

marketbuzz



June 2025



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View from the Top

On the global, U.S. equity markets rose following the release of a Labor Department report indicating that consumer prices increased slightly less than expected in Apr 2025. Investor sentiment was further boosted by news of a U.S.-China trade agreement that significantly reduces the hefty tariffs on each other's goods. Additionally, both nations agreed to establish a mechanism for ongoing dialogue on trade and broader economic issues. European equity markets rose, supported by easing trade tensions and lower-than-expected U.S. inflation figures for Apr 2025. Markets were further buoyed by a Eurostat report indicating that the euro area economy expanded at a slower pace than previously estimated during the first quarter ended in Mar 2025. Additionally, optimism over a potential Russia-Ukraine ceasefire and easing tariff tensions contributed to the gains, while a new UK-EU trade deal further boosted sentiment. Asian equity markets rose following comments from a Federal Reserve official suggesting that the U.S. central bank might lower interest rates in 2025 if tariff issues are resolved. Additionally, Chinese markets advanced after the central bank and financial regulators unveiled comprehensive plans to cut key interest rates, aiming to stimulate the economy. However, gains were limited by uncertainty surrounding a court battle over U.S. presidential tariffs and growing concerns about the stability of the U.S. economy.

Back home, domestic equity markets initially declined due to rising India-Pakistan tensions, prompting investor caution. However, sentiment improved after both nations agreed to halt all military actions from May 10, 2025. The rally gained momentum with easing retail inflation in Apr 2025, raising hopes of RBI rate cuts. Gains were later tempered by a U.S. credit rating downgrade from Aaa to Aa1, driven by rising debt and interest costs, and concerns over the proposed U.S. budget.

In the domestic debt market, bond yields initially rose due to panic selling, as escalating tensions with Pakistan unsettled investor sentiment and prompted market participants to offload holdings across the curve. However, the trend reversed following the announcement of a ceasefire agreement between the two countries. The rally in bonds gained momentum after the release of favourable domestic inflation data for April 2025, which bolstered expectations of additional interest rate cuts by the RBI. Yields declined further amid ample liquidity in the banking system and continued optimism over a dovish monetary policy stance from the RBI.

Outlook

Indian equity markets are positioned on a firm footing, supported by expectations of a potential rate cut from the RBI, which could enhance liquidity and investor sentiment. Global cues remain pivotal, with the U.S. Federal Reserve's policy direction likely to influence capital flows. Strengthening trade relations with the U.S., aimed at resolving tariff issues, may provide a boost to export-oriented sectors such as IT, pharmaceuticals, textiles, and specialty chemicals. A normal monsoon is anticipated to revive rural demand and ease cost pressures for consumption-linked industries. Additionally, low crude prices, a stable currency, strong tax revenues, and resilient domestic consumption continue to underpin a constructive market outlook.

The domestic debt market outlook appears constructive, with the upcoming RBI Monetary Policy Committee (MPC) meeting expected to bring further rate easing, supported by a favourable inflation trajectory. An early and promising monsoon is likely to help contain food inflation, keeping overall inflation within the RBI's 4% target. However, global tariff tensions and geopolitical uncertainties may introduce short-term volatility. On the global front, expectations of a U.S. Fed rate cut cycle, amid slowing U.S. growth, could support lower Indian bond yields. Additionally, India's ongoing fiscal consolidation and the potential for a sovereign rating upgrade further strengthen the medium-term outlook.

We are pleased to bring to you the latest version of the Monthly Market Buzz for May. Happy Reading!!!

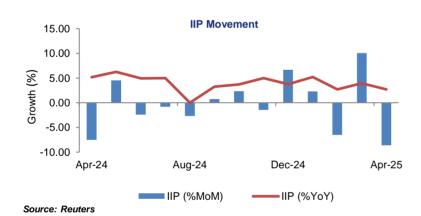
Mr. Narendra Agrawal Head - Branch Banking & Retail Liabilities Retail Branch Banking





Economic Releases in May-2025				
Key Indicator	Period Actual		Previous	
Repo Rate	May-25	6.00%	6.00%	
Reverse Repo	May-25	3.35%	3.35%	
CRR	May-25	4.00%	4.00%	
Index of Industrial Production (IIP)	Apr-25	2.70%	3.90%	
Wholesale Price Index Inflation(WPI)	Apr-25	0.85%	2.05%	
Export (Y-o-Y)	Apr-25	10.00%	0.70%	
Import (Y-o-Y)	Apr-25	20.00%	10.88%	
Source: RBI, Refinitiv				





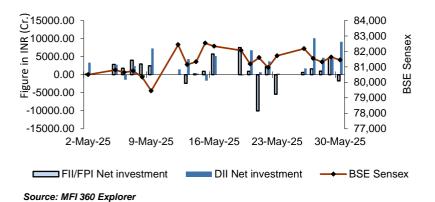
- Government data showed that Gross Domestic Product (GDP) of the Indian economy at constant (2011-12) prices witnessed a growth of 7.4% YoY in the fourth quarter of FY25. In the Jan-Mar quarter of last year, the GDP growth rate was 8.4%. On the sectoral front, the growth of Manufacturing sector decreased to 4.8% in Q4 of FY25 from 11.3% in same quarter of previous fiscal year. However, growth of Agriculture, Livestock, Forestry & Fishing increased to 5.4% in Q4 of FY25 compared to 0.9% growth in Q4 of FY24.
- Government data showed that India's fiscal deficit for the period from Apr to Mar of FY25 stood at Rs. 15.77 lakh crore or 100.5% of the Budget Estimates (BE) of the current fiscal. India's fiscal deficit was at 95.4% of the BE in the corresponding period of the previous fiscal year. Total expenditure stood at Rs. 46.56 lakh crore or 98.7% of the BE as compared to 99.0% of the BE in the corresponding period of the previous fiscal year.
- The Index of Industrial Production (IIP) rose by 2.7% YoY in Apr 2025, compared to a 3.9% increase in Mar 2025. In Apr 2025, production in the manufacturing and electricity sectors grew by 3.4% and 1.1%, respectively, while mining output declined by 0.2%.
- The consumer price index-based inflation eased to a six-year low of 3.16% YoY in Apr 2025 compared to 3.34% in Mar 2025, driven by a further moderation in food prices. Consumer food price inflation decreased to 1.78% YoY in Apr 2025 from 2.69% in Mar 2025.
- SEBI has recently directed AMFI to instruct all Asset Management Companies (AMCs) to discontinue the imposition of exit loads on investors switching from regular mutual fund plans to direct plans. According to AMFI, SEBI has advised that any AMC still levying such charges must issue an addendum and ensure compliance with this directive. As a result of this move, switching between regular and direct plans, whether from regular to direct or from direct to regular, will now be exempt from exit load charges.
- According to a consultation paper published recently, SEBI has proposed allowing Investment Advisers (IAs) and Research Analysts (RAs) to use liquid mutual funds to meet their mandatory deposit requirements. Currently, these professionals are required to maintain fixed deposits with a lien marked in favor of the respective supervisory bodies—the Investment Adviser Administration and Supervisory Body (IAASB) for IAs and the Research Analyst Administration and Supervisory Body (RAASB) for RAs. Existing IAs and RAs must comply with these deposit norms by June 30, 2025.
- SEBI has proposed introducing a Co-Investment Vehicle (CIV) as a distinct scheme under the Alternative Investment
 Fund (AIF) framework. This move aims to enhance operational flexibility and ease compliance for AIFs. The CIV would
 allow accredited AIF investors to co-invest in unlisted securities alongside the main fund, where the AIF is already
 investing or has invested.



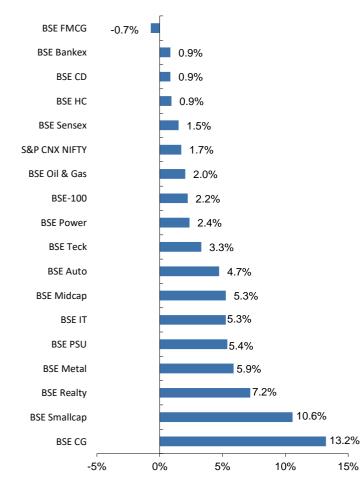
Indian Equity Market



DII, FII Investment & S&P BSE Sensex - May 2025



Monthly returns as on May 30 2025



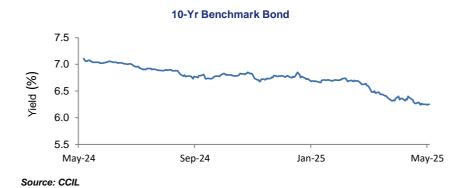
Source: MFI 360 Explorer

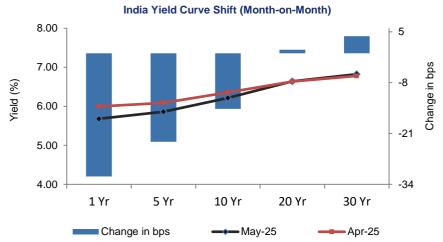
- Domestic equity markets initially declined due to rising India-Pakistan tensions, prompting investor caution. However, sentiment improved after both nations agreed to halt all military actions from May 10, 2025. The rally gained momentum with easing retail inflation in Apr 2025, raising hopes of RBI rate cuts. Gains were later tempered by a U.S. credit rating downgrade from Aaa to Aa1, driven by rising debt and interest costs, and concerns over the proposed U.S. budget. Nonetheless, optimism over India's growth outlook and the RBI's record Rs. 2.69 lakh crore dividend to the government supported market sentiment.
- Domestic equity markets initially came under pressure due to escalating tensions between India and Pakistan, which heightened uncertainty and led to cautious investor behavior. The Indian armed forces launched Operation Sindoor, conducting precision missile strikes on nine terrorist targets in Pakistan and Pakistan-Occupied Kashmir, specifically aimed at dismantling terrorist infrastructure.
- However, market sentiment improved after India and Pakistan reached an agreement to cease all military actions on land, air, and sea, with immediate effect from May 10, 2025. The rally gained further momentum as domestic retail inflation eased in Apr 2025, boosting investor optimism about the potential for interest rate cuts by the RBI in the coming months.
- Despite this, gains were limited after a major international rating agency downgraded the U.S. credit rating from Aaa to Aa1, citing rising debt levels and increasing interest costs.
- Additional concerns emerged over the proposed the U.S. budget bill, which could further raise national debt and slow economic growth.
- Nevertheless, domestic factors such as positive sentiment around India's growth outlook and the RBI's announcement of a record dividend payout of Rs. 2.69 lakh crore to the central government for FY25 bolstered investor confidence.



Indian Fixed Income

Indicators (Yield %)	May 30, 2025	April 30, 2025
Call Rate	5.85%	5.94%
FBIL 1 Mn Term Mibor	6.41%	6.46%
10-Yr benchmark bond	6.25%	6.36%
Reverse Repo	3.35%	3.35%
Repo	6.00%	6.00%
Bank Rate	6.25%	6.25%
CRR	4.00%	4.00%
Source: Refinitiv	•	





Source: Refinitiv

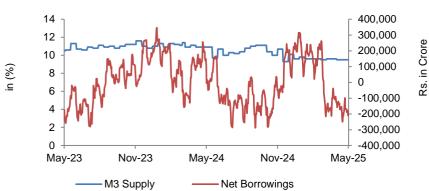


Source: Refinitiv

- Bond yields initially rose due to panic selling, as escalating tensions with Pakistan unsettled investor sentiment and prompted market participants to offload holdings across the curve. However, the trend reversed following the announcement of a ceasefire agreement between the two countries. The rally in bonds gained momentum after the release of favourable domestic inflation data for April 2025, which bolstered expectations of additional interest rate cuts by the RBI. Yields declined further amid ample liquidity in the banking system and continued optimism over a dovish monetary policy stance from the RBI.
- Yield on the 10-year benchmark paper (6.79% GS 2034) fell by 7 bps to close at 6.29%, compared with the previous month's close of 6.36%.
- Bond yields initially rose due to panic selling, as escalating tensions with Pakistan unsettled investor sentiment and prompted market participants to offload holdings across the curve.
- However, the trend reversed following the announcement of a ceasefire agreement with Pakistan.
- Gains were extended after the release of favourable domestic inflation data for Apr 2025, which strengthened expectations of additional interest rate cuts by the RBI.
- Meanwhile, yields rose, driven by expectations that the proposed U.S. tax bill would substantially expand the federal budget deficit. However, these concerns were alleviated by prevailing optimism about continued policy support from the U.S. government.

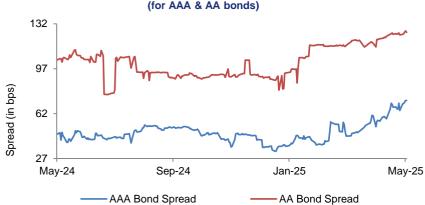


Liquidity Monitor- M3 Supply and Net Borrowings



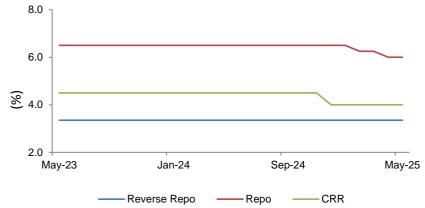
Source: Refinitiv

10 Year Corporate Bond Spread



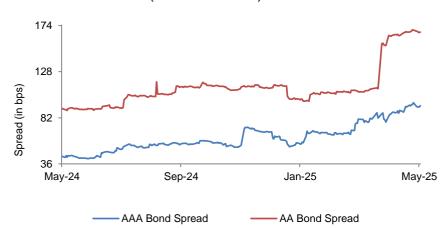
Source: Refinitiv

Movements of Key Policy Rates in India



Source: RBI

5 Year Corporate Bond Spread (for AAA & AA bonds)



Source: Refinitiv

- The central bank of India conducted auctions of 91-, 182and 364-days Treasury Bills for a notified amount of Rs. 76,000 crore in May 2025, compared to Rs. 95,000 crore in the previous month. The average cut-off yield of 91-, 182and 364-days Treasury Bills stood at 5.76%, 5.76% and 5.77%, respectively, during the month under review compared with the average yield 6.02%, 6.06% and 6.05%, respectively in the previous month.
- The RBI also conducted auction of state development loans (SDL) for a total notified amount of Rs. 65,100 crore (for which amount of Rs. 64,772 was accepted), which is much lower than the scheduled amount of Rs. 93,300 crore during May 2025. The average cut-off yield of 10-year SDL remained at 6.67% during May 2025 compared to 6.77% in the previous month.
- In addition, the RBI also conducted auction of government securities for a notified amount of Rs. 1,56,000 crore in May 2025, for which full amount was accepted with no devolvement on primary dealers.



GLOBAL EQUITY MARKET

Performance of Major International Markets (as on May 30,2025)				
Indices	Country	1 Mth (%)		
United States	United States			
Nasdaq 100	U.S.	9.04		
Nasdaq Composite	U.S.	9.56		
Asia Pacific				
SET Composite Index	Thailand	-4.02		
Jakarta Composite	Indonesia	6.04		
Straits Times Index	Singapore	1.62		
KOSPI Index	South Korea	5.52		
Nikkei Stock Average 225	Japan	5.33		
Taiwan SE Weighted Index	Taiwan	5.50		
Shanghai Composite Index	China	2.09		
BSE Sensex	India	1.51		
S&P/ASX 200	Australia	3.80		
Europe				
FTSE 100	U.K.	3.27		
CAC 40	France	2.08		
DAX Index	Germany	6.67		
Source: MFI 360 Explorer & Refinitiv				

United States

 U.S. equity markets rose following the release of a Labor Department report indicating that consumer prices increased slightly less than expected in Apr 2025. Investor sentiment was further boosted by news of a U.S.-China trade agreement that significantly reduces the hefty tariffs on each other's goods. Additionally, both nations agreed to establish a mechanism for ongoing dialogue on trade and broader economic issues.

Europe

 European equity markets rose, supported by easing trade tensions and lower-than-expected U.S. inflation figures for Apr 2025. Markets were further buoyed by a Eurostat report indicating that the euro area economy expanded at a slower pace than previously estimated during the first quarter ended in Mar 2025.

Asia

 Asian equity markets mostly rose following comments from a Federal Reserve official suggesting that the U.S. central bank might lower interest rates in 2025 if tariff issues are resolved. Additionally, Chinese markets advanced after the central bank and financial regulators unveiled comprehensive plans to cut key interest rates, aiming to stimulate the economy.

Source: Refinitiv

GLOBAL FIXED INCOME - U.S. TREASURY



5.50 5.00 4.50 4.00 3.50 May-24

Sep-24

U.S. 10 Year Treasury Yield

Movement during the Month

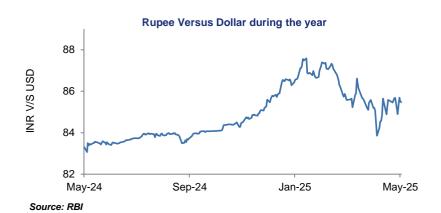
May-25

- Yields on the 10-year U.S. Treasury rose by 24 bps to close at 4.42% from the previous month's close of 4.18%.
- U.S. Treasury prices fell after a credit rating agency downgraded the U.S. government's rating from AAA to AA1, citing expectations of deteriorating fiscal performance.
- Additionally, prices fell as the U.S. and China agreed to lower trade tariffs during a 90-day pause, prompting a shift of investor funds into riskier assets and reducing demand for safe havens like government bonds.
- However, losses were limited by concerns over the rising supply of global government debt.





Movement of Major Currencies (as on May 30, 2025)				
Currency	Value (as on 30-May-2025)	1 Mth	3 Mth	1 Yr
U.S. Dollar	85.48	85.05	87.40	83.30
Pound Sterling	115.14	113.88	109.98	105.93
Euro	96.94	96.74	90.78	90.12
Yen (Per Rs.100)	59.00	60.00	58.00	53.00
Source: RBI				



COMMODITIES

Performance of Various Commodities					
Commodities	Last	Returns (in %)			
Commountes	Closing (30-May-25)	1 Wk	1 Mth	6 Mth	1 Yr
Crude Brent (\$/Barrel)	65.12	-1.79	-0.20	-13.69	-19.16
Gold (\$/Oz)	3289.15	-2.02	0.04	23.95	41.35
Gold (Rs/10 gm)	95058.00	-0.16	1.20	24.42	31.79
Silver (\$/Oz)	32.97	-1.52	1.17	7.75	8.54
Silver (Rs/Kg)	97252.00	0.41	3.49	8.84	5.34
Source: Refinitiv					



INR

 The rupee fell against the U.S. dollar due to heightened cross-border tensions following India's military strikes on terrorist camps in Pakistan and Pakistan-Occupied Kashmir, which weighed on the domestic currency. Additionally, the rupee declined as the greenback strengthened after a court decision blocked the President's 'reciprocal tariffs' from taking effect.

EURO

• The euro rose against the U.S. dollar after the U.S. President backed down from his threat to impose 50% tariffs on European Union imports starting in Jun 2025. Additionally, the euro strengthened as the dollar was weighed down by the Federal Reserve's cautious outlook on the U.S. economy. However, gains were limited after the Fed signaled it was in no rush to cut interest rates.

Crude

• Brent crude oil prices declined amid market speculation about a potential oversupply in the event of a nuclear agreement between the U.S. and Iran. Prices also came under pressure as investors anticipated a possible output increase from OPEC+ members. However, losses were limited following the imposition of new U.S. restrictions on Venezuelan exports. Additionally, prices rebounded, shrugging off U.S. tariff threats on EU imports, as traders shifted focus to broader geopolitical developments and supply signals.

Gold

• Gold prices rose slightly as ongoing volatility in global bond markets spurred safe-haven demand for the precious metal. Prices were further supported by U.S. fiscal uncertainty, with the President's sweeping tax bill making gradual progress through Congress. However, gains were limited as easing trade tensions reduced the appeal of safe-haven assets. Additionally, prices declined after the U.S. Federal Reserve's hawkish pause during its May 7, 2025, monetary policy meeting strengthened the U.S. dollar, further dampening demand for gold.



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All information mentioned in this document pertains to the month ended May 31, 2025.

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