



Nippon **india** Mutual Fund

Wealth sets you free

EQUITY

Market Outlook

April 2025



Good gets *better*

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

Macro and Equity Market Outlook

GLOBAL MACRO & MARKETS

India's NSE NIFTY index ended the month of March 2025 in green (+6.3), after five consecutive months in the red. Among major global indices, the S&P500 (-5.8%), the Morgan Stanley Capital International (MSCI) World (-4.6%), the Euro 50 (-3.9%), the Japanese NIKKEI (-4.1%) ended the month, March 2025 with negative returns. Performance was positive among Emerging Market (EM) indices, with the Morgan Stanley Capital International Emerging Markets (MSCI EM), Hang Seng (Hong Kong), the BOVESPA Brazil (BVSP) recording sequential returns of (+0.4%), (+0.8%), and (+6.1%) respectively.

The London Metals Exchange (LME) Metals Index rose (+2.8%) in March 2025, as copper and other metals were bid up by traders in anticipation of tariffs imposed by the United States of America (USA). West Texas Intermediate (WTI) and Brent Crude rose MoM, by (+2.5%) and (+2.8%), respectively, as markets remained cautious given a weaker dollar, and tariff fears.

The Dollar index fell (-3.2%), through March 2025, with the US Dollar (USD) appreciating vis-à-vis Emerging Market (EM) currencies (+1.5%) and depreciating against the Indian Rupee (INR) on the spot market (-2.3%). India 10Y G-Sec yields fell by (-9 bps), while US 10Y G-Sec yields fell by (-14 bps), and the German Bund yield fell by (-2 bps), with rates settling at 6.49%, 4.05% and 2.72%, respectively.

Domestic Macro & Markets

The BSE SENSEX (+5.6%) rose in March 2025, in line with the NSE NIFTY Index. The BSE Mid-cap index and the BSE Small-Cap and Mid-Cap indices outperformed the BSE SENSEX, rising by (+8.3%), and (+7.8%) over the month of March 2025, respectively. Sector-wise, Power, Public Sector Undertaking (PSU), Capital Goods were the top performers over the month of March 2025, clocking 14.3%, 14.1%, and 13.5%, respectively. All of BSE's 13 major sectoral indices ended the month, March 2025 in green.

Net Foreign Institutional Investors (FII) flows into equities were positive for March 2025 (at \$0.2 Bn, following -\$3.98 Bn in February 2025). Domestic Institutional Investors (DIIs) remained net buyers of Indian equities for the 20th consecutive month (+\$10 Bn, from +\$7.4 Bn last month, February 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 Manufacturing Purchasing Managers' (PMI) in March 2025 rose to an 8 month-high of 58.1 (vs 56.3 in February 2025), remaining in expansion zone (>50) for the 44th straight month. The new orders index rose to an 8-month high, owing to favourable demand conditions. The input price index increased to a three-month high.

Goods and Services Tax (GST) Collection:

Gross collections of INR 1.96 Tn (+9.9% YoY) in March 2025 concluded the thirty seventh 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, festive season demand, rising collections from imports and domestic transaction volume uptick has driven elevated tax collections.

Core Sector Production:

The index of eight core sector industries fell to a four-month low of (-2.9%) YoY in February 2025, against a (+5.1%) growth in January 2025 (Upwardly revised), as an unfavourable base effect came into play. Six out of eight constituent segments grew YoY, driven by Cement production (10.5% YoY).

Industrial Production:

Factory output growth as measured by the Index of Industrial Production (IIP) accelerated MoM to (+5.0%) in January 2025, vs a growth of (+3.5%) YoY in December 2024, driven by slowing, but positive growths in 3 of 3 major sectors- Manufacturing, Mining, Electricity.

Credit growth:

Scheduled Commercial Bank Credit growth reached (+11.13%) YoY as of 7th March 2025 against a YoY growth of (+20.41%) as observed on 8th March 2024, as a strong base effect came to play, amid changes to Reserve Bank of India (RBI's) norms for risk weights and changes to the Liquidity Coverage Ratio (LCR) norms.

Inflation:

February's Consumer Price Index (CPI) inflation rate decelerated MoM to 3.61%, down from 4.26% in January 2025. Food inflation came in at a slower pace MoM, at 3.75%, down from 5.97% in the previous month. The Wholesale Price Index (WPI) inflation rose sequentially in February 2025, with the print at (+2.38%), 7 bps up from January 2025.

Trade Deficit:

Indian Merchandise Exports fell by (10.9%) YoY to \$36.9 Bn in February 2025, while Imports fell by (16.35%) YoY to \$50.96 Bn. Merchandise trade deficit fell by (28%) YoY to \$ 14.05 Bn.

Market View

- Indian Equity Market experienced a rebound of approx. 6.3% (Nifty 50 index) and 5.8% (BSE Sensex), this positive momentum was tempered by many global developments as on March, 2025
- Corporate capex has shown nascent signs of recovery while household investment in real estate continues to be robust.
- Low base of FY25's 1Q earnings will act as a support in FY26 financial year. Key to earnings growth may be sales recovery as margin expansion may be challenging. Looking ahead the market returns are likely to reflect the earnings growth.
- Given the anticipated demand pick up we expect the muted earnings growth of last 2 quarters to improve. Some of the potential triggers for demand revival may include – rural agricultural recovery (rabbi crops), extended wedding/festive season, higher government spending and moderating inflation.
- Macro uncertainty around the impact US Tariff announcements, likely on impact global growth, interest rate/ inflation etc may lead to higher volatility in the near term as the global trade policies are reshaped and reset.
- Large Cap & Large Cap oriented 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 investments.
- Overall, we believe while the market may consolidate in the near term as the macro visibility improves even as the domestic fundamentals remain supportive and offer reasonable possibilities from a medium-term perspective.

Events to watch out for in April 2025

Central Bank Action: With tariffs being imposed on goods imported into the United States of America (USA), growth and inflation will be impacted. The US Federal Reserve (US Fed) and other central banks, which were positioned for quantitative easing through rate cuts and boosting liquidity, may have to rethink their stance on growth boosting measures and focusing on curbing inflationary impacts from tariffs. This will be a key monitorable for markets.

India Earnings Season: : India's Q4FY25/Q1CY25 earnings season kicks off, against an uncertain global macro backdrop. Commentary from companies on tariffs and macroeconomic implications will be monitored by equity markets.

Other things to watch out for: Oil Market volatility, Heat Wave related news remain key monitorables for the markets.

Monthly Performance for Key Indices:

INDEX	2022	2023	2024	Jan-25	Feb-25	Mar-25
MSCI WORLD	-19.5%	21.8%	17.0%	3.5%	-0.8%	-4.6%
S&P 500 (US Markets)	-19.4%	24.2%	23.3%	2.7%	-1.4%	-5.8%
Euro 50	-11.7%	19.2%	8.3%	8.0%	3.3%	-3.9%
MSCI EM	-22.4%	7.0%	5.1%	1.7%	0.4%	0.4%
HANG SENG	-15.5%	-13.8%	17.7%	0.8%	13.4%	0.8%
Nifty 50 India	4.3%	20.0%	8.8%	-0.6%	-5.9%	6.3%
LMEX LONDON METALS INDEX	-11.5%	-5.6%	3.8%	1.6%	2.9%	2.8%
BRENT	10.5%	-10.3%	-3.1%	2.8%	-4.7%	2.1%
DOLLAR INDEX SPOT	8.2%	-2.1%	7.1%	-0.1%	-0.7%	-3.2%
BSE SENSEX	4.4%	18.7%	8.2%	-0.8%	-5.6%	5.8%
BSE MIDCAP	2.5%	40.8%	25.8%	-6.4%	-10.4%	7.8%
BSE SMALLCAP	-1.8%	47.5%	29.3%	-9.5%	-13.8%	8.3%
USDINR	11.3%	0.6%	2.9%	1.2%	1.0%	-2.3%

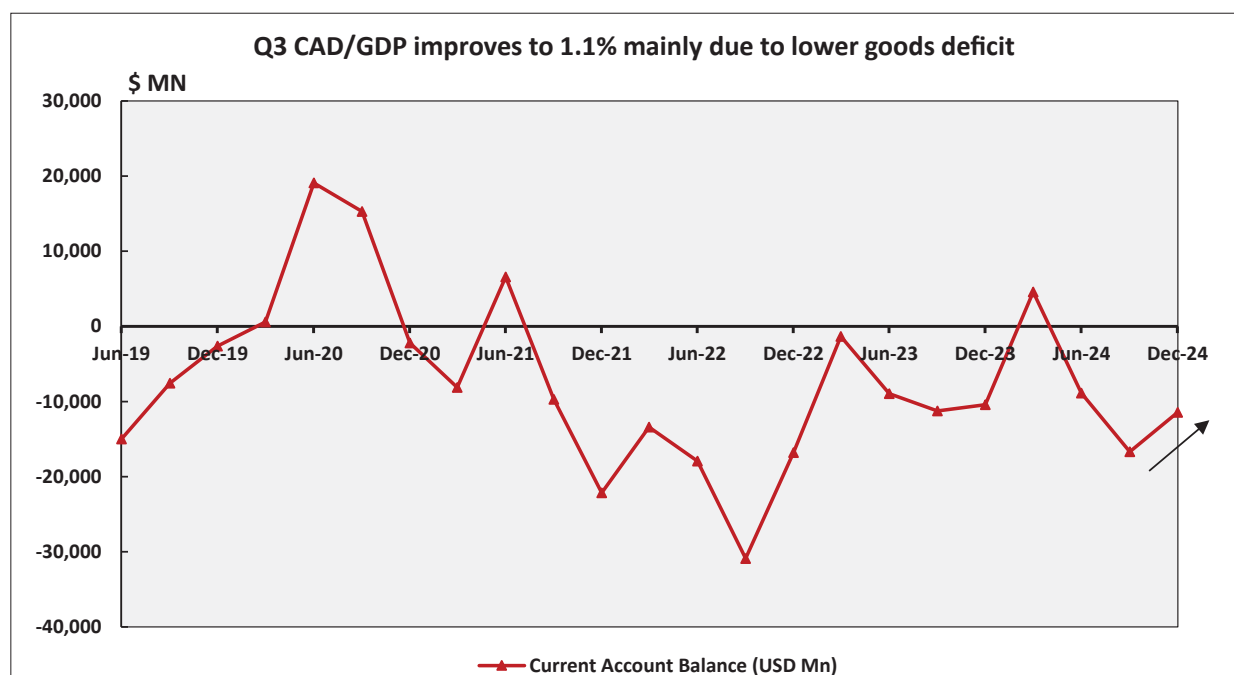
Source: NIMF Research, Bloomberg

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:

Q3FY25 Current Account Deficit (CAD) improved to USD11.5bn (1.1% of Gross Domestic Product (GDP) vs USD16.7bn (1.8% of GDP) in Q2. The lower deficit was mainly due to the goods trade deficit declining to USD79.2bn (7.9% of GDP) as non-oil exports rose ~9% QoQ, while total imports were flat. Net invisibles were stable, as higher software and non-software exports were offset by a higher drag from net investment income, while net remittances were flat. Balance of Payment (BoP) was also in deficit (USD 37.7 Bn). However, Q4FY25 is likely to see current account surplus mainly due to a sharply lower goods trade deficit.



***CAD – Current Account Deficit, GDP – Gross Domestic Product**

Source: NIMF Research, CEIC

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