MARCH 2025

MONTHLY REPORT

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NIFTY 50
Closing- 22124.7
PE – 19.67
PB – 3.29x
Div Yield – 1.45%

NIFTY MIDCAP 100
Closing –47915.2
PE – 32.5
PB – 4.4x
Div Yield – 0.89%

10 Yr. GOI Yield
6.70%

CRUDE
73.18 $/bbl

USD/INR
87.51

GOLD
2,858 $/Oz

Data as on February 28, 2025
Source: Bloomberg

Indicators	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24
Sensex	-5.60%	0.80%	-7.30%	0.52%	-5.80%	2.35%	0.76%	3.43%	6.86%	-0.70%	1.13%	1.59%	1.00%
Nifty	-5.80%	-0.60%	-8.40%	-0.31%	-6.20%	2.28%	1.14%	3.92%	6.57%	-0.33%	1.24%	1.57%	1.20%
Nifty Midcap 100 Index	-10.40%	-6.14%	-4.90%	0.50%	-6.70%	1.50%	0.50%	5.84%	7.80%	1.65%	5.81%	-0.54%	-0.50%
Nifty SmallCap 250 Index	-13.20%	-11.49%	-3.60%	-0.20%	-3.60%	1.30%	1.24%	4.89%	9.50%	-1.31%	10.49%	-4.24%	-0.70%
S&P 500 Index	-1.40%	4.80%	2.10%	4.70%	-1.00%	2.00%	2.28%	1.13%	3.47%	4.80%	-4.16%	3.10%	5.20%
Nifty 50 EPS TTM (Rs)	1075	1078	1069	1069	1021	1018	1016	991	989	990	926	937	955
Nifty 50 Price/Earnings (PE Ratio)	20	21	22.1	22.5	23.6	25.2	24.7	25.03	24	23	24	23	23
Nifty Midcap 100 (PE Ratio)	33	38	40	37	37	41	40	40	37	34	33	30	27
India Economic Indicator													
Bank Credit Growth (YoY%)	10.85%	11.46%	11.28%	11.15%	12.13%	13.35%	13.48%	13.87%	19.16%	19.54%	19.03%	20.18%	20.79%
Bank Deposit Growth (YoY%)	10.54%	10.84%	11.50%	11.21%	12.33%	11.18%	10.88%	11.28%	12.58%	13.28%	13.31%	13.48%	13.68%
Debt Market Indicator													
RBI Repo Rate (%)	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
G-sec 10 year Yield (%)	6.70	6.70	6.76	6.75	6.85	6.75	6.86	6.93	7.01	6.98	7.19	7.06	7.08
Corp Bond 10 Yr AAA Yield (%)	7.17	7.17	7.24	7.40	7.34	7.31	7.45	7.48	7.55	7.57	7.58	7.52	7.63
Corp Bond 10 Yr AA Yield (%)	7.92	7.92	8.04	8.09	8.03	8.04	8.12	8.12	8.25	8.22	8.23	8.16	8.25
Corp Bond 10 Yr A Yield (%)	6.70	6.70	9.73	9.79	9.78	9.75	9.88	9.95	10.02	9.99	10.15	10.05	10.05
Corp Bond 5 Yr AAA Yield (%)	7.34	7.34	7.46	7.36	7.52	7.50	7.62	7.56	7.74	7.65	7.69	7.61	7.69
Corp Bond 1 Yr AAA Yield (%)	7.71	7.71	7.78	7.63	7.63	7.69	7.76	7.65	7.74	7.72	7.80	7.76	7.88
CD 1 Yr (%)	7.62	7.62	7.63	7.55	7.46	7.76	7.63	7.57	7.62	7.62	7.54	7.62	7.79
Commodity & Currency													
Gold Price (USD)	2,858	2,798	2,625	2,643	2,744	2,635	2,503	2,448	2,327	2,327	2,286	2,230	2,044
Gold (Rs/10gm)	84,789	81,798	75,913	76,400	79,181	75,051	71,679	69,046	71,563	72,127	71,529	66,987	62,010
Crude($)	73.18	76.76	74.64	72.94	73.16	71.77	78.80	80.72	86.41	81.62	87.86	87.48	83.62
INR/1 USD	87.51	86.62	85.60	84.49	84.08	83.80	83.87	83.73	83.39	83.47	83.44	83.40	82.91
INR/1 EURO	90.98	89.95	89.20	89.22	91.39	93.77	92.95	90.65	89.30	90.53	89.50	89.87	89.98
Flows													
FII-Equity (Rs.cr)	-34574	-72,677	16,437	-22,602	-91,934	49,793	11,678	27,957	25,940	-25,260	-9,175	2,355	4,000
FII-Debt (Rs.cr)	10517	12041.06	13,375	-968	-5,978	19,225	16,421	21,863	19,673	15,109	-15,941	4,723	19,693
MF-Equity (Rs.cr)	35394	55073.23	28,138	35,633	32,561	32,264	31,685	20,601	28,226	48,099	32,824	-1,066	14,295
MF-Debt (Rs.cr)	-95817	-51536.26	-56,887	-32,395	-36,396	-36,890	52,470	-6,612	-4,800	-61,291	14,529	-5,229	-46,298

Source: Bloomberg, W2W Research

Summary:-

- As of 28th February 2025, Nifty 50 was trading at a PE of 19.67x and Nifty Midcap 100 was trading at a PE of 32.5x.
- India's CPI inflation in January 2025 moderated sharply to 4.31%, compared to 5.22% in December 2024. Meanwhile, India's WPI inflation slightly eased to 2.31% in January 2024, up from 1.89% in December 2024, attributed to a moderate decrease in price of food articles and fuel & power prices.
- Bank credit slowed down to 10.85% year-over-year as of 28 February 2025, compared to 11.46% year-over-year in January 2025. However, the growth of bank deposits decreased to 10.54% year over year.
- GST collection was 1.84 lac cr in February as compared to Rs. 1.96 lac cr in January.
- India's Manufacturing PMI dropped to 56.3 in February 2025 compared to 57.7 in January 2025. However, India's Services PMI increased to 59 in February 2025 compared to 56.5 in January 2025.

Debt Market Review

- February 2025 saw a decline in 10-year U.S. Treasury yields, reflecting growing concerns about the U.S. economic outlook, fiscal policy concerns, and tariff issues.
- In Europe, growth hopes were boosted by increasing confidence in a ceasefire between Russia and Ukraine. However, the concerns about increased government borrowing to support investment in defense restricted the fall of European sovereign yields.
- UK government bond yields have risen amid investor concern about the government's fiscal outlook and sticky inflation. The Bank of England lowered interest rates by 25 bps to 4.5%, judging a sharp upward revision to its inflation forecasts for this year will prove temporary, while two central bank officials called for a bigger rate cut against a backdrop of weaker growth.
- 10 year Gsec yields continued to remain around 6.7% for entire month of Feb. The 10Y Gsec yields which touched intra month low of 6.66%, ended the month 4 bps higher, at 6.73%. Key events / news which influenced yields include Union Budget announcements, rate cut by RBI, steps taken by the new administration in US, OMO purchase of Gsec by RBI and RBI's USD/INR buy/sell swap of USD10bn.
- Average net liquidity deficit eased to ~INR1.1trn in Feb'25, from ~INR2trn in Jan'25 as measures taken by the RBI to ease liquidity took effect. The RBI has further announced OMO purchases worth ~INR1trn (to be conducted in two tranches of INR500bn each on March 12 and March 18, 2025) and USD/INR buy/sell swap of USD10bn for a tenor of three years on March 24, 2025 which should further ease liquidity..
- CPI inflation in January'25 eased to 4.31%, on a slowdown in food prices. Core inflation moderated marginally to 3.6%. IIP growth in December'24 improved to 3.2% from 5.2% YoY led by manufacturing, mining, and electricity.

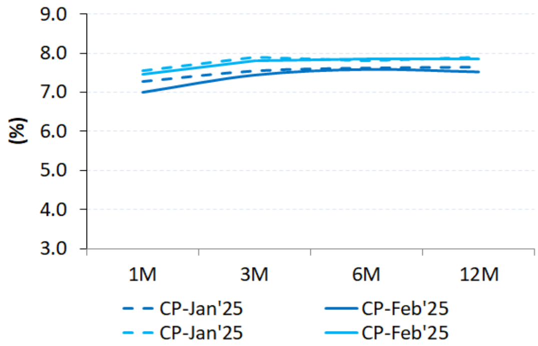
Debt Market Outlook

- In March, Trump's action on the US tariffs is likely to be the main concern for the bond markets. The US Fed will probably remain in pause mode in the midst of tariffs by the US on the rest of the world and assess the likely impact on growth and inflation.
- German bond selloff continued this month after the European Central Bank indicated future interest-rate cuts might pause or slow this year. Investors had not anticipated such a big move and then also had to trim their expectations for future rate cuts from the ECB, pushing yields higher. Market uncertainty also looms large amid Donald Trump's tariffs and trade-war worries.
- Japanese government bond yields have risen steadily, initially driven mostly by rising U.S. Treasury yields. Stronger than expected domestic GDP and inflation data, have accelerated the upward move. The benchmark 10-year yield hit a 15-year high of 1.44%, driven by bets the bank could take interest rates higher than anticipated.
- On the domestic front, the outlook on debt markets is cautiously optimistic. Given that inflation has moderated and may be further eased to 4%, the target in the coming months, the RBI may cut rates again in the April policy as growth moderates. The liquidity deficit is expected to widen again due to outflows from the banking system on account of advance tax and GST payments, The central bank will likely continue focusing on managing liquidity through Open Market Operations (OMOs) and VRR auctions and it is anticipated that the deficit pressure may spillover into at least the first quarter of FY26.
- India's 10-year bond yield may remain in the 6.65-6.75% range as it continues to track global yield movements and RBI's policy actions.

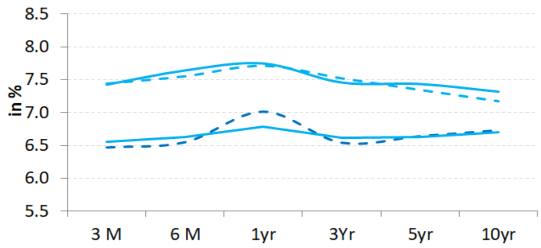
Investment Strategy

- The RBI has initiated the interest rate cut cycle and we expect this to continue. Hence, liquidity easing would help the front end the most, followed by the short and mid duration segments that are both rate and liquidity sensitive. Money Market. Short Term & Medium Duration segment appear best placed given the still elevated yields.
- Investors should continue to plug, in our view, through appropriate duration selection on incremental fixed-income investments.
- Investors can consider investing in the recommended Money Market, Ultra Short Duration, Low Duration, Short Term, or Medium Duration funds as per the investment horizon and risk appetite and should consider the reinvestment risk as the biggest risk at the end of the maturity period.

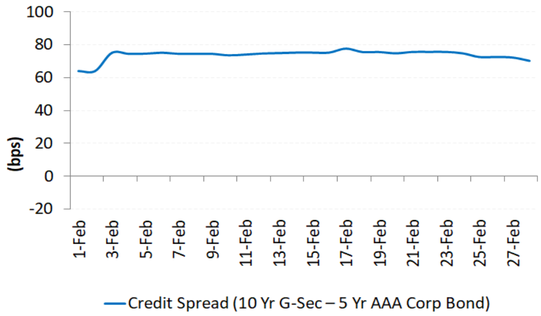
CD Rate Movement



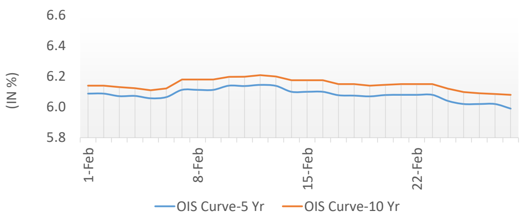
G-Sec and AAA Corp Bond Yield Movement



Credit Spread



OIS Curve



Source: Bloomberg, W2W Research

Equity Market Review

- US Equities struggled, with S&P 500 down by 0.67% and Nasdaq 100 down by 1.94% in February. US shares fell amid softer economic data and worries over the potential impact of trade tariffs on the US. Another factor weighing on returns was lingering worries over the sustainability of earnings from US mega cap tech stocks, notably those exposed to the artificial intelligence theme. Consumer confidence saw its steepest drop since August 2021.
- European equities outperformed the US in February, with the MSCI Europe ex-UK Index up 3.4%, driven by optimism over a Ukraine ceasefire. The FTSE All Share climbed 2% in February. The UK economy unexpectedly grew in the final three months of last year, although more recent survey evidence still points to a sluggish outlook. However, Consumer Price Index inflation in January had risen to 3%, its highest rate in 10 months.
- Asian equities rose 1.1%, fueled by an 13.4% jump in Chinese stocks amid tech optimism and improved regulatory signals, though Japan's TOPIX fell 3.8% due to yen strength.
- The Indian stock markets are experiencing their worst losing streak in nearly three decades. Global economic worries, foreign investors pulling out their money, and disappointing company results have created a perfect storm. The month of February saw a decline of 5.3% in Nifty 50 Index and 5.5% in the Sensex. The Nifty Midcap 150 and Nifty Small cap 250 indices closed at 6.6% and 8.5% lower respectively. The worst hit sectors were Realty -13.40%, IT -12.53%, Media -12.11%, while the banking sector did comparatively well as it fell just by 2.51% with private banks falling by just 0.66%.
- FIIs sold Equities worth Rs. 34,574 Crores in the month of February due to factors such as attractive Chinese markets, High US Bond yields, slowed growth in India and Tariff fears. Gross GST collections grew 9.1% to about Rs 1.84 lakh crore in February.

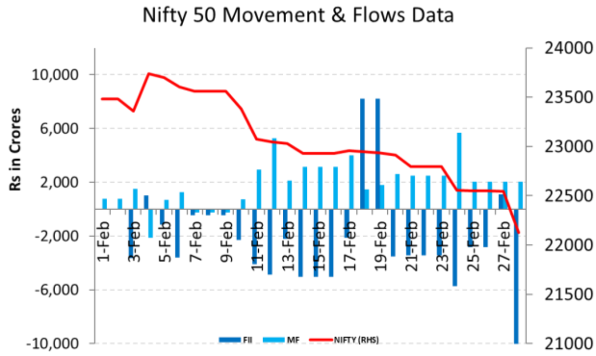
Equity Market Outlook

- The US Markets are expected to stay volatile for the month, due to the tariff uncertainty as well as rising unemployment rate of 4.1%. US Inflation unexpectedly rose to 3% suggesting that FED won't cut interest rates any time soon. Recent economic data indicates a slowdown in consumer spending, retail sales, manufacturing and construction, while housing activity remains sluggish, leading to lowered first-quarter growth forecasts.
- The Outlook for Europe markets is cautiously optimistic, with inflation at 2.4% and further 25bps rate cut by the ECB. A resolution to the conflict would remove a significant source of uncertainty and risk for European markets, paving the way for increased investment and economic activity. However, it can stay volatile due to potential Tariff threats from US.
- China's equity market is expected to improve, supported by government stimulus measures aimed at achieving a 5% GDP growth target. However, weak domestic consumption and ongoing trade tensions may create some volatility. China's CPI has slipped into Negative territory in Feb despite stimulus measures, thus overall, the market outlook appears cautiously optimistic.
- Japan faces a mixed outlook, with rising inflation and declining real wages potentially limiting consumer spending. The Bank of Japan is expected to keep rates unchanged as it monitors wage growth sustainability, while a stronger yen could pose further market challenges.
- Indian equity markets have witnessed heightened volatility in 2025, reflecting a tug-of-war between bullish optimism and macroeconomic uncertainties. Liquidity conditions have improved, but external headwinds, including Tariff decisions and the upcoming corporate earnings season, will heavily influence market direction. Given the current landscape, the market is likely to remain range-bound in the near term, with a slight upward tilt contingent on global cues and domestic earnings strength. Other possible headwind may be primarily driven by loss harvesting since it's the closing month of FY 2025.
- From valuations point of view, following the recent sell-off in Sensex & Nifty, despite them trading at discount to their long-term average, are still not cheap, but reasonably valued, while the Mid cap and small cap space is still trading at premium thus investors need to be cautious.
- As January CPI inflation for India moderated sharper than expected at 4.31%, the inflation trajectory is expected to remain benign in the months ahead to provide room for another 25 basis points of rate cut by the MPC..

Investment Strategy

- A slump in GDP growth rate, softening inflation and low urban consumption moved the RBI to cut the interest rate which will support the growth fundamentals and ensure a promising long-term growth trajectory. For aggressive to moderate investors with a short to medium-term outlook, we suggest diversifying into Multi Asset Allocation and balanced Advantage Funds. Those with a long-term perspective should opt for staggered investments in Multicap, flexi-cap, Midcap, and small-cap funds to Maximize growth potential.
- Looking ahead, the medium-term outlook for India's economy appears optimistic. This optimism is fuelled by policy continuity, benefits from Production-Linked Incentive schemes, opportunities arising from shifts in the global supply chain, enhanced infrastructure investments, the potential of resurgence in private sector capex, and the enduring robustness of consumption.

Nifty, FII & MF Movement



Indices Performance

Index	28-Feb-25	31-Jan-25	Change	% Chg
India				
Sensex	73,198	77,501	-4302.5	-5.6%
Nifty 50	22,125	23,508	-1383.7	-5.9%
US				
Dow Jones	43,841	44,545	-703.8	-1.6%
Nasdaq	18,847	19,627	-780.2	-4.0%
EC				
FTSE 100	8,810	8,674	135.8	1.6%
Asia				
Nikkei 225	37,156	39,572	-2417.0	-6.1%
Hang Seng	22,941	20,225	2716.2	13.4%
Shanghai Comp	3,321	3,251	70.3	2.2%
Bovespa	122,799	134,185	-11386.2	-8.5%
RTS	1,126	1,175	-49.0	-4.2%
Other				
MSCI WORLD	3,805	3,837	-31.3	-0.8%
MSCI EM	1,097	1,093	3.9	0.4%
MSCI EM Asia	604	601	3.5	0.6%

Sector Performance

Sector Index	28-Feb-25	31-Jan-25	Change	% Chg
BSE Auto	45,860	51,527	-5667.2	-11.0%
Bankex	54,852	56,257	-1405.0	-2.5%
BSE CD	8,226	9,176	-950.8	-10.4%
BSE CG	55,241	64,530	-9288.6	-14.4%
BSE FMCG	18,383	20,555	-2172.5	-10.6%
BSE HC	38,212	41,803	-3590.9	-8.6%
BSE IT	36,679	41,956	-5276.6	-12.6%
BSE Metal	28,004	28,570	-565.1	-2.0%
BSE Oil	22,574	25,429	-2855.4	-11.2%
BSE Power	5,763	6,553	-790.1	-12.1%
BSE PSU	15,903	18,392	-2489.3	-13.5%
BSE Real	6,191	7,151	-959.4	-13.4%
BSE TEC	17,137	19,175	-2037.6	-10.6%

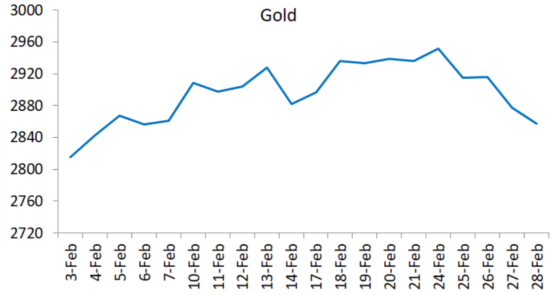
Review

- In February 2025, gold prices in India were in an uptrend due to the weakness in the dollar index. At the beginning of the month, gold was priced at around ₹81,798 per 10 grams, and by the end of the month, it had risen to approximately ₹84,789 per 10 grams. The surge was also driven by geopolitical risks, particularly tariffs imposed by the US, which increased demand for the safe-haven asset.
- Crude oil prices eased to around $73.18 per barrel after testing $82.57 per barrel. The volatility was triggered by tariffs imposed by Trump on oil imports from Canada (10%) and Mexico (25%), causing oil prices to rise. Overall, the slowdown in the global economy due to US tariffs reduced oil demand and put downward pressure on prices.
- The USD/INR exchange rate ended near 87.51 at the end of the month as the dollar index weakened, pressured by disappointing US non-farm payroll data showed fewer than expected job additions. The dollar index traded at the 103.68 level. However, slowing growth, Foreign Institutional Investors (FII) outflows, and a wider trade deficit weighed on the Indian rupee.

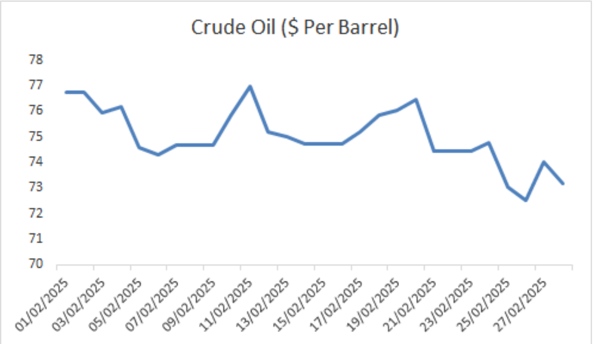
Outlook

- In March 2025, gold prices in India are expected to remain strong, driven by trade-war concerns and declining global interest rates. Markets may continue to monitor inflation data and geopolitical risks, with the potential for price fluctuations based on shifts in policy and market sentiment.
- Crude oil prices may remain under pressure and are likely to fall below $70 per barrel after US crude inventories rose and OPEC announced its decision to increase output quotas. OPEC had said it intended to proceed with a planned April output increase, adding 138,000 barrels daily to the market, which may put downward pressure on the oil prices.
- The USD/INR exchange rate is at 87.51 and is expected to remain volatile due to FII outflows, trade deficit data, and negative global factors. Trump's policies might alter global trade dynamics, further supporting the dollar index, which might keep the Indian rupee under pressure.

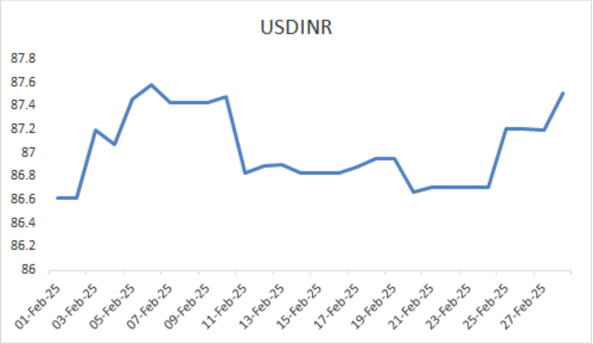
International Gold Movement



Crude Oil Movement



USD/INR Movement



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