Capital League

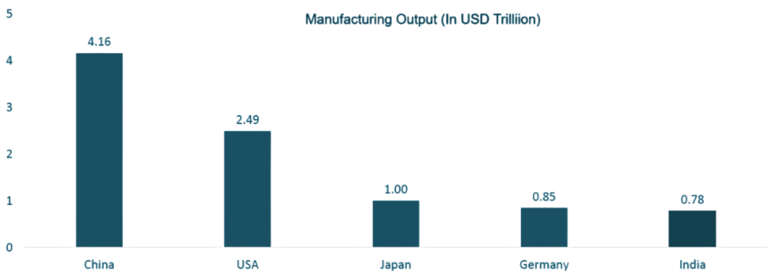
PRIVATE WEALTH MANAGEMENT

OUTLOOK

August 2025

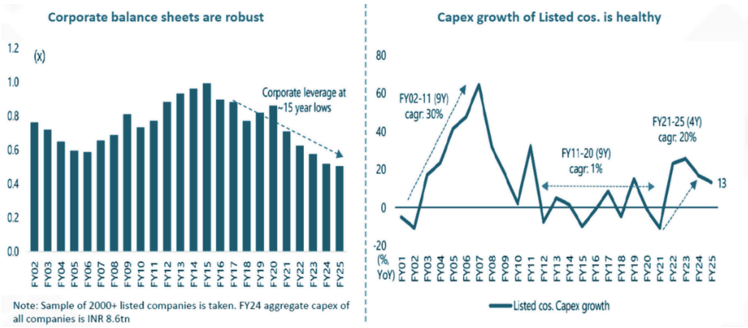
Indian Economy

- Indian macros are quite robust. Core sector growth rises to a 3-month high of 1.7% in June. Manufacturing PMI at 14-month high at 59.2 in July, and Services PMI at 11-month high at 60.5 in July. However, industrial output growth has slowed in the last few quarters.
- India is now amongst the Top 5 Global Manufacturing hubs, breaking ahead of South Korea, UK and France.



Source: World Bank report 2024, as per latest data available

- Capacity utilisation in factories remains at slightly over 75%. Corporate balance sheets are healthy, with Debt at a 15-year low. Interest rates are low, and government policy is supportive of growth. Demand is expected to improve in the festive season on the back of higher disposable income due to tax cuts and lower interest rates. This would prompt pick-up in Private Capex, which will in turn boost growth.



Source: Ace Equity, Jefferies report June 2025, as per latest data available

- Rural growth is picking up, supported by employment generation (employment remains above pre-COVID levels), above normal monsoon, robust Kharif sowing and good reservoir levels. Growth is reflected in tractor sales pick-up, FMCG sales growth and premiumisation of product categories.
- RBI has kept rates unchanged at 5.5% and retained 'neutral' policy stance. They would wait for transmission of earlier rate cuts to the credit markets and the broader economy before any further action. Outlook on inflation remains benign.
- Goods trade deficit has narrowed to a 4-month low of USD 18.7Bn in June. Tariff uncertainty is a dampener for growth. The US has recently announced a 50% tariff on imports from India.
- Sectors such as leather, chemicals, footwear, gems and jewellery, textiles and shrimp are among those which will be severely affected, with potential to cut US-bound exports by 40–50%.

Global Economy

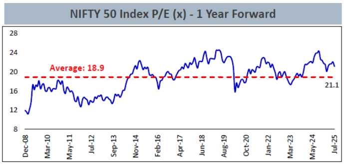
- Oil continues to stay at near USD 70 levels.
- Global Manufacturing PMI is reflecting contraction, and the global economy is expected to slow down in CY25. Tariff

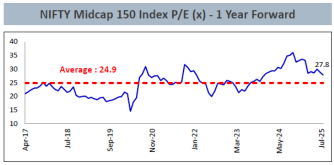
uncertainty is affecting most countries.

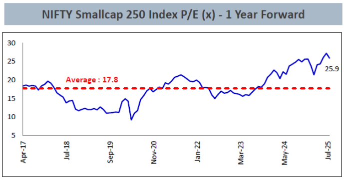
- US economy contracted (0.5%) in Q1CY25. There are a number of headwinds for US economic growth – Tariff confusion, lower consumer confidence, lower corporate confidence, lower tourism, Israel/ Iran conflict, layoffs of government employees and student loan repayments.

Outlook

- Higher tariff on India likely to dampen growth to the extent of 20-40bps based on most estimates.
- Advance Tax collection in Q1FY26 remains muted. Credit and deposit growth have moderated from last year, indicating a moderation in the momentum of growth. Domestic themes such as consumption, financials, and healthcare (ex-exports) offer a more structural and long-term growth visibility vis-à-vis sectors which are dependent on global events.
- Tax rebates (~INR 1 lac crore) announced for this financial year, and RBI's 1% rate cut is expected to support demand by having a multiplier effect with lower EMI and higher borrowing capacity. Rural consumption is showing green shoots and trends in urban consumption will be keenly watched in the festive season.
- Markets are trading at a premium to long-term averages. In recent weeks, markets have corrected, and the valuations are slightly less stretched. Earnings for 38 Nifty firms grew 7.5 per cent YoY, ahead of their estimate of 5.7%, with the intensity of earnings cuts moderating compared to the previous quarters. Remain 'neutral' on equity.







Valuation*	
Largecap	12% Premium to historical average
Midcap	12% premium to historical average
Smallcap	46% premium to historical average

Source: Motilal Oswal, Bloomberg, As on 31st July 2025

- Gold prices have surged since March 2025, driven largely by a weakening US dollar, shifting dynamics in traditional safe-haven assets and escalating geopolitical uncertainty due to current tariff disputes, encouraging investors to reduce reliance on US Treasuries. Gold has outperformed all major asset classes in 2025.
- RBI has projected GDP growth of 6.5% for FY26 and 6.6% for FY27. Inflation projection for FY26 has been lowered to 3.1% from 3.7%. Fixed Deposit rates are expected to fall further as Banks and corporates transmit lower rates.
- Surplus funds with a minimum time horizon of 3 months can be parked in arbitrage funds, and with a minimum time horizon of 2 years can be invested in the Arbitrage-Plus-Income category of funds. Conservative Hybrid funds like, Equity Savings, Multi-Asset funds and Gold & Silver Funds, can be considered instead of pure debt investment for their tax efficiency.