



Capital League

PRIVATE WEALTH MANAGEMENT

OUTLOOK

June 2025

Indian Economy

- India becomes the fourth-largest economy.

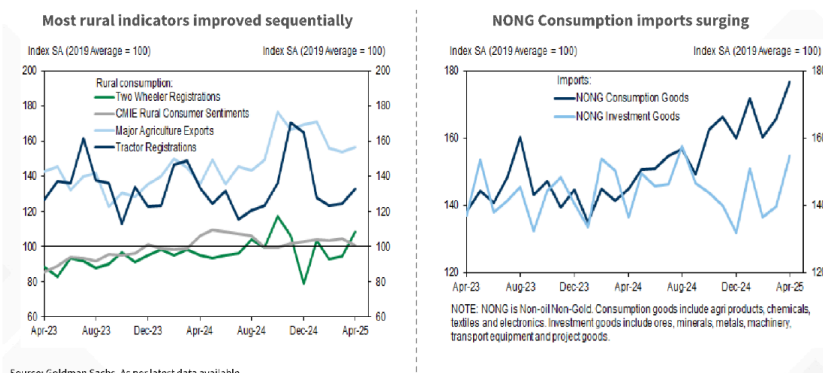
Country	GDP (USD Tn)	Population (Million)	Per Capita GDP (USD)
US	30.51	342.37	89105.2
China	19.23	1405.08	13687.27
Germany	4.74	84.86	55911.04
India	4.19	1454.61	2878.45
Japan	4.19	123.29	33955.71
United Kingdom	3.84	69.87	54949.06
France	3.21	68.63	46792.41

Source: IMF, Zerodha, As per the latest data available

- Retail inflation eased to a 6-year low of 3.1% in April.
- RBI Policy: The RBI delivered a surprise 50 bps cut against the consensus market expectation of 25 bps. Average CPI projection cut to 3.7% for the year. RBI also announced a 100bps CRR cut to add liquidity in 4 tranches.
- RBI aims to boost credit availability in time for the consumption-driven festival season. Improved affordability and easier access to credit will help accelerate loan growth to consumers quickly. Real estate and sectors such as automobiles and consumer durables will see a boost.
- RBI's interest rate cut is poised to benefit NBFCs by expanding their margins due to reduced funding costs. Easing of norms on

unsecured loans and lower risk weights will facilitate increased bank lending to NBFCs.

- RBI's commentary indicates revival of rural demand. Overall consumption has improved.



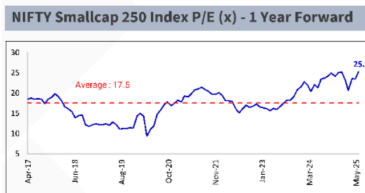
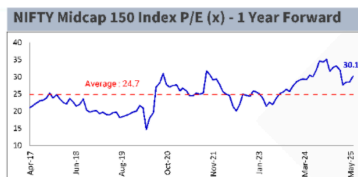
- India's economy grew 7.4% in Quarter ending Mar'25, much higher than earlier projection of 6.7%.
- India has reported the highest ever food production in FY25.
- IMD predicts above normal at 108% of the long-term average monsoon this year. Dispersion will be key.
- According to the latest World Bank report, India has experienced a significant decline in extreme poverty, with the rate falling from 27% in 2011-12 to 5.3% in 2022-23. This results in a net reduction of 269 million individuals living below the international poverty threshold over 11 years. This number is immense, considering it exceeds the population of most countries, and it has been accomplished in just 11 years. This reflects the tangible positive impact of various policy measures, including the implementation of MNREGA, AADHAR, and Direct Benefit Transfer, as well as the provision of free rations to 800 million people, covering 75% of the rural population and 50% of the urban population. Furthermore, the digitisation reaching the remotest corners of the country and, above all, the trickle-down effect of a growing economy have also contributed significantly.

Global Economy

- Oil (Brent) continues to be range-bound below USD 65/ Barrel due to an increase in supply by OPEC.
- Commodity prices are benign due to expectations of slower global growth.
- US corporates are reporting strong earnings growth for Q1CY25. S&P 500 projected earnings growth for CY25 is 9% vis 10.4% for CY24.
- US credit risk is rising. Defaults on credit card, car, student & home loans are increasing sharply.

Outlook

- RBI policy is supporting a consumption-led growth, supported by easier and cheaper credit and regulatory easing. The tax cuts, which have become effective in the current financial year, are also likely to have a multiplier effect in boosting consumption.
- Corporate earnings have been better than expected. Of the Nifty 50 stocks, 37 companies met or exceeded projections. Earnings are projected to be robust. Earnings growth of the Nifty 50 Index was 6.2% in FY25 and is expected to be 11.8% in FY26.
- Macros are stable, corporates are growing, but stock market valuations are stretched. Equity prices are at a premium to long-term averages, but better earnings prospects and liquidity through inflow of FII & domestic flows are likely to support market returns.



Valuation*	
Largecap	13% Premium to historical average
Midcap	22% premium to historical average
Smallcap	44% premium to historical average

- Going forward, there is likely to be some volatility due to tariff issues. Weakening Dollar, apprehension about US policies are driving capital eastwards. Within emerging markets, India is well placed to attract capital flows.
- Low inflation, good monsoon expectations, on-track fiscal deficit, handsome dividend by RBI to the government, and low current account deficit have all contributed to a robust macro environment.
- As a result, long-term rates – 10-yr G-secs have come down to 6.2% levels with all the positives factored in. Any material changes in oil prices or any geopolitical situation would lead to volatility. Interest rates at the short end are expected to fall with improving liquidity conditions as the 100 bps CRR cut comes into effect in 4 tranches.
- 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 and Multi Asset funds and Gold are also tax-efficient options in lieu of pure debt investments.

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