

MONTHLY MARKET OUTLOOK:

India's Economic Snapshot:

> **Shifting Tides: Analyzing India's Bank Credit & Deposit Dynamics in June 2025:**

Recent RBI data signals a notable slowdown in credit growth. **Bank credit to industry** rose just **4.9% YoY** in the fortnight ending 30 May 2025, down from **8.9% a year ago**, reflecting muted demand from the industrial sector. Total **credit growth** stood at **9.6% YoY**, significantly lower than the **19.2%** seen in the **previous year**. Meanwhile, **deposit growth** also eased to **10.4%** (as of 13 June 2025) from **12.6% a year ago**. Gross microfinance loan portfolio shrinks 13.9% YoY by end of FY25



> **Major Boost in Defence Procurement and Indigenous Manufacturing:**

₹235 trillion worth of orders planned by the Defence Acquisition Council (DAC) in FY27. Approval for the procurement of three Kalvari-class submarines from Mazagon Docks for ₹360 billion. A proposal for a ₹300 billion acquisition of three QRSAM air-defense systems for the Indian Army, with a dedicated manufacturing facility in Hyderabad (capacity: 24 fuselages/year). Indian Navy planning ₹1.06 trillion in bids for five corvettes and four P-17B frigates.

➤ **FII Holdings in Nifty Stocks Fall to 15-Year Low:**

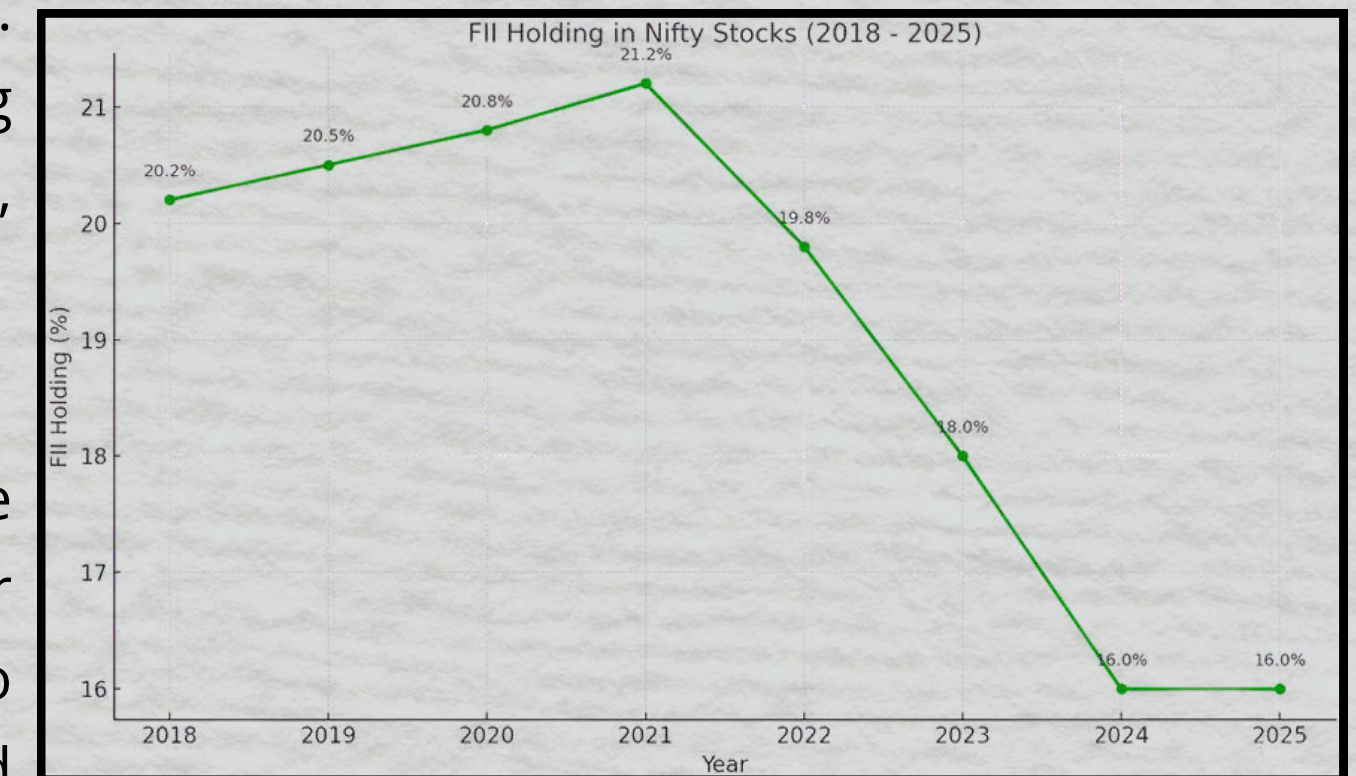
Foreign Institutional Investors (FIIs) reduced their holdings in Nifty 50 stocks to **40.9%** in Q4 FY25, marking the lowest level in nearly 15 years. India's foreign exchange reserves continued their upward trend, increasing by **\$5.17 billion** to reach **\$696.65 billion** for the week ended June 6, 2025, as reported by the RBI in June.

➤ **India Retains Top Spot as Fastest-Growing Major Economy:**

The RBI's June projections reaffirmed India's robust GDP growth estimate for FY2024-25 at **6.5%**, solidifying its position as the fastest-growing major economy globally. The central bank expects this growth momentum to continue into FY2025-26. This consistent outlook signals a stable and resilient economic path

➤ **Monsoon's Timely Advance Bodes Well for Agriculture and Rural Economy:**

The India Meteorological Department (IMD) in its June updates, confirmed the advance of the Southwest Monsoon over most parts of central & east India and some parts of northwest India by **mid-June**, and over most of northwest India by late June. This is crucial for agricultural output and rural demand, following IMD's forecast of an above-normal rainfall for the 2025 season.



➤ **Jio BlackRock Debuts Strong, Attracting Broad Investor Base:**

Jio BlackRock Asset Management made a robust entry into India's mutual fund market with its maiden New Fund Offers (NFOs), raising an impressive ₹17,800 crore. The strong debut attracted over 67,000 retail investors and more than 90 institutional investors, reflecting significant confidence in the new fund house's potential.

➤ **Sectoral Headwinds and Investment Caution Emerge in June:**

While India's economic growth largely held strong, June saw some notable shifts.

- **Natural gas** consumption declined **10% year-on-year** in May, with a **15% drop in LNG imports**, reflecting reduced industrial demand.
- Fuel sales also dipped month-on-month, with **diesel down 5.7%** and **petrol down 6.9%**, a seasonal monsoon effect.
- The mining sector faced pressure as NMDC flagged weak export demand for iron ore, pointing to sustained low prices.
- Most significantly, **private sector capital expenditure** announcements **plummeted 81% to ₹4.1 trillion in Q1 FY25**, a sharp fall from the previous quarter.

This significant drop in private investment, likely influenced by the recent elections and cautious sentiment, is a key area to watch for future economic momentum.

CAPEX UPDATE-

- > **Sun Pharma to Invest \$100M in FY26 for New Products:** A substantial portion of this capital expenditure will be directed towards the launch of two key products: Unloxcyt and Leqselvi.
- > **Reliance to Invest ₹80 Billion in Soft Drinks Expansion:** Reliance Industries is set to make a significant investment of ₹80 billion (₹8,000 crore) over the next 12-15 months to expand its soft drinks manufacturing capacity. This major capital outlay underscores Reliance's aggressive push into the consumer beverages market, aiming to scale up production and strengthen its competitive position in the rapidly growing Indian soft drinks sector.
- > **Foxconn Diversifies Supply Chain with \$2.2 Billion Investment in India & US:** Foxconn will invest \$2.2 billion in India and the US, a strategic move to shift its manufacturing base away from China. This significant investment aims to diversify its global supply chain.
- > **Faster Deliveries Ahead: Amazon Pours \$233M into India's Fulfillment Network:** Amazon has announced a significant investment of \$233 million (approximately ₹1,950 crore) in India. This capital infusion is earmarked for expanding its infrastructure and enhancing fulfillment network technology across the country. The investment highlights Amazon's ongoing commitment to strengthening its e-commerce operations in the crucial Indian market, aiming to improve logistics, delivery speeds, and overall customer experience.
- > **Apollo to Boost Healthcare Capacity with 4,300 New Beds Across India:** Apollo Hospitals to invest ₹76 bn to add over 4,300 beds across India Includes a 700 bed hospital in Bengaluru.

GLOBAL MARKET OUTLOOK:

Worldwide – JUNE 2025 painted a complex picture for the global economy, characterized by persistent inflationary pressures in some key regions, cautious monetary policy shifts, and heightened trade tensions impacting growth forecasts.

> Global Rate Divergence: What Central Banks Are Signalling Now :

- The US Federal Reserve held its benchmark interest rate steady, maintaining a cautious stance amidst still-elevated core inflation, despite some cooling in headline figures.
- Fed commentary emphasised a data-dependent approach, hinting at potential cuts later in the year if disinflationary trends solidify.
- In contrast, the European Central Bank (ECB) signalled a more dovish outlook, with market participants widely anticipating further rate cuts in the coming months as Euro zone inflation continued its steady descent.
- The Bank of Japan (BOJ) maintained its ultra-loose monetary policy, though speculation about a future pivot intensified. If the US Fed continues to hold rates while the ECB cuts, the US Dollar could remain strong.
- This could potentially lead to continued Foreign Portfolio Investor (FPI) outflows from India (as investors seek higher, safer returns in the US) or dampen FPI inflows, putting deprecatory pressure on the Indian Rupee (INR).
- A stronger dollar also makes India's external debt servicing more expensive.

> **A World Divided: US Stays Strong as Europe Recovers, China Stabilizes:**

The global economic landscape presents a mixed picture.

- The U.S. economy remains resilient with a robust job market and consumer spending, though some signs point to a slight slowdown.
- The Euro-zone is experiencing a gradual, if delicate, recovery, boosted by easing energy issues and strong exports.
- China's growth is stabilizing, thanks to government stimulus, but ongoing property sector challenges and weak domestic consumption are holding it back.
- Elsewhere, Japan is seeing modest growth driven by a weaker yen and tourism, while emerging markets are benefiting from moderating global inflation and stable commodity prices, though they remain sensitive to developed market interest rate changes.

> **The World Stage: Persistent Risks and Strategic Trade Realignment:**

Global markets in June continued to be shaped by persistent geopolitical risks, with the unresolved conflict in Ukraine impacting European energy and global food supplies, and simmering Middle East tensions contributing to oil price volatility. Meanwhile, evolving trade relations, especially between the US and China, remained a key focus. Although new tariff escalations were largely avoided, strategic competition in technology and critical minerals continued, leading businesses to exercise caution in their long-term supply chain planning.

> **Gold's Ascent: Now Second to the Dollar in FX Reserves:**

- June 2025 has made a historic shift in global finance, gold has officially surpassed the Euro to become the world's second-largest foreign exchange reserve asset.
- This development, with gold now representing approximately 20% of global official reserves compared to the Euro's 16%, was highlighted in the latest European Central Bank (ECB) reports.
- The ongoing, record-breaking central bank gold purchases for the third consecutive year, coupled with gold prices soaring to new nominal highs (trading above \$3,400 per ounce), are the primary drivers.
- Geopolitical uncertainties and a global push for diversification away from traditional fiat currencies are also fueling this strong demand for gold as a safe-haven asset.



➤ **Energy Market Turbulence: Oil Swings on OPEC+ Moves and Geopolitics, Gas Stable Amid Mild Demand:**

Israel and Iran are at war and the price of oil is elevated, having risen sharply when the war started.

However, the price has settled at only a slightly elevated level as investors began to believe that the **war is not likely to disrupt oil supplies.**

For the war to disrupt oil supplies, Iran would have to use force to close the Straits of Hormuz, a power that they might lack following massive Israeli attacks on Iran's military.

Moreover, even if there is disruption in the Straits, Saudi Arabia has pipelines that can bring Persian Gulf oil to the Red Sea for shipping. And, even before the war began, the Saudis had chosen to boost their production of oil, thus offsetting the impact of Israeli attacks on Iran's oil-producing facilities.

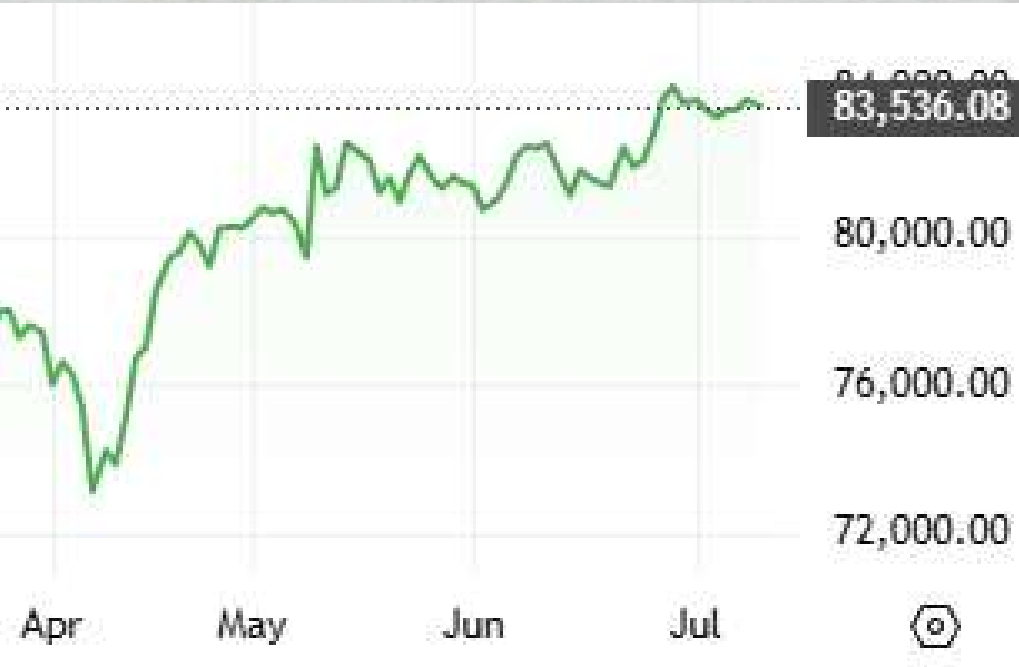
Thus, the world's oil supply appears to be relatively safe.

Historically, conflict in the Middle East has rarely had a significant impact on the global economy. The only times in modern history that events in the Middle East were truly disruptive were in 1974 and 1979.

- In 1974, the war between Israel and Egypt led Arab oil producers to impose a boycott of Western countries for supporting Israel. This led to a quadrupling of the price of oil.
- In 1979, the Iranian revolution disrupted Iran's oil production at a time when oil supplies were tight, thereby causing a doubling of the oil price. In both cases, global inflation soared while real income declined.

Tighter monetary policies brought on recession in most major economies. Yet, when oil prices surged in 1990 following the Iraq-Kuwait conflict, the impact was short lived. The same was true in 2003 during the US-Iraq conflict and in 2022 during the start of the Russia-Ukraine conflict. This time is likely to be similar.

MARKET HEATMAP: INDEX EDITION



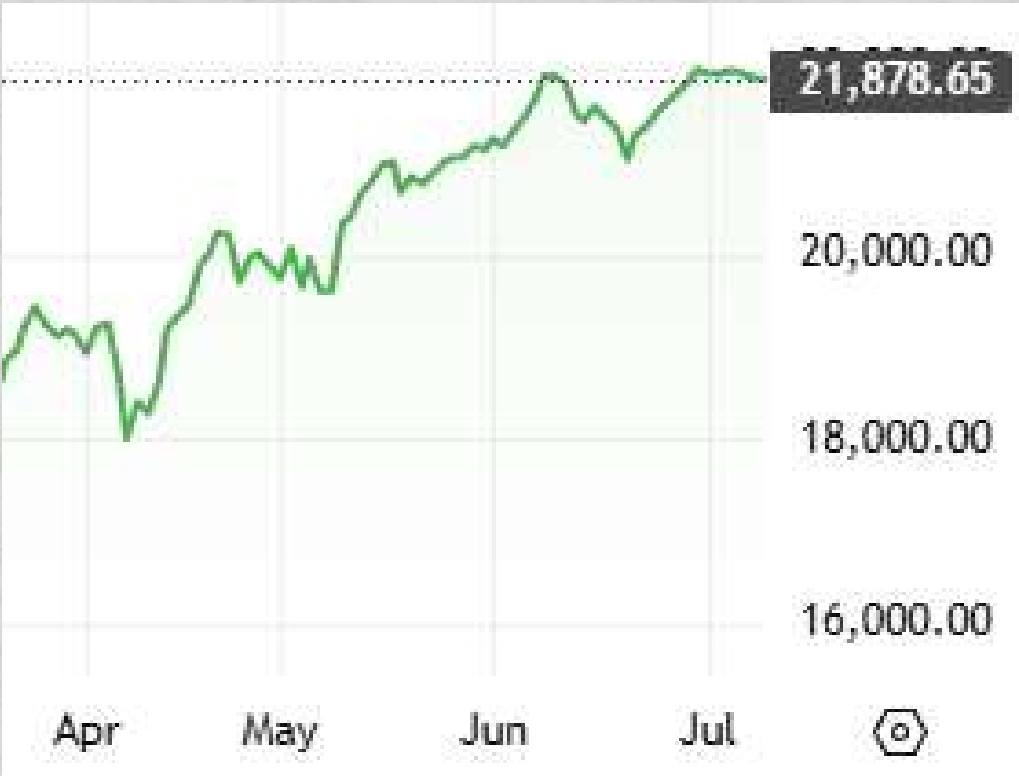
SENSEX 30

Last 1 year return - 3.96%
3months return - 9.88%
P/E - 24



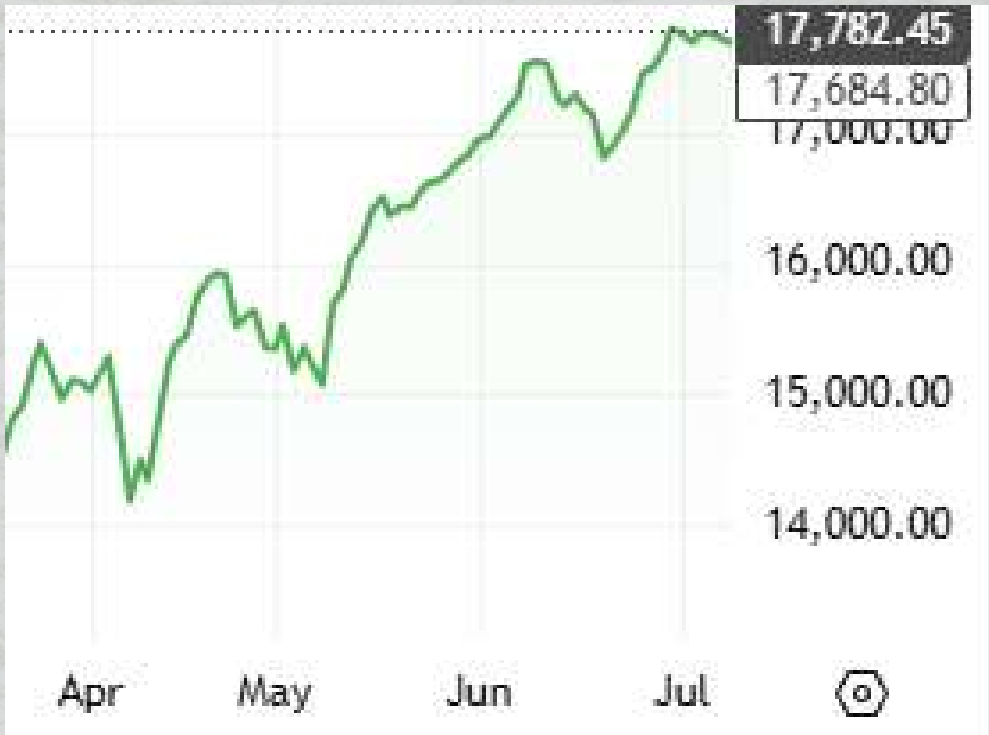
NIFTY 50

Last 1 year return - 4.74%
3 months return - 9.6%
P/E - 23



NIFTY MID CAP 150 INDEX

Last 1 year return - 5.55%
3months return - 15.00%
P/E - 35.1



NIFTY SMALLCAP 250

Last 1 year return - 4.01%
3months return - 17.83%
P/E - 33.6