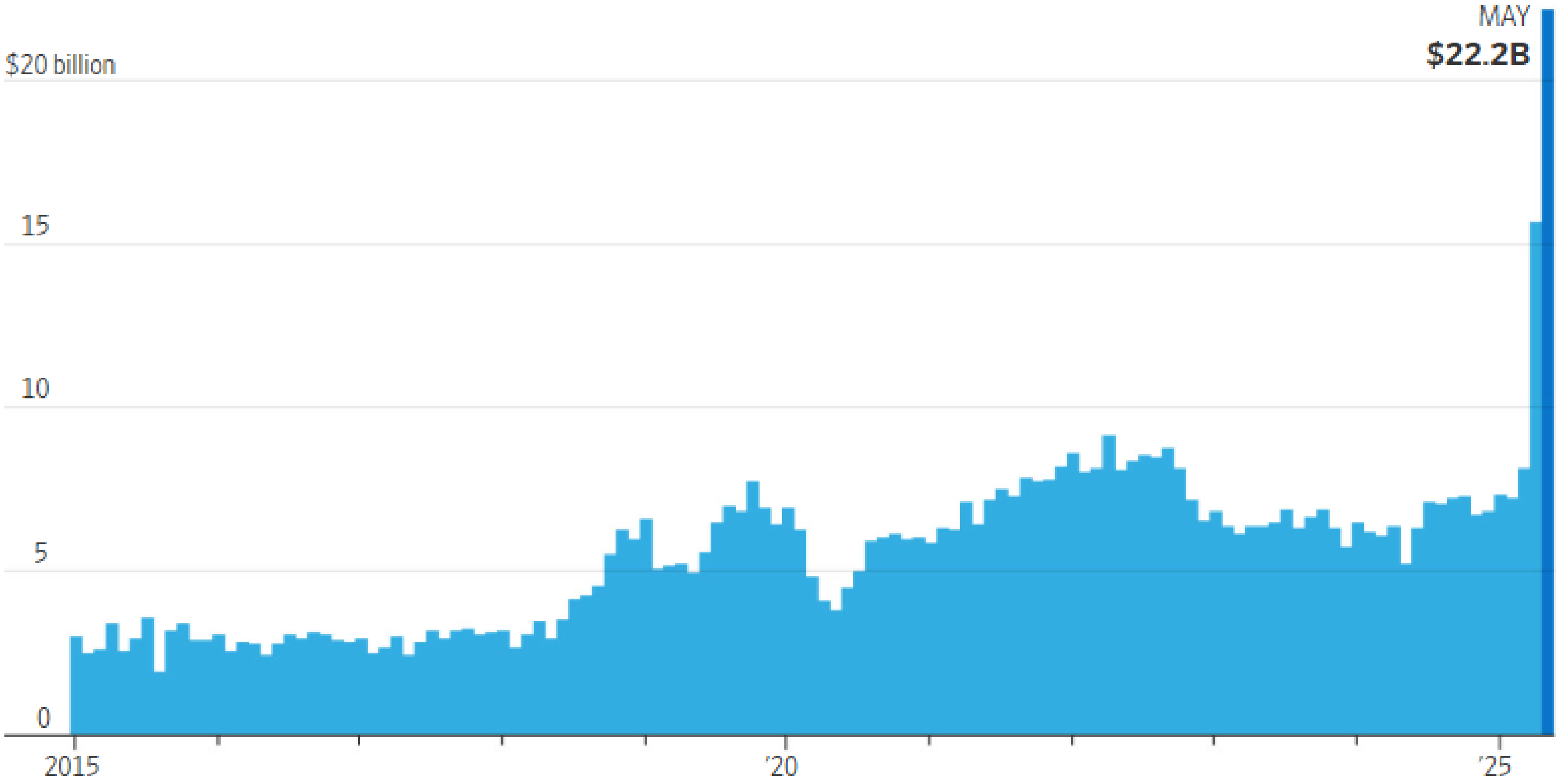
Aa

Reuters

Source: Media articles

Record customs duties collected by US in May'25

Duties collected from US imports, monthly

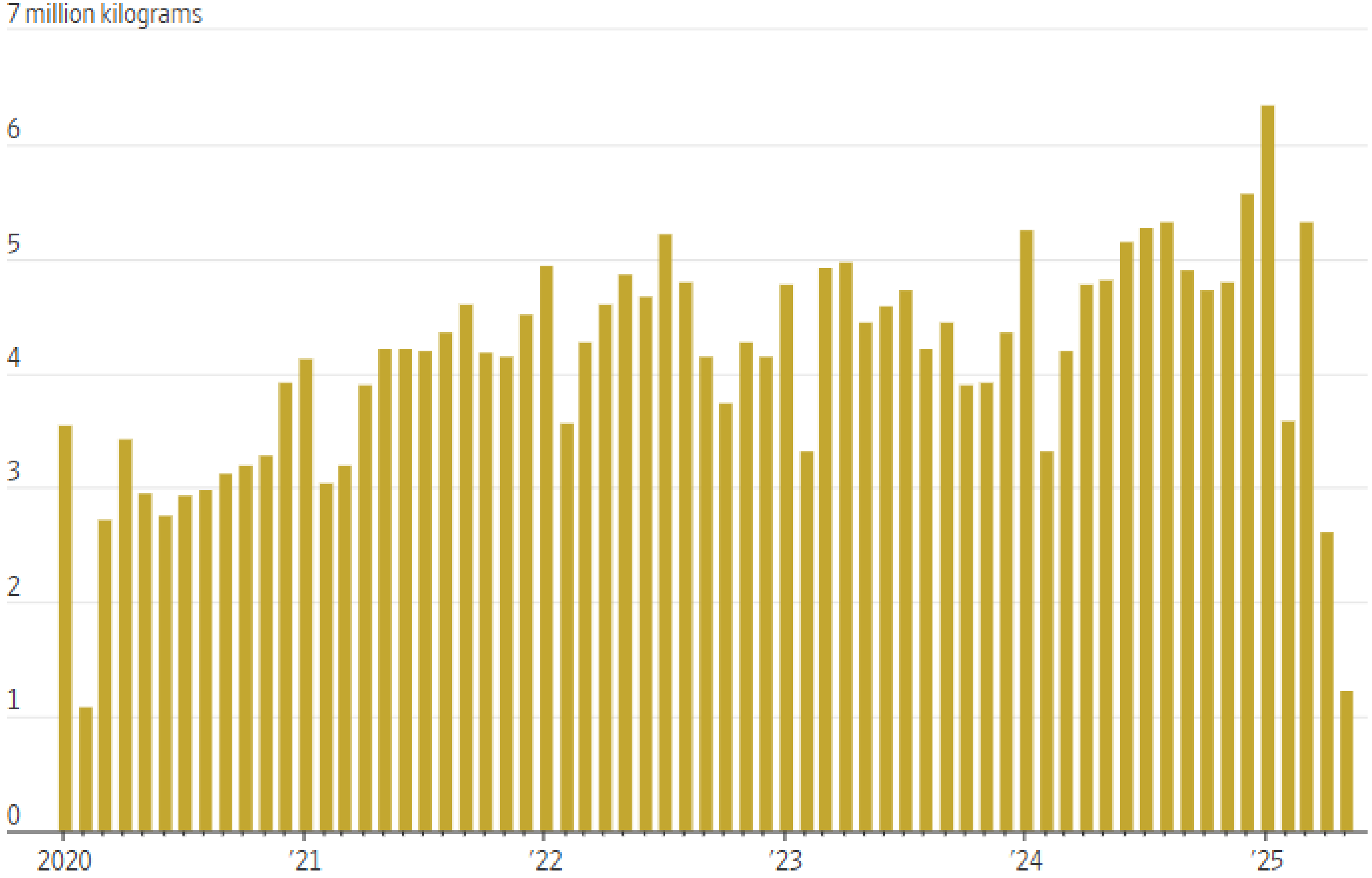


Note: Receipts from customs duties deduct refunds.
Source: Treasury Department

Source: Charlie Bilello

China is reciprocating with restrictions on rare earth exports

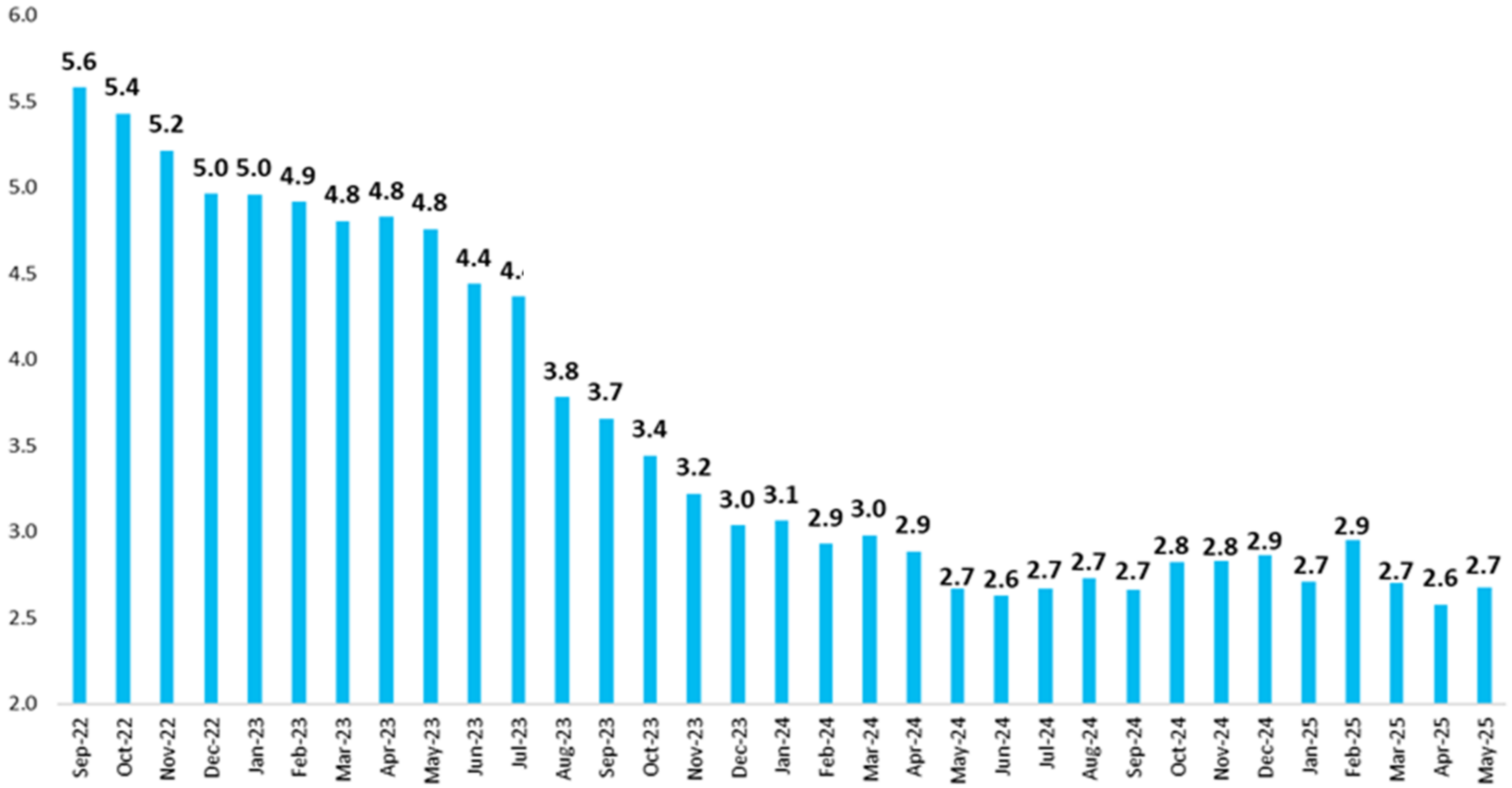
China rare-earth magnet exports



Source: Charlie Bilello, China's General Customs Administration; Wind

US Fed is not so sure about inflation staying low??

US Core PCE Inflation Rate (YoY % Change)



Source: Charlie Bilello

2 rate cuts this year?

To stay or not to stay ???

Stocks – All time high

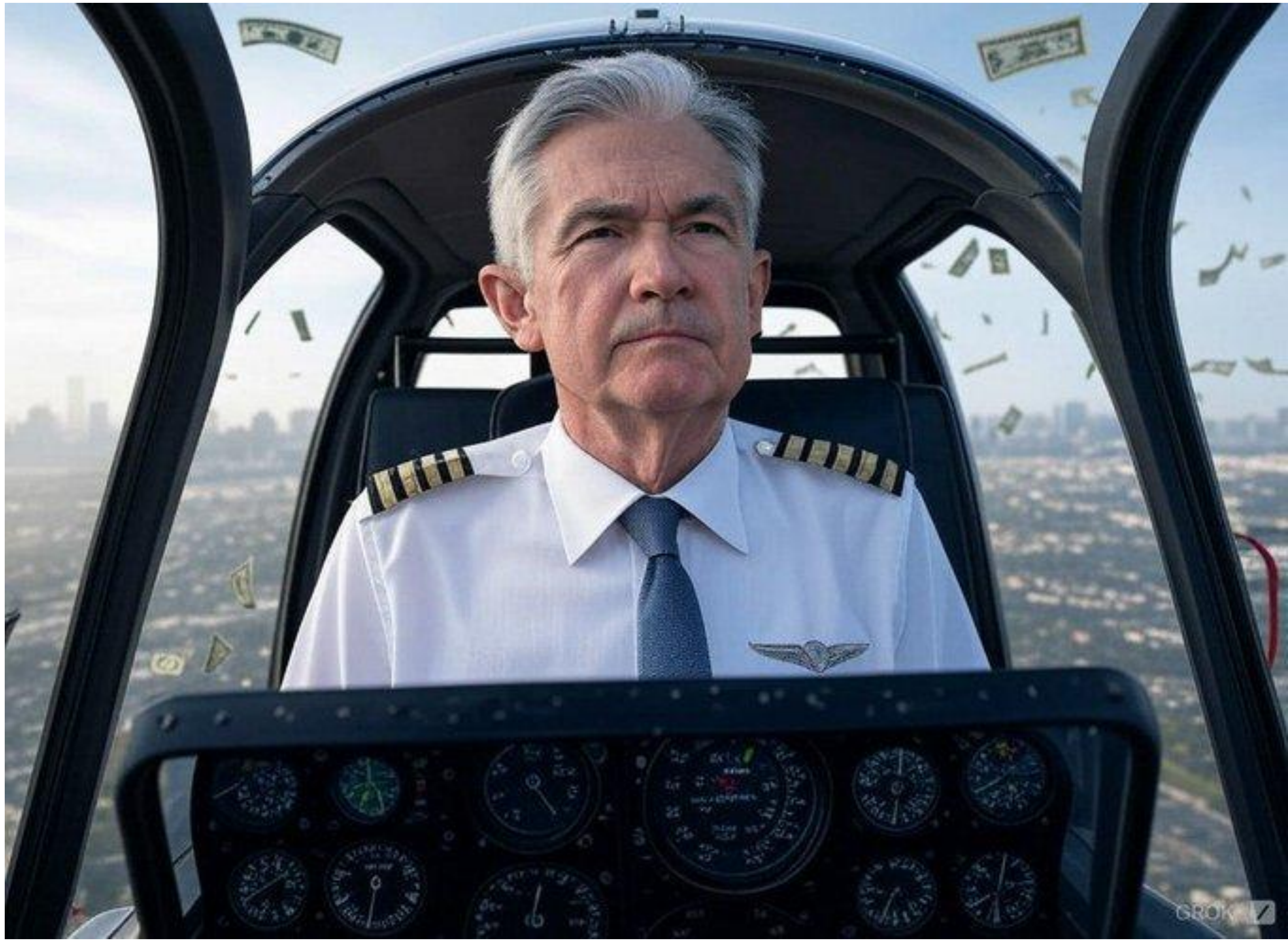
National Debt – All time high

Money Supply – All time high

Home prices – All time high

CPI – Averaging 4% p.a. since 2020 (2x Fed target)

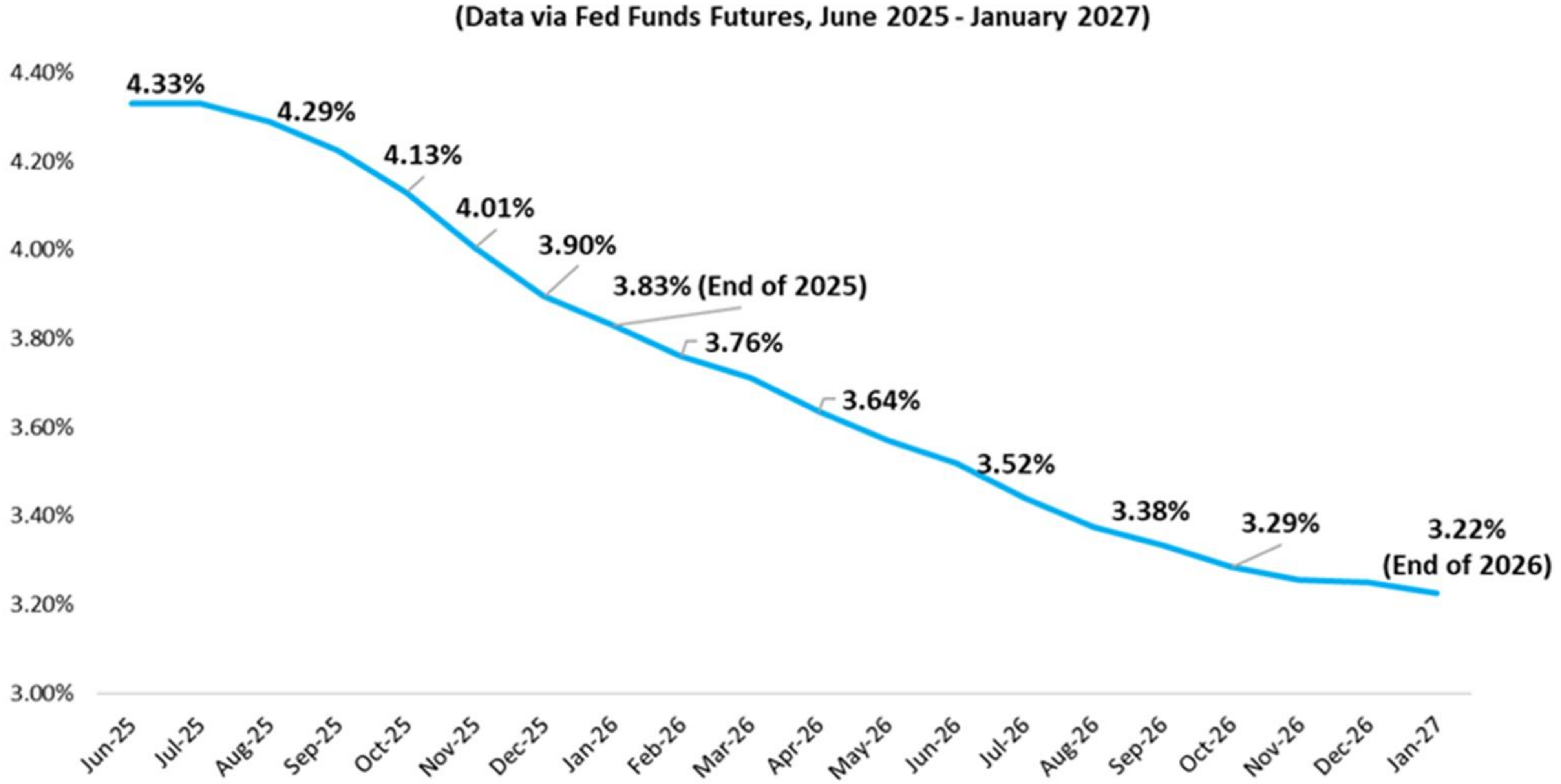
Bitcoin – All time high



Source: Charlie Bilello

Bond markets now expect lower 50bps cut in 2025

Market Expectations for Fed Funds Rate



Source: Charlie Bilello

Long-term US Treasury returns negative for the first time 100 years

Long term US Treasuries: 10-year rolling annualized returns (%)

Source: BofA Global Investment Strategy, Ibbotson, Refinitiv Datastream

Main concerns on the US markets?

S&P concentration at record highs…

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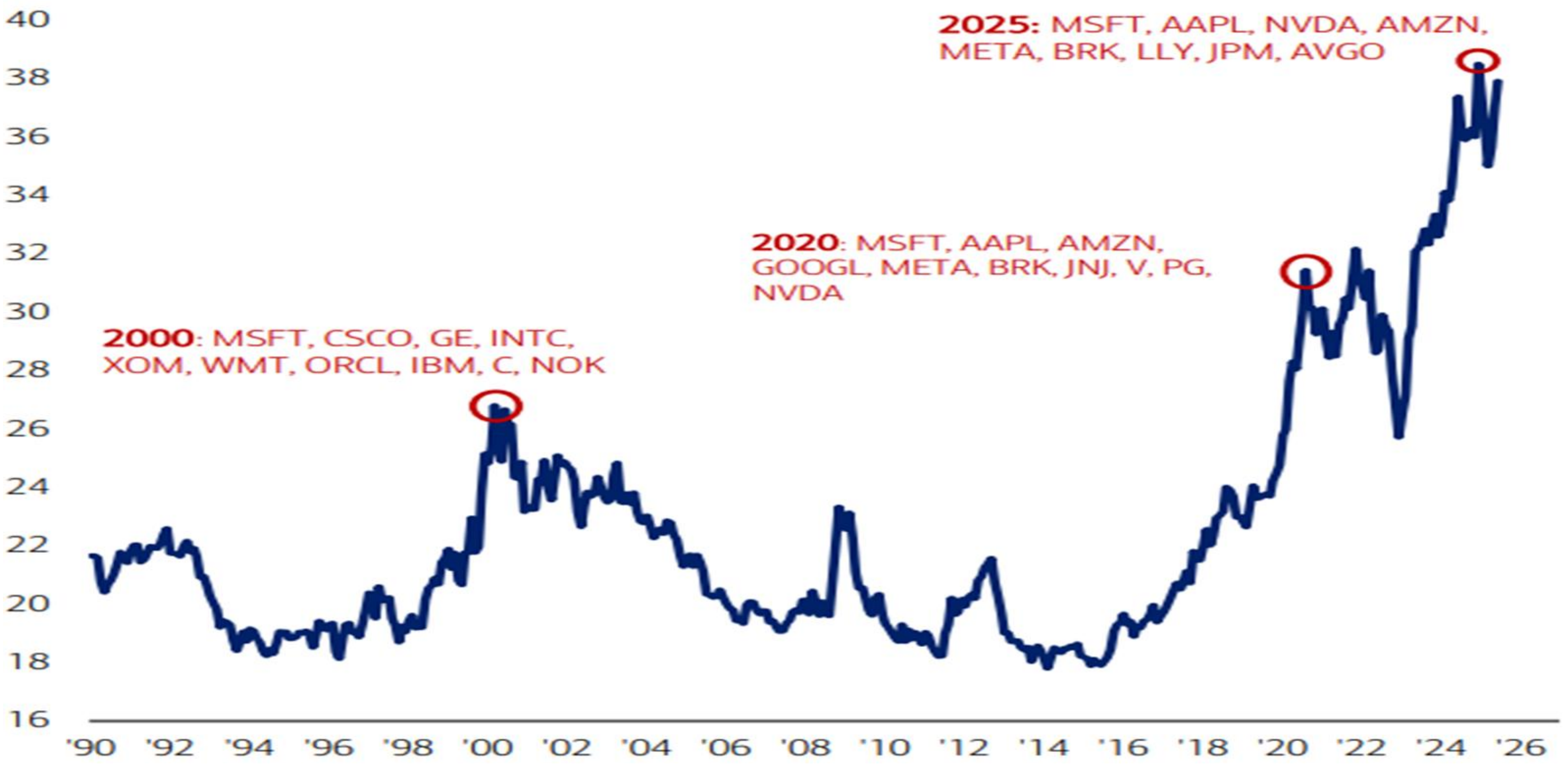
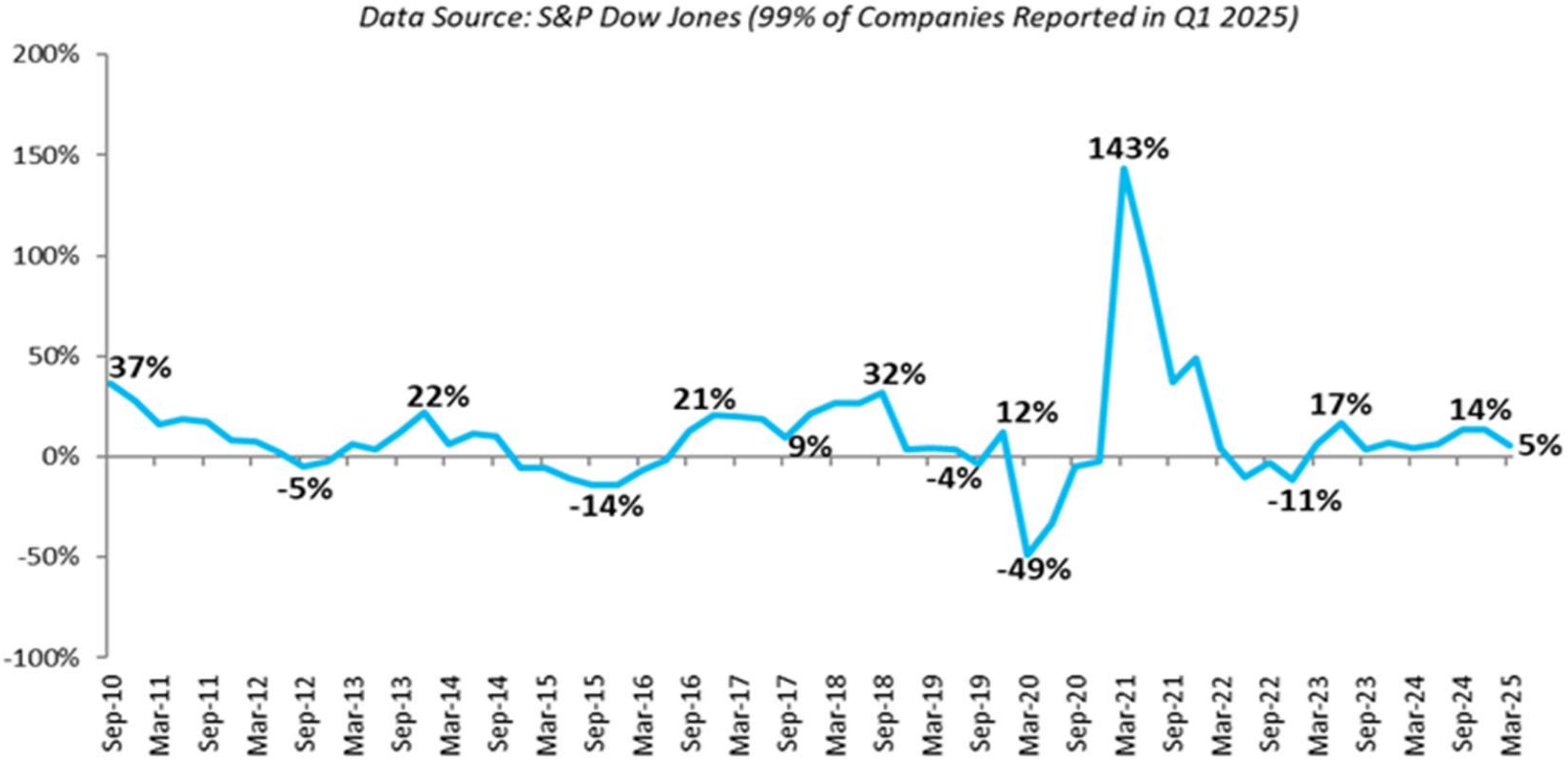
Top 10 companies % of S&P 500 market cap



Source: The Kobeissi Letter, Crescat Capital LLC, Bloomberg, Tavi Costa

S&P operating earnings growth is slowing down

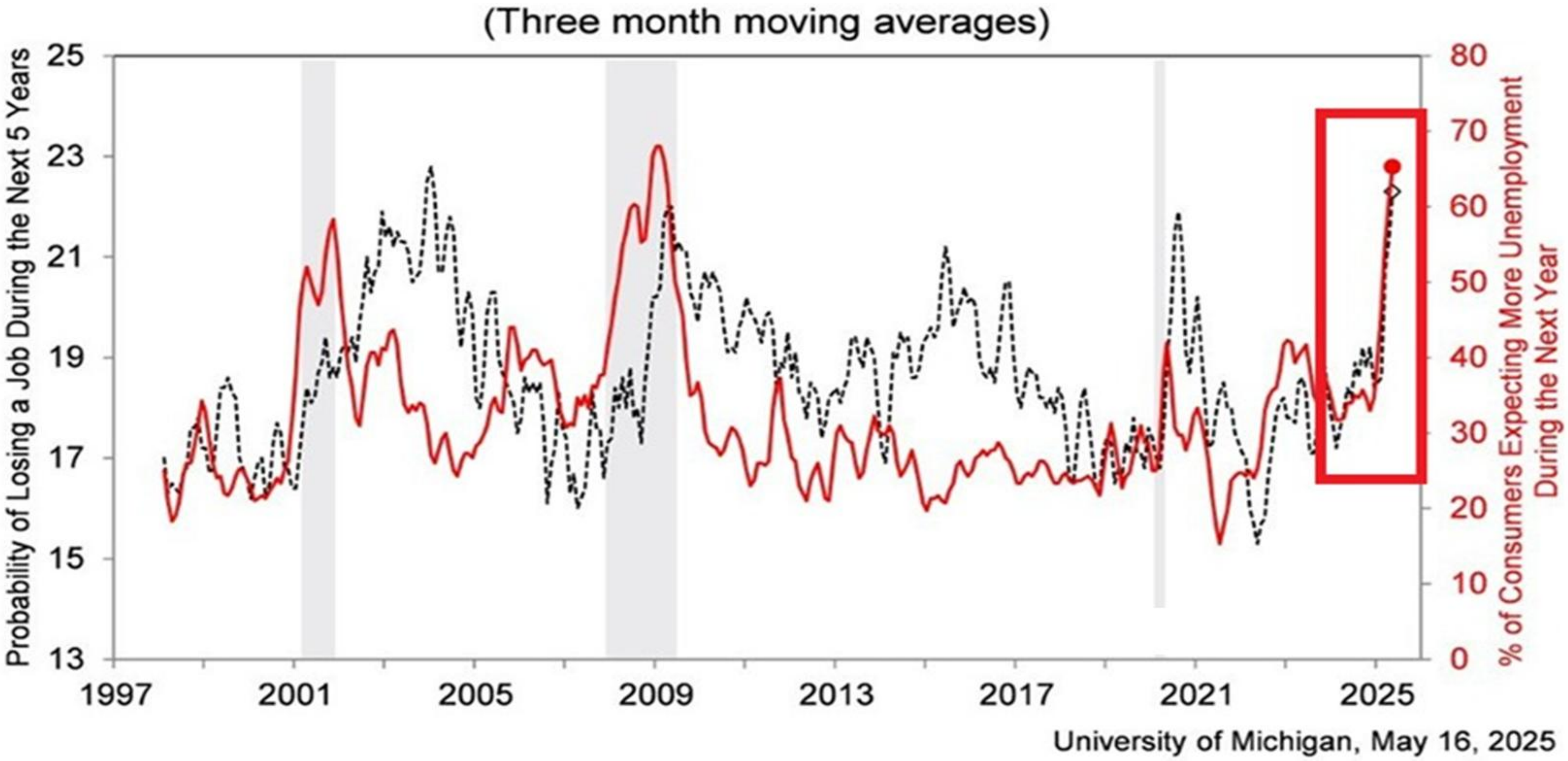
S&P 500 Operating EPS Growth (Quarterly, YoY)



Source: Charlie Bilello

Consumers are highly pessimistic about job markets

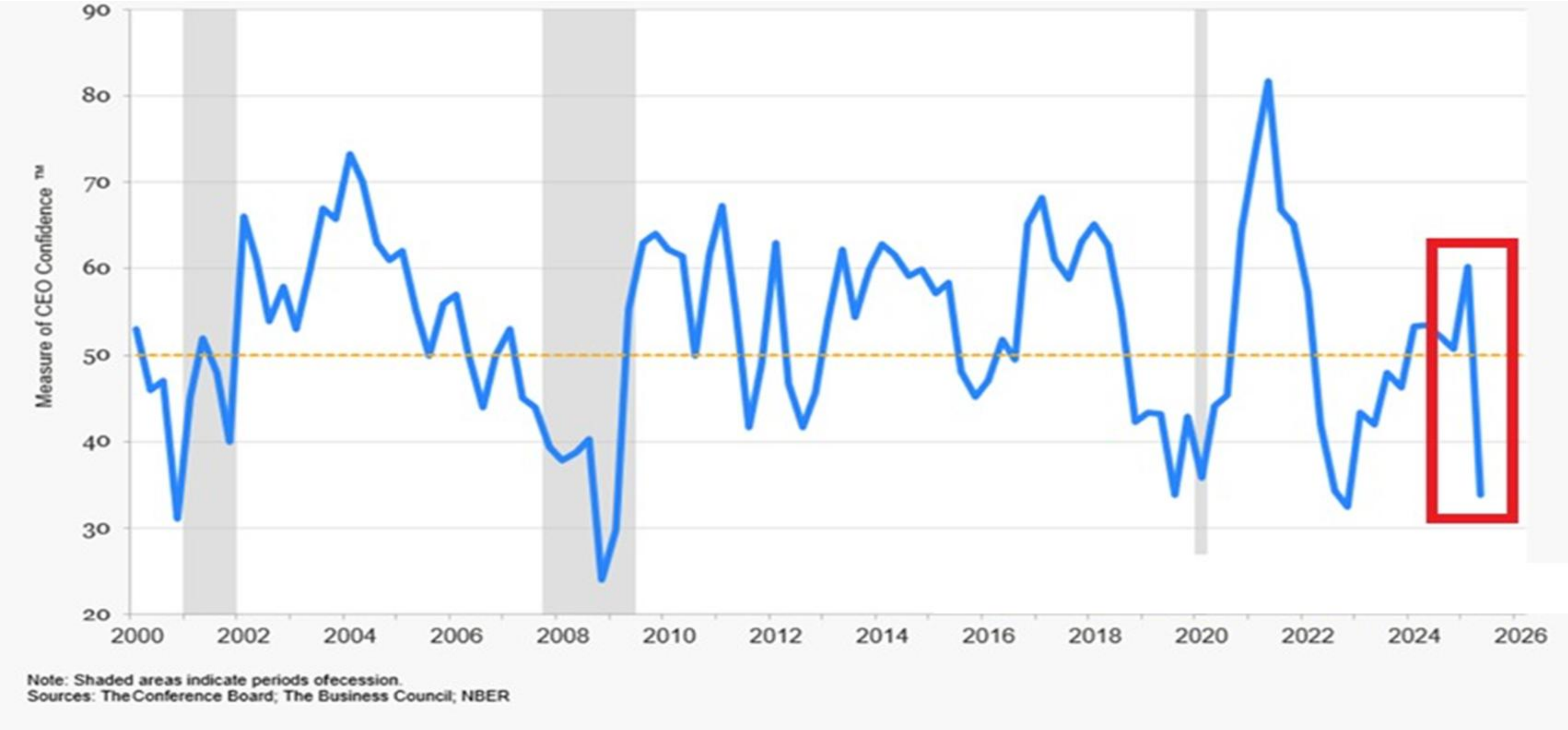
Consumer Anticipate Rising Unemployment and Elevated Risks of Personal Job Loss



Source: The Kobeissi Letter

Along with rising pessimism among corporates

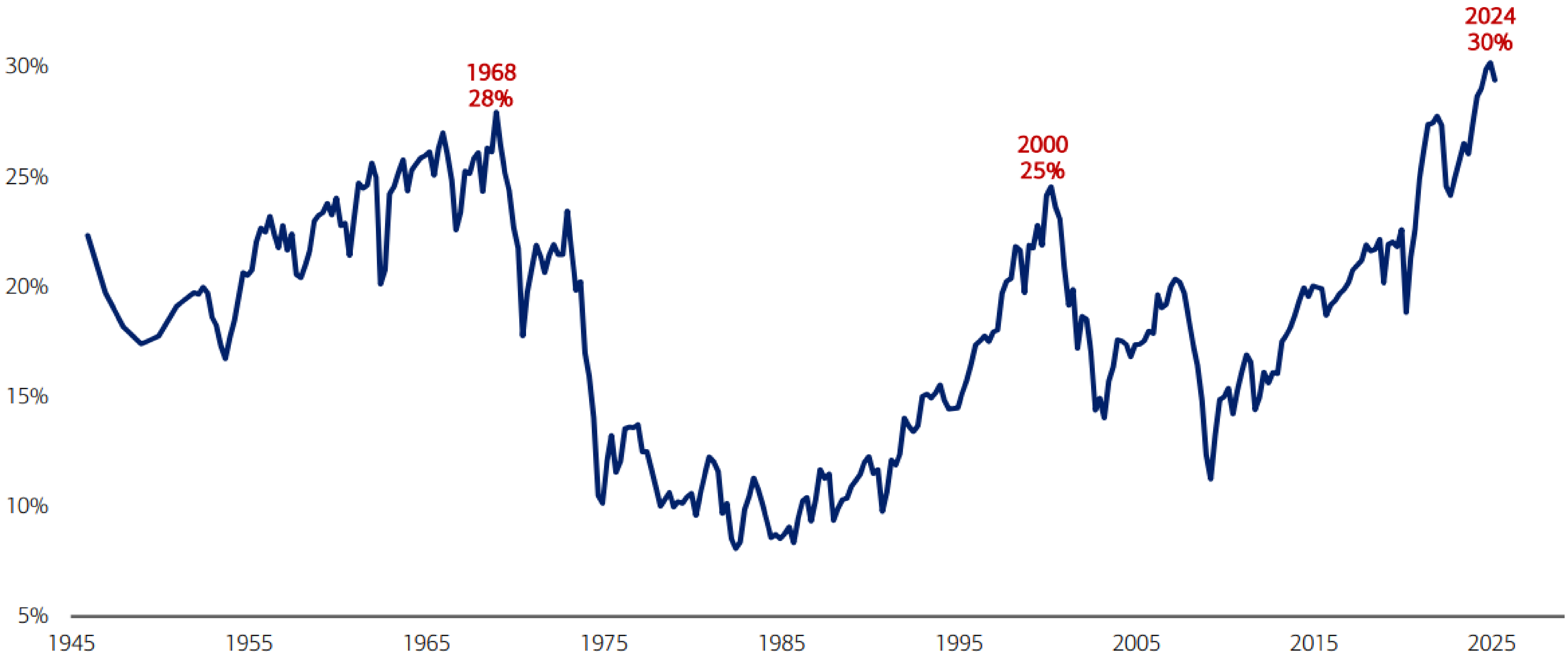
The Conference Board Measures of CEO Confidence™



Source: The Kobeissi Letter

US household net worth very sensitive to US equity markets

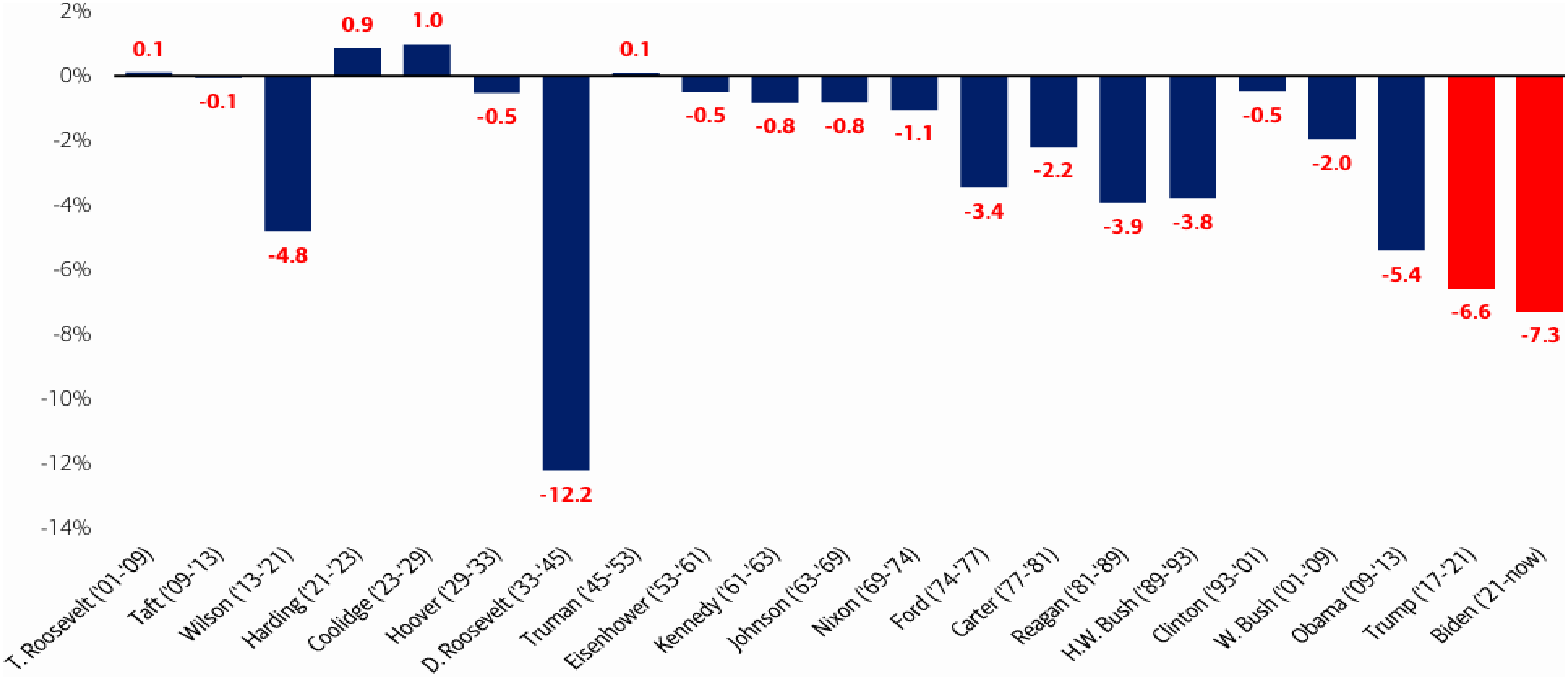
US households holdings of equities as % of total financial assets



Source: BofA Global Investment Strategy, Haver, Federal Reserve

Largest US deficit since World War II

Average US federal deficit as % of GDP during presidential terms since 1900



Source: BofA Global Investment Strategy, Global Financial Data, Bloomberg

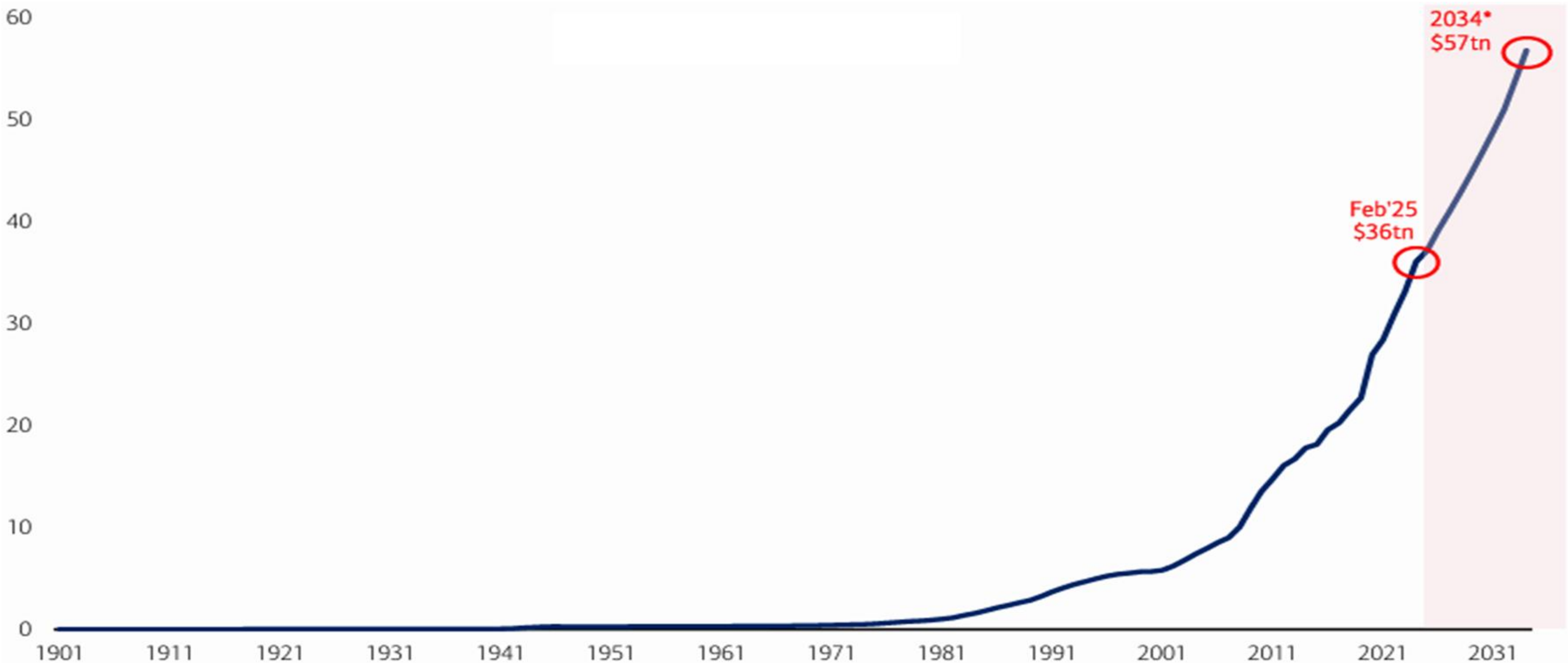
Washington's P&L in the next 10 years

The "One Big Beautiful Bill" in numbers

Source: BofA Global Investment Strategy, Committee for a Responsible Federal Budget

US National Debt to hit $40tn next year

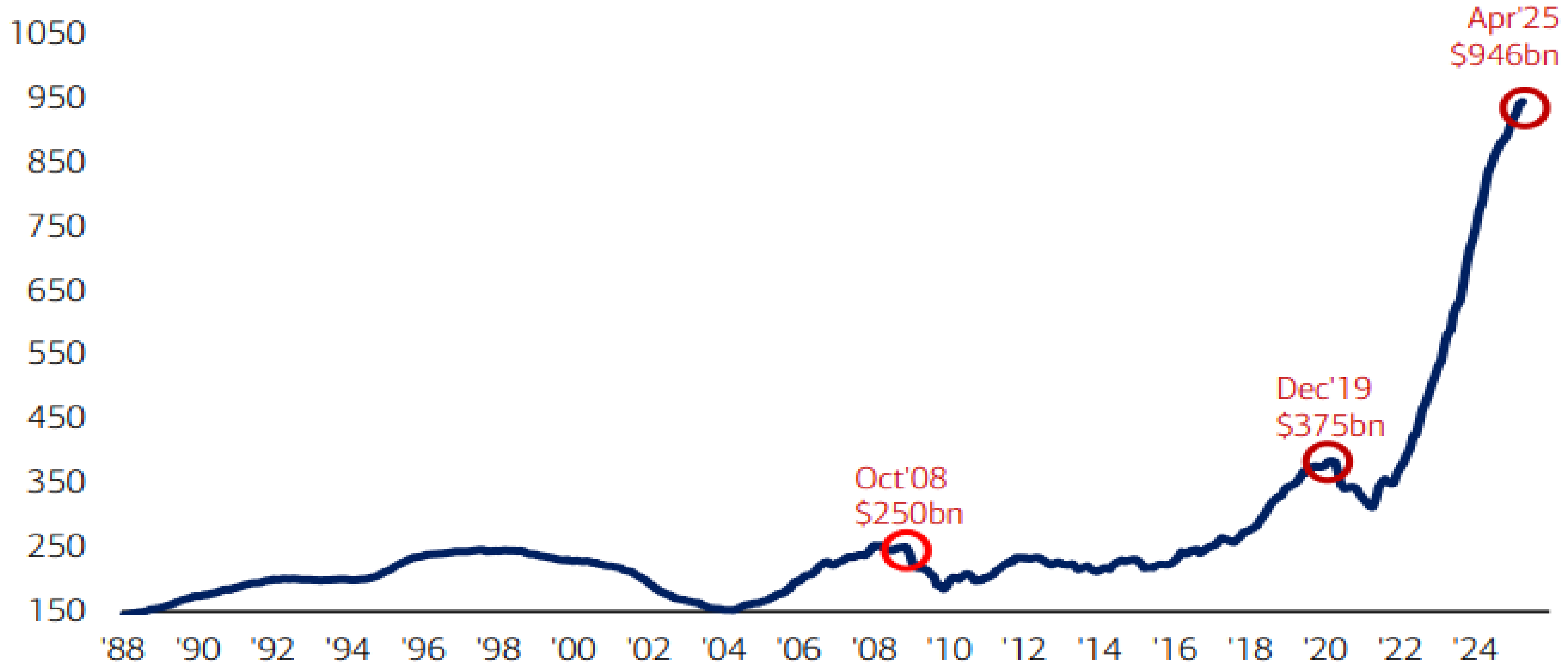
US Public Debt Outstanding & CBO Projections



Source: BofA Global Investment Strategy, Haver, CBO

US govt. annual interest expense close to $1Tn

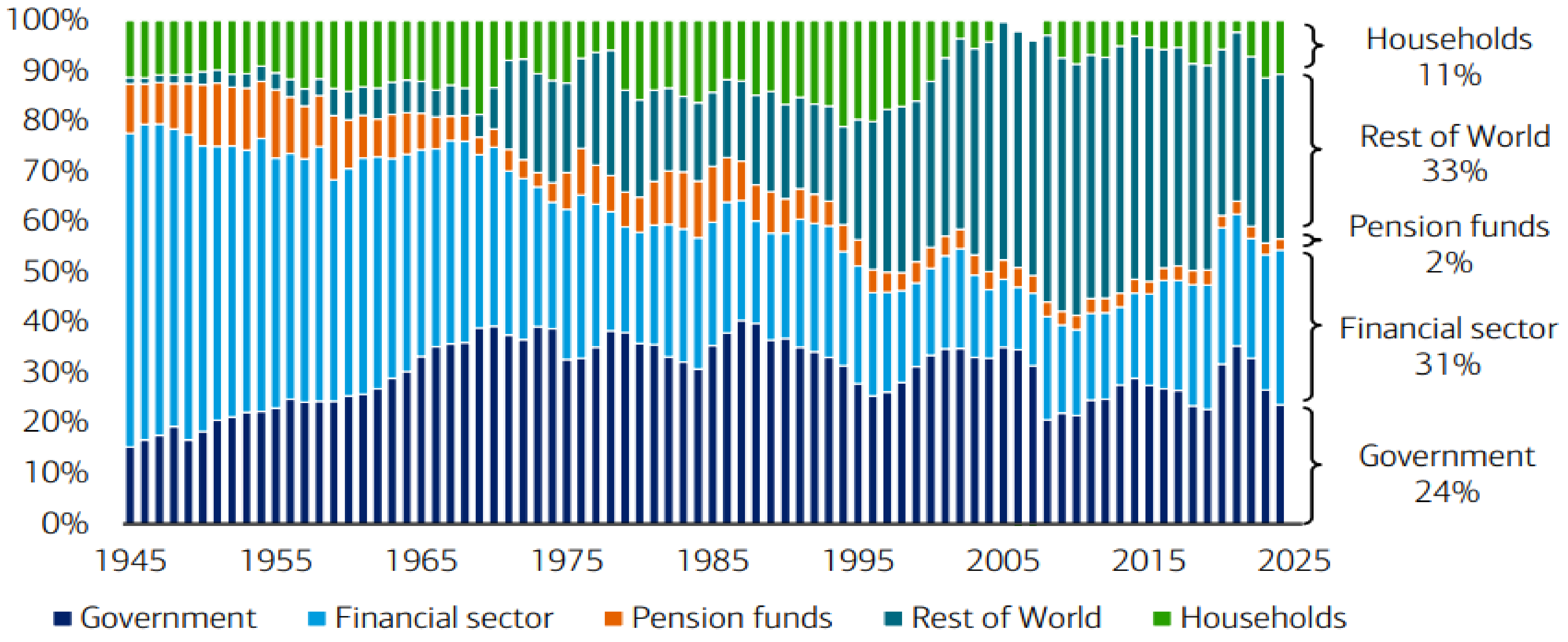
US Treasury interest payments (net, 12m cumulative, $ bn)



Source: BofA Global Investment Strategy, Haver

Foreigners still own 33% of US Treasury market

US Treasury Ownership Since 1945

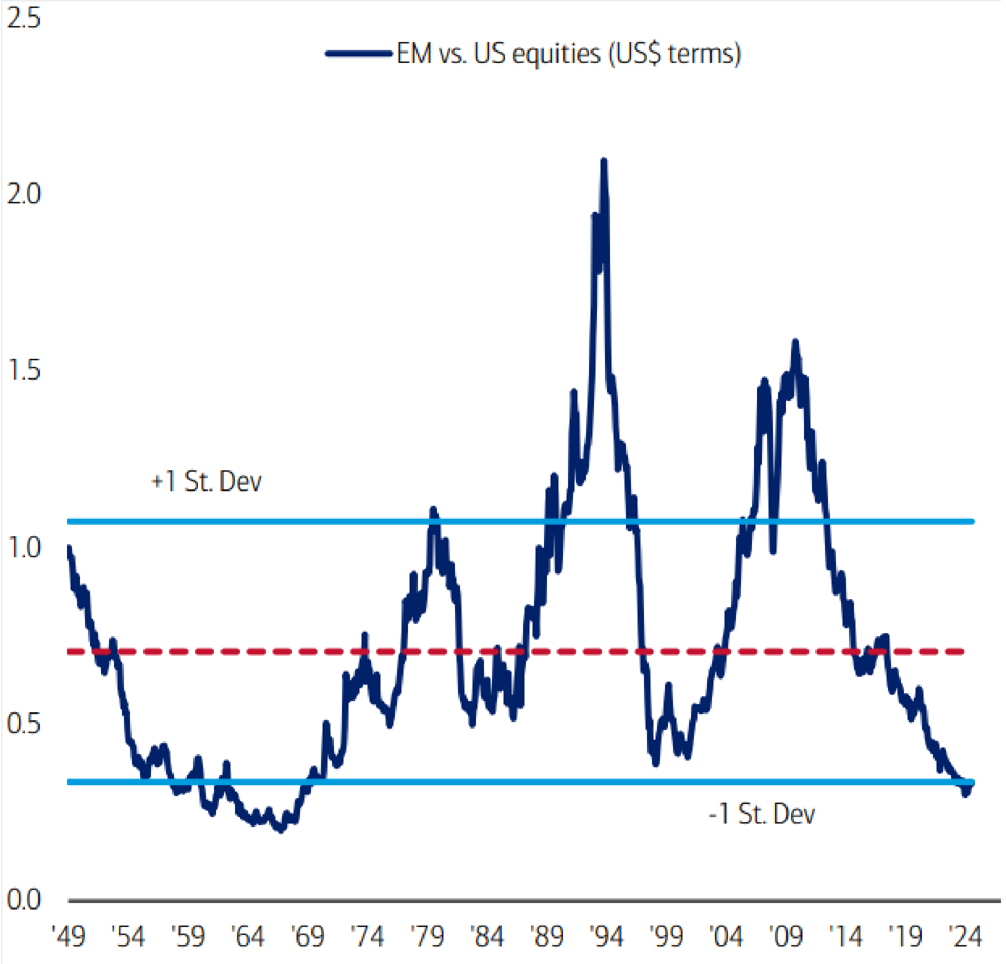


Source: BofA Global Investment Strategy, Federal Reserve, Haver

Are EMs gearing up for the next bull run?

MSCI Emerging Markets ex-China index (US$-terms)

EM vs US equities (relative price performance, USD)



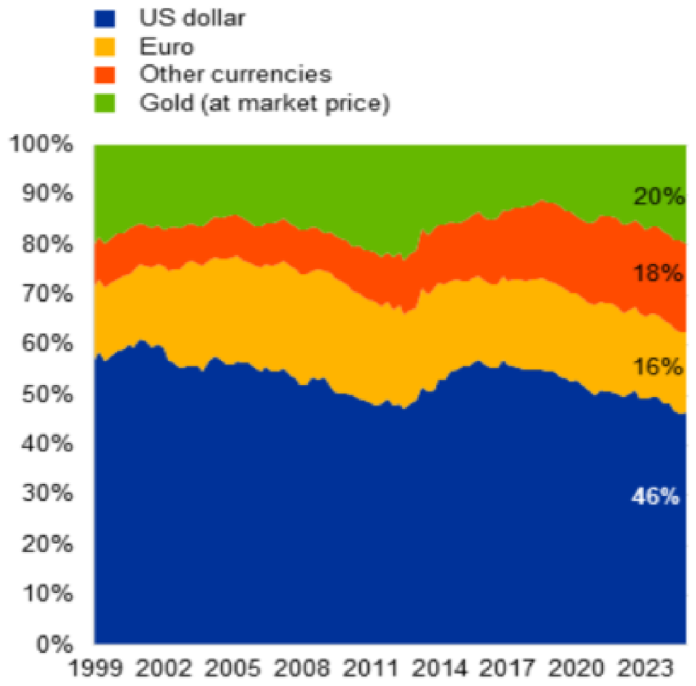
Source: BofA Global Investment Strategy, GFD, Bloomberg, Bruegel, BIS

Geo-political risks are on the rise

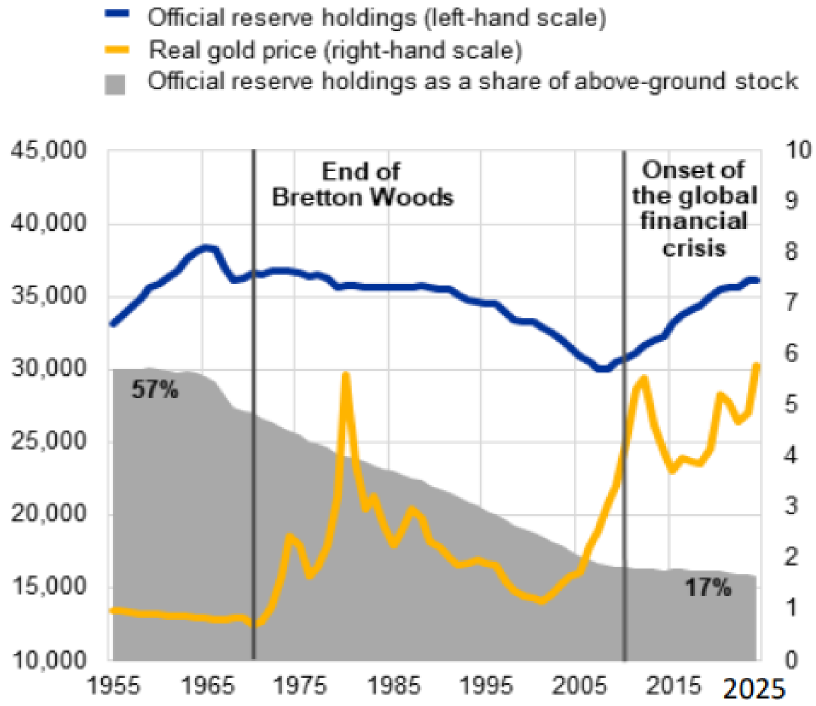
Source: Motilal Oswal, Reuters

Re-‘Gold’ization And Not De-Dollarization

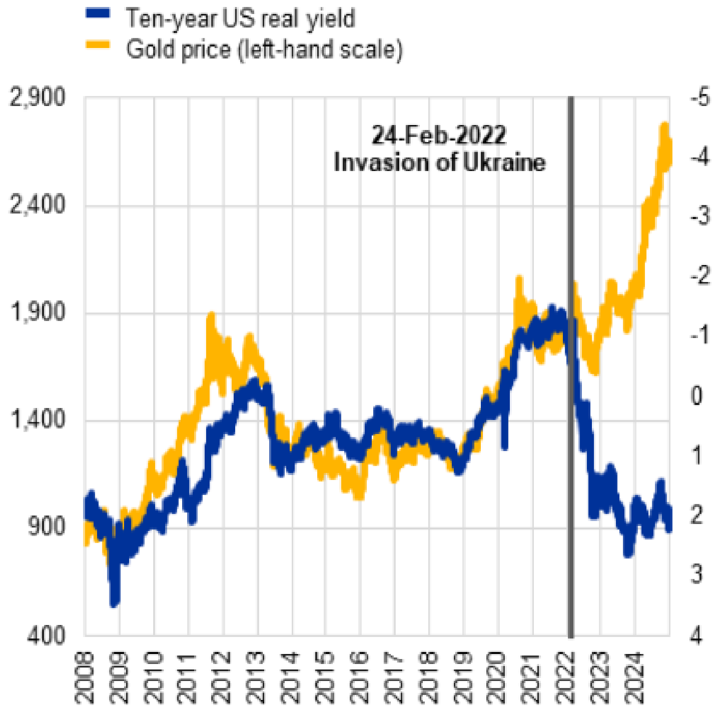
Gold rising in global official reserves at the cost of all currencies



Central Banks official Gold reserves holdings are rising



US attempt to use USD as tool for sanction has sparked a global rush for gold



Source: ECB, DSP, Data As of June 2025

Central bankers purchase of gold in last 3 yrs = last 21 yrs

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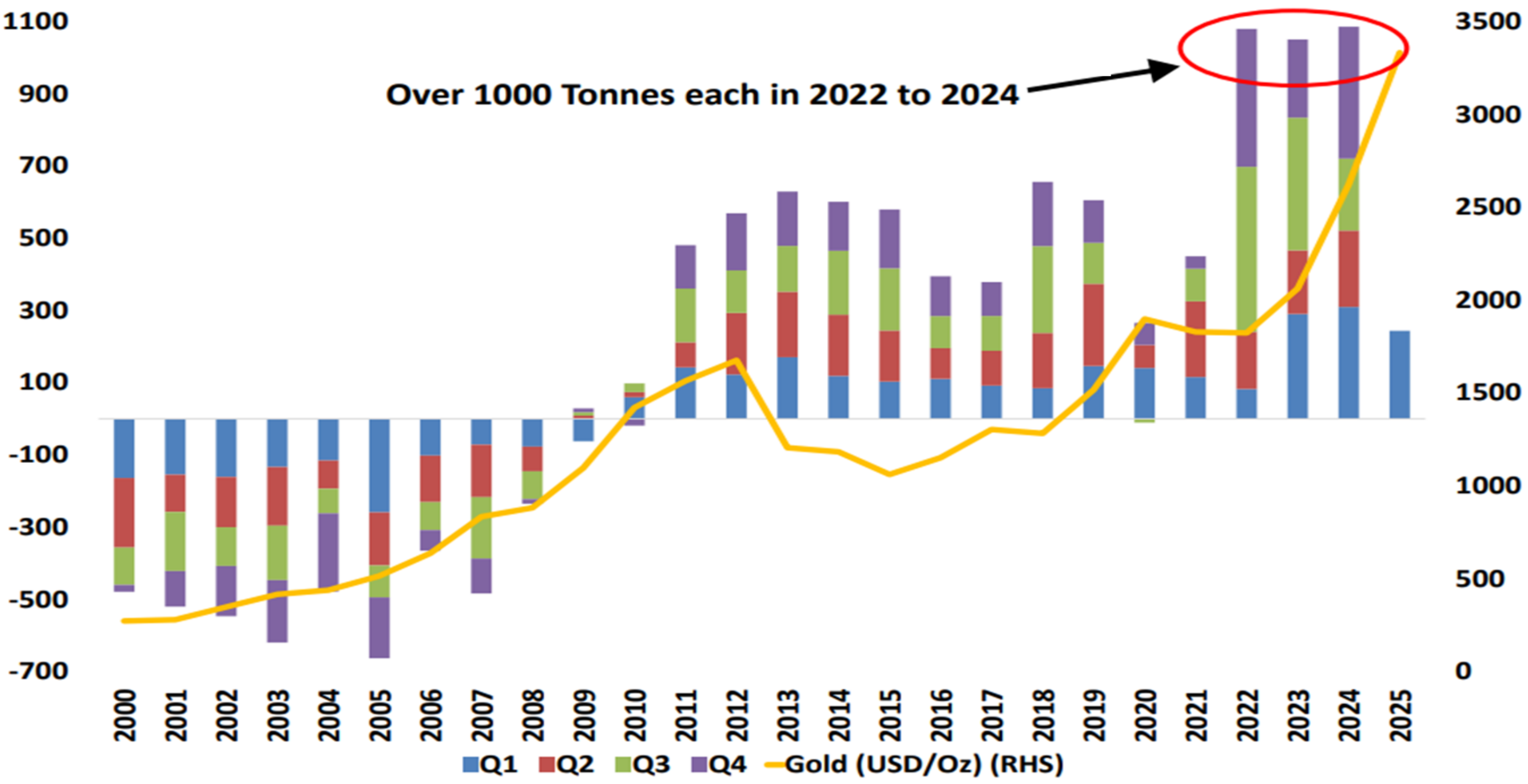
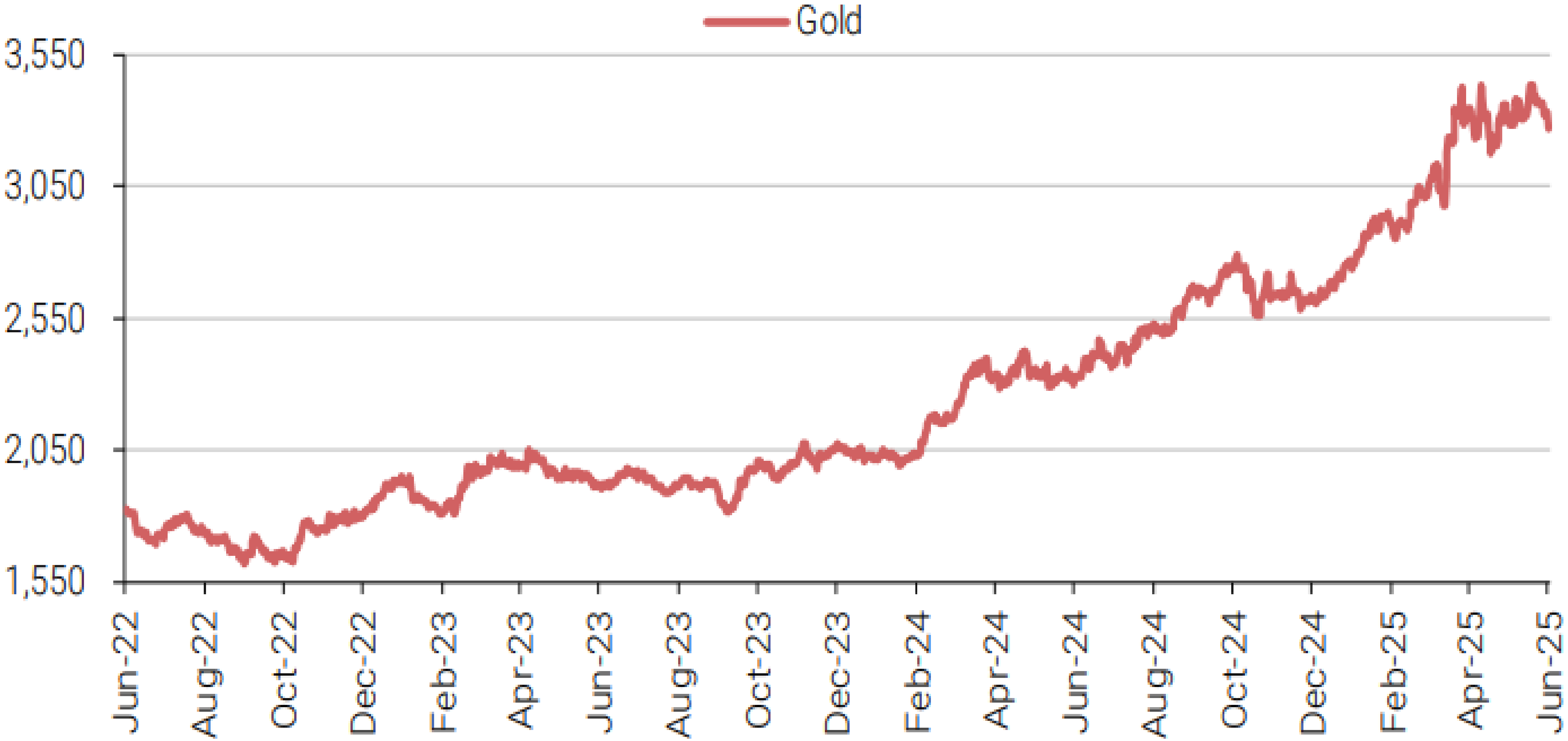
Central Bank's net gold purchases in tonnes



Source: World Gold Council, DSP, Data As of June 2025

Leading to a phenomenal 2025 for gold

Gold price ($/oz)



Source: Kotak Institutional Equities, IKIGAI Research

Can silver now be the Darkhorse?

How to Value Gold

Total mined Gold (above-ground stock in tonnes) *(June 2025 estimate)*	*1*	2,18,065
Total mined Gold (Bn troy ounce)	*2*	7.01
US M2 Money Supply (USD Bn)	*3*	21,942.0
Value of total mined Gold per troy ounce w.r.t US M2	*4 = 3 ÷ 2*	3130
Additional EU Money Supply (taken at 50% of total) (USD Bn)	*5*	9100
Value of total mined Gold per troy ounce w.r.t EU M2	*6 = 5 ÷ 2*	1298
Final Value of total mined Gold per troy ounce	*7 = 6 + 4*	4428
Approx Price Range for Gold	*8*	**$3130 - $4428**
Midpoint		$ 3,779

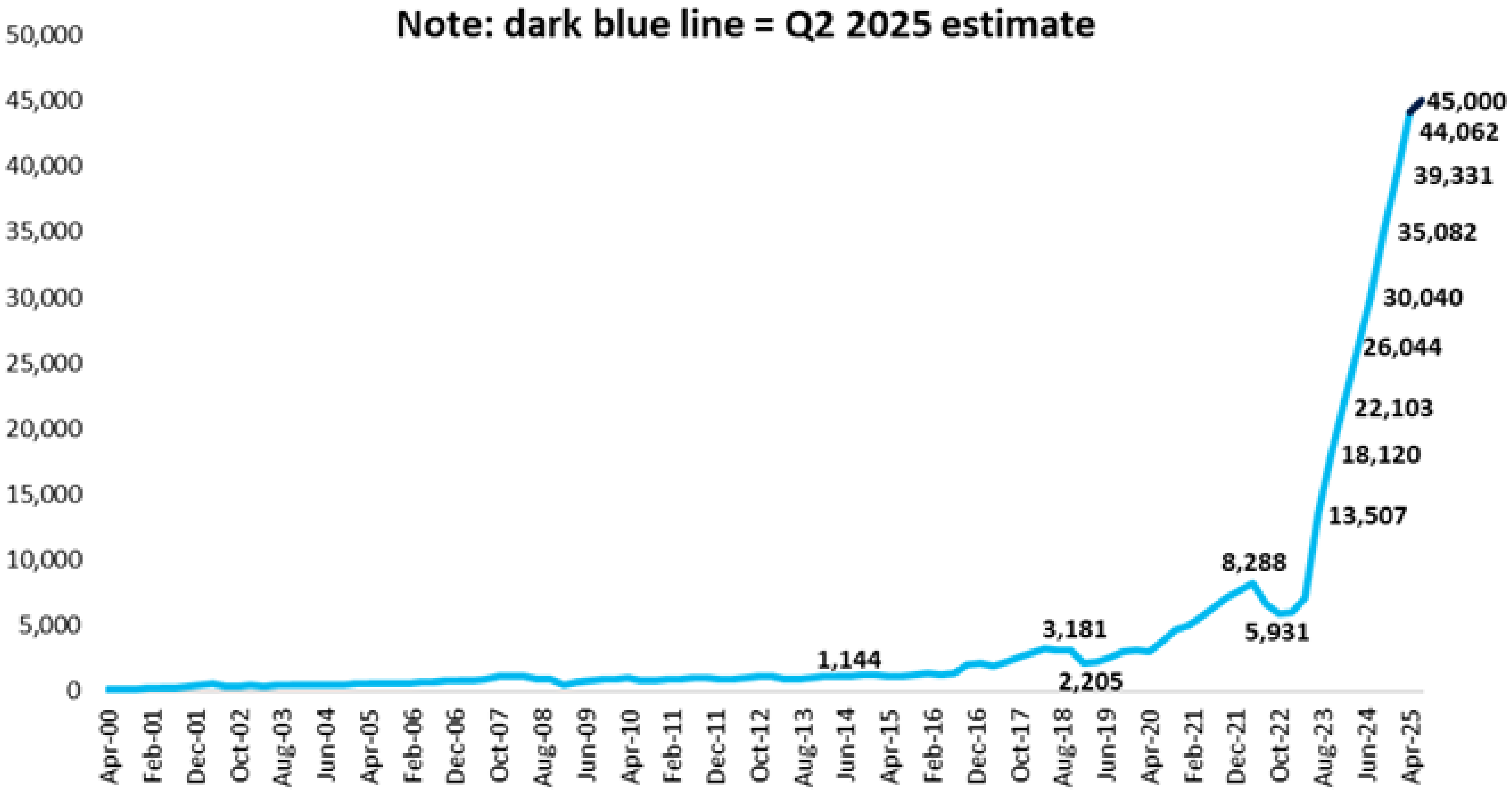
How to Value Silver

Current Gold Silver Price Ratio	*1*	93
Historical Gold to Silver Ratio	*2*	
The Roman Empire		12:1
Medival Europe		9.4:1
US Coinage Act of 1792		15:1
US Decision To Raise Gold price to $35 in 1939		98:1
Abandonment of Gold standard & aftermath		97.5:1
Average Gold to Silver Ratio in 21st Century		69:1
Assuming a Gold to Silver Ratio of 60:1	*3*	
Lower band		52
Upper band		74
Derived price range for silver	*4*	**$52 to $74**
Midpoint		$ 63

Source: DSP, Data As of June 2025

Did you know? Nvidia has overtaken Microsoft as the world's largest company

Nvidia Revenue (Quarterly, $Mn)



Source: Charlie Bilello

Agenda

SECTION 1
Global Markets

01

02

03

SECTION 3
Risks Going Ahead

SECTION 2

Section 2:

Can India Outperform Global Markets?

India a bright spot in a slowing world

G20 GDP

Four-quarter percentage changes

	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25
Canada	5.7	4.3	2.3	2.4	1.6	0.9	1.2	0.8	1.2	2.0	2.3	2.3
France	3.9	1.4	1.2	1.4	1.9	1.6	1.7	1.7	1.0	1.1	0.6	0.6
Germany	0.8	1.4	0.2	0.2	0.1	-0.3	-0.2	-0.1	-0.2	-0.3	-0.2	0.0
Italy	6.3	4.0	2.3	2.1	0.4	0.2	0.6	0.3	0.7	0.6	0.6	0.7
Japan	1.3	1.3	0.4	2.2	1.7	1.0	0.7	-0.9	-0.5	0.7	1.4	1.7
UK	4.3	2.7	1.5	0.8	0.5	0.4	-0.2	0.7	1.1	1.2	1.5	1.3
US	2.5	2.3	1.3	2.3	2.8	3.2	3.2	2.9	3.0	2.7	2.5	2.0
Brazil	3.5	4.3	2.7	4.4	3.9	2.4	2.4	2.6	3.3	4.1	3.6	2.9
Russia	-3.7	-2.9	-1.9	-0.9	5.3	6.2	5.3	5.4	4.3	3.3	4.5	1.4
India	13.5	6.0	4.8	6.9	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4
China	0.8	4.0	3.0	4.7	6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.4
South Africa	0.8	4.6	1.4	0.2	1.7	-0.8	0.9	0.4	0.1	0.4	0.7	0.7
Australia	3.9	6.2	2.9	2.9	2.0	2.2	1.2	1.3	1.1	0.8	1.2	1.4
Turkey	7.6	4.2	3.3	4.5	4.6	6.5	4.7	5.4	2.4	2.2	3.0	2.0
South Korea	2.8	3.4	1.4	1.4	1.2	1.5	2.3	3.2	2.2	1.5	1.1	-0.3
Mexico	2.9	4.6	4.6	3.9	3.6	3.5	2.5	1.8	1.2	1.5	0.4	0.6
Indonesia	9.1	6.1	1.7	0.1	-4.2	-1.5	-1.9	-4.4	-2.8	-1.2	3.1	5.9
Argentina	5.5	5.7	5.0	5.0	5.2	4.9	5.0	5.1	5.1	5.0	5.0	4.9
Saudi Arabia	14.5	13.0	9.6	5.7	2.6	-2.8	-2.9	-0.4	0.9	3.1	4.4	3.4
Eurozone	4.1	2.9	2.0	1.9	1.2	0.6	0.7	0.5	0.6	0.9	1.2	1.5

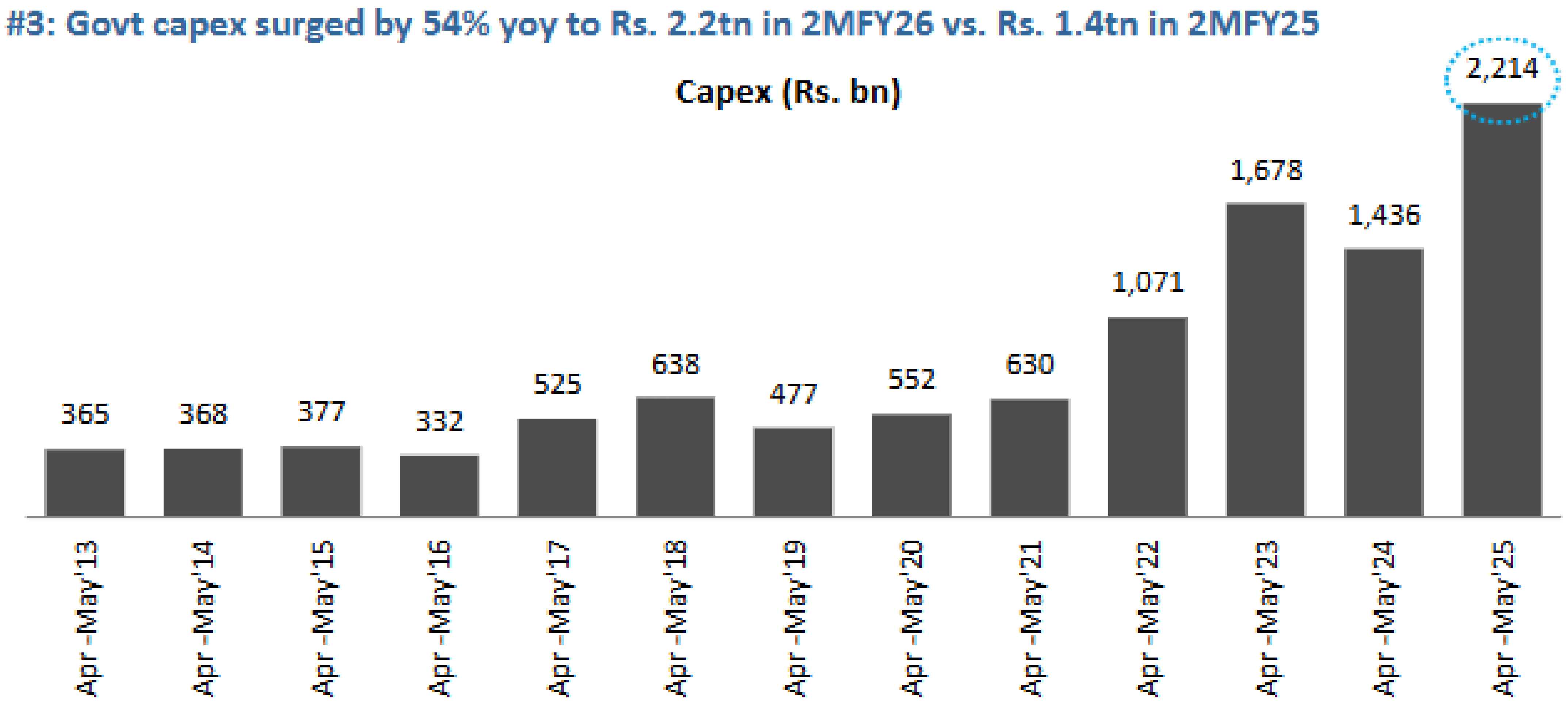
Greatest GDP growth   Smallest GDP growth

India Delivers Outstanding Numbers	5yr CAGR / Avg
Nominal GDP Growth	10.5%
Equity Earnings Growth	20%
Equity Index Returns	24%
Avg. Rupee Volatility (Annualized)	4%
CPI Inflation	5.60%
Avg. Real 10Yr Govt. Security Yield	1.40%

Source: LSEG Datastream/Fathom Consulting

Strong performance of government capex continues in FY2026

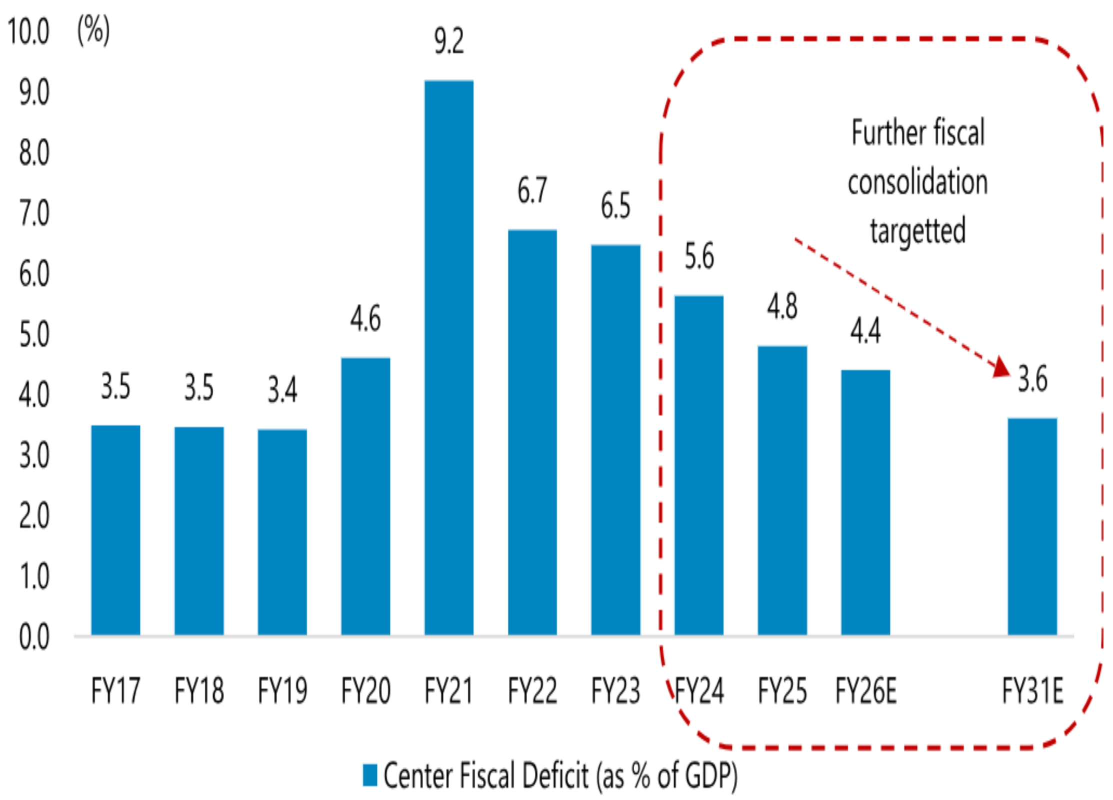
Govt capex surged by 39% yoy to Rs. 616bn in May'25 vs. Rs. 444bn in May'24



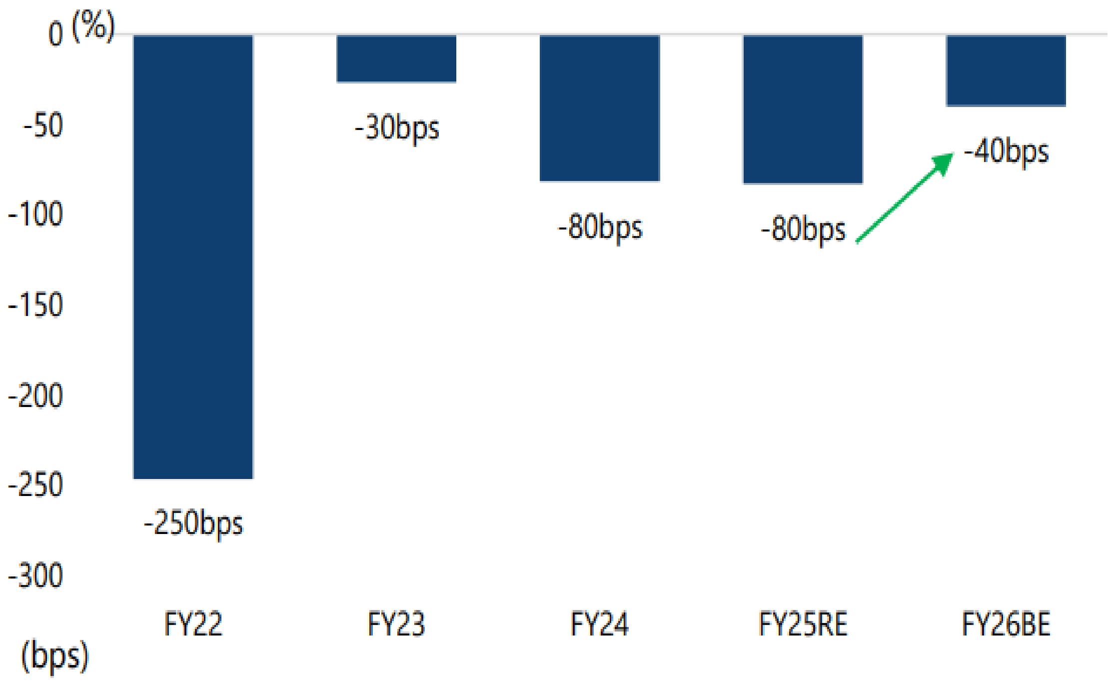
Source: CGA, Avendus Spark Research

Is the worst of Fiscal consolidation behind us?

Center Fiscal Deficit (as % of GDP)



Change in Central Govt. Fiscal Deficit (As % of GDP)



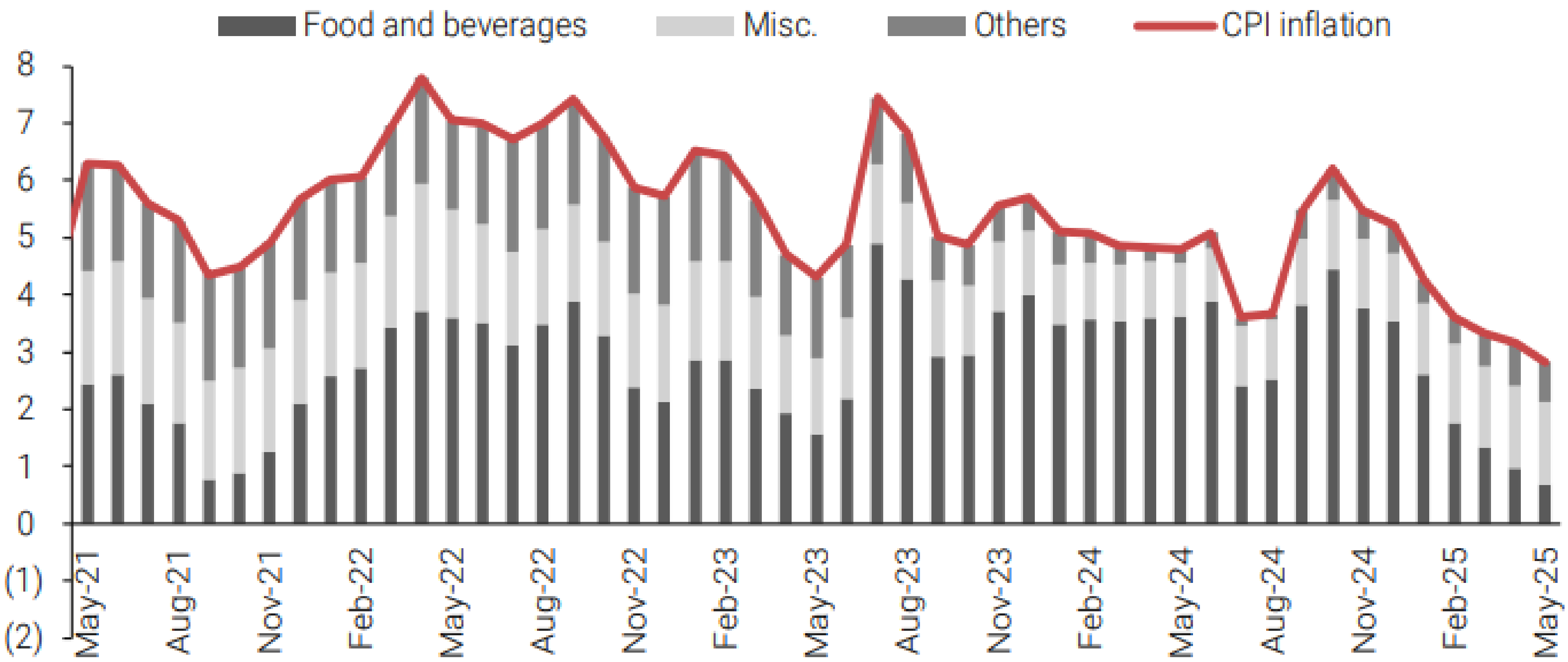
Source: Jefferies

Every $10/bbl decline in crude adds 0.3-0.4% to India GDP

Brent crude ($/bbl)

Source: Kotak Institutional Equities, IKIGAI Research

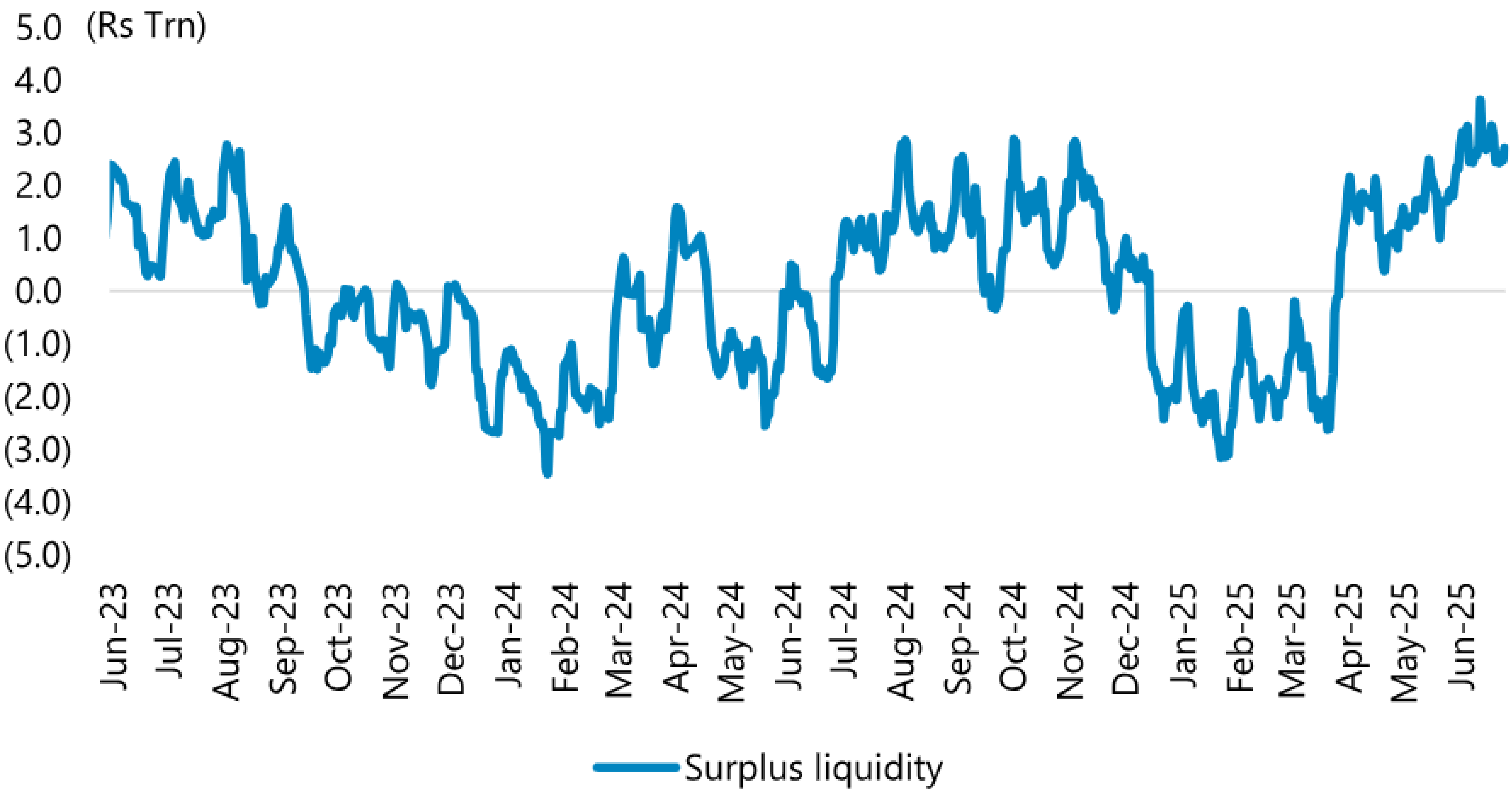
Inflation trajectory expected to remain comfortable in FY2026



Source: CEIC, Kotak Institutional Equities

Policy pivot by RBI – liquidity moves to surplus zone

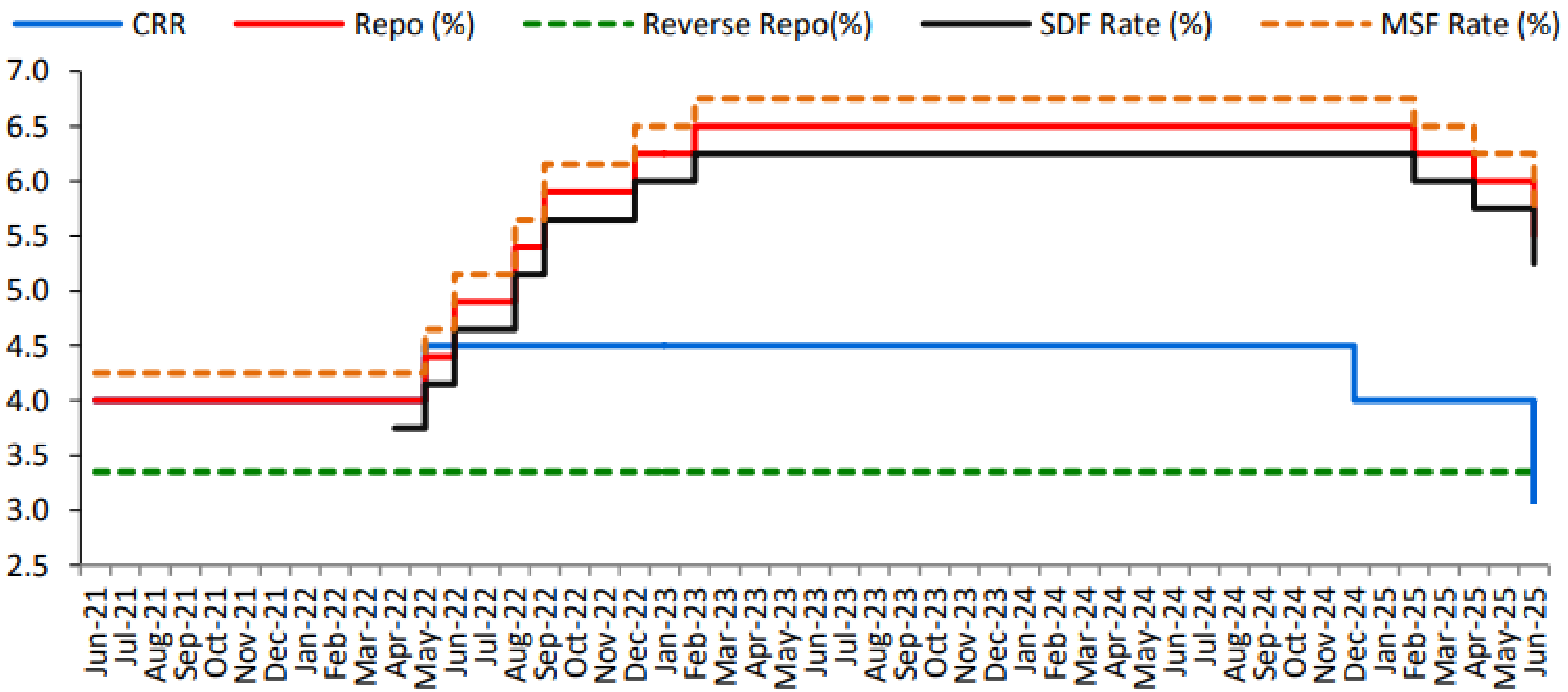
Surplus liquidity at INR 2.7Tn as of June 27, 2025



Source: Jefferies, RBI

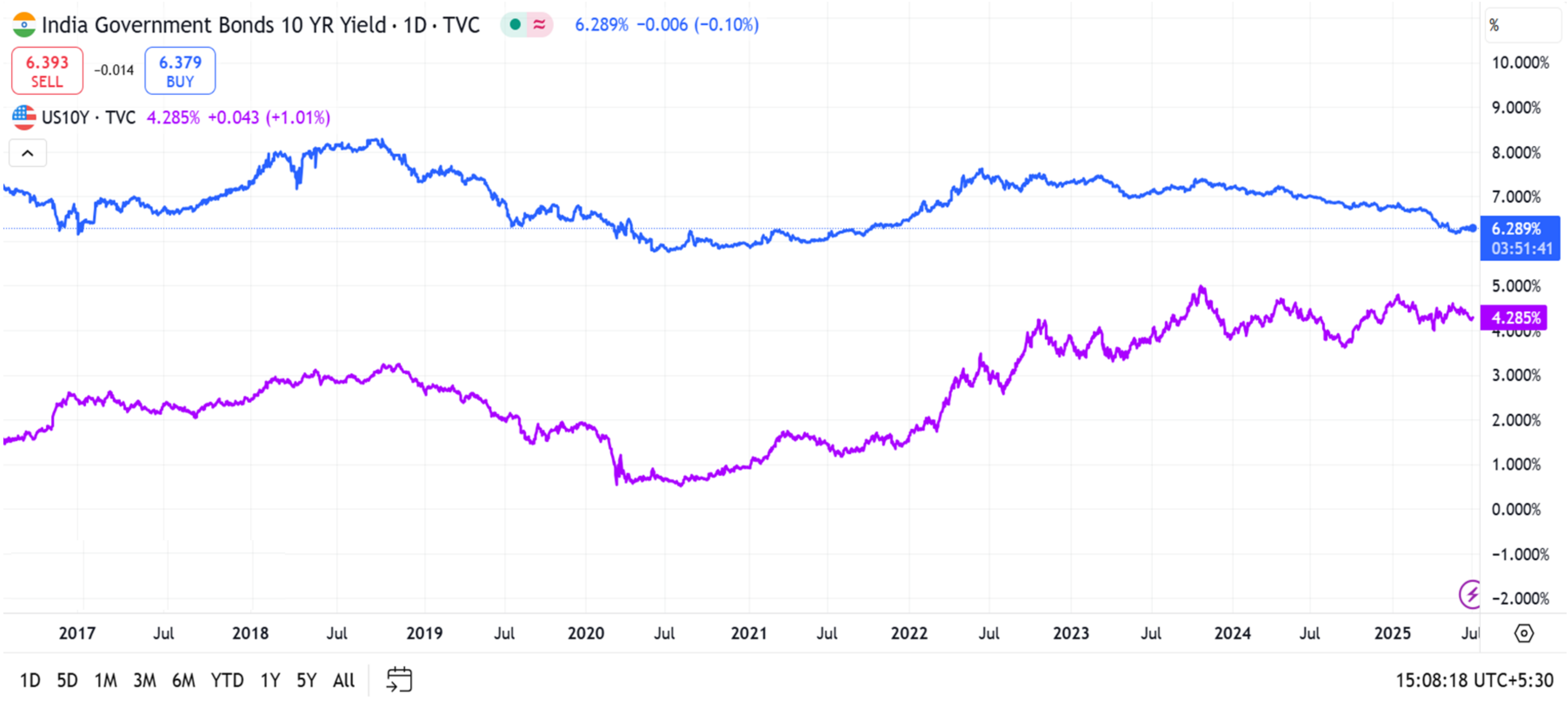
RBI turns pro growth

Repo rate cut by 100bps in CY2025 YTD along with a similar cut in cash reserve ratio (CRR)



Source: RBI, PhillipCapital India Research

India-US 10Y yield spread narrows to an all-time low of ~2%



Source: TradingView

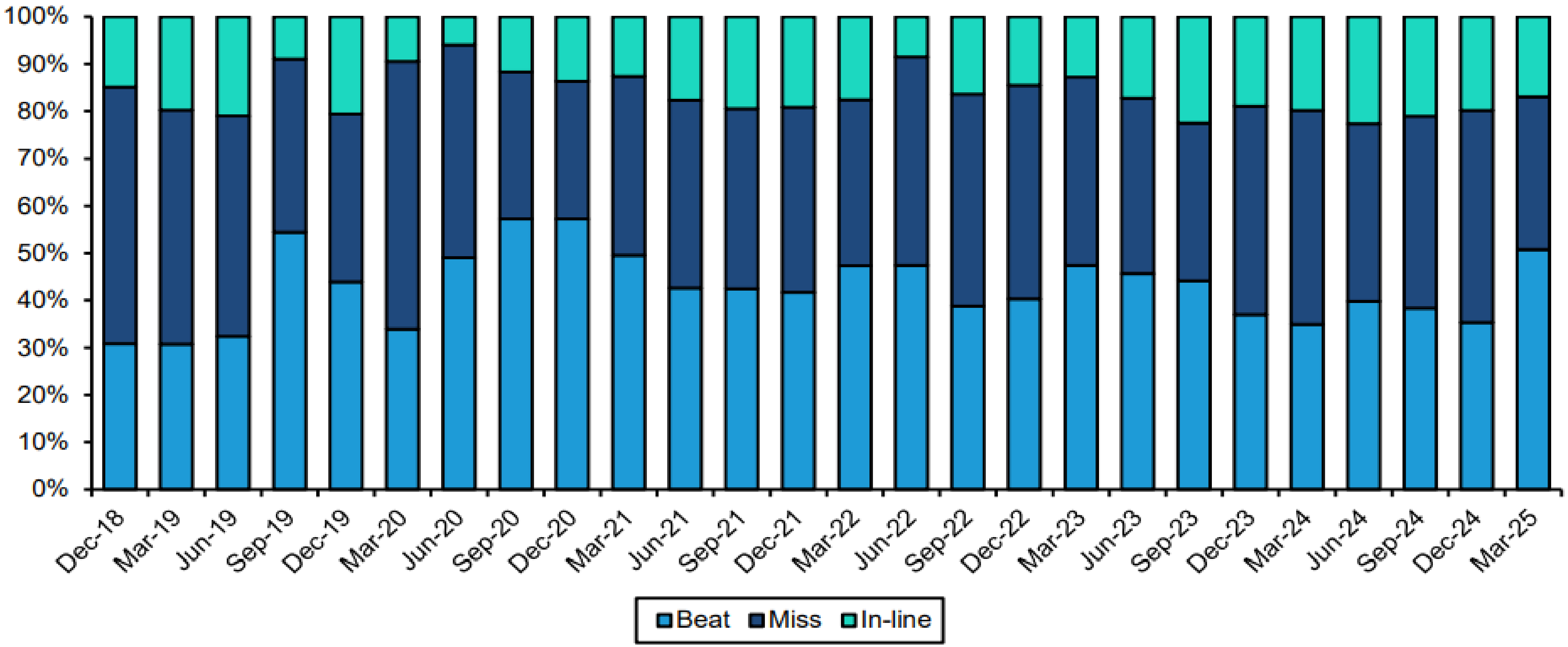
Non-BFSI cos posted PAT growth of 20% in Q4FY25

	# Cos	YoY Growth %		
		Revenue	EBITDA	Reported PAT
Nifty 500	**500**	**6.2%**	**NA**	**14.8%**
BFSI	93	7.7%	NA	6.9%
Non-BFSI	407	6.6%	11.9%	20.1%
Non-BFSI Exc Cement, O/G, Metal/Mining	364	10.1%	15.0%	25.8%
Commodities: Cement, O/G, Metal/Mining	43	2.5%	6.5%	8.9%

Source: Amsec, Capitaline, Bloomberg, Ace Equity

Q4 FY25 reported results have not been as bad as feared

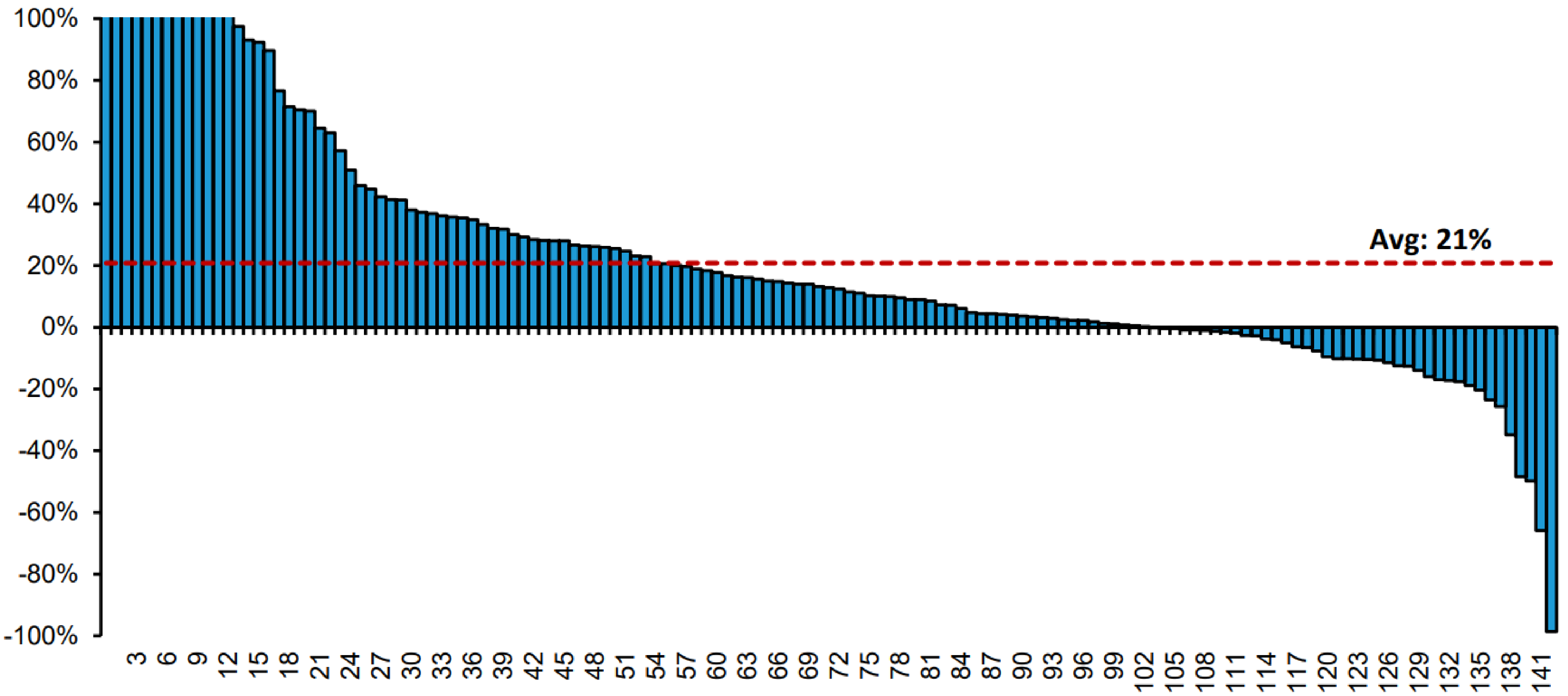
Earnings Beats have Exceeded Misses



Source: Bloomberg, Bernstein Analysis

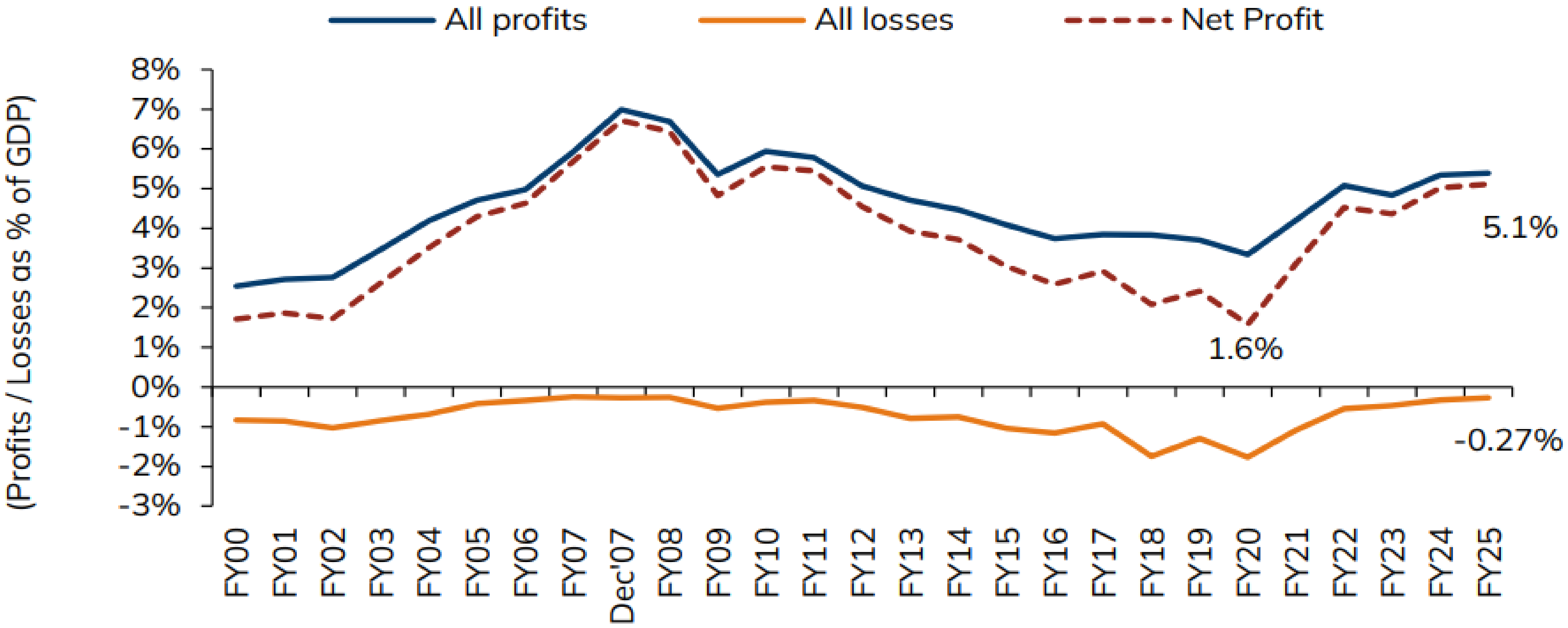
Earnings growth was much higher in Midcap space in FY25

Midcap company-wise PAT growth in FY25 (%)



Source: Bloomberg, Bernstein Analysis. Only firms with positive earnings are included in the chart.

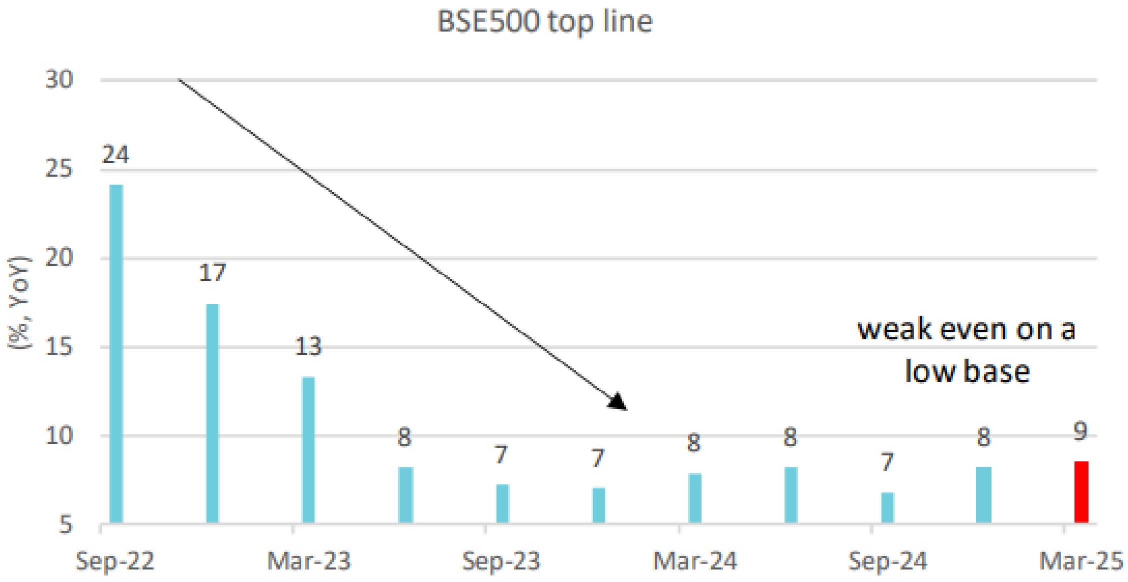
PAT / GDP nudges up to 5.1% of GDP; Loss/GDP hits cycle low

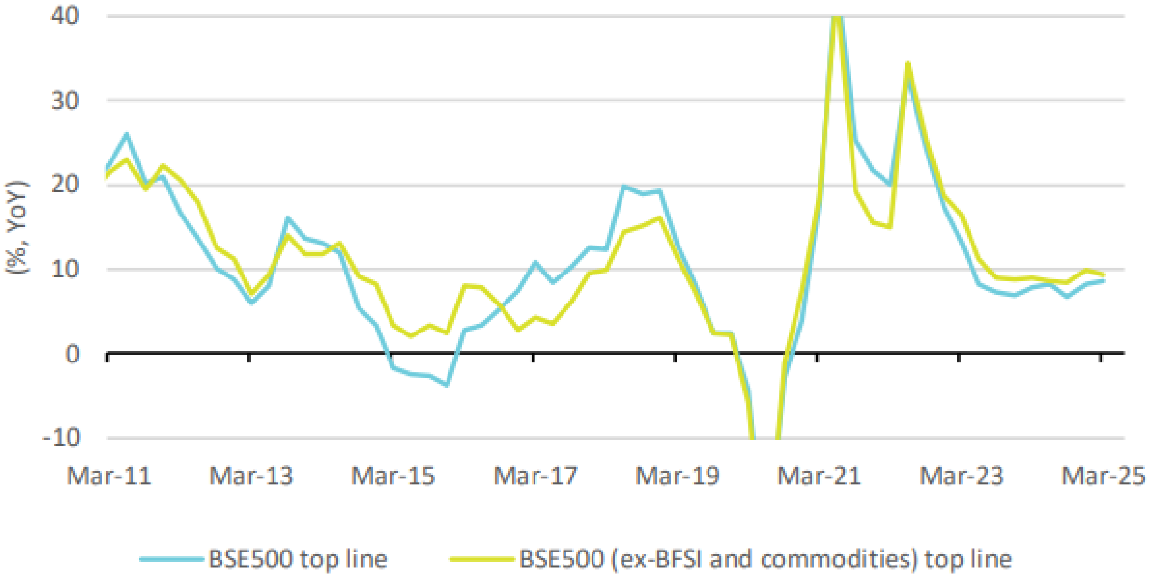


Source: Capitaline, CEIC, I-Sec research

Top line growth remains weak despite low base…

Top-line growth remains in single digits for eighth straight quarter…





Source: Capitaline, Nuvama Research. OMCs and fertilizers are excluded from BSE500 sample space

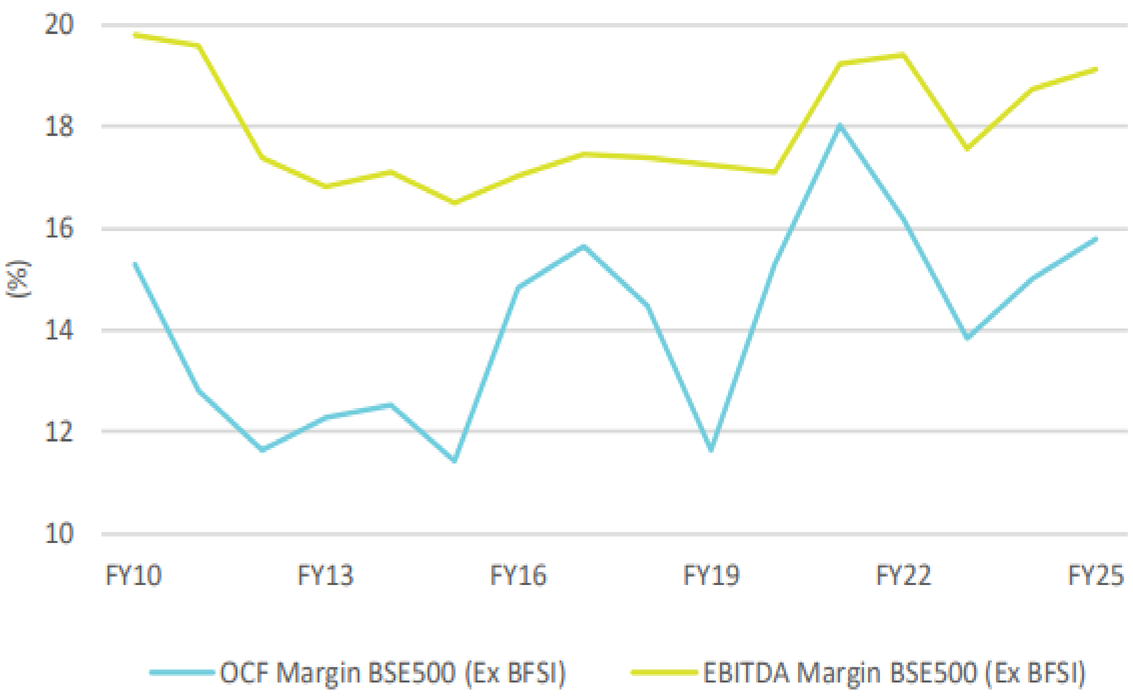
Margins drove past earnings...what drives profits next?

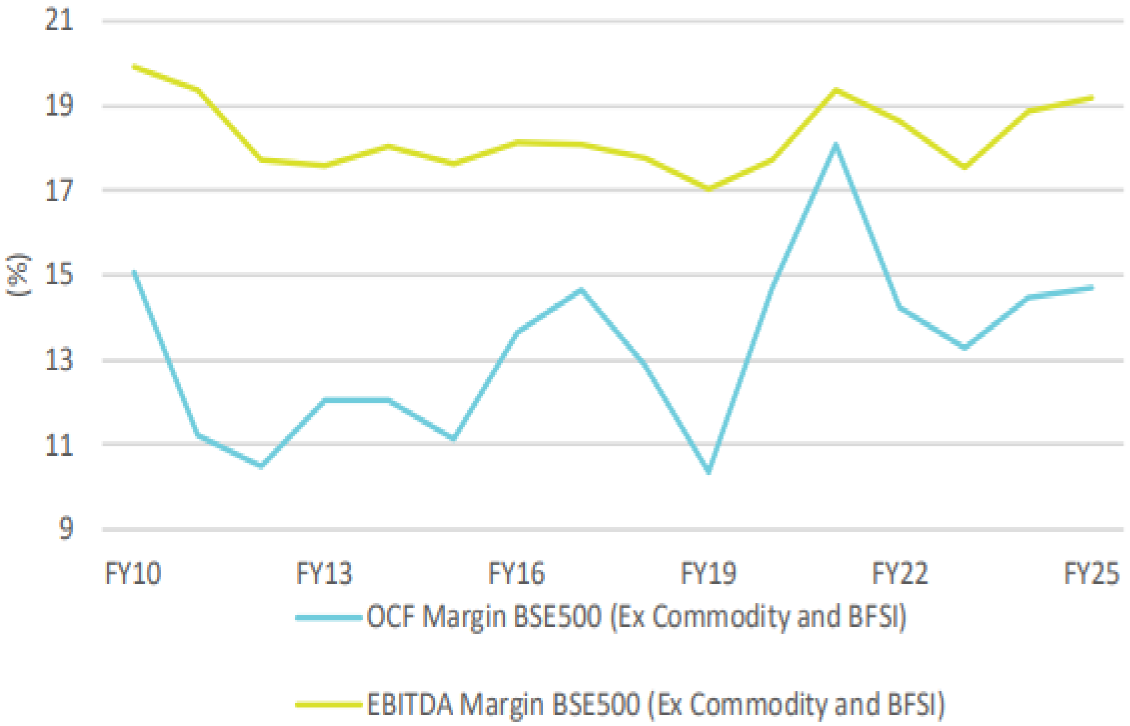
Median Operating Margins (%)	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Construction Materials	24.9	23.6	17.0	18.5	18.5	12.9	13.9	12.7	14.5	14.4	12.7	18.7	19.4	16.8	12.3	15.2	12.9
Oil, Gas & Consumable Fuels	10.8	12.2	14.3	9.4	10.9	8.0	10.0	9.8	12.4	14.4	13.7	15.0	17.3	15.8	13.7	15.4	12.2
Automobile and Auto Ancs	10.5	12.4	11.9	11.3	11.4	11.8	12.3	12.8	12.9	13.4	12.5	11.4	12.1	11.9	11.8	13.3	12.8
Textiles	8.2	13.0	12.9	10.8	12.7	12.9	12.1	12.6	12.2	13.4	12.3	10.8	13.3	16.8	11.1	11.6	11.2
Capital Goods	11.2	13.4	11.5	10.4	9.5	9.3	9.4	10.5	10.6	10.8	11.4	11.0	11.5	12.7	12.5	13.7	13.2
Consumer Durables	9.5	10.8	10.6	10.4	8.5	9.0	9.7	10.3	10.5	10.5	10.4	11.5	12.1	11.1	11.0	10.1	10.2
Healthcare	15.3	19.2	17.8	17.0	18.5	18.0	17.0	18.5	17.7	16.5	18.1	18.1	21.5	20.2	19.5	19.6	21.6
Chemicals	13.0	14.5	13.7	12.7	12.2	11.4	12.6	12.7	14.4	14.9	16.0	15.6	18.3	17.8	15.7	13.6	12.9
FMCG	13.4	13.0	12.8	11.9	11.5	9.1	9.8	12.6	13.4	10.7	12.7	11.9	12.5	13.3	11.5	12.3	11.6
Power	24.3	31.3	37.5	27.6	29.6	31.6	30.7	24.5	29.5	28.5	27.7	31.1	32.4	34.8	28.5	32.4	33.1
Construction	12.1	14.0	13.5	14.1	13.1	9.4	11.4	13.0	12.3	14.4	13.4	11.4	10.2	11.4	10.5	11.8	11.5
Consumer Services	24.0	22.4	19.6	11.4	10.2	8.2	7.1	8.0	12.5	14.6	10.4	13.5	6.2	12.5	15.6	16.7	15.9
Media & Entertainment	14.3	13.5	17.7	18.7	21.6	23.0	19.3	21.7	22.9	21.6	18.7	16.4	20.2	18.3	15.1	16.3	12.4
Services	16.2	18.6	17.2	12.4	16.6	14.3	16.6	16.5	12.7	12.7	11.6	12.1	13.7	16.8	17.3	16.0	15.2
Metals & Mining	14.8	18.2	17.8	13.4	13.3	14.8	12.1	10.5	12.9	14.7	17.6	8.7	18.4	26.1	13.0	14.8	14.0
Information Technology	16.2	18.5	15.4	14.0	16.7	18.6	18.5	15.5	12.8	15.3	16.4	14.9	18.5	18.0	18.4	18.2	17.1
Utilities	4.6	6.9	6.2	6.7	7.7	6.4	7.2	7.5	7.1	7.9	9.2	9.1	14.0	16.2	12.8	16.6	17.6
Realty	37.7	34.2	30.2	28.1	29.1	27.8	29.2	26.6	27.8	23.8	25.6	19.9	16.4	18.6	19.1	22.3	23.1
Telecommunication	11.5	12.4	10.9	7.4	8.3	15.7	15.2	19.3	12.9	13.2	16.6	8.9	13.9	13.6	13.0	13.0	14.7
Median	**13.6**	**15.9**	**14.8**	**13.3**	**13.2**	**13.0**	**12.9**	**13.3**	**14.4**	**14.6**	**14.8**	**14.4**	**15.8**	**16.1**	**15.0**	**15.8**	**15.3**

Source: Capitaline, DSP. Data as of June 2025. Current BSE Allcap companies Operating Margins excluding other income considered

This time earnings have been accompanied by cash flows

BSE 500 Operating cashflow margins are quite elevated relative to history, even for core sectors

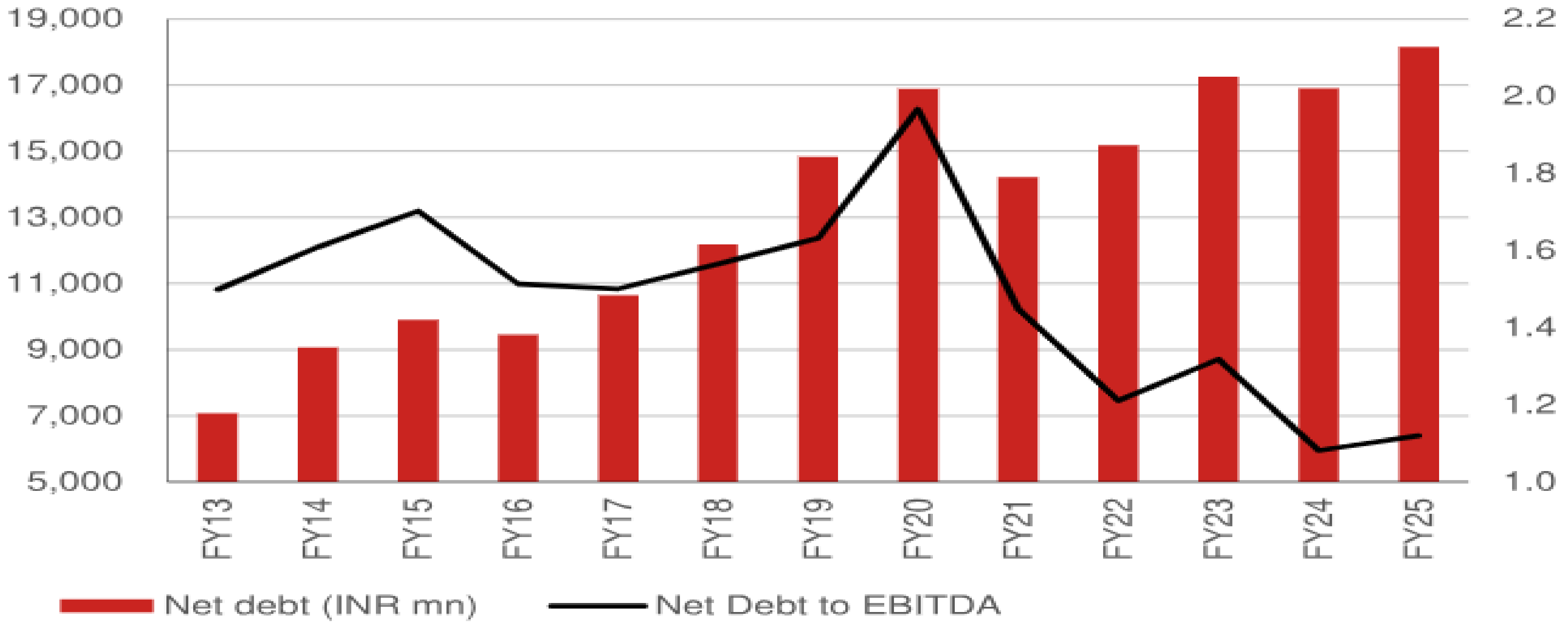




Source: Capitaline, Nuvama Research;.
Note: OMCs and fertilisers are excluded from the sample space; Note: Large caps refer to top 100 companies in BSE500 and SMID universe refers to 101 to 500 companies in BSE500

Supporting overall corporate balance sheet health

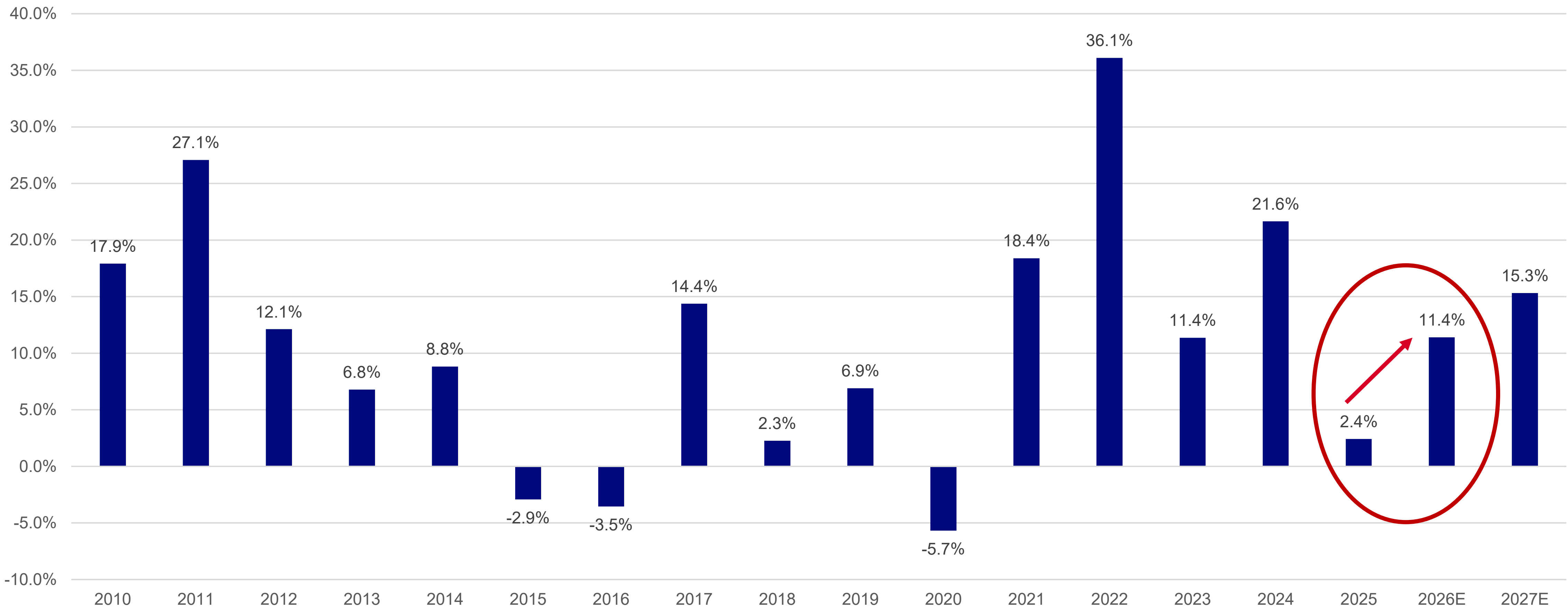
Net debt for BSE 500 companies at decadal lows



Source: Bloomberg Finance L.P., Nomura research
Data includes ~300 companies out of BSE500 for which results were declared

Nifty earnings to witness better growth in FY26 vs FY25

Nifty-50 YoY EPS Growth (%)



Source: Bloomberg, Kotak Institutional Equities

Small and mid-cap profit trajectory expected to be faster

INR mn, Free float	PAT			CAGR (FY25-FY27E)
	FY25A	FY26E	FY27E	
Nifty Midcap 100 - ex volatile	8,97,899	10,30,197	12,40,063	
growth	21%	15%	20%	17.5%
Nifty Smallcap 100 - ex volatile	2,69,234	3,24,908	3,99,362	
growth	19%	21%	23%	21.8%
Nifty50	44,80,937	50,47,126	58,01,097	
growth	7%	13%	15%	13.8%
Nifty Next 50 - ex volatile	9,19,827	10,63,294	12,07,012	
growth	-6%	16%	14%	14.6%

Source: Bloomberg, I-Sec research

Cyclicals expected to drive earnings growth in FY26 on a low base

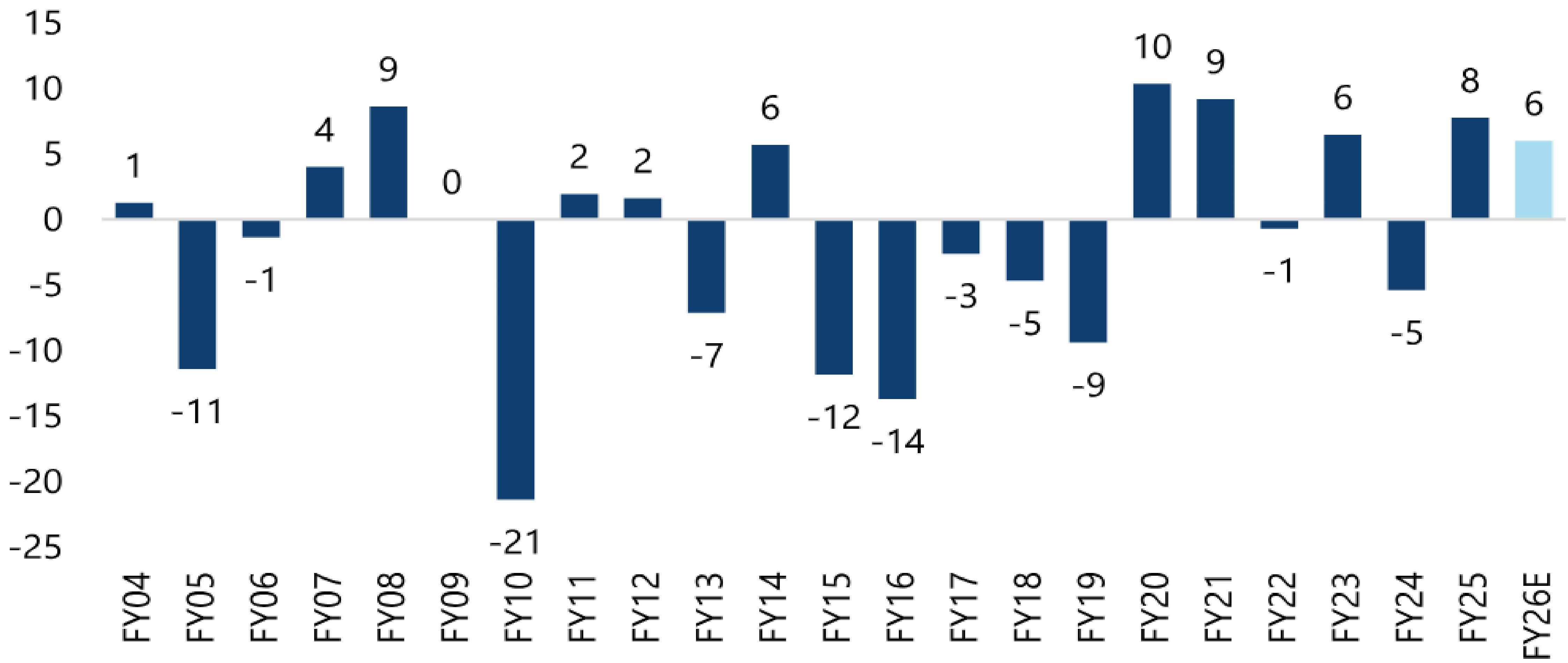
Sector wise performance for Nifty 50

	Sales (INR b)			Growth YoY (%)			EBIDTA (INR b)			Growth YoY (%)			PAT (INR b)			Growth YoY (%)		
Sector	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Automobiles	8,174	8,642	9,423	5.3	5.7	9.0	1,107	1,125	1,237	2.9	1.6	10.0	666	672	736	7.2	0.8	9.5
Capital Goods	2,794	3,199	3,659	15.8	14.5	14.4	332	383	440	16.5	15.4	14.7	199	236	290	16.9	18.9	22.7
Cement	1,075	1,238	1,387	11.1	15.2	12.0	137	194	237	-10.4	41.3	22.3	110	146	182	-17.7	33.1	24.7
Consumer	2,116	2,270	2,460	1.7	7.3	8.4	546	591	648	-3.7	8.3	9.7	390	426	469	-6.4	9.3	10.2
Banks-Private	3,056	3,350	3,878	9.4	9.6	15.7	2,412	2,664	3,127	7.2	10.5	17.4	1,655	1,786	2,096	7.6	7.9	17.4
Banks-PSU	1,670	1,766	2,006	4.4	5.8	13.6	1,106	1,135	1,306	27.5	2.6	15.0	776	804	927	15.6	3.7	15.2
Insurance	1,546	1,812	2,094	7.8	17.2	15.6	614	718	839	15.8	17.0	16.9	42	50	59	21.7	19.3	16.5
NBFC	1,022	1,330	1,660	20.7	30.1	24.9	796	965	1,178	21.2	21.3	22.0	355	443	544	13.1	24.8	22.8
Healthcare	1,334	1,445	1,576	10.7	8.3	9.0	329	350	384	11.4	6.6	9.5	234	260	284	14.9	11.0	9.4
Logistics	305	364	409	14.1	19.4	12.4	184	220	249	16.1	19.3	13.5	108	137	159	21.6	26.0	16.1
Metals	7,692	8,589	9,408	0.6	11.7	9.5	1,277	1,550	1,815	4.3	21.4	17.1	600	771	954	0.8	28.5	23.8
Oil & Gas	16,280	15,003	15,737	4.7	-7.8	4.9	2,643	2,875	3,137	-2.3	8.8	9.1	1,081	1,212	1,353	-14.3	12.1	11.6
Retail	776	930	1,083	22.3	19.9	16.4	90	111	130	24.6	23.4	17.3	53	67	81	16.8	27.2	19.6
Technology	6,774	6,972	7,399	4.9	2.9	6.1	1,572	1,681	1,810	6.4	6.9	7.7	1,101	1,164	1,259	9.1	5.7	8.2
Telecom	1,730	2,040	2,302	15.3	18.0	12.8	932	1,148	1,307	19.0	23.3	13.8	176	276	383	55.4	57.2	38.8
Utilities	2,342	2,528	2,636	4.7	8.0	4.3	935	1,021	1,085	4.9	9.2	6.3	352	419	444	3.2	18.9	6.0
Others	1,181	1,310	1,519	8.8	10.9	16.0	149	152	171	39.0	1.9	12.5	47	51	70	21.8	8.7	36.9
Nifty 50	**59,867**	**62,787**	**68,634**	**6.0**	**4.9**	**9.3**	**15,159**	**16,883**	**19,099**	**7.5**	**11.4**	**13.1**	**7,944**	**8,920**	**10,290**	**4.6**	**12.3**	**15.4**

Source: MOSL

Above normal monsoons augur well for Agri Sector

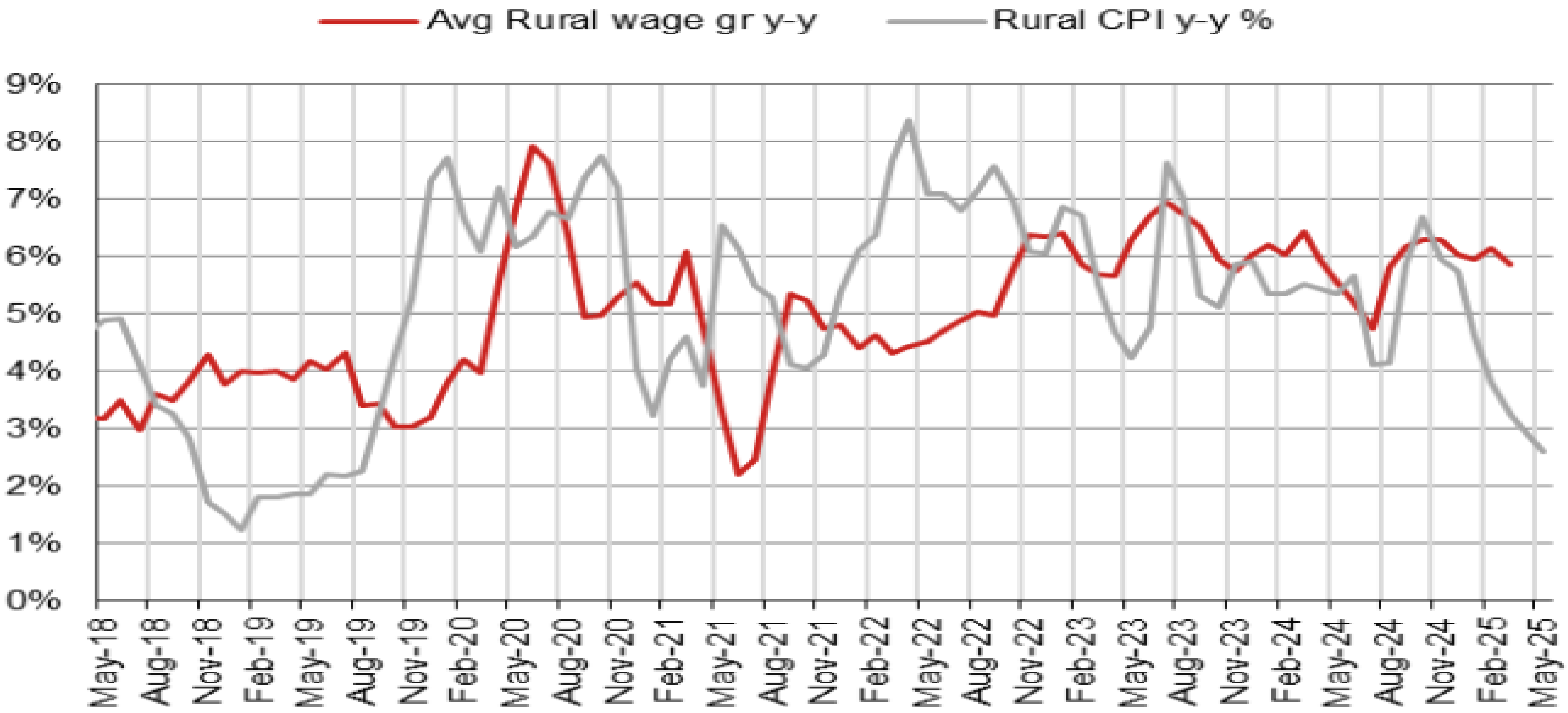
Southwest monsoon rainfall % above / (below) LPA (%)



Source: IMD, Jefferies. Period of June-Sept is considered as monsoon season

Rural recovery is clearly visible supported by wage growth

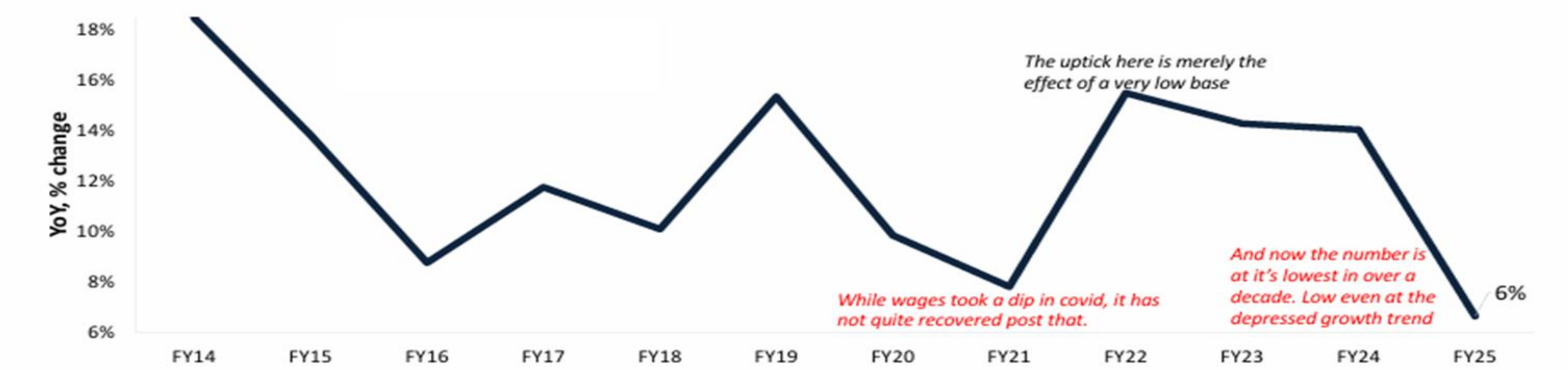
Growth in Rural Wages and Rural CPI



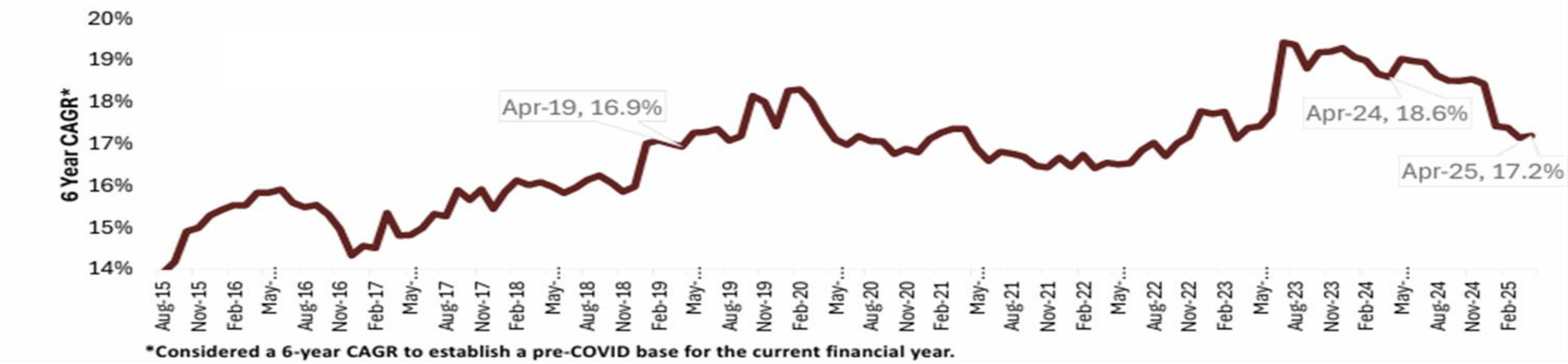
Source: CMIE, Nomura research

Household leverage has started to moderate; Wage growth needs to recover

Wage Bill Growth



Personal Loans



Source: DSP Netra

Can the trade tariff be a blessing in disguise?

iPhone production is now ramping up

Year	Models	Global shipment share (%)
2017	iPhone SE (1st Gen)	<1%
2018	iPhone 6S	<1%
2019	iPhone 7 & XR	~1%
2020	iPhone 11, SE (2nd Gen)	<2%
2021	iPhone 12	3%
2022	iPhone 13, 14	7%
2023	iPhone 15	10%
2024	iPhone 15, 16	15%

"A majority of iPhones sold in the US will have India as their country of origin"

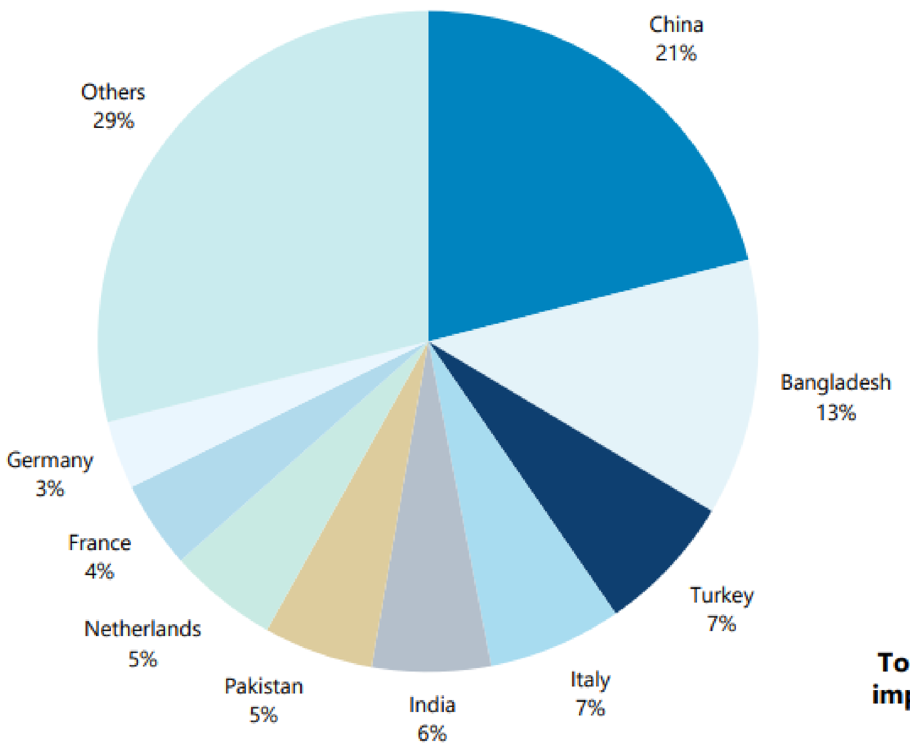
- Tim cook, CEO of Apple

Source: Apple, Media articles, Jefferies

FTA with UK done, more to follow…

UK imports only 6% of clothing from India

Country-wise UK clothing textile imports



Total clothing imports by UK: $29bn


THE TIMES OF INDIA

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India-US deal momentum builds: US team holds talks in Delhi on BTA; Goyal says interim pact may be reach soon

The United States and India are actively engaged in negotiations for a bilateral trade agreement, with the goal of finalizing an interim deal by the end of June. Discussions are progressing positively, with additional US officials expected to join the talks soon.

Source: UK office of national statistics, Jefferies

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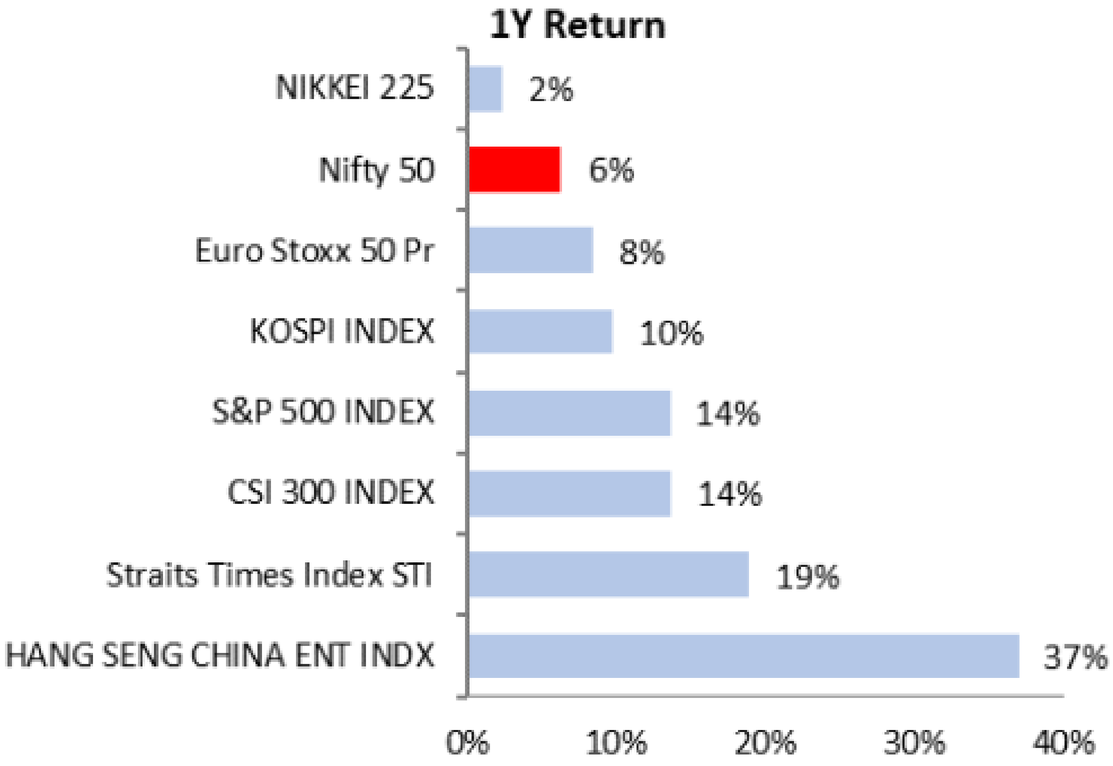
Are Valuations and Flows Turning Supportive?

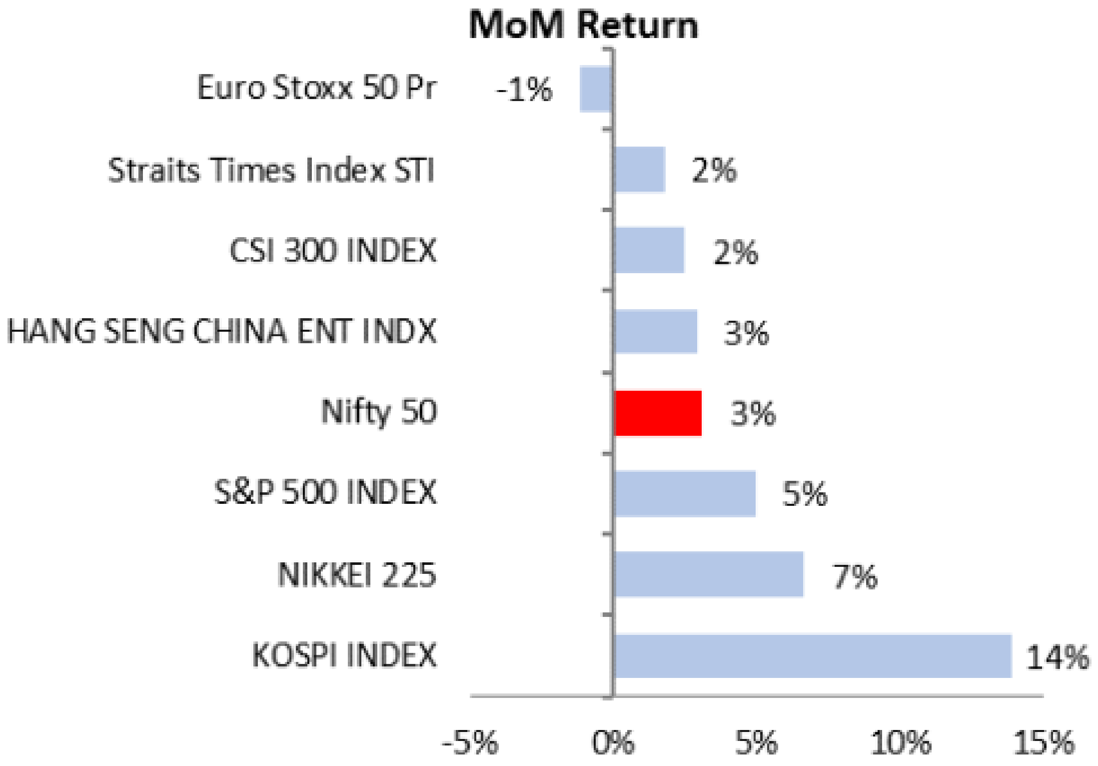
Global markets have outperformed in CY25 YTD

CY25YTD performance of global equity indices in USD terms (%)

Global indices: 1-year return



Global indices: 1-month return

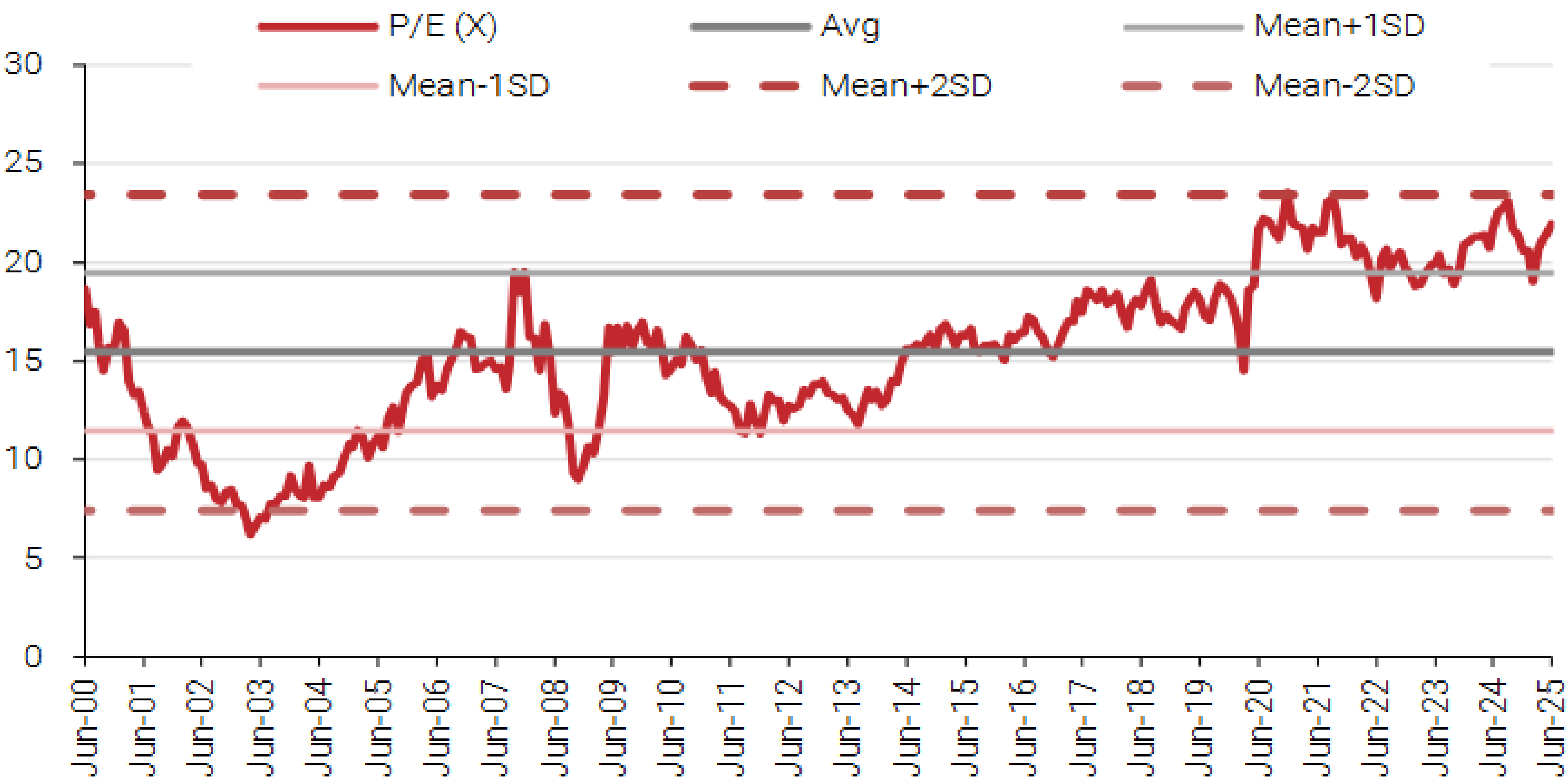


Source: Bloomberg, PhillipCapital India Research

Sharp rebound in the Indian markets in the past three months

Source: TradingView

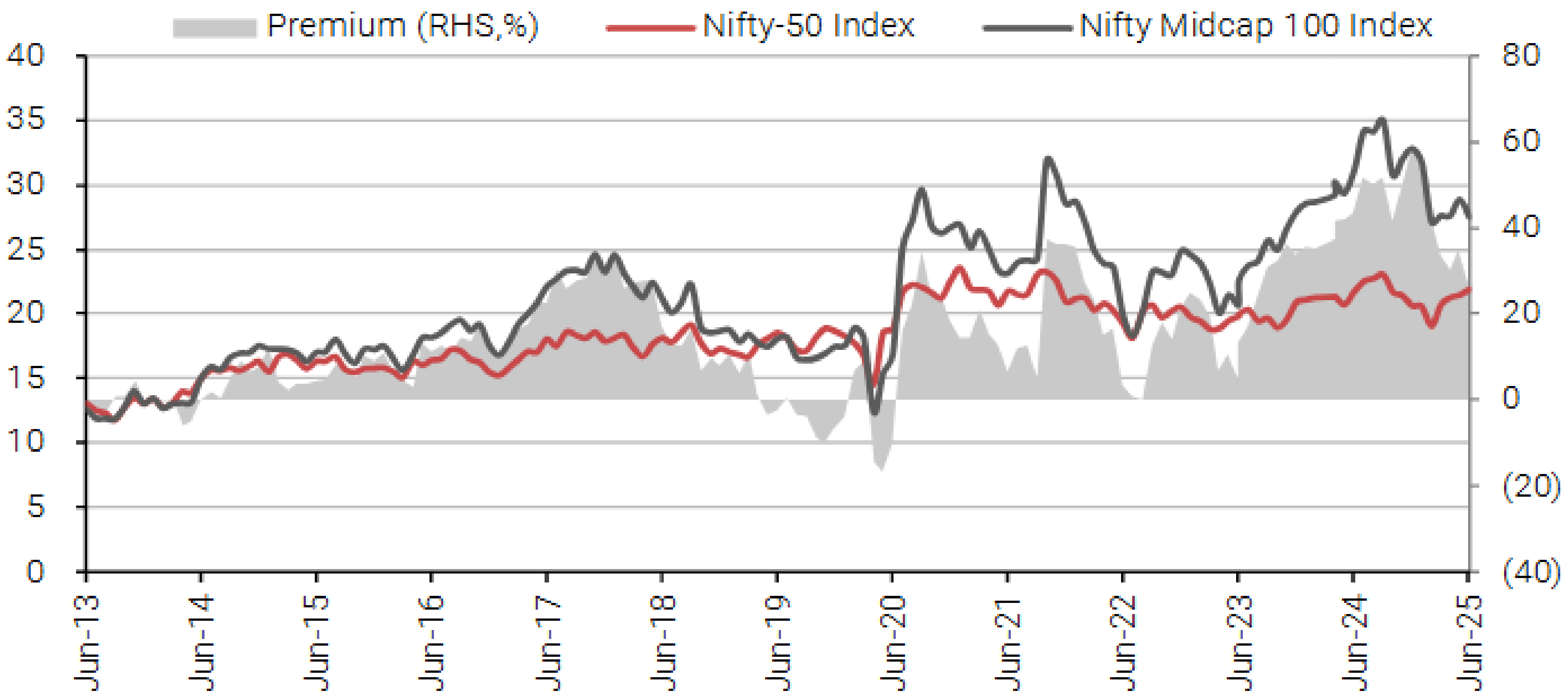
Nifty-50 valuations above long-term averages after recent rebound



Source: Bloomberg, Kotak Institutional Equities

Valuations post correction have moderated – more so in Midcap space

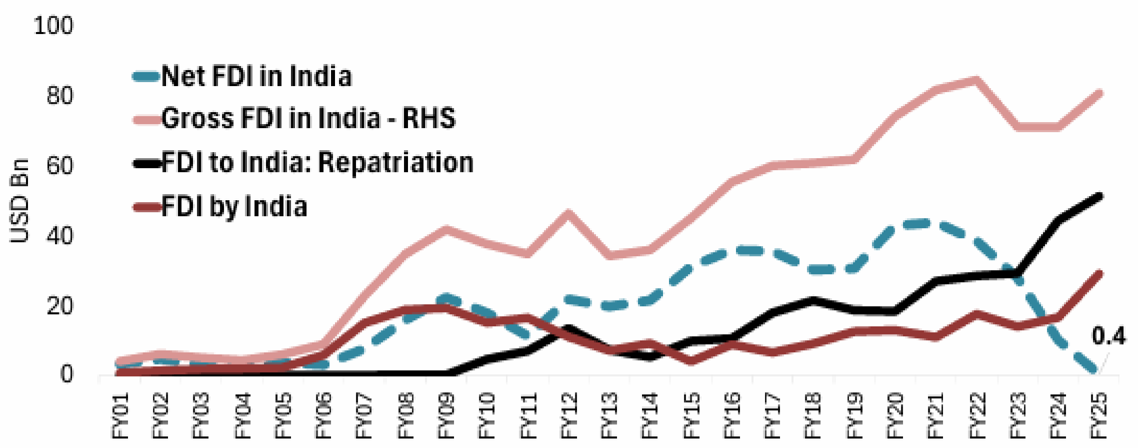
Relative valuation of Nifty Midcap 100 to Nifty 50



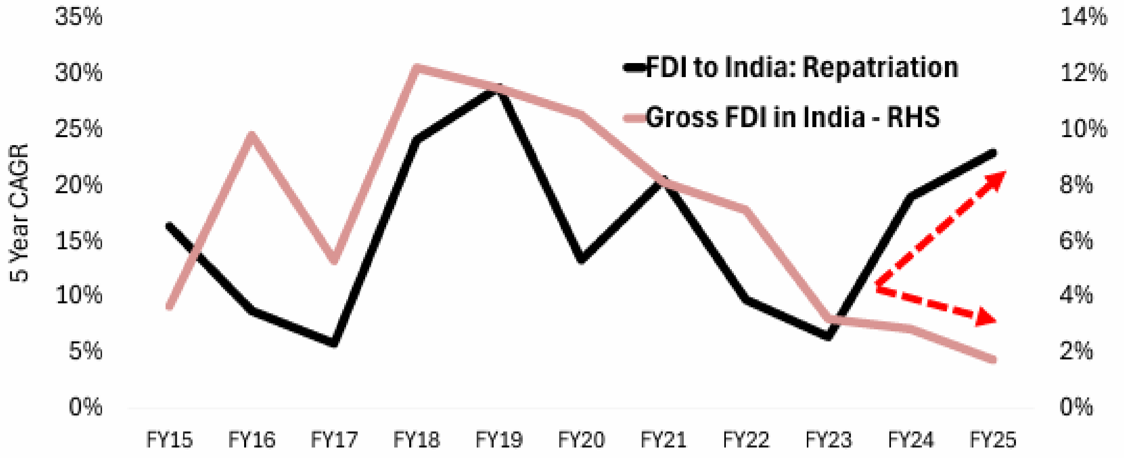
Source: Bloomberg, Kotak Institutional Equities

Despite strong growth, FDI and FPI flows have been weak

Net inflows have witnessed a steep dip, because of the increase repatriations at a rate higher than gross inflows



More than a recent sudden fall in FDI flows, there has been a gradual long-term decline, which could reverse when valuations align

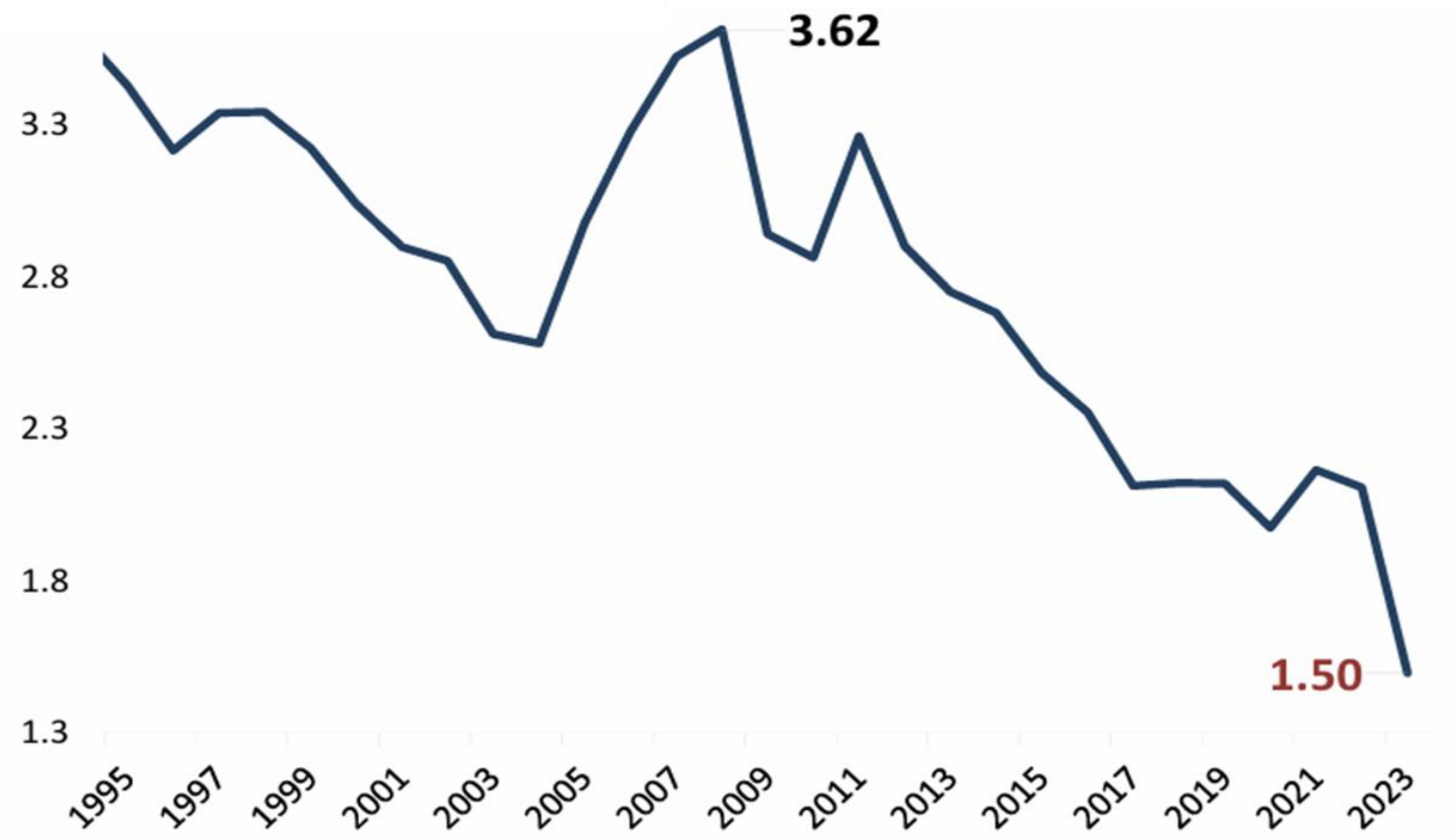


	FY20	FY21	FY22	FY23	FY24	FY25
Net foreign direct investment	43.0	44.0	38.6	28.0	10.1	0.4
Foreign direct investment to India	56.0	54.9	56.2	42.0	26.8	29.6
Gross inflows/gross investments	74.4	82.0	84.8	71.4	71.3	81.0
Repatriation/disinvestment	18.4	27.0	28.6	29.3	44.5	51.5
Foreign direct investment by India	13.0	11.0	17.6	14.0	16.7	29.2

Source: DSP

But not just in India, in entire EM basket….

FDI, net inflows (% of GDP) of emerging economies*

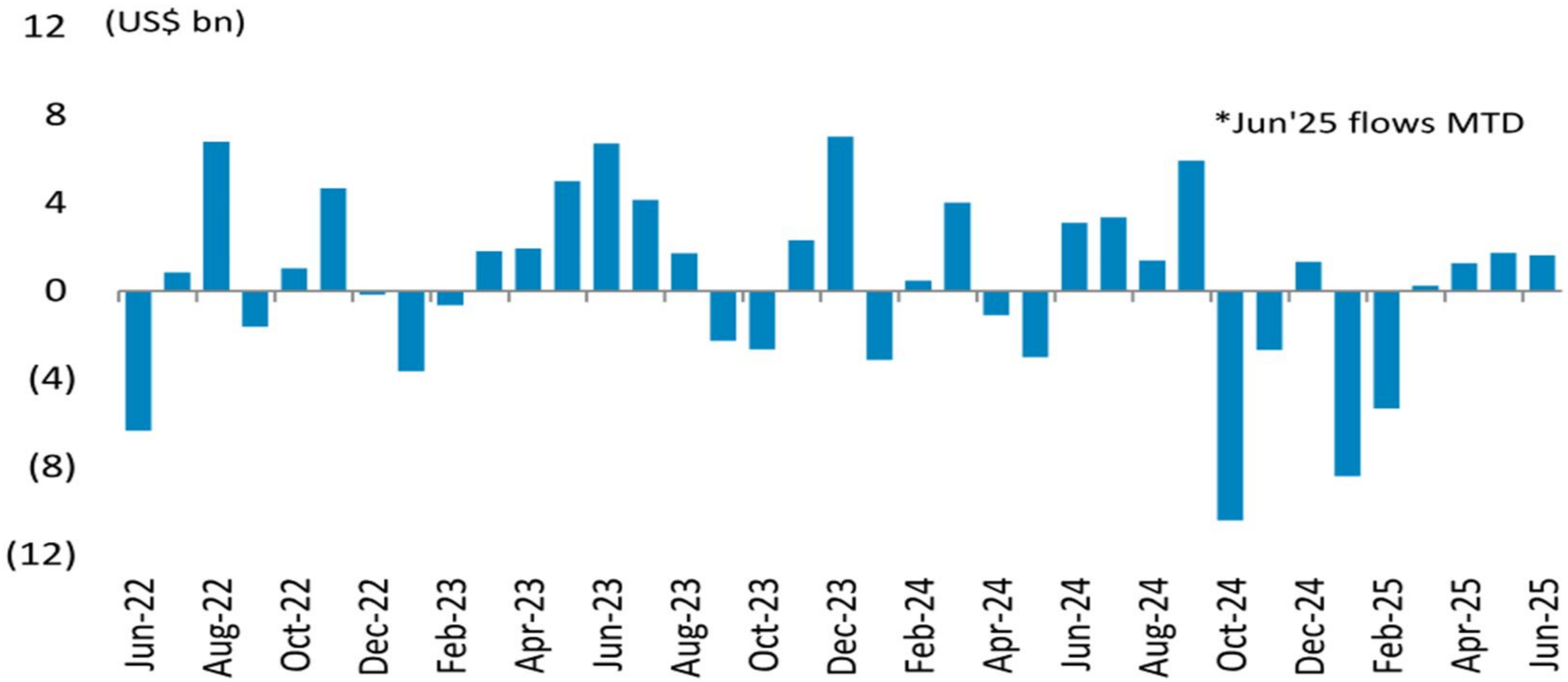


* **FDI as a percentage of GDP, weighted by net FDI inflows across major emerging economies.**

Source: DSP

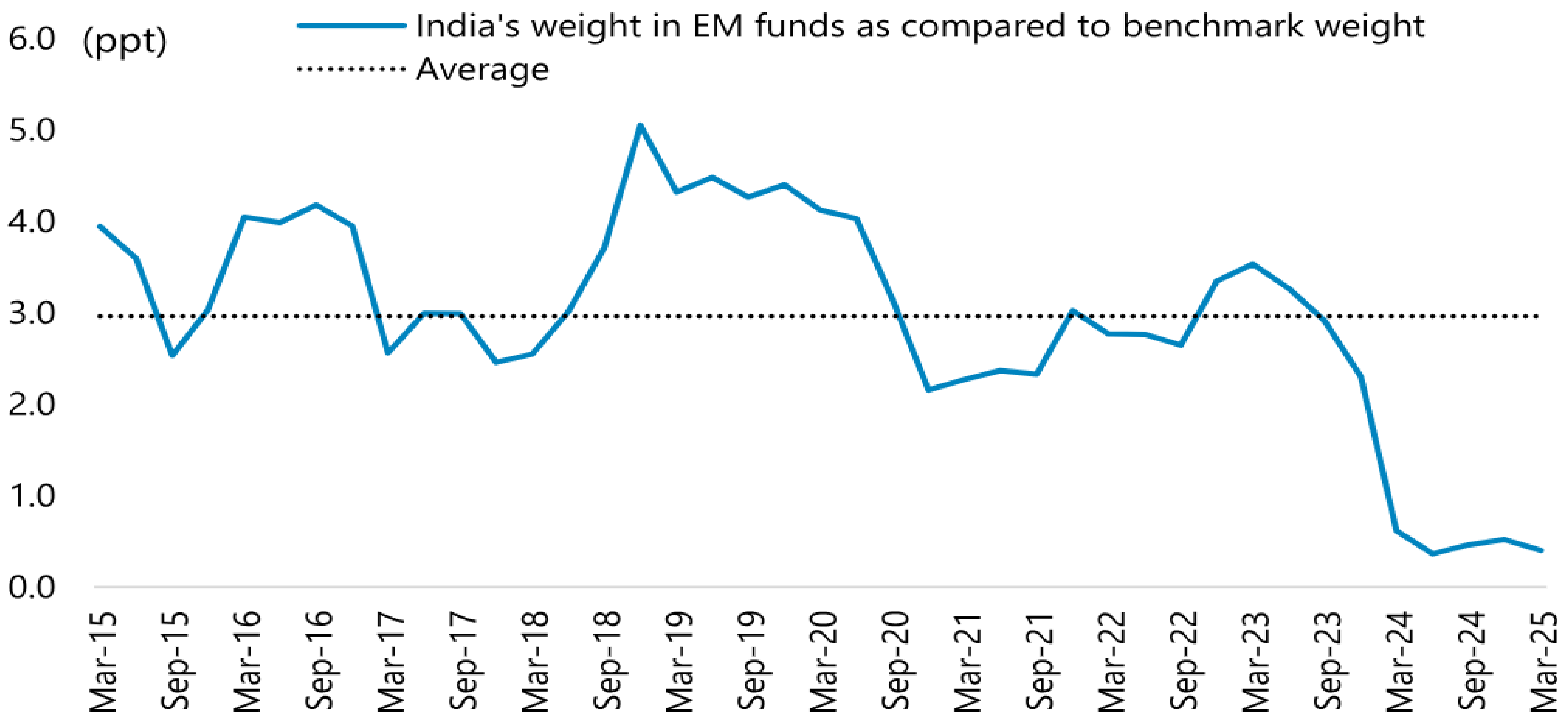
FII flows turned positive in FY26 TD – are they sensing economic recovery?

FPI net flow into equity



Source: Bloomberg, Jefferies

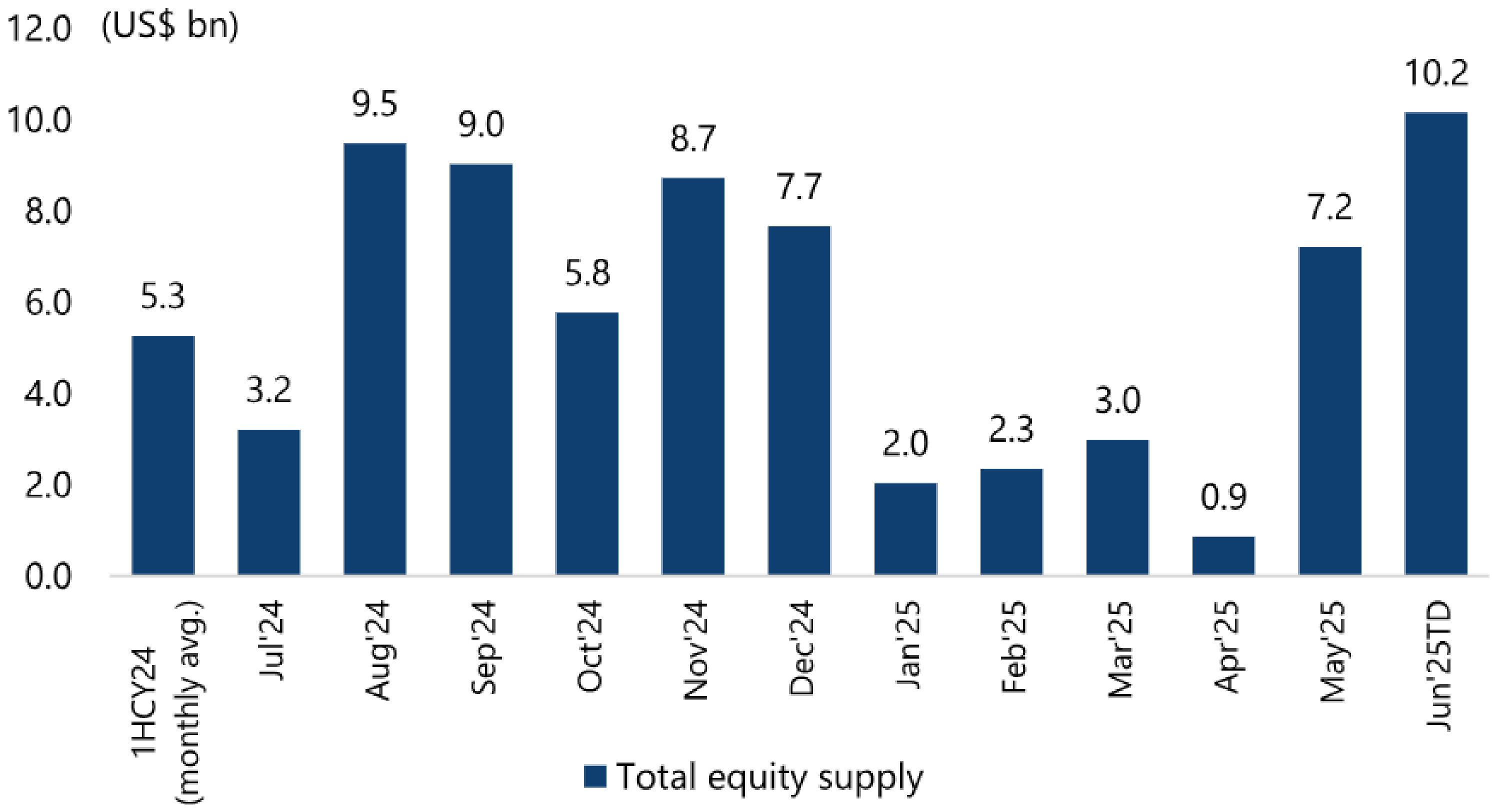
FIIs light on India weightage

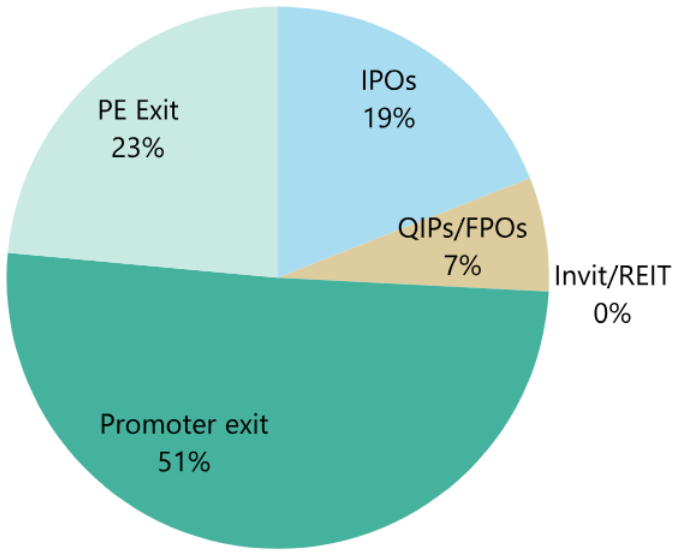


Source: Bloomberg, Jefferies

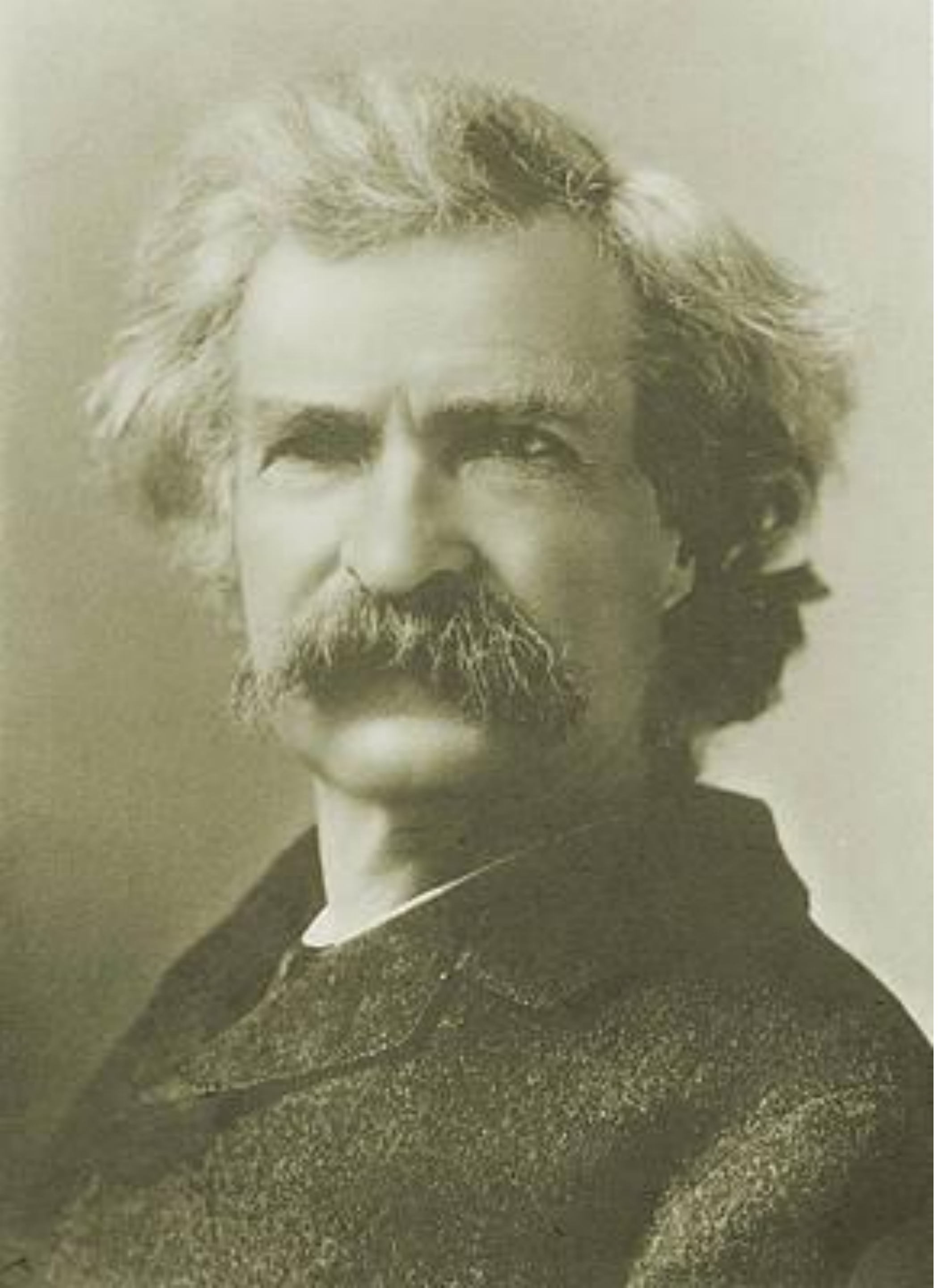
Supply of paper has started to rise again

Majority of supply coming from Promoters lately





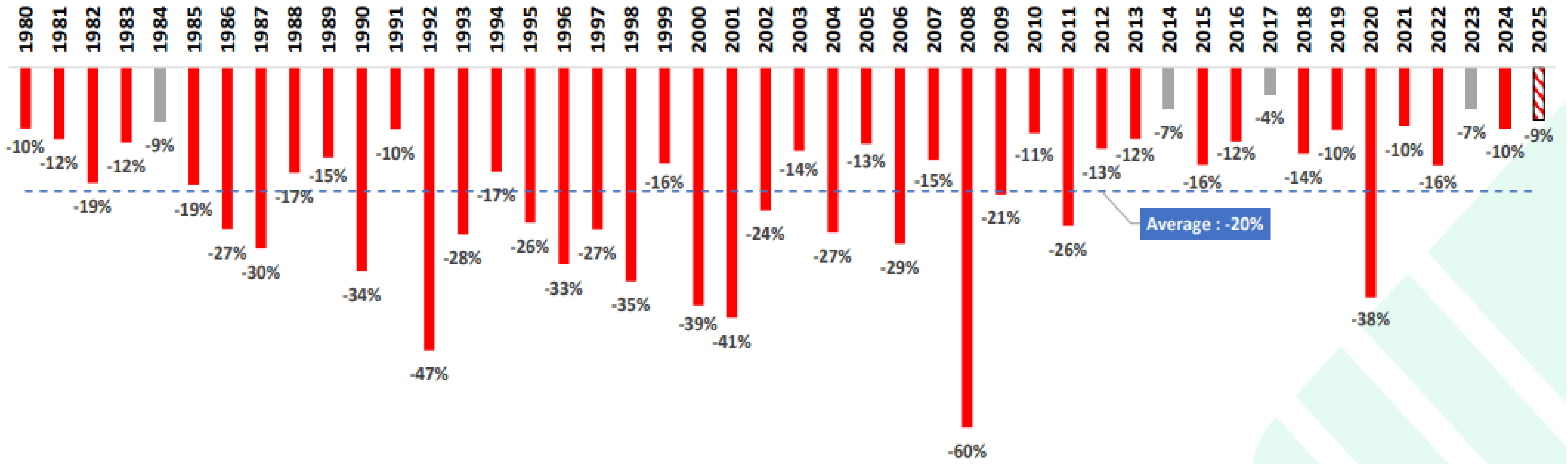
Source: NSE, BSE, Bloomberg, Jefferies. Jun25TD data is upto 26th June, 2025



"History does not repeat itself but it rhymes"

Equity Markets witness 10-20% temporary declines almost every year

Sensex: Year-wise Drawdown (1980 to 2025 YTD)

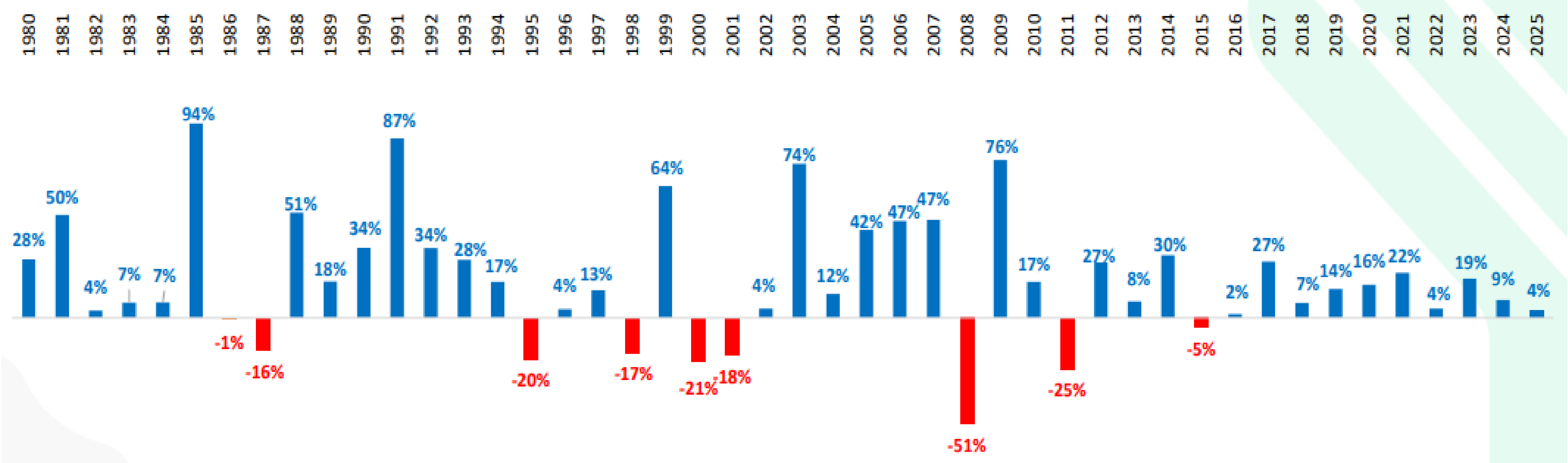


Source: Ace MF, FundsIndia Research. Note: Drawdown of 2025 updated till 31-May-2025

Despite yearly 10% drops, 75% of years still ended positive!

IKIGAI Asset Manager
Trust. Process. Performance.

Sensex (1980 to 2025 YTD) – Calendar Year Returns vs Drawdown

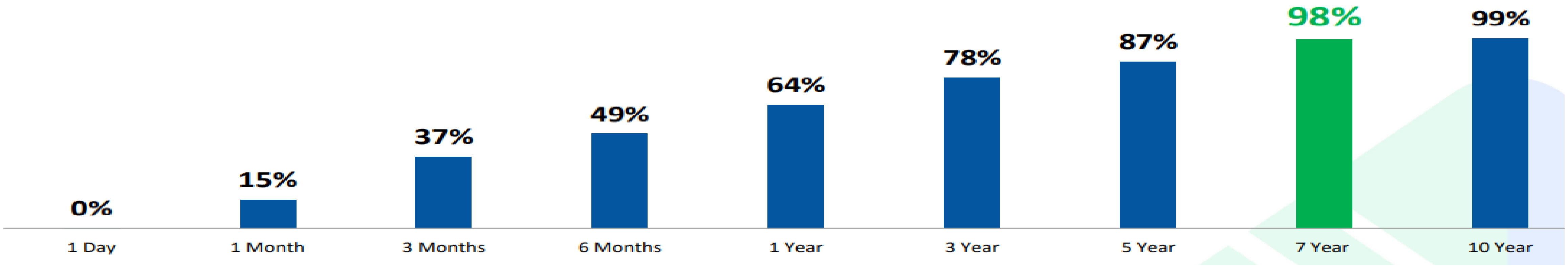


Despite the markets having intra-year declines every year, 36 out of 45 years ended with positive returns

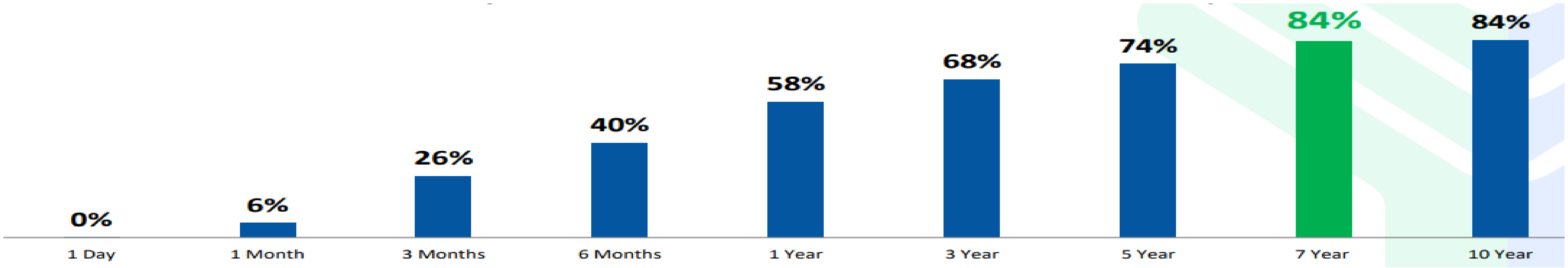
Source: Ace MF, FundsIndia Research. Note: Returns of 2025 updated till 31-May-2025.

Longer the time frame, higher the odds of better returns

Nifty 50 TRI - % Instances of Returns > 7% since Inception



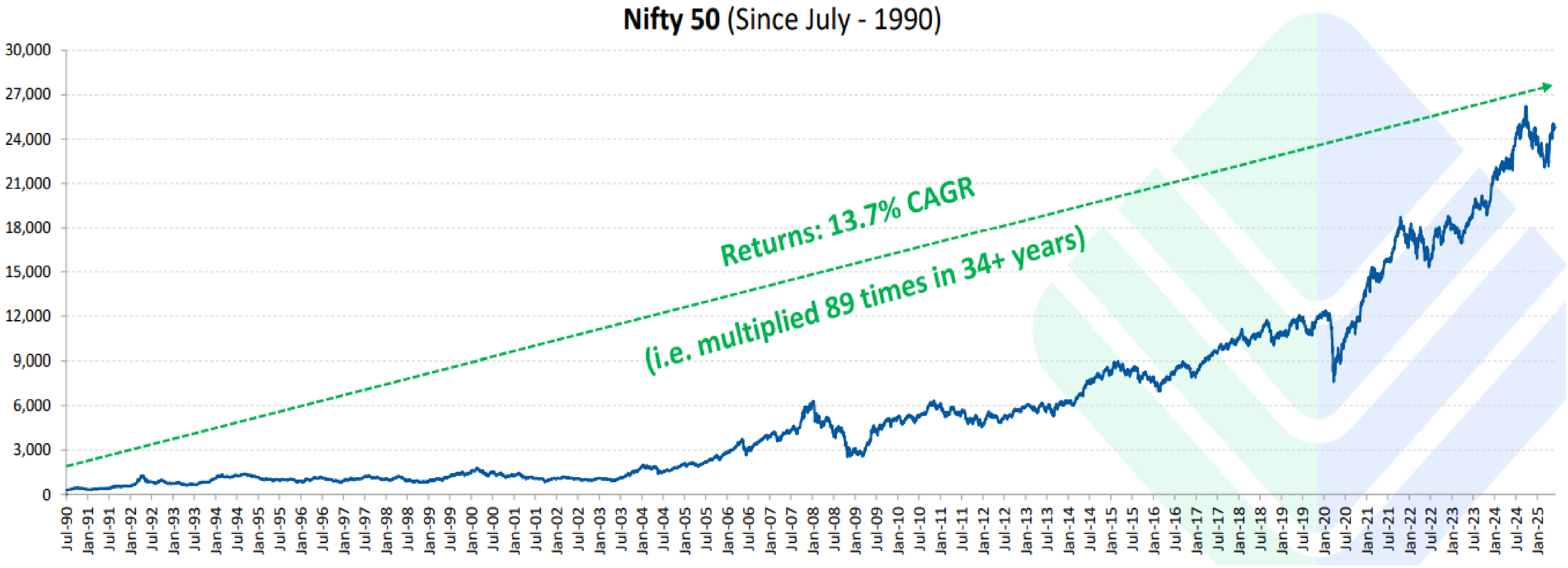
Nifty 50 TRI - % Instances of Returns > 10% since Inception



Source: Ace MF, FundsIndia Research. As on 31-May-2025. Nifty 50 TRI Inception date: 30-Jun-99

In the long-term, Nifty is up >12x in past 20 years

Nifty 50 (Since July – 1990)



Source: Ace MF, FundsIndia Research. Updated as on 31-May-2025

What should Investors do?

- Shifted from a conservative/cautious to a constructive stance in Feb end
- Would recommend to raise equity exposure slowly post the sharp rise:
  - ✓ Top up allocations/SIPs
  - ✓ Focus on staggered purchases though some front ending can be done now
  - ✓ Sectors that can do well - Pharma, metals, chemicals, cement, private sector financials and NBFCs, consumer discretionary, auto ancillaries

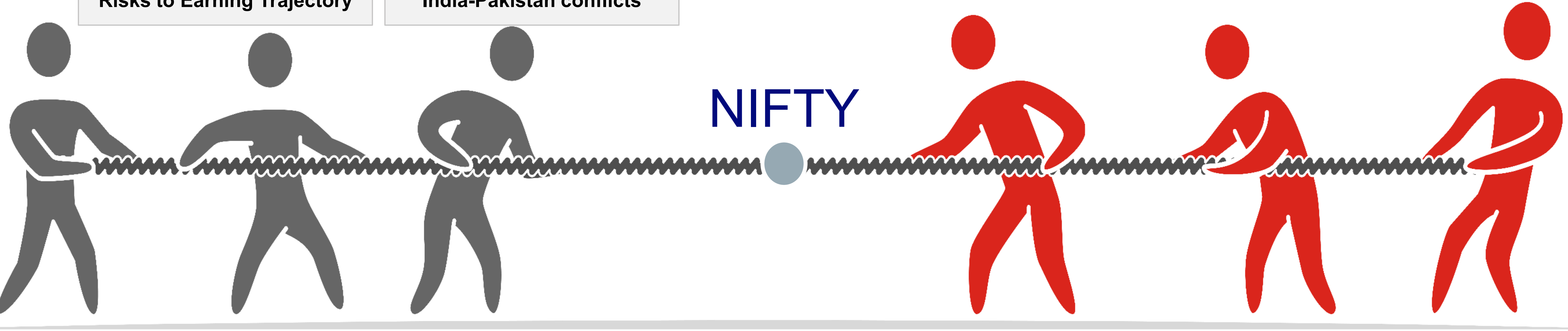
Be Ready For Volatility

Events: US Tariff war, Energy Prices and Geopolitical uncertainty

22K — 25k — 26K

Uncertain Global Macros	Supply of Paper
Global Liquidity Tightening	External Shock
Risks to Earning Trajectory	India-Pakistan conflicts

Earnings Pickup	Favourable India Macros
Yield Softening	FII Flows Returning



Thank You

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