

MONTHLY MARKET OUTLOOK:

India's Economic Snapshot:

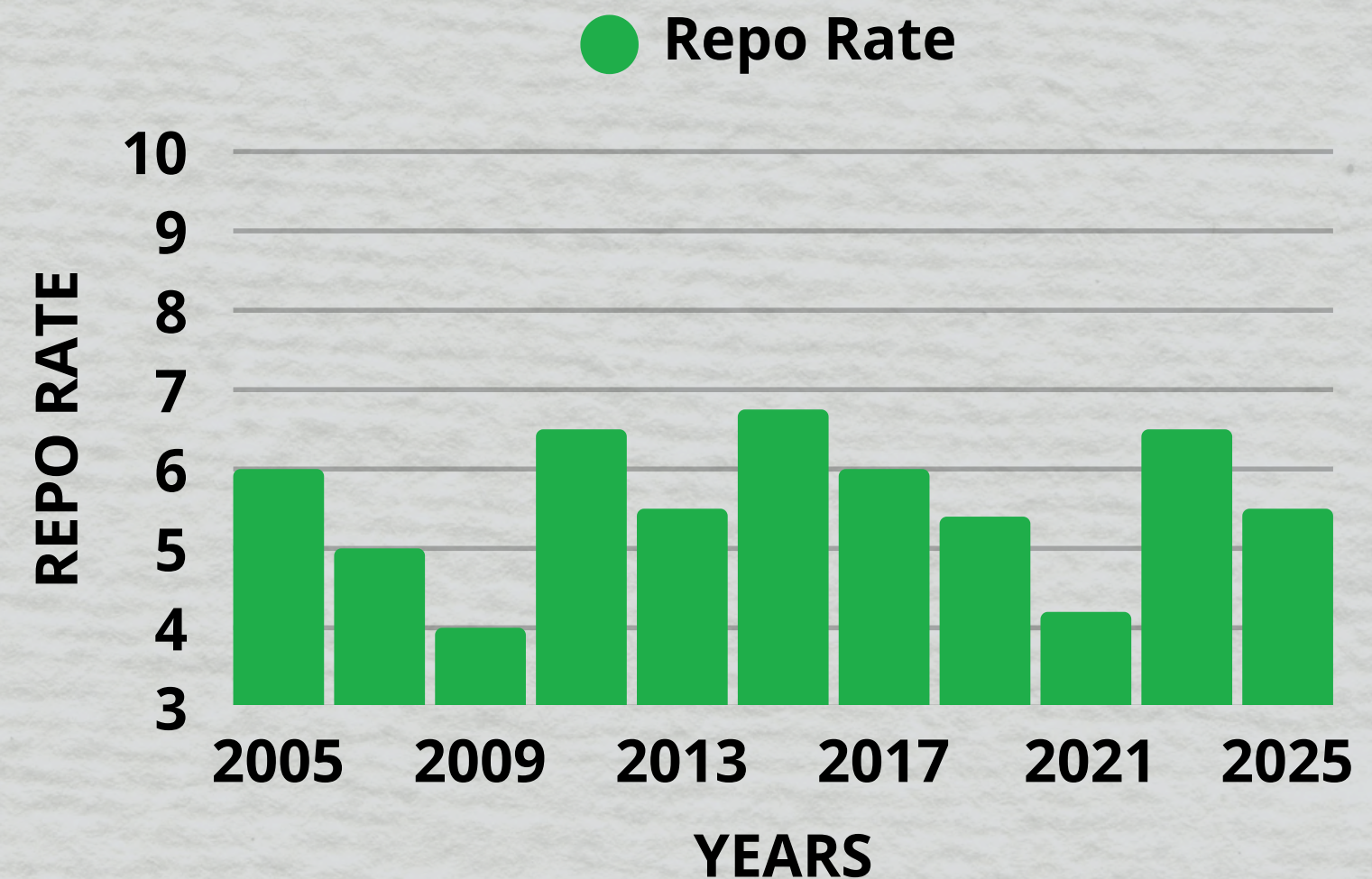
> **RBI Surprises with a Significant Repo Rate Cut**

The Monetary Policy Committee of RBI concluded its 55th meeting on 6th June. The MPC concluded to cut the Repo rate by 50 bps bringing it down to 5.5%. For us, it primarily means cheaper loans – think home loans, car loans, and even business credit could become more affordable! This is a clear signal from the RBI to boost consumption and investment, aiming to accelerate economic growth.

The CRR cut by 100 bps is equally impactful. It means banks now need to hold less money with the RBI, freeing up substantial funds which estimates up to ₹2.5 lakh crore for lending.

> **India Reduces Coal Imports, Saves Forex:**

India strategically cut its coal imports by almost 8% in FY25, leading to a significant saving of \$7.9 billion in foreign exchange. This reduction was primarily driven by a robust increase in domestic coal production, showcasing the nation's push towards energy self-reliance.



➤ **Inflation Continues to Cool Down:**

India's inflation landscape showed significant improvement in May 2025. The Wholesale Price Index (WPI) inflation eased to a 14-month low of 0.39% from 0.85% in April, largely due to a decline in prices of food items and fuels. Similarly, the Consumer Price Index (CPI) inflation also saw a substantial drop to 2.82%, the lowest since February 2019, driven by a consistent decline in food inflation for the seventh consecutive month. This moderation in prices is a positive sign for consumers and the overall economic stability.

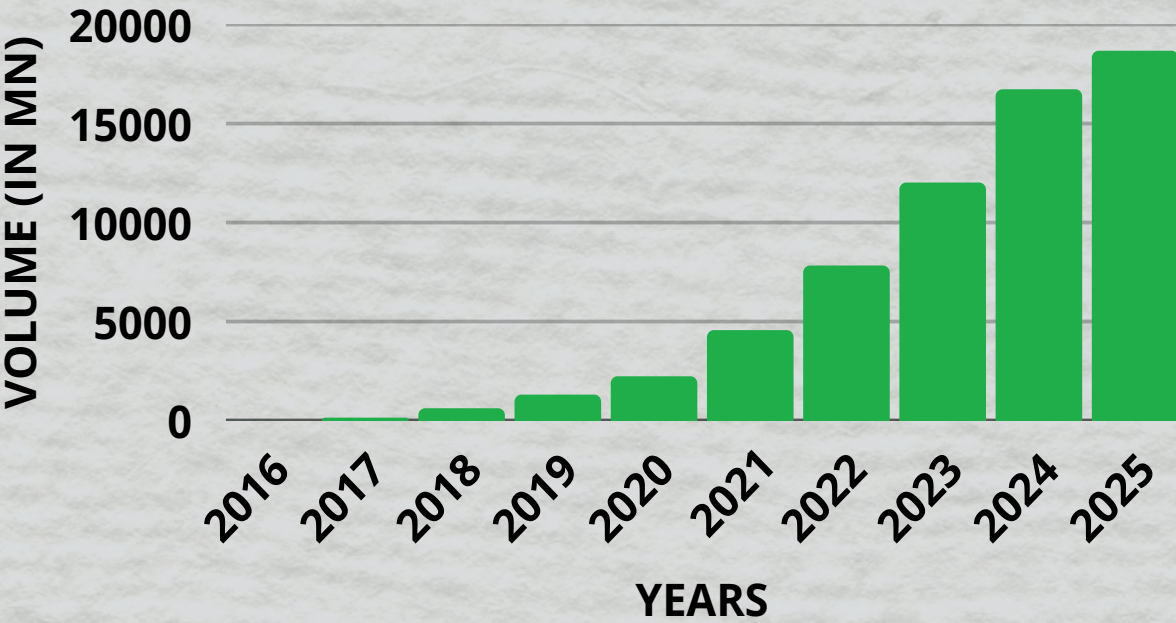
➤ **India's New EV Manufacturing Scheme:**

India has launched an Electric Car Manufacturing Scheme requiring a minimum investment of ~\$500 million USD within 3 years (covering plant, machinery, R&D, up to 5% on charging infra, and up to 10% on land/building). It offers import concessions on up to 8,000 EVs annually at a reduced 15% duty for 5 years (with unused quota carry-forward), capping total duty benefits at ₹64.84 billion or actual investment, whichever is lower. The scheme also mandates localization targets of 25% domestic value addition by year 3 and 50% by year 5, with production commencing within three years.

➤ **Mixed Signals in Foreign Direct Investment (FDI):**

While gross FDI inflows increased by 14% to \$81.04 billion in FY25 (data released in May), India's net FDI plummeted by 96.5% to a record low of \$353 million in FY25. This sharp decline in net FDI is attributed to significant capital repatriation by overseas investors, particularly through high-profile IPO exits, and increased outward investments by Indian firms. Despite the net outflow, analysts view the rise in exits as a sign of market maturity, reflecting the ability of foreign investors to smoothly enter and exit the Indian market. The services sector remained the top recipient of FDI equity, followed by computer software and hardware, and trading.

> **Indian Major Ports Show Strong Growth:** India's major ports reported a 4.3% year-over-year increase in cargo handling, reaching 855 Million Tonnes (MT) in FY25, driven by significant gains in containers, fertilizers, POL (Petroleum, Oil, and Lubricants), and miscellaneous commodities.



UPI Achieves New Milestone: India's Unified Payments Interface (UPI) recorded an all-time high in May, with transaction values crossing ₹25 trillion for the first time. This significant surge underscores the growing adoption and robust expansion of digital payments across the country, further solidifying UPI's role as a cornerstone of India's digital economy.

> **India's Crude Import Bill Declines:** Despite increased imports of Russian oil, India's crude import bill fell by 17% year-on-year to \$10.8 billion in April, primarily due to a 1.1% reduction in import volumes.

> **Apple's India iPhone Exports Skyrocket:** Apple's iPhone exports from India surged by an impressive 116% year-on-year in April, reaching ₹172.2 billion, with the majority (81%) of the ₹214 billion output shipped to the U.S.

GLOBAL MARKET OUTLOOK:

Worldwide – May 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.

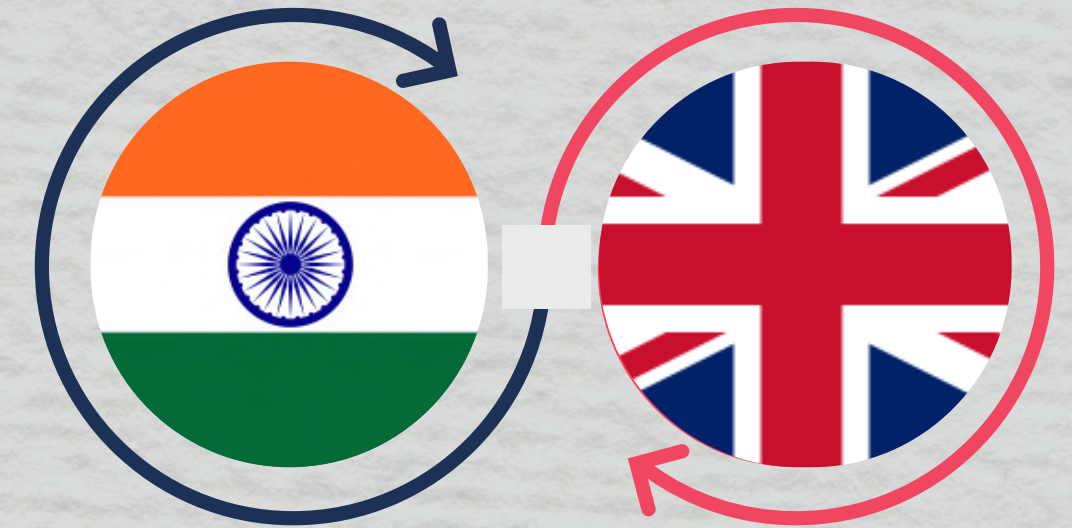
- **Geopolitical Tensions & Global Economy:** Ongoing tensions in the Middle East, particularly involving Iran and Israel, continue to pose a notable risk to the global economy. The primary concerns revolve around potential disruptions to oil supplies, which could trigger significant crude oil price spikes and impact global inflation, supply chains, and overall market stability

- **Global Growth Forecasts Under Pressure Amid Trade Headwinds:**
The global economic outlook for 2025 has seen further downgrades from major international bodies. The World Bank's latest "Global Economic Prospects" report (June 2025, based on May data) projects global growth to weaken to 2.3% in 2025, a significant reduction from earlier forecasts. This marks the slowest pace since 2008 outside of outright recessions. The International Monetary Fund (IMF) in its April 2025 World Economic Outlook also revised global growth down to 2.8% for 2025.

> A New Dawn for Trade: India Forges Pathways to Global Prosperity via FTAs:

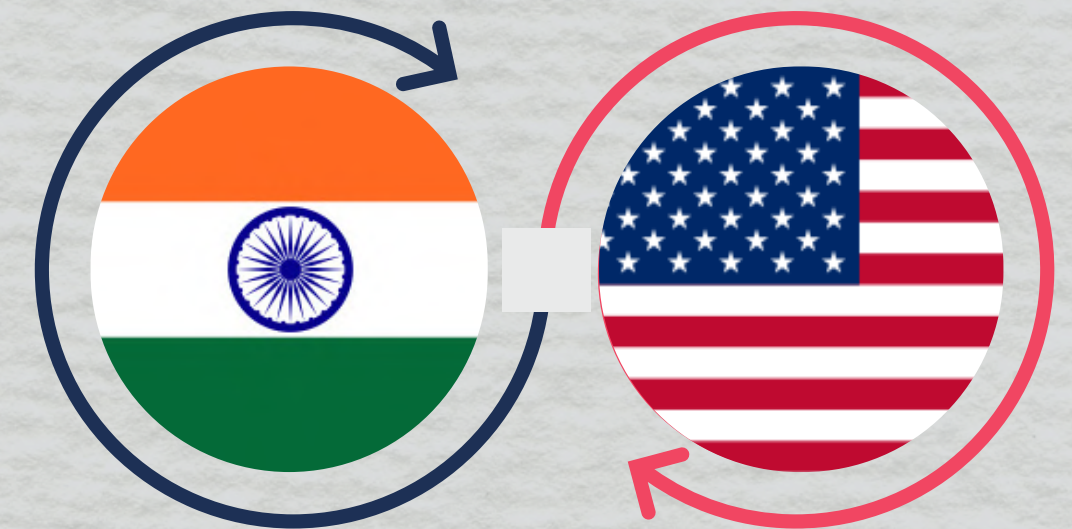
United Kingdom:

Significant progress in trade relations sees India eliminating tariffs on 99% of its tariff lines, while the UK will reduce tariffs on 90% of its lines, with 85% becoming fully tariff-free within a decade. Notably, tariffs on UK whisky and gin will halve immediately to 75%, and automotive tariffs will dramatically fall from over 100% to 10% under a quota system.



United States:

Major trade developments are set to impact key sectors. Under a new agreement, steel tariffs are eliminated entirely (from 25%), while automobile tariffs are significantly cut to 10% (from 27.5% for specific volumes). The deal also tackles non-tariff barriers, making it easier for US goods to enter markets. US agriculture stands to gain with new export opportunities, including duty-free access to the bioethanol market and a tariff-free quota for beef. Furthermore, the agreement aims to improve regulatory consistency, simplify customs, and bolster intellectual property and labor protections."



New Zealand

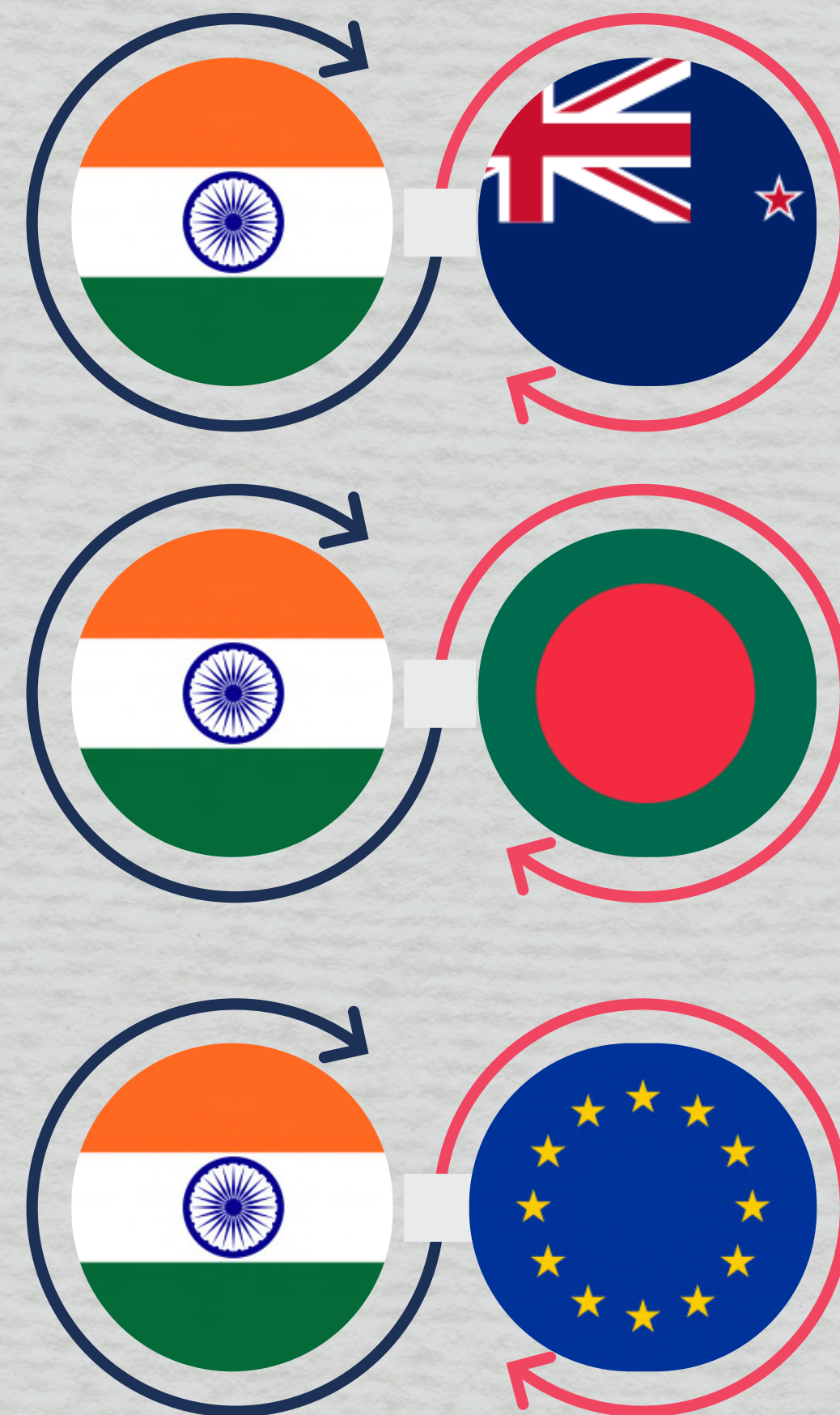
Trade talks between India and New Zealand are focusing on key areas including trade facilitation, economic cooperation, and investment. New Zealand is keen on greater access to India's dairy, meat, and wine markets, while India aims to protect its domestic dairy sector and boost exports in textiles, pharmaceuticals, and machinery.

India-Bangladesh Trade Deal

Recent trade tensions between India and Bangladesh have led to significant disruptions. Bangladesh has imposed bans on key Indian imports like yarn, rice, and fish via land ports, and introduced a transit fee of 1.8 taka per tonne per kilometer on Indian goods. In response, India has restricted Bangladeshi exports, including readymade garments and processed foods, to Northeast India and other regions, now only allowing entry through Kolkata and Nhava Sheva seaports, effectively closing major land routes.

European Union:

In ongoing trade discussions between the EU and India, a key point of contention is the EU's demand for reduced Indian tariffs on luxury cars, whiskey, and wine, which currently stand at a high 100-150%. Conversely, India is seeking greater market access for its significant IT services, textiles, and pharmaceuticals sectors.



MARKET HEATMAP: INDEX EDITION



SENSEX 30
Last 1 year return - 5.36%
3months return - 11.44%
P/E - 22.8

NIFTY 50
Last 1 year return - 5.32%
3months return - 12.15%
P/E - 22.3
Average P/E - 22.71



MID CAP 150 INDEX
Last 1 year return - 2.66%
3months return - 17.67%
P/E - 34.3

SMALLCAP 250
Last 1 year return - 0.94%
3months return - 20.4%
P/E - 32.7

