

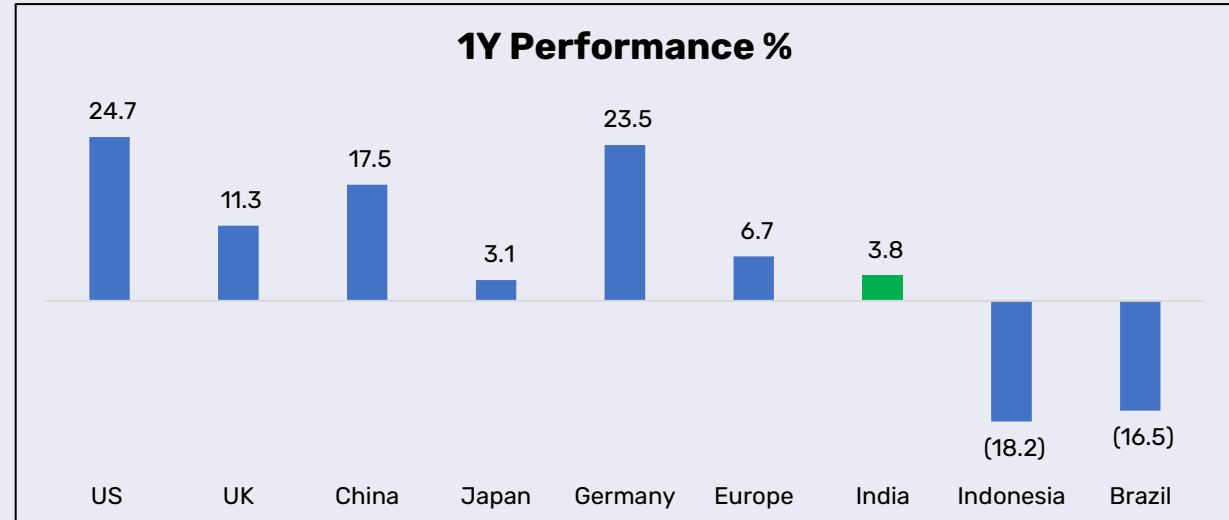
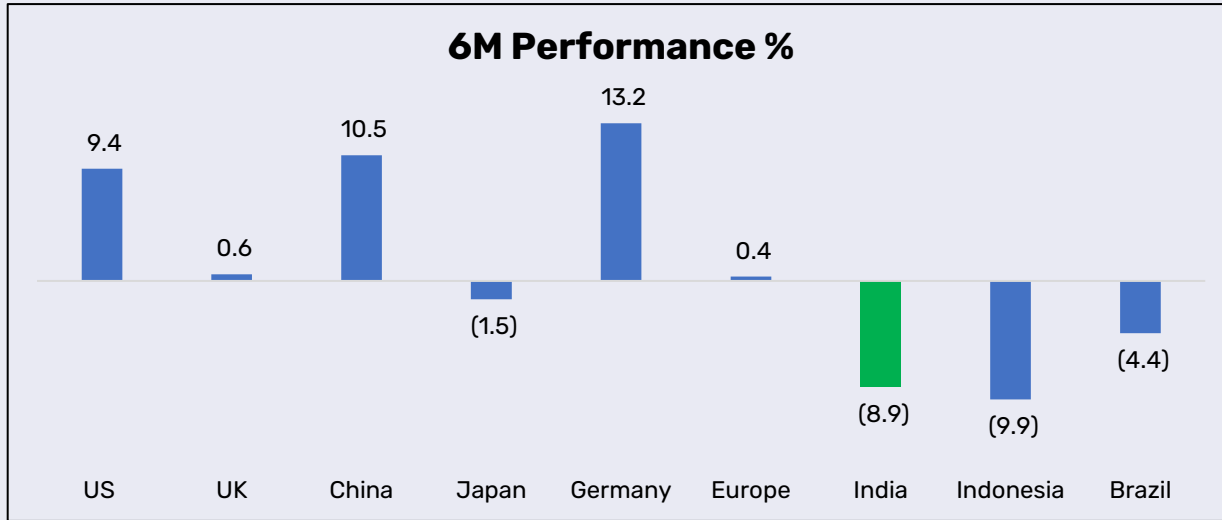
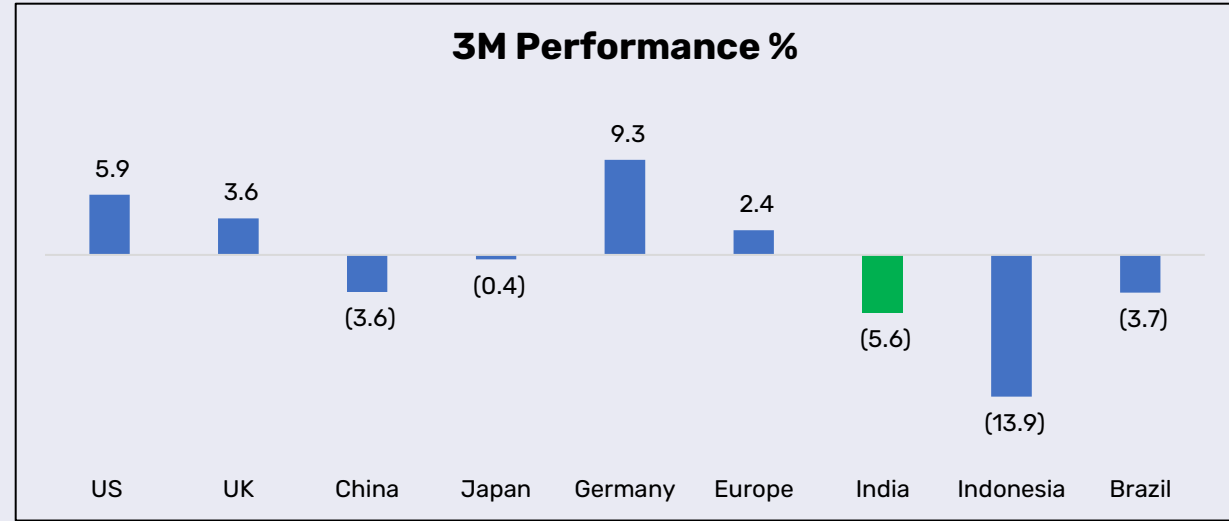
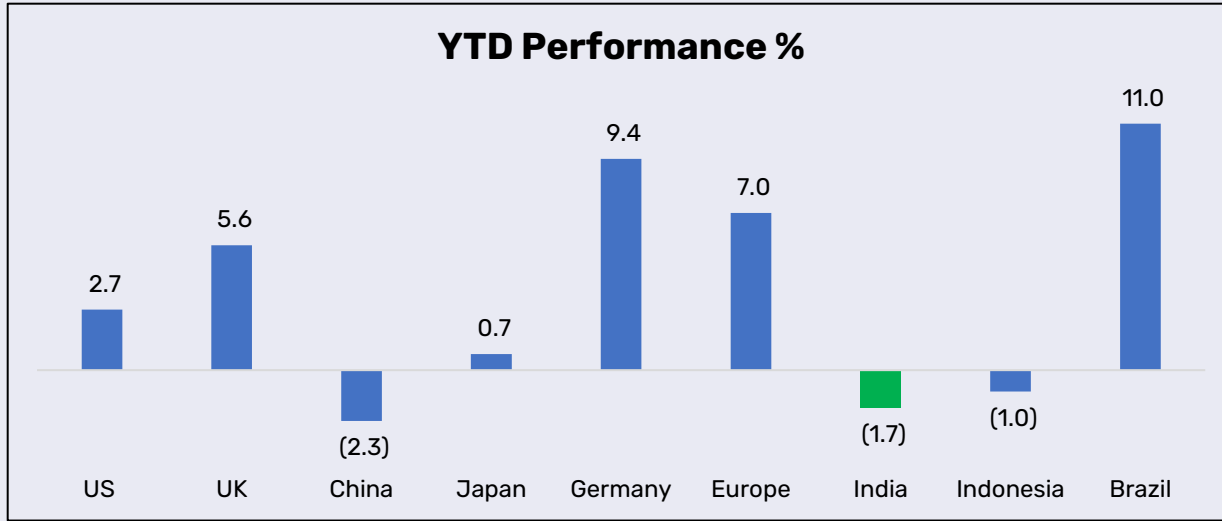


# Bajaj Finserv AMC Monthly Market Outlook (February 2025)

A world map in shades of blue, overlaid with white dashed and solid lines that suggest global trade routes or data trends. The map is centered on the Atlantic Ocean.

# **Global Economy: Trade Wars & Inflation: The Ripple Effect of U.S. Tariffs**

# US Equity Markets lead Globally

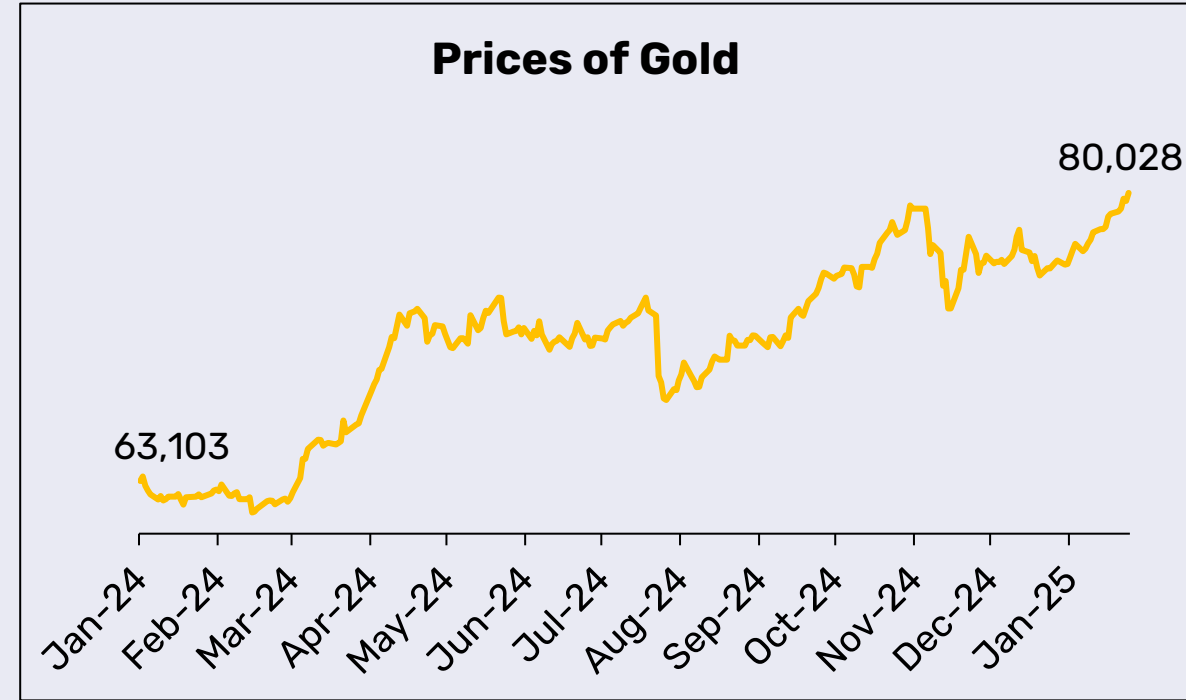


Index representation: Brazil - Brazil Ibovespa Index; Germany - Dax Index; US - Dow Jones Indus. Avg; UK - FTSE 100 Index; Indonesia - Jakarta Composite Index; India - Nifty 50; Japan - Nikkei 225; China - Shanghai Se Composite; Europe - EURO STOXX 50 Pr  
 Past performance may or may not be sustained in future

Source: Bloomberg; Data as on 31<sup>st</sup> January 2025

# Commodity Outlook: Gold Regains Strength

Commodities	Current price in USD/unit	1 month return	6 months return	1 year return
<b>Brent (per barrel)</b>	76.76	2.8%	-4.9%	-6.1%
<b>Copper (per ton)</b>	8953.73	3.2%	-2.0%	5.0%
<b>Gold (per troy ounce [oz])</b>	2798.41	6.6%	14.3%	37.2%
<b>Steel (per ton)</b>	740	4.4%	5.1%	-23.2%
<b>Aluminium (per ton)</b>	2602.77	2.6%	16.1%	15.6%
<b>Wheat (per ton)</b>	379.64	1.4%	6.1%	-6.0%
<b>PVC (per ton)</b>	4857	-1.4%	-13.6%	-12.0%






PVC- Polyvinyl chloride; Past performance may or may not be sustained in future

Source: Bloomberg; Data as on 31<sup>st</sup> January 2025

Gold prices are likely to rebound due to increased investment demand from India and rising central bank holdings amid trade tariff concerns. However, upside potential may be capped by stronger US economic data. Overall, gold's medium-term outlook remains favorable, driven by robust demand and macroeconomic factors, though caution is warranted against potential downside risks.

# Global Trade Anxiety: Tariff Impositions & U.S. Top Trading Partners

## Top trading partners of the United States:

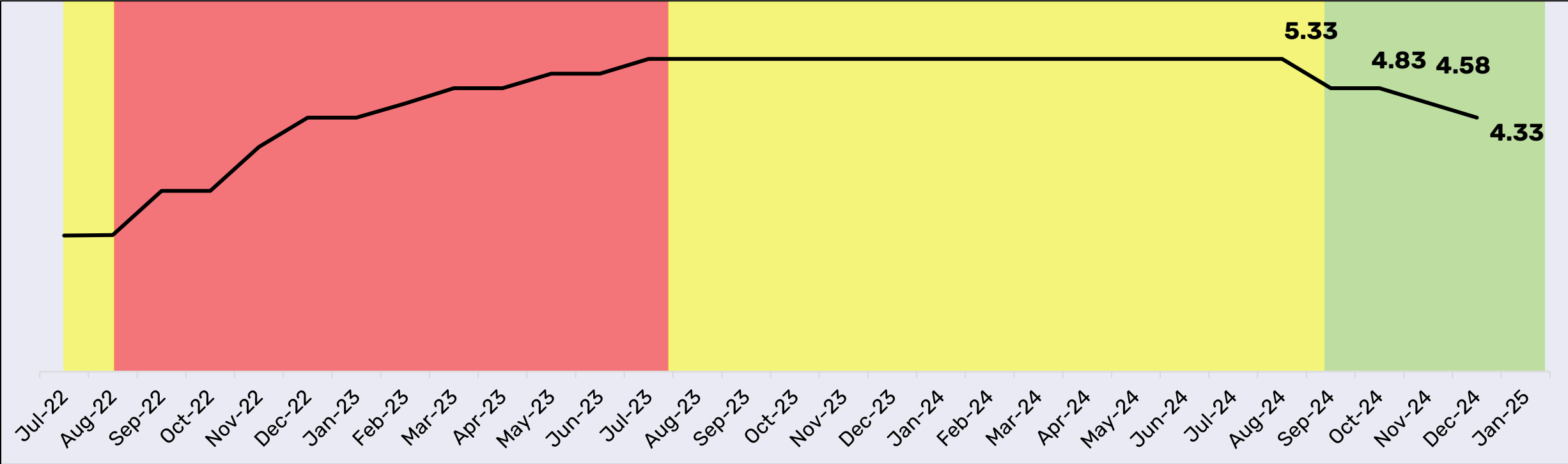
Country	Exports	Imports	Total trade
 Mexico	\$309bn	\$467bn	\$776bn
 Canada	\$322bn	\$377bn	\$700bn
 China	\$131bn	\$401bn	\$532bn
 Germany	\$70bn	\$147bn	\$217bn
 Japan	\$73bn	\$136bn	\$209bn
 South Korea	\$60bn	\$121bn	\$181bn
 Taiwan	\$39bn	\$106bn	\$145bn
 Vietnam	\$12bn	\$125bn	\$137bn
 United Kingdom	\$72bn	\$62bn	\$135bn
 India	\$39bn	\$80bn	\$119bn

## USA's Proposed Tariff Impositions:

- **Steel and Aluminium Tariffs:** 25% tariff on steel and aluminium imports from all countries.
- **Proposed Tariffs on Canada and Mexico:** 25% tariff on all goods from Canada and Mexico
- **Tariffs on Chinese Imports:** 10% blanket tariff on all Chinese imports.

Source: Aljazeera, census.gov | February 4, 2025

# Fed Holds Rates Steady Amid Inflation Concerns And Policy Uncertainty



- The Fed kept rates unchanged at 4.25%-4.50%, citing persistent inflation and a strong labor market.
- US inflation in December stood at 2.9%, remaining above the 2% target, making the path to price stability uncertain.
- Policy outlook is cautious amid economic uncertainties, with the Fed signaling only a 50-bps cut in 2025.

Source: Bloomberg; Data as of January 2025.

# US Fed rate cut Probability

## Rate Cuts between March to May 2025 less likely amid inflation worries

82.5% of the market expects no change in the March 19, 2025, meeting, while 63.2% anticipates no change on May 7, 2025.

Meeting Date	300-325	325-350	350-375	375-400	400-425	425-450
19-Mar-25	0.0%	0.0%	0.0%	0.0%	17.5%	<b>82.5%</b>
07-May-25	0.0%	0.0%	0.0%	4.1%	32.7%	<b>63.2%</b>
18-Jun-25	0.0%	0.0%	1.8%	16.7%	<b>46.1%</b>	35.4%
30-Jul-25	0.0%	0.4%	4.7%	22.5%	<b>44.0%</b>	28.5%
17-Sep-25	0.1%	1.7%	10.0%	28.9%	<b>39.3%</b>	19.9%
29-Oct-25	0.4%	3.0%	13.1%	30.6%	<b>36.2%</b>	16.7%
10-Dec-25	0.9%	5.0%	16.6%	31.7%	<b>32.3%</b>	13.3%

Source: CME Data as on 31<sup>st</sup> January 2025.

The main title of the presentation, centered in a blue rounded rectangle. The background of the slide features a stylized globe with a grid of dots and several curved lines in blue and green, suggesting growth and global connectivity.

# Indian economy: Budget boost and Market Momentum



# Union Budget FY25-26

## Budget Highlights

**Economic Growth Prioritization**  
Focus on infrastructure, manufacturing, and consumption-led expansion



**Manufacturing Incentives**  
New policies to boost domestic production, particularly in high-tech and green sectors.



**Tax Reforms**  
Adjustments to tax structures to increase disposable income and drive demand.



**MSME Support**  
Enhanced credit guarantees and incentives for small businesses.



### Key Budget Highlights

**Green Economy Investments**  
Higher allocation for clean energy and EV adoption.



**Digital Push**  
Investments in AI, fintech, and digital infrastructure.



**Agriculture Development**  
Increased funding for rural growth and agri-tech.



**Fiscal Consolidation**  
Measures to balance fiscal discipline with growth.



# Revision in Income Tax for New Regime Taxpayers

## No Income Tax up to Rs. 12 lakh

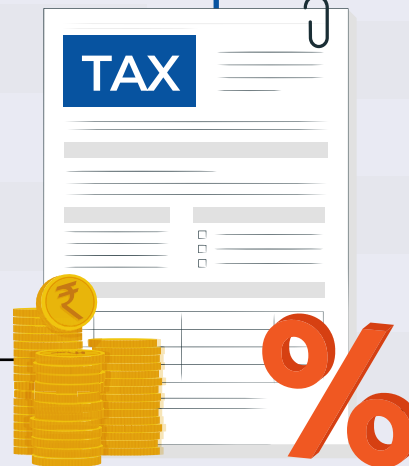
(Rs. 12.75 lakh for salaried taxpayers, including a standard deduction of Rs. 75,000)  
Overall, this would result in an additional Rs. 1 lakh crore in the hands of taxpayers.

### FY 2024-25

Income tax slabs (In Rs)	Income tax rate (In %)
0-3 Lakh	NIL
3-7 Lakh	5%
7-10 Lakh	10%
10-12 Lakh	15%
12-15 Lakh	20%
Above 15 Lakh	30%

### FY 2025-26

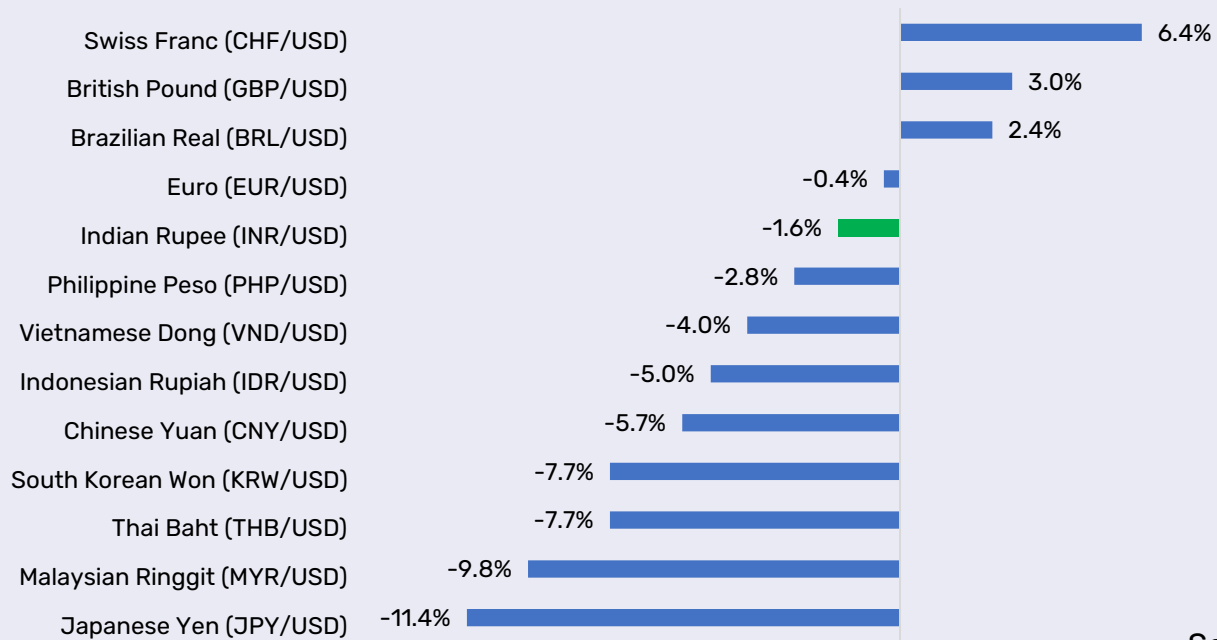
Income tax slabs (In Rs)	Income tax rate (In %)
0-4 Lakh	NIL
4-8 Lakh	5%
8-12 Lakh	10%
12-16 Lakh	15%
16-20 Lakh	20%
20-24 Lakh	25%
Above 24 Lakh	30%



Source: Union Budget Documents 2025. The tax slabs mentioned above are pertaining to the new tax regime under Income Tax Act, 1961

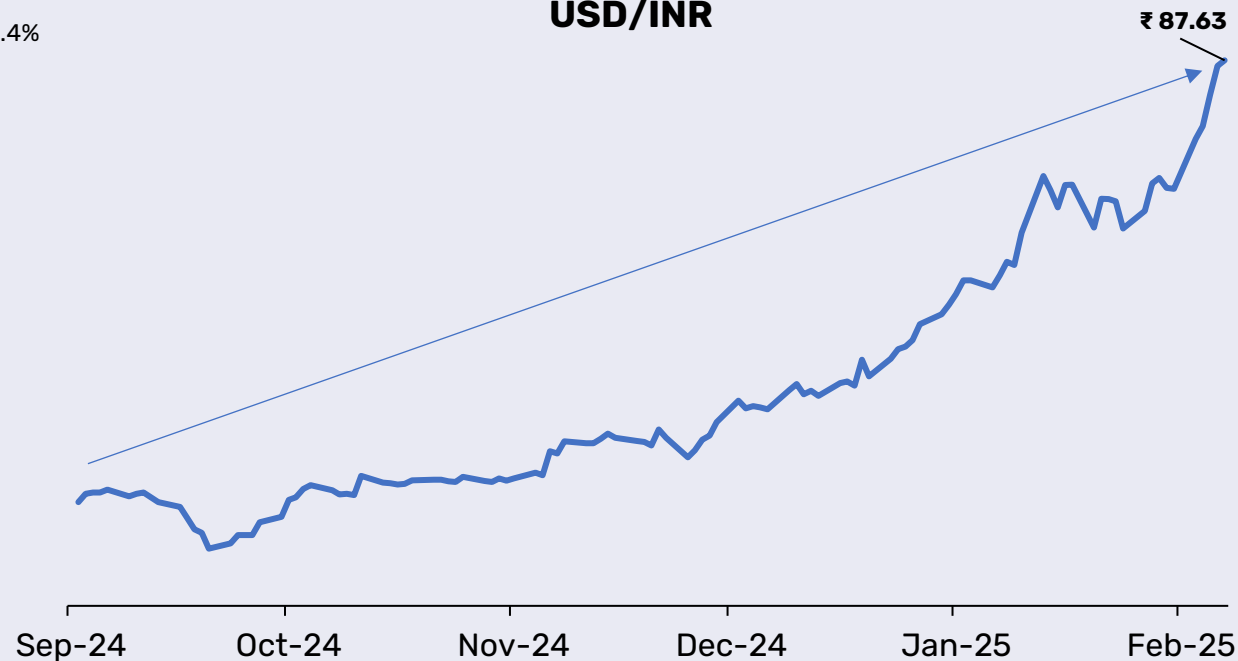
# Despite the Decline, the Indian Rupee Remains One of the Best-Performing Asian Currencies

**Currency 1 yr Performance %**



Source: Bloomberg; Data as of 31<sup>st</sup> January 2025  
Past performance may or may not be sustained in future.

**USD/INR**



Source: Bloomberg; Data as of 7<sup>th</sup> February 2025  
Past performance may or may not be sustained in future.

- **Rupee Depreciation Drivers** – High US yields, strong dollar, FII outflows (~\$4B in Jan'25, \$11B in Q4'24), and India's widening trade deficit (\$32.8B in Nov'24).
- **Economic Impact** – Higher import costs, rising inflation, worsening fiscal balance, and tighter financial conditions.
- **RBI's Response** – Forex market intervention (spot & NDF), a 50-bps CRR cut, and liquidity management to stabilize the rupee.

# Indian Indices Performance



<b>Broad Indices</b>	<b>1 Month</b>	<b>3 Month</b>	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Nifty Next 50 TRI	-7.13%	-9.55%	-15.31%	14.96%	16.29%	18.35%
Nifty Midcap 150 TRI	-6.09%	-4.84%	-9.01%	11.57%	21.09%	25.37%
Nifty 100 TRI	-1.70%	-3.85%	-7.15%	10.30%	12.34%	16.02%
Nifty 500 TRI	-3.47%	-4.74%	-7.92%	10.03%	14.24%	18.16%
Nifty 50 TRI	-0.45%	-2.71%	-5.31%	9.55%	12.01%	15.80%
BSE Sensex TRI	-0.78%	-2.30%	-4.81%	9.32%	11.55%	15.11%
Nifty Smallcap 250 TRI	-10.69%	-10.62%	-11.41%	5.87%	18.22%	26.01%
<b>Sectoral Indices</b>	<b>1 Month</b>	<b>3 Month</b>	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Nifty Pharma TRI	-8.40%	-5.65%	-1.32%	20.29%	18.51%	22.26%
Nifty Auto TRI	0.15%	-2.72%	-14.06%	19.78%	26.09%	24.37%
Nifty IT TRI	-0.99%	6.19%	5.64%	19.02%	9.25%	23.88%
Nifty Financial Services TRI	-1.23%	-2.74%	-0.56%	14.38%	10.22%	10.94%
Nifty Bank TRI	-2.50%	-3.67%	-3.60%	8.74%	10.22%	10.60%
Nifty Realty TRI	-12.44%	-7.80%	-15.68%	7.89%	24.64%	23.12%
Nifty Metal TRI	-2.89%	-9.68%	-11.83%	6.14%	16.89%	28.69%
Nifty FMCG TRI	-0.19%	-3.98%	-8.33%	4.87%	17.92%	14.95%
Nifty Private Bank TRI	-1.59%	-3.31%	-4.88%	4.17%	9.39%	8.10%
Nifty PSU Bank TRI	-3.42%	-6.07%	-14.60%	1.45%	30.02%	22.67%
Nifty Media TRI	-13.04%	-21.48%	-26.17%	-26.02%	-10.40%	-2.24%
<b>Thematic Indices</b>	<b>1 Month</b>	<b>3 Month</b>	<b>6 Month</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Nifty India Consumption TRI	-2.17%	-3.08%	-5.57%	16.51%	18.29%	18.31%
Nifty CPSE TRI	0.99%	-6.53%	-17.22%	16.22%	38.56%	33.49%
Nifty MNC TRI	-1.67%	-5.73%	-11.71%	14.17%	14.68%	16.30%
Nifty Services Sector TRI	-2.09%	-2.45%	-1.82%	13.59%	9.41%	13.54%
Nifty PSE TRI	-2.37%	-8.27%	-19.62%	9.26%	33.88%	29.23%
Nifty Infrastructure TRI	-1.29%	-5.24%	-11.71%	7.10%	19.31%	22.28%
Nifty Commodities TRI	-0.24%	-8.78%	-15.71%	2.44%	13.32%	21.44%
Nifty Energy TRI	-3.45%	-13.41%	-22.36%	-6.34%	12.30%	20.48%

Source: MFI Explorer; Data as of 31<sup>st</sup> January 2025. Past performance may or may not be sustained in future

# India's Economic Stability Across Key Indicators

Indicators	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25
Medium Commercial Vehicle Sales	9.42	-0.84	3.33	5.56	0.76	-6.31	24.94
Heavy Commercial Vehicle Sales	12.51	-7.69	-11.32	-0.53	-10.97	-4.27	0.04
Two Wheeler Sales	17.58	6.65	-8.31	36.74	16.26	-17.39	4.16
Passenger Vehicle Sales	14.2	-0.74	-16.31	38.06	-11.69	-0.41	14.89
Tractor Sales	-12.98	-13.02	12.93	1.84	28.87	25.05	3.89
Construction Vehicles Sales	7.58	-9.01	-12.68	20.1	-1.9	5.68	14.63
Non-Food Credit	14.97	14.97	14.37	11.54	10.6	11.11	11.38
Bank Deposits	11.01	11.3	11.97	11.75	10.72	9.83	10.32
Petro Product Consumption	10.67	-3.1	-4.41	4.05	10.56	2.35	3.15
LPG	10.87	8.27	2.29	9.01	7.16	5.82	5.43
Naphtha	17.25	-4.18	-0.87	-2.02	4.87	-22.43	-12.42
Petrol	10.51	8.63	2.96	8.65	9.56	11.05	6.7
Diesel	4.47	-2.53	-1.91	0.14	8.52	5.97	4.24
Electricity Generation	7.94	-3.75	0.51	1.99	4.46	6.18	2.47
Renewable Power	14.15	-3.68	12.49	14.86	18.95	17.92	35.81
Conventional Power	6.83	-3.76	-1.32	0.5	2.68	4.48	-1.71
Total GST Collections	10.84	10.7	7.05	9.75	8.54	7.26	12.81
EWay Bills Generated	19.5	13.15	18.73	16.99	16.4	17.53	25.06
Cargo at Major Ports	6.04	6.7	5.88	-3.42	-4.99	3.43	6.19
NREGA Demand	-21.6	-17.14	-14.14	-9.21	2.97	7.25	13.53
Broad Money Supply	9.67	9.84	10.42	10.74	9.73	9.04	9.33
Reserve Money	7.16	3.42	6.04	9.04	7.06	4.9	3.84

GST – Goods and Services Tax; Source: India Data Hub; Data as on 31<sup>st</sup> January 2025. unit %

Past performance may or may not be sustained in future



# Indian Equity: Market Opportunities Amid Global Shifts

77,3

64,4

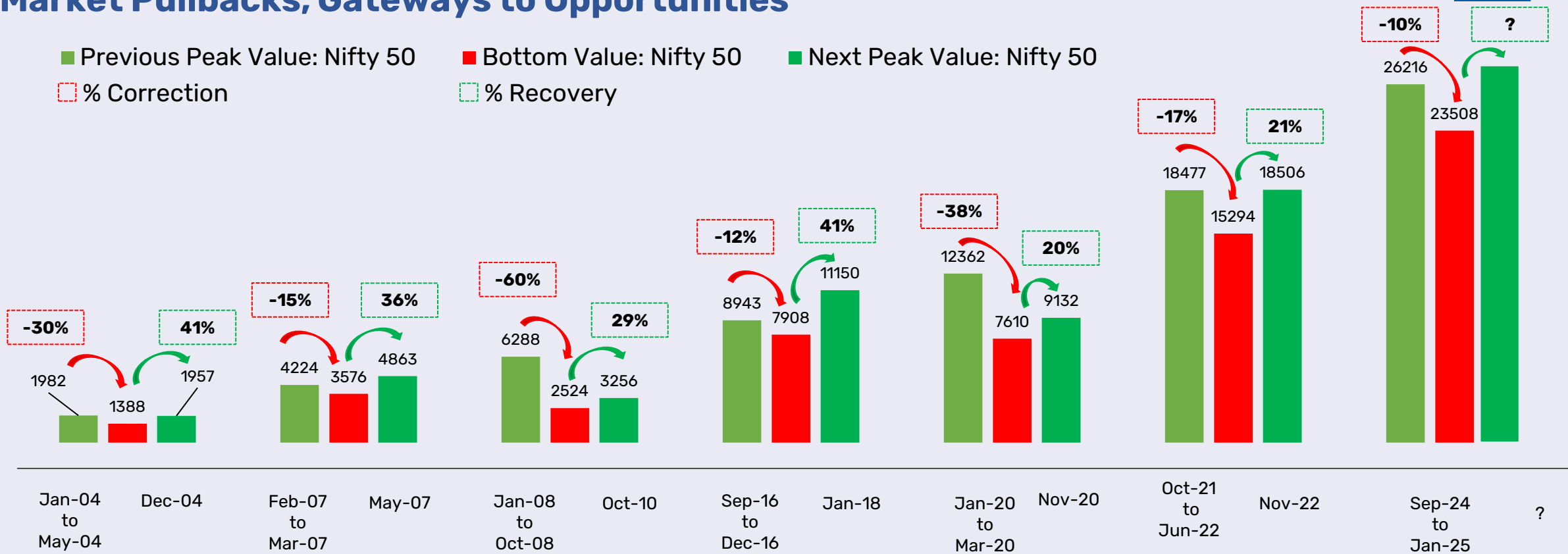
120,9

57,6

# Indian Equity Markets: Valuation Reset & Path to Recovery

## Market Pullbacks, Gateways to Opportunities

■ Previous Peak Value: Nifty 50    
 ■ Bottom Value: Nifty 50    
 ■ Next Peak Value: Nifty 50  
   % Correction    
    % Recovery



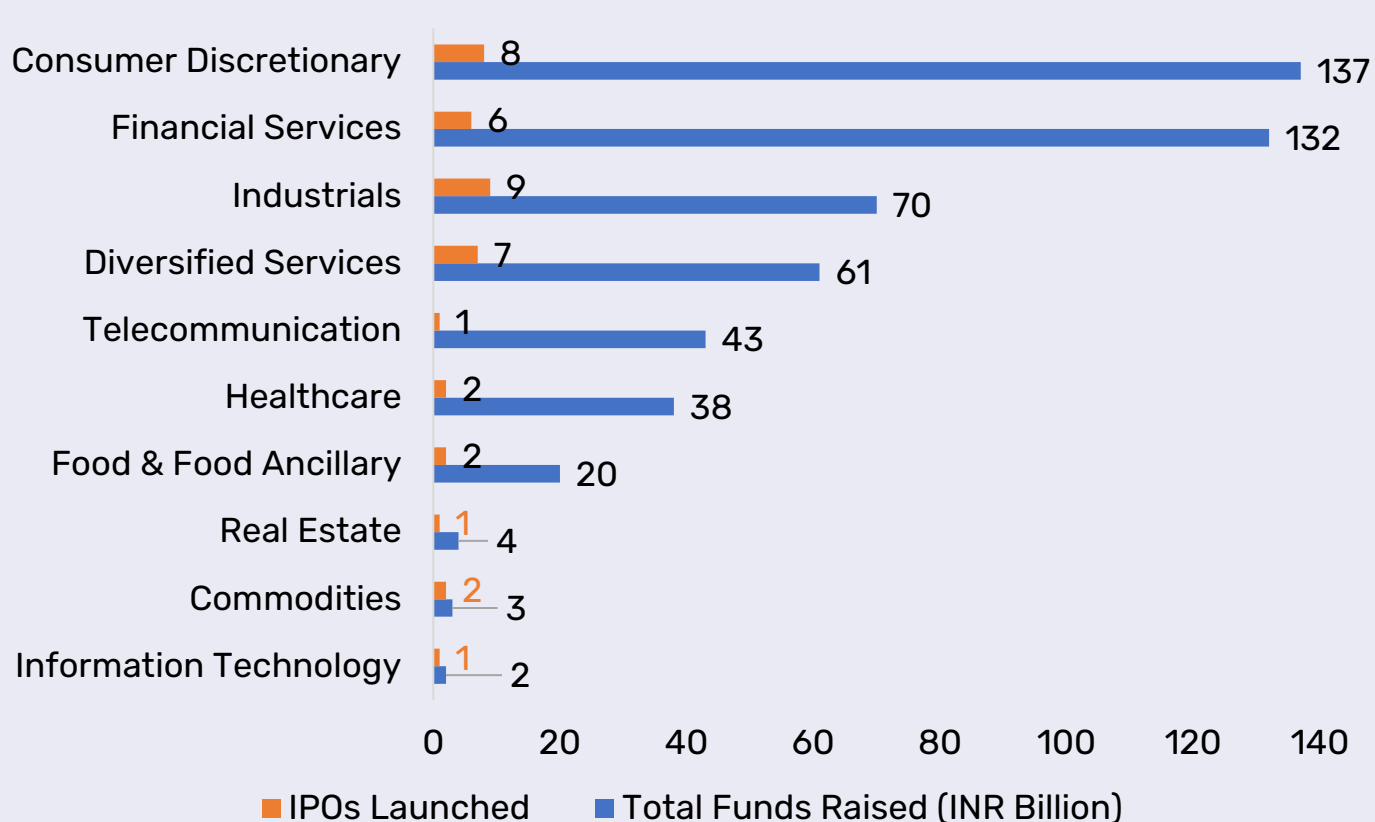
\*Note: Some of the market falls and recovery instance are listed above for the period between: 14 Jan'04 to 17 May'04, 2 Dec'04, 7 Feb'07 to 5 Mar'07, 21 May'07, 8 Jan'08 to 27 Oct'08, 5 Oct'10, 6 Sep'16 to 26 Dec'16, 29 Jan'18, 14 Jan'20 to 23 Mar'20, 9 Nov'20, 18 Oct'21 to 17 Jun'22, 24 Nov'22, 26 Sep'24 to 27 Jan'25. Correction from the peak point and Recovery from the lowest point of respective period.  
 Source - Bloomberg, Data as on 31st January 2025, Past performance may or may not be sustained in future

- Market Correction & Valuation Adjustment** – Nifty50 has corrected **-10.3%** from its Sep'24 peak, driven by a valuation reset as markets had run ahead of earnings. Historical trends suggest a rebound from such corrections.
- Current Valuations & EPS Outlook** – Nifty50 now trades at **19.3x 1Y forward PE**, below its **10-year average**, while Mid & Small Cap valuations remain elevated. Consensus EPS estimates for CY24/25 remain intact.
- Market Consolidation & Long-Term Growth** – Markets are in consolidation mode, awaiting earnings growth clarity. With India's strong GDP outlook, equity markets are poised for recovery, making current levels attractive for long-term investors.

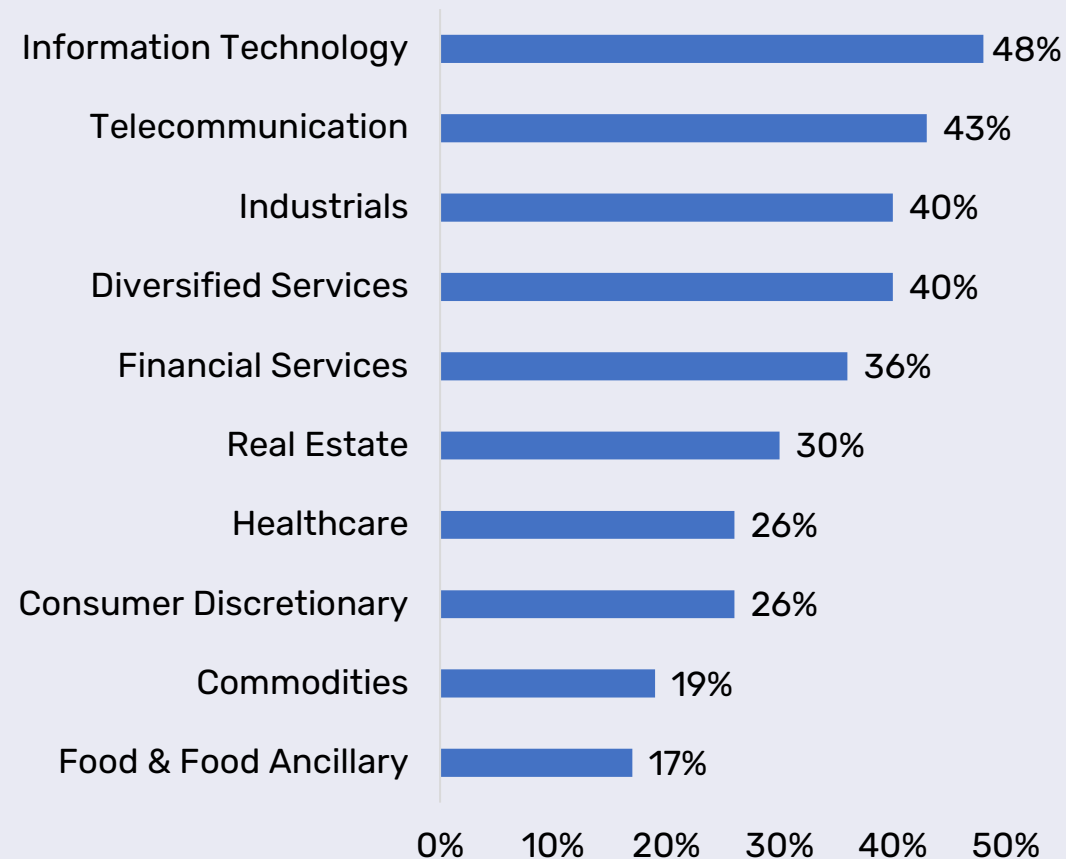
# IPO Momentum in Indian Markets:

Rising IPO volumes could impact short-term market liquidity and fund inflows.

### Total Funds Raised and IPOs Launched by each sector



### Average Listing-Day Gains

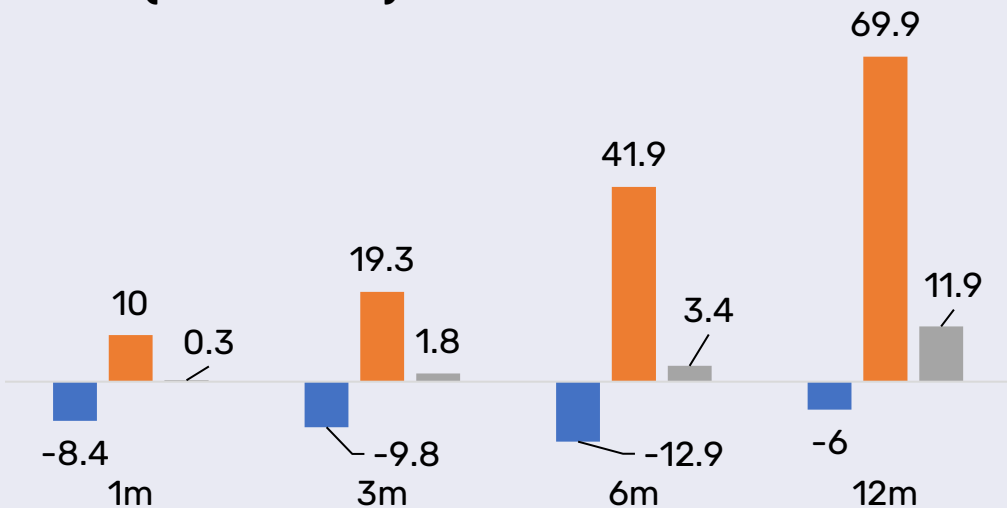


Source: KPMG in India analysis, 2024 based on final offer documents filed with ROC, Bombay Stock Exchange (BSE)  
Past performance may or may not be sustained in future.

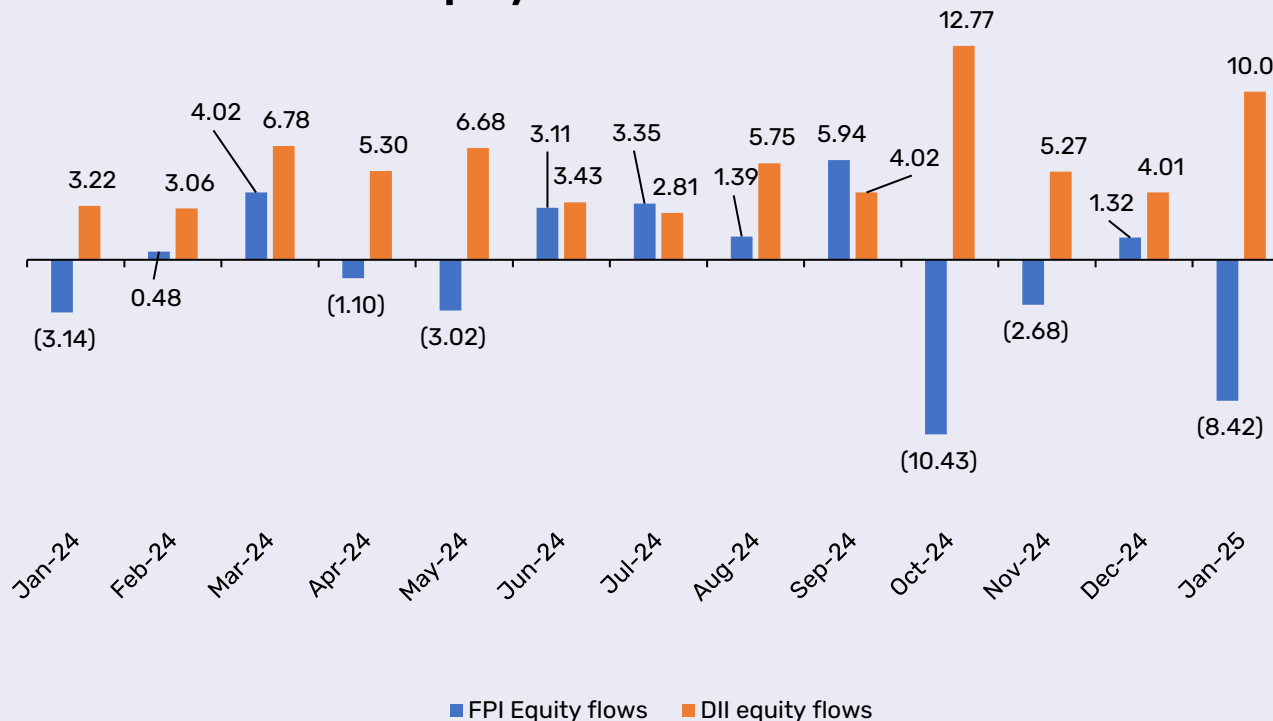


# FII Selling Continues

## Flows (USD Billion)



## FPI and DII Equity Flows USD Billion



■ FPI Equity flows ■ DII equity flows ■ FPI Debt flows

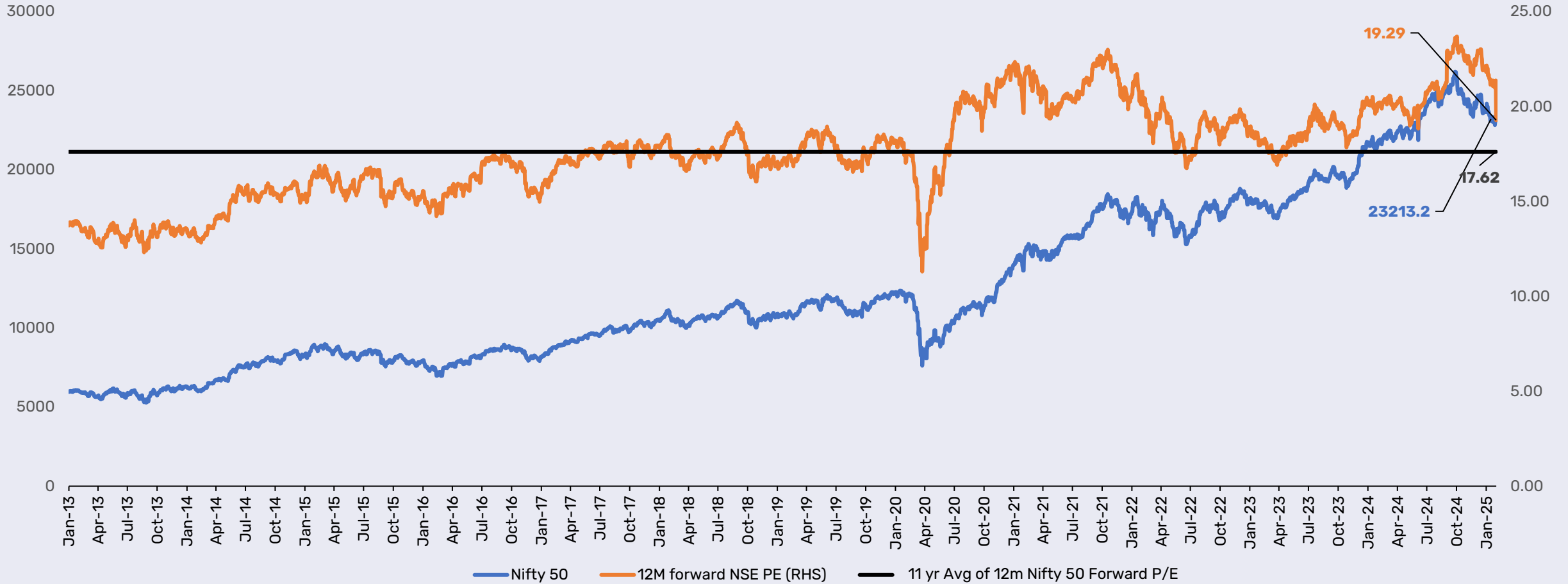
■ FPI Equity flows ■ DII equity flows

- The sustained strengthening of the US dollar and rising US bond yields made Indian assets less attractive to the FIIs
- Concerns over potential recessions in major economies, particularly the US, led to a cautious approach towards emerging markets like India
- High valuations in the Indian equity market prompted profit-booking by FIIs
- Lower than expected corporate earnings in the September quarter and expectations of subdued results for December discouraged investments.

\*DII – Domestic Institutional Investors; \*FII – Foreign Institutional Investor

Source: Bloomberg, NSDL as of 31<sup>st</sup> January 2025.

# Nifty 50 Valuation Insights: Trading At 19.3x 12m Forward Price To Earning (P/E), Signals Potential Rise In Value Opportunity



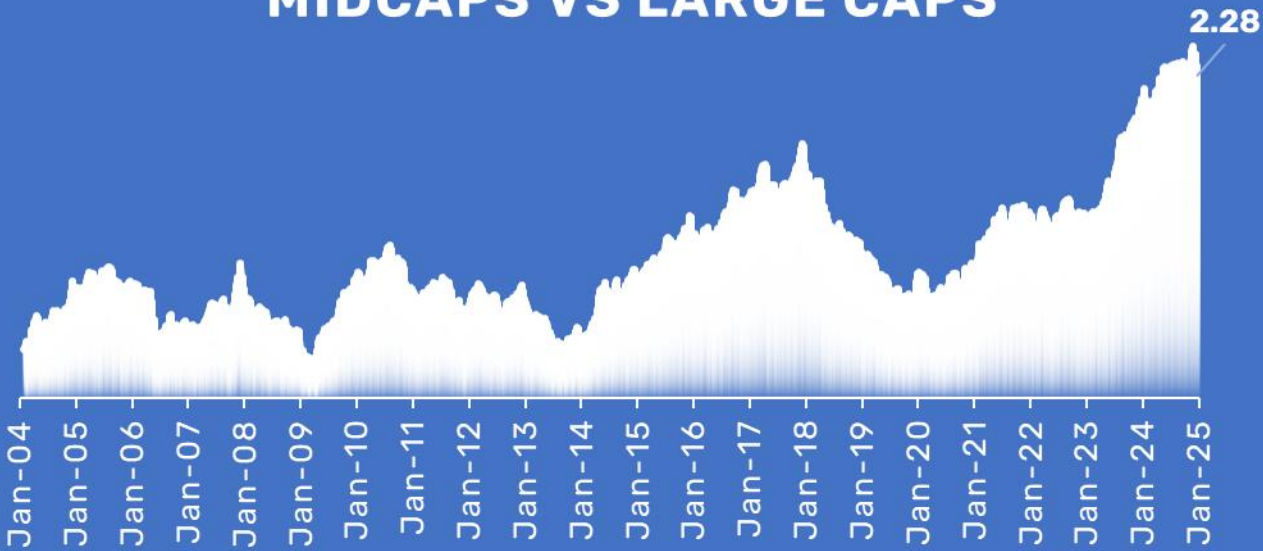
Past performance may or may not be sustained in future

Source: Bloomberg, Research and Ranking; Data taken as on 31<sup>st</sup> January 2025.

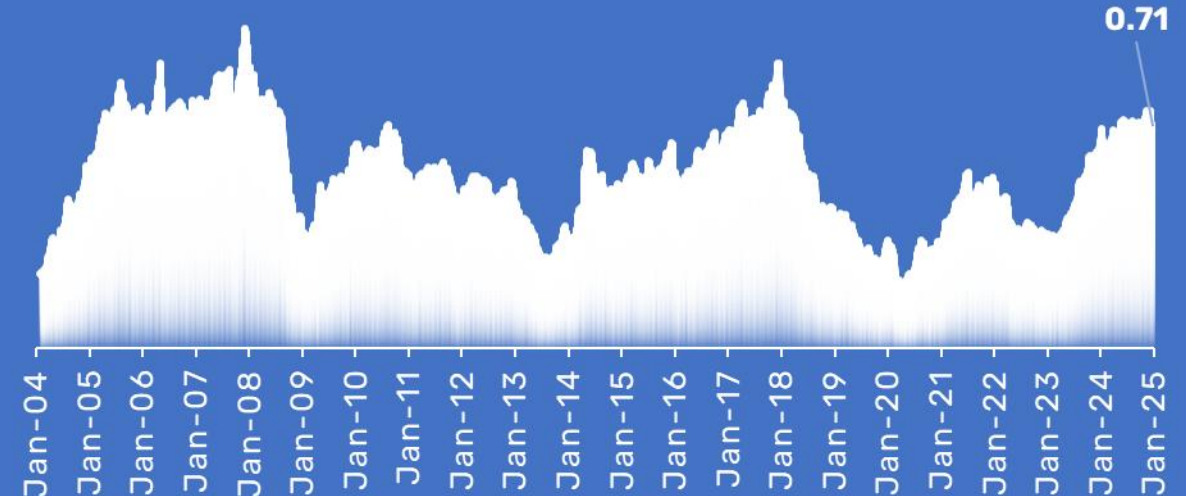
# Midcap, Small Cap Valuations Continue To Rise

## Relative Strength (Times)

### MIDCAPS VS LARGE CAPS



### SMALL CAPS VS LARGE CAPS

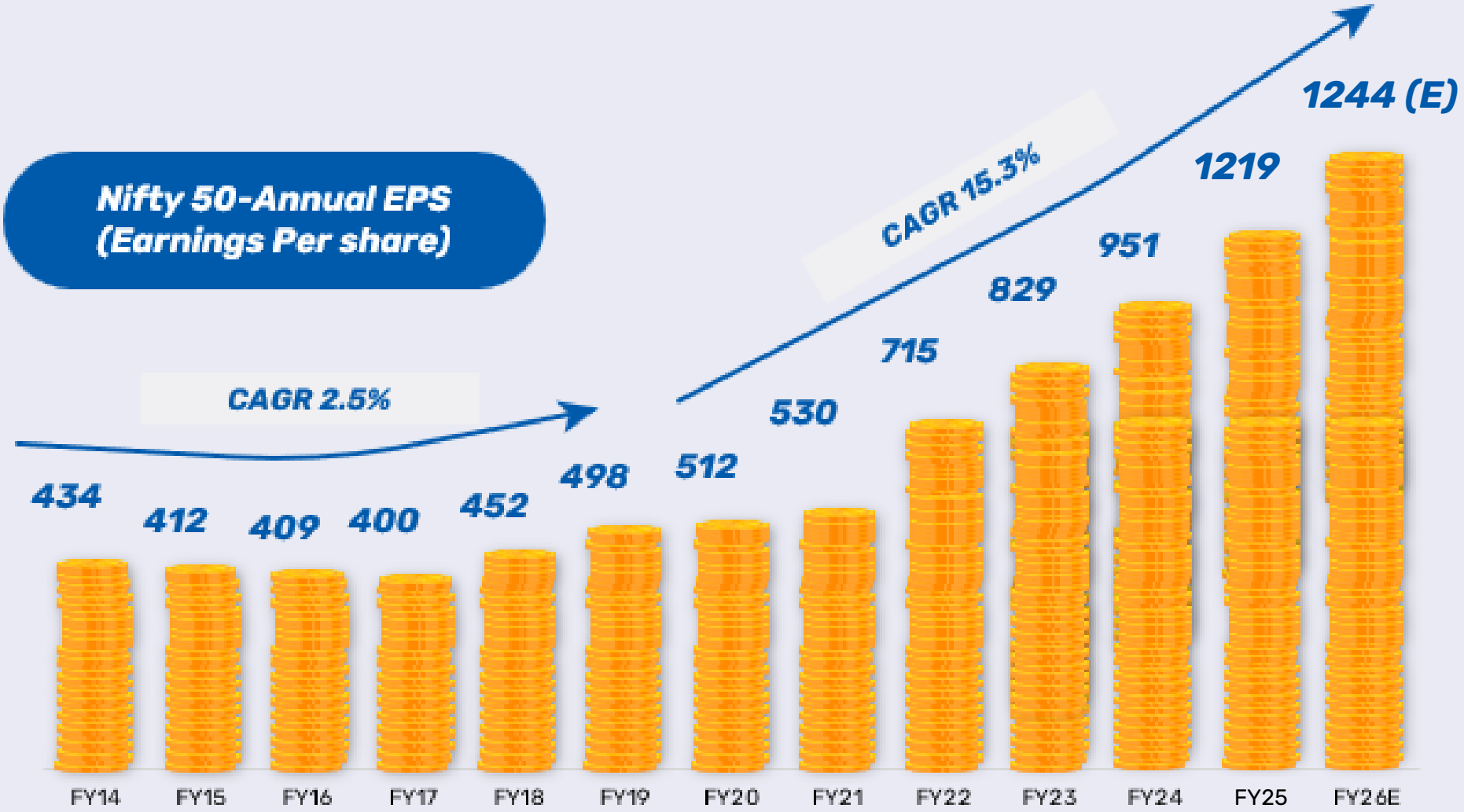


The relative strength of Nifty Midcap 100 vs. Nifty 50 stands at 2.28, while Nifty Small Cap 100 vs. Nifty 50 is at 0.71. These levels suggest a potential mean reversion in valuations and indicate a shift in market dynamics, with large caps showing signs of relative strength.

Source: Bloomberg; Internal Research ; Data as on 31st January 2025.  
Past performance may or may not be sustained in future

# Nifty 50 Earnings Surge:

**Robust Growth Phase with EPS Projected to Rise 15% in FY25 and 14% in FY26**



- Nifty 50 earnings have crossed the inflection point in 2021 and currently appears to be in a robust growth phase.
- The EPS is expected to grow at 15% and 14% for FY25 and FY26 respectively.

Source: Bloomberg, & Internal Analysis As on 31<sup>st</sup> January 2025 | Past performance may or may not be sustained in future  
 "E" Denotes Estimated

- 1. Global Trade & Inflation Risks** – The new U.S. administration’s tariffs on China, Mexico, and Canada could disrupt global trade flows, leading to supply chain adjustments, higher costs, and inflationary pressures. China may diversify production hubs, impacting its long-term export dominance.
- 2. Indian Equity Market Volatility** – January saw market volatility driven by global economic shifts, FPI outflows, and mixed Q3 corporate earnings. While valuations corrected in some areas, selective pockets remain overheated, warranting a cautious approach.
- 3. Budget-Driven Growth** – The Union Budget 2025 emphasizes infrastructure-led growth, boosting sectors like construction, cement, and industrials. Middle-class tax relief is expected to spur consumption in discretionary sectors, including quick commerce, apparel, and automobiles.
- 4. Sector & Valuation Outlook** – Large-caps offer better risk-adjusted returns, while mid- and small-cap valuations appear stretched. Investors should focus on sustainable earnings growth and avoid speculative areas.
- 5. Investment Strategy** – Well-diversified equity funds (flexi-cap, multi-cap) remain prudent for long-term wealth creation. Conservative investors can opt for multi-asset or balanced advantage funds to manage volatility while ensuring exposure across asset classes.

Source: RBI, Bloomberg, Internal Analysis.

The background of the slide is a dark blue grid with a light blue line graph and several vertical blue bars of varying heights, resembling a financial chart. A central white rounded rectangle contains the main text.

# Debt Perspective:

## RBI Begins Rate Cuts Amid Growth Slack; Liquidity & Fiscal Support in Focus

# RBI cuts Repo rate by 25 bps, first time in 5 years

Policy Tools	MPC Policy (7th Feb)	Previous MPC Policy (6th Dec)	Change
Repo	6.25%	6.50%	25 Bps ↓
MSF	6.50%	6.75%	25 Bps ↓
SDF	6.00%	6.25%	25 Bps ↓
Bank Rate	6.50%	6.75%	25 Bps ↓

- RBI cut rates as expected; CPI likely to align with the 4% target by FY26, supporting further cuts.
- We maintain a 50-bps cut view for this cycle, as macro data doesn't justify additional easing.
- Market expects more easing; RBI signals proactive liquidity management.

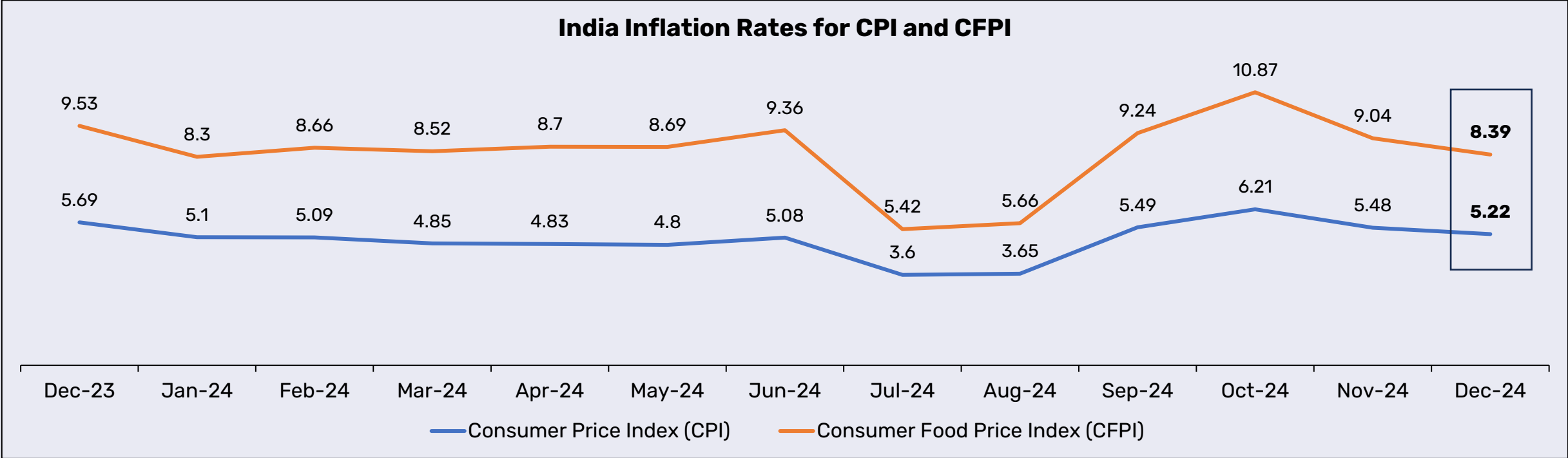
## RBI's Revised Estimates:

RBI's Quarterly CPI inflation forecast		
Q4FY25	4.4% from 4.5%	Lowered
Q1FY26	4.5% from 4.6%	Lowered
Q2FY26	4.0%	No Change
Q3FY26	3.8%	New Estimates
Q4FY26	4.2%	New Estimates
RBI FY26 CPI estimates at <b>4.2%</b>		

RBI Real GDP growth estimates		
FY25	6.4% from 6.6%	Lowered
Q1FY26	6.7% from 6.9%	Lowered
Q2FY26	7.0% from 7.3%	Lowered
Q3FY26	6.5%	New Estimates
Q4FY26	6.5%	New Estimates
RBI FY26 GDP growth estimates at <b>6.7%</b>		

Investors with a horizon of over a year seeking to benefit from the rate cut, potential yield declines and liquidity infusion may consider long-term gilt funds. Those with a similar timeframe but preferring lower duration risk can explore high-quality Banking & PSU Funds to capture credit spreads. For a shorter 3 to 12-month investment horizon, Money Market Funds offer a suitable avenue.

# India's Retail Inflation eases to 5.22%, marking a 4-month low



India's retail inflation eased to 5.22% in December 2024, down from 5.48% in November 2024, primarily due to a moderation in food prices.



Food prices have driven inflation higher in recent months, with vegetable prices rising sharply over the past year. However, a good summer harvest, supported by favorable monsoons, is helping reduce price pressures.

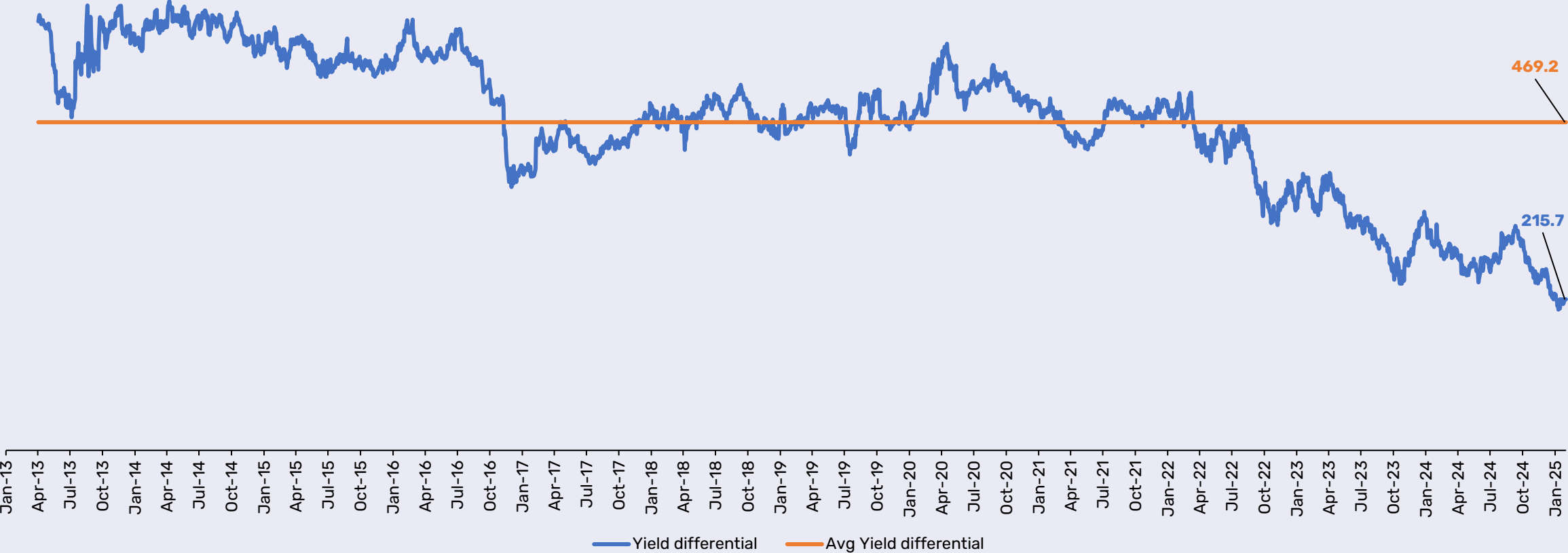
Source: RBI | RBI – Reserve Bank of India, Data as of December 2024



# Yield Spread Trends: US vs. India:

The narrowing yield differential, with US 10-year yields rising to 4.53% and India's softening to 6.76%,

Yield differential in Bps



Source: Bloomberg; Data taken as on 31<sup>st</sup> January 2025. Past performance may or may not be sustained in future

- 1. Rate Cut Cycle Initiated** – The RBI delivered its first rate cut, aligning with expectations. A cumulative 50 bps rate cut is anticipated, with visible growth slack supporting further easing. However, macroeconomic data does not justify deeper cuts.
- 2. Liquidity Management & Market Response** – The RBI's ₹60,000 crore OMOs, \$5 billion USD-INR swap, and 56-day VRR auction highlight proactive liquidity management. The market initially expected more aggressive measures, but the RBI remains focused on stability.
- 3. Fiscal & Growth Support** – The Union Budget's fiscal deficit target of 4.4% reassures debt markets. Government focus on infrastructure and consumption, alongside tax relief, is expected to boost economic momentum.
- 4. Global Rate Cycle & Inflation Outlook** – With the US Fed expected to cut rates by 25-50 bps in 2025, RBI's accommodative stance is reinforced. Inflation is projected at 4.5% in Q4 FY25 and 4% in Q2 FY26, supporting a gradual rate softening.
- 5. Investment Strategy** – Long-term gilt funds are attractive for investors anticipating rate cuts and yield declines. Banking & PSU Funds suit those seeking lower duration risk, while Money Market Funds remain ideal for a 3-12-month horizon.

Source: RBI, Bloomberg, Internal

# Disclaimer

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**