



Nippon **india** Mutual Fund

Wealth sets you free

# EQUITY

## Market Outlook

### August 2025



Good gets *better*

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

# Macro and Equity Market Outlook

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## GLOBAL MACRO & MARKETS

India's NSE NIFTY index ended the month of July 2025 in red (-2.9%). Among major global indices, the S&P500 (+2.2%), the Morgan Stanley Capital International (MSCI) World (+1.2%), the Euro 50 (+0.3%), the Japanese NIKKEI (+1.4%) ended the month of July 2025 with positive returns. Performance was mixed among Emerging Market (EM) indices as well, with the Morgan Stanley Capital International Emerging Markets (MSCI EM), Hang Seng (Hong Kong), BOVESPA Brazil recording sequential returns of (+1.7%), (+2.9%), and (-4.2%) respectively.

The London Metals Exchange (LME) Metals Index fell (-2.5%) in July 2025, as global trade tensions softened. West Texas Intermediate (WTI) and Brent Crude rose MoM, by (+6.4%) and (+7.3%), respectively, as markets remained cautious given tariff fears and geopolitical concerns.

The Dollar index rose (3.2%), through July 2025, with the US Dollar (USD) depreciating vis-à-vis Emerging Market (EM) currencies (-2.3%) and appreciating against the Indian Rupee (INR) on the spot market (+2.2%). India 10Y G-Sec yields rose by 5 bps, while US 10Y G-Sec yields rose by 14.6 bps, and the German Bund yield rose by 8.8 bps, with rates settling at 6.37%, 4.37% and 2.69%, respectively.

# Domestic Macro & Markets

The BSE SENSEX fell (-2.9%) in July 2025, in line with the NSE NIFTY Index. The BSE Mid-cap index and the BSE Small-Cap index outperformed the BSE SENSEX, falling by (-2.8%), and (-2.3%) over the month, July 2025 respectively. Sector-wise, FMCG and Healthcare were the top outperformers over the month, clocking (+1.6%) and (+2.5%) respectively. All except 2 of BSE's 13 major sectoral indices ended the month of July 2025 in red.

Net Foreign Institutional Investors (FII) flows into equities were negative for July 2025 (at -\$2.05 Bn, following +\$1.69 Bn in June 2025). Domestic Institutional Investors (DIIs) remained net buyers of Indian equities for the 23rd consecutive month (+\$6.32 Bn, from +\$8.46 Bn last month, June 2025).



## India's high frequency data update:

Record levels of Goods and Services (GST) collections, stable retail inflation, deflated input inflation, rising core sector outputs, and elevated credit growth augurs well for the Indian economy.

### Purchasing Managers' Index Manufacturing PMI:

India's Purchasing Managers' Index Manufacturing (PMI) in July 2025 rose to a 16-month high of 59.1 (vs 58.4 in March 2025), remaining in expansion zone (>50) for the 47th straight month. This feat was possible primarily due to faster increases in new orders, outputs and stocks of purchases. The growth was associated with positive demand circumstances and effective promotional efforts. There was also a rise in international demand, albeit to a lesser degree.

### Goods and Services Tax (GST) Collection:

Gross collections of INR 1.96 Tn (+7.5% YoY) in July 2025 concluded the fortieth consecutive month of collections over the INR 1.4 Tn mark, following previous record collections of INR 2.1 Tn in April 2024. Rising compliance, higher output prices, rising collections from imports and domestic transaction volume uptick has driven elevated tax collections.

### Core Sector Production:

The index of eight core sector industries grew by 1.7% YoY in June 2025, against a 0.7% growth in May 2025. Three out of eight constituent segments grew YoY, driven by Steel (+9.3% YoY) and Cement production (9.2% YoY).

### Industrial Production:

Factory output growth as measured by the Index of Industrial Production (IIP) accelerated MoM to +1.5% in June 2025, vs a growth of +1.2% YoY in May 2025, driven by positive growths in 1 of 3 major sectors- Manufacturing (3.9% YoY).

### Credit growth:

Scheduled Commercial Bank Credit growth reached 10.2% YoY as of 27th June 2025 against a YoY growth of 13.8% as observed on 28th June 2024, as sector-wise credit in June 2025 slowed down in all sectors. Agriculture and allied activities credit rose by 6.8%, lower than 17.4% a year ago, while industrial sector credit grew by 5.5%, down from 7.7% in June 2024, the services sector credit grew by 9.6%, down from 15.1% in June 2024.

### Inflation:

June's 2025 Consumer Price Index (CPI) inflation rate decelerated MoM to 2.1%, down from 2.8% in May 2025. Food inflation came in at a faster pace MoM, at 1.06%, up from 0.99% in the previous month. The Wholesale Price Index (WPI) inflation fell sequentially in June 2025, with the print at -0.13%, 295 bps down from May 2025 primarily due to decrease in prices of food articles, mineral oils, manufacture of basic metals, crude petroleum & natural gas etc.

### Trade Deficit:

Indian Merchandise Exports fell by 0.1% YoY to \$35.1 Bn in June 2025, while Imports fell by +3.7% YoY to \$53.9 Bn. Merchandise trade deficit fell by 10.39% YoY to \$18.8 Bn in June 2025.

# Market View

- After delivering three straight months of positive returns in 2025, the Indian market posted a negative performance in July 2025 and entered August 2025 on a cautious note.
- A mix of global and domestic factors such as the release of crucial economic data, Tariffs, global monetary policy stance, Geopolitical Conflicts etc may shape the market movements in the near term.
- The month of August also holds significance as the market gradually transitions into the festive season and the beginning of the second half of FY26.
- A strong monsoon and low inflation lifted the rural demand. Rural sentiment is improving aided by higher favourable rainfall distribution, government support, and better farm incomes.
- Lower inflation and benign interest rate policy are likely to support domestic economic recovery. Lower interest rates environment coupled with some tax relief on consumption may help consumer discretionary segments to perform better in the coming quarters. Q3 FY26 onwards benefits of lower interest rates and liquidity may have some positive effect on overall growth.
- Large number of companies filing for IPOs, promoter selloffs and Qualified Institutional Placement (QIPs) can constraint markets in addition to modest growth recovery in the near term
- Valuations remain higher than long term average for the broader market after recent rally this along with modest Q1 earnings point to limited headroom. Going forward Earnings recovery in the festive season (Q2 onwards) is expected to be a key a trigger for the market direction.
- Large Cap & Large Cap oriented diversified strategies along with hybrid funds appear better placed on risk-reward basis, while Mid/Small cap allocation may be considered in a staggered manner through systematic investment with a long-term view.
- Overall, given the current global shifts/uncertainties, the slower pace of domestic growth and premium valuations, the near-term volatility may be higher wherein disciplined investing coupled with appropriate asset allocation may help to optimize the risk return.

## Events to watch out for in August 2025

**Trade Related News flow:** Tariff news flow remains volatile, with changes to be monitored closely by the markets. Indian bilateral agreements to be watched.

**Earnings Season:** Quarterly earnings for Indian companies (Q1FY26) may continue to provide colour on the global macroeconomic backdrop for earnings based on management's commentary from various sectors for 2HFY26 and beyond.

**Other things to watch out for:** Oil Market volatility with the Organization of the Petroleum Exporting Countries (OPEC+) increasing production, and Monsoon related news remain key events for markets to watch out for.

## Monthly Performance for Key Indices:

| INDEX                    | 2022   | 2023   | 2024  | May-25 | Jun-25 | Jul-25 |
|--------------------------|--------|--------|-------|--------|--------|--------|
| MSCI WORLD               | -19.5% | 21.8%  | 17.0% | 5.7%   | 4.2%   | 1.2%   |
| S&P 500 (US Markets)     | -19.4% | 24.2%  | 23.3% | 6.2%   | 5.0%   | 2.2%   |
| Euro 50                  | -11.7% | 19.2%  | 8.3%  | 4.0%   | -1.2%  | 0.3%   |
| MSCI EM                  | -22.4% | 7.0%   | 5.1%  | 4.0%   | 5.7%   | 1.7%   |
| HANG SENG                | -15.5% | -13.8% | 17.7% | 5.3%   | 3.4%   | 2.9%   |
| Nifty 50 India           | 4.3%   | 20.0%  | 8.8%  | 1.7%   | 3.1%   | -2.9%  |
| LMEX LONDON METALS INDEX | -11.5% | -5.6%  | 3.8%  | 2.7%   | 4.8%   | -2.5%  |
| BRENT                    | 10.5%  | -10.3% | -3.1% | 1.2%   | 5.8%   | 7.3%   |
| DOLLAR INDEX SPOT        | 8.2%   | -2.1%  | 7.1%  | -0.1%  | -2.5%  | 3.2%   |
| BSE SENSEX               | 4.4%   | 18.7%  | 8.2%  | 1.5%   | 2.6%   | -2.9%  |
| BSE MIDCAP               | 2.5%   | 40.8%  | 25.8% | 5.4%   | 3.8%   | -2.8%  |
| BSE SMALLCAP             | -1.8%  | 47.5%  | 29.3% | 10.6%  | 4.3%   | -2.3%  |
| USDINR                   | 11.3%  | 0.6%   | 2.9%  | 1.3%   | 0.2%   | 2.2%   |

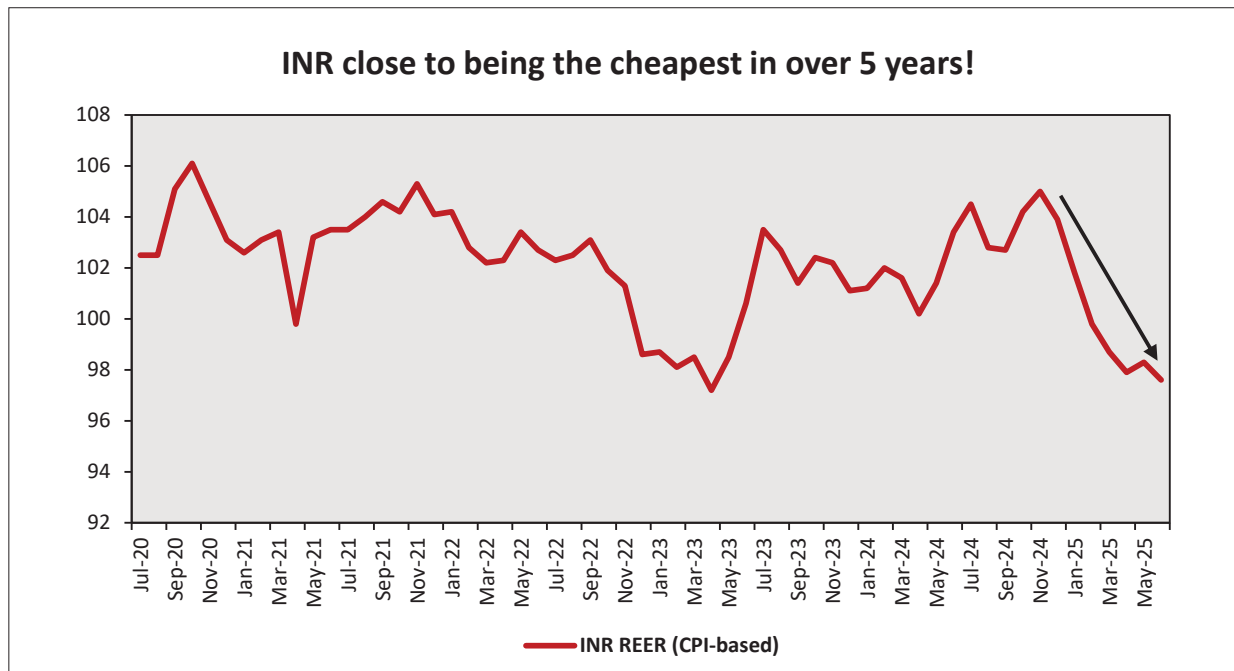
**Source:** NIMF Research, Bloomberg

**Note:** Market scenarios are not reliable indicators for current or future performance. The same should not be construed as investment advice or as any research report/research recommendation.

**Past performance may or may not be sustained in future.**

## Chart of the Month:

The Indian Rupee (INR) is close to being the cheapest on a CPI-based REER (Real Effective Exchange Rate) in over five years. Despite high tariffs, INR fundamentals have improved since 1QCY25.



**Source:** RBI, NIMF Research

**Note:** All data as on 31st July, 2025 unless mentioned otherwise

### Disclaimer:

The current fund philosophy may change in future depending on market conditions or fund manager's views. The sectors mentioned are not a recommendation to buy/sell in the said sectors. The scheme may or may not have future position in the said sectors.

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